



Kingdom of Cambodia
Nation - Religion - King

Keynote Address

By

Samdech HUN SEN
Prime Minister of the Royal Government of Cambodia

at the
**«2008 Cambodia Outlook Conference: Mobilizing Cambodia's
Resources—Human, Natural, Financial—for Quality Development,
Growth and Prosperity »**

Phnom Penh Hotel, 28 February 2008

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

It is a pleasure and privilege for me to address to distinguished audiences about the **“Mobilising Cambodia's resources—Human, Natural, Financial—for Quality Development, Growth and Prosperity”** at the time that Cambodia make a strong and consistent move from a traditional to a modern economic structure and Cambodian people enjoyed rapid growth in the last decade. However, we have desire for a quality development, growth and prosperity. The conference will serve as venue for discussion on these important topics.

At once, I would like to take this opportunity to express my profound thanks to the Cambodia Development Resource Institute (CDRI), the leading independent development policy research institute in Cambodia, and ANZ Royal, a leading commercial bank, for their efforts in organizing this important conference. I highly appreciate the conference since it is a useful mechanism for exchange views among businesses, trade unions, governments and international organizations on the most current agenda of economic development in Cambodia.

In order to effectively utilize this venue, we should focus more concretely on the policy issues and challenges Cambodia is currently facing. To assist framing dialogue, I would like to share with you the economic outlook and challenges for long term development. Much of this draws upon our Rectangular Strategy for Growth, Employment, Equity and Efficiency which have good governance as the core.

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

Political stability in Cambodia has opened up a window of opportunities for social and economic development, after a decade political instability and insecurity as well as economic and social chaos. The threat of Khmer Rouge eroded and disappeared following the “win-win” policy that I initiated in 1996-98, leading to root up of their military and political organization. Again, the sweeping change in politic, social and economic environment leads Cambodia to be an oasis of peace, security, stability and development. Due to our strong hope, efforts and practical thoughts, Cambodia has successfully turned from nightmare into a continuous development landscape.

Cambodia has achieved impressive growth and significant poverty reduction. Growth has been impressive in the past decade, especially in the last 4 years, registering around 10% per annum. Economic performance in 2007 was estimated at 9.6%, though somewhat diminished compared with 2005-2006, it was still impressive. This underscored the increasing resiliency of the economy and showed that the performance during 2005-2007 was not fortuitous but reflected the underlying strength of the country's economic fundamentals. Mainly due to the sustained high growth poverty incidence could significantly drop from 35% in 2004 due to the much better performance of agriculture sector. During the decade ending 2007, Cambodia doubled the per capita GDP to US\$589. Cambodia's per capita GDP is expected to reach the US\$1,000 by 2015, possibly even earlier when oil and gas production comes on stream.

The external performance was recorded favorable, while the government budget performance continued to improve. Trade balance registered surplus and the country's international reserves have grown from nothing to a level that be able to cover 3 months of imports, reflecting strong export performance and sustained tourist arrivals. Garment exports increased exponentially from a US\$20 million in 1996 to US\$2.9 billion in 2006.

Employment in garment and textile has been a major stabilizing force for the population and the economy in recent years, 300,000 skilled and semi-skilled, especially female workers. In addition, Cambodia experienced with current budget surplus due to strong revenue collection and tightly expenditure management, as a resulted of Public Financial Management reform. In 2007, revenue increased by 22 per cent to almost US\$1 billion while total expenditure was US\$1,169 millions, of which 37% were capital expenditure.

The strong economic growth and favorable fiscal policy has led to significant improvement in social sector such as health and education from a low base. The recent National Demographic and Health Survey found that mortality rate of children below five decreased 30% reduction between 2000 and 2004. Moreover, the malnutrition of children below five were cut by half within the same period. This progress is valuated to be significant comparing to the average reduction in developing countries around the world. In education, Net enrolment rates at the primary level are up significantly from 65 percent in 2000 to 76 percent in 2004 and just over 90 percent in the recent years. The lower secondary net enrollment has more than doubled since 1997, increasing from 7.6 percent to 16.4 percent in 2004 and to around 30 percent during the last three years. Moreover, some important indicators such as literacy, repetition rates and years of schooling for younger age cohorts are further positive signs. It means that the rebuilding of the national education system is taking root.

Looking ahead, economic prospects continue to be favorable in 2008. A growth rate of 7.3 percent is forecast for 2008. Continued political stability, proactive private sector initiatives, steady progress in reform efforts, and continued support from ODA partners and sustained foreign direct investment, underpin this forecast. In the medium term, the economy is expected to remain resilient with strong diversification in non agricultural growth with the average overall growth is expected to be about 6-7 per cent. The garment exports, construction, and tourism are expected to continue to underpin buoyant economic activity in the near term. Moreover, the agricultural sector is projected to remain resilient with sustained progress in crops diversification and expansion of agro-industry and agribusinesses. The policy commitment to rural reforms, in particular increasing irrigation and land allocation, would lead to better agricultural performance and diversification in the medium term.

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

While Cambodia got an impressive economic growth in the last decade, we are living in a tough and challenging time. The challenges for the Royal Government of Cambodia in the future are the policies that can ignite and thereafter sustain growth. Cambodia needs to sustain this growth to “catch up” with and keep pace with neighbouring countries and in the region. The change of economic aspects in East Asia, the increasing uncertainty caused by terrorist acts across the globe, turmoil, wars, epidemic diseases and frequent natural calamities in the world, the expiration of the safeguard measures and the increase in oil prices pose a new challenge for Cambodia. This requires effective transformation of natural resources based capital, which has been exploited in the last 15 years for high growth, to human resources based capital.

Cambodia has achieved high economic growth, but poverty and inequality remain high. The fruits of growth have not yet been distributed equitably to all social strata in the rural areas to meet the government's aspirations. From the macroeconomic point of view, the challenge is how to sustain high economic growth while also enhancing the more equitable sharing of benefits. Growth does not seem to have been inclusive as is evidenced a significant, but relatively low reduction in poverty. In the poor rural areas, inequality of assets and livelihoods might cause social strains in communities.

The abundant of natural resources is gateway for development, growth and prosperity, but it is a challenge to ensure the blessing. We witnessed some problems in land, forest and fishery utilization and management. Under-utilization of land, forest land encroachments and conflicts over land tenure and common resources are remains the challenging issues for the government. Moreover, the confirmed discovery of oil and gas reserves has sparked debate over the management of oil revenue. Whether oil and revenues translate into greater economic diversification and poverty reduction is the most salient issue in the Cambodia's medium term outlook.

Cambodia has successfully integrated into the regional and global economy, it is a challenge to reap the maximum benefit from those frameworks. Cambodia's membership in ASEAN and the WTO, as well as cooperation within the framework of the Greater Mekong Sub-Region (GMS), the Ayeyawade-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS) and other Triangular Developments at sub-regional level provide great opportunity for advancing and diversifying the economy from narrowed base growth. In this regard, the constraints on supply side capacity, human resources and capacity of institutions limited us to enjoy the full benefits.

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

The Royal Government has transferred rights to Community to manage natural resources such as fishery and forestry by preserving rights in guiding and monitoring. In 2001, the Royal Government transferred more than half of commercial fishing lots to the community to manage. Similarly in forestry, we encourage to establish community forestry to preserve socio-economic life of community. As the result, hundreds of Community forestry and fishery were established. In this regard, community based management should be expanded and sustained.

Land titling program is necessary to continue building up on the initial success of one million title milestone. We should recognize the complication of history of land titling. New Land Law provides us a clear framework for issues land titling. During the first 5 years phase, government issues one million titles. The experiences from the first phase should be able to expedite process of land titling. State land mapping exercise and forest estate demarcation exercises are critical in managing state asset as well as reduce conflicts.

Environmental issues in mineral sector should be taken serious. Cambodia has a lot of lesson learned from other countries in managing the mineral resources. Our mineral industry is still in infant stage and expected to growth slowly. Even though, we have law on Mineral Management and Exploitation and Law on Environmental protection and Natural Resources Management, law enforcement remains an issue in the sound environmental management in mineral industry.

Sustainable development requires skill human resources and it has to start from "now". The better skill human resources could increase productivity and country competitiveness. There remains a big gap between the demand for labor from the private sector and the supply of labor. The mismatch includes quality of labor, and types of skills and professions. Improving the quality of higher education especially science, increasing vocational training, and more support for training by the private sector itself could largely address this issue.

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

The Royal Government recognizes that Cambodia's future sustainable growth depends on the Royal Government's ability to broaden economic opportunities and growth base. In this sense, strengthening good governance is perquisite to attract more investment and ensure our competitiveness with neighboring countries, especially in our potential sectors such as agriculture, agro-industry, labor-intensive and processing industry, tourism, manufacturing and the services sectors.

The Government understands that the private sector can drive the engine of economic growth with the government serving as the strategist to create the better business environment for private sector and manager of development. A healthy private sector is the key to robust economic development and thus the government should ensure the legal framework for fair competition, transparency, accountability and productive relations with the public sector. The overall environment for enterprise will be strengthened through broadened good governance and human resources development. The public sector should also be strong in order to correct the market failures, essentially to reach the poor and disadvantaged.

The Royal Government believes that we must consider many more concrete measures to deepen the systematic reforms to facilitate private sector development and improve Cambodia's environment for investment, trade and enterprise. To create more economic opportunities for the private sector, we have exerted serious efforts to promote Cambodia's positive stature and image throughout the region and the world. Reform process toward "Single Window" system will continue to cut import and export procedures as well as investment approval.

Most important, 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 developed 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 Micro-SME policy.

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

Continuing peace has built up public confidence in reforms and political stability, thus creating a solid path for Cambodia's drive towards

sustainable, long-term economic growth. As journey in the 21st century began, Cambodia is firmly on track to sustainable development as one unified nation. The Cambodian people look to the future with great optimism borne out of our own achievements in the difficult but worthwhile implementation of sound economic and social policies. The Royal Government has laid the foundations for a genuine cooperation within the regional framework, built on the aspirations of our people to improve their lives, to live in harmony with others as good neighbors, and to be equal stakeholders in a common destiny.

I assure you that the Royal Government of Cambodia will continue to build on the economic successes we have enjoyed in the last decade as we remain committed to creating jobs and economic growth for the Cambodian people with the ultimate objective of poverty reduction. As our economy is on the move, we need to keep our foot on the pedal. We need to create an environment that stimulates economic opportunity, growth and prosperity and with quality. We must continue to make strides that will move Cambodia to the forefront as a favorable market to the outside world.

I encourage the participants to elaborately discuss the issues and I hope that it will bring out many excellent and innovative ideas on how to achieve a quality development, growth and prosperity, based on Cambodia's resources. In this regards, a quality development should share the fruits of development equally to improve the living standard of all Cambodian people at once. The ideas are going to be a good sources form policy formulation and implementation.

In closing, I wish this forum a success and fruitful discussion and I would like to wish you all, Excellencies, Ladies and Gentlemen, the five gems of the Buddhist blessing.

Thank you!