

Second Cambodia Development Cooperation Forum (CDCF)

Phnom Penh, December 4th-5th
2008

Closing Observations by Lead Development Partner Facilitator
Qimiao Fan
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Excellency, Deputy Prime Minister and Minister of Economy and Finance Keat Chhon
Excellencies, Ladies and Gentlemen:

Thank you very much your Excellency for that accurate and comprehensive summary of the discussion that we have enjoyed over the last two days.

On behalf of development partners I would like to thank and congratulate our hosts for organising the second Cambodia Development Cooperation Forum. The smooth and efficient organization has facilitated our dialogue on the important items that have been on our agenda.

We would like to acknowledge and express our heartfelt appreciation of the openness and strong partnership of the Government and CDC, both prior and during the CDCF. We also appreciate the guidance offered by Samdech Prime Minister in his keynote address yesterday.

We would also like to acknowledge the constructive and active participation of senior government officials and all development partners, including new development partners and civil society.

It is useful to recall the three main objectives of the CDCF:

- dialogue on key strategic policy issues or on broad areas where faster and critical progress is necessary or where additional actions are needed.
- consideration of the progress in aid effectiveness on the basis of the Aid Effectiveness Report prepared by CDC.
- presentation of the multi-year indicative financing framework.

We believe we have come a long way towards successfully fulfilling our objectives and the time Government, development partners and civil society have invested in this CDCF has been well rewarded. We hope in the next CDCF we will be able to further enhance our dialogue to have more focus and clear discussion on the critical challenges for achieving the NSDP objectives and the related JMIs.

His Excellency Deputy Prime Minister Keat Chhon has given us an excellent summary of each agenda session dialogue. I would just like to make some remarks on two dimensions of our discussions as closing remarks.

The two dimensions are:

1. We have all recognized the importance of improving the effectiveness of the planning, budgeting and utilisation of both domestic and external resources, including strengthening the coordination arrangements between major reform programmes.
2. And much more importantly, ultimately our partnership should lead to concrete results for Cambodians, especially the poor and the vulnerable.

In these two dimensions we have had very fruitful dialogue and agreed important next steps, as his Excellency Deputy Prime Minister Keat Chhon has highlighted. I propose that in the coming days we work with CDC to document these agreements and by the next GDCC we report progress on these achievements.

Let me now just highlight a few of these outcomes.

In respect of the **NSDP**, we've made progress in our understanding of what alignment with country systems means. Specifically we have agreed in the coming months that we will align the development partner assistance support with the extension of the Government's development strategy to 2013. We've also agreed to further work on implementation of the division of labour in first half of 2009. We will also look forward to the Government presenting to development partners its 2010-12 Medium Term Expenditure Framework early in next year's budget cycle.

We endorse the proposal from the Deputy Prime Minister H.E. Keat Chhon that the three relevant technical working groups – for Planning and Poverty Reduction, Public Financial Management, and Partnership and Harmonisation – work closely together on the integration of strategic planning, budgeting and aid management; and we look forward to beginning this process over the coming months.

We were pleased to see the renewed commitment of the Royal Government of Cambodia to the **PFM reform programme**, including improved fiscal transparency, strengthened integration and deconcentration of the budget, implementation of financial management and accounting systems that support expenditure tracking and reporting, and the publication of annual audit reports.

Civil service reform is critical. It remains a challenge and we are looking forward to the finalization of the NPAR as a basis for comprehensive public administration reform, including the review of fiscal space for more targeted salary reform.

We also endorsed the **2009 JMIs** and agreed to work together to improve their quality over the next couple of months to improve the impact of our policy dialogue. We agreed that the next GDCC will focus on making concrete progress in **aid effectiveness**.

All these elements should help the Government improve its capacity to mobilize resources, plan for them, and use them productively.

But, as I noted, our objective was to achieve concrete results for Cambodians, especially the poor and most vulnerable.

I'm pleased to note that the Government's and development partners' thinking on **social safety nets** is closely aligned. The issue is complex, but there is a need to combine existing schemes into a coherent, integrated safety net system. As a first step, it was agreed that Government and development partners would work together to map existing components; identify gaps and budgetary requirements; and come up with a plan to take the process forward. To start this process, the initial mapping and scoping exercise will be within the framework of the Technical

Working Group on Food Security and Nutrition. It was also clarified that to succeed, both this initial exercise and the subsequent safety net development will require the intensive engagement of social sector ministries (for example, health and education) from outside this TWG.

In addition we have discussed concerns about **decelerating growth** because of the more challenging external environment. Strong revenue efforts must be maintained in 2009, in particular to consolidate the hard-won gains in revenue. This is key to create fiscal space for protecting the poor and investing in infrastructure. Development partners welcome the clarification on military spending and the commitment to prioritization. As I noted earlier the PFM reform programme will be key to make sure this fiscal space is used productively. Finally, as the Deputy Prime Minister noted, a key word is vigilance, in particular in the banking sector.

Maintaining growth – hence creating jobs – and developing a social safety net would be important achievements for Cambodian citizens.

Agriculture is the livelihood of many Cambodians. It has been recognized that the planning of agriculture development in peripheral areas is a necessity for long-term agriculture intensification and diversification, and the land use plan is the best available tool for this purpose. The Technical Working Group for Agriculture and Water should take into consideration this proposal in the finalization of the strategy for agriculture and water.

The uneven results of the **Economic Land Concessions** (ELCs) were recognized and the Government proposed, and we endorse, that the performance of existing ELCs should be reviewed.

We strongly welcome Samdech Prime Minister Hun Sen's expression of **commitment on anti-corruption**, and that the Anti-Corruption Law is an indispensable legal instrument to fight corruption actively. In particular we applaud his statement that the Government is strongly committed to ensure rapid conclusion and adoption of this Law in close consultation with all concerned parties.

We strongly endorse the Royal Government of Cambodia's commitment to strengthening transparency and accountability in managing the revenues from **extractive industries**, and transparency in the management of public finances and Cambodia's natural resources more generally. We look forward to receiving the proposed action plan on the management of revenues from extractive industries and building on this initiative to encompass strengthening transparency and accountability in managing the extractive industries.

Such progress in governance will respond to the continued demand for accountability and transparency from civil society and citizens.

The development partners see Government commitment to provide sufficient funding to **Provincial, District and local levels** as critical for development partner allocation of support to sub-national democratic development. A well-placed consultation between the Government and development partners in April 2009, ahead of the 2010 national budget formulation is very important for deciding on Government's and development partners' commitment of funding to sub-national democratic development 2010 onwards.

To conclude, I would like to stress the importance of a strong partnership in tackling the challenges ahead and indicate development partners' strong commitment to supporting the Cambodian people and the Cambodian Government. This commitment is reflected in the continued substantial level of development assistance, at a time of global uncertainty.

Your Excellency Deputy Prime Minister Keat Chhon, Excellencies, Ladies and Gentlemen:

As I said in my opening remarks, Cambodia has great potential. But the challenges ahead are many, complex and unpredictable. To meet the challenges, the Government will need to undertake broad and deeper reforms. But we believe with strong commitment and effective implementation, with strong support from all development partners and all stakeholders, Cambodia can manage the challenges and seize the opportunities ahead.