

Cambodia
JICA Country Analysis Paper
(JCAP)
Executive Summary

Japan International Cooperation Agency
(JICA)

January 2025

JICA Country Analysis Paper (JCAP) is a paper in which countries are analyzed by JICA, as an incorporated administrative agency in charge of Japan's Official Development Assistance (ODA), from the viewpoint of development, and is to be utilized in considering and providing effective cooperation to ODA partner countries. JCAP provides information from the viewpoint of development for the government of Japan in formulating cooperation policies such as "country development cooperation policy". It is also noted that actual cooperation and projects to be implemented shall be considered and determined in accordance with the policies of the government of Japan, and budget of each fiscal year, etc.

Executive Summary

1. Introduction

- From the edition of JICA Country Analysis Paper in 2014 to the present, Cambodia's GNI per capita has improved from \$1,020 (2014) to \$1,690 (2022) (World Bank), graduating from low-income countries in 2016. It is also expected to graduate from Least Developed Countries (LDCs) by 2029. However, in order to achieve the Cambodian government's ambitious goal of becoming an upper-middle-income country (GNI per capita of approximately \$4,000 or more) by 2030, accelerated economic growth is essential. It is necessary to promote the transformation from labor-intensive industries relying on inexpensive labor to diversified and sophisticated industries and skill-driven industries, as well as to build a solid economic foundation centered on infrastructure.
- In addition, Cambodia has been left with distortions caused by the civil war, such as low human development indices, a lack of highly skilled human resources, and immature infrastructure, which remain challenges. In addition, urban problems and widening rural-urban disparities due to urbanization, as well as new global agendas to be considered such as climate change and Digital Transformation (DX), have emerged, making it difficult to say that the foundation is in place to achieve sustainable and independent economic growth over the medium to long term.
- Therefore, JICA's cooperation aims to support Cambodia's transition to upper-middle income country status by 2030 by promoting three priority areas: "Transformation and Development of Industries that Bring Economic Growth" while at the same time promoting "Achieving Sustainable and Equitable Growth" and "Realization of a Safe and Secure Society". JICA also aims to support the country's sustainable and self-sustaining economic development as well as realizing a vibrant society.
- JICA will seek to maximize impact through coordination and collaboration with various actors, such as other development partners and the private sector, and through support for digitization. In addition, JICA will consider and implement our operations while addressing cross-cutting issues such as climate change and gender mainstreaming.



Figure : Achieving a Sustainable, Inclusive and Comprehensive Growth Cycle

2. Priority Areas

2.1 Priority Area 1: Transformation and Development of the Industries that Bring Economic Growth

To sustain economic growth in Cambodia, it is necessary to shift from labor-intensive industries with low-cost labor to value-added industries. In addition, in order to realize sustainable growth in Cambodia, it is necessary to enhance regional and global connectivity and implement a growth strategy that is aligned with foreign demand. For industrial transformation and development, it is essential to maximize the mobilization of private funds as well as public investment. Improving infrastructure is necessary to increase competitiveness and attractiveness as an investment destination, and to attract high-quality investments that contribute to the country's development. However, the lack of physical infrastructure, human resources, and institutional capacity necessary for

growth in Cambodia remains a challenge.

Improved Connectivity

- In order to promote industrial development and attract foreign investment, JICA will support enhancement of connectivity through the expansion of the transportation network and harmonization of regional systems, taking full advantage of Cambodia's geography.

Stable Power and Energy Supply

- JICA will also promote stable power supply, which is a challenge for the country. In addition, decarbonization has also become a priority area for investment and business, and cooperation will be pursued for the transition to a carbon-neutral society to achieve the goal of the Royal Government of Cambodia.

Highly Skilled Human Resource Development

- For industrial diversification and vitality creation, JICA will promote capacity development of highly skilled human resources. Furthermore, it is essential to have not only foreign investment but also internal drivers for industrial development. Cooperation that generates a driving force for industrial diversification and innovation will be provided through measures such as highly skilled human resource development.

Ensure Stable Economic Development

- JICA will promote small and medium-sized enterprises (SMEs) and start-ups that contribute to the creation of industries and investment promotion, as well as the development of economic and financial systems to accelerate growth. These initiatives serve as key domestic drivers for industrial diversification and innovation, and maximize the impact of cooperation.

2.2 Priority Area 2: Achieving Sustainable and Equitable Growth

In order to translate the fruits of economic growth into the improvement in people's quality of life, it is necessary to protect the health of individuals, who are also the bearers of development, and to build a society in which people can maximize their potential and capabilities. The high rate of economic growth in recent years has led to a widening of economic disparities, and many people do

not have access to adequate health services and do not have sufficient opportunities for quality education. While the average income in urban areas has been increasing due to the high economic growth rate in recent years, economic disparities within the country have widened, making regional development to reduce these disparities an important issue. Therefore, there is a need to achieve sustainable, inclusive, and comprehensive growth while promoting people's wellbeing.

Improved Quality of Education and Healthcare

- Given that the level of basic education is still the lowest among ASEAN countries, JICA will support the improvement of the country's education policies and access to finance, and further enhance and accelerate the quality of teachers through the use of digital technology to improve the quality of education at the national level as quickly as possible and support the development of basic skills among the younger generation.
- To address widening regional disparities in healthcare and improve the quality of services, including through the use of digital health, JICA will assist the Cambodian authorities' strengthening of measures against noncommunicable diseases and community health systems that contribute to increasing healthy life expectancy, and build resilient health systems that can respond appropriately in a crisis situation, such as the COVID-19 (strengthening health security). In addition, JICA will cooperate to achieve universal health coverage, where everyone has access to affordable and quality healthcare.

Sustainable Agriculture and Rural Development

- As Cambodia is experiencing rapid urbanization in line with economic growth, it is also essential to reduce disparities through the revitalization of rural areas. Since agriculture is a major industry in rural areas, with 35% of the working population engaged in agriculture, JICA will provide cooperation to increase farmers' income by improving agricultural productivity through the enhancement of rural infrastructure, so that the effects of economic development will benefit rural areas through improved market access, thereby contributing to reducing the disparity between urban and rural areas.

Enhanced Land Governance and Urban Functionality, Improved Living Environment

- Cambodia has been facing various urban issues such as chronic traffic congestion, increasing water demand, sewage and waste management problems caused by population growth and progress of motorization. To address these issues, JICA will cooperate to build sustainable cities and regions through the improvement of urban and regional management and administration, the development of urban transportation networks, water supply, sewage, drainage and waste management, utilizing smart technology and geospatial information.

2.3 Priority Area 3: Realization of a Safe and Secure Society

To achieve sustainable economic and social development, it is essential to foster a society where people are free from threats and fears and can live in dignity. In Cambodia, governance challenges such as limited administrative capacity (in the public service), underdeveloped judicial systems, and remaining issues of landmines and unexploded ordnance (UXO) pose serious constraints to economic and social activities. In addition, emerging threats in the digital domain and growing complexity of human trafficking have further complicated the landscape in recent years.

Improving Judicial and Administrative Functions

- To realize a safe and secure society, JICA will continue to support reform of judicial and administrative systems with a particular focus on capacity building for legal professionals. In addition, to ensure the freedom and rights of all people under the rule of law, JICA will work to improve relevant laws and regulations, nurture human resources responsible for the operation of the judicial system and law enforcement, and enhance access to justice. JICA will also support local governance reform by gathering information and facilitating policy analysis, strengthening capacity for planning and institutional management, and strengthening both organizational structure and human resource capacity.

Accelerating Mine and Unexploded Ordnance (UXO) Clearance Efforts

- Furthermore, the risks posed by landmines and UXO remain serious obstacles to peace and development in Cambodia. Therefore, JICA will

continue to support mine clearance by strengthening the capacity of the Cambodian Mine Action Center (CMAC), while enhancing its institutional capability to provide training services independently and continuously to other countries.

Responding to Emerging Social Challenges

- Moreover, in response to complex and evolving threats such as cybersecurity and human trafficking in Cambodia in recent years, JICA will provide technical cooperation and support capacity development of relevant personnel to address these issues.