Summary Record

of the Negotiations on Development Cooperation

between the Royal Government of Cambodia

and the Government of the Federal Republic of Germany

Phnom Penh, 15-16 October 2009

1. Introduction

Negotiations on development cooperation between the Royal Government of Cambodia and the Government of the Federal Republic of Germany were held in Phnom Penh on 15 and 16 October 2009. The delegation of the Royal Government of Cambodia was headed by H.E. Mr. Chhieng Yanara, Secretary General of the Cambodian Rehabilitation and Development Board at the Council for Development of Cambodia (CBRD/CDC). The delegation of the Federal Republic of Germany was headed by Dr. Josef Füllenbach, Head of the South-East Asia Division, Federal Ministry for Economic Cooperation and Development (BMZ). Lists of the two delegations are attached as Annexes 1 and 2.

The negotiations took place in an open atmosphere of constructive cooperation. Based on the results of the preparatory consultations held on 5 March 2009, the delegations reached agreement on the allocation of the funds available. They discussed ongoing and future cooperation and other relevant issues.

The results of the negotiations are recorded below:

2. General context for development cooperation and policy dialogue

2.1. Opening statements of the Head of Cambodian Delegation

It's my great pleasure to speak at the first session of our negotiations on "general context for development cooperation and policy dialogue". I wish to share with you brief updates on: (i) Cambodia's macroeconomic situation, (ii) the progress in the preparation of the National Strategic Development Plan Update 2009-2013 and the harmonization between the national planning process, public investment and ODA and (iii) the Royal Government's perspectives on the aid effectiveness work.

Of course it is the "Rectangular Strategy - Phase II" that continues to provide the policy framework for the "Socio-economic Agenda" of the Royal Government. The implementation of the Rectangular Strategy has been adversely affected by the deteriorating macroeconomic environment over the last year, which has of course resulted in significant social as well as economic costs. As we heard at the recent GDCC meeting, the garment sector experienced a 20 per cent decline in the first half of 2009 and the tourism sector will experience a significant contraction in terms of monetary value, leading to widespread hardship. The Royal Government has therefore responded with a stimulus package, increasing its budgetary expenditure by about 25% compared to 2008, including to safeguard priority sectors and to introduce new initiatives related to the provision of safety nets for those most affected. We have balanced this with a prudent monetary stance that attempts to maintain access to credit while managing risk and containing any inflationary pressures. The recently-concluded Article Four consultations with the IMF I think allowed us to agree that the macroeconomic policy approach has been broadly successful, but we remain mindful of the challenges ahead, especially with regard to the budget deficit and the need to return to a high rate of economic growth as soon as possible.

The NSDP Update provides an opportunity to mitigate the social costs of this economic downturn, as well as to put in place the policies and actions that are required to deliver the kind of inclusive and pro-poor growth that is required to improve the livelihoods of the people. Agriculture and rural development will of course continue to lie at the heart of the updated NSDP and it is encouraging that the agricultural sector looks set to maintain its impressive growth trend this year. But of course many more challenges remain. We have been reminded by Typhoon Ketsana that livelihoods can be quickly destroyed and that many people remain vulnerable to external shocks. Safety nets are therefore part of the approach that we have focused on this year but longer-term rural development programmes – such as those supported by Germany – represent the strategic approach that the Royal Government has adopted to strengthen and safeguard our hard-won gains towards the Cambodia Millennium Development Goals. Underlying all of this is the need to consolidate our reforms – in governance, in Decentralisation and Deconcentration, in public administration, and in land management - all areas in which German cooperation has made an important contribution.

Excellencies, Ladies and Gentlemen

The cooperation of Germany perhaps demonstrates not only the alignment that is necessary between Cambodia's priorities and development partner support. It also highlights the complementarity that is necessary within a partner's country programme. The example of Germany, which combines support to priority sectors with efforts to develop administrative capacity at the centre of Government, is therefore both relevant and instructive in the context of our aid effectiveness efforts. Germany has also been an important and committed partner in the global aid effectiveness work and this has clearly informed their country-level support too. One immediate area of concern to both Cambodia and to Germany has been the high degree of aid fragmentation: many development partners supporting multiple sectors with a large number of projects. Cambodia therefore joined with Germany in a working group facilitated at the OECD/DAC on division of labour, and this has also informed Cambodia's own policy response, which is more focused on developing and strengthening programme-based approaches that manage diversity and focus on developing national systems capacity.

Germany and Cambodia have also much in common in terms of their willingness to reflect on the lessons of our aid effectiveness experience. In June this year the German government hosted a learning event that was intended to look beyond the Paris Declaration, to collect lessons from experience and to consider how we may do better in the future. This was, to my knowledge, the first meeting of its kind and I was privileged to be invited and to be able to deliver a presentation on Cambodia's own experience and evolving policy. Much of my presentation that day is, I believe, relevant to our negotiations today, so allow me to quickly highlight four key areas:

1. Aid effectiveness needs to focus on relevant and prioritised actions at sector level, including in health and rural development

2. Capacity development must be the guiding principle for development cooperation. I believe this will be explored in this afternoon's session on cross-cutting areas.

3. We must place an increased emphasis on programme-based approaches as a holistic response that promotes ownership, focus on improved capacity development initiatives, and ensures we deliver results at the outcome and national level, not at the output or project level.

4. Partnership dynamics cannot be taken for granted and we need to invest in them. I believe we are doing that today and our colleague Hady Riad from the Embassy was also able to join our partnership meeting last month which I believe he found useful.

Excellencies, Ladies and Gentlemen

I have addressed the macroeconomy, the NSDP Update and our aid effectivieness work in these opening remarks. Each of these topics is of course connected as well as being individually relevant to the detail of todays agenda. I have, however, only been able to touch on a few aspects of each topic and I am therefore pleased to be joined by my colleagues in the Royal Government who are here to join our negotiation and to provide any additional information and clarification that is required.

Finally, and perhaps most important, please allow me once again to express my sincere appreciation for the valuable assistance provided by the people and Government of Germany. I believe this spirit of partnership will help us to conduct our discussions in an atmosphere of mutual goodwill and I would therefore like to declare the official opening of the Cambodian-German Governmental Negotiations.

2.2 Summary of the Opening Statement by the German Ambassador

In his opening remarks, the German Ambassador, H.E. Frank M. Mann, underlined the excellent political relations between the two countries. He welcomed Cambodia's growing attention to questions related to International Climate policy which become more and more important for the global development and environmental security. In this context he recognized the upcoming first „Climate Change Forum" in Phnom Penh as a timely initiative.

Ambassador Mann went on to recall the fact that Germany this year commemorates the adoption of the German Constitution as well as the peaceful revolution leading to the demise of the former GDR paving the way for

German reunification. Referring to the recent federal elections, Ambassador Mann stated that in Germany changes of government have become a normal event of German political life as the constitution and democratic institutions provide for a peaceful transition of power. He noted that the German constitution emphasises the importance of human rights which constitute the guiding principle for all exercise of state power. Ambassador Mann welcomed the fact that Cambodia has acceded to all important Human Rights instruments of the United Nations and raised the expectation that the arising obligations will be implemented in full.

Ambassador Mann recalled that the rule of law and the respect for political freedom are cornerstones of the German Constitution and key to the success of a developing society. Economic and social development need the active participation of the civil society which can only be assured under a system of rule of law where the rights of the individual are protected. Turning to Cambodia, the Ambassador voiced his conviction that the strengthening of the rule of law, good governance, transparency and democratic participation in decision making are necessary for a successful development.

Finally, Ambassador Mann offered some observations on the German commitment to support Cambodia in the important work of land management. Germany believes that this is a crucial sector when addressing rural and urban development and improving the situation of the landless poor. He underlined Germany‘s strong committment underpinned by its‘ role as Co-Facilitator in the Technical Working Group on Land as well as the mandate by the donor community to seek an intensified dialogue with the RGC. Ambassador Mann explained that on this basis Germany had delivered a statement on land on behalf of Development Partners at the last GDCC.

In this context he underlined that an important goal will be to initiate inter-ministerial coordination. He cited the example of the Law on Expropriation, which would have profited from a more comprehensive consultation process involving affected ministries as well as relevant stakeholders from within the Cambodian society. The Ambassador noted with concern the negative impacts events in connection with land disputes have had on the perception of an otherwise positive cooperation. He explained that these events have alarmed the public in Germany leading to critical questions with regard to the bilateral cooperation with Cambodia. He closed by calling for a broad participation of the donor community in the land sector and maintained that the World Bank was well placed to continue to play an important role in this work.

2.3 Summary of the Opening Statement by the Head of the German delegation

In his opening statement, the head of the German stated that the current negotiations on development cooperation provided an important opportunity for an open discussion of general topics and specific matters in this policy area in the familiar spirit of partnership.

He commended the Cambodian Government for the strong economic development during the past decade that had enabled the country to achieve high rates of economic growth and further progress in poverty reduction. This favourable development was however now hampered by the consequences of the worldwide financial and economic crises, resulting in a substantial slowdown of growth, in a reduction of public revenues and in constraints of the state budget. As a consequence, public expenditure came under stress and spending from the state budget for vital public services such as education, health and social protection for the poorest are threatened. The head of the German delegation added that it was now even more important to carefully balance necessary restructuring of public expenditures in such a way as to protect the poor and most vulnerable people against suffering from the crises.

The head of the German delegation then referred to the Strategic Framework on Good Governance attached to the Summary Record of the Government Negotiations of October 2007. He appreciated the efforts by the Cambodian Government to overcome the impediments to social development, poverty reduction and long-term political and economic stability stemming from systemic shortcomings in key policy areas such as public administration, in particular public finance, the legal and judiciary system, human rights and corruption. However, he also noted that serious challenges still remained. Within the Accra Agenda for Action, partner countries and development partners had concluded that the respect for human rights formed part of the cornerstones for achieving enduring impact on the lives and the potential of the poor and that all policies needed to address these issues in a more systematic and coherent way.

The German side welcomed the recent submission of the draft of the penal code to the parliament for discussion and adoption. In addition, as the effective and committed fight against corruption remains a key challenge for development cooperation, the head of the German Delegation welcomed the announcement, that the draft of the Anti-Corruption law shall be submitted to the parliament by the end of the year 2009. Nevertheless, measures being taken to fight corruption within the existing legal framework needed to be continued and strengthened, as stated already during the last government to government negotiations in 2007, since, for the German Government, an effective and committed anti-corruption policy was a key criterion for development cooperation.

The head of the German delegation noted that also the European Union, including Germany, was seriously hit by the current financial and economic crisis. This translated into rising unemployment, large deficit spending of public budgets on all levels and, as a result, the compelling need to ensure fiscal discipline and to put all public expenditures carefully under scrutiny. Against this background, the continuation of development aid represented a particular challenge. The head of the German delegation pointed out that there was an obvious need to argue the case of development cooperation in discussions with the Parliament as well as with the wider public. Aid effectiveness in terms of monitorable results with respect to the MDG agenda needed to demonstrate convincingly that the funds are well spent. In addition, eradication of corruption was not only vital with a view to achieving social, economic and political progress, but also for development partners to be able to defend the continuing and, where possible, increasing engagement in Official Development Assistance.

In closing the head of the German delegation informed that the German government through the Ministry Economic Cooperation and Development had taken the decision of 15 October 2009 to pledge an amount of € 200.000 to assist the Royal Government of Cambodia in meeting the most urgent needs after the typhoon Ketsana had hit seriously rural areas of the country.

2.4. General context and prerequisites for development cooperation

2.4.1 Impact of the Financial and Economic Crisis on Cambodia

Both sides agreed that the global financial and economic crisis has had larger impact on the Cambodian economy in particular for the sectors that have been hardest hit (garment, tourism, and construction) and the poor and the vulnerable population groups that depend their livelihood and income from those sectors. The Royal Government have taken and implemented measures to mitigate the impact and provide support to ensure food security and social safety protection targeted specifically to those groups.

Both sides also agreed that the macroeconomic situation has been stably maintained, with inflation largely under control, the soundness of the banking systems ensured, revenues collections improved and measures to address the budget deficit are being taken. The Royal Government is committed to maintaining macroeconomic stability as a precondition for renewing growth and poverty reduction.

The head of the German delegation welcomed the efforts of the Cambodian Government to develop a national social safety nets strategy targeting the poor and vulnerable groups and those affected by the economic crisis. The German Government will support these efforts within its cooperation programme. In addition, the head of the German Delegation encouraged the Royal Government of Cambodia to aim at stronger diversification of its economy, in particular at higher productivity and diversity in agriculture and the strengthening of the private sector in rural areas.

2.4.2. Aid Effectiveness

Both sides agreed that more effort needs to be made to enhance the effectiveness of development cooperation resources.

The Royal Government congratulated the leadership of the Government of the Federal Republic of Germany in aid effectiveness work both globally and at the country level, in particular the advance in the area of division of labour. The Royal Government further reaffirmed that the cooperation of Germany demonstrates the alignment between Cambodia's priorities and German support, and the complementarity within a partner's country by combined programme support to priority sectors with efforts to develop capacity. The Royal Government indicated the four key priority areas : 1) Aid effectiveness needs to focus on relevant and prioritised actions at sector level; 2) Capacity development must be the guiding principle for development cooperation; 3) An increased emphasis on programme-based approaches as a holistic response that promotes ownership, focus on improved capacity development initiatives to deliver results at the outcome and national level, not at the output or project level; 4) Partnership dynamics cannot be taken for granted and we need to invest in them.

Germany’s Aid Effectiveness priority in Cambodia continues to be advancing the process for improved division of labour. Therefore, Germany has taken the role of the EU-lead facilitator for the implementation of the EU Code of Conduct on division of labour and complementarity. In this context, Germany offered support to the Royal Government to integrate the non EU development partners into the process of division of labour in Cambodia and to tap international best practice by jointly conducting an initial kick off workshop. The German side considered it to be important that the Cambodian Government takes the lead to foster a reasonable division of labour among development partners in order to maximize impact of development cooperation sector by sector and to avoid any duplication of efforts.

The Government of the Federal Republic of Germany supports the initiatives of the Royal Government of Cambodia to introduce and implement Merit Based Performance Incentives (MBPI) on sector and/or Programme

Based Approach (PBA) levels as transparent payment and performances systems that do not distort the incentive system in the public service. MPBI will increase effectiveness and efficiency of the use of government and donor funds allocated to the respective sectors or PBAs substantially.

The Government of the Federal Republic of Germany also welcomed the recent initiatives of the Royal Government of Cambodia to harmonise the Daily Subsistence Allowances for Inland Travel in Cambodia for civil servants so that development partners are able to align to a single harmonized rate.

2.4.3. National Strategic Development Plan Update 2009-2013

To ensure consistency between the Rectangular Strategy and the National Strategic Development Plan (NSDP) and sectoral development strategies, the Royal Government is preparing the NSDP Update 2009-2013. The preparation of the NSDP Update 2009-2013 is progressing and the first draft of the plan is expected to be finalised by the end of October. Likewise, significant progress has also been made on the Royal Government's initiative to harmonise the national planning process, government public investment expenditures and development cooperation financing.

The German side is looking forward to receiving the first draft of the new NSDP. The head of the German delegation underlined the usefulness of an early and systematic involvement of the technical working groups (TWGs) in the drafting process. He welcomed the recent announcement of the Royal Government decision to establish a Steering Task Force to improve the interministerial coordination in order to stronger link the strategic development planning processes for poverty reduction with available internal and external resources.

2.4.4. Natural Resources / Transparency / EITI

In 2007 the Cambodian Government had announced to ensure that any oil and gas revenue would be effectively, transparently and accountably managed within the framework of a single budget and an improved public financial management system. Germany would highly appreciate if Cambodia would accede to EITI and stands ready to support the accession process.

The German Delegation suggested to the Cambodian Government to use the foreseen revenues generated from the utilisation of natural resources (extractive industries) preferably for rural development because most of the poor and vulnerable people are living in rural areas of Cambodia.

The NSDP should therefore include measurable targets for the extractive industries (on and off-shore oil and gas concessions as well as mineral resources) that have to be included to ensure transparency and accountability.

2.4.5. Khmer Rouge Tribunal

The Head of the German delegation noted the high importance which the German Government attaches to the Khmer Rouge Tribunal. He congratulated the Cambodian Government for the progress being made while carrying out the first process before the Extraordinary Chambers of the Courts of Cambodia (ECCC) and underlined the German commitment made in 2008 for the international financing part of the ECCC for the years 2009-2010 with up to 3 million Euros. In addition, the head of the German delegation emphasised the importance of the recently established anti-corruption mechanism within the ECCC in order to avoid any questioning of the credibility of the ECCC.

2.4.6. Mekong River Commission

As a downstream country of the Mekong, Cambodia is highly vulnerable – especially with regard to the unique ecosystem of the Tonle Sap and natural disasters such as floods and droughts. Both sides agreed that the Mekong River Commission (MRC) plays an important role with regard to transboundary issues of resource management for the riparian countries of the Mekong. The German delegation drew the attention to the ongoing reform process within the Mekong River Commission and urged the Cambodian Government to support the MRC's concentration on core competencies and to enable the regional organisation politically to act as a mediator between the riparian countries and advisor for the MRC member countries with regard to specific

transboundary natural resource management issues. The head of the German Government underlined that the political commitment to MRC needed reinforcement by all its member states, including Cambodia.

Referring to the ongoing discussion on the location of the MRC Secretariat (MRCS), the German Delegation stated that it maintained in full the position as expressed by the Development Partner Group Statement during the MRC Joint Council and Donors Consultative Group Meeting on 7 November 2008, namely that the efficiency of the MRC and its Secretariat was of key importance. Therefore, the question of the permanent location of the Secretariat was crucial. The German side maintains the position that one permanent location of the MRCS was the optimal solution for an effective and efficient MRCS, as was also strongly emphasized in the organisational review of 2006. The German delegation stressed that a return to the principle of rotation of the MRCS location, as currently under discussion, would be similarly damaging for a well functioning MRCS and its credibility as would be the split of the core management functions of the Secretariat, namely finance, human resources and the CEO office, into two locations. The German Delegation added that it attached high importance to this question with respect to the efficient use of resources, whether domestic or from development partners.

2.4.7. Development Cooperation Agreements

The Government of the Federal Republic of Germany holds the view that, in accordance with the international agreements on development cooperation concluded between the Royal Government of Cambodia and the Government of the Federal Republic of Germany, the services for development programmes provided out of the German funds are exempt from taxes, customs and other official duties. Based on that view the German delegation asks the Royal Government of Cambodia, and in particular the Ministry of Economy and Finance, to review its present position that, in accordance with national Cambodian tax legislation, procurements of services are not eligible for tax exemption (VAT).

The Royal Government reconfirmed its adherence to the terms of Agreement between the Government of the Kingdom of Cambodia and the Government of the Federal Republic of Germany regarding Technical Cooperation signed by both parties in 1994. During the courtesy call, Deputy Prime Minster Keat Chhon confirmed to the German Delegation that he will instruct the General Tax Department to take appropriate actions.

2.5 Priority areas of cooperation

The priority areas of Cambodian-German bilateral development cooperation are currently:

- Health
- Rural Development

As well as the cross-cutting issue of

- Good Governance: Democracy, Civil Society, Public Administration

These fields of cooperation are in line with the Cambodian priorities outlined in the National Strategic Development Plan. The German side confirmed its willingness to constantly review its portfolio with regard to the international division of labour including the Code of Conduct on Complementarity and Division of Labour and the EU Road Map in Cambodia.

3. Dialogue on bilateral development cooperation; commitments

3.1. Volume of commitments and reprogrammed funds

The total volume of bilateral Technical and Financial Cooperation since cooperation began amounts to €223,413,326.61. The Government of the Federal Republic of Germany undertakes to increase the total amount and to provide the Royal Government of Cambodia with a new amount of up to €34 million for bilateral Technical and Financial Cooperation for the period of 2009 to 2010. This comprises up to €19 million for Financial Cooperation projects/programmes and up to €15 million for Technical Cooperation projects/ programmes. Out of the amount for Technical Cooperation programmes €2 million has already been committed via Note Verbale on 17 September 2009.

In addition, under Technical Cooperation, the following funds, amounting to a total of €2 million, which have been committed in 2007 for "Support to the Implementation of the Water and Agriculture Strategy (SIWAS)" (BMZ No. 2007.2157.1) shall be reprogrammed for "Support to the Land Sector Reform

Programme" (BMZ No. 2009.2169.2)

The **total volume of funding available for Technical and Financial Cooperation** projects and programmes is thus up to **€36 million**, with €2 million having already been committed via Note Verbale in September 2009.

3.2. Priority area "Health"

3.2.1. Dialogue on the priority area

As introduction on the topic an update in the Health sector and how Germany contributes to the Health Sector Strategic Plan was given by the Ministry of Health.

The Government of the Federal Republic of Germany appreciated the Royal Government of Cambodia's efforts to reform the health sector and improve social protection. The current process of developing a national social safety nets strategy targeting the poor and vulnerable groups and those affected by the global economic and financial crisis is highly welcomed by the German Government.

In this context, the Government of the Federal Republic of Germany emphasised the relevance of its existing support in the area of social health protection and indicated that it is prepared to further support the Royal Government of Cambodia in the broader field of social protection, in addition to the support provided for health system strengthening. To underline this announcement, the German side proposed to conduct additional preliminary studies to see how the needs of vulnerable groups (elderly and disabled people) in Cambodia could be better covered and their access to health services improved. These studies could be conducted in 2010 and concrete activities could be incorporated into the Joint Social Health Protection Programme from the second phase onwards. The Cambodian side agreed on the German proposal and proposed for a broad dissemination of the conducted studies to be useful for other Ministries of the Royal Government of Cambodia and other development partners.

Against the background of the increased emphasis taken by the Cambodian-German programmes in the area of Social Protection in the area of Health, both sides agreed on the revision of the Cambodian-German Sector Strategy in the Priority Area of Health. The revised version will reflect the updated objectives of the NSDP 2009-2013 as well as the priority needs of the Health sector articulated in the Health Strategic Plan 2008-2015 and the forthcoming Social Health Protection Master Plan. The German side announced to provide the Royal Government of Cambodia with a first draft of ideas until mid 2010, which should then be discussed between both governments.

During the discussion, both sides reiterated their commitment to actively coordinating with other sector development partners in order to lend efficient support to the health sector. In this context the German delegation referred to Germany's lead function among the EU member states and the EU Commission in strengthening the division of labour among EU member states in the area of health support programmes. In addition, in the context of donor harmonisation and alignment, Germany is supporting the "International Health Partnership (IHP)" initiative and the "Providing for Health (P4H)" initiative in Cambodia.

The German delegation declared its willingness to contribute to the further development of the existing sector-wide-management mechanism (SWiM) in the health sector into a Programme-Based Approach (PBA) in order to raise aid effectiveness, especially in view of the large number of development partners.

Issues, which were articulated by the German delegation as crucial for the success of the health sector reform, were the close integration of wider reforms of the Royal governments civil servants' salaries, including the harmonization of supplementary payments, per diems and performance-based incentives, and regulation of private sidelines jobs of doctors, nurses and mid-wives. From the point of view of the German side this has to go along with continued efforts to strengthen good governance, decentralization and transparency in the allocation of funds.

The German delegation pointed out, that in some areas, for instance quality assurance, there seems to be still a lack of technical capacities in the health administration to implement the priorities set out in the health strategic plan. Therefore, Germany reminded the Royal Government of Cambodia on the possibility to apply for an integrated CIM expert for the Quality Assurance Office in the Ministry of Health.

3.2.2. Financial Cooperation and Technical Cooperation

3.2.2.1 Financial Cooperation

Reproductive Health III, 2007.6603.0, commitment: up to €5 million

This programme continues German support for family planning measures through the provision of contraceptives. A second component for about €0.5 million addresses the provision of medical equipment for the Kampot Provincial Hospital, so as to improve its function as a learning facility for nurses and midwives. The German delegation urged the Cambodian government to secure sustainable funding after the completion of the final phase of the programme either (and preferably) via financing from the Cambodian budget or through support from another development partner.

3.2.2.2 Technical Cooperation

Support to the Health Sector Reform, 2005.2173.2, commitment: up to €3.24 million

The Programme will not end formally until December 2009 after all activities financed by AusAID have been finalised. The German contribution to the Programme ended in June 2009, and ongoing activities are now being financed within the framework of the Social Health Protection Programme. The remaining German funds for the Programme amounting to €450,000.00 have been allocated to the Technical Cooperation component of the Social Health Protection Programme (cf. paragraph 3.2.2.3).

3.2.2.3 Joint Health Sector Programme

Programme for Social Health Protection (SHP) I

Commitment for Financial Cooperation, 2007.6604.8, up to €2.5 million

Commitment for Technical Cooperation, 2007.2156.3, up to €2.95 million

In accordance with the Social Health Insurance Master Plan and the Strategic Framework for Health Financing in Cambodia 2008-2015, the objective of the Joint Programme for Social Health Protection (SHP) is to improve the access of the poor and vulnerable to effective and affordable, quality health care and to contribute to the increasing use of services by the poor population. The joint programme integrates and expands the ongoing Technical Cooperation module – i.e. the components of social health financing, quality standards and human resource development – and a new financial cooperation module aimed at establishing a voucher scheme for dedicated reproductive health services. The name of the programme has changed since 2007 from "Social Health Financing" to "Social Health Protection". The implementation of the technical component started in July 2009, it is envisaged that the implementation of the financial component will commence in October 2009.

3.2.2.4 New Commitments for the Joint Health Sector Programme

Programme for Social Health Protection (SHP) II

New commitment for Financial Cooperation, 2009.6612.7, up to **€6.0 million (grant)**

New commitment for Technical Cooperation, 2009.2171.8, up to **€4.25 million**

The second phase of the joint programme will contribute to further improving the quality and accessibility of public and private health services for the poor population in the provinces of Kampot, Kampong Cham, Kampong Thom, Oddar Meanchey and Phnom Penh. The long-term goal of the programme is to contribute to the establishment of a social health insurance scheme, including fee exemptions, health equity funding, community health insurance and social health insurance. In order to prove the effectiveness of the joint programme, an independent evaluation, initiated by BMZ, is foreseen within the next 2 to 3 years.

3.2.3. Other Technical Cooperation instruments

All three other German Technical Cooperation instruments are contributing with their activities to implementing the joint programme for "Social Health Protection":

German Development Service (DED): DED is involved in the area of capacity building in the public health system in order to improve the quality of health services and has six development experts at provincial hospitals, regional training centers and provincial health departments in Battambang, Kampong Cham, Kampong Thom, Kampot and Takeo.

InWEnt – Capacity Building International, Germany: InWEnt is carrying out capacity building activities as a

contribution to the implementation of social health insurance, health impact assessment and health management. For 2010, InWEnt plans to broaden its activities in the sector of social security and aims to offer an "International Leadership Training" course as well as a regional dialogue programme on social security for Southeast Asia.

Centrum für internationale Migration und Entwicklung (CIM): Five integrated experts are currently working in the health sector. The aim of their work is to achieve a qualitative improvement in decentralised health services, to build up capacity and to implement health insurance systems. CIM has the capacity to place more experts in this priority area. Requests to CIM from Cambodian institutions for placements of integrated experts are highly welcome.

3.2.4. Future cooperation in the priority area

As discussed before, Germany is prepared to further support the Royal Government of Cambodia in the broader field of social protection in addition to the support provided for health system strengthening.

3.3. Priority area "Rural Development"

3.3.1. Dialogue on the priority area

The Royal Government welcomes commitments of the Government of Germany, and the progress that has been made, to a consolidated Joint Strategy on Rural Development as a framework for more comprehensive and focused support for rural development of Cambodia.

During the discussion both sides agreed on new possible aims and basic principles for the Cambodian-German Strategy in the Priority Area of Rural Development:

The overall goal of the priority area shall be: "The living conditions of the poor rural population of Cambodia, especially of women, have been sustainably improved." Two fields of action for joint technical and financial programmes were defined.

1. "Regional Economic Development" with the objective: "The poor rural population, in particular women, makes use of the improved infrastructure and the extended scope for action to participate to a greater extent in sustainable economic development."

2. "Support to the Cambodian Land Sector Programme" with the objective: "Socially balanced, gender-equitable and secure access to land is improved in rural as well as in urban areas, as is the well ordered utilization of land."

The Royal Government of Cambodia concurred with an overview of the Government of the Federal Republic of Germany that there are many ministries and agencies involved in rural development (in particular under the first field of action, Regional Economic Development, each covering specific areas of focus, which can make coordination a challenge, as there can be no single joint implementing agency for the Strategy.

Likewise, both sides reiterated the commitments to dovetail the support in this priority area with the Royal Government's Decentralization and De-concentration and public administration reforms, and that the implementation of the Strategy will explore to maximize the use of the national systems in executing the support.

Based on the draft ideas paper, the German side will elaborate a first draft of the Priority Strategy Paper and will transmit the draft to the Cambodian government for internal consideration and comments in January 2010.

3.3.2 Financial Cooperation and Technical Cooperation

3.3.2.1 Financial Cooperation

Transmission Line Takeo-Kampot, 2001.6626.4, commitment: up to €12,169,378.22

Rural Electrification, 2005.6613.3, commitment: up to €6 million

Rural Electrification, 2007.6602.2, commitment: up to €4 million

The project transmission line Takeo-Kampot, which is the precondition for implementing the two rural

electrification projects mentioned above, has been delayed, mainly due to a time-consuming tender process. It is expected that construction of the envisaged infrastructure will be completed at the end of the second quarter of 2011. Results from the proposed impact evaluation, which will be commissioned by the German side (cf. summary record 2007), and the review of Rural Electrification Enterprises (REE) behaviour regarding investment in local grid expansion could be available earliest in 2013.

3.3.2.2 Technical Cooperation

Land Allocation for Social and Economic Development (LASED), 2005.2176.5, commitment as of October 2009: up to €3.5 million

After sufficient land had been reserved for LASED by the Cambodian government, the German side agreed to extend the implementation of the programme until December 2010, with an additional commitment by the German government of up to €0.5 million, bringing the total German commitment for the Programme to €3.5 million. The commitment was submitted to the Royal Government of Cambodia by the German government via a Note Verbale, dated 17 September 2009.

Support to the Land Management Reform, 2003.2250.3, commitment as of October 2009: up to €4.5 million

Programme implementation will be extended until December 2010, also with an additional commitment by the German government of up to €0.5 million, bringing the total German commitment for the Programme to €4.5 million. The commitment was submitted to the Royal Government of Cambodia by the German Government via Note Verbale, dated 17 September 2009.

From 2011 onwards, the LASED and LASSP will be merged into one programme called "Support to the Cambodian Land Sector Programme".

The Cambodian government declared that it will provide appropriate funds for systematic land titling, in order to guarantee the effective continuation of the land titling process. Both sides agreed that it is crucial for securing the sustainability of the cadastral system that there are clear regulations and guidelines for land valuation in order that land transactions are subsequently registered.

Private Sector Promotion in Rural Cambodia II, 2005.2177.3, commitment: up to €3.4 million

The second phase of the programme will end in December 2010. The head of the German delegation reiterated that, against the background of the phasing-out of the priority area of Economic Reform agreed in October 2005 and the consolidation efforts in the area of rural development, no further German commitment can be made for this particular programme. Successful components of the programme shall be integrated into the programme Regional Economic Development (RED).

Regional Economic Development (RED) - "Green Belt", 2005.2175.7, commitment: up to €4 million

Both sides stated their satisfaction with the state of implementation of the programme. The fact that RED "Green Belt" is being implemented very well has also been confirmed by an external evaluation implemented by PricewaterhouseCoopers in Spring 2009.

The German side welcomed the cash financial contribution provided for the programme by the Royal Government through the Council of Ministers. The German delegation underlined that it is very important that these financial contributions are made available in due time in order that the activities financed out of the counterpart funds can be planned and implemented in accordance with the operational plan.

3.3.2.3 New Commitments for (Joint) Programmes in the Area of Rural Development

Joint programme "Regional Economic Development"

- New commitment for Financial Cooperation, Fund for Regional Economic Development, up to **€6 million**
- New commitment for Financial Cooperation, Rural Infrastructure Programme II (RIP II), 2009.6611.9, up to **€7 million**
- New commitment for Technical Cooperation, Regional Economic Development II, 2009.2170.0, up to **€4 million**

As agreed during the discussion about the Cambodian-German Strategy on Rural Development, German technical and financial commitments shall be dovetailed more closely through the formulation of joint programmes. Therefore, the three new commitments mentioned above shall be integrated into a new joint programme on "Regional Economic Development".

The aim of the financial component "Fund for Regional Economic Development" should be to support the economic and social development of selected poor rural provinces and in addition strengthen decentralisation efforts. The fund should be demand-driven. Provinces, districts, municipalities and communes would be eligible to submit financing proposals for investments. Such investments might for example include transport and communication, water supply, sanitation, flood management, waste disposal, and economic infrastructure. A feasibility study will be carried out to develop the concept and the required institutional set-up. As part of the study, a list of criteria for the prioritisation of project proposals will be mutually agreed on. The support via the fund shall be dovetailed with the administrative reform and decentralisation and the respective Development partner support in that area.

The aim of the financial component "Rural Infrastructure Programme II" is the rehabilitation of rural roads and complementary infrastructure (markets, etc.) as a basis for rural economic development, at present in Siem Reap and Kampong Thom provinces. All works for the next phase will be selected in close consultation and harmonised with the activities of the technical component "Regional Economic Development – Green Belt" so as to secure a maximum degree of synergy. The Cambodian side assured the German side that adequate funds for the maintenance of the roads and complementary infrastructure shall be provided. Specifically, in order to allow the continuation and enhancement of the maintenance approach, at least $1.8 million annually will be allocated at the start of this new project. In the second year of the programme, MRD will apply to the Ministry of Economy and Finance to increase the amount up to $2 million. And in the third year of the programme, MRD will apply to the Ministry of Economy and Finance to increase the amount up to $2.2 million.

At present the focal programme area for the technical support is Siem Reap Province. Both sides agreed that the programme shall scale up its activities to include another province. The selection of a second province shall be carried out as part of the preparations for the government negotiations on development cooperation in 2011, following a joint design mission and taking inter alia the following criteria for the selection of another province into due account: a) existing poverty indicators, b) coverage of province by present and planned development measures by the RGC and development partners, and c) linkages to present methods and instruments from the programme interventions in terms of the comparative advantages of German contributions.

The technical component of the new joint programme will continue the work that was started under the programme "Regional Economic Development (RED) – Green Belt" Siem Reap Province. The component will start in late 2010 or early 2011, depending on the amount of residual funds still available in October 2010, the originally planned end of the first phase. A preparatory mission to be carried out in early 2010 will once again assess the progress of the programme and make recommendations to improve the concept and implementation modalities even further.

The Royal Government of Cambodia confirmed once again that it will provide a financial "in cash" contribution to the programme costs via the Council of Ministers amounting to 10% of the German contribution, which consists at present of up to €29.75 million (Technical Cooperation through GTZ for up to €8 million, capacity building support through DED for up to €2.25 million and investments in complementary rural infrastructures through KfW for up to €19.5 million). The Cambodian financial in cash contribution amounting at present to up to €2.975 million will be used for specific activities in line with the programme objectives and activities, namely for rural economic development and poverty alleviation. As in the past, the use of the Cambodian cash contribution will be decided jointly.

New programme "Support to the Land Sector Reform"

Introducing the German commitment for the continuation of the cooperation in the sector, the head of the German delegation made a statement on the wider political and development context within which such a commitment needs to be considered.

The head of the German delegation referred to the Joint Donor Statement (July 16th 2009), which had called upon the Royal Government to stop all involuntary resettlements in disputed areas in Phnom Penh and elsewhere in the country until a fair and transparent mechanism for resolving land disputes is put in place and a comprehensive resettlement policy is developed. He pointed out further that in light of increasing reports of land disputes the German public, civil society organisations as well as Members of Parliament had begun questioning the rationale of German support to the land sector.

Although significant progress was achieved e.g. in systematic land titling and good progress was reported to the

last GDCC in terms of pushing ahead with the Joint Monitoring Indicators, it was becoming increasingly difficult for the German government to justify its continued engagement.

The head of the German delegation stressed the value added of involving relevant stakeholders in the development of legal framework and in the drafting of policies. Open and effective consultative processes allowing for the participation of Civil Society are an important avenue for providing inputs and expertise from relevant stakeholders.

The head of the German delegation offered technical assistance for the further improvement and development of the relevant policies and of legal framework, in particular relating to the establishment of fair and transparent mechanism for resolving land disputes and for putting in place a comprehensive resettlement policy, as well as for the preparation and conduction of sound public consultation processes.

Against this background, the head of the German delegation informed the Cambodian government that the new commitment to stay engaged needed to be firmly underpinned by an agreement of milestones that would constitute points of reference for future cooperation while closely related to Cambodian declared reform policies for the land sector. At the same time, such milestones would reaffirm the consensus between both sides that forms the basis for continued cooperation in the sector.

- New commitment for Technical Cooperation, 2009.2169.2, up to **€2 million**

The overarching objectives of the Cambodian Land Administration, Management and Distribution Programme (LAMDP) is to administer, manage, utilise, and distribute land in an equitable, transparent, and sustainable manner, in order to contribute to achieving national goals of poverty alleviation, ensuring food security, protection of natural resources and the environment, and socio-economic development oriented towards the market economy. This programme will be subdivided into three sub-sector programmes, namely the Land Administration Sub-Sector Programme (LA-SSP), the Land Management Sub-Sector Programme (LM-SSP) and the Land Distribution Sub-Sector Programme (LD-SSP). German Technical Cooperation support will be directed to all three sub-sectors.

As noted under paragraph 3.1, an amount of €2 million from the 2007 commitments shall be reprogrammed from "Support to the Implementation of the Water and Agriculture Strategy (SIWAS)" (2007.2157.1) to the programme "Support to the Land Sector Reform ", increasing the German commitment to this programme to a **total of up to €4.0 million.**

Milestones in support of the Cambodian Land Sector Reform Programme for the measurement of progress in the reform process, proposed by the German side:

1. Support to the Land Sector Programme

The start-up of the complete Land Sector Programme from 2011, comprising Land Administration, Land Management and Land Distribution, needs establishment and approval of the Sub Sector Programs on Land Management and Land Distribution. This full Land sector program will need effective and efficient coordination to be established in June 2010 in consultation with development partners. In addition the interlinkage with the Technical Working Group on Land will have to be clarified and established.

2. Involuntary Resettlements of Communities

After a public consultation process by Dec 2009 the Circular on Resolution for Temporary Settlements in Cities, Urban and Rural Areas will be approved by April 2010. Implementation will be done by the appropriate inter-ministerial structure and will include distinguishing between legal possessors and illegal squatters. A preliminary list of all Phnom Penh communities occupying public state land will be prepared.

3. Measures to Ensure Availability of Land for Social Land Concessions in the Land Distribution Sub Sector Program

The Cambodian Government agrees to provide suitable land for commune based Social Land Concessions for 10.000 households per year all throughout Cambodia. These figures do not count other SLC related government programs in Cambodia. The annual planning figure will be confirmed in the framework of the approval of the LD-SSP.

4. Land Dispute Resolution

To improve land conflict resolution on untitled land and address the large, multi-party cases, the Cadastral

Commission should find the way to provide the decision making power to the provincial level by April 2010 and improve procedures for processing multi-party cases.

5. Joint Monitoring Indicators (JMIs)

- JMI on Indigenous Communal Land: part 1a) reached; part 1b) The interim protective measures to safeguard communal land need to be evaluated and specific actions to expand their scope and effectiveness need to be agreed and implemented by February 2010.

- JMI on land tenure – urban poor: the first draft housing policy should be finalized as planned (end of 2009)

- JMI on spatial planning: the drafting of spatial planning policy should be speeded up from 1st draft to final draft by February 2010.

The Cambodian Government agreed to four of the milestones (N° 1, 2, 4 and 5); as to milestone N° 3, the Cambodian Ministry for Land Management, Urban Planning and Construction (MLMUPC) explained that this needed additional discussions and agreements within the Royal Government. . In addition, MLMUPC stated that the milestone was too ambitious and may not be possible to achieve even with strongest efforts.

As no final agreement could be achieved regarding the number of households proposed in milestone No 3 by the German side, the head of the German delegation stated that the German Government was not in a position to release the funds for continued cooperation in the land sector out of the said additional commitment. The commitment of 4.0 million € (including 2 million € reprogrammed funds) was, therefore, subject to the following qualifications:

a. The German side is prepared to review and consult in June 2010 with all concerned Cambodian authorities the situation with respect to the milestones that have been proposed in support of the Cambodian land sector reform.

b. Provided that in June 2010 satisfactory progress on the milestones can be established, the German Government will commission GTZ to start jointly with the Cambodian authorities the preparation of the new programme "Support to the Land Sector Reform Programme".

c. In case that there is no evidence for satisfactory progress both sides would have to enter into negotiations on the termination of Cambodian-German cooperation in the land sector in an organised way, i.e. bringing the current activities to a sustainable result and avoiding to create ruins, and reprogramming the remaining funds for alternative programmes in agreement between both sides.

3.3.2.4 Other Technical Cooperation Instruments

All three other Technical Cooperation instruments are helping with their activities to implement the joint programme "Regional Economic Development". In addition, DED and CIM are supporting through their activities the programme "Support to the Land Sector Reform".

German Development Service (DED): DED is supporting the improvement of sustainable production and value chains in the farming system and the promotion of small and medium-sized enterprises. Eleven development experts are working in Battambang, Siem Reap, Kampong Cham and Kampong Chnang.

InWEnt, Capacity Building International, Germany: InWEnt is carrying out capacity building activities in the area of regional management. The programme in question comprises dialogue, sharing of experiences and strengthening cooperation regarding "regional management" at the local, national and regional levels, leading – in the long-term – to the establishment of a functional partner network.

Centrum für internationale Migration und Entwicklung (CIM): At present, three integrated experts are working in the priority area "rural development" mainly promoting rural (economic) development, food security and social safety nets. These experts are supporting capacity building and providing their host organisations with management advice. CIM has the capacity to place more experts in this priority area. Requests to CIM from Cambodian institutions for placements of integrated experts are highly welcome.

3.3.2.5 Future cooperation in the priority area

The focus for future cooperation in the priority area will be laid down in the Cambodian-German Strategy Paper on Rural Development. The extension of the programme regions for the programme Regional Economic Development to another province will be decided during the government negotiations in 2011, following a joint design mission as noted in paragraph 3.3.3.3. The stronger dovetailing of Technical and Financial Cooperation will be consolidated.

3.4. Cross-cutting area "Democracy, Civil Society and Public Administration"

3.4.1. Dialogue on the cross-cutting area

The Government of the Federal Republic of Germany took note of the efforts and achievements of the Royal Government of Cambodia to further improve budget credibility and to achieve better financial accountability within the framework of the Public Financial Management Reform Programme. The National Audit Authority of Kingdom of Cambodia is a key institution to contribute to improving core pillars of the Public Financial Management Reform Programme like revenue collection (tax revenues, revenues from the extractive industries, etc.), debt management, public procurement, budget comprehensiveness and integration, as well as accounting standards. According to the Audit Law and the respective legal framework the NAA has a sufficiently broad mandate and formal powers for comprehensive audits of public funds which is essential for proper handling of public finances and the execution of the budget. The NAA is able to carry out its legal mandate without full and comprehensive support of the government and the good cooperation with auditee. Support to an effective work of the NAA will also substantially contribute to strengthening the oversight functions of the National Assembly and the Senate of the Kingdom of Cambodia and will increase trust in the public finance system and therewith to the Royal government of Cambodia among Cambodian citizens.

The Cambodian and the German delegation agreed, in the spirit of the Accra Agenda for Action, that Cambodian civil society organisations will be given stronger support within the context of existing German-Cambodian programmes. As defined in the joint Cambodian-German Strategic Framework for cross-sectional assignment, the tasks to be discharged in the cross-sectional area shall be pursued in the form of a combined approach (twin-track concept), as they are the object of autonomous programmes and form an integral part of all projects supported in the priority sectors 'Rural Development' and 'Health' in Cambodian-German cooperation. Therefore, Cambodian-German programmes will evaluate the options to enforce the dialogue between civil society and the Cambodian state and to intensify collaboration in the concrete areas of action.

The German delegation praised the Royal Government of Cambodia's efforts with regard to administrative reform and reform with a view to decentralisation and de-concentration. In the area of public administration, both delegations agree that the alignment of donor-supported salary increments with MBPI and Priority Missions Group (PMG) should be gradually expanded to all sectors to ensure equal, fair and transparent performance-based incentives. In the medium term, both parties agreed that the Performance & Accountability (P&A) instruments should apply to all civil servants.

3.4.2. Technical Cooperation

Promotion of Women's Rights II, 2005.2174.0, commitment: up to €3 million

The programme has been extended to December 2010.

Identification of Poor Households, 2005.2178.1, commitment: up to €3.035 million,

The German government already contributed €1.0 million in new funds in 2009 before the government negotiations so as to extend the programme until December 2011. The commitment was submitted to the Royal Government of Cambodia by the German government via a Note Verbale, dated 17 September 2009.

The Royal Government of Cambodia is reconfirming its commitment to provide € 0.4 million in cash for the period between 2010 and 2011, equivalent to 10 per cent of the total EC and non-EC contribution of €4.0 million. With the additional support to the ID Poor programme to be provided by Germany and expected from EC, Australia, UNICEF and other development partners, the targeting system shall be rolled out nationwide and efforts will be directed at enhancing the sustainability of the programme.

As requested during the government consultations in March 2009, the Ministry of Planning presented a preliminary financing plan, including financial contributions from the development partners as well as those from the Cambodian government. Both sides agreed that self-financing of the Cambodian government as well as a diversity of development partners contributions are important steps for the sustainability of the programme.

Support to the National Audit Authority, 2007.2144.9, commitment: up to €2 million

Both delegations agreed that the managerial and administrative independence and autonomy of the NAA as well as the allocation of sufficient financial resources to the NAA are key prerequisites in order to further support institutional and capacity development to further improve audits of public funds. The German delegation welcomed the willingness of the Royal Government of Cambodia to support the NAA to get access to all information and documents of the auditees regarding public spending so that the NAA is able to fulfill its legal mandate. Both delegations agreed that an early involvement of the NAA in the budget formulation and execution process will contribute to achieving the goals of the Public Financial Management Reform Programme of the Royal Government of Cambodia.

Administrative Reform and Decentralisation, 2007.2146.4, commitment: up to €4.5 million

The Administrative Reform is at the core of the Rectangular Strategy Phase II and specifically targets one of the four priorities for the current mandate: to improve the quality and delivery of public services. A priority objective of the Reform is to enhance performance and accountability in the provision of public services. German technical cooperation to date has been instrumental in achieving this priority of the reform programme. The Royal Government is looking forward to a deepening partnership with the German cooperation focusing on continuing to enhance performance and accountability in the delivery of public services.

The European development partners (Denmark, France, Germany, Spain, Sweden, UK and the European Commission) agreed in mid-2008 to undertake a division of labour exercise in support of the decentralisation reform. In this context, the German support, which started in 2008, is to be adapted to include the findings of a joint EU mission and become part of a joint EU programme, to start in 2010, in support of the National Programme for Sub-National Democratic Development.

3.4.3. New Commitments for Technical Cooperation

Access to Justice for Women, 2009.2172.6, up to €**2 million (commitment),** new programme

Women are not fully aware of their fundamental and economic rights under the new laws or may not fully trust state institutions to enforce these rights and laws in an effective and unbiased manner. Procedures at the courts often take too long, court fees, lawyers and other costs such as transport to and from the hearings are not affordable for the majority of people, especially for women without their own income. Free legal aid is hardly available. One the one hand the new programme seeks to strengthen relevant civil society actors in this sector: €1.0 million of the commitment is earmarked for this purpose and will be channelled through qualified civil society organisations through a funding scheme. This fund will operate under a steering committee composed of representatives of the Ministry of Women's' Affaires and GTZ. Other stakeholders will be consulted during the establishment of the fund and may collaborate in an observer or advisory capacity. On the other hand, the new programme is meant to support further capacity development at the Ministry of Women's Affairs as well as other relevant state agencies so as to systematically improve access to justice for women.

Identification of Poor Households, 2005.2178.1, commitment: **up to €0.75 million**

The German government is prepared to increase its commitment to the programme by €0.75 million in order to provide for a situation that Australia will not be able to provide additional funds to the Programme in 2010 or 2011 of a minimum of € 0.5 million as presently expected in order to match the needed 50 % of the non-EC contribution of € 2 million, and in order to provide for contingencies that cannot be financed out of the EC grant.

3.4.4 Other Technical Cooperation Instruments

German Development Service (DED): 7 DED development experts are engaged in strengthening public administration in Battambang and Siem Reap and supporting civil society organisations in the field of land and housing rights.

Centrum für internationale Migration und Entwicklung (CIM): Five integrated experts are working in the cross-cutting area 'Democracy, Civil Society and Public Administration'. Their mandate focuses on three areas of action: Administrative Reform and Decentralisation, Transparency and Public Accountability, and Civil Society and the Rule of Law. CIM has the capacity to place more experts in this priority area.

3.5. Cooperation outside the priority areas

3.5.1. Financial Cooperation and Technical Cooperation

Financial Cooperation

Study and Expert Fund for Financial Cooperation I, 1993.7023.0, total commitment: €766,937.82, funding still available: €47,807.82

Study and Expert Fund for Financial Cooperation II, 2001.7040.7, total commitment: €1,022,583.76, funding still available: €815,059.95

The funds are to be used for the preparation of future Financial Cooperation projects and for other short-term expert services. There is no need for replenishment.

Technical Cooperation

Study and Expert Fund for Technical Cooperation, 1995.3611.1, total commitment: €2,977,725.36, open: €800,000.00

The funds are to be used for the preparation of future Technical Cooperation projects and for other short-term expert services. There is no need for replenishment.

3.5.2. Other Technical Cooperation Instruments

German Development Service (DED): The Civil Peace Service of DED is supporting reconciliation and justice in connection with the Khmer Rouge Tribunal. 10 development experts are involved. In addition, DED is supporting capacity building for stone conservation in Angkor. In cooperation with APSARA, DED is setting up a stone conservation unit within APSARA and training local experts.

InWEnt, Capacity Building International, Germany: InWEnt supports reconciliation and justice in relation to the Khmer Rouge Tribunal through a "Cambodian KRT Fellowship Programme".

3.5.3. Other Proposals

Support to the management of environmental friendly mining in Cambodia

The German side thanked for the proposal for technical cooperation on "Strengthening national capacity in the management of environmental friendly mining in Cambodia". Due to the ongoing concentration process in the priority area "Rural Development" the proposal does not align with discussed priority fields of action of Cambodian-German future bilateral cooperation. But the German Government has recently entered into discussions with the Federal Institute for Geosciences and Natural Resources to establish a regional cooperation programme for a sustainable mining sector for the three countries Cambodia, Lao PDR and Vietnam. If funds might be available in 2010/2011 for a regional programme, Cambodia would benefit from this capacity building programme.

3.6. Preparation of Financial Cooperation projects and programmes

Both sides agree that in order to prepare and support the Financial Cooperation projects and programmes agreed during the present government negotiations, they shall conduct studies, produce expert opinions and deploy experts as the need arises. Such activities shall be coordinated between KfW and the relevant line authority. The funds for such efforts shall be made available by the Government of the Federal Republic of Germany in addition to the bilateral Financial Cooperation commitments mentioned in paragraph 3.1. Both sides shall report on the implementation and outcome of such activities at the next government consultations and/or negotiations.

3.7. Overview of commitments including reprogrammed funds

A table showing the new commitments and reprogrammed contributions can be found in Annex III.

4. Other instruments and contributions available as part of German development cooperation

4.1. Germany's multilateral contributions

The German side drew attention to the contributions made by the Federal Republic of Germany to multilateral and regional institutions such as multilateral development banks and funds, the IMF and the United Nations and,

in particular, the EC, to whose core budget Germany contributes approximately 20%.

In addition, the German government has provided funds to international organisations for country-specific projects to be implemented in Cambodia.

- Approximately €4.5 million was made available to date to the United Nations to help cover the costs of the Khmer Rouge Tribunal.

- In 2007, the German government committed €1.35 million for the UNFPA project "Support for the Cambodian MDG 5: Improve maternal health". This project is being implemented from 2008 to 2009 in close coordination with the bilateral cooperation programmes in the health sector.

- In addition, €2.5 million was made available to the World Food Programme (WFP) in 2008 and 2009 for basic food security for the poor. In this context, the German side asked the Royal Government of Cambodia to further strengthen its efforts to achieve food security and support the poorest members of the population, e.g. through direct or in kind investments for the WFP programmes.

4.2. Regional projects and programmes

Promotion of regional integration constitutes an essential part of German development policy in its cooperation with partner countries in Asia. In this context a new technical cooperation framework that supports trilateral cooperation in the South-East Asian region has been established between the Federal Republic of Germany and the Government of Thailand in 2008. Against this background, two projects are in the pipeline as trilateral cooperation projects between the Royal Government of Cambodia, the Government of Thailand and the Government of the Federal Republic of Germany. The German side is looking forward to the first results of the trilateral cooperation agreement.

In addition, the German government supports various cross-border and regional projects, primarily with a focus on economic integration and natural resource management. The German side drew attention to the projects with the ASEAN community and the Mekong River Commission (MRC) which are of particular relevance for Cambodia.

4.2.1 ASEAN Regional Forest Programme for Southeast Asia

Many problems in the forestry sector are of a transnational character (e.g. illegal timber trade). Therefore, the programme's aim is to improve international cooperation in the forest sector between the ASEAN Secretariat and the relevant institutions in the ASEAN member states.

4.2.2 ASEAN–German Mini-Hydropower Programme

The programme's aim is to make use of hydropower as a locally available source of renewable energy in order to promote environmentally-friendly economic and social development. As a first step, knowledge regarding Mini-Hydropower Systems will be transferred from Indonesia to Vietnam in order to enhance the qualifications of state institutions and private actors. Afterwards qualification programmes for Cambodia and Lao PDR are foreseen in order to implement the ASEAN Plan of Action for Energy Cooperation.

4.2.3 ASEAN Centre for Biodiversity (ACB)

Given the impact climate change may have on Asia, the main task of the ASEAN Centre for Biodiversity (ACB) is to support the ASEAN member states in order to improve the implementation of national and regional strategies for the protection of biodiversity. German support is aimed at promoting the efficiency of the ACB itself, thereby enabling it to fulfil its mandate to support the ASEAN member states.

4.2.4 ASEAN Sustainable Port Development

The programme is intended to improve within selected ports the environment and security management systems in terms of quality and efficiency. These improvements will have a positive impact on the working conditions of the employees in the ASEAN ports as well as on the people living in the immediate vicinity.

4.2.5 Clean Air and Climate Change Protection for Smaller Cities in the ASEAN Region

With a view to improving the living conditions in small and medium-size Asian cities, the programme is aimed at implementing "clean air plans" in selected cities in 7 ASEAN member states, e.g. in Phnom Penh. The cities in

question will receive advisory services for the development of such "clean air plans" with the participation of the private sector and civil society.

4.2.6 Programmes with the Mekong River Commission (MRC)

Both the programmes supported by Germany, *"Sustainable Watershed Management"* and "*Flood Prevention and Disaster Management"* at MRC address cross-boundary water-related issues, which are of special relevance for Cambodia as a downstream country on the Mekong. The aim of the programme "*Sustainable Watershed Management"* is to improve the planning and coordination of sustainable resource management in watershed areas within the four riparian states of the lower Mekong basin. The "*Flood Prevention and Disaster Management"* programme is promoting more effective implementation of appropriate concepts and tools for disaster prevention, relief and land management at different levels of authorities and organisations within the Mekong riparian states.

4.2.7 Microfinance Initiative Asia (MIFA)

The aim of the German initiative is to establish sustainable economic structures in Asia and to provide poor segments of the population with access to financial services (micro credits, micro insurance, and payment transactions). Since 2007, under MIFA, the German government has been supporting the establishment of a regional training centre on microfinance at ACLEDA in order to strengthen institutional and human capacities in microfinance institutions in Cambodia and other ASEAN member countries.

4.3. Other players

4.3.1. KfW promotional loans

As a way of complementing the existing set of financing instruments used in Financial Cooperation, KfW may provide Financial Cooperation promotional loans on its own account to both public and private institutions or enterprises for projects/programmes of particular development significance. These loans are intended primarily for projects/programmes concerned with the economic and social infrastructure and the promotion of the financial sector. In making these loans, KfW is acting on a special mandate from the Government of the Federal Republic of Germany.

4.3.2. Further players

4.3.2.1 DAAD (scholarships)

In 2008, the German Academic Exchange Service (DAAD) funded a total of 14 scientists, academics and postgraduate students and, in 2009 a total of 9 scientists, academics and postgraduate students as well as one university partnership and one long-term lecturer at the Royal University of Phnom Penh (Department of Media and Communication).

4.3.2.2 Centrum für internationale Migration und Entwicklung (CIM)

In addition to the Integrated Experts Programme, CIM also operates a Returning Experts Programme under which those experts wishing to return to their home countries following completion of their studies, training or a period of employment in Germany receive assistance. Interested applicants can be assisted on a case-by-case basis. Applications from state or private employers for the placement of experts through either of the two programmes should be submitted directly to the Centrum für Internationale Migration und Entwicklung (CIM), Mendelssohnstr. 75-77, D-60325 Frankfurt, to the GTZ Office or to the German Embassy in Phnom Penh.

4.3.2.3 Public-Private Partnership (PPP) Programme

The German side drew attention to the PPP programme, implemented by KfW, GTZ, DEG and others. Its purpose is to strengthen the effects of official development cooperation and private business activities by co-financing mutual projects with high developmental impact. Since its launch in 1999, 10 PPP projects have been conducted through the PPP pro-gramme, for a total volume of about €50,850,000, the private sector contribution being €13,110,000 and the public contribution €37,744,000.

4.3.2.4 DEG – German Investment and Development Company

DEG - German Investment and Development Company has the mandate to finance private sector investment in developing countries and is wholly owned by KfW Group. DEG is currently financing two Cambodian companies in the finance sector and in telecommunications with a total of €44 million in the form of long-term loans and

equity participation. In most developing countries with double taxation agreements (among them Thailand and Vietnam) DEG is exempt from withholding tax on interest payments relating to its long-term loans.

In a letter dated 20 March 2008 directed to the Cambodian Minister of Economy and Finance, DEG requested exemption from withholding taxes on long-term loans. The German side is still waiting for an answer although the letter had been supported by a Note Verbale dated 27 March 2008.

4.3.2.5 Senior Expert Service (SES)

The SES seconds highly qualified retired experts on short-term missions, mainly in the areas of management, and vocational and other technical training, but also in many other fields of activity. Target groups are small and medium-sized enterprises, and institutions. Between 1995 and 2008, the SES carried out a total of 104 assignments in Cambodia. The SES is prepared to provide more support if required.

4.3.2.6. Development Volunteers Service "weltwärts" ("world-wards") Programme

"*weltwärts*" (worldwards) is a new programme for young German volunteers. A total of 213 organisations have so far been accredited by the BMZ as *weltwärts*-sending organisations. The goal of the programme is "learning through active involvement". As of August 2009, there were 22 volunteers sent via the sending organisation DED working with Cambodian partner organisations in Battambang, Kampong Cham, Kampong Speu, Kampot, Phnom Penh, Pursat and Siem Reap. The topics of their assignments for one year are: Environment, Youth & Peace, Social Services. In addition to DED, three more sending organisations have sent *weltwärts* volunteers to Cambodia: Evangelischer Entwicklungsdienst (EED): 3 volunteers, Nothelfergemeinschaft Freunde e.V.: 1 volunteer, Don Bosco - Salesianer: 1 volunteer. This makes a total of 27 *weltwärts* volunteers currently working with Cambodian partner organisations.

4.3.2.7 Non-governmental cooperation (political foundations, churches, NGOs)

Substantial assistance is also being provided in various fields by NGOs, the churches and the political foundations, supported by the BMZ, with these organisations being fully responsible and accountable for their activities.

The Konrad Adenauer Foundation and Heinrich Böll Foundation have offices in Phnom Penh from which they coordinate their country programmes. Furthermore, the Friedrich Ebert Foundation, the Friedrich Naumann Foundation and the Hanns Seidel Foundation provide support through their regional programmes. The foundations' primary task is to provide support for the consolidation of democracy and of equitable growth through dialogue and training.

In **2008,** the BMZ provided support for the activities of German non-governmental organisations in Cambodia totalling **€3.318 million.**

5. Declarations and final clauses

5.1. Provisions for project/programme implementation

Both delegations agree that all the contributions envisaged by the German side and recorded in the present document (under paragraphs 3.7 / Annex III) can only be made when

- the Government of the Federal Republic of Germany has taken a positive decision once project/ programme appraisals have been carried out by KfW, GTZ and/or any other organisation commissioned with implementing the project or programme,

- overall financing for the project/programme has been secured,

- The agreements under international law to be concluded (intergovernmental agreements and project/ programme agreements), the financing and loan agreements and the implementation agreements with KfW/GTZ and, if applicable, any other implementing organisations have entered into force.

5.2. Sunset and project/programme replacement clause

The German side draws particular attention to the fact that the commitments made under Financial Cooperation and Technical Cooperation (cf. paragraph 3.7) will lapse if within eight years of the year in which the

commitment was made no implementation agreement, i.e. in the case of Financial Cooperation a loan/financing agreement and in the case of Technical Cooperation an implementation agreement, has been concluded. Thus, commitments made during the 2009 negotiations are subject to a 31 December 2017 deadline.

Should one or more of the projects/programmes mentioned not be implemented or only be partially implemented, it/they may be replaced in mutual agreement between the two governments by another project/ programme or projects/programmes.

5.3. Anti-corruption statement

Both delegations agree that their cooperation projects and programmes shall be selected and designed according to development criteria.

The Government of the Federal Republic of Germany and the Royal Government of Cambodia agree upon the following assessment of the negative effects of corruption:

- It undermines good governance.
- It wastes scarce resources and has a far-reaching negative impact on economic and social development.
- It undermines the credibility of, and public support for, development cooperation and compromises the efforts of all those who work to support sustainable development.
- It compromises open and transparent competition on the basis of price and quality.

Both governments intend to cooperate closely in order to ensure transparency, accountability and probity in the use of public resources and eliminate any opportunities which may exist for corrupt practices in their development cooperation.

6. Next government negotiations

The next negotiations on development cooperation between the Royal Government of Cambodia and the Government of the Federal Republic of Germany are scheduled to take place in Bonn in 2011.

Done at Phnom Penh on 16 October 2009

Mr Chhieng Yanara
For the Royal Government of Cambodia

Dr. Josef Füllenbach
For the Government of the Federal Republic of Germany

Annex I

<u>Cambodian Government Delegation</u>

Mr Chhieng Yanara

Secretary General

Cambodian Rehabilitation and Development Board,

Council for the Development of Cambodia (CRDB/CDC)

– Head of Delegation –

H.E. Dr. Ing Kantha Phavy

Minister

Ministry of Women Affairs

H.E. Mr. Rith Vuthy

Deputy Secretary General of CRDB

Council for the Development of Cambodia

H.E. Mr. Hing Thoraxy

Secretary of State

Council of Ministers

H.E. Mr. Tan Sambon

Director General (Apsara Authority)

Council of Ministers

H.E. Mr. Leng Vy

Director General

Ministry of Interior

Mr. Sok Sothy

Chief Office

Ministry of Interior

H.E. Mr. Suth Dina

Under Secretary of State

Ministry of Foreign Affairs and International Cooperation

Mr. Phen Sanvy

Deputy Director

Ministry of Foreign Affairs and International Cooperation

H.E. Mr. Eng Huot

Secretary of State

Ministry of Health

Dr. Sok Kanha

Deputy Director

Ministry of Health

H.E. Mr. Try Meng

Secretary of State

Ministry of Rural Development

Mr. Nuon Daniel

Project Director

Ministry of Rural Development

Mr. Chhe Kim Chheang

Deputy Director General

Ministry of Rural Development

H.E. Mr. Tan Kimvinn

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Ministry of Industry, Mines and Energy

Mr. Victor Jona

Deputy Director General

Ministry of Industry, Mines and Energy

Mr. Sieng Sotham

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Ministry of Industry, Mines and Energy

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Ministry of Planning

Mr. Poch Sovanndy

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Ministry of Planning

Ms. Chou Putheany

Director

Ministry of Planning

H.E. Ms. Sy Define

Secretary of State

Ministry of Women Affairs

H.E Mr. Chhan Saphan

Secretary of State

Ministry of Land Management Urbanization and Construction

Mr. Sar Sovann

Deputy Director General

Ministry of Land Management Urbanization and Construction

H.E. Ms. Neang Lyna

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Council for Administrative Reform

H.E. Mr. Rath Virak

Secretary General

Council for Agricultural and Rural Development

H.E. Mr. Srun Darith

Deputy Secretary General

Council for Agricultural and Rural Development

H.E. Mr. Sann Vathana

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Mr. Pen Thirong

First Deputy Director

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Mr. Keo Chea

Director

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Mr. Duong Chanrithyna

German Desk Officer

Council for the Development of Cambodia

Annex II

<u>German Government Delegation</u>

Frank M. Mann

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German Embassy, Phnom Penh

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Federal Ministry for Economic Cooperation and Development

– Head of Delegation –

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Alice Salburg

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Volker Karl

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KfW Entwicklungsbank, Cambodia

Wolfgang Möllers

Head of DED office in Cambodia

Deutscher Entwicklungsdienst (DED), Cambodia

Ms Sabine Nagel

Director of Regional Office Vietnam, Cambodia, Laos in Hanoi

Internationale Weiterbildung und Entwicklung (InWEnt), Regional Office Vietnam

Annex III

Commitments made 2009/2010 (in million euros)

		Project Number	FC		TC	
			Commitment 2009/2010	Reprogr. Funds	Commitment 2009/2010	Reprogr. Funds
Health						
	Joint Programme on Social Health Protection II, incl.					
	§ Financial Cooperation	2009.6612.7	**6.0**			

	§ Technical Cooperation	2009.2171.8			**4.25**	
Rural Development						
	Joint Programme on Regional Economic Development, incl.					
	§ Financial Cooperation, Fund for Reg. Economic Development	2009.6610.1	**6.0**			
	§ Financial Cooperation, Rural Infrastructure Programme II	2009.6611.9	**7.0**			
	§ Technical Cooperation, Regional Economic Development II	2009.2170.0			**4.0**	
	Programme on Support to the Land Sector Reform	2009.2169.2			**2.0**	**2.0**
	Land Allocation for Social and Economic Development (LASED)[1]	2005.2176.5			**0.5**	
	Support to the Land Management Reform[2]	2003.2250.3			**0.5**	
Governance						
	Programme on Access to Justice for Women	2009.2172.6			**2.0**	
	Identification of poor households[3]	2005.2178.1			**1.75**	
Subtotal			**19.0**		**15.0**	**2.0**
Total			**19.0**		**17.0**	
Grand Total (FC + TC)			**36.000.000,00**			

[1] The commitment for this programme has already been made by the German Government to the Cambodian Government via Note Verbale on 17 September 2009.

[2] The commitment for this programme has already been made by the German Government to the Cambodian Government via Note Verbale on 17 September 2009.

[3] The commitment for €1 million for this programme has already been made by the German Government to the Cambodian Government via Note Verbale on 17 September 2009.