

Summary Record of the Technical Consultations between the Royal Government of Cambodia and the Federal Republic of Germany on Development Cooperation 2020

Political Dialogue (30th September 2020)

The German side congratulated the Government of the Kingdom of Cambodia for successfully having contained COVID-19. The Cambodian side highlighted the economic impact of the crisis for the Kingdom and elaborated on the Government's socio-economic response in the different sectors. As a long-standing partner in health and social protection, the German side announced the contribution of an additional seven million euros to Cambodia's COVID-19 response: Six million euros to support the IDPoor cash-transfer program and one million euro for the Social Health Protection Programme for technical assistance to the Ministry of Health, in particular awareness campaigns, hygiene measures, the establishment of a second reference laboratory, and for emergency treatment. This contribution was highly appreciated.

The German side expressed its concerns about the combined effects of COVID-19 and the EU's withdrawal of EBA preferences, which comes at a time where international competition is increasing, in particular in the light of the recently concluded free trade agreement between Vietnam and the European Union. The German side also expressed its hope for a swift reinstatement of EBA trade preferences, before companies choose to relocate their production. The German side explained that for the EU the opening of political and civic space is what matters, in line with Cambodia's constitution, the Paris Peace Accord, and the UN's human rights conventions. The EU would be ready to reconsider its decision, after the conclusion of the trial against Kem Sokha and the full reinstatement of his political rights. The Cambodian side underlined that it has upheld the principles of a multi-party system, that 47 parties were registered during the last elections and that for 12 of the 118 politicians banned from political activity the ban has already been lifted.

The German side shared the observation that Micro Finance Institutions have been central in developing a strong banking system in Cambodia. At the same time, now, the market seems to be oversaturated, with Cambodia holding the world's highest average amount of microfinance loans per capita. The COVID-19 crisis has revealed structural deficiencies. The German side supported the steps taken by the government and the National Bank of Cambodia to give leeway for the rescheduling of debt payments and to better regulate the sector. At the same time, Germany echoed concerns that increasing defaults may lead to a substantial loss of land from borrowers. Sound National Bank policies and guidelines may have not always been adequately implemented by loan officers on the ground. Both Parties agreed that a better and sound analysis about the current socio-economic effects in the Microfinance sector would be conducive to an evidence-based discussion on potential future policy steps. Both Parties agreed that Germany will fund and contract a study for this purpose.

On LANGO, the Cambodian side described the process so far and the current discussion in the working group. It pointed out that civil society is not speaking with one voice and the government has urged them to create a CSO working group. Germany appreciated the decision of the Royal Government to amend LANGO and to continue consulting intensively with civil society organizations. It recommended that suggested changes by civil society in Articles 8 and 30 (registration and deregistration), Article 24 (political neutrality) and Article 25 (reporting requirements) of LANGO, would be key to clarify ambiguities in the current law, resulting in improved framework conditions for civil society activities:

- Concerning Article 8 and 30 the very broad concept of "jeopardize peace, stability and public order or harm the national security, national unity, culture and traditions of the Cambodian national society" may be too vague for a solid implementation.

Germany suggested that the regulation in the German Association Law may serve as an example: it states that associations can only be forbidden, if it has been proven that the purpose or acts of it are in conflict with the German constitution or criminal code. This gives a clearer reference framework.

- Concerning Article 24 Germany explained that in the German Association Law political neutrality is no prerequisite. If it is kept in LANGO, it would need more clarification what political neutrality means, as an NGO criticizing the government is not necessarily political. Possibilities to unequivocally define political neutrality can refer to “not using the logo of a political party”, “not be financed by a political party or finance a political party”, “Directors of associations or NGOs are not allowed to have at the same time a political mandate in a political party”.
- Concerning Article 25 the German side mentioned that the reporting requirements burden especially small NGOs and CSOs in the country side, as they would need to submit the reports to the Ministry of Interior in the capital. An amendment could give Mol and MoFA the right to request the reports in case of any complaints. This would ease the logistical pressure for these small NGOs and would contribute to de-bureaucratization, while at the same time Mol and MoFA would have access to the reports in case of any investigation.

Concerning the Draft Law on Public Order, Germany raised concerns that Article 11, 25, 36 and 37 may negatively affect vulnerable and poor groups of society. The Cambodian side clarified that the Law is not yet even a full draft, but only preliminary ideas from the technical level. The Ministry of Interior will conduct stakeholder consultations before the law will be finalized. This will allow identifying critical aspects of the draft law.

On the freedom of expression the Cambodian side explained that it is understood in different ways in different situations and that the call for violence is not covered by the freedom of expression, but is considered incitement. The German side highlighted that justified – or unjustified – criticism should not be considered synonymous with incitement. Criticism is an essential part of a culture of democratic dialogue.

On the phenomenon of deforestation the Cambodian side explained that with support from the World Bank the Government of Cambodia is working on a digital monitoring for deforestation to establish a data base. This endeavor aims at using the data for selling carbon credits in the future. What remains is the demarcation and land registration. Towards these objectives, the government is working with all stakeholders. The German side asked the Cambodian side for clarification on reports according to which the Ministry of Environment supposedly warned NGOs not to use satellite imagery to monitor and collect deforestation data in the Prey Lang area because it was against the law and was exploited by these NGOs for political purposes. The Cambodian side recommended that NGOs should consult with the government first before going public with any analysis.

The Cambodian side presented the MRC basin-wide strategies, whereby its Environment Management Strategy provides a mechanism to identify and integrate key regional environmental assets. The Cambodian Side requested Germany to continue its support to the implementation of the MRC Strategic Plan 2021- 2025 and to support the Cambodian Ministry of Water Resources and Meteorology on river basin management. Germany recommended strengthening the mandate of the MRC in analysing the role of forests for the watershed management and in monitoring the grade of deforestation and its impacts.

The German highlighted difficulties by the reregistration of the German NGO Forum Civil Peace Service (forumZFD). It referred to the summary records of the government negotiations on development cooperation dated 15th May 2019 (paragraph 3.6) and explained that a supporting letter by a line ministry is missing for MoFAIC to re-register forumZFD. While the Cambodian Ministry of Cults and Religion provided a supporting letter

in 2017, it was not able to provide a letter for the re-registration in 2020, in spite of three verbal notes and representations made by the German Embassy in Phnom Penh. The German Embassy also ensured that all the necessary documentation was provided by forumZFD. The Cambodian side offered to follow up the issue with the Ministry of Cults and Religion.

Social Protection (7th of September 2020)

Both Parties agreed to strengthen cooperation in social protection, in line with Cambodia's National Social Protection Policy Framework 2016-2025:

1. Working towards universal health coverage by increasing coverage by target groups, reducing out-of-pocket expenditure, harmonizing the service package and reimbursement rates, and working towards a single operator with a single independent certification agency;
2. Establishing a (contribution-based) pension system;
3. Broadening social assistance, in particular reviewing and adjusting existing programs such as targeted cash transfers for pregnant women and children, for people with disability and for poor children to attend primary school (scholarships and school feeding) as well as designing new programs e.g. for the elderly and for people affected by natural and man-made disasters; Developing the existing identification system for poor households into a comprehensive social registry and improve the existing targeting mechanism for social assistance;
4. Developing and harmonizing the regulatory framework for social assistance, and setting up an operator for all social assistance programs;
5. Boosting food security and nutrition;
6. Addressing over-arching issues, such as
 - a. Reviewing and if necessary updating the social protection policy framework;
 - b. Ensuring preparedness for a timely shock response as a part of the social protection system;
 - c. Improving the supporting architecture for social protection through appropriate tools and applications (interoperable ICT, social registry / unique identifier, institutional cooperation, and communication).

Health (8th of September 2020)

Both Parties agreed to evolve their cooperation in public health, in line with Cambodia's upcoming Health Strategic Plan 2021-2025, focusing on:

1. Improving the quality of pre-service training for medical professions such as medical doctors, nurses, and midwives, and lay the foundations for pre-service training programs for allied health professions in bioengineering, human biology, health management, health information and health financing;
2. Strengthening the emergency and disaster preparedness of the health system;
3. Improving the quality of health service delivery through the successor of the Health Equity and Quality Improvement Project, working towards universal health coverage, a stronger focus on non-communicable diseases, and including private sector health service delivery;
4. Introducing an independent licensing and accreditation agency for all health care facilities and strengthening the Payment Certification Agency as an autonomous and impartial agency for claims management for all health insurance schemes;
5. Supporting the digitalization of work processes in the health system, consistent with the introduction of a unique identifier and allowing for a seamless communication and interoperability of social protection databases;
6. Strengthening the Ministry of Health's capacity to regulate and set standards- for all health related services and matters in a decentralized system;
7. Strengthening local administrations in promoting and monitoring public health.

Inclusive Economic Development (9th of September)

Both sides discussed the

- impact of the COVID-19 pandemic on the north-western provinces and potential pathways, and the RGC's response measures, and
- the future orientation of the cooperation in the sector (transformation from person-centered local development to inclusive economic development, especially the engagement of private sector).

Both sides agreed that Cambodia successfully contained the COVID-19 virus from a public health angle, but that the country has been hit hard economically. Especially affected are the key industries in tourism, manufacturing (garment and footwear), and construction, resulting in a shrinking of GDP by minus 1.9% in 2020.

As a response, the RGC reacted by providing tax exemptions for the tourism and hospitality sector, a subsidy for laid-off workers, a cash-transfer scheme for ID Poor and vulnerable families, a cash-for-work program, and an economic stimulus package worth 800 million USD. Priority has been given to creating an enabling and resilient environment for SMEs, MFIs, and other relevant private businesses.

As pathways for the future cooperation, two options were discussed:

- focus on mitigating the short-term economic effects of COVID-19 and thereby following a poverty oriented approach
- focus on mid to long-term economic development by preparing Cambodia for the post-COVID time. This takes into account the current restructuring of global value chains and further rise of the demand for and application of digital solutions.

Both sides agreed:

1. ongoing projects, especially RED IV - which already adapted towards mitigating the short-term effects of COVID-19 - should continue to do so until the end of the program in September 2021.
2. Future cooperation through the new ICONE I program (following RED IV at the end of 2021) shall differ from the previous RED programs and focus on mid to long-term private sector development through developing an export-oriented private business sector. ICONE I shall work on the prerequisites for economic diversification and modernization through the promotion of productivity, competitiveness, efficiency and innovation, foreign direct investment, industrial policy and private sector development.
3. The following regional approach shall be chosen, in promoting knowledge, innovation and technology/application hubs or clusters, as it takes account of existing comparative advantages and relevant intermediaries:
 - a. Battambang province: This province has a comparative advantage in the food and agro-industry. The sector has a high potential for exports and for import-substitution.
 - b. Banteay Meanchey province: This province has a comparative advantage in the mechanical and light industries due to existing Special Economic Zones and TVET/ educational infrastructure with the Polytechnical Institute and Meanchey University.
 - c. Siem Reap province: This province has a comparative advantage in hospitality/ tourism as well as handicrafts (cottage industries).

- e. Phnom Penh metropolitan area: Phnom Penh has a comparative advantage in the digital sector and innovation. Cooperation with Phnom Penh shall mainly focus on the transfer of digital solutions and technological innovations from Phnom Penh to the other mentioned provinces.
 - f. Should additional funds through a co-financing arrangement with the Swiss Agency for Development and Cooperation (SDC) become available, an inclusion of Oddar Meanchey and cooperation with the metropolitan area of Phnom Penh could be considered.
4. Germany will explore with SDC the possibility of a co-financing arrangement for ICONE I.

Solid Waste Management (10th of September 2020)

1. The Cambodian side described the main challenges in the sector: i) municipal solid waste management has been decentralized whereby capacities on the local level on how to deal with this new obligatory function is very limited, ii) lack of regulation on privatization and private waste management and on manuals and operational guidelines for waste management as well as landfills, iii) lack of treatment facilities, iv) the ineffectiveness of public awareness work in terms of behavioral change, v) the lack of a strategic approach towards waste reduction and recycling.
2. Both sides agreed that further potential for future cooperation could be explored in the following three areas:
 - a) Capacity building for the sub-national level
 - b) Increasing public awareness
 - c) Improving the regulatory framework
 - d) Cooperation with the private sector
3. The German side explained that the COVID-19 crisis temporarily shifted priorities towards health related areas so that a bilateral program on solid waste management in 2021 becomes unlikely. Nevertheless two relevant regional ASEAN programs with GIZ are in preparation with a considerable funding for Cambodia. These can support certain areas mentioned by the Cambodian side. The first project is called “Waste prevention and circular economy to protect seas and corals (3RsproMar)” and aims at reducing waste leakage from land to sea especially along the Mekong river system. As potential project area the cities Kratie or Kampong Cham and a municipality in Phnom Penh were discussed. The second project is called “ASEAN Municipal Solid Waste Management Enhancement (AMUSE)” and aims at integrating private sector in joint approaches to separate, collect and recycle waste. Siem Reap was discussed as project area and confirmed by MoE.
4. On increasing public awareness, the German side informed that Konrad-Adenauer-Stiftung (KAS) has established since three years the format of a Cambodian Waste Summit to bring together business, politics and academia to boost innovative solutions. Konrad is furthermore in the preparation of a joint media campaign with Smart on avoiding plastic waste. Both sides agreed that on awareness raising, innovation and matchmaking, Konrad can be a strong partner for MoE and further details shall be explored in a follow-up meeting between KAS and MoE.
5. Concerning the support for strengthening the decentralized level on solid waste management, Germany informed on the toolkit for district councils on how to improve solid waste management, which has been developed by GIZ in 2019 and is available on the NCDD-website.¹ Furthermore the German side offered to explore how the decentralized level could further be supported on solid waste management through its priority area of decentralization. A potential role for the German side could lie in the support of formulating DEIKAS, guidelines and instructions and training materials.

¹ <http://ncdd.gov.kh/wp-content/uploads/2019/04/1.-Improving-solid-waste-management.zip>

6. The German side highlighted the leading role of German enterprises in technologies related to waste management and an interest by German business partners in exploring opportunities on solid municipal waste management, hazardous and medical waste treatment. A planned study tour to a waste plant in Thailand with German maximum-yield technology had to be postponed due to the COVID travel restrictions, but is still on the agenda. The German side offered to support the matchmaking of business relations in the sector but highlighted the need to early know about planned investments by the Cambodian government in the sector to provide this service. Furthermore, there are several both technical and financial support services that are provided by the German government to private companies that are interested in pilot investments.
7. On the follow-up for an Integrated Expert at the MoE, both sides confirmed their sincere interest. MoE confirmed that it is still in the process of exploring ways to finance a national salary. The German side confirmed the possibility to finance the salary top-up through one of the mentioned regional programs.

Decentralization (11th September 2020)

1. Both sides agreed that supporting the implementation of the 2. National Programme on Sub-National Democratic Development (2021-2030) shall stay at the center of a potential future technical cooperation programme.
2. Germany underlined the fact that the EU will not continue as co-financing partner so that a successor program will need to focus. While the current DAR-project will support the Subnational Democratic Development reform (SNDD) and Public Administration Reform (PAR) until project end in 04/2022, a successor would need to focus on one reform only. Both sides therefore agreed to focus in the future on the SNDD reform with NCDD-S as only political partner.
3. Both sides agreed that future German technical support could work on the following areas:
 - a) the revision of local government function and structures,
 - b) the support in human resource development and especially on transforming the National School of Local Administration (NASLA) into a key institution for administrative capacity building
 - c) Reaching rural areas with the One Window Service Mechanism and making service provision there more efficient
 - d) Providing technical advice on further decentralizing functions from the provincial to lower administrative levels in the health sector
 - e) Providing technical advice on the new obligatory function on solid waste management. A potential role for the German side could lie in the support of formulating DEIKAS, guidelines and instructions and training materials.
4. Concerning the revision of local government function and structures, NCDD-S requested the German side to provide technical support for a study to transform Phnom Penh capital to become a metropolitan administration and provinces to become regional administrations.
5. Both sides agreed on the added value of I-SAF for the work on the Sub-National level and that a scaling-up from the commune/Sangkat to the district level should be further supported. NCDD-S pointed out that an effective reform needs to be balanced between the demand and supply side of governance, while I-SAF strongly focuses on the demand side. Therefore, both side agreed that a future German bilateral technical program should focus on the supply side of governance.