



**Kingdom of Cambodia  
Nation - Religion - King**

**Keynote Address**

**By**

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Prime Minister of the Royal Government of Cambodia**

**at the**

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Development and Shared Prosperity»**

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*Your Royal Highnesses,  
Excellencies, Distinguished Guests,  
Ladies and Gentlemen,*

I am delighted to be here today to address the conference on **«2007 Cambodia Economic Outlook Conference: Opportunities for Growth, Development and Shared Prosperity»** at the **Cambodia Development Resource Institute (CDRI)**, the leading independent development policy research institute in Cambodia.

I would like to take this opportunity to express my profound gratitude to the **Cambodia Development Resource Institute (CDRI)**, and the **ANZ Royal Bank** for their efforts in sponsoring this important conference. Indeed, the ANZ Royal has introduced to Cambodia the advanced banking technology of the 21st century. ANZ Royal is a good example of how this sort of government-private sector partnership can work well, with mutual respect and regard for the value of what each party brings to the relationship.

I highly appreciate this initiative which brings together regional policy makers and experts from the government, private sector and academia for dialogue on critical economic issues facing Cambodia. I believe that this initiative can provide a valuable forum for periodically assessing and collecting practical and innovative ideas necessary for further development on many outcomes that the Royal Government has achieved so far during the last few years.

At the same time, I would like to stress that a thorough discussion from this conference, especially, by providing practical and innovative ideas, it will contribute to the implementation of the **"Rectangular Strategy", "National Strategic Development Plan"**

as well as helping the Royal Government to achieve the "**Cambodia Millennium Development Goals**".

*Your Royal Highnesses,  
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Ladies and Gentlemen,*

*Cambodia has gone through a sweeping change not only in political and security, but also in economic and social landscape.* This stable safe and secure environment is an essential precondition to Cambodia realizing its economic and social potential in a peaceful and prosperous nation. Indeed, political stability has opened up a window of tremendous opportunities for social and economic development for Cambodian from all walks of life.

*Cambodia has achieved remarkable macroeconomic stability and economic progress,* with robust economic growth in average of 8.4 percent per annum during 1994-2006, and starting from 1999 to 2006, this growth averaged 9.6 percent per annum. Besides, since 2004, the economic growth average 11.2 percent. In 2005, economic growth peaked 13.5 percent. Growth was maintained at 10.4 percent in 2006. Inflation was low and averaged 3 percent between 1994-2006. The exchange rate has been broadly stable. The country's international reserves increased by 10 times from a low level of US\$100 million in 1994 to more than US\$ 1 billion in 2006.

*The Overseas Development Assistance has provided the foundation for equitable social and economic development.* Overall, the assistance of the international community to Cambodia during these past 13 years has been very valuable and well spent. Official development assistance has reinforced ongoing national efforts to develop social, economic and physical infrastructures. I would like to take this opportunity to thank the international community for helping Cambodia to get out of the shackles of war, internal conflicts and poverty.

*The strong economic growth and massive investments in infrastructures, especially rural infrastructures, have also led to significant improvement in social sector such as health and education.* I am proud to announce that my government has completed the rehabilitation and reconstruction of all national roads, with the assistance of the international communities. Now our priorities focus on provincial and rural roads and irrigation facilities.

*Cambodia has made sensational strides in integrating itself into international community,* including Cambodia's membership in **ASEAN** and the **WTO**, as well as other cooperation and initiatives at sub-regional level such as the **Mekong River Commission (MRC)** within the framework of the United Nations' system called the **Greater Mekong Sub-Region (GMS)**, for the Six countries along the Mekong river, supported by ADB, and the **Ayeyawade-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS)** between Cambodia, Vietnam, Laos PDR, Thailand and Burma, and other Triangular Developments between Cambodia, Vietnam, and Laos PDR. Indeed, these cooperation provide great opportunity to reform the investment and foreign trade regime by focusing on the liberalization and decentralization of decision making process, removing impediments to investments, implementing reform programs and initiating the modernization of structure and management system of the national economy and upgrade its competitiveness to the regional and international standards.

***At the same time, high economic growth has resulted in rapid poverty reduction.*** Poverty reduction is not just a requirement of social justice, an action of conscience, but also pragmatic economic management. As a result, the poverty declined from an estimated 47 per cent in 1994 to 34.5 per cent in 2004, i.e. we have managed to reduce poverty by 1 percent per annum. However, we are conscious that this is a national average. We must increase our efforts to redistribute the fruits of economic growth to all strata of the population by directly addressing basic human needs and increasing public expenditure to improve public service delivery in remote areas, stricken by poverty.

***I believe that we have already seen the positive impact of rural infrastructure on social and economic development.*** Indeed, infrastructure benefits both the rich and the poor. It connects all parts of the countries into a single market. It reduces the costs of transportation and improves trade facilitation. It creates opportunities for trade and exports. It widens access by the poor to education and health facilities. Rural irrigations reduce the vulnerability caused by water shortages. For that reason, during the last few years, our rice production was not affected by the late start of rainfall or early stop of rainfall.

***In this sense, starting from a low base, the Cambodian education system has made some impressive gains.*** During the last decade, we have increased education spending by more than fivefold from 102 billion Riels in 1998 to 546 billion Riels or US\$134 million in 2007. Net enrolment rates at the primary level are up significantly from 65 percent in 2000 to 76 percent in 2004. The lower secondary net enrollment has more than doubled since 1997, increasing from 7.6 percent to 16.4 percent. Advances in important indicators such as literacy, repetition rates and years of schooling for younger age cohorts are further positive signs that the rebuilding of the national education system is taking root. However, our challenge is to improve the quality of our high education. In this regard, I would like to request the Ministry of Education, Youth and Sport to prepare a “***Strategy for Higher Education Reform***”.

***Besides, substantial progress has been achieved in the public health sector.*** During the last decade, we have increased health spending by more than sevenfold from 44 billion Riels in 1998 to 337 billion Riels or US\$83 million in 2007. The mortality rate of children below five decreased from 124 in 2000 to only 83 per thousand births, which means a 30% reduction. Moreover, the malnutrition of children below five went down from 15% to 7%, which means a reduction by more than half. However, Maternal Mortality Rate remains high, requiring us to work harder to improve the health facilities in general.

***Your Royal Highnesses,  
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***Despite an impressive macroeconomic stability, robust economic growth and improvements in social welfare during the last decade, Cambodia is still facing considerable challenges, both internal and external.***

***On the domestic front, we are facing considerable challenges that that could undermine social and political stability:*** the increase in land conflicts; human pressure and encroachment on natural resources. Moreover we have a narrow-base economic growth; coupled with the increase in inequality and thus, we need to redistribute the fruits of

economic growth to increase the benefits to the poor. In this regard, we should transform these risks and change them into opportunities.

***Firstly, landlessness and land grabbing creates serious threat to the social and political stability of Cambodia.*** Our government has made tremendous efforts to build many roads. But it is sad to see that after the road is built, many people from the city are rushed in to buy or capture land, squeezing the local communities out of their property. Therefore, in order to address this problem, all provincial governors, district chiefs and the commune councils are held responsible for the situation of landlessness and land grabbing in their provinces. They can report directly to me on these cases. I promise to punish any officials who have found to be involved in land grabbing and the clearing of State land for personal use. In this regard, strengthening local governance is critical for social justice and progress.

***Secondly, we have witnessed increasing pressure on natural resources, such as fish and forests.*** Sustainable management of natural resources is critical for poverty reduction, as fisheries, forests and non-timber forest products are important for the poor both in terms of livelihood sources and a safety net in time of crisis. In this regard, I urge the Ministry of Agriculture, Forestry and Fisheries, the provincial authorities and the commune councils to strengthen the mechanisms of fisher communities and forest communities in order to promote both conservation and development of natural resources.

***Thirdly, rapid economic growth during the last decade was accompanied by increasing inequality.*** Economic growth in Cambodia was robust, but is based on narrow social foundations. Although, on average we have reduced poverty by 1 percent per annum, poverty in Phnom Penh and urban sector fell more rapidly than poverty in rural area. The standard of living of the poorest 20 percent has risen on average by 8 percent over the last decade, while that of the richest 20 percent has risen by 45 percent.

***To reduce inequality, I propose the following measures:*** (i) broaden the base of economic growth by making agriculture a viable sector by increasing agricultural productivity, promoting agricultural modernization and off-farm employment opportunities in the rural sector; (ii) promoting labor-intensive public works, including through food-for-work programs; (iii) improve land tenure security and improve rural infrastructure, particularly irrigation and water management, and services, which include affordable credit, improved extension services, and better access to health care and education, as well as social services. I strongly hope that this Forum will significantly contribute to addressing these important issues.

***Fourthly, the RGC will continue to strengthen the tourism infrastructure and ensure backward linkages between tourism and agriculture.*** Our strategy is to create a green belt or agricultural development centers surrounding all major tourist sites to achieve a pro-poor tourism development. At the same time, attention has been given to upgrading tourism infrastructures, such as the development and improvement of airports in Phnom Penh, Siem Reap, Sihanoukville, Rattanakiri, Koh Kong and other provincial towns.

***Fifthly, the success of private sector development in Cambodia heavily relies upon SMEs.*** Since the majority of enterprises in the country are Micro and SMEs, the RGC has committed to developing a specific vision, strategy and action plan for Cambodian SME development. To achieve the set goal, the RGC is seriously considering on creating a legal

framework for Micro-SME promotion, and establishing the institutional framework within the government to efficiently and effectively coordinate the Micro-SME policy.

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***Cambodia is in the middle of East Asia – a center for strong economic growth, which presents both challenges and opportunities.*** The strong economic growth in the neighboring countries provides Cambodia with the opportunities to trade, to promote tourism development, transportation, industry, energy, agriculture and to learn from those countries on how to develop the countries in the speedy development.

***However, we are living in a tough and challenging time.*** The external challenges that we are facing are: the risks of epidemic diseases and natural disasters, increase in oil prices, strong competition for FDI, the rapidly changing global economic environment, including the end of the safeguard measures under the Multi-Fiber Agreement (MFA).

***At the same time, the contours of the regional and world configuration have dramatically changed.*** Our tourism industry is vulnerable to external shocks. In this regard, we are committed to fighting terrorism in all its forms and prepare ourselves to reduce the negative impact of external shocks.

***FDI has played an important role in promoting economic growth and is a major source of employment in Cambodia over the past decade.*** Approximately 334,000 employments were created in the garment sector, with a total annual payroll of \$300 million a year. Each garment worker can support about 5 persons in the rural areas. However, FDI is overwhelmingly in the industry and services sectors located in urban areas. In this regards, we must also encourage investments in agriculture, especially in agricultural product processing. Moreover, the competition for FDI has become tougher. We must exert efforts to gradually reduce the reliance on just garment exports and to diversify our industrial landscape to the electronics and IT sectors.

Indeed, an enabling environment for business is a pre-condition for long term development. In this regard, we must focus our efforts on the following:

***Firstly, promoting trade facilitation and creating a manufacturing base in regions outside Phnom Penh, as well as ensuring stronger economic linkages between the cities and rural areas.*** For that reason, the RGC has promoted the establishment of Special Economic Zones in provinces bordering Thailand and Vietnam, such as Koh Kong, Poipet, Bavet, Phnom Den, as well as near Phnom Penh and Sihanoukville, aimed at attracting more investment into the country. Besides the advantage of the geography, the zones will provide a one stop service for all import and export procedures. Administrative formalities and inspections will be reduced to a minimum level, thus allowing firms to save time and money. The SEZs provide complete infrastructure, including road, power plants, water-treatment plants, vocational training, bank, posts and telecom, etc. For that reason, SEZs will allow Cambodia to broaden its growth base.

***Secondly, the Royal Government recognizes that Cambodia's future sustainable growth primarily depends on the Royal Government's ability to strengthen good***

***environment for private sector development.*** In this sense, the challenge for Cambodia in the next ten years is the strengthening of good governance at both central and provincial level, so that we can attract more investment and ensure our competitiveness with neighboring countries in order to gain benefit from our potentials in agriculture, agro-industry, labor-intensive and processing industry, tourism, manufacturing and the services sectors. Provincial-municipal governors must also compete among themselves to improve business environment and attract investments into their own provinces-cities.

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The revenues from the recently confirmed discovery of oil reserves will provide additional revenue for financing development projects in Cambodia. These revenues will be directed to productive investment and poverty reduction. This presents opportunity to bolster Cambodia's medium to long term growth, promote greater economic diversification and poverty reduction. We will make sure that oil is a blessing and not a curse.

There is an old saying “***Opportunities multiply as they are seized.***” The Royal Government of Cambodia will continue to build on the economic success we have enjoyed in the last decade. The success has only further strengthened our resolve to create more jobs and deepen reforms. Our economy is on the move, but we need to always do more to make sure the fruits of growth are being equally distributed. This will mean that there can be no relaxation in our effort to make Cambodia a top performer in development.

We must continue to improve the investment climate in Cambodia and make strides that will move Cambodia to the forefront as a favorable market to the outside world. In this regard, the Royal Government clearly understands that lasting economic development requires a concerted effort by all stakeholders: governments, business and the development community.

I hope that the participants will bring out many good ideas on how to sustain economic growth, to equally share the fruits of development and to improve the living standards of all sections of the Cambodian society.

In closing, I wish this forum all success and a fruitful discussion. I would like to wish you all, Excellencies, Ladies and Gentlemen, the ***Five Gems of the Buddhist Blessing.***

***Thank you!***