Council for the Development of Cambodia

Cambodian Rehabilitation and Development Board

Cambodia's Development Finance Assessment

Findings

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Cambodia

Why DFA in Cambodia? – rationale

An evolving development landscape

- Transition from LIC to LMIC: changes in modality of support (not just aid)
- Industrial Development Policy (IDP)
- Global 2030 development agenda and its Localization: seek for alternative sources of development finance beyond ODA
- Financing for Development: Addis Ababa Action Agenda
- A Tool to Manage Complexity: management of multiple sources of development finance
- To inform economic transition and to avoid MIC trap.

Objectives of DFA

- DFA presents a comprehensive view of resources potentially available for financing Cambodia's development over medium-term, i.e. the next decade.
- Specifically, DFA will:
  a) Map finance flows to Cambodia
  b) Identify new and innovative development finance sources supported development
  c) Link future priorities to likely future resource flows
  d) Identify institutional, partnership and capacity gaps that impact on resource management
  e) Inform RGC's future resource mobilisation strategy
  f) Guide management of all development finance to achieve results

Scope of FDA Flow Analysis

EXTERNAL	1 ODA Grants and Loans Public borrowing from K-markets South- South and Triangular coop. Climate - related finance INGO donations (in-budget) Vertical funds (GFATM and GAVI) Other Official Flows (OOFs)	2 Foreign Direct Investment (FDI) Overseas Remittances INGO Donations (off-budget) Private Borrowing from K-markets
DOMESTIC	4 Tax revenues Non tax revenues Public Private Partnerships Mineral related taxation Public domestic borrowing Sovereign wealth funds	3 Private borrowing Inclusive business finance Domestic Philanthropy and NGOs CSR linked to development
	PUBLIC	**PRIVATE**

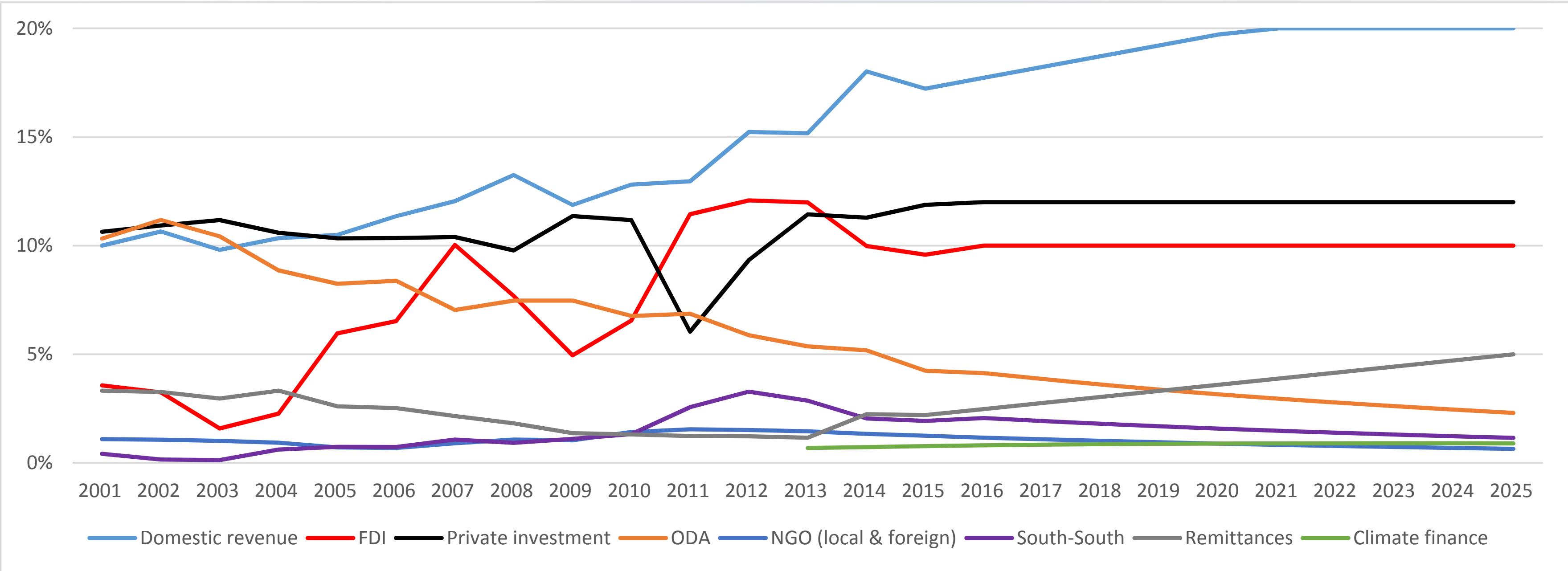
Main findings – current flows

What the current trends show us?

Making good progress	Requiring increased effort	New approaches required
♦ Public Financial Management	♦ Customs revenue	♦ Private sector development
♦ Tax revenue	♦ Non-Tax Revenue	♦ Private climate finance
♦ ODA	♦ PPPs	♦ Access capital markets
♦ Bank & Microfinance	♦ Public climate finance	♦ Remittances
	♦ FDI & domestic private investment	♦ Trade and transfer pricing
	♦ South-South Cooperation	
	♦ Public sector efficiency	
	♦ NGO and impact investment	

- Domestic revenue – showed signs of improvement (17.2% of GDP), but needs further strengthening, esp. on non-tax & options for widening tax base administration (income, property, individual and SME taxes).
- FDI (9.6%) – also made the improvement – SEZs, logistics, infrastructures
- ODA (4.2%) – overall alignment with national priorities is good, but needs a stronger alignment with priority sectors
- Other flows – PPP, remittances and private finance would need new approaches.

Medium-term projections - What happens to future main flows?



- By 2025, total Development Finance increases to 52% of GDP (49% in 2015)
- Domestic revenue represents 1/3 of all development finance
- Three largest sources (Domestic revenue + Private investment + FDI) = 80% of all development finance).

Main Findings of DFA

- The major development finance flows will be:
  - Domestic revenues (tax & non-tax: >20% of GDP by 2025)
  - Domestic private investment (12% of GDP)
  - FDI (10%)
  - Remittances (5%)
  - ODA will fall to less than 2.5% of GDP by 2025
- Economic transition-a plan for avoiding MIC challenges (embedded in NSDP) & including cross-sector reform
- Planning and budgeting system to strengthen and take a broader focus
- Individual management (& central coordination) of major flows
- Improved economic modeling to inform finance mobilization & management

Thank for your kind attention!