



Kingdom of Cambodia
Nation – Religion - King

Address

by

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at the
**Launching of the World Bank's Report on "Sharing Growth:
Equity and Development in Cambodia"**
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- Your Excellencies, Ladies and Gentlemen!

Good morning. Today, I am very delighted to join you all Excellencies, Ladies and Gentlemen in the Launching of the World Bank's Report on "**Sharing Growth: Equity and Development in Cambodia**". Given this important topic, I would like to take this opportunity to share some views of the Royal Government of Cambodia on equity and development in Cambodia.

During the last decade, Cambodia has accomplished many positive changes. Particularly, for the last 8 years, Cambodia and its people has been enjoying peace, political stability, and rapid economic growth. Indeed, these hard-earned peace, political stability, safety, social order and a secured environment are still playing the role as essential preconditions to realizing the nation's economic and social potential.

With peace and stability which become increasingly stronger day-by-day, the Royal Government of Cambodia is greatly committed to the reform of all sectors within framework of "**Rectangular Strategy**" for

growth, employment, equity and efficiency. These endeavors have rooted deeply into the foundation of the Cambodia's socio-economy and enabled the national economy to grow fast. In general, between 1994 and 2006, Cambodia has achieved average economic growth rate of over 8% per annum. Particularly, since 1999 after when the entire country has achieved full peace, the average economic growth gained was over 9% annually. At the same time, inflation has been kept below 5% between 1994 and 2006. Per capita income has risen at an average of 6% per year from USD247 in 1994 to USD513 in 2006. Country's international reserve has increased almost by 11 folds from 100 million USD in 1994 to over 1 billion USD in 2006. Export has risen by 8 folds from 463 million USD in 1994 to more than 3.6 billion USD in 2006, remarkably, export of garment products has increased by 655 times from 4 million USD in 1994 to over 2 billion USD in 2006. National budget revenue has soared by 5.7 times from 590 billions Riel to 3394 billions Riel in 2006, hence, averaging of 16% per annum. National expenditure has increased by 4.2 times from 997 billions Riel in 1994 to 4196 billions Riel in 2006, averaging of 13% per annum. Besides, during the same period, budget expenditure for education, health, and for agriculture has gone up by 7, 9 and 8 times respectively.

On the other hand, Cambodia has achieved unprecedented growth rates on average of 11.4% per annum for the last three years, particularly, 13.5% in 2005 and 10.8% in 2006. The growth rate in 2007 is estimated to be around 9%. Inflation will remain below 5%. Exchange rate will be generally stable. International reserve will keep increasing and can ensure around 3 months of imports.

Obviously, the strong economic growth in Cambodia during the last decade is mainly based on three important sources, including garment sector, tourism and construction; moreover due to particular efforts paid by the Royal Government on its water policy, agriculture is also gaining remarkable growth for the last few years. However, it is undeniable that whether conditions still play the role as determinant of outcome and situation in Cambodia's agriculture sector.

Conclusively, these prideful developments have resulted in the decline of the number of people living below the poverty line by an average of 1% per year. Hence, the poverty rate has dropped from 47% in 1994 to 34% in 2004. However, the Royal Government of Cambodia still has some concerns due to the fact that while there has been a

reduction in the poverty rate, the trend of socio-economic inequality seems to be increasing.

Indeed, we know that there is not a single government or a regime in this world that can guarantee a 100% socio-economic equity. In contrast, we have witnessed the failures of trying to form a society with a 100% of equity. Furthermore, the experiences of evolution and development of human society for centuries and many of socio-economic theories advised us that "**socio-economic inequality at an acceptable level**" is indispensable catalyst and encouraging factors to social development. Hence, it is important not to maintain "**absolute equality**" in a society, but rather to ensure "**social equity**", which guarantees people from all walks of life with "**equity and justice in receiving the opportunities to develop and participate in every aspects of social life**", and ensure that "**people living in absolute poverty will not be left out**".

Furthermore, we can also predict that, according to Cambodia's situation, during the last three decades when the country and its people has simultaneously went through many periods of transitions and evolutions including the transition from the central-planned economy to the market economy, from a nation coexistence of war and peace to a nation-wide full of peace, from a physically and systematically devastated country to both internally and externally integrated country in the region and the world, we can conclude that some trends of socio-economic inequality at the first phase of development is not strange and too concerning. The most important thing is to control and ensure that this trend is only associated with the true essence of early social development and the Royal Government of Cambodia does, indeed has corrective measures to direct this evolution to be on the track of sustainable and **equitable development**, and not to allow this trend to gradually spread and become negative factors which is capable of damaging the society in the future and destroy the achievements that we have made so far.

However, with the concern after having seen the first report describing the trend of inequality and the nature of interactions between economic growth, poverty reduction, inequality and the Royal Government's policies and efforts in the past and in the future, the Royal Government has requested the World Bank to cooperate and conduct a study on sharing the fruits of growth for a discussion with donor

countries at the first "**Cambodia Development Cooperation Forum**" which will be held next week.

In this context, taking this rare opportunity, I would like to convey my high appreciation to the World Bank for conducting this essential study timely. I am also very pleased and welcome all the valuable findings and recommendations in this report.

The result of the study which reflects the *generally appropriate* policy and efforts of the Royal Government of Cambodia to banish poverty through promoting economic growth, creating employment for the people, ensuring social equity and justice and improving the efficiency of public sector, had encouraged all of us who are makers and executives of these policies with a sense of ownership and high responsibility.

At the same time, we also acknowledged that the implementation is not always perfect because of the limited capability and weakness in our institutions. Moreover, we still need to further improve or sharpen our policies and implementations on some of the key sectors in order to ensure and accelerate the progress and work movement of all reform platforms and to prevent social inequality that has already occurred from taking root in social structure which can mount into threat to our peace, safety, stability, social order and that of our next generations to come.

In this spirit, I would like to outline some of the Royal Government's key policies which considered the priorities for short-term and medium-term implementation to ensure a better distribution of the outcome of economic growth to all classes of Cambodian people, especially those living in rural areas, as follows:

1. **Broaden the base of economic growth.** We all aware that the narrow economic growth base of Cambodia, which concentrated only in a few sectors of the economy in major urban areas, is the main cause for producing and widening inequity between urban and rural areas. The economy that depends significantly on the garment industry and tourism, which suffer from intense competition and are vulnerable due to other instabilities, is indeed risky. This may result in job losses which will lead to many related social crisis. That is why our "Rectangular Strategy" has considered the improvement of agriculture and rural economy which relates to the livelihood of more than 80%

Cambodian as a high priority. In this regard, the rural development which relies mainly on agricultural sector as the key is the core of sustainable and equitable development strategy of the Royal Government. In addition, another priority is to diversify and broaden the base of industry sector through promoting the private sector which focuses on sharp measures to improve the investment and business climate and to promote small and medium enterprises nationally. Thus, the Royal Government's strategy to ensure equity and poverty reduction includes the combination of various growth policies for the poor, with agriculture and rural economy as the main pillars, but at the same time there must be correlations, complementarities, and assistance between sectors.

2. **Employment generation.** The traditional role of agriculture as the main source of employment has diminished due to the rise in number of people and gradual increase of productivity in agriculture sector itself. Clearly, in the last decade manufacturing and service sectors has grown very rapidly but the employment generation in these sectors could not fully respond to the rapid growth of the market demand for jobs in Cambodia. To address this issue, the Royal Government is preparing some practical policies to promote professional training and entrepreneurship, and various job creations in agriculture and rural economy in order to increase the absorption of rural workforce there.
3. **Increase the linkage between rural and urban areas.** We acknowledge that there is still a big gap between the urban areas, which provide abundant social and economic opportunities, and the rural areas which accommodate large population but with poor social and economic abilities. Moreover the high positive correlation between poverty incidence and remoteness strongly implies that the poor in remote rural areas have inadequate access to basic infrastructure and public services such as roads, education, health facilities and urban markets. Thus, the key aspect of the Royal Government's rural development strategy is to open a new window of social and economic opportunities in rural areas by boosting public investments on rural infrastructure and by increasing financial grants to improve and expand the scope of social services in rural areas.
4. **Provide secure land tenure** – The Royal Government is fully aware that land is the fundamental natural resource for socio-economic

development and poverty reduction, especially in rural areas. In the implementation of Land Law and its land policy, the Royal Government focuses on measures to improve the land management system, to distribute and use land equitably to ensure economic efficiency by registering, distributing, securing land ownership, to curtail illegal land ownerships, and to implement appropriate measures to curb land consolidation in an unproductive manner. The Royal Government has been rechecking for state-owned land which is either unoccupied or controlled by individual who did not properly comply with the legal standard to use those land more efficiently. Without a doubt, the Royal Government is having a major concern observing the increasing trend of land ownership concentration as well as the increase of landlessness. In order to solve this problem, the Royal Government will continue to promote the distribution and provision of land ownership, especially to the poor in rural areas who really need the land. Furthermore, we will reconsider the effectiveness of unused land tax as well as restrict the provision of economic land concession aiming at ensuring the transparency and economic efficiency in land management. If a company received the concession but does not use the land according to the contract with the government and regulatory standard, the Royal Government will consider withdrawing the land and distribute it to landless people, especially through the practice of social land concession by linking to necessary procedures to ensure efficiency and justice in the distribution and use of that land.

5. ***Reducing the vulnerability of becoming poor*** – Even though we have made remarkable and proudful achievements in the past in our effort to reduce poverty, the Royal Government also acknowledged that the vulnerability of becoming poor again is still high for a certain vulnerable group of people, especially those living in the rural arrears due to health and unpredicted reasons such as natural disasters. Hence, the Royal Government is actively studying the possibility of creating social health insurance service and effective social safety net for the people who are vulnerable.
6. ***Governance and Public Financial Management Reform*** – the Royal Government fully understand the importance of the linkages between each sector as outlined above to comply smoothly with strengthening of good governance and public institution efficiency, better macro-economic management, especially proper public

financial management including the effort to increase revenue, transparent and accountable expenditure management, as well as the preparation and implementation of interrelated policies, which are complementary and supportive to one another to ensure socio-economic development which is balanced, sustainable, and equitable for all Cambodian people in this generation and the next.

- *Your Excellencies, Ladies and Gentlemen!*

Before ending my remark, the outline of the Royal Government's important policies to push for economic growth, reduce poverty incidence and ensure social equity, I would like to express my profound appreciation to the World Bank for preparing this constructive report and organizing this important workshop which is attended by policy makers, national and international experts, as well as civil society and private sector representatives to discuss on important socio-economic issues faced by our country.

Finally, I would like to wish this workshop with fruitful achievements as planned and wish Your Excellencies, Ladies and Gentlemen with good health and success.

Thank you!