

Address
by
Sr. Minister KEAT CHHON
Minister of Economy and Finance
At the
Launching of the World Bank's Report on "Sharing Growth: Equity and Development in Cambodia"

Phnom Penh, 12 June 2007

*Samdech **Hun Sen**, Prime Minister of the Kingdom of Cambodia,
Ms. Nisha Agrawal, Country Manager, World Bank – Cambodia,
Excellencies, Ladies and Gentlemen:*

1. Today I am profoundly honored to extend my warmest welcome to Samdech Prime Minister **Hun Sen** for finding time in his busy schedule to join us to deliver a key note address for the launching of this important World Bank's Report on "**Sharing Growth: Equity and Development in Cambodia**". This forum is not only significant for the government, but it is also a necessity to enhance relationship and to share information, knowledge and experiences to improve the effectiveness and work efficiency between the Royal Government of Cambodia and bilateral and multilateral development partners aiming at achieving the noble goal, which is country's prosperity and wellbeing of our people. The topic and timing for organizing this forum are appropriate with the condition and the level of development in Cambodia, which is actively moving forward and sustaining the double digit economic growth during the last three years since the beginning of the third term. It also ensures the poverty reduction in average of 1% since 1994 in the environment of stable macroeconomic condition where inflation is low (2.8% at the end of 2006), despite the rise of oil prices in the international markets, the exchange rate has been

broadly stable and the Cambodia's international reserve has gradually increased up to USD1.2 billions in the beginning of 2007. This report on "**Sharing Growth**" will be also used for discussion in the first **Cambodia Development Cooperation Forum** (CDCF) which will be held on 19 – 20 June 2007.

2. The Royal Government's past achievements are in the context of "win-win" policy's outcomes of Samdech Prime Minister **Hun Sen** in the national unification which brought full peace and physical and institutional territorial integrity at the end of 1998, and in the context of political stability and the implementation of "**The Triangular Strategy**", especially the implementation of "**The Rectangular Strategy for Growth, Employment, Equity, and Efficiency in Cambodia**" which was launched by Samdech Prime Minister **Hun Sen** on 16 July 2004 as the economic policy platform of the Royal Government during the Third Legislature of the National Assembly. In this sense, along with the implementation of "**The National Development Strategic Plan**" the Royal Government has prepared and implemented macro-economic reforms and structural reform programs extensively with the efforts to integrate the Cambodian economy regionally and globally, as a member of ASEAN and WTO.

3. As the Minister of the Ministry of Economy and Finance, I would like to report to Samdech Prime Minister that the Public Financial Management Reform Program, launched by Samdech Prime Minister on 5 December 2004, has produced a praiseworthy positive result reflected in recent achievements such as: strengthening governance, rising government's revenue, strengthening the budget spending towards desirable goals and spending efficiency, improving state's asset control, reducing arrears; all these contribute positively to macroeconomic stability, strengthening of banking and financial system, financial sector development, higher investment in physical infrastructure and social sectors, promotion of the private sector and human resource development.

4. Although Cambodia has achieved a high economic growth, macro-economic stability and poverty reduction, the Royal Government acknowledges the widening gap between the rich and the poor in urban and rural areas, especially the gap amongst people in rural areas is our

major concern. The Royal Government clearly understands that a country at initial stage of economic development, especially during the take-off stage and economic liberalization within the context of globalization, the increase in inequality and the economic develop gap are unavoidable. It is not by any simple chance that the word "**equity**" is stated in the motto of the "**Rectangular Strategy**". To address this issue, especially to reduce the gap and inequality, the Royal Government of Cambodia has undertaken major development reforms at various fronts in the economic and financial sector as follows:

First- "**Public Financial Management Reform Program**"

Second- "**Financial Sector Development Strategy 2006-2015**"

Third- Strengthening the partnership in the framework of the declaration of the Royal Government and bilateral and multilateral development partners on "**harmonization, alignment and result**"

5. As recommended by Samdech Prime Minister, the government budget is an important tool to narrow the gap between urban and rural areas and to ensure equity in the development process. Base on this concept, since 1999 which was the beginning of the Second Term of the Royal Government, the Ministry of Economy and Finance has dramatically increased spending on economic and social infrastructure. For example, the government expenditure on the Health Sector has increased 7.6 times from 45 billion riels in 1998 to 337 billion riels in 2007. The expenditure on the Education Sector has risen by 5 times from 102 billion riels in 1998 to 546 billion riels in 2007. The reason that we dare to mention about the 2007 fiscal year is because we checked the expenditure figure on 23 May 2007 and were able to confirm that the expenditure progress complies with the objectives of 2007 Budget Law. The government expenditures on road and bridge infrastructure amounted to 1400 billion riels or USD350 million between the year 2000 and 2006. Hence, the success in the implementation of "**The Public Financial Management Reform Program**" will strengthen these achievements.

6. The continued implementation of "**The Finance Sector Development Strategy 2006-2015**" which was launched by Samdech Prime Minister on 7 June 2007 will expand the economic growth base, mobilize more financial resources to finance the private sectors, in particular to expand

the coverage of micro-finance services for our poor population in rural areas as well as for development of small and medium enterprises.

7. The continued implementation of the declaration of the government and bilateral and multilateral development partners on “**harmonization alignment and Result**” to ensure the reduction of overlapped works and projects will increase the efficiency in the use of aid provided by development partners every year. As a result, according to the study and report of the **Cambodian Rehabilitation and Development Board/Council for Development of Cambodia**, Cambodia has become one of the most competitive countries in seeking financial assistances for cooperation from its development partners.
8. This forum will provide opportunities for all of us to receive excellent recommendations from Samdech Prime Minister in order to narrow the gap and to ensure equity in the effective distribution of the economic growth.

Thank you!