

Cambodia New Vision

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**EXTENSIVE EXCERPTS OF THE OPENING AND CLOSING ADDRESSES BY
SAMDECH PRIME MINISTER HUN SEN TO THE DONOR MONITORING MEETING ON JUNE 14, 1999**



Samdech Prime Minister Hun Sen: "... welcome thoughtful suggestions and consider them to be expressions of common concerns by one partner in development for the difficulties, welfares, and progress of another partner."

Opening Address

"... I am delighted to have representatives of the donor countries, international financial institutions, international organizations and non-governmental organizations here with us today... I would like to welcome Ms. Chanpen Puckatikom from the IMF, Ms. Ngozi Okonjo Iweala from the World Bank, Mr. Nihal Amerasinghe from the ADB, and other Ambassadors who have traveled from oversea to attend this meeting. This meeting is also honored by the presence of the representatives from ASEAN countries and the Francophonie... As I said in my opening statement at the Tokyo CG Meeting last February, the Government will hold in-depth

dialogue with our external partners once every three months to do joint stock-taking of performance against goals and to consider suggestions and recommendations. Today's meeting follows from this suggestion and plays a very important role in the formalization of mechanism for the RGC and donors to jointly monitor the implementation of Cambodia's reform programs.

"... Donor Working Groups on Fiscal Reforms, Forestry Management, Demobilization and Civil Service Reforms, chaired respectively by the ADB, FAO, World Bank and UNDP Representatives, have been put in place and become an important and useful channel for discussions and consultations between the Government and the

donor community... I was also informed that the working group members have had fruitful discussions with relevant ministries and agencies on the technical aspects of a wide-range of issues.

As I already stated on several occasions, it is my conviction that Cambodia has no other choice than to implement scrupulously and rigorously the reform programs or will remain bogged down in poverty, underdevelopment and instability. We are conscious that these reform programs are nationally owned and accepted because we believe that only implementing these programs will make our dream a reality. Our performance so far has been very favorably commented upon and appreciated. However, there is so much still to be done and we should not be complacent about our recent achievements. This first monitoring meeting, therefore, is also intended to seriously consider measures aimed at establishing a strong foundation for sustainable economic growth and development with equity.

Given the importance of this meeting, I would like to urge both my colleagues from the Government and our external partners to discuss frankly and candidly the issues and challenges of our reform measures. I would certainly expect today's meeting to be a constructive debate between partners

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in development. In the end, the larger objectives of this meeting are to identify ways for Cambodia to overcome its current difficulties, prepare for sustainable development and strengthen itself for the challenges of tomorrow. I also suggest that the meeting should come up with some specific, deliverable and monitorable benchmarks and indicators which will be subject to joint assessment and evaluation in the next meeting.

My colleagues, members of the Royal Government, and I will spend the whole day here listening to your deliberations and remarks. Your recommendations and suggestions with regard to the implementation of the proposed programs will be greatly appreciated and carefully considered. From the Government side, we will have four presentations covering five topics of concern. The paper on Security and Public Order will be delivered by H.E. Sar Kheng, Deputy Prime Minister and Co-Minister for Interior. H.E. Keat Chhon, Senior Minister, Minister of Economy and Finance, will address the issues of Fiscal Reforms. H.E. Chan Tong Yves, Secretary of State for Agriculture, will present a paper on Forest Management, which will be followed by two presentations focusing on Demobilization and Civil Service Reform to be made by H.E. Sok An, Senior Minister, Minister in charge of the Office of the Council of Ministers. Moreover, we have made available for you an overall report on the actions and achievements attained by the Royal Government during the first six months of 1999 and several reference papers on relevant topics. Afterward, My colleagues and I will be happy to answer your questions or provide any clarification you may need..." ■

Closing Address

"..., on behalf of the Royal Government of Cambodia(RGC) and myself, I would like to express our profound gratitude to all of you for participating in this important meeting, providing comprehensive, candid and constructive suggestions and recommendations and expressing concerns about Cambodia's development.

I am very grateful for the attention given by the donor community to the request I made at the Consultative Group (CG) Meeting in Tokyo in last February to hold this quarterly Donor Monitoring Meeting for Cambodia. I would also like to express my great appreciation for your strenuous efforts to put in place a practical monitoring mechanism in Cambodia through the establishment of Donor Working Groups for important, sectoral issues which represent key issues for the RGC's reform programs. As a result of these efforts, interactions and dialogues at the technical level between government ministries and agencies concerned have been established. This is testimony to the great attention given by our development partners to the welfare and prosperity of the Cambodian people. I wish to extend my sincere congratulations to this proactive and efficient collaboration and cooperation.

As I have stated on many occasions, the RGC does not regard the monitoring of the implementation of the reform programs, constructive criticisms, suggestions and recommendations provided by donors as conditionalities imposed on us. We welcome any thoughtful suggestions and consider them to be expressions of common concerns by one partner in development for the difficulties, welfare and progress of another partner. All reform measures designed and currently implemented by us are Cambodia's own needs. Therefore,

these are Cambodia's own matters. I told my colleagues and my compatriots that reforms are a life-and-death issue for Cambodia. Only if we jointly implement the reforms we will hope to break this vicious circle of poverty and ensure our once strong and proud nation resumes its rightful place. On the contrary, if we avoid reforms, we will lose the opportunity currently before us and continue to be bogged down in poverty, internal strife and prolonged instability. We do not scrupulously implement our proposed reform programs to please anyone. They are Cambodia's overriding needs and are designed to benefit Cambodians from all walks of life. We welcome and accept all constructive suggestions and recommendations for they respond to our needs for reform. In other words, both Cambodia and the donors have similar concerns and have paid much attention to address them.

Moreover, as an aid recipient country Cambodia should assure donors about its transparency and accountability. In this sense, donors should be able to make their own assessment whether the recipient deserves to receive the assistance. Therefore, donors' monitoring of the implementation of the government's reform programs is an important part of this process, and Cambodia welcomes it.

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 my view on a number of issues with regard to the reform process underway in Cambodia and highlight the government's resolve

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and determination to speed up reforms through joint efforts and concrete actions.

At the last Tokyo CG Meeting in February 1999, donors expressed their full support for the RGC's policies and reform programs, providing the government with many important recommendations aimed at pushing reforms forward. I am confident that after today's discussions and exchange of views, you can feel assured that what was announced by the government at the last CG Meeting was not just to gain a temporary reprieve from criticism or to please the donors. You can see that many of the policies and measures announced at the meeting have been transformed into deeds and concrete actions which have started to yield results on all the fronts.

Soon after the formation of a new government, Cambodia managed to regain its seat at the UN, dismantle the political and military organization of the Khmer Rouge, ensure a successful CG Meeting in Tokyo and recently become a full member of ASEAN. Political stability and social order have been restored, and national reconciliation has materialized and strengthened further. Cambodia's prestige and image are rising. Cambodians, who are at peace for the first time for the last few decades, can look to the horizon of their own future with renewed hope and illumination. Security and social order in the country have gradually improved and strengthened. During the last few months the RGC has implemented concrete measures in order to enhance these achievements. The guarantee of the right and freedom of expression, coupled with the immediate and efficient measures aimed at cracking down on murder, kidnapping, armed robberies, the recent ban on the use of weapons and the confis-

cation of tens of thousands of illegal weapons, reflect 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.

The government's reform programs for major sectors have been implemented and have achieved remarkable progress. As Senior Minister KEAT CHHON stated, there has been substantial progress in implementing fiscal reforms. The government has adopted a firm stance to vigorously implement new measures aimed at improving the tax and budget systems. The value-added tax (VAT) has been strictly implemented despite complaints voiced by some quarters. As a result, VAT has played a key role in Cambodia's tax revenue structure. The RGC continues to adhere to the policy of avoiding tax exemptions. In this regard, last week's Cabinet meeting on 11 June 1999 considered and approved the amendment of some provisions of the Governmental Decree No 88/97 on the Implementing Regulations for the Law on Investment with a view to tightening incentives granted to investment projects. With the new amendment, the production of consumption goods, telecommunication services and the exploitation of natural resources, except oil and gas exploration, were removed from the list of suggested areas of investment to which incentives apply. Within the framework of this amendment, the RGC decided to increase the investment capital for a number of sectors eligible for incentives, such as the manufacture of apparel and other textiles, furniture and fixtures, chemicals and allied products etc. One of the key points of this amendment was that the RGC removed duty-free imports of petroleum products

from the list of investment incentives which may be requested by investors. In this spirit, over the medium term, i.e. before 2001, the RGC will review the Law on Investment in the Kingdom of Cambodia.

In order to improve management and customs duty collection, the government will strengthen the Pre-Shipment Inspection (PSI) mechanism. At the June 11, 1999 Cabinet Meeting, the government adopted a unanimous stance on this matter. The RGC will strengthen the PSI mechanism by widening the scope of PSI, except for a few sensitive goods. The RGC is considering shifting the burden for PSI service charges to importers and will negotiate with the company providing these services to lower its fees to a mutually acceptable level.

Some donors have expressed their concerns about the transparency and accountability in using revenue generated by the RGC from the introduction of quota auctions and management fees for garment exports to the US. As the Head of the Government, I issued an order to collect this revenue and transfer it to the budget. Last week's Cabinet Meeting decided to deposit 50 billion riels generated from this source into a special account at the National Bank of Cambodia (NBC), which is earmarked for social priorities and counterpart funds for donor-financed projects next year. The remaining revenue will be used to reach the 1999 budgeted targets.

The RGC recognizes that its major challenge lies in the area of non-tax revenue collection. Indeed, the decline in revenue from timber royalties is attributed to a number of factors, notably the implementation of the government's stringent policies and measures with regard to forest management. Nev-

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ertheless, the Government considers this decline in timber royalties as a short-term pain that we have to accept in order to realize long-term benefits of implementing the forestry policy reform. Without taking these measures, it will be more difficult to eradicate corruption and crack down on illegal logging and the destruction of our forest resources in the short run.

Nevertheless, the RGC is mindful of the situation. In order to improve the management of state assets and enhance the collection of non-tax revenue, the RGC gave instructions to all government ministries to ensure strict implementation of the Prime Ministerial Order, dated 25 December 1997, on the Management of State Assets. The government will revise this order with a view to widening its scope to cover all physical, financial and intangible assets and ensure its efficient and transparent enforcement. In this regard, an order was issued at the Cabinet Meeting on 2 April 1999 requiring an immediate and full transfer of non-tax revenues generated by the line ministries to the Treasury. The Council of Ministers also required a direct transfer of revenues from the sale or lease of state assets to the Treasury.

The RGC has also paid attention to the recovery of arrears from the private sector, which constitutes another major source of revenue. The government has implemented recovery measures through coordination and cooperation between the Department of Taxation, the Department of Customs and the Council for the Development of Cambodia (CDC)/ Cambodian Investment Board (CIB). Businesses are required to pay tax arrears in order to be eligible for tax exemptions for their investment projects. The government will further strengthen this mechanism by introducing a nation-wide tax identi-

fication number. Moreover, the government will take further steps to recover all arrears. I wish to take this opportunity to appeal to all businesses to clear their arrears with the government in a timely and voluntarily manner in order to avoid tough measures, which could be detrimental to their reputation and image.

Over the short to medium term, attention will be given by the RGC to expenditure rationalization. Our main objectives are to re-orient spending priorities from defense and security towards the social sectors -- notably Education, Health, Agriculture and Rural Development -- by introducing measures aimed at enhancing the budgetary transparency, improving monthly expenditure allocations and strictly upholding budgetary discipline. The RGC will take strides to ensure that the 1999 budget reaches its targets on both the revenue and expenditure sides. Over the medium term, the RGC's efforts to rationalize expenditures should be concentrated on strengthening the mechanism to ensure budgetary discipline and introducing the multi-year, rolling, public expenditure program (PEP). It is also worth noting that the success of the expenditure rationalization is contingent on progress in the implementation of the military demobilization and civil administration reform programs.

Given the importance of fiscal reforms, the June 11, 1999 Cabinet Meeting spent the whole day debating the government structural adjustment programs and adopting a Governmental Circular on Measures to Enhance the Efficiency in Managing and Implementing Economic and Fiscal Reforms. This circular consists of detailed measures aimed at intensifying economic and fiscal reforms. I understand that the circular has been distributed this morning for your information. Moreover, the Gov-

ernment is in the process of negotiating with the IMF and the World Bank on two important programs: the Enhanced Structural Adjustment Facility (ESAF) and the Structural Adjustment Credit (SAC). These programs will contribute to the furtherance of our reform process and ensure a sound foundation for our future growth.

I am confident that all of you have followed very closely the developments in the identification and removal of ghost soldiers from the Royal Cambodian Armed Forces (RCAF). With strong determination and full support from all corners of Cambodia and outside, in particular from the RCAF senior officers, the RGC has achieved a very encouraging result in this endeavor. Indeed, this is merely the first step in the military reform program. However, we note positive signs. After only a few months, we have removed from the military payrolls 12,868 ghost soldiers and 105,234 ghost dependents. As a result, some nine billions Riels were saved in this fiscal year. These figures do not include savings from the provisions of rice, uniforms and other supplies to those ghost soldiers. This attests to the fact that Cambodia stands to gain a substantial peace dividend from measures taken to reform the armed forces.

As you are aware, the government is moving from general discussions about military demobilization towards designing comprehensive programs and work plans. I wish to elaborate further on the government's action plan on the implementation of the military demobilization program. The first phase of the Cambodian Veteran's Assistance Program (CVAP) consists of the registration of RCAF personnel. The registration has been carried out in a transparent manner with the participation of

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donors concerned and with full support from senior military officers who have provided the government with reports, on a voluntary basis, on the number of ghost soldiers and ghost dependents and other irregular cases. Another important aspect of this phase is that the output from the registration will be used to establish an accurate, computerized payroll, which is the cornerstone of military reforms. The registration is expected to be completed in October 1999. During the second phase, the government will implement a pilot project to demobilize the military in December 1999-January 2000. At the same time, a detailed demobilization program is being designed and will be completed by mid-2000. Our main concern at this stage is to provide allowances to the demobilized soldiers and establish a system of safety nets which will enable to re-integrate smoothly and fully into civilian lives. This is the key to ensuring the success of the implementation of the military demobilization program.

Another big concern in this endeavor is the continuation of assistance to the families of those soldiers who lost their lives in combat. At present, this is the responsibility of the Ministry of Women's and Veterans Affairs. It is true that the government's policy is to use the savings from military demobilization for social priorities, including assistance to the families of the soldiers killed in action. However, in the short run, the government has insufficient resources for this purpose. I would like to appeal to donors to give due consideration and support to the efforts of the RGC to address this problem.

The RGC is very much encouraged by the valuable assistance from its development part-

ners to implement this project. Frankly speaking, however, the assistance that we have received so far is lagging behind the level needed to fully implement the programs. More assistance is required to implement pilot projects in a number of provinces. The RGC has displayed a strong determination to implement its demobilization program and is relying on the generous assistance from its partners in development.

I wish to stress the importance of external assistance to this reform program. At present, I am very concerned that if the assistance is not provided or is provided with delays, it could derail reform efforts or delay the whole reform process. Therefore, I would like to take this opportunity to appeal to the donor community to assist us in a timely manner.

While talking about removing ghost soldiers from the armed forces, you may also wish to ask questions about chasing ghost workers out of the civil service. This program was implemented even during the first term of the RGC. It is important in terms of downsizing and improving the efficiency and responsibilities of the civil service. Between 1996 and 1998, a total of 17,685 ghost workers were removed from the government payroll. This is a good start for the administrative reform. Considering Cambodia's current capabilities and needs, the optimization of the civil service constitutes a priority of the civil service reform. However, the next step in the administrative reform should be linked to a number of conditions, including a civil service census, analysis and functional review of all ministries and government agencies and the establishment of safety nets for former civil servants. Without conducting a reliable civil service census in a scientific manner, it is extremely difficult for the government to come

up with a precise number of redundant workers to be removed from the payroll. Therefore, the RGC plans to complete and fully operationalize a computerized management system for the payroll by the end of 1999 and complete the civil service census by March 2000. Nevertheless, the RGC has displayed resolve to remove from the payroll all ghost and irregular workers identified during the implementation of the above program.

Over the short term, in order to curb further bloating of the civil service, the RGC is taking measures to impose strict limits on new hiring. In 1999, the government will also move to further downsize the civil service through normal attrition, namely by requiring more than 2,000 government workers and 3,000 teachers to retire. This unanimous decision--the toughest measures taken so far--was made during the June 11, 1999 Cabinet Meeting. Teachers have been given a grace period even after reaching retirement age, due to acute shortages of teachers. From now on, education personnel reaching retirement age will be subject to retirement. To address the shortages of teachers the RGC will authorize the Ministry of Education, Youth and Sports (MEYS) to employ contract teachers. I think this is an appropriate measure aimed at downsizing the civil service and addressing the shortages of teachers.

Another topic of most serious concern to us in Cambodia and one that has repeatedly attracted international attention is the issue of forest management. The new RGC is determined to curb and crack down on illegal logging and improve the forest management system. We have achieved encouraging results. The issue of corruption and illegal activities in forest

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management was efficiently addressed. Overall, a few cases of small-scaled illegal activities, notably illegal transportation of timber, were reported. At present, the RGC has concentrated its efforts on the establishment and strengthening of a monitoring mechanism to track down forest crimes and put in place a system for sustainable forest management. With the technical assistance from the ADB, the RGC will conduct a review of all concession contracts and expects to complete contract review by June 2000. During the review process the RGC will cancel those contracts that are in violation of contract terms or the laws of the Kingdom of Cambodia. An order was issued by the June 11, 1999 Cabinet Meeting to the Ministry of Agriculture, Forestry and Fisheries to continue to strictly implement the Government Notification (Prakas) No. 1, dated 25 January 1999, on Measures to Manage and Crack Down on Illegal Logging to ensure sustainable forest management. At the same time, the Council of Ministers will finalize the draft Law on Forest Management by the end of 1999 for submission to the National Assembly for approval.

Overall, the implementation of the RGC's forest policy is on the right track. However, after cracking down on large-scaled illegal logging, the RGC is faced with other challenges.

First, illegal clearing of natural forests and tree plantations for personal land use in all parts of the country has become a hot issue, which requires immediate attention and solution. As the Head of the Government I have taken personal interest in addressing many cases of illegal land grabbing. The RGC has recently confiscated many plots of land grabbed by some powerful, crooked officials and given them

back to the state or to their previous owners. To establish an adequate legal framework for land management, the RGC will speed up the adoption of the new Land Law by the end of 1999. The RGC issued an instruction to immediately establish municipal or provincial committees to address land disputes.

Second, illegal tree cutting by the poor for home construction and day-to-day consumption, such as field work and firewood constitutes another challenge, which exerts increasing pressure on forest resources. It will take time to address this issue, for an alternative source of cheap energy needs to be identified, habits need to be changed and in particular the incidence of poverty needs to be alleviated. The RGC took an immediate measure on 30 April 1999 to reduce tariffs on certain energy imports - such as coal and gas - to encourage the population to use these products as substitutes to firewood. The RGC welcomes any assistance to address this matter.

These reform measures have become my personal and my government's daily concerns. Through concrete measures, we hope to ensure an environment conducive to the long-term development of Cambodia. At the Tokyo CG Meeting held in last February, I stated that before the first decade of the next century ends, Cambodia would like to fully reclaim its destiny, be a real partner in regional and global affairs and be well on its way to becoming a truly free nation, free from want and poverty above all. I am confident that only with these reform measures will Cambodia attain these ambitious goals.

I do not want to take too much of your time going into all aspects of developments in Cambodia and what we have achieved during the last few months. My intention is to assure you of our sincerity and

seriousness in pursuing progressive policies and measures in all sectors, which have been designed by us for the benefits of our country and people. I wish to repeat once again that we welcome wholeheartedly your participation in the monitoring of the implementation of our reform programs. We believe that this is a useful mechanism which needs to be further strengthened and improved. I fully support the initiative of setting up a Working Group on Social Policy in addition to the other four already established. To strengthen transparency and the participation of donor in the monitoring activities, I urge the government ministries and agencies to hold a monthly meeting with the relevant Donor Working Groups to discuss, exchange views and monitor the implementation of the sectional reforms and do joint stock-taking of performance against goals. I also recommend that relevant government ministries and agencies should work with respective Working Group within this coming month in order to come up with specific, deliverable and monitorable benchmarks and indicators which will be subject to joint assessment and evaluation in our next meeting.

In concluding, I would like to extend to all of you my best wishes for your good health, the success of your missions and your personal safety. I promise that we will meet again in three months.

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