

## TERMS OF REFERENCE for :

### **Cambodia Green Economy and Finance Framework – Strategic Roadmap Design**

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#### **Context**

Over the past decade, Cambodia has experienced a particularly strong growth of around 7% between 2009 and 2019. In the same period, poverty fell by half. Despite the socio-economic impacts of the Covid-2019 crisis, the country has returned to high growth – it reached 5.4% in 2023 and is expected to reach nearly 5.8% in 2024.

Cambodia aspires to become an upper-middle-income country by 2030 and a high-income country by 2050. Achieving this goal involves addressing significant challenges in terms of productivity growth, diversification, and inclusivity of the Cambodian economy.

Climate change is expected to amplify existing development challenges, with potentially sizable impacts on growth, trade, debt and poverty reduction. Cambodia's contribution to global greenhouse gas emissions was only 0.14% in 2019, but these have increased by 8% per year on average over the period 2010-2019. Cambodia has some of the highest levels of exposure to floods and extreme heat in the world. The economic trajectory that has enabled the achievement of the performances mentioned above, has also led to increased vulnerability to physical and transition risks related to climate change; through, inter alia, deforestation, wetland area reduction, extension of built-up areas and spatial transformation. The agricultural sector is highly exposed to climatic hazards and disasters; these also pose significant risks in terms of deterioration and destruction of physical assets, both at the level of the manufacturing, services or construction sectors. The foreseeable negative consequences of climate change concern, finally, especially the already most vulnerable populations.

As a small and open economy, highly dependent on international trade (export/GDP ratio above 60%) and foreign direct investment (54% of gross fixed capital formation), Cambodia is also expected to be increasingly confronted with decarbonization and changes in production and consumption patterns in the rest of the world. Among other things, if the country is currently only marginally concerned, by the Carbon Border Adjustment Mechanism (CBAM) set up at the level of the European Union, the situation could change in the coming years, with the extension of the scope of products covered by this mechanism. In parallel, Cambodia has a significant dependence on a reduced range of products, markets and factor inputs (including energy imports). In addition, the country still faces several structural constraints, including persistent infrastructure gap (despite efforts to do so), but also low domestic savings and investment. While Cambodia has managed to maintain a stable macroeconomic framework, it is experiencing a rapid increase in private debt and credit, and a decline in public capital investment.

In view of the above and in the absence of structural changes in the Cambodian economy, climate change/environmental degradation are expected to have a significant impact on growth, development and poverty reduction in the coming decades.

Therefore, it appears necessary for Cambodia to embark on a more sustainable, resilient and climate-compatible development trajectory, by reducing both its exposure and vulnerability to climate change, and by reorienting its economy, to seize opportunities related to the green transition internationally, and to limit transition risks. Adaptation to climate change offers several opportunities to diversify the economy and increase added-value.

This major shift involves significant funding, both public and private, national and international, the needs of which must be assessed and which must be identified and mobilised in appropriate ways. This issue comes in a context where Cambodia is about to exit the category of LDCs, with a foreseeable decline in concessional funding to which the country has access, as well as some preferential trade agreements. There is a challenge to increase the efficiency of public spending, to free up the necessary budgetary space, and to better align such spending with climate objectives. At the private level, as mentioned, capital markets in Cambodia are still at a nascent stage of development. There is not yet an adequate/incentive regulatory and institutional framework, for green finance (including taxonomy); and investors are still weakly involved in this segment. More generally, Cambodia still faces challenges to strengthen an attractive and secure investment climate for both domestic / international investors.

Cambodia has made ambitious pledges through its National Determined Contributions (NDC, adopted in 2020) and its Long-term strategy for carbon neutrality (LTS4CN, submitted to the UNFCCC secretariat in December 2021). One of the main objectives is to reduce emissions by 41% by 2030 compared to the baseline scenario. The NDC includes 86 adaptation actions across 9 sectors, including agriculture, energy and infrastructure. The LTS4CN provides, in line with the NDC guidelines, measures for sustainable forest and land management, decarbonization of electricity production, energy efficiency, promotion of low-carbon agriculture, transports and industrial processes, or more sustainable waste management.

At the global strategic level, Cambodia has recently adopted its new Pentagonal Strategy: *“Growth, Employment, Equity, Efficiency and Sustainability”*, based on the following two pillars (Pentagons): Pentagon n°4: *“Resilient, Sustainable and Inclusive Development”* and Pentagon n°5 *“Economic Diversification and Competitiveness Enhancement”*. The National Strategic Development Plan 2024-2028 (NSDP) is currently under development as the operational framework for the implementation of the Pentagonal Strategy.

At the sectoral and thematic level, several strategic and planning frameworks have been developed in relation to topics related to the economic and green transition – including:

- Industrial Development Strategy 2015-2025.
- The Power Development Plan 2022-2040.
- Cambodia Rural Road Policy 2020-2030
- The Education 2030 Roadmap.
- Cambodia’s Trade Integration Strategy 2019-2023.
- The National Energy Efficiency Policy (NEEP) 2022-2030.
- Cambodia Climate Change Strategic Plan (2014-2023)
- The National Adaptation Plan (NAP) adopted in 2017, backed by the National adaptation financing framework and implementation plan.
- National Action Plan for Disaster Risk Reduction 2019-2023.
- Circular Strategy on Environment 2023-2028.
- Policy Framework on the Development of Government Securities (2023-2028), which incorporates the development of sustainable thematic bonds.

In light of the above, there is an abundance of strategic and planning frameworks that exist to date. As such nevertheless, there are some questions about the degree of effective integration/articulation/consistency of these different documents; including in terms of objectives and targets. Similarly, some questions can be addressed as to the institutional and operational steering of each of these plans, the effectiveness of monitoring mechanisms, the definition of associated financing modalities, or the level of integration in the government action plans and budget strategies. Finally, there is some discrepancy between strategic orientations, in one hand, and their degree of integration at the legislative and regulatory levels, on the other hand.

## **Justification**

The General Department of Policy of the Ministry of Economy and Finance of Cambodia and in particular its New Economy Department (NED) aims to develop a Green Economy Framework.

The preliminary objective of this Green Economy Framework would be to constitute a strategic and action framework, in order to promote the establishment of a coherent and ambitious trajectory of structural change in the Cambodian economy, in the direction of a low-emission economy, resource-efficient, socially inclusive and geared towards dynamic and sustainable growth. As such, the Green Economy Framework aims to support the adaptation of processes, practices and structures to the challenges posed by climate change/transition, by ensuring that as far as possible, the opportunities and the induced effects of these evolutions in terms of development benefits. In this way, the aim is to promote innovation, create green jobs, increase competitiveness and qualitative inclusion in value chains, and improve quality of life.

It is expected the Green Economy Framework will be supported by adequate economic models and projections, taking into account environmental considerations, as well as climate and transition risks.

In addition, it is also expected that it will be able to rely on a Green Finance Framework, allowing on the basis of funding needs assessment, to clearly identify sources of funding (public and private), that can be mobilised, the measures to be taken and mechanisms to be implemented to facilitate and ensure the effective mobilization of these resources, at the expected level.

The involvement of the private sector in the economic/climate transition is essential. It is nevertheless challenging to meet, since covered investments are often complex and long-term, with significant transaction costs and “cash flows” that may seem uncertain, if an enabling environment and the necessary incentives are not in place.

In view of the above, the process of developing the Green Economy Framework is an ambitious exercise. In particular, it must take into account:

- Alignment with existing strategies and development plans, including the Pentagonal Strategy.
- A resolutely cross-sectoral approach, making it possible to establish a harmonized framework.
- A government-led exercise, but necessarily involving different stakeholders, both internally in the public sector, and externally, with the private and financial sectors, civil society, research institutions, and international partners.
- Existing and/or to be carried out global and thematic studies and analyses on the different dimensions that may be covered, including the financial dimension.

In this regard, it is necessary to define clearly and in a structured way the methodological approach that underlies this exercise.

## Objective of the support

The objective of the expected support is to support the Ministry of Economy and Finance, and in particular the NED, in defining the methodological framework for the development of the Green Economy Framework (including Green Finance Framework) and the development of a roadmap.

## Activities and tasks

The consultant's mission will be structured into two components:

- Component 1: Support to the NED in the contextualization of the Green Economy Framework development exercise.
- Component 2: Support to the NED in the development of the detailed roadmap for the development of the Green Economy Framework, and the process governance scheme.

### 1) Support to the NED in the contextualization of the Green Economy Framework development exercise

In collaboration with the NED teams, based on consultation/analysis of the available documentation and interviews with key stakeholders, the consultant will conduct the following tasks:

- Identify the main issues related to the economic and climate transition, with regard to the economic structure of the country and the climate and environmental issues, to which it is exposed (including economic trends and baseline situation, environmental and climate risk assessment, human capital structure, sources of financings, etc.).
- Identify key features of the institutional, legislative and regulatory framework, in terms of economic planning and regulation, environmental and climate action, and development financings – including assessment of strengths and weaknesses.
- Map the different relevant policy, strategic and planning frameworks at global and sectoral level – including an analysis of their level of coherence/integration, with a critical review of the various commitments and the effectiveness of their implementation.
- Map the main public and private stakeholders concerned by economic and climate transition issues – including roles, function, positioning, interactions.
- Identification of the main available data/sources and analyses and existing gaps in coverage and quality at both macro and sectoral level.
- Achievement of a benchmark of experiences and good practices implemented in comparable countries, in the development of their Green Economy/Finance Framework.
- Mapping of existing/ongoing initiatives, commitments and support mechanisms implemented (or to be implemented) by public & private sectors and as well as those under the supports from Development Agencies (donor, development banks, foundation, etc.).
- Consultation with key stakeholders on their expectations for the exercise and the future Green Economy Framework.

NB: it is not expected that the consultant will produce analysis work on the above dimensions himself – the expected work mainly concerns the identification, perspective and critical review of the documents and information available.

The contextualization exercise is not intended to be an exhaustive exercise. Nevertheless, it should provide sufficient information to guide the Green Economy Framework development process.

2) Support to NED in the development of the detailed roadmap for the development of the Green Economy Framework, and the process governance scheme

Based on the contextualisation exercise and in close consultation with the NED teams, the consultant will propose a concept note for the Green Economy Framework development exercise, together with a roadmap.

The Concept Note should address the following:

- Preliminary Orientation/Structure: tentative objectives, tentative period, general/thematic scope – including the linkages with the Green Finance Framework.
- Articulation and forward-looking integration with existing strategic frameworks.
- Relevant stakeholders, with identification of their respective roles.
- Governance and coordination scheme.
- Existing information and data, to be completed or produced.
- Prerequisites to satisfy and main work to be carried out (analysis, consultation, etc.), their sequencing and articulation, the methodology followed.
- Schedule, key milestones and associated deliverables.
- Technical assistance and other financial needs.
- Technical, institutional risks, etc.

The roadmap will make it possible to transcribe the elements of the concept note, in clearly identified and sequenced stages over time, with a clear identification of the responsible/involved activities and structures.

*General information about the Green economy framework status in Cambodia can be found here: [page-cambodia-scoping-study-brief-2024.pdf](#)*

### **Volume and organisation of support**

The mission is planned for a volume of **approximately 25 working days**, including a field mission of about 2 weeks in Phnom Penh, Cambodia, over a period of 2-3 months.

Important: **The mission is expected to start as soon as possible and should be completed latest by the 30<sup>th</sup> of June 2025.**

The mission will be implemented with and under the leadership of the NED, and will be supervised by its director.

The NED will set up a working team to accompany the consultant during his face-to-face mission. This team could, if necessary, involve a representative of the Ministry of Environment (Climate Change Department) and the Ministry of Plan. The support will include:

- Proximity contribution to works and reflections;
- Provision of relevant documentation/information;
- Organization and participation in meetings with different stakeholders.

On a provisional basis and depending of schedule arrangement, interviews will be organized with the following structures and entities:

- The Prime Minister's Office.

- The Ministry of Economy and Finance and the Supreme National Economic Council
- Cambodia Development Council (CDC)
- The Ministry of the Environment and the National Council of Sustainable Development
- The Ministry of Mines and Energy.
- The Ministry of Industry, Science, Technology, and Innovation.
- The Ministry of Commerce.
- The Ministry of Agriculture, Forestry and Fisheries.
- The Ministry of Public Works and Transport.
- The Ministry of Water Resources and Meteorology.
- The Ministry of Planning
- The Ministry of Education.
- The National Bank of Cambodia.
- The Association of Banks of Cambodia.
- The National Institute of Statistics.
- Representative organizations of the private sector.
- Organizations representing civil society.
- Research Institute (CDRI, ...)
- International partners: World Bank, UNDP, UNEP, GGGI, USAID, GiZ, etc.

The field mission will mainly focus on the conduction of various interviews and consultations, and outreach work with the NED. The rest of the work will be conducted in distance.

### **Key Deliverables**

Related to the above, the key deliverables are:

- Brief methodological note: T0+10 days maximum.
- Contextualization note: T0+40 days maximum.
- Concept note and roadmap: T0+75 days maximum.

### **Consultant Profile**

The consultant involved must meet the following qualifications:

- University degree (Master degree or PhD) in the field of economic development, environment management, climate change, public finance, or other relevant fields.
- At least 8 years of relevant professional experience, in the field of sustainable development, economic planning, and in the design/implementation of Green Economy Policy.
- Excellent knowledge of international standards and best practices in green economy planning and climate finance.
- Fluent in written and spoken English.
- Knowledge of Cambodia or Southeast Asia region would be an asset.

Candidates from the public sector, from the private sector, or research, or individuals (independent, or under a consultancy), are all welcome to apply.

Please add your CV and letter of intend to your application, in English or in French, both are accepted.

**Deadline to apply is 26<sup>th</sup> of March 2025.**