Kingdom of Cambodia

Nation – Religion – King

Keynote Address

By

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-Excellency Chairman of the Cambodia Development Cooperation Forum,

-Excellencies Distinguished Representatives of Development Partner Countries and Agencies,

-Excellencies Members of the Royal Government of Cambodia

-Excellencies, Distinguished Guests, Ladies and Gentlemen !

1. Today, I am very honored and pleased to meet once again the distinguished representatives of the international community and development partners. I would like to express my warm welcome to Your Excellencies, Ladies and Gentlemen, and my profound gratitude for your participation in this ***"2nd Cambodia Development Cooperation Forum-CDCF"***. This is the first CDCF meeting for the new Royal Government of Cambodia for the Fourth Legislature of the National Assembly.

2. At the outset, I would like to thank once again all our compatriots for the confidence they bestow on me, for the fourth time, at the recent general elections held on 27th July 2008 to continue leading the country. This trust bestowed upon me

is the testimony of the great honor and faithfulness for me to serve our nation and beloved people as the Prime Minister of the Kingdom of Cambodia. Indeed, the election result also reflects the strong will and the necessary support for me from an overwhelming majority of Cambodians from all walks of life to continue leading the country on the path of development and reforms in all sectors towards progress and prosperity as stated in the political platform of Cambodian People's Party, submitted to all Cambodians for their consideration before the elections and subsequently become the **"Political Platform"** of the Royal Government for the 4th Legislature.

3. Based on this political platform, the Royal Government of Cambodia (RGC), established by the genuine will of the citizens, is steadfastly determined to continue fulfilling its mandate with high accountability by putting the national interests and the aspirations of the people on top of all for the noble cause of poverty reduction and socio-economic development. In this spirit, as Prime Minister of the Kingdom of Cambodia, I have laid out and committed to a successful implementation of the ***"Rectangular Strategy-Phase II"*** for ***Growth, Employment, Equity*** and ***Efficiency*** in Cambodia which is the ***"Socio-economic policy agenda"*** of the ***"Political Platform"*** of the Royal Government of the Fourth Legislature of the National Assembly.

4. The implementation of the ***Rectangular Strategy*** during the Third Legislature resulted in major achievements. This has had a positive impact on the enhanced social fabrics, the culture of peace, security, social safety, democracy in Cambodia. They also provide the RGC with the opportunity to promote decentralization and de-concentration and continue strict implementation of the reform programs in other sectors. At the same time, peace, political stability and liberalization have taken firm roots in Cambodia, creating conditions for maintaining macroeconomic stability and attracting investment, which are crucial for sustainable development and poverty alleviation. Moreover, the economic achievements have also been attributable to the efforts to build the capacity of state institutions and rigorous implementation of socio-economic development policies, with full support from the Cambodian people, cooperation from development partners and active participation of the private sector. Taking this opportunity, on behalf of the Royal Government and the people of Cambodia, I would like to express my most sincere appreciation to all development partners including the private sector for their priceless and substantial contribution to the development of Cambodia. We are confident that all development partners will indefinitely maintain such cooperation in the future.

5. Like during the previous meetings, we attend this **"2nd Cambodia Development Cooperation Forum-CDCF"** not just only to take stock of the achievements, progress and review our reform activities over the past, but also we

will discuss key aspects of our strategies and development paradigm in order to accelerate the development of Cambodia in the future. In this regard, may I briefly summarize a number of key achievements we have made so far, and highlight a number of key challenges that we are facing, and make suggestions and recommendations, laying out policy measures adopted by the Royal Government to address your concerns as well as to seek further supports from all our cooperative partners.

Excellencies, Ladies and Gentlemen:

6. The RGC still considers good governance as prerequisite to ensure sustainable development, equity, and social justice. Indeed, Good Governance requires wide participation from all stakeholders, widely shared information, accountability, and transparency, equal rights before the law and respect for the rules of law. In sum, good governance is the requirement of the Cambodian society at present and in the future.

7. The RGC has strengthened good governance through public administration reform, legal and judicial reform, capacity building and public sector efficiency, including fighting corruption in many other areas such as the accelerated implementation of the Public Financial Management Reform Program and Public Administration Reform including decentralization and de-concentration.

8. The Royal Government of the Third Legislature has taken numerous practical measures to tackle corruption. In this regard, even in the absence of the Anti-Corruption Law, the Royal Government has vigorously combated corruption through the introduction of Governance Action Plan and the adoption and implementation of a number of measures such as Law on Public Financial System, Law on Customs, Sub-decree on Public Procurement, Government circular on the Management of Non-tax Revenues, and the Code of Conduct and Ethics for Customs Officials. At the same time, the control mechanism of the National Audit Authority and the Department of Inspection, were strengthened. Internal Audit mechanisms were established in all ministries/institutions. The Anti-Corruption body has been strengthened and administrative and legal actions have been taken against officials found indulging in corrupt practices and punishment meted out.

9. The RGC is well aware that the Anti-Corruption Law is an indispensible legal instrument to fight corruption effectively. In this context, the Royal Government is strongly committed to ensure rapid conclusion and adoption of this law in close consultation with all concerned parties on the basis of all other fundamental laws that must be adopted first. The Royal Government has made improvement in the legal and judicial systems, by focusing on the development of a sound legal framework and enhancing professional capacity, independence and neutrality of the

judiciary, which are crucial for strengthening the rule of law. In the Third Legislature, a total of 140 laws were promulgated including three major codes– the Criminal Procedure Code, the Civil Procedure Code and the Civil Code. At the same time, disciplinary sanctions have been carried out by the Supreme Council of the Magistracy, while enhancing the competency and accountability of judges through initial and continuous training and the adoption of the Codes of Ethics for Judges and Prosecutors. The Center for Legal Services was established in a number of districts in order to institutionalize dispute resolution mechanisms outside the court system in Cambodia in order to reduce the backlogs at the courts.

10. The Royal Government has launched Priority Mission Groups (PMGs) in a number of ministries and agencies in order to strengthen management capacity of our institutions, introduced selection criteria and competitive examinations for the recruitment of new government officials, increased social security and functional allowances, and piloted the Merit-based Payment Initiative (MBPI) aiming at improving the efficiency, transparency and the responsibility of the public services. The *"**Single Window**"* mechanism has been launched to facilitate the public service users while embarked on the decentralization of public services at commune/sangkat level and introduction of IT-based public services. The Public Financial Management reform has enabled the Royal Government to achieve budget credibility through improved revenue collection and expenditure rationalization. This has made possible the increase in average monthly salaries from 30 USD in 2004 to 62.4 USD in 2008, a more than two fold increase.

11. In the Fourth Legislature, the Royal Government will continue to expand the coverage of the PMGs and MBPI to a number of priority ministries and agencies, in order to deepen nationwide sectoral reform programs. The Royal Government will pursue the policy of a 20-% per annum increase in base salary, compared to 10-15% in the Third Legislature. The Royal Government will continue to enhance the efficient use of information technology; strengthen the management and the development of capacity for government officials; increase the role and proactive participation of women in public administration; enhance the provision of basic public services, government sovereignty services, investment-related services, as well as provide support for small and medium businesses through the implementation of the *"**Single Window**"* mechanism; and the establishment of Ombudsman office. The Royal Government will also set up new mechanisms in providing public services through the creation of the *"**Special Operating Agency (SOA)**"* in a number of ministries and agencies, and will encourage the civil society and THE private sector to participate directly in providing public services.

12. The Royal Government will further pursue the implementation of Decentralization and De-concentration policy by developing legal and regulatory

framework and new measures to ensure effective implementation of the ***"Organic Law on the Administrative Management of the Capital, Provinces, Municipalities, Districts and Khans",*** especially the development and implementation of the legal and regulatory framework related to the transfer of power from the national to sub-national administrations by clearly identifying their role, responsibilities, power, and accountability. This law will be carefully implemented in phases. Each ministry and agency should prepare concrete Action Plans for the delegation of power and functions to the sub-national levels. De-concentration of financial management will also be implemented in a phased and flexible manner over the medium term to allow for the capacity building in public financial management at the sub national levels. The ***National Committee on Sub-National Democratic Development*** is preparing a 10-year National Implementation Program.

13. In the Fourth Legislature, the Royal Government will continue to reform the armed forces to ensure effective defense of sovereignty, territorial integrity, security and social order of the Kingdom of Cambodia.

- Excellencies, Ladies, and Gentlemen!

14. In the Third Legislature, the Royal Government has ensured stable macroeconomic management and socio-economic development.

15. However, the second CDCF has been organized against the backdrop of deepened and widespread global financial crisis. The financial crisis which has initially started in the United States and spread out to other developed countries shows the unforeseeable world economic recession, as the world had experienced during the Great Depression in the 1930s.

16. Nevertheless, since mid-2008, even though the world faced the hike of oil and food prices, the Cambodian economy still maintains high growth, albeit at lower pace.

17. In the banking and financial sectors, Cambodia's banks remain sound and this not much concern. This outcome reflected the Royal Government's well-designed package measures in anticipation of the crisis, including monetary policy and supporting policies, namely increasing the reserve requirements and minimum registered capital for commercial banks, and introducing credit ceiling in the real estate sector. Moreover, the banking and financial sectors in Cambodia are not seriously affected by global financial cataclysm, because Cambodia's banks are not widely exposed to the international financial system. In particular the operations of the Cambodian commercial banks are based on domestic deposits. Furthermore, Cambodia does not have the stock market yet.

18. The real GDP growth is projected to be around 7% in 2008. This growth rate is slightly lower than the previous years. Cambodia experienced its highest growth at 13.3% in 2005 and then decreased to 10.8% in 2006 and 10.2% in 2007. This helps reduce the poverty rate from 47% in 1994 to 35% in 2004. The rate is projected to drop to 30% in 2007. The survey showed that the poverty rate declined by 1% percent per annum.

19. The industry sector is projected to increase by 5.6% in 2008 at constant price. The industry sector, in general, has been increasing very fast. The share of this sector increased to 28.9% in 2008, more than double compared to 12.7% in 1993. This reflects the progress of the industry, especially the development of the garment sector. In addition, energy - the important sub-sector for comparative advantage of the national economy and also the key to national development, has been making considerable progress which could ensure that Cambodia would have sufficient energy with reasonable price. By the year 2030, Cambodia expects to have the electricity of up to 70% to 100% through the increase in local production and imports of electricity from neighboring countries including Lao PDR, Thailand and Vietnam. This means that the power system in Cambodia will be integrated into the system of GMS and ASEAN.

20. Although the share of the agriculture sector has been decreasing, its overall progress is still substantial. In 2008, the agriculture sector growth reached 3.5%, at constant price, in which the rice production increased more than expected. The agriculture sector has achieved high and sustainable growth rate since the 3rd Legislature of the National Assembly due to the improvement in water policies and agricultural technologies that could accommodate to the change in natural factors. The improvement in agriculture sector is the key to poverty reduction as well as contributing considerably to the growth of gross domestic product and macro-economy.

21. In general, the agricultural land has been restored to exceed the level of the pre-war period and the rice yield has increased 2.5 times compared to the period before the war. The agriculture sector in Cambodia has been gradually modernized through the increase in the use of fertilizers and the highly productive seeds. The value added growth in agriculture has increased in average of 7.2% per annum between 2003-2007, compared to 1.6% between 1998-2002, and 4.9% between 1993-1997. Rice yield substantially increased to 2.5 tons per hectare in 2007.

22. Land reform is the most sensitive area, due to the outstanding issues in the past. In implementing the land law and policies, the Royal Government has paid more attention to the measures of strengthening the system of land management, distribution and use and land ownership, land rights security, eradication of illegal land encroachment, and by taking proper measures to prevent the concentration of

unused and unproductive lands. The systematic land registration has been greatly welcomed by the rural people. In fact, we have provided more than 1 million of land titles so far. Starting from 1992 to February 2008, we have cleared more than 20,000 hectares of landmines; and the dangers caused by landmines have been reduced by 1.5 times from 800 cases in 2003 to 315 cases in 2007.

23. The forestry and fishery sectors reforms have been actively implemented in order to maintain the efficiency of management and sustainable development of natural resources. The Royal Government has effectively and efficiently prevented illegal logging and has reviewed all forest land concessions. 264 forestry communities have been created to cover the land surface of nearly 180,000 hectares in order to help protect this valuable property and about 400 fishery communities have been created in the field of fisheries. The national water resources policy is one of the extensive projects providing the base for protection, managing and using fresh and salty water with sustainability, equity to serve the public interest more efficiently. About 27% of the total farmland is now irrigated. It is estimated that, the irrigation facilities may have the potential to cover about 65% of farmland. If we can further expand the irrigation coverage, the land productivity will be increased and then Cambodia could actually become the rice basket in the region. Therefore, the Royal Government has paid high attention to the restoration and renovation of irrigation facilities and water drainage system, especially in the areas with extreme poverty and in the border areas. The members of water user communities have increased and the women participation has also been further enlarged.

24. The share of the service sector has been stable at around 38% and the sector is projected to grow by 7.2% in the year 2008. The tourism sector has continued to grow, in which the number of foreign tourists may increase about 10% in 2008. The fast growing and systematic nature of the tourism sector has become the second pillar of economic growth, after garment, providing employment opportunities to a large number of Cambodian people. In fact, in the support for the sector, the Royal Government has taken serious strides to improve the physical infrastructures such as road systems, airports, sea ports, clean water systems and electricity as well as to provide the environment of peace, safety and social order, which have been favorable to increase the number of tourist arrivals and prolong their stay in Cambodia.

- Excellencies, Ladies and Gentlemen!

25. Based on the growth highlighted above, the income per capita in 2008 is around 625 USD, which increased in average of 9.5% per annum starting from 1999. The increase in income has contributed to the increase in savings for public and private investment which requires about 22% of the GDP annually in order to achieve annual economic growth of 9.5%. The Royal Government has strictly and

carefully managed inflation by keeping it low for many years. However, in 2008 the annual inflation rate increased by more than 20% in the 1st Semester due to the pressure from the high prices of oil, consumer goods and food, as well as the depreciation of the US dollars. The inflation pressure eased at the end of 2nd Semester in 2008, resulting in an estimate of about 15% of inflation in 2008 and this rate will continue to decrease to a single digit of about 7% in 2009. Along with that, the monetary and exchange rate policies have been carefully implemented in an attempt to curb inflation and ensure macro-economic stability. The national reserve has increased up to more than USD 2 billion, which can ensure about 3.3 months of imports of goods and services for domestic consumption.

26. After the implementation of the public financial management reform, the budget revenue has increased in average of 26% per annum. The Royal Government has reversed the budget execution from the one with a chronic **cash deficit to cash surplus** by making budget more **reliable**. Through the implementation of the public financial management reform since 2004 together with the implementation of other significant reforms during 2004-2008, the revenue from customs and taxes have been collected through banking system, and the payment from the treasury to suppliers have been done through cheques, budget arrears have been cleared, procurement process has been improved and the internal auditing department in each ministries/institutions have also been strengthened. Along with that, we have improved the efficiency and equity in budget division by increasing the expenditure on the socio-economic development, especially in the sectors of physical infrastructure, education, health and agriculture and have further increased the rationale and efficiency of public spending, which is the crucial factor for strengthening our public services and reducing our people's poverty.

27. The Royal Government will continue to deeply implement the **"Public Financial Management Reform Program"**, especially the PFM Platform Two, which has been officially launched yesterday in order to strengthen the efficiency of the national budget, the key instrument for implementing the development policy of the Royal Government. In this sense, the Royal Government will continue to adhere to the discipline of public financial management in conformity to the provisions of law on public financial system. The Royal Government continues to strengthen strict management of state property according to the effective law and regulations by effectively implementing the measures to strengthen the revenue collection, all sorts of state property management as well as continuing to improve the efficiency, transparency and accountability of the management of public institutions and enterprises. The Royal Government is committed to effectively manage the revenues from the exploitation of minerals, oil and gas.

28. Moreover, the Royal Government of Cambodia has successfully implemented the action plan as set out in the ***"Financial Development Plan and Visions for 2001- 2010",*** and has updated it to become the ***"Financial Development Strategy for 2006-2015"*** with the strong commitment to continue implementing this strategy in order to achieve the results as expected.

- Excellencies, Ladies and Gentlemen!

29. The Royal Government of Cambodia has continued to restore and build some main physical infrastructures and created an enabling environment, which is stable and manageable, to attract and promote private investment. Ideally, the increase in national revenues allows us to increase capital expenditure for more investments in physical infrastructures such as transportation and irrigation, social and human resources development which are the main factors to create a sound environment to enhance and ensure the sustainability of growth and also to facilitate the redistribution of this growth more extensively. Since 1999, The Royal Government has increased the expenditure for socio-economic infrastructures. However, there is considerable demand and potential of agriculture and water resources sectors in Cambodia. We must spend more on the improvement and development of related socio-economic infrastructures, such as roads, bridges, railways, waterways, sea ports and airports, rural electricity supply and clean water distribution network, schools, and public health centers etc. Therefore, in the medium term, investments in all infrastructures are still the priorities of the Royal Government and we will warmly welcome the generous contributions from our development partners.

30. The Royal Government has achieved a remarkable progress in the development of the private sector through improving the institutional mechanism, legal and regulatory framework. The Royal Government has strengthened the "***Single Window***" approach for the investment sector, and has been successful in the areas of trade facilitation and investment including the time reduction in applying for investment permit, clear valuation of public service fees, reducing the requirements on certificates of origin and inspections, the requirements for licenses, the outlining of inter-ministries procedures for goods inspection, implementing the risk management system and customs and excise automation, reducing the informal fees for the administration processes, and setting out the legal standard and institutional mechanism to develop and manage the Special Economic Zone (SEZ) etc.

31. The Royal Government considers the private sector as the engine for economic growth and the RGC is playing both the strategist role to create enabling business environment for the private sector and the manager role for development. Based on this philosophy, the Royal Government authorizes the private sector to invest in infrastructures in the form of BOT (Build Operate and Transfer), leading to the improvement in transportation infrastructure. For instance, by 2007, the Royal

Government has authorized 17 companies to invest in BOT with the registered capital of 77.5 million USD and assets of 588 USD.

32. In this connection, the Royal Government has produced a number of necessary legal frameworks to support the private sector development. The Government-Private Sector Forum has become the effective mechanism to address common issues of the Royal Government and the private sector. Trade facilitation reform has reduced bureaucracy, which is the important step in promoting private businesses; especially in the last few years, the process of registration has been simplified. The fee for this registration was reduced from 630 USD in 2004 to 117 USD at present. Moreover, the "**Single-Window"** service was initiated and implemented in the Special Economic Zone such as in Bavet. The implementation of **"Single Administrative Document (SAD)"** and "**Single-Window"** has benefited SMEs development. The Royal Government has reduced the minimum capital requirements for the registration of SME from 5,000 USD to 1,000 USD with the only 177 USD for registration fee. The General Department of Taxation has simplified the reporting process in order to develop SMEs.

33. The Royal Government has enhanced the IT development with high quality in conforming to the international standard, with reasonable price and country wide coverage. According to the Royal Government's ***Rectangular Strategy,*** two heavy IT projects, IT for administration and E-Government, have been implemented. The main objective is to connect more closely between citizen, business people and the government.

- Excellencies, Ladies and Gentlemen!

34. The education sector development has moved into new phase by focusing on fundamental education and its quality in the context of national economic development which is more systematic. For the long term vision, the Royal Government has linked education strategy with the poverty reduction strategy through integrating educational financial planning with the public expenditure management. Indeed, during the last few years, many educational institutions were established and issues of education quality and living standard of teachers were prioritized and taken into account according to the scope of economic growth. The Government of the 3rd Legislature has published the ***"Educational Strategic Plan for 2006-2010"*** which is a component of the Government's ***"Rectangular Strategy"*** and the ***"National Strategic Development Plan 2006-2010".*** The objective of this strategy is to ensure that all Cambodian children and adults have equal opportunities in receiving the basic formal and informal education without discriminating against races, colors, gender, languages, religions, political tendencies, origin and social status. Morally, this strategic plan is connected to the education of the culture of peace, respect for human rights, legal and democratic principles and justice by fighting against violence, drug use, children and women trafficking and all types of discriminations in the society. These reflect the notion of ***"Education for All and All for Education"*** which illustrated the implementation of chapter 6 of the constitutional law on the equal rights of all people.

35. In undertaking this strategy, the Royal Government has made significant progress in ensuring equity in the 9-year basic education for all children. The number of schools increased by 30% from 6,963 in 2003-2004 to 9,018 in 2006-2007 academic year. Enrolment rate also climbs in all levels of schooling. The number of scholarships provided to poor students at secondary level rises to 45,754, of which female students account for 63.2%. The number of teaching staff increases from 73,642 in 2003-2004 to 78,606 in 2006-2007 academic year.

36. Since the 1990s when the Royal Government introduced the policy of private schools, the number of secondary schools and higher education institutions has increased significantly. Currently, there are 66 higher education institutions, of which 24 are public higher education institutions and 42 are private institutions. Along with this, government's expenditure for the education sector has risen substantially. The current budget for education sector in 2007 is nearly twice the 2003 figure, increasing from 300 to 546 billion riels, equivalent to the increase from 17.1% to 19.2% of the total current budget.

37. In the health sector, the Royal Government gives priority to the timely prevention and tackling of all kinds of epidemic diseases, people's healthcare and nutrition; and regard people's well-being as the prerequisite to human resource and sustainable socio-economic development. The Royal Government has strived to improve the overall people's welfare, especially for the poor, women and children by providing support to improve health services to ensure cost-effective, quality and accessible prevention and treatment as well as strengthening institutional capacity on financial planning, implementing strategic polices and effective human resource management.

38. As a result, child mortality rate drops from 95 in 2000 to 66 per 1,000 in 2000-2005. The under-five mortality rate also declines during the same period. Maternal mortality rate also declines from 472 to 437 out of 100,000 births.

39. Women are regarded as the backbone of the national economy and society. The Royal Government has exerted all efforts to promote the status of women through the continued implementation of ***"Neary Rattanak"*** or ***"women are valuable gems"*** to deliver value and hope to Cambodian women and stress on gender equity in economic development. The Royal Government gives priority to promoting the role and social status of women through the implementation of ***Gender Mainstreaming*** Strategy which aims at promoting women's capacity building, enhancing women's ability to participate in education and health sector, and economic resources, eliminating negative perception and attitudes towards women, and promoting women's participation in public affairs, as well as ensuring women's rights to allow them to participate actively and equitably in national

development. The Royal Government has firmly implemented various plans and strategies to ensure women's rights to health care through the establishment of community working groups and health care centers as well as through the provision of instructions on health care and disease prevention and so forth.

40. Moreover, enhancing women's standard of living, especially unemployed and handicapped women, is the priority of Gender Mainstreaming Strategy. Women development centers have been expanded to 8 provinces to train local women by providing training on the basis of market demand and small enterprises. Business development service (BDS) has been established for rural women and small entrepreneurship. The Royal Government also monitors closely the enforcement of employment-related laws and regulations to protect women at work.

41. Along with this, to tackle violence against women, the Law on the Prevention of Domestic Violence and the Protection of Victims was adopted in 2005. This law effectively and timely provides legal protection to victims, of which women and children account for the majority. The Royal Government has exerted all efforts to fight women and children trafficking since 2006. The Law on Anti-trafficking was also passed in 2008. The national plan of preventing domestic violence is being prepared to promote awareness and the implementation of women-related laws.

- ***Excellencies, Ladies and Gentlemen!***

42. Along with the above achievements, Cambodia is also facing some challenges. In particular, the quality and efficiency of public services are still limited and unable to respond to the actual demand. The quality of public health services has not reached a satisfied level. Health care and rural sanitation services as well as the supply of clean water in rural areas are below the targets set in MDGs. Judicial institutions have not fully attract confidence from the public; the coverage of legal framework is not comprehensive; and law enforcement also needs to be improved.

43. The base of economic growth which relies mainly on 4 pillars, namely garment, tourism, construction, and agriculture sector is still too narrow. Garment and tourism sector are vulnerable to external factor risks. Agriculture sector, which contributes 30% to the GDP and employs about 60% of the total population, has not reached its full potential.

44. Current economic imbalance and global financial crisis have posed a great challenge for financial situation in all countries in the world. Credit crunch in investors' countries adds further pressure to investment which will result in the disruption of project financing in our county. The decline of economic growth in developed countries has directly impacted Cambodia's exports as the demand drops.

45. Income gap between the poor and the rich, between urban and rural areas, land concentration and landless people are still on the rising trend. Moreover, major economic land concessions have not been correctly and fully utilized. Anarchy in illegal land grabbing, encroachment of state land, forestland and protection areas, and illegal forest logging still happen in some places. Along with this, poverty and migration to new lands through illegal land grabbing have built more pressure to the destruction of natural resources and this requires the government to take firm measures.

46. Restoring, reconstructing and maintaining physical infrastructure such as national roads, provincial roads, rural roads, railways, airports, ports, clean water and electricity network systematically and sustainably still represents a challenge.

47. The irrigation system has not been sufficiently developed and fully utilized; this requires further investment and more efficient management. Financing, management and technologies are still a big challenge for small and medium enterprises.

48. The domestic electricity price is higher comparing to neighboring countries, this represents a major obstacle in promoting Cambodia's competitiveness as well as investment attractiveness and standard of living. The coverage of rural electricity access is still too narrow.

49. In general, the quality of education at primary, secondary and higher education level is still low. The production and trafficking of illegal drugs have become a social issue which can affect Cambodian youths' welfare both in the present and the future. Low education, domestic violence and human trafficking hinder women from utilizing their full potential to participate in socio-economic development. Our institutional capacity is still limited due to low salary and incentives of government officials, whilst the cross-institutional cooperation is also limited, some legal documents still have some flaws, and we still lack the necessary resource to implement our policies.

- Excellencies, Ladies and Gentlemen!

50. The issues that I highlighted above regarding the assessment of our achievements, challenges, and strategic policy measures to pave the way for further progress and resolutely step forward have been detailed in the **"Rectangular Strategy-Phase II"**. I believe that all development partners have already received the document. Adding to this, the Royal Government has also prepared and disseminated at this meeting the Mid-Term Report of the NSDP 2006-2010 which is a similar review of our achievements during the last two years and identify the challenges and strategies to move forward with firm determination to overcome all barriers in the cause of poverty reduction and development. Therefore, I expect that

our two-day meeting is an appropriate time for dialogue on the achievements, as well as deficiencies and challenges we are facing in order to accelerate Cambodia's journey towards development and prosperity.

51. In this context, it is obvious that ***"partnership"*** is an important theme of our two-day forum. Working together, building up confidence and mutual understanding are the determined factors to achieve the objectives of the ***"Rectangular Strategy-Phase II"***. Therefore, while we are mobilizing resources and aligning it to implement the priority action plans; we need also to ensure that the partnership among all relevant actors to support the development activities is also effectively progressing forward. This is the spirit of commitment as stipulated in the Royal Government's "***Rectangular Strategy-Phase II"***, through implementing various principles of the ***"Accra Agenda of Action",*** endorsed by the heads of development institutions and partner countries at the Third Summit in September to strengthen country ownership, leadership, partnership and transparency among all development partners aiming at strengthening performance-based management. In this regards, I highly appreciate ***H.E. Chhieng Yanara****,* who led a team to prepare the ***"Cambodia Aid Effectiveness Report"*** that highlighted all the challenges facing Cambodia to deliver development results with those resources.

52. I am pleased to note that there are many of partners attend today's forum. The Royal Government welcomes and highly appreciates the divergent views on development from our partners that can contribute further to the strengthening of development process in Cambodia. The effort to strengthen any form of international relations and cooperation with all partners is becoming increasingly important as Cambodia is working hard to maintain economic growth and social development against the backdrop of the global economic recession. I think that the concern for the crisis ahead should not interrupt the continuous mission of poverty reduction and sustainable development. On the contrary, we should view this challenge as a valuable lesson and we have to convert it into opportunity for all relevant partners to cooperate and support each other for growth and poverty reduction. In this regards, we have to strongly commit our effort to achieve the MDGs. In this connection, I would like to propose all development partners to continue providing supports to Cambodia as usual so that it can attain its MDGs.

53. In responding to the concerted efforts of our development partners, on behalf of Royal Government of Cambodia, I would like to assure our commitment on effective, transparent and accountable use of cooperative resources offered by the development partners. The Royal Government clearly understands that those resources will not only be used for some key public services deliveries such as health, education and infrastructure, but also for human resources and institutional development.

54. The Royal Government highly appreciates the cooperation and support of all development partners. I strongly hope that we will continue the cooperation to further enhance the effectiveness of our partnership aiming at improving our cooperation based upon the principle of sincere partnership and respect for the

"***ownership"*** of Cambodia. We will discuss this issue in more details; I believe that we will reach an agreement on what we need to jointly address.

55. Finally, I would like to thank you all for your attentions. His Excellency Deputy Prime Minister ***Keat Chhon,*** an experienced and a competent leader, will represent the Royal Government to chair the ***2nd CDCF***. My colleagues will be with you to share detail programs and information on socio-economic aspects and our needs.

56. I wish you good health and success in all your endeavors and wish this ***2nd CDCF*** to proceed smoothly with success.

Thank you for your attention!