

COUNTRY CASE STUDY: CAMBODIA “IF” EXPERIENCES

Prepared by

H.E. Sok Siphana

Secretary of State for Commerce and IF Focal Point (Cambodia)

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INTRODUCTION

This paper presents the experiences of Cambodia as an emerging model of a country-driven trade capacity building framework in the context of the Doha Development Agenda which was launched at the Fourth WTO Ministerial Conference in Doha in November 2001. This new round of trade negotiations put development concerns and trade related technical assistance and capacity building (“trade capacity building”) at the centre of trade deliberations.

Cambodia was selected as one of three pilot countries along with Madagascar and Mauritania to mainstream trade in the national development under the revitalized Integrated Framework for Trade Related Technical Assistance for Least Developed Countries (IF). The IF process implemented in Cambodia is part of a new approach defined "revamped IF" differing from the precedent as it places additional emphasis on integration of trade with national development strategies and is complemented by a trust fund for IF activities. The fundamental objectives of the IF are to (i) use the IF as a mechanism to mainstream trade into development plans/poverty reduction strategies, and (ii) use the IF as a tool to deliver trade-related technical assistance (TRTA).¹

With the historical evolution of the IF in the global arena we noticed a tentative emergence of Cambodia trade policy development in its early days prior to the revived IF initiative. Soon after the selection of Cambodia as a pilot country scheme we witnessed the rapid evolution of the “trade mainstreaming” concept in the flurry of meetings and presentations culminating in its full integration into the national development strategy, reflected in the SEDP II and ultimately the PRSP.

Since our selection as an IF pilot country we have worked diligently and with firm commitment to ensure that the initiative is viable and that we succeeded. And we did. Cambodia is proud of, and grateful for, the responses of the donors and the 6 core agencies throughout the entire IF process. The long list of their support to Cambodia’s efforts in the Annex is a testimony of that. From the vast array of trade-related assistance activities ranging from Cambodia’s participation and implementation of global trade rules to the formulation of trade policy reform and other supporting complementary measures to technical support to address the supply side constraints, their responses have been and continue to be overwhelming. And many more are on the way.

Last September 2003 at the 5th WTO Ministerial Conference in Cancun, Cambodia, along with Nepal, were the first and only 2 LDCs to have succeeded in its accession to the WTO since its transformation from the GATT in 1995. Cambodia’s success story was in large part

¹ Capra-TFOC Consortium Report (August 2003) "Evaluation of the Revamped Integrated Framework for TRTA to the Least Developed Countries". Report presented to the Integrated Framework Steering Committee.

attributed to the advent of the IF in Cambodia. With access to an open, rule-based, predictable, non-discriminatory trading system coupled with strong national commitment to good governance and supported with appropriate trade related capacity Cambodia can further reap the fruits of economic growth generated from trade reform and openness as well as has a historic opportunity to meet its ambitious Millennium Development Goals.

I. STRUCTURE AND PURPOSE OF THE PAPER

The Case study will be an illustrative account of Cambodia's experience with the Integrated Framework, and will reflect lessons learned and best practices. The Case study has four interrelated components:

- It describes briefly the Cambodia's understanding, expectations and experience with the IF;
- It describes how trade was mainstreamed in the national development strategy and the PRSP;
- It presents the National Implementation Plan, status of progress and how it is monitored;
- And lastly it provides lessons learned in the implementation process.

II. THE INTEGRATED FRAMEWORK IN CAMBODIA

Background: Cambodia conceptualized its preliminary trade policy needs assessment in 1998 followed by a Preliminary Concept Trade Sector Strategy Paper in January 2001. A document entitled the Tokyo Road Map was presented at the fifth annual Consultative Group (CG) meeting in Tokyo, June 2001 essentially describing what Cambodia needed to do to prepare all the inputs required to formulate a robust pro-poor trade sector strategy which can become a critical cornerstone of the country's poverty reduction strategy.

The mainstreaming process was accelerated after its selection as an IF pilot country. A country diagnostic trade integration study (DTIS) was undertaken followed by a national validation workshop to review the findings, the policy recommendations, and a TA action plan matrix in November 2001. The DTIS was subsequently endorsed by the Government and the stakeholders in January 2002. The 29th IF Inter-Agency Working Group (IAWG/DAC/OECD) Joint Meeting subsequently endorsed it in Paris in the same month. In February 2002 the 30th IAWG Meeting approved, and the IF Steering Committee endorsed, the first IF project resulting from the Cambodian DTIS. The last and ongoing stage of the mainstreaming process involved the responses of donors including the six core agencies to follow up on the specific TA projects identified in the TA Matrix, some of which will require long-term effort.

Expectations: Cambodia views the IF as an opportunity to mobilize national and external stakeholders to rally behind the Government to build and consolidate its country-driven trade capacity building framework. Cambodia was of firm view that it needs to tackle both the so-called "Trade rules compliance capacity" and the "Trade competitiveness capacity" and that ultimately its trade reform has to be fully integrated or "mainstreamed" into its national development and poverty reduction strategies. Pragmatically, it is also conscious that the success of its trade reform depends on its ability to secure market access through accession to the WTO, through global rule-making and regional co-operation. Given the magnitude of needs in a post war country and the importance of trade for development, it will be critical to harness the trade

capacity building expertise and potential of a number of institutions and ensure effective coordination among partners and partnership mechanisms.

III. PLANNING THE TRADE MAINSTREAMING PROCESS

Government institutional set up and mechanisms for policy coordination: The Cambodian IF is driven by a high-level Inter-Ministerial Steering Committee (IFSC) and supported by an active secretariat in the Ministry of Commerce. The mandate of the IFSC is to guide and monitor the formulation and implementation of a “mainstreamed” trade sector strategy. It is composed of high level policy makers at the vice minister and under secretary of state level as well as representatives of the banking and private sector. The IF Focal Point is a policy maker at the vice minister level who is supported by an active IF national core team composed of eight professionals recruited mostly from within the Ministry of Commerce (MoC). The MoC is an institution with broad multidisciplinary outreach and access. It is the only existing organization in a position to coordinate the WTO and trade related activities carried out by its sister institutions - i.e. Finance, Industry, Agriculture, Telecom, etc. Moreover it has “in-house” expertise in many fields linked to or affected by trade, such as labor, agriculture, environment, standards, and poverty.

Core team building: The issue of building of a core team is of great importance prior to engaging the trade mainstreaming process. Inevitably there will be a need to mobilize additional specialized staff and local consultants to assist the Government in coping with increasing workload generated from the negotiation process to join the WTO, the preparation of the DTIS, and the implementation of various TA projects. These shortcomings are further compounded by the fact that the few key officials are constantly being sent abroad to attend international conferences or training seminars, thus accentuating the shortage of staff and senior policy makers to push domestic agenda. This specialized capacity has served as a strong backbone for institutional building within the MoC and has acted very efficiently both as local support during, and as follow up for, the various IF technical missions to Cambodia. This has enabled the MoC policy makers to free up their time to focus on substantive policy discourse and policy making. Over time, the MoC core team has even expanded their activities to undertake regular exchanges of experiences, and dissemination, of Cambodia pro-poor trade strategy to the various stakeholders both at the national and provincial level.

Fostering a culture of trust through dialogue with stakeholders: One of the major challenges of a country-driven trade capacity building is cultivating and raising the profile of trade in overall national development. Trade mainstreaming is only possible if trade is considered to be a development priority. Cambodia believes that identifying key issues and broad approaches to trade sector strategy is not necessarily the most difficult part of the exercise. What is likely to be more demanding is the formulation of a plan of action that is the result of a true process of consultation among all three stakeholders, one in which each partner is able to contribute ideas and inputs. Cambodia ensures that country ownership is secured through effective coordination across ministries in government, partnership between the government, private sector and civil society organizations, and partnership between the government and donor agencies. The partnership framework builds upon existing mechanisms established by the Government which include: the IFSC, the inter-ministerial Council for Social Development (CSD), the Government-Private Sector Forum, and the Consultative Group (CG) process. By undertaking an aggressive sensitisation or awareness raising campaign Cambodia fostered a culture of trust through dialogue and ultimately

achieved a strong political commitment to trade reform where every stakeholder has an influence in the trade policy making.

Sustaining the dynamism of the Steering Committee: A steering committee is effective only to the extent that its members feel the relevance and value of their contribution into the process. Cambodia's best practices were practically based on two basic principles of regular engagement and pro-activeness. Forging effective partnerships with other government agencies and the private sector, accompanied by frequent consultations with all economic actors, has ensured that the MoC could formulate comprehensive and consolidated positions and arguments during the WTO negotiations. During the DTIS process the MoC could defer some sensitive issues to the steering committee for decision thus lessening the potential conflicts with other government agencies. Nonetheless the strength of the MoC lied in its ability to act as catalyst and coordinator for the DTIS team. The success of the DTIS and the eventual mobilization of TA resources have contributed to the MoC earning the respect of their fellow government agencies and stakeholders.

Demand driven: the issue of country ownership: While Cambodia had the intent and ambition to take ownership and central responsibility of the mainstreaming process the DTIS was the key instrument and compass to help effectuate it. Armed with a clear vision and policy directions with solid analytical and empirical backing Cambodia was able to drive the trade reform and smoothly play a leading role in co-ordinating donor assistance in the areas of trade policy, trade capacity building and trade mainstreaming in the country development and poverty reduction strategies. For Cambodia the ownership process must be seen as an ongoing dynamic and flexible process through which Cambodia can enhance the effectiveness of the trade policy process and trade capacity building by (i) ensuring ongoing stakeholder dialogue, and (ii) strengthening the roles and the institutional and human resource capacity of key stakeholders. Together the stakeholders can take ownership, develop, and adjust the country trade strategy and pursue follow-up activities. Indigenous applied research capacity can be as well strengthened through linkages with existing national and regional research institutions.

Ownership means making efforts and determination to better understand donor's programmes and activities who are extensively involved in providing trade-related technical assistance and capacity building, to name the main ones: multilateral organisations (WTO, World Bank, UNDP, UNCTAD, ESCAP, and ITC), regional development banks (ADB), and specialized organisations (WCO, WIPO, UNIDO, and ISO). The challenges next are to convince each one of them to support and operate within the framework of the country locally owned strategy in ways that respect and encourage strong commitment, participation, and ownership. This open and collaborative dialogue should be consciously extended to the many civil society organizations with shared objectives. For least developed countries like Cambodia the contributions of civil society organizations in skills building and entrepreneurship development at the grass root level are quite remarkable.

IV. MAINSTREAMING TRADE IN THE NATIONAL POVERTY REDUCTION AND GROWTH STRATEGIES

In line with its national policy commitment to trade liberalization and global integration for achieving economic growth and poverty reduction, the Government has fully mainstreamed the trade sector in the various national development strategies as reflected in the Second

Socio-Economic Development Plan (SEDP II, 2001-2005), the National Poverty Reduction Strategy (NPRS, 2003-2005), and the Medium Term Expenditure Framework (MTEF, 2003-2005).

The NPRS was a highly participatory process and addressed a large number of sectoral issues. Trade was successfully integrated in the NPRS. This took place by integrating the trade action plan matrix, which identifies trade objectives and priorities, in the NPRS action plan. Considerations were made on the linkages between the trade sector and poverty alleviation in Cambodia derived from the trade policy and the NPRS, for example the need to focus on labour absorption, and facilitating income and employment generation for the rural poor.

The CSD is the Government's agency mandated with poverty focused policy and programme design and its work is central in steering the preparation of both the SEDP II and the NPRS. Mechanism wise the IF team worked closely with the CSD team by providing it with the critical policy-level sector inputs and intermediary outputs and outcomes.

A tangible result of the mainstreaming process is Cambodia record time accession to the WTO. This mainstreaming process was critical, and in fact, has enabled the speedy accession of Cambodia in the WTO. The stringent accession requirements necessitate Cambodia to solicit and secure as much political commitments from both the Executive and the Legislative branches as the accession process would require a lot of resources, both financial and in kind. Necessary funds in the national budget should be allocated for required travel associated with Working Party meetings, missions, and bilateral consultations and negotiations in Geneva, and even opening a permanent mission in Geneva. The Prime Minister has felt the necessity and urgency to appoint a large think tank comprising of over 100 senior officials in the government to assist in matters related to Cambodia's accession to the WTO. The overarching national agenda has enabled Cambodia to approach the WTO accession process with very clear policy considerations, namely: (i) the needs to have a clear political commitment; (ii) the needs to clearly define its economic and integration strategies and policies and their compliance with WTO principles; (iii) in its bilateral negotiations with WTO Member States on market access, the need not to unduly compromised the long-term interests of the country; (iv) the special attention to be given to the continuation of the process related to the development of relevant legislation after accession; and (v) the needs to clearly define the requirements for technical assistance during the pre and post accession implementation period.

V. IMPLEMENTATION OF THE DTIS

Project design and implementation of the DTIS: Following the adoption of the DTIS in February 2002 a project entitled "Capacity Building for Pro-Poor Trade Reforms" was launched using an earmarked fund of \$500,000 from Japan via the IF UN Trust Fund, and some co-funding from UNDP. The project which aimed at addressing appropriate policy and related national capacity needs in the context of ongoing trade reforms and poverty/human development challenges was built upon the Government pro-poor trade strategy and the outcome of the DTIS and its appended Technical Assistance Matrix. The project pursued three priority objectives: (i) to promote a broader national constituency on trade and poverty; (ii) to enhance opportunities for effective allocation of Official Development Assistance (ODA) towards trade, through the strengthening of supply side responses in the agro business

and handicraft sectors; and (iii) to further elaborating on the links between poverty reduction and trade expansion.

The project was completed in November 2003 and achieved very encouraging results. More specifically, it was successful in reaching its prefixed goals of (i) setting and strengthening a national constituency on trade and poverty was created and strengthened through training and specialized advice; (ii) setting the fundamental basis to expand Cambodian exports by carrying out comprehensive supply studies, which identified high export potential products and by undertaking initiatives aiming at strengthening the capacity of trade support institutions; and (iii) completing a social/poverty impact assessment on the effects on poverty of an Export Processing Zone.

DTIS as a framework: The DTIS has been instrumental in providing the framework and has acted as a catalyst for the carrying out of many strategic development plans and sectoral sub-strategies initiatives in Cambodia, to name a few: (i) the World Bank's Value Chain Analysis, the Investment Climate, the Private Sector Development Strategy; and the Provincial/Regional Diagnostic Trade and Integration Study; (ii) the Asian Development Bank's Private Sector Assessment, SME development, and the Garment Competitiveness Study; (iii) the ITC's Export-led Poverty Reduction Programme (EPRP), Diversified Agriculture and Agro-Processing Supply Capacity Study; and the E-Trade Bridge Strategy; (iv) EU's Assessment of the Agro-Industrial Situation in Cambodia; (v) Japan's Study on Regional Development of the Phnom Penh – Sihanoukville Growth Corridor; Study on the Improvement of Marketing System and Post-Harvest Quality Control of Rice in Cambodia; and the Feasibility study on the Establishments of a Paddy Market; (See Annex 1: Matrix of Comprehensive Trade Related Initiatives).

Spill over effects of the Implementation of IF: While the Lao PDR has not started the IF process nor has started its first WTO Working Party, its geographical proximity to, and its similar structural trade and economic constraints with, Cambodia has nonetheless enabled it to benefit from the so-called 'IF Early Harvest' as exemplified by a series of joint Cambodia-Lao PDR programmes and projects like the France funded UNCTAD Trainfortrade project, the Swiss funded ITC Export Promotion project, the EU Multilateral trade project, and the Austrian/Norwegian funded UNIDO STMQ project. Cambodia has made it a habit to propose to many donors that, for synergistic and economy of scale purposes, their programmes and projects could be extended to Lao PDR as well.

Implementing WTO commitments as an extension of the DTIS: The post WTO accession challenges are huge but not insurmountable. National commitment and ownership aside, Cambodia has to implement 29 legal commitments which are translated into 98 separate tasks for the next few years. The *Accession Implementation Work Programme* lists tasks by ministry, topic, WTO Working Party Report reference, deadline and need for specific technical assistance. The TA needs list covers transparency of regulation; accreditation for educational institutions and courses; draft competition policy; IPR (TRIPS border measures, patents law, plant variety protection, GIs); customs valuation; anti-smuggling equipment; banking, financial, insurance services regulation/legislation; SPS/Codex; TBT (enquiry point, standards, conformity assessment); immigration (Mode 4 horizontal commitments on temporary residence); architectural, construction, engineering services regulation to meet GATS requirements; pharmaceutical import regulations; road transport regulations;

investment law (TRIMs compliance, notification of subsidies); air transport (implementing regulations for civil aviation, regulations for marketing air services).

Next steps: In the last two years Cambodia has been facing many changes among which, notably, its accession to the WTO. It is thus necessary to review, update and adjust the DTIS which was prepared in 2001. The revision of the DTIS would be facilitated by the findings of the many trade related initiatives mentioned above and particular the IF “Capacity Building for Pro-Poor Trade Reforms” project (Phase I). The revised DTIS will identify and illustrate the reforms undertaken by the national authorities in terms of new legislations and institutional changes, and will reveal the new partnerships developed and report on the current status of integration of trade in the national development plan, notably in the annual NPRS updates.

Capacity building wise, in spite of these encouraging results, in order to ensure the expansion of Cambodia’s exports and to produce visible results in terms of poverty reduction, it is imperative that the initiatives started under Phase I be followed through and developed under the proposed IF Phase II of the project. The aims would be (i) to consolidate the national constituency on trade and poverty by enlarging it and enhancing its cross-sectoral capacity; (ii) to strengthening the supply side capacity of the country in agro-business and silk handicrafts; and (iii) to support directly export-ready enterprises of the identified sectors to produce success cases of employment generation through export development.

VI. LESSONS TO BE SHARED

The IF in Cambodia is considered by many as an example for its effectiveness and good achievements in comparison to other countries that applied the same methodology and process. The strengths of the IF in Cambodia are: (i) a focused and comprehensive diagnostic analyses and a clear policy direction; (ii) strong local ownership and pro-active attitude – Cambodia has no “lead donor”-, in particular on the stakeholders dialogue; (iii) a strong commitment to follow up on the mobilization of the necessary funding to implement the technical assistance action plan; and (iv) the ability to mainstream the trade policy in the national poverty reduction and growth development strategy.

The weaknesses of the Cambodian IF is more perceived from the willingness or inability of some donors – aside from the six core agencies - to label and place their trade related activities under the purview of IF umbrella. Nevertheless, this shortcoming has not prevented Cambodia from mobilizing resources from these donors under the rubric of the larger trade mainstreaming theme.

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ANNEX 1: MATRIX OF COMPREHENSIVE TRADE RELATED INITIATIVES

Organization	Project Title
ADB	<ul style="list-style-type: none"> ○ Preventing Poverty and Empowering Female Garment Workers Affected by the Changing International Trade Environment ○ Financial Sector/Commercial Laws Component
Australia	<ul style="list-style-type: none"> ○ (planned) SPS Capacity Building (Regional Programme - Cambodia, Lao PDR, Vietnam, Thailand) ○ Cambodia Australia Technical Assistance Facility (CATAF) ○ Improving the Marketing System of Maize and Soybeans in Cambodia
Austria	<ul style="list-style-type: none"> ○ International Standards and Technical Regulations (through UNIDO)
Canada - CIDA	<ul style="list-style-type: none"> ○ APEC/WTO Capacity Building Initiative ○ Legislation on Commercial Court and Commercial Arbitration Rules
DFID	<ul style="list-style-type: none"> ○ Technical Cooperation Action Plan (TCAP) ○ WTO accession - Telecom Reference Paper
EC	<ul style="list-style-type: none"> ○ Multilateral Trade Assistance Project ○ EC/ASEAN co-operation programme on Intellectual Property Rights ○ EC/ASEAN co-operation programme on Product Standards
France	<ul style="list-style-type: none"> ○ Geographical Indication of Origin Project ○ Drafting of Law on Geographical Indication of Origin ○ Cambodian Rubber Certification and Commercialization ○ TrainForTrade project - Training on Multilateral Trade Negotiations" (through UNCTAD) ○ Drafting of Sanitary and Phytosanitary (SPS) Measures. ○ Drafting of Law on Rule of Origin ○ Secondment of long term trade expert.
Germany	<ul style="list-style-type: none"> ○ Export Processing and Trade working group coordination ○ Private Sector Donor coordination
IFC	<ul style="list-style-type: none"> ○ Export Processing and Trade working group - addressing bottlenecks
IMF	<ul style="list-style-type: none"> ○ Customs and Excise Department Support
ITC	<ul style="list-style-type: none"> ○ Poverty Reduction Growth Facility (PRGF) 2003-2006 - trade-related assistance ○ World Tr@de Net ○ IF Projects - Silk (part of the Capacity Building for Pre-Poor Trade Reforms Programme). ○ Export Led Poverty Reduction Programme - Entrepreneur capacity building and export promotion for production of silk handicraft.
Japan - JICA	<ul style="list-style-type: none"> ○ Advisors for Trade and Industrial Promotion. ○ Sihanoukville Growth Corridor Assistance. ○ Feasibility study on the Establishments of a Paddy Market ○ Study on the Improvement of Marketing System and Post-Harvest Quality Control of Rice in Cambodia
MPDF	<ul style="list-style-type: none"> ○ Trade Promotion and Trade-related assistance
Netherlands	<ul style="list-style-type: none"> ○ Financial facilities for trade and investments & Agreement on Investment Protection ○ Technical Cooperation Action Plan (TCAP)
New Zealand	<ul style="list-style-type: none"> ○ Phytosanitary project ○ Legal Metrology ○ WTO Customs Valuation ○ (planned) Agricultural diversification/technology
Norway	<ul style="list-style-type: none"> ○ International Standards and Technical Regulations - phase 1 and phase 2
Singapore	<ul style="list-style-type: none"> ○ Cambodia-Singapore Training Centre - Trade Training Program
Switzerland	<ul style="list-style-type: none"> ○ Support to Trade Promotion and Export Development in the sub-region of Cambodia, Laos and Vietnam
Thailand	<ul style="list-style-type: none"> ○ Koh Kong Industrial Estate
UNCTAD	<ul style="list-style-type: none"> ○ WTO Accession ○ TrainForTrade project - Training on Multilateral Trade Negotiations ○ E-business: Strengthening the Capacity of Trade Support Institutions and Small and Medium Sized Enterprises (SMEs)
UNDP	<ul style="list-style-type: none"> ○ Capacity Building for Pre-Poor Trade Reforms

Organization	Project Title
	<ul style="list-style-type: none"> ○ E-Trade Bridge Strategy ○ Investment Guidelines and Capacity Development for Cambodia ○ Formulation of the Private Financing of Infrastructure Framework ○ Technical Cooperation Action Plan (TCAP)
UNESCAP	<ul style="list-style-type: none"> ○ Strengthening capacities of developing countries to manage globalization through effective integration into the multilateral trading system (Phase I and II) ○ Development of Enabling Policies in Trade and Investment in the IT sector.
UNIDO	<ul style="list-style-type: none"> ○ Trade Policy Course and Regional Seminars
US - USAID	<ul style="list-style-type: none"> ○ Industrial Standards and Technical Regulations
WB	<ul style="list-style-type: none"> ○ Support to the Integrated Framework in Cambodia (SME component)
	<ul style="list-style-type: none"> ○ Support to RCG's Private Sector Growth Strategy
	<ul style="list-style-type: none"> ○ Streamlining Trade Facilitation
	<ul style="list-style-type: none"> ○ Public-Private Infrastructure Advisory Facility (PPIAF)
WB/IDA	<ul style="list-style-type: none"> ○ Private Sector Investment Credit (loan)