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Statement by the Hon. CHEA CHANTO ,
Governor of the Fund for CAMBODIA ,
at the Joint Annual Discussion

Statement of
H.E. Mr. Chea Chanto
Governor of the National Bank of Cambodia
And
Governor of Cambodia to the IMF
At the Annual Meeting of IMF and World Bank
Washington, DC 6-8 October 1998

I am very pleased to be here today to represent the Kingdom of Cambodia and the National Bank of Cambodia at this annual assembly of top-level macroeconomic and monetary policy-makers of the world financial community. I bring to you all greeting from the National Bank and the people of Cambodia.

I would like straightaway to express my deepest gratitude for the excellent assistance so far provide by both the IMF and the World Bank in financial, technical and advisory terms.

As you know, the last 26 July election in Cambodia went off smoothly Moreover, the whole International Community has recognized the election process has been fair, true and credible.

Therefore, I am now confident in the future and I am sure the International Community can have faith in Cambodia since political and social stability are essential and vital for economic growth and prosperity. In a transparent, clear and fully free manner, a new National Assembly has been elected and convened on 24 of September. A new government should soon be installed and empowered to act.

Thus, the letter and spirit of our constitution, in the framework of the 1991 Paris accords, have been fully and fairly observed and preserved.

Given that now normalcy, stability and freedom are here, it is important that our external partners resume their support for the rehabilitation and development programs in the country, which are designed to serve the people.

I would like to stress that Cambodia's authorities pledge to take into account IMF recommendations regarding notably structural reforms. But Cambodia needs time. Indeed, it can have been noticed that, since the General Election help in May 1993, Cambodia has already achieved considerable progress in the development of its economy. However, recent political environment coupled with the impact of the currency and financial crisis has led to a marked deterioration in economic conditions for 1997. Thus economic growth rebound strongly from 4 percent in 1994 to 7.5 percent in 1995 and 7 percent in 1996 but the above-mentioned circumstances have initiated marked deterioration in economic condition witnessed by a lower rate of growth of output of 2 percent for 1997. For 1998, the economy is expected to be recovering to some extent with

a projected real growth of GDP of 3.5 percent. This slowdown can be explained by the weakening in domestic demand, mainly consumption and investment both of the private and public sectors.

Nevertheless the National Bank of Cambodia, despite recent difficulties, keeps strong willingness to contain inflation and to maintain the value of domestic currency in order to create a situation inductive to the restoration of the public confidence in the economy.

In this respect, I would like to emphasize that:

- On our small scale, we are convinced that the freedom to save and invest provides the conditions for sustained growth and consequently for greater wealth, for both providers and recipients of capital flows.

- We are also convinced of the importance of strengthening the safety of our banking sector and the reliability of our prudential control system. To that effect, we have implemented a program of training in order to enhance the capability of our inspectors in the area of on site supervision.

- We are totally decided to encourage foreign direct investment since FDI makes an essential contribution to growth and balance of payments stability. For this purpose, we are determined to improve the legal environment of our country.

I would like to emphasize that Cambodia has now demonstrated on the occasion of recent elections its openness and its transparency. Obviously Cambodia has not yet reached perfection in the area of rule of law. But the facts that Cambodia is emerging from long years of internally and externally imposed instability, that its human resources are still of great weakness, must be taken into account and explain largely that Cambodia needs one again time and understanding. Therefore, we are now hoping assistance provided by both the IMF and the World Bank will continue and even be strengthened in near future.