



CAMBODIA

VONGSEY Vissoth, Alternate Governor

Mr. Chairman
President Nakao
Fellow Governors
Ladies and Gentlemen

It is my great honor to represent the Royal Government of Cambodia at this 52nd Annual Meeting of the Board of Governors of the Asian Development Bank and exchange views about emerging global and regional development challenges, the headwinds facing member countries and how the ADB can assist in responding to them. I sincerely thank the people of Fiji for their gracious hospitality and for the excellent arrangements made by the Government of the Republic of Fiji in hosting this Annual Meeting. It is indeed a great pleasure for my delegation and me to experience the beautiful and pristine environment of the paradise islands of Fiji.

Ladies and Gentlemen

The Asia-Pacific region has made great strides in reducing poverty and achieving impressive economic growth with most of the developing countries in the region, including Cambodia, having already advanced to middle-income status. Over the past five decades, ADB has been a key partner of the developing member countries in this remarkable transformation of the Asia and Pacific region, and we are confident that it will continue to play a significant role in the next phase as we usher into the Fourth Industrial Revolution (4IR). ADB has now established a solid capital base with the successful merger of the concessional Asian Development Fund (ADF) and the Ordinary Capital Resources (OCR) and together with the adoption of its new long-term corporate strategy, Strategy 2030, in July 2018, it is well placed to further enhance its capacity to optimize its operations, and better serve the needs of member countries. We all look forward to working closely in partnership with the ADB and other development partners to build a prosperous, inclusive, resilient, more integrated and sustainable Asia and Pacific, while sustaining efforts to eradicate extreme poverty and move expeditiously towards achieving the Sustainable Development Goals (SDGs).

The Asia-Pacific region is now a powerful engine for the world economy, contributing about 60% of the global growth and has, over past decade, experienced an average economic expansion of 6.8% underpinned by stable economic conditions, that has produced remarkable results in poverty reduction. Growth in 2018 will moderate to 5.9% from the 6.2% in 2017 as the result of the softening of global trade and economic activity and unresolved trade tensions. It faces a number of challenges and risks that, if left unaddressed, could derail its prosperity going forward. The region is among the most vulnerable to natural disasters and to the impacts of climate change which pose a growing threat to our development and prosperity. It is therefore critical that ADB assist the member countries to prioritize strengthening their disaster resilience. The region is still home to 264 million people living in extreme poverty and an additional 836 million living in poverty, many of which are at risk of being pushed into extreme poverty through economic downturn and external shock. An Asia and Pacific Region free of poverty must remain a central focus of our shared development agenda. In addition, the region

faces several development challenges notably rising inequality; rapid urbanization; huge demographic shifts, growing environmental pressures; and large infrastructure deficits.

ADB is expected to play an increasingly greater role in supporting regional countries' sustained efforts, through the adoption of new operational priorities and tailor-made approaches, to respond more effectively to these challenges. We are pleased with ADB's commitment to prioritize support for the region's poorest and vulnerable countries; promote infrastructure investments that are green, sustainable, resilient, and inclusive; double its efforts to expand its private sector operations; catalyze and mobilize more financial resources; and strengthen its role as a knowledge provider. With the rapid pace of technological advancements, we look forward to the ADB assisting our economies utilize new and emerging technologies in meeting these development challenges. We strongly believe the integration of technological innovation is key to the development of the digital economy, and critical to reignite productivity growth for rapidly aging Asian economies while at the same time, managing the disruptive impacts on society such as labor displacement, cyber fraud, and data theft. We stress the need for ADB to support member countries in building social safety nets to address these negative impacts as a result of technological transformation.

Cambodia greatly value the very strong, trusted and constructive partnership with ADB in our journey to transforming Cambodia's economy from lower income to lower-middle income country. After the successful implementation of country partnership strategy (CPS) 2014-2018, the Government and the ADB is in the process of finalizing CPS 2019-2023 which aims to transform Cambodia's economy to an environmentally green, social inclusive and digitally transformed economy. Our investment during this period will be guided by long-term sector strategic framework and investment plans and we would like to seek for assistance and cooperation in the formulation of these plans. At the same time, Cambodia is looking forward to an expansion of ADB's support with larger size loans/projects and both ADB and the Government have agreed to put a greater emphasis on project quality, efficiency in portfolio management by focusing on human capital development and institutional capacity building. We would also like to see the mainstreaming of gender, climate change and digital technology in all ADB's operations.

Ladies and Gentlemen

I would like to take this opportunity to highlight some of the key achievements in Cambodia's economic growth and development. Cambodia has achieved a largely inclusive economic growth of around 7% annually over the last five years. The economy expanded by 7.5% in 2018 and is projected to moderate to 7.1% in 2019. The GDP per capita has increased from 1,042 dollars in 2013 to 1,548 dollars in 2018. Moreover, the inflation rate will remain subdued at 2.5% this year and the fiscal deficit is manageable at below 2.5% of GDP. Poverty has reduced to below 10%.

The fiscal performance continues to follow the progressive trend as a result of substantial revenue growth as well as rationalizing and prudent expenditure. The revenue collection increased from 15.2% in 2013 to 22.16% of GDP in 2018. Going forward, the Mid-Term Revenue Mobilization Strategy, 2019-2023, will ensure the continued growth in revenue mobilization. Expenditure has been broadly in line with budget plan, reaching the level of 24.4% of GDP in 2018. More importantly, from 2013 to 2019, the government has significantly increased expenditure on the priority sectors to support the Government's policy and reform agenda, and accelerate socio-economic performance. Public expenditure for education has increased by three and half fold, for health by more than two fold, and for agriculture by more than three fold. Public debt remains sustainable and at low risk of debt distress, with the present value of Public debt to GDP at around 21%, and debt service to revenue at around 5% at end of 2018.

Going forward, the Royal Government of Cambodia will continue to implement the Rectangular Strategy Phase IV (2018-2023) to ensure sustainable economic growth and poverty reduction by one percent annually. In addition, the Royal Government of Cambodia will accelerate the pace of diversification and enhance competitiveness of the economy while maintaining sound macroeconomic policies, investing more in infrastructure and human capital, developing digital economy, promoting the entrepreneurship eco-system, improving the investment climate, building institutional capacity, and fostering the small and medium enterprise sector.

In conclusion, I would like to congratulate President Nakao, his Management Team and Staff for the excellent results achieved in 2018 and look forward to the successful and timely implementation of the Strategy 2030 under the leadership of President Nakao.