ROYAL GOVERNMENT OF CAMBODIA
MINISTRY OF PLANNING

SESSION1: NATIONAL STRATEGIC DEVELOPMENT PLAN (NSDP) UPDATE 2009-2013

SPEAKING NOTES FOR H.E. CHHAY THAN
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1. It is a pleasure and an honour for me to be here and to inform you that the National Strategic Development Plan (NSDP) Update, 2009-2013 was approved by National Assembly on 31 May 2010 and is awaiting the approval of the Senate and the signature of HM the King. After these approvals, the Plan will be presented by Samdech Prime Minister at a National Launch and widely disseminated to all RGC's institutions at national and sub-national levels, Development Partners and Civil Society Organisations. According to the agenda for this session of the Forum, the Ministry of Planning is to present highlights of progress that RGC has made in implementing the NSDP 2006-2010, including CMDGs; the process of preparation of the NSDP Update, and new opportunities and challenges that need to be addressed during the period of the NSDP Update 2009-2013.

2. A hard copy of my presentation addressing these issues has been made available to all delegates. In view of the limited time allocated for this presentation, my verbal presentation will be brief. Before I begin to address the issues, I would like to remind everyone to remember that it *is only since 1999 – just over a decade ago -- that the people of Cambodia have enjoyed an environment of peace, political stability, law and order, democracy, respect for human rights and economic stability.* I am proud to state that over the last decade we have made tremendous progress in putting our country on a path of peace, sustained high rates of economic growth and poverty reduction.

3. Overall, in spite of the new unexpected challenges that have emerged as a consequence of the global economic recession and the turmoil in the global financial markets, the Royal Government has further consolidated its achievements by continuing its determined implementation of the Rectangular Strategy through NSDP 2006-2010. Notable major achievements have included:

- Peace, political stability, security and social order have been strengthened based on a firm foundation of the liberal multi-party democracy. The second free and fair commune elections were held in 2007. The 4th national General Elections were held on 27 July 2008.
- Macro-economic stability and unprecedented high, double digit economic growth has been ensured while maintaining low inflation and a stable exchange rate. Competitiveness of the national economy has been strengthened by improving agricultural productivity, building a rural economic base, and expanding the industrial sector, especially to further the dynamism of the garment sector. The services sector has also expanded rapidly. All these have created jobs and skills training for hundreds of thousands of youth.

- Through the **"Public Financial Management Reform Programme"**, budget credibility has been fundamentally achieved as reflected by substantial growth in government revenues and the rationalization of expenditure, especially to increase the current budget surplus, which contribute to expanding investments in the economic and social infrastructure aimed at enhancing public service and poverty reduction.
- Through concerted implementation of Royal Government policies, significant reduction in poverty levels has been achieved both at the national and sub-national levels.
- Remarkable progress has been made in rebuilding our social services sectors: in the education sector enrolment rates have increased and drop-out and repetition rates have declined; in the health sector infant and child mortality rates and HIV/AIDS infection rate have also declined.
- The private sector has emerged as the **"true engine of economic growth"**, and made a very impressive contribution to socio-economic development in both the economic and the financial sectors.
- Partnership with all stakeholders, especially private sector, development partners, and civil society has been strengthened.

4. On the poverty reduction front, we have made significant gains over the last decade. My remarks distributed to you provide specific details. I would just highlight a few points:

- Between 2004 and 2007, poverty headcount index declined by 4.6 percentage points *representing a reduction of more than 1 percentage point per year*.
- Substantial and statistically significant growth in real per capita household consumption has been achieved – the measure of living standard commonly used.
- Significant welfare improvements amongst the bottom two quintiles have been achieved because of improvements in a wide range of variables related to services delivery and human development outcomes. Gains are most notable in education, health, agricultural production and nutrition. Physical access to public services has improved, as measured in terms of average distances to the nearest health centre or school; this, combined with an improved road network and rising real incomes, helps explain improving rates of school enrolment and health-seeking behaviour. As a result, there is continued improvement in outcomes such as average level of educational attainment and self-reported health status.

5. Protecting the hard earned gains made so far and staying on the path to ensure future gains in reducing poverty has now added risks due to the global financial crisis.

6. With respect to progress towards the achievement of the CMDGs, we adopted nine CMDGs in 2003 – which included a 9th CMDG concerning De-Mining, UXO, and Victim Assistance. The Ministry of Planning, with support from the UNDP country office, is currently in the process of preparing the 2010 CMDG Review Report in preparation for the 2010 Global UN MDG Review that will be held in September 2010. The very preliminary analysis of work on this review of progress in achieving CMDGs indicates that:

(i) the Royal Government is on track to achieve the CMDG targets set for 2015 for goals 4, 6, 8 and 9.

(ii) even though the unexpected challenges posed by the global financial crisis and the resulting economic downturn have posed new risks, the Royal Government remains committed to protecting the hard earned gains made so far in reducing poverty level and staying on the path to work towards achieving the CMDG targets for 2015 for goals 1 and 2.

(iii). Starting from a state of total destruction of the education and health infrastructure, as a nation we have come a long way in rebuilding and rehabilitating our education and health services. Notwithstanding the tremendous progress we have made so far, in light of the magnitude of the task and the limited resources that have been available and are likely to be available in the near future as well as human resource constraints, the probability appears to be low of achieving CMDG targets set for 2015 for goals 2, 5 and 7.

7. The Royal Government's decision to prepare the **NSDP Update, 2009-2013** was taken to accomplish two primary goals. First, to synchronize the time period covered by the *NSDP Update* with the term of the Fourth Legislature of the Royal Government in order to ensure that the actions, programs, and projects of all ministries and agencies are aligned to implement our prioritized policies that are outlined in Rectangular Strategy Phase II. The second goal is to ensure that the roadmap to implement these prioritized policies by Ministries and Agencies has taken into account the potential impact of the global economic downturn on our economy.

8. To make NSDP Update 2009-2013 the roadmap for the implementation of RGC's priority policies for the Fourth Legislature, the planning methodology has been further refined. These methodological refinements are focused on identifying *who* is responsible for implementing the priority policy or policies in each area of the Rectangular Strategy II; *what* specific actions the responsible institution(s) has/have planned to implement the priority policy(ies); and the responsible institution(s) best estimate on *how* much it will cost to implement the planned actions during 2009-2013. The NSDP Update has been prepared based on inputs from each ministry and agency of the RGC. Ministry of Planning has taken concrete measures to ensure that all relevant stakeholders had an opportunity to make their inputs to the concerned ministry/agency in the preparation of ministries and agencies submissions to the Ministry of Planning.

9. The Royal Government has established a Task Force, Chaired by the Ministry of Planning, to manage the processes to further strengthen the harmonization of planning, public investment expenditures, and resources from all sources that will be available to implement RGC's public investment program. As part of this effort, the Ministry of Planning (MOP), the Ministry of Economy Finance (MEF), the Supreme National Economic Council (SNEC), and the Cambodian Rehabilitation and Development Board of the Council for the Development of Cambodia (CRDB/CDC) are working closely with the line ministries and agencies to ensure that the process of identifying the public investment projects by the ministries and agencies is closely linked to the formulation of the Budget Strategic Framework for the concerned ministry/agency.

10. Establishing "core monitoring indicators/targets" is an important part of the NSDP planning process to ensure effective monitoring of the implementation of the NSDP Update. To ensure participation of all interested stakeholders, the Ministry of Planning

established a Sub-Group of the TWG-PPR to develop a potential list of core monitoring indicators for NSDP 2009-2013 taking into account lessons that have been learned in carrying out work to monitor implementation of NSDP 2006-2010 and building on the work that had already been done in this area. The Sub-Group was asked to ensure that the proposed core monitoring indicators/targets for NSDP Update 2009-2013 meet two important criteria: (i) that each proposed indicator/target is measurable and to ensure that data to monitor the indicator/target is readily available or can be collected within acceptable time frame, and (ii) that a RGC institution has been identified and that it has agreed to monitor and evaluate progress on the proposed indicator/target. The Sub-Group had worked hard to try to complete this task and the Ministry of Planning would like to thank them for their efforts. Unfortunately, because of time constraints the Sub-Group was unable to complete the task. Therefore, for the time being, the "core monitoring indicators/targets of NSDP 2006-2010" have been left unchanged. However, as a high priority of the Ministry of Planning, the Sub-Group of the TWG-PPR is continuing its work to complete this task by June 2011.

11 For the **NSDP Update 2009-2013** period, the Royal Government has set a **target of 25,740.6 billion CR (US$ 6,278.1 million)** for public sector investments to implement RGC's prioritized policies for the Fourth Legislature. The sectoral allocations are as follows:

- 32 percent of the targeted investments -- 8,237 billion CR (2,009 million US$) for social sectors;
- 24 percent – 6,177.7 billion CR (1,506.7 million US$) for economic sectors.
- 21 percent – 5,405.5 billion CR (1,318.4 million US$) for infrastructure.
- 21 percent – 5,405.5 billion CR (1,318.4 million US$) for services and cross sectoral programs.

12 Within the framework of the Medium-Term Expenditure Framework (MTEF), the Royal Government has allocated 4,126.7 billion CR (just over 1 billion US$) for public sector capital expenditures to implement RGC's priority investment projects during the Fourth Legislature. The Royal Government is confident that the public sector investment requirements of around 4,321 billion CR (just over one billion US dollars) per year can be reached with the continuing support of its traditional and non-traditional development cooperation partners, supplemented by any new income from oil, gas and mineral sectors when commercial production in these sectors get underway.

13. With respect to new opportunities and challenges that need to be addressed during the period of the NSDP Update 2009-2013, the NSDP Update document provides detailed analysis. It would take too long for me to present all of them. I would like to share with you **Samdech Prime Minister Akka Moha Sena Padei Techo HUN SEN** comments presented in his address at the 2009 Cambodia Outlook Conference on "Cambodia and the Global Economic Crisis: Impact, Policy Responses and Actions". In his address Samdech Prime Minister highlighted that "*these challenges will require not only a more effective and dynamic cooperation between the government, its development partners and the private sector but also more effective coordination and collaboration within and across government ministries, and the development community. In key areas such as agriculture and rural development, and associated infrastructure development, irrigation and water*

resource management, and trade facilitation, I will be requiring much greater communication, coordination and cooperation between relevant ministries/institutions, especially their leaders and senior officials to ensure that development programmes are more speedily and effectively designed and implemented, and that the supporting resources provided by our development partners can be more speedily and effectively disbursed for implementation. This is no easy task but the nature of this crisis means that there has never been a greater need for us all to work together to improve our performance on this issue".

14. To meet these challenges, there is an urgent need to strengthen the capacity of the RGC institutions to deliver their services efficiently and to foster a culture of transparency and accountability. The development and implementation of a comprehensive capacity development strategy covering all public sector institutions in close collaboration with these institutions is a high priority of the RGC. There is also an urgent need to:

- Ensure that there is a greater net transfer of development cooperation grant resources targeted at the vulnerable and the poor in rural communities, especially remote rural communities.
- Significantly increase the proportion of development cooperation grant resources that are allocated and delivered to the vulnerable and the poor through programme delivery methodologies that are based on an active participation of the poor in the utilisation of these resources to improve their quality of life, incomes, and their contribution to the national economy.
- Aggressively moving towards the development of sector-wide strategies and sector-wide support programs to implement the strategies by RGC institutions with support from the development cooperation partners.

15. I would like to assure you that while we remain committed to taking full charge of our development processes, the Royal Government of Cambodia/the Ministry of Planning also remain fully committed to continue to pursue a participatory approach in the preparation of the NSDP as well as in the monitoring of the implementation of the NSDP. As we move forward, the Ministry of Planning is also committed to deal with the important issues of how to:

- Strengthen the linkages between the processes of planning and the preparation of the public investment program by the MoP, the preparation of the Budget Strategic Frameworks for line ministries and agencies by the MEF, and the mobilization of external resources by the CRDB/CDC.
- Developing and implementing methodologies that will strengthen linkages between national and sub-national planning within the sector ministries and agencies as well as the RGC initiatives under the D&D reforms.

16.` To conclude, on behalf of the Royal Government of Cambodia/Ministry of Planning, I would like to express to my sincere hope that this Forum will foster the use of development cooperation resources for the implementation of prioritised actions outlined in the NSDP Update 2009-2013 for the benefit of socio-economic development and poverty reduction in Cambodia.

Thank you.