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INTERNATIONAL DEVELOPMENT ASSOCIATION

INTERNATIONAL FINANCE CORPORATION

MULTILATERAL INVESTMENT GUARANTEE AGENCY

COUNTRY PARTNERSHIP FRAMEWORK

FOR

KINGDOM OF CAMBODIA

FOR THE PERIOD FY25–FY29

September 16, 2024

Viet Nam, Cambodia, Lao PDR Country Management Unit
East Asia and Pacific Region
The International Finance Corporation
The Multilateral Investment Guarantee Agency

The date of the last Performance and Learning Review was July 20, 2022.

CURRENCY EQUIVALENTS

As of June 30, 2024

1 US$ = KHR 4,109.98

FISCAL YEAR (January 1 – December 31)

ABBREVIATIONS AND ACRONYMS

ABA	Advanced Bank of Asia
ADB	Asian Development Bank
AF	Additional Financing
ASA	Advisory Services and Analytics
ASEAN	Association of Southeast Asian Nations
CCDR	Country Climate and Development Report
CEM	Country Economic Memorandum
CGAP	Country Gender Action Plan
CLR	Completion and Learning Review
CPF	Country Partnership Framework
CPIA	Country Policy and Institutional Assessment
DP	Development Partner
DPF	Development Policy Financing
FY	Fiscal Year
GBV	Gender-based Violence
GDP	Gross Domestic Product
GEIP	General Education Improvement Project
GHG	Greenhouse Gas
GNI	Gross National Income
E&S	Environmental and Social
FDI	Foreign Direct Investment
FM	Financial Management
HCI	Human Capital Index
HEIS	Hands-on Extended Implementation Support
HLO	High-level Outcomes
IDA	International Development Association
IFC	International Finance Corporation
IMF	International Monetary Fund
IPF	Investment Project Financing
JICA	Japan International Cooperation Agency
MIGA	Multilateral Investment Guarantee Agency
MSME	Micro, Small and Medium sized Enterprises
NBC	National Bank of Cambodia
NCD	Non-Communicable Disease
NPL	Non-Performing Loan
OOP	Out-of-Pocket
O&M	Operations and Maintenance
PFM	Public Financial Management
PISA	Program for International Student Assessment
PFR	Public Finance Review
PIU	Project Implementation Unit
PLR	Performance and Learning Review
PPP	Public-private Partnerships
RGC	Royal Government of Cambodia
RRO	Rapid Response Option
SCD	Systematic Country Diagnostic
SDG	Sustainable Development Goal
SME	Small and Medium sized Enterprises
STEP	Systematic Tracking of Exchanges in Procurement
TVET	Technical and Vocational Education and Training
UN	United Nations
WBG	World Bank Group

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FY25-29 COUNTRY PARTNERSHIP FRAMEWORK FOR THE KINGDOM OF CAMBODIA

I. INTRODUCTION

1. **This Country Partnership Framework (CPF) outlines the priorities for World Bank Group (WBG) support in Cambodia for FY25–FY29.**[1] These priorities draw on analyses carried out to assess Cambodia's development challenges.[2] The CPF also considers the Royal Government of Cambodia (RGC)'s development strategy[3] and stakeholder consultations. In addition, this CPF reflects the WBG's mission, the WBG's comparative advantage, development partners (DPs)' work, and the lessons learned from the previous CPF.[4] The planned program of activities in this document considers the available financing envelope from the International Development Association (IDA) for future years.

2. **This CPF aims to support Cambodia's aspiration to become a high-income country by 2050.** Core to the WBG's support is its mission to end extreme poverty and boost shared prosperity on a livable planet. The WBG will build on its ongoing engagements to address three key development challenges, while considering the interactions between Cambodia's people, its economy, and the changing climate. First, Cambodia needs to make determined progress in improving its human capital outcomes, especially in basic education. Second, and closely related, is the need to increase competitiveness by transforming the country's low-skill and low value-added economic growth model so that it provides better-quality jobs and higher per capita income, while avoiding emission-intensive growth. Third, is the need to safeguard livability by building people's resilience to crises (*e.g.,* those related to the economy, health, natural disasters), and addressing the declining quality of natural resources and the impacts of a changing climate. Moreover, governance and institutional capacity remain cross-cutting challenges.

3. **Accordingly, this CPF focuses on a better quality of life for all Cambodians through three interlinked high-level outcomes (HLOs)—improved human capital, enhanced competitiveness, and strengthened resilience.** Under HLO1 on human capital, the objectives include expanding access to quality health and nutrition services and improving access to quality basic education (early childhood through to secondary education). Under HLO2 on competitiveness, the three objectives are to improve the conditions for business dynamism, improve financial stability and inclusion, and expand and improve infrastructure connectivity. Under HLO3 on resilience and sustainability, the objectives include protecting households from shocks, improving their livelihoods, and reducing exposure to environmental degradation and climate change. While HLO3 strongly focuses on climate adaptation, mitigation, and resilience, the links between climate and development are considered across all HLOs. For instance, under HLO2, emphasis is on climate resilient infrastructure and a low carbon economy. Support for governance and institutional strengthening will focus on principles of accountability, participation, and transparency, and will be anchored within specific sector interventions. In implementing the CPF, through financing operations and advisory services and analytics (ASAs), opportunities will be sought to promote digital transformation. Gender and inclusion issues also remain critical and will be addressed across the CPF program. In supporting the HLOs, the World Bank (the Bank), International Finance Corporation (IFC), and Multilateral Investment Guarantee Agency (MIGA) will, together, pursue opportunities to encourage private capital and promote public-private partnerships (PPPs), especially in infrastructure.

[1] The previous CPF (FY19–23) was discussed by the Board of Executive Directors on May 30, 2019 (Report 136500-KH) and extended by one year through the Performance and Learning Review of July 20, 2022.

[2] Completed core analytical work includes the 2021 Country Economic Memorandum, the 2022 Poverty Assessment, the 2023 Public Finance Review, the 2023 Systematic Country Diagnostic Update, 2024 Country Climate and Development Report and the 2024 Country Gender Action Plan.

[3] The Pentagonal Strategy, Phase I for Growth, Employment, Equity, Efficiency and Sustainability, August 22, 2023.

[4] Completion and Learning Review of the CPF.

II. COUNTRY CONTEXT AND DEVELOPMENT AGENDA

2.1. Social and Political Context

4. **Cambodia remains focused on broad economic development and has experienced stable government transitions over several decades.** Since Cambodia emerged from conflict in the early 1990s, it has faced significant challenges in rebuilding its human capital, economy, institutions, and infrastructure. Building on progress to date, the RGC remains focused on continued development in these areas. The most recent national election took place in July 2023—the seventh since the 1991 Paris Peace Agreement. The Cambodian People's Party won 120 of the 125 seats in the National Assembly. Following the election, the new cabinet was established on August 22, 2023.

5. **The quality of governance and institutional capacity has improved in recent years, although more progress is needed.** Advances have been recorded in government effectiveness, rule of law, and control of corruption.[5] Some improvements have also been made in public administration and public financial management (PFM) such as in oversight[6] citizen feedback mechanisms, and revenue mobilization. Digitalization of some public services is helping to improve transparency. However, Cambodia is lagging in this area, both regionally and globally. For example, in the 2022 United Nations (UN) e-Government Index, Cambodia's rank was 127 out of 193 countries. Progress in civil service reform has been slow, and continued attention is needed to strengthen public institutional capacity. There is a need to strengthen government accountability (including by linking budget with performance), sustain investment in institutional capacity, and strengthen the implementation of existing laws. Overall, the country's standing on governance remains low compared to other regional countries (*e.g.,* Thailand, Viet Nam).

6. **Cambodia's population is relatively young, with a large portion continuing to reside in rural areas.** About 60 percent of Cambodia's population of over 16 million live in rural areas.[7] Children (ages 0–14) and youth (ages 15–24) constitute 29 percent and 17 percent of the population, respectively.[8] Internal migration is becoming more prevalent as people move in search of jobs. Women's labor force participation is high compared with other countries. In 2022, 69.6 percent of women were in the labor force versus 82.1 percent of men.[9] However, women are less likely to be in formal, better paid, and secure forms of employment.[10]

2.2. Recent Economic Developments

7. **Over the two decades prior to the COVID-19 pandemic, Cambodia sustained impressive economic growth.** The economy grew at an average annual rate of 8.2 percent[11] between 2000 and 2019, and over this period it was the fifth fastest-growing economy in the world. With low savings rates, Cambodia consistently ran a large current account deficit over this period, which was largely financed by Foreign Direct Investment (FDI) FDI inflows. Imports of construction materials and consumer goods—especially vehicles, petroleum, and electronics—were fueled by booms in construction and domestic consumption.

[5] Compared with its structural peers, Cambodia's global percentile ranking on government effectiveness improved the most, jumping 10 points to 36 percent. Also, the country's ranking on rule of law jumped by 7 percentage points to 19 percent, and control of corruption improved, too, rising three percentage points to 12 percent. Systematic Country Diagnostic Update, 2023.
[6] Immediately after the 2023 elections, the National Assembly approved a law establishing the Ministry of Inspection. This new ministry's role is to enhance governance, efficiency, and the overall quality of national institutions.
[7] Cambodia Poverty Assessment, 2022.
[8] Ibid.
[9] ILO estimates, 2022.
[10] Cambodia Poverty Assessment, 2022.
[11] This average annual growth rate is based on newly rebased GDP estimates covering the period 2000-22 (using a 2014 base year, see footnote 13).

8. **The COVID-19 pandemic and associated global economic disruptions pushed Cambodia into its first recession in 25 years, with Gross Domestic Product GDP contracting by 3.6 percent in 2020**. COVID-19 had a pronounced impact on Cambodia's economy as the three sectors that were most heavily affected—tourism, manufacturing (garment) exports, and construction—were the major drivers of Cambodia's growth immediately prior to the pandemic.

9. **Cambodia's economy is recovering, but economic growth remains slower than it was prior to the pandemic.** In 2022 and 2023, growth recovered to around 5 percent. Growth in 2023 was supported by rising goods exports, tourism receipts, and remittances. At the same time, with consumption and construction activity stalling, goods imports declined, primarily due to a reduction in the imports of construction materials, vehicles, and petroleum products (as well as a fall in gold imports, which have been volatile in recent years). As a result, following large deficits in 2021 and 2022, the current account is estimated to have registered an unprecedented surplus of 1.3 percent of GDP in 2023, with small surpluses projected to continue over the next few years.[12] The growth outlook remains positive, with exports expected to become the most prominent driver of growth over the medium term. In 2024 and 2025, driven by further increases in tourism and goods exports, growth is projected to accelerate to 5.8 percent and 6.1 percent, respectively. Recent data provide some support for this projected pick-up in growth: in the first quarter of 2024, international tourist arrivals increased by 22.5 percent year-on-year (y/y), rapidly approaching pre-pandemic levels. Goods exports also surged by 17.2 percent y/y, driven by the revival of exports of garments, travel goods, and footwear to the United States (US) and European Union (EU).

10. **The RGC has drawn on its fiscal buffers to mitigate the impact of recent economic shocks**. Average government spending between 2020 and 2023 increased by 2.0 percent of GDP from 2019 levels, driven by the implementation of COVID-19 cash transfer programs, a countercyclical public investment boost, and a public sector wage increase in 2023. As of end-March 2024, the COVID-19 cash transfer programs had disbursed US$1.34 billion (around 3.8 percent of 2020 GDP). Revenue picked up in 2022 – reflecting, in part, a one-time consumption boost following the lifting of COVID-19-related mobility restrictions – but has subsequently declined as a proportion of GDP.

11. **While public debt remains contained at around 26 percent of GDP, there is scope for greater mobilization of domestic revenues.** Cambodia continues to rely on revenue from taxes on goods and services, which has been affected by sluggish private consumption, while import tariffs have been hit by a reduction in imports and newly signed free trade agreements. With the recent rebasing of GDP, tax revenues stood at 12.6 percent of GDP in 2023, which – notwithstanding substantial gains over the past decade – suggests there is room for further progress in mobilizing domestic revenue in the period ahead.[13]. According to the 2023 International Monetary Fund (IMF)-World Bank Debt Sustainability Analysis, despite higher deficits in recent years, Cambodia remains at low risk of external and overall public debt distress.

[12] Goods and services imports declined to 75.0 percent of GDP in 2023, down from 102.4 percent of GDP in 2022, with falling gold imports accounting for around 11 percentage points of this decline. Looking ahead, growth in goods imports is expected to be contained by weaker domestic credit growth, stalled construction sector activity, and subdued consumption growth, while exports are projected to continue to grow more quickly over the medium term.

[13] The World Bank will continue to engage with the authorities on revenue administration and policy reforms, including to boost the fiscal space for investments in human capital and infrastructure.

Table 1: Selected Macroeconomic Indicators (2020–2029)[14]

Variable	2020	2021	2022	2023e	2024p	2025p	2026p	2027p	2028p	2029p
Real economy: annual percent change, unless otherwise indicated										
GDP (Nominal -- Local Currency)	-4.4	5.8	8.8	8.5	8.4	8.5	8.9	9.2	8.9	8.7
Real GDP	-3.6	3.1	5.1	5.0	5.8	6.1	6.4	6.5	6.3	6.0
GDP per capita (USD, nominal)	-5.6	4.0	6.3	8.4	7.5	7.7	8.1	8.2	7.9	7.7
Contributions to Real GDP Growth										
Agriculture	0.1	0.3	0.1	0.3	0.3	0.2	0.2	0.2	0.2	0.2
Industry	-0.8	3.3	3.3	3.2	3.5	3.7	4.0	4.1	4.2	4.3
Services	-2.6	-0.7	1.3	1.2	2.0	2.1	2.2	2.2	1.8	1.5
Net taxes on production	-0.2	0.3	0.4	0.3	0.0	0.0	0.0	0.0	0.0	0.0
GDP Deflator	-0.8	2.6	3.5	3.3	2.4	2.2	2.4	2.5	2.5	2.5
CPI (year-average)	2.9	2.8	5.5	2.1	2.5	2.5	3.0	3.1	3.0	3.1
Fiscal Account, percent of GDP unless otherwise indicated										
Expenditures	21.4	21.4	20.5	19.7	19.4	18.6	18.3	18.6	18.6	18.6
Revenues	17.9	16.2	17.2	15.9	15.3	15.3	15.4	15.9	16.3	16.6
General Government Balance	-3.5	-5.3	-3.2	-3.8	-4.2	-3.3	-2.9	-2.7	-2.3	-2.1
General Government Debt	26.6	26.5	27.0	26.0	26.6	26.9	26.5	26.1	26.4	26.3
Selected Monetary Accounts, annual percent change unless otherwise indicated										
Base Money	18.6	-4.8	-24.9	4.6	-5.0	4.4	2.2	2.2	4.4	3.9
Policy Interest Rate	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Balance of Payments, percent of GDP unless indicated otherwise										
Current Account Balance	-5.5	-29.1	-18.8	1.3	1.3	1.4	1.5	1.5	1.5	1.6
Imports, Goods and Services	57.1	80.2	102.4	75.0	80.6	82.3	86.2	88.0	89.3	89.6
Exports, Goods and Services	47.8	50.5	62.0	66.0	77.5	81.7	86.4	89.6	91.0	91.5
Net Foreign Direct Investment	-10.0	-9.2	-8.7	-8.4	-8.7	-8.5	-8.3	-8.0	-7.4	-7.1
Exchange Rate (per USD, average)	4077	4,100	4,150	4,110	..	..	..	..	..	..
Other memo items										
GDP nominal (US$ millions)	34,949	36,779	39,532	43,299	47,042	51,150	55,849	60,971	66,377	72,121
GDP per capita (USD, nominal)	2,131	2,217	2,358	2,555	2,748	2,958	3,199	3,460	3,733	4,022

Note: e = estimate; p = projection.

Source: World Bank staff calculations and projections based on data from the authorities (National Institute of Statistics, Ministry of Planning, Ministry of Economy and Finance, and National Bank of Cambodia).

12. **The outlook for the Cambodian economy is subject to downside risks, which include weaker-than-expected global demand, financial stress amid elevated debt and high borrowing costs, and a**

[14] The rebasing of GDP in late May 2024 significantly boosted Cambodia's GDP numbers in nominal and real terms, so that they rose by an average of 31.7 percent and 124.4 percent, respectively. As a result, all GDP ratios are now lower, compared to the macroeconomic framework presented in the Program Document for the Second Cambodia Growth and Resilience Development Policy Financing, which was approved by the World Bank Board on June 20, 2024 (IDA/R2024-0145/1).

slower-than-anticipated recovery in China. Cambodia's highly dollarized economy is affected by the US monetary policy tightening cycle, while its GTF exports are susceptible to changes in consumer demand in the US and EU. Cambodia's dependence on a relatively narrow range of low-skilled and low value-added activities exacerbates its vulnerability to external shocks and weaker-than-expected global demand. The slowdown in China's economy also presents risks. China is a significant trading partner, the source of about half of all FDI inflows, and prior to the pandemic China accounted for more than one-third of international tourist arrivals.[15] Cambodia also faces risks of financial instability with increased household debt, rising non-performing loans (NPLs), and the ongoing concentration of domestic credit in the construction and real estate sectors, where activity has slowed. The credit-to-GDP ratio was 121 percent in February 2024 (up from 37.6 percent a decade ago). High global interest rates and decelerating credit growth continue to affect Cambodia's financial sector, which is showing signs of deleveraging. Moreover, Cambodia faces increasingly high exposure to climate change risks, which may potentially lower its GDP by 3 to 9 percent by 2050 if no action is taken.[16]

2.3. Poverty and Shared Prosperity

13. **Cambodia experienced a significant decline in poverty over the decade up to 2019, but a setback has occurred due to various shocks.** Overall poverty declined from 33.8 percent in 2009 to 17.8 percent in 2019/20 using the national poverty line.[17] Between 2009 and 2019/20, poverty reduction in Cambodia was broad-based, with poverty falling from 15.1 to 9.6 percent in urban areas, and from 38 to 22.8 percent in rural areas.[18] Rising income from agricultural exports, labor-intensive manufacturing, and the transition to other non-farm activities contributed to poverty reduction.[19] However, the polycrisis has had a negative impact, reversing the progress achieved up to 2019. The COVID-19 pandemic and the recent global surge in food and fuel prices have both contributed to increasing poverty. As a result of the economic contraction due to COVID-19, at least an additional 500,000 people (2.8 percent of the total population) were identified as poor in 2020. In 2022, the energy and food price hikes further burdened household budgets. Simulations indicate that this inflation alone may have caused poverty to increase by around 4 percentage points from the 2019 level, excluding the COVID-19-related increase. Climate events are also poised to threaten progress on poverty reduction. Cambodians face one of the world's highest levels of risk of floods and extreme heat, with the poorest regions and communities most vulnerable to these risks. The RGC's cash transfer program has partially alleviated the negative impacts experienced by poor and vulnerable households. This temporary transfer program has been replaced by the Family Package, which integrates the four current social assistance programs, and increases social assistance coverage for the vulnerable population. Moreover, Cambodia's recent economic recovery is expected to partially reverse the pandemic-related increase in poverty.

14. **Despite a substantial reduction in rural poverty since 2009, disparities between rural and urban populations remain.** Socioeconomic mobility is limited, and agriculture remains an important source of livelihood. Poverty rates are highest in the rural north region of Tonle Sap area and in the northeast provinces. However, poor people are concentrated in the more densely populated southeast and northwest provinces. Poor households are more likely to be headed by women, particularly in rural areas. Of those households rising above poverty in recent years, most did so by a small margin leaving them highly vulnerable to falling back into poverty.

[15] Cambodia Economic Update, June 2024.
[16] Country Climate and Development Report, October 2023
[17] The national poverty line for Cambodia was 10,951 Riels per person per day in 2019, equivalent to about US$2.70.
[18] Systematic Country Diagnostic Update, 2023.
[19] The share of the workforce in agriculture declined by almost half between 2009 and 2019. Cambodia Country Economic Memorandum, 2022.

15. **While there has been progress on gender equality, greater effort is needed, especially in addressing gender-based violence (GBV), economic participation and decision-making**. In 2023, Cambodia ranked 92nd (out of 146 countries) in the Global Gender Gap Index,[20] moving up six places since 2022. However, challenges remain in achieving SDG5 (Gender Equality). On the social front, while improvements have been achieved (*e.g.*, a decrease in maternal mortality), there are continuing concerns about child marriage; GBV, including domestic violence; and the trafficking of women. In 2022, 21 percent of women who had ever had an intimate partner experienced emotional, physical, and/or sexual violence committed by their current or a recent partner.[21] While Cambodia boasts high female labor force participation, women's productive potential has not been fully realized as they are more likely to be in informal, lower paid jobs. Women also shoulder a disproportionate burden of domestic and care work.[22] As the owners of half of micro, small, and medium-sized enterprises (MSMEs), women face barriers in accessing financial resources, skills training, and international markets. Sexual harassment is prevalent, with consequences for women's welfare, as well as their economic productivity. Women's participation in decision-making remains low at the national and local levels (in 2023, women held 13.6 percent of parliamentary seats).

2.4. Main Development Challenges

16. **Cambodia faces several structural bottlenecks in reaching its development aspirations.** The 2017 Systematic Country Diagnostic (SCD1) identifies four high-level priorities: building human assets, increasing economic competitiveness and diversification, enhancing resilience and sustainability, and improving public sector governance and capacity as a cross-cutting priority. The 2023 Systematic Country Diagnostic Update (SCD2) notes modest or moderate progress across these priorities and reaffirmed the development challenges. Moreover, the Country Climate Development Report (CCDR) underlined the negative ripple effect of climate change on people and the economy, which will amplify existing development challenges if no action is taken. It identifies the priorities of reducing exposure and vulnerability to the physical impacts of climate change, realigning the country's emissions trajectory, and reorienting the economy to seize opportunities from trade, investment, and technological progress toward a more climate-compatible path.

17. **Human capital, a foundation for economic growth, better jobs, economic mobility, and improved well-being, is significantly underdeveloped**. Cambodia continues to rank lower than average in the East Asia and Pacific Region on the Human Capital Index (HCI). A child born in Cambodia will be only 49 percent as productive as an adult, as they would be if they had enjoyed quality education, good health, and proper nutrition when they were growing up.[23] While improvements have occurred in access to education, including closing the gender gap in net primary enrollments, most quality measures have declined, partly due to prolonged COVID-19-related school closures. Low enrollment in early childhood education, drop-out rates from basic education, coupled with low learning assessment results for Grade 6, signal weak foundational skills. This weakness affects the ability to learn and attain skills in later years, including those needed for digital and technology adoption. Moreover, this has a significant negative impact on labor productivity, and puts at risk the needed shift to a higher-value economy, with better jobs. Some improvements have been achieved in health, including reductions in maternal and child mortality, and better nutrition outcomes among young children. However, more investment is needed to improve health systems, including to address non-communicable diseases (NCDs). Also, the poor and vulnerable continue to face financial and non-financial barriers in accessing health services. Out-of-pocket spending (OOP) in

[20] The Global Gender Gap Index benchmarks gender parity across 146 countries. It is a composite metric with four dimensions: economic participation and opportunity, education attainment, health and survival, and political empowerment.
[21] Cambodia Demographic and Health Survey, 2023.
[22] UNIDO, UN Women, 2021, World Bank EAPGIL 2023.
[23] Human Capital Index 2020.

Cambodia as a share of total health spending remains among the highest in the world, reflecting the low level of public health spending and health insurance coverage.

18. **Although moderate progress has been made in increasing competitiveness and diversification, economic activity continues to be hampered by productivity, financial, and infrastructure constraints.** Some shifts are occurring to more complex exports, and firm costs have declined in some areas (*e.g*., from improvements in infrastructure, financial markets, agricultural modernization), which supports Cambodia's international competitiveness. Yet, Cambodia's growth model remains reliant on low-skilled, low value-added manufacturing activities with little opportunity for better jobs and further poverty reduction. With exports concentrated in a relatively small number of markets, Cambodia faces risks from increasing trade protectionism and automation. Moreover, the recent pattern of Cambodia's economic development has led to one of the fastest rates of growth in greenhouse (GHG) gas emissions in Southeast Asia, albeit from a relatively low base.

19. **Financial stability is of growing concern, while financial inclusion remains behind peer countries**. Between 2011 and 2021, average annual private credit growth was very high, at around 25 percent, and that played a significant role in fueling economic activity. Since late 2022, credit growth has slowed substantially, to 4.2 percent in 2023.[24] It is still overly concentrated in the construction and real estate sectors, with small- and medium- size enterprises (SMEs) benefitting less, which is fueling concerns about the extent to which credit is being efficiently allocated, toward more productive parts of the economy. As credit growth slowed down, NPLs increased, from around 2 percent between 2017 and 2021, to 5.1 percent in 2023. Although the National Bank of Cambodia (NBC) regularly updates its regulatory framework for banking supervision, the IMF has encouraged further strengthening of the supervisory framework to emphasize risk-based supervision and the implementation of Basel III.[25] Also, a regulatory framework for markets such as green finance is absent. While financial inclusion has improved, Cambodia continues to lag behind its peers, and women still face disadvantages in growing their businesses due to access to finance constraints.

20. **Gaps in infrastructure and connectivity, and the limited adoption of digital technology also constrain economic competitiveness and diversification**. SCD2 identifies boosting public and private investment in infrastructure as one of the highest priority areas. Transport connectivity is a critical priority for competitiveness, especially given the high logistics costs in Cambodia, estimated at 26 percent of GDP in 2020 – more than in most Association of Southeast Asian Nations (ASEAN) countries.[26] Improved regional connectivity could contribute to the diversification and resilience of Cambodia's supply chains by lowering transport costs and time, improving transit reliability, and unlocking more trade opportunities with neighboring countries. Despite continuing improvements in power supply, and a reduction in power system losses and electricity costs, Cambodia still has one of the highest electricity tariffs in the region, raising concerns about affordability and competitiveness. The RGC's recent announcement that 70 percent of Cambodia's electricity would be generated from renewable energy sources by 2030 (an increase from the earlier target of 57 percent) [27] provides an opportunity to support the transition to greener energy and secure the supply needed for economic growth. Cambodia also aims to actively participate in the regional power trade to diversify its energy sources, while scaling up clean and low-cost power imports from neighboring countries. The availability and quality of broadband is among the lowest in the region due to low penetration rates, slower speeds, and higher costs.

[24] Financial Stability Review 2023, National Bank of Cambodia.
[25] Cambodia 2023 Article IV Consultation, International Monetary Fund, January 2024.
[26] Cambodia Economic Update, 2022.
[27] 7th Mandate from National Assembly on December 4, 2023.

21. **Cambodia's current development trajectory is depleting its natural resources, increasing its vulnerability to climate change, and jeopardizing its future growth**. The CCDR highlights significant losses in Cambodia's natural resources, including forests, wetlands, and fisheries. Over the past two decades, the country has lost nearly 45 percent of its natural wetland areas, which has heightened its exposure to floods, droughts, and wildfires. This rapid rate of deforestation has further exacerbated soil erosion, impaired water regulation, and caused an uptick in flooding and mudslides.

22. **Climate change projections indicate that Cambodia will face increasingly severe conditions, such as more frequent and intense flooding, rising sea levels, and greater heat stress**. These changes will disproportionately impact poorer households, women, and people with disabilities. Flooding is Cambodia's most common and recurring disaster, with high social and economic costs, given the disruptions in road access to hospitals, schools, supply chains, and freight transport. A seven-day closure of key road corridors due to flooding is estimated to result in a 5 percent indirect cost increase for international trade partners for each day of delay in freight transport. The CCDR warns that climate change, if unaddressed, could raise the poverty rate by up to 6 percentage points by 2040, with the most vulnerable populations facing the greatest risks. Climate change poses a significant threat to Cambodia's economic future as it could reduce the country's GDP by 2.5 percent to 3.0 percent by 2030, and by as much as 9.48 percent by 2050, potentially undermining its aspirations to become a high-income country.

23. **While historically low, Cambodia's greenhouse gas emissions have surged at an alarming rate, averaging an 8 percent annual increase between 2010 and 2019.** This rapid rise has made Cambodia one of the most carbon-intensive economies in the region. The primary driver of this increase is deforestation, which not only depletes the country's forests, but also significantly contributes to higher emissions. To combat this, Cambodia has pledged to achieve carbon neutrality by 2050. Achieving this ambitious goal will require a profound shift in how the country develops its economy and decoupling GDP growth from GHG emissions' growth. This transition will involve enhancing energy efficiency, adopting renewable energy sources, implementing sustainable land use practices, and reducing overall carbon output.

24. **The economic consequences of climate change are dire for Cambodia if no adaptation measures are taken to strengthen resilience in key sectors**. The implementation of selected adaptation measures could mitigate this impact, potentially cutting it by more than half. As noted in the CCDR, bolstering resilience is crucial to mitigate climate change exposure and vulnerability in the following areas: agriculture, disaster risk management, education, health, social protection, transport, urban planning, and water.

25. **Governance and institutional capacity are constraints in addressing Cambodia's structural bottlenecks.** SCD1 highlights that governance challenges affect progress in priority areas including firm competitiveness; access to, and quality of public services; and access to assets. While noting some progress, the SCD2 notes the need for continued attention to governance as Cambodia still ranks at the lower end on many dimensions of global standards. Echoed by the private sector during the CPF consultations, the SCD2 also points to laws and regulations being unevenly interpreted and enforced, which increases uncertainty for the broader business environment. The 2023 Public Finance Review (PFR) flags that the quality of public spending remains low due to the inefficient allocation of resources across all levels of government, weak human resources management, and lack of concern about performance orientation in the budgets allocated at the national and sub-national levels. Public sector wages, on average, are 18.8 percent higher than in the private sector, and absorbed 28.8 percent of total RGC spending (6.6 percent of GDP or US$1.96 billion) in 2022. To enhance spending quality, there is a need to introduce performance measurement in the civil service and better manage salary increases.

III. WORLD BANK GROUP PARTNERSHIP FRAMEWORK

3.1 Government Program and Medium-term Strategy

26. **Cambodia's medium-term strategy is outlined in its Pentagonal Strategy, Phase I of August 22, 2023.** The Pentagonal Strategy, Phase I for Growth, Employment, Equity, Efficiency, and Sustainability aims to promote crisis-resilient economic growth, more jobs, reducing poverty to below 10 percent, strengthening governance and improving the quality of public institutions, and achieving sustainable social-economic development, and resilience to climate change. To achieve these objectives, it identifies five priority areas: human capital development; more economic diversification and competitiveness; private sector development and jobs; strengthened resilience, and inclusive and sustainable development; and development of the digital economy and society. The Strategy builds on the achievements of the previous Rectangular Strategy (2018) and the Reform, Recovery and Resilience Strategy (2021),[28] and it aligns with Cambodia's 2050 vision to become a high-income country.

27. **The RGC's development priorities intersect with the findings and recommendations of the SCD2 and the CCDR.** There are strong convergence with the SCD2 around the emphasis on human capital, investment in infrastructure, the business environment, resilience especially from exogenous shocks, and focus on institutions. While not explicitly identified as a priority in the SCD2, digitalization is considered critical for overall progress. The RGC's priority to strengthen climate resilience and sustainable development intersects with the CCDR's emphasis on reducing exposure and vulnerability to the physical impacts of climate change and realigning the GHG emissions' trajectory to achieve climate mitigation. Moreover, the RGC's focus on competitiveness is an opportunity to reorient the economy to take part in, and benefit from, the global low-carbon transition efforts as recommended by the CCDR.

3.2 Proposed WBG Country Partnership Framework

i. Overview of WBG Partnership Framework

28. **This CPF aims to support a better quality of life for all Cambodians through strengthened human capital, enhanced economic competitiveness, and greater resilience.** It features three high-level outcomes (HLOs) and seven objectives (see Table 2), collectively identified by the Bank, IFC, and MIGA, which contribute to the WBG's mission to end extreme poverty and boost shared prosperity on a livable planet. The HLOs focus on (i) human capital outcomes, (ii) competitiveness for the creation of high-quality jobs, and (iii) greater resilience, especially for vulnerable households. Governance and institutional capacity, climate, and gender and inclusion considerations are integrated throughout the WBG program. The CPF objectives are aligned with the IDA themes, including climate change, gender, human capital, jobs and economic transformation; and IDA's cross-cutting objectives of crisis preparedness, and improving governance, institutions, and technology.

29. **In defining the program of support for Cambodia, the WBG has applied three selectivity filters.** These are: (1) the RGC's development priorities and demand for WBG support; (2) the development priorities identified in the SCD2 and the WBG's core diagnostics (including the CCDR), and alignment with global challenges; and (3) the WBG's comparative advantages, which are based on its global expertise, track record building on its ongoing support, reputation as one of the most trusted institutions by stakeholders in Cambodia[29], and lessons learned from implementation experience, as summarized in the

[28] The Rectangular Strategy had four priority areas ("quadrants"): private sector and job development, inclusive and sustainable development, economic diversification, and human resource development. These were linked by a central focus on accelerating governance reform. With the advent of the COVID-19 pandemic, the RGC shifted focus to short-term measures to mitigate the impact on people and the economy as outlined in the Reform, Recovery, and Resilience Strategy, 2021–2023, which prioritized investments and government expenditures that were focused on recovery, reform, and resilience.

[29] FY2024 Cambodia Country Opinion Survey.

CLR. In applying these selectivity filters, the opportunities for strong Bank, IFC, and MIGA collaboration and for drawing on the work of other DPs have been considered.

30. **This CPF builds on the WBG's ongoing engagements in Cambodia that carry forward from the previous CPF, with a strengthened focus on some areas.** The WBG is deepening its support for human capital development, especially basic education (early childhood through secondary education), which is aligned with the RGC's Pentagonal Strategy's priority on human capital. Another area where the WBG will be enhancing its engagement is in the energy sector, especially for energy efficiency. The RGC has recently requested this support to bolster competitiveness in a sustainable manner, as prioritized in its Pentagonal Strategy. Building on the Bank's ongoing analytic work on the power grid and energy efficiency, IFC's engagement in solar power, and MIGA's ongoing guarantees for power transmission, this is also an area for strengthened Bank, IFC, and MIGA collaboration, to be further defined during the CPF implementation. Given the large financing needs, the WBG's support is expected to complement that of other DPs.

31. **To achieve the CPF objectives, the WBG will selectively extend knowledge and financing support, applying the selectivity filters and considering the potential to achieve impact.** According to the FY24 Cambodia Country Opinion Survey, stakeholders consider the WBG's knowledge and analytics product of highest value, slightly above financial resources. In some areas, knowledge support is especially important, for example to strengthen the regulatory framework to support financial stability, or in complex areas such as forest resource management where the Bank is prioritizing ASAs products to build ownership for improving forest policy. Limited IDA financing is being strategically used, considering the RGC's request for financing. Accordingly, while livable cities/urban development are identified as important for sustainable development, especially with migration from rural to urban areas, IDA projects in other sectors (*e.g.,* road transport, sanitation, water) are addressing the gaps in urban and rural areas.

32. **This new CPF takes into consideration key operational elements of the WBG Evolution Roadmap.**[30] Through CPF implementation, the WBG will aim to address global challenges and achieve development impact at scale, working in partnership with other DPs.

- **Global challenges**[31]**.** In Cambodia the WBG will make a concerted effort on climate change adaptation and mitigation, focusing on energy efficiency for which the RGC has recently requested support, and on water security and access, a significant development challenge, for which two new financing operations were approved in FY24. Additionally, a new Digital Transformation ASA will help to identify opportunities to support improved digital connectivity and services.
- **Knowledge Compact.**[32] The WBG's knowledge and analytical work is well-recognized by country stakeholders for its quality and objectivity. The WBG will continue to systematically deliver core diagnostics and other key analytical work sought by stakeholders, building on existing work within the Bank, as well as externally. It will do so, drawing on the global expertise and experience within the Bank. The WBG will also continue to integrate efforts to enhance counterpart capacities and systems for data collection and analysis to support decision-making.
- **One WBG.** This CPF proposes to be more deliberate in identifying opportunities for bringing the full force of the Bank, IFC, and MIGA, as one WBG, to make more progress in PPPs, and to support development in selected sectors such as infrastructure (*e.g.,* energy). The Bank and IFC will continue

[30] Ending Poverty on a Liveable Planet: Report to Governors on World Bank Evolution, Development Committee, September 27, 2023.

[31] The WBG has prioritized eight global challenges, which the WBG Board of Governors endorsed. They: (i) Climate Change Adaptation and Mitigation; (ii) Fragility and Conflict; (iii) Pandemic Prevention and Preparedness; (iv) Energy Access; (v) Food and Nutrition Security;(vi) Water Security and Access; (vii) Enabling Digitalization; and (viii) Protecting Biodiversity and Nature. Ending Poverty on a Livable Planet: Report to Governors on World Bank Evolution, Development Committee, September 27, 2023

[32] The Knowledge Compact for Action: Transforming Ideas into Development Impact – For a World Free of Poverty on a Livable Planet, April 2024.

to complement each other in supporting regulatory reforms and capacity building for PPPs. To complement Bank efforts to strengthen transport connectivity, IFC will continue its efforts to crowd-in financing through the PPP for the Sihanoukville Logistics Complex, and will explore other opportunities to expand PPPs. With the Bank engaging in the energy sector, opportunities will be explored for IFC to unlock private investment in renewable energy. Potential support to de-risk investments through the WBG Guarantee Platforms, housed in MIGA, such as in green transmission, will also be considered. During the CPF period, IFC will consider carrying out a Country Private Sector Diagnostic to identify key challenges and opportunities for private investment.

- **Partnership**. Stakeholders in Cambodia have consistently given the WBG high ratings for its collaboration with the RGC and other DPs[33] who are engaged across sectors (see Annex 3). WBG support will complement that of other DPs, aligned with the new One World Bank Group Partnership Charter.[34] The Bank has been coordinating with key DPs to be selective in its policy and technical support, and geographic focus. For instance, through Bank-led co-financed operations, the RGC has instituted an innovative mechanism for financing health service delivery based on quality performance and regular assessment of service delivery against standardized benchmarks. The Cambodia Water Security Improvement Project has been designed to complement the Integrated Water Resource Management Project (Asian Development Bank [ADB]) to address long-term sector coordination, and develop resilient infrastructure for sustainable water service delivery. In the energy sector, the Bank is coordinating with DPs, especially with the ADB and the Japan International Cooperation Agency (JICA), which are the largest financiers in this sector. It is focusing on bringing added value especially in renewable energy, power grid strengthening, regional power trade, and energy efficiency. The Bank Group is part of the Joint Country Portfolio Performance Review. It is an active member of regular DP meetings and various sector/thematic donor working groups, which are enabling information exchange and the coordination of activities.
- **WBG Scorecard FY24–30.** The CPF's results matrix is integrating the new WBG Scorecard indicators, with the CPF indicators taking into consideration the results chain that links the HLO, objectives, and the ongoing and planned operations; as well as the data availability and results that are being monitored through individual operations. The CPF results will be updated during the CPF's implementation, along with any adjustments to the WBG support in response to the changing global and country context through the CPF's Performance and Learning Review (PLR) as needed.

33. **The new CPF integrates the lessons from the implementation of the CPF for FY19–24.** The lessons learned summarized in the CLR (see Annex 2), are being taken on board in the following manner:

- **Invest in a strong knowledge base as a pre-requisite to shaping the WBG's engagement and laying the foundations for financing operations.** The WBG has found that in some cases, project implementation delays could have been avoided or reduced if more knowledge groundwork had been carried out. One such example is the Cambodia Agriculture Sector Diversification Project, which introduced agricultural development approaches that focused on PPPs. The new approach was challenging for local farmers and officials to adopt due to their lack of and understanding of it. This could have been addressed through earlier ASA support. Another example is the Cambodia Sustainable Landscape and Ecotourism Project, which tackles land issues that are inherently complex. Project implementation was delayed by unforeseen decisions made on land reclassification policy implementation and time needed to reach shared understanding about compliance, risks, and impacts of these policies on project activities. These delays might have been mitigated with more investment upfront in analytical work and outreach. Ongoing ASAs have enabled the Bank to quickly respond to new RGC requests. For example, the Bank has been supporting social protection through the ASA on Building a Stronger and Resilient Social Protection System. This ASA enabled the Bank to

[33] FY24 Cambodia Country Opinion Survey.

[34] https://www.worldbank.org/en/about/partners/stakeholder-relations

quickly support critical reforms needed in the social protection framework through the 2021 Relief, Recovery, and Resilience DPF (part of the COVID-19 emergency response), and in the subsequent DPF programmatic series, which supported the deepening of reforms in social protection. Drawing on these experiences, under this CPF, the Bank intends to prioritize ASAs to better understand the operating context and political economy upfront; identify entry points; guide decisions on project design; build ownership for change; and calibrate Bank engagement.

- **Be realistic about the time required to obtain results in new or especially challenging areas, where sustained collaboration with key agencies is important.** The WBG's PPP engagement provides an example of this. It has taken several years to move PPPs forward as the RGC had to address its legal framework to create an enabling environment for PPPs in Cambodia. The Bank and IFC, in close collaboration with other DPs, have supported this agenda by contributing to the drafting and passing of the PPP Law, reviewing the various drafts of the law and supporting guidelines. The Bank and IFC, through the Second Cambodia Growth and Resilience Development Policy Financing (DPF2), have supported the RGC's efforts to improve capacity and regulations on managing the fiscal risks. IFC's interventions have helped with the signing of the Financial Transaction Agreement, a key first step toward a potential first PPP transaction under the new legal framework. This engagement is expected to demonstrate how PPPs are prepared and procured, increase experience in engaging in the PPP investors' market, and test the new legal framework. During the PPP program, IFC's counterparts have been coordinating intra-governmental agency support, which will be instrumental for its success. Building on ongoing work, the WBG will provide continued support for PPPs to help address the gaps in the framework, and help to develop the requisite capacities of the RGC. Carrying out pilots in two or three sectors should deepen the understanding about PPPs and establish PPPs as another viable financing and procurement option in bridging its infrastructure investment gap.
- **To support resilient infrastructure investments that yield maximum benefits over their life cycle, focus on better institutionalizing operations and maintenance (O&M), and allocating adequate public resources for this.** With public resources mostly allocated to capital investment, the budget allocation for O&M is insufficient. The Bank has been financing investments to improve the condition and the climate resilience of roads, schools, hospitals, markets, irrigation schemes, water supply and sanitation, and other public infrastructure. These investments support improvements in infrastructure maintenance during a project's life. However, more needs to be done to achieve longer-term sustainability such as in road projects; they should include performance-based contracts that cover the infrastructure's improvement and maintenance phases. There is a need to expand this beyond the project's implementation period so that the road infrastructure is maintained for the long term. The Bank will continue to work with RGC counterparts and DPs to support government policies, financing, and institutional capacity development for effective and sustained infrastructure O&M.
- **Be more systematic with Bank, IFC, and MIGA collaboration, and building on positive experiences.** There has been good WBG collaboration in the financial sector. However, there could, and will be more deliberative effort in bringing about the full extent of the Bank, IFC, and MIGA support to benefit Cambodia's development. This CPF proposes to systematically review the opportunities for joint WBG support in infrastructure.
- **Carefully consider the results indicators that link to the associated CPF objectives.** In the previous CPF, many of the indicators provided limited reflection on progress toward the associated objectives. This CPF, however, draws on the new WBG Scorecard FY24–30, and it has exercised selectivity in identifying indicators at the HLO and objective levels, and applying these in the results chain. In doing so, where possible, this CPF incorporates indicators that reflect aggregate program contributions to capture the cumulative result of the engagements.

34. **Strengthening governance and institutional capacity is critical for achieving the HLOs.** The CPF is addressing governance and institutional capacity issues, with attention to transparency, participation, and

accountability[35] within sectoral interventions. Under HLO1, support in the health and education sectors is about effective and efficient public service delivery at the national and sub-national levels. Through its operations, the Bank is supporting governance and institutional capacity building by bolstering or improving internal processes and systems (including digital platforms). Also, it is strengthening accountability and transparency through enhanced data collection and analysis. This includes data to measure performance (*e.g.,* General Education Improvement Project [GEIP], Health Equity and Quality Improvement Project), which can support better management of human resources, more performance-oriented public service management, and more effective channeling of resources to where services are delivered. Community engagement is integrated into the project design (*e.g.,* through school-based management) to provide feedback on service quality. Similarly, under HLO2 and HLO3, operations integrate institutional capacity building, enhanced data collection and analysis, and the engagement of communities. In addition, the Bank will continue with ASAs to assess the gaps and opportunities for strengthening governance and institutions and informing policy dialogue. For example, the 2023 PFR, and the review of public sector performance for improved service delivery is directing attention toward achieving greater value for money in public service delivery (e.g., in education). Opportunities will be sought to improving human resource and financial management in the public sector and through greater use of digital technology to improve public service delivery at the national and sub-national levels. Finally, with Cambodia's tax revenue to GDP ratio standing below 15 percent, the Bank will engage through policy dialogue and technical assistance on domestic revenue mobilization to help expand fiscal space for necessary investments in human capital and infrastructure while maintaining sustainable public finances.

35. **Citizen engagement and social accountability are key contributors in enhancing governance, which will continue to be embedded in individual financing operations.** Ongoing Bank-financed operations are committed to two common forms of citizen engagement: monitoring beneficiaries' satisfaction with investments and redressing their grievances. The Bank aims to mainstream citizen engagement in 100 percent of its investment project financing (IPF). A growing number of operations are also incorporating deeper levels of citizen engagement. This includes project beneficiaries assessing service performance through scorecards and discussing and agreeing with service providers on concrete actions to improve service delivery. These social accountability processes will continue to support improvements in the water, education, and health services, as well as the others provided by local governments. In addition, they will continue to build the capacity of institutions and citizens to engage with each other and foster greater trust in institutions.

36. **To step up support for gender equality, the Cambodia Gender Action Plan (CGAP), which is aligned with the new WBG Gender Strategy,[36] identifies three pillars for implementation** (see Annex 8)**.** The first pillar supports operational engagement from project design to implementation, and strengthening accountability for gender results through on-going and new financing operations (*e.g.,* Additional Financing [AF]-GEIP, skills for jobs). The second pillar is strengthening data and analysis to inform policy dialogue and future support on key gender issues, including improving human capital and addressing GBV (*e.g.,* nationwide mapping of GBV service providers; assessing the economic costs of GBV; improving the availability of GBV-related data); women's economic participation (*e.g.*, through the analysis of e-commerce, and supply and demand for childcare services); and women's leadership and participation. In parallel to the Bank's support under the second pillar, IFC's program and MIGA's engagements are also contributing through their gender inclusion agendas. Almost 100 percent of IFC's advisory projects are now gender tagged and focus on promoting equal access to finance and economic opportunities for women. For example, IFC's Responsible Finance advisory work targets a significant number of beneficiaries who are women borrowers. MIGA's outstanding guarantees in the financial sector support access to finance for women-led MSMEs. IFC will also continue to explore opportunities for addressing

[35] These are the three core elements of governance identified in the World Development Report on Governance, 2017.

[36] World Bank Group Gender Strategy 2024–2030: Accelerate Gender Equality to End Poverty on a lovable Planet, June 2024.

the intersection of GBV and the workplace, including through advancing respectful workplaces in the supply chains of the global brands that are sourcing products from Cambodia. Additionally, IFC will explore opportunities for advancing private sector provision of childcare services, including employer-supported childcare services. The third pillar is building capacity and sharing knowledge to advance gender equality. This CPF embeds indicators to measure the WBG's contributions toward greater gender equality by disaggregating data wherever this is relevant.

37. **Climate adaptation and mitigation efforts are being integrated across the HLOs and their objectives.** The CCDR has identified five interventions/policy packages[37] across sectors that may have the highest impact in addressing climate change. In particular, the WBG is focusing on climate adaptation and resilience, building on its ongoing engagements such as supporting climate resilient infrastructure (*e.g.,* school buildings and roads under CPF objectives 2 and 5); better management of water resources in areas prone to flooding and drought (CPF objective 7); and improving the resilience of people to exogenous shocks, sustainable livelihood opportunities, and adaptive social protection (CPF objective 6). During the CPF consultations, participants emphasized the importance of WBG support for resilient road infrastructure against floods and water management. The WBG is integrating climate mitigation efforts wherever possible. For instance, one of the policy actions under the DPF2 is to increase the proportion of residential electrical appliances with energy efficiency standards that could contribute to mitigating GHG emissions. The WBG is also exploring ways to accelerate the clean energy transition, focusing on power grid strengthening, and facilitating regional power trade of renewable energy with Lao PDR. The WBG is committed to aligning all its financing operations with the goals of the Paris Agreement.[38]

38. **This CPF has been informed by stakeholder consultations.** The face-to-face and online consultations were carried out from late 2023 to early 2024. Feedback from the consultations with representatives from the RGC at the national and local levels, civil society, academia, youth groups, the private sector, DPs, and the general public indicated broad support for the HLOs and the objective areas. A wide range of issues were raised during the consultations, including the priority need to strengthen basic and higher education to improve the productivity of Cambodia's future workforce; the importance of linking skills development with the future needs of the economy; the need to address the impact of climate change, especially the flooding that affects transport access; the opportunities for, and benefits of, greater digitalization; the need for consistent interpretation and enforcement of existing government policies; and the need to improve livelihoods for poor and vulnerable people in rural areas. Private sector participants were particularly appreciative of the Bank's data and analytical work, which is providing them with high-quality and objective knowledge for informing options and decisions, as they seek to be partners in the development process.

ii. CPF Objectives supported by the WBG Program

[37] The five policy packages are: (i) lowering climate exposure by increasing the resilience of critical infrastructure, and improving disaster risk management and risk-informed land-use planning; (ii) lowering climate vulnerability through climate smart agriculture, and enhancing health system resilience and adaptive social protection; (iii) accelerating reforms to achieve forestry targets, protect wetlands, and deploy nature-based solutions; (iv) expediting the clean energy transition and catalysing investments in energy-efficiency improvements in cooling and agriculture, as well as developing compact, low-carbon, and resilient cities; and (v) adjusting trade and investment policies, improving the enabling environment, and upskilling the workforce.
[38] The WBG committed to align all its financing operations with the goals of the Paris Agreement in its Climate Change Action Plan 2021–2025. Starting July 1, 2023, the Bank committed to achieve 100 percent of new operations aligned with the objectives of Paris Agreement, while IFC and MIGA committed to achieving 85 percent alignment of new operations, progressing to 100 percent from July 1, 2025.

Table 2: HLOs and Objectives Supported by the CPF

CPF High-Level Outcomes & Alignment with Government's Pentagonal Strategy and Global Challenges	CPF Objectives	CPF Indicators (*Indicates CPF indicators that can contribute to the WBG results of the new WBG Scorecard)
HLO1: IMPROVED HUMAN CAPITAL OUTCOMES ***Alignment with Pentagonal Strategy***: Human Capital Resilient, Sustainable, and Inclusive Digital Economy and Society	**1: Expand access to quality health, nutrition, and WASH services**	• Millions of people receiving quality health, nutrition, and population services (of which female)* • Percentage of hypertension cases managed by public health facilities according to national protocol • Number of people provided with water, sanitation, and hygiene, of which (percent) is safely managed (of which female)*
	2: Improve access to quality basic education	• Number of students supported with better education (basic education, of which female) * • Percentage of schools that show improvement in learning outcomes in core subjects (Percentage)
HLO 2: ENHANCED COMPETITIVENESS FOR BETTER JOBS ***Alignment with Pentagonal Strategy***: Economic Diversification and Competitiveness Enhancement Private Sector and Employment Resilient, Sustainable and Inclusive Development Digital Economy and Society	**3: Improve the conditions for business dynamism**	• Percentage of graduates from targeted Higher Education Institutions (HEIs) securing employment within one year (of which female) • Number of students supported with better education (higher education, of which female) * • Annual new companies registered through the online business registration portal (of which female)
	4: Improve financial stability and inclusion	• Value of SME financing facilitated (US$) • Value of green financing facilitated (US$) • National Bank of Cambodia issued supervisory guidance on climate-related and environmental financial risk (yes/no) • National Bank of Cambodia adopted a Crisis Management Framework
	5: Expand and improve infrastructure connectivity	• Number of people that benefit from improved access to sustainable transport infrastructure and services* (of which female) • Renewable energy capacity enabled (GW)*
HLO 3: STRENGTHENED RESILIENCE FOR VULNERABLE HOUSEHOLDS ***Alignment with Pentagonal Strategy:*** Resilient, Sustainable and Inclusive Development	**6: Protect households from shocks and improve their livelihoods**	• Number of people with enhanced resilience to climate risks* (of which female) • Number of poor and vulnerable households eligible for emergency social assistance following eligible flood and drought events (of which female-headed households)
	7: Reduce exposure to environmental degradation and climate change	• Protected areas under improved management (Hectare (Ha)) • Proportion of population in selected areas with regular household waste collection (percentage) • National Green Finance Taxonomy adopted (yes/no)

HLO1: Improved Human Capital Outcomes

39. **Human capital development is HLO1 as it is the foundation for Cambodia's longer-term sustained economic development and poverty reduction.** Human capital constitutes 61.8 percent of the total wealth of Cambodia, and 64 percent of the total wealth of nations, globally.[39] Relative to natural capital and produced capital, human capital, which is measured as the expected future earnings of the entire labor force, is the largest asset group across all income groups, and across all countries. Nearly all the countries that grew from low-income in 1995 to middle-income by 2018 had accelerated their investment in human capital. Investment in human capital is aligned with Cambodia's Pentagonal Strategy and the SCD2, and builds on the Bank's ongoing engagement. This area has also been prioritized by the stakeholders responding to the WBG's FY24 Cambodia Country Opinion Survey. To achieve HLO1, the two objectives are expanding access to quality health and nutrition services, and improving access to quality basic education, with attention to gender. Support for expanded access to quality health and education services will be anchored by a strong focus on governance and public institutional capacity and draw on the progress made in strengthening citizens' engagement. Additionally, opportunities for private sector engagement will be sought.

Objective 1: Expand access to quality health, nutrition and WASH services

40. **Multiple factors influence health outcomes.** These factors include access to quality healthcare services, nutrition, and safe water and sanitation, and, increasingly, the effects of climate change. Public spending on health is low by international standards (1.96 percent of GDP in 2021).[40] Healthcare services are affected by the quality of healthcare workers, gaps in infrastructure, and the availability of essential supplies. Moreover, the utilization of health services and health outcomes are unequal by socioeconomic status, geography, and ethnicity. The public sector's capacity to maintain routine health services and respond to future pandemics is a concern with disruptions in essential health services experienced during the COVID-19 pandemic. Increasingly, healthcare services face the challenge of preventing, diagnosing, and treating NCDs, which have been rising. NCDs have contributed to 64 percent of deaths in 2018, rising from 33 percent in 2000.[41] While the survival rate of children under five years old is high, nearly 32 percent of them are stunted (especially boys), which puts at risk their cognitive and physical abilities in later years.[42] Continued attention is needed to improve access to safe water and sanitation, which impacts people's health. In 2022, only 29 percent of the population had access to a safely managed water supply, and about 37 percent had access to safely managed sanitation.[43] Climate change is posing an increasing risk to health, with more frequent and intense floods, droughts, and higher temperatures all leading to a rise in sickness, including from infectious diseases, and a consequent loss of productivity.

41. **The WBG will focus on the key services that contribute to better health outcomes.** The Bank will continue to support the health sector through a combination of knowledge, financing operations, and trust fund support to address access and the quality of health services, including for maternal health and nutrition, and GBV. To enhance health services, it will contribute to improving the quality of health workers, strengthening the accountability of health institutions (*e.g.,* through better data collection, monitoring, digitalization), and using public financing to support practices that can help mitigate climate impacts on public health, and investment in resilient infrastructure. Following the COVID-19 pandemic, the Global Pandemic Fund is providing funding to strengthen Cambodia's health systems so they can respond to future pandemics. The Bank will continue to support the digitalization in the health sector

[39] Lange, G. M., Wodon, Q., & Carey, K. (Eds.). (2018). *The changing wealth of nations 2018: Building a sustainable future*. World Bank Publications.
[40] World Health Organization, 2021 and Human Capital Index 2020.
[41] World Health Organization. 2018. Noncommunicable Diseases Country Profiles.
[42] Human Capital Index, 2020.
[43] Joint Monitoring Programme, Updated April 2023.

including the national scale-up of the Patient Management Registration System; digital platforms for national quality improvement programs; and the electronic medical record system. To reduce the health risks associated with a lack of safe water supply and poor sanitation, the Bank is financing improvements in water supply and sanitation infrastructure and services, along with a program to promote hand washing and improved hygiene.

Objective 2: Improve access to quality basic education

42. **Closing human capital gaps will require improvements in the quality and efficiency of basic education, from early childhood through secondary education.** Inadequate early childhood interventions, and an overall shortage of effective teachers and weak governance have resulted in substandard education quality, and poor learning outcomes for children. Between 2017 and 2021, enrollment in early childhood education fell by a fifth to 34 percent. Public funding for preschools remains low, constraining the construction of public preschools, recruitment of preschool teachers, and upgrading preschool teacher quality. At the primary level, despite significant gains in education access, poor learning outcomes continue to be a significant challenge. Student performance is very weak in Khmer language and mathematics assessments. In 2021, 45 percent of students were unable to meet the basic threshold in the Khmer language, and 73 percent of students were unable to meet the basic math level in Grade 6. At the secondary level, Cambodian students have low completion rates due to high dropout rates resulting from financial and gender barriers.[44] Based on the Program for International Student Assessment (PISA), between 2017 and 2022, although slightly higher, the proportion of 15-year-old students who scored below a baseline level of proficiency did not change significantly in mathematics, reading, or science. Overall, Cambodian students' performance remains well below the average when compared with the other ASEAN countries participating in PISA. Since learning is cumulative, children lacking foundational skills in math, reading, and science will have difficulty in making effective use of later learning opportunities, including developing the digital proficiency that is increasingly necessary in the modern world. This means Cambodians will lose out on economic benefits and opportunities throughout their lives. More broadly, Cambodia will continue to face constraints in acquiring skilled workers and improving labor productivity, which are critical for its economic transition. Hence, for Cambodia to develop a highly skilled workforce, it needs to start building foundational skills as early in life as possible.[45]

43. **The WBG will focus on improving equitable access, retention, and learning outcomes in basic education.** Building on ongoing support, financing to strengthen basic education will be extended. The Bank is financing the GEIP, which is being scaled up through an Additional Financing project. GEIP support includes improving teacher quality, helping the target schools[46] to meet the minimum standard for school effectiveness, strengthening governance to improve effective classroom assessments, and constructing and renovating classrooms for target schools. In improving educational infrastructure, an essential aspect is mitigating the risks posed by natural disasters by bolstering structural resilience and enabling continuous learning despite adverse events. The Additional Financing for the GEIP will expand its coverage of support and include a sub-component to revise and pilot a national curriculum for general education.

HLO2: Enhanced Competitiveness for Better Jobs

44. **To complement HLO1, HLO2 focuses on enhancing competitiveness for better jobs.** Although it has improved slightly, Cambodia's global competitiveness remains weak compared to other countries in the region. [47]) The Pentagonal Strategy prioritizes economic competitiveness and diversification,

[44] Systematic Country Diagnostic Update, 2023.
[45] World Bank. 2019. Cambodia's Future Jobs: Linking to the Economy of Tomorrow.
[46] Target schools include early childhood education, primary, and secondary schools.
[47] In 2019, Cambodia ranked 106th, while Thailand and Viet Nam ranked 40th and 67th respectively. From Cambodia Economic Update, November 2023 with references from the World Economic Forum's 2019 Global Competitiveness Index.

development of the private sector, and jobs. The SCD2 notes the need to maintain focus on raising economic competitiveness and diversification for improved access to high-quality formal jobs, with emphasis on skills upgrading, and it identifies the need to improve labor productivity and infrastructure (*e.g.,* transport, energy, digital). Additionally, the SCD2 notes the need to continue to address financial sector stability and inclusion as a basis for competitiveness and private sector development. Risks to financial stability are substantial – credit growth has only recently slowed after a long period of very fast growth; NPLs are rising, and credit remains concentrated in the construction and real estate sector. Moreover, despite efforts to enhance financial inclusion and digital financial services, Cambodia continues to lag behind other regional countries. The CCDR identifies potential high returns from investments in climate adaptation such as improving the climate resilience of rural roads thereby reducing access issues (and associated costs) caused by floods, and also highlights the opportunities for a low-carbon transition, and potentially creating better jobs.

45. **Against this background, the three objectives contributing to HLO2 focus on the conditions for business dynamism, financial stability and inclusion, and infrastructure connectivity, with an emphasis on climate adaptation and mitigation**. Together, the achievement of these objectives can contribute to enhancing competitiveness and economic diversification, which in turn can lead to more and better jobs. The current constraints (*i.e.,* shortage of skilled workforce, weak business environment, limited access to finance, inadequate infrastructure) and limited competitiveness tend to discourage the establishment of new businesses, and the expansion or diversification of existing businesses. As part of HLO2, where there are opportunities, the WBG will focus on enabling private capital, and promoting PPPs, especially in select sectors such as energy and transport. The new Digital Transformation ASA will help identify opportunities to improve digital connectivity and services as the cross-cutting theme for competitiveness and better jobs and engaging the private sector. Under the new Guarantee Platform that is housed at MIGA, the WBG will seek to support the private sector through the guarantees from all three WBG institutions. The WBG will also help to strengthen financial infrastructure to enable expanded access to finance for the private sector.

Objective 3: Improve the conditions for business dynamism

46. **Transforming Cambodia's economy requires continued attention to enhancing the conditions for business dynamism.** Firms are reporting growing skills shortages, and labor productivity growth has declined sharply.[48] The SCD2 notes that little progress has been made in upskilling, with the share of the workforce that has completed secondary education and/or been admitted to college remaining largely unchanged for the last five years at 17 percent (2019/2020).[49] Moreover, even if an individual progresses to post-secondary learning, educational options are limited, and are of low quality. There is high inequality in the attainment of higher education, with 44.8 percent of enrolled students coming from households in the top income quintile, while only 2.5 percent of students are from the bottom income quintile. The SCD also identifies improving the business environment as one of the highest priorities, where firms, including those that are women-led/owned continue to face significant obstacles such as the high cost of starting a business, heavy licensing requirements, a weak insolvency framework, non-transparent practices, and lack of competition. Moreover, digitalization that could contribute to greater information transparency and more consistent implementation of regulatory practices is under-developed.

47. **The WBG will continue its efforts to improve the conditions for business dynamism by supporting skills development and strengthening the business environment.** Through financing operations, the Bank will continue to support improvements in higher education, and thereby help to alleviate local shortages of skills. It will scale up its support for higher education with a follow-on second Cambodia Higher

[48] Cambodia Economic Update, November 2023.
[49] Cambodia Socio-Economic Survey 2019/2020.

Education Improvement Project to improve access and quality and strengthen governance. In higher education, the focus will be on making the curricula more relevant for the evolving workplace (e.g., digital skills development), and work in partnership with the private sector. The Bank will also continue to invest in data and analytics to assess progress and identify gaps in the business environment to support policy reforms and their implementation, and to inform the WBG's future engagement. This includes efforts to mitigate emissions' growth accompanying the economic transition (*e.g.,* increasing residential electrical appliances with energy efficiency standards[50]). The WBG is addressing firm costs and the regulatory framework for PPPs and SMEs through the Cambodia Growth and Resilience DPF series. To help advance the digital environment for citizens and businesses, which will contribute to greater transparency and accountability, the ASA on Digital Transformation is reviewing the supply and demand for digital public services, and will make recommendations on policy, regulatory, and financing options to increase access to these services.

Objective 4: Improve financial stability and inclusion

48. **Financial stability and access to finance are critical for Cambodia's economic development and increased competitiveness.** However, the risks to financial stability are pronounced. In 2023, credit growth in commercial banks slowed down to 4.2 percent, after more than a decade of double-digit growth. NPLs in banks increased to a new high of 5.1 percent in 2023 and, combined with the decline in residential property prices, these raise concerns regarding the quality of the real estate-related lending portfolios in Cambodian banks. Private sector credit stood at 121 percent of GDP in February 2024, and it was concentrated in the real estate sector.[51] There is a concern that excessive borrowing may force households into a debt trap, and especially because a large proportion of household loans appear not to have been productively used.[52] At the same time, Cambodia is lagging behind other countries in financial inclusion. MSMEs, and especially women-owned, and the rural poor, face substantial constraints in their ability to access finance to invest and grow, as their access to banking and digital payment systems is low. The overall share of the adult population that had a transaction account in 2022 was 33 percent, which was below other countries in the region, with substantial variation across urban and rural populations, income groups, and education attainment levels.[53] The share of the adult population making a digital payment was 26 percent in 2022, which was below most of Cambodia's structural peers.

49. **WBG support will focus on policy reforms and their implementation.** The WBG is supporting financial sector reforms through the Cambodia Growth and Resilience DPF series, the second of which was approved in FY24. The Bank's programmatic ASA will focus on financial stability, financial inclusion, and long-term finance—with green finance as a cross cutting theme. There will be particular focus on banking supervision and financial stability to strengthen the crisis management framework, improve stress testing, and measure climate-related and environmental financial risk to develop guidance in this area. The Enterprise Survey, the Business Ready Report for Cambodia, and other ASAs provide data and analytics to inform the policy dialogue with the RGC on necessary reforms to promote the business environment and firms' access to finance. Through certain investment financing under HLO3 (*e.g.,* the Cambodia Water Security Improvement Project), the Bank will also support access to finance for specific vulnerable groups (*e.g.,* rural farmers) to enable them to invest in improved, sustainable farm productivity. IFC will continue supporting the strengthening of financial infrastructure through its advisory work, with the ultimate objective of facilitating access to finance for MSMEs, including those led by women. As part of its financial sector engagement, IFC advisory work will continue to support strengthening markets for Responsible Finance and Movable Financing, as well as Insolvency, Debt and

[50] A prior action in the Second Cambodia Growth and Resilience Development Policy Financing (P180749).
[51] Cambodia Economic Update, June 2024.
[52] Productive loans, or the share of domestic credit financing the retail, wholesale, and agriculture sectors combined constituted 35.5 percent of total outstanding credit in February 2024. Cambodia Economic Update, June 2024.
[53] World Bank Global Findex Database; Systematic Country Diagnostic Update, 2023.

NPL Secondary market regimes. IFC will also focus on establishing green financing, and financial infrastructure, and explore opportunities in climate financing via certified green on-lending to SMEs and corporates. In addition, IFC will continue to support short-term trade financing for Cambodian firms as part of a broader Mekong initiative of IFC's Global Trade Supplier Finance facility. IFC will explore opportunities to partner with international banks to facilitate trade financing partnerships for local banks expanding financing access for exporting firms. To expand digitalization, IFC is supporting the growth of the digital finance market through the introduction of e-platforms for receivable and inventory financing. Going forward, IFC will explore other initiatives such as digital moveable asset financing. Building on its experience in the financial sector, MIGA is seeking additional opportunities to support access to finance and financial inclusion through targeted use of loans for women-owned MSMEs that are enabled by a MIGA guarantee. MIGA will also explore opportunities to support trade finance transactions. In doing so, the Bank, IFC, and MIGA will seek to maximize their synergies in the financial sector. Under the WBG Guarantee Platform, IDA guarantees could help support financial intermediaries financing projects towards decarbonization using a portfolio approach.

Objective 5: Expand and improve infrastructure connectivity

50. **Infrastructure connectivity is identified as critical to increasing productivity and competitiveness.** The Pentagonal Strategy identifies infrastructure connectivity as critical for economic competitiveness and diversification. The SCD2 upgraded boosting public and private investments in infrastructure to the highest priority. The CCDR emphasizes infrastructure's role in lowering climate exposure through improved resilience of critical infrastructure, accelerating the clean energy transition, and catalyzing investments in energy-efficient technologies. There are infrastructure gaps along the main transport corridors, and national logistics costs remain high compared to those of neighboring countries. These create a barrier to economic competitiveness, regional integration, and trade. Transport infrastructure is highly exposed to climate change impacts, including floods, causing disruptions to access to markets, jobs, and public services. Electricity demand growth in Cambodia is one of the highest in the region, and investments are needed to improve the power grid for transmission of renewable energy and power imports and meet growing demand in a stable, affordable, efficient, and sustainable manner. Cambodia is at the early stages of digital transformation, with internet usage amongst the lowest in East Asia and one of the highest relative costs for mobile and fixed broadband in the region.

51. **The WBG will focus on expanding and improving infrastructure connectivity.** The Bank is providing support to enhance resilient road connectivity to markets and public services through its ongoing investment projects and ASAs. It intends to scale up support for regional transport connectivity and trade facilitation enabling economic diversification and supply chain resilience. At the RGC's request, the WBG is engaging in the energy sector aimed at improving the power grid to increase variable renewable energy integration, electric vehicles deployment, clean power imports; improve operational efficiency of its transmission system and efficiency in energy use; and explore last-mile electrification efforts - all informed by ongoing analytical work.[54] IFC is also supporting the expansion of renewable energy infrastructure via investment support to the first large-scale greenfield solar plant. MIGA guarantees support high-voltage transmission infrastructure. The Bank's sectoral engagements (*e.g.,* health, education, social protection, agriculture, transport) include the design and adoption of digital solutions for service delivery. As part of the new analytical work, the Bank will identify opportunities for improving digital connectivity and affordable quality broadband. IFC will also explore opportunities for digitization in the financial sector. IDA guarantees could be used to provide SOEs in the energy and transport sectors with commercial lending cover to finance their investment to facilitate renewable energy integration, and to finance green

[54] This investment is expected to be part of the Regional Multiphase Programmatic Approach (MPA) Accelerating Sustainable Energy Transition, which will provide an opportunity, in addition to investment, to benefit from regional knowledge sharing and capacity building platform.

transportation investments, be it through PPPs and/or through supporting commercial finance to public investments by SOEs. Such guarantees may be considered in a combination with MIGA's political risk insurance or on a stand-alone basis.

HLO3: Strengthened Resilience for Vulnerable Households

52. **HLO3 focuses on improving resilience and livability.** Per the SCD2, enhancing livability and resilience is critical for Cambodia's future. Cambodians are highly exposed to exogenous shocks related to climate, economy, and health. They are also vulnerable to the impact of natural disasters and the depletion of natural resources (*e.g.,* forest, water), leading to increasing vulnerability. This HLO focuses on protecting Cambodia's human and natural capital and increasing their resilience, especially the poor and vulnerable groups, to reduce the risk of reversal in development and poverty reduction. This is aligned with the Pentagonal Strategy and its priority area of strengthening resilience, inclusive and sustainable development, as well as the SCD2 and the CCDR that identify protection of the poor and vulnerable against shocks (including climate) and sustainability of natural capital as high priorities. Investing in adaptation is vital for enhancing resilience and protecting the most vulnerable populations. The two objectives contributing to this HLO include protecting households from shocks through a strengthened social protection system, improved disaster risk management, and enhanced economic buffers (*e.g.,* through livelihood support for rural poor and strengthening the roles of subnational governments to deliver basic services for poor households and vulnerable groups); and reducing exposure to environmental degradation and natural disasters. These objectives build on ongoing WBG support.

Objective 6: Protect households from shocks and improve their livelihoods

53. **Poor and vulnerable groups are disproportionately affected by shocks such as those related to economic, health, and natural disasters.** The SCD2 elevates the priority of protecting households from shocks. According to the Cambodia Poverty Assessment 2022, an estimated 15 percent of Cambodia's population, defined as near poor, are at risk of falling back into poverty due to economic shocks, natural hazards, and environmental degradation. As a result of the COVID-19 pandemic, there was a 2.8 percentage point increase in poverty. This increase could have been higher if the government had not implemented the emergency "Cash Transfer for Poor and Vulnerable Households during COVID-19" providing monthly cash transfers to approximately 700,000 poor households.

54. **Under Objective 6, the WBG aims to strengthen poor households' resilience to shocks, focusing on enhancing social protection and livelihood opportunities.** The Bank will build on its ongoing technical policy support to the RGC to establish a formal social protection framework, which did not exist prior to the COVID-19 pandemic.[55] This includes continuing to enhance the social protection framework through ASAs. In parallel, the Bank will continue to support improvements in livelihood opportunities for the poor and vulnerable groups, particularly in rural areas, so they may better withstand the impact of various crisis shocks. Support is being provided through financing operations in agriculture diversification and climate resilient agriculture production, livestock support, water security, and ecotourism. IFC will contribute to this objective by supporting the strengthening of sustainable rice value chains and exploring value chain opportunities in other agricultural sectors that will help expand farmer livelihoods. De-risking instruments such as guarantees from the Guarantee Platform, housed in MIGA, could help attract foreign investment in the agricultural sector.

Objective 7: Reduce exposure to environmental degradation and climate change

[55] The two-part series of development policy financing includes policy actions for more inclusive and efficient social protection response to various shocks such as those induced by climate change.

55. **Environmental degradation and climate change pose an increasing risk to people's livelihood and well-being.** As noted in the CCDR, Cambodia's current use of natural resources is unsustainable. As climate change intensifies, extreme weather events will become more common, with more frequent and heavy flooding during the wet season, and severe droughts during the dry season, affecting people's lives and livelihoods, and particularly the poor and vulnerable groups. Flooding has led to the loss of crops and widespread damage to houses, agricultural lands, and infrastructure. Droughts, which in recent years last up to seven months a year, are putting pressure on water security, exacerbating the competing demand for water for agriculture, industry, and domestic use. As a result of economic growth and urbanization, solid waste is increasingly becoming environmental and health issues. Open burning of waste and other polluting sources is contributing to air pollution. Waste discarded in rivers is causing water pollution, damaging ecosystems and blocking drainage thus contributing to flooding. Moreover, uncollected waste is linked to increases in pests and disease outbreaks. While Cambodia has strengthened its conservation laws and international climate change commitments,[56] these policy actions have yet to improve outcomes significantly. Furthermore, there is a need to better understand government processes that underpin decision-making around complex and politically sensitive issues of land reclassification of protected areas and forestry management. This is necessary to enable implementation progress and sustainability of outcomes of development projects that aim to strengthen the land and forest management.

56. **The WBG aims to reduce people's exposure to the deteriorating environment and climate change by focusing on better natural resources management and preparedness for natural disasters.** The Bank will build on ongoing support for improved natural resources management and the protection of the environment. A range of financing operations supports this objective, including ones that focus on water security, sustainable landscape and ecotourism, solid waste and plastic management, and sustainable agriculture. These financing operations and complementary ASAs seek to improve policies and institutional capacity for implementation and service delivery. They engage local communities and households to promote more environmentally sustainable practices. For example, the Cambodia Water Security Improvement Project works with communities to enhance water productivity and climate resilience in irrigated agriculture. Opportunities to work with the private sector are also being sought, such as in the water sector where the Bank will work with the RGC to support select private water operators in expanding water supply services. In addition, the Bank is conducting analytical work that would help to inform forestry policy and air pollution management in Cambodia.

3.3 Implementing the FY25-FY29 Country Partnership Framework

57. **This CPF includes operations financed under IDA20 (FY25), IDA21 (FY26-28), and IDA22 (FY29) cycles.** Under IDA20, Cambodia's total indicative IDA envelope is SDR 547 million (approx. US$722 million). In addition, Cambodia has accessed funds from the IDA Regional Window (RW) and concessional Shorter Maturity Loans in the amount of about US$405 million. The actual allocation of IDA resources is determined on an annual basis in accordance with the IDA policies. Since IDA21 allocations will only be known in mid-FY25, for planning purposes, this CPF assumes financing volumes similar to those under IDA20.[57] While this CPF lays out indicative areas of potential financing support, it is important to maintain flexibility to adjust to evolving country priorities and government demand. For IDA financing purposes, Cambodia is classified as a "Gap country".

58. **The Bank has an active and growing financing portfolio complemented by ASAs.** As of June 30, 2024, the portfolio consists of 22 projects (of which 18 are IDA-financed) with net commitments of

[56] They include its Nationally Determined Contributions and its Long-term Strategy for Carbon Neutrality.

[57] References to future IDA21 volumes are indicative. Actual country allocations are determined annually at the beginning of each fiscal year, based on: (i) the total of IDA resources available for the FY; (ii) the number of IDA-eligible countries; (iii) the respective country's performance rating, GNI per capita, and population; and (iv) the performance and other allocation parameters of other IDA borrowers.

approximately US$1.79 billion. This includes US$113.5 million in Trust Funds, which are important complements to IDA financing, particularly for health and nutrition, and for strengthening public financial accountability and service delivery. The portfolio is relatively young with an average age of 3.4 years. The FY24 disbursement ratio is 17.7 percent (compared to 14.2 percent in FY23). Of the active projects, two have been rated "Moderately Unsatisfactory"[58] and all the rest have been rated "Satisfactory". The Bank expects to consider the full range of financing instruments to respond to Cambodia's development needs, along with a prioritized ASA program to inform and support financing operations. The Bank will continue to expand projects through additional financing or follow-on operations, where there is a track record of impact that can reach greater scale, strong continued government ownership (*e.g.,* road connectivity), and solid implementation track record (*e.g.,* education). Given Cambodia's financing needs, the Bank will continue to draw on the IDA Windows where possible, such as the IDA Regional Window for the planned regional transport connectivity project. Additionally, to support crisis preparedness, the Bank will explore with the RGC the possibility of incorporating the new Rapid Response Option[59] into the portfolio.

59. **IFC's total commitment exposure as of end June 2024 was US$174 million in long-term financing.** IFC's investment portfolio is concentrated in the financial sector, with 88 percent of the portfolio committed to local banks and microfinance institutions. The annual commitment volume reached an average of US$158 million in FY19-FY21. In FY21 specifically, IFC's own-account investments achieved record levels in response to the efforts to support SMEs during the pandemic. In FY24, IFC has also provided US$157 million in supply-chain financing to firms under its Global Trade Supply Financing Platform (as of June 2024). IFC also provides US$11 million through its advisory program, mainly in Manufacturing, Agribusiness and Services, Financial Institutions and in Public Private Partnerships. IFC will continue to build upon these advisory engagements through follow-on projects where relevant, with the ultimate aim of creating markets for private investment.

60. **MIGA's outstanding guarantee portfolio stood at US$339 million at the end of April 2024**. This includes the US$300 million guarantee to the National Bank of Canada covering the risk of expropriating mandatory reserves of NBC's local subsidiary Advanced Bank of Asia (ABA). The second guarantee, amounting to US$39 million, covers a non-shareholder loan from two international banks used to refinance a transmission project in the country. Building on this experience, MIGA is working with foreign investors to support similar projects in Cambodia. Leveraging its regional representatives, MIGA will collaborate with Bank and IFC to find opportunities to support cross-border investment in other strategic sectors of Cambodian economy.

61. **While RGC's fiduciary oversight capacity for financial and procurement management has significantly improved, continued effort is needed to strengthen country systems.** On Financial Management (FM), the 2021 Public Expenditure and Financial Accountability Assessment assesses the PFM environment to be satisfactory. Cambodia's budgeting, accounting classification, internal controls, and internal audit practices are in line with good practices, achieving an average score of 'C'. The RGC has adopted the International Public Sector Accounting Standards, and its auditing standards are in line with international standards. Notwithstanding, continued work is necessary to strengthen the FM control environment. The DPs are supporting the implementation of the PFM Reform Plan. This includes the Bank, which is providing technical assistance to implement reforms in critical areas such as budget execution and the control environment through the Financial Management Information System and investing in capacity building. Remaining challenges impacting WBG-financed operations include (1) complex project design contributing to insufficient FM capabilities within implementing agencies leading to heavy reliance

[58] Cambodia Sustainable Landscape and Ecotourism Project (P165344) and Water Supply and Sanitation Improvement Project (P163876).

[59] The Rapid Response Option was introduced in May 2024 as part of the new crisis toolkit. It would allow countries to rapidly reallocate a portion of existing financing for crisis response when needed.

on short term consultants; (2) the use of parallel Standard Operating Procedures for DP-financed projects, often leading to bottlenecks (*e.g.,* delayed approval of annual work plans and budgets); and (3) weaknesses in the control environment especially at the sub-national level that delay the timeliness and reliability of financial reporting for projects with decentralized implementation arrangements. Despite these challenges, all active IDA projects have maintained either Satisfactory or Moderately Satisfactory FM performance ratings. To strengthen FM performance, the Bank will support strengthening of FM staff capabilities within project management units to reduce the reliance on short-term consultants. It will seek opportunities to integrate FM processes with the country system. Furthermore, the Bank will closely monitor the counterpart's FM system, including at the subnational level, to help avoid delays in transaction processing, disbursement, and submission of financial reports to the Bank; and provide ongoing capacity training. Additionally, the Bank will carry out periodic risk-based FM in-depth reviews of projects to identify systemic weaknesses and mitigate the risks of potential misuse of project funds and assets.

62. **On procurement, the WB is supporting measures to address system weaknesses.** These include integrity issues, *ad hoc* and discretionary decisions not aligned with procurement policies and law, delays in procurement processing and approvals, limited capacity, understaffing, and inadequate contract management. To improve operational effectiveness, all Bank-financed activities use the STEP procurement planning and contract management system for targeted monitoring of high value procurement activities and awarded contracts; apply Hands-on Extended Implementation Support (HEIS) in projects with limited capacity and using advanced procurement methodologies and align the Standard Operating Procedures with the WB's procurement processes. To strengthen the country procurement system, the Bank is supporting procurement reforms and modernization with an ongoing assessment of the country procurement systems. In coordination with other DPs, the Bank is also supporting the development and implementation of e-Government Procurement system integrated with sustainable procurement features and monitoring indicators to enhance efficiency and transparency. The status and ongoing efforts to strengthen the fiduciary systems are elaborated in Annex 9.

63. **The implementation of the CPF will be monitored using the indicators identified for each CPF Objective, complemented by a results narrative.** The CPF results matrix (Annex 1) identifies the indicators to monitor results, incorporating as appropriate the new WBG scorecard indicators. Progress toward achieving these results will be reviewed during CPF implementation and at the end of the CPF period. At the project level, the Bank will monitor and provide implementation support on an ongoing basis. The Bank will also regularly carry out portfolio reviews, jointly with the RGC. The WBG is supporting, through various financing operations and ASAs, quality data collection and analysis by client counterparts to contribute to enhanced results management.

IV. MANAGING RISKS TO THE CPF PROGRAM

64. **The overall residual risk to achieving the proposed program objectives is considered Substantial.** Using the WBG Systematic Operations Risk-Rating Tool (SORT), risks to achieving the CPF objectives were determined to be the same since they were last assessed for the PLR. The four risk categories assessed as Substantial include political and governance, institutional capacity, fiduciary, and environment and social. Additionally, in the current uncertain global environment the program may be impacted by exogenous shocks. While the WBG will deploy resources to reduce these risks, they cannot be fully mitigated, as summarized in Table 3.

Table 3. Systematic Operations Risk-Rating Tool (SORT)

Risk Categories	Risk Rating	Description of Risks Assessed as High or Substantial, and Mitigation Measures
1. Political and governance	Substantial	Cambodia's governance quality has improved in terms of government effectiveness and the rule of law. However, its overall global standing remains low, and the complex political economy is unchanged, which affects project implementation (*e.g.,* land-related projects). Addressing these areas requires continued attention and behavioral changes over the long term. As such, the rating is assessed as Substantial.
2. Macroeconomic	Moderate	
3. Sector strategies and policies	Low	
4. Technical design of project/program	Moderate	
5. Institutional capacity for implementation and sustainability	Substantial	Institutional capacity has improved across many ministries, especially those with experience implementing Bank-financed projects. However, the expanding portfolio that includes new implementing agencies, complex design, and capacity issues exacerbated by counterpart staff turnover continue to pose challenges for the implementation and sustainability of activities. The Bank will continue to focus on appropriate project design that considers existing capacity and scaling-up interventions that yield results. It will keep working with RGC counterparts to monitor project implementation, provide necessary support, and deliver training. However, this risk cannot be fully mitigated given overall capacity challenges and the expected continuous changes of counterpart staff, and so it is assessed as Substantial.
6. Fiduciary	Substantial	While fiduciary capacity has been strengthened, weaknesses in FM and procurement remain, which may impact implementation of Bank-financed projects or lead to non-compliance of fiduciary requirements. These relate to (1) the control environment, (2) government implementation capacities, and (3) procurement and control management. A range of mitigation measures are being applied, including supporting fiduciary reforms, enhancing fiduciary systems and strengthening staff capacity. The fiduciary challenges and mitigation measures are elaborated in paragraphs 61 and 62 and Annex 9.
7. Environmental and social (E&S)	Substantial	Issues related to E&S capacity have been encountered, including limited capacity and experience in preparing E&S documentation; constrained monitoring, reporting, and adaptive management during project implementation; understaffing in PIUs on E&S risk management; lack of qualified E&S consultants in the market; and limited capacity and commitment of contractors for E&S management. To mitigate these issues, the Bank will continue to provide a range of hands-on training and implementation support; provide advice on safeguards, E&S commitment plans, and the establishment of E&S units; and build a roster of trained consultants. However, given the complexities of E&S risks, this risk is assessed as Substantial.
8. Stakeholders	Moderate	
9. Other (Current and future crises)	Substantial	Cambodia, like other countries in the world, faces exogenous risks related to global uncertainties (*e.g*., conflict, economic crisis, pandemic) and climate change-induced natural disasters that may cause its development to go off track. While the Bank may support the country's preparedness against crises, the risks to the CPF program cannot be fully mitigated. As such, this risk is assessed as Substantial.
OVERALL	**Substantial**	

ANNEX 1. CPF RESULTS MATRIX

High-level Outcome 1 (HLO 1) – *Improved Human Capital Outcomes*		
The HLO builds on the previous CPF and its focus on Foster Human Development, which prioritized access to quality early childhood services, education, and health services. This contributes to the WBG Scorecard Context Indicators related to No Learning Poverty, Healthier Lives, Inclusive, Equitable Water and Sanitation Services, and Digital Services.		
High-level Outcome Indicators 1. Human Capital Index (HCI) 2. Increased share of 5th graders meeting reading score benchmark 3. Percentage of people with access to basic drinking water, sanitation services, and hygiene (WBG Scorecard Indicator)	**Data source** 1. World Bank (https://data.worldbank.org/indicator/HD.HCI.OVRL?locations=KH) 2. Southeast Asia Primary Learning Metrics (SEA-PLM) 3. Sustainable Development Goal 6 on water and sanitation, Joint Monitoring Programme	**Current value**[60] 1. HCI overall: 0.49 (2020) 2. 11 percent (2019) 3. Access to safely managed water supply: 29 percent (2022); access to safely managed sanitation: 37 percent (2022)
High-level Outcome description **Rationale** Human capital outcomes remain low. The Bank's Human Capital Index (HCI) estimates that a child born in Cambodia will grow up to be only 49 percent as productive as s/he could be if s/he had enjoyed a full education, health, and nutrition. The COVID-19 pandemic further exacerbated this productivity gap. Health and education are central to the population's well-being and enabling sustainable and inclusive growth and development. In the public health sector, despite the country's progress toward Universal Health Coverage (UHC), and improvements in the quality of health services at primary and secondary care levels, access remains inadequate, and utilization of essential public health services by the poor is suboptimal. Water is considered to be at the core of equal opportunity in health and education, as there is a strong causal link between safe and reliable water supply and health.[61] At the global level, during 2019 alone, poor water, sanitation, and hygiene (WASH) conditions contributed to between 1.4 and 4.2 million deaths, and between 74 million and 204 million disability-adjusted life years due to diarrhea, acute respiratory infections, undernutrition, and soil-transmitted helminthiases.[62] Lack of access to WASH also affects optimal cognitive development, school attainment, labor productivity, and income over time. Continued attention is needed to improve safe water supply and sanitation services in Cambodia, where in 2022, only 29 percent of the population had access to safely managed water supply, and 37 percent had access to safely managed sanitation, both of which impacted people's health. Children in Cambodia are not off to a strong start. While poor child nutritional outcomes (the percentage of children stunted and the percentage underweight) declined, nearly 32 percent of under 5-year-olds were stunted in 2022. Enrollment in early childhood education has fallen, and foundational skills, which are first acquired in early childhood (0–5 years), remain low in Cambodia, with nearly 90 percent of Grade 5 students unable to read and comprehend age-appropriate text. Given that learning is cumulative, weak foundational skills make it difficult for young people to acquire more sophisticated skills, which subsequently limits Cambodia's economic growth options. The most pressing need for Cambodia is to step up efforts to strengthen foundational skills, while building on Cambodia's success in improving child health so that as children grow, they can grasp the more sophisticated skills that are required later in life. Greater access to quality basic education, which includes early childhood care and education through to the end of secondary education, will also enable women to engage more fully in the labor market. **WBG Engagement**		

[60] CPFs track the trajectories of HLO indicators but do not formulate target values.

[61] Zhang, Fan, and Christian Borja-Vega. 2024. "Water for Shared Prosperity." World Bank, Washington, DC. © World Bank.

[62] WHO 2023.

This HLO will be supported by the following CPF objectives: (1) Expand access to quality health, nutrition, and WASH services; and (2) Improve access to quality basic education.[63] In pursuing these objectives, inclusion will be emphasized, particularly for women and disadvantaged populations. Driving progress on these objectives will require attention to governance and the capacity of public institutions. In this regard, to build government capacity, systems, and processes in the sector, the PFM Reform Program PASA and its analysis of education expenditure will inform the support for key policy reforms and programs. In the health sector, the Bank is financing five ongoing operations to support the RGC's efforts to improve access to quality health and nutrition services, strengthen pandemic preparedness and response, and accelerate progress towards UHC. To support basic education (early childhood through secondary education), the Bank's engagement (one existing and one Additional Financing operation) in basic education contribute to curriculum reform, capacity development of teacher trainers and in-service teachers at all education levels; and improving target schools' ability to meet the minimum standards of school effectiveness, including effective classroom assessment, and the construction and renovation of classrooms for target schools.

Knowledge gaps

The ongoing Health Programmatic ASA and the Education ASA are deepening knowledge in these two sectors.

Associated SDGs

SDG 3 – Ensure healthy lives and promote well-being for all at all ages
SDG 4 – Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
SDG 5 – Achieve gender equality and empower all women and girls
SDG 6 – Ensure availability and sustainable management of water and sanitation for all

CPF Objective 1: Expand access to quality health, nutrition, and WASH services

This objective follows the previous CPF objective of "Expand access to quality health services". It directly contributes to the WBG Scorecard outcome areas of healthier lives (Outcome 3), and inclusive and equitable water and sanitation services (Outcome 6).

Intervention Logic

Rationale for the CPF objective and WBG engagement: RGC spending on health care is relatively low by international standards. Despite being a priority sector, the allocation to the Ministry of Health (MOH) declined from 8.6 percent of the total government budget in 2017, to 7 percent in 2020, before rising in 2021. Access to and quality of health services in Cambodia are sub-optimal; challenges in developing the skills and competencies of the health workforce, as well as gaps in infrastructure and availability of essential supplies, have undermined the quality of care in many public facilities. Deaths from non-communicable diseases (NCDs) are on the rise, and service delivery models are not yet in place for effective prevention and control. The growing burden of NCDs will require reorienting health systems to increasingly focus on preventive measures, while also scaling up screening and treatment services, and ensuring the availability of essential medicines for chronic conditions. Furthermore, inequities persist in health outcomes based on socioeconomic status and geographic areas, and between urban and rural populations. Despite improvements in child health, under-5 mortality and stunting both remain higher in rural areas and among boys, which limits their ability to lead healthy lives and learn in school. Clean water supply and quality sanitation services are key contributors to reducing the risks of diarrhea and other disease outbreaks. Overall, the health risks are increasing where uncollected waste leads to an increase in the pest population and disease outbreaks; open burning of waste and other polluting sources contributes to air pollution and related morbidity and mortality associated with respiratory illnesses and cardiovascular diseases. Also, the waste thrown in rivers causes water pollution that has long-term health impacts.

Lessons learned and new knowledge at the program level: The Bank's engagement will build on experiences gained in ongoing projects, including (a) the importance of project leadership and clear management arrangements; (b) paying more attention to improve the timeliness of fund flows, both between the MEF and MOH, and within the MOH; and (c) the government's commitment to ensure effective contract management and monitoring of civil works.

[63] Basic education includes early childhood education, primary education, and secondary education.

WBG ongoing and planned support for this CPF Objective: The Bank's support for Cambodia's efforts to attain Universal Health Coverage (UHC) has grown rapidly (between 2017 and 2023, the Bank's portfolio[64] has grown from one to six lending operations, with investments reaching over UA$600 million, including co-financing), with a strong track record of donor coordination and leveraged funding from the RGC and DPs. The Bank will continue supporting the health sector through investments in health workers and health programs. Ongoing finance operations supporting this objective are: Health Equity and Quality Improvement Project Phase 2 (H-EQIP II); Cambodia Nutrition Project (CNP) I and II; Strengthening Pre-Service Education System for Health Professionals Project; and Cambodia COVID-19 Emergency Response Project. The H-EQIP II is strengthening accountability, and check and balance mechanisms for public financing in health and social health protection schemes through the operationalization of the newly established National Payment Certification Agency; improving quality of care through rollout of the National Quality Enhancement Monitoring Program Phase II (NQEMP-2); addressing the rising NCD burden through scaling up screening and treatment services, such as for diabetes, hypertension, and cervical cancer; and investing in infrastructure and digital systems to strengthen supply-side readiness at primary and secondary care levels. To improve access to healthcare, investments are being made in digital development in health. H-EQIP II and CNP are contributing to the RGC's National Digital Health Strategy 2021–2030 by supporting the national scale-up of the Patient Management Registration System (PMRS) to strengthen population health information systems; insurance claims' management and verification; digital platforms for national quality improvement programs (NQEMP 2, Maternal and Child Health and Nutrition Scorecard); other tools such as the new Electronic Medical Record system,(being expanded to include gender-disaggregated data, and other key identity variables such as age, disability, indigenous status, and the services provided to GBV survivors); and the development of a pandemic management system. Additionally, Cambodia receives funding from the Global Pandemic Fund to improve Cambodia's health system preparedness for future pandemics. In water and sanitation, the existing project focuses on increasing access to water supply and sanitation services. The support is being scaled up through a follow-on project that is primarily implemented under this new CPF. This follow-on project will establish a framework for supporting the private sector in expanding water supply services.

Key risks and mitigation: While the RGC counterparts have a good track record in implementing donor-supported interventions, their institutional capacity for carrying out health reform remains limited, which may constrain the achievement of results. This risk will be mitigated by providing implementation support, working closely with the counterpart agency, and providing timely policy advice and technical assistance.

CPF Objective Indicators	**Supplementary Progress Indicators**	**WBG Program**
Objective Indicator 1.1: Number of people receiving quality health, nutrition, and population services (WBG scorecard indicator) [65] **Baseline:** 1.9 million (2024) **G** **Target**: 10.9 million (2027) *Source*: Cambodia Health Equity and Quality Improvement Project-Phase 2 (P173368) and Cambodia Nutrition Project (P162675) **Objective Indicator 1.2:** Percentage of hypertension cases managed by public health	**Progress Indicator 1.1:** Number of children under 2-years old who receive Growth Monitoring and Promotion **Baseline:** 1,000,000 **Target (2027-**cumulative): 2,300,000 *Source*: Cambodia Nutrition Project (P162675) – forthcoming project restructuring **Progress Indicator 1.2:** Total number of Health Equity Fund utilizations (outpatient and inpatient visits) **Baseline:** 3.2 million (2024) **Target**: 3.9 million (2027)	**Ongoing Financing:** **World Bank** • Cambodia Health Equity and Quality Improvement Project-Phase 2 (H-EQIP2) (P173368) – closes December 2027 • Cambodia Nutrition Project (P162675) – closes June 2026 • Cambodia Nutrition Project II (P177370) – closes June 2026

[64]The existing IDA-financed health portfolio has benefited from significant contributions from government and multiple DPs, including Australia's Department of Foreign Affairs and Trade (DFAT), the Development Bank of Germany (KfW), the Korea International Cooperation Agency (KOICA) and the Global Financing Facility (GFF), which has provided an opportunity for leveraging resources, and improving the efficiency of investments and dialogue.

[65] This indicator includes the number of children immunized, the number of women and children who received basic nutrition services, and the number of deliveries attended by skilled health personnel at public health facilities.

facilities according to the national protocol (Percentage) **Baseline:** 0 (2024) **Target:** 70 (2027) *Source*: Cambodia Health Equity and Quality Improvement Project-Phase 2 (P173368) **Objective Indicator 1.3:** Number of people provided with water, sanitation, and hygiene, of which percentage is safely managed[66] (WBG scorecard indicator) **Baseline**: **3,360** (3,230 water, of which are female 1,541; 130 sanitation, 65 of which are female) (2024) **Target**: **216,000** (159,000 water, 94,500 of which are female; 57,000 sanitation, 28,500 of which are female) (2029) **G** *Source:* Water Supply and Sanitation Improvement Project (P163876), Water Supply and Sanitation Acceleration Project (P178417)	*Source*: Cambodia Health Equity and Quality Improvement Project-Phase 2 (P173368) **Progress Indicator 1.3:** Number of health centers with a full Patient Management and Registration System introduced[67] B**aseline:** 179 (2024) **Target:** 700 (2027) Source: Cambodia Health Equity and Quality Improvement Project-Phase 2 (P173368)	• Strengthening Pre-Service Education System for Health Professionals Project (P169629) – closes June 2026 • Cambodia COVID-19 Emergency Project (P173815) – closes December 2024 • Water Supply and Sanitation Improvement Project (P163876) – closes December 2025 • Water Supply and Sanitation Acceleration Project (P178417) – closes December 2029 • Engaging Citizens to Improve Service Delivery Through Social Accountability (P172630) – closes December 2025 • Integration of Social Accountability into National and Subnational Systems Phase II (P178921) – closes December 2025 **Financing Pipeline:** **World Bank** • ~~FY25~~ Additional Financing to H-EQIP2 RETF (P181661) (FY25) **Ongoing ASA:** **World Bank** • Cambodia Health Sector Programmatic Advisory Services and Analytics II (P179080) (FY26) • Strengthening PFM & Public Sector Performance for Improved Public Service Delivery (P168407) (FY25)
CPF Objective 2: Improve access to quality basic education		

[66] The source operations already capture the number of people provided with access to safely managed water and improved sanitation in target areas so there is no percentage breakdown for 'safely managed'.

[67] Gender, age, and geographical location disaggregated data and gender-specific health data (e.g., GBV).

This objective expands on the previous CPF objective of "Expand access to quality early childhood services" with a deepened emphasis on basic education. It contributes to the WBG Scorecard outcome area of no learning poverty (Outcome 2).

Intervention Logic

Rationale for the CPF objective and WBG engagement: Closing human capital gaps will require improvements in quality and access to basic education (early childhood education through secondary education). Inadequate early childhood interventions, a shortage of effective teachers, and weak governance have resulted in substandard education quality and poor learning outcomes for children, with implications for their future capacity to attain higher education and skills critical for productivity and competitiveness. Enrollment in early childhood education fell by a fifth to 34 percent between 2017 and 2021. Public funding for preschools remains low, constraining the construction of public preschools, recruitment of teachers, and upgrading teacher quality. Outcomes continue to deteriorate for those who make it to secondary school. Students' performance in Khmer language and mathematics assessments is very weak, as evidenced in 2021 learning outcomes of Grade 6 students in Cambodia. Almost half of students (45 percent) were unable to meet the basic threshold in Khmer language, and 73 percent of students did not meet the basic math level. In the 2022 Program for International Student Assessment (PISA), only 8 percent and 12 percent of students, respectively, reached the minimum proficiency in reading and mathematics. Overall, Cambodian students' performance in reading, mathematics, and science is well below the average for other participating ASEAN countries. Cambodian students also have low secondary school completion rates due to high dropout rates resulting from financial and gender barriers.

Lessons learned and new knowledge at the program level: Following the 2019 PER recommendations to increase parents' engagement in improving student learning outcomes, enhance the quality of teaching, and reduce teachers' absence, effort has been made to strengthen teachers' accountability by engaging parents in improving student learning outcomes under school-based management pilots. However, challenges remain, and many public schools continue to experience limited accountability from teachers.

WBG ongoing and planned support for this CPF Objective: The Bank is supporting this objective through the Cambodia General Education Improvement Project (GEIP). The GEIP is supporting improvements in the qualifications of teacher trainers and in-service teachers in all sub-sectors; enabling target schools to meet the minimum standard for school effectiveness; implementing effective classroom assessments; and constructing and renovating climate resilient classrooms for targeted early childhood education, primary, and secondary schools. The Additional Financing for GEIP (FY24) will expand coverage of support and include a sub-component to revise and pilot a national curriculum for general education. The Bank's engagement in the sector will continue to be informed by key analytics, including a recently completed Public Finance Review that makes recommendations to improve quality of service delivery, including in the education sector through improvements in human resource management (teachers), the introduction of performance-based management, and strengthening accountability mechanisms to lay the groundwork for future reforms.

Key risks and mitigation: While the RGC counterparts, overall, have a good track record in implementing donor-supported interventions, the institutional capacity to carry out education reforms remains limited, which may constrain the achievement of results. This risk will be mitigated by providing implementation support to the counterpart agencies and providing timely policy advice and technical assistance.

CPF Objective Indicators	**Supplementary Progress Indicators**	**WBG Program**
Objective Indicator 2.1: Number of students supported with better education (benefiting from direct interventions to enhance learning; covering early childhood, primary, and secondary levels) (WBG scorecard indicator) **G** **Baseline**: 411,296 (202,423 of which are female) (2024) **Target**: 480,000 (242,600 of which are female) (2029)	**Progress Indicator 2.1**: Percentage of targeted schools that show a reduction in the gap between boys and girls in learning outcomes in core subjects (Percentage) **Baseline:** 29.55 (2024) **Target:** 50 (2027) *Source:* Cambodia General Education Improvement Project & Additional Financing (P174335/P181347)	**Ongoing Financing:** **World Bank** • Cambodia General Education Improvement Project (P174335)/Additional Financing (P181347) – closes November 2029 **Financing Pipeline:**

Source: Cambodia General Education Improvement Project & Additional Financing (P174335/P181347) **Objective Indicator 2.1**: Percentage of schools that show improvement in learning outcomes in core subjects (Percentage) **Baseline:** 47.12 (2024) **Target:** 60 (2029) *Source:* Cambodia General Education Improvement Project & Additional Financing (P174335/P181347)		**World Bank** • *Basic Education (Indicative)* **Ongoing ASA:** **World Bank** • Cambodia Education ASA (P500538) (FY25) • Strengthening PFM & Public Sector Performance for Improved Public Service Delivery (P168407) (FY25) • Gender Equality and Social Inclusion PASA (P178134) (FY26)
High-level Outcome 2 (HLO2) – Enhance competitiveness for *better jobs*		
HLO2 builds on the previous CPF Focus Area to Promote State Efficiency and Boost Private Sector Development, with greater emphasis on skills for the future economy, and competitiveness and diversification for better jobs. It also prioritizes building resilient infrastructure to enhance connectivity and considers the CCDR findings and recommendations on the need for climate-adapted infrastructure. This HLO contributes to the WBG Scorecard Context Indicators related to: Connected Communities; Sustainable Transport; Affordable, Reliable, and Sustainable Energy for All; Digital Connectivity; Digital Services; Gender Equality and Youth Inclusion; More and Better Jobs; and More Private Investment.		
High-level Outcome Indicators 1. Business Ready Score 2. Number of people that use a financial account, of which (percent) are women and youth (WBG Corporate Scorecard Indicator) 3. Share of Cambodians in medium- or high-skilled jobs 4. Percentage of people with access to reliable transport solutions all year-round (WBG Scorecard Indicator)	**Data source** 1. B-READY Report (forthcoming 2024) 2. Global Findex Database (World Bank) 3. Cambodia Socio-Economic Survey (CSES) 4. UN Sustainable Development Solutions Network	**Current value**[68] 1. Baseline (TBD)[69] 2. 3,856,666 people (2021); of which, 51.7 percent are female, and 19.4 percent are young adults (15–24) 3. 11 percent (2019/2020) 4. 70 percent (2023)[70]
High-level Outcome description ***Rationale:*** For Cambodia to achieve its aspirations of becoming a high-income country by 2050, the country needs to become more diversified and competitive, by moving out of low skill, low value outputs. One key constraint is the increasing shortage of skilled workers. As noted in the SCD2, skills shortages are a growing constraint in Cambodia's economic transition, the creation of more formal, higher-quality jobs. Due to skills constraints and social norms, women are at a disadvantage in accessing formal jobs. There has been little progress on overall upskilling, with the share of the workforce that has completed secondary education and/or been admitted to college standing at only 17 percent in 2019/20—a rate that is largely unchanged over the last five years. The enrollment rate in tertiary education (around 15 percent) remains lower than in neighboring countries. Also, equity in the sub-sector remains a concern (most of the enrolled students are from better-off		

[68] CPFs track the trajectories of HLO indicators but do not formulate target values.

[69] Baseline value will be added at PLR given that the B-Ready Report is expected to be published in late CY2024.

[70] Measured based on the Rural Access Index (RAI) of the proportion of the rural population that lives within 2 km of an all-season road.

households, which creates a high level of inequality). There has been progress in improving competitiveness with lowering firm costs (e.g., related to the cost of starting a business); the export basket has been shifting away from garments to more complex products (e.g., travel goods, electronics); and improvements have occurred in developing infrastructure, financial markets, and agricultural modernization. However, more efforts are needed in several areas to lay the foundation for regional trade, improve financial inclusion, and better support business development. The country still relies on low skill, low value-added manufacturing activities, and on a small number of export markets. Moreover, growth is primarily driven by capital accumulation funded by foreign direct investment. This concentration leaves Cambodia vulnerable to risks stemming from global megatrends such as increasing trade protectionism and automation. Thus, further progress on competitiveness and diversification into higher value-added activities will be necessary if Cambodia is to achieve its aim of becoming a high-income country.

WBG engagement: To complement investments in health and basic education, which are the foundations for a productive workforce, the Bank is providing financing to strengthen higher education and address skills' shortages. The Bank's engagement in higher education (one existing and one follow-on operation in FY25) supports equitable access to quality higher education by increasing the secondary education completion rates, revising the scholarship guidelines, constructing more classrooms, and implementing online or blended academic programs. The Bank is also supporting policy reforms to promote a more dynamic private sector environment (e.g., the regulatory framework for PPPs, SMEs, financial sector); providing financial sector support; and investing in infrastructure (e.g., road asset management and connectivity). Under this HLO, the Bank, IFC, and MIGA will, together, focus on making progress with PPPs and enabling private capital, where additional work is needed on the regulatory side and with institutional capacity. To systematically bring together the full force of support from the Bank, IFC, and MIGA, the three institutions will identify opportunities for their close coordination and collaboration, in particular infrastructure (e.g., energy, and transport).

Knowledge gaps*:* Per SCD2, there could be a more dynamic view of the labor market in Cambodia, in particular on labor mobility. Supporting the National Institute of Statistics and the National Employment Agency on this dimension is important, especially to understand the reasons for turnover in formal jobs, where firms express concerns over poaching reduces their incentive to invest in skills development. There is a need to carry out the Country Private Sector Development analysis to systematically analyze opportunities for private sector led growth and investment and find solutions to address the constraints to private sector investment. This may identify further areas for collaboration among the Bank, IFC, and MIGA.

SDGs associated:

SDG 7 – Ensure access to affordable, reliable, sustainable, and modern energy for all
SDG 8 – Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all
SDG 9 – Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation
SDG 10 – Reduce income inequality within and among countries
SDG 12 – Ensure sustainable consumption and production patterns
SDG 13 – Take urgent action to combat climate change and its impacts

CPF Objective 3: Improve the conditions for business dynamism

This objective is in line with the previous CPF objective of "Enhance financial sector development and foster private enterprises," which included access to finance. This objective contributes to the WBG Scorecard outcome area of more private investment (Outcome 15). In addition, it also focuses on upskilling the workforce.

Intervention Logic

Rationale for the CPF objective and WBG engagement: As noted in the SCD2, there has been little progress on the overall upskilling of the workforce, which has a negative impact on competitiveness. The enrollment rate for tertiary education in Cambodia (around 15 percent) remains lower than in neighboring countries, and equity is a concern as most of the enrolled students are from better-off households. Based on the National Census in 2019, 44.8 percent of enrolled students come from the top income quintile, while only 2.5 percent come from families that occupy the bottom income quintile. Measures are designed to improve tertiary educational quality and relevance for productive employment, while decreasing inequities. Despite recent progress, the costs of setting up and operating a business in Cambodia remain relatively high, and compliance with licensing requirements is a major burden. Weak enforcement of government regulations and commercial contracts is a major source of business uncertainty. These weaknesses in the business environment reduce labor productivity, inhibit the entry of new firms,

disincentivize higher quality investments, encourage informality, and tend to lead to inefficiencies in how resources are allocated across the economy. To improve the business environment, reforms are needed to (i) simplify and digitalize business services; (ii) streamline business licenses and establish an inventory of license requirements; (iii) support the implementation of an effective competition policy framework, including by identifying and eliminating restrictive regulations in key service industries; (iv) improve the enforcement of commercial contracts, including by taking steps to increase the efficiency of the court system; and v) strengthen the insolvency framework.

Lessons learned and new knowledge at the program level: Due to capacity constraints, introducing new concepts and approaches (e.g., application of standard accreditation criteria) has taken time. Providing adequate support upfront and carefully considering the project design is important. The DPF has proven to be an important instrument in promoting policy reforms to improve the business environment. In addition to focusing on policies, there is a need to keep in mind the institutional capacity to implement the policies.

WBG ongoing and planned support for this CPF Objective: The Bank is financing the Cambodia Higher Education Improvement Project (HEIP) and the follow-on Second HEIP project (planned for FY25). These projects are expected to (i) expand equitable access to higher education, (ii) improve the quality of selected academic programs in the fields of science, technology, engineering, and mathematics (STEM) to meet national and regional standards, and (iii) strengthen the governance systems of target higher education institutions (HEIs). Additionally, the new Cambodia Skills for Better Jobs Project (FY24) will help enhance the autonomy of institutions and strengthen partnerships with industry. Increasing the relevance of educational content and teaching tools will require building a digital education ecosystem, improving tertiary education, and making curricula more relevant for today's workplace by expanding engagement with the private sector to better align the higher education curriculum with future employment. The Bank's engagement in the higher education sector will continue to be informed by key analytics, in particular the higher education ASA, which has specific recommendations for improving sector governance to enhance access to, and increase the relevance of, higher education in Cambodia. Through the Cambodia Growth and Resilience DPF Series, the Bank is supporting the RGC in addressing firms' costs (e.g., for to start a business, insolvency framework); the regulatory framework for PPPs; and the regulatory framework for SMEs, complemented by related analytical work. The Enterprise Survey and the upcoming Business Ready report for Cambodia (expected in FY24), will provide a good basis to expand analytics on private sector and business environment constraints, and identify policy reforms for future policy engagements. IFC is expected to deepen and expand the work being done on PPPs, to support the first transaction for the Sihanoukville Logistics Complex. Additionally, IFC will draw on the advisory work from the previous CPF cycle on establishing sustainable rice value chains and continue exploring opportunities for bringing private investment into the sector. IFC will also continue to identify opportunities to enhance competitiveness in other agricultural value chains. In pursuing this objective, wherever there is an opportunity, the Bank will promote digital transformations (e.g., e-government, trade logistics).

Key risks and mitigation: While RGC counterparts have a good track record in implementing donor-supported interventions, the institutional capacity for carrying out reforms in higher education remains limited, which may constrain the achievement of results. This risk will be mitigated by providing implementation support to counterpart agencies and providing timely policy advice and technical assistance. On policy reforms to improve the private sector environment, given the complex political economy and institutional capacity in Cambodia, there are risks of slow implementation. In supporting key policy reforms and their implementation, the Bank may promote RGC ownership through ASAs and ongoing policy dialogue.

CPF Objective Indicators	**Supplementary Progress Indicators**	**WBG Program**
Objective Indicator 3.1: Millions of students supported with better education (WBG scorecard) **G** **Baseline**: 0 (2024) **Target:** 30,500 (12,200) (2029)[71]	**Progress Indicator 3.1**: Number of academic programs meeting national or regional program standards **Baseline**: 0 (2024) **Target** 20 (2029)	**Ongoing Financing:** **World Bank** • Cambodia Higher Education Improvement Project (P162971) – closes December 2025

[71] Through the Skills for Better Jobs Project (P179159), the project will support 5,500 trainees (of which 2,200 will be female) who will graduate from the project-supported training institutes.

Source: [5,500/2,200] Cambodia Skills for Better Jobs Project (P179159); [25,000/10,000] FY25 Second Higher Education Improvement Project (P180664) **Objective indicator 3.2**: Percentage of graduates from targeted HEIs securing employment within one year **Baseline:** 0 (2024) **Target**: 70 (2029) *Source*: FY25 Second Higher Education Improvement Project (P180664) **Objective Indicator 3.3:** New companies registered, annually, through the online business registration portal G **Baseline:** 7,459; of which 2,717 were female directors (2021) **Target:** 10,000; 4,000 of which are female directors (2025) *Source*: Second Cambodia Growth and Resilience Development Policy Financing (P180749)	*Source*: FY25 Second Higher Education Improvement Project (P180664) **Progress Indicator 3.3:** Number of beneficiary businesses supported by the Women Entrepreneurs Guarantee Scheme, the Tourism Recovery Co-Financing Scheme, and Portfolio Guarantee Schemes **Baseline:** 0 (2021) **Target:** 1,000 (2025), of which 400 are female-owned (2025) *Source*: Second Cambodia Growth and Resilience Development Policy Financing (P180749) **Progress Indicator 3.4**: Percentage of employers satisfied with the skills of the graduates of project-supported training programs **Baseline:** 0 (2024) **Target**: 75 percent (2027) *Source:* FY24 Cambodia Skills for Better Jobs Project (P179159)	• Cambodia Skills for Better Jobs Project (P179159) • FY24 Second Cambodia Growth and Resilience Development Policy Financing (P180749) **MIGA** • Ongoing guarantees in energy and financial sectors **Financing Pipeline:** **World Bank** • Second Higher Education Improvement Project (P180664) (FY25) **Ongoing ASA:** **World Bank** • Cambodia Education ASA (P500538) (FY25) • Strengthening PFM & Public Sector Performance for Improved Public Service Delivery (P168407) (FY25) • FY24 Macro Programmatic Advisory Services & Analytics PASA (P177340) – including Enterprise Survey and Business Ready **IFC** MARS Cambodia (607179) **Indicative ASA:** **World Bank** • Private sector PASA (FY25) • Cambodia Vision 2050 (CEM core analytic) (FY26) **World Bank/IFC/MIGA** • Country Private Sector Diagnostic 2.0
CPF Objective 4: Improve financial stability and inclusion		
This objective builds on the previous CPF objective to "Enhance financial sector development and foster private enterprises." This objective contributes to the WBG Scorecard outcome area of gender equality and inclusion (Outcomes 12).		

Intervention Logic

Rationale for the CPF objective and WBG engagement: In recent years, the RGC has made progress in reforming and modernizing the regulatory framework for the financial sector. This includes laws to develop the capital markets and strengthen financial sector regulation and supervision. However, high credit growth until 2022 and its concentration in the construction and real estate sectors have increased the risks of macro-financial instability. Continued support is needed to monitor and manage this risk. In addition, Cambodia continues to lag behind other structural peers on financial inclusion, which is important for poverty reduction and shared prosperity. As such, it is important for the WBG to continue its support to improve MSMEs' and women's access to finance. Moreover, in line with the CCDR recommendation, the WBG needs to explore and support emerging initiatives in green finance (e.g., green taxonomy, green bond/capital market, environmental, social, and governance [ESG] risk management in financing activities, and ESG and green financing reporting).

Lessons learned and new knowledge at the program level: There has been good coordination and collaboration between the Bank, IFC, and MIGA in reinforcing the RGC's effort to extend the terms of loans and increase the overall supply of credit for MSMEs. WBG interventions were timely in supporting MSMEs that were struggling in the wake of the COVID-19 pandemic by helping to meet their working capital needs.

WBG ongoing and planned support for this CPF Objective: Through the Cambodia Growth and Resilience DPF Series, the Bank is supporting the RGC in addressing financial sector reforms, and the Bank is continuing its PASA support on financial stability (including on climate-related risks), financial inclusion, and the non-banking sector. IFC is expected to continue supporting the strengthening of financial infrastructure, with the ultimate objective of facilitating access to finance for SMEs. IFC will also support initiatives to establish green financing infrastructure to crowd-in climate finance. The IMF has taken the lead in the financial stability dialogue with the National Bank of Cambodia (NBC), including on critical topics such as deposit insurance and bank resolution.

Key risks and mitigation: There is a risk of financial instability given the high levels of private sector credit, combined with increasing NPLs and interest rates. It will be important to closely monitor the situation, share emerging concerns with RGC counterparts, and be ready with options for response should the risk materialize.

CPF Objective Indicators	**Supplementary Progress Indicators**	**WBG Program**
Objective indicator 4.1: Value of SME financing facilitated (US$) (IFC) **Baseline**: US$1.1 billion (2024) **Target**: US$1.5 billion (2028) *Source*: Cambodia SME Finance (604143) **Objective indicator 4.2:** Value of green financing facilitated (US$) (IFC) **Baseline**: 0 (2022) **Target**: $20 million (2028) *Source:* IFC Cambodia Green Finance Project (606763) **Objective Indicator 4.3:** National Bank of Cambodia issued supervisory guidance on climate-related and environmental financial risk **Baseline:** No (2024) **Target:** Yes (2027)	**Progress Indicator 4.1:** Percentage of beneficiaries receiving social benefit payments into their general purpose transaction accounts **Baseline**: 0 (2021) **Target**: 10 (2025), with half of them being women *Source:* Second Cambodia Growth and Resilience Development Policy Financing (P180749)	**Ongoing Financing:** **World Bank** • FY24 Second Cambodia Growth and Resilience Development Policy Financing (P180749) **Ongoing IFC program** • ACLEDA Custodial (607236) • Cambodia SME Finance (604143) • Cambodia Green Finance (606763) • Cambodia Debt Resolution (601954) • Cambodia Derivatives (607530) **MIGA** • Ongoing guarantees in the energy and financial sectors **Ongoing ASA:** **World Bank** • Supporting Financial Stability and Inclusion in Cambodia Phase II (P506610)

Source: Supporting Financial Stability and Inclusion PASA (P177272) and Supporting Financial Stability and Inclusion in Cambodia Phase II (P506610) **Objective Indicator 4.4**: National Bank of Cambodia adopted a Crisis Management Framework Baseline: No (2024) Target: Yes (2027) Source: Supporting Financial Stability and Inclusion in Cambodia Phase II (P506610) *Note: The WBG scorecard measures millions of people and businesses using financial services, of which (percent) are women and youth. Work is ongoing to align indicators with the WBG scorecard indicator.		**IFC** • Insolvency and debt resolution reform (601954) • SME financing with FIs to increase lending to underserved SMEs (604143) • Green finance (606763) • Cambodia Derivatives (607530) • Responsible Finance/Financial Consumer Protection (606119, 607801) • Supply chain financing **Indicative ASA:** **World Bank** • Financial Sector PASA (FY25) • Cambodia Country Economic Memorandum (last prepared FY21) (FY26)

CPF Objective 5: Expand and improve infrastructure connectivity

This objective builds on the previous CPF objective to "Expand and improve sustainable infrastructure services", with an expanded scope to include engagement in the power sector, expected investment in regional transport connectivity, and analytical and advisory support on digital connectivity. This objective contributes to the WBG Scorecard outcome areas of connected communities (Outcome 8), affordable, reliable, and sustainable energy for all (Outcome 9), and digital services (Outcome 11).

Intervention Logic

Rationale for the CPF objective and WBG engagement: The SCD2 identifies boosting investment in infrastructure as the highest priority for economic growth and poverty reduction. The RGC has prioritized the development of infrastructure connectivity as one of its strategic objectives in the Pentagonal Strategy, Phase 1. The CCDR notes that flooding of roads in Cambodia has been shown to substantially increase travel time and cost, cutting off access to hospitals and schools, and causing critical delays in supply chains and freight transport. With trade and exports being a crucial growth engine of the economy, resilient domestic and regional transport connectivity, and more efficient logistics services are a precondition for ensuring Cambodia's economic competitiveness and diversification. Although Cambodia has rapidly expanded access to electricity, it has one of the highest electricity tariffs in the region, which acts as a constraint to growth. Major investments are needed to support power grid enhancement, reduce system losses and costs, absorb the planned scaling-up of variable renewable energy, and catalyze investments in distributed generation (i.e., rooftop solar) and energy-efficient technologies. The availability and quality of fixed and mobile broadband are among the lowest among ASEAN countries, with low and unequal penetration rates, slower speeds, and higher costs.

Lessons learned and new knowledge at the program level: Due to the large infrastructure financing gap, investments in infrastructure need to be well prioritized. As highlighted in the CCDR, there is a need to systematically integrate climate resilience measures in infrastructure design and construction. More attention is also needed to support the sustainability of investments, especially for post-construction maintenance and asset management systems. In addition, the SCD2 notes the need to ensure value for money in PPP projects through competitive transactions and greater capacity to manage PPPs' related fiscal risks.

WBG ongoing and planned support for this CPF Objective: The Bank is supporting climate resilient road connectivity through the Road Asset Management Project II (RAMP II), Road Connectivity Improvement Project (RCIP), and Southeast Asia Disaster Management 2 (SEADRM2) to reduce transportation costs and improve climate

resilient road accessibility to markets and social services. The Bank will scale up engagement in the transport sector focusing on Cambodia's regional connectivity with neighboring countries, trade facilitation with the potential to leverage financing from the Regional IDA Window, and coordination and partnering with other DPs. The RGC is also seeking Bank support in the energy sector, for which sector advisory and analytical work is ongoing to inform potential investment in the power grid to enable increasing variable renewable energy integration and clean power imports. This investment in the energy sector is expected to be part of the Regional Multiphase Programmatic Approach (MPA) Accelerating Sustainable Energy Transition, agreed to by the RGC. The Bank is closely coordinating its engagement with the ADB, which is one of the largest financing DPs in the energy sector. To identify opportunities to bring in private-sector financing and de-risk investments, the Bank, IFC, and MIGA will closely coordinate their efforts in the energy sector. IFC is expected to deepen and expand its work on PPPs to support the first transaction for the Sihanoukville Logistics Complex, as well as explore other potential renewable energy and distributed generation opportunities such as rooftop solar. The Bank is expected to provide advisory and policy support to improve the government's capacity to engage in PPPs, including managing risks related to fiscal commitments and contingent liabilities. IFC is carrying out analytical work to identify opportunities for accelerating digital connectivity and improving the digitalization of the public sector, which is building on its previous support to develop the RGC's 2021 digital economy and society policy framework.

Key risks and mitigation: While the Bank has ongoing engagement in the transport sector, it has not been engaged in the energy sector in recent years, and so has less country knowledge about this sector. This risk related to knowledge gaps will be managed through ASA work on power grid enhancement, and the regional power trade that will inform the scope and design of any future investment.

CPF Objective Indicators	**Supplementary Progress Indicators**	**WBG Program**
Objective Indicator 5.1: Number of people that benefit from improved access to sustainable transport infrastructure and services (Million) (WBG scorecard indicator) **Baseline**: 0 (2024) **Target**: 5,000,000 (2028) *Source:* Cambodia Road Asset Management Project II (P150572); Cambodia Road Connectivity Improvement Project (P169930). **Objective Indicator 5.2:** Renewable energy capacity enabled (GW) (WBG scorecard indicator) **Baseline:** 0 GW (2023) **Target:** TBD GW (2029) *Source*: Kampong Solar (42750); Grid Strengthening Project – Electricité du Cambodge (EDC) *Note: The WBG scorecard also measures millions of people provided with access to electricity. As the WBG support in the energy sector deepens, it is expected that this indicator will be integrated into the results matrix.	**Progress Indicator 5.1:** Value of financing facilitated (US$) **Baseline**: 0 (2023) **Target**: $40,000,000 (2027) *Source:* Sihanoukville Logistics Complex PPP (603265) **Progress Indicator 5.2**: Length of roads rehabilitated or reconstructed with climate resilience considerations. **Baseline:** 0 km (2023) **CC** **Target:** 650 km (2028) *Source:* Cambodia Road Connectivity Improvement Project (P169930); Southeast Asia Disaster Risk Management Project 2 (P177185) **Progress Indicator 5.3:** Length of transmission lines constructed/expanded/rehabilitated **Baseline:** 0 km (2023) **Target:** TBD *Source*: Cambodia Grid Strengthening Project (TBD)	**Ongoing Financing:** **World Bank** • Road Asset Management Project II (RAMPII) (P150572), and Additional Financing (P165249) – closes Dec 2026 • Road Connectivity Improvement Project (RCIP) (P169930), and Additional Financing (P181396) – closes May 2029 • Southeast Asia Disaster Risk Management Project 2 – closes Aug 2027 **IFC** • Kampong Solar (42750) • Sihanoukville Logistics Complex PPP (603265) **MIGA:** • Ongoing guarantees in the energy and financial sectors **Financing Pipeline:** **World Bank** • *Power Grid Investment (energy) [Indicative, FY26]*

		• *Regional Transport Connectivity (transport) [Indicative, FY25]* **Ongoing ASA:** **World Bank** • Power Grid Strengthening Study (FY25) • Interconnections and Power Trade Options with Lao PDR (P500502) (FY25) • Cambodia: Digital Transformation ASA (FY25)
High-level Outcome 3 (HLO3) – *Strengthened Resilience for Vulnerable Households*		
The HLO builds on the previous CPF and its Focus Area to Improve Agriculture and Strengthen Sustainable Use of Natural Resources, with an enhanced focus on protecting vulnerable households from economic and climate shocks. This contributes to the WBG Scorecard Context Indicators related to: Protection of the Poorest, the Green and Blue Planet and Resilient Populations, and Sustainable Food Systems.		
High-level Outcome Indicators	**Data source**	**Current value**[23]
1.Percentage of people covered by social protection and labor programs, of which (percent) are in the poorest quintile (WBG Corporate Scorecard Indicator) 2. Ranking on the Environmental Performance Index (EPI) 3. Ranking on the ND-GAIN Country Index	1. IDPoor Database 2. Environmental Performance Index Report (Yale Center for Environmental Law and Policy) 3. Notre Dame Global Adaptation Initiative (ND-GAIN)	1. 16 percent (2022)[72] 2. 154th (2022) 3. 40.1 (2021)
High-Level Outcome description ***Rationale:*** The SCD2 identifies livability and resilience as core for Cambodia's future development. The RGC's Pentagonal Strategy also prioritizes resilient, sustainable, and inclusive development. This HLO focuses on protecting the human capital gains made in Cambodia and increasing the resilience of poor and vulnerable groups. There is need to enhance the economic buffers and protect poor and vulnerable Cambodians, who largely rely on natural resources for their livelihood and income, and they are disproportionately affected by shocks. Additionally, Cambodia has a deteriorating natural environment that is worsening the impact of climate change and affecting livability. Reduction in forest cover and wetlands are exacerbating flooding, drought, and heat, while urbanization is increasing the stress on natural resources (e.g., due to water supply, pollution, solid waste). Cambodians are highly exposed to exogenous shocks related to the climate, economy, and health, and all citizens, and especially the most vulnerable require greater protection. On the climate front, Cambodians are vulnerable to the impact of natural disasters *(*e.g., flooding, drought) and increasing heat stress. Rural farming households, in particular smallholder farmers, are especially vulnerable as they predominantly rely on the natural environment for their livelihood and income. On the economic front, with the overlapping crises around the world, there are risks of an increase in food and fuel prices, similar to what was experienced in the first year of Russia's invasion of Ukraine. Such increases have a greater impact on poor and vulnerable groups, as they have limited economic buffers. On the health front, Cambodia has one of the highest out-of-pocket costs; those who are poor struggle with health costs while those on the margins of being poor may fall back into poverty due to chronic ill health or a catastrophic health event. The RGC developed and approved a shock responsive social protection (SRSP) framework during the COVID-19 pandemic, which once it is fully operationalized, will improve protection of the most vulnerable.		

[72] The data source is from the IDPoor database and accounts for Cash Transfers and the Health Equity Fund beneficiaries, but only for households that are classified as IDPoor 1 and IDPoor 2. The WBG team will explore whether data from the subsequent round of the Cambodia Socio Economic Survey (CSES), scheduled for January 2025, will be available to include all social protection and labor coverage for the poorest quintile.

WBG engagement: Under this HLO, the Bank proposes to focus on enhancing the protection of households from shocks by improving their livelihoods (e.g., in agriculture particularly for the rural poor), and reducing their exposure to environmental degradation. These objectives build on ongoing support under the CPF for FY2019–24. To improve rural households' livelihoods and resilience, IFC will continue to explore opportunities for developing sustainable agriculture.

Knowledge gaps: The Poverty Assessment PASA to be delivered in FY24 is expected to deepen knowledge about the circumstances of poor and vulnerable households and determine how best to reach them to strengthen their resilience and livelihoods.

SDGs associated:

- SDG 1 – End poverty in all its forms everywhere
- SDG 2 – End hunger, achieve food security and improved nutrition, and promote sustainable agriculture
- SDG 6 – Ensure availability and sustainable management of water and sanitation for all
- SDG 13 – Take urgent action to combat climate change and its impacts
- SDG 15 – Protect, restore, and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and biodiversity loss

CPF Objective 6: Protect households from shocks and improve their livelihoods

This is a new CPF objective that aims to strengthen the resilience of poor and vulnerable households to withstand the impact of shocks (e.g., climate, economic, health). This objective is being introduced to address the more frequent and overlapping crises, where the poor and vulnerable are disproportionately affected, as recently experienced with the COVID-19 pandemic. The Bank has supported the RGC's efforts to establish a formal social protection framework, which was previously lacking during the CPF FY19–24. The Bank has also supported sustainable livelihoods through improved land and water management. This objective contributes to the WBG Scorecard outcome areas of protection for the poorest (outcome 1), Green and Blue Planet and resilient populations (outcome 5), sustainable food systems (outcome 7), and gender equality and youth inclusion (outcome 12).

Intervention Logic

Rationale for the CPF objective and WBG engagement: Cambodia needs to be prepared to mitigate the impact of shocks that may slow or reverse the country's development trajectory and poverty reduction. The SCD2 has elevated the priority of protecting households from shocks, which may be related to climate change, the economy, or health. The RGC's Pentagonal Strategy, Phase I prioritizes strengthened resilience, and inclusive and sustainable development, of which agriculture, rural development, and readiness to respond to climate change are identified as important. According to the 2022 Cambodia Poverty Assessment, an estimated 15 percent of Cambodia's population is defined as 'near poor', and at risk of falling back into poverty due to economic shocks, natural disasters, and environmental degradation. Smallholder farmers and rural communities, which are a disproportionate share of the poor, are particularly at risk. Climate and price shocks exacerbate their vulnerability and threaten their livelihoods and incomes since they rely heavily on uncertain weather conditions and volatile markets. Despite high climate risks, only a few farmers currently apply improved/modern climate-smart technologies and practices due to their limited access to improved technologies, capital, and technical know-how. Moreover, only moderate progress has been made in linking poor farmers and rural households to markets. Poor households also struggle with health costs, and they are vulnerable to associated income shocks in Cambodia, where out-of-pocket (OOP) spending as a share of total health expenditures remains among the highest in the world. A robust social protection system, and particularly one that ensures the inclusion and resilience for the poor and vulnerable, is needed to prevent a reversal of poverty reduction. The COVID-19 pandemic catalyzed the RGC to establish the SRSP framework, and to expand coverage of the IDPoor database, which serves as a registry to determine eligibility for social assistance. In 2020, the RGC modified IDPoor to allow ongoing, on-demand enrollment, and in 2022 IDPoor expanded its coverage to include at-risk households. In 2020, the RGC launched an emergency assistance program to deliver monthly cash payments to registered IDPoor households to mitigate the welfare impact of the COVID-19 pandemic. Additionally, in 2022, the country responded to an inflation crisis and floods, by creating two temporary cash transfer programs—one for each shock. These responses were implemented by leveraging existing institutional arrangements and governance structures, but without a formal SRSP framework in place. The Bank has supported efforts to approve the SRSP framework and expand IDPoor coverage through the Recovery and Resilience DPF in 2021, the Growth and Resilience DPF in 2022, and through ASAs. There is a need to continue supporting the RGC in strengthening its nascent social protection system, strengthening resilience to shocks by enhancing economic buffers, and improving disaster risk management due to Cambodia's increasing vulnerability to floods, droughts, and high temperatures.

Lessons learned and new knowledge at the program level: The DPFs and ASAs effectively enabled social transfers to be made during and after the pandemic, while maintaining government expenditures on health and education. The DPFs and ASAs also supported policy reforms that, in future, will improve social protection coverage and responsiveness to shocks. In providing support to improve livelihood opportunities for the rural poor and vulnerable, and thus enhance their economic buffers against shocks, the engagement of communities has been important. There is a need for time to build institutional capacity at the local level to implement project activities.

WBG ongoing and planned support for this CPF Objective: The Bank is focusing on strengthening the resilience of poor and vulnerable households that are disproportionately affected by crises and shocks. It has done so by supporting the RGC's emergency-assistance program through the DPF, and by contributing to the development of a robust social protection system through the DPF and ASAs. The Bank is also supporting livelihood opportunities to expand economic buffers for the poor and vulnerable through ongoing financing operations, including the Cambodia Agricultural Sector Diversification Project (CASDP), Land Allocation for Social and Economic Development Project III (LASED III), and Cambodia Sustainable Livelihood for Indigenous Communities Project (JSDF-CSLICP). CASDP is supporting agricultural diversification and strengthening value chains, and it is also financing complementary infrastructure investments (e.g., irrigation systems, market access, roads), and institutional capacity building covering food safety, and agricultural information systems. LASEDIII, and the associated JSDF-CSLICP, are supporting the implementation of Cambodia's Social Land Concession (SLC) program to enhance equitable growth by distributing land to poor, landless Cambodians. To establish and strengthen agriculture-based livelihoods that increase incomes and foster social and economic stability, LASEDIII is also building complementary infrastructure and strengthening other essential supporting services (e.g., agriculture extension, health, and education services, climate-smart agricultural technologies). In case of an eligible crisis or emergency, the Bank is incorporating provisions for contingent emergency response in IPF operations, introducing the RRO, and also supporting improvements in disaster risk management. IFC will continue to explore opportunities in sustainable agriculture to improve household livelihoods and resilience.

Key risks and mitigation: Key risks faced in introducing vulnerable households to new mitigation measures to protect them from shocks are both technical and economic. Technical solutions to address climate change impacts might be only partially suitable for direct adoption by smallholders who are the most at risk, and there is also resistance to changes in production. Simple solutions and behavioral change support need to go hand in hand. In addition, adaptation costs money (investments), which many stakeholders cannot afford in the current difficult economic environment that also affect required public and private investments. This might call also for more programmatic support and results-based financing for the RGC.

CPF Objective Indicators	**Supplementary Progress Indicators**	**WBG Program**
Objective Indicator 6.1: Number of people with enhanced resilience to climate risks (social protection, enhanced livelihoods, and adapted agriculture production systems) (WBG scorecard) **Baseline**: 0 (2024) **Target**: 1 million (2029) *Source*: Cambodia Southeast Asia DRM Project II (P177185); Cambodia Road Connectivity Improvement (P169930); and DPF2 (P180749) **Objective Indicator 6.2:** Number of poor and vulnerable households eligible for emergency social assistance following eligible flood and drought events **Baseline**: 0 (2022)	**Progress Indicator 6.1:** Number of farmers reached (direct and indirect) (of which are women) – IFC **Baseline:** 0 (2023) **Target:** 2500 (500) (2026) *Source:* MARS Cambodia Sustainable Rice (607179) **Progress Indicator 6.2:** Number of farmers reached with agriculture assets and services. (Links to the WBG scorecard – millions of people with strengthened food and nutrition security) **Baseline:** 5,000 (2020) **Target:** 14,000 (2029) *Source:* Land Allocation for Social and Economic Development Project III (P171331); Cambodia Inclusive Livestock Value Chains and One Health Project (P180535)	**Ongoing Financing:** **World Bank** • Cambodia Southeast Asia DRM Project II (P177185) – closes Aug 2027 • Cambodia Agricultural Sector Diversification project (CASDP) – closes Jan 2025 • Cambodia Sustainable Livelihood for Indigenous Communities Project (CSLIP) (P174951) – closes Jan 2025 (RETF) • FY24 Second Cambodia Growth and Resilience Development Policy Financing (P180749)

Target: 1,060,000 households, of which 550,000 are female-headed households (2025) **G** *Source*: Second Cambodia Growth and Resilience Development Policy Financing (P180749)	**Progress Indicator 6.3:** Number of productive partnerships formed between farmer groups and agro-businesses (SMEs). **Baseline:** 0 (2024) **Target:** 10 (2029) *Source:* Cambodia Inclusive Livestock Value Chains and One Health Project (P180535)	• Land Allocation for Social and Economic Development Project III (LASED III) – closes Dec 2026 **Financing Pipeline:** **World Bank** • Cambodia Inclusive Livestock Value Chains and One Health Project (RETF) (P180535) (FY25) **Ongoing ASA:** **World Bank** • Poverty PASA (FY24) • Protecting from shocks and promoting inclusion: SP in Cambodia after COVID-19 (P500905) (FY25) **IFC** • MARS Cambodia Sustainable Rice (607179)

***CPF* Objective 7: Reduce exposure to environmental degradation and climate change**

This objective builds on ongoing support to strengthen management of water and land use (Objective 7, CPF for FY19–24). It contributes to the WBG Scorecard outcome areas of Green and Blue Planet and resilient populations (outcome 5), and gender equality and youth inclusion (outcome 12).

Intervention Logic

Rationale for the CPF objective and WBG engagement: Cambodia's current use of natural resources is not sustainable, and it is increasing the country's vulnerability to climate change impacts—flooding, droughts, and increased exposure to heat stress. As noted in the CCDR, deforestation and the loss of wetlands are negatively affecting valuable ecosystem services and are exacerbating the impacts of climate change in Cambodia. The country has experienced one of the world's most rapid rates of deforestation over the past two decades, and it remains the highest among peer countries such as Viet Nam and Thailand.[73] Deforestation and biodiversity loss are increasing land degradation, and agricultural land fertility loss through greater erosion. Land use change and forest loss have been the leading cause of rising GHGemissions, followed by agriculture, which requires more sustainable management of agricultural land resources, and especially rice and livestock production. Policies, incentives, and investments will need to be better aligned with the overall vision articulated in the Pentagonal Strategy. With the loss of almost 45 percent of its natural wetland areas, Cambodia faces not only a loss of biodiversity but also increased exposure to floods, droughts, and wildfires. Moreover, such loss impacts the livelihoods of communities where wetlands are important sources of food and water. In addition, other natural resources are being depleted (e.g., fish), and pollution from urbanization is rising (e.g., of the air and water), and accompanied by increasing risks of heat stress. Climate change is exposing people to more extreme weather events—more frequent and heavy flooding, more severe droughts, and hot temperatures. Flooding has also resulted in severe damage to houses, agricultural lands, and infrastructure (e.g., roads, bridges). Flood and drought events have been especially devastating for agriculture, with total damages and loss in agriculture between 2006 and 2019 exceeding $1 billion. Drought and floods disproportionately impact poor subsistence farmers, and small landholders. Drought is putting pressure on water security and triggering the competing demands of various users (agriculture, environment, industry, household use). The Tonle Sap and Mekong

[73] Sachs et al., 2022.

River Basins, the most densely populated areas of the country, are particularly susceptible to water shortages. As a result of economic growth and urbanization, the generation of solid waste, including plastics, has been increasing. Although Cambodia has significantly strengthened its water resource management laws and international climate change commitments, these policy actions have yet to significantly improve outcomes. The RGC's Pentagonal Strategy aims to enhance resilience to climate change.

Lessons learned and new knowledge at the program level: Strengthening natural resources management requires ownership, good communication, and strong collaboration among key stakeholders within the government, as experienced in the ongoing implementation of the Cambodia Sustainable Landscape and Ecotourism Project. Interventions involving land and natural resources management will take considerable time, given Cambodia's complex political economy.

WBG ongoing and planned support to this CPF Objective: Ongoing financing operations supporting this objective include the Cambodia Sustainable Landscape and Ecotourism Project (CSLEP), the Cambodia Solid Waste and Plastic Management Improvement Project, and Land Allocation for Social and Economic Development Project (LASEDIII). The FY24 Cambodia Water Security Improvement Project (WSIP) will address key water security objectives while supporting the adoption of climate-smart technologies and practices in irrigated agriculture. The Cambodia Inclusive Livestock Value Chains Project (P180535) will support livestock owners' uptake of productivity enhancing resilient and low carbon technologies. Also, support for strengthening governance and institutions is being integrated into these projects. In CSLEP, there is a strong focus on community engagement. In the new WSIP, funding is being provided to improve government systems for data collection, analysis, and dissemination, which is intended to guide water resource management, including flood and drought management at the national and local levels. DPs' support in addressing environmental and natural resources management and biodiversity issues is mostly technical assistance. On water resources management—excluding water supply and sanitation but including irrigation and flood management—the Bank is complementing the investment financing largely coming from the ADB, Japan, and the Republic of Korea. While other DPs are financing initiatives to address sewage management, solid waste, and plastics, the Bank is providing one of the larger financing support focused on improving solid waste and plastic.

Key risks and mitigation: The political economy concerning natural resources management is complex. Drawing on the Bank's experience in addressing implementation delays concerning land issues in CSLEP, it is important to closely follow implementation progress, be aware of the changing political economy, and adjust implementation as needed.

CPF Objective Indicators	**Supplementary Progress Indicators**	**WBG Program**
Objective Indicator 7.1: Protected areas under improved management (Hectare ([Ha]) (links to WBG scorecard – millions of hectares of terrestrial and aquatic areas under enhanced conservation and management) **Baseline**: 0 (2019) CC **Target:** 2,064,431 (2026) *Source*: Cambodia Sustainable Landscape and Ecotourism Project (P165344) **Objective Indicator 7.2**: Proportion of the population in selected areas with regular household waste collection (percentage) **Baseline**: 45 percent (2023) **Target**: 75 percent (2029)	**Progress Indicator 7.1**: Number of climate-informed River Basin Management Plans for selected basins prepared and endorsed **Baseline**: 0 [2024] CC **Target**: 1 [2027] *Source*: Cambodia Water Security Improvement Project (P176615) **Progress Indicator 7.2**: Land area where sustainable land management practices have been adopted (Hectare [Ha]) **Baseline**: 7,104 [2024] CC **Target**: 9,350 [2027] *Source*: Land Allocation for Social and Economic Development Project III (P171331) and IFC MARS Cambodia Sustainable Rice	**Ongoing Financing:** **World Bank** • Cambodia Sustainable Landscape and Ecotourism Project (P165344) – closes Dec 2025 (to be restructured and closing date extended) • Cambodia: Solid Waste and Plastic Management Improvement Project (P170976) – closes April 2029 • Land Allocation for Social and Economic Development Project III (P171331) • FY24 Cambodia Water Security Improvement Project (P176615) **Financing Pipeline:**

Source: Cambodia: Solid Waste and Plastic Management Improvement Project (P170976) **Objective Indicator 7.3**: Number of people with enhanced resilience to climate risks (water security) (WBG scorecard) **Baseline**: 0 (2024) **Target**: 130,000 (2029) Source: FY24 Cambodia Water Security Improvement Project (P176615) **Objective Indicator 7.4:** National Green Finance Taxonomy adopted **Baseline**: 0 (2023) **Target**: 1 (2027) *Source*: Cambodia Green Finance (606763)		**World Bank** • Cambodia Inclusive Livestock Value Chains Project (P180535) (FY25) **Ongoing ASA:** **World Bank** • Improving forest policy and air pollution management in Cambodia (FY26) (P502623) **IFC** • MARS Cambodia Sustainable Rice • Cambodia Green Finance (606763)

G Gender related indicators

CC Climate change related indicators

ANNEX 2. COMPLETION AND LEARNING REVIEW OF CAMBODIA CPF FY2019-FY2024

Cambodia: Completion and Learning Review of the Country Partnership Framework FY19–FY24

Date of CPF Board Discussion: May 30, 2019 (Report No. 136500-KH) **Date of CPF Performance and Learning Review:** July 20, 2022 (Report No. 169297-KH) **Period Covered by the Completion and Learning Review:** FY2019-FY2024

I. INTRODUCTION

1. This Completion and Learning Review (CLR) assesses the development outcomes and performance of the World Bank Group's (WBG) Country Partnership Framework (CPF) for Cambodia for the period FY19-FY23. The CPF covered three focus areas: (1) promote state efficiency and boost private sector development; (2) foster human development; and (3) improve agriculture and strengthen sustainable use of natural resources. It also identified a cross-cutting theme of strengthening governance, institutions, and citizen engagement. The Performance and Learning Review (PLR) (2022) confirmed the continued relevance of the CPF. It extended the time frame by one year to FY24 so the new CPF would align with the new Royal Government of Cambodia (RGC) strategy and to give additional time to achieve results given project implementation delays due to the COVID-19 pandemic.

2. At the time the CPF was prepared Cambodia had experienced more than two decades of steady growth and poverty reduction. The key drivers were: (1) strong Foreign Direct Investment (FDI)-driven growth in the garment sector taking advantage of Cambodia's access to the European and US markets and its supply of low-wage unskilled labor; (2) a growing tourism sector; and (3) foreign investment in Cambodian real estate. The 2017 Systematic Country Diagnostic (SCD1) questioned the sustainability of this approach, with rising wage levels in Cambodia and competition from other low wage economies. There was a consensus that, while the model could continue to provide growth and poverty reduction for another 5 to 10 years, Cambodia needed to upgrade the skills and health of its labor force and improve its infrastructure and logistics to achieve sustainable growth over the longer term. Agriculture was another area that could potentially achieve increased returns given the heavy dependence on rice cultivation with yields below regional comparators, and considerable scope for diversification. Drawing on the analysis of the SCD1, the CPF was designed to help the authorities address the priorities for sustained long term growth and poverty reduction.

3. The economic shock caused by COVID-19 was severe, pushing Cambodia into its first recession in 25 years. The pandemic's impact was propagated through falling global demand, supply chain disruptions, and nationwide lockdowns. GDP[74] growth dropped sharply from 7.9 percent in 2019 to -3.6 percent in 2020 and 3.1 percent in 2021. Simulations indicate that the economic contraction reversed two years of Cambodia's poverty reduction progress, increasing the poverty rate by 2.8 percentage points and pushing around 500,000 individuals into poverty in 2020. The RGC used its substantial fiscal buffers and modest public debt to respond to the pandemic shock, increasing spending by 2.6 percent of GDP in 2020. After shifting to "living with COVID-19" in late 2021, the economy gradually recovered. Real GDP grew at 5.1 percent in 2022 and is estimated to have grown at about the same rate in 2023. The recovery was initially led by export-oriented manufacturing and then

[74] Real GDP growth rates, according to the newly rebased GDP estimates (2014 base year) introduced by the Cambodian authorities in May 2024.

by the services sector with the return of foreign tourists. In 2024, economic growth is projected to accelerate to 5.8 percent, driven mainly by a continued revival of services and goods exports.

4. The CLR rates the CPF's development outcomes as Moderately Satisfactory. The pandemic slowed the achievement of some development outcomes. Of necessity, the RGC shifted its focus during the pandemic to respond to short-term demands, from addressing longer-term structural measures. The longer-term impact of the pandemic was somewhat underestimated in the PLR. Even with the extension of the CPF period, outcomes in key sectors such as water supply and sanitation, land management and early childhood services did not meet the revised targets and are still too early to demonstrate results. There were, however, substantial achievements and positive outcomes in other areas including through support for the financial sector, public financial management, resilient rural roads and road maintenance, health and nutrition outcomes, secondary & tertiary education, agriculture and water management, social transfers, and the social accountability framework.

5. The CLR rates WBG's performance in design and implementation as Good. The program was aligned with the RGC's longer-term priorities such as developing Cambodia's human resources and protecting its natural resources, enhancing public service delivery and promoting private sector development, and improving governance. The program was appropriately selective in the context of substantial development partner (DP) support for Cambodia. Infrastructure support focused on resilience of the road network, land and water management, while leaving financial support in areas such as energy and urban development to ADB and JICA, who had a track record of sustained engagement in these areas. The World Bank (WB) adapted its program to help the RGC protect the poor from the economic impact of the pandemic, especially in creating the foundations of an effective social welfare mechanism. The International Finance Corporation (IFC) also reacted swiftly to provide credit to key Financial Institutions (FIs) to provide pandemic relief to small and medium enterprises (SMEs), while continuing to support the building blocks for a stronger financial sector. Multilateral Investment Guarantee Agency (MIGA) guarantees also supported improved access to finance for SMEs, including women-led businesses, at a time of increased pressure due to the pandemic. Although not foreseen at the beginning of the CPF period, the WB launched a series of Development Policy Financing (DPF) operations to bolster the RGC's ability to respond to the pandemic while promoting better public sector management, private sector development, and fiscal, social, and environmental resilience. In addition to these operational programs, Advisory Services and Analytics (ASAs) played a valuable role both in underpinning the programs, and in many instances assisting the RGC to tailor the programs to better meet the agreed CPF objectives.

II. PROGRESS TOWARDS CPF DEVELOPMENT OUTCOMES

6. Progress toward achievement of development outcomes has been slower than projected in the CPF. Of the eight objectives, two are rated as fully achieved, five are rated as mostly achieved, and only one as partially achieved[75] (See Annex 1 and 2).

Focus Area 1: Promote State Efficiency and Boost Private Sector Development

7. Objective 1 – Enhance financial sector development and foster private enterprise is rated as mostly achieved. Of the seven indicators linked to this objective, six were achieved and one was mostly achieved. The WB focused on reinforcing the RGC's efforts to enable micro, small, and medium enterprises (MSMEs) to survive the pandemic by extending the terms of loans and increasing the overall supply of credit to the private sector. This support was critical at that time and has been effective—

[75] Based on most recent achievements by June 28, 2024.

with relevant indicator targets being met[76]. The broader objective of financial sector deepening was partially met. The RGC bond was issued and there was progress on secured transactions and collateral registry. IFC's advisory engagements in strengthening the financial infrastructure helped establish steps towards enhancing financial access. However, the Investment Project Financing (IPF) support for the payments system was dropped when the National Bank of Cambodia (NBC) opted to use an alternative approach, though Technical Assistance on payments systems was provided to the NBC.

8. IFC's engagement in the financial sector during the CPF period helped to strengthen financial infrastructure and expand access to credit for firms under stress. Under the IFC Fast-Track COVID Facility, IFC provided direct support for access to finance to SMEs to address the significant financing gap during the pandemic. Besides direct support, IFC has been working on sector-level change through advisory work to RGC and industry stakeholders in establishing best practices and regulatory changes. These changes are important building blocks in creating the financial infrastructure that helps expand financial access. IFC supported the establishment of the first commercial mediation/debt resolution center with the National Commercial Arbitration Center to help reduce time and cost of resolving debts for firms. Advisory work on expansion of the credit bureau resulted in the introduction of a commercial credit reporting system in July 2019 that has helped expand the number of individuals and businesses covered by credit reporting service providers to 7.9 million in 2020 from 5.7 million in 2016. IFC projects have also helped create and deepen movable asset-linked lending that helped expand access to finance for SMEs. One of the outcomes of this advisory work with the NBC was the formal adoption of a Five-Year National Financial Inclusion Strategy in 2019, which makes movables finance a core action in increasing access to credit for MSMEs. Since project inception in 2020, over 20,000 SMEs were granted credit secured by movable assets and value of movable financing facilitated was close to US$700 million. IFC's engagement also helped catalyze the development of collateral management companies and supply chain finance e-platforms in the Cambodian market, which is particularly important for the agricultural sector. As a result of this work, four new firms (two international and two domestic) have set up collateral management services in the country and four FIs introduced movable asset-based lending products for their clients. Finally, IFC helped facilitate close to US$53 million in investment financing to SME investees thereby strengthening risk capital sources in Cambodia.

9. IFC's program is also contributing to the introduction of best practices in responsible and green finance. Ongoing work with NBC is helping develop and issue a general Regulation on Financial Consumer Protection (FCP) and increase the supervisory capacity for FCP. The project is helping leading FIs to embed responsible finance (RF) products in their lending—thereby creating a demonstration effect for the larger industry. As an example, IFC's firm-level advisory work has helped Hatta Bank, the 5th largest bank in Cambodia, adopt an RF policy and apply for the industry standard on RF–the Social Performance Task Force (SPTF) Certification. IFC is providing support to NBC and other FIs to draft a green taxonomy and Environmental, Social and Governance risk management systems. IFC has also commenced work on supporting a market for thematic green and sustainability-linked bonds, and on helping deepen a local currency financing market through derivative products.

10. MIGA's program in the financial sector is contributing to private sector growth and financial inclusion. The Agency issued a guarantee to National Bank of Canada covering the equity investment in its Cambodian subsidiary Advanced Bank of Asia (ABA). The guarantee reduces the regulatory risk-weighting applied to National Bank of Canada's mandatory reserves at the consolidated level, thereby

[76] The ratio of Non-Performing Loans (NPLs) as percent of total loans, was kept below 2 percent (1.74 percent at end of 2021). It remains to be seen whether this can be sustained in the post-pandemic environment when more normal banking practices are applied. In August 2023, the ratio of NPLs has risen to 4.6 percent (Cambodia: 2023 IMF Article IV).

freeing up capital for private sector lending at its Cambodian subsidiary. In addition to improving access to finance to MSMEs, 75 percent of the freed-up capital will be used to support women-led MSMEs.

11. DPFs supported institutional strengthening in several areas, which increased access to finance and contributed to financial sector deepening. DPF prior actions supported the launch of a Business Recovery Guarantee Scheme and risk sharing facility for SME credit (2021 DPF), and the initiation of the Tourism Recovery Co-Financing Scheme and the Women Entrepreneurs Guarantee scheme (2022 DPF). As of December 2022, almost 2,000 businesses had been supported under the risk-sharing facility, well above the DPF target of 500 businesses (by December 2022). The 2022 DPF also strengthened the regulatory framework for Public-Private Partnerships (PPPs), increasing the potential to access private finance for infrastructure projects in a fiscally responsible way. Another prior action supported the issuance of three Prakases (implementing regulations) to establish an authorizing regulatory framework for local currency government bonds, diversifying the sources of finance available to the RGC. With WB assistance, in September 2022, the RGC, through NBC as an agent, issued a local-currency government bond for the first time, floating Khmer 41.8 billion (around US$ 10 million).

12. Although support for private sector development (PSD), other than through credit provision, was not directly included in the results framework, DPF, WB ASA and IFC Advisory Services have contributed to an improved climate for PSD. Both the 2021 and 2022 DPFs included prior actions to improve the environment for doing business and support private enterprise. These included reforms supported by the 2021 DPF to reduce non-tariff barriers and trade costs; the launch of an online portal for business registration with streamlined procedures and reduced registration fees; and the launch of a centralized online system for value-added tax and corporate income tax filing. The implementation completion and results report (ICR) for this operation showed that average import fees declined by 10 percent between 2019 and 2022; business registration fees declined to 38.6 percent of income per capita as of end-2021, versus a baseline of 53.4 percent in 2019; and over 44000 businesses filed tax online as of December 2022, compared with no businesses in 2019. The 2022 DPF included prior actions to further standardize and streamline the process for business registration, including the removal of minimum capital requirements and to promulgate a Competition Law to curb anti-competitive practices.

13. WBG support has covered a broad agenda of work related to the promotion of PSD in Cambodia. The CPF envisioned work on tourism, agribusiness, investment climate, job creation, economic diversification, SME-FDI linkages, trade facilitation, and the digital economy. The 2023 SCD Update (SCD2) shows Cambodia's business registration process was significantly simplified and almost fully digitalized in 2020 through a single, integrated online portal, improving the speed (down to 8 days) and reducing the costs (by almost 60 percent). Moreover, logistics costs fell by 20 percent between 2015 and 2020, supported by the establishment of a National Single Window and National Logistics Council, and the elimination of several state agencies that regulated trade across borders. Finally, electricity costs for industrial users fell by 18 percent between 2017 and 2022, following the implementation of tariff reforms. The WB's TA on supply chains and logistics contributed to a recent decision to expand the "Best Trader scheme" or the "Authorized Economic Operators (AEOs) program" to the wider logistics sector to include for example, customs clearance agents (Best Clearance) and possibly trucking companies (Best Trucker), which is expected to improve professionalism in the sector. In addition, the PPP on logistics will potentially make an important contribution to trade facilitation. Agricultural diversification is a key theme of WBG support in the agriculture sector. IFC has supported agricultural firms in strengthening their value chains through capacity building covering farming, milling, and exporting practices.

14. Objective 2 – Strengthen public sector accountability and public finance is rated as mostly achieved. Three of the five indicator targets were met, and two were mostly achieved. The progress in this area represents a significant step towards strengthening the building blocks of a social protection system, which has been lacking in Cambodia. A new emergency assistance program launched in 2020 delivered monthly cash payments to registered IDPoor[77] households. This mitigated the negative pandemic effects, initially benefiting 700,000 households and 2.8 million individuals (17 percent of the population). These transfers were critical in helping to avoid a reversal in the poverty reduction achieved in the past twenty-five years. The WB supported these efforts through the Recovery and Resilience DPF in 2021. The DPF was particularly important in allowing social transfers to be made during and after the pandemic and maintaining RGC expenditures in health and education.

15. Cambodia's public finances remained relatively robust in the face of recent global economic shocks. The RGC built significant fiscal space in the years leading up to the COVID-19 pandemic, which allowed it to deploy an appropriately countercyclical fiscal policy response between 2020 and 2022 – including the substantial increase in social protection spending noted above – while keeping public debt contained. Reflecting the revenue mobilization effort over the past decade, revenue (including grants) as a proportion of (newly rebased) GDP remained 3.3 percentage points higher in 2022 than in 2012. Small fiscal surpluses were recorded in 2018 and 2019, with fiscal reserves (government deposits) standing at 17.5 percent of GDP in 2020. The RGC drew on these fiscal buffers to mitigate the impact of the COVID-19 shock: average government spending between 2020 and 2022 increased by 2.3 percent of GDP from 2019 levels, and the additional COVID-19 cash transfer program that began in mid-2020 had disbursed US$1.3 billion (around 3.7 percent of 2020 GDP) as of January 2024. The December 2023 IMF-WB Debt Sustainability Analysis finds that Cambodia remains at low risk of both external and overall debt distress. Public debt stood at just under 27.0 percent of GDP in 2022. Debt service indicators are projected to remain well below their thresholds under the baseline and all the shock scenarios. The WB supported the RGC's achievement of these strong macroeconomic outcomes through this period via a substantive macro-fiscal dialogue (pursued through both the DPFs and the biannual Cambodia Economic Updates), as well as strong engagement and TA on revenue mobilization and debt management.

16. The CPF period saw significant progress on the objective of "continued support for improved public financial management and public administration reform". Although only one CPF indicator (expansion of the Financial Management Information System (FMIS) to 15 line ministries from the baseline of 10) is directly related to this objective, ongoing WB ASA provides technical support in revenue collection, budget execution, and expenditure management, and the performance system for service delivery. As of Quarter 1 of 2024 , FMIS has been connected to 169 entities, including all 37 line ministries and 1,846 local government entities. Moreover, the FMIS core functions have been continuously extended to all city and provincial administrations as well as 44 municipal, district, and commune administrations. A review of financial transaction data indicates processing time for payroll payments within the Ministry of Economy and Finance (MEF) has improved from 33 days to 10 days. The Recovery and Resilience DPF provided further support in this area through a prior action on launching a centralized and online system for value-added tax and corporate income tax filing. A target was set of 30,000 businesses using this system by June 2022. By December 2022, 44,000 businesses were using the system. The CPIA rating for the quality of budgetary and financial management was upgraded from 3.0 to 3.5 during the CPF period. The 2022 Public Expenditure and Financial

[77] The IDPoor initiative (program) provides regularly updated information on poor households to RGC and non-governmental agencies for targeting services and assistance to the poorest and most vulnerable households.

Accountability (PEFA) also noted improved performance compared to the 2015 PEFA in 8 of the 24 indicators, with 14 unchanged and declining scores in only two indicators.

17. While the CPF did not include support for sub-national governance, local capacity building was supported. The WB supported the implementation of the Social Accountability Framework (ISAF)[78], which was intended to strengthen the capacity of local authorities to deliver public services more effectively through demand and supply-side initiatives. These initiatives contributed to building a strong cohort of trained community accountability facilitators, mainly young women, empowered and capable of community engagement and service delivery roles and leadership at the local level. Going forward, there is a need to institutionalize and fund the RGC-owned program over the longer term; and to leverage the strengthened commune administrations structures and facilitators for sectoral programs. Only 30 percent of communes and sangkats[79] were covered in the program's first phase that started in 2020.[80]

18. Objective 3 – Expand and improve sustainable infrastructure services is rated as partially achieved. This objective brings together indicators covering a wide range of infrastructure needs. These include the resilience of rural roads and maintenance of national roads, access to piped water supply, connection to the sewer network, progress on PPP for the Sihanoukville logistics hub, and the national disaster risk finance strategy. The focus on these areas reflects a selective approach to identifying high-priority areas where the WB can add value. Program implementation in the infrastructure sector was considerably impacted by the pandemic. For example, due to travel restrictions, the Project Implementation Units (PIUs) were unable to recruit external consultants or to supervise contractors adequately. There were additional issues of PIUs new to working with the WB lacking familiarity with the requirements for implementing Bank projects. While targets in roads and the disaster relief financing strategy were exceeded, targets in water and sanitation and the logistics PPP were only partially achieved. While the sanitation target was partially achieved under the WB-supported project, some parts of the sewerage investment designed and planned to be financed under the project were replaced with the RGC's own budget and completed in 2021. The initiative under the WB-supported project to finance household connections has positively influenced the RGC to adopt this approach in Siem Reap City, and has led to a significant increase in household connections (25,330 people have been served as compared to the target under the WB project of 16,000). The RGC will also adopt this approach under other projects financed by DPs. The IFC-supported PPP logistics transaction was delayed by the pandemic, where RGC attended to more pressing needs, and by a change in the RGC policy on land availability, a critical building block for PPP success. While this delay meant that the CPF indicator on the signing of a PPP agreement was not achieved during the CPF period, the Financial Advisory Service Agreement, a key milestone, was signed in early 2023. While this is not a guarantee that a PPP agreement will materialize, advisory engagement is ongoing to achieve this target. The WB also provided analytical support on the legal and regulatory framework for PPPs.

Focus Area 2: Foster Human Development

19. Objective 4 – Enhance quality of targeted levels of education is rated as achieved. The focus has been on the lower secondary and tertiary levels, where DP support to the RGC was relatively limited. All indicators were achieved. Although the indicators did not measure learning outcomes, they reflected the WB's support to establish key conditions for enhanced quality such as school-based

[78] Integration of Social Accountability into National and Subnational Systems (P173527) and Engaging Citizens to Improve Service Delivery Through Social Accountability (P172630).

[79] *Sangkats* are the urban equivalent of communes.

[80] The second phase, to be implemented from 2023 to 2025 will cover about 50 percent of communes and *sangkats.*

management, teacher training and school construction, and enrolment at the lower secondary level. Early evidence indicates a positive impact on quality in the schools supported by the WB program. In the Secondary Education Improvement Project[81], the proportion of students with grades A, B and C in mathematics in target schools has increased from 14 percent (16 percent female) in 2018-2019 to 35 percent (36 percent female) in 2020-2021 and in Khmer from 25 percent (30 percent female) to 48 percent (50 percent female) during the same period.[82] While the project only targeted 70,000 students in 100 lower secondary schools (out of 1,791 schools in the country), the spillover effects through the adoption of school-based management (SBM) in another 213 non-target secondary schools and 560 non-target primary schools, are estimated to have reached 387,000 students (of which 60 percent are girls). At the RGC's request, the WB is supporting a successor project, the General Education Improvement Project (GEIP), aimed at widening the coverage to 1,633 schools (covering 420 secondary, 1000 primary and 213 preschools). As of May 2024, 438 out of 1,633 schools have adopted the SBM approach and achieved the minimum standards.

20. The WB is also seeking to help the RGC address Cambodia's critical shortage of skilled labor and professionals through enhancing the quality and relevance of tertiary education. The WB supported programs are providing support for accreditation, partnership programs and research projects. The support for partnership and research programs has established a basis to advance and increase value chains linking graduates to industry. The program for accreditation was entrusted to a central agency and has technically met the indicator targets. However, there are questions about the consistent application of the accreditation criteria, leading the WB to shift to self-assessments by participating tertiary institutions combined with tracer studies to assess their impact. It is still too soon to identify any measurable impact from this new approach.

21. The WB provided support for skills development relatively late in the CPF period. The WB is carrying out an ASA on skills development and plans to support a "Skills for Better Jobs" project. Both the SCD1 and the RGC strategy emphasized the importance of Cambodia developing the skills needed for the further development of the manufacturing sector and for more efficient program development and management. Surveys of private enterprises ranked the shortage of skilled labor as the second most important constraint after corruption. One reason for the delay in Bank engagement on skills is that technical and vocation educational training (TVET) is a crowded space with ADB, AFD, and Japan providing funding in specialized areas. It took time to agree with the RGC on a suitable area where the WB could add value.

22. Objective 5 – Expand access to quality early childhood services is rated as mostly achieved. Three out of the four indicators were fully met, and one was mostly achieved. The WB made an important contribution over time to the health of children under five years in Cambodia and reducing the stubbornly high rate of stunting. In Cambodia Nutrition Project's target provinces (7 provinces from 2019 expanded to 9 provinces by 2023) the WB support contributed to an increase in the percentage of pregnant women receiving micronutrient supplementation in accordance with national guidelines (the percentage reached 88.06 in the target provinces by 2023) and a reduction in the risk of maternal mortality. The WB support also contributed to an increase in the number of (i) deliveries attended by skilled personnel at health facilities (cumulative number from 2019 to 2023: 176,284), and (ii) children aged 6-59 months receiving Vitamin A supplementation (cumulative number from 2019 to 2023: 691,726) under Commune/Sangkat Service Delivery Grants for women and children. Health and nutrition are supported by several DPs, and it is difficult to attribute achievements directly to the WB

[81] Secondary School Improvement Project Impact Evaluation – ICR (June 2023).

[82] This is in a context where overall scores, which had been on a steady upward progression, fell by 8 percent in Khmer and 11 percent in mathematics as a result of the pandemic.

program. WB participation has been important, however, in supporting a common approach among DPs to focusing on the quality and impact of services provided. The WB has also supported a small program to provide thirteen day-care centers for the children of garment workers, which has had a demonstration effect and is influencing the RGC's draft childcare sub-decree to expand and scale up childcare services in the country, through providing curricula and operational approaches. At the same time, there is an issue of the sustainability of this program in the absence of WB funding.

23. Objective 6 – Expand access to quality health services is rated as achieved. The WB, along with a consortium of DP co-financiers, is supporting an increase in access to and use of the public health system and enhancing the quality of health services. The average score at the health center level increased from 45 percent to 81 percent over the period of four years[83] according to the National Quality Enhancement Program. Independent feedback from ISAF participants endorses the assessment of enhanced coverage and quality of health services. The WB supported capacity building of frontline health workers and facilitated links between the communities and health centers to coordinate and promote utilization of essential services (*e.g.,* immunization, maternal child health service, non-communicable diseases screening and case management, follow-up with patients). Performance-based grants have contributed to significantly improving the quality of services at public health facilities through the use of national quality enhancement monitoring tools. An important indicator that was met is the reduction in the share of households experiencing impoverishing health spending. However, Out-of-Pocket (OOP) expenditures still constitute a larger share of per capita income than in most other South-East Asian countries. This has a disproportionate impact on the poor. OOP contributes to pushing, on average, 4 percent of the population under the US$5.50 poverty line, and another 15 percent of the population already in poverty are pushed further below the poverty line. Although the Health Equity Fund (HEF) plays a useful role in mitigating this impact, there is still a gap between the poor who are aided by the HEF and the vulnerable who are slightly better off and are required to absorb the cost of health emergencies. The WB is supporting an expansion of the IDPoor database to provide better coverage for the vulnerable in future through the HEF.

Focus Area 3: Improve Agriculture and Strengthen Sustainable Use of Natural Resources

24. Objective 7 – Strengthen management of water and land use is rated as mostly achieved. The WB made significant contributions to strengthening the capacity for the management of water and land use in Cambodia. For the first time in the country, water resource models were developed and are functional in seven sub-basins of the upper Mekong supported by the Mekong Integrated Water Resource Management project. The hydromet networks and Decision Support System supported by the WB provide near real-time data monitoring and sophisticated river basin models, including the river basin profiles and water resource status, which are crucial for effective water resources planning and management at national and sub-national levels. These developments have helped RGC agencies to build a much-needed foundation for monitoring water resources, accessing reliable data, and planning better to meet water resource development goals. The RGC has been utilizing the water models to estimate water availability in the basins and to evaluate the impact of various climate change and development scenarios on water resources. With respect to land use, there is some progress in strengthening the capacity for protected areas management and landscape planning, including establishing a user-friendly digital database management system, – the Cambodia Environmental Management Information System – as well as the new geospatial model software for zoning of

[83] 18th round of quarterly quality assessment under the National Quality Enhancement Program, May 2017 to February 2021. The assessment covers all 1,253 health centers nationwide.

Protected Areas. Notably, three of the four protected areas management plans[84] envisaged in the results framework have been approved at the time of writing this document, and a fourth is awaiting approval. Despite this progress however, the lack of clarity and weak administration of land tenure policies led to a significant delay in the implementation of the WB's support program in this area.

25. Objective 8 – Improve agricultural productivity and diversification is rated as mostly achieved. Three out of the four indicators were met. Adopting a demand-driven approach, the WB supported agriculture cooperatives (AC) in the development of diversification plans (DPls) and business plans (BPls), resulting in an increase of the value of gross sales of 28.7 percent (exceeding the target of 10 percent). The assessment conducted amongst 713 sampled AC members out of 19 signed DPls/25 BPls over the period up to December 2023 showed the share of non-rice production area was 50.28 percent (exceeding the target of 15 percent). On private sector engagement, IFC advisory work supported firms to create and strengthen sustainable rice value chains to help expand their exports. IFC has also helped establish a first formal engagement between an international firm, and a leading local rice producer. Outcome-level indicators, relating to the increase in volume of certified rice being produced and exported, have been achieved. However, the CPF indicator related to increase in farmer revenue and income was only partially met due to the effects of successive years of droughts and heavy rainfall. Further, an IFC investment in AMRU—Cambodia's largest producer and exporter of organic rice—had to be closed prematurely due to the pandemic.

Cross-cutting themes – Strengthening governance, institutions and citizen engagement and Supporting Gender Equality

26. While a number of indicators related to strengthening governance, the CPF lacked a clear focus and identification of the primary pathways for addressing the cross-cutting themes. IPFs, DPFs, and ASA supported institutional strengthening. Almost all IPFs included measures to address this theme. Fourteen indicators relate directly to this Cross Cutting Themes (see Annex 6) of which 13 were achieved and only one mostly achieved. However, these indicators are specific to each sector, and it is unlikely that their achievement, taken together, would constitute a significant enhancement of the quality of governance and institutions in Cambodia. The DPFs played a role in supporting the RGC efforts to strengthen governance through support for the financial sector and private sector development.

27. Knowledge products contributed to the institutional strengthening for better governance. The WB ASA on strengthening public sector performance through improved public financial management supported the RGC to improve business processes, service delivery, HR management, and tax reform. Through technical assistance on leadership and innovation, 655 senior Cambodian officials were given training on key leadership and problem-solving skills. The two Public Expenditure/Finance Reviews drew attention to priority steps needed to improve the quality of public expenditure and there has been significant follow-up by the RGC in selected areas.

28. Gender equality and women's empowerment have been promoted and enhanced across the portfolio. Gender gap analyses were conducted in close collaboration with clients. The Country Gender Action Plan (CGAP FY19-20) identified three CGAP priorities: (a) access to economic opportunities and increasing women's active participation in decision-making, (b) access to maternal and reproductive health services for women, and (c) vulnerability to emerging risks and low benefit sharing from natural resources management. These priorities were used to inform project design, identify specific actions

[84] Following the midterm review of Cambodia Sustainable Landscape and Ecotourism project (P165344), the restructuring is expected, and this result indicator could be revisited.

to address targeted gender inequalities, and set indicators to monitor progress. Although 7 out of 11 indicators (see Annex 9) in the CGAP were achieved and the others were mostly achieved, these targets do not reflect the broad-based efforts to design a gender-sensitive program. Addressing the gap, gender equality programmatic analytics was supported during the CPF cycle to deepen engagement in women's economic empowerment and strengthen the program for enhancing women's economic participation. Many of IFC's engagements had gender components, primarily in the financial sector. The objective has been to support access to finance and financial training to help women MSMEs. These engagements also highlighted important learnings that having a gender focus in firm strategy is important to achieve gender inclusion, and increasing financial literacy helps in the uptake of credit.

III. WORLD BANK GROUP PERFORMANCE

29. The CPF built on solid analytical foundations and closely supported Cambodia's development agenda. It significantly expanded the Country Engagement Note (CEN) support program, drawing heavily on analytic work done during the CEN period. The three focus areas and the cross-cutting theme were closely aligned with the RGC's development plans, the recommendations of the analytic work of the WB and other DPs; and the views expressed in the consultations with key stakeholders. There were implementation challenges with the COVID-19 pandemic and natural disasters. The WBG met these challenges proactively. The PLR reaffirmed the CPF focus areas and objectives and adjusted the results framework. Both CPF design and implementation emphasized collaboration within the WBG and among DPs.

30. The WB's support to the RGC's COVID-19 response constitutes an important part of the program during the CPF period. The elements introduced into the program include the delivery of the COVID-19 Emergency Response Project (US$20 million) and a Pandemic Emergency Facility (PEF) grant (US$1.15 million) as Additional Financing to the COVID-19 Response Project; the adjustment of FY21 pipeline operations, including Additional Financing to the Health Equity and Quality Improvement Project (US$14 million) to procure medical supplies and equipment for treatment of COVID-19 cases; the adjustment of ongoing operations, including a reallocation of US$5 million under the Higher Education Improvement Project to facilitate e-learning, and the activation of the US$10 million Contingency Emergency Response Component (CERC) under the Cambodia Agriculture Sector Diversification Project to address food security for vulnerable populations. In FY21, the Cambodia Relief, Recovery, and Resilience Development Policy Financing (DPF) (US$200 million), building on critical areas of reform for both competitiveness and social protection, supported the immediate provision of relief and paved the way for a more robust recovery. On the analytical side, several rounds of high-frequency phone monitoring surveys provided a window into the impacts of COVID-19 on poor households, helping to inform policy options for relief, including the ongoing cash transfer program. The WB team administered Business Pulse Surveys to more than 500 firms across Cambodia and key findings were used by the RGC to inform support to firms.

31. The country program portfolio grew substantially. As of June 30, 2024, Cambodia's active portfolio consisted of 18 IDA projects valued at about US$1.76 billion, and four Recipient Executed Trust Fund Operations at about US$28.2 million. The IDA Operations are co-financed by Trust Funds with an amount of US$85.3 million (See Annex 4). The portfolio is relatively young, with the average project age being less than four years. Among the eight projects that closed during the CPF period, IEG assessed four projects as satisfactory, with the other four pending IEG's review.

32. IFC's portfolio at the end of FY23 totaled US$211 million. The portfolio increased from FY19 levels during the first half of the CPF period with new investments that were made before declining to this committed exposure by the end of FY23. The drop was due to repayments and the cessation of

new lending to the financial sector, pending the outcome of an ongoing compliance investigation. IFC's investment portfolio is concentrated in the financial sector, with 88 percent of the portfolio committed to local banks and microfinance institutions. IFC's advisory program represented an additional US$8 million in 8 active projects as of end-FY23, with 17 projects having been initiated during the CPF period. A large number of these projects aim to strengthen the financial sector in Cambodia, focusing on expanding SME financing and linkages, and strengthening financial infrastructure and regulations. Another advisory program worthy of note is IFC's engagement with the Sihanoukville Logistics Complex. This PPP transaction advisory project aims to demonstrate PPPs as a viable procurement/financing option to accelerate infrastructure development in the country.

33. MIGA's program supported two guarantee projects in Cambodia. The first guarantee for US$74 million issued in FY2020 supported the refinancing of a power transmission project. The 110km-long transmission line, which commenced operations in 2013, was part of a strategy to bring additional power to the greater Phnom Penh region to meet rising energy demand. As a project finances transaction by a foreign commercial bank, and the Project is expected to contribute to attracting further foreign capital for project finance into the country. The second guarantee totaling US$300 million supports the private sector's enhanced access to credit while deepening financial inclusion (see paragraph 10).

A. Design and Relevance

34. The RGC's strategy defined the parameters for DP support. Key documents included the fourth phase of the Rectangular Strategy (2018) and the Reform, Recovery and Resilience strategy (2021). The Rectangular Strategy focused on: Private Sector and Job Development; Inclusive and Sustainable development; Economic Diversification; and Human Resource Development. It had a central focus on 'Acceleration of the Governance Reform'. The RGC's post-pandemic recovery plan (2021-2023) had three elements: recovery, reform, and resilience, in defining priority investments and RGC expenditures in the near term.

35. The CPF drew on the SCD1. The SCD1 identified three "pathways" for maintaining strong and sustainable growth with poverty reduction (a) increasing economic competitiveness and diversification to sustain strong growth and create jobs, (b) investing in skills to facilitate shared prosperity, and (c) maintaining and developing natural resources while strengthening climate resilience". The SCD1 noted the need for significant public sector capacity to implement reforms and improve service delivery.

36. The CPF's three Focus Areas and one Cross-Cutting theme integrated the country's development priorities. The CPF reflected a renewed medium-term partnership between Cambodia and the WB. The focus areas were well-aligned with the RGC priorities and the SCD1 analysis. The consultations with key stakeholders and the country survey summarized in Annex 8 indicate that the CPF program was appropriately focused on perceptions of the country's core development needs. The first theme of promoting state efficiency and boosting private sector development encompassed the potential for exploiting linkages between large-scale foreign-owned enterprises and Cambodian MSMEs, supporting this through better infrastructure and logistics, and reducing constraints to investment caused by inefficient RGC procedures. The second theme of fostering human development supported much-needed quality improvements in health and education, as well as support for enhanced social protection. The third theme of improving agriculture and enhancing the sustainable use of natural resources supported agricultural sustainability and diversification, and better systems for managing land and water resources in the context of climate change. The cross-cutting theme of strengthening governance, institutions, and citizen engagement underlined the support provided

under the other themes in areas such as citizen engagement through social accountability mechanisms, enhanced social protection, and improvements in public sector management.

37. The design of the program was appropriately selective. There was selectivity at the sectoral level through limited engagement in areas such as energy and urban development where ADB and JICA provide substantial support. There was also selectivity within sectors, such as support for maintaining national roads and retrofitting rural roads to withstand environmental hazards and climate change, rather than supporting new road construction. In some areas such as nutrition and early childhood development, the WB provided funding in solidarity with other DPs and played an important role in moving the focus of DP efforts from inputs to the quality of service and its impact on outcomes.

38. The WB used DPFs **to adapt to the country's emerging needs.** The WB responded rapidly with a US$200 million DPF to mitigate the COVID-19 shock. As discussed in the relevant development outcomes, the DPF supported the establishment of the policy and institutional framework for cash transfers to about 700,000 beneficiaries and the extension of credit to almost 2,000 small businesses in response to COVID-19. In addition, the DPF laid the basis for a new social protection framework in Cambodia to improve the resilience of vulnerable groups to future crises. The DPF also supported some ongoing financial, PSD, and governance reforms. Given the DPF's positive impact, a new DPF series was launched with the first operation in FY23 and a second planned for FY24. These DPFs support policy reforms towards better public sector management, improved policies for social and environmental resilience, and improved environment for the private sector.

39. The WB **made use of disbursement-linked disbursements (DLI) and performance-based conditions (PBCs)**[85]**, particularly for health, education, and transport.** The selective use of DLIs in projects in these sectors helped the RGC to push policy measures forward, to get ministries and agencies to focus on achieving agreed results, and to emphasize sustained results. These include strengthening pre-service and in-service training programs for healthcare workers, carrying out enhanced health service quality monitoring, establishing sustainable health service purchasing arrangements, upgrading teachers, and strengthening service delivery. The feedback from the concerned ministries and the MEF has been positive concerning the use of DLIs. That said, the modality of the PBC is still relatively new to the RGC, and is likely to require continued adjustments during project implementation.

40. In some areas, there has been a weak linkage between the objectives and the results indicators. The higher-level objectives of the CPF are well-aligned with country priorities and the objectives are a good summary of what is needed to make progress over the CPF period. In several cases, however, the indicators and targets seem to have limited relevance to the achievement of the objective. The results chain linking some of the indicators to the objectives is weak. This is particularly true for the objectives dealing with governance (objective 2) and nutrition and early child development (objective 5). It is difficult, for example, to link an indicator such as the completion of three rounds of the Social Accountability Framework, to the objective of enhancing the quality of public service provision at the local level. The CPF results framework is also weak in delineating objectives and indicators for IFC's support program. The strategic focus of IFC's program does not come through in the

[85] Cambodia portfolio includes both IPF-DLI [Cambodia Nutrition Project (P162675), Health Equity and Quality Improvement Project (P157291) (closed), Secondary Education Improvement Project (P157858) (closed)] and IPF-PBC [Cambodia Health Equity and Quality Improvement Project - Phase 2 (P173368), Cambodia General Education Improvement Project (P174335)]. IPF-PBC is the latest instrument which replaces IPF-DLI. Per the IPF-PBC guidance, if the expenditures are incurred but PBC targets are not met, amount associated with PBC becomes ineligible expenditures and the Government must refund this money to the World Bank.

results framework. There are no indicators, for example, relating to improvements in the environment for private enterprise and investment.

B. Program Implementation

41. The WB responded flexibly to significant implementation challenges encountered with the pandemic. One challenge was the difficulty of carrying out implementation support activities. This was overcome by experienced staff in Phnom Penh office who could communicate in Khmer with local authorities and provide support when needed. Most WB-funded projects have a Task Team Leader (TTL) or co-TTL based in Phnom-Penh. WB-financed projects also faced constraints in counterpart funds as the RGC shifted resources for the pandemic response. DPF support helped the RGC maintain social and developmental expenditures during the pandemic.

42. ASAs supported all CPF objectives and helped guide the overall program. This included two Public Expenditure/Finance Reviews (FY19, FY23), the Country Economic Memorandum (FY22), and the Poverty Assessment (FY23). Additionally, programmatic ASA underpinned sector programs. IFC advisory services supported PPPs and promoted institutional advances in the financial sector (*e.g.,* bankruptcy law). The SCD1 identified 11 knowledge gaps. The SCD2 noted that seven of these had been addressed. The SCD2 has a very thorough analysis of how knowledge, relevant to the WB's program of support, evolved during the CPF period.[86] There was good progress in addressing the identified knowledge gaps. However, when proceeding with new project engagement in agriculture, there was limited upfront in-depth analytics to inform future investments.

43. Coordination with DPs contributed significantly to progress toward the CPF development objectives. The WB played a leadership role in a number of areas, such as health, nutrition, and governance. In the areas of health and nutrition, the Health Equity and Quality Improvement Project has driven a strong shift from donor-led systems to a government-led results-oriented approach that leverages support from DPs. The WB has effectively coordinated with the EU and Australia for grant financing support for Public Financial Management reform and significant technical assistance has been provided to RGC. During the CPF period, the WB continued to participate in a Joint Country Portfolio Performance Review (JCPPR), bringing together three of the largest donors – the WB, ADB, and JICA— to analyze overall portfolio quality and identify measures needed to enhance it. This exercise helped bring key issues to the RGC's attention and focus on solutions. In 2023, six other partners joined the group. The JCPPR facilitates more effective coordination amongst DPs and focuses follow-up on priority actions. WB economic reporting also plays an extremely important role in Cambodia given the dearth of independent sources of analytic work. Donors acknowledge the value of the SCD2 in particular in ensuring a focus on priority issues.

44. Collaboration in the financial sector by WB, IFC and MIGA proved to be effective. IFC and the WB have collaborated in the provision of advisory services with regards to Financial Consumer Protection. The WB, IFC and MIGA provided a quick response to support MSMEs struggling in the wake of COVID-19 by helping to meet their working capital needs. Although this has not yet come to fruition, there was also effective collaboration in support for PPPs with the Bank helping to enhance the regulatory framework, and IFC moving forward on the logistics PPP.

45. The CPF identified a number of substantial risks to the achievement of development outcomes. Measures to mitigate these risks were identified in the CPF in particular in relation to handling fiduciary risks in both financial management and procurement, and in dealing with safeguards

[86] See Cambodia Second-generation Systematic Country Diagnostic Update, January 2024.

and environmental and social portfolio issues. The WB worked closely with the RGC during the CPF period to support the implementation of these measures.

46. Fiduciary risks were rated high at the beginning of the CPF, but this was lowered to substantial in the PLR. The PLR noted Cambodia's significant improvements in financial management arrangements of WB-funded projects since the approval of the CPF including (a) increased integration of FM arrangements in line ministries' accounting and finance function for sustainability and ownership; (b) expansion of the jurisdiction of the internal audit staff of line ministries to include donor funds and carry out performance auditing and (c) no ineligible expenditure in the portfolio. The PLR noted however, and the CLR concurs, that "this progress notwithstanding, the control environment remains weak, along with weak implementing capacities and perceived governance and accountability risks".

47. Procurement management for WB-funded projects has improved significantly. The main procurement challenges stem from integrity issues; delays in creating the procurement review committee, limited capacity of the procurement evaluation committee, understaffing, inadequate contract management; and lengthy approval processes resulting in delays in contract signing. The WB put in place several mitigation measures including (a) all procurement activities financed under WB projects are now implemented by the existing RGC structures and managed by procurement units of the respective Implementing Agencies or Ministries; (b) all WB financed projects now use the WB's Systematic Tracking of Exchanges in Procurement, for procurement planning and monitoring, although there are some issues with inputting data and data quality; and (c) the updated Standard Operating Procedures is aligned with the WB's procurement processes. These measures help reduce the possibility of mis-procurement and non-compliance by implementing agencies.

48. The WB took steps to help the RGC address Environmental and Social (E&S) portfolio issues arising from the gaps between the national E&S management systems and the more comprehensive WB E&S framework. Issues have included limited capacity and experience in preparing E&S documentation, constrained monitoring, reporting, and adaptive management during project implementation, understaffing in PIUs on E&S risk management, lack of qualified E&S consultants in the market, and limited capacity and commitment of contractors for E&S management. The WB helped address these issues by (a) providing extensive hands-on training and implementation support at the project level with PIUs on risk management, (b) delivering workshops focusing on project implementation, supervision, monitoring and reporting, (c) providing recommendations for safeguard and E&S commitment plan implementation and the establishment of E&S units within line ministries implementing WB funded projects, and (d) organizing bimonthly training where PIU staff and consultants could discuss issues, challenges and questions on safeguards field implementation.

IV. ALIGNMENT WITH WORLD BANK CORPORATE GOALS

49. The CPF program was aligned with corporate goals. The focus on poverty and shared prosperity was especially prominent in the support for social transfers to protect the poor and to maintain social expenditures during and after the pandemic. The attention to better and more effective service delivery, particularly in education and health for the poor and vulnerable groups increased. Another important pro-poor element in the program was the support to MSMEs to increase their productivity.

50. The CPF was well aligned with the Country Gender Action Plan (CGAP) (FY19-20), although there were limited CPF indicators. CGAP identified a number of priority actions: (a) access to maternal and child health care services. This was an important feature under the early childhood services and

health objectives. In addition, the WB has supported cervical cancer screening for 83,000 women; (b) improved enrollment and educational opportunities for girls. The education project outcome targets for girls' enrolment and girls' participation in STEM were achieved; (c) awareness of the risk of GBV and treatment of survivors. Education and training on GBV were integrated into the health sector and the roads projects where officials and contractors received training to recognize and address GBV; (d) increased economic opportunities for women. WBG support focused on overcoming barriers for women owned MSMEs in accessing credit. IFC supported access to finance for women-owned SMEs via its COVID-19 facility lending and surpassed the target by 100 percent. MIGA supports improved access to finance for women-MSMEs with 75 percent of ABA's enabled lending capacity being directed to women-led businesses; and (e) increased voice and agency of women. Projects at the community level included requirements on women's participation and leadership. ISAF strengthened the role of women as community facilitators.

51. Tailored gender gap analysis was conducted with clients for each new operation. Results were used to inform project design and identify specific actions to address targeted gender inequalities and set indicators to monitor progress.

52. The WBG has expanded its support for resilience to climate change. CPF Focus Area 3 combined a broad range of interventions to address climate and disaster risks through strengthening Cambodia's resilience for sustainable and inclusive socio-economic development, supporting Cambodia's Nationally Determined Contributions. The RGC has emphasized the need for sustainable investments. The WB has been a pioneer in Cambodia in this regard, emphasizing resilience in its infrastructure programs. IFC has been supporting this agenda through a multi-pronged approach in establishing sustainable standards and risk management systems, as well as market for thematic green and sustainability-linked bonds. All these steps are an effort to help expand green finance. Further, IFC's support to the agriculture sector has been focused on the establishment of sustainable rice value chains.

V. LESSONS LEARNED

53. The WB needs to pay increased attention to governance risks, which can subvert the achievement of project objectives. Cambodia's governance quality has improved in terms of government effectiveness and rule of law, but political and governance risks remain. From the WB's perspective, these manifest themselves most directly in land resources management where significant governance risks could have been foreseen, with consequent delays in project implementation and a need for re-design. The seemingly arbitrary practices of land allocation and management create challenges for WB-financed projects, which promote or depend on agreed secure land tenure and regulated land management practices. The implementation of the Cambodia Sustainable Landscape and Ecotourism Project was delayed by more than a year due to a lack of clarity of land reclassification policy implementation and a lack of timeliness in reaching a shared understanding of compliance, risks, and impacts of these policies on project activities. This necessitated additional WB due diligence. It is therefore critical to deepen the understanding and accounting for political economy constraints, governance, and institutional capacity, that impact WB financed operations.

54. ASAs play a key role in shaping WBG interventions by strengthening institutions, enhancing counterpart capacity, and informing investment operations. ASAs have been essential in contributing to effective operational engagements, notably in areas such as social protection, the financial sector, and climate-resilient rural roads. For example, "Building a Stronger and Resilient Social Protection

System in Cambodia" Programmatic ASA provided the basis for the 2021 Relief, Recovery, and Resilience Development Policy Financing, in response to COVID-19. The ASA supported social protection reforms that allowed existing delivery systems and policies to become more shock-responsive, improve pensions sustainability as well as overall social assistance targeting. In addition, the knowledge exchange visit to Chile was essential in getting buy-in to integrate systems and transition to multi-purpose accounts for digital transfers. Analytics on social transfers, technical assistance, and facilitated knowledge exchanges were crucial for engagement in the DPF. In the transport sector, the knowledge exchange visit to Japan, as part of the Cambodia Road Connectivity Improvement Project (RCIP) and Southeast Asia Disaster Risk Management Project 2 (SEADRM2) provided insights on climate resilient rural road management, aiding the development of the Ministry of Rural Development's capacity for managing resilient rural roads. In some instances, the WB has not provided adequate analytics and support before starting projects, especially those with ambitious or complex designs. An example is the Cambodia Agriculture Sector Diversification Project (CASDP), which aimed to introduce agricultural development approaches through public-private partnerships. These concepts were new to Cambodia and proved challenging for both officials and traditional farmers, requiring a significant learning process. The lack of thorough analytics prior to project approval led to delays in implementation and necessitated substantial support and design adjustments.

55. The CPF objectives and indicators need to be systematically and consistently linked. Many CPF indicators provide limited reflection of progress towards the associated objective. For example, the indicator for better public service provision is the completion of three rounds of ISAF. An indicator based on changes in consumer satisfaction with service provision in communes covered by the ISAF, which could be obtained through survey work, could have provided a much more meaningful indication of achievement of development outcomes. The enhancement of the climate for private sector investment is a key outcome in the Cambodian context and the subject of substantial support from the WB, IFC and MIGA. While the CPF defined a substantial program for private sector development, the results framework does not match the agenda. Only one indicator, relating to the volume of credit, is included in the CPF.

56. More attention is needed for the sustainable maintenance of infrastructure assets. Building on the increased resilience in the design of roads, schools, hospitals, markets, irrigation schemes and other public infrastructure, adequate resources need to be allocated for asset management and maintenance, in the WB-supported program and the RGC's asset portfolio. For example, due to insufficient maintenance, the estimated current value of road assets is more than a third below their potential maximum net present value. The WB financed RAMPII has been supporting the Ministry of Public Works and Transport (MPWT) to develop a road asset management system. The MPWT is now using this to develop three-year rolling plans and annual investment and maintenance plans for budget allocation to improvement and maintenance of national roads. Improving asset management and maintenance requires a collective and continuous effort among all stakeholders.

57. In new or especially challenging areas, there needs to be a realistic assessment of the time needed to obtain results and a commitment to sustained working with key agencies. IFC's PPP engagement provides an example. It has taken several years to first create the environment via the passing of a PPP Law, then supporting the RGC to execute its first PPP transaction. As the environment is created, it is also important that the RGC takes the lead in preparing PPPs leading to development of solicited projects in the country. A more realistic forecast of external conditions also needs to be factored in while designing projects. For example, in IFC's agriculture advisory programs, the effects of the pandemic negatively impacted the achievement of project results.

58. Strong WBG collaboration in the financial sector and for PPPs serves as a model for other emerging areas. The WBG collaborated effectively in the financial sector and in helping the RGC put in place a better institutional framework for PPPs. The policy note provided to the new RGC in FY24 on the financial and private sector included inputs from the IFC team. IFC and the WB have collaborated in the provision of advisory services on Financial Consumer Protection. WBG provided a quick response to support MSMEs struggling in the wake of COVID-19 by helping to meet their working capital needs. However, WBG complementarity was less evident in agriculture, where the WB supported diversification through agriculture cooperatives while IFC focused on strengthening the capacity of a local rice exporting company. The energy sector is emerging as an area for strengthened WBG collaboration. At the request of the RGC, the WB is providing ASA on energy sector policy, while IFC has begun to engage in the energy sector. MIGA has a guarantee in the energy sector to support refinancing a transmission project. Another potential area for collaborative efforts is green financing.

CLR ANNEX 1: RESULTS MARTIX FOR CAMBODIA CPF (FY19-24) – SUMMARY OF PROGRAM EVALUATION

CPF Outcomes, Indicators and Milestones	Status at CLR	Lessons Learned	Delivered, Ongoing and Indicative WBG Program
Focus Area 1: Promote State Efficiency and Boost Private Sector Development			
Objective 1: Enhance financial sector development and foster private enterprises			
Number of individuals and businesses covered by credit reporting service providers • Baseline: 5.7 million (2016) • Target: 6.5 million (2022) Source: IFC TA/Advisory - Credit reporting (599902)	**Indicator 1: Achieved** Actual: 7.9 million (2020) Source: IFC TA/Advisory on Credit reporting (599902)	• Collaboration both across the WBG and among development partners on best practices, commitment from client management and absorptive capacity of clients are all important for project delivery and success.	**World Bank ASA** *Closed:* • Cambodia: Financial Sector Development Technical Assistance (P160713) - FY19 • KH-Logistics Master Plan Development (P164649) - FY19 • Cambodia Follow-up second DeMPA (P166908) - FY19 • Cambodia Medium-Term Debt Management Strategy (MTDS) (P167728) - FY19 • Cambodia Economic Diversification Study (P168198) - FY19 • KH: ICT Sector Rapid Assessment (P165399) - FY19 • CMC: Cambodia DMF Government Bond Market Development (P165458) – FY20 • Cambodia Digital Economy Framework ASA (P171971) – FY20 • Cambodia Financial Sector Development TA (P171621) – FY21 • Cambodia Jobs for Growth and Competitiveness ASA (P172080) – FY21 • Macro Programmatic Advisory Services and Analytics (P167392) – FY21
Number of MSMEs that received loans secured with movables property: • Baseline: 4,276 (2018) • Target: 10,000 (2020) Source: IFC TA/Advisory - Secured Transactions and Collateral Registry (583247)	**Indicator 2: Achieved** Actual: 11,421 (2019) Source: IFC TA/Advisory on Secured Transactions and Collateral Registry (583247)	• It is important to build consensus across stakeholders prior to undertaking a reform, and this takes time. Further, taking the time needed to adapt international best practices to local needs, is also crucial for project success.	

CPF Outcomes, Indicators and Milestones	Status at CLR	Lessons Learned	Delivered, Ongoing and Indicative WBG Program
Access to finance: Outstanding SME/MSME IFC Portfolio (Number) • Baseline: 1,049,696 (2018) • Target: 1,326,680 (2024) Source: IFC Projects 45535, 44742, 44882, 44211, 44231, 42480	**Indicator 3: Mostly achieved** Actual: PLR 1,014,699 (2022) Source: IFC Investment on long-term financing to increase access to finance to MSMEs and promote green finance (42480, 44882, 44742, 45535, 44211, 44231).	• The removal of forbearance measures by the RGC to tighten credit could affect lending ability of banks.	• Cambodia Country Economic Memorandum Part II (P171958) – FY21 • Supporting Financial Stability and Inclusion in Cambodia (P177272) – FY23 • [Core analytics] Cambodia Public Expenditure Review - Budget Management Effectiveness Study (P178415) – FY23 • Technical Assistance to Enhance the Enabling Environment in E-mobility and Energy Efficiency in Cambodia (P176906) – FY23 • Domestic Debt Market Development (DDMD) TA (P174820) - FY23 **World Bank Financing** *Closed:* • Cambodia Relief, Recovery and Resilience Development Policy Financing (P176756) • Cambodia Growth and Resilience Development Policy Operation Series (P179019) *Ongoing:* • Strengthening PFM & Public Sector Performance for Improved Public Service Delivery (P168407) – FY24 • Cambodia Poverty and Distributional Analysis and Data Strengthening PASA (P177560) – FY24 • Cambodia: Macro Programmatic Advisory Services & Analytics (P177340) – FY24
Number of outstanding loans to women-owned SME (Number) • Baseline: 50,811 (2018) • Target: 68,000 (2023) Source: IFC Project 42480	**Indicator 4: Achieved** **Actual: 106,496** Target exceeded. Source: IFC Project 42480	• Having a gender focus in the client strategy is important to achieve gender-targets. Further, increasing financial literacy amongst women, in this case, by ongoing work by women's associations, helps in uptake of credit.	
Percentage of adult individuals who made or received a digital payment (percentage) • Baseline: 15.6 (2018) • Target: 25 (2024) Source: Supporting Financial Stability and Inclusion in Cambodia (P177272)	**Indicator 5: Achieved** Result for 2021 is 26.08 percent The Global Findex 2021 result is the latest result. These type of data are only researched and published once every three or so years (same for every country that participates). Hence, 2021 is the latest available year. (In the meantime, the % will have increased, but the 2021 observation should suffice as it already surpasses the target). Based on Cambodia Financial Sector Development TA (P171621) ACS.		

CPF Outcomes, Indicators and Milestones	Status at CLR	Lessons Learned	Delivered, Ongoing and Indicative WBG Program
	Source: The Global Findex Database 2021. https://www.worldbank.org/en/publication/globalfindex/Data		**IFC TA/Advisory:** *Closed (Achieved):* • Microfinance: Hattha Kaksekar Ltd (623836), Sumitomo Corporation (506525); BRED Bank (1015349) • Credit reporting (599902) • Secured Transactions and Collateral Registry (583247) • Doing Business Reform Advisory (600402) *Ongoing:* • Insolvency and debt resolution reform (601954) • SME financing project with financial institutions in Cambodia to increase lending to underserved SMEs (604143) **World Bank Financing** *Pipeline:* • Second Cambodia Recovery, Reform and Resilience DPF series (P180749) (FY25) **IFC Investments:** *Ongoing:* • Banking and Micro-finance: Advanced Bank of Asia Ltd (805280), ACELDA Bank PLC (52359), Amret Co, Ltd (645905); BRED Bank (Cambodia) Plc (1015349) • Bond issuance by financial institutions to support establishment of the local debt capital market, including themed bonds
Establishment of domestic corporate and government debt markets demonstrated by bond issuance by 2024 (Yes/No) Source: Domestic Debt Market Development (DDMD) TA (P174820)	**Indicator 6: Achieved** In September 2022, the RGC, through the National Bank of Cambodia as an agent, issued a local-currency government bond for the first time, floating KHR 41.8 billion (around US$ 10 million). Based on the Government Securities Issuance Plan for Fiscal Year 2023 issued on January 17, 2023 the Ministry of Economy and Finance will issue the Government Securities in the amount of KHR 813,000,000,000 (Eight Hundred and Thirteen Billion Riel), approximately equivalent to USD 200,000,000 (Two Hundred Million Dollars). Source: Domestic Debt Market Development (DDMD) TA (P174820)/ Policy Framework on the Development of Government Securities 2023-2028 (November 2023)		
Number of beneficiary businesses supported by the SME Bank of Cambodia (SMEBC) risk sharing facility for SME credit • Baseline: 0 (2019) • Target: 500 (2022) Source: Cambodia Relief, Recovery and Resilience Development Policy Financing (P176756)	**Indicator 7: Achieved** As of December 5, 2022, 1,992 beneficiary businesses were supported by the SME Bank of Cambodia. Target exceeded. Source: Cambodia Relief, Recovery and Resilience Development Policy Financing (P176756), ICR, April 2023 [SMEBC]	• The design of result indicators needs to be practical, achievable and capture what the PA is trying to achieve. The strong commitment of the RGC, as well as improvement in social security nets and competitiveness helped achieve the targets of most reforms in this DPF.	

CPF Outcomes, Indicators and Milestones	Status at CLR	Lessons Learned	Delivered, Ongoing and Indicative WBG Program
			such as social/gender bond (41223, 46267) • Risk Sharing facility projects with financial institutions to increase access to finance to SMEs (40973) • Long-term financing to increase access to finance to MSMEs and promote green finance (42480, 44882, 44742, 45535, 44211, 44231) • SMEV Advisory Project - CLMDF II (601704) • ACLEDA-Internal Capital Adequacy Assessment Process (ICAAP) Advisory Project (605059) • Forte Equity Investment (44741) **MIGA Guarantee:** • National Bank of Canada Mandatory Reserves Coverage (14836)
Objective 2: Strengthen public sector accountability and public finance			
Number of line ministry-FMIS connected to MEF to improve efficiency of budget execution system • Baseline: 10 (2018) • Target: 15 (2024) Source: Strengthening PFM & Public Sector Performance for Improved Public Service Delivery (P168407)	**Indicator 8: Achieved** As of Quarter 1 of 2024, FMIS has been rolled out to all entities/institutions at both national and subnational levels (in 25 cities and provinces). The FMIS core functions have also been continuously extended to all city and provincial administrations as well as 44 municipal, district, and commune administrations. FMIS Portal V1 has been operationalized at 31 municipal administrations, 163 districts, 262 communes, and 1390 communes. Recurrent expenditure and budget appropriation movement procedures are fully operationalized via FMIS in 8 line ministries. Budget planning module in FMIS has been operationalized at 12 additional line ministries and 25	• Strong RGC ownership to implement ASA recommendations leading to the achievement of substantive outcome. • Donor coordination helps to prevent duplication of effort, increase synergy of support to PFM reform, and strengthen quality of dialogue for required policy action.	**World Bank ASA** *Closed:* • Cambodia Social Accountability and Service Delivery - (P171049) - FY19 • Cambodia Social Accountability Impact Evaluation (P156491) – FY20 • Cambodia Poverty Assessment (P173594) – FY22 *Ongoing:* • Strengthening PFM & Public Sector Performance for Improved Public Service Delivery (P168407) - FY25

CPF Outcomes, Indicators and Milestones	Status at CLR	Lessons Learned	Delivered, Ongoing and Indicative WBG Program
	provincial departments of economy and finance (DEFs). Procurement module in FMIS has also been operationalized at 25 DEFs. Two new modules – Transaction Monitoring and Performance Monitoring – were also launched in May 2024, both of which are critical for the government to achieve its current reform agenda of transitioning to performance-informed budgeting under the present stage of the PFM Reform Program, focusing on improving performance accountability. FMIS was initially implemented with six core modules: (1) budget allocation, (2) purchasing order, (3) account payable, (4) account receivable, (5) cash management, and (6) general ledger. Four of the six core modules (1) budget allocation, (2) purchasing order, (3) account payable, (4) account receivable that are relevant to line ministries have been rolled out to all entities and institutions at both the national and subnational level. This was implemented up to 2020. Complete coverage of FMIS across government's institutions is noted in #1 slide 12 below. Starting from 2021, further refinement through business process streamlining and additional modules and add-on including budget planning, procurement, and FMIS portal for small budget holders at subnational level (city, district, commune, and Sangkat) have been implemented. The business process streamlining improves timeliness of financial transaction processing. Progress of this business process streamlining and additional modules is reported in #1 (slide 11), #2 (slide 20-21 and 24), #3, #4 (page 14-15 and 29) below. This reflects continuous expansion and		• Cambodia Poverty and Distributional Analysis and Data Strengthening PASA (P177560) – FY24 **World Bank Financing** *Closed:* • Cambodia Southeast Asia Disaster Risk Management Project (P160929) – closes March 2023 • Cambodia Relief, Recovery and Resilience Development Policy Financing (P176756) **World Bank Financing** *Ongoing:* • Community-based Childcare for Garment Factory Workers Project (P171063) – closes March 2024 • Engaging Citizens to Improve Service Delivery Through Social Accountability (P172630) – closes June 2024 and AF – closes 31 December 2025 • Integration of Social Accountability into National and Subnational Systems (P173527) – closes June 2024 and AF – closes December 2025 *Pipeline:* • Second Cambodia Recovery, Reform and Resilience DPF series (FY5)

CPF Outcomes, Indicators and Milestones	Status at CLR	Lessons Learned	Delivered, Ongoing and Indicative WBG Program
	further refinement made to FMIS as a tool for public finance management. Target exceeded. Source: Strengthening PFM and Public Sector Performance for Improved Service Delivery Programmatic Advisory Services and Analytics Project (P168407) & Draft Progress Report on the Implementation of the Public Financial Management Reform Program Stage 4 of the Ministry of Economy and Finance and Line Ministries in the 1st Quarter of 2024.		
Number of schools that publicly display development plan • Baseline: 0 (2017) • Target: 100 (2023) Source: Secondary Education Improvement Project (P157858)	**Indicator 9: Achieved** As of July 29, 2022, 100 schools publicly displayed development plans. The General Education Improvement Project (GEIP - P174335) continues monitoring this accountability-related activity by placing additional emphases on improving students' learning and supporting children with disabilities in school development plans. This activity is monitored through two new indicators - "percentage of schools with plans to support the learners who are falling behind and the students with disabilities". - Percentage of students with disabilities from targeted primary and secondary schools receiving referrals for treatment. It is utilized to specifically monitor the degree to which the targeted schools are providing support to students with disabilities in practice based on their school development plan. However, as this has been added as a part of	• Improving school management through school development planning, monitoring/ assessment of teachers and student performance, and community participation has led to an average gain in learning outcome equivalent to 0.14 year of secondary schooling.	

CPF Outcomes, Indicators and Milestones	Status at CLR	Lessons Learned	Delivered, Ongoing and Indicative WBG Program
	the AF, the data will be reported in the next mission. (Source: Secondary Education Improvement Project (P157858), ICR, July 2023)/ General Education Improvement Project (P174335), ISR Sequence 5, June 2024)		
Percentage of target communes/sangkats that have completed three full annual ISAF cycles (percentage) • Baseline: 15 (2020) • Target: 90 (2024) Source: Engaging Citizens to Improve Service Delivery Through Social Accountability (P172630)	**Indicator 10: Achieved** As of December 30, 2023, 97 percent of target communes/sangkats have completed three full annual ISAF cycles. Target exceeded. Source: Integration of Social Accountability into National and Subnational Systems (P173527), 2023 Annual Report from World Vision).	• The complementary interventions focusing on both the supply and demand sides of social accountability are proving to be an effective way of fostering citizen engagement and strengthening social accountability. The Water Supply and Sanitation Improvement Project rely on this complementary approach to raise citizens' awareness of their rights and service standards, build citizens' and service providers' capacity to assess service performance, and bring both parties together to discuss and agree on concrete and effective measures for improving service delivery.	
Number of IDPoor beneficiary households	**Indicator 11: Achieved**		

CPF Outcomes, Indicators and Milestones	Status at CLR	Lessons Learned	Delivered, Ongoing and Indicative WBG Program
having received COVID-19 cash transfers • Baseline: 0 (2019) • Target: 690,000 (2022) Source: Cambodia Relief, Recovery and Resilience Development Policy Financing (P176756)	As of February 2023, the number of IDPoor beneficiary households having received COVID-19 cash transfers is 706,648 households. (Source: Cambodia Relief, Recovery and Resilience Development Policy Financing (P176756), ICR, June 2023) [MoSVY, NSPC]	• Result target should realistically be established.	
Number of eligible beneficiaries (poor pregnant women and children) having received maternal and child health cash transfers • Baseline: 58,324 (2019) • Target: 360,000 (2022) Source: Cambodia Relief, Recovery and Resilience Development Policy Financing (P176756)	**Indicator 12: Mostly achieved** As of February 2023, the number of eligible beneficiaries having received cash transfer for pregnant women and young children under two is 306,313, with pregnant women (195,454) and children (110,859). (Source: Cambodia Relief, Recovery and Resilience Development Policy Financing (P176756), ICR, June 2023) [MoSVY, NSPC]		
Objective 3: Expand and improve sustainable infrastructure services			
Length of national roads maintained under performance-based maintenance contracts • Baseline: 0 (2015) • Target: 218 kms (2024) Source: Road Asset Management Project II (P150572/ P165249)	**Indicator 13: Achieved** As of June 28, 2024, 370.45 km of national roads maintained under performance-based maintenance contracts. Target exceeded. (Source: Road Asset Management Project II (P150572/ P165249), ISR Sequence 18, June 2024/ Road Connectivity	• Keeping infrastructure assets in good condition and resilient to floods and other risk hazards requires adequate asset management, maintenance, and adequate resources.	**World Bank ASA** *Closed:* • Cambodia Improving Rural Water and Sanitation Services (P161075) - FY20 • Cambodia and Lao PDR: Fostering Green Mobility and Walkable Cities Strategy for Luang Prabang and Siem Reap- FY22

CPF Outcomes, Indicators and Milestones	Status at CLR	Lessons Learned	Delivered, Ongoing and Indicative WBG Program
	Improvement Project (P169930), ISR Sequence 10, June 2024)		• Fostering private sector participation in the road sector (BETF closed FY23) • Improving Rural Accessibility and Road Resilience to Natural Disaster and Climate Risks (BETF - TF0B2418). *Ongoing:* • Cambodia regional Corridors and Connectivity review (P179285) • Cambodia Power Grid Strengthening Study (P500487)
Length of rural roads receiving climate resilient upgrades • Baseline: 0 km (2017) • Target: 250 km (2023) Source: Cambodia Southeast Asia Disaster Risk Management Project (P160929)	**Indicator 14: Achieved** As of March 31, 2023, 252.64 km of rural roads receiving climate resilient upgrades. (Source: Cambodia Southeast Asia Disaster Risk Management Project (P160929), ICR, September 2023)		
People provided with access to improved water sources through piped household water connections in target areas • Baseline: 0 (2017) • Target: 37,000 (2024) Source: Water Supply and Sanitation Improvement Project (P163876)	**Indicator 15: Not achieved** As of March 29, 2024, 3,419 people provided with access to improved water sources through piped household water connections in Mondul Kiri province. Since other civil works under these activities will be completed only after the CPF period, additional piped household water connections will not be generated by June 2024. However, the target is expected to be achieved by the project closing date by December 2025. (Source: Water Supply and Sanitation Improvement Project (P163876), ISR Sequence 12, May 2024)	• WaSSIP was impacted by the COVID-19 pandemic, which prevented face-to-face meetings and slowed progress on TA activities. Additionally, the RGC-financed infrastructure project in Siem impacted Component 2, consequently delayed implementation. • The reorganization of the counterpart project team, staff changes, and significant delays in procurement process caused to the delays in implementation.	**IFC TA/Advisory:** *Ongoing:* • Sihanoukville Logistics Hub Project – PPP transaction advisory support to the Government (603265) **IFC Investment:** *Ongoing:* • Kampong Solar (42750) **World Bank Financing** *Ongoing:* • Road Asset Management Project II and Additional Financing (P150572/ P165249) – closes December 2026. • Road Connectivity Improvement project (P169930) – closes July 2027. • Cambodia Southeast Asia Disaster Risk Management Project (P160929) – closes March 2023.
People provided with access to improved sanitation services through connection to sewer network • Baseline: 0 (2018) • Target: 16,000 (2024)	**Indicator 16: Partially achieved** As of March 29, 2024, 1,358 people in Siem Reap city got connected to sewerage. Based on civil work progress, it is projected that by end of June 2024, 11,000 people will have received connections to		

CPF Outcomes, Indicators and Milestones	Status at CLR	Lessons Learned	Delivered, Ongoing and Indicative WBG Program
Source: Water Supply and Sanitation Improvement Project (P163876)	sewer network. The target is expected to be achieved by the project closing date of December 2025. While the sanitation target was partially achieved under the WB supported project, some parts of the sewerage investment designed and planned to be financed under the project were replaced with the RGC's own budget completed in 2021. The initiative under the WB supported project to finance house connections as part of project interventions has positively influenced the RGC to adopt this approach in Siem Reap City and has led to significant increase in house connections (25,330 people have been served as compared to the target under the WB project of 16,000). The RGC will also adopt this new approach under other projects financed by development partners. (Source: Water Supply and Sanitation Improvement Project (P163876), ISR Sequence 12, May 2024)		• Cambodia Southeast Asia Disaster Risk Management Project 2 (P177185) – closes August 2027. • Water Supply and Sanitation Improvement Project (P163876) – closes December 2025. • Cambodia: Solid Waste and Plastic Management Improvement Project (P170976) – closes April 30, 2029. • Cambodia Water Supply and Sanitation Acceleration Project (P178417) - closes December 2029. • Additional Financing to Road Connectivity Improvement project (P181396) – closes May 2029 **MIGA Guarantee:** • Cambodian Transmission Limited (14291)
The PPP agreement for the Sihanoukville Logistics Hub Project is signed • Baseline: No (2019) • Target: Yes (2024) Source: IFC TA/Advisory - Sihanoukville Logistics Hub Project – PPP transaction advisory support to the Government (603265)	**Indicator 17: Partially achieved** Early 2023 signing of the PPP agreement was delayed due to several reasons. These included the pandemic which diverted the RGC's attention to more pressing needs and change in RGC policy on key building blocks of the logistics PPP around land availability. However, a key milestone, the signing of the Transaction Agreement was achieved in early 2023. Further, this PPP is likely to be the first one under the new PPP Law, following principles of open competition, and will therefore form basis of learning and demonstration for all relevant stakeholders. The PPP agreement has not been signed yet, but the intermediate important step - the Financial Service Agreement has been signed.	• Key learning is the importance of realism in designing project outcomes when it comes to complex projects involving PPPs.	

CPF Outcomes, Indicators and Milestones	Status at CLR	Lessons Learned	Delivered, Ongoing and Indicative WBG Program
	(Source: IFC TA/Advisory - Sihanoukville Logistics Hub Project – PPP transaction advisory support to the Government (603265)		
National disaster risk finance strategy developed • Baseline: No (2019) • Target: Yes (2023) Source: Cambodia Southeast Asia Disaster Risk Management Project (P160929)	**Indicator 18: Achieved** As of March 31, 2023, DRFS was developed. A number of consultation workshops with relevant stakeholders took place in February and March 2023 before its finalization. A prior action on the adoption of the DRFS has been included in the Second Cambodia Growth and Resilience Development Policy Financing (P180749) and expected to be approved by the Board on June 20, 2024 and the Strategy 2023-2026 has been issued by the Ministry of Economy and Finance on January 20, 2024. (Source: Cambodia Southeast Asia Disaster Risk Management Project (P160929), ICR, September 2023)/ Second Cambodia Growth and Resilience Development Policy Financing (P180749) Program Document)	• While the DRFS has been developed and made a significant step, there is need of the financing to implement the plan to improve the sustainability and resilience of rural assets.	
Focus Area 2: Foster Human Development			
Objective 4: Enhance quality of targeted levels of education			
Number of higher education partnership programs evaluated as acceptable or higher quality by expert panels • Baseline: 0 (2018) • Target: 30 (2024) Source: Higher Education Improvement Project (P162971)	**Indicator 19: Achieved** As of April 4, 2024, 67 partnership programs evaluated as modest or higher by expert panels. Target exceeded. (Source: Higher Education Improvement Project (P162971), ISR, Sequence 11, June 10, 2024)		**World Bank ASA** *Closed:* • ECE Impact Evaluation in Cambodia (P157069) - FY19 • Promoting Development and Home Reading of Supplementary Texts for Young Readers in Cambodia (P171294) - FY20

CPF Outcomes, Indicators and Milestones	Status at CLR	Lessons Learned	Delivered, Ongoing and Indicative WBG Program
		• Introduce new concept/ approaches in Cambodia requires realistic timelines and project design and greater upfront support, given capacity constraints. Developing partnership with university outside Cambodia need a lot of investment and support when it had to be done in virtual communication. • The delegation of authority to the community to construct and manage schools is an effective mechanism to ensure community ownership. Under the Project, delegating the authority to construct and manage schools was effective in ensuring the sustainability of the overall SBM agenda, while fostering a strong commitment and transparency in procurement and financial management. • The use of SBM can produce important outcomes and results, but there are important lessons of experience with respect to implementation. These include education decentralization to school	• Strengthening Social Protection Systems (P168585) – FY20 • Cambodia Social Protection and Future Jobs Programmatic ASA - (P165080) - FY21 • The Future of Education in Cambodia: Recovering from COVID and Leveraging Technology (P177580) - FY23 *Ongoing:* • Cambodia Skills for Recovery and Resilience ASA (P179157) – FY24 • Cambodia Education PASA (P500538) – FY25 **World Bank Financing** *Closed:* • Secondary Education Improvement Project (P157858) - closes July 2022 **World Bank Financing** *Ongoing:* • Higher Education Improvement Project (P162971) - closes June 2024 • Strengthening Pre-Service Education System for Health Professionals Project (P169629) - closes June 2026 • Cambodia General Education Improvement Project (P174335) – closes November 2026. *Pipeline:*
Number of HEIs that complete accreditation process (to measure governance and quality) • Baseline: 0 (2017) • Target: 25 (2024) Source: Higher Education Improvement Project (P162971)	**Indicator 20: Achieved** As of April 10, 2024, 29 HEIs completed accreditation process. Target exceeded. (Source: Higher Education Improvement Project (P162971), ISR, Sequence 11, June 10, 2024)		
Number of enrolled students in newly built lower secondary schools (gender disaggregated target of 2,625): • Baseline: 0 (2018) • Target 5250 (2023) Source: Secondary Education Improvement Project (P157858)	**Indicator 21: Achieved** As of July 29, 2022, 6,175 students were enrolled in newly constructed lower secondary schools, including 3,309 female students. Target exceeded. (Source: Secondary Education Improvement Project (P157858), ICR, July 2023)		
Number of secondary school teachers who graduate from teacher upgrading program • Baseline: 0 (2018) • Target: 2000 (2023) Source: Secondary Education Improvement Project (P157858)	**Indicator 22: Achieved** As of July 29, 2022, 2,348 secondary school teachers who graduated from TUP. Target exceeded. (Source: Secondary Education Improvement Project (P157858), ICR, July 2023)		

CPF Outcomes, Indicators and Milestones	Status at CLR	Lessons Learned	Delivered, Ongoing and Indicative WBG Program
		and community must be done in par with the RGC's governance framework.	• Additional Financing for Cambodia General Education Improvement Project (P181347) – FY24 • Cambodia Skills for Better Jobs Project (P179159) - FY24 • Second Higher Education Improvement Project (P180664) – FY25 **IFC TA/Advisory** *Ongoing:* • ACLEDA Institute of Business Education Project (35242)
Number of research projects in collaboration with industry completed (to measure relevance) • Baseline: 0 (2018) • Target: 35 (2024) Source: Higher Education Improvement Project (P162971)	**Indicator 23: Achieved** As of April 4, 2024, 43 research projects in collaboration with industry have been completed of which 13 were led by female faculty. Target exceeded. (Source: Higher Education Improvement Project (P162971), Sequence 11, June 10, 2024)	• Introduce new concept/ approaches in Cambodia requires realistic timelines and project design and greater upfront support, given capacity constraints.	
Objective 5: Expand access to quality early childhood services			
Proportion of pregnant women in target provinces receiving appropriate micronutrient supplementation • Baseline: 80.2 (2017) • Target: 90 (2024) Source: Cambodia Nutrition Project/ Cambodia Nutrition Project II (P162675/ P177370)	**Indicator 24: Partially achieved** As of January 2, 2024, 68.82 percent of pregnant women in target provinces receiving appropriate micronutrient supplementation. In ISR sequence 9 (July 2023) showed 80.64 percent of pregnant women receiving micronutrient supplementation. During the pandemic it was difficult for pregnant women to access health centers to receive the supplements, and data is not yet available for the post-pandemic period to indicate whether or not the indicator has been met by the time of reporting. (Source: Cambodia Nutrition Project/ Cambodia Nutrition Project II (P162675/ P177370), ISR Sequence 10, January 2024)	• While the project is creating demand and strengthening accountability at the community, this requires upfront capacity building of key actors – in particular through strengthening coaching and independent verification and improving the quality of field assessment to keep the implementation moving forward. Further, when the project has more than one implementing unit, coordination is crucial and be the center of successful implementation.	**World Bank ASA** *Closed:* • Health Programmatic Support • ECE Impact Evaluation • Strengthening Social Protection Systems • Health Programmatic Support • ECE Impact Evaluation • Strengthening Social Protection Systems *Ongoing:* • Cambodia Health Sector Programmatic Advisory Services and Analytics II (P179080) -FY25 **World Bank Financing** *Closed:*
Number of children under 12 months of age in target	**Indicator 25: Achieved** As of January 2, 2024, 56,375 children under 12 months of age in target area receiving DPT-HepB-Hib 3.		

CPF Outcomes, Indicators and Milestones	Status at CLR	Lessons Learned	Delivered, Ongoing and Indicative WBG Program
areas receiving DPT-HepB-Hib 3 (annual) • Baseline: 38,500 (2019) • Target: 75,000 (2024) Source: Cambodia Nutrition Project (P162675)	The CNP restructuring in 2022 had revised the end target to 46,000 children by June 2026. Target exceeded. (Source: Cambodia Nutrition Project/ Cambodia Nutrition Project II (P162675), ISR Sequence 10, January 2024)		• Early Childhood Care and Development for Floating Villages Project (P146085) – FY20 • Cambodia Relief, Recovery and Resilience Development Policy Financing (P176756) – closes May 2022 • Cambodia Recovery, Reform and Resilience DPF series – closes October 2023 • Community-based Childcare for Garment Factory Workers Project (P171063) – closes March 2024 *Ongoing:* • Cambodia Nutrition Project (P162675) - closes June 2026 *Pipeline*: • Second Cambodia Recovery, Reform and Resilience DPF series (FY25)
Number of commune/ sangkats in target areas receiving Commune/Sangkat Service Delivery Gr ants (C/S-SDGs) for women and children (annual) • Baseline: 0 (2019) • Target: 250 (2024) Source: Cambodia Nutrition Project (P162675)	**Indicator 26: Achieved** As of January 2, 2024, 281 commune/sangkat in target areas receiving Commune/Sangkat Service Delivery Grants (C/S-SDGs). Target exceeded. (Source: Cambodia Nutrition Project/ Cambodia Nutrition Project II (P162675), ISR Sequence 10, January 2024)		
Number of community-based childcare centers (CBCCs) that are operational before the conclusion of project • Baseline: 0 (2018) • Target: 14 (2024) Source: Community-based Childcare for Garment Factory Workers Project (P171063)	**Indicator 27: Achieved** As of January 31, 2024, 13 CBCCs were built and operational. The enrolled children received good quality of care, education and nutrition from well-trained caregivers and cooks. End target had been revised to 13 (March 2024). (Source: Community-based Childcare for Garment Factory Workers Project (P171063), ISR Sequence 4, January 2024)	• While the establishment of day care centers for garment factory workers is crucial and provided demonstration effects, there is an issue of the sustainability of this program and how to leverage private sector support for childcare for their workforce.	
Objective 6: Expand access to quality health services			
Increase in the number of health centers exceeding 60	**Indicator 28: Achieved**	• Strengthening the national On-Demand Identification of	**World Bank ASA** *Closed:*

CPF Outcomes, Indicators and Milestones	Status at CLR	Lessons Learned	Delivered, Ongoing and Indicative WBG Program
percent score on the quality assessment of health facilities • Baseline: 49 (2016) • Target: 700 (2023) Source: Cambodia Health Equity and Quality Improvement Project (P157291/ P173769)	As of June 30, 2022, 1,181 of health centers (out of a total 1,253 health centers) exceeding 60 percent score on the quality assessment of health facilities. The HEQIP project supported all 1,253 public health centers. Target exceeded. (Source: Cambodia Health Equity and Quality Improvement Project (P157291/ P173769), ICR, May 2024.	Poor (OD-IDPoor) rather than contracting nonprofit entities to conduct Post-identification of Poor (Post-IDPoor) • The need to strengthen PHDs and ODs efforts to address low utilization of health services among HEF beneficiaries in certain ODs (approximately 40) • The need to align benefit package and reimbursement rates of HEF and NSSF schemes to improve equity and access to quality services for HEF beneficiaries. Current reimbursement rates under HEF for certain services, such as diabetes and hypertension treatment, would need to be increased eightfold, according to the new NCD fee rates approved to be used in some HCs in Battambang province, to cover actual costs for services and medicines per national treatment protocols. • The need to ensure regular data sharing, data reconciliation and analytics between PCA and DPHI, and joint data reviews involving key stakeholders at different levels to support effective	• Cambodia Health Sector Programmatic Advisory Services and Analytics (P160714) - FY22 • Strengthening Progress towards Universal Health Coverage and Pandemic Preparedness (P165875)- FY22 *Ongoing:* • Cambodia Health Sector Programmatic Advisory Services and Analytics II (P179080) -FY25 **World Bank Financing** *Ongoing:* • Cambodia Nutrition Project (P162675) - closes June 2026 • Strengthening Pre-Service Education System for Health Professionals Project (P169629) - closes June 2026 • Cambodia COVID-19 Emergency Project (P173815) – closes December 2024 • Cambodia Health Equity and Quality Improvement Project Phase 2 (P173368) • Cambodia Nutrition Project II (P177370) • Engaging Citizens to Improve Service Delivery Through Social Accountability (P172630) - closes June 2024 • Integration of Social Accountability into National and Subnational Systems (P173527) - closes June 2024
Increase in the number of outpatient services (episodes) covered by HEF during the year • Baseline: 2.6 million (2015) • Target: 3.1 million (2023) Source: Cambodia Health Equity and Quality Improvement Project (P157291/ P173769)	**Indicator 29: Achieved** As of June 30, 2021, 3,100,000 of outpatient services (episodes) covered by HEF. As of March 2023, the number of outpatients receiving services decreased to 2,871,238 due to the COVID-19 pandemic during 2020/2021 which patients could not visit the health facilities. (Source: Cambodia Health Equity and Quality Improvement Project (P157291/ P173769), ICR, May 2024.		
Decrease in the share of households that experience impoverishing health spending during the year (percentage) • Baseline: 1.29 (2014) • Target: 0.7 (2023) Source: Cambodia Health Equity and Quality Improvement Project (P157291/ P173769)	**Indicator 30: Achieved** As of May 5, 2023, 0.74 reduction in the share of households that experience impoverishing health spending. (Source: Cambodia Health Equity and Quality Improvement Project (P157291/ P173769), ICR, May 2024.		

CPF Outcomes, Indicators and Milestones	Status at CLR	Lessons Learned	Delivered, Ongoing and Indicative WBG Program
Number of designated laboratories with COVID-19 diagnostic equipment, test kits, and reagents • Baseline: 1 (2020) • Target: 16 (2024) Source: Cambodia COVID-19 Emergency Project (P173815)	**Indicator 31: Achieved** As of May 5, 2023, 16 laboratories designated with COVID-19 diagnostic equipment, test kits, and reagents. 15 laboratories were supported under COVID EPR. The National Blood Transfusion Center was equipped to test COVID-19 financed by the Health Equity and Quality Improvement Project (P157291). (Source: Cambodia COVID-19 Emergency Project (P173815), ISR Sequence 7, January 2024)	and efficient HEF implementation.	
Focus Area 3: Improve Agriculture and Strengthen Sustainable Use of Natural Resources			
Objective 7: Strengthen Management of Water and Land Use			
Protected areas management plans adopted (Number) • Baseline: 0 (2019) • Target: 4 (2024) Source: Cambodia Sustainable Landscape and Ecotourism Project (P165344)	**Indicator 32: Mostly achieved** As of January 9, 2024, 3 protected areas management plans for Tatai, Phnom Aural Wildlife Sanctuary and Phnom Samkos Wildlife Sanctuary have been finalized and endorsed by the Minister of Environment. (Source: Cambodia Sustainable Landscape and Ecotourism Project (P165344), ISR Sequence 9, January 2024)	• An integrated approach for WRM through its linking of water and fishery resources management institutions – the FiA and CNMC/ MOWRAM- to work together and established opportunities for open communication that helped lower the walls between the teams without impacting their institutional structure and helped motivate more collaborative implementation. • To ensure the sustainability of the project, the clients were required to establish an operational structure for the	**World Bank ASA** *Closed:* • Cambodia's Mekong Delta: Building Climate Resilience and Sustainability (P169923) - FY20 • Cambodia: Ecosystem Valuation (P169924)- FY20 • Cambodia: Sustainable Solid Waste and Plastic Management (P169925)- FY20 • Ecotourism Development in Cambodia (P174084)- FY20 • Enhancing Environmental Sustainability and Resilience (P168687) - FY21 • Coastal Blue Economy Development Path and Updated NDC (P172461) - FY21 • [Core analytics] Country Climate Development Report -FY23
Hydro-meteorological monitoring stations newly established or improved and functioning in the Mekong River Sub-Basins (stations) • Baseline: 0 stations (2016) • Target: 25 stations (2022)	**Indicator 33: Achieved** As of November 30, 2021 (ICR), 28 hydromet monitoring stations newly established to provide near real-time data (rainfall, water level, flow rate and water quality parameters) to the DSS to inform relevant agencies. (Source: Mekong Integrated Water Resources Management - Phase III (P148647), ICR, November 2022)		

CPF Outcomes, Indicators and Milestones	Status at CLR	Lessons Learned	Delivered, Ongoing and Indicative WBG Program
Source: Mekong Integrated Water Resources Management - Phase III (P148647)		infrastructure and allocate adequate budget so that operations continue to operate in a self-sustainable manner after the project.	*Ongoing:* • Enhancing Natural Resource and Pollution Management in Cambodia PASA - FY25 **World Bank Financing** *Closed:* • Land Allocation for Social and Economic Development project II (P150631) – closes December 2021 • Mekong Integrated Water Resources Management - Phase III (P148647) – closes May 2022 • Livelihood Enhancement and Association of the Poor Project (P153591) – closes November 2023 *Ongoing:* • Cambodia Sustainable Landscape and Ecotourism Project (P165344) – closes December 2025 • Land Allocation for Social and Economic Development project III (P171331) – closes December 2026 *Pipeline* • Cambodia Water Security Improvement Project (P176615) – FY23 • Second Cambodia Recovery, Reform and Resilience DPF series (FY5)
3S/ 4P sub-basin with functional water resources management models has been developed • Baseline: 0 (2016) • Target: 4 (2022) Source: Mekong Integrated Water Resources Management - Phase III (P148647)	**Indicator 34: Achieved** As of November 30, 2021 (ICR), 7 functional sub-river basins models were developed and integrated into the Decision Support System. Target exceeded. (Source: Mekong Integrated Water Resources Management - Phase III (P148647), ICR, November 2022)		
Fully functioning Community Fisheries (CFis) • Baseline: 0 (2016) • Target: 50 (2022) Source: Mekong Integrated Water Resources Management - Phase III (P148647)	**Indicator 35: Achieved** As of April 19, 2021 (ICR), 70 CFis were established with functional structures and management plans. Target exceeded. (Source: Mekong Integrated Water Resources Management - Phase III (P148647), ICR, November 2022)		
Objective 8: Improve agricultural productivity and diversification			
Increase in the value of gross sales at benefitting farms:	**Indicator 36: Achieved** As of December 2023, the gross sales of their related agribusinesses increased by 28.7% in value during	• Sustainable development of agricultural value chains is a time-consuming undertaking.	**World Bank ASA** *Delivered:*

CPF Outcomes, Indicators and Milestones	Status at CLR	Lessons Learned	Delivered, Ongoing and Indicative WBG Program
• Baseline: 0 (2018) • Target: 10 percent (2024) Source: Cambodia Agricultural Sector Diversification Project (P163264)	the entire year 2023. Target exceeded. (Source: Cambodia Agricultural Sector Diversification Project (P163264), ISR Sequence 9, June 2024)	This is particularly the case when it requires strong collaboration among private actors to forge an effective public-private partnership. • This is a new approach for the rural communities supported under the CASDP (and even for the CASDP project officials), and therefore the implementation process has been a steep learning curve. In addition, the COVID-19 environment during the first two years of the project was a major challenge for carrying out necessary and frequent face to face interactions between project officials and community members at the field level.	• TA - Cambodia Agriculture Sector ASA (P164736) – FY20 **IFC TA/Advisory:** *Ongoing:* • Rice Mars-BRICo (603217) • AMRU Rice AS (603679) **World Bank Financing** *Closed:* • Land Allocation for Social and Economic Development project II (P150631) – closes December 2021 • Livelihood Enhancement and Association of the Poor Project (P153591) – closes November 2023 *Ongoing:* • Cambodia Agricultural Sector Diversification Project (CASDP) (P163264) – closes January 2025 • Land Allocation for Social and Economic Development project III (P171331) – closes December 2026 Pipeline: • Cambodia Inclusive Livestock Value Chains and One Health Project - FY25 **IFC Investment:**
Increase in the value of gross sales at benefitting farms (Incremental sales revenue in US$): • Baseline: 0 (2018) • Target: 3,092,500 [87] (2024) Source: IFC TA/Advisory - 603217, 603679 and IFC Investment 41831	**Indicator 37: Partially achieved** Actual: 10,957, 821 (2022) (Source: IFC TA/Advisory - 603217, 603679 and IFC Investment 41831)	• COVID-19 pandemic effects on prices, including rising shipping costs affected demand, while drought and flooding in 2021 affected the yields and profits of participating farmers. A more realistic assessment and risk analysis of global market trends should inform results objectives.	

[87] The end target value was incorrectly reflected in the PLR and should have reflected US$30,092,500.

CPF Outcomes, Indicators and Milestones	Status at CLR	Lessons Learned	Delivered, Ongoing and Indicative WBG Program
Share of non-rice production area of participating farmers: • Baseline: 0 (2018) • Target: 15 percent (2024) Source: Cambodia Agricultural Sector Diversification Project (P163264)	**Indicator 38: Achieved** As of December 2023, 50.28 percent share of non-rice production area (1,912.16 ha of the total productive area of 3,802.7 ha) was observed among 713 sampled AC members out of 19 DPIs/25BPIs over the period up to December 2023. Target exceeded. (Source: Cambodia Agricultural Sector Diversification Project (P163264), ISR Sequence 9, June 2024)	• Following extensive advice and technical assistance for the implementation of the project *e.g.,* on the preparation of business proposals by agricultural cooperatives and SMAs, the building of partnerships among private actors, the management and institutional strengthening of agricultural cooperatives and other producer organizations; bases for the acceleration of CASDP's implementation progress are in place.	*Ongoing:* • AMRU Rice (41831)
Self-Help Groups (SHGs) supported: • Baseline: 0 (2017) • Target: 975 (2024) Source: Livelihood Enhancement and Association of the Poor Project (P153591)	**Indicator 39: Achieved** As of November 30, 2023, 975 SHGs were supported. (Source: Livelihood Enhancement and Association of the Poor Project (P153591), ICR May 2024)	• The community activities, including skill training, community infrastructure, and establishment of SHGs, Producer Groups and Agriculture Cooperatives, helped poor and vulnerable households to better access of health care, food, school, market, and opportunities for income-generating activities and strengthened local institutions and capacity building along with improved community infrastructure.	

CLR ANNEX 2. SUMMARY OF CPF OBJECTIVE RATING AND INDICATOR ACHIEVEMENTS

CPF Objectives	Overall Outcome Rating	Indicators Achieved	Indicators Mostly Achieved	Indicators Partially Achieved	Indicators Not Achieved
Focus Area 1: Promote State Efficiency and Boost Private Sector Development					
Objective 1: Enhance financial sector development and foster private enterprise	Mostly Achieved	6 (1,2,4,5,6,7)	1 (3)		
Objective 2: Strengthen public sector accountability and public finance	Mostly Achieved	4 (8,9,11,10)	1 (12)		
Objective 3: Expand and improve sustainable infrastructure services	Partially Achieved	3 (13, 14,18)		2 (16,17)	1 (15)
Focus Area 2: Foster Human Development					
Objective 4: Enhance quality of targeted levels of education	Achieved	5 (19,20,21,22, 23)			
Objective 5: Expand access to quality early childhood services	Mostly Achieved	3 (25,26, 27)	1 (24)		
Objective 6: Expand access to quality health services	Achieved	4 (28,29,30,31)			
Focus Area 3: Improve Agriculture and Strengthen Sustainable Use of Natural Resources					
Objective 7: Strengthen management of water and land use	Mostly Achieved	3 (33,34,35)	1 (32)		
Objective 8: Improve agricultural productivity and diversification	Mostly Achieved	3 (36,38,39)		1 (37)	
Overall CPF Achievements	**Moderately Satisfactory**	**31**	**4**	**3**	**1**

CLR ANNEX 3: IDA PLANNED FINANCING PROGRAM AND ACTUAL DELIVERIES

Indicative Financing Program under CPF	Approved Projects
Focus Area 1: Promote State Efficiency and Boost Private Sector Development	
• Water Supply and Sanitation Improvement project (FY19, $55m) • Road Connectivity Improvement Project (FY21, $100m) • Cambodia Recovery, Reform and Resilience DPF series (FY22, $200 million) • Enterprise Digitalization and Technology Adoption Project (FY23, US$ 40m)* • Cambodia Water Supply and Sanitation Acceleration Project (FY23, $100 million) • Cambodia Recovery, Reform and Resilience DPF series (FY24, $100m, FY25, $100m)	**FY19** • Water Supply and Sanitation Improvement project (P163876, $55m) **FY21** • Cambodia Relief, Recovery and Resilience Development Policy Financing (P176756, $200m) • Cambodia Road Connectivity Improvement Project (P169930, $100m) **FY22** • Cambodia Southeast Asia Disaster Risk Management Project 2 (P177185, $169.4m) **FY23** • Cambodia Recovery, Reform and Resilience DPF series (US$274 million) **FY24** • Cambodia Water Supply and Sanitation Acceleration Project (P178417, $163 m) • Additional Financing to Road Connectivity Improvement Project (P181396, $35m) • Second Cambodia Growth and Resilience Development Policy Financing (P180749, $275m)
Focus Area 2: Foster Human Development	
• Cambodia Nutrition Project (FY19, $15m) • Pre-service Training for Health Workers Project (FY20) • Health Sector Project (FY21-FY23) • Education Sector Support project (FY21-FY23)	**FY19** • Cambodia Nutrition Project (P162675, US$ 15m) **FY20** • Strengthening Pre-Service Education System for Health Professionals Project (P169629, $15m) • Cambodia COVID-19 Emergency Response Project (P173815, $20m) **FY21** • Additional Financing for Health Equity and Quality Improvement Project (HEQIP) (P173769, $14m)

Indicative Financing Program under CPF	Approved Projects
	FY22 • Cambodia General Education Improvement Project (P174335, $60m) • Health Equity and Quality Improvement Project - Phase 2 (P173368, $55m) **FY24** • Additional Financing for Cambodia General Education Improvement Project (P181347, $60m) • Skills for Better Jobs Project (P179159, $40m)
Focus Area 3: Improve Agriculture and Strengthen Sustainable Use of Natural Resources	
• Cambodia Sustainable Landscape and Ecotourism Project (FY19, $50.66m) • Agriculture Sector Diversification project (FY19, $91.67m) • Cambodia Solid Waste and Plastic Management Improvement Project (FY21, $60m) • Cambodia Water Security Improvement Project (FY23, $125m) • Cambodia Coastal Resilience/Blue Economy Project (FY24, $100m)* • Boosting Fishery/Aquaculture Production (FY24, $80m)*	**FY19** • Agriculture Sector Diversification project (P163264, $91.67m) • Cambodia Sustainable Landscape and Ecotourism Project (P165344, $50.66m) **FY20** • Land Allocation for Social and Economic Development Project (P171331, $93m) **FY23** • Cambodia: Solid Waste and Plastic Management Improvement Project (P170976, $60m) **FY24** • Cambodia Water Security Improvement Project (P176615, $145m)

*The proposed projects have been dropped.

CLR ANNEX 4: NEW IDA APPROVALS AND ACTIVE IDA DURING THE CPF PERIOD

Fiscal year	2019	2020	2021	2022	2023	2024
New IDA Approvals						
Number of IDA Projects approved						
DPL	*0*	*0*	*1*	*0*	*1*	*1*
IPF	*4*	*3*	*1*	*3*	*1*	*3*
AF	*0*	*0*	*1*	*0*	*0*	*2*
Net Commitment Amount ($m)						
DPL	*0*	*0*	*200.0*	*0*	*274.0*	*275.0*
IPF	*212.3*	*128.0*	*100.0*	*284.4*	*60.0*	*348.0*
AF	*0*	*0*	*14.0*	*0*	*0*	*95.0*
Active IDA Portfolio						
Number of IDA Projects	12	15	17	17	16	18
Net Commitment Amount ($m)	662.6	790.6	1,104.6	1,148.9	1,338.9	1,759.7
Average Project Size ($m)	55.2	52.7	65.0	67.6	83.7	83.7
Average Project Age (years)	1.8	2.3	2.9	3.2	3.2	3.4
Total Disbursement ($m)	83.1	161.4	230.8	275.7	524.8	366.4
Disbursement in FY ($m)*	55.0	78.3	69.4	266.3	392.6	135.8
Disbursement Ratio (percent)	13.2	13.7	11.2	12.0	14.2	17.7
Active RETF Portfolio						
Number of stand-alone RETF Projects	1	3	3	4	6	4
Stand-alone RETF - Amount ($m)	2.8	8.9	8.9	11.6	26.6	28.2
Stand-alone RETF - Total Disbursement ($m)	2.3	0.9	2.7	5.5	8.7	11.4
Co-financing RETF Amount ($m)	39.0	68.4	69.6	115.9	82.3	85.3
Co-financing RETF - Total Disbursement ($m)	17.8	30.4	37.6	57.7	16.6	41.2

CLR ANNEX 5: STATEMENT OF IFC INVESTMENT PROGRAM ACTIVE DURING FY19-23 ($ MILLION)

Fiscal Year	Project Id	Project Short Name	Industry	Own account	Core Mobilization	Total
2019	**40973**	SLGP PPCB RSF	**FIG**	8		8
2019	**41223**	DCM HKL LCY	**FIG**	20	10	30
2019	**41294**	Amret Senior 18	**FIG**	10	60	70
2019	**41831**	Amru Rice	**MAS**	5		5
2019	**42480**	ACLEDA subdebt3	**FIG**	40	15	55
2020	**42480**	ACLEDA subdebt3	**FIG**	20	35	55
2020	**44211**	WCS COVID HKL	**FIG**	25		25
2020	**44231**	WCS COVID AMRET	**FIG**	13	13	25
2021	**44231**	WCS COVID AMRET	**FIG**	13		13
2021	**44742**	HTB Sub Debt	**FIG**	10		10
2021	**44882**	ACLEDA sr 2020	**FIG**	100	69	169
2021	**45005**	SMEV CamLao II	**CDF**	1		1
2021	**45535**	BOP HTB Senior	**FIG**	10		10
2022	**42750**	Kampong Solar	**INFRA**	5		5
2022	**44742**	HTB Sub Debt	**FIG**		30	30
2022	**44882**	ACLEDA sr 2020	**FIG**		100	100
2022	**45535**	BOP HTB Senior	**FIG**		60	60
2022	**46569**	Advanced Bank of Asia	**FIG**			-
2023	**43894**	SMEV AFMF	**CDF**	5		5
Grand Total				**283**		**674**

CLR ANNEX 6: IFC ADVISORY PROGRAM ACTIVE DURING FY19-23

ID	Project Name	Primary Business Line Name	Status as of 06/30/2023
601954	**Cambodia Debt Resolution**	REG	ACTIVE
603265	**Sihanoukville Logistics Complex PPP**	CTA-PPP	ACTIVE
603679	**AMRU Rice AS**	MAS	COMPLETED
604143	**CAMBODIA SME FINANCE**	FIG	ACTIVE
605059	**ACLEDA-Internal Capital Adequacy Assessment Process (ICAAP) Advisory Project**	FIG	COMPLETED
606763	**Cambodia Green Finance**	REG	ACTIVE
607179	**MARS Cambodia Sustainable SKO Rice**	MAS	ACTIVE
607236	**ACLEDA Custodial**	FIG	ACTIVE
607530	**Cambodia Derivatives Adv Prog**	TAS	ACTIVE

CLR ANNEX 7: TABLE OF MIGA'S PORTFOLIO (AS OF END OF APRIL 2024)

Project name	Effective date	Expiry date	Investor	Sector	Amount (US$ million
Cambodia Transmission Limited	08/02/2019	08/01/2029	Mizuho Bank, LTD	Infrastructure	39.0
NBC Bank	01/31/2022	01/30/2025	National Bank of Canada	Financial	300.0
Total					**339.0**

CLR ANNEX 8: ALIGNMENT WITH THE VIEWS OF KEY COUNTRY STAKEHOLDERS

The CPF reflected the consultations with government and civil society. A series of stakeholder conversations were held in 2019 to seek input into the proposed CPF program. The focus areas proposed for WBG support in the draft CPF were endorsed by participants as reflective of the core development challenges in Cambodia. Key themes raised by stakeholders included building human capital, social protection, improved public sector management and service delivery, digital economy, agriculture and sustainable rural development and strengthening of the private sector. There were understandable differences in emphasis depending on the identity of the groups consulted.

WBG's 2021 country opinion survey results suggest that key focus areas under the CPF remained relevant. 333 stakeholders of the WB were invited to provide their opinions on the WBG's work in the country, of whom 44 percent responded. Participants included parliamentarians, government officials, development partners, private sector, CSOs, researchers, and media. They underlined the development priorities of education, governance, corruption, agriculture, and judiciary reform; Corruption was identified by four out of ten respondents as the key contributor to slow or failed reform, followed by inadequate government accountability. Respondents wanted to see WBG's support emphasize the governance sector, followed very closely by poverty and education, agriculture, jobs, private sector development, growth, corruption, and judiciary reform. The WB received positive ratings as a long-term development partner with its support aligned with the country's development priorities.

CLR ANNEX 9: COVERAGE OF THE CROSS-CUTTING THEME IN THE CPF RESULTS FRAMEWORK

Strengthening governance, institutions and citizen engagement

Objective	Indicator	Status
1.Financial Sector	5. Number of individuals receiving digital payments	Achieved
	6. Government bond issuance	Achieved
2.Public Accountability	8. Line ministry FMIS connected to MEF	Achieved
	9. Schools publicly displaying development plans	Achieved
	10. Communes completing three ISAF cycles	Achieved
3.Sustainable Infrastructure	11. Length of roads maintained under performance-based contracts	Achieved
	18. Development of DRM Financing Strategy	Achieved
4. Education	20. Number of HEIs that complete accreditation process	Achieved
5. Early Childhood	27. Number of community-based childcare centers	Achieved
6. Health	31. Number of laboratories with COVID-19 equipment	Achieved
7. Water and Land Use	32. Protected land areas management plans adopted	Mostly Achieved
	33. Hydro-met stations established or improved	Achieved
	34. Functioning community fisheries	Achieved
8. Agriculture	39. Self-help Groups Supported	Achieved

Supporting Gender Equality

CGAP Priorities (2019-2020)	World Bank Group Program	CGAP Output/Outcome Indicators	Status
Access to Economic Opportunities: Access to land as a driver of poverty reduction included for female-headed households; Reduce trade-offs between household and market roles for women; Remove barriers to women's productivity.	Land Allocation for Social and Economic Development Project II	Increase number of (female) clients who have adopted an improved agriculture technology promoted by the project	Achieved
	Water Supply and Sanitation Improvement Project	Female staff working in the water supply providers supported by the Project in core roles	Mostly achieved
	Land Allocation for Social and Economic Development Project III	Targeted clients satisfied with agricultural services - female (number)	Mostly achieved
		Percentage of women employed by contractors	Mostly achieved

	KH-Road Asset Management Project II Additional Financing (RAMP II AF)		
		Personnel trained in Gender Based Violence (GBV) and Violence Against Children (VAC)	Achieved
	Mekong Integrated Water Resources Management Project - Phase III	Number of approved CFi Fisheries Management Plans with Gender Action Plans	Achieved
	Livelihood Enhancement and Association of the Poor Project (LEAP)	Participants receiving skills development training with new or improved employment or increased income (percentage)	Achieved
Endowments: Access to maternal and reproductive health services for women, including elder women, lesbian and transgender, and linkages to nutrition and employment	Cambodia Nutrition Project	Increased percent of pregnant women in target areas receiving micronutrient supplementation in accordance with national guidelines	Mostly achieved
	Cambodia Health Equity and Quality Improvement Project	Number of women screened for cervical cancer screening with VIA	Achieved
Improve Agriculture and Sustainable Use of Natural Resources	Land Allocation for Social and Economic Development Project III	Beneficiaries have access to land tenure security *female-headed households that have received support for land titles for their SLCs under LASED III*	Achieved
	Cambodia Southeast Asia Disaster Risk Management Project	Proportion of beneficiaries (of which are women) satisfied with road condition, safety, and climate resilience of rehabilitated and maintained roads - Gender responsive physical design features identified and mainstreamed into MRD's standard design	Achieved

ANNEX 3. SUMMARY MATRIX OF DEVELOPMENT PARTNERS PROVIDING SUPPORT

Sectors	ADB	Australia	China	EU	FAO	France	Germany	IFAD	Japan	Korea	UNDP	UNICEF	WFP	USA
Transportation	x	x	x						x	x				
Water and Sanitation	x	x	x	x		x	x		x	x	x			
Urban Planning and Management	x								x					
Industrialization and Trade		x					x		x	x				
Business and Financial Services				x		x			x					
Public Financial Management	x	x		x		x	x		x		x			x
Basic/Primary Education				x					x	x		x	x	x
Secondary Education	x					x			x					
TVET	x					x			X					
Higher Education		x				x			x	x				
Health	x	x					x		x	x		x		x
Social Protection		x		x		x	x		x	x	x			x
Agriculture	x	x		x	x	x	x	x		x				x
Environment and Sustainability	x			x	x	x	x		x		x		x	x
Energy, Power & Electricity	x	x	x	x		x	x		x	x				x

ANNEX 4. SELECTED INDICATORS OF BANK PORTFOLIO PERFORMANCE AND MANAGEMENT

Operations Portfolio (IBRD/IDA and Grants)

As of 04/30/2024

Closed Projects	**47**

IBRD/IDA*

Total Disbursed (Active)	331.92
of which has been repaid(1)	3.58
Total Disbursed (Closed)	1,479.27
of which has been repaid	249.83
Total Disbursed (Active + Closed)	1,811.19
of which has been repaid	253.40
Total Undisbursed (Active)	864.99
Total Undisbursed (Closed)	0.62
Total Undisbursed (Active + Closed)	865.6100132

Active Projects

		Last PSR Supervision Rating			Original Amount in US$ Millions					Difference Between Expected and Actual Disbursements[a]	
Project ID	**Project Name**	**Development Objective**	**Implementation Progress**	**Fiscal Year**	**IBRD**	**IDA**	**Grants**	**Cancel.**	**Undisb.**	**Orig.**	**Frm Rev'd**
P173815	Cambodia COVID-19 Emergency Respons	S	S	2020	0.0	20.0		0.0	1.5	1.0	7.0
P162971	Cambodia HEIP	S	MS	2018	0.0	90.0		0.0	11.3	16.0	11.1
P172351	Cambodia Landscape	#	#	2020	0.0	0.0	4.4	0.0	3.4	26.4	29.8
P162675	Cambodia Nutrition Project	MS	MS	2019	0.0	15.0		0.0	8.8	7.6	12.4
P169930	Cambodia Road Connectivity Improvement	S	S	2021	0.0	135.0		0.0	112.3	50.5	7.8
P170976	Cambodia Solid Waste and Plastic Project	S	S	2023	0.0	60.0		0.0	58.0	1.7	0.0
P178417	Cambodia WASAC	#	#	2024	0.0	163.0		0.0	163.1	3.4	0.0
P165344	Cam - Sustainable Landscape & Ecotourisı	MU	MU	2019	0.0	50.7		0.0	35.8	14.8	0.1
P163264	CASDP	MS	MS	2019	0.0	91.7		0.0	56.6	58.1	0.8
P174335	General Education Improvement Project	MS	MS	2022	0.0	60.0		0.0	23.5	21.3	9.2
P173368	H-EQIP 2	MS	MS	2022	0.0	55.0		0.0	41.8	4.6	12.8
P150572	KH - Road Asset Management Project II	S	MS	2016	0.0	170.0		0.0	64.8	-36.5	-3.8
P177185	KH-SEADRM2	#	#	2022	0.0	169.4		0.0	157.3	28.9	3.5
P171331	LASED III	MS	MS	2020	0.0	93.0		0.0	80.2	50.2	1.2
P169629	Pre Service Education	MU	MU	2020	0.0	15.0		3.0	6.0	1.0	3.1
P163876	Water Supply and Sanitation Improvement	#	#	2019	0.0	55.0		0.0	40.5	33.3	25.0
Overall Result					**0.0**	**1,242.7**	**4.4**	**3.0**	**865.0**	**282.4**	**119.9**

* Disbursement data is updated at the end of the first week of the month.

a. Intended disbursements to date minus actual disbursements to date as projected at appraisal.

ANNEX 5. WORLD BANK OPERATIONS PORTFOLIO (IBRD/IDA and GRANTS)

Selected Indicators* of Bank Portfolio Performance and Management

As of Date 05/24/2024

Indicator	FY21	FY22	FY23	FY24
Portfolio Assessment				
Number of Projects Under Implementation [a]	17.0	17.0	16.0	15.0
Average Implementation Period (years) [b]	3.0	3.3	3.5	3.9
Percent of Problem Projects by Number [a, c]	5.9	5.9	6.3	13.3
Percent of Problem Projects by Amount [a, c]	5.0	4.4	1.1	5.0
Percent of Projects at Risk by Number [a, d]	11.8	11.8	6.3	33.3
Percent of Projects at Risk by Amount [a, d]	20.3	9.5	1.4	12.6
Disbursement Ratio (%) [e]	11.1	12.0	14.2	13.8
Portfolio Management				
CPPR during the year (yes/no)				
Supervision Resources (total US$)				
Average Supervision (US$/project)				

Memorandum Item	Since FY80	Last Five FYs
Proj Eval by IEG by Number	45	4
Proj Eval by IEG by Amt (US$ millions)	1,100.9	281.5
% of IEG Projects Rated U or HU by Number	22.7	0.0
% of IEG Projects Rated U or HU by Amt	10.3	0.0

a. As shown in the Annual Report on Portfolio Performance (except for current FY).

b. Average age of projects in the Bank's country portfolio.

c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).

d. As defined under the Portfolio Improvement Program.

e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: Investment projects only.

* All indicators are for projects active in the Portfolio, with the exception of Disbursement Ratio, which includes all active projects as well as projects which exited during the fiscal year.

Operations Portfolio (IBRD/IDA and Grants)

As of 04/30/2024

Closed Projects	**47**

IBRD/IDA*

Total Disbursed (Active)	331.92
of which has been repaid(1)	3.58
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Active Projects

		Last PSR Supervision Rating			Original Amount in US$ Millions					Difference Between Expected and Actual Disbursements[a]	
Project ID	**Project Name**	**Development Objective**	**Implementation Progress**	**Fiscal Year**	**IBRD**	**IDA**	**Grants**	**Cancel.**	**Undisb.**	**Orig.**	**Frm Rev'd**
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P162971	Cambodia HEIP	S	MS	2018	0.0	90.0		0.0	11.3	16.0	11.1
P172351	Cambodia Landscape	#	#	2020	0.0	0.0	4.4	0.0	3.4	26.4	29.8
P162675	Cambodia Nutrition Project	MS	MS	2019	0.0	15.0		0.0	8.8	7.6	12.4
P169930	Cambodia Road Connectivity Improvement	S	S	2021	0.0	135.0		0.0	112.3	50.5	7.8
P170976	Cambodia Solid Waste and Plastic Project	S	S	2023	0.0	60.0		0.0	58.0	1.7	0.0
P178417	Cambodia WASAC	#	#	2024	0.0	163.0		0.0	163.1	3.4	0.0
P165344	Cam - Sustainable Landscape & Ecotourisı	MU	MU	2019	0.0	50.7		0.0	35.8	14.8	0.1
P163264	CASDP	MS	MS	2019	0.0	91.7		0.0	56.6	58.1	0.8
P174335	General Education Improvement Project	MS	MS	2022	0.0	60.0		0.0	23.5	21.3	9.2
P173368	H-EQIP 2	MS	MS	2022	0.0	55.0		0.0	41.8	4.6	12.8
P150572	KH - Road Asset Management Project II	S	MS	2016	0.0	170.0		0.0	64.8	-36.5	-3.8
P177185	KH-SEADRM2	#	#	2022	0.0	169.4		0.0	157.3	28.9	3.5
P171331	LASED III	MS	MS	2020	0.0	93.0		0.0	80.2	50.2	1.2
P169629	Pre Service Education	MU	MU	2020	0.0	15.0		3.0	6.0	1.0	3.1
P163876	Water Supply and Sanitation Improvement	#	#	2019	0.0	55.0		0.0	40.5	33.3	25.0
Overall Result					**0.0**	**1,242.7**	**4.4**	**3.0**	**865.0**	**282.4**	**119.9**

* Disbursement data is updated at the end of the first week of the month.

a. Intended disbursements to date minus actual disbursements to date as projected at appraisal.

ANNEX 6. STATEMENT OF IFC's HELD AND DISBURSED PORTFOLIO

Cambodia Investment Portfolio by Industry Group (as of June 30, 2024)

Industry Group	FIG	MAS	INR	CSF	Total
Committed Exposure	147.9	3.7	4.1	18.2	173.9
Portfolio Outstanding	141.1	3.7	4.0	10.9	159.7
of which Loan Outstanding	123.8	3.7	4.0	-	131.5
of which Equity Outstanding	17.3	-	-	10.9	28.2
Undisbursed	6.8	-	0.1	7.3	14.2
Non-Performing Loans (NPLs)	-	-	-	-	-
NPL Ratio (%)	0.0%	0.0%	0.0%	0.0%	0.0%

Top 5 Portfolio Clients by Committed Exposure in Cambodia (as of June 30, 2024)

Client	Industry	Industry Group Sector	Committed Exposure	Portfolio Outstanding
ACLEDA Bank	FIG	Financial Markets	118.1	111.3
Amret	FIG	Financial Markets	17.3	17.3
HTB	FIG	Financial Markets	12.5	12.5
SMEV AFMF	CSF	Collective Investment Vehicles	10.0	3.7
SMEV CamLao II	CSF	Collective Investment Vehicles	8.2	7.3

Cambodia Advisory Services Portfolio by Industry (as of June 30, 2024)

Industry	Total Funds Managed by IFC
CAE	1.8
CDF	1.1
CTA-PPP	2.8
FIG	3.2
INR	0.0
MAS	1.3
TAS	0.8
Total AS Portfolio in Cambodia	11.1

ANNEX 7. MIGA's GUARANTEE PORTFOLIO

As of April 30, 2024

Project name	Effective date	Expiry date	Investor	Sector	Amount (US$ million
Cambodia Transmission Limited	08/02/2019	08/01/2029	Mizuho Bank, LTD	Infrastructure	39.0
NBC Bank	01/31/2022	01/30/2025	National Bank of Canada	Financial	300.0
Total					**339.0**

ANNEX 8. CAMBODIA COUNTRY GENDER ACTION PLAN (CGAP) SUMMARY (FY25–FY29)[88]

1. Gender equality in Cambodia has improved over the last decade, especially with regard to human capital outcomes, but challenges remain. In health, the rates for under-5 mortality and stunting remain high, especially for boys, which has implications for their cognitive development and future productivity. Cambodia has reached near gender parity in primary school but progression to secondary school remains low, and drop-out rates remain high, especially for boys. Differences in learning outcomes persist, with girls outperforming boys; however, the literacy of adult women remains lower than that of adult men.

2. Cambodian women have a high labor participation rate, but their productive potential has yet to be realized. Women are less likely to be in formal, better paid, and secure forms of employment. Young women are less numerous in technical and vocational education and training (TVET), or become tertiary education graduates in science, technology, engineering, and mathematics (STEM). As a result, women are disproportionately employed in lower-skilled jobs. Gendered patterns in employment also reflect social norms that expect women to be responsible for unpaid family care. Although, women comprise a significant percentage of small and medium enterprise (SME) owners, their businesses are less likely to grow and expand. Sexual harassment is also prevalent, which negatively impacts women's wellbeing and productivity.

3. Domestic violence and intimate partner violence (IPV) are challenges in Cambodia, and they likely became worse during the COVID-19 pandemic. In 2022, 21 percent of Cambodian women who had ever had an intimate partner reported that their current or most recent partner had subjected them to emotional, physical, or sexual violence. However, Cambodia's IPV rate is lower than the global and regional average of 27 percent. Women in rural areas are at greater risk of experiencing IPV, as are women with disabilities. Human trafficking also likely affects women in Cambodia, even though the actual rates are not known. Cambodian women and girls are disproportionately affected by child marriage and modern-day slavery. In the Global Slavery Index for 2023, Cambodia ranked 89th out of 160, globally, and 16th in the Asia Pacific Region, out of 27 countries.[89]

4. Women's participation in decision-making has improved over time, but it still remains low. Women are also less resilient to the impacts of climate change. The prevailing gender norms and long-term causes of gender inequality amplify women's vulnerability to climate impacts.

The CGAP proposes to step up its ambition to advance gender equality through the following pillars: **Pillar 1.** Stepping up operational engagement from design to implementation and strengthening accountability for gender results**. Pillar 2.** Strengthening evidence for policy dialogue and operational engagement on priority gender gaps. **Pillar 3.** Building capacity and sharing knowledge on what works to advance gender equality.

Priority areas for WBG's Engagement under the CPF (FY25-29)

5. The following are seven areas for operational and analytical entry points where engagement with the RGC could have a significant and sustained impact.[90]

I. Foundational wellbeing – End gender-based violence (GBV) and elevate human capital

(i) **Continue to improve maternal and child health and nutrition** by ensuring the readiness of Maternal and Child Health and Nutrition Services, and prioritizing quality priority through the current Health Equity and

[88] The CGAP summarizes key gender issues in Cambodia, and highlights entry points through which the WBG country program could advance gender equality. It is meant to serve as a management and monitoring tool for the country team.

[89] See the Global Slavery Index 2023 at https://cdn.walkfree.org/content/uploads/2023/09/27161825/GSI-Snapshot-Cambodia.pdf. Minderoo Foundation. 2023. "Walk Free 2023: Global Slavery Index 2023.

[90] These areas respond to persisting gender disparities where the Bank has a strong comparative advantage, and they contribute to the three objectives of the WBG's new Gender Strategy. These areas also align with Cambodia's own development priorities, which are outlined in the Pentagonal Strategy. The indicators proposed under each priority area also align with the WBG's new scorecard.

Quality Improvement Phase II, and the Cambodia Nutrition Project. **Indicator(s):** Number of eligible beneficiaries (poor pregnant women and children) having received maternal and child health services.

(ii) **Ramp up ongoing efforts to improve gender equality in learning outcomes for both boys and girls, and address gender gaps in the transition to secondary education** through operationally relevant analytics under the Education PASA, and the ongoing General Education Improvement Project (GEIP), both of which support improvements in the qualifications of teacher trainers, and in-service teachers in all sub-sectors; enable target schools to meet the minimum standard for school effectiveness; implement effective classroom assessments; and construct and renovate classrooms for target early childhood, primary, and secondary education. The AF of the GEIP will expand this support. **Indicator(s):** Reduction in gaps in learning outcomes in core subjects (English, Math, and Science) between boys and girls, and achieve parity in secondary school completion.

(iii) **Address knowledge gaps on GBV risks in Cambodia**. Collaborate with development partners (DPs) on nation-wide mapping of GBV service providers to identify gaps in the availability and quality of services. Based on the mapping, efforts will be made to fill service gaps through the Bank's active portfolio, particularly in rural areas where gaps are known to be the most severe. Operational engagement will be sought and continued through the Strengthening Pre-service Education System for Health Professionals Project, which supports training healthcare workers on how to respond to GBV, and addresses gaps in GBV services. Efforts will be made through the Cambodia Poverty, Distributional Analysis, and Data Strengthening PASA to have sex-disaggregated data available, and strengthen the National Statistics Institute's capacity to collect, analyze, and disseminate GBV/IPV-related data. In coordination with DPs and IFC, a business case study is planned on the economic and social costs of GBV in Cambodia. Support will be provided for policy dialogue on access to justice for GBV/IPV survivors, and reforms to the Prevention of Domestic Violence and Protection of Victims Act, and to address the lack of protection from partner violence that occurs outside marriage. IFC will explore opportunities to address GBV in workplaces, including through advancing respectful workplaces in the supply chains of global brands that are sourcing from Cambodia. Child protection response mechanisms will be considered for childcare and related early childhood interventions.

II. Expand and enable economic opportunities: improve women's productive employment, with a focus on unlocking enabling factors such as skills, childcare, and access to finance

(iv) **Improve participation in upgrading skills** by improving access to tertiary education with a focus on STEM and skills through the ongoing Higher Education Improvement Project, the upcoming Second Higher Education Project, and the Skills for Better Jobs Project. All three projects will support girls' enrollment in STEM education and help them to transition to better paid work by expanding equitable access to higher education, improving the quality of academic programs, strengthening the governance systems of higher education institutions, and creating linkages with industry. **Indicator(s)** (i) Number of girls in STEM education, and (ii) Number of women with improved access to better paid employment.

(v) **Improve childcare service provision** by supporting a childcare sub-decree for childcare solutions for the parents of children aged 0–3, and a broader policy dialogue concerning paid maternity leave. This will be achieved with technical assistance from the Gender PASA and increased investment in childcare by continuing support to the childcare centers established under the Community-Based Childcare Project, through the upcoming AF for the Cambodia General Education Improvement Project, and potentially new operational engagement that will support the government in implementing the new sub-decree. IFC will also explore opportunities to advance private sector provision of childcare services, including employer supported childcare. **Indicator(s):** (i) Availability of national statistics on childcare coverage for children, aged 0-3, (ii) Increase in share of children enrolled in childcare centers, aged 0-3.

(vi) **Improve access to finance and improve conditions for women entrepreneurs** through the Cambodia Growth and Resilience DPF series. The Gender and Inclusion PASA will be the main vehicle for cross-sectoral and targeted analytics on emerging issues, and for improving women's labor force participation, including through e-commerce. **Indicator(s):** (i) improved access to finance for women-owned SMEs, (ii) Annual number of new companies registered through the online business portal (of which has a female director).

III. Engage women as leaders and advance women's participation in decision-making

(vii) **For effective service delivery and strengthened resilience, leverage women's role in local governance** with the ongoing Engaging Citizens to Improve Service Delivery through Social Accountability Project. To improve the quality and responsiveness of selected public services (including primary schools and health centers), the project contributes to the cadre of local leaders who are Community Accountability Facilitators, and the majority of these are women. Other projects supporting women's greater role in decision-making are the Third Land Allocation for Social and Economic Development Project, the Sustainable Landscape and Ecotourism Project, and the Water Supply and Sanitation Project. The Water Security Improvement Project will also contribute to improving women's leadership role in public water utilities and water bodies (River Basin Committees and Farmer Water User Committees). **Indicator(s)** Percentage of women participating in decision-making roles/bodies.

ANNEX 9. BACKGROUND NOTE ON STATE OF THE FIDUCIARY SYSTEM IN CAMBODIA

Financial Management (FM)

1. Overall, Cambodia has made significant improvements in public financial management (PFM). Based on the 2021 Public Expenditure and Financial Accountability Assessment (PEFA), the country's PFM environment is considered satisfactory. Cambodia's budgeting, accounting classification, internal controls, and internal audit practices are in line with good practices and have achieved an average score of 'C'. The RGC has also adopted the Cash Basis of Cambodian Public Accounting Standards, in accordance with the International Public Sector Accounting Standards, which is helping to strengthen financial reporting in the public sector. Furthermore, Cambodia's auditing standards, including the Cambodian International Standards for Auditing, and Cambodian International Standards on Quality Control 1, are in accordance with international auditing standards**.** However, despite these improvements, continued effort is needed in strengthening PFM, as the FM control environment and capacities remain weak, with a limited number of fiduciary staff working in the line ministries. This is a result of the inadequate number of qualified accountants in the country, and in the public sector, in general.

2. The DPs have been supporting enhancement of the FM control environment through the PFM Reform Plan. This includes the Bank, which through the implementation of the Financial Management Information System (FMIS), and investing in capacity building, has provided technical assistance in critical areas such as improving budget execution and the control environment.

Progress has also occurred in the FM arrangements for Bank-financed projects, which include the following:

- Project budgeting and accounting are now fully integrated within the government system.
- FM arrangements are integrated within the line ministries' accounting and finance function for sustainability and ownership. This supports the strengthening of country systems.
- The Ministry of Economy and Finance (MEF)'s ministerial announcement (Prakas № 034) of January 28, 2020, requires the use of cash basis International Public Sector Accounting Standards (IPSAS) for all externally financed projects and programs. Although compliance is uneven, Parakas № 034 is providing a good basis for preparing reliable financial reports for projects.
- The MEF has appointed an audit firm, which the Bank considers competent to audit all of the projects funded by the Bank, in accordance with the International Standards on Auditing. This enables the MEF to be actively engaged in supervising the financial performance of all of the Bank's projects, the Bank has received a clean audit opinion on all of the financial statements.
- The internal audit staff of line ministries now have jurisdiction over donor funds, and they perform periodic internal control reviews. In the last fiscal year (FY24), no major internal control weaknesses have been found in Bank-financed projects.
- To date (June 2024), there have been no delays in the submission of audited financial statements or outstanding audit reports, overdue interim financial reports, or any ineligible expenditures in the Bank's portfolio.

3. Nevertheless, some key FM challenges remain, including: (1) complex project designs that have contributed to insufficient FM capabilities within the government's implementing agencies, and have resulted in heavy reliance on short-term consultants for FM roles in Bank-financed projects; (2) the use of parallel Standard Operating Procedures (SOPs) for DP-financed projects, which often lead to FM bottlenecks, such as delayed approval of annual work plans and budgets (although the RGC has been making an effort to harmonize certain aspects of the SOPs for their DP projects); and (3) continued weaknesses in the control environment, and especially at the sub-national level, which delay the timeliness and reliability of financial reporting for projects that have decentralized implementation arrangements. Despite these challenges, it is noteworthy that all active International Development Association (IDA) projects have maintained either 'Satisfactory' or 'Moderately Satisfactory' FM performance ratings. Moreover, the FM

residual risks of 48 percent (10/21) and 52 percent (11/21) were rated as 'Moderate' and 'Substantial', respectively.

4. To mitigate FM challenges, the Bank is focusing on strengthening the accounting system, internal audits, and external audits to reduce FM vulnerabilities and risks in Bank projects, and support the future transition to the use of country systems in Bank-financed projects:

- In collaboration with other DPs, the Bank will continue to support the RGC in strengthening internal audit arrangements and external audits through the National Audit Agency (NAA).
- To avoid delays in transaction processing, disbursement, and the submission of financial reports, the Bank will closely monitor weaknesses in the counterpart's financial management, including those at the subnational level.
- The Bank will carry out periodic risk-based, in-depth reviews of projects to identify systemic weaknesses and mitigate the risks of potential misuse of project funds and assets.
- The Bank will provide ongoing capacity development training,

Procurement

5. There are ongoing improvements in Cambodia's procurement system, which include the following:

- Procurement within public institutions in Cambodia is well structured and organized within each agency/project owner to effectively deliver results. All procurement activities in Bank projects are now implemented by existing government structures and managed by the procurement units of the respective implementing agencies or ministries. However, in some cases, where needed, government agencies have been strengthened by the inclusion of procurement consultants.
- Following the challenges in the initial phase of the Bank's STEP implementation, 100 percent of Bank-funded projects now use STEP. This has significantly improved the timeliness of processing procurement requests, as well as monitoring and reporting on these.
- The MEF has updated the standard operating procedures (SOPs) promulgated through Sub-decree 181 ANK/BK of December 2, 2019, to align with the Bank's procurement processes, and guide the implementation of procurement conducted solely for approaching the national market for small-sized procurement. This has helped in reducing the possibility of implementing agencies' mis-procurement and non-compliance.

6. However, weaknesses remain with regard to integrity issues, ad hoc and discretionary decisions that are not aligned with procurement policies and law, delays in procurement processing and approvals, limited capacity, understaffing, and inadequate contract management, which include:

- delays in creating the Procurement Review Committee and the Procurement Evaluation Committee, which eventually causes delays in the project's start-up.
- the inability to minimize procurement lead times through advance procurement processes, due to the lack of funds to hire the key consultants needed to support the project's start-up stage. This especially affects the delivery periods for high value and complex procurement packages that require a long time to conclude.
- persistently weak coordination among executing agencies/implementing agencies, ministries, and relevant stakeholders whose technical inputs are critical for successful project execution, which leads to delays in procurement and contract implementation.
- inadequate procurement capacity: understaffing constraints that are due to the high workload in the procurement units, which are often handling many donor-funded projects, and who, in addition are responsible for the execution of the government's own budget; and the high turnover of procurement staff.

7. To improve operational effectiveness in the Bank's portfolio the following actions are being taken:

- using STEP and the Procurement Dashboard in procurement planning, and the contract management system in all Bank-financed projects for the targeted monitoring of high-value procurement activities and awarded contracts;
- carrying out quarterly monitoring of the high-value procurement activities being implemented, and monitoring the physical progress of procurement activities;
- using HEIS in projects with limited capacity, and advanced procurement methodologies;
- aligning SOPs with the Bank's procurement processes, and
- Providing regular training for counterpart staff.

8. In addition, to strengthen the country procurement system, the Bank is supporting the following procurement reforms:

- In collaboration with the ADB and the EU, the Bank is supporting the RGC in assessing its procurement system through the Methodology for Assessing Procurement Systems (MAPS) approach, which was initiated in 2024. Based on this exercise, a procurement reform and modernization action plan endorsed by the RGC is anticipated by early 2026. This will align with the government's Public Procurement System Reform Strategy 2019–2025, and the Pentagonal Strategy of August 2023 to achieve Cambodia Vision 2050.
- In collaboration with other DPs, contributing to the development and implementation of the e-Government Procurement system, which will have sustainable procurement features and monitoring indicators to enhance efficiency and transparency in the system.