

**Third Party Evaluation FY 2005
Ministry of Foreign Affairs of Japan**

Country Assistance Evaluation of Cambodia

Summary

March 2006

Preface

This report is the summary of the Country Assistance Evaluation of Cambodia carried out by the External Advisory Meeting on ODA Evaluation, which is an informal advisory body of the Director-General of the Economic Cooperation Bureau of the Ministry of Foreign Affairs of Japan.

Japan has been one of the top donor countries of ODA (Official Development Assistance) and there have been domestic and international calls for more effective and efficient implementation of assistance. The Ministry of Foreign Affairs, as the responsible ministry of ODA, has been conducting ODA evaluation mainly at the policy level with two main objectives; to support the implementation and management of ODA and to ensure its accountability. This review aims to examine Japan's assistance policy on Cambodia in terms of its objective, process of formulation and implementation, and results, and obtain lessons to make it more effective. In addition, it aims to ensure accountability by publication of this review.

The External Advisory Meeting on ODA Evaluation was formed to improve the objectivity in evaluation. The Meeting is commissioned to conduct ODA evaluation and to report its results and recommendations to the Economic Cooperation Bureau of Ministry of Foreign Affairs. Professor Hiroko Hashimoto, a member of the Meeting, was in charge of this evaluation.

Mr. Nobuo Hirohata, Director, Department for International Affairs, Development Bank of Japan, and Ms. Naoko Amakawa, Director, Southeast Asian Studies Group II at the Institute of Developing Economies (IDE), made enormous contribution to this evaluation. Likewise, cooperation was received from the Ministry of Foreign Affairs and the Japan International Cooperation Agency (JICA), Japan Bank for International Cooperation (JBIC). We would like to take this opportunity to express our sincere gratitude to all those who were involved in this review. The Aid Planning Division of the Economic Cooperation Bureau of the Ministry of Foreign Affairs was in charge of coordination. All other supportive work was received from the Foundation for Advanced Studies on International Development (FASID), under the commission of the Ministry of Foreign Affairs.

Finally, we should add that the opinions expressed in this report do not reflect the view and position of the Government of Japan or any other institutions.

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Summary

1. Background, Purposes and Methodology of the Evaluation

1.1 Background

Japan has been maintaining the volume of its Official Development Assistance (ODA) as one of the top donor countries, which is an important tool for Japan's international contribution. Recently, there has been a call for more effective and efficient implementation of ODA, which reflects the growing need for ODA evaluation to ensure accountability. In response to this demand, the Ministry of Foreign Affairs of Japan conducts ODA Evaluations at the policy level. One such policy-level evaluation is to assess the overall Country Assistance Program.

Cambodia has been recognized as one of the priority countries to implement Japan's ODA and ranked as the 12th largest recipient in 2004 based on expenditure. Japan has been active in extending assistance for restoration of Cambodia and has been the top donor country since the start of the reconstruction. Japan also places importance on assisting Cambodia from the viewpoint of ASEAN and Mekong subregional development. In February 2002, Japan formulated an Assistance Program for Cambodia and thus needs to review the past approaches and achievements for more effective and efficient implementation of ODA.

1.2 Purposes

This evaluation, regarded as an interim evaluation, aims to provide lessons-learnt and recommendations that will serve as a guide for the revision or formulation of Japan's next Country Assistance Program for Cambodia in order to implement more effective and efficient ODA. The evaluation also aims to ensure accountability by releasing evaluation results to the public and to promote understanding of Japan's aid policy toward Cambodia.

1.3 Evaluation object and framework

The object of evaluation is the Country Assistance Program for Cambodia which was formulated in February 2002. The period for evaluation is, in principle, from 2002 to August 2005, however, when necessary, the socio-economic situations, development policies and relevant matters are covered outside that period.

Based on "ODA Evaluation Guideline" which was formulated in May 2005, the Country Assistance Program for Cambodia is comprehensively evaluated from the following three viewpoints; 1) relevance of purposes, 2) effectiveness of results, and 3) appropriateness of processes. The evaluation also covers the aid policies and strategies of other donors and current trends in aid coordination.

2. Development of Cambodia and assistance trends of Japan and other donors

2.1 Overview

2.1.1 Economic overview

Cambodia still remains a Least Developed Country (LDC). Its GNI was US\$300 in 2004, which is lower even compared with neighbouring countries. However, since the political situation has been stable, the economic growth rate has recently recovered to 5-6%. The leading industries in Cambodia are garment and tourism industries. However, the quota on imports of garments was abolished with the end of Multi-Fibre Agreement in 2004, so the economic growth will be expected to be slower. Cambodia has strengthened regional and world integration by joining in ASEAN.

2.1.2 Current situations of social development

It is said that the poverty rate is 35-40% in Cambodia and most of the poor live in rural areas, the population of which accounts for some 80% of the total population. According to the Human Development Index of the United Nations Development Programme (UNDP), Cambodia ranks 130th among 177 countries, in the lower range of “countries with medium human development”. There remain serious issues to improve the situation of social development. The adult literacy and primary enrolment rates have been improving steadily, but at the secondary or higher education level, the school enrolment rate is low (24% in 2002) and gaps between male and female (1:0.64, 2002) have not yet improved. Additionally, health related indicators such as average life expectancy, the infant mortality rate and the maternal mortality rate have not improved since 2000, and the prospects for many indicators to achieve related Cambodia Millennium Development Goals are dismal at this moment.

2.2 Cambodia’s national development plans

Four national development plans/strategies of Cambodia were developed around and since 2002 when Japan’s Country Assistance Program for Cambodia was formulated: (1) The Second (Five-year) Socioeconomic Development Plan (SEDPII) 2001-2005; (2) The National Poverty Reduction Strategy (NPRS) 2003-2005; (3) The Rectangular Strategy; and (4) The National Strategic Development Plan (NSDP) 2006-2010.

Development plans/strategies	Development issues	Major issues/areas
SEDPII (2001-2005)	Poverty reduction through economic growth	good governance, development of private sector, agriculture and rural development, infrastructure development, health, nutrition, education, forestry management, water resource management, and land management

NPRS (2003-2005)	Poverty reduction	maintaining stability of macro economic stability, improving livelihoods in the rural area, expanding job opportunities, capacity development (education/health), institutional development and governance, reducing vulnerability, promoting gender equality, population issues
Rectangular Strategy	Poverty reduction	With good governance at its core, outlines four growth strategies: (1) agricultural development; (2) infrastructure development; (3) private sector development and employment generation; and (4) capacity development (education/ health)
NSDP (2006-2010)	Poverty reduction	good governance, Environment for the implementation of the Rectangular strategy, agriculture and rural development, infrastructure development, private sector development, expanding job opportunities and trade sector development, capacity development

2.3 Overview of Japan's development assistance to Cambodia

2.3.1 Country Assistance Program for Cambodia

The Country Assistance Program is based on the recognition that (1) Japan has supported Cambodia's restoration efforts as the largest donor country, (2) Japan has consistently led the international community, and (3) Japan should play a more important key role for Cambodia's economic and social development. Support should be provided so that Cambodia helps to achieve sustainable economic growth and poverty reduction.

The Country Assistance Program has four priority areas;

- (I) the realization of sustainable economic growth and a stable society,
- (II) support for the socially vulnerable,
- (III) measures to respond to global issues, and
- (IV) support to rectify disparities among the ASEAN countries.

Under each of the four priority areas, important sectors are identified as follows;

(I)-1 assistance for five reforms and good governance, (I)-2 improvement of the social and economic infrastructure and conditions for economic progress, (I)-3 agriculture and rural development and the improvement of agricultural productivity, (I)- 4 comprehensive assistance for landmine problems, (II)-1 education, (II)-2 health and medical care, (II)-3 water and sanitation improvement, (III)-1 environmental preservation, (III)-2 measures against illegal drugs, (IV)-1 Mekong subregion development, and (IV)-2 assistance for IT development.

It also calls for cross-cutting issues as "gender/WID", "cooperation with other donor countries and international organizations", "cooperation among aid modalities" and "cooperation with NGOs."

2.3.2 Outline of Japan's development assistance

Of the total aid funding between 1991 and 2003, Japan accounted for 21.2%, demonstrating a significant presence as the largest donor, which has continuously supported Cambodia's restoration and recovery needs. The cumulative total of Japan's contribution reached 149.811

billion yen in FY2004, of which 102.156 billion yen was in the form of grant aid cooperation (68.2%), 34.654 billion yen in technical cooperation (23.1%), and 13.001 billion yen in loans (8.7%).

Because of Cambodia's status as an LDC, grant aid accounts for a considerable portion of Japan's ODA, which has been used to support the enhancement of BHN in fields of health, education and food aid, as well as to improve infrastructure development such as roads, bridges and water supply. As for technical cooperation, and in consideration of the current circumstances in Cambodia, support is focused on human resource development, good governance, social infrastructure, agriculture and health, being implemented from both institutional and human resource development perspectives. ODA loans were suspended due to the civil war and political turmoil, but resumed with the "Sihanoukville Port Urgent Rehabilitation Project" in 1999, followed by "Sihanoukville Port Urgent Expansion Project" and "Greater Mekong Telecommunication Backbone Network Project" in FY2004, and "Sihanoukville Port Special Economic Zone Development Project" in FY 2005.

2.3.3 Assistance by other major donors and aid coordination

Apart from Japan, multilateral organizations such as the World Bank, the Asian Development Bank and the United Nations also have made substantial contributions, while other bilateral donors provide offer lower levels of funding, among which the United States, Australia and France show a relatively large presence. In recent years, neighboring countries such as Thailand and China are being recognized as "emerging donors", though their contributions are still small.

For aid coordination, eighteen Technical Working Groups (TWGs) have been formed for each major sector/theme to reconstruct a framework for aid coordination between donors and the government or among donors. Cambodia is now taking sector-wide approaches in education and health, and there is a trend toward the further acceleration of these approaches, including the consideration of budget support.

3. Evaluation of purpose

3.1 Evaluation results

3.1.1 Consistency with Japan's upper-level ODA policy

Basic concepts, principles and major points of new/former ODA Charters coincide with and are consistent with the major areas in the Country Assistance Program for Cambodia. Moreover, the Assistance Program fully reflects the basic approaches in the former mid-term ODA policies and consistency was confirmed in content and direction for both major issues in the mid-term policies and approaches for regional assistance (East Asian region).

3.1.2 Consistency with Cambodia's development needs

While consistency was verified with the past two policies (SEDPII and NPRS) and the latest NSDP which is a current comprehensive development strategy to deliver "Rectangular Strategy" in Cambodia, their priority areas and those of Japan's Country Assistance Program were found to be basically consistent. There are, however, some sectors which are not reflected explicitly, such as private sector development and population policies.

3.1.3 Comparison with other donors' development assistance policies

In comparison with the development assistance policies of other major donors, it appears that at the time of formulating the Assistance Program, most other donors have only set "poverty reduction" as an overall goal, while Japan's Program has set both "sustainable economic growth" and "poverty reduction." Japan's emphasis on "sustainable economic growth" was welcomed as a growth-oriented program by the Cambodian government, although a majority of support was oriented toward "poverty reduction" and stress on economic growth was discouraged. Another notable difference was that Japan's Assistance Program covers almost all of Cambodia's development needs due to the vast variety of development needs held by Cambodian government and a significant level of expectation toward Japan as the largest donor, while other donors are narrowing down the number of areas for assistance.

3.1.4 Consistency with the regional development cooperation framework

Consistency was confirmed between the objectives of the priority areas in the Country Assistance Program such as "Mekong subregion development" and "Rectification of disparities within ASEAN", and those of Japan's basic policy on "Mekong subregion Development" and the international framework for regional development cooperation. Consequently, it can be said that there is consistency between the Japan's policy on Mekong subregion development and the Assistance Program for Cambodia, with a high degree of relevance.

3.2 Conclusion and observations

The Country Assistance Program for Cambodia is considered relevant to the upper-level ODA policies and Cambodia's development needs. However, there are some areas such as the private sector development and population policies where Cambodia's needs exist but are not being directly addressed by Japan's Country Assistance Program, though the reason has not been stated. In order to implement effective and efficient assistance, it is desirable to revise the Assistance Program indicating the priorities of the major areas, approaches to achieve the goals and concrete indicators. As for indicators, the Cambodia Millennium Development Goals (CMDGs) which are the indicators of the NSDP should be used as macro indicators.

4. Evaluation of the results

4.1 Evaluation of the effectiveness of results by priorities and important sectors

4.1.1 Assistance for reforms and good governance

In the Rectangular Strategy, the current development policy of the Cambodian government, good governance is recognized as the most important prerequisite for sustainable economic growth and poverty reduction, as well as being a core issue. In the legal reform, Japan is making a significant contribution for the legislation of civil laws and codes of civil procedures which are two of the eight major laws. In financial reforms, Japan plays an important role in increasing Cambodia's tax revenue. Furthermore, Japan, being a leading donor in the Gender TWG, is contributing to economic empowerment of women in Cambodia that would be conducive to economic development of the country through the project on "Gender Mainstreaming and Policy Development through Upgrading Information & Research Capacity".

4.1.2 Promotion of social and economic infrastructure and conditions for economic progress

In the Rectangular Strategy, infrastructure development is one of four growth strategies. Regarding the top-priority issue - rehabilitation of the transportation network - Japan ranks as the top donor, as well as ADB. They have both mainly supported the rehabilitation of major roads, which have been considerably improved, with Japan playing a significant role. In the rehabilitation of ports, Japan has supported the expansion of docks in Sihanoukville Port, which handles almost all container cargos in Cambodia, to contribute to the improvement of the distribution of goods. Also in Sihanoukville, Japan has assisted with the "Sihanoukville Port Special Economic Zone Development Project" to support the development of the private sector, private investment promotion and trade facilitation, all of which are regarded as essential factors for growth in Cambodia.

4.1.3 Agriculture and rural development and improvement of agricultural productivity, rectification of regional disparities

Agriculture, as an important pillar in growth strategies, is one of the most important economic sectors for Cambodia in terms of both income and employment. The Cambodian government has prioritized improvements in agricultural productivity and diversification of crops with the involvement of the private sector in addition to the land fishery and forestry reforms. Although, the agricultural growth rate and the rice harvest rate have not, so far, recorded a significant level of growth, Japan's assistance seems to be contributing to the agricultural sector development through the development of irrigation facilities, improvements in agricultural productivity and the development of production/distribution systems which are in line with the important sectors in the agricultural sector in Cambodia.

4.1.4 Comprehensive assistance for landmine problems

Japan's contributions to the Cambodian Mine Action Centre (CMAC), the major body for mine removal, accounts for about 15% of the total amount from all donors, indicating Japan's significant contribution to increasing the total area of mine-free land.

4.1.5 Education

Improving access to and the quality of education is an important issue for Cambodia, as many human resources have been lost over the years due to the civil war. Access to primary education has been increasing, though access to secondary education and improving equal access have not progressed well. Japan has extended assistance such as "The Project for Construction of Primary Schools in Phnom Penh" to contribute to the improvement of access to primary education and to the improvement of the facilities. Furthermore, Japan does contribute to improving the quality of science and mathematics education in the upper secondary education nation-wide, and to improving the quality of teachers through the support to the development of textbooks on science and mathematics.

4.1.6 Health

In terms of health, the Cambodian government has given the priority in the areas of maternal and child health, infectious diseases and provision of proper health care services through the improvement of human resource development. Japan's contributions to the Expanded Program on Immunization by the Cambodian government accounts for about 50% of the procurement for conventional vaccines (for poliomyelitis, measles, DPT vaccine and tetanus). Further, 70% of the procurement of cold chain materials is funded by Japan which has also significantly improved the immunization coverage rate (one year old and under) in Cambodia (from 40% in 2004 to an estimated 83% in 2005).

4.1.7 Water Supply

Japan has contributed to improving access to water in urban areas such as Phnom Penh and Siem Reap, by supporting projects such as the Project for Improvement of Water Supply System in Siem Reap Town and the Project for Expansion of Pum Prek Water Treatment Plant. Japan is also engaged in projects contributing to the development of human resources in water projects and the improvement of institutional capacity, such as in the Improvement of Capacity Building for Water Supply System.

4.1.8 Measures to respond to global issues

In regard to forestry preservation, Japan has dispatched short and long term experts and accepts trainees. Japan has also dispatched experts for fishery resource management (fishery resource preservation and suitability control on Tonle Sap lake). As for measures against illegal drugs, Japan provided various assistance such as the anti-drug regional cooperation project.

4.1.9 Support for the rectification of disparities within ASEAN (Mekong subregion development/ assistance for IT development)

As the Mekong subregion development benefits all the Indochina countries, Japan is implementing both hard and soft infrastructure development such as the Second East-West Corridor and the development of legal codes and procedures to promote private sector investment in the region. In this area, with some overlap with 4.1.2, Japan assists projects for roads/bridges/ports. Similarly, the “Greater Mekong Telecommunication Backbone Network Project (Cambodia growth corridor)” is being implemented, again with some overlap between IT development and that of the aforementioned infrastructure development.

4.2 Response to the issues pointed out in the Cambodia ODA evaluation in 1999

4.2.1 Strengthening human resource development and enhancing intellectual support

Training to develop various types of human resources is being expanded. In particular, and in line with development issues in Cambodia, areas associated with good governance such as administration and legislation are being enhanced. In addition, the Japan-Cambodia Cooperation Centre is working to strengthen management capacity under the market economy.

4.2.2 Expanding areas and coverage of assistance

“Regional development projects” involving neighboring countries, such as measures against illegal drugs and livestock disease control are being implemented. “Mekong subregion development” has been selected as a major issue in the Assistance Program, and as mentioned in 4.1.9, is being implemented for cooperation from a regional development perspective.

4.2.3 Strengthening local capacities and function

In JICA, there is a growing tendency toward the delegation of authorities to local offices and the strengthening of their functions. In the Cambodia office, more Japanese staff have been added and the capacities of local staff improved. On the other hand, the Embassy has not increased the number of staff for economic cooperation. With regard to strengthening cooperation with other donors, Japan has participated in all TWGs which are the basic framework of aid coordination, and has taken proactive measures - such as to become the lead donor in two TWGs - with the aim of bolstering cooperation with other donors and international organizations. However, since there are numerous sectors for aid coordination and given that it is necessary to obtain the latest information, methods and procedures for aid coordination, more staff and an improvement in their capacities are necessary, as well as having a backup support system from Tokyo.

4.3 Recognition of Japan’s assistance

With respect to the effects and recognition of Japan’s assistance, a high level of recognition was observed among the government, donors and NGOs regarding infrastructure development projects

such as roads, bridges and power plants. Above all, the Chrouy Changwar Bridge in Phnom Penh, called the “Japan Bridge”, and the “Kizuna Bridge” over the Mekong River were well recognized. Both appreciation and recognition of infrastructure development were high due to the strong demands. In regard to capacity building, various training programs and scholarships have been provided, which are well appreciated.

4.4 Conclusion and observations

It can be said that Japan’s support is balanced between sustainable economic growth and poverty reduction. In particular, concerning infrastructure development, it is considered that Japan contributes to the elimination of obstacles that are said to be an impediment to growth - i.e. a lack of access to infrastructure and high costs – and various stakeholders have appreciated its impact on Cambodia’s development. In addition, interrelated activities for Japan’s private sector development/trade promotion and assistance for infrastructure development are concentrated in Sihanoukville. Thus, the effect of the support concentrated in this area is expected to produce tangible outcomes in the future. Regarding the rectification of disparities in terms of access to social services, Japan is contributing to improving access to health, education and water supply, but Japan’s support is focused on urban areas such as Phnom Penh and Siem Reap, thus contributing little to redressing the disparities between urban and rural areas. As security improves, Japan could proactively extend the support to rural areas.

As the top donor, Japan’s support for infrastructure development is strongly recognized by the Cambodian government, other donors and NGOs. Japan is expected to continue to provide support in this area.

Moreover, Japan’s attitude to aid coordination is perceived as being proactive and is welcomed by other donors and NGOs. Japan has had certain influences on Cambodia’s development policies such as reform of the Ministry of Post and Telecommunication through the Greater Mekong Telecommunication Backbone Network Project, and an improvement of private investment environment through the Sihanoukville Port SEZ Development Project.

5. Evaluation of the process

5.1 Appropriateness of formulation process of the Country Assistance Program

Japan’s Country Assistance Program for Cambodia was compiled mainly by the Country Assistance Planning Office in the Aid Policy Division of the Economic Cooperation Bureau of the Ministry of Foreign Affairs. The Embassy of Japan in Cambodia compiled a preliminary draft which was then examined within the headquarters of the Ministry of Foreign Affairs to create the first draft, in which it was significant that five reform supports and good governance were set as the top priority issues. Meanwhile, the Embassy and JICA Country Office pointed out that the “Realization of sustainable economic growth and stable society”, “Support for the Socially Vulnerable”, and “Support for the rectification of disparities within ASEAN” should be set as

more upper level goals instead of current priority areas. As proposed, “trade promotion and fostering the private sector”, which is one of the most important growth strategies of the current Cambodian government, could have been emphasized more in the Japan’s priority areas/important sectors.

In policy dialogues with the Cambodian government, then Director of the Country Assistance Planning Office of the Ministry of Foreign Affairs visited Cambodia in November 2000 and had a meeting with the Cambodian ministries concerned with ODA. Then, when meetings on economic cooperation were held in March 2003, Japan explained its policy on assistance in line with the Country Assistance Program for Cambodia and that Japan would select and adopt projects under this program. Cambodia expressed appreciation for the Country Assistance Program, especially for the priority areas.

The Japanese government met and held talks with NGOs in Cambodia (Cambodian NGOs and Japanese NGOs) and in Japan. Not all of their opinions are reflected in the Country Assistance Program due to the different perspectives, but the formulation process seems to be transparent and it is striving to meet various needs.

With regard to other donors, Japan held talks with the World Bank, ADB and the UNDP. Also, trilateral meetings (unofficial talks) among the World Bank, ADB and various Japanese ministries/implementing agencies have been held since 2004 to share information on development issues and the progress of reforms in Cambodia.

The Country Assistance Program has not been revised to date. The Ministry of Foreign Affairs of Japan is considering the possibility of its revision in the near future.

5.2 Appropriateness of implementation process of the Country Assistance Program

5.2.1 Appropriateness of project formulation process

With respect to grant aid and technical cooperation, the main modalities of assistance to Cambodia, the primary screening is performed by the Council for the Development of Cambodia (CDC), the coordinating organization of official development assistance to Cambodia. Japan’s local ODA task force in Cambodia then conducts hearings with all of the ministries concerned, the second screening and ratings (from A to D). The results are submitted to the headquarters of the Ministry of Foreign Affairs. The projects rated C and D by the ODA task force will not be accepted, which implies that authorities are being delegated to the task force to some extent. Many Cambodian ministries placed some expectation to provide more timely and predictable notifications in regard to unaccepted projects so that the Cambodian government can look for other opportunities. In regard to the small amount assistance such as grassroots assistance, the local capacities and function could be strengthened in terms of processing of such projects by, for

example, increasing the number of staff and outsourcing, and eventually by delegating authorities to the local level in some extent.

5.2.2 Coordination among aid modalities

In Cambodia, coordination among aid modalities is often evident. Due to limited capacities in Cambodia, this is an effective method to achieve sustainability of facilities and equipment built under ODA loans and grant aid. Concerning technical cooperation and grant aid, on the process of project formulation, an annual request survey is conducted with a view to enhancing program-based approaches and coordination among aid modalities.

5.2.3 Coordination with other donors

The ODA task force is mainly responsible for aid coordination. Japan participates in all eighteen TWG meetings which are the framework for aid coordination, in order to share information among other donors and government agencies and to exchange views. Japan's participation in aid coordination is appreciated by donors, governments and NGOs. Other donors and NGOs express their expectations to Japan for further flexibility in aid modalities and prioritization of its areas of support.

5.2.4 Coordination with NGOs

In Cambodia, the Embassy, JICA and JBIC are making efforts to coordinate with NGOs through regular and ad-hoc meetings in order to share information and exchange views at the grassroots level. Every year around 40-50 grassroots projects are financed to local/international and Japanese NGOs through grant aid and technical cooperation, which have been enhancing the coordination with NGOs.

5.3 Conclusion and observations

5.3.1 Appropriateness of formulation process

In formulating the Country Assistance Program, dialogues with various stakeholders were held and the transparency of the process was ensured. However, there are some aspects that do not reflect the view from the Embassy and JICA country office. It would have been beneficial to emphasize support for policies currently important in Cambodia, such as private sector development. Since 2002, Cambodia has been faced with many changes, such as accession to the WTO, the general election, introduction of the Rectangular Strategy. The progress of aid coordination has also been rapid. Although support for private sector development is not clearly mentioned in the Country Assistance Program, actual assistance for private sector development is already in place in accordance with the changes in circumstances. It will be necessary to strengthen the local ODA task force to have more responsibilities to formulate Country Assistance Program or sector strategies in order to respond to the changing development needs of Cambodia.

5.3.2 Appropriateness of implementation process

As for project formulation and implementation processes, the Embassy/implementing agencies and their Cambodian counterparts hold close dialogues, which is considered to be the appropriate processes. Other aspects in the implementation process are found appropriate such as coordination among aid modalities and cooperation with other donors and NGOs. As a result, such coordination promotes program-based approaches and respond to changing needs of the Cambodian government.

6 Recommendations for the next Country Assistance Program

6.1 Alignment with NSDP

The next Country Assistance Program needs to be aligned with the NSDP, which is the current national development plan. The NSDP sets “poverty reduction” as an overall goal, targeting the achievement of the CMDGs, and incorporating the “Rectangular Strategy.” For the next Country Assistance Program, Japan should consider the possibility to formulate a program which is well aligned with NSDP’s goals, and more precisely, contributions to an achievement of the CMDGs.

6.2 Formulation of the Country Assistance Program with logical relationship and a timely review of the assistance program

The next Country Assistance Program should clearly specify the logical relationship between objectives and means, attach priorities to the priority areas and clarify approaches to achieve goals. The current Country Assistance Program for Cambodia sets four priority areas, which encompass several factors. In order to verify effectiveness and efficiency of Japan’s assistance more clearly, it could be thought to formulate more systematic and logical structure of its assistance goals and objectives in the future program. It is also considered that the future program should specify indicators for development or interim goals in order to make the program more effective. At the same time, in response to changes in socio-economic conditions in Cambodia, and based on the results of the review by Japan’s ODA task force, timely reviews and revisions would be desirable when necessary.

6.3 Prioritizing support areas

Currently, Japan covers almost all areas for assistance. Cambodia’s development needs are varied, and unlike other donors, Japan can cover a wide range of areas due to its large presence in the country and the fact that wide-ranging assistance is strongly expected by the Cambodian government. However, exhaustive support can lead to a weakening impact of contribution to these areas. In order to ensure more tangible outcomes, it will be necessary to consider more explicit prioritization of areas or sub sectors within a support area (e.g., for the health sector, measures against infectious diseases and so forth). As for the criteria in choosing priorities, it may, for example, be effective to identify priority areas by conducting analysis based on information such as Japan’s comparative advantages in experience and expertise, activities that can bring multiplier effects by coordination with other donors, and sub sectors in which it is considered difficult to

achieve CMDGs under present circumstances. Support for industrialization could also be one of the areas that Japan prioritizes since Japan has comparative advantage in it and the expectation of Cambodian government is high.

6.4 Japan's contribution in good governance and administration/financial reform

Japan should concentrate on the subsectors of governance for which Japan already extended support. Accordingly, Japan can continue its contributions in the area of legal reform, tax revenue, custom duty, and gender mainstreaming. In particular, Japan could contribute to the area of tax revenues, since they will be more important for the scope of future financial support. Although Japan may not be so competitive in terms of providing technical support on expenditure control, Japan is relatively competitive in terms of the taxation system and its ability to collect taxes, where other donors do not extend significant support. In regard to future support, the further strengthening of current human resource development in terms of revenue collection, such as accounting and tax investigation, can be considered.

6.5 Effects of concentrated support between Phnom Penh and Sihanoukville

The area between Phnom Penh and Sihanoukville is expected to be a growth corridor as an engine for Cambodian economic growth together with Siem Reap as being the growing tourist destination and Poipet which is expected to be developed as a new industrial center. Japan's support is anticipated to bring a "concentration" effect leading to the private sector development. After the expansion of the Sihanoukville port, the laying of fiber-optic cables between Phnom Penh and Sihanoukville, development of a Special Economic Zone in Sihanoukville, ODA loans for power transmission and railways are expected to follow. Significant contributions to the private sector are expected through trade facilitation and attracting of foreign investment, which are also priority strategies for the Cambodian government. This concentration effect will be a good reference for future assistance approaches.

Additionally, most of these projects between Phnom Penh and Sihanoukville area are related to Mekong subregion development. With the aim of facilitating the rectification of disparities among ASEAN countries, Japan has two important initiatives regarding regional cooperation - "Mekong subregion development" and "Cooperation on development of the triangle zone" - for the regions neighboring the borders of CLV countries. In supporting Cambodia, such regional initiatives should be also incorporated in the next Country Assistance Program as a cross-cutting perspective.

6.6 Improvement of the effectiveness and efficiency through coordinating aid modalities

Coordination among aid modalities was highly appreciated by the Cambodian government, with the realization of tangible outcomes in terms of sustainability and maintenance. This could be

achieved by flexible response at the local level and better coordination among the Embassy and implementing agencies. In this sense, the local ODA task force needs to be further strengthened.

In order to further strengthen their unity, formulation of the next Country Assistance Program for Cambodia should be in a more coordinated manner with all concerned stakeholders, especially at the local level. In doing so, the drafting of a Country Assistance Program should be initiated by the local ODA task force to meet Cambodia's development needs.

As to make the project-formulation process shorter, much faster notification should be considered for the applicants to look for other opportunities.

6.7 Clarifying roles of local ODA task force in aid coordination

As mentioned above, the local ODA task force may need to have more responsibilities to formulate, implement and monitor the Country Assistance Program. There is also a lot of burden on the current staff as many aid coordination activities are being carried out in Cambodia and Japan participates in all 18 TWGs as such. It is requested not only to increase the number of the staff but also to improve their capacities on issues such as general budget support and harmonization. It will likewise be necessary to classify the various meetings on aid coordination into categories such as those for information gathering, those for active participation, and those requiring policy discussion, while organizing how the Embassy, JICA and JBIC should each respond, including role-sharing.

6.8 Establishment of a supporting mechanism in Tokyo

There have always been new issues evolving in aid coordination. It would be very useful to share information on global trends and the good practices of other countries, and to provide know-how on various matters. Along with consideration of strengthening local capacities and functions, it will be necessary to develop a mechanism to support the local ODA task force from Tokyo. More precisely, establishment of a help desk and referral system to academia and experts on important sectors such as modalities for aid cooperation, harmonization, and movements in general budget support should be considered.