



Report and Recommendation of the President to the Board of Directors

Project Number: 47136-003
August 2016

Proposed Loans and Technical Assistance Grant Kingdom of Cambodia: Upper Secondary Education Sector Development Program

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CURRENCY EQUIVALENTS

(as of 31 July 2016)

Currency unit	–	riel (KR)
KR 1.00	=	\$0.000245
\$1.00	=	KR4,085.88

ABBREVIATIONS

ADB	–	Asian Development Bank
EMIS	–	education management information system
ESDP	–	Education Sector Development Program
ICT	–	information and communication technology
MoEYS	–	Ministry of Education, Youth and Sport
SDR	–	special drawing right
SIF	–	School Improvement Fund
SRS	–	secondary resource school
STEM	–	science, technology, engineering, and mathematics
TVET	–	technical and vocational education and training
UNESCO	–	United Nations Educational, Scientific and Cultural Organization
USE	–	upper secondary education
USESDP	–	Upper Secondary Education Sector Development Program
USS	–	upper secondary school
TA	–	technical assistance

NOTES

- (i) The school year (SY) in Cambodia begins in November and ends in August.
- (ii) In this report, “\$” refers to US dollars.

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PROGRAM AT A GLANCE

1. Basic Data		Project Number: 47136-003	
Project Name	Upper Secondary Education Sector Development Program	Department /Division	SERD/SEHS
Country	Cambodia	Executing Agency	Ministry of Education, Youth and Sports
Borrower	Kingdom of Cambodia		
2. Sector	Subsector(s)	ADB Financing (\$ million)	
✓ Education	Education sector development		16.00
	Secondary		30.00
		Total	46.00
3. Strategic Agenda	Subcomponents	Climate Change Information	
Inclusive economic growth (IEG)	Pillar 2: Access to economic opportunities, including jobs, made more inclusive	Climate Change impact on the Project	Low
4. Drivers of Change	Components	Gender Equity and Mainstreaming	
Governance and capacity development (GCD)	Institutional development Organizational development	Gender equity (GEN)	✓
5. Poverty Targeting		Location Impact	
Project directly targets poverty	No	Rural	Medium
		Urban	Medium
6. Risk Categorization:	Low		
7. Safeguard Categorization	Environment: B Involuntary Resettlement: C Indigenous Peoples: B		
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB		46.00	
Sovereign Policy and advisory technical assistance: Technical Assistance Special Fund		1.00	
Sovereign SDP - Program loan: Asian Development Fund		15.00	
Sovereign SDP - Project loan: Asian Development Fund		30.00	
Cofinancing		0.00	
None		0.00	
Counterpart		3.00	
Government		3.00	
Total		49.00	
9. Effective Development Cooperation			
Use of country procurement systems		Yes	
Use of country public financial management systems		Yes	

I. THE PROPOSAL

1. I submit for your approval the following report and recommendation on (i) a proposed policy-based loan, and (ii) a proposed project loan to the Kingdom of Cambodia for the Upper Secondary Education Sector Development Program. The report also describes the proposed technical assistance (TA) for Accelerating Policy Reforms in Secondary Education and if the Board approves the proposed policy-based loan and loan, I, acting under the authority delegated to me by the Board, approve the TA.¹

2. The program is the response of the Asian Development Bank (ADB) to the government's vision of improving the quality of its human resources to sustain Cambodia's economic development and enhance its competitiveness. This will be achieved by supporting sequenced reforms aimed at improving the effectiveness of upper secondary education (USE). The program will (i) support initiatives to improve access to, quality of, and relevance of USE; and (ii) strengthen institutional capacity for planning, management, and delivery of education. While the policy reforms will be applied nationwide, most of the project activities will be implemented in seven disadvantaged provinces.²

II. THE PROGRAM

A. Rationale

3. **Development problems.** Cambodia experienced rapid growth from 2000 to 2015. During 2011–2013, its gross domestic product grew by an average rate of 7.0% per year, and in 2015, it grew by 7.1%. Structural transformation contributed to the country's impressive growth, with services accounting for 40% of Cambodia's gross domestic product, and industry for 25% in 2013.³ As a result of rapid growth, Cambodia's poverty rate declined from 47.8% in 2008 to 18.9% in 2012. However, despite the rapid poverty reduction, 71% of the population, particularly in rural areas, lives on less than \$3 a day.

4. Rapid economic growth and diversification have been accompanied by an increase in demand for a skilled workforce. However, the education system has not kept up with these structural changes and skills gaps have widened.⁴ While there was substantial progress in increasing access to basic education over the last 10 years, with near universal enrollment at the primary level and increased lower secondary enrollment as of SY2015/16, significant challenges remain at the USE level. The USE gross enrollment rate declined from 32.9% (30.1% female) in SY2010/11 to 25.1% (26.0% female) in SY2015/16. This dismal performance is more particularly pronounced in disadvantaged provinces, with recorded average gross enrollment below 20% as of SY2013/2014. Grade 12 dropout rates reached an all-time high of 45% (42% female) in SY2015/16, an increase of 34.9 percentage points (32.2 percentage points for females) from SY2011/12. Completion rates for USE remained low at 20% in SY 2014/15.⁵ A 2014 study showed that many students leave upper secondary school (USS) with

¹ The design and monitoring framework is in Appendix 1.

² Koh Kong, Mondulkiri, Otdar Meanchey, Pailin, Preah Vihear, Rattanakiri, and Stung Treng. Disadvantaged provinces are defined as those with (i) difficult transport access, (ii) a population density of fewer than 10 people per square kilometer, (iii) permanent flooding or drought areas, (iv) border areas, and (v) incomplete schools (schools in remote or disadvantaged areas without complete grades due to lack of classrooms or teachers).

³ IndexMundi. Cambodia GDP. http://www.indexmundi.com/cambodia/gdp_composition_by_sector.html

⁴ ADB and International Labour Organization. 2015. *Cambodia: Addressing the Skills Gap*. Manila.

⁵ Government of Cambodia; Ministry of Education, Youth and Sport; Department of Planning. 2016. *Education Management Information System*. Phnom Penh.

insufficient content, cognitive, trade, and workplace skills to meet expectations of employers.⁶

5. **Binding constraints.** The government recognizes that it will require a pool of skilled workers to sustain its growth momentum, diversify its economy, and maintain its competitiveness. To achieve its growth objectives, the government puts a priority on resolving the challenges of low access to USE, low quality and relevance of USE, and weak institutional capacity to deliver education services.

6. **Low access to upper secondary education.** The low participation and high dropout in USE are attributed to both demand- and supply-side constraints. On the demand side, the high opportunity cost of schooling among poor students poses disincentives to attending USS. Economic pressures on poor households' resources due to direct or indirect income foregone impacts the decision to either attend or drop out of school. In Cambodia, a traditional code of conduct for women restrains their access to education opportunities. The inadequate MoEYS budget for USE, and inefficiencies in spending at subnational and school levels constrain the expansion of USSs in the disadvantaged provinces. This poses barriers to attendance, since many USSs in the disadvantaged provinces are either too far from home, overcrowded or in a state of disrepair, or lack usable water and toilets.⁷ The lack of teachers in rural and disadvantaged areas due to difficult teaching and living conditions (i.e., large class sizes, double shifting, poor living conditions, and transportation challenges) discourage student attendance.

7. **Low quality and relevance.** The shortage of qualified teachers and teacher trainers remains a major constraint to achieving quality outcomes of USE. Approximately 86% of Cambodian teachers have qualifications below a bachelor's degree.⁸ In-service training and professional development opportunities have been limited. Pre-service trainings do not adequately address the lack of mastery of content or knowledge of effective pedagogy to enhance student learning and interest. The inequity in the distribution of qualified teachers is also an issue. Some specialized subjects such as in math, science, and information and communication technology (ICT) are taught by teachers with not enough qualification in the field. The inadequate USE budget impedes the provision of critical teaching and learning resources (e.g., textbooks, equipment, science and computer laboratories) to upgrade the students' proficiency in the specialized USE subjects. Inputs given to secondary resource schools (SRS) are underutilized due to lack of maintenance and operation funds.⁹ Employer surveys highlight the skills gaps due to the lack of relevance of the curriculum to the skills and competency requirements in the labor market.¹⁰

8. **Weak institutional capacity to plan, deliver, and manage education services.** A pervasive factor in poor USE performance is the weak management capacity in resource planning and utilization, especially at the subnational levels. Weak school management has constrained the ability of schools to flexibly respond to their needs. Monitoring capacity at all levels of the MoEYS is limited, and the education management information system (EMIS)

⁶ S. Madhur. 2014. *Cambodia's Skill Gap: An Anatomy of Issues and Policy Options*. Phnom Penh: Cambodia Development Research Institute.

⁷ The average distance from home to school is about 7.4 kilometers for USS students, compared with 2.0 kilometers for primary school and 3.5 kilometers for lower secondary school students.

⁸ Government of Cambodia; Ministry of Education, Youth and Sport; Department of Planning. 2015. *Education Management Information System*. Phnom Penh.

⁹ Refers to secondary school which has a secondary resource center equipped with science laboratories, computer laboratories, library, meeting room, and other facilities.

¹⁰ Austraining International and BDLINK (Cambodia) Co., Ltd. 2013. *The Labour Market Study on Large Enterprises and Their Skills Needs*. Phnom Penh.

needs further strengthening. There is weak capacity to analyze collected data to inform resource allocation and policy development. Engagement with key stakeholders, including the parents and community representatives, in planning and resource mobilization has been limited.

9. **Government's education strategy and ADB's country partnership strategy.** The government prioritizes education and skills development in line with its Rectangular Strategy for Growth, Employment, Equity and Efficiency, Phase III.¹¹ The National Strategic Development Plan, 2014–2018 emphasizes mainstreaming of scientific and technological knowledge and its application in academic curriculums in secondary education.¹² The Education Strategic Plan, 2014–2018 focuses on policies to improve equitable access, quality and relevance and enhance effective leadership and management across all levels.¹³ ADB's country partnership strategy, 2014–2018 for Cambodia is aligned with the government's priorities to improve access to and relevance and quality of secondary education.¹⁴

10. **ADB value added in the education sector.** ADB has provided substantial investments in education and technical and vocational education and training (TVET), reflecting ADB's long-term commitment to education in Cambodia. The Education Sector Development Program (ESDP), the second ESDP, and the ongoing third ESDP focused on increasing access to and quality of lower secondary education. The Enhancing Education Quality Project supported quality improvements through the establishment of SRS equipped to support student learning.¹⁵ The Upper Secondary Education Sector Development Program (USESDP) will contribute to addressing unmet needs at the underserved USE level. It will build on the critical reforms initiated in the previous ADB programs such as (i) advocating for sustained increases in budget allocation to education, (ii) setting standards for effective secondary schools, (iii) establishing programs to address specific needs of the poor and disadvantaged, and (iv) initiating programs to improve competencies of teachers and teacher trainers in secondary education. ADB's support to the government's public financial management reform program, including in key line agencies such as the MoEYS, will help address the financial management issues constraining effective and efficient delivery of education services, including in USE.¹⁶

11. **Lessons learned.** Some lessons learned include the need to (i) align the policy reforms with government's capacity to fully implement the reforms, and provide adequate TA support to develop and implement policy reforms in key areas; (ii) build capacity of implementing agencies to facilitate project implementation; (iii) provide a strong fiduciary and fiscal framework to advance sector reforms; (iv) strengthen the EMIS to facilitate monitoring, and enhance data-based decision-making; and (v) provide strong monitoring and evaluation of program interventions to strengthen implementation.

¹¹ Government of Cambodia. 2013. *Rectangular Strategy for Growth, Employment, Equity and Efficiency, Phase III*. Phnom Penh.

¹² Government of Cambodia. 2014. *National Strategic Development Plan 2014–2018*. Phnom Penh.

¹³ Ministry of Education, Youth and Sport (MoEYS). 2014. *Education Strategic Plan, 2014–2018*. Phnom Penh.

¹⁴ ADB. 2014. *Country Partnership Strategy: Cambodia, 2014–2018*. Manila.

¹⁵ ADB. 2001. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Kingdom of Cambodia for the Education Sector Development Program*. Manila; ADB. 2004. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Kingdom of Cambodia for the Second Education Sector Development Program*. Manila; ADB. 2012. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Kingdom of Cambodia for the Third Education Sector Development Program*. Manila; and ADB. 2007. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Kingdom of Cambodia for the Enhancing Education Quality Project*. Manila.

¹⁶ The public financial management reform program is a comprehensive four-stage public financial reform framework (2004–2025) led by the government and supported by development partners, including ADB.

12. **Development partner coordination.** Major education development partners in Cambodia include the European Union; the Japan International Cooperation Agency; the Swedish International Development Cooperation Agency; the United Nations Children's Fund (UNICEF); the United Nations Education, Scientific and Cultural Organization (UNESCO); and the World Bank. An education sector working group serves as the main platform for regular dialogue and coordination. Major investments by development partners, have focused on basic education. The program has been designed in consultation with these partners.

13. The Sector Development Program modality with a policy-based loan, project loan component and TA will engage ADB and the government over the next 5 years in the education sector and help meet the sector needs in a comprehensive and integrated manner. Identified reforms to the sector require long-term engagement, as these will take time to implement and show development impact. The USESDP will enable ADB to leverage its contribution to support the government's USE reform program and harmonize development partners' assistance.

B. Impact and Outcome

14. The impact will be the development of high-quality human resources. The outcome will be improved effectiveness of the USE system. USESDP contains 14 policy actions, all of which have been completed from January 2015 to July 2016. These policy actions provide the guiding framework or policy bases in the implementation of the investment component of the USESDP.

C. Outputs

15. **Output 1: Access to upper secondary education improved.** For the policy actions under output 1, the government has established a three-tier student scholarship program targeting (i) poor USE students; (ii) USE science and math students from disadvantaged provinces, using household's income poverty status, student merit, and gender as selection criteria; and (iii) academically outstanding science and math students from non-disadvantaged provinces to incentivize them to enroll in the science stream.¹⁷ To improve teacher deployment in areas with high teacher shortage, the government has established, budgeted for, and implemented a hardship allowance program.

16. Under the project, the number of USE facilities in the seven disadvantaged provinces will be expanded. Classrooms will be provided in 10 overcrowded USSs, while 5 existing lower secondary schools will be upgraded to offer USE with classrooms and water and toilets. Eleven existing USSs will be repaired and rehabilitated. Scholarship grants will be provided to outstanding science stream students in USE selected based on merit, with 60% of the beneficiaries being female, to encourage high-performing students, including those from poor families, to complete USE and expand the pool of better-qualified entrants for the science stream at the tertiary level.¹⁸ The project will provide (i) hardship allowances to 938 USS teachers in the seven disadvantaged provinces, (ii) scholarships for a 1-year pre-service training on science and math at the National Institute of Education to 500 eligible teacher candidates from disadvantaged provinces, and (iii) 44 teacher housing units in areas of high need.¹⁹ A

¹⁷ The science stream includes math and science.

¹⁸ Based on their scores in the qualifying exam for scholarship grants to be given by the MoEYS.

¹⁹ The MoEYS' criteria include the following: (i) disadvantaged provinces; (ii) USSs with shortage of teachers; (iii) schools with teachers transferring from other areas, especially female teachers; (iv) hard-to-reach schools within limited safe geographical location; (v) schools with long teaching hours; (vi) schools with teachers who are poor and have low living standards; (vii) schools with newly married teachers and who come from distant areas; and (viii) schools with increasing student enrollment.

gender-responsive communication strategy and awareness campaigns will also be developed to enhance parents' and communities' knowledge about the value of investing in education.

17. **Output 2: Quality and relevance of upper secondary education improved.** The policy actions under output 2 include the government's strengthening of STEM education. The government has established policy directions on in-service and pre-service training and professional development opportunities for STEM teachers and administrators, promotion of gender equality in STEM education, and establishment of math and science study clubs in 50 USSs. Quality assurance measures in USE have been implemented through the adoption of guidelines on the establishment and management of SRSs, and the development of a school-level quality assurance framework focusing on systematic inspection of schools, school-level self-evaluation and standards for effective support and service to teachers, and school management for quality improvement based on needs assessment. Complementary reforms in curriculum and assessment have been implemented, including the adoption of the curriculum framework for general and technical education, the conduct of the grade 11 assessment, and the dissemination of the grade 12 examination results to teachers and education staff to inform the design of interventions to address students' weaknesses and least-learned skills. To address long-standing issues on low teacher qualifications, the government implemented its comprehensive teacher policy focused on improving teacher deployment, quality, and performance and allocated adequate budget for its effective implementation.

18. The project will support (i) the review and upgrading of the science, math, and ICT curriculum at the USE level to align with international standards; (ii) quality reviews of textbooks and teacher guides to ensure curriculum alignment and error-free textbooks; all grade 12 students will be provided textbooks for all subjects at a 1:1 student-textbook ratio while USS teachers will have teacher guides on all grade 12 subjects; and (iii) quality improvement of science, math, and ICT teachers through review of training curriculum of pre-service and in-service teacher training; professional development of USE science, math, and ICT teacher educators through pre-service teacher training and USE science, math, and ICT teachers through in-service teacher training. The MoEYS will engage an internationally recognized regional education institute to support the implementation of these various activities. All teacher training programs will include a module on career guidance and entrepreneurship concepts for USE students based on successful pilots. The project will upgrade 12 USSs to SRSs, with a complete set of learning facilities and school equipment.

19. **Output 3: Institutional capacity for planning, management, and delivery of education strengthened.** Under the policy-based loan component, the MoEYS implemented functional assessment, performance review, and capacity development of relevant decentralized offices of education and the Research and Teacher Assessment Office within the MoEYS's Teacher Training Department to enhance the effectiveness of support to teachers. To inform evidence-based planning and budgeting, the MoEYS updated the Education Strategic Plan, 2014–2018, including strategies, priorities, and targets.

20. The project will (i) strengthen monitoring and evaluation of SRSs and network schools²⁰ through staff training of MoEYS departments, the provincial and district offices of education, SRS directors, and network schools to promote effective utilization of school resources; (ii) strengthen the EMIS through server upgrading, database integration, and capacity development of MoEYS staff on data management and analysis; (iii) train USS management on strengthening SRS network schools to optimally utilize learning resources and the School Improvement Fund

²⁰ Refers to a cluster of secondary schools that are in close proximity to any secondary resource school.

(SIF);²¹ (iv) provide SIF support to 48 SRSs and 240 network schools, with guidelines on efficient utilization and fund liquidation; (v) support the newly established MoEYS departments of examination, ICT, and policy through staff development training, and provision of office furniture and equipment; (vi) support the Education Research Council in the production of policy briefs and journals, and in the hosting of the annual research forum; and (vii) develop an SIF financial management manual for SRSs and network schools, install a computerized accounting system, and train staff in relevant MoEYS departments.

D. Development Financing Needs

21. **Overall program financing.** The program is estimated to cost \$48 million (Table 1). ADB will provide a policy-based loan of SDR10,752,000 (\$15 million equivalent) and a project loan of SDR21,505,000 (\$30 million equivalent). Both are from the Asian Development Fund. The government will provide counterpart funding of \$3 million from its central budget. Table 1 shows the program financing plan. The program will be supported by a policy and advisory technical assistance (para. 25).

Table 1: Program Financing Plan

Source	Amount (\$ million)	Share of Total (%)
Asian Development Bank		
Asian Development Fund (policy-based loan)	15.00	31.25
Asian Development Fund (project loan)	30.00	62.50
Government	3.00	6.25
Total	48.00	100.00

Source: Asian Development Bank estimates.

22. **Program financing plan.** The government has requested a loan of SDR10,752,000 (\$15 million equivalent) from ADB's Special Funds resources to help finance the program. The loan will have a 24-year term, including a grace period of 8 years, an interest rate of 1.0% per annum during the grace period and 1.5% per annum thereafter, and such other terms and conditions set forth in the draft program loan agreement. The amount of the policy-based loan is based on development financing needs for the sector as identified during the country programming and strategy formulation, and on the costs incurred by the government in implementing reform priorities, including on scholarships, teacher incentives and training, STEM initiatives, SRS operation, and capital expenditures such as classroom construction. The policy-based loan will be released in a single tranche upon loan effectiveness.

23. **Project investment plan.** The government has requested a loan of SDR21,505,000 (\$30 million equivalent) from ADB's Special Funds resources to help finance the project, including taxes and duties. The loan will have a 32-year term, including a grace period of 8 years, an interest rate of 1.0% per annum during the grace period and 1.5% per annum thereafter, and such other terms and conditions set forth in the draft project loan agreement (Table 2). The government will provide counterpart support in the form of staff, office accommodation and facilities, and other in-kind contributions.

Table 2: Project Investment Plan (\$ million)

Item	Amount ^a
A. Investment Cost^b	
1. Access to upper secondary education improved	10.83
2. Quality and relevance of upper secondary education improved	14.67

²¹ SIF will be used to support teaching and learning activities in science and other extracurricular activities.

Item	Amount ^a
3. Institutional capacity for planning, management, and delivery of education strengthened	2.64
Subtotal (A)	28.14
B. Contingencies^c	3.51
C. Financing Charges During Implementation^d	1.34
Total (A+B+C)	33.00

Note: Numbers may not sum precisely because of rounding.

^a Investment costs include taxes and duties amounting to about \$2.21 million to be financed by the Asian Development Bank. All government counterpart funds, amounting to \$3.0 million, will be in the form of in-kind contribution (\$2.4 million) and project coordination unit staff time (\$0.60 million). The amount of taxes and duties is included on the grounds that (i) the amount does not represent an excessive share of the project investment plan, (ii) the taxes and duties apply only to ADB-financed expenditures, and (iii) the financing of taxes and duties are relevant to the success of the project.

^b In 2016 prices.

^c Physical contingency is set at 10% of total base cost. Price contingencies are based on escalation rates for local currency and foreign exchange costs estimated for Cambodia. Annual escalation rate for local currency costs is estimated at 3.0% for 2017 and 3.5% for each year from 2018–2021 while annual escalation rate for foreign exchange costs is estimated at 1.4% for 2017, and 1.5% for each year from 2018 to 2022.

^d Includes interest.

Source: Asian Development Bank estimates.

E. Implementation Arrangements

24. The MoEYS will be the executing agency. The implementation arrangements are summarized in Table 3 and described in detail in the project administration manual.²²

Table 3: Implementation Arrangements

Aspects	Arrangements		
Implementation period	January 2017–December 2021		
Estimated completion date	30 June 2017 for policy-based loan, 31 December 2021 for project loan		
Management (i) Oversight body	Project Steering Committee Minister of Education (chair) Secretary of state; undersecretary of state; representatives from Ministry of Economy and Finance, Ministry of Labor and Vocational Training, Ministry of Women's Affairs, Ministry of Public Function, and MoEYS; Directorate General of Education; Directorate General of Policy and Planning; Directorate General of Higher Education; Directorate of Administration and Finance; inspectorate general; heads of technical departments (members)		
(ii) Executing agency	MoEYS		
(iii) Key implementing agencies	Directorate General of Education, Directorate General of Policy and Planning, National Institute of Education		
(iv) Implementation unit	PCU composed of project director, deputy director, project manager, and deputy project manager.		
Procurement	NCB	16 contracts	\$10,965,000
	Shopping for goods	11 contracts	\$514,500
Consulting services	QCBS	1 contract	\$1,700,000
	LCS	1 contract	\$50,000
	QBS	1 contract	\$1,160,000
	ICS	3 contracts	\$332,000
	CQS	1 contract	\$150,000
Advance contracting	No retroactive financing. Advance actions proposed for three individual consultants.		
Disbursement	The loan proceeds will be disbursed in accordance with ADB's <i>Loan Disbursement Handbook</i> (2015, as amended from time to time) and detailed arrangements agreed upon between the government and ADB. The \$15 million policy-based loan will be released in single tranche upon loan effectiveness.		

ADB = Asian Development Bank; CQS = consultant qualification selection; DDG = deputy director general; ICB = international competitive bidding; ICS = individual consultant selection; LCS = least-cost selection; MoEYS = Ministry of Education, Youth and Sport; NCB = national competitive bidding; PCU = project coordination unit; QBS = quality-based selection; QCBS = quality- and cost-based selection.

Source: Asian Development Bank.

²² Project Administration Manual (accessible from the list of linked documents in Appendix 2).

III. TECHNICAL ASSISTANCE

25. The TA for Accelerating Policy Reforms in Secondary Education will provide policy, analytical, and advisory support to the MoEYS on major policy areas critical to enhancing the quality and effectiveness of secondary education.²³ These include scholarships for poor science and math USS students; teacher deployment, incentives, and professional development; curriculum and assessment; ICT policy implementation; development of the medium-term secondary education plan and expenditure framework, with policies, strategies, directions and expenditure requirements and the three-year education budget strategic plan. The TA is estimated to cost \$1.1 million, of which \$1.0 million will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF-V). Implementation period will be from January 2017 to June 2018. The government will provide counterpart support in the form of staff, office accommodation, and other in-kind contributions. The MoEYS will be the executing agency.

IV. DUE DILIGENCE

A. Economic and Financial

26. The program is expected to bring about significant economic benefits in terms of improved future earnings of USE students who complete the USE curriculum and who decide to find employment immediately after passing grade 12. The incremental economic benefits derived from the annual income generated by USE students finding employment are projected to increase from \$0.90 million in 2021 to \$130.47 million in 2041. Total economic benefits from improved income-generating capacity of USE graduates over the period is estimated at about \$1,321.55 million. The estimated economic benefits from improved efficiency in upper secondary schools are estimated at about \$0.57 million in 2021 and projected to increase to \$11.88 million in 2041. The calculated economic internal rate of return for the project investments is about 13.8%, indicating its economic viability. Fiscal impact analysis confirms that the government has adequate financial resources and will be able to fulfill all its financial obligations under the program.

B. Governance

27. The financial management assessment revealed insufficient financial management capacity at the subnational level. The development of the financial management manual and capacity strengthening activities will be conducted under the project to improve financial management capacity. The procurement capacity assessment and procurement risk assessment showed that the Procurement Unit of the MoEYS can handle procurement of works, goods, and services for the program with the additional full-time support of a national procurement specialist. For more efficient delivery, procurement may be handled by the project coordination unit that will be set up to manage the day-to-day implementation of the program.

28. ADB's Anticorruption Policy (1998, as amended to date) was explained to and discussed with the government and MoEYS. The specific policy requirements and supplementary measures are described in the project administration manual (footnote 22).

C. Poverty and Social

29. The poverty impact was assessed based on the distribution of incremental benefits and costs generated by the reforms supported by the project and the policy loan component.

²³ Attached Technical Assistance (accessible from the list of linked documents in Appendix 2).

Incremental benefits will be generated from (i) improved income-generating capacity of USE graduates who seek employment rather than pursue higher education, and (ii) improved efficiency in the management of schools and in the delivery of upper secondary education. The economic analysis indicates that 16% of total program benefits are shared by the poor.

30. The policy-based loan and the project are categorized as “*gender equity as a theme*.” The policy actions under the policy-based loan are designed to achieve the following objectives: (i) 60% of poor scholars are female, (ii) the hardship allowance program gives special emphasis to female teachers, and (iii) gender equality in STEM education is promoted. The gender action plan for the project will achieve the following: (i) undertake a gender assessment on the impact of student and teacher scholarships; (ii) 40% female trainees for in-service math, science, ICT, and career counseling training; (iii) all females currently in management positions receive management training; (iv) of the teacher candidates and/or qualified teacher training providers for National Institute of Education fellowships, at least 40% are female; (v) prioritizing female teachers for housing units in schools; and (vi) disaggregating EMIS data by sex and ethnicity.²⁴

D. Safeguards

31. The project is classified as indigenous peoples category B. Ethnic minority students and staff make up a large percentage of the project’s target schools in at least five of the seven disadvantaged provinces. In accordance with ADB’s Safeguard Policy Statement (2009), measures to ensure that students, teachers, and school administrators in ethnic minority areas are included in the project design in lieu of preparing a separate ethnic group plan.²⁵ The involuntary resettlement category is C. The program as a whole will not entail involuntary resettlement issues. The project activities, including construction of additional USS buildings and teacher housing, will not require land acquisition nor restrict access to lands and/or people’s livelihoods since school campuses occupy large tracts of land with adequate room for future expansion. Due diligence has confirmed that targeted project areas have land titles and/or certificates indicating ownership of land by the school or by the MoEYS. Based on an assessment of the policy actions, the policy-based loan component will not have any potential involuntary resettlement and indigenous peoples issues.

32. The project will include the construction of school buildings and/or classrooms and teacher housing. While environmental impacts are anticipated during construction, these are principally confined to noise, dust, and vibration, and safety of students and school and/or training center staff. Impacts will be minor, localized, temporary, and could adequately be addressed and covered in the civil works contract awards. The project is classified as category B for environment. An environmental assessment and review framework and an initial environmental examination have been prepared.²⁶ The policy actions in the policy-based loan component will not have any potential environmental impacts.

E. Risks and Mitigating Measures

33. Major risks and mitigating measures are described in detail in the risk assessment and

²⁴ Gender Action Plan (accessible from the list of linked documents in Appendix 2).

²⁵ “If Indigenous Peoples are the sole or overwhelming majority of direct project beneficiaries, and when only positive impacts are identified, the elements of an Indigenous Peoples plan could be included in the overall project design in lieu of preparing a separate Indigenous Peoples plan.” ADB. 2009. *Safeguard Policy Statement*. Manila (p. 57).

²⁶ Environmental Assessment and Review Framework and Initial Environmental Examination (accessible from the list of linked documents in Appendix 2).

risk management plan.²⁷ Risks include (i) weak linkages between education spending and the financial requirements to implement the Education Strategic Plan, (ii) insufficient financial management capacity at the subnational level, (iii) insufficient procurement capacity, and (iv) weak monitoring and oversight of project activities. Risk mitigating measures include (i) the development of a medium-term secondary education development plan and expenditure framework; (ii) capacity development of subnational offices and schools on the financial management manuals; (iii) training of project coordination unit (PCU) staff on the government's procurement policies; and (iv) regular monitoring of project activities by the PCU and training of MoEYS staff on monitoring and evaluation.

V. ASSURANCES AND CONDITIONS

34. The government and MoEYS have assured ADB that implementation of the project shall conform to all applicable ADB policies including those concerning anticorruption measures, safeguards, gender, procurement, consulting services, and disbursement as described in detail in the project administration manual and loan documents.

35. The government and MoEYS have agreed with ADB on certain covenants for the project, which are set forth in the project loan agreement.

36. The government and MoEYS have agreed that (i) the policy-based loan will become effective only when all reform actions and measures set out in the Policy Matrix (Appendix 4) have been undertaken to the satisfaction of ADB; and (ii) the project loan will become effective when the program loan agreement is duly executed and delivered on behalf of the government and all conditions precedent to its effectiveness have been fulfilled.

VI. RECOMMENDATION

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

- (i) the policy based-loan in various currencies equivalent to SDR10,752,000 to the Kingdom of Cambodia for the Upper Secondary Education Sector Development Program, from ADB's Special Funds resources with an interest charge at the rate of 1.0% per annum during the grace period and 1.5% per annum thereafter; for a term of 24 years, including a grace period of 8 years; and such other terms and conditions as are substantially in accordance with those set forth in the draft program loan agreement presented to the Board; and
- (ii) the project loan in various currencies equivalent to SDR21,505,000 to the Kingdom of Cambodia for the Upper Secondary Education Sector Development Program, from ADB's Special Funds resources with an interest charge at the rate of 1.0% per annum during the grace period and 1.5% per annum thereafter; for a term of 32 years, including a grace period of 8 years; and such other terms and conditions as are substantially in accordance with those set forth in the draft project loan agreement presented to the Board.

Takehiko Nakao
President

31 August 2016

²⁷ Risk Assessment and Risk Management Plan (accessible from the list of linked documents in Appendix 2).

DESIGN AND MONITORING FRAMEWORK

Impact the Program is Aligned With High-quality human resources developed (Education Strategic Plan, 2014–2018) ^a			
Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks
Outcome Effectiveness of the USE system improved	By end of SY 2021/22: a. GER for USE increased to 30% (female: 30%); (SY2015/16 baseline: 25.1%, female: 26.0%) b. Promotion rate from grade 10 to 11 increased to at least 90% (female: 90%) (SY2014/15 baseline: 82.2%, female: 83.2%) c. Promotion rate from grade 11 to 12 increased to at least 90% (female: 90%) (SY2014/15 baseline: 88.8%, female: 89.0%)	a. EMIS b. Data from the Department of Quality Assurance, MoEYS c. MoEYS Annual education congress report	Weak linkage between education spending and the financial requirements to implement the education sector plan and priorities as indicated in ESP 2014–2018
Outputs 1. Access to USE improved	Program (by 2016): 1a. Scholarship program for poor students established and implemented 1b. Scholarship program inclusive of criteria of merit, poverty, and gender established for science and math USE students from disadvantaged areas 1c. Scholarship program for academically outstanding science and math students from non-disadvantaged provinces studying in the science stream at the USE level established 1d. Hardship allowance program for teachers in rural and disadvantaged areas established and implemented Project 1e. 6,000 students (60% female), of which 60% are from seven disadvantaged provinces, including ethnic minority areas, and 40% are from SRs in non-disadvantaged provinces, receive 2-year scholarships to study in the science stream at the USE level by Q4 2021 (SY2015/16 baseline: 0%) 1f. 938 USE teachers (all female teachers in the disadvantaged areas of the disadvantaged provinces) posted in the seven disadvantaged provinces, including ethnic minority areas, receive additional hardship allowances for 4 years by Q4 2021 (SY2015/16 baseline: 0) 1g. 44 teacher housing units provided in schools, of which 70% are in the seven disadvantaged provinces and 30% are in high teacher shortage areas in non-disadvantaged provinces by Q4 2019 (SY2015/16 baseline: 0) 1h. Five lower secondary schools in the seven disadvantaged provinces are upgraded to USSs by Q4 2019 (SY2015/16 baseline: 0) 1i. 11 USSs in the seven disadvantaged provinces repaired or rehabilitated by Q4 2019 (SY2015/16 baseline: 0) 1j. 10 overcrowded USSs in five of the seven disadvantaged provinces provided with additional classrooms by Q4 2019 (SY2015/16 baseline: 0)	1a. Sub-Decree No. 34 (signed by the Prime Minister) on scholarship provision for poor students 1b. MoEYS scholarship guidelines for science and math for USS students from disadvantaged provinces and for academically outstanding USE students 1c. MoEYS <i>Prakas</i> (Ministerial Order) on hardship allowance for teachers in disadvantaged provinces 1d. M&E reports (qualitative and quantitative reports) with data disaggregated by sex and ethnicity 1e–1j. MoEYS project quarterly and annual reports; review mission reports; project completion report	Non-adherence to the requirements of the government's procurement policies and procedures for externally financed investments Weak intra- and inter-agency coordination resulting in fragmented implementation of the project
2. Quality and relevance of USE improved	Program (by 2016): 2a. STEM education strengthened 2b. Math and science study clubs established in 50 USSs 2c. Comprehensive teacher policy implemented 2d. School-level quality assurance framework	2a. MoEYS STEM policy 2b. MoEYS instruction on establishment of math and science	Insufficient procurement capacity, leading to unnecessary delays and

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks
	<p>developed and issued</p> <p>2e. SRSs and access of network schools expanded</p> <p>2f. Curriculum framework for general and technical education, defining learning outcomes standards and learning content, approved and implemented</p> <p>2g. Grade 11 assessment conducted</p> <p>2h. Result of the grade 12 national examination disseminated</p> <p>Project</p> <p>2i. Textbooks made available for all grade 12 subjects at a 1:1 textbook-to-student ratio to all grade 12 students by SY2017/18 (SY2015/16 baseline: 1:2)</p> <p>2j. 3,000 teacher guides for all grade 12 subjects provided to all USE schools by SY2017/18 (SY2015/16 baseline: 0)</p> <p>2k. USE curriculum on science and math reformed (to regional and/or international standards) and disseminated by Q1 2018 (SY2004/05 baseline: not applicable)</p> <p>2l. Curriculum for USE pre-service and in-service teacher training revised by Q4 2017 (SY2004/05 baseline: curriculum review in 2004)</p> <p>2m. 12 USSs upgraded to secondary resource schools with standardized facilities of a resource center by Q4 2021 (SY2015/16 baseline: 36)</p> <p>2n. Professional development programs for 250 USE teacher educators (217 science and math and 33 ICT, 40% female) provided by Q2 2018 (baseline: not applicable)</p> <p>2o. Professional development programs and initiatives for 13,300 USE teachers (3,500 math, 9,700 science, and 100 ICT; 40% female) provided through SRS-based training by Q4 2019 (baseline: not applicable)</p> <p>2p. Training of 13,300 USE teachers on career guidance to USS students conducted by Q4 2021 (SY2015/16 baseline: 0)</p> <p>2q. Additional 500 teacher candidates (40% female) at the National Institute of Education and/or qualified teacher training providers granted fellowships by Q4 2021 (SY2015/16 baseline: 500 teacher candidates, 30% female)</p>	<p>study club at secondary schools</p> <p>2c. MoEYS Teacher Policy Action Plan</p> <p>2d. MoEYS Curriculum Framework for General Education and Technical Education</p> <p>2e. MoEYS Guidelines on Secondary Resource Schools and their Network Schools</p> <p>2f. MoEYS Quality Assurance Framework</p> <p>2g. MoEYS instruction on grade 11 assessment</p> <p>2h. Report on grade 12 national examination dissemination</p> <p>2i–2q MoEYS' progress reports; consultants' reports; MoEYS project quarterly and annual reports; MoEYS project completion report</p>	<p>occasional non-adherence to the government's procurement policies and procedures for externally financed investments</p>
3. Institutional capacity for planning, management, and delivery of education strengthened	<p>Program (by 2016):</p> <p>3a. Functional and performance review and capacity development of personnel and training offices at all provincial offices of education and the Research and Teacher Assessment office at the MoEYS's Teacher Training Department implemented</p> <p>3b. Education Strategic Plan, 2014–2018 updated based on results of annual education sector review and in-depth assessment</p> <p>Project</p> <p>3c. 450 staff trained on comprehensive M&E by Q4 2019 (SY2015/16 baseline: 200)</p> <p>3d. EMIS capacity building initiatives on data management and analysis (including data disaggregated by sex and ethnicity) at the central level strengthened by Q4 2019 (SY2015/16 baseline: not applicable)</p> <p>3e. School management (directors, vice directors, senior staff) of 288 USSs provided management</p>	<p>3a. MoEYS <i>Prakas</i> on the personnel and training office at provincial education offices and the Research Office at the Teacher Training Department</p> <p>3b. MoEYS draft Education Strategic Plan, 2014–2018 midterm review report</p> <p>3c. Consultant's report</p> <p>3d. Project quarterly and annual reports</p> <p>3e. ADB review mission</p> <p>3f. Project completion</p>	<p>Weak intra- and inter-agency coordination resulting in fragmented implementation of project interventions</p> <p>Insufficient financial management capacity at subnational level</p>

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks
	<p>training by Q4 2021 (SY2015/16 baseline: Not applicable)</p> <p>3f. Departments of examination, ICT, policy and the research unit under the Education Research Council of MoEYS supported with staff development training while office furniture, and equipment provided to Departments of examination, ICT, policy by Q3 2017 (SY2015/16 baseline: not applicable)</p> <p>3g. 48 SRSs and 240 network resource schools provided with SIF support starting Q4 2017 (SY2015/16 baseline: not applicable)</p> <p>3h. Financial management manual developed, and training of DOF and Secondary Education Department and SRS staff on the SIF operation and maintenance of computerized financial management system conducted by Q4 2017 (SY2015/16 baseline: not applicable)</p>	<p>report</p> <p>3g. Inspector reports</p> <p>3h. Evaluation reports submitted by the Teacher Training Department and National Institute of Education</p>	

Key Activities with Milestones

1. Access to USE improved

- 1.1 Issue relevant policy document within 12 months of inception
- 1.2 Provide scholarships of \$200/year per student beginning SY2017/18
- 1.3 Provide additional hardship allowance to identified math, science, and ICT teachers (male and female) deployed in disadvantaged areas of the disadvantaged provinces by Q2 2017
- 1.4 Provide teacher housing in disadvantaged areas of all provinces by Q4 2019
- 1.5 Upgrade five lower secondary schools to USSs by Q4 2019
- 1.6 Repair or rehabilitate 11 USSs by Q4 2019
- 1.7 Provide 16 overcrowded USSs in five disadvantaged provinces with additional classrooms by Q4 2019

2. Quality and relevance of USE improved

- 2.1 Issue relevant policy document within 12 months of inception
- 2.2 Support government review and finalize USE curriculum (science and math) by Q1 2018
- 2.3 Perform quality check and distribute math and science textbooks by Q4 2017
- 2.4 Review and upgrade curriculum for USE pre-service and in-service teacher training by Q4 2017
- 2.5 Upgrade 12 USSs to resource schools with standardized facilities of a resource center by Q4 2021
- 2.6 Strengthen competencies of 250 teacher educators by Q2 2018
- 2.7 Strengthen competencies of 13,300 USE teachers through SRS-based training by Q4 2019
- 2.8 Provide 500 teacher candidates with fellowships by Q4 2021

3. Institutional capacity for planning, management, and delivery of education strengthened

- 3.1 Issue relevant policy document within 12 months of inception
- 3.2 Training of trainers on comprehensive M&E coordinated by MoEYS M&E department by Q4 2019
- 3.3 Strengthen EMIS capacity at the central level for data management and data analysis by Q4 2019
- 3.4 Support the establishment of the departments of examination and ICT by Q3 2017
- 3.5 Provide 48 SRSs and 240 network resource schools with SIF support starting Q4 2017

Project Management Activities

1. Establish the project coordination unit by Q3 2016
2. Recruit project consultants within 3 months of loan effectiveness
3. Organize inception (within 2 months of consultant deployment), midterm (2019), and final review (2021) workshops

Inputs

ADB:

Policy-based loan: \$15,000,000 (ADF)

Project loan: \$30,000,000 (ADF)

Technical assistance: \$1,000,000 Technical Assistance Special Fund (TASF-V)

Assumptions for Partner Financing

Not applicable

ADB = Asian Development Bank; ADF = Asian Development Fund; DOF = Department of Finance; EMIS = education management information system; ESP = Education Strategic Plan; GER = gross enrollment rate; ICT = information and communication technology; M&E = monitoring and evaluation; MoEYS = Ministry of Education, Youth, and Sport; NIE = National Institute of Education; Q = quarter; SIF = School Improvement Fund; STEM = science, technology, engineering, and mathematics; SRS = secondary resource school; SY = school year; USE = upper secondary education; USS = upper secondary school.

^a MoEYS. 2014. *Education Strategic Plan, 2014–2018*. Phnom Penh.

Source: ADB.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/RRPs/?id=47136-003-3>

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

Supplementary Documents

18. Details of the Economic Analysis
19. Program Impact Assessment

DEVELOPMENT POLICY LETTER

KINGDOM OF CAMBODIA
Nation Region King



MINISTRY OF ECONOMY AND FINANCE



MINISTRY OF EDUCATION, YOUTH AND SPORT

Phnom Penh, 16 August 2016

Mr. Takehiko Nakao
President
Asian Development Bank
Manila, Philippines

Subject: DEVELOPMENT POLICY LETTER AND POLICY MATRIX
Upper Secondary Education Sector Development Program (USEDSP)

Your Excellency,

1. The Royal Government of Cambodia (the Government) asserts high priority to education and skills development as part of Cambodia's Rectangular Strategy for Growth, Employment, Equity and Efficiency, Phase III, the National Strategic Development Plan 2014-2018, and the Industrial Development Policy 2015-2025. The Government has explicitly prioritized the development of human resources to ensure local competitiveness in an increasingly open regional labor market through training of skilled and productive labor to meet market demand and increase value added commodities and services; strengthen educational institutions and development of regulatory frameworks; strengthen the quality of education and promoting scientific research, technology development and innovation; and encouraging private sector participation in the development of the education sector. The Education Strategic Plan (ESP) 2014-2018 of the Ministry of Education, Youth, and Sport (MoEYS), with the support of development partners is working towards the realization of the Government's vision to develop a knowledge-based society within Cambodia. The ESP identified the following immediate and medium term subsector objectives to meet the goals of the Government: (i) equitable access for all to education services; (ii) enhanced quality and relevance of learning; and (iii) strengthened effective leadership and management of education staff at all levels. The Asian Development Bank (ADB) has provided critical and valuable support in the sector analyses and in the development of our sector-wide framework through sector development programs and technical assistance since early 2000.

2. The Government wishes to take this opportunity to thank the ADB for its sustained support to the education reform process through a sequence of Education Sector Development Programs (ESDP I, II, and III) and the Enhancing Education Quality Program (EEQP) that have

given impetus to significant and fundamental policy reforms in the areas of education sector financing, education legislations and governance, removal of access barriers to education for poor students, preventing dropout and reducing repetition rates at lower secondary education, strengthening school-based management, and enhancing teacher's professional development.

3. We are pleased to report that the Royal Government, with assistance from the ADB and other development partners, has made significant progress in expanding access to education which led to the achievement of Goal 2 of the Cambodian Millennium Development Goals, Universal Access to Primary Education, with a net enrollment rate of 98.4% (99.3% for female) in School year (SY) 2014/15, from 90.1% (88.6% for female) in SY 2003/04. Similarly, during the same period, gross enrollment in secondary education has increased from 39.3% (33.3% for female) to 53.3% (55.3% for female) for lower secondary education. The increased enrollment is attributed to the policy abolishing formal school entry fees in 2001, pro-poor financial support to enhance access of disadvantaged youth, construction and upgrading of education facilities, and improved internal efficiency of school management and the overall education system. Despite these achievements, much work remains to be done to ensure that we have the skilled human resources to meet local and regional labor market demands.

4. In this letter, we would like to apprise Your Excellency of upcoming policy reforms toward equitable access to and improved quality and relevance of upper secondary education in Cambodia, for which the Government has sought ADB assistance under the proposed Upper Secondary Education Sector Development Program (USESDP). The policy program, reflected in the accompanying policy matrix, builds upon and carries forward foundational policies that the Government and MoEYS have put in place to further operationalize the Government's education priorities. In line with the main policy areas of ESP 2014–2018 and MoEYS' reform priorities, the policy actions support the following immediate and medium term subsector objectives in secondary education, particularly in upper secondary education sub-sector, to address the identified barriers to Cambodia's competitiveness. Under the program loan component of the proposed USESDP, the Government agrees to undertake the policy program indicated in the policy matrix and explained in detail below.

5 **Improved access to upper secondary education.** In 2015, the Government issued a Sub-Decree, signed by the Prime Minister, providing scholarship to poor students at Primary and Secondary Education level. MoEYS has also issued a Prakas (Ministerial Order) on criteria and procedures to avail of the scholarship grants from the national budget. To support the realization of the Government's Industrial Development Policy, 2015–2025, through strengthening of the quality of education focusing on science, mathematics and technology foundation, and MoEYS' science, technology, engineering, and mathematics (STEM) priority program, the MoEYS has developed scholarship guidelines for science and math upper secondary students from disadvantaged provinces and for academically outstanding students from other provinces. The project loan component of the proposed USESDP will assist the MoEYS and MEF to develop the scholarship program for science and math upper secondary students from disadvantaged provinces and for academically outstanding students from other Provinces. The USESDP will also support the Government in the implementation of the joint policy on the scholarship program for poor science and math upper secondary students. To improve promotion and completion rates at all education levels, guidelines on the early warning system for dropout prevention will be developed and implemented. The system will include school mapping, identification of at-risk students and school and community-based counselling activities to master their basic competencies, and clear definition of the role of school support committees in supporting and monitoring at-risk students. The system will be rolled out nationwide.

6. To address the high shortage of teachers especially in disadvantaged areas, MoEYS has approved the Teacher Policy Action Plan (TPAP) to include the provision of incentives for teachers teaching in disadvantaged areas. Aside from increasing the number of upper secondary educational facilities, the proposed USESDP will also support the Government in piloting the augmentation of the hardship allowance for upper secondary teachers in provinces categorized as rural and remote, provide scholarships to teacher candidates from disadvantaged areas for pre-service training program, and build teacher housing units in areas with high shortage of teachers. In order to improve the qualifications of its teaching force, the MoEYS has developed the TPAP to: (i) attract and motivate competent persons into the teaching profession; (ii) enhance the quality of pre-service teacher training; (iii) ensure regular professional development and in-service training for teachers; and (iv) ensure the conditions necessary for teachers to fulfill their professional activity effectively and efficiently.

7. **Improved quality and relevance of upper secondary education.** The ESP 2014–2018 and the MoEYS' reform priorities highlight the Government's commitment to equip youth with relevant and quality learning experience enabling them to contribute effectively to the country's growth. The results of the learning assessments in 2014 and 2015 have provided very useful information for quality improvements in the education system, which subsequently informed the development and issuance of a number of key policies and guidelines in 2016. These include: the policy for enhancing general education in STEM; the establishment of math and science study clubs in secondary education building on the established link between these clubs and enhancing problem solving skills; the establishment and management of high-quality secondary resource schools and their network schools; the curriculum framework for general education and technical education which ensure alignment between supply of and demand for human resources and enhances relevance between skills and competencies of students and the needs of the labor market; introduction of the grade 11 assessment to strengthen the system and improve the quality of teaching; dissemination of the result of the grade 12 national examination to inform interventions to address learning deficits; and the adoption of the school quality assurance framework.

8. The proposed USESDP will closely collaborate with other development partners to provide technical assistance to MoEYS to develop and approve key policy documents in 2017. These include: the review of the ICT policies in education and approval of the action plan for implementation of Information, Communication and Technology (ICT) policies in education; development of guidelines for the effective allocation and utilization of the school improvement fund to secondary resource schools and network schools, and guidelines for timely submission of utilization reports by schools; development of standards (both software and hardware) for resource schools; and the formulation of the National Assessment policy covering Kindergarten to 12. The USESDP project component will also support the MoEYS review and upgrading of the science, math, and ICT curriculum to ensure adherence to international standards; strengthen the capacity for delivery of high quality pre-service and in-service teacher training of upper secondary science, math, and ICT teachers; undertake the quality review of textbooks and teacher guides to ensure that they conform to the curriculum, including provision of all Grade 12 textbooks to all Grade 12 students; and enhance laboratory-based learning and teaching of science, math, ICT, and extra-curricular activities at SRS and network schools.

9. **Strengthened institutional capacity for planning, management and delivery of education.** In 2016, MoEYS has conducted the mid-term review of the ESP 2014–2018, which is the planning document that guides the implementation of education reforms and activities for the period 2014–2018. The review has highlighted issues and challenges confronting the sector and provided strategic and policy recommendations reflecting the changing environments based on the IDP 2015–2025 and national priorities, the global economy and opportunities brought

about by the ASEAN integration. Significant efforts have been undertaken to ensure efficient responses to and delivery of services at subnational and grassroots levels. The MoEYS has reviewed the roles and functions of the personnel and training office of all provincial offices of education (POE) and the research and teacher assessment office at the teacher training department and proposed recommendations for improvement.

10. By 2017, the MoEYS will also develop and approve the action plans of the personnel and training office of all POEs and of the research and teacher assessment office at the teacher training department to further enhance their support to teacher's development. Teacher professional development guidelines will be established to set standards in the formulation and implementation of programs to enhance teachers' qualifications. The Government will formulate a prioritized medium-term plan in secondary education, informed by the in-depth sector assessment undertaken with the mid-term review and updating of the ESP. The plan will be aligned with the framework of the ESP 2014–2018, the National Strategic Development Plan (NSDP), the Industrial Development Policy and other national priorities. To ensure spending for these plan priorities and achieve the intended outcomes, the Government will draft the medium-term Expenditure Framework for secondary education. A result-based budget strategic plan 2017–2019 within the policy framework of the updated ESP, the secondary education development plan and the MTEF will be developed. The MoEYS will develop the teacher career pathways program for approval by the government. A research unit within the MoEYS' education research council with clear roles, functions, and responsibilities will be established to promote evidence-based policy making and education program development. The USESDP project component will support the strengthening of the Government's financial management at the school level through capacity-building of management and staff of the secondary resource schools and their network schools on planning, financial management and reporting. This will also include the setting up of the computerized accounting system; enhancing education management information system (EMIS) staff on data management and data analysis; supporting and strengthening capacity of staff of newly established departments of policy, ICT, examinations, and the education research council in areas of relevance to policy and quality education.

11. While there has been a significant increase in the MoEYS budget against the national budget, i.e., from 15.52% in 2013 to 18.3% in 2016, there are still remaining challenges in terms of budget allocation and execution. The total annual expenditure of the Government on education and training increased from KHR 1,300.7 billion in 2011 to KHR 2,065.7 in 2015. Total secondary education expenditure increased from KHR791.2 billion in 2011 to KHR 1,367.4 billion in 2015, an increase of 72.8%. Total expenditure on secondary education has remained within the range of 66-67% of the annual MoEYS budget over the past three years. Total expenditure on lower secondary education over the period 2011-2015 has remained at about 27-29% of the annual budget for MoEYS. Expenditure on upper secondary education exhibited a higher rate of growth as it grew from KHR 450.5 billion in 2011 to KHR 786.4 billion in 2015.

12. The policy program under USESDP intends to support the development of quality human resources in order to develop a knowledge-based society within Cambodia. The Government is committed to advancing equity in all reform areas as part of its sustained efforts to fully promote inclusive education. The Gender Action Plan (GAP) developed for USESDP are fully consistent with Cambodia's Rectangular Strategy for Growth, Employment, Equity, and Efficiency and other policy directions. High priority will be placed in implementing the GAP.

13. The Royal Government will use the funds generated by the program loan to primarily support the full implementation of related policy actions towards meeting the three key policy areas of the ESP 2014–2018, which include: (i) equitable access for all to education services;

(ii) enhanced quality and relevance of learning; and (iii) strengthened effective leadership and management of education staff at all levels.

14. As ADB continues to support the Royal Government of Cambodia in reforming the education system, we would like to express our commitment to continue our policy and strategic dialogue with you. The Royal Government of Cambodia wishes to reaffirm its commitment in continuing our partnership with the ADB in the sustained development of Cambodia through education and other priority sectors.

Sincerely Yours,



H.E. Dr. Aun Pormmoniroth
Senior Minister
Minister of Economy and Finance



H.E. Dr. Hang Chuon Naron
Minister
Ministry of Education, Youth, and Sport

POLICY MATRIX

Policy Area	Policy Actions Accomplished ^a
1. Access to upper secondary education improved	
1.1 Increased financial assistance to students in upper secondary level	<p>The Government established a 3-tier scholarship program for students in upper secondary education to improve access for poor students, promote enrolment in science and math, and incentivize outstanding students. Accomplishments included:</p> <ol style="list-style-type: none"> 1. The Government established and implemented the scholarship program for poor students at the secondary level. The Government allocated \$2.7 million in the 2015 budget and \$4.5 million in the 2016 budget for the scholarship program covering 2,600 (60% female) upper secondary students. 2. MoEYS established the scholarship program targeting science and math students at the secondary level from disadvantaged provinces. Selection criteria is based on household's income poverty status, student merit and gender. 3. MoEYS established a scholarship program for academically outstanding science and math students from non-disadvantaged provinces to study in the USE science stream.
1.2 Improving teacher recruitment and deployment through incentives	<p>The Government has introduced measures to improve the recruitment and deployment of qualified teachers especially in areas with perennial high teacher shortage. Accomplishments included:</p> <ol style="list-style-type: none"> 4. In 2015, the Government implemented a hardship allowance program to attract teachers (with special emphasis on female teachers) to teach in rural and disadvantaged areas and allocated budget for the program.
2. Quality and relevance of upper secondary education improved	
2.1 Enhancing STEM education	<p>The Government has intensified efforts to develop competence of students in Science, Technology, Engineering and Mathematics (STEM) to address skills needs in the labor market. These accomplishments included:</p> <ol style="list-style-type: none"> 5. MoEYS strengthened STEM education through setting of policy directions and strategies including: (i) providing in-service training, pre-service training and professional development opportunities for STEM teachers and administrators; and (ii) promoting gender equality in STEM education. 6. MoEYS established math and science study clubs in 50 upper secondary schools.
2.2 Expanding high-quality upper secondary schools	<p>The Government has implemented measures to enhance quality assurance in upper secondary schools. Accomplishments included:</p> <ol style="list-style-type: none"> 7. MoEYS adopted the revised guidelines for the expansion and management of Secondary Resource Schools (SRS) and enhanced access of network

Policy Area	Policy Actions Accomplished ^a
	<p>schools to SRS.</p> <p>8. MoEYS adopted the School-level Quality Assurance Framework focusing on (i) systematic school inspection; (ii) school level self-evaluation; and (iii) support and service to teachers and school management based on needs assessment.</p>
2.3 Implementing assessment and curriculum reforms	<p>The Government implemented complementary reforms on curriculum and assessment to address the learning and skills gaps. Accomplishments included:</p> <p>9. MoEYS approved the Curriculum Framework for General Education and Technical Education defining learning outcomes standards and gender-fair learning content.</p> <p>10. MoEYS developed the Grade 11 assessment to inform adjustments in curriculum, teaching methodology, content, and career guidance.</p> <p>11. MoEYS disseminated the results, including gender analyses, of the Grade 12 national examination to the teachers, and education staff to inform the design of interventions to address students' least learned skills.</p>
2.4 Enhancing teacher professional development and career development	<p>The Government introduced measures to improve teacher professional development and attract qualified and motivated persons into the teaching profession. Accomplishments included:</p> <p>12. MoEYS implemented the comprehensive Teacher Policy and allocated budget for its effective implementation.</p>
3. Institutional capacity for planning, management and delivery of education strengthened	
3.1 Enhancing the effective functioning of key MoEYS units supporting teacher professional development and enhanced policy development	<p>The Government implemented reforms within the MoEYS to enable the delivery of mandated functions and responsibilities of key units within the Ministry supporting teacher professional and career development. Accomplishments included:</p> <p>13. MoEYS implemented functional assessment including gender analysis, performance review and capacity development of relevant decentralized offices of education and the Research and Teacher Assessment Office at the Teacher Training Department.</p>
3.2 Enhancing the link between education spending and education quality improvements	<p>The Government institutionalized the annual sector review of achievements and challenges impeding the full realization of the goals and objectives articulated in the ESP, NSDP and Industrial Policy. This included:</p> <p>14. MoEYS has drafted the updated Education Strategic Plan (ESP) 2014–2018, including strategies, priorities and targets, based on the in-depth assessment conducted</p>

^a Policy actions cover the period from January 2015 to July 2016.