

**Statement by H.E. Keat Chhon
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At the Follow-Up International Conference on Financing for
Development
To Review the Implementation of the Monterrey Consensus
Doha, 29 Nov. - 2 Dec. 2008
His Highness, Excellencies, Ladies and Gentlemen**

1. I am really pleased to represent Cambodia in this very important and timely International Conference on Financing for Development to the review the implementation of the Monterrey Consensus. We are meeting today under very dark clouds of continually accelerating financial meltdown of unprecedented and unforeseen proportions never known before. Terrorism continues to be a threat globally as witnessed by the latest event in Mumbai, which means that the roots of the problem remain a challenge for all of us yet to overcome. All of these may jeopardize our efforts and achievements made so far and put our common aspirations set in motion by Monterrey Consensus at danger. The meeting this time, therefore, must come up with concrete and practical solutions that momentums for meeting MDGs are maintained.
2. It is now almost 7 years since we embarked on the road to *global partnership and solidarity* to address the challenges of financing for development and adopted the Monterrey Consensus in the landmark International Conference on Financing for Development in Monterrey, Mexico in March 2002. We all recall that our main goal of the Monterrey Consensus was to *eradicate poverty*, achieve sustainable economic growth and promote sustainable development as we moved towards a fully inclusive and equitable global economic system. We also agreed on a *new partnership* between the developing and developed countries for achieving the MDGs.
3. We committed ourselves to promoting national and global economic system based on the principles of justice, equity, democracy. participation, transparency, accountability and inclusion and agreed to a number of actions on the 6 thematic areas of. (i) mobilising domestic financial resources for development (ii) mobilising international resources for development (iii) international trade as engine for development (iv) increasing international financial and technical cooperation for development (ODA) (v) external debt and (vi) addressing systemic issues on enhancing the coherence and consistency of the international monetary, financial and trading systems in support of development.
4. Significant progress has been made in a number of areas but there is a real and imminent danger of these gains and progress being negated as we meet today under extraordinary circumstances. The *enlarging financial crisis* of unimagined and unprecedented proportions has engulfed us, catching us totally unprepared. "The world is unable to fully grasp its magnitude and the extensive labyrinth of its ever unravelling complexity. The adverse effects of this man made Tsunami are spreading to all parts of the globe and posing an unprecedented challenge to policy makers and regulators to devise appropriate responses.

5. In the recently "Least Developed Countries Ministerial Conference" held in Siem Reap, Cambodia earlier this month, **Samdech Akka Moha Sena Padei Techo HUN SEN** our Prime Minister highlighted the adverse impacts that the LDCs are likely to face as a result of the *severe economic crisis* facing the globe today. A huge amount of money is being used by the developed countries to bail out their banking system and there is a real fear that this will affect their *commitment* to providing *official cooperative development financing* to LDCs. The economic downturn in the developed countries has already begun to impact on our *export market* as the demand for our goods and their prices have declined. The LDCs will also suffer from lack of FDI as this dries up since most of this is from the crisis-stricken countries. The immediate concerns, in the developing and poor countries, are that this will affect millions of jobs and send ten of millions of the poor back into the poverty trap from which they have recently emerged. The human cost of this crisis is yet to be understood and will be of unimaginable proportions, and will occur largely in the developing world.
6. The Conference has identified obstacles and constraints brought about by the global economic crisis. It is very important to take actions and initiatives to overcome these and devise effective measures that need to be implemented as a matter of great urgency. We must not lose the *momentum* towards achieving our goals under the Monterrey Consensus. The Cambodia delegation therefore attaches great importance to the results of this Conference.
7. Cambodia is moving rapidly towards integration with the global economy. Since we are less developed we have so far been only bruised by the global crisis and not very severely affected. However we are beginning to feel the pains of *high inflation, slowing economy* and *reducing exports and tourism* which have put our recent impressive success in reducing poverty at risk. We can no longer sustain double digit growth rates which we enjoyed in the past few years and the inflation will for some time remain higher than what we would like. Our immediate concern is to protect the poor from sliding back to poverty from which they have recently come out.
8. The newly elected Royal Government of Cambodia is quickly moving under its overall framework of the *Rectangular Strategy Stage II* to sustain economic growth at the rate around 7%, which is indispensable to poverty reduction, for the next five years with a more *diversified base and more enhanced competitiveness* by improving local conditions conducive to private investment and business and by optimally using our natural endowments in the rural areas where there is an immense potential for increasing *agricultural productivity*.
9. To mitigate the negative impact of the current global financial crisis on our path of growth and poverty reduction, the RGC has adopted three strategic measures for the immediate and medium term:
 - a. Focus the investment on enhancing agricultural productivity which will help broaden economic base, sustain growth, as well as accelerate poverty reduction. The renewed focus on the rural areas will also help us to immediately and directly address issues relating to poverty reduction.
 - b. Continue to mobilize resources, including the domestic one to invest in infrastructure which has high potential for promoting growth.
 - c. Strengthen the country's absorptive capacity to mobilize ODA to finance reform programs and development projects and use it in an

efficient and effective way.

10. Our experience has shown that the key to increased *mobilisation of domestic resources for development* is high level of sustained economic growth. Like a number- of other developing countries, Cambodia has been able to make significant progress in the implementation of policy which has contributed to double digit growth rates and sizeable increases in the mobilization of domestic resources in the recent past. We have been successful, and widely recognised for making great strides, in the area of *fiscal reform* through enhanced *Public Financial Management and Accountability program*. We are putting in place various measures for increasingly modernising our budgetary process, enhancing the transparency of public finance management. We are also rigorously implementing measures under the *Financial Sector Development Strategy*, which are central to the mobilization of domestic financial resources. The financial systems are being diversified and regulations strengthened to promote savings and channelling them to productive areas of the economy. Taxation is being rationalised to increase revenues and at the same time to ensure its business friendliness.
11. While Cambodia is putting sustained efforts in all these areas, the developed countries must recognise that without *substantial increase in, and better targeting of, ODA. liberalisation of trade* and end to protectionism and *opening of markets* in their countries, and the *removal of the harriers* for greater flow of FDIs, our economic growth cannot be sustained, which will have a negative impact on our efforts in increasing mobilisation of domestic resources to finance the development.
12. We welcome the commitment to increase private capital flows, particularly *foreign direct investments (FDI)* to the LDCs, landlocked countries and small-island developing States. The Royal Government of Cambodia, through its Private Sector Development Committee and its established *Public-Private Sector Forum*, has been successful in providing an enabling environment for fostering domestic and foreign direct investments in the country through a consultative process and interaction with the Private sector. It is essential to improve local conditions that affect and are prerequisite for the flow of FDIs. Hence we will continue developing the right macro-economic policies, expanding infrastructure, putting in place transparent and enforceable laws and regulations, upgrading the skills of our people and reducing the costs of doing business. We will again stress that our efforts to increase the flow of FDIs will not be successful unless the developed world agrees to open up its markets for our goods, agricultural products and services.
13. We recognise that *good governance* is essential for sustainable growth. We have put in place sound economic policies and effective institutions which are responsive to the needs of the people and improved infrastructure which are all necessary for sustained economic growth, poverty alleviation and employment creation. While overcoming obstacles to strengthen good governance, we urge the developed nations to recognise the different characteristics and specificities of countries and that *national ownership* is a must.
14. The role of *ODA* is crucial to poor countries in supporting their economic development and assisting in their efforts towards the achievement of the MDGs. We all agreed that substantial increase in ODA and other resources was required for the developing countries to achieve the internationally agreed MDGs. We were very happy when the

donors agreed to increase their efforts to target 0.7% of their gross national income (GNI) to developing countries and 0.15 to 0.2 % of their GNP to the LDCs as ODA in Monterrey. We have seen, with great concern, a decline in ODA in 2006 and 2007. However we are encouraged that some donors have already made ODA commitments as the EU for 0.56% of their GNI by 2010 and 0.7% by 2015 and the G 8 countries which reaffirmed to increase their ODA to \$130 billion by 2010. While we recognise that the current crisis and measures being adopted to resolve them puts a severe strain on the resources of the developed countries, we also see their ability, given the magnitude of the bailout and stimulus programs compared to level of ODA commitment, to fulfill the Monterrey financing pledges which is crucial for the developing countries to be able to alleviate poverty and meet the MDGs..

15. There are signs of strong partnership between the donors and recipient countries in making the ODA more effective. The 2005 Paris Declaration of Aid Effectiveness and the 2008 Accra Agenda for Action helped set up a framework for improving aid effectiveness by setting out the fundamental roles of *ownership, alignment, harmonization, managing for results and mutual accountability*. While these principles have begun to slowly contribute to more effective and efficient delivery of aid, we are concerned that in many cases, they are far from being properly and *fully* implemented.
16. The main focus of the ODA is to greatly improve *outcomes* through *managing for results* but some donors continue to focus more on *processes* which, at times, have been harmful to the objectives and goals of the development cooperation. The issue of *leadership* and *ownership* of the recipient countries in the development process continue to be undermined by the failure of some donors to *fully* implement the Agenda for Action. We need bold and innovative shifts, moving away from the tune-worn comforted zones of aid management.
17. ODA still continues to come sometimes with attached excessive *conditionality* which becomes a barrier to achieving desired outcomes. There is a need to streamline conditions and ensure that unsound policies and procedures are not forced upon the recipient countries that are detrimental to their development. The progress in *alignment and harmonisation* to establish country systems has slowed down markedly. We urge the donors and the multilateral cooperation agencies to urgently move towards the implementation of all the 5 elements of the Paris Declaration.
18. We recognise the strategic partnership role of the multilateral development banks, including the World Bank, *regional* and sub-regional development banks and other financial institutions. Actions on increasing their *funding and strengthening* aid effectiveness, to make them more relevant to the changing global economic environment and become more responsive to the needs of the LDCs and other developing countries, should be considered as most urgent. They need to change their roles as voices of the rich to preach to the poor and start looking at needs from the perspective of the recipients.
19. The successful conclusion of the *Doha Round* of negotiations is vital to fulfilling the Monterrey Consensus commitment to "trade as an engine for development". "Trade is becoming an important source for economic growth and poverty reduction in developing countries and LDCs. While international trade has expanded at a fast pace in the last decade in some developing countries and countries with economics in

transition, a considerable number of developing countries, including many of the LDCs, have remained at the margins and disadvantaged in the trade arena due to the absence of *fair, balanced and equitable market openings*. We call for commitments to increased *market access* for manufactured and agricultural products, substantial reduction and *elimination of subsidies, opening of markets* for services and effective provisions for special and preferential treatment. We must stress that without increased market access for our agricultural commodities and the reduction in the distortion in agricultural subsidies, the impediments to investment and *productivity growth in agriculture* cannot be removed which will continue to adversely impact on rural incomes and poverty reduction.

20. It is important to ensure that, in the negotiations, the developed countries refrain from imposing across the board liberalization as a blanket policy initiative and recognise that we must determine trade policies, along with related finance and social policies which are aligned with our *nationally* determined development priorities and strategies.
21. ***External debt relief*** has played a key role liberating resources which has helped us in channelling these resources to projects that contributed to poverty reduction. We seek a vigorous continuation and stepping up of debt relief commitments under the Monterey Consensus through HIPIC and MDRI. There must be urgent resolution on the *cancellation of odious debt* to reduce pressures, from debt servicing, on small and vulnerable countries like Cambodia which has emerged from a long period of conflict and to free up resources for sustainable development and poverty reduction. Cambodia calls for ***write offs*** or alternatively, provision of ***swap arrangements*** with respect to the past outstanding debts incurred during the war period dating back to 30 years.
22. We continue to face obstacles in achieving debt sustainability. *Debt Relief* must not detract from the ODA and must be in addition to the ODA. Increased ODA is very critical to Cambodia achieving debt sustainability. Therefore all LDCs, countries emerging from conflicts and those seriously affected by climate change must continue to receive ***increased grants and concessional loans*** from multilateral financing institutions as the preferred instruments for ensuring debt sustainability.
23. The financial crisis originating in the world's richest countries will impact severely on the prospects of the poor and developing countries and jeopardise the progress achieved over the last decade in reducing poverty. What astounds us is that this happened on the watch of *multilateral financing institutions*, notably the IMF and the World Bank, the very institutions that are mandated to warn and protect us from such global failures. We note, with concern that, despite several efforts, progress in ***addressing systemic issues*** for enhancing the coherence and consistency of the international monetary, financial and trading system has been limited. These have become more urgent in view of the severe financial crisis that faces us today. Hence here must be a concerted and more decisive effort to *reform* and improve the international economic system and the functioning of the global financial system.
24. The reinforcement and restructure of the global economic governance is a pressing and most urgent issue. It is an imperative that ***the Bretton Woods institutions*** should be reformed to become key pillars of a strengthened international financial architecture. There must be more ***robust cooperation*** by these institutions with ***the regional development banks*** to increase their capacity to forecast, and deal with the

management and swift resolution of such financial crisis. It is more important that the IMF and the Financial Stability Forum develop and swiftly put in place the right regulations and warning signals for the global financial system. Attention must be given to devising means to address the various unregulated activities in the financial markets. In addition, very importantly, there must be a more *equitable participation* of the members of the international community in the IMF, the World Bank and other entities such as the Financial Stability Forum, the Basel Committee on Banking Supervision and other bodies engaged in international economic decision making.

Excellencies, Ladies and Gentlemen,

25. We would like to express Cambodia's support for the Doha Outcome Document on reviewing the implementation of the Monterrey Consensus. We commit ourselves to staying fully engaged to ensuring a proper and timely implementation of the Doha Outcome Document in the spirit of global partnership and solidarity.
26. We reiterate that the current global financial crisis is a making of the rich countries, and the poor and vulnerable countries must not be made to suffer as a result of this. We therefore urge the rich nations and the developed world not to shy away from their *commitment to increasing their ODA* to 0.7% of their GNI for developing countries and 0.15 to 0.2 % of their GNP for LDCs to enable the achievement of the agreed MDGs. We also call for a faster and *larger debt relief* for LDCs and other vulnerable economies and the *increase in the grants and concessional loans* by multilateral financing institutions as the preferred instruments for ensuring debt sustainability. In this respect, we once again urge for the *write off or provision of suitable swap arrangements* for Cambodia's outstanding debt incurred during the war period dating back about 30 years.
27. We look forward to successful negotiations of the Doha Round of trade talks and agreements for *fair, balanced and equitable market openings* for our manufactured and agricultural products and services. Finally, we seek the *full implementation* of the 2005 Paris Declaration on Aid Effectiveness and the 2008 Accra Agenda for Action to enhance *greater ownership and leadership* of the recipient countries in the effective use of the ODA.
28. In conclusion, we would like to joint other speakers in expressing our deep gratitude to the Government and people of State of Qatar for their warm hospitality and the Financing for Development office for organizing this important conference.
29. Thank you for your kind attention.