

**Consultation Meeting of the World Bank Group on Cambodia's Systematic Country Diagnostic
Phnom Penh, 14 December 2016
Summary of Discussions with Representatives from Academia and Research Organizations**

Top Three Issues Raised: (i) institutions, governance and public service delivery; (ii) education and skills; (iii) structural transformation and inclusive growth

Priority areas for action

Institutions, governance, and public service delivery

- There is a need for greater government accountability, and also to identify the root causes of accountability (e.g. public voice)
- Transparency is also an issue – reporting on public expenditure and the uses of increasing revenue collection could be improved.
- Governance has a big role to play in ensuring social equity and social justice.
- Improvements are also needed in public service delivery.
- Some government officials often work many jobs and only spend part of the their time performing government duties, in part, due to their salary levels, which some perceive as very low and others as good compared to what workers earn in other economic sectors.
- Although not all public institutions are inefficient (e.g. universities are generally performance-based), there is also room for improvement in government efficiency in some institutions. Part of the solution could be identifying and implementing human resources tools.
- Judicial reform is also critical – better law enforcement and fair trials are needed to improve both social and economic outcomes. From an economic point of view, the lack of law enforcement has created an uneven playing field for enterprises (e.g. some firms pay taxes and others do not).
- At the same time, it is acknowledged that Cambodia has been able to sustain strong growth with poverty reduction despite governance challenges.
- Governance issues, institutions and systems need to be dynamic and evolving in a globalized world.

Education and skills

- To improve the business enabling environment, strengthening human resources and skills are critical for attracting investment and improving the livelihood of Cambodians. To achieve this, both the quantity and quality of education will need to improve.
- Cambodia should look for ways to reduce dropout rates in primary and secondary school, but should also provide students with options for technical vocational education and training (TVET). Not everyone needs to go to high school or university, but TVET and entrepreneurship skills can help them to develop businesses. However, there should be a minimum level of education required for all Cambodians, because when people dropout at an early age, they lack sufficient education to even learn from future skills training.
- Dropout rates are noticeably higher in areas close to factories; likewise, when a new factory moves into an area, there is a significant increase in dropouts.
- The cost of education, especially secondary and tertiary education, is also a major problem. Many people take out loans to support their children's education and face difficulty in repaying the loan.

- If there are sufficient resources to invest in it, early childhood education is also important.
- There is a need to better link the job market with education development.

Structural transformation and inclusive growth

- The future economy of Cambodia will rely on many different sectors, including agriculture, which will both need to modernize and will likely also consolidate into larger farms to support increased productivity. Agriculture will also need to move towards higher-value crops as well as increase the amount of processing done in country, particularly given the low-value and unpredictability of prices for rice.
- Migration is expected to continue to increase – both to urban and peri-urban areas as well as to neighboring countries. Although migration from rural areas is not in itself negative, it will be important to consider its impacts on the industrial development policy. In addition, rural economic modernization should be promoted at the same time so that all areas of the country can develop, and so that Phnom Penh and other major cities do not become over-congested (more than they already are).
- Improved access to finance at more affordable interest rates will also be required to support the SME sector. Right now, the annual interest rate is around 24 percent per year, which is unmanageable for many small farms and enterprises. Although access to microfinance has improved recently, more efforts are needed in the future to support further development that is inclusive.

Gender Equality: Gender equality remains a major issue across the country.

Health: Access to quality and affordable health services is very important, especially for the poor.

Environmental Sustainability: Environmental sustainability has major implications for medium- and long-term growth in Cambodia.