REMARKS BY H.E. Mr. TAKAHASHI FUMIAKI
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AT THE CONSULTATIVE GROUP MEETING
ON
"FURTHER REHABILITATION AND CONSTRUCTION OF PHYSICAL INFRASTRUCTURE"
PHNOM PENH, CAMBODIA
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Excellency, Ladies and Gentlemen,

It is a great pleasure for me to have the opportunity to deliver on behalf of the donor community, some remarks on the "Further Rehabilitation and Construction of Physical Infrastructure".

Physical infrastructure accounted for 23% of the total amount of aid Cambodia received from 1999 to 2003. This shows that infrastructure is one of the priority sectors for her development. Cambodia has a less developed infrastructure than neighboring countries due to the destruction brought during the long civil war and a lack of maintenance since then. This is a serious obstacle to the socio-economic growth of this country as physical infrastructure is important for realizing both sustainable economic growth and poverty reduction. It is necessary for national integration and maintaining balanced development among provinces and also crucial for facilitating Cambodia's regional integration.

As it is indispensable for access to public services provided by hospitals and schools and thus guaranteeing a normal functioning society, it is as well the foundation of economic development whether in industrial, agricultural or service sector, a comprehensive national plan for developing physical infrastructure is needed. Such development plan should prioritize the realization of specific projects.

In formulating and carrying out an overall infrastructure development plan, attention must be paid to the following points:

1 Priority should be given to projects that benefit the entire Greater Mekong Sub-region or promote ASEAN integration.
2 As the construction of infrastructure could have negative impacts on the environment and social development, environmental impact assessments and monitoring before and after the implementation of infrastructure project should be carried out with transparent and effective procedures.

3. To make good use of the infrastructure, its maintenance is indispensable. It is therefore important to establish a planned maintenance system and to secure necessary funding for this purpose. Appropriate maintenance contributes to economizing repair expenses.

4. The development of physical infrastructure should be accompanied by proper guidelines for its utilization or system for regulating related activities and capacity building for its maintenance and the administration of related systems. Sector reform is also needed in certain sectors for their effective operation such as in the power; telecommunications or railroad sectors.

Excellencies, Ladies and Gentlemen,

Now I would like to touch upon certain specific questions related to selected sectors.

Transportation

(1) Roads

As road conditions have been steadily improving, traffic congestion and road accidents caused by increased number of vehicles which drive at high speed have become an issue of serious concern. Motorists without driving licenses and pedestrians and motorists ignorant of the traffic regulations have also contributed to the significant increase in the number of traffic accidents. Indeed, fatalities as a result of traffic accidents this year has surpassed the death rate brought by mines.

The proliferation of over-loaded vehicles without registration is shortening the life of roads and is also a contributing factor to the increase of accidents. It is a matter of urgency to strengthen the system, in order that roads users comply with the license regulations and car registration and that society is made fully aware of these regulations.

(2) Other transportation

Other forms of transportation, such as aviation, railways and inland waterways are all at insufficient stages of development. Diversification of transportation is very important and the formulation of a master plan on these sectors is needed.

(3) Ports

Not only does the condition of ports require improvement, but in order to make the distribution of goods more efficient, the procedure of entry and clearance needs urgent simplification, especially

as ports in Cambodia are facing competition from other ports in Vietnam and Thailand. Efforts toward this end and a reduction in red tape should be given more attention to. It is a welcoming sign that in August the importance of partnership between CUSTOMS and CAMCONTROL was recognized in the National Seminar of Administrative Reform Action Plan 2004 to 2008.

Power

High electricity rates compared to the neighboring countries and unstable supply are hampering the socio-economic development of Cambodia. Thus a reliable electricity charge collecting system should be established along with the development of facilities for the stable supply of electricity.

The formulation of an overall electricity supply plan is needed and in doing so not only power generation in Cambodia by thermal, hydro power or mini hydro power in rural areas but also potential purchase from neighboring countries should be considered. It should be based on a realistic demand estimate for both urban and rural areas and take into consideration existing master plans and studies already conducted by various donors.

Moreover, any situation where public facilities constructed by the official development assistance that could not be fully utilized due to the existence of unfavorable contracts or constraints imposed by IPP (Independent Power Producers) should be avoided and rectified. Fairness and transparency are required in granting concessions and all information must be disclosed about IPP activities that could affect any ODA project.

Telecommunications

The Ministry of Post and Telecommunication (MPTC) is in the process of further developing its infrastructures. In some sub-sectors, the private sector is playing an important role as well such as in mobile phones and the internet. Based on the current situation, the promotion of the telecommunication sector should be accompanied by an appropriate regulating and supervising system. In order to achieve this, it is necessary to develop transparent and fair rules such as for entry into business and tariff setting. It should be also supported by an organizational framework separating regulatory and operational bodies, which is appropriate as well for a smooth formulation of the rules.

Irrigation

As the damage caused by this year's draught clearly shows, agricultural production is still carried out under unstable conditions due to an almost complete dependence on natural conditions,

especially rain fall. In order to sustain and stabilize agricultural production, which should be this country's principal engine to reduce poverty and stimulate economic growth, the rehabilitation and construction of irrigation systems and supporting maintenance system are critical. Even compared to other infrastructures such as roads, irrigation systems will be never usable without its proper operation and maintenance. In this regards, it should be underlined that there is the utmost necessity for a well programmed and systematic maintenance of the facilities based upon a clear sharing of the responsibilities among central, focal government and water users and the allocation of funds from the national budget for their operation and maintenance.

Urban Environment

The chaotic growth of social and economic infrastructure has generally worsened environmental conditions and countermeasures to remedy the situation are indispensable. Without concrete measures, it will only deteriorate further. At present there is an insufficient drainage and solid waste management system which has been caused by the un-regulated construction and operation of many large-scale hotels.

Special Economic Zones

As the Royal Government of Cambodia is well aware, comprehensive infrastructure development in potential areas such as the corridor between Phnom Penh and Sihanoukville and the border regions is essential for further economic development.

Finally, I would like to touch upon some issues of governance which are related to and important factors for a smooth infrastructure development. In countries like Cambodia where financial resources are scarce, it is necessary to mobilize private investment for constructing public infrastructures. However, such mobilization should be controlled by a fair and transparent legal system which regulates selection of contractors, the awarding of concessions and licensing procedures, and ensures the enforcement of relevant laws and regulations.

A fair and transparent legal system means fair and competitive granting and licensing procedures and full disclosure of information about contracts and the details of the project.