

ASIAN DEVELOPMENT BANK & CAMBODIA

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A F A C T S H E E T

After more than 2 decades of isolation and conflict that ended in 1991, much has been achieved in Cambodia in recent years. Cambodia has made important progress in ensuring peace and security, rebuilding institutions, establishing a stable macroeconomic environment, and putting in place a liberal investment regime. Notwithstanding these achievements, much remains to be done. Although a robust annual gross domestic product growth of more than 7% during the last decade has led to a steady decrease in poverty, its incidence, at 34.7%, remains high.

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

With peace and macroeconomic stability now more firmly entrenched, the country has the opportunity to make far-reaching economic reforms to achieve sustained socioeconomic development. Within this context, the Government has developed a comprehensive reform agenda aimed at achieving the CMDGs, which is embedded in the National Strategic Development Plan (NSDP) 2006–2010.

Relationship with ADB

As of 31 December 2005, Cambodia has received \$850.24 million for 36 loans (28 projects and 8 programs), \$71.2 million for 14 grant projects, and \$85 million for 133 technical assistance projects, since joining the Asian Development Bank (ADB) in 1966. The majority have been provided since operations resumed in 1992.

The Country Strategy and Program (CSP) for 2005–2009 was approved in February 2005, with an operational focus on

- Broad-based economic growth through investments in physical infrastructure, development of the financial sector, small- and

Table 1. Cambodia: Development Indicators

• Population	13.8 million (2005) 3.20% growth per annum (1990–2005)
• National poverty rate	34.7% (2004) 39% (1993)
• Population living on less than \$1 a day	33.8% (2003) 34% (1997)
• Under-5 mortality rate per 1,000 live births	141 (2004) 115 (1990)
• Adult literacy rate	73.6% (2000–2004)*
• Population in urban areas	16.0% (2004)
• Population with access to improved drinking water sources	34% (2002)

* No single-year data is available. Data taken from UNESCO Institute for Statistics website.

Sources: ADB. 2006. *Basic Statistics 2006*. Manila. ADB Statistical Database System.

Ministry of Planning, *Cambodia MDG Report 2003*.

Table 2. Cambodia: Economic Indicators, 2001–2005

Economic Indicator	2001	2002	2003	2004	2005
Per capita GNI (\$)	280	290	300	320	...
GDP growth (% change per year)	5.5	5.2	7.0	7.7	8.4
CPI (% change per year)	0.3	3.3	1.2	3.9	5.8
Unemployment rate (%)	0.5
Fiscal balance (% of GDP)	-6.6	-6.4	-6.9	-4.3	-3.1
Export growth (% change per year)	12.1	11.7	15.5	22.1	9.3
Import growth (% change per year)	8.0	10.7	10.4	24.7	17.1
Current account (% of GDP)	-9.1	-8.8	-10.1	-9.9	-10.2
External debt (% of GNI)	75.5	75.7	77.3

... = data not available, CPI = consumer price index, GDP = gross domestic product, GNI = gross national income. Sources: ADB. 2006. *Asian Development Outlook 2006*. Manila. ADB Statistical Database System.

Figure 1. Cambodia: Loans and Disbursements, 1995–2005



Disbursements started in 1966 when Cambodia became a member.

Cumulative Lending (as of Dec 2005) \$850.2 million

Cumulative Disbursements (as of Dec 2005) \$564.6 million

Figure 2. Cambodia: Grants, Technical Assistance, and Loans, 1970–2005

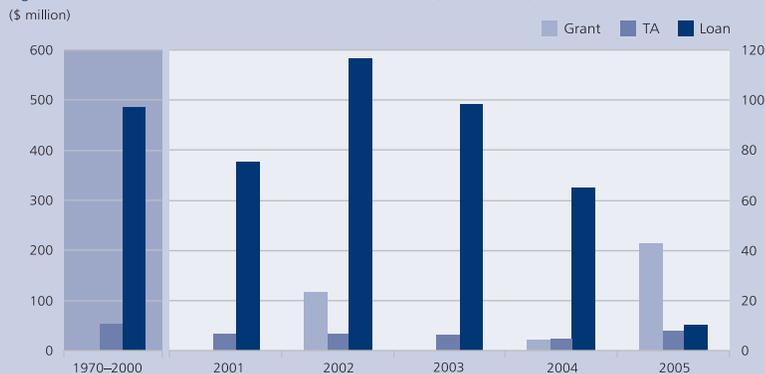


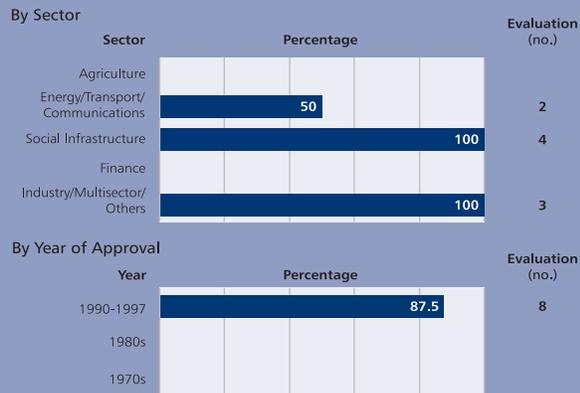
Table 3. Cambodia: Cumulative ADB Lending as of 31 December 2005

Sector	Loans (no.)	Amount ^b (\$ million)	%
Multisector	5	191.0	22.5
Transport and Communications	4	173.0	20.3
Education	6	123.0	14.5
Energy	4	92.8	10.9
Agriculture and Natural Resources	5	88.6	10.4
Finance	4	50.0	5.9
Water Supply, Sanitation, and Waste Management	3	46.3	5.4
Health, Nutrition, and Social Protection	2	40.0	4.7
Industry and Trade	2	35.6	4.2
Law, Economic Management, and Public Policy	1	10.0	1.2
TOTAL^a	36	850.2	100.0

^a Includes loan components of regional projects in Cambodia.

^b Total may not add due to rounding.

Figure 3. Cambodia: Project Success Rates^a



^a Includes highly successful and successful projects.

Cumulative Assistance: \$1,006.62 million*

* Includes loans, technical assistance, and grants (as of 31 December 2005).

medium-sized enterprises (SMEs) development, and investments in agriculture and irrigation;

- inclusive social development through basic education, gender mainstreaming, communicable disease control, provision of rural water supply and sanitation, and community-based sustainable management and conservation of natural resources in the Tonle Sap Basin; and
- good governance through improving accountability and service delivery; supporting legal, regulatory, and policy reforms; strengthening institutional capacity building; and improving efficiency and effectiveness of project implementation.

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 focus of the lending program during the current CSP period will be on NSDP priorities—agriculture and water resources, infrastructure (mainly transport and energy), financial sector development, and education.

The CSP for 2005–2009 can be found at www.adb.org/Documents/CSPs.

Impact of Assistance

Over the past decade, ADB has worked closely with the Government to rehabilitate the economy and pursue sustainable socioeconomic development. In the area of infrastructure provision, transport projects—including the Phnom Penh–Ho Chi Minh City Highway and the restoration and improvement of primary and secondary roads—have contributed to enhanced market access and opportunities for economic development by reducing travel time and transport costs.

In the power sector, the Power Rehabilitation and Provincial Power Supply Project has provided reliable power and new power connections to nearly 42,000 households. The Rural Infrastructure Improvement Project has helped provide incomes to more than 300,000 workers and to enhance mobility and employment opportunities for the rural poor.

In the education sector, a series of ADB’s lending and nonlending assistance, such as the Education Sector Development Program, has contributed to improving primary school enrollment and completion rates and to eliminating gender disparities in access to primary education.

While assistance to all these sectors continues, recent

potentially high-impact interventions include the \$18 million Rural Water Supply and Sanitation Project, approved in 2005, which aims to enhance the health of low-income communities in rural areas by improving hygiene and sustained access to safe drinking water and improved sanitation.

ADB has been a major development partner for Cambodia in the banking sector, particularly in banking supervision. 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.

Cambodia has both contributed to and benefited from the GMS Program. The program has given member countries the opportunity to develop a shared vision of the future development of the subregion. It has also provided important infrastructure projects and helped mobilize cofinancing, which contributed to the connectivity and competitiveness of individual member countries as well as the GMS as a whole.

Future Directions

Important forthcoming assistance in 2006 includes a second phase of Support to Local Administration (for \$7.8 million) in the form of a grant to promote good governance and participation at the commune level. Also in the pipeline is the \$35 million Transport Infrastructure and Maintenance Project to provide greater access to markets.

In 2007, ADB plans to provide the Tonle Sap Lowland Stabilization Project a \$20 million grant assistance for rural development, poverty reduction, sustainable management and conservation of natural resources, and alternative livelihoods development, which is closely in line with the Government's NSDP.

Operational Challenges

ADB's overarching goal in Cambodia is sustainable poverty reduction. The binding constraints to poverty reduction remain numerous, and include a narrowly based economic growth, limited access to and poor quality social services, landlessness,

Table 4. Cambodia: Improvement in Portfolio Quality Indicators, 2004 and 2005

Portfolio Quality Indicator	2004	2005
Disbursement ratio (%)		
All loans	25.1	22.7
Project loans	21.3	20.0
Implied average implementation period for project loans (years) ^a	5.4	5.5
Undisbursed loan balance (\$ million)	372.9	272.2
Active loans (no.)	24	23
Projects at risk—(no.) ^b	3	0
% of loans in portfolio	12.5	0.0

^a Based on approval to revised closing date. Excludes program loans only.

^b Refers to the number of loans.

lack of access to natural resources, social exclusion, poor governance, and endemic corruption. The key development challenges include increasing opportunities for economic advancement, improving livelihoods and reducing vulnerability, and facilitating participatory governance at all levels.

Given the wide range of development issues to be addressed in Cambodia, the full range of ADB's operational and financial instruments will be employed to support the CSP and NSDP. Current Asian Development Fund (ADF) allocation for Cambodia is about \$85 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 all major public sector development projects in Cambodia. From 1992 to 2003, official development assistance (ODA) disbursements to the country reached \$5.2 billion, with 28% from multilateral sources, 64% from bilateral sources, and 8% from nongovernment organizations (NGOs). Grants account for 80% of ODA. At the Consultative Group meeting successfully completed in early March 2006, participants agreed to increase pledge from \$504 million to \$601 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.

Figure 4. Private Sector Operations Portfolio Distribution by Top Countries, 1983–2005

(\$ million)



Total: \$4.9 billion

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.

On a per capita basis, Cambodia has received significantly more ODA than other low-income countries in the past decade. Aid inflows were mainly used to improve health and education, rebuild physical infrastructure, and build institutional capacity. Given Cambodia's substantial financial needs, its limited capacity to mobilize domestic revenues, and the narrow private sector base, the country will continue to depend heavily on ODA in the medium term.

Cofinancing and Procurement

ADB's cofinancing operations enable its development partners—governments or their agencies, multilateral financing institutions, commercial organizations, and export credit agencies—to join ADB in financing its lending to developing members. For every US dollar lent by ADB in Asia and the Pacific during 2005, cofinancing operations brought in an additional \$1.27. Such additional funds are provided in varying forms of grants, guarantees, or loans.

A summary of loan 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%)

Stephen Sedgwick is the Executive Director and **Richard Moore** is the Alternate Executive Director representing Cambodia on the ADB Board of Directors.

Shyam P. Bajpai 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 dedicated to reducing poverty in the Asia and Pacific region through pro-poor sustainable economic growth, social development, and good governance. Established in 1966, it is owned by 66 members—47 from the region. In 2005, ADB operations totaled \$7.4 billion in loans, equities, guarantees, grants, and technical assistance. With headquarters in Manila, ADB has 26 offices around the world and more than 2,000 staff from over 50 countries.

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Useful ADB websites

Asian Development Bank
www.adb.org

Country website
www.adb.org/cambodia

Asian Development Outlook
www.adb.org/Documents/Books/ADO/2006/documents/cam.pdf

Annual Report
www.adb.org/Documents/reports/annual_report/2005/

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