

Cambodia New Vision

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Opening and Closing Addresses of Samdech prime minister HUN Sen to the 2nd Donor Monitoring Meeting in Phnom Penh on October 27, 1999



On his official visit to the Lao People's Democratic Republic from October 21 to 23, Samdech Prime Minister Hun Sen, together with his counterpart H.E. Prime Minister Sisavath Keobounphanh witnessed the signing of three cooperation agreements between the two countries on:

- 1) electric power,
- 2) land transportation, and
- 3) criminal extradition.

The Opening Address

"... It is a great honor and pleasure for me to meet all the representatives of the donor community again, as we had agreed on 14 June 1999. I wish to take this opportunity to extend our warm welcome to your Excellencies, Ladies and Gentlemen at the second Quarterly Monitoring Meeting.

I am delighted to have many representatives of the donor countries, international financial institutions, international organizations and non-governmental organizations here with us today. This is the testimony to the recognition by the donor community of the efforts deployed by the Royal Government of Cambodia (RGC) to accelerate the reform process. These endeavors aim at rebuilding and developing the country, in particular alleviating

poverty and to liberating the Cambodian people from the vicious circle of hunger and poverty.

I would like to welcome the World Bank mission led by Ms. Ngozi Okonjo Iweala and Ambassadors who have traveled from overseas to attend this meeting. In particular, I wish to extend our welcome to Mr. Mario de Zarnaroczy, Resident Representative of the IMF, who has just arrived in Cambodia on 26 October 1999.

I was informed that during the past three months, the five sectoral working groups have worked closely and actively with the relevant government ministries and agencies.

On 14 June 1999, it was decided to establish a working group on social sector. This group was effectively set up with four sectoral sub-groups to up-

date the developments in each sector.

These working groups have become very important and useful fora and channel for the consultation between the government and the donor community on the reform programs.

Building up on the traditionally close cooperation, I would like to suggest to this second Monitoring Meeting to focus on measures aimed at accelerating the momentum of the reforms, which had made a remarkable head start. We are conscious that only the reforms can help Cambodia break this vicious circle of poverty and bolster up a once strong and proud nation to get back its place.

I urge my colleagues in the government and our external partners to discuss in a frank and candid manner the issues and challenges facing our reforms.

As I have reiterated on many occasions the government does not consider the monitoring of the reform programs or the constructive criticism, advice and recommendations made by donors as conditionalities.

We welcome any well-thought idea and comment and consider them as concerns of our partners in development for the difficulties or achievements experienced by another partner.

Like before, my colleagues, members of the Royal Govern-

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nent, and I will spend the whole day here listening to your deliberations and remarks.

Your recommendations and suggestions will be greatly appreciated and carefully considered. From the Government side, we will have eight presentations covering important topics of mutual concerns.

The paper on Security and Public Order will be delivered by H.E. Sar Kheng, Deputy Prime Minister and Co-Minister of Interior.

H.E. Keat Chhon, Senior Minister, Minister of Economy and Finance, will address the issues of "Economic and Fiscal Reforms" and "Aid Coordination".

H.E. Chhea Song, Minister of Agriculture, Forestry and Fisheries, will present a paper on Forest Management, which will be followed by two presentations to be made by H.E. Sok An, Senior Minister, Minister in charge of the Office of the Council of Ministers: "Civil Service Reform, Good Governance, Judicial Reform" and "Demobilization".

H.E. Chhay Than, Minister of Planning, will address the social issues, while H.E. Hong Sun Huot, Senior Minister and Minister of Health, will apprise you of the problems of AIDS.

Moreover, we have made available for you overall reports on the actions and achievements attained by the Government during the first nine months of 1999 and reference papers on relevant topics.

Afterward, my colleagues and I will be happy to answer your questions or provide any clarification you may need..."■

The Closing Address

"... You have spent the whole day listening to the presentations and thorough clarifications of my colleagues on major topics related to the government's reform programs.

I understand that there is no need to repeat the details raised in the presentations. I wish, however, to take this opportunity to share with you the efforts and endeavors deployed by the RGC to push forward the reforms during the last few months and highlight the government's resolve and determination to speed up the reforms by taking concrete actions to ensure their sustainability.

During the course of the year the RGC has implemented wide-ranging reform programs with a view to achieving its ultimate objectives.

These are to ensure that peace prevails in all corners of the country, to strengthen democracy, to uphold the respect for human rights and to alleviate poverty through the enhanced mechanism of free-market economy and the acceleration of economic growth with equity.

At the Tokyo CG Meeting held in February 1999, the donor community has fully supported the government's political platform and reform measures and provided the government with recommendations aimed at sustaining the momentum of this reform process.

At that meeting I proposed to hold this quarterly Donor Monitoring Meeting and the first one was organized on 14 June 1999. It is my conviction that after exchanging views at this second meeting, you have gained more confidence that our previous statements were not made just to get a temporary reprieve or to please donors.

You may have noticed that

the policies and measures that we have announced have been transformed into concrete actions, which begin to bear fruits in all areas.

You may have been advised by the IMF Permanent Representative that on 22 October 1999 the IMF Board of Directors had approved "the Enhanced Structural Adjustment Facility (ESAF)" for a period of three years for Cambodia. This is another testimony to the progress made by the government in its reforms during the last few months.

"The Policy Framework Paper" and the "Memorandum of Economic and Financial Policies", submitted by the RGC to the IMF Board of Directors, highlighted policy actions to be implemented by the RGC in the next few years in close cooperation with the international financial institutions (IFIs), NGOs and the civil society.

Therefore, the approved ESAF is expected to accelerate and deepen the government's reforms.

The RGC has requested the Fund to disseminate these documents on the Fund's website.

I believe that our meeting can consider and use the measures and important benchmarks developed in these documents as indicators to monitor the implementation of the government reform programs in respective sectors.

At the same time we continue to discuss with the World Bank to finalize as soon as possible the conclusion of the Structural Adjustment Credit (SAC), which is complementary to the reform measures agreed with the IMF.

There is no doubt that these programs will contribute to the furtherance of our reform proc-

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ess and ensure a sound foundation for our future growth over the medium to long term.

As mentioned by H.E. Sar Kheng, Deputy Prime Minister and Co-Minister for Interior, the Cambodian people are very happy and proud that peace has now prevails in all corners of the country. This gives grounds for optimism and we, Cambodians, can look forward to the horizon of our own future with renewed hope and illumination.

We certainly know the price of peace, which was accomplished under very difficult circumstances.

Therefore, the maintenance of this priceless peace, security and social order in the country is regarded as our top priorities. To this end, during the last few months a number of concrete measures have been put in place by the RGC to sustain these achievements.

I don't need to elaborate more on the efforts to guarantee the rights and freedom of expression and the actions aimed at cracking down on murder, kidnapping, armed robberies, by imposing the ban on the use of weapons and the confiscation and subsequent crushing of tens of thousands of illegal weapons.

This is the examples that reflected the endeavors and the resolve of the RGC to protect human rights, promote democracy, strengthen security and social order and establish a favorable environment for promoting economic growth and fostering investment.

In economic and fiscal reforms, we have made steps forward to remove impediments and difficulties, which hinder this inter-twinned reform process.

Having implemented these

programs and based on the macroeconomic performance in the first nine months of 1999, we are confident that the Cambodian economy has rebounded and real GDP growth would be at least 4% as forecast. The inflation will be within the range of 5- 6%, while the exchange rate is fairly stable. During the period under review, the gross international reserves increased by 5%.

With rigorous implementation of the fiscal reforms and strict management of public expenditure, we have received encouraging results in enhancing revenue and re-orienting spending priorities. Tax revenue is projected to improve to 8 percent of GDP in 1999 compared to 6 percent in 1998.

This is a substantial improvement, reflecting a huge potential that can be achieved by the RGC through strong political will and strict implementation of reform measures. Instrumental in this effort has been the enhanced implementation of the value-added tax (VAT).

In the first nine months of 1999, revenue from the value-added tax (VAT) represented 96% of the budgetary targets, an over-performance of 21%. It accounted for 62% of the total domestic tax revenue collected in the first nine months of 1999.

Actions will be taken by the RGC to enhance the implementation of the VAT within the framework of the year 2000 Budget execution.

Particularly, the RGC will strictly adhere to the policy of avoiding ad hoc tax exemptions.

At the same time, actions have been taken to recover arrears, strengthen good governance in tax administration and combat contraband.

In this regard, an expanded

Cabinet meeting was held on 6 October 1999 to work out measures aimed at suppressing smuggling, in particular the contraband of oil products. These measures consist of both immediate and long term policy actions.

To improve management and enhance customs and excise revenues, the RGC has made public its intention to launch an open bidding to select an international company, which will provide Pre-Shipment Inspection (PSI) services by April 2000.

Moreover, over the medium term the RGC will deepen the customs reform with a view to rationalizing tariff structures and adapting to new developments, while Cambodia is integrating into the regional and world economy.

We recognize that there are some difficulties in collecting non-tax revenue and strict measures have been put in place to recover arrears from telecom firms and rigorously implement procedures to ensure direct transfer of revenue from the sale or lease of state assets to the Treasury.

While the fiscal reforms have yielded some positive results on the revenue side, the public expenditure management, in particular re-orienting spending priorities toward social sectors has been less encouraging.

Nevertheless, we are mindful of the situation. As mentioned by Senior Minister Keat Chhon in this morning report to the meeting, the Ministry of Economy and Finance (MEF) has taken a number of measures aimed at strengthening budget framework and procedures and improving disbursements to priority economic and social sectors, particularly Health.

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Within the framework of the year 2000 budget, new measures have been anticipated to improve the expenditure framework and the execution of the priority economic and social sector budgets. This can be achieved through the introduction of the Priority Action Programs (PAP) and the Public Expenditure Program (PEP), with a particular focus on Education, Health, Agriculture and Rural Development.

The RGC is conscious that the public expenditure reform, which targets these priority sectors is key to attaining successful implementation of the government's social policies and achieving the ultimate objectives of poverty alleviation.

Without a well-prepared expenditure and investment programs, we will never expect to attain the goals and targets set by the government policies, aimed at providing basic healthcare services to the population, reducing child and mother mortality rate, improving education access for children, providing vocational training to young people, increasing access by the population to clean water, addressing gender issue and curbing the spread of AIDS.

As the first step in tackling these issues, the RGC has set monthly expenditure targets for priority sectors, such as Education, Health, Rural Development and Agriculture. I therefore suggest that the relevant donor groups work closely with the government ministries and agencies, in particular the MEF to set and monitor the implementation of these targets and report to the subsequent Quarterly Meeting by providing improvement recommendations.

The next step in the monitor-

ing of government policy implementation is to set concrete indicators to check the status of implementation against public investment financed by both the national budget and external assistance. The working group on social sector should actively cooperate with relevant government ministries and agencies to successfully implement the targets.

I wish to take this opportunity to express my sincere gratitude to the donor community and NGOs for their strenuous efforts in assisting Cambodia in all these main sectors.

The report presented by the working groups and government agencies and today's discussions have shown that you have given serious attention to the implementation of the government's demobilization program. With determined resolve and full support from all quarters both inside and outside of Cambodia, in particular among the senior staff of the Royal Cambodian Armed Forces (RCAF), the RGC has achieved encouraging results in this task.

With generous assistance from the donor community, especially the technical assistance provided by the World Bank and the strong determination of the government task force, we commenced the registration phase of this program since the beginning of 1999 and so far have almost completed this daunting task.

As of late September 1999, we have removed 15,551 ghost soldiers from the military payroll. Indeed, this is just the beginning of a wide-ranging reform of the armed forces. However, this is a remarkable result achieved during such a short period.

As you are aware, the RGC has moved from general discussions on the demobilization to the

formulation of a detailed program and concrete actions. After completing the registration phase, we are expecting to implement the pilot demobilization in early 2000.

Our main concern at this stage is to work out detailed measures to assist the demobilized soldiers and establish a social safety net for them to facilitate their integration into civilian life. This is the key to the successful implementation of the demobilization program. I am aware that many donors have shared the same concerns. In this regard, I wish to clarify to all donors the government's position with regard to the social safety nets.

The establishment of social safety nets should be parts and parcels of the preparation for the implementation of the pilot demobilization to be implemented early next year. More importantly this system should be established to fit the reality in Cambodia and meet the needs of demobilized soldiers and their families with a view to facilitating their integration into civilian life and safe participation into the production process.

As I mentioned earlier, the ultimate goal of the demobilization program is to provide skill training, create jobs and transfer a huge number of the labor force into the production process as well as ensure a stable livelihood after being demobilized from the army.

To this end, the RGC appeals to all donors concerned, including NGOs, to provide assistance and to actively participate in conjunction with the government in the development and implementation of the pilot project.

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The RGC has anticipated a huge peace dividend from the military reform program. We are strongly determined to improve and implement our demobilization programs and hope to receive generous assistance from our development partners.

This morning H.E. Sok An, Senior Minister, Minister in charge of the Office of the Council of Ministers presented a comprehensive report on Civil Service Reform-Good Governance-Judicial Reform in Cambodia.

The RGC is conscious of the challenges in this area. We have established a necessary institutional framework to govern and implement this program.

A detailed work program and action plan have been prepared and modified, as the RGC has actively implemented the first phase of this complex program.

With the implementation of the first phase, including the civil service census, functional review of governmental public servants, the establishment of professional skills and introduction of new salary scales, attention is given by the RGC to the current pressing issues related to the over-bloated bureaucracy and governance.

To prevent further expansion of the civil service the RGC has restricted new recruitment to 920 people in 1999.

The recruitment was conducted through competitive exams in a transparent manner. Between May and October 1999, 2,079 redundant and irregular civil servants were removed from the civilian payroll.

Further downsizing of the civil service at the next phase will be linked to a number of conditions, including the conduct of civil servant census,

functional review of government ministries and agencies and the introduction of social safety nets for the redundant civil servants.

As I understand, you are fully aware of these programs, action plans and schedules for their implementation. In my view, strengthening good governance should be go hand in hand with legal and judicial reform, as well as the implementation of the civil service reform. This is the biggest challenge for the RGC. We have genuine political will to carry out these daunting tasks.

As a matter of fact, we have worked in this direction and achieved encouraging results. However, what I want to emphasize now is that in order to meet the challenges, it's not enough to require full implementation of the principles of democracy, through public participation in decision making. It will also be required to establish a sound legal framework, regulations and a code of conduct to ensure smooth and rigorous implementation of the reform measures and, in particular, to develop human resources with the right skills, experience, professional honesty and good moral conduct.

Therefore, attention is given by the government to providing appropriate incentives to the civil servants and the officials of the judiciary. This also requires a change in the attitude of each individual and the mentality of the whole society.

This is a daunting task, which cannot be achieved within one or two years. By so speaking, it does not mean that we can be relieved from our re-

sponsibilities at this crucial moment.

We must now jointly make strides to achieve our objectives. In this endeavor to meet the above challenges, more importantly we are required to expediently tackle the problem step by step, aim our target and accomplish this daunting task as appropriate in every direction of reforms.

With strong political will, the participation by the people from all walks of life and technical and financial assistance provided by the donor community, the RGC hopes to attain these ambitious goals.

Taking this opportunity, I wish to appeal to the donor community to pay more attention to the local capacity building. Cooperation and partnership with strong coordination in this matter will help Cambodia strengthen itself as soon as possible and ensure the ownership of its own destiny and its reform programs.

The RGC of the second term of office is strongly determined and has endeavored to prevent and tackle the forest mis-management, and improve the regulatory framework governing the forest sector. We have achieved encouraging results. Corruption and large-scaled illegal logging have been stamped out.

The government Progress Report on Forest Policy Reform, prepared by the Ministry of Agriculture, Forestry and Fisheries (MAFF) to this meeting has illustrated the achievements attained by the RGC in this area, reflecting the main directions of the reform process

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underway.

Over the immediate to short run, attention will be given by the government to establishing and strengthening the mechanism to monitor forest crimes and ensuring sustainable management of forest concessions. An independent forest crime monitoring unit was established and put into operations in early October with financial assistance by a number of donors, in particular the United Kingdom and Australia.

With technical assistance from the ADB, the RGC has commenced the review of all concession agreements and expects to finish this review by the end of 1999. Based on the outcome of the review, the RGC will cancel the agreements or re-negotiate each agreement as required. To strengthen the forest concession management, a subdecree on forest concession management was drafted by the MAFF with wide consultation with donors, NGOs and concessionaires.

This subdecree was submitted to the Council of Ministers for consideration. At the same time, the RGC is working on the draft of the Forest Law, which is expected to submit to the Cambodian legislative bodies for adoption in 2000.

Overall, the implementation of the government's forest policy has been fruitful and successful. We will rigorously implement further this policy.

This one day Monitoring Meeting will not be able to cover all issues in details and in all aspects of the current developments in Cambodia, as well

as the achievements attained during the last few months. And in fact this is not our goal. Our main objectives are to confirm to you all our frank and candid intention and our rigors in implementing the policies and improvement measures in all sectors, which have been put in place for the highest interests of our nation and people.

I wish to confirm once more that we welcome wholeheartedly your participation in monitoring our reform programs. We have to work hard in order to strengthen and improve this useful mechanism further.

At the last meeting, I proposed that relevant government ministries and agencies should work closely with the five donor working groups to set deliverable benchmarks and indicators that can be monitored to enable us making assessment for the subsequent quarterly meetings.

I was informed that these benchmarks and indicators have been set but not yet fully agreed upon. I therefore suggest that relevant government ministries and agencies should consider and discuss with the donor working groups to finalize these benchmarks and indicators as soon as possible.

I would like to express our profound gratitude to all external partners for caring about us and providing us with invaluable assistance for Cambodia's development. It is our desire and objectives to assure that your assistance to Cambodia are well placed and well spent.

We realize fully that your generosity and support has to be matched by our performance and accountability.

To this end, I would like to propose that all government agencies, which have benefited from external assistance conduct, on a yearly basis, audits of their programs and submit the reports to donors for control and assessment.

In concluding, I would like to extend to all of you my best wishes for your good health, the success of your missions and all the best.

I hope to meet you again in early 2000 before the next CG meeting in Paris.

I am delighted to announce the closing of this quarterly Monitoring Meeting between the Royal Government of Cambodia and the Donor Community. ■