

**ASIAN DEVELOPMENT BANK**

**COUNTRY ASSISTANCE PLAN  
(2000-2002)**

**CAMBODIA**

**December 1999**

## **FOREWORD**

The Country Assistance Plan describes the planned program of assistance by the Asian Development Bank (ADB) for Cambodia covering the three-year period 2000-2002. It includes loan and technical assistance projects, as well as possible cofinancing from other donors. The CAP was prepared by the ADB between April and June 1999, in close consultation with the Government of Cambodia, and other stakeholders, including non-government organizations. The CAP was discussed with the Board of Directors in October 1999. The assistance plan described in the CAP is only indicative and may be revised to reflect more recent developments.

For further information, please visit the Asian Development Bank's website at: <http://www.adb.org> or contact any of the following:

1. Resident Representative  
Cambodia Resident Mission  
No. 93 Norodom Boulevard  
Sangkat Boeung Raing  
Khan Daun Penh  
Phnom Penh, Cambodia  
P.O. Box 2436  
  
Telephone (855-23) 725 805 / 725 806  
Fax (855-23) 725 807  
E-mail [adbcarml@bigpond.com.kh](mailto:adbcarml@bigpond.com.kh)
  
2. Programs Manager, Division 3  
Programs Department (West)  
Asian Development Bank  
6 ADB Avenue  
Mandaluyong City, Metro Manila  
  
Mailing address:  
P.O. Box 789  
0980 Manila, Philippines  
  
Telephone (632) 632-5897 or 632-5893 or 632-5894  
Fax (632) 636-2648  
E-mail [adbpub@adb.org](mailto:adbpub@adb.org)

## CURRENCY EQUIVALENTS

(As of 30 November 1999)

Currency Unit	-	Riel
Riel1.00	=	\$0.0002617
\$1.00	=	Riel3,820

## ABBREVIATIONS

ADB	-	Asian Development Bank
ASEAN	-	Association of Southeast Asian Nations
AFDP	-	Agence Francaise de Developpement
CDC	-	Council for the Development of Cambodia
CG	-	Consultative Group Meeting
CIB	-	Cambodian Investment Board
COS	-	Country Operational Strategy
CRDB	-	Cambodian Rehabilitation and Development Board
ESAF	-	Enhanced Structural Adjustment Facility
GDP	-	gross domestic product
GMS	-	Greater Mekong Subregion
ICORC	-	International Committee on the Reconstruction of Cambodia
IMF	-	International Monetary Fund
KR	-	Khmer Rouge
MPWT	-	Ministry of Public Works and Transport
PHC	-	primary health care
SRAL	-	Special Rehabilitation Assistance Loan
UNTAC	-	United Nations Transitional Authority in Cambodia

## NOTES

- (i) The fiscal year of the Government ends on 31 December.
- (ii) In this report, "\$" refers to US dollars.

## CONTENTS

	<b>Page</b>
I. Country Performance Assessment	
A. Economic Performance Assessment	1
B. Assessment of Socio-Environmental Performance	
1. Poverty Issues	4
2. Gender Issues	4
3. Human Development	5
4. Environment	5
C. Governance: Sound Development Management	6
D. Implementation Assessment	
1. The Portfolio	6
2. Issues in Project Implementation	7
II. Country Operational Strategy	
A. Current Strategy	8
B. COS Revision	9
III. Sector Strategies	
Agriculture	
1. Agriculture and Rural Development	9
2. Forestry and Natural Resources	10
Infrastructure	
1. Energy	10
2. Transport and Communications	11
3. Finance	12
<i>Social Infrastructure</i>	12
1. Health	13
2. Education	13
3. Urban Development	14
D. Governance Dimensions of ADB Operations	14
E. Gender Dimensions of ADB Operations	15
F. Private Sector Operations	
IV. Regional Cooperation	15
V. Donor Activities and Aid Coordination	16
VI. Cofinancing and Catalyzing External Resources	17
VII. ADB's Operational Program	17
VIII. Economic and Sector Work Program	19
IX. Local Cost Financing	19
APPENDIXES	20



## CAMBODIA

### I. Country Performance Assessment<sup>1</sup>

#### A. Economic Performance Assessment

1. Cambodia has made considerable progress in implementing liberalization measures and structural reforms in the past few years. Macroeconomic reforms and generous external official assistance have expedited the country's transition to a market-oriented economy. Some progress has also been achieved in the social sector. The country, however, still faces a number of challenges as it moves from the path of recovery to sustainable growth and development. Almost half of the country's output is still accounted for by agricultural production which is highly vulnerable to changes in weather conditions; domestic resource mobilization is low; public investment is almost entirely financed from external official development assistance and the domestic export base is still small. Underlying these issues is the task of alleviating widespread poverty in a population which is growing rapidly.

2. The economic expansion that Cambodia enjoyed throughout the mid-1990s faced a setback in mid-1997 due to political instability, and grounded to a near halt in 1998. The combined effects of uncertain political conditions surrounding the mid-year election, a prolonged regional economic downturn and drought reduced the growth rate to 1.3 percent in 1998 compared to 2.6 percent in 1997. The agriculture sector declined by 1.2 percent as a result of drought and declines in officially recorded forest sector activities. The industry sector grew by 9.2 percent which was less than in the previous year due to declines in manufacturing and construction activity. The decline in manufacturing activity would have been steeper were it not for the rapid growth of the garments subsector which grew strongly primarily as a result of preferential access to the US market. The services sector grew by only 0.3 percent due to slow growth in the tourism sector as well as a loss of consumer confidence which adversely affected retail trade. Investment declined because of a drop in foreign aid inflows and a decline in foreign direct investment, much of which had previously come from regional countries.

3. The garment subsector created new employment opportunities in an otherwise dismal year. The industry currently employs approximately 165,000 workers. In other sectors the employment situation was much less positive. Fewer seasonal employment opportunities in urban areas and rising rice prices squeezed real incomes. Incomes were also adversely affected by the decline in labor remittances as a result of the regional economic crisis and low tourism arrivals. Tourism arrivals in 1998 were only 186,000 compared to the peak year of 1996 when 260,000 arrivals were recorded. Consequently, little progress in alleviating poverty was achieved in 1998.

4. Fiscal performance continued to be characterized by weak revenue collection and overspending on military expenditures. Weak fiscal performance in 1998 is indicated by a drop in revenues from 9.8 percent of GDP in 1997 to 9.0 per cent of GDP, primarily because of shortfalls in nontax revenues such as forestry royalties and custom revenues. Current expenditures at 9.4 percent of GDP were above target in 1998, due in some part to expenditures for the national elections. Capital expenditures were curtailed sharply from a planned 5.1 percent to 3.7 percent of GDP as a result of which the overall budget deficit

---

<sup>1</sup> Appendix 1 provides information on key economic and social indicators.

declined from 4.3 percent to 4 percent of GDP. With a shortfall in foreign financing, however, the Government resorted to bank financing for the first time in four years.

5. The increase in net credit to the Government was offset by a decline in foreign currency deposits as a result of continued political uncertainty. The growth of total liquidity fell from 16.6 percent in 1997 to 15.7 percent in 1998. The riel depreciated by more than 10 percent against the dollar with exchange rates fluctuating over a wide band during the year. The riel also depreciated against regional currencies including the Thai currency against which it depreciated by nearly 30 percent. The depreciation had a mixed impact on the economy. On one hand it was responsible for an increase in the inflation rate from about 9 percent in 1997 to about 13.7 percent in 1998. On the other hand the depreciation in 1998 restored some of the competitiveness the economy had lost when regional currencies had depreciated against the riel in late 1997.

6. Preliminary estimates indicate that some deterioration occurred in 1998 in the external sector. The current account deficit (excluding transfers) rose slightly as a percentage of GDP in 1998 relative to 1997. Exports grew by 12.8 percent, due to growth in garments although wood exports declined. Combined with a modest 3.4 percent increase in imports, this led to an improvement in the trade balance, which was offset by an increased deficit in services.

7. The 1998 capital account surplus fell because of a 20 percent drop in foreign direct investment from 1997 levels and a rise in the unexplained component of the balance of payments. Thus, the overall balance-of-payments surplus declined from \$22 million in 1997 to \$8 million in 1998. Gross official reserves increased from 2.2 months of imports in 1997 to 3.1 months in 1998 because of the release by the Asian Development Bank (ADB) for International Settlements of gold reserves which had been frozen for thirty years. The country has an external debt of approximately \$2.1 billion. Sixty percent of the external debt is owed to the former Council of Mutual Economic Assistance member countries, for which rescheduling is to be negotiated.

8. To accelerate growth and reduce poverty on a sustained basis, Cambodia urgently needs to improve its domestic resource mobilization efforts. The present high rates of investment are possible only because of high foreign savings. In 1998 domestic investment as a percentage of GDP was 15.7 percent compared to a domestic savings rate of only 6.0 percent. To increase the savings rate, the Government will need to promote economic growth, improve the policy environment and private sector confidence in the economy, and develop the financial sector to facilitate capital formation.

9. The medium-term outlook for the economy depends on three issues: (i) continued political stability (ii) weather conditions and (iii) the Government's willingness and ability to implement policy reforms. Following the elections of July 1998, a new coalition Government with one Prime Minister was established in late 1998. In December 1998 the country regained its United Nations seat and in April 1999 Cambodia became the tenth member of Association of Southeast Asian Nations (ASEAN). The Khmer Rouge (KR) has ceased to be a threat to the central Government after the death of Pol Pot in 1998 and the capture of the last KR strongholds and earlier massive defections. The country is therefore currently enjoying a period of political and civil peace that it has not seen for almost thirty years. This should enable the Government to pursue its goal of economic development and address key structural reforms which have been on hold for some time.

10. Donors have in general supported the new Government. At the Consultative Group Meeting in early 1999 donors pledged \$470 million for this year alone. As aid flows return to normal levels, public investment will increase and perhaps more importantly, serve as a positive signal for private sector investors. A particularly important issue in this regard is Cambodia's relationship with the International Monetary Fund (IMF). The IMF suspended its Enhanced Structural Adjustment Facility (ESAF) in 1997 because of the Government's failure to meet formally agreed performance conditionalities especially in forestry management. Negotiations were resumed in May 1999 and an ESAF program is very close to agreement.

11. The Consultative Group Meeting in late February 1999 identified three major areas in which structural reforms are needed: (i) demobilization of military and police, (ii) public administration, and (iii) forestry management. A donors meeting chaired by the Prime Minister was held in mid June 1999 to discuss the progress made on these reforms. The donor community noted the good progress that had been achieved and the obvious political commitment of the Government to development. ADB emphasized the following issues for consideration at future similar meetings which are to be held on a quarterly basis: (i) need for prioritization and sequencing of reforms (ii) need for monitorable performance targets and (iii) need for building the capacity to implement reforms.

12. Long years of conflict have kept Cambodia with high defense expenditures relative to total Government expenditures and to GDP. In 1998, defense expenditures accounted for 31 percent of the total Government current expenditures and stood at 2.9 percent of GDP. Although the trend has been generally falling, declining from 5.0 percent of GDP in 1994, defense expenditures are taking up quite a large proportion of the budget and national resources, limiting the Government's ability to allocate sufficient resources for social spending. With the recent security improvements, the Government has initiated an ambitious demobilization plan over 2000-2004, that will substantially reduce defense expenditures. Over 13,000 'ghost' soldiers and 105,000 'ghost' dependents have been identified as of mid-1999 in a census which is to be completed by year-end. A pilot demobilization program is expected to begin at the end of 1999 with a detailed demobilization plan will be completed by mid-2000. Demobilization of military personnel is expected to bring down defense expenditures to an estimated 20 percent of current expenditures and to 2 percent of GDP by 2005. The Government plans to reallocate the resulting "peace dividend" to social expenditures.<sup>2</sup>

13. The Government regards improvement in public administration as a key issue and is implementing a number of measures: (i) clarification of legal issues relating to terms of employment and functions, (ii) streamlining of administrative procedures to decentralize Government functions, (iii) better management through rationalization of pay scales, computerized payrolls, safety nets, registration of civil servants, etc., and, (iv) creation of a core team of civil servants to promote 'centers of excellence'. As a short-term measure the Government increased the salaries of all 395,000 public sector employees, who are vastly under paid compared to the cost of living, by 30 percent in May 1999.

14. Forestry management is a structural issue which has been raised by donors for a long time. The Government stepped up its efforts to crack down on illegal harvesting of forest resources in mid-1998. Since then, 12 concession contracts covering a total area of more than 2 million hectares, were cancelled. The issuing of timber collection permits was entirely stopped in October 1998, and royalties were increased from \$14 to \$54 for each cubic meter of felled

---

<sup>2</sup> In addition to defense expenditures, security expenditures are taking up substantial resources. The combined defense and security expenditures account for 48 percent of the Government's current expenditure. The Government is also initiating demobilization of security personnel.

timber. Furthermore, the Government confiscated over 15 thousand cubic meter of illegally obtained logs and sawn timber, destroyed over 700 illegal saw mills, confiscated logging and wood processing equipment and filed over 150 law suits for forest offences allegedly undertaken by individuals. As a result, the Government claims that illegal harvesting of logs has been reduced by 95 percent. More work however remains. Specifically, the system of concession management needs to be reviewed further and a detailed assessment of the existing concession agreements needs to be undertaken. The system of forestry policy formulation needs to be strengthened so as to allow the participation of forest-dependent communities. Institutional strengthening is required at the central, provincial and local levels to allow effective implementation of sustainable forest policies and to increase the Government's share in forest related revenue. Positive incentives for sound forest practices, training in community forestry development and sustainable forest management, and strengthening of monitoring and control will be required to overcome the constraints currently faced by the sector.

## **B. Assessment of Socio-Environmental Performance**

### **1. Poverty Issues**

15. Cambodia with a total population of about 11.5 million people is one of the world's poorest countries with a per capita GDP of about \$240 in 1998. The 1999 United Nation's Human Development Index (HDI) ranks Cambodia 137 out of 174 countries. The Socio-Economic Survey of 1997, estimates that 36 percent of all households are under the poverty line. Approximately 90 percent of the poor in Cambodia live in rural areas. The Poverty Profile shows that 71 percent of Cambodia's poor work in agriculture and 44 percent of all people in the agriculture sector live in poverty. The alleviation of poverty is complicated not only by the large numbers under the poverty line but by the high population growth rate and youthful population (slightly more than half the population is 18 years of age or less) which together lead to a large number of entrants into the education system and the labor market annually. Unless schooling and jobs can be provided and found for these people, poverty levels will not decline significantly.

### **2. Gender Issues**

16. Of particular concern is the position of women in Cambodia due to the effects of two decades of war and civil strife, during which over one million people died. Slightly more than half the total population is composed of women. Many more men than women were killed resulting in a disproportionately high numbers of widows, female-headed households, and women in the labor force and population as a whole. Many survivors—both men and women—still suffer from trauma and many women are affected by the precariousness of their social and economic circumstances. Gender disparities are evident in the adult literacy rate, primary/secondary school dropout rates, and health. High total fertility rates lead to high maternal mortality rates. The female labor force participation rate has traditionally been high (65 percent) but a new issue which needs to be considered is the socio-economic conditions of the thousands who have joined the industrial labor force, mostly in the garments sector, in recent years. Ninety per cent of the employees in the garment industry are women. There is a need to carefully balance the need to increase the growth of employment opportunities against the need to protect the basic rights of industrial workers. Women also account for 70 percent and 50 percent of the work force in the salt and rubber industries respectively. Women are often in low-paid unskilled positions and subject to long hours of work.

### **3. Human Development**

17. Cambodia faces major challenges in the social sectors which the country must effectively address if it is to enjoy sustained growth and become less reliant on foreign aid. Access is limited and quality of available services is frequently poor. Due to high repetition and drop-out rates, the Cambodian education system is inefficient. Of every 1,000 students who begins first grade, only 320 graduate from primary school, 80 from lower secondary, and 60 from upper secondary. While girls attend pre-schools at the same rate as boys, the gender gap widens with each successive level of schooling. Cambodian life expectancy at birth is only 53.4 years. In spite of some progress in recent years, infant mortality is estimated to be 115 per 1,000 live births, which is twice that of the average for Southeast Asia. Malnutrition is widespread and access to safe water and sanitation facilities remains extremely limited, especially in rural areas. The problems in these areas are exacerbated by limited capacity for planning and management, low expenditures and a youthful population that is growing at a rate of about 2.4 percent annually. The education and health sectors received only 10 percent and 6 percent of total Government expenditures, respectively in 1997/98. Another issue for concern is the large percentage of children between the ages of 10-14 who are in the labor force (about 17 percent). Half of these children are girls. A particularly distressing related issue is that of children in the sex trade. The Government in July 1999 issued a five year plan against the sexual exploitation of children, with a pledge to strengthen laws, monitor international trafficking networks, train law enforcement officials and educate the public.

### **4. Environment**

18. Cambodia's natural resource base provides livelihood and employment for its populace and is critical for current and future development, which relies on these resources for the provision of basic needs – food, water and employment. Over 80 percent of the country's population live in rural areas, mostly engaged in agriculture, forestry, fishing and hunting. Agriculture alone contributes about half of the country's GDP. Appropriate management of the country's natural resources is therefore crucial for sustainable development. However, increased pressures on the natural resource base upon which the country depends, pose a threat to its well-being. Prominent causes of environmental degradation include: rapid and unsustainable commercial exploitation of natural resources especially timber and fish (see para14); population growth rate in excess of 2 percent; absence of secure ownership and resource management regimes conducive to sustainability; and inequitable access to natural resources.

19. The Government recognizes that environment management and planning are essential components of the country's development strategy. The Ministry of Environment outlined priorities for environmental management in the National Environment Action Plan (NEAP) for 1998-2002. The NEAP focuses on (i) forest policy; (ii) fisheries and floodplain agriculture; (iii) coastal fisheries management; (iv) biodiversity and protected areas; (v) energy development and (vi) urban waste management. To a lesser extent, NEAP also deals with integration of environmental considerations with national policies and planning process. Despite some progress, the Government cannot effectively address environmental problems, protect natural resources or incorporate environmental considerations in development activities. The institutional framework is weak, and operating guidelines and practices yet to be developed and internalized. The number of people who have received suitable and sufficient training in environment-related disciplines is still low.

### **C. Governance: Sound Development Management**

20. A general view held by aid agencies and Government officials alike is that a lack of strong institutions of governance is a fundamental constraint to sustainable economic development in Cambodia. Institutional reforms must address the related issues of corruption and weak capacity. Law and order must be reestablished, including the reduction of crime, the suppression of extra-judicial killings, the strengthening of independence for judges and prosecutors, and the establishment of professional and equitable law enforcement in which officials cannot act without impunity. Corrupt practices include public appointments and land given out on the basis of patronage, and misuse of power for private gain in public institutions. Without addressing these governance issues, the public sector will be unable to carry out essential tasks required for either management of a market-oriented economy or the challenge of alleviating poverty. Causes of corruption and ineffective public services include low pay, poor quality of recruitment and promotions, hierarchical decision making, antiquated business processes, inadequate office facilities, fragmentation of responsibility, duplication of activities, and tendency for multiple agencies to try and perform the same leading functions.

21. The Government is trying to address governance issues on many levels. Since the present Government coalition was formed in late 1998, the Supreme Council of State Reform has been set up to supervise five councils charged with reforming the armed forces, public administration, economic and financial policies, and the law and justice system. There have been some results, but much work remains. Many ghost soldiers and dependents have been eliminated from military payrolls, a computerized payroll and registration system is being set up and plans are underway to implement demobilization and re-integration of soldiers into civilian life. Plans are underway to carry out a civil service census, computerized payroll, downsizing, and functional review of all ministries. Possibilities for setting up a core group of civil servants in essential functions are also being investigated (see paras 12 and 13).

### **D. Implementation Assessment**

#### **1. The Portfolio**

22. Cambodia re-established relations with ADB soon after the signing of the Paris Peace Accord in October 1991. In 1992, ADB approved the \$67.7 million Special Rehabilitation Assistance Loan (SRAL) which provided assistance in agriculture, transport, energy, and education. It was satisfactorily completed in October 1997. In January 1994, the first Country Programming mission to Cambodia developed a medium-term lending and technical assistance (TA) strategy for 1994-1997 which focused on rehabilitation, reconstruction, and development. The \$28.2 million loan for the Power Rehabilitation Project approved in December 1994 was the first loan approved under normal operations.

23. Since the resumption of ADB operations in 1992 and to the end of 1998, ADB has approved 10 loans to Cambodia for a total of about \$287 million. In terms of sectoral distribution of loan projects, agriculture accounts for about 19 percent, physical infrastructure (energy and transport) for 29 percent, and social infrastructure (education, health and water supply) for 28 percent and the balance of 24 percent for multisector. About 60 percent of the lending program is targeted at the rural areas of the country. As of 31 December 1998, all loans except SRAL were still ongoing. All of the loans approved so far are currently classified as satisfactory or highly satisfactory projects in terms of development objectives. All projects except for one are satisfactory in terms of implementation progress.

24. In addition, ADB has approved 54 TAs on a grant basis amounting to \$42.2 million including cofinancing of \$9.8 million from other multilateral and bilateral sources. The majority of the ADB's TA have been advisory in nature and focus on capacity building especially in macroeconomic management, sector strategic planning and project management. ADB took a lead role in macroeconomic management through its first major TA - Strengthening Macroeconomic Management. This TA covered public finance, money and banking, economic planning, and statistics. It assisted in the preparation of the Commercial Banking Law, the Government's first Socioeconomic Development Plan and Public Investment Program, and the Socioeconomic Survey. A subsequent TA for statistical system development strengthened national accounting activities. Other TAs have provided assistance in development planning, external aid management, and bank regulations. ADB has also provided assistance in strengthening the public procurement system, project accounting capacity and general project implementation capability. These TAs made substantial progress in capacity building. However, as a result of poor initial conditions, extremely weak institutions, and low civil service salaries, institutional weaknesses remain endemic.

25. Cambodia has received only one program loan. The Agricultural Sector Program (\$30 million) approved in mid-1996, was designed to provide institutional support to encourage reforms in this critical economic sector, including land reform, improved agricultural extension activities, liberalizing and increasing access to input and output markets, and rural road maintenance. Slow progress in meeting conditionalities, in part because of political events in 1997 and 1998, has delayed the release of the second tranche.

26. Given the duration of ADB assistance to Cambodia, it is still too early to systematically assess the impact of its interventions. However, since ADB was the first major donor to return to Cambodia, its interventions came at a critical time and undoubtedly have had a positive impact. The Special Rehabilitation Assistance Loan which had several components including support for road, rail, agriculture and education sectors was rated as generally successful and played a major role in providing essential physical infrastructure early. Among the projects that have been ongoing for some years, the Basic Education Textbook project which designed and printed new textbooks for primary school children has been a particularly effective project. ADB's TA assistance has also played a major role in rehabilitating Cambodia's shattered economy and facilitating its transition to a market economy through capacity building. Assistance in macroeconomic management has been essential and extensive. ADB's assistance for the development of statistics has been particularly effective since it was provided to an area with extensive needs and at an early stage when no other donors were forthcoming.

## **2. Issues in Project Implementation**

27. Notable constraints to improving project implementation efficiency are: (i) shortage of skilled counterpart staff; (ii) lack of project preparation and implementation experience; (iii) lack of knowledge of ADB's operational policies and procedures, and (iv) poor governance. The Country Portfolio Review Mission (CPRM) of late 1998 noted that project implementation performance had improved as a result of the clarification of disbursement procedures of the Government through issuance of the Project Accounting Manual and provision of sufficient counterpart funds for ADB financed projects. The Mission, however, also highlighted the need for careful consultant recruitment, effective release mechanisms for counterpart funds, and identification of full time counterpart staff. Further, projects design needs to be kept simple and projects have to be closely monitored. The implications for future ADB operations are that ADB

needs to devote substantial resources to capacity building in overall economic management and in sectors in which ADB will operate.

28. It is anticipated that the portfolio review meetings which are now being convened on a regular basis at ADB's Resident Mission will help address these problems. Dissemination of information on ADB procedures to line and central ministries as well as project site visits are also important. Another area requiring continued monitoring is the Government's development budget allocation. The current budget constraint needs to be closely assessed with respect to its impact on future ADB assisted projects. In the medium-term, the budget constraint could constitute an impediment to speedy project implementation. The quarterly monitoring meetings between the Government and donors which have been implemented since mid-1999 may also be important in improving policy dialogue and donor coordination. ADB is working with other donors in developing a set of monitorable performance indicators.

## **II. Country Operational Strategy**

### **A. Current Strategy**

29. ADB formulated an interim strategy in 1992 to resume its operations in Cambodia. A major thrust of this strategy was to provide assistance for rehabilitation projects and programs. It was subsequently revised to take into account the changes in the country after the departure of the United Nations Transitional Authority in Cambodia (UNTAC) and include assistance for reconstruction and development efforts. ADB formulated a formal Country Operational Strategy (COS) in November 1995. Major thrusts of ADB's operational strategy are: (i) promotion of economic growth as the principal means of creating employment and reducing poverty; (ii) building capacity for good governance and project management through an integrated program of TA and project, sector and program lending; (iii) human resource development; and (iv) natural resource conservation.

30. The policy objectives associated with each strategic priority are as follows:

- (i) Promoting economic growth is the major vehicle to create employment opportunities and reduce poverty incidence. ADB's project loans focus primarily on roads, power and rural infrastructure with high economic benefits as well as the agriculture sector which provides employment for most people in Cambodia. In fostering economic growth, linkages between the regional growth centers and rural areas are taken into consideration. Growth corridors such as the Ho Chi Minh City-Phnom Penh-Bangkok road network or the Phnom Penh-Sihanoukville corridor are also promoted.
- (ii) The institutions of a market economy have to be established. Targeted areas include macroeconomic management and planning capacity; establishing a transparent legal and regulatory framework; policy reform and capacity building in key sectors such as agriculture, finance, and education; and developing administrative and technical capacities for implementing ADB-funded projects.
- (iii) Human resource development is a key priority. The focus is on capacity building for good governance and provision of basic health and education services, especially in rural areas. Particular attention is given to the quality and financing of basic health care and basic education. Targeted

assistance for vulnerable groups and sector wide policy reforms are other areas for ADB assistance.

- (iv) Natural resource conservation and environmental protection are critical for sustainable development. An important means of addressing environmental concerns is through land use and forestry sector management. ADB assistance also builds local capacity to undertake environmental impact assessment and integrate it into project design as well as strengthen standards and regulations and enhance enforcement capability.

## **B. COS Revision**

31. Given the establishment of a new Government and the propitious conditions for development made possible by political stability and peace, the COS is being revised in 1999. Without pre-empting the findings of the COS which is expected by December 1999, given the structural problems of Cambodia, the overall strategy of poverty reduction through growth is expected to remain unchanged.

32. The COS will, however, reassess the means by which this strategy is to be undertaken taking into consideration the priorities of the new Government, the absorptive capacity of the country, previous ADB experience in the country, and the availability of Asian Development Fund (ADF) resources. The COS will also assess how ADB's own assistance should be prioritized and complement the activities of other donors and the increasing level of direct foreign investment. The COS is expected to call for greater selectivity by focussing on well designed projects in a relatively few sectors such as agriculture, social infrastructure and transportation. Other key elements of the new COS include emphasis on rural development, geographical focus of projects and promotion of good governance as a cross-cutting issue. A COS mission was fielded in June 1999. There was broad support from the Government for the proposed key features of the new COS.

## **III. Sector Strategies**

### **A. Agriculture**

#### **1. Agriculture and Rural Development**

33. The agriculture sector contributes about 50 percent of GDP and provides livelihood to about 85-90 percent of the population. The development of this sector is the key to sustainable growth and alleviation of poverty. The return of peace to many parts of the country and ongoing demining operations enable considerable expansion of cultivated area. Productivity increases in agriculture are however the main avenue towards improving the standard of living for the vast majority of people. This requires: (i) development of skills required for market-oriented production; (ii) the development and encouragement of private sector initiatives in input supply, crop processing and marketing; (iii) the development of public services to attract private sector participation in underdeveloped areas, such as research and extension, forest and fishery resources protection; (iv) the provision of public infrastructure such as rural roads, flood protection, irrigation and drainage as well as the maintenance of these facilities; and (v) the availability of and access to rural financial services. All this requires a significant and sustained skills improvement effort, in the public as well as the private sector, and must be achieved through appropriate institutional restructuring, capacity building and policy reforms.

34. Policy dialogue in the sector is under way through the ongoing Agriculture Sector Program Loan which focuses on improving the efficiency of sectoral institutions, enhancement of the private sector, revenue generation and public expenditure savings, as well as policy changes with regard to the controlled and sustainable exploitation of natural resources. The disbursement of the second tranche of the Program loan has been delayed by the process of incorporating comments of key stakeholders into the draft Land Law. A Rural Credit and Savings Project to provide formal credit and savings facilities in rural areas is programmed for 2000. The Stung Chinit Water Resources Development Project which is programmed for 2000 will facilitate agriculture development in the Chinit River Basin through rehabilitation of irrigation systems. An advisory TA will also be provided to the newly established Ministry of Water Resources and Meteorology in 1999.

## **2. Forestry and Natural Resources**

35. During the last twenty years, the forests of Cambodia have been vastly degraded. Forest cover has been reduced by unplanned and unmanaged felling and conversion of forest land to agriculture. While the consequences of war, agricultural expansion and wood harvesting are not documented with certainty, the available data indicate that from 1973 to 1993 about 1.4 million hectares of forest were cleared. More significantly, over the last thirty years about 3 million hectares of forest that are still capable of functioning as environmentally viable forest ecosystems, have been significantly degraded. In the more heavily populated areas of Cambodia, fuelwood shortages are worsening and foreign demand for Cambodian logs and processed wood products has grown faster than the regulatory capacity of the Government.

36. In the absence of efficient controls, the rich natural resource base in Cambodia is under continued threat. The effects of deforestation can already be seen through increased siltation of the Tonle Sap Lake, on which about 40 percent of the population depends directly or indirectly for their livelihoods. This uncontrolled logging is also not bringing into the Treasury the revenues from royalties and taxes to which it is entitled, due to evasion and ad hoc exemptions granted. In the short term existing laws regarding use of natural resources and revenues need to be enforced to prevent further resource degradation. In the medium term new laws are needed, replanting encouraged, and industries which produce more value added products promoted.

37. ADB is assisting this vital sector through a Sustainable Forest Management TA which was approved in late 1998. The TA will provide a draft community policy, prepare the draft forest law and review forest concession performance. The possibility of an ADB loan for a forest project is being discussed with the Government. An Integrated and Natural Resources Management project in the Tonle Sap Lake area is programmed for 2002. This work will be complemented or based upon a strategic framework for ADB's assistance in the environment sector, which is currently being prepared. The framework will address issues such as strengthening institutional capacity at different levels of Government, environmental governance, biodiversity conservation, fuelwood use and urban environment.

## **B. Infrastructure**

### **1. Energy**

38. Meeting Cambodia's power needs, particularly those of Phnom Penh, has been regarded by the Government as a priority issue. The supply of energy and particularly electricity

needs to be increased in both urban and rural areas, in a sustainable manner. This will not only entail investing in generation, transmission and distribution, but will also require substantial improvement in the institutional and implementation capabilities of the power agencies. Thus far, multilateral and bilateral assistance to Cambodia's power sector has been mainly directed at the emergency rehabilitation of urgently required facilities. ADB assistance, however, has sought to strike a balance between emergency needs on the one hand and longer-term energy development on the other.

39. The Power Rehabilitation Project approved in 1994 is supporting generation and distribution systems, concentrating mainly on rehabilitation of systems both in Phnom Penh and the provincial cities of Sihanoukville and Siem Reap. Further, ADB is focusing on two policy areas: (i) improving the financial and accounting systems to provide a basis for further development and (ii) introduction of a human resources development plan. Since the needs of the country are extensive, a Power Rehabilitation II Project which would extend and build upon the work of the earlier project is programmed for 2000. The project would focus on power generation and distribution in several secondary towns. ADB's role in this sector will be continuously examined in light of the increased involvement of the private sector, including privatization of generation and distribution systems.

## **2. Transport and Communications**

40. As a result of more than two decades of war and destruction, Cambodia's road network effectively ceased to function as a means of transport. Lack of adequate maintenance and operational facilities have resulted in the country's airports being in poor physical condition and far below international safety standards. Rail services which potentially have a major role to play are at present in very poor condition. More importantly, the institutions responsible for the transport network were also destroyed, and almost all experienced management and technical personnel were lost. It will be several years before the primary road network is restored to a reasonable condition in all areas of the country. A primary concern therefore is the completion of the primary road network and its maintenance. Another issue of importance is the development of infrastructure which will promote external trade and investment, particularly with neighboring countries.

41. Other key concerns in this critical sector include: (i) severe limitations in the institutions tasked with managing and maintaining the road network, in particular the Ministry of Public Works and Transport (MPWT); (ii) an absence of private sector capability to construct and maintain the network; and (iii) inadequate budgetary allocations to the sector. Other concerns that are important include: (i) inadequate road and air transport safety; (ii) low technical standards; (iii) an absence of maintenance planning and implementation capability; and (iv) reliance on road funds for maintenance budgets.

42. ADB has provided assistance in this area through projects which have had road components, the Siem Reap Airport project and the Phnom Penh to Ho Chi Minh City Highway project which was approved in late 1998 and is regarded as the first genuine Greater Mekong Subregion (GMS) project.

43. ADB's future work involves: (i) continuing the transport rehabilitation effort, and extending the all-weather road network to all parts of the country; (ii) improving the Government's management, implementation and planning capability, through loan and TA support, and (iii) improving technical standards. Given the extensive needs in the sector, a

Primary Roads Restoration project is programmed for 1999 and a Road Network Improvement II project for the northwestern part of the country is programmed for 2002.

### **3. Finance**

44. After a long period of isolation, Cambodia's re-integration into the regional and world economy is proceeding rapidly. In order for Cambodia to pursue an export led development policy as well as mobilize adequate resources and thereby reduce the current dependence on foreign aid, the financial system will have to be strengthened and developed considerably. The development of the sector is also needed for the promotion of private sector activities in both urban and rural areas. Key challenges in the sector include the development of a strategy for financial sector development including institutional strengthening to carry out functions based on market principles. With the increased reliance on the private sector for growth, there is an urgent need for developing appropriate financial mechanisms to support investment. ADB will undertake a review of the country's financial sector to identify key areas for reform, focusing on the needs of the monetary authority and deficiencies of the market infrastructure. The Rural Credit and Savings project (2000) and an associated TA will play a major role in developing the financial sector as well as in rural development. A Financial Sector Program Loan which would strengthen prudential regulations and develop new instruments for financial intermediation is programmed for 2001. Assistance for capacity building for banking supervision by the National Bank will also be considered during the program period.

## **C. Social Infrastructure**

### **1. Health**

45. Cambodia has some of the worst health conditions in Asia. War damage to the health care system has resulted in a severe shortage of qualified health personnel. Infant, child and maternal mortality rates are very high in comparison with other countries in Asia. The major causes of the high mortality among infants and children are poverty and the limited availability of clean water, sanitation and food shortage facilities leading to acute respiratory tract infections, diarrhea, malaria, and micronutrient malnutrition. Half of all children under five years of age are either stunted or underweight due to chronic undernutrition and vaccine-preventable diseases such as measles. Among adults, the leading causes of morbidity and mortality remain infectious diseases such as malaria and tuberculosis (TB). Cambodia also has one of the most serious HIV epidemics in Asia. In 1998, 189,000 people were estimated to be infected. Over 3.6 percent of the population in the general 18-36 age group is thought to be infected. The number of infected is likely to increase by at least 20 percent before the course of the epidemic reaches a plateau.

46. Health sector reforms focus on promotion of equitable access and efficient use of resources. The emphasis is on revitalizing health service, controlling communicable and preventive diseases, and building capacity to manage and deliver essential services efficiently. The Primary Health Care (PHC) system which is based on commune clinics and district hospitals plays a critical role in delivering basic health services. The system, however, faces a number of serious constraints including: (i) limited accessibility, (ii) poor quality, (iii) weak management capacity, and (iv) insufficient funding of health services. A new concern is that of inequity in access to health care as it becomes more privatized.

47. ADB is currently providing assistance in the sector through two loans, Basic Skills project (Health component) and Basic Health Services project and a technical assistance on

managing Basic Health Services. An advisory technical assistance for HIV/AIDS is programmed for 2000. An advisory technical assistance for Basic Health Services II is programmed for 2001 and a follow up loan project to the ongoing Basic Health Services Project is programmed for 2002.

## **2. Education**

48. Cambodia's current human resource base has been devastated by almost two decades of war and isolation. There is a dearth of qualified personnel to sustain development efforts, manage public services, and to engage in activities linked with the emergence of a market economy. The limited skill base of the population presents a major constraint to overall economic development, improvement of Cambodia's competitiveness and equitable access to development benefits. Key concerns in this sector are (i) limited accessibility (ii) poor quality (iii) weak management capacity and (iv) insufficient funding. The literacy rate for men for the entire country was 80 percent but only 57.7 percent for women in 1997. In rural areas 77.9 percent of men were literate and 54.7 percent of women were literate. It is estimated that the average adult in Cambodia has had only 3.5 years of schooling. The education system is underdeveloped and inefficient with students starting schooling at late ages, high rates of repetition and high drop out rates. For many households the education provided is high cost and of poor quality. In 1997-98, more than 40 percent of 6 year olds failed to enroll in school. Of those who enrolled, 11 percent dropped out after the first grade. Only 400 of every 1,000 students who start out in first grade complete all five years, and only 320 actually graduate from primary school. Females are under-represented at all levels of education and constitute only 45 percent and 40 percent of primary and lower secondary school enrollments respectively. Female school drop-out rates are, however, twice those of males. The high drop out rates are due to poor quality and limited relevance of the education provided as well as costs which are high in relation to household incomes.

49. The Government is committed to long-term reform of the education and training sector. Highest priority is given to provision of nine years of basic education, including equitable access to basic schooling for the urban and rural poor, girls and minorities, enhanced achievement and strengthened management and planning capability. Other human development objectives include the need to provide skills training to women, retrenched civil servants and demobilized soldiers. The achievement of these goals is, however, severely constrained by lack of resources and management capability.

50. ADB has in the past assisted the sector through two loans: the Basic Skills project (TVET Component) and Basic Education Textbook project. An Education Sector Development project which would address basic education issues is programmed for 2001. Also included in the same year is a Demobilization project which could include vocational training for demobilized troops and police.

## **3. Urban Development**

51. Although Cambodia's urban population consists of about only 17 percent of the total population of 11.5 million, urban growth is estimated at 8 percent per annum as a result of greater employment opportunities in urban areas and the return of refugees. This poses severe pressure on the available physical and social infrastructure and services, particularly in the capital city which has a population of about 1 million. Only about 40 percent of the population of Phnom Penh and 50 percent of Sihanoukville have access to piped, potable water supplies. Sewerage systems are generally non-existent with the exception of Phnom Penh and Sihanoukville where limited services are provided through systems that combine rainwater drainage and domestic

sewage. Diseases related to poor water supply, drainage and sewage are a leading cause of morbidity and mortality in the urban areas. Limited access to safe water (20 percent urban, 12 percent rural) and to adequate sanitation (65 percent urban, 33 percent rural) contribute to high prevalence of diarrhea and other health problems. Key issues in this sector include provision of physical infrastructure to enable the proper functioning of cities, development of secondary towns to promote balanced development, and improvement of urban management and decentralization.

52. ADB's focus in the sector is on expanding the urban water supply in Phnom Penh and provincial towns, providing institutional reform including the establishment of autonomous agencies to manage water supply and sanitation, and the development of appropriate cost recovery policies. A Provincial Towns Improvement project which would improve safe water and sanitation services in several secondary towns is included in the 1999 program.

#### **D. Governance Dimensions of ADB Operations**

53. In the area of governance ADB has been implementing a series of initiatives through TAs for improving the capabilities of key central and line ministries. The objective is to assist the Government in developing an effective and accountable public administration and enhancing consistency and transparency in decision making. Major ADB initiatives have included strengthening macroeconomic management, capacity building in development planning and external aid management, developing capacity in audit and inspectorate functions and establishing offices and regulations for procurement of goods and services. These initiatives support the objectives of ADB's governance and anticorruption policies. Since good governance is highlighted as a cross cutting issue for the new COS, it will continue to be pursued over the program period through follow-up TA activities. Activities which will support good governance include advisory TAs for support of aid and debt management, audit capacity improvements and assistance for the justice system (2000); public administrative reform at provincial level (2001) and follow-up assistance for labor statistics and the justice system in 2002. Initial assistance for the justice system will be for the training of magistrates and other court personnel.

54. The lending program will also assist the improvement of governance. In general, transport projects, which help integrate the country, are a necessary condition for the promotion of good governance. The ongoing Agriculture Program Loan will help reform the system of land ownership through the design of an appropriate land law. The Demobilization project (2001) is likely to play a major role in facilitating the strengthening of a civil society and reducing military expenditures in the long term. The Financial Sector Program loan (2001) will also improve governance by promoting critical financial and banking laws.

#### **E. Gender Dimensions of ADB Operations**

55. ADB's strategy for Cambodia addresses gender issues through the promotion of human development. This includes social infrastructure projects which provide basic skills, textbooks and health services. Gender issues are also addressed through TA for women in development and employment promotion. Proposed projects such as the Rural Credit and Savings project would address gender issues by providing small scale loans for households, many of which are headed by women, while the Provincial Towns Improvement project will reduce the amount of time and effort women typically have to allocate to carrying water. An advisory technical assistance for the new Ministry of Women's Affairs and Veterans Affairs is included in 1999 to provide more targeted assistance for gender by strengthening central management capabilities. Several other projects and TAs such as the Education Sector

Development project and the Basic Health Services II project will also provide significant assistance for gender related issues.

#### **F. Private Sector Operations**

56. In view of the nascent nature of the market economy in the country, ADB's private sector operations in Cambodia will essentially focus on providing support for the creation of an environment conducive to private investments. The development of the private sector is affected by lack of a legal framework and properly functioning justice system, scarce credit and inadequate transport and communication networks. The situation should improve substantially after three critical laws are passed: (i) a new Land Law; (ii) a Financial Institutions Law, and a (iii) a Company Law. ADB signed a Private Sector Framework Agreement in November 1995. The Rural Credit and Savings project (2000) will promote private sector development in rural areas. The proposed TA and loan for the Financial Sector Program (2001) will accelerate overall private sector development through the development of financial and banking systems. Although the scope for ADB's private sector operations is somewhat limited by the relatively small size of the sector and institutional and legal gaps, ADB is exploring the possibility of a loan or equity for a hotel in the Siem Reap tourist area. The feasibility of commercial cofinancing will continue to be explored on a case-by-case basis, particularly in connection with ADB assisted projects in the private sector.

#### **IV. Regional Cooperation**

57. Cambodia is part of the Greater Mekong Subregion (GMS) program initiated with the support from ADB in 1992. Some of ADB's ongoing transport sector projects such as the Siem Reap airport and the proposed Primary Roads project, though being primarily national projects, also promote regional cooperation by facilitating the movement of goods and services across borders, particularly with neighboring countries. ADB also has a technical assistance which is intended to promote the sustainable development of the Tonle Sap Lake. The Tonle Sap Lake and the Tonle Sap River within Cambodia have important linkages with the Mekong river system which connects six regional countries. A major GMS activity has been the Phnom Penh to Ho Chi Minh City Highway project which was approved in late 1998. Due to its location, Cambodia has a potentially large role to play in, and benefits to gain from, regional cooperation. Hence a technical assistance for capacity building of the department responsible for the GMS is included for 2001. An Integrated Natural Resources Management project which would promote the sustainable development of the Tonle Sap Lake is programmed for 2002.

58. Cambodia was originally scheduled to join ASEAN in 1997 but formal entry was delayed to April 1999. Entry into ASEAN poses benefits as well as costs for the country. Entry into ASEAN gives Cambodia access to a market of nearly 500 million people. Cambodia's central location among the mainland ASEAN countries gives it a particular advantage as well. On the other hand aside from the one-off, short term costs of entry into ASEAN, the country must address the need to compensate for forgone revenues from import tariffs as well as greater competition from abroad. The tariff levels on 7,000 items are to be reduced to the 0-5 percent level by 2008 under the ASEAN Free Trade Area scheme. Three thousand items are on the list for tariff reduction in 2000 alone. Since the Government relies heavily on trade tariff revenues, alternative sources of revenue must be found. The country must also press ahead with reforms to maintain its regional competitiveness in light of ASEAN entry. ADB assistance to promote labor productivity or more general reforms will be considered during the program period.

## V. Donor Activities and Aid Coordination

59. Foreign assistance continues to play an important role in Cambodia (see Appendix 3). After the 1993 UNTAC sponsored elections, Official Development Assistance (ODA) flowed to the country at the rate of \$500 million annually up to 1997. Following the July 1997 political crisis, Germany and the United States suspended their aid programs although the latter continued its humanitarian aid which accounted for about one-third of its aid package. Most donors, however, did not proceed with new projects until late 1998. The IMF suspended the ESAF and withdrew its representative in September 1997.

60. A large number of bilateral and multilateral donors, UN agencies and NGOs are active in Cambodia. Recognizing the need for effective coordination among donors, the Government established the Council for the Development of Cambodia (CDC) in 1994. Subordinate to CDC are two national boards: Cambodian Rehabilitation and Development Board (CRDB), which is responsible for supervising public investment, and the Cambodian Investment Board (CIB), which is intended to become the "one-stop" service agency for private investment. CDC's Secretariat provides the focal point for coordinating and managing external assistance, especially TA activities. With the formation of the CDC, donor coordination has been facilitated.

61. The third Consultative Group (CG) meeting was held in Tokyo, Japan in late February 1999. The CG meeting was held under the auspices of the World Bank and hosted by the Government of Japan and attended by seventeen countries and six international organizations. At this meeting the donor community indicated willingness for continued assistance to Cambodia, including commitments of about \$470 million for 1999. Many delegates, however, noted that the actual level of assistance would be influenced by progress made in implementing policy reforms, particularly in the areas of good governance, forestry reforms, domestic revenue mobilization and improved attention to social sector issues. The meeting also welcomed Prime Minister Hun Sen's proposal to engage the donor community in periodic dialogue on policy and hold in-country monitoring meetings on a quarterly basis. The first such meeting was held in mid-June 1999. A monitoring framework which would have agreed targets and benchmarks is being developed.

62. In the context of Cambodia, aid coordination among the donors is very important for ADB for several reasons. First, improved coordination will maximize the development impact of aid and minimize duplication of effort and develop cofinancing arrangements. Second, given the availability of concessional resources, ADB will need to establish a clearer division of labor with other aid agencies in terms of sectoral involvement and geographical focus. Third, given the increased availability of bilateral assistance, improved coordination might prove critical in preventing unintended but nonetheless contradictory impacts between projects funded by different donors. Since the CG meeting in early 1999 donor coordination activities have accelerated as all donors have had to reassess their programs in light of new opportunities, challenges, and constraints.

63. Non-Governmental Organizations (NGOs) have been playing an important developmental role in Cambodia in the provision of essential services. There are at present over 400 local and international NGOs active in Cambodia. Although this role will necessarily evolve with the return of peace and increasing capabilities of the Government, NGOs are likely to serve important functions in Cambodia in the foreseeable future. ADB has recognized this and has constantly tried to improve its working relationship with NGOs through early consultation in project loan and technical assistance design and implementation. ADB-NGO relations in Cambodia were further advanced by a formal meeting between ADB and a large number of NGOs in mid-July, in which the general principles of communication were agreed upon. A

noteworthy project which will involve the full participation of NGOs is the Rural Credit and Savings Project (2000) in which selected NGOs will be transformed into micro-financial institutions and deliver credit at the village and household levels.

## **VI. Cofinancing and Catalyzing External Resources**

64. To complement ADB's loan financing and to respond usefully to Cambodia's limited fiscal resources and debt-servicing capacity, ADB's mandate calls for mobilizing cofinancing. In this context, ADB has already taken steps to identify possibilities for joint financing or parallel financing, especially in agriculture, education, energy, environment, transport, and water supply and sanitation projects. Specific loan and TA proposals have been identified for cofinancing with multilateral and bilateral sources. These sources include, among others, parallel financing of \$3.2 million with the UNICEF for the Basic Education Textbook Project, and OPEC Fund cofinancing of \$6 million for the Primary Roads Restoration project (1999). AusAID provided cofinancing of \$0.9 million for the latter project also.

65. Co-financing opportunities have in the past been limited by two factors. First, ADB being the first major multilateral donor to return to Cambodia, had effectively no partners with which co-financing could be arranged. Second, when many others donors did return to Cambodia they had their own agendas, which again limited co-financing opportunities. The current situation is different in that there are a greater number of donors as well as a better appreciation of the desirability of promoting complementarities among donors. Co-financing opportunities are therefore more likely than in the past although the environment for commercial cofinancing is still difficult. The Provincial Towns Improvement project (1999) may be considered for OPEC Fund co-financing. The Power Rehabilitation II project (2000) has been proposed to NORAD, while the Stung Chinit Water Resources Development project (2000) has been proposed to both DANIDA and Sida. Other areas in which cofinancing possibilities will continue to be explored are good governance and HIV/AIDS. AusAID, CIDA and USAID are all active in the former area.

66. In early 1999 French foreign aid operations underwent a major reorganization and Agence Francaise de Developpement (AFD) took over all project financing in less developed countries including Cambodia. AFD is active in rural water supply, agriculture, rural credit, road transport and power sectors. It is interested in cofinancing part of the Rural Credit and Savings project (1999) and the Stung Chinit Water Resources Development and Power Rehabilitation II projects. The possibility of cofinancing with Japan, which is starting yen loan operations in Cambodia, will also be pursued actively. Over the program period, ADB will endeavor to mobilize \$5-10 million a year in joint and parallel cofinancing. A leveraging ratio of 10-15 percent is expected to be achieved.

## **VII. ADB's Operational Program**

67. The proposed loan and TA program for the 2000-2002 period is presented in Table 1. Details are provided in Appendix 4.

68. ADB has used the pause in project processing between mid-1997 and late 1998 to concentrate on project implementation and capacity building through TAs which have been approved. Only one project, the Phnom Penh to Ho Chi Minh City Highway project of \$40 million, and four TAs were approved in the 1997-1998 period. In 1999 a lending program of \$88 million and TA program of approximately \$8 million is envisaged.

## CAMBODIA

Table 1: Lending and Technical Assistance Program, 1998-2002

A. Public Sector Lending Program										
	1998 (Actual)		1999		2000		2001		2002	
	(No.)	(\$ million)	(No.)	(\$ million)	(No.)	(\$ million)	(No.)	(\$ million)	(No.)	(\$ million)
Lending Program <sup>a</sup>	1	40	2	88	3	65	3	65	3	90
ADF	1	40	2	88	3	65	3	65	3	90
OCR	-	-	-	-	-	-	-	-	-	-
Lending Pipeline <sup>b</sup>					3	65	3	65	3	90
ADF					3	65	3	65	3	90
OCR					-	-	-	-	-	-

  

B. Technical Assistance Program										
	1998 (Actual)		1999		2000		2001		2002	
	(No.)	(\$'000)	(No.)	(\$'000)	(No.)	(\$'000)	(No.)	(\$'000)	(No.)	(\$'000)
TA Program <sup>a</sup>	2	1,365	14	7,685	13	7,200	6	3,950	6	3,600
TA Pipeline <sup>b</sup>					13	7,200	6	3,950	6	3,600

<sup>a</sup> The Programs is comprised of the firm projects.

<sup>b</sup> The Pipeline consists of the Program (firm projects) and standby projects. In 2001 and 2002, there is no distinction between firm and standby.

69. The lending and TA program from the 2000-2002 period have been affected by a number of parameters: (i) slippages from the 1997-1998 period (ii) availability of ADF resources (iii) shifts in Government policy and changing needs and (iv) the absorptive capacity of the country. The average annual lending level during this period is approximately \$73 million with the actual amount depending on progress in project implementation, absorptive capacity and ability to implement policy reforms. The lending program emphasizes (i) investment in physical infrastructure, particularly roads and power, (ii) natural resource management and (iii) human resource development through basic health and education projects.

70. The political stability which has been recently restored as well as the political will exhibited in implementing difficult structural reforms since early 1999 augur well for policy reform and improved project implementation. However, while ADB recognizes the many needs of the country, it has linked both TA and lending levels to project performance. At the same time it will strive to help improve project implementation through a variety of mechanisms: (i) regular project site visits (ii) capacity building of Government officials and (iii) full implementation of the action plan outlined by the latest CPRM mission.

71. The sectoral distribution and project mix over the program period is generally well balanced (Appendix 5). Over the period 2000-2002, the agriculture sector, including forestry and rural credit will account for 33 percent of total project number, social infrastructure 33 percent, physical infrastructure 22 percent and the balance for finance.

72. The proposed project mix indicates that ADB's portfolio in 2000-2002 in terms of the number of projects consists of projects aiming at economic growth (about 11 percent), human development (33 percent), projects with environmental concerns (11 percent), and growth oriented projects with socio and environmental concerns (45 percent). Policy-based lending accounts for about 11 percent of total lending. Over the program period, 4 out of 9 projects are classified as social and environmental-oriented projects which signifies ADB's emphasis on cross-cutting issues and social concerns.

73. The indicative planning figure for TA is \$8.0 million for each year of the program period although only half this amount is currently programmed. By both number as well as amount, one-half of the TAs are for capacity building and good governance and the balance are for project preparation purposes.

74. Considering the institutional and human resource constraints faced by the Government in the preparation of plans and strategies to expedite the transformation to a market economy and the continuing need to strengthen institutional capabilities in project implementation and management, ADB's operational activities will be preceded by or undertaken in parallel with substantial inputs for capacity building in priority sectors. ADB will focus its assistance in capacity building to the Ministry of Planning, the Ministry of Economy and Finance, and National Bank which are the central agencies responsible for proper macroeconomic management. ADB assistance for capacity building is also provided to line ministries with which ADB has major activities.

75. One program loan has been included in the 2000-2002 pipeline to support the country's transition to a market based economy. Both the design and timing of the loan will be heavily influenced by the Government's capacity and commitment in implementing policy reforms.

### **VIII. Economic and Sector Work Program**

76. The economic and sector work program is designed to support the basic policy agenda of ADB. A review of social sector conditions has recently been implemented. A major activity in this area is the revision of the COS which will provide an opportunity to reassess ADB's strategies, priorities and set the policy agenda for the 2000-2004 period. A strategic framework for assistance in the environment sector is also currently being prepared. A sector study on agriculture and rural development is programmed. Other areas in which economic and sector work is planned include water management, energy sector strategy and a study to assess the needs and priorities in the finance sector. A governance study which will among other things address public administrative reform issues, is also planned.

### **IX. Local Cost Financing**

77. Cambodia's current resource position remains inadequate to support the high rate of growth needed to reduce poverty significantly. While the need for increased domestic resource mobilization continues to be a major subject for dialogue, for the present time significant external resources are required to maintain even a modest growth rate. The need for counterpart financing is heightened also by several short-term macroeconomic issues. First, any new ESAF program is likely to require the Government to control its level of expenditures. Second, while demobilization and public administration reform programs may have long term fiscal benefits, in the short term they will require more expenditures, reducing the resources available for local cost financing. Finally, as both donors and the Government attempt to compensate for the hiatus in new lending in the 1997-1998 period, there will be a large number of projects coming on stream at the same time. Therefore, while ADB will assist the Government in mobilizing more domestic resources, there is a clear justification for ADB to continue financing a reasonable proportion of local costs.

**CAMBODIA**  
**COUNTRY PERFORMANCE INDICATORS**

Item	1994	1995	1996	1997 <sup>a</sup>	1998 <sup>a</sup>
<b>ECONOMIC INDICATORS</b>					
<b>A. Output Growth</b>					
GDP Growth (constant 1993 prices, %)	3.9	6.7	5.5	2.6	1.3
Agriculture	2.3	7.5	2.2	-0.1	-1.2
Industry	4.2	20.2	11.7	31.8	9.2
Services	-0.2	4.2	4.8	-5.2	0.3
<b>B. Savings and Investment (current prices)</b>					
Gross National Savings (% of GDP)	...	5.4	6.8	6.7	6.0
Gross Domestic Investment (% of GDP)	...	21.6	22.0	15.4	15.7
<b>C. Money and Inflation (annual % change)</b>					
Money Supply (M2)	34.9	44.3	40.4	16.6	15.7
Consumer Prices (final quarter basis)	17.9	3.5	9.0	9.1	12.6
<b>D. Government Finance (% of GDP)</b>					
Revenue	9.5	8.5	9.0	9.8	9.0
Expenditure	16.1	16.5	16.1	14.1	13.1
Overall Fiscal Deficit (on cash basis)	-6.8	-7.5	-7.1	-4.3	-3.9
<b>E. Balance of Payments</b>					
Trade Balance (% of GDP)	-11.4	-13.9	-14.6	-8.9	-8.4
Current Account Deficit (% of GDP) <sup>u</sup>	-13.7	-16.2	-15.2	-8.7	-9.7
Exports (growth rate, %)	111.1	72.7	-18.6	34.3	14.5
Domestic Exports (growth rate, %)	129.8	14.6	22.1	63.1	12.8
Imports (growth rate, %)	74.6	65.9	-9.3	3.0	7.4
Retained Imports (growth rate, %)	66.9	36.1	13.6	2.1	3.4
<b>F. External Payments Indicators</b>					
Gross Official Reserves (\$ million)	100.0	181.6	234.0	262.0	390.0
(months of imports of goods & services)	1.4	1.5	2.0	2.2	3.1
External Debt Service <sup>c</sup>	3.4	3.4	5.1	2.3	2.6
External Debt (% of GDP) <sup>u</sup>	18.5	19.1	19.8	68.1	79.1
<b>Memorandum Items</b>					
GDP (current prices, KN billion)	6,201	7,543	8,325	9,026	10,244
Official Exchange Rate (KN per \$)	2,570	2,467	2,640	2,991	3,774
GDP (current prices, \$ million)	2,413	3,057	3,153	3,017	2,714
Per capita GDP (current prices, \$)	246	302	300	277	240
Population (million)	9.8	10.1	10.5	10.9	11.3

GDP = Gross Domestic Product

<sup>a</sup> Preliminary Estimates

<sup>u</sup> Excluding official transfers

<sup>c</sup> As percent of domestic exports of goods and services, convertible currencies only.

<sup>u</sup> Total external debt outstanding from 1993-1996 in this table excludes debt incurred to four former Council of Mutual Economic Assistance countries amounting to about \$1,346 million. This amount, included in 1997-1998, is indicative and subject to negotiations and rescheduling.

Sources: National Institute of Statistics, Ministry of Economy and Finance

National Bank of Cambodia, International Monetary Fund, staff estimates

**CAMBODIA**  
**COUNTRY PERFORMANCE INDICATORS**

	1985	1990	Latest Year	
<b>POPULATION INDICATORS</b>				
Total Population (million)	7.5	8.6	11.3	(1998)
Annual Population Growth Rate (%)	3.18	2.72	2.4	(1998)
<b>SOCIAL INDICATORS</b>				
Total Fertility Rate (births per woman)	4.6 (1987)	4.5 (1992)	5.2	(1996)
Maternal Mortality Rate (per 100,000 live births)	...	...	900	(1995)
Infant Mortality Rate (per 1,000 live births)	145	123 (1992)	115	(1995)
Life Expectancy at Birth (years)	46	50 (1992)	53	(1995)
Adult Literacy Rate	29 (1980-1985)	35	69	(1996)
Female	17 (1980-1985)	22	58	(1996)
Primary School Gross Enrollment Rate (%) <sup>a</sup>	42 (1970-1975)	...	94.5	(1996/97)
Female	35 (1970-1975)	...	86.4	(1996/97)
Lower Secondary School Gross Enrollment Rate (%) <sup>a</sup>	10 <sup>b</sup> (1970-1975)	...	23.2	(1996/97)
Female	6 <sup>b</sup> (1970-1975)	...	18.5	(1996/97)
Upper Secondary School Gross Enrollment Rate (%) <sup>a</sup>	...	...	6.3	(1996/97)
Female	...	...	4.6	(1996/97)
Child Malnutrition (% of under age five)	20 (1980-1985)	38	40	(1990-1996)
Population Below Poverty Line (%)	...	...	30	(1994)
Population with Access to Safe Water (%)	...	36 (1988-1991)	36	(1990-1996)
Population with Access to Sanitation (%)	...	14 (1988-1991)	14	(1990-1996)
Government Education Expenditure (% of GDP)	...	0.70 (1991)	1.70	(1997)
Government Health Expenditure (% of GDP)	...	0.30 (1991)	1.00	(1997)
Human Development Index		0.186	0.514	(1997)
Human Development Index (Rank) <sup>c</sup>		148	137	(1997)

<sup>a</sup> Gross enrollment ratio is defined as the number enrolled in a level of education, whether or not they belong in the relevant age group for that level, expressed as a percentage of the population in the age group 6-10 years for primary school, 11-13 years for lower secondary school, and 14-16 years for upper secondary school.

<sup>b</sup> Figure refers to combined lower and upper secondary schools enrollment rate.

<sup>c</sup> For 1990 and 1994, a total of 173 and 175 countries, respectively, were ranked from high to low human development, using the Human Development Index as basis.

**CAMBODIA**  
**COUNTRY PERFORMANCE INDICATORS**

	1985	1990	Latest Year	
<b>ENVIRONMENTAL INDICATORS</b>				
Land: Population Ratio (ha/person)	2.4	2.1 (1988)	1.7	(1995)
Forest and Woodland (% of total land area)	75.8	70.2 (1988)	69.1	(1994)
Nationally Protected Areas (% of land area)	...	...	17.0	(1994)
Per Capita Commercial Energy Consumption <sup>d</sup>	58	59	52	(1994)
Per Capita Carbon Dioxide Emissions (metric tons)	...	...	0.1	(1992)
Energy Efficiency of Emissions				
GDP per unit of energy use (1987 \$ per kg oil equivalent)			2.6	(1995)
Traditional fuel use (% of total energy use)			75.3	(1995)
Carbon dioxide emissions (total metric tons)			0.5	(1995)
(per capital metric tons)			...	
Water Pollution				
Emissions of organic water pollutants (kg/day)			12,000.0	(1995)
Industry share of emissions of organic water pollutants				
Wood			5.9	(1993)
Primary Metals			...	(1993)
Pulp and Paper			3.5	(1993)
Chemical			3.3	(1993)
Food and Beverages			60.1	(1993)
Textiles			25.1	(1993)
Land Use				
Cropland (% of land area)			22.0	
Permanent Pasture (% of land area)			8.0	
Forest area (thousand sq. km.)			98.0	
Annual deforestation (thousand sq. km.)			1,638.0	(1990-95)
Annual deforestation (average % change)			1.6	(1990-95)
Freshwater				
Access to safe water (Urban % of population)			20.0	
Access to safe water (Rural % of population)			12.0	

<sup>d</sup> In kilogram of oil equivalent.

Sources: National Institute of Statistics, various surveys; Ministry of Economy and Finance; Ministry of Planning; Ministry of Health; Ministry of Education, Youth and Sports; UNDP. Human Development Report, various issues; World Bank. World Development Report, various issues; FAO Production Yearbook, various issues; and staff estimates.

**CAMBODIA**  
**PORTFOLIO PERFORMANCE**  
**Table 1: Implementation, Disbursement Performance and Postevaluation Results**  
**Public Sector Projects only**  
(As of 31 December 1998)

A. Project Portfolio	Net Loan Amount (\$ million) <sup>a</sup> (%)		Rating (No.) <sup>a</sup>									
			Total		Implementation Progress				Development Objectives			
			(No.)	%	HS	S	PS	U	HS	S	PS	U
<b>1. Public Sector Projects</b>												
Agriculture/Natural Resources	52.7	25.2	2	22.2	0	2	0	0	0	2	0	0
Energy	26.4	12.6	1	11.1	0	1	0	0	0	1	0	0
Finance	0.0	0.0	0	0.0	0	0	0	0	0	0	0	0
Transport and Communications	54.6	26.1	2	22.2	0	2	0	0	0	2	0	0
Social Infrastructure	75.2	36.0	4	44.4	1	3	0	0	0	4	0	0
<b>Total</b>	<b>208.9</b>	<b>100.0</b>	<b>9</b>	<b>100.0</b>	<b>1</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9</b>	<b>0</b>	<b>0</b>
<b>B. Disbursements</b>			<b>OCR</b>		<b>ADF</b>				<b>Total</b>			
1. Total funds available for withdrawal (\$ million, active loans only)					208.9				208.9			
2. Disbursed amount (\$ million, cumulative, active loans only)					56.8				56.8			
3. Percentage disbursed [(2)/(1)] (%)					27.2				27.0			
4. Disbursements (\$ million, active loans only, latest year)					29.3				29.3			
5. Disbursement ratio (%) <sup>b</sup>					21.5				21.5			
<b>C. Net Transfer of Resources<sup>c</sup></b>			<b>OCR (\$ million)</b>		<b>ADF (\$ million)</b>				<b>Total (\$ million)</b>			
Net Transfer in 1995					35.9				35.9			
Net Transfer in 1996					32.1				32.1			
Net Transfer in 1997					10.7				10.7			
Net Transfer in 1998					29.3				29.3			
<b>D. Postevaluated Projects</b>			<b>1968-1977</b>		<b>1978-1987</b>		<b>1988-1998</b>		<b>1968-1998</b>			
<b>1. Postevaluation Rating (As of 31 December 1998)</b>			(No.)	(%)	(No.)	(%)	(No.)	(%)	(No.)	(%)	(No.)	(%)
Rated Generally Successful			-		-		-		-		-	
Rated Partly Successful			-		-		-		-		-	
Rated Unsuccessful			-		-		-		-		-	
<b>Total</b>												
<b>2. Postevaluation Rating by Sector</b>			<b>GS</b>		<b>PS</b>		<b>US</b>		<b>Total</b>			
1968-1998 (As of 31 December 1998)			(No.)	(%)	(No.)	(%)	(No.)	(%)	(No.)	(%)	(No.)	(%)
Agriculture/Natural Resources			-		-		-		-		-	
Energy			-		-		-		-		-	
Finance and Industry			-		-		-		-		-	
Transport and Communications			-		-		-		-		-	
Social Infrastructure			-		-		-		-		-	
<b>Total</b>												

<sup>a</sup> HS: Highly satisfactory; S = Satisfactory; PS = Partially satisfactory; U = Unsatisfactory.

<sup>b</sup> Ratio of disbursement during the year over the undisbursed net loan balance less cancellations at the beginning of the year. Effective loans during the year have also been added to the beginning balance of undisbursed loans.

<sup>c</sup> Includes private sector projects for countries with private sector operations.

**CAMBODIA  
PORTFOLIO PERFORMANCE**

**Table 2: Status of Project Implementation  
Public Sector Projects Only  
(As of 31 December 1998)**

Sector <sup>a</sup>	Project Title	Net Loan Amount		Approval Date (mm/yy)	Effectivity Date (mm/yy)	Closing Date		Physical Progress (% complete)	Cum Contract Awards (\$ million)	Cummulative Disbursement (\$ million)	Project Rating *	
		OCR (\$ million)	ADF			Original (mm/yy)	Revised (mm/yy)				Implementation Progress	Dev Objectives
AGR	Rural Infrastructure Improvement		23.248	Sep 95	Jan 96	Jun 02		11	4.306	3.131	S	S
AGR	Agriculture Sector Program		29.487	Jun 96	Oct 96	Dec 99		51	15.000	14.922	S	S
ENE	Power Rehabilitation		26.364	Dec 94	May 95	Dec 99		90	24.998	19.999	S	S
SOC	Phnom Penh Water Supply & Drainage		19.203	Sep 96	Sep 97	Jun 03		24	4.686	2.689	S	S
SOC	Basic Skills		17.334	Aug 95	Nov 95	May 01		40	6.873	5.626	S	S
SOC	Basic Education Textbooks		19.281	Jun 96	Oct 96	Apr 02		38	8.709	5.487	HS	S
SOC	Basic Health Services		19.408	Jun 96	Sep 96	Jun 02		21	11.671	4.199	S	S
T&C	Siem Reap Airport		14.565	Dec 96	Jun 97	Jun 00		0	5.576	0.793	S	S
T&C	GMS: Phnom-HCMC Highway		39.991	Dec 98	-	Jun 03		0	0.000	0	S	S
<b>Total</b>			<b>208.881</b>						<b>81.819</b>	<b>56.846</b>		

<sup>a</sup> Sector:

AGR: Agriculture and Natural Resources

ENE: Energy

SOC: Social Infrastructure

T&C: Transport and Communications

<sup>b</sup> HS: Highly satisfactory; S = Satisfactory; PS = Partially satisfactory; U = Unsatisfactory

**CAMBODIA**  
**OVERALL EXTERNAL ASSISTANCE**  
(\$ million)

External Source	Past 3 Years (1995-97)	1999
	Annual Average <sup>a</sup>	Program <sup>b</sup>
	Loan/Credit/TA	Loan/Credit/TA
<b>A. Multilateral Assistance</b>		
ADB	35.1	88.0
European Union	41.1	na
International Monetary Fund	14.2	17-20
UN Agencies	40.3	na
World Bank	32.5	60-80
Others (NGO)	35.5	56
Subtotal (A)	198.7	221-250
<b>B. Bilateral Assistance</b>		
Australia	25	na
Canada	3.8	na
China, People's Republic of	7.8	na
Denmark	10.1	na
France	43.6	20
Germany	11.2	na
Japan	96.2	100
Netherlands	6.1	na
Sweden	19.6	20
United Kingdom	5.6	na
United States	39.7	na
Subtotal (B)	263.7	220-299
<b>Total (A+B)</b>	<b>462.4</b>	<b>470.0</b>

<sup>a</sup> on Disbursement Basis

<sup>b</sup> on Commitment Basis

Source : Council for the Development of Cambodia, January 1999

**CAMBODIA**  
**LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2000-2002**

Sector/Project Name	Strategic Dev't Objectives <sup>a</sup>		Responsible Division	Year of PPTA	PROJECT COST (\$ million)				
	Primary	Secondary			TOTAL	Bank		Gov't	Cofinancing (Others)
						OCR	ADF		
<b>2000 FIRM LOANS</b>									
<b>Agriculture</b>									
1. Stung Chinit Water Resources Development	ECO	ENV	AWFN		25.0	20.0	20.0	5.0	tbd
2. Rural Credit and Savings	ECO	POV	AWAR		27.0	20.0	20.0	7.0	tbd
Subtotal					52.0	40.0	40.0	12.0	tbd
<b>Energy</b>									
3. Power Rehabilitation II	ECO	POV	IWEN		40.0	25.0	25.0	8.0	7.0
Subtotal					40.0	25.0	25.0	8.0	7.0
<b>Total</b>					<b>92.0</b>	<b>65.0</b>	<b>65.0</b>	<b>20.0</b>	<b>7.0</b>
<b>2001 LOAN PIPELINE</b>									
<b>Social Infrastructure</b>									
1. Demobilization Project	HD	ECO	AWEH		20.0	15.0	15.0	5.0	tbd
2. Education Sector Development	HD	ECO	AWEH		25.0	20.0	20.0	5.0	tbd
Subtotal					45.0	35.0	35.0	10.0	tbd
<b>Finance</b>									
3. Financial Sector Program Loan	ECO		IWFI		30.0	30.0	30.0		tbd
Subtotal					30.0	30.0	30.0		tbd
<b>Total</b>					<b>75.0</b>	<b>65.0</b>	<b>65.0</b>	<b>10.0</b>	<b>tbd</b>
<b>2002 LOAN PIPELINE</b>									
<b>Agriculture and Natural Resources</b>									
1. Integrated Natural Resources Management	ENV	POV	AWFN		20.0	15.0	15.0	5.0	tbd
Subtotal					20.0	15.0	15.0	5.0	tbd
<b>Social Infrastructure</b>									
2. Basic Health Services II	GAD	POV	AWEH		45.0	35.0	35.0	10.0	tbd
Subtotal					45.0	35.0	35.0	10.0	tbd
<b>Transport</b>									
3. Road Network Improvement II	ECO	POV	IWTC		50.0	40.0	40.0	10.0	tbd
Subtotal					50.0	40.0	40.0	10.0	tbd
<b>Total</b>					<b>115.0</b>	<b>90.0</b>	<b>90.0</b>	<b>25.0</b>	<b>tbd</b>

<sup>a</sup> ECO = Economic Growth; GAD = Gender and Development; POV = Poverty Reduction, WID = Women in Development and ENV - Environmental Protection.

**CAMBODIA**  
**LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2000-2002**

Sector/Project Name	Responsible Division	Type of TA	Amount (\$'000)		
			Bank	Others	Total
<b>2000 TECHNICAL ASSISTANCE PROGRAM</b>					
<b>Agriculture and Natural Resources</b>					
1. Agriculture Sector Review	AWAR	ADTA	600		600
Subtotal			600		600
<b>Social Infrastructure</b>					
2. Demobilization	AWEH	PPTA	600		600
3. Education Sector Development	AWEH	PPTA	500		500
4. Management of Human Development - Education	AWEH	ADTA	600		600
5. Institutional Support for Provincial Towns Improvement	AWWU	ADTA	600		600
6. HIV/AIDS	AWEH	ADTA	600		600
Subtotal			2,900		2,900
<b>Finance</b>					
7. Financial Sector Development	IWFI	PPTA	800		800
Subtotal			800		800
<b>Others</b>					
8. Law and Development (Magistrates)	OGC	ADTA	600		600
9. Capacity Building in Tourism	AWWU	ADTA	600		600
10. Capacity Building in External Aid and Debt Management II	PW3	ADTA	800		800
11. Developing Capacity in Audit and Inspectorate Function II	PW3	ADTA	600		600
12. Second Five Year Plan	PW3	ADTA	150		150
13. Improvement of Project Implementation II	COPP	ADTA	150		150
Subtotal			2,900		2,900
<b>Total</b>			<b>7,200</b>		<b>7,200</b>
<b>2001 TECHNICAL ASSISTANCE PROGRAM</b>					
<b>Agriculture and Natural Resources</b>					
1. Capacity Building in Forestry Management	AWFN	ADTA	600		600
Subtotal			600		600
<b>Social Infrastructure</b>					
2. Strengthening Governance Capacity in Provincial Towns	AWWU	ADTA	800		800
3. Basic Health Services II	AWEH	PPTA	800		800
Subtotal			1,600		1,600
<b>Transportation and Communications</b>					
4. Primary Roads Restoration II	IWTC	PPTA	1,000		1,000
Subtotal			1,000		1,000
<b>Others</b>					
5. Public Administration Reform	PW3	ADTA	600		600
6. Capacity Building in Regional Cooperation (GMS)	PW3	ADTA	150		150
Subtotal			750		750
<b>Total</b>			<b>3,950</b>		<b>3,950</b>

**CAMBODIA**  
**LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2000-2002**

Sector/Project Name	Responsible Division	Type of TA	Amount (\$'000)		
			Bank	Others	Total
<b>2002 TECHNICAL ASSISTANCE PROGRAM</b>					
<b>Agriculture and Natural Resources</b>					
1. Improvement of Agricultural Extension Services	AWAR	PPTA	600		600
Subtotal			600		600
<b>Social Infrastructure</b>					
2. Management of Human Development - Health	AWEH	ADTA	600		600
Subtotal			600		600
<b>Transport and Communications</b>					
3. Capacity Building at the Ministry of Transport	IWTC	ADTA	600		600
Subtotal			600		600
<b>Others</b>					
4. Strengthening of the Ministry of Environment	ENVD	ADTA	600		600
5. Capacity Building in Labor Statistics	EDRC	ADTA	600		600
6. Law and Development II	OGC	ADTA	600		600
Subtotal			1,800		1,800
<b>Total</b>			<b>3,600</b>		<b>3,600</b>

**CAMBODIA**  
**LENDING PROGRAM BY TYPE AND SECTOR, 2000-2002**

Classification	2000 (Firm)		2001-2002	
	No.	%	No.	%
<b>I. By Type</b>				
A. Economic Growth	0	0.0	1	16.7
B. Projects Directly Aimed at Social Concerns	0	0.0	3	50.0
C. Projects Directly Aimed at Environmental Concerns	0	0.0	1	16.7
D. Economic Growth-oriented Projects with Social and/or Environmental Concerns	3	100.0	1	16.7
<b>Total</b>	<b>3</b>	<b>100.0</b>	<b>6</b>	<b>100.0</b>
<b>II. By Sector</b>				
A. Agriculture and Natural Resources	2	66.7	1	16.7
B. Energy	1	33.3	0	0.0
C. Finance	0	0.0	1	16.7
D. Transport and Communications	0	0.0	1	16.7
E. Social Infrastructure	0	0.0	3	50.0
F. Others/Multisector	0	0.0	0	0.0
<b>Total</b>	<b>3</b>	<b>100.0</b>	<b>6</b>	<b>100.0</b>

## PROJECT PROFILE

<b>1. Project Name:</b> Stung Chinit Water Resources Development	<b>2. Sector/Subsector:</b> Agriculture & Agro-Industry/Irrigation																												
<b>3. Dev. Objective: Primary:</b> ECO <b>Secondary:</b> ENV																													
<b>4. Rationale &amp; Objectives:</b>  Cambodia has turned from a rice-exporting country to a rice-importing country over the past two decades. Many of the irrigation systems have been damaged by war or become deteriorated, and irrigation systems constructed during this time are often technically faulty. Most feasibility studies for irrigation projects prepared by donors before the war were not implemented. The multipurpose development of the Chinit River Basin will increase foodcrop production through effective and expanded irrigation, reduce flooding, and promote more balanced regional development.	<b>5. Beneficiary Participation/Consult. Needs:</b>  Beneficiary participation in project design and implementation arrangements, including resettlement planning, formation of water user associations, and financing of O & M.																												
<b>6. Scope:</b> The Project consists of (1) the rehabilitation of existing irrigation facilities in the Project area; (2) the construction of a storage dam to extend irrigation coverage; (3) the installation of a 5-MW hydropower plant; and (4) the development of flood control, watershed protection, and sustainable and environmentally sound agricultural production within the river basin. The PPTA approved in 1996 includes (1) a review of relevant studies; (2) updating various feasibility studies prepared previously for the multipurpose development of the Chinit River; and (3) formulation of a Project proposal based on a comprehensive basin development plan design prepared with stakeholders participation. Proposed Loan will undertake survey work, prepare preliminary and detailed engineering designs, and include components for community mobilization, design of environmental mitigation measures and finalization of the resettlement action plan.																													
<b>7. Estimated Cost &amp; Financing Plan (\$):</b>  <table border="1" data-bbox="155 1283 805 1497"> <thead> <tr> <th colspan="4">Loans Project Cost (\$m)</th> </tr> <tr> <th>Financing (Source)</th> <th>FC</th> <th>LC</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Bank</td> <td></td> <td></td> <td>20</td> </tr> <tr> <td>Co-financing</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Borrower</td> <td></td> <td></td> <td>5</td> </tr> <tr> <td>Sub-Borrower</td> <td></td> <td></td> <td></td> </tr> <tr> <td><b>Total</b></td> <td></td> <td></td> <td><b>25</b></td> </tr> </tbody> </table>	Loans Project Cost (\$m)				Financing (Source)	FC	LC	Total	Bank			20	Co-financing				Borrower			5	Sub-Borrower				<b>Total</b>			<b>25</b>	<b>Remarks:</b>  Small-scale TA in 1999 will review scope and economic viability.
Loans Project Cost (\$m)																													
Financing (Source)	FC	LC	Total																										
Bank			20																										
Co-financing																													
Borrower			5																										
Sub-Borrower																													
<b>Total</b>			<b>25</b>																										
<b>8. Estimated Benefits and Beneficiary Groups:</b>  The Project is expected to rehabilitate 1,700 ha dry season and 12,000 ha supplementary wet season irrigated cropping; extend the irrigation coverage to 25,000 ha with the storage dam and pumped irrigation with hydropower. Beneficiaries will be small, poor farmers. Women will also engage in cultivation, animal husbandry and fisheries.																													
<b>9. Executing Agency:</b>  Ministry of Water Resources and Meteorology Ministry of Agriculture, Forestry and Fisheries	<b>10. Project Implementation Period:</b>  <b>Start:</b> 2000 <b>End :</b> 2003																												
<b>11. Environment Category:</b> A	<b>12. Processing Year:</b> 2000																												

## CAMBODIA

## PROJECT PROFILE

<b>PROJECT PROFILE</b>																													
1. <b>Project Name:</b> Rural Credit and Savings	2. <b>Sector/Subsector:</b> Agriculture/Credit																												
3. <b>Dev. Objective: Primary:</b> ECO <b>Secondary:</b> POV																													
4. <b>Rationale &amp; Objectives:</b>  Agriculture is a critical sector for the country in terms of output and employment provision. Productivity, however, needs to be improved. The project will, through the provision of rural credit, increase production of agriculture and agro-based industries.	5. <b>Beneficiary Participation/Consult. Needs:</b>  Consultations with target beneficiary groups will be conducted during project implementation.																												
6. <b>Scope:</b>  (I) strengthening of the Rural Development Bank; (ii) conversion of NGOs into microfinancial institutions.																													
7. <b>Estimated Cost &amp; Financing Plan (\$):</b>  <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="4" style="text-align: center;">Loans Project Cost (\$m)</th> </tr> <tr> <th style="text-align: left;">Financing (Source)</th> <th style="text-align: center;">FC</th> <th style="text-align: center;">LC</th> <th style="text-align: center;">Total</th> </tr> </thead> <tbody> <tr> <td>Bank</td> <td></td> <td></td> <td style="text-align: right;">20.0</td> </tr> <tr> <td>Co-financing</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Borrower</td> <td></td> <td></td> <td style="text-align: right;">7.0</td> </tr> <tr> <td>Sub-Borrower</td> <td></td> <td></td> <td></td> </tr> <tr> <td><b>Total</b></td> <td></td> <td></td> <td style="text-align: right;"><b>27.0</b></td> </tr> </tbody> </table>	Loans Project Cost (\$m)				Financing (Source)	FC	LC	Total	Bank			20.0	Co-financing				Borrower			7.0	Sub-Borrower				<b>Total</b>			<b>27.0</b>	<b>Remarks:</b>  The project will complement the work of the Agriculture Program Loan and promote financial sector development.
Loans Project Cost (\$m)																													
Financing (Source)	FC	LC	Total																										
Bank			20.0																										
Co-financing																													
Borrower			7.0																										
Sub-Borrower																													
<b>Total</b>			<b>27.0</b>																										
8. <b>Estimated Benefits and Beneficiary Groups:</b>  Higher productivity and income in rural areas and poverty alleviation.																													
9. <b>Executing Agency:</b>  National Bank of Cambodia	10. <b>Project Implementation Period:</b>  <b>Start:</b> 2000 <b>End :</b> 2003																												
11. <b>Environment Category:</b> A	12. <b>Processing Year:</b> 2000																												

## CAMBODIA

## PROJECT PROFILE

<b>PROJECT PROFILE</b>																													
1. <b>Project Name:</b> Power Rehabilitation II	2. <b>Sector/Subsector:</b> Energy/Electric Power																												
3. <b>Dev. Objective: Primary:</b> ECO <b>Secondary:</b> POV																													
4. <b>Rationale &amp; Objectives:</b> The objective is to rehabilitate power generation and distribution facilities in selected provincial towns with a view to reduce system losses and increase reliability.	5. <b>Beneficiary Participation/Consult. Needs:</b> Consultations with target beneficiary groups will be conducted during project preparation.																												
6. <b>Scope:</b> The scope consists of (i) rehabilitation and/or construction of low and medium voltage distribution facilities, (ii) rehabilitation and/or installation of power generation facilities, and (iii) consulting services.																													
7. <b>Estimated Cost &amp; Financing Plan (\$):</b>  <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="4" style="text-align: center;">Loans Project Cost (\$m)</th> </tr> <tr> <th style="text-align: center;">Financing (Source)</th> <th style="text-align: center;">FC</th> <th style="text-align: center;">LC</th> <th style="text-align: center;">Total</th> </tr> </thead> <tbody> <tr> <td>Bank</td> <td></td> <td></td> <td style="text-align: right;">25.0</td> </tr> <tr> <td>Co-financing</td> <td></td> <td></td> <td style="text-align: right;">7.0</td> </tr> <tr> <td>Borrower</td> <td></td> <td></td> <td style="text-align: right;">8.0</td> </tr> <tr> <td>Sub-Borrower</td> <td></td> <td></td> <td></td> </tr> <tr> <td><b>Total</b></td> <td></td> <td></td> <td style="text-align: right;"><b>40.0</b></td> </tr> </tbody> </table>	Loans Project Cost (\$m)				Financing (Source)	FC	LC	Total	Bank			25.0	Co-financing			7.0	Borrower			8.0	Sub-Borrower				<b>Total</b>			<b>40.0</b>	<b>Remarks:</b>  The project will build on and extend the work of an earlier power rehabilitation loan.
Loans Project Cost (\$m)																													
Financing (Source)	FC	LC	Total																										
Bank			25.0																										
Co-financing			7.0																										
Borrower			8.0																										
Sub-Borrower																													
<b>Total</b>			<b>40.0</b>																										
8. <b>Estimated Benefits and Beneficiary Groups:</b>  Will be determined during the PPTA stage.																													
9. <b>Executing Agency:</b>  Ministry of Industry, Mines and Energy/Electricité du Cambodge	10. <b>Project Implementation Period:</b>  <b>Start:</b> 2000 <b>End :</b> 2003																												
11. <b>Environment Category:</b> B	12. <b>Processing Year:</b> 2000																												

**ASIAN DEVELOPMENT BANK**

**COUNTRY ASSISTANCE PLAN  
(2000-2002)  
PIPELINE UPDATE**

**CAMBODIA**

**June 2000**

**CAMBODIA**  
**LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2000-2002**

Sector/Project Name	Responsible Division	Type of TA	Amount (\$'000)		
			Bank	Others	Total
<b>2000 TECHNICAL ASSISTANCE PROGRAM</b>					
<b>Agriculture and Natural Resources</b>					
1. Rural Development	AWAR	PPTA	600.0		600.0
Subtotal			-	-	-
<b>Social Infrastructure</b>					
2. Education Sector Development	AWEH	PPTA	800.0	-	800.0
3. Education Strategic Support	AWEH	ADTA	150.0	-	150.0 *
5. Capacity Building for HIV/AIDS	AWEH	ADTA	600.0	-	600.0
Subtotal			1,550.0	-	1,550.0
<b>Transport and Communications</b>					
6. Capacity Building in Public-Private Partnerships for Transport	IWTC	ADTA	175.0	-	175.0 *
7. Transportation Sector Study	IWTC	ADTA	1,000.0		1,000.0
Subtotal			1,175.0	-	1,175.0
<b>Energy</b>					
7. Develop a Strategy for Mgt. of Provincial Power Supplies	IWEN	ADTA	150.0		150.0
Subtotal			-	-	-
<b>Finance</b>					
8. Financial Sector Development	IWFI	PPTA	800.0	-	800.0
Subtotal			800.0	-	800.0
<b>Others</b>					
9. Governance Cluster	PW3	ADTA	2,000.0		2,000.0
10. Capacity Building in Tourism	AWWU	ADTA	586.0	-	586.0
11. Institutional Support for National Economic Policy Mgt.	PW3	ADTA	850.0		850.0
Subtotal			3,436.0	-	3,436.0
<b>Total</b>			<b>6,961.0</b>	<b>-</b>	<b>6,961.0</b>
<b>2001 TECHNICAL ASSISTANCE PROGRAM</b>					
<b>Agriculture and Natural Resources</b>					
1. Capacity Building in Forestry Management	AWFN	ADTA	600.0	-	600.0
Subtotal			600.0	-	600.0
<b>Social Infrastructure</b>					
2. Strengthening Governance Capacity in Provincial Towns	AWWU	ADTA	800.0	-	800.0
3. Management of Human Development - Education	AWEH	ADTA	600.0	-	600.0
4. Basic Health Services II	AWEH	PPTA	800.0	-	800.0
Subtotal			2,200.0	-	2,200.0
<b>Transportation and Communications</b>					
5. Primary Roads Restoration II	IWTC	PPTA	1,000.0	-	1,000.0
Subtotal			1,000.0	-	1,000.0
<b>Others</b>					
6. Public Administration Reform	PW3	ADTA	600.0	-	600.0
7. Capacity Building in Regional Cooperation (GMS)	PW3	ADTA	150.0	-	150.0
Subtotal			750.0	-	750.0
<b>Total</b>			<b>4,550.0</b>	<b>-</b>	<b>4,550.0</b>

\* Approved.

**CAMBODIA**  
**LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2000-2002**

Sector/Project Name	Responsible Division	Type of TA	Amount (\$'000)		
			Bank	Others	Total
<b>2002 TECHNICAL ASSISTANCE PROGRAM</b>					
<b>Agriculture and Natural Resources</b>					
1. Improvement of Agricultural Extension Services	AWAR	PPTA	600.0	-	600.0
Subtotal			600.0	-	600.0
<b>Social Infrastructure</b>					
2. Management of Human Development - Health	AWEH	ADTA	600.0	-	600.0
Subtotal			600.0	-	600.0
<b>Transport and Communications</b>					
3. Capacity Building at the Ministry of Transport	IWTC	ADTA	600.0	-	600.0
Subtotal			600.0	-	600.0
<b>Others</b>					
4. Strengthening of the Ministry of Environment	ENVD	ADTA	600.0	-	600.0
5. Capacity Building in Labor Statistics	EDRC	ADTA	600.0	-	600.0
6. Law and Development II	OGC	ADTA	600.0	-	600.0
Subtotal			1,800.0	-	1,800.0
<b>Total</b>			<b>3,600.0</b>	<b>-</b>	<b>3,600.0</b>