Financing for Development: Cambodia’s Current Status and Ways Forward

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Introduction

- Cambodia has sustained high economic growth for the last two decades, averaging over 7 percent per annum.
- Poverty reduction has been estimated to be under 10 percent with annual reduction rate of 1.5 per cent point.
- The country officially moved into lower-middle income country in 2018.
- COVID-19 has severely impacted on the economy and social fronts. GDP growth in 2020 was contracted by 3.1 Percent, and Poverty rate rose to around 18 percent.
Recovery prospect from COVID-19

- Real gross domestic product (GDP) is projected to grow 2.2 percent this year due to a resurgence of COVID-19 cases, which slowed the recovery, especially of the tourism, wholesale, and retail sectors during the second and third quarters of 2021.

- Traditional growth drivers, especially the garment, travel goods, footwear, and bicycle manufacturing industries, as well as agriculture, continue to underpin the economic recovery.

- Poverty continues to remain higher than pre-pandemic, given that employment has yet to return to pre-pandemic levels and the negative impacts of the pandemic on non-farm family businesses remain substantial, caused mainly by weak consumer demand.

- The economy is expected to continue to recover amidst a rollback of COVID-19-related restrictions. Real GDP growth is projected to reach 4.5 percent in 2022.
Financing Landscape

Source: Phim (2021)
Revenue from Taxes

[Graph showing the revenue from taxes for Cambodia, Indonesia, Malaysia, Singapore, Philippines, and Thailand from 2010 to 2019.]
Sources of FDIs

Source: Phim (2021)
Remittance
ODA Flow
All financing flows are growing but some were interrupted by COVID-19. Private financing will be key financing sours in the future.
## COVID-19 Impacts on Flows

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<tr>
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</thead>
<tbody>
<tr>
<td>Domestic revenue</td>
<td>6,503.0</td>
<td>4,967.4</td>
<td>1,535.6</td>
<td>-23.6%</td>
</tr>
<tr>
<td>FDI</td>
<td>4,328.0</td>
<td>2,988.3</td>
<td>1,339.7</td>
<td>-31.0%</td>
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<tr>
<td>Domestic private investment</td>
<td>2,512.4</td>
<td>2,102.3</td>
<td>410.0</td>
<td>-16.3%</td>
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<tr>
<td>Remittances</td>
<td>1,636.9</td>
<td>1,306.0</td>
<td>330.9</td>
<td>-20.2%</td>
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<tr>
<td>Loan</td>
<td>1,332.5</td>
<td>1,332.5</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Grant</td>
<td>735.6</td>
<td>735.6</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>NGO</td>
<td>218.0</td>
<td>218.0</td>
<td>-</td>
<td></td>
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<tr>
<td>South-South</td>
<td>348.8</td>
<td>348.8</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Climate Fund</td>
<td>607.0</td>
<td>607.0</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>18,222.2</td>
<td>14,605.9</td>
<td>3,616.3</td>
<td>-19.8%</td>
</tr>
</tbody>
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Policy options

- Strengthen revenue collection capacities and mechanism
- Expansion of domestic lending instruments
- Restore the level of FDIs and domestic lending
- Regulatory and fiscal measures that support revival in the tourism sector
- Prompt introduction of regulations to implement the new investment law
- Implementation of sin taxes (medium-to-long run)
- Promote blend financing (medium-to-long run)
- Engage in innovative green financing and climate changes (medium-to-long run)
- Improve capacity and financial changes (medium-to-long run)
Thank You!