

Cambodia

A. Medium-term economic outlook (forecast, 2019-23 average)

GDP growth (percentage change)	6.9
Current account balance (% of GDP):	-8.3

B. Medium-term plan

Period: 2014-18
 Theme: To gain high benefits from ASEAN Economic Integration in 2015 and to become an upper middle-income country by 2030

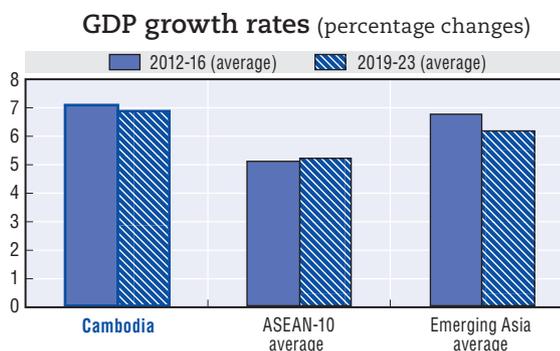
C. Basic data (in 2017)

Total population:	15.6 million (in 2016)*
Population of Phnom Penh:	1.9 million (in 2016)*
Nominal GDP (US dollar):	22.1 billion**
GDP per capita at PPP:	4 009.8 (current International Dollar)**
Exchange rate in the first half of 2018 (period average):	4 029.3 (KHR/USD)

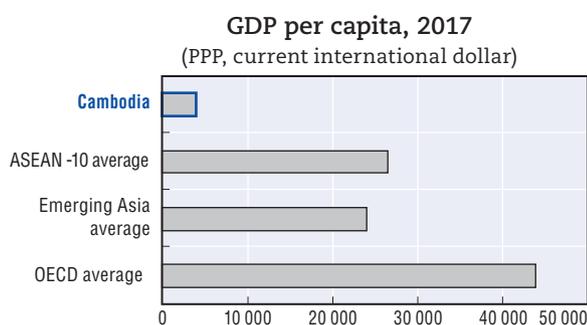
Note: * Population data are year-end government estimates.

** IMF estimate.

Sources: OECD Development Centre, national sources, CEIC and IMF.

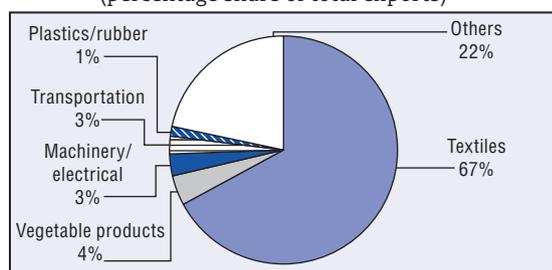


Source: OECD Development Centre, MPF-2019.



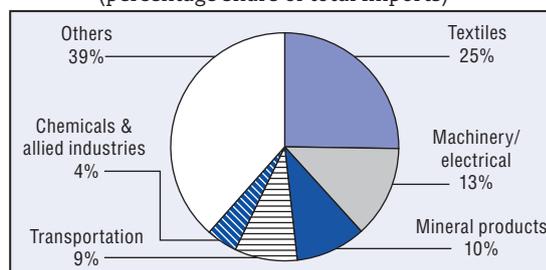
Source: IMF.

Composition of exports, 2017 (percentage share of total exports)



Source: Trademap.

Composition of imports, 2017 (percentage share of total imports)



Source: Trademap.

Structural policy challenges discussed in previous editions of the Outlook

2013	Agriculture	Building agricultural productivity and tapping export potential
	Human-capital development	Increasing enrolment rates at all levels of education, and strengthening technical and vocational training (TVET) to build a skilled labour force
	Financial-sector reform	Strengthening the banking sector and prudential measures
2014	Agriculture	Improving the productivity of agriculture, in particular for rice production
	Financial sector	Improving the prudential and supervisory framework for the financial sector
	Tourism	Developing tourism-specific infrastructure
2016	Education (TVET)	Improving competitiveness by strengthening TVET
	Tourism	Addressing complex challenges in developing tourism
2017	Agriculture	Helping the agricultural sector to move ahead
2018	Education	Strengthening financial education

Recent developments in policy areas covered by previous editions of the Outlook

Modernising agriculture to improve productivity and competitiveness

- According to recent data from the economy and finance ministry, the average annual growth of the Cambodia's agricultural sector has dropped significantly. Growth fell to around 1% between 2013 and 2017, from 4.5% between 2008 and 2012, and 7.2% between 2003 and 2007. The Cambodian government attributes this decline to low productivity, climate change, a sluggish expansion of cultivated land, and the sector's lack of competitiveness on domestic and international markets alike. In order to address this challenge, the country has set itself the target of modernising the agricultural sector by 2030 in order to make it more competitive and sustainable. In order to achieve this objective, the plan is to upgrade obsolete farming machines and increase the overall level of mechanisation.

Improving the quality of education by training teachers

- Cambodia's ministry for education, youth and sport is trying to improve teaching in primary and secondary schools (grades 1 to 12). Currently, many teachers in Cambodia have not had a university education, and they only require two years of additional training after completing secondary school – the so called 12+2 system. However, the government now aims to raise the minimum requirement to 12+4. Under the reform, new teachers will be required to hold a bachelor's degree, while existing teachers will be encouraged to participate in a fast-track programme to reach the new required level.
- In 2017, Cambodia launched a programme to create the so-called new-generation schools, rolling out the initiative to 200 schools in all 25 provinces in 2018. Schools that undergo this transformation acquire the status of autonomous public schools, like the so-called charter schools that exist in a number of advanced economies, and have greater autonomy to innovate. The establishment of new-generation schools is one of the 15 national reforms implemented by the education ministry, and it lies at the core of a two-track approach to education under which the government targets certain schools with intensive and concentrated investment in order to improve the standard of education.

Reforming the budget process to manage national resources more efficiently

- In April 2018, the government launched an overhaul of the budget system for the period 2018-25. The aim of this strategy is to make the allocation of national resources more efficient and effective, and to encourage greater sustainability. This budget reform is part of a four-stage overhaul of the management of Cambodia's public finances that began in 2004. Indeed, it allows this four-stage process to progress from its third stage, which focused on the linkages between budget and policy, to the fourth stage, which is about performance accountability. The first two phases, which have reached completion, were about budget credibility and financial accountability.

A tourism master plan to bring in investment and develop new attractions

- In 2017, Cambodia's tourism ministry set out a master plan promoting high-quality tourism in Cambodia. The plan includes a range of initiatives to develop the relevant infrastructure, build environmentally-friendly resorts, maintain social order, provide good services, and ensure hospitality. The master plan contains a thoroughly drafted outlook for each tourist area, and calls for the use of information and communication technology in order to make management more efficient (Chan, 2017).

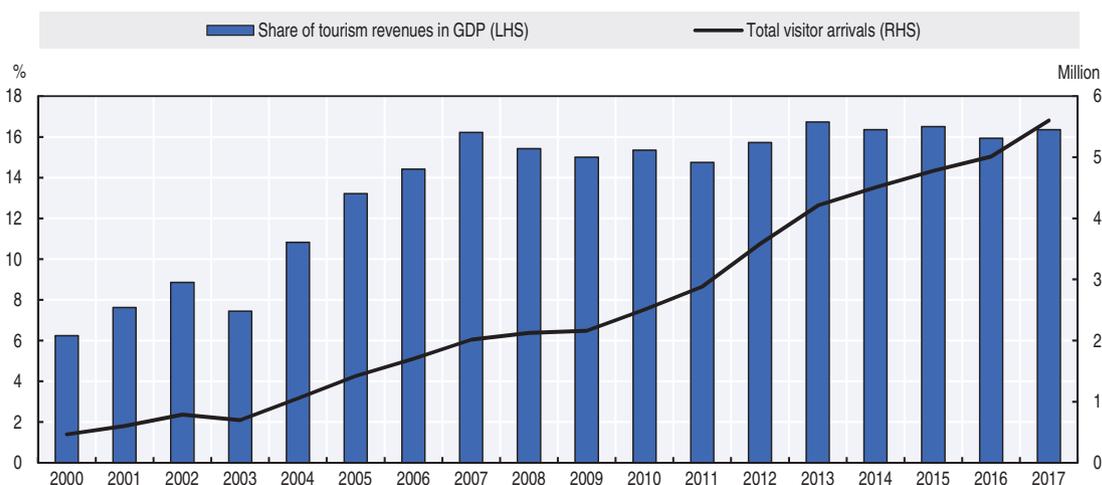
POLICY FOCUS

Addressing challenges in developing ecotourism

A robust approach to developing tourism supports economic growth

Tourism has been an important driver of Cambodia's rapid economic expansion in the past decade – annual GDP growth averaged 7.2% in 2011-15 and looks set to remain so for the next five years (OECD, 2018). Since 2000, the development of the tourism sector in the country has proceeded apace. Total visitors to Cambodia – the majority of whom are tourists – have increased more than tenfold to 5.6 million people a year, and tourism's share of GDP has risen from 6.2% to 16.3% over 2010-17 (Figure 3.8.1). Taking into account indirect contributions such as investment in tourism-related projects from other industries, the World Travel & Tourism Council has estimated tourism's total contribution to Cambodia's GDP at 32.4% of GDP in 2017, the highest among all member states of the Association of Southeast Asian Nations (ASEAN) (WTTC, 2018). In terms of its contribution to employment, meanwhile, the tourism sector accounted directly for 13.6% of jobs, and for 30.4% when including jobs in related industries. These were also the highest ratios in ASEAN. Moreover, the rapid growth of the tourism sector has attracted strong interest from investors and accounted for 15.8% of total investment in Cambodia last year.

Figure 3.8.1. Development of tourism in Cambodia, 2000-17



Source: CEIC.

StatLink  <https://doi.org/10.1787/888933887215>**Despite the government's wish to promote it, the development of ecotourism remains slow**

While tourism can bring substantial economic benefits and help raise a country's prestige around the world, it can also have a negative impact on society and the environment if not managed properly. Policy makers in the region now widely agree that tourism should develop in a sustainable manner, and that its negative impacts such as pollution, social issues, and damage to biodiversity should be kept to a minimum. In the *ASEAN Tourism Strategic Plan 2016-2025*, member states vow to make tourism sustainable

and inclusive by upgrading participation from local communities, ensuring safety and security, and addressing environmental problems and climate change.

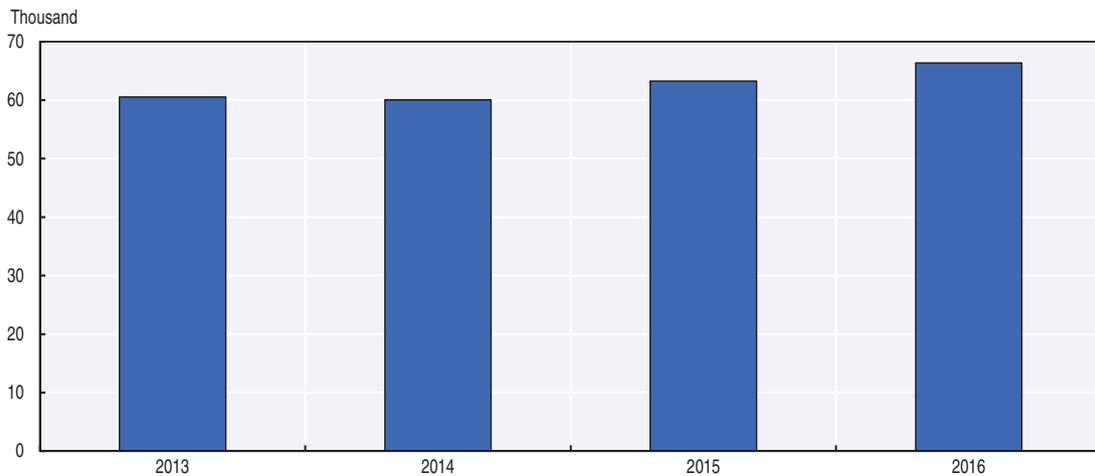
Ecotourism is the most emblematic form of socially and environmentally responsible tourism in Cambodia. The United Nations defines it as “all nature-based forms of tourism in which the main motivation of visitors is the observation and appreciation of nature as well as the traditional cultures prevailing in natural areas” (UNWTO, 2002). Moreover, Cambodia’s government sees ecotourism as an important tool for diversifying tourism and achieving sustainable development in the longer term. Due to the closer participation of local communities that it encourages, ecotourism also plays a crucial role in poverty reduction, inclusive growth, and the preservation of both the environment and human culture.

Cambodia has considerable potential in developing ecotourism. Representing the Khmer culture that flourished in Southeast Asia for many centuries, Cambodia is endowed with rich historic, cultural and natural resources. Due to the civil war that ended in 1991, many remote and pristine natural areas were left untouched by economic development, and these places can offer an “unspoiled” ecotourism experience that is unique by comparison to other options (Walter and Sen, 2018). In 2001, a study by the Asian Development Bank showed that out of 209 tourist sites in Cambodia at the time, 98 were suitable for developing ecotourism (OECD, 2016). Currently the country has about 50 ecotourism sites in operation, with a handful of them being major ecotourism attractions. They include seven national parks, nine wildlife sanctuaries, and four so-called Ramsar sites, which protect wetlands of international importance (ODC, 2018).

The government of Cambodia showed an interest in developing ecotourism as early as the late 1990s, and has spoken of promoting it in several national plans. In the *National Strategic Development Plan 2014-2018*, the government intended to strengthen the conservation of national resources, and to promote linkages between conservation and ecotourism. The plan also identified nature-based ecotourism in the country’s northeast as one of four priority areas for developing tourism products. It also tasked the tourism ministry with drafting a national strategic policy for ecotourism, in order to co-ordinate efforts among government agencies in developing the sector. In its *Tourism Development Strategic Plan 2012-2020*, meanwhile, the government admits that ecotourism needs to be improved and developed, as part of a vision for sustainable development in the tourism sector.

Yet despite its vast potential and the government’s efforts to promote it, the development of ecotourism is still relatively slow in Cambodia. In 2013, the tourism ministry started to publish ecotourism data in a monthly statistical report. Based on these data, about 61 000 foreigners visited ecotourism attractions in Cambodia in 2013, rising to 66 000 in 2016 (Figure 3.8.2). Visits by foreigners to ecotourism sites grew only 4.9% in 2016, below the 5% growth of total visitors. According to the latest data from the first quarter of 2017, only 1.3% of foreign tourists visited ecotourism attractions (Figure 3.8.3). This result is largely consistent with a 2011 visitor survey for ecotourism, which showed that foreign tourists did not see nature-based activities as an important reason for visiting Cambodia (Thong, 2011).

Figure 3.8.2. Arrivals of foreign visitors in ecotourism areas in Cambodia, 2013-16

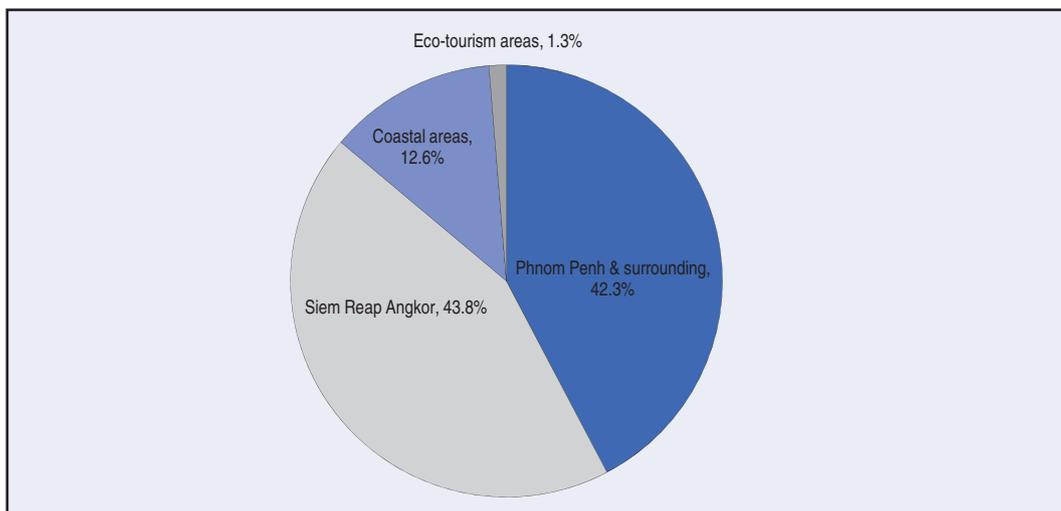


Source: MOT (2014; 2015; 2016).

StatLink  <https://doi.org/10.1787/888933887234>

Figure 3.8.3. Foreign visitors' destinations in Cambodia, Q1 2017

Percentage



Source: MOT (2017).

StatLink  <https://doi.org/10.1787/888933887253>

Challenges and policy recommendations for developing ecotourism in Cambodia

Looking forward, the government of Cambodia will need to address several key challenges in order to strengthen the development of ecotourism. First of all, it needs to turn government support for ecotourism into concrete actions backed by adequate financial and human resources. While the government has touched on ecotourism development in a number of plans, the concrete implementation of policies and strategies has been limited. For example, only recently have the tourism and environment ministries come together to discuss drafting a national ecotourism policy and a legal framework to promote ecotourism, even though this task was set out four years ago in the national strategic development plan (Sophanith, 2017). To improve policy implementation, the government can seek help from the private sector and international investors for securing

the necessary resources to expand ecotourism destinations in Cambodia. It is also vital to strengthen co-ordination among ministries as ecotourism development involves not only the tourism ministry but also those responsible for the environment, education, forestry, transportation, among others.

Second, Cambodia needs to improve the quality of its ecotourism products and to offer a distinct experience to tourists. Ecotourism has great potential in Cambodia, but the country also faces competition from neighbouring countries such as Lao PDR, Thailand, and Malaysia. Some of these countries have more developed ecotourism attractions, while some boast natural scenery with similar natural charms to that of Cambodia. In comparison with regular tourism, ecotourism in Cambodia is still on a small-scale and many ecotourism sites are managed partly or entirely by local communities. These ecotourism attractions provide much-needed employment and income opportunities for the local population, motivating them to help protect wildlife, the natural environment and local cultures. However, many local communities are not trained as providers of tourism services, and there is much room for improvement. For example, the hygiene levels in many ecotourism sites are basic. Many ecotourism sites do not have trained translators and interpreters (Thong, 2011).

Third, Cambodia needs a smart and targeted marketing strategy to promote ecotourism. Unlike mass tourism, ecotourism serves a niche market of tourists who enjoy and appreciate a wild environment. Currently the majority of tourists to visit ecotourism attractions are domestic ones who spend much less than their international counterparts. So, to make ecotourism sites financially sustainable it is important for the government to reach out to foreign visitors, in addition to local visitors. According to the 2011 ecotourism visitor survey in Cambodia, Europeans (30%) were more likely to visit a national park than visitors from other regions such as ASEAN (17%) and Asia/Oceania (15%).

Last but not least, regional co-operation can also boost the development of ecotourism in Cambodia. According to the survey, most international visitors to Cambodia would also visit other countries in the region such as Thailand, Viet Nam, Lao PDR, Malaysia and Singapore. This means there is scope for Cambodia to join forces with tourism authorities in other countries in the region to offer ecotourism packages that include cross-border ecotourism destinations. Together with more convenient arrangements for crossing the country's borders, this will help increase the attractiveness of ecotourism products in Cambodia and raise the visibility of ecotourism attractions within the country.

Key government ministries in Cambodia

Prime Minister	Hun Sen
Permanent Deputy Prime Minister	Bin Chhin
Agriculture, Forestry and Fisheries	Veng Sakhon
Civil Service	Pich Bun Thin
Commerce	Pan Sorasak
Cults and Religion	Him Chhem
Culture and Fine Arts	Phoeurng Sackona
Economy and Finance	Aun Pornmoniroth
Education, Youth and Sport	Hang Chuon Naron
Environment	Say Sam Ai
Foreign Affairs and International Cooperation	Prak Sokhonn
Health	Mam Bunheng
Industry and Handicrafts	Cham Prasidh
Information	Khieu Kanharith
Interior	Sar Kheng
Justice	Ang Vong Vathana

Key government ministries in Cambodia (cont.)

Labour and Vocational Training	Ith Sam Heng
Land Management, Urban Planning and Construction	Chea Sophara
Mines and Energy	Suy Sem
National Assembly–Senate Relations and Inspection	Men Sam An
National Defence	Tea Banh
Planning	Chhay Than
Posts and Telecommunications	Tram Iv Tek
Public Works and Transport	Sun Chanthol
Rural Development	Ouk Rabun
Secretary of State for Civil Aviation	Mao Havannall
Social Affairs, Veterans and Youth Rehabilitation	Vong Soth
Tourism	Thong Khon
Water Resources and Meteorology	Lim Kean Hor
Women's Affairs	Ing Kuntha Phavi
Chairman of the National Bank	Chea Chanto

Note: Valid as of 16 October 2018.

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