

**Committee on Macroeconomic Policy, Poverty Reduction and  
Financing for Development**

**Second session**  
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Name of speaker: (Mr.) (Ms.) KIM VEARA  
Title as in Letter of credentials: Deputy Secretary-General  
Country/Organization: National Committee for ESCAP, CAMBODIA

Please indicate the agenda item on which you wish to speak:

Agenda Item No: 4

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**Country Statement for Agenda Item 4)**  
**Enhancing regional cooperation to leverage financing for the**  
**countries with special needs**  
**7 November 2019, 9 – 10:30 a.m.**  
**CAMBODIA**

**Mr. Chair, distinguished guest, ladies and gentlemen,**

It is my great pleasure and honor to be here today in this Committee on Macroeconomic Policy, Poverty Reduction and Financing for Development, Second session. First of all, I would like to thank the organizer, UNSECAP for the excellent arrangement accorded to Cambodian delegation. Today I would like to share Cambodia's perspectives.

**Mr. Chair, Distinguished Guests, Ladies and Gentlemen,**

Thanks to rapid and sustained growth, Cambodia has become one of the world's leaders in poverty reduction and shared prosperity. Cambodia's success so far has ridden on openness to trade and investment, preferential trade treatment, and an abundance of low-skilled, low-cost labour.

The country has achieved a sustained high growth of over 7.0 percent per year for the last two decades. The current GDP per capita income makes Cambodia a lower- middle income country. Poverty reduction has gone down from 35 percent in 2004 to 25 percent in 2007, and down to 13.5 percent in 2014 (NIS, 2015). The robust economic growth during this period mainly reflected a rise in industry, particularly manufacturing, which is dominated by garments, and construction, and a surge in services.

Through effort in reform in revenue collection that include the improvement of tax administration, Cambodia has made a rapid progress in revenue collection. The country managed to increase revenue from around 9 percent of the GDP in 2009 to 19 percent of the GDP in 2018. Regarding regional tax cooperation, at an early stage, Cambodia has recently signed a number of Double Tax Agreement with countries such as Singapore, Thailand, Brunei Darussalam, China, Vietnam and

Indonesia. Cambodia is currently developing Resource Mobilization Strategy 2019-2023.

Similar to other LDCs, Cambodia has seen a gradual decrease in ODA. Offsetting the reduction in ODA, FDIs have been viewed as one of the key sectors, to narrow the development need gap. The government has made an effort to attract investments from abroad. Despite this, FDI alone cannot be sufficient to finance the development need.

Regarding the private sector development angel of Rectangular Strategy, while viewing FDIs are the important sources for development financing, the role of SMEs is tantamount important.

**Mr. Chair, Distinguished Guests, Ladies and Gentlemen,**

Let me brief you about why financing SMEs is one of the important agenda for Cambodia, and as source of local resource mobilization. Small and Medium Enterprises (SMEs) are the backbone of Cambodia's economy as it provides more than 70 percent of jobs, and 58 percent of the GDP. SMEs comprise 99.8 percent of the Cambodia's enterprises.

The Royal Government of Cambodia has put SMEs as an important private sector development agenda. Strategic directions have been developed for promoting and strengthening MSMEs, some of which are reflected in the Rectangular Strategy Phase IV of September 2018, the National Strategic Development Plan 2014–2018, the Industrial Development Plan 2015–2025, the SME Development Framework 2005, the Sub-Decree No. 124 of October 2018 on tax incentives for SMEs, the Financial Sector Development Strategy 2016-2025, and the National Financial Inclusion Strategy to be finalized this year. In this year the Government is setting up an SME Bank and an Entrepreneurship Development Fund, and it will launch a new SME development policy.

Despite their significance in the economy and the effort from the Royal Government of Cambodia, SMEs remain weak and face a number of challenges, including governance, market access, human resources and access to finance.

Among these constraints, access to finance has been identified by both the government and the SME owners, as the biggest issue.

Therefore, the Royal Government of Cambodia would highly appreciate if ESCAP and other development partners could provide assistance in the following areas, specifically for SME development:

- Minimizing information asymmetries, enhancing data collection on SMEs, improving secured transaction policies, promoting intermediation mechanisms to promote and build trust on SME business transactions, setting up effective credit guarantee mechanisms, using emerging digital technologies, enhancing linkages with capital markets and increasing formal registration of SMEs can contribute to make Cambodian SMEs more competitive in national and international markets and spur economic growth and employment;
- Gender responsive and inclusive policy actions, including on financial education and consumer protection, which will enhance SMEs contribution to poverty reduction, economic growth and sustainable development.

- Fostering the development of capacities and financial education of SMEs, and particularly women's businesses, to improve their accounting, record keeping, and the production of financial statements and business plans to facilitate their access to loans offered by financial institutions;
- Fostering the development of capacities of financial institutions to offer appropriate products and services to SMEs in general and to women's businesses in particular, including through innovative business models for micro-finance institutions (MFIs) and commercial banks to enhance their lending to MSMEs;
- Fostering the development of information technology and fintech solutions to facilitate transactions, the use of big data for credit assessment, and the expansion of alternative financing mechanisms for SMEs.

**Mr. Chair, Distinguished Guests, Ladies and Gentlemen,**

I do hope that the Committee on Macroeconomic Policy, Poverty Reduction and Financing for Development, Second Session will be a very productive and fruitful session. I look forward to hearing from other speakers to share their thoughts, perspectives on both things that have gone well and challenges we have faced and most importantly the creative solutions that would help SME grow, especially on financing aspect. Once again, I would like to express my profound thanks to all of you for allowing me to share this topic from Cambodia's perspective.

Thank you very much for your kind attention!