

# Country Assistance Policy for the Kingdom of Cambodia

April 2024

## 1. Purpose of Development Cooperation

Cambodia is located at the core of the Southern Economic Corridor and its development is extremely important for the stability and prosperity of the entire ASEAN Economic Community. In recent years, economic ties with Japan have grown stronger due to Cambodia's robust economic growth, making it an important investment destination for Japanese companies. In January 2023, the bilateral relationship between Japan and Cambodia was upgraded to a "Comprehensive Strategic Partnership" in recognition of a shared commitment to closer cooperation and coordination on regional and international issues.

Japan has been actively involved in Cambodia's reconstruction and development since it dispatched its first full-scale Peacekeeping Operation (PKO) to Cambodia following the signing of the Paris Peace Agreement in 1991. Cambodia has become one of successful examples of Japanese assistance in the area of peacebuilding. It is important that both countries continue working together to ensure that Cambodia benefits from peace and contributes to the development of a free and open international order based on the rule of law.

Since the end of the civil war over 25 years ago, Cambodia has achieved steady economic growth and poverty reduction. It officially became a lower-middle-income country in July 2016, and it is expected to graduate from Least Development Country (LDC) status by 2029. However, to achieve the Royal Government of Cambodia's goal of becoming an upper-middle-income country by 2030, it is essential, considering its income levels, to sustain high economic growth. It is also important to note that, after graduating from LDC status, Cambodia will no longer enjoy the preferential treatment it has as an LDC country. Additionally, Cambodia faces new challenges. These include issues relating to urbanization, widening disparities between urban and rural areas, climate change, environmental issues, and challenges presented by digitalization.

The Cambodian government has set development goals through strategies such as the "Rectangular Strategy" (which was revised to the "Pentagonal Strategy – Phase I" in August 2023) and policies such as the "National Strategic Development Plan" (NSDP) and the "Industrial Development Policy" (IDP). Japan has actively supported Cambodia's efforts to overcome challenges it faces. Based on the achievement generated by Japan's support to Cambodia to date, it is necessary to work out further on strengthening the economic and social infrastructure of Cambodia, focusing on strengthening connectivity with in the ASEAN region and the digital field which both Japan and Cambodia consider as a new priority.

While taking into consideration the achievement of the Sustainable Development Goals (SDGs), Japan continue to support Cambodia's efforts comprehensively through effective and strategic use of development cooperation to achieve sustained growth. At the same time, Japan aims to further foster friendship and cooperation between the two countries.

2. Basic policy for Japanese ODA: Support Cambodia's industrial development to enter into an upper-middle-income country status by 2030 and support its sustainable and self-sustaining economic development as well as realizing a vibrant society

Based on the Comprehensive Strategic Partnership between Japan and Cambodia, and considering Cambodia's economic and social development policies, Japan will support Cambodia's industrial development in order to assist in the fulfillment of its goal of becoming an upper-middle-income country by 2030. Japan will help Cambodia address, the increasingly complex and diverse challenges facing the international community, while achieving sustainable and self-sustaining growth.

3. Priority Areas (Goals)

- (1) Transformation and Development of Industries that Bring Economic Growth

Japan will work on supporting infrastructure development for industrial and investment promotion, such as enhancing connectivity through the improvement of logistics (roads, ports, Customs, etc.), developing digital infrastructure, and achieving both stable energy supply including electricity, and carbon neutrality. Furthermore, to promote diversification and innovation in industry, Japan will foster the development of highly skilled professionals and skilled workers, supporting the promotion of small and medium-sized enterprises (SMEs) and startups, and promoting investment. Japan will also support the strengthening of capacity in areas such as market analysis and development of financial operations for realizing stable economic growth.

- (2) Achieving Sustainable and Equitable Growth

To improve further the quality of people's living, assistance will be extended in areas that contribute to the development of urban living environments, for example, water supply and sewer service, wastewater treatment, waste disposal, urban transportation, and urban management using information and communications technology (ICT). Japan will also assist areas such as climate change mitigation, environmental protection (such as measures against environmental pollution), and disaster prevention. Efforts will be made to promote human development through improvements in the quality of education,

including basic education, and improvements in the healthcare and social security sectors to support the achievement of Universal Health Coverage. Moreover, Japan will support agricultural and rural development and developing rural infrastructure, with a focus on building a food value chain, in order to promote the correction of disparities between cities and provinces.

(3) Realization of a Safe and Secure Society

In order to secure the environment where the people of Cambodia can live peacefully, Japan will continue to support undertakings to strengthen governance, such as improving judicial and administrative functions, and will assist further consolidation of democracy in Cambodia. Furthermore, assistance will be provided in response to emerging social challenges, such as the implementation of cybersecurity measures, the strengthening of maritime security capabilities, cooperation on landmines and unexploded ordnance in third-countries, and combating human trafficking.

4. Points to be Taken into Consideration

- (1) Japan places particular importance on areas where both countries can jointly contribute to the regional and international community, such as digital infrastructure development as a new priority area of cooperation between the two countries, and cooperation on landmines and unexploded ordnance in third-countries.
- (2) The promotion of development assistance through collaboration with civil society, between public and private sectors, and with Japanese local governments, as well as the promotion of investment from Japanese companies.
- (3) From the perspective of the strategic management of the ODA budget, keeping in mind the promotion of the Co-Creation for Common Agenda initiative, when engaging in development cooperation, Japan engages in rigorous consultation with the Cambodian government and formulates project compositions that combine appropriate schemes, such as ODA Loans, Grand Aid, Technical Cooperation and Public-Private Partnerships (PPP). Based on above measures noting the possibility of collaboration between public and private sectors, Japan aims to maximize the effectiveness of its assistance by forming cooperation projects with high development impact.

Annex: Rolling Plan

(End)