



Keynote Address

Samdech HUN SEN PRIME MINISTER OF THE ROYAL GOVERNMENT OF CAMBODIA

**Government-Donor Pre-CG Meeting
Government Palace, 10 September 2004**

*Excellencies, distinguished representatives of the donor community
Samdech, Your Royal Highnesses, Excellencies Members of the Royal
Government,
Excellencies, Ladies and Gentlemen:*

1. Today I have a great honor and pleasure to meet, once again, the distinguished representatives of the donor community. Taking this opportunity, I wish to extend my warmest welcome to all of you, the Representatives of Donor Community, International Financial Institutions and NGOs, to this very important gathering. This indeed testifies the will and continued attention of donor community to the RGC's efforts in accelerating the reform programs, aimed at rehabilitating and developing the country, especially in reducing the poverty among Cambodian people.

2. I would like to declare this forum today as a "restricted cabinet meeting" of the Royal Government of Cambodia, thus we invite only the heads of a number of RGC's ministries and agencies involved with the CG process. However, this meeting could be seen as an "open cabinet meeting", in the sense that it allows participation of donor community, so that all of us, both the RGC and our development partners, can jointly resolve the issues facing us all, - with the aim to promote accelerated and successful reforms. Thus, the decisions made at this meeting will be considered as resolutions of the Council of Ministers, therefore, all the RGC's ministries and agencies concerned will be required to ensure their effective dissemination and implementation.

3. As we all are aware, the objective of our meeting today is to discuss and address the outstanding issues in preparation for the Consultative Group Meeting between the RGC and Development Partners to be held on 6 December 2004 here at the Government Palace. Thus, today we will discuss two topics which cover the key reform agendas of the RGC and the cooperation between Cambodia and its development partners, namely:

- i. ***The Rectangular Strategy for Growth, Employment, Equity and Efficiency in Cambodia***, which I have recently launched during the first cabinet meeting; and
- ii. the establishment of a joint Government-Donor Technical Working Groups in order to strengthen our partnership in implementing and monitoring the various reform programs of the RGC, which are the operating framework of CG process. The second topic forms an integral part of the Rectangular Strategy, which focuses on strengthening partnership between the RGC and donor community.

*Samdech, Your Royal Highnesses,
Excellencies, Ladies and Gentlemen:*

4. The biannual monitoring meeting between the government and the donors has been delayed for some time, because the Royal Government was busy with some important works, especially with holding the July 2003 National Elections and managing the post election political situation. Nevertheless, as H.E. Keat Chhon stated earlier, some working groups had continued their works and discharged their responsibilities. Overall, the Royal Government of Cambodia has never, under any difficult circumstances, withdrawn from the agreed reform process. In this regard, even facing difficult political developments, as Head of the government, I instructed to all government ministries and agencies to strictly fulfill four important tasks, namely:

- i. Maintaining good environment of peace, political stability and social order, which constitute the *sine qua non* conditions for the normal livelihood of Cambodians;
- ii. Maintaining macroeconomic stability and growth which is critical for reducing poverty of our people;
- iii. Taking serious strides to steadfastly accelerate the momentum of all areas reforms, which Cambodia has embarked upon, with the view to creating a favorable environment for development and integration of the country into regional and world economy.
- iv. Promoting further close partnership with international community and all the development partners of Cambodia.

5. Indeed this reflects the RGC's strong commitment to reforms and its determination to ensure the continuity and sustainability of all the actions that I have set out.

6. Although it took a long time to establish a new government for the Third Legislature of the National Assembly, the successful settlement of the political deadlock in a peaceful and stable environment and in the spirit of

national reconciliation and respect for democratic principles, has provided us with a renewed hope and opportunity to speed up, accelerate, deepen and widen the scope of reforms in all the sectors, that were started in earnest since the previous terms of office. As I often mentioned, Cambodia has no other better choice than continuing steadfastly all the reform efforts. With the commitment to continue implementing reforms, our chance to survive would be at 90%, while stopping the reforms this chance of survival would drop to only 10%.

7. With this in mind, that I propose to consider the first new cabinet meeting on 16 July 2004 as the dedication of our physical force, intellectual energy and spiritual strength of the Royal Government to accelerate the reforms through the implementation of the Royal Government's Political Platform and the Rectangular Strategy for Growth, Employment, Equity and Efficiency in Cambodia as I set out as an *Economic Policy Agenda* for implementing the political platform of the Royal Government.

8. As I have spent a long time to elaborate on the Rectangular Strategy at the first Cabinet Meeting of 16th July 2004, and the meeting was widely broadcasted by the media and national television networks, I think there is no need for me to discuss again the strategy. I also instructed the Supreme National Economy Council (SNEC), my own think-tank, to disseminate through the Council for the Development of Cambodia the Strategy, in both English and Khmer, to our development partners for discussion here.

9. I would like to take this opportunity to inform all the development partners that on 16 July 2004 I have instructed all the Ministers and heads of government agencies to prepare a matrix of prioritized programs and action plans based on the political platform of the Royal Government for the Third Legislature and the Rectangular Strategy, and finalize them by the end of August 2004. This can be used to monitor the activities and performance of government ministries and agencies against benchmarks and targets.

10. Moreover, I instructed the SNEC to organize a national workshop, which was held on 16 August 2004, with participation from all ministries and institutions of the Royal Government to disseminate and provide guidelines on formulation of specific action plans so that the Rectangular Strategy can be successfully and effectively implemented. Nevertheless, taking this occasion I would like to appeal to all the working groups of the development partners to help review and provide additional comments on these actions plans, as well as provide technical assistance to the Cambodian counterparts in the preparation and implementation of this important endeavor. Moreover, the Office of the Council of Ministers also has the responsibility to compile those action plans to facilitate dissemination and implementation.

11. With regard to the formulation of strategic documents and development plans, I am aware that some donors are not yet clear in their mind about the formulation of the Third Socio-Economic Development Plan

(SEDP-III) for 2006-2010, which is now being prepared by the Ministry of Planning (MOP). I would like to reiterate once again of the Royal Government's position that we will merge the SEDP-III for 2006-2010 and the NPRS into a single official document, guided by the Millennium Development Goals (MDGs) and the Rectangular Strategy, which constitutes the Economic Action Agenda of the political platform of the Royal Government of Cambodia for the third legislature. In so doing, we will be able to ensure the consistency of our policies, strategies and development plans. In this context, I urge the development partners to provide necessary assistance and support to the Ministry of Planning and relevant agencies of the RGC so that they will be able to efficiently discharge their responsibilities with success.

*Samdech, Your Royal Highnesses,
Excellencies, Ladies and Gentlemen:*

12. As I mentioned at the first cabinet meeting on 16th July 2004, we have actually only 4 years left for this 3rd legislature of the National Assembly. Therefore, we cannot afford to work and move on forward at a normal speed. We all have to try our very best to speed up the implementation of the political platform, strategies and reform measures that we have set out by ourselves, for the benefits of our nation and our Cambodian people. In this spirit, we should not delay any minute in performing our tasks. Since before the new government had taken office, we have focused our attention to addressing the governance issues, which is at the core of the Rectangular Strategy. The priorities were specifically given to two areas of reforms: the public financial management and the development of private sector, which the Royal Government considers as most critical to promoting long-term sustainable growth and poverty reduction among our people.

13. In the public finance sector, the Ministry of Economy and Finance (MEF) has completed the formulation and started implementing a comprehensive public financial management (PFM) reform program in which more than 10 bilateral and multilateral Development Partners (Development partners) has been providing both technical and financial assistance and support. According to the vision of this public financial management reform program, Cambodia envisages to install a public financial management system with internationally accepted standard by 2015.

14. The public financial management reform program will be implemented through four stages in which the first stage (2004-2006) will involve some 200 actions within 33 key activities. Therefore, gradually, the RGC will be able to improve efficiency and strengthen management and responsibility capacity of officials at all levels in the public financial management area in all ministries and institutions and from provincial to commune/sangkat levels. This will allow the RGC to allocate more budget resource to priority targets through central agencies to line ministries/institutions and to local authorities, including provincial/municipal and commune/sangkat, and at the same time increase responsibility at spending agencies through implementing their

programs in order to achieve the objectives of the RGC's social and economic policies.

15. I wish to emphasize that it is for the first time that more than 10 development partners have agreed and jointly assisted Cambodia in the formulation and implementation of a comprehensive and integrated public financial management reform program based on a Sector Wide Approach (SWAp). This also reflects a strong interest and commitment of our Development partners in promoting good governance, especially in the public finance sector.

16. As for the private sector development, we have started with some positive signs and encouraged results. Indeed, a healthy private sector is the key for promoting economic development. The Royal Government is committed to continue strengthening the legal framework, regulations and institutional capacity to facilitate business and private investment activities, especially in ensuring a fair competition, transparency, accountability and fruitful partnership between private and public sectors. In this context, favorable environment for private sector operation will be strengthened through good governance and human resource development. More importantly, the focus will be on the following measures: (i) trade facilitation, (ii) enhancing market infrastructure and regulations, (iii) improving market access and information, (iv) building institutions and promoting the rules of law, and (v) promoting small and medium enterprises (SMEs).

17. Together with these specific policy measures mentioned above, in my capacity as the Head of the RGC, I have also organized and strengthened immediately the key institutional arrangement mechanisms for implementing all these actions, particularly the establishment of the Committee on Private Sector Development (PSD) with three Sub-committees to assist in three key sectors: (i) Sub-committee on Investment Climate and Private Participation for Infrastructure Development, (ii) Sub-committee on Trade facilitation, and (iii) Sub-committee on small and medium enterprises (SMEs).

18. The Committee on Private Sector Development (PSD) and its three Sub-committees will work closely with our development partners who are interested in assisting Cambodia for the development of private sector, including the WB, ADB, UNDP, JICA, AusAID, GTZ and AFD, based on SWAp arrangements to ensure the Royal Government's ownership of the reform program and to enhance the efficient use of assistance. Presently, the three Sub-committees are already operational; particularly I have advised them to focus on trade facilitation as a top priority and urgent matter for the short run, this means the these Sub-committees have to develop a clear action plan with measurable outcomes from now on till the end of 2005.

19. At the same time, the public administration reform has also made another big step forward through the recent national workshop on 25-26 August 2004 aimed at preparing a detailed action plan for 2004-2008.

20. I would like in general to instruct all ministries/institutions of the RGC, especially for those areas where the implementation of the reform programs have been slow such as legal and judiciary reform, to be proactive in implementing its reform program and to speed up its reform through effective formulating and implementing specific action plan with the ownership and responsibility. With this accelerated speed, Cambodia will require a closer and stronger demand for cooperation and collaboration from all of its Development partners.

21. In this regard, the Royal Government appeals to all development partners including donor community, private sector, NGOs and civil society, to provide all kinds of support and to actively engage with the RGC in implementing ***the Rectangular Strategy for Growth, Employment, Equity and Efficiency in Cambodia***, which is an Economic Action Agenda of the RGC's political platform for the third legislature of the National Assembly.

*Samdech, Your Royal Highnesses,
Excellencies, Ladies and Gentlemen:*

22. With regard to the second topic concerning the Government-Donor Joint Technical Working Group, I would like to take this opportunity to recall the process which has been used in the past and to share some of my views for improving the structure of this technical working group.

23. As we are all aware, since 1999 a number of working groups have been created as a mechanism to facilitate donors to monitor progress of the implementation of the Government's reform programs, that includes the **"Public Administrative Reform", "Fiscal Reform", Legal and Judicial Reform", "Natural Resource Management" and "Demobilization of the Armed Forces"**. In addition, due to immediate need and necessary, the Royal Government has decided to create more working groups at the sectoral level such as social sector, education sector, health sector, land management sector etc. After the 6th Consultative Group meeting in June 2002 in Phnom Penh, a Government-Donor Partnership Working Group was created. This partnership working group has concentrated its work on harmonization of aid utilization, with the aim to increase the effectiveness of development assistance. As of today, we have agreed to establish 17 working groups.

24. It should be noted that since their establishment, some working groups such as the working groups on fiscal reform, health, education, and land management working groups have been holding regular meeting in which representatives from Government ministries and agencies as chairperson or co-chairperson with representatives of donor countries and agencies. On the other hand, a number of other working groups have not had regular meeting and the participation and ownership of related Government ministries are still limited. This requires a review of the working process in the spirit of further

strengthening ownership and leadership roles of the Royal Government and ensuring the highest effectiveness of Government-Donors partnership.

25. No doubt that after an open and comprehensive discussion between the Council for the Development of Cambodia (CDC) and related Government ministries and agencies and through the consultative mechanism between the CDC and all development partners, starting from late 2003, we have achieved some progress in restructuring the technical working groups, in which I would like to highlight as follows:

I. Basic Principles for Reforming Working Groups

26. As a result of the Government internal discussion and the consultative meetings with donors, we have agreed to adopt a number of basic principles for restructuring these working groups. These basic principles are as follows:

First, the Royal Government and the development partners have recognized the necessity to review and restructure these working groups into joint technical working groups as a mechanism at the sectoral/thematic level.

Second, to strengthen the ownership and leadership of the Royal Government, the joint technical working group shall be leaded by a responsible ministry or agency with the participation by members from other ministries and the development partners. The appointment of the chairperson of the working group shall be made by the Minister who leads the working group. Based on the experience of some working groups, the newly appointed chairperson of the working group must have the political will and commitment and willing to devote his/her time to lead the working group towards progress. At the same time, I would like to suggest to the development partners to nominate donor coordinator to ensure a smooth discussion and internal agreement among development partners and to nominate alternate coordinator to ensure the continuity of the operations of each working group.

Third, each working group must have a generic term of references—TORs, which clearly defines its roles and responsibilities. The basic generic term of references must include the following:

- a) Jointly prepare strategy and detailed policy for the sector, which the group is responsible for, by ensuring transparency and consistency with the Rectangular Strategy if the strategy or policy for the particular sector has not been developed. For working group, which has already developed strategy and detailed policy for its sector, should consider revise if deemed necessary.
- b) After the strategy or detailed policy has been developed, each working group must develop an action plan and identify

priorities as well as modality to support the implementation of the action plan and priorities. The action plan, which has been jointly developed, is a joint document between the government and development partners and it should serve for monitoring the progress of each working group.

- c) Each working group has to be jointly responsible for the mobilization of resources needed for the implementation of its action plans and priorities. If the available financial resources are not adequate to implement the proposed action plan and priorities, both the Royal Government and development partners must reprioritize the action plan and priorities to fit with the available financial resources.
- d) Each working group have to jointly monitor progress against the targets and benchmarks, that have been set out, in order to increase the efficiency of the resource's utilization with the view to achieving the strategic objectives of the Rectangular Strategy and towards achieving the Millennium Development Goals (MDGs). This is the only way to strengthen partnership through harmonized activities.

27. I would like to stress that the restructuring of these 17 working groups must be done based on the above generic terms of references (TORs). However, we also understand that flexibility may be needed for each Technical Working Group, reflecting concrete situation and reality such as the cross-cutting sector issues, supporting service of each working group, and the participation by representatives from NGOs or private sector if deemed necessary. However, this flexibility should not greatly deviate from the key characteristics of the principles of the TORs.

28. At the same time, in the process of restructuring these working groups to ensure the coordination among these joint technical working groups, the Royal Government and development partners have agreed on the necessity to create "Government-Donor Coordination Committee- GDCC" at the policy level. This committee will be led by a co-chairperson of this consultative meeting. In this regard, I would like to appoint **HE. Keat Chhon**, Senior Minister, Minister of Economy and Finance and the First Deputy Chairman of the CDC, to be the chairman of this GDCC. The members of this committee include Ministers or heads of government agencies, Ambassadors or chiefs of country representatives of international financial institutions or aid agencies. The responsibilities of this committee are to provide policy guidance, to set priorities and to propose measures to solve problems raised by each joint technical working group. This committee must meet on a regular basis in every 3 months.

29. In addition, the Government-Donor Coordination Committee will be assisted by a secretariat. This secretariat will be located at the CDC by using

the existing Cambodian Rehabilitation and Development Board (CRDB) in which **H.E. Chhieng Yanara** is serving as Secretary General. The role of this secretariat is to liaise with all joint technical working groups and to collect progress reports as well as identify problems facing the joint technical working groups during the implementation of their activities. This secretariat has to prepare a quarterly progress report including issues and challenges as well as proposed remedies to tackle the problems and submit it to the GDCC for consideration and decision making. In case the GDCC is not able to make decision or solve the problems, the secretariat has to report directly to the Head of the Royal Government for decision-making or for providing direction and guidance.

30. As the head of the Royal Government, I will continue the practice of having regular meeting every six months between the Royal Government and Donors, in between each Consultative Group meeting, in order to monitor the implementation of the overall reform programs, during which we will discuss the report from the GDCC and then take necessary measures to achieve concrete progress.

II. Urgent Tasks of the Joint Technical Working Groups

31. Based on the above TORs, I would like to take this opportunity to provide some recommendations on the urgent tasks of each working group from now until the Consultative Group meeting scheduled for early December 2004.

First, after this meeting, I would like to suggest that both parties coordinate immediately to finalize the list of members and TORs for each joint technical working group. That means that on the government side, the Minister or head of responsible agency has to appoint its chairperson of each technical working group as quickly as possible and request related ministries or agencies to nominate their representatives to be members of the working group as soon as possible so that each technical working group will be able to start their work. I was informed that knew that the Public Financial Management Working Group held its first meeting and adopted its TORs on the 7th of September 2004. I sincerely commend this proactive action and urge other groups to do the same.

Second, each technical working group has to appraise the progress against nine criteria, to which the government has committed during the Consultative Group meeting in June 2002 including any outstanding issues and challenges. The report of each technical working group will be combined into one document which will be used for the Consultative Group meeting to be held in December 2004.

Third, each technical working group has to develop its own action plan and benchmark for consideration and adoption during the Consultative Group meeting in December 2004.

32. In a moment, the representative from our development partners will take the floor. I would like to urge all of my Government colleagues to carefully take note of any suggestion and recommendations which our Development partners may have.

*Samdech, Your Royal Highnesses,
Excellencies, Ladies and Gentlemen:*

33. Indeed, implementing a reform program with a strong focus on governance will have many challenges and obstacles. However, we have to continue our efforts in order to achieve our own policy objectives and programs to move Cambodia a step forwards in achieving better future and ensuring sustainable development. In this regard, we must not be complacent with the achievements made. On the contrary, these achievements should be viewed as an incentive or stimulus for us to take further strides in order to achieve the MDGs and policy priorities of the Royal Government, notably the progress and happiness of our people and country.

34. On behalf of the Royal Government and myself, I would like to take this auspicious opportunity to express our profound gratitude to the donor community and all development partners of Cambodia, including both the private sector and NGOs, who have been contributing to the development of Cambodia. We hope that all development partners will always stay shoulder by shoulder with us to overcome obstacles and other difficulties so that Cambodia and her people can have a bright future.

35. I would like also to take this opportunity to express my profound thank to the leaders, government officials, the armed forces and Cambodian people from all walks of life for their full support for the government's policy and their active participation in every reform and development programs in order to rehabilitate and rebuild Cambodia from the scourges of wars and the debris of destruction, which had lasted for decades. This will allow Cambodia to reclaim its destiny and to play active role as a real partner in regional and international affairs and to become a really free nation, especially to be free from hunger and poverty.

36. Finally, may I wish you all, distinguished representatives of the donor community, Samdech, Your Royal Highnesses, Excellencies Members of the Royal Government of Cambodia and all senior government official present here today, the five gems of Buddhist blessing.

Thank you for your attention.