



CDRI
Cambodia Development Resource Institute

CAMBODIA OUTLOOK BRIEF

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CAMBODIA'S NEW GROWTH STRATEGY: PRIORITIES FOR HIGH-QUALITY AND SUSTAINABLE DEVELOPMENT

This brief summarises the key points of discussion at the 2025 Cambodia Outlook Conference on 4 March 2025. It highlights the need for Cambodia's New Growth Strategy—An Assessment of Medium and Long-term Growth for Resilient, Inclusive, and Sustainable Development.



“The [New Growth] Strategy focuses on balancing the pace and quality of economic growth, rather than solely pursuing high growth rates. While comprehensive structural reforms may temporarily slow economic growth below its full potential, they remain essential to ensuring quality, sustainability, and inclusiveness of growth.”

Keynote address by **Samdech Moha Borvor Thipadei HUN MANET**, Prime Minister of Cambodia, at the 16th Cambodia Outlook Conference 2025

Phnom Penh, 4 March 2025

The 16th Cambodia Annual Outlook Conference 2025 (COC25) convened leaders from government, business, civil society, and academia to debate Cambodia's strategic growth path amid global uncertainties. Anchored in CDRI's flagship report, Cambodia's New Growth Strategy, the conference underscored the need for a policy shift—moving beyond high growth rates to focus on resilience, inclusivity, and long-term competitiveness. This Outlook Brief outlines key discussions from the conference, detailing Cambodia's economic risks, opportunities, and the urgent policy actions needed to accelerate progress toward high-quality and sustainable development.

Cambodia's Economic Growth: Achievements and Emerging Challenges

Over the past three decades, Cambodia has transitioned from a post-conflict, agrarian economy to a fast-growing industrial and service-driven one. Between 2000 and 2022, GDP grew at an annual average of 7 percent, fuelled by foreign investment, trade liberalisation, and rapid industrialisation. This transformation led Cambodia to achieve lower-middle-income status in 2015. However, the country now faces structural constraints—over-reliance on labour-intensive manufacturing, weak productivity growth, and institutional bottlenecks. The COVID-19 pandemic further exposed vulnerabilities in key sectors. Moving forward, Cambodia must transition to a diversified, innovation-driven economy by implementing bold reforms that foster competitiveness, enhance governance, and drive sustainable growth.

A key step in this transition is strengthening private sector participation in high-value and technology-driven industries, particularly in advanced manufacturing and the green economy. Conference discussions emphasised that such a shift is critical for ensuring Cambodia's economic resilience and competitiveness in the global market. To facilitate this transition, the government and private sector must work closely to ensure that investments align with national development priorities.

Addressing these challenges requires a bold yet balanced approach—one that accelerates immediate sectoral reforms while strengthening institutional foundations to ensure long-term transformation. The following section outlines Cambodia's two-prong strategy for economic renewal.

The Need for a Two-Prong Approach: Competitive Sector-Specific and Comprehensive Reforms

Throughout the COC25, discussions reinforced the necessity of a dual-track growth strategy - balancing short-to medium term competitiveness of key sectors to accelerate growth with immediately embarking on structural reforms for long-term transformations to ensure resilience, inclusivity, and sustainability of growth. This requires:

- **Accelerated sector reforms** – A targeted industrial strategy focused on attracting private sector investment in high-potential sectors that can drive export diversification, job creation, and productivity gains.
- **Comprehensive reforms** – Addressing institutional weaknesses, human capital deficits, and governance challenges to sustain economic transformation and innovation in the long run.

Participants at the conference stressed that failure to act decisively on both fronts will limit Cambodia's economic potential and weaken its ability to navigate external shocks, including geopolitical shifts, technological disruptions, and climate-related risks. The private sector must take on a more proactive role in overcoming these constraints, particularly by supporting skill development, investing in modern technologies, and driving innovation within Cambodia's evolving economic landscape.



The engaging debates by high level leaders and the broad participation from the audience further sharpen the policy priorities outlined in CDRI's Overview Report regarding Cambodia's New Growth Strategy. Agreements for policy actions under each two-prong strategy are summarised below.

1. Accelerated Sector Reforms: Catalysing Cambodia's Short-to-Medium-Term Growth

The conference outcomes highlighted key opportunities for Cambodia to achieve high-quality growth through strategic investments in high-potential sectors that drive industrial diversification, digital transformation, and the green transition. A shared understanding emerged that these reforms must be implemented rapidly to help Cambodia seize global opportunities while boosting domestic competitiveness:

1.1 Targeting high-potential sub-industries for global competitiveness

The success of high-growth economies in Asia—such as Vietnam, Thailand, and Malaysia—has been driven by sector-specific industrial policies that attract strategic investments and develop specialised clusters. Cambodia must adopt a targeted approach to strengthening its industrial base by:

- Attracting anchor foreign investors – Discussions stressed that Cambodia needs to secure investment from multinational corporations in agro-processing, electronics, tradeable services, and tourism, fostering industrial clusters and deeper integration into global supply chains.
- Enhancing special economic zones (SEZs) and investment incentives – A clear recommendation was a structured foreign direct investment (FDI) attraction strategy, including a revised SEZ framework, investment tax incentives, and public-private partnerships, is essential to increase Cambodia's appeal as a manufacturing and service hub.
- Addressing regulatory, infrastructure, and skills bottlenecks – Participants highlighted the lack of skilled labour, logistical inefficiencies, and regulatory complexity being major constraints to industrial expansion. Cambodia must engage closely with the private sector to develop sector-specific workforce training programmes, simplify investment procedures, and upgrade logistics infrastructure.

1.2 Driving the green transition for sustainable growth

Sustainability was widely recognised as a competitive necessity. Global supply chains are increasingly carbon-conscious, and investors are prioritising economies that commit to green growth. Cambodia must actively position itself as a leader in sustainable economic development, conference discussions led to the following action points:

- Expanding green financing mechanisms – The government should promote green bonds, carbon pricing, and tax incentives for companies adopting renewable energy solutions and climate-smart technologies.
- Strengthening green industries – Participants agreed on the urgent need to support clean energy adoption, energy-efficient solutions, and carbon capture technologies. Cambodia can attract sustainable FDI and enhance its competitiveness in green supply chains.
- Encouraging sustainable agriculture – The agricultural sector must transition toward low-carbon, resource-efficient practices, with incentives for climate-smart farming, sustainable irrigation, and responsible land use policies.

1.3 Prioritising inclusive growth through digitalisation and SME support

A robust digital economy and an inclusive business environment are essential for enabling broad-based growth and a resilient economy. Cambodia must prioritise digital infrastructure expansion and regulatory modernisation to enhance productivity and linkages of micro, small, and medium enterprises (MSMEs) in regional and global markets. Key policy actions include:

- Accelerating a robust and comprehensive digital transformation in public service delivery – The need for enhanced and revolutionised e-governance, digital tax filing, and automated customs procedures was widely supported as a driver of efficiency, transparency, and investor confidence.
- Expanding digital readiness and infrastructure in rural areas – Discussions highlighted targeted investments in broadband expansion and digital literacy as crucial to enable rural businesses, smallholder farmers, and startups to access new markets and financial services and enhance their productivity and competitiveness.
- Enhancing the business regulatory environment – Simplifying business registration, ensuring predictable taxation, and improving access to affordable finance will support the formalisation of MSMEs, enabling them to grow and integrate into larger value chains.

2. Comprehensive Reforms: Strengthening the Foundations for Long-Term Growth

COC25 emphasised that while accelerated sector reforms will generate short-to medium term gains, these must be complemented by deep structural changes to sustain steady growth for long-term prosperity. Without these foundational reforms, Cambodia risks stagnating in the middle-income trap and graduation from the least developed countries, limiting its aspiration to becoming high income country by 2050.

To build a strong foundation for long-term prosperity, key takeaways from the conference included the importance of effective governance frameworks, modernising Cambodia's education system, and creating a business environment that supports innovation. Cambodia must prioritise the following major reform measures.

2.1 Improving institution and governance as the key foundation for long-term development

A well-functioning governance system was identified as essential for sustaining investor confidence, ensuring regulatory stability, and improving economic management. However, Cambodia continues to face challenges in public administration efficiency, legal enforcement, and fiscal policy predictability, which undermine business competitiveness and public trust in institutions.

To improve governance, Cambodia must:

- Implement comprehensive public administration and legal system reform – A consensus emerged on the need for modernising administrative procedures, enhancing legal enforcement, and strengthening judicial independence to enhance transparency, efficiency, and investor confidence.
- Enhance inter-agency coordination through data-driven decision-making – Adopting open data policies and mechanisms and clarifying institutional responsibilities were seen as essential to enable more coherent, evidence-based policymaking across different ministries and agencies.

- Develop and strengthen digital public infrastructure – Establishing a resilient and inclusive digital governance ecosystem through public-private partnerships, robust cybersecurity measures and necessary regulatory frameworks to enhance accessibility, efficiency, transparency for ethical innovation and sustainable economic growth.
- Increase tax system transparency and predictability – Enhancing tax transparency and predictability will strengthen investor confidence, boost compliance, and ensure sustainable domestic revenue generation—reducing Cambodia’s reliance on external funding.
- Deploy technical experts to rural areas – Addressing regional disparities in economic opportunities and public service access is critical for inclusive development. Deploying specialised professionals in rural areas can facilitate economic diversification, infrastructure development, and equitable access to public services.

2.2 Building human capital to sustain economic progress

A productive and adaptive workforce is the foundation of a modern, high-growth economy. As Cambodia moves towards higher-value industries, its current education and labour market structures must be reformed to meet new economic demands. Failure to do so will result in persistent skill mismatches, declining competitiveness, and limited upward mobility for workers.

To strengthen human capital, Cambodia must:

- Deepen education reform from early childhood to higher education – A call was made for the education system to focus on accountability, quality improvement, and workforce alignment. Enhancing Science, Technology, Engineering, and Mathematics (STEM) education, vocational training, and soft skills development will be crucial in preparing workers for technology-driven industries and a knowledge-based economy.
- Expand social protection programmes and introduce family-friendly policies – Strengthening labour protections, childcare support, and workplace security will increase labour force participation and create a more stable economic environment for workers and small businesses.
- Ensure universal healthcare access and service quality – Participants stressed that improving public healthcare infrastructure, expanding medical coverage, and addressing regional disparities in healthcare services is critical for sustaining workforce productivity and long-term well-being.

Cambodia stands at a critical crossroads. Without decisive action, the country risks losing its competitive edge in an increasingly complex global economy. The two-track approach outlined in this brief provides a clear roadmap for achieving high-quality and sustainable development. By prioritising targeted sectoral reforms while simultaneously addressing fundamental structural constraints, Cambodia can secure its place as a resilient, competitive, and high-income economy.

CDRI’s Role in Supporting Cambodia’s Long-Term Vision

As Cambodia pursues its high-quality and sustainable development vision, evidence-based policymaking will be central to navigating the country’s complex development challenges. In alignment with its five-year Strategic Plan (2025-2030), CDRI will continue to serve as a leading development knowledge institution, fostering forward-looking policy solutions, supporting capacity building of new generation of leaders, and convening broad-based debates on key policy challenges.

Building on the insights shared at COC25, CDRI will focus on four strategic priorities to support Cambodia's economic transformation:

- **Framing socio-economic development debate:** Providing consistent, timely, data-driven insights to inform national development strategies and problem-solving policies while also creating a platform for inclusive discussions among various stakeholders.
- **Delivering rigorous data and analysis:** Offering comprehensive and timely data—both macro and micro, quantitative and qualitative—through regular, independent data collection and analysis. This will support the monitoring and evaluation processes, contribute to the development of parallel databases, and help build robust indicators for performance improvement.
- **Strengthening individual capacity and institutions:** Enhancing research skills and emerging generation of leaders in public and development sectors through targeted capacity-building initiatives, ensuring more effective and efficient implementation of development strategies.
- **Promoting cross-regional learning and collaboration:** Building on CDRI's long-term network with research institutions and partners in the region, the initiative will systematically transform the network into a hub for early career and experienced researchers to share, learn and co-design realistic policy advice on key development challenges.

Through rigorous research, policy engagement, and capacity-building efforts, CDRI will continue to play a pivotal role in shaping Cambodia's path toward a resilient, competitive, and inclusive high-income economy.

For a deeper understanding of the discussions and policy recommendations that shaped the framework of the conference, readers are encouraged to consult the **Overview Report** and the **background papers** that provide in-depth analysis on sectoral reforms, economic resilience, and digital transformation.



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