

SUMMARY

Annual Action Programme (AAP) 2017 part 2 in favour of Cambodia

1. Identification

Budget heading	21 02 02
Total cost	EUR 100 000 000 of EU contribution
Basic act	Regulation (EU) No 233/2014 of the European Parliament and of the Council establishing a financing instrument for development cooperation for the period 2014-2020.

2. Country background

Since the 1990s Cambodia has made significant progress towards prosperity and development. It has been one of the best performing Millennium Development Goals achievers in the world. Although the poverty incidence has sharply declined, its Human Development Index (HDI) remains still very low, alarming levels of malnutrition persist and much remains to be done to achieve sustainable socio-economic growth and poverty alleviation. Better education is key in that perspective.

After the fall of the Khmer Rouge in 1979, the education system had to be re-created from almost nothing. Early phases of reforms focused on improving access to primary education, closing the gender gap and reducing social and regional disparities through the implementation of successive education strategic plans. The current education reforms address systemic issues with emphasis on quality of education and education governance. This has resulted in a more complex reform agenda which requires and justifies long-term predictable support.

The Ministry of Education, Youth and Sports (MoEYS) is committed to improving education quality through teacher reform, development of more relevant curriculum and textbooks, use of national learning assessments, improvements in examination and strengthening of inspection. While several major reforms have been launched in the area of quality and a number of activities related to equity are on-going, several areas such as Non Formal Education, inclusive access for children with disabilities, nutrition and water, sanitation and hygiene (WASH) still need further and more systematic attention. The high prevalence of under-nutrition risks undermining education objectives due to irreversible cognitive damage and hence sub-optimal learning outcomes implied by child stunting, as well as the broader negative effect on health status leading to poor attendance.

3. Summary of the Action Programme

1) Background:

Since 2014 key reforms have either been initiated or strengthened, for example those related to examinations, Teacher Reform, Public Financial Management (PFM) and decentralisation of early childhood education, primary and non-formal education to district level. Considerable gains were made, but there remain many challenges for Cambodia to be able to reach the SDG 4 goal of inclusive and quality education for all and the promotion of lifelong learning. It is important to increase the focus on key reforms that will strengthen the capacity of teachers and principals and contribute to substantial improvement of the quality and relevance of learning, and to address the large number of out-of-school children through a combination of strategies. There are continuing and considerable discrepancies between different provinces and districts.

2) Cooperation related policy of beneficiary country

At national level, the Rectangular Strategy (RS) III (national strategy) lays out the political commitment of Cambodia for socio-economic progress in the medium term. The National Strategic Development Plan (NSDP) 2014-2018 takes forward the agenda laid out in the national strategy and is the policy document to which all sector policies and plans are aligned. As regards education the mid-term review re-confirmed focal areas and added challenges such as access for disadvantaged children.

In line with Cambodia's socio-economic development framework, the Education Strategic Plan 2014-2018 was prepared based on lessons learned, reviews and analysis of the previous ESP. A mid-term review of the plan was completed in late 2016. The sector plan was updated to incorporate Cambodia's commitment to the Sustainable Development Goals and the new policy objectives for 2018 and beyond are: (i) Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all; (ii) Ensure effective leadership and management of education staff at all levels.

3) Coherence with the programming documents:

The joint **European Development Cooperation Strategy for Cambodia 2014-2018** ('European Joint Strategy') is aligned to the priorities of the Government's national strategy for the same period. Support to human resources development, including education and skills is one of the five priority areas of European development cooperation.

In this context, the European Joint Strategy recalls that 'European partners will support education and development of people's knowledge and skills, in informal and formal education'. The Joint Strategy also indicates that 'European programmes will continue their support to education through support to the Education Strategic Plan 2014-2018'. The EU has been identified in the Joint Strategy as 'lead partner' among the European development partners in the education sector.

Within the **Multiannual Indicative Programme (MIP) 2014-2020**, support to education will contribute to achieve the following results: (1) improved equitable access for all and improved implementation of inter-sectoral activities), (2) improved quality and relevance of education and (3) improved system efficiency and increased capacity at all levels.

4) Identified actions

The overall objective of the programme is to financially and technically support the Royal Government of Cambodia for the overall implementation of its Education Strategic Plans. The specific objectives are: (1) to support the Royal Government of Cambodia to ensure inclusive and equitable quality education, with a focus on Early Childhood Education and Basic Education, and to promote lifelong learning opportunities for all; and (2) to support the Royal Government of Cambodia to ensure effective leadership and management of education staff at all levels of the education system.

Assistance under this action will be delivered through a sector reform contract, together with complementary support measures for capacity development in the education sector and strengthening of aid effectiveness and harmonisation across European intervention areas.

5) Expected results:

The proposed action in the education sector seeks to improve key education indicators in terms of improved access, increased enrolment and retention, improved quality at all levels and reduced regional and social and gender disparities. It also seeks to contribute to a better implementation of Government decentralisation reforms and increased budgetary allocations for the education sector.

6) Past EU assistance and lessons learnt.

The proposed programme builds on the EU's previous experience in the sector, implemented through consecutive budget support programmes. Key lessons learnt of recent reviews of the education sector plan and the performance of the education sector acknowledge that considerable gains were made, but also that there remain challenges for Cambodia to be able to reach the SDG 4 goal of inclusive and quality education for all and the promotion of lifelong learning. Lessons learned and recommendations include better focus on outcome indicators, strengthening of the capacity of teachers, contribute to improvement of the quality and relevance of learning, address the large number of out-of-school children.

7) Complementary actions/donor coordination

The Education Sector Reform Partnership programme is highly complementary to other education initiatives such as the Global Partnership for Education. In addition, UNICEF and Sweden are associated in providing capacity development which has increased donor coordination and harmonisation on capacity development interventions. Budget support has also contributed to strengthening donor coordination around policy dialogue.

The action will also be complementary to and benefit from the cross-sectoral governance programmes *EU support to Public Financial Management – Stage 3* and *Support to Sub National Democratic Development (SNDD), Phase II*.

4. Communication and visibility

Visibility of EU support to the education sector will be pooled through a single visibility contract across all MIP areas and therefore financed under another financing decision. This is to allow for efficient contract management and greater coherence and impact of messages on EU development cooperation in Cambodia. Visibility and communication under that financing decision will support a range of different activities such as nation-wide campaigns, sector specific activities to disseminate information and knowledge and actions to increase awareness of the impact of EU development cooperation in Cambodia on poverty reduction

and sustainable development. The action will use a wide range of media to communicate to the public with a particular emphasis on reaching young people.

5. Cost and financing

EU-Cambodia Education Sector Reform Partnership 2018-2021	EUR 100 000 000
Total EU contribution to the measure	EUR 100 000 000

The Committee is invited to give its opinion on the attached Annual Action Programme 2017 part 2 in favour of Cambodia.



ANNEX

of the Commission Implementing Decision on the Annual Action Programme 2017 part 2 in
favour of Cambodia

Action Document for EU-Cambodia Education Sector Reform Partnership 2018-2021

1. Title/basic act/ CRIS number	EU-Cambodia Education Sector Reform Partnership 2018-2021 CRIS number: ACA/2017/39902 Financed under Development Cooperation Instrument (DCI)	
2. Zone benefiting from the action/location	Asia, Cambodia The action shall be carried out at the following location: Cambodia (nationwide)	
3. Programming document	Multiannual Indicative Programme (MIP) 2014-2020 for the European Union's cooperation with the Kingdom of Cambodia	
4. Sector of concentration/ thematic area	Priority sector 2: Education / Skills	DEV. Aid: YES ¹
5. Amounts concerned	<p>Total estimated cost: EUR 113 875 357²</p> <p>Total amount of EU budget contribution EUR 100 000 000 of which EUR 89 000 000 for budget support and EUR 11 000 000 for complementary support</p> <p>This action is indicatively co-financed in joint co-financing by³:</p> <ul style="list-style-type: none"> - Swedish International Development Agency in SEK for a corresponding amount of USD 6 958 643⁴; - UNICEF for an amount of USD 400 000⁵; - Global Partnership for Education for an amount up to USD 6 180 000⁶; 	

¹ Official Development Aid is administered with the promotion of the economic development and welfare of developing countries as its main objective.

² Indicative contributions by third parties in USD (see 5.6), exchange rate of 1.06 USD/EUR used for calculation of total estimated cost

³ Amounts are partly indicative at this stage.

⁴ USD 6 600 000 for Capacity Development Partnership Fund (CDPF) and USD 358 643 for Programme for Development Results (PfDR)

⁵ For CDPF

⁶ For CDPF: performance-based according to progress on disbursement-linked indicators

SUMMARY

Since the 1990s Cambodia has made significant progress towards prosperity and development. It has been one of the best performing Millennium Development Goals achievers in the world. Although the poverty incidence has sharply declined, its Human Development Index (HDI) remains very low, alarming levels of malnutrition persist and much remains to be done to achieve sustainable socio-economic growth and poverty alleviation.

In line with Cambodia's socio-economic development framework, the Education Strategic Plan (ESP) 2014-2018 was prepared based on lessons learned, reviews and analysis of the previous ESP. A mid-term review of the ESP was completed in late 2016. The sector plan was updated to incorporate Cambodia's commitment to the Sustainable Development Goals and the new policy objectives for 2018 and beyond are: (i) Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all; (ii) Ensure effective leadership and management of education staff at all levels.

Building on the well-established cooperation between EU and the Royal Government of Cambodia (RGC), the EU planned in its MIP 2014-2020 to continue support to the education sector. The proposed programme builds on the EU's previous experience in this sector and the main objective of the proposed action is to continue to support the RGC in achieving the objectives of the ESP/MTR and support the next ESP. It is proposed that this continues through an aligned sector-wide approach, providing financial and technical assistance through budget support and complementary capacity development. The proposed action will continue a focus on improving equitable access, quality of education services and efficient management of the sector. The programme will continue to focus on access for all to good quality early childhood education, primary and lower secondary education and supporting education systems strengthening, notably through funding the Capacity Development Partnership Fund (CDPF) Phase III, a continuation of the current CDPF. It is proposed that the programme (in the sector reform contract and the complementary measures) places further emphasis on supporting cross cutting/cross sector interventions which have a significant impact on education, as well as the key Government reforms that impact on education services delivery, notably PFM and decentralisation, underpinned by a Government-led capacity development process to address these issues in a systematic and sustainable manner.

1 CONTEXT

1.1 Sector/Country/Regional context/Thematic area

Country context:

Cambodia has made commendable progress in human development, poverty reduction and economic growth. Gross National Income (GNI) per capita has increased from USD 691 in 1990 to USD 1,228 in 2015 and the country graduated to a lower-middle income economy in mid-2016 although it remains a LDC in the UN's classification.

Cambodia has a population of 15.6 million with nearly 80 percent living in rural areas. Population growth in Cambodia declined from 3.4 percent in the early 1990's to 1.6 percent in

2010-15. The population profile of the country is still quite young.¹⁰ This has important implications for educational policy and planning. It can be taken as an opportunity to accelerate coverage of the system and improve the quality of education services.

Poverty continues to fall in Cambodia. The poverty rate was 18.9 percent in 2012, with almost 3 million poor people and over 8.1 million near-poor, of whom 90 percent live in rural areas. The scale and severity of malnutrition highlight the extent to which much of the population remains very vulnerable, food insecure and nutritionally at risk. With a prevalence of 32.4% stunting, in 2014 there were 567 000 stunted children under five in Cambodia¹¹.

The Rectangular Strategy (RS) III lays out the political commitment of the RGC for socio-economic progress in the medium term. The National Strategic Development Plan (NSDP) 2014-2018 takes forward the agenda laid out in the RS and is the policy document to which all sector policies and plans are aligned. As regards education the NSDP mid-term review re-confirmed focal areas and added challenges such as access for disadvantaged children.

The country has enjoyed a period of rapid economic expansion since the early 2000s, driven by the garment industry, construction and tourism among other sectors. In 2015 GDP was USD 16.78 billion, a substantial increase from USD 11.24 billion in 2010.

Government revenue as a percentage of GDP increased from 12.6 percent in 2010 to 15.6 percent in 2014. Taxation is the main source of revenue, representing 13.4 percent of GDP in 2014. Government expenditures stood at 17 percent of GDP in 2014, a decrease from the 2010 figure of 21.4 percent. Of the total value of GDP, current and capital expenditures related to health, education and infrastructure make up around 11-12 percent.¹²

Sector context:

After the fall of the Khmer Rouge in 1979, the education system had to be re-created from almost nothing. Early phases of reforms focused on improving access. The main policy frameworks in Cambodia's education system are the Education Law of 2007, which enshrines the right to free public education of at least nine years duration, and the Education Strategic Plan (ESP) 2014-2018. The ESP is consistent with RS III and NSDP 2014-2018.

The earlier focus of ESP reforms was on ensuring equitable access to education, especially primary education. The current education reforms under the ESP 2014-2018 address systemic issues, with emphasis on quality of education and education governance. This has resulted in a more complex reform agenda which requires and justifies long-term predictable support. Since 2014 key reforms have either been initiated or strengthened, for example those related to examinations, Teacher Reform, Public Financial Management (PFM) and decentralisation of early childhood education, primary and non-formal education to district level.

Since 2014 the education recurrent budget has grown progressively: the share of the corresponding national recurrent budget allocated to the Ministry of Education, Youth and Sport increased from 15.5% in 2013 to 18.3% in 2017. The major driver behind this trend has been the growth in the wage bill, particularly teachers' salaries. Another driver has been the

¹⁰ In 2000, 41.6 percent of Cambodians were under 15 years of age. In 2015, this proportion came down significantly to around 31.6 percent. As a result of the slowing down in population growth, the proportion of those under 15 years is expected to further decrease to an estimated 27.3 percent in 2030.

¹¹ Cambodia Demographic Health Survey (2014)

¹² UNESCAP (2016)

capital budget. The current funding level for the education sector is roughly 2.8%¹³ of GDP for 2016, still low in comparison to other countries in the ASEAN region. Moreover, the increase in the allocated budget has not been reflected in actual levels of expenditures although this has improved over the last years.

Despite the increased resource allocation to education, the ESP/MTR highlights that there remained a financial gap in the recurrent budget against the ESP financial projections. These budget gaps have hampered MoEYS capacity to achieve some of its ESP policies and targets. The ESP/MTR estimates a budget gap of around USD 277 million for 2016-20, around 7% of the required resource for ESP implementation. Minimising this gap is critical for effective implementation of ESP and sustainability of the investments in the sector.

1.1.1 Public Policy Assessment and EU Policy Framework

Education is a focal sector of the MIP 2014-2020, which foresees continuing support to implementation of the ESP. The MIP was prepared in the framework of the European Development Cooperation Strategy for Cambodia 2014-2018 (European joint programming). The EU is currently providing budget support in education (sector reform contract¹⁴), and the public policy is therefore assessed on an annual basis to confirm continued eligibility.

The Education Strategic Plan (ESP) 2014-2018, updated through the 2016 mid-term review, continues to be assessed as a credible and relevant sector policy that supports the objectives of poverty reduction, sustainable and inclusive growth, and democratic governance.

The ESP 2014-2018 was developed taking into account the reviews and analysis of the previous ESP and formulated by the MoEYS in broad consultation with relevant ministries, development partners (DPs), civil society organisations and provincial offices of the MoEYS through national and sub-national consultations. The 2016 MTR of the ESP was conducted in a consultative manner, with strong leadership and ownership by the MoEYS.

The ESP is fully coherent with other government policies and progress is partially dependent on progress in other areas of governance related to PFM, public administration reform and decentralization and de-concentration. The ESP is progressive in terms of its articulation with the National Strategy for Food Security and Nutrition: four of the seven ESP subsectors refer to nutrition as areas of policy and strategic focus, programming activities or indicators.

Through the mid-term review (MTR) of the ESP completed in late 2016 the sector plan was updated to incorporate Cambodia's commitment to achieve the SDGs. Policy objectives were reformulated: (i) ensure inclusive and equitable quality education and promote lifelong learning opportunities for all; and (ii) ensure effective leadership and management of education staff at all levels¹⁵. In addition, 15 priority reform actions initiated by the current Minister during implementation of the ESP were further incorporated in the ESP/MTR¹⁶.

¹³ Budget allocation: RGC (Budget Law 2016) / GDP: IMF (Art. IV mission 2015)

¹⁴ Decisions 2007/19017 and 2013/24406

¹⁵ The first two policies of ESP 2014-18: (i) ensuring equitable access for all and (ii) enhancing the quality and relevance of learning, was replaced by SDG 4 'ensure inclusive and equitable quality education and promote lifelong learning opportunities for all'. The third policy of ESP 2014-18 was retained in ESP/MTR.

¹⁶ The 15 reform actions priorities are: (1) Public financial management; (2) Teacher deployment; (3) Teacher training center; (4) Teacher qualification improvement; (5) Inspection; (6) Assessment of learning outcomes; (7) Lower and upper secondary examinations; (8) Curriculum and core textbook; (9) Construction and rehabilitation; (10) Evaluation of higher education institutions; (11) Promotion of sports sector; (12) Implementation of action

Some reform areas such as the teacher reform were considerably expanded during the initial phase of implementation (2014-15) of the ESP.

The priorities of the ESP/MTR reaffirm MoEYS commitment to improving education quality through teacher reform, development of more relevant curriculum and textbooks, use of national learning assessments, improvements in examination and strengthening of inspection. While several major reforms have been launched in the area of quality and a number of activities related to equity are on-going, several areas such as Non Formal Education, inclusive access for children with disabilities, nutrition and water, sanitation and hygiene (WASH) still need further and more systematic attention. An intensification of cross sector work will also be required to tackle these issues. The high prevalence of under-nutrition risks undermining education objectives due to irreversible cognitive damage and hence sub-optimal learning outcomes implied by child stunting, as well as the broader negative effect on health status leading to poor attendance.

The ESP Mid-Term Review found that progress made so far in the implementation of the ESP has been overall satisfactory, but also points at areas where progress has been mixed, and at adjustments needed to tackle challenges where limited progress has been made in the last few years such as access and retention in secondary education. It acknowledges that equity and inclusion need to be improved at primary level.

The ESP M&E framework consists of a set of Core Breakthrough Indicators (CBI) and accompanying sub-sector performance indicators. The MTR found that sector performance indicators show overall positive but very slow progress. While several CBIs are slowly improving, they will not reach their targets. This is assessed as due both to over-ambitious targets and the need to adjust strategies and activities. This for example is the case for drop out, which is stagnating, or for enrolment in secondary. The MTR therefore revised the ESP M&E framework.

One of the ESP sector-wide policy objectives aims at ensuring effective leadership and management of education staff. Improvements have been made since the implementation of the ESP 2014-2018 but important challenges remain. The different structures of the ESP on the one hand and the budget on the other make it difficult to link financial resources to results. Capacities and experience on strategic planning and results-based management still require strengthening, especially at sub-sector and sub-national level, and this has an impact on the quality of the different types of plans and reports produced.

There has been renewed focus on PFM in the ESP 2014-2018 with attention given to budget allocations, budget execution at all levels and capacity strengthening particularly at provincial, district and school level.

Capacity development is seen in the ESP 2014-2018 as a key supportive strategy to achieve the sector policy objectives. Implementation of the reforms foreseen in the ESP requires development of MoEYS capacities at central and sub-national level. The CDPF-supported Capacity Development Strategic Master Plan (CDMP) 2014-2018 addressing capacity constraints in MoEYS and subordinated institutions will be updated after the ESP MTR.

plan on youth development; (13) Technical education; (14) New generation school; and (15) Development of career path and school principal training.

1.1.2 Stakeholder analysis

The MoEYS is responsible for leading, managing and developing the education, youth and sport sector. Other ministries providing support to the implementation of the ESP and to education and skills development services include (i) Ministry of Economy and Finance (MoEF); (ii) Ministry of Labour and Vocational Training (MLVT); (iii) Ministry of Women Affairs (MWA); (iv) Ministry of Health (MH); (v) Ministry of Interior (MI); and (vi) Ministry of Civil Service (MCS). Inter-agency coordination and capacity of some of the MoEYS partner ministries on implementing cross-sector thematic programmes (e.g., ECCD, Child Nutrition, Skills Development) will require strengthening.

Implementation of the ESP is supported by a large number of DPs. The main active DPs are the World Bank (WB), the Asian Development Bank (ADB), the Swedish International Development Cooperation Agency (SIDA), Japanese International Cooperation Agency (JICA), Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), United States Agency for International Development (USAID), United Nations' Children Fund (UNICEF), United Nations' Organisation for Education, Science and Culture (UNESCO), the Global Partnership for Education (GPE) and the EU. In addition there are numerous NGOs that contribute to sector development. Most of them are part of the National Education Partnership (NEP), the umbrella NGO for the sector. Overall, the DPs and CSOs have fully aligned their support with the ESP and have ensured strong MoEYS leadership and ownership in education reform implementation.

The final beneficiaries of the Action are the children and young people of Cambodia. These include children who are currently in the public system or will join it, including children who are at risk of dropping out, have dropped out or never attended school. Out-of-school children represent marginalised and most disadvantaged groups, including children with disabilities, ethnic minorities, those in remote locations, and migrant, working and street children.

Parents, communities and members of the School Support Committees (SSC) are also beneficiaries, as are teachers and school directors, and district and provincial education authorities. Parents participate at several levels, notably in the management of community and/or home-based pre-schools and in the SSC. Overall the involvement of parents and the wider community however is still rather limited, which presents a key priority on strengthening of parental/community participation in local school governance.

The identification and formulation of the proposed Action also have been conducted in consultation with the MoEYS, the MoEF, main DPs and NGOs active in the sector.

1.1.3 Priority areas for support/problem analysis

Access/equity: Access to all forms of ECE and especially for five year old children has increased, but is still low at 64.1% and varies considerably between provinces¹⁷. Quality is also uneven, with different forms of provision of ECE services, and not all teachers meeting qualification requirements yet. The drop-out rate with subsequent low completion rate at primary school level remains high and is slightly higher for boys than for girls and higher in rural than in urban areas with geographical disparities. Overage is a major issue. The transition rate between primary and lower secondary remains behind the expected goals and is better for girls than for boys, but this situation is reversed during upper secondary. Access to secondary remains low, and drop out levels high. Most of the decline in Lower Secondary

¹⁷ EMIS 2015-2016

Completion Rate (LSCR) in the recent past has been recorded in urban areas: from 51.5 percent in 2012/13 to 44.5 percent in 2015/16. The proposed programme should therefore continue to focus on access to early childhood education, and on access and retention in secondary. The programme should also support the expansion as necessary of the non-formal education programmes aimed at ensuring that all children complete basic education.

Disadvantaged children, e.g. children of marginalized groups, including children from border areas, children with disabilities, overage children, children from poor and food insecure families, ethnic minorities and (im)migrants remain more vulnerable to exclusion from educational opportunities: they have a higher chance of dropping out and have less chance of completing school and enrolling at higher levels. The on-going programme has supported multilingual education¹⁸. The proposed programme should continue the focus of previous programmes on equity and inclusive education.

Quality and relevance of education: While progress has been made in access, quality and relevance of learning remains an issue. A national learning assessment system is being put in place and results should inform policy action. The results of the latest Grade 3 and 6 assessments are a matter of concern. The low figures for student learning outcomes can be explained by a number of factors including teacher qualifications, school management/capacity of school director, curriculum, quality and availability of textbooks and learning materials, budget constraints, lack of conducive learning environments including limited water and sanitation facilities. The teacher reform, in all its aspects, will be key to addressing the issue of low learning outcomes. Other important work on-going is improvement of the curriculum and teaching and learning material, use of the national learning assessments, examinations and school inspections. Cambodia's participation in the PISA for Development and SEAMEO-led Primary Learning Metrics (PML) will also provide useful international and regional benchmarks on student learning outcomes.

It is foreseen that the proposed programme allows continuing support to these key major reforms, with a focus on the ambitious teacher reform.

Governance: Although there has been a gradual delegation of responsibilities to provincial offices and to district offices of education in the last few years, the current education system is still highly centralized. MoEYS is one of the selected pilot ministries for the implementation of the decentralisation reform. The Ministry adopted the regulatory framework mid-2016, and systems and processes are being developed for decentralisation of three sub sectors: ECE, Primary, and NFE. This will induce major changes in the role and processes for the MoEYS as accountability lines change, which will require systematic capacity development to ensure that services are maintained to current levels and further improved over time. Another key governance reform is the PFM reform, for which the MoEYS is a pilot Ministry. Important work is ongoing in order to improve budget formulation and execution, the link between policy and budget, the management of the school operating budget, etc. The ongoing EU programme has been instrumental in supporting capacity development at all levels for the implementation of the ESP reform. It is foreseen that this support will continue as well as support to decentralization (increasingly) and to improving PFM.

The ongoing EU programme focuses on equity and quality of education. It is foreseen that following up from the ESP-MTR, EU support will further increase its focus on reforms that contribute to improved quality/relevance and equity of education. The programme will also

¹⁸ Terminology used by the MoEYS for bilingual education for ethnic minority children.

support MoEYS efforts on integration of cross cutting issues such as gender, WASH and nutrition, and crucially, identifying and addressing corresponding capacity gaps.

1.2 Other areas of assessment

1.2.1 Fundamental values

Cambodia has ratified all the main human rights treaties and its constitution and laws are in line with these. However, some government policies and recent legislation, as well as its implementation in practice, do not reflect a rights-based approach. The Law on Associations and Non-Governmental Organization passed on 13 July 2015 has the potential to considerably restrict the activity of NGOs. A law regulating trade unions was passed in April 2016, which rights groups saw as designed to curb workers' rights. On 20 February 2017 the National Assembly passed amendments to the Law on Political Parties, which ban individuals with criminal convictions from holding leadership roles in political parties, and which allow for dissolution of political parties on potentially arbitrary grounds.

The political deadlock between the two main parties following the 2013 election was resolved with the July 2014 agreement which mandated a "culture of dialogue" to create conditions for peaceful democratic political dialogue. The agreement delivered significant electoral reforms with the creation of the bipartisan National Election Committee (NEC) and a significant redesign of the voter registration system. However, political tension between the parties at the end of 2015 called into question the "culture of dialogue" and this situation has continued. Rule of law is fragile. The judiciary is perceived by Cambodians as the most corrupt government institution¹⁹, and is not capable of providing fair dispute resolution or delivering justice. The judiciary is regulated by laws that do not ensure its independence; external influence on the courts is widespread. The last year has seen a number of court cases against opposition politicians and human rights defenders that are widely seen as politically motivated.

1.2.2 Macroeconomic policy

Over the last two decades, Cambodia's GDP grew at an average 7.7% despite global economic slowdown from 2008, and its integration with the global economy soared, substantially reducing poverty and inequality. The percentage of the population living under the poverty line declined from 50.1% in 2007 to 13.5% in 2014. The GINI coefficient dropped from 41.1 in 2007 to 30.8 in 2012 and the Palma index decreased from 1.7 in 1994 to 1.2 in 2012, suggesting improvements in terms of income redistribution and inequality. Real GDP growth in 2015 reached 7.0 %, mainly driven by construction and the garment sector. Cambodia's economy is expected to stay robust with rates of around 7% in 2016 and 2017.

Cambodia's external position remains stable. The external sector improved in 2015 thanks to higher export growth and import easing. Growth of imports slowed to 10.5%. Exports accelerated sharply in 2015, a 15% increase as compared to 7.5% in 2014, mainly due to strong performance in the garment and footwear sector. The current account deficit (CAD) is projected to narrow in 2016 to 9.7% of GDP, from 10.7% in 2015. Foreign Direct Investment (FDI) is expected to continue financing most of the CAD in the medium term.

The fiscal deficit is projected to widen to 2.6% of GDP –still well below the budget target– from 1.6% of GDP in 2015 as rising current expenditure offsets gains from revenue

¹⁹ Transparency International National Integrity Assessment System, 2014

mobilization. Current expenditure is projected to rise by about 1.2% of GDP, driven by an increase in the wage bill.

The debt analysis in the last Art IV mission published in November 2016 confirmed that Cambodia's debt distress remains at low risk. External public debt was at USD 5.6 billion or 32% of GDP at the end of 2015. In recent years, China has become an important creditor, accounting for about 90% of new bilateral debt over the past three years. It is noteworthy that RGC has started to publish a debt report twice a year. While Cambodia's overall economic outlook is positive the country remains vulnerable to endogenous and exogenous shocks.

Potential sources of instability are related to high reliance of the population on agriculture and vulnerability to extreme weather conditions, a high degree of dollarization and limited fiscal space, weak regulation and supervision of the banking sector and contingent liabilities and fiscal risks, as well as potential social and political unrest related to upcoming elections.

1.2.3 Public Financial Management (PFM)

The PFMRP strategy is articulated through four platforms: (1) Budget Credibility, (2) Financial Accountability, (3) Budget Policy Linkages and (4) Performance Accountability. Implementation of the platforms is done in stages: Stage 1 focused on disbursement predictability, control of budget deficit and reduction of payment in arrears. Stage 2 focused on improving fiscal space, better budget execution control, and better financial information through a revised budget classification and chart of accounts and installation of a Financial Management Information System (FMIS).

Progress on Platform 1 (budget credibility) has continued according to plan. Revenue collection in 2015 performed above expectations, with domestic revenues increasing from 16.9 to 18.5% of GDP in 2016. This increase is mainly due to increased collection both in customs and excise and taxes at central level. Non fiscal revenue and decentralized taxes at provincial level rose marginally. Customs and excises provide around 44% and tax revenue around 32.5% of total revenue.

Platform 2 (financial accountability) is progressing rapidly with FMIS deployed at MEF and National Treasury since November 2015 and Provincial Treasuries since March 2016. FMIS catalyzed key reforms such as new budget classification and chart of accounts.

Platform 3 (Budget Policy Linkages) is gathering momentum through the piloting of the budget entity framework and 'full' programme budgeting with ten line ministries including MoEYS in 2015, although much remains to be done to improve medium term planning and budgeting. The Consolidated Action Plan 3 (CAP 3) commenced implementation in 2016.

The Public Expenditure and Financial Accountability (PEFA) assessment finalised in September 2015 and covering FY 2011 to 2014, underpins Delegation's assessment, showing improvements in several areas, specifically on the indicators related to Platform 1 and 2.

On the other hand, weaknesses remain in many PFM system elements which are important for ensuring aggregate fiscal discipline. Revenue administration systems do not ensure effective registration of taxpayers or control of their tax liabilities (PI-14) and significant levels of tax arrears are outstanding with little progress in reducing them (PI-15 dimension (i)). The lack of an effective tracking system for invoices for goods and services means that the extent and trajectory of arrears on payments to suppliers is not known (PI-4 dimension (ii)).

The Delegation considers that PFM reform strategy continues to be relevant. There have been regular updates of the Strategy through the mid-term consolidated action plans to take into

account new challenges identified during its implementation. The current CAP3 addresses the weaknesses of the PFM system identified in the recent PEFA assessment and there seems to be a high level political support underpinning the change management strategy.

The PFM reform strategy continues to be credible. Reforms are properly sequenced and the choice of a platform strategy is the key to success of the reform process. Although the pace of reforms has been slower than planned, the Government has achieved considerable progress in consolidating public finances and establishing budget credibility and in mobilizing resources to strengthen the transaction platform (Treasury Single Account, FMIS, new budget classification and chart of accounts etc.). This has laid the ground for PFM reform expansion into Platform 3 (planning, policy). Policy financing is realistic despite uncertainties regarding scope of FMIS phase 2, and CAP 3 is almost fully financed with DP and RGC contributions.

1.2.4 Transparency and oversight of the budget

Budget transparency has been a key pillar of policy dialogue during formulation and initial implementation of the PFM sector reform contract as both the Delegation and Royal Government of Cambodia acknowledge that budget transparency remains weak in Cambodia.

Cambodia's Open Budget Index (OBI) 2015 was 8 out of 100, reflecting no progress in timely availability to the public of key budget documents since the last report in 2012. The Delegation has identified some weaknesses and changes in the Open Budget Survey methodology that could have negatively biased the final scoring. These points are detailed in Appendix 1 to the Budget Transparency Assessment "Analysis of OBI methodology".

The PEFA assessment in 2015 also showed a deterioration of results regarding the comprehensiveness of information included in budget documentation as well as public access to budget documentation. However, it also illustrated significant improvements on scope, nature and follow-up of external audit and legislative scrutiny of the annual budget law.

Following intensive policy dialogue, mainly led by the EU, the RGC has incorporated budget transparency related indicators in CAP 3 and already implemented many activities to improve scoring in both OBI and PEFA relevant indicators:

- Timely publication of in-year budget reports.
- MoEF for the second consecutive year organized a presentation of the enacted Budget 2016 with participation of civil society in January 2016.
- The citizens budget ('Budget-in-Brief') was improved substantially and published in Khmer on the MoEF website for FY 2016.
- MoEF's General Department for Public Procurement has started to publish on its website procurement plans of line ministries, procurement opportunities and notices of awards.
- MoEF's Public Debt Department has started to publish on the MoEF website its annual and semi-annual Public Debt Statistical Bulletin.
- National Audit Authority now publishes its annual 'audit reports on PFM' on its website with no delay. The last report available covers FY 2014.

2 RISKS AND ASSUMPTIONS

Substantial risks continue to be associated with a budget support operation in Cambodia, mainly on the political side and in relation with corruption. The assessment of fundamental values reflects the deterioration in the political climate since late 2015.

As mitigation measures to minimize these risks, decentralization and PFM reforms will play an essential role in improving service delivery, accountability in supply and demand sides, strengthening PFM systems, reducing opportunities for fraud and leakage, and delivering better public services. To mitigate the high risk on corruption, the Delegation is working with Transparency International and the National Assembly to strengthen external controls and oversight of budget execution as part of complementary support under the PFM programme.

Despite a substantial level of inherent risks, the Delegation continues to be of the opinion that the overall environment and cooperation with the Government remains favourable for efforts to strengthen emerging national systems through budget support. The proposed combination of budget support in the education sector, support to the implementation of a sound PFM reform strategy, and the upcoming decentralization budget support is deemed to be an appropriate modality mix to help the Government achieve its objectives in the education sector – including decentralization of primary education -, encourage PFM reforms (thereby reducing opportunities for fraud and leakage) and promote government effectiveness at subnational level. The PFM budget support is complemented with a capacity development component focusing, in coordination with Sweden and other development partners, on strengthening Domestic Revenue Mobilization (DRM), statistics, budget oversight and the fight against corruption.

In all these sectors, continuation of a sound sectoral and cross-reform policy dialogue linked to a high level political dialogue is an essential mitigating measure against identified risks.

Government has implemented some reforms in the last year that may positively impact on fighting corruption in the mid-term. Nevertheless, the impact of the on-going reforms will need some time to effectively reduce corruption risks.

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

The proposed programme is prepared on the basis of lessons learned during previous and on-going support programmes to the education sector, making use of relevant evaluation studies, review documents and interviews with all main stakeholders.²⁰ Two recent assessments undertaken in 2016 are highlighted, providing most recent lessons learned and analysis: the ESP 2014-2018 Mid Term Review, and the Cambodia Rapid Assessment Sector Analysis.

The overall finding is that considerable gains were made, but there remain many challenges for Cambodia to be able to reach the SDG 4 goal of inclusive and quality education for all and the promotion of lifelong learning. The ESP-MTR, while maintaining the focus on access, emphasizes the importance of increasing the focus on key reforms that will strengthen the capacity of teachers and principals and contribute to substantial improvement of the quality and relevance of learning. It acknowledges that there are continuing and considerable discrepancies between different provinces and districts. The Cambodia Rapid Education

²⁰ Selected documents review include, but not limited to: (i) Aide Memoire of Cambodia Joint Government-Development Partners Annual Education Sector reviews, 2015-2016; (ii) MoEYS, ESP 2014-2018 MRT report including projection to 2020, November 2016; (iii) MoEYS Education Congress Report, 2015-16; (iv) IIEP/UNESCO (September 2016) Cambodia Rapid Education Sector Analysis 2016; and (v) Evaluations of Phase I of the CDPF 2015, UNICEF

Sector Analysis highlights the need to address the large number of out-of-school children through a combination of strategies. Other important lessons learned include:

Access/equity: In spite of the recent expansion of ECE through the growth of community pre-schools, the proportion of pre-school-aged children actually attending ECE services is still low, especially among poor families and in rural areas. Recruitment of teachers for public pre-schools has not kept pace with enrolment growth, leading to increases in pupil-to-teacher ratios suggesting quality concerns. There is uneven quality of services offered by the different type of ECE. The lack of regulatory framework for Community Pre-Schools raises concerns on sustainability. The recent gains in schooling access have not translated into improved retention and completion, as underscored by the recent decline of completion rate at primary and lower secondary levels. Over-age remains an important issue and contributing factor to dropout, which calls for further expansion of ECE. Retaining students in secondary education is a major challenge. Dropout rates are particularly high in rural areas. There is a realization that low performing rural and remote disadvantaged districts need tailor made support to improve the current situation. Further efforts are needed to reach and ensure access and retention to more vulnerable or marginalised children. There is a need for an integrated approach to address the problem of out-of-school children, that would include not only scholarships (whose impact on retention need to be assessed and adjustments made accordingly) but also programmes to facilitate re-entry of children who discontinued their education and provide alternative education streams for children who cannot afford full-time schooling (e.g. accelerated learning, equivalency programme). Interventions related to nutrition, WASH, disabilities and non-formal education and projects for out-of-school children also have been effective in enrolling or re-enrolling poor or disadvantaged children.

Quality and relevance: The establishment of a national learning assessment system is an important step in addressing the need to improve students learning outcomes. The findings of recent assessments suggest that even though access to primary school is relatively high, children are not learning sufficiently. The key disparities in learning are by geographical area of residence and socio-economic background. Steps will need to be taken to use the findings to improve system performance. The implementation of the curriculum at school is still incomplete. Earlier support for teacher training by different initiatives did not bring sustainable changes in terms of quality of teaching due to fragmented provision. Teacher deployment is still an issue. The MoEYS Teacher Policy Action Plan (TPAP) adopts an integrated and system-based approach, covering pre-service, in-service/continuous professional development and teacher career pathway, with the aim of developing a corps of quality teachers and school leaders for the Cambodian education system.

Management/Governance: MoEYS has taken steps to promote research, which has contributed to more evidence-based policies. Continued strengthening of this 'Knowledge to Policy' process will ensure effective policy making for future sector development. Successful implementation of the government's Decentralisation and Deconcentration (D&D) reforms needs to be underpinned by continuous policy dialogue at the central level by the concerned ministries as well as with provincial and district authorities, coupled with capacity development, to ensure that key education reforms and gains are sustained. Important progress has been made in implementation of public administration and PFM reforms, but capacity development is still needed at all levels. Progress has been made in results-based management, but further work is still needed on improving the link between policy and budget, on planning at all levels and on reinforcing the quality of data and its use for planning purposes. The budget for the sector has increased but is still low compared to neighbouring

countries and mostly used for increased salary expenditure with limited funds for the school improvement grants and investments. The continued increase of the share of the public education allocation in relation to GDP requires continued policy dialogue on the importance of linking implementation of the education policy with the budget, and monitoring sub-sector allocations. Continued attention to execution levels and internal audit is critical.

While no recent evaluation of the EU budget support programme has been undertaken²¹ the lessons learned from the latest MTR (2012) of the EU's 2011-2013 budget support were used for the current ongoing programme.

The CDPF supports the implementation of the CDMP of the MoEYS. It focuses on strengthening capacities in planning, budgeting, auditing, monitoring and evaluation and the implementation of policies. Evaluations ex-post of phase I confirmed that the programme has been successful in capacity development, particularly at central level. The findings confirmed the value of aligning to Government policies, and of ownership of the programme by Government. The evaluations provided important recommendations regarding the strengthening of the result framework of the programme, implementation modalities, and sustainability. These recommendations are taken into account in the implementation of CDPF phase II and in the dialogue with MoEYS. Over time, the CDPF operation has deepened its focus on the sector reform priorities and extended the multi-level capacity development approach, including province, districts and schools.

3.2 Complementarity, synergy and donor coordination

Since 2011 the EU has coupled its budget support programmes with complementary support for capacity building provided through a multi-donor trust fund co-financed by the EU, Sweden, and UNICEF. This Capacity Development Partnership Fund (CDPF) Phase II 2015-2017 is administered by UNICEF, with a Steering Committee of representatives of technical departments of MoEYS and the involved DPs. As the only donor providing direct budget support and a supporter of the multi-donor trust fund the EU plays a lead role in the sector.

The proposed programme will be complemented by EU support to other focal sectors, especially: (i) support to the PFM and decentralization (Sub-National Democratic Development) reforms; and (ii) support to CARD and the Fisheries Administration with regard to National Strategy for Food Security and Nutrition. The complementary support in this proposed action is expected to substantially contribute to the successful implementation of planned reforms in the education sector.

The EU's budget support and capacity development to the education sector is also complemented, through different modalities, by a large number of other DPs with on-going or planned support to implementation of the ESP, notably ADB (lower and upper secondary including EMIS), WB (involved in PFM and new programme on lower secondary and teacher training), JICA (teacher training), GIZ (WASH), Sweden (school grants, CDPF), UNICEF (ECE, primary, secondary, CDPF, inclusive education, WASH and child nutrition etc.), UNESCO (teacher reform, NFE), USAID (Early Grade reading Assessments (EGRA), WFP (school feeding). As described above, numerous NGOs also contribute to sector development.

There is complementarity and collaboration with the Global Partnership for Education (GPE) project for 2014-2017. The planned GPE (2018-2021) offers additional opportunities of close collaboration. It is foreseen that GPE joins with its variable tranche CDPF Phase III, possibly

²¹ A country budget support evaluation is ongoing in 2017.

using for that purpose some of the indicators of the EU budget support performance assessment framework (PAF) to have common indicators and increase aid effectiveness.

The proposed programme is also complemented by EU's support to education through NGOs, which focuses on strengthening educational services at sub-national level. EU support to the umbrella NGO NEP *'Tackling the Implementation Gap in Education Reform; Mobilizing Civil Society'* aims to further strengthen CSO involvement in education policy dialogue at all levels. Harnessing NGO's for learning, innovation and development of effective models for scale up with regards to nutrition education will be an important area for strategic consideration.

The programme should also complement on-going interventions in nutrition such as the school breakfast programme of World Food Programme (WFP) or in WASH such as the GIZ project with the MoEYS Department of Health.

Partnership between MoEYS and DPs and NGO representatives is constructive and dynamic. There are numerous fora for dialogue where representatives of MoEYS and experts of the DPs/NGOs meet to discuss sector performance, analyse current issues and discuss priorities. The partnership between MoEYS and DPs is facilitated formally through the Joint Technical Working Group on Education (JTWG) chaired by the Minister, and the DPs' Education Sector Working Group, which meets every month chaired by UNICEF. To further strengthen policy dialogue, MoEYS and DPs gather annually for an Education Retreat, chaired by the Minister, to enable senior staff from MOEYS, Development Partners and NGO representatives to discuss sector performance, policy issues and progress in aid effectiveness in the education sector and upcoming focal areas for the coming year. Since 2014 MoEYS and DPs to the education sector are undertaking a Joint Annual Sector Review mission to contribute, with analytical work, to the comprehensive review of sectoral and sub-sectoral performance.

The Annual National Education Congress gathers stakeholders nation-wide around March/April to review ESP performance outcomes and to identify challenges, adjust inputs and agree on necessary actions. Based on this information a comprehensive annual report is developed, distributed and available to the public.

3.3 Cross-cutting issues

This programme will follow a rights based approach to education. The main cross cutting issues that will be mainstreamed and/or for which specific interventions will be designed are equity, gender, environment, good governance, child nutrition and rights of minorities and people with disabilities.

Challenges remain for children in rural and remote regions, especially those from ethnic minorities, and children with disabilities who still lack access to consistent quality education. Continued support should be provided for the preparation of relevant policies and plans, research and possibly the modelling of new approaches to reduce disparities in education.

As outlined in the detailed annex gender equity at school is mainly a problem at secondary level. Attention will be paid to capacity development for gender equity in access, retention and completion, facilitating girls to enrol and complete secondary education. The EU Gender Action Plan 2016-2020 for Cambodia has *'equal access for girls and women to all levels of quality education and vocational education and training free from discrimination'* as one of its key objectives. The teacher reform should also allow for a review of the curriculum and teacher training from a gender sensitive angle. In policy dialogue a more systematic use of gender disaggregated data, available in the EMIS system, will be sought. To complement actions on gender, interventions to address violence in school might also be financed.

The regular occurrence of floods and droughts in Cambodia, often within the same year, makes the country among the most disaster prone in Southeast Asia. There is a realization among emergency service providers that an effective emergency response should establish disaster preparedness, mitigation and prevention mechanisms at all levels, including at school level. More attention should be paid to environment and climate change to create greater awareness of Cambodia's vulnerability to climate change and environmental disasters through policy dialogue and capacity building of key stakeholders. Inclusion in the on-going teacher training reform and subsequent curriculum review, but also by considering environment and climate change related issues in the construction of new schools will be investigated.

As recognised in the NSFSN, the nature of malnutrition in Cambodia, especially stunting, points to the need for strategic prioritisation of opportunities and entry points to enhance the nutrition sensitivity of the education sector. The ESP already demonstrates an explicit commitment in this regard, but many areas of commitment and programmatic intent, as well as indicators require further attention and development. Within the programme and particularly through continuing support for the implementation of the teacher policy, attention should be given to the inclusion of health and nutrition related issues in the new curriculum for pre- and in-service training of school teachers. Within the context of sub sectors such as NFE there are opportunities for attention to be given to the training and guidance of young adults on the importance of hygiene, good food, the treatment of severe acute malnutrition, and safe water.

4 DESCRIPTION OF THE ACTION

4.1 Objectives/Results

The overall objective of the programme is to financially and technically support the Royal Government of Cambodia for the overall implementation of its Education Strategic Plans.

The specific objectives are:

1. To support the Royal Government of Cambodia to ensure inclusive and equitable quality education, with a focus on Early Childhood Education and Basic Education and to promote lifelong learning opportunities for all; and
2. To support the Royal Government of Cambodia to ensure effective leadership and management of education staff at all levels of the education system.

Although it is expected that the same reform policy will be pursued in the coming years, it is foreseen that, following the adoption of the ESP 2019-2023, there may be a need to adjust the programme to ensure continued alignment, notably the variable tranche indicators.

The expected outputs under specific objective 1 are:

- O1 (SO1) Improvement in ESP performance in education service delivery, along with a clear reduction of geographical, social and gender disparities, notably with respect to:
 - Improved student learning outcomes;
 - Improved access to early childhood education;
 - Increased enrolment, retention and completion of basic education, with specific attention to equity and inclusivity;

- Improved quality and qualification of the teacher workforce; and
- Improved children nutrition and access to WASH in schools.
- O2 (SO1): Improved targeting and implementation of policies targeting the poor, vulnerable, disadvantaged and/or disabled children, boys and girls alike.

The expected outputs under specific objective 2 are:

- O3 (SO2): Strengthened capacities of the Government to implement effectively decentralization and deconcentration reforms, as well as to the roll out of the public administration reform in the education sector;
- O4 (SO2): Increased recurrent and capital budget of the Ministry of Education, Youth and Sports' (MoEYS) for ESP implementation;
- O5 (SO2): Improved in overall public financial management in the education sector with respect to budget comprehensiveness, budget planning and execution and budget transparency and probity.

This programme is relevant for Agenda 2030. It contributes primarily to the achievement of SDG Goal 4 *Quality Education*, but also promotes progress towards Goals 2, related to *nutrition*, 5 *Gender Equality*, 8 *Decent Work and Economic Growth*, and 10 *Reduced Inequality*. This does not imply a commitment by the Kingdom of Cambodia.

4.2 Main activities

4.2.1 Budget support

Budget support offers a platform for dialogue that can contribute to more equitable, effective and efficient education service delivery. The policy dialogue will also be informed by actions under the Education Capacity Development Partnership Fund (CDPF - complementary support - section 4.2.2). Main activities of the budget support component include:

- The transfer of a maximum of EUR 89 million into the Treasury account at the Central Bank of Cambodia, if disbursement conditions are met;
- Conduct policy dialogue, at national and sub national level, with the government on improved public service delivery, focusing on sectoral policy development and implementation in education with particular focus on;
 - Improved student learning outcomes;
 - Strategic expansion of early childhood education, including quality and sustainability;
 - Improved retention and completion in primary education in under-performing districts, including rural, remote and ethnic minority areas;
 - Improved retention and completion in lower secondary education in under-performing districts, focusing on dropout reduction;
 - Improved education access of the most vulnerable children (e.g., out of school children, children with disabilities, from disadvantaged or remote areas) through supply and demand side interventions (e.g., primary scholarship);
 - Improved qualification and competency of teacher workforce; and
 - Improved children nutrition, school health and environment education and WASH provision.

- Ensuring sustainable capacity development for ESP Implementation
- Conduct policy dialogue on public financial management, focusing on efficiency and equity in budget planning/allocation/execution and budget transparency and accountability;
 - Improved overall budget predictability with medium-term improvements in the comprehensiveness and public availability of budget information;
 - Increased resources allocated to key sector interventions supporting the achievement of the objectives of the ESP (e.g., Teacher Policy Action Plan, School Improvement Fund (SIF), etc.);
 - Improved result-based planning and monitoring, and quality of education statistics;
 - Improved governance in the education sector, including addressing informal payments and ensuring full participation of all local stakeholders in school improvement planning;
 - Strengthened sectoral PFM, and in particular improved effectiveness and transparency at national and sub national levels in the allocation and use of resources in the education sector, including expenditure tracking;
 - Strengthened implementation of D&D, including capacity building at the sub-national level;

4.2.2 Complementary support

Complementary support will be provided mainly in the form of capacity development through continuation of the Education Capacity Development Partnership Fund (CDPF) for education, with co-funding from the EU, Sweden, UNICEF and GPE. This fund is managed by UNICEF and implemented by MoEYS. This will be the third phase of the CDPF, which started in 2011.

In line with previous phases, the overall objective of CDPF III is to support implementation of the Capacity Development Strategic Master Plan (CDMP) of the MoEYS, to strengthen capacity focusing on planning, budgeting, policy implementation, auditing, and monitoring and evaluation, to support effective implementation of the Education Strategic Plan. It will be aligned to outcomes defined in the ongoing CDMP. These outcomes may be adjusted following the adoption of the next CDMP of the MoEYS.

The main activities that CDPF will finance include training (at all levels, down to school level), workshops, research and studies, partnerships, technical assistance, and study tours. CDPF might also finance limited supplies.

CDPF will build on earlier achievements by continuing to support development of capacity for major reforms such as teacher reform, D&D, PFM, and Public Administration Reform.

CDPF will further emphasise strengthening capacity at the sub-national level, including schools, notably in response to the expected increased capacity development demand necessary for D&D implementation and teacher reform. CDPF will prioritise its support for key cross-sectoral thematic issues, especially WASH and child nutrition²².

²² The first step could be to undertake a sensitization process/workshop within MoEYS to review ESP and relevant MTR findings - and implications through a nutrition lens. Then a comprehensive diagnosis of capacity gaps would be required in order to inform the effective integration of nutrition into the CDMP (and correspondingly CDPF).

Through the Partnership for Development Results (PfDR) complementary support will strengthen the local aid effectiveness and harmonization architecture as set out in Cambodia's Development Cooperation and Partnership Strategy, instrumental for policy dialogue at sector level. Coordination is ensured through 19 Technical Working Groups²³ (TWG), jointly chaired by government and development partner representatives. It is proposed to contribute to PfDR to undertake activities such as research and reports on development financing and future trends, to prepare and facilitate the annual TWG retreat, to provide technical assistance to TWGs and possibly support to the SDG localization process. This proposed support would cover the overall aid architecture of Cambodia, and the EU and its member states would benefit in the context of the joint European development strategy and the participation in many TWGs, in some as development partner lead. It thus plays a supportive role for policy dialogue and aid coordination in education and across all EU programmes and beyond.

PfDR 2016-2018 is a multi-donor trust fund managed by UNDP and implemented by the Cambodia Rehabilitation Development Board / Council for the Development of Cambodia (CRDB/CDC), with contributions from Australia, Sweden, United States and UNDP. Complementary support will be provided during 2018-2021 to the ongoing second PfDR and its succeeding phase for which reflections are expected to start later in 2017.

4.3 Intervention logic

The proposed Action is a holistic approach in support of RGC's implementation of the ESP. The intervention logic of the budget support is to ensure through financial transfers combined with policy dialogue and complementary support that increased numbers of students will complete basic education, especially girls, children with disabilities and ethnic minority children. Through emphasis on improving retention/completion and student learning outcomes from grades 1 to 9, the proposed action will also advocate for the need to focus on reducing disparities and improve education delivery in under-served and under-performing regions in order to meet the ESP targets and SDG commitments. Moreover, provision of budget support will provide RGC fiscal space on the added costs incurred from its ambitious reform agenda (e.g., Teacher Policy Action Plan, D&D reform).

Capacity development to strengthen the education system and enhance ESP implementation will be carried out in partnership with the Ministry of Education, Youth and Sports (MoEYS) through joint financing for the Education Capacity Development Partnership Fund (CDPF) with Sweden, GPE and UNICEF.

PfDR supports the Royal Government of Cambodia to strengthen capacities and systems for managing multiple sources of development finance. As one of the largest grant donors to Cambodia, an EU contribution would further increase EU leverage in the aid coordination / development effectiveness agenda, instrumental for policy dialogue at sectoral level.

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to in Article 184(2)(b) of Regulation (EU, Euratom) No 966/2012.

²³ The TWGs were established by the Government in 2004 to provide a platform for policy dialogue and coordination of donor and CSO assistance.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.1, will be carried out and the corresponding contracts and agreements implemented, is 60 months from the date of entry into force of the financing agreement.

Deleted:

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute technical amendments in the sense of point (i) of Article 2(3)(c) of Regulation (EU) No 236/2014.

5.3 Implementation of the budget support component

5.3.1 Rationale for the amounts allocated to budget support

The amount allocated for budget support component is EUR 89 000 000, and for complementary support EUR 11 000 000. The amount allocated to budget support allows to keep the annual tranches to similar levels as in the last 2 years of budget support which saw a substantial increase (2016/2017 annual allocations doubled from the previous period), demonstrating the continuous high level of commitment of the EU to the education sector. A slight adjustment to decrease the fixed and increase the variable tranche resulting roughly in a 45/55% split is made, putting further emphasis on sector performance. The ESP MTR indicates that a substantial financial gap is expected for 2018-2020 to meet the resources requirements of the ESP. The amounts allocated to budget support should substantially reduce this gap, which puts at risk the implementation of the ESP.

5.3.2 Criteria for disbursement of budget support

a) The general conditions for disbursement of all tranches are as follows:

- Satisfactory progress in the implementation of the Education Strategic Plan and continued credibility and relevance thereof;
- Implementation of a credible stability-oriented macroeconomic policy;
- Satisfactory progress in the implementation of the PFM reform programme;
- Satisfactory progress with regard to the public availability of timely, comprehensive and sound budgetary information.

b) The specific conditions for disbursement that may be used for variable tranches will focus mainly on the following areas:

- Students learning outcomes
- Teacher reform
- Early childhood education
- Completion of basic education
- Child nutrition and WASH
- Budget implementation

The chosen performance targets and indicators to be used for disbursements will apply for the duration of the programme. However, in duly justified circumstances, the Ministry of Economy and Finance (MoEF) may submit a request to the Commission for the targets and indicators to be changed. The changes agreed to the targets and indicators may be authorised by exchange of letters between the two parties.

In case of a significant deterioration of fundamental values, budget support disbursements may be formally suspended, temporarily suspended, reduced or cancelled, in accordance with the relevant provisions of the financing agreement.

5.3.3 Budget support details

Budget support is provided as direct untargeted budget support to the national Treasury. The crediting of the euro transfers disbursed into Cambodian Riel will be undertaken at the appropriate exchange rates in line with the relevant provisions of the financing agreement.

Indicative breakdowns	Total	Year 1	Year 2	Year 3	Year 4
Fixed tranche	41	11	10	10	10
Variable tranche	48	12	12	12	12
Total (EUR million)		23	22	22	22

5.4 Implementation modalities for complementary support of budget support.

5.4.1.1 Procurement (direct management)

Subject in generic terms, if possible	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
Assessments and monitoring	services	2	Q1 2018, Q1 2020
Evaluations and audits	services	2	Q1 2021

5.4.1.2 Indirect management with an international organisation

A part of this action may be implemented in indirect management with UNICEF in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012. This implementation entails the management of the Education Capacity Development Partnership Fund (CDPF). This implementation is justified because of (i) the positive evaluation of the work done so far in the management of the CDPF by UNICEF since 2011 and (ii) the assessment that no other potential implementing partner has the comparative advantage that UNICEF has to hold this position: UNICEF has field offices, which allow for a presence and monitoring at local level, a close partnership at central level with MoEYS, and staff resources in country that combine the required expertise at technical level and in system strengthening, capacity development and dialogue. UNICEF should thus continue to manage the third phase of the CDPF. This programme fits well in the wider EU-UNICEF partnership.²⁴

The entrusted entity would carry out the following budget-implementation tasks: launching calls for tenders and for proposals; definition of eligibility, selection and award criteria; evaluation of tenders and proposals; award of grants, contracts; acting as contracting authority concluding, monitoring and managing contracts, carrying out payments, and recovering money due.

²⁴ UNICEF (2015) Evaluation of Phase I of the CDPF, NIRAS (2015) Joint Scandinavian Evaluation of Support to Capacity Development - Country Working Paper Cambodia

The Commission authorises that the costs incurred by the entrusted entity may be recognised as eligible as of 1 January 2018 because an implementation gap after the current CDPF that ends on 31 December 2017 should be avoided (in line with a seamless budget support continuation), while the financing agreement could likely be concluded in early 2018 only (financing decision to be expected early autumn 2017).

5.4.1.3 Indirect management with an international organisation

A part of this action may be implemented in indirect management with UNDP in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012. This implementation entails supporting greater aid/development effectiveness and promotes development partner harmonisation linked to EU actions in the country through the PfDR, managed by UNDP and implemented by CRDB/CDC. This proposed support would cover all MIP focal sectors and play a supportive role for policy dialogue and aid coordination across all EU programmes and beyond. This implementation is justified because UNDP is managing the ongoing PfDR implemented by CRDB/CDC and potentially its extension/successor.

The entrusted entity would carry out the following budget-implementation tasks:

launching calls for tenders and for proposals; definition of eligibility, selection and award criteria; evaluation of tenders and proposals; award of grants, contracts; acting as contracting authority concluding, monitoring and managing contracts, carrying out payments, and recovering money due.

The Commission authorises that the costs incurred by the entrusted entity may be recognised as eligible as of 1 January 2018 because this particular activity is already ongoing and was intended to be co-financed by the EU as from the start.

5.5 Scope of geographical eligibility for procurement and grants:

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 9(2)(b) of Regulation (EU) No 236/2014 on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

5.6 Indicative budget

	EU contribution (amount in EUR)	Indicative third party contribution (amount in USD)
5.3 - Budget support Sector Reform Contract	89 000 000	N.A.
5.4.1. – Complementary Support composed of		
5.4.1.2. – Indirect management with UNICEF	9 500 000	13 180 000 ²⁵
5.4.1.3. – Indirect management with UNDP	1 000 000	1 527 878 ²⁶
Procurement – total envelop under section 5.4	400 000	N.A.
5.9 – Evaluation, 5.10 – Audit	100 000	N.A.
5.11 – Communication and visibility	N.A.	N.A.
Totals	100 000 000	14 707 878 ²⁷

Deleted:

Deleted:

Deleted:

5.7 Organisational set-up and responsibilities

For budget support: The MoEYS is responsible for the implementation of the programme. The main counterpart unit for the effective management of the budget support is the Department General for Policy and Planning of the MoEYS, facilitating coordination and policy dialogue within the ministry. However, formal counterpart is the MoEF and as signatory of financing agreement formally submitting payment requests on behalf of RGC.

The disbursement request shall be submitted by MoEF by August and the Delegation shall submit the complete disbursement file to Commission headquarters by October.

To review progress made in meeting eligibility criteria and in achieving the variable tranche indicators' targets an annual meeting will take place between the EU Delegation, MoEYS and the MoEF by June, in order to conclude on the amount for the disbursement request. In accordance with Commission budget support guidelines, the EU Delegation will produce internal reports assessing progress in the education sector, macroeconomic stability, PFM reform, budget transparency, and document policy dialogue in these areas. The Delegation may use the services of independent experts to support this assessment.

The annual assessment of the eligibility criteria related to the education sector and specific conditions (variable tranche indicators) will take place each year between March and June. It

²⁵ SIDA: in SEK for a corresponding amount of USD 6 600 000; UNICEF: USD 400 000; GPE: USD 6 180 000.

²⁶ Indicative third party contribution to PfDR 2016-2018 as committed by 12/2016; no information available yet on contributions for extension/successor PfDR.

SIDA: in SEK for a corresponding amount of USD 358 643; Australia: in AUD for a corresponding amount of USD 710 000; USAID: USD 209 235; UNDP: 250 000.

²⁷ Corresponding to EUR 13 875 357 at an exchange rate of 1.06 USD/EUR.

will look at the current school year (September-June) and at the previous school year for some indicators for which data are not yet available for the current school year.

For complementary support:

For the CDPF: The Steering Committee of representatives of technical departments of MoEYS and the involved DPs will continue to be chaired by MoEYS and to meet quarterly. It will provide steering guidance/decisions and approve the annual work plans, budgets and reports.

For the PfDR: The Project Board of representatives of technical departments of CRDB/CDC and the involved DPs will continue to be chaired by CRDB/CDC and to meet biannually. It will provide steering guidance/decisions and approve the annual work plans, budgets and reports.

5.8 Performance monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, and the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the list of result indicators (for budget support). The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

Regarding performance monitoring of the sector for the budget support eligibility criteria and assessment of performance regarding the variable tranche indicators and targets, the Annual Education Congress, which takes place each year in March, will provide all the information on the performance of the education sector for the current school year (or previous school year for some indicators), including on the specific outcome indicators of the variable tranche. The performance of the education sector will be further reviewed and policy dialogue will take place as part of MoEYS-DPs annual Joint Sector Review coupled with the education Congress. Progress in PFM will be monitored as part of regular PFM JTWG meetings. An annual PFM progress report is produced by MoEF in March for the previous fiscal year.

5.9 Evaluation

Having regard to the nature of the action, a final evaluation will be carried out for this action or its components via independent consultants contracted by the Commission or via an implementing partner.

It will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that one component of the support is

provided through a multi-donor trust fund, aimed at supporting capacity development in the education sector. This is the component for which a final evaluation is foreseen.

The Commission shall inform the implementing partner at least one month in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Indicatively, one contract for evaluation services shall be concluded under a framework contract in 2021.

5.10 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

Indicatively, one contract[s] for audit services shall be concluded under a framework contract in 2019.

5.11 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section [5.6](#) above²⁸.

Deleted:

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

²⁸ Visibility of EU support to the education sector will be pooled through a single visibility contract across all MIP areas and therefore financed under another Decision. However the Education Capacity Development Partnership Fund will include a budget for its communication activities (Indicative budget: 5.4.1.2 Indirect Management with UNICEF).

6. APPENDIX - INDICATIVE LIST OF RESULT INDICATORS (FOR BUDGET SUPPORT)²⁹

The inputs, the expected direct and induced outputs and all the indicators, targets and baselines included in the list of result indicators are indicative and may be updated during the implementation of the action without an amendment to the financing decision. The table with the indicative list of result indicators will evolve during the lifetime of the action: new columns will be added for intermediary targets (milestones), when it is relevant and for reporting purpose on the achievement of results as measured by indicators. Note also that indicators should be disaggregated by sex whenever relevant.

	Results chain	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification
Overall objective: Impact	RGC achieves its targets as set in the successive Education Strategic plans in terms of equitable access to, and completion of, quality education.	<ul style="list-style-type: none"> Adult literacy rate (15-above) Primary education completion rate^{30*} Lower secondary completion rate^{31*} 	78.1% (2014) 79.9% (2016/17) 42.6% (2016/17)	85% (2019/20) ³² 85% (2019/20) 45% (2019/20)	MoEYS annual Education Congress Reports
Specific objective(s): Outcome(s)	SO 1: Enhanced inclusiveness and equity and quality of basic education SO2: Enhanced leadership and management of the education system.	<ul style="list-style-type: none"> % of five-year old children enrolled in any form of ECE Programme* Primary drop-out rate Lower secondary drop-out rate National learning assessment of students at grade 3, in Khmer and Math subjects* MoEYS recurrent budget execution rate* 	(2016/17) 66% 4.6% (2015/16) 17% (2015/16) Khmer: 42.7 Math: 43.4 90.3% (2015)	(2019/20) ³³ 72% (tbc) (2023) 12% (2019/20) ³⁴ Khmer: 47.7 Math: 48.4 95%	MoEYS annual Education Congress Reports MoEYS annual education indicators and statistics (EMIS)

²⁹ Mark indicators aligned with the relevant programming document mark with '*' and indicators aligned to the EU Results Framework with '**'.

³⁰ Will be monitored in the lowest performing districts.

³¹ Will be monitored in the lowest performing districts.

³² As per ESP 2014-2018 MTR projected targets. ESP 2019-2023 will adjust and complete targets for the remaining duration of the programme.

³³ As per ESP 2014-2018 MTR projected targets. ESP 2019-2023 will adjust and complete targets for the remaining duration of the programme.

³⁴ As per ESP 2014-2018 MTR projected targets. ESP 2019-2023 will adjust and complete targets for the remaining duration of the programme.

Induced outputs	<p>IO1: Enhanced public service delivery and ESP programme implementation</p> <p>IO2: Improved targeting and implementation of policies targeting the poor, vulnerable, disadvantaged and or/disabled children, boys and girls alike</p> <p>IO3: Improved overall public financial management in the education sector</p>	<ul style="list-style-type: none"> ▪ School improvement Fund (SIF) execution rate ▪ MoEYS capacity development plan adopted and Government budget allocations provided to finance it. ▪ No. of primary education scholarship recipients ▪ No of primary schools implementing multi-lingual education ▪ Government budget <u>to implement minimum requirements</u> for WASH infrastructure <u>in schools</u> 	<p>SIF is being set up CDMP for 2019-23 0 US\$(2017) 77,655 (2015/16) 43 (2014/15) tbc (2018)</p>	<p>tbc 50% of annual budget of CDMP for 2020 (tbc) (tbc) tbd (2021)</p>	<p>MoEYS annual Education Congress Reports</p> <p>MoEYS annual education indicators and statistics (EMIS)</p>
Direct outputs	<p>DO1: Increased education sector budget for ESP policy implementation</p> <p>DO2: Strengthened delivery of capacity development through harmonised multi-donor arrangements to support the implementation of the ESP</p>	<ul style="list-style-type: none"> ▪ MoEYS recurrent budget as a % of RGC recurrent expenditures ▪ School Improvement Fund allocation ▪ Teacher and MoEYS staff capacity development is provided by the CDPF in alignment to the needs of the MoEYS Capacity Development Master Plan. 	<p>18.3 (2017) TBC Y</p>	<p>23% (2020)³⁵ Y/N</p>	<p>MoEYS annual Education Congress Reports</p> <p>MoEF annual budget law</p> <p>MoEYS Department of Finance Reports</p>

³⁵ 2023 to be confirmed following ESP 2019-2023 adoption.