Unofficial Translation

Kingdom of Cambodia

Nation Religion King

Royal Government of Cambodia

The Medium-Term Fiscal Framework 2025-2027

"Ensuring Fiscal Sustainability to Strengthen Resilience and Promote Economic Growth Towards Vision 2050"

April 2024

Contents

1. Introduction

Under the umbrella of full peace for more than two decades, Cambodia has enjoyed its independence, social order, security, safety and political stability as well as the macroeconomic and financial stability. As a result, Cambodia has reached another level of development with solid economic foundation for socio-economic development and improvement of people's livelihoods nationwide. During the building process, Cambodia has adopted a market economy system through **1). Continuous opening of international trade** based on multilateralism as well as market and products diversification by strengthening and expanding economic integration and enhancing regional connectivity; **2). Promoting and further attracting foreign direct investment (FDI)** by enhancing business and investment climate; **3). Strengthening and rehabilitating physical infrastructures** such as road, water, and electricity to promote connectivity and competitiveness; **4). Continuously developing and promoting human capital** to participate in economic activities and increase productivity; and **5). Reforming institution and governance** in a timely manner to ensure efficient and effective management of political and economic systems, especially the public financial and banking systems. In fact, up to the early 6th Legislature of the National Assembly (pre-COVID-19 pandemic), Cambodia achieved robust economic growth of around 8% on average annually (newly rebased Gross Domestic Product, base year 2014), which contributed to creating more jobs for people, improving their livelihood and income, reducing poverty as well as establishing more resilient socio-economic foundation. Unfortunately, half-way through the 6th legislative from 2020, similar to other countries in the world, Cambodia was hit hard by the COVID-19 pandemic, a serious global health crisis, which affected the socio-economic development and left its scarring effects up to now. Nonetheless, under the intellectual and wise leadership of **Samdech Akka Moha Sena Padei Techo HUN SEN, the former Prime Minister of the Kingdom of Cambodia**, the Royal Government of Cambodia (RGC) successfully won the battlefield by one hand fully containing the spread of COVID-19; and the other keeping businesses and economic activities afloat, maintaining the livelihoods of workers and poor and vulnerable people and bringing Cambodia's economy back on a recovery path. Thus, Cambodia's socio-economic activities have returned to its new normal after the country's full reopening in late 2021, and the economy has continued to recover despite subsequent occurrence of various global crises.

In the 7th Legislature of National Assembly, under the wise and energetic leadership of **Samdech Moha Borvor Thipadei HUN MANET, Prime Minister of the Kingdom of Cambodia**, based on the spirit of **"Keep Old Achievements, Establish New Ones"** and **"Think Globally and Act Locally"**, the RGC continues to address various challenges to proactively adapt and respond to global and regional socio-economic situations, and most importantly, to embrace the opportunities opened up by the rapid changes of global socio-economic architecture. In this regard, the RGC has launched the "**Pentagonal Strategy-Phase I"** for **Growth, Employment, Equity, Efficiency,** and **Sustainability** and adopted **5 key priorities: People, Road, Water, Electricity,** and **Technology.**

In the spirit to maintain the strong economic growth and establish additional achievements, the launch and implementation of prudential and predictable Fiscal Policy to ensure fiscal sustainability is indispensable. In this spirit, the RGC will put in place the **Medium-Term Fiscal Framework,** which lays out *Medium-Term Macroeconomic and Fiscal Forecasts, Fiscal Strategy, Fiscal Policy Stance,* and *Fiscal Rules*.

The **"Medium-Term Fiscal Framework (MTFF) 2025-2027"** is prepared as a three-year rolling plan, in which the budget ceiling for 2025 (Year 1) will be used as part of the formulation of 2025 Budget Law, while the projected ceilings for 2026 (Year 2) and 2027 (Year 3) will be subjected to revision in accordance with evolving domestic socio-economic development and external environment. This framework will be used as the foundation for the preparation of **"Medium-Term Budget Framework (MTBF) 2025-2027"** and the "**Draft Law on Financial Management 2025"**.

In the medium-term, Cambodia will still be on the path of recovery and growth restoration after repeated repercussions from previous crises in the past years. The growth will not return to its potential path just yet although there is improvement in global and regional political and socio-economic conditions. At this stage, the economic outlook is assessed based on the assumption that socio-economic situation of Cambodia's major partners will be positively improved and the political tension and other crises will be subsided, while deep reform efforts are yielding fruits, thus bringing about positive spillover on Cambodia's macroeconomic and fiscal framework. On this basis, Cambodia's growth is projected to grow approximately by **6.3%** in 2025 and **6.6%** for 2026-2027. Nonetheless, global, regional and domestic risks and uncertainties are looming large that could undermine the realization of the above projection and framework.

In fact, it is not practical for Cambodia to be prepared and have all policy measures in hand for every possible scenarios given the rapidly evolving and highly uncertain global situation beyond Cambodia's control. In this sense, the **Fiscal Framework** adopts **2 Approaches** in parallel in order to manage the situation. On one hand, Cambodia will regularly monitor, study, and evaluate both external and internal development to capture the pulse of the economy and society and put forth necessary measures proactively and timely to effectively respond to the immediate challenges and risks occurred in maintaining macrofinancial stability as well as livelihood of people. On the other hand, the RGC will take bold action and put forth specific and targeted measures to address existing barriers or bottlenecks to enhance competitiveness and strengthen resilience to attract more investments and boost economic activities in general.

It is important to note that the **MTFF 2025-2027** is prepared based on newly rebased National Account by using 2014 as the new base year to calculate Gross Domestic Product (GDP). The rebasing has resulted in expansion of economic size and change in economic structure, which in return affects key macroeconomic indicators and sectoral indicators indicating as ratio to GDP including those in fiscal, external, and monetary sectors.

The official launch of the **MTFF 2025-2027** is in line with the Public Financial System Law and is a part of the Public Financial Management Reform Program, which is currently at its 4th Phase, **"Performance Accountability" (2021-2025),** with the objectives to: **(1).** Support the budget-policy linkage; **(2).** Strengthen the efficiency of budget allocation; and **(3).** Ensure macroeconomic stability and fiscal sustainability. Additionally, the framework is also aligned with **Budget System Reform Strategy (BSRS) 2018-2025**, whose objective is to strengthen budget discipline at all stages from budget planning to budget execution by linking budget to priority policies and allocating budget based on performance. It consists of 3 key elements: (1). Medium-Term Fiscal Framework; (2). Medium-Term Budget Framework; and (3). Medium-Term Performance Framework (performance-based budgeting).

2. Macroeconomic Policy Framework

2.1. Global Economy

In recent years, the global economy has been continuously hit by multiple shocks including the Covid-19 crisis, Russia-Ukraine war and Israel-Hamas conflicts. Besides, global economy has been hampered by high inflationary pressure and tightened monetary policy. As a result, global economy's growth was decelerated to 3.2% in 2023, based on International Monetary Fund's (IMF) assessment.

For 2024, the global economy is projected to grow at the same level as previous year at 3.2% on account of multiple sequential shocks. The shocks have put great pressure on global growth, while growth is divergent across regions/countries depending on context, economic condition and policy intervention and its effectiveness. Even so, developed economies may experience slow growth compared to emerging and developing economies.

Table 1: Global and Regional Economic Growth

	Global Economy	Advanced Economy	Emerging Market and Developing Economies	United States	Euro Area	United Kingdom	Japan	China	ASEAN-5
2022	3.5	2.6	4.1	1.9	3.4	4.3	1.0	3.0	5.5
2023	3.2	1.6	4.3	2.5	0.4	0.1	1.9	5.2	4.1
2024	**3.2**	**1.7**	**4.1**	**2.7**	**0.8**	**0.5**	**0.9**	**4.6**	**4.5**
2025	**3.2**	**1.8**	**4.2**	**1.9**	**1.5**	**1.5**	**1.0**	**4.1**	**4.6**
2026	**3.2**	**1.8**	**4.1**	**2.0**	**1.4**	**1.7**	**0.8**	**3.8**	**4.6**
2027	**3.1**	**1.7**	**4.0**	**2.1**	**1.3**	**1.7**	**0.6**	**3.6**	**4.6**

Source: IMF's World Economic Outlook, April 2024

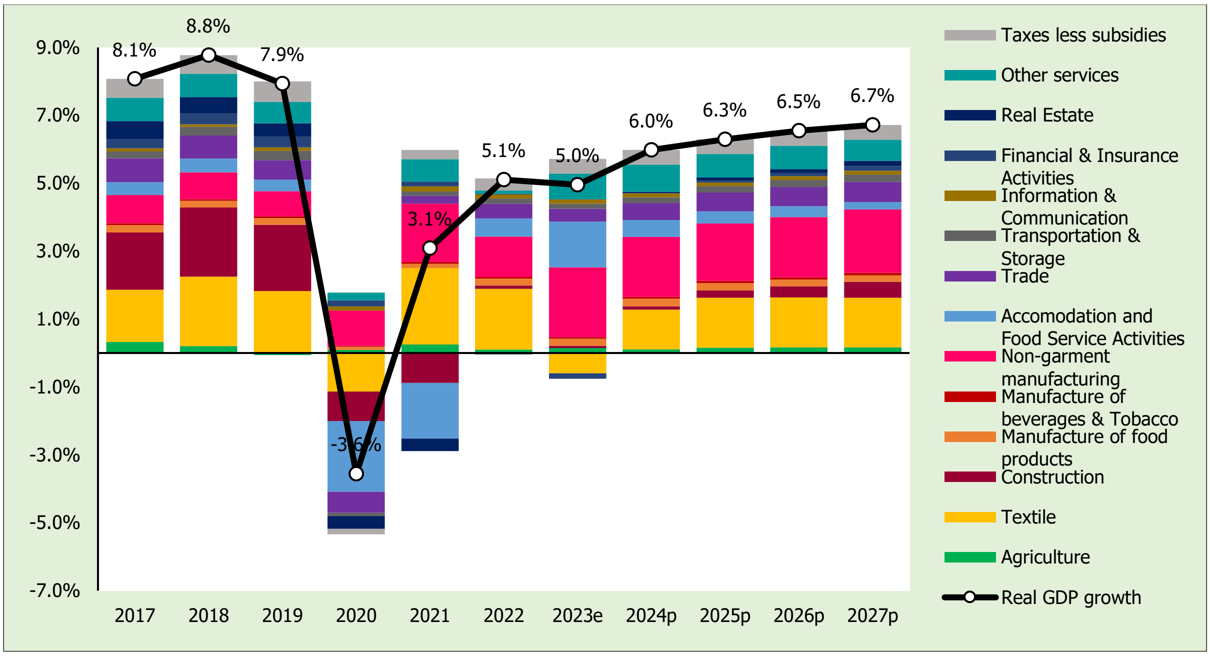
Nevertheless, in the short and medium term, the global economy is still surrounded by risks and uncertainties including: (1). geopolitical tensions including Russia-Ukraine war and Red Sea conflict, which could disrupt global supply chain; (2). geo-economic fragmentation; (3). commodity price hike resulted from geopolitical tensions; (4). slow global growth, especially China; (5). public debt distress and (6). climate change and natural disasters. However, given the prolonged period of monetary policy tightening, inflationary pressure especially in advanced economies is expected to subside gradually and interest rate is going to return to its target level of 2% in 2025, which could in turn boost consumptions and investments. **In the medium-term (2025-2027), the global economy is projected to grow around 3.2% with the expectation that shocks gradually die out and global inflation returns to its normal level.**

2.2. Cambodia's Economy

A. Economic Performance in 2023 and 2024 Outlook

Cambodia's economy was estimated to grow by 5.0% in 2023, almost similar to growth in 2022 of 5.1%. This growth was mainly supported by strong momentum of non-garment sector performance and continuous recovery of accommodation and food service (Tourism Sector) as well as other supporting sectors, despite decline in garment sector given softened external demands. It should be noted that the continuous implementation of RGC's socio-economic interventions has significantly contributed to maintaining livelihood of people and stabilizing business activities, which are fundamental for maintaining socio-economic stability.

Figure 1: GDP Growth in 2017-2027



Source: National Institute of Statistics (2017-2022) and Ministry of Economy and Finance's Projection (2023-2027)

Cambodia's economy in 2024 is estimated to rebound to 6.0% on the back of improved global economy, especially Cambodia's key trading partners, and stabilized domestic economic activities. Strengthening implementation of various policies and strategies, especially accelerating the implementation of **"Pentagonal Strategy-Phase I"** and other priority policies, along with continuity of strengthening comprehensive reforms over the past years on existing and emerging potential growth drivers including SMEs investment, digital and green infrastructure, will significantly contribute to generating value-add in the economy.

Industry Sector

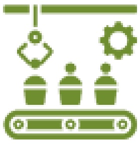
The industry sector was assessed to grow softly by 4.3% in 2023 from 8.2% in 2022 due to contraction of garment sector and subdued performance of construction sector though it's partly offset by strong growth momentum of non-garment manufacturing for export, food, beverage and tobacco sector. In 2024, the industry sector is estimated to bounce back to 7.9% due to gradual recovery of garment sector, while non-garment manufacturing is robustly growing.

The garment performance contracted by -3.5% in 2023 since external demand was slower-than-anticipated especially in Cambodia's key trading partners such as United States and European Union with the existence of Russia-Ukraine war. For 2024, the garment subsector is going to rebound to

7.5% given gradual recovery in global demand, following the ease of global inflationary pressure.

The non-garment manufacturing outperformed the garment sector with solid growth of 17.0% in 2023, supported by robust external demand and growing domestic manufacturing industry, especially electrical components, vehicle assembly and food and beverage. In 2024, this subsector is expected to perform relatively strong with the growth of 13.0% as external demand is perceived to be strong for the non-garment manufacturing products, while extra effort in export diversification is exerted, together with ongoing government's policies to support small and medium enterprises (SMEs). Additionally, export-oriented products (furniture, tires, electrical components, and solar) are expected to uphold its momentum, especially to markets in the US, China, ASEAN, etc. Meanwhile, the domestic supply industry is expanding, particularly food processing and vehicle assembly. According to consultation with a vehicle assembly firm, the company planned to assemble new vehicles of approximately 6000-7000 units in 2024, almost double the last-year's production of roughly 4000 units. Meanwhile, the firm also planned to recruit more workers and expand its operation capacity in this 2nd year. In this respect, the government has also introduced series of policies and regulations such as the **"Investment Law of Cambodia"** to improve investment opportunities, enhance country's competitiveness as well as implement bold measures to facilitate and resolve inter-institutional and other structural challenges to promote domestic production.

The construction remained subdued with growth rate of 0.7% in 2023 due to continued slowdown of construction activities in the high-end segment, including condominium and serviced apartment and constructions for commercial- and tourism-associated purposes, together with less activities of low-end and affordable residential segment. The high-end segment remained subdued given its heavy reliance on foreign investment inflows. Likewise, the low-end and affordable residential segment, which is the fundamental pillar of the subsector, performed softly, mainly attributed to continued weak demand and housing developers' cashflow problem. However, other construction segments such as prime high street retails as well as industrial- and service-serving constructions remained active and helped offset the sluggish growth of other segments. In 2024, the subsector is seen to softly grow by 1.1%, supported by continued construction activities in the low-end and affordable residential segment and expected gradual recovery of foreign investment inflow in tandem with improved global economic outlook. It is worth noting that the growth outlook of the subsector would not reach the pre-pandemic level any time soon as it is more relying on real demand, not speculations. The introductions of the 8 intervention measures and additional measures during the 19th Government-Private Sector Forum have been contributing to keep real estate-related businesses afloat and allow them to continue their constructing activities in this critical situation.



The manufactures of food & beverages and tobacco performed quite well with growth rates of 7.3% and 6.8% in 2023, respectively. It's supported by continued recovery of tourism sector and convening of various national events and festivals. These two subsectors are expected to grow at the same rates of 7.7% in 2024, on the back of SME supporting policies, a new trend of shopping at eating at convenience stores and outlets and eating at restaurants, as well as changing behavior of consuming more healthy beverages. To promote the development of these sectors, the RGC established SME Bank to provide financing to priority sectors with highly concessioned condition and rate. Meanwhile, the Skills Development Fund (SDF) and Entrepreneurship Development Fund (EDF) were also introduced to strengthen productivity by improving skill quality and addressing supply-demand mismatch issue as well as creating necessary ecosystems for SME development. Furthermore, the population growth and income increase (domestic market) and strengthening the implementation of various SME-supporting policies will attract more foreign direct investments (FDI) and facilitate development and compliance of SMEs and productivity improvement.

Service Sector

The service sector grew robustly at the rate of 7.2% in 2023, mainly attributed to continued recovery of accommodation and food services subsector and other tourism-related activities and wholesale and retail subsector. For 2024, the sector is expected to steadily grow by 5.8%, anchored by strong momentum of tourism-related activities regardless of subdued real estate performance.

The accommodation and food service significantly soared to 47.5% in 2023 from the low base of contracted growth for two consecutive years in 2020 and 2021. It should be noted that the growth momentum is supported by an immense increase in tourist arrivals, both international and domestic tourists as a result of: (1). restored travel confidence to Cambodia; (2). removal of barriers and restriction within the country, globally, and regionally; and (3). celebration of the SEA Games and ASEAN Para Games in 2023. In 2024, the sub-sector is still seen on the solid growth path of 12.6% due to expected continued influx of international and domestic tourists. The growth has been attributed to ongoing efforts to promote Cambodia as the world destination; increase in direct flight connections from more destination countries; and collaboration of various relevant ministries and private institutions to develop tourism strategies to overcome existing and future challenges. Simultaneously, the RGC continues to promote tourism development by launching a special program called **"Visit Siem Reap 2024"** to boost tourism activities in Siem Reap; establishing inter-institutional mechanism in form of **"Tourism Council"** by involving relevant public and private institutions to address immediate challenges; continuing to develop necessary tourism infrastructures; creating new demands; enhancing servicing capacity to meet future demands; and promoting tourism revolution as well as implementing tourism development master plans in key provinces.

The real estate maintained the same performance as last year with no growth (0%) in 2023 due to the continued subdued real estate activities. However, in 2024, the subsector is estimate to achieve slow growth at 1.2%. The activities in the high-end segment, especially condominium, have continued its weak performance due to its heavy reliance on external demand. However, the overall real estate performance has continuously been supported by retail mall rental activities. In line with construction subsector, the recent introduction of various intervention measures to support this subsector has refrained it from collapsing, gotten them back on their feet and slowly brought it on recovery path, in tandem with economic trend.

The wholesale and retail moderately grew by 4.0% in 2023 given the fact that imports and domestic selling activities, especially, those of luxurious products such as cars, substantially slowed down, in line with declining purchasing power. However, the slowdown was partly offset by domestic consumption of other necessary products including food and beverage, boosted by strongly recovered tourism subsector and celebration of national and international events. In 2024, the subsector gradually rebound to 5.3% with the anticipated increase in domestic consumption, tourism activities, digital payment usage, e-commerce and implementation of supporting policies.

The transportation and storage was assessed to grow by 4.7% in 2023 provided that tourism and other supported services activities recovered quickly, together with growing domestic logistics services such as express services and last-mile delivery. The transport and storage subsector is projected to grow at 5.2% in 2024, backed by increase in transport and logistics services given rebound of garment and non-garment manufacturing and tourism activities…etc. The RGC will continue promoting joint inspections at border checkpoint to facilitate goods trading and people movement, further develop port data exchange systems and make adjustment to reduce documentation and shipping costs, continue expanding container yard capacity, improve and modernize Sihanoukville Autonomous Port, and promote the implementation of "Comprehensive Master Plan on Cambodia Intermodal Transport and Logistics System 2023-2033".

The information and communication was estimated to maintain its strong growth of 9.0% in 2023, indicated by continued increase in internet subscribers and internet data usage after installation of additional cellular towers, along with celebration of SEA Games and ASEAN Para Games events. In 2024, this subsector is seen to solidly perform by growing at 8.0%, supported by expected increase of internet subscribers and size of internet usage, installment of additional cellular towers, extension of mobile and internet network coverage and newly emerging technology solutions, which will generate additional value-add for this subsector. Besides, RGC also introduced a number of supporting policies including "Cambodia Financial Technology Development Policy 2023-2028", "Cambodia Digital Government

Policy 2022-2035" and "Cambodia Digital Economy and Society Policy Framework 2021-2035".

The financial and insurance activities were hid by tightened monetary policy in developed countries particularly the US and global investment turmoil, pushing the whole subsector to contract its growth by -4.0% in 2023. It was reflected in declining profit of banking sector amidst weak borrowing demand and higher cost of borrowing although the insurance activities landed in positive growth territory. In 2024, the subsector is expected to bounce back to positive zone at the rate of 0.1%, with anticipated gradual reduction of borrowing costs as monetary policy starts to ease.

Agriculture Sector

The agriculture was expected to grow by 0.9% in 2023, thanks to good performance of crops, livestock and poultry subsectors. In 2024, the sector is set to land on lower growth of 0.7% with the anticipation of weak livestock and poultry performance although it's partly offset by good prospect of crops and fisheries subsectors.

The Crops subsector grew solidly at 1.3% in 2023 due to increasing production of paddy and subsidiary and industrial crops, especially cassava and rubber, on the back of high price of agricultural products. In 2024, the crop subsector is perceived to perform even better with growth of 1.6%, aligned with expected improvement of Cambodia's export outlook for both goods (garment and non-garment products) and services (tourism), and government's support in agriculture development in the form of financing and other technical supports.

Livestock and Poultry subsector grew at slower pace at 0.9% in 2023 on the account of weak production sentiment resulted from shrunk profit given high production cost and bulk import of frozen meats. In 2024, as a result of perceived low or almost no profit, the growth is expected to contract by -2.0%, for some producers already started cutting down production since the second half of 2023. However, the recent introduction of measure to temporarily halt the imports of illegal frozen meats could be upside risk for the subsector.

Fisheries subsector picked up slowly at 0.1% in 2023 and further grow to 0.2% in 2024, mainly attributed to recovery in inland fisheries after law enforcement on illegal fishing starts yielding fruits, while aquaculture production is still dragged by structural challenges.

■ Inflation and Exchange rate

Inflation decelerated to 2.1% in 2023 from 5.3% in 2022, driven by slowdown in global commodity prices, particularly oil. In 2023, **the exchange rate** depreciated to around 4,100 riels/dollar given US dollar appreciation against many currencies including Khmer Riel after announcement of Fed's monetary policy tightening. In 2024, inflation is expected to accelerate to 2.7% with the prospect of gradual global economic recovery, while global commodity price is stabilized. The exchange rate is expected to land around 4,083 riels/dollar in 2024 as the Fed is anticipated to gradually ease its monetary policy, along with NBC's policy measures to maintain exchange rate stability.

■ External Sector

The current account (including transfer) was in a surplus position as the first-time surprise for Cambodia, landed at 1.3% of GDP in 2023, compared to -18.9% of GDP last year as imports significantly shrank due to sharp decline in imports of gold, production materials, and vehicles, while exports managed to grow positively with strong export of non-garment manufacturing and agricultural products regardless of contraction of garment products export. Additionally, the foreign earnings from international tourist arrivals significantly improved given continued recovery of tourism subsector and related services. FDI inflows stood strong at around $3,959 million (roughly 9.2% of GDP), an increase of 10.6% compared to 2022. The inflow was mainly driven by investments in non-garment manufacturing industries such as tires, solar panels, packaging, food processing, cans, metallic… etc. Similarly, investment in financial sector was seen to be in robust position. As a result, the international reserves accumulated around $19,998 million, equivalent to about 8.2 months of total imports.

For 2024, the current account (including transfer) is expected to revert back to its deficit territory of about -1.5% of GDP, on the back of imports recovery. In parallel, exports are expected to improve given continuous strong momentum of non-garment manufacturing and recovery of garment subsector. Meanwhile, in service account, foreign earnings from international tourists will continue to bounce back amidst the full restoration of travel confidence and introduced government policies including **"Visit Siem Reap 2024"**. FDI inflows are expected to reach about $4,250 million (roughly 9.0% of GDP) due to favorable investment incentives in the potential sectors. The international reserve is expected to land at $22,303 million, equivalent to about 8.0 months of imports.

B. The Medium-Term Economic Outlook 2025-2027

In the medium term of 2025-2027, Cambodia's economy is projected to grow with an average rate of 6.5%. In 2025, the economic growth will be expanded by 6.3% with the expectations of strong global demand, restored investor confidence and improved global financial condition. Meanwhile, strengthening implementation of the **"Pentagon Strategy - Phase I"** and RGC's strong commitment for deeper reforms will play an important role in addressing the intertwined structural problems to promote economic growth through building human capital, strengthening private sector and business governance, increasing productivity and promoting development of all kinds of infrastructures including digital infrastructure in unlocking new growth-driving sectors based on skills, technology and innovation.

The industry sector is projected to grow by 8.9% in average for 2025-2027. In 2025, the sector is forecast to accelerate by 8.25%, which will be supported by strong growth of garment and non-garment manufacturing activities despite subdued construction subsector. The garment subsector is expected to uphold similar growth trend like the pre-pandemic one, on the back of expected improvement in global demand as well as enhancement of domestic investment climate, competitiveness and labor productivity from the implementation of **"Cambodia Garment, Footwear and Travel Goods (GFT) Sector Development Strategy 2022-2027"**. Similarly, the non-garment manufacturing performance is projected to be robust given anticipated strong external demand to boost its export, while domestic industry is expected to accelerate due to continuous implementation of SME supporting policy in priority sectors. The manufacture of foods as well as beverages and tobacco subsectors are on the strong growth path. Nevertheless, construction subsector, especially those for tourism and commercial purposes, will revive slowly in line with gradual recovery of FDI inflows, while housing construction remains sluggish compared to pre-Covid-19 time. In medium term, this subsector is continuously supported by real housing demand due to demographic dividend factor, while constructions serving industrial purpose and commercial activities will play role as new growth driver for this subsector in short and medium term.

The service sector is forecasted to grow by 5.7% for the medium term 2025-2027, during which growth lands at **5.6% in 2025**, attributed to continuous recovery of accommodation and food services subsector and other supporting services regardless of weak real estate activities. The accommodation and food service subsector is still seen to grow quite well, bolstered by influx of international tourists and robust domestic tourism activities. The continuous implementation of **"Roadmap for Recovery of Cambodia Tourism During and Post COVID-19"**, **"Tourism Development Master Plan Siem Reap 2021-2035"**, **"Master Plan for Mondulkiri Tourism Development 2021-2035"** and **"Visit Siem Reap 2024"** will significantly contribute to recovery and boost the subsector growth. The real estate subsector is experiencing slower growth compared to pre-pandemic level as a result of expected sluggish recovery of FDI inflows, and low- and mid-priced real estate activities moderately grow to support the subsector. The wholesale and retail subsector is expected to continue its strong momentum, backed by improved spending activity and domestic demand. The transformation of way of doing business by employing digital technology will further enhance the subsector. The transportation and storage subsector perform robustly since logistics activities grow busier especially in the areas of Express Services and Last-Mile Deliveries. Meanwhile, the vision to develop transport infrastructures, including air, sea, and land through the **"Comprehensive Master Plan on Cambodia Intermodal Transport and Logistics System 2023-2033"** will play a significant role in further driving the growth of this subsector. The financial and insurance subsector continues to grow, supported by the continued modernization of financial system to better serve people's and businesses' needs. Plus, the implementation of **"Cambodia Financial Technology Development Policy 2023-2028"** and **"Financial Sector Development Strategy 2016-2025"** will play indispensable role in further promoting modernization and enhancement of bank and non-bank financial sectors. The information and communication subsector follows previous growth trend, on the present of continued surge in internet usage and provision of new technology solutions, on top of continued implementation of **"Cambodia Financial Technology Development Policy 2023-2028",**

"Cambodia Digital Government Policy 2022-2035" and **"Cambodia Digital Economy and Society Policy Framework 2021-2035"**, etc.

The agriculture sector is anticipated to grow with an average rate of 1.2% per annum in the medium term, **in which 2025 growth is forecasted at 1.1%,** supported by continued good prospect of crops and pickup of fisheries and livestock and poultry subsectors. Crops subsector is forecast to perform strongly with anticipated investment increase in agro-processing, improved external demand on the back of implementation of various FTAs (Cambodia-China FTA, Cambodia-Korea FTA, RCEP, etc.), increasing public investment and government's interventions in the forms of tax incentive on imported agricultural inputs, financing schemes as well as other supportive measures. Livestock and Poultry subsector will continue its recovery path with the existence of various government intervention measures and high agricultural commodity prices and restored production sentiment. Similarly, fisheries subsector is going to pick up, anchored by intervention measures by the RGC and development partners in applying strict law enforcement on illegal fishing, resolving structural issues as well as providing financing and technical supports in fisheries production.

Table 2: Cambodia's economic outlook by sector (2019-2027)

Growth (%)	2019	2020	2021	2022	2023e	2024p	2025p	2026p	2027p
GDP	**7.9**	**-3.6**	**3.1**	**5.1**	**5.0**	**6.0**	**6.3**	**6.5**	**6.7**
Agriculture	**-0.4**	**0.6**	**1.5**	**0.6**	**0.9**	**0.7**	**1.1**	**1.2**	**1.3**
Crop	0.6	0.9	2.2	1.1	1.3	1.6	1.6	1.7	1.8
Fisheries	-2.6	0.9	2.3	1.2	0.9	-2.0	0.3	0.5	0.6
Livestock and Poultry	-1.5	0.7	-1.0	-1.3	0.1	0.2	0.3	0.4	0.5
Industry	**13.0**	**-2.2**	**8.4**	**8.2**	**4.3**	**7.9**	**8.6**	**9.1**	**9.5**
Textile	12.9	-7.7	15.9	11.3	-3.5	7.5	9.4	9.1	8.8
Construction	18.7	-7.6	-8.0	0.9	0.7	1.1	2.5	4.0	5.8
Manufacture of Food Products	7.8	3.4	4.2	7.6	7.3	7.7	7.5	6.7	6.5
Manufacture of Beverage & Tobacco	7.7	4.4	7.9	5.6	6.8	7.7	8.4	8.9	9.4
Non-Garment Manufacturing	8.4	11.9	16.8	10.3	17.0	13.0	11.7	11.7	11.7
Service	**6.6**	**-6.7**	**-1.8**	**3.6**	**7.2**	**5.8**	**5.6**	**5.9**	**5.8**
Accommodation and Food Service Activities	5.5	-34.2	-39.5	22.0	47.5	12.6	8.4	7.3	5.1
Trade	5.7	-6.3	2.5	4.5	4.0	5.3	5.9	6.1	6.3
Transportation & Storage	8.4	-2.7	3.8	4.7	4.7	5.2	5.8	6.2	6.6
Information & Communication	9.8	11.5	12.0	9.0	9.0	8.0	7.5	7.5	7.5
Financial & Insurance Activities	7.9	4.3	3.2	-1.0	-4.0	0.1	1.5	2.8	4.2
Real Estate	8.7	-8.3	-8.5	0.5	0.0	1.2	2.8	3.7	4.9
Inflation	1.8	2.9	2.9	5.3	2.1	2.7	2.5	2.5	2.5
Exchange rate	4,052	4,077	4,068	4,087	4,110	4,083	4,069	4,056	4,054

Source: NIS (2019-2022) and MEF (2023-2027)

For 2025-2027, **the inflation** is projected to stood at 2.5% given strong momentum of domestic economy and normalization in global commodity price, while **the exchange rate** is anticipated to hover around 4,060 riels/dollar.

The current account (including transfer) is projected to stood at -3.7% of GDP in the medium term (2025-2027) due to narrowing trade deficit and favorable condition of foreign earnings. Export was projected to continue expanding on account of solid export performance of garment, non-garment and agricultural products. In parallel, import is expected to surge given increasing demand for intermediate inputs for productions, while domestic consumption is on upward swing. The FDI inflow is expected to reach approximately 8.6% of GDP with the improved business confidence and greater advancement in business environment, thanked to the introduction of **"Law on Investment of Cambodia"** and other supporting policies. The FDI inflow into Cambodia is anticipated to set on high value-added industries, especially in the non-garment manufacturing industry such as electrical components, vehicle assembly, solar, tires, food processing, etc. As a result, the international reserve is projected to remain high on average about 7.0 months of imports.

Table 3: Cambodia's external sector outlook (2019-2027)

Indicator	2019	2020	2021	2022	2023e	2024p	2025p	2026p	2027p
Export (million dollar)	14,986	18,522	19,521	23,179	23,564	25,845	29,385	33,226	37,569
Import (million dollar)	22,242	21,066	30,726	32,005	26,551	30,467	35,506	40,816	46,457
Trade balance (million dollar)	-7,255	-2,544	-11,257	-8,826	-2,986	-4,622	-6,122	-7,590	-8,888
Current account balance (million dollar)	-2,931	-881	-10,893	-7,582	553	-722	-1,336	-2,149	-2,957
FDI inflow (million dollar)	3,663	3,625	3,486	3,579	3,959	4,250	4,556	4,871	5,194
International reserve (million dollar)	18,763	21,334	20,265	17,805	19,998	22,303	24,423	26,604	28,576
Export (% of GDP)	40.8%	53.0%	52.7%	57.7%	54.7%	55.0%	57.2%	59.0%	60.9%
Import (% of GDP)	60.5%	60.3%	82.9%	79.7%	61.6%	64.8%	69.1%	72.5%	75.3%
Trade balance (% of GDP)	-19.7%	-7.3%	-30.4%	-22.0%	-6.9%	-9.8%	-11.9%	-13.5%	-14.4%
Current account balance (% of GDP)	-8.0%	-2.5%	-29.4%	-18.9%	1.3%	-1.5%	-2.6%	-3.8%	-4.8%
FDI (% of GDP)	10.0%	10.4%	9.4%	8.9%	9.2%	9.0%	8.9%	8.6%	8.4%
International reserve (months of imports)	8.8	13.4	7.4	6.1	8.2	8.0	7.5	7.2	6.8

Source: NBC (2019-2022) and MEF (2023-2027)

C. Macroeconomic Risks and Policy Direction

Cambodia is a small-opened economy, which is increasingly connected to regional and global production chains and whose economy is well exposed to external uncertainties. In this regard, in the medium term, Cambodia's economy is facing risks and uncertainties including:

1). Slow growth of global and China's economy;

2). Continued tightening of monetary policy;
3). Intensified geopolitical tensions causing further disruption on global supply chain and leading to surge in international commodity prices;
4). Geoeconomic fragmentation and trade tensions; and
5). Increasingly severe impacts from the climate change and natural disasters.

Along with the increase in external risks, Cambodia continues to be surrounded by several structural challenges:

1). Slow pace of economic diversification;
2). High cost of doing business;
3). Limited trade facilitation and the business environment;
4). Lack of skilled workforces;
5). Limited health and social protection systems; and
6). Limited digital adoption.

As a strategic policy direction, the RGC will continue to push for deeper and more systematic structural reforms and build stronger and more responsive economic and social resilience, focusing on six priorities as stipulated in the **"Pentagonal Strategy - Phase I"**, such as:

- **Development of human capital** through strengthening the quality of education, sports, science, technology; technical skills training; promoting health and people's well-being; strengthening social protection system and strengthening citizenship in a highly civilized, equitable and environmentally friendly society.
- **Economic diversification promotion and competitiveness enhancement** through development of key and emerging sources of economic growth; promoting connectivity and optimizing transport and logistics sectors, energy sector, water sector and digital sector; improving business and investment environment; strengthening the efficiency and attractiveness of special economic zones, industrial parks, agro-industrial parks and free trade zones; and innovating financing mechanisms and financial products to support investments.
- **Private sector and employment development** through labor market development; promotion of small and medium enterprises, new businesses, entrepreneurship and informal economic development; strengthening public-private partnerships; strengthening competition and market economy mechanisms to be more effective; and strengthening the banking and non-banking financial system.

- **Resilient, sustainable and environmental development** through expanding demographic dividends; strengthening demographic resilience and promoting gender equality; managing natural resources, culture and tourism sustainably; promoting agriculture and rural development; strengthening management and modernization of urbanization; and ensuring environmental sustainability and preparing for climate change as well as promoting a green economy.
- **Digital economic and social development** through building digital government and citizens; developing digital business, e-commerce, and digital innovation; building and developing digital infrastructure; building digital credibility; and developing financial technology.
- **Continued strengthening public administration** by continuing to reform public institutions, focusing on strengthening the capacity and efficiency of work; recruiting highly qualified officers to be responsible for key tasks; as well as promoting the responsibility and ownership of ministries and institutions to achieve a transparent, intelligent and highly capable public administration.

3. Fiscal Strategy

The MTFF 2025-2027 puts forward the RGC's **Fiscal Strategy** by defining **Fiscal Policy Stance, Fiscal Rules, and Policy Priorities**, aiming to ensure the achievement of 3 objectives; including: **(1).** supporting linkage of the budget to the RGC's priority policies; **(2).** strengthening the efficiency of budget allocation; and **(3).** ensuring macroeconomic stability and fiscal sustainability.

3.1. Fiscal Policy Stance

Based on macroeconomic policy frameworks and the actual development of public financial condition in the context of high uncertainty, **the fiscal policy** is formulated by taking **"Gradual Fiscal Consolidation Stance"** in the medium term. To ensure fiscal sustainability in the medium term by rebuilding the fiscal buffer after the implementation of social-economic intervention measures since 2020, the RGC will focus primarily on strengthening budget efficiency, on both allocation and operation levels, through expenditure prioritization which directs resources to the key immediate priorities; particularly, to achieve targeted spending as well as focus on the value of money, while revenue collection strengthens without undermining strong economic momentum and minimizing economic distortion. In this regard, the RGC will implement tax measures, including modernization of tax administration under the principles of not creating new tax burdens and balancing between safeguarding economic momentum and increasing collected revenue to meet development needs. Meanwhile, the fiscal buffer will start to be rebuilt based on actual performance in revenue mobilization and expenditure rationalization as well as efficiency enhancement.

With the implementation of **"Gradual Fiscal Consolidation Stance"**, the medium-term budget deficit will gradually begin to narrow. On the revenue front, the RGC will thoroughly and gently expand its tax base and continue to implement incentive measures to boost growth dynamics. Meanwhile, the expenditure will be cautiously strengthened to ensure room to support economic development as well as guarantee the continuity of the government operations and the implementation of the 7th legislature of national assembly's priority policy programs in accordance with the strategic directions set forth in the **"Pentagonal Strategy - Phase I"**.

3.2. Fiscal Rules

The fiscal rules are a core element in the preparation of medium-term fiscal framework which is divided into two parts such as: **1). Fiscal Anchor** which is a medium-term rule and **2). Operational Rule** which is an annual rule. The fiscal rules are set to impose specific conditions on key indicators of the fiscal framework, to promote effective planning of the budget framework, to strengthen efficiency and discipline in budget execution, and especially to ensure fiscal sustainability.

A. Fiscal anchor

The fiscal anchor is a medium-term fiscal rule for directing the preparation of a budget framework in accordance with the country's ability to cover debt obligations and avoid risks associated with national debt. In this sense, **the fiscal anchor** is determined based on the results of the Debt Sustainability Analysis (DSA), which will contribute to: **1).** Ensuring that the budget deficit stays at an appropriate level, **2).** Ensuring the fiscal solvency, and **3).** Taking precaution against liquidity risks.

For the medium-term 2025-2027, **Cambodia's fiscal anchor** is defined as ceilings to a total of **5 key indicators** including:

- **(1). Present Value of Total Public and Publicly Guaranteed (PPG) Debt to GDP ratio** at **55%**,
- **(2). Present Value of PPG External Debt to GDP ratio** at **40%**,
- **(3). Present Value of PPG External Debt to Exports ratio** at **180%**,
- **(4). PPG External Debt Service to Exports ratio** at **15%**, and
- **(5). PPG External Debt Service to Revenue ratio** at **18%**.

B. Operational Rule

Operational rule is the annual fiscal rule that lays out specific conditions on important indicators when preparing annual budget frameworks such as revenue, expenditure or the overall balance, and it is related to budget execution with respect to the imposed fiscal anchor. Generally, the imposed **operational rule** in the medium-term fiscal framework can be one or more, depending on the country's economic situation and public financial system conditions. Furthermore, the imposition of this rule needs to be thoughtful based on certain key principles, including stabilization, simplicity, credibility as well as the ease of monitoring and enforcement.

For Cambodia, a lower middle-income country, setting the operational rule using **Budget Balance Rule** is the most appropriate as Cambodia's economy is an emerging economy, and it is in accordance with the socio-economic development setting that still needs high public investment. Meanwhile, setting budgetary balance rule is also an international best practice that is implemented in most countries. In this regard, the RGC sets the annual budget balance ceiling as an operational rule by limiting the **total budget deficit to not exceed -5.0% of the GDP** for the **MTFF 2025-2027**.

Setting the budget deficit level aims to maintain public debt sustainability and ensure that medium-term fiscal sustainability is in line with the fiscal consolidation stance, while still providing rooms for implementation of priority policies, maintaining macroeconomic and fiscal stability, supporting recovery and promoting economic growth and development. Based on continuous effort to maintain macroeconomic stability, managing the budget deficit according to this operational rule will also ensure that Cambodia's public debt level continues to remain sustainable and at insignificant risk levels. **However, in the case of unpredicted crisis such as natural disasters, global pandemic, national emergencies, or immediate needs for interventions to endure national interests, which could cause a dramatic change to macroeconomic assumptions and the foundation of the MTFF, the implementation of the operational rule can exceed the indicated ceiling to allow the RGC sufficient space to intervene and address the challenges in a timely manner.**

3.3. Policy Priorities

To ensure the achievement of a medium-term macroeconomic outlook in line with the RGC's policy priorities, indicated in the "**Pentagonal Strategy-Phase I"** and the **"Political Platform of the RGC of the 7th Legislature of the National Assembly for Nation**

Building and Defense 2023-2028", **the MTFF 2025-2027** outlines the following main policy priorities:

- Continue maintaining peace, political stability, social achievements and address social emergency issues to maintain safety and well-being of the people;
- Continue maintaining foreign policy achievements by continuing to practice independence and cooperation in the region and the world;
- Continue to ensure macroeconomic and public financial stability and support existing key sectors to promote medium-term economic growth in a sustainable, inclusive and resilient manner;
- Promote human capital development by promoting quality of education and vocational and technical trainings at all levels to support high value-add production;
- Promote the social citizenship culture and well-being of the people in preparation to become citizen of a high-middle-income country;
- Continue promoting economic diversification and stimulate economic growth through developing new sources of growth, enhancing the competitive environment and implementing financing mechanisms and financial products to support investments that increase high value-add;
- Take a gradual approach toward the universal health coverage (UHC) by strengthening the healthcare system to promote social well-being and build the resilience of the society, and continue to develop a comprehensive social protection system, and continue to develop food systems that provide food security and nutrition for the population;
- Continue developing all kinds of physical infrastructure, both hard and soft, to enhance productivity, promote competitiveness and enhance diversification;
- Continue promoting digital transformation by investing in digital infrastructure and green development to build sustainable digital government and citizen;
- Continue promoting the implementation of public administration reform programs, public financial management reform programs, sub-national democratic development reform programs, and legal and judicial system reform programs; and
- Continue promoting the private sector by supporting the development of SMEs and informal economy, with a better environment through strengthening the implementation of new investment laws, endorsing specific incentive measures, and improving business environment with competitiveness and equity.

4. Fiscal Policy Framework

4.1. Budget Execution in 2023 and 2024

A. Budget Execution in 2023

In 2023, **domestic revenue outturn** (temporary) stood at 15.35% of GDP, which dropped by around -1.5% compared to 2022. While revenue shortfall from growth-driving sectors such as agriculture, non-garment manufacturing and tourism was anticipated to be negligible, the large chunk of revenue drop was mainly driven by significant plunge of vehicle imports, slow monthly tax revenue from domestic economic activities, continuous implementation of existing tax incentives as well as recent introduction of additional tax exemptions or relief to facilitate business environment, promote domestic economic activities and support economic recovery momentum.

Given anticipated revenue shortfall, **the expenditure in 2023** is estimated to stand at 20.50% of GDP (temporary), equivalent to 92.6% of the budget law. However, the RGC still has sufficient resources to implement key policy programs introduced during the year, including salary increment for civil servants and armed forces to improve their living standards, enhance professional qualifications, increase productivity and efficiently strengthen public service delivery based on principles of equity, meritocracy and budget sustainability. It's thus translated to continuing strengthen institutional and officials' capacity, especially to support implementation of priority programs. Meanwhile, the RGC also implemented a socio-economic intervention program with a budget of 754 million US dollars to support key programs including cash transfer program for poor families (Poor1, Poor2), one-off cash support program for vulnerable families, technical and vocational training program, wage subsidy for suspended workers, and financing for economic recovery program and development projects at **Run Ta Ek** and **Peak Sneng**.

As a result, **the fiscal deficit in 2023** was estimated to stay at -5.15% of GDP, lower than the budget law by approximately 0.44 percentage points, reflecting the RGC's prudent manner in ensuring fiscal sustainability. However, all of Cambodia's public debt indicators were below the mentioned threshold, which means that Cambodia's public debt situation remains sustainable and at low risk.

B. Estimated Budget in 2024

In 2024, the RGC adopts the **"Fiscal Consolidation Stance"** to promote sustainable economic growth in the context of rebuilding fiscal buffer to be more resilient to promote socio-economic development. In this sense, the current revenue in 2024 is estimated to witness a slow growth of 4.4% compared to 2023, equivalent to 14.62% of GDP and 89.7% of the budget law. In this situation, the RGC continues to put its painstaking effort to strengthen the tax administrations in order to help stimulate revenue growth; especially, the implementation of supporting policies that will further promote more active and more resilient business and trade activities. Meanwhile, the RGC has been working to mobilize more potential sources of financing from domestic market by continuing to additionally issue government bonds of KHR 440 billion in 2024. By doing so, the RGC plans to increase more budget for public investments and the investments for new sources of growth that can potentially yield immediate results.

Table 4: Indicators of Fiscal Rules 2021-2024

Indicator	Thresholds	2021	2022	2023temp.	2024e.
I. Fiscal Anchor					
PV of total PPG debt-to-GDP	**55%**	18.64%	18.07%	18.81%	19.30%
PV of PPG external debt-to-GDP	**40%**	18.64%	18.03%	18.69%	19.02%
PV of PPG external debt-to-exports	**180%**	34.24%	28.38%	29.00%	29.09%
PPG external debt service-to-exports	**15%**	1.90%	1.82%	1.78%	1.81%
PPG external debt service-to-revenues	**18%**	5.33%	5.44%	5.83%	7.76%
II. Operational Rule					
Total budget deficit	**-5%**	-7.53%	-2.93%	-5.15%	-3.15%

Source: Ministry of Economy and Finance

Based on the above revenue situation, the total expenditure in 2024 is estimated to be at around 18.40% of GDP, equivalent to 95.2% of the budget law. Within this expenditure framework, the RGC has carefully prioritized the spending to strengthen institutional capacity and core operations to enhance capacity of public servants and provide necessary professional qualifications. As a result, the fiscal deficit in 2024 is estimated to be at around -3.15% of GDP. Thus, **the present value of Cambodia's total public debt** is estimated to grow at a low rate of 19.30% of GDP, which means that the ratio of this indicator and the other four remains below the thresholds.

4.2. Fiscal Framework 2025-2027

The MTFF 2025-2027 is prudently prepared and meticulously balanced between available resource envelop and spending needs, focusing on three major aspects: **1).** The possibility of increasing revenue collection in the medium-term by introducing new tax burden remains highly uncertain, **2).** The spending needs to continuously support reform and strengthen institutional capacity, implement social protection and human capital development programs and priority policies as well as invest in high-quality and resilient infrastructures for development, and **3).** The current fiscal space is shrinking, on one hand, due to the lower-than-expected revenue collection in 2023; and, on the other hand, due to the implementation of fiscal expansionary policy in response to Covid-19 pandemic and subsequent crises. These require the RGC to prioritize spending to ensure adequate fiscal space to meet necessary spending needs. In this regard, the **MTFF** will be an important policy tool for the RGC to accountably implement all key policy measures while still be able to maintain fiscal sustainability and build a strong economic foundation for dynamic, diverse, strong, and resilient economic pillars.

A. Revenue Framework

In 2025, the total revenue is projected to reach 15.11% of GDP with the growing of 7.9%. Current revenue is expected to reach 14.52% of GDP, equivalent to 8.2% growth compared to 2024's estimation. In addition, revenue collected by General Department of Taxation (GDT) and General Department of Customs and Excise (GDCE) are projected to grow by 7.3% and 7.4%, respectively, while non-tax revenue is expected to grow by 14.3% compared to 2024. All in all, the forecast is built upon the expected recovery of Cambodia's economic growth, backed particularly by domestic business activities and FDIs, as a result of implemented supporting policies.

Table 5: Medium-term Revenue Forecasting from 2025-2027

	Annual Growth			% of GDP		
	2025p.	2026p.	2027p.	2025p.	2026p.	2027p.
Total Revenue	**7.9%**	**11.1%**	**11.2%**	**15.11%**	**15.36%**	**15.61%**
Current Revenue	**8.2%**	**11.8%**	**11.7%**	**14.52%**	**14.85%**	**15.15%**
Tax Revenue	**7.3%**	**11.7%**	**11.6%**	**12.63%**	**12.91%**	**13.16%**
The General Department of Taxation	7.3%	12.8%	12.6%	7.78%	8.03%	8.26%
o/w Sub-national	7.0%	12.6%	12.3%	1.06%	1.09%	1.12%
The General Department of Customs and Excise	7.4%	9.8%	10.0%	4.85%	4.88%	4.90%
Non-tax Revenue	**14.3%**	**12.5%**	**12.3%**	**1.89%**	**1.94%**	**1.99%**
Sub national	*5.3%*	*5.0%*	*5.7%*	0.10%	0.09%	0.09%
Other Revenue	***2.1%***	***-6.2%***	***-1.5%***	***0.59%***	***0.51%***	***0.46%***

Source: Ministry of Economy and Finance

The medium-term total revenue (2026-2027) is projected to grow by 11.1% on average annually, and equivalent to 15.61% of GDP, which is in line with the continued expansion of the revenue base. Among all, current revenue is expected to grow with an average rate of 11.7%, equivalent to 15.15% of GDP. In addition, revenue collected by the GDT is projected to grow by 12.7% on average, while revenue collected by GDCE is expected to exhibit slower growth at an average rate of 9.9%. Overall, the revenue receipts from both general departments will materialize the negative impact of increasing tax expenditure given continuous expansion of free trade agreements and tax exemptions indicated in the new 2021 investment law. Meanwhile, non-tax revenue is expected to grow by around 12.4% on average, equivalent to 1.99% of GDP, due to the continued effort in collecting revenue from potential sources, together with gradual rebound of tourism-related revenues.

In the effort to address revenue collection challenges and well respond to development needs, the RGC, with Ministry of Economy and Finance (MEF) as a secretariat, is formulating **Revenue Mobilization Strategy III** for the next phase (2024-2028) in order to strengthen revenue mobilization and management including the implementation of policy framework for the preparation and implementation of personal income tax (PIT), the excise reform guideline and Cambodia's tax system review to continuously develop national revenue system that can respond to socio-economic developments as well as to ensure efficiency, accuracy, justice and social equity in revenue collection.

In this regard, the **MTFF 2025-2027** sets out the following additional key measures:

- **GDT Measures:**

- Continue strengthening data and information integration and sharing with the third party, including ministries and relevant financial institutions, through digital platform;
- Strengthen the efficiency of feedback mechanism that can ensure confidentiality, trust and accountability for taxpayers;
- Adjust annual taxable income thresholds and enhance the efficiency of revenue collection related to real estate by updating real estate information, strengthening compliance on the unused land tax and enforcing stamp tax duty;
- Participate in tax measures implementation for informal economy development for them to successfully transition into the system, incentivize and provide care until they can be later added into the tax net;

- Continue negotiating with other countries and ASEAN member states, ASEAN+3 on the agreement to avoid double taxation (DTA);
- Strengthen the collection of tax revenue, especially value-added tax on the supply of digital goods or e-commerce services;
- Strengthen the inspections and audits of enterprises that are qualified investment projects as well as potential and high-risk sectors and strengthen revenue management mechanisms on the beer and beverage manufacturing sector;
- Continue compiling and updating taxpayer data and tax base as well as disseminating tax base to target taxpayers regularly;
- Continue enhancing and improving the 3 core functions, including E-registration, E-filling, and E-payment, using a common technological platform, and implementing the National Audit Plan for strategic identification of risks and strengthening risk-based audits; and
- Update information on tax-indebted enterprises and strengthen mechanisms to monitor and strengthen tax debt collection.

GDCE Measures:

- Improve efficiency of tax preferential treatment management under the framework of Free Trade Agreements and tax incentives as state tax burden;
- Improve tax policies for priority sectors and strengthen implementation of tax incentives in compliance with recent laws and regulations;
- Continue considering further decentralizing customs valuation and rule of origin verification functions and products' origin verification to local customs and excise units based on business compliance and risk management principles;
- Continue simplifying and modernizing customs automation systems and procedures by using digital documents and reducing paper work requirements;
- Encourage the use of digital signature function for customs procedures to provide additional security and facilitate the verification of transactions' ID numbers;
- Continue strengthening the Best Trader Mechanism, improving incentive requirements and raising public awareness on the mechanism benefits, as well as further promoting the implementation of Authorized Economic Operators program;
- Improve efficiency of scanning machines by equipping more machines at important border gates by using state budget to support tax compliance and improve trade facilitation;

- Strengthen the efficiency of E-Payment systems and further expanding partnerships with more banks to implement the system function;
- Expand the scope of National Single Window system by including more ministries and institutions; and
- Continue strengthening public private partnership mechanisms in consultation conflict resolution.

Non-tax Measures:

- Continue promoting the use of Non-tax Revenue Management Information System (NRMIS) at national and sub-national levels to be more efficient, effective and accountable, together with the use of E-Payment;
- Monitor collection of royalties from mine extraction based on adjusted royalty rates on mine products and royalty payment procedures;
- Continue monitoring and evaluating payment of the mines royalty's fees based on actual size of production by using inter-ministerial working group mechanism;
- Promote the implementation of revenue collection from economic land concession (ELC) based on contracts and recalculation principle of ELC fees;
- Speed up the amendment of the inter-ministerial Prakas on resetting rental fees at licensed areas for mines extraction;
- Continue strengthening revenue collection from ELCs and mines extraction activities through E-Payment and payment of redemption in a timely manner with the inspection from the MEF;
- Continue monitoring revenue from the leasing state properties through lease agreement and recalculated rental fee based on the taxable value of property transfer tax;
- Confiscate the unused frequencies and do the re-auction to raise additional revenue;
- Continue strengthening efficiency of revenue collection from the post and telecommunications sector to maintain revenue stability;
- Continue developing mechanisms to avoid new debt and strengthen debt collection through inter-ministerial committee; and
- Continue reviewing and discussing new sources of non-tax revenue mobilization in addition to the existing ones.

B. Public Expenditure Framework

The Medium-Term Public Expenditure Framework for 2025-2027 is prepared to maintain the budget balance by not withdrawing government's savings. In this regard, medium-term public expenditure is planned in a conservative and targeted manner, focusing on human capital development, institutional capacity building, public administration reform, structural reform, social protection, implementation of priority policies as well as investment in high quality and resilient infrastructure for socio-economic development. Furthermore, the RGC will plan to allocate the contingency fund from 2026 at the rate of 2% of the revenue performance from the year N-2 to rebuild the fiscal buffer.

For 2025, the total expenditure is planned at 17.84% of GDP, whose amount is increased by around 0.5% compared to 2024 Budget Law. For 2026-2027, the total expenditure is planned to increase moderately on average at 8.6% annually, which will reach around 17.59% of GDP by 2027.

The current expenditure is planned at 12.41% of GDP in 2025 with an increase of approximately 0.3% compared to the 2024 Budget Law. For 2026-2027, the current expenditure is planned to grow gradually on average at 7.2% per year, which will be around 11.93% of GDP by 2027. In particular, the wage spending is planned to increase by 4.0% per year on average for the medium-term with a focus on continuing to increase the minimum of total salary for civil servants and the armed forces in proportion to annual inflation rate to improve productivity and public services efficiency. Meanwhile, the non-wage spending is planned to increase with an average growth rate of 5.7% for 2025-2027 to maintain the operation of ministries and institutions, institutionalize national social protection programs, as well as rebuild fiscal buffer in the form of contingency funds after 2025.

The capital expenditure is planned to land at 5.42% of GDP in 2025 with an increase of about 1.0% compared to the 2024 Budget Law. For 2026-2027, the capital expenditure is planned to recover to 11.7% per annum, which will be around 5.66% of GDP by 2027. This growth takes into account the spending on development needs, stabilizing economic growth, enhancing competitiveness and improving business environment, thus the RGC will place high priority on infrastructure investments through **1).** continuing to invest in high-quality physical infrastructures, and **2).** increasing the quantity and quality of investments in green and digital infrastructures.

In that regard, the total national expenditure in 2025 is planned to be at 16.65% of GDP with an increase of about 1.0% compared to the 2024 Budget Law. For 2026-2027, the total national expenditure is planned to grow on average at 8.5% per year, which will be around 16.38% of GDP by 2027. The total national expenditure, including the current expenditure and the capital expenditure, for 2025-2027 is planned to be allocated to the following sectors:

The general administration sector expenditure is planned to be around 1.61% of GDP for the medium-term, equivalent to an average annual growth rate of 7.6% to continue to support the implementation of the national public administration reform program, law on investment, new businesses support, digital platform and innovative economy, monitoring and evaluation on **"Pentagonal Strategy-Phase I"** as well as to rebuild fiscal buffer through contingency fund while preparing envelope for interest payment of public debt and value-added tax (VAT) refund.

The national defense, security and public order sector expenditure is planned to be around 2.61% of GDP for the medium-term, equivalent to an average annual growth rate of 4.3%, to support legal system reform, improve quality and efficiency of the judicial system, promote welfare, equip knowledge and skills to national police in securing national security as well as maintaining peace and political stability.

The social sector expenditure is planned to be around 5.27% of GDP for the medium-term, equivalent to an average annual growth rate of 11.1%, aiming to further improve the quality of education and skills development to meet demand of labor market, expand healthcare coverage towards the UHC, and promote the implementation of national social protection programs, and other priority policies on social, religious, cultural and environmental issues.

The economic sector expenditure is planned to be around 3.87% of GDP for the medium-term, equivalent to an average annual growth rate of 7.6%, focusing on supporting the development of SMEs, improving productivity in line with market standards and requirements, implementing **the Garment, Footwear and Travel Goods (GFT) Development Strategy for Cambodia 2022-2027, the National Strategy for Informal Economy Development 2023-2028, the National Policy on Science, Technology and Innovation 2020-2030, the Cambodia Digital Economy and Social Policy Framework 2021-2035, the Cambodia Digital Government Policy 2022-2035** and **the Agricultural Development Policy 2021-2030** etc.

Other Expenditure is planned to be around 3.10% of GDP for the medium-term term, equivalent to an average annual growth rate of -2.1%, which is an appropriate and sufficient size to provide flexibility for the RGC to meet the targeted expenditures and to respond to any expenditure needs in a timely manner in solving socio-economic issues, preparing for implementation of priority policies, providing subsidies to sub-national administrations, allocating budget for national and international events and urgent issues such as natural disasters and food reserves. In particular, at the execution stage, the planned expenditure will be allocated to the above four main sectors, in accordance with each expenditure purpose.

The total sub-national expenditure in 2025 is planned to be at 2.03% of GDP including subsidies to sub-national administration at 0.84% of GDP. For 2026-2027, the total sub-national expenditure is prepared to grow by 8.0% per year, which will reach around 1.97% of GDP by 2027, to develop and improve public services at the local level through the implementation of National Program for Sub-National Democratic Development Phase II, 2021-2030.

In order to achieve the goal of maintaining social stability and economic recovery, the RGC needs to strengthen budget efficiency, both in terms of allocation and operation, based on the principle of budget discipline with high caution and responsiveness to follow direction of the RGC's policies and reform programs through key measures in expenditure execution for 2025-2027, such as:

- Continue increasing salaries for civil servants and the armed forces in proportion to inflation rate and performance to strengthen capacity of public administration, both the quality and efficiency, based on the principles of meritocracy and budget sustainability;

- Set the principle for recruiting new government officials for both civil servants and the armed forces, in proportion to the number of retired civil servants, except for the prioritized ministries;
- Continue improving education system and developing skills to meet demand of labor market and digitalization, enhancing healthcare quality, enhancing social protection system to support the livelihoods of people, especially the poor and vulnerable groups;
- Continue allocating resources to key sectors that will ensure resilience, inclusiveness and sustainability by prioritizing the public administration reform, structural reform, human capital development, and building physical, green and digital infrastructures;
- Allocate budget in accordance with collected revenue capacity to ensure fiscal sustainability and below threshold budget balance by prioritizing expenditure and strengthening budget efficiency at both allocation and operational levels;
- Examine and evaluate risks thoroughly in the implementation of each public investment project in order to be able to manage potential risks and increase efficiency of budget spending in implementation stage;
- Strengthen monitoring and evaluation of performance budgeting to ensure budget transparency and efficiency;
- Continue to maintain medium- and long-term debt sustainability and keep debt distress at low risk by setting ceiling of annual loan, identifying key debt indicators, setting targets for financing use, and diversifying financing sources; and
- Continue implementing public debt management strategy to ensure public finance sustainability with a focus on investment in priority sectors, particularly in the areas of increasing productivity and value-add in the economy, promoting connectivity, enhancing competitiveness and diversifying the economy.

C. Budget Deficit and Financing

The budget deficit for 2025-2027 is expected to gradually narrow, reflecting the implementation of **Gradual Fiscal Consolidation Stance** and adhering to the fiscal rules set out to maintain fiscal stability and public debt sustainability in the future. **In this regard, the budget deficit in 2025 is expected to be at -2.73% of GDP and further narrow down to about 1.98% of GDP by 2027.** In addition, financing to support the budget deficit in the medium-term will be from three main sources include: 1). External financing, 2). Budget support, and 3). Government bond issuance.

Table 6: Summary Table of the MTFF for 2025-2027

% of GDP	2024BL	2024R.	2025p.	2026p.	2027p.
Total revenue	**16.93%**	**15.25%**	**15.11%**	**15.36%**	**15.61%**
Current revenue	16.30%	14.62%	14.52%	14.85%	15.15%
Total expenditure	**19.33%**	**18.40%**	**17.84%**	**17.52%**	**17.59%**
Current expenditure	13.48%	12.72%	12.41%	12.07%	11.93%
Capital expenditure	5.85%	5.68%	5.42%	5.45%	5.66%
Current surplus	**2.82%**	**1.90%**	**2.10%**	**2.78%**	**3.22%**
Budget Balance	**-2.40%**	**-3.15%**	**-2.73%**	**-2.16%**	**-1.98%**
Financing needs	***3.50%***	***4.25%***	***3.89%***	***3.45%***	***3.19%***
Overall deficit	*2.40%*	*3.15%*	*2.73%*	*2.16%*	*1.98%*
Debt amortization	*1.10%*	*1.10%*	*1.16%*	*1.29%*	*1.21%*
Financing sources	***3.50%***	***4.25%***	***3.89%***	***3.45%***	***3.19%***
External financing	*2.91%*	*2.91%*	*3.01%*	*2.95%*	*2.88%*
Budget support	*0.36%*	*0.77%*	*0.68%*	*0.32%*	*0.14%*
Government bond issuance	*0.23%*	*0.23%*	*0.20%*	*0.18%*	*0.16%*
Government saving	*0.00%*	*0.34%*	*0.00%*	*0.00%*	*0.00%*

Source: Ministry of Economy and Finance

Despite the limitation of fiscal space, Cambodia's public finance is assessed to remain strong and stable, well complying with the above fiscal anchors. **In fact, the five medium-term fiscal anchor ratios are projected to be below the set threshold.**

Table 7: Fiscal Rule Indicators for 2024-2027

Indicators	Threshold	2024e.	2025p	2026p	2027p
I. Fiscal Anchor					
PV of total PPG debt-to-GDP	**55%**	19.30%	19.44%	19.17%	18.91%
PV of PPG external debt-to-GDP	**40%**	19.02%	18.93%	18.44%	17.97%
PV of PPG external debt-to-exports	**180%**	29.09%	27.40%	25.79%	24.73%
PPG external debt service-to-exports	**15%**	1.81%	1.93%	1.96%	1.85%
PPG external debt service-to-revenues	**18%**	7.76%	8.84%	9.14%	8.72%
II. Operational Rules					
Total budget deficit	**-5%**	-3.15%	-2.73%	-2.16%	-1.98%

Source: Ministry of Economy and Finance

5. Fiscal Risks

The fiscal risks refer to any events or impacts that result in lower-than-expected revenue collection and/or exceed the envelope of the total planned expenditure, which in turn, widen the budget deficit. Fiscal risk evaluation comprises of risks basis analysis, impact estimation as well as preparation and implementation of various mechanisms to prevent, mitigate and minimize the impacts that may arise from those risks.

5.1. Macroeconomic Risks

The macroeconomic risks refer to particular events causing negative effects directly or indirectly over economic performance. Most of macroeconomic risks stem from external factors, resulting in spillover effects on Cambodia's economy, which could affect the forecast as well as change Cambodia's macroeconomic framework. Overall, macroeconomic risks in the medium term consist of five important factors, including: 1). Continued slowdown in global and China's growth; 2). Prolonged monetary tightening policies; 3). Geo-economic and trade fragmentations; 4). Intensified geopolitical tensions; and 5). Climate change. Despite different levels of occurrence possibilities, these risks could affect Cambodia's overall economy, especially on achieving expected growth outlook.

5.2. Specific Fiscal Risks

The specific fiscal risks refer to any events or impacts that arise from any parts of the fiscal sector, which may lead to a shrink in fiscal space or a larger budget deficit.

A. Revenue Gap between projected and actual outturn

The high uncertainties of the global economy remain a pressure to the revenue collection while the RGC has rapidly introduced various supporting policies, comprised of tax rates reduction and tax incentives. This may impact revenue collection and its projection which in turn lead to reduction of public expenditure. To minimize this risk, regular and close monitoring is deemed important so that key measures can be introduced in a timely manner.

B. The rise of public debt

Although Cambodia's public debt situation is in favorable condition, it is still prone to risks, specifically the increase of loan principle, while Cambodia's preparation to graduate from the Least Developed Country (LDC) status will hinder the country from benefiting high concessional loans as well as international financing. Nonetheless, the risk remains under control with the RGC's **"Public Debt Management Strategy 2024-2028"**, adhering to the 9 key measures.

C. Medium-term RGC's lending related risks

The risk is probable if the uncertainties of the global economy prolong which impacts the financial aspect as well as the debt repayment capacity. State lending is empirical to be reviewed and refined through amendment on Prakas over lending principles and procedures to public administrative institutions, public enterprises, joint ventures in which the government has minority share, and banking and financial institutions, in accordance with the actual needs. Plus, study to develop debtor appraisal mechanism and strengthen regular monitoring of the debtor's financial and business status should be also done.

D. The realization of contingent liabilities

Contingent liability refers to the financial obligation of the RGC to provide subsidies, compensation, or an urgent settlement. Contingent liability obligations can arise from 2 main sources: 1). interventions in the banking and financial sector as well as state-owned enterprises that provide essential services or that can potentially lead to systemic risks; and 2). state guarantees that stem from actual guarantees on investment projects through the implementation of Public-Private Partnership (PPP) mechanisms. Currently, the General Department of PPP of the MEF has been cooperating with relevant stakeholders to gather information and data to assess the public finance obligations and contingent liabilities on relevant investment projects.

In preparation to reduce the impact of contingent liabilities, the RGC has introduced several policy measures, including: 1). implementing of contingency fund; 2). Allocating 5% of total annual debt service to the national guarantee reserve fund; 3). Setting guarantee payment ceiling for new projects to 10% of the national budget; 4). Adopting institutional mechanisms for project management to prevent and avoid potential impacts from the project; and 5). Regular monitoring and enforcement of relevant laws and mechanisms to assess and avoid the occurrence of this risk.

5.3. Institutional Risks

The institutional risks refer to challenges related to institutional capacity and/or human resources that result in failure to reach budget targets.

A. Macroeconomic and fiscal framework reliability

This risk arises when there are systematic gaps in the public sector's macroeconomic analysis and forecasting, which include limited capacity of professional staff to identify and evaluate risks and impacts, as well as insufficient data collection in terms of quality, scope, and timeliness. To address these risk, certain measures need to be taken, including 1). Timely response to changes in economic and social conditions; 2). Human resources development with a view to enhancing the reliability of the framework; and 3). Bolstering the role of the MEF as the central oversight body to facilitate the identification, control, and management of public financial risks while also mobilizing inputs from stakeholders to strengthen the resilience of public financial management.

B. The ability to implement the framework

This risk arises from the fact that institutions and public services may not be well-managed, efficient, transparent, or effective in revenue collection and implementation. Furthermore, sub-national officials may not be adequately responsive to the rate of functional decentralization. There are barriers to improving the effectiveness of existing frameworks, such as areas for improvement in institutional mechanisms and coordination infrastructure, issues with data sharing and consistency, and the need for comprehensive legal frameworks. To prepare to respond to this risk, the following measures can be considered: 1). Continue to strengthen the management and reform of the public administration, particularly in terms of digitalization as well as monitoring and evaluation mechanisms; 2). Improve work efficiency and promote sub-national accountability; 3). Develop and improve necessary legal frameworks; and 4). Implement policies to motivate public officers.

6. Conclusion

The Medium-Term Fiscal Framework (MTFF) 2025-2027 has been carefully formulated in compliance with the **Law on Public Financial System** and **the Public Financial Management Reform Program** and in line with **the Budget System Reform Strategy 2018-2025**. **The MTFF 2025-2027** consists of 3 objectives including: 1). Promoting budget efficiency and transparency at allocative and operative levels, to insure public financial sustainability; 2). Strengthening socio-economic resilience with rapid responsive capability to future crises; 3). Responding to socio-economic development demands in order to drive momentum of national development sustainably and inclusively, and eventually achieve Cambodia's vision 2030.

In medium term 2025-2027, Cambodia's economic outlook will be bolstered by improved global outlook and subsided crises' effects due to: **1). External factors** reflected in recovered external demands, normalization of inflation rate regionally and globally and improved global financial situation; **2). Internal factors**, reflected in RGC's capability to ensure socio-economic stability, strengthen resiliency of key sectors, build solid and inclusive economic foundation to improve trade facilitation, investment and business environment and promote digitalization in economic system. Based on this outlook, the economic growth in medium term is expected to achieve an average growth rate of 6.5% with manageable inflation rate of 2.5% and stable exchange rate at 4,060 Riel/USD.

According to this economic outlook, the public financial management in 2025-2027 crucially needs to be cautious and proactive based on the following principles: 1). Budget discipline and efficiency both at allocative and operational levels with the focus on targeted expenditure and value for money, and 2). Rebuilding fiscal buffer to be prepared for meeting development needs and dealing with future crisis. **Therefore, the current revenue is expected to grow by 10.5% in average for 2025-2027, where growth stands at 8.2% in 2025, equivalent to 14.52% of GDP. The total public expenditure is expected to grow by 5.9% per annum, with the current expenditure growing at 0.5% in 2025, equivalent to 17.84% of GDP. Thus, the budget deficit would narrow to around -2.29% of GDP for 2025-2027, in which the deficit would be around -2.73% of GDP in 2025**. With the above expected budget deficit in medium-term, Cambodia's public financial situation is assessed to remain robust and sustainable, complying with the fiscal anchor. In other words, all ratios related to public debt management will continue to remain well under the set thresholds, and Cambodia's public debt will continue to remain at "low risk level". In this regard, the overall budget envelope will become the foundation for preparation of MTBF 2025-2027, and the specific budget ceiling in 2025 (the first year) will become the foundation for preparing the draft Law on Financial Management 2025.

In conclusion, amidst a series of crises, the RGC will commit to accelerating key reform programs and introduce additional necessary reform measures, aligned with the stance of not increasing tax burden and commitment to continue developing human capital, strengthening institutional capacity, reforming public administration, embracing new opportunities arisen from emerging global trends, and implementing priority policies to achieve sustainable, inclusive and resilient socio-economic development.

Appendixes

Appendix A: Macroeconomic Framework 2021-2027

Indicator	2021	2022	2023e	2024p	2025p	2026p	2027p
GDP current price (billion riels)	**150,793**	**164,059**	**177,036**	**192,005**	**209,163**	**228,495**	**250,078**
GDP per capita (dollar)	2,234	2,383	2,520	2,713	2,924	3,162	3,417
Real GDP growth (%)	**3.1%**	**5.1%**	**5.0%**	**6.0%**	**6.3%**	**6.5%**	**6.7%**
Deflator (%)	2.6%	3.5%	2.8%	2.3%	2.5%	2.5%	2.5%
Inflation (%)	2.9%	5.3%	2.1%	2.7%	2.5%	2.5%	2.5%
Exchange rate (Riels/dollar)	4,068	4,087	4,110	4,083	4,069	4,056	4,054
Export (% GDP)	52.7%	57.7%	54.7%	55.0%	57.2%	59.0%	60.9%
Import (% GDP)	-82.9%	-79.7%	-61.6%	-64.8%	-69.1%	-72.5%	-75.3%
Trade balance (% GDP)	-30.4%	-22.0%	-6.9%	-9.8%	-11.9%	-13.5%	-14.4%
Current account balance incl Transfer (% GDP)	-29.4%	-18.9%	1.3%	-1.5%	-2.6%	-3.8%	-4.8%
International reserves (million dollars)	20,265	17,805	19,998	22,303	24,423	26,604	28,576
International reserves (months of Imports)	7.4	6.1	8.2	8.0	7.5	7.2	6.8

Source: NBC (2021-2022) and MEF (2023-2027)

Appendix B: Medium-term Fiscal Framework 2023-2027

B1. In billion riels

Indicators	2023 Temp.	2024BL	2024e.	2025p.	2026p.	2027p.
Total revenue	**34,901**	**32,509**	**29,285**	**31,602**	**35,098**	**39,039**
Total current revenue	**26,891**	**31,305**	**28,075**	**30,365**	**33,939**	**37,897**
General Department of Custom and Excise	9,166	11,118	9,450	10,146	11,140	12,249
General Department of Taxation	14,617	16,856	15,170	16,272	18,359	20,663
Non-Tax Revenues	3,107	3,331	3,454	3,947	4,440	4,984
Capital revenue	**8,010**	**1,204**	**1,211**	**1,236**	**1,160**	**1,142**
Total expenditure	**36,288**	**37,110**	**35,335**	**37,305**	**40,040**	**43,987**
Total current expenditure	**22,152**	**25,884**	**24,431**	**25,964**	**27,576**	**29,839**
Wage	10,503	11,188	11,194	11,595	12,070	12,577
Non-wage	11,649	14,695	13,237	14,369	15,505	17,261
Total capital expenditure	**14,136**	**11,227**	**10,905**	**11,341**	**12,464**	**14,149**
Domestic financing	6,613	5,019	4,697	4,470	5,212	6,484
External financing	5,865	6,208	6,208	6,871	7,252	7,665
Current surplus	**4,738**	**5,421**	**3,647**	**4,402**	**6,363**	**8,058**
Overall deficit/surplus	**-9,117**	**-4,601**	**-6,050**	**-5,703**	**-4,942**	**-4,948**

B2. Growth Rate

Indicators	2023temp. /2022	2024BL /2023temp.	2024e. /2023temp.	2025p. /2024p.	2026p.	2027p.
Total revenue	**0.0%**	**-6.9%**	**-16.1%**	**7.9%**	**11.1%**	**11.2%**
Total current revenue	**-2.1%**	**16.4%**	**4.4%**	**8.2%**	**11.8%**	**11.7%**
General Department of Custom and Excise	-16.4%	21.3%	3.1%	7.4%	9.8%	10.0%
General Department of Taxation	7.3%	15.3%	3.8%	7.3%	12.8%	12.6%
Non-Tax Revenues	8.5%	7.2%	11.2%	14.3%	12.5%	12.3%
Capital revenue	**7.7%**	**-85.0%**	**-84.9%**	**2.1%**	**-6.2%**	**-1.5%**
Total expenditure	**12.1%**	**2.3%**	**-2.6%**	**5.6%**	**7.3%**	**9.9%**
Total current expenditure	**10.9%**	**16.8%**	**10.3%**	**6.3%**	**6.2%**	**8.2%**
Wage	10.1%	6.5%	6.6%	3.6%	4.1%	4.2%
Non-wage	11.6%	26.2%	13.6%	8.6%	7.9%	11.3%
Total capital expenditure	**14.0%**	**-20.6%**	**-22.9%**	**4.0%**	**9.9%**	**13.5%**
Domestic financing	23.9%	-24.1%	-29.0%	-4.8%	16.6%	24.4%
External financing	4.6%	5.9%	5.9%	10.7%	5.5%	5.7%

B3. Ratio to GDP

Indicators	2023temp.	2024BL	2024e.	2025p.	2026p.	2027p.
Total revenue	**19.71%**	**16.93%**	**15.25%**	**15.11%**	**15.36%**	**15.61%**
Total current revenue	**15.19%**	**16.30%**	**14.62%**	**14.52%**	**14.85%**	**15.15%**
General Department of Custom and Excise	5.18%	5.79%	4.92%	4.85%	4.88%	4.90%
General Department of Taxation	8.26%	8.78%	7.90%	7.78%	8.03%	8.26%
Non-Tax Revenues	1.76%	1.73%	1.80%	1.89%	1.94%	1.99%
Capital revenue	**4.52%**	**0.63%**	**0.63%**	**0.59%**	**0.51%**	**0.46%**
Total expenditure	**20.50%**	**19.33%**	**18.40%**	**17.84%**	**17.52%**	**17.59%**
Total current expenditure	**12.51%**	**13.48%**	**12.72%**	**12.41%**	**12.07%**	**11.93%**
Wage	5.93%	5.83%	5.83%	5.54%	5.28%	5.03%
Non-wage	6.58%	7.65%	6.89%	6.87%	6.79%	6.90%
Total capital expenditure	**7.98%**	**5.85%**	**5.68%**	**5.42%**	**5.45%**	**5.66%**
Domestic financing	3.74%	2.61%	2.46%	2.14%	2.28%	2.59%
External financing	3.31%	3.23%	3.23%	3.29%	3.17%	3.07%
Current surplus	**2.68%**	**2.82%**	**1.90%**	**2.10%**	**2.78%**	**3.22%**
Overall deficit/surplus	**-5.15%**	**-2.40%**	**-3.15%**	**-2.73%**	**-2.16%**	**-1.98%**

Appendix C: National-Level Budget Allocation by Sectors

C1. In billion riels

Indicators	2023temp.	2024BL	2025p.	2026p.	2027p.
Total National-Level Expenditure	**33,854**	**34,497**	**34,827**	**37,334**	**40,961**
General administration	**3,584**	**3,173**	**3,435**	**3,666**	**3,956**
Current expenditure	3,408	2,987	3,002	3,221	3,499
Capital expenditure	176	186	433	445	457
Defense, security and public order	**5,132**	**5,488**	**5,702**	**5,947**	**6,232**
Current expenditure	5,102	5,454	5,680	5,912	6,179
Capital expenditure	30	34	22	35	53
Social sector	**8,943**	**9,796**	**10,810**	**12,030**	**13,451**
Current expenditure	8,402	9,211	9,620	10,784	12,069
Capital expenditure	541	585	1,190	1,246	1,382
Economic sector	**7,482**	**7,888**	**8,006**	**8,857**	**9,799**
Current expenditure	1,658	1,756	1,754	1,824	1,922
Capital expenditure	5,823	6,132	6,252	7,032	7,878
Other expenditure	**8,714**	**8,152**	**6,874**	**6,834**	**7,523**
Current expenditure	1,661	4,398	3,926	3,669	3,749
Capital expenditure	7,053	3,754	2,948	3,165	3,774

C2. Growth Rate

Indicators	2023BL /2022	2023temp. /2022	2024BL /2023temp.	2025p.	2026p.	2027p.
Total National-Level Expenditure	**22.6%**	**13.4%**	**1.9%**	**1.0%**	**7.2%**	**9.7%**
General administration	**15.4%**	**34.3%**	**-11.5%**	**8.3%**	**6.7%**	**7.9%**
Current expenditure	14.2%	37.0%	-12.4%	0.5%	7.3%	8.6%
Capital expenditure	32.8%	-2.0%	5.9%	132.7%	2.6%	2.8%
Defense, security and public order	**6.8%**	**5.1%**	**6.9%**	**3.9%**	**4.3%**	**4.8%**
Current expenditure	6.8%	6.8%	6.9%	4.2%	4.1%	4.5%
Capital expenditure	4.5%	-72.4%	14.4%	-35.9%	59.0%	51.8%
Social sector	**10.8%**	**10.2%**	**9.5%**	**10.4%**	**11.3%**	**11.8%**
Current expenditure	11.4%	18.1%	9.6%	4.4%	12.1%	11.9%
Capital expenditure	6.3%	-45.9%	8.1%	103.5%	4.7%	10.9%
Economic sector	**10.8%**	**17.7%**	**5.4%**	**1.5%**	**10.6%**	**10.6%**
Current expenditure	4.4%	9.4%	5.9%	-0.1%	4.0%	5.3%
Capital expenditure	12.8%	20.3%	5.3%	2.0%	12.5%	12.0%
Other expenditure	**56.8%**	**11.3%**	**-6.4%**	**-15.7%**	**-0.6%**	**10.1%**
Current expenditure	70.0%	-16.6%	164.7%	-10.7%	-6.5%	2.2%
Capital expenditure	52.3%	20.9%	-46.8%	-21.5%	7.4%	19.2%

C3. Ratio of GDP

Indicators	2023BL	2023temp.	2024e.	2025p.	2026p.	2027p.
Total National-Level Expenditure	**20.68%**	**19.12%**	**17.97%**	**16.65%**	**16.34%**	**16.38%**
General administration	**1.74%**	**2.02%**	**1.65%**	**1.64%**	**1.60%**	**1.58%**
Current expenditure	1.60%	1.93%	1.56%	1.44%	1.41%	1.40%
Capital expenditure	0.13%	0.10%	0.10%	0.21%	0.19%	0.18%
Defense, security and public order	**2.95%**	**2.90%**	**2.86%**	**2.73%**	**2.60%**	**2.49%**
Current expenditure	2.88%	2.88%	2.84%	2.72%	2.59%	2.47%
Capital expenditure	0.06%	0.02%	0.02%	0.01%	0.02%	0.02%
Social sector	**5.08%**	**5.05%**	**5.10%**	**5.17%**	**5.26%**	**5.38%**
Current expenditure	4.48%	4.75%	4.80%	4.60%	4.72%	4.83%
Capital expenditure	0.60%	0.31%	0.30%	0.57%	0.55%	0.55%
Economic sector	**3.98%**	**4.23%**	**4.11%**	**3.83%**	**3.88%**	**3.92%**
Current expenditure	0.89%	0.94%	0.91%	0.84%	0.80%	0.77%
Capital expenditure	3.09%	3.29%	3.19%	2.99%	3.08%	3.15%
Other expenditure	**6.93%**	**4.92%**	**4.25%**	**3.29%**	**2.99%**	**3.01%**
Current expenditure	1.91%	0.94%	2.29%	1.88%	1.61%	1.50%
Capital expenditure	5.02%	3.98%	1.96%	1.41%	1.39%	1.51%