

11th High Level Consultations on Development Cooperation

Between

Cambodia and Australia

Summary of Discussion

1. The Government of Australia and the Royal Government of Cambodia held the 11th High Level Consultations (HLCs) on Development Cooperation in Canberra on 26 October 2016. The two governments discussed Cambodia's economic and social development and reviewed current development cooperation. It was confirmed the priority sectors for Australia's development assistance in Cambodia, as outlined in the 2015-2018 Aid Investment Plan, remain appropriate.
2. Australia reiterated the value it placed on its close and cooperative relationship with Cambodia, which is broader than just development cooperation, and its commitment to supporting Cambodia's development objectives.
3. Cambodia gratefully acknowledged the long standing partnership with Australia as one of Cambodia's largest development partners. Australia's commitment to continue to assist with Cambodia's priority areas as outlined in the Rectangular Strategy Phase III (RS III), the National Strategic Development Plan (NSDP) 2014-2018 and the recently adopted Industrial Development Policy (IDP) 2015-2025, is highly appreciated. Australia and Cambodia recognised they share similar approaches and perspectives in relation to private sector development as the engine of growth and inclusive development.

Cambodia's economic outlook and development priorities

4. Cambodia reaffirmed its commitment to achieving the objectives outlined in the NSDP. The mid-term review of the NSDP identified the major achievements and challenges during the first two and half years of implementation in an increasingly complex domestic, regional and global development environment. The review identified nine principal themes the next NSDP cycle will need to address in order to achieve the RGC's overarching development objectives of poverty reduction, inclusive growth and reaching upper middle income country status by 2030. The review also noted institutional arrangements for cooperation and collaboration with development partners remains a challenge.
5. The Cambodian Ministry of Planning is the lead agency coordinating the localisation of the Sustainable Development Goals (SDGs) and gave an overview on progress with this important task. The localised framework for Cambodia SDGs is expected to be endorsed by the RGC in the second quarter of 2017 for integration into the national development frameworks and actions. Both countries acknowledged they could do more to fully embed SDGs into national systems and noted that SDG performance reporting should be country-led and tailored to countries' individual contexts and development priorities.

6. Cambodia outlined its economic achievements and challenges. It highlighted its average annual economic growth of 7 percent over the last decade and poverty reduction of more than 1 percentage point per annum over the same period. In 2016 GDP growth is expected to be again around 7 percent, with per capita income increasing to an estimated USD1,300. Cambodia noted that an improvement in the collection of tax revenue has contributed to robust, inclusive economic growth and development. These achievements helped Cambodia achieve many of the Millennium Development Goals. However, Cambodia noted that opportunities and challenges remain. These include: sustaining high economic growth and inclusiveness development; accelerating the structural reforms; achieving greater economic diversification; overcoming weak competitiveness; managing rapid expansion of the financial sector; increasing labour productivity; addressing the effects of climate change; increasing the completion rate for secondary students; overcoming skills shortages; and enhancing the logistics and transportation system.

7. Cambodia provided an update on the role of development partners in a changing development context. Against this backdrop, Cambodia outlined its priorities including sustaining its impressive record of growth and macroeconomic stability; and maintaining policy coherence as set out in the RS III, NSDP and IDP. Cambodia noted that even though it had attained Lower-Middle Income status in 2016, there will be a continued need to access concessional financing, including grants, as Cambodia will remain a Least Developed Country for at least the next ten years. In this regard, development partner support, including from Australia, remains significant and relevant.

8. Australia welcomed Cambodia's continued rapid economic growth and impressive progress on poverty reduction, noting the importance of ensuring all Cambodians benefit from this.

Overview of Australia's aid policy

9. Australia provided an update on implementation of its aid policy, *Australian Aid: promoting prosperity, reducing poverty, enhancing stability*. Australia noted the development cooperation program with Cambodia would easily meet the 20 percent aid for trade target under the policy because of its strong focus on engaging the private sector.

10. Cambodia noted the close alignment between Australia's aid policy and Cambodia's own strategic policies. Cambodia values the Australia's commitment in providing development assistance in Cambodia. Australia is among Cambodia's largest development partners, with plans to disburse an estimate AUD\$90 million in 2016-17. According to Cambodia's ODA database, Australia is now the second largest partner in providing exclusively grant assistance to Cambodia. Cambodia noted Australian support has contributed to Cambodia's impressive achievements to date.

The role of the private sector in development

11. Both sides acknowledged the useful discussions held in a workshop *Private Sector Development and the Role of the Public Sector*. The workshop provided an opportunity for Australia and Cambodia to share experiences. Cambodia outlined its priorities for PPPs. Australia outlined its experiences with PPPs and partnering with the private sector in health to achieve quality and equity outcomes. Cambodia appreciates Australia's commitment to extend its support for private sector development and looks forward to opportunities to learn from Australia's experiences and modelling with PPPs.

Shared challenge: gender equality

12. Australia and Cambodia agreed achieving gender equality and women's empowerment was a shared challenge, which would require sustained effort. Australia outlined its commitment to achieving gender equality through the Department of Foreign Affairs and Trade's *Gender Equality and Women's Empowerment Strategy*, launched by the Minister for Foreign Affairs in February 2016. Australia welcomed Cambodia's efforts through its *Neary Rattanak IV* gender empowerment strategy. Australia noted coordinated efforts across government would yield the greatest results. Australia confirmed it would continue to support Cambodia's efforts on gender equality.

13. Cambodia appreciated Australia's assistance in gender equality. Cambodia and Australia agreed to continue to work together to tackle gender equality challenges.

Australia's development assistance to Cambodia: overview of current program, lessons learned and future directions

14. Australia provided an overview of its current development cooperation engagement with Cambodia. Both Australia and Cambodia agreed that substantive progress has been made against the objectives set out in the Aid Investment Plan 2015-2018, and this had been achieved across multiple projects in the four focus sectors: agriculture, infrastructure, health and education. In health, Australia has provided AUD113 million in bilateral support since 2007. A further AUD57.8 million has been committed for the next five years, primarily through Health Equity and Quality Improvement Project (H-EQIP). This will create a stronger link between health financing and improved quality of service delivery. In agriculture and irrigation, over the next five years the Cambodia Agricultural Value Chain Program (CAVAC) Phase II (AUD98.7 million), will build upon CAVAC Phase I, working with the private sector to improve the livelihoods of tens of thousands of Cambodian farmers.

15. Australia confirmed its ongoing commitment to improving access to infrastructure in Cambodia. Australia will continue to transition away from small investments and focus over the next five to six years on two large investments, the Rural Roads Improvement Program Phase 2 (AUD22.6 million) and 3i: Investing in Infrastructure (AUD45.4 million).

16. In education, both sides acknowledged the value of education sector engagement as crucial in building long-lasting people-to-people connectivity. Australia reiterated its support for Cambodia's human resource development through scholarship

programs, especially in areas prioritised for Cambodia's shifting economic development agenda. Under the New Colombo Plan, Australia will consider a request to place Australian undergraduates in universities in Cambodia's provinces. *Cambodia requested an expansion of Australian support to higher education institution capacity building programs.* Cambodian also reconfirmed its encouragement to fee-paying Cambodian students to study at Australian universities.

17. Australia also outlined its substantial support for Cambodia delivered through regional and global programs and its ongoing commitment to providing high quality development assistance. Australia reaffirmed its commitment to high standard safeguard policies, to ensure that its investments do not cause unacceptable adverse impacts to people and their environment.

18. Both sides agreed Australia's development cooperation program in Cambodia would continue to focus on agriculture, infrastructure, health and education at least until the conclusion of the current AIP. Australia also indicated its plans to continue activities that strive to achieve inclusive development, with a focus on ending violence against women and disability rights.

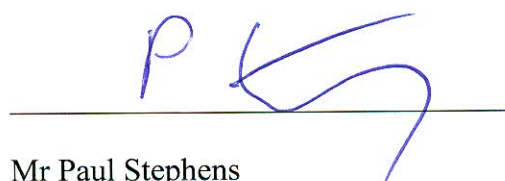
19. The agreements reached at these High-Level Consultations will continue to underpin Australia's Aid Investment Plan 2015-2018. Australia commits to early consultations with Cambodia on the development of the new Aid Investment Plan for the next period, likely to cover 2019-2022.

20. The parties agreed the next High-Level Consultations would be hosted by the Cambodian Government in 2018.

Signed on 26 October 2016 in Canberra, Australia



H.E. Chhieng Yanara
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Secretary General of the Cambodian
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Mr Paul Stephens
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