

OECD Policy Dialogue on Aid for Trade: from Policy to Practice
Ritz-Carlton Doha Hotel, Doha, State of Qatar (6-7 November 2006)

Session I – “Aid For Trade – Anything New?”

- What are the main implications of the emerging Aid for Trade framework for donors and partner countries?
 - How can experiences from the field best be fed into the policy process?
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Statement
by H.E. Mr. CHAM Prasidh,
Senior Minister & Minister of Commerce,
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The Ritz Carlton, Doha ~November 6, 2006

H.E. Dr. Ahmad Khalil Al-Mutawa, Secretary General of the Gulf Organization for Industrial Consulting (GOIC),
 H.E. Mr. Kiyotaka Akasaka, Deputy Secretary General of the Organization for Economic Co-operation and Development (OECD) and Co-Chair,
 H.E. Dr. Mia Horn af Rantzien, Ambassador of Sweden to the WTO & Co-Chair,
 H.E. Mrs. Valentine Rugbawiza, Deputy Director General of the WTO,
 Excellencies,
 Ladies and Gentlemen,

It is a great privilege for me to represent Cambodia at this Policy Dialogue on Aid for Trade in this beautiful city of Doha. I sincerely thank the organizers, namely the Organization for Economic Co-operation and Development (OECD), the Gulf Organization for Industrial Consulting (GOIC) and the Qatari authorities for the excellent arrangement for my delegation's stay and participation in this meeting.

As an LDC which acceded to the WTO just 2 years ago, it is indeed an enriching experience for Cambodia to get first hand information and lessons on the Aid for Trade initiative. As other LDCs, Cambodia does enjoy Special and Preferential Treatment in acceding markets of developed countries. Most of the tariff barriers were pulled down but most of the non-tariff barriers remained (SPS, Standards...). Cambodian exports will overcome those non-tariff barriers if it can develop its supply capacity. And you know, developing a country's supply capacity has been a long time ignored subject for most of the international financial institutions, and is continuously down-looked in national budget's resource allocations.

We acceded to the WTO with a lot of hopes and a lot of apprehensions. During the past 2 years, our WTO membership has not changed much in our country's situation, except that it has allowed us to avoid quotas imposition for our exports of garments at the end of the Multi-Fiber Arrangement. Despite Cambodia being selected as one of the first pilot-countries for experiencing the trade-related TA under the Integrated Framework, despite it being branded as an "IF phase 1" success story, the impact on its trade is still limited. Our country continues to face a lot of constraints on many fields: market access to some developed countries, weak supply capacity, difficulties to diversify our exports, difficulties to attract foreign direct investment, heavy costs of adjustment to trade liberalization... In short, **we are not yet in a position to take full advantage of the opportunities that were provided through international trade.**

To prepare ourselves for a better integration to the world trading system, **it is imperative that, as a recipient country, we establish the right environment and the right framework to address the above issues.** The Royal Government of Cambodia, under the strong leadership of Prime Minister *Samdech* Hun Sen, has demonstrated its ownership by undertaking bold and painful reforms: administrative reforms, fiscal reforms, trade facilitation reforms, armed forces reforms, judicial system reforms... A Private Sector Development program undertaken with the support of the donor community has permitted the Government to develop a regular dialogue with the Private Sector while 8 Government-Private Sector Working Groups addressed the various constraints faced in doing business and investment in our country. **Major trade facilitation measures were introduced over the past two years including Single Administrative Document, Customs Single Window clearance, One-Stop Service for investment, Joint Agencies Inspection based on risk management system...**

Nevertheless, experience driven from the activities of my ministry – the Ministry of Commerce – has shown that there are still limitations and shortcomings. Measures taken by MOC and measures taken by other ministries are not yet well coordinated, sometimes overlapping, sometimes duplicating, and sometimes contradictory. Policies adopted by MOC were sometimes met with reticence from concerned ministries and agencies (perceived as infringing into their respective territory, disrupting their way of doing business, disturbing their way of living). **There was strongly felt the need for a Team Spirit to make our ownership more effective.**

On top of these, under the first phase of the Integrated Framework (IF) for TA to LDCs, a Diagnostic Trade Integration Study (DTIS) has been done. It has been updated as far as Cambodia is concerned. But it is still not enough. The DTIS has still limited effective impact. There was not yet an efficient mechanism to undertake a joint exercise in moving the diagnosis of the Cambodian economy to the next stage: dispensing the right remedies.

Elements of a pro-poor trade strategy and accompanying policies were taken but in piece-meal way, and this, despite the fact that we have mainstreamed our pro-poor trade strategy into our National Strategic Development Plan (NSDP). Resources' allocation and expenditures are not fully in line with the overall framework of resources' management.

To add to this not-so-rosy picture, there are other things to note:

- Resources from donors overlapping and not coordinated → Need to coordinate (IF is one example of their coordination)
- Not all stakeholders were involved → Dialogue and consultations with PS, NGOs, donors are required to develop partnership
- Each IFI and donor country seemed more interested in pursuing its own development agenda for Cambodia than developing a concerted development program for Cambodia → Operating procedures ought to be simplified and uniform for all donors – A simplified version of OECD Paris Declaration on Aid Effectiveness could be a good model to explore as long as accountability and transparency are the main pre-conditions to Aid for Trade
- No common message sent to investors → Need of developing a regular dialogue between the various ministries, at the highest level.
- The IMF Trade Integration Mechanism launched since April 2004 was not available to Cambodia → Coordination and coherence issues
- The World Bank's Private Sector Development project looked to be stalled because of misunderstandings in processes and procedures → Set of rules and procedures to be fully understood by all
- Many people continue to believe that there is no need to spend national budget resources into trade-related infrastructure and continue to think that it is private sector's affairs → Trade needs to be considered as one of the priority sectors in national development strategy.

In order to put all the pieces of the puzzle into place, our Government has taken steps to develop a **Trade Sector-wide Approach (SWAp)**, which will encompass all past initiatives, strategies, measures and actions, strengthen partnerships for consensus building and coordination with the private sector, civil society and donors, and which will improve the quick implementation and delivery. This mechanism will ensure that not only are we having a concerted exercise to comply with our WTO Commitments but to also prepare ourselves for IF Phase 2 "the Enhanced Integrated Framework", which shall be part and parcel of our Trade SWAp.

Last week, our government has also taken another major step forward by declaring that "**Trade for poverty alleviation**" is now **one of the 8 priority sectors in our national development strategy**. A deep restructuring of the Ministry of Commerce is also envisaged to cope with these new challenges.

Therefore, we intend to set up before the end of this year a wholesome Trade Sector-wide Approach (SWAp) as the mechanism to ensure aid effectiveness in Cambodia. It is what you call in your OECD documents the "Local Accountability Pact". We believe that this mechanism will help us work better, more effectively as a Team and with more measurable results, effectively tap to the Aid for Trade resources and make the best use of the money disbursed for TRTA/CB and develop our supply capacity, including trade-related infrastructure to support our exports.

As time is running out for LDCs to stop the erosion of their trade preferences, **it is really imperative that Aid for Trade is implemented without further ado, without too many constraints, with less donors-imposed stereotype concepts and criteria at the prejudice of local ownership**. Pledges for scaling up ODA by USD 50 billion by 2010 were made at Gleneagles in 2005. The Report of the Task Force on Aid for Trade has been endorsed on October 10, 2006 by WTO General Council. Since Aid for Trade is not part of the single undertaking under the DDA negotiations, there shall be no further hesitation to channel its resources to the developing countries, especially to the LDCs. Predictability of aid flows is of essence. By setting the right framework and mechanism at home, we do hope that aid for trade will flow on a more predictable and more substantial way to our country.

In conclusion, I hope this Policy Dialogue will help us define the ways and means to speedily make use of Aid for Trade. The speedier Aid for Trade can be materialized and disbursed, the more synergies will be developed to help reduce concerns and reticence of the developing world in finalizing the current DDA round of negotiations.

I thank you for your kind attention.