



Green Growth in Cambodia: A Brief Analysis of Economic Trends and Future Prospects

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Why do we need Green Growth?

- To achieve continued rapid economic development while preserving environmental integrity through
 - Shifting current development pathway into a more climate sustainable green growth trajectory
 - Boosting economic growth significantly
 - Allocating both human and natural resources in more efficient and effective ways
 - Adapting legal and regulatory frameworks to future environmental and economic stresses
- Current realities:
 - ❖ Economic expansion with significant environmental degradation
 - ❖ Wide urban rural disparities with disproportionate benefits to urban dwellers
 - ❖ Less effective and less efficient resource management

Current Status on Green Growth in Cambodia

- First LDC in Asia to adopt green growth strategy
- RGC-ESCAP National Green Growth Map (2009)
- MOU with Global Green Growth Institute (2011)
- Establishment of Cambodian Green Growth secretariat (2011)
- Establishment of National Committee on Green Growth (ongoing)
- Preparation of green growth legal framework (ongoing)
- Preparation of 5-year Green Growth Master Plan (ongoing)
- Green growth implementation plans for (ongoing)
 - sustainable forestry
 - small and medium-sized business promotion
 - green job creation and
 - waste management

National Green Growth Map for Cambodia (2009) : Seven 'A' s

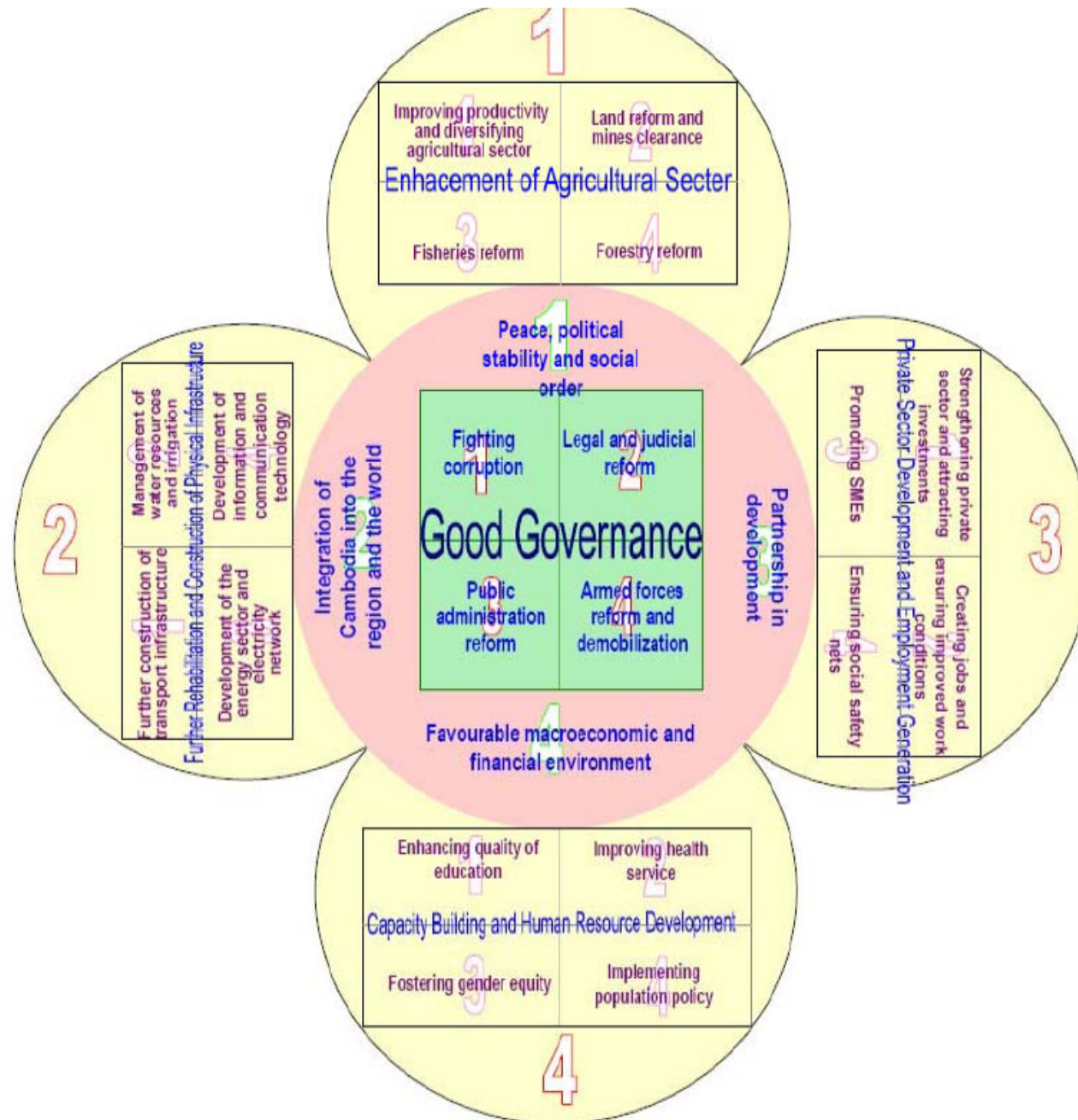
- Access to clean water and sanitation
- Access to renewable energy
- Access to information and knowledge
- Access to means for better mobility
- Access to finance and investments
- Access to food security (agriculture) and non - chemical products
- Access to sustainable land - use.

Source: Cambodia and UNESCAP (2009)

Roadmap to Green Growth

- Awareness raising
- Sector specific capacity development to increase eco - efficiency of production and consumption
- Inclusion of Green Growth into Cambodian National Sustainable Development Strategy
- Incremental implementation of green growth policy tools to drive towards a sectoral greening of economic activity (short-term, medium-term and

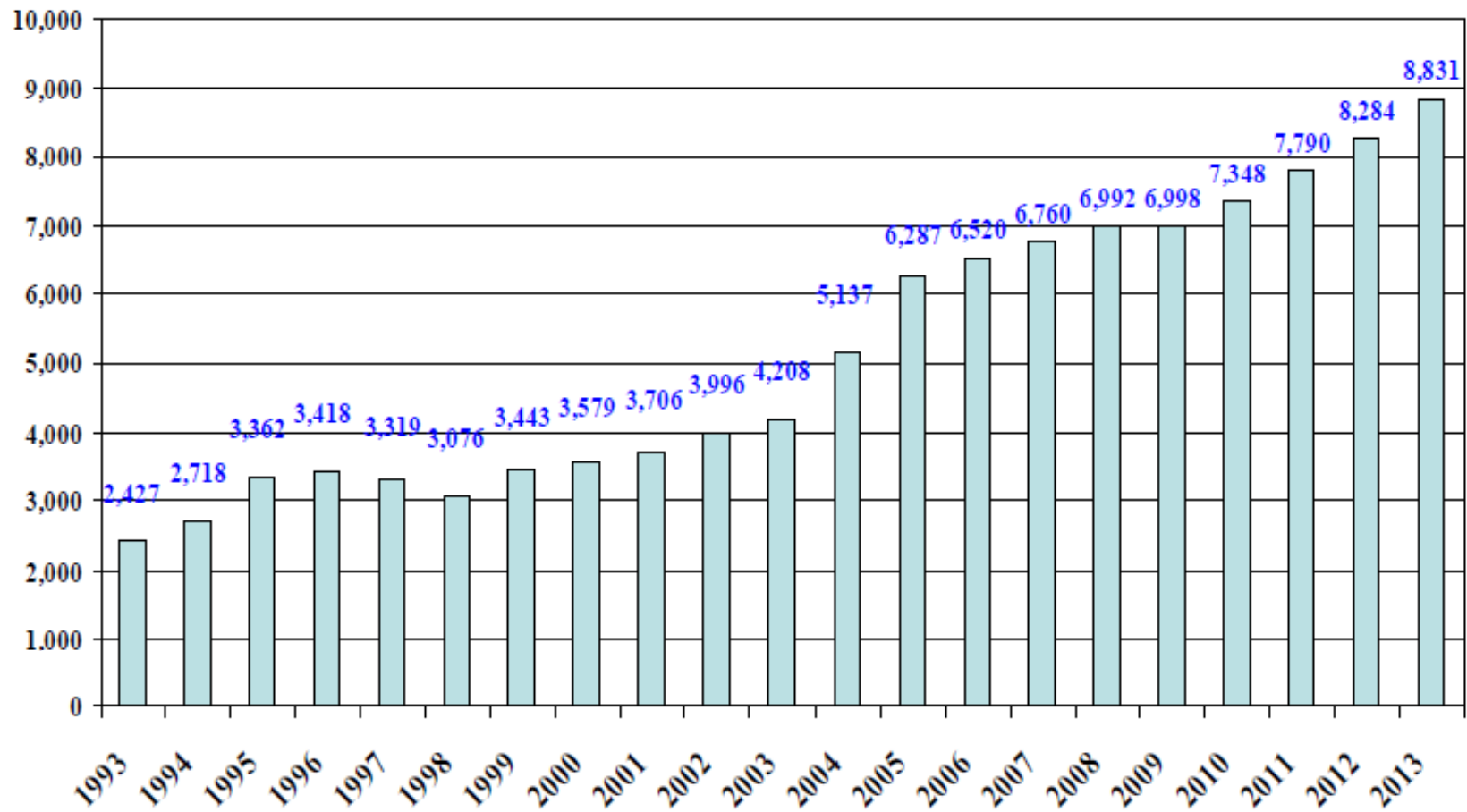
Key Elements of the Rectangular Strategy of Cambodia



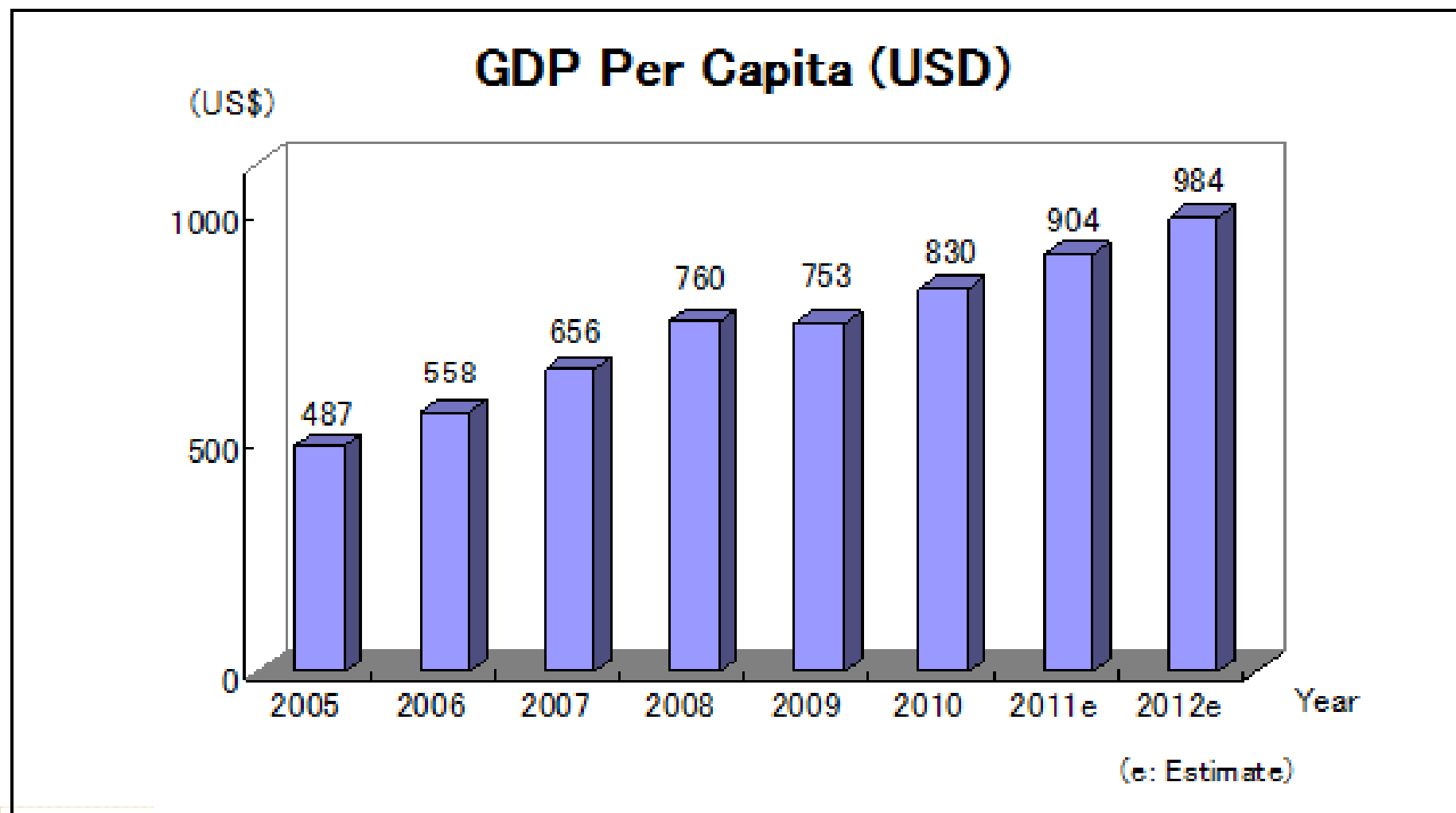
Where Does our Economy Stand Now?

- Investment (gross fixed): 3% of GDP (2011 est.)
- Household income or consumption by % share:
lowest 10%: 2.6%
highest 10%: 23.7% (2011)
- Agriculture – products: rice, rubber, corn, vegetables, cashews, tapioca, silk
- Industries: tourism, garments, construction, rice milling, fishing, wood and wood products, rubber, cement, gem mining, textiles
- Industrial production growth rate: 5.7% (2011 est.)
- Electricity:
 - *production*: 1.273 billion kWh (2010)
 - *consumption*: 1.272 billion kWh (2010)
 - *exports*: 0 kWh (2010)
 - *imports*: 274 million kWh (2010)

GDP of Cambodia (US\$ million)

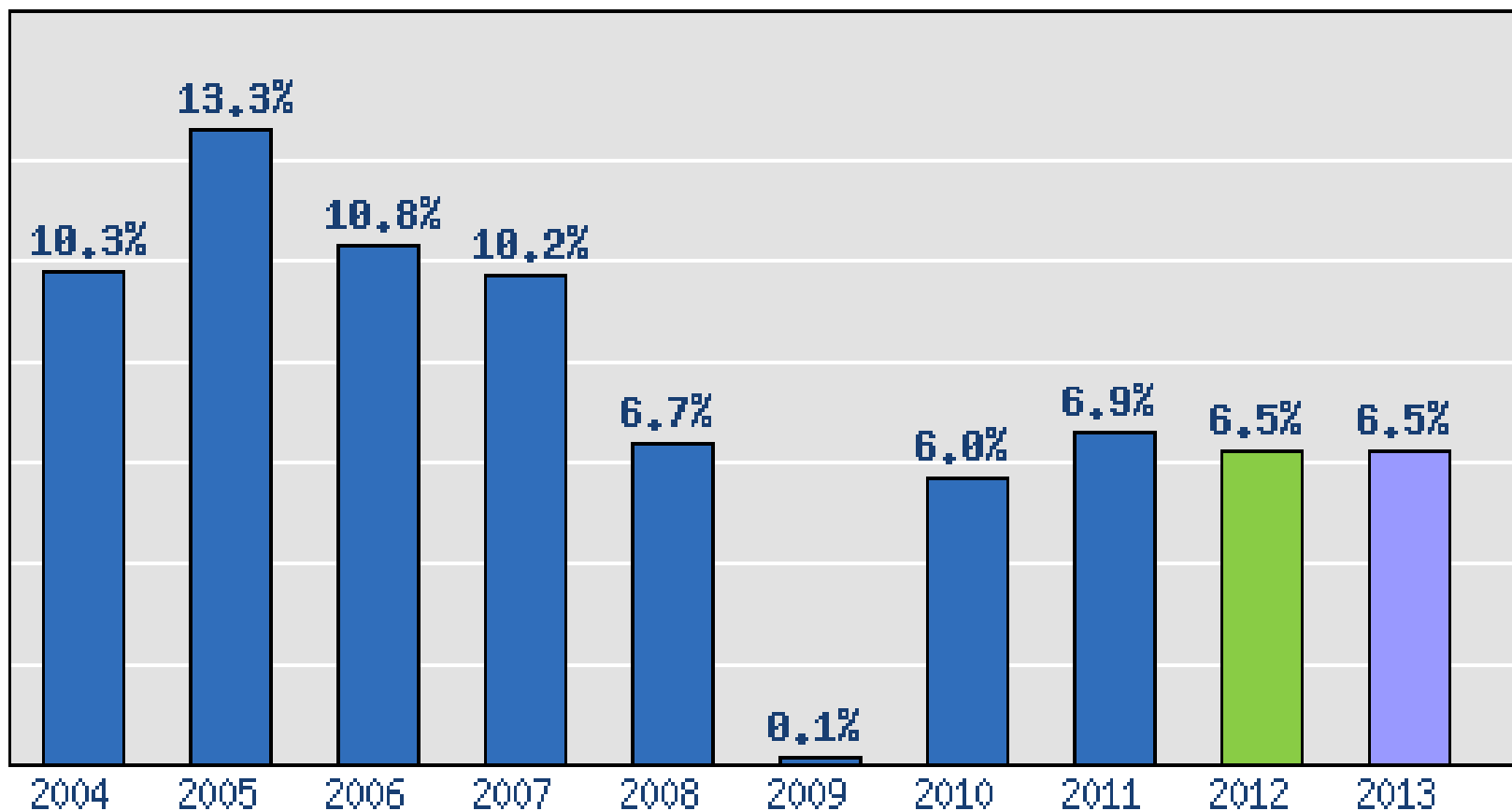


Source: IMF September 2006/ and subsequently by NIS National Development Strategic Planning 2009-2013



Per capita GDP has also steadily increased since 1998 when the Riel greatly depreciated against the dollar. Per capita GDP in 2010 reached USD 830, an increase of approximately 70% from 487 US dollars in 2005. It is projected to reach USD 904 in 2011 and USD 984 in 2012 respectively, according to the MEF's forecast.

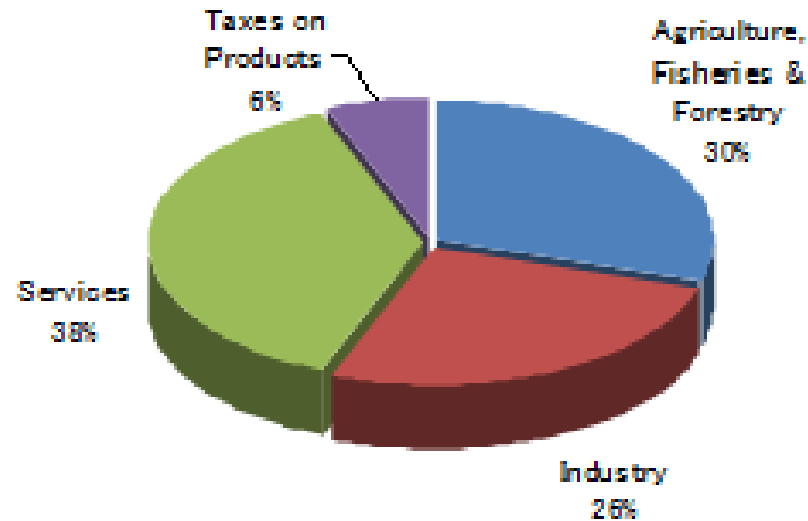
Cambodia's Real GDP Growth Rate



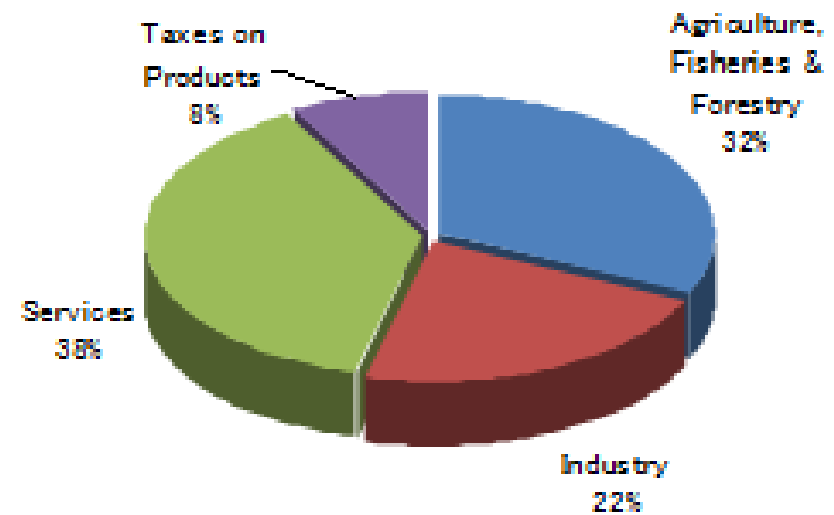
GDP has steadily grown with 43,057 billion Riels in 2009 and 47,048 billion Riels in 2010 and is 52,255 billion Riel in 2011 (approximately USD 13.2 billion) and 57,363 billion Riel in 2012 (approximately USD 14.2 billion).

Source: Ministry of Economy and Finance (MEF)

GDP Distribution by economic activity
in 2006



GDP Distribution by economic activity
in 2011



“Services” occupied 38% share in GDP in 2011 with heavy dependency on the “Trade” and “Transport & Communication” Sectors. “Hotel & Restaurant” sector which benefited from tourism and infrastructure development maintained high growth rate. In general, the economic growth is driven by the four pillars: agriculture, garment, tourism and construction.

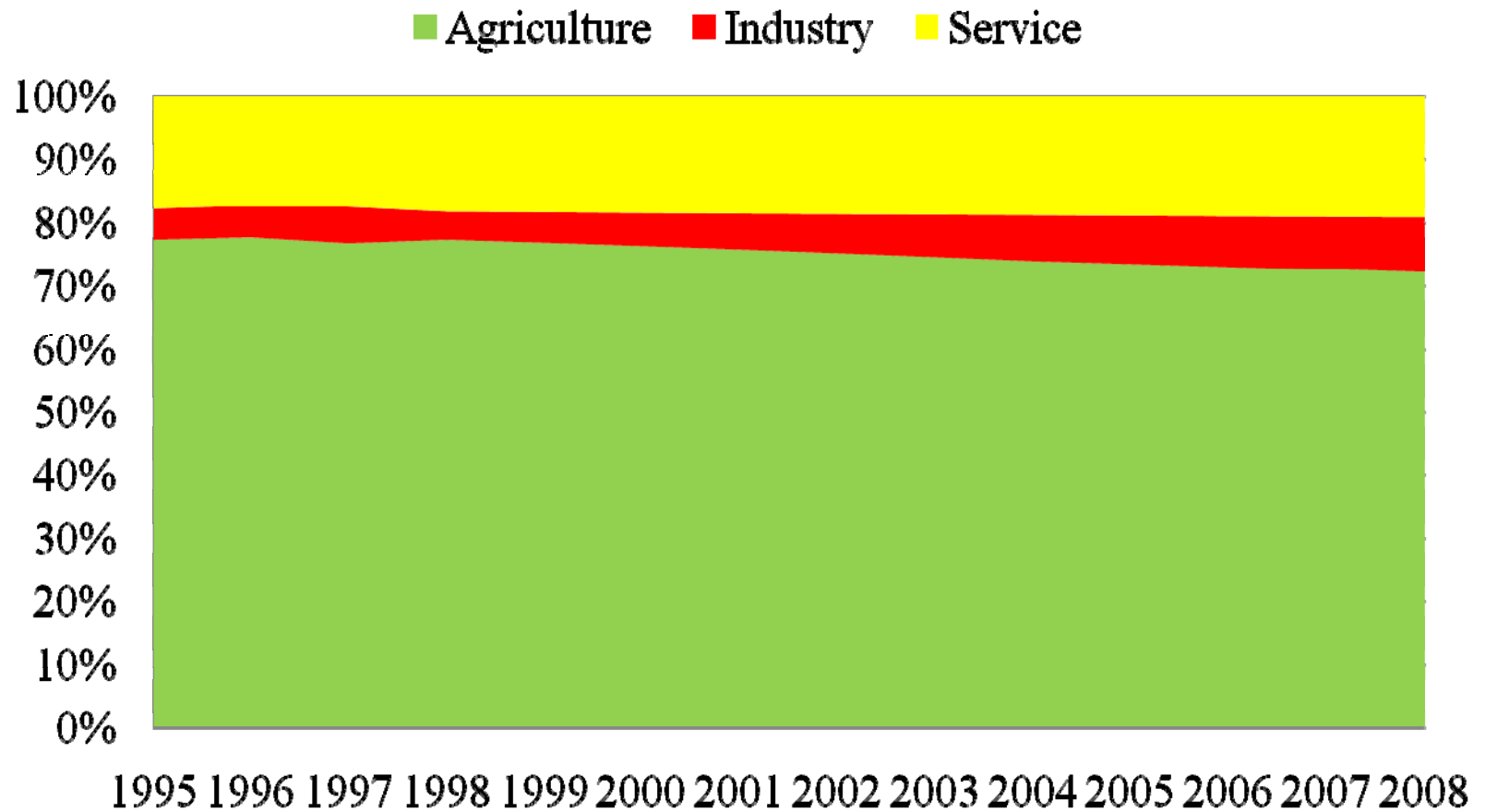
Macroeconomic Indicators

| | 2008 | 2009 | 2010 |
|---|--------------|--------------|--------------|
| GDP (nominal, in \$ million) | 10,337 | 10,335 | 11,218 |
| GDP (per capita, in \$) | 773 | 737 | 788 |
| GDP (Growth rate) | 6.7% | 0.1% | 5.5% |
| Agriculture | 5.7% | 5.4% | 4.0% |
| Industry | 4.0% | -9.5% | 14.0% |
| Service | 9.0% | 2.3% | 2.3% |
| Budget revenue (% GDP) | 13.3% | 11.9% | 12.8% |
| Budget expenditure (% GDP) | 15.9% | 20.5% | 16.8% |
| Overall deficit (% GDP) | -2.9% | -6.4% | -6.0% |
| Inflation (average) | 19.7% | -0.6% | 4.0% |
| Gross Foreign Reserves (\$ million) | 2,164 | 2,367 | 2,700 |

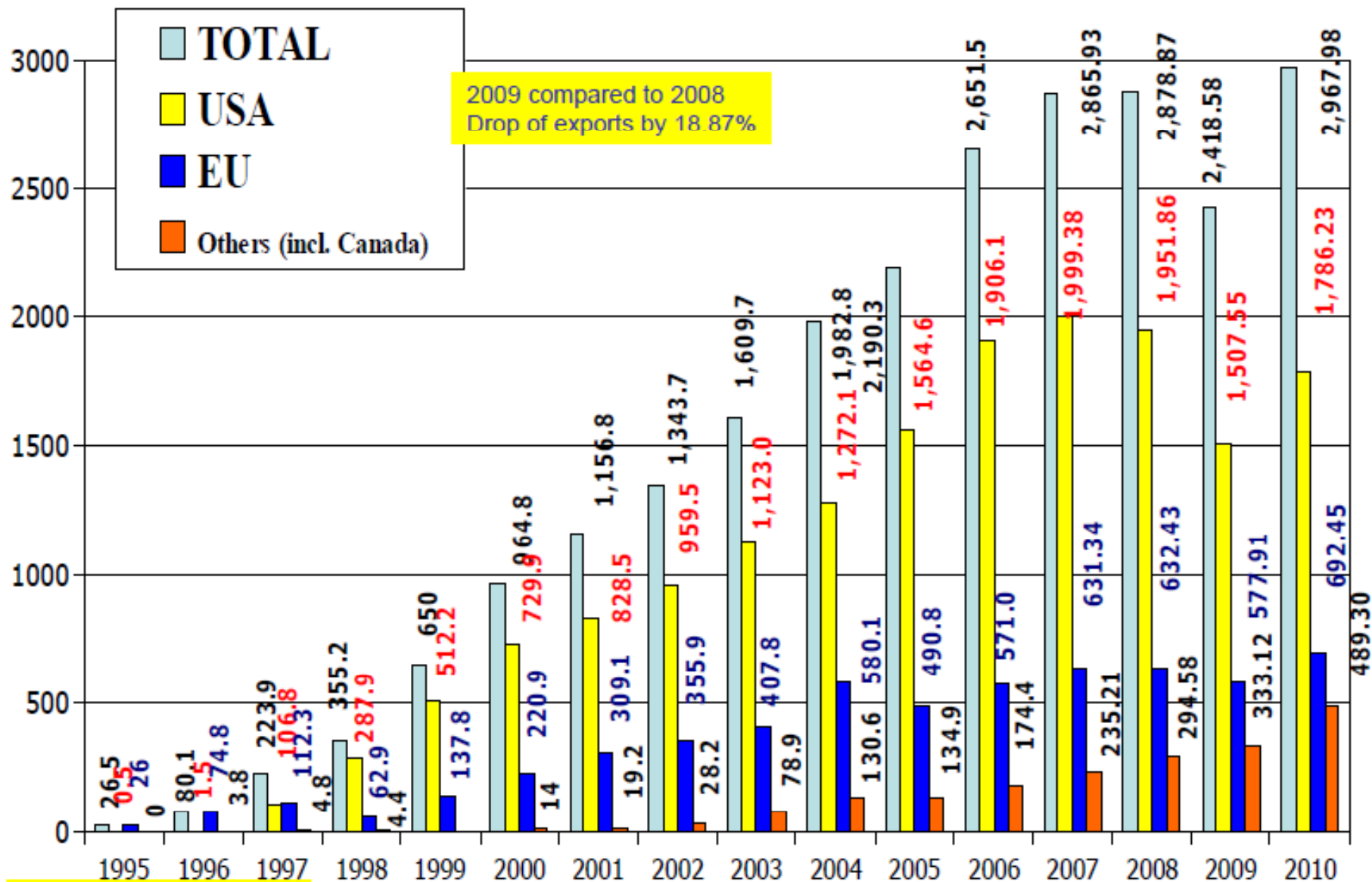
AGRICULTURE

- Agriculture grew 4% in 2010, compared to 5.4% in 2009 contributing to 1.5% of economic growth;
- **Paddy rice** production amounted to 7.9 million tons (paddy rice surplus of 3.8 million tons or equivalent to 2.4 million tons of milled rice).
- Rice exports increased 45% in the first 11 months of 2010 to US\$27.5 million;
- The increase was due to the EU's "Everything But Arms" initiative (import quotas were cancelled and exempted from import tax);
- **Rubber** production grew rapidly, driven by high prices. The cultivated area increased to around 170,000 hectares, of which 35,300 ha are mature; Rubber production amounts to 46,000 tons;
- Cambodia's potential for rubber production: 250,000 tons;
- The prices of rubber increased from \$1,000 in 2009 to \$4,500 at present.

Sources of job creation

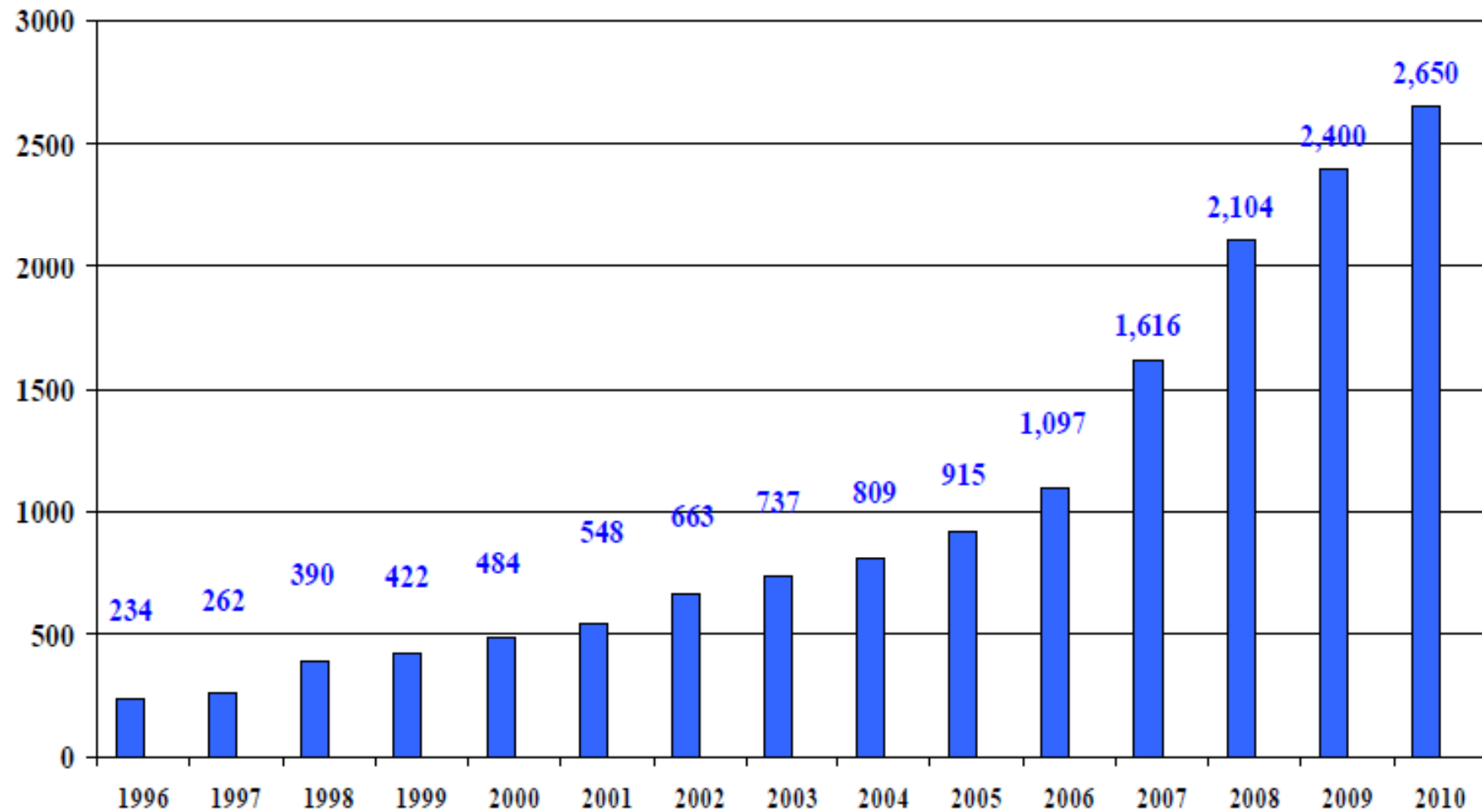


Garment and Textile Exports (\$ million)



Source: MOC as of January 15, 2011

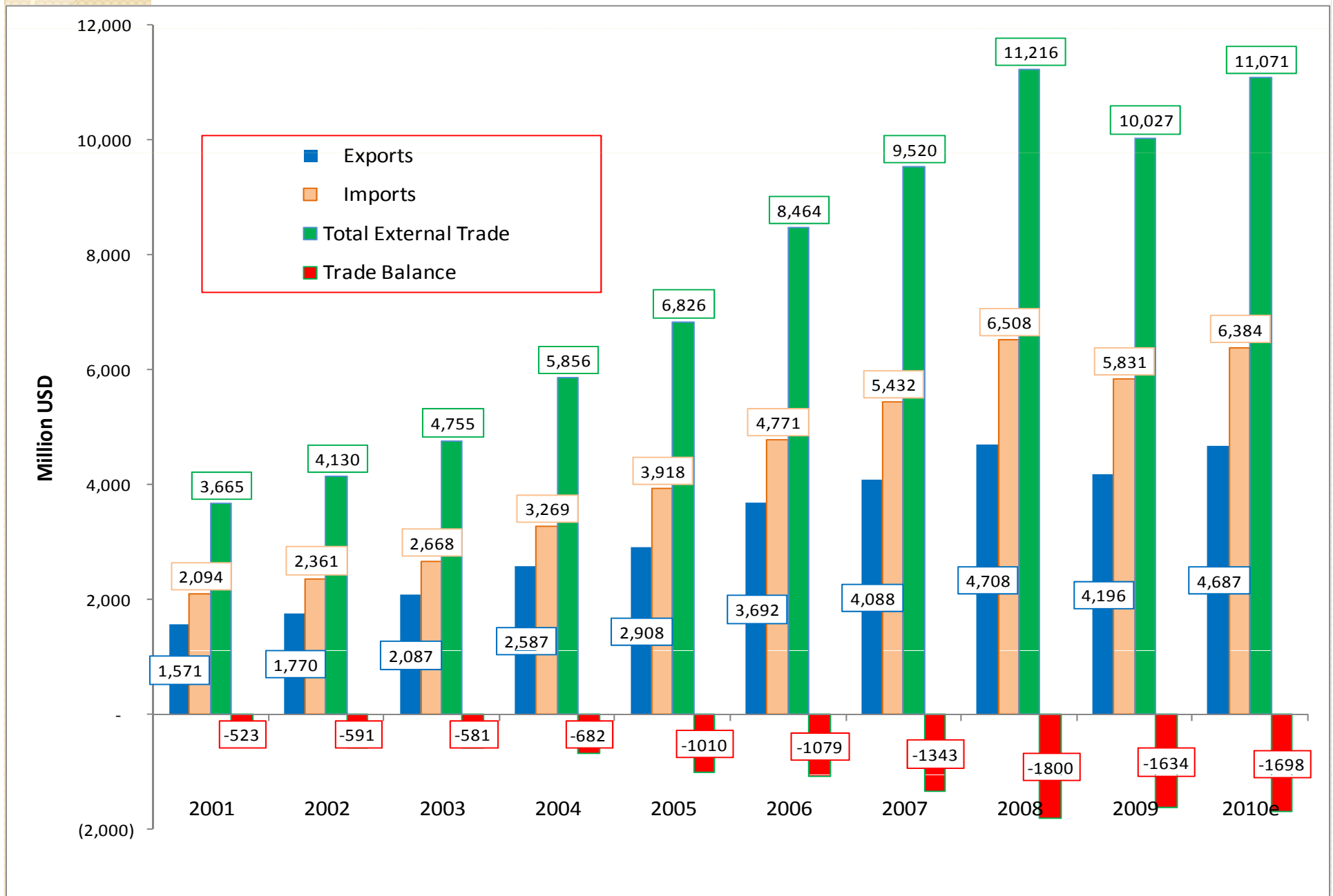
Cambodia's Gross Foreign Exchange Reserves



US\$ million

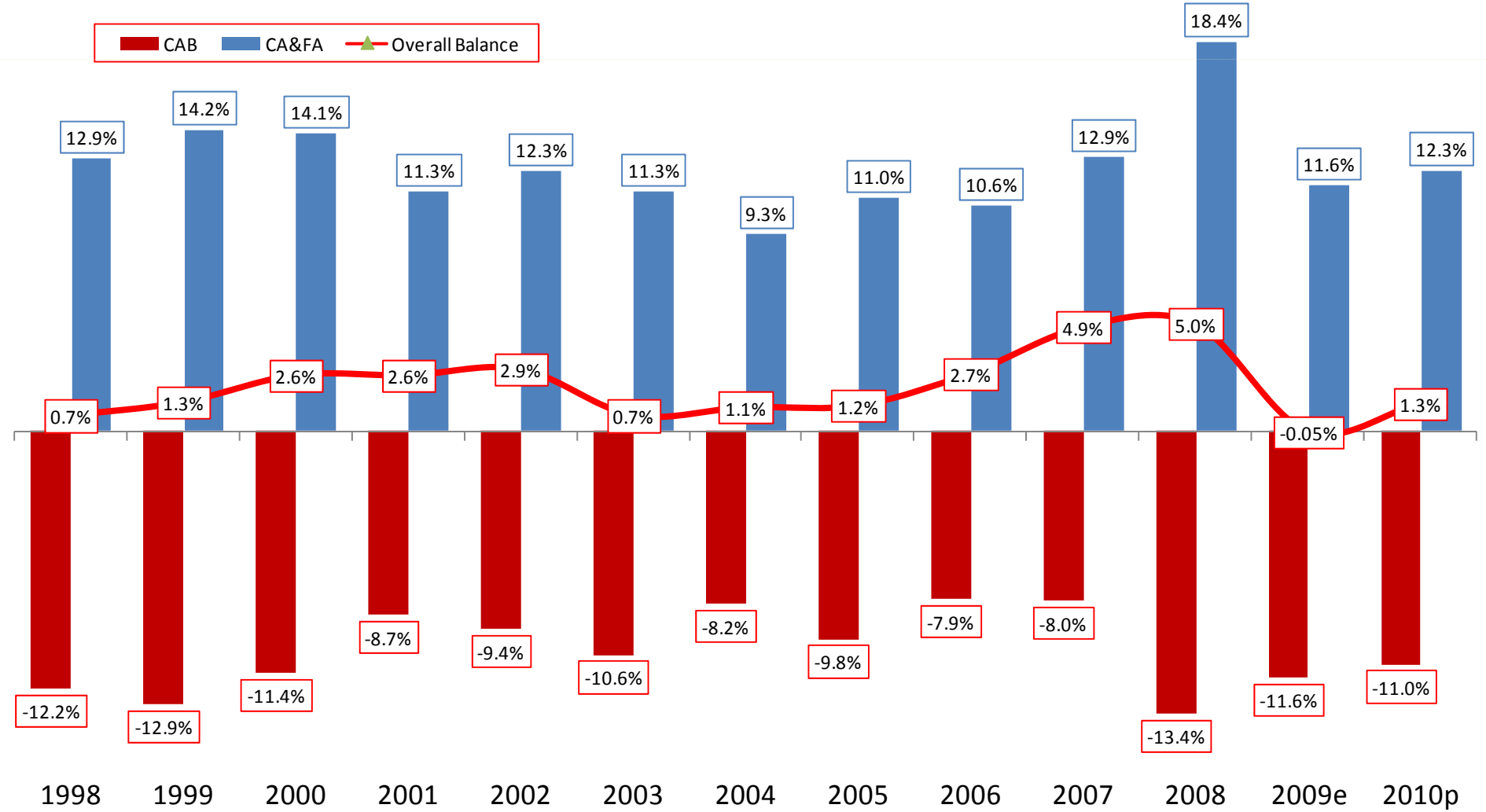
= 6.9 months of imports in 2010

External Trade, 2001-2010



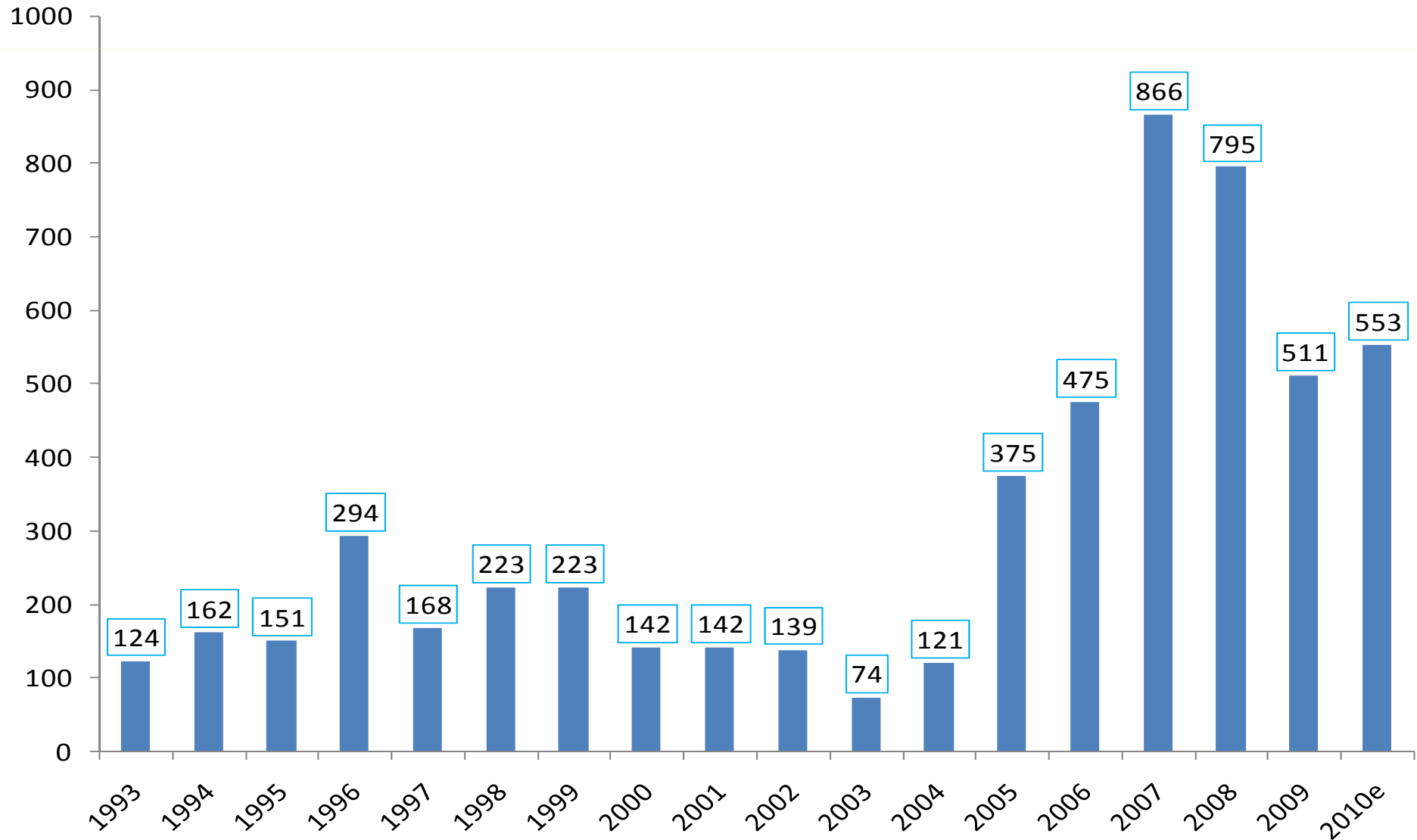
Balance of Payments

BOP (% of GDP)



Foreign Direct Investments (Million US\$)

FDI disbursement (million USD)

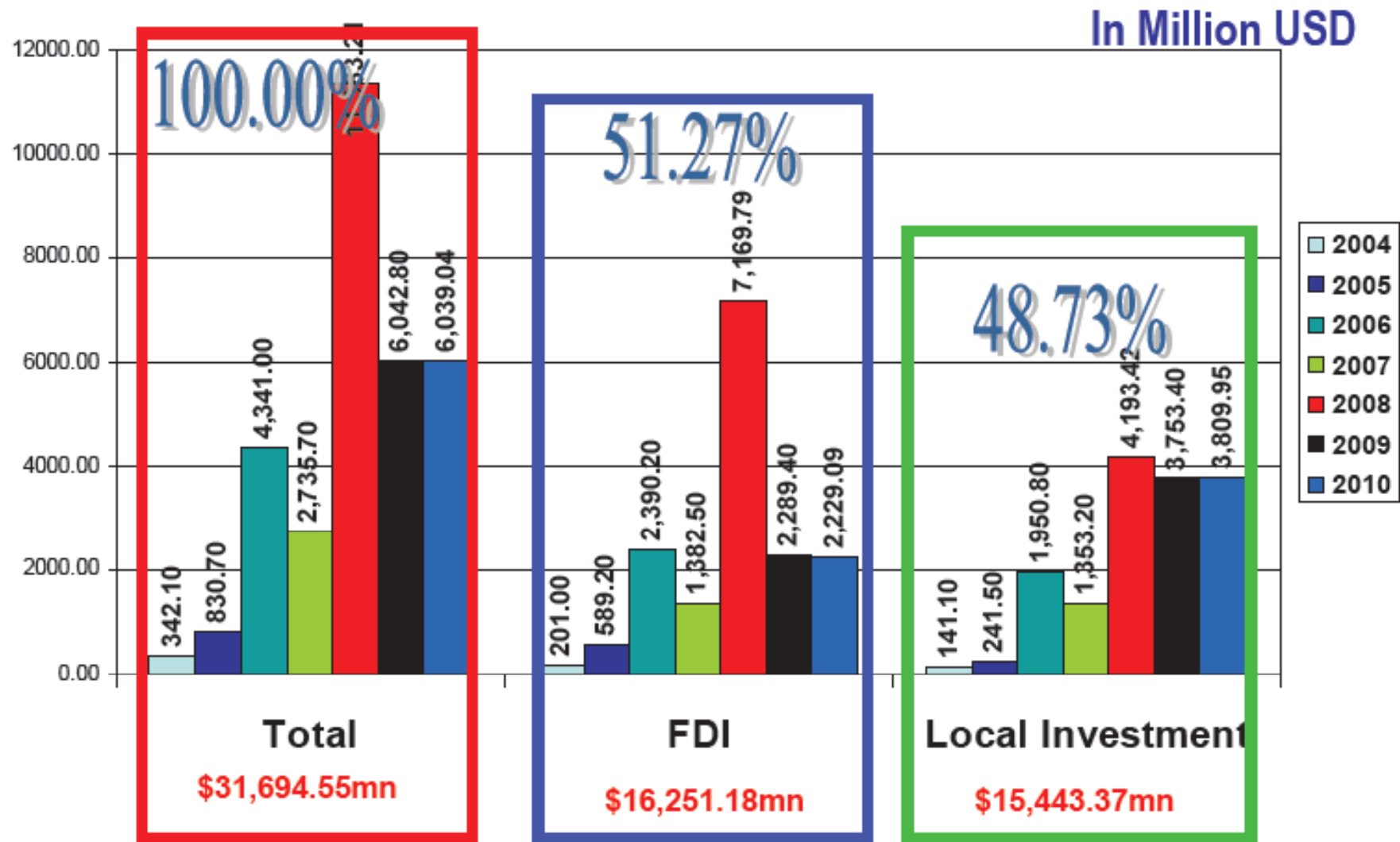




Four key-factors to induce FDI in Cambodia

- Political Stability
- Macro-economic Stability
- Sound, Transparent and Predictable Legal Framework
- Access to Key World Markets through Trade Preferences such as Most Favored Nation status

Total investment in Cambodia by local and foreign investors



Source: CDC January 2011

Concluding Remarks

- Green growth strategies are compatible with Cambodia's economic fundamentals and their adoption will make Cambodia a strong force in the region.
- Green growth strategies can improve our access to clean water and sanitation, renewable energy, information and knowledge, means for better mobility, finance and investments, food security (agriculture) and non - chemical products and sustainable land - use.
- Prosperity is not due to resource endowments, and poverty is not due to the lack of resource endowments. Prosperity and poverty are the outcome of policy choices. A unique blend of both vision and action on green growth may enable Cambodia to achieve rapid economic transformation.