

Cambodia New Vision

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11 August 2005 (With Unofficial Translation of Selected Comments) Inaugurating Svay Rieng's Special Economic Zone



Samdech Hun Sen with People at the Launch of the Special Economic Zone in Svay Rieng's Chantrea District.

... On behalf of the Royal Government of Cambodia (RGC) and myself, I would like to take this opportunity to express my deep appreciation and gratitude to the Chief Executive Officer of Manhattan company who expresses confidence in political and economic condition in Cambodia by investing in the production of bicycle and motorbike factories and all kinds of spare-parts factory. I would also like to thank Venerable Buddhist monks, local authority and all levels of civil servants, arm forces, excellencies, ladies, gentlemen and our beloved compatriots for establishing favorable climate to attract the investments to this province.

At the same time, allow me to express my profound thanks for the immense participation in this ceremony. Your presence not only reflects the supports to policies of RGC in private sector development, but also encourages more investments to this

south-eastern province. Moreover, this special presence strongly encourages me to exert double efforts in availing policies and strategies of the RGC to achieve poverty reduction especially upholding living standard in the rural areas through *"the promotion of high economic growth and equitable distribution of benefits from the growth."*

Undoubtedly, one of the poverty reduction policies is to provide more opportunities and to create more jobs in which the policy to attract private investment is the most vital in the national development. In this regard, the RGC considers private sector as **"engine of economic growth"**. Strengthening government and private sector partnerships must go smoothly with cautious economic intervention as well as strict preparation and implementation of regulations with full support and effective facilitation

(Continued on page 2)

29 August 2005 (With Unofficial Translation of Selected Comments) Opening HRD Master Plan Development Seminar

... It is my great honor to be invited as a participant of the national seminar on capacity development. Taking this opportunity, I would like to express my sincere thanks to H.E. Sok An, Deputy Prime Minister, who initiates such a beneficial idea for administrative reform in order to seek the consensus on a broad concept on institutional and civil servant capacity development. This will help the civil servants fulfill their work with high responsibility, efficiency and professionalism. Today, I would like to take the opportunity to talk about State Reform in general and particularly the

Administrative Reforms that are at the heart of the Royal Government strategy for sustainable development, social justice and poverty reduction. First, I would like to outline the context of our reforms. Doing so, I will sketch for you the progress that has been made in a mere ten years since the formation of the first Royal Government following the Paris Accords. Moving to capacity development and the development of human resources within the Administration, I will then outline elements of vision to develop human resources, our most important of

(Continued on page 5)

17 August 2005 Opening the Anti-Corruption Draft Law Seminar

... I would like to highly appreciate the great efforts of the Ministry of Parliamentary Affairs and Inspection in preparing this draft law on anti-corruption and especially in organizing this important seminar. I strongly welcome this seminar with three reasons:

- i. From now on the public will be aware that the draft law on anti-corruption that the Royal Government of Cambodia has solemnly committed to create is now being formed. Remaining doubts on this matter will be finished.
- ii. This earnest and important seminar today, joined by national and international experts, law makers as well as experts from countries that have tremendous experiences in combating corruption, will provide this draft law with comprehensiveness

and transparency.

iii. It is clear that straightforward comments and ideas emerged from this seminar will provide encouragement and support to the Royal Government's commitment in having an accurate and good law on anti-corruption.

We are all clearly aware that corruption is the factor that entices individuals to act in opposite of their duties by using promises and bribes. Corrupt activities can be compared to illegal collection of fees from the people. Moreover, corrupt activities are complicity between individuals in carrying out mali-

(Continued on page 8)

In This Issue

- 1) EPZ in Svay Rieng, P. 1
- 2) HRD Master Plan, P. 1
- 3) Anti-Corruption Draft, P.1

(Continued from page 1)

from all related institutions. In this spirit, we must take into account the actual measures in order to promote deeper systematic reforms targeting to facilitate private sector development and to enhance good environment for investment, trade and enterprises in Cambodia. We must further strengthen our partnership and fulfill more tasks targeting to implement our policy in promoting SMEs and agriculture, to reduce administrative procedures, and to orient trade strategies. In this sense, we must promote the diversification of exported goods, facilitation of supply networks and formation of networks across economic areas. In fact, the establishment of Export Processing Zone, **Manhattan**, is derived from the logic of regional integration and this is an attempt to penetrate the market and to take benefit of comparative advantage in labor intensive production sectors for Cambodian economy. In this context, we intend to develop the corridors of economic growth along the borders such as creating **Manhattan** Export Processing Zone in Chantrea district, Svay Rieng province to be as a model.

Without any doubt, we must make a clear analysis on every aspect in order to ensure a balance interaction between the initiative to establish the Export Processing Zone and the promotion of small and medium enterprises by not neglecting the environmental concerns as well as human resource development. In this sense, our main objective is to create jobs for Cambodian youths as well as promoting economic growth in order to reduce poverty for the nation.

Moreover, the strength of the private sector is a key for economic development. Therefore, it is essential to enforce laws,

rules and regulations and to strengthen institutional capacity to facilitate all activities of business and the private investment, especially, to promote fair competition, transparency, accountability and prosperous and fruitful relationship between the public and private sector. Laying on this foundation, the investment climate will certainly improve, especially, it will bring about progress for the whole national economy. Hence, I would like to announce that *“Cambodia is fully open for business and the Royal Government of Cambodia will try its best to guarantee the favorable environment and the success of every enterprise in Cambodia.”*

The establishment of this Export Processing Zone in Svay Rieng province is not coincidental. However, it clearly reveals a wise and maturity of the RGC in imposing long term national development strategy. Furthermore, this policy will promote the maximum use of the potential factors in order to craft competitive advantage of Cambodia in the context of globalization aiming at sustainable and equitable economic growth.

It is true that the creation of the Export Processing Zone has brought tremendous benefits for the Cambodian nationals as a whole. The illuminating benefits are from gathering of investment in this zone, for instance, the investment by Manhattan to build factories which will be breaking the ground shortly. Indeed, these factories will serve as the copious policies and strategies of the government in developing the economy as well as protecting national sovereignty. Moreover, besides serving as the exporting policy of the government, the creation of this Export Processing Zone will create new jobs for those who reside in this area and therefore, help increase their families' in-

comes. As a result, the number of people moving to other locations for new jobs will decrease. Moreover, it may attract near-by people into this area. This likely movement can transform this area into a newly developed region along the border and become an effective mean to protect our national sovereignty.

According to the report made by the governor of Svay Rieng, I have found out some of the outstanding achievements as follow:

i. *The infrastructure development, especially, the national road number 1, which complies with the international standard, the construction of rural roads and the rehabilitation and construction irrigation networks for the agricultural purposes.*

ii. *A noticeable improvement in educational facilities in which hundreds of new schools have been built. Another remarkable and significant achievement is the establishment Svay Rieng University.*

iii. *Tremendous efforts made by the people of Svay Rieng to mobilize benevolent people in helping to rehabilitate and build the achievements in their province.*

iv. *With the current efforts made to attract investments, Svay Rieng now has many companies operating, including **Manhattan**. Besides, the province still faces some difficulties in the agriculture sector, for example, the pace of production is still slow compared to the year 2004.*

The great achievement of Svay Rieng province would not attain without the efforts and the contribution from your venerable monks, arm forces, excellencies, local authorities, all Cambodian people, national and international organizations and benevo-

lence people who bond together to build those achievements.

Indeed, the RCG recognized that both economic and social achievements are not yet fully response to the needs of our people. Even though, economic growth has been made, investment has been increased, employment issues have been addressed, hundred of schools and hospitals have been established, thousand kilometers of roads have been rehabilitated and repaired to facilitate the traffics, better living standard; there still remained general unresolved difficulties. It needs more time and more efforts to attain an appropriate living standard for our people and our national development...■

Selected Comments...

... Today, it is my great pleasure to join with all of you for the inauguration of the first special economic zone – Manhattan Export Processing Zone, in the commune of Bati, Chantrea district of Svay Rieng province. It is indeed new achievement of its kind and a model economic creativity of the Royal Government of Cambodia. With Mr. Clemens Young, I first attended the inauguration of the textile factory in Kompong Cham and the groundbreaking of more factory buildings. After that I went to Mehmot on September 5, 2001 in the commune of Tamoung for the launch of cotton plantation as a source of supply to the textile factory.

... As far as the investment project is concerned, I learned that Mr. Young has made significant development and success in operation such a special economic zone in the Philippines before he brought this development to Cambodia. I wish to take this opportune moment to express my sincere appreciation for HE Deputy Prime Minister

(Continued on page 3)

(Continued from page 2)

Nhek Bun Chhay, HE former Governor of Svay Rieng Hun Neng and HE Governor Cheang Am as well as staff of the Cambodian Development Council for pooling efforts in making EPZ a reality. Thanks also go Samdech Krom Preah Norodom Ranaridh who co-chairs the CDC with me for the support and encouragement given for this development.

... What do we mean by special economic zone or export processing zone, its by-law, infrastructure, etc? It is true that the EPZ that we put into operation today has taken shape prior to the existence of law, and I welcome the call for speedy approval of such a law by the investors concerned. While waiting for the development of such a law, we could use the current investment law for the sake of this kind of investment. When there is a change in governorship between HE Cheang AM from Kompong Cham to take over from HE Hun Neng of Svay Rieng, I have suggested HE Nhek Bun Chhay to oversee the smooth operation, which in the end led to the construction of office for administration of the EPZ today.

... We are now standing along the Cambodian-Vietnam border. We have now put factories along the border rather than adding them in cities. We have looked instead to favorable condition for export-oriented productions, as EPZ sits right close to export gates. We have now just a few factories in EPZ, but more will come. We want EPZ not only in the province of Svay Rieng but in various other spots along the border with Vietnam, including one more project for Phnom Den zone in the province of Takeo, which is now being studied at the CDC, while consideration is placed upon a number of zones between Vietnam's Tay Ninh and Cambo-

dia's Kompong Cham, and that of Cambodia's Snuol with Vietnam too.

... We also have projects to set up three such zones on the border with Thailand at Koh Kong, Poi Pet and Pailin. Koh Kong and Poi Pet would enjoy the priority to develop into EPZ, maybe similar to that of Svay Rieng today. I welcome the idea of making it a one-window-service zone with an aim to abolish bureaucracy relating to issues of trade facilitation from production phase to export, which investors are looking for. In some countries, the Government put in money for purchasing land and placing required infrastructure prior to appealing for investors to come operate in the zone. In Cambodia, that kind of possibility is not in place so private sector has been welcome to invest in developing the above needed facilities.

... As far as infrastructure is concerned, the soft part is legal issue that we have yet to come up with. However the hard part of infrastructural development – water system installation, drainage system, electrical wiring, etc. is the basic requirement deemed necessary by investors. Therefore, factories could be set up not only in cities with existing infrastructures needed, but they can be placed in zone with favorable economic conditions – especially transportation, electricity, etc. The EPZ investment here would reach in steps to US\$ 30 million, when in full operation we will have about 15,000 jobs with total export cost of about US\$ 300 million.

... What we should all see is that Cambodia has got access to various markets that we have yet to supply them with our goods. As a member of the World Trade Organization (WTO) Cambodia has so much market potential, which some countries have got quite the opposites.

Therefore it is indeed a plus if one could look into a combination of the two situations – investors come to Cambodia to produce goods, and make use of Cambodian potential for export, from which both sides will surely benefit. Cambodia will achieve its goal for socio-economic development, while investor will certainly expand their business from such an export-oriented investment.

... I am strongly encouraged because it is a good start that we have here. I understand that it is a heavy work to seek cooperation and mutual understanding between companies and local citizens through help provided by the local authority. Initial development of EPZ encompasses an area of about 240 hectares of land. It was ridiculous to have seen reactions from some people that such an investment would make our people landless. It is the lowest-yield rice producing area of the country where people could grow rice only one time per year. If the yield of rice from this land ever reaches 480 tons of rice per year, this size of land would feed about 240 households. Once converted into industrialized zone, the area would feed 15,000 households, while not including yet taxes incurred by the state.

... However, I would not accept any move to occupy land illegally or to confiscate legal property of the people. The project has so far caused no problems as such. I asked HE Nhek Bun Chhay how much the land costs per square meter, and he told me it costs US\$ 4.9. For an area of one hectare, people could sell for close to fifty thousand dollars, and I am sure our people know quite well what to do for the sake of changing their living style. The same could be observed along the national road 4 from Phnom Penh to Ang Snuol and to Kompong Speu province. ... I have a strong hope to see

many investors present here bringing investment to Cambodia, I am sure, you all are looking for two factors – Cambodian internal security and the Cambodian-Vietnamese relations. My response to your concerns is that domestic political stability that is vital to our nation and people has been jointly ensured by the Cambodian People's Party (CPP) and Funcinpec for not just a few days but for a long time to come. Since 1993, though some divisive issues had been observed, the two political parties are mature for resolving issues for our nation and people. Within the framework of a comprehensive strategy between Samdech Krom Preah (Norodom Ranaridh) and me with regard to the partnership between CPP and Funcinpec, as was claimed in its congress, CPP considers Funcinpec its long-term partner, and the current coalition of the two parties is the proof.

... Samdech Krom Preah asked me should we proclaim the partnership prior to or after the election. I responded that we have to declare it before the election. CPP did so in 2003, and its increasing share of votes was partly because of its announcement of partnership in consideration with Funcinpec. Such a move would definitely create confidence to foreign investors and tourists that they would be subjected to no risks caused by political crisis. CPP and Funcinpec are the two arms working together for achievements to be shared by both parties in the Government. What is remarkable in this is that the current Government is a coalition from top to bottom.

... Some people questioned why Samdech Hun Sen raised fund for Samdech Krom Preah (Norodom Ranaridh) for his duty in the Cambodian Olympic Committee. I did mobilize gen-
(Continued on page 4)

(Continued from page 3)

erous fellows for some fund for Samdech Krom Preah when he was elected as the President of the Cambodian Olympic Committee (COC). I told them the question is not who would be the President of COC but would COC be doing its work effectively for the country.

... I also invited Samdech Krom Preah to co-chair CDC with me and I do not see why it is not productive in doing so for the sake of our country's advancement. I wish to re-affirm that CPP and Funcinpec need each other for another ten or 15 years at least and anyone who challenges to rule alone would suffer a major strategic loss. We are living in an epoch where gathering of human resources for working successfully is the command...

... Having elaborated on issue of domestic political stability at present and for years to come, in relation to the second concern on Cambodian-Vietnamese relations, I would affirm that we will have more cooperation zone with Vietnam, take for instance we have wired electricity from Vietnam to the provincial town of Svay Rieng, and more of its kind would be wired in through Baavet, Kompong Ro, to Prey Veng province through Kor Andoeuk, to Kandal province through Koh Thom, to Takeo province through Phnom Den, to Kompot province through Kompong Trach, to Kompong Cham through Mehmot, to Kratie through Snuol. From the Thai side we planned to purchase electricity for use in Koh Kong, Pailin, Poi Pet and O S'mach. We also are looking to cooperating with Laos to wire in electricity to Cambodia.

... Every country in the world applies the method of "cooperation for development" and it is unimaginable if any particular country intends to use

force in resolving state-to-state relations. As we have seen here indeed, some investors that are here present came over from Vietnam, and I am happy this will go on. In efforts for investment in socio-economic development, everything should start from internal stability, whereas stable relations in the region and in the world would also be a significant part. In 2004, we had exported a sum of US\$ 1.9 billion from the textile sector alone. This place would contribute to increasing size of Cambodia's export, starting from sport bikes. Investor Clemens Young enjoys a tax holiday for nine years from the EPZ infrastructural development investment. Anyone thereafter wishes to bring in investment, for example a factory into EPZ, where all requirements are in place, will not be tax-forgiven as in the above case.

... Let me turn to agriculture a bit. Svay Rieng suffers longer drought and late rain as many other provinces of the country have started cultivation already. Provinces still suffer insufficient rainfall are Svay Rieng, Kompong Speu, Takeo, and one third of Kandal. I would urge authorities in rainfall lacking provinces to go into preparing a common seedling bed, where our people could sow their seeds, in areas adjacent to water resource. By doing so, we will be able to help our people to transplant rice, when rain comes, with rice seedlings that are sowed in the common bed. Otherwise we would face with a situation that our people will sit waiting for rice seedling when there is enough rainfall...

... From Svay Rieng province where there is no seasonal flood, I would like to issue an appeal to the people living along the Mekong River, Baasac and Tonle Sab, to be vigilant as seasonal flood in the Mekong River has reached an emergency level as of today....■

(Continued from page 8)

cial sector. Further point is the Justice System reform aiming at raising population awareness of the law and judiciary, in particular enhancing the quality of lawsuit and related services by strengthening judiciary professionalism to support justice both within and outside the court rooms. At the same time, factor that should not be overlooked is to strengthen judiciary police, prison system, courts administration and other legal institutions, including training in legal and judicial fields as well.

Indeed, legal and judicial system reform of the Royal Government of Cambodia has a detailed action plan derived from vision and strategy appropriate for Cambodia. I am convinced that these reforms would contribute to an effective justice process, especially in implementation of law and resolving cases in courts. Undeniably, these reforms will support to a more effective fight against corruption. However, the above-mentioned reforms may face challenges or obstacles if there wouldn't be public administration reform.

Within this framework, public administrative reform, in direct term is mainly about establishing good governance in public administration. This reform is an effort to enhance public services within our means to ensure sustainability of public service provision and continuity of government institutions. Public administration reform requires government to provide an improved service to population by ethical and professional civil servants. These require an increase of civil servant salaries, development of human resource capacity and institutions as well as promoting application of information technology. Without doubt, legal and judicial and public administrative reforms are the reforms that vigorously contribute to combat against corruption, in

particular the public administrative reform aiming at reducing corruption, red tape and gradual prevention rent seeking behavior. In this sense, I would like to appeal to all people, national and international, to actively support these reforms.

..., I would like to emphasize that combating corruption, in all forms, is a firm commitment of the Royal Government of Cambodia. Indeed, in order to combat against corruption we have to formulate an appropriate and effective legal framework, including monitoring and controlling mechanism to crack down on corruption and to ensure that implementation will yield good results by reducing as much as possible in the opportunity for rent seeking behavior by encouraging the participation from the media, especially through the news network with good moral ground and high accountability. In this spirit, we will continue this work with all relevant partners proceeding in accordance to the existing law and regulation.

Due to the effort made by Ministry of Parliamentary Affairs and Inspection headed by Lok Chumteav Senior Minister **Men Sam An**, we have seen the new draft law on Anti-Corruption with according to direction identified by the above indicators. In fact, this is a preliminary draft law as key concept has not been reviewed yet. Despite this, I have noted that this preliminary draft preserves key concepts of draft law on Combating Corruption which the Royal Government of Cambodia has implemented during 2003 and additionally incorporated other concepts to follow the international standard. Aspects of the United Nation Convention Against Corruption and anti-corruption action plan for Asia Pacific were included in the draft law. Furthermore, it has undergone initial review from the international experts as well....■

(Continued from page 1)

assets. To conclude, I will outline a few priorities that I hope will help guide your discussion to identify key elements of the Master Plan to Develop Human Resources within the Administration.

The Cambodian context

I need not spend too much time on the context within which Cambodia must strive to meet its objectives as a society: globalization and the fierce competition for investments in productive capacity and for markets for our goods and services. Our economic growth and thus our well-being as a nation depend on trade and investments. In turn these depend on a few prerequisites: good public governance, effective institutions and capable civil servants. The Royal Government makes every effort to meet these prerequisites but it cannot do it alone. Our success as a country will depend on whether government, the private sector, the civil society, development partners and each of us work together for a better Cambodia. Cambodia is now at a “crossroad” in a tremendous bumpy road toward sustainable development and poverty reduction. For a decade, Cambodia has been in full peace, security, social order, prosperity, cooperation and progress, these have been made by our sacrifice and oriented willingness. Moreover, we have worked well to stabilize macro-economic, to deepen economic liberalization for development of national economy and to promote strong basis for economic growth. Also, governmental institutions, democracy, human rights and human dignities, growth of civil society and effective role of mass media have been strengthened and deeply rooted into the society.

Even though, there are common favorable conditions of progresses and effort for the last few

years of reform, the poverty level is still high. The main factors of such situation are because of narrow based economic growth which mainly relies on garment and tourism. In this sense, the government promote to another level of development in agricultural and agro-industry sector aiming at broadening growth basis of the economy to be resistance to external shock. The RGC set high priority on irrigation network and public investment. We have huge of works remains to be done for addressing all coming challenges in order to broaden growth basis. The most important is that we are in an inauspicious time in term of transformation regional and world connection since the occurrence of Asian financial crisis. At the same time, the changing prospect of far-east Asia economies becomes uncertain due to world terrorist threat and increases in oil price which will further trouble Cambodia development.

To meet these challenges, government must reform. We have no better choices. As a country, we shall uphold principles of good governance. We shall reform our institutions to meet current and foreseeable needs. The Administration shall transform itself to serve people better. But institutions cannot accomplish much by themselves. It is the men and women that make change happen through hard work. It is only through the changes envisaged in the Rectangular Strategy that is fundamental of domestic and international policies and hopes that our young people, the new generation, could grow in a Cambodia where it is good to live and where one could realize his or her full potential.

The journey to date has been arduous, yet much has been achieved.

In the last ten years, Cambodia has made significant progress at

reforming the State. Please allow me to briefly illustrate.

First, Cambodia have passed through a major milestone from a point in the world map that uncertainty, unrest, war, internal conflict, instability and slow progress to be a country with full peace, security, prosperity, cooperation and progress. Along the process, Cambodia has been rooted by democracy, human rights respect and human dignity;

Second, we have maintained macro-economic stability which macroeconomic indicators were improved from year to year even though under the consequence of natural disaster and economic condition as well as unfavorable regional and world conditions; and

Third, we restored national dignity and proud to be a country with full independence, real freedom and self-determined state as well as to be a real and equal partner in regional and the world communities. These are but a handful of very significant achievements in a mere ten years. But much more needs to be done. We have only begun our journey.

By the end of the last mandate At the end of second legislature of national assembly, we have attained following achievements in public sector:

- *The Administration was unified, core management systems established and innovative tools of reforms had been developed;*
- *Following the successful elections of commune councils in July 2002, work is underway to further decentralize and de-concentrate public functions to bring government closer to the people;*
- *Building on work done to deepen public financial reform particularly focusing on four phases of development to build a*

trusted budgeting system which is accountability, efficiency, and budget that based on policy agenda and strategies of government;

– *The country's legal framework is gradually being completed with the Civil Code and the Penal Code and their respective procedures being finalized for implementation. The capacity of the legal and judicial sector is being developed and mechanisms to ensure the independence, effectiveness and discipline in the Judiciary are being strengthened;*

– *The legal framework and enforcement mechanism to bring about the rule of law for investment, commerce and business is a top priority for Cambodia in order to take advantage of Cambodia's accession to the WTO;*

– *With the implementation of initiatives in the Governance Action Plan, root causes of corruption are being mitigated. The Royal Government has now declared war against corruption. The legal framework and enforcement mechanisms are being readied for implementation later this year.*

– *The armed forces are undergoing fundamental change to support development better and important resources are reallocated to human development in health and education, in particular;*

– *With the successful implementation of the early steps of a strategy to improve gender equity and reduce violence, attention has turned to strengthening related institutions and improving awareness;*

– *A land law was promulgated, widespread programs to register land titles are underway but more needs to be done to optimize the use of land for the sustainable development of the country; and*

– *Community base mechanisms for fisheries and forestry management are being rein-*

(Continued on page 6)

(Continued from page 5)
forced and tools were deployed to facilitate the sustained used of natural resources.

We are now pushing ahead with the broadening and deepening of the reforms in every area of the Rectangular Strategy.

Human resources are the most important

Does a civil servant have enough capacity to work well in his/her job? Do they are relative and effective partners for national development and efficiently providing services? Each and every citizen is a national builder. It is clear that leadership, discipline, willingness and cooperation are necessary condition to ensure success. Therefore, human resources development both in public and private sector is our immediate works. In this sense, the RGC recognizes that challenges in training human to be high skill, knowledgeable and know-how, so that Cambodia is able to compete with the world that quickly evolves in the globalization course and non-frontier competition. The RGC believes that well-performance economic entails with well and efficient training, utilizing and managing human resources. In the same token, the RGC has put tremendous effort to establish a favorable condition for development and management human resources. Taking this opportunity, I would like to highlight six principles which are the core of our strategy and approach and I think we should not overlook:

First, national reconciliation, nurturing peace, security and political stability are preconditions to meeting our societal objectives of sustainable development, social justice and poverty reduction.

Second, the vision and the reforms must be clearly anchored in our reality and specificity and they must be implemented

through positive partnerships that involve all stakeholders private sector, the civil society and, in the case of Cambodia, development partners.

Third, developing the capacity of our institutions and of public servants is an early key to success. It is essential to marshal the country's resources towards the common good in synergy with stakeholder while avoiding duplication, overlap and parallel structures. Foremost, it is essential to assuming ownership and the leadership of our future.

Fourth, Cambodia must leapfrog into the future drawing on the experience and best practices of others. Success will depend on how innovative we are at adding value. Governments can not be satisfied with doing better with available resources. In today's context, they must continuously re-invent themselves to be of value to their own citizens and to the community of nations.

Fifth, reforms such as those underway in Cambodia entail risks that must be managed. Reforming is more art than science. It is the art of the practical that is sustainable. Governments must carefully balance boldness and prudence. This is particularly true for countries that are in post conflict situation and that, at the same time, are transforming themselves into pluralist democracies and market economies.

Sixth, innovation takes many forms. But we cannot forget the human dimension. Changing behavior and practices could often be determinant at transforming a society. Cambodia is winning the peace because of the win-win strategy at national reconciliation and because our government has adopted practices of inclusion, active participation and transparency. There is so much that we need to do if we truly want the next genera-

tion to have a strong base to take Cambodia where it should be. We need democracy, peace, security, stability, territorial integrity and sustainable and equitable growth. We need to develop our country as set out in the Rectangular Strategy. We need to meet the Millennium Development Goals our country committed to at the United Nations.

The key to success is improving governance

As I often say, good governance is the scaffolding of development. Improving governance within our country is essential to sustain the course of our actions and to reduce poverty among our people. Indeed, the quest for good governance is not new to Cambodia. In the last ten years, our pace has steadily accelerated. Peace, stability and security were restored in all parts of the Kingdom. Core institutions of the State were rebuilt, others were strengthened. Reforms were widened and deepened in every sector: democratization and local governance, fiscal, banking, administration, legal and judicial, gender equity, military, land, forestry and fisheries reforms so on and so forth.

Along with the Legislative and Judiciary branches of the State, the Executive must become a trusted and effective partner in the development of our country. Our focus shall be on marshaling public investment and improving the quality and delivery of public services. Quality public services are to be provided where and when required. This means that the Administration must transform itself into an effective provider of public services on a very broad front. The way we work or think must shift from that of administrators of rules to that of providers of services. The State must be closer to the people, be more transparent and be tuned-in to people needs. In short, the State must

adopt a client focus much like successful private firms do.

Enhancing governance is an ongoing process whether in the public sector, the private sector or the civil society. At the last meeting with the private sector, I urge them to adopt the pursuit of good governance as one of their immediate priorities. Yet, for Cambodia, it is urgent to accelerate the pace and to widen and deepen our reforms. For that, like many other countries, we need to take advantage of all possible synergies.

The critical role of capacity development

Another important task for us that I would emphasize on here is the building of people and institutions' capacity within the Administration which is rightfully a core strategy of the National Program for Administrative Reform. There are few instruments that the Royal Government has to develop and meet its societal objectives. The Administration is one of them. In this sense, we shall invest wisely in an effective Administration in order to develop a culturally vibrant and highly educated human capital with knowledge, know-how and creativity to perform their tasks effectively. To meet this objective, it is clear that we shall advancing our efforts in developing human capacity through a better coordinated training, and make it responsive to needs. Thus, your tasks in the next two days is to come up with how best to achieve all that but focusing on the development of human resources. It is work of a tall order. You have all my best wishes. In some ways you will help set the course for this generation of civil servants and the leg they will leave for the next generation. So please allow me to make a few observations about developing the capacity of the Administration. We all in-

(Continued on page 7)

(Continued from page 6)

deed realize that people can make the difference and they accomplish things. This will require important transformation in the attitudes and behavior of civil servants. Indeed, when credible and respected, institutions facilitate achieving good results and sustain them. Thus, it is important that institutions within the Administration shall learn to work together in partnerships and avoid overlap and unnecessary competition.

Capacity is also about discipline and the observance of rules, procedures and practices in the management of human resources and the structuring of organizations. When it comes to developing individuals to become effective members of teams, results are never assured. Training in particular is an essential and risky investment that requires careful monitoring and coordination. And, it must be appropriate to what Cambodia needs. Moreover, capacity investments and their sequencing must be aligned to government priorities. The first of these priorities are the reforms that are so essential to our common future. In many ways, we will be re-inventing the Administration.

The road will be long and arduous. Risks will abound. The journey will require perseverance, determination and discipline. It will require our individual and collective commitment. Responsibility for developing the workforce is shared among institutions, work units and managers. It is also the responsibility of the individual. Developing capacity necessarily go through an effective back office to support operations and service delivery. However, there are only few choices that we can make. Others, our development partners must also change if Cambodia is to take full advantage of ODA in general and technical assistance in particular. Coura-

geous efforts are underway to harmonize practices and better align assistance to government priorities. They must stop dysfunctional practices that distort the labor market.

I would not go on but I think you are aware of the issue that I wanted to say! I am pleased to see that progress is being made in solving the problem, following a study by the UNDP that found a dismal state of affairs under the guise of developing capacity. Fortunes are being squandered on capacity development with little to show for. Work that has been going on within the government and with development partners during the last year holds much promise. Reforming technical assistance to support capacity development better is an early priority to enhance value. We need to do more and better with what we have. Thus, it is our top priority to urgently review our partnerships arrangements with development partners and to develop rapidly the capacity of the State to plan and manage the country's development. We must use all possible tools to acquire and use skills and knowledge as other countries in the region and the world do. For Cambodia, we need to have a clear strategy and program to develop human resources.

The development of a Master Plan to Develop Human Resources is an important first step. It will provide guidance to the many programs in place or being planned. The plan shall include a management framework that would assign clear responsibilities and authorities to the various actors. It shall provide specifications and standards for HRD services, delivery processes and accountabilities. It shall specify the rights and obligations of civil servants when it comes to development and career progression. We must recognize that capacity develop-

ment and HRD shall be managed as risky long-term investments that must be monitored closely.

The needs are daunting and the means are scarce. Yet, Cambodia has traveled vast distances in a mere ten years to put itself firmly on the path of progress and the realization of its potential. The road ahead will be challenging and the Royal Government will spare no efforts to accelerate the pace of reforms. The timing, sequencing and resourcing of actions will determine success. Therefore, our cooperation with international development partners, private sector and civil society will be vital to continuing success. Together, we shall not waste this historic opportunity. Some weeks ago, an eminent economist with the United Nations said that ODA to Cambodia needs to double. I say we should get as much as possible but, foremost, we need to do much better with the one we already have. It is yet another reason why we need to develop our capacity...■

Selected Comments...

... Well to go to the point that I mentioned in the speech about "things that I am sure you all have understood what I wanted to say." In his opening remark, HE Deputy Prime Minister Sok An mentioned that in 2002 there was an amount of US\$ 115 million or about 20% of the total foreign aid, according to a study done by the United Nations Development Program, that had been spent on human resource development or capacity building. We should ask a question of where the money goes in fact. They did not stay in Cambodia but went back to donor countries or to experts who have come for capacity building works. I wish to clarify to our senior officials here today that the amount of money was not spent on local labor for capacity development

purpose, but it is a sort of money that is taken back through capacity building and development seminars, etc.

... In Cambodia we have said in many years about doing to help and helping to do. We have been experiencing the situation of doing to help so far and how much longer can we change to helping to do. What do we mean by doing to help? It means the recipient country's officials did not do anything or write anything but waiting for foreign experts to write for them, to tell them what to do, and even to do it on their behalf. Aside from this we also have this complication from the fact that if we do not accept their technical assistance, we then would not be granted with their aid... I once had a talk with the director of the Asian Development Bank and I proposed to him to cut out unnecessary technical assistance, and allow the Cambodians to take up their guts in doing it themselves. Well we know that it is a matter of serious issue such as the Civil Law and Civil Procedure assisted by the Japanese and the Criminal Law assisted by the French.

... However there are works that can be done by the Cambodians. I would compare the Cambodian situation to a boat that is subject to the rise and fall of water level. When there is high water, the boat rises and vice versa when there is no water. I mean we would continue to live when there is foreign assistance, and we would not survive when there isn't. I would call for an immediate reform in relation to technical assistance. If we were to count the number of seminars conducted, there are lots of them, and the money spent on that far exceeds the amount used to restore water canals. To me capacity is when we all could do the job ourselves and if we fall we should try to stand up right on that spot...■

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cious and illegal actions. For this reason, many countries have identified these kinds of activities as illegal and classified them as crimes. In human history, corrupt activities rooted back since ancient time. Today, nearly every country and political regime are affected by corruption in different levels. The force of destructive capability of corruption varies accordingly to these levels of gravity.

Talking about destructive capability of corruption, we all are aware that corruption in different levels – small, medium or large scale – always has negative impacts on society. Corruption affects efficiency in production as well as implementing law. Without virtue in their conducts, some individuals and public servants involve in activities that are against their duties. This transforms public relations to some kinds of affairs between individuals for the sake of private interest to the detriment of public interest. This is against the fact that public servants' duties are to serve the people and the state. Indeed, these attitudes loosen efficiency in the implementation of laws and regulations which paves ways for some individuals to stay above all legal rules. This kind of situation damages basic principles of democracy because it affects equity and justice in our society. Furthermore, if corruption is strongly rooted, it would give grounds for the expansion of the same kind of activities. With the above mentioned reasons, it is not difficult for us to see the importance to combat against corruption which leads to the success of economic development of our country. I take this opportunity to clarify once again few main points on how to foster anti-corruption to be the first priority in all actions of national economic reform.

First, experiences in economic

management in our days have shown evidences reflecting clearly reactive impact of governance on national economy. In many cases, corruption is the main cause of losses of revenue, quality of investment, public services, public confidence in government actions and of investment inflows. For this reason, leaders in different countries have agreed on the importance of good governance as to ensure success in all kind of implementations of economic reform programs.

Second, a lot of studies confirm the strong relation between the successful combating of corruption and economic growth. Within the context of globalization that private capital freely flows, it is observed in many cases that corruption and lack of transparency in economic management have direct impacts on capital flow either in term of quantity or quality of investment. In this sense, corruption — bad governance in other words — is the main constraint in directing investment to production sector and attracting long-term investment to sustain economic growth. The experiences of regional financial crisis also reflected the economic and financial tragedy as a result from corruption.

Third, globalization needs good governance. The free flow of capital and economic and trade liberalization require clear rule of law and a serious and responsible government to work in the transparent, accountable and reliable way. These factors cement investor's confidence and promote economic activities, as the result any country can exploit its advantages from the globalization.

Fourth, another important factor required special attention, especially on combating against corruption, is foreign aid. Most of donor countries provide aid

with clear objectives on how the aid is used in effective and productive manner as well as being able to control and monitor. That is why good governance is an important criterion for donor to determine size and type of aid to aid recipient countries. It is clear that corruptive, wasteful and inefficient use of its own resources would deter donor countries to provide further loans or aids.

The effect of corruption that we should not overlook is the lost of public confidence in the government which is a cause to weaken national unity and impede economic development. As aforementioned, corruption undermines confidence in investment, obstructs sustainable development and thwarts poverty reduction program that, as a result, Cambodian people will bear with these consequences. In short, corruption is the key constraint in development and poverty reduction that is the fundamental policy of the current government. In this spirit, the government has paid attention in combating corruption. The government takes real measures by creating a number of laws to strengthen public financial management and public procurement. The government established Ministry of Parliamentary Affairs and Inspection in the purpose of combating corruption. At the same time, the National Audit Authority is also established. Currently, all ministries establish Internal Audit Department to conduct internal audit work in order to fight against corruption within ministry level.

Obviously, we haven't obtained expected result in fighting against corruption since we do not have strong basis to effectively fight with corruption. In general, development in Cambodia such as democracy, economy and society have become stronger than before. In the present time,

we are talking about fighting against corruption. I believe that we know that Law on Anti-Corruption alone would not be enough to tackle such issues because it is only a key to open a door and solve some specific issues. To free the society from corruption, I believe that we should have enough good quality of law and good governance in public management and private business.

As a result, the core of *Rectangular Strategy* of the Royal Government is *Good Governance* which focuses on (i) combating corruption, (ii) law and judicial reforms, (iii) public administrative reform, and (iv) military reform. In the core of the *Rectangular Strategy*, fighting against corruption is an inter-related factor and necessary to forge a common strategy toward development entailing *Good Governance*.

To wipe off corruption, to bring justice to society, to achieve value of democracy and human right and to promote law and judicial reform, the Royal Government has exerted utmost effort in creating law to be approved by the legislative institution. So far we have 203 laws and they are the basic and urgent legal framework for governing the state. In 2005, we continue to adopt laws which are the basic for judicial field and civil law. I would like to add that draft code of civil procedure with 600 articles have been adopted by the government and sent to the National Assembly in early July. This year, the government has sent draft of Civil Code, Criminal Procedure Code and Penal Code as well as draft Organic Law on the Organization and Functioning of Courts, Status of Magistrates, and Emissary of the Court. The effort to draft the law is short-term strategy to form a basic legal framework to improve the performance of judi-

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