

**CAMBODIA****KEAT CHHON, Governor**

It is indeed a great pleasure and honor for me to represent the Royal Government of Cambodia at the 37th Annual Meeting of the Board of Governors of the Asian Development Bank (ADB) and to address this august gathering. May I, on behalf of Cambodia's delegation, express our deep thanks to our host, the Government of the Republic of Korea, and especially the authority and people of Jeju, for their warm hospitality extended to our delegation during our stay in this beautiful island. I would like also to express our sincere gratitude to the Management and staff of ADB for the excellent arrangements made for this meeting.

Let me take this opportunity to welcome Luxembourg and Palau, which become the 62nd and 63rd members of ADB.

For Asia-Pacific, 2003 was marked by significant economic resilience despite the threat of terrorism, global economic and financial imbalance, and outbreaks of epidemic diseases. The region of developing Asia and Pacific grew at 6.3% in 2003, making it the most dynamic region in the world, although there are differences in performance among the subregions and among countries within the subregions. This remarkable resilience is largely attributable to the strong performance in a number of large economies, such as India, Thailand, Viet Nam, and especially the People's Republic of China, which emerged as a major engine for intraregional trade and major export market for East and Southeast Asia. The intraregional trade and continued strong consumer demand in the region will continue to be key factor to maintaining bright outlook for this and the next years, which would enable the region to strengthen policies to address macroeconomic imbalance, accelerate structural reforms, and enhance the banking and financial system.

Cambodia scored an encouraging achievement in 2003 in maintaining macroeconomic stability in the face of external uncertainties and political difficulties after the July 2003 elections. The Cambodian economy grew at 5.2% in 2003, led by continued growth in garment exports, a rebound in investments, and strong pick-up in agricultural production. However, the tourist sector declined by 10%, due to the severe acute respiratory syndrome (SARS) outbreak. Lower foreign direct investment has been more than compensated for by domestic private investment and higher official development assistance influx. Inflation was kept at a low level of 1.6%.

On the production side, agriculture grew by 3.6%. Within this sector, crop production rebounded by 5.3% in 2003 following negative growth in 2002, reflecting the favorable weather conditions. Livestock and fisheries picked up moderately. The forestry sector continued to decline as a result of the review of forestry concession management plan. Continued strong performance of garment exports (19% increase in 2003) has

contributed to double-digit growth in manufacturing (12.7%). Increase in both private and public investment also sustained construction expenditure. The construction sector grew by 8%, compared to a 14% increase a year earlier.

In 2004 real gross domestic product (GDP) is expected to grow at the rate of 4.5–5.5%. Tourism growth is expected to resume, allowing the current account deficit to narrow. Together with the anticipated increase in foreign direct investment, gross international reserves are expected to rise further, ensuring 3 months of import.

To improve the outlook for future economic growth, which we believe is the prerequisite to poverty reduction, my Government has taken steps to broaden and strengthen bases of growth by diversifying the economy, with stronger focus on agriculture, enhancing governance and strengthening government capacity, improving trade and investment climate to promote private sector development, reorienting capital outlays toward development of rural areas, and promoting agro-industry and small and medium-sized enterprises. Regional initiatives to further integrate Cambodia into the region will be accelerated, through various schemes, such as the Association of Southeast Asian Nations (ASEAN) cooperation, Greater Mekong Subregion (GMS), Economic Cooperation Strategy (ECS), and Development Triangle (DT) with neighboring countries. All these will be implemented in the context of our membership in the World Trade Organization (WTO).

We are of clear view that we are accountable not just to our people but also to taxpayers of donor countries. From this perspective governance has been and continues to be the top item of our development agenda. The Government adopted the Anticorruption Action Plan for Asia-Pacific Program to combat corruption and bribery, launched in 2001 by several countries and supported by international organizations, and submitted a draft of Anticorruption Law to the National Assembly. The Governance Action Plan is being implemented. In addition, the Royal Government of Cambodia will further implement the public financial management reform, gradually introduce results-based management, and strengthen government capacity, including through attracting and retaining high-quality civil servants. Similar arrangements are being undertaken to implement decentralization programs and to facilitate trade development aimed at reducing costs of doing business in the country. These developments are expected to improve service delivery and enhance accountability and thereby reduce the fiduciary risk of public funds, and improve the business climate.

May I take this opportunity to congratulate President Tadao Chino and ADB for the successful conclusion of the Asian Development Fund (ADF) IX negotiations. This is a very important instrument that would ensure that the path towards achieving ADB's overarching goal of an Asia-Pacific free of poverty is maintained and accelerated. In this regard, I would like to express our sincere gratitude to the ADF donors for their contribution both in financial terms and in terms of guidance so that the Developing Member Countries, including Cambodia, could enjoy continued benefit from the concessional facility vital to their efforts in the development process and the fight against poverty.

We are supportive of ADB's reform agenda stipulated by President Chino at the outset of this meeting. We welcome and support the outcomes of the review ADB's Poverty Reduction Strategy that identified the relevance of its three pillars: pro-poor growth, social development, and good governance, with an alignment with the Millennium Development Goals and streamlining additional cross-cutting themes. We

also reiterate the importance of country ownership in ADB's country strategy and program formulation with proper consultation with all stakeholders. We also most welcome the introduction of grant financing for poorer and post-conflict countries under ADF IX that will, of course, help in debt burden relief and provide strong leverage and encouragement for policy reform and governance improvement in those countries.

It is our understanding that results management introduced by ADB is not just a requirement by the donors but in the interest of the recipient countries that would like to see a tangible impact of development projects and programs on the livelihoods of their people. That means better development effectiveness. However, ADB should be proactive in capacity building in this exercise in these countries to ensure the success of its implementation.

We praise the President for his leadership and commitment to pursuing and accelerating the implementation of the ongoing and planned institutional reform aimed at improving the delivery capacity and responsiveness of ADB to the needs and challenges of the region and the member countries. Cambodia is quite satisfied with ADB's performance at the country, subregional, and regional levels. We look forward to continuing strong partnership between Cambodia and ADB.

I would like to conclude by expressing once again our deep appreciation and best wishes to President Chino, ADB's Board of Directors, and staff for their hard work and impressive accomplishment in responding to the needs and challenges of the region and ADB's individual member countries, and especially for the support and assistance in the rehabilitation and development in Cambodia.