

# **Summary Record**

## **of the Negotiations on Development Cooperation between the Government of the Federal Republic of Germany and the Royal Government of Cambodia held in Bonn on 13 and 14 December 2011**

### **Introduction**

Negotiations on development cooperation between the Royal Government of Cambodia and the Government of the Federal Republic of Germany were held in Bonn on 13 and 14 December 2011. The delegation of the Royal Government of Cambodia was headed by H.E. Minister Chhieng Yanara, Secretary General of the Cambodian Rehabilitation and Development Board at the Council for the Development of Cambodia (CRDB/CDC). The delegation of the Federal Republic of Germany was headed by Dr. Josef Füllenbach, Head of the South-East Asia Division, Federal Ministry for Economic Cooperation and Development (BMZ). Lists of the two delegations are attached as Annexes 2 and 3.

The negotiations took place in an open atmosphere of constructive cooperation. Based on the results of the government consultations held on 17 February 2011, the delegations reached agreement on the allocation of the funds available. They discussed ongoing and future cooperation and other relevant issues.

The results of the negotiations are recorded below:

### **1. General context for development cooperation and political dialogue**

#### **1.1. Opening statement by Wolfgang Kanera, Deputy Director General Asia, Human Rights, Governance and Gender**

See Annex 4

#### **1.2. Opening Statement by H.E. Minister Chhieng Yanara, head of the Cambodian delegation**

See Annex 5

## **1.3. General context and prerequisites for development cooperation**

### **1.3.1. Development effectiveness**

At the Fourth High Level Forum on Aid Effectiveness in Busan in 2011, it was decided to broaden attention from aid effectiveness to the challenges of effective development and thus to form a new, inclusive Global Partnership for Effective Development Co-operation. Both delegations agreed to work together to contextualise and apply the Busan commitments in their development cooperation, informed by the following principles:

- based on internationally agreed commitments on issues such as the promotion of human rights, democracy and good governance, we share common principles such as ownership, focus on results, trust and mutual respect, transparency and accountability that form the foundation of our cooperation for effective development.
- the use and strengthening of country systems, including human resources, remain central for building effective institutions which in turn are essential for sustainable development.
- we partner to facilitate and strengthen the impact of diverse sources of finance in order to support sustainable and inclusive development, in particular mobilisation of domestic sources of finance, so as to reduce aid dependency as a long-term objective.
- we recognise parliaments and local authorities, civil society organisations and the private sector as important actors and that each of them plays a vital role for development: parliaments and local authorities link citizens with their government; civil society organisations enable people to claim their rights in line with the rule of law; and the private sector creates income and jobs. We partner to ensure an enabling environment for each of those actors.

Both delegations agreed that regular exchange and policy dialogue between the Royal Government of Cambodia and development partners engaged in Cambodia is a prerequisite for coordinated development cooperation based on the principles of partnership and mutual accountability. On the issue of the postponement to a later date of the fourth Cambodia Development Cooperation Forum (CDCF), which was scheduled for November 2011, the German delegation expressed its concern that this would affect the process of reviewing progress on and endorsing new Joint Monitoring Indicators, and thus there would be no clear guidance for the development process in Cambodia. The Cambodian delegation indicated

that despite the postponement, the current coordination and dialogue mechanisms, which include bilateral consultations, the Government-Development Partner Coordination Committee and the Technical Working Groups still continued to function as policy dialogue forums between the Royal Government of Cambodia and development partners. The Cambodian side stated further that, in this way, the partnership between Cambodia and its development partners would not be adversely affected. Nevertheless, the German delegation urged the Royal Government of Cambodia to consider holding a CDCF meeting in the first quarter of 2012.

### **1.3.2. Public Sector Reform**

The German delegation pointed out that success of Cambodian-German development cooperation is closely linked to Cambodian reform agendas in the area of public administration, public financial management, decentralisation, human resource development and remuneration of civil servants.

In particular with a view to human resource development and remuneration, the German delegation urges the Cambodian government to develop a clear policy for a sequenced remuneration reform to enhance public service delivery.

The German delegation fully supports the policy of the European development partners to stop paying Priority Operating Costs (POCs) by June 2012. As an interim instrument, the POC system was reasonably effective in harmonising a vast variety of salary supplements and other incentive payments. The system also fosters the introduction of human resource management instruments in key sector reforms. However, POCs should not be financed by development partners in the mid to long term, since such payments would create serious obstacles on the way to strengthening ownership by the Cambodian institutions, alignment by development partners to Cambodian development programmes and use of the Cambodian country systems by international development partners. Therefore the German delegation urged the Royal Government of Cambodia to put POCs on the government's budget as soon as possible.

The Cambodian delegation reaffirmed the Royal Government of Cambodia's commitment to public administration reform as a core reform, and to continue to increase salary levels in the public service based on principles of macroeconomic stability, efficiency and equity, whilst maintaining its medium-term objective of remuneration reform.

Both delegations agreed on the need for continued harmonisation of externally-provided allowances as important for ensuring effectiveness in development cooperation. Thus implementation of Sub-Decree 10 on Daily Subsistence Allowances will be enforced.

### **1.3.3. Good Governance and Democratic Development**

Both delegations agreed that respect, protection and fulfilment of human rights are key characteristics of good governance and are important prerequisites for effective poverty reduction and sustainable development. Human rights are a guiding principle for German development policy. Success of Cambodian-German development cooperation thus has to be measured also against the progressive realisation of human rights.

While economic growth is crucial for overall development, it must go hand in hand with social progress and protection of the environment. Thus, business interests should be weighted against their impact on the human right of poor households to adequate food, for example. Disputes should be settled in a transparent manner according to the rule of law.

The German delegation emphasised the critical role of non-governmental organisations for development in Cambodia. Both delegations underlined the need for continuous consultations with civil society on the draft "Law on associations and non-governmental organisations" and that the intention of the law is not to undermine freedom of association and expression, but rather to enhance transparency and accountability. Similarly, the labour unions play a crucial role in balancing economic and social needs within society and should therefore be strengthened, and its potential harnessed for development.

Against the background of financial crisis in the EU, the development policy concepts of development effectiveness and achieving better results as well as the implementation of good governance in partner countries have become even more important. Because of slower economic growth and German participation in the European rescue packages, Germany will have to restrict public expenditure in several areas. German citizens may face painful cuts in a number of areas, amongst other social services. Therefore, German citizens will be taking a more critical look at the investments which are not being implemented in Germany. As a result, development assistance will be under very critical scrutiny. There will be higher demands on partner countries to invest taxpayers' money sensibly – regardless of whether it is German contributions or assistance from other donors – and to give proof of good governance, especially in the fight against corruption. In addition, as can be seen from the new policy guidelines laid down by the German Ministry for Economic Cooperation and Development, good governance is a value per se which Germany is seeking to support partner countries in striving for.

Therefore the German delegation congratulated the Royal Government of Cambodia on the passing of the anti-corruption law and the progress made in implementing the law, resulting in the successful prosecution and sentencing of corrupt officials, including imprisonment. The Cambodian delegation reaffirmed the Royal Government's commitment, in particular by the Prime Minister, to strict measures being pursued against corruption.

The Federal Republic of Germany ratified the UN Convention on the Rights of Persons with Disabilities in 2009. Article 32 stipulates that persons with disabilities should be increasingly considered in international cooperation programmes. Germany is willing to pursue disability mainstreaming in Cambodian-German development cooperation within the agreed priority areas. The Royal Government of Cambodia has signed the UN Convention on the Rights of Persons with Disabilities. With reference to the Cambodian "Law on the protection and the promotion of the rights of persons with disabilities", both delegations agreed on the need for continued dialogue to ensure that one of the most vulnerable groups of Cambodian society could increasingly participate in and benefit from poverty reduction and development measures. Both delegations agreed to develop concrete ideas about how to mainstream disabilities in current and future cooperation activities.

#### **1.3.4. Khmer Rouge Tribunal**

Both delegations underlined the importance of effective functioning of the Khmer Rouge Tribunal.

Germany has so far pledged a total of €14 million towards the tribunal and outreach activities. The Federal Foreign Office intends to make available an additional amount of €1.2 million for the Victim Support Section (VSS) of the Tribunal for 2012-2013. This grant will conclude the German government's long-standing financial support of the Victims Support Section. The Federal Ministry for Economic Cooperation and Development will, however, continue its support with an additional €2.3 million in 2011-2013 for activities promoting dialogue and reconciliation.

Both delegations welcomed the imminent final conclusion of case 001 as well as the progress being made in the critically important case 002. Both delegations reaffirmed the respect for the integrity and independence of the judicial process of the tribunal to enable it to function without interference.

#### **1.3.5. Mekong River Commission**

Cambodia and, in particular, its unique ecosystem of the Tonle Sap are highly vulnerable to natural disasters such as floods and droughts. Both sides agreed that the Mekong River

Commission (MRC) plays an important role with regard to transboundary issues of resource management for the riparian countries of the Mekong. The German delegation welcomed the Cambodian government's active participation in the prior consultation process of the proposed Xayaburi hydropower project, the first on the mainstream of the lower Mekong basin. With regard to the 18<sup>th</sup> MRC Council Meeting on 8 and 9 December 2011, Germany shares Cambodia and other MRC members' view that there is a need to further study and assess the transboundary and cumulative environmental impacts likely to be caused by the Xayaburi hydropower project. Germany encouraged the government of Cambodia to stress on the fact that the upcoming comprehensive study on the sustainable management and development of the Mekong River, including the impacts of mainstream hydropower projects, must be executed in the framework of MRC. Germany and Cambodia stressed the importance of the MRC framework for the discussion and consensus about next steps following the results of the comprehensive study on the construction of the Xayabury dam as reaffirmed during the recent meeting of the MRC Council.

## **2. Dialogue on priority areas of bilateral development cooperation; commitments**

The priority areas of Cambodian-German bilateral development cooperation are currently:

- Health ("Social Health Protection")
- Rural Development ("Regional Economic Development" and "Support to the Land Sector Programme")

As well as the cross-cutting issue of

- Good Governance: Democracy, Civil Society and Public Administration

These fields of cooperation are in line with the priorities clearly articulated in the Rectangular Strategy Phase 2 and outlined in the National Strategic Development Plan Update 2009-2013.

### **2.1. Financial commitments and reprogrammed funds**

To date, the total volume of German bilateral Technical and Financial Cooperation has amounted to more than €260 million. The Government of the Federal Republic of Germany undertakes to provide the Royal Government of Cambodia with a new amount of €21.5 million for bilateral Technical and Financial Cooperation. This comprises €11 million for

Financial Cooperation projects/programmes and €10.5 million for Technical Cooperation projects/programmes.

In addition, €6 million from commitments made in 2009 will be reprogrammed under Financial Cooperation and €0.82 million from commitments made in 2003 will be reprogrammed under Technical Cooperation.

Furthermore, because of the merger of German Technical Cooperation organisations (CIM, DED, GTZ, InWEnt) into a new agency for international cooperation, GIZ (Gesellschaft für Internationale Zusammenarbeit), additional funding of €2.7 million has been made available to include all instruments of technical cooperation in ongoing programmes. Also because of the merger, the Study and Expert Fund for Technical Cooperation will be replenished by €0.6 million.

The volume of funding available for Technical and Financial Cooperation projects and programmes thus totals up to €31.6 million. A table showing the commitments and reprogrammed funds is attached as Annex 1.

## **2.2. Priority area “Health”**

### **2.2.1. Dialogue on the priority area**

As introduction to the priority area “health”, an update of current health sector developments in Cambodia and how Germany contributes to the Health Strategic Plan II (2008 – 2015) was given by the Ministry of Health.

The Government of the Federal Republic of Germany appreciated the Royal Government of Cambodia’s efforts in further strengthening the health system and improving social health protection. Remarkable progress has been achieved in the health sector in recent years. The comprehensive mid-term review of the health strategic plan is a good example of open and constructive dialogue between the Ministry of Health and development partners on key strategic and cross-cutting issues of the health sector plan.

Germany currently supports three out of the five strategic areas of the Ministry of Health’s strategic plan through technical and financial cooperation: Health Care Financing, Health Service Delivery and Health System Governance. Whilst good progress has been achieved in the area of health care financing, both delegations agreed that more needs to be done towards consolidation of existing mechanisms (i.e. health equity funds, community-based health insurance schemes, vouchers for health services) along with the development of

institutional arrangements for sustainable, effective and efficient demand-side financing mechanisms, as outlined in the draft Social Health Protection Master Plan. The German government is prepared to continue its support to strengthen health systems, established under Cambodian law, for the implementation of social health protection for the poor and nearly poor. The Cambodian delegation informed the German side that the draft Social Health Protection Master Plan will be revised and updated to link to national social protection strategy for the poor and the vulnerable and to reflect recommendations of the mid-term review of the Health Strategic Plan.

In the area of health service delivery, the supply-side of the health system, the mid-term review of the health strategic plan highlighted that more priority should be given to quality improvement of health services as well as to the quality of education of health staff in the public and the private sector.

Last but not least, the Royal Government is well aware of the new opportunities for the health sector that are arising from the implementation of decentralisation and democratic development in the context of the Organic Law, where, in future, the most important part of public functions that have a direct impact on poverty and livelihood can be devolved to sub-national authorities. Germany is willing to support this process under its new health system governance component.

Against the background of new sector priorities adopted and supported by the joint Social Health Protection Programme, both sides agreed on the revision of the Cambodian-German Sector Strategy in the Priority Area of "Health". The revised version will reflect the objectives of the NSDP Update 2009-2013 as well as the priority needs of the health sector articulated in the Health Strategic Plan 2008-2015. It will also be aligned with the National Social Protection Strategy for the Poor and the Vulnerable and the draft Social Health Protection Master Plan. The German side announced it would provide the Royal Government of Cambodia with a first draft of ideas by mid 2012, which should then be discussed between both governments.

### **2.2.2. Financial Cooperation**

Reproductive Health III, 2007.6603.0, commitment up to €5.0 million (grant) - ongoing

This programme continues German support for family planning measures through improved access to reproductive health services and products and also provides medical equipment for the Kampot Provincial Hospital, so as to develop its function as a learning facility for nurses and midwives. The German delegation urges the Cambodian government to secure

sustainable funding after completion of the final phase of the programme in December 2012 either (and preferably) via financing from Cambodia's government budget or through support provided by another development partner. The Cambodian delegation informed the German delegation that AusAID was willing to support family planning measures after the completion of the programme.

### **2.2.3. Joint Social Health Protection Programme**

#### Programme for Social Health Protection

The objective of the Programme for Social Health Protection in Cambodia is to improve access of the poor and vulnerable to effective and affordable quality health care and that such services are increasingly used by the population.

Germany's technical and financial contribution, provided through its implementing agencies GIZ and KfW, will contribute jointly to improving the quality and accessibility of public and private health services in the provinces of Kampot, Kampong Cham, Kampong Thom, Oddar Meanchey and Prey Veng.

The joint programme, which started in July 2009, is planned for a period of up to ten years:

Commitment for Financial Cooperation, 2007.6604.8, up to €2.5 million (grant)

Commitment for Financial Cooperation, 2009.6612.7, up to €6.0 million (grant)

Commitment for Technical Cooperation, 2009.2171.8, up to €4.25 million

These ongoing activities will be continued and strengthened by the following new activities:

**New commitment for Financial Cooperation, 2011.6554.7, up to €4.0 million (grant)**

The financial cooperation (FC) component, implemented together with the previous FC commitment, will further improve the quality and accessibility of public and private health services for the poor population in the provinces of Kampot, Kampong Thom and Prey Veng. Potential new districts will be identified in accordance with the results of the feasibility study and taking into account the provinces on which German cooperation is focusing. Further development of reimbursement tools will also be discussed during preparation of the new programme phase.

**New commitment for Technical Cooperation, 2009.2171.8, up to €0.7 million**

Following the agreement in 2009 to conduct a study on how people with disabilities and the elderly in Cambodia could be better covered by social health protection mechanisms and

their access to health services improved, Germany proposed to allocate additional budget funds for the existing module. The proposed activities for vulnerable groups are based on findings from a 2010 study. The results were consulted on with a wide range of stakeholders and broadly disseminated in Cambodia.

**New commitment for Technical Cooperation: Mother and Child Health, 2011.2194.6, up to €1.5 million**

In the context of the G8-Muskoka Initiative on Maternal, Newborn and Child Health and the “Fast Track Initiative Road Map” of the Cambodian Ministry of Health, the Government of the Federal Republic of Germany made a new commitment for technical cooperation (TC) for the improvement of maternal and child health in Cambodia. Both sides agreed that a new TC module will be integrated into the joint Social Health Protection Programme to support the Cambodian Ministry of Health and the National Center for Maternal and Child Health in the reduction of maternal and child mortality within the target provinces of Kampot and Kampong Thom. This new TC module will be designed based on the findings and recommendations from the appraisal mission (in autumn 2011) and further discussed between the implementing partners.

## **2.3. Priority area “Rural Development”**

### **2.3.1. Dialogue on the priority area**

In February 2011, a joint strategy for the priority area “Rural Development” was approved by the Cambodian and the German government. The overall goal is to contribute to poverty reduction and to substantially improve the living conditions of poor people, especially women, in rural regions.

Following up on the government negotiations in 2009, the German delegation highlights the importance of meeting agreements on contributions to the joint cooperation programmes, especially the Cambodian government contributions that have to be made available for the implementation of the Regional Economic Development programme as committed.

As discussed during Cambodian-German government consultations in February 2011, Germany is willing to continue and increase its support to the Cambodian Land Sector Programme. The German side stated that at the same time, many challenges in the Cambodian land sector remained unaddressed and events like those around Boeung Kak Lake or similar cases elsewhere raised concern. The German government is closely watched

by the German Parliament and civil society, and even criticised for continued German support in the sector. The German Ministry for Economic Cooperation and Development recently published its new guidelines on strengthening human rights in and through German development policy. These guidelines explicitly mention forcible expulsion of poor people from informal settlements as an example of human rights violation undermining poverty reduction efforts. Furthermore, the attention of the European Union has also been drawn to the issues concerning land sector policies and resettlement measures in Cambodia. Nevertheless, the German government is convinced that speeding up the implementation of land reforms and in particular of the land titling process by providing additional financial support can become an important step to address many of these problems.

The German delegation welcomes the fact that the Royal Government of Cambodia is engaging in a second milestone process. This process will ensure that both sides have the same understanding of our cooperation in the land sector and that we are jointly working towards the same goal: the poor Cambodian population can better realise their rights to food and housing.

### **2.3.2. Financial Cooperation**

Commitment for Transmission Line Takeo-Kampot, 2001.6626.4, up to €12.2 million - ongoing

Commitment for Rural Electrification I, 2005.6613.3, up to €6.0 million - ongoing

Commitment for Rural Electrification II, 2007.6602.2, up to €4.0 million - ongoing

The project "Transmission Line Takeo-Kampot", which is the precondition for implementing the two rural electrification projects mentioned above, is close to completion. The transmission line was completed in October 2011, and is to be energised at the time of commissioning of Kam Chay hydropower plant. The substation in Kampot is expected to be completed by February 2012.

The Rural Electrification Projects I and II focus on reliable energy supply and reduced energy costs for the villages and municipalities within the Provinces of Kampot, Takeo and Kampong Speu in order to boost social and economic development in the regions. Construction is scheduled to start within the next months.

The baseline study for the impact evaluation was carried out in spring 2011. Results will be available in 2013.

### **2.3.3. Joint Programme in the Area of Rural Development**

Commitment for Financial Cooperation, Rural Infrastructure Programme RIP II, 2009.6611.9, up to €7.0 million (grant) - ongoing

The programme started in June 2011 and the measures are under implementation in accordance with the planning. A baseline study has been carried out in June 2011. The construction works of most measures (i.e. road rehabilitation, markets, spot improvements) started in early December 2011, and will be finalised by mid 2012. After implementation of all measures, an ex-post study will be carried out to demonstrate the effects of the measures. For the previous phase RIP I, the ex-post study showed that all planned indicators were achieved and even exceeded. Thus, a high level of effectiveness of the measures can be expected.

**New commitment** for Financial Cooperation, Rural Infrastructure Programme RIP III, 2011.6553.9, up to €4.0 million (grant)

The programme will consolidate the positive results of the previous phases and further improve the rural roads and complementary infrastructures to strengthen the rural development process and reduce rural poverty. It was agreed in the previous Cambodian-German government negotiations that the financial cooperation should be dovetailed with the technical cooperation and the programme should scale up its activity to another province. The selection of the additional province will be based on the criterion agreed at government negotiations in 2009, namely a) existing poverty indicators, b) coverage of province by present and planned development measures, c) linkages to present methods and instruments from the programme interventions in terms of comparative advantage of German contributions. The programme will continue to implement a strategy for sustainable maintenance of rural roads in eight provinces, i.e. the existing programme provinces of Siem Reap and Kampong Thom, a potential new province and the provinces of Kampong Cham, Kampong Chhnang, Kampong Speu, Prey Veng and Kratie. The maintenance works that will encompass all rural roads in the mentioned provinces will be financed through the Cambodian budget. The Cambodian financial input will be further increased, compared with the previous programme phase. The long term maintenance strategy aims for financing and implementation independent of specific donor programmes, e.g. by the Ministry of Rural Development.

Both delegations agreed that there is a need for a comprehensive Cambodian strategy on the operation and maintenance of roads, in particular rural roads, that is financed through the

Cambodian budget. A training component of the Road Maintenance Planning System (ROMAPS) should be additionally provided in order to ensure the sustainability of rural road maintenance and to strengthen staff capacity.

Commitment for Technical Cooperation, Regional Economic Development Programme II, 2009.2170.0, up to €4.0 million - ongoing

Reprogrammed Technical Cooperation, Regional Economic Development Programme II, 2009.2170.0, up to €0.82 million - reprogramming of unspent funds from the Rural Development Programme in Kampot and Kampong Thom, 2003.2249.5

In order to avoid the expiry of commitments made in 2003, the funds of up to €0.82 million remaining from the finalised Rural Development Programme Kampot/Kampong Thom are being reprogrammed for use in the Regional Economic Development Programme II. The funds shall be used to extend Phase II by 8 months (from January 2014 to August 2014).

The German side expressed its concern over the continuing and significant delays in the allocation of the Cambodian financial contribution under phase I, that are starting to impact on the successful implementation of the programme and on the achievement of agreed results.

The German delegation offers to adjust the calculation for the Cambodian financial contribution for phase II: the total allocation of €4.82 million (commitment 2009 plus reprogrammed funds 2011) will require a cash contribution by Cambodia amounting to €0.482 million.

Thus, the Royal Government of Cambodia confirmed that it would release the remaining funds from RED I amounting to about €1.145 million plus €0.482 million for RED II, making €1.627 million in total, without further delay so that the funds can be used for programme implementation activities from 2012 to 2014.

The German delegation welcomes the fact that the responsibility for the financial management of the Cambodian financial contribution has been transferred to the provincial government, as agreed during the Cambodian-German government consultations in February 2011.

### 2.3.4. Joint Programme “Support to the Land Sector Reform”

New commitment for Financial Cooperation, Programme on Land Policy and Land Management, 2011.6652.9, up to €3.0 million

Reprogrammed Financial Cooperation, Programme on Land Policy and Land Management, 2011.6652.9, up to €6.0 million – reprogramming of funds from the “Fund for Regional Development”, 2009.6610.1

During the Cambodian-German government consultations in February 2011, it was discussed that the Fund for Regional Economic Development as envisaged in the government negotiations 2009 should be dropped. A closer assessment of the Fund for Regional Economic Development (FRED) in 2010 indicated that an appropriate and harmonised integration of FRED into the ongoing and extensive process of decentralisation, deconcentration and public administration reform, as originally intended, would be rather difficult. The assigned funds of up to €6 million are available for reprogramming.

The new programme shall enhance and speed up the systematic land titling in Cambodia. It will complement the technical component in the joint Programme on Support to the Land Sector Reform. Measures will be in the fields of procurement of survey and auxiliary equipment, training in modern survey techniques, development and implementation of innovative technical concepts, improving organisational concepts, etc. The detailed assessment of measures and appropriate budget (feasibility study) is currently being undertaken by KfW.

The total funds of €9.0 million will be released only if satisfactory progress has been achieved with respect to the two short-term milestones as agreed and defined by both sides (see below).

Commitment for Technical Cooperation, Programme on Land Rights I, 2009.2169.2, up to €4.55 million - ongoing

New commitment for Technical Cooperation, Programme on Land Rights II, 2011.2146.6, up to €4.0 million

Phase I started in March 2011 and an implementation agreement was signed on 25 May 2011. Whilst there is evidence of good progress in most activities, the registration of indigenous people communities' land and implementation of Circular 03 still need more attention to produce the agreed results in good time. In this context the German side urged

the Cambodian side to speedily identify an area suitable for piloting Circular 03 in Phnom Penh.

The German and Cambodian delegations agreed that a second phase of technical cooperation could start from 1st March 2013. Special focus will be given to the regularisation of informal settlers in urban and rural areas, indigenous people communities' land registration, and improved approaches for land distribution to the poor. The concept for the second phase will be drafted jointly by both sides by mid 2012 to allow for a harmonisation with international developments partners and German financial cooperation. The second phase of the Programme on Land Rights is also dependent on the overall progress of the milestone process.

### **Milestone Process 2012-2015**

Based on the experiences of the first milestone process in 2009-10 (i.e. speeding up of reforms in the sector and, as a consequence, triggering of additional support for the Cambodian reform policies) and due to continuing challenges in the Cambodian Land Sector Reform (see point 2.3.1 above), the German government proposed to link current and future development cooperation in the land sector to a second milestone process to be implemented from 2012 through to 2015.

The Cambodian and German governments agreed on a milestone process which is intended to support and accelerate the RGC's reform programme in the land sector, in particular in areas related to the poor and the landless. These milestones are meant to measure the progress made in important areas of the land reform, including areas relating to human rights. The milestone process will have two phases. The first phase consists of two short-term milestones which both sides agreed should be reached by June 2012. The second phase relates to milestones for the period of 2013 to 2015, and will be jointly defined during extraordinary government consultations in September 2012. The release of funds committed under this Summary Record will be linked to the successive implementation and satisfactory progress of the milestone process. Increased German support to the Cambodian land sector reform will thus be based on a continued reaffirmation of the consensus between both sides that forms the basis for current and future cooperation in this sector.

The Cambodian government agreed on the following **short-term milestones** to be reached by June 2012:

**1) Land title production in Svay Rieng to have at least doubled during the five months from January 2012 to May 2012.** Doubling the number of produced land titles refers to the total sum of produced land titles in this province in five months, produced by the same number of registration staff as in a five months time span in 2011, before the introduction of the new technologies and processes. This milestone is intended to consolidate the new technologies and processes introduced by GIZ in 2011 with the aim that – once the financial cooperation is approved – the step-by-step scaling-up can start immediately.

**2) Elaboration of a concept for speeding up systematic land registration.** By June 2012 the Cambodian government will have drawn up a concept for speeding up systematic land registration for the time-span of three years, starting from 2013 to 2015, that will include the following elements:

- Work plan for a step-by-step transition to the new, more speedy land registration processes for 2013-2015
- Detailed calculation of total cost, including the cost for staff per year for the years 2013-2015, for:
  - systematic land registration (including calculation of cost development for the transition to the new, more speedy process)
  - registration of land of indigenous communities and their non-indigenous neighbours in the selected provinces
  - registration of land held by formerly informal settlers (estimates only)
- Transparent identification of the source of funding for the total cost per year
- Forecast of the additional income created for the state budget by fees and taxes through the speeding up of land registration, including
  - To submit by May 2012 to the Ministry of Economy and Finance a proposal to increase the self-financing portion of land registration for 2013 to 2015.
  - To approve this proposal by the Ministry of Economy and Finance at the latest by September 2012.

This milestone addresses the important financial implications of a more speedy process of land registration. The Cambodian side will show how and through which budget sources the financial challenges will be mastered. The German delegation understands that the new technologies and processes can only be introduced step by step, and that cost budgeting will also have to respect those provinces which still work according to the old procedures. The forecast on additional funds created through the speeding up of land registration will provide

evidence and transparency on the fact that the land registration system creates growing and even substantial income for the state budget, and will demonstrate that the political will be in place so that a sufficient part of this additional budget can be reallocated to land reform.

If these two short-term milestones are successfully achieved by June 2012 and the budget proposal is approved by September 2012, then the commitment for technical and financial cooperation in the land sector will be released by the German government.

Both sides agreed that the Cambodian government would draw up concrete concepts and operations plans on the topics below by June 2012. Based on these operations plans, **medium-term milestones** will be developed jointly. Some of them will have to be fulfilled by spring 2013, others by spring 2015, so that the Cambodian and German governments can assess progress made during government consultations and adjust bilateral cooperation during government negotiations accordingly.

**1) Improvements on subsequent registration.** The concept and operations plan describe and define how to establish effective structures and processes for the enhancement of subsequent registration.

Subsequent registration must be done after a registered land parcel is sold or otherwise transferred, divided or merged, or when other changes to the rights in and the geographical dimensions of the parcel occur. Without subsequent land registration, the cadastre becomes outdated and no longer reflects the realities in land tenure. The work of years put into first land registration is in danger of becoming worthless. Currently only few land transactions and changes in the size of parcels are subsequently registered in Cambodia.

For subsequent registration, the cooperation of the Ministry of Interior (notaries' services), the Ministry of Economy and Finance (taxation), and the Ministry of Land Management, Urban Planning and Construction (land registration) is needed to provide transparent, fair, and easily accessible services to the land owners. The current efforts to set up a land valuation system and provide good services through one window or cluster approaches need to be strengthened. The registration and surveying procedures have to be improved so that they provide land and property value related data.

**2) Avoidance of (temporary) exclusions from the registration process.** The concept and operations plan describe and define how to register the areas that have so far been (temporarily) excluded from systematic registration and on how to avoid future exclusions.

The goal of speeding up land registration is to complete country-wide first registration in the next ten years. Completing first registration of land means that the land in the whole country has to be registered. This will also include those lands that were considered too difficult to be registered under the current systematic land registration procedures.

Improvements of the current systematic land registration process and/or additional complementary processes need to be defined. These improvements should include the registration of land belonging to indigenous communities, land belonging to social and economic land concessionaires, and land used by informal users or settlers in rural and urban areas.

**3) Strategy and plan for state land distribution for the landless and land poor.** The concept and operations plan describe and define how state land will be distributed to the landless and land-poor groups of the population during the next ten years.

The concept and operations plan will go beyond currently running programmes for municipality-based and nationally initiated social land concessions, and will address the land needs of the population in general as well as the land needs of the landless and land-poor groups in particular. With the goal of a country-wide completion of the first registration of land over the next 10 years, the strategy and plan will clearly define the targeted objectives for land distribution for the 10 years to come. <sup>1</sup>

**4) Creation of the necessary policy and legal environment for making results of official land use planning legally binding.** The concept and operations plan describe and define the necessary policy and legal framework for legalising official land use planning and indicate a timetable for the drafting and approval process.

Legally binding land use plans will greatly simplify first land registration, support decentralisation and deconcentration as required by the new organic laws and pave the way for a socially, economically and poverty-oriented as well as ecologically sustainable land use. As the introduction of legally binding plans needs the consent and approval of the many government institutions involved, this milestone would strengthen the efforts of the Ministry of

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<sup>1</sup> To develop a strategy/ operational plan for state land distribution for the landless and land-poor groups of the population was already agreed upon as an indicator between GIZ and MLMUPC, to be reached by February 2013 (implementation agreement dated 25.05.2011). The indicator was however not detailed and concretized for the 10 year time-span as is this milestone. To respect the contractual obligations between GIZ and MLMUPC, the strategy and plan requested by February 2013 will be considered to be the consolidated concept and operations plan.

Land Management, Urban Planning and Construction and the Council of Land Policy in this respect.

All concepts and operations plans shall be discussed and harmonised with other development partners in the land sector and NGOs should be consulted.

The Cambodian and German delegation agreed that in September 2012 extraordinary government consultations would take place in Cambodia to assess progress made and discuss the detailed medium-term milestones in the policy areas mentioned under points (1) to (4) above. To prepare these consultations, a consultant of the BMZ would carry out an assessment during the summer of 2012.

Lastly Germany informed the Cambodian delegation of its intention to conduct an independent evaluation of its technical assistance in the land sector in the first semester of 2012.

## **2.4. Cross-cutting area “Good Governance: Democracy, Civil Society and Public Administration”**

### **2.4.1. Dialogue on the priority area**

The German delegation took note of the progress made by the Royal Government of Cambodia on the Good Governance Reforms that are at the heart of the Royal Government Rectangular Strategy. Both sides agreed that in particular the Public Financial Management Reform, the Public Administration Reform and the Sub-National Democratic Development Reform were strongly interconnected and that therefore their implementation needed to be well coordinated.

The German delegation further encouraged the Royal Government of Cambodia to pursue and increase its efforts to implement and coordinate these reforms as - due to their cross-cutting nature - they had implications for the progress of all other sector reforms.

The democratic principle of division of powers between judiciary, legislative and executive remains an important element towards further strengthening democracy in Cambodia. Germany thus supports the Senate, the National Assembly, sub-national councillors and the National Audit Authority.

As jointly agreed during the government negotiations in 2009, Cambodian civil society organisations have been given stronger support within the context of existing German-Cambodian programmes. In this regard, the German delegation would like to use this opportunity to congratulate the Ministry of Women's Affairs in the establishment of an NGO fund that will provide legal advice and social services to victims of gender-based violence.

The German delegation praised the very good cooperation with the Senate in the organisation and implementation of the conference on "Constitution and Access to Justice: a special focus on women" which reflects the commitment to key topics such as rule of law, access to justice and gender equality. The conference provided a good opportunity for an open dialogue amongst members of Parliament, Senate, key ministries (Justice, Woman, and Interior), Commune Council and NGOs. Therefore, both delegations agree that once a year such dialogue should be continued on the rule of law and its application to key areas of development such as land rights, economic rights, social rights amongst others. The funding for the conferences will be provided through the Study and Expert Fund for Technical Cooperation.

#### **2.4.2. Technical Cooperation**

Commitment for "Administrative Reform and Decentralisation" III, 2007.2146.4, up to €5.15 million - ongoing

**New Commitment** for "Administrative Reform and Decentralisation" IV, 2011.2081.5, up to €3.0 million

Both sides agree on the importance of the Public Administration and Sub-National Democratic Development Reforms and their contribution to poverty reduction. Support should continue for both reform processes.

The German delegation congratulates the Cambodian government on its progress on the decentralisation reform and particularly on the approval of the 3-year Implementation Plan which recognises the relevance of democratic accountability. Support to the 3-year Implementation Plan constitutes a key area of support for the European development partners, namely the EU Delegation, Sida and Germany. German support will continue to be an element of the joint European approach making use of the comparative advantages of each partner. The focus will be on the strengthening of councils, particularly district and municipal councils, and support for the mainstreaming of democratic accountability in strategies, laws and regulations that will be developed under the 3-year Implementation Plan.

The Council for Administrative Reform submitted a proposal to the German government in February 2011, requesting support for the implementation of the recently developed and approved Human Resource Policies. Both sides agree that these policies provide a good basis for future German support. These Human Resource Policies should be implemented in sequence including the application of the respective human resource management instruments. Particularly with regard to sub-national civil servants, the National Committee for Sub-national Democratic Development through its sub-committee shall work to ensure that the legal framework for sub-national civil servants is established and the human resource management instruments are applied in collaboration with the Council for Administrative Reform.

Commitment to "Identification of Poor Households - ID Poor" III, 2005.2178.1, up to €2.85 million - ongoing

**New Commitment to "Identification of Poor Households - ID Poor" IV, 2011.2247.2, up to €0.3 million**

Both sides agree that the programme has made a significant contribution to the development of the ID Poor instrument. The German delegation congratulates the Royal Government of Cambodia that the instrument is widely being used by different development stakeholders when implementing poverty reduction programmes. The German government also appreciates that the ID Poor instrument has been declared the national instrument to be applied in the National Social Protection Strategy.

Both sides agree that there is a need to increase and ensure sustainability of the instrument as early as possible, so that data will be updated regularly and the instrument further developed. Sustainability can only be achieved, however, if the operational cost of the instrument is regularly and fully financed out of the state budget. To ensure financial sustainability, the Royal Government of Cambodia is committed to substantially increasing its contributions to the programme, so that by 2014 about 60 per cent of the operational costs of the ID Poor Programme (excluding TA costs) would be financed directly out of the Royal Government of Cambodia's budget. Both sides agreed that from 2015 the Royal Government of Cambodia would secure the total cost of the programme.

On the basis of this agreement by the Royal Government of Cambodia, and provided that AusAID also makes substantial contributions to the programme up until 2014, the German Government will make a new commitment amounting to €300,000 to the programme.

Commitment to Programme "Support to the National Audit Authority" II, 2007.2144.9, up to €2.0 million - ongoing

**New Commitment to Programme "Support to the National Audit Authority" III, 2011.2083.1, up to €1.0 million**

Both delegations agreed that the managerial and administrative independence and autonomy of the National Audit Authority (NAA) as well as the allocation of sufficient financial resources to the NAA were key prerequisites for providing further support to institutional and capacity development in order to further improve the auditing of public funds.

During the programme so far, significant progress has been made in the institutional structure. During the extension of the second phase (until December 2012) and during the third phase (from January 2013 to December 2014), the cooperation between National Assembly and National Audit Authority will need to be improved further.

The German delegation welcomed the willingness of the Royal Government of Cambodia to support the NAA in getting access to all information and documents of the auditees regarding public spending so that the NAA was able to fulfil its legal mandate. Both delegations agreed on the importance of the timely publication and dissemination of the yearly reports.

Commitment for "Access to Justice for Women" 2009.2172.6, up to €2.75 million - ongoing

The programme "Access to Justice for Woman" started in December 2010. It builds on the experiences of the previous programme "Promotion of Women's Rights". Progress has been achieved in the area of transparent data collection and monitoring as well as awareness-raising on gender-based violence. The German delegation congratulates the Ministry of Women's Affairs on its progress and encourages all other relevant ministries in Cambodia to provide their support in this important area.

## **2.5. Programme Renewable Energies**

Commitment for Technical Cooperation, Programme Renewable Energies, 2007.2155.5, up to €3.2 million - ongoing

The programme supports the National Bio-Digester Programme (NBP). Up to September 2011, the NBP through its network of independent masons and construction companies has installed more than 5,500 household bio-digesters, supplying nearly 30,000 people with

clean energy for cooking and lighting. It is also aiming to introduce renewable energies to the private sector as a profitable business model. Several Public Private Partnership projects, applying different renewable energy technologies, have been started by the programme, e.g. Jatropha oil-based mini-grid in Banteay Meanchey province; wind-water rope pumps for the irrigation of rice fields, fruit plantations and vegetable gardens; solar operated battery charging stations; solar operated dryers (fish, fruit, vegetable) and solar water pumps for the provision of drinking water.

## **2.6. Integration of Instruments of Technical Cooperation**

Due to the merger of the three German implementing agencies Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH, German Development Service (DED) and Capacity Building International (InWEnt) Germany, into the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH as of 1 January 2011, all instruments of technical cooperation will gradually be integrated into existing programmes. In order to finance development workers, integrated experts (CIM) and regional capacity development activities that have been integrated into the Programmes for Social Health Protection, Regional Economic Development and Land Rights, these programmes have been replenished in 2011 by the following amounts:

Programme for Social Health Protection II, 2009.2171.8, up to €988,689

Regional Economic Development Programme II, 2009.2170.0, up to €229,035

Programme on Land Rights I, 2009.2169.2, up to €873,330

In 2012, an additional €2.77 million will be made available to replenish existing technical cooperation programmes.

As of Cambodian-German government consultations and negotiations in 2013, technical cooperation programmes will include all technical instruments and no additional financing will be available. Thus, German funding for all instruments of technical cooperation will be more transparent.

## **2.7. Study and Expert Fund**

Study and Expert Fund for Financial Cooperation I, 1995.3611.1: completely disbursed.

Study and Expert Fund for Financial Cooperation II, 2001.7040.7, total commitment:

€1,022,583.76, funding still available: €379,775.21 - ongoing

The fund is to be used for the preparation of future Financial Cooperation projects and for other short-term expert services.

Study and Expert Fund for Technical Cooperation, 1995.3611.1, total commitment:

€2,977,725.36, open: €400,000 - ongoing

**New Commitment** to Study and Expert Fund for Technical Cooperation, 1995.3611.1, up to €0.63 million

Not all development workers and integrated experts are working within sectors formally agreed between the Cambodian and the German government. For example, former-DED, now-GIZ, development workers are supporting capacity building for stone conservation in Angkor in cooperation with APSARA. To ensure a smooth transition and continued support, these development workers and integrated experts are being financed through the Study and Expert Fund for Technical Cooperation.

## **3. Other instruments and contributions available as part of German development cooperation**

### **3.1. German contributions to multilateral organisations**

The Federal Republic of Germany contributes to many multilateral and regional institutions such as multilateral development banks and funds, the IMF, the United Nations, and in particular to the European Union (about 20 per cent of core budget).

### **3.2. Regional programmes**

Please see Annex 6 for regional programmes being implemented in cooperation with ASEAN and the Mekong River Commission, as well as the Cities Development Initiative for Asia.

### **3.3. Further players**

Please see Annex 7 for further German players in development cooperation.

With respect to DEG (German Investment and Development Company, cf. 7.3), Germany thanks the Royal Government of Cambodia, and in particular H.E. Deputy Prime Minister Keat Chhon, for granting DEG exemption of tax deducted at source.

### **3.4. KfW promotional loans**

As a way of complementing the existing set of financing instruments used in Financial Cooperation and mentioned above, KfW may conduct, on behalf of the BMZ, other projects/programmes that merit support from a development point of view. These are conducted by KfW in its own name, on its own account and at its own risk, using KfW funding. Given the nature of the projects/programmes to be financed, the government of the borrowing country acknowledges the need to make available at the appropriate time sufficient amounts of freely convertible currency to fully service the debt towards KfW (transfer of foreign exchange) and will make all efforts to comply with this obligation promptly at all times. In this matter, the government of the borrowing country assures KfW that it will put it on a footing at least equal to the multilateral financing institutions.

## **4. Declarations and final clauses**

### **4.1. Provisos for project/programme implementation**

Both delegations agree that all the contributions envisaged by the German side and recorded in the present document can only be made when

- the Government of the Federal Republic of Germany has taken a positive decision once project/programme appraisals have been carried out by KfW, GIZ and/or any other organisation commissioned with implementing the project or programme,
- overall financing for the project/programme has been secured,
- the agreements under international law to be concluded (intergovernmental agreements and project/programme agreements), the financing and loan agreements and the implementation agreements with KfW/GIZ and, if applicable, any other implementing organisations have entered into force.

### **4.2. Preparation of Financial Cooperation projects and programmes**

Both sides agree that in order to prepare and support the Financial Cooperation projects and programmes agreed upon during the present government negotiations, they shall conduct studies, produce expert opinions and deploy experts as the need arises. Such

activities shall be coordinated between KfW and the relevant line authority. The funds for such efforts shall be made available by the Government of the Federal Republic of Germany in addition to the bilateral Financial Cooperation commitments mentioned. Both sides shall report on the implementation and outcome of such activities at the next government consultations and/or negotiations.

#### **4.3. Sunset and project/programme replacement clause; residual funds from earlier projects/programmes**

The German side draws particular attention to the fact that the commitments made under Financial Cooperation and Technical Cooperation will lapse if within eight years of the year in which the commitment was made no implementation arrangement, i.e. in the case of Financial Cooperation a loan or financing agreement and in the case of Technical Cooperation an implementation agreement, has been concluded. Thus, commitments made during the 2011 negotiations are subject to a 31 December 2019 deadline.

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

Any balance that remains after the performance of all services under a contract for a Technical Cooperation project shall be transferred to the Study and Expert Fund without the need for a specific agreement to that effect.

#### **4.4. Anti-corruption statement; transparency**

Both delegations agree that their cooperation projects and programmes shall be selected and designed according to development criteria.

The Government of the Federal Republic of Germany and the Royal Government 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 cooperate 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 cooperation.

Transparency and accountability are vital to achieving development results and aid effectiveness as enshrined in international declarations (Paris Declaration, Accra Agenda for Action). Both delegations therefore agree that information on the agreed goals, programmes, activities and results of development spending and on the conditions attached to the disbursement of funds may be published by both sides.

## 5. Next government negotiations

The next negotiations on development cooperation between the Royal Government of Cambodia and the Government of the Federal Republic of Germany are scheduled to take place in Cambodia in 2013.

Done at Bonn on 14.12.2011



H.E. Chhieng Yanara

For the Royal Government of  
Cambodia



Dr. Josef Füllenbach

For the Government of  
the Federal Republic of Germany

## Annex 1 Financial Chart

Project/programme	FC / TC	BMZ project number	New commitment in €m	Re-programmed funds	Total in €m	Continuation Yes/no	FC instrument
<b>Priority area Health</b>							
Programme on Social Health Protection III (Programm Soziale Absicherung im Krankheitsfall III)	FC	2011.6554.7	4.0		4.0	yes	grant
<b>Sub-total FC</b>					<b>4.0</b>		
Mother-Child Health (Verbesserung der Mutter-Kind-Gesundheit)	TC	2011.2194.6	1.5		1.5	no	
Programme on Social Health Protection II (Programm Soziale Absicherung im Krankheitsfall II)	TC		0.7		0.7	yes	
<b>Sub-total TC</b>					<b>2.2</b>		
<b>Sub-total 1 (FC plus TC)</b>					<b>6.2</b>		
<b>Priority area Rural Development</b>							
Rural Infrastructure Programme RIP III (Programm ländliche Infrastruktur III)	FC	2011.6553.9	4.0		4.0	yes	grant
Programme on Land Policy and Land Management (Programm Landpolitik und Landmanagement)	FC	2011.6652.9	3.0	6.0	9.0	no	grant
<b>Sub-total FC</b>					<b>13.0</b>		
Programme on Land Rights II (Sicherung der Landrechte II)	TC	2011.2146.6	4.0		4.0	yes	
Regional Economic Development II (Programm Regionale Wirtschaftsentwicklung II)	TC	2009.2170.0		0.8	0.8	yes	
<b>Sub-total TC</b>					<b>4.8</b>		
<b>Sub-total 2 (FC plus TC)</b>					<b>17.8</b>		
<b>Cross-cutting area Governance</b>							
Support to the National Audit Authority III (Unterstützung beim Aufbau eines Rechnungshofes III)	TC	2011.2083.1	1.0		1.0	yes	
Administrative Reform and Decentralisation IV (Dezentralisierung und Verwaltungsreform IV)	TC	2011.2081.5	3.0		3.0	yes	
Identification of Poor Households - ID Poor IV (Targeting – Identifizierung armer Haushalte IV)	TC	2011.2247.2	0.3		0.3	yes	
<b>Sub-total 3</b>					<b>4.3</b>		
<b>Sum total (of sub-totals 1-3)</b>					<b>28.3</b>		
Other TC instruments + Study and Expert Fund	TC		3.3		3.3	yes	
<b>total</b>					<b>31.6</b>		

## **Annex 2 Cambodian Delegation**

H.E. Mr. Chhieng Yanara  
Minister attached to the Prime Minister  
Secretary General  
Cambodian Rehabilitation and Development Board / Council for the Development of  
Cambodia  
- Head of Delegation –

H.E. Mr. Widhya Chem  
Ambassador to Germany  
Royal Embassy of Cambodia, Berlin

H.E. Mr. Ngo Hongly  
Secretary General  
Council for Public Administration Reform

H.E. Mr. Tuon Thavrak  
Director General of Planning  
Ministry of Planning

H.E. Mr. Sar Sovann  
Director General  
Ministry of Land Management, Urban Planning and Construction

H.E. Mr. Ngan Chamroeun  
Deputy Director General, General Department of Local Administration  
Ministry of Interior

H.E. Mr Rith Vuthy  
Deputy Secretary General  
Cambodian Rehabilitation and Development Board / Council for the Development of  
Cambodia

H.E. Mr. Uk Someth  
Deputy Secretary General  
APSARA National Authority

Mr. Nuon Daniel  
Deputy Director General  
Ministry of Rural Development

Mr. Lo Vesna Kiry  
Director of Planning and Information Department  
Ministry of Health

Mr. Chou Heng  
Senior Policy Staff  
Cambodian Rehabilitation and Development Board / Council for the Development of  
Cambodia

### **Annex 3 German Delegation**

Mr. Wolfgang Kanera  
Deputy Director General Asia, Human Rights, Governance and Gender  
Federal Ministry for Economic Cooperation and Development, Bonn

Mr. Dr. Josef Füllenbach  
Head of Division for Regional Development Policy, South-East Asia  
Federal Ministry for Economic Cooperation and Development, Bonn  
- Head of Delegation -

Mrs. Stefanie Ruff  
Desk Officer Cambodia, Lao PDR  
Federal Ministry for Economic Cooperation and Development, Bonn

Mr. Wolfgang Rainer Hüsgen  
Desk Officer Cambodia, Laos, Malaysia, Singapore  
Foreign Office, Berlin

Mr. Hady Riad  
Development Counsellor  
German Embassy, Phnom Penh

Mrs. Sandra Schenke  
Director of Division South Asia, Cambodia, Lao PDR  
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), Eschborn

Mr. Adelbert Eberhardt  
Head of GIZ office in Cambodia  
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), Phnom Penh

Mr. Heinrich-Jürgen Schilling  
Former head of GIZ office in Cambodia  
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), Phnom Penh

Mr. Dr. Bernd Schramm  
Coordinator for the Priority Area of Health  
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), Phnom Penh

Mrs. Eva Schneider  
Country Manager Cambodia, Lao PDR, MRC  
KfW Entwicklungsbank, Frankfurt

Mr. Gerald Läser  
Head of KfW office in Cambodia, Lao PDR  
Coordinator for the Priority Area of Rural Development  
KfW Entwicklungsbank, Phnom Penh

## **Annex 4 Opening Statement by Wolfgang Kanera, Deputy Director General Asia, Human Rights, Governance and Gender**

Dear Minister Chhieng, dear Ambassador Chem, Excellencies, Ladies and Gentlemen,

It is my great pleasure to welcome you to our German-Cambodian government negotiations in Bonn.

I am impressed by the size of the Cambodian delegation. Let me take this as a sign of the importance you attach to Cambodian-German development cooperation.

We are aware that Cambodia has been hit by the worst floods in 10 years, and offer our condolences for the tragic loss of lives. Yesterday, I already informed some of you that Germany will make available **additional financial support to cope with some of the effects of the recent flooding** – as a sign of solidarity between the German and Cambodian people.

Let me briefly address some issues that are critical for our overall cooperation:

### **First, human rights and related issues**

**Human rights, democracy and the rule of law are the foundation on which German development policy is based.** The protection of property rights especially for small farmers and vulnerable population groups is key for us, as development requires legal certainty.

Let me congratulate you on **granting communal land rights to an indigenous community** for the first time. I am happy to hear that further communal land titles are ready to be granted in January 2012. Meanwhile, the implementation of interim protective measures is crucial for protecting the lands of indigenous peoples. With regard to the challenge of speeding up the titling process, I hope that our German technical assistance in developing a handbook for this complex process is seen as a handy support.

In Cambodia, many **resettlements** are carried out without sufficient respect for the people affected, mostly poor or nearly poor households that already have to struggle to make ends meet. I encourage the Cambodian government to develop a national resettlement policy.

We welcome that His Excellency Prime Minister Hun Sen has recognised the need to solve the land conflicts caused by granting **economic land concessions**. It is crucial that relevant sub-decrees are implemented and that economic land concessions are handed out only with prior assessment of social and environmental impacts and with agreed action plans to tackle such impacts. Furthermore, coordination between the different line ministries is crucial. We

see the Minister of Land – as chair of the Council of Land Policy – carrying the greatest responsibility to ensure overall coherence. But I urge all of you – as representatives of your ministries – to contribute to a transparent granting of economic land concessions so as to keep negative social and environmental impacts to a minimum.

Human rights are crucial for development and, for us, **human rights are non-negotiable**. The current situation in Cambodia, in particular in the land sector, makes it **difficult for us to continue our support as before**. We have to justify not only within our ministry but also to the German parliament and representatives of civil society why we are continuing our cooperation and support. We are **under pressure from concerned parliamentarians and from civil society to phase out our support for the Cambodian land sector reform**. Only a few days ago, my minister was asked by members of parliament to explain in detail why our budget contains provisions for supporting the land sector in Cambodia. At the same time, there are reports from your country that land conflicts, some of them violent, continue unabated. And it appears that government authorities at various levels are protecting the rich and influential rather than the poor and powerless.

There is an immanent danger that German development cooperation and the German government can appear as being involved in human rights violations occurring in the Cambodian land sector. Indeed, in May 2011 the UN Committee on Economic, Social and Cultural Rights voiced its concern about German development cooperation activities resulting in violation of economic, social and cultural rights in the Cambodian land sector.

Let me tell you also, that the handling of land issues has become an important issue at European level, too. The **European Council's political committee on Asian affairs has several times discussed land policies in Cambodia**, asking the ambassadors of the EU and the member states represented in Phnom Penh to report regularly on developments concerning the UN Office of the High Commissioner for Human Rights and land rights in Cambodia.

Based on what I said before, it is certainly not an exaggeration to describe the political environment in Cambodia for cooperation on land sector reforms as unfavourable or, in other words, not conducive. If we are proposing to you today that we, as a country, stay engaged and even **intensify our cooperation and address those critical issues** I have just mentioned, then we are undoubtedly **taking political risks**. Being with this ministry now for some 30 years and working as the minister's spokesman for more than five years, I am convinced that most of my six previous development ministers would have hesitated to take such a risk. Why are we suggesting that Germany stay engaged? As development partners, our most important goal is to improve the living conditions of the poor and support inclusive development in Cambodia. We are convinced that **through our enhanced support in the**

**land sector we can make a difference** by helping to speed up fair land registration and land title distribution.

For us to be able to step up our commitment, we ask the Cambodian government to agree to specific **milestones** that will ensure that the Cambodian land sector reform will contribute to the progressive realisation of human rights. In other words, we hope that our readiness to take this risk will be honoured by the Cambodian government by engaging in a second and more detailed process of several milestones related to the government's land reform policy. We will discuss this in more detail this afternoon.

**Now let me turn to good governance and related issues -**

Respect, protection and fulfilment of human rights are key characteristics of good governance. But good governance also requires effective public administration, sound financial management and rule of law. Despite efforts by the Cambodian government, the urgently needed **remuneration reform for civil servants is still outstanding, a circumstance that jeopardises effective development cooperation** as of mid 2012, when the *Priority Operation Cost* system comes to an end.

While an anti-corruption law has been passed, **corruption continues to compromise development gains**. Let me highlight the work of the Anti-Corruption Unit as a good example. Their investigation and subsequent sentencing of high ranking officials are important steps towards preventing corruption and are thus highly appreciated.

These criticisms are neither new, nor are they being raised only by Germany. I admit, these are frank words and I know they are not easy to digest. However, I am convinced that our longstanding cooperation and partnership is strong enough to allow for such open dialogue.

You have been informed yesterday as well as the draft record about the **reduction of our bilateral commitments for 2011/2012** [from €34 million for 2009/2010 down to €21.5 million]. As you are aware, the world is tumbling from an economic and financial crisis into a debt crisis. While Germany – just like Cambodia – is doing better than others, **budget constraints** do remain. During our yearly internal planning and budget allocation process, each **country's development orientation is assessed** based on, for example, pro-poor and sustainable policies, human rights, democracy and rule of law, as well as good governance. While it is not the only criterion, this assessment clearly impacts on the budget available for bilateral cooperation.

I have been told that another critical issue, the “**Law on associations and non-governmental organisations**”, is close to being successfully resolved. While the law enables the Cambodian government to ensure that NGOs are supervised, it will not curtail NGO activity.

I hope that your **visit to VENRO** – the umbrella organisation of German non-governmental organisations active in development cooperation – and your discussions with Malteser International and Welthungerhilfe illustrated to you why it is so important to have **independent civil society organisations**. Let me be honest, NGOs can really make governments' life difficult and sometimes they are too focused on one narrow aspect, while governments have to consider the bigger picture and accommodate many different demands. But at the same time, having them as a **watchdog** ensures that mistakes are addressed and that governments strive for constant improvement.

**Regional integration** is another force that constantly pushes us to speed up reforms. Despite the current severe debt crisis in Europe, nobody would question the progress Europe has made thanks to regional integration. Based on our European experience, Germany supports regional integration in Asia, mostly through ASEAN. In particular, we intend to focus our support on those ASEAN member countries that face the biggest challenges with regard to ASEAN's common market as from 2015. To be assuming the ASEAN chair in January 2012 is a great success for Cambodia, and we congratulate you on that.

Let me finish by saying that, overall, we are convinced that our **Cambodian-German development cooperation is highly relevant for inclusive and sustainable development in Cambodia**, and contributes to the achievement of the Cambodian MDGs. We wish to continue together with the Cambodian government along that avenue of close cooperation, and we remain confident that the necessary basis of shared values is strong enough to meet the challenge.

## **Annex 5 Opening Statement by H.E. Minister Chhieng Yanara, head of the Cambodian delegation**

*- Mr. Wolfgang Kanera, Deputy Director General, Federal Ministry for Economic Cooperation and Development*

*- Dr. Josef Füllenbach, Head of Division for Regional Development Policy, South East Asia, the Federal Ministry for Economic Cooperation and Development*

*- Distinguished members of the German Delegation*

*- Colleagues from the Royal Government of Cambodia*

*- Ladies and Gentlemen*

1. It is my honour to speak at this very first session of our negotiations. On behalf of my delegation, I would like to take this opportunity to express my profound gratitude to the Federal Ministry for Economic Cooperation and Development of Germany for the hospitality being extended to us during our stay here.

2. Since the last negotiations in 2009 in Cambodia, development cooperation between the two countries was given further impetus in March last year by the visit of His Excellency Dirk Niebel, Minister of Economic Cooperation and Development of the Federal Republic of Germany. Areas of cooperation have been refined to ensure systematic impact and focus. A joint strategy for rural development was prepared and agreed between the two governments to give more strategic focus to German support in rural development. A technical consultation undertaken earlier this year, in February, not only reviewed progress in areas of cooperation, but also helped sharpen dialogues on priorities in the agreed support areas for future collaboration.

3. Of course, such a positive development would not have been possible without the continued support from the government of the Federal Republic of Germany and the German people. The Cambodian people and the Royal Government are encouraged by this and the fact that stronger ties will continue to develop. Last month, Germany announced to provide 500,000 Euro as emergency aid to help flood affected people in some targeted areas, a gesture of kindness for which the Royal Government is most grateful.

Excellencies, Ladies and Gentlemen

4. Today's Negotiations are taking place against a backdrop of positive developments that sets a broader context for development cooperation between Cambodia and Germany. I would like to express on behalf of the Royal Government and the Cambodian delegation, my

Government's sincere appreciation and thanks to Germany for its continuing contribution and commitment to support the implementation of the Royal Government's development priorities and reform programs as articulated in the Rectangular Strategy—Phase II and the National Strategic Development Plan (NSDP) as well as to contribute to deepen the democratization process in Cambodia. Germany will continue to be an important development partner to Cambodia, continuing and strengthening the strong partnership that has been established over many years. The Royal Government would like to appreciate the reform effort Germany has made, especially in the merging of various implementing entities into one integrated agency, the GIZ for the provision of technical cooperation; and I believe this will enhance efficiency and effectiveness of German technical cooperation. At the country level, this would also facilitate a more coordinated implementation of all German assisted technical cooperation activities.

5. Today's Negotiations are also being held immediately after the successful completion of the 4th HLF in Busan where almost 100 Delegates from partner countries, development partners and international financial institutions, CSOs, private sector and parliaments have participated. It was my privilege to lead the Cambodian delegation to this Forum. I wish to share with you that after some detailed negotiations, all delegates endorsed the Busan Partnership for effectiveness development cooperation and committed to form a new Global Partnership. For Cambodia, the Busan meeting will provide a new opportunity to consider how our partnership can be broadened and strengthened to promote effective development. CRDB/CDC will continue to review and reflect on the Outcome Statement to consider how we may contextualise and apply the commitments of Busan at country level. We will of course have the opportunity to discuss this in greater detail at the meeting of the TWG Network that will take place in early/mid- February 2012. I would like to emphasize that the Royal Government considers our today's negotiations as an important process for further deepening the partnership for development cooperation between our two countries. More importantly, these negotiations will of course contribute to ensuring development results through better alignment of German activities with Cambodia's national development priorities and to ensuring the effective use of German resources in the support of sustainable and equitable growth as well as accelerated poverty reduction in Cambodia.

6. Finally, today's negotiations will provide an opportunity to review progress since our last consultations in February 2011 in the implementation of activities and also to discuss the new financial commitments for the coming years. We have a comprehensive agenda for today's negotiations that covers all development cooperation priority areas, including health, rural development and "Democracy, Civil Society and Public Administration" as cross-cutting



issues. I wish to acknowledge with gratitude the hard work and cooperation that have been undertaken in advance of today's negotiations. My special thank is extended to Mr. Hady Riad for his excellent work made so far to facilitate the arrangement of this meeting. I am therefore confident that the cooperation and partnership that has been demonstrated so far will help to ensure that at the end of our meeting we will have reached a mutually satisfactory outcome.

Excellencies, Ladies and Gentlemen, I wish to conclude my remarks on that positive note.

## Annex 6 Regional programmes

### 6.1. ASEAN

Germany supports regional cooperation in Asia, with a focus on transboundary environmental and climate protection and regional integration. Development cooperation projects address the regional level through ASEAN working groups. Where possible, they are implemented on a pilot basis in selected ASEAN member countries. Germany seeks to dovetail such projects with its bilateral projects with countries in the region. Through various line ministries and agencies, Cambodia is involved in the following regional ASEAN projects:

#### ASEAN Centre for Biodiversity

One project is geared toward improving ASEAN Centre for Biodiversity (ACB) institutional capacity for the provision of advice to ASEAN members on biodiversity-related activities in the fields of climate change mitigation and adaptation. In addition, via the recently committed Small Grant Programme, ASEAN is being supported in protecting biological diversity in and around the ASEAN Heritage Parks. Cambodia is a member of ACB and benefits from this project.

#### Clean Air and Climate Change Protection for Smaller Cities in the ASEAN Region

This project assists small and medium-sized cities in developing and implementing actions to improve air quality. A plan of action for a clean air plan for Phnom Penh has been devised.

#### Sustainable Port Development

The purpose of this project is to ensure selected ports' compliance with international environmental and safety standards and conventions. In Cambodia, the ports selected are Phnom Penh (river port) and Sihanoukville. Initially, action plans will be drawn up for the two ports with a view to introducing management systems for the areas of environment as well as health and safety.

#### ASEAN Biocontrol (ABC) for Sustainable Agrifood Systems

This project is geared toward coordination among ASEAN members on regulations regarding the registration of, trade in and use of biological pest control products. At present, the project addresses mainly the regional level. Pilot countries will be selected in the course of further implementation.

### Building the Capacity of Supreme Audit Institutions in the ASEAN region

This project's goal is the establishment of a regional network of supreme audit institutions in the ASEAN region. Those involved in the project are in close contact with the Cambodian-German bilateral programme "Support to the National Audit Authority".

### ASEAN Renewable Energy Support Programme

This project is intended to help improve the general environment for the use of renewable energy for power generation in the ASEAN region. The project addresses exclusively the regional level. There are no plans to select focus countries, as all ASEAN countries are to be given equal treatment.

### Competition Policy

The purpose of this project is to put in place and/or consolidate the legal and institutional environment needed to strengthen a market-based competition system. The plans for activities in the ASEAN countries still need to be specified by the steering body.

## **6.2. Cities Development Initiative for Asia**

Cities Development Initiative for Asia (CDIA) is a regional programme established in 2007 by the government of Germany and the Asian Development Bank. It receives additional support by the governments of Sweden and Austria and the Shanghai Municipal Government. The Initiative provides assistance to medium-sized Asian cities to bridge the gap between their development plans and the implementation of their infrastructure investments. The long-term aim of the initiative is to contribute to the promotion of sustainable and pro-poor urban development, leading to improved environmental and living conditions for all in Asian cities. CDIA uses a demand-driven approach to support the identification and development of urban investment projects in the framework of existing city development plans that emphasise on environmental sustainability, pro-poor development, good governance, and climate adaptation/mitigation.

In Cambodia, CDIA has supported the city of Battambang in preparing infrastructure investment projects in the field of sewage / drainage system improvement and waste water treatment as well as in solid waste management. ADB has taken up the project for financing. A loan will be provided within the "Sustainable Urban Development in the Tonle Sap Basin Project" by the Ministry of Public Works and Transport (MPWT) comprising six cities in the region.

In order to extend its scope and to root the initiative in the region, the current CDIA members are working on establishing CDIA as an international regional organisation. The German Government would welcome it if the Royal Government of Cambodia considered supporting the recognition of CDIA as an international organisation.

### **6.3. Programmes with the Mekong River Commission**

Germany's current support to the Mekong River Commission (MRC) is defined in a "Strategic Framework" which was signed by the two partners in February 2011. Under this framework, the German government supports the MRC with technical and financial cooperation measures in the areas of "Support to the organisational transition of the MRC", "Sustainable hydropower in the Mekong Basin", "Climate-sensitive flood management in the Lower Mekong Basin", "Sustainable watershed management" and "Wetland conservation and management". In 2011 and 2012, Germany will be supporting MRC with a total of € 8 million.

## **Annex 7 Further Players**

### **7.1. German Academic Exchange Service**

In 2010 and 2011, the German Academic Exchange Service (DAAD) funded a total of 23 scholarships worth about €150,000.

### **7.2. Public-Private Partnership Programme**

Germany highlights the Public-Private Partnership (PPP) Programme which strengthens the effects of official development cooperation and private business activities by co-financing mutual projects. Most of these activities are integrated in current bilateral programmes such as the Regional Economic Development Programme. In 2010, two activities were implemented with total funding of €252,094.

### **7.3. DEG - German Investment and Development Company**

DEG – German Investment and Development Company has the mandate to finance private sector investment in developing countries and is wholly owned by KfW Group. In Cambodia, DEG is currently financing ACLEDA Bank with tier II loans (subordinated loans) totalling €22 million and two Public-Private Partnership activities, one in waste / sewage infrastructure and one in agriculture, with a total of €815,280.

### **7.4. Senior Expert Service**

The Senior Expert Service (SES) seconds highly qualified retired experts on short-term missions. Since 1995, SES has carried out a total of 138 assignments in Cambodia.

### **7.5. Development Volunteers Service “weltwärts” (“world-wards”) Programme**

For the 2011-2012 period, there will be 17 “weltwärts” volunteers in Cambodia working with 13 partner organisations there. The volunteers will be carrying out work in the areas of childcare and education, social services and environment. The idea behind the volunteer service is the successful formula of “learning by serving”. It will enhance intercultural understanding and help increase awareness and acceptance within society of how development policy issues impact on our common future.

## **7.6. Civil Peace Service**

The Civil Peace Service (ZFD) of GIZ is working to support reconciliation and justice in connection with the Khmer Rouge Tribunal. Nine civil peace workers are part of the ZFD programme. The ZFD would continue with its activities in the area of legal advice, as well as in the fields of reconciliation, remembrance, mental health and media. The civil peace workers work as teachers at the Royal University of Phnom Penh, as psychologists for the Transcultural Psychosocial Organisation (TPO) and as lawyers in different civil society organisations.

## **7.7. Non-governmental cooperation (political foundations, churches, NGOs)**

Substantial support is being provided in many areas by non-governmental organisations, churches and political foundations. While they receive financial support from the German Ministry for Economic Cooperation and Development, these organisations are fully responsible and accountable for their activities.

The Konrad Adenauer Foundation and Heinrich Böll Foundation have offices in Phnom Penh, while Friedrich Ebert Foundation, Friedrich Naumann Foundation, Hanns Seidel Foundation, and Rosa Luxemburg Foundation provide support through their regional programmes.