



**Cambodia-Canada Legislative Support Project**

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## **ROUNDTABLE**

**On**

**“THE CAMBODIAN ECONOMY AND NATIONAL BUDGET IN 2005”**

**For Distinguished Members of the National Assembly and Senate**

# **Final Report**

**December 09, 2004 from 08h30 to 18h00**

**CAMBODIANA Hotel**

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### **Overview**

The Cambodian economy relies mainly on three sectors including the agriculture, tourism and garment industry. Among these sectors, the garment industry has played an important role in economic growth for the last few years. However, the situation seems to be uncertain when Cambodia's garment products phase out the quota at the end of 2004. In addition to the uncertainty of this particular industry, Cambodia has also experienced high inflation. The price of transportation and foods has risen significantly this year. This situation makes a certain number of Cambodian's doubtful about the economy in the future, more particularly in 2005.

At the same time, the budget law for 2005 was being prepared to meet the country's requirements in 2005. The parliamentarians would have to discuss the proposed budget of each ministry during the National Assembly's meeting at the end of 2004. Their role in the budgetary process is critical in setting priorities for development and poverty reduction in Cambodia.

With the support of the Cambodia-Canada Legislative Support Project (CCLSP), the Economic Institute of Cambodia (EIC) organized a roundtable on **“The Cambodian Economy and National Budget in 2005”** on December 09, 2004 at the CAMBODIANA Hotel. This roundtable was prepared specifically for distinguished Members of the National Assembly and Senate. Some relevant documents and publications such as the Draft on National Budget Law, EIC's Economic Watch, EIC's Annual Report, EIC's Economic Review and the World Bank Report for CG Meeting were provided to the Members of Parliament and to the Senators. Professional experts invited to be panel presenters included:

- Mr. Michael R. Keller, Economic and Commercial Officer of the Embassy of the United States of America
- Dr. Gero Friedel, Senior Advisor to the National Assembly
- Mr. Sok Hach, Director of the EIC
- Mr. Oum Sothea, EIC's Researcher

## Expectations and Outcomes

The main objective of this roundtable was to highlight to the Members of Parliament and to the Senators, the most updated information on the Cambodian economy and upcoming trends in 2005. It also attempted to facilitate the debate on the Budget Law for 2005.

Initially, the expected participants in this roundtable were to be 30 MPs and Senators and as well as 16 assistants to MPs and Senators. The actual number of the participants reached 37 MPs and Senators and 23 assistants. This indicates that the topics of the roundtable were interesting.

## Roundtable Discussion

The roundtable was held on December 9, 2004 from 9h00 to 12h00 in the morning and from 14h30 to 17h00 in the afternoon. Starting at 9h00, **Mrs. Mom Sokhayok**, Deputy Manager of the Cambodia-Canada Legislative Support Project, expressed her sincere thanks to all the participants and apologized for some minor changes in the agenda. She then passed the floor to **H.E. Mrs. Pum Sichan** who proceeded with her opening speech.

After the opening speech, **Mr. Sok Hach** began his presentation on the “Recent Economic Performance and Medium Term Prospects”. During his presentation, he stressed the issue of high inflation, particularly the high increase in costs of oil and food prices in 2004. He showed the breakdown structure of the interest rate in the micro-finance sector where the rate of approximately 10% is allocated to the Ministry of Economy and Finance and the Rural Development Bank. Based on the current state of the Cambodian economy, **Mr. Hach** discussed what he believed were challenges Cambodia would face within the next five years. Those were:

1. Protecting remaining forests
2. Restoring fish stocks
3. Distributing land to the poor
4. Safeguarding the garment industry
5. Cultivating new sources of growth

His conclusions included the importance of the Cambodian government to carry out reforms. The first priority area, he believed, should be the strengthening of Public Administration and the Judicial system.

After the first presentation, **Mr. Michael R. Keller** was invited to provide some information on the evolution of Cambodia’s garment industry. He began the presentation with a brief history of the US’s involvement in the garment industry in Cambodia since January 1999 when both parties (US and Cambodian Governments) came into an agreement, this being called the Bilateral Textile Agreement (BTA). This agreement has allowed Cambodia’s garment exports free access (without tariff) to the US market, in exchange for the respect of four core labor conditions: freedom from forced labor, freedom from child labor, freedom from discrimination, and the right to assembly. So far, Cambodia has respected the four conditions and **Mr. Keller** suggested that Cambodia continues the current model, even though the BTA would no longer valid starting January 2005. He further stated that urgent reform is needed for Cambodia to lower informal and bureaucracy cost, hence improving the business environment in Cambodia. According to Mr.

Keller, new sources of growth must be cultivated, extending to manufacturing-based factories rather than just relying on the garment industry.

Lively discussion occurred after the presentations. There were many comments and questions raised by the MPs and Senators. Most of the questions concerned the garment industry, micro-finance and external assistance to Cambodia. In answer to the questions, **Mr. Keller** and **Mr. Hach** identified high legal risk as the main constraint for the development of Cambodia. **Mr. Keller** said that external assistance is important for Cambodia in the sense that it can create more or create less jobs for Cambodians. However, he still argued that private sector development is the only source of growth for Cambodia in the future.

In the afternoon, the participants started to discuss the topic of the “National Budget in 2005”. **Mr. Oum Sothea**, the first presenter, emphasized the role of national budget in the Cambodia’s economic and social development. He emphasized that there is a clear link between policy, national budget and the allocation of the budget. He also brought to the attention of the participants a few notes of the Budget Law for 2005. His conclusions included the following:

- The Budget Law must be duly implemented to avoid huge gaps in actual implementation.
- Budget allocation must be linked with specific development goals.
- Legislative bodies should actively participate in both budget formulation and budget oversight.
- Further reforms must be reinforced to mobilize national revenue and to rationalize public expenditure. National revenue should account for at least 15% to 20% of the GDP.

Next, **Dr. Gero Friedel** continued the presentation on the roles of parliamentarian in the budget process. His presentation was conducted in the following order: (1) Budgetary powers of Parliaments, (2) Analysis of the organic law of 1993, (3) Questions on draft budget 2005, (4) Discussions in NA, and (5) Experience in the European Parliament.

During the discussion session, the first question was raised by **H.E. Ung Bun Ang** on the result of the examination meeting on the draft of Budget Law between the NA’s Finance and Banking Commission and the MEF. Unfortunately, **Dr. Friedel** could not provide clear answers to the questions due to the fact that the meeting regarding this issue was currently in process. **HE. Sam Rainsy**, proposed the institute (EIC), try to evaluate the impact of reforms on the national budget. The next questions revolved around the subject of the high amount of the reserve credit proposed by the government. **Dr. Friedel** stated that the reserve credit is common for most of the states, even in the developed countries. Government tends to have reserves for their future use, when necessary. Cambodia is also in the same situation and the huge amount of reserves is designed for the excessive centralization of the Ministry of Economy and Finance.

**Mr. Hach** made the final remarks. He thanked the attendants and apologized for any inconveniences. He, on behalf of EIC, determined that EIC would try to estimate the economic effect of social affairs for their future work.

## Concluding Remarks

In general, the roundtable on the “Cambodian Economy and National Budget in 2005” was successful and the number of participants was greater than expected. Doubts about the technical aspects of the economy and the national budget were elaborated for distinguished members of the Parliament and Senators. As the country’s legislative bodies, they have strong influence on the economic policies of the government.

There are still many other issues related to the economic situation of Cambodia. Based on the experience from this roundtable, it was suggested, for the next step, that conferences on some critical topics be organized for the MPs and Senators. The recommended topics included: (1) Membership of Cambodia in the WTO (2) Agriculture and Rural Development, and (3) the SME and micro-finance in Cambodia.



## ANNEX 1: LIST OF PARTICIPANTS

### Presenters:

Mr. Michael R. Keller, US Embassy  
Mr. Sok Hach, Director EIC (and moderator)  
Mr. Oum Sothea, EIC Researcher  
Mr. Gero Friedel, Advisor to the second commission of the National Assembly  
Mr. Van Souleng, Chairman of the Garment Manufacturers' Association in Cambodia  
Mr. Ken Loo, Sec. Gen. of the Garment Manufacturers' Association in Cambodia

**Simultaneous Interpreter :** Mr. Tia Savora

### List of Participants

#### National Assembly (22 participants)

HE. Try Cheng Hout  
HE. Moanh Saphan  
HE. Sin Pin Sen  
HE. Sim Soly  
HE. Ms. Kruoch Sam An  
HE. Po Sothyak  
HE. Ms. Ho Non  
HE. Ms. Sisowath Santa  
HE. Ms. Im Run  
HE. Lam Phu An  
HE. Ms. Nin Saphon  
HE. Ms. Thak Lany  
HE. Chean Channy  
HE. Koy Bunrouen  
HE. Yim Sovann  
HE. Son Chay  
HE. Keo Ramy  
HE. Ho Vann  
HE. Sok Ty  
HE. Sok Pheng  
HE. Sam Raingsy  
HE. Ms. Choulong Somura

#### Senate (15 participants)

HE. Ms. Men Maly  
HE. Ouk Meoun  
HE. Ms. Pum Sichan  
HE. Chay Bunlay

HE. Ung Bun An  
HE. Ung Sim  
HE. Chav Phally  
HE. Ms. Chouk Chim  
HE. Kong Korm  
HE. Toch Sak  
HE. Ms. Som Kanitha  
HE. Ms. Men Sam An  
HE. Sabu Bacha  
HE. Khieu Soun  
HE. Ms. Keo Bunthok

**Parliamentary Staff (23 participants)**

Mr. Ly Vichea, NA  
Mr. Tith Lay, NA  
Mr. Mich Lim Sreng, NA  
Mr. Leng Sreng, NA  
Mr. Leng Seng, NA  
Ms. Toch Sokun, NA  
Mr. Lang Than, Senate  
Mr. So Moniroth, Senate  
Mr. Sok Socheat, Senate  
Mr. Hem Pongthiya, Senate  
Mr. Ton Kunthou, Senate  
Mr. Heng Kim Hay, Senate  
Mr. San Sokhom, Senate  
Mr. Men Kem Vorak, Senate  
Ms. Lim Samay, Senate  
Mr. Leng Ser, Senate  
Mr. Houy Vandy, Senate  
Mr. Kea Try, Senate  
Mr. Por Chon, Senate  
Mr. Chouv Lay  
Mr. Ngy Kimsong  
Mr. Son Ouda  
Mr. Leng Puth Chan Mena

**Others:**

HE. Ms. Mu Sochua, SRP party  
Ms. Mom Sokhayouk, CCLSP  
Mr. Chan Vuthy, EIC  
Mr. Doung Kakda, EIC  
Mr. Nouth Moniroth, EIC  
Mr. Nouv Seyha, EIC  
Mr. Chea Samnang, EIC  
Mr. Som Sen, EIC