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Cambodia's PRSP and Public Resource Allocation

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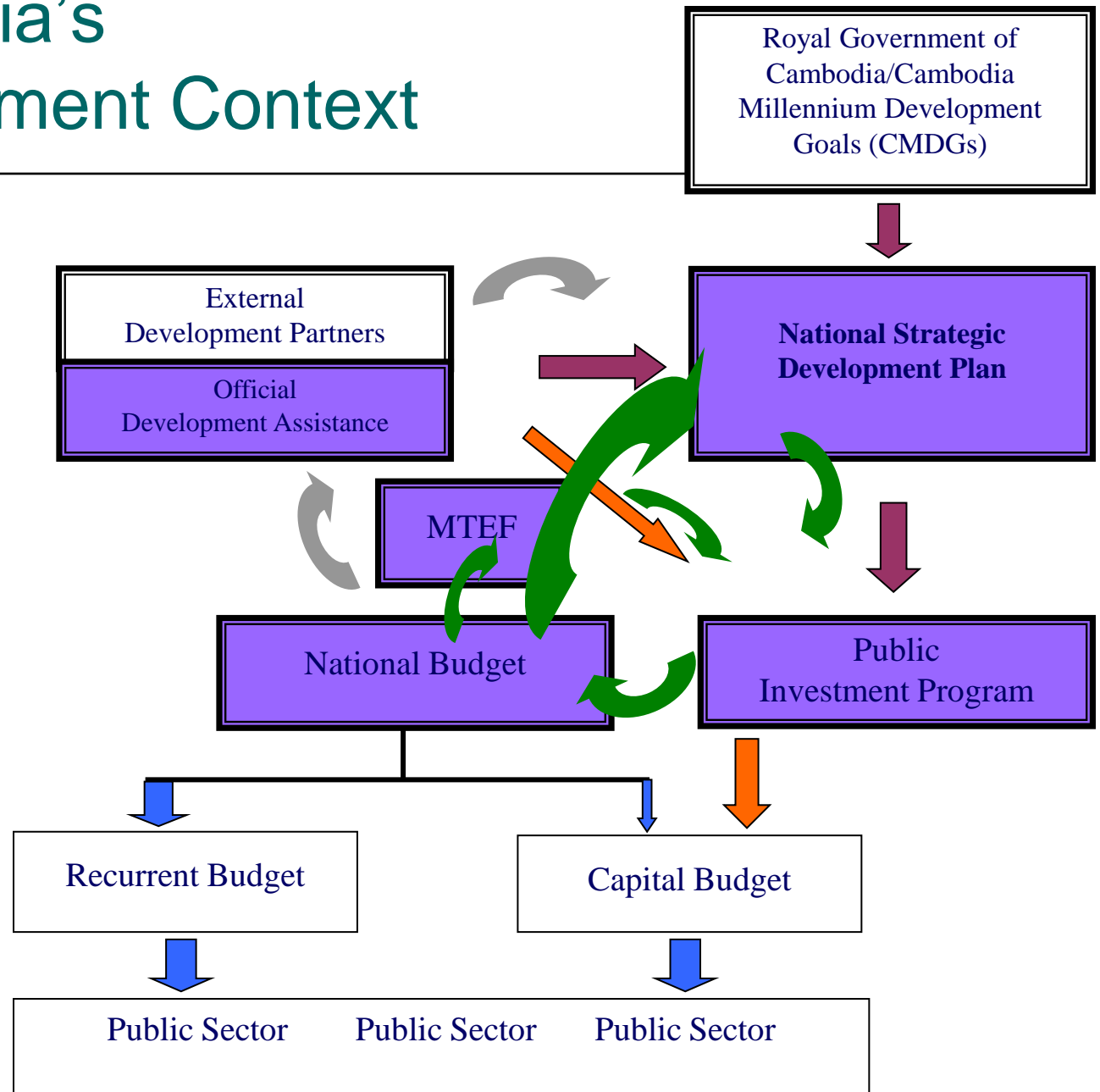
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Cambodia's Development Context



Overview of Poverty in Cambodia

- Poverty Index:
 - 47% in 1993-94
 - 35% in 2004
- Inequality has increased (WB, 2006)
- % of poor residing in rural areas
 - 87% in 1993/4
 - 91% in 2004
- Poverty increased in plateau/mountain region (WB, 2006)
- Poverty increased in fishery communities between 2001 and 2004 (MOPS, 2007)
- **What has happened with the policy and policy implementation?**

	1993-94	2004
Cambodia	.35	.40
Phnom Penh	.39	.37
Other Urban	.41	.41
Rural	.27	.33



Research Background

- Late 1999, WB and IMF launched a new approach to the provision of their concessional assistance to low-income countries (some 70 LI)
- Later almost all other donors supported and joined
- LIC govts to prepare PRSP through a participatory process

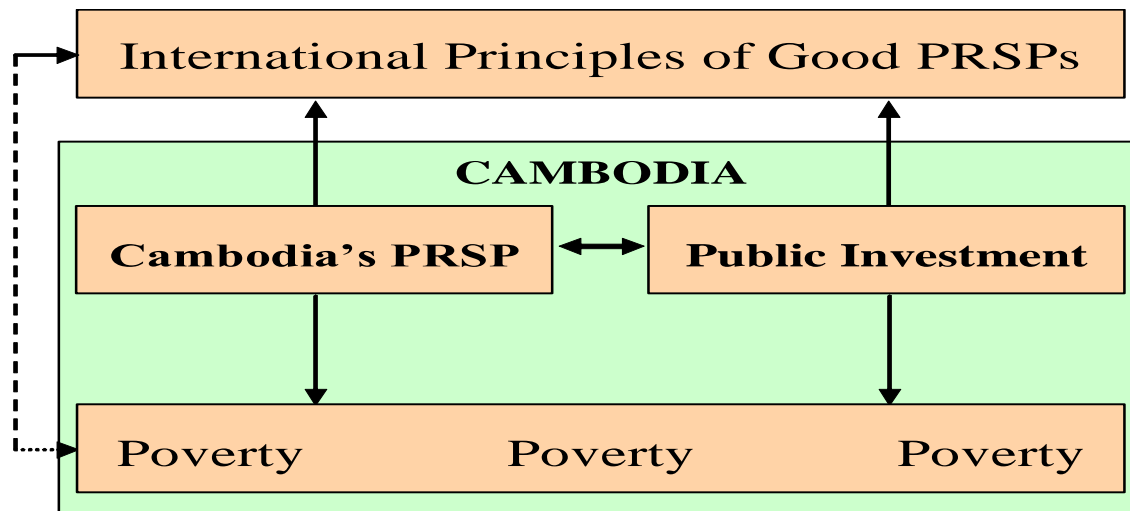
Cambodia:

- I-PRSP 2000-02
- NPRS 2003-05
- NSDP 2006-10

Objective:

- The research aims to observe how pro-poor the policy is in practice by examining:
 - how pro-poor is the NSDP?; and
 - how pro-poor is its implementation through public resource allocation?

Scope and Research Questions



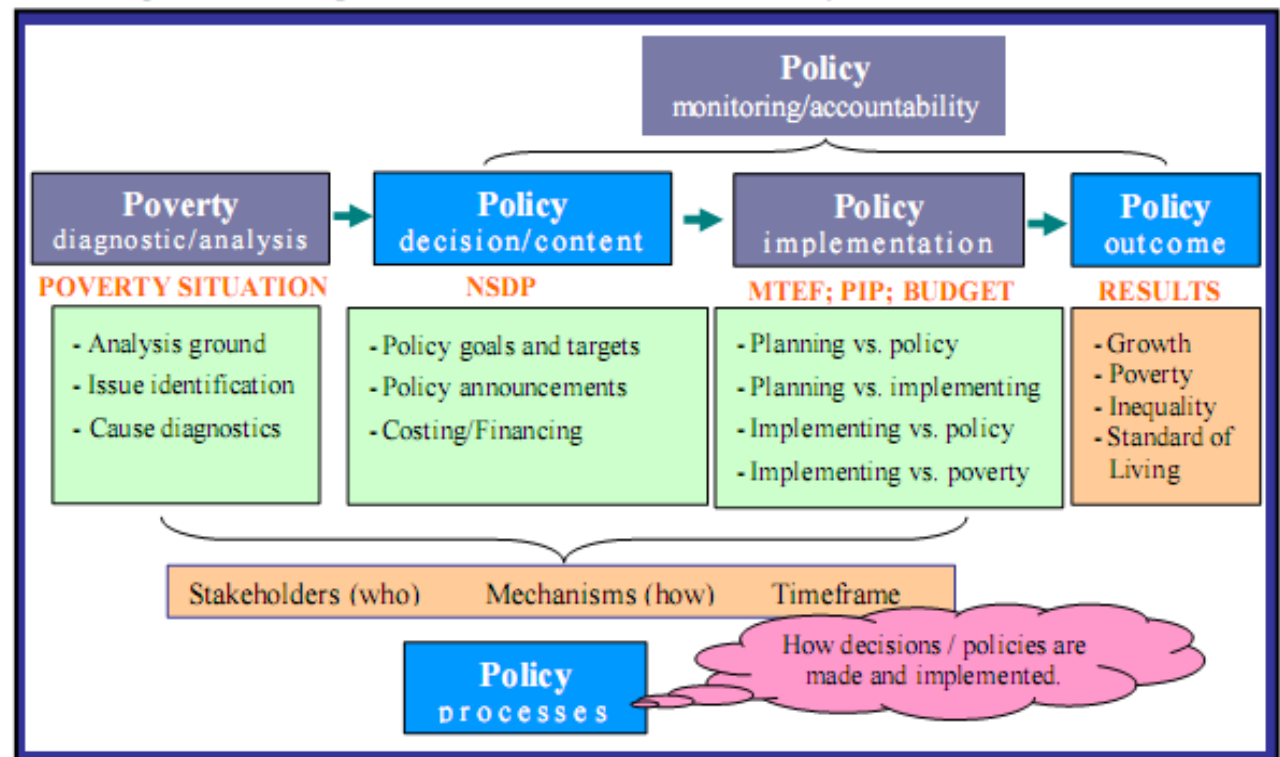
- What are the principles of addressing poverty?
- What are the poverty profile in Cambodia?
- What are the characteristics of policy responses adopted in the National Strategic Development Plan?
- How are public investments allocated to address these identified needs?

Conceptual Framework: Pro-Poor Policy

- Policy = Poverty-reducing policies of the NSDP
- Pro-poor = addressing the causes of poverty, or in favour of the poor
- In practice = command over public resources

Policy Dimensions

- Policy process
- Policy content
- Policy outcome

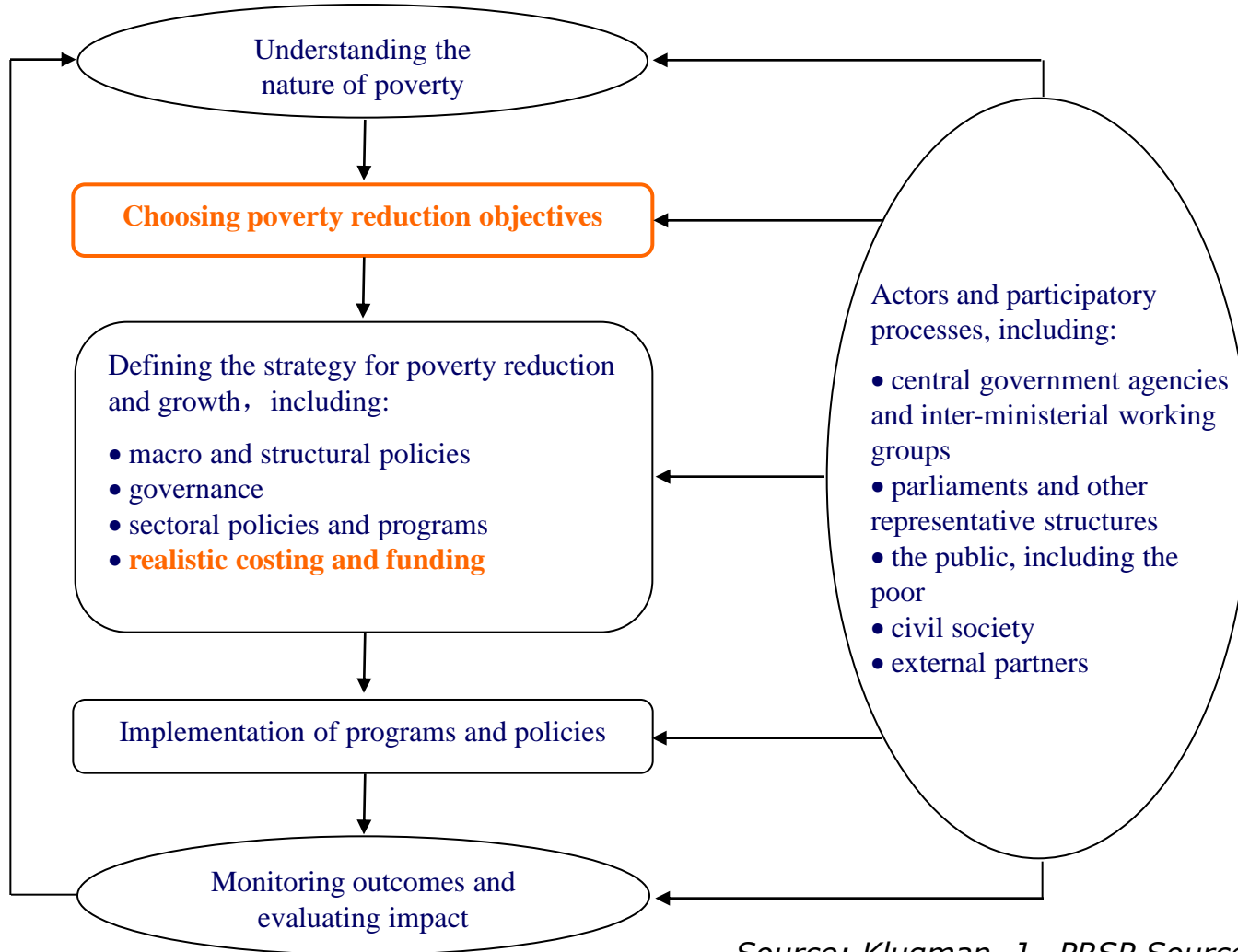




Methodology

- Qualitative analysis observes the policy of the NSDP against international principles and poverty situation on the ground.
 - Desk research
 - In-dept personal interviews with policy makers and stakeholders.
- Quantitative methods examines the resource allocation presented in the National Budget.
 - Analyzing budget data over time and across sectors.

How a PRS Can Unfold at the Country Level



Source: Klugman, J., PRSP Sourcebook, 2001.

Challenges to Poverty Reduction

agriculture

- >60% of rural Cambodians reliant on agriculture, forestry and fishery
- agricultural production much dependent on natural factors
- large agricultural land is not irrigated
- low yield of paddy rice (2 tons/ha)

health

- 54% of child mortality is associated with malnutrition
- less accessible and costly health services for the poor.

education

- low literacy, primary enrollment, and survival rates

rural development

- low access to safe drinking water and sanitation (42% and 16% in 2005)

growth

- pattern of private and public investments has been urban-biased
- growth has been narrowly-based

NSDP: Priority Policy Goals

1. eradication of **poverty and hunger**;
2. enhanced **agricultural** production and productivities;
3. improvement in **health**;
4. improvement in **education**;
5. **rural development**;
6. environmental sustainability;
7. gender equity;
8. governance reforms;
9. sustained high macroeconomic growth;
10. improved budget performance;
11. accelerated industrial growth and employment;
12. tourism development;
13. de-mining and victim assistance;
14. infrastructure; and
15. energy

NSDP: Characteristics of Policy Responses

- Policy responses are arranged on Rectangular Strategy framework
- Rectangular Strategy captures essential elements of development
- Lack division of responsibilities among implementing ministries
- Timeframe for specific policies or actions
- Absence of the policy/action matrix
- No prioritization of announced public policies/actions
- Announce a number of social safety nets measures
 - No statistics, analysis: characteristics and distribution.
 - No problem analysis on vulnerability.

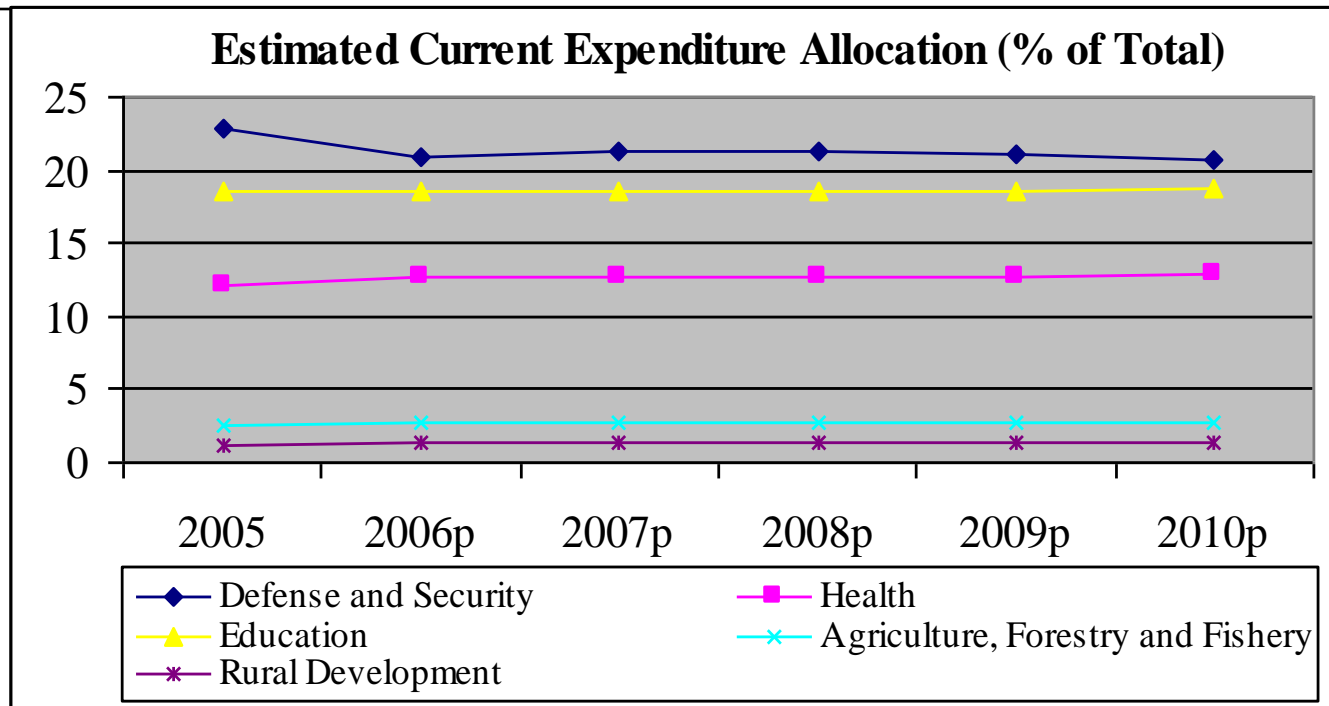
NSDP: Costing [public investment]

- Social, Infrastructure, Economic?
- Education: 60% earmarked for basic education
- 62% goes to rural areas
- Whole costing; no annual provision
- No comparison with preceded years.
- No program-based costing

Sectors	Amnt	%	Rural%
SOCIAL SECTORS	1150	32.86%	
Education	550	15.71%	60%
Health	600	17.14%	70%
ECONOMIC SECTORS	780	22.29%	
Agriculture			
- other than crops	150	4.29%	95%
- seasonal crops	200	5.71%	100%
Rural development	350	10.00%	100%
INFRASTRUCTURE	880	25.14%	
Transportation (Roads, Ports, Rlys, Civil Aviation)	550	15.71%	50%
SOCIAL SERVICES AND CROSSCUTTING PROG	490	14.00%	
Governance and Admin	220	6.29%	20%
UNALLOCATED	200		
TOTAL	3,500		62%

Source: NSDP 2006-10

Recurrent Budget Allocation



Source: NSDP 2006-10

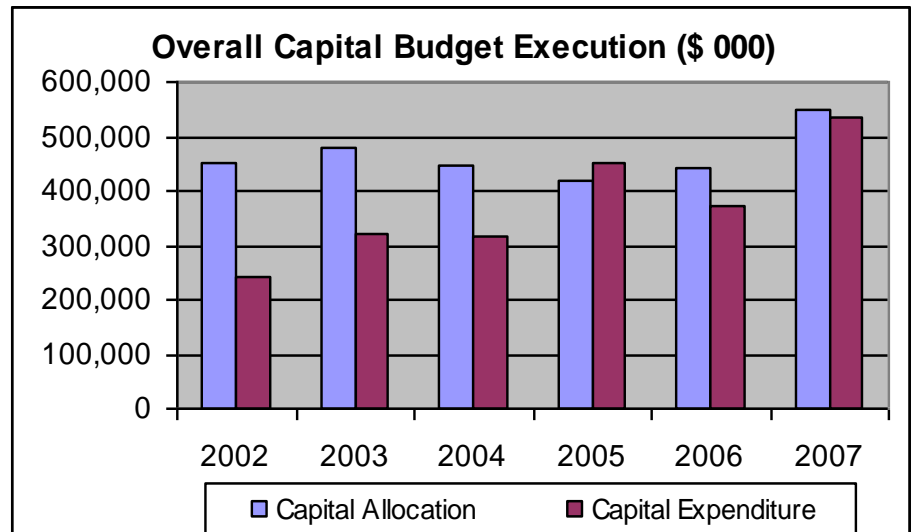
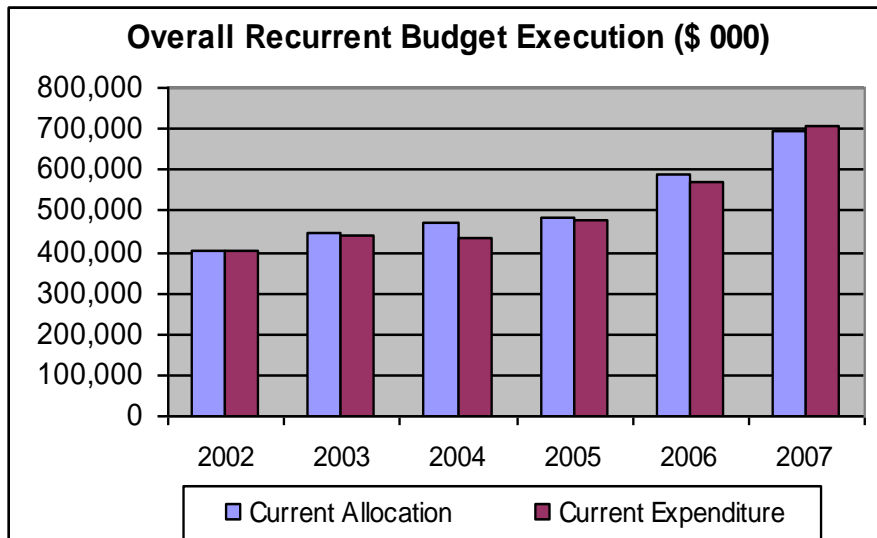
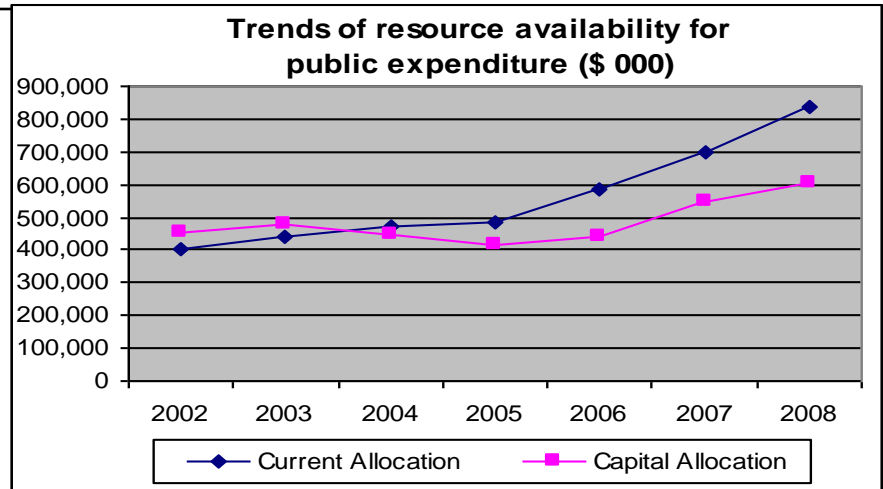
- not reflect priority policy goals
- no shift from 2005, except Defense and Security
- no increase for social and economic sectors



Public Resource Allocation

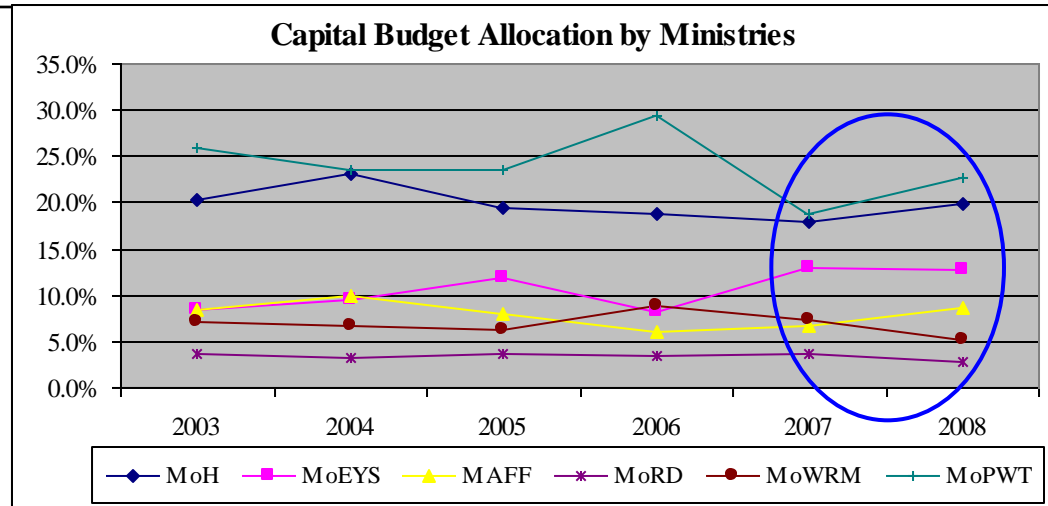
Overall Picture of National Budget

- Recurrent budget keep increasing
- Recurrent budget gets spent
- Spending of capital budget is unpredictable

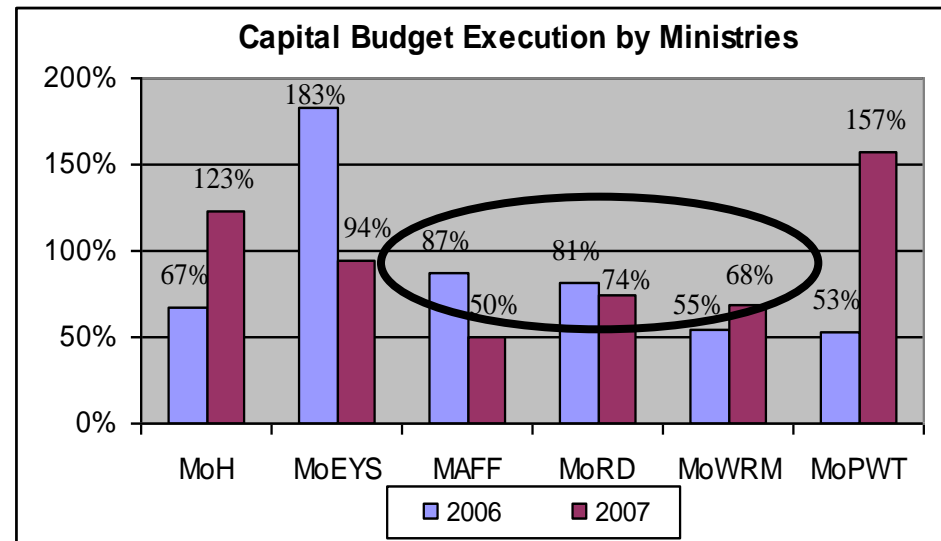


National Budget: Capital Budget

- Allocation in 2007-08 is better aligned with NSDP's provision.
- MoPWT & MoH are largest funded
- MoEYS, MAFF & MoRD have been underfunded



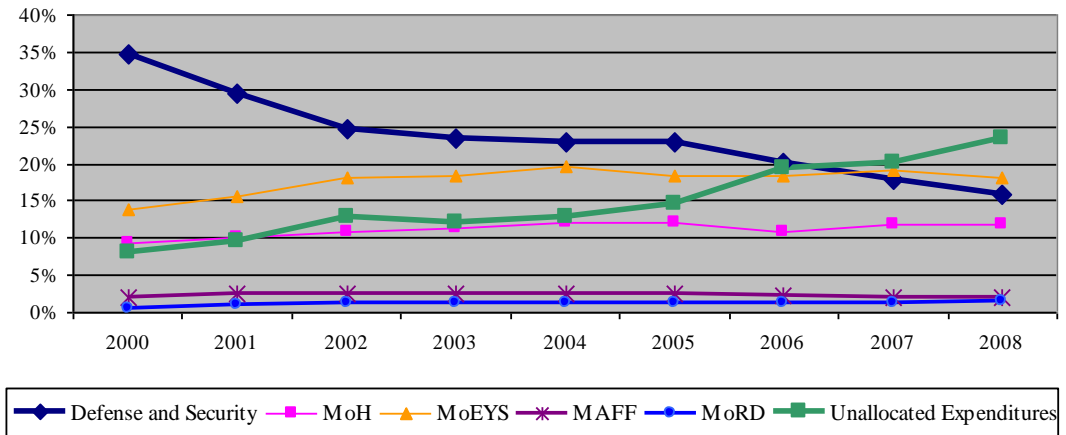
- Budget expenditure in unpredictable
- MAFF, MoRD, MoWRM always underspent
- Under-expenditure makes MAFF, MoRD, MoWRM even worse



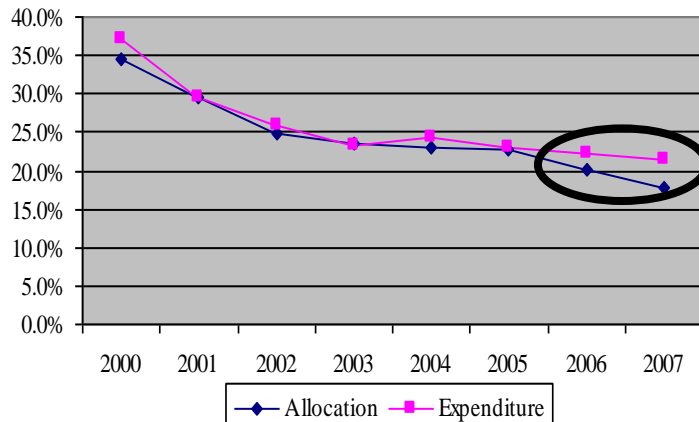
National Budget: Recurrent Budget

- Reduced allocation to Defense and Security
- Slight increase in social sectors
- MAFF & MoRD remains low and flat since 2000, no priority shift
- General Admin and Miscellaneous are interrelated
- Spending in Defense and Security not as low as allocation in 2006-07

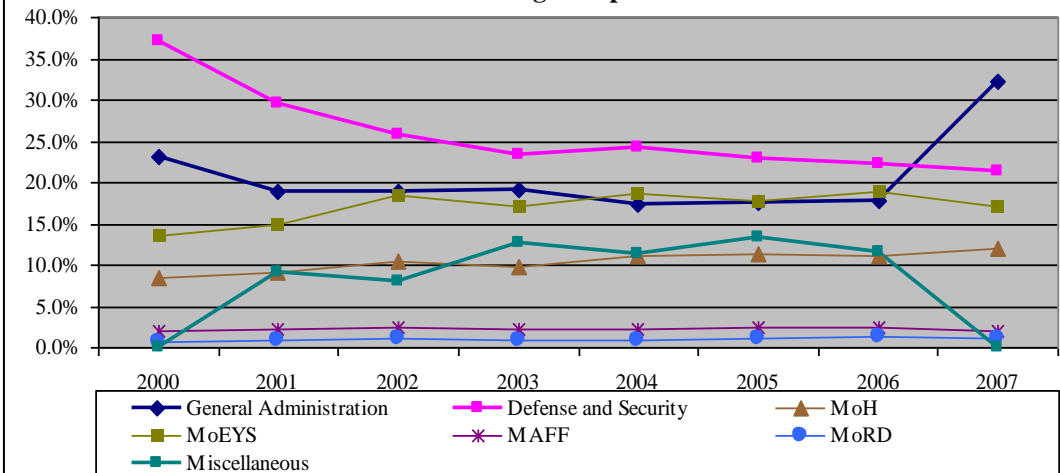
The Pattern of Recurrent Budget Allocation



Recurrent Budget for Defense and Security



Recurrent Budget Expenditure



National Budget Layout

Capital Budget

- Arranged by ministries, not by sectors
 - NSDP is arranged by sectors
- No records by provinces, rural vs. urban areas
 - NSDP commits to channel 62% of the resources to rural areas.
- Investment Projects are not prioritized
- No description of purpose and expected outputs/outcomes

Conclusion

NSDP is pro-poor in terms of policy response, but not in terms of public resource allocation.

- Rather pro-poor policy response, but lack coherence to int'l principles.
 - priority goals reflect poverty ground
 - 62% of resources promised for rural areas

 - no policy matrix – timeframe and responsible govt agencies
 - No program-based costing

- Least pro-poor in public resource allocation
 - Recurrent allocation repeats past pattern, no shifting trend
 - Priority sector not benefit from decreased Defense and Security

 - Under-funded and under-spent for MAFF, MoR, MoWRM
 - Infrastructure over-funded
 - Unpredictable expenditure