

# MACRO-ECONOMIC SITUATION IN CAMBODIA

The Ministry of Economy and Finance  
Date: February 08, 2018

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**(Present by General Department of Policy)**

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**(Present by Central PPP Unit)**

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# **Presentation**

**by**

# **General Department of Policy**



**ក្រសួងសេដ្ឋកិច្ច និង ហិរញ្ញវត្ថុ**  
**Ministry of Economy and Finance**

**ធានានូវកំណើន និង អភិវឌ្ឍន៍ប្រកបដោយចីរភាព**  
**Ensure Sustainable Growth and Development**



# Cambodia Economic Development

**February 08, 2018**

# Contents



Current economic development and  
Cambodia-Japan economic relation

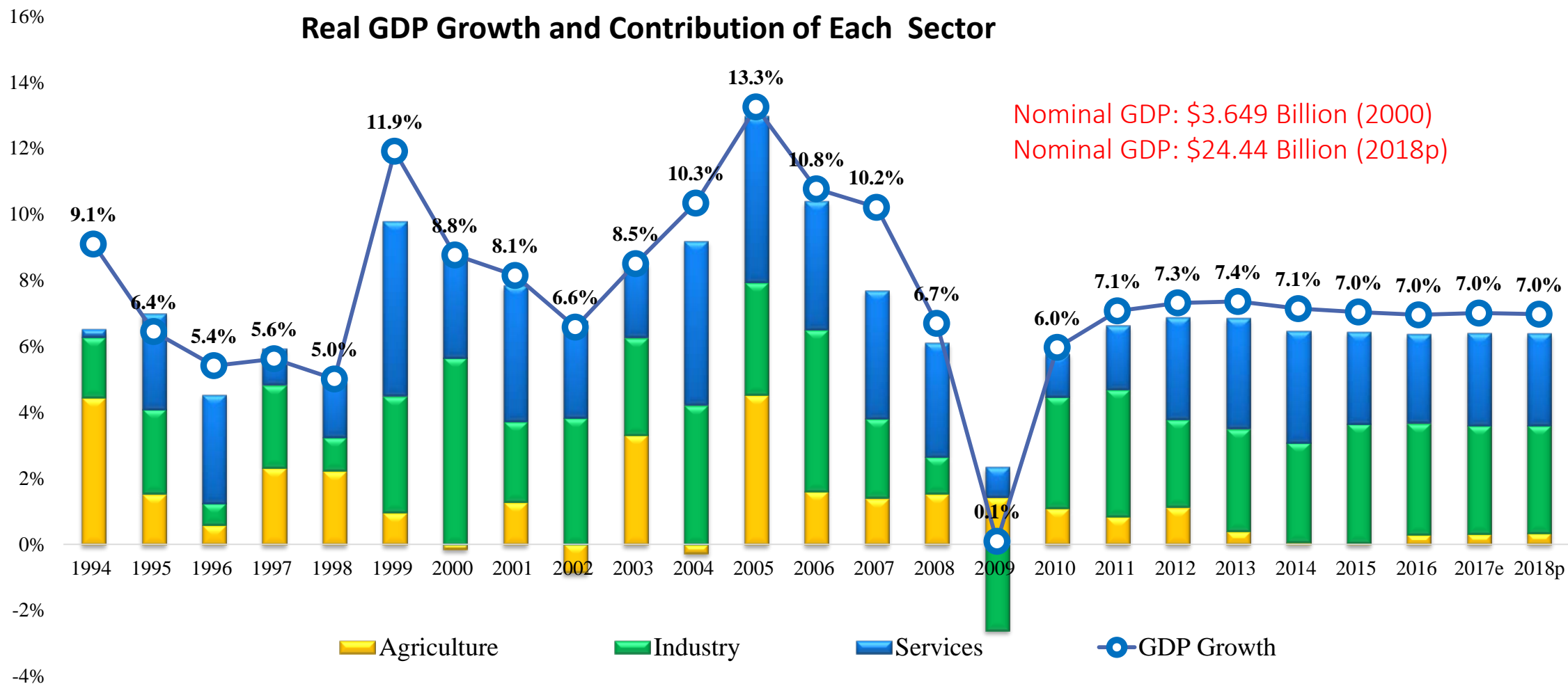


Challenges and risks



Key policy direction and new growth  
policy

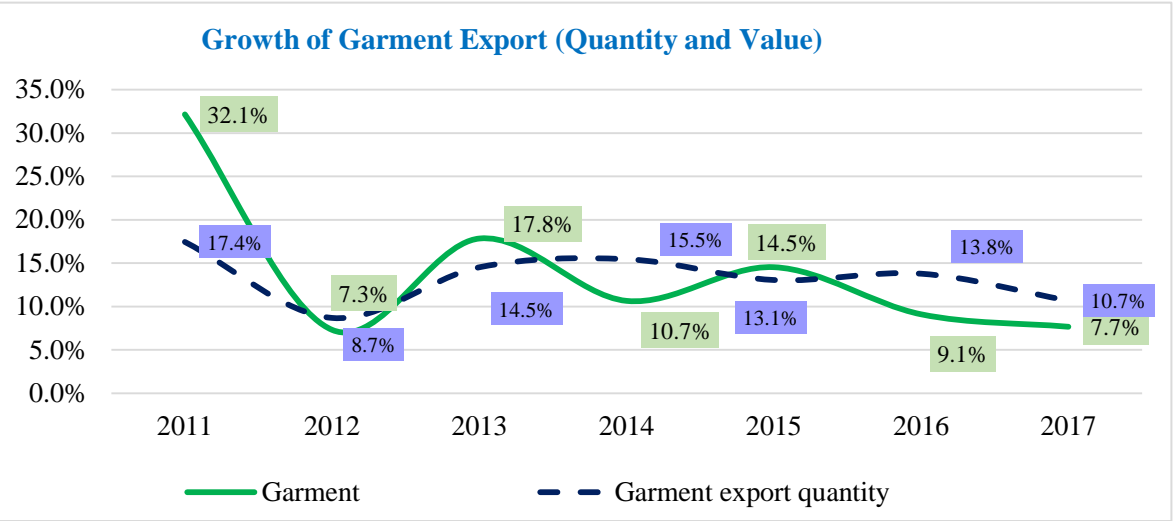
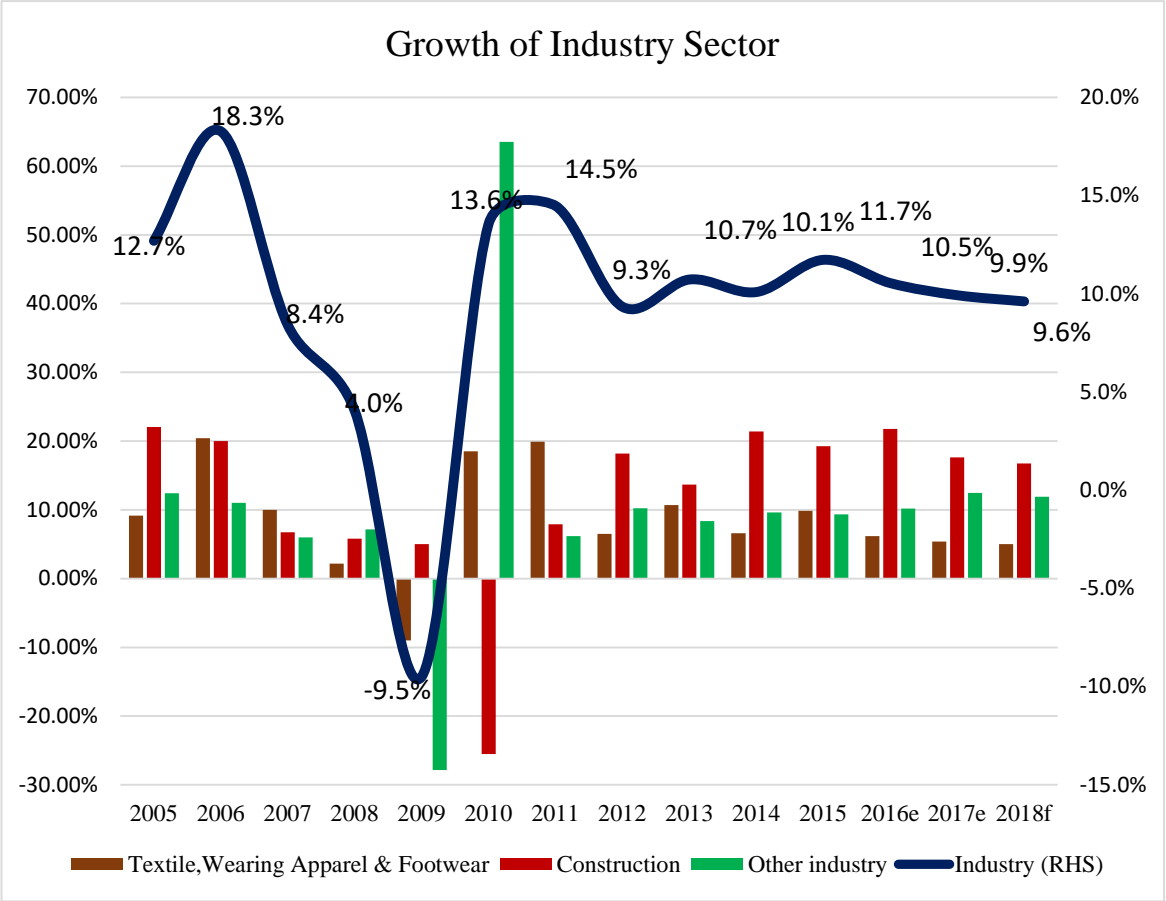
# Robust economic growth....



Source: 1994-2016 National Institution of Statistic  
2017e-2018f Ministry of Economy and Finance



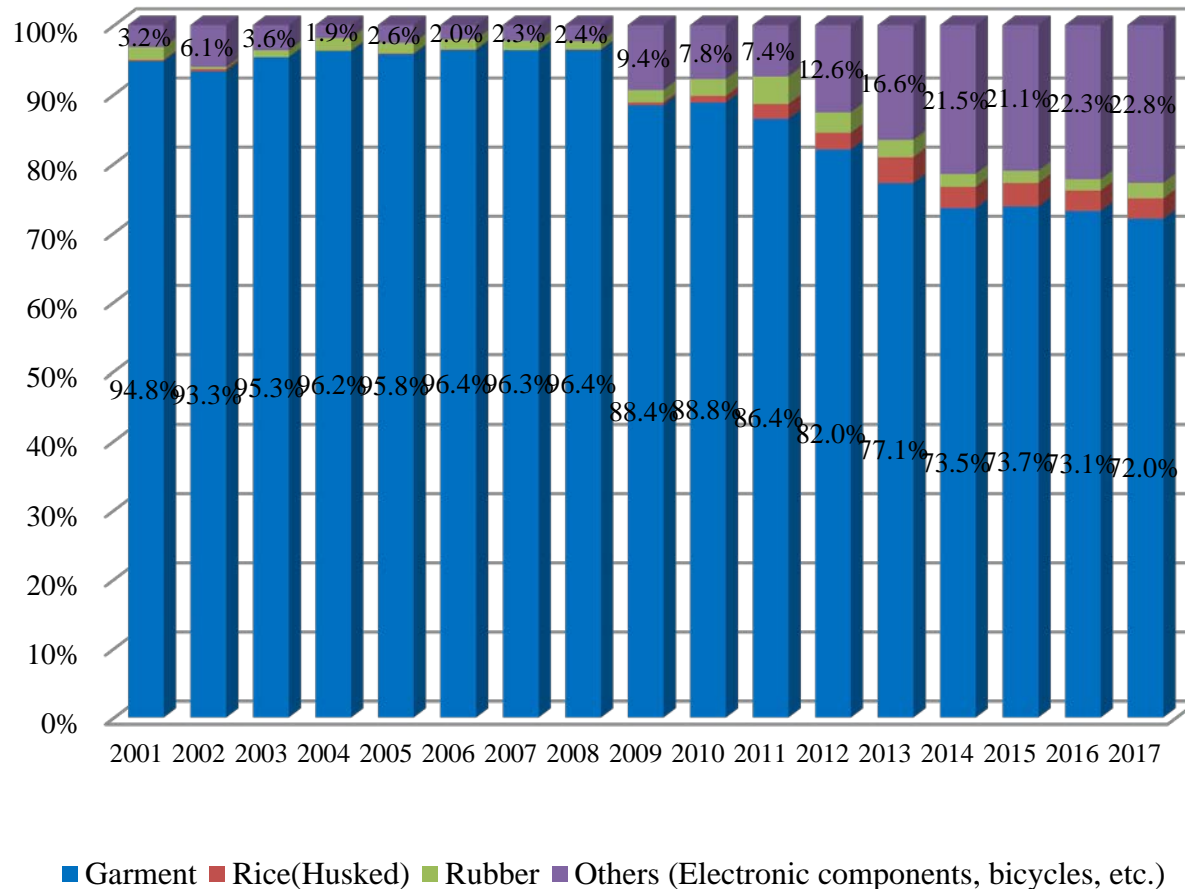
# Industry sector has maintained strong growth supported by solid growth of construction sector



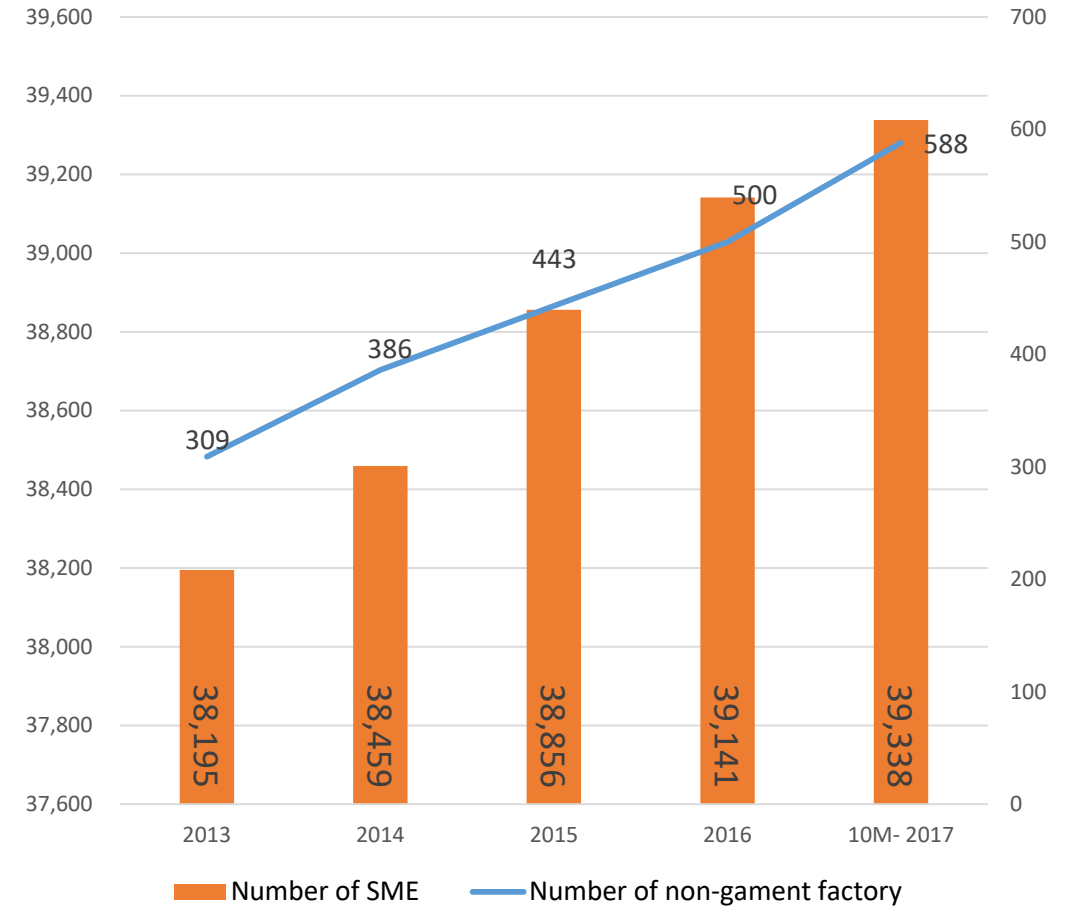
Source: 1994-2016 National Institution of Statistic  
2017e-2018f Ministry of Economy and Finance

# And the emergence of non-garment industry

Export by Products



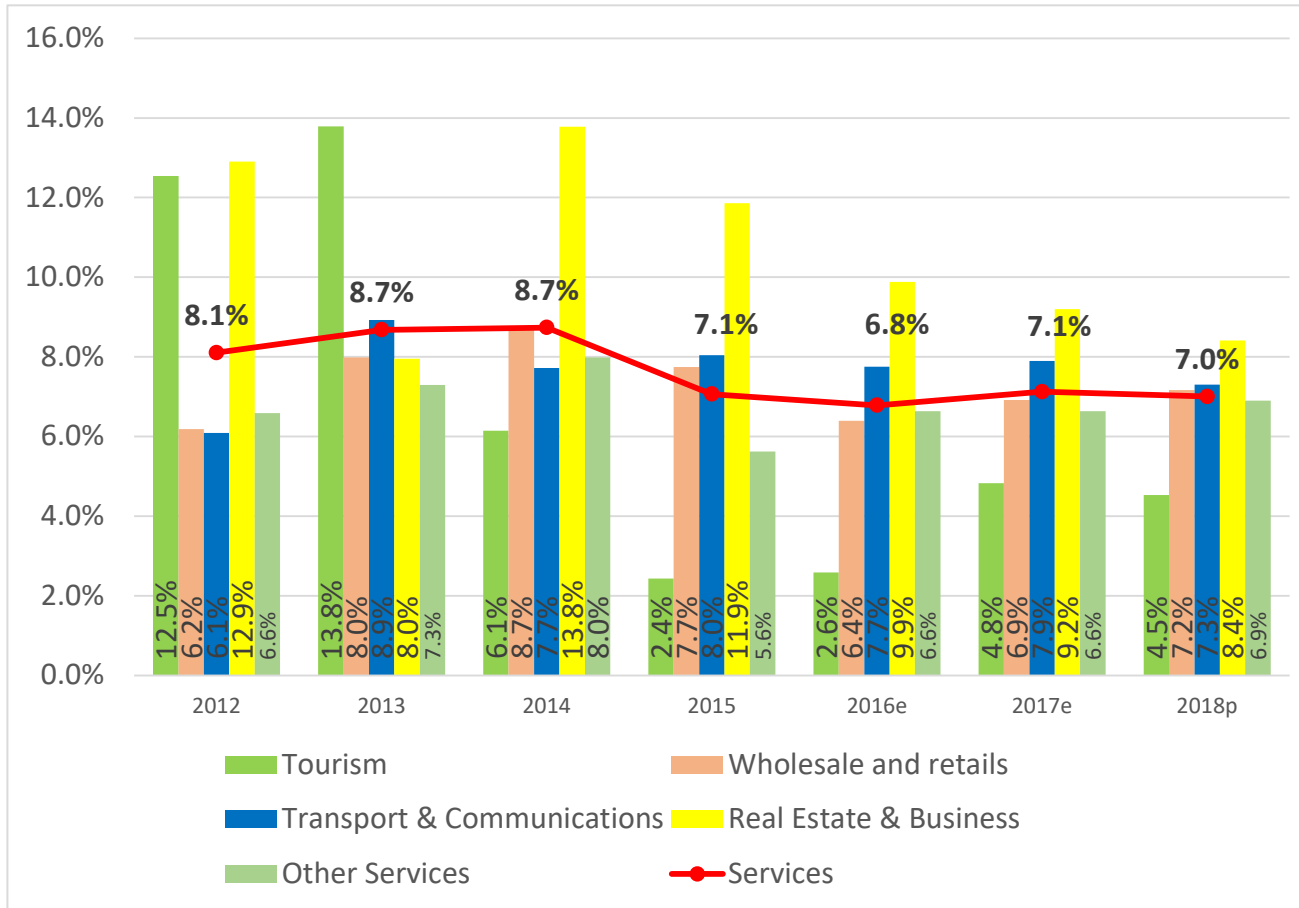
Source: Ministry of Economy and Finance, 2017



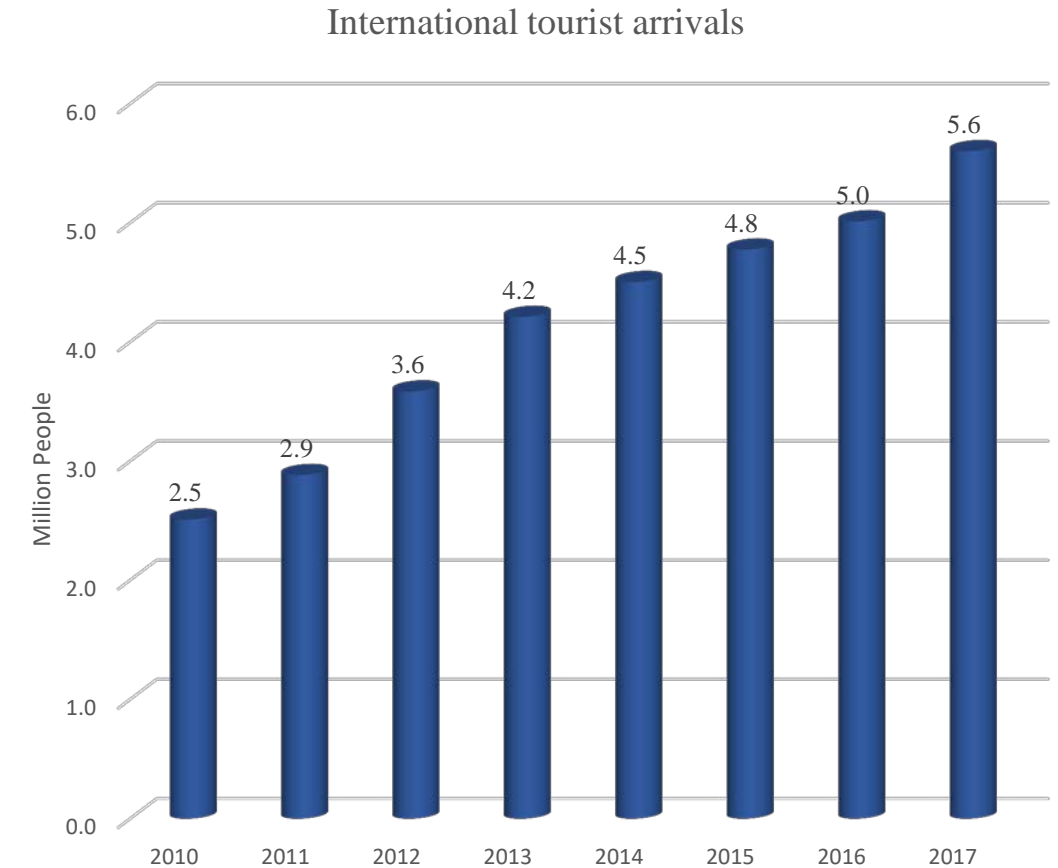
Source: Ministry of Industry and Handicraft



# Service sector growth remain sturdy, thanks to higher-than-expected growth in tourism sector ...



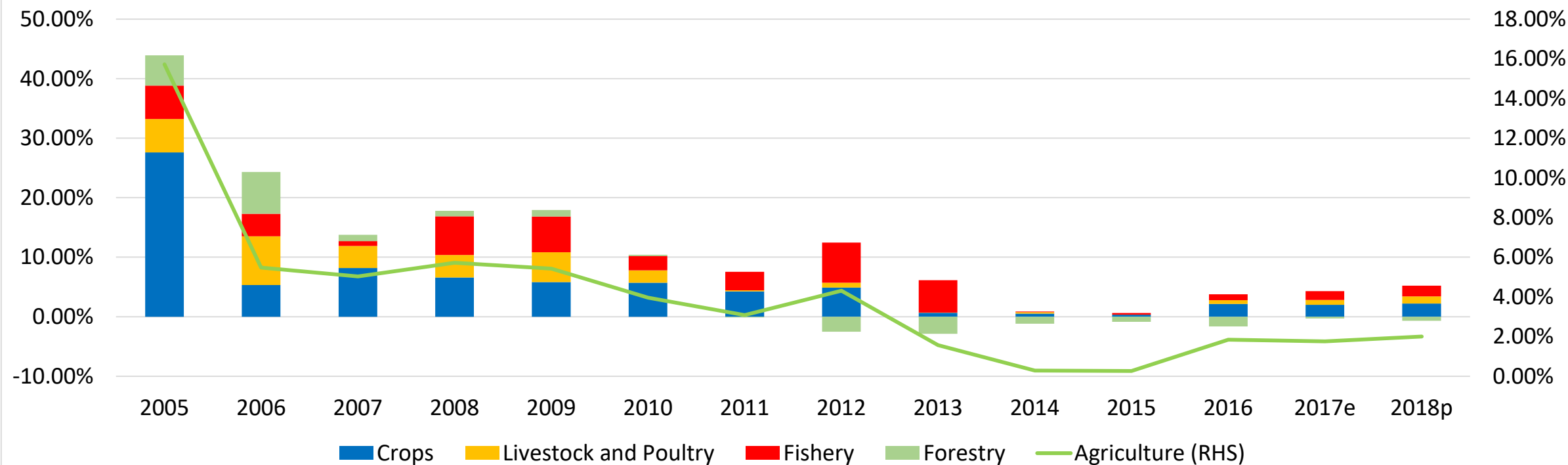
Source: 1994-2016 National Institution of Statistic  
2017e-2018p Ministry of Economy and Finance



Source: Ministry of Tourism

Agriculture experienced declining growth over the last three years due to bad weather condition and drop of commodity price and prospected to gradually pick up.....

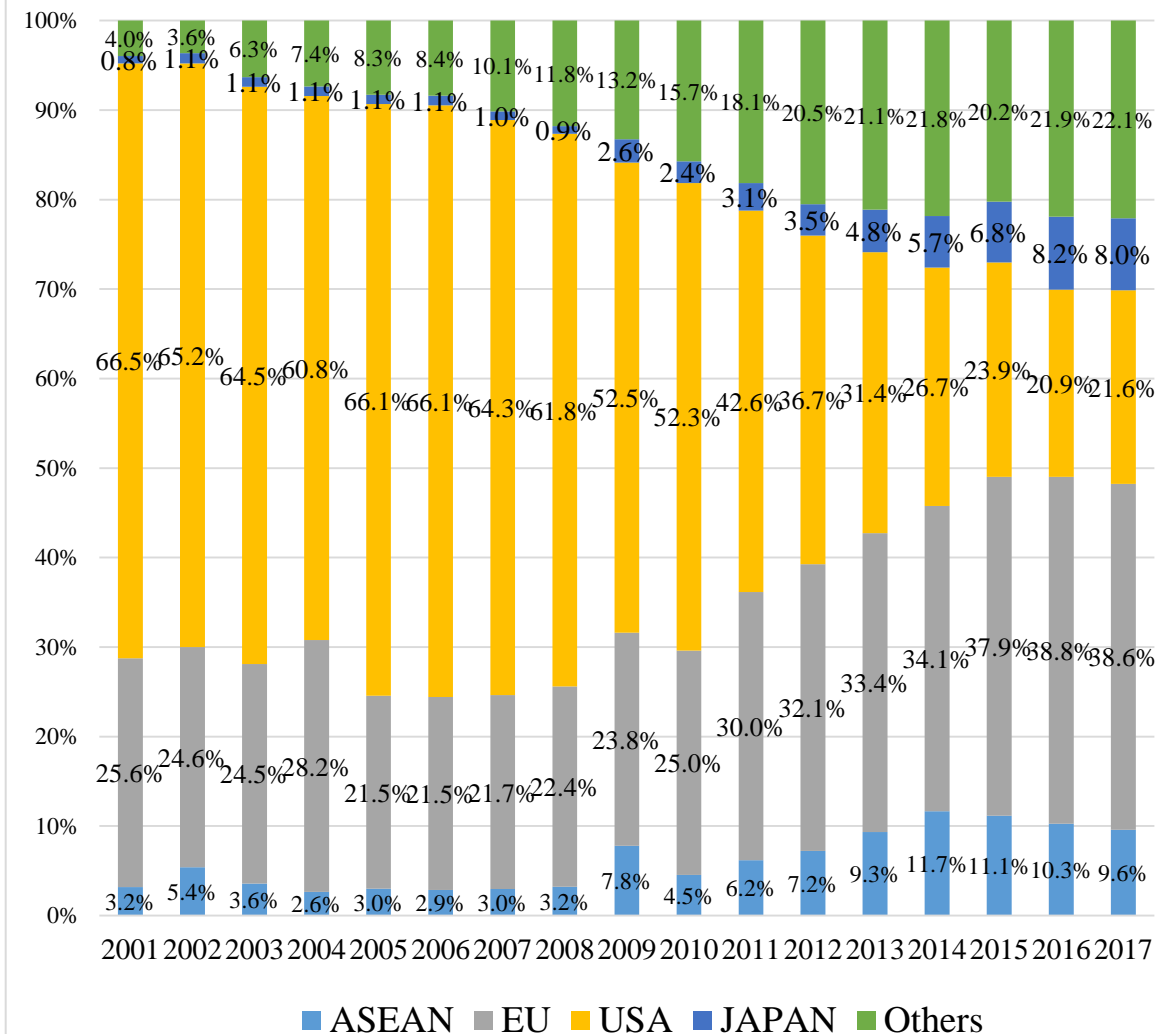
**Growth of Agriculture Sector (2005-2018p)**



# Cambodia-Japan economic relation

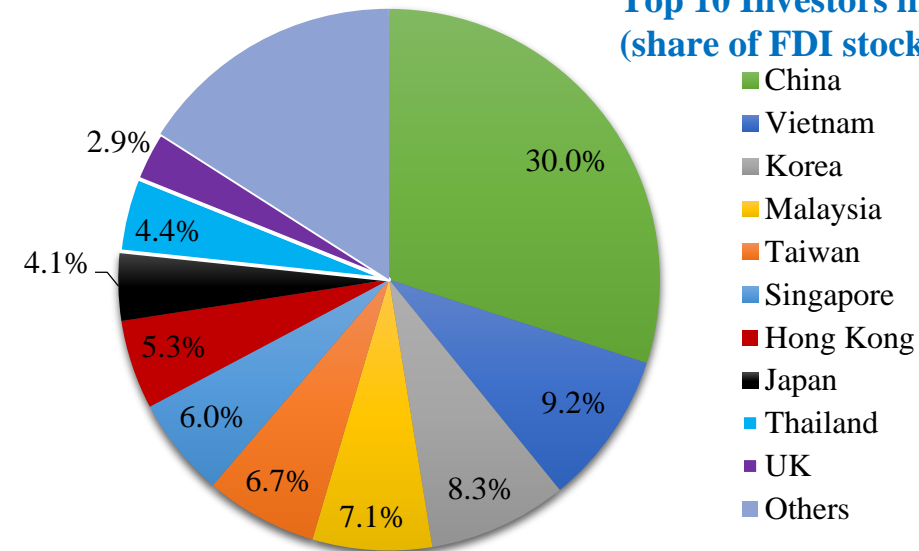


## Share of Export Value by Countries



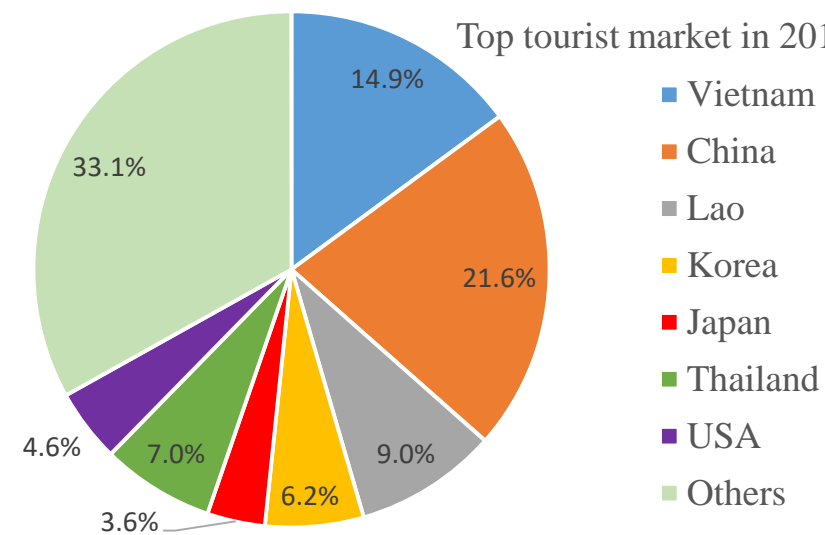
Source: Ministry of Economy and Finance

## Top 10 Investors in 2016 (share of FDI stock)



Source: National Bank of Cambodia

## Top tourist market in 2017



Source: Ministry of Tourism



## 2. Challenges and Risks



Along with the good condition of the global economy, Cambodia is also facing some major risks ...



**Tightened US monetary policy**



**Brexit and uncertain future of EU**



**China's slowdown with mounting vulnerabilities in China's financial system associated with rapid credit growth**



**Uncertainty of economic and trade policies in the US especially protectionism policy**



**Geopolitical tensions, terrorism and security concerns**



Increasing minimum wage

High business cost and non-smoothly doing business procedure

High cost of electricity, logistics and transport

Challenges

Low skill and productivity



### 3. Key Policy Directions & New Growth Policy



# Prioritized Agenda



In the context of the challenges and risks mentioned above, in order to continue to drive economic growth around 7%, the Royal Government of Cambodia should:

Prepare the **Logistics Master Plan** and reduce electricity price, aiming to promote Cambodia's competitiveness in the regional and global market

Continue expanding and strengthening **education, both soft and hard skills, technology** in order to promote skill development and know-how.

Prepare long-term, comprehensive planning to **develop the agricultural sector**, involving all stakeholders from the public, private sector and development partners.

Continue implementing **IDP 2015-2025** efficiently, particularly increase value addition to productions of various industries along with the strengthening of SMEs

Accelerate **institutional structural reforms.**



**Thank You!**





# **Presentation by Central PPP Unit**



# The Progress of PPP Implementation in Cambodia

Central PPP Unit, Ministry of Economy and Finance

*Le Palais du Gouvernement  
February 8, 2018*

## **1) PPP Policy Paper 2016-2020**

- i. Vision
- ii. Objective and Goal
- iii. Strategies and Measures
- iv. Priority Sectors

## **2) Progress of Implementing PPP Policy in Cambodia**

- i. Progress on PPP Legal and Regulatory framework
- ii. Progress on PPP Project Implementation
  - Pilot PPP Project
  - Other projects

## **3) Targeted Plan**



# 1. PPP Policy Paper 2016-2020 (1/6)



## i. Vision

*“By the end of 2020: a comprehensive and interlinked system of PPP in accordance with the international standards”*

## ii. Objective

*“To promote and encourage investments by private sector and financial institutions to contribute to restoring, building, operating and maintaining public infrastructure and other economic productivity enhancement sectors”*

# 1. PPP Policy Paper 2016-2020 (2/6)



## iii. Strategies and Measures

- **Strategies**

- (i) Legal framework, operational management procedures, financial support mechanism, institutional mechanism, and Inter-Ministerial Committee
- (ii) **“Learning by Doing”** approach
- (iii) Institutional capacity and human resource development

# 1. PPP Policy Paper 2016-2020 (3/6)



## • Measures (1/2)

Policy Measures	Activities	
	2016 – 2018	2019 – 2020
1. Review and development of legal framework and operational management procedures	<ul style="list-style-type: none"> <li>- During the interim period, establish an Inter- Ministerial Committee led by the Ministry of Economy and Finance;</li> <li>- Review provisions stipulated in the Law on Concession and other related laws and make amendments as necessary;</li> <li>- Prepare legal documents, operational management procedures, procurement management procedures, and financial support mechanism etc.;</li> <li>- Review and approve priority project list and the findings from feasibility studies of those priority projects.</li> <li>- These functions and duties shall be transferred to the permanent mechanism which will be reviewed and decided by RGC latterly.</li> </ul>	<ul style="list-style-type: none"> <li>- Review and revise as needed in order to establish a permanent institutional mechanism;</li> <li>- Review and revise as needed the relevant legal framework, institutional mechanism, and operational management procedures.</li> </ul>



# 1. PPP Policy Paper 2016-2020 (4/6)



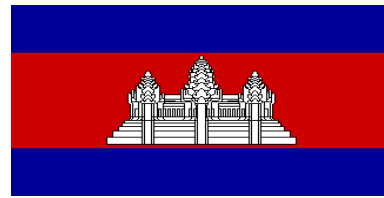
## • Measures (2/2)

Policy Measures	Activities	
	2016 – 2018	2019 – 2020
2. Development of financial support mechanism	<ul style="list-style-type: none"> <li>- Establish and operationalize Project Development Facility (PDF)</li> <li>- Develop and put into effect operational procedures for PDF.</li> </ul>	<ul style="list-style-type: none"> <li>- Review possibilities to establish and operationalize Viability Gap Fund (VGF)</li> <li>- Develop and put into effect the operational procedures for VGF.</li> </ul>
3. Development and identification of institutional mechanism	<ul style="list-style-type: none"> <li>- Integrate functions of the Central PPP Unit and Risk Management Unit for the MEF. <i>(The function of CPU and RMU has reviewed and integrated under the single roof of CPU.)</i></li> <li>- Establish or integrate functions of PPP units in different sectorial ministries/institutions</li> </ul>	<ul style="list-style-type: none"> <li>- Review and revise functions of PPP units in different sectorial ministries/institutions.</li> </ul>
4. Institutional capacity and human resource development	<ul style="list-style-type: none"> <li>- Prepare and put into effect the institutional capacity and human resource development plan.</li> </ul>	<ul style="list-style-type: none"> <li>- Update the institutional capacity and human resource development plan.</li> </ul>

## iv. Priority sectors

- **Initial Stage - Revenue-Based Payment**
- **These sectors include the following:**
  - Transportation system such as roads, bridges, railroads, ports, and airports;
  - Production, transmission and distribution of electricity;
  - Production, supply and distribution of clean water;
  - Development, modernization of markets and public car parks or public commercial centres;
  - Development of public infrastructure in industrial zones
  - Waste collection and management services;
  - Waste water treatment and sewage systems;
  - Vocational skill development;
  - Social housing infrastructure;
  - Tourist infrastructure such as tourist attraction sites, museums, etc.
  - Economic productivity enhancement sector and other priority sectors

# 1. PPP Policy Paper 2016-2020 (6/6)



- **Medium and Long-term sectors**
  - Infrastructure for gas and petroleum sector such as petroleum and gas distribution system;
  - Telecommunications sector and information and communications technology;
  - Irrigation system and agriculture infrastructure;
  - Public health services infrastructure;
  - Education and sports infrastructure, etc.



## 2. Progress of Implementing PPP Policy (1/6)



### i. Progress on PPP Legal and Regulatory framework

#### a) Existing Legal Framework

##### Approved by Parliament

- Law on Concession (2007)
- Law on Investment
- Law on Public Finance System

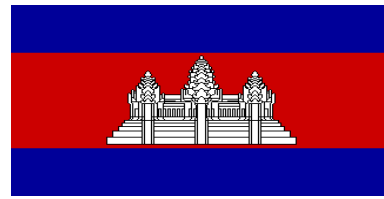
##### Approved by Prime Minister

- Policy Paper on PPPs for Public Investment Project Management 2016-2020 (June 22, 2016)
- PDM Strategy 2015-2018 (August 17, 2015)
- Sub-decree on PDM (23 June, 2011)

##### Approved by Minister of Economy and Finance

- Ministerial Decision on Establishment of the Inter-ministerial Committee for steering the Implementation of Policy on PPPs (September 12, 2016)
- Prakas on Established of Central PPP Unit (December 22, 2017)

## 2. Progress of Implementing PPP Policy (2/6)



### b) Reviewing and Amending the Law

#### **Review:**

- Law on Concession → Not International best practice
- Law on Public Procurement → Article 3 (Allowing other forms of procurement)

#### **Action:**

- Require new law
- New draft law on PPP (8<sup>th</sup> draft)
- Public consultation workshop



## 2. Progress of Implementing PPP Policy (3/6)

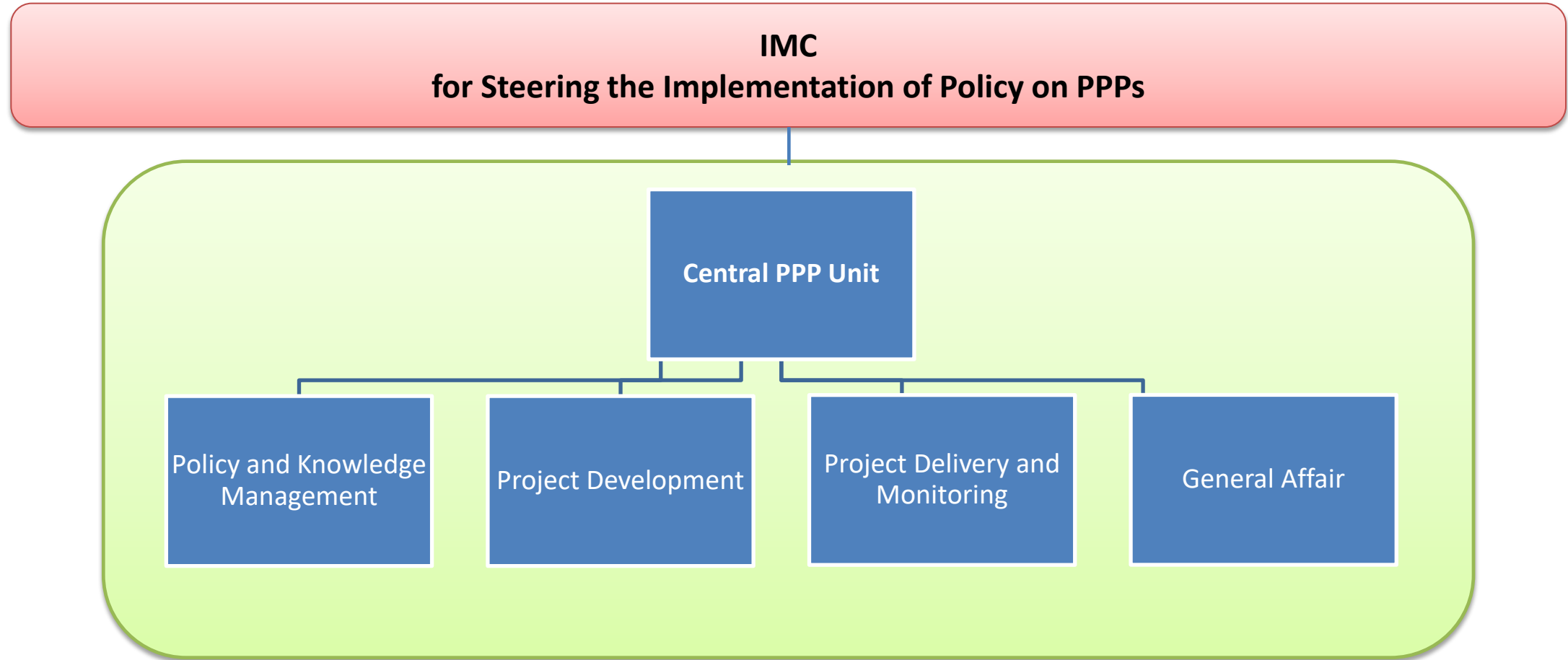


### c) Institutional Framework

#### Inter-ministerial Committee for Steering the Implementation of Policy on PPPs

- **Chaired** by Secretary of State, Ministry of Economy and Finance
- **Main Responsibility:**
  - i) Review provisions stipulated in the Law on Concession and other related laws and make amendments as necessary or propose a new law on Public-Private Partnership mechanism if necessary.
  - ii) Prepare sub-decrees, Prakas, related legal instruments, operational management procedures for public investment projects using PPPs.
  - iii) Review and approve priority project list and the findings from feasibility studies of those priority projects while piloting PPP projects.
- **Members:** 9 from the MEF (including the Chairman), and 16 from line ministries/institutions.
- **Secretariat:** Central PPP Unit, MEF

## 2. Progress of Implementing PPP Policy (4/6)





## 2. Progress of Implementing PPP Policy (5/6)



### d) Operational Management Procedures

1. Standard Operating Procedures
2. Definitions and Abbreviations
3. Project Selection Guidelines
4. Project Development Fund Guidelines
5. Feasibility Study Guidelines
6. Financial Analysis Guidelines
7. Value-for-Money Analysis Guidelines
8. PPP Procurement Manual
9. PPP Contract Template
10. Government Support Measures (GSM) Guidelines
11. Risk Management Framework Guidelines
12. Contract Management Guidelines





## 2. Progress of Implementing PPP in Cambodia (6/6)



### Standard Operating Procedures (SOP)

#### Project Identification and Selection Stage

Project Selection Guidelines

Project Development Fund  
Guidelines

PPP Procurement Manual  
"Selection of Transaction  
Advisor"

#### Feasibility Study Stage

Feasibility Study Guidelines

Financial Analysis Guidelines

Value-for-Money Analysis  
Guidelines

#### Procurement Stage

PPP Procurement Manual "Selection  
of Private Partner"

PPP Contract Template

#### Contract Management Stage

Contract Management Guidelines

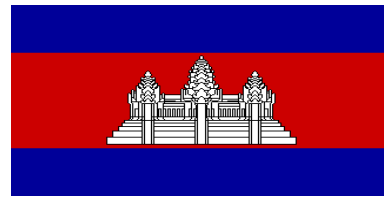
PPP Procurement Manual "Selection of  
Independent Engineer/Consultant and  
Owner's Engineer"

Risk Management Framework Guidelines

Government Support Measures (GSM) Guidelines



## 2. Progress of Implementing PPP Projects



- **Pilot Project:**

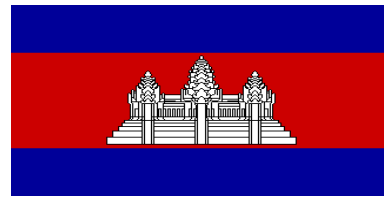
4 potential candidate PPP projects:

1. Bavet Bulk Water Supply;
2. Phnom Penh Logistic Complex;
3. Sihanoukville Cruise Terminal Port Development Project;
4. Rice Handling Pontoon Platform Logistic.

- Project selected as Pilot PPP Project: ***Sihanoukville Cruise Terminal Port Development Project.***
- This project is being studied at Feasibility Stage.



## 2. Progress of Implementing PPP Projects



- **Other projects:**
  - PNH-SHV Expressway Project
  - Public Affordable Housing Project

### 3. Targeted Plan



- Establish Project Development Fund (PDF) by 2018
- Finalize all SOPs on PPP project cycle by early 2018
- Finalize FS on Sihanoukville Cruise Terminal Port Development Project by March 2018
- Impose new PPP Law by 2019
- Continue to find other financial source for FS on other Pilot PPP projects
- Continue to build capacity for Central PPP Unit and PPP Unit of line ministries

# Thank you!

For further information:  
[ppp.mef.gov.kh](http://ppp.mef.gov.kh)



# **Presentation by General Department of International Cooperation and Debt Management (GDICDM)**



# Policy of Borrowing

*Cambodia - Japan ODA Policy Dialogue  
08 February 2018, CDC*





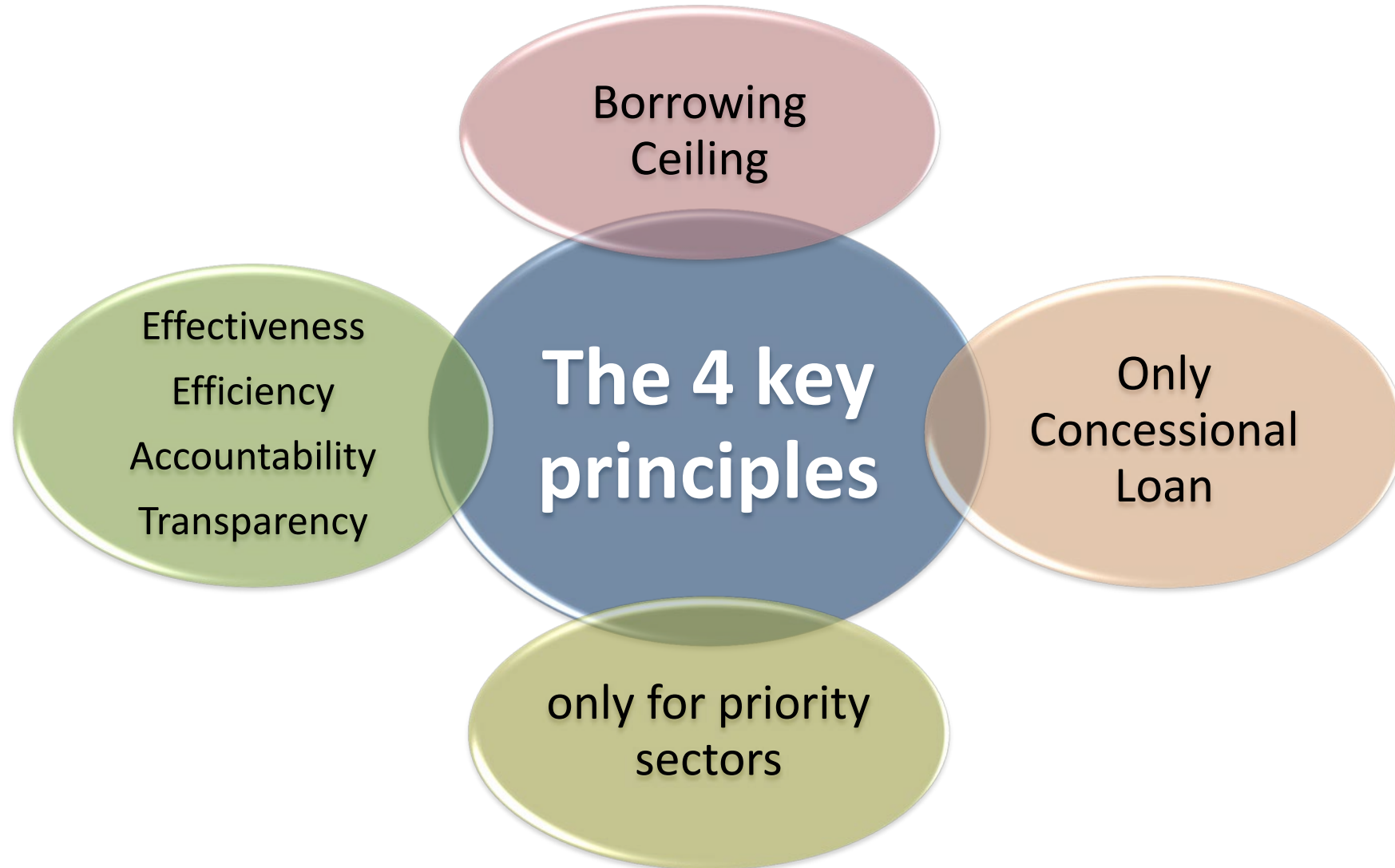
# Content



1. The 4 key Principles in Borrowing
2. Policy Measures for PDM 2015-2018
3. Debt Sustainability Analysis



# 1. The 4 Key Principles in Borrowing





## 2. Policy Measures for PDM 2015-2018 (1/2)



1. Set annual borrowing limit of ***SDR 600M*** for 2015, and ***SDR 700M - 800M*** from 2016 to 2018;
2. Continue to borrow ***highly concessional loans***
3. Continue to borrow for priority sectors which support sustainable growth and increasing economic productivity;
4. Continue to strengthen the efficiency of public investment projects through the preparation of the overall guiding principles of PIM which covers public investment funded projects (funded by RGC's budget), ODA funded projects, and PPP projects.
5. Continue to implement key reform programs in the priority sectors;

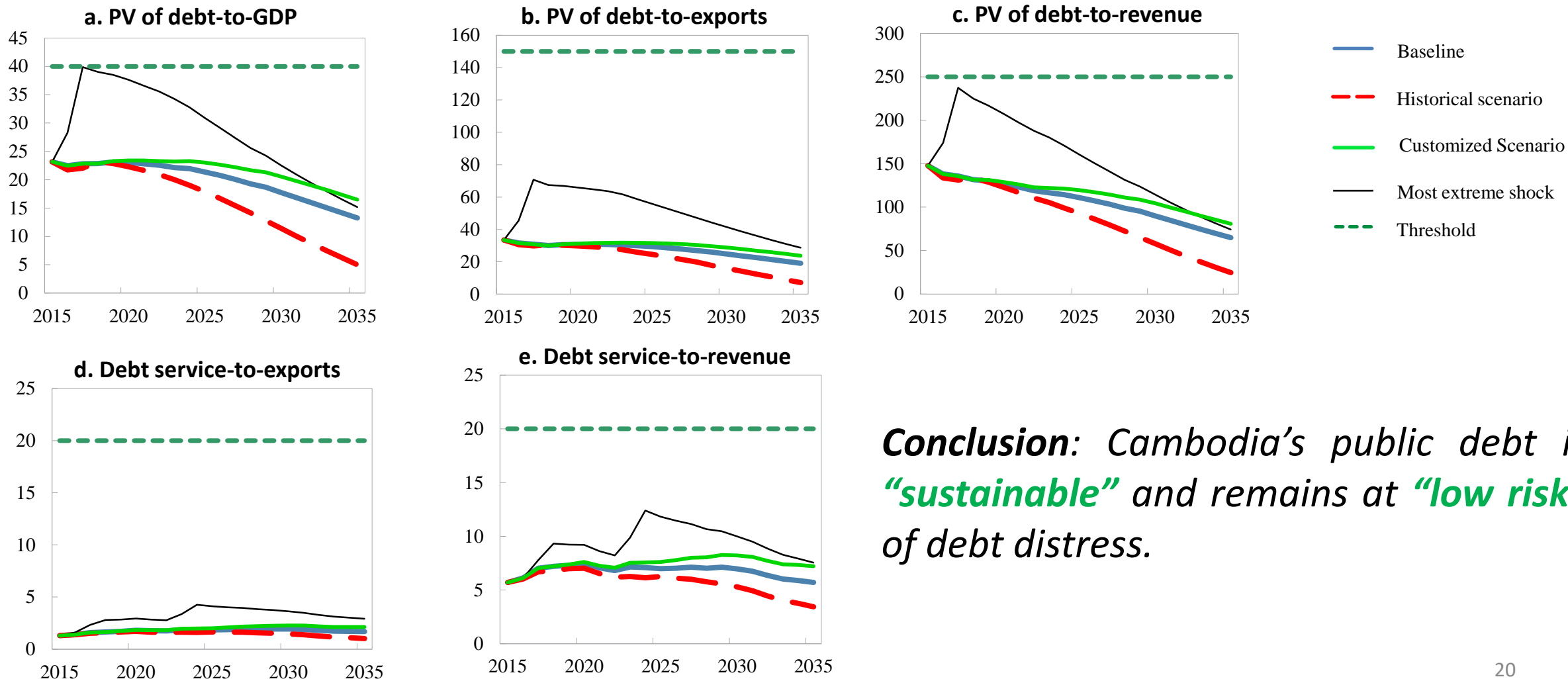


## 2. Policy Measures for PDM 2015-2018 (2/2)



6. Continue to implement the ***centralized principles*** of PDM;
7. Continue to mobilize grants and other sources of financing to fill the need of total public investment;
8. Continue to monitor and manage debt-related risks, especially contingent liabilities (resulting from government guarantees/ PPP projects, and banking and financial sectors);
  - Set the ceiling of the government guarantees for PPP projects ***(4 % of GDP)***;
  - Set up Contingency Fund ***(5% of Total Annual Debt Service)***
9. Continue to strengthen institutional and human capacity.

# 3. Debt Sustainability Analysis



**Thank You!**