

Presentation
by
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at the
2007 Cambodia Outlook Conference
Jointly Organised by CDRI and ANZ Royal

Excellencies, Ladies and Gentlemen,
Distinguished National and International Guests,

Today I have the honour as governor of the province of Svay Rieng to express my great pleasure at participating in this 2007 Cambodia Outlook Conference, which is jointly organised by CDRI and ANZ Royal. I would like to extend my best wishes for the complete success of the conference.

The province of Svay Rieng is situated in the south-east of the country. The provincial capital is about 125 km from Phnom Penh. The province has a total land area of 296,640 ha, comprising mostly flat plains. It is divided into seven districts, 80 communes and 690 villages. It is bordered by Vietnam for 258 km and has five important border gates: the Bavet international border gate, the Prey Voa bilateral border gate, and three border crossings at Bos Mon, Sre Baraing and Samraong. Svay Rieng has a total population of 536,963 people or 111,611 families. Ninety percent of them rely on farming for their livelihoods.

I would like to contribute to this conference a presentation on “Fuelling the Engines of Growth and Development: Finance, the Private Sector and Foreign Direct Investment”.

The political platform and the Rectangular Strategy of the Royal Government in the third term give high priority to developing border areas and rural areas into areas of peace, stability and development. Provincial authorities at all levels make big efforts to lead and to implement everything that promotes the development of all sectors in the province to ensure economic growth and job creation with equity and to contribute to poverty reduction. In the past few years in Svay Rieng, we have focussed on developing infrastructure that is key to socioeconomic development, such as transportation, education, health care and irrigation—infrastructure for agriculture, industry, private investment etc. Moreover, the province also concentrates on improving social security, safety and public order as well as creating a favourable climate for the development of all sectors, especially private investment.

Excellencies, Ladies and Gentlemen,

Fuelling the engines of growth and development, the subject of this discussion, refers to three important factors: finance, private sector investment and foreign direct investment.

1. Finance

The Royal Government in the third term has issued the 2006–10 National Strategic Development Plan to promote development, job opportunities, equity and efficiency to realise the Cambodian millennium development goals. The financial sector plays a very important role in ensuring macroeconomic stability and determining the speed and direction of economic growth. Thus, the focus on the financial sector is crucial, and in this we need to strengthen mechanisms for managing the financial system so that it has more transparency, accountability and efficiency, and to increase affordable financial services to areas that need them, especially rural areas, and increase low interest credit services which the poor can access to increase their incomes and reduce poverty. At the same

time, we also need to work on creating jobs or small businesses for rural people by devising effective strategies and methods appropriate to the circumstances and geographical conditions, especially the present and future needs of the market. We can see that development is progressing all the time due to the government establishing appropriate policies and strategies that promote interest and participation from various NGOs, associations and development partners, both locally and internationally, to achieve socioeconomic development in all sectors and faster poverty reduction.

2. Private Sector

Svay Rieng used to be an inferior province economically, but currently under the leadership of the Royal Government headed by **Samdech Prime Minister Hun Sen**, the province is becoming stronger. The Royal Government has built a special economic zone, **Mane Hardtane special economic zone (Svay Rieng)**, which is located in Bavet and Bati communes, Chantrea district, along National Road 1, near the international border between Bavet and Mokbay. This region has good potential for investors because it has enough infrastructure and ease of transport. Currently there are three foreign companies operating: Best Way Industrial Co. Ltd., producing bicycles, S-G-Y Steel International (Cambodia) Co. Ltd., producing screws and Kingmaker (Cambodia) Footwear Co. Ltd., producing shoes for export. Moreover, there are also factories, hotels and casinos operating in the Bavet border region, and this is a very special opportunity to create jobs and to speed up economic growth and poverty reduction. Currently about 5000 workers are employed.

Encouraging the private sector is important to speeding economic growth and the foundation of Royal Government policy. To encourage private sector development, the government has created the investment committee of the Council for the Development of Cambodia, which is the central department for attracting and coordinating private investment in Cambodia. There is a provincial investment subcommittee, which is the department that coordinates private sector investment in its region and has the right to approve investments up to two million dollars.

Private investment in Cambodia has been made in many sectors, but the largest investments are in the garment industry, tourism, construction, banks and commercial farming. The private sector has also been involved in quality education. But investment in priority sectors has been very slow, especially some priority sectors that the government considers as being competitive and which could provide high income, such as **agriculture, agricultural processing, recreation and infrastructure. From this viewpoint, I would like to suggest that the whole conference focus on and provide recommendations** to attract private investment in these priority sectors, because agriculture and agricultural processing, especially techniques for commercial crops, and techniques for recreation are still weak and poor compared to other developing countries in the region and the world.

3. Foreign Direct Investment

Private investment consists of two categories: domestic investment and foreign direct investment. To date, most foreign direct investments are in the garment industry and tourism. The government believes that foreign direct investment will reach the highest level in the period of the 2006–10 National Strategic Development Plan and this investment will operate with strong and diversified process to cover widely and deeply the inter-sectors and spread to geographic areas with sustainability. Also, the government is ensuring that this can be accomplished via the public administrative reform and public financial reform to create favour and challenging climate for investment. Therefore, Cambodia will be developed, secure and predictable, with long-term profit for foreign direct investment.

As mentioned above, the government encourages both domestic investment and foreign direct investment. In the framework of the provincial investment subcommittee, the subcommittee is allowed to authorise proposed investments on economic concession land of less than 1000 hectares and investment capital of less than USD2 million. It also facilitates legal formalities for investment and the work of companies investing in Svay Rieng province, particularly in the Bavet border development area and in special economic zones, chiefly in **Mane Hardtane**. The provincial investment subcommittee decided to approve investment by the Svay Rieng Cambodia Garment Co. Ltd., which has more than 1000 workers. The company is also recognised by the investment committee of the Council for the Development of Cambodia because its capital is more than USD2 million.

Challenges

In addition to its achievements, the provincial investment subcommittee also faces challenges. One is that most companies have capitals larger than USD2 million, and therefore the province is not permitted to allow the import of duty-free goods for investment. This decision rests with the Council for the Development of Cambodia and relevant ministries. The delegation of power to provinces is not smooth and finished yet. This results in the slowing of decisions for investors.

Suggestions and Recommendations

Based on past experience, I would suggest that the conference raise suggestions for all ministries and other relevant institutions on how to complete delegation of powers to the provinces. Then provincial authorities will be able to develop the provinces, especially dealing with private investment and promptly coordinating legal formalities for investors to reduce administrative costs. This will encourage investors in Cambodia and is compatible with public administrative reform principles.

Finally, I am very grateful to the honoured participants and wish Your Excellencies and ladies and gentlemen and all visitors to the conference health and success in life and the five blessings: age, status, health, strength and wisdom forever.