

Ex-Ante Evaluation (for Japanese ODA Loan)

Southeast Asia Division 2, Southeast Asia and Pacific Department, JICA

1. Basic information

Country: The Kingdom of Cambodia (hereinafter, Cambodia)

Project: COVID-19 Crisis Response Emergency Support Loan

L/A: November 10, 2020

2. Background and necessity of the project

(1) Current Circumstances and Issues of Cambodia's Response to COVID-19 and Prioritized Program

As COVID-19 is spreading around the world, the first infected patient in Cambodia was found in January 2020 and the total number of infected patients is 295 (number of deaths: 0, recovered: 288) as of November 8. On April 29, 2020, the Cambodian government promulgated a law that serves as the basis to declare a state of emergency that makes it possible to restrict movement, gathering, and working. However, the government considers that it is not necessary to declare a state of emergency because infection in the country is under control at this point. Meanwhile, infected patients have been found mainly among returnees from overseas. The government is on the alert for the second wave of infection in the future (the World Health Organization (WHO) warned the Cambodian government of a high risk of the second wave in the country) and has been working to upgrade the medical system.

As explained above, the number of infected patients in Cambodia is kept rather small while the influence on the economy is devastating. The economic growth rate of Cambodia had been maintained at 7.6% on average from 1995 to 2019. The World Bank predicted that the rate would decrease to minus 2.0 to minus 2.9% in 2020 due to influence on main industries, such as garment, tourist, and construction industries (the three sectors account for 43.2% of the GDP in 2019 and the garment industry accounts for 73.9% of the export).

In the garment industry in Cambodia, in particular, the operation is stopped at approximately 400 factories among over 1,100 factories as of July 2020 because the demand in Europe and the US dropped due to COVID-19. That have directly affected approximately 150,000 people or more and have indirectly affected approximately 2 million people when their families are included. In addition, in the second quarter of 2020, the number of travelers from overseas decreased by 98.1% as compared with the same period of the previous year. The year-around income of the tourist sector is expected to decrease by 90% in 2020. Under such

circumstances, in the tourist sector, approximately 3,000 companies have closed the businesses so far, which has made approximately 45,000 people unemployed (Cambodian Ministry of Tourism, 2020). Furthermore, there is another forecast that 1.76 million or more people will face a risk of losing their jobs in an economic downturn due to spreading COVID-19. The Cambodian government lowered the poverty rate to 13.5% in 2014 from 47.8% in 2007. However, according to the World Bank, if the government fails to properly treat the influence of COVID-19 on the poor, approximately 960,000 people (when the growth rate is minus 1.0%) to approximately 1.13 million people (when the growth rate is minus 2.9%) may additionally be poor (World Bank, 2020).

Cambodia has close economical relationship with Japan, for example, Japan accounts for 8.3% of the Cambodia's export and 3.2% of the import (2018). Therefore, there is concern that the spreading COVID-19 may seriously affect 388 Japanese companies operating in Cambodia (2018).

The Cambodian government formulated emergency countermeasures against COVID-19 including economic and social stabilization measures led by Ministry of Economy and Finance (MEF). The calculated provisional amount required to implement the measures is approximately 2 billion dollars (approximately 7.5% of the GDP in 2019). Although the Cambodian government determined several measures, such as postponing new public works projects in the country and reducing the travelling expenses of government workers, an urgent task is to secure funds necessary for tackling COVID-19. In addition, in the initial 2020 budget, the expected fiscal balance is 1.7% to the GDP, being in the black for 3 consecutive years. However, the financial deficit is expected to increase to minus 9.0% to the GDP (approximately 2.4 billion dollars) due to sharp decrease in the tax revenue and remarkable increase of the expenditure related to the response to COVID-19 (World Bank, 2020). Under such circumstances, the Cambodian government is planning to borrow total approximately 7.7 hundred million dollars in 2020 from development partners, including financial support from ADB, World Bank, and other organizations. The Cambodian government asked the Japanese government for a yen loan of 3 hundred million in May.

Considering the need for funds, Japan provides financial support to the Cambodian government that works to implement the afore-mentioned economic and social stabilization measures to respond to COVID-19.

(2) Japan's and JICA's Cooperation Policies for the Response to COVID-19

The Japanese government decided to provide support for the following

activities in the sectors specified in the Development Cooperation Policies for Cambodia (July 2017): to the key sector “industrial promotion support,” activities for improving the distribution network for both hardware and software, smoothing trade, and upgrading the investment environment; to another key sector “realization of sustainable society through enhancing the governance,” activities for legislation and administrative reform; and to another key sector “improvement of living quality,” activities in the health/medical treatment and social security sectors. In addition, the Japanese government also announced at the ASEAN+3 special summit meeting held on April 14, 2020 to support the three items listed below considering the influence of COVID-19 on the ASEAN countries: (i) Enhancement of the ability to cope with the infectious disease, (ii) setting up of an ASEAN infectious disease center, and (iii) enhancement of the economic resilience. Furthermore, since this project supports the response to worldwide influence of COVID-19, it also contributes to securing the peace and stability in “Free and Open Indo-Pacific.” Moreover, this project provides financial support for maintaining and activating economic and social activities, protecting the socially disadvantaged, and improving the health system. Therefore, this project may contribute to SDGs Goal 1 (End poverty in all its forms everywhere), SDGs Goal 3 (Ensure healthy lives and promote well-being for all at all ages), and SDGs Goal 8 (Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all).

(3) Response of other Development Partners

The ADB Board of Directors has approved Countercyclical Support Facility COVID-19 Pandemic Response Option (CPRO) costing 20 billion dollars worldwide. It approved COVID-19 Active Response and Expenditure Support (CARES) of 250 million dollars in July as financing for Cambodia. Agence Française de Développement (AFD) is planning to provide joint financing for CARES (40 million dollars).

The World Bank Board of Directors approved in February 2020 an emergency grant for enhancing the capability to tackle COVID-19 (14 million dollars). It approved an emergency loan for support the response to COVID-19 (20 million dollars) in April and an additional loan to the health and medical treatment sector (15 million dollars) in May. The World Bank is planning to provide financial support of 150 million dollars in the future. In April, the EU announced a grant of 66 million dollars to support the response to COVID-19 and in June, it announced financial support of 483 million dollars including grants and loans as

Team Europe including member countries (among the amount, approximately 120 million dollars are for the EU alone (all of them is donation). The rest is for the member countries. The financial support targets include new projects and changes of the existing projects' purposes for which the funds are spent).

China sent a medical expert team to Cambodia, which was the first among the Southeast Asian countries. The Communist Party, Shanghai Government, Guangxi Zhuang Autonomous Region, and various companies (e.g., Huawei) delivered masks, test kits, and other medical goods (500,000 dollars in total). In September 2020, the Asian Infrastructure Investment Bank (AIIB) approved emergency financing of 65 million dollars under its COVID-19 Crisis Measure Facility for sustaining infrastructures in rural areas and enhancing the resilience, and to the water and sanitation sector.

3. Outline of the project

(1) Purpose of the Project

This project is to provide financial support to the Cambodian government to implement countermeasures against COVID-19, such as maintaining and activating economic and social activities, protecting the socially vulnerable people, and improving the health system in Cambodia. These measures in turn contribute to stabilizing the economy and society of Cambodia and encouraging efforts for sustainable development.

(2) Project Site/Target Area

Whole of Cambodia

(3) Details of the Project

This project is to provide financial support to the Cambodian government that determines and implements the following programs as measures to stabilize the economy and society that are affected by COVID-19. The loan is provided immediately after the Cambodian government has made an application after the L/A has come into effect and the fund will be included into the general finances of Cambodia. After the loan has been extended, the progress of the crisis measures will be monitored by the system to be mentioned later.

Program	Main contents	Necessary amount (million dollars)
(A) Economic recovery	Wage subsidy for workers, financing to small and	950

program	medium companies, reduction of the rate of the withholding tax for loans from banks in and outside the country, educational training, employment services, reduction of the corporate tax, grace to the payment of income tax, exemption of all taxes for the tourist industry, exemption of sales tax for the aviation industry, setting up of funds such as a credit guarantee fund and agricultural regional development bank, lowering of interest rates, extension of pay-back periods, improvement of physical distribution, etc.	
(B) Social protection program	Public support for poor households and socially vulnerable people, cash for unemployed people and migrant workers returned from overseas, exemption of the payment of premiums of the National Social Security Fund, etc.	310
(C) Health and medical treatment program	Purchase of materials and equipment for protection, testing, and medical treatment, enhancement of the capability of testing, research, and medical facilities, etc.	60
(D) Reservation for the afore-mentioned measures in preparation for a case in which the influence of COVID-19 still remains in September 2020 and after.		680
	Total	2,000

(4) Estimated Program Cost (Loan Amount)

Loan amount: 25 billion yen

(5) Project Period

The formulation and start of the crisis response programs have been confirmed as mentioned previously, so the project completes when the loan is extended (planned in December 2020).

(6) Program Implementation Structure

- 1) Borrower: Cambodian government (the Royal Government of Cambodia)
- 2) Guarantor: None
- 3) Project implementation organization: Ministry of Economy and Finance

(7) Cooperation and Sharing of Roles with other Development Partners

- 1) Support activities by the Japanese government

In the technical cooperation project “Project for improving continuum of care

with focus on intrapartum and neonatal care,” the Japanese government is planning to provide infrared thermographs for the response to COVID-19 as part of technical cooperation. Combined effects are expected thanks to enhanced capability for testing and handling COVID-19 at target facilities.

2) Support activities by other development partners

This project is joint financing with ADB. AFD is also planning to participate in the joint financing. The progress will be monitored in cooperation with ADB and other organization(s).

(8) Environmental and Social Considerations, Cross-cutting Issues, and Gender Classification

1) Environmental and Social Considerations

(i) Category: C

(ii) Reason for the classification: Because the unfavorable influence of this project on the environment is judged minimum based on the JICA Guidelines for Environmental and Social Considerations (promulgated in April 2010).

2) Cross-cutting Issues

(i) Measures and considerations for poverty: The Cambodian government’s crisis response programs include direct support to the poor and socially vulnerable (children under 5, elderly people of 60 years and over, handicapped people, and HIV infected patients) who are affected by COVID-19.

(ii) Considerations for handicapped people: The afore-mentioned socially vulnerable includes handicapped people.

3) Gender classification: GI (S) Gender informed (Significant)

[Activity details/reasons of the classification] Beneficiaries of the public assistance for the poor in the crisis response programs by the Cambodian government include women to a certain extent or more. A certain number or more of the entrepreneurs of small and medium companies that obtain the financing is female. In addition, the ratio of male and female beneficiaries will also be monitored.

(9) Other special note: The measures to be implemented in the crisis response by the Cambodian government may contribute to activities of Japanese companies operating in Cambodia and recovery and maintaining of their supply chains.

4. Effects of the project

(1) Quantitative effects

1) Outcome (operation and effectiveness indexes)

Index ^{*1}	Standard value	Target value (target year and month)
Cambodia's preparedness capacity, assessed by the operational readiness index (%) ^{*2}	42 (2018)	52 (December 2021)
Ratio of the poor and vulnerable who received cash grants through the IDPoor database and among which, the ratio of female beneficiaries (%) ^{*3}	- (January 2020)	80 (whole of the poor and vulnerable) 50 (female beneficiaries among the figure above) (December 2020)
Ratio of SMEs that received working capital support are still in business, of which the ratio of female entrepreneurs (%)	- (January 2020)	70 (whole of small and medium companies) 26 (female entrepreneurs among the figure above) (June 2021)

Note 1: For the operation and effectiveness indexes, those used in ADB CARES are used (ADB is the counterpart in this joint financing project).

Note 2: WHO evaluations showing the ability of various countries to quickly respond to public hygiene events. The WHO analyzed annual reports on international health guidelines of 182 countries and determined 18 indexes for evaluation.

Note 3: IDPoor is a program carried out in the whole country by support from the World Bank and Australia (support of medical, food, and funeral expenses and other expenses to the poor). The number of registered people is approximately 2,400,000 as of January 2020.

(2) Qualitative Effects

This project contributes to stabilizing the Cambodian economy and society, continuance of Japanese companies' businesses, recovery and maintaining of their supply chains (the effects will be comprehensively checked using the number of full members of the Japanese Business Association of Cambodia, amounts of export and import, cargo volume, and other items as indexes).

(3) Internal rate of return: No internal rate of return is calculated since this project

is a program-type loan.

5. Precondition(s) and external condition(s)

(1) Precondition(s): None

(2) External condition(s): The worldwide spread of COVID-19 is properly controlled and the situation returns to normal quickly.

6. Lesson(s) from similar project(s) in the past and application to this project

The Ex-post evaluations of the emergency financial support loans for three countries in Southeast Asia (“Emergency financial support loan” for Philippine, “Climate change program loan (II) (support for economic stimulative measures)” for Indonesia, and “The eighth poverty reduction support loan (support for economic stimulative measures)” for Vietnam) show a lesson below: When one purpose of emergency financial support is to provide funds promptly to allow quicker response to crises, the time when the support is provided is very important to enhance the effects; therefore, it is desirable to simplify the procedure to provide support as much as possible and make the scheme adaptive and flexible.

Considering the afore-mentioned lesson, this project is carried out as joint financing with the ADB’s emergency financial support. Therefore, no policy matrix is formulated and this project’s support targets include various measures that the Cambodian government determines and implements (e.g., maintaining and activating economic and social activities and protecting the socially disadvantaged). This project can provide a fund quickly by establishing a monitoring system to check the progress.

7. Evaluation results

This project matches the development subjects and policies of the Royal government of Cambodia and the cooperation policies of the government of Japanese and JICA. In addition, this project provides financial support to suppress the spread of the COVID-19, maintain and activate economic and social activities of affected people, protect the socially disadvantaged, and improve the health system. Therefore, this project may contribute to the following SDGs Goals: SDGs Goal 1 (End poverty in all its forms everywhere), SDGs Goal 3 (Ensure healthy lives and promote well-being for all at all ages), SDGs Goal 5 (Achieve gender equality and empower all women and girls), SDGs Goal 8 (Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all), SDGs Goal 10 (Reduce

inequality within and among countries), and SDGs Goal 17 (Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development). From the reasons listed above, it is highly necessary to support the implementation of the programs.

8. Future evaluation schedule

(1) Indexes to be used for future evaluation(s)

Same as those in 4.

(2) Future evaluation schedule

Ex-post evaluation will be made in 2 years from the project completion.

End