

TERM OF REFERENCE for:

Conducting a preliminary examination analysis on the implementation of a green budget in Cambodia

Presentation of Expertise technical assistance in Cambodia (generalities):

The Royal Government of Cambodia (RGC) launched a large-scale reform in 2004, the Public Financial Management Reform Program (PFMRP), to modernize and align public financial management with international practices and standards. This is a long-term reform program running from 2005 to 2025. In 2023, the Ministry of Economy and Finance (MEF) of Cambodia requested support from France to assist in the implementation of the new legal framework related to the budgetary system reform strategy.

Therefore, the project – *Implementation of Public Financial Management Reform Including Environmental and Climate Dimensions* – aims to support the Ministry of Finance in operationalizing the new Finance Law, which was promulgated on March 10, 2023. This technical assistance also includes an environmental dimension to meet the environmental and climatic challenges facing Cambodia.

The technical assistance implemented by Expertise France is structured around two main components: (1) Implementation of the new Finance Law and the new decree on public finances, (2) Green Public Financial Management.

The project activities are structured as follows:

I- Implementation of the new Finance Law and the new decree on public finances

- a. Support in drafting sub-decrees;
- b. Support in drafting circulars;
- c. Preparation of a procedural manual for implementing budgetary and accounting reforms;
- d. Budget presentation and preparation;
- e. Budget execution analysis and expenditure review;
- f. Assistance in developing Annual Performance Projects and Annual Performance Reports;
- g. Integration of new legal provisions related to Public Financial Management.

II - Green Public Financial Management

- a. Capacity building on green budgeting;
- b. Knowledge exchange on green budgeting (study visit);
- c. Capacity building in the green bond issuance process;
- d. Peer exchanges (study visit);
- e. Development of a framework for a green economy.

Context:

Cambodia is among the countries most vulnerable to climate change. This vulnerability is partly due to the increasing frequency and intensity of climate risks, as well as the state's and population's limited capacity to adapt. Aware of these vulnerabilities, the Royal Government of Cambodia (RGC) has made significant efforts to combat climate change, as outlined in the National Strategic Development Plan and the government's Rectangular Strategy from its first mandate to the present. As a result, climate change has increasingly become a priority for the RGC.

Having joined the Coalition of Finance Ministers for Climate Action, the Ministry of Economy and Finance (MEF) has requested support to align its budgetary tools and public financial management with Cambodia's objectives for reducing CO₂ emissions and protecting the environment.

To address the needs expressed by the Cambodian Ministry of Economy and Finance, Expertise France and the Institute for Climate Economics (I4CE) organized a training session on green budgeting in June 2024. The training aimed to reach a diverse audience to foster a common understanding and synergy among stakeholders. Participants came from various departments and Ministries, including:

- General Department of Budget
- General Department of International Cooperation and Debt Management
- General Department of Taxation
- General Department of Policy
- Secretariat General Committee
- Ministry of Mines and Energy
- Ministry of Industry, Science, Technology, and Innovation
- Ministry of Public Works and Transport
- Ministry of Environment
- Ministry of Agriculture, Forestry, and Fisheries

The overall objective of the training was to familiarize participants with the fundamental concepts, tools, and processes of green budgeting. It focused on the green budget tagging process, the review of international best practices, the development of a methodology, and its integration into the budget cycle, while considering the necessary institutional requirements.

Following the training provided by I4CE and to address MEF's needs, Expertise France now aims to conduct preliminary examination analysis on the implementation of a green budget in Cambodia.

Mission objective (specific):

The objective of the present mission is to conduct a preliminary examination analysis to assess the conditions and necessary steps for implementing a green budget in Cambodia, taking into account local constraints and international best practices.

Activities carried out by the expert :

1. Documentary review:

- Analyze national strategic documents (climate plan, budgets, sectoral strategies, etc.) and the existing regulatory framework.
- Identify relevant international best practices in green budgeting and elements that could be leveraged at the national level, in terms of green public finance management (GFB) and environmental/climate aspects.

2. Stakeholder consultations:

- Organize interviews with key stakeholders (Ministry of Economy and Finance, Ministry of Environment, sectoral ministries, etc.).

3. Diagnostic and analysis:

- Identify opportunities and areas for improvement (institutional and technical gaps).
- Conduct a SWOT analysis (Strengths, Weaknesses, Opportunities, Threats) on the feasibility of a green budget.
- Pre-identify potential target scenarios for implementing a green budgeting model in Cambodia, considering feasibility elements, national stakeholders' expectations, and sequencing over time.

4. Report writing:

- Propose recommendations for the implementation of a green budget.
- Develop a preliminary, sequenced, realistic action plan, indicating prerequisites, priorities, and any potential capacity building and financing support required.

The expert should also consider, without limitation and without presuming the options to be chosen, the following dimensions:

- Available/exploitable data, resources, and benchmarks, and the existing capacities.
- Potential methodologies for budget tagging and classification.
- Scope and coverage of tagging (administrative entities, expenditure categories, inclusion of fiscal revenue/expenditure, positive/negative expenditure, etc.).
- Integration into the budgetary process, including, if necessary, multi-year programming.
- Regulatory and procedural integration.
- Governance structure and organizational evolution.
- Integration with information systems.
- Quality control and monitoring-evaluation mechanisms.

- Potential linkages with other dimensions/mechanisms for "greening" public finances (green bonds, public investments, performance monitoring, etc.).
- Modalities for the internal and external dissemination of the green budget.

Expected deliverables :

Report (in English) including:

1. Short diagnostic of the current PFM system in Cambodia
 - A quick assessment of the current Public Financial Management (PFM) system in Cambodia, focusing on the institutional and technical capacities to integrate climate and environmental issues, specifically in budget management.
2. Analysis of opportunities and challenges for implementing a green budget
 - An analysis of the opportunities and challenges related to establishing a green budget, including legal, technical, organizational, and financial implications.
3. Clear recommendations on next steps
 - Recommendations for the next steps, strategic partnerships, and technical support required. This may also include choices to be made and options to validate.
4. Preliminary action plan for the progressive implementation of a green budget
 - A preliminary action plan for the progressive implementation of a green budget, based on one or more target models. This plan should include a clear description of prerequisites, steps, and any options that still need to be clarified or arbitrated, as well as areas requiring further exploration.

PowerPoint presentation:

- A concise PowerPoint presentation summarizing the findings and recommendations, to be presented to the relevant stakeholders.

Mission Duration and Location:

- Duration: 10 days of public expertise
- Location: Remote
- Deadline: Deliverables to be submitted by May 31st , 2025.