



First Cambodia Development Cooperation Forum Statement

by

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In his Capacity as Chairman of the Committee on Economic and Financial Policies and Chairman of the Steering Committee for the Development of the Private Sector

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Session I: Annual Progress on the NSDP

Item 2: Macroeconomic Management, Public Financial Management and Private Sector Development

- **Macroeconomic Management**

1. The economy grew at double digit rates since the formation of the 3rd mandates of the Royal Government of Cambodia (RGC). In 2006, the growth rate reached 10.8%. For 2007, accordingly to the latest forecast, it will amount to 9.1%. By 2006, GDP per capita has reached 513 USD. The rapid growth was driven by robust growth in garment, construction, tourism sector as result of political stability, openness policy and improved physical infrastructures and attractive investment policies; and the expansion of agricultural production as result of better irrigation system, gradually improved rural infrastructures and connectivity between rural and urban areas and favorable weather condition. The trend is projected to continue in the medium term with average growth rate of 7-8% for the period 2008-2010.

2. Inflation rate has been maintained on average 3% per year. Due to the sharp increase in oil price in 2005, the inflation rate at the end of period increased to 5.7%, but declined to 2.8% in 2006. The exchange rate is stable and below 4,100 per USD. By the beginning of 2007, gross official reserves exceeded 1.2 billion USD.

3. Eventhough recent acquired sovereign credit ratings open the door to government borrowing at commercial interest rate; RGC still sticks to its prudent macroeconomic and fiscal policy by borrowing at concessional terms. Therefore, (1) RGC will not yet issue government bonds and sticks to the plan of action, laid out in the Financial Sector Development Strategy 2006-2015, (2) RGC will not engage in

non-concessional borrowing, and (3) RGC will not guarantee for any contract with commercial term.

- **Public Financial Management**

4. On the fiscal side, the government revenue increased by more than 20% annually, while expenditure profiles reached 96% and 97% of the budget law in 2005 and 2006 respectively. This indicated that the budget has become much more credible now. The improvement has been supported by sound macroeconomic management and more importantly by the good progress in implementing Public Financial Management Reform Program (PFMRP).

5. Platform 1 of the later, which is **the Credible Budget**, has been broadly completed. The current activities are to strengthen the achievements made, while setting up the plan of action for Platform 2, which is the **Effective Financial Accountability**. To mobilize the forthcoming revenue from oil, Samdech Prime Minister decided to embed the taxation regime for oil in the framework of taxation law. The Ministry of Economy and Finance is currently drafting the oil tax law.

- **Private Sector Development**

6. Trade facilitation has improving on many key elements. RGC issued a sub-decree on Trade Facilitation through a risk management approach to inspections and clearance of imports and exports of goods. The draft Single Administrative Document (SAD) has been approved by the Steering Committee. One Stop Service (OSS) has been operational in the Special Economic Zone (SEZ). Currently, the Custom and Excise Department has implemented the ASYCUDA project, which is the key building block for the implementation of the Single Window for trade facilitation.

7. The draft Law on Concession has been submitted to National Assembly and is expected to be passed soon.

8. After the adoption of Small and Medium Enterprise Development Framework, the SME sub-committee took further step to design the licensing review mechanism along with the manual, which was adopted in October 2006.

9. The Financial Sector Development Strategy 2006-2015 was officially launched on 7th June 2007. Its implementation will further strengthen and develop financial industries in response from and support to the vibrant economic activities. The National Assembly will consider the draft law on Issuance and Trading of Non-Government Securities. The securities market is expected to be opened in 2009.

10. By achieving all these, I would like to thanks all the stakeholders, in particular our development partners both bilateral and multilateral who have extended their kind technical and financial supports. RGC would like to reassure our commitment to maintain and to expedite our reform and development activities in the Public Financial Management, in Private Sector Development and in Financial Sector Development. Your continue support is very necessary and important.

Thanks you.