

Cambodia has made considerable progress since 1991, when more than 2 decades of isolation and conflict ended. It is ensuring peace and security, rebuilding institutions, establishing a stable macroeconomic environment, and putting in place a liberal investment regime. Nonetheless, much remains to be done. Gross domestic product (GDP) growth has been robust at nearly 9% in the last decade, leading to a steady decrease in poverty, but its incidence, at 34.7%, remains high.

Recent economic growth—mostly centered on garments and tourism—is urban-focused, with limited linkage to the rural economy, where 91% of the poor live. This has led to a rapid increase in inequality over the past decade. There is a pressing need to diversify the economy to enable the rural poor to contribute to and benefit from economic growth. Achieving the Millennium Development Goals (MDGs) related to human development will also remain a challenge.

The Government has developed a comprehensive reform agenda aimed at achieving the MDGs, which is embedded in the National Strategic Development Plan (NSDP) 2006–2010.

Relationship with ADB

As of 31 December 2006, Cambodia had received \$912.24 million for 38 loans (30 projects and 8 programs), \$79.05 million for 14 grant projects, and \$91.38 million for 141 technical assistance projects, since joining the Asian Development Bank (ADB) in 1966. The majority have been provided since operations resumed in 1992.

The Cambodia Country Strategy and Program (CSP) 2005–2009 focuses on broad-based economic growth, inclusive social development and good governance. In addition, the CSP has a geographical focus on the Tonle Sap Basin and a subregional focus on the Greater Mekong Subregion (GMS) Program.

The Cambodia Country Operations Business Plan (COBP) 2007–2009, meanwhile, focuses on the NSDP priorities of agriculture and natural resources, education, financial sector development, SMEs, and rural water supply and sanitation. The CSP for 2005–2009 and COBP for 2007–2009 can be found at www.adb.org/Documents/CSPs/CAM.

**Table 1. Cambodia:
 Development Indicators**

Non-MDG	
Population in millions	14.1 (2006)
Annual population growth rate (%)	2.0 (2004–2006)
Adult literacy rate	73.6 (2000–2004)
Percent of population in urban areas	17.7 (2005)
MDG	
Percent of population living on less than \$1 a day	33.8 (2003)
Percent of population living below the national poverty line	34.7 (2004)
Under-5 mortality rate per 1,000 live births	143 (2005)
Percent of population with access to safe water	41 (2004)

MDG = Millennium Development Goal.
 Note: The use of one literacy rate to represent 2000–2004 was used by UNESCO since adult literacy rates do not fluctuate significantly over the short term, and thus, annual estimate of change can be unreliable in the absence of data.

Sources: ADB. 2007. *Basic Statistics 2007*. Manila.
 ADB. 2007. Statistical Database System.

Table 2. Cambodia: Economic Indicators, 2002–2006

Economic Indicator	2002	2003	2004	2005	2006
Per capita GNI (\$)	290	310	350	380	...
GDP growth (% change per year)	6.2	8.6	10.0	13.4	10.4
CPI (% change per year)	3.3	1.2	3.9	5.8	4.7
Unemployment rate (%)
Fiscal balance (% of GDP)	-6.3	-6.0	-4.7	-3.4	-1.5
Export growth (% change per year)	12.7	17.9	24.1	12.4	26.9
Import growth (% change per year)	12.8	13.0	22.5	20.2	20.3
Current account (% of GDP)	-9.5	-10.8	-8.3	-9.5	-7.7
External debt (% of GNI)	70.5	72.9	68.5	59.2	...

... = data not available, CPI = consumer price index, GDP = gross domestic product, GNI = gross national income.

Sources: ADB. 2007. *Asian Development Outlook 2007*. Manila. ADB. 2007. Statistical Database System.

Table 3. Cambodia: 2006 Loan, TA, and Grant Approvals (\$ million)

Loans		TA	Grants	Total
Sovereign	Nonsovereign			
62.00	–	6.25	7.80	76.05

– = nil.

Cumulative Lending (as of 31 Dec 2006) : \$912.24 million
Cumulative Disbursements (as of 31 Dec 2006) : \$619.14 million

Table 4. Cambodia: Cumulative ADB Lending as of 31 December 2006

Sector	Loans (no.)	Amount (\$ million)	% ^a
Agriculture and Natural Resources	5	88.61	9.71
Education	6	123.00	13.48
Energy	5	112.77	12.36
Finance	4	50.00	5.48
Health, Nutrition, and Social Protection	2	40.00	4.38
Industry and Trade	2	35.60	3.90
Law, Economic Management, and Public Policy	1	10.00	1.10
Multisector	5	191.00	20.94
Transport and Communications	5	215.00	23.57
Water Supply, Sanitation, and Waste Management	3	46.26	5.07
TOTAL	38	912.24	100.00

^a Total may not add due to rounding.

Impact of Assistance

Over the past decade, ADB has worked closely with the Government to rehabilitate the economy and pursue sustainable development.

In the area of infrastructure, transport projects—including road improvement—have helped enhance market access and opportunities for economic development by reducing travel time and transport costs. Other potentially high impact interventions include a Railway Rehabilitation Project, approved in 2006, which aims at improving the efficiency by restructuring the railway management and rehabilitating 650 kilometers of tracks linking Cambodia to Thailand.

In the power sector, the Power Rehabilitation and Provincial Power Supply Project has provided reliable connections to nearly 42,000 households. The GMS Transmission Project and the Second Power Transmission and Distribution Project will stimulate economic growth by reliably supplying electricity at affordable prices to consumers in the southern provinces.

In agriculture, ADB has used program loans and associated technical assistance and investment projects to assist government efforts to (i) establish the legal framework for securing access to productive agricultural land, (ii) coordinate the provision of agriculture extension services, (iii) prepare divestment plans for selected state-owned enterprise to improve the market environment for private agro-based enterprise growth, and (iv) develop a master plan for coordinated agricultural research. Assistance has helped rehabilitate irrigation, improved participatory management, and improved productivity of irrigation schemes. ADB interventions in the area of natural resources management, and more particularly in the Tonle Sap Basin, have contributed towards (i) strengthening the institutional capacity for an integrated water resource management approach, (ii) establishing conditions for a sustainable management and conservation of natural resources and biodiversity, and (iii) strengthening the capacity of rural communities to plan development activities.

In the education sector, lending assistance, such as the Education Sector Development Projects/Programs, have helped improve primary and lower secondary school enrollment and completion rates and to eliminate gender disparities in access to primary and lower secondary education. In support of better school access, ADB has also provided grant assistance from the Japan Fund for Poverty Reduction (JFPR), and Poverty Reduction Cooperation Fund (PRF).

In the water and sanitation sector, recent interventions include the Rural Water Supply and Sanitation Project, approved in 2005, which aims to enhance the health of low-income communities in five provinces around the Tonle Sap basin by improving hygiene and sustained access to safe drinking water and better sanitation.

ADB has been involved in the health sector by focusing on improved delivery of health services, and supporting programs that address public health priorities, and strengthening institutional capacity. These priorities are also supported through JFPR grant assistance, which focuses on health care financing for the poor, and through ADB's Greater Mekong Subregion program for Regional Communicable Diseases Control.

In recognition of the Government's commitment to decentralization and local democratic development, ADB has been providing support to sub-national administration since 2002. The pioneering Commune Council Development Project (CCDP) has supported several programs for improving communal government through such things as office construction, capacity development for commune councilors and clerks and many other programs. The Commune Council Development Project, Phase 2 (CCDP 2), builds on the achievements of CCDP.

ADB has been a major development partner for Cambodia in the financial sector, particularly in strengthening banking

supervision and in helping to develop the commercial legal framework. The Financial Sector Program Loan has helped to create more robust and better regulated banking institutions, which resulted in increased public confidence in, and greater borrowings from, the banking system (total bank deposits increased from 9.5% of GDP in 2000 to 18.1% in 2006, and credit to the private sector grew from 6.3% of GDP in 2000 to 12.3% in 2006). ADB has also been a lead development partner in the SME sector. The SME Program Loan has supported improving the business environment for SMEs by establishing an SME Development Framework, strengthening business registration reforms, initiating business licensing reforms, improving access to finance through the establishment of a pilot on-line Credit Information System and developing the legal framework for leasing, and simplifying the tax and accounting guidelines for SMEs.

Cambodia has also benefited from the GMS Program, and has been the recipient of a number of GMS loan and grant projects in the areas of road and rail transport, power transmission, tourism development, and cross border communicable disease control.

Future Directions

Important assistance in 2007 includes (i) the Tonle Sap Lowland Stabilization Project, for rural development, poverty reduction, sustainable management and conservation of natural resources, and alternative livelihoods development; (ii) the GMS Southern Coastal Corridor, which aims at contributing towards economic development along the Southern Coastal Corridor through the reduction of transport costs and improved transport access between the GMS countries; (iii) the Financial Sector Development Program (Cluster I), which aims to further develop the banking, insurance and microfinance sectors, interbank and the money markets and the legal and supporting infrastructure; and (iv) the Education Quality Improvement Project focusing on improving the quality of education.

In 2008, ADB plans to provide (i) the Water Resources Management (Sector) Project, which will focus on improving irrigation facilities and river subbasin management; (ii) SME Development II, which will support implementation of the Government's SME Development Framework, strengthen business registration reform, support implementation of business licensing reform, implement accounting and taxation guidelines for SME's, expand the credit information system, and promote leasing development; and (iii) Public Financial Management for Rural Development, which will establish internal audit functions within the Ministry of Rural Development and other line ministries with responsibility for rural development.

Operational Challenges

The binding constraints to poverty reduction in Cambodia remain numerous, and include narrowly based economic growth, limited access to and poor quality social services, landlessness, lack of access to natural resources, social exclusion, poor governance, and endemic corruption.

Table 5. Cambodia: Project Success Rates

By Sector	Percentage	No. of Rated Projects/Programs
Agriculture and Natural Resources	100.0	1
Education	100.0	2
Energy	100.0	1
Health, Nutrition, and Social Protection	100.0	1
Multisector	100.0	3
Transport and Communications	50.0	2
Water Supply, Sanitation, and Waste Management	100.0	1
Total	90.9	11
Year of Approval		
1990s	90.0	10
2000s	100.0	1

Table 6. Cambodia: Portfolio Performance Quality Indicators for Sovereign Lending, 2005–2006

Number of Ongoing Loans (as of Dec 2006)	2005 (\$ million)	2006 (\$ million)
	21	
Contract Awards/Commitments	96.40	39.10
Disbursements	84.47	54.55
Loans at Risk (%)	...	4.8

... = data not available.

Given the wide range of development issues to be addressed in Cambodia, and a limited resource envelop, ADB will exercise greater sector selectivity in its operations during the remainder of the CSP period and focus more on enhancing rural productivity and incomes. This is aligned with the poverty focus of the NSDP and the Government's rural development impetus and will ensure continued relevance and development effectiveness of ADB's assistance program. Based on the 2006 Country Performance Assessment exercise, Cambodia is to receive an Asian Development Fund (ADF) allocation of up to \$99.6 million for the biennial period 2007–2008. As a poor debt-stressed country, Cambodia can receive up to 50% of its total ADF assistance in the form of grants under the ADF IX grants allocation framework.

Partnership

External assistance has contributed to the implementation of major public sector development projects in Cambodia. At the Consultative Group meeting successfully completed in early March 2006, participants agreed to increase pledges from \$504 million to \$600.6 million for 2006 (with ADB's pledge of \$88 million overall).

The Government, in close cooperation with leading development partners including ADB, has actively promoted greater harmonization between partners and improved alignment of their assistance programs with the Government's core development strategy. An action plan on harmonization and alignment, which was prepared with the assistance of development partners, has served as the principal framework for improving coordination. ADB, the World Bank, the

United Kingdom's Department for International Development, and the United Nations system have been closely cooperating and coordinating on country strategies and policy dialogue to reduce transaction costs to the Government, and to enhance aid effectiveness.

ADB cooperates extensively with civil society organizations in Cambodia to strengthen the effectiveness, quality, and sustainability of the services it provides. For example, ADB-financed a project proposed by the Ministry of Health to contract NGOs to manage a district-level public health care system using a results-based contract to monitor progress. The project proved an efficient and effective means to increase health care coverage rates and better target primary health care services to the poor. ADB has also provided support to the Cambodian Disabled People's Organization to address the needs of women living with disabilities by developing networks of support for them, and assisting them to benefit from available technical and training resources.

Cofinancing and Procurement

Cofinancing operations enable ADB's financing partners – government or their agencies, multilateral financing institutions, and commercial organizations – to participate in financing of ADB projects. The additional funds are provided in varying forms of grants, guarantees, loans, or syndications.

In 2006, the GMS: Rehabilitation of the Railway Project was provided with a \$13.0 million loan from the OPEC Fund for International Development, and the Second Power Transmission and Distribution Project was provided with a \$22.3 million loan cofinancing from Japan Bank for International Cooperation.

As of year end 2006, cumulative direct value-added cofinancing for Cambodia since 1996 amounted to \$76.9 million for 8 investment projects, and \$20.0 million for 32 technical assistance projects. A summary of investment projects with cofinancing is available at www.adb.org/Documents/Fact_Sheets/Cambodia/cofinancing.asp.

A summary of procurement contracts awarded to companies and consultants from Cambodia for goods and related services, civil works, and consulting services can be found at www.adb.org/Documents/Fact_Sheets/Cambodia/procurement.asp.

About Cambodia and ADB

Cambodia is the 29th largest shareholder among regional members and the 37th largest overall.

ADB Membership

Joined	1966
Shares held	1,750 (0.050%)
Votes	15,137 (0.343%)

Phil Bowen is the Executive Director and **Dereck Rookan-Smith** is the Alternate Executive Director representing Cambodia on the ADB Board of Directors.

Arjun Goswami is the ADB Country Director for Cambodia. The Cambodia Resident Mission (CARM) was opened in 1996 and provides the primary operational link between ADB and the government, private-sector, and civil-society stakeholders in its activities. CARM engages in policy dialogue and acts as a knowledge base on development issues in Cambodia.

The Cambodia government agency handling ADB affairs is the Ministry of Economy and Finance.

About the Asian Development Bank

ADB is a multilateral development bank owned by 67 members, 48 from the region and 19 from other parts of the world. ADB's main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance. ADB's annual lending volume is typically about \$6 billion, with technical assistance usually totaling about \$180 million a year. In 2006, lending volume was \$7.4 billion, with technical assistance at \$241.6 million.

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Useful ADB websites

Asian Development Bank
www.adb.org

Country website
www.adb.org/cambodia

Asian Development Outlook
<http://adb.org/Documents/Books/ADO/2007/CAM.pdf>

Annual Report
www.adb.org/Documents/reports/annual_report/2006/

Depository Libraries
www.adb.org/Publications/Depositories/cam.asp