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Domestic Revenue is an Increasingly Important Source of Development Financing in Cambodia, Says a New Report

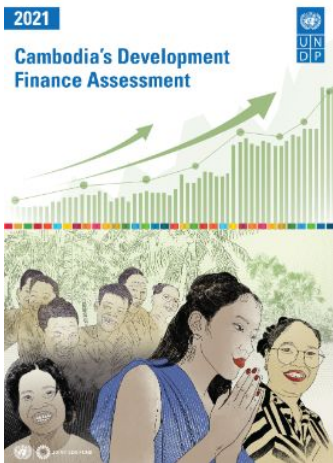
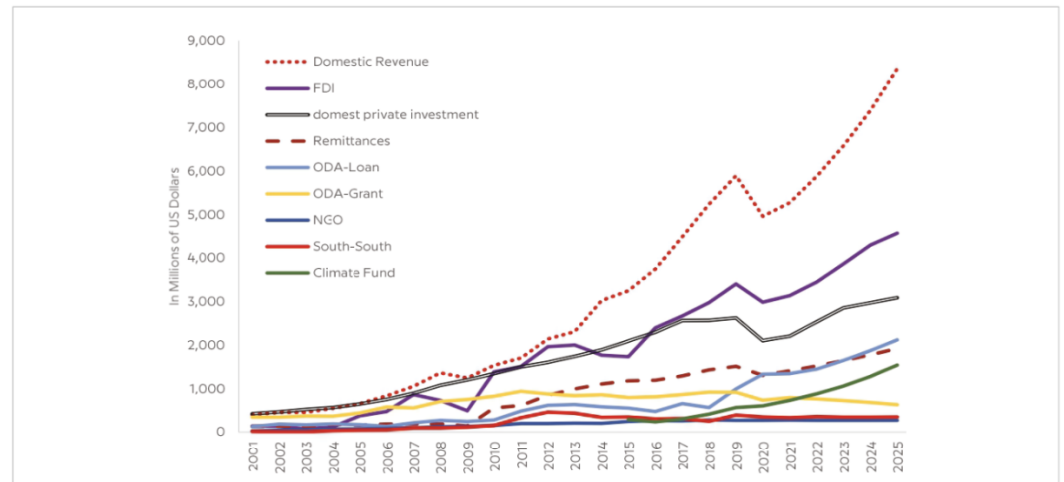
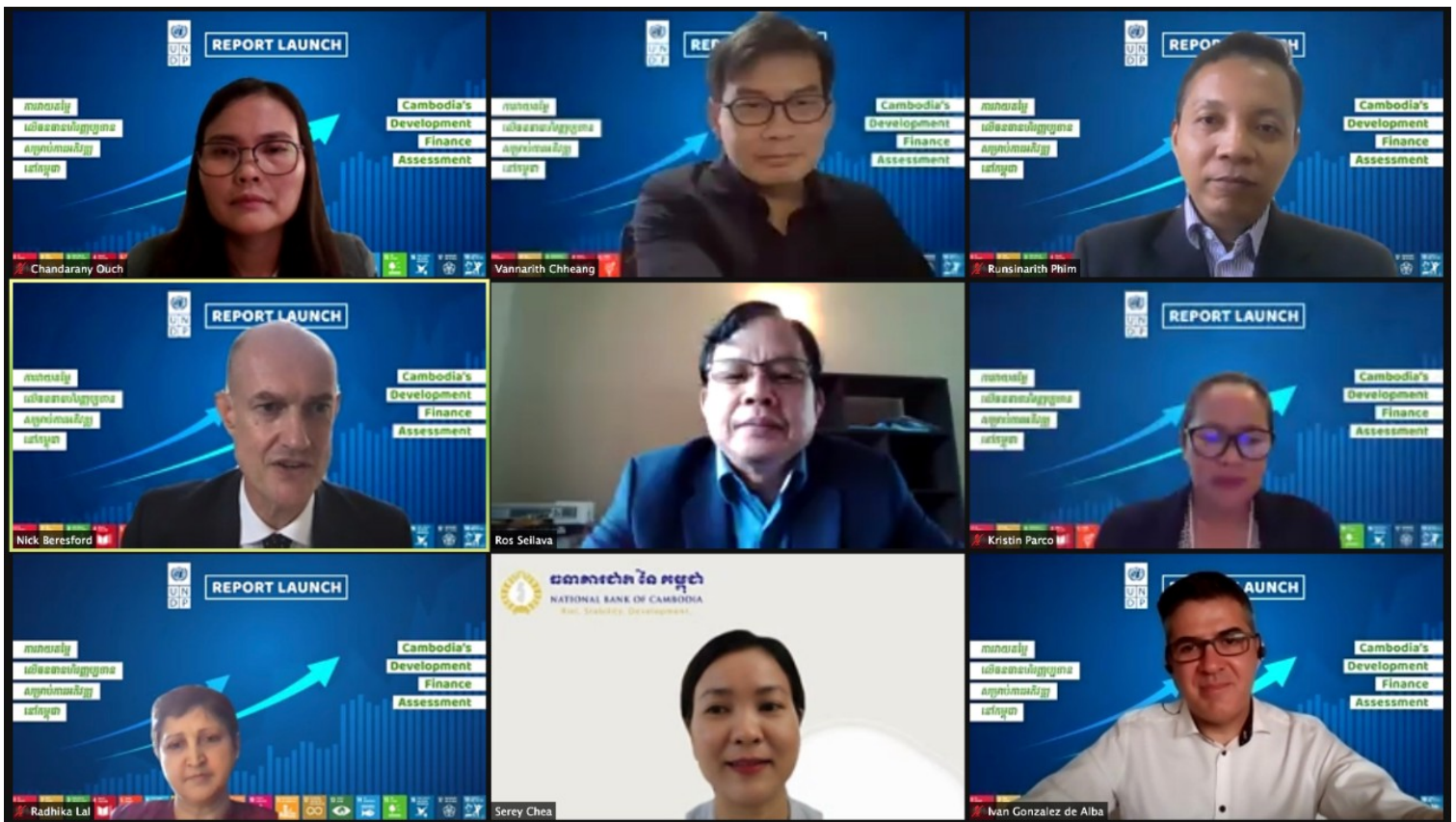


Figure 1: Total financing flows will recover from the pandemic and keep increasing toward 2025



Source: Author's projection based on data from various sources. It was made based on available data in 2020.



Phnom Penh, 16 July 2021 – The UN Development Programme (UNDP) launched a report today estimating the financing available for the country’s development through to 2025, entitled “Cambodia’s Development Finance Assessment (DFA)”. This analyses the compositions and trends of all Cambodia’s financial inflows, covering public, private, international and national sources available to support development investment in the country. The report also estimates the likely reductions in these flows resulting from the COVID-19 crisis.

The report finds that domestic revenue is an increasingly important source of financing for development in Cambodia, representing 19% of GDP in 2020 and continuing to 22.5% by the end of 2025. While official development assistance (ODA) flows remain significant – estimated around 7.9% of GDP – their composition has shifted further towards loans and within this towards less concessional terms.

COVID-19 has led to total financing flow losses estimated to be USD 3.6 billion, accounting for 19.8% of the total flows, for 2020. The three most significantly affected are domestic revenue, foreign direct investment and private domestic investment.

The report also emphasizes the importance of a set of financing policy innovations to boost the capacity of the state to manage the public finances and secure ongoing high levels of private capital flows. This underscores some of the green financing mechanisms that should be explored to achieve the Sustainable Development Goals (SDGs).

“This is the first time a complete picture of all Cambodia’s expected financial inflows has been modelled with such precision. Once we are able to ease COVID-19 restrictions, we can expect a strong growth in development finance flows. Within those flows, domestic sources are becoming increasingly important,” said **Nick Beresford**, UNDP Cambodia’s Resident Representative.

He added: “Cambodia can expect to graduate from Least Developed Country status towards the end of the 2020s. The time to prepare new sources of financing is now as this report makes clear. For example, being able to issue bonds in Khmer Riels, is an option being considered, and one strongly supported by UNDP”.

H.E. **Ros Seilava**, Secretary of State, Ministry of Economy and Finance stressed that “The Royal Government of Cambodia plans to launch the Post COVID-19 Economic Recovery Plan 2021-2023 which will be financed by public resources while also considering mobilizing additional resources from other financing options, thus this report will provide us some insights into different financing options.” H.E. Seilava also welcomed policy recommendations in the DFA report. “It is another contribution of UNDP to provide evidence-based policy recommendations for the RGC.” he added.

UNDP supports the RGC in the response and recovery from the COVID-19, in areas such as inclusive and sustainable growth, social protection, climate and environmental issues, equality, gender and inclusivity, towards the achievement of the 2030 Agenda for Sustainable Development.

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For media inquiries, please contact Mr. Im Samruol, UNDP Cambodia’s Head of Communications, at samruol.im@undp.org.

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Press Release (Khmer): <https://www.kh.undp.org/content/cambodia/km/home/-news-centre/-press-release/2021/- -- .html>

Full Report: <https://www.kh.undp.org/content/cambodia/en/home/library/cambodia-s-development-finance-assessment-.html>

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