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CSDG Financing in Cambodia

A Synthesis Report - Complimentary to the
2021 Development Finance Assessment

The Joint Sustainable Development Goals (SDG) Fund is an innovative instrument to incentivize the transformative policy shifts and stimulate the strategic investments required to get the world back on track to meet the SDGs. The UN Secretary-General sees the Joint SDG Fund as a key part of the reform of the UN's development work by providing the "muscle" for a new generation of Resident Coordinators (RCs) and UN Country Teams (UNCTs) to really accelerate SDG implementation.

To date it has funded 101 joint programs focused on integrated social protection or SDG finance, it has stimulated over 1,000+ partnerships working together alongside the UN to support the SDGs and it has tested over 200 innovative solutions to accelerate the 2030 Agenda.

The Joint SDG Fund is a multi-partner trust fund. This means contributions it receives are not entity-specific, but aim to support broader UN system-level functions. In this way, it differs from restrictive earmarked funding which can fuel competition and hamper cooperation among UN entities. This type of pooled funding used by multi-partners trust funds, like the Joint SDG Fund is widely considered 'multilateralism-friendly' – and is much more suitable for the integrated support at scale essential for achieving the 2030 Agenda. Flexibility in reallocating funds has also proven critical for rapid responses to the COVID-19 pandemic.

The UN Capital Development Fund makes public and private finance work for the poor in the world's 47 least developed countries (LDCs).

UNCDF offers "last mile" finance models that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development.

UNCDF's financing models work through three channels: (1) inclusive digital economies, which connects individuals, households, and small businesses with financial eco-systems that catalyze participation in the local economy, and provide tools to climb out of poverty and manage financial lives; (2) local development finance, which capacitates localities through fiscal decentralization, innovative municipal finance, and structured project finance to drive local economic expansion and sustainable development; and (3) investment finance, which provides catalytic non financial structuring, de-risking, and capital deployment to drive SDG impact and domestic resource mobilization

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Integrated National Financing Frameworks (INFFs) provide a framework for financing national sustainable development priorities and the SDGs at the country level.

Integrated National Financing Frameworks (INFF)

Mobilizing resources, both domestic and global, to support sustainable development remains a key challenge for many developing countries. In 2015, world leaders met in Addis Ababa, Ethiopia to agree upon a new global framework for financing the 2030 Agenda and the 17 Sustainable Development Goals (SDGs). At the heart of the Addis Ababa Action Agenda are national sustainable development plans and strategies supported by integrated national financing frameworks – or INFFs.

A country's sustainable development strategy lays out what needs to be financed. INFFs spell out how the national strategy will be financed and implemented, relying on the full range of public and private financing sources. INFFs are a planning and delivery tool to help countries strengthen planning processes and overcome obstacles to financing sustainable development and the SDGs at the national level. <https://inff.org>.

Integrated National Financing Frameworks (INFF)

This report has been developed by UNCDF within the framework of the UN SDG Funded Project "Integrated National Financing Framework (INFF) to Catalyse Blended Finance for Transformative CSDG Achievement".

The project brings together UNDP and UNCDF and to support the Royal Government of Cambodia to develop their Integrated National Financing Framework (INFF) that will be used to support the countries SDG commitments. INFFs provide a framework for financing national sustainable development priorities and the SDGs at the country level.

This research paper has been drafted as a complementary to the UNDP Development Finance Analysis (DFA 2021) that is being developed by UNDP. This body of work extends the DFA, analysing the financial flows towards the SDGs inclusive of all forms of external finance, FDI, ODA and the public sector budget. In addition the document carries a stocktake of current SDG reporting for Cambodia in the form of a compendium list that provides a suitable source of reference materials and data for CSDG policy analysts



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In Cambodia, \$3 of additional investment is required per person per day to achieve the SDGs. 5.4 percent of GDP a year could end poverty by financing cash transfer payments and universal social protection.

Armida Salsiah Alisjahbana

United Nations Under-Secretary-General and Executive Secretary of the Economic and Social Commission for Asia and the Pacific (ESCAP)

<https://www.unescap.org/op-ed/sustainable-development-2030-achievable-cambodia-and-asia-and-pacific>

Photo: Phnom Kulen, Cambodia, by Phen Phy, UNSPLASH

Introduction

The report aims to provide a snapshot of the global and regional trends related to financing the Sustainable Development Goals (SDGs) to support Cambodia's policy makers. In doing so it thereby sheds a light on the current challenges and emerging opportunities for effectively financing the Cambodia Sustainable Development Goals (CSDGs). Building on to these trends and the impacts of the global pandemic, the document suggests and proposes policy interventions for the stakeholders and development partners in Cambodia.

! The report explores SDG financing opportunities, unlocks unforeseen SDG financing mechanisms, develops a base futures-ready SDG financing strategy, and proposes mechanisms to enhance multi-stakeholder partnership for SDG financing.

! The report is based on a mixed-methods research approach which consists of stocktaking of the global and national trends, desk reviews, and interviews of key stakeholders to understand the financing landscape on SDGs in Cambodia. Moreover, a series of consultations were undertaken with Cambodian policy makers, development partners, UN agencies, civil society leaders, and investors/entrepreneurs.

Data Note:

Challenges concerning data availability were mitigated by using multiple sources that included official statistics and published recognised data sets. One major restriction found was the RGC do not yet deploy a public expenditure management system that classifies CSDG expenditure nor provide links to the national plan

The report sets out the global and regional context of SDG financing applying data from OECD, ASEAN Secretariat and the International Finance Institutions (IFIs).

The national context undertakes an analysis government data sets as well as other public domain data to create a backdrop of current public sector finance against which recommendations are later made.

Cambodia has developed an intricate and extensive set of strategies and development to drive and directionalise development and associated finance. The report details the main considerations of this extensive framework, highlighting the positives and overlaps that are, in some cases constricting development financing.

The document sets out the current financing landscape taking its cue from the UNDP Development Finance Assessment (DFA 2021). That lead into a set of policy recommendations devised through 3 lenses

- General Policy
- Policy to promote financial flows
- Policy options for UN systems

These policy recommendations are provided in a very broad context, providing reference for further dialogue.

¹ IFC, EM Compass "Closing the SDG Financing Gap—Trends and Data", 2019

² UNDP, DFA Snapshot, 2018

³ Data Extracted from the OECD, Credit Reporting System database. Data available until 2019



Photo Stephen Dawson unsplash

CSDG Dashboards

The CSDG dashboards, that available in this report, consists in a visual display instrument, which can be easily be updated on the corresponding excel databases.

The three dashboards display the following elements:

- **Expenditures:** key government expenditure information
- **Public sector budget management** information that includes debt information
- **Economic structures** by broad sectors and sub sectors

The data sets used for the analysis are from multiple sources that include; RCG data (MoEF), NBC data, UN Data and World Bank Development Indicators.

However, to illustrate the potential contributions of the public sector budget to the CSDGs a basic estimate was derived that allowed for

- Use of the governments expenditure categories to apply subjective allocation of CSDG contributions
- Application of a model that limits contributions to a maximum of three CSDGs and a minimum of 1
- A distribution model that supported the contribution split
- An overall common factorization of the expenditures, allocating only 50 percent of the PSB to all expenditures considered, thus supporting an assumption that only a percentage of expenditures will contribute to CSDGs.

While all investments are assumed to be relevant for the purpose of attaining the CSDGs, the purpose of the analysis is to illustrate a nuanced pathway to establish a system whereby the RGC public sector budget can also account for CSDG contribution (investment)

The analysis is set up in such a way as to capture expenditure information as to whether:

- the flows are specific to the attainment of one or several SDGs, or whether they cover a wide range of SDGs;
- the flows go towards a balanced set of SDGs including all three dimensions of sustainable development i.e., economic, social and environmental dimensions;
- the flows have inherent development objectives (e.g., Health and Education);
- the flows are emanate from sectors that are already determined by the RGC

The Global and Regional Context

The pace to which the developing countries were addressing their SDGs commitments has been disrupted owing to; the global pandemic. However, additional issues being characterised by, (i) insufficient innovative national actions, (ii) the decline of official assistance, the stalling of global value chains, (iv) lowered inward investments and (v) the disruption to the private flows in many developing countries are increasing its socio-economic cost.

The ravaging damages caused by the COVID-19 pandemic since early 2020 have further widened the UN SDG financing gap as once predictable flows have ceased or have reduced. The OCED's Global Outlook on Financing for Sustainable Development 2021 shows that SDG financing gap could increase by 70%, from US\$ 2.5 trillion to US\$ 4.2 trillion. There is identified an additional requirement of up to US\$ 1 trillion for Covid-19 spending that is compounded with a drop of over US\$ 700 billion in private resources in 2020.¹

The unbalanced recovery of the global economy following the pandemic is posing greater risks of inequality and hampering inclusive growth. The Financing for Sustainable Development Report 2021 released by the United Nations estimated that over 120 million people had been plunged back into extreme poverty due to COVID-19 pandemic.²

This characteristic has further placed political and socio-economic strains on the developing countries especially as social safety nets are sparse and often inadequate.

Additionally, the international finance institutions (IFIs) released large tranches of "unconditional" credit into the global economy potentially raising the debt levels of development countries, financing policy or debt service payments that will do little to advance SDG commitments. As a result it is imperative to create innovative finance mechanisms to increase financial flows and technical support for the developing countries.

In the Asia Pacific region, the progress towards the realisation of the SDGs has been severely curtailed. Studies show that the region is not on track to achieve any of the 17 Sustainable Development Goals (SDGs) by 2030. The United Nations Economic and Social Commission for Asia Pacific (UNESCAP) proposed revitalising partnerships at all levels encompassing all stakeholders in; (i) sustainable financing, (ii) inclusive and sustainable trade practices, (iv) 21st century technologies, (v) capacity building to enhance productivity and (vi) evidence-based coherent policymaking.³

Trends in private green and social finance is positive. The emergence of the global investment banks and large pension funds illustrate its great potential to contribute to the realisation of the SDGs. For instance, green bonds contribute to the Asian firms' environmental performance by 17 per cent after one year and by 30 per cent after two years on average. Social impact investments are more varied, but innovative financing instruments such as impact bonds create higher potentials.⁴

ASEAN Community

ASEAN (Exhibit 1) has integrated the SDGs as one of the key pillars to achieve its community building. The ASEAN Charter sets out that the member states are committed to ensuring

"sustainable development for the benefit of the present and future generations and to place the well-being, livelihood and welfare of the peoples at the centre of ASEAN community building process".

The ASEAN Community Vision 2025 emphasises a regional focus on;

- environmental protection for now and the future,
- climate change, adapting and responding to climate change,
- green technology and development.

To improve the implementation of the SDG related policies, the ASEAN Community Statistical System (ACSS) established a Working Group on Sustainable Development Goals Indicators.

The working group developed a baseline in 2017 to maintain a track on the progress of AMS States in achieving SDGs.

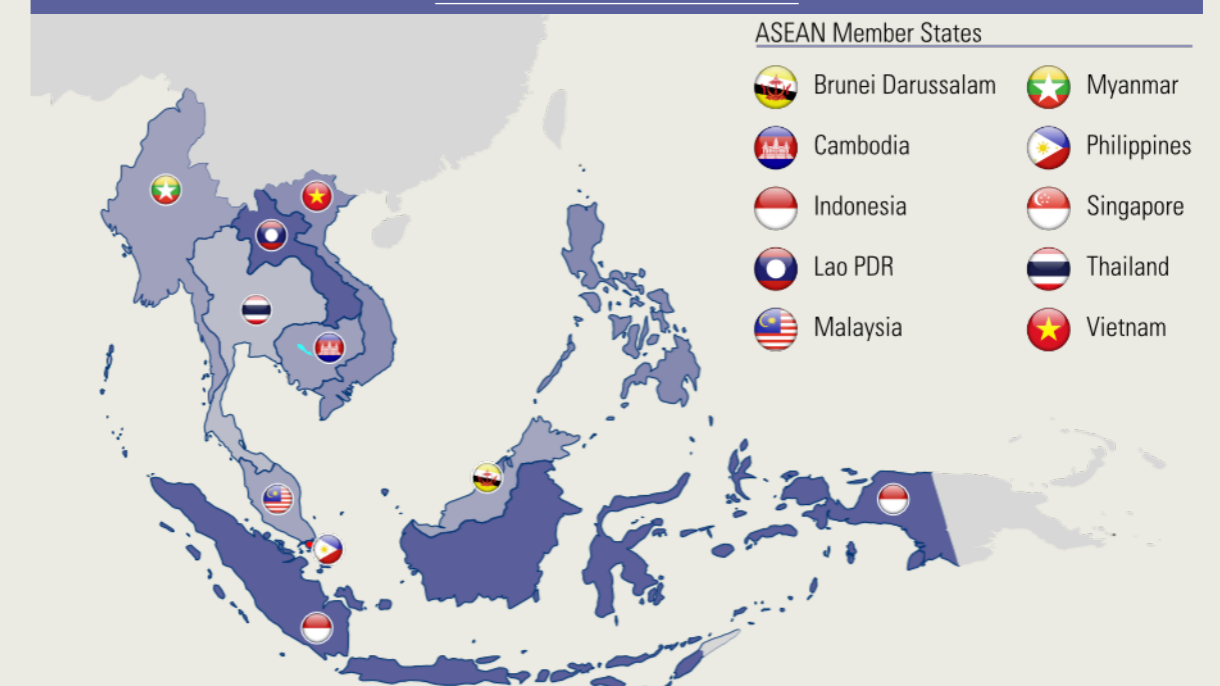
The first report was released in 2020. The report indicates that the protection of environment and biodiversity needs more attention and investment.⁵

The report also suggests that localisation of the CSGDs within the ASEAN context needs five core enablers⁶, namely

- an enabling policy and institutional environment,
- stakeholder engagement,
- data ecosystems,
- innovation, and
- financing for SDGs.

ASEAN should develop a regional integrated financing framework to catalyse blended financing for SDGs and develop a regional mechanism to keep track on SDGs financial flows.

Exhibit 1 - ASEAN Member States



¹ OECD (2021) Global Outlook on Financing for Sustainable Development 2021. <https://www.oecd.org/development/global-outlook-on-financing-for-sustainable-development-2021-e3c30a9a-en.htm>

² United Nations (2021) Financing for sustainable development report 2021. <https://developmentfinance.un.org/fsdr2021>

³ United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) Asia and the Pacific SDG Progress Report 2020

⁴ Asian Development Bank (2021) Asia Development Outlook 2021, <https://www.adb.org/sites/default/files/publication/692111/ado2021.pdf>

⁶ UNDP (2019) SDG localization in ASEAN: Experiences in shaping policy and implementation pathways. <https://www.undp.org/content/dam/rbap/docs/Research%20&%20Publications/sustainable-development/RBAP-DG-2019-SDG-Localization-in-ASEAN.pdf>

Mekong Regional Cooperation

At the sub-regional level, the Mekong regional cooperation frameworks have been developed to assist the Mekong countries to achieve SDGs such as the Mekong-Japan Initiative for SDGs toward 2030.⁷

Building synergies among various sub-regional mechanisms such as the Lancang-Mekong Cooperation, Mekong-Japan Cooperation, Mekong-US Partnership, Mekong-ROK cooperation, Mekong-Ganga Cooperation, ACMECS, and CLMV Summit is critical to optimising financing resources and creating greater SDG impacts.

The programmes and projects under these initiatives should aim to contribute to specific indicators related to the applicable SDGs. The financial flows from these initiatives then can be better aligned with the national sustainable development plans and commitments of the Mekong countries (Exhibit 2).

Sustainable water resource governance in the Mekong sub-region is one of the key development cooperation areas. Due to increasing energy demand, hydropower dams have been built along both the mainstream and tributary systems of the Mekong River, which have in turn caused certain unintended consequences to local biodiversity and ecosystem.⁸ The Mekong River is the sources of livelihoods and food security for the local community.⁹ Therefore, sustainable management of the Mekong River is critical to people’s livelihoods and biodiversity.

Exhibit 2 - Mekong Cooperation Countries



⁷ Ministry of Foreign Affairs of Japan, <https://www.mofa.go.jp/files/000535957.pdf>

⁸ Ho, Ezra (2014). Consilience: The Journal of Sustainable Development, 12 (1): 63–76.

⁹ Soukhaphon, A., Barid, I.G. & Hogan, Z.S. (2021). The impacts of hydropower dams in the Mekong River Basin: A review. Water 13 (265): 1-8.

The Domestic Context

Cambodia has enjoyed relatively high economic performance over the past two decades with an average of 7.7 percent between 1998 to 2019 before it plunged to a non positive growth rate of -3.1 percent in 2020 due to the pandemic crisis.

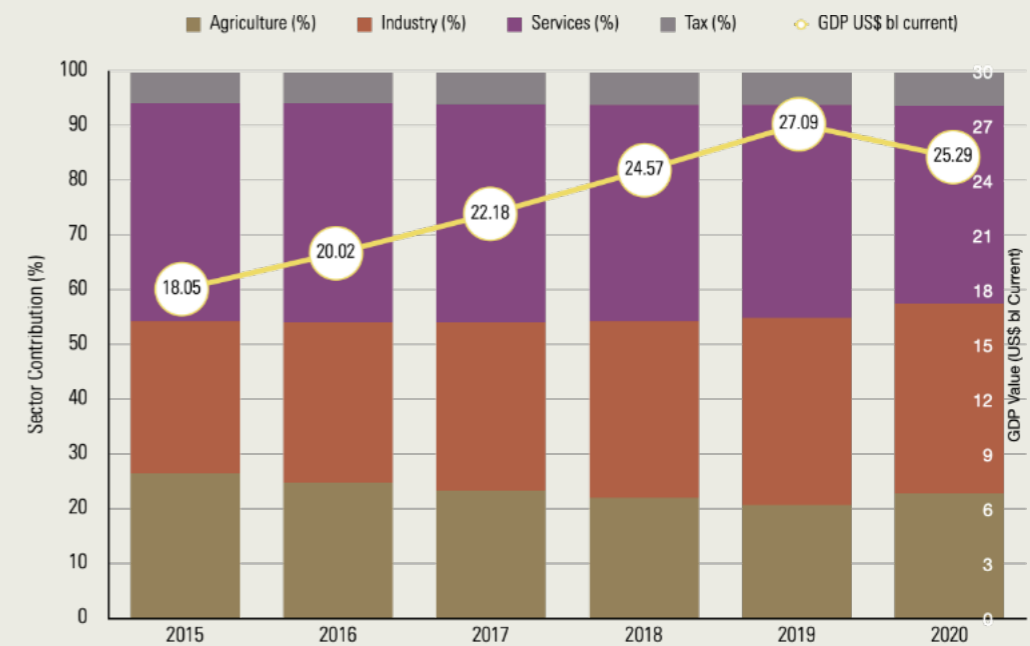
The composition of the economy, by sector, (Exhibit e) illustrates that policies implemented by the government **has in part stimulated diversification** leading to a slight level of structural transformation being attained. However the economy remains fairly balanced when compared to more advanced AMS with the Agriculture sector remaining in double digits, accounting for about 29 per cent of GDP, industry accounting for about 35 per cent, and services accounting for more than 36 per cent of GDP.

The Industry sector is shown growth, from 27.68 per cent of GDP in 2015 to 34.67 per cent in 2020. This underpins the part success of the governments industrial strategy.

Although Cambodia remains within the Least Developed Countries (LDC) Group it met graduation criteria for the first time in 2021 (Report on the twenty-third session (22–26 February 2021))¹⁰.

In terms of poverty reduction, the poverty rate dropped from 47.8 percent in 2007 to less than 10 percent in 2019. Although the poverty rate has been reduced, around 4.5 million people remain near-poor and much vulnerable to falling back into poverty.¹¹

Exhibit 3 - Cambodia's Economic Transformation Source : MOEF



¹⁰ UNDESA - <https://www.un.org/development/desa/dpad/least-developed-country-category-cambodia.html>

¹¹ World Bank (2021) Cambodia overview. 14 April 2021. <https://www.worldbank.org/en/country/cambodia/overview#:~:text=Over%20the%20past%20two%20decades,middle%2Dincome%20status%20by%202030.>

Investments for Growth

According to the National Strategic Development Plan 2019-2023, the total capital investment required to achieve a 7 percent nominal growth target as follows.¹²

2019: US\$ 8,776 million (total public investment: US\$ 2,257 million; total private investment: US\$ 6,519 million),

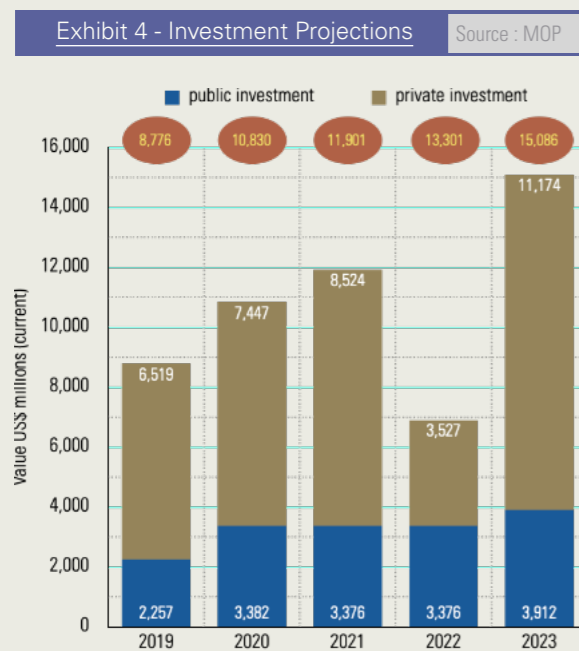
2020: US\$ 10,830 million (total public investment: USD3,382 million; total private investment: USD7,447 million),

2021: US\$ 11,901 million (total public investment: USD3,376 million; total private investment: USD8,524 million),

2022: US\$ 13,301 million (total public investment: USD3,527 million; total private investment: USD9,774 million),

2023: US\$ 15,086 million (total public investment: USD3,912 million; total private investment: USD11,174 million).

These projections highlight the critical role private investment plays in development.



¹² Royal Government of Cambodia (2019) National Strategic Development Plan 2019-2023, https://data.opendatacambodia.net/laws_record/national-strategic-development-plan-nsdp-2019-2023

¹³ World Bank (2021) Cambodia overview. 14 April 2021. <https://www.worldbank.org/en/country/cambodia/overview#>

¹⁴ Asian Development Bank, Asian Development Outlook 2021, <https://www.adb.org/publications/asian-development-outlook-2021>

¹⁵ Phnom Penh Post, "Cambodia sets 2021 growth forecast at 2.5%", 3 August 2021, <https://www.phnompenhpost.com/business/cambodia-sets-2021-growth-forecast-25>

¹⁶ Asian Development Bank, <https://www.adb.org/news/cambodia-economy-recover-2021-accelerate-2022-adb#>

Impacts of the Pandemic

Due to the Covid-19 pandemic, Cambodia's economy contracted by 3.1 percent in 2020. The total GDP accounted for US\$ 29,013 million and the per capita income was at US\$ 1,771.

The poverty rate has increased with at least 0.5 million people being identified as newly poor between June 2020 to January 2021.¹³ In terms of emergency support and interventions to mitigate non-positive socio-economic impacts the RGC spent US\$ 823 million in 2020 and plans to allocate US\$ 719 million in 2021.

It is expected the economy will bounce back in 2021 with a growth rate of about 4 percent in 2021 and 5.5% in 2022. According to the Asian Development Outlook 2021, the industrial sector is expected to increase by 7.1% in 2021 and 7.0% in 2022. Agriculture sector will grow by 1.3% in 2021 and 1.2% in 2022. The service sector is expected to recover more slowly with a growth rate of 3.3% in 2021 and 6.2% in 2022.¹⁴

However, due to the fourth wave of the pandemic outbreak continues to hit Cambodia and the region, the Cambodian government has recently reassessed the impacts of the pandemic on socio-economic recovery and predicted that the GDP growth rate would only achieve at 2.5% in 2021.¹⁵

The risks to the outlook include widening community outbreaks of COVID-19 in the aftermath of the so-called February 20 community event, the slow recovery of Cambodia's major trading partners, continued weakness in domestic demand, and the stress on financial services and banking.¹⁶

! Cambodia's economic recovery, as predicted by the World Bank, will largely be dependent on the course of global recovery, the life-cycle and variances of the pandemic and the speed of national vaccination programme. Similar to other ASEAN countries and the developing world, it is suggested that the government needs to accelerate implementation of vaccine rollout, further boost pro-poor and growth, enhance public investment, increase the coverage of social programmes such as IDpool and enhance social protection and assistance programme, and closely monitor risks arising from the pre pandemic credit boom to maintaining macro-financial stability.¹⁷

Another emerging risk to a speedy recovery relates to the **uneven speed of the recovery across the broad sectors and between sub-sectors of the economy.** Travel and tourism are yet to start on a recovery path. Although the RGC promoted domestic tourism, following regional leads in this policy area, uptake was limited and given the new waves and associated restrictions has now stalled.

In 2019, the tourism sector contributed approx. 18.7% to the economy- it was the second largest growth driver after garments and apparels sector. Additionally the tourism sector provides one of the countries key sources of foreign exchange earnings.

The pandemic has severely affected both the registered and non-registered tourism-related business.¹⁸

Workers (80+ percent being women) in the garments industry have also been largely affected by the pandemic. Job suspension and work reduction affected the incomes and job security of a majority of these workers. With limited alternative job opportunities, more than 10 percent of workers have had to find alternative incomes from the informal sector.¹⁹

The pandemic has heavily affected the informal economic sector, which is reported to account for more than half of Cambodia's GDP. The informal sector is characterised by the large numbers of unregistered MSMEs, accounting for 98% for local businesses and providing around two-thirds of the country's employment.²⁰

The RGC have suggested that near normal growth will return in 2021, optimistically signalling a v-shaped recovery. Recovery predictions indicate that

The agriculture sector is expected to achieve 1.6 percent growth in 2021 compared with 0.9 percent in 2020.²¹

The industrial sector will bounce back at 4.1 percent growth in 2021 compared with -2.2 percent in 2020. In this vein, non-textile manufacturing industry is expected to grow faster than other sub sectors such as textile and construction.

The service sector is predicted to have slower growth rate of 3.6 percent in 2021 compared with -3 percent in 2020.

¹⁷ World Bank, Cambodia country economic update, June 2021, <https://www.worldbank.org/en/country/cambodia/publication/cambodia-country-economic-update-june-2021-cambodia-s-economy-recovering-but-uncertainties-remain>

¹⁸ The Asia Foundation (2021) Enduring the pandemic: Rapid survey of the impact of Covid-19, https://asiafoundation.org/wp-content/uploads/2021/01/Cambodia_Enduring-the-Pandemic_RAPID-SURVEY-ON-THE-IMPACT-OF-COVID-19-ON-MSMES-IN-THE-TOURISM-SECTOR-AND-HOUSEHOLDS-IN-CAMBODIA_EN.pdf

¹⁹ Ngo, S., Khon, L., Sour, M., Nuth, S., & Khun, S. (2021). The COVID-19 pandemic and workers in Cambodia: Magnitude of impacts on suspended workers and implications for policy and programme interventions. Phnom Penh: Centre for Policy Studies. http://www.cps.org.kh/wp-content/uploads/2021/04/Study-Report-13-2021-March-COVID-19-Pandemic-and-Workers-in-Cambodia_ENG.pdf

²⁰ Royal Government of Cambodia, Nationally Determined Contribution 2020. <https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments>

²¹ Ministry of Economy and Finance (2021) National Budget 2021. https://mef.gov.kh/assets/uploads/2021/01BUDGET_N_BRIEF_Fiscal_Year_2021.pdf

Public Sector Deficits

Public debt remains stable. According to the Ministry of Economy and Finance, currently domestic revenues cover 80 percent of the government's expenses, compared with 1990s when the government relies on 80 percent on foreign financing.²²

The general government fiscal balance was in positive territory pre pandemic for 2018 and 2019 highlighting the gains the government made on terms of revenue management and maintaining fiscal discipline. The impacts of the pandemic are explicitly illustrated in terms of the public sector transitioning from a budget surplus to deficit. It is forecasted (MoEF) that maximum deficits will be incurred in 2022, which may prompt the need for the government to alternatively finance these deficits (ie General Obligation sovereign bonds).

Reserves

Total reserves was at USD 16,937 million in 2020 and estimated to be at USD 16,981 million in 2021, covering in excess of 10 months of imports.

Inflation

The inflation rate remains stable, 2.8 percent in 2020 and estimated to increase to 3.1 percent in 2021.²³

Exhibit 5 General Government Fiscal Balance

Source : WB

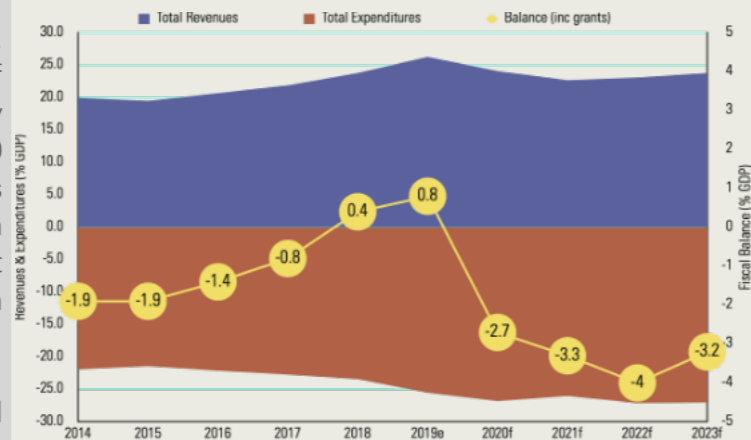


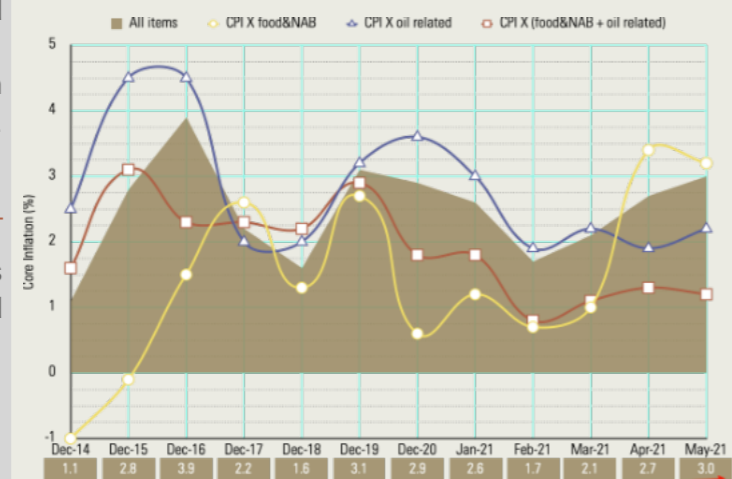
Exhibit 6 Government Reserves

Source : WB/DI



Exhibit 7 Core Inflation

Source : NBC



²² May Kunmakara (2021) Gov't: Kingdom's sovereign debt manageable. Phnom Penh Post, 18 January 2021. <https://www.phnompenhpost.com/business/govt-kingdoms-sovereign-debt-manageable>

²³ Ministry of Economy and Finance (2021) National Budget 2021. https://mef.gov.kh/assets/uploads/2021/01/BUDGET_IN_BRIEF_Fiscal_Year_2021

Policy and Institutional Instruments

The Cambodian Sustainable Development Goals (CSDGs) are integrated into national development strategies. In the Rectangular Strategy Phase IV (2018-2023), inclusive and sustainable development is one of the four pillars, which gives priority to the promotion of agricultural and rural development, strengthening sustainable management of natural and cultural resources, strengthening management of urbanisation, and ensuring environmental sustainability and readiness for climate change.²⁴

The Rectangular Strategy Phase IV underlines the governments four development principles.

- **First**, ensuring national ownership with policies to strengthen inclusive partnerships.
- **Second**, maximizing efforts to mobilize resources for the attainment of the Cambodia Sustainable Development Goals.
- **Third**, maintaining and extending policy dialogue to all development partners.
- **Fourth**, engagement development effectiveness and partnerships.

The Cambodia Sustainable Development Goals (CSDGs) 2016-2030 is the key policy framework to implement SDGs, taking into account policy design, planning, budgeting, implementation and monitoring. The Framework selected all of the global 17 SDGs adding one additional goal, related to clearance of land mines and Explosive Remnants of War. This resulted in a final version of CSDG commitments comprising: 18 CSDGs, 88 nationally relevant targets, and 148 (global and locally defined) indicators including 96 national indicators. The Ministry of Planning (MOP) has the mandate to lead and coordinate the nationalisation of the SDGs.

Cambodia's development cooperation is based on three core principles²⁵, namely

- **ownership** (with the emphasis on mutual trust and respect),
- **partnership** (with the focus on inclusion and capacity development), and results (with a focus on performance-based approaches, and
- **results-oriented** cooperation, with a core focus being placed on impacts

The localisation process of the SDGs in Cambodia began with the assessment of CMDG performance and achievements in relation to the goals, targets and indicators set. Priority was given to the coordination of the planning and implementation of the SDGs with local development strategies.

In terms of monitoring the countries SDG commitments, the RGC have identified and adopted 203 out of 230 SDG global indicators. During the on-going CSDGs localisation process new indicators are being developed to suit Cambodia's priority development requirements which may add to the current number of indicators.²⁶

²⁴ Royal Government of Cambodia (2018) Rectangular Strategy Phase IV (2018-2023).

²⁵ Royal Government of Cambodia (2019) Development Cooperation and Partnerships Strategy 2019- 2023.

²⁶ National Institute of Statistics, National Strategy for the Development of Statistics 2019-2023, p.14, <https://www.nis.gov.kh/nis/NSDS/NSDS%20book.pdf>

Green Growth Strategy

In 2013, the Cambodian government issued a national green growth plan with the aim to promote a national economy with growth stability, reduction and prevention of environmental pollution providing and maintaining a safe ecosystem.

Underpinning the strategy are critical CSDG goals related to (i) poverty reduction, (ii) promotion of and inclusive public health service, (iii) enhanced educational quality, (iv) sustainable natural resources management, (v) sustainable land use, (vi) water resources management, (v) increased energy security and efficiency, (vi) food security and safety, and the protection and (vii) promotion of national culture and heritages.

Specifically, the national green growth strategy focuses on green investment and the creation jobs, green economy management in balance with environment, blue economy development with sustainability, green environment and natural resources management, human resources development and green education, effective green technology management, promotion of green social safety system, protection of green cultural heritage and national identity, and good governance on green growth.²⁷

²⁷ Royal Government of Cambodia (2013) National Strategic Plan on Green Growth 2013-2030.

Agriculture Development Policy

In terms of agriculture development, there are two main policy documents, namely;

- **The Master Plan** for Agriculture Sector Development towards 2030 and
- **Sector Strategy** Agriculture Sector Strategic Development Plan 2019-2023.

Other related policy and legal Instruments including

- Strategic Plan Framework for Livestock Development: 2016-2025,
- National Aquaculture Development Strategy 2016-2030,
- Law on Plants Protection and Sanitary and Phytosanitary,
- Law on Contract Farming, and
- Law on Animal Health and Production.

Industrial Policy

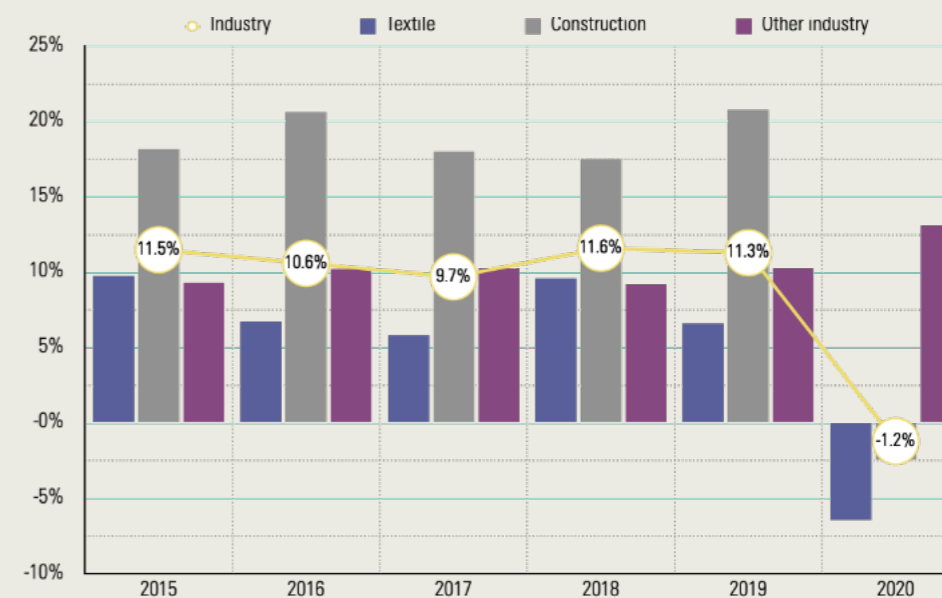
As previously highlighted the RGC pre pandemic recognised the need to structurally transform the economy, moving towards a more diversified economic base. The Cambodia Industrial Development Policy (2015-2025) sets out three targets.²⁸

- **First**, to increase the GDP share of industrial sector to 30% by 2025.
- **Second**, to diversify the export of goods by increasing the export of non-textile to reach 15% of all exports by 2025 while still promoting the export of processed agricultural products to reach 12% of all exports by 2025.
- **Third**, to encourage the formal registration of 80% of small enterprises and 95% of medium enterprises and to ensure that 50% of small enterprises and 70% medium enterprises to have proper accounts and balance sheets.

The impact of this strategy has seen the share of industrial sector GDP increase by 7 percent, reducing more or less equally the contributions of the agriculture and service sectors, illustrating a positive policy contribution to facilitate transformation. The growth drivers for this sector being construction and textiles. However the impact of the pandemic caused a sharp non-positive impact of -13 percent in terms of textile growth. Similarly, the pre 2020 growth of the construction sub-sector went negative (-23.2 percent). Notably, signs of recovery are emerging for construction, whereas permanent scaring of the textiles sector may have occurred with stalled global value chains remaining.

Exhibit 8 Industry Sector Growth Components

Source : MoEF



²⁸ Royal Government of Cambodia (2015) Cambodia Industrial Development Policy 2015-2025.

The Digital Economy

The Cambodian government released digital economy framework in May 2021 to support digital transformation. Following global and regional policy trends the RGC is promoting the development of the Cambodian digital economy as one of the key drivers for recovery and to positioning the country in ASEAN as a competitive digital market place and industry 4.0 production hub.

The RGC digital economy policy hinges on three interlocking on three pillars: digital citizens, digital government, and digital business. There are two key strategic interventions:

- **infrastructure:** developing digital infrastructure development and connectivity, financial technologies, digital payments, last-mile logistics and transport networks;
- **partnership:** building trust and confidence on digital networks such as developing responsive and effective regulatory frameworks and strengthening digital security.

A national council on digital economy and society will be formed and there are three committees under the council, namely digital economy and business committee, digital government committee, and digital security committee.²⁹

Studies show that digitalisation, especially the advancement of digital finance, can empower people to better align their money with their needs.

The 2020 report by the UN task force released on 26 August 2020 lays out five points to empower citizens as tax-payers and investors, namely aligning the “vast pools” flowing through global capital markets with the SDGs; increasing the effectiveness and accountability of public finance; channelling digitally-aggregated domestic savings into long-term development finance; informing citizens how to link their consumer spending with the SDGs; and accelerating “lifblood financing” for small and medium-sized businesses.³⁰

Financing Landscape

A strong, stable and growing economy is central to CSDG achievement. This can be further characterised as an economy that is capable of creating jobs, prosperity, social well-being, and delivering environmentally compatible development. Whereas governments can help create ideally regulated eco-systems and provide investments for projects through public sector finance that would not necessarily attract other forms of investment, partnerships that encourage other actors to stimulate and grow the economy are much needed.

For Cambodia, like other emerging economies, public sector capital remains a vital pillar of finance for the SDGs. To assure continued flows combined with sound macro-economics requires that adequate and predictable public sector revenues are grown and maintained. This requires that the RGC continues to strengthen the effectiveness of tax policy measures and collection systems.

Moreover, given the natural constraints on public sector budgets and the investment capital required to meet SDG commitments. As estimated funding gaps are pronounced, private capital plays increasingly important role in financing SDGs. For instance, the participation of the private sector as an impact investor is critical to addressing social and development challenges and delivering public good types of projects, that in general are high contributors to SDG attainment and usually target specific indicators.

Blended financing becomes essential for the achievement of the CSDGs.

Additionally, and perhaps more importantly, the new Public Sector Securities Law (December 2020) has opened up the options for the government to issue debt finance in the form of bonds and other securities for development and to finance the CSDG

Private investments (domestic and foreign) are vital to maintaining the momentum of the economic growth and poverty reduction, contributing to tax revenues which are essential to enhanced public service delivery. Boosting private investments is therefore a critical key to CSDG financing.³¹

The pandemic has major impact on the capital flows that play significant roles in sustaining the economic dynamism that has underpinned Cambodia's continuous high levels of growth. The overall losses in 2020 totalled approximately USD 4.7 billion;

- **Domestic revenue** dropped by USD 2.4 billion.
- **Foreign Direct Investment** was reduced by 1 billion lost.
- **Private investment** had 0.7 billion lost.

It is therefore urgent to support the public and private sector financing.³² A blended finance is prioritised to mobilise resources from both the public and private sectors by sustaining the FDI flows and connecting these investments with SDG priorities, facilitating growth in remittance inflows, enabling public-private partnerships and impact investment, and exploring new channels of public borrowing.³²

²⁹ Royal Government of Cambodia (2021) Digital Economy Framework 2021-2035.

³⁰ United Nations, <https://unsdg.un.org/sites/default/files/2020-08/DF-Task-Force-Full-Report-Aug-2020-1.pdf>

³¹ Council of Ministers, Cambodian Sustainable Development Goals (CSDGs) Framework (2016-2030).

³² UNDP (2021) Cambodia Development Finance Assessment

Public Sector Flows

Cambodia has embarked on a far reaching Public Financial Management Reform Programme (PFMRP) since 2004.

The PFMRP strategy comprised of four rounds of reforms.

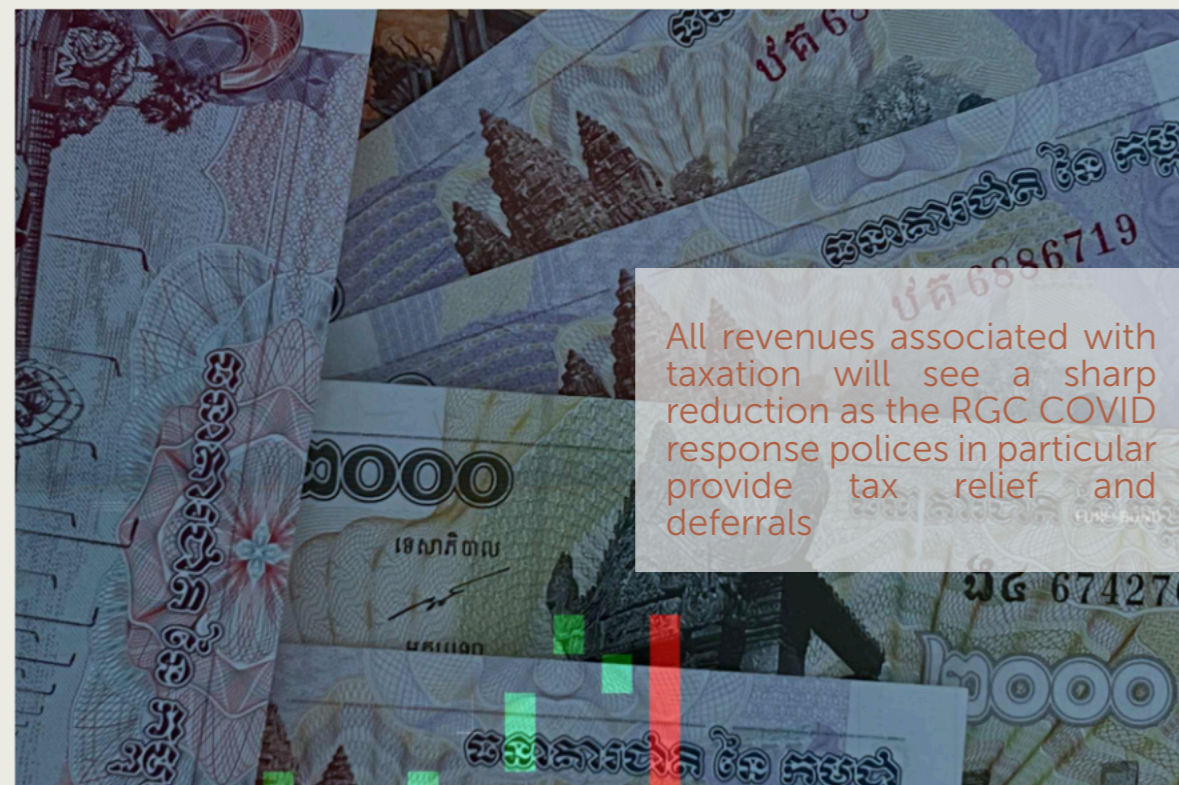
- The first round (2005-2008) focused on increasing budget credibility.
- The second round (2009-2015) focused on increasing financial accountability.
- The third round (2016-2020) focused on establishing budget-policy linkages.
- The fourth round (2021-2025) focusing on increasing performance accountability via the introduction of "performance budgeting".³⁴

Early impacts of the reform has returned a much needed boost of revenue collection performance. Between 2005 to 2018, tax revenue outturn grew at an average of 17.5% annually, while non-tax revenue increased by 16.9% annually.

Due to the Covid-19 pandemic coupled with the governments socio-economic response policy, revenues are reducing whilst expenditure is increasing. The government has allocated up to USD 2 billion in emergency expenditures to counteract the impacts of the pandemic. Some of the fiscal policy measures introduced include;

The establishment of the Business Credit Guarantee Scheme, being launched in March 2021 with the initial capitalisation of USD200 million being provided through the budget

Public sector expenditure was increased by 4.2% of GDP in 2020, a fiscal deficit of 2.7 per cent of GDP was (up from 1.5 per cent of GDP surplus in 2019). It is projected that the deficit will be at 3.3 per cent of GDP in 2021. The deficit will continue to be financed by government's current savings (which is at 24.1% of GDP in 2020) and concessional borrowing.³⁵



All revenues associated with taxation will see a sharp reduction as the RGC COVID response policies in particular provide tax relief and deferrals

³⁴ Royal Government of Cambodia, Budget System Reform Strategy (2018-2025), http://www.pfm.gov.kh/document/publication/BSRS%202018-2025%20English_Final_27Aug18.pdf

³⁵ World Bank, Cambodia country economic update, June 2021, <https://www.worldbank.org/en/country/cambodia/publication/cambodia-country-economic-update-june-2021-cambodia-s-economy-recovering-but-uncertainties-remain>

Domestic Revenues

Tax revenues include domestic tax revenue and taxes on international trade.

Domestic revenue- including tax revenue, non-tax revenue, and capital revenue- increased from USD 2.89 billion or 16.01 per cent of GDP in 2015 to USD 5.2 billion or 19.76 per cent of GDP in 2020. Tax revenues have increased from USD 2.57 billion in 2015 to USD 5.30 billion in 2019 and slightly dropped to USD4.75 billion in 2020.

The non-tax revenue increased from USD 314 million in 2015 to about USD 739 million in 2019 and slightly dropped to USD 452 million in 2020.

Taxes on international trade consists of taxes and duties on imports and taxes and duties on exports.

Non-tax revenues include state property revenue (concession and rental land, public enterprise income), income from sales, rental of properties and services (income of administrative public enterprises, sales of property of public administration, administrative fees, sales of services, other transaction fees, and other rental of immovable properties), and other non-tax revenue.

Exhibit 9 Government Domestic Revenues Total Source : MoEF

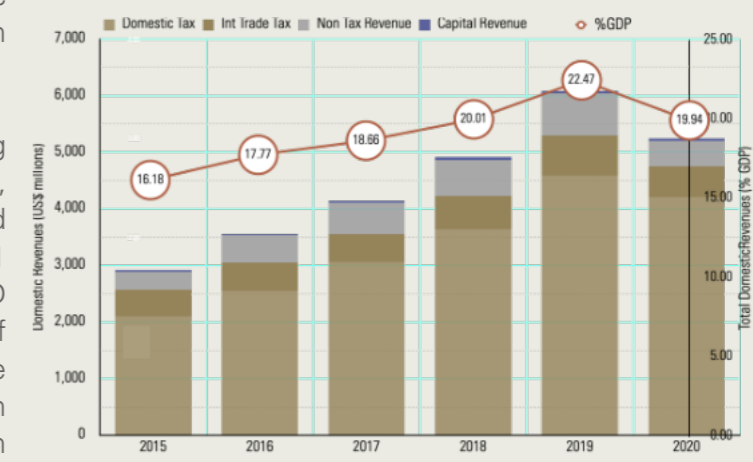


Exhibit 10 Government Tax Revenues Source : MoEF

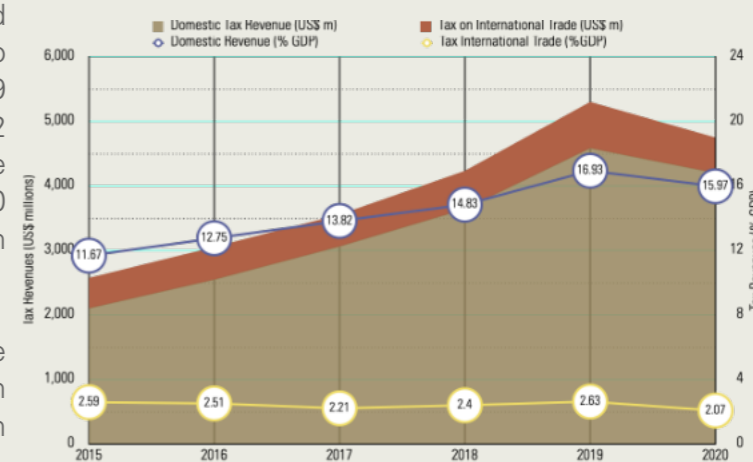
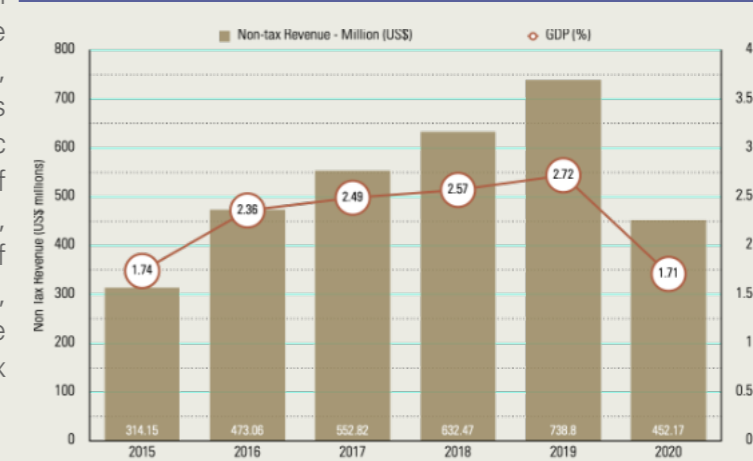


Exhibit 11 Government Non Tax Revenues Source : MoEF



Domestic Public Sector Expenditure

Domestic public sector expenditure consists of current expenditure and capital expenditure. The current expenditure includes wage and non-wage. The capital expenditure consists of domestic financing and external assistance related to the implementation of hard and soft infrastructure projects and investments into public goods.

The RGC has prudently increased domestic expenditure whilst maintaining macro-economic stability and debt sustainability. Since 2015 the government have incrementally increased public sector expenditure from USD 3.4 billion (approx. 19 percent of GDP) to USD 6.3 billion in 2020 (approx. 24 percent of GDP).

In terms of current expenditure by ministry, in 2020 the general administration accounted for USD 626.81 million (2.38% of GDP), defence and security accounted for USD 1,014.67 million (3.86% of GDP), social administrative accounted for USD 1,572.25 million (5.97% of GDP), economy administrative accounted for USD 308.19 million (1.17% of GDP), and unexpected expenditure accounted for USD 602.96 million (2.29% of GDP). Ministry of Public Health received the budget of USD 385.69 million (1.47% of GDP), Ministry of Education, Youth and Sports got USD 724.80 million (2.75% of GDP).

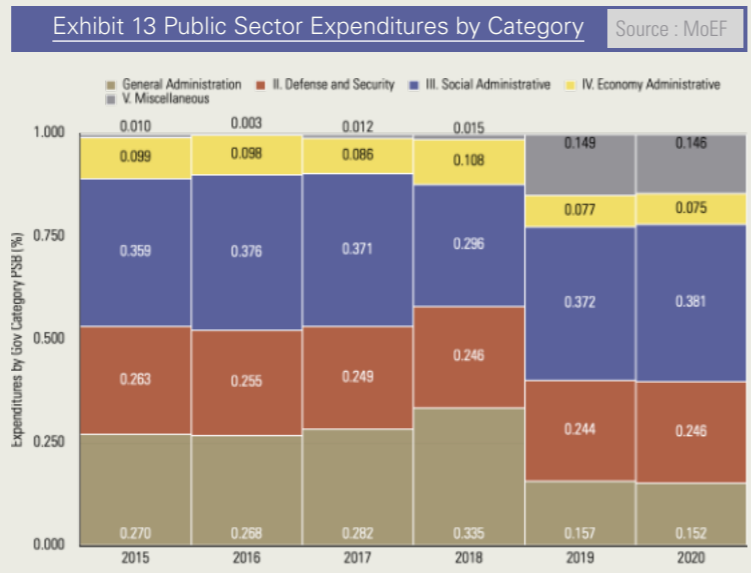
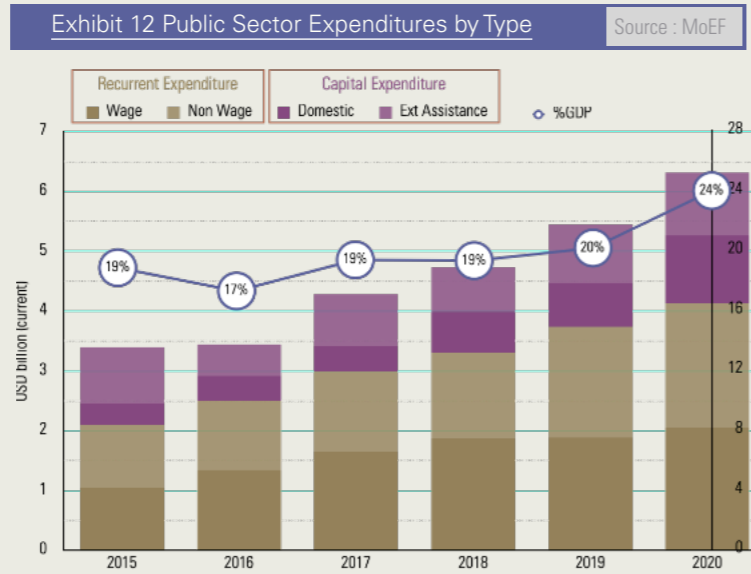


Exhibit 13 illustrates the breakdown of expenditures by government reporting category. The social administrative sector expenditures receive the highest level of the budget year on year, averaging 35.9 percent of the budget between 2014 and 2020. This expenditure category includes education, health, environment and labour the latter including TVET

Public Sector Budget Impact on SDG Financing

Domestic public sector expenditure provides the main national contribution towards the CSDGs and therefore needs to be considered in the context of CSDG financing. Based on the RGC budget expenditure categories crude linkages to CSDG goals can be identified as tabulated, in some cases specific expenditure can be considered for specific SDG goals where as others will nominally contribute to two or more SDG goals. The following table provides a synthetic mapping of current core expenditures to SDGs.

General Administration	Social Administration
Royal Palace	Information
National Assembly	Public Health
Senate	Education Youth & Sport
Constitutional Council	Culture & Fine Arts
Council of Ministers	Environment
CDC	Social Affairs & Veterans
Interior Administration	Public Worship Religion
Relations Assembly	Women Affairs
Foreign Affairs	Labor & TVET
Economy & Finance	Economic Administration
Planning	Civil Aviation Secretariat
Urbanisation & Const	Industry Mines & Energy
National Election Cmte	Commerce
National Audit Office	Agriculture Forest & Fisheries
Anti-Corruption	Rural Development
Public Function	Posts & Telecoms
Defence & Security	Public Works & Transport
National Defence	Tourism
Interior Public Security	Water Resources & Met
Justice	Industry & Handicraft

The synthetic mapping of expenditure categories and sub categories to the CSDGs is indicative only, being derived through a mainly subjective analysis. The purpose of the indicative mapping is to provide an illustration of how the public sector budget can contribute towards the SDG goals. Further detailed mapping exercises are highly recommended.

Crude Calculation of PSB contribution to the CSDG

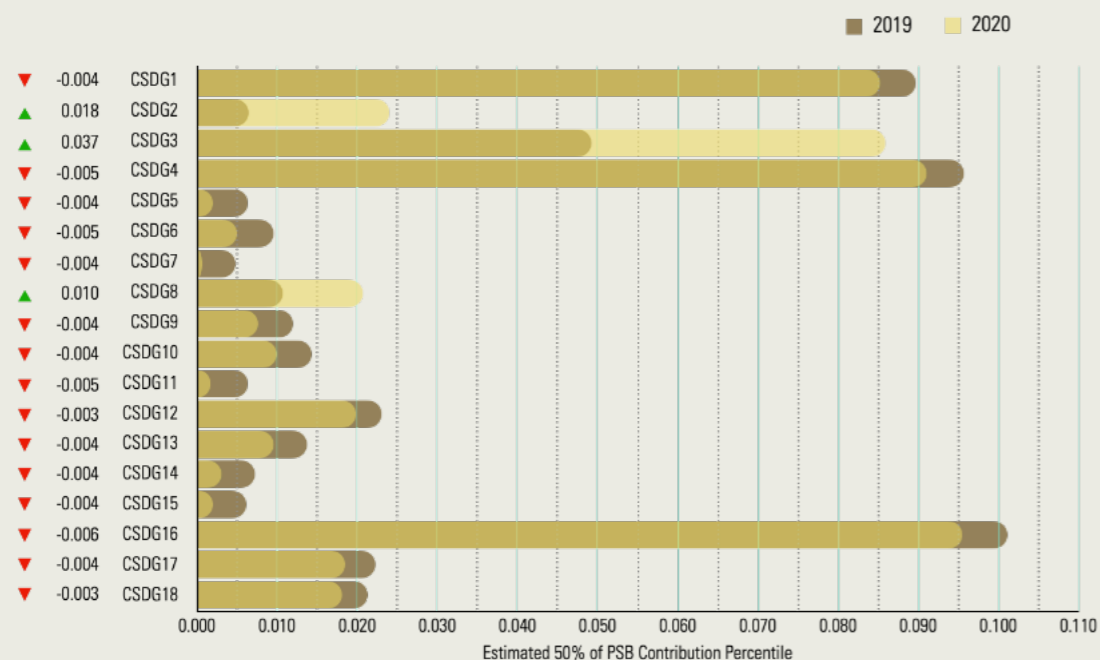
Applying the crude mapping and six year time series of budget expenditures the following contributions to the 18 CSDGs may be considered. This data set **only illustrates** how public sector budget expenditures can be accounted for in terms of SDG financing (Exhibit 14). However, more detailed mapping is required to provide greater validation to the exercise.

The crude estimation is based on indicative CSDG - PSB mapping that applies the following rules

- 1:1 - Where an expenditure category is mapped directly to a CSDG, PSB expenditure allocation is 1
- 1:2 - Where an expenditure category is mapped to two CSDGs, PSB expenditure allocation is 0.6 to the primary CSDG and 0.4 to the secondary CSDG
- 1:3 - Where an expenditure category is mapped to three CSDGs, PSB expenditure allocation is 0.5 to the primary CSDG, 0.3 to the secondary CSDG and 0.2 to the tertiary CSDG.
- A factor of 0.5 was used across all expenditure categories, taking into account that not all of the PSB act as a contributor, and where contributions are applied efficiency losses are incurred.

Exhibit 14 illustrates an estimated crude % contribution of the PSB by category and sub category. Although further analysis and methodological development is needed, the illustrative PSB performance to CSDG contribution highlights that **the PSB needs to be considered as a key predictable flow of finance that can be leveraged against external investments and blended with different forms of government and non government development finance** to address the funding gaps related to Cambodia's CSDG commitments.

Exhibit 14 Estimates of PSB Contribution to CSDGs 2019 - 20 Source: UNCDF Calculations



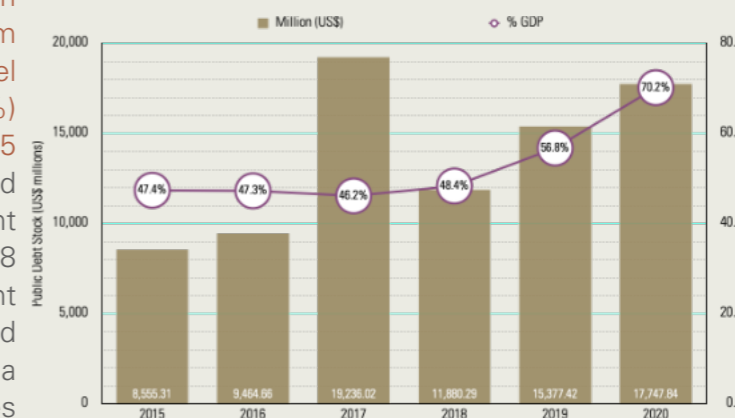
External Debt Positions

The gross external debt is categorised in three subsections namely (i) general government, (ii) central bank, (iii) deposit taking corporation. General government's external debt includes special drawing rights, currency and deposits, debts securities, loans, and other debt liabilities. Central bank includes currency and deposits, debt securities, loans, and other debt liabilities. Deposit taking corporations are generally the state owned enterprises (SoEs) and in some cases these corporations are able to take on capital lans and issue debt securities such as bonds.

The RGC has maintained a sustainable position related to debt, with the IMF reporting that there is little to zero chance of debt stress in the short to medium term (Exhibit 15).

However, there has been a rising trend of debt since 2015. The current 2020 debt position has increased 2 fold from 2015. with the current debt level being USD 17.74 billion (70.17%) of GDP from a low of USD 8.55 billion (47.4% of GDP). It is noted that a sharp jump of 29 percent was witnessed between 2018 and 2019 and a 15 percent increase between 2019 and 2020. In terms of debt as a percentage of GDP a 22% rises has been incurred from 2018 to 2020.

Exhibit 15 Public Debt Stocks Source : NBC

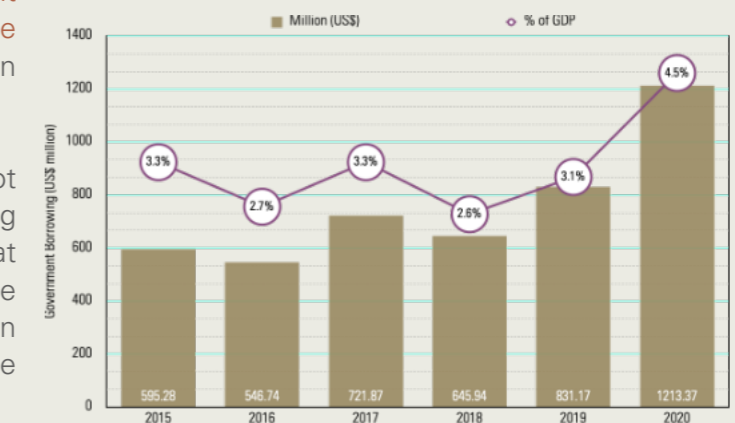


Government Borrowing

The government borrowing was at an average of 3 per cent of GDP from 2015 to 2019 before in jumped to 4.5% of GDP in 2020 (Exhibit 16).

In general the RGC does not borrow commercially, taking credits from the NBC at preferred rates. In addition the RGC also enters in to sovereign debt via ODA loans from the IFIs.

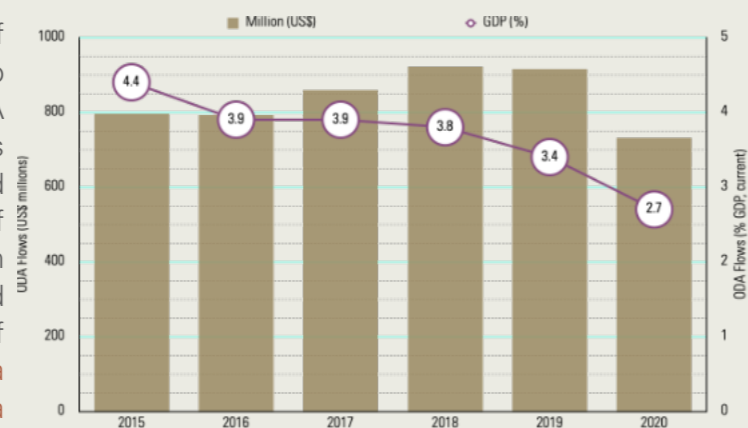
Exhibit 16 Government Borrowing Source : NBC



Official Development Assistance (ODA)

Since the early 1990's Official Development Assistance (ODA) including grants and loans, provided one of the key components of public financial flows in Cambodia. Although high quantities of aid finance flowed into Cambodia is was not until 2018 when reliable and holistic ODA data became available.

Exhibit 17 ODA Flows Source : CDC

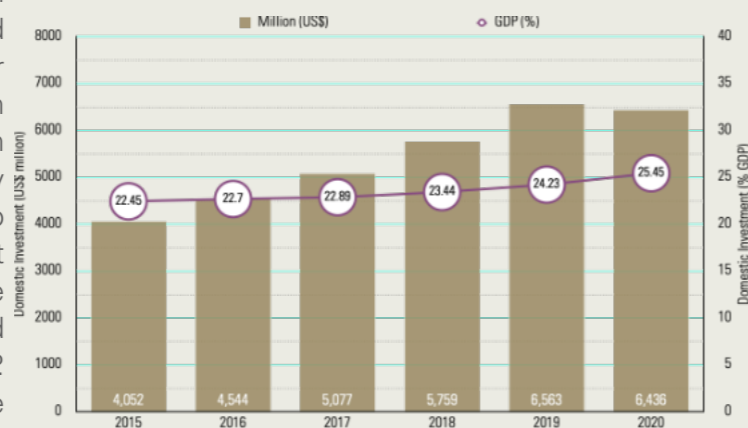


The Council for Development of Cambodia (CDC) started to systematically record ODA profiled based on various sectors. Cambodia received USD1,182 million (4.48% of GDP) in 2015, USD1,839 million (6.75% of GDP) in 2019, and USD2,428 million (9.84% of GDP).³⁶ As illustrated ODA as a percentage of GDP is on a steady decline, roughly halving from 4.4 percent (2015) to 2.7 percent (2020).

Domestic Investments

Domestic private investments consider those investments that are financed by Cambodian citizens and or sole owned companies. The business sector in Cambodia, like many South East Asian countries is often driven by extended family business models. From 2015 to 2019, domestic investment accounted 45.62 percent of the total investment capital, and about 22.7 per cent of the GDP. In 2019, domestic private investment accounted for 22.5 percent of GDP and 49.44 percent of the total investment capital.³⁷

Exhibit 18 Domestic Investments Source : CDC



³⁶ Council of Development of Cambodia, http://odacambodia.com/reports/select_sector_for_oda_profile_frame.asp

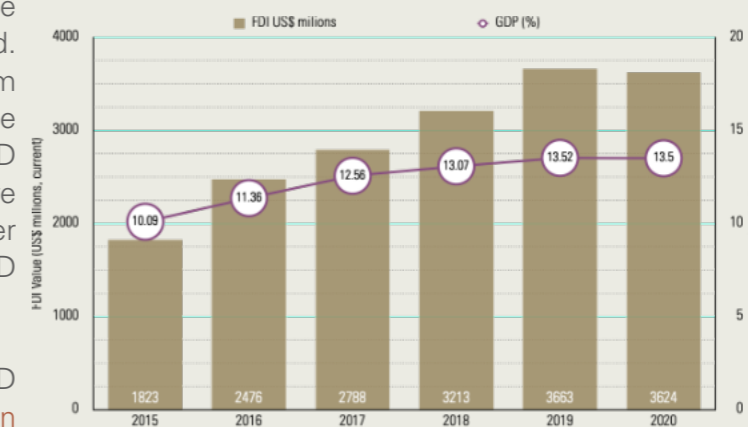
³⁷ Council for Development of Cambodia, <http://www.cambodiainvestment.gov.kh/why-invest-in-cambodia/investment-environment/investment-trend.html>

Foreign Direct Investment

Foreign direct investments are recognised as investments that are directly flowing in to Cambodia to establish new production. This can be achieved through various modalities such as; (i) joint ventures, (ii) existing business establishing new operations or (iv) through the purchase of a local company (mergers and acquisitions).

Cambodia has witnessed a constant rise in FDI since 2015, more or less matching the modest transformation of the economy over the same period. Over the five year period from 2015, FDI has doubled in volume from USD 1.82 million to USD 3.6 million. The cumulative foreign direct investment over the same period being USD 92.28 billion.

Exhibit 19 FDI Flows Source : CDC



The net FDI inflows pre COVID appear to be quite resilient. In 2020, the net inflows reached USD 3.4 billion or 13.6% of GDP, compared to USD 3.5 billion in 2019.

China is the largest source for FDI accounting for 21.81 percent, followed by the Republic of Korea accounting for 6.16 percent and the United Kingdom at 5.01 percent. Other sources of FDI come from Malaysia (3.59 percent), Japan (3.13 percent), Hong Kong (3.05 percent), Taiwan (1.77 percent), Vietnam (2.31 percent), Singapore (1.64 percent), and Thailand (1.54 percent).³⁸

The main investment sectors were construction and real estate totalling USD 5 billion accounting for 34%, non-garment industries with the amount of USD 3.3 billion accounting for 22%, garment industry with the amount of USD 2.6 billion accounting for 17%, tourism sector with the amount of USD 2.4 billion accounting for 16%.³⁹

Officially approved FDI projects offered high levels of diversification, growing at 4.3% year on year, reaching USD 3.6 billion in 2020.

The 2020 FDI highlights the tourism sector receiving the largest share (USD1.75 billion), followed by energy (USD588 million), healthcare (USD358), garment (USD220 million), telecommunication (USD102 million), agriculture and agro-processing (USD110 million), and electronics (USD50 million). In 2020, Chinese FDI projects continued to account for about half of total approved FDI in 2020.⁴⁰

³⁸ Council for Development of Cambodia, <http://www.cambodiainvestment.gov.kh/why-invest-in-cambodia/investment-environment/fdi-trend.html>

³⁹ World Bank (2020) Cambodia economic update, November 2020. <https://documents1.worldbank.org/curated/en/986491608013945613/pdf/Cambodia-Economic-Update-Restrained-Recovery-Special-Focus-Adapting-to-COVID-19-in-an-Uncertain-World.pdf>

⁴⁰ World Bank, Cambodia country economic update, June 2021, <https://www.worldbank.org/en/country/cambodia/publication/cambodia-country-economic-update-june-2021-cambodia-s-economy-recovering-but-uncertainties-remain>

Microfinance

In Cambodia, Microfinance Institutions (MFIs) provide financial and non-financial products and services to meet clients' needs, including group and individual micro loans, micro savings, money transfers and micro insurance.

! Approximately 80 percent of Cambodia's MFI clients live in rural areas, of which 81 percent are women.⁴¹

As of July 2020, there were 75 MFIs operating in Cambodia. In 2019, the total assets of the MFIs were at USD1,748 million or 32.48% of GDP, total loans were at USD7,214 million or 26.61% of GDP, and total deposits were at USD1,748 million or 19.77% of GDP. Loans were distributed to key industries, such as household (34.1%), agriculture (19.4%), trade and commerce (18.3%), services (14.4%), transportation (5.7%), construction (3.5%), and others (4.6%).⁴²

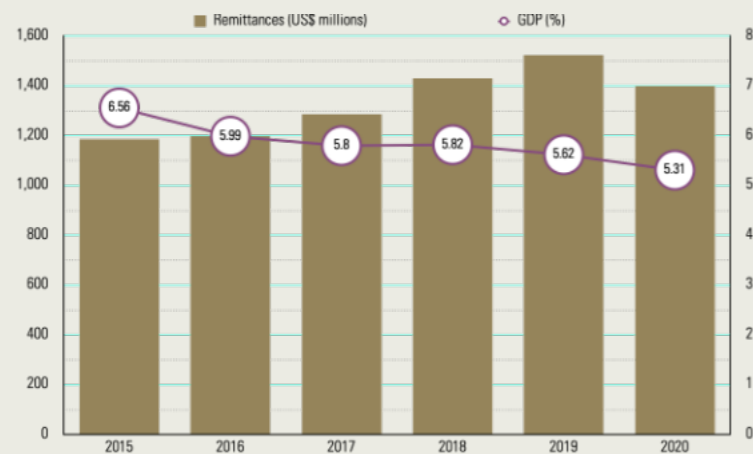
Remittances

Due to the lack of job opportunities with decent wages, a considerable amount of Cambodian workers migrate to regional countries especially Thailand, Malaysia, and the Republic of Korea. These workers, in the main, take up low skilled construction, factory or tourism sector related work. Consequently, remittances have become an important source of financial flows that are used by households as disposable income thereby supporting localised socio-economic development and the realisation of SDGs.

! In 2019, Cambodia received formal remittances of USD 1.6 billion, accounting to 5.9% of GDP.⁴² However there is an abundance of informal flows that are not tracked that through effective policy and service provision can be addressed.

Exhibit 14 Estimates of PSB Contribution to CSDGs 2019 - 20

Source: NBC



NGO Finance Flows

The financial flow from NGO sector contributes slightly more than 1 percent of the total GDP. The NGO disbursement increased from 2009 to 2013 and became steady afterwards. The NGO finance flow accounted for 1.25 per cent of the total GDP in 2015 and 1.3 per cent of the total GDP in 2019. The trend of NGO finance is not promising given it is on a downward trajectory.⁴³

⁴¹ Jonathan Chang, Asian Management Insight, Volume 3, pp.71-76. <https://cmp.smu.edu.sg/sites/cmp.smu.edu.sg/files/pdf/12.A%20bankable%20future.pdf>

⁴² National Bank of Cambodia, https://www.nbc.org.kh/download_files/supervision/sup_an_rep_eng/Annual_Report_2019_English_Final.pdf

⁴³ UNDP, DFA 2021.

Climate Financing

According to the UNDP's report on strengthening the governance of climate change finance, there are three main sources, namely;

- **global funds**, these fund flows refer to the finances available from global institutions and mechanisms for climate change.
- **in-country funds**, refer to the portion of climate funds that are explicitly dedicated for addressing climate issues, directly funded by the Cambodian government. Such funds can also be considered
- **integrated funds**, are considered as the resources provided by the government and donors that are not primarily meant for climate issues, but rather integrated or embedded in the mainstream development projects that have impact in relation to climate adaptation or mitigation.⁴⁴

Third, using national systems and procedures. The preferred modality for climate change financing over the medium to long term is direct budget support.

The RGC recognise the need to establish a national climate fund to receive domestic and external financial support and allocate it to high priority climate change projects.

While climate change financing will need to be coordinated by the NCCC so to ensure alignment with national priorities, government financing policies shall ensure that the resources are managed by the most qualified line ministries or local governments.

The NCCC Secretariat shall act as an implementer only for strategic or cross-cutting projects, which do not naturally fit within the mandate of another line ministry or sub-national administrations.⁴⁵

Cambodia Climate Change Strategic Plan 2014-2023 (CCCSP) outlines key elements of climate finance.

First, aligning with national priorities. The use of financial resources shall respond to national priorities through funding programmes and projects identified in action plans under the CCCSP. All proposed climate change financing shall be subject to National Committee for Climate Change (NCCC) review and approval.

Second, pooling resources. In order to minimise transaction costs, climate change finance shall be provided whenever possible through pooled funding mechanisms. These include any existing pooled funding mechanisms in relevant sectors, and the possibility of a dedicated climate change fund.

! According to the data from the Council for Development of Cambodia, climate financial flow increased from USD 295 million in 2015 to USD 567 million in 2019. Climate finance flows come from various sources and programmes such as the UN Adaptation Fund, the Least Developed Country Fund, the Special Climate Change Fund, the Green Climate Fund, REDD and REDD Plus (Reducing emissions from deforestation and forest degradation).

! There is no reliable and systemic data on private sector investments relating to climate. Therefore to, identify adaptation investment measures supported by the private sector is problematic.

⁴⁴ UNDP, Strengthening the governance of climate change finance. https://www.climatefinance-developmenteffectiveness.org/sites/default/files/documents/10_02_15/Cambodia_CCF_Summary_as_27_Oct2014_for_CRBWS.pdf

⁴⁵ Royal Government of Cambodia (2014) Cambodia Climate Change Strategic Plan 2014-2023.

Despite ongoing efforts, climate financing coordination and linkage to the broader development plans, especially at sub national government remains an issue. Future resource mobilisation will look towards creating a more reasonable mix of national and international funds, in addition to market instruments, where appropriate, and in line with progress on Article 6 of the Paris Agreement.

The total funding required for all mitigation actions is over US \$ 5.8 billion. The Forestry and Other Land Use (FOLU), waste, and energy sector actions require the highest funding.

Total funding required for all adaptation actions is estimated a being just over US \$ 2 billion. Infrastructure, water, and agriculture require the highest levels of funding.⁴⁶ In August 2021, the Cambodian government requested the World Bank to provide capacity building assistance for the Securities and Exchange Regulator of Cambodia (SERC) officials and securities market professionals on green finance development.⁴⁷ Given international trends in financing and the emergence of new development oriented asset classes, the securities market will play increasingly important role in green finance.



Photo: Cambodiadaily.com

⁴⁶. Royal Government of Cambodia, Nationally Determined Contribution 2020. https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Cambodia%20First/20201231_NDC_Updated_Cambodia.pdf

⁴⁷. Phnom Penh Post, "Securities regulator teams up with World Bank, ADB on sustainable finance, capacity building", 6 August 2021, <https://www.phnompenhpost.com/business/securities-regulator-teams-world-bank-adb-sustainable-finance-capacity-building>

Policy Highlights

General Policy Highlights



Sustaining and diversifying the sources of growth is the foundations towards the achievement of the SDGs. Key reforms are needed for Cambodia to sustain pro-poor growth, foster competitiveness, sustainably manage natural resource wealth, and improve access to and quality of and equitable access to public services. Cambodia continues to have a serious infrastructure gap and would benefit from greater connectivity and investments in rural and urban infrastructure. Further diversification of the economy will require fostering entrepreneurship, expanding the use of technology, and building new skills to address emerging labor market needs. Accountable and responsive public institutions will also be critical to meeting the evolving needs of citizens and the private sector. And quality of human capital will be of utmost importance to achieve Cambodia's ambitious goal of reaching middle-income status by 2030.⁴⁸



Social protection is one of the key areas to sustain growth and social protection floors are critical to SDGs. The UN Representative to Cambodia stressed that *“social protection is not a cost or a drag on prosperity, but an investment in people that helps create a more dynamic, inclusive and robust economy. There is an important role for social protection in creating social solidarity – a highly valuable political asset. A nation that grows together, where everyone feels they are valued and have a stake, will achieve much more resilient and stable prosperity.”*⁴⁹

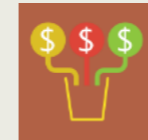
Therefore, the Cambodian government and development partners need to invest more resources into social protection, and improve the implementation and monitoring of social protection programmes.



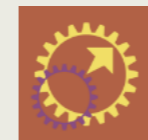
Localisation of SDGs requires cohesive and responsive mechanism. To effectively localise CSDGs, Cambodia needs to strengthen national and local oversight institutions to monitor the implementation of CSDG-related strategies and promote accountability for the achievements of CSDGs. This will require that the government embark on and expedite a deeper fiscal decentralisation strategy that allows local government greater financial control and investment decision making and financing possibilities. In addition there is a need to strengthen the capacity of local civil society organisations to fully and meaningfully participate in implementing CSDGs; improving data ecosystems and facilitating data sharing among institutions; promoting the equitable and efficient use of resources; and promoting policy innovation and co-designing solutions for achieving SDGs.⁵⁰



It is essential for the RGC to identify SDG investment needs and trends. The UNESCAP's guidebook for assessing SDG investment needs is applicable here. It includes costing approaches and steps, financing strategy, and mainstreaming SDGs into national budgetary process and fiscal policy. The Cambodian government should consider developing a national policy to promote CSDG sector investments.⁵¹



It is imperative to develop a set of innovative blended financing policies for meeting CSDG commitments. To further attract new forms of finance the government needs to improve the governance of capital flows, data, and analysis, and expand the sources of public finance especially through reforms of tax regimes, customs, public sector budget management, and a potential for sub national entities to have deeper fiscal opportunity. The development of the bonds market is a prime option to raise domestic financial flows internally within the public sector and also the private sector. The private sector plays increasingly vital role in expanding new sources of financial flows. Improving the quality of investments by institutionalising ESG principles (environment, social, governance) in corporate strategy, improving the private sector capital market (transparency and accountability), and investing in innovation and experimentation in addressing social, environmental, and economic needs of the Cambodian people, especially living in the rural areas.



It is important to promote impact investments - referring to the investment projects that generate positive social or/and environmental impact (public good). Aligning impact investments with CSDGs will further entice impact investors include fund managers, foundations, banks, pension funds, and others that channel private capital into impact investments engage in Cambodia.

⁴⁸ World Bank (2021) Cambodia overview. 14 April 2021. <https://www.worldbank.org/en/country/cambodia/overview>

⁴⁹ United Nations Cambodia, <https://cambodia.un.org/en/125669-asian-vision-institute-sdg-dialogue>

⁵⁰ UNDP (2019) SDG localization in ASEAN: Experiences in shaping policy and implementation pathways. <https://www.undp.org/content/dam/rbap/docs/Research%20&%20Publications/sustainable-development/RBAP-DG-2019-SDG-Localization-in-ASEAN.pdf>

⁵¹ UNESCAP (2020) A guidebook for assessing SDG investment needs, 7 September 2020, <https://www.unescap.org/resources/guidebook-assessing-sdg-investment-needs>

Fiscal Policy Highlights

Expanding access to loans and grants. Loans and grants from international financial institutions remain one of the key sources of development financing. Cambodia needs to expand access and optimise the use of concessional lending facilities from the international financial institutions, while seeking grants from bilateral and multilateral partners.⁵²

Expanding fiscal space for SDGs through continuation of tax reforms. The government needs to increase its tax revenues by (i) broadening and protecting the domestic tax base; (ii) enhancing tax compliance through better taxpayer services and strengthened risk management, audit, and enforcement; (iii) developing more transparent and efficient tax administration with streamlined business processes and digital technology; (iv) striking a balance between raising tax revenue and promoting investment, (v) removing competing tax regimes and (vi) strengthening regional and international tax cooperation.⁵³

Implementing sovereign debt financing through RGC bond issuance is another potential source of revenue generation. In 2018, the Asian Development Bank developed policy guidelines for sovereign and non sovereign bond markets. In December 2020, the new law on Government Securities was promulgated with the objectives to

- **manage** the issuance and trading of government securities;
- **transparency** - provide a transparent, accountable, effective and efficient management of government securities; and,
- **sustainability** ensure sustainable management of public debt.

The RGC, as a priority policy action, should operationalise the government securities market to create new fiscal space.

Accelerating sustainable business. The Cambodian government can use a range of policy options both **to shape green and social finance markets and to participate in them.** Policy options include fiscal measures such as grants, direct and indirect investment, tax incentives and subsidies, and legislation and regulation.⁵⁴

Moreover, the government should **develop policy and legal frameworks to define economic activities that are considered environmentally sustainable and socially inclusive,** based on which incentives are provided and penalties can be applied.

Investment Policy Highlights

The promotion of private financial flows to support SDG achievements is well documented. For the purpose of this report, it is suggested that policies need address (i) architecture and (ii) regulatory spheres.

Architecture

! At an architectural level **three critical features should be addressed,** (i) the issue of a sovereign bond, to boost investor confidence and expedite the market for domestic corporate bonds (ii) reduction of competing tax regimes that are de-incentivising corporates from issuing securities and (iii) development of a domestic credit rating agency (following similar model as Thailand). These three critical policy actions will have a positive effect on domestic financial markets and help boost CSX performance.

At a regulatory level it is important for the RGC to **set standards** that can implant new international values, develop preferences and mandates of various financial market stakeholders that include investors, managers, shareholders, clients, and society at large in favour of SDGs.⁵⁵

Sustainable corporate governance is a powerful tool towards improving and increasing finance flows that in particular contribute towards the SDGs. By promoting investments that comply with international standards in environmental, social, and governance (ESG), and institutionalising ESG as the anchor in the investment decision-making process, the private corporations can leverage more impact on SDGs. ESG standards as articulated by OECD and UNDP can provide an ideal policy solution to improve investment quality in Cambodia.

Promoting domestic investment requires support from the government and domestic financial institutions. For example, the new credit guarantee facility provides for and offers the extension of credit lines to local firms especially SMEs. This facility has been used to deliver emergency financing to local viable businesses. The guarantee facility can be further developed to reduce the cost of capital by encouraging the domestic finance institutions to reduce amounts of collateral required for business loans and perhaps more importantly act a lever to reduce the nominally high interest rates that are applied to business loans by domestic banks.

Today the RGC offer various tax incentives to attract international SMEs and joint ventures, a subsidy which does not generally reach domestic firms. However, much more can be done to promote domestic investments by **levelling the field especially with regard to tax regimes and subsidising various sector investments through subsidies and viable tariff structures** especially in the case of renewables, energy and water. Such policy actions may further expand domestic investment.⁵⁶ **Further connecting securities market with green finance and SDGs would be critical in resource mobilisation.**

Sustaining and scaling up local investment is essential. The RGC and local governments can assist existing local enterprises to scale up their business or start new operations and portfolios through the **provision of alternative business enterprise zones.** These zones can repurpose land and local government assets to particularly assist firms to locate to new more advantageously positioned and serviced areas. Such a strategy can compliment and upgrade on-going strategies and policy

⁵² UNDP DFA (2021)

⁵³ Asian Development Bank (2021) Asian Economic Outlook 2021. <https://www.adb.org/sites/default/files/publication/692111/ado2021.pdf>

⁵⁴ Asian Development Bank (2021) Asian Economic Outlook 2021. <https://www.adb.org/sites/default/files/publication/692111/ado2021.pdf>

⁵⁵ Asian Development Bank (2021) Asian Economic Outlook 2021. <https://www.adb.org/sites/default/files/publication/692111/ado2021.pdf>

⁵⁶ UNDP (2021) DFA.

Developing innovative social finance instruments such as **impact bonds and debt for nature swaps** can connect private capital to investment that addresses social and development challenges. Such instruments offers new conduits for private sector finance flows, but will be dependent upon the maturity of the Cambodian financial sector.

The use of such instruments facilitate risk transfer from the government and service providers to private investors, who earn returns only when desired social outcomes are achieved. Impact bonds enable results-based private finance to participate in development programmes.⁵⁷

The introduction of **RGC award schemes that promote of innovation** (product innovation, service innovation, digital adoption and transformation, financial innovation, and process innovation) provides a tangible policy option that can be cost-effectively introduced. The award scheme can focus rewarding homegrown green solutions and diversification which in turn will contribute to the realisation of CSDGs.

The flows of remittances prior to COVID provided for a very important financial flow. Although remittances have dropped as ASEAN countries have repatriated many workers as a policy option. However, growth in this sector is widely anticipated in the short-term

During this current period of a downturn in remittance flows provides an opportunity for the RGC to introduce policy change and implement systems that address the following; (i) claiming of tax revenue off remittance flows, (ii) closing down illegal remittances, (iii) reduce the cost of remittance transactions and (iv) improve recoding of remittances.

Currently, there is a lack of data and policy intervention with regard to sustaining and improving the remittance flows. A study group need be established to look into this issue and develop a holistic approach to improve the quantity and quality of remittance flows, such as promoting the digital payments and remittance flows.

These policy options will need a concerted joined up effort that is coordinated by the Bank of Cambodia and the relevant line ministry and can realise the improving of remittance flows.

Areas of improvement should promote safer and secure digital remittance channels, applying block-chain systems that supports full tracking of flows. Cooperation with ASEAN and specifically neighbouring countries through their governments, banks, telecommunication companies and financial service providers can enhance the interoperability of remittance technologies to help increase scale and reduce costs. This will need a complex and far reaching reform of current systems and introduction of a new architecture that can effectively link the service to a government agency.

⁵⁷ Asian Development Bank (2021) Asian Economic Outlook 2021. <https://www.adb.org/sites/default/files/publication/692111/ado2021.pdf>

UN Positioning

Innovative UN Offerings

In February 2020, the UN mission in Cambodia approached the Ministry of Economy and Finance to seek a letter of endorsement to let UN mission in Cambodia to apply for the UN SDG Fund to support the implementation of the Cambodia Sustainable Development Goals. Deputy Prime Minister and Minister of Economy and Finance signed the letter in March 2020.

The Joint Programme Steering Committee as formed, which is co-chaired by DPM and Minister of Ministry of Economy and Finance. The committee oversees two joint programmes, namely (1) Integrated National Financing Framework (INFF) to catalyse blended finance for transformative CSDGs achievements, funded by the UN Joint SDG Fund; and (2) Unlocking Cambodian women's potential through fiscal space creation, funded by the UN Covid-10 Response and Recovery Fund.

The first programme is financed by the Joint SDG Fund with a budget of US\$ 1 million and is being implemented by the UN Development Programme (UNDP) and UN Capital Development Fund (UNCDF). The second programme is funded by the UN COVID-19 Response and Recovery Multi-Partner Trust Fund for US\$ 0.8 million and is being implemented by four UN agencies: UNCDF, UNDP, the International Organization for Migration (IOM) and the International Fund for Agricultural Development (IFAD).⁵⁸

Critical is the support that can assist to increase financial flows from both external and domestic sources. Although the RCG is highly competent further policy and regulatory support that builds on international knowledge bases and development finance trends is still needed.

The UN is ideally positioned to address emerging social-economic complexities of the recovery and create opportunity for local entrepreneurship and accompanying investment

PPPs have the potential to increase financial flows towards infrastructure and public goods that enhance and support inclusive public service delivery. In this vein the UN can support the development of a coherent pipeline (project bank) providing advisory and technical inputs to assure the bankability of all pipeline projects. The PPP system and pipeline development should also be extended to provincial capital administrations to support sub national investments

The support to PPP will also include the UN working with the RGC to create a more business friendly legal and policy framework that operationalises the new PPP law. Additional regulations will improve the quality of investment (both FDI and domestic investment) by promoting ESG-anchored investment strategies and sustainable corporate governance.

The UN agencies can further support the private sector in Cambodia especially in promoting human capital development, creating innovation capacity for MSMEs.

Data on SDGs expenditure alignment is lacking. The UN agencies can help develop Cambodia SDGs alignment portal so that SDG financial flows can be easily monitored and studied. Moreover, a guidebook for assessing SDG investment needs in Cambodia should be developed.



Risk Foresights

⁵⁸ <https://www.jointsdgfund.org/article/united-nations-launches-joint-programmes-support-sustainable-financing-cambodia-build>

Risk Foresight

Political and geopolitical risks

Although peace and stability have been largely achieved since 1999, Cambodia remains vulnerable to political instability and violence. Democratic institution building is gradually enhanced, but still fragile. Political polarisation after the 2013 elections has been on the rise as there is no mechanism to reconcile the differences. Besides, power transition will likely meet violence. Therefore, political risk in Cambodia remains high.

Moreover, Cambodia is at the centre of geopolitical rivalries between the Washington consensus countries and the new emerging pan Asia countries. The external pressures emanating from these forces impacts upon the political sphere of the country. In addition to exerting strong influences this external configuration may create deeper domestic political instability or turbulence. It can be argued that the prevailing global transition of economic power compounded with increasing domestic political polarisation driven in part by the impacts of the pandemic Cambodia is facing an higher level geopolitical risks after it gained total peace in December 1998.

Economic risks

The pandemic-induced economic contraction presents a major risk to Cambodia's economy and social stability. In 2020, Cambodia's economy contracted by 3.1 percent. The widening community transmission, which has evolved after the 29th February 2021 community event, continues to ravage the socio-economic wellbeing of the people. The downward pressure stemming from the pandemic outbreak is significant.

Permanent scaring of the economy is highly likely given global economic and trade uncertainties coupled with emerging and contagious inflationary pressures. It is questionable if previous formal work opportunities in low skilled manufacturing will return to previous levels. The loss of such employment that will hit a specific sector of the population will have the potentials to further exacerbate inequality. With the combination of a slowing extended global recovery and a stretched social protection system significant risks and threats to social cohesion and political stability are posed.

Social risks

Social cohesion is critical to sustainable development. This factor has been one of a unseen drivers for continuous levels of high growth over the last decade. Although labour disputes, land conflicts, and decent employment conditions have sparked cases of unrest social cohesion has improved hand in hand with socio-economic development with Cambodia meeting graduation criteria in 2021 (UN).

Land disputes continue to create issues that impact social cohesion metrics. However, as the country strives for higher development that includes new connectivity mega projects, large retail and housing projects land issues will continue to grow and be more complex. Additionally as impacts of climate are seen with more regularity, higher negative impacts that include economic and livelihood loss and employment losses will be potentially seen. As such characteristics move from being of a temporary nature to a permanent condition, new pressures will be placed on government to effectively maintain social cohesion risk will emerge.

Although much has been done to reduce and solve labour disputes still more need to be done within the vein of "*build back better*". This especially being so as Industry 4.0 and higher production mechanisation takes place

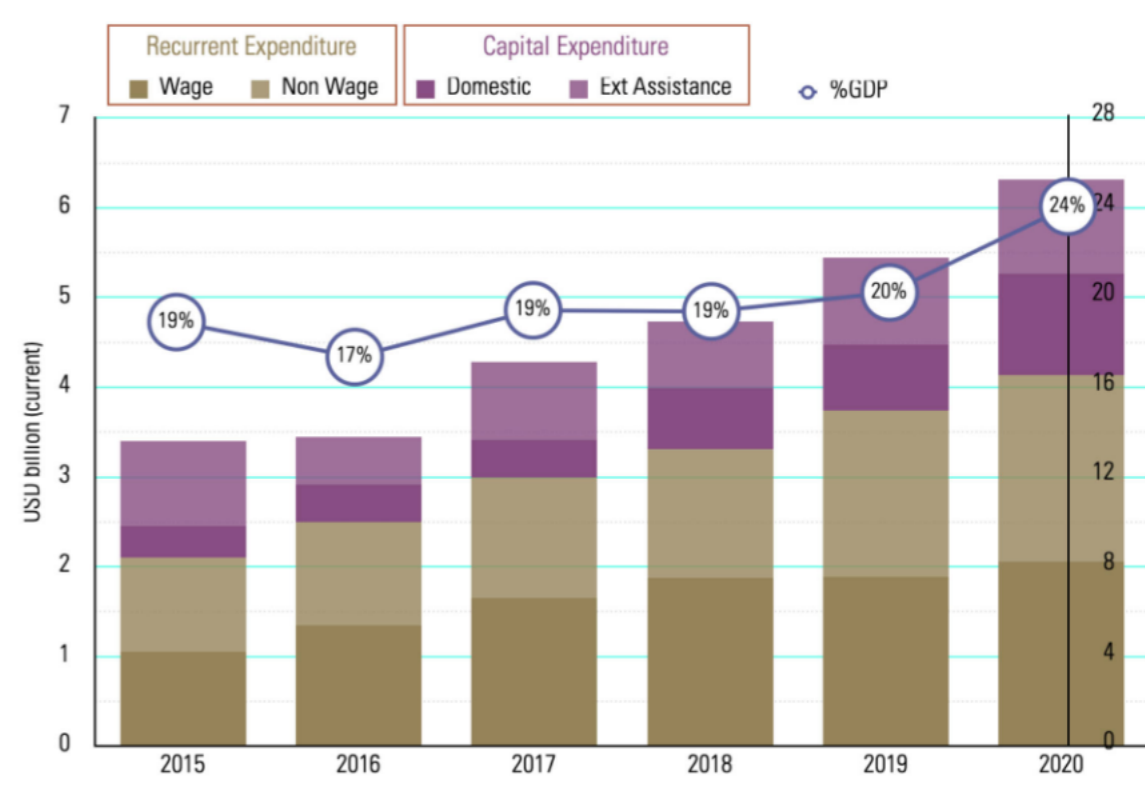
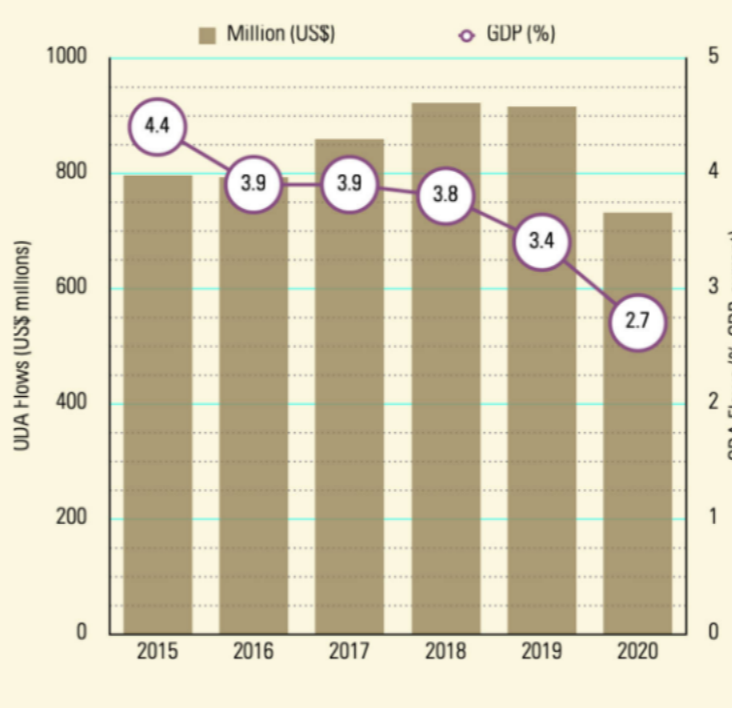
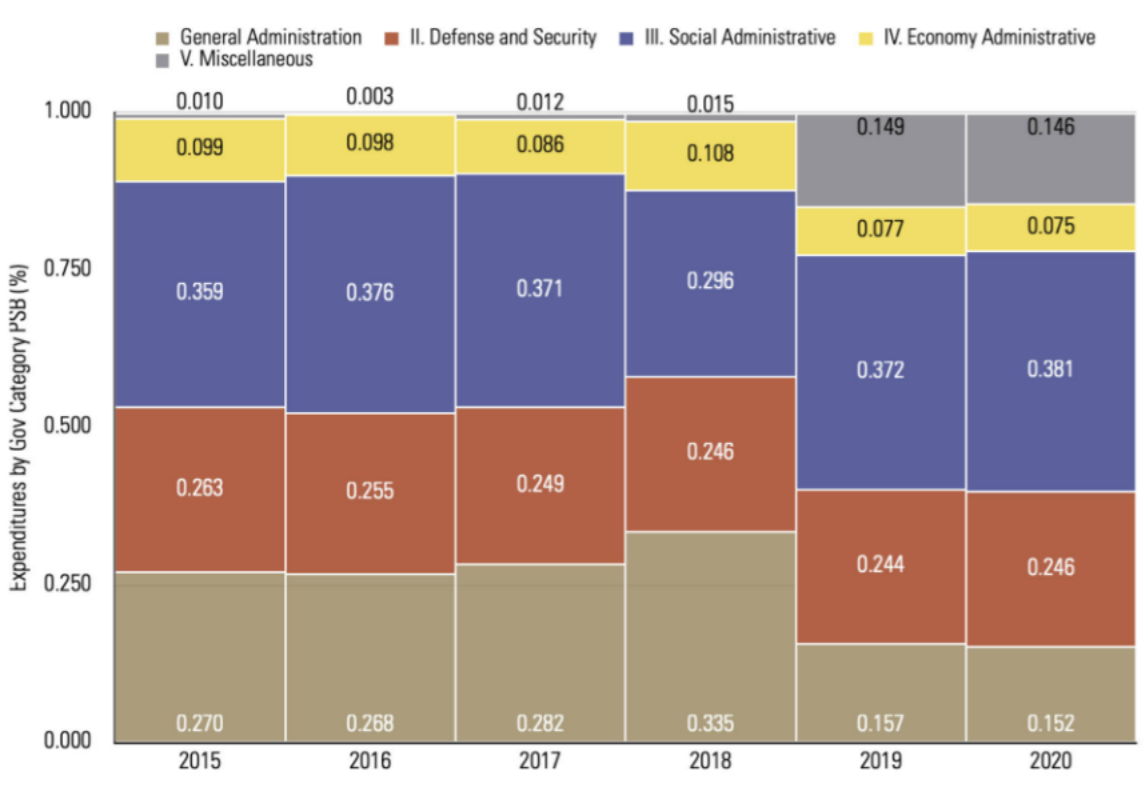
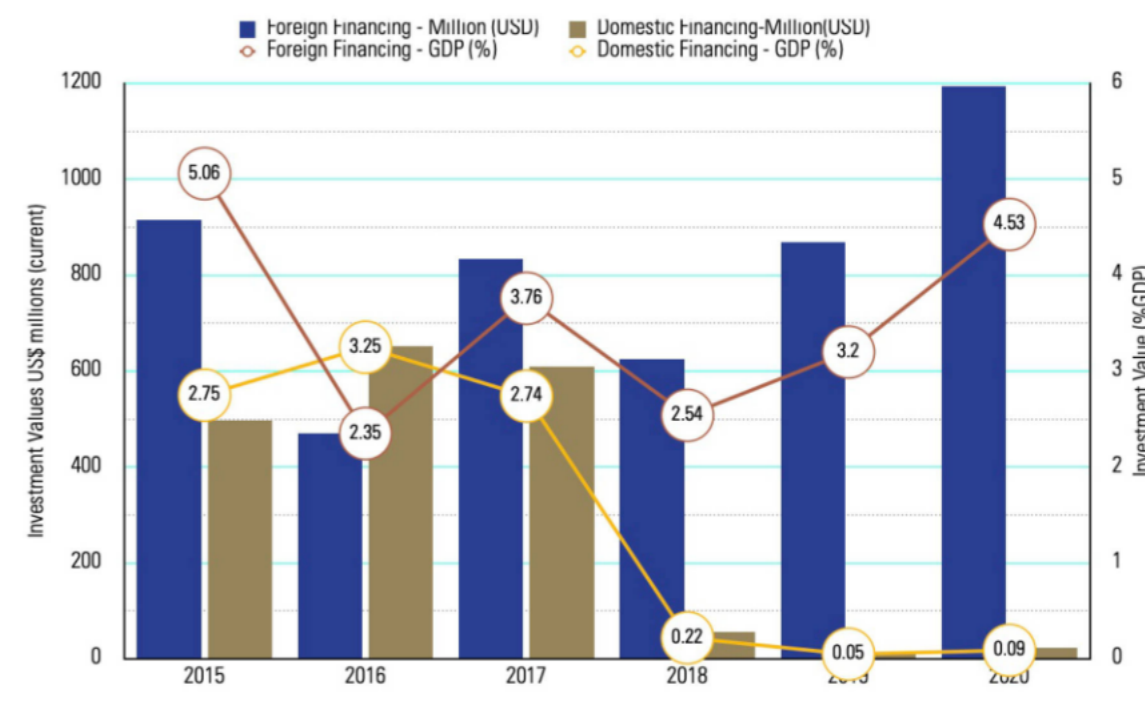
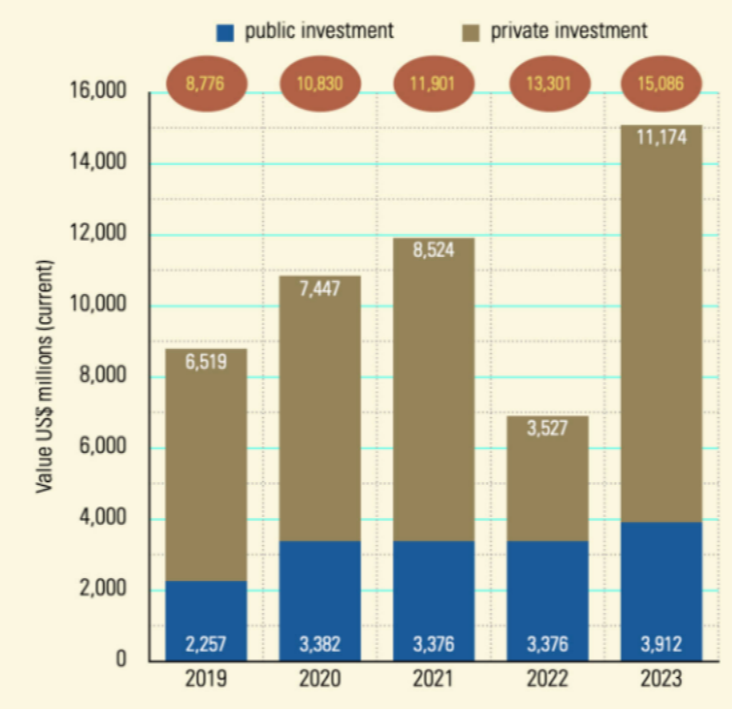
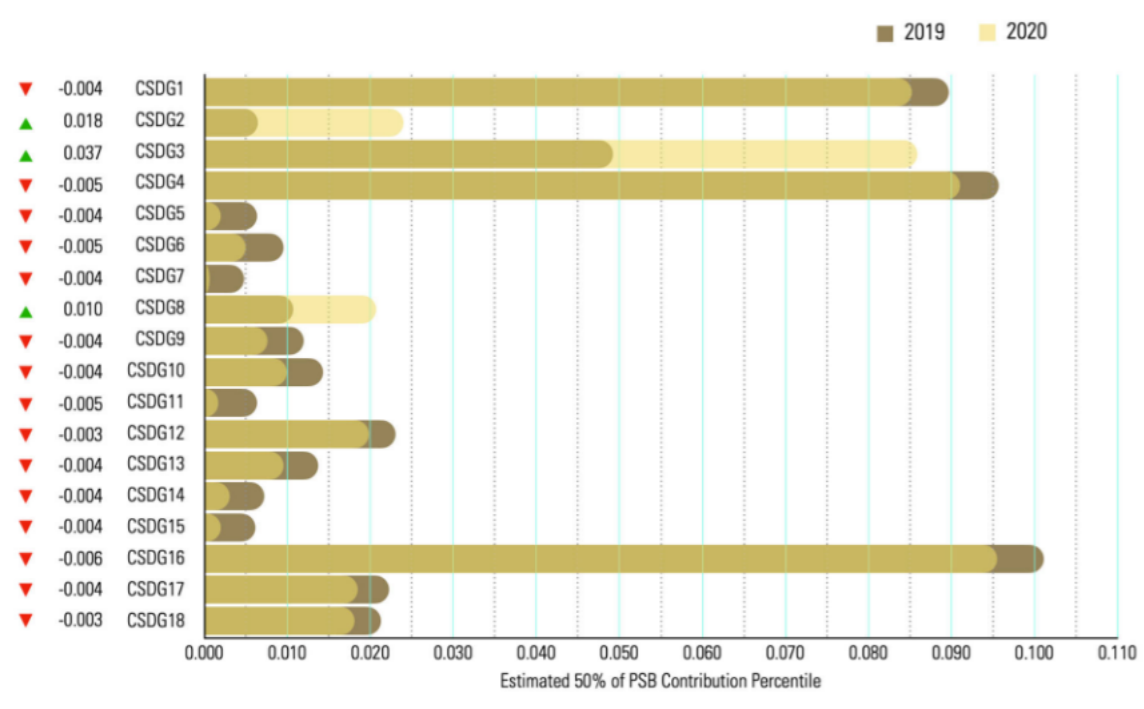
Ecological risks

The Mekong River and the Tonle Sap Basin represent the life blood of Cambodia, providing employment, food that supports a majority of the country. However the over exploitation of the Mekong in terms of hydro, fishing and agriculture is having a continuous draw-down effect on the Tonle Sap Basin.

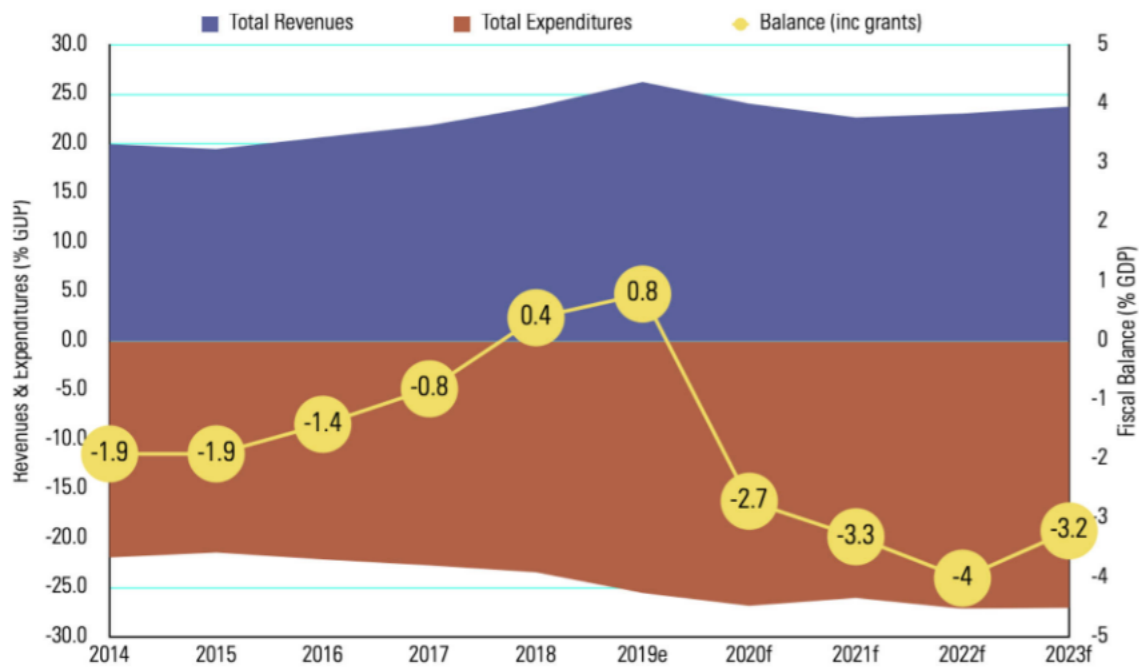
The disruption to sediment flows and fish migration due to the construction of a series of hydropower dams along the mainstream of the Mekong River, deforestation, and climate change are the main ecological risks that Cambodia is facing. The limited mismanagement of natural resources directly affects the livelihoods of the local people, which in turn delay the progress towards the realisation of CSDGs .



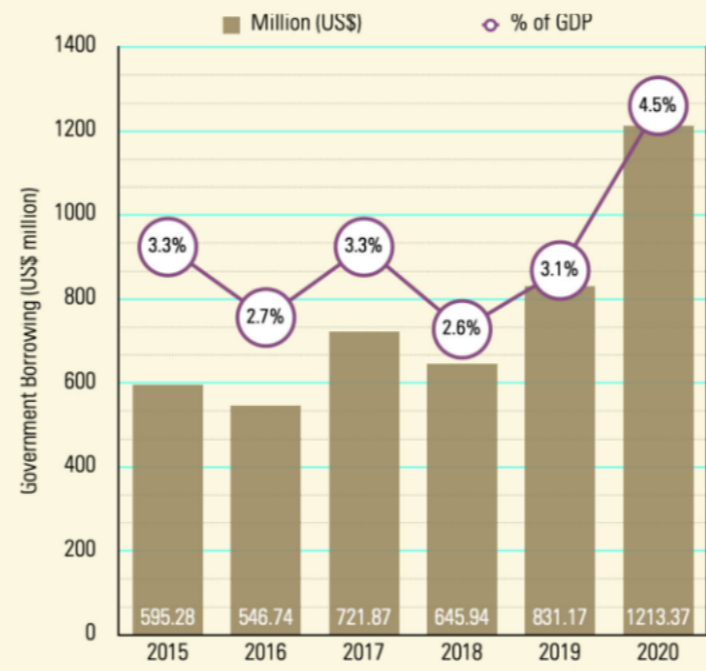
Dashboards



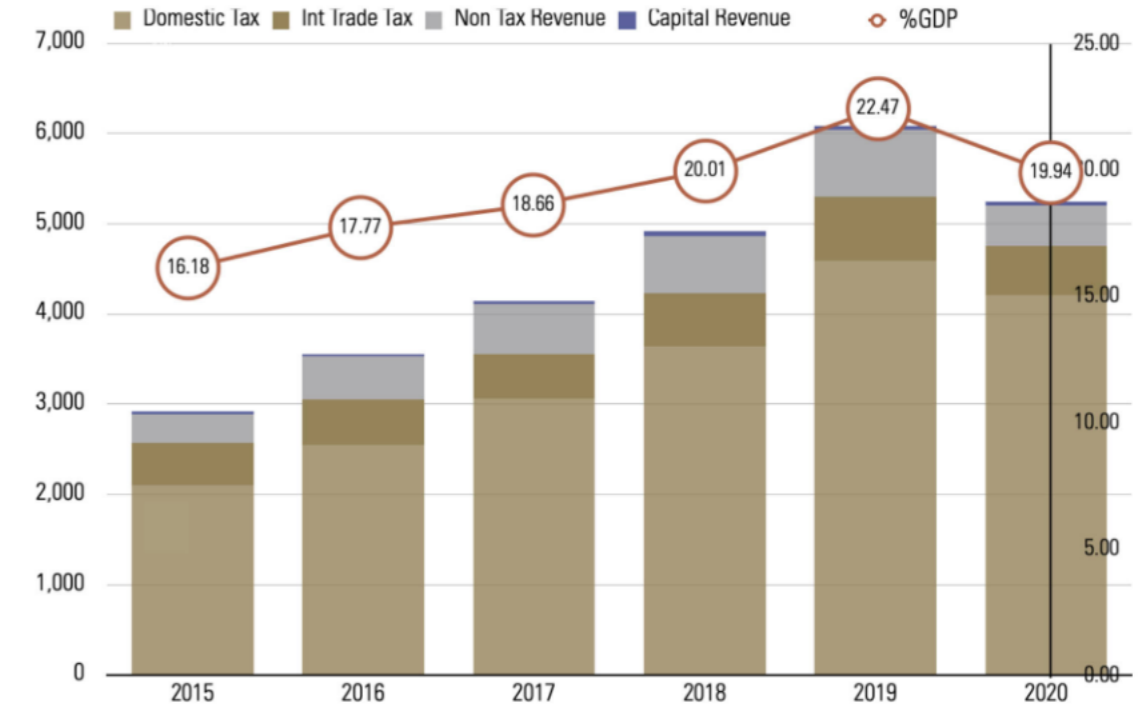
Public Sector Budget Position



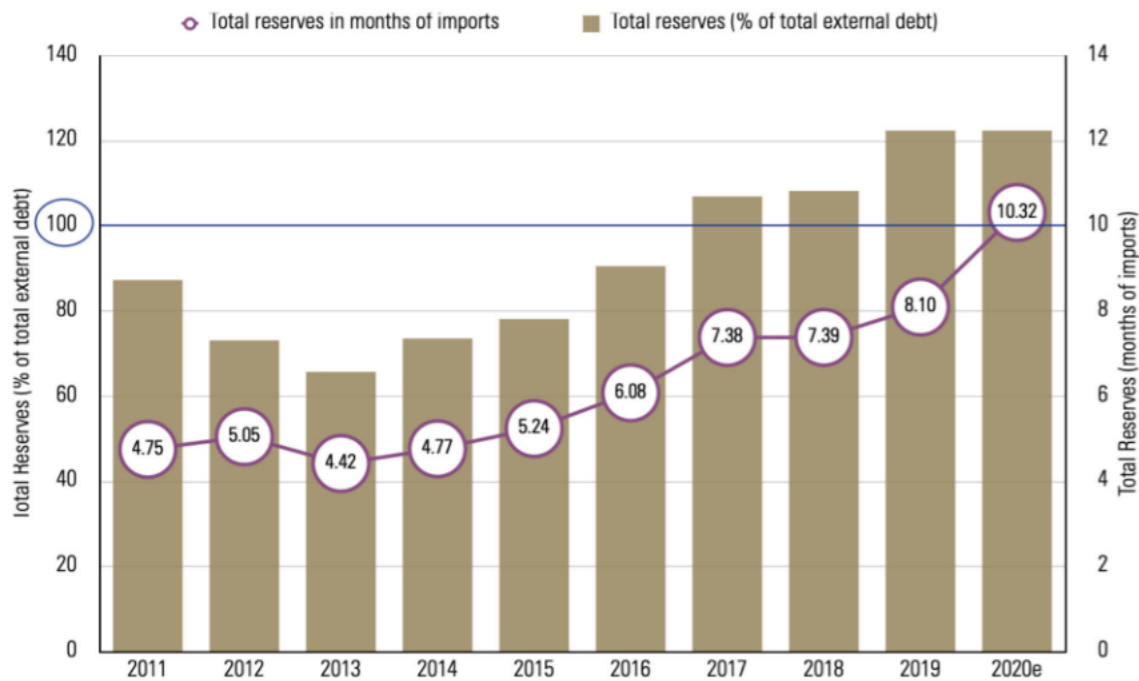
Government Borrowing



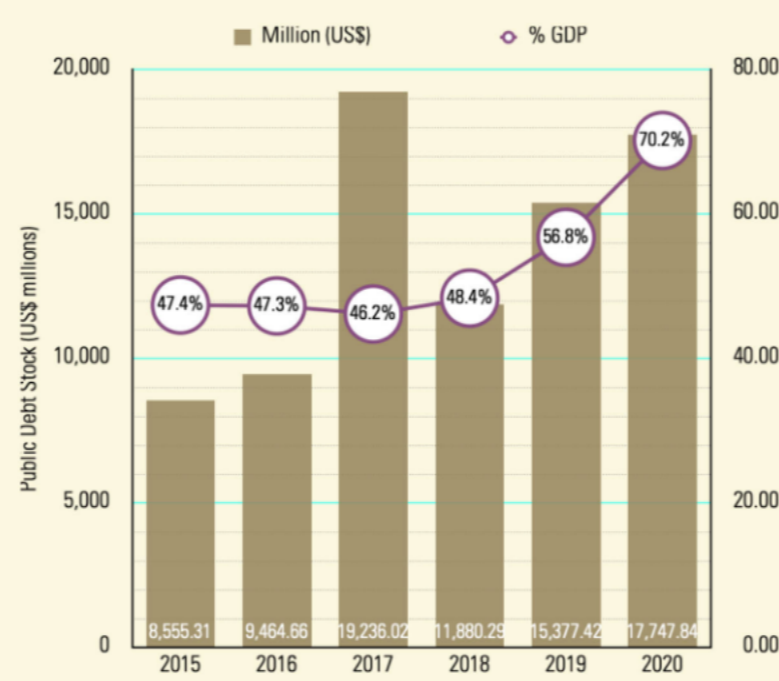
Government Revenue Flows



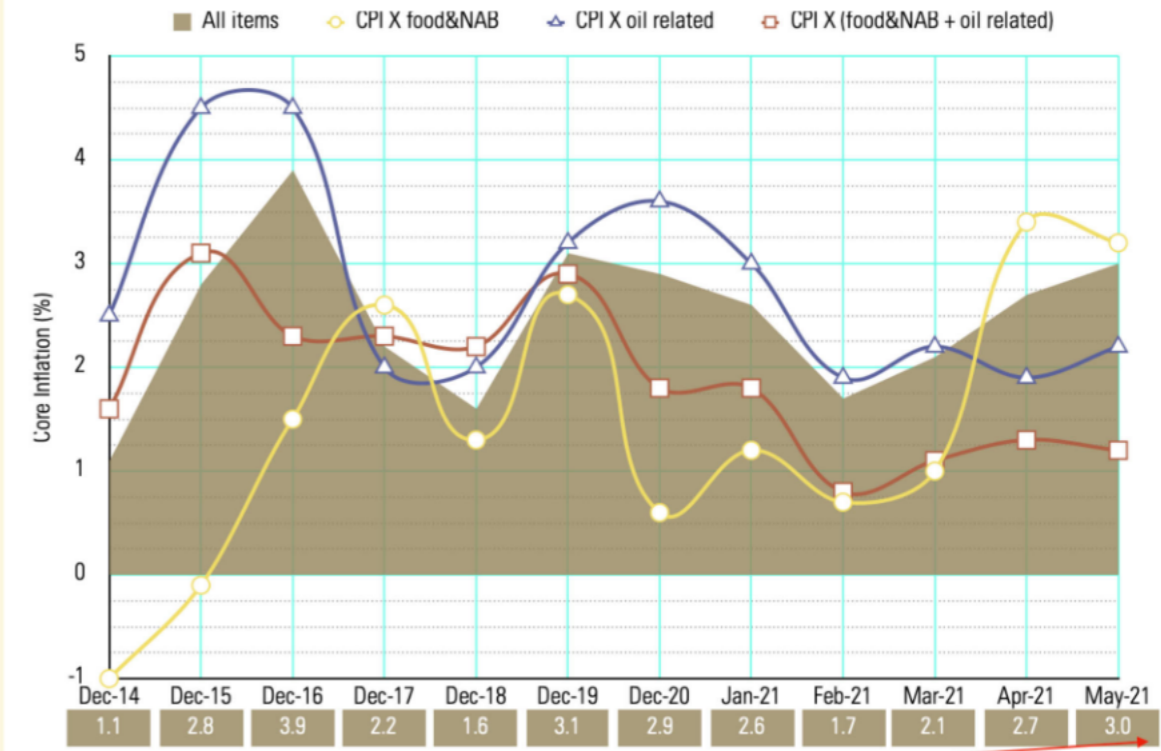
Government Reserves



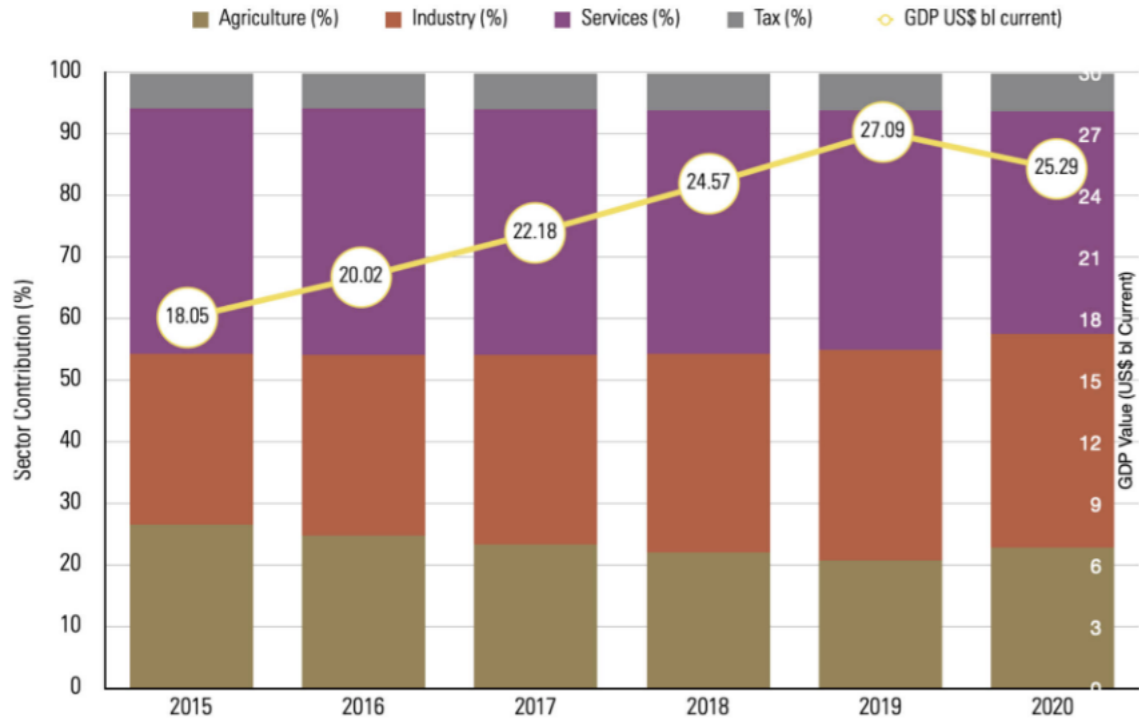
Public Debt Stock (US\$ m current) & % of GDP



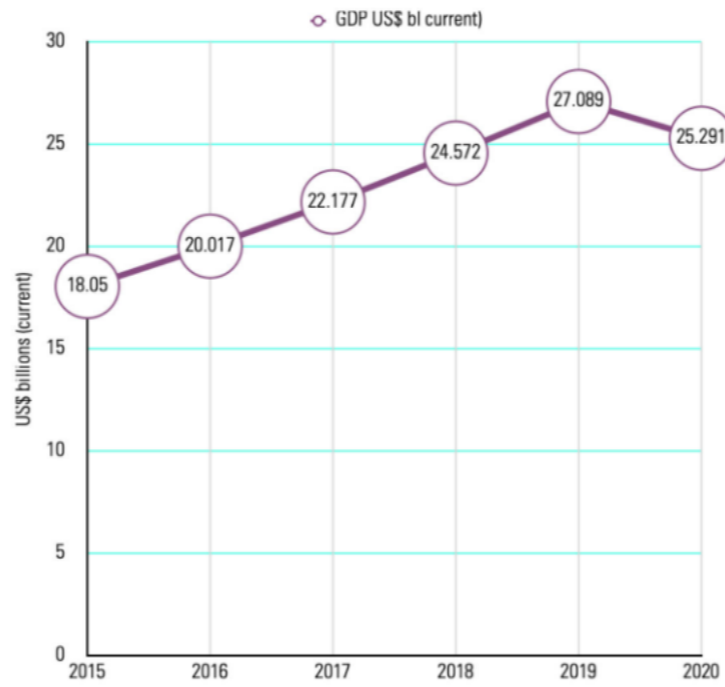
Inflation



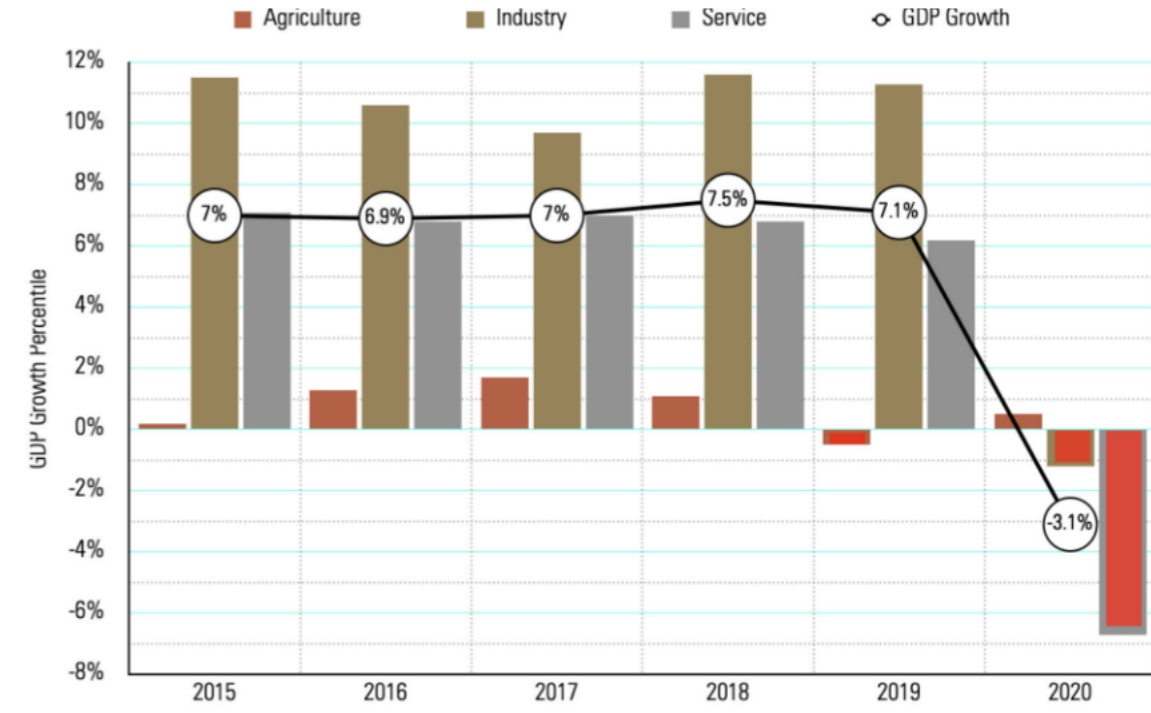
GDP Composition



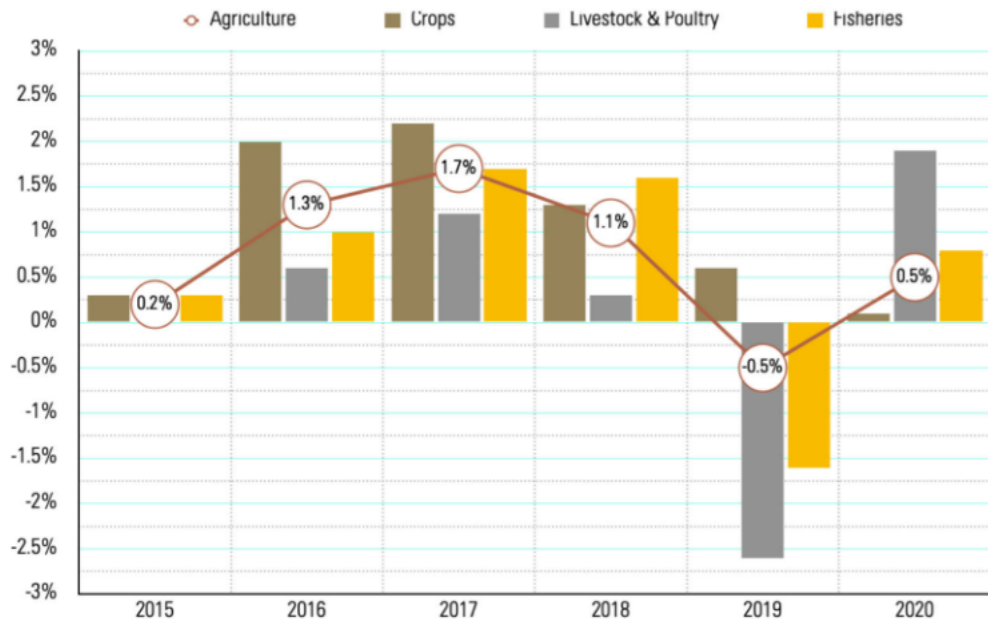
GDP Value (US\$ billions current)



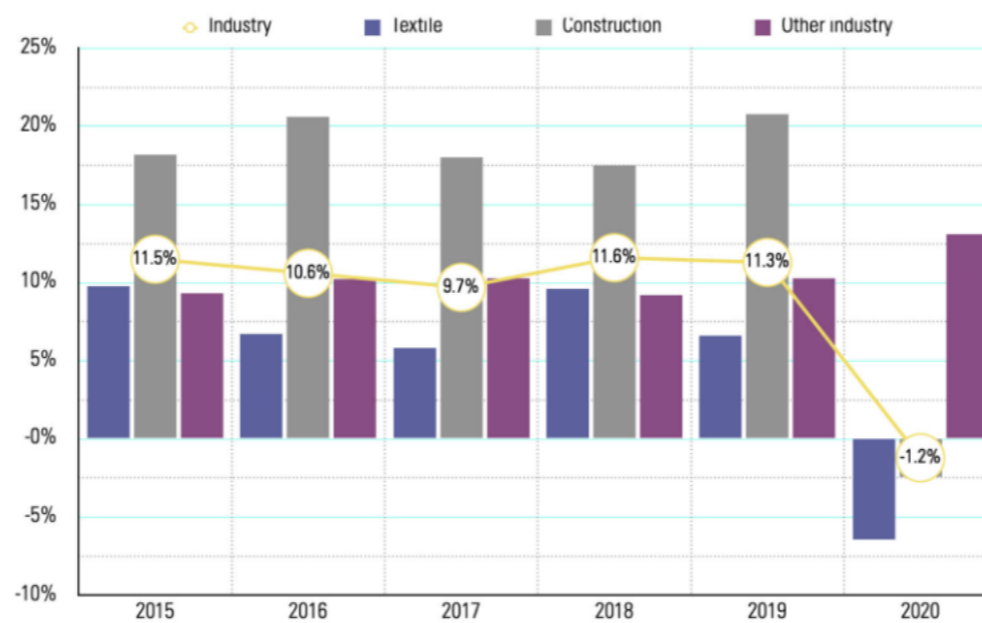
GDP Growth by Year



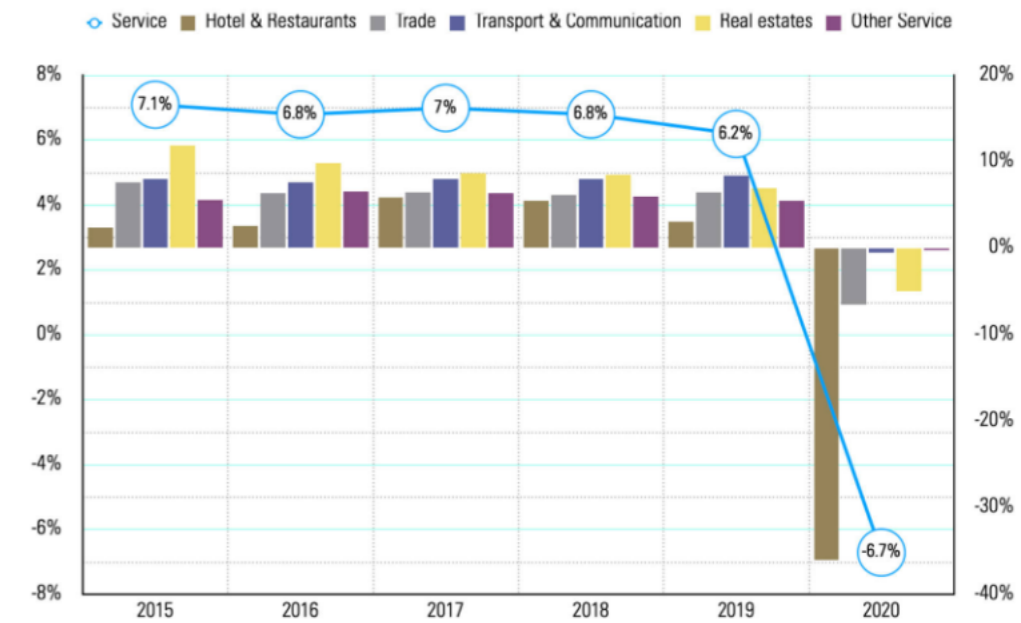
GDP Growth Agriculture Sector



GDP Growth Industry Sector



GDP Growth Services Sector



Reference Compendium

Issuer	Title	Year	Key Policy Areas
UNDP	Strengthening the governance of climate change finance	2013	<ul style="list-style-type: none"> • Cambodia's climate change financing framework • Analysis on costs and benefits of climate expenditure • Assessment of climate financing scenarios • Review of various modalities for channeling climate change finance at the national and local level
UNDP	Cambodia Development Finance Assessment	2021	<ul style="list-style-type: none"> • Development financial flows analysis (public, private, international, and national flows) • Policy recommendations on developing blended financing mechanism
UNDP	Development Finance Assessment Snapshot	2017	<ul style="list-style-type: none"> • Development financing landscape • Development finance projection 2015-2025
RGC	Rectangular Strategy Phase IV	2018	<ul style="list-style-type: none"> • Governance reform being the strategy core • Four pillars: human resource development, economic development, private sector and job development, inclusive and sustainable development
RGC MoP	National Strategic Development Plan	2019	<ul style="list-style-type: none"> • Set priorities, indicators, and timeframe for Rectangular Strategies Phase IV
RGC CDC	Development Cooperation and Partnerships Strategy 2019-2030	2019	<ul style="list-style-type: none"> • Mobilise development cooperation, enhance efficiency and effectiveness of the allocation and utilisation of external resources, strengthen policy dialogue mechanisms to ensure high quality partnerships with relevant stakeholders.
RGC CDC	Cambodia Climate Change Strategic Plan 2014-2023	2013	<ul style="list-style-type: none"> • Strategic objectives and directions • Climate financing framework • Monitoring and evaluation
RGC	Cambodian Sustainable Development Goals Framework 2016-2030	2018	<ul style="list-style-type: none"> • Development process • Proposed framework • Outstanding issues
RGC MoEF	National Social Protection Policy Framework 2016-2025	2016	<ul style="list-style-type: none"> • Social assistance, including emergency response, human capital development, vocational training, and welfare for vulnerable people. • Social security, including pensions, health insurance, employment injury insurance, unemployment insurance and disability insurance.
RGC MoP	National Population Policy 2016-2030	2016	<ul style="list-style-type: none"> • People's livelihoods development • Inclusive and sustainable development • Outlining policies and programmes
RGC MoP	Cambodia's Voluntary National Review 2019 on the Implementation of SDGs	2019	<ul style="list-style-type: none"> • Progress on achieving Cambodia SDGs to the UN General Assembly
RGC	Cambodia's Updated Nationally Determined Contribution	2020	<ul style="list-style-type: none"> • Climate change mitigation and adaption • Governance reforms • Finance systems set up and concessional financing terms (2020) • Climate investment plan operational and increased sophistication of finance system (2025)

GDP Values US\$ billions (current)

	2015	2016	2017	2018	2019	2020
GDP US\$ bl current)	18.05	20.017	22.177	24.572	27.089	25.291

GDP Growth by Sector and Sub Sector

Growth (%)	2015	2016	2017	2018	2019	2020
Agriculture	0.2%	1.3%	1.7%	1.1%	-0.5%	0.5%
Crops	0.3%	2.0%	2.2%	1.3%	0.6%	0.1%
Livestock & Poultry	0.0%	0.6%	1.2%	0.3%	-2.6%	1.9%
Fisheries	0.3%	1.0%	1.7%	1.6%	-1.6%	0.8%
Industry	11.5%	10.6%	9.7%	11.6%	11.3%	-1.2%
Textile	9.8%	6.7%	5.8%	9.6%	6.6%	-6.4%
Construction	18.2%	20.6%	18.0%	17.5%	20.8%	-2.4%
Other industry	9.3%	10.2%	10.3%	9.2%	10.3%	13.1%
Service	7.1%	6.8%	7.0%	6.8%	6.2%	-6.7%
Hotel & Restaurants	2.4%	2.6%	5.9%	5.5%	3.1%	-36.0%
Trade	7.7%	6.4%	6.5%	6.2%	6.5%	-6.5%
Transport & Communication	8.0%	7.7%	8.0%	8.0%	8.4%	-0.5%
Real estates	11.9%	9.9%	8.7%	8.5%	7.0%	-4.9%
Other Service	5.6%	6.6%	6.4%	6.0%	5.5%	-0.2%
GDP Growth	7.0%	6.9%	7.0%	7.5%	7.1%	-3.1%

GDP Composition %

	2015	2016	2017	2018	2019	2020
Agriculture (%)	26.58	24.74	23.36	22.01	20.71	22.84
Industry (%)	27.68	29.45	30.85	32.29	34.23	34.67
Services (%)	39.83	39.89	39.72	39.49	38.85	36.21
Tax (%)	5.91	5.92	6.07	6.21	6.21	6.28

Government Budgets

Year	Budget Expenditure	Current Expenditure			Capital Expenditure			Exchange Rate
	KHR Billion	Wage	Non Wage	Domestic financing	External assistance			
2015	13,834.57	8,544.57	4,271.89	4,272.68	5,290.00	1,412.97	3,877.37	4077
2016	13,775.38	9,990.09	5,381.73	4,608.36	3,785.29	1,632.50	2,152.79	3990
2017	17,251.00	12,043.72	6,649.40	5,394.32	5,207.28	1,686.38	3,520.90	4025
2018	19,027.10	13,296.95	7,558.39	5,738.56	5,730.15	2,741.66	2,988.49	4018
2019	22,211.22	15,239.43	7,716.50	7,522.93	6,971.79	2,968.85	4,002.94	4075
2020	25,496.99	16,685.12	8,324.05	8,361.07	8,811.87	4,575.87	4,236.00	4045
	USD Billion							GDP (USD Billion)
2015	3.39332	2.10	1.05	1.05	1.30	0.35	0.95	18.05
2016	3.45248	2.50	1.35	1.15	0.95	0.41	0.54	20.02
2017	4.28596	2.99	1.65	1.34	1.29	0.42	0.87	22.18
2018	4.73547	3.31	1.88	1.43	1.43	0.68	0.74	24.57
2019	5.45061	3.74	1.89	1.85	1.71	0.73	0.98	27.09
2020	6.30333	4.12	2.06	2.07	2.18	1.13	1.05	26.32
	Percentage of GDP							
2015	18.7995627							
2016	17.2451358							
2017	19.323547							
2018	19.2733635							
2019	20.1203623							
2020	23.9488411							

Public Sector Debt Stocks

	Million (US\$)	% GDP
2015	8,555.31	47.40
2016	9,464.66	47.28
2017	19,236.02	46.16
2018	11,880.29	48.35
2019	15,377.42	56.77
2020	17,747.84	70.17

Government Borrowing

	Million (US\$)	% of GDP
2015	595.28	3.3
2016	546.74	2.7
2017	721.87	3.3
2018	645.94	2.6
2019	831.17	3.1
2020	1,213.37	4.5

RGC Budget Allocations by Ministry

	2015 Amount (Million US\$)	2016 Amount (Million US\$)	2017 Amount (Million US\$)	2018 Amount (Million US\$)	2019 Amount (Million US\$)	2020 Amount (Million US\$)
Total Current Expenditures	1872.32	2503.78	2992.23	3797.29	3739.74	4124.87
General Administration	504.90	669.93	844.12	1271.38	587.57	626.81
01. Royal Palace	17.80	18.99	20.98	31.23	21.61	19.23
02. National Assembly	33.26	35.49	37.10	0.00	44.98	39.90
03. Senate	13.94	15.06	15.79	4.27	21.08	18.59
04. Constitutional Council	1.87	2.02	2.64	0.03	3.13	3.18
05.1 Council of Minister	70.44	85.40	131.38	90.22	90.94	91.85
05.4 CDC	1.35	2.07	2.27	1.93	3.17	2.86
07.2 Interior-Administration	18.59	22.26	28.03	31.22	53.88	68.75
08. Relations Assembly and Inspections	4.69	6.62	7.75	7.74	9.29	8.89
09. Foreign Affairs and Int'l Cooperation	18.29	20.92	26.26	17.09	29.78	29.86
10. Economy and Finance	288.53	388.65	478.97	1059.25	217.39	261.07
14. Planning	8.80	12.97	15.80	11.05	21.12	20.29
28. Urbanization and Construction	12.71	22.65	26.49	34.55	32.89	27.64
30. National Election Committee	2.38	19.80	31.64	17.23	12.09	10.68
31. National Audit Authority	1.64	2.01	2.21	2.25	3.05	2.76
33. Anti-corruption Authority	5.78	6.69	7.51	7.61	9.27	9.06
34. Public Function	4.85	8.34	9.29	10.61	13.92	12.19
II. Defense and Security	491.74	638.97	745.87	933.89	911.09	1014.67
06. National Defense	304.71	397.83	449.18	598.94	564.58	613.53
07.1 Interior - Public Security	176.53	222.71	272.20	270.75	315.71	369.99
26. Justice	10.50	18.42	24.49	42.43	30.80	31.14
III. Social Administrative	671.28	942.40	1110.93	1124.45	1392.36	1572.25
11. Information	9.37	14.03	16.10	11.88	19.84	18.98
12. Public Health	201.34	240.61	265.27	269.89	316.18	385.69
16. Education, Youth and Sport	278.87	439.57	537.66	535.90	660.05	724.80
18. Culture and Fine-Arts	12.69	13.95	21.79	16.24	49.68	51.82
19. Environment	6.63	9.95	14.65	26.07	19.67	19.15
21. Social Affair & Veteran	129.80	169.07	193.76	132.63	249.14	290.36
23. Public Worship and Religion	6.29	10.23	12.96	15.06	15.55	16.32
24. Woman Affairs	6.04	8.81	9.89	8.98	11.15	10.58
32. Labour and Vocational Training	20.27	36.17	38.85	87.72	51.10	54.55
IV. Economy Administrative	186.09	244.91	256.08	409.61	289.64	308.19
05.3 Civil Aviation Secretariate	8.90	7.11	10.18	10.66	10.43	12.38
13. Industry, Mines and Energy	3.64	5.54	6.95	11.73	9.41	9.84
15. Commerce	22.54	23.68	22.95	16.56	28.26	25.71
17. Agriculture, Forestry and Fishery	26.02	38.32	46.38	61.83	56.20	63.91
20. Rural Development	18.91	25.12	21.13	55.73	24.96	26.51
22. Posts and Telecommunications	7.85	12.14	17.54	59.77	19.41	18.25
25. Public Works and Transport	71.32	89.24	78.88	122.76	75.65	81.90
27. Tourism	10.88	15.15	17.65	22.23	20.90	20.79
29. Water Resources and Meteorology	10.73	19.76	24.61	51.06	32.66	36.71
35. Industry and Handicrafts	5.29	8.84	9.79	7.67	11.78	12.21
V. Miscellaneous	18.31	7.57	35.24	57.95	559.08	602.96
99. Unexpected Expenditure	18.31	7.57	35.24	64.49	559.08	602.96

Total Expenditure Gov Category (% of year budget)-1

	2015	2016	2017	2018	2019	2020
General Administration	0.270	0.268	0.282	0.335	0.157	0.152
II. Defense and Security	0.263	0.255	0.249	0.246	0.244	0.246
III. Social Administrative	0.359	0.376	0.371	0.296	0.372	0.381
IV. Economy Administrative	0.099	0.098	0.086	0.108	0.077	0.075
V. Miscellaneous	0.010	0.003	0.012	0.015	0.149	0.146
TOTAL	1.000	1.000	1.000	1.000	1.000	1.000

Core Inflation (YOY) NBC

	Dec-14	Dec-15	Dec-16	Dec-17	Dec-18	Dec-19	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21
All items	1.1	2.8	3.9	2.2	1.6	3.1	2.9	2.6	1.7	2.1	2.7	3.0
CPI X food&NAB	-1.0	-0.1	1.5	2.6	1.3	2.7	0.6	1.2	0.7	1.0	3.4	3.2
CPI X oil related	2.5	4.5	4.5	2.0	2.0	3.2	3.6	3.0	1.9	2.2	1.9	2.2
CPI X (food&NAB + oil related)	1.6	3.1	2.3	2.3	2.2	2.9	1.8	1.8	0.8	1.1	1.3	1.2

General Government Fiscal Deficit (% of GDP) - WB CAM ECON UPDATE JUNE21-1

	2014	2015	2016	2017	2018	2019e	2020f	2021f	2022f	2023f
Total Revenues	20.0	19.5	20.7	21.9	23.8	26.3	24.1	22.7	23.1	23.8
Total Expenditures	-21.9	-21.4	-22.1	-22.7	-23.4	-25.5	-26.8	-26	-27.1	-27
Balance (inc grants)	-1.9	-1.9	-1.4	-0.8	0.4	0.8	-2.7	-3.3	-4	-3.2

Domestic Revenues (income) US\$ million current

	Domestic Revenue	Domestic Tax	Int Trade Tax	Non Tax Revenue	Capital Revenue	Total	GDP	Percentage
2015	2,920.38	2,107.34	468.66	314.15	30.23	5840.76	18050	0.3236
2016	3,558.15	2,552.82	503.93	473.06	28.34	7116.3	20020	0.3555
2017	4,139.83	3,066.40	491.17	552.82	29.44	8279.66	22180	0.3733
2018	4,916.72	3,645.67	590.06	632.47	48.52	9833.44	24570	0.4002
2019	6,087.92	4,588.89	714.82	738.8	45.41	12175.84	27090	0.4495
2020	5,249.01	4,203.73	546.81	452.17	46.31	10498.03	26320	0.3989

FDI

	FDI US\$ millions	GDP (%)
2015	1823	10.09
2016	2476	11.36
2017	2788	12.56
2018	3213	13.07
2019	3663	13.52
2020	3624	13.5

Remittance

	Remittances (US\$ millions)	GDP (%)
2015	1,185	6.56
2016	1,199	5.99
2017	1,287	5.8
2018	1,431	5.82
2019	1,525	5.62
2020	1,400	5.31

Government Reserves

Series Name	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020e
Total reserves in months of imports	4.75	5.05	4.42	4.77	5.24	6.08	7.38	7.39	8.10	10.32
Total reserves (% of total external debt)	87.42	73.23	65.71	73.54	78.27	90.70	106.90	108.20	122.54	122.47

Budget Projection

	Total Investment Capital	Total public investment	Total private investment
2019	8,776	2,257	6,519
2020	10,830	3,382	7,447
2021	11,901	3,376	8,524
2022	13,301	3,376	3,527
2023	15,086	3,912	11,174

ODA inflows

	Million (US\$)	GDP (%)
2015	795.6	4.4
2016	793.6	3.9
2017	859.4	3.9
2018	922.6	3.8
2019	915.8	3.4
2020	731.3	2.7

Development Finance Flows

	Foreign Financing - Million (USD)	Domestic Financing - Million (USD)	Foreign Financing - GDP (%)	Domestic Financing - GDP (%)
2015	914.74	497.28	5.06	2.75
2016	470.89	651.55	2.35	3.25
2017	834.07	609.7	3.76	2.74
2018	625.81	55.4	2.54	0.22
2019	868.8	14.27	3.2	0.05
2020	1,194.47	23.94	4.53	0.09

Domestic Investment

	Million (US\$)	GDP (%)
2015	4052	22.45
2016	4544	22.7
2017	5077	22.89
2018	5759	23.44
2019	6563	24.23
2020	6436	25.45

Estimate PSB SDG Contribution (PSB)-1-1

		2015	2016	2017	2018	2019	2020	DIFF 2019-20	
CSDG1	No Poverty	0.111	0.107	0.106	0.110	0.090	0.085	-0.004	-4.995%
CSDG2	Zero Hunger	0.003	0.003	0.003	0.003	0.006	0.024	0.018	274.398%
CSDG3	Good Health 7 Well Being	0.056	0.050	0.047	0.037	0.049	0.086	0.037	74.485%
CSDG4	Quality Education	0.076	0.089	0.092	0.072	0.096	0.091	-0.005	-4.934%
CSDG5	Gender Equality	0.002	0.002	0.003	0.003	0.006	0.002	-0.004	-68.968%
CSDG6	Clean Water & Sanitation	0.009	0.009	0.007	0.008	0.010	0.005	-0.005	-47.716%
CSDG7	Affordable Clean Energy	0.001	0.001	0.001	0.001	0.005	0.001	-0.004	-87.528%
CSDG8	Decent Work & Econ Growth	0.006	0.007	0.007	0.012	0.011	0.021	0.010	92.617%
CSDG9	Industry Innovation Infrastructure	0.014	0.012	0.010	0.013	0.012	0.008	-0.004	-36.268%
CSDG10	Reduced Inequalities	0.008	0.009	0.009	0.010	0.014	0.010	-0.004	-30.745%
CSDG11	Sustainable Cities & Communities	0.002	0.002	0.003	0.003	0.006	0.002	-0.005	-73.624%
CSDG12	Responsible Consumption	0.044	0.044	0.045	0.074	0.023	0.020	-0.003	-14.064%
CSDG13	Climate Action	0.009	0.009	0.010	0.012	0.014	0.010	-0.004	-30.648%
CSDG14	Life Below Water	0.003	0.003	0.003	0.004	0.007	0.003	-0.004	-58.024%
CSDG15	Life on Land	0.002	0.002	0.002	0.003	0.006	0.002	-0.004	-67.424%
CSDG16	Peace Justice Strong Institutions	0.108	0.105	0.107	0.089	0.101	0.096	-0.006	-5.493%
CSDG17	Partnerships for the Goals	0.029	0.028	0.029	0.036	0.022	0.018	-0.004	-17.315%
CSDG18	UXO	0.018	0.018	0.017	0.009	0.021	0.018	-0.003	-15.370%
		0.500	0.500	0.500	0.500	0.500	0.500	0.000	-121.617%



Unlocking Public and Private
Finance for the Poor

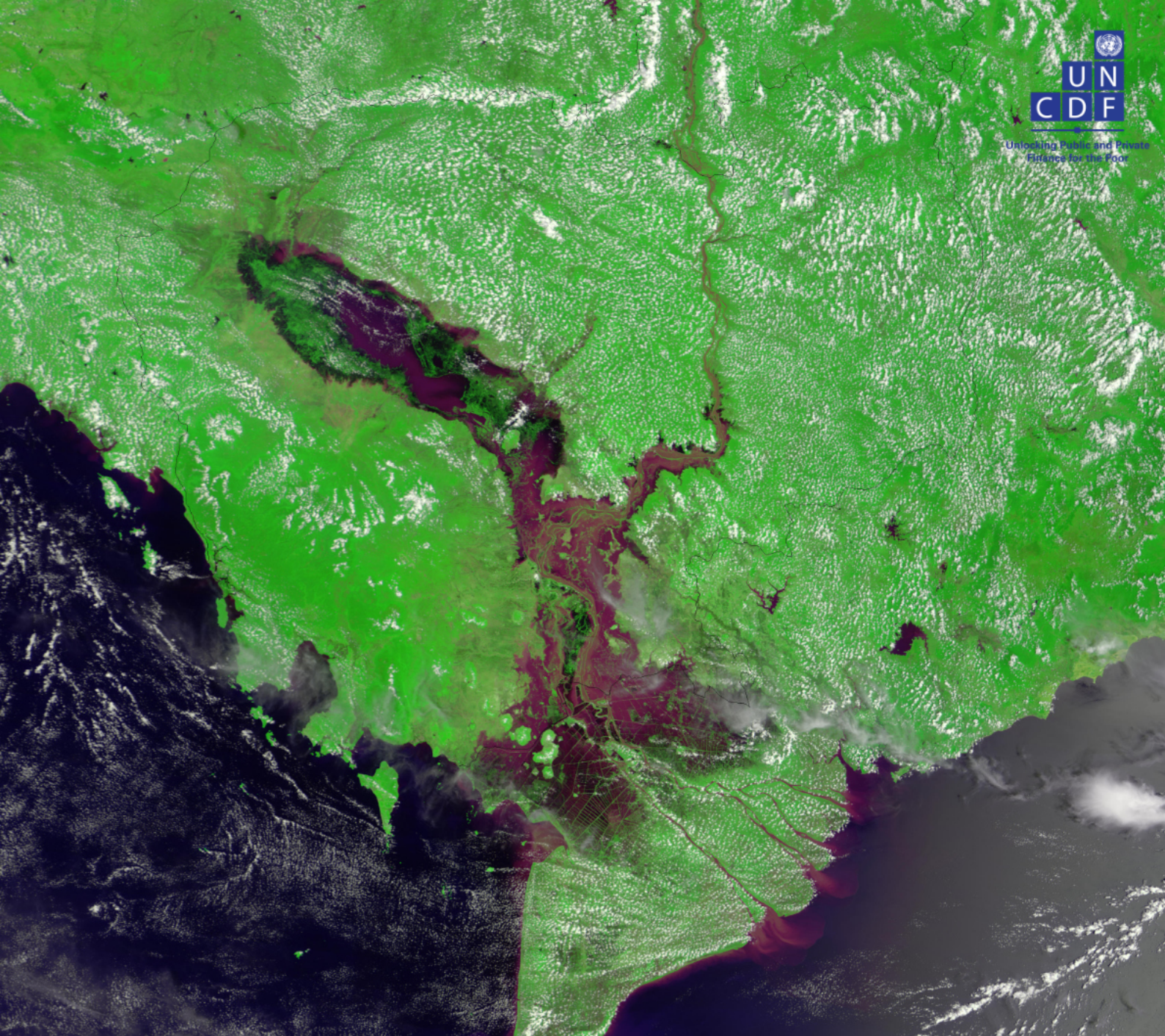


Photo: Tonle Sap & Mekong River, NASA



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