

Record of Discussions 1999

Cambodian-German Negotiations on Development Co-operation

Government negotiations on development co-operation were held between the Kingdom of Cambodia and the Federal Republic of Germany from 21 to 22 June 1999 in Bonn. The Cambodian delegation was headed by Mr Keat Chhon, Senior Minister, Minister of Economy and Finance. The German delegation was headed by Dr Rainer Goerdeler, Director for Asia, Central and Eastern Europe in the Federal Ministry for Economic Co-operation and Development. Lists of the members of the two delegations are attached as Annexes 1 and 2.

The negotiations were conducted in a cordial atmosphere and in the spirit of friendship existing between the two countries.

The two delegations had an exchange of views on ongoing and future development co-operation and on other matters of mutual interest. The opening statements of both delegations appear in Annexes 3 to 4. The Cambodian side informed the German side of the overall situation and progress made since the CG meeting in Tokyo. The statement appears as Annex 5. A further presentation on rural development appears as Annex 6.

The agenda comprised the following items:

Priority Areas of Co-operation

1. Financial Co-operation
2. Technical Co-operation
3. Future Co-operation
4. General Remarks
5. Statements
6. Miscellaneous
7. Next Government Negotiations

1. Priority Areas of Co-operation:

Both sides reconfirmed that they would concentrate their future cooperation on the following priority areas:

- support of the reform policy, including strengthening of the private sector,
- promotion of rural development, including protection and sustainable use of natural resources as well as rural infrastructure,
- human resource development, particularly education and health.

2. Financial Co-operation:

2.1 Ongoing Projects

Both sides discussed the progress made to date and expressed their satisfaction with the state of the ongoing financial co-operation (FC) projects.

2.1.1 Sector-related Programs Health I, II and III:

Both sides reviewed the progress achieved so far and acknowledged the good co-operation with the Ministry of Health and UNICEF. The Sector Related Programs Health I and II have made a crucial contribution to the supply of basic medical drugs in the country, especially in rural areas.

Both sides underlined the need for structural changes that would allow the Cambodian side to ensure medical supplies

without external assistance in the future.

The German side emphasized the importance of adequately endowing the department responsible for drug distribution and monitoring of their proper use in terms of staff, finance and equipment. This requires budget planning to that effect and the introduction of a separate budget item.

2.2 New Commitments

The Government of the Federal Republic of Germany undertakes to provide to the Kingdom of Cambodia grants for financial co-operation amounting to DM 21.0 million for the 1999/2000 commitment period as a, topping up of the total amount for the implementation of projects under financial co-operation. The funds will be used as follows:

2.2.1 Promotion of Small Enterprises II DM 7.0 million

Both sides underlined the particular importance of this project for the development of Cambodia. The project is expected to make a substantial contribution to the development of the financial sector and help create structures necessary to introduce and spread financial services to micro and small enterprises. The smooth and speedy preparation of the project in co-operation with ACLEDA was welcomed.

2.2.2 Tertiary Roads Improvement Programmed (TRIP) II DM 8.0 million

Both sides welcomed the successful implementation of the previous programmed TRIP I which -among other things -has created income for more than 200,000 inhabitants by food-for-work. TRIP II will be implemented according to the same concept and principles. Project area will be the province of Kampong Cham with possible extension into Prey Veng and Kampong Thom.

2.2.3 Rural Telecommunications II DM 6.0 million

Both sides agreed to continue the development of rural areas by providing a further basic communications infrastructure. The project will cover mainly areas from Sihanoukville to Phnom Penh. For further preparation, a feasibility study will cover the area up to Stung Treng Province and will be financed out of the Studies and Expert Fund.

2.3 Procedures and Principles for Financial Co-operation

2.3.1 As regards the preparation and implementation of Projects, consultants will be used in principle. The scope of the activities and the recruitment of consultants will be mutually agreed upon on a case-by-case basis.

2.3.2 Financial co-operation funds will be made available to the Cambodian project-executing agencies on conditions which must correspond to the usual interest rate in the country and the life time of the investment goods financed. The details will be settled in the agreements to be concluded between the Kreditanstalt für Wiederaufbau (KfW) and the Ministry of Economy and Finance.

2.4 Fact Finding Mission

The German delegation agreed to send a fact finding mission to Cambodia. Such mission should collect information on the railway sector and conduct a preliminary evaluation. These findings would form the basis for further discussions on the railway sector during the next bilateral consultations.

3. Technical Co-operation

3.1 Ongoing Projects

Both sides discussed the progress made since the last Cambodian-German government negotiations in Bonn in 1996 and expressed their general satisfaction with the status of ongoing technical co-operation projects.

3.1.1 Legal Advice

The Cambodian side informed the German side that it would prefer using the funds available for the preparation of the communal elections or judiciary reform or other areas of mutual interest. It would inform the German side of its decision in the near future.

3.1.2 Demobilization

The German delegation underlined its willingness to participate – together with other donors, in particular the World Bank -in the demobilization program of the Cambodian government for former soldiers and their families and to implement its commitment of DM 4.0 million under technical co-operation made at the last government negotiations soonest.

On the basis of the results of the recent GTZ preparatory mission German participation in the demobilization program will focus on strengthening the central organization unit to monitor the program in Phnom Penh and the re-integration of up to 2,000 former soldiers and their families in connection with the German development co-operation projects in Kampong Thom (rural regional development) and Kampot (food security).

Details will be agreed upon soon by the two sides, with consensus existing that a substantial part of the German support program should benefit particularly needy "special target groups".

The German side emphasized that German funds could not be used as reinsertion support. This would have to be contributed by the Cambodian side or a third party for the soldiers and their dependants to be integrated in Kampot and Kampong Thom. The German side assumed that this contribution would be made available by other partners or the Cambodian side before its own pilot programs in connection with the aforementioned projects can be started.

3.2 New Commitments

The Government of the Federal Republic of Germany undertakes to provide to the Kingdom of Cambodia a new amount of DM 21.0 million for the 1999/2000 commitment period as a topping-up of the total amount for the implementation of projects under technical co-operation.

The funds mentioned will be used as follows:

3.2.1 Training of Health Personnel and Family Planning DM 7.0 million

(2nd project phase: four-year phase starting January 2000)

The Cambodian side stated that it would continue to support the health reform and would ensure that the respective budget funds are made available for the health system.

3.2.2 Provincial Development Program DM 6.5 million

Kampong Thom

(2nd project phase: three-year phase starting January 2000)

The Cambodian government will make every effort to ensure that sufficient counterpart personnel are integrated into the project who will continue the measures initiated under their own responsibility in the medium to long-term run, after having acquired adequate qualification.

3.2.3 Occupation-oriented Non-formal DM 3.5 million

Vocational Training Program

(2nd project phase: three-year phase starting January 2000)

3.2.4 Strengthening of the Forestry Development DM 3.5 million

(2nd project phase: three-year phase starting May 2000)

Both sides agreed that sustainable reform measures in the forestry sector, the active support in the implementation of the project and a co-ordination and partnership monitoring are essential pre-conditions for a continuation of the project. When entering the concrete planning stage for the 2nd phase of this project the German side will examine whether the funds can be used to finance also some of the monitoring activities envisaged by the Cambodian side.

3.2.5 Land Management Project DM 0.5 million

(2nd project phase starting July 2000)

Both governments emphasized that for the long-term success of the project a land law was of utmost importance that considers and balances all economic, social, cultural and ecological interests.

The Cambodian government will ensure that the discussion of the existing proposal for a land law is conducted in a participatory manner involving all relevant social forces concerned in order to maintain social peace and general welfare.

Moreover, both sides agreed to the adoption of a sub-decree – available as a draft which permits a systematic and, area-wide granting of ownership titles to become effective as soon as possible so as not to put project progress at risk.

4. Future Co-operation

4.1 The two delegations held an exchange of views on the future design of development co-operation and agreed to continue to focus the cooperation program on the priority areas mentioned under para 1.

4.2 The following possible future projects and programs in the agreed priority areas were discussed on an indicative basis including possible extensions:

Rural Telecommunication (FC)

- Demobilization (TC)
- Promotion of Judicial Reform (TC)
- Rural Development Kampot/Northern Border Area (TC)

5. General Remarks

5.1 Conditions for Project Implementation

Both delegations agreed that all the contributions envisaged by the German side and recorded in the present document (under paras 2.2 and 3.2) will only be made when

the Government of the Federal Republic of Germany has taken a positive decision once project/program appraisals have been carried out by Kreditanstalt für Wiederaufbau (KfW), Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH and/or any other organization commissioned with implementing the project,

overall financing for the project/program has been secured,

the international agreements to be concluded (intergovernmental agreements and project agreements), the financing agreements and the implementation agreements with KfW/GTZ and, if applicable, any other implementing organizations have entered into force.

5.2 Reservation

The German side drew particular attention to the fact that commitments made under financial co-operation (cf. para

2.2) and technical cooperation (cf. para 3.2) would lapse if within eight years of the year in which the commitment was made no implementation agreement, i.e. in the case of financial co-operation a financing agreement, and in the case of technical co-operation generally, an exchange of notes had been concluded. Thus, commitments made during the 1999 negotiations are subject to a December 31, 2007, deadline.

Should one or more of the projects mentioned not be implemented or only be partially implemented, it/they may be replaced in mutual agreement between the two governments by another project or projects.

6. Statements

6.1 Both delegations agreed that their co-operation projects would be selected and designed according to development criteria. The German delegation drew attention to the fact that there is a close connection between the level of employment in German economy and the capacity of the Federal Republic of Germany to engage in development co-operation. This has become even more important since German unification.

6.2 The Government of the Federal Republic of Germany and the Kingdom of Cambodia agree upon the following assessment of the negative effects of corruption:

It undermines good governance.

It wastes scarce resources and has a far-reaching negative impact on economic and social development.

It undermines the credibility of, and public support for, development cooperation and compromises the efforts of all those who work to support sustainable development.

It compromises open and transparent competition on the basis of price and quality.

Both governments intend to co-operate closely in order to ensure transparency, accountability and probity in the use of public resources and eliminate any opportunities which may exist for corrupt practices in their development co-operation.

6.3 In this connection the Cambodian delegation: referred to the need of strengthening the efficiency of the civil service through the civil service and public administration reform already initiated.

7. Miscellaneous

7.1 Scholarships

Up to 15 non-project tied scholarships are available in 1999. It is envisaged to maintain this number in 2000 as well.

7.2 Integrated Experts

The German delegation pointed out that the Government of the Federal Republic of Germany was prepared to support the Kingdom of Cambodia in its efforts to meet the need for experts in areas important for development policy where no local experts were available. The Government of the Federal Republic of Germany could support the recruitment of suitable experts from the German labor market and grant them salary top-ups within the limits of its financial possibilities.

Public and private employers can send applications for integrated experts directly to the Centre for International Migration and Development (CIM), Barckhausstr. 16, 60325 Frankfurt (Main), Germany. There is a close cooperation between CIM and the International Organization for Migration (IOM); therefore, the IOM representative in Phnom Penh is prepared to support applicants who want to get into contact with CIM.

7.3 Senior Expert Service (SES)

Under the SES experienced experts no longer active professionally can be seconded to fulfill development co-operation tasks. Applications can be sent directly by public and private employers to the Senior Expert Service, Buschstrasse2,

and 53113 Bonn.

7.4 Contributions to Multilateral Development Organizations

The German delegation pointed out that, in addition to its bilateral programs of co-operation, the Federal Republic of Germany made substantial contributions to the Kingdom of Cambodia via international organizations such as the European Union, the Asian Development Fund, the International Development Agency (IDA), UN agencies and the Mekong River Commission.

7.5 Integrated Advisory Services for the Private Industry (DEG)

The German side pointed out that this regional project headquartered in Bangkok and implemented by DEG (German Investment Promotion and Development Company) envisaged and contained the establishment of co-operation relations and joint ventures with Cambodian firms.

7.6 Bilateral Investment Protection Agreement

Both sides welcomed the signing of the Cambodian-German Investment Protection Agreement in February 1999.

7.7 Co-operation with the Centre de. Formation Professionally/Vocational Training Centre (VTC) in Battambang

The German side pointed out that the financial contribution of the Cambodian government to the running costs accruing at the VTC should be increased.

The German government has a special interest in this project as it is a former project under bilateral technical co-operation, which had been continued during the 1960s by the Lutheran World Association.

7.8 Co-operation between German and Cambodian NGOs

The two delegations shared the view that co-operation between Cambodian and German NGOs was an important component of development co-operation. Both sides intend to foster co-operation between the NGOs of the two countries. The German side inquired after the state of adoption of the NGO legislation.

7.9 20/20 Initiative

Both delegations confirmed their willingness to advocate implementation of the 20/20 Initiative in pursuance of the decision taken to that effect at the World Social Summit in Copenhagen, and in co-ordination with other interested donors. According to the Copenhagen resolution, 20 % of the assistance and 20 % of the national budget should be used for basic social services.

Schedule for Next Negotiations and Consultations

It was agreed that the next government-to-government negotiations should take place in Phnom Penh.

The negotiations will be prepared in bilateral consultations to be held in Phnom Penh in 2000.

Done at Bonn on 22 June 1999


For the delegation of
the Kingdom of Cambodia



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For the delegation of
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Dr Rainer Goerdeler

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