

Cambodia New Vision

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Address of Samdech HUN SEN to the Government-Private Sector Forum at the Inter-Continental Hotel (PHNOM PENH, 5 JULY 2000)



Excellencies,
Ladies and Gentlemen,

It is a great honor and pleasure for me to preside over the meeting of the second Government - Investor Forum, held as scheduled after the first meeting, which took place on 21 December, 1999.

H.E. Kong Vibol, Second Chairman of the Council for the Development of Cambodia (CDC), has just presented to all of you a detailed CDC report on the efforts deployed by the Royal Government of Cambodia (RGC), especially the CDC during the last 6 months after our first meeting, to improve the legal and regulatory framework, strengthen the government's institutional capacity with a view to promoting and facilitating investments and business activities in the Kingdom of Cambodia. There is no need therefore for me to make any further detailed

comment on these issues. Moreover, the main objectives of the presence of the Cabinet members, including myself, as well as other senior government officials, are to get abreast of the discussions at this meeting, in particular the facilities provided to and the impediments faced by investors doing their businesses in Cambodia. This information is crucial to re-shaping our policies and formulating concrete measures aimed at improving business environment in the country.

In this sense, I gave instructions to increase the time of our meeting from one morning to one day, so that all investors and business people will be able and have enough time to discuss and air their grievances and concerns pertaining to the general investment and business environment in Cambodia. Nevertheless, before opening the floor for discussions I would like to raise some im-

portant elements of the government policies on investment and businesses and set the tone for discussions and exchange of views at our today's meeting.

Excellencies,
Ladies and Gentlemen,

I never tire of repeating that Cambodia enjoys today unprecedented favorable conditions conducive to development never seen during the last few decades. Peace and stability – politically, socially and economically – has prevailed for the first time during the more than one year. The country is experiencing it after several decades of turmoil, turbulence and tragedy.

Building on hard, newly gained peace, stability and unity of territory and goals agreed upon at the national level, the Royal Government's most important agenda is rapid alleviation of poverty and accelerating economic progress. The government's main strategy is geared to achieving the following objectives:

1. Long-term, sustainable economic growth at the annual rate of 6 to 7%.
2. Equitable distribution of the fruits of economic growth between the have and the have-not, between urban and rural areas and between the two opposite sexes.

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3. Ensure sustainable management and utilization of the environment and natural resources.

Hence, our strategic motto is "Poverty reduction through high economic growth over the long term by ensuring environmental sustainability and social equity."

With economic and financial recovery underway in the region, strong political will and considerable efforts, the RGC has achieved significant progress in implementing its poverty reduction strategy. Impediments hindering the reform process have been gradually removed. In 1999 real ODP rose 4.3% after plummeting to 1% in 1997 and 1998. The inflation rate fell sharply down to almost 0% after rising up to 12.6% in 1998. The exchange rate was fairly stable ranging around 3,800 Riels per USD. The international reserves increased 8%, covering 3.9 months of imports. Our tourism arrivals are increasing exponentially – a further testimony to our internal security situation as well. Economic growth is expected to increase to 5.5% in 2000 and 6% in the years after. Inflation will be maintained below 5 percent. The riel exchange rate will be stable around 3,800 riels per 1 US\$.

Indeed, these substantial economic achievements cannot be separated from the active participation of the private sector, always considered by the RGC as an engine of growth and employment creation for the population. Recognizing the crucial role of the private sector, the RGC has given attention to removing impediments and obstacles to investment activities in Cambodia.

At the first meeting held 6 months earlier and on many occasions both inside and outside of Cambodia, I have always highlighted the government's strenuous efforts in important areas to promote and facilitate private investment in Cambodia. These

are as follows:

First, priority given to ensure and promote social environment for peace, security and stability in all parts of the country .

Second, efforts aimed at developing and strengthening the legal and regulatory framework, and institutional capacity conducive to private investment and business activities in Cambodia.

Third, attention given to increase public investment, through the mobilization of foreign assistance and domestic savings, to finance investments in physical and social infrastructure as well as public utilities, such as electricity, water supply and telecommunications. The ultimate goals are to put in place an efficient and viable infrastructure network that links our domestic markets and provide physical access to the outside world in order to facilitate, promote and expand economic activities and investment in all sectors. At the Consultative Group (CG) meeting held in Paris, France, from 25-26 May, 2000 the donor community has pledged a total of US\$ 548 million in development assistance to Cambodia in 2000, which was more than requested.

Fourth, access to various international markets, including the "Generalized System of Preferences (GSP)" and the "Most Favored Nation (MFN)" status with major trading partners, including the European Union, the USA, Japan, Canada and Australia.

Fifth, Cambodia's economic integration into the region and the world through the participation in various ASEAN's economic schemes and sub-regional initiatives, such as the Greater Mekong Sub-Region (GMS) projects. Another important priority in the agenda of the RGC is to join the World Trade Organization (WTO).

Sixth, efforts aimed at opening access to international sources of financing for private investment, such as membership in the International Finance Corporation (IFC) and the agreements with the Asian Development Bank (ADB), the European Union (EU) and bilateral donors to enable the private sector mobilize funding from these international financial institutions for their investment projects.

Seventh, attention given to establish a mechanism for the insurance, protection and promotion of investments in Cambodia, such as membership in the Multilateral Investment Guarantee Agency (MIGA) of the World Bank, which is responsible for the insurance of political risks for investors and the agreements signed with bilateral and multilateral partners on investment protection and promotion.

Excellencies,
Ladies and Gentlemen,

Given this attention and strenuous efforts, the RGC has made considerable progress in the seven directions that I mentioned earlier. The RGC however recognizes that the achievements obtained so far are not sufficient. Much remains to be done to improve the investment climate in Cambodia, in particular to develop further the investment regime and business regulation in the country, including improving the structure and building up institutional capacity of the government agencies in charge of foreign investment.

In this sense, I am confident that the Government – Private Sector forum will effectively contribute to these endeavors. In fact, our meeting six months earlier revealed the importance and the positive result, reflecting the strengthened partnership between the RGC and the private sector, immediate actions taken to address the concerns expressed by in-

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vestors and business people and the improvement in the efficiency and the general environment for investment and businesses in Cambodia. Realizing the importance and the benefits of this forum, I would like to propose that this meeting should become a permanent forum which meets once every six months after our second meeting today. I believe that we are heading in the right direction and we will strengthen this mechanism further .

In this spirit, I understand that we should strengthen the government-private sector structure a step further by putting in place a joint sectoral working group, such as legal and regulatory, tax policy, banking and finance, processing or garment industry, workers' rights etc. These working groups will be responsible for monitoring the implementation of the decisions made at this meeting, promoting discussions, consultations and providing recommendations to the meeting on necessary measures aimed at improving the general environment for sectoral and sub-sectoral investments. Each working group should consist of representatives from relevant government agencies and the private sector and is headed by a minister or a senior official of relevant ministry or agency. The meeting of the working group is convened as necessary.

To speed up the establishment of this working group, I would like to ask the CDC, which serves as the secretariat for this government-private sector forum, to coordinate this work at the technical level with the private sector and donors who are willing to provide support for this important initiatives. Taking this opportunity, I would like to express on behalf of the RGC our sincere gratitude to all our external partners, especially the International Finance Corporation (IFC) for their support and assistance to the government's endeavors.

I hope that our today's meeting will devote its attention, apart from the concerns raised by all of you here, mainly to this initiative. I also believe that the private sector will make its best arrangements to participate effectively and constructively to our common endeavors with the view to strengthening the partnership between the government and the private sector and developing the private sector to become a genuine engine of economic growth in Cambodia.

Taking this opportunity, may I draw your attention to the government's most important agenda aimed at improving the favorable environment for private sector's involvement in Cambodia's development and poverty reduction of the population. This is the need for the review and the improvement in the Law on Investment of the Kingdom of Cambodia. In order to rationalize macro-economic management, improve and ultimately strengthen the investment climate in the Kingdom of Cambodia by ensuring the balance between the needs for government revenue enhancement within the context of Cambodia's integration into the regional economy on the one hand, and the imperative of ensuring the country's comparative advantages in attracting and facilitating investment. The government's intention is to do this in a transparent manner by promoting extensive consultations with the private sector and relevant agencies and protecting the appropriate interests of the investors. In this sense, the strengthened government – private sector forum will greatly facilitate this consultation and will allow the private sector to fully take part in this important endeavor in an organized manner .

I understand that it is time to give you the floor so that you can air in a candid manner your grievances, concerns and suggestions. I wish to encourage all my colleagues in the government present here and the representatives of the private sector to

follow our good tradition of working in good and close partnership and discussing in an open and candid manner on issues and challenges, and how to improve the favorable conditions to attract investments to Cambodia.

My colleagues and I will be happy to answer to your questions and provide comments on any issues that have been your concerns and the impediments to doing business or undertaking investments in Cambodia.

I would like to sincerely thank you all for your kind attention./ . ■