To seek views on the World Bank Group’s proposed country engagement in Cambodia for the next five years (FY2025-2029)
• Overview and building blocks of Country Partnership Framework (CPF)
• Country context and development challenges
• Prioritization and selectivity
• Proposed CPF High Level Outcomes and Objectives
• Next steps and questions for inputs
Overview and Building Blocks of Country Partnership Framework
World Bank Group in Cambodia

IDA
International Development Association
Concessional loans and grants to governments of poorest countries

IFC
International Finance Corporation
Solutions in private sector development

MIGA
Multilateral Investment Guarantee Agency
Guarantees to private sector investors and lender against non-commercial risks

IDA, IFC, and MIGA are engaged in Cambodia
World Bank Group Country Engagement Process

- SCD Update completed November 2023
- CCDR launched October 31, 2023
- CLR being completed
- CPF (FY19-24)
- New CPF (FY25-29)
- SCD Update completed November 2023
- CCDR launched October 31, 2023
- CLR being completed
- CPF (FY19-24)
- New CPF (FY25-29)
The WBG works with the Government and other key stakeholders (civil society, development partners, private sector) to identify the High-Level Outcomes (HLOs) underpinning the WBG engagement.

The objectives related to the HLOs are identified based on (i) Government’s priorities and demand; (ii) alignment with HLOs and priorities identified in the SCD update and the CCDR; (iii) WBG’s comparative advantage and complementarity with development partners.

A selective and flexible program of engagement, tailored to the country’s needs, is laid out to support the achievement of the CPF objectives and contribute to the HLOs.
Main Building Blocks of CPF for Cambodia

**Country Development Goals**

Cambodia's Pentagonal Strategy Phase 1
(integrating global and regional considerations)

**Diagnostics Based Priorities**

- Systematic Country Diagnostic (SCD) Update
- Country Climate and Development Report (Oct. 2023)

**WBG Comparative Advantage**

- Lessons Learned
- Financing, knowledge, convening power
- Complementarities with development partners and the private sector

Alignment with the World Bank mission:

To end extreme poverty and boost shared prosperity on a livable planet.
Summary of
Country Context and Development Challenges
Cambodia’s Key Development Challenges

Achieving upper-middle-income country by 2030 and high-income country by 2050 will be a challenge:

- Low quality of human capital
- Growth model remains concentrated and vulnerable to external shocks
- Climate change poses systemic development risks
- Governance and institutional capacity

Cambodia's development path, is depleting natural resources, contributing to environmental degradation and increasing its vulnerability to climate change risks.
<table>
<thead>
<tr>
<th>Desired High-level Outcomes (HLO)</th>
<th>Areas for development</th>
<th>SCD1 priority rating</th>
<th>Progress since SCD1</th>
<th>SCD2 priority rating</th>
<th>Change in rating between SCD1 and SCD2</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Improved access to high-quality formal jobs through increased economic competitiveness, diversification and productivity growth</td>
<td>1. Improve the business environment for firms</td>
<td>Highest priority</td>
<td>Strong</td>
<td>High priority</td>
<td>Downgrade</td>
</tr>
<tr>
<td></td>
<td>2. Boost public and private investment in infrastructure</td>
<td>High priority</td>
<td>Weak</td>
<td>Highest priority</td>
<td>Upgrade</td>
</tr>
<tr>
<td></td>
<td>3. Reduce financial sector risks and increase financial inclusion</td>
<td>Moderate priority</td>
<td>Weak</td>
<td>Moderate priority</td>
<td>Unchanged</td>
</tr>
<tr>
<td></td>
<td>4. Foster agricultural modernization</td>
<td>High priority</td>
<td>Weak</td>
<td>Moderate priority</td>
<td>Downgrade</td>
</tr>
<tr>
<td>II. Upgraded and better protected human capital to facilitate economic mobility and shared prosperity</td>
<td>5. Endow people with skills</td>
<td>Highest priority</td>
<td>Modest</td>
<td>Highest priority</td>
<td>Unchanged</td>
</tr>
<tr>
<td></td>
<td>6. Improve the human capital of children</td>
<td>High priority</td>
<td>Modest</td>
<td>High priority</td>
<td>Unchanged</td>
</tr>
<tr>
<td></td>
<td>7. Protect households from shocks</td>
<td>Moderate priority</td>
<td>Weak</td>
<td>High priority</td>
<td>Upgrade</td>
</tr>
<tr>
<td>III. Enhanced livability and resilience by ensuring a sustainable pattern of growth</td>
<td>8. Conserve the natural environment and strengthen climate resilience</td>
<td>High priority</td>
<td>Weak</td>
<td>High priority</td>
<td>Unchanged</td>
</tr>
<tr>
<td></td>
<td>9. Build livable, inclusive and sustainable cities</td>
<td>Moderate priority</td>
<td>Modest</td>
<td>Moderate priority</td>
<td>Unchanged</td>
</tr>
<tr>
<td>IV. Cross-cutting</td>
<td>10. Strengthen governance and public sector capacity</td>
<td>High priority</td>
<td>Moderate</td>
<td>High priority</td>
<td>Unchanged</td>
</tr>
</tbody>
</table>
Way Forward: Three Priorities from the CCDR

1. **Reduce** exposure and vulnerability to the physical impacts of climate change.

2. **Realign** the emissions trajectory to achieve climate mitigation goals in ways that benefit development.

3. **Reorient** its economy to seize opportunities from trade, investment, and technological progress, and avoid transition risks.
## Cambodia CCDR: Top 10 recommendations

### First 2-years

1. **Prioritize urgent reforms to implement rigorous monitoring and evaluation of progress against LTS4CN targets and to enhance protected area management and law enforcement to lower illegal logging.**

2. **Implement the Environment and Natural Resource Code to prevent further loss of natural wetlands.**

3. **Increase the ambition of renewable energy targets and conduct a review of PPA terms, while expanding the use of auctions.**

4. **Revise urban plans to promote compact urban development.**

5. **Develop a comprehensive flood management strategy that combines risk-informed planning, physical infrastructure improvements, and nature-based solutions.**

### 2-5 years

1. **Develop programs and introduce incentives to modernize existing irrigation infrastructure and promote water use efficiency and AWD production systems.**

2. **Enhance the capacity and flexibility of transmission and distribution networks to enable renewable energy connection and integration.**

3. **Lower the capacity charge on rooftop solar, remove the solar PV installation capacity limits of 50 percent, and introduce net billing, allowing time-of-use tariffs and streamlining the approval process.**

4. **Legislate and fund a permanent adaptive social protection program.**

5. **Incorporate climate change spending in individual ministry budgets and require climate spending to be included in Budget Strategic Plans.**
Government Five Strategic Focus Areas:
1. Human Capital Development
2. Economic Diversification and Competitiveness Enhancement
3. Development of Private Sector and Employment
4. Resilient, Sustainable and Inclusive Development
5. Development of Digital Economy and Society

Government Six Priority Policy Programs:
1. Expand healthcare services towards achieving the universal health coverage;
2. Provide vocational and technical trainings for poor and vulnerable youth;
3. Institutionalize national social assistance program for poor households, vulnerable people from poor households, and at-risk households during economic crises and emergencies;
4. Formulate and accelerate the implementation of Informal Economy Development Strategy to support shift to the formal economy and participation in formal social protection system;
5. Introduce coordinating mechanism and financing program for agricultural products’ production, market access, and price stability at a reasonable level; and
6. Deploy agricultural technical officers to all communes and Sangkats with agricultural activities and form farmers associations in rural areas.
Current CPF (FY19-24) Focus Areas and Objectives

Focus Area 1
Promote State Efficiency and Boost Private Sector Development

Objective 1: Enhance financial sector development and foster private enterprises
Objective 2: Strengthen public sector accountability and public finance
Objective 3: Expand and improve sustainable infrastructure services

Focus Area 2
Foster Human Development

Objective 4: Enhance quality of targeted levels of education
Objective 5: Expand access to quality early childhood services
Objective 6: Expand access to quality health services

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

Objective 7: Strengthen management of water and land use
Objective 8: Improve agricultural productivity and diversification

Cross-cutting Theme: Strengthening Governance, Institutions and Citizen Engagement
Main Lessons from Current CPF

1. Deepen understanding of the political economy constraints in development interventions
2. Leverage analytical work and DPF to support policy reforms
3. Strengthen sustainability of infrastructure assets
4. Link indicators with CPF objectives
5. Enhance synergy across WB, IFC, MIGA
Prioritization and Selectivity
Proposed High Level Outcomes (HLO)

HLO 1: Improved Human Capital Outcomes
HLO2: Better Jobs Through Economic Competitiveness
HLO3: Strengthened Resilience for Vulnerable Households

Cross Cutting:
- Strengthening governance and institutional capacity will be a critical element across all HLOs.
- Climate consideration will be integrated throughout the proposed CPF program per CCDR.
- Continued attention will be made to integrating gender (priority areas identified per CGAP).
- Citizen engagement will be addressed as part of the cross-cutting theme.
Proposed CPF HLO/Objectives flows from the SCD Update and Aligns with Government Priorities

**Human Capital Development**
- Enhance quality of education and skills trainings
- Improve healthcare services

**Economic Diversification and Competitiveness**
- Enhance connectivity and efficiency in transport, logistics, energy, water supply and digital sectors
- Improve business and investment environment, develop the private sector

**Resilient, Sustainable and Inclusive Development**
- Strengthen social protection and food systems
- Promote sustainable management of natural resources, heritage tourism, and agriculture and rural development
- Ensure environmental sustainability and readiness to respond to climate changes
- Promote green economy and gender equality

**SCD Update - Priorities**
- Upgrade the skills of existing and emerging workforce
- Invest in young children
- Protect households from shocks
- Improve the business environment for firms
- Boost public and private investment in infrastructure and machinery
- Reduce financial sector risks and increase financial inclusion
- Foster agricultural modernization
- Conserve and strengthen the resilience of natural environment
- Build livable, inclusive, and sustainable cities

**Proposed CPF HLO/ Objectives**

**Improved Human Capital Outcomes**
1 – Expand access to quality health and nutrition services
2 – Improve access to quality basic education
3 – Enhance skills through improved quality of tertiary education and TVET
4 – Improve the business and trade environment
5 - Improve financial stability and inclusion
6 - Expand and improve infrastructure connectivity
7 – Protect households from shocks and enhance their livelihoods
8 – Improve management of natural resources

**Better Jobs through Economic Competitiveness**
- Promote SMEs, PPPs
- Enhance connectivity and efficiency in transport, logistics, energy, water supply and digital sectors
- Improve business and investment environment, develop the private sector
- Promote green economy and gender equality
CCDR has identified policy packages across sectors that may have the highest impact in addressing climate change challenges:

- **lowering climate exposure** by: (a) increasing the resilience of critical infrastructure, and (b) improving disaster risk management and risk-informed land-use planning
- **lowering climate vulnerability** through (a) climate smart agriculture, and (b) enhancing health system resilience and adaptive social protection
- **accelerating reforms to achieve forestry targets**, protect wetlands and deploy nature-based solutions
- **expediting the clean energy transition and catalyze investments in energy-efficiency improvements** in cooling and agriculture as well as developing compact, low-carbon and resilient cities
- **adjusting trade & investment policies**, improving the enabling environment and upskilling the workforce.

**HLO1:**
- Support resilient school infrastructure.
- Focus on upskilling the workforce

**HLO2:**
- Prioritize transport connectivity that is climate resilient.
- Carry out analysis on power grid enhancements needed to support renewable energy.

**HLO3:**
- Focus on strengthening the social protection framework and disaster risk management.
- Strengthen water resource management
Proposed CPF High Level Outcomes and Objectives
Proposed Cambodia Country Partnership Framework

**HLO 1: IMPROVED HUMAN CAPITAL OUTCOMES**

**Objectives**
1. Expand access to quality health and nutrition services
2. Improve access to quality basic education
3. Enhance skills through improved quality of tertiary education and TVET

**HLO2: BETTER JOBS THROUGH ECONOMIC COMPETITIVENESS**

**Objectives**
4. Improve the business and trade environment
5. Improve financial stability and inclusion
6. Expand and improve infrastructure connectivity (i.e. roads, electricity, digital)

**HLO3: STRENGTHENED RESILIENCE FOR VULNERABLE HOUSEHOLDS**

**Objectives**
7. Protect households from shocks and enhance their livelihoods
8. Improve management of natural resources

**Cross Cutting:**

governance and institutional capacity, climate, gender, citizen engagement
CPF Objectives & example of operations FY25-29
“HLO 1: Improved Human Capital Outcomes”

**CPF Objective 1**
Expand access to quality health and nutrition services

**Examples of lending operations:**
- Cambodia Nutrition Project I & II (closes June 2026, MOH & NCDDS)
- Health Equity and Quality Improvement Project II (closes 2027, MOH)
- Water Supply and Sanitation Improvement (WASH I) (closes Dec 2025) and WASH II (closes Dec 2029), MISTI and MPWT

**Examples of analytical work:**
- Education Sector Review
- Health Sector Review

**CPF Objective 2**
Improve access to quality basic education

**Examples of lending operations:**
- General Education Improvement Project (GEIP) (closes November 2026; to be extended to November 2029 through the proposed Additional Financing, FY24, MOEYS)

**Examples of analytical work:**
- Education Sector Review

**CPF Objective 3**
Enhance skills through improved quality of tertiary education and TVET

**Examples of lending operations:**
- Cambodia Higher Education Improvement Project (closes June 2024, to be extended, MOEYS)
- Cambodia Skills for Better Jobs Project (FY24, MLVT, SDF/MEF)
- Second Higher Education Improvement Project (FY25, MOEYS)

**Examples of analytical work:**
- Cambodia Skills for Recovery and Resilience
- Higher Education: Modernizing governance for improved access and relevance
CPF Objectives & example of operations FY25-29

“HLO 2: Better Jobs Through Economic Competitiveness”

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**CPF Objective 4**
Improve the business and trade environment

**Examples of lending operations:**
- Development Policy Financing (FY25)
- IFC investments (financial institutions, SMEV CamLaoII)

**Examples of analytical work:**
- Macro Programmatic Advisory Services and Analytics (logistic, trade, enterprise survey)
CPF Objectives & example of operations FY25-29
“HLO 3: Strengthened Resilience for Vulnerable Households”

**CPF Objective 7**
Protect households from shocks and enhance their livelihoods

*Examples of lending operations:*
- DRM 2 (closes Aug 2027, MRD)
- Cambodia Agricultural Sector Diversification project (closes Jan 2025, to be extended, MAFF)
- Cambodia Sustainable Livelihood for Indigenous Communities Project (closes Jan 2025, MAFF)
- Land Allocation for Social and Economic Development Project III (closes Dec 2026, MAFF, MLMUPC)

*Examples of analytical work:*
- Protecting from shocks and promoting inclusion: Social Protection in Cambodia after COVID-19

**CPF Objective 8**
Improve management of natural resources

*Examples of lending operations:*
- Sustainable Landscape and Ecotourism (closes Dec 2025, MOE and MRD)
- Solid Waste (closes April 2029, MOE, MOI, MPWT)
- Water Security (FY24, MOWRAM, MAFF)
- IFC investment (MARS Cambodia Sustainable Rice)

*Examples of analytical work:*
- Balancing Growth and Environmental Sustainability
Gender
Target for mainstreaming gender in operations: 60 percent
Key support: Implement the Country Gender Action Plan, which identifies gender gaps, includes specific actions to address the identified gender gaps, and monitors and reports on outcomes.

Climate mitigation and resilience
Target for incorporating climate co-benefits: 35 percent
Key support: Mainstream climate considerations in WBG operations and country strategies and measuring results of WBG’s climate-related interventions, considering the Intended Nationally Determined Contributions commitments and the WBG Climate Action Plan, among others.

Citizen’s engagement
Target for mainstreaming of citizen’s engagement: 100 percent of all investment project financing
Key support: Incorporate citizen-oriented design in WBG operations, including indicators to monitor citizen engagement throughout project implementation and report on progress in meeting the identified indicators.
Next Steps and Questions for Discussion
CPF Completion Timeline

- Consultation Period: December 5, 2023 – January 5, 2024
- Final draft CPF: Late February 2024
- Final draft reviewed by Government of Cambodia: Mid-March 2024
- Approval by World Bank Board of Directors: Early May 2024
1. What are the top three issues that the World Bank Group (WBG) should focus on in the next 4-5 years?
2. What should the WBG be doing less of in Cambodia considering the WBG’s comparative advantage?
3. What are your views on the proposed high-level outcomes and objectives for the CPF?
4. How may the WBG better address cross-cutting challenges:
   • Climate change impact
   • Governance and institutional capacity
   • Gender inequality and exclusion