

Speech by Pauline Tamesis, UN Resident Coordinator on 5 November 2018: Workshop on supporting Cambodia in meeting the challenge of resource mobilization for achieving the 2030 agenda

Excellency Mr. Ly Thuch, Senior Minister and President of the National Committee for United Nations Economic and Social Commission for Asia Pacific; Mr. Oliver Paddison, Chief, Countries with Special Needs ESCAP; ladies and gentlemen, a very good morning to you all, and a warm well welcome to Cambodia and to Phnom Penh.

We meet today to discuss a set of issues around resourcing of the SDGs and development in Cambodia more broadly, at a very opportune time. The Royal Government has articulated its social and economic platform within the fourth phase of the Rectangular Strategy; has developed an adapted set of national goals – the Cambodia SDGs, the CSDGs; and is in the process of developing the National Strategic Development Plan (NSDP). The Royal Government's position, which subsumes its Vision 2030 targeting upper middle-income status, reflects both the spirit and the substance of the 2030 agenda, to deliver inclusive and sustainable development - a prosperous future, which leaves no one behind, and meets the pressing challenge of global climate change.

Looming large however is the sheer scale of ambition embedded in the SDGs and the Government's long term vision. This calls for more resources, but also new sources of funds and routes of delivery, and hence new ways of working. It also requires changes in production and consumption behaviours and the tackling of negative social norms. And crucially for a rapidly growing middle-income country like Cambodia. This is a task that will increasingly have to rely on national resources and delivery actions. This calls not only for a whole of government approach, but crucially a whole of society approach, drawing in all actors – local and central governments, but also the private sector, and families and individuals.

The conditions for Cambodia succeeding in this task are good and there are genuine opportunities to be realized. The starting point, the historical record, is especially strong - Cambodia met the clear majority of MDG targets and many of these well-ahead of time. The economy remains fundamentally sound - maintaining year-on-year growth of 7%, inflation is contained, the balance of payments is in equilibrium, and labour market participation is high. As a result, the economy remains inclusive, and going forward, this tends to make the direct socioeconomic outcomes, such as poverty reduction, highly favourable. Public revenues also continue to grow, and borrowing is contained, and this provides a strong basis for the Government to deliver in its public service and infrastructure commitments.

Cambodia has and will continue to benefit from a vibrant private sector and a liberal economy, further expanding trade, attracting international investment, and the transfer of technologies. This will be especially crucial in exploiting the opportunities offered by global innovation, specifically via the adoption and adaptation of Industry 4.0 technologies. Its population is also young, adaptive and flexible, and crucially also, tech savvy, and well attuned to these changes.

The demographic momentum, where dependency level will remain low for the next 20 to 30 years, alongside economic vibrancy, has the potential to provide the productive - and by extension, the fiscal space, to enable social and economic upgrading and hence deliver developmental goals and targets. But I also want to emphasize that this process and impacts will not be not automatic, particularly so in the context of financing the SDGs.

This brings me to some of the challenges faced. First in the public finance domain, Cambodia will have to become far less dependent on external resources, as ODA declines. The Royal Government has been very successful on raising revenues, with tax and non-tax receipts now approaching 20% of GDP. This marks out Cambodia as a leader in the region. But the Government must also seek new sources on the capital side, as loan finance becomes less concessional. Cambodia will, in the medium term, need to develop

domestic sources of borrowing alongside other mechanisms for meeting public investment needs. And it is encouraging that this is now firmly on the Government's agenda.

Second, with regard to public expenditure and budget execution, further efforts are needed to ensure efficiency and effectiveness, alongside the highest standards of stewardship. This is especially important as Government pursues major infrastructure projects. Again, here I recognize the ongoing efforts of the Government in promoting reforms via the Public Financial Management Reform Programme, particularly, the emphasis on performance management under the fourth pillar of the PFMRP.

Third, while Cambodia continues to be a magnet for investment, we cannot take it as a given that these flows will necessarily play a direct role in delivering the CSDG targets. Indeed, some investment may be even by antithetical to development, for example investments seeking rewards from the environment or other non-socially beneficial activities. To date, Cambodia's development has benefited enormously from FDI, yet we need to ensure going forward that the quantity and the quality of investment flows is maximized for the delivery of the wider developmental objectives.

So before closing, I want to set out how the United Nations is and might continue to support the Cambodia in exploiting the opportunities and combating the challenges.

First and foremost, the UN has and will continue to support the capacity of the Government to expand and better manage all development resources. This has in the past, focused on ODA but is evolving fast to take in all public funds and public borrowing, including latterly, exploring how Government might monitor and influence of private sector flows. Our objective would be to both grow revenues and capital funds, and improve the reliability and quality of these resources.

Second, also, we are seeking to enable Cambodia to access new, and crucially, private sector forms of developmental financing. There are many channels here – some involve familiar blended finance models, such as Public Private Partnerships and Private Financing Instruments, whereas others are more novel such as social impact investments, which are often wholly private in character. The UN is already active here, including engaging with investors and enterprises, but also one which we will seek to expand.

Third, on the budgeting side, the UN has been very active with the Ministry of Economy and Finance to support the roll-out of performance-based budgeting, by devising methodologies and data sources to link budgetary allocations to performance outcomes. The UN worked on a framework for the Rectangular Strategy and we are seeking now to help Government fully articulate and link these metrics to ministry and agency Budget Strategic Plans. It is worth underlining that these measures are rooted in CSDG targets and indicators and “hardwire” development performance within the budget management process. This workstream, within public financial management, is another area which we would seek to expand.

Fourth and finally, we are keen to engage with the private sector within their regular business, rather within narrower CSR based activities, to deliver developmental value. We have a host of activities in this area with international and domestic businesses – with Grab on traffic management and air quality, with PPSEZ and potentially, World bridge, on affordable housing and with Green Leader on agricultural value chains. This is another area with huge developmental potential.

Excellency, ladies and gentlemen I will close there, I underline the UN's collective commitment to this area of work, and our desire to scale-up and better coordinate these workstreams. As such we will seek to also to build a single platform to foster cooperation and provide joined up solutions.

Thank you and I look forward to participating in today's discussions.