

Book

Cambodia and Asian Development Bank : partnership for inclusive growth

Provided in Cooperation with:

Asian Development Bank (ADB), Manila

Reference: (2019). Cambodia and Asian Development Bank : partnership for inclusive growth.
Mandaluyong City, Metro Manila, Philippines : Asian Development Bank.
doi:10.22617/BRF199900.

This Version is available at:
<http://hdl.handle.net/11159/3127>

Kontakt/Contact

ZBW – Leibniz-Informationszentrum Wirtschaft/Leibniz Information Centre for Economics
Düsternbrooker Weg 120
24105 Kiel (Germany)
E-Mail: [rights\[at\]zbw.eu](mailto:rights[at]zbw.eu)
<https://www.zbw.eu/econis-archiv/>

Standard-Nutzungsbedingungen:

Dieses Dokument darf zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden. Sie dürfen dieses Dokument nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, aufführen, vertreiben oder anderweitig nutzen. Sofern für das Dokument eine Open-Content-Lizenz verwendet wurde, so gelten abweichend von diesen Nutzungsbedingungen die in der Lizenz gewährten Nutzungsrechte.
<https://zbw.eu/econis-archiv/terms-of-use>

Terms of use:

This document may be saved and copied for your personal and scholarly purposes. You are not to copy it for public or commercial purposes, to exhibit the document in public, to perform, distribute or otherwise use the document in public. If the document is made available under a Creative Commons Licence you may exercise further usage rights as specified in the licence.



DEVELOPMENT EFFECTIVENESS BRIEF

CAMBODIA AND ASIAN DEVELOPMENT BANK PARTNERSHIP FOR INCLUSIVE GROWTH

MAY 2019

DEVELOPMENT EFFECTIVENESS BRIEF

CAMBODIA AND ASIAN DEVELOPMENT BANK

PARTNERSHIP FOR INCLUSIVE GROWTH

MAY 2019



Creative Commons Attribution 3.0 IGO license (CC BY 3.0 IGO)

© 2019 Asian Development Bank
6 ADB Avenue, Mandaluyong City, 1550 Metro Manila, Philippines
Tel +63 2 632 4444; Fax +63 2 636 2444
www.adb.org

Some rights reserved. Published in 2019.

ISBN 978-92-9261-212-2 (print), 978-92-9261-213-9 (electronic)
Publication Stock No. BRF199900
DOI: <http://dx.doi.org/10.22617/BRF199900>

The views expressed in this publication are those of the authors and do not necessarily reflect the views and policies of the Asian Development Bank (ADB) or its Board of Governors or the governments they represent.

ADB does not guarantee the accuracy of the data included in this publication and accepts no responsibility for any consequence of their use. The mention of specific companies or products of manufacturers does not imply that they are endorsed or recommended by ADB in preference to others of a similar nature that are not mentioned.

By making any designation of or reference to a particular territory or geographic area, or by using the term “country” in this document, ADB does not intend to make any judgments as to the legal or other status of any territory or area.

This work is available under the Creative Commons Attribution 3.0 IGO license (CC BY 3.0 IGO) <https://creativecommons.org/licenses/by/3.0/igo/>. By using the content of this publication, you agree to be bound by the terms of this license. For attribution, translations, adaptations, and permissions, please read the provisions and terms of use at <https://www.adb.org/terms-use#openaccess>.

This CC license does not apply to non-ADB copyright materials in this publication. If the material is attributed to another source, please contact the copyright owner or publisher of that source for permission to reproduce it. ADB cannot be held liable for any claims that arise as a result of your use of the material.

Please contact pubsmarketing@adb.org if you have questions or comments with respect to content, or if you wish to obtain copyright permission for your intended use that does not fall within these terms, or for permission to use the ADB logo.

Corrigenda to ADB publications may be found at <http://www.adb.org/publications/corrigenda>.

Notes:

In this publication, “\$” refers to United States dollars.
All photos are by ADB.

About the cover: Basket weaving is part of an ADB-supported project that helps create jobs and improve livelihood for local people in Kampong Thom, Cambodia. The project has led to the rehabilitation of irrigation schemes and diversification of income-generating opportunities, benefiting 68,000 households around the Tonle Sap Lake (photo by ADB, Chor Sokunthea).

CONTENTS

Cambodia and ADB: Partnership for Inclusive Growth	iv
ADB's Contribution to Poverty Reduction and Sustainable Development	1
Agriculture: Improving Water Resources Management and Developing Value Chains	2
Transport: Rural–Urban Links	10
Human Capital: Education and Skills Development	18
Improving Operational and Organizational Effectiveness	24
Moving Forward: Challenges and Opportunities	25

CAMBODIA AND ADB: PARTNERSHIP FOR INCLUSIVE GROWTH

During the last 20 years, Cambodia has achieved remarkable economic development with an average growth rate of above 7%. The country attained lower middle income status in early July 2016. The poverty rate declined significantly from about 50% in 2007 to 13.5% in 2014.¹ The greatest reduction in poverty was in rural areas, but most people who escaped poverty did so only by a small margin. More than 70% of Cambodians still live on less than \$3 a day and remain vulnerable to falling back into poverty.

Cambodia made progress on other Millennium Development Goals (MDGs), including reaching near-universal net enrollment in primary education and significantly reducing maternal mortality (Table 1).

Table 1: Key Development Indicators, Cambodia

Non-Millennium Development Goals	
Population, 2017 (million)	16.0
Annual population growth rate, 2017 (%)	1.5
Adult literacy rate (15–24 years old), 2017 (%)	95.4
Urban population, 2017 (%)	21.1
Infant mortality rate, 2014 (below 1 year per 1,000 live births)	28.0
Underweight children under 5 years old, 2014 (%)	24.0
Millennium Development Goals	
Population living on less than \$1.90 a day, 2012 (%)	6.1
Population living below the national poverty line, 2014 (%)	13.5
Maternal mortality ratio, 2014 (per 100,000 live births)	170.0
Population with access safe water, 2015 (%)	75.5
Population with access to sanitation, 2015 (%)	42.4
Households with access to grid-connected electricity, 2017 (%)	69.0
Net enrollment in primary education, 2018 (%)	92.6

MDG = Millennium Development Goal, CDHS = Cambodia Demographic and Health Survey, MoEYS = Ministry of Education, Youth and Sport, NIS = National Institute of Statistics, WDI = World Development Indicators, WB = World Bank. Sources: National Institute of Statistics. 2016. *Demographic and Health Survey 2014*. Phnom Penh; National Institute of Statistics. 2017. *Cambodia Socio-Economic Survey 2016*. Phnom Penh; Ministry of Education, Youth and Sport. 2017. *Education Statistics and Indicators 2016–2017*. Phnom Penh; Electricity Authority of Cambodia. 2018. Report on the Power Sector of the Kingdom of Cambodia 2018. World Bank. 2017. *Poverty headcount ratio at \$1.90 a day (2011 PPP)*; World Bank. 2017. *World Development Indicators*.

Lack of diversification beyond the garments and tourism industries, however, leaves the economy open to economic and financial shocks. The economy is also vulnerable to natural disasters such as floods and droughts. The country's agriculture suffers from poor productivity, lack of infrastructure, and low capacity of farmers. Moreover, nine in ten poor people reside in rural areas. In addition, skills mismatch, skills shortages, and poor transport networks further constrain future economic growth.

The Government of Cambodia's Rectangular Strategy for Growth, Employment, Equity and Efficiency, Phase III (RSIII) provides the development policies for the Fifth Legislature of the National Assembly (2013–2018). It is seen as a blueprint “to guide the activities of all stakeholders to further pursue and strengthen long-term sustainable development aimed at promoting economic growth, creating jobs, equitable distribution of the fruits of growth, and ensuring effectiveness of public institutions and management of resources.”

The National Strategic Development Plan 2014–2018 was then designed to operationalize the RSIII. The plan consists of promoting good governance, increasing agricultural productivity, improving physical infrastructure, expanding the private sector, developing capacity and human resources, and creating a conducive environment for the RSIII.

Through the two country partnership strategies (CPSs), covering 2011–2013 and 2014–2018, respectively, the Asian Development Bank (ADB) supports the government's priorities. The CPSs have prioritized ADB's investments in transport, water and sanitation, urban development, agriculture and natural resources, quality general education and industry-relevant technical and vocational education and training (TVET), and finance. The strategies also identified public sector management as a facilitating sector, and responded to critical challenges such as climate change, decentralization, connectivity, and regional cooperation. To improve economic, environmental, and social benefits, ADB focuses on creating synergies between ADB-financed interventions to achieve results across sectors rather than progress in individual sectors. ADB's assistance in the agriculture sector, for instance, will benefit from programs on rural infrastructure and water resources management.

During 2011–2018, ADB has committed \$1.93 billion in lending, grants, and technical assistance for Cambodia (Table 2). More than half of ADB's portfolio has been invested in water supply, urban infrastructure and services; agriculture, natural resources; transport; and education (Figure).

■ During 2011–2018, ADB has committed \$1.93 billion in lending, grants, and technical assistance for Cambodia.

Table 2: Loan, Technical Assistance, and Grant Commitments
(\$ million, commitment year, as of 31 December 2018)

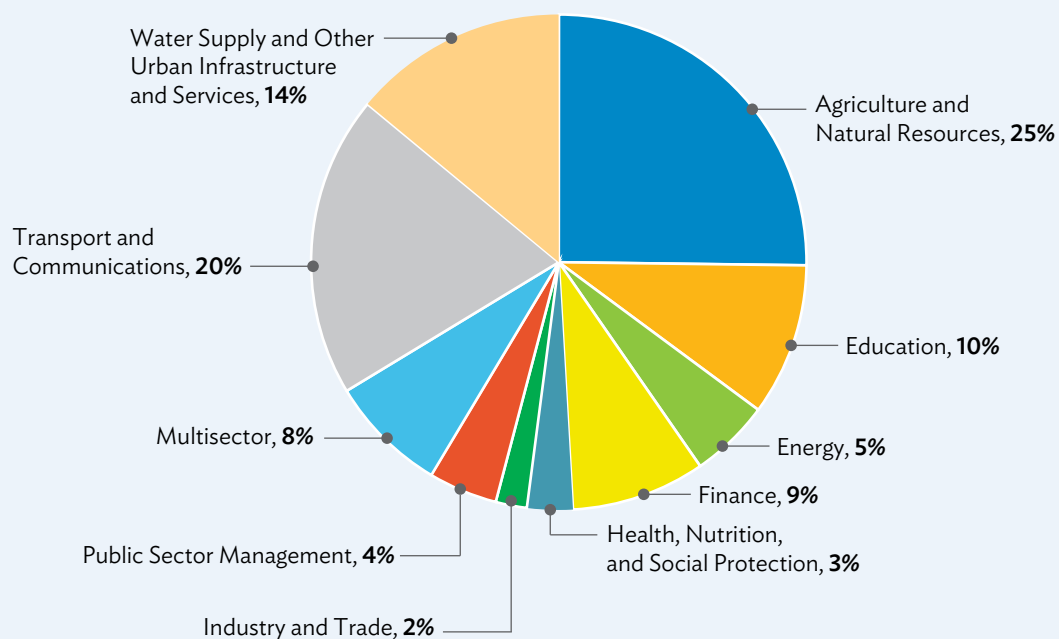
Type of Assistance	1970–2018	2011	2012	2013	2014	2015	2016	2017	2018	2011–2018
Sovereign	3,215.24	63.61	154.02	321.04	242.92	166.01	192.29	–	609.50	1,749.39
Loans (COL)	2,676.68	24.71	116.31	281.13	221.67	128.76	189.79	–	560.46	1,522.82
Grants (ADF and Special Funds)	270.26	37.00	–	3.00	–	–	–	–	8.55	48.55
Grants (ADB-administered Cofinancing)	268.31	1.90	37.71	36.91	21.25	37.25	2.50	–	40.50	178.02
Nonsovereign	125.25	–	–	–	75.00	–	–	3.25	40.00	118.25
Loans (OCR)	125.25	–	–	–	75.00	–	–	3.25	40.00	118.25
Technical Assistance	175.81	15.78	11.70	4.75	4.15	5.05	11.08	8.45	4.70	65.65
TASF	68.99	6.18	2.40	4.75	2.15	3.05	3.43	4.05	1.20	27.20
Other Special Funds	42.33	–	–	–	–	–	–	–	–	–
Cofinancing	64.49	9.60	9.30	–	2.00	2.00	7.65	4.40	3.50	38.45
Total	3,516.30	79.38	165.72	325.79	322.07	171.06	203.37	11.70	654.20	1,933.29

– = nil.

ADF = Asian Development Fund, COL = concessional ordinary capital resources, OCR = regular ordinary capital resources, TASF = Technical Assistance Special Fund.

Source: Loans, technical assistance, grants, and equity approvals database.

Figure: Cumulative Lending, Grant, and Technical Assistance Commitments by Sector
(as of 31 December 2018)



Note: Includes sovereign and nonsovereign loans and technical assistance. Grants and technical assistance include ADB-administered cofinancing.

Source: Loans, technical assistance, grants, and equity approvals database.

ADB'S CONTRIBUTION TO POVERTY REDUCTION AND SUSTAINABLE DEVELOPMENT

ADB is Cambodia's largest multilateral development partner, supporting the country's development for more than 2 decades. This section first introduces ADB's overall development results over the past years in Cambodia. It then explores how ADB interventions have made a difference in the lives of people across the country by turning the focus on three selected sectors with relevance for Cambodia's social and economic development: agriculture, natural resources, and rural development; transport; and education.

During 2011–2017, ADB assisted in constructing and upgrading more than 1,400 kilometers (km) of roads, close to half of which were rural. New or improved educational facilities have been built, benefiting close to 400,000 students—about 180,000 of whom are female. Furthermore, over 4,000 teachers have been trained in accordance with quality or competency standards (Table 3).² ADB helped almost 100,000 rural households access new or improved water supply, and more than 50,000 households install or improve sanitation. In the energy sector, ADB has installed and/or upgraded more than 500 km of transmission lines, meaning about 55,000 new households are now connected to low-cost electricity.

ADB has mainstreamed gender targets in project design and monitoring frameworks. In total, 70% of projects approved under the CPS 2011–2013, and 83% of projects approved or programmed for 2018 under the CPS 2014–2018 have either a gender theme or an effective gender mainstreaming classification, exceeding the ADB-wide target of 50% of annual operations.³

This investment has significantly increased women's participation in project activities, expanding their access to economic resources and opportunities, including jobs, financial services, skills development, market information, and livelihood initiatives supporting rural communities, especially poor women. Environmental sustainability, a key element to ensuring that development results last, has been strengthened through projects supporting ecosystem management and biodiversity conservation, sustainable natural resource use, and renewable biomass energy development.

■ ADB is Cambodia's largest multilateral development partner, supporting the country's development for more than 2 decades.

² ADB has assisted Cambodia across all education subsectors, starting in primary and lower secondary education, and more recently in upper secondary education and TVET.

³ ADB. 2014. *Cambodia: Country Partnership Strategy 2011–2013 Final Review Validation*. Manila.

Table 3: Development Results of ADB-Supported Operations in Cambodia, 2011–2017

Sector	Results Achieved
Agriculture, Natural Resources, and Rural Development	
Land improved through irrigation, drainage, and/or flood management (hectare)	24,147
Education	
Students benefiting from new or improved educational facilities	379,232
Teachers trained in accordance with quality or competency standards	4,072
Water and Other Urban Infrastructure and Services	
Households served with new or improved water supply	96,550
Households served with new or improved sanitation	50,325
Energy	
Households connected to electricity	55,500
Installed energy generation capacity (megawatt equivalent)	220
Transmission lines installed or upgraded (kilometer)	518
Finance	
Microfinance loan accounts opened or end borrowers reached	2,447,598

ADB = Asian Development Bank.

Note: Households described in the table are rural households

Source: ADB estimates and project completion reports.

Agriculture: Improving Water Resources Management and Developing Value Chains

■ Agriculture has been the most important contributor to pro-poor growth in Cambodia since the 2000s.

Agriculture accounts for a third of Cambodia's annual gross domestic product and is the main source of livelihood for 80% of the population. The sector has been the most important contributor to pro-poor, shared growth in Cambodia since the 2000s.

During 2004–2012, growth of value added in the agriculture sector averaged 5.3% per year, but in 2013–2016 slowed to just 1%. Cambodia is also acutely vulnerable to climate change, and the increasing prevalence of floods and drought are hampering growth and productivity in agriculture.

Further poverty reduction in Cambodia will continue to depend on the success of agriculture. ADB addresses binding constraints through investment in infrastructure for rural transport, irrigation, and water systems; the introduction of new high-value crops and better rice cultivation techniques; access to microfinance; and capacity development for small-scale farmers. The following stories highlight successful projects that demonstrate development impact, best practices, and innovation. In addition, testimonies from beneficiaries illustrate how Cambodians have experienced tangible benefits from ADB projects.

Like many villages in Boeng Commune of Kampong Thom Province, Boeng Khang Tboung has an agriculture-based economy, but inconsistent rainfall and inadequate irrigation infrastructure hindered agricultural growth. Its paddy fields, covering about 350 hectares (ha), remained largely dry. This left more than 300 households in the rural village with little hope for a better life.

Since 2013, however, the productivity of paddy cultivation has more than doubled, yielding 875 tons of rice per season. Despite working in the wet-rice fields on a hot and sunny day, farmers rejoice in their daily toil, knowing that the first rice harvest has ended and the rainy season is approaching, which signals the start of Cambodia's main rice-planting season.



Improved agricultural yields. Upgrading the Boeng Khang Tboung Secondary Canal of the Tonle Sap Lowlands Rural Development Project has improved agricultural yields.

Su Ren, 68, chief of Boeng Commune, said the improvement in rice yield owes its success to the rehabilitation of the previously leaky and unreliable irrigation canal in Boeng Khang Tboung. Between 2008 and 2015, the **Tonle Sap Lowlands Rural Development Project** for an overall amount of \$24 million upgraded the 2 km long canal. Now water flows easily and reliably from Stung Chinit reservoir, supplying irrigation to the village's 350 ha of farmland.



Reliable access to water. Su Ren, chief of Boeng Commune, stands proudly along the upgraded canal, which has boosted the livelihood and food security of farmers of the village.

4 Development Effectiveness Brief: Cambodia and Asian Development Bank

“Farmers have increased their crop production from one to two times a year and the yields have increased to an average of 2.5 tons per hectare, up from 1 ton in 2012. This provides food security for families and more products for local markets,” Su Ren says.

Boeng Khang Tboung is one of 124 villages across 40 communes in Kampong Thom, Kampong Chhnang, and Pursat provinces that have benefited from the upgraded irrigation systems that provide water to 13,300 ha of farmland around the Tonle Sap Lake.

Compared with baseline levels, the irrigated area increased 21% in the wet season and 34% in the dry season, while paddy productivity increased 23% and 54%, respectively, improving the livelihoods of almost 70,000 households.

Ean Channy, a 51-year-old farmer, has seen firsthand the benefits on the 1 ha of rice paddies in Boeng Khang Tboung village that she plants. On the hardship she had to endure, especially the lack of water for irrigation, she recalls, “Prior to rehabilitation, the canal was filled up with mud sedimentation. The water from the rain alone would allow us to produce only one crop a year.” Drying rice near her oxcart loaded with harvested rice straw, Ean Channy is thrilled she can support her family of five because her rice production has now doubled. “There is no need to wait for the rain anymore. When we need water, we pull up the main hatch which will direct the water to our secondary canal system. With reliable water, we can produce enough food for home consumption and sell our surplus,” she adds with a bright smile on her face.



Happy farmer.
Ean Channy, a farmer
in Boeng Khang
Tboung village, has
plenty of reasons to
smile now that her
rice production has
doubled.

In addition, over 40,000 farmers, of whom 60% are women, have received training through the project in good agricultural and business practices. Farmers also have easier access to credit as well as market information and opportunities. The project has created 330 off-farm agribusinesses, of which 68% are headed by women, and provided microloans to more than 2,500 farmers, of whom 70% are women, so they can run a small business, farm, and raise animals. With farmers increasingly concentrating on cropping activities, the project has reduced the use of the Tonle Sap Lake for non-timber forest products, fishing, and hunting. This has improved the environmental sustainability in the participating provinces.

The project has also constructed 19 commune offices and 4 primary schools. Using the project's 255 km of improved rural roads, farmers can move products to market more effectively, raise on-farm and off-farm productivity, and access economic and social services such as agricultural extension, health care, and education.

To deepen the effect of its assistance in the agriculture sector, ADB initiated the **Tonle Sap Poverty Reduction and Smallholder Development Project** in 2010 to complement the **Tonle Sap Lowlands Rural Development Project**. Further considering that community-driven development is crucial for sustainable rural economic growth, the project supports smallholder farmers who own less than 1 ha of land in 196 communes of five provinces around the Tonle Sap Lake.⁴

Cofinanced with the International Fund for Agricultural Development and the Government of Finland, the \$50 million project, being closed in 2018, has enabled 300,000 resource-poor farmers to adopt improved agricultural techniques and to access technology, markets, and rural finance.⁵

The project provides microloans for 1,241 livelihood improvement groups, comprising 31,025 households, of which 23% are headed by women. With the microloans, they can diversify their income sources by developing livestock and cassava production and expanding other businesses, which leads to improved food and income security.

Drought, low soil fertility, and limited access to agricultural production techniques are common features in Pongro, a remote village of Dambae district, Tboung Khmum Province. Hardest hit are smallholder farmers, representing 80% of the village's 500 residents, but a positive change in living conditions is visible in the village following the support from the project.

■ **The Tonle Sap Poverty Reduction and Smallholder Development Project promotes sustainable rural economic growth by helping resource-poor farmers to adapt new agricultural techniques and to access technology, markets, and finance.**

⁴ Banteay Meanchey, Kampong Cham, Kampong Thom, Siem Reap, Tboung Khmum

⁵ Additional finance of \$50 million from ADB and \$10 million from the International Fund for Agricultural Development was approved on 25 September 2017.

Improving agricultural techniques.

Farmers in Pongro village learn new agricultural techniques under the Tonle Sap Poverty Reduction and Smallholder Development Project.



Pun Nareth, a 35-year-old mother of four from Pongro village of Dambae district, depends on rice farming as a source of income. She used to grow rice on less than 1 ha of land, but suffered from poor harvest caused by drought. Her family lacked food for 4 months every year from September to December. Nareth and her husband, Ran Saram, had to migrate to find work in different provinces to support their family. Unsteady income forced them to pull their son out of school. In 2014, Nareth participated in training sessions conducted by the project. A very eager learner who likes to try out new techniques and share her knowledge with others, she was selected together with four others in the village to be “demonstration farmers.” She acquired materials and knowledge to set up a 600-square-meter bitter melon farm using a drought-resilient technique—a drip system that uses less water, chemical fertilizer, and pesticide.

Making agriculture more productive.

Pun Nareth in Pongro village collects the bitter melons she now harvests using a new and more efficient irrigation technique that she learned through the project.



Since then, in addition to rice farming, Nareth has harvested 300 kilograms (kg) of bitter melon each month and earned \$150 in extra income. In June 2016, she tripled the size of her farm to 1,800 square meters. Nareth and her husband no longer have to move to other provinces for work in the lean season and are able to send all their children to school. “We used to migrate as farm workers; sometimes we had to be away from home for several days. Now we work exclusively on our farms and have a steady income to support our living and children’s education,” Nareth says delightedly. She now passes on her successful experience and knowledge to other farmers in the village—and is even well-known in nearby villages.



New techniques increase crop yields. Farmers display their locally grown vegetables for sale at a shop in Pongro village.

Has Meas, another proud farmer from Sovann Kom village in Tboung Khmum Province, has expanded his mushroom production fivefold since he started in 2014. With new techniques and materials provided by the project’s livelihood improvement group, he now sells 400 kg of his mushrooms every month, earning him \$1,000. Before, he only took home \$250 a month from growing and selling 300 kg of oyster mushrooms. “I am so happy because the project has taught me better farming methods, which help me to earn more money,” Meas, a father of two, says. Smiling with satisfaction, he adds, “My living conditions have significantly improved and I was able to build a concrete home for my family.” His success has inspired him to further expand his mushroom farm in the future. In addition, he has conducted three training sessions to pass on his experience to other farmers in the village who want to grow cremini mushrooms.

To help farmers market their produce, the project built rice research stations and upgraded rural infrastructure such as farm-to-market roads, commune markets, and rice storage and drying facilities. All the commune council offices constructed under the project are equipped with solar panels to power new information and communication technology equipment that provide farmers with improvement ideas as well as market opportunities and current prices.

■ **Nareth and her husband no longer have to move to other provinces for work because they have a steady income from their farms.**

Higher yields mean better livelihood. Improved mushroom production provides new income and food for Has Meas and his family in Sovann Kom village.



The Second Rural Water Supply and Sanitation Sector Project improved access to safe water, saved time, and promoted better health and hygiene.

In addition to improving agricultural productivity and diversifying income generation, ADB helps the government expand access to improved water supply and sanitation in rural areas. During 2011–2017, ADB projects connected close to 100,000 homes in Cambodia to safe and reliable water and provided about 50,000 households with new or improved sanitation systems. The \$21 million **Second Rural Water Supply and Sanitation Sector Project**, between 2009 and 2016, rehabilitated existing wells, community ponds, and small community water supply systems, and even constructed new ones. This has improved water supply to more than 370,000 rural residents in six provinces around the Tonle Sap Lake.^{6,7}

Women and girls in Cambodia have primary responsibility for water, sanitation, and hygiene at the household level and shape the behavior of young children. Recognizing this, the project reinforced women's participation in water and sanitation user groups. The improved access to safe water directly benefits women through time savings as well as better health and hygiene.

Trapeang Prey village, in eastern Banteay Meanchey Province, is one of the project's target areas. At the entrance to the remote village of 100 households is a concrete water tank. Close by, a group of women and children are fetching water from an adjacent tap. The water tank is a storage facility equipped with filter systems that provides 550 villagers with year-round access to safe water. The water comes from a pond that was rehabilitated by the project in 2012.

⁶ Kampong Chhnang, Pursat, Battambang, Banteay Meanchey, Siem Reap, and Kampong Thom

⁷ Additional finance of \$15 million from ADB, \$2 million from the Japan Fund for Poverty Reduction (technical assistance), and \$1.5 million from the Bill & Melinda Gates Foundation (grant) was approved in September 2016.



Access to clean water. Women and children of Trapeang Prey village in Banteay Meanchey Province can now collect clean water anytime from the new concrete water tank, built under the Second Rural Water Supply and Sanitation Sector Project.

Dil Chantha, 46 and a mother of three, is grateful for the water tank as it provides her and her village with what she says is their most precious commodity: water. Her water supply previously came from a small pond in Trapeang Prey village. When the pond dried up for several months each year during the dry season, she had to spend 3 hours every morning to take three trips to fetch water from a river 2.5 km away from her home. Moreover, she believes drinking contaminated water from the pond and river was linked to the frequent episodes of diarrhea which plagued her children and many of her neighbors. Now, it takes Chantha only a few minutes to get clean water from the water tank by just turning on the faucet. "It is much easier now that we can get water anytime we want and it is clean," she says.



Saving time to fetch water. Dil Chantha and her children can access the new concrete tank nearby without having to travel long distances and times.

She adds, “I don’t need to spend time and money taking my children to hospital or paying for medicines.” With more time and easier access to water, Chantha and many other women in the village are raising pigs and chickens, growing vegetables, and selling food to supplement their family income. This is especially valuable for Chantha, whose husband was disabled in a work accident.

Besides having access to safe water, Moun Yi, chief of Trapeang Prey village, says villagers’ hygiene practices have also improved thanks to the project’s subsidized installation of latrines as well as organized health and hygiene events and door-to-door campaigns. To ensure sustainability, the village’s nine-member water and sanitation user group manages and maintains the water supply facilities and coaches the community to take part in the maintenance scheme. Moun Yi, who leads the water and sanitation group, says, “I am very happy that my villagers have good health and well-being. I am confident that we can very well manage the facilities to continue supplying clean water to the villagers.”

**Safe water,
good health.**
Chantha no longer
worries about
getting sick from
contaminated
drinking water.



**ADB’s assistance
in the transport
sector has
improved
connectivity
between rural
communities and
urban growth
centers and
promoted access
to markets and
services.**

Transport: Rural–Urban Links

As the country with the lowest percentage of paved roads in the Association of Southeast Asian Nations (ASEAN), improving transport links is crucial for Cambodia. Being able to move goods and people faster and more efficiently increases trade volumes within Cambodia and across borders, which in turn helps reduce poverty and improve people’s lives by creating jobs and increasing their access to markets, work, education, and health centers.

Growth of the rural economy not only depends on the national road network, but also on rural roads that connect to the national network. However, due to growing traffic volumes and overloading, as well as poor design, construction, and maintenance, rural roads made of laterite are deteriorating.

Cambodia’s transport sector has been a major focus for ADB for more than 20 years, with 18% of overall ADB loans and grants allocated for rehabilitating or building roads, railway lines, and ports.

With assistance from ADB and other development partners, connectivity between rural communities and urban growth centers has increased and rural communities are benefiting from better access to markets and social services.

One such example is the 24 km Rukh Kiri road in Battambang Province, which connects the 30,000 residents of MOUNG RUESSEI and RUKH KIRI districts to National Highway 5 leading to the Cambodian capital of Phnom Penh and Poipet at the Thai border.

The road was last upgraded in the late 1990s. Since then, it has fallen into disrepair. In the dry season, the road was uneven and caused damage to passing vehicles. Conditions worsened during the rainy season, when many sections became impassable as potholes filled up with water and tracks were covered in mud.



Poor road conditions.

Laterite rural roads connecting MOUNG RUESSEI and RUKH KIRI to the national highway are hardly passable for most vehicles during the rainy season.

So Phan, 31, lives with her husband and three children in a house beside the road at Kaoh Thum village. In 2005 and 2009, she gave birth twice midway while traveling by oxcart on the damaged Rukh Kiri road to Prey Tralach Health Center. “Life was dangerous before. I delivered my first and second child on the way and arrived at the health center about 1 hour later. Luckily, we were safe,” she recalls. When the **Rural Roads Improvement Project**, implemented from 2011 to 2015, paved the road in 2014, travel time was cut from 2 hours to 30 minutes. “It is very convenient now. The upgraded road makes it easier for me to visit the health center when I need to,” So Phan says. Holding her year-old son in a waiting room at reaching Prey Tralach Health Center, she admits, “I am no longer worried when my children get sick at day or night.”

Better access to health care. Now that the roads have been improved, So Phan has no problems reaching Prey Tralach Health Center for her son to see a doctor.



Damaged by flooding. The Rukh Kiri laterite road before upgrading under the Flood Damage Emergency Reconstruction Project was severely damaged by the flooding in 2011.



The 24 km Rukh Kiri road is part of the 500 km of upgraded roads in seven provinces located around the Tonle Sap Lake, serving over 500,000 people.⁸

To sustain the laterite road network, regular maintenance is crucial. At the national level, the \$60 million project, cofunded with Korea Eximbank and the Nordic Development Fund, helped the Ministry of Rural Development plan, manage, and monitor road maintenance operations; increase

⁸ Battambang, Kampong Cham, Kampong Chhnang, Kampong Speu, Kampong Thom, Pursat, and Siem Reap

the participation of private contractors and develop their capacity; and establish a program to control axle loads and promote road safety. At the provincial level, in support of decentralization, the project trained provincial government officials in road maintenance and repair.

Community participation, especially by women and the poor, is strongly promoted. As a result, between 2013 and 2015, nearly 50,000 unskilled women have benefited from employment in rural road rehabilitation and maintenance. Most of them participated in training on road safety and human trafficking awareness and prevention as well.

In addition, ADB has been leading the **Flood Damage Emergency Reconstruction Project**, which is cofinanced by Australia's Department of Foreign Affairs and Trade, to respond to the severe flooding in 2011. These floods affected 1.7 million people in 18 of 24 provinces and resulted in \$624 million in direct damage, including \$344 million in the transport sector. About 900 km of national and provincial roads, and more than 4,000 km of rural roads were extensively damaged.

The \$60 million project has rebuilt more than 500 km of these roads, 6 bridges, and 26 irrigation systems in the six most severely affected provinces.⁹ The upgraded infrastructure has improved livelihoods and income generation in the flood-affected provinces by reducing transport costs and improving people's access to markets, schools, and social services.

A 34 km road connecting the northwestern provinces of Battambang and Banteay Meanchey—Cambodia's rice-growing heartland—has been rebuilt under the project. This road forms an essential part of everyday life for 98,000 residents, of whom 90% are farmers. Traveling on this road, which extends from the crowded district of Bavel in the south to Mongkol Borey district in the east, provides a snapshot of daily life of the local people.

Farmers dry rice grains outside their homes, children play in their gardens, workers load bags of rice on trucks, and villagers sell freshly caught fish and vegetables at roadside stalls as travelers stop to buy products along the road.



■ **The upgraded infrastructure under the Flood Damage Emergency Reconstruction Project reduced transport costs, which improved livelihoods and income generation in flood-affected provinces.**

Better roads bring economic opportunities. Farmers in Bavel district dry rice grains outside their homes as travelers stop to buy products along the rehabilitated road.

⁹ Banteay Meanchey, Battambang, Kampong Cham, Kampong Thom, Prey Veng, and Siem Reap

Life along the road has not always been happy, however. Since 1979, drivers on the road had to traverse unsealed and rock-strewn surfaces. The journey took 4 hours as recently as 2011 following devastating floods. The rainy season made life particularly difficult for farmers of Bavel and Mongkol Borey districts, by turning the clayey soil to mud, making the road impassable.

Lan Len is a 51-year-old farmer who cultivates 3 ha of land in Bavel district of Battambang Province. For 20 years, the father of two had to depend on local traders to sell his paddy. “Truck owners refused to risk the safety of their vehicles to transport products to the market, so we had no choice besides selling the products to local buyers at whatever rate offered,” he says. Conditions changed after the project repaired the road by strengthening its foundations, resurfacing, improving drainage systems, and shoring up retaining walls to prevent future damage from the increasing incidence of floods. Average travel time was reduced to half an hour by 2014. “We do not depend on local buyers to sell our products anymore. With the good road, traders from other provinces can easily access to the area and we can also bring our products to markets and sell at competitive prices,” Lan Len says.

Improved roads help boost farmers' income.

Farmers in Bavel district have more opportunities to sell their rice at competitive prices to traders from other provinces.



With the good road, Lan Len does not depend on local buyers anymore because he can bring and sell his products at competitive prices in markets.

ADB is also providing an additional \$75 million in emergency assistance, cofinanced by a grant of \$6.7 million from Australia, to restore key infrastructure damaged when powerful storms hit Cambodia again in 2013. The project is rehabilitating more than 200 km of national, provincial, and rural roads; 3 bridges; and 10 irrigation schemes covering 37,500 ha in the worst-hit provinces.

The **Improving Market Access for the Poor in Central Cambodia Project** leveraged the benefits of road improvements and growing tourism in Kampong Thom Province. It supported 11 villages with high poverty incidence that lie along the upgraded road that connects the 7th century Sambor Prei Kuk temple complex to National Route 6 at Kampong Thom town.



Connectivity facilitates trade.
Provincial Road No. 156D, rehabilitated under the Flood Damage Emergency Reconstruction Project, connects Battambang and Banteay Meanchey.

Financed by the Japan Fund for Poverty Reduction and implemented from 2011 to 2014, the \$2 million project supported development of six production lines in three supply chains: handcrafts, cashews, and palm sugar. The construction of 11 processing facilities, the Sambor Prei Kuk community market, several community production centers (including a village cashew shelling center and a silk weaving facility), product exhibition centers, and a new night market in Kampong Thom Town is complete.



Increasing the value of produce.
The Cashew Nut Shelling Center in Kampong Thom province helps people to access buyers and sell their produce at better prices.

Expanding market access.

Farmers are able to sell their goods at Sambor Prei Kuk community market, which was constructed under the Improving Market Access for the Poor in Central Cambodia Project.



Tathiv Village Cashew Shelling Center, established by the project on 3,600 square meters in Kampong Savy district of Kampong Thom Province, is one of the many examples of the project's success in creating local jobs and expanding access to markets. Um Uon, 53, president of Prasat Sambor Cashew Association, which operates the shelling center, says nearly 400 cashew nut farmers from three districts of Kampong Thom Province have benefited from selling their nuts to the center at a competitive price. He explains, "Before the center was set up, local farmers had to sell their raw cashew nuts to traders who pushed prices downward, but now we pay our farmers fair prices. Farmers do not have to worry about selling their produce anymore."

Creating local job opportunities.

Um Uon, president of Prasat Sambor Cashew Association, features cashew nuts processed and packaged in the Shelling Center which creates local job opportunities and expands access to markets.



In addition, the center employs 50 people, providing them with an average income of \$7.50 per day. Seng Vanna, 34, is a member of the association. She grows cashew nuts on 3 ha of land in Chrames village, Prasat Sambor district. Before the center was established, she sold her cashews to local traders for \$0.75 per kilo, but now she gets \$1.50 per kilo. "Now I can sell cashew nuts at a higher price. I also earn extra money by working at the center," Vanna says. As she carefully places the nut under the knife and quickly splits the shell, she adds, "It helps me pay down my debt and buy good food for my family." According to Um Uon, the center has attracted the interest of cashew farmers and traders in other provinces, such as Preah Vihear, Rattanak Kiri, and Siem Reap, and conducted training on cashew processing for farmers from outside the project's target areas in Kampong Thom Province.



Generating new sources of income.

Working in the Cashew Nut Shelling Center, Vanna can now earn up to twice the previous kilogram rate.

By the end of 2014, the project had helped create more than 180 jobs and more than 360 micro and small enterprises, of which 64% are led by women and employ mostly women.

The project created and commercialized 11 new products including rattan mats and baskets, cashews, palm sugar, soya bean juice, cotton kroma (Khmer scarf), and silk scarves. The project also provided technical training for and developed the business management skills of more than 2,700 aspiring entrepreneurs, 62% of them women.

Chhea Nhem is one of 140 craftswomen who have benefited from improving her technical skills. The 56-year-old mother of four from Kampong Chheu Teal village of Prasat Sambor district has been weaving baskets for a number of years based on the skills she learned from her neighbors. She did not earn enough money from selling a few baskets every month to pay for basic needs such as food and health care. Her husband's income from rice farming was also insufficient, so her family suffered every year from September to December, when reserves ran out. In 2012, she attended a series of training sessions on weaving techniques, which helped her improve the quality of her products. Now, her baskets are sold not only in Sambor Prei Kuk community market, but also in a far distant town of Siem Reap Province.

The Improving Market Access for the Poor in Central Cambodia Project helped create more than 180 jobs and 360 micro and small enterprises and commercialized 11 new products.

Improving weaving skills and productivity. Handicraft producers in Sambor Prei Kuk community market display their quality handwoven baskets.



“With techniques provided by the project, I can weave different kinds of baskets with better quality and sell them at good prices,” Chhea Nhem says, showing curious tourists visiting the community market center how to weave coiled baskets. “The extra income supplements our living expenses, so we no longer have to borrow from private lenders as we had to do before when our reserves were running out,” she explains.

Human Capital: Education and Skills Development

With assistance from ADB and other development partners, Cambodia has made remarkable achievements in increasing primary school enrollment and completion rates, and reducing gender disparities. The net enrollment rate in primary school increased from 77.8% in 1998 to 92.6% in 2018 (92.9% for girls and 92.4% for boys).

With more than 200,000 youths entering the labor market every year, improving secondary education and TVET is critical to ensure inclusive growth.

Secondary education, however, continues to suffer from low enrollment and quality and high dropout rates. Only 894,207 youths aged 15–24 or 26.5% (26.0% for female) are currently attending school, and of which around 415,999 youths or 46.5% (46.3% female) are attending upper secondary education and technical and vocational pre-secondary diploma or certificate. In 2017, according to Ministry of Education, Youth and Sport, the passing rate in upper secondary examination accounted for 63.8% (65.9% for female). Shortage of qualified teachers and teacher-educators in upper secondary education and weak links between upper secondary education system and private sector partners have been majors impediment to improving upper secondary education outcomes.

With more than 200,000 youths entering the labor market every year, improving access to and the quality of secondary education and TVET is critical to support sustained and inclusive growth and to increase the country’s competitiveness in the context of ASEAN integration. Special emphasis is needed for skills enhancement for those already in the workforce, given Cambodia’s rapid demographic shift to lower birth rates.¹⁰

¹⁰ The population grew by more than 3% per year during the first half of the 1990s, dropped to 1.5% in 2017, and Cambodia has a relatively young labor force and an extremely low dependency ratio, but the demographic window of opportunity is narrowing fast. Many members of the largest 5-year age cohort, ages 20–24, are already in the labor market, but have relatively weak educational attainments. The subsequent cohorts entering the labor market will be better educated, but will be successively smaller in number.

During the CPS 2011–2013 period, ADB supported expanded access and reduction of dropout rates of lower secondary schooling (grades 7–9), and focused on improving teachers' knowledge and skills. The \$27 million **Enhancing Education Quality Project**, implemented from 2008 to 2014, supported the planning, design, and delivery of education services; improved the skills and competencies of secondary school teachers; and upgraded secondary school facilities, including information and communication technology, science laboratories, and libraries.

About 350,000 students at upper secondary level (grades 10–12) got textbooks, 4,600 lower secondary teachers (35% are female) participated in training programs, 4,000 students (60% are female) from remote and disadvantaged areas received scholarships to attend and complete upper secondary education, and 500 teacher trainees obtained financial aid while attending teacher training programs at the National Institute of Education and regional teacher training colleges.

The project also upgraded 4 provincial teacher training colleges, 3 women's dormitories, and 18 upper secondary resource centers in 16 provinces and in Phnom Penh, in addition to the 18 constructed under a previous project. Each resource center is equipped with two science labs, two computer labs, a library for reading and research, a meeting room, office facilities, and other equipment.

In a science lab of an ADB-financed resource center in Hun Sen Chum Pu Vorn Secondary School, Phnom Penh, 15 students gather to practice biology case studies. The lab, equipped with tools such as microscopes, human skeleton models, telescopes, pendulums, and globes, caters to students from grades 9 to 12.



Science labs for better learning. Now equipped with microscopes, students examine specimens at a science laboratory in one of the 18 upper secondary resource centers upgraded under the Enhancing Education Quality Project.

Chey Soksan, an 18-year-old grade 12 student, is leading the group discussion on human biology. She remembers that before the resource center was set up it was very hard for her to learn science. Since she had no practical lab experience, she had to use her imagination to try to grasp the scientific facts and concepts explained by her teachers. “I found the science lessons difficult, boring, and unclear. Sometimes I spent several days reading textbooks again and again in order to understand a lesson,” she recalls. The new science lab, however, helps develop her skills in using scientific equipment and she finds the lessons are more stimulating.

“The use of resources such as the science and computer labs and library make lessons more interesting and help me learn more quickly. I become interested in learning more about science and find it relevant to everyday life,” Soksan says. She now enjoys coming to the resource center and spends 2 hours every day reading books in the library and using the computer lab. “It helps improve my learning achievement and provides me a good foundation for higher education,” she says. As one of the top three students in a class of 40, Soksan hopes to become a doctor someday so that she can save lives and support her parents when they grow old.

**Practical tools
for science.**

Students learning about human anatomy during biology class use models to augment their lessons.



ADB has supported TVET to better respond to labor market needs and the demands of business and to improve rural incomes.

In addition to improvements in primary and lower secondary education, skills upgrading through TVET programs can increase labor productivity and create better-paid and higher-quality jobs. This is especially important as Cambodia aims at diversifying its economy and moving up the industrial value chain.

Most of the labor force in the country is unskilled or semiskilled. According to the Labor Force Survey in 2013, 35.5% of the employed population (2.6 million) is educated beyond primary school, while just 3% obtained a TVET certificate. Lack of information about TVET programs and their link to employment as well as low perceptions regarding their quality usually explain the low uptake of TVET.

As a result, the mismatch between labor force skills and recruitment needs has become a major obstacle to competitiveness and private sector growth. ADB's 2011–2013 country program supported TVET to better respond to labor market needs and the demands of business, and to improve rural incomes.

The **Strengthening Technical and Vocational Education and Training Project**, implemented from 2009 to 2015 and funded by an Asian Development Fund grant of \$24.5 million, focused on three target industries: auto mechanics, construction, and business services and information technology. It also developed TVET programs that can be replicated to match industry needs.

The project expanded access to nonformal TVET (short training courses) for the young and unemployed through a voucher skills training program (VSTP) through provincial training centers, and business and community-based training methods.¹¹



Matching skills with demand.

At regional technical training centers such as this one in Siem Reap Province built under the Strengthening Technical and Vocational Education and Training Project, young people can better prepare to enter the labor market.

More than 210,000 students, of whom 66% are female and 20% belong to ethnic minority groups, were trained through the VSTP. About 74% of the graduates went on to find full-time employment or self-employment.

Sem Srey Em, 28, a geotechnical engineer at the Department of Public Works and Transport (DPWT), was trained under the project. Growing up without a father, she quit school at the age of 16 following the completion of grade 9 to support her family of 10. Unfortunately, for three years, she could not get a job from any of the 10 companies she applied for.

“I was hopeless as no one hired me because of my low level of education and I had no skill,” Srey Em sheds tears as she recalls her journey. “I was embarrassed to return to school after a long extended break.”

In 2009, she attended the ADB-funded certificate training program at the Preah Kossamak Polytechnic Institute in Phnom Penh where she received 3 years of theoretical and practical training in construction management. The course gave her a second chance to pursue a Bachelor degree in civil engineering.

Upon completing the degree in 2016, she immediately found a job at the DPWT where she earned \$250 a month managing geotechnical laboratory tests to find out the suitability of soil for construction projects. She has supervised more than 100 interns over the past three years.

¹¹ The certificate training program (Cambodia's Qualification Framework Level 2 to 4) requires grade 9 completion qualification.

Skills change life.
Owing to the TVET program, Sem Srey Em is a geotechnical engineer at the Department of Public Works and Transport.



“The training program changed my life,” Srey Em says, referring to the VSTP. “The discipline and hands-on training gave me the opportunity to get a job that I have dreamed of and that contributes to a society,” she beams.

Employers praise the quality of the graduates of the program. Mak Chan Kroeusna, 34, owns an air conditioner shop in Siem Reap Province. Six of his seven employees attended the Regional Polytechnic Institute of Siem Reap under the VSTP. He is fully satisfied with the quality of work performed by the graduates. “They are more productive and effective at work as they have both technical and communication skills,” Chan Kroeusna says.

Better skills mean better jobs.
Mak Chan Kroeusna, owner of an air conditioner shop, highly values his employees who graduated from the Regional Polytechnic Institute of Siem Reap.



The project also built three new provincial training centers (PTC) in Mondul Kiri, Preah Vihear, and Kep provinces. Five PTCs were upgraded to regional teacher training colleges in five other provinces¹² and now provide certificate-level training programs. Moreover, on account of the project, 600 TVET instructors are now able to offer competency-based training programs in the three priority industries.



Embracing employment opportunities. Auto mechanics is one of the focus areas of the TVET programs, offering good job opportunities for graduates.

To complement the **Strengthening Technical and Vocational Education and Training Project**, the \$2 million **Piloting Post-Harvest Technology and Skills Bridging Program for Rural Poor**, financed by the Japan Fund for Poverty Reduction, upgraded farmers' skills and provided training and employment opportunities for out-of-school youth who have not reached grade 9 qualification.

Completed in 2012, the 3-year program provided TVET grants for 1,100 out-of-school and unemployed youth (43% women) in the poorest communes of Battambang, Kampot, and Siem Reap provinces. These are youth who never enrolled in secondary school and could not reenter school for economic or academic reasons. After completing the skills-bridging program, 60% of the graduates enrolled in TVET certificate courses and the rest found jobs.

The program also complemented ADB's assistance in the agriculture sector by creating new income-earning opportunities for poor farmers, especially by training women. Three food safety testing facilities were constructed at PTCs. The program trained 5,500 farmers (80% women), of whom 74% could apply their new skills by the end of the project.

600 TVET instructors now offer competency-based training programs in three industries, expanding access to employment opportunities for out-of-school youth.

¹² Siem Reap, Battambang, Kampot, Takeo, and Svay Rieng

IMPROVING OPERATIONAL AND ORGANIZATIONAL EFFECTIVENESS

ADB has been supporting the government since 1966 and is the country's largest multilateral development partner with approvals of \$2.86 billion in lending, grants, and technical assistance.

■ **The Cambodia Resident Mission supervises and administers about 60% of ongoing projects in 2018 compared to about 20% in 2015.**

The CPS 2011–2013 Final Review Validation Report conducted by ADB's Independent Evaluation Department rated program implementation effective in delivering the intended development results. Annual country portfolio performance reviews, carried out jointly with the Japan International Cooperation Agency and the World Bank, however, have identified challenges facing ADB's development effectiveness in Cambodia, including project delays and limited capacity of executing agencies.

Following the midterm review of ADB's long-term strategy in April 2014, an action plan is being implemented to improve ADB's operational effectiveness. Key reforms under way to improve project readiness, procurement processes, and project management are already yielding good results. ADB is delegating project implementation to resident missions to improve project administration. The Cambodia Resident Mission supervises and administers about 60% of ongoing projects in 2018 compared with about 20% in 2015. Greater delegation of project management is improving project implementation through closer and more intensive cooperation with clients in project start-up and implementation.

Together with the Japan International Cooperation Agency and the World Bank, all in collaboration with the government, ADB is implementing a joint action plan to improve the effectiveness of its projects in Cambodia. ADB is also assisting government ministries and agencies in institutional and capacity development for projects and programs, particularly in procurement and financial management.

The results and sustainability of ADB projects needs to be safeguarded by effective operations after completion. Government asset management needs to improve, and expenditure for operation and maintenance needs to increase. ADB is assisting line ministries and agencies to improve their capacities and is engaged in dialogue to ensure that sufficient resources will be used for operation and maintenance.

In following the effective development cooperation commitments made under the Mexico High Level Meeting Communiqué, the Busan Partnership Agreement, and the Paris Declaration on Aid Effectiveness, ADB is strengthening collaboration with development partners and mobilizing more cofinancing. From 1992 to the end of 2017, cumulative direct value-added official cofinancing commitments for Cambodia amounted to \$515.03 million for 43 investment projects, and \$60.99 million for 55 technical assistance projects. Cumulative direct value-added commercial cofinancing for Cambodia amounted to \$28.58 million for three investment projects.

ADB's partnership with civil society organizations in Cambodia has also played a vital role in providing a grassroots perspective for the design and implementation of the country strategy.

MOVING FORWARD: CHALLENGES AND OPPORTUNITIES

Cambodia's remarkable economic transformation has dramatically reduced poverty and improved people's welfare. The Cambodian economy is widely expected to continue growing by about 7% in 2018, driven by vigorous growth in exports, tourism, and construction.

Over the medium term, its strategic location in the middle of one of the major global growth centers and membership in the ASEAN Economic Community will allow Cambodia to benefit from the rise of global and regional value chains at a time when some neighboring economies are experiencing rising labor costs and emerging demographic pressures.

The country's growth model of attracting foreign direct investment to take advantage of inexpensive, low-skilled, and abundant labor has successfully delivered high growth rates in the recent past. However, it may not be viable for much longer, as productivity growth has been low, and labor costs and skills shortages are increasing.

Over the past 15 years of economic expansion, Cambodia's growth has largely been in garment manufacturing, tourism, construction, and agriculture. Sustaining high growth will require revitalization of agriculture, diversification of the economy and higher value-added production with new industries that will require improved logistics, and different and a wider range of skills.

Recent industry trends, particularly in special economic zones, show increasing signs of diversification into light manufacturing, electronics, and assembly industry. Investments in human capital, in addition to investments in infrastructure, transport, and logistics, need to be scaled up to ensure sustained high and inclusive growth.

Continuous economic growth helped reduce the poverty rate by more than two-thirds since 2007, but many Cambodians are only marginally above the poverty line (41% live on less than \$2 a day and 72% on less than \$3 a day).¹³ Challenges in financial management and large gaps in critical public services contribute to this vulnerability. These gaps must be addressed for growth to become more inclusive.

ADB's partnership with Cambodia has made a meaningful difference in the lives of millions of Cambodians. It will continue striving to create new opportunities.

The CPS 2014–2018 builds on three pillars—two strategic and one facilitating. The first pillar focuses on building rural–urban–regional links by building infrastructure for irrigation and water management, biodiversity conservation and natural resource management, rural electrification, rural roads, rural water supply, urban infrastructure, road maintenance, and trade facilitation. Combined with transport and economic corridor development, this pillar addresses the challenges of competitiveness, agriculture commercialization and modernization, environmental sustainability,

■ Cambodia's remarkable economic transformation has dramatically reduced poverty and improved people's welfare.

¹³ Government of Cambodia. 2014. *Country Report on Achieving Cambodia's Millennium Development Goals*. Phnom Penh. Reductions in poverty rate are not related to any changes in the methodology of poverty measurement.

sustainable rural job creation, logistics improvements, and linking national value chains with the region and the world. The second pillar focuses on human capital development, especially improving the quality of secondary education and developing skills relevant to the evolving needs of the labor market.

The first two pillars support the implementation of the government's industrial development policy for 2015–2025, which emphasizes the role of industry for economic development. This will enable Cambodia to gain greater benefits from the realization of the ASEAN Economic Community as well as support its Vision 2030 to reach higher middle-income country status and overcome the “middle-income trap.”

The CPS 2014–2018 emphasizes public sector management, covering decentralization and deconcentration as well as public financial management reforms. This will act as a facilitating strategic pillar that promotes more inclusive development through improved local service delivery, capital expenditure, and management capacities of public institutions.

Effective 1 January 2017, ADB combined Asian Development Fund lending operations with its ordinary capital resources balance sheet, which almost tripled ordinary capital resources equity to \$53 billion. Following this, ADB can increase its lending operations to \$15 billion–\$18 billion annually, up from \$13 billion in 2016.

For Cambodia, the availability of highly concessional funds has increased by over 60% from \$265 million for 2015–2016 to \$435 million for 2017–2018. This will enable ADB to scale up key investments in physical infrastructure and human capital development, and support Cambodia's transition to a higher-middle income country.

Development Effectiveness Brief: Cambodia and Asian Development Bank

Partnership for Inclusive Growth

This publication outlines the results of the multilateral development partnership between the Asian Development Bank (ADB) and Cambodia over the years. It explores how ADB interventions have made a difference in the lives of people in the country. Over the past 20 years, Cambodia has achieved remarkable economic development, attaining middle-income status in 2016 and reducing poverty rate from 47.8% in 2007 to 13.5% in 2014. As Cambodia's largest multilateral development partner, ADB's completed projects between 2011 and 2017 have provided low-cost electricity, improved water supply, and delivered new or improved sanitation to thousands of rural households and constructed or upgraded more than 1,400 kilometers of roads.

About the Asian Development Bank

ADB is committed to achieving a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, while sustaining its efforts to eradicate extreme poverty. Established in 1966, it is owned by 68 members—49 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.



ASIAN DEVELOPMENT BANK

6 ADB Avenue, Mandaluyong City

1550 Metro Manila, Philippines

www.adb.org