



YOUR LOGO

Foreign Aid in CLMV

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OVERVIEW



Foreign aid

- Foreign aid or official development assistance is financial flow, technical assistance and commodities given by residents of one country to another country for development purposes
- It is sourced through multilateral or bilateral organizations in the form of loans, grants and technical assistance

Purpose of foreign aid

Stimulate economic growth



Support productive sectors



Promote development objectives



Support subsistence food production



Stabilize post-economic shocks





Foreign aid and CLMV

Timeline for foreign aid



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1980s

Economic reforms

Shift from central command to market based approach; opening up economy, restructuring state owned enterprises

1990s

Foreign aid initiated

GMS Programme, regional cooperation; rehabilitation of damaged infrastructure (roads, irrigation)

2000s

Acceleration of programs/projects

Infrastructure, social and institutional development and capacity building

2010 onwards

Achievement of middle income status

Resumption of foreign aid; Vietnam achieves lower middle income country status, followed by Cambodia and Lao PDR

2009-2009

Global food crisis

Temporary decline of foreign aid and limited output growth

Foreign aid in CLMV

- CLMV have received \$68.6 billion in foreign aid from 1997 to 2014
- Vietnam the largest recipient followed by Cambodia, Myanmar, and Lao PDR



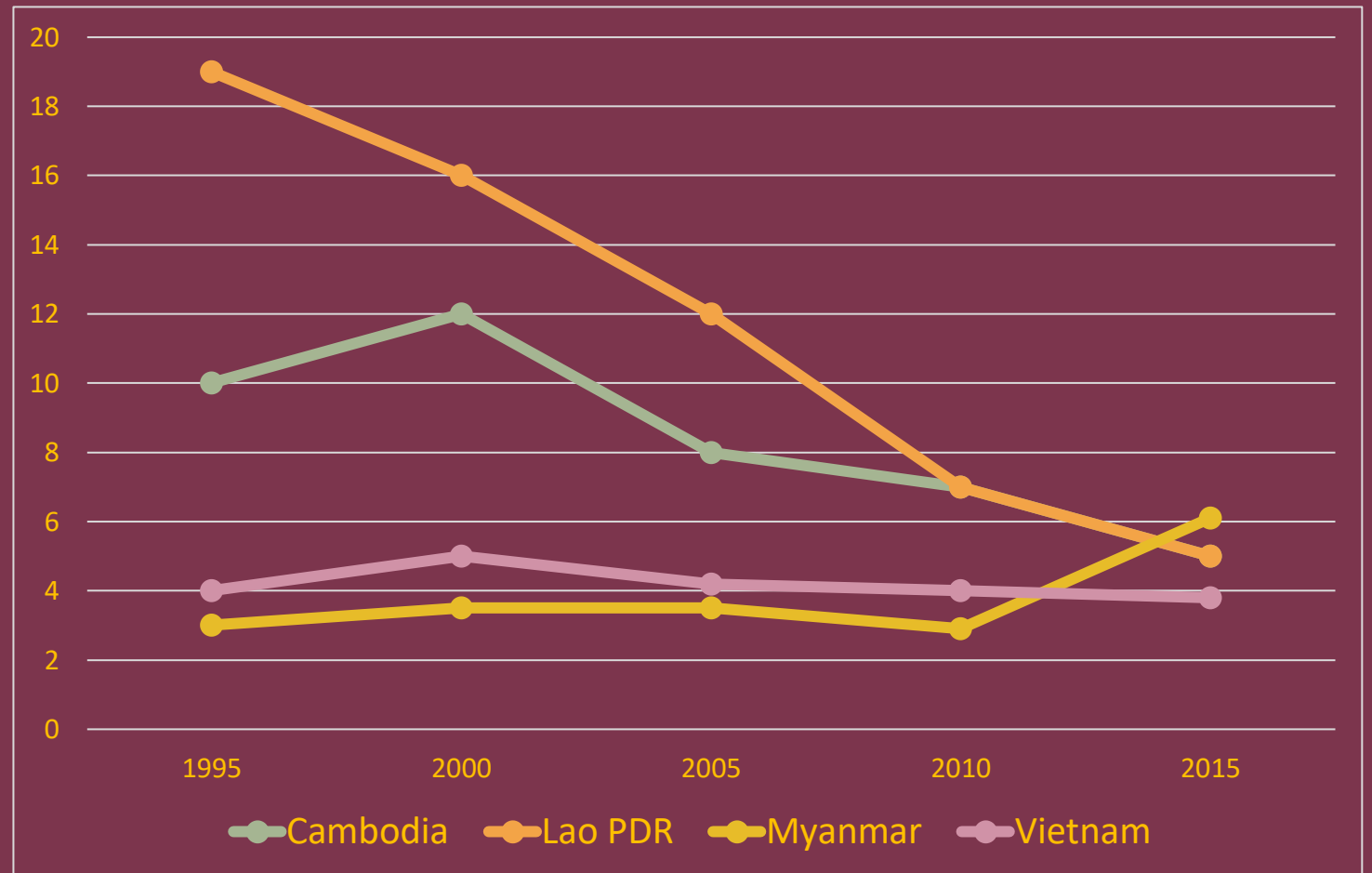
Foreign aid in CLMV

- Comparing foreign aid as share of GDP, Lao PDR has been the most aid-dependent followed by Cambodia, Vietnam, and Myanmar



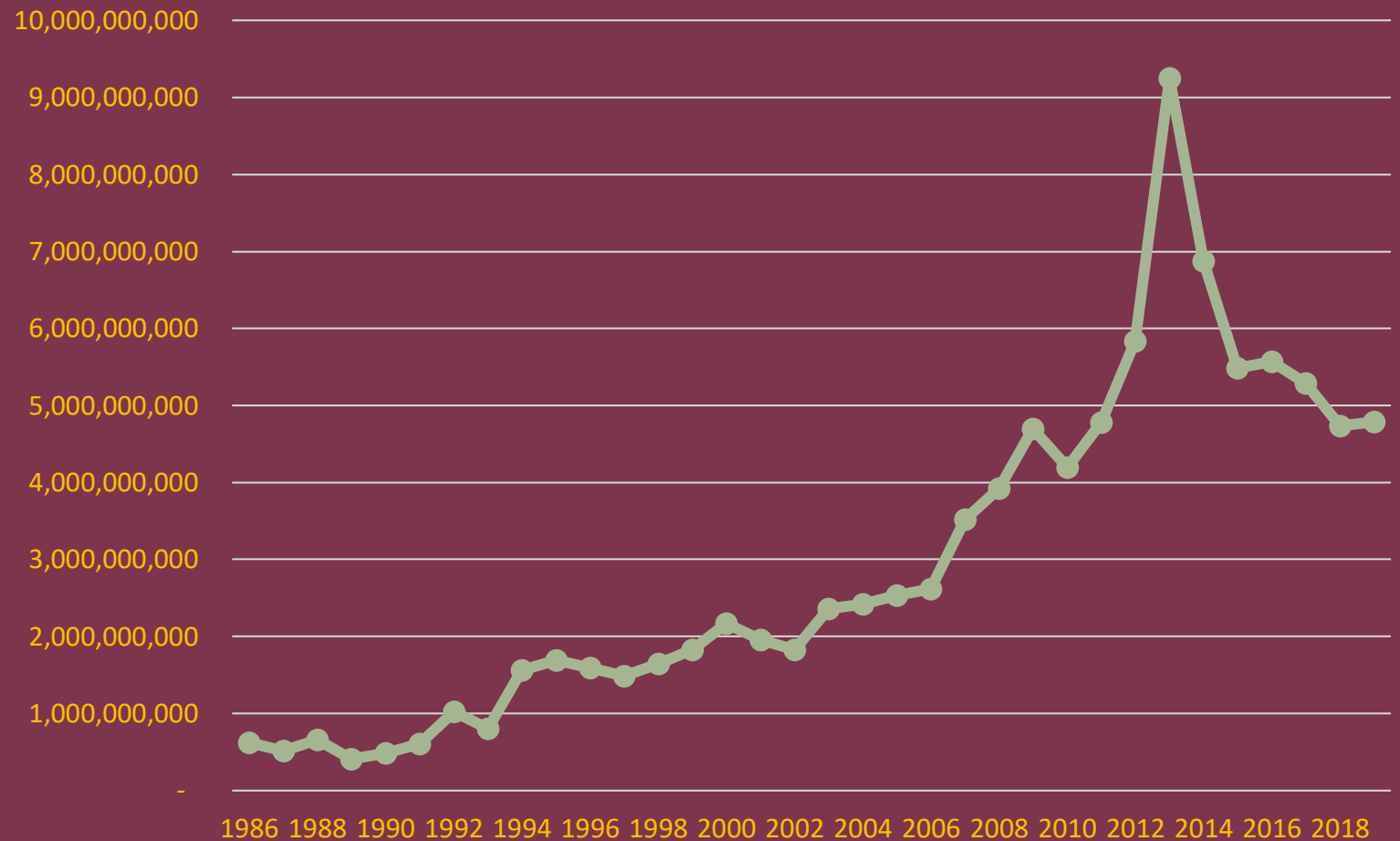
Foreign aid as percentage of GDP

- Overall dependency of CLMV on foreign aid has been declining in relative terms



Foreign aid in CLMV, 1986-2019

- Overall dependency of CLMV on foreign aid has been declining in absolute terms as well as in relative terms

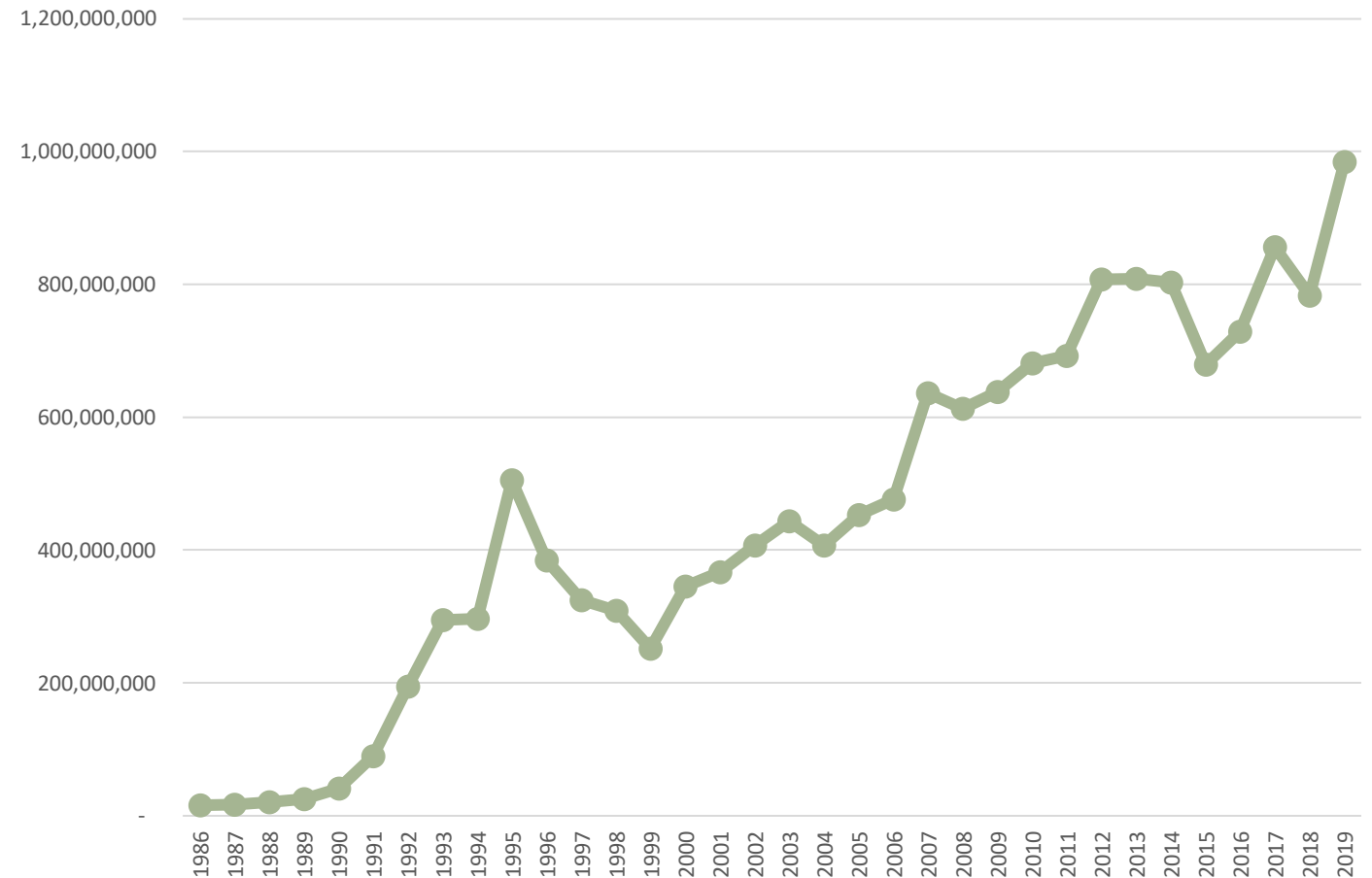




Country experiences

Foreign aid: Cambodia, 1986-2019

- From 1992 to 2018, Cambodia received ODA of more than \$20 billion
- Decline in ODA is not due to lower demand, but because of crowding out by China's "no strings attached" aid policy
- Difficult to calculate Chinese aid because some money goes to military aid



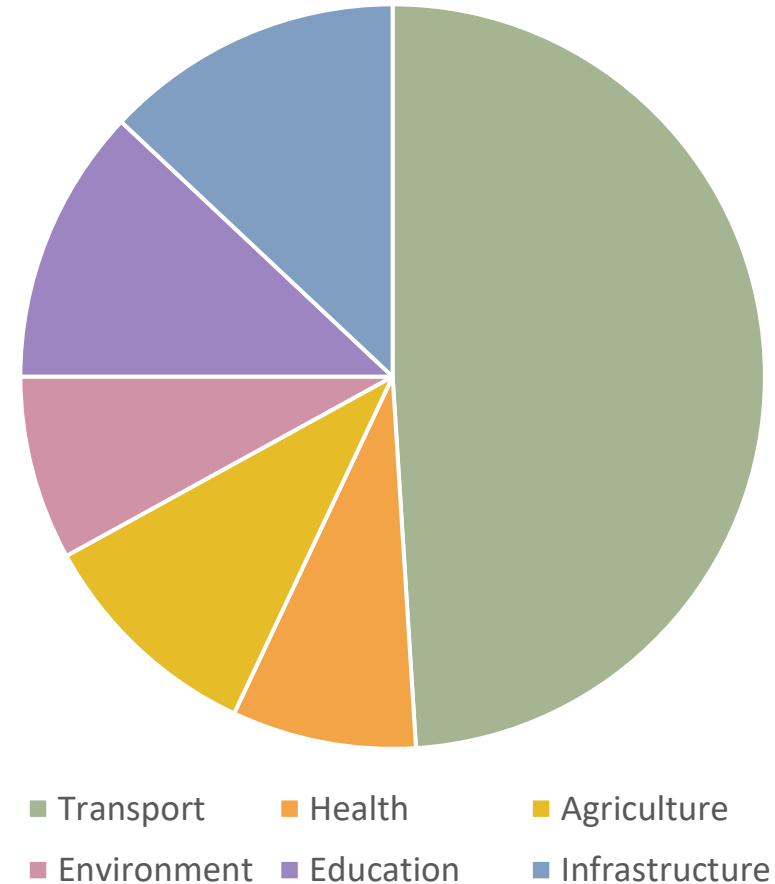
Largest aid donors to Cambodia

- Japan: loan aid, grant aid and technical cooperation totaled \$287 million in 2015
- ADB: grants, loans and technical assistance to Cambodia totaled \$208 million in 2016
- United States: assistance in health, education, governance, economic growth, and removing unexploded ordnance totaled more than \$75 million in 2014



Composition of ODA by sector - Cambodia

- Most ODA goes to transportation (roads and railway, 55%), followed by infrastructure (15%) and education (12%)



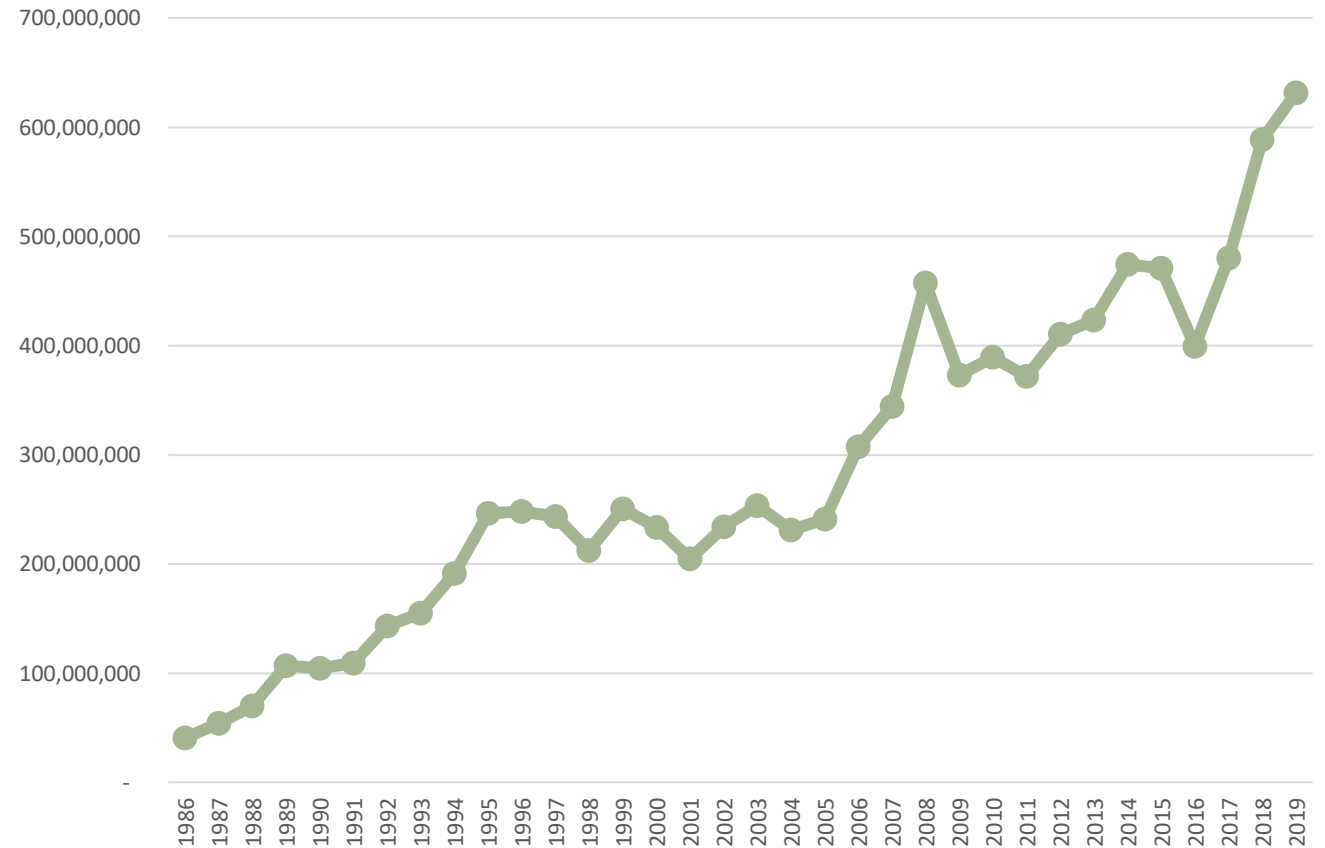
Foreign aid: Lao PDR

Japan: \$137 million

ADB: \$47 million

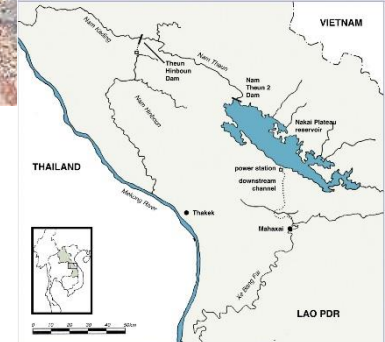
USAID: \$40 million

EU: \$20 million



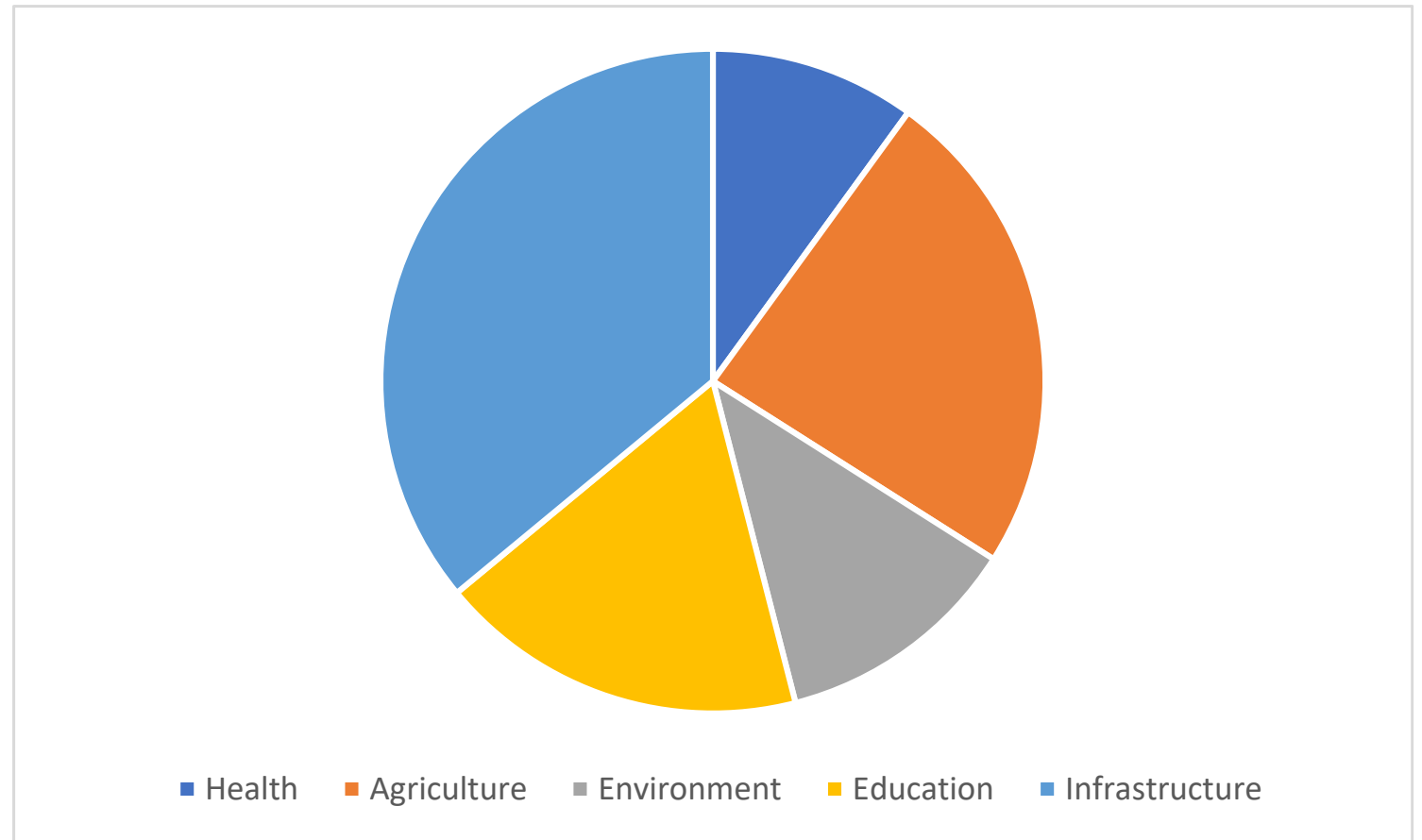
Nam Theun 2 hydropower project

- Located in Khammouane province, one of Lao PDR' largest hydropower projects
- Total cost: \$1.5 billion funded by various international funding partners and the Lao government
- Revenues contribute to road construction, repair, and maintenance, as well as rural electrification



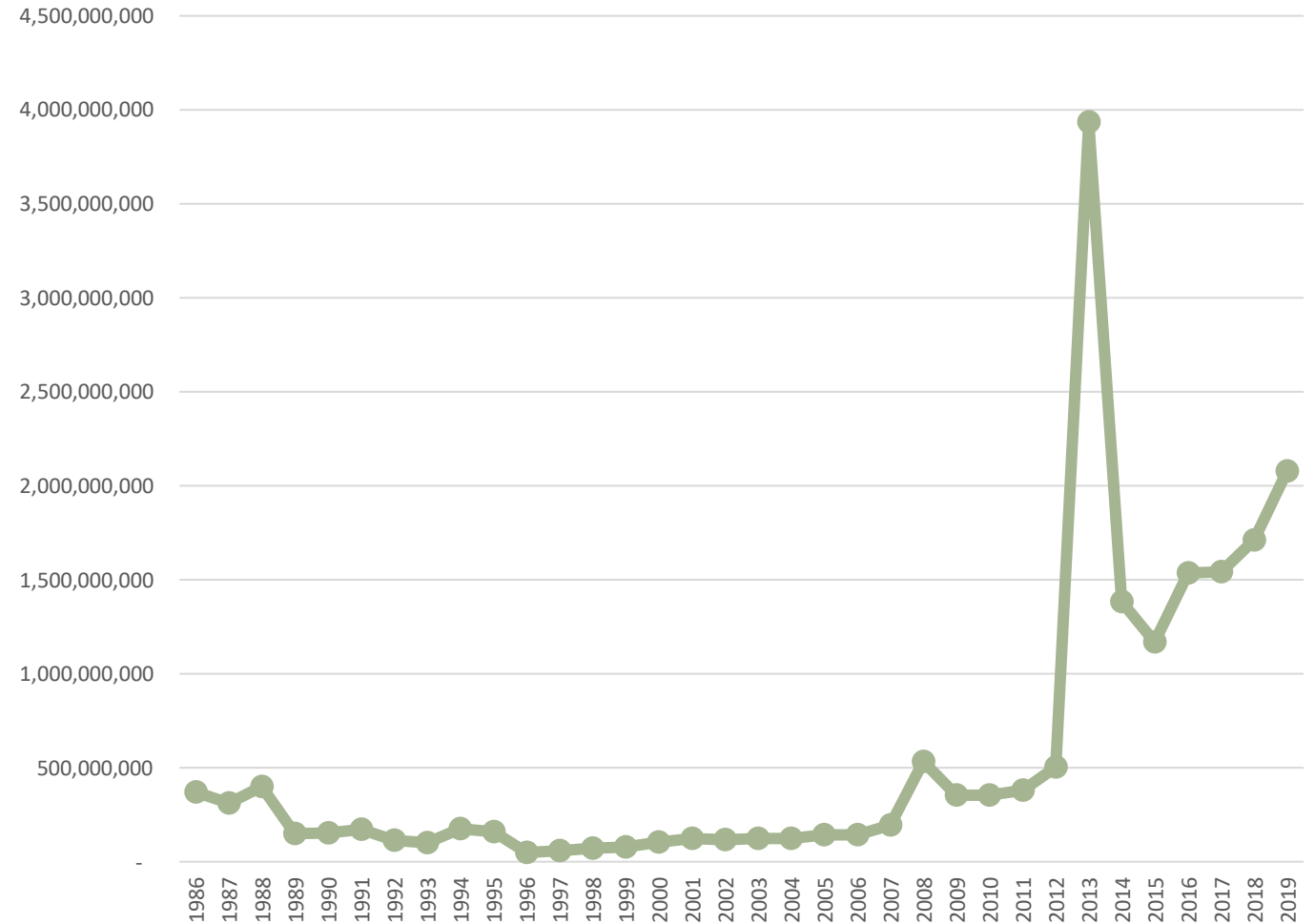
Composition of ODA by sector- Lao PDR

- Most ODA goes to infrastructure (36%), followed by agriculture (24%) and education (18%)



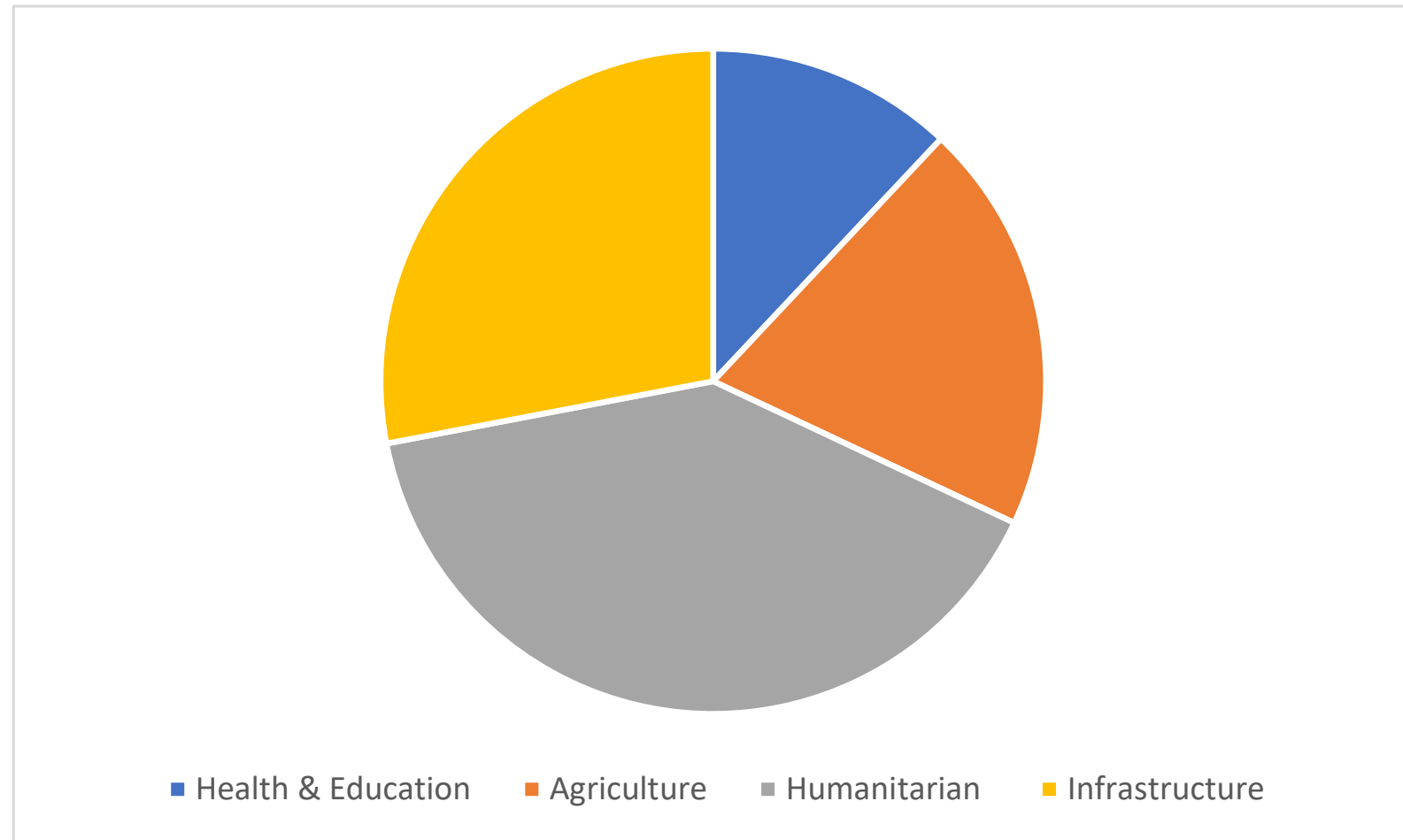
Foreign aid for Myanmar

- The UK, EU Institutions, Australia and Japan provide more than 50% of ODA
- ODA increased following economic reforms of 2011, with a peak in 2014 due to large humanitarian assistance and debt relief
- However it decreased in 2015 and rebounded slightly thereafter



Composition of ODA by sector-Myanmar

- Humanitarian assistance is the largest sector (40.5%), followed by infrastructure (28%) agriculture and food security (25%) and health (12%)



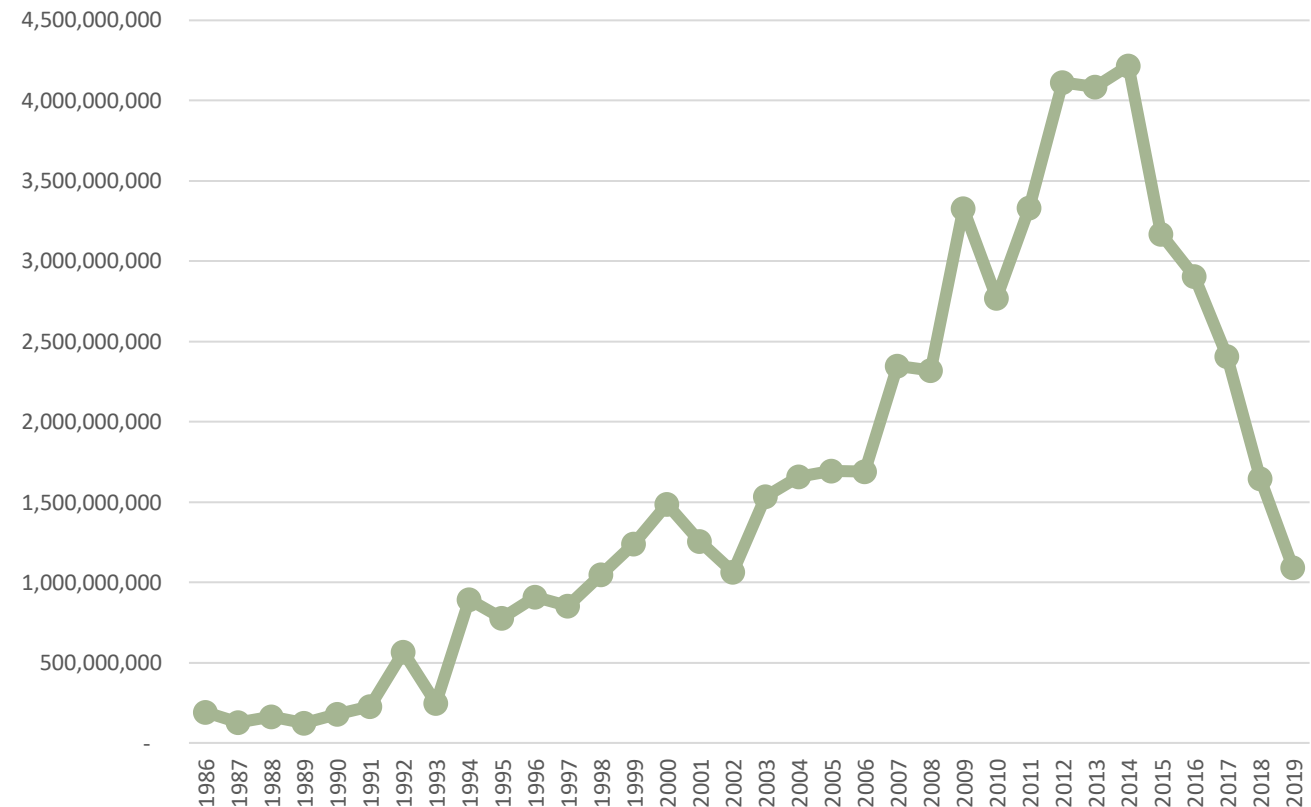
Immense need for infrastructure development

- Most infrastructure development is centered in and around Yangon
- There is a need to build infrastructure in other regions of the country
- Difficulties in obtaining ODA: political situation and events cause suspension of ODA disbursements



Foreign aid: Vietnam

- Following Doi Moi, the majority of ODA spending was used for infrastructure development to help restructure the economy
- From 2000-2015 focus was on large-scale infrastructure projects, particularly expressways (Noi Bai to Lao Cai and Ho Chi Minh City – Long Thanh – Dau Giay), railways and airports



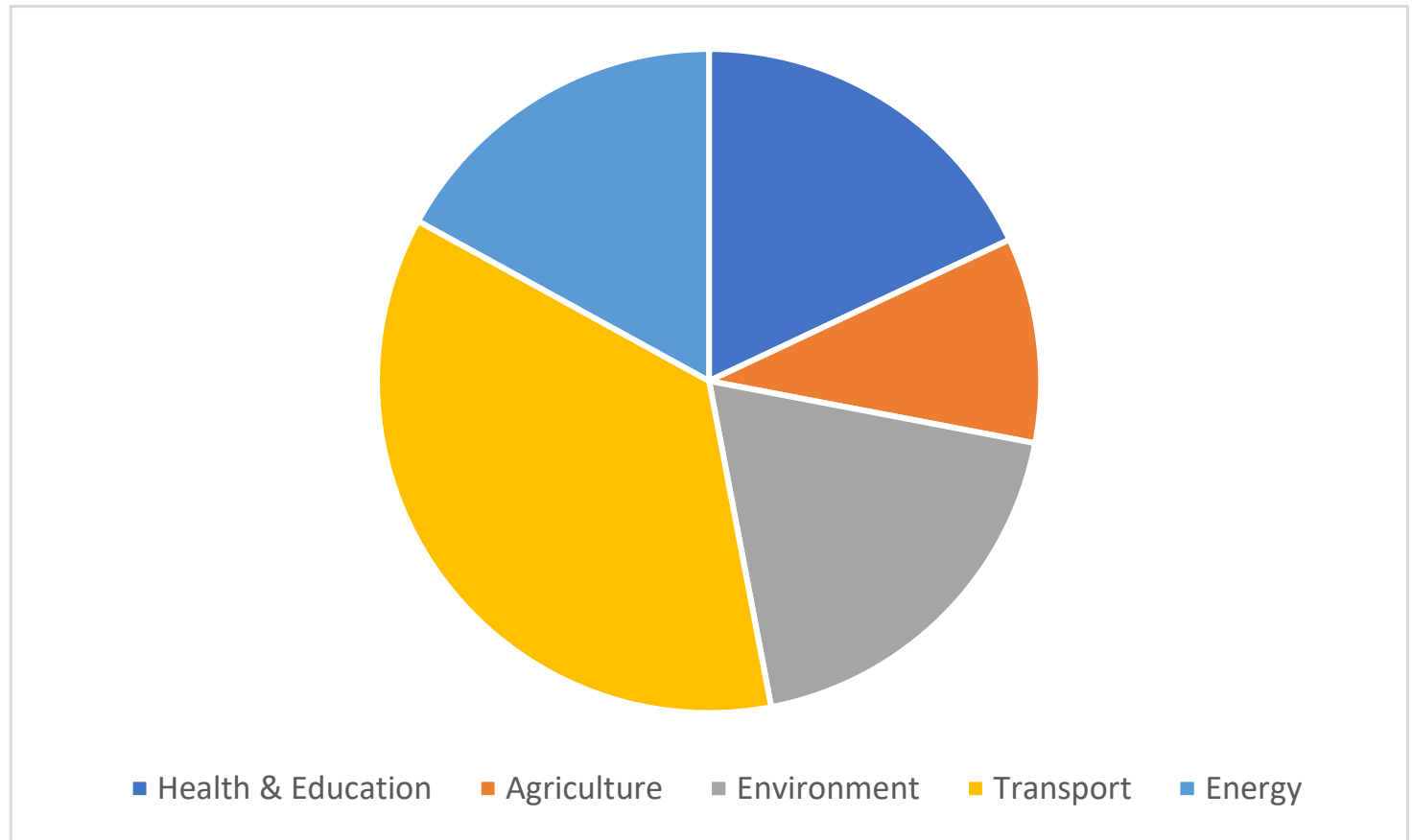
Key ODA donors in Vietnam

- The World Bank and ADB are the largest multilateral donors, providing \$20.1 billion and \$14.23 billion between 1993 and 2012
- However, bilateral donors account for approximately 60% of all ODA provision in Vietnam.
- More recently, China's ODA to Vietnam has increased significantly, providing low-interest loans for infrastructure development



Composition of ODA by sector-Vietnam

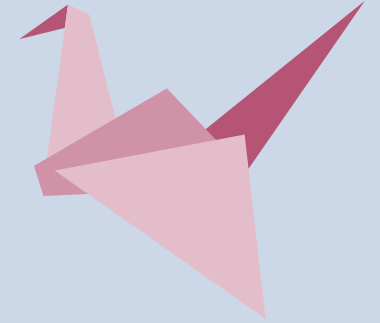
- Most ODA goes to transport (36%), followed by energy (19%) and environment and natural resources (17%)





Key Development Partners

Bilateral aid partners



Multilateral aid partners





Conclusion

Summary

- Foreign aid has been instrumental in contributing to the economic growth of CLMV, particularly following the economic reforms
- Foreign aid peaked in 2014 then declined in real and nominal terms
- Overall dependency of CLMV on foreign aid has been declining in relative and absolute terms



THANK **Y**OU!

Merry Christmas!

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