

Ex-ante Evaluation

1. Name of the Project

Country: The Kingdom of Cambodia

Project: Poverty Reduction and Growth Operation (PRGO).

(Loan Agreement: October 9 2007, Loan Amount: 1,000 million yen, Borrower: The Royal Government of Cambodia)

2. Necessity and Relevance of JBIC's Assistance

In recent years Cambodia has maintained stable economic growth, but per capita GDP remains at approximately \$513 (2006), and consequently the country is classified as a "Least Developed Country" (a poor country among LDCs). Cambodia still faces the serious poverty condition with its poverty rate around 35% as of 2005. Among the main causes of poverty are: (1) low productivity in the area of agriculture, in which the majority of the poor population is engaged, (2) lack of basic infrastructure systems such as running water and electricity, (3) limited public services in the areas of health and education, and (4) underdeveloped system for land ownership for farmers. Therefore, increasing income by improving agricultural productivity and generating employment through private sector development, improving basic infrastructure systems, and policy and institutional reforms such as establishment of land ownership for farmers are major outstanding challenges for promoting poverty reduction.

The new government that took the power in July 2004, made public its Rectangular Strategy that seeks, with its ultimate base on good governance, for agricultural development, infrastructure rehabilitation and development, private sector development, capacity building and human resource development in order to accomplish poverty reduction and economic growth. To put this Rectangular Strategy into action, in May 2006 the government formulated the National Strategic Development Plan (NSDP), a comprehensive plan following from the previous Social and Economic Development Plan and the National Poverty Reduction Strategy. The NSDP is an action plan aimed at achieving poverty reduction and sustainable economic growth. Institutional reforms in the fields of the private sector development, the public financial management and the civil service system as well as land and resource management are vital for the realization and achievement of the plan. In July 2007, the World Bank made a decision to provide support for the Poverty Reduction and Growth Operation (PRGO) as the first in the series of consecutive operations and is currently considering of about \$15 million assistance annually in the future.

In addition to realizing and achieving the NSDP mentioned above, this project has a great positive impact on the development of Sihanoukville Port and its Special Economic Zone, for which JBIC is providing assistance to, through policy and institutional reforms for private sector development. By implementing this project, the demonstration of further effects of previous Japanese ODA loan projects can be expected. Furthermore, by undertaking this project, JBIC will participate in a consultation process with the Cambodian government and the World Bank regarding subsequent assistance for this project and will be able to reflect in the policy goals of this program matters such as improvement in the investment environment and promotion of fair trade, which are areas of concern for Japan.

In JBIC's Medium-Term Strategy for Overseas Economic Cooperation (April 1, 2005 to March 31, 2008), an assistance for the improvement of infrastructure and policy and institutional reform for

invigorating private sector economic activities was earmarked as a priority area in Cambodia. In this regard, support to this project, under cooperation with the World Bank with its goal of institutional reforms, including the development of the private sector, is highly necessary and relevant.

3. Project Objectives

This project aims to contribute to poverty reduction and economic growth in Cambodia by providing assistance for the institutional improvement in various areas such as (1) private sector development, (2) public financial management and civil service reform, and (3) land and natural resource management which the Cambodian government undertakes in accordance with the National Strategic Development Plan (NSDP).

4. Project Description

(1) Project Outline

This project determines important policy actions vital for achieving policy and institutional improvement in the areas of (1) private sector development, (2) public financial management and civil service reform, and (3) land and natural resource management. Prior actions that constitute the axes for the policy actions are set annually. JBIC provides financial support on the condition of these achievements by the Royal Government of Cambodia.

(2) Total Project Cost/Loan Amount

About US\$31 million (Japanese ODA Loan Amount: 1,000 million yen)

(3) Schedule

Tentatively from March 2006 to March 2009 (3 years), with completion of the project to be at the end of the third year.

(4) Implementation Structure

(a) Borrower: The Royal Government of Cambodia

(b) Executing Agency: Ministry of Economy and Finance (MEF)

(c) Operation and Maintenance System:

The Cambodian government and the donors plan to engage in consultation on a number of occasions regarding the monitoring of the policy actions, and will assess and confirm progress of these items accordingly.

(5) Environmental and Social Considerations

(a) Environmental Effects/Land Acquisition and Resident Relocation

(i) Category C

(ii) Reason for Categorization

This project is classified as Category C because it is in a sector (financial assistance) where no particular environmental effects are anticipated, and moreover, it is not a project with characteristics likely to have an impact on the environment or in a region that is susceptible to environmental impact as stated in the "Japan Bank for International Cooperation Guidelines for Confirmation of Environmental and Social Considerations" (established April 2002).

(b) Promotion of Poverty Reduction

This project is intended to assist in the implementation of Cambodia's National Strategic Development Plan which is aimed at achieving poverty reduction and economic growth, and the content of the project itself incorporates policy actions which will benefit the poorer segments of the population. The project therefore comes under the category of programs for poverty countermeasures as defined by the JBIC. The Cambodian Government seeks to reduce the current poverty ratio from 35% to 25% by 2010, and this project will contribute to the achievement.

- (c) Promotion of Social Development (Gender Perspective, Measures to Prevent AIDS Infection, Participatory Development, and Measures for Persons with Disabilities)

This project, in the area of land and natural resource management, promotes land ownership for ethnic minorities and seeks for citizens' participation in the management of national land, therefore gives consideration to the area of social development.

(6) Other Important Issues

The JBIC will actively participate in discussion with the Cambodian government and the World Bank to ensure that policy measures which are of concern to Japan are reflected in the program. In addition, JBIC will also, in the light of supporting the implementation of the project, consider of, for example, providing technical support in cooperation with JICA, which will contribute to the promotion of trade and investment and the invigoration of private sector economic activities.

5. Outcome Targets

(1) Evaluation Indicators (Operation and Effect Indicator)

Indicator	Baseline (2006)	Target (2009, at the end of the third year)
Computerization of customs declarations (%)	0%	80%
Computerization of trade documents required by the Ministry of Commerce (%)	0%	85%
Computerization of procedures in the Special Economic Zone (%)	0%	80%
Reduction in time required for import clearance (No. of days)	4 days	2 days
Cumulative number of land ownership right granted (No. of title)	350,000 titles	800,000 titles

Note:

Taking into consideration consultations with the Cambodian government, the World Bank sets performance targets and indicators to be accomplished for each specified reform area through PRGO 1-3, and evaluate the outcomes after the monitoring process. Among these indicators, JBIC will set those pertaining to private sector development that the JBIC mainly support, as a priority area in the operation and effect indicators. For the period for import clearance above, results figures for 2005 are used.

(2) No. of Beneficiaries

It is difficult to calculate the number of direct beneficiaries; therefore, this aspect has not been

included within the scope of the project evaluation.

(3) Internal Rate of Return (Financial and Economic Internal Rate of Return)

N/A

6. External Risk Factors

There are risk factors beyond the control of administrative bodies which result in delays, particularly in policy and institutional improvements which involve legislative measures, and these may have an effect on the overall progress of the project.

7. Lessons Learned from Findings of Similar Projects Undertaken in the Past

It has been learned that in co-financed projects, particularly when there are a number of co-financing donors involved, it is necessary to give adequate consideration so as to ensure the stakeholders' understandings concerning the project implementation at all times. In the process of the project formation for this project, JBIC has held meetings with the Cambodian government, the World Bank, and other donors on each reform agendas and has endeavored to share information, coordinate program content, and build consensus.

8. Plans for Future Evaluation

(1) Indicators for Future Evaluation

- (a) Computerization of customs declarations (%)
- (b) Computerization of trade documents required by the Ministry of Commerce
- (c) Computerization of procedures in the Special Economic Zone (%)
- (d) Reduction in time required for import clearance (No. of days)
- (e) Cumulative number of land ownership right granted (No. of titles)

(2) Timing of Next Evaluation

After the completion of the project