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The NGO Forum on Cambodia

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Economic Development Policy Project

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In the Economic Development Policy Project, NGOs advocate for:

government fiscal policies that are more responsive to the needs of poor and vulnerable groups
 more transparency in the government's revenue management, especially around extractive industry.

There is a lack of pro-poor fiscal policies

Economic events in recent years have hit the poor disproportionately hard, and government fiscal policies need to better address this hardship

Starting in late 2007 and early 2008, Cambodia experienced high inflation, especially in food prices. This hit the poor hard as around 70% of their expenditure is on food, and many people cannot afford proper nutrition and go into debt.

The Global Financial Crisis of 2008 and 2009 also hurt the Cambodian economy, including the garment, construction and tourism industries.

NGO Forum and Economic Development Network members analyzed the likely impact of the economic downturn and found the biggest impacts on poor and vulnerable groups (Report on Impact of High Food Prices in Cambodia (2008) and Impact of Economic Downturn on Households and Communities in Cambodia (2010)). The research found that the government's policy responses to economic shocks are insufficient to respond to the needs of the poor and vulnerable groups. Government was urged to use the research findings to address this.

There is no evidence that existing policies or the National Social Protection Strategy (NSPS) introduced in 2011 are directly benefitting poor and vulnerable groups.

There are similar problems with government fiscal policies. Although the income tax system is

progressive and favours the poor, other costs such as consumption taxes on, for example, gasoline and food products, significantly affect low-income consumers, and non-tax fees – for administrative services, and fines and penalties – impose heavy burdens on certain groups, including those with small incomes who are vulnerable to economic shocks.

Fiscal policies must be more responsive to issues affecting the poor, by addressing negative impacts of economic development and/or growth. There is a need to have effective supportive mechanisms through fiscal policies in place.

The research commissioned by the Economic Development Policy Project contributed to its work as member of TWG-FSN (a government-development partner Technical Working Group). However, for TWG-FSN to fully understand the situation, it must be aware of the challenges faced by the poor at the grassroots level, especially farmers. The project identified NGOs like CARITAS that work in community development in provinces, as appropriate partners to participate and contribute to TWG-FSN.

There is a lack of transparency in extractive industry revenue management.

Exploration for oil and gas in Cambodia's territorial sea and mineral resources in the eastern and northern parts of the country indicate that in future Cambodia will raise a substantial amount of its revenues from extractive industries.

Properly managed, this revenue could allow the government to strengthen its fiscal policies in promoting sustainable and equitable growth and speeding up poverty reduction. This could significantly contribute to achieving Cambodia's millennium development goals (CMDG).

However, international experience highlights the risk of the 'resource curse', which is most likely to take place in a country whose revenue from natural resource exploitation is disproportionately large compared to its economy.

The resource curse can include corruption and loss of competitiveness of local industries, diverting extractive industry income from government revenues, worsening income inequality, worsening poverty and undermining political stability. The revenues therefore need careful management with legislative and public oversight.

At the moment, information on these industries is limited, the government is not open to public dialogue and does not acknowledge that CSOs/NGOs have a role to play in the development of revenue management framework.

The revenues disclosed by the Ministry of Economy and Finance (MEF) in the Table of Government Financial Operation (TOFE) are at an aggregate level, and there is little publicly available information on the operation of companies through bidding, licensing and contracting.

CSOs/NGOs were not invited to discuss or provide inputs to the draft Taxation Law on Petroleum and Mining Operations despite advocacy to the Cambodian National Petroleum Authority (CNPA), Ministry of Industry, Mines and Energy (MIME) and MEF.

Project background

Since the early 1990s, NGO Forum has been concerned about the impacts of structural adjustment, unfettered economic development and trade liberalization on Cambodia's fragile economy, and its impacts on the poor.

After 2002, trade and economic development issues became an increasingly important focus in the NGO community, and in 2004 the NGO Forum started a Trade and Economic Development Policy project to involve NGOs in advocacy in the area.

Interested NGOs formed the Trade and Economic Development Network (TEDN), shortened to Economic Development Network in 2008 due to difficulty in allocating information for advocacy on trade issues without a change in network members. The project name was also changed from Trade and Economic Development Policy Project to Economic Development Policy Project.

From 2006 the project started to work more on the national budget, the government's most important economic policy instrument. The National Budget sub-project started fully functioning in 2007.

In 2007, the Economic Development Project started to work on the emerging oil and gas industries and the likely future revenues and their potential to improve the lives of poor and vulnerable groups. In 2008/2009, the project helped establish the Cambodians for Resource Revenue Transparency (CRRT) Coalition, members including NGO Forum, the Centre for Social Development (CSD), Development Partners in Action (DPA), the Economic Institute of Cambodia (EIC), and Youth Resource Development Program (YRDP).

Since its launch, however, CRRT has undertaken few advocacy activities on revenue from extractive industry. This is partly due to issues within 2 member bodies. In July 2010, the Advocacy and Policy Institute (API) joined CRRT.

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