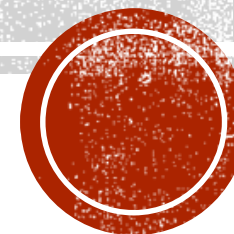




LEVERAGING ODA RESOURCES AND CONCESSIONAL LOANS

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OUTLINE

1. Introduction
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4. How it could be leveraged
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1. INTRODUCTION

- Three infrastructure financing strategies were discussed during the previous sessions:
 - Mobilizing Domestic Resources through Tax Reforms
 - Tapping Financial Markets and Institutional Investors; &
 - Partnering with the Private Sector through PPP

2. BACKGROUND

- Vision of the Royal Government of Cambodia to achieve:
 - By 2030: Upper-middle-income economy status;
 - By 2050: High-income country status.
- What must be accomplished for Public Investment.
 - Infrastructure financing needs for current NSDP (2014-2018):

In million USD

Sources of Funds	2014	2015	2016	2017	2018	Total
Total Amount of Public Investments	1,228.7	1,358.8	1,505.5	1,660.5	1,832.3	7,585.8
To be Financed by Domestic Capital	302.5	334.5	370.6	408.8	451.1	1,867.4
To be Financed by Grants and Concessional Loans	926.2	1,024.3	1,134.9	1,251.8	1,381.2	5,718.4

1 USD= 4100 KHR

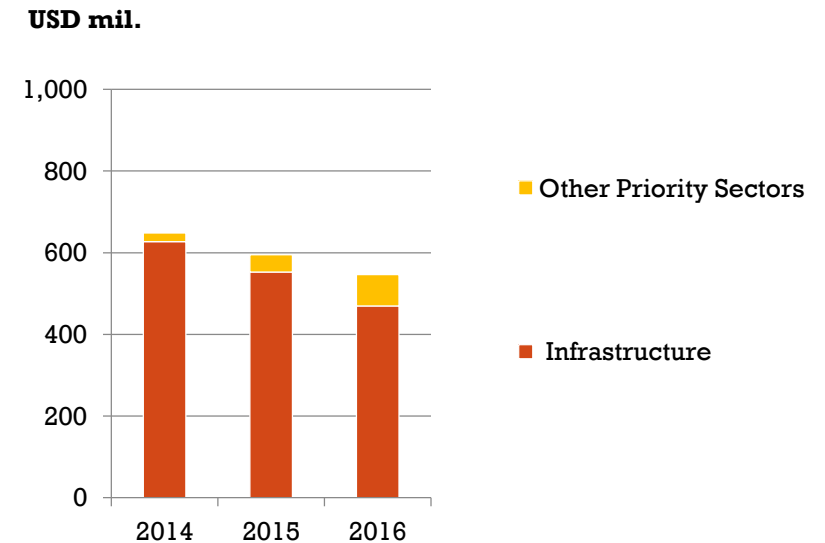
- Doubling public investment for next 5-year development plan (2019-2023)?

3. LEVERAGING OF ODA RESOURCES AND CONCESSIONAL LOANS (1/2)

Strategy

- Shall be used for financing the priority sectors that support sustainable growth and increasing economic productivity;
- Shall be used in the most transparent and sustainable manner (SOP, Procurement Manual, Financial Management Manual) .

Loan Disbursement by Sector



3. LEVERAGING OF ODA RESOURCES AND CONCESSIONAL LOANS (2/2)

- The Debt Strategy for 2015-2018 of Cambodia has set the borrowing limit within the range of SDR 600-800 million per year, therefore, the utilization of ODA to finance infrastructure projects is limited.
- Cambodia has achieved a status of lower-middle-income country, and opportunities to access ODA/Concessional Loans financing are decreasing. Over the coming years, this will be further reduced, as the developing process continues in Cambodia.
- The best option in Leveraging ODA/Concessional Loans is to attract the private financing through PPPs. Multilateral Development Banks (MDBs) already have experience in applying this method.
- In such a scenario, the leveraging of ODA/Concessional Loans to meet demands for the infrastructure development becomes a critical priority.

4. HOW IT COULD BE LEVERAGED (1/2)

- ODA/Concessional Loans to finance:
 1. Infrastructure sector which supports sustainable growth.
 2. Productive Sectors.

This creates better environment for FDI flows into Cambodia.
- Some sub components of ODA/concessional loans have used hybrid financing mechanism.
- ODA/Concessional Loans can support setting up PDF and VGF.
- PPPs offer a great potential for the leveraging to meet the infrastructure financing needs.

4. HOW IT COULD BE LEVERAGED (2/2)

- Most PPPs are not financially viable without some sort of support from the Government. There is a need in Government Support Mechanisms (GSM). One of the key GSM is a VGF.
- VGF is a direct fiscal support, provided by the Government, as a capital support in order to make a PPP project financially viable.
- New law on PPP and other necessary rules and regulations for management of PPP projects are needed.
- Risks/Contingent Liabilities have to be allocated fairly and be well managed & monitored.

5. BENEFITS OF LEVERAGING

- ODA/Concessional Loans can be leveraged:
 - PDF to finance the feasibility study and transaction advisers.
 - VGF is normally up to 25%, which means that the ODA/Concessional Loans support for the VGF will be leveraged at a ratio of 1: 3.
 - Hence, 100% of loan proceeds used to finance the VGF for PPPs will result in 4 times the size of infrastructure projects, compared to those, where 100% of loan proceeds are used for public procurement. For example, instead of 100 km of a highway, we can build 400 km with the same amount of an ODA/Concessional Loan.
 - Multiplying Effect at greater than 4 times rate is depending on the size of VGF.
 - Supporting the implementation of our long-term financial sector development plan/strategy.
 - ODA/Concessional Loans leveraging brings greater comfort to the market and attracts better participation from the private sector.

6. CONCLUSION

- Use ODA/concessional loans to finance infrastructure support sustainable growth and productive sectors, creates sound environment for private sector's investment and FDI.
- Use ODA to set up PDF and VGF.
- The new Law On PPP is being prepared in Cambodia.
- Policies and Rules & Regulations (as a set of implementing guidelines) based on international best practices are being prepared also.