

**TRADE project
Annual Progress Report
2007**

Award ID: 0039690

1. Description

UNDP's assistance to MoC is focused on developing national capacity to make the best of the benefits that Cambodia's membership in the World Trade Organization offers and facilitate its integration into the global and regional markets by helping to identify strategies that will promote exports most promising from the point of view of revenues, export diversification and ultimately employment generation.

By providing the analytical foundation for policy recommendations, facilitate the coordination of Trade Related Technical Assistance (TRTA); and by strengthening capacity building, TRADE project aims at reinforcing the Interlinkages between trade and human development and thus poverty reduction.

The analytical foundation serves to identify the employment oriented export promotion sectors in the country (with dynamic comparative and competitive advantages). TRADE project will develop strategies for both identification of the sectors and their development. The longer term objective is to promote investment in sectors that generate sustainable employment opportunities (specifically within the export sector or in the import substitution area).

Project Performances

OUTPUT 1: Updated the DTIS

Description: Support to the regular updating of the government/donor common DTIS and its Trade Related Technical Assistance (TRTA) Action Matrix platform.

Expected Targets:

- 1) National validation of updated DTIS;*
- 2) Monitoring plan for the DTIS updates, including proper institutional mechanism developed*

The first draft of the completed DTIS 2007 has been submitted in March;
The key findings and recommendations were presented and discussed at the inter-ministerial meeting hold on the 13th of March at the Ministry of Commerce, called and presided over by the Senior Minister of Commerce.

The Inter-ministerial meeting was the first opportunity for the key lines ministries to provide their views and their comments on the first draft of the DTIS 2007. Most of the key ministries, as

well as representation of the private sector and developing partners were present and actively participated in the discussion, facilitated by H.E Cham Prasidh, Sr. Minister of Commerce. As mentioned by the Senior Minister of Commerce, H.E Cham Prasidh, the meeting was the launch of a peer review process. This peer review process will conclude with a Launch Workshop, dated to be further determined.

During the DTIS meeting of March 13th the Senior Minister requested that the donors conduct a further meeting to discuss the findings and the recommendation of the DTIS 2007. The proposed meeting would also start discussions on coordination and implementation.

During the donor PSD meeting of January 26th, the next donor PSD meeting was scheduled for late March. As a consequence of the Senior Ministers request to hold a follow up meeting on the DTIS on March 22nd, it is proposed that the two meetings (i.e. DTIS follow up and the PSD Donor coordination meeting) be held on the same day.

MoC, UNDP and the World Bank Group, as donor PSD coordinator, have agreed to combine that meeting with the PSD Donor coordination meeting. As a consequence you are invited to attend this key coordination meeting to be held at the Cambodiana Hotel on 22 March at 8:30am.

Peer/Consultation Review Process

The DTIS 2007 first draft was circulated among various ministries, resident development partners, the NGOs and the private sector representatives for their comments and inputs. The deadline for submitting feedback was 28 May 2007.

Following the suggestion from Ms Anne Blank, Counselor, Head LDC Unit Development Division, WTO, the DTIS 2007 first draft was shared and circulated among the IF agencies. Various comments and inputs were provided to the National TRADE Project Manager, in particular from WTO, IMF, and UNCTAD...etc.

The responsiveness and the content of the comments received from those international organizations indicate the significance and the interest given to the Cambodian DTIS 2007. The second version of the DTIS was submitted end September. The second draft was circulated among the Development partners for any additional comments or inputs by 26 October.

DTIS 2007 Launch

The agenda and the concept of the launch of the DTIS 2007 was discussed and agreed with the Sr. Minister. The launch of Cambodia's 2007 Trade Integration Strategy (DTIS 2007) was held on 5-6 December 2007, at the Hotel Le Royal, Phnom Penh, Cambodia.

The event was presided over by H.E Samdech Hun Sen, Prime Minister of the Kingdom of Cambodia. The specific objectives of the Launch were: (i) to share findings and recommendations of the DTIS 2007 among policy makers, donors, academics and others; (ii) to discuss the Cambodian experience under the Integrated Framework (IF); (iii) to provide a forum to discuss pro-poor trade strategies; and (iv) to discuss the implementation arrangements of the Trade Sector Wide Approach programme (Trade SWAp) and the way forward. Participants were from government representatives from Least Developed Countries (LDCs), (Senegal, Nepal,

Mongolia, Lesotho, and Laos PDR), IF agency representatives (IMF, World Bank, UNCTAD, ITC, WTO, IF Secretariat...), development partners, private sector practitioners, and international and national experts.

Official delegations and participants were very impressed about the content of the agenda, the quality of the presentations and the logistic arrangements/facilities.

The entire event was highly stimulating, very informative and instructive. With more than 300 people over the 2 days event, the launch was a veritable success in many ways, having the senior Minister of Commerce over the 2 days illustrates the strong ownership, leadership and commitment of the Government in Cambodia in advancing the trade agenda.

“The 2007 Trade Integration Strategy has been extremely helpful in forging a new consensus for strong coordination between the Cambodian Government and its Development Partners – not only here in Phnom Penh but also in Geneva, New York, Washington, Brussels, Paris, Vienna and elsewhere” quoted from the H.E Cham Prasidh’s closing remarks.

DTIS Implementation arrangements

Based on an initial reading of the DTIS 2007 and early discussion with the TRADE project, the Sr. Minister of Commerce, as chairman of the Sub-Steering Committee on Trade Development and Trade-Related Investment, has proposed to formulate a Trade SWAp programme organized around three “pillars”:

- Reforms and Cross-Cutting Issues for Trade Development
- Product and Service Sectors Export Development
- Capacity-Building for Trade Development and for the Management of Trade Development

In this regard, the TRADE project has developed the Implementation of Cambodia’s Trade SWAp concept note. The draft was shared with DPs. The draft concept note, including the ToR of design teams was submitted to MoC and endorsed.

Open Project issues

Some resident development partners, felt that the information sharing during the peer review process was not enough clear. While, they provided comments to the 1st draft during the national consultation, they received afterwards from their respective headquarter the same document for comments. Therefore, since their comments from the country office were already provided, they felt that the version send internationally was not capturing their comments. Taking this fact as granted, those resident development partners felt “frustrated”.

While information sharing is critical for partnership spirit, coordination and harmonization among donors, it is also important to set up mechanism to prevent or to minimize incorrect information that could lead to misunderstanding and misinterpretation.

Therefore, UNDP Program Manager gets closely involved in the development of the “Partnership principles for the Royal Government of Cambodia and its Development Partners in support of Private Sector Development in Cambodia”. Development Partners should agree that prior any information circulation related to others DPs’ activities, to validate and confirm the information content with the most relevant involved party.

Output Delivery:

ACTIVITY1

OUTPUT 2: Enhanced National Capacity

Description: Capacity building on the linkages between trade and human development through the establishment of an ‘IF Core Group,’ as a permanent body within the Ministry of Commerce, which will be expanded by the inclusion of other key Ministry representatives. This will build their capacity to understand and promote the implementation of pro-poor trade policies.

Expected Targets:

National Core Group trained and capable to gather, review and analyze trade related information/data and make them available accessible

DTIS involvement

The Core Group is comprised of 3 officials from the Ministry of Commerce.

Follow up the inter-ministerial meeting, the Core Group has established an inter-ministerial focal point network, responsible for providing comments and inputs to the DTIS 2007.

The Core Group has established an e-mail address, located at the Ministry of Commerce, acting as the first gateway for receiving information related to the DTIS as well as for collecting and gathering trade related information.

Follow up the Donor/PSD coordination meeting, the Core Group has prepared a Value Chain Coordination Matrix. The objective of this matrix is to map out “who does what” with regards to value chain analysis. The Matrix has been sent out to all donors for their inputs, and is served as a basis for further discussion among donors to coordinate sectoral interventions.

The Core Group has successfully translated in Khmer the DTIS 2007 Executive Summary and all relevant proceedings, including presentations and speech related to the launch of the DTIS 2007.

The Core Group under the leadership of the National Project Manager has successfully arranged the logistic arrangements of the DTIS launch, i.e. Official Liaison Officers for the international guests, and in liaising with the Prime Minister cabinet.

Communication

The Core Group members have been deeply involved in the 1st project Newsletter, the translation is being finalized and the publication will start in the next quarter.

Public and Private Forum

The Core Group was deeply involved in the organization and facilitation of the early Provincial Public and Provincial discussions. The Core Group was specifically involved:

- Arranging field visits in selected in production site;
- Active participation in the discussion, according to their respective areas; e.g. domestic trade promotion, IPR, GIs
- Keeping minutes of those various public-private discussions;

Institutional needs assessment

Capacity development curriculum

The capacity building programme has been developed and will be implemented through a series of three modules, which include face-to-face workshops, as well as pre and post workshop learning activities;

- Pro-poor trade policies, with strong focus on gender issues
- Programme Management and leadership trainings, including Monitoring and evaluation
- Trade specific areas Expertise

Open Project issues:

For professional and training opportunities 2 Core Group members have resigned from their position for the last past months. The Project has conducted a competitive selection process to fill the vacant positions. The process of identifying and selecting the focal point for the HDIA is under process and by mid August, the initial Core Group should be established.

As a core function within the ministry's organization and structure, it is important to reemphasize the critical aspect of retaining the members of the Core Group. The capacity development of the Core Group is driven by the principle to progressively transfer to national counterparts the planning, implementation and monitoring guidance functions and tools. Therefore, it is essential to guarantee that the group member remains permanent, in order to fully benefit from the capacity development program.

Output Delivery

OUTPUT 3: Conducted Human Development Impact Assessment

Description: Assessments of Cambodia's integration into the world economy through, among others, its accession to the WTO for policy and decision making enhancement

Expected Targets:

Monitoring plan for institutionalizing the HDIA methodology developed

The 2 HDIA report has been finalized (i.e. fiscal liberalization and MFA expiration impact). The documents have been shared with and among different professional network, including UNDP Trade and Human Development Unit, the Regional Center

The TRADE projects has organized and facilitated a stakeholders roundtable discussion to discuss the development of an institutionalization plan of the Human Development Impact Assessment and its roll plan as a guiding principle for strategic inclusive trade policies

The roundtable discussion was also an opportunity to gather different stakeholders, including government, private sector, donor and civil society representatives to work in a concert to promote adequate conditions and strategies that are conducive to human development in Cambodia, as an end which international trade serves

The stakeholder roundtable discussion output was the draft the HDIA 2008-2009 plan, including the potential topics to be covered.

Output delivery

Open Project issues

Given the recent new established UNDP SSA contract modalities guidelines, the project has faced an important delay in the recruitment of the Senior Trade Policy Adviser.

This delay has impacted the delivery of certain activities of the project and particular with regard to the support of the Ministry of Commerce to develop an institutionalization a plan of the Human Development Impact Assessment and its roll plan as a guiding principle for strategic inclusive trade policies.

The project subcontracted an international institute to conduct the 2 studies, it was noted that beside the high quality of the research papers, the transfer of capacity to national counterpart was one of the shortcoming of this approach. It is suggested that for the next round of research a stronger emphasis should be given to this end. One option would be sub-contract a senior expert on pro-poor trade policies formulation to work closely with the MoC and a local institute, whom the main responsibility would be to ensure the institutionalization of the HDIA methodology.

OUTPUT 4: Enhanced National Supply Capacity

Description: Identification needs assessment and support to selected employment-generating export oriented sectors/initiatives; with a focus on the Promotion of Public and Private Partnership initiatives for enhancing Provincial supply capacity

Expected Targets:

Public and Private Partnership for enhancing supply capacity methodology and action plan developed.

Promote Investment for delivering public services/goods

The Growing Sustainable Business (GSB) initiative has been piloted to facilitate the development of innovative business models in a way that is mutually beneficial for both private sector development and poverty reduction. While promoting private sector investments that contribute to create innovative solutions to advance the Cambodian MDGs, these business-led solutions enterprise aims to accelerate and sustain access of the poor to needed goods and services and employment opportunities.

The TRADE Project has successfully recruited a new GSB Officer, to be responsible for the development, the implementation and the monitoring of those GSB initiatives, in close collaboration with the Private Sector and relevant stakeholders.

The 1st pilot phase of the Village Phone Initiative has been completed. The findings and recommendations of the Evaluation report have been captured in the development of the 2nd phase which is being implemented in 4 Provinces; Kampong Cham, Siem Reap, Banthey Meanchey and Battambang, targeting 300 private operators.

A Monitoring and Evaluation system has been developed and being implemented, in close collaboration with GTZ.

To support the access and the diversification of the source of energy in rural areas the Total-GSB team has developed a new initiative, build on the lessons learnt from the previous REE project. It is being implemented since September 2007, in Phnom Penh and Kampong Cham Provinces, targeting 15 Rural Energy Dealers.

Under the pipeline, a pre feasibility study for ICT solutions for agricultural and fishery sectors has been completed, following by roundtables discussion to explore investment opportunities. A full fledge report was submitted and disseminated for information.

A feasibility study on Sustainable Eco tourism is being processed to explore opportunities for public-private partnership investment. The full fledge report is expected to be delivered by March 2008.

Supply Capacity via provincial SME support

The Project has successfully recruited a senior Trade Development Expert. His overall responsibilities is focused on facilitating, advising, planning and coordinating professional works required for delivering the expected outputs of the project with regards to the 4th component of the TRADE project; "Enhanced National Supply Capacity".

The Project has organized, with the assistance of the Provincial Chamber of Commerce and MoC provincial department, a serie of provincial roundtable discussions, called Public and Private Fora; i.e. Stung Treng, Kratie, Kompong Cham, Kampot, Kompong Som, Siem Reap.

The main objectives of those roundtable discussions were to present the findings of the DTIS 2007 and also to initiate a dialogue for developing Provincial Private Sector Development plan.

The Project has initiated a discussion with key relevant donors involved in Provincial Public and Private Forum. The Project has organized and facilitated a donors' roundtable discussion to explore opportunities for enhancing coordinated approach and synergies among Development Partners.

It was also an opportunity for the Project to present its plan with regards to SME support, via the Public and Private Forum methodology/tool.

Following the discussions, the Project has developed a concept paper, outlining the rationale, the objective and the process of UNDP/MoC plan to support provincial SME development plan.

Silk Sector Strategy

A Letter of Agreement has been signed between ITC, MoC and UNDP, endorsing the financial support of the TRADE project for the National Silk Sector Strategy implementation.

In its capacity as responsible party, ITC is the general provider for support services for the execution of the "Sector-wide Strategy for the Cambodian Silk Sector", such as assistance with planning, substantive reporting requirements, monitoring and evaluation, procurement of technical assistance services, equipments and materials and financial management services.

ITC is responsible for preparing bi-annual progress and financial reports on the development and implementation of the silk strategy component "Development and operation of a weaver association", to be submitted to the Project Board, comprised of MoC and UNDP representatives.

Open Project issues

Strengthen the collaboration between the TRADE project and the private sector counterpart in formulating the Public-Private Partnership proposals, in particular in the risk assessment and management. It is suggested therefore that for each PPP projects/proposal a steering committee is established for oversight, guide and monitor the project, while the Project representative (i.e. GSB Officer) provides assurance role.

It was noted that during the consultation and preparatory process, there were some confusion on the Public and Private Dialogue concept definition. The IFC/MPDF concept is based on "The PPD Handbook: A Toolkit for Business Environment Reformers" developed by the World Bank Group. Using the PPD concept would require to comply with the various characteristics of the methodology, thus, it is suggested to refer to this initiative as Public and Private Forum (PPF)

The Project noted some management risks for the efficient implementation of the Silk Sector Strategy implementation. Indeed, stronger collaboration should be re-enforced between the National Project Implementation Unit and the ITC responsible officer based in Geneva.

Output Delivery

OUTPUT 5: Regulatory environment enhanced to be more conducive for the start-up and development of Micro and SMEs

Description: Strengthening the enabling regulatory framework, Commercial Court implementation

Expected Targets:

- 1) Draft Law on the Commercial Court finalized
- 2) Commercial Court Technical Assistance Plan developed

The TRADE project has identified and selected a Senior Legal expert to provide assistance to MoC in developing the revised version of the Draft Commercial Court Law.

While the establishment of a commercial arbitration process is a positive step that Cambodia has made for resolving commercial disputes, the lack of a specialized commercial court limits the ability of the judicial system to enforce contracts and to resolve commercial and economic disputes.

The establishment of the Commercial Court is part of the Cambodia's WTO accession agreement, once established it will be possible to provide judges with specialized training in business and commercial law.

Thus, it is crucial for Cambodia to adopt a Commercial Court law that is well designed; i.e. in line with the Cambodian legislation and with the international standards. The Commercial Court is a critical building block for the establishment of the commercial legal framework and for promoting investment in Cambodia.

Under the auspice of the Ministry of Commerce, the project organized a technical roundtable discussion on the draft of the Commercial Court Law, which took place on 15 June 2007 at UNDP. The technical roundtable discussion was chaired by H.E Mao Thora, under Secretary of State at the Ministry of Commerce. The roundtable discussion was an opportunity to gather different stakeholders, including government representatives, private sector, donor and civil society representatives to work in a concert towards an inclusive commercial legal framework. The meeting was a prelude of the peer review process to further enhance the quality of the draft Law.

More than 40 people from MoJ, MIME, NBC, Phnom Penh Court, Jurist Council, Academia, private sector and donor's representatives attended the roundtable discussion. Concrete and substantive discussion was hold.

The Senior Legal Expert based on the discussion conducted further bilateral consultation with appropriate stakeholders to fine tune the draft law.

A second consultation meeting took place on 8 November, gathering relevant stakeholders and professionals. Chaired by H.E Mao Thora, the Senior Legal Expert presented the revised draft of the Law. Following the roundtable discussion, additional discussion in particular with JICA and the French Assistance took place bilaterally with the MoC. As a result, the final draft of the Commercial Court Law is being submitted to the Council of Ministers.

Cambodia Trade, infrastructure and investment Conference

The conference was of particular importance as it brings together representatives of government, private sector, national and international investors and the donor community, with a view to promote foreign direct investment in Cambodia. Among the 500 participants, 2/3 was foreign private investors.

Microfinance Summit second edition Conference

The conference was made possible by the National Bank of Cambodia with support from the United Nations Development Programme (UNDP) via the TRADE project, the International Finance Corporation (IFC), ANZ Royal Bank, and the Cambodia Microfinance Association (CMA).

Drawing on international and local expertise and experiences, the two-day event was successful in moving microfinance sector ahead in particular, how can the Cambodian microfinance sector reach the next level – and expand access to financial services for everyone who needs them?

Gathering more than 400 participants over the 2 days event, it helped to draw concrete interventions at policy and regulation level.

Open Project issues

No major issues were identified

Delivery

Project Management

Risk Log

Expected Outputs	Risk Type	Risks Description	Risks Level	Status	Status change Date
DTIS updated and its regular update monitored	Political	No endorsement from the Government of the monitoring plan for the DTIS updates, including proper institution mechanism;	Low		

Enhance the national capacity to facilitate pro-poor trade policy formulation and implementation	Operational	<p>Delay in releasing fund to support the implementation of Institutional mechanism for implementing and monitoring Trade integration strategy</p> <p>Proper modalities for extending the Core Group to other ministries</p>	<p>Hard</p> <p>Medium</p>		
Enhanced the country's supply capacity	Operational Financial	Delay in the identification of proper local institute;	Medium		
The regulatory environment enhanced to be more conducive for the startup and development of Micro and SMEs	Political	Delay in the adoption of the National Action Plan developed for Commercial Court implementation	Medium		
Enhanced capacity of the commercial court to carry out its mandate	Political	Lack of commitment from the trainees, for active participation to the trainings and reluctance to play advocacy role	Medium		

Financial Report