



Key Indicators	
Population (2014)	15.3 million
Per capita GDP (current USD, 2014)	\$1,095
Average population growth rate (2010–2014)	1.6%
Government revenues as a % of GDP (2014)	19.8%
Country income classification	Low

Source: IMF, 2015; IMF, 2016.

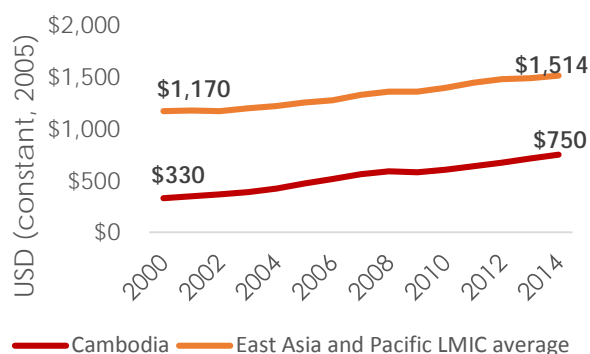
Country Policy and Institutional Assessment Ratings (1 = low, 6 = high), 2014	National	Southeast Asia Mean
Efficiency of revenue mobilization	3.5	3.4
Equity of public resource use	3.5	3.4
Fiscal policy	3.5	3.1
Macroeconomic management	4.0	3.5
Quality of budgetary and financial management	3.5	3.1

Source: World Bank, 2016.

Macroeconomic Forecasts					
Indicator	2013	2014 (est.)	2015 (proj.)	2016 (proj.)	2020 (proj.)
Real GDP growth	7.4%	7.0%	7.0%	7.2%	7.3%
GDP per capita growth	3.7%	5.4%	5.4%	5.6%	5.7%

Source: IMF, 2015; IMF, 2016.

Figure 1: GDP per Capita Growth



Source: World Bank, 2015

Overview

Cambodia's economy is one of the fastest growing in the world. Garment exports, real estate, and construction have driven robust gross domestic product (GDP) growth in Cambodia at about 7% annually over the last five years. Cambodia is anticipated to transition from a low-income to a lower middle-income country (LMIC) in 2016. Inflation has remained relatively low at around 1% due to declines in food and global fuel prices. Cambodia's national debt is sustainable with low risk of distress; external public debt represents about a third of the GDP, and domestic public debt represents approximately 1% of exports. Although current growth rates are expected to continue, Cambodia faces significant domestic and external risks. Rapid private sector credit growth has resulted in its credit-to-GDP ratio doubling in three years to more than 50%, which exceeds the average among similar countries. Wage increases and disputes threaten Cambodia's competitiveness, and political tensions following the 2013 election remain a challenge.

Political Economy

Cambodia faced a political crisis after the 2013 elections, when the opposition party protested the results. The country continues to face political tensions; the next election is scheduled to be held in 2018.

Cambodia has slightly higher values for indicators regarding policy response and governance efficiency compared with the average values for countries in the region. Fiscal policy is able to cover wages and support investment for medium-term growth.

However, revenue collection can be improved by depending less on trade and more on the value-added tax (VAT) and corporate and personal income taxes. Continuing strong implementation of the government's Revenue Mobilization Strategy, which includes measures to promote tax payment and compliance, will result in more efficient tax administration as well. Greater alignment is needed between public expenditures and poverty reduction priorities to reduce inequities in accessing social services; for instance, vulnerable groups such as the elderly and people with disabilities pay more for healthcare (three and five times, respectively) than others. Expenditures deviate from the budgeted amount, suggesting the need for better linking of priorities and policies to the budget. Further, the executive spends significant amounts outside of the budget.

GDP and Economic Growth

Cambodia was the sixth fastest growing economy globally over the last two decades. Following the beginning of economic liberalization and political reforms in 1989, its GDP has grown by at least 5% annually, except in 2009 because of the global financial crisis. GDP growth has averaged 7% annually over the last five years and is projected to remain at this level in 2015 and 2016. GDP per capita in 2005 constant U.S. dollars has increased from US\$330 to US\$750, at an average annual pace of 6.3% from 2000 to 2014, outpacing the growth seen in LMICs in the region (Figure 1).

Government Revenue and Expenditure

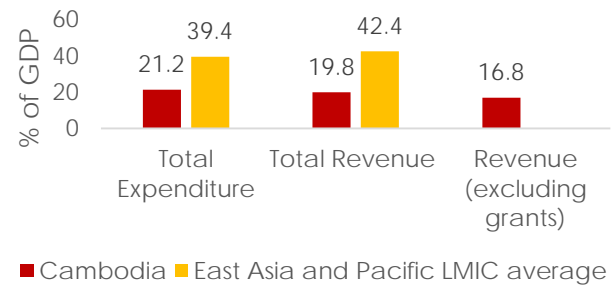
Government revenue as a percentage of GDP reached 19.8% in 2014 (Figure 2). The goods and services tax was the largest source of revenue, accounting for 41% of revenue (Figure 3). Increases in revenue in recent years are due largely to enhanced tax collection efforts. However, tax revenue as a percentage of GDP is lower in Cambodia (13.9%) than in other countries in the region, including Vietnam and Lao P.D.R., indicating room for further growth.

Government expenditure as a percentage of GDP has increased slightly in recent years, from 19.7% in 2011 to 21.2% in 2014—a slightly lower rate of increase compared with increases in revenue. Expenditures on employee compensation are growing at the fastest rate, representing 28% of expenditure (Figure 4).

References

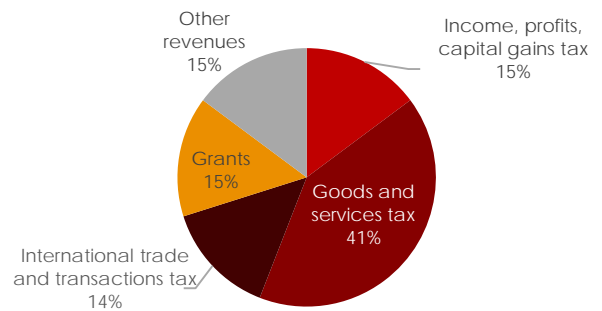
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Figure 2: Government Revenue and Expenditure (2014)



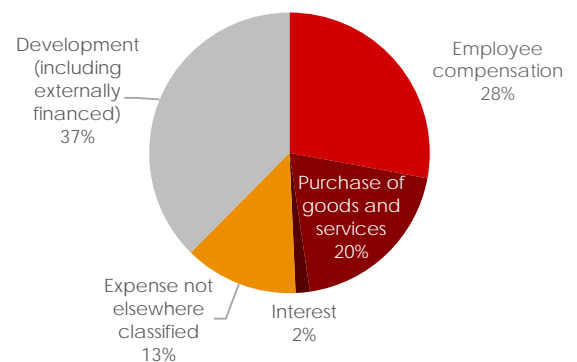
Source: IMF, 2016

Figure 3: Revenue Sources (2014)



Source: IMF, 2015

Figure 4: Expenditure (2014)



Source: IMF, 2015

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The Health Policy Project is a five-year cooperative agreement funded by the U.S. Agency for International Development under Agreement No. AID-OAA-A-10-00067, beginning September 30, 2010. The project's HIV activities are supported by the U.S. President's Emergency Plan for AIDS Relief (PEPFAR). HPP is implemented by Futures Group, in collaboration with Plan International USA, Avenir Health (formerly Futures Institute), Partners in Population and Development, Africa Regional Office (PPD ARO), Population Reference Bureau (PRB), RTI International, and the White Ribbon Alliance for Safe Motherhood (WRA).

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