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The Priority Action Programme in Primary Education in Cambodia

PAK Kimchoeun, CDRI research associate, discusses the public expenditure management (PEM) system in Cambodia, based on the findings of the Public Expenditure Tracking Survey (PETS) in primary education, a joint study between CDRI, the World Bank and the ADB.

For the most part, Cambodia's budget system uses a traditional centralised approach derived largely from the French system. Cambodia initiated financial reforms in early 1993 with the promulgation of the Financial System (Budgetary) Law. Every year, an aggregate national revenue projection is made in May/June based on GDP growth projections to forecast available resources for the coming year. Next, by late July, budget allocation ceilings are established by the Ministry of Economy and Finance (MEF) for different sectors and investment activities and are approved by the Council of Ministers (CoM).

The budget is prepared using line and sub-line item format.¹ Recurrent and capital budgets are

prepared separately. Recurrent budget lines commonly include Chapter 10 (salaries), Chapter 11 (operations and maintenance) and Chapter 31 (social and economic intervention). In September/October, each line ministry and department negotiates its budget with the Department of Budget and Financial Affairs (DBFA). A final draft budget, with both aggregates and detailed break-downs, is agreed upon and approved by the CoM and finally by the National Assembly by the last week of December.

Once the budget is approved, it is rigidly implemented with a high degree of centralised authority. Approval from the MEF is required for fund transfers within budget lines (e.g. Chapter 11) and the CoM for transfers across budget lines. The approval process is generally thick with bureaucracy and time-consuming, with some procedures taking at least two months. The MEF and its provincial departments, as well as the national Treasury and provincial Treasuries (PT), oversee and approve spending, procurement and payments in the execution of line ministries' and departments' budgets.



Pupils attending their class in a Cambodian rural school.

Reform Initiatives

The current system is generally acknowledged to be ineffective, as it creates financial leakages and causes various difficulties, such as delays, gate-keeping and lack of transparency, in budget execution. Even by developing-country standards, the system is weak across the three dimensions of budget formulation, execution and reporting, raising concerns about the capacity of the

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system to perform even the most basic tasks (WB & ADB, 2003). In response to these inefficiencies, the MEF, the Ministry of Education, Youth and Sport (MEYS) and the Ministry of Health have agreed to a number of initiatives, including the Priority Action Programme (PAP), in order to channel funds directly into the two priority sectors, thus bypassing the rigidities, delays and uncertainties created by the traditional centralised budget execution process.

Another cornerstone in reforming public financial management in Cambodia is the introduction of the Public Finance Management (PFM) reform programme in late 2004 with the long-term objective of introducing generally accepted best international standards. The reforms are built on four sequenced and prioritised platforms: (1) a more credible budget, (2) effective financial accountability, (3) a fully affordable and prioritised government policy agenda and (4) government managers becoming fully accountable for programme performance.²

PETS in Cambodian Primary Education

The PAP was mentioned particularly in the PFM reform programme as the cornerstone of medium-term financial deconcentration. This reform initiative needs to be evaluated before it can be mainstreamed. It was agreed between major donors, including the World Bank, and the government to use the Public Expenditure Tracking Survey (PETS) as a tool to conduct a detailed assessment of the PAP, starting with education after four years of PAP implementation.

PETS is a survey technique used to track public funds through various government strata (e.g. province, district, commune) to determine how much of the originally allocated funds reach facility level and whether the funds arrive on time. The survey is useful for locating and quantifying political and bureaucratic capture of public funds, leakage of funds and problems in the deployment of human and in-kind resources. It was first piloted by the World Bank (WB) in 1996 in Uganda, followed by 12 other countries: Albania, Cambodia, Chad, Ghana, Honduras, Macedonia, Papua New Guinea, Peru, Rwanda, Senegal, Sierra Leone and Tanzania. There is not yet a comprehensive assessment of the impacts of PETS because some of the surveys are too recent to be evaluated.³

In mid-2004, CDRI conducted the first PETS on primary education PAP and Chapter 11 funds in Cambodia. The study covered 21 districts and 200 primary schools in seven provinces (Banteay Meanchey, Kompong Cham, Kompong Chhnang, Kampot, Kratie, Prey Veng and Sihanoukville). In each school, a school director, six teachers, three members of the school support committee (SSC) and six parents were interviewed, and school records were checked, including those on PAP receipts. About 40 students were selected for numeracy and literacy tests and were also asked to fill in a questionnaire about their family wealth status and other aspects of their education. PAP and Chapter 11 records were reviewed and qualitative interviews were conducted at provincial education offices (PEO) and district education offices (DEO).

The following section will discuss the findings from the PETS regarding the performance of PAP in

primary education. Out of the 12 PAP activities⁴ being implemented, the PETS examined only PAP 2.1 (primary school operations budget), which represents over a quarter of the entire PAP. Research questions addressed in this section included: Does PAP 2.1 reach schools? If so, does it do so in a timely and predictable manner, and with how much leakage? What are its monitoring system and community involvement in the process? Is PAP pro-poor and effective in promoting primary education? Finally, a number of key policy recommendations derived from the PETS findings are presented.

PAP in Education

Since its pilot in 2000 in 10 provinces, PAP has expanded rapidly. In 2001, the programme expanded to cover all 24 provinces and municipalities.⁵ In 2002, it further expanded to include the 12 PAP activities mentioned above. As of June 2004 for the 12 PAP activities, 77 billion riels (about \$19.25 million) had been allocated nationally to cover expenditures for the year 2003. Of this, 34 percent was allocated to PAP 2 for promoting primary education quality and efficiency.

The scope of the PETS is not the entire PAP, but rather PAP 2.1, which is a portion of PAP 2 provided to support primary schools all over the country. PAP 2.1 is the largest PAP funding a primary school receives. In the sample provinces, PAP 2.1 represents, on average, almost 50 percent of the entire PAP funds for education. PAP 2.1 is a formula-based grant. The entitlement for each primary school is equal to a fixed sum (500,000 riels) plus the total number of students multiplied by per student allowances (6,000 riels).

PAP 2.1 Budget Execution and Management

Usually in July each year, schools, districts and provinces compile their proposed budget for PAP and submit it to the MEYS. Different specialised departments at the ministry agree among themselves on a draft PAP budget for each of 12 PAP activities and submit it to the MEF. The MEF uses audits to approve the budget and spending; i.e. there are no pre-audits or approvals of spending requests, as applied in traditional approaches. The PAP 2.1 fund is transferred to schools in many disbursements (six disbursements on average for the 2002 budget year) through the existing Treasury system to PEO. Without using the banking system, PEO pick up cash from the PT and pass it on to DEO and finally to schools. For management purposes, budget management centres were created. In 2003, there were 25 of these centres at the MEYS to work in each specialised department, one in each province and 144 in the 185 DEO.

PEO are given the authority to divide disbursements to different PAP depending on their actual needs at certain points, as long as ultimately the funds are allocated in accordance with the originally approved budget. For PAP 2.1, based on the allocation formula, PEO also decide on what schools should receive from a certain cash disbursement and instruct the DEO to disburse the money accordingly. With fairly flexible spending guidance, primary schools manage the PAP 2.1 funds

received. All the PEO, DEO and schools are required to keep records of inflows and outflows of cash. At schools, endorsement by the school support committee is required for PAP spending reports. The SSC is usually the same as the Parental Association.

Does PAP 2.1 Reach Schools?

The study indicates that PAP 2.1 funding gaps were 2.6 percent, 25.1 percent and 4.2 percent for fiscal years 2000, 2001 and 2002 respectively. The gap variation is small across provinces and even smaller for schools located in the same province. Two factors contribute to the gap: a budget execution gap and fund leakage. At the provincial level and lower, the budget execution gap refers to the difference between the PAP 2.1 entitlement allocated to a PEO and what it actually receives. Leakage refers to any loss of funds during transfer from the provincial Treasury to schools. In the study, two different types of leakage were identified: that based on formal receipts and the so-called facilitation fee (or informal fee) paid upon each fund disbursement from PT, PEO and DEO, which is not reflected in the receipt. The facilitation fees paid to get the funds from the PT to schools, the study indicates, amounts to as much as 2.0 percent of the total disbursement.

Why Such Low Leakage?

First of all, the PAP is a reform initiative, and, as a result, is less centralised and audit-based. These important features make it different from traditional approaches. The fact that PAP 2.1 is formula-based and that virtually all school directors know the formula also helps reduce capture. This finding is also well supported by experiences in other countries. Also, when PAP 2.1 is transferred through the strata, the PT, PEO and DEO are not given much power to capture these funds, as they only transfer the money. The chance for leakage is further minimised because there are no complicated procedures or documentation requirements to follow disbursements from one level to another, thus, creating little room for gate-keeping.

The possibility of capture is further reduced by the fact that each level has an incentive not to keep a lot of cash in order to reduce security risks. In addition, there is a perception among officials implementing PAP that inspections and audits of the fund are heavy. The perception is true: a large amount of PAP funds (PAP 11 for instance), is dedicated to inspections. All these together make PAP high risk areas for capture attempts, compared to other budget lines, such as Chapter 11.

Table 1. Average Reported PAP 2.1 Funding Gap, by Province (%)

Province	2000	2001	2002
Banteay Meanchey	n/a	-24.4	-2.6
Kompong Cham	n/a	-23.0	-16.3
Kompong Chhnang	-2.6	-21.9	0.5
Kampot	-3.1	-20.6	-2.9
Kratie	2.4	-19.7	-2.0
Prey Veng	-6.1	-22.8	-4.7
Sihanoukville	n/a	-42.9	1.8
Total	-3.1	-23.5	-6.3

Does PAP Reach Schools in a Timely and Predictable Manner?

The timing, predictability and size of disbursements relative to the needs of schools during the year are also important for school operations. The PETS study suggests that since PAP's introduction in 2000, its funds, including PAP 2.1 funds, have been subject to significant disbursement delays, although there are recent signs of improvement (Table 2). The delays negatively affect project implementation at schools, especially at the start of a new school year. Periodic shortages of funds require schools to make credit purchases at a higher price—some school directors suggest about 5 percent higher—compared to cash purchases.

Too many small disbursements also increase transaction costs. Every transfer involves transportation costs, allowances for people going to pick up the money and facilitation fees.

Is the Monitoring of PAP 2.1 Spending in Schools Effective?

Control mechanisms for PAP 2.1 spending in schools are still underdeveloped. First, financial inspection conducted in schools is not frequent (from none to two times annually). The quality of inspection is also very questionable. Most inspections in schools last a half-day, and no report is produced on the results of inspections. Second, schools and district people acknowledge that sometimes schools need to spend PAP on activities that are not allowed by the spending guidelines, so they report inaccurately in order to get the spending reports accepted. This indicates there is rigidity in PAP spending and that reports fail to provide accurate information and, even worse, can be used to cover up misuse of funds if there is intention to do so.

Is the Community Actively Participating in PAP Monitoring and School Affairs?

Civic engagement enforces the accountability of school management to the community. The study indicates that such engagement and participation are still low, as indicated in Table 3. After school directors, teachers know best about PAP, and they are often the ones who raise any issues about PAP spending. However, teachers do not have enough time (70 percent of them have another job besides teaching) and incentives to really get involved. The members of SSC are less involved in PAP spending issues, and not many of them know about the fund entitlement and how it should be spent. In addition, the data indicates that SSC members do not generally consider assisting in PAP monitoring as their main priority task; they tend to focus more on school construction and improvement.

Table 2. Timing and Distribution of PAP 2.1 Disbursements to Schools (cumulative % received, by quarter)

Year	1	2	3	4	1	2	3	4
2000	-	-	-	24.9	38.8	99.5	100	
2001	-	-	43.6	49.2	63.0	100		
2002	-	-	0.1	47.6	53.2	73.8	98.7	100
2003	-	-	-	21.4	89.4	100		

Finally, parents are the least aware of PAP. Only nine percent of parents reported ever hearing about PAP, and none knew any details about the funds. Parents are also less involved in school affairs in general. Only 30 percent ever attended a school opening ceremony, and 12 percent do not even know if there is one. However, 97 percent of parents reported no longer having to pay school starting fees for their children since the introduction of PAP. Second, unlike the urban areas, where there is anecdotal evidence of teachers wrongfully soliciting money from students, fewer than 5 percent of the parents interviewed reported such acts.

Is PAP 2.1 Equitable and Does it Affect School Enrolment?

Analysing school wealth measured from the demand side and comparing it to the amount and timing of PAP 2.1 received, the study concluded that the allocation of PAP 2.1 funds to schools is pro-poor, and its timing is wealth neutral. This is mainly because the PAP 2.1 formula favours small schools, and small schools tend to be poorer.

The survey also indicates that there has been significant improvement in basic education enrolment over the past five years, especially in primary net enrolment rates, and it appears that PAP 2.1 contributes significantly to this. Preliminary results show that from 2000/01 to 2001/02, PAP 2 increased grade 1 enrolment by an average 25 students per school. This represents a 15 percent increase in enrolment from the pre-reform outcome. This effect was stronger in rural schools, which tend to be poorer, suggesting that PAP 2.1 has important distributional effects. The reports also strongly suggest, however, that the issue of education quality needs to be addressed, taking us back to the issues of teacher numbers, quality and incentives.

Key Recommendations

There are a number of recommendations based on the findings from PETS in relation to PAP, the key points of which are:

- The programme budget model needs to be further developed, especially with regard to the deconcentration of authority to line ministries, by piloting the new arrangements in selected ministries in 2006.
- Improvement needs to be made in the control and monitoring mechanisms for PAP 2.1 in order to prevent leakage, by improving budget reporting and strengthening financial reporting requirements and incentives for compliance, improving internal audits and making more use of information technology.
- A “power of information” strategy for engaging parents, through the SSC and other bodies, should be piloted in selected schools.
- Formalise the arrangements to disburse PAP resources from PEO on a priority basis to programmes where timing of purchases is critical, and allow schools more discretion in how to spend PAP 2.1 funds once control mechanisms are improved.

Table 3. Awareness of Teachers, SSC Members and Parents about PAP (%)

Respondents	Know what PAP is	Know about the 6,000 riels per student component (out of those who know PAP)	Know about the 500,000 riels per school component (out of those who know PAP)	Know that there are spending guidelines (out of those who know PAP)	Know the details of the guidelines (out of those who know about the guidelines)
Teachers	97	56	25	90	21
SSC members	83	27	14	72	7
Parents	9	0	0	n/a	n/a

- Having proved to be useful tools for education, certain aspects of PETS should be incorporated as an ongoing tool for management.

Endnotes:

1. This format indicates the allocation of aggregate funds to different types of spending and also breaks down the allocation in those line items. For instance, it tells not only how much is budgeted for operations and maintenance, but also how much of that is for, say, gasoline and electricity.
2. See MEF (2004) for detailed information on PFM reform programmes.
3. See Reinikka (2003) for more information on PETS and its methodology.
4. These are: (i) education teaching services efficiency, (ii) primary education quality and efficiency, (iii) secondary education quality and efficiency, (iv) technical and vocational education and training quality and efficiency, (v) higher education quality and efficiency, (vi) continuous teacher development, (vii) instructional materials and textbook development, (viii) expansion of non-formal education, (ix) AIDS awareness in schools, (x) AIDS awareness out of schools, (xi) supplies, capacity strengthening and provincial monitoring and (xii) equitable enrolment and scholarship reception.
5. In health, however, PAP is used only in seven pilot provinces. From our recent interviews, it is recommended that PAP be adopted more extensively in agriculture and rural development.

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