Kingdom of Cambodia

Opening Remarks
by
Samdech HUN SEN
Prime Minister of the Royal Government of Cambodia
at the
Cambodia Consultative Group Meeting
Phnom Penh, 6 December2004

Your Excellency; Chairperson
Excellencies, Distinguished Representatives of Partner Countries and Agencies
Excellencies, Members of the Royal Government of Cambodia
Excellencies, Ladies and Gentlemen:

1. On behalf of the Royal Government of Cambodia (RGC) and on my own behalf, I have a great honor and pleasure to welcome you all to this important meeting being held after a gap of nearly two and a half year. A warm welcome to all of you who have come long distances from abroad to be here today.

2. We thank the World Bank for cooperation in making arrangements for the Consultative Group (CG) meeting. As in the past the Royal Government as well as the World Bank and other agencies have prepared and circulated in advance several background papers for discussion. All of you would have no doubt studied them and would have many comments both on them and outside of them. We in Cambodia know that your views expressed here would be straightforward and even if tough would be made in the interests of Cambodia. We are as ever very grateful for and welcome all your advice and support in the past many years.

3. This meeting has special significance as it is being held after the formation of the third successive Royal Government of Cambodia and with the coronation of **Samdech Preah Boromneath NORODOM SIHAMONI** as King of Cambodia, a new chapter has begun in modern Cambodian history. The people of Cambodia are ever beholden to His Majesty **Samdech Preah NORODOM SIHANOUK**, and Her Majesty **Samdech Preah Reach Akkak Mohesei NORODOM MONINEATH SIHANOUK**, who have been instrumental for peace, political stability and democratization of Cambodia and we all pray for their long life.

4. The internationally acknowledged free, fair, peaceful and orderly General Elections held in 2003, the period of somewhat prolonged negotiations for formation of the Royal Government thereafter resulting in the present Government and the recent swift, dignified, peaceful and orderly succession to the throne, have once again demonstrated that Cambodian people have matured in the process of making coherent and orderly decisions through democratic and peaceful means, consultations and compromise.

5. As this meeting will do stocktaking of the past achievements and shortfalls and look at the future goals and prospect, I thought it would be beneficial if I could, at the outset, trace from the Cambodian perspective the major picture relating to the overall progress and achievements during the last five years and define the contours and directions for the future by highlighting the concrete actions required for Cambodia to implement tough reform measures.

6. I agree with the assessment that Cambodia is at the "cross road" in our difficult journey towards sustainable development and poverty reduction. The last decade has seen the prevalence of peace, enhanced internal security and political stability, the consolidation of government institutions, the emergence of democratic establishments, the proliferation of civil society and the affluence of the media. Macroeconomic stability has been achieved, while economic growth was robust. Liberalization has taken a firm root in the economic fabric of the country. Higher levels of investments in garment and tourism industries lead to employment and prosperity. Increased revenues and allocation for physical and economic infrastructure and social or human-development sectors have created favorable conditions for broader distributive growth. Cambodia has relatively achieved social cohesion and has taken steps to address glaring economic and social disparities. Our policies have been home grown and relevant. In short, Cambodia has gradually recovered from 30 years of destructive wars, albeit the legacies of the coup d'état, genocide and internal strife are still vivid in all aspects of the Cambodian society. The social and moral fabric of the society is still fragile.

7. However, we are living in a tough and challenging time. The contours of the regional and world configuration have dramatically changed since the Asian financial crisis. The changing economic landscape in East Asia, the increasing uncertainty caused by terrorist acts across the globe and the increase in oil prices pose a new challenge for Cambodia. On 13 October 2004, Cambodia has officially become a member of the World Trade Organization (WTO). Although Cambodia's trade regime is already very liberal by regional standards, WTO obligations require more reforms to reap the benefits and to bring greater prosperity. Thus, in a time of fierce competition for scarce FDI and ODA resources, the prosperity of our country depends on our ability to implement reforms at all levels. In this context, the biggest challenges for us are to

strengthen government institutions and improve governance. I would like to dwell on these in a broad manner.

8. Recognizing the reform imperative, as Head of the RGC, I launched on 16 July 2004 ***the Economic Policy Agenda*** of the Political Platform of the Royal Government, entitled "***The Rectangular Strategy*".** This reform strategy is not only a nice word to please the donor community. We have seen the decline in investment flows to Cambodia and the impacts are already felt by our citizens. At this juncture, we urge those who oppose us, both inside and outside of the country including prominent pseudo-Cambodians, not to try to disturb the hard gained peace and stability to the detriment of the people at large, especially for petty political reasons, when we implement the necessary reforms. It is clear that we will not be able to overhaul the governance system in the short run, if social and public order is disrupted. The Cambodian people do not want to get back to square one again.

Enhancement of Public Governance and Rule of Law

9. The core of the *Rectangular Strategy* is **good governance** focused at four reform areas: (1) anti-corruption, (2) legal and judicial reform, (3) public administration reform including decentralization and deconcentration, and (4) reform of the armed forces, especially demobilization.

10. A draft of the Anti-Corruption Law was prepared and approved by the Council of Ministers on 20 June 2003 and submitted to the Parliament on 25 June 2003. This draft was returned by the Parliament for a further review. We will further work on this rigorously with all stakeholders, respecting the existing rule of law. While the enactment of the Anti-corruption Law is an important step, developing capacity to rigorously enforce the Law is also equally important. To this end, the RGC has already extended Public Procurement Sub-decree to cover all expenditure categories in all ministries, except the Royal Palace. To combat corruption, we should take rigorous measures such as streamlining bureaucratic procedures, simplifying and modernizing the tax system, eliminating excessive regulations, and motivating public servants in order to reduce the opportunities for corruption. More work is needed to strengthen the National Audit Authority (NAA) and to establish internal audit units in ministries to ensure a greater transparency and accountability.

11. The RGC has adopted in June 2003 the Legal and Judicial Reform Strategy, aimed at improving the protection of fundamental rights and freedoms, modernizing the legislative framework, enhancing the quality of legal processes and related services, strengthening judicial services and institutions. An Action Plan was also prepared the short term plan of action (2004-2006) consists of 33 priorities across the 7 strategic objectives. The medium term of action identifies another 27 priorities to be attained by 2008.

12. We have also restructured the Supreme Council of Magistracy (SCM) by establishing a Secretariat to provide technical support. Since January 2003 the remuneration of judges and prosecutors has been substantially increased. The Royal School of Magistracy and the Lawyer Training Center are now operational with the assistance from France. Work is also underway on the establishment of specialized tribunals to better deal with commercial, juvenile and administrative matters. The draft of the Law on the Statue of Magistrates and the Organic Law on the organization and functioning of the Courts will be submitted to the Parliament in 2005.

13. We are determined to close the darkest chapter of our own history and it is the respect for and search for justice that the Royal Government has sought international assistance in organizing a special tribunal to prosecute the main perpetrators of heinous crimes during the period of Democratic Kampuchea. While judging the past, we aim to heal the wounds of our common history. It is our desires that judging the past should help Cambodia build a bright future. Therefore, efforts from all concerned are needed to speed up this process. Due to the special characteristic of this task, I am of the view that we should apply different mechanism rather than this CG meeting to further discuss the issue and seek necessary resources for implementation. Nevertheless, I reiterate the Royal Government's position on this matter:

First, the Royal Government of Cambodia will take serious strides to finalize the discussions with the United Nations on budget requirements for the trial by clearly defining the obligations and responsibility of the government and the contribution from our external partner, whereby the United Nations will be responsible for mobilizing assistance from our external partners and the Royal Government will contribute its own share of the budget.

Second, in meeting its budgetary obligations the Royal Government will:

a) Rationalize its own spending estimates to reflect the real need for the work done;
b) Clearly determine the government's spending on the trial based on its own budget realities;
c) To fill the gap of the outstanding un-budgeted amount, the Royal Government will work separately with a number of bilateral donors to mobilize needed resources.

14. The Royal Government has placed a high priority on putting in place basic elements of the legal framework to underpin Cambodia's obligations under the WTO. Moreover, judicial reform is critical to restore investor confidence by enforcement of property rights and contracts. At a more basic

level, improved access to justice and judicial services for the poor is essential to tackle feelings of social injustice and vulnerability, improve community confidence on the rule of law and quality of life and reduce poverty. To succeed, it will require colossal administrative capacity and resources. Thus I urge all of you to consider providing substantial technical and financial assistance for this initiative.

15. As part of this strategy to rationalize the civil service, the Council for Administrative Reforms (CAR) carried out six studies to collect factual information and prepare analysis based on which decisions could be made to accelerate pay and employment reforms and to strengthen the management of the Civil Service: (i) improving public services delivery; (ii) benchmarking the labor market; (iii) reviewing operations; (iv) enhancing remuneration to support performance; (v) enhancing employment to support service delivery; and (vi) strengthening the management of the civil service work force.

16. With respect to a wage policy for the civil service, the actions of the Royal Government will be based on two basic principles. First, a balanced approach towards the pay of politicians, civil servants, and military and security forces is considered. Secondly, pay reform must be sustainable over time within the fiscal framework. Thus, the RGC is committed to increasing remuneration by 10 to 15 percent annually. The available resources will be targeted to priority needs through instruments like the Priority Mission Groups program (PMG) and a system of allowances that complement base pay.

17. The Royal Government will continue to implement the policy and programs identified in the White Book of National Defense of the Royal Cambodian Armed Forces, including the distribution of social concession lands to the demobilized landless soldiers who request land for their residences and/or for family farming in conformity with the Sub-decree on Social Concessions.

18. Our strategy identifies four priority areas: (1) enhancement of agricultural sector; (2) private sector growth and employment; (3) continued rehabilitation and construction of physical infrastructure; and (4) capacity building and human resource development.

Making Agriculture a Viable Sector

19. Sustainable economic growth, poverty reduction, and Cambodia's Millennium Development Goals cannot be achieved without a significant improvement in the productivity and diversification of the agriculture sector. Productivity improvements can be derived from well-targeted intervention through «irrigation policy», the introduction of improved seed varieties, agronomic techniques, more diversified crops and community fisheries. To

modernize the agriculture sector, the Royal Government will: first, increase the percentage of public investment allocations to agriculture and for rural development, particularly at the provincial and local levels for irrigation facilities, rural roads and other rural infrastructure; second, encourage increased private sector investment in farm and village-level enterprises in key sub-sectors including small-scale commercial, market-oriented aquaculture, crop and livestock production, and agro-enterprises such as processing, post-harvest facilities and mechanization; third, accelerate and stabilize broad-based growth of agricultural output through sustainable development of high-value added products; and fourth, increase local-level expenditures and investments in: (i) extension services focused at increasing the productivity of farmers; (ii) farmer-owned and operated irrigation; (iii) rural enterprises; (iv) enhanced skills and capacity in lending to agricultural and agro-based enterprises; and (v) decentralized Public investments and de-concentrated budgeting and services for the agricultural sector.

20. In keeping with our commitments no new forest concessions have been issued. From 1999 to-date, the Royal Government of Cambodia (RGC) has cancelled forest concession licenses of 17 companies covering total forest land area of around 3.5 million hectares in 24 locations. The licenses of 5 forest concessionaires were cancelled during the reviewing process of the Strategic Forest Management Plans (SFMPs). The Royal Government of Cambodia has continued to pursue vigorous crackdowns on illegal logging operations. In the course of performing their duties 7 forest administration officers have been killed and 34 have been injured. Some 1,386 illicit sawmill plants, 653 timber processing machineries have been destroyed, and 332 offenders have been apprehended and prosecuted.

21. The Sub-decree on Community Forestry was enacted in December 2003 to put public forest assets under the stewardship of local communities in the framework of approved management plans and benefit sharing arrangements. The Sub-decree on Social Land Concessions was enacted by the Royal Government in March 2003. Based on the results of pilot projects, the Council of Land Policy in collaboration with various development partners is currently involved in designing a program for Land Allocation for Social and Economic Development (LASED). It is important that this process is implemented in a transparent manner to ensure equity and social justice. We are also determined to address the problems of landlessness and land grabbing. It also shows our serious strides to ensure the protection of human rights and the respect for dignity of our people.

22. The Royal Decree on the establishment of community fisheries and a Sub-decree on the management of community fisheries have been prepared and submitted to the Council of Ministers for approval. Some 360 community-fishery lots have already been established across the country with assistance

from development partners. The Fisheries Law has been reviewed by the Council of Ministers and is scheduled to be submitted to the Parliament.

Private sector growth and employment

23. Sustainable future economic growth in Cambodia remains heavily dependent on the ability of the government to diversify the economy and broaden the base for growth. The challenge for Cambodia in the next 10 years is to strengthen governance in order to attract more private investments and ensure competitiveness vis-à-vis neighboring countries so that the country can gain from its potentials in agriculture, agro-industry, labor-intensive industry, processing industry, tourism and in some other production and services.

24. To this end, much more remain to be done to remove impediments to private sector development by focusing on the improvement to the investment climate, including the legal, regulatory and administrative environment. The reform should also allow for improvements in access to key factor inputs, including skilled personnel and competitive access to finance.

25. To support industrial diversification, all relevant ministries should cooperate to remove impediments or constraints to growth and building institutions, so that Cambodia will be able to compete with neighboring countries to attract investors. This shall include: (i) substantially reduce costs, especially unofficial costs; (ii) reducing policy-based impediments to efficient transactions, particularly in such areas as trade facilitation and business transactions; (iii) rationalizing roles and responsibility of government agencies involved in the control of exportation and importation by introducing single window with flat fee; (iv) implementing customs streamlining programs; (v) introducing process automation; and (vi) reducing entry barriers, such as unnecessary licenses and the high cost of registering business.

26. At the same time, the Royal Government will pursue immediate actions in order to: (i) encourage the development of SMEs; (ii) suppress smuggling; (iii) reduce registration procedures and start-up processes for companies; (iv) facilitate export-import activities by simplifying procedures such as licensing and other letters of permission; (v) establish a national standards institution and laboratories; and (vi) promote vocational/skills training.

27. Trade unions have become the fact of life in Cambodia's business landscape. Improving working conditions and upholding the Labor Law are among the pre-requisite of harmonious relationships between workers and employers. However, negotiations between business owners and the trade unions should be based on realities in Cambodia, rather than on demands that cannot be fulfilled.

28. To create jobs and ensure better working conditions for our workers, the Royal Government in its third mandate will: (i) implement measures which encourage domestic investment and attract foreign direct investment in priority sectors, especially agriculture, agro-industry, labor-intensive industries and tourism; (ii) establish skills training networks for the poor, linked to employment assistance especially for young people and new graduates in response to labor market needs; and (iii) develop a labor statistical system.

Enhanced construction of physical infrastructure

29. The transport networks are instrumental in integrating domestic markets and facilitating Cambodia's integration into the regional and world economies. A high priority of the Royal Government is the rehabilitation and construction of supply systems of electricity and clean water, low-cost communication system, transport networks, including bridges, roads, railroads, seaports, and airports that link all parts of the country, and Cambodia to its neighboring countries and the rest of the world. A significant challenge is to ensure the maintenance of road networks. Therefore, during the third mandate of the Royal Government a high priority will be given to ensure routine and periodic maintenance of the road network.

Technical assistance, capacity building and human resource development

30. Building up the government's capacity and technical expertise is crucial to the success and sustainability of reforms. Regardless of massive investment in technical assistance in the past decade, we still face a lack of necessary skills and weak institutions, and the country's capacity has not yet appeared adequate to meet the challenges of reforms and development. It is clear that governance reform requires all of us to adopt a new approach to technical assistance. Moreover, a clean administration cannot be cheap. We therefore suggest that donors review the practices of past technical assistance and adopt new approach in order to ensure a real transfer of knowledge that will ignite a positive chain reaction throughout the society. Thus, we should build national technical capacity by shifting from traditional technical assistance, which uses great numbers of foreign experts, towards direct support for the Government's national human capacity building and use initiatives.

Promoting Gender Equality

31. Improved equality and equity for women and children is crucial to sustainable development$_1$ social justice and poverty alleviation in Cambodia. Investment in and greater attention to women's needs will result in better

health and education of future generations, as well as greater economic efficiency and decreased poverty. Therefore, investment in women and children and improvements in women's social, economic and political status are direct investments in the future of Cambodia. Accordingly, our actions are focused on the implementation of the five-year strategic plan, Neary Rattanak (Women are Precious Gems) and the program of "Building Together toward Achieving Gender Equity and Social Development".

-*Excellencies, Ladies and Gentlemen;*

32. The Rectangular Strategy clearly identifies peace, social order, macroeconomic stability, partnership and economic integration to be crucial for Cambodia to implement the whole strategy in order to achieve progress and prosperity. Let me elaborate these four points:

Peace, political stability and social order

33. We will deploy utmost efforts to further strengthen peace, political stability and social order, reflecting the nation's decisive move towards development and prosperity, leaving behind the legacies of wars, genocide and internal strife that have destroyed Cambodia over the past three decades. Therefore, our top priority is to strengthen by all means the fabric of peace in order to promote a «credible image» of Cambodia, build the confidence of investors and tourists in the country and generate favorable conditions for the people's dignified livelihoods that significantly contribute to economic development.

Consolidating macroeconomic stability for rapid growth

34. During its second mandate, the RGC has made significant progress in macroeconomic management, by maintaining macroeconomic stability, strengthening the banking and financial institutions and implementing fiscal reform measures. Cambodia has made impressive strides in re-integrating herself into the international community. Over the last five years, the average annual real GDP growth was 6.8 percent. Monetary developments reflected improved fiscal position. A prudent monetary and fiscal policy pursued by the RGC resulted in low inflation and broadly stable exchange rate. Inflation was kept on average at 1.6 percent per annum during this period. Gross international reserves have remained at a comfortable level.

35. However, the approaching end of the Multi-Fiber Agreement (MFA), starting from January 2005, will adversely affect growth prospect and employment creation. The garment sector, which is the catalyst for Cambodia's growth over the past years, will face tight competition with the phasing out of

quota system linked to the MFA agreement. Agriculture is also facing major challenges such as low productivity and unfavorable weather conditions. The slowdown is expected to dampen growth in services and construction, but the impact will be somewhat offset by continued strong growth in tourism. Cautious estimation shows that growth for 2005 would be around 3-4% and it would recover to 6 to 7% only in 2008 and 2009 respectively.

36. All these have put the enhancement of growth momentum high and urgently on the agenda of Cambodia, if we want to reach the MDGs as planned. In response to these daunting challenges, the Royal Government has actively set out measures to enhance the Cambodia's competitiveness through the promotion of good governance, reduction in operation costs particularly the administrative and labor costs, as well as trade facilitation and improvement in investment climate, as indicated above. In this context, I think that ODA plays a major and important role in helping Cambodia to overcome all these challenges. Thus, I do agree with the assessment jointly made by the IMF, World Bank, ADB and other development partners on the needs for a greater inflow of ODA over the short to medium term into the areas that will improve and enhance the base of Cambodia's economic growth, especially agriculture and rural development. Robust investment in these sectors will help to rehabilitate and ensure the sustainability of the driving force of growth and to directly reduce poverty through broadening growth base to the milieu of farmers who represent more than 80 percent of Cambodian population, those who live in rural areas.

37. In spite of the many challenges, the Royal Government has been making steady progress in increasing its revenues collection. Revenues as a percent of revised GDP estimates increased from 8.1 percent in 1998 to 11.5 percent in 2004, although in 2003 we experienced revenue shortfalls, due to the outbreak of SARS and political uncertainty. Governance should be further strengthened in revenue collection through implementation of measures to prevent leakages, especially by combating smuggling and strengthening customs and tax administration and increase the transparency of contracts.

38. On the expenditure side, the Royal Government has spelt out policies and taken steps to shift priorities by providing adequate funds for spending on social and economic sectors, increase public investment in rural infrastructure and establish responsibility for performance at the level of disbursing units. Budgetary disbursements to four priority action ministries increased to 3.6 percent of GDP.

39. For the Ministry of Health, actual disbursements as a percent of budget allocations for chapters 11 and 13 were 88.1 and 99.9 percent in 2002 and 84.6 percent and 93.5 percent in 2003. In the case of the Ministry of Education, actual disbursements as a percent of budget allocations for chapters 11 and 13

were 87.1 percent and 107.2 percent in 2002 and 95.1 percent and 85.1 percent in 2003.

40. The Royal Government is well aware of the important role of Public Financial Management (PFM) in our thrust for development and poverty reduction. In this sense and since the formation of the government in its third mandate, with the assistance of our development partners, the Royal Government has been actively promoting the sense of ownership and strongly committed to the preparation of PFM reform. Indeed, the program was officially launched yesterday, 05 December 2004. Thus, I see no need for me to elaborate again on this important reform program at this meeting. Nonetheless, I would like to strongly welcome the "Sector Wide Approach -SWAP" that has been agreed to with our development partners to implement the PFM. This will be an ample opportunity for Cambodia to play the role of real owner of development in preparing and implementing our reform programs. Moreover, this will help facilitate the allocation of tasks among development partners and reduce transaction costs involved the administrative costs and excessive coordination workload.

Partnership in development

41. During the third mandate of the Royal Government, an important challenge for both the Government and the development partners is to identify and implement approaches that will improve aid effectiveness in reducing poverty and achieving Cambodia's Millennium Development Goals. In this sense, the Royal Government would like its development partners to align their assistance programs with Cambodia's development priorities and to harmonize their practices based on the principle and guidelines that have been agreed to in various international fora, in particular within the OECD/DAC framework. The Royal Government is convinced that using nationally owned strategies to plan and manage ODA and a greater harmonization of donor practices will not only enhance national ownership of the development activities but will also improve aid coordination and aid effectiveness. The Royal Government also encourages the development partners to consider planning their country assistance programs within the context of program/sector-based approaches that will not only minimize the multitude of stand alone projects that place a heavy burden on the limited capacity in government institutions but will also bring a sharper focus to ODA supported activities.

42. On 19 November 2004, the Royal Government has adopted the action plan for harmonization program, reflecting the step taken by Cambodia to take lead in facilitating ODA. The Royal Government is strongly looking forward to the encouragement and proactive cooperation provided by all our development partners in support of the implementation of this action plan.

43. Concerning the ownership in the preparation of the development plan for Cambodia, currently at the policy level the Royal Government has introduced the Rectangular Strategy as an economic policy agenda of its political platform. While at the same time, we are continuing to refine and develop the strategy into detailed work plans for implementation of the RGC's political platform. To this end, we will organize a national conference on strengthening governance for poverty reduction and development, scheduled for 14-16 December 2004, with wider participation of the senior officials from the Royal Government, ministries and institutions and provinces and municipalities across the Kingdom of Cambodia. Next step, we will prepare the third Socio-Economic Development Plan (SEDP-III) and National Poverty Reduction Strategy (NPRS) as a consolidated single official document. In order to ensure the consistency within our policies, strategies and development plans the SEDPIII will adopt the CMDGs and the Rectangular Strategy as guiding principles. This initiative will consolidate the key components involving development policies and strategies, as well as the detailed work plans and specific Public Investment Project (PIP), to reach the priority objectives of the set policies and strategies. With the intention to promote harmonization agenda, I also urge all our donor partners to identify possibility of using the sector-wide approach (SWAP) in preparing their development plans and investment programs for Cambodia. In doing so, we will indeed be able to ensure the ownership of the Royal Government on development works and also the participation of all our development partners in helping identify priorities for Cambodia development, and especially ensuring smooth coordinated allocation of resource and fields of intervention among all concerned donors.

44. Touching upon the CMDG, may I draw the attention of all development partners to two vital sectors for Cambodia: (i) Mine clearance, which is considered as the 9th MDG for Cambodia on top of the 8 MDGs adopted for the whole world; and (ii) the fight against HIV/AIDS.

45. The Royal Government of Cambodia has attached great importance to mine clearance for development. Mine clearance is not only a humanitarian action. For Cambodia, this sector constitutes an integral part of our tremendous efforts in reducing poverty, as clearly stipulated in the Rectangular Strategy. In many provinces, rural development cannot be successful if we fail to include mine clearance activities in the work program. The Royal Government has recently adopted a Sub-decree on the Establishment of Provincial Mine Action Committee in those affected provinces and municipalities with the view to prioritizing mine clearance activities in accordance with development needs at the grass-roots level. We are strongly committed in pursuing reform in this area and we are looking forward to continued assistance from the development partners.

46. AIDS is the single most devastating health hazard in Cambodia. However, the combined efforts of Royal Government's institutions and

development partners have begun to show positive results with the prevalence of HIV infection among 15 to 49 years old declining from 3.3 percent in 1998 to 2.6 percent in 2003. Almost 100,000 people have undergone testing and provided counseling services. HIV/AIDS education programs are also being implemented by the private sector for their employees. Overall, in combating HIV/AIDS we have achieved encouraging results and Cambodia is expected to make progress towards achieving this one of the important eight MDG. Indeed, continued generous assistance from the development partners to this sector is the pre-requisite for achieving this objective.

Integration of Cambodia into the region and the world

47. Economic integration and international cooperation constitute the main pillars supporting economic growth in Cambodia. Market access is critical for promoting growth and poverty reduction. Cambodia has launched an aggressive campaign of its integration into international community. Cambodia's membership in ASEAN and the WTO, as well as cooperation within the framework of the Greater Mekong Sub-Region (GMS), the Ayeyawade-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS) and the Triangular Development provide great opportunity to reform the investment and foreign trade regime by focusing on the liberalization and decentralization of decision making process, reducing the bureaucratic red tapes, removing impediments to investments, implementing reform programs and initiating the modernization of the national economy and upgrade its competitiveness to the regional and international standards.

48. To maximize the gains from international integration, Cambodia will strengthen its institutional capacity to implement cooperative strategies. The Royal Government will continue to liberalize trade and ensure free flow of goods and services both within the country and between Cambodia and other key partners in the region and the world, and particularly implement measures that will improve the competitiveness of Cambodian products.

Meeting the Challenges to Reforms

- *Excellencies, Ladies and Gentlemen;*

49. I have very broadly laid before you the many areas we have progressed. Doing is much harder than saying. We more than any one else are acutely aware that there is a long march ahead.

50. Cambodia's past achievements and solid performance serves to highlight the many problems and challenges to overcome in order to push our reform and development agenda. We need to work on further improvements in governance if we are to make more than a dent in poverty. Furthermore, we

should instill the sense of ownership of the development process and our achievements among all social strata.

51. Indeed, policy reforms across sectors have constituted the substance of our development thrusts. Yet we also realize that while good policies do matter, their rigorous and consistent implementation remains vital. Coordination and information sharing between and within ministries/institutions should be improved. The challenge to ensure that systems of governance work efficiently to increase access to modern knowledge and technology should also be overcome.

52. Reform is not a just shallow word. Implementing reforms require not only political will, but also considerable human and financial resources. Cultural and political context has to be taken into account. I realize the amplitude of efforts and the challenges that lie ahead of us. This requires that all stakeholders are involved, and not just observe and criticize.

53. To systematically resolve the many challenges before us, we need a merit-based civil service system. We clearly need an efficient government that is responsive to the demands of the rapidly changing international environment as well as a strong and vibrant private sector.

54. The broad picture I have tried to place before you today no doubt shows the vast distances Cambodia has traversed in mere ten years, accelerating significantly in the last four years, to transform itself from a strife-torn, problem-ridden, poor country to one firmly on the path to progress and realization of its true potential. But every step we take shows up new challenges ahead. Nevertheless, we have the horizon firmly in our sights and we will spare no measures to take Cambodia forward for betterment of its people.

55. In closing, let me thank you all for your patience and attention. My intention is to assure you of our unity, sincerity and seriousness of purpose in pursuing progressive policies and measures of our own. The road ahead has become much clearer, but is still long and difficult, and the solidarity of the international community with the aspirations of the Cambodian people continues to be vital.

56. The Royal Government of Cambodia is represented in the CG meeting by an experienced and able senior delegation led by H.E. Keat Chhon. They will be with you and share with you the details of our programs and all the information required about the various aspects of our socio-economic situation and needs for development assistance. Throughout the meeting, Cambodia will listen, take careful notes of all that you say and give it utmost consideration.

Thank you very much for your kind attention and have a good meeting!