

**Minutes of the Fifteen Meeting of the Government-
Development Partner Coordination Committee (GDCC)
Held on 29 September 2009, at CDC**

H.E. Deputy Prime Minister Keat Chhon, Minister of Economy and Finance and First Vice Chairman of the Council for the Development of Cambodia, in his capacity as Chairman of the Government-Development Partner Coordination Committee (GDCC), opened the fifteenth meeting of the GDCC by welcoming all participants. In his opening remarks, he emphasized that the meeting is a continuation of dialogue on the main issues which were discussed at the last GDCC meeting in April 2009, and a preparation for the third CDCF that would take place in the middle of 2010. The main objective of the meeting was to review the progress of RGC and development partners in effectively implementing, monitoring and reviewing both short-term and long-term development goals, which were reflected in the Rectangular Strategy Phase II. Those include the support to the RGC socio-economic development and reforms and more results-focused and effective partnerships, which need collective commitment to review and identify new approaches to address the common goals, especially to maximize and sustain benefits of Cambodia through the mitigation of the impacts of global financial crisis on the livelihoods of Cambodian people.

The agenda items of the meeting were:

- i. NSDP Update (2009-2013) and the harmonization between planning, government public expenditure and aid cooperation financing
- ii. Project monitoring and Joint Monitoring Indicators (including agreed actions on aid effectiveness)
- iii. Update on the macro economy focusing on current status, measures taken to date and future options to maintain stability and promote growth

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Agenda item 1: NSDP Update (2009-2013) and the harmonization between planning, government public expenditure and aid cooperation financing

H.E Ou Orhat, Secretary of State, Ministry of Planning summarized the progress and some challenges in the finalization process of the NSDP Update (2009-2013). Overall the preparation of NSDP Update is progressing well. Ministry of Planning, in collaboration with development partners, NGOs and other civil societies, has set up a number of concrete steps and measures in collecting data on NSDP indicators from line ministries/agencies in order to integrate those data into NSDP Update.

Satisfactory progress has been made by RGC in the process of harmonization between planning, government public expenditure and aid cooperation financing. The Inter-Ministry Task Force (MEF, MoP, CRDB/CDC, and SNEC) was established to implement, review and monitor this initiative.

Comments by UN Representative (Mr. Douglas Broderik): Mr. Douglas Broderik, as a representative of development partners, welcomed the opportunity to support the preparation of the NSDP Update, especially NSDP M&E framework, and providing comments to the first draft document when it is finalized. Therefore, development partners suggested the RGC to accelerate the finalization process of the first draft of NSDP Update and to review the NSDP indicators, which were collected from line ministries/agencies; especially, the Social Safety Net (SSN) is strongly needed to be reflected in NSDP Update.

Development partners support the establishment of Inter-Ministry Task Force which is led by MoP for the harmonization between planning, government public expenditure, and aid cooperation financing. In addition, development partners asked RGC to clarify on the commitments of the Task Force in the process of harmonization between planning, government public expenditure and aid cooperation financing, and how the PFM Reform Stage II be reflected in the integration process and NSDP Update.

NGOs and civil societies suggested relevant TWGs to have a dialogue in mid-November 2009 to discuss more about the draft of NSDP Update and clarify the gaps of the engagement of NGOs in some TWGs. More consultations between RGC and civil societies are needed.

Response from RGC: H.E Ou Orhat revealed that the first draft of NSDP Update is expected to be finalized by the end of October 2009 as scheduled and all NSDP indicators would be reviewed by the four central agencies (MEF, MoP, CRDB/CDC, and SNEC), in which the review process will be chaired by SNEC. MoP has established the Sub-TWGPPR to review and monitor and provide comments to NSDP Update indicators. Concerned line ministries/agencies were encouraged to provide comments on the draft document. It was agreed that the Social Safety Net (SSN), will be incorporated into a new section of NSDP update. In this case, MoP is working closely with Council for Agriculture and Rural Development (CARD). In response to the request of NGOs and civil societies in terms of their inputs for NSDP update, H.E secretary of state also added that all NGOs and civil societies should work with their relevant ministry or government agency to incorporate their inputs then ministry or government agency consolidate these inputs and send to MOP. This process can ensure that all inputs were agreed by Ministry or Government agency.

Regarding the harmonization between planning, government public expenditure and aid cooperation financing, progress has been made. A Steering Task Force (including MEF, MoP, CRDB/CDC and SNEC), chaired by MoP, has been established and has a clear mandate. The first Task Force meeting took place on September 23, 2009 to discuss harmonization work. MoP would present its proposal on the next-step of the harmonization process at the next Task Force meeting.

H.E Hang Chuon Naron, Secretary General of MEF, representative from MEF, has raised that Ministry of Economy and Finance would involve the process of finalization of NSDP Update and the harmonization process. Most of mechanisms have been developed and implemented during the PFM Reforms Stage II such as Program Budgeting and Budget Strategic Plan, which consolidates all Government and external funds for both recurrent and investment expenditure; this would ensure that the sectoral policies are consistent with budget reforms and improve the sectoral budgeting which was reflected in NSDP Update.

H.E. KEAT CHHON asked development partners, NGOs and civil societies, who need to provide input indicators to NSDP Update, to discuss and agree with line ministries/agencies at TWG and sectoral levels, before those indicators are submitted to MoP for integrating into NSDP Update. RGC would discuss more with NGOs and civil societies on the draft of NSDP Update and gaps of engagement of NGOs in the TWGs through TWG mechanisms.

Agenda 2: Priority Project Monitoring and Joint Monitoring Indicators (including agreed actions on aid effectiveness)

H. E. Chhieng Yanara, Secretary General of CRDB/CDC, gave a brief and key presentation on the Priority Projects and Joint Monitoring Indicators, which were the second issue to be followed up at this GDCC meeting. There were 68 projects identified as priority with the projected expenditure of 370 million Us Dollars for 2009. However, the total expected expenditure is only 283.5 million US Dollars in the same year. He summarized the results of the priority project monitoring initiative into three main points:

- The extent to which these projects have been truly prioritized - are there special efforts and coordination arrangements in place to ensure that they are implemented in a timely manner?;
- The reason why only 20 of the 68 projects disbursed is on or above target? It is not clear if accelerated programme implementation—in the few areas where it has been identified—is associated with an explicit effort to fast-track these projects as a result of this priority monitoring initiative; and
- Most sectors appear to be well on track to deliver against their revised targets and the final estimate of annual expenditure—283.5 million Dollars—is achievable. Perhaps with more cooperation, this figure may increase.

He summed up that the monitoring exercise needs to be associated with more focus and attention in programme implementation and sector coordination, including with greater reference to aid effectiveness initiatives and integration of core reforms, so as to ensure the real impact in the short-term and to improve aid management practices in the longer-term.

H. E. Chhieng Yanara continued to the presentation on Joint Monitoring Indicators, including those related to aid effectiveness. There has been good progress in the Health Sector which is believed to be able to reach the JMI target. This shows the important partnership between government, development partners and NGOs in providing health service delivery. 11 JMIs reported main challenge concerning resources—financial, human and

technical; while the rest reported no constraint at all. It is clear from the report that JMIs are often related to an effort to strengthen national delivery systems; therefore, the government and development partners should work together in partnership approach in order to direct resources towards strengthening these needed capacities over the longer-term. Regarding JMIs on aid effectiveness, they have been broadly on-track specifically in establishing sectoral programme and in delivering capacity for national systems. So TWGs should continue to position and implement this aid effectiveness work, first, at sectoral level and, second, through the core reforms.

He further concluded that in order to plan, finance and deliver for effective result, both government and development partners need to recognize and apply a more integrated approach. Priority projects, the JMIs, Aid Effectiveness JMIs, the NSDP, the budget integration work and the core reforms are the important initiatives that must be coordinated, supported and implemented effectively to achieve the intended impact.

Mr. Qimiao Fan, the World Bank Country Manager provided 3 brief comments on priority project monitoring as follows:

- This pilot exercise is very useful which shows the encouraging and significant sign of the effort and dialogue at TWG level. Thus, the assessment of the impact of this exercise should be established in order to make it more meaningful and worthwhile.
- He agreed with **H. E. Chhieng Yanara's** conclusion that this monitoring exercise should be done as part of the broader Aid Effectiveness Agenda and embedded into broader strategic planning, budgeting and aid management. Moreover, the Sector-wide Approach (SWAp) and Program-based Approaches (PBAs) should be implemented not only in sectoral level, but also in technical level and monitored and strengthened on regular bases.
- **Mr. Fan** also highlighted three points on ownership and leadership of the TWG level as: (1) this exercise points to the problems on ownership and leadership of the TWGs and identify some possible solutions to them; (2) it shows the importance of integrating the strategic planning, budgeting and aid management process; and (3) it helps to strengthen the ownership, leadership and dialogue at the TWG level.

He further addressed 2 brief comments on JMIs including:

- The progress on JMIs especially JMIs on Health and aid effectiveness shows political commitments by the Royal Government of Cambodia particularly line ministries/line agencies and close and successful collaboration between RGC, DPs and civil society at the TWG level.
- The high policy dialogues between stakeholders may be able to help solve some challenges specifically in Land and Legal and Judicial Reform.

H. E. Keat Chhon stated that RGC, TWGs, DPs and project directors should review and identify the weaknesses so as to accelerate the implementation of the projects/programmes.

Statement on Land by H. E. Ambassador Frank M. Mann (Germany): **H. E. Mann** mentioned Development Partners have recognized that land management and administration are very complex, and challenges often remain and require well-designed legal and policy tools to solve. Some progresses were raised such as: (1) there have been very positive results in systematic titling and some good progresses on the Joint Monitoring Indicators; (2) there have been achievements of a sub-decree on "Registration of Lands of Indigenous People's Communities", a first draft of the "Spatial Planning Policy", and a draft of "Housing Policy", which are expected by the end of December; (3) the positive development on strengthening the TWG with a staffed secretariat and a commitment to principles of partnership and the recent CDC workshop on "Making Partnership Effective"; and (4) significant progress on land dispute in resolving disputes between neighbors in the systematic titling program.

However, the biggest challenges remain in land disputes in addressing the disputes in areas where state or large private entities claim that is occupied by the poor. Moreover, the negative impacts of these disputes have been of great concern to address Cambodia's priorities to reduce poverty and promote equitable economic development and social stability.

Development partners welcomed and were willing to support the government in developing the legal and policy framework for resettlement issues and in establishing an Inter-Ministerial Taskforce to draft Policy Directives on Squatter Settlement Resolution. Thus, Development Partners would request to receive information on the composition and precise mandate of the Task Force and how to interact with it.

The draft "Law on Expropriation" has been in advanced stages of development, so clarifications from the government with regard to the next steps and timelines were requested. Development partners also welcome the government's views on how they offer support and expertise for this issue. In addition, they would like to discuss how they could support the government with the drafting and implementation of the effective legal and policy framework and a "learning by doing" or pilot approach on evictions, expropriations and resettlements.

Last of all, Development partners welcome the opportunity to support the government of Cambodia to address the development challenges of land tenure and land management in a constructive manner. And they would like to propose to seek an informal discussion in Ambassador level in between the meetings of the GDCC where questions in particular in relation to inter-ministerial competencies may be addressed.

H. E. Chair mentioned that dispute management is important for management and development of the country; therefore, in order to avoid some unnecessary interference in land conflict management, the government needs to end the project before the completion date. He also added that, all land projects have been implemented and had a good progress despite we had some issues.

H. E. Mr. Im Chhun Lim, Senior Minister, Minister of Ministry of Land Management, Urban Planning and Construction raised some issues as response:

(a) He briefly presented some achievements in land sector as: (1) based on the statement of the RGC on Land Policy, all ministries, institutions and stakeholders should continue formulating a "Comprehensive Land Policy" known as "White Paper"; (2) the first drafts of "Spatial Planning Policy" and "National Housing Policy" are under preparation and planned to finalize by the end of this year; (3) The "Royal Government's Instruction on Squatter Settlement Resolution" shall be finalized soon; and (4) policy and Sub-Decree on Procedures of Land Registration of Indigenous Minority Communities and Sub-Decree in Procedures for Communal Land Use Planning have all been approved and put into training and dissemination.

(b) Regarding the "Resolution on Squatter Settlement" in cities and urban areas, **H. E. Im Chhun Lim** suggested that DPs should not use the word "Eviction" which is inappropriate and may be misleading in the case of Squatter Settlements and the goal of the authorities who have paid great efforts to solve this problem. And in implementing the policy for solving problems of squatter settlements in Phnom Penh, the authorities have chosen solutions in three forms including on-site upgrading, relocation and compensation in cash or materials and have tried to facilitate among all dispute parties in order to implement the Win-Win Policy and enable all dispute parties to obtain the appropriate benefits. Working in the right leadership and partnership with DPs, the government could gain those achievements as of today, some of which are good results and some not very good results; however, the efforts made have been based on the "Learning by Doing" which was believed to make the efforts in finding squatter settlement solution improved over times.

(c) He also stressed on the land distribution work and its result in some provinces in accordance with the spirit of the Sub-Decree on Land for Social Concession which the Royal Government has been implementing through many programs and many other forms as the national and local programs such as land occupation regularization of poor families, providing land to military's families close to their barracks, establishment of development village for handicap former military families, etc.

(d) The government would continue to cooperate with the existing DPs in the process of finalizing the three draft documents—National Housing Policy, Policy on Land Management, and the Government's Instruction in Squatter Settlement Resolution in Cities and Urban Areas. When finalized, these documents would be put for consultation of all stakeholders, so the government would like to welcome all DPs and civil societies who have the good wills to take part in this discussion.

H. E. Qimiao Fan raised that there have been a lot of consensus and significant progress on Land Sector even though land management and administration are understood to be very complex process, and some disputes are inevitable. However, we need to have the constructive and forward-looking dialogues which would help the country address the challenges of the Land Sector. He supported the commitment of the Royal Government of Cambodia in implementing the policy and legal framework on resettlement issues and DPs are standing to help

provide support to the government.

H. E. Frank M. Mann mentioned that there is common ground in term of objectives between RGC and DPs in addressing Land issues. DPs acknowledged that RGC that has encouraged comments on the drafts of land documents and policies. DPs are also committed to support the RGC in Land work.

Development partners also mentioned about the partnership and harmonization principles. There was very productive workshop on "Making Partnership Effective" in Siem Reap on how the partnership work between the government and DPs could be enhanced and to open real dialogues at TWG level for transparency. In Land Sector, there still have been common problems faced. Thus, DPs suggested that we apply the resources and tools of the third phase of Partnering Initiative in dealing with these issues and have more progress report on the enhancement of partnership for the next GDCC.

Statement on Legal and Judicial Reform by H. E. Ambassador Adamson (Australia):

H.E. Ambassador Adamson (Australia) provided a statement by congratulating the RGC of its recent progress on Governance and Accountability with a focus on legal and judicial reform including the submission of the Penal Code to the National Assembly. Development partner strongly endorsed the Prime Minister's statement that effective functioning courts led by an independent judiciary are a cornerstone of democracy, critical to economic development and improvement of the lives of the poor, especially the differentiation between roles of the Executive and Judiciary. A JMI shall be clearly identified in the agenda for the reform of the courts and judiciary articulating in the RS II and the National Legal and Judicial Reform Strategy. H.E. Ambassador pointed out that Law on the Status of Judges and Prosecutors, Law to Amend the Law on the Supreme Council of Magistracy and the Law on the Organization of Courts were the buttress to Constitutional guarantee, and DPs, through the Legal and Judicial Reform TWG, were ready to help finalizing these laws, facilitating public consultation and assisting speedy presentation to the National Assembly.

H.E. Ambassador further expressed some concerns in freedom of expression, corruption in the judiciary, and court budgets which shall be given priority by the government to this essential governance reform. H.E. Ambassador finalized that identified issues above provided a concrete path towards improving Cambodia's standing as a country committed to the rule of law and to generate confidence of Cambodian in justice system. DPs and RGC shall continue discussion through internal dialogue at Ambassador Level in between meeting of the GDCC. H.E. Ambassador commended the ongoing training and appointment of new judges to provincial courts and also request for the next available national workshop for Legal and Judicial Reform.

Response from RGC: H.E. Souy Mong Leang, Head of PMU, Council for Legal and Judicial Reform, addressed to the comments raised by DPs that RGC has taken steps and progress and made improvements in Legal and Judicial Reform. Nevertheless, DPs shall understand the difficulties, complexities and challenges that RGC faced in such background of Cambodia's past and legal aspects and views of Cambodian versus foreigners on independent court (judicial reform) and so on. Therefore, DPs should not emphasize only part or a point, but should vision the overall progress that RGC made to date. RGC knew that progress was slow and achievements were delayed because RGC decided to strongly prioritize law and regulations of legal reform over judicial reform. H.E. also indicated that national workshop of legal reform and judicial reform would be in November and upon the availability of **Samdech Prime Minister**. Concerning the freedom of expression, he commended that one shall not use his/her rights to abuse someone else's rights. He also raised the difficulties to get recommendations from different Developments partners due to the difference in system of law. Some DP countries use common law and others DP use Civil law. For this reason it takes time to incorporate the comments from DPs. Freedom of expression shall be in the limitation of country law. In conclusion, H.E. requested for more budget support from RGC as well as DPs to implement legal and judicial reform.

H.E. Ambassador Adamson thanked participants for a very constructive response from RGC and especially high priority that Prime Minister placed on legal and judicial reform. DPs looked forward to the convening of a National workshop and would continue to work closely with RGC on critical issues for successful development of Cambodia.

Response from JICA: On behalf of **H.E. Mr. Masafumi Kuroki**, Ambassador, the JICA representative believed that RGC has made certain progress in land titling and legal reform; yet, RGC should also resolve land issues and judicial reform that are important in developing Cambodia in general. For a smooth implementation of Development Cooperation Project financing by DPs as well as from aspect of Foreign Direct Investment in particular, DPs would like to ask RGC to take adequate measure to address these issues.

Agenda 3: Update on the macro economy focusing on current status, measures taken to date and future options to maintain stability and promote growth

H.E. Hang Chuon Naron, Secretary General, Ministry of Economy and Finance gave a presentation on recent Macro-Economic Development, Fiscal Policy, and Monetary Policy of RGC to mitigate the Global Economic and Financial Crisis in Cambodia. Regarding the economic and financial conditions in 2009, growth projections for Cambodia have decreased due to the decline of Garment Export (18.7%), Air-Tourist (13%), and other imports (17%). Overall, inflation has reduced dramatically (20.5% in Jan. to 4.4% in Aug.), while USD/Riel exchange rate remains stable; however this result was expected to averse. The expansionary fiscal policy would also post some risks on inflation. Capital spending was on the rise and the current expenditure increased from 16% to 25% exceeding the budget (half of them due to higher government wage bills and another half on priority sectors).

As the result, fiscal deficit in 2009 would rise from 4% to 6.75 % of GDP due to large domestic financing requirement. Liquidity increased by 19% reflecting a 19% increase in foreign currency deposits. Banks were cautious in lending and credit to private sector had increased by only 2% even though monetary policy has a loose stance. The National Bank of Cambodia has taken steps to ensure lower liquidity risks, and the RGC continues to ensure that Banking System remain stable. RGC expected that growth would be around 4% late next year and, hopefully, the recovery of Global Economic and Financial Crisis would benefit Cambodia's growth effort.

H.E. France Ambassador Desmazières also mentioned that DPs agreed that government expenditure would increase while job and household income would decrease in such economic and financial matter; thus, the government should address it with their own economic policies (safeguard the health and close supervision of the banking system). **H.E. Ambassador Desmazières** suggested RGC to take concrete steps and explore gains through trading with among Asian countries and attracting regional investors. He also indicated that it was crucial for Cambodia to address the deeper roots by increasing export diversification (e.g. zero-tariff for exporting to Australia), increasing competitiveness realizing the potential of agri-businesses, strengthening the tourism sector, and improving the business environment.

It was suggested that government increase efforts to mobilize domestic revenues, a condition necessary to deliver social services and infrastructure. Furthermore, DPs would insistently continue dialogue between the RGC and representatives of the private sector at the working group level, while urging a deepening of the dialogue in lagged areas; and DPs also commended the RGC to make further progress in implementing single window and single stop inspections with Vietnam and Thailand, including finalization of the necessary service level arrangements between the relevant line ministries. Development Partners would welcome an update of single window and single stop inspection solution and also timeframe of Government Private Sector forum.

Response from RGC: **H.E. Chair** thanked **H.E. Ambassador**, for his view and reaction on recent Macro-Economic and Socio-Economic impacts in Cambodia. He reaffirmed that RGC had received a statement from IMF about consultation for controlling this Macro-Economic, and now RGC accepted comments from DPs on deficit reduction. **H.E. Chair** also pointed out that the tourist arrivals have increased by 2 % but the number of tourist visited **Angkor Wat** has declined. He added that he will propose the inspector team of Ministry of Economy and Finance to investigate this negative correlation.. In addition, RGC would establish Forum private sector for specific issue at a later time but only where solution are fairly identified.

H.E. Hang Chuon Naron addressed to a comment of DPs about the SME that in August Ministry of Industry has adopted a new regulation for simplifying registration procedure, shortening timeframe, reducing some required documents, deposit and cost, and also decentralizing registration to 4 provinces as well as launching public campaign in conjunction with Asia-foundation and disseminating a new policy with regard to SME.

H.E. Sok Chhenda updated information regarding trade facilitation that RGC put a lot of efforts to make a significant progress in implementation on single window and single stop inspections. He also raised that **Samdech Prime Minister** has urged the Government of Thailand to work with Cambodia government on location issue at the international gateway. RGC also would work on legal problems with Vietnam and Thailand's inspector to make sure inspection that shall be fairly operated by both sides. H.E. also added it was agreed at the GMS meeting called the Economic Core-Door Forum (ECF) that more implementations shall be done for single window inspection.

Comment by ADB: Mr. Eric Sidgwick, Acting Country Director, welcomed RGC commitment on the process of single window and one-stop inspection. Again, he also requested RGC to update on the state of civil service legal agreement that supposed to be signed between custom and relevant line ministry at the border.

Comment by World Bank: Mr. Fan pointed out that DPs and RGC shall cooperate to resolve issues at the TWGs level. With mutual respect and accountability, he asked RGC to review the proposals from DPs for some of the challenging and difficult issues that we shall continue the dialogue at ambassador level. In addition, DPs would like to support TWGs, government counterpart as well as to examine very carefully on implementing priority projects/programs.

Closing Remarks:

In his closing remarks, H.E. Chairman expressed thanks to Development Partners, Government representatives for their participation and comments to this fifteenth GDCC meeting. RGC has set its sights high and made a lot of progress in some sectors; and, in fact, RGC still needs DPs' assistance and support while the global economic and financial crisis continues. H.E. Chairman pointed out that ODA disbursement should be transparent, predictable and timely and this would reflect a more result-focused and accountable partnership. He also supported and encouraged DPs to join the activities of the RGC's work and provided comments on what shall be done better in such dialogue. Finally, H.E. Chairman positively thanked and wished all participants a good health, wisdom, achievements in all works and, especially, the secretariat of CRDB/CDC that made a smooth arrangement for this GDCC meeting.

The GDCC meeting was adjointed at 12:45 PM.