

# Country profile CAMBODIA

Enhanced Integrated Framework (EIF)  
for trade-related assistance for Least Developed Countries (LDCs)







## SUMMARY

Cambodia's overall rank in the World Bank's *Doing Business Survey* is 147 in 2011, with three well-performing indicators reflected in the area of 'getting credit'. Three potential indicators have also been identified for reform, including protecting investors, enforcing contracts and dealing with licences.

Cambodia has been part of the Integrated Framework (IF) programme since 2001 and was one of the first pilot countries to complete a Diagnostic Trade Integration Study (DTIS), which was validated in November 2001. Cambodia's DTIS was subsequently updated and validated in December 2007. The DTIS and DTIS update (the Cambodia Trade Integration Strategy - CTIS) provided the basis for developing the Trade Sector-Wide Approach (Trade SWAp) in the Ministry of Commerce (MoC), the first Least Developed Country (LDC) to do so. The Trade SWAp aims to strengthen Cambodia's ownership and management of Aid for Trade and centres around three pillars that include:

- cross-cutting issues for trade development;
- product and services export development; and
- capacity building for trade development.

Under the earlier IF programme, Cambodia benefitted from two projects that provided support for (i) building up capacity for trade reform that would impact on poor people; and (ii) assistance to support trade development and equity.

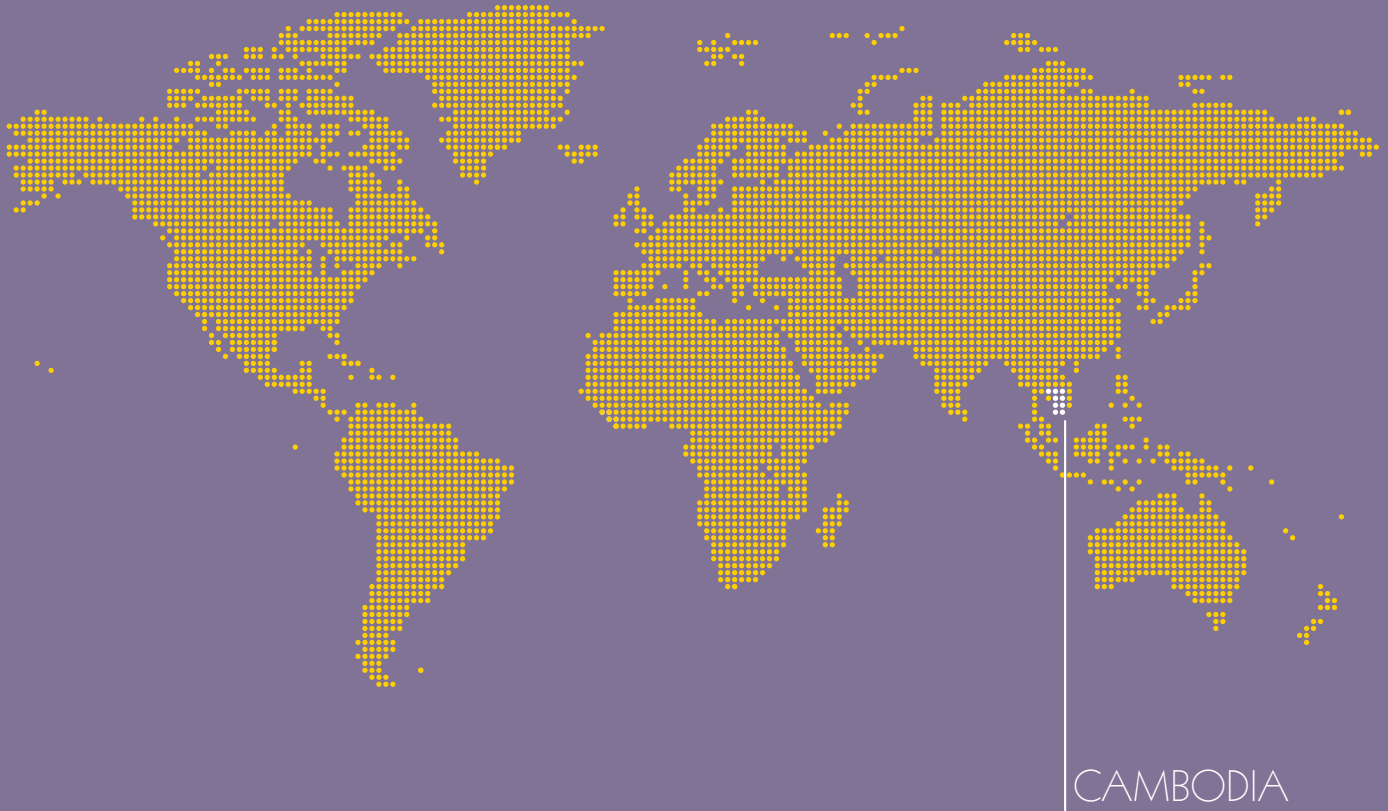
Cambodia's Enhanced Integrated Framework (EIF) Tier 1 project was approved in September 2009. The Department of International Cooperation (DICO) acts as the National Implementation Unit (NIU) for the EIF and for the multi-donor Trade Development Support Programme (TDSP). In addition, DICO serves as the Trade SWAp Secretariat in charge of coordinating all donors' technical assistance on trade.



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# WORLD MAP

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## EIF countries:

Afghanistan	Democratic Republic of the Congo	Madagascar	Solomon Islands
Angola	Djibouti	Malawi	South Sudan
Bangladesh	Eritrea	Maldives	Sudan
Benin	Ethiopia	Mali	Tanzania
Bhutan	The Gambia	Mauritania	Timor-Leste
Burkina Faso	Guinea	Mozambique	Togo
Burundi	Guinea-Bissau	Nepal	Tuvalu
Cambodia	Haiti	Niger	Uganda
Cape Verde	Kiribati	Rwanda	Vanuatu
Central African Republic	Lao PDR	Samoa	Yemen
Chad	Lesotho	São Tomé and Príncipe	Zambia
Comoros	Liberia	Senegal	
		Sierra Leone	



## FACTS AND FIGURES

**Geographical area:** 181,035 sq km

**Population:** 14,800,000

**Population growth rate:** 1.7%

**GDP real growth rate (2000-2009 average at current prices):** 14%

**GDP:** US\$9.87 billion

**GDP per capita (not PPP adjusted):** US\$670

**Main exports:** garments, tourism, rice, rubber, fish, cassava, timber, cashew nuts

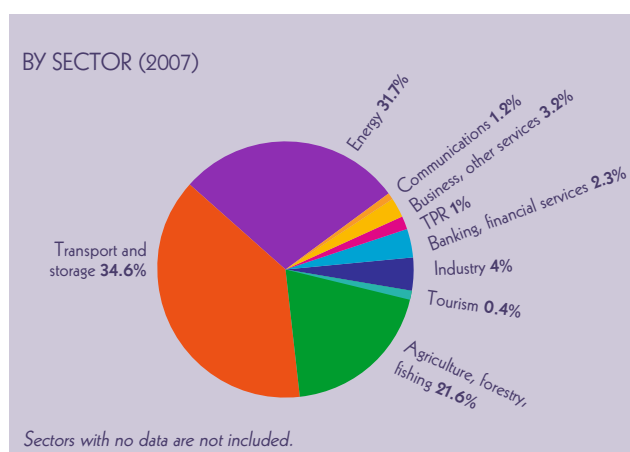
**Poverty (% living below US\$1.25/day):** 40.2%<sup>1</sup>

**Human development index (2006):** 136/179

**Aid for Trade flows:** disbursements in 2007 US\$113.0 million (commitments US\$157.5 million)<sup>1</sup>

World Bank, *World Development Indicators 2009*

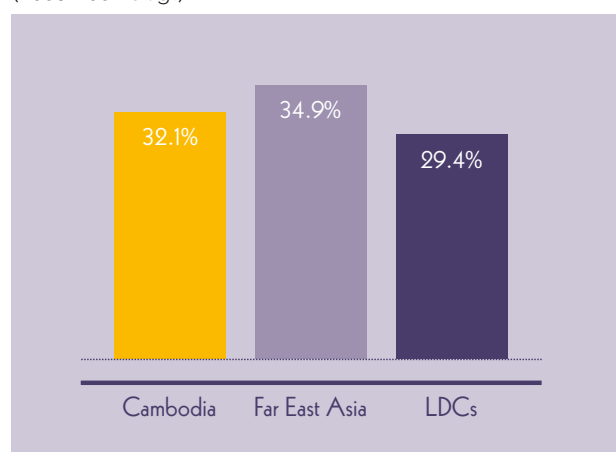
### AID FOR TRADE FLOWS



*Aid for Trade at a Glance 2009*

### SHARE IN ODA

Share of Aid for Trade in sector allocable ODA compared to regional and income group averages (2006-2007 avg.)



*Aid for Trade at a Glance 2009*

<sup>1</sup>*Aid for Trade at a Glance 2009*







## ISSUES



In Cambodia, trade has been the motor driving the pace of economic growth as seen in the success in garment exports (US\$3 billion worth of exports and growth of 25% in 2009) and tourism (foreign visitors doubled to 2.16 million during 2004-09).

The national vision is for trade to help tackle poverty and promote sustainable livelihoods for the next generation, as set out in the country's Rectangular Strategy and National Strategic Development Plan. To do so, Cambodia needs to develop a wider range of exports that have a direct link to helping poor farmers and producers in rural communities, who make up 85% of the population.

Challenges remain in bringing back high levels of Foreign Direct Investment following the global economic crisis, in building up infrastructure, streamlining trade facilitation processes and focusing on meeting technical and sanitary standards. Plus, with nearly 300,000 young people entering the labour market each year, it will be vital to build strong links to education and skills development.

The updated Diagnostic Trade Integration Study (DTIS) – the 2007 Cambodia Trade Integration Strategy (CTIS) – is at the forefront of the country's plans to boost exports that will make a difference to the lives of poor people in rural areas. With 56% of the population depending on agriculture, key areas targeted for expansion include: rice, cassava, cashew nuts, rubber and fish, as well as manufacturing assembly in Special Economic Zones, and mining.

Cambodia's model Trade Sector-Wide Approach (SWAp) launched in 2008 provides a programme approach to Aid for Trade and is the backdrop against which donors are coordinating efforts to take forward CTIS priorities. The Trade Related Assistance for Development and Equity project (TRADE) brought in wider support, started under the Integrated Framework (IF). This has been followed by increased funding through the Trade Development Support Programme (TDSP) and the EIF Tier 1 working in support of Cambodia's future trade outlook.









## RESULTS



Working in partnership for results - Cambodia submits its Tier 1 proposal to the EIF

Cambodia has made strides in becoming a more active player in the global trading system with exports valued at US\$4.25 billion in 2008. The Integrated Framework (IF) helped support the country's accession to the WTO through building political commitment for reforms, and there has been an important roll-out of a new business and trade-friendly legal framework since then. The country has worked hard to use trade to promote livelihoods, which, in turn, has contributed to the share of population living in poverty (though still not evenly spread across the country) going down from 77% to 40% between 1990 and 2005.

The IF and the Enhanced Integrated Framework (EIF) have supported Cambodia to lay the right foundations to build a trade and development track that works for positive human development, as set out in the Cambodia Trade Integration Strategy (CTIS). This has meant putting the right tools and structures in place to generate long-term impact.

- Streamlining customs procedures to meet WTO legal standards with the introduction of the ASYCUDA system and other reforms has meant the time to export has been reduced from 37 days to 22 days between 2007 and 2010, while the time to import decreased from 45 to 26 days during the same period.



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- Assistance has been provided through the Trade Related Assistance for Development and Equity project (TRADE), and now the Trade Development Support Programme (TDSP) and EIF Tier 1, to build the capacity of the Ministry of Commerce to manage Aid for Trade, including with the creation of a new Department of

International Cooperation (DICO). DICO acts as the National Implementation Unit (NIU) for the EIF and TDSP and coordinates the Trade Sector-Wide Approach (SWAp). Throughout the process, there has been strong political leadership from the Senior Minister, Minister of Commerce and the EIF Focal Point at Vice-Ministerial level. In addition, trade has been brought to the fore in dialogues including the Government-Private Sector Forum chaired by the Prime Minister.

Under the first phase of the IF, in partnership with TRADE, support was given to develop agricultural products and promote the silk sector, with assistance on technology, standards, export marketing, including participation at trade fairs and trade missions, as well as for trade policy and negotiation capacity. To date:

- Cambodia has become a major exporter of paddy rice in the region (2 million metric tonnes (MT) in 2010-11) and is now focusing on moving up the value chain by targeting the export of milled rice. Through the IF-backed TRADE project and with support from other development partners, groups of millers have met with buyers in overseas markets, including the EU, Africa and Asia, with a target to reach 1 million MT of milled rice by 2015-16.



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- Boosting the capacity of communities to export is being developed and expanded in cassava, fisheries and cashew nuts. TRADE has helped cassava processors learn about technology used in China and China's market conditions. At the same time, the project has provided support to cashew nut growers on developing technical know-how from Vietnam processors and on laying the foundation for future exports.
- In silk, the Government is focusing on a sector-wide silk strategy with key support already provided by ITC, NZAID, SECO, and TRADE, including upgrading technical skills of weaver communities, setting up weaver associations and strengthening the marketing of silk products. Skills development in 29 communities across 22 villages has been estimated to have a wider impact on up to 2,400 people (the majority of them women). In one year, results have shown an increase in monthly net income by 43% to over US\$38, with communities able to weave over 3 metres per day up from 2.1 metres.







## FORWARD LOOK

Cambodia, with backing from the Integrated Framework (IF), Enhanced Integrated Framework (EIF) and other partners, has shown how trade, as well as Aid for Trade, can improve opportunities for farmers, producers, traders and businesses nationwide.

The challenge for Cambodia is to grow and expand its exports into a wider group of products and services and move up the value chain at the same time as it develops capacity to meet technical and sanitary standards needed to access and compete in regional and international markets. This would help the country move beyond garments now making up 70% of exports and employing 5% of the workforce.



Going forward, the Government's trade and development priorities from the Cambodia Trade Integration Strategy (CTIS) remain:

- cross-cutting issues for trade development;
- products and services export development; and
- capacity building for trade development.

Through the EIF, Cambodia will continue to build Government capacity to manage and deliver Aid for Trade projects. The Trade Development Support Programme (TDSP), World Bank, Asian Development Bank (ADB), and other development partners are continuing to support the computerization of customs operations and the management of standards to help exporters. IFC, AFD, JICA, GIZ, USAID, AusAid and others are helping develop new export products and services and expand export destinations across new markets in Africa, Asia and the Gulf.

Building on work started to develop export value chain research capacity, the Ministry of Commerce (MoC) will be able to provide new market intelligence to the private sector, including in the provinces. Going forward, there will be a continuing focus on the 19 export products and services set out in the CTIS as areas of: increased global demand, the right domestic supply conditions, and that have the greatest potential for income creation and pro-poor growth. To make an impact, Government and business can now look at replicating the rice model in other sectors, such as cassava and cashew nuts,



while support from the EIF and donors to build productive capacity to trade remains vital.

Already an active player in sharing good practice on what works on trade with other Least Developed Countries (LDCs) in the region and beyond (including Bhutan, Lao PDR, Nepal and Timor-Leste), Cambodia is looking to further strengthen its outreach and communications – with newsletters and publications on Trade Related Assistance for Development and Equity (TRADE) and the Trade Sector-Wide Approach (Trade SWAp), as well as the development of a national website for stakeholders.

The Government, partners and donors have all played their part in creating the strong foundations of Cambodia's trade and development achievements to date. Now much more can be done to ensure the benefits of economic growth and trade go to a greater number of Cambodians through the Government's 'Decentralisation and Deconcentration' strategy.

Cambodia has been one of the frontrunners on trade and development – now a member of the WTO and one of the first LDCs to carry out trade studies to underpin reforms and introduce a sector-wide approach. Cambodia deserves to fully unlock the potential of trade to impact results on the ground. And, continuing with the trade and development partnership fully on board, the outlook remains bright in the country's move to graduate from LDC status.

Are you ready to get involved and be part of Cambodia's trade story?

To find out more go to:  
[www.moc.gov.kh/tradeswap](http://www.moc.gov.kh/tradeswap) and  
[www.enhancedif.org](http://www.enhancedif.org)



Find out more at:  
[www.enhancedif.org](http://www.enhancedif.org)

or contact:  
[eif.secretariat@wto.org](mailto:eif.secretariat@wto.org)  
[eiffm@unops.org](mailto:eiffm@unops.org)

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