

CAMBODIA

WHAT IS YOUR AID FOR TRADE STRATEGY?

1. *What priority is accorded to trade development in your country's economic growth/national development/poverty reduction strategy?*

International trade has played a fundamental role in Cambodia's economic growth over the last 10 to 15 years. Exports represent approximately a quarter of the country's GDP. Expansion of international trade is a key element in Cambodia's "rectangular strategy." The rectangular strategy is Cambodia's principal tool to meet the objectives of its National Strategic Development Plan (NSDP) and its Millennium Development Goals (CMDGs.)

While international trade has been central to creating employment and lifting income in Cambodia in recent years, the mainstreaming of trade development in the country's poverty reduction efforts is an area that could benefit from a closer understanding of the relationships between trade expansion and poverty reduction. The RGC is trying to explore more vigorously and more explicitly these relationships as part of its Diagnostics DTIS 2007 and through a series of studies launched under the Ministry of Commerce's Human Development Impact Assessment (HDIA) of trade. The hope is that, through a better understanding of those relationships, trade development interventions can be better focused on poverty-reduction. Cambodia is clear that trade expansion is not an end in itself but only a means to achieving human development and poverty-reduction.

Nearly 90 of Cambodia's population is rural and 65 % is employed in the agriculture sector. This suggests that the relationships between trade expansion and employment and income generation among rural and agricultural populations are central to poverty reduction.

2. *Do you have a government-wide trade development strategy and if so what are its main priorities? What time period does it cover?*

The RGC is completing the preparation of its DTIS 2007, which is expected to guide its trade development during the next 3-to-5 years.

The main priorities emerging from the DTIS 2007 are:

1. A pressing need to diversify Cambodia's "export basket" – currently over-dependent on garments and tourism;
2. The need to build and/or strengthen a number of critical legal and institutional infrastructures for trade development including, at a minimum the trade facilitation infrastructure, the investment facilitation infrastructure, the SPS infrastructure, the TBT infrastructure, and the IPRs infrastructure. For now, insufficient legal, human, and institutional capacities in those areas are bottlenecks to the further expansion and

diversification of Cambodia's exports. As part of its accession to the WTO and its focus on reform, Cambodia has developed an extensive Work Programme of legal reforms intended to improve the environment for business development. Cambodia needs to accelerate implementation of that Work Programme especially in the legal areas that are likely to have an immediate impact on the five institutional infrastructures identified above;

3. The need for sector-specific interventions in a number of products and services that are showing export potentials and possible positive impact on human development and poverty reduction. These interventions are intended to complement at the product- or service-sector level those described under item (2) above and to assist more directly in expanding and diversifying Cambodia's productive export capacity. Sector-specific interventions are likely to stress issues such as: entrepreneurship development, sector-specific investment, skill development, trade promotion, and others. A list of priority sectors is being reviewed and discussed for final selection by the Government and its Development Partners based on a detailed analysis of 19 product and service sectors prepared under DTIS 2007.

3. Does your trade development strategy specify aid-for-trade needs?

Implementation of the DTIS 2007 will be done on the basis of a three-year rolling plan consistent with Cambodia's MTEF (Medium Term Expenditure Framework a.k.a. Cambodia's Public Investment Programme or PIP.) The trade component of the PEP will identify both Aid-for-Trade already in place and unfunded Aid-for-Trade needs.

The current identification exercise is not yet completed. In addition, the view is that this identification of gaps and possible financial needs will become subject to a regular annual review by the Government and its Development Partners as part of their annual review of progress on the implementation of DTIS 2007.

4. What are the main trade development challenges and opportunities you face which require collaboration with other countries in your region? Are these addressed in your trade development strategy?

The Asia-Pacific region is already a major destination for Cambodian exports and is likely to grow as a market in the years ahead.

ASEAN, as a sub-regional market, has a critical role to play to provide a counter-weight to the region's "elephants" (e.g. China, India, Japan.) However, for now, the importance of intra-ASEAN trade for Cambodia is quite limited perhaps because the system of Temporary Exclusion List, General Exception List, and Sensitive list is restricting access opportunities for a number of competitive Cambodian exports.

ASEAN also has a role to play in providing a framework for its member to meet international technical standards that are taking increased importance in determining market access worldwide.

HOW MUCH AID-FOR-TRADE DO YOU RECEIVE?

5. Have you costed your trade development strategy? What percentage of your trade development financial requirements do you expect to be funded by ODA?

The effort to cost a three-year rolling plan of projects and TAs that will be required to implement DTIS 2007 is still underway. Accordingly, answer to the question is not fully known as of yet.

6. Which activities do you consider are supporting your trade development strategy? Accordingly, how much aid-for-trade have you received by category for the period 2002-2005, and in particular in 2005?

The table attached to this report identifies projects (ongoing or pipeline) that are understood to be supportive of the broad objective and priorities of Cambodia's trade development strategy for the period 2006-2010. It does not represent a perfect match between future needs and resources, simply a stock-taking of aid already in place and/or pledged. As noted in the answer to the previous question, Cambodia is still in the process of fully costing its needs.

The data is organized using a classification scheme similar to that used in the DAC (Doha Data Base)/CRS (Credit Reporting System) data base – except that projects shown here under “product or service sector development” and “infrastructure” includes only those that are known to have a direct impact on or relationship with Cambodia's trade development (the CRS data base, for now, is unable to distinguish between trade-related and -unrelated projects.)

7. Describe any key trade development priorities that are constrained by lack of donors' funding?

Funding gaps will be better known and understood once the Government and its Development Partners have completed the three-year rolling plan exercise. As noted above, work on such costing is underway.

HOW DO YOU IMPLEMENT YOUR AID-FOR-TRADE STRATEGY?

MAINSTREAMING

8. Describe the internal governmental coordination process to prepare your trade development strategy.

DTIS 2007 was prepared by a team of consultant under the guidance of the Ministry of Commerce. The team includes local consultants, MoC professionals, and international experts with multi-donor support and contributions coming from UNDP, UNCTAD, ITC, the World Bank, the European Commission, GTZ, IFC, and the IMF.

Throughout the process of preparation, MoC's Secretary of State in charge of the IF and Aid-for-Trade organized a number of consultation meetings to allow the team to share and discuss early findings with the Ministry and the Donors at several stages along the way.

A first “Main Findings” draft volume was presented to a broad audience of senior officials from all concerned Ministries in March 2007. The various Ministries were then given a chance to provide written comments. Local Development Partners as well as IF agencies were also asked to provide written comments on the initial volume.

The full report is being finalized by the DTIS Team. The expected launch has been set for early December 2007.

Implementation of the Trade Strategy will be formalized by means of annual business plans, a three-year rolling plan, and specific projects. These will be prepared through intensive consultation between Development Partners and the Government using the mechanism of the newly formed *Sub-Committee on Trade Development and Trade-related Investment* and with input from the existing *Government-Private Sector Forum* (more on these below.)

OWNERSHIP

Refers to partner countries exercising effective leadership over their development policies and strategies and coordinating development efforts.

9. What needs assessment tools do you use to formulate your trade development strategies (do you use diagnostic studies, e.g. such as those prepared under the Integrated Framework?)

Cambodia's latest trade development strategy – DTIS 2007 – borrows from the concept of the diagnostic studies promoted under the IF. This is the second such study by Cambodia, following the earlier DTIS 2002.

DTIS 2007 differs somewhat from DTIS 2002 however, in that it seeks to assist the Government and Development Partners in identifying more clearly Priority Areas for action and intervention and Aid-for-Trade support than is done in a conventional DTIS.

In conventional DTIS studies (including Cambodia's DTIS 2002), experience has shown that Governments and Development Partners are often left unsure as to where to focus resources because of a lack of clear priority ranking among the multitude of Actions identified. Partly through the document itself, but also through the process that has accompanied its preparation, DTIS 2007 expect to go much further in creating a shared vision between the Government and its Development Partners as to which Priorities to tackle first.

Implementation Plans for the Priority Areas identified jointly by the Government and Development Partners will be structured around an annual business plan, a comprehensive rolling three-year plan, and specific project documents. The annual business plan and the three-year rolling plan will be reviewed, monitored, and updated on a yearly basis by key stakeholders.

10. How do you involve key stakeholders (including the private sector and civil society) in the identification of your trade development challenges and opportunities?

Cambodia is using several main mechanisms for consultation and dialogue with key stakeholders in support of both the **identification** and the **implementation** of its trade development strategy.

By Sub-Decree of 7 March 2007, the RGC has created a *Sub-Steering Committee on Trade Development and Trade-Related Investment*. The Sub-Steering Committee is chaired by the Senior Minister of Commerce and vice-chaired by a Secretary of State from the Ministry of Economy and Finance (As per Decree of 25 January 2007.) Key line ministries concerned by trade development are represented on the Sub-Steering Committee (e.g. Industry, Mines and Energy; Agriculture, Forestry and Fisheries; Public Health; etc.) The Sub-Steering Committee can act as a "mini-Council of Ministers," can review issues and make proposals for review and/or approval either by the Prime Minister or by the full Council of Minister as appropriate.

In addition, the Sub-Steering Committee calls for regular dialogue meetings (at present held every two months) with Development Partners working on Trade Development.

The newly formed Department of International Cooperation in the Ministry of Commerce (by Decree of August 2007) serves as the Secretariat to the Sub-Steering Committee, is responsible for leading the implementation of Cambodia's Trade Development Strategy (DTIS 2007,) and is responsible for day-to-day oversight of Cambodia's Aid-for-Trade mobilization effort. The Department is lead by a Secretary of State. As part of the Department's day-to-day operation, the Secretary of State initiates frequent dialogue and consultation meetings with Development Partners.

For regular consultation with the business sector, the RGC has put in place a Government-Private Sector Forum mechanism chaired by the Prime Minister. The Forum meets twice a year. The Forum is organized in eight working groups, several of which address issues impacting trade development. The Forum is the place for the private sector to raise issues of importance to its development and for the Government to report on progress made on outstanding issues.

Lastly, implementation of Cambodia's Trade Development strategy is being done on the basis of a Trade Sector Wide Approach (Trade SWAp). The Trade SWAp recognizes that the Government trade development effort must be inter-ministerial (with MoC in the lead) and requires a high level of inter-ministerial coordination and that Development Partners must also coordinate their aid across a number of Ministries and Agencies to increase the effectiveness of their support in this area.

ALIGNMENT

Refers to donors basing their overall support on partner countries' national development strategies, institutions and procedures.

11. Are external partners using your policy planning and budgeting framework as a basis for their aid-for-trade support?

Not all economic and social sectors have been incorporated into Cambodia's Planning and Budgeting Framework as of yet. RGC is in the process of bringing the Trade Sector within that framework. Once a sector has been brought under that umbrella, Development Partners are expected to align their development support with Cambodia's PIP (MTEF) and the development objectives identified for each sector under it.

At present, there is a clear desire on the part of both the Government and the Development Partners to align support with the PIP and to harmonize development support along a shared strategy that will be the basis for incorporating trade into the PIP.

12. How well do aid-for-trade flows reflect your government's trade development priorities and what aid management information system do you use?

A more formalized Aid-for-Trade information system will be developed as part of the implementation of DTIS 2007 and the formal incorporation of the trade sector in the PIP process. That information will be made more transparent through its posting on a web-site (or series of web-sites) that will be part of the "trade information gateway" that is being developed by the Ministry of Commerce.

HARMONISATION

Refers to donors' actions being more harmonised, transparent and collectively effective.

13. How do you encourage external partners to coordinate their trade related analyses and programming? Where, if at all, are the main coordination gaps?

Through the formulation of DTIS 2007, as suggested earlier, Cambodia's Government and Development Partners are developing a shared vision of the key objectives and main priorities for the country's trade development strategy. This vision will provide the objectives of the Sector-wide Programme (Trade SWAp) that will be implemented through a series of harmonized and coordinated area-specific projects (cross-cutting issue projects and product-specific projects.) The analyses and draft programming developed for each area-specific project by the Government and individual Donors will be shared among all Donors for improved coordination and harmonization and to ensure

they are supportive of the overall objective of DTIS 2007. This process will take place, in part, through the formal channel of the Sub-Steering Committee in its responsibilities for overseeing the implementation of DTIS 2007.

While some of the new support provided by Development Partners for Trade may flow through one or several multi-donor trust funds to facilitate some aspects of coordination, reality is that Aid-for-Trade will continue to flow through a variety of funding mechanisms for quite some time. Accordingly, a fair amount of effort will continue to be required to ensure coherence and complementarity of various Aid-for-Trade supports.

Finally, it might be noted that, in the area of product-specific projects, the Government and the Development Partners are discussing sharing a common value-chain approach to identify sector-specific bottlenecks and needs.

MANAGEMENT FOR RESULTS

Refers to both donors and partner countries managing resources and improving decision making for results.

14. How do you measure the success of your trade development and aid-for-trade strategies?

15. Do you cooperate with donors and other stakeholders in joint monitoring and evaluation of aid-for-trade programmes?

At present, Cambodia does not have formal mechanisms or tools to track, measure, monitor, and evaluate Results and Impact of its trade development and Aid-for-Trade strategies. However, these will be developed as part of the implementation of DTIS 2007.

To date, tracking and measurement – when existing – have been done largely on a project-by-project basis, focusing principally on monitoring of outputs and monitoring of expenditure. Under DTIS 2007 the plan is to expand beyond the tracking of project output and expenditure and to develop various measures of impact as well as to introduce more regular evaluations of project results and aid-for-trade impact.

The goal is also to develop indicators that help monitor and measure better the contribution of trade to human development and poverty-reduction in Cambodia.

Finally, JMIs (Joint Monitoring Indicators) will be developed for the Trade SWAp for purpose of reporting in the context of the CDCF (Cambodia Development Cooperation Forum.)

DO YOU PARTICIPATE IN MUTUAL ACCOUNTABILITY ARRANGEMENTS?

Mutual accountability refers to donors and developing countries providing timely, transparent and comprehensive information in order to jointly assess development results.

16. The WTO Task Force recommended establishing “A National Aid-for-Trade Committee, where necessary, to ensure trade mainstreaming in national development strategies, determine country needs, set priorities, assist in matching ‘demand’ and ‘response’, and help in evaluation.” Has such a Committee, or an equivalent body, been established in your country?

As indicated earlier the RGC has established a Sub-Steering Committee on Trade and Trade-Related Investment which is responsible for all matters related to trade development and coordination with

development partners in the area of trade – including the Enhanced IF and the Aid-for-Trade initiatives.

Also, as indicated earlier, this Committee will be back-stopped by the MoC's Department of International Cooperation that will assume Secretariat functions in support of the various trade initiatives.

It might usefully be noted that the Sub-Steering Committee benefits from the experience of an earlier Committee, that focused more narrowly on Trade Facilitation and whose functions have now been subsumed in the broader TORs of the *Sub-Steering Committee on Trade and Trade-Related Investment*.

17. Describe the process and key actors (such as donors, private sector-representatives, etc.) involved in reviewing progress toward fulfilment of your aid-for-trade and trade development commitments?

The answer to this question is covered in part by the response to item 11 above as many of the same mechanisms will be involved in the review of progress.