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Cambodia Development Cooperation Forum
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PRESS RELEASE

**"GOVERNMENT AND DEVELOPMENT PARTNERS
COMMITTED TO SECOND PHASE OF RECTANGULAR STRATEGY"**

PHNOM PENH, December 5th, 2008 — The second meeting of the Cambodia Development Cooperation Forum (CDCF) was held in Phnom Penh on 4-5 December 2008. The CDCF provides an opportunity for Government to engage in high-level dialogue with international and Cambodian development partners to review progress, reflect on challenges and identify actions that are required to reach the targets set out in the Rectangular Strategy – Phase II, the National Strategic Development Plan (NSDP), and the Cambodia Millennium Development Goals (CMDGs). The CDCF demonstrates Government leadership of the national development agenda while maintaining and strengthening partnerships with the international community and civil society.

The theme of the 2008 CDCF meeting was “Implementing the Rectangular Strategy - Phase II”, which was launched by the Prime Minister on 26 September 2008. The Rectangular Strategy's second phase is intended to ensure that the progress made during the previous Government mandate will be consolidated and accelerated during the next five years.

The consensus of the meeting was that the impressive rates of economic growth experienced in recent years – reaching 10¼ per cent in 2007 – were likely to slow in the period 2008 – 2010. In order to consolidate recent progress in poverty reduction, the development of rural infrastructure and in the delivery of basic services, the Royal Government will need to maintain commitment to the current reform programme, react swiftly to minimize the adverse effects of global recession on key sectors and the poorest segments of the population, and to focus on rural development and the modernisation of agriculture in order to protect people's livelihoods.

The CDCF meeting was chaired by **Keat Chhon**, H.E. Deputy Prime Minister, Minister of Economy and Finance and First Vice-Chairman of the Council for the Development of Cambodia. The meeting was attended by senior officials from all Ministries and Departments of Government, approximately 25 delegations from the international community including development partners and diplomatic missions, and a representation from civil society and the private sector.

In opening the second CDCF meeting, H.E. Deputy Prime Minister **Keat Chhon** noted that continued peace and stability had provided the foundation for impressive economic growth and rapid poverty reduction.

Government expenditure in the priority sectors – including health, education, agriculture, irrigation and other physical infrastructure – had underpinned an impressive private sector performance that had contributed to improved living standards. Looking ahead, the Deputy Prime Minister emphasised in his Welcoming Remarks that "Further improving living standards of the people, particularly those in rural areas, and ensuring an equitable distribution of economic growth among all, remains a constant concern and one of the highest priorities for the Royal Government". Implementation of the second phase of the Rectangular Strategy will therefore focus on rural development and agricultural modernisation and diversification. Formidable challenges remain, however, and, the deteriorating global economy required that macroeconomic stability be maintained together with an increased emphasis being placed on the efficient and accountable use of resources.

In his opening remarks, on behalf of development partners, Mr **Qimiao Fan**, Country Manager of the World Bank, noted that this second CDCF came at a critical point in Cambodia's development. Mr Fan congratulated the Government on a fourth year of double-digit growth and a further significant fall in poverty. But in today's challenging environment, the Government will need to undertake broad and deep changes to protect what has been gained and to sustain rapid growth. Cambodia faces complex challenges: in taming inflation, fostering broad-based growth, raising agricultural productivity and establishing a coherent safety net system. Cutting across all these challenges are the need to integrate separate institutions and processes for planning, budgeting and aid management, and the need to strengthen transparency and accountability in the management of Cambodia's public finances and natural resources. The development partners are committed to sustain the quantity, and improve the quality, of the support they provide to the Government for achievement of the National Strategic Development Plan and the Cambodia Millennium Development Goals.

The keynote address was delivered by Samdech Akka Moha Sena Padei Techo **Hun Sen**, Prime Minister of the Royal Government of Cambodia. Welcoming international development partners, civil society representatives and Government colleagues to the meeting, the Prime Minister focused his Opening Remarks on the need to consolidate and accelerate the achievements of the first phase of the Rectangular Strategy. He emphasised the need to build partnerships – across Government, with the private sector, with civil society and with development partners – to meet Cambodia's development challenges. The Prime Minister emphasised that a "culture of peace, security, social safety, democracy in Cambodia" laid the foundation for creating the conditions for growth and improvements in social welfare. This has been an important factor in the reduction of poverty levels from 47% in 1994 to 35% in 2004, with a further reduction to 30% in 2007. Continued progress would be dependent on further improvements in the agricultural sector and the continuation of the Royal Government's ambitious infrastructure investment programme.

The Prime Minister also made it very clear that he sees "good governance as a prerequisite to ensure sustainable development, equity, and social justice" and that the Royal Government is "well aware that the Anti-Corruption Law is an indispensable legal instrument to fight corruption effectively. In this context, the Royal Government is strongly committed to ensure rapid conclusion and adoption of this law" but "even in the absence of the Anti-Corruption Law, the Royal Government has vigorously combated corruption". Measures taken by the Government in land management, the protection of natural resources and the people dependent on these resources for their livelihoods have now been established but need to be consolidated and extended. Samdech Prime Minister expressed his concern on land grabbing and the need to tackle this challenge. Reforms in the legal sector would continue in line with the Rectangular Strategy – Phase II commitments, together with continued reforms in Public Administration Reform, Decentralisation and Deconcentration, and Public Financial Management.

Efforts during the Fourth Legislature would therefore be concentrated on broadening and deepening reforms by maintaining momentum in improving public service delivery, strengthening governance, improving transparency in the management of public finances and in natural resources and enhancing the public infrastructure as well as managing any adverse effects of the global financial crisis. Samdech Prime Minister concluded his remarks by acknowledging that partnership was an important precondition for tackling each of the economic and social challenges that Cambodia confronts. He observed that "Working together, building up confidence and mutual understanding are the determining factors to achieve the objectives of the Rectangular Strategy-Phase II" and that these partnerships were of even greater importance as in light of the

looming global financial crisis.

In this context, delegates welcomed the mid-term review of progress in the implementation of the NSDP, which provided a useful vantage point from which to overview progress towards the national development goals. The impressive macroeconomic performance recorded in recent years was noted, together with an associated decline in poverty, which had reduced by more than one percentage point per annum since 2004. This performance had contributed to improvements in a wide range of social indicators, including in health, education and food security. Increased integration into the global economy had also provided increased trading and investment opportunities that had contributed to the expansion of the garment, tourism and construction sectors, the main engines of growth, but this exposure to global trends now poses a challenge. Growth was estimated to be approximately 7 percent in 2008 and, although projected to slow further in 2009, the economy is still expected to perform well. The discussion on macroeconomic management therefore identified the need to prioritise expenditure on rural development and social protection, and to use the full range of fiscal and monetary instruments to stimulate economic activity while controlling inflation. Deputy Prime Minister Keat Chhon observed that "Maintaining growth, and ensuring its benefits are widely shared, perhaps summarises very well the nature of our challenge". For Government it would be important not to waver from the commitment to on-going reforms of public financial management while for development partners it was necessary to maintain current levels of support. Improved integration of strategic planning, budgeting and aid management processes are central to this challenge and Government and development partners agreed to work together through existing mechanisms to strengthen and integrate planning and budget processes. Delegates also discussed the importance of improved expenditure tracking and reporting, particularly for capital and poverty-reducing expenditures.

Reminding delegates of the social and economic importance of agriculture, the Ministry of Agriculture, Forestry and Fisheries presented a range of initiatives set out in the Strategy on Agriculture and Water intended to promote agricultural productivity and diversification as well as to ensure food security over the short and long term. It was agreed that leadership must be clearly demonstrated to ensure the implementation of this ambitious programme and Government commitments to taking this strategy forward were enthusiastically received by participants. Beyond the need to ensure continued pro-poor growth, changing patterns of food consumption and trends in livelihood behaviour informed the need for diversification. Technological change, infrastructure provision, and of a mix of public and commercial services - including extension, research, credit facilities, post-harvest technologies – were therefore identified as necessary components of an effective response. The uneven results of Economic Land Concessions (ELCs) were recognized and the performance of existing ELCs will be reviewed.

Recognising the need for coordinated social safety net mechanisms to assist the poorest and most vulnerable, delegates discussed a range of actions required at multiple levels: from the central government, at sectoral and sub-national levels. It was noted that a range of economic, environmental, and financial factors can lead to increased vulnerability, and that women, children and the elderly were often disproportionately affected. To start this process, delegates agreed to undertake a mapping and scoping exercise that emphasised the critical role of a broad range of stakeholders, including the social sector ministries.

Delegates observed that a central theme in meeting the NSDP targets across all priority sectors is to consolidate public administration reform and to strengthen the capacity of the public sector. Deputy Prime Minister Sok An therefore briefed the meeting on progress made to date and the future direction of reform. This included a recently-concluded initiative to strengthen the performance and incentive systems. The future direction of public administration reform programme will focus on developing the human and institutional context and a national seminar is scheduled to be held in January to discuss the details. Both government and development partners noted that this ambitious and wide-ranging reform will continue to face a number of challenges, including with regard to pay reform and performance management, which will be an important part of the human resource and capacity development strategies. Deputy Prime Minister **Sok An** agreed that it was important that both government ministries and development partners conformed to the requirements of the new Sub Decree 29 in the design and implementation of salary supplementation schemes. Complementary reforms will also ensure consistency in strengthening the legislative and judicial arms of Government. Finally, the Government's commitment to passing and implementing the Anti-Corruption Law was discussed as a

critical milestone in the implementation of the Rectangular Strategy.

An effective response to rural, agricultural and social safety net challenges emphasises the importance of enhanced public sector management at sub-national level and delegates therefore devoted a session of their meeting to the Decentralisation and Deconcentration reforms. After the Organic Law on Administrative Management of the Capital, Province, Municipality, District and Khan was adopted in May 2008 the next step towards decentralisation will be the development of the National Programme for Sub-National Democratic Development 2010-2019, which will consider functional assignments at each level as well as local finance and budget; accountability and oversight; and management and administration. Development partners noted that establishing adequate governance arrangements and resource allocation mechanisms would be the most challenging aspect of the National Programme's work and they stressed that it would be important to hold elected bodies accountable for decisions and results. In summarizing the discussions related to these two key reform programmes Deputy Prime Minister **Keat Chhon** acknowledged the complexity and difficulty of change and reform but observed that the clearly articulated vision set out in the Rectangular Strategy would serve to focus effort and resources.

Noting that the principles of ownership and partnership are the hallmarks of the two-day meeting, Deputy Prime Minister Keat Chhon then led the meeting through a dialogue dedicated to creating an increased understanding of the role of development assistance in supporting national development, the need for assistance to have a greater impact, and the manner in which development partners and Government could work more closely together on activities that would directly contribute to the achievement of development goals. A consensus was formed around a series of concrete proposals that would promote the effective and coordinated use of all resources, in line with commitments made by the Royal Government and its international development partners at a global meeting on aid effectiveness in Accra in September 2008. A set of "Joint Monitoring Indicators" were then agreed to identify priority goals and actions across all priority sectors to be implemented by Government and development partners in the period leading up to the third CDCF meeting. These Indicators will be monitored and followed-up in further meetings between the Government and development partners in 2009.

Emphasising the requirement to maintain medium-term financing commitments to the NSDP, the chair convened a discussion of delegates on the likely availability of external resources over the period 2009-2011. Development partners delivered joint statements of support and communicated their understanding that commitment to reforms and good governance would be an essential component of the effort to implement the second phase of the Rectangular Strategy and to ensure effective management of the economy as global conditions deteriorated. Noting these statements, and taking account of funding commitments provided by other development partners, the chair announced that combined support for 2009 was estimated to be of the order of 951.5 million U.S. Dollars.

The chair acknowledged this support and noted that the NSDP will be fully resourced until at least the end of 2010. Delegates agreed that the challenge now facing Cambodia was to maintain macroeconomic performance in the face of significant global uncertainty while also extending support to rural development, the diversification of agriculture and the protection of the poorest members of society.

The agreements reached at the meeting will be taken forward through existing Government-Development Partner Joint Technical Working Groups and progress will be monitored by the Government-Development Partner Coordination Committee. The Forum tentatively agreed that the third meeting of the CDCF will be held in Phnom Penh in May 2010.

For further information, please contact cdcf@crdb.gov.kh or visit www.cdc-crdb.gov.kh