Royal Government of Cambodia

Mid-term Review Report of the Cambodia Industrial Development Policy 2015 - 2025

Market Orientation and Enabling Environment for Industrial Development

Approved by the Council of Ministers
at its Plenary Meeting on 16th December 2021

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PREFACE

Adhering to the strong sense of ownership and firm leadership of the Royal Government of Cambodia (RGC), the country has achieved full peace, security and social stability, sovereignty and territorial integrity, while maintaining macroeconomic stability, alleviating poverty significantly as well as implementing effectively the national development agenda. Simultaneously, the Royal Government has been actively implementing the Rectangular Strategy Phase IV and the National Development Strategic Plan 2019-2023 along with other policies developed in the new contexts.

Aspiring to achieve Cambodia's long-term vision 2030 and 2050, the Royal Government has adopted and implemented the Cambodia Industrial Development Policy (IDP) 2015-2025 which is a new growth strategy to promote the country's industrial development through economic diversification, strengthening competitiveness and promoting productivity, that will contribute to achieving its socio-economic development goals and responding to the evolving domestic economic structures and regional and global economic architecture.

Nevertheless, the fast-changing global development contexts such as industrial revolution 4.0, digital transformation, digital economy and the outbreak of the COVID-19 pandemic, have caused tremendous changes in economic architecture and regional and global supply chains. In this regard, the Mid-Term Review of the IDP (MTR) plays an imperative role in monitoring the progress achieved and challenges identified to serve as a basis for formulating responding measures and navigating the next phase of implementation. At the same time, the RGC has mandated the Council for the Development of Cambodia (CDC) to design and coordinate the implementation of the Monitoring and Evaluation (M&E) system for the MTR, the annual assessment and the final evaluation of the IDP implementation.

This MTR provides a concrete and clear foundation serving as inputs for the RGC to consider in the process of setting new targets and orientating the next phase of implementation with the aim of making Cambodia's industrial sector more lively and robust which will help maintain sustainable and inclusive high economic growth.

In the name of the RGC, I would like to extend my sincere and high appreciation to the CDC, having its IDP Secretariat as the operational body in leading and coordinating the IDP implementation; and all relevant government ministries/institutions for taking part in producing this quality MTR report that is acceptable to all stakeholders.

I also wish to take this opportunity to express my gratitude to the development partners including the United Nations Development Programme (UNDP) for strengthening the capacity of CDC's IDP Secretariat, especially the United Nations Industrial Development Organization (UNIDO) for providing capacity building training to technical officers as well as technical support throughout the whole process of preparing this comprehensive MTR report through the Program for Country Partnership for Cambodia (PCP Cambodia) financed by the Republic of Korea.

I firmly believe that all government ministries, institutions and stakeholders, including the private sector and development partners, will utilize this report as a sharp and vibrant strategy that is responsive to the current socio-economic contexts and the shifting regional and global economic architecture, in pursuit of attaining the government's vision of transforming and modernizing the industrial sector to accelerate Cambodia's economic growth.

Phnom Penh, 03 January 2022

(Signed and Stamped)

Samdech Akka Moha Sena Padei Techo HUN SEN

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Executive Summary

1. Under the wise and long-term visionary leadership of **Samdech Akka Moha Sena Padei Techo HUN SEN**, **Prime Minister of the Kingdom of Cambodia**, the Royal Government of Cambodia (RGC) has made significant progress on its socio-economic development agenda. Cambodia managed to ensure social security, peace, and political stability; as well as to maintain macroeconomic stability and a robust economic growth in parallel with strengthening core reforms and promoting private sector development. On this basis, Cambodia's economy has sustained an average annual growth rate of 7% over the last two decades which has led the poverty incidence to less than 10% in 2019 and Cambodia to become a lower-middle income country (LMIC) in 2015.

2. Driven by its long-term vision toward 2030 and 2050, the RGC has adopted and implemented the Industrial Development Policy 2015-2025 (IDP), which is a new growth strategy to promote the country's industrial development and maintain a sustainable and inclusive high economic growth. To ensure a steady progress, effectiveness, and consistency in the policy implementation, the RGC has mandated the Council for the Development of Cambodia (CDC) to effectively develop a comprehensive monitoring and evaluation (M&E) system for IDP and coordinate its implementation. So far, two progress reports of the IDP implementation for 2016 and 2017-2018 have been approved by the RGC. In addition, the conceptual framework of the IDP M&E system was formulated and got approval from the RGC to be used in the IDP mid-term review (MTR), annual progress monitoring and end-term review.

3. On this basis, the MTR was prepared to assess the progress and impact of IDP for the implementation period 2015-2020 and to provide key policy recommendations for the second phase of IDP 2022-2025. The methodology, the MTR is based upon, comprises a mixed method approach using both national and international data and employs three imperative tools of the M&E system namely the intervention logic, the logical framework, and the reporting template format (RTF).

4. The results of the impact assessment of IDP are as follows:

   A. Performance of the IDP vision: The assessment reveals that the IDP vision of transforming and modernizing Cambodia's industrial structure from a labor-intensive industry to a skill-driven industry by 2025, **has been partially achieved**. Industry share in GDP has increased from 27.7% in 2015 to 34.2% in 2019, exceeding the 2025 target of 30%. However, the share of manufacturing in GDP has only slightly increased from 16% in 2015 to 16.3% in 2019, remaining below the target set for 2020 of 18% and far from achieving the 2025 target of 20% of GDP. Moreover, the share of medium- and high-tech (MHT) manufactured exports has merely increased from 8.9% in 2015 to 9% in 2019, indicating that Cambodia has not started yet to transform its industrial sector towards a technology-driven and knowledge-based industry by 2025.

   B. Performance in the IDP objectives: Based on the IDP monitoring and evaluation system, five objectives have been identified to assess the impact of IDP in achieving its vision.

   ***Objective 1– "Increasing industrial activities"*:** The assessment reveals that this objective **has been partially achieved**. As a matter of fact, the industry value added per capita increased from USD 228.3 in 2015 to USD 320.7 in 2019 while MVA per capita increased from USD 163.8 to USD 202.6 in 2019. The industrial investment

flow committed by local investors has continuously grown from USD 1,653 million in 2015 to USD 3,201 million in 2019, while manufacturing FDI has declined from USD 497 million in 2015 to USD 356 million in 2017 but rebounded to USD 631 million in 2019.

***Objective 2–"Increasing industrial and agro-industrial export"*:** The assessment shows that this objective **has been largely achieved**. The industrial exports have steadily grown while manufactured exports per capita rose from USD 534 in 2015 to USD 855 in 2019. Moreover, the absolute value for exports of processed agricultural products kept on increasing on an annual basis. The initial export value of USD 516 million in 2016 mounted to USD 846 million in 2020 but its share in total exports fell from 5.8% in 2015 to 4.9% in 2020, well below the IDP target of 10% for 2020.

***Objective 3–"Enhancing economic resilience and diversification"*:** The assessment indicates that this objective **has been partially achieved**. The export of non-garment and footwear manufacturing products in total exports grew steadily from 5.6% in 2015 to 15.5% in 2020, already outperforming the 2025 target of 15%. Simultaneously, the share of the top five manufactured export products in total manufacturing exports dropped from 94.6% in 2005 to 83.5% in 2015 and further declined to 63.3% in 2019, reflecting Cambodia's manufactured exports being less concentrated and dependent on a small number of top export products. Nevertheless, the progress towards economic resilience and diversification has advanced slowly. Cambodia's production base is still narrow and export markets are concentrated. In fact, the manufacturing sector still continues to rely on a small number of manufacturing activities such as textile, garment and footwear; food and beverage and tobacco; and wood, paper, and printing. In addition, exports of manufactured products still depend on a few major markets.

***Objective 4–"Improving quality of employment"*:** The assessment concludes that this objective **has been largely achieved** as the number of jobs in manufacturing sub-sectors other than textile manufacturing grew steadily from 347,000 in 2010 to 487,000 in 2020 while the share of industrial employment in total employment climbed from 16% to 24.7% during the same period. Similarly, the improvement of the quality of employment has manifested in the increase in the of enterprises with minimum emergency services, the extension of National Social Security Fund (NSSF) memberships, enhanced harmonization of industrial relations through the strengthening of labor dispute resolution mechanisms, the decrease of the number of annual strikes and protests and the establishment of well-functioning mechanism for minimum wages.

***Objective 5–"Maximizing domestic benefits"*:** The assessment of this objective shows **limited achievements**. Cambodia's manufacturing trade deficit soared from USD 1.2 billion in 2015 to USD 4.7 billion in 2019. Furthermore, the share of MVA in manufacturing exports continuously dropped from 30.7% in 2015 to 23.7% in 2019 and the use of raw materials from local suppliers to promote industrial connectivity still faces challenges in term of competition, quality and price, indicating that backward linkages and domestic value chain have not been effectively strengthened.

C. **IDP's contribution to the National Development Goals:** The assessment shows that implementation of IDP **has partially contributed** to attaining the three NDGs, namely: (1) building resilient economic growth, (2) creating more and better jobs, and (3) reducing poverty. Cambodia has maintained an average annual GDP growth of

around 7%, to which industries as the dominant sector contributed on average with 3.2% from 2010-2014 and 3.6% from 2015-2019. In line with this, the increase in the number of officially registered new jobs increased on average by 17% per year after the launch of the IDP, whereby the number has increased from 39,925 in 2015 to 73,675 in 2019. The share of manufacturing employment in total employment has increased from 16.5% in 2015 to 16.7% in 2017, and dropped to 15.5% in 2020 as a result of the Covid-19 outbreak. Of positive note, the poverty reduction in Cambodia has exhibited a steady progress as the poverty rate declined from 11.9% in 2015 to less than 10% in 2019.

Noticeably, the manufacturing sector has not yet become the main driver of GDP growth in the country as envisioned by the IDP and has not yet reached its full potential. In this regard, for the further implementation of IDP towards achieving the NDGs, the RGC shall continue to promote diversification, increase in particular the role of modern manufacturing activities in the national economy which will contribute to creating more and sustainable high-quality employment.

D. **Development partner's ODA and the banking sector credit to support the IDP implementation: Official Development Assistance (**ODA) plays a catalytic role in mobilizing funds from various sources and provides a direct source of funding for the IDP implementation. Based on Cambodia's ODA database, from 2015 to 2020, ODA of USD 1,287.2 million was disbursed to support the IDP implementation, averaging some USD 215 million per year. The four key concrete measures of IDP received the largest share of support reaching about USD 938.5 million, the facilitation of supporting policies received about USD 188.6 million, investment promotion received about USD 73.7 million, the improvement of regulatory environment received approximately USD 61.8 million and in order to expand and modernize SMEs, Cambodia received roughly USD 24.6 million.

The banking sector has also actively contributed to the industrial development in Cambodia. From 2015-2020, the credits issued by the banking sector increased on average by 6.6% per year, with total a total credit amount of approximately USD 417 million targeted to promoting growth in the industrial sector.

5. Assessment of policy design and implementation of IDP policy measures: The assessment results of the policy design indicate that over 50% of all measures are dedicated to only four out of 20 intervention area, namely: (1) attracting industrial investments, (2) enhancing industrial infrastructure and connectivity, (3) promoting industrial innovation and (4) improving skills and human resource development. However, no policy measure could be identified that explicitly supports the strengthening of domestic industrial competitiveness as well as increased production of import-substitution goods, strengthened national value chains, and increased domestic ownership in industrial activities. The results of the implementation of policy measures show that among all IDP measures (and some supporting sub-measures) 56% measures are fully completed, 20% are in progress, and 23% are delayed. More than half of the measures are fully completed in a timely manner, indicating that the implementation of IDP in the first phase (5-year period) has made good progress. The remaining half of the measures can be fully implemented in the next 5 years.

6. Expected achievement in the IDP targets: The results of the analysis show that 1) Industry share in GDP grew quickly to 34.2% in 2019, surpassing the 2025 target of 30%. Nevertheless, from international experience and the comparison with benchmark countries, this high growth rate cannot be sustained in the long run and will flatten. 2) Manufacturing share in GDP grew at an average annual growth rate of around 0.2% over the last 5 years (2015-2019), reaching 16.3% in 2019 and is

projected to remain below the target of 20% by 2025. 3) Export of processed agricultural products to total exports declined to 4.9% in 2020 which makes the target of achieving 12% in 2025 very challenging. Contrary to its share, the absolute value for export of processed agricultural products increased from USD 516 million in 2016 to USD 846 million in 2020 equivalent to an average yearly growth rate exceeding that of benchmark countries. 4) Export of non-garment-and-footwear manufacturing products increased from 5.6% in 2015 to 15.5% in 2020, above the 2025 target of 15%. 5). The share of officially registered small enterprises dropped from 64.4% in 2015 to 49.7% in 2019, making the 2025 target of 80% very unlikely to be achieved. Interestingly, the share of officially registered medium enterprises started with 83.1% in 2015, surpassing the 2020 target of 80% since the first year of IDP implementation. 6) The percentage of small enterprises having proper balance sheets increased slightly from 13% in 2016 to 18.53% in 2020, making the 2020 target of 30% unlikely to attain. Similarly, the percentage of medium enterprises having proper balance sheet increased narrowly from 34.84% in 2016 to 38.69% in 2020, well below the target of 50% in 2020.

7. Policy recommendations for improved implementation of the IDP: To fully achieve the expected targets as a result of an effective and efficient implementation of IDP in the next phase (2022-2025), the following key policy recommendations should be considered:

- For the policy design, the focus should be on: adjustments to intervention areas that do not have any corresponding policy measure and do not have a sufficient number of policy measures.
- For improving the implementation of policy measures, the focus should be on: 1) making the IDP vision and objectives fully comprehensible to relevant stakeholders 2) establishing IDP units to ensure a sustainable and effective implementation 3) improving milestone indicators and additional progress indicators (APIs) and/or developing an overarching action plan with concrete expected results 4) defining concise and precise policy instruments with appropriate scope and 5) enhancing the implementation of policy measures that are delayed and those that can generate results in short and medium terms (low-hanging fruit).
- For an improved M&E system, the focus should be on: improving the RTF and creating metadata.

8. Impact of Covid-19 and Recommendations: The outbreak of the Covid-19 commenced at the end of 2019 has since been the greatest challenge and disruption of globalization in the modern history which has impacted on economies and societies profoundly. For Cambodia, like other countries, the Covid-19 pandemic has brought catastrophic impacts on several sectors such as services, transportation and logistics, construction and real estate and manufacturing, where agriculture has been the least affected sector. For Cambodian people to adapt to the New Normal way of living the Royal Government of Cambodia has introduced proactive measures and timely response to prevent, suppress transmission, and reduce the number of infected cases, and by clinging on vaccination as the key success strategy. This can in turn provide confidence and peace of mind to business people as well as investors to invest and do business in Cambodia.

Although the government has already put in place effective measures and actions to respond to the Covid-19, for medium to long term development of the industrial sector, Cambodia may face a shifting global economic architecture in the below three major trends:

- Deglobalization and the re-configuration of Global Value Chains: An increasing number of countries have introduced industrial policy measures that will most likely contribute to deglobalization of industrial production. Simultaneously, multinational enterprises that witnessed the disruption of global value chains have been re-

configuring their supply chain strategies in order to increase resilience including regionalization and reshoring that allows companies to bring production closer to the key markets.

- Increased focus on sustainable industrial development: Governments of some countries are putting forward considerably more ambitious and far-reaching strategies and action plans for greening of existing industries that will culminate in stricter sustainability requirements for entering those markets in the future.
- Marginalization of SMEs in modern industrial production after the pandemic: During the pandemic SMEs cannot keep pace with new developments of advanced technologies that require resources and technological capacities. As a result, some SMEs had to file for bankruptcy or shrink their operations.

To adapt to the New Normal and to cope with the above trends, the next phase of IDP implementation (2022-2025) should emphasize on the following:

- Continue strengthening economic diversification and promoting market diversification by focusing more on exports to regional markets and increasing production to supply to domestic markets through continued implementation of existing IDP policy measures and consider developing new measures to adapt quickly to these changes.
- Focus on sustainable industrial development by developing a new policy objective with clear and realistic policy interventions and supporting measures.
- Strengthen the management mechanism and development of SMEs.

9. All in all, the adoption and implementation of the IDP over the past 5 years exhibit some manifest progress and challenges where some policy measures got delayed or did not meet the expectations. However, five years after the launch of the IDP has been a period where Cambodia saw the development of new and improvement of existing infrastructure, both soft and hard. Although this development has not led to immediate outcomes, the impact of IDP policy implementation will manifest in the next 5 years and thereafter. Similarly, the adoption and preparation of some laws, policies, and policy frameworks such as−the new Law on Investment, the PPP law, the five-year Strategic Plan 2019-2023 for agriculture sector, the digital economy and society policy framework 2021-2035, the draft policy on digital government 2021-2030, the science technology & innovation roadmap 2030, and the draft policy on SMEs development 2021-2026, will also contribute to the realization of the IDP's objectives.

10. On the basis of this evaluation and impacts of the Covid-19, future outlook and a number of policy recommendations have been discussed, prepared, and incorporated in this mid-term evaluation report. In this regard, this MTR Report is a document of reflection equipped with a concrete and clear foundation for the Royal Government and stakeholders to consider in setting new goals, orientating future implementation, and introducing a package of measures that will serve as an effective resolution to the challenges identified above, while responding to new changes in the context of the industrial revolution 4.0, digital transformation and the outbreak of the Covid-19, all of which aimed at achieving the vision and objectives of this policy, as well as to revive and accelerate Cambodia's economic growth on the path of new normal.

11. Findings from this mid-term evaluation suggests the necessity to review the relevance of the IDP vision for the next phase of implementation as well as to grapple with the changing socio-economic and political landscape, climate change, industrial revolution 4.0, the technological and digital transformation, and in particular the New Normal resulting from the Covid-19 outbreak. In this regard, to accelerate and ensure the effectiveness of defining a way forward for the IDP, the Royal Government of Cambodia has mandated the **Supreme National Economic Council (SNEC)** to lead

a detailed study on the trends and the evolving regional and global architecture vis-à-vis social, economic, and political context of Cambodia for the modification of the IDP vision, targets, and policy objectives in close collaboration with IDP Secretariat of the CDC.

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"Market Orientation and Enabling Environment for Industrial Development"

1. INTRODUCTION

While ensuring peace, social security, and political stability under the wise and long-term visionary leadership of **Samdech Akka Moha Sena Padei Techo HUN SEN**, **Prime Minister of the Kingdom of Cambodia**, the RGC has made significant progress on its socio-economic development agenda, strengthening core reforms, and promoting private sector development. While maintaining macroeconomic stability, sustainable growth, and resilience, Cambodia managed to achieve solid economic fundamentals: economic growth has been around 7% per annum on average over the last two decades, the poverty incidence reduced to less than 10% in 2019, and GDP per capita increased from USD 1,215 in 2015 to USD 1,653 in 2020. On this basis, Cambodia successfully became a LMIC in 2015 and may reach the status of an upper middle-income country by 2030, a high-income country by 2050, as well graduating from the least-developed country (LDC) category. In the interim, the RGC has launched responsive measures to evolving changes in the context of the industrial revolution 4.0, the digital transformation, and the outbreak of the COVID-19 in order to revive and expedite Cambodia's economic growth aligning with the new normal.

Promoting human resources development, improving physical infrastructure and connectivity, strengthening economic diversification, and creating more and better jobs are the core parts of Cambodia's development priorities as pointed out in the Rectangular Strategy - Phase 4 and the National Strategic Development Plan 2019-2023. In contributing to these development goals, the RGC has adopted and implemented the IDP 2015-2025, a new economic growth strategy that plays an indispensable role in increasing and maintaining sustainable and inclusive economic growth through economic diversification, strengthening competitiveness, and enhancing productivity towards achieving the aspired structural transformation of the domestic economy and deeper integration into the regional and global economic architecture. To boost Cambodia's economy to a higher level in the regional and global value chains, IDP sets out strategies, policy measures, and action plans linked to objectives and targets to be achieved by 2025.

To ensure a steady progress, effectiveness, and consistency in policy implementation, the RGC has mandated CDC to effectively prepare and coordinate the M&E system for the IDP implementation. Since the adoption and implementation of the IDP in 2015, two progress reports of the IDP implementation for 2016 and 2017-2018 were prepared and approved by the RGC. In addition, the conceptual framework of the IDP M&E, a compass for developing a comprehensive M&E system to be used in the IDP MTR, annual progress monitoring, and end-term review has been formulated and approved by the RGC. The M&E framework lays out essential mechanism and tools to assess the efficiency and effectiveness of the IDP design and implementation.

Based on the framework, the MTR has been prepared by the CDC with inputs and reviews by relevant ministries/ agencies as well as sub-national administrations. The main purpose of the MTR is to assess the progress of the IDP implementation and its impact during the first phase of 2015-2020 including expected outcomes of the IDP targets as well as to provide key policy recommendations to effectively improve and accelerate the implementation of IDP in the second phase of 2022-2025.

The MTR is structured as follows:

- Section 2 describes the methodology and essential tools for the assessment and evaluation of the MTR;
- Section 3 examines the impacts of the IDP implementation;
- Section 4 examines the policy design and the implementation of the IDP measures; and
- Sections 5 and 6 outline the expected outcomes, the policy recommendations, and the main conclusion

2. METHODOLOGY

The MTR has been based on three essential tools of the M&E system namely the intervention logic, the logical framework, and the reporting template format. For the comprehensive analysis of the implementation progress and impact of IDP, the MTR applies a mixed method approach.

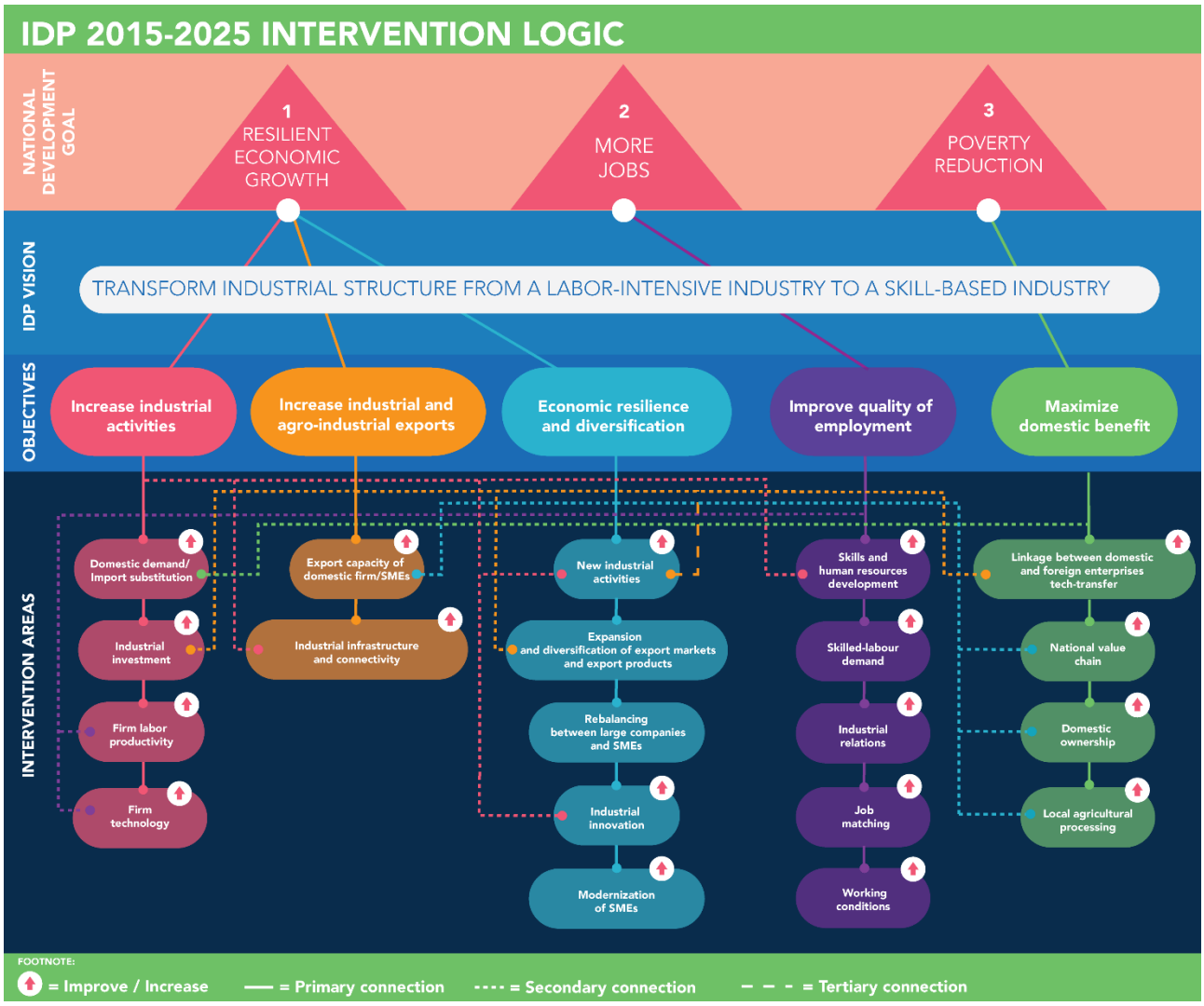
The intervention logic is a tool that has been utilized to map IDP in a comprehensive manner. It helped to identify the intermediate outcomes that can be expected from the implementation of IDP policy measures, specifies the objectives IDP intends to achieve and illustrates the contribution of IDP to the National Development Goals (NDGs) (see figure 1). The tool was used to define "WHAT" will be measured in the M&E system and analyzed in the MTR. The underlying intervention logic of IDP has been re-constructed in four steps: (1) highlighting the connection of the IDP to the NDGs, mainly derived from the Rectangular Strategy and the National Strategic Development Plan, (2) clarifying IDP vision and objectives, (3) identifying intervention areas needed to achieve IDP objectives, and (4) establishing a logical connection from each IDP policy measure to intervention areas, IDP vision and objectives, and NDGs. Through this process, three NDGs, one IDP vision, five objectives and twenty intervention areas were identified constituting the intervention logic of IDP.

The logical framework (log-frame) is a tool that has been used to turn the intervention logic into a measurable matrix by comprising all relevant information in a consolidated table and defining "HOW" the different elements of the IDP intervention logic will be measured. In the log-frame, indicators are being identified to measure the performance or progress on each level (e.g., policy objectives, intervention areas, policy measures, etc.) accompanied by means of verification data sources and other necessary tracking information. In total, 72 key performance indicators (KPIs) were defined to measure the overall IDP performance at the strategic level (NDGs, IDP vision, and objectives) and the sectoral level (intervention areas). The quantitative data of these KPIs are primarily sourced from the lead line ministries and state agencies. Data from international databases such as UN COMTRADE and WDI were used for benchmarking with comparator countries. In some cases, these data were used to supplement indicators given the limitations of domestic data sources.

As third tool, the Reporting Template Format (RTF) has been used to collect data on the implementation progress of IDP at the technical level of the policy measures. The RTF is a table containing all IDP policy measures and their respective implementation indicators from the log-frame. It is considered a key tool to gather quantitative and qualitative data on the implementation progress and outcome of each IDP policy measure from the lead line ministries and agencies. Three milestones were individually defined for each IDP policy measure to mark the respective stage of its implementation. Additional Progress Indicator (API) collect further quantitative data on the implementation and outcome of the respective policy measure.

The MTR combines both quantitative and qualitative methods in an integrated manner. For the analyses of the impact and outcome of IDP the MTR applies various quantitative methods such as benchmarking, trend or interrupted time series analysis to assess the performance of IDP. This is accompanied by a qualitative assessment of the IDP policy design and the assessment of IDP implementation using both qualitative and quantitative data. The data being analyzed in the MTR comes from national and international data bases, the RTF, relevant documents and previous progress reports on the IDP implementation from line ministries and agencies. By employing a mixed methods approach and the triangulation of various sources and kind of data, this report aims at enhancing the validity of the evaluation results and formulating credible hypotheses explaining the given performance of IDP.

Figure 1: IDP Intervention logic



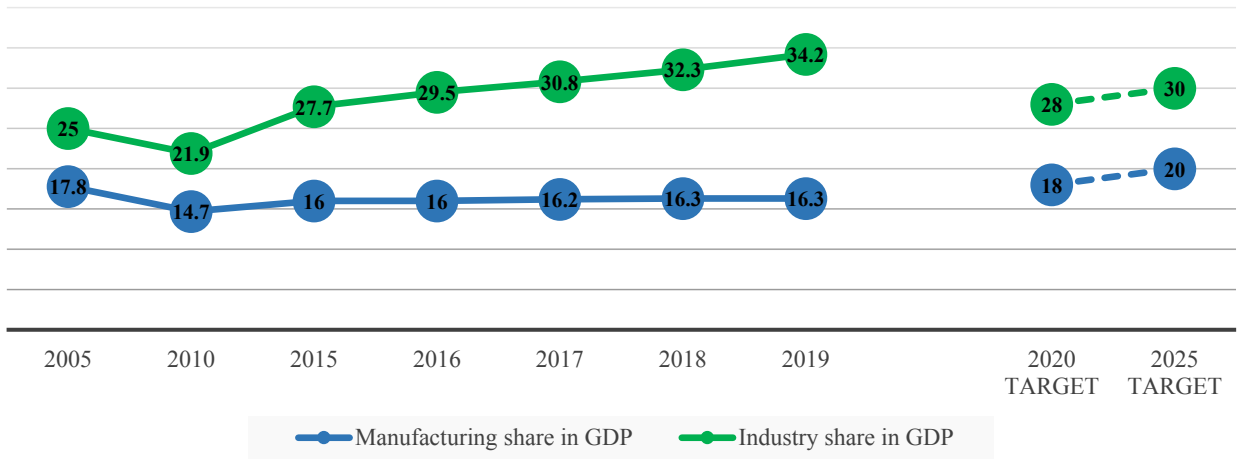
3. THE ASSESSMENT ON THE IMPACT OF IDP IMPLEMENTATION

3.1. Cambodia's performance towards achieving the IDP vision

The vision of IDP is to transform and modernize Cambodia's industrial structure from a labor-intensive to a skill-driven industry by 2025. According to this vison, Cambodia should strengthen its industrial base, in particular those activities that utilize technical expertise and incorporate modern technology in production chains. Accordingly, Cambodia envisions not only to increase the share of the industrial sector in its economy but also to transform towards a skill-based industry by 2025.

To measure the performance of IDP in achieving this vision, three key indicators are used: "industry share in GDP"; "manufacturing share in GDP"; and "share of medium and high technology (MHT) exports in total manufactured exports". While the first two indicators provide a measurement of the broader structural transformation of the Cambodian economy from agricultural towards industrial activities, the third indicator measures the intra-industry structural change from simple (e.g. apparel) to more advanced industrial activities (e.g. electronics, automotive, machinery). The first and second indicator are discussed together to provide a comparative analysis.

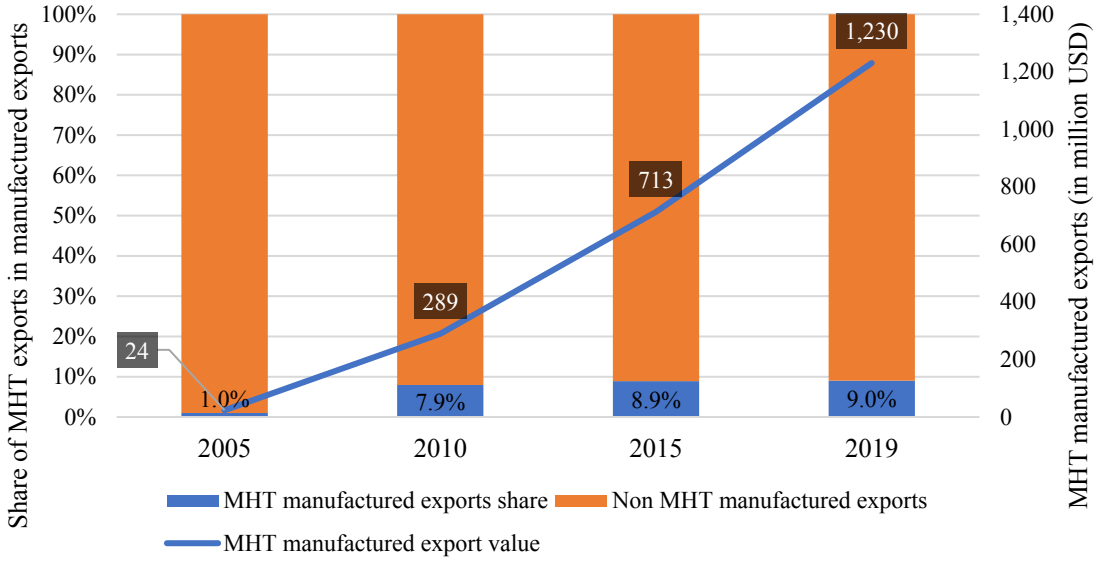
Figure 2: Industry and Manufacturing Shares in GDP(%)



Data source: Ministry of Economy and Finance

The industrial share in GDP increased from 27.7% in 2015 to 34.2% in 2019 (Figure 2). This exceeds the 2020 target of 28% and the 2025 target of 30% set by IDP. However, the share of manufacturing in GDP has been stagnant and has not changed after the launch of IDP. The share has grown at a slow pace from 16% in 2015 to 16.3% in 2019, which makes achieving the 2025 target of 20% less likely. This suggests that the role of manufacturing sub-sector as the key driving force for industrial development has not materialized as envisioned by IDP. Instead, other industrial activities which are not specifically targeted by IDP, such as construction and utilities, have been the main growth drivers.

Figure 3: Share of Medium and High Technology Exports (MHT) in Total Manufactured Exports



Data source: WITS
Note: MHT products are identified based on product groups that are classified by UNIDO (UNIDO Classifications of Medium and High-tech products SITC Rev.3)

Since IDP started in 2015, the export value of MHT products has increased substantially from around 713 million USD to 1.2 billion USD in 2019, which suggests that modern and skill-driven industrial activities are growing in Cambodia. However, this expansion did not outperform the dynamism of low-technology activities and accordingly the MHT share in total manufactured exports has increased only by 0.1% meaning that it increased from 8.9% in 2015 to 9% in 2019 (Figure 3). This demonstrates that Cambodia still has a simple structure of manufacturing with low level of sophistication and that the technological complexity of Cambodia's manufactured exports has not advanced or shifted towards more sophisticated products.

Overall, the IDP vision of structural transformation can be considered only as partially achieved. Although the industrial share in GDP had experienced positive progress and reached the IDP target, the performance of the manufacturing sector is rather stagnant. On top of that, the envisioned dynamic of upgrading to higher value-added and skill-driven activities is not yet visible. To accelerate the desired structural transformation until the end of IDP in 2025, more emphasis should hence be placed on attracting a broader range of manufacturing activities, particularly those that generate higher value added.

An in-depth analysis on the five objectives, as outlined in the M&E system of the IDP, is carried out to show the contribution of IDP objectives in achieving its vision. The five objectives identified in the intervention logic are the preconditions for achieving the vision and ensure the positive contribution of the IDP to the National Develop Goals (NDGs). These five objectives are **1) increase industrial activities**, **2) increase industrial and agro-industrial export**, **3) economic resilience and diversification**, **4) improve quality of employment**, and **5) maximize domestic benefit**.

In order to transform the economic structure and sustain long-term economic growth, a substantial increase in industrial activities is required. Boosting exports of industrial goods can play a crucial role for achieving this goal. Increasing demand for industrial goods by exporting more products to a wider range of markets can be conducive for increasing industrial activities and ultimately increasing the role of the industrial sector in the economy. However, increasing industrial activities alone is not

sufficient; thus, building economic resilience and diversification are likewise crucial for sustainable growth and structural transformation. Economic diversification is indispensable for sustaining growth and reducing vulnerability to external shocks. In addition, improving the quality of employment is also important for structural transformation and economic development. Increasing industrial activities can create not only quality employment for skilled workers but also employment opportunities for low-skilled workers. Likewise, the increase in industrial activities does not guarantee that most of the generated economic value is captured locally. Thus, it is of utmost importance for IDP to also focus on maximizing domestic value capture specifically through strengthening domestic ownership, enhancing local value chains as well as creating linkages and industrial clusters.

The following sections (3.2-3.6) present the results of the assessment of the performance, policy design and implementation of each of the five objectives. This allows to understand which policy objectives exhibit no or slow progress and have partially, largely or fully achieved their expected impact as a result of the implementation of IDP. This will inform the prioritization of actions that are required to enhance the performance of IDP in the second phase from 2022 to 2025. Each section indicates the result of the performance assessment of the respective key performance indicators (KPIs), followed by an assessment of the design and implementation of policy measures in the respective intervention areas, before concluding with the key findings and implications for the objective. The MTR concludes, at section 3.7, with a summarizing assessment of the contribution of IDP to the overall national development goals of Cambodia.

Objective 1

3.2. Cambodia's performance in the IDP objective 1 "Increase Industrial Activities"

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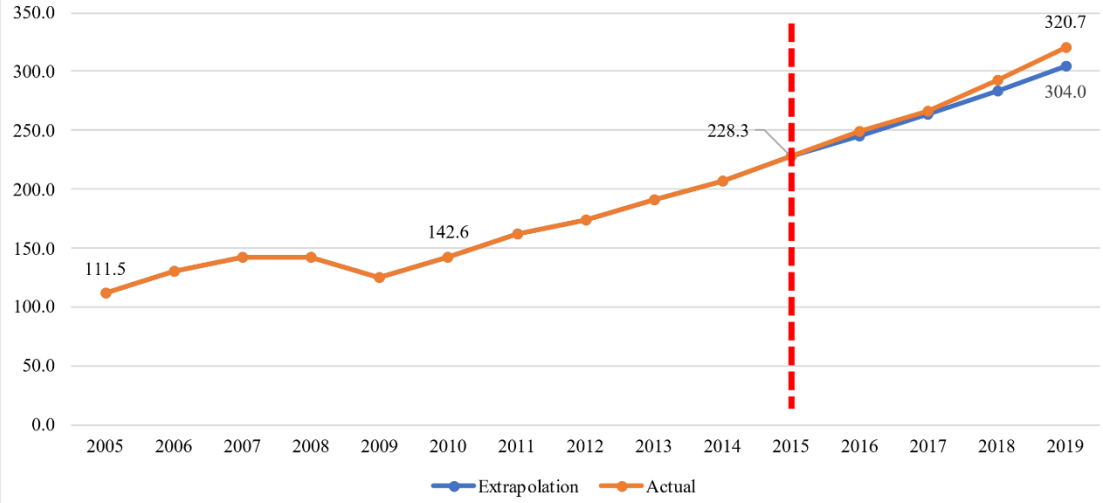
3.2.1. *Assessment of performance in objective 1*

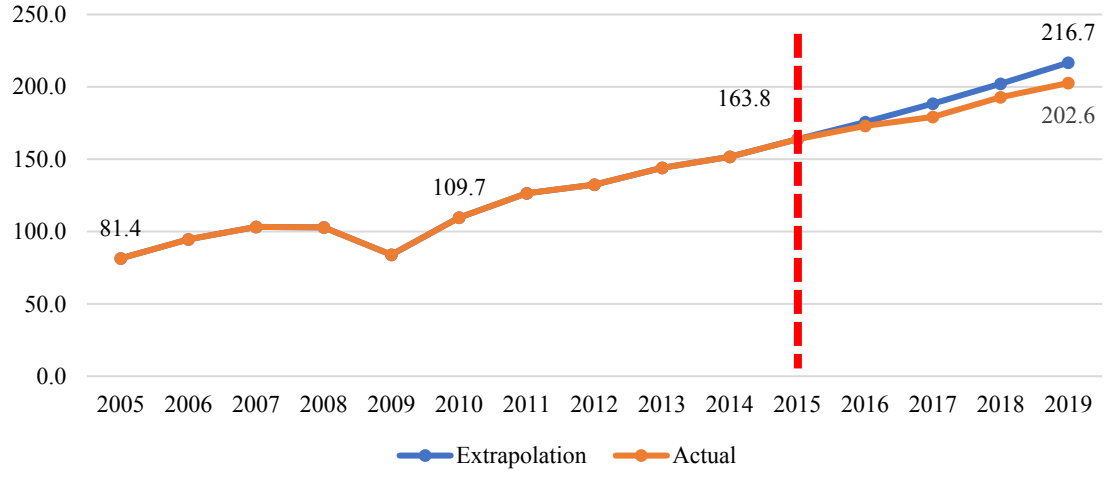
Expanding the industrial base is fundamental to achieving structural transformation and industrial development. Given Cambodia's narrow-based industrial structure, increasing and diversifying industrial activities are of great importance. To measure Cambodia's performance in this area, two indicators are used namely, (1) "industry value added per capita" (IVA) and (2) "manufacturing value added per capita" (MVA). These indicators measure how much value added per capita per year has been generated in Cambodia's industrial or manufacturing sector. Notably, while MVA contains only processing/ manufacturing industries, IVA contains in addition also construction and utility activities.

Figure 4: Industry Value Added per Capita (USD)



Data source: Ministry of Planning

Figure 5: Manufacturing Value Added per Capita (USD)



Data source: Ministry of Planning

Figure 4 and 5 show the trend of IVA and MVA per capita from 2005 to 2019. The orange line represents the actual growth while the blue line presents an extrapolate continuation until 2019 of the development trend that could be observed prior to the implementation of IDP. The comparison indicates the likely development that would have happened with and without IDP and the impact that can be attributed to the implementation of IDP.

Both indicators, Cambodia's industry value added (IVA) per capita (figure 4) and manufactured value added (MVA) per capita (figure 5) experienced a gradual growth before and after the launch of IDP. Looking at the difference of the trend lines for IVA, (figure 4) the actual growth is slightly faster than the extrapolated growth reaching USD 320.7. In contrast, MVA per capita growth is slower than before launching IDP. If the growth trend prior to IDP had continued, Cambodia's MVA per capita would have reached USD 216.7. Yet, the actual number stood only at USD 202.6. Three findings can be drawn from the analysis:

(1) The increase in IVA and MVA per capita indicate a general increase of industrial activities in Cambodia.

(2) However, this trend can be seen a continuation of the previous growth in manufacturing sector since MVA per capita has grown faster before IDP than after IDP has been implemented. In fact, MVA per capita increased gradually although the actual growth pace was slower than the extrapolated growth.

(3) the growth of industrial value added per capita that even accelerated after 2015 is most probably a result of a more dynamically developing construction and/or mining sector.

3.2.2. Assessment of intervention areas in objective 1

The IDP puts forth 20 policy measures under four primary intervention areas in order to foster the expansion of Cambodia's industrial base. These four intervention areas include (1) increase domestic demand/import substitution, (2) increase industrial investment, (3) enhance firm labor productivity, and (4) improve firm technology. Table 1 summarizes the contributions of these four primary intervention areas to increasing industrial activities. In addition, the achievement of objective 1 is also complemented by 59 other policy measures related to (1) improving industrial infrastructure, (2) increasing new industrial activities, (3) increasing industrial innovation, and (4) strengthening skill and human resources development, which are secondary intervention areas (detailed assessments for each of these secondary intervention areas are discussed in the respective objectives to which they primary contributed to).

Table 1: Summary of the performance, policy design and implementation of IAs in PO 1

Intervention Areas	Performance	Policy Design	Implementation
Increase domestic demand/import-substitution	• Manufacturing import over total MVA increased significantly from 226% in 2005 to 377% in 2015 and 568% in 2019, indicating an increasing dependency from manufactured imports and, hence, untapped potential for domestic producers.	• There is no explicit policy measure in the IDP.	• There is no explicit policy measure in the IDP.
Increase industrial investment	• Domestic private investment in industrial sector continuously grew from USD 1,653 million in 2015 to USD 3,201 million in 2019, while manufacturing FDI fluctuated, decreased from USD 497 million in	The number of policy measures is rather comprehensive as majority of them are clear.	• Among the 17 policy measures, 10 are fully completed, 1 is in progress,

Intervention Areas	Performance	Policy Design	Implementation
	2015 to USD 356 million in 2017 but then rose quickly to USD 631 million in 2019.		and 6 are delayed.
Enhance firm labor productivity	• Labor productivity in industrial sector continuously increased from USD 1,899 per worker in 2010 to USD 2,424 per worker in 2019, which present slightly and a lower dynamic growth than relevant benchmark countries	• Focus on increasing productivity and enhancing SMEs quality. • The policy design is clear although there are not sufficient number of policy measures.	• Implementation of a single policy measure is still in progress.
Improve firm technology	• Increase significantly as import of machinery/technology relative to MVA accelerated rapidly since implementation of IDP from 44.4% in 2005 to 102.3% in 2019.	• Little emphasis on technological upgrading of companies in IDP. • The number of measures is small, the policy design is partly unclear.	• Among two related policy measures, one is still in progress, and one is delayed.

Note: For detailed analysis of the four primary intervention areas (including assessment of quantitative performance, policy design, and policy implementation), see annex I.

Intervention area "Increase Domestic Demand/Import Substitution"

Increasing demand for domestic goods that can replace imports is one of the changes IDP seeks to make in order to strengthen domestic production. One indicator "the ratio of manufacturing import over total MVA" is used to measure the immediate result of this intervention area. The assessment reveals that (1) the amount of manufactured goods produced in Cambodia is significantly smaller than that of imports and (2) this divergence has grown rapidly over the past years. These findings reveal that the potential of domestic demand is not leveraged to benefit local producers. Despite its importance, the IDP have missed to set out any explicit policy measure to promote domestic demand for domestic products and/or import substitution.

Intervention area "Increase Industrial Investment"

The analysis shows that the policy design is relatively comprehensive and the implementation of most measures is already completed. The quantitative assessment revealed that during the first phase of IDP implementation, both industrial domestic investment and manufacturing FDI maintained positive growths, but domestic investment (18% p.a.) grew faster than FDI (6% p.a.). Industrial domestic investment continuously grew from USD 1,653 million in 2015 to USD 3,201 million in 2019, while manufacturing FDI fluctuated, down from USD 497 million in 2015 to USD 356 million in 2017 but then rose quickly to USD 631 million in 2019. Anyway, the annual growth rates of both domestic investment and FDI during the first phase of IDP were slower than their growth rates before the existence of IDP. Even though it is beyond the scope of this report to provide final explanations for this limited performance, some hypotheses can be formulated. First, the various thematical clusters of policy measures in this intervention area cover the most relevant topics of investment promotion, however, the concrete design of these policy measures remained partially unclear and overlapping resulting in limited effectiveness of IDP. Second, it is likeable that the current horizontal approach of FDI promotion has reached its potential limit, therefore new approaches for attracting investment are required. To accelerate FDI inflow that transforms into increasing industrial activities, a vertical, more targeted and sector-specific promotion of investments might be needed not replacing but complementing the existing horizontal approach.

Intervention area "Increase Firm Labor Productivity"

IDP identifies the increasing firm labor productivity as a crucial prerequisite for increasing industrial production as well as improving Cambodia's competitiveness. This intervention area aims to improve the efficiency of existing productive activities by reducing production costs and optimizing level of outputs. The assessment shows that labor productivity in Cambodia grew moderately on an average of 5.2% p.a. during the first phase of the IDP (2015-2019), which was much faster than the 2010-2015 period (0.8% p.a.). Nonetheless, the comparative analysis of Cambodia's performance with comparator countries (i.e., Bangladesh, Ethiopia, and Vietnam) over the 2010-2019 period reveals that Cambodia's labor productivity growth dynamic remained lower than all its peers. The design of this intervention area is insufficient as there is only one policy measure, which focuses on enhancing the quality and increasing the productivity of SMEs through the National Productivity Centre of Cambodia. The implementation of the policy measure in this intervention area is still in progress, initially targeted to be completed by 2025. In this context, it can be concluded that mentioned changes in labor productivity are likely not a result of IDP but of market dynamics.

Intervention area "Increase Firm Technology"

Increasing firm technology is also an important intervention area emphasized by IDP to expand industrial production. The quantitative assessment reveals that the ratio of capital goods import over total MVA is growing steadily at an average of 2.3% p.a. in the period from 2005-2015 but accelerated to 8.6% in the period after the launch of IDP. This accelerated growth indicates that more and more firms are utilizing new technologies and machinery for their productions. However, the ratio reached 102.3% in 2019, which means that imported capital equipment has not yet translated into higher value addition in the country. Further research should be conducted to prove this mentioned hypothesis. Besides, firm should be supported to make more effective use of their newly acquired capital goods. Meanwhile, the implementation of policy measures seems to be limited as there is yet no completed policy measure supporting this intervention are (most policy measures are in progress and 1 policy measure is delay).

3.2.3. Key findings and implications

In conclusion, increasing industrial activities in Cambodia is considered as partially achieved. However, the uptick in industrial expansion that could be observed must be rather seen as a continuation of the previous development than the result that derives from the implementation of IDP. In fact, while the growth in the industrial sector has been accelerated, the growth in the manufacturing sector, which is of strategic importance for IDP, seem to be slowing down. The lack of growth in manufacturing could be the result of insufficient policy implementation as well as policy design gaps.

The assessment of the policy design and the implementation reveals that the existing general investment promotion approach may have reached its potential, thus more focus on targeted and vertical investment promotion are required. Moreover, the promotion of production that may substitute imports by local products has not been given sufficient attention. In addition, the observed progress in labor productivity is most probably not a result of IDP implementation given the identified gap in policy design and slow implementation of policy measure in that area.

Potential policy measures and additional efforts that can make a significant difference include more vertical investment promotion combined with a clear and more targeted support of priority industries, dedicating more policy measures to support local production and consumption as well as a more balanced approach towards enhancing firm performance by focusing more on supporting the adoption of technologies amongst existing firms.

Objective 2

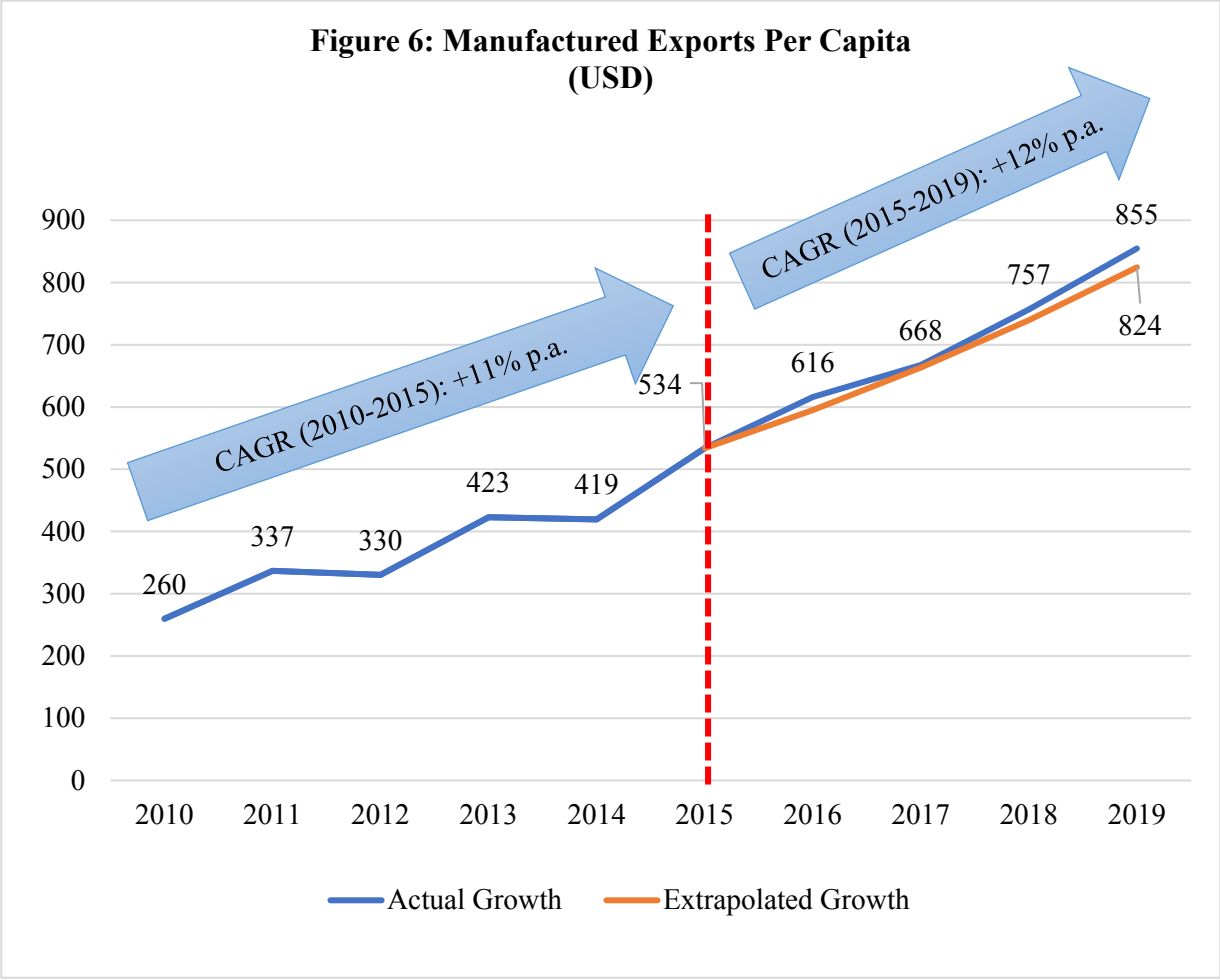
3.3. Cambodia's performance in the IDP objective 2 "Increase Industrial and Agro-Industrial Export"

3.3. Cambodia's performance in the IDP objective 2 "Increase Industrial and Agro-Industrial Export"

3.3.1. Assessment of performance in Objective 2

Enhancing industrial export is fundamental to Cambodia's industrialization. The increase in industrial export creates additional demand for Cambodian-made industrial goods and can pave the way for industrial growth and structural transformation. As envisioned by the IDP, processed agricultural products are among those products with high potential for Cambodia's exports. Accordingly, to measure Cambodia's industrial export performance, two indicators are used: "manufactured export per capita" and "share of processed agricultural exports in total exports". These two indicators combined reflect the impact of IDP on industrial exports promotion.

Figure 6: Manufactured Exports per Capita

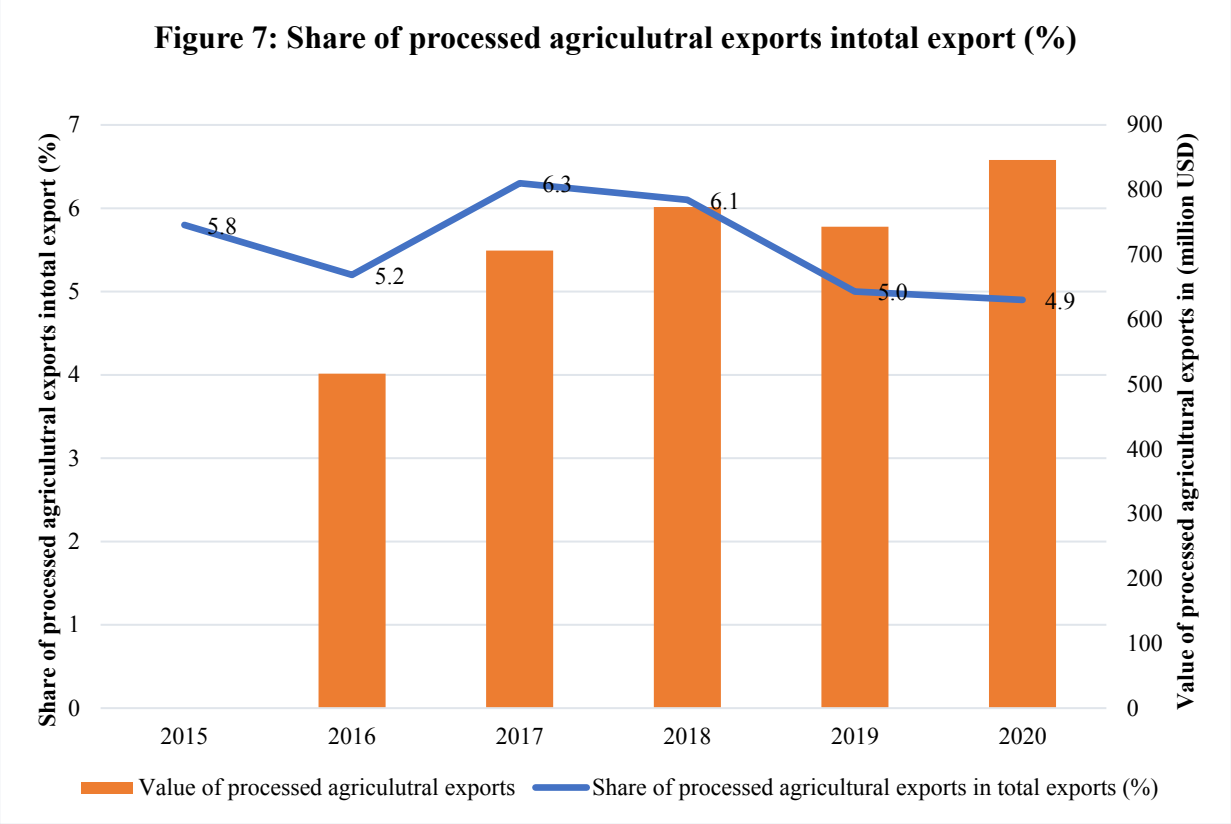


Data source: WITS and Ministry of Planning

As illustrated in figure 6, manufactured exports per capita kept on increasing from USD 260 in 2010 to USD 534 in 2015 and to USD 855 in 2019. However, the growth at around 12% per year during the IDP implementation is only slight improvement than the average growth rate from 2010-2015 (11% per year). At the same time, in comparison to the extrapolated value (USD 824), the actual increase of manufactured exports per capita to USD 855 in 2019 should be considered as a slight growth as the difference was only USD 31. This rather small difference indicates that above-

mentioned performance is just a continuation of previous growth trend rather than the result of the impact from the implementation of the IDP policy measures.

Figure 7: Share of processed agricultural exports in total exports (%)



Data source: General Department of Customs and Excise (GDCE)

The value of processed agricultural exports continued to grow, rising from USD 516 million in 2016 to USD 846 in 2020. However, the share in total exports decreased from 5.8% in 2015 to 4.9% in 2020, missing the target of 10% in 2020 (figure 7). Although the value of processed agricultural exports has been expanding, the export of other sectors has been growing much faster, leading to a marginalization of these priority products in Cambodia's export basket. Overall, the fluctuation of the share of the processed agricultural exports in total exports indicates that enhancing the export performance of agro-processing industry as guided by the IDP remains an important task for the future.

3.3.2. Assessment of intervention areas in objective 2

To bring about changes required to boost the country's export sector, IDP puts forth 28 policy measures under two primary intervention areas that mainly relate to this objective. These intervention areas are (1) increase export capacity of domestic firms/ SMEs and (2) improve industrial infrastructure and connectivity. Table 2 summarizes the performance, policy design and implementation progress in these two primary intervention areas. Additionally, the achievement of objective 2 is also complemented by 33 other policy measures related to four secondary intervention areas (1) increase industrial investment, (2) increase new industrial activities, (3) expansion and diversification of export markets and products, and (4) linkage between domestic and foreign enterprises-tech transfer. The detailed assessments for each of these secondary intervention areas are discussed in the respective objectives to which they e primarily contribute).

Table 2: Summary of the performance, policy design and implementation of IAs in PO 2

Intervention Areas	Performance	Policy Design	Implementation
Increase export capacity of domestic firms/SMEs	(Data for these indicators is only available for 2019) • The share of manufacturing export SMEs in total manufacturing SMEs was only 0.02% in 2019. • The share of manufacturing export SME in total exports was only 0.01% in 2019.	• Focus on planning and laying groundwork for SMEs but pays less attention developing SME export capacity. • Number of policy measures is relatively small to fulfill desired outcomes • Among the 3 policy measures, 2 policy measures are clear and 1 is preparatory activity.	• Among the 3 policy measures, 1 completed 1 is still in progress, and 1 delayed.
Improve industrial infrastructure and connectivity	• The amount of goods transported by road grew from 1.7 million tonnes in 2016 to 2.2 million tonnes in 2020 with an annual growth rate of 6.3%. • The amount of goods transported by railway went down from 317.4 thousand tonnes in 2006 to 3.6 thousand tonnes in 2010 and increased to 538.3 thousand tonnes and continued to increase to 1.1 million tonnes in 2020 with an annual growth rate of 15.6% (2015-2020). • The amount of freight transported through ports increased around 23.2% p.a. during the pre-IDP period, from 737.4 thousand tonnes in 2005 to approximately 6 million tonnes in 2015, while its growth rate during the IDP period was 11.4% p.a, reached 10.2 million tonnes in 2020. • The amount of freight transported by air grew from 16.9 thousand tonnes in 2005 to 36.9 thousand tonnes in 2015 and to 110.5 thousand tonnes in 2020. Its growth rate during the pre-IDP period was about one third of the growth rate during the IDP period (24.5% p.a). • There were 5 border checkpoints in total officially established in 2016 and 2017, and 7 border checkpoints were upgraded capacity in line with neighbouring countries from 2015 to 2019. • The rate of high-speed internet users sharply increased from 0.9% in 2015 to 87.8% 2020, while the rate of high-speed internet coverage in populated areas grew from 13.82% to 84.6% at the same period.	• Concentrate particularly on the development in transport and logistics, and energy infrastructure, but no explicit measure targets digital facilities • Amount of policy measures are enormous with most of them being clear measures.	• Among the 25 policy measures and sub-measures, 9 are in progress, 13 completed, and 3 are delayed.

Intervention Areas	Performance	Policy Design	Implementation
	• The index of villages receiving electricity supply increased from 7.8% in 2005 to 66.6% in 2015 and 97.39% in 2020. The number of power outages increased from 8 times in 2017 to 23 times in 2020, while the duration of power outages remains low (no more than 24 hours per year). • The price of electricity purchased from substation decreased from 12.9 cents/kwh in 2015 to 12.1 cents/kwh in 2020.		

Note: For detailed analysis of the four primary intervention areas (including assessment of quantitative performance, policy design, and policy implementation), see annex 1.

Intervention area "Increase Export Capacity of Domestic Firm/SMEs"

This intervention area aims to capacitate domestic firms/ SMEs in export-oriented production and upgrade the quality of their products to be more competitive in foreign markets. Two indicators are used to assess the overall achievement of this intervention area. One indicator is related to the number of manufacturing SMEs that engage in export activities relative to all manufacturing SMEs and another indicator is related to how much SMEs in the manufacturing sector contribute to overall exports. On a side note, data for these two indicators are only available for the year 2019, making a comparison over time impossible. The share of manufacturing SMEs that engage in export in total number of manufacturing SMEs was only 0.02% in 2019. In the same year, the share of manufacturing export by SMEs in total export amounted to only 0.01%. The data on these two indicators clearly demonstrate that only few domestic SMEs are involved in export activities due to their inadequate capacity to export.

From a policy design perspective, the three policy measures under this intervention area may not be able to bring about major changes or any direct effect. These measures focus exclusively on removing certain barriers for SMEs while most of the barriers that hinder exports are left untouched. It is essential to establish additional policy measures to strengthen the export capacity of already exporting SMEs and domestic firms to achieve desirable outcomes. This undesirable SME's export performance may be due to the slow implementation progress as only one measure, which relates to the creation of association, has been completed so far.

Intervention area "Improve Industrial Infrastructure and Connectivity"

Improved industrial infrastructure and connectivity is considered one of the most sought-after areas of intervention that the IDP aims to achieve. This intervention area responses to the need for lower production and transaction costs and better trade facilitation for productive firms in Cambodia. Assessing the overall performance of IDP in achieving expected changes in this intervention area requires a combination of multiple indicators to measure each dimension of industrial infrastructure including energy, transport and logistics system, and digital infrastructure.

Amongst the policy measures under this intervention area, measures related to transport and logistics are relatively more pertinent to boosting export growth as lowering transport and logistics would significantly boost export competitiveness of exporting firms. The development of transport and logistics system has achieved significant progress. Quantitative data on transport-related indicators show a burgeoning growth of goods transported by roads, railways, and air and through ports particularly during the last five years. Key attributes to such a remarkable progress may include a number of completed infrastructure projects and planning such as the development of an intermodal

transport connectivity master plan, the rehabilitation of railways of the northern and southern line, the construction of major roads and the expansion of port capacity. From a policy design perspective, IDP has not only set up a fair number of interconnected policy measures that target intensive development of road networks, railways, ports, and airports, it also prioritizes the development in this area as the second key concrete measure. Nevertheless, most policy measures are still in progress of implementation and face inherent challenges particularly in terms of funding and policy coordination.

The improvement of electricity infrastructure can be considered as an outstanding success story of IDP. This is reflected by a downward trend of electricity price over the years. meeting the pricing target set out in the policy. The coverage of energy supply has also broadened to almost all villages across the country. Such a remarkable performance may result from a combination of both a genuine design of policy measures and a firm commitment from competent agencies in the policy implementation. From a policy design perspective, one could notice that accelerating the development of energy infrastructure is considered a top priority by Cambodian policymakers for industrial development. It is the first key concrete measure among four outlined in IDP to be achieved by 2018. Being aware of this priority, competent government agencies have fully implemented all relevant IDP measures especially in the construction of power plants and the planned reduction of electricity tariff.

As far as digital infrastructure is concerned, no policy measure in the IDP is clearly articulated to support the development in this area. However, quantitative data show a huge jump of internet usage and coverage in Cambodia from 2015 to 2020. The sharp growth in internet usage and coverage can be explained by the rapid increase of mobile internet usage via smartphones and internet subscriptions becoming more affordable as well as an increase in the investment of new technology (4G), together with the promotion of digital adoption through the ICT policy of the Ministry of Post and Telecommunications. In addition, it should be noted that the Royal Government has recently launched a digital economic and social policy framework and is preparing a digital government policy that is expected to accelerate development in digital infrastructure.

3.3.3. Key findings and implications

Overall, the objective 2 “Increase Industrial and Agro-industrial Export” can be considered as largely achieved. In fact, although Cambodia’s manufacturing export has increased gradually, this growth of the past 5 years should have been faster than the observed growth given the presence of IDP. In contrast, even though the volume of exports increased every year, the share of processed agricultural exports has declined, missing out the target of 10% in 2020 by far. Such limited results may be due to the significant gap in the policy design and implementation under the intervention area “increasing export capacity of domestic firms/SMEs” leaving the export industry heavily dominated by large and foreign firms. Therefore, more specific policy measures to support exporting companies (both SMEs and large domestic firms) should be established.

Though the intervention area related to infrastructure has been identified as a priority in IDP and the development of transport and logistics systems continues with good progress, more efforts are needed to further reduce transport and logistics costs. Moreover, this objective has strong links to objective one and objective three (“Increase Industrial Activities” and “Economic Resilience and Diversification”). Exports promotion will not be possible if the industrial base does not expand and diversify. Increasing diversification and strengthening the resilience of the economy through producing and exporting a more diverse range of high value-added goods to broader range of markets will be a key driver in achieving the IDP vision. The assessments of IDP’s performance in building economic resilience and diversification will be discussed in the next section.

3.4. Cambodia's performance in the IDP objective 3 "Economic Resilience and Diversification"

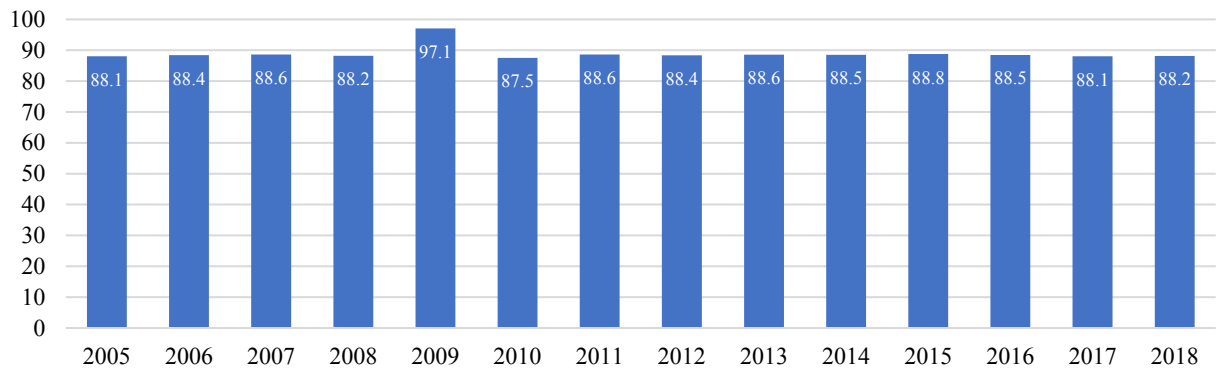
3.4. Cambodia's performance in the IDP objective 3 "Economic Resilience and Diversification"

3.4.1. Assessment of performance of objective 3 at strategic level

Building a diversified economic structure is indispensable for sustaining long-term economic growth as well as strengthening economic resilience. With a diversified production base, the economy is less vulnerable to shocks from external factors and has larger capacities to recover from crises. As Cambodia's economic structure remains narrow-based and concentrated, it is of utmost importance to reduce reliance on a limited number of large enterprises, productive activities, export products and markets to make the economy more resilient.

To assess Cambodia's performance in diversifying its economic activities and enhancing resilience, two indicators are used: 1) "share of value-added of top three manufacturing sub-sectors in value added of the manufacturing sector (MVA)"; and 2) "share of non-garment and footwear exports in total exports". The first indicator measures the overall concentration of value addition in the manufacturing sector and the second indicator tracks specifically the reduction of Cambodian's dependency on pre-dominant sub-sectors.

Figure 8: Share of value-added of top three manufacturing sub-sectors in MVA (%)

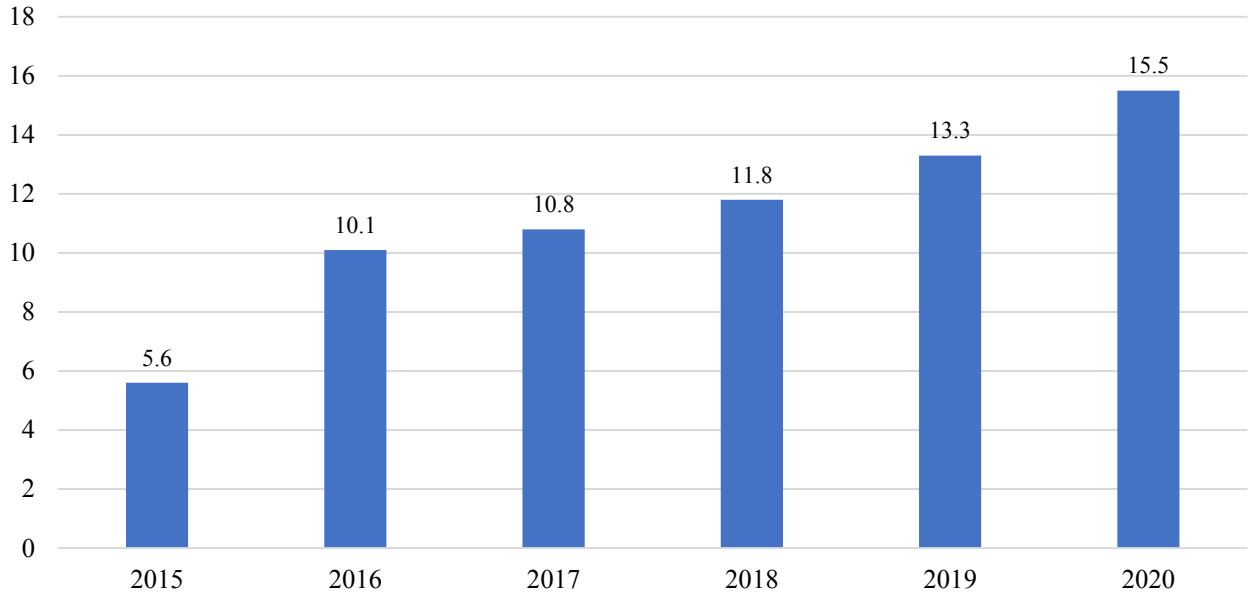


Data source: Ministry of Planning

The combined share of value added of top three manufacturing sub-sectors (textile, garment and footwear; food and beverage; and tobacco, wood, paper and printing) in total MVA remained high at around 88% (Figure 8)[1]. The fact that this share has not declined since the launch of IDP in 2015 shows that Cambodia's production base has not been diversified as the manufacturing sector remains concentrated in very few activities. In the case of economic diversification, the share of the value added of the top three manufacturing sub-sectors in total MVA should gradually or significantly decrease. Further efforts are needed to boost production diversification and attract new manufacturing activities to accelerate the diversification of economic structure and transform Cambodia's industry from a labor-intensive to a skill-based industry as anticipated by IDP.

[1] Except in 2019 (during the Global Financial Crisis) share of value added of top three manufacturing sub-sectors in total MVA increased to 971%,

Figure 9: Share of Non-Garment and Footwear Exports in Total Exports (%)



Data source: General Department of Customs and Excise (GDCE)

Although Cambodia's manufacturing sector remains concentrated, the share of non-garment and footwear (including travelling goods) exports in total exports have steadily increased from 5.6% in 2015 to 15.5% in 2020 (Figure 9) which exceeds already the 2025 target of 15%. This gradual increase suggests that Cambodia is producing and exporting a more diverse range of products today than at the outset of IDP.

3.4.2. Assessment of IDP intervention areas in objective 3

To build economic resilience and enhance diversification, the IDP puts forth 39 policy measures under five primary intervention areas including (1) increase new industrial activities (2) enhance the expansion and diversification of export markets and export products, (3) rebalance between large companies and SMEs, (4) increase industrial innovation, and (5) enhance the modernization of SMEs. Table 3 summarizes the assessment of the contributions of these five primary intervention areas to this objective. Additionally, the achievement of objective 3 is also complemented by eight other policy measures related to (1) increase export capacity of domestic firms/SMEs, (2) enhance national value chain, (3) increase domestic ownership, and (4) enhance local agricultural processing.

Table 3: Summary of the performance, policy design and implementation of IAs in PO 3

Intervention Areas	Performance	Policy Design	Implementation
Increase new industrial activities	• Number of newly registered manufacturing companies and establishments went up significantly from 1,942 in 2005 to 5,921 in 2015 and 13,547 in 2019. • Number of exported manufacturing products slightly increased from 468 products in 2017 to 684 in 2020.	• Measures are concentrated on promoting general productive activities rather than new specific activities as it missed to identify clear targets and specifications. • Number of policy measures is small, but they are all clear measures.	• Among the four policy measures, one is in progress, two are completed, and one is delayed.

Intervention Areas	Performance	Policy Design	Implementation
Enhance the expansion and diversification of export markets and export products	• Share of top five manufactured products export in total manufacturing exports dropped from 94.6% in 2005 to 83.5% in 2015 and further to 63.3% in 2019. • Share of top three market manufacturing exports in total manufacturing export dropped from 83.3% in 2005 to 41.9% in 2016 but increased to 48.3% in 2019. • The number of export markets, above the threshold of USD 10 million worth of export value, increased from 11 in 2005 to 40 in 2015 and to 45 in 2019.	• Measures put strong emphasis on trade facilitation mechanism (such as reduction of complicated procedures) and preparation of support schemes to encourage exporters to export more. • Number of policy measures are sufficient with different purposes, the policy design is mostly clear, 5 are clear, 1 is unclear, and 2 are preparatory activities.	• Among the nine policy measures and sub-policy measures, six are fully implemented, one is in progress, and two are delayed.
Rebalance between large companies and SMEs	• Share of employment created by SMEs to total industrial employment significantly increased from 21.8% in 2018 to 33.5% in 2019 (availability of data for this indicator is only two years).	• Focus on providing basic infrastructure to help more SMEs coming to existence, building SMEs capacity, and offering access to finance. • Policy design is clear and may bring out some changes, but still need more measures especially the demand-side measures	• Among the four sub-measures and policy measures, two are fully implemented, one is in progress, and another is delayed.
Increase industrial innovation	• The number of patent applications was 13 in 2007 and increased to 65 in 2015. This number dramatically increased during the IDP period, to 1,190 in 2020. However, very few of them were applied by Cambodian residents. • Most of patent applications applied by non-residents are for innovation found in their home country and for the purpose of protecting their business innovation in Cambodia. From 2007 to 2014, none of the patent applications was approved due to the lack of required documents. In 2015, one patent was granted, and the number steadily grew to 183 in 2019. Only one patent has been granted to a Cambodian resident so far, which was in 2015.	• Focus on building basic innovation infrastructure and promoting research and development but pay less attention on ways to boost R&D. IDP lacks sufficient measures to achieve this. • Policy design is mostly clear, eight are clear, three are unclear and five are preparatory activities.	• Among the 17 sub-policy measures and policy measures, four are fully implemented, eight are in progress, and four are delayed.
Enhance the modernization of SMEs	• The registration rate of medium firms slightly increased from 83.1% in 2015 to 87% in 2019, surpassing the 2020 target (80%), while the registration rate of small firms fell from 64% in 2015 to 50% in 2019, making the 2020 target of 70% very unlikely to be achieved. • The rate of medium firms having proper balance sheet in 2020 was 38.69%, far behind the 2020 target (50%), while the rate of small firms using simplified accounting records increased from 13%	• Measures put emphasis on mechanisms to formally register SMEs and promote the benefits of simplified accounting system for SMEs. • Number of policy measures are not enough to empower SMEs to formalize.	• Among the nine policy measures, two are fully implemented, one is in progress, and six are delayed.

Intervention Areas	Performance	Policy Design	Implementation
	in 2016 to 18.53% in 2020, well below the 2020 target (30%).	• Policy design is mostly clear, seven are clear and two are unclear.	

Note: For detailed analysis of the four primary intervention areas (including assessment of quantitative performance, policy design, and policy implementation), see annex I.

Intervention area "Increase New Industrial Activities"

This intervention area focuses on upgrading existing productive activities while emphasizing investment promotion of pioneering industrial activities. Two indicators were used to measure the performance of this intervention area: 1) number of new manufacturing companies and establishments registered and 2) number of new export products. The number of new manufacturing companies and establishments registered has increase from 5,921 in 2015 to 13,547 in 2019. However, this does not necessarily mean that these companies engage in new industrial activities that did not exist before. In addition, the number of export products have only increased slightly over the years despite line ministries' steady efforts to attract investment in new industrial activities.

From a policy design perspective, each instrument pursues the objective of luring more investments. However, the intervention area lacks clear targets as well as specificity and magnitude to effectively stimulate investments in new industrial activities. There is a lack of definition which priority sectors or sub-sectors IDP aims to promote beyond the agro-processing industry and which incentive schemes to be introduced to attract investments in new industrial activities. The implementation assessment suggests that only two out of four policy measures have been completed, leaving one measure in progress and one measure delayed. Overall, more needs to be done in this intervention area that is essential for turning the IDP vision into reality.

Intervention area "Enhance the Expansion and Diversification of Export Markets and Export Products"

IDP strongly emphasizes the importance of export promotion and facilitation to expand and diversify export markets and products. By expanding the existing export structure, shifting to new and higher value-added export products, and gaining access to a broader range of export markets, Cambodia's economy could become less vulnerable to external shocks.

From the policy design perspective, IDP policy measures under this intervention area seem to concentrate more on expansion and diversification of export markets than product diversification. However, the quantitative assessment suggests that export product diversification performed better than export market diversification. In particular, even though the number of export markets (above USD 10 million worth of export value threshold) has increased every year, the share of top three export markets in total manufactured export increased slightly after the launch of IDP, indicating an undesirable trend to further market concentration. In contrast, the expansion and diversification of export products has experienced very positive progress. The data shows that the share of the top five manufactured products export in total manufacturing exports dropped at an average of 5.1% p.a. during the first phase of IDP compared to only 1.1% annually in the pre IDP period. The implementation progress shows good result in the aspect of export markets – stressing the importance of facilitating export procedures in general, but not so much in the area of export products. Given these findings, it is difficult to attribute the improvements of export product diversification directly to IDP policy measures, which implies that even larger success could be expected in the future if IDP implementation is reinforced in this area. In terms of market diversification, a refocusing or

intensification of the IDP activities seems necessary in order to overcome the increasing market concentration.

Intervention area "Rebalance between Large Companies and SMEs"

The IDP has put a great focus on increasing the current role of SMEs in manufacturing and reducing the dependency on large companies. To examine the performance of this intervention area the indicator that measures the role of SMEs in creating jobs in the industrial sector was used, however, only data for two years were available. The share of employment created by SMEs in total industrial employment increased from 21.8% in 2018 to 33.5% in 2019. Due to the limited data set, it is not possible to draw any in-depth conclusions from this development. However, from the policy design perspective, the three policy measures put forth by the IDP are unlikely to bring about significant changes by themselves and would require additional interventions in the future. In addition, the implementation progress in this intervention area is very sluggish with only one completed measure related to improving SMEs' access to finance with the establishment of an SME bank and Cambodian Credit Guarantee Corporation in the fourth quarter of 2020. Given the large dependency of the Cambodian industry on a few large companies, a significant enhancement of IDP measures in this seems inevitable in order to contribute to the IDP vision of transforming the industrial landscape in a meaningful manner.

Intervention area "Increase Industrial Innovation"

Increasing industrial innovation will enable Cambodia to enhance its competitiveness and pivot to new sectors, products, services, or economic activities with high value addition. Quantitative data demonstrates that there has been an increase in the total number of patent applications especially in the last three years, but these applications predominantly belong to non-residents. Despite the mounting number of patents granted after 2015, only one patent was granted to residents. Such an underperformance is the result of (1) failure of applicants to file required documents and meet required qualifications and (2) the lack of competent patent examiners to evaluate the applications. As for the design, the 16 policy measures are deemed sufficient to develop a basic innovation infrastructure, but they are not sufficient to promptly boost R&D activities in Cambodia. The implementation is in slow progress as only four measures are completed. This intervention area should hence be considered with special attention as the long-term transformation of the Cambodian industrial sector is strongly dependent on progress in this intervention area. However, it should be considered that new measures in this area are unlikely to make short term contributions to the IDP targets for 2025 as they generally require a longer lead time to bring about meaningful changes to the industrial structure.

Intervention area "Enhance the Modernisation of SMEs"

Modernization of SMEs is one of the important preconditions for enhancing economic diversification and resilience. The main purpose is to promote formal registration of SMEs as stated in one of IDP targets. The assessment suggests that the registration rate of medium enterprises was 87% in 2019, already exceeding the 2020 target (80%). However, the registration rate of small enterprises was only 49.7% in 2019, which is still far behind the 2020 target (70%). Meanwhile, the rate of medium enterprises having proper balance sheet was 39% in 2020, and the rate of small enterprises using simplified accounting records was 19% in the same year, both of which were off the targets (50% and 30% respectively). A conclusion that could be drawn from these findings is that small enterprises are still facing challenges in integrating into the economy despite the effort of the RGC in adopting simplified accounting rule for small businesses in 2015. This situation is mainly caused by the lack of information among small enterprises regarding the benefits of official registration, limited business management skills, or hesitation due to tax obligations derived from the formal registration.

From the policy design perspective, IDP has put great efforts in defining nine interconnected measures in response to the set target of this intervention area. However, none of the measures takes into account specific incentives for SMEs to integrate into the formal system as well as the establishment of specialized agencies to provide specific technical support for SMEs. The alarmingly low rate of SMEs registration could be the result of the delayed implementation progress of the policy measures. Among the nine policy measures, only two measures are completed. They relate to the amendment of the law on corporate accounts, audit and accounting profession in 2016 as well as the introduction of simplified accounting system for SMEs in 2015. This suggests that increased support especially for small firms should be considered a priority. On a side note, the implementation of these measures is complemented by the implementation results of measures under intervention area "rebalancing between large companies and SMEs" whose implementation remain highly limited.

3.4.3. Key finding and implications

In short, the progress in enhancing Cambodia's economic resilience and diversification is considered as partially achieved. The share of non-garment and textile exports over total exports has improved markedly. Similarly, a positive trend could be identified in terms of export product diversification as the share of the top five manufactured products export in total manufacturing exports continued to drop every year. However, the overall diversification dynamic seems to be sluggish. In fact, Cambodia's production base is still very concentrated on a few manufacturing sub-sectors such as textile, garment and footwear; food and beverage; and tobacco, wood, paper and printing. In addition, export markets have become more concentrated in the last few years.

The assessment of policy design and implementation reveals that there remain gaps and imbalances in the design as well as slow progress in IDP implementation (only 38% of IDP measures in this objective are completed). Based on the assessment, it could be observed that Cambodia's economy remains vulnerable to external shocks and changes as economic diversification remains slow. More efforts are needed to further strengthen resilience and foster diversification. One of the priority areas for improvement in this objective is to put more focus on increasing new industrial activities by developing a targeted investment promotion strategy with clear identification of target industries, potential sources of FDI, specific incentives and assistance schemes, and a comprehensive action plan to implement these strategies. Other areas for improvement may include advancing research and development as well as skill development to promote product innovation particularly among small and medium enterprises and leverage trade negotiations to open more markets for Cambodia's products amidst the gradual erosion of preferential trade schemes. More efforts are also needed to help unregistered SMEs, in particular small firms, to integrate into the formal sector and endorse a proper corporate governance to increase their roles in value creation in Cambodia's economy. Enhancing economic resilience and diversification is central to attaining the IDP vision of transforming Cambodia to a skill-driven industrial structure by 2025. Thus, a re-consideration of the IDP policy design in this area seems particularly warranted.

Objective 4

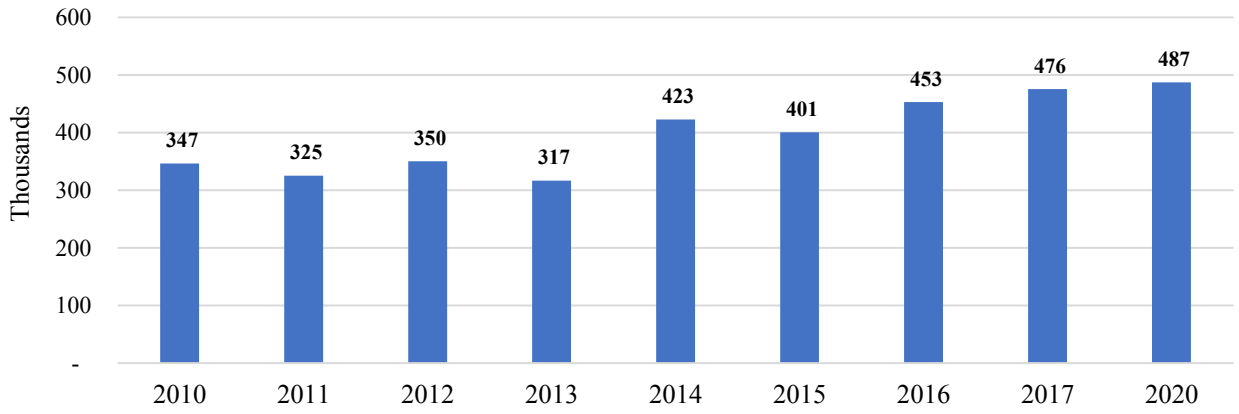
3.5. Cambodia's performance in the IDP objective 4 "Improve Quality of Employment"

3.5. Cambodia's performance in the IDP objective 4 "Improve Quality of Employment"

3.5.1. Performance of objective 4 at strategic level

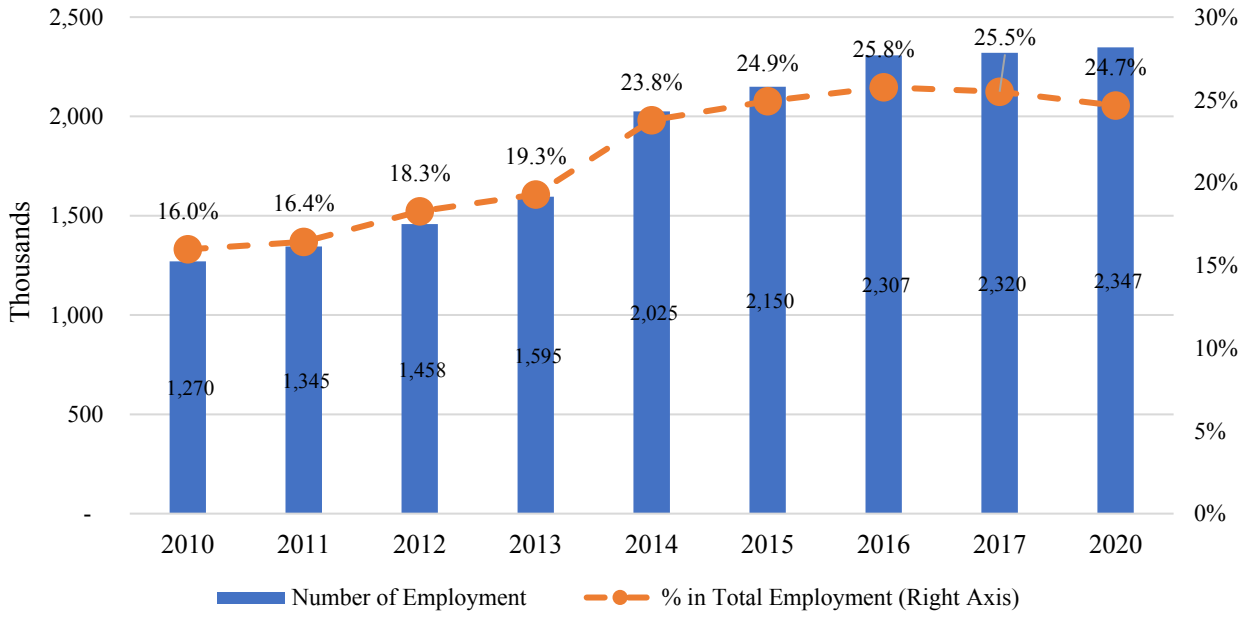
The improvement of the employment quality by enhancing current working conditions, and generating employment opportunities that are safe, secure, and well paid is crucial for the transformation of Cambodia's industrial structure from a labor-intensive to a skill-based industry. In addition, strengthening the quality of employment will contribute to reducing the inequity and improve social cohesion. Two indicators are used to examine the performance of IDP in improving the quality of employment: 1) "number of non-garment manufacturing employment" measures the progress of employment created by sectors other than garment manufacturing and 2) "share of industrial employment in total employment" measure the contribution of the industrial sector in job creation based on the assumption that increasing the number of employments in the industrial sector will improve the quality of employment.

Figure 10: Number of non-garment manufacturing employment (15 years and above)



Data source: Ministry of Labor and Vocational Training

Figure 11: Share of Industrial Employment in Total Employment (15 years and above)



Data source: Estimation made by Ministry of Labor and Vocational Training based on Cambodia Socio-Economic Survey 2010 and 2019-2020
Note: The survey was not conducted in 2018 and the data for 2020 survey were collected from 2nd Quarter of 2019 to 1st Quarter of 2020

The number of employments in the non-garment manufacturing sector increased from 347,000 in 2010 to 487,000 in 2020. Likewise, the number of employments in the industrial sector has almost doubled from 1.3 million to 2.4 million in the same period, indicating positive progress (figure 10 and 11). At the same time, the share of industrial employment in total employment also grew slightly after the adoption of IDP in 2015 but tilted down in 2020 as a result of the disruption in supply chains and the drop in external demands, especially for garment, footwear and traveling goods (figure 11) due to the Covid-19 pandemic.

3.5.2. Contributions of primary intervention areas to objective 4

The IDP lays out 31 policy measures under five primary intervention areas to support the realization of this objective. These intervention areas are (1) improve skills and human resource development, (2) increase skilled labor demand, (3) improve industrial relations, (4) enhance job matching, and (5) enhance working conditions. Table 4 summarizes the contributions of these primary intervention areas to improving the quality of employment. Additionally, the achievement of objective 4 is also complemented by three other policy measures related to (1) enhance firm labor productivity, and (2) improve firm technology, which are secondary intervention areas (detailed assessments for each of these secondary intervention areas are discussed in the respective objectives to which they contribute as a primary intervention area).

Table 4: Summary of the performance, policy design and implementation of IAs in PO 4

Intervention Areas	Performance	Policy Design	Implementation
Improve skill and human resource development	• The share of secondary and tertiary enrolment in total enrolment age population seemed stagnant at around 20% since academic year 2007-2008, only increased approximately 0.7% per annum during the IDP period (2015-2019). • The rate of secondary school graduates grew slightly from 19.4% in 2015 to 24.25% in 2019, while the rate of STEM graduates shared a similar trend which increased from 17.3% in 2015 to 23.5% in 2018. • The number of TVET graduates with C1, C2 or C3 certificates grew around 12% p.a. from almost 1,100 in 2008 to around 2,400 in 2015 and reached 6,398 in 2019.	• Most of the measures focus on enhancing specific technical skills, STEM, and other soft skills. • Number of policy measures is not enough, need other instruments to maximize intended outcomes. • Policy design is mostly clear with 15 clear and one preparatory activity.	• All 16 policy measures and one sub-measure are fully implemented.
Increase skilled-labour demand	• Number of jobs announced were 10,331 in 2010 and increased to 35,059 in 2015 and 101,709 in 2019. • Number of skilled labours increased from 3,330 in 2008 to	• There is no explicit policy measure in IDP.	• There is no explicit policy measure in IDP.

Intervention Areas	Performance	Policy Design	Implementation
	4,094 in 2015 and to 10,179 in 2019.		
Improve industrial relation	• The minimum wage for employees in textile, garment and footwear sectors increased almost every year from USD 45 in 2005 to USD 128 in 2015 and jumped to USD 190 in 2020. • Percentage of successfully resolved labour disputes decreased from 74.6% in 2014 to 56.7% in 2017 but rebounded to 81.5 % in 2019.	• Emphasize the harmonization of industrial relations – the tripartite relationship (government, unions, and employers). • Policy measures are able to bring about the desired impacts; policy design is mostly clear while one is a preparatory activity.	• Among the six policy measures, five are fully implemented and one is delayed.
Enhance job matching	• Share of establishments affected by skill gaps declined from 54.5% in 2012 to 39.4% in 2015 and dropped further to 28.9% in 2019. • Share of establishments reporting hard-to-fill vacancies in total establishment with at least one open vacancy declined from 75% in 2012 to 48.4% in 2015 and went up to 58.4% in 2019.	• Focus on better job matching and reducing informal fees for getting jobs and strengthening mechanisms for domestic skilled labour management. • Number of policy measures may not be able to fully bring about the desired outcomes with two unclear and one clear measure.	• Among the four measures, one is a sub-policy measure. These four are fully implemented.
Enhance working conditions	• Rate of enterprises with minimum emergency services increased from 63.8% in 2012 to 66.4% in 2015 and 82.6% in 2019. • The cumulative number of workers receiving the National Social Security Fund membership cards was approximately 1.2 million in 2017 and rose to 1.7 million in 2019.	• Focus on promoting working condition and welfare of workers. • Policy design is clear, and the number of policy measures are sufficient to bring about the desired change.	• Among the six sub-measures and policy measures, three are completed, two in progress and one measure has no data.

Note: For detailed analysis of the four primary intervention areas (including assessment of quantitative performance, policy design, and policy implementation), see annex I.

Intervention area "Improve Skills and Human Resource Development"

The significance of this intervention area for achieving this objective is reflected by the bold number of policy measures in this intervention area, i.e. 16 policy measures in total. Nonetheless, the development of skills and human resources is complemented by other policy measures under other intervention areas, for example industrial innovation and firm technology. Five indicators are used to assess the overall performance of IDP in achieving the desired changes in this intervention area. Those five indicators measure different aspects of skill and human resource development including general education, STEM education, and vocational education.

Regarding the promotion of general education, good progress has been made, resulting in an increase in the educated workforce and young workforce with scientific and technology-related skills for the labor market. According to the quantitative data, the share of secondary and tertiary enrolment in total enrollment age population increased slightly at around 0.7% per annum during the IDP period (2015-2019) although it remained stagnant at around 20% to 22% since 2007-2008. In addition, the rate of

secondary school graduates grew slightly from 19.4% in 2015 to 24.25% in the 2019-2020 academic year, while the rate of STEM graduates shared a similar trend which increased from 17.3% in the 2015-2016 academic year to 23.5% in 2018-2019 academic year. These three indicators experienced negative growth rates before 2015 and performed relatively better after the launch of IDP, possibly resulting from the comprehensive policy design and good policy implementation. Regarding policy design, IDP has set up interconnected policy measures to promote all aspects of general education including access to education, quality of education as well as curriculum design. For the implementation, all policy measures related to promoting general education have been fully implemented. Particularly, a number of higher education institutions have been granted accreditation, while training terms and supplementary courses have been reviewed, prepared, and identified. In addition, policy documents are formulated to provide guidance on promoting general education, while monitoring and evaluation tools have been prepared to assess the standards of education.

Concerning the promotion of vocational education, impressive progress has been made, resulting in a rapid increase in skilled technicians for the labor market. Quantitative data reveals that the number of TVET graduates experienced a sharp growth during the IDP period. In fact, the number of TVET graduates with C1, C2 or C3 certificates grew from almost 1,100 in 2008 to around 2,400 in 2015 and to 6,398 in 2019. Meanwhile, the number of TVET graduates with Master/Specialized/Associate Degree of Technical and Engineering significantly grew from 2,565 in 2015 to 5,884 in 2019. In the short-term, the rapidly increasing number of technical/TVET graduates will make it easier for companies to find qualified technicians. The improvement in this field can be directly connected to the IDP, which sets out a number of clear policy measures to promote vocational education in terms of access, quality and curriculum design. All policy measures related to vocational education have been fully implemented.

Intervention area "Increase Skilled Labor Demand"

In contribution to the quality of employment, the IDP has focused on increasing demand for skilled labor by creating job opportunities for skilled local workers to work in more sophisticated manufacturing processes. Given the lack of data in the number of open positions for skilled employees, the alternative proxy indicators used were the number of job announcements (excluding elementary occupations) and the number of skilled labors. The number of job announcements fluctuated almost every year but registered a high annual growth rate both before and during the five years of IDP implementation, increasing from 10,331 in 2010 to 35,059 in 2015 and 101,709 in 2019. The number of skilled labors also experienced a positive growth from 3,330 in 2008 to 4,084 in 2015 and from 10,179 in 2019, but its annual growth rate in the last five years accelerated much faster than that before the launch of IDP. Nonetheless, this positive result cannot be attributed to the implementation results of IDP measures which are mainly demand-side measures. The policy design assessment suggests that there is no IDP measure set out to encourage firms to open more vacancies for local talents. This lack of supply-side measures could negatively affect the realization of this intervention area.

Intervention area "Improve Industrial Relations"

The IDP stresses the importance of strengthening the employer-employee relationship to ensure that rights and responsibilities of both parties are mutually comprehended, and to promote dynamic and productive dialogues between industrial employers, trade unions and the government. The improved industrial relations are linked to increasing productivity and competitiveness as well as improving employees' livelihood. To examine the overall performance of this intervention area, two indicators are used: 1) changes in the minimum wage for employees in textile, garment and footwear sectors and 2) percentage of successfully resolved labor disputes.

The minimum wage for textile, garment and footwear employees increased almost annually from USD 45 in 2005 to USD 128 in 2015 and stretched to USD 190 in 2020, indicating the improvement of working and living condition of the workers in this sector. The successfully resolved labor disputes were on average 72% for the period of six years (2015-2020), while the number of annual strikes and protests also decreased significantly over the same period. This positive progress reflects the effectiveness and implementation results of the Law on Trade Union, Law on Minimum Wage as well as other employment-related regulations. The policy design is comprehensive, while the implementation of most policy measures is completed.

Intervention area "Improve Job Matching"

To ensure sustainable employment creation, boosting supply and demand of jobs is not enough. It is also important to make sure that the skill sets that the workforces possess match the requirements of employers and that vacancies are effectively filled. Two indicators are used to examine how often firms are facing issues of skill mismatch and shortages. The quantitative data shows that the share of establishments affected by skill gaps gradually declined. However, the share of establishments reporting hard-to-fill vacancies in total establishment with at least one open vacancy remains at around 50%. In terms of the policy design, the assessment shows that the number of policy measures are insufficient to fully bring about the desired outcomes despite the completion of the policy implementation.

Intervention area "Improve Working Conditions"

Improving working conditions is one of the key elements of the IDP to promote the quality of employment by providing workers with better health and safety standards as well as improved welfare, wages, working hours and social benefits. The improved working conditions contribute positively to increasing labor productivity and workers' welfare. To assess whether working conditions in industrial firms have improved, the emergency preparedness of enterprises and the accessibility to cheaper health services for workers through the National Social Security Fund (NSSF) are used as the indicators.

The quantitative assessment reveals that the rate of enterprises with minimum emergency services has increased gradually. The number of workers receiving NSSF membership cards increased over the years and accumulated to nearly 1.7 million in 2019. This reflects the effectiveness of the integration of various labor inspectors into a single working group as well as the modernization of labor inspection system by using information technology and the inspection based on levels of risks, particularly risks related to basic working conditions and safety and working health including minimum emergency service, baby nursing rooms and canteens in industrial zones. The design of five IDP measures supporting this intervention area can be considered sufficient. The implementation of most policy measures is completed such as measures related to minimum wage setting, working condition auditing mechanism and affordable housing development. However, the remaining policy measures which are in progress need to be accelerated, such as in the case of pension funds, in order to achieve better outcomes.

3.5.3. Key findings and implications

Overall, the improvement of the quality of employment has been largely achieved. In particular, industrial employment has registered a steady growth. However, it did not pick up the growth dynamic as envisioned by the IDP. This can possibly be attributed to the fact that labor supply is not tailored to the demand of industries which has led to job/skill mismatching in the past years, although stable progress on skills and human resource development has been made.

On the other hand, job quality in Cambodia has gradually been improved as reflected by the increasing rate of enterprises with minimum emergency services, expansion of NSSF membership, harmonization of industrial relations, the declining numbers of annual strikes and protests, and the functioning mechanism for minimum wage setting.

Nonetheless, there is still more room for improvement. Potential areas are the acceleration of skill and human resource development, especially in the area of science and technology as well as technical and vocational training; a more balanced approach towards better job matching with sufficient supply and demand of labor force in the market; ensuring harmonious industrial relations to further improve working conditions for all employees; improving technical and vocation training in order to attract and satisfy the demands of new investment projects; and the expansion of the NSSF accessibility with better service provisions.

Objective 5

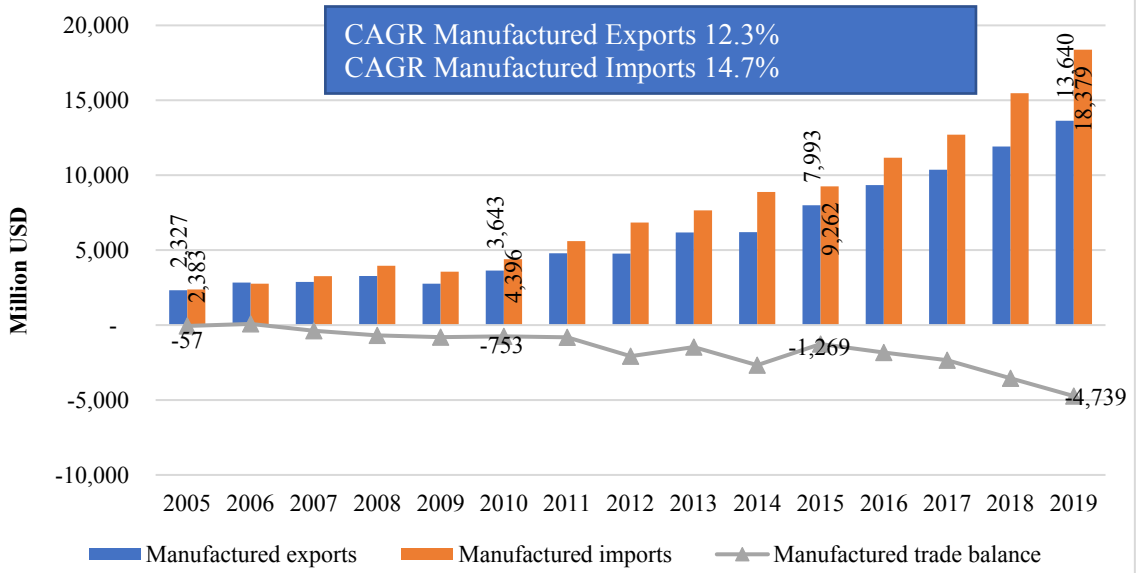
3.6. Cambodia's performance in the IDP objective 5 "Maximize Domestic Benefits"

3.6. Cambodia's performance in the IDP objective 5 "Maximize Domestic Benefits"

3.6.1. Performance of objective 5 at strategic level

Maximizing domestic benefits from industrial production is very essential to ensure a sustained economic growth that will contribute to income generation and poverty reduction. As of today, Cambodia's domestic production chains remain very fragmented, narrow-based, and often dominated by foreign companies, leading to various "leakages" of benefits. Optimizing domestic value capture is hence an important objective of IDP which can be pursued, inter alia, by strengthening the productive capacities of local players, boosting the demand for locally produced products and inputs, as well as linking domestic players with foreign enterprises. To assess the performance of IDP in maximizing domestic benefits, "manufacturing trade balance" is the only indicator that has been used.

Figure 12: Manufacturing Trade Balance



Data source: WITS

Cambodia's manufacturing trade deficit continued to grow over the years (Figure 11). While the deficit was around $2.6 billion in 2015, the number almost doubled to $4.7 billion in 2019. This indicates a widening gap between manufacturing exports and imports. The manufacturing trade deficit is a typical issue for developing countries like Cambodia, where the industrial sector is still underdeveloped, which is incompatible with increasing domestic consumption and the large quantity of manufactured inputs demanded for production. As a result, the values that Cambodia's economy can capture from productive activities is minimal, which leads to leakages. The fact that the trade deficit is growing wider indicates that policy impacts on minimizing domestic leakages desired by the IDP have not yet materialized.

3.6.2. Assessment of IDP intervention areas in the objective

The IDP lays out eight policy measures under four primary intervention areas to support the realization of this objective. These intervention areas are (1) strengthen linkages between domestic and foreign enterprises, including tech transfer, (2) improve national value chain, (3) increase domestic ownership, and (4) increase local agricultural processing. Table 5 summarizes the contributions of these primary intervention areas to maximize domestic benefits. Additionally, the

achievement of objective 5 is also complemented by one secondary intervention area, "increase domestic demand/import substitution".

Table 5: Summary of the performance, policy design and implementation of IAs in PO 5

Intervention Areas	Performance	Policy Design	Implementation
Strengthen linkage between domestic and foreign enterprises tech-transfer	• For the indicator "number of domestic firms supplying production inputs for foreign firms" no data is available.	• Focus on providing support to SMEs and building their capacity to link with larger firms but missing the role of larger/ foreign firms in technology transfer. • Three policy measures are insufficient to bring direct effects; two are preparatory activities, one is unclear.	• Among the three policy measures, one is fully implemented and two are still in progress.
Improve national value chain	• Share of MVA in manufacturing exports continuously dropped from 45.3% in 2005 to 23.7% in 2019.	• No explicit policy measure exists in IDP.	• There is no explicit policy measure in IDP.
Increase domestic ownership	• Share of QIPs having Cambodian shareholders accounting of 51% or more to total QIPs fluctuated over the years but remained less than 50%. • Share of employment created by foreign enterprises in total employment increased from 36.5% in 2008 to 82.4% in 2015 but declined to 66.7% in 2019;	• There is no explicit policy measure exist in IDP.	There is no explicit policy measure exist in IDP.
Increase local agricultural processing	• Processed agricultural exports increased from USD 516.2 million in 2016 to USD 845.9 million in 2020.	• Focus on attracting more investments in ago-processing zones and promote the export of agro-processing products. • Four policy measures may not be able to bring about the desired impacts; two measures are clear and remaining are preparatory activities.	• One of the four measures is a multi-purpose measure, so it is dissected into two sub-measures. As a result, there are five measures and sub-measures in total, three of which are fully implemented and the remaining two are delayed.

Note: For detailed analysis of the four primary intervention areas (including assessment of quantitative performance, policy design, and policy implementation), see annex I.

Intervention area "Increase Linkages between Domestic and Foreign Enterprises - Tech Transfer"

To increase domestic industrial linkages, IDP strives to encourage foreign manufacturing firms to source more inputs from domestic suppliers, which is a strategy used to increase domestic benefits. The embeddedness of foreign enterprises in the national economy could promote the transfer of

technology and capabilities to domestic workers and firms. The indicator "number of domestic firms supplying production inputs to foreign firms" is used to assess the quantitative outcome of this intervention area. Unfortunately, no data is available for this indicator. Nevertheless, findings from a survey conducted by the International Finance Cooperation (IFC) in 2019 indicate that 96% of production inputs for foreign enterprises were imported. Foreign enterprises have also been inclined to local sourcing, but competitive domestic suppliers remain scarce. Such a stagnant result could be attributable to the relatively limited capacity of domestic firms to connect with foreign firms.

The three policy measures supporting this intervention area are just preparatory activities with no immediate effects and lack clearly defined instruments to effectively bring about desired results. At the implementation level, only one policy measure was completed, i.e. conducting a study to develop industrial parks for SMEs. Two other policy measures related to supporting SMEs in machinery acquisition and building entrepreneurial capacity are still in progress.

Intervention area "Strengthen National Value Chain"

Strengthened national value chain is another intervention area that IDP expects to achieve in order to maximize domestic benefits. This intervention area can be understood as an attempt to expand value generation and production networks within the national economy, from downstream manufacturing activities, such as assembly and processing activities, all the way to production of components or raw materials in the upstream process. To examine the desired outcome of this intervention area, "the share of MVA in manufacturing exports," is used to measure the manufacturing capacity relative to manufacturing exports. If the share of MVA is smaller than manufacturing exports, it shows that domestic production depends more heavily on foreign inputs than domestically produced ones. Quantitative assessment reveals that the share of MVA in manufacturing exports has decreased over the years. In 2005, the share of MVA in manufacturing exports was about 45% and continuously dropped to around 31% and 24% for 2015 and 2019 respectively, indicating that backward linkages and national value chains have not been strengthened. The policy design assessment suggests that the IDP missed setting up enough effective policy measures to promote the national value chain.

Intervention area "Increase Domestic Ownership"

This intervention area focuses on increasing ownership over the means of production by local producers/entrepreneurs. Increasing domestic ownership increases domestic benefits for various reasons. Domestic firms are likely to re-invest a larger share of their profits to expand production, use local inputs, and employ more local workers, which in turn helps generate more value in the local economy, boosts local consumption, increases the national tax base and tax revenues capture, as well as prevents economic leakages.

Despite the importance of this intervention area, the IDP did not set any explicit measures to increase domestic ownership. Nevertheless, this intervention area can be assessed by measuring the national shareholders in firms and the contribution of foreign firms to job creation. Unfortunately, data on the number of firms registered with the MoC with 51%-100% domestic ownership is not available. For that reason, as a proxy indicator, "the share of qualified investment projects (QIPs) having Cambodian shareholders of 51% or more to total QIPs" can be used to assess the degree of domestic ownership in investment projects. It is worth noting that this indicator does not fully capture all domestic investments in Cambodia as it only accounts for the projects registered at the Council for the Development of Cambodia and excludes investment projects that are not eligible for investment incentives in sectors such as banking, insurance, and construction. The data shows that the share has fluctuated both before and during the IDP periods but has remained less than 50% over the last ten years, indicating domestic investors still occupy a less active role in establishing more

QIPs. If we look at the share of employment created by foreign enterprises in total employment, the data shows that domestic enterprises have become more active in creating jobs over the past five years. However, foreign enterprises still hold the lion's share of job creation. These findings suggest that Cambodia does not exhibit a significant change in the ownership structure of its industries.

Intervention area "Increase Local Agricultural Processing."

Increasing local agricultural processing emphasizes the importance of transforming local raw agricultural products into value-added agro-processed products through a process that employs modern manufacturing technologies. The indicator "processed agriculture export value" is used to measure the performance of this intervention area. The quantitative assessment suggests that processed agricultural exports increased gradually from USD 516.2 million in 2016 to USD 845.9 million in 2020.

From a policy design perspective, IDP sets up four policy measures with clear objectives to establish agro-processing zones and provide incentives for firms in the zones, improve trade facilitation, and identify potential agro-processing products for export. However, these measures may not be sufficient to bring about the desired outcomes. The gap particularly relates to research and development (R&D) in the agro-processing industry in this intervention area. This could be complemented by other policy measures, in particular, the measure "create a development and promotion fund for export led product development using agro-processing technology" under objective 2. In terms of implementation, three policy measures are completed with some achievements, including the preparation of a strategic development plan for Cambodian agro-industries, the identification of priority agro-processing products for export, and the increasing number of agro-industrial enterprises (from 3,368 in 2018 to 5,754 in 2020).

3.6.3. Key findings and implications

To sum up, only limited achievement has been made in the area of maximizing domestic benefits. Despite its importance to long-term social and economic development, IDP has put a minimal focus on achieving this objective; only eight policy measures, most of which are unclear and preparatory, are dedicated to this area. To make changes in this area, IDP should put forth more clear instruments that promote targeted linkages between potential domestic firms and foreign enterprises, particularly in technology transfer; enhancing demand for local products by encouraging local consumption; and reducing imports in the sectors where Cambodia has the potential to ramp up production as well as increasing domestic ownership.

3.7. Cambodia's performance towards achieving its National Development Goals and contribution of IDP

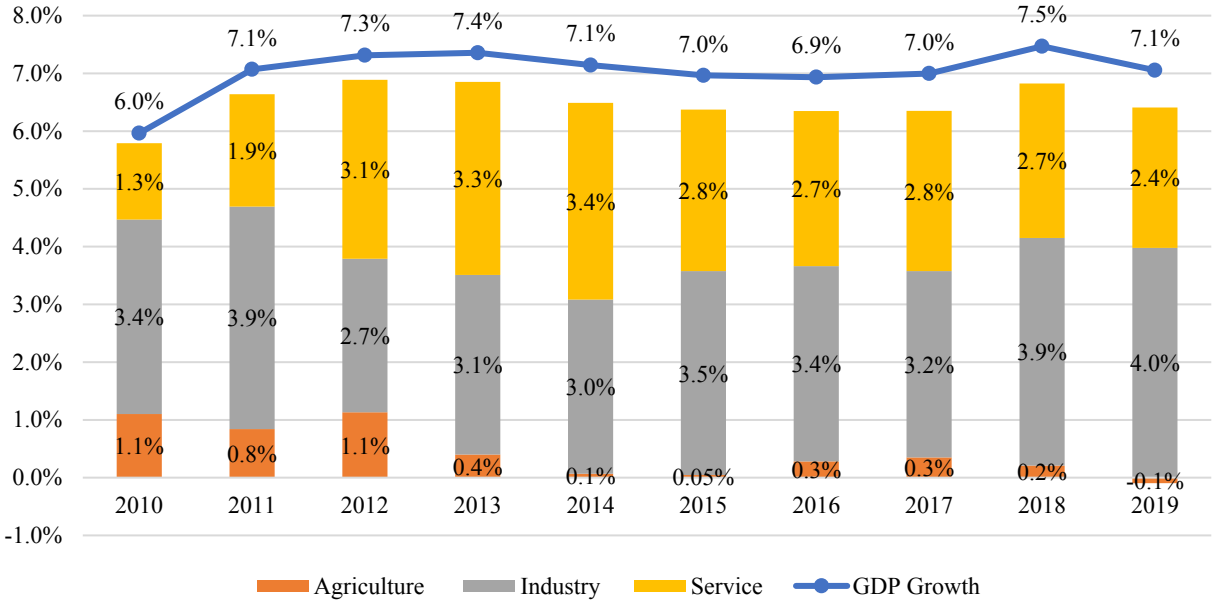
In addition to providing in-depth analysis on the performance of IDP towards attaining its immediate or medium-term results, this section offers a brief look at the contribution of IDP to the ultimate long-term development goals of Cambodia.

As stated in the "**Rectangular Strategy-Phase 3**" the formulation of the "Industrial Development Policy" was necessary to guide Cambodia to realize its aspiration of becoming an upper-middle income country by 2030. To consolidate the past achievements and ensure efficiency of the policy implementation, the government of the Sixth Legislature of the National Assembly (2018-2023) continued to emphasize the importance and relevance of Growth, Employment, Equity and Efficiency as the national development goals. Against this backdrop, the "**Rectangular Strategy – Phase 4**" was introduced under the same theme of Growth, Employment, Equity and Efficiency with refined and reprioritized strategic rectangles.

Amongst the four national development goals, the IDP is expected to contribute to achieving three major goals: (1) building resilient economic growth, (2) creating more jobs, and (3) reducing poverty. First, the IDP will contribute to strengthening the resiliency of Cambodia's economic growth by increasing and diversifying industrial and export bases as well as enhancing the capacities of the domestic economy to broaden the existing economic structure. The diversification and expansion of industries would make Cambodia's economy less vulnerable to shocks and changes happening in the region and the world. Second, the increase in industrial activities would stimulate job creation in other sectors through backward and forward linkages. Moreover, through boosting investment in advanced technology and high value-added industries, the IDP contributes not only to creating more employment opportunities but also to improving the quality of employment. Third, the increase in employment opportunities would help lowering the unemployment and ultimately contribute to reducing the overall poverty in Cambodia.

To assess IDP's contributions in achieving the three development goals as elaborated, four indicators are used. The first indicator is "real GDP growth and sectoral contributions", which measures Cambodia's growth pattern. The second and third indicators are "number of new official jobs registered" and "Share of manufacturing employment in Total Employment (15 years and above)", which indicates the employment creation trend, particularly by manufacturing sector. The last indicator is "poverty rate", which indicates the improvement of living standards in Cambodia.

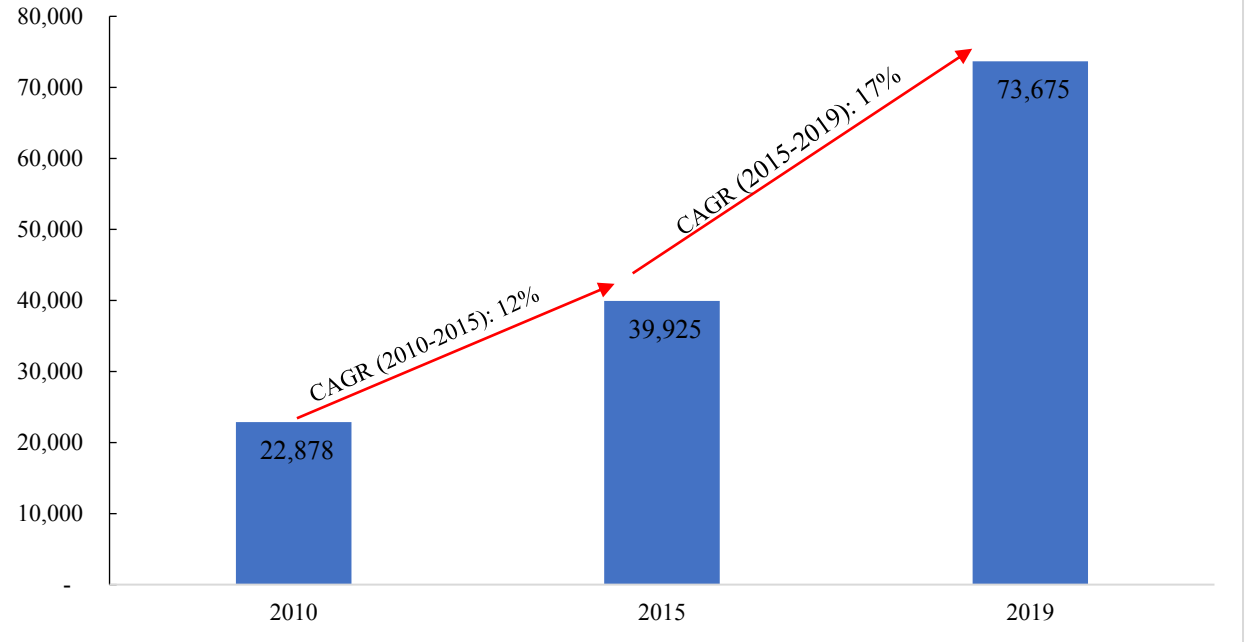
Figure 13: Real GDP Growth and Sectoral Contributions



Data source: Ministry of Economy and Finance

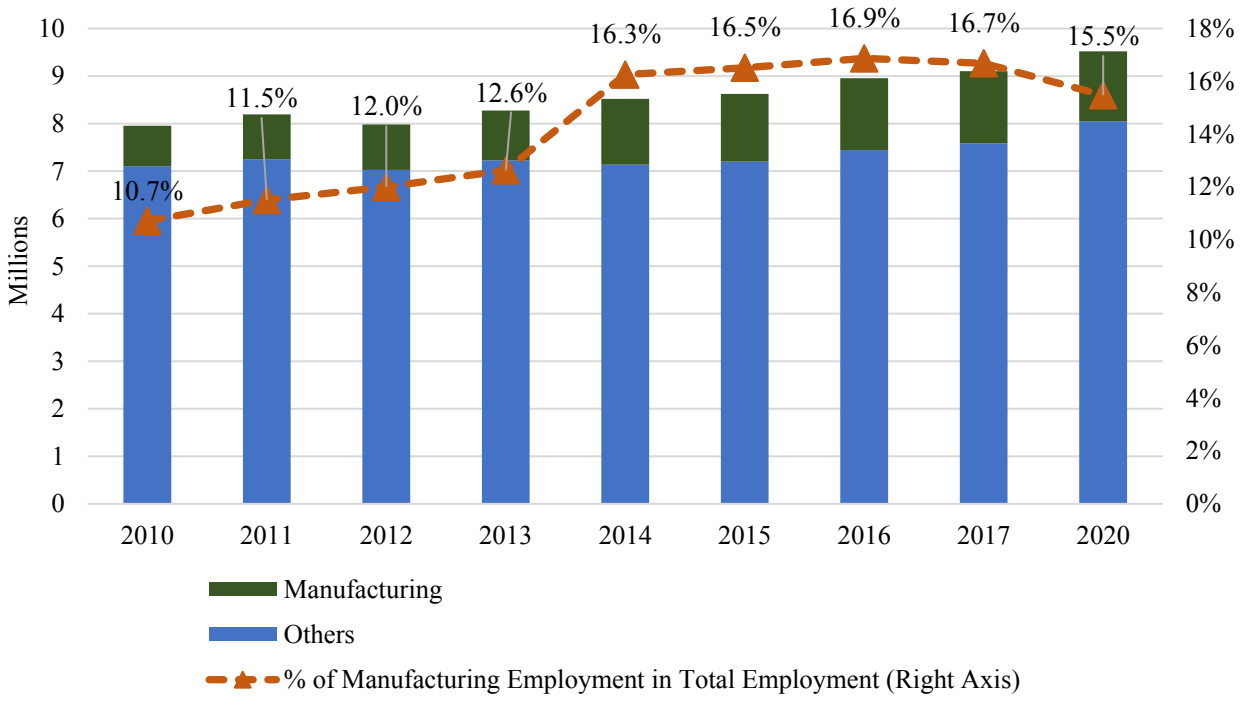
Figure 13 illustrates that Cambodia managed to sustain high GDP growth at around 7% over the past decade. Moreover, the contribution of industry to economic growth steadily increased over the period of 2012-2019. This reveals that industry is the main sector which has contributed significantly to the GDP growth of Cambodia over the last decade.

Figure 14: Number of new official jobs registered



Data source: Ministry of Labor and Vocational Training

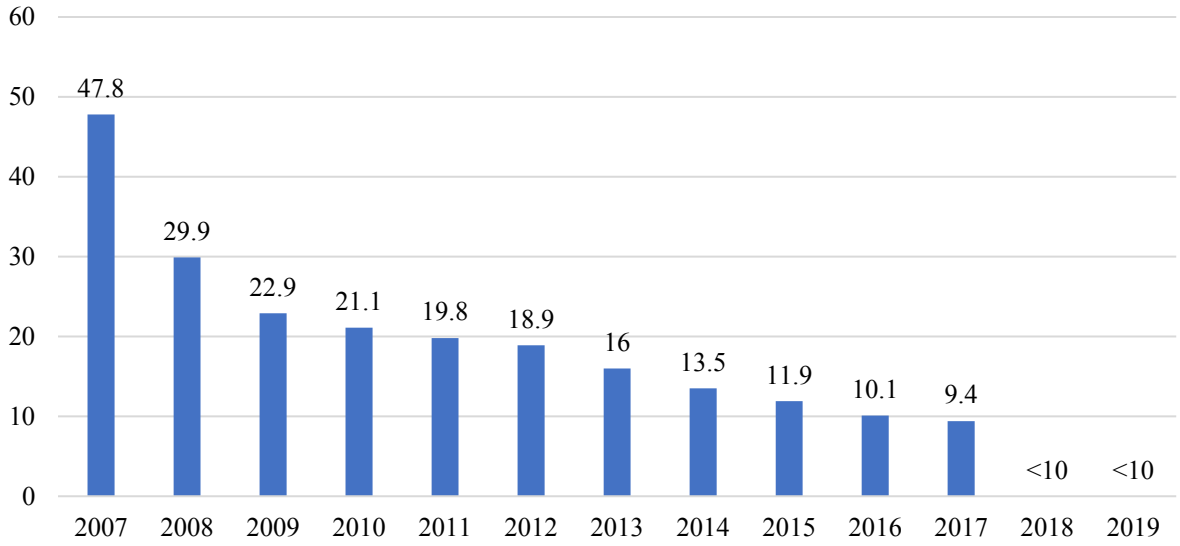
Figure 15: Share of manufacturing employment in Total Employment (15 years and above)



Data source: Estimation made by Ministry of Labor and Vocational Training based on Cambodia economic and social survey from 2015 to 2019/2020

Beyond economic growth, the IDP is expected to contribute to employment generation. Figure 15 shows that the share of manufacturing employment went up since the launch of IDP, from 16.5% in 2015 to 16.7% in 2017 but slightly decreased to 15.5% in 2020 as a result of the Covid-19 pandemic. In terms of employment, the manufacturing sector contributed to creating an average 12,250 jobs annually. Moreover, the share of non-garment employment in total manufacturing employment increased gradually from 28% in 2015 to 33% in 2020, indicating a greater contribution of the non-garment manufacturing sector in employment creation.

Figure 16: Poverty Rate (%)



Data source: Ministry of Planning and Ministry of Economy and Finance

Moreover, IDP is also expected to contribute to poverty reduction in Cambodia. Figure 16 illustrates that the poverty rate in Cambodia has continued to decrease from 11.9% in 2015 to less than 10% in 2019. Nevertheless, diversification in the industrial sector towards advanced technology and high value addition activities and the enhancement of domestic benefits captured through the implementation of IDP would accelerate poverty reduction and the improvement of the living standards of Cambodian people.

Overall, the contribution of IDP to the realization of the NDGs and overall development of Cambodia can be considered partially achieved. Progress is reflected in sustained economic growth, employment generation as well as gradual poverty reduction. However, it is particularly noticeable that the manufacturing sector has not yet become the main driver of GDP growth as envisioned by the IDP. In this regard, in order to further promote the contribution of IDP implementation in achieving national development goals, more impetus shall be given to further boost diversification, particularly the role of modern manufacturing activities in the economy, which would contribute to creating more and sustainable high-quality jobs.

3.8. Official Development Assistance and the banking sector credit to support the IDP implementation

The Official Development Assistance (ODA) plays a catalyst role in mobilizing other forms of development finance as well as providing a direct source of funding to support the IDP implementation on some priority areas including infrastructure and logistic development, trade facilitation, strengthening economic competition, SMEs development, institutional capacity building as well as human resource development and skilled labor development. In this regard, ODA helps create a favorable investment environment, thereby encouraging more investment and more industrial activities.

The Cambodian Rehabilitation and Development Board of the Council for the Development of Cambodia (CRDB/CDC) has closely monitored the volume of ODA in the area of IDP support, through data provided by development partners in the Cambodia ODA Database. Particularly, ODA's support has been aligned to the IDP's policy measures and four key concrete measures.

Table 6: Medium-Term Resourcing of the IDP from 2015 to 2020 (USD Million)

IDP Policy Measures and Four Key Concrete Measures	2015	2016	2017	2018	2019	2020 (Est.)	Total
Investment Promotion	0.2	3.3	1.8	2.3	47.6	18.5	73.7
Expanding SMEs	1.1	1.7	3.6	3.9	7.3	7.0	24.6
Regulatory Environment	4.3	9.0	25.9	9.2	8.3	5.2	61.8
Supporting Policies	27.4	22.2	28.2	29.3	31.4	50.1	188.6
Four Key Concrete Measures	55.9	148	162	104.8	201.9	266	938.5
Grand Total	**88.9**	**184.2**	**221.4**	**149.5**	**296.4**	**346.7**	**1,287.2**

Data source: Cambodia ODA Database

Table 6 indicates that USD 1,287.2 million of ODA was disbursed from 2015 to 2020 to support the IDP implementation, on average around USD 215 million per year. The four key concrete measures of the IDP received the largest share of support, which amounted to USD 938.5 million. Meanwhile, the ODA amounting to USD 188.6 million was allocated for IDP's supporting policies, while the IDP's effort concerning SMEs expansion received only USD 24.6 million. Among all development partners that provide support to IDP's implementation, China, Japan, France, ADB and Australia are the top five development partners providing a large share of ODA to IDP implementation, amounting to USD 1,161.7 million (around 90% of the total support to IDP).

The disbursement in 2020 was estimated to increase by 17% compared to that of 2019, reaching USD 346.7 million. The increased disbursement in 2020 is mainly achieved by contributions from Japan and France in electricity and skill development projects. About 3/4 of the support was provided to the four key concrete measures.

IDP also recognizes the importance of skill and human resource development through the promotion of general education and technical and vocational education and training (TVET). In this regard, the RGC approved a national TVET Policy (2017-2025) in June 2017. The policy is under the leadership of the Ministry of Labour and Vocational Training and will improve the functioning of the national TVET system and provide a platform to engage key stakeholders as well as to mobilize resources. According to Cambodia's ODA database, from 2015 to 2020, the ODA support to TVET and higher education amounted to USD 197.2 million, approximately USD 33 million annually. The support to

this sector mainly originates from Japan, Australia, ADB, France, and World Bank which account for approximately 75% of the total support to this sector.

In summary, despite the current challenges of the COVID-19 pandemic and the graduation from a low-income country to a lower-middle income country, development partners still provide ODA to support national development including the industrial sector in Cambodia. CRDB/CDC, which is a coordinating body for ODA mobilization and management, is committed to strengthen partnerships with all development actors concerning resource mobilization and allocation to support the IDP implementation.

Besides the ODA provided by development partners, the private sector, especially the banking sector, has also actively contributed to industrial development in Cambodia. From 2015 to 2020, bank loans for the manufacturing sector have increased around 6.6% annually to the total amount of USD 417 million, which contributes to increasing manufacturing activities.

4. DESIGN AND IMPLEMENTATION OF IDP

4.1 Findings from the assessment of the overall IDP design

Following the qualitative assessment of the policy design, IDP is undeniably developed with a clear direction to achieve key desired changes needed to spur sustainable growth of the industrial sector, but such a sound policy design is never without flaws.

IDP has instituted four key concrete measures and 119 other policy measures and action plans, taking the overall number of measures to 123. *More than half of these measures are dedicated to address four areas of intervention: (1) attracting industrial investments, (2) enhancing industrial infrastructure and connectivity, (3) promoting industrial innovation and (4) improving skills and human resource development.* These four intervention areas can be considered indispensable conditions not only to foster the expansion and diversification of industrial activities and exports, but also to increase human capital and productive employment in the economy. It is worth noting that *there are imbalances in the number of key policy measures in each intervention area to tackle thematic issues*. To give an example, most policy measures in the intervention area "increase industrial investment" are designed to facilitate investment in general, and only very few of them target sector-specific or vertical investment promotion.

In light of policy measure development, the majority of policy measures (85 out of 123) are designed with clear instruments to influence certain behaviors of economic actors and can yield immediate effects. Examples include policy measures that aim to "provide incentives to companies to locate in agro-processing zones," "timely complete the planned construction of power plants," and "increase technical skills training," just to name a few. However, *some other policy measures (14) seem to be broadly defined without specific means on how to successfully implement them*. This is the case for policy measures such as "to encourage SMEs to register and have proper accounts," and "to promote the transfer of new technology in manufacturing" among others. *If left without narrowing down the means or instruments, it might be challenging for executing ministries and agencies to implement policy measures and visualize key milestones to be achieved in the policy implementation*. In addition to these clear and unclear natures of policy measures, there are instances of some policy measures (24) being characterized as preparatory or planning activities. Preparing a logistic master plan and developing a medium-term plan to nurture the growth of SMEs are examples of such policy measures.

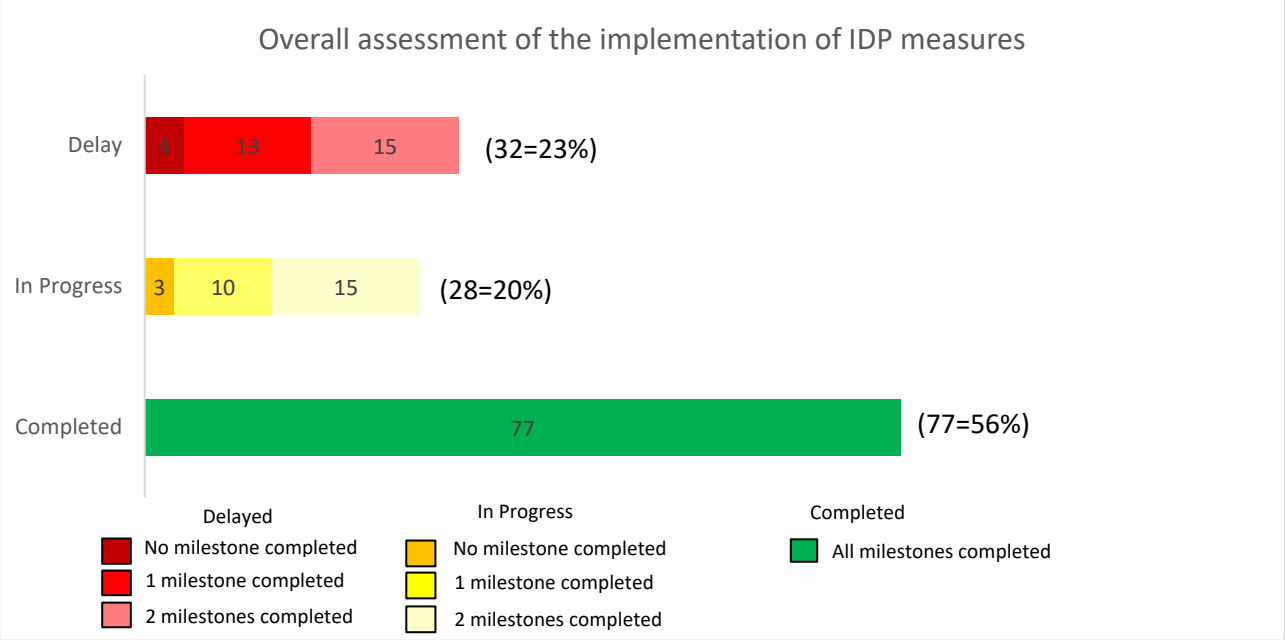
While most intervention areas are accompanied by several policy measures that are clearly defined, *a few others are left with fewer to none clear policy instruments. Without proper design of supporting policy measures, those few intervention areas are less likely to deliver the intended outcomes*. To give an example, three policy measures are associated with strengthening linkages between FDI and domestic firms: 1) conducting a study to develop industrial parks for SMEs, 2) reviewing the viability of support provision to SMEs, and 3) building the entrepreneurial capacity of local firms to be better equipped when dealing with larger and/or foreign firms. The first two measures are just planning activities, whereas the third one does not identify how and what instruments are needed to upgrade domestic firms' capacity in linking with foreign firms. None of these measures will have immediate or direct effects on establishing FDI-SME linkages.

Another notable finding is that *no policy measure in the IDP is found to explicitly support certain changes that are required to strengthen domestic industrial competitiveness*—those changes are increased production of import-substitution goods, strengthened national value chains, and increased domestic ownership in industrial activities. As far as skilled labor is concerned, *a whopping amount of policy measures in the IDP aim to address the undersupply of technical and professional workers, but no demand-side intervention is found to encourage industrial firms to recruit more Cambodian nationals in managerial or technical roles*.

Last but not least, it also appears that *outcomes in certain intervention areas might not be fully realized in isolation, meaning that they require complementary interactions with other intervention areas to maximize the effects*. For example, a successful scenario of increased industrial investments would not be defined by just general investment promotion efforts but necessitates a blend of strategic approaches that promote new investment projects in pioneering or high value-added industries, increase firm adoption of modern manufacturing technology, and intensify industrial research and innovation.

4.2 Findings of the assessment of the overall implementation of IDP measures

Figure 17: Overall Assessment of the implementation of IDP measures



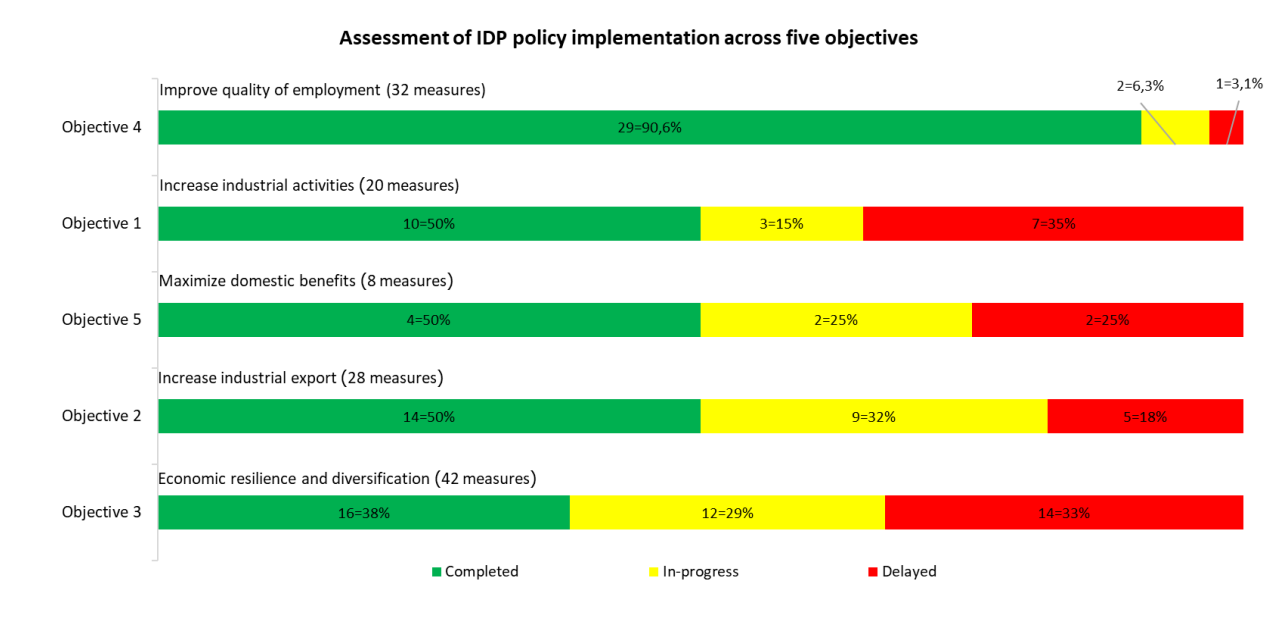
The assessment of the overall implementation of IDP measures can provide significant information about the progress, challenges and any possible hurdles during the implementation, any intended and unintended impacts, and a comparison between different components or intensities of the implementation. Three milestone indicators and additional progress indicators defined in the Report Template Format (RTF) are used for monitoring and evaluating the progress of the implementation of measures.

Among the IDP's 123 policy measures, 11 are identified as multi-purpose activities that are dissected into 26 sub-measures. To simplify the assessment of those multi-purpose-activity, only sub-measures are used. In total, 138[2] main/sub-measures (a policy measure has no information)[3] are analyzed and evaluated. Based on the assessment, among the 138 main/sub-measures, 77 (56%) measures are completed; 28 (20%) measures are in progress; 32 (23%) measures are delayed. In-progress and delayed measures need to be sorted and prioritized for the next phase of the implementation.

Figure 18: Assessment of IDP policy implementation across five objectives

[2] The six policy measures are not categorized into any policy objectives /intervention areas because they are defined as general measures that may affect changes to all objectives. These measures include general fiscal administration, enhancing the public financial system and public investment programs for industrial development, and reinforcing the the monitoring and evaluation mechanism for the implementation of investment projects.

[3] Ministry of Planning, who is responsible for implementing two measures, has sent RTF that contained information of only one measure. The measure that contains information is "elevate priorities on public investment programs for project activities and programs that promote industrial development, industrial clusters or industrial corridors". Another measure which has no information is "expedite the preparation of regulatory framework and measures for the development of sciences, technology and innovation".



The progress of the implementation of policy measures is not equally implemented due to unequal deployment of measures across all objectives. Policy objective 1 has a total of 20 measures, 10 of which are completed, 3 are in progress, and 7 are delayed. Policy objective 2 has a total of 28 measures, 14 of which are completed, 9 are in progress and 5 are delayed. Policy objective 3 has a total of 42 measures, 16 of which are completed, 12 are in progress, and 14 are delayed. Policy objective 4 has a total of 32 measures, 29 of which are completed, 2 are in progress and 1 are delayed. Policy objective 5 has a total of 8 measures, 4 of which are completed, 2 are in progress and 2 are delayed.

This assessment shows that policy objective 4 has the most implemented measures, while policy objective 3 has the most delayed measures (14 measures). Most delayed measures in objective 3 are under intervention area 3.3 "Rebalancing between large companies and SMEs", intervention area 3.4 "Increase industrial innovation" and intervention area 3.5 "Modernization of SMEs". The main challenges that block the progress of the implementation of measures under the objective 3 are the lack of capable human resources and limited budget allocation for the implementation. For the next phase of IDP implementation, accelerating the development of SMEs and industrial innovation should be the focus as these sectors can make a huge contribution to economic diversification and make Cambodia's economy resilient.

The common patterns identified causing delays in the implementation include: 1) measures required a lot of coordination between Line Ministries and private sector, 2) measures required budget and capable human resources, and 3) measures needed time to do more research as they are new in Cambodia's context.

Overall, more than half of all policy measures have been completed on time which indicate that the implementation of IDP in this first five-year has a timely significant progress. The other half of policy measures can still be implemented completely during the next five years. Developing a clear action plan and setting line of duties of relevant Ministries/institutions with sufficient budget and capable human resources are crucial factors to enhance the implementation of the policy measures. Two options that can yield better results on the progress and performance of IDP are: 1) improvement of

milestone indicators that show stages of the implementation, and additional progress indicators that assess the level of impact and implementation progress of the measures defined in the RTF, and 2) development of a comprehensive action plan that requires a formal adoption from the Royal Government.

5. EXPECTED ACHIEVEMENT AND POLICY RECOMMENDATIONS

Previous sections of this report analyzed Cambodia's performance in the first phase of the IDP implementation by using essential tools of the M&E system, where challenges and problems were identified and addressed. This section will examine, at different levels, how to enhance the effectiveness of the IDP implementation contributing to achieving the IDP vision.

5.1. Expected achievement of targets

To realize the IDP vision the RGC has set three targets which can be reflected through structural transformation and the following key indicators:

-Industry share in GDP (IDP target for 2020: 28%, 2025:30%)

This share grew quickly from 24.1% in 2013 to 27.7% in 2015 and reached 34.2% in 2019 with an annual average growth rate of 1.6% between 2015 and 2019, which allowed this indicator to achieve the target much earlier than planned. As a matter of fact, the target of 30% in 2025 was already achieved in 2019 (34.2%) and if this growth rate continues throughout 2025, Cambodia's industry share in GDP would reach 40%.

However, international experience shows that this high growth rate cannot be sustained in the long run and will flatten. Among the comparator countries, Thailand exhibits the most comparable traits. In the base year with similar income level (USD 929 vs. USD 923), Thailand also had a similar industry share of GDP (25.3% vs. 24.1%) and managed to increase its industrial share by only 4.2% during a 12 years period from the base year (from 25.3% in base year to 29.5%). Even Korea that started with a very low industry share (17.3%) only managed to increase its share by 7.5% after a 12-year period. Since Cambodia's industry share of GDP already grew by around 10% from 24.1% in 2013 to 34.2% in 2019, we cannot expect it to grow at this rate until 2025.

What is more, the severe impact of the Covid-19 on the services sector has caused the industry share in GDP to rise in the short run, but it will eventually decline once the pandemic subsides and the services sector rebounds.

Table 7: Changes of industry share in GDP of selected countries

	Base year	End Year	GDP per Capita in Base Year ($)	Industry Share in GDP (%)		
				Base Year	End Year	Change
Cambodia	2013	2025	923	24.1		
Thailand	1970	1982	929	25.3	29.5	4.2
Vietnam	2003	2015	897	39.5	33.3	-6.2
Laos	2006	2018	901	26.2	31.5	5.4
Korea	1960	1972	932	17.3	24.9	7.5
China	1992	2004	887	43.1	45.9	2.8

Data source: WDI

- Manufacturing share in GDP (IDP target for 2020: 18%, 2025: 20%)

The manufacturing share in GDP increased slightly from 15.5% in 2013 to 16% in 2015 to 16.3% in 2019 with an annual average growth rate of around 0.2% between 2015 and 2019. This slow growth rate compared to that of the industry share in GDP implies that the expansion of industry in recent years come from non-manufacturing industries such as construction. If this trend continues,

Cambodia's manufacturing share in GDP will merely be around 16.7% in 2025, well below the target of 20%.

When comparing with other comparator countries, in 1970 Thailand had a comparable GDP per capita and manufacturing share in GDP as Cambodia in 2013. Thailand managed to increase its manufacturing share of GDP by 5.4% during the 12-year period, while Korea which started from a low base in 1960 managed to increase its manufacturing share in GDP by a whopping 7.3% during the same time interval.

While learning from the state-led industrial policy of Korea in the 60s and 70s might not be suitable given the current context of Cambodia, looking deeper into the case of Thailand in the 70s and 80s will be worthwhile. Even though the global economy and geopolitics Thailand faced in the 1970s and 1980s differ from what Cambodia is facing now, particularly Cambodia having international obligations under bilateral, plurilateral and multilateral agreements, a closer look at what Thailand did right in those periods might be helpful for Cambodia in replicating the success.

Table 8: Changes of manufacturing share in GDP of selected countries

	Base year	End Year	GDP per Capita in Base Year ($)	Manufacturing Share in GDP (%)		
				Base Year	End Year	Change
Cambodia	2013	2025	923	15.5		
Thailand	1970	1982	929	15.9	21.3	5.4
Vietnam	2003	2015	897	20.3	13.7	-6.6
Laos	2006	2018	901	9.5	7.5	-2.0
Korea	1960	1972	932	11.4	18.7	7.3

Data source: WDI

-Export of processed agricultural products (IDP target for 2020: 10%, 2025: 12%)

The share of export of processed agricultural products has only not increased over the years but decreased from 5.8% in 2015 to 4.9% in 2020, making the target of achieving 12% in 2025 very doubtful. Contrary to its share, the absolute value for export of processed agricultural products increased year on year from $516 million in 2016 to $846 million in 2020 equivalent to a compound annual growth rate of 13%. Comparing to neighboring countries, Cambodia outperformed Thailand and Vietnam when the former achieved the growth rate of 5% and 9% for the latter during the same period.

-Export of non-garment-and-footwear manufacturing products (IDP target for 2020: 10%, 2025: 15%)

The export of non-garment-and-footwear manufacturing products increased from 5% in 2013 to 5.6% in 2015 to 15.5% in 2020, surpassing the target of 15% in 2025.

In the calculation of export of garment and footwear products, travel goods were included because they use similar production line and technology, and somehow a similar skill level. If the export of travel goods were incorporated in the non-garment-and-footwear manufacturing, the export of this products group to total export would have increased to 21.1% in 2020 showing a more rapid diversification.

-Percentage of officially registered enterprises (Small: IDP target for 2020: 70%, 2025: 80%, Medium: IDP target for 2020: 80%, 2025: 95%)

According to MISTI, the share of officially registered small enterprises dropped from 64.4% in 2015 to 49.7% in 2019, making the 2025 target of 80% very unlikely to be achieved despite measures undertaken by the Government such as the issuance of sub-decree to provide incentives for SMEs and the introduction of simplified bookkeeping for small enterprises tax filing. In this context, the finalization of the draft SMEs policy is of absolute essential.

With regard to the medium enterprises, the official registration rate started with 83.1% in 2015 and climbed to 87% in 2019, surpassing the 2020 target of 80% since before the adoption of the IDP. If the current trend continues, the rate would increase to around 93% in 2025, slightly short of the 95% target which signifies the need to set out additional supporting policies and measures to materialize the target.

-Percentage of enterprises having proper balance sheet (Small: IDP target for 2020: 30%, 2025: 50%, Medium: IDP target for 2020: 50%, 2025: 70%)

Data provided by the MEF manifested a growing rate in the percentage of small enterprises having proper balance sheets from 13% in 2016 to 18.53% in 2020, albeit lower than the target for 2020 of 30% and far-off from the target for 2025 of 50%.

Regarding the medium enterprises, the percentage of having proper balance sheets grew from 34.84% in 2016 to 38.69% in 2020, lower than that of the 2020 target of 50% and well behind the 2025 target of 70%.

Based on performance of key indicators examined above, the Cambodian government may consider setting new targets for those indicators that have already reached the target rate for 2025 and for those that are far from achieving the targets.

5.2. Recommendations for improved implementation of IDP policy measures

Sound policy implementation is critical for achieving the IDP vision. Drawing on lessons learned, experience and the results of this MTR report, common challenges identified to have hampered successful implementation of policy measures in the first phase of the IDP include: 1) Lack of full comprehension of the IDP vision and objectives by stakeholders, 2) limited coordination between line ministries and private sector, 3) insufficient budget and capable human resources, and 4) measures needed time to do more research as they are new in Cambodia's context. In addition, through the assessment of the policy measures, there are a few notable points that should be clarified for the next phase of the IDP implementation. Those points include defining concrete policy instruments, limiting the scope of the measures, and filtering/omitting duplicated measures.

The following recommendations should be considered to ensure better success on the implementation of policy measures in the second phase of the IDP (2022-2025):

5.2.1. Making the IDP vision and objectives fully comprehensible to relevant stakeholders

In-depth understanding of the IDP vision and objectives is important for the relevant stakeholders, particularly line ministries in charge of the implementation. In addition, progress of the implementation, experience and challenges of coordinating and implementing the policy should also be shared. Therefore, the dissemination of the IDP vision and objectives by means of conducting workshops/training workshops should be regularly organized for implementing ministries/ agencies so they have complete understanding of the policy.

5.2.2. Establishment of a mechanism to ensure sustained and effective implementation

To ensure smooth and effective implementation of the IDP, internal IDP units under each line ministry should be established with specific focal points to handle the tasks. In case of changes and rotation of the focal points in the units, detailed information such as name, position and contact number should be shared/updated regularly to the IDP Secretariat of the CDC. The incumbent focal points should be well informed of IDP-related tasks under the ministry/agency's responsibilities. The predecessors should share such information with their successors to ensure a smooth transition.

5.2.3. Defining expected results in action plan

Developing an action plan with concrete expected results is crucial for smooth and effective implementation of the policy measures. In designing the action plan for the second phase of IDP implementation there are two options to consider: 1) to improve the milestone indicators and APIs already developed in the RTF in order to ensure relevancy, adherence and viability and 2) to design a full-fledged action plan using the whole-government approach that requires political coordination. Normally inter-ministerial coordination is the barrier to successful implementation of a policy but defining responsible ministries/institutions and key performance indicators (KPIs) should anchor the implementation of the action plan. For a sample of the comprehensive action plan, see Annex 2.

5.2.4. Defining concrete policy instruments with appropriate scope

Defining concise and precise policy instruments can also strengthen the implementation process of the policy measures. Among the 123 measures, 85 are well-developed/clear measures (69.1%), 24 are preparatory activities (19.51%), and 14 are unclear measures (11.38%). The EQuIP - Enhancing the Quality of Industrial Policies methodology developed by UNIDO in collaboration with GIZ will help line ministries to better understand the meaning and relevancy of the measures and enhance their role for the implementation. For examples, see Annex 2.

Through the assessment, some policy measures in the IDP are broad in nature containing multiple purposes and activities, and several are duplicated under the same key strategies. The broad scope of measures should be discussed among relevant ministries/agencies to dissect into sub-measures or separate to different measures by indicating a specific lead Ministry. Replicated measures should be filtered out and omitted for a greater certainty of the implementation. A list of broad and duplicated measures can be found in Annex 2.

5.2.5. Way forward to enhance the implementation of the remaining policy measures

Enhancing the implementation of the remining policy measures is of utmost importance. The policy measures that are in progress and delayed need to be sorted and prioritized for the next phase of the implementation. In progress measures to be lined up for the next phase implementation are those that would yield positive impact in the short to medium term including measures under intervention area 2.1 "**Export capacity of domestic firms/SMEs**", intervention area 2.2 "**Enhance industrial infrastructure and connectivity**", and intervention area 3.3 "**Rebalance between large firms and SMEs**". Similarly, more efforts and resources are required to accelerate the implementation of the delayed measures. The delayed measures that should be prioritized are those that have no milestones completed, passed the deadline, and those that can have a significant effect towards the intervention areas in the short to medium term. For the prioritized and detailed list of in-progress and delayed policy measures, see Annex 2.

5.3. Recommendations for adjustment of policy measures and intervention areas

Through the assessment made on the 20 intervention areas in Chapter 3, adjustments to the policy design of some intervention areas are required for IDP to deliver more effective results. The adjustments to the policy design can be categorized into two groups, including: (1) adjustments to

intervention areas that do not have any corresponding policy measure, and (2) adjustments to intervention areas that have an insufficient number of policy measures.

5.3.1. Adjustments to intervention areas that do not have corresponding policy measure

Among the 123 policy measures listed in the IDP, none of them explicitly corresponds to the four (4) intervention areas below, which might in turn disable them to contribute to achieving the desired outcome. In fact, there might be some IDP measures designed with underlying or implicit objectives to address these intervention areas, but to make the implementation more effective those measures should be formulated with clear target groups, instruments, and desired outcomes. In this regard, the below corresponding policy measures should be considered as options for these four intervention areas in order to enhance their effectiveness.

1. To **"increase domestic demand and import substitution"** of the policy objective "increase industrial activities", new measures may include:

- Conduct 'buy local product campaigns' to encourage people to buy domestic goods
- Provide incentives to encourage firms to purchase a certain amount of local inputs for their production
- Encourage local supermarkets to procure a certain amount of domestic products
- Expedite the development, and widely disseminate the use of supplier databases to connect local suppliers with foreign companies
- Make preferential purchases of local products through public procurement
- Restrict imports of products that do not fully meet certain domestic standards or technical requirements
- Support and set incentives for domestic companies to produce imported manufactured goods locally.

2. To **"increase skilled-labor demand"** of the policy objective "improve quality of employment", new measures may include:

- Expand outreach of the National Employment Agency's Public Employment Service Platform to become the nationwide leading public avenue for job matching to help firms find qualified employees faster at a minimal or no cost and to help people find jobs easily
- Provide incentives for companies to hire more highly qualified workforce e.g. through temporary wage subsidies or loans
- Consider binding criteria or incentives for foreign firms to hire more national workers in high level positions instead of foreign workers.

3. To **"strengthen national value chain"** of the policy objective "maximize domestic benefits", new measures may include:

- Support capacity-building and trainings for local suppliers in a specific value chain by deducting the training costs from taxable expenditure or by other forms of government assistance
- Identify priority value chains with a large potential for import substitution and support local companies to scale up their production capacity through incentives
- Encourage the production of processed and semi-processed goods and promote local value addition in selected value chains.
- Establish a committee or high-level technical working group in charge of strengthening national value chain.

4. To **"increase domestic ownership"** of the policy objective "maximize domestic benefits", new measures may include:

- Encourage the establishment of joint ventures between foreign and domestic firms engaged in manufacturing activities by way of providing certain government incentives
- Expand incubation programs for local entrepreneurs to offer them affordable facilities and services necessary for operationalizing their business plan in agro-processing and manufacturing industries in particular.

5.3.2. Adjustments to intervention areas that have an insufficient number of policy measures

Seven out of 20 intervention areas lack sufficient number of genuine policy measures to bring about the desired change, and thus require additional measures as follows:

1. To **"Increase firm labor productivity"** of the policy objective "increase industrial activities" – This intervention area has only one (1) policy measure which is insufficient to achieve the desired outcome if it is implemented in isolation of intervention area "strengthen skills and human resources development" and intervention area "improve firm technology". Therefore, additional measure may include:

- Provide support through tax deduction or other forms of government assistance to manufacturing firms in need of developing capacity-building programs for production line managers and workers.

2. To **"Improve firm technology"** of the policy objective "increase industrial activities" – This intervention area has only two (2) policy measures, which are insufficient to obtain the intended outcome. Therefore, additional measure may include:

- Reduce tariff for the import of new machinery or production equipment to help firms slash capital expenditure on technology upgrading, aiming at promoting productivity and effective use of resources and energy in the production chain.

3. To **"Enhance the export capacity of domestic firms/SMEs"** of the policy objective "increase industrial and agro-industrial export" – This intervention area has only three (3) policy measures, which may be able to bring about only minor changes to this intervention area. Therefore, additional measures may include:

- Provide fiscal incentives to targeted SMEs with export potentials such as those in the agro-processing industry to scale up their production for export
- Conduct a series of training or capacity-building workshops for sector-specific SMEs on product development, quality assurance and logistics management to enhance SMEs capability in satisfying technical export requirements
- Organize frequent SME trade fairs and business matching events overseas to allow SMEs and domestic firms to expand their business partnership and showcase their potential products in foreign markets.

4. To **"Enhance industrial infrastructure and connectivity"** of the policy objective "increase industrial and agro-industrial export" – This intervention area has twenty-one (21) policy measures and focuses mainly on physical infrastructure development; none of which considers specific needs for supporting digital infrastructure. The provision of state-of-the-art digital infrastructure and facilities is one of the key prerequisite instruments to navigate Cambodia's productive sector towards

a new phase of value creation in the context of the fourth industrial revolution. Therefore, additional measure may include:

- Scale up broadband connectivity to provide fast and affordable internet usage in order to facilitate modern manufacturing activities that requires fast and reliable internet connections in their operation, especially the ones which employ smart technology and automation process.

5. To **"Increase new industrial activities"** of the policy objective "economic resilience and diversification" – This intervention area has four (4) policy measures with clear objectives, but these measures are less targeted and lack specification as well as magnitude to bring about the desired outcome of creating new industries. Therefore, an additional measure which is more explicitly defined could be:

- Develop and implement a targeted industrial investment strategy with a clear identity of target industrial activities, target sources of FDI (especially those with China+1 business strategy), and smart incentive schemes

6. To **"Promote local agricultural processing to supply domestically and to export"** of the policy objective "maximize domestic benefits" – This intervention area consists of four (4) policy measures, which are also insufficient to obtain the desired outcome. Therefore, additional measures may include:

- Conduct market intelligence studies to get updated information on local and international demand, competitors, trending consumer preferences, and opportunities for Cambodia to penetrate into markets for processed agricultural products
- Provide more funding support to research institutions or universities for developing new technologies of high value agro-industrial crops, suitable for market
- Provide funding support to targeted research institutions, universities or TVET institutes to conduct R&D activities on innovative agro-processing products with a vision to transform those institutions or their specialized department into a Food Innovation Hub
- Provide technical training and financial support to small agro-processing firms to upgrade their product quality with a proper management system aligned with domestic and international standards (for example, international food safety standards for food processing firms).

7. To **"Increase industrial innovation"** of the policy objective "economic resilience and diversification" – This intervention area has sixteen (16) policy measures designed to provide basic infrastructure for the growth of innovation, but they may not be sufficient to boost R&D activities in Cambodia. Therefore, additional measures may include:

- Provide financial support to public universities and TVET institutes with high standard research facilities to increase their collaboration with the private sector in conducting R&D for product development in priority sectors
- Reduce/eliminate import tax of research equipment for public and private universities and high standard research institutes to increase collaboration with the private sector in conducting R&D for new products.

Overall, 11 out of 20 intervention areas require adjustments to their policy design in order to enhance the expected results of IDP implementation. Although the rest of the intervention areas (such as increasing industrial investment, strengthening skills and human resources development, etc.) appear to be have been designed with a sufficient number of policy measures, those measures are subject to

further refinement by implementing ministries/agencies to accommodate the evolving needs of industrial development.

5.4. Recommendations for improved M&E of IDP

To further improve the M&E system of the IDP, the following issues identified during the MTR preparation process should be properly addressed:

1. Problems with the RTF table:

There are two main problems with the RTF. First, the exact year in which policy implementation was completed could not be tracked. This difficulty could be caused by the limited understanding of how to complete the RTF, lack of proper recording system, and the sudden introduction of the RTF. These problems could be rectified by (1) making the RTF easily accessible with the creation of the RTF in digital/online format, (2) providing clear guidelines on the importance and how to accurately complete the RTF by creating a video or written manual, (3) providing workshops upon request, and (4) collecting the RTF periodically.

Second, information about challenges and proposed solutions are not provided. This problem could be caused by the fact that officials in charge of completing the RTF were not fully aware or informed about the challenges at the implementation level; and/or might not have the time and resources to write down all the details in the description box. To address this problem, common challenges from the previous RTF shall be identified and organized in the format of a drop-down list in the digital/online RTF.

2. Problems with data collection:

The data designated for respective KPIs is difficult to collect. Common problems in the data collection process include different definitions, data collection methods, available years, and data quality and availability. This situation prevailed even though many inter-ministerial meetings were held. In this case, credible metadata which clearly outline the definition, unit, data source and data-calculation method shall be established for further uses.

On top of that, the implementation of the IDP M&E system could be improved by having a closer collaboration with line ministries and agencies. They could provide the requested data on time with written notes explaining the abnormal trends or confusing points. Furthermore, to effectively design, improve and implement the M&E system in IDP phase II, KPIs for each policy objectives should be further refined with clear definitions, baseline data, and target values.

5.5. Contribution of new policies to the implementation of IDP

In parallel with the implementation of IDP, the government has put forth and has been drafting a number of policies and policy frameworks that will contribute to achieving the policy objectives of IDP. First, **the Strategic Plan for Agriculture Sector 2019-2023** may have positive impacts on some IDP intervention areas including the promotion of agro-processing activities, the development of agro-processing zones, the adoption of new technology, and the development of human resources in the agricultural sector.

Second, **Cambodia Digital Economy and Society Policy Framework 2021-2035** may contribute to increasing industrial investment, enhancing firm's technology and export capacity, improving industrial infrastructure and connectivity, increasing new industrial activities, promoting the role of SMEs, increasing innovations, and strengthening national value chains.

Third, **the Draft Policy on Digital Government 2021-2030** may also have positive impacts on enhancing economic growth by improving productivity, production factors, distribution efficiency,

economic competitiveness, innovation in the private sector as well as effectiveness and efficiency of public service provision.

Fourth, **Cambodia's Science Technology and Innovation Roadmap 2030** will also positively contribute to promoting human resources, technology transfer, and industrial innovation. Fifth, **the Draft Policy on Small and Medium Enterprise Development 2021-2026** is expected to contribute to enhancing the role of SMEs. The proposed introduction of laws and regulations to encourage the formalization of SMEs will further support SMEs to enhance their competitiveness, creativity and innovation, technology adoption, product development and export capacity.

5.6. Impact of Covid-19 and recommendations

Covid-19 has had profound socioeconomic impacts on every nation in the world. Economically, this pandemic has hit some sectors particularly hard while some specific sectors benefitted from it. In Cambodia, Covid-19 has brought catastrophic impacts on several sectors such as services—particularly accommodation, restaurant, and transport—logistics, construction and real estate and manufacturing.[4] The agricultural sector is the least affected one.

Regarding the manufacturing sector, particularly the apparel sub-sector, Covid-19 has resulted in greater fluctuations and shortages of production factors such as labor and raw materials.[5] Many manufacturers faced delays in production due to supply chain disruptions and the negative impact on workers' health due to the pandemic. However, with the strengthening and implementation of the safety measures and health at workplace and giving vaccination priority to workers and employees, this sector appears to be relatively more responsive to changes. Accordingly, it has gradually recovered. The agro-processing industries and new manufacturing sectors such as electrical, electronic and vehicle parts including bicycles have expanded.[6] On the other hand, the agricultural sector appears to be relatively less vulnerable and the production of rice increased.[7] Moreover, the newly signed free trade agreements such as the Cambodia-China Free Trade Agreement (CCFTA) and the Regional Comprehensive Economic Partnership (RCEP) are expected to accelerate the growth of this sector. However, the export of rice is constrained by a surge in shipping costs.

In short, the pandemic of Covid-19 had a negative impact. However, Cambodia can adapt and get back to the new normal through the adoption of proactive measures and the immediate response with high responsibility of the Royal Government of Cambodia in order to prevent, stop the transmission and reduce the infection in a timely manner. These factors can become an important condition to enhance trust among businessmen and investors to invest and do business in Cambodia. As a matter of fact, the Royal Government of Cambodia has adopted and implement a vaccination policy to prevent Covid-19 outbreak and the spread of the new variants. As of 10 October 2021, 99.2% of citizens aged above 18, 89.8% of children and teenagers from 12 to 18 years and 95.18% of children from 6 to 12 years received the Covid-19 vaccination free of charge and on a voluntary basis. the adaptation to the new normal and the improvement of Covid-19 situation following the nationwide vaccination drive will help to revive Cambodia's economy.

Although the Royal Government of Cambodia has adopted the important measures effectively in order to respond to Covid-19, for the long and medium term, the development of the industrial sector of Cambodia can face changes in the global economic architecture and this requires consideration of outside and inside influences such as:

[4] Cambodia Economic Update: Restrained Recovery, Special Focus-Adapting to Covid-19 in an Uncertain World by World Bank
[5] The Impact of Covid 10 in Private Sector: Firms/Enterprises in Cambodia by UNIDO Cambodia
[6] "Cambodia Economic Update: Road to Recovery, Special Focus-Government-to-Person (G2P) Payments for Social Benefits,".
[7] Ibid, p. 24

1. Deglobalization and the re-configuration of Global Value Chains

The pandemic has accelerated a shift of global economic policy making away from globalization and multilateralism towards nationalism, protectionism and bilateralism. During the pandemic, an increasing number of countries have introduced industrial policy measures that will most likely contribute to the further deglobalization of industrial production. In addition, multinational enterprises have witnessed the vulnerability of their highly globalized supply chains and are now re-configuring their activities in order to increase resilience. Even if there are many possible scenarios for the future, it is very likely that during the next decade, we will particularly witness a transition towards reshoring, regionalization and replication in Global Value Chains, which all involve some form of pull-back of the globalization of production. The reshoring may be further accelerated by the fast-tracking of the adoption of industry 4.0 technologies during the pandemic, which allows companies to bring production closer to the key markets.

Cambodia is highly exposed to these shifts due to its heavy integration in global production, especially in the textile and wearing apparel sector. In particular the expected reduction of the traditional "efficiency-seeking FDI" that so far characterized this sector, could have significant impacts on the growth prospects of Cambodian industries. In addition, the reshoring of garment production closer to the markets of the USA and EU will require a re-orientation of Cambodian producers.

While the new normal norm of the RGC recognizes this, it is advisable that IDP will re-enforce its approach towards 1) diversification and 2) domestic and regional market orientation in order to tackle these challenges. This could include a stronger focus on implementing existing IDP measures as well as considering new measures to fast-track these shifts in the next phase of IDP. For this shift, in particular the interventions under IDP objectives 3 "Economic resilience and diversification" are crucial, as a less concentrated productive structure will also enhance the resilience to disruptions in the textile and apparel industry. Furthermore, boosting interventions under objective 5 "Maximizing domestic benefits" can be essential for re-orienting the Cambodian manufacturing sector towards the domestic and regional markets.

2. Increased focus on the sustainability transformation in global industries

Governments in developed and selected developing countries are putting forward considerably more ambitious and far-reaching strategies and action plans for the greening of existing industries and the emergence of new green industries. This will culminate in stricter sustainability requirements for entering these markets in the future and the environmental performance of productive activities will become a key determinant of industrial competitiveness. In addition, mainly driven by the changing awareness of consumers and investors, the international private sector is already advancing a sustainability agenda across various key manufacturing sectors. Accordingly, selling unsustainable goods will become increasingly difficult going forward.

These shifts imply that the participation in the global division of labor for the production of industrial goods will increasingly be determined by the sustainability performance of Cambodian industry. Policy initiatives for the green transformation of Cambodian industry have gained momentum. At the same time, the new Law on Investment provided incentives for priority sectors and investment activities in managing, protecting the environment, circular economy and green energy.

Given the strategic importance of the sustainability transformation for the future of Cambodian industry, it would be advisable to reflect this topic more prominently during the next phase of IDP implementation for 2022-2025. One option would be the formal definition of an additional IDP

objective and corresponding intervention areas and measures that foster the promotion of environmentally sustainable industrial development.

3. Marginalization of SMEs in modern industrial production after Covid-19

The third transformative shift relates to the accelerating marginalization of micro, small and medium enterprises in industrial development. During the pandemic, we have seen a global pattern that mainly large enterprises have accelerated the application of modern production technologies, in particular robotization, automation and digitalization within their production processes. It is significantly more challenging for smaller companies around the world to keep pace with these developments, in particular with respect to developing the advanced technical capacities that they require. Smaller family-owned companies may also be hesitant to shift to labor-saving industry 4.0 technologies as reducing the workforce to boost productivity is not in line with their objective of providing employment opportunities for family members and their local communities. However, in particular SMEs that mainly supply multinational companies rather than final consumers will face the largest pressure to at least allow for smooth interfaces with the industry 4.0 technologies of their customers

In Cambodia, micro, small and medium companies have also suffered much more significantly from the negative economic consequences of the pandemic. This trend is also shown by a recent firm survey conducted by UNIDO in Cambodia. Due to their limited financial resources and access to support, small companies are most likely to be the losers of the pandemic. While IDP has clearly outlined the ambition to strengthen SMEs, the progress identified in this area in the mid-term review is rather limited. Therefore, we should pay more attention and promote the implementation of this work during the next phase.

6. CONCLUSION AND WAY FORWARD

Conducting the mid-term review (MTR) on the implementation of IDP by virtue of creating and implementing a concrete M&E system is a prerequisite to ensure effective monitoring of the progress achieved and to identify the challenges in order to propose a solution which can serve as a foundation for adjustment and setting directions for future phases of implementation. This detailed mid-term review thoroughly covers all facets of the implementation, from the evaluation of the performance of the objectives to the policy design and the implementation of the policy measures, including one vision (1), five (5) policy objectives, twenty (20) intervention areas, and one hundred and twenty-three (123) policy measures. The methodology comprises mixed-methods using both qualitative and quantitative approaches that have been applied to evaluate and produce scientifically sound and evidence-based results by using data from both national and international sources to analyze key performance indicators (KPIs) at both the strategic and sectoral levels.

Based on this mid-term review, summary results at the macro or strategic level which show the achievement of the IDP's vision and policy objectives, are as follows:

(1) **Performance of IDP's Vision:** Performance towards transforming the Cambodia economic structure shows that Cambodia is moving on the right direction and exceeds expectation in increasing industry share in GDP, which has mounted from 27.7% in 2015 to 34.2% in 2019, outnumbered IDP target of 30% by 2025. In contrast, the Medium and High Tech (MHT) manufactured export which only increased by 0.1% since 2015 reveals that the IDP vision of transforming and modernizing Cambodia's industrial structure from a labor-intensive industry to a skill-driven industry by 2025 is making gradual progress. The limited progress indicates that Cambodia has a long road ahead and requires more consideration from every relevant stakeholder.

(2) **Performance of the Objectives:** The overall assessment of all five policy objectives illustrates that two policy objectives, "**Objective 2 – Increasing industrial and agro-industrial export"** and **"Objective 4 – Improving quality employment" have largely been achieved**. The impact of this achievement is reflected through several KPIs, such as manufactured exports per capita rising from USD 534 in 2015 to USD 855 in 2019 and the share of jobs in the industrial sector growing from 13.4% in 2015 to 28.1% in 2019. Meanwhile, two other objectives, "**Objective 1 – Increasing industrial activities**" and "**Objective 3 – Enhancing economic resilience and diversification**," **have been partially achieved**. The impact of **Objective 1** is defined by the constant growth of industry value added per capita rising from USD 228.3 in 2015 to USD 320.7 in 2019. However, Industrial Value Added (IVA) per capita has a relatively slower growth. The impact of **Objective 3** can be seen particularly in the share of non-garment and footwear exports over total exports which steadily grew from 5.6% in 2015 to 15.5% in 2020. This number shows that Cambodia's manufacturing export does not solely depend on just a few export products, signaling that Cambodia has expanded its range of manufacturing export products beyond garment and footwear. Nevertheless, product diversification remains slow and concentrated in a few sub-sectors, such as textile, garment and footwear, food, beverages and tobacco, wood, paper, and printing. On the other hand, the progress of "**Objective 5 – Maximizing domestic benefits**" shows **limited achievement**. Cambodia's manufacturing trade deficit was around USD 1.2 billion in 2015 and rose to USD 4.7 billion in 2019. Furthermore, the share of MVA in manufacturing exports continuously dropped from 30.7% in 2015 to 23.7% in 2019, and the use of raw materials from local suppliers to promote industrial connectivity still confronts challenges in terms of competition, quality, and price. These trends indicate that backward linkages and domestic value chains have not yet been effectively strengthened.

In the assessment of policy implementation of the 123 policy measures, 11 have been identified as multi-purpose and have been dissected into 26 sub-measures by relevant lead ministries and institutions. Therefore, there are a total of 138 policy measures and sub-measures. Overall, **77 policy measures, or 56%, have been successfully implemented**, **while 28 policy measures, or 20%, are still in progress within the set timeline**, **and 32 policy measures, or 23%, are delayed**.

The outbreak of Covid-19 at the end of 2019 has been the most significant challenge and disruption of globalization in the modern history, which has impacted economies and societies profoundly. For Cambodia, like other countries, the Covid-19 pandemic has brought catastrophic impacts on several sectors such as–services including commercial activities, tourism, wholesale and retail; transportation and logistics; construction and real estate; and manufacturing, where agriculture has been the least affected sector. In this context, the development of Cambodia's industrial sector may face shifts in the global economic architecture with three major trends:

1. Deglobalization and the re-configuration of global value chains
2. Increased focus on sustainable industrial development, and
3. Marginalization of SMEs in modern industrial production after the pandemic

These trends warrant a discussion and re-thinking of strategies for adaptation and coping with the new normal.

Overall, the adoption and implementation of IDP over the last five years saw some noticeable progress and challenges, despite some delayed policy measures or the failure to meet some anticipated results. Five years after the launch of IDP infrastructure has been improved, both soft and hard, as evidenced by the development of the transportation and logistics system, the construction of expressways, the strengthening of the coverage and quality of electricity, etc., the adoption of laws and regulations and the launch of a digital framework and platforms. Although this development has not led to immediate outcomes, the impact of IDP policy implementation will manifest in the next 5 years and thereafter. Similarly, the adoption and preparation of some laws, policies, and policy frameworks such as–the new Law on Investment, the PPP law, the five-year Strategic Plan 2019-2023 for the agriculture sector, the digital economy and society policy framework 2021-2035, the draft policy on digital government 2021-2030, the science, technology & innovation roadmap 2030 (STI Roadmap 2030), and the draft policy on SMEs development 2021-2026, will also contribute to the realization of the IDP objectives.

On the basis of this evaluation and impacts of the Covid-19 pandemic, a future outlook and a number of policy recommendations have been discussed, prepared, and incorporated in this mid-term evaluation report. In this regard, this MTR report is a document of reflection equipped with a concrete and clear foundation for the Royal Government and stakeholders to consider in the process of setting new goals, orientating the future implementation, and introducing other packages of measures that will serve as an effective resolution to the challenges identified above. Simultaneously, a response is needed for the changes in the context of the fourth industrial revolution, digital transformation, and the outbreak of Covid-19. This is necessary to achieve the vision and objectives of the IDP and revive and accelerate Cambodia's economic growth on the path to a new normal.

The launching of IDP in 2015 connotes the necessity and urgency to embark on a "New growth strategy" that responds to the structural transformation of the domestic economy and the changing regional and global economic architecture, and to serve as the foundation to achieve Cambodia's long-term vision toward 2030. On the basis of the vision "**the transformation and modernization of Cambodia's industrial structure from a labor-intensive industry to a skill-based industry by 2025**," Cambodia set a target for linking with global value chains, integrating into regional production networks and developing clusters while strengthening competitiveness and improving the

productivity of domestic industries and marching toward developing modern technology and knowledge-based industry.

Since the early stage of IDP implementation, the geopolitical and economic circumstances have continuously evolved such as the conflict of economic superpowers, trade and technology wars, and new trends of the global economy, which reflected in the emergence of Industry 4.0, Digital Revolution, and the use of Green Technology. These factors have been reshaping the regional and global economic architecture beyond expectations. Meanwhile, the social and economic strain caused by the outbreak of the Covid -19 pandemic has fastened economic transformation as well as the trend of deglobalization and re-configuration of the global supply chains. These are all important prerequisite factors influencing the development of the industrial sector.

Based on the findings in this mid-term evaluation and to grapple with the aforementioned changes, a review of the effectiveness and relevance of the IDP vision is pivotal for re-orienting the next phase of IDP implementation. In this context, to fasten and ensure the effectiveness of defining a way forward for the IDP, the Royal Government of Cambodia has mandated the **Supreme National Economic Council (SNEC)** to lead a detailed study on the trends and the evolving regional and global architecture vis-à-vis social, economic, and political contexts for the modification of the vision, target, and the policy objectives of the IDP for future implementation, in close collaboration with the IDP Secretariat of the CDC. At the same time, the CDC will carry on its responsibility of monitoring and evaluating the IDP implementation by producing annual and end-term progress reports. Leading ministries and institutions will also continue to strengthen their implementation of the policy measures under their responsibility, as set out in the current IDP policy document and henceforth after the document is updated in the future.

Annex

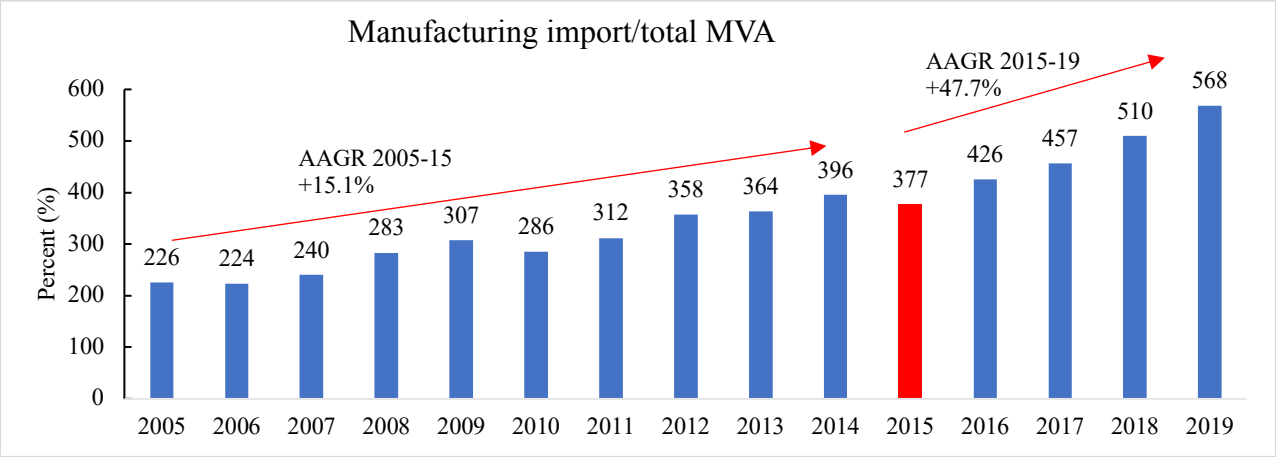
Annex 1: Contribution of Primary Intervention Areas to the IDP objectives

1. Contribution of Primary Intervention Areas to Objective "Increase Industrial Activities"

1.1. Review of Immediate outcomes in the intervention area **"Increase Domestic Demand/Import-Substitution"**

1.1.1 Quantitative analysis of the outcomes in the intervention area

Figure 1.1: Ratio (%) of manufacturing import over MVA (2005-2019)



Source: WITS & MOP

Figure 1.1 shows the ratio of manufacturing import to total MVA from 2005 to 2019. It represents the level of dependency on manufacturing import for manufacturing production and consumption. In 2005, the ratio was 226%, which indicates that the manufacturing import was twice as large as MVA. This ratio steadily went up during the IDP period while the manufacturing import was five times as large as MVA in 2018 and 2019. The amount of imported manufacturing goods has increased much faster than domestic production. If the gap between them continues to widen, it reflects the untapped potential for local production.

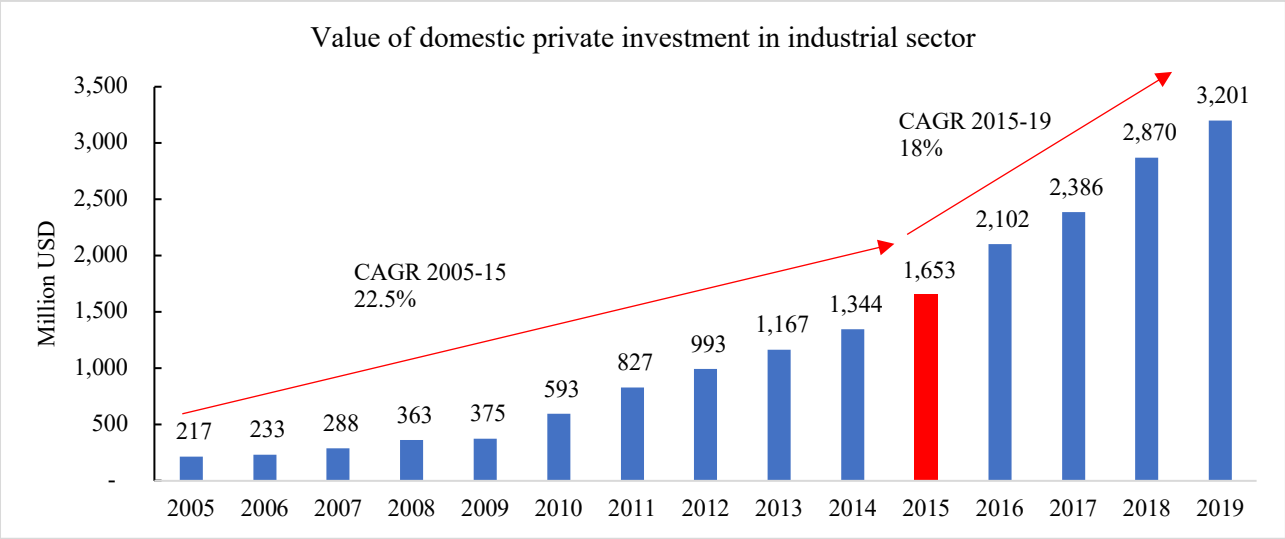
1.1.2 Assessment of the policy design of intervention area

No policy measure in the IDP is found to be explicitly associated with this intervention area. For the next phase of IDP implementation, new policy measures should be formulated with direct contributions to intended outcomes in this IA.

1.2. Review of Immediate outcomes in the intervention area **"Increase Industrial Investment"**

1.2.1 Quantitative analysis of the outcomes in the intervention area

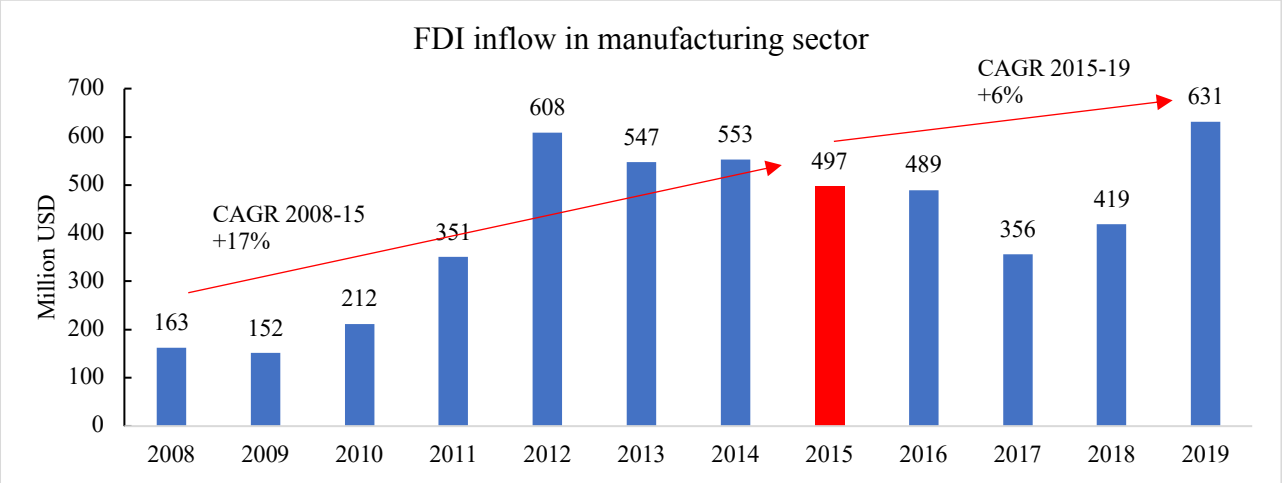
Figure 1.2: Domestic private investment in industrial sector (2005-2019)



Source: MISTI

Figure 1.2 shows the value of domestic private investment in the industrial sector from 2005 to 2019. During the pre-IDP period, domestic private investment in the industrial sector continuously grew from USD 217 million in 2005 to USD 1,653 million in 2015 while its growth rate was around 22.5% per annum. Its growth rate for the IDP period was around 18% per annum slightly smaller than that for pre-IDP period, and it steadily increased during IDP period and reached USD 3,201 million in 2019. Domestic investment activity in the industrial sector in Cambodia, therefore, improved, enabling a relatively stable and high growth of domestic employment.

Figure 1.3: Foreign direct investment inflow in the manufacturing sector (2008-2019)



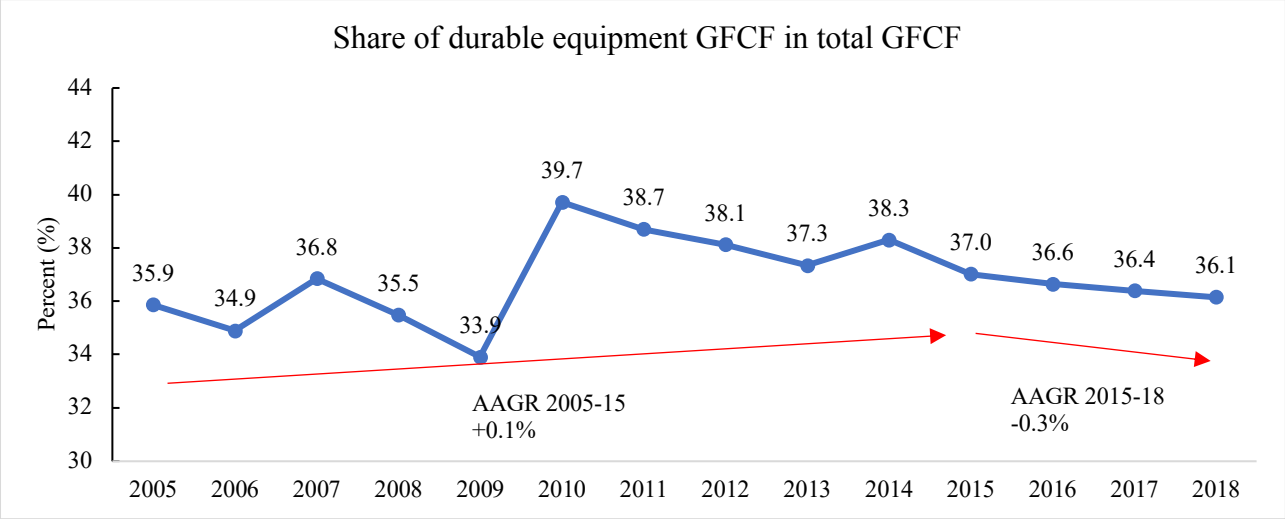
Source: National Bank of Cambodia

Figure 1.3 shows the value of the inflow of manufacturing FDI from 2008 to 2019. FDI engaged in manufacturing activities increased from USD 163 million in 2008 to USD 497 million in 2015 while its growth rate was 17% per annum. After the launch of IDP, the FDI inflow decreased between 2015 and 2017, due to a slowdown in investment in garment and processing of wooden products. However, it went up again in subsequent years up to USD 631 million in 2019. The growth rate of FDI inflow during the first phase of IDP was approximately one third of that during pre-IDP period but seemed to maintain its momentum because this growth rate remained positive.

Overall, both domestic and foreign investments have maintained a positive growth both before and during the first phase of IDP implementation. However, it appears that the growth of manufacturing FDI inflow remained sluggish during the last five years. It reflects that Cambodia's capability in

improving the attractiveness of Cambodia's productive sector as an investment spot for foreign investors might still face some limitations.

Figure 1.4: Share of durable equipment in gross fixed capital formation (GFCF) (2005-2018)



Source: MOP

Figure 1.4 shows the share of durable equipment in gross fixed capital formation (GFCF) from 2005 to 2018. This indicator is used as a proxy for investment in capital goods because it focuses on machinery and equipment used repeatedly or continuously in production processes. The share of durable equipment in total GFCF slightly grew from 35.9% in 2005 to 37% in 2015. During the IDP period 2015-2018, this share had a minor drop with a reduction rate approximately 0.3%, thus signalling that investment in productive activities may not become progressively interesting for investors.

1.2.2 Assessment of the policy design of intervention area

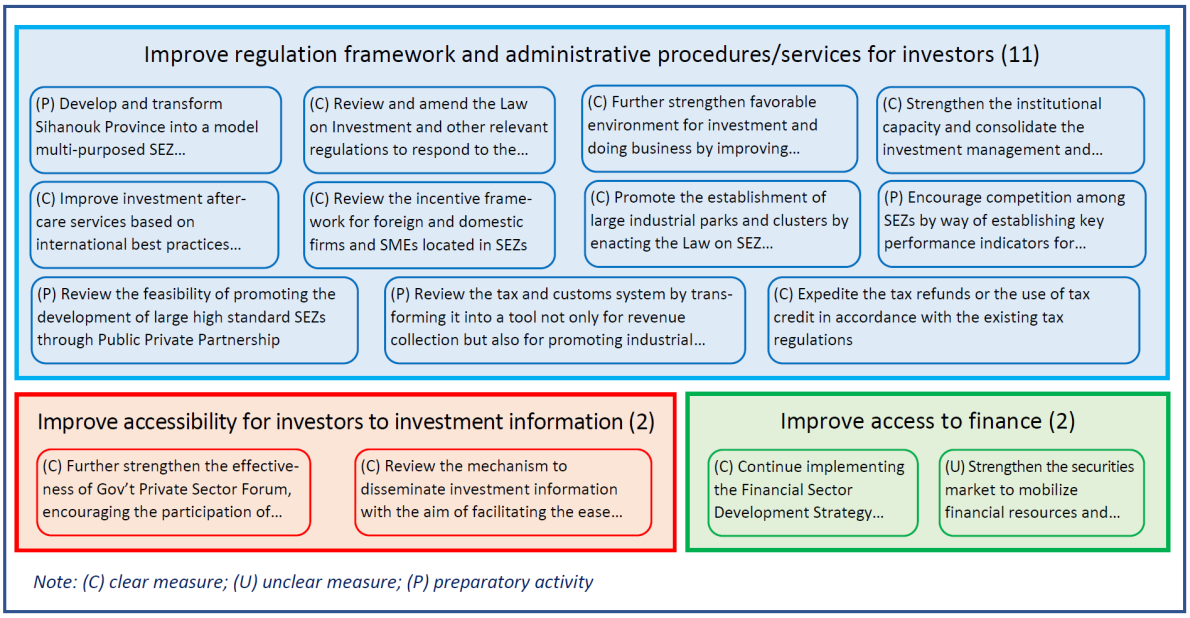
Appropriateness of policy measures

Attracting private investment in the industrial sector is an intervention area that IDP places a strong emphasis on. This is reflected, firstly, in the high number of policy measures (15 policy measures) that relate to investment promotion. It is, secondly, also backed by the fact that investment promotion is the first of the four key strategies of the IDP. Most of the policy measures related to investment are co-implemented by more than one government agency, inter alia, the Council for the Development of Cambodia; the Ministry of Economy and Finance; the Ministry of Industry, Science, Technology and Innovation. The 15 policy measures can be grouped into three clusters which are (1) improving the regulatory framework as well as administrative procedures and services for investors (eleven policy measures), (2) improving the exchange of information (two policy measures), and (3) improving access to finance for enterprises (three policy measures) (see figure 1.5).

The first two clusters of policy measures present the cornerstones of this intervention area on which IDP places most emphasis. **Four** among the 11 measures **in the first cluster** are clearly defined policy measures that aim at enhancing the business and investment climate before (e.g. One-Window Service) and after (e.g. after-care services) the registration of investment projects. This is complemented by other remaining measures to introduce smarter incentive schemes (for example, by amending the investment laws and regulations) to attract targeted investment projects and build up required capacities at the state agencies to deliver services in high quality. These policy measures aim at establishing Cambodia as an attractive investment spot in the region. **The second cluster** aims at promoting Cambodia as an attractive investment destination and to facilitate a vital information exchange between the private sector and the state (Government-Private Sector Forum). The **two** policy measures of cluster two are clearly defined in the IDP.

The third cluster strives to ease domestic investment by strengthening the financial sector in Cambodia. This cluster is covered by **two** policy measures. The first measure relating to the Financial Sector Development Strategy is a clearly defined measure. By creating a vital financial sector, it is likely that investors will have better access to funds and, hence will strengthen domestic investment in the country. The second policy measure intends to establish treasury bonds to support strategic development projects. By sharing risks and building confidence in the commitment of the government to these industrial development projects treasury bonds might also encourage private sector investment, particularly, in bigger project. However, this measure does not specify concrete means by which it will be implemented.

Figure 1.5: Three clusters of policy measures supporting intervention area "increase industrial investment"



Synergies and trade-offs

In this intervention area plenty of complementary policy measures, especially with respect to the general promotion of investments, can be identified. Policy measure cluster one and two form a comprehensive and complementary policy package. After care services complement the one-window system and other regulatory and procedural facilitations in order to, both, attract and retain investors. Training staff members clearly contributes to the provision of quality services. The Government-Private Sector Forum as a high-stake platform for information exchange between state agencies and investors helps to adjust policy intervention according to the private sector's needs and, in combination with other forms of dissemination to inform about the government's policy and potential investment opportunities. Overall, based on this qualitative assessment, it can be noticed that there are no contradictions among 15 policy measures contributing to "increasing industrial investment".

Effectiveness and Efficiency

There are no obvious and significant gaps in the policy design that may hamper the effectiveness of the chosen policy measures. That applies in particular to the general investment promotion (policy measure cluster one and two).

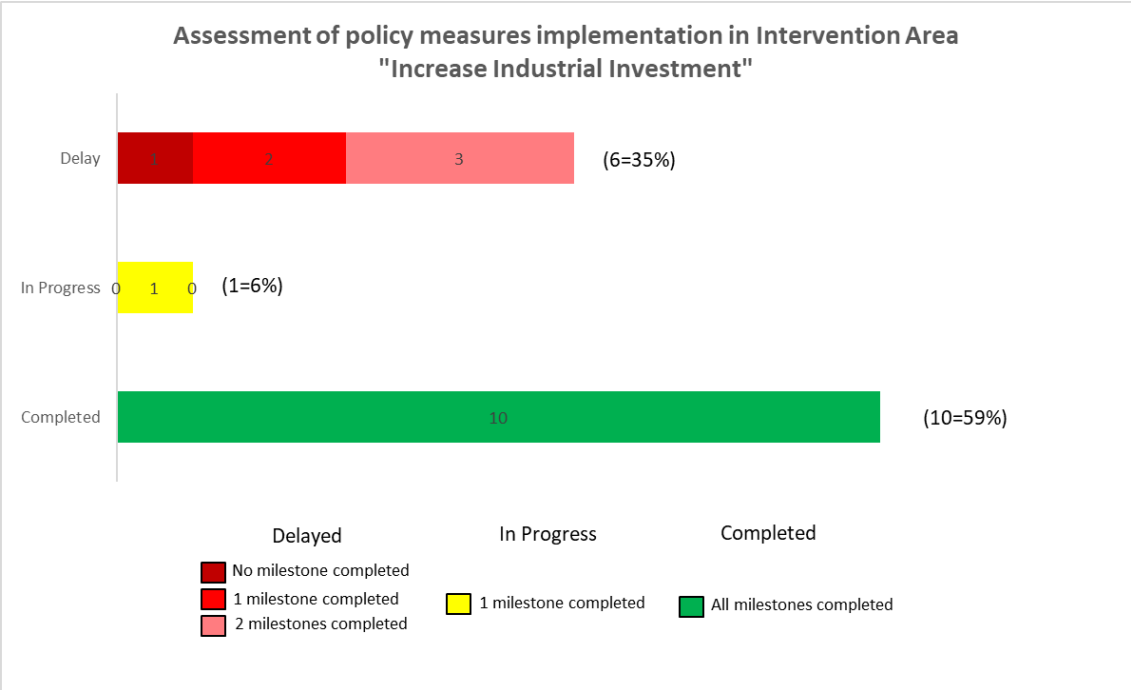
With respect to the efficiency of the policy design it can be stated that some policy measures overlap in their content, which may lead to an increased coordination and consultation need between the implementing agencies and officials. Three policy measures--"review and amend the Law on

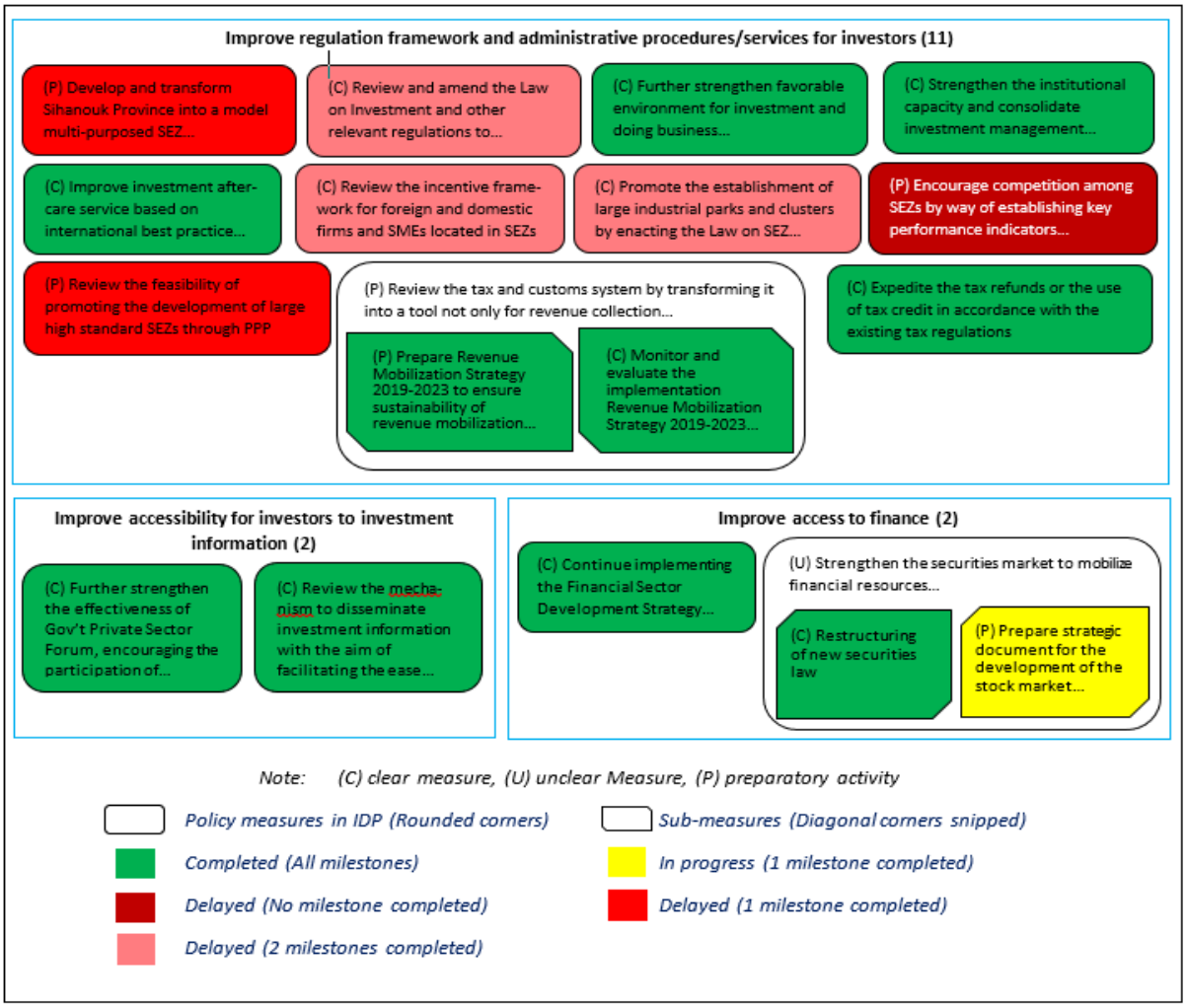
Investment […]," "further strengthen favourable environment for investment […]" and "review the incentives framework for […] firms and SMEs located in SEZs"--are carried out by the CDC as leading agency alongside relevant state agencies. These measures refer to the same investment law and regulations and could be merged in one policy measure.

A qualitative assessment found that industrial investment promotion is one of the key intervention areas of IDP exhibiting a relatively high number of policy measures. From the policy design perspective, this intervention area is very comprehensive, clearly defined and complementary when it comes to general industrial investment promotion. IDP follows orthodox policy recipes of easing administrative procedures and organizing an active information exchange between the private sector and the government. However, the concrete policy design of these interventions remains partially unclear and requires additional elaboration for some of the 15 policy measures. The assessment also found a lack of central policy coordination in the field of industrial investment promotion leading to an overlap of a few policy measures. Thus, there is a great potential to streamline IDP measures in the next revision of the IDP as well as to integrate them with the promotion of more specific investments in order to increase the effectiveness and efficiency of industrial investment promotion in Cambodia.

1.2.3 Assessment of the policy implementation of intervention area

Figure 1.6: Assessment of policy implementation of intervention area "Increase Industrial Investment"




Improve regulation framework and administrative procedures/services for investors (11)
(P) Develop and transform Sihanouk Province into a model multi-purposed SEZ...
(C) Review and amend the Law on Investment and other relevant regulations to...
(C) Further strengthen favorable environment for investment and doing business...
(C) Strengthen the institutional capacity and consolidate investment management...
(C) Improve investment after-care service based on international best practice...
(C) Review the incentive frame-work for foreign and domestic firms and SMEs located in SEZs
(C) Promote the establishment of large industrial parks and clusters by enacting the Law on SEZ...
(P) Encourage competition among SEZs by way of establishing key performance indicators...
(P) Review the feasibility of promoting the development of large high standard SEZs through PPP
(P) Review the tax and customs system by transforming it into a tool not only for revenue collection...
(P) Prepare Revenue Mobilization Strategy 2019-2023 to ensure sustainability of revenue mobilization...
(C) Monitor and evaluate the implementation Revenue Mobilization Strategy 2019-2023...
(C) Expedite the tax refunds or the use of tax credit in accordance with the existing tax regulations
Improve accessibility for investors to investment information (2)
(C) Further strengthen the effectiveness of Gov't Private Sector Forum, encouraging the participation of...
(C) Review the mecha-nism to disseminate investment information with the aim of facilitating the ease...
Improve access to finance (2)
(C) Continue implementing the Financial Sector Development Strategy...
(U) Strengthen the securities market to mobilize financial resources...
(C) Restructuring of new securities law
(P) Prepare strategic document for the development of the stock market...
Note: (C) clear measure, (U) unclear Measure, (P) preparatory activity
Policy measures in IDP (Rounded corners)
Sub-measures (Diagonal corners snipped)
Completed (All milestones)
In progress (1 milestone completed)
Delayed (No milestone completed)
Delayed (1 milestone completed)
Delayed (2 milestones completed)

The IDP identifies 15 policy measures to support this intervention area. Two measures are found to contain multiple activities, so they were dissected into four sub-measures. For the purpose of having a good reflection on the progress of the multi-activity measures, only the sub-measures are used for the evaluation. Among 17 main/sub-measures, 10 measures are completed, one measure is still in progress, and six measures are delayed.

With respect to the first cluster, that focuses on improving the investment regulatory framework and administrative procedures and services, there are five measures completed, and six measures delayed. The five completed measures have shown significant effects where two vital administrative services were launched, namely the One-Window service and the investment Aftercare Service. As a result, over a period of five years (2015-2020), 709 Qualified Investment Projects (QIPs) were approved, amounting to 35.8 billion USD, and there were 152 QIPs expansions, amounting to around 2.3 billion USD. In contrast, there are six delayed measures under this cluster. The main challenges reported by the responsible agencies are constraints on time and resources (human capital and financial) and the rotation of agencies in charge. With these challenges identified, the responsible Ministries also proposed a few solutions, such as: 1) Mobilize human and financial resources from development partners and/or other sources, and 2) Expedite the preparation process of negotiating and signing MoU with stakeholder(s) (particularly for measure "Develop and transform Sihanouk Province into a model multi-purposed SEZ…").

As for cluster two, which was set up to improve accessibility to investment information, the two measures under it are fully completed. The Government Private Sector Forum (GPSF) has proved to be one of the success stories of the dialogue between the public and private sectors in Cambodia. Working groups under this forum have been efficient and have held regular meetings. This is the reason why the GPSF has not been held for five years (2014-2019). In 2019, this forum was held again and was highly commended by the private sector and stakeholders. Approximately 90 percent of the issues raised were resolved within the working groups and the forum itself. However, due to the COVID-19 pandemic, the forum was unable to convene in 2020.

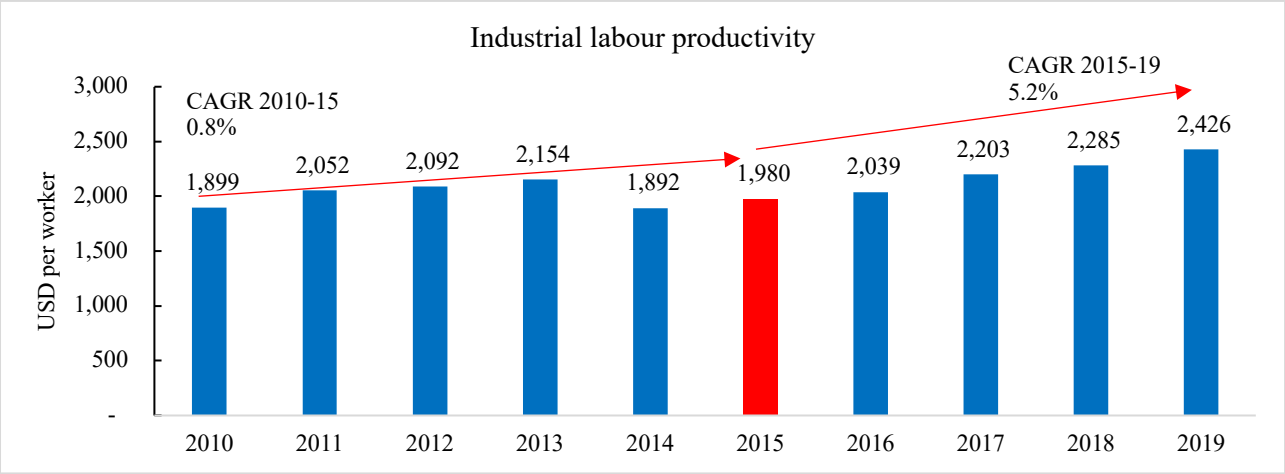
Cluster three, which aims to improve financial accessibility, has three main/sub-measures; two of which are completed, and one is in progress. The implementation of the Financial Sector Development Strategy 2011-2020 has yielded fruitful results; thereby, it is updated to the Financial Sector Development Strategy 2016-2025. Another notable result of this cluster is the adoption of the Law on Securities. Still, more needs to be done with respect to strengthening the stock and securities markets in Cambodia.

According to the assessment, 59% of the measures are achieved. This remarkable progress has had a positive effect on promoting Cambodia's image as an investment destination. With this in mind, more resources and a sharp strategic direction to promote investment need to be allocated and adopted to generate more industrial investment in Cambodia.

1.3. Review of Immediate outcomes in the IDP intervention area "**Increase Firm Labor Productivity**"

1.3.1 Quantitative analysis of the outcomes in the intervention area

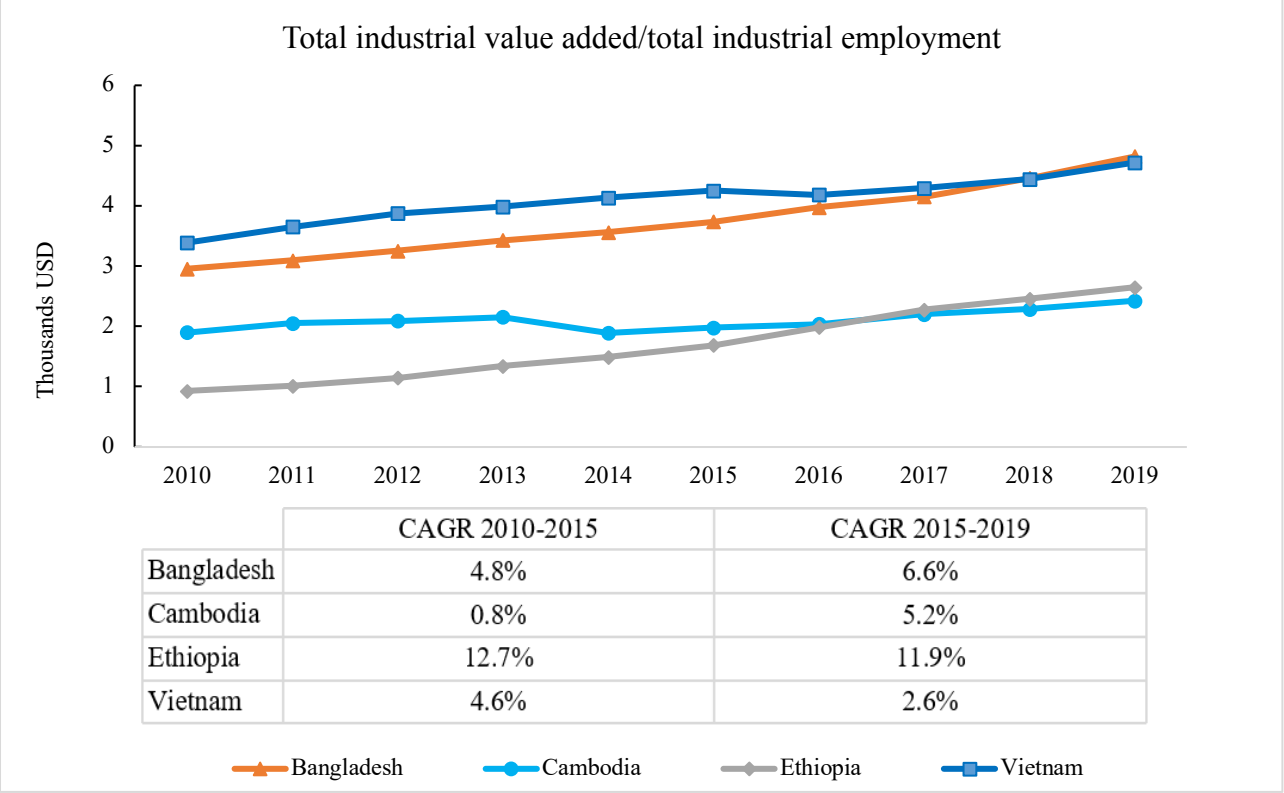
Figure 1.7: Labour productivity in Cambodia's industry sector (2010-2019)



Source: WDI and ILO

Figure 1.7 shows the labour productivity level in the industry sector measured in USD per worker from 2010 to 2019. The industrial value added (IVA) divided by the total number of workers in the industry sector is the labour productivity level. The labour productivity level slightly increased from 1,899 USD per worker in 2010 to 1,979 USD per worker in 2015. During the IDP implementation, labour productivity developed more rapidly with a growth rate (5.2% per annum) that was approximately five times as high as that before IDP. Labour productivity steadily grew during IDP and reached 2,425 USD per worker in 2019.

Figure 1.8: Industrial labour productivity levels in Cambodia and select comparators



	CAGR 2010-2015	CAGR 2015-2019
Bangladesh	4.8%	6.6%
Cambodia	0.8%	5.2%
Ethiopia	12.7%	11.9%
Vietnam	4.6%	2.6%

Source: WDI and ILO

Note: Lao PDR was not included because of the vastly different structure of the industry sector that does not allow a full comparability of the results. Lao PDR's industry is dominated by mining and energy rather than labour-intensive manufacturing.

Figure 1.8 shows productivity dynamics of selected countries such as Cambodia, Bangladesh, Ethiopia, and Vietnam over the period 2010-2019. While labour productivity of these countries slightly increased over this period, it appears that Cambodia's labour productivity level became the lowest among these peer countries in the last few years. By 2019, labour productivity levels in Bangladesh and Vietnam were twice as high as Cambodia's productivity level. If we look at the growth rate, Cambodia's productivity growth rate after the launch of IDP (an average of 5.2% p.a.) was faster than Vietnam (2.6% p.a.) but still slower than Bangladesh.

It is, therefore, hard to draw a conclusion about the attribution of this improvement to IDP because the slightly upward trend of Cambodia's labour productivity is similar to other competitor countries.

1.3.2 Assessment of the policy design of intervention area

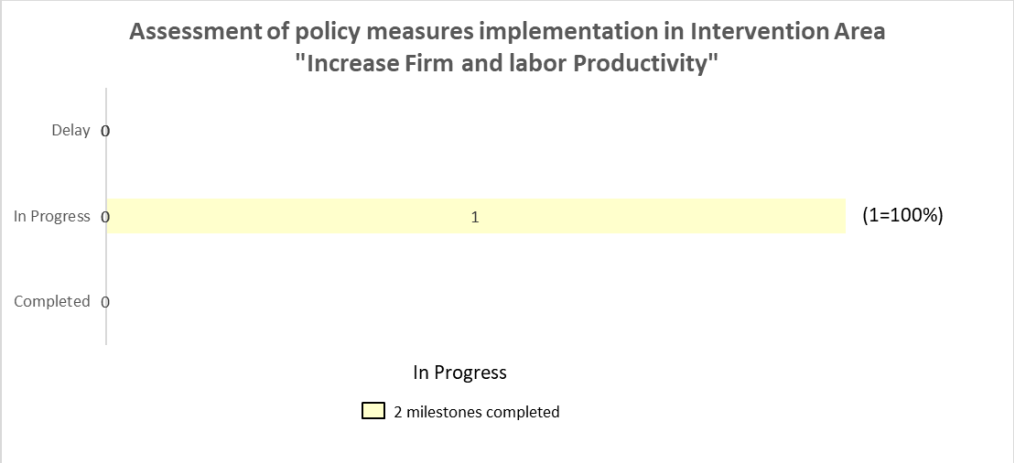
There is only one policy measure that explicitly focuses on increasing firms' productivity. This measure aims to "support and improve the capacity and competency of the National Productivity Centre of Cambodia with the purpose of increasing the productivity and enhancing the quality of SMEs". However, there are policy measures in other intervention areas (e.g. skill and human resource development and firm technology) that may have positive impact on firms' productivity.

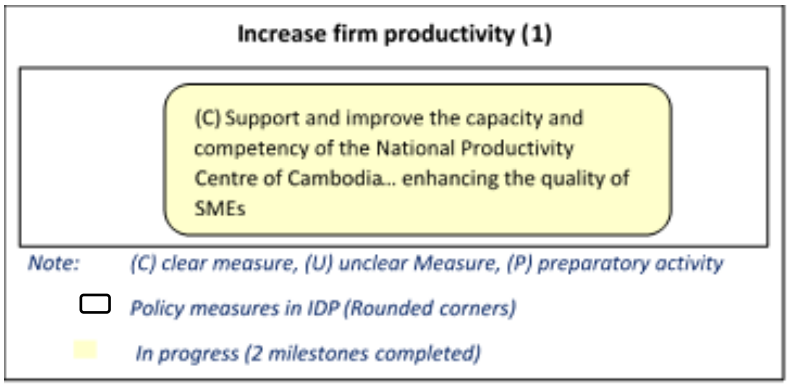
This measure is a clearly defined measure and is crucial for promoting firms' productivity because by strengthening its institutional capacity and competency, the National Productivity Centre of Cambodia is more capable of generating productivity consciousness and act as an important catalyst and agent of change to enhance productivity in Cambodia; to measure and improve productivity and encourage innovation in order to achieve a competitive edge and provide support to SMEs.

In terms of scope and efficiency of the policy design, it appears that this policy measure alone is not likely to achieve the desired outcome. Increasing firm productivity also requires other direct interventions such as providing incentives to best performing employees and providing training programs in various fields for management and workers.

1.3.3 Assessment of the policy implementation of intervention area

Figure 1.9: Assessment of policy implementation of intervention area "Increase firm productivity"





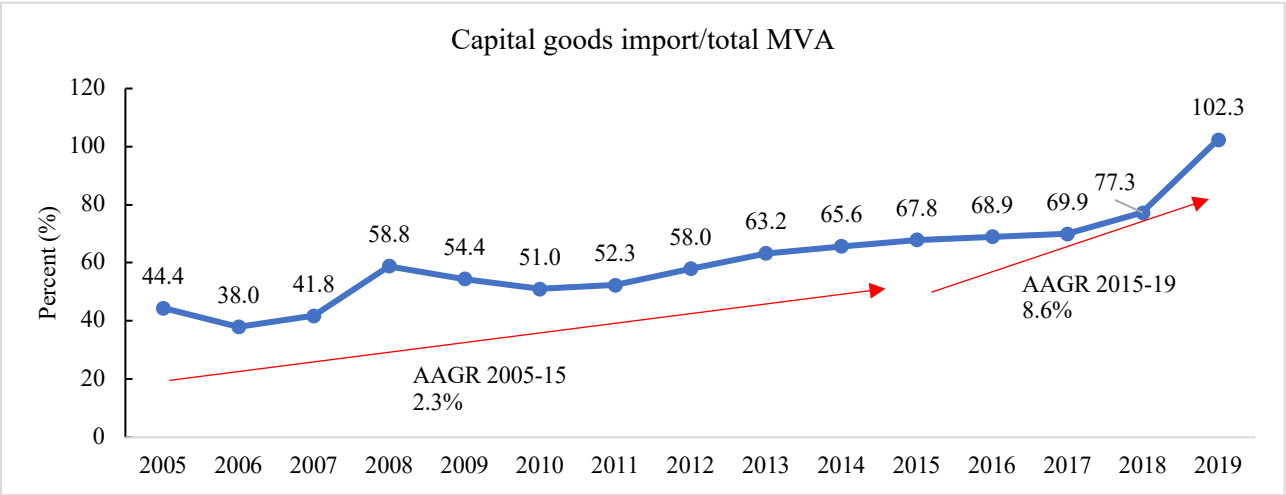
The IDP sets only one policy measure under this intervention area, which is still in progress. The purpose of this measure is to equip the National Productivity Centre of Cambodia with capacity to enhance the quality and increase the productivity of SMEs. Though it is not yet completed, over the years, it also has had some progress showing that the Centre has provided trainings to its staffs and SMEs on a few important topics such as training on basic and advanced productivity methods, productivity development methods, etc. In addition, the Centre also has been providing trainings to model companies via a model company project on productivity methods which expands from 2015 to 2025. During the period of 2015-2020 (missing data on 2019), on average, nine companies were engaged in training via the model company project.

Therefore, this measure shows results of staffs' trainings and training workshops provided to the private sectors although its due date is in 2025 and still under progress.

1.4. Review of immediate outcomes in the IDP intervention area **"Increase Firm Technology"**

1.4.1 Quantitative analysis of the outcomes in the intervention area

Figure 1.10: Ratio (%) of capital goods import over MVA (2005-2019)



Source: WITS

Figure 1.10 shows the ratio of capital goods import to total MVA over the period from 2005 to 2019. This indicator is used as a proxy for advanced equipment and machinery used in domestic manufacturing production. The ratio of capital goods imports over MVA grew from 44.4% in 2005 to 67.8% in 2015 and the growth rate of this ratio was around 2.3% per annum during the pre-IDP period, which was one fourth of that during the IDP period. The ratio reached 102.3% in 2019. An increase in this growth rate reflects that a number of firms have been adopting more technologies into their production chain. However, the ratio in 2019 already surpassed the 100% mark, thereby

indicating that capital goods imports were higher than MVA. This signals that the usage of imported capital equipment has not yet translated into higher manufacturing addition in the country.

1.4.2 Assessment of the policy design of the intervention area

Two IDP policy measures that aim at increasing firm technology are being implemented by the Ministry of Industry, Science, Technology and Innovation. The two policy measures are:

- Promote and encourage the transfer of new technology in manufacturing, including for handicraft
- Enable technology transfer through field visits and acquiring capacity building from other countries around the world.

The first measure is not clearly defined since it does not clearly indicate with which policy instrument to promote and encourage the transfer of new technology in manufacturing. The second policy measure is a clearly defined measure and is crucial for promoting firm technology because through the field visits, domestic firms would be able to absorb technology and know-how transfer from foreign firms and enable to apply it in their performance.

In terms of scope and design, the two policy measures seem to have indirect impacts on increasing firm technology. In this regard, the desired outcome is not likely to be achieved by the implementation of these measures.

Synergy and trade-offs

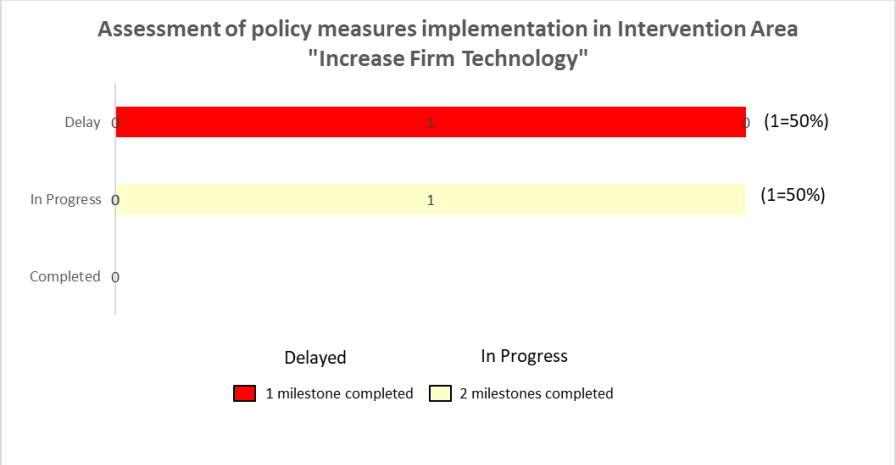
The two policy measures under this intervention area are found to complement one another with synergy effects. Promoting and encouraging the transfer of new technology may include providing incentives to transfer new technology in order to allow the implementation of technology upgrading activities. Meanwhile, "enabling technology transfer through field visits and acquiring capacity building […]" may include providing technical expertise, creating awareness of that technology, and transferring knowledge and so on. Therefore, when both policy measures are in place with clear policy instruments, they will facilitate the transfer of technology to some extent.

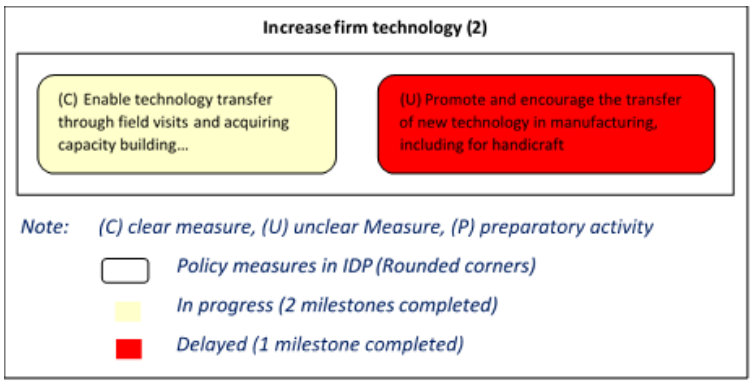
Effectiveness and Efficiency

In terms of effectiveness and efficiency of policy design, it can be noticed that there is no instance of duplication among the two policy measures. However, it appears that there are some gaps remained in the design of this intervention area. In order to increase firm technology, the IDP may also consider new instruments such as reducing tariffs for the import of new machinery or production equipment for manufacturing production to help firms cut down costs of capital expenditure for technology upgrading.

1.4.3 Assessment of the policy implementation of intervention area

Figure 1.11: Assessment of policy implementation of intervention area "Increase firm productivity"





The IDP sets forth two policy measures under this intervention area; one of which is still under progress and another is delayed.

The measure "Enable technology transfer through field visits and acquiring capacity building…" is under progress. There were some outcomes worth mentioning, despite its incompletion. A number of study tours and training courses have been provided to officials of the line Ministry and private firms alike over a period of five years (2015-2020).

Concerning the delayed measure, there is an issue that hinders its completion, which is the change in institutional arrangement. The program/ draft law on technology transfer to promote the transfer of new technology in manufacturing, including for handicraft was being drafted; however, the drafting process has been transferred to the newly established unit under the same Ministry to carry on.

Based on the assessment, none of policy measures is fully implemented. However, one policy measure is under progress but it is likely to contribute less to increasing the firm technology of this intervention area.

2. Contribution of Primary Intervention Areas to Objective "Increase Industrial and Agro-industrial Export"

2.1 Review of Immediate outcomes in the intervention area **"Increase Export Capacity of Domestic Firm/SMEs"**

2.1.1 Quantitative analysis of the outcomes in the intervention area

This intervention area has two indicators:

- Share of manufacturing export SMEs in total number of manufacturing SMEs
- Share of manufacturing exports by SMEs in total exports.

Data for these two indicators are available for only one year (2019) provided by MISTI.

In 2019, the share of manufacturing export SMEs in total number of manufacturing SMES was 0.02% while the share of manufacturing export by SMEs in total export was 0.01%. Cambodia's domestic SMEs play a little role in the export activities.

2.1.2 Assessment of the policy design of the intervention area

Appropriateness of measures

There are three policy measures in the IDP associated with an attempt to increase the export capacity of domestic firms/SMEs. These measures are as follows:

- Encourage the preparation of medium-term plan to nurture the growth of SMEs by way of identifying enterprises with good export potentials...
- Promote the formation of sub-sectoral associations...
- Create a development and promotion fund for export led product development using agro-processing technology.

The qualitative assessment of this intervention area indicates that IDP places more emphasis on the export capacity of SMEs and less on the export capacity of large domestic firms.

As most of the SMEs are still family-based and lack the capacity to compete in the international market, a preparatory policy measure "Encourage the preparation of medium-term plan to nurture the growth of SMEs by way of identifying enterprises with good export potentials, …" aims at providing targeted support to SMEs with export potentials in order to nurture their growth by providing technical assistance and basic infrastructure enabling them to export. This measure also focuses on linking SMEs to MNCs in order to integrate the former into global supply chains.

In the nurturing processes, access to information is of critical importance. Limited access to information and less opportunity to networking could hinder SMEs' capacity to export as they do not know enough of export potentials to engage in export activities. Thus, a clear policy measure "Promote the formation of sub-sectoral associations where they can share knowledge and strengthen…" focuses on strengthening the relationships among the SMEs, SMEs and large domestic firms and their relationships with the government. This would help SMEs to overcome information asymmetry by increasing SMEs' access to information and knowledge-sharing.

Additionally, promoting the production and export of agro-processing goods is at the heart of IDP. Thus, to help new SMEs in the agro-processing sector to export and to improve the performance of already exporting SMEs, a clear policy measure "Create a development and promotion fund for export led product development using agro-processing technology;" aims at providing financial support and agro-processing technology to SMEs and domestic firms. This could help them acquire the capital and the know-how to start exporting or further increase the export of agro-processing goods.

In terms scope, the three policy measures may be able to bring out some minor changes in this intervention area.

Synergy and trade-offs

In this intervention area, two policy measures are found to complement one another in their quest to enhance the export capacity of domestic firms/SMEs. The policy measure "Encourage the preparation of medium-term plan to nurture the growth of SMEs by way of identifying enterprises with good export potentials…" complements the policy measure "Promote the formation of sub-sectoral associations where they can share knowledge and strengthen government relations". To facilitate the identification of SMEs with export potentials, the government needs specific industry information, so establishing sub-sectoral associations is the answer. In turn, the sub-sectoral associations could be one of the platforms that link SMEs to other MNCs or large domestic enterprises in the same sub-sector.

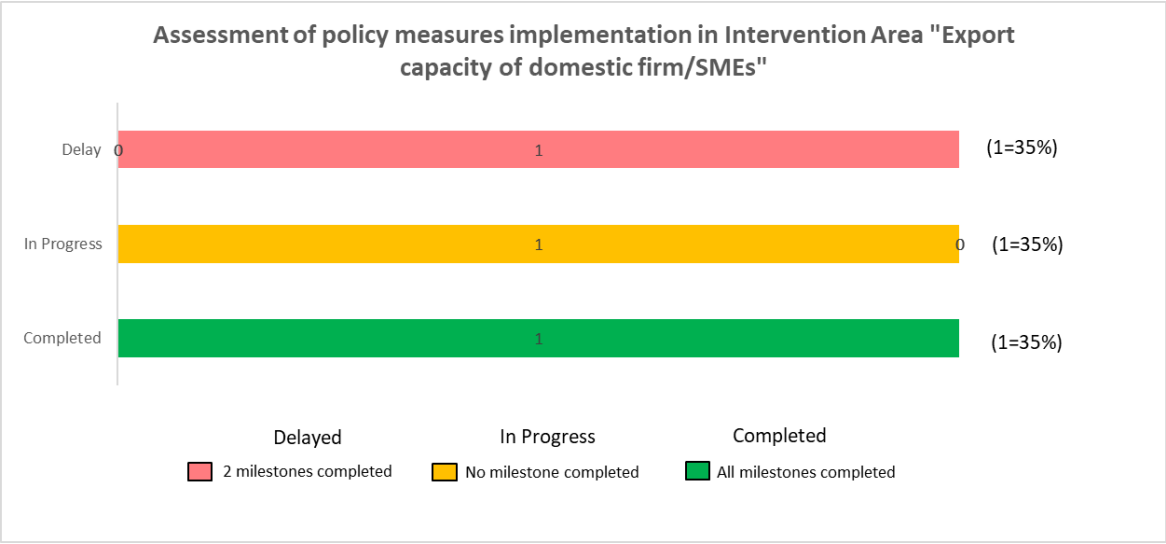
Other than these complementary effects, no instances of trade-offs between policy measures could be detected.

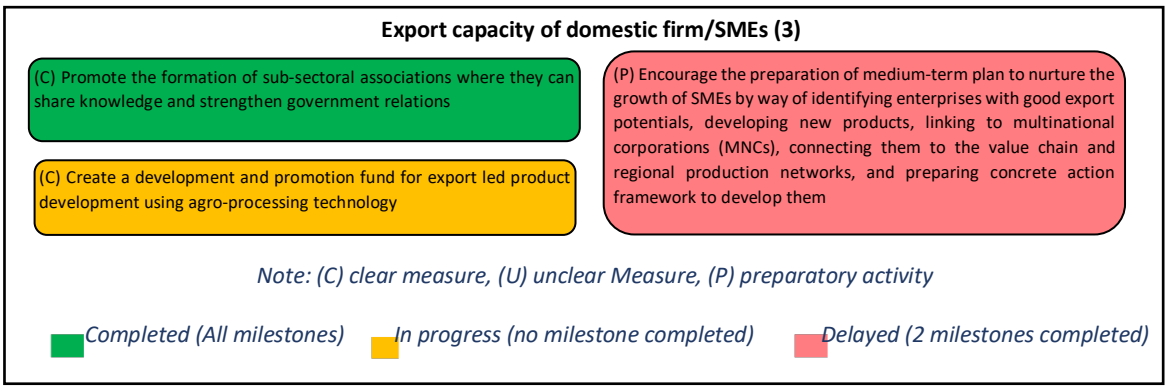
Effectiveness and Efficiency

In this intervention area, there are no instances of duplication among the three policy measures. However, gaps could be observed. The three policy measures mentioned above only remove some barriers to access international markets such as financial challenges, infrastructure problems and information limitation. However, most of the barriers to export are left untouched. First, some large domestic firms might already have the access to finance and basic public infrastructures and possess the know-how. Yet, what hinders or discourages them from exporting or increasing their export could be the barriers to export such as the lack of capacity to deal with bureaucratic hurdles associated with export. This is also a pain point for SMEs. Second, meeting export product quality/standards/specifications is also one of the challenges that both domestic firms and SMEs encounter. Third, the inadequate quantity of untrained personnel for internationalization could also discourage SMEs/domestic firms from engaging in the export industry. Fourth, the limited ability to introduce new and diversified products/services is the main challenge for the already exporting SMEs. Last but not least, most SMEs/domestic firms could not directly contact potential overseas customers due to limited information and opportunity for networking. To overcome these obstacles, additional measures for consideration may include providing incentives to target SMEs to help them expand export-oriented production, conduct trainings related to technical export requirements for domestic firms, and organizing B2B matching events, just to name a few.

2.1.3 Assessment of the policy implementation of intervention area

Figure 1.12: Assessment of policy implementation of intervention area "Export capacity of domestic firm/SMEs"





Under the intervention area 2.1, there are three policy measures; one of which is completed. The other two measures are in progress and delayed.

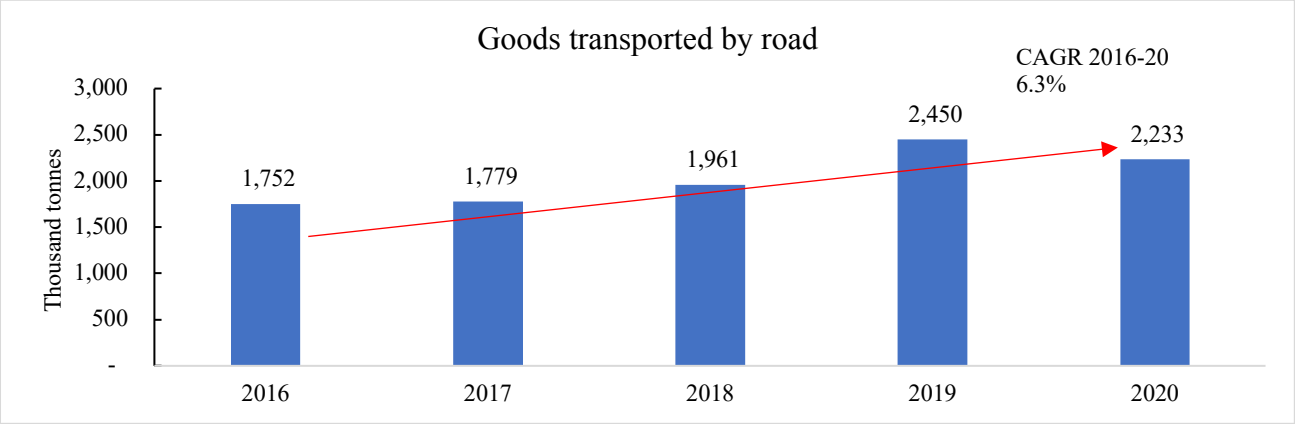
The completed measure is "Promote the formation of sub-sectoral associations". Over a period of four years (2015-2018), there were 48 sub-sectoral associations registered at the Ministry of Commerce. The establishment of a promotion fund for export-led product development is under progress as the preparation of this fund is planned to begin in 2023. However, there is one delayed measure. Necessary legal instruments for the development of SMEs, including SMEs Development Policy, Sub-Decree on the establishment and Management of SMEs, and Law on SMEs were drafted and submitted to the Committee for SME Promotion Policy. But there was a delay in the meeting at the Committee. The Ministry in charge will continue following up with the Committee and accelerate the process of the meeting.

According to the assessment, a number of sub-sectoral associations was formed; the fund for export-led product development and legal instruments for SMEs development are also on the way. In order to boost domestic firms and SMEs capacity to join the export-oriented lane, it requires more efforts from all stakeholders.

2.2 Review of Immediate outcomes in the intervention area **"Improve Industrial Infrastructure and Connectivity"**

2.2.1 Quantitative analysis of the outcomes in the intervention area

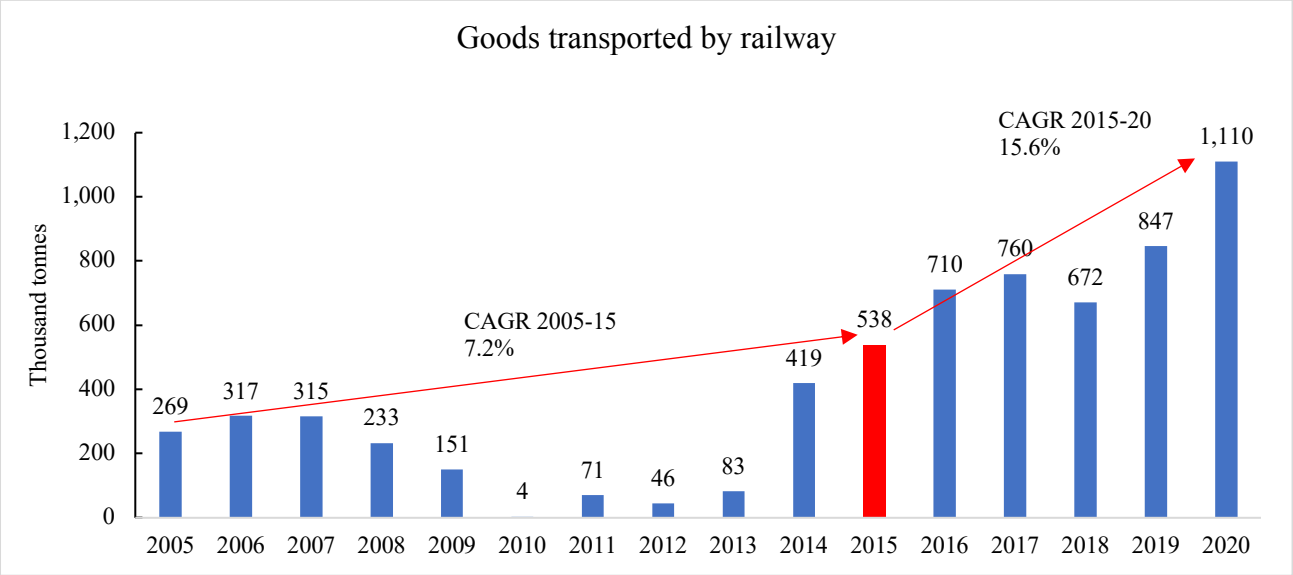
Figure 1.13: Goods transported by road (2016-2020)



Source: MPWT

Figure 1.13 shows the amount of goods transported by road from 2016 to 2020. Goods transported by road grew from 1.7 million tonnes in 2016 to 2.24 million tonnes in 2020 while its annual growth rate was 6.3% per annum.

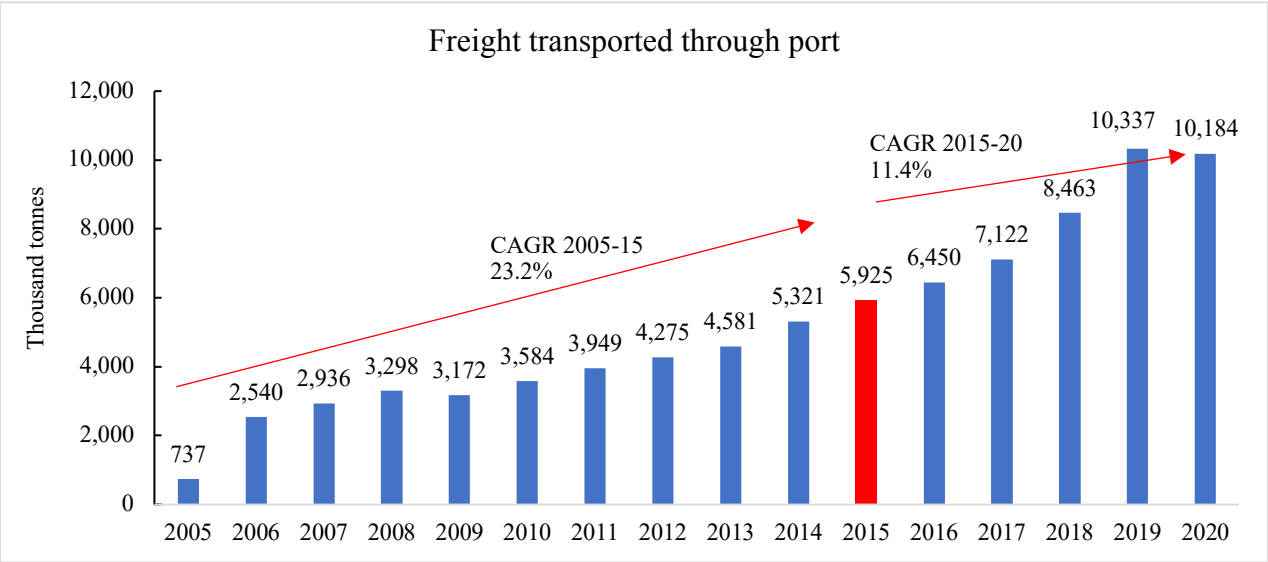
Figure 1.14: Goods transported by railway (2005-2020)



Source: MPWT

Figure 1.14 shows the amount of goods transported by railway from 2005 to 2020. Goods transported by railway went down from 317.4 thousand tonnes in 2006 to about four tonnes in 2010. The usage of railways for cargo transportation slowed down as they became dilapidated. The Royal Government of Cambodia approved the plan to restore the railway system, both Northern and Southern lines, from 2009 to 2013 and awarded the operation of railway services to private companies (Toll Holding Group and Royal Group). After the restoration of rail networks and privatization of railway transport, goods transported by railway rebounded to about 83 thousand tonnes in 2013 and skyrocketed to 419 thousand tonnes in the following year. In 2017, the railway usage became more active because the network in northern Cambodia was subsequently restored. It was then completely rebuilt in 2019, connecting railways in Thailand. During the IDP period, goods transported by railway continuously increased from 538 thousand tonnes in 2015 to 1,1 million tonnes in 2020 while its growth rate was 15.6% per annum.

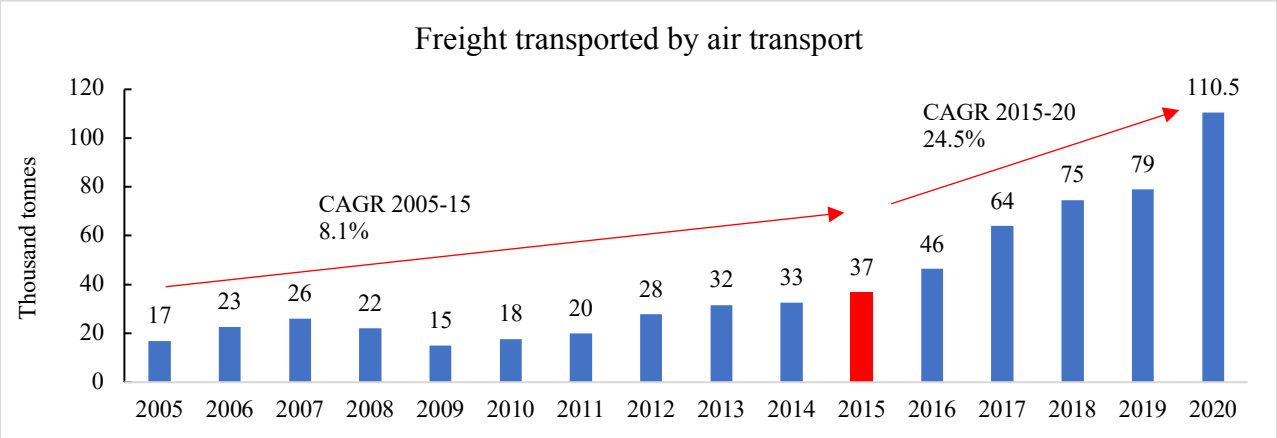
Figure 1.15: Goods transported through port (2005-2020)



Source: MPWT

Figure 1.15 shows the amount of freight transported through ports from 2005 to 2020. Freights transported by port increased around 23.2% per annum during the pre-IDP period from 737 thousand tonnes in 2005 to 5,924.5 thousand tonnes in 2015. The growth rate during the IDP period (11.4% per annum) was lower than during the pre-IDP period but remained positive sign. During the IDP period, the amount of freight transported increased approximately twice as much, reaching over 10,1 million tonnes in 2020.

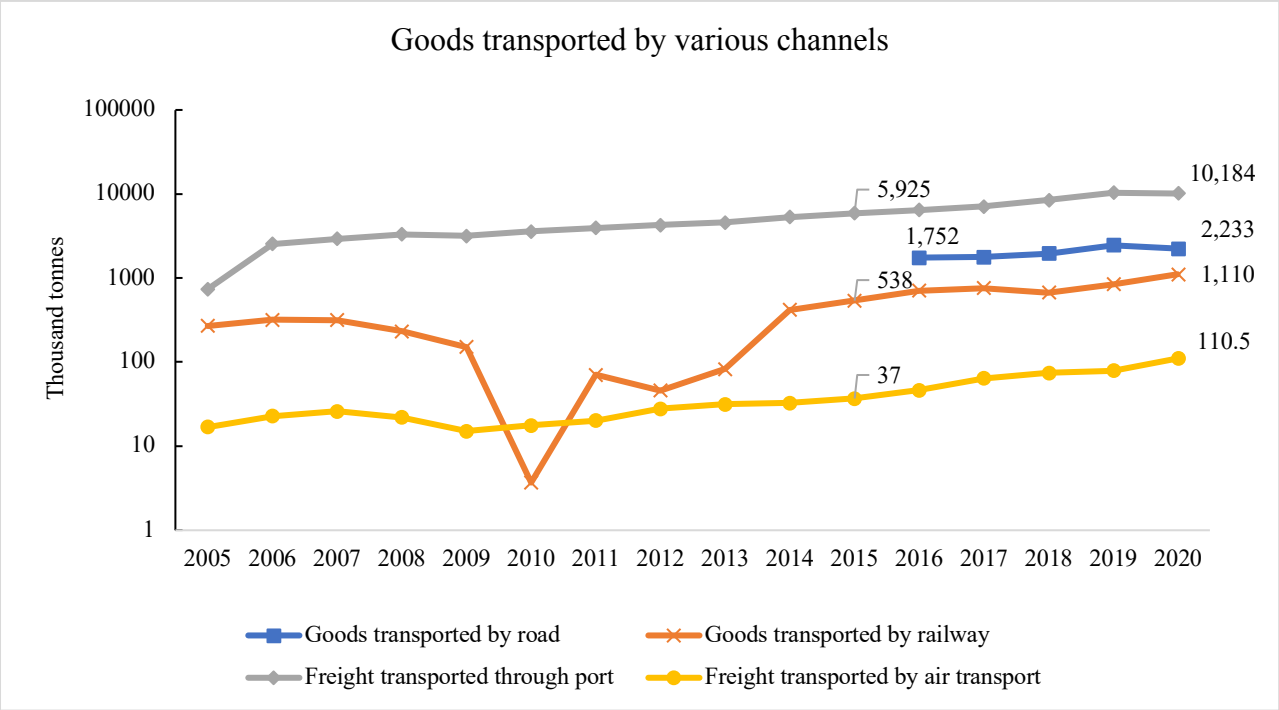
Figure 1.16: Freight transported by air transport (2005-2020)



Source: SSCA

Figure 1.16 shows the amount of freight transported by air transport from 2005 to 2020. The amount of freight transport by air grew from 16.9 thousand tonnes in 2005 to 36.9 thousand tonnes in 2015. Its growth rate during the pre-IDP period (8.1% per annum) was approximately one third of the growth rate during the IDP period. The freight transported by air jumped to 110.5 thousand tonnes in 2020.

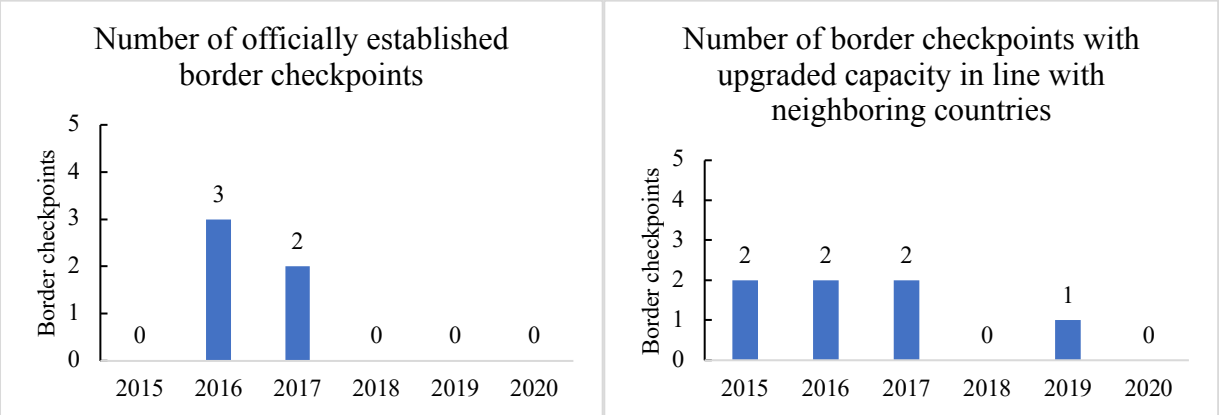
Figure 1.17: Goods transported by various channel



Source: MPWT and SSCA

Figure 1.17 shows the amount of goods transported by various channels (roads, railway, port and air transport). These indicators are used as proxies to assess transport infrastructure capabilities in Cambodia. Port was the most popular transportation channel followed by roads because of low transport costs while air transport was least popular among them. Railway stood at number 3 in the range because this transportation network of this channel was mainly developed in the last five years. Notably, goods transported by all channels steadily grew over the past decades, especially during the IDP period. The pace of increase has become bigger for transport by rail and air. In conclusion, the improvements that were achieved by the RGC's efforts in transport infrastructure allowed all transport to continue growing at fast pace, and in particular allowed air and rail transport to play a larger role than before the launch of IDP. From this finding, it seems IDP has managed to contribute to enhancing the extensiveness and usage of the transport network in Cambodia.

Figure 1.18: Status of border checkpoint development (2015-2020)

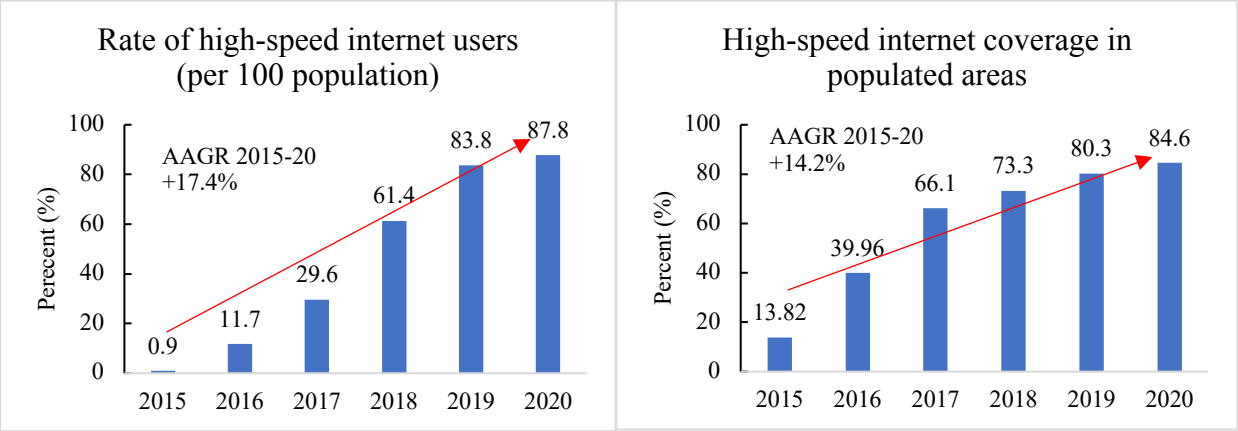


Source: Ministry of Interior

Figure 1.18 shows the status of border checkpoint development by observing the number of officially established border checkpoints and the number of border checkpoints with upgraded capacity in line with neighbouring countries from 2015 to 2020. There were 5 border checkpoints in total officially

established in 2016 and 2017, and 7 border checkpoints in total were upgraded in their capacity in line with neighbouring countries from 2015 to 2019.

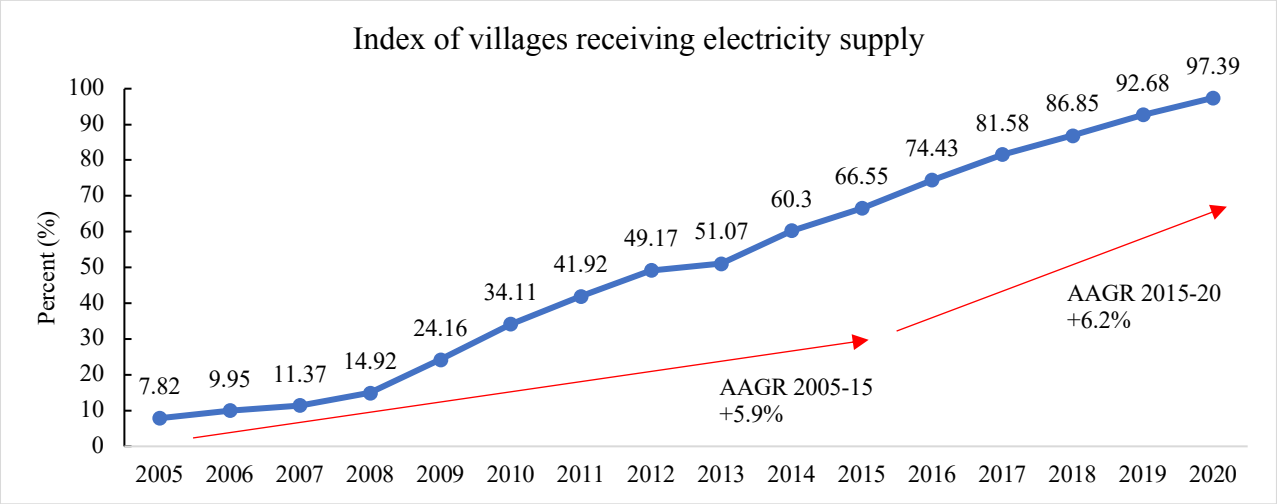
Figure 1.19: Status of internet usage and coverage (2015-2020)



Source: Ministry of Post and Telecommunication

Figure 1.19 shows the status of internet usage and coverage in Cambodia by observing the rate of high-speed internet users and the high-speed internet coverage in populated areas from 2015 to 2020. The rate of high-speed internet users sharply increased from 0.9% in 2015 to 87.8% 2020 due to a boom in mobile internet (i.e., internet usage via smart phone device) and investment in new technology (4G). The ICT policy of MPTC is also a contributor of this growth. Meanwhile, the rate of high-speed internet coverage in populated areas grew from 13.82% in 2015 to 84.6% in 2020.

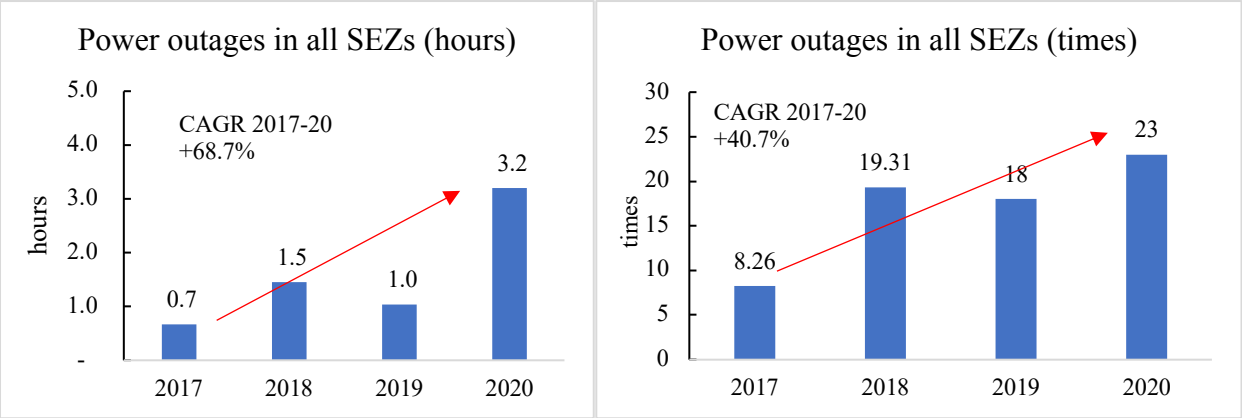
Figure 1.20: Status of electricity coverage (2005-2020)



Source: MME, EAC and EDC

Figure 1.20 shows the status of electricity coverage measured by the index of villages receiving electricity supply from 2005 to 2020. The index of villages receiving electricity supply significantly increased from 7.8% in 2005 to 66.6% in 2015 with an average annual growth rate of 5.9%. Its average growth rate during the IDP period (6.2% p.a.) was slightly higher than during pre-IDP period. In 2020, the index reached 97.39%, while the remaining 2.61% is accounted for by villages which are very difficult to expand the supply, such as villages in remote areas, islands, and with no roads access, floating areas and flooding during the rainy season. Therefore, electricity access has been significantly improved where feasible.

Figure 1.21: Stability of electricity supply (2017-2020)

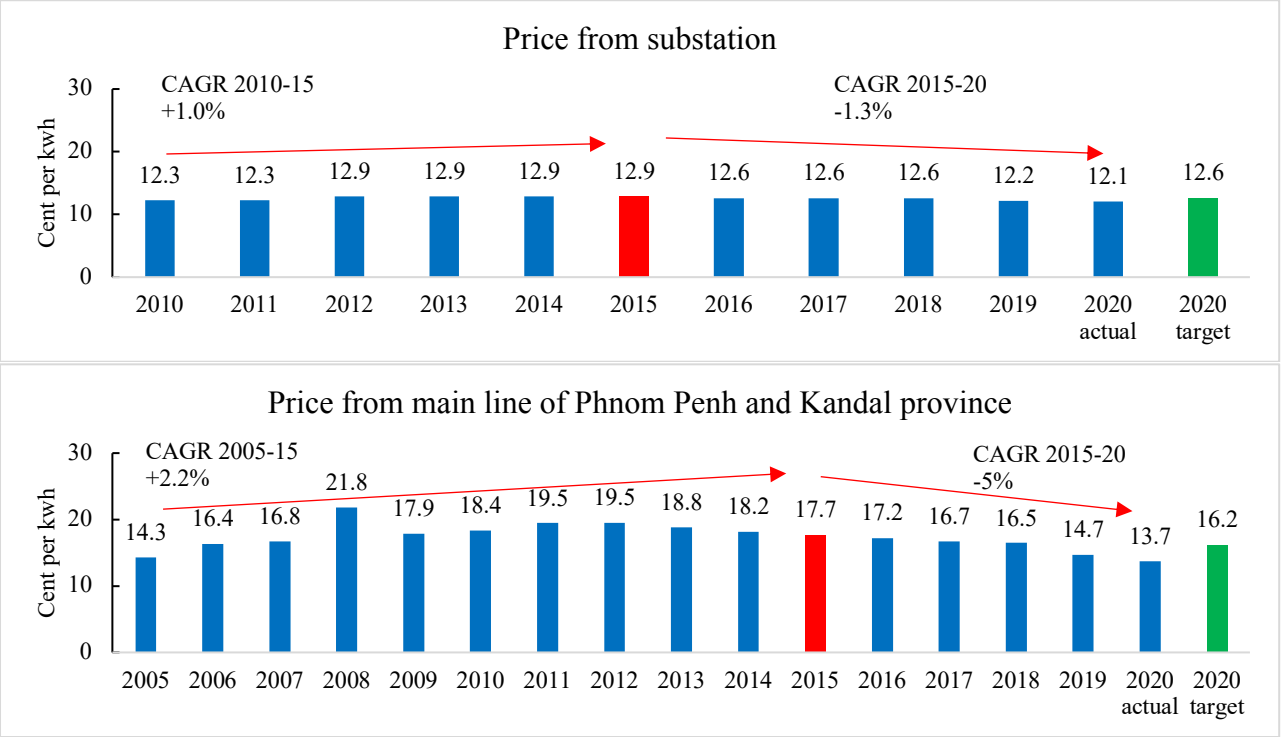


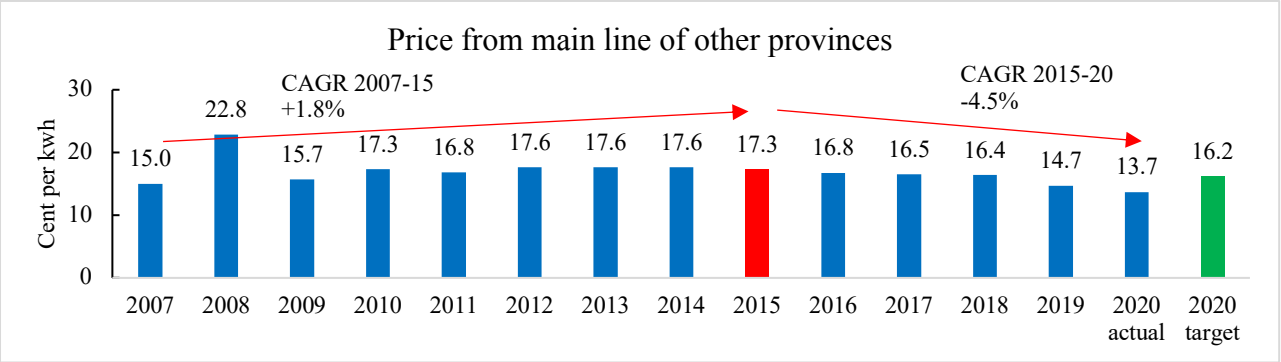
Source: MME, EAC and EDC

Figure 1.21 represents the stability of electricity supply measured by the frequency and duration of power outages in all SEZs over the period from 2017 to 2020. To ensure the stability and reliability of the power supply by reducing the rate of power outages, Electricité Du Cambodge (EDC) has built their new distribution line from substation and distribution loop line to key areas, especially in special economic zones. The number of outages increased from 8 times in 2017 to 23 times in 2020 due to the construction of new infrastructure which touches the distribution line. Although the number of power outages increased, the duration of power outages is within the specified indicators (no more than 24 hours per year). EDC will continue to monitor and reduce the number of power outages in the coming years.

In conclusion, electricity access has significantly improved, but reliability seems an issue, even within SEZs, which should be overcome in the future.

Figure 1.22: Electricity price by purchasing type of industrial consumers





Source: MME, EAC and EDC

Note: In 2019 and 2020, the price from substation varied between Phnom Penh and Provinces. The price in 2019 and 2020 shown in the top graph is for Provinces. The price in Phnom Penh was 13.5 cents/kwh and 13.2 cents/kwh in 2019 and 2020, respectively. It has been more expensive than the price in Provinces because of an extra fee incurred by independent electricity producers to keep electricity supply stable in Phnom Penh. When there is not sufficient energy generated from the national grid, the electricity from other suppliers will supplement the gap to power the capital.

Figure 1.22 shows the electricity price per kilowatt hour, which varies among three purchasing types of industrial consumers. The price of electricity purchased from substation increased with a growth rate of 1% per annum during the pre-IDP period (2010-2015) while the growth rate for the IDP period was negative. During the IDP period, it decreased from 12.9 cents/kwh in 2015 to 12.1 cents/kwh in 2020, which was cheaper than the 2020 target price (12.6 cents/kwh). Meanwhile, the electricity price from main line of Phnom Penh and Kandal province had a reduction rate of 5% per annum during the IDP period. It decreased from 17.7 cents/kwh in 2015 to 13.7 cents/kwh in 2020, which was lower than the planned reduction to 16.2 cents/kwh in 2020. Like the two purchasing types, the electricity price from main line of other provinces has also been reduced during the IDP period. The price dropped by about 4.5% per annum from 17.3 cents/kwh in 2015 to 13.7 cents/kwh in 2020, which was beyond the committed plan to reduce the price as low as 16.2 cents/kwh in 2020. The IDP, therefore, has contributed significantly to a substantial reduction in electricity price.

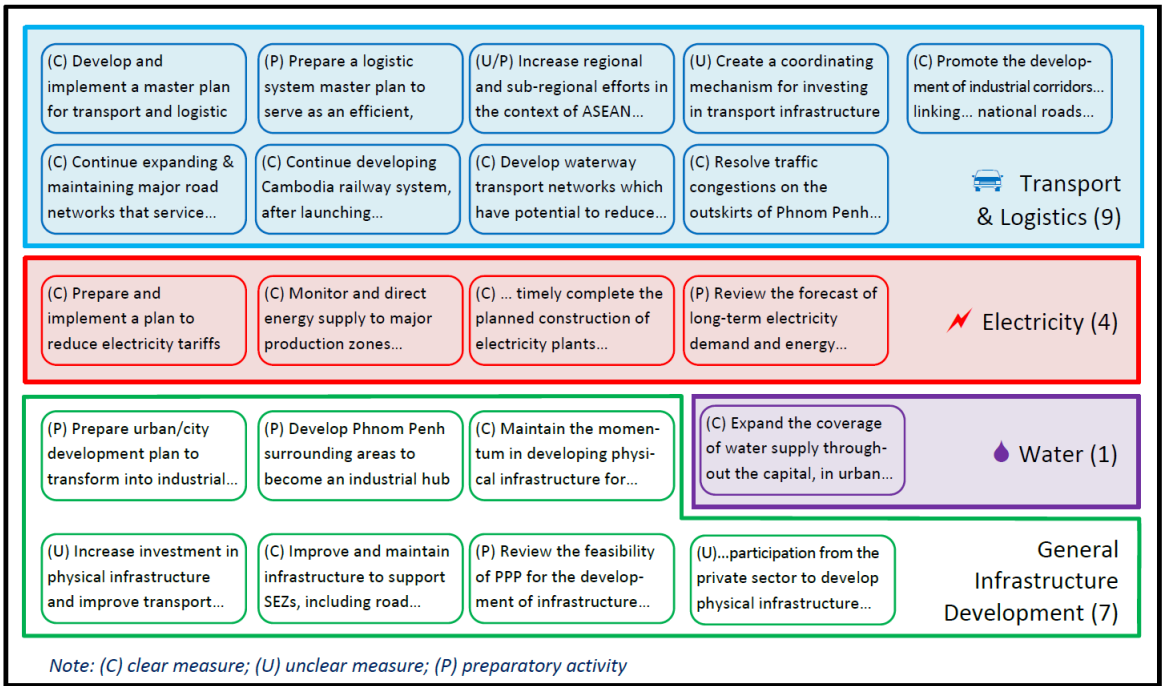
2.2.2 Assessment of the policy design of the intervention area

A discourse analysis of the 21 policy measures associated with this intervention area suggests that the majority of them concentrate on the development of the transport and logistics system (nine policy measures) and power generation (four policy measures) in particular (see figure 1.23). Only one of the policy measures specifically captures the expansion of water supply throughout targeted industrial zones. The rest focus on the development of physical infrastructure in general. These findings imply that the enhanced transport and logistics system along with sustainable supply of electricity would be prioritized cornerstones which IDP expects to achieve in response to the private sector's overwhelming concerns about the high costs of doing business in Cambodia.

In terms of scope and design, it appears that seven out of 21 policy measures relating to improving industrial infrastructure and connectivity stand out to significantly contribute in breaking the status quo. "[Preparing and implementing] a plan to reduce electricity tariff…", "[implementing and timely completing] the planned construction of electricity plants…," together with "[expanding] the coverage of water supply" are the three most important policy measures that might have positive impacts on energy and clean water supply for industrial use. Four other policy measures aiming to "develop and implement a master plan for transport and logistic system development…" and to continue the expansion and maintaining of "major road networks," "railway system," and "waterway transport network" are likely to generate huge effects that bring down the cost of freight transport, storage and handling. Findings from this review do not, however, conclude that only seven policy

measures, if effectively implemented, will define a complete success scenario of improved industrial infrastructure and connectivity. The contribution of other policy measures will remain relevant to this intervention area as long as they are not duplicating one another.

Figure 1.23: Four clusters of policy measures supporting intervention area "improve industrial infrastructure and connectivity"



Synergy and trade-offs

Among the policy measures identified, some of them are found to complement one another. Take four policy measures relating to electricity as an example. The first one concerning the implementation of a "plan to reduce the price, strengthen the reliability and expand the coverage of electricity" could not possibly be achieved if there are only few power plants to generate energy. To this end, the second policy measure that aims to "complete the planned construction of electricity plants" comes into play to supplement existing sources of energy production. Once more energy is produced, it is also crucial to "monitor and direct energy supply to major production zones" which is the purpose of another policy measure, allowing factories to plan their production effectively. To ensure stable supply of energy in the long-run, the fourth policy measure intends to "review the forecast of long-term electricity demand and energy development plan" in response to an evolving need of rapid industrial development in the near future.

Another case of synergy effects can be observed between two other policy measures. One measure focuses on "expanding and maintaining major road networks" along key economic corridors connecting Cambodia to neighbouring Thailand and Vietnam, and the other concentrates on "constructing ring roads or bypasses to resolve traffic congestions on the outskirts of Phnom Penh." The first measure is expected to have national roads widened, allowing smoother and more efficient transport of goods between major industrial areas such as in Phnom Penh and Sihanouk Province and connecting those areas with export gateways that border Thailand and Vietnam. While the outcome of this measure will result in more transport volumes from one province to another, it may add traffic burdens to the capital of Phnom Penh as a transit area. This issue can be settled by building ring roads at the outer edge of the capital to manoeuvre container trucks away from the urban centre of Phnom Penh, which is indeed the main purpose of the second measure. Therefore, these two measures blend well together to maximize transport efficiency and reduce logistic costs in Cambodia.

Other than these complementary effects, no case of trade-offs between policy measures is detected for this intervention area.

Effectiveness and efficiency

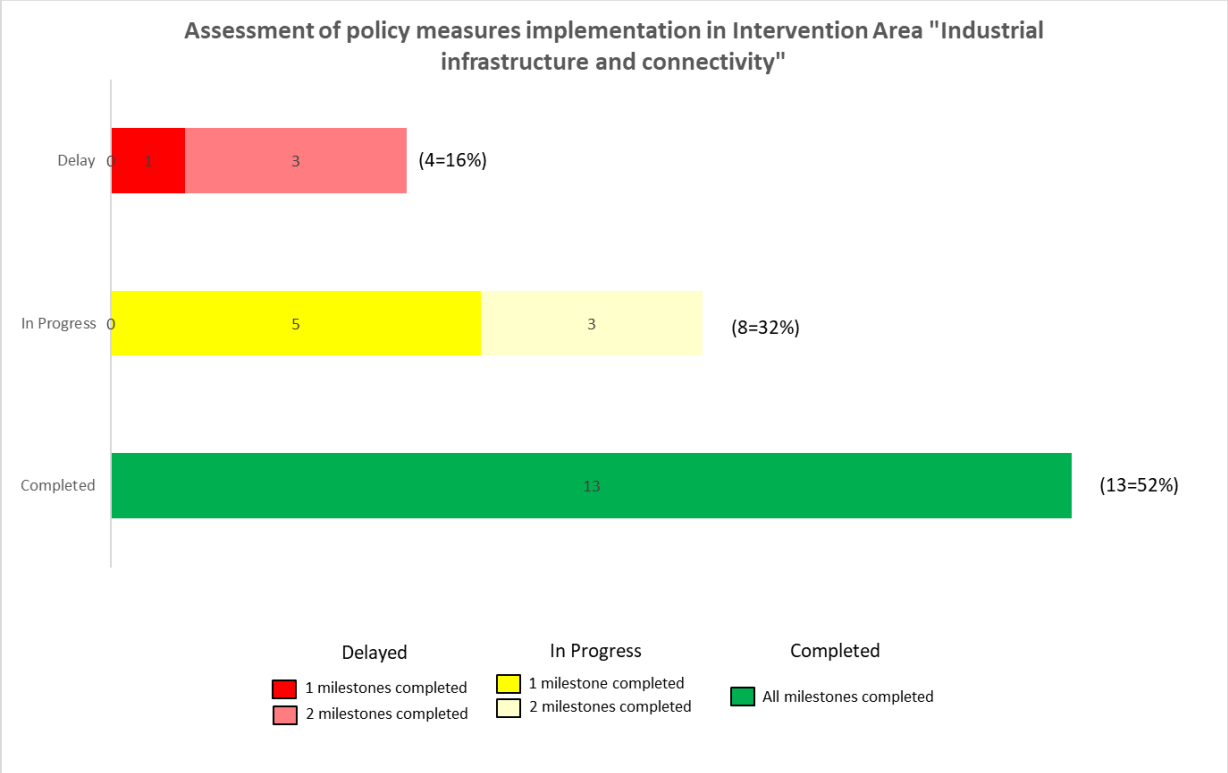
As far as the efficiency of policy implementation is concerned, there are a few cases of duplicating policy measures identified in this intervention area. An example is the overlap between two policy measures: (1) "develop and implement a master plan for transport and logistic system development […] and (2) "prepare a logistic system master plan […]" This pair of policy measures have the same instrument (a master plan) with an identical objective of reducing logistic costs. However, there is a reason for such an overlap between these two measures. While the first measure is listed in Annex C of the IDP among four concrete measures, the second measure is one of 119 policy measures/action plans listed in Annex D of the IDP where each measure has a distinctive timeframe to complete. The second measure is expected to accomplish its implementation within a medium term (2015-2020). Among the 119 policy measures, this measure (the preparation of a logistic master plan) was shortlisted by the government to be one of the four priority interventions (a.k.a. four concrete measures) to be achieved in a shorter period of time which is by 2018 to address an urgent need of lowering logistic costs for industrial enterprises.

Another instance of duplication is the fact that there is one policy measure overlaps with several other policy measures. The policy measure is "maintain the momentum in developing physical infrastructure… such as clean water, electricity, transportation…" It is actually a combination of multiple policy measures associated with the expansion of roads, the construction of power plants and the scale-up of clean water supply, all of which are already designed as individual policy measures in the IDP. Therefore, it is possible that this measure does not make any major difference to the desired effects stemming from the implementation of other policy measures with a more specific action.

While most of the policy measures corresponding with this intervention area pay special attention to physical infrastructure development such as expanding road networks and building power plants for instance, none of them takes into account specific needs for supporting digital infrastructure. The provision of state-of-the-art digital infrastructure and facilities is one of the key prerequisites that are instrumental to navigate Cambodia's productive sector towards a new phase of value creation in the context of the fourth industrial revolution. Scaling up broadband connectivity to provide fast and affordable internet usage, for example, could be a viable policy measure to facilitate modern manufacturing activities that require fast and reliable internet connection in their operation, especially the one which employs smart technology and automation processes.

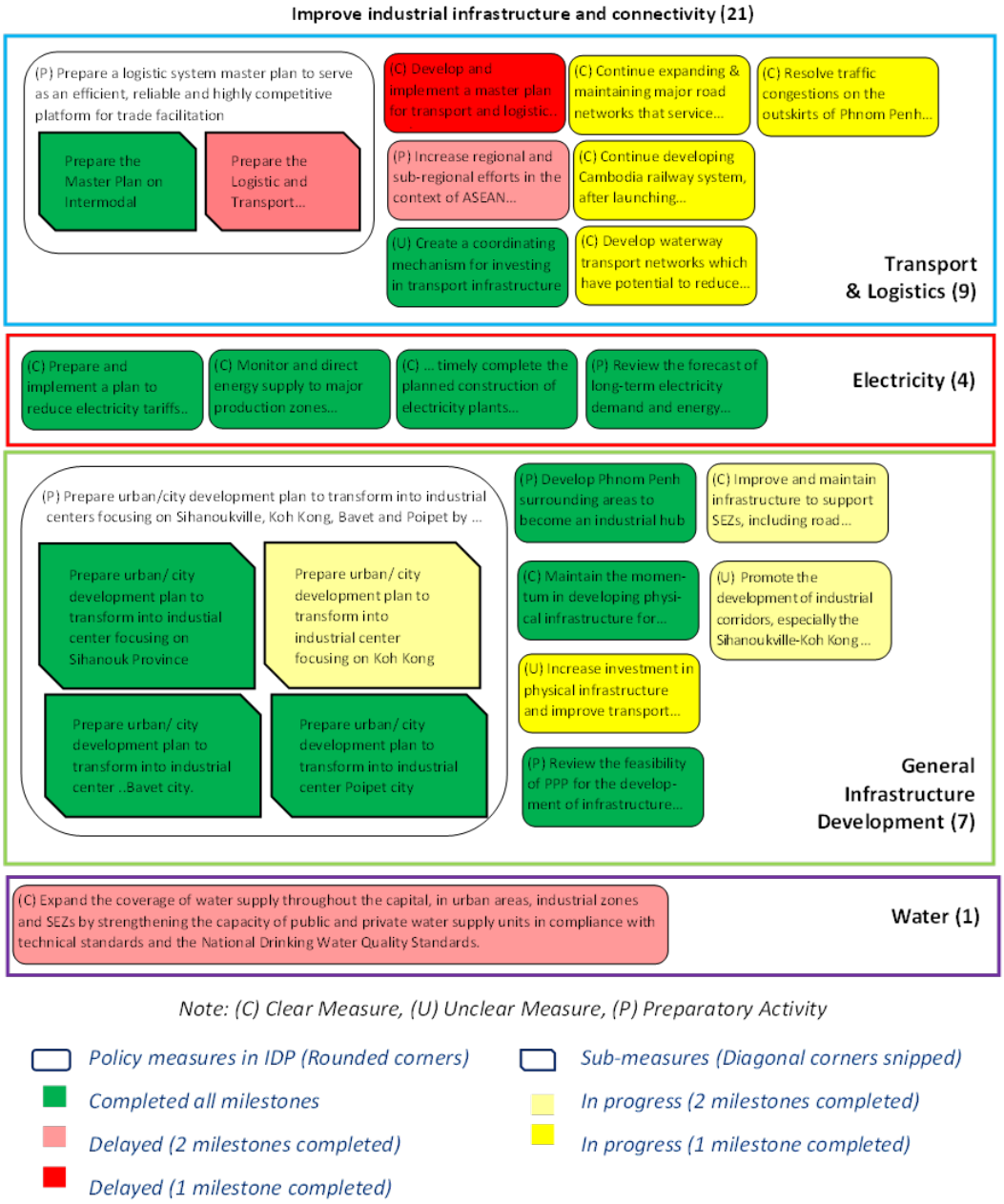
2.2.3 *Assessment of the policy implementation of intervention*

Figure 1.24: Assessment of policy implementation of intervention area "Improve industrial infrastructure and connectivity"



This intervention area has 21 policy measures. Two of those are categorized as multi-activity measures, so they are decomposed into six sub-policy measures. For the purpose of having a good reflection on the progress of the multi-activity measures, only the sub-measures are used for the assessment. As a result, 25 sub-policy and policy measures are evaluated.

According to the assessment, there are 13 measures completed, accounting for 50% of the measures under this intervention area. The noteworthy results are shown in energy supply and the adoption of land use plans in five strategic locations, namely Phnom Penh, Sihanoukville province, Koh Kong province, Bavet, and Poi Pet. Meanwhile, only approximately 10 per cent of the measures are delayed due to limited time and resources, lack of information and an effective mechanism to implement the action plans, and rapid expansion of urban areas landscape.



Note: (C) Clear Measure, (U) Unclear Measure, (P) Preparatory Activity

Policy measures in IDP (Rounded corners)
Sub-measures (Diagonal corners snipped)
Completed all milestones
In progress (2 milestones completed)
Delayed (2 milestones completed)
In progress (1 milestone completed)
Delayed (1 milestone completed)

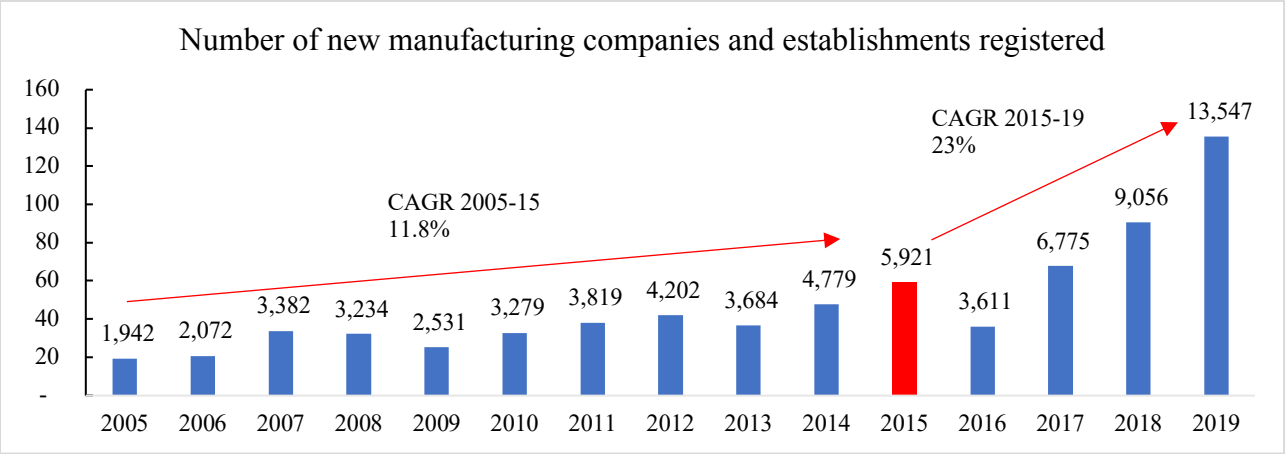
Nonetheless, improvement of industrial infrastructure and connectivity are continuous work tasks that require more resources in both aspects – human and financial, an effective coordination mechanism between line ministries, and a long-term plan/projection of urbanization to prevent unplanned development.

3. Contribution of Primary Intervention Areas to Objective "Economic Resilience and Diversification"

3.1 Review of Immediate outcomes in the intervention area **"New Industrial Activities"**

3.1.1 Quantitative analysis of the outcomes in the intervention area

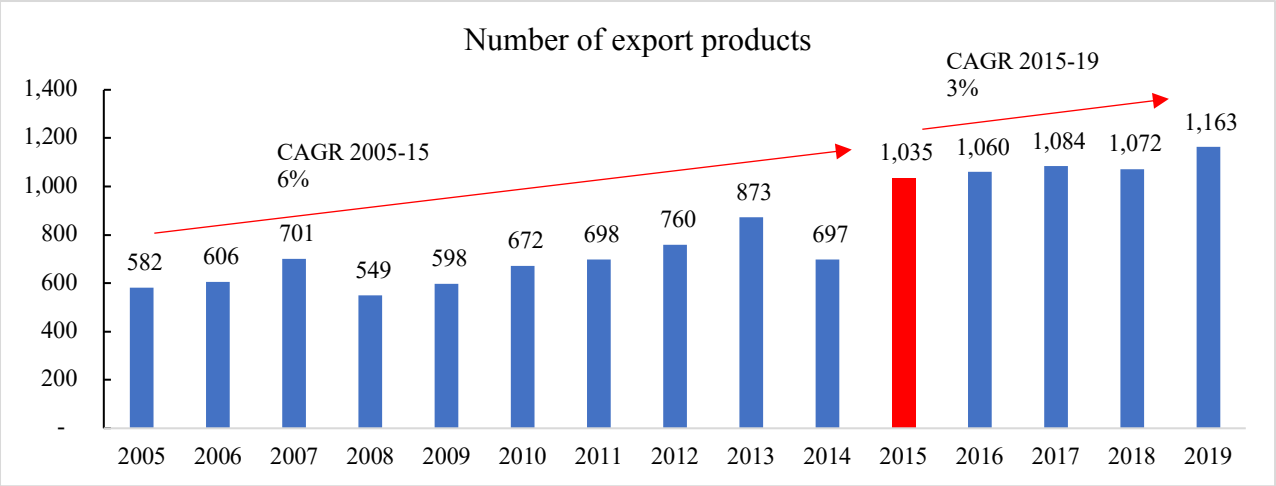
Figure 1.25: Number of new manufacturing companies and establishments registered (2005-2019)



Source: MOC

Figure 1.25 reveals the registered number of new manufacturing companies and establishments from 2005 to 2019. The number tripled from 1,942 companies in 2005 to 5,921 companies in 2015. Within the pre-IDP period, the annual growth rate of the registered number of new manufacturing companies and establishment registered was approximately 11.8%. There was a downturn in 2016 because when MOC introduced an online registration platform in late 2015, not many investors and business owners got familiar with the new platform. After MOC assisted investors to understand the procedure of the online registration platform, the number of new business enterprises engaged in manufacturing activities rose to over 13,500 companies in 2019. The annual growth rate in the IDP period 2015-2019 (23%) was higher than during the pre-IDP period 2005-2015. This data implies that more and more companies are engaged in the manufacturing sector, but it does not necessarily mean that these new companies manufacture "new" products that did not exist before.

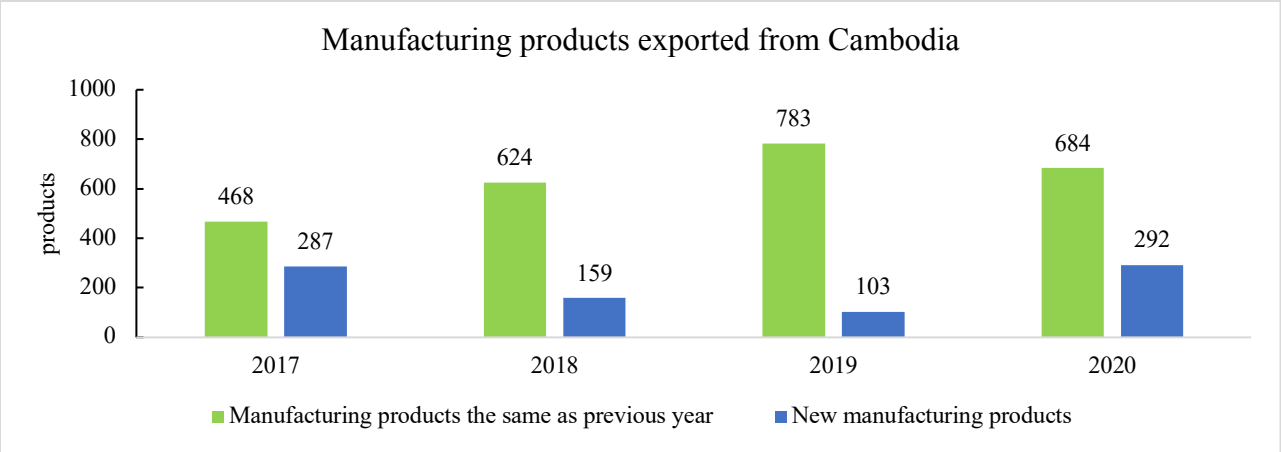
Figure 1.26: Number of export products (2005-2019)



Source: WITS/UNCOMTRADE

Figure 1.26 shows the number of exported products of Cambodia from 2005 to 2019. In 2005, Cambodia exported 582 products to the world market and then the number rose to 1,035 in 2015. About 100 more products were added to Cambodia's export basket during the first phase of IDP implementation, with the number of exported products reaching 1,163 in 2019. Its growth during the IDP period was lower than before IDP but remained a positive direction. Cambodia, in general, has been capable of expanding its export basket with new types of products, but with a sluggish growth.

Figure 1.27: Manufacturing products exported from Cambodia (2017-2020)



Note: The number of products is counted based on ASEAN Harmonized Tariff Nomenclature (AHTN).
Source: GDCE

Figure 1.27 shows the number of manufacturing products exported from Cambodia from 2017 to 2020. Manufacturing products the same as previous year increased from 468 products in 2017 to 783 products in 2019, but there was a slight downturn to 684 in 2020. Notably, the volume of new manufacturing products added to Cambodia's export basket was not less than 100 products during the last four years, while it grew to 292 new products in 2020.

In conclusion, during the IDP period, there were more new manufacturing industries in Cambodia that contributed to increasing a variety of production activities and products for export to trading partners. Hence, IDP may somehow contribute positively to increasing new industrial activities in Cambodia, but its contribution should have made more significant impacts with a larger quantity of new products that Cambodia has never manufactured and exported before the existence of IDP.

3.1.2 Assessment of the policy design of the intervention area

There are four policy measures in IDP that are associated with an attempt to increase new industrial activities. These measures are as follows:

- Prepare and implement concrete strategies and measures to promote and attract investment with focus on target countries and specific priority industries
- Review and revise criteria of selecting "potential and quality investment projects" that generate value addition and positive externality for the development and attraction of new industries into Cambodia
- Continue strengthening and streamlining the administrative capacity and institutional framework for managing the operations of SEZs by way of increasing the effectiveness of the One-Window Service mechanism in order to promote the development of specialized SEZs …
- Assess the natural resource potentials of the country so as to encourage investment in heavy industries

The assessment of the four policy measures reveals that IDP puts its emphasis on establishing new industries and less on upgrading existing productive activities. The importance of establishing new industries is underlined by the fact that IDP introduced explicitly five broadly defined priority industries, which should be promoted in particular. Those five priority sectors include new industries or manufacturing ventures with the capability of breaking into new markets, SMEs in all sectors, agro-industrial production, various types of supporting industries, and industries serving regional production lines and those of future strategic importance.

How the establishment of these new industries shall be supported has not been clearly defined in IDP but should be specified during the implementation of the policy. The policy measure to "prepare and

implement concrete strategies to attract investments in priority industries" is hence of great importance as it determines the policy design of specific investment promotion to develop priority industries in Cambodia. Another closely related policy measure is to review and revise criteria of selecting potential and quality investment projects; this is a clearly defined measure. The revised selection criteria, which is to be stipulated in the draft law on investment, will indicate potential and quality investment projects with a particular focus on pioneering activities to be eligible for special incentive schemes.

To promote new industrial activities, IDP also sets a very concrete instrument for targeted investment promotion by encouraging the creation of specialized SEZs, which are believed to be capable of attracting investment in some priority sectors including export-oriented agro-processing industry or mechanical and electronic assembly. Through the development of specialized SEZs, state agencies are tasked to enhance the effectiveness of the One-Window Service mechanism for simplified administrative procedures, and to provide enticing incentives for investment projects in the specialized SEZ.

Additionally, IDP also contains a specific policy measure to promote heavy industries whose contribution to Cambodia's industrial sector remains limited. This policy measure is "to assess the natural resource potentials so as to encourage investment in heavy industries". This measure is a clearly defined measure and is crucial for expanding into new industrial activities. The assessment study is expected to indicate types of available natural resources which are potential raw materials to be processed as intermediate goods for heavy industries. Most manufacturing activities in Cambodia import raw materials from abroad due to the insufficiency of domestic raw materials. Therefore, the result of the assessment study will inform potential investors who might invest in the natural resources processing industry. However, in the policy design of this measure it is not clearly stated how the study findings are to be disseminated.

Synergies and Trade-offs

All four policy measures belonging to this intervention area complement each other with respect to the government's pursuits in promoting new industrial activities. In scrutiny, the policy measure concerning "assessing the natural resource potentials" is highly synergetic with the one that aims to "review and revise criteria of selecting quality investment projects". Discovering the natural resource potentials may encourage more investors to come in, therein, it will enhance the government's manoeuvrability in selecting quality investment projects through designing attractive incentive packages for new industrial activities. Apart from this case of synergy, no conflicting effect among the discussed policy measures has been found.

Effectiveness and Efficiency

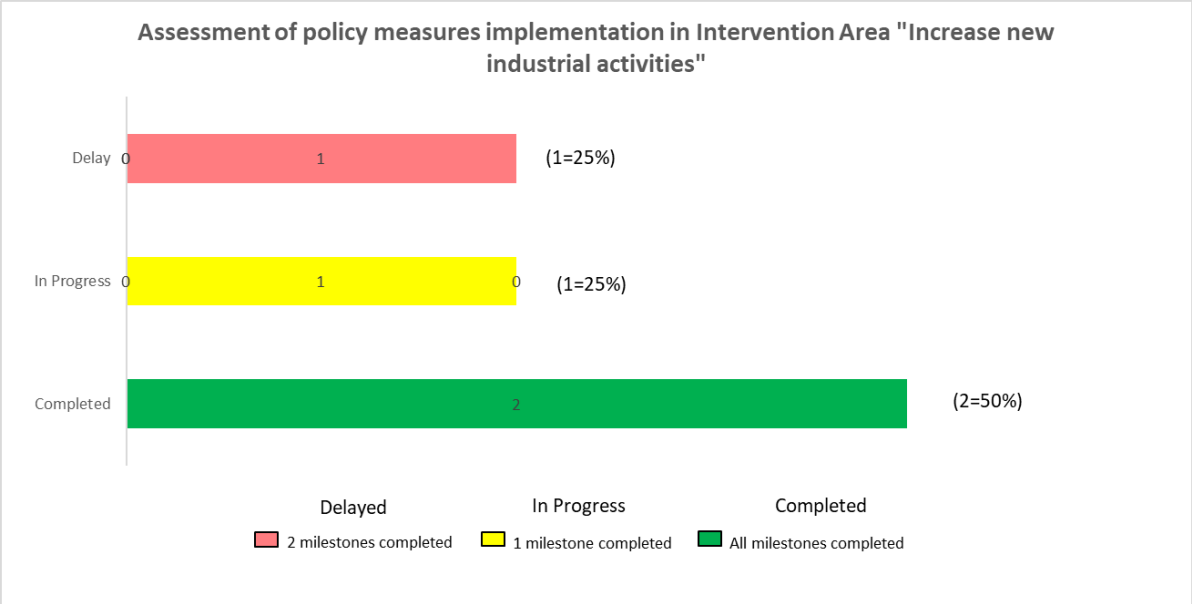
In terms of effectiveness and efficiency of policy design, it can be noticed that there is no instance of duplication among the four policy measures. However, it appears that there are some gaps remaining in the design of this intervention area as follows:

- Given the importance of this intervention area for the IDP vision of a structural transformation towards new industries, the number of measures supporting this intervention area are relatively limited and its intervention design lacks sophistication
- Lack of evidence-based selection of concrete sectors (besides agro-processing) or productive activities to be promoted by IDP
- Absence of comprehensive and clear strategies to develop priority industries
- The sole focus on fiscal incentives to attract investors are not enough, thereby requiring interlinkages with other intervention areas for instance in the area of supply of trained workers.

In conclusion, the IDP has set a proper direction to promote new industrial activities in Cambodia. The four policy measures contain good approaches and have the potential to stimulate the growth of new industrial activities in Cambodia. However, they are less targeted and lack specification as well as magnitude to bring about the needed effect of creating new industries. Other policy measures aimed at promoting skill development in other intervention areas to increase the supply of skilled labour and prepare the young workforce for future jobs in high-end manufacturing activities could also complement the desired effects of this intervention area.

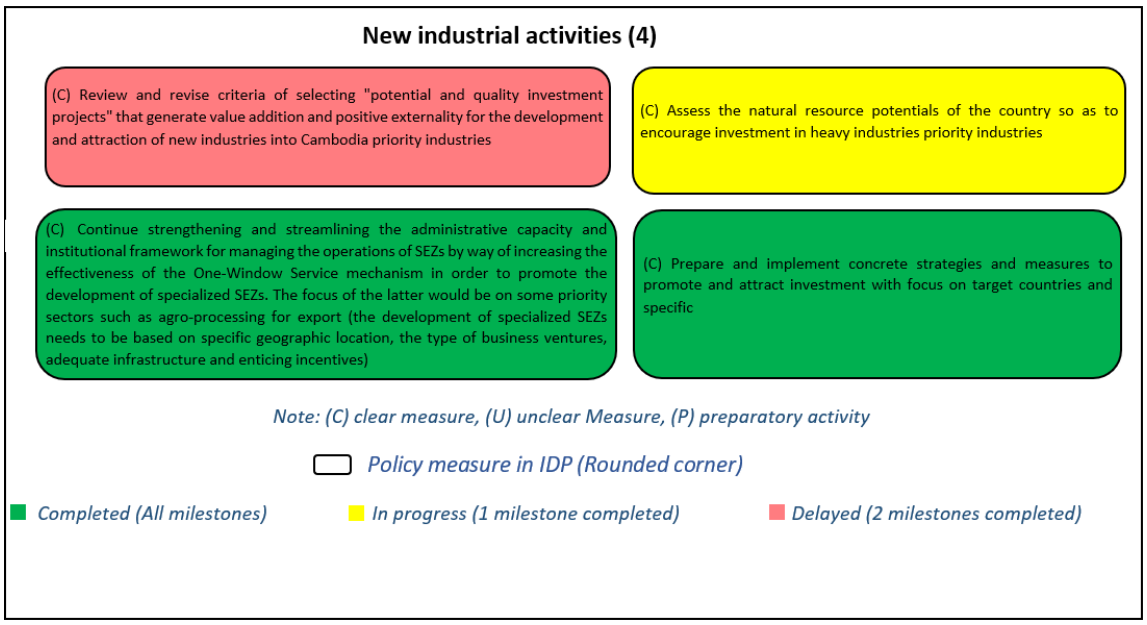
3.1.3 Assessment of the policy implementation of intervention area

Figure 1.28: Assessment of policy implementation of intervention area "Increase new industrial activities"



IDP identifies four clear measures under this intervention area. Two measures are completed; one is in progress; and another is delayed.

The two completed measures showed positive results due to several practical measures adopted to attract targeted investments such as 1) setting up "Chinese desk", "Japanese desk", and "Korean desk", 2) organizing and participating in investment promotion seminars/exhibitions in China, Japan and Korea in particular, 3) holding bilateral meetings annually to with Japanese, Chinese and Korean investors to address their concerns, and 4) promoting Thailand+1 and Vietnam+1 practical strategy for any Japanese and/or Chinese investments willing to move factories to Cambodia. The Chinese targeted promotion strategy seems to be more successful than promotion strategies for other targeted countries. The investment trend shows roughly a 900% increase of Chinese investment inflows to Cambodia from 2015 to 2018; however, for the last three years (2018-2020), Chinese investment inflows decreased by about 58%.



As for the promotion of new and targeted industries, the definition is broadly defined based on IDP, which makes investment attraction in these two industries become more difficult. Therefore, the government should put forward a specific strategy for new and targeted industries.

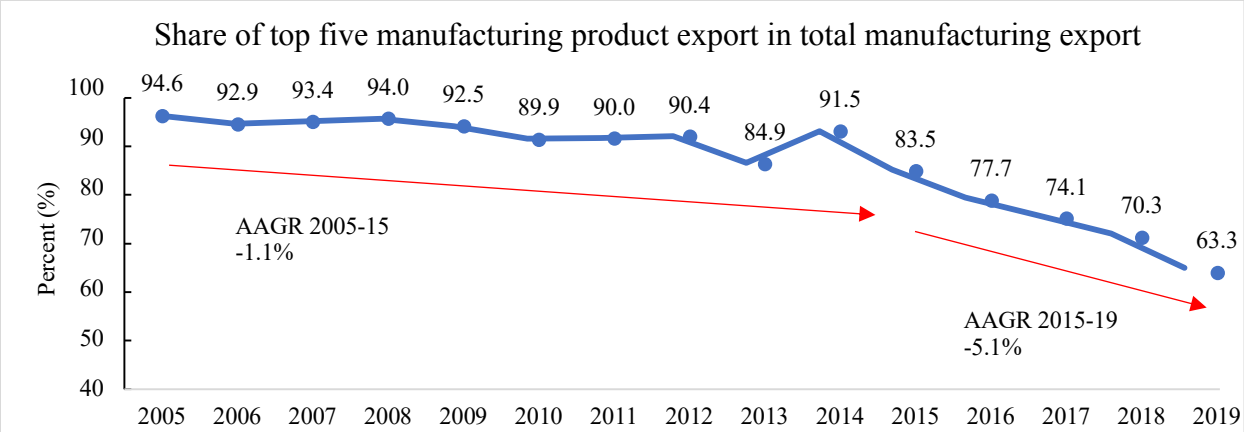
In contrast, there is one measure in progress, and one measure delayed. The challenges that cause the delay of one measure under this intervention area are: 1) the complexity of the list of investment activities, which requires detailed research and several internal discussions, and 2) an apparent lack of clear basis and criteria to prepare the list of investment activities to attract potential and quality investments. Two solutions are suggested by the institution in-charge: 1) the requirement of in-depth study and/or policy to update the list of investment activities in accordance with the actual needs and context of Cambodia and its region, and 2) the need for strong support and commitment to this work from management at policy level.

According to the assessment, it shows that efforts have been made to attract more investment in new and targeted industries into Cambodia. However, if we look at the investment trend, it is apparently slightly different from the desired outcome of IDP, which intends to attract new and targeted investments. Specificity for both new and targeted industries is needed. And continued implementation of the remaining measures and new strategies need to be put in place to attract more new industrial activities so as to ensure the achievement of this intervention area.

3.2 Review of Immediate outcomes in the intervention area **"Expansion and Diversification of Export Markets and Export Products"**

3.2.1. Quantitative analysis of the outcomes in the intervention area

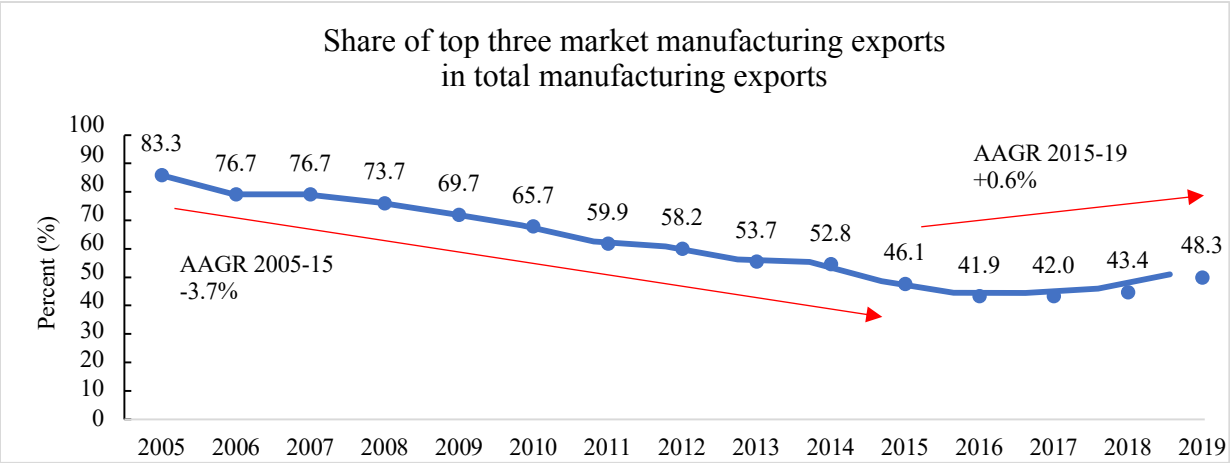
Figure 1.29: Share of top five manufacturing product export in total manufacturing exports (2005-2019)



Data source: WITS

Figure 1.29 reveals the share of the top five manufacturing product export in total manufacturing exports from 2005 to 2019, which is used to assess diversification in export products. The share dropped from 94.6% in 2005 to 83.5% in 2015 and then remained with a downward trend during the IDP period, reaching 63.3% in 2019. Its reduction rate during the IDP period (5.1% per annum) was approximately five times as high as that during the pre-IDP period, showing a positive notion of gradually reduced dependency on a few types of export products.

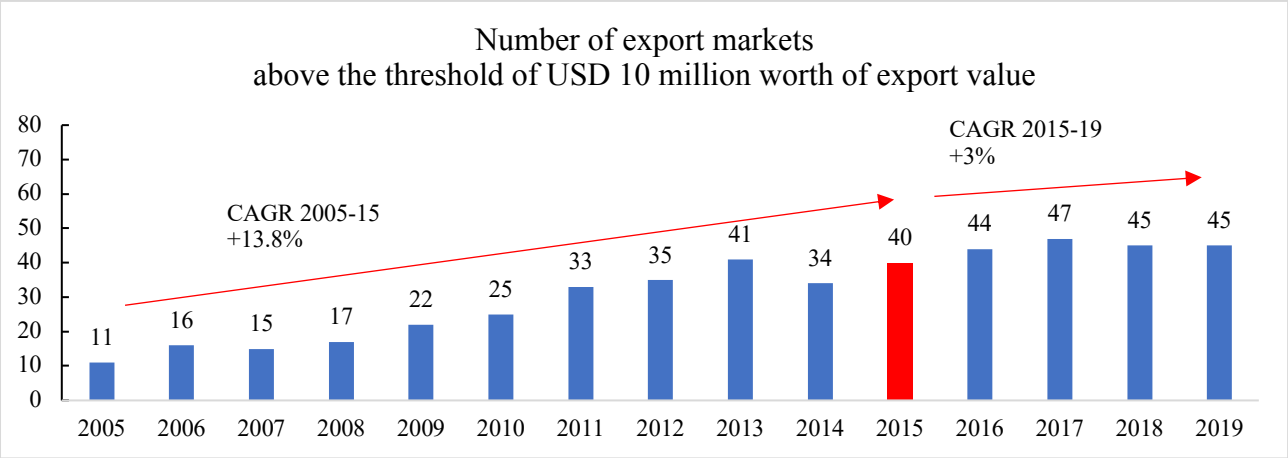
Figure 1.30: Share of top three export markets in total manufactured exports (2005-2019)



Data source: WITS

Figure 1.30 shows the share of the top three export markets in total manufactured exports from 2005 to 2019. The share steadily went down during the pre-IDP period while this share in 2015 (46.1%) was approximately half of that in 2005. After the launch of IDP, the share increased up to 48.3% in 2019 due to a growing dependence on manufacturing exports to the US market. As a matter of fact, the share of US market in total manufactured export rose from 23% in 2016 to 32% in 2019. The reverse trend of the share of top three export markets in recent years is not desired by the IDP in terms of export market diversification.

Figure 1.31: Number of export markets above the threshold of USD 10 million worth of export value (2005-2019)



Data source: WITS

Figure 1.31 shows the number of export markets above a particular threshold of USD 10 million from 2005 to 2019. The number of export markets above a particular threshold of USD 10 million in 2005 (11 countries) was one fourth of that in 2015 (40 countries). After the launch of IDP, Cambodia was only able to export to five or seven more countries (47 in 2017 and 45 in 2019), with a slower growth rate (3% per annum) than during the pre-IDP period (13.8% p.a.)

In conclusion, the IDP has made positive contribution in expansion and diversification of export products but not in the area of reducing strong reliance on a few major export markets.

3.2.2. Assessment of the policy design of the intervention area

There are eight policy measures that are associated with this intervention area. They could be categorized into four clusters which are (1) the provision of public goods and services to facilitate export (2 policy measures), (2) the strengthening of regulations concerning export procedures (4 policy measures), (3) the improvement of access to finance for exporters in priority industries (1 policy measure) and (4) the establishment of an incentive scheme for best export performers (1 policy measure).

The assessment of the 8 policy measures under this intervention area demonstrates that the IDP strongly concentrates on export promotion and facilitation, which ultimately aims to expand and diversify its export markets to both regional and global markets. The first cluster of two policy measures mainly provides the enabling environment and encourages firms to increase their export by establishing a trade information centre with online accessibility and an export promotion agency. Moreover, the other three policy measures in the second cluster also emphasize the improvement and strengthening of regulations concerning export procedures and measures across the ASEAN region as well as international markets. While the last two policy measures in cluster 3 and 4 are mainly intended to provide the finance support to exporters in priority industries and the incentive scheme rewards to outstanding export firms in order to contribute to the expansion and diversification of export markets and products. Based on this assessment, it reveals that improving trade facilitation and procedures would be a crucial measure for the Royal Government of Cambodia to further take prompt actions so as to encourage and enable firms to increase their exports, which will eventually contribute to the expansion and diversification of export markets and products. Most of these policy measures are led by the Ministry of Commerce with cooperation of the Ministry of Economy and Finance, the Ministry of Public Works and Transportation, the Council for the Development of Cambodia and the Ministry of Industry, Science, Technology and Innovation.

In terms of scope and design, it appears that these 8 policy measures are sufficient to capture and bring about the desired impact of promoting and increasing the expansion and diversification of both

export markets and products because they not only simplify the export regulations and procedures to outsiders but also incentivize firms that are best at export performance in priority industries.

Synergy and trade-offs

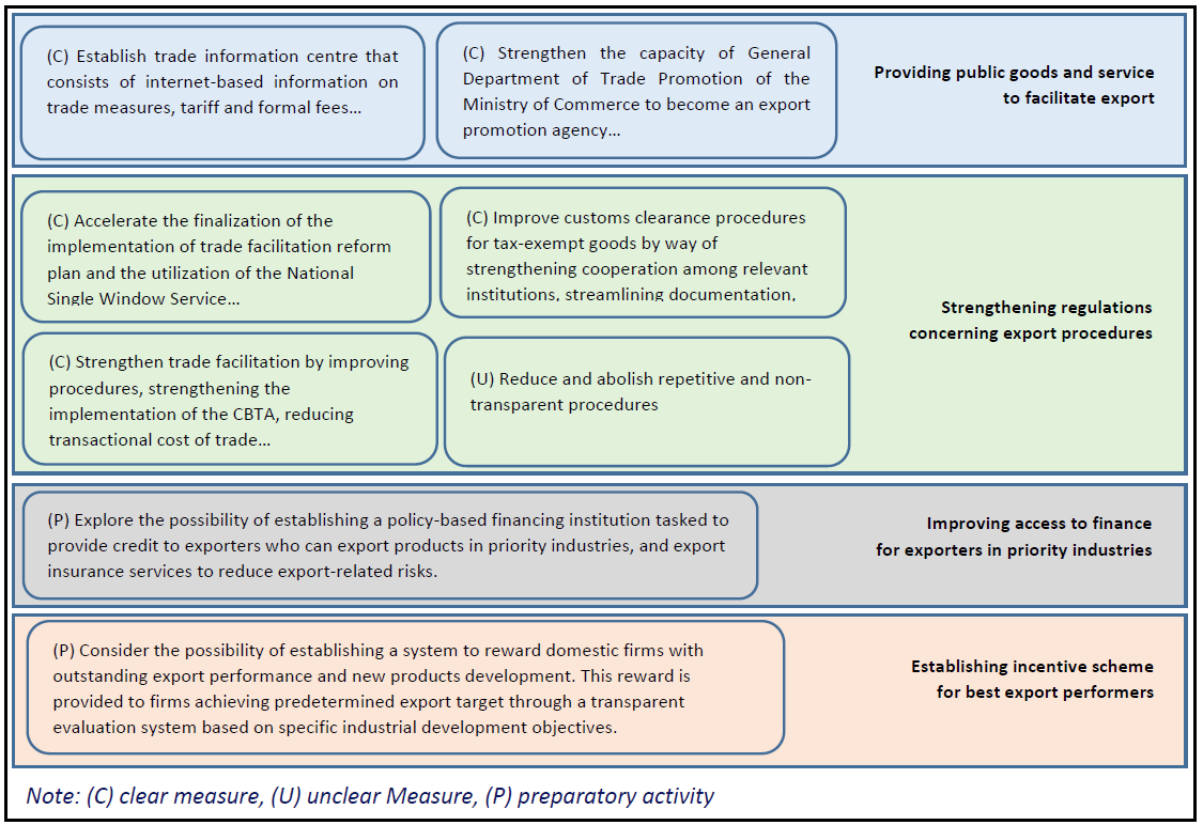
All policy measures associated with this intervention area 3.2 are highly complementary to each other with respect to promoting the expansion and diversification of export markets and products. It definitely shows complementary effects among the two policy measures in cluster 1 that aim at enabling trade facilitation and export promotion, for example. The first measure aims to establish a single and comprehensive trade information centre where it is easy for the firm to access all information on trade measures, tariff and formal fee in one place, and it is complemented by another measure that develops an export promotion agency, equipped with highly specialized skills in market research, identification of export products and business networks. These two policy measures together could make Cambodia's doing business procedure and measures more attractive and convenient for all firms to boost up their export markets and products.

There are no counterproductive combinations of these 8 policy measures identified.

Effectiveness and Efficiency

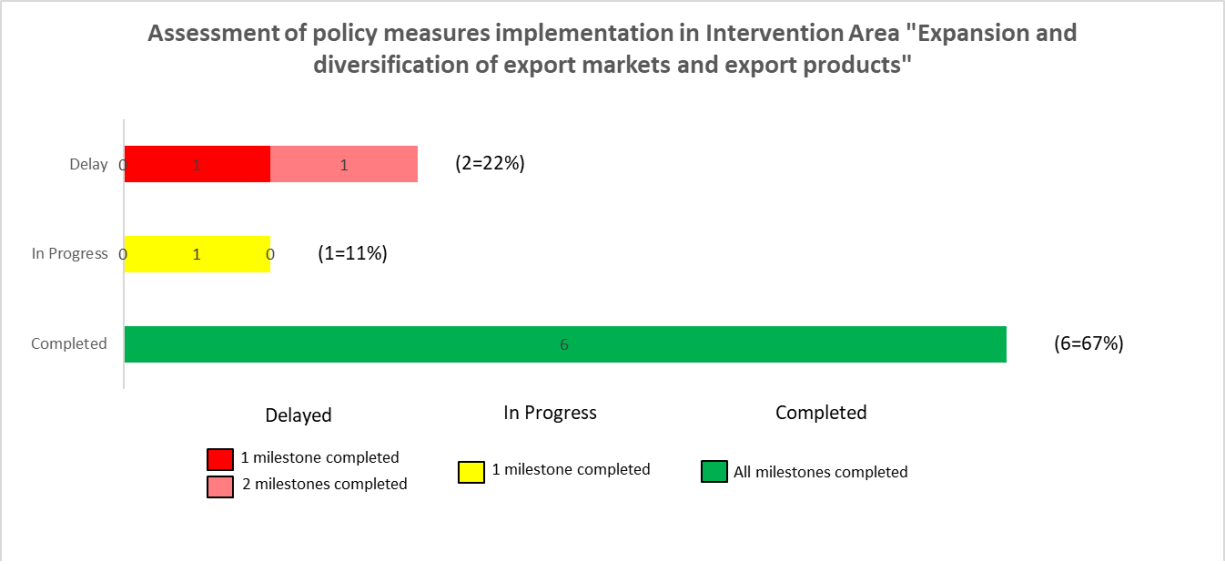
Regarding the effectiveness and efficiency of both policy design and implementation, there is no overlapping among the 8 policy measures as they are categorized into four groups with different purposes as mentioned above, which commonly promote the expansion and diversification of Cambodian export markets and products. However, a gap can be noticed among all policy measures on the level of policy design since the five policy measures in cluster 1 and 2 are strongly focused merely on the promotion of export markets expansion and diversification while only two policy measures – preparatory measures/activities dedicate to the expansion and diversification of export products. Therefore, it is necessary that the IDP may consider to set additional policy measures to promote and encourage firms to produce more high value-added commodities that could be exported to other markets.

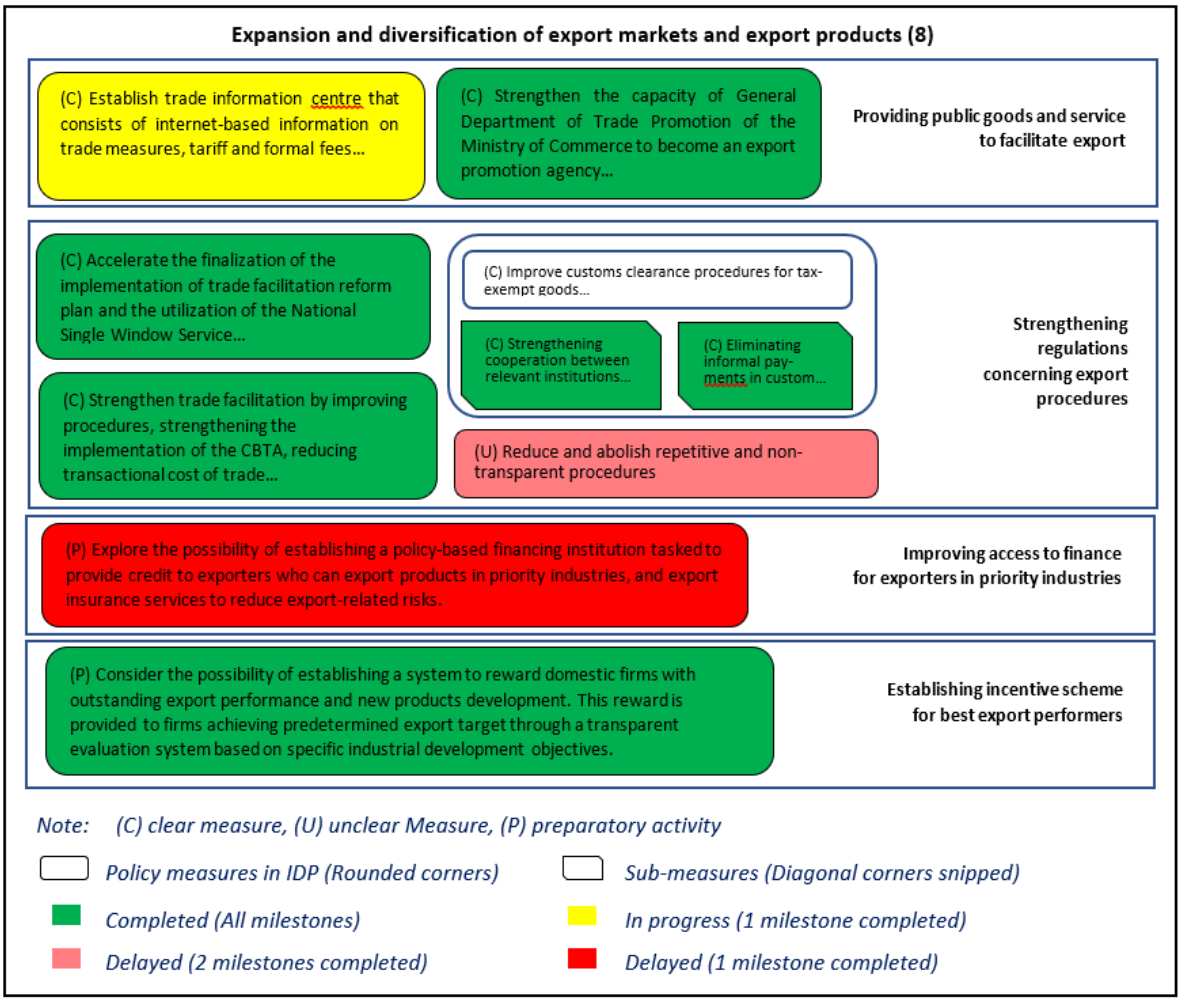
Figure 1.32: Four clusters of policy measures under Intervention Area "Expansion and diversification of export markets and export products"



3.2.3. Assessment of the policy implementation of intervention area

Figure 1.33: Assessment of policy implementation of intervention area "Expansion and diversification of export markets and export products"





There are eight policy measures in the IDP identified to support this intervention area. One of those measures is recognized as a multi-purpose measure and hence, is divided into 2 sub-policy measures. For the purpose of having a good reflection on the progress of the multi-purpose-activity measures, only the sub-measures are used for the assessment. As a result, there are now nine main/sub-measures; six measures are completed; one is in progress and two are delayed.

The complete measure on "Accelerate the finalization of the implementation of trade facilitation reform plan and the utilization of the National Single Window Service at all international border checkpoints and ensuring its integration with the ASEAN Single Window Service in order to support the international logistic network" has been totally implemented which has seen the National Single Window Service been used for issuing export-import licenses. Another significant policy measure regarding the "Eliminating informal payments in custom clearance" has been implemented through Prakas No. 1151 MEF dated 15 September 2015 and Prakas No. 1608 MEF dated 21 December 2018 on the Provision of Public Services by the General Department of Customs and Excise of the Ministry of Economy and Finance. In addition, documents on the mechanism to strengthening cooperation among relevant institutions, streamlining documentation and facilitating procedures for duty exemption have been approved and implemented. On top of that, the incentive scheme for domestic firms and SMEs to participate in exhibitions and trade events has been developed, as well, resulting in an increase of participation of the firms and SMEs in trade events both domestically and internationally on a regular basis.

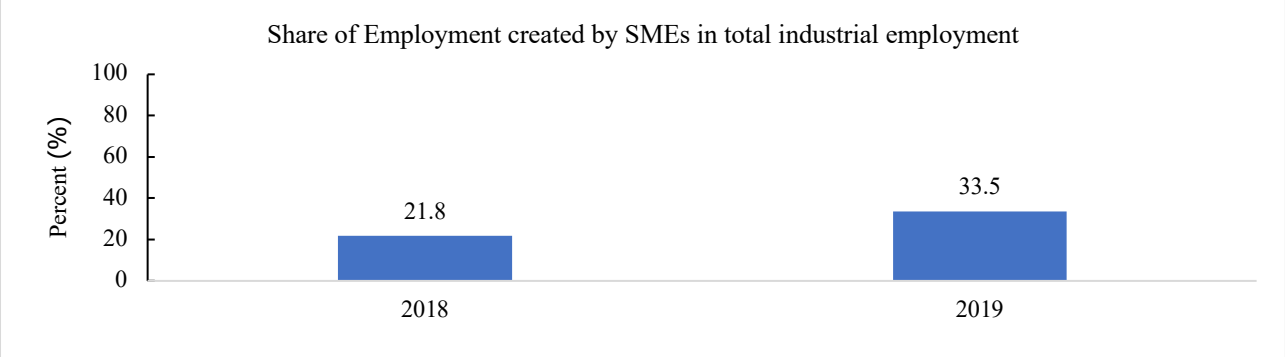
There are a few challenges encountered for the measures that are in progress and delayed, such as technical and financial issues, and the incomplete delegation of power.

The RGC has put great effort to implement this intervention area as most policy measures under this intervention are completed. According to the report from line ministries, the implementation of the policy measures has contributed to this intervention area as the export markets and products have increased over the period of IDP implementation. But export products and in particular markets have not yet been diversified as desired by the IDP.

3.3 Review of Immediate outcomes in the intervention area **"Rebalancing between Large Companies and SMEs"**

3.3.1 Quantitative analysis of the outcomes in the intervention area

Figure 1.34: Share of employment created by SMEs in total industrial employment (2018-2019)



Data source: MLVT

Figure 1.34 shows the share of employment created by SMEs in total industrial employment to assess the role of SMEs in job creation in the industry sector. The share of employment created by SMEs in total industrial employment significantly increased from 21.8% in 2018 to 33.5% in 2019. Due to a lack of data with a longer observation period, it is difficult to link the contribution of IDP with an increasing role of SMEs in industrial job creation. However, the figure in 2019 above which was still a low share may indicate a prolonged inability of Cambodian SMEs in expanding their role in creating a massive amount of industrial employment as large enterprises did.

3.3.2 Assessment of the policy design of the intervention area

This intervention area contains three clear policy measures with specific means, target groups and desired outcomes. They are as follows:

- Continue developing industrial zones in provinces, aimed at promoting hubs for SMEs while enhancing their competitiveness…
- Strengthen the corporate governance so as to enlarge and deepen the pool of the private sector, which appreciates the culture of social accountability and …
- Prepare appropriate finance mechanism for industrial development by way of providing financing to SMEs in priority industries.

The analysis of the three policy measures demonstrates that IDP places more emphasis on the supply-side policies and less on the demand-side policies in the pursuit of rebalancing between large companies and SMEs.

The first step in rebalancing is to help more SMEs in the manufacturing sector come into existence. With the increase in numbers, the total outputs and number of employment of SMEs could be increased on par with those of the large companies. Hence, one measure "Continue developing industrial zones in provinces, aimed at promoting hubs for SMEs while enhancing their competitiveness…" focuses on providing the basic infrastructures to SMEs. Without these basic conditions, SMEs would not be able to exist. This measure would not only contribute to increasing the number of new SMEs but also provide support to existing SMEs.

Yet, increasing in number alone would not be sustainable as the SMEs could easily collapse if their capacity to manage their operation is limited. Therefore, it is important to stimulate not only more but also stronger SMEs. To ensure their survival and enhance their competitiveness, another measure "Strengthen the corporate governance so as to enlarge and deepen the pool of the private sector, which appreciates the culture of social accountability…" directs resources on the capacity building of the SMEs so that they could survive the harsh competition against the large enterprises.

Besides operational challenges, SMEs also have limited access to finance and financial services. Consequently, another measure "Prepare appropriate finance mechanism for industrial development by way of providing financing to SMEs in priority industries;" aims to address the SME finance gap in order to support their growth and the expansion of their operation. As they grow, they could produce more outputs and hire more people and eventually their role in the manufacturing sector would be increased.

In terms of scope, it appears that the three policy measures may be able to bring about some changes in this intervention area. However, to produce significant changes, more policy measures, especially on the demand-side, should be added.

Synergy and trade-offs

In this intervention area, the three policy measures are found to be highly compatible and complementary in their quest to rebalance between large companies and SMEs. Without having access to basic infrastructures, SMEs would not be able to come into existence. Moreover, having more SMEs does not mean having resilience and stronger SMEs. Their survival is not guaranteed by just having access to the basic needs. Thus, it is important to also enhance their competitiveness by building their capacity. Last but not least, to successfully rebalance between large companies and SMEs, it is important to support SMEs' growth. Thus, providing finance to SMEs is of critical importance for expanding SMEs' operations.

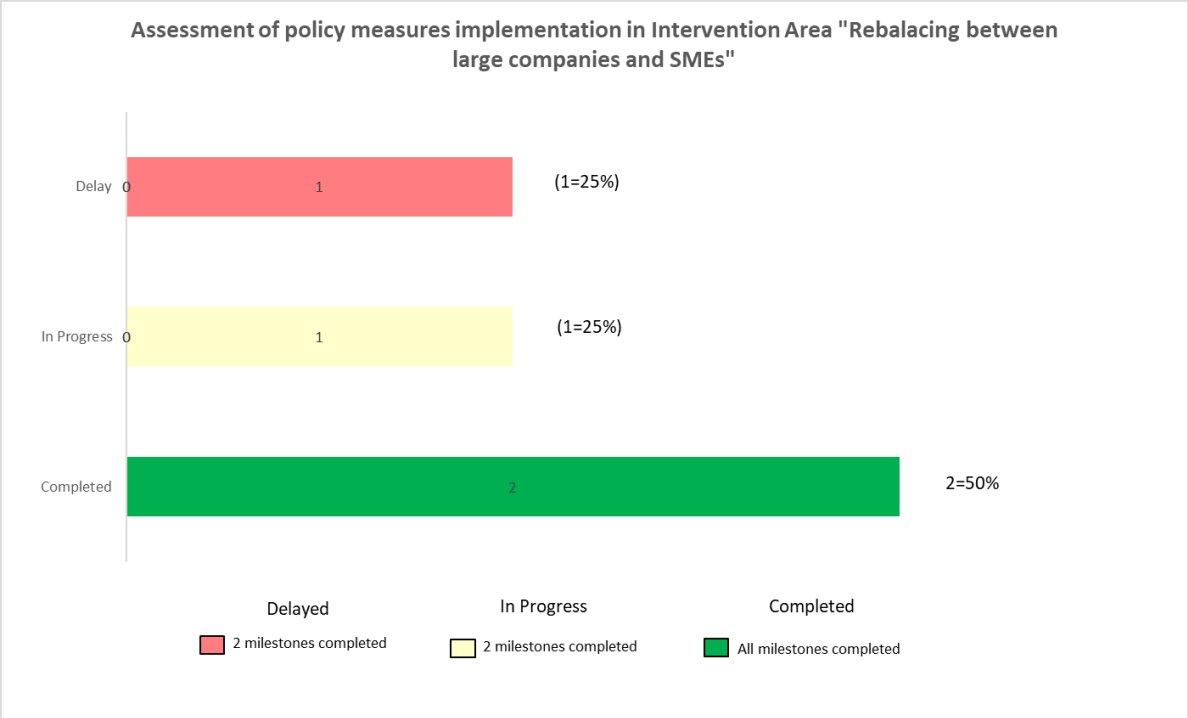
Other than these complementary effects, there are no instances of trade-offs between policy measures in this intervention area.

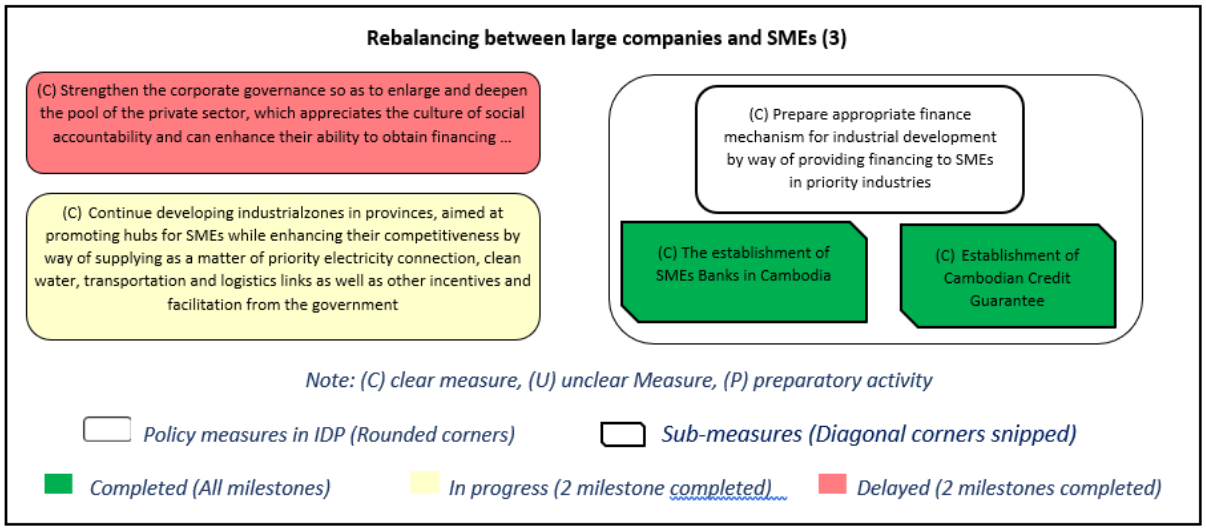
Effectiveness and Efficiency

In terms of effectiveness and efficiency, there are no instances of duplication among the three policy measures. However, gaps could be observed in this intervention area. First, in addition to providing basic infrastructures, it is also important to encourage and promote domestic investment through various incentive schemes targeting domestic entrepreneurs in the manufacturing sector. Doing so would increase the number of SMEs and ultimately their outputs and number of employees they hire. Second, demand-side policies such as public procurement, which gives priority to SMEs' products and services, should be introduced in order to make sure that there is a market for SMEs' products and services.

3.3.3 Assessment of the policy implementation of intervention

Figure 1.35: Assessment of policy implementation of intervention area "Rebalancing between large companies and SMEs"





There are three clear policy measures put forth in IDP to support this intervention area. One policy measure is dissected into two sub-policy measures due to its multi-activity nature. For the purpose of having a good reflection on the progress of the multi-purpose-activity measures, only the sub-measures are used for the assessment. As a result, there are four sub-policy and policy measures that are evaluated. Two measures are completed, one measure is in progress, and one measure is delayed.

The completed measure is "Prepare appropriate finance mechanism for industrial development by way of providing financing to SMEs in priority industries", which has seen two finance mechanisms established, SME Bank and Cambodian Credit Guarantee Corporation (CCGC). The SME Bank was launched in the second quarter of 2020, having initial capital of 100 million USD, which so far loaned 48.3 million USD to 753 SMEs. As for CCGC, it was established in late 2020 with initial capital of 200 million USD.

There are a few challenges encountered for the measures that are in progress and delayed: 1) lack of resources and time, 2) support for SME hubs development is provided on a case-by-case basis, and

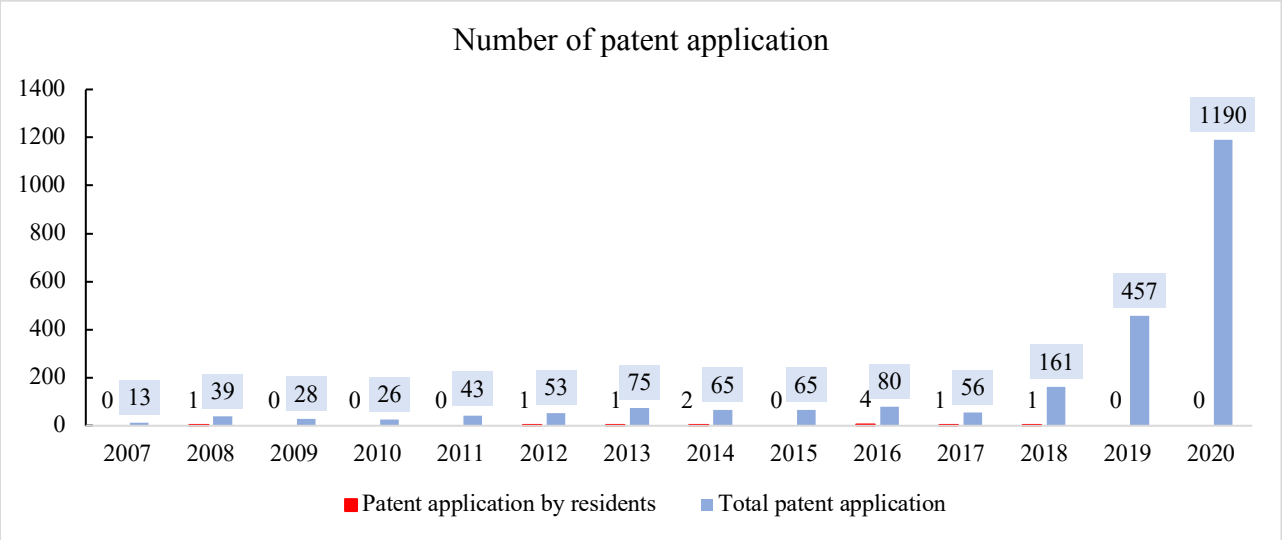
3) the coordinating body lacks full authority to drive the task. A few possible solutions requested by the agency in-charge to address the above challenges are: 1) better allocation of budget and time to support the implementation, 2) an inter-ministerial discussion needed to clearly define the principles of support to SME hubs development in avoidance of a case-by-case support basis, and 3) delegation of coordinating power to the Ministry in-charge in order to organize and coordinate the task.

According to the report from Line Ministries, the implementation of the policy measures under this intervention area is on the right track, starting from the roll-out of the SME Bank and the Cambodian Credit Guarantee Corporation to help SMEs easily access funding. More trainings to support SMEs are needed to enhance capacity of SMEs in general management, production system and technology management. Last but not least, there should be a uniform framework to provide incentives to SMEs and SME hubs development in avoidance of a case-by-case provision.

3.4 Review of Immediate outcomes in the intervention area **"Increase Industrial Innovation"**

3.4.1 Quantitative analysis of the outcomes in the intervention area

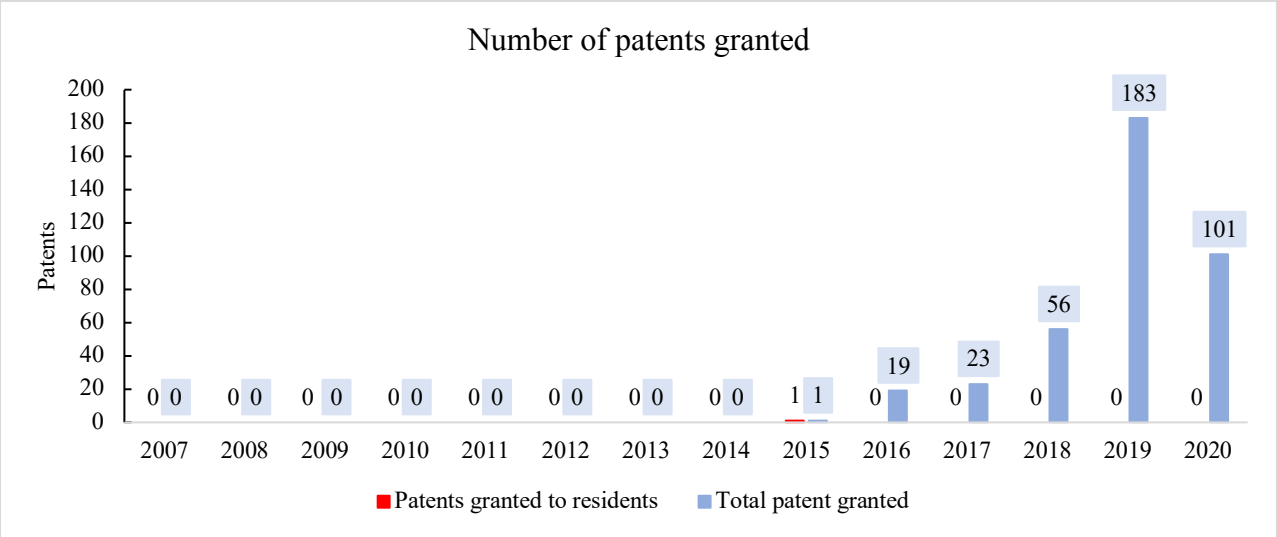
Figure 1.36: Number of patent application (2007-2020)



Source: MISTI

Figure 1.36 shows the number of patent applications from 2007 to 2020. Total patent applications increased during the pre-IDP and IDP periods while it was 13 applications in 2007 and 65 in 2015. Notably, during the last three years of the first IDP period they sharply grew to 1,190 applications in 2020. However, overall, only very few patent applications per year were applied for by Cambodia residents while some years had no patent application by residents at all. Most patent applications applied by non-residents are for innovation found in their home country and aim at extending their business with this innovation to Cambodia.

Figure 1.37: Number of patents granted (2007-2020)



Source: MISTI

Figure 1.37 shows the number of patents granted from 2007 to 2020. There were dozens of patent applications each year from 2007 to 2014 (seen Figure 7.6.2.1), but none of them was awarded the patent due to two reasons: (1) those applications have a lack of required documents and fail to meet required qualifications and (2) limited knowledge and expertise of the local patent examiners to evaluate applications at this period. It was only in 2015 when the first patent application was successful. Since 2015, total patents granted steadily grew up to 183 in 2019 due to the efforts of MISTI and the support from development partners in forming cooperation with Singapore's intellectual property office and other intellectual property related units in Japan, Korea, China, Europe, and the United States, etc. to accelerate the examination of patent applications. It is worth noting that some patent applications take more than one year to get approval or are withdrawn by applicants before a final decision is made.

There were only 11 patent applications filed by residents in total from 2008 to 2018. Only one of them was successful in 2015.

3.4.2 Assessment of the policy design of the intervention area

The assessment of 16 policy measures associated with this intervention area clearly demonstrates that IDP puts more focus on "technological innovation" and less on "organizational innovation". The strong emphasis that IDP places on technological innovation could be observed in the desired outcome of each policy measure. The large numbers of policy measures under this intervention area illustrates the critical importance that IDP attaches to industrial innovation. Most of the policy measures fall under the responsibility of the Ministry of Industry, Science, Technology and Innovation. The 16 policy measures are categorized into two main clusters which include (1) basic innovation infrastructure (9 policy measures) and (2) research and development (R&D) (7 policy measures) (see figure 1.38).

Just as our economy needs physical infrastructure to grow, innovation also needs infrastructure of its kind. Thus, Cluster 1 "basic innovation infrastructure" aims at helping innovation come into existence by building innovation infrastructure which includes but is not limited to a nation's education system, public investment in basic science, worker training and retraining, and other soft infrastructures. This cluster contains nine policy measures. Four policy measures "Improve the effectiveness of the process of registering industrial property rights…", "Take practical actions to strengthen the implementation of standards, …", "Raise awareness of the importance of standards, metrology and industrial property rights …", and "Expedite the preparation of regulatory framework and measures …" aim at creating basic conditions for innovation to exist and flourish by introducing and further improving the

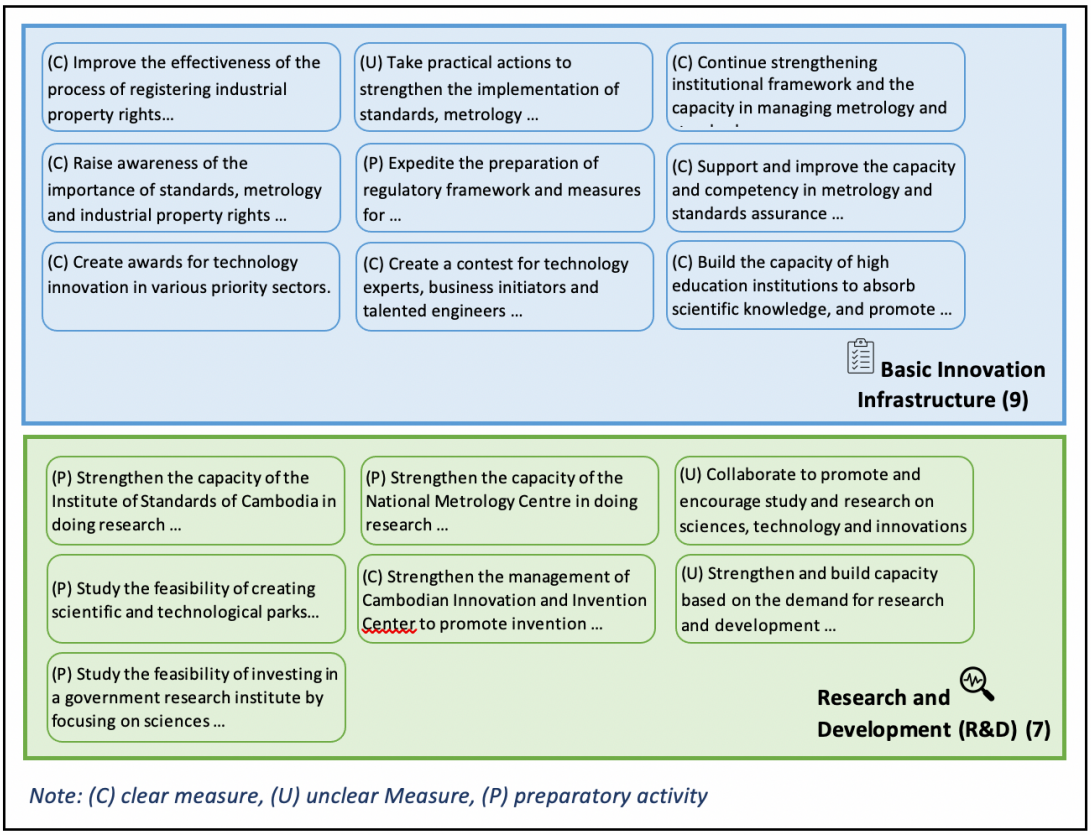
regulatory framework and processes of innovation infrastructure such as metrology, intellectual property rights (IPR), standards and so forth. IPR, once enforced, could prevent "unauthorized" replication of inventions and innovations; thus, encouraging businesses to innovate with confidence and assurance.

Other innovation infrastructures are also critical to promote innovation as they could ensure the safety, reliability and robustness of the new/adopted technology. To successfully build innovation infrastructure, three policy measures "Continue strengthening institutional framework and the capacity …", "Support and improve the capacity and competency in metrology …" and "Build the capacity of high education institutions to absorb…" focus on building the capacity of public institutions to be better at managing these infrastructures and education institutions to absorb scientific knowledge. The other two policy measures "Create awards for technology innovation in various priority sectors" and "Create a contest for technology experts, business initiators and talented engineers …" aim at building human resources as it is another critical element of innovation infrastructure. To foster innovation, it is important to ensure that there will be sufficient qualified individuals to work in the field of science, technology, engineering and mathematics (STEM). The improved and sufficient innovation infrastructure would greatly increase the innovative entrepreneurial activities in Cambodia, thereby increasing overall industrial innovation. However, the means to implement one of the nine policy measures are not clearly specified while one of the measures is preparatory in nature. "Take practical actions to strengthen the implementation of standards, …" is an unclear measure as the means to implement the measure is not stated. "Expedite the preparation of regulatory framework and measures …" is a preparatory measure as there is no immediate effect upon the implementation of the measure.

Cluster 2 "Research and Development (R&D)" focuses on strengthening the capacity to conduct R&D, increasing R&D related activities and expenditure on R&D. This cluster contains four preparatory, two unclear and one clear policy measures. Two policy measures entail two feasibility studies that would guide investment in a government research institute and the creation of scientific and technological parks that would function optimally to provide industrial research. In addition to the research facilities and budget to get the R&D started, it is important to also build the capacity to conduct R&D. Hence, five policy measures, which are "Strengthen the capacity of the Institute of Standards of Cambodia in doing research …", "Strengthen the capacity of the National Metrology Centre in doing research …", "Collaborate to promote and encourage study and research on sciences, technology and innovations", "Strengthen and build capacity based on the demand for research and development …", and "Strengthen the management of Cambodian Innovation and Invention Center to promote invention …", focus on building the capacity of public institutions in conducting R&D. The focus on R&D is essentially an investment in technology and future capabilities that could bring endless possibilities; hence, it is one of the elements that is critical for cultivating innovation.

In terms of scope, the 16 policy measures are deemed insufficient for bringing out the immediate increase in industrial innovation. The nine measures in cluster 1 are sufficient for building the basic innovation infrastructure in Cambodia. However, the seven policy measures in cluster 2 could not promptly boost R&D in Cambodia. There should be more clear measures to promote R&D as it is the heart of technological innovation.

Figure 1.38: Two clusters of policy measures supporting intervention area "improve industrial innovation"



Note: (C) clear measure, (U) unclear Measure, (P) preparatory activity

Synergy and trade-offs

In this intervention area, most policy measures are found to be highly compatible and complementary. Take three policy measures relating to innovation infrastructures as an example. Policy measure "Raise awareness of the importance of standards, metrology and industrial property rights …" rightly complements the other two policy measures, "Continue strengthening institutional framework and the capacity in managing metrology and standards, which are the foundation of industrial activities" and "Improve the effectiveness of the process of registering industrial property rights by way of implementing collaborative procedures to recognize". To increase industrial innovation, it is imperative to have in place first and foremost sufficient innovation infrastructure so that innovation could exist and thrive. Thus, it is important to ensure that public institutions are capable of introducing and managing those infrastructures. It is not sufficient to just build and provide those infrastructures. Making sure that firms would use the provided infrastructures is also crucial; thus, the importance of those infrastructures should be broadcasted.

Other than these complementary effects, there are no cases of trade-offs between policy measures in this intervention area. They, in fact, complement each other in quest to increase industrial innovation.

Effectiveness and Efficiency

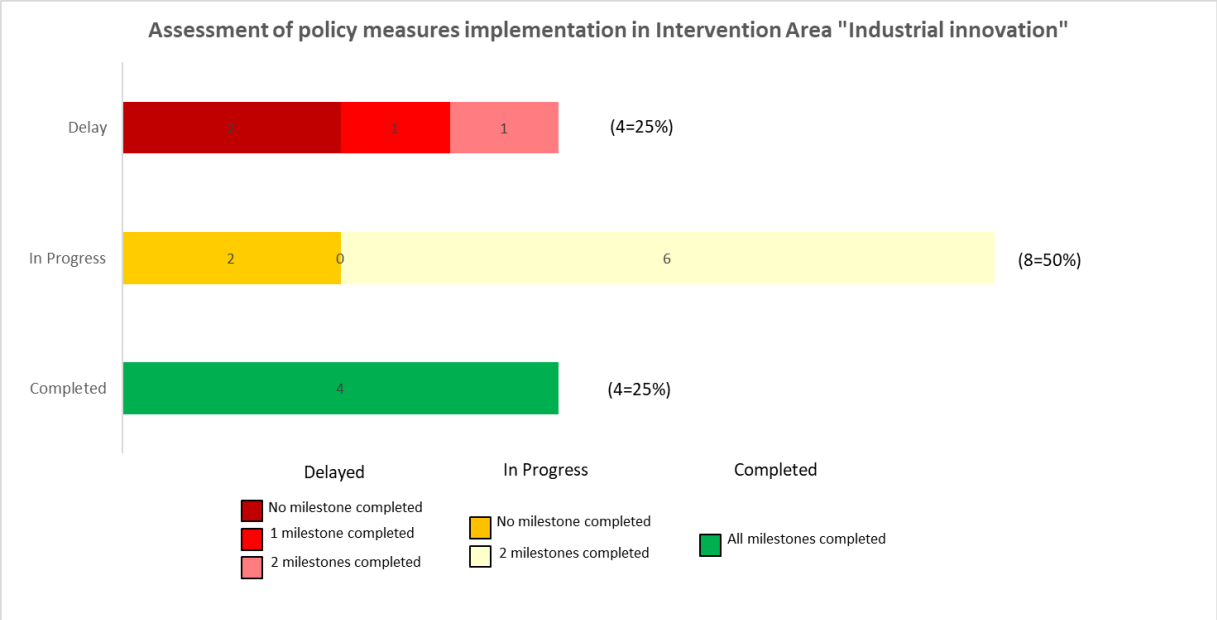
With regard to effectiveness and efficiency, there is one instance of duplication among the 16 policy measures. A Policy measure which is "Support and improve the capacity and competency in metrology and standards assurance …" overlaps with another policy measure, "Continue strengthening institutional framework and the capacity in managing metrology and standards, which are the foundation of industrial activities…". This is because they have the same objective, which is to introduce and to have higher compliance in standards and metrology and the same means, which is to improve the capacity of National Metrology Centre and Institute of Standards of Cambodia in managing metrology and standards.

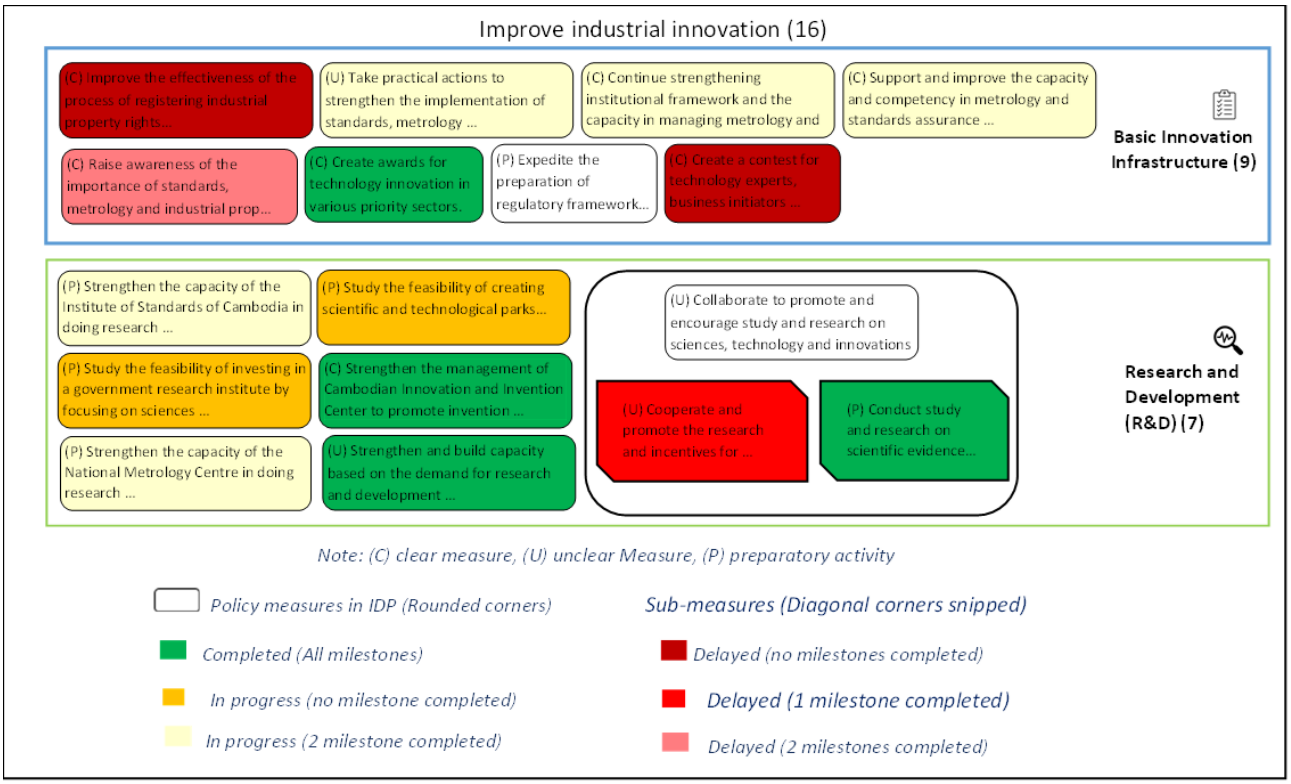
Additionally, it appears that there are some gaps in this intervention area. First, none of the measures focuses on building a strong and robust innovation system by having university and private sectors collaborate in conducting R&D activities. As they collaborate, they could jointly use research facilities; thus, making it more accessible for students. Moreover, the difficulty of recruiting qualified individuals to work in the field of STEM could be resolved as the businesses, through their collaboration with university, could easily groom and then recruit promising students to work in the field of innovation. Second, no measure aims at creating a clear strategic direction or policy document in the promotion of innovation. Having a clear strategic direction would steer all government agencies in the same direction, making sure that there will be no inconsistency and conflicting policies/policy measures that would hamper the progress of innovation. Third, while most of the policy measures related to industrial innovation in IDP only focus on the supply side, the demand-side policies, despites its importance, are left untouched. Demand-side policies are important in stimulating the demand for innovation, thereby making industrial innovation even more sustainable. Fourth, none of the policy measures addresses organization/process innovation. This type of innovation is just as important as technological innovation as it could improve the performance of businesses by reducing administrative or transaction costs, improving productivity and so forth. The innovative business model or the new work routines could contribute to the increase in competitiveness and resource efficiency of each individual firm and ultimately the overall industrial sector.

In conclusion, IDP has set a proper starting point to promote industrial innovation in Cambodia. The 16 policy measures contain some good elements and might have the potential to increase industrial innovation in Cambodia. Nevertheless, to significantly increase industrial innovation, more clear and focused measures should be added.

3.4.3 Assessment of the policy implementation of intervention area

Figure 1.39: Assessment of policy implementation of intervention area "Improve industrial innovation"





There are 16 policy measures identified to support this intervention area. One policy measure is dissected into two sub-policy measures due to its multi-activity nature. For the purpose of having a good reflection on the progress of the multi-activity measures, only the sub-measures are used for the assessment. As a result, there are 16 sub-policy and main measures assessed; four completed measures, eight in-progress, and four delayed.

Cluster one focuses on "Basic innovation infrastructure" has two clear completed measures. Policy framework is set up as the groundwork to build the capacity of high education institutions to absorb scientific knowledge and promote market-driven technological innovation such as policy on higher education vision 2030 (adopted in April 2014) (targeted year 2030) and Policy on Scientific Education, Technology, Engineering and Mathematics (March 2016) (no targeted year). Because of these policies and demands in the labor market, there were around four thousand students studying STEM from 2015 to 2019. On the contrary, under this cluster, there are three measures in progress, and three measures delayed. The issues that hinder the progress of cluster one are: 1) lack of human resource and budget for R&D, and for organizing technology contests, 2) limited institutional capacity (human resource and development of programs for industrial ownership registration), and 3) lack of participation from private sectors and other stakeholders. The possible solutions suggested by the responsible Line Ministry are: 1) request additional human resources to strengthen R&D and direct funding to implementing units, and more budget for the technology contest, 2) require assistance from stakeholders and development partners for capacity building on industrial registration program, and 3) engage the private sector and stakeholders more frequently.

Cluster two "Research and Development (R&D)" also has two measures completed; one of which is an unclear measure, and another one is a preparatory activity. A Policy framework was established as the basis to build the R&D capacity in industrial technology, which is a policy on research development in the education sector (adopted in 2010). The policy was designed to build research culture in various higher education institutions, and to ensure the link between training and research institutions. At the same time, at the policy level, there were also evidence-based policy research on labor economy, productivity and competitiveness conducted. From 2015 to 2019, there were three

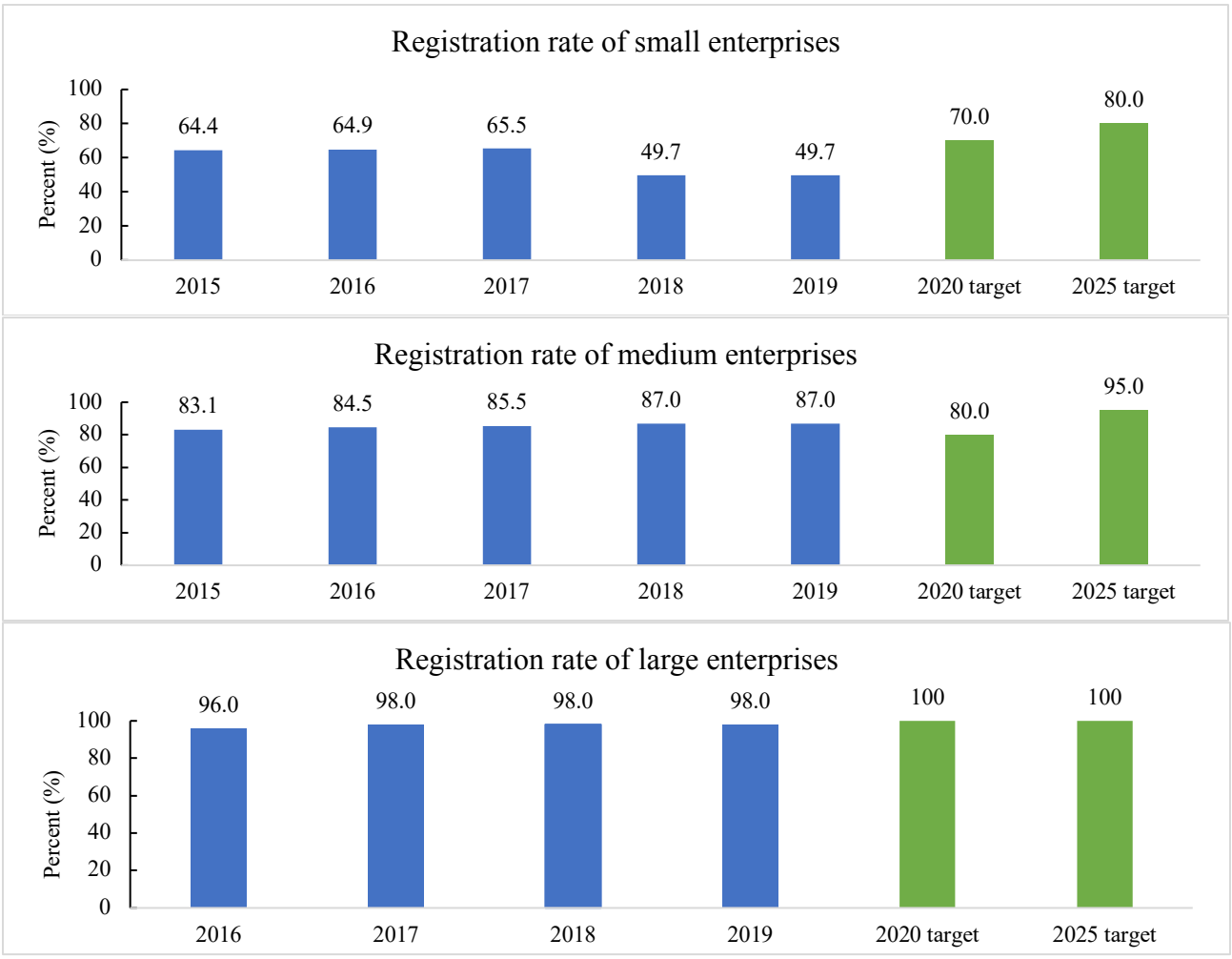
policy papers produced on average on a regular basis to inform the policymakers on the subject matters so that evidence-based decisions can be taken to enhance the national policies. However, there are five measures in progress, and one measure delayed. There are a few matters that challenge its progress, as well, such as 1) limited time, human resource and budget, and 2) lack of up-to-date information and documents. The Line Ministries suggested that better allocation of time, human resource and budget is needed, as well as, expedition of the research process and discussion with other Line Ministries.

Overall, 25 per cent of the policy measures under this intervention area are completed, while about 50 per cent and around 25 per cent are in progress and delayed respectively. This shows that more works need to be done to accomplish further progress in this intervention area.

3.5 Review of Immediate outcomes in the intervention area **"Modernization of SMEs"**

3.5.1 Quantitative analysis of the outcomes in the intervention area

Figure 1.40: Registration rate of small, medium and large enterprises (%)

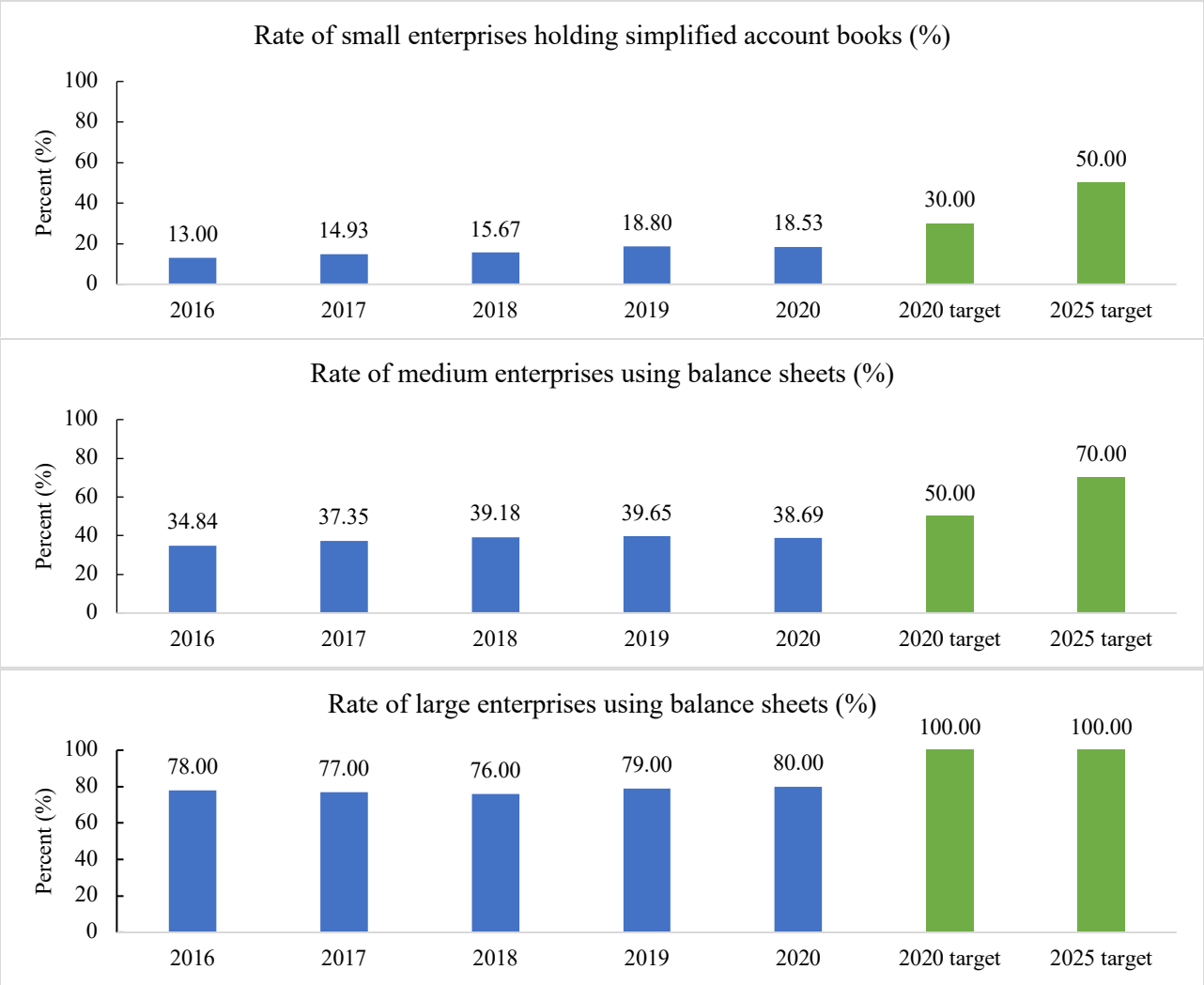


Source: MISTI

Figure 1.40 shows the registration rates of small and medium-sized enterprises from 2015 to 2019 and the registration rate of large enterprises from 2016 to 2019. The registration rate of small enterprises steadily increased from 64.4% in 2015 to 65.5% in 2017, but it had a downturn (49.7%) in 2018 and 2019, which was lower than the target rate (70%) in 2020. Meanwhile, the registration rate of medium enterprises steadily grew from 83.1% in 2015 to 87% in 2019, which achieved the target rate (80%) in 2020 but has not yet reached the target rate (95%) for 2025. The registration rate of large enterprises slightly increased from 96% in 2016 to 98% in 2017 and remained unchanged for

subsequent years. This registration rate in 2019 was 98%, which was slightly lower than the target rate (100%) in 2020 and in 2025.

Figure 1.41: Rate of small, medium and large enterprises using balance sheets/ holding simplified account books (%)



Source: GDT-MEF

Figure 1.41 shows the rates of enterprises using balance sheets/holding simplified account books. The rate of small enterprises holding simplified account books increased from 13% in 2016 to 18.53% in 2020, lower than the 2020 target rate of 30%. It is worthy to note that the Ministry of Economy and Finance has simplified accounting systems for small taxpayers starting from 2016 onwards, so the usage of balance sheets is not required for small enterprises. Meanwhile, the rate of medium enterprises using balance sheets increased from 34.84% in 2016 to 38.69% in 2020, lower than the 2020 target rate of 50%. The rate of large enterprises using balance sheets also increased from 78% in 2016 to 80% in 2020, but still falls short of the 2020 target rate of 100%.

From these findings, it is obvious that a large number of small firms are still reluctant to integrate their business into the formal sector although the government introduced a simplified accounting system for small businesses in late 2015. IDP has made a positive progress in promoting official registration for medium-sized businesses but underperformed in promoting small firms to officially establish.

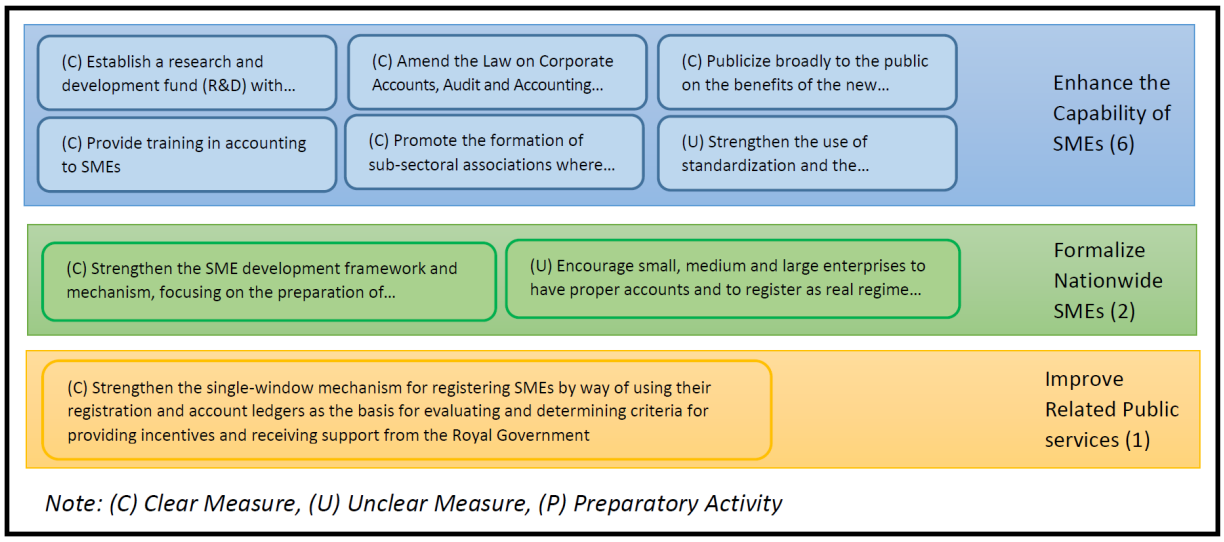
3.5.2 Assessment of the policy design of the intervention area

The assessment of the nine policy measures under this intervention area demonstrates that IDP does pay attention to strengthening the competence of SMEs, which is one of the main factors for modernizing SMEs. The nine policy measures could be grouped into three clusters which are (1) Enhance the capacity of SMEs (6 policy measures), (2) Formalize nationwide SMEs (2 policy measures), and (3) Improve related public services (1 policy measure).

The first cluster concentrates on enhancing the capability of SMEs by promoting standardized audit and accounting practices through training SMEs, publicizing to the public, amending laws on corporate accounts, audit and accounting profession as well as establishing a research and development fund (R&D) and promoting the formation of sub-sectoral associations. The second cluster concentrates on formalizing nationwide SMEs through strengthening the SME development framework and mechanism and incentivizing them to have proper accounts and fully registering them as real regime taxpayers to allow them to absorb the benefits from incentives and supports from the government. The third cluster focuses on improving related public services as such strengthening the single-window service mechanism for registering SMEs. These findings suggest that enhancing the capability of SMEs could be the prioritized key pillars that IDP expects to accomplish with regards to modernizing SMEs.

In terms of scope and design, it appears that four out of nine policy measures are sufficient and stand out to significantly contribute to achieving the intended impact, which is to modernize SMEs in Cambodia. These four focus on "amend the Law on Corporate Accounts, Audit and Accounting Profession […]", "publicize broadly to the public on the benefits of the new simplified accounting system […]", "provide training in accounting to SMEs" and "promote the formation of sub-sectoral associations […]". The findings from this review do not, however, conclude that only four policy measures, if successfully put into action, will define a complete structure of success to modernize SMEs. The contribution of the other policy measures will still outweigh the necessity of this intervention area as long as they are not duplicating one another.

Figure 1.42: Three clusters of policy measures supporting Intervention Area "Modernization of SMEs"



Synergy and trade-offs

Among the policy measures associated with this intervention area, some of them are found to complement one another. For instance, there are four policy measures, three of which belong to enhancing the capability of SMEs cluster and one belongs to formalizing the nationwide SMEs cluster. The first measure concerning the "*encouragement of SMEs to have proper accounts and to register as real regime tax payers*" could not possibly be achieved if SMEs do not have adequate

knowledge on how to create proper accounts, keep records of accounts as well as how to officially register as real regime tax payers. Due to this, the second policy measure that has a target to "*provide training in accounting to SMEs*" takes place to supplement supports for SMEs by training SMEs to have a proper accounting system as well as become capable of holding proper account and balance sheets.

To guarantee that SMEs will be willing to learn and adopt the formal and proper accounting system, it requires the role of the third and fourth policy measures that intend to "*amend the Law on Corporate Accounts, Audit and Accounting Profession to introduce a simplified accounting standards for SMEs*" and "*publicize broadly to the public on the benefits of the new simplified accounting system for SMEs".* These two measures will help with regards to the awareness raising for SMEs about the long run benefits of the new accounting system that they will gain from the Royal Government when they discontinue using their traditional way of recording, therefore, enabling these SMEs to develop and modernize.

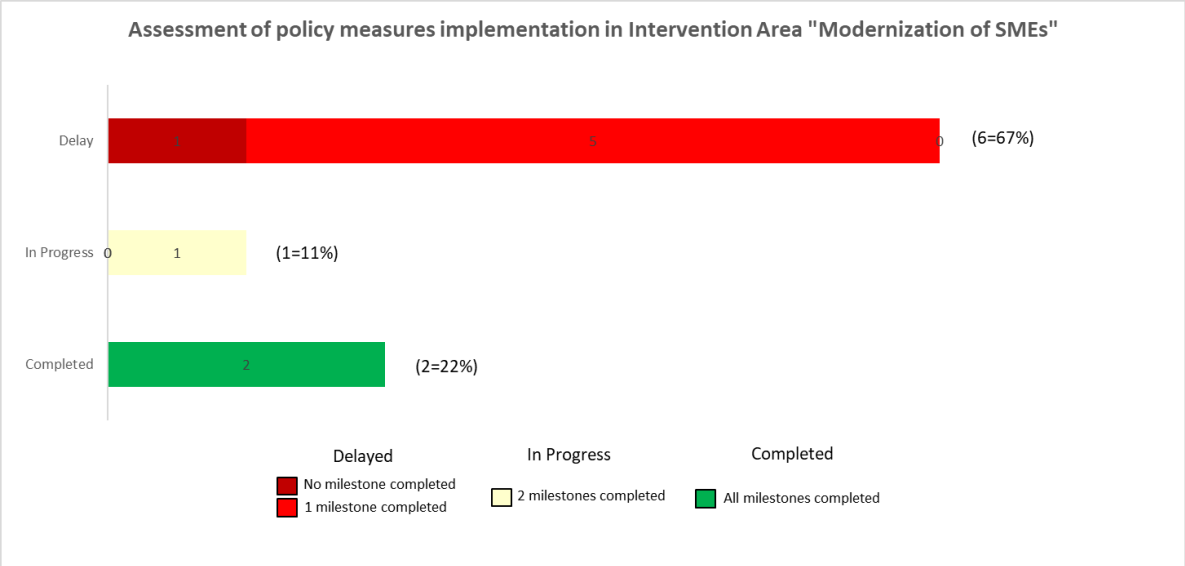
Other than these complementary effects, no case of trade-offs between policy measures is detected in this intervention area.

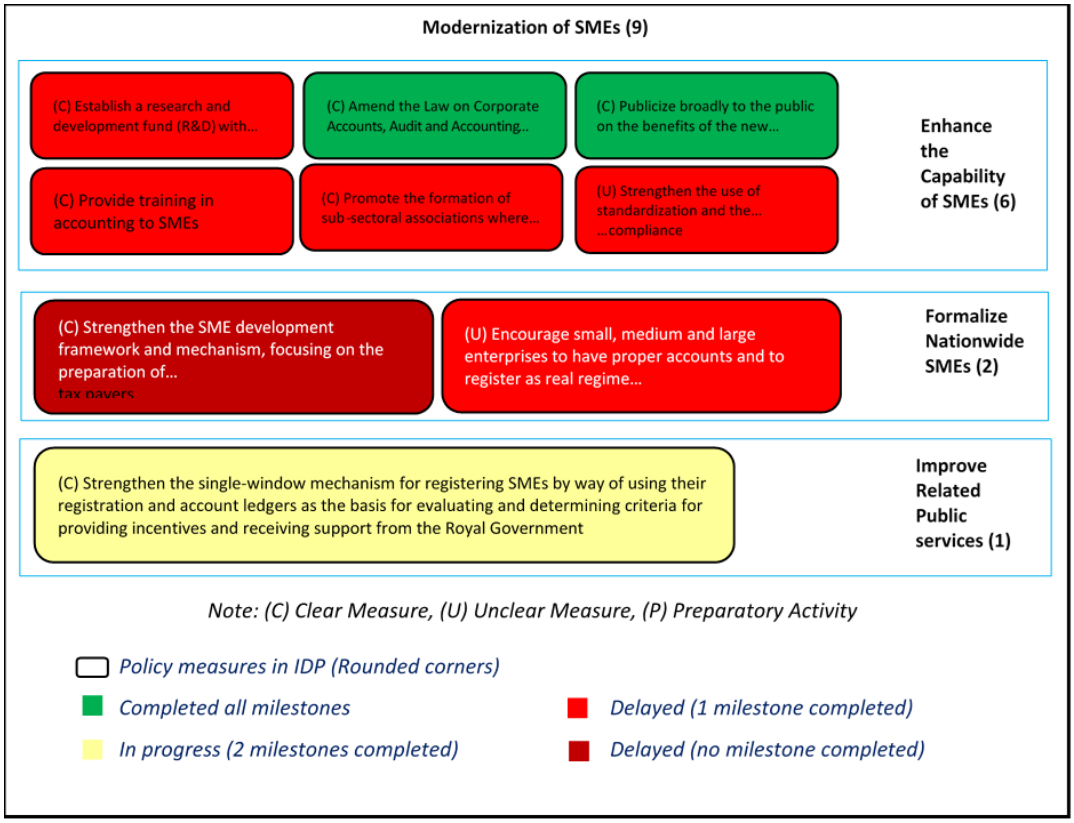
Effectiveness and efficiency

In terms of effectiveness and efficiency on the policy design level, it can be noticed that there is no case of duplication among the policy measures. However, while the majority of the policy measures corresponding to this intervention area give particular consideration to addressing many barriers hampering SMEs modernization by enhancing the capability of SMEs and supporting them in the area of formalization of SMEs, IDP could also consider the provision of incentives to SMEs to be in the formal system. Furthermore, the establishment of a specialized agency to support SMEs would also bring great benefits to modernizing SMEs. This is because, besides the provided incentives stated earlier, there are other kinds of support and assistance for SMEs such as specific technical support and assistance for technology upgrade or technology adoption, standardization as in the case of Spring Singapore, which works as an agency for enterprise development and helps enterprises to enhance their competitiveness in the market.

3.5.3 Assessment of the policy implementation under intervention area 3.5 "Modernization of SMEs"

Figure 1.43: Assessment of policy implementation of intervention area "Modernization of SMEs"




Modernization of SMEs (9)
(C) Establish a research and development fund (R&D) with...
(C) Amend the Law on Corporate Accounts, Audit and Accounting...
(C) Publicize broadly to the public on the benefits of the new...
(C) Provide training in accounting to SMEs
(C) Promote the formation of sub-sectoral associations where...
(U) Strengthen the use of standardization and the... ...compliance
Enhance the Capability of SMEs (6)
(C) Strengthen the SME development framework and mechanism, focusing on the preparation of... tax payers
(U) Encourage small, medium and large enterprises to have proper accounts and to register as real regime...
Formalize Nationwide SMEs (2)
(C) Strengthen the single-window mechanism for registering SMEs by way of using their registration and account ledgers as the basis for evaluating and determining criteria for providing incentives and receiving support from the Royal Government
Improve Related Public services (1)
Note: (C) Clear Measure, (U) Unclear Measure, (P) Preparatory Activity
Policy measures in IDP (Rounded corners)
Completed all milestones
In progress (2 milestones completed)
Delayed (1 milestone completed)
Delayed (no milestone completed)

This intervention area has nine policy measures; two measures completed, one in progress, and six delayed.

The two completed policy measures are about introducing simplified accounting for SMEs through amendment of the Law on Corporate Accounts, Audit and Accounting Profession, and publicizing the benefits of simplified accounting for SMEs. To make the new simplified accounting standards appealing to SMEs, the National Accounting Council has established a series of regulations and announcements. Over a period of five years (2016-2020), there are three sub-decrees, nine announcements, and three guidelines. The simplified accounting system is publicized four times to 200 enterprises annually.

One policy measure that is still in progress has faced a lack of cooperation from relevant line ministries to integrate a registration system for SMEs under a single-window mechanism. However, as a solution, the RGC created an online platform called CamDX, allowing the enterprises to register online or receive any administrative services online from various line ministries.

There are three challenges contributing to the delayed implementation of four policy measures: 1) a lack of human and financial resources, 2) a lack of time to conduct in-depth research and raise awareness of the private sector, and 3) Covid-19. At the same time, the ministries in-charge also offer a few suggestions to address the above-mentioned challenges: 1) revise action plans to adapt to new contexts, recruit more staffs and build the capacity of current staffs, 2) expedite the completion of the research, and 3) speed up the review and prepare meetings with line ministries.

The implementation of policy measures under these intervention areas is mostly delayed. On the other hand, even if all measures in this intervention were to be completed, there would probably be little impact on the formalization of SMEs. In other words, the policy measures put in place are not enough to encourage SMEs to become formal. Therefore, there is still more work to be done regarding this matter, as the development of SMEs is one of the core factors for a country's resilient development.

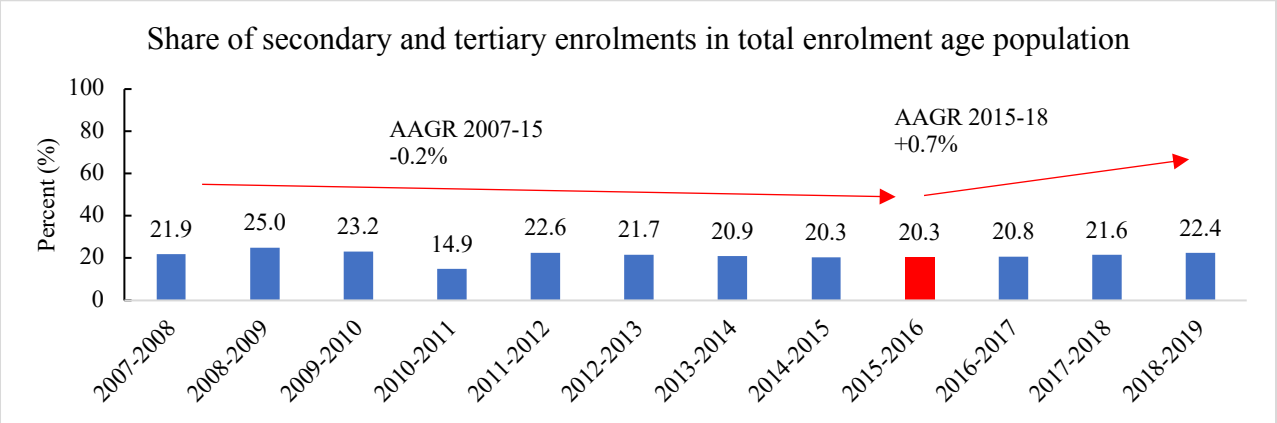
On a side note, the implementation of these measures is complementary to the implementation of measures under intervention area 3.3 "Rebalancing between large companies and SMEs".

4. Contribution of Primary Intervention Areas to Objective "Improve Quality of Employment "

4.1. Review of Immediate outcomes in the intervention area "**Skill and human resource development**"

4.1.1 Quantitative Analysis of the outcomes in the intervention area

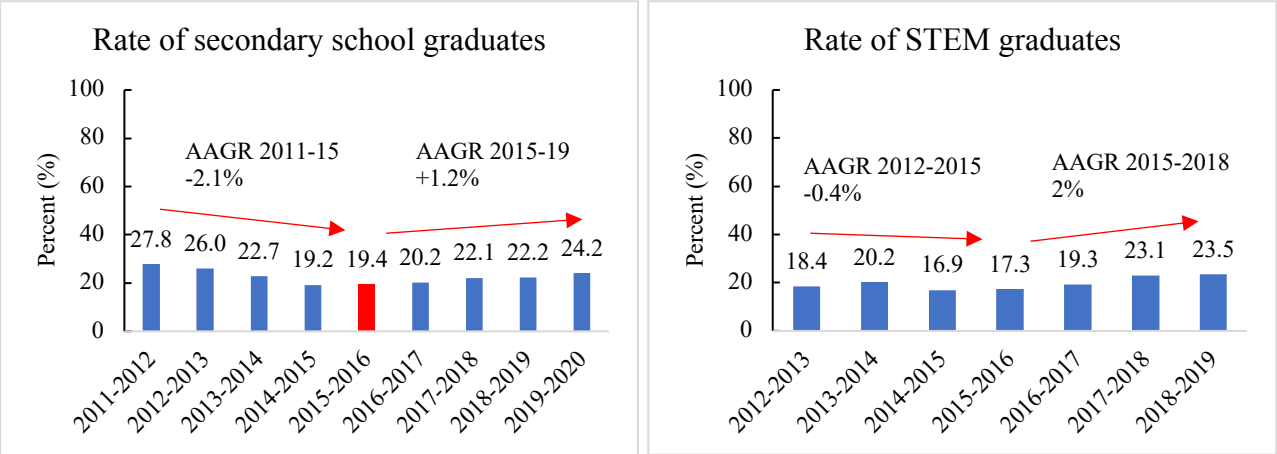
Figure 1.44: Share of secondary and tertiary enrolments in total enrolment age population



Source: MOEYS

Figure 1.44 shows the share of secondary and tertiary enrolments in total enrolment age population from academic year 2007-2008 to 2018-2019. The total enrolment age population focuses on the 12-26 year-old population while secondary and tertiary enrolments includes only people aged 12-26 years that are enrolled in secondary school and university. The share of secondary and tertiary enrolment in total enrolment age population is used to capture the skills and education profile of the future workforce. The share was stagnant at around 20% to 22% since the academic year 2007-2008 although it slightly increased by approximately 0.7% per annum during the IDP period (2015-2019). Meanwhile, a closer look at the raw data revealed that the secondary education enrolment rate (41.9% in academic year 2018-2019) had a better performance than the tertiary education (7.9% in academic year 2018-2019) in terms of both quantity and growth rate.

Figure 1.45: Rate of secondary school graduates and STEM graduates



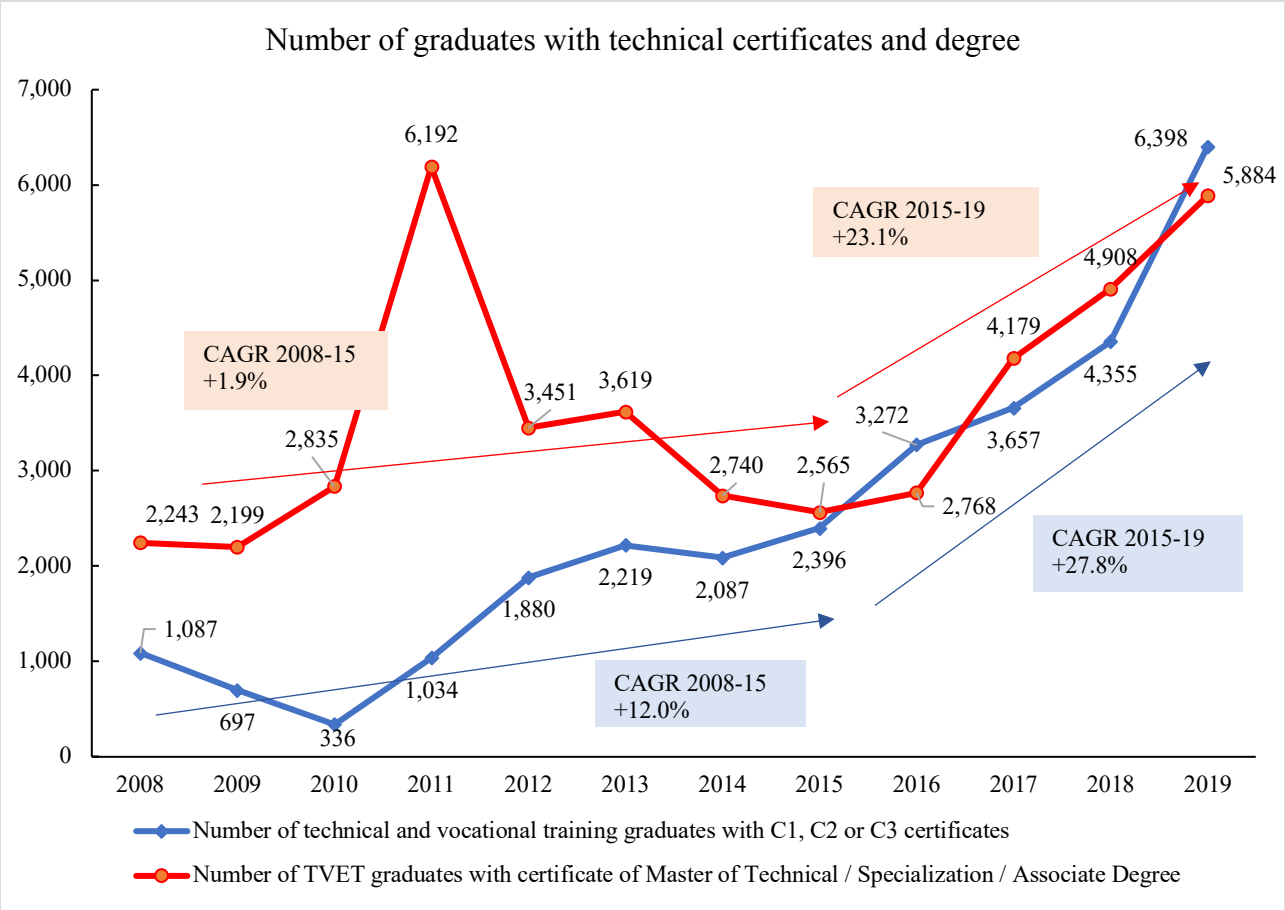
Source: MOEYS

Figure 1.45 shows the rate of secondary school graduates from the academic year 2011-2012 to 2019-2020 and the rate of graduates in science, technology, engineering and mathematics (STEM) from the academic year 2012-2013 to 2018-2019. The rate of secondary school graduates is a ratio of the number of new students enrolled in grade 12 over the total population aged 17 years in the academic year (T). The total number of STEM graduates divided by total number of students graduated from tertiary education is the rate of graduates in STEM.

The rate of secondary school graduates grew from 19.4% in 2015-2016 to 24.25% in 2019-2020 while its growth rate changed from negative (-2.1% p.a.) for the pre-IDP period to positive (+1.2% p.a.) for the IDP period (see left panel). Showing a similar trend, the rate of STEM graduates increased from 17.3% in 2015-2016 to 23.5% in 2018-2019 while its growth rate experienced a negative trend (-0.4%) for the pre-IDP period that changed to a positive trend (+2% per year) for the IDP period.

In conclusion, general education attainment has not been improving at a very fast rate, which could present a bottleneck for upgrading the quality of employment in the long run. The currently enrolled students will enter the labor market in the next 5 years, so with low enrolment now, the education level will probably remain stagnant until the end of the IDP period in 2025. It can be concluded that IDP might have only contributed to the improvement of the supply of educated workforce and young workforce with scientific and technology-related skills at a very small fraction.

Figure 1.46: Status of young workforce receiving vocational training



Source: MLVT

Figure1.46 shows the status of young workforce receiving vocational training and technical degree from 2008 to 2019, thereby evaluating how many technicians enter the labour market. The number of TVET graduates with C1, C2 or C3 certificates was 2,396 graduates in 2015, which was twice as much as that in 2008, and continued to increase, reaching 6,398 graduates in 2019. Its growth rate during the IDP period (27.8% per annum) was faster than its growth rate during the pre-IDP period (12% per annum). Meanwhile, the number of TVET graduates with certificate of Master of Technical/Specialization/Association degree rapidly increased from around 2,600 in 2015 to 5,900 in 2019 with an annual growth rate of 23.1% per annum, which was much faster than the growth rate during the pre-IDP period (1.9% per annum).

In the short-term, the rapidly increasing higher number of technical/TVET graduates will make it a bit easier for industrial companies to hire more qualified technicians in order to expand their operations. The IDP, therefore, has contributed positively to the supply of skilled labour and technicians into the market.

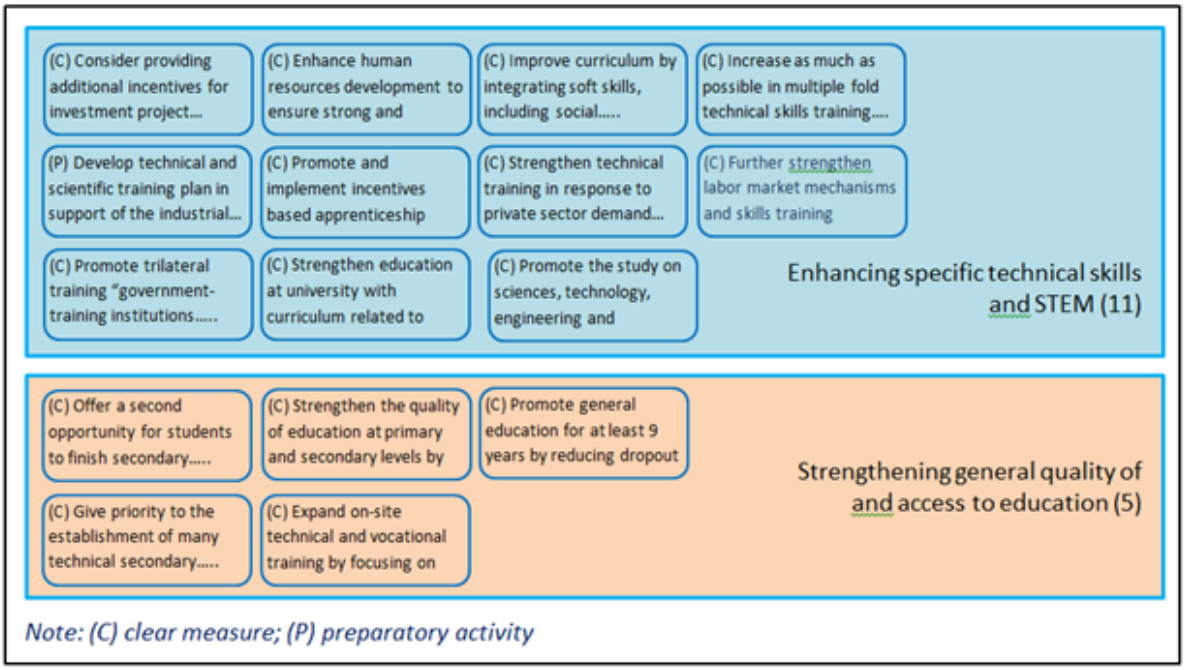
4.1.2 Assessment of the policy design of the intervention area

There are 16 IDP measures associated with this intervention area which can be clustered into two clusters: (1) enhancing specific technical skills and STEM (eleven policy measures) and (2) strengthening general quality of and access to education (five policy measures).

The qualitative assessment of 16 policy measures associated with this intervention area reveals that enhancing specific technical skills and STEM and strengthening the general quality of and access to education are prioritized cornerstones that IDP expects to achieve in response to the skills shortage problem that Cambodia is facing.

In terms of scope and design, it appears that seven out of 16 policy measures stand out to be sufficient in achieving the intended impact, which is to develop skills and human resources. Four of the seven policy measures aim to "improve curriculum by integrating soft skills…", "increase as much as possible in multiple fold technical skills training…", "strengthen education at university with curriculum related to agriculture sciences and other important sciences…", and "promote the study on sciences, technology, engineering and mathematics (STEM)…" are highly likely to generate huge positive impacts on enhancing specific technical skills and knowledge among workforce for the industrial labor demand. Other three policy measures including "[…] the establishment of many technical secondary schools…", "[expanding] on-site technical and vocational training by focusing on factory workers…", and "[promoting] general education for at least 9 years…" are important measures that contribute to promoting access to education, which is also crucial for skill and human resource development. However, findings from this review do not suggest that only seven policy measures, if effectively implemented, will define a success scenario of skills and human resource development. The contribution of other policy measures will remain significant to this intervention area as long as they are not duplicating one another.

Figure 1.47: Two clusters of policy measures supporting intervention area "improve skill and human resource development"



Synergy and trade-offs

Some policy measures are found to complement one another. For example, there are synergy effects among two policy measures, which aim to increase the workforce with scientific and technology-related skills. The first measure focuses on promoting "[…] the study on sciences, technology, engineering and mathematics (STEM) from primary education to the post-secondary education level with special focus on students coupled with curriculum reform through standardization of programs from primary education level up"; this measure alone cannot ensure to produce a high-qualified workforce with scientific and technology-related skills. In this regard, another policy measure that focuses on "[strengthening] the quality of education at primary and secondary levels by focusing on strengthening basic knowledge for children and youth in mathematics, sciences, literature and technology" seems to complement the previous policy measure in order to produce a high-qualified workforce with scientific and technology-related skills. This is because without good quality of education, students might not be able to fully obtain the knowledge and skills they have studied.

Another case of synergy effects can be observed between other three policy measures, which aim to increase the technical skills needed to build the base of industrial development. The first policy measure focuses on "increasing as much as possible in multiple fold technical skills training in electrical, electronics, mechanics, chemistry, standards and metrology…"; the second policy measure emphasizes "[improving] curriculum by integrating soft skills, including social communication skills in problem solving, respect of working discipline, and other essential skills…"; the third policy measure concentrates on "[…] the establishment of many technical secondary schools…". In order to increase technical skills training, it is important to improve curriculum design which focuses on enhancing the intended skills. Nonetheless, the goal to increase technical skills training would not be achieved without the establishment of technical schools. In this regard, these three policy measures seem to complement one another in order to increase technical skills training needed to build the base of industrial development.

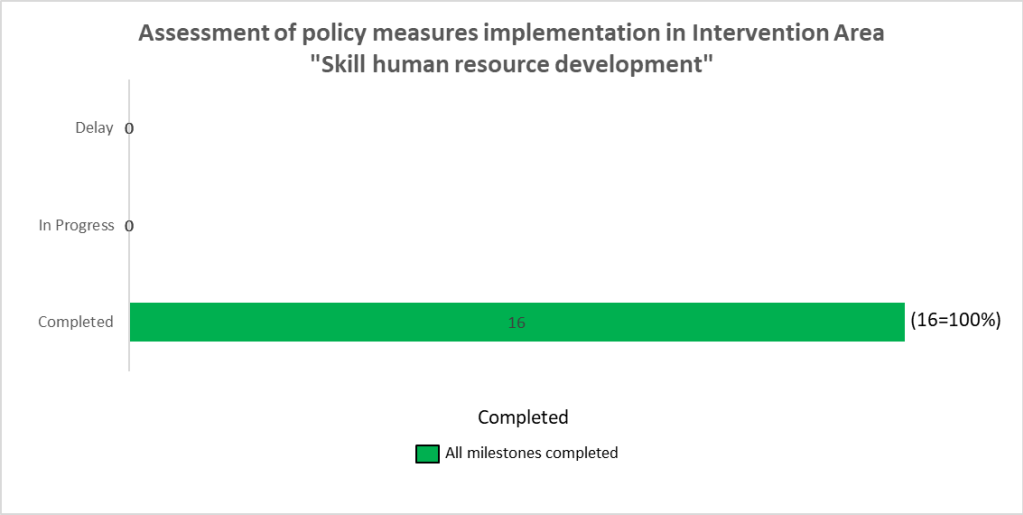
Other than these complementary effects, no case of trade-offs between policy measures is detected for this intervention area.

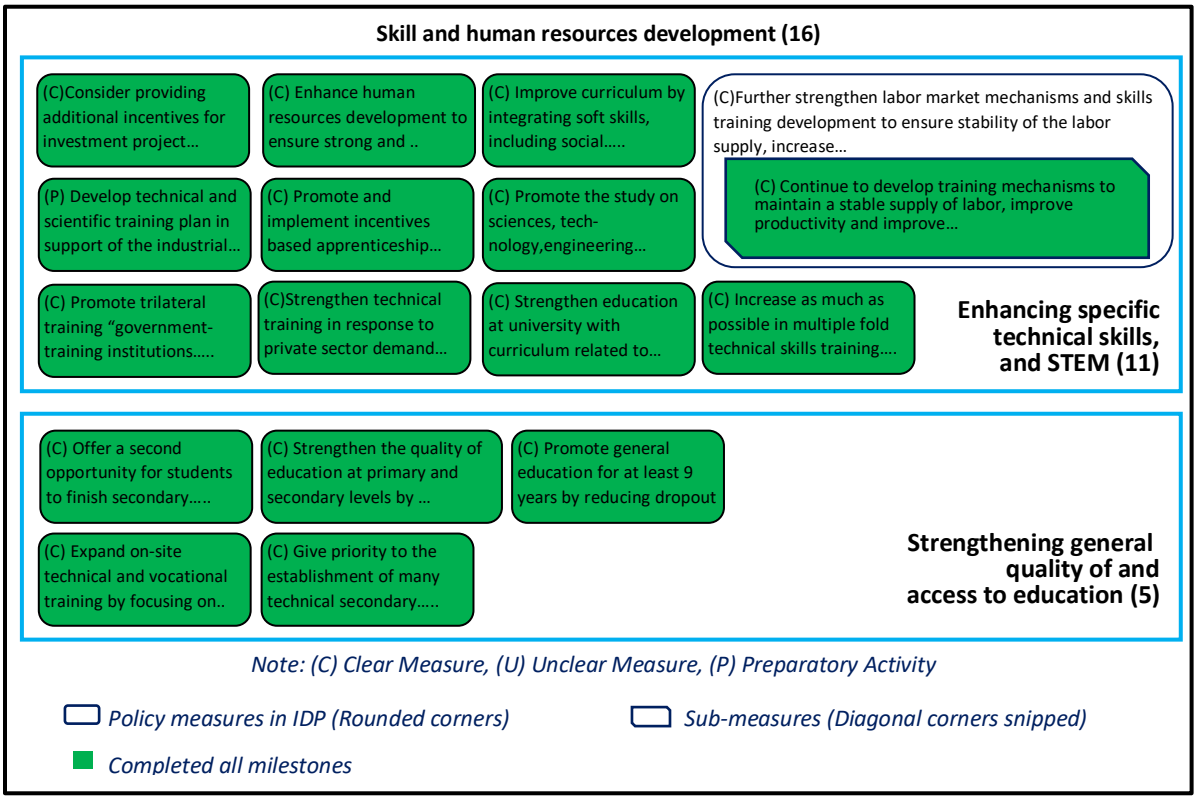
Effectiveness and efficiency

In terms of effectiveness and efficiency of policy design, it can be noticed that there is no instance of duplication among 16 policy measures under this intervention area. However, it appears that there is a gap in the design of this intervention area. According to the National Employment Agency, 47.9% of employers stated that they experienced recruitment difficulties, of which around 53.1% were caused by a low number of applicants with required skills and the lack of work experience or qualification (Employer Survey, 2018). Meanwhile, when it comes to skills that employers look for, foreign language is among other skills that come out on top (Employer Survey, 2018). This indicates that job seekers who do not possess the required skills including foreign language will find it difficult to get a job. However, as most of the policy measures are concentrated on enhancing specific technical skills, R&D, innovation, STEM and other soft skills, the IDP did not mention any policy measure that promotes the study of foreign languages. Proficiency in foreign languages among the workforce is crucially important, especially in this increasingly globalized world where multinational corporations play an important role in job creation.

4.1.3 Assessment of the policy implementation of intervention area

Figure 1.48: Assessment of policy implementation of intervention area "Improve skills and human resource development"





There are 15 policy measures dedicated to support this intervention area. One sub policy measure stemming from one of the four key concrete measures related to managing the labor market is added due to its relevancy. Therefore, as a result, there are 16 sub-policy and policy measures. These measures are all completed.

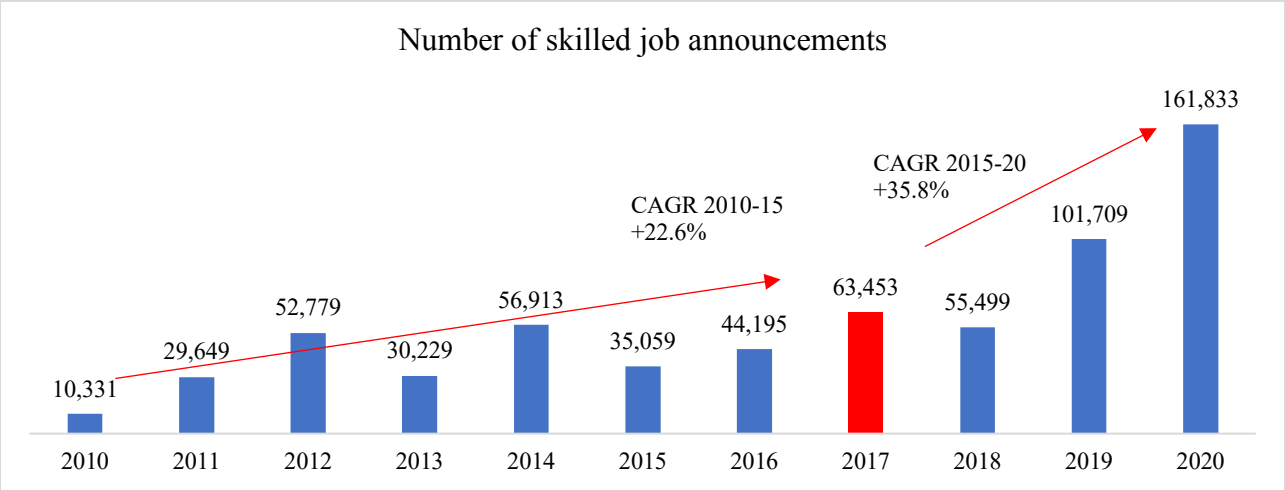
All measures set under this intervention area are achieved, showing momentum in development of skills and human resources. In fact, more technical training institutes are established, and more skills are being tailored for Cambodians to move the job base to the industrial sector. There has also been a rise of the number of graduates from TVET institutes with C1, C2, C3 certificates and higher technical/specialized/associate degree and engineers. Similarly, the rate of STEM graduates has also increased. These indicate that more and more Cambodian students are interested in improving technical skills and choosing a STEM subject. In addition, integrating an apprenticeship scheme in the curriculum of TVET and factories is definitely a useful method for students and workers alike to get hands-on experiences. And this scheme should also be extended to students in general education level as well as university level.

Although, these measures set out in this intervention area are accomplished, there are still many more works to complete to expedite the enhancement of skill and human resource development in Cambodia.

4.2. Review of Immediate outcomes in the intervention area "**Increase Skilled-labor Demand"**

4.2.1. Quantitative Analysis of the outcomes in the intervention area

Figure 1.49: Number of skilled job announcements (2010-2020)

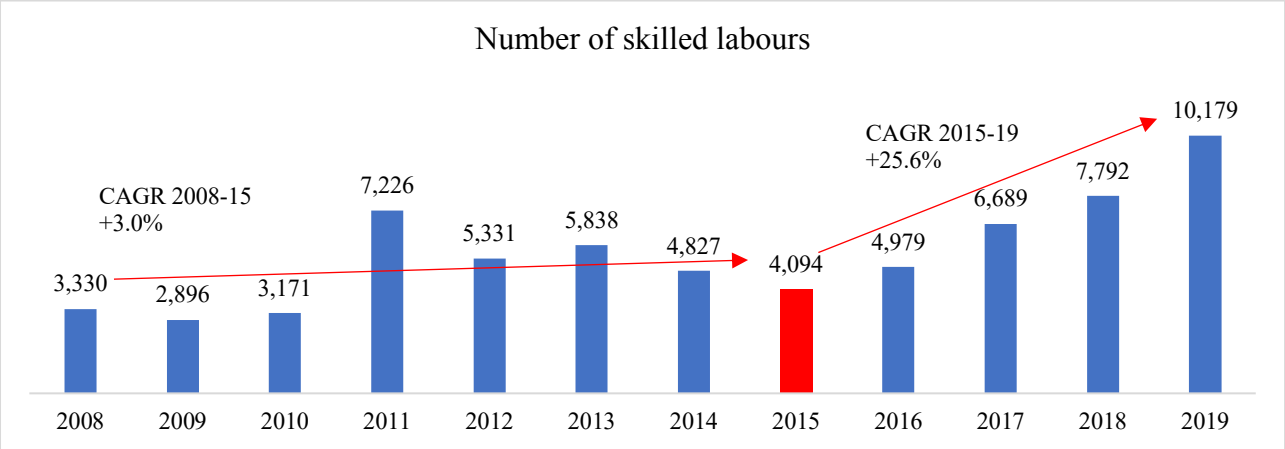


Source: MLVT
Note: The number of skilled job announcements does not include the announcements of elementary occupations which do not require skills, based on ILO's ISCO classification

Figure 1.49 shows the number of skilled job announcements from 2010 to 2020. The number of job announcements in 2015 was about 35,000, three times larger than the figure in 2010. During the first phase of IDP implementation, this number jumped to almost 162,000 in 2020 with an annual growth rate of 35.8% per annum, which was higher than the growth rate before the launch of IDP. Such a remarkable increase can be attributed to the strengthened mechanism for collecting and disseminating information about job vacancies by establishing more employment centres in the capital and provinces as well as mobile career centres, leveraging digital solutions and organising various career fairs.

Its growth rate during the IDP period (35.8% per annum) was slightly higher than that during the pre-IDP period. The number of job announcements jumped to 101 thousand jobs in 2019.

Figure 1.50: Number of skilled labours (2008-2019)



Source: MLVT

Figure 1.50 shows the number of skilled labors from 2008 to 2019. The number of skilled labors marginally increased from 3,330 in 2008 to 4,094 in 2015 with an annual growth rate of 3%. After the launch of IDP, the number of skilled labors sharply grew to 10,179 in 2019. Its growth rate during the IDP period (25.6% per annum) was about eight times as high as that during the pre-IDP period.

In conclusion, both demand and supply side of labour seem to be improving together during the IDP period.

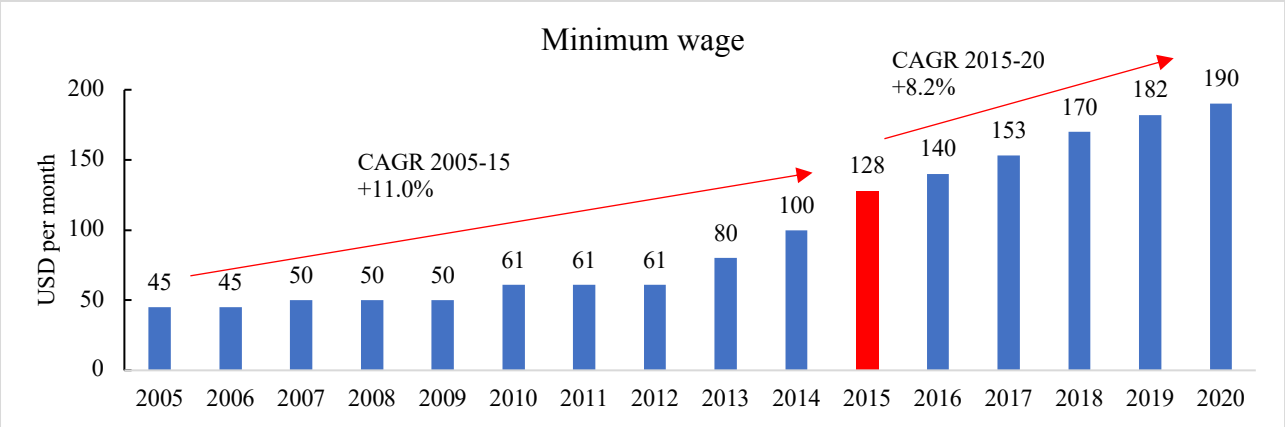
4.2.2. Assessment of the policy design of the intervention area

No policy measure in the IDP is found to be explicitly associated with this intervention area. For the next phase of IDP implementation, new policy measures should be formulated with direct contributions to intended outcomes in this IA.

4.3. Review of Immediate outcomes in the intervention area **"Improve Industrial Relations"**

4.3.1. Quantitative Analysis of the outcomes in the intervention area

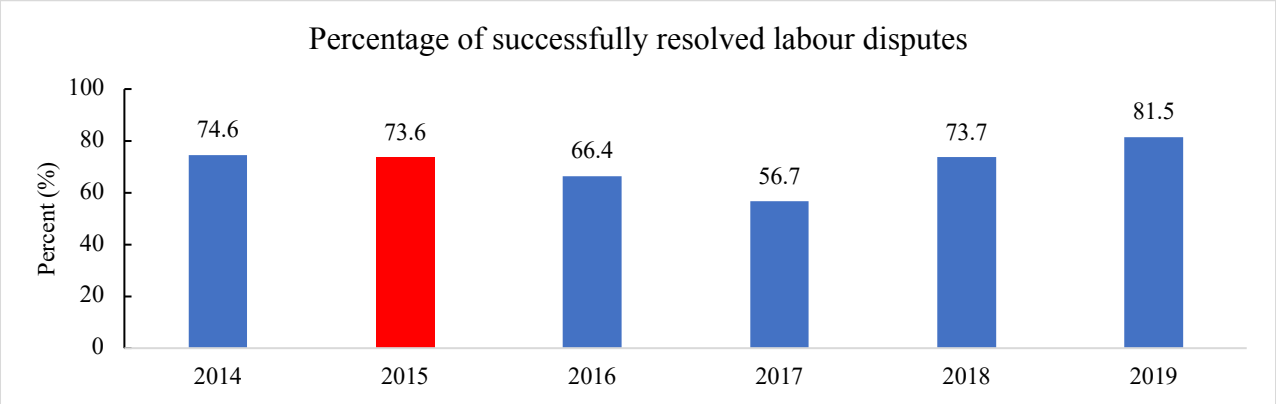
Figure 1.51: Minimum wage (2005-2020)



Source: MLVT

Figure 1.51 shows the minimum wage for garment and footwear factory workers from 2005 to 2019. Before the launch of IDP, the minimum wage per month increased from USD 45 in 2005 to USD 128 in 2015 with an average growth of 11% per annum. After the launch of IDP, it continued to grow to USD 190 in 2020 with an annual growth of 8.2% based on the improvement of social and economic criteria as well as the tripartite labour relation mechanism.

Figure 1.52: Percentage of successfully resolved labour disputes



Source: MLVT

Figure 1.52 shows the percentage of successfully resolved labour disputes from 2014 to 2019. The percentage captures the effectiveness of labour dispute resolution mechanisms. The percentage of successfully resolved labour deputes slightly decreased from 74.6% in 2014 to 56.7% in 2017 but from subsequent years, it started to increase again to 73.7% in 2018 and reached to 81.5 % in 2019.

Findings from these two indicators may imply that the RGC has managed to keep good industrial relations to promote the IDP implementation. The tripartite labour relation mechanism for minimum wage negotiation and related mechanisms have been strengthened prior to 2019 by the Labour Advisory Committee and from 2019 onward by the National Council on Minimum Wage. As a result, an increase in minimum wage has been harmoniously in line with the schedule, supported by concerned stakeholders, and reduced public demonstrations on the street. These mechanisms have been smoothly implemented as the minimum wage continuously increased. As for labour resolution, it seems that IDP does not have any significant impact on this issue.

4.3.2. Assessment of the policy design of the intervention area

Appropriateness of policy measures

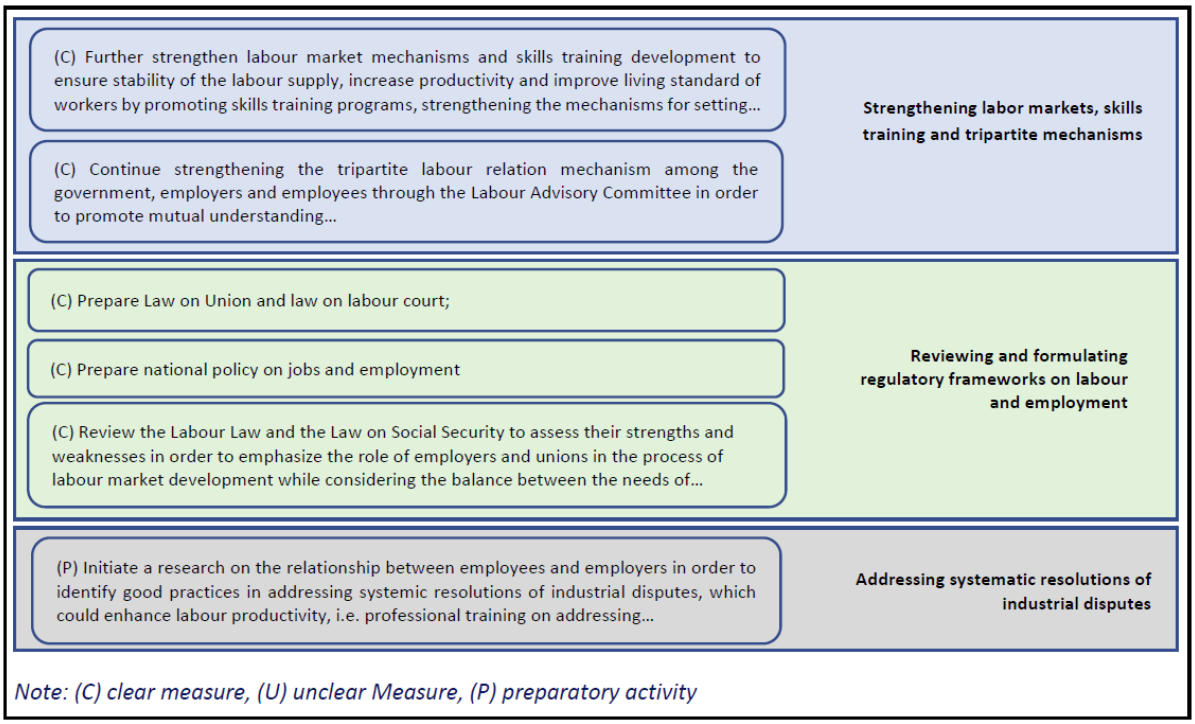
There are 6 IDP measures in this intervention area as shown in figure 1.53 below. These policy measures can be clustered into 3 policy packages: 1) strengthening labour markets, skills, training and tripartite mechanisms (two policy measures), 2) Reviewing and formulating regulatory frameworks on labour and employment (three policy measures), 3) Addressing systematic resolutions of industrial disputes (one policy measure).

It can be noticed that the first cluster of two policy measures is dedicated to the improvement of relations and understanding between employers and employees through the tripartite labour relation mechanism (government, employers, and employees) and the enhancement of labour market mechanism and skills training programs. Through these measures, a consent on minimum wage and skills demand would be reached. Meanwhile both employers and employees would also fulfil their satisfaction and mutual understanding since the employers could enhance and increase their industry's productivity while the employees could also improve their livelihoods.

While the second cluster of three policy measures collectively links to the regulatory frameworks on labour and employment by strengthening and reviewing the current labour and social security laws as well as formulating the union law, the labour court law and the related national jobs and employment policies. The outcomes of these measures would be sufficient to provide a fair and equal rights as well as an effective bargaining mechanism between employers and employees. Moreover, this cluster would provide a clear direction and needs of assessment on employment that would enable relevant stakeholders, particularly the government, to prepare and launch an effective national employment policy/strategy in response to the demands of industries. Another policy measure – preparatory activity mainly focuses on identifying the best practices in addressing systematic resolution of industrial disputes; however, its outcome seems to be vague.

The assessment of the six policy measures under this intervention area demonstrates that the six policy measures under this intervention area would be able to bring about the desired impacts of increasing and improving industrial relations since 5 out of 6 policy measures are clear measures with specific target groups, means, and desired outcomes to improve productive relations between employers and employees whilst only one is a preparatory measure. Moreover, all measures are mandated under the Ministry of Labor and Vocational Training along with the engagement from a few related ministries/agencies so it would be more effective and efficient in coordinating and implementing these policy measures to accomplish the intervention area's goal.

Figure 1.53: Three clusters of policy measures supporting intervention area "Improve industrial relation"



Note: (C) clear measure, (U) unclear Measure, (P) preparatory activity

Synergy and trade-offs

All policy measures associated with this intervention area complement each other with the same goal of improving industrial relations. For instance, there is a synergy effect between two policy measures in the first cluster, sharing a common aim to improve relations and understanding between employers and employees in their common interests. The first measure concentrates on strengthening mechanisms of labour market, skills training and harmonization of professional relations based on the principles of the positive attitude of the union and the morality of the employer towards the employee. This policy measure alone could not produce the desired outcome of the improvement of industrial relations, in which both parties are satisfied and have a mutual understanding. To complement, another policy measure deals with strengthening the tripartite labour relation mechanism among the government, employers and employees and seems to be able to fulfil the outcome of the first measure as it is crucial for the determination of a minimum wage. Furthermore, the second cluster of three policies is also complementary to the first cluster as they aim to ensure that employment regulations, which are the foundation of industrial relations, are in place. Besides, the scientific research on industrial relations is also crucial for the development of a dynamic labour market and employment policies. Other than these synergy effects, no case of trade-offs among the six policy measures can be found in this intervention area.

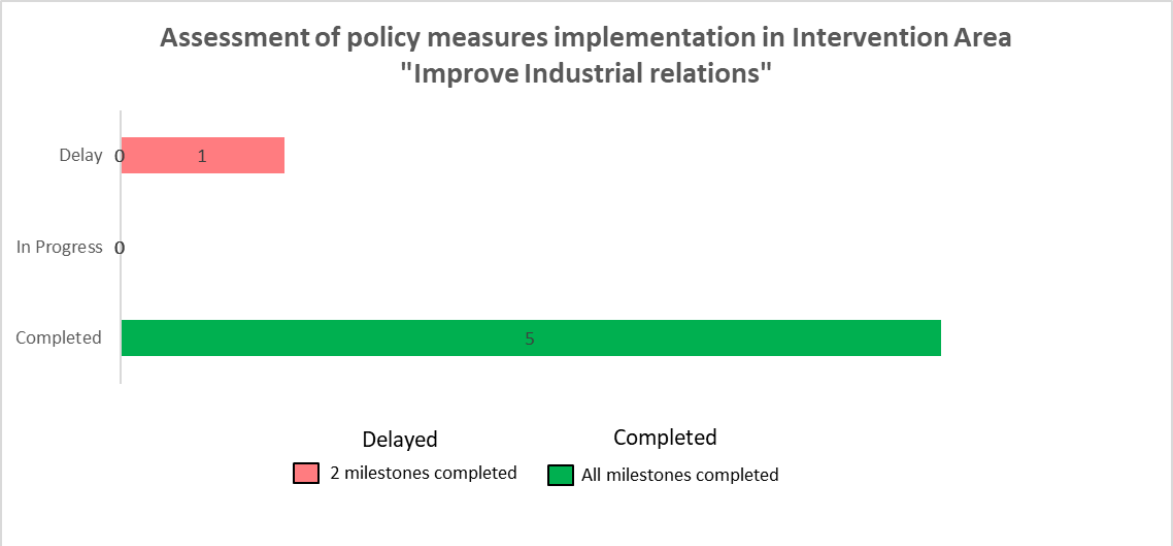
Effectiveness and efficiency

In terms of effectiveness and efficiency of both policy design and implementation levels, it obviously appears that there is no duplication among the six policy measures as they have connected purposes to jointly contribute to employers' and employees' satisfaction in their concerned industries, which could definitely improve industrial relations. A gap in the policy design is identified because the related policy measures concentrate only on increasing productivity and competitiveness of the industry and improving employee's livelihood with reasonable wage; however, they seem to be missing actions on health and safety of the employees in the industry, which are also a critical determinant of stable industrial relations. Therefore, it is necessary that the IDP also includes the above-mentioned measures and correct the power imbalance between business and labour to ensure employees are afforded their human rights in the workplace and their health and safety are improved. By doing so, both employers and employees will improve industrial relations as the employers could

improve and increase their productivity and competitiveness and the employees also reach their basic demands.

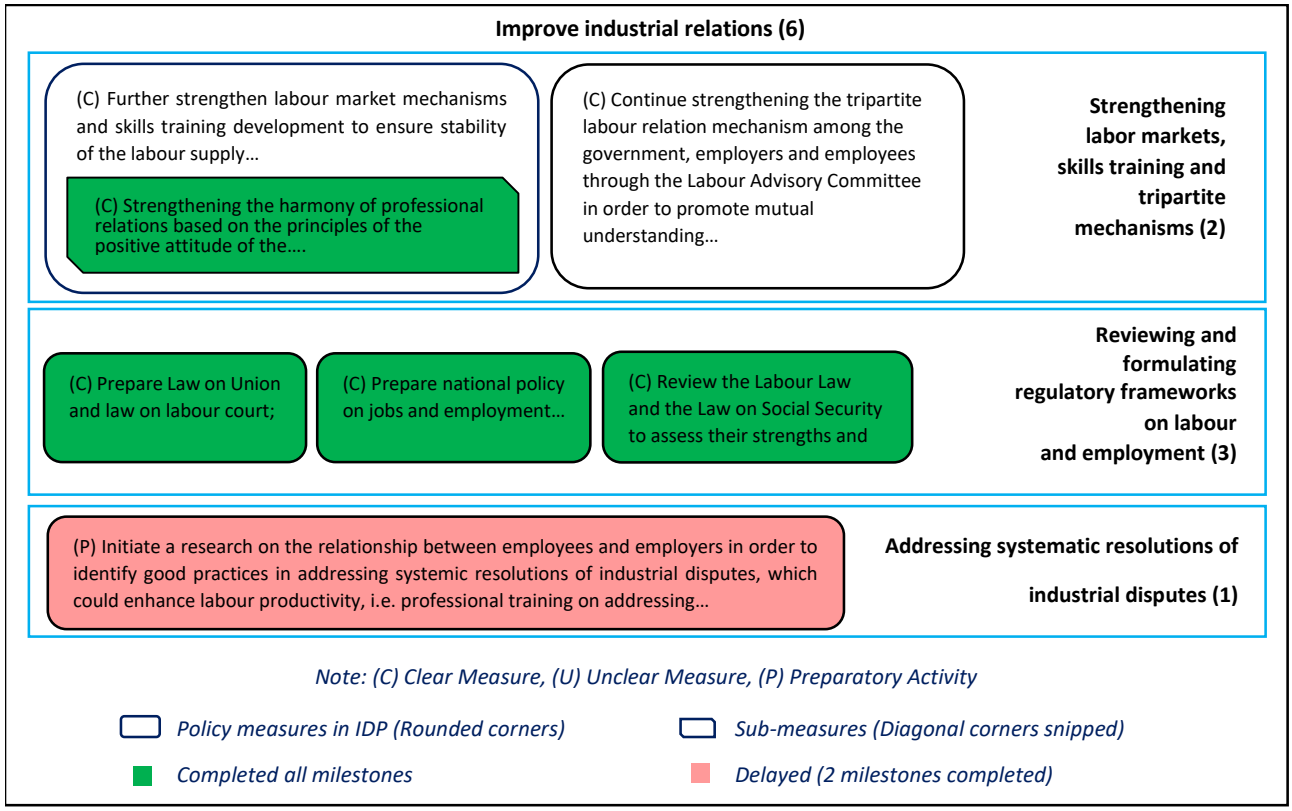
4.3.3. Assessment of the policy implementation of intervention area

Figure 1.54: Assessment of policy implementation of intervention area "Improve industrial relations"



There are five policy measures identified to support this intervention area 4.3 "Industrial relations". One sub-policy measure stemming from one of the four key concrete measures related to managing labour market is added due to its relevancy. Therefore, as a result, there are six sub-policy and policy measures: five of which are fully completed, and one is delayed.

Progress has been made in regard to strengthening the industrial relations. The result can be reflected through a significant increase of resolved labour disputes percentage, about 72% on average for a period of six years (2015-2020). Numbers of annual strikes and protests decreased significantly over the same period, as well, from about 200 strikes and protests in 2015 to about 90 strikes and 9 protests respectively in 2020. The positive outcome of this matter can also be seen through the strengthening of the tripartite labour relation mechanism among the government, employers and unions. This mechanism has proven to be effective for setting up the annual minimum wage, one of the core mechanisms to maintain the harmonization of industrial relations. Meetings of the tripartite to determine annual minimum wage are held every year with an outcome of increasing the minimum wage every year, amounting to a total increase of 37% between 2015 to 2020.



In addition to the above mechanisms, a number of legal instruments, the Law on Labour Union, the National Employment Policy, and the Law on the Amendment of the Law on Labour, are also adopted and reviewed to sustain industrial relations. Since the promulgation of the Law on Labour Union in 2016, there have been about 2.000 registered trade unions.

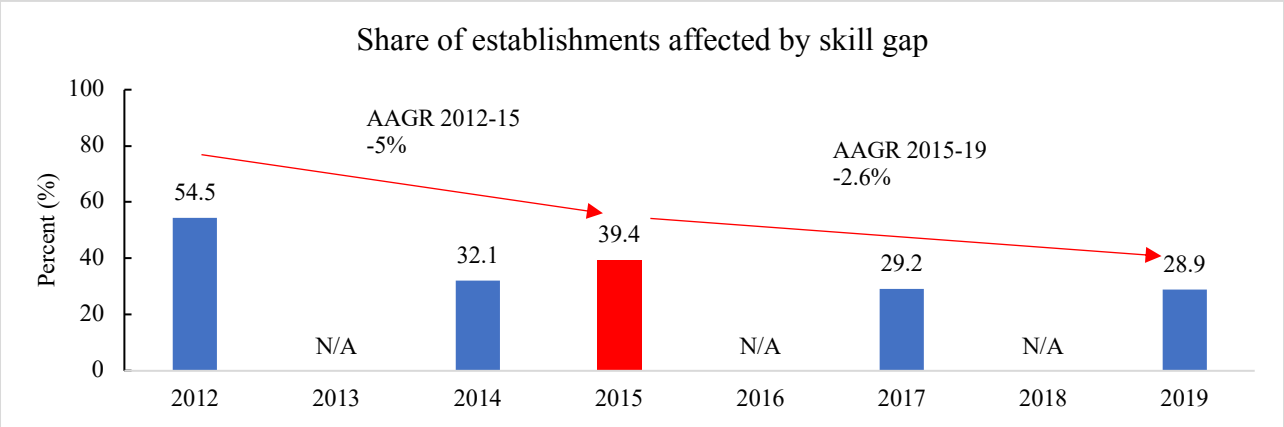
In contrast, there is one delayed measure, related to an initiation of a research on employers' and employees' relationship to help address systemic resolutions of industrial dispute. Unfortunately, the reason for the delay in implementation is not specified by the responsible ministry.

According to the implementation assessment, it can be seen that the harmonization of industrial relations has been maintained mainly due to the tripartite labour relation mechanism (government, employers and unions) and the adoption of new legal instruments. Nonetheless, a continuous effort is needed to continue sustaining a good industrial relation between employers and employees.

4.4. Review of Immediate outcomes in the intervention area **"Improve Job Matching"**

4.4.1. Quantitative Analysis of the outcomes in the intervention area

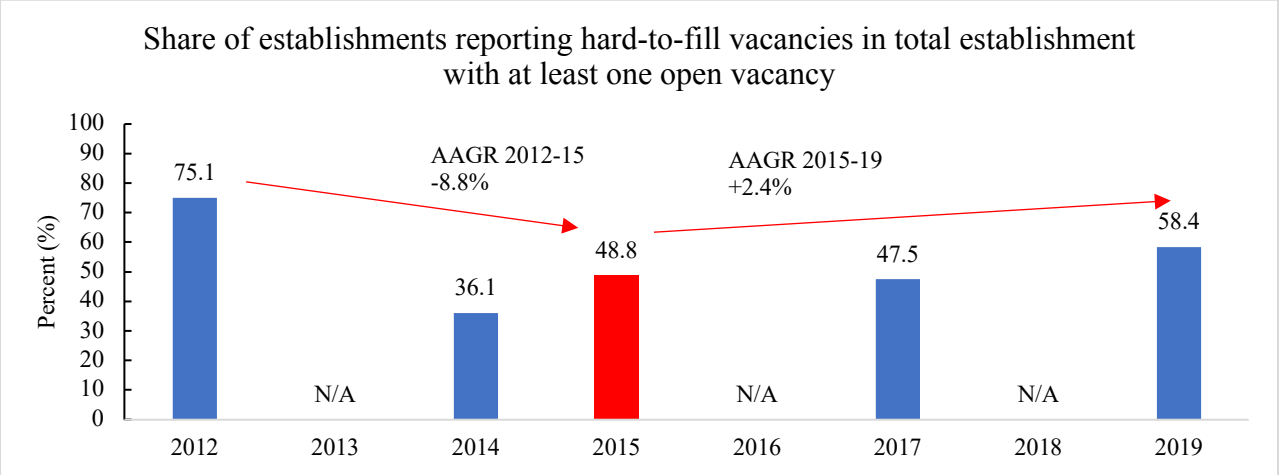
Figure 1.55: Share of establishments affected by skill gap (2012-2019)



Source: MLVT

Figure 1.55 shows the share of establishments affected by skill gaps to assess the mismatch and shortage of skills required by firms from 2012 to 2019. The share of establishments affected by skill gaps declined from 54.5% in 2012 to 39.4% in 2015 (5% per annum). During the IDP period, this share dropped to only 28.9% in 2019 that its reduction rate (2.6% per annum) which was slower than during the pre-IDP period.

Figure 1.56: Share of establishments reporting hard-to-fill vacancies in total establishments with at least one open vacancy (2012-2019)



Source: NEA/MLVT

Figure 1.56 shows the share of establishments reporting hard-to-fill vacancies in total establishments with at least one open vacancy from 2012 to 2019. This share declined from 75% in 2012 to 48.4% in 2015 (8.8% per annum). However, after the launch of IDP, this share increased to 58.4% in 2019 (2.4% per annum).

In 2012, the National Employment Agency (NEA) only surveyed a sector to evaluate the two mentioned indicators while ten sectors are taken into account for subsequent years. Thus, the value of these indicators in 2012 seem to be higher than subsequent years. That survey was based on the perception survey from demand side (e.g., human resource manager and employers), so they usually said that there is a lack of skilled labour in Cambodia. All in all, while skill gaps have been somewhat reduced, the majority of enterprises are still struggling to fill vacancies.

4.4.2. Assessment of the policy design of the intervention area

There are 3 IDP measures in this intervention area, such as:

- Strengthen the management mechanism for the recruitment of workers, the provision on labor market information and workers' training […]
- Strengthen mechanisms to manage skilled workers, especially to be better prepared for ASEAN integration […]
- Strengthen the understanding regarding selection of professions and the relevant technical skills […]

It can be noticed that two out three policy measures are led and implemented by the Ministry of Labour and Vocational Training while another is led by the Ministry of Education, Youth and Sport. The first measure is a clear policy measure which focuses on improving job matching and reducing informal fees and times for employees and labour force, who are entering the labour market, in getting their desired jobs. This could lead to ensuring both better job matching and performance of the industries. The other two policy measures in this intervention area are however defined as unclear measures as there are no concrete instruments to fully comprehend their outcomes. One of them aims to strengthen mechanisms for domestic skilled labour management to be ready for regional integration whereas another tends to improve better job matching among the demand and supply sides.

The assessment of the three policy measures under this intervention area demonstrates that the IDP strongly concentrates on strengthening the labour management mechanism for the recruitment of employees and the provision on labour market information and workers' training on jobs' responsibilities and legal rights and freedom that would contribute to better job matching and reduced informal fees and times for getting jobs. In terms of scope, the three policy measures may not be able to fully bring about the desired outcomes of improving job matching as two out three measures are unclear without concrete means and outcomes.

Synergy and trade-offs

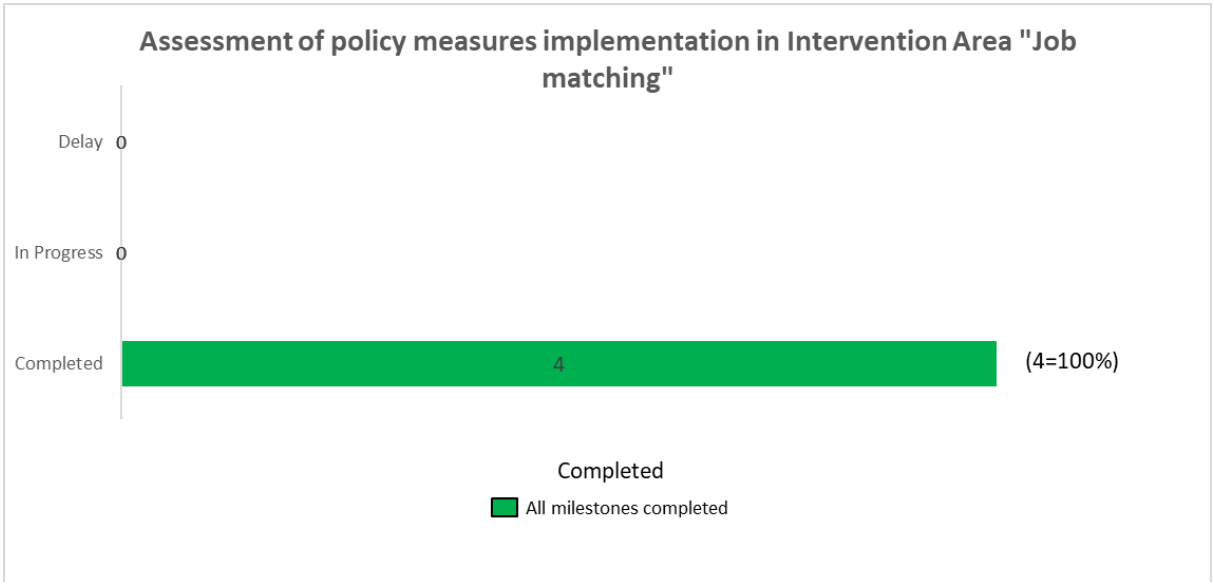
The three policy measures under this intervention area somehow complement each other although the desired outcomes may not be fully achieved. There is a synergy effect among the two policy measures in terms of information, which is essential in job matching. For example, a clear policy measure aiming at better job matching and reducing informal fees and times for getting jobs and an unclear policy measure focusing on strengthening the understanding on the selection of professions and relevant technical skills development for employees by providing education programs including TVET. These two policy measures could complement one another to improve job matching since employers could share information regarding what they need through strengthening recruitment of employees; meanwhile, the labour force that is entering the labour market with a clear understanding on the professions and skills needed would be able to land suitable jobs.

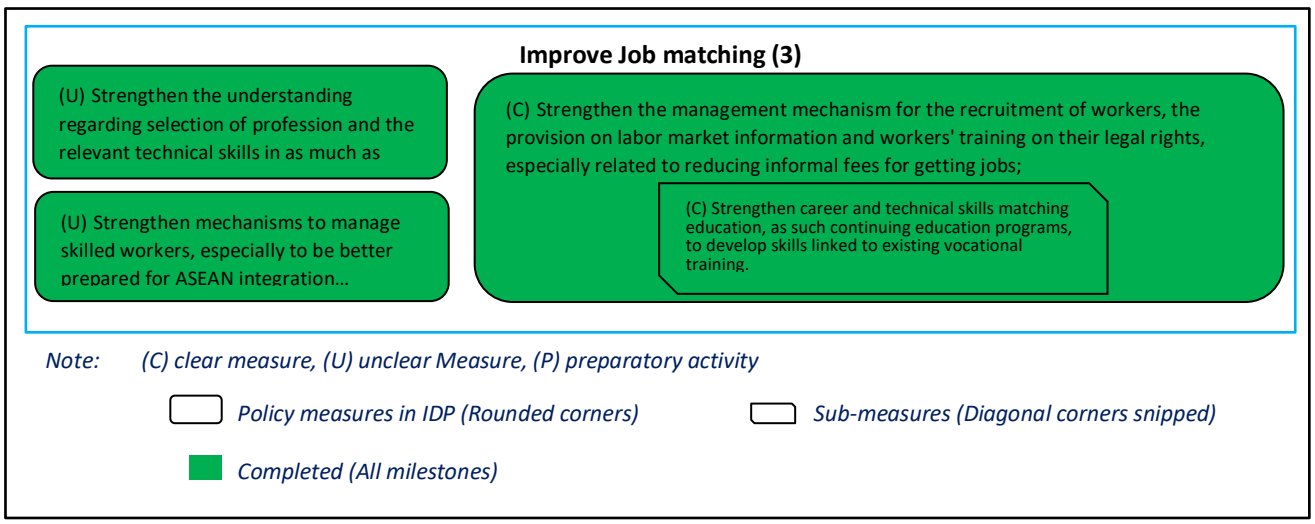
Effectiveness and efficiency

Concerning the effectiveness and efficiency of the policy design, it can be assumed that there is no overlap among the three policy measures since they all contribute to job matching from different angles. However, there is a gap in the policy design since the two unclear measures, with no specific instruments, would not be able to fully realize their outcomes in contributing to the improvement of job matching. Therefore, it is recommended that IDP should further strengthen the effectiveness of labour management and recruitment mechanisms to ensure job matching with the demand of industries. This could be done through, for instance, launching public campaigns on professions, careers, skills and labour productivity as well as promoting more skills development to guarantee a uniform level of qualification that responds to industry labour demands. Having fully implemented these policy measures, Cambodia would be able to fulfil the needs of industries and could attract more investment with high value-added.

4.4.3. Assessment of the policy implementation of intervention

Figure 1.57: Assessment of policy implementation of intervention area "Improve job matching"





There is a total of three policy measures adopted to support this intervention area, and all of which have been achieved according to schedule. All measures aim to strengthen the core mechanisms to manage recruitment, the labour market, and development of skilled human resources to match the industries' demands.

Labour quality and employability are critical issues for a country with a young and dynamic population such as Cambodia. A transformation towards a skilled-based economy will significantly increase the number of quality employment, therefore, contributing to the National Development Goals and the IDP vision. The educational program on the preparation of plans and selection of profession and technical skills, and the continuation of educational programs have benefited about 88 thousand students at high school level, TVET and University level from 2015 to 2020. Providing access to the labour market for job seekers, creating job centers and a public digital employment service platform have produced remarkable results in increasing the employment rate and matching potential employees to relevant jobs. The development of human resources and the improvement of careers are accomplished through heightened interest in the skill selection program created under the policy measure. The implementation of these measures is commendable and effectively contributes to the intervention area. Furthermore, to prepare the human resources and skilled workers for ASEAN

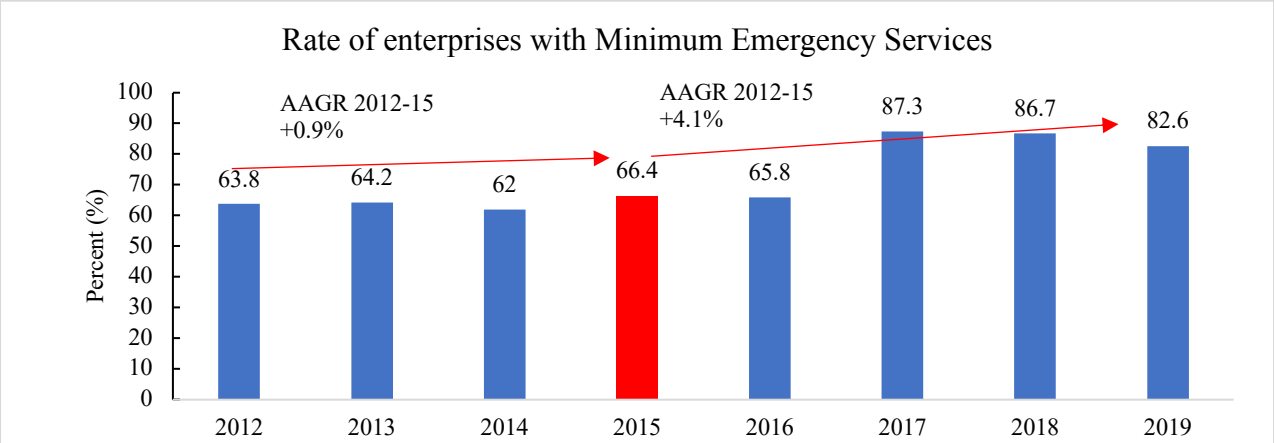
integration, a study and framework on matching the Cambodian National Qualifications with the ASEAN Reference Framework were also designed and approved by the ASEAN Reference Framework Committee (AQRFC) in 2020.

Nevertheless, with the rapid development and innovation in the market, and integration of the digital economy, there is no doubt that new technologies will automate and otherwise replace existing skills across all sectors. This requires a strong foundation in technical skills and continuous upgrading of relevant skills to remain employable and maintain a competitive workforce. Labor force upskilling is a long-term mission. It requires the government to not only mainstream skill training programs that cater to different segments of the population into the national curriculum but also to incentivize firms to train their staff to keep their skills relevant and up to date.

4.5. Review of Immediate outcomes in the intervention area **"Improve Working Conditions"**

4.5.1. Quantitative Analysis of the outcomes in the intervention area

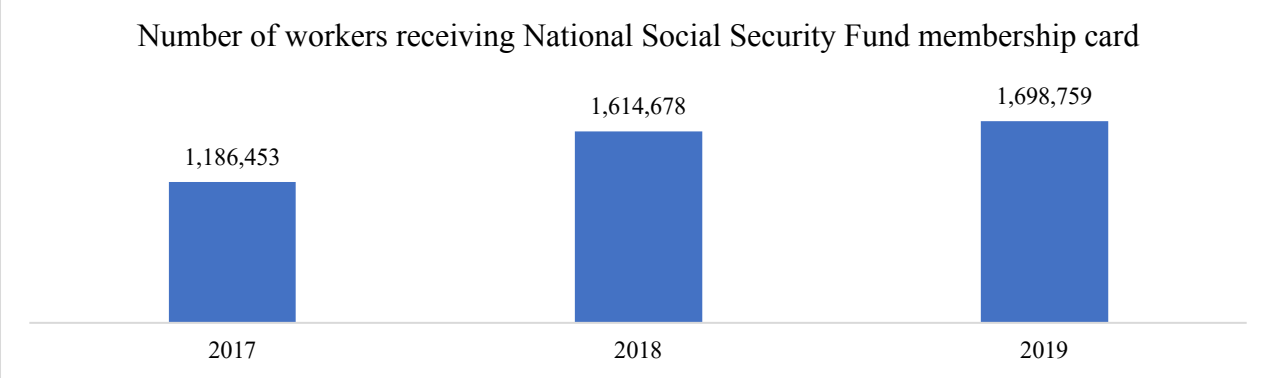
Figure 1.58: Rate of enterprises with minimum emergency services (2012-2019)



Source: MLVT

Figure1.58 shows the rate of enterprises with minimum emergency services from 2012 to 2019. The rate slightly increased from 63.8% in 2012 to 66.4% in 2015 (annual growth rate of 0.9 percentage point). During the IDP period, the rate of enterprises with minimum emergency services increased to 82.6% in 2019 with an annual growth rate of 4.1 percentage point, four times as high as during the pre-IDP period.

Figure 1.59: Number (stock) of workers receiving National Social Security Fund membership card (2017-2019)



Source: MLVT

Figure1.59 shows the cumulative number of workers receiving National Social Security Fund membership cards from 2017 to 2019. Approximately 1.2 million workers in 2017 received the membership card while the total number increased to 1.7 million workers in 2019.

In conclusion, although these indicators are only rough proxies and are not enough to measure working conditions, it can be concluded that general working conditions have improved.

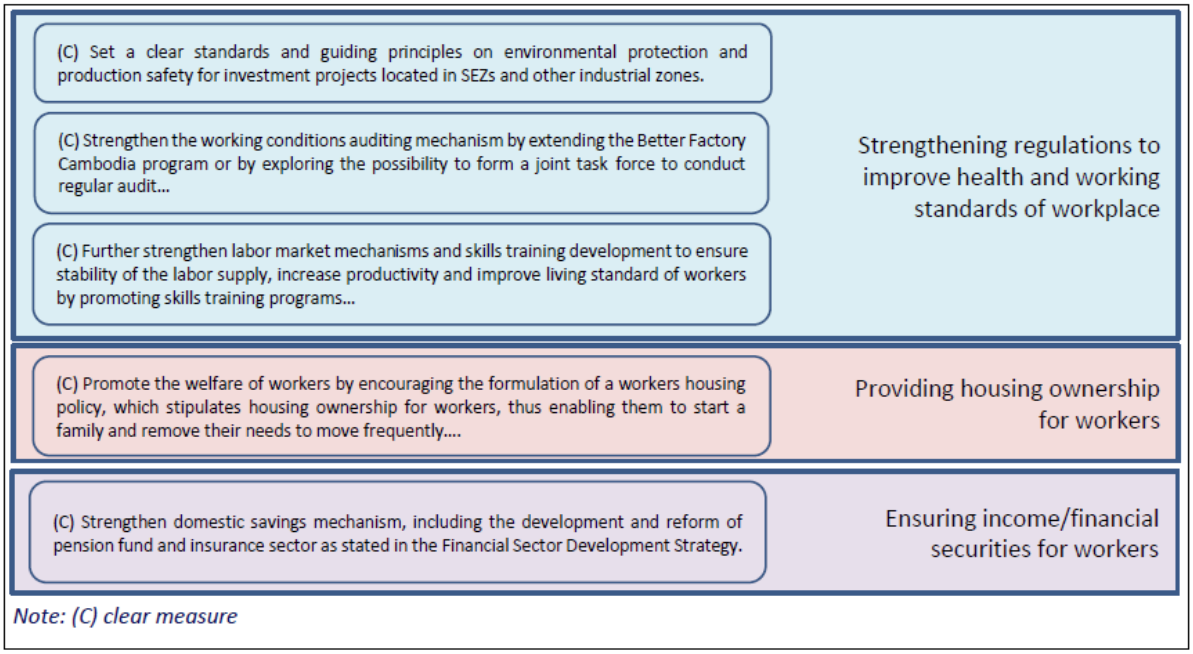
4.5.2. Assessment of the policy design of the intervention area

There are 5 IDP measures in this intervention area as shown in figure 1.60 below. These policy measures can be classified into three different clusters as follows: (1) strengthening regulations/rules to improve health and working standards of workplace (three policy measures), (2) providing housing ownership for workers to promote welfare of workers (one policy measure), and (3) ensuring financial/income securities for workers (one policy measure).

The first cluster consists of three policy measures, namely "[setting] a clear standards and guiding principles on environmental protection and production safety…", "[strengthening] the working conditions auditing mechanism…", and "… [improving] living standard of workers … setting minimum wage…". This first cluster focuses on strengthening regulations/rules that are related to enhancing environmental protection and production safety, strengthening the working conditions auditing mechanism, and improving living standards of workers (wages); hence, these will lead to ensuring good working standards and livelihood for workers. Moreover, another policy measure in the second cluster puts an emphasis on "…encouraging the formulation of a workers housing policy, which stipulates housing ownership for workers…", which could contribute to promoting welfare of workers. Meanwhile, the last policy measure aims at ensuring workers' financial/income securities by "[strengthening] domestic savings mechanism, including the development and reform of pension fund and insurance sector…".

The assessment of the five policy measures under this intervention area demonstrates that the IDP does pay attention to improving health and safety standards in the workplace, which is one of the main factors for improved working conditions for workers. In terms of scope and design, it appears that three policy measures under the first cluster, which focuses on enhancing environmental protection and production safety, strengthening the working conditions auditing mechanism and improving living standard of workers (wages), are sufficient to bring about the desired change which is to improve working conditions. Meanwhile, two policy measures under the second and third cluster, which focus on encouraging the formulation of a worker's housing policy and strengthening domestic savings mechanism, are crucial to ensure good living conditions and financial/income securities for workers. However, these two policy measures seem to have supporting/indirect impacts on the intervention area, which is to improve working conditions.

Figure 1.60: Three clusters of policy measures supporting intervention area "improve working conditions"



Note: (C) clear measure

Synergy and trade-offs

In this intervention area, a complementarity is found between two policy measures under the first cluster, which aims to improve health and working standards in the workplace. The first measure focuses on "[setting] a clear standards and guiding principles on environmental protection and production safety…"; this measure alone cannot ensure that the firms would provide good health and working standards for workers by using the set standards. In this regard, another policy measure that focuses on "[strengthening] the working conditions auditing mechanism…" seems to complement the previous measure because in order to ensure that the set standards have been practiced by firms, government and/or stakeholders need to audit those firms to find out whether those firms practice the standards or not.

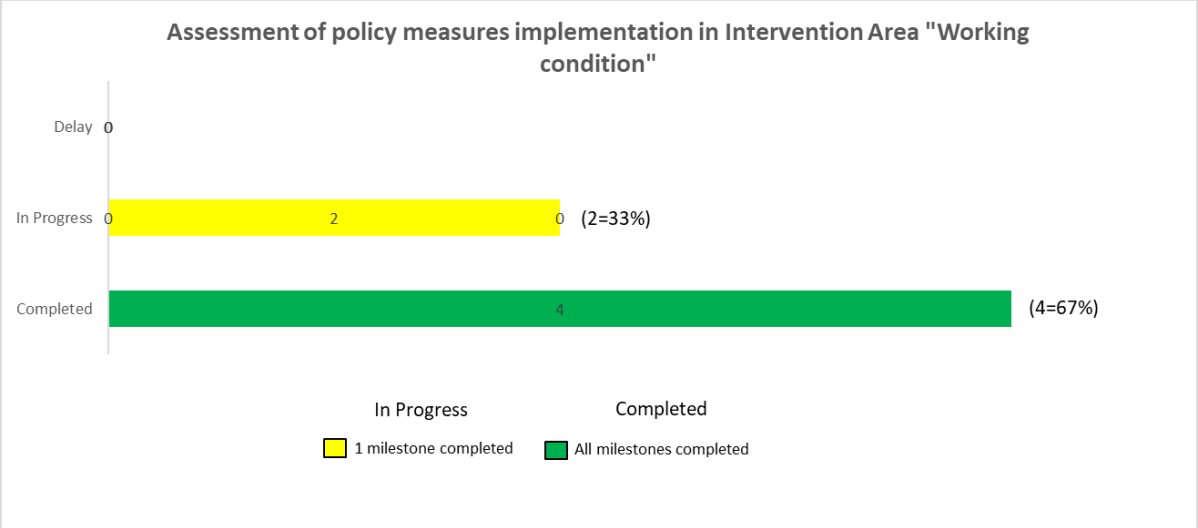
Other than these complementary effects, no case of trade-offs between policy measures is detected for this intervention area.

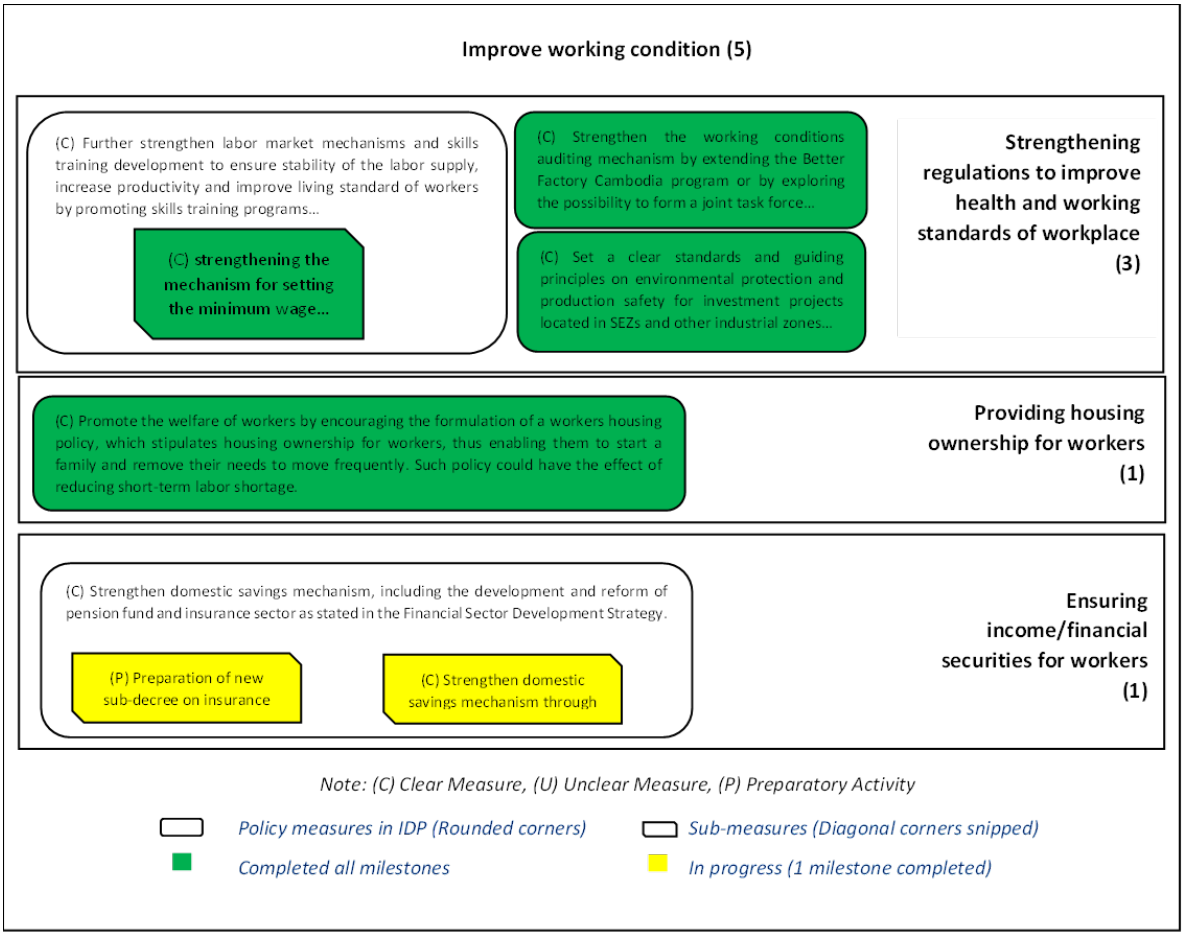
Effectiveness and efficiency

Regarding the effectiveness and efficiency of the policy design, it can be seen that there is no duplication among the five policy measures since these measures focus on different fields of activities. However, it can be noticed that there are still some gaps in the design. First of all, since most of Cambodian workers could not attain high education, they do not know what to expect from their workplace due to their little knowledge about the criteria for decent working conditions including payment, safety, social benefits, healthcare, and so on. In this regard, the government may contribute to raising the awareness of the working-age population on certain topics related to working conditions including working standards, labour laws, workers' rights and safety, and so on by providing information through television or social media or by offering trainings to those who reach working age. When workers are knowledgeable about the above-mentioned topics related to working conditions, they will have bargaining power to negotiate with their employers regarding the working conditions once they are mistreated, or at least they will know where to seek help. In addition to providing information related to working conditions to the working-age population, the government may also consider providing incentives to firms/factories to encourage those firms/factories to improve the working conditions for workers. For example, the government may provide tax reductions for firms/factories that implement health and safety standards.

4.5.3. Assessment of the policy implementation of intervention area

Figure 1.61: Assessment of policy implementation of intervention area "Improve working conditions"





IDP identifies four policy measures to support this intervention area. One policy measure is recognized as a multi-activity measure, so it is dissected into two sub measures. In order to reflect on the progress of the multi-purpose-activity measures, only the sub-measures are used for the assessment. In addition, one sub policy measure stemming from one of the four key concrete measures related to Strengthening the mechanism for setting the minimum wage is added due to its relevancy. As a result, there are a total of six policy measures and sub-measures for evaluation; four of which have been successfully implemented and two of which are in progress.

Cluster one which focuses on strengthening regulations to improve health and working standards of workplaces has three main/sub-measures completed. Clear standards and guiding principles on environmental protection and production safety for investment projects located in SEZs was put into practice and completed in 2019. The joint task force to conduct labor audits has been formed, and since the formation, the labor auditing visits dropped significantly over the years from around 9,000 visits in 2015 to about 2,000 visits in 2020 per year, which shows the effectiveness of the inter-ministerial auditing team. Another policy measure aims to strengthen the mechanism for setting the minimum wage. The tripartite mechanisms have been established and operated regularly. According to the new minimum wage figure determined annually through the Prakas made by the Minister of the Ministry of Labor and Vocational training shows a steady increase from 128 USD in 2015 to 182 USD in 2019 and 190 USD in 2020.

Cluster two that puts its emphasis on providing housing ownership for workers, has one completed measure. The policy on Incentive and Establishment of National Program for Development of Affordable Housing was adopted. This policy enables the development of affordable housings that have direct benefit to workers. Housing ownership, where workers could afford to pay mortgages without putting a burden on their income, hence, not having to opt for migration. Technical documents are developed and circulated to support the implementation of affordable housing projects such as 1) Technical Requirement Concepts (Private area and public space) of affordable housing of middle and low-income families, 2) Guidebook on Climate Change Adaptive Housing Techniques, and 3) Housing Technical guidebook for low and middle-income families. So far, four affordable housing projects that could potentially provide housing options for workers, in particular those in the low-medium income families group have been approved. The affordable housing projects are: 1) The Serei Mongkol Residence (Worldbridge Home), 2) B&BM Development, 3) Borei Grand Park (BRGP Development), and 4) ARAKAWA Residence. These projects are currently under well development.

Under cluster three "Ensuring income/financial securities for workers", there are two sub-measures that are still in progress. As reported by the leading ministry, the reason these sub-measures have not been achieved is due to the complexity of reforming the pension for the entire civil service, and the technical intricacy of preparing a sub-decree on insurance.

Overall, the working conditions in Cambodia have been significantly improved through IDP, which also benefits workers' well-being in the long-run.

5. Contribution of Primary Intervention Areas to Objective "Maximize domestic benefits"

5.1. Review of Immediate outcomes in the intervention area **"Increase Linkage Between Domestic and Foreign Enterprises Tech-Transfer"**

5.1.1. *Quantitative Analysis of the outcomes in the intervention area*

There is only one KPI for this intervention area: Number of domestic firms supplying production inputs for foreign firms. Unfortunately, no data is available for this indicator. Nevertheless, findings from a survey conducted by the International Finance Corporation in 2019 indicated that 96% of material production inputs for foreign enterprises in Cambodia on average were imported. Foreign

enterprises have also been inclined to local sourcing, but competitive domestic suppliers in Cambodia remain scarce.

5.1.2. Assessment of the policy design of the intervention area

Appropriateness of Measure

There are 3 IDP policy measures in this intervention area:

- Conduct a study to develop industrial parks for SMEs in order to promote linkages between foreign enterprises and domestic enterprises […]
- Review the viability of providing support to SMEs for investment in machinery parts or production equipment […]
- Build the entrepreneurial capacity of local enterprises to enable them to deal better with large enterprises and foreign investment in SEZs.

The first policy measure is a preparatory activity aiming at fostering linkages between SMEs and larger enterprises. The industrial parks will serve as supportive matchmaking venues for domestic suppliers to link with the production chain of foreign enterprises and vice versa. They, for instance, provide a wide range of support activities to investors, such as infrastructure development, trade proximity benefits, incentive scheme provision, and business facilitation and among other privileges, which would allow domestic firms to calibrate their profitability so as to elevate their capability to link with foreign and major enterprises. In this respect, enhanced business matching may allow more participation from domestic firms into regional and global value chains which is identified as the desired outcome of having sophisticated linkages.

The second policy measure is also a preparatory activity implemented by MISTI and MEF. The two ministries are supposed to work together in designing viable policy instruments which may include tax incentives to support SMEs. This type of support may only be provided to SMEs provided that they purchase modern machinery and production equipment to process local raw materials and improve the quality of their products. As a result, SMEs which satisfy this requirement will be eligible for government support and can utilise the support to modernise their manufacturing production, and eventually, enhance their capability to link up with multinational companies.

The third measure has a clear purpose but it lacks a defined instrument on how the capacity of local enterprises can be built. Such design leaves the implementing agencies, the MISTI and CDC in this case, the policy space to co-develop feasible capacity building programmes intended for local firms to link their production with large and foreign enterprises in SEZs.

The qualitative assessment of three policy measures under this intervention area implies that these measures are all formulated to promote linkages between domestic and foreign enterprises through a variety of means. In terms of scope and design, these three measures seem to be in the preparation phase with no immediate effects on linking domestic firms with foreign firms. On top of that, while these measures concentrate on helping SMEs to grow, none of them focuses on embracing technology transfer from large and foreign firms to SMEs.

Synergy and Trade-off

There is a highly synergetic case between policy measures that aim at "reviewing the viability of providing support to SMEs" and the one that aims at "building the entrepreneurial capacity of domestic enterprises." Providing support to SMEs for the modernization of production chains can take many forms, such as tax holidays or specific subsidies to support SMEs in using modern machinery or equipment to upgrade the quality or expand the quantity of their production. Although there are such incentive schemes in place, most SMEs may still struggle to be qualified for some reasons. That is why another measure which is to build entrepreneurial capacity for domestic enterprises could come into play to help SMEs improve their corporate governance and

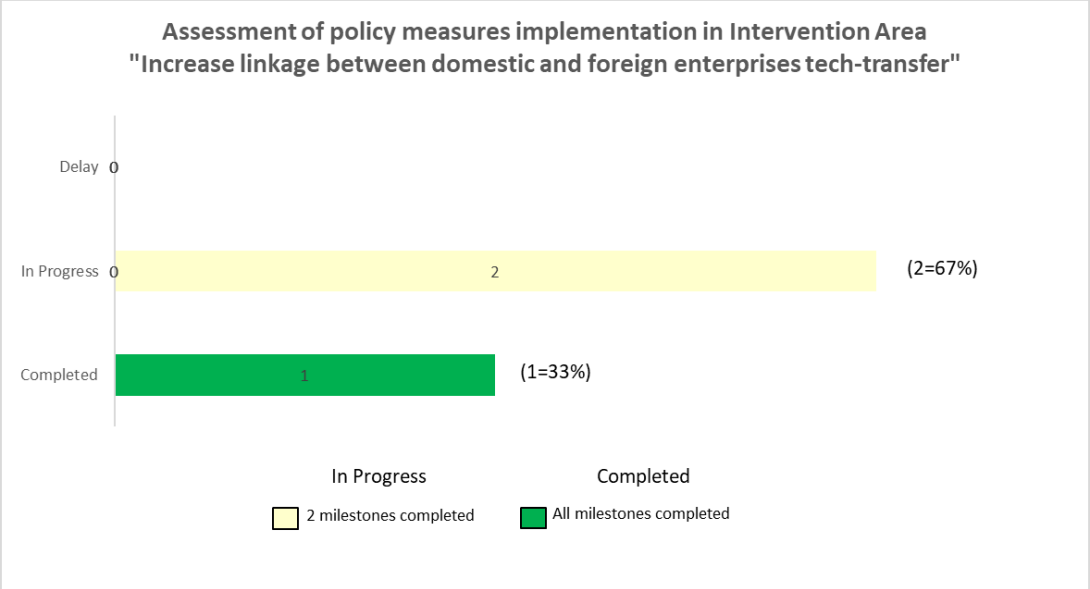
long-term business strategy in expanding their business and harnessing the potential of emerging markets. Once both policy measures were brought into force, they might effectively strengthen networking capability of domestic firms to partner with foreign firms. Other than this, no case of trade-offs was identified.

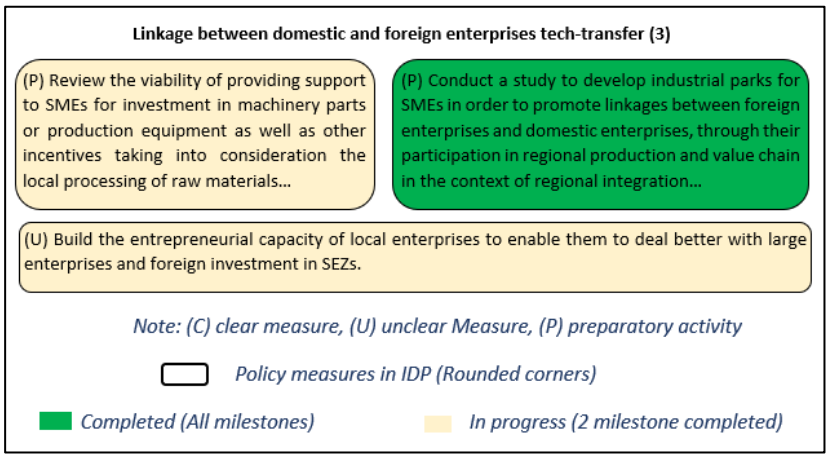
Effectiveness and Efficiency

In terms of effectiveness and efficiency at the policy design level, it can be noticed that there is no instance of duplication among the policy measures. However, there are some gaps in the policy design. As mentioned earlier, the three measures in this intervention area seem to be in the preparation phase. Therefore, reformulating them to become explicit policy measures with clearly defined instruments is ideal to directly impact the promotion of domestic linkages. In addition, the three measures focus only on SMEs and seem to miss the role of larger and foreign firms in technology transfer.

5.1.3. Assessment of the policy implementation of intervention area

Figure 1.62: Assessment of policy implementation of intervention area "Linkage between domestic and foreign enterprises tech-transfer"





This intervention area has three policy measures; one measure is completed and two are in progress. The completed policy measure is a preparatory activity, whereas the two measures in progress are one unclear and one preparatory activity. This indicates that the policy measures under this

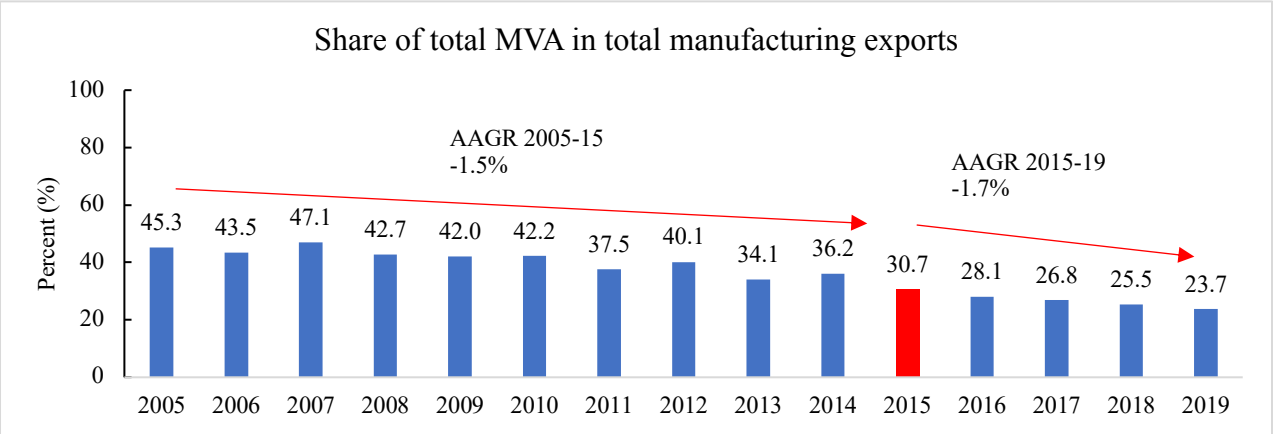
intervention area seemed to be insufficient to increase linkages between domestic and foreign enterprises.

The completed policy measure is about conducting a study to develop industrial parks for SMEs in order to promote linkages between foreign enterprises and domestic enterprises, through their participation in regional production and value chain in the context of regional integration, whereas the other two policy measures are still under progress as the due date is by 2025.

5.2. Review of Immediate outcomes in the intervention area "**Strengthen National Value Chain**" of this IDP objective

5.2.1. Quantitative Analysis of the outcomes in the intervention area

Figure 1.63: Share of total MVA in total manufacturing exports (2005-2019)



Source: IDP Secretariat's calculation based on data from MOP and WITS

Figure 1.63 shows the share of total MVA in total manufacturing exports from 2005 to 2019. If the share increases, it shows that domestic production for the domestic market is relatively increasing, or the export dependency of the Cambodian industry is getting reduced. However, the share of total MVA in total manufacturing exports decreased from 45.3% in 2005 to 30.7% in 2015 and then reached 23.7% in 2019. The absolute value of its reduction rate slightly increased from 1.5% per annum for the pre-IDP period to 1.7% per annum for the IDP period. Thus, IDP seems to have no contribution to strengthening national value chain or creating backward linkages.

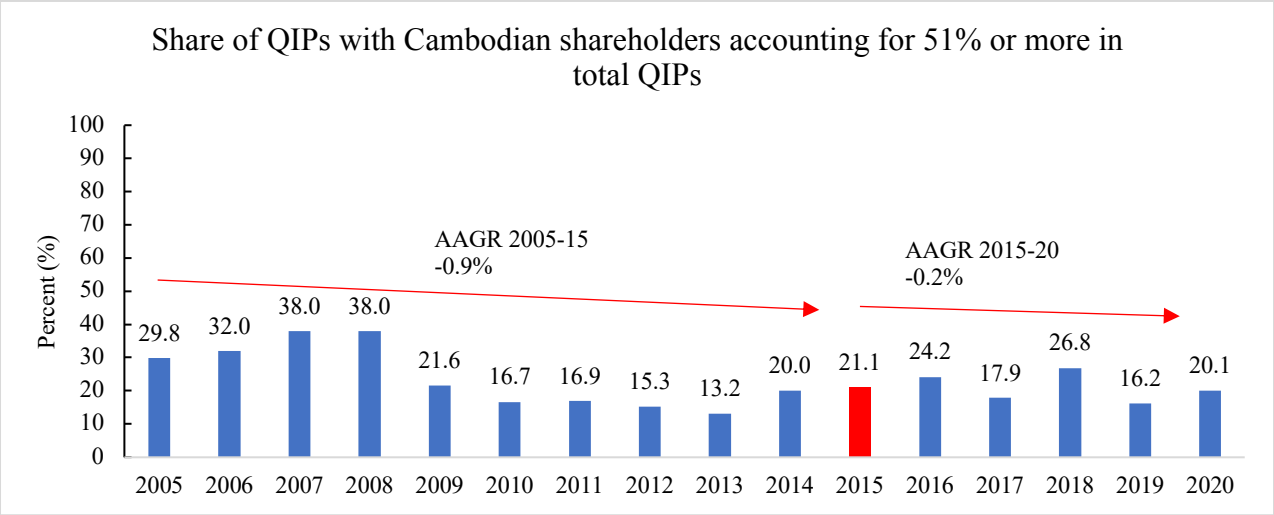
5.2.2. Assessment of the policy design of the intervention area

No policy measure in the IDP is found to be explicitly associated with this intervention area. For the next phase of IDP implementation, new policy measures should be formulated with direct contributions to the intended outcomes in this IA.

5.3. Review of Immediate outcomes in the intervention area **"Increase Domestic Ownership"** of this IDP objective

5.3.1. Quantitative Analysis of the outcomes in the intervention area

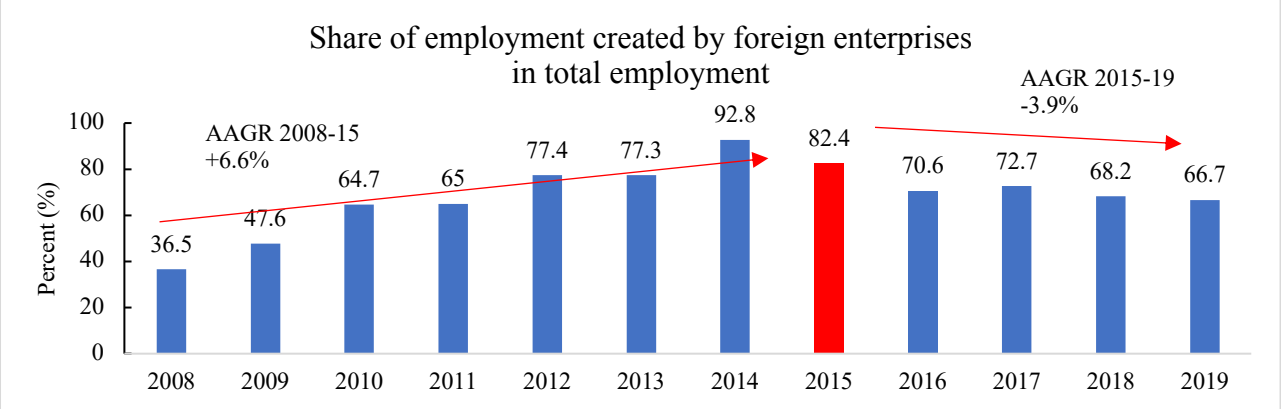
Figure 1.64: Share of QIPs with Cambodian Shareholders accounting for 51% or more in total QIPs



Source: CIB and CSEZB

Figure 1.64 shows the share of QIPs (Qualified Investment Projects) with Cambodian shareholders accounting for 51% or more in total QIPs to assess the size of investment projects operated by domestic investors from 2005 to 2020. The share of QIPs with Cambodian shareholders accounting for 51% or more in total QIPs steadily increased from 29.8% in 2005 to 38% in 2008 but it had sudden turndown in 2009 continued to fall down to 13.2% in 2013. In 2014 and 2015, this share rose again to around 20%, but later on it experienced a fluctuation within a range of 16% to less than 30% from 2016 to 2020. All in all, the indicator, QIPs with Cambodian shareholders accounting for 51% or more, only captures a piece of domestic enterprises in Cambodia because it can be counted for investment projects registered in the Council for the Development of Cambodia. Nevertheless, findings from this data might indicate that domestic ownership is still the exception rather than the rule in the Cambodian industry.

Figure 1.65: Share of employment created by foreign enterprises in total employment



Source: MLVT

Figure 1.65 shows the share of employment created by foreign enterprises in total employment from 2008 to 2019. The share of employment created by foreign enterprises in total employment increased from 36.5% in 2008 to 82.4% in 2015. Its growth rate changed from positive value (6.6% per annum) for the pre-IDP period to negative value (minus 3.9% per annum) for the IDP period. This share declined to 66.7% in 2019, which seems to remain high. This share's downward trend during the IDP period reflected domestic enterprises had more and more contribution to job creation in Cambodia.

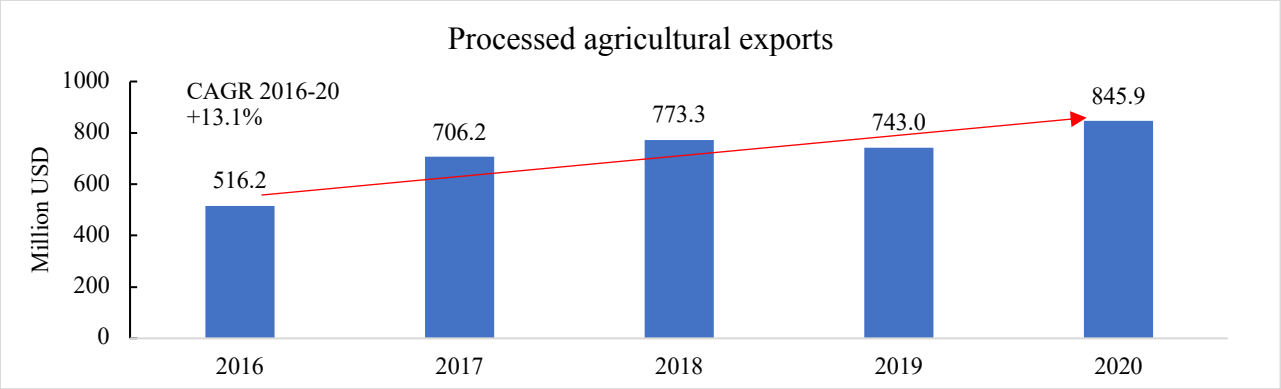
5.3.2. Assessment of the policy design of the intervention area

No policy measure in the IDP is found to be explicitly associated with this intervention area. For the next phase of IDP implementation, new policy measures should be formulated with direct contributions to intended outcomes in this IA.

5.4. Review of Immediate outcomes in the intervention area **"Increase Local Agricultural Processing for Domestic and Export Markets"**

5.4.1. Quantitative Analysis of the outcomes in the intervention area

Figure 1.66: Processed agricultural exports (2016-2020)



Source: GDCE

Figure 1.66 reveals processed agricultural export to evaluate Cambodia's capacity in exporting locally processed agricultural products from 2016 to 2020. Processed agricultural exports significantly increased from USD 516.2 million in 2016 to USD 845.9 million in 2020 while its growth rate was 13.1% per annum for this period. IDP, therefore, seems to contribute positively to Cambodia's agricultural processing.

5.4.2. Assessment of the policy design of the intervention area

There are 4 IDP policy measure in this intervention area, namely:

- Explore possibilities of establishing agro-processing zones […] through public-private partnership
- Provide incentives to companies to locate in these areas (Agro-processing zones)
- Addressing logistic issues, abolishing informal fees and improving trade facilitation
- Conduct a study to identify priority products with potentials to be processed for export and prepare a comprehensive action plan based on value chain.

It can be noticed that these policy measures are being implemented by various governmental ministries and agencies including the Ministry of Industry, Science, Technology and Innovation, the Ministry of Commerce, the Ministry of Agricultural, Forestry and Fisheries, the Ministry of Economy and Finance and the Council for the Development of Cambodia.

The first measure is a preparatory activity aiming at establishing agro-processing zones, but does not clearly indicate the policy instrument of how to establish agro-processing zones. The establishment of agro-processing zones will provide a specialised industrial compound that attracts investment projects operating in furniture manufacturing, food processing and so on. Likewise, more investment projects in this industry may create more demand for raw materials which can be sourced from domestic producers including commercial and small-scale farmers. Through this, plenty of raw materials may be produced locally for agro-processing firms to purchase that may capture value addition in the domestic economy.

The second policy measure is a clearly defined measure since it clearly indicates the policy instrument of how to attract more investments in ago-processing zones in order to enhance national value chains. This policy measure is important for promoting the establishment of new companies or to encourage existing companies to expand and locate in agro-processing zones, with the aim of influencing the locational decisions of investors and thereby reaping the positive effects of domestic/foreign direct investment in these areas.

The third policy measure is also a clearly defined measure since it clearly indicates the policy instrument of how to achieve its desired outcome through developing a coordination mechanism for processed agricultural product exports that lead to increase the activities related to agricultural processing.

The fourth policy measure is a preparatory activity. This policy measure aims at enabling the Royal Government to provide concrete support to the export of processed priority products.

In terms of scope and design, it appears that the two policy measures including (1) "explore possibilities of establishing agro-processing zones […]"and (2) "conduct a study to identify priority products […]" seem to be in preparatory phase with no immediate effects on increasing local agricultural processing. Meanwhile, the other two policy measures such as (1) "provide incentives to companies to locate in these areas […]", (2) "addressing logistic issues, abolishing informal fees and improving trade facilitation […]" concentrate on enhancing national value chains and processed agricultural product exports and seem to have weak linkage to increase local agricultural processing. In this regard, the desired outcome is not likely to be achieved by the implementation of these measures.

Synergy and trade-offs

There are synergy effects among two policy measures. The first policy measure aims to "provide incentives to companies to locate in agro-processing zones'', while the second policy measure aims at "addressing logistic issues, abolishing informal fees and improving trade facilitation''. The first policy alone is not sufficient to attract more companies in ago-processing zones, but the second policy measured mentioned earlier seems to complement the first measure. Providing incentives to companies may refer to grant financial incentives, such as various grants and loans and tax holidays or reduced tax rates as well as other incentives, but incentives alone is not enough to lure investors. Meanwhile, addressing logistic issues, abolishing informal fees and improving trade facilitation is another enabling factor in a way to provide more convenience for companies such as efficient transport and logistic services for reliable and timely supply chains, abolished informal fees and improved trade facilitation that creates a favourable environment and facilitation of companies and industrial activities. Therefore, when both policy measures will be initiated, they will effectively contribute to increasing local agricultural processing.

Other than these complementary effects, no case of trade-offs between policy measures is detected for this intervention area.

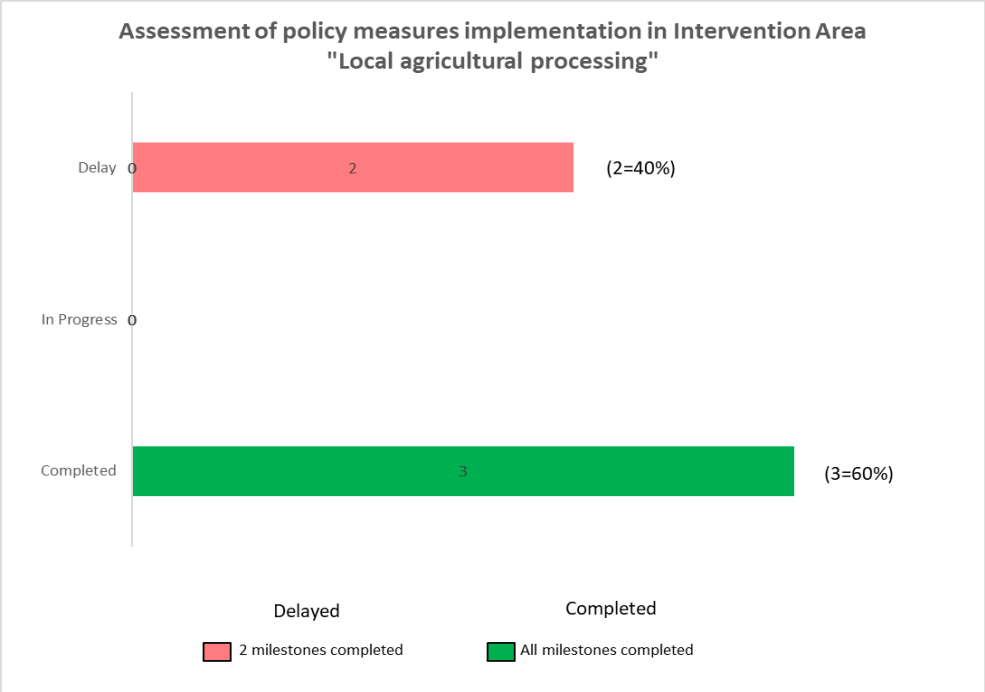
Effectiveness and Efficiency

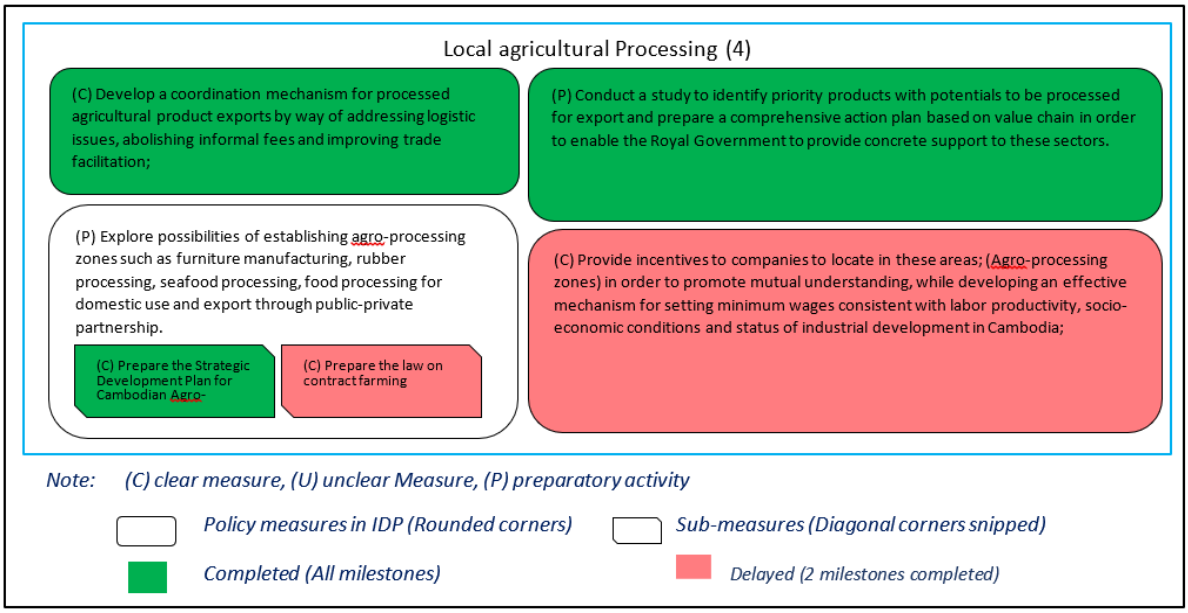
In terms of effectiveness and efficiency of policy design, it can be noticed that there is no instance of duplication among the four policy measures. However, it appears that there are some gaps remaining in the design of this intervention area. As demonstrated above, the two measures including (1) "explore possibilities of establishing agro-processing zones […]"and (2) "conduct a study to identify priority products […]" seem to be in preparatory phase. Therefore, reformulating them to become explicit policy measures with clearly defined instruments is ideal to directly impact the increasing local agricultural processing for domestic consumptions and exports. In this regard, in order to maximise outcomes in this intervention area, the RGC may consider other instruments such as

promoting the improvement of research and development (R&D) with the enterprises/firms to develop new products with intensive technological innovation in Cambodia's agro-processing industry.

5.4.3. Assessment of the policy implementation of intervention area

Figure 1.67: Assessment of policy implementation of intervention area "Local agricultural processing"





This intervention area has four policy measures identified, two policy measures are considered genuine instruments and two are preparatory activities. One of those measures is divided into two sub-policy measures for the convenience of monitoring the implementation progress. As a result, this IA now has five measures, two of which are sub-policy measures. Amongst five policy measures and sub-policy measures; three measures were completed and two are delayed.

The three completed measures have contributed to increasing the number agro-industrial enterprises from 3,368 to 5,754 from 2018 to 2020. However, the number of exports of processed agro-industrial products/goods has decreased from 2,725,244 ton to 2,146,424 ton from 2015 to 2019.

There are a few challenges encountered for the measures that are in progress, such as the limitation of funds from development partners and the fact that the Law on Investment and the Law on Special Economic Zone have not been approved yet.

The adoption and implementation of the policy measures under this intervention area may not be able to bring about the desired changes in improving the local agricultural processing, despite some efforts that have been made. More attention and collective efforts are needed from all stakeholders to transform this sector to be a potential sector for the country if Cambodia wants to reduce its imports and compete with the neighbouring countries.

Annex 2: Recommendations for improved implementation of IDP policy measures

Table 1: A sample of a comprehensive action plan

Instrument	Implementing institution	Objective & Intervention Area	Type of instrument	Description of instrument	Expectations of instrument impact
Provide incentives to companies located in agro-processing zones (Appendix D of IDP, p. 9)	Council for the Development of Cambodia	Maximize domestic benefit & local agricultural processing	Incentives	The incentive scheme will be provided for both local and foreign companies that set up its processing production in the agro-processing zone. The government will offer 10% CIT exemption for 5 years, and up to 7-9 years for companies using local raw materials for production, and import duty exemption for machinery, equipment, means of transportation for the project implementation.	The scheme is expected to attract more companies to invest in agro-processing sector using local raw materials. This is expected to increase the number of companies in agro-processing zones and to create a local agricultural processing ecosystem in the country. It is also expected to contribute to the maximization of domestic benefit.
Baseline indicator for instrument	**Target value for instrument**	**Timeline**	**Budget**	**Funding source**	**Cooperation partners**
- 1 established agro-processing zone - 2 companies located in the zone - 2% of export processed agricultural products of all exports - 1% of processed agricultural products consumed locally	- 5 established processing zones - 25 companies located in the zones - 5% of export processed agricultural products of all exports - 5% of processed agricultural products consumed locally	Planning starts July 2025 Implementation starts January 2026 Mid-term review: 2030 End of scheme: December 2035	10 M USD Additional 50,000USD for administration, implementation, monitoring and evaluation of project	Tax revenues National budget	Ministry of Economy and Finance (General Department of Custom and Excise, General Department of Taxation) Ministry of Agriculture, Forestry and Fishery, Ministry of Industry Science Technology and Innovation

Table 2: Examples of four types of policy instruments

For illustration purpose: Four types of policy instruments are given as examples to support the following Industrial Policy (IP) objective, intervention area, and target group.

- IP Objective: Increase industrial activities
- Intervention area: Promoting domestic demand and import substitution

- Target group: 1) Sector: Food sector & 2) Firm size: SMEs that produce agricultural products as inputs into agro-processing sector

Regulation	Incentive	Information	Public goods and services
• domestic procurement encouragement for super-markets • domestic sourcing requirements/encouragement for FDI	• sales tax reduction on domestically produced foods	• buy-local campaign • database/trade-fair of potential suppliers for large food producers • seminars on packaging & marketing	• public procurement of domestic food • government run agro-processing plant for SMEs • infrastructure development to connect rural agricultural areas

Table 3: Examples of clear and unclear measures

The three elements – target group, desired outcome and means should be specified in each instrument as below:

An example of a clear measure:

Measure	Assessment
Review and amend the Law on Investment and other relevant regulations to respond to the concrete needs for developing the industrial sector by way of making the business climate conducive to attracting investment, enabling technology transfer, creating jobs, and enhance skills training and increasing value-added (Appendix D of IDP, p. 1)	Target group: Private sectors; Desired outcome: Improve the business climate, simplify investment procedures, attract more investment with value-addition, create more jobs, and so on; Means: Review the old law and draft the new law on investment and other supporting regulations

An example of an unclear measure:

Measure	Assessment
Provide incentives/import exemption of construction materials/a one-year minimum tax exemption for the physical infrastructure development in the government-approved SEZs so as to ensure their attractiveness for investors seeking opportunities to establish their production bases	Target group: SEZ developer; Desired outcome: Ensures SEZ attractiveness for investors seeking opportunities to establish their production bases; Means: Provide incentives/import exemption of construction materials/a one-year minimum tax exemption

An example of defining a clear measure

Measure	Assessment
Take measures to promote more active participation from the private sector to develop physical infrastructure in government-approved SEZs so as to ensure their attractiveness for investors seeking opportunities to establish their production bases (Appendix D, p. 3)	Target group: SEZ developer. Desired outcome: Ensures SEZ attractiveness for investors seeking opportunities to establish their production bases; Means: It lacks specific means to promote more active participation from the private sector to develop physical infrastructure in government-approved SEZs.

Table 4: A list of broad and duplicated measures

No.	Theme	Measures	Location in IDP
	1. Broad measures		
1		Develop and implement a master plan for transport and logistics system development with the aim of creating an integrated and highly effective multimodal transport and logistics system, focusing on connecting the major economic poles and the three economic corridors – Phnom Penh – Sihanoukville, Phnom Penh – Bavet and Phnom Penh – Poipet – to become key national economic corridors through the construction of internationally standards highways and the setup of an effective logistics system	Appendix C, page 1
2		Further strengthen labor market mechanisms and skills training development to ensure stability of the labor supply, increase productivity and improve living standard of workers by promoting skills training programs, strengthen the mechanisms for setting minimum wage and enhancing harmony in industrial relations based on the principles of positive union and the kindness of employers towards their employees. This can be done through existing mechanisms, including Labor Advisory Committee and the Cambodia Productivity Committee.	Appendix C, page 2
3		Promote the establishment of large industrial parks and clusters by enacting the Law on Special Economic Zone aimed at supporting in a comprehensive way the development of these zones to meet international standards: including infrastructure management sytstem; adequate supply of electricity and clean water; provisions of raw materials and other inputs; trade and transport facilitation; provisions of incentives and other supporting measures to promote investments in SEZs	Appendix D, page 3
4		Continue developing industrial zones in provinces, aimed at promoting hubs for SMEs while enhancing their competitiveness by way of supplying as a matter of priority electricity connection, clean water, transportation and logistics links as well as other incentives and facilitation from the government	Appendix D, page 3
5		Prepare urban/city development plan to transform into industrial centers focusing on Sihanoukville, Koh Kong, Bavet and Poipet by way of creating an institutional coordinating mechanism to promote based on long-term development planning a comprehensive development of industrial centers, including determining land areas based on concrete land use plan, managing environmental resources to ensure sustainability of the eco system, developing residential housing and infrastructure including electricity, road, port, clean water supply system, flood intervention system, waste drainage system as well as social services and health care, education and vocational training	Appendix D, page 4
6		Continue strengthening and streamlining the administrative capacity and institutional framework for managing the operations of SEZs by way of increasing the effectiveness of the One-Window Service mechanism in order to promote the development of specialized SEZs. The focus of the latter would be on some priority sectors such as agro-processing for export (the development of specialized SEZs needs to be based on specific geographic location, the type of business ventures, adequate infrastructure and enticing incentives)	Appendix D, page 5

7		Increase regional and sub-regional efforts in the context of ASEAN and GMS, to implement the Cross-Border Transport Agreement (CBTA) and the Single Window Mechanism, in order to improve the efficiency of international logistic system in the region; Other supporting measures include developing institutional frameworks to be integrated into the logistic system, cooperation and broader coordination with relevant authorities in charge of transport facilitation and movement of people and goods;	Appendix D, page 10
8		Continue expanding and maintaining major road networks that service transport of goods such as widening the national roads to improve connection to Thailand and Vietnam, the Phnom Penh–Siem Reap corridor and the Phnom Penh–Sihanoukville corridor while conducting a long-term feasibility study for transforming important national roads into highways in order to reinforce the logistical capacity between Cambodia and Thailand and Vietnam;	Appendix D, page 19
9		Improve the effectiveness and governance of public financial system through the allocation and development of public investment programs catered for industrial development	Appendix D, Page 20
10		Strengthen the securities market to mobilize financial resources and its effective use taking into consideration the prospect of establishing in a medium-term to long-term Teasury bonds to finance development projects that support the anchoring of the industrial base	Appendix D, Page 20
	2. Duplicated measures		
1	Logistic system masterplan	Develop and implement a master plan for transport and logistic system development with the aim of creating an integrated and highly effective multimodal transport and logistics system, focusing on connecting the major economic poles and the three economic corridors – Phnom Penh – Sihanoukville, Phnom Penh – Bavet and Phnom Penh – Poipet – to become key national economic corridors through the construction of internationally standards highways and the setup of an effective logistics system	Appendix C, page 1
		Prepare a logistic system master plan to serve as an efficient, reliable and highly competitive platform for trade facilitation	Appendix D, page 10
2	Trade facilitation	Increase regional and sub-regional efforts in the context of ASEAN and GMS, to implement the Cross-Border Transport Agreement (CBTA) and the Single Window Mechanism, in order to improve the efficiency of international logistic system in the region; Other supporting measures include developing institutional frameworks to be integrated into the logistic system, cooperation and broader coordination with relevant authorities in charge of transport facilitation and movement of people and goods	Appendix D, page 10
		Strengthen trade facilitation by improving procedures, strengthening the implementation of the CBTA, reducing transactional cost of trade and strengthening institutional coordination	Appendix D, page 11
3	Metrology and standards	Continue strengthening institutional framework and the capacity in managing metrology and standards, which are the foundation of industrial activities. Additional efforts are dedicated to develop the appropriate regulatory framework and to get international recognition of key national institutions such as the National Metrology Centre and the Institute of Standards of Cambodia	Appendix D, page 11

		Strengthen the capacity of the Institute of Standards of Cambodia in doing research and developing national standards for products, services, production technics in compliance with regional and international standards	Appendix D, page 12
		Strengthen the capacity of the National Metrology Centre in doing research and in preparing procedures for inspection, verification, calibration, and testing	Appendix D, page 12
4	Formation of sub-sectoral associations	Promote the formation of sub-sectoral associations where they can share knowledge and information, protect the interests of their members, and act as advocate with the Royal Government to secure technical and financial support for their members	Appendix D, page 7
		Promote the formation of sub-sectoral associations where they can share knowledge and strengthen government relations	Appendix D, page 11

Figure 1: In-progress and delayed measures needed to be escalated for the 2nd phase of implementation

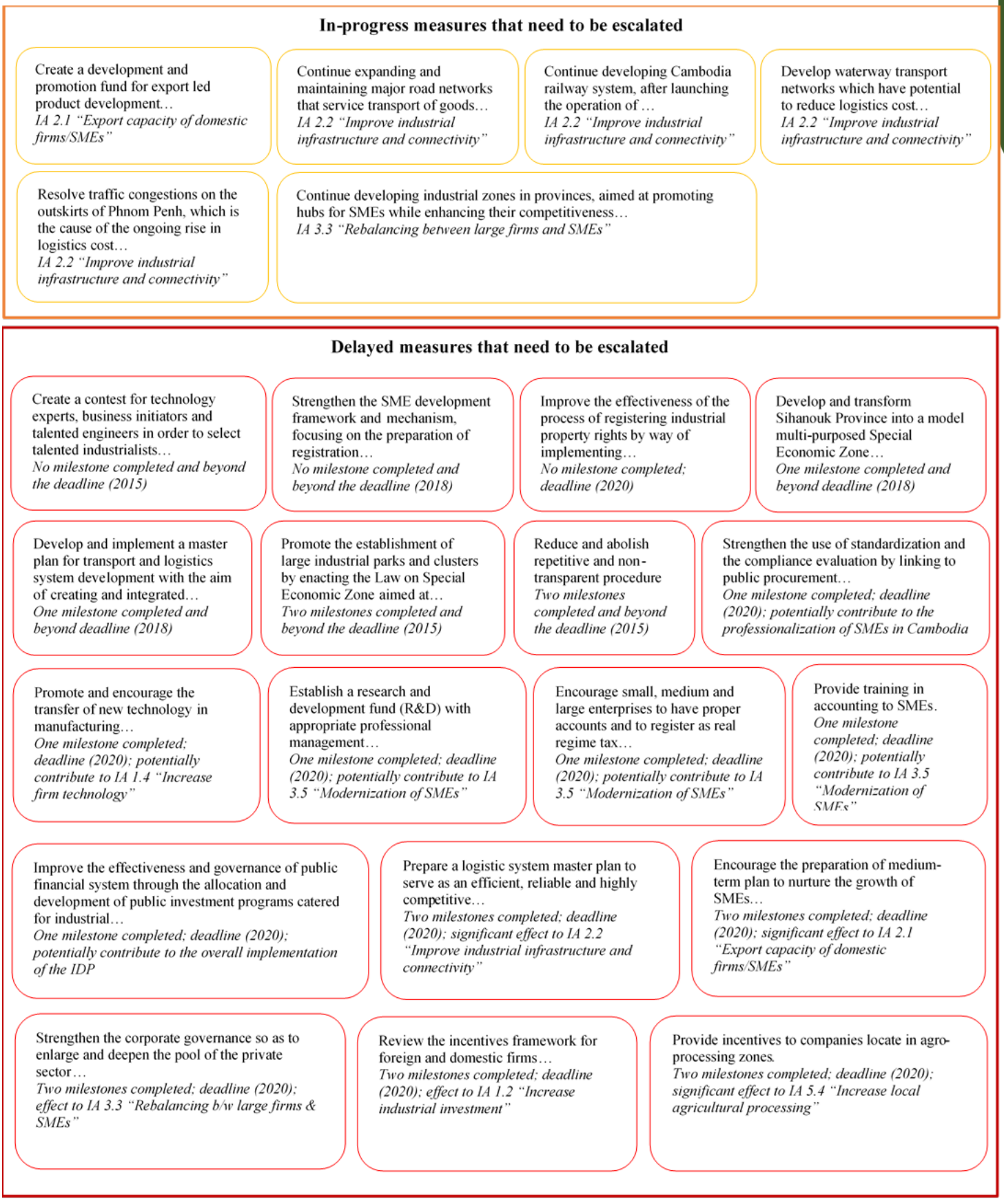


Table 5: Detail list of in-progress and delayed policy measures

No.	Measures	Milestones completed	Deadline	Responsible Ministry	Location in IDP
1. In-progress policy measures					
1	Create a development and promotion fund for export led product development using agro-processing technology	None	2025	Ministry of Economy and Finance	Appendix D, page 9
2	Study the feasibility of creating scientific and technological parks linked to industrial parks and SEZs to provide industrial experiment and research	None	2025	Council for the Development of Cambodia	Appendix D, Page 17
3	Study the fesibility of investing in a government research institute by focusing on sciences and technology linked to each priority sectors by selecting qualified scientists and engineers and equipped with appropriate laboratory equipment	None	2025	Ministry of Economy and Finance	Appendix D, Page 18
4	Establish trade information centre that consists of internet based information on trade measures, tariff and formal fees imposed by the Royal Government	One	2025	Ministry of Commerce	Appendix D, Page 10
5	Assess the natural resource potentials of the country so as to encourage investment in heavy industries	One	2025	Ministry of Industry, Science, Technology and Innovation	Appendix D, P. 18
6	Increase investment in physical infrastructure and improve transport mode and services in order to facilitate and support business operations	One	2025	Ministry of Public Work and Transports	Appendix D, Page 19
7	Continue expanding and maintaining major road networks that service transport of goods such as widening the national roads to improve connection to Thailand and Vietnam, the Phnom Penh–Siem Reap corridor and the Phnom Penh–Sihanoukville corridor while conducting a long-term	One	2025	Ministry of Public Work and Transports	Appendix D, Page 19

	feasibility study for transforming important national roads into highways in order to reinforce the logistical capacity between Cambodia and Thailand and Vietnam;				
8	Continue developing Cambodia railway system, after launching the operation of Phnom Penh – Sihanoukville railway, in order to transform railway system as an important mode of transportation that will contribute to the effectiveness and cost reduction	One	2025	Ministry of Public Work and Transports	Appendix D, Page 19
9	Develop waterway transport networks which have potential to reduce logistics cost especially for transporting agricultural products through the development of peripheral ports along the Mekong River for ease of loading and unloading. The upgrading of new ports in Phnom Penh and Sihanoukville will also help facilitate larger volume of shipping;	One	2025	Ministry of Public Work and Transports	Appendix D, Page 19
10	Resolve traffic congestions on the outskirts of Phnom Penh, which is the cause of the ongoing rise in logistics cost, by way of constructing ring roads or bypasses to ensure smooth traffic flow	One	2025	Ministry of Public Work and Transports	Appendix D, Page 20
11	Strengthen the securities market to mobilize financial resources and its effective use taking into consideration the prospect of establishing in a medium-term to long-term Treasury bonds to finance development projects that support the anchoring of the industrial base Prepare strategic document for the development of the stock market in Cambodia	One	2025	Ministry of Economy and Finance	Appendix D, Page 20
12	Strengthen domestic savings mechanism, including the development and reform of pension fund and insurance sector as stated in the Financial Sector Development Strategy	One	2025	Ministry of Economy and Finance	Appendix D, Page 20
13	Continue developing industrial zones in provinces, aimed at promoting hubs for SMEs while enhancing their competitiveness by way of supplying as a matter of priority electricity connection, clean water, transportation	Two	2025	Council for the Development of Cambodia	Appendix D, page 3

	and logistics links as well as other incentives and facilitation from the government				
14	Promote the development of industrial corridors, especially the Sihanoukville-Koh Kong Southern Coastal Economic Corridors, and other corridors linking main national roads to domestic economic poles and to neighboring countries in ASEAN and Great Mekong Sub-region economic corridor frameworks	Two	2025	Council for the Development of Cambodia	Appendix D, page 3
15	Prepare urban/city development plan to transform into industrial centers focusing on Sihanoukville, Koh Kong, Bavet and Poipet by way of creating an institutional coordinating mechanism to promote based on long-term development planning a comprehensive development of industrial centers, including determining land areas based on concrete land use plan, managing environmental resources to ensure sustainability of the eco system, developing residential housing and infrastructure including electricity, road, port, clean water supply system, flood intervention system, waste drainage system as well as social services and health care, education and vocational training Prepare urban/ city development plan to transform into industrial center focusing on Koh Kong Province	Two	2025	Ministry of Land Management, Urban Planning and Construction	Appendix D, page 4
16	Enable technology transfer through field visits and acquiring capacity building from other countries around the world	Two	2025	Ministry of Industry, Science, Technology and Innovation	Appendix D, page 6
17	Review the viability of providing support to SMEs for investment in machinery parts or production equipment as well as other incentives taking into consideration the local processing of raw materials; promoting quality of products and modernizing their production chain to link up to multinational companies	Two	2025	Ministry of Industry, Science, Technology and Innovation	Appendix D, page 7

18	Build the entrepreneurial capacity of local enterprises to enable them to deal better with large enterprises and foreign investment in SEZs	Two	2025	Ministry of Industry, Science, Technology and Innovation	Appendix D, page 7
19	Strengthen the single-window mechanism for registering SMEs by way of using their registration and account ledgers as the basis for evaluating and determining criteria for providing incentives and receiving support from the Royal Government	Two	2025	Ministry of Industry, Science, Technology and Innovation	Appendix D, page 8
20	Continue strengthening institutional framework and the capacity in managing metrology and standards, which are the foundation of industrial activities. Additional efforts are dedicated to develop the appropriate regulatory framework and to get international recognition of key national institutions such as the National Metrology Centre and the Institute of Standards of Cambodia	Two	2025	Ministry of Industry, Science, Technology and Innovation	Appendix D, page 11
21	Support and improve the capacity and competency in metrology and standards assurance with regards to quantity, quality, safety, service, environment and management	Two	2025	Ministry of Industry, Science, Technology and Innovation	Appendix D, page 12
22	Take practical actions to strengthen the implementation of standards, metrology and industrial property rights as a tool for promoting competitiveness	Two	2025	Ministry of Industry, Science, Technology and Innovation	Appendix D, page 12
23	Support and improve the capacity and competency of the National Productivity Centre of Cambodia with the purpose of increasing the productivity and enhancing the quality of SMEs	Two	2025	Ministry of Industry, Science, Technology and Innovation	Appendix D, page 12
24	Strengthen the capacity of the Institute of Standards of Cambodia in doing research and developing national Standards for products, services, production technics in compliance with regional and international Standards	Two	2025	Ministry of Industry, Science, Technology and Innovation	Appendix D, page 12

25	Strengthen the capacity of the National Metrology Centre in doing research and in preparing procedures for inspection, verification, calibration, and testing	Two	2025	Ministry of Industry, Science, Technology and Innovation	Appendix D, page 12
26	Strengthen the management of Cambodian Innovation and Invention Center to promote invention and training on industrial property rights	Two	2025	Ministry of Industry, Science, Technology and Innovation	Appendix D, page 17
27	Improve and maintain infrastructure to support SEZs, including road networks which are crucial for developing industries in Svay Rieng, Koh Kong and Sihanoukville where international border checkpoints and international ports are located	Two	2025	Council for the Development of Cambodia	**Appendix D, page 19**
2. Delayed policy measures					
1	Encourage competition among SEZs by way of establishing key performance indicators for measuring these SEZs to be used as evaluation criteria for providing incentives and promoting best practices	None	2018	Council for the Development of Cambodia	Appendix D, page 4
2	Strengthen the SME development framework and mechanism, focusing on the preparation of registration, monitoring and tracking the progress of this sector. The objective is to encourage Cambodian enterprises to register in the formal tax regime, thus allowing the Royal Government to have accurate information about the sector so that it can initiate proper supporting policies to to enable better access to credit information and other business advises to grow their business and investment	None	2018	Ministry of Industry, Science, Technology and Innovation	Appendix D, page 6
3	Improve the effectiveness of the process of registering industrial property rights by way of implementing collaborative procedures to recognize registration agents of partner countries and to facilitate to the registration of IP agents through automation	None	2015	Ministry of Industry, Science, Technology and Innovation	Appendix D, page 11

4	Create a contest for technology experts, business initiators and talented engineers in order to select talented industrialists and promote innovation among engineers and young entrepreneurs	None	2015	Ministry of Industry, Science, Technology and Innovation	Appendix D, page 17
5	Develop and implement a master plan for transport and logistics system development with the aim of creating an integrated and highly effective multimodal transport and logistics system, focusing on connecting the major economic poles and the three economic corridors – Phnom Penh – Sihanoukville, Phnom Penh – Bavet and Phnom Penh – Poipet – to become key national economic corridors through the construction of internationally standards highways and the setup of an effective logistics system	One	2018	Ministry of Public Work and Transports	**Appendix C, page 1**
6	Develop and transform Sihanouk Province into a model multi-purposed Special Economic Zone, following the concept of Special Administrative Region. Under this concept, a master plan, legal and regulatory framework and other administrative arrangement will be developed and designed to provide full authority and jurisdiction for mobilization of resources, talents, investments and businesses to develop the province to become an economic pole and industrial, trade and tourist hub in line with sustainable and environmentally sound development concepts, and to be recognized as the ASEAN Green Industry and Metropolitan City in the future.	One	2018	Ministry of Economy and Finance	**Appendix C, page 2**
7	Review the feasibility of promoting the development of large high standard SEZs through Public Private Partnership	One	2020	Ministry of Economy and Finance	Appendix D, page 6
8	Establish a research and development fund (R&D) with appropriate professional management and budget allocation by the Royal Government according to the need of industry and the affordability of the national budget	One	2020	Ministry of Economy and Finance	Appendix D, page 7

9	Promote the formation of sub-sectoral associations where they can share knowledge and information, protect the interests of their members, and act as advocate with the Royal Government to secure technical and financial support for their members	One	2020	Ministry of Industry, Science, Technology and Innovation	Appendix D, page 7
10	Encourage small, medium and large enterprises to have proper accounts and to register as real regime tax payers	One	2020	Ministry of Economy and Finance	Appendix D, page 8
11	Provide training in accounting to SMEs	One	2020	Ministry of Economy and Finance	Appendix D, page 9
12	Explore the possibility of establishing a policy-based financing institution tasked to provide credit to exporters who can export products in priority industries, and export insurance services to reduce export-related risks	One	2020	Ministry of Economy and Finance	Appendix D, page 11
13	Strengthen the use of standardization and the compliance evaluation by linking to public procurement, incentives and other subsidies	One	2020	Ministry of Industry, Science, Technology and Innovation	Appendix D, page 12
14	Promote and encourage the transfer of new technology in manufacturing, including for handicraft	One	2020	Ministry of Industry, Science, Technology and Innovation	Appendix D, page 17
15	Collaborate to promote and encourage study and research on sciences, technology and innovation Cooperate and promote the research and incentives for science, technology and innovation	One	2020	Ministry of Economy and Finance	Appendix D, page 17

16	Improve the effectiveness and governance of public financial system through the allocation and development of public investment programs catered for industrial development	One	2020	Ministry of Economy and Finance	Appendix D, page 20
17	Review and amend the Law on Investment and other relevant regulations to respond to the concrete needs for developing the industrial sector by way of making the business climate conducive to attracting investment, enabling technology transfer, creating jobs and enhance skills training and increasing value-added.	Two	2015	Council for the Development of Cambodia	Appendix D, page 1
18	Review and revise criteria of selecting "potential and quality investment projects" that generate value addition and positive externality for the development and attraction of new industries into Cambodia	Two	2015	Council for the Development of Cambodia	Appendix D, page 1
19	Review the incentives framework for foreign and domestic firms and SMEs located in SEZs	Two	2020	Council for the Development of Cambodia	Appendix D, page 3
20	Promote the establishment of large industrial parks and clusters by enacting the Law on Special Economic Zone aimed at supporting in a comprehensive way the development of these zones to meet international standards: including infrastructure management sytstem; adequate supply of electricity and clean water; provisions of raw materials and other inputs; trade and transport facilitation; provisions of incentives and other supporting measures to promote investments in SEZs	Two	2015	Council for the Development of Cambodia	Appendix D, page 3
21	Encourage the preparation of medium-term plan to nurture the growth of SMEs by way of identifying enterprises with good export potentials, developing new products, linking to multinational corporations (MNCs), connecting them to the value chain and regional production networks, and preparing concrete action framework to develop them	Two	2020	Ministry of Industry, Science, Technology and Innovation	Appendix D, page 6

22	Strengthen the corporate governance so as to enlarge and deepen the pool of the private sector, which appreciates the culture of social accountability and can enhance their ability to obtain financing by providing them training on general management, production system management and technology management for SMEs;	Two	2020	Ministry of Industry, Science, Technology and Innovation	Appendix D, page 8
23	Explore possibilities of establishing agro-processing zones such as furniture manufacturing, rubber processing, seafood processing, food processing for domestic use and export through public-private partnership Prepare the law on contract farming	Two	2020	Ministry of Agriculture, Forestry and Fishery	Appendix D, page 8
24	Provide incentives to companies locate in agro-processing zones	Two	2020	Council for the Development of Cambodia	Appendix D, page 9
25	Reduce and abolish repetitive and non-transparent procedure	Two	2015	Council for the Development of Cambodia	Appendix D, page 10
26	Prepare a logistic system master plan to serve as an efficient, reliable and highly competitive platform for trade facilitation Prepare the Logistic and Transport Development Plan 2020-2030	Two	2020	Ministry of Public Work and Transports	Appendix D, page 10
27	Increase regional and sub-regional efforts in the context of ASEAN and GMS, to implement the Cross-Border Transport Agreement (CBTA) and the Single Window Mechanism, in order to improve the efficiency of international logistic system in the region; Other supporting measures include developing institutional frameworks to be integrated into the logistic system, cooperation and broader coordination with relevant authorities in charge of transport facilitation and movement of people and goods	Two	2020	Ministry of Public Work and Transports	Appendix D, page 10

28	Raise awareness of the importance of standards, metrology and industrial property rights in order to broaden and attract the interest of entrepreneurs	Two	2020	Ministry of Industry, Science, Technology and Innovation	Appendix D, page 12
29	Initiate a research on the relationship between employees and employers in order to identify good practices in addressing systemic resolutions of industrial disputes, which could enhance labor productivity, i.e. professional training on addressing workers' issues in line with the existing labor law and regulations;	Two	2020	Ministry of Labor and Vocational Training	Appendix D, page 13
30	Review and improve the implementation procedures so as to avoid contradictions between tax collections and tax exemption procedures	Two	2020	Ministry of Economy and Finance	Appendix D, page 13
31	Expand the coverage of water supply throughout the capital, in urban areas, industrial zones and SEZs by strengthening the capacity of public and private water supply units in compliance with technical standards and the National Drinking Water Quality Standards	Two	2020	Ministry of Industry, Science, Technology and Innovation	Appendix D, page 19

Annex 3: Assessment of the nature of the IDP Measures

Color code:

Clear measure (85)
Preparatory activity
Unclear measure (14)

IPOs/IAs	Policy measures	Assessment	Responsible Ministry	Cluster
1. Increase industrial activities				
1.1. Domestic demand/import substitution	NO measures respond to this IA			
1.2. Industrial investment (15) **Clear measure = 10** **Unclear measure = 1** **Preparatory activity = 4**	1.2.1. Develop and transform Sihanouk Province into a model multi-purposed Special Economic Zone, following the concept of Special Administrative Region. Under this concept, a master plan, legal and regulatory framework and other administrative arrangement will be developed and designed to provide full authority and jurisdiction for mobilization of resources, talents, investments and businesses to develop the province to become an economic pole and industrial, trade and tourist hub in line with sustainable and environmentally sound development concepts, and to be recognized as the ASEAN Green Industry and Metropolitan City in the future.	Preparatory activity - Target group: investor - Desired outcome: develop the province to become an economic pole and industrial, trade and tourist hub - Means: Design and develop master plan, legal and regulatory framework and other administrative arrangement No immediate effect	Coordinated by CDC -MISTI -MLUPC -MoI -MEF -Mot -MoC -MoE -MPWT -CoM -SSCA -relevant ministries	
	1.2.2. Review and amend the Law on Investment and other relevant regulations to respond to the concrete needs for developing the industrial sector by way of making the business climate conducive to attracting investment, enabling technology transfer, creating jobs and enhance skills training and increasing value-added;	Clear measure: - Target groups: Private investors (both local and foreign companies). - Desired outcome: To improve business climate, simplify investment procedures, attract more investment with value-addition, create more jobs and so on by drafting new law on investment and other supporting regulatory framework. The effect link of this measure is to improve the investment environment in general to attract more investment with value addition and create more jobs for Cambodians.	CDC	1
	1.2.3. Further strengthen favorable environment for investment and doing business by improving the regulatory framework, rationalizing the provision of incentives for investment projects, strengthening the good governance and the effectiveness of relevant public institutions, especially the One-Window Service mechanism at the Council for Development of Cambodia (CDC) to become an effective and practical mechanism;	Clear measure: - Target groups: Government - Desired outcome: To increase investment by providing simplified investment procedure through the One-Window Service at the Council for Development of Cambodia (CDC) - Means: Investors do not have to go to different line ministries to get licenses.	-CDC -Relevant ministries	1

1.2.4. Strengthen the institutional capacity and consolidate the investment management and promotion functions with the industrial development promotion function under the mandate of the CDC by way of preparing short and medium term action plans, institutional reform and modernization, and capacity building of officials to effectively carry out the IDP vision and objectives;	Clear measure - Target group: Investment promotion agency - Desired outcome: To strengthen its institutional capacity. - Means: promoting investment. It is a general measure for any Investment Promotion Agency to strengthen its institutional capacity to achieve its primary function of promoting investment. However, it has a weak link to this IA.	CDC	1
1.2.5. Improve investment after care services based on international best practices to ensure the effectiveness of investment facilitating and addressing investors' concerns throughout each phase of their investment project implementation;	Clear measure - Target groups: Government - Desired outcome: Investors will be more satisfied with given services and more confident in expanding their investment projects in Cambodia. - Means: Investors will share good experience with prospective investors to invest in Cambodia. The establishment of ombudsmen office, and bilateral meetings with investors at CDC on a regular basis have been among effective mechanisms in the provision of aftercare services to address investors' concerns/challenges. Therefore, by improving these mechanisms, it is likely that investors will be more satisfied with given services and more confident in expanding their investment projects in Cambodia. With this improvement, there is also a possibility that current investors will share good experience with prospective investors to invest in Cambodia.	CDC	1
1.2.6. Further strengthen the effectiveness of Government-Private Sector Forum, encouraging the participation of private sector in industrial development, particularly ensuring the common interest of the sector, fair competition and improved investment climate;	Clear measure: - Target group: Government and Private sector - Desired outcome: Building confidence and solve any problems - Means: more satisfied and confident to expand their investment projects. Typical instrument, common exchange with public and private sector Clear measure: need to write casual mechanism. The investors can listen to the government, the commitment of the gov't, building confidence, to solve any problems The Government-Private Sector Forum is a mechanism promoted by the Royal Government to improve policies and address any concerns raised by private sector to adopt timely measures that ensure benefits for all relevant stakeholders, fair competition, and favorable investment climates. In this context of typical instrument, public and private sectors raise their problems and exchange their views with the government to find suitable solutions for all stakeholders. Therefore, by improving this mechanism, investor will be more satisfied and confident to expand their investment projects.	CDC	2

1.2.7. Review the mechanism to disseminate investment information with the aim of facilitating the ease of access to information, especially content improvement based on users' feedback.	Clear measure: - Target group: Government - Desired outcome: To facilitate investors with easy access to accurate information, provide consultation and assistance on the issue relating to the provision of services has been put in place. - Means: Positive image for Cambodia, maximizing prospective investors' interest in Cambodia. The one-stop service desk and complaint desk mechanism to facilitate investors with easy access to accurate information, provide consultation and assistance on the issue relating to the provision of services has been put in place. The review of these mechanisms by taking investor's feedback into account will convey that Cambodia has a progressive and attractive environment suited for business operations. The successful implementation of these mechanisms would create a positive image for Cambodia, maximizing prospective investors' interest in Cambodia.	CDC	2
1.2.8. Review the incentives framework for foreign and domestic firms and SMEs located in SEZs;	Clear measure - Target group: Government - Desired outcome: Revised incentive schemes stipulated in the draft law on investment and draft law on SEZ will become a great attraction/motivation for investors to expand their investment or for SMEs to relocate/establish their business into SEZs/specialized SEZs for SMEs. - Means: Increase the investment of domestic and foreign firms/SMEs. Law on Investment and Law on SEZ Can shed some light into the means by looking into the law Can find out the casual mechanism, so it is clear The revised incentive schemes stipulated in the draft law on investment and draft law on SEZ will become a great attraction/motivation for investors to expand their investment or for SMEs to relocate/establish their business into SEZs/specialized SEZs for SMEs. This will indeed increase the investment of domestic and	-CDC -MEF -MISTI	3
1.2.9. Promote the establishment of large industrial parks and clusters by enacting the Law on Special Economic Zone aimed at supporting in a comprehensive way the development of these zones to meet international standards: including infrastructure management system; adequate supply of electricity and clean water; provisions of raw materials and other inputs; trade and transport facilitation; provisions of incentives and other supporting measures to promote investments in SEZs	Clear measure: - Target group: zone developers and zone investors - Desired outcome: the establishment of large industrial parks and clusters and promote investments in SEZs - Means: provide simple procedure to establish SEZs and invest in SEZs Through the law on SEZ, establishing large industrial parks and clusters with a wide range of gov't support is key attributes to attracting more investment in SEZs.	CDC	

1.2.10. Encourage competition among SEZs by way of establishing key performance indicators for measuring these SEZs to be used as evaluation criteria for providing incentives and promoting best practices;	Preparatory activity Target Group: Desired outcome: Means: This measure is just a preparatory activity as CDC is learning from the experiences of other countries in the region on how to evaluate the effectiveness of the SEZs. This activity is like a stepping-stone action. Does not have any immediate effect on the economic actor.	CDC	
1.2.11. Review the feasibility of promoting the development of large high standard SEZs through Public Private Partnership	Preparatory activity - Target group: SEZ developers - Desired outcome: to develop large high standard SEZs - Means: Assess if it is feasible for developing such SEZs funded by public private partnership No immediate effect	MEF CDC	
1.2.12. Review the tax and customs system by transforming it into a tool not only for revenue collection but also for promoting industrial development;	Preparatory activity - Target group: - Desired outcome: - Means: No immediate effect	MEF	
1.2.13. Expedite the tax refunds or the use of tax credit in accordance with the existing tax regulations;	Clear measure - Target group: Taxpayers/firms - Desired outcome: To build taxpayers' trust in tax system, in particular in tax refunds aspect. - Means: By using the existing tax regulations to support this mechanism	MEF	
1.2.14. Continue implementing the Financial Sector Development Strategy 2011 – 2020 as the framework for financial sector development in Cambodia;	Clear measure Target group: Government Desired outcome: To mobilize and allocate resources to support sustainable economic growth. - Means: To promote the use of the riel and de-dollarization to ensure investors' confidence in using the local currency. The Financial Sector Development Strategy 2011-2020, to-date is one of the most significant and comprehensive documents adopted, to develop a sound, market-oriented financial sector that will mobilize and allocate resources to support sustainable economic growth, in particular to finance the industrial development, promote the use of the riel and de-dollarization to ensure investors' confidence in using the local currency. Clear instrument – financial instrument	-MEF -NBC	4

	1.2.15. Strengthen the securities market to mobilize financial resources and its effective use taking into consideration the prospect of establishing in a medium-term to long-term Treasury bonds to finance development projects that support the anchoring of the industrial base;	Unclear measure: - Target group: Government - Desired outcome: Important for Cambodia to generate finances from both domestic and foreign investors. - Means: To build investors' trust and confidence to expand and invest more in Cambodia. Unclear measure: no concrete means of how it will be implemented The establishment of the treasury/government bonds is important for Cambodia to generate finances from both domestic and foreign investors. It will also become an important tool to build investors' trust and confidence to expand and invest more in Cambodia.	MEF	4
1.3. Firm Labor productivity (1) **Clear measure = 1** **Unclear measure = 0** **Preparatory activity = 0**	1.3.1. Support and improve the capacity and competency of the National Productivity Centre of Cambodia with the purpose of increasing the productivity and enhancing the quality of SMEs;	Clear measure: - Target groups: SMEs - Desired outcome: to increase the productivity and enhance the quality of SMEs - Means: support and improve the capacity and competency of the National Productivity Centre of Cambodia By strengthening its institutional capacity and competency, the National Productivity Centre of Cambodia are more capable of providing support to SMEs in increasing their productivity. This measure has indirect/weak link to the intervention area.	MISTI	
1.4. Firm technology (2) **Clear measure = 1** **Unclear measure = 1** **Preparatory activity = 0**	1.4.1. Promote and encourage the transfer of new technology in manufacturing, including for handicraft	Unclear measure: - Target groups: manufacturing and handicraft enterprises - Desired outcome: to promote and encourage the transfer of new technology - Means: not clearly indicated.	MISTI	
	1.4.2. Enable technology transfer through field visits and acquiring capacity building from other countries around the world	Clear measure: - Target group: MISTI and domestic SMEs - Desired outcome: Enhance capacities in technology transfer. - Means: Conduct study visits and enhance capacities in technology from others best practices. The target group would be able to absorb technology and know-how transfer from others and enable to apply in their performance.	MISTI	
2. Increase industrial export				
2.1. Export capacity of domestic firms/SMEs (3) **Clear measure = 2** **Unclear measure = 0** **Preparatory activity = 1**	2.1.1. Encourage the preparation of medium-term plan to nurture the growth of SMEs by way of identifying enterprises with good export potentials, developing new products, linking to multinational corporations (MNCs), connecting them to the value chain and regional production networks, and preparing concrete action framework to develop them;	Preparatory: - Target group: SMEs - Desired outcome: medium-term plan to nurture the growth of SMEs - Means: identifying enterprises with good export potentials, developing new products, linking to multinational corporations (MNCs), connecting them to the value chain and regional production networks, and preparing concrete action framework to develop them No immediate effect.	-MISTI -CDC -MoC	

	2.1.2. Create a development and promotion fund for export led product development using agro-processing technology;	Clear measure - Target group: investor in agro-processing sector - Desired outcome: Increase more export-led products development using agro-processing technology. - Means: provide funds to firms in agro-processing sector (No detail info available) With this funding package, the investors would be able to expand and diversify the export-led product using agro-processing technology.	-MEF -MISTI	
	2.1.3. Promote the formation of sub-sectoral associations where they can share knowledge and strengthen government relations	Clear measure: - Target group: SMEs - Desired outcome: knowledge sharing among SMEs and government relations - Means: formation of sub-sectoral associations When SMEs get access to knowledge sharing and have good relations with government, they can enhance their capacity so that they may be able to increase their export.	-MoC -MISTI	
2.2. Industrial infrastructure and connectivity (21) **Clear measure = 12** **Unclear measure = 3** **Preparatory activity = 6**	2.2.1. Prepare and implement a plan to reduce electricity tariffs for industrial and commercial purposes including strengthening reliability and expanding coverage of electricity supply	Clear measure: - Target group: industrial commercial users - Desired outcome: Lower electricity price with sustainable supply - Means: Prepare & implement plan by securing sustainable sources of energy through construction of power plants and purchasing electricity from neighbouring countries Lower electricity price leads to lower cost of production	-MME -MEF -CDC -EAC -EDC	
	2.2.2. Develop and implement a master plan for transport and logistic system development with the aim of creating an integrated and highly effective multimodal transport and logistics system, focusing on connecting the major economic poles and the three economic corridors – Phnom Penh – Sihanoukville, Phnom Penh – Bavet and Phnom Penh – Poipet – to become key national economic corridors through the construction of internationally standards highways and the setup of an effective logistics system	Clear measure: - Target group: private sector - Desired outcome: Lower transport and logistic costs - Means: Develop and implement a master plan for transport and logistic system development (Roads, logistics hubs/centers, etc – may also look up the Master Plan) Lower transport and logistic costs lead to lower business transaction costs	Coordinated by CEFP -MPWT -MEF -MoC -CDC	
	2.2.3. Take measures to promote more active participation from the private sector to develop physical infrastructure in government approved SEZs so as to ensure their attractiveness for investors seeking opportunities to establish their production bases;	Unclear measure - Target group: SEZ developer - Desired outcome: Ensure SEZ attractiveness for investors seeking opportunities to establish their production bases Means: There is no clear instrument or measures to promote more active participation from the private sector to develop physical infrastructure in government approved SEZs	CDC	

2.2.4. Promote the development of industrial corridors, especially the Sihanoukville-Koh Kong Southern Coastal Economic Corridors, and other corridors linking main national roads to domestic economic poles and to neighboring countries in ASEAN and Greater Mekong Sub-region economic corridor frameworks;	Clear measure: - Target/beneficiary group: firms - Desire outcome: Ease the transportation within the country and export of goods to neighbouring countries - Means: Building roads along industrial corridors (no info about clear action plan yet) More and convenient connectivity to both domestic and regional economic poles will make an enabling environment for investors to expand and diversify their export markets and products.	-CDC -MEF -MLMUC -Relevant -SNAs	
2.2.5. Prepare urban/city development plan to transform into industrial centers focusing on Sihanoukville, Koh Kong, Bavet and Poipet by way of creating an institutional coordinating mechanism to promote based on long-term development planning a comprehensive development of industrial centers, including determining land areas based on concrete land use plan, managing environmental resources to ensure sustainability of the eco system, developing residential housing and infrastructure including electricity, road, port, clean water supply system, flood prevention system, waste and drainage system as well as social services and health care, education and vocational training;	Preparatory - Target group: private sector - Desired outcome: Adaptation of urban/city areas to industrial development in the region. - Means: Prepare urban/city development plan focusing on Sihanoukville, Koh Kong, Bavet and Poipet No immediate effect	-MLMUPC -CDC -MPWT -MEF -Others	
2.2.6. Develop Phnom Penh surrounding areas to become an industrial hub with clear land use plan by separating industrial zones and residential zones or urban areas with the long-term plan of transforming Phnom Penh into an administrative, industrial, scientific and innovative center;	Preparatory activity - Target group: private sector - Desired outcome: Adaptation of Phnom Penh to economic/industrial changes - Means: Develop urban/ land use plan with separating industrial zones No immediate effect	-MLMUPC -MOI (PP Municipality) -CDC -MPWT -MEF -MISTI -Others	
2.2.7. Maintain the momentum in developing physical infrastructure for industrial development purpose such as clean water, electricity, transportation and telecommunication, especially in SEZs, developing industrial clusters and transforming urban areas into national industrial centers in line with the urbanization, land use and management plan;	Clear measure: - Target group: zone investors - Desired outcome: To create industrial clusters and transform urban areas into national industrial centers - Means: Develop physical infrastructure such as clean water, electricity, transportation and telecommunications in SEZs in particular More provisions of public goods such as clean water, electricity, transportation and telecommunications in SEZs will reduce production and transport costs for zone investors and enable cluster	-MLMUPC -CDC -MISTI -MME -MPWT -Others	
2.2.8. Prepare a logistic system master plan to serve as an efficient, reliable and highly competitive platform for trade facilitation;	Preparatory activity - Target group: private sector - Desired outcome: to create efficient, reliable and highly competitive platform for trade facilitation - Means: prepare a logistic system master plan No immediate effect	-MPWT -MOC -MEF	

2.2.9. Increase regional and sub-regional efforts in the context of ASEAN and GMS, to implement the Cross-Border Transport Agreement (CBTA) and the Single Window Mechanism, in order to improve the efficiency of international logistic system in the region; Other supporting measures include developing institutional frameworks to be integrated into the logistic system, cooperation and broader coordination with relevant authorities in charge of transport facilitation and movement of people and goods;	Preparatory activity - Target group: public sector - Desired outcome: to improve the efficiency of international logistic system in ASEAN and GMS - Means: specifically focus on developing institutional frameworks concerning transport facilitation No immediate effect	-MPWT -MOC -MEF	
2.2.10. Create a coordinating mechanism for investing in transport infrastructure (road, rail, air and port) by linking to targeted industrial areas;	Unclear measure: - Target group: public sector - Desired outcome: improve connectivity for targeted industrial areas - Means: create a coordinating mechanism? (Lack of available info, the officials of MPWT are not also clear) No immediate effect	MPWT	
2.2.11. Monitor and direct energy supply to major production zones by ensuring the most sufficient and stable electricity supply, which allow factories to plan their production effectively;	Clear measure - Target group: firms in major production zones (Economic poles including factories zones, industrial zones and special economic zones) - Desired outcome: provide stable and sufficient energy supply in these major production zones - Means: Constant monitoring of supply from the technical team, improve the quality of electricity grids and build transmissionlines at major locations. With efficient and stable supply of energy, productive firms can operate electrical machinery or equipment more efficiently in their production.	-MME -EAC -EDC	
2.2.12. Implement and timely complete the planned construction of electricity plants to reduce shortage of electricity supplies by 2020 including improvement of capacity and quality of transmission;	Clear measure: - Target groups: private sector - Desired outcome: achieve stability of power supply and lower the electricity cost according to plan - Means: Constructing electricity plants Electricity stations that was built and operated, supply electricity in a timely manner based on energy demand. And more transmission line, sub-stations and contribution line are constructed to increase the supply efficiency and stability.	-MME -EAC -EDC	
2.2.13. Review the forecast of long-term electricity demand and energy development plan in line with the new vision for economic and industrial development. Energy supply options are also to be reviewed in order to ensure adequate energy supply capacity to major strategic industrial zones;	Preparatory activity - Target groups: firms in major industrial zones - Desired outcome: to ensure adequate capacity of energy supply to major strategic industrial zones - Means: review the forecast of long-term energy demand and energy supply options No immediate effect	-MME -EAC -EDC	

2.2.14. Increase investment in physical infrastructure and improve transport mode and services in order to facilitate and support business operations;	Unclear measure: - Target group: private sector - Desired outcome: mobilize investment in physical infrastructure - Means: No specific methods as how to increase investment in physical infrastructure By investing more in physical infrastructure as public goods, business enterprises can benefit from reduced costs of goods transport in particular with improved transport mode and services as well.	-MPWT -MEF	
2.2.15. Expand the coverage of water supply throughout the capital, in urban areas, industrial zones and SEZs by strengthening the capacity of public and private water supply units in compliance with technical standards and the National Drinking Water Quality Standards;	Clear measure: Check MISTI RTF - Target groups: private sector - Desired outcome: to expand water supply coverage throughout the capital, in urban areas, industrial zones and SEZs - Means: Increase the capacity of water supply units (lack of available info) (capacity of public and private firms?) With enhanced capacity of public and private water supply units, standard quality water in larger quantity can be distributed for both household and industrial consumptions in targeted urban areas and industrial zones.	MISTI	
2.2.16. Continue expanding and maintaining major road networks that service transport of goods such as widening the national roads to improve connection to Thailand and Vietnam, the Phnom Penh–Siem Reap corridor and the Phnom Penh–Sihanoukville corridor while conducting a long-term feasibility study for transforming important national roads into highways in order to reinforce the logistical capacity between Cambodia and Thailand and Vietnam;	Clear measure: - Target groups: private sector - Desired outcome: to reinforce the logistical capacity between Cambodia and Thailand and Vietnam - Means: continue expanding and maintaining major road networks especially widening the national roads along major economic poles connecting Cambodia to neighbouring Thailand and Vietnam Improved road networks are likely to allow smoother and more efficient deliveries of goods from one industrial production site to another within the country and, especially, facilitate cross-border trade between Cambodia and neighbouring Thailand and Vietnam.	-MPWT -MEF	
2.2.17. Improve and maintain infrastructure to support SEZs, including road networks which are crucial for developing industries in Svay Rieng, Koh Kong, and Sihanoukville where international border checkpoints and international ports are located;	Clear measure: - Target groups: investors in SEZs located in Svay Rieng, Koh Kong and Sihanoukville - Desired outcome: to stimulate growth of industrial activities in targeted provinces—Svay Rieng, Koh Kong and Sihanoukville - Means: Improve and maintain infrastructure to support SEZs including road networks Enhanced infrastructure which includes more reliable road networks will allow efficient transport of goods manufactured in SEZs in these three provinces to reach their destination markets as well as timely transport of raw materials required for industrial production into SEZs.	-CDC -MEF -MPWT -Sub-Nat. admin	

	2.2.18. Continue developing Cambodia railway system, after launching the operation of Phnom Penh – Sihanoukville railway, in order to transform railway system as an important mode of transportation that will contribute to the effectiveness and cost reduction;	Clear measure: - Target groups: private sector - Desired outcome: to transform railway system as an important mode of transportation that will contribute to the effectiveness and cost reduction - Means: continue developing Cambodia railway system An improved railway system would offer an alternative mode of transport to road networks for efficient transport of goods without facing a frequency of road congestion.	MPWT	
	2.2.19. Develop waterway transport networks which have potential to reduce logistics cost especially for transporting agricultural products through the development of peripheral ports along the Mekong River for ease of loading and unloading. The upgrading of new ports in Phnom Penh and Sihanoukville will also help facilitate larger volume of shipping;	Clear measure: - Target groups: private sector - Desired outcome: to reduce logistics cost, ease loading and unloading, and facilitate larger volume of shipping - Means: develop waterway transport networks especially peripheral ports along the Mekong River, and upgrade new ports in Phnom Penh and Sihanoukville An improved waterway system including upgraded port capacity could transform the waterway transport into a more efficient mode of transport that is capable of handling goods shipments in larger volume with lower costs.	MPWT	
	2.2.20. Resolve traffic congestions on the outskirts of Phnom Penh, which is the cause of the ongoing rise in logistics cost, by way of constructing ring roads or bypasses to ensure smooth traffic flow;	Clear measure: - Target groups: private sector - Desired outcome: resolve traffic congestions on the outskirts of Phnom Penh to reduce logistics cost - Means: constructing ring roads or bypasses Ring roads would provide alternative routes for large trucks delivering goods to and from factories located in the outskirts of Phnom Penh, allowing them to transport goods in a more efficient and timely manner and avoid causing congestions on the main roads.	-MPWT -Phnom Penh Munici-pality	
	2.2.21. Review the feasibility of public-private partnership for the development of infrastructure, which can help reduce the pressure on public investment.	Preparatory activity - Target group: private sector - Desired outcome: to reduce the pressure on public investment for infrastructure development - Means: review the feasibility of public-private partnership for infrastructure development No immediate effect	MEF	
3. Economic resilience and diversification				

3.1. New industrial activities (4) **Clear measure = 4** **Unclear measure = 0** **Preparatory activity = 0**	3.1.1 Review and revise criteria of selecting "potential and quality investment projects" that generate value addition and positive externality for the development and attraction of new industries into Cambodia; *(Regulations)*	Clear measure: - Target groups: investors - Desired outcome: to attract new manufacturing industries or supporting industries into Cambodia. - Mean: Review and revise criteria of selecting "potential and quality investment projects" The revision of selection criteria is to be stipulated in the draft law on investment. The criteria can be used to identify potential and quality investment projects to be eligible for special incentive schemes.	- CDC - MEF - MISTI - Relevant Ministries	
	3.1.2. Prepare and implement concrete strategies and measures to promote and attract investment with focus on target countries and specific priority industries;	Clear measure: - Target groups: investors - Desired outcome: to promote and attract investors from targeted countries in priority sectors - Means: prepare and implement target investment strategies and measures By further implementing targeted investment strategies, Cambodia's investment promotion agency would become more proactive and attract better investment that is more suitable for Cambodia's long-term development objectives.	CDC	
	3.1.3. Continue strengthening and streamlining the administrative capacity and institutional framework for managing the operations of SEZs by way of increasing the effectiveness of the One-Window Service mechanism in order to promote the development of specialized SEZs. The focus of the latter would be on some priority sectors such as agro-processing for export (the development of specialized SEZ needs to be based on specific geographic location, the type of business ventures, adequate infrastructure and enticing incentives)	Clear measure: - Target groups: investors - Desired outcome: to promote the development of specialized SEZs and investments in priority sectors - Means: strengthen and streamline the administrative capacity and institutional framework for managing the operations of SEZs With the focus on the development of specialized SEZs, it will be one of the factors to foster the growth of specific sectors that the government sets/targets in the prioritize list. In order to guarantee the effectiveness of the development of specialized SEZs, investors can find a One-Window Service mechanism either at CDC or at each SEZ at their convenience. The mechanism will help to facilitate, organize, licensing and so on for the investors without having to go from one ministry to another.	CDC	
	3.1.4. Assess the natural resource potentials of the country so as to encourage investment in heavy industries	Clear measure: - Target groups: investors involving in heavy industries - Desired outcome: expanded industrial sector in Cambodia to another new sector as such heavy manufacturing industry. - Means: conduct a study to assess the natural resource potentials of the country This assessment of the potentials could be a feasibility study or a government strategy/report published to the public. Once the investors receive the study that shows the potential of Cambodia, resource-seeking FDI may be interested to make use of the natural resource in Cambodia. It can somehow be complimentary to the intervention.	MISTI	

3.2. Expansion and diversification of export markets and export products (8) **Clear measure = 5** **Unclear measure = 1** **Preparatory activity = 2**	3.2.1. Accelerate the finalization of the implementation of trade facilitation reform plan and the utilization of the National Single Window Service at all international border checkpoints and ensuring its integration with the ASEAN Single Window Service in order to support the international logistic network;	Clear measure: - Target group: Firms - Desired outcome: Ease the export procedures for the companies in ASEAN - Means: Standardize/harmonize process of National Single Window with ASEAN Single Window service By doing so, the investors would benefit a lot in doing business in Cambodia as they would conveniently export products to both regional and international markets.	-MOC -MEF -MPWT	
	3.2.2. Establish trade information centre that consists of internet based information on trade measures, tariff and formal fees imposed by the Royal Government;	Clear measure: - Target group: Firms - Desired outcome: Lower transaction costs All relevant information is available to firms. - Means: provide all trade information easily accessible and launch the trade information centre along with online database. Investors would fully acknowledge all regulations and information of doing business in Cambodia, which would be easier for them to invest and expand their investment.	-MOC -MEF	
	3.2.3. Improve customs clearance procedures for tax-exempt goods by way of strengthening cooperation among relevant institutions, streamlining documentation, facilitating procedures and eliminating informal payments;	Clear measure: - Target group: Firms - Desired outcome: All in one place where investor can easily clear the custom procedures for tax-exempt goods. Ease of administrative procedures by streamlining clearance procedures - Means: strengthening cooperation among relevant institutions, streamlining documentation, facilitating procedures and eliminating informal payments. (Lack of info-Part of National Single Window service?) The investors are more confident and convenient in trading activities given the enhanced procedures.	-MEF -CDC	
	3.2.4. Reduce and abolish repetitive and non-transparent procedures;	Unclear measure: - Target group: Firms - Desired outcome: Ease the investment/business registration/trade facilitation procedures (unclear what type of procedures) Means: The instrument is unclear	-CDC -Relevant ministries	
	3.2.5. Strengthen the capacity of General Department of Trade Promotion of the Ministry of Commerce to become an export promotion agency, equipped with highly specialized skills in market research, identification of export products and business networks. The EPD can provide trade consultation services, i.e. information on overseas markets, coordination of export promotion activities, including market studies or exhibitions;	Clear measure: - Target group: Firms - Desired outcome: Encourage, inform and increase the exports. - Means: Build the capacities to fully implement their mandates as export promotion agency. GDTP would be able to effectively fulfil its role as export promotion agency by providing trade consultation services, i.e. information on overseas markets, coordination of export promotion activities, including market studies or exhibitions. Therefore, the investors would also benefit from this platform that enable them to reach out to markets and expand their products.	MOC	

	3.2.6. Explore the possibility of establishing a policy-based financing institution tasked to provide credit to exporters who can export products in priority industries, and export insurance services to reduce export-related risks;	Preparatory measure - Target group: Firms - Desired outcome: the firms would gain more benefit through the credits and can also increase their export products. - Means: Explore and consider to establish that particular institution. No immediate effects.	-MEF -MOC	
	3.2.7. Strengthen trade facilitation by improving procedures, strengthening the implementation of the CBTA, reducing transactional cost of trade and strengthening institutional coordination;	Clear measure: - Target group: Firms - Desired outcome: More convenient in doing trade. - Means: Improve trade facilitation procedures and measures. The investors would be more confident and convenient in doing trade in Cambodia.	-MOC -MEF -MPWT	
	3.2.8. Consider the possibility of establishing a system to reward domestic firms with outstanding export performance and new products development. This reward is provided to firms achieving predetermined export target through a transparent evaluation system based on specific industrial development objectives;	Preparatory activity: - Target group: Domestic firms - Desired outcome: High encouragement to the outstanding domestic firms to further strengthen their export performance. - Means: Consider to develop and launch a system to award firms. No immediate effect.	-MOC -MISTI	
3.3. Rebalancing between large companies and SMEs (3) **Clear measure = 3** **Unclear measure = 0** **Preparatory activity = 0**	3.3.1. Continue developing industrial zones in provinces, aimed at promoting hubs for SMEs while enhancing their competitiveness by way of supplying as a matter of priority electricity connection, clean water, transportation and logistics links as well as other incentives and facilitation from the government;	Clear measure: - Target group: Private Sector/SMEs - Desired outcome: To provide a good eco-system for SMEs to grow and develop themselves to compete with large enterprises - Means: The government to provide fiscal and non-fiscal support to private sectors/SMEs such as incentives and facilitation, supplying electricity connection, clean water, transportation and logistics links	-CDC -Sub-National -MISTI	
	3.3.2. Strengthen the corporate governance so as to enlarge and deepen the pool of the private sector, which appreciates the culture of social accountability and can Enhance their ability to obtain financing by providing them training on general management, production system management and technology management for SMEs	Clear measure: - Target group: Private Sector/SMEs - Desired outcome: strengthened the corporate governance to enlarge and deepen the pool of the private sector - Means: providing training on general management, production system management and technology management for SMEs Strengthening the corporate governance to enlarge and deepen the pool of the private sector leads to rebalancing between large companies and SMEs	-MISTI -MoC	

	3.3.3. Prepare appropriate finance mechanism for industrial development by way of providing financing to SMEs in priority industries;	Clear measure: - Target group: SMEs - Desired outcome: Prepared finance mechanism for industrial development - Means: providing financing to SMEs in priority industries via SME bank and Credit Guarantee Corporate of Cambodia, etc. Having the finance mechanism for industrial development for providing financing to SMEs leads to rebalancing between large companies and SMEs	-MEF -MISTI	
3.4. Industrial innovation (16) **Clear measure = 8** **Unclear measure = 3** **Preparatory activity = 5**	3.4.1. Build the capacity of high education institutions to absorb scientific knowledge, and promote market-driven technological innovation	Clear measure: - Target group: high education institutions - Desired outcome: strengthened capacity of high education institutions in science and technology Means: lack of info, but check the 2 policies mentioned in MoEYS RTF	MoEYS	
	3.4.2. Create awards for technology innovation in various priority sectors;	Clear measure: - Target group: Public and Private Sectors - Desired outcome: Increased technology innovation - Means: Creating awards for technology innovation Providing awards for technology innovation encourages public and private sector to increase industrial innovation.	MISTI	
	3.4.3. Continue strengthening institutional framework and the capacity in managing metrology and standards, which are the foundation of industrial activities. Additional efforts are dedicated to develop the appropriate regulatory framework and to get international recognition of key national institutions such as the National Metrology Centre and the Institute of Standards of Cambodia;	Clear measure: - Target group: National Metrology Centre and Institute of Standards of Cambodia - Desired outcome: Introducing standard and quality of products, and increase the export chances of products - Means: developing the appropriate regulatory framework Strengthening the managing metrology and standards adds enormous value in increasing industrial innovation.	MISTI	
	3.4.4. Improve the effectiveness of the process of registering industrial property rights by way of implementing collaborative procedures to recognize registration agents of partner countries and to facilitate to the registration of IP agents through automation;	Clear measure: Check with MISTI – the idea behind this - Target group: agents in partner countries - Desired outcome: improved effectiveness of the process of registering industrial property rights and facilitated the registration of IP agents through automation - Means: implementing collaborative procedures to recognize registration agents through automation Improving the effectiveness of the process of registering IP rights through automation leads to increase industrial innovation.	MISTI	
	3.4.5. Raise awareness of the importance of standards, metrology and industrial property rights in order to broaden and attract the interest of entrepreneurs; *(Information)*	Clear measure: - Target group: entrepreneurs - Desired outcome: Introducing standard and quality of products, and increase the export chances of products. And encourage firms to register the industrial property rights. - Means: raising awareness of the importance of standards, metrology and industrial property rights	MISTI	

3.4.6. Support and improve the capacity and competency in metrology and standards assurance with regards to quantity, quality, safety, service, environment and management;	Clear measure: - Target group: National Metrology Centre and Institute of Standards of Cambodia - Desired outcome: Have higher compliance in standards and metrology - Means: improve the capacity and competency in metrology and standards assurance	MISTI	
3.4.7. Take practical actions to strengthen the implementation of standards, metrology and industrial property rights as a tool for promoting competitiveness;	Unclear measure: - Target group: Firms - Desired outcome: promote competitiveness that leads to more innovation - Means: there is no clear instrument	MISTI	
3.4.8. Strengthen the capacity of the Institute of Standards of Cambodia in doing research and developing national standards for products, services, production technics in compliance with regional and international standards;	Preparatory - Target group: Institute of Standards of Cambodia - Desired outcome: Develop national standards for products, services, production technics - Means: Strengthen capacity of ISC	MISTI	
3.4.9. Strengthen the capacity of the National Metrology Centre in doing research and in preparing procedures for inspection, verification, calibration, and testing.	Preparatory: - Target group: National Metrology Centre - Desired outcome: prepare procedures for inspection, verification, calibration, and testing. - Means: Strengthen capacity NMC	MISTI	
3.4.10. Expedite the preparation of regulatory framework and measures for the development of sciences, technology and innovation	Preparatory: - Target group: not clearly indicated - Desired outcome: development of sciences, technology and innovation - Means: regulatory framework No immediate effect	MoP	
3.4.11. Strengthen the management of Cambodian Innovation and Invention Center to promote invention and training on industrial property rights	Clear measure: - Target group: Cambodian Innovation and Invention Center - Desired outcome: promote invention and training on industrial property rights - Means: strengthening the management of the Center Enhancing invention and training on industrial property rights will lead to more innovation.	MISTI	
3.4.12. Strengthen and build capacity based on the demand for research and development of industrial technology	Unclear measure: - Target group: not clearly indicated - Desired outcome: strengthened and built capacity based on the demand for research and development of industrial technology - Means: there is no clear instrument	-MoEYS -MLVT	

	3.4.13. Collaborate to promote and encourage study and research on sciences, technology and innovations	Unclear measure: - Target group: not indicated - Desired outcome: more study and research on sciences, technology and innovations - Means: there is no clear instrument (collaborate?)	-MEF -MoEYS -MISTI	
	3.4.14. Study the feasibility of creating scientific and technological parks linked to industrial parks and SEZs to provide industrial experiment and research	Preparatory: - Target group: not clearly indicated - Desired outcome: industrial experiment and research - Means: scientific and technological parks No immediate effect.	-CDC -MISTI	
	3.4.15. Create a contest for technology experts, business initiators and talented engineers in order to select talented industrialists and promote innovation among engineers and young entrepreneurs	Clear measure: - Target group: technology experts, business initiators and talented engineers - Desired outcome: promoted innovation among engineers and young entrepreneurs - Means: a contest Innovative engineers and entrepreneurs will lead to more industrial innovation.	-MISTI -MoEYS -MLVT	
	3.4.16. Study the feasibility of investing in a government research institute by focusing on sciences and technology linked to each priority sectors by selecting qualified scientists and engineers and equipped with appropriate laboratory equipment;	Preparatory: - Target group: scientists and engineers - Desired outcome: a government research institute - Means: qualified scientists and engineers and appropriate laboratory equipment No immediate effect.	-MEF -MoEYS -MISTI	
3.5. Modernization of SMEs (9) **Clear measure = 7** **Unclear measure = 2** **Preparatory activity = 0**	3.5.1. Strengthen the SME development framework and mechanism, focusing on the preparation of registration, monitoring and tracking the progress of this sector. The objective is to encourage Cambodian enterprises to register in the formal tax regime, thus allowing the Royal Government to have accurate information about the sector so that it can initiate proper supporting policies to to enable better access to credit information and other business advises to grow their business and investment	Clear measure: - Target group: SMEs - Desired outcome: to encourage Cambodian enterprises to register in the formal tax regime, thus allowing the Royal Government to have accurate information about the sector so that it can initiate proper supporting policies to enable better access to credit information and other business advises to grow their business and investment - Means: strengthen SME development framework and mechanism? Its is a measure that fosters domestic ownership?	-MISTI -MoC -Others	
	3.5.2. Establish a research and development fund (R&D) with appropriate professional management and budget allocation by the Royal Government according to the need of industry and the affordability of the national budget	Clear measure - Target group: private sector (SMEs), research institution, university - Desired outcome: Increased R&D activities to develop new products. - Means: established R&D fund with appropriate professional management and budget allocation by the RGC according to the need of industry and the affordability of the national budget	MEF	

3.5.3. Promote the formation of sub-sectoral associations where they can share knowledge and information, protect the interests of their members, and act as advocate with the Royal Government to secure technical and financial support for their members	Clear measure: - Target group: SMEs - Desired outcome: knowledge and information sharing, and technical and financial support for SMEs - Means: formation of sub-sectoral associations When SMEs have access to information and technical and financial support, they can strengthen their capacity so that they may be able to increase their export.	MISTI	
3.5.4. Amend the Law on Corporate Accounts, Audit and Accounting Profession to introduce a simplified accounting standards for SMEs	Clear measure: - Target group: SMEs - Desired outcome: Increase the registration rate of SMEs, and also make available the info on SMEs to the gov't - Means: introducing a simplified accounting standards for SMEs by amending the Law on Corporate Accounts, Audit and Accounting Profession Amend the law on corporate Accounts, Audit and Accounting Profession to introduce a simplified accounting standard for SMEs leads to modernization of SMEs	-MEF -NAC -MISTI	
3.5.5. Strengthen the single-window mechanism for registering SMEs by way of using their registration and account ledgers as the basis for evaluating and determining criteria for providing incentives and receiving support from the Royal Government	Clear measure: - Target group: SMEs - Desired outcome: Increase the registration rate, and use the info of registered SMEs as the basis to provide incentives/support - Means: strengthened the single-window mechanism for registering SMEs Strengthening the single-window mechanism for registering SMEs leads to SMEs' modernization.	MISTI	
3.5.6. Encourage small, medium and large enterprises to have proper accounts and to register as real regime tax payers;	Unclear measure: - Target group: SMEs and large enterprises - Desired outcome: increase number of proper accounts and to register as real regime tax payers - Means: there is no clear instrument	-MEF -NAC	
3.5.7. Publicize broadly to the public on the benefits of the new simplified accounting system for SMEs	Clear measure: - Target group: SMEs - Desired outcome: More SME are aware of the benefit of the new simplified accounting system. Means: publicizing broadly to the public on the benefits of the new accounting system for SMEs	MISTI	
3.5.8. Provide training in accounting to SMEs.	Clear measure: - Target group: SMEs - Desired outcome: SMEs are capable of holding proper account and balance sheets. - Means: training in accounting to SMEs Providing training in accounting to SMEs leads to modernization of SMEs	MISTI	

	3.5.9. Strengthen the use of standardization and the compliance evaluation by linking to public procurement, incentives and other subsidies; *Move from IA 3.3.4 to IA 3.4*	Unclear measure: - Target group: Private firms - Desired outcome: To standardize industrial production/services to meet a certain standard - Means: there is no clear instrument (linking to public procurement, incentives, and other subsidies)	MISTI	
4. Improve quality of employment				
4.1. Skill and human resource development (16) **Clear measure = 15** **Unclear measure = 0** **Preparatory activity = 1**	4.1.1. Further strengthen labor market mechanisms and skills training development to ensure stability of the labor supply, increase productivity and improve living standard of workers by promoting skills training programs, strengthen the mechanisms for setting minimum wage and enhancing harmony in industrial relations based on the principles of positive union and the kindness of employers towards their employees. This can be done through existing mechanisms, including Labor Advisory Committee and the Cambodia Productivity Committee.	Clear measure: - Target group: Employers and employees - Desired outcome: productive relations between employers and employees - Means: Strengthen the mechanism of harmonization of professional relations (Not sure how the harmonization mechanism work) By doing so, it would not only increase the industry's competitiveness and productivity but also improve worker's livelihood, which contribute to the improvement of industrial relations.	-MLVT -MOEYS -MISTI -CDC -LAC -CPC	
	4.1.1.1. Continue to develop training mechanisms to maintain a stable supply of labor, improve productivity and improve the living standards of workers by promoting the development of skills training programs. *Sub-PM separate from PM 4.3.1*	Clear measure - Target group: Employers and employees - Desired outcome: to fulfil the supply of skilled labor to firms thereby help improve the living standards of workers - Means: Continue developing skills training programs		
	4.1.2. Consider providing additional incentives for investment projects focusing on skills training, research and development and innovation;	Clear measure - Target group: private sector - Desired outcome: increased skills training, R&D and innovation - Means: providing additional incentives for investment projects focusing on skills training, R&D and innovation as set out in the draft law on investment. (150%-200% deduction on the expenditure of skills training, R&D activities.)	-CDC -MEF -MISTI	
	4.1.3. Enhance human resources development to ensure strong and dynamic industrial development through the provision of specialized skills training to address skills shortage in priority sectors by way of increasing training scholarships for engineers and technicians;	Clear measure: - Target group: engineers and technicians - Desired outcome: Increase technical knowledge - Means: increasing training scholarship Provision of specialized skills training leads to skills development.	-MoLVT -MoEYS	
	4.1.4. Offer a second opportunity for students to finish secondary education by establishing a testing based equivalent education system, which allows students to receive general education certificate, albeit from the non-formal education sector;	Clear measure: - Target group: students - Desired outcome: offered a second opportunity of students to finish secondary education - Means: establishing a testing based equivalent education system, which allows students to receive general education certificate, albeit from the non-formal education sector Provision a second opportunity of students to finish secondary education leads to human resource development.	MoEYS	

4.1.5. Strengthen the quality of education at primary and secondary levels by focusing on strengthening basic knowledge for Children and Youth in Mathematics, Sciences, literature and technology;	Clear measure: - Target group: primary and secondary students - Desired outcome: increased quality of education - Means: strengthening basic knowledge for children and youth in mathematics, sciences, literature and technology Increasing quality of education leads to human resource development.	MoEYS	
4.1.6. Promote general education for at least 9 years by reducing dropout rate to the maximum level at the primary education level and promoting enrolment at the secondary level	Clear measure: - Target group: general education students - Desired outcome: reduced dropout rate at the primary education level and increased enrolment rate at the secondary level - Means: The means to achieve this measure is to implement the Education Strategic Plan 2014-2018, and 2019-2023	MoEYS	
4.1.7. Improve curriculum by integrating soft skills, including social communication skills in problem solving, respect of working discipline, and other essential skills needed to build the base of industrial development	Clear measure: - Target group: students - Desired outcome: integrated soft skills needed to build the base of industrial development improved curriculum - Means: improve curriculum Improving curriculum could help student gain specific skills.	MoEYS	
4.1.8. Increase as much as possible in multiple fold technical skills training in electrical, electronics, mechanics, chemistry, standards and metrology (inspection, verification, calibration, testing and skills in using metrological tools) at both technical secondary education and higher education	Clear measure: - Target group: technical secondary and higher education students - Desired outcome: increased supply of skilled technicians Means: Increase technical skills training in electrical, electronics, mechanics, chemistry, standards and metrology	-MoEYS -MoLVT -MISTI	
4.1.9. Give priority to the establishment of many technical secondary schools (both in formal education and non-formal education system) with focus on important thematic such as electricity, electronics, information and communication technology, computer science, machinery, motorcycle and automobile assembly and maintenance, agro-processing and handicraft	Clear measure: - Target group: technical secondary schools students - Desired outcome: more supply of skilled technicians in electricity, electronics, ICT, computer science, machinery, motorcycle and automobile assembly and maintenance, agro-processing and handicraft Means: Establish many technical secondary schools	-MoLVT -MoEYS	
4.1.10. Develop technical and scientific training plan in support of the industrial sector with concrete long-term investment plan	Preparatory activity: - Target group: not clearly indicated - Desired outcome: developed technical and scientific training plan Means: there is no clear instrument No immediate effect	-MoLVT -MoEYS	

	4.1.11. Promote and implement incentives based apprenticeship schemes in order to encourage firms to join the program	Clear measure: - Target group: private sector - Desired outcome: first-time young employees are equipped with adequate skills to perform required tasks. - Means: provide incentives to firms that offer apprenticeship programmes When firms join apprenticeship schemes, their young workers are able to strengthen their skills	MoLVT	
	4.1.12. Strengthen technical training in response to private sector demand, including soft skills through cooperation with targeted foreign investors with the aim of establishing skills training centers with Japan, Korea, Singapore, etc	Clear measure: - Target group: private sector, training institutes, and students - Desired outcome: strengthened technical skills among students in response to private sector demand - Means: establishing skill training centers with Japan, Korea, Singapore, etc Strengthening technical training leads to skills development.	-MoLVT -MoEYS	
	4.1.13. Promote trilateral training "government-training institutions-companies/factories" in order to equip them with skills and productivity training by way of integrating them into the existing education and vocational training programs through public-industry association cooperation	Clear measure: - Target group: competent ministries, training institutes, firms and workers/employees/students - Desired outcome: increased skills and productivity among students and workers - Means: Conduct trilateral education and vocational training programs through public-industry association cooperation Promoting training on skills and productivity leads to skills development.	-MoLVT -MoEYS	
	4.1.14. Expand on-site technical and vocational training by focusing on factory workers so that they could receive proper training in skills and know-how development in the future	Clear measure: - Target group: factory workers - Desired outcome: enhanced skills and know-how - Means: expanding on-site technical and vocational training Factory workers will receive skills training, so this contributes to skills development.	-MoLVT -MoEYS	
	4.1.15. Strengthen education at university with curriculum related to agriculture sciences and other important sciences and engineering by upgrading laboratory equipment in order to enhance education quality for research and development	Clear measure: - Target group: universities - Desired outcome: enhance quality for research with curriculum related to agriculture sciences and other important sciences and engineering - Means: upgrading laboratory equipment Enhancing quality for research at university leads to human resource development.	MoEYS	
	4.1.16. Promote the study on sciences, technology, engineering and mathematics (STEM) from primary education to post-secondary education level with special focus on students coupled with curriculum reform through standardization of programs from primary education level and up	Clear measure: - Target group: primary education to post-secondary education (students) - Desired outcome: increased the study on STEM - Means: curriculum reform and standardizing of programs of programs from primary education and up Promoting the study on STEM for students leads to human resource development.	MoEYS	
4.2. Skilled-labour demand	NO measures respond to this IA			

4.3. Industrial relations (6) **Clear measure = 5** **Unclear measure = 0** **Preparatory activity = 1**	4.3.1. Further strengthen labor market mechanisms and skills training development to ensure stability of the labor supply, increase productivity and improve living standard of workers by promoting skills training programs, strengthen the mechanisms for setting minimum wage and enhancing harmony in industrial relations based on the principles of positive union and the kindness of employers towards their employees. This can be done through existing mechanisms, including Labor Advisory Committee and the Cambodia Productivity Committee.	Clear measure: - Target group: Employers and employees - Desired outcome: productive relations between employers and employees - Means: Strengthen the mechanism of harmonization of professional relations (Not sure how the harmonization mechanism work) By doing so, it would not only increase the industry's competitiveness and productivity but also improve worker's livelihood, which contribute to the improvement of industrial relations	-MLVT -MOEYS -MISTI -CDC -LAC -CPC	
	4.3.1.1 Strengthening the harmony of professional relations based on the principles of the positive attitude of the union and the morality of the employer towards the employee *Sub-PM of PM 4.3.1*	Clear measure: - Target group: Employers and employees - Desired outcome: productive relations between employers and employees - Means: Strengthen the mechanism of harmonization of professional relations (Not sure how the harmonization mechanism work)		
	4.3.2. Continue strengthening the tripartite labor relation mechanism among the government, employers and employees through the Labor Advisory Committee in order to promote mutual understanding, while developing an effective mechanism for setting minimum wages consistent with labor productivity, socio-economic conditions and status of industrial development in Cambodia;	Clear measure: - Target group: Government, employers, and employees. - Desired outcome: Promote common understanding and achieve consent on minimum wages among government, employers and employees. - Means: Further strengthen the tripartite mechanism. Both employers and employees would have great relations and understanding in their daily performance. This would eventually contribute to the improvement of quality employment.	-MLVT -Relevant Ministries/ Institution	
	4.3.3. Initiate a research on the relationship between employees and employers in order to identify good practices in addressing systemic resolutions of industrial disputes, which could enhance labor productivity, i.e. professional training on addressing workers's issues in line with the existing labor law and regulations;	Preparatory activity: - Target group: Employer and employee. - Desired outcome: An effective systematic resolution of industrial disputes. - Means: Conduct a research on the employer and employee's relationship. No immediate effect.	MLVT	
	4.3.4. Prepare Law on Union and law on labor court;	Clear measure: - Target group: Government, employer, employee, and trade union. - Desired outcome: Strengthening the protection of workers' rights - Means: Prepare and implement the law on Union (and law on labor court.) There will be the clear and concrete laws to cover on labor aspects where all concerned target groups would be framed under clear and equal regulations.	MLVT	

	4.3.5. Review the Labor Law and the Law on Social Security to assess their strengths and weaknesses in order to emphasize the role of employers and unions in the process of labor market development while considering the balance between the need of development and well-being of workers;	Clear measure: - Target group: Employer, trade union, and employee. - Desired outcome: Effective bargaining mechanism between employers and employees - Means: Review the Labor Law and the Law on Social Security . The employers and unions would be able to perform their roles more effectively in the process of labor market development and also balance between the need of development and well-being of workers.	MLVT	
	4.3.6. Prepare national policy on jobs and employment	Clear measure: - Target group: Employer and employee. - Desired outcome: An effective national employment policy. - Means: Prepare national policy on jobs and employment. There will be a comprehensive national employment policy that would be able to provide clear direction and needs of assessment on employment.	MLVT	
4.4. Job matching (3) **Clear measure = 1** **Unclear measure = 2** **Preparatory activity = 0**	4.4.1. Strengthen the management mechanism for the recruitment of workers, the provision on labor market information and workers'training on their legal rights, especially related to reducing informal fees for getting jobs;	Clear measure: - Target group: Employer and employee. - Desired outcome: Better job-matching and reduced informal fees for getting jobs. - Means: Strengthen the management mechanism for the recruitment of workers, the provision on labor market information and workers' training on their legal rights Once these mechanism and provision are fully strengthened, the employers would be convenient to recruit employees with their preferences. Also the employees would get the right job.	-MLVT -NEA	
	4.4.2. Strengthen mechanisms to manage skilled workers, especially to be better prepared for ASEAN integration	Unclear measure: - Target group: Employees - Desired outcome: An effective mechanism to manage skilled workers. - Means: not clearly indicated.	MLVT	
	4.4.3. Strengthen the understanding regarding selection of professions and the relevant technical skills in as much as reinforcing the continuing education program for skills development in correlation with existing vocational training	Unclear measure: - Target group: students - Desired outcome: job matching - Means: there is no clear instrument	MoEYS	
4.5. Working conditions (5) **Clear measure = 5** **Unclear measure = 0** **Preparatory activity = 0**	4.5.1. Further strengthen labor market mechanisms and skills training development to ensure stability of the labor supply, increase productivity and improve living standard of workers by promoting skills training programs, strengthen the mechanisms for setting minimum wage and enhancing harmony in industrial relations based on the principles of positive union and the kindness of employers towards their employees. This can be done through existing mechanisms, including Labor Advisory Committee and the Cambodia Productivity Committee.	Clear measure: - Target group: Employers and employees - Desired outcome: productive relations between employers and employees - Means: Strengthen the mechanism of harmonization of professional relations (Not sure how the harmonization mechanism work) By doing so, it would not only increase the industry's competitiveness and productivity but also improve worker's livelihood, which contribute to the improvement of industrial relations	-MLVT -MOEYS -MISTI -CDC -LAC -CPC	

	4.5.1.1 Strengthening the mechanism for setting the minimum wage using "Labor Advisory Committee" / "National Minimum Wage Council" *Sub-PM separate from PM 4.3.1*	Clear measure: - Target group: Employees - Desired outcome: To improve working conditions and the livelihoods of workers - Means: Setting up a national minimum wage council and adopting law on minimum wage		
	4.5.2. Set a clear standards and guiding principles on environmental protection and production safety for investment projects located in SEZs and other industrial zones	Clear measure: - Target group: Investors and workers - Desired outcome: Have a concrete standard and principles on environmental protection and production safety. - Means: Issuing relevant regulations on the standards and guiding principles of environmental protection and production safety All investment projects in SEZs and other industrial zones would follow the standard and principle on environmental protection and production safety, which would contribute to both working and living conditions of the workers.	-CDC -MOE	
	4.5.3. Strengthen the working conditions auditing mechanism by extending the Better Factory Cambodia program or by Exploring the possibility to form a joint task force to conduct regular audit so as to reduce the number of audits and promote audit effectiveness. This task force must report to the Royal Government regularly;	Clear measure: - Target group: Companies and factories - Desired outcome: Effective auditing mechanism for better working conditions - Means: Extending the Better Factory Cambodia program and form a task force for regular auditing	MLVT	
	4.5.4. Promote the welfare of workers by encouraging the formulation of a workers housing policy, which stipulates housing ownership for workers, thus enabling them to start a family and remove their needs to move frequently. Such policy could have the effect of reducing short-term labor shortage;	Clear measure: - Target group: workers - Desired outcome: Worker's welfares are promoted and improved. - Means: Establish worker's housing policy to stipulate housing ownership for the workers. The workers would be able to have a better social welfare while they are working. This would also contribute to the reduction of short-term labor shortage.	-MLVT -MLMUC	
	4.5.5. Strengthen domestic savings mechanism, including the development and reform of pension fund and insurance sector as stated in the Financial Sector Development Strategy	Clear measure: - Target group: Workers/employees - Desired outcome: Improved financial securities of workers/employees. - Means: Strengthen domestic saving mechanisms including the development and reform of pension fund and insurance sector as stated in the Financial Sector Development Strategy	-MEF -MOSVY -MLVT	
5. Maximize domestic benefits				

5.1. Linkage between domestic and foreign enterprises tech-transfer (3) **Clear measure = 0** **Unclear measure = 1** **Preparatory activity = 2**	5.1.1. Conduct a study to develop industrial parks for SMEs in order to promote linkages between foreign enterprises and domestic enterprises, through their participation in regional production and value chain in the context of regional integration;	Preparatory activity: - Target group: Enterprises/SMEs - Desired outcome: Promote more linkages between domestic and foreign enterprises. - Means: Develop industrial parks for domestic SMEs and promote the linkage with foreign SMEs. No immediate effect.	-CDC -MISTI -Relevant ministries	
	5.1.2. Review the viability of providing support to SMEs for investment in machinery parts or production equipment as well as other incentives taking into consideration the local processing of raw materials; promoting quality of products and modernizing their production chain to link up to multinational companies	Preparatory measure: - Target group: SMEs - Desired outcome: More SMEs invest in machinery parts or production equipment. - Means: Review and consider to provide supports to those SMEs. No immediate effect.	-MISTI -MEF	
	5.1.3. Build the entrepreneurial capacity of local enterprises to enable them to deal better with large enterprises and foreign investment in SEZs	Unclear measure - Target group: Local enterprises - Desired outcome: More equal connection in trading between local and big and foreign enterprises. - Means: The means to achieve this measure is unclear	-MISTI -CDC	
5.2. National value chain	NO measures respond to this IA			
5.3. Domestic ownership	NO measures respond to this IA			
5.4. Local agricultural processing (4) **Clear measure = 2** **Unclear measure = 0** **Preparatory activity = 2**	5.4.1. Explore possibilities of establishing agro-processing zones such as furniture manufacturing, rubber processing, seafood processing, food processing for domestic use and export through public-private partnership;	Preparatory activity: - Target group: private sector - Desired outcome: agro-processing zones are established. - Means: there is no clear instrument No immediate effect	-MAFF -MISTI -MoC -CDC	
	5.4.2. Provide incentives to companies to locate in these areas; (Agro-processing zones)	Clear measure: - Target group: private sector - Desired outcome: more investment projects in agro-processing zones - Means: providing incentives to companies to locate in agro-processing zones More investment in agro-processing could enhance national value chain.	-CDC -MEF -MAFF -MISTI	
	5.4.3. Develop a coordination mechanism for processed agricultural product exports by way of addressing logistic issues, abolishing informal fees and improving trade facilitation;	Clear measure: - Target group: private sector - Desired outcome: addressing logistic issues, abolishing informal fees and improving trade facilitation - Means: . Develop a coordination mechanism for processed agricultural product exports With a clear coordination mechanism for processed agricultural product exports, the activities related to agricultural processing will increase.	-MoC -MAFF -MISTI -MEF	

	5.4.4. Conduct a study to identify priority products with potentials to be processed for export and prepare a comprehensive action plan based on value chain in order to enable the Royal Government to provide concrete support to these sectors.	Preparatory activity: - Target group: agricultural processing firms - Desired outcome: findings from the study would enable the government to provide concrete support to the export of processed priority products. - Means: Conduct a study to identify priority products with potentials to be processed for export and prepare a comprehensive action plan based on value chain No immediate effect	-MoC -MAFF -MISTI	
NONE -General measures (6) **Clear measure = 6** **Unclear measure = 0** **Preparatory activity = 0**	Reinforce the monitoring and evaluation mechanism for the implementation of investment projects so as to ensure compliance with their terms and conditions and applicable laws of Cambodia;	Clear measure - Target group: QIPs - Desired outcome: To ensure QIPs legal compliance - Means: Through CDC monitoring and evaluation team	CDC	
	Rationalize revenue collection mechanism and improve taxpayer services to promote tax culture among enterprises and taxpayers;	Clear measure - Target group: enterprises and taxpayers - Desired outcome: to promote tax culture among enterproses and taxpayers - Means: No clear instrument	MEF	
	Increase provision of services to taxpayers in order facilitate access to information on tax payments and tax exemptions;	Clear measure - Target group: Taxpayers - Desired outcome: To give access of information on tax payments and tax exemptions to taxpayers - Means: through the establishment of Call Center	MEF	
	Review and improve the implementation procedures so as to avoid contradictions between tax collections and tax exemption procedures.	Clear measure - Target group: Taxpayers - Desired outcome: to avoid the contradictions between tax collection and tax exemption procedures - Means: Review and improve the tax regulation procedures	MEF	
	Improve the effectiveness and governance of public financial system through the allocation and development of public investment programs catered for industrial development;	Clear measure - Target group: Line ministries/government - Desired outcome: To direct/orient the public budget allocation for industrial development - Means: Through the development of Public Investment Programs (PIPs)	-MEF -MoP	
	Elevate priorities on public investment programs for project activities and programs that promote industrial development, industrial clusters or industrial corridor.	Clear measure - Target group: Line ministries/government - Desired outcome: To set priorities in public investment programs for the industrial development - Means: Through the development of project activities and programs in Public Investment Programs (PIPs)	-MoP -MEF -CDC	

List of Abbreviations

AAGR	Annual Average Growth Rate
ADB	Asia Development Bank
API	Additional Progress Indicator
AQRFC	ASEAN Qualifications Reference Framework Committee
CAGR	Compound Annual Growth Rate
CamDX	Cambodia Data eXchange
CBTA	Cross-Border Transport acilitation Agreement
CCFTA	Cambodia-China Free Trade Agreement
CDC	Council for the Development of Cambodia
CRDB	Cambodian Rehabilitation and Development Board
EQuIP	Enhancing the Quality of Industrial Policies
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GPSF	Government-Private Sector Forum
IA	Intervention Area
ICT	Information and Communications Technology
IDP	Cambodia Industrial Development Policy
IFC	International Finance Corporation
ILO	International Labor Organization
IVA	Industry Value Added
KPIs	Key Performance Indicators

LDC	Least Developed Country
LMIC	Lower-Middle Income Country
MEF	Ministry of Economy and Finance
MHT	Medium and High Technology
MISTI	Ministry of Industry, Science, Technology and Innovation
MNCs	Multinational Corporations
MTR	Mid-Term Review
MVA	Manufacturing Value Added
M&E	Monitoring and Evaluation
NDGs	National Development Goals
NSSF	National Social Security Fund
N/A	Not Applicable
ODA	Official Development Assistance
P.A	Per Annum
PCP	Programme for Country Partnership
PO	Policy Objective
QIPs	Qualified Investment Projects
RCEP	Regional Comprehensive Economic Partnership
RGC	Royal Government of Cambodia
RTF	Report Template Format
R&D	Research and Development
SMEs	Small and Medium Enterprises
SNEC	Supreme National Economic Council
STEM	Science, Technology, Engineering and Math

STI Roadmap	Science, Technology, Innovation Roadmap
TVET	Technical and Vocational Education and Training
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organization
UN-COMTRADE	United Nations International Trade Statistics Database
WDI	World Development Indicators
WITS	World Integrated Trade Solution

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Acknowledgement

Executive Committee of the Council for the Development of Cambodia

H.E Chin Bun Sean	Senior Minister in Charge of Special Mission and Vice chairman of CDC
H.E Sok Chenda Sophea	Minister attached to the Prime Minister Secretary General of CDC
H.E Chhieng Yanara	Minister attached to the Prime Minister Secretary General of CRDB
H.E Chea Vuthy	Deputy Secretary General of CIB and CSEZB
H.E Heng Soknang	Deputy Secretary General of CIB
H.E Nut Unvoanra	Deputy Secretary General of CIB
H.E Rith Vuthy	Deputy Secretary General of CRDB
H.E Im Sour	Deputy Secretary General of CRDB

Technical Working Group: IDP Secretariat

- H.E Nut Unvoanra
- H.E Im Sour
- H.E Lim Visal
- H.E Ken Davit
- Mr. Houl Bonnarith
- Mr. Kim Lumaung Bopata
- Mr. Lux Rachana
- Mr. Kry Sereirith
- Mr. Chuop Theot Therith
- Mrs. Vann Sereyrath
- Mr. Seng Sunly
- Mr. Siem Pichnorak
- Mrs. Chea Kesorphearom
- Ms. Song Rany
- Mr. Te Kimhok
- Mrs. Kong Yada
- Mrs. Ou Chenda
- Mr. Chey Rithira
- Ms. Rith Boramey
- Mrs. Soun Heang
- Mr. Be Vannarith
- Ms. Bora Sunjolinet
- Mr. Hok Leanghak
- Mr. Chhay Mengleng

Former members of the IDP Secretariat: H.E Leng Soklong, Mr. Kang Sungchheang, Mr. Buth Dadiya, Ms. Eng Socheath, Mrs. Phok Moni Amara, and Ms. Peou Linda.

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Council for the Development of Cambodia

Secretariat for Leading and Facilitating
the Implementation of IDP

Address: Government Palace, Sisowath Quay,Wat Phnom, Phnom Penh, Cambodia
Phone Number: (+855) 23 992 455
E-Mail: idpsecretariat.cdc@gmail.com
Website: www.cambodiainvestment.gov.kh