



YOUR LOGO

# Foreign Aid in CLMV

FACULTY OF ECONOMICS, THAMMASAT UNIVERSITY

# Outline

Section 1	<b>Overview of Foreign Aid</b>
Section 2	<b>Foreign Aid and CLMV</b>
Section 3	<b>Individual Country Experiences</b>
Section 4	<b>Key Development Partners</b>
Section 5	<b>Conclusion</b>

# 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



YOUR LOGO

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



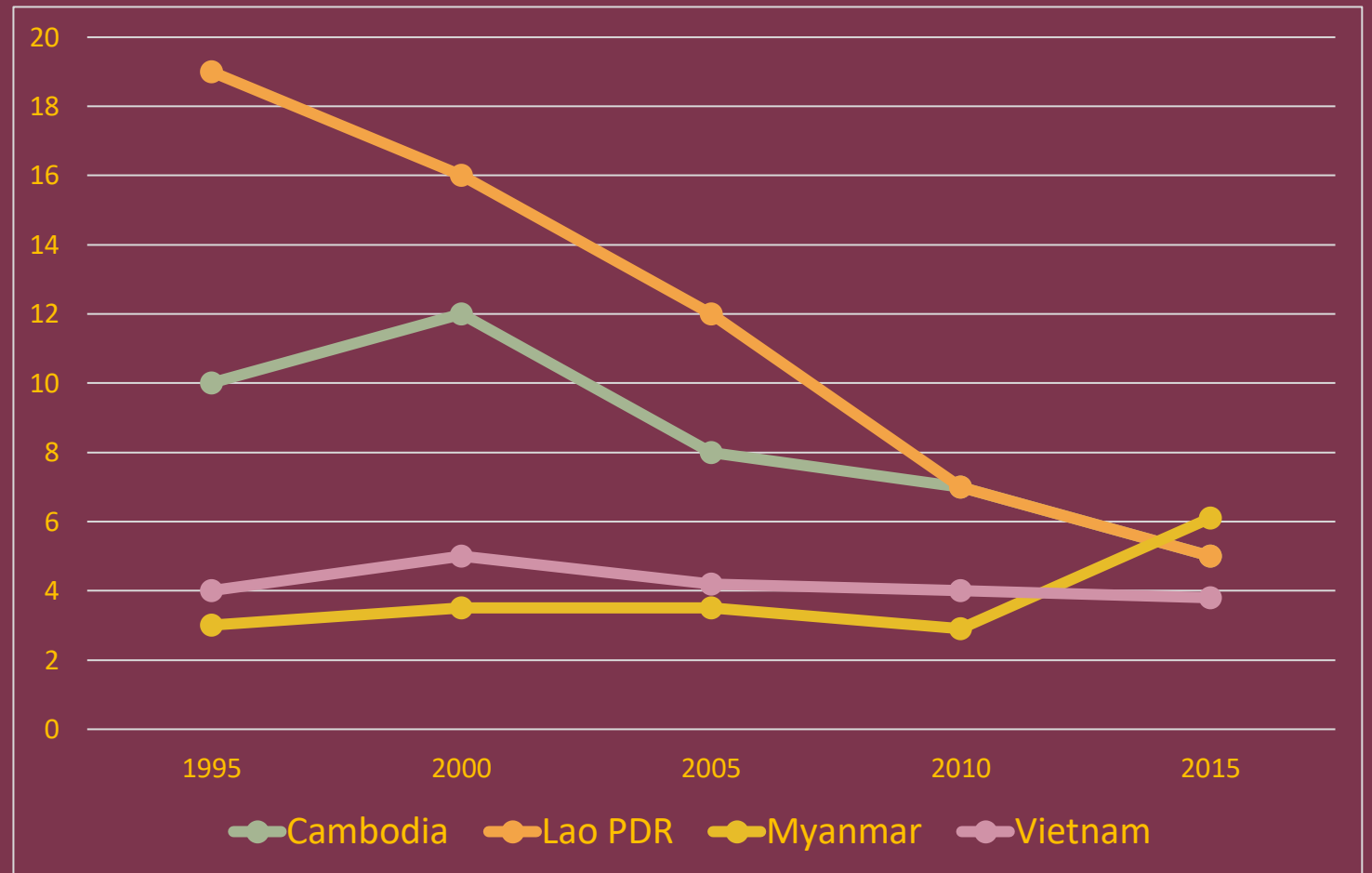
# Foreign aid in CLMV

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



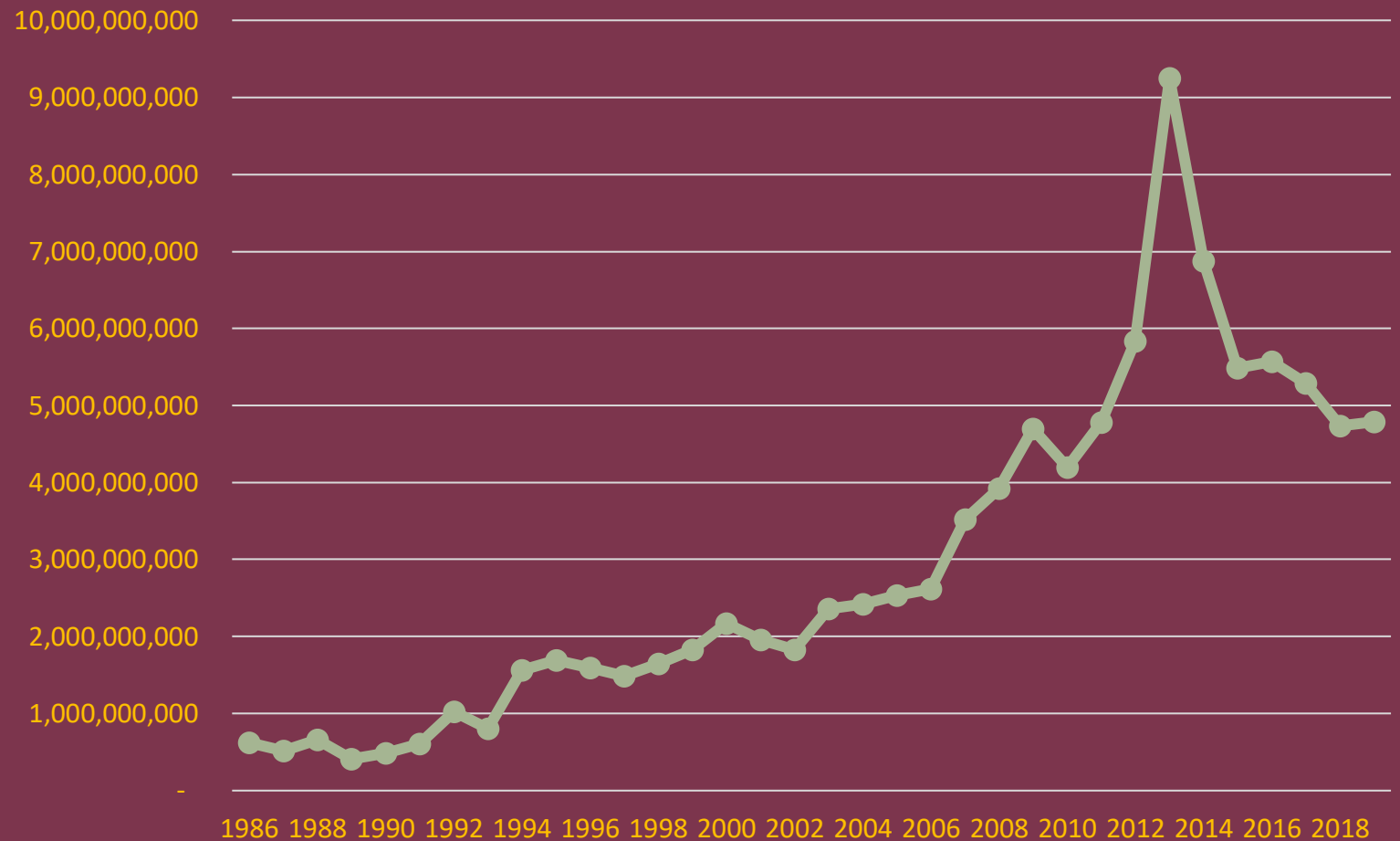
# Foreign aid as percentage of GDP

- 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

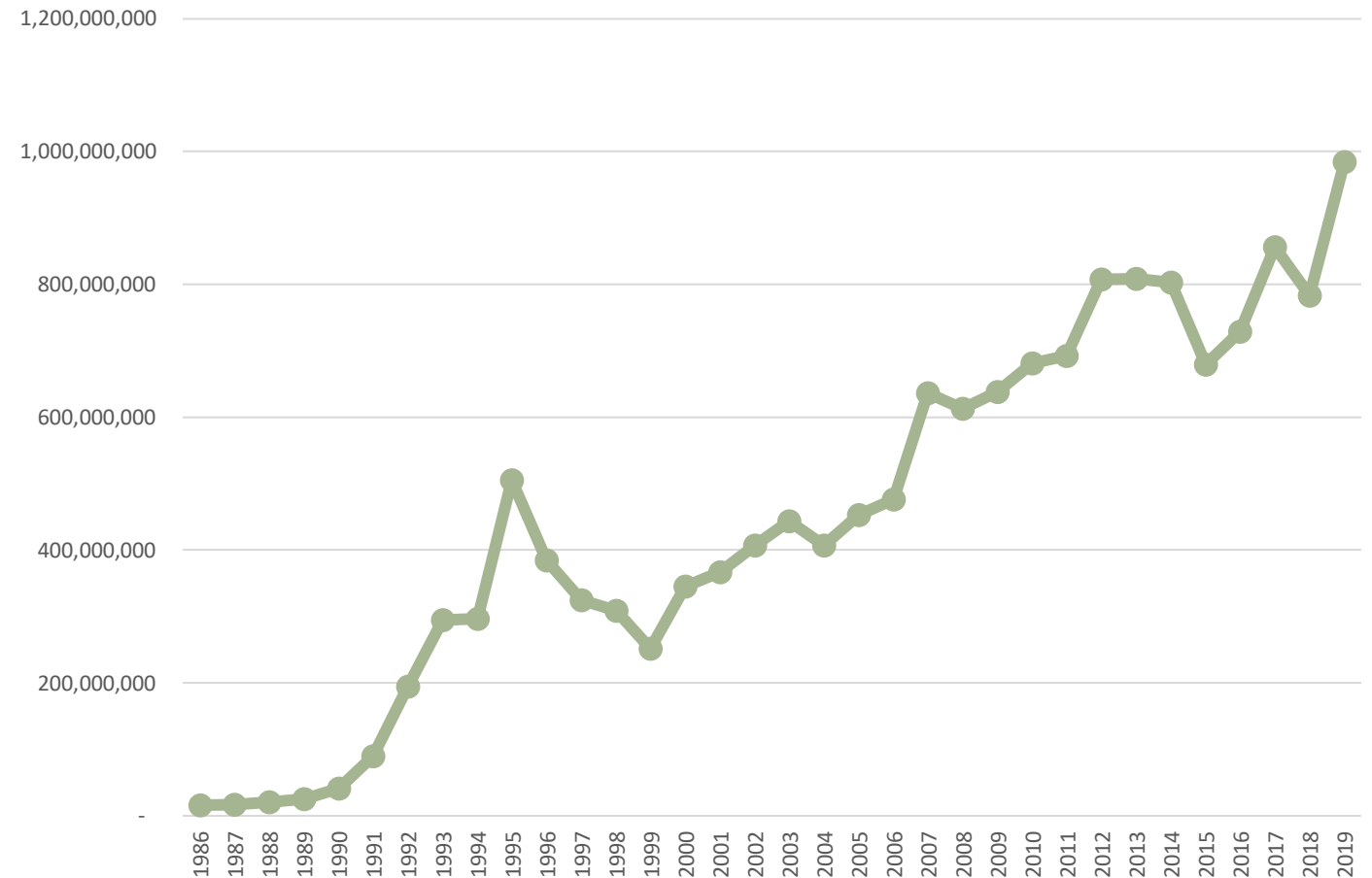




# Country experiences

# 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



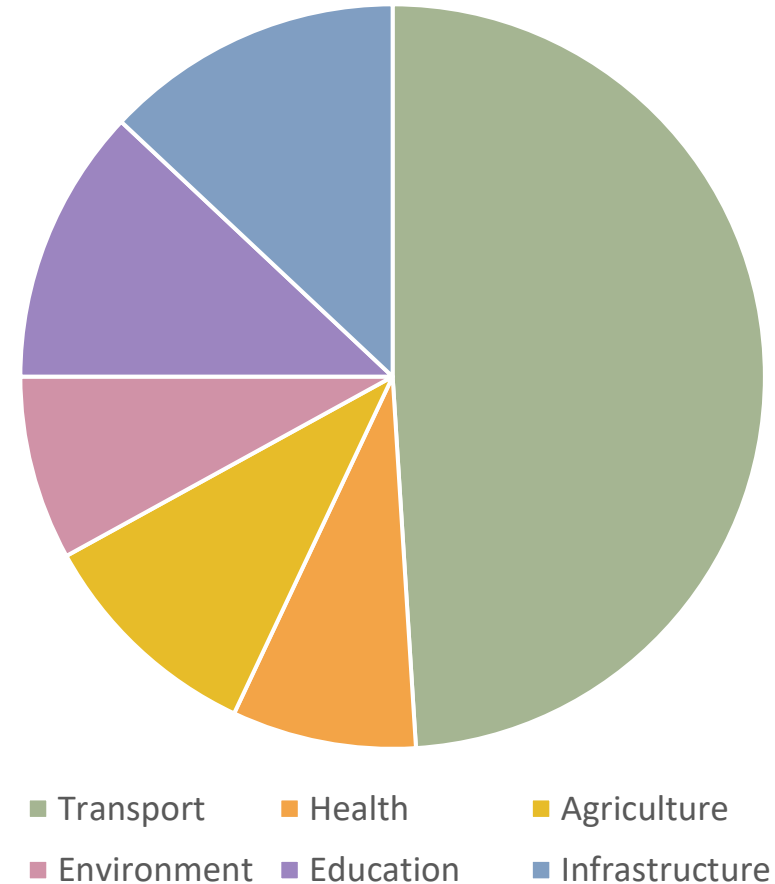
# Largest aid donors to Cambodia

- 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%)



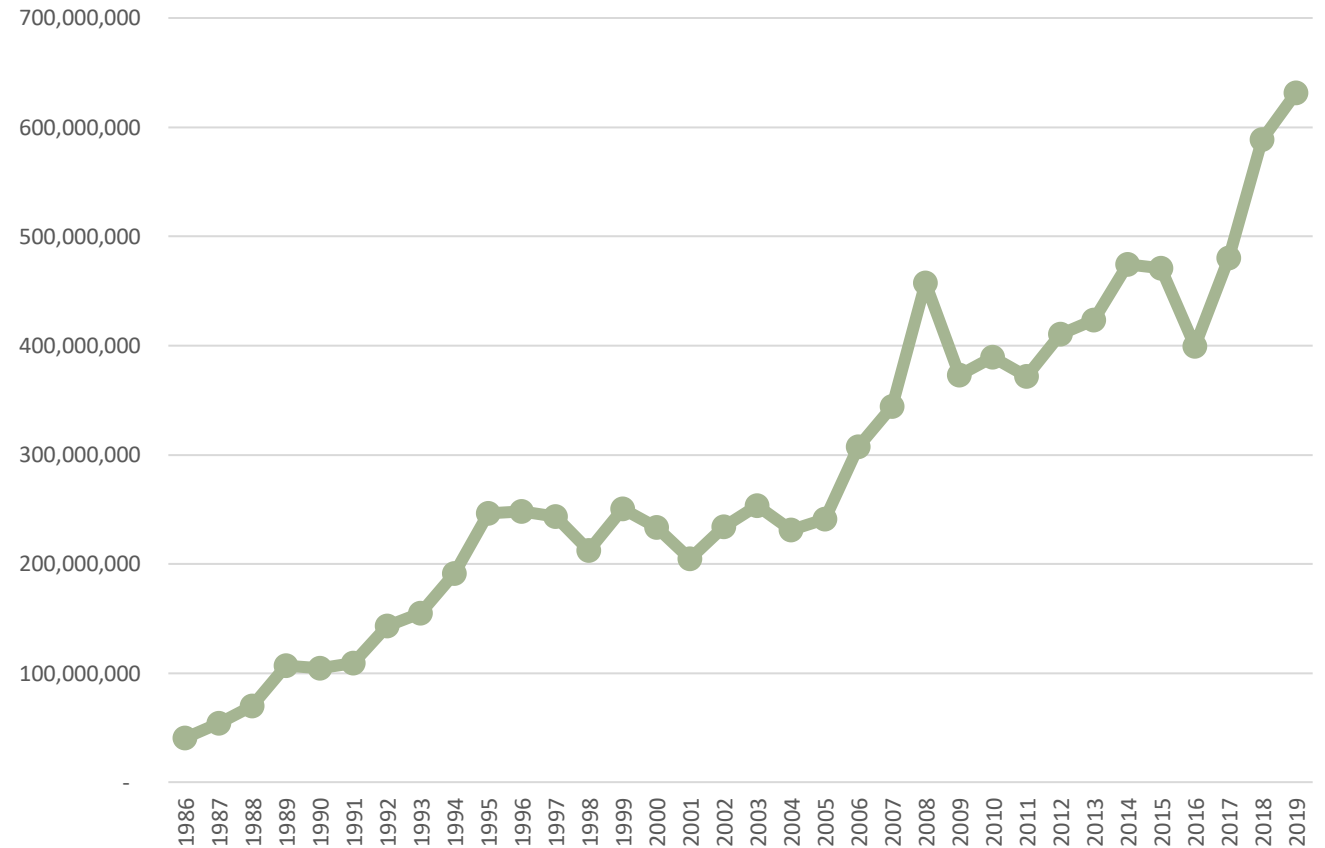
# Foreign aid: Lao PDR

Japan: \$137 million

ADB: \$47 million

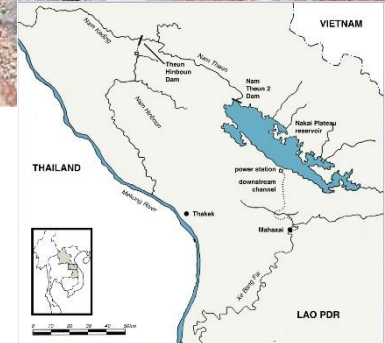
USAID: \$40 million

EU: \$20 million



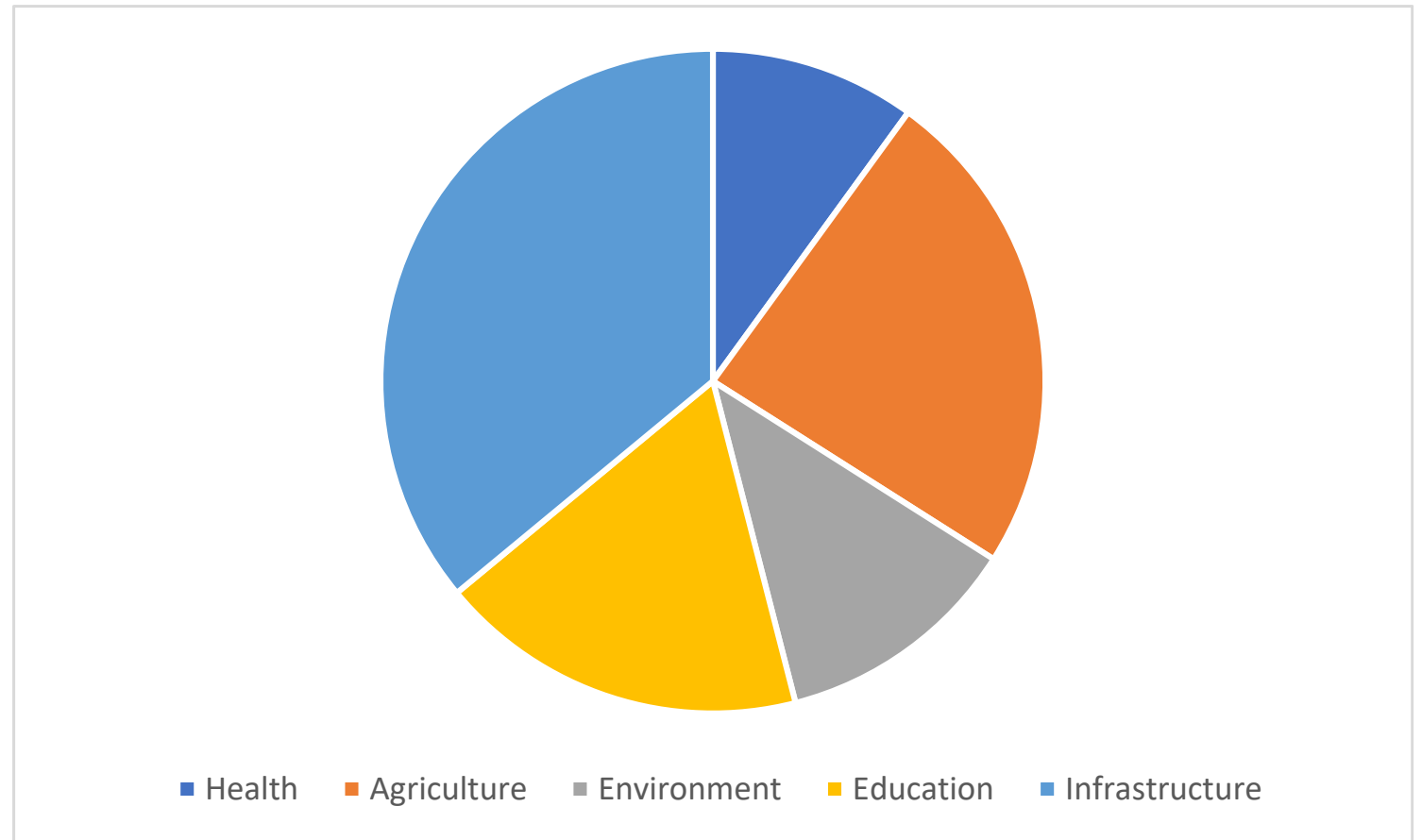
# Nam Theun 2 hydropower project

- 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



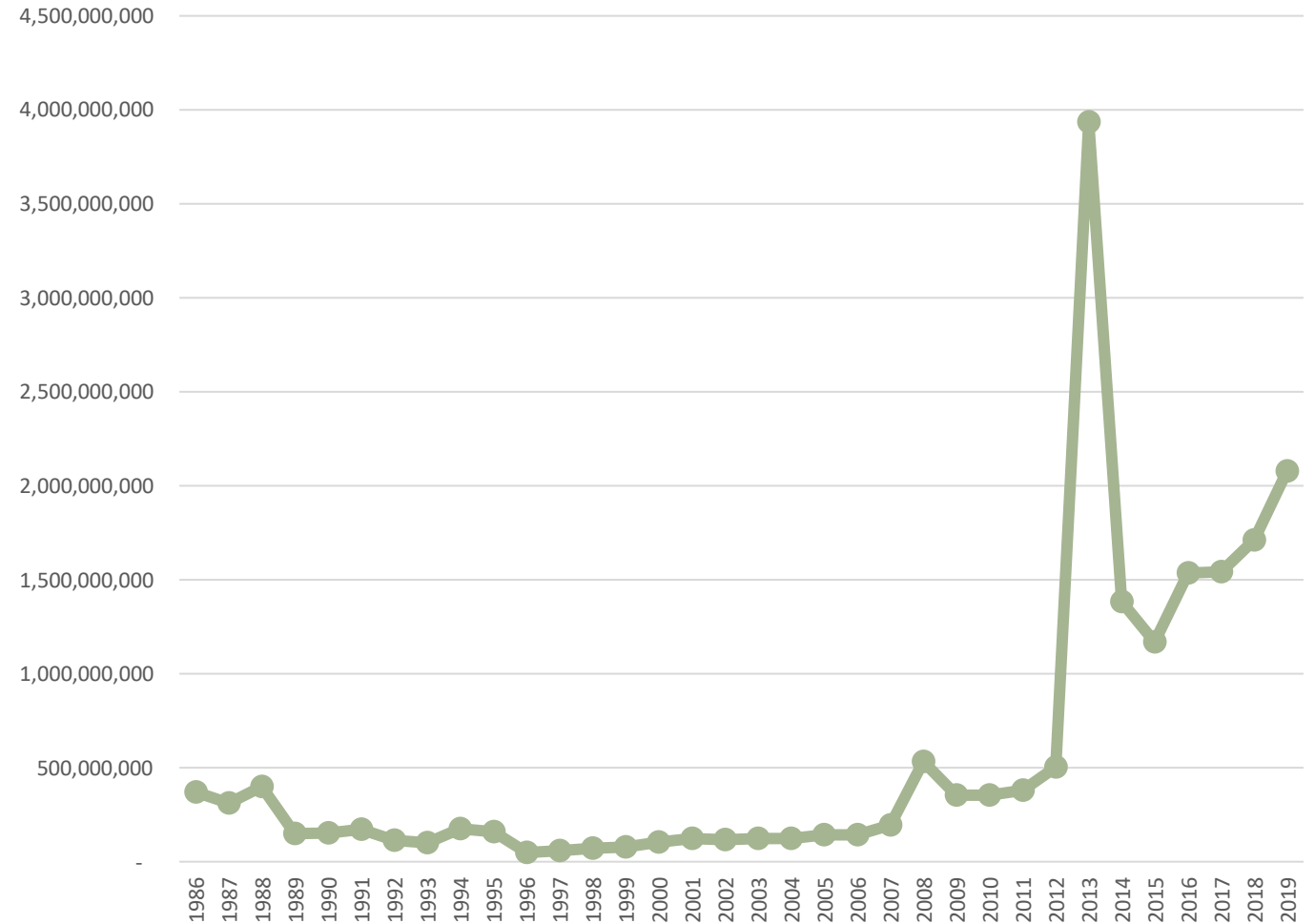
# Composition of ODA by sector- Lao PDR

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



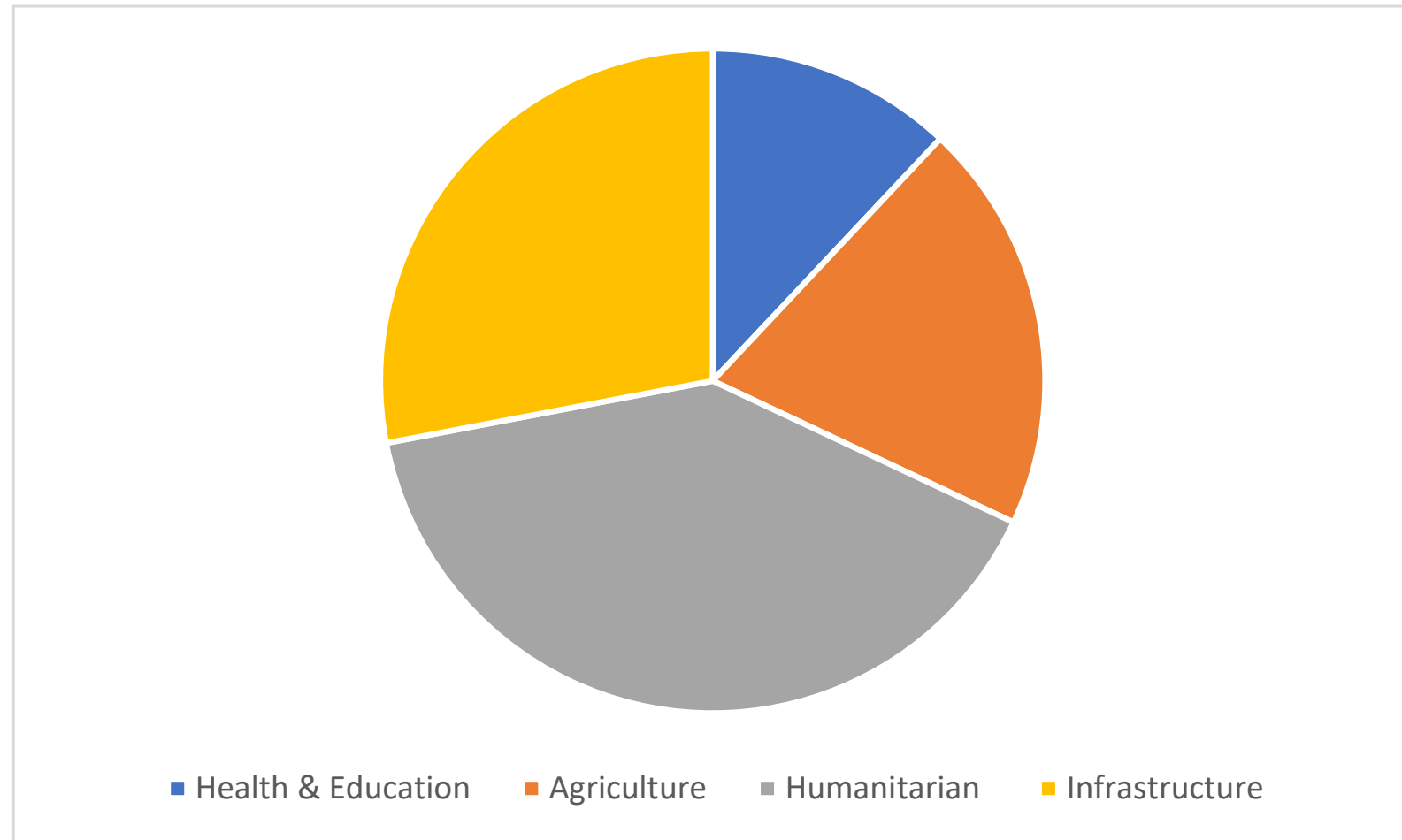
# Foreign aid for Myanmar

- 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%)



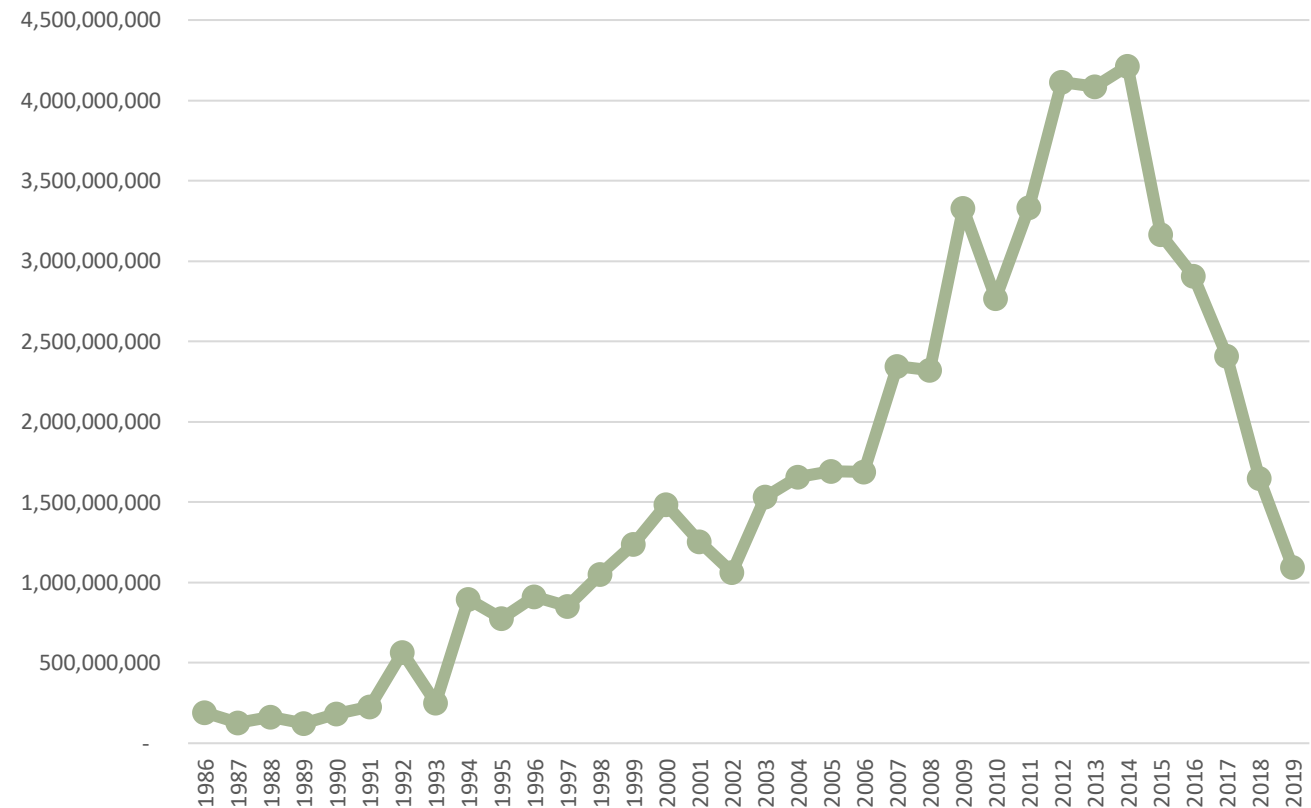
# Immense need for infrastructure development

- 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



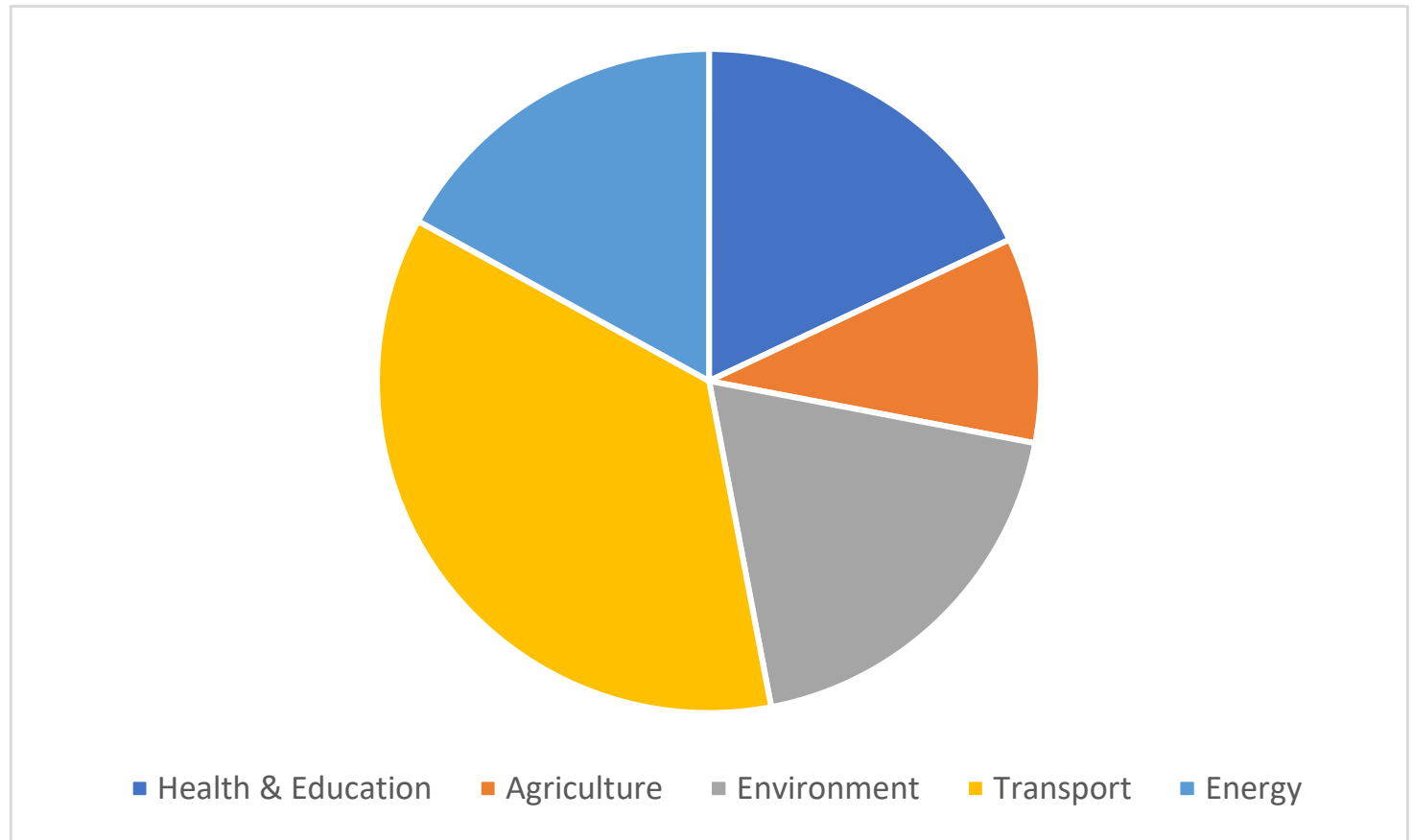
# Key ODA donors in Vietnam

- 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

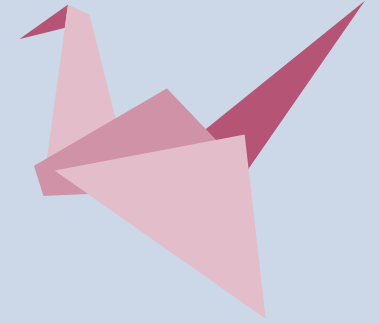
- Most ODA goes to transport (36%), followed by energy (19%) and environment and natural resources (17%)





# 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 terms



**T**HANK **Y**OU!

Merry Christmas!

Made with ❤️ by **showeet**