Conducting an Assessment of Development Finance in Cambodia

Concept Note

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Overview

What are the sources of external development finance beyond ODA?

Overview

Financial Flows to Developing Countries 2000-2012
What DFA?

Institutional Framework for Mobilizing and Managing Development Finance at National Level

*Development Finance Assessment*: A tool to assist government to work towards

- Integrated National Financing Framework
- Mobilize the capacities to implement the national development and result framework through result orientation, evidence-based policies, and sound institutional solutions
Institutional Framework for Mobilizing and Managing Development Finance at National Level

More than a study, a tool to promote dialogue on policy and institutional reforms

Linking finance with result ⇒ Financing for Result

Policy coherence across different flows and in respect to national priorities
Why DFA in Cambodia?

An evolving development landscape

• Transition from LIC to LMIC: changes in modality of support
• 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
Understanding resource availability and diversity
(with the focus on aid)

Attain LMIC status, still classified as LDC
→ ODA still plays a **relative** significant role, trade privileges, access to concessional finance
→ China-led Asian Infrastructure Investment Bank & Climate Change Finance
→ begin to understand and analyse complementary finance flows and resource availability and diversity is significant.
# Overview of Development Finance Sources

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<thead>
<tr>
<th></th>
<th>Public</th>
<th>Private</th>
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<tbody>
<tr>
<td><strong>Domestic</strong></td>
<td>Tax revenues</td>
<td>Domestic investment</td>
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<td>Non-tax revenues (licences, fees)</td>
<td>Bank lending (private borrowing)</td>
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<td></td>
<td>Natural resource revenues/royalties</td>
<td>Equity markets</td>
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<td>Public-Private Partnerships</td>
<td>Local NGOs</td>
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<td></td>
<td>Borrowing (domestic)</td>
<td>Corporate social responsibility (CSR)</td>
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<td>Wealth Funds</td>
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<td><strong>External</strong></td>
<td>ODA grants &amp; loans (incl climate)</td>
<td>Foreign Direct Investment (FDI)</td>
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<td>Other Official Flows (OOFs)</td>
<td>Remittances</td>
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<td></td>
<td>Public borrowing (non-concessional)</td>
<td>Private borrowing from abroad</td>
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<td>South-South Cooperation</td>
<td>Philanthropy / CSR</td>
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<td></td>
<td>International NGOs</td>
<td>Impact bonds and investing</td>
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Purpose of Development Finance Assessment

a) Map the finance flows to Cambodia
b) Identify new and innovative development finance sources that may support 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 the management of all development finance to achieve development results
Process of DFA

• A sequence of DFA processes:

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<th>Step</th>
<th>Activity</th>
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<tr>
<td>1</td>
<td>Decision and planning</td>
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<td>Concept note</td>
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<td>2</td>
<td>Institutional arrangements</td>
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<td></td>
<td>Management Arrangement established</td>
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<td>3</td>
<td>DFA assessment</td>
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<td>Preliminary findings</td>
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<td>4</td>
<td>DFA validation</td>
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<td>Draft report</td>
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<td>5</td>
<td>Follow-up action</td>
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<td>Final report and implementing roadmap</td>
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• The work will be taken forward in mid-2016 under the management of CRDB/CDC
Methodology

• **Data collection:**
  o Collection of financial data of all resource flows
  o Scenarios for future resource mobilisation-focusing on the next decade and beyond
  o Policy and institutional analysis for each flow
  o Standardized assessment for each flow
  o Cambodia’s development priorities and regional comparative data on development finance trends

• **Data analysis:** Flow analysis
General Structure of DFA Report

Framework of linking resource with result:

• Social, economic, and political contexts
• Domestic and external finance
• Main policy options
• Projections for selected flows
• Scenario analysis
• Roadmap for implementation
Thank for your kind attention!