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October 12, 2012

Statement by the Hon. **CHEA CHANTO**, Governor of the Fund for **CAMBODIA**,
and by the Hon. **KEAT CHHON**, Governor of the Bank for **CAMBODIA**

**Statement by the Hon. Chea Chanto, Governor of the Fund for Cambodia,
and by the Hon. Keat Chhon, Governor of the Bank for Cambodia**

We are pleased to address this Board of Governors meeting and wish to express our sincere gratitude to the Government and people of Japan for the very warm hospitality extended to our delegation. I also thank the Management and staff of the World Bank Group and the International Monetary Fund for the excellent arrangements made for this Annual Meeting.

On behalf of the Royal Government and people of Cambodia, we would like to congratulate H.E. Dr. Jim Yong Kim for his appointment as the President of the World Bank Group. We look forward to his leadership in steering the World Bank Group towards a more relevant and trusted partner of the developing countries.

We meet in an uncertain global economic environment with the severe debt crisis in Europe, fragile economic recovery in developed countries and economic slowdown in Asia. As you may be aware, Cambodia has been evaluated by the UN as one of the top five countries that have significant records and achievements towards meeting its MDGs by 2015. However, the global economic crisis poses great danger to undoing the commendable strides we have made towards meeting our MDGs. We are also facing increasing threats from the impacts of climate change with more frequent and more severe natural disasters. The rise in energy and food prices compounds our ability to address inflation. Our challenge is to manage inflation and rebalance the sources of growth to be more reliant on domestic and regional demands.

In this overall global context, growth in Asia is expected to decline from 7.2 % in 2011 to 6.1% in 2012 before moderately improving to 6.7% in 2013. This is a marked deceleration from the high growth of the past and poses great challenges for countries in our region. However, Asia is still expected to play a more prominent role in the global economy and to rebalance the growth paradigm. We are confident that Asia will rise to the occasion.

We expect the World Bank to continue playing an important role in our region. We are pleased with the Bank's commitment to lifting up its performance and welcome its continued work on cooperate score card and increasing focus on setting and achieving results. Cambodia believes that in working with its

developing member countries, the Bank should strive to be flexible, responsive and relevant to their development needs.

However, it should be noted that the World Bank, as a large institution, would face huge challenges of managing its vast and varied operations to meet the development needs of its developing member countries. In our view, it should play a complimentary role with regional banks to enhance development effectiveness. One of its greatest challenges is to remain responsive and relevant to both its large as well as small member countries. In this context, it must reinvent itself through greater and more meaningful decentralization. Bank's operations should be managed by its country offices with greater delegation of decision making authority and flexibility. The decision making processes must not be headquarters driven. We believe that country based staff will have a better appreciation of the local needs and development. We, therefore, welcome the commitment made by President Kim in his address to the Board of Governors to steer the Bank to become the "Solution Bank" for its clients.

We value and respect the knowledge, experiences and innovations that the Bank brings to address development issues. This has contributed to the transformation of the Cambodian economy since the resumption of the Bank's operations in 1992. Cambodia's engagement with the Bank for greater knowledge transfer is vital as the country modernizes and diversifies its economy. We urge the new President to ensure that the Bank's operations continue to support the country's development agenda and are not influenced by any other considerations. In this spirit, Cambodia looks forward to constructive engagement with the Bank in the efforts to address our socio economic development needs.

We congratulate the Management of the Bank on the successful replenishment of IDA 16 with a record amount of about \$49.3 billion. The additional IDA allocations will provide much needed grants and concessional funds to smaller and least developed member countries. For Cambodia, the country can now only access credits from the Bank and therefore it needs to be more selective in seeking funding for investments. It is widely acknowledged that the Bank's assistance comes with too many conditions and some time with a skewed and excessive focus on governance without taking into account local needs, conditions and circumstances. In addition, heavy bureaucratic processes of the Bank have net effect on the cost structure of the funds and contribute to long delays in the

implementation. As the Royal Government of Cambodia is accountable to its own people for prudent management of its debt, the Government needs to weigh the costs and benefits in seeking funds for its economic development.

We congratulate the International Monetary Fund for recent progresses in the implementation of the 2010 IMF Quota and Governance Reform package, which has been aimed to be completed by January 2013. We strongly encourage that the discussions on IMF quotas should be accompanied by parallel discussions on governance reforms of the IMF, in particular to improve its accountability and oversight.

We also express our profound thanks to the IMF for providing Technical Assistance in the areas of tax policy and administration, macroeconomic analysis and treasury management. These Technical Assistances have contributed significantly to the progress and success of the Public Financial Management Reform Program. We are of the view that TA provided by the Fund has high quality, responds to our needs and addresses the real issues. At the same time, we appreciate the recent IMF Article IV Consultation mission to Cambodia with the positive conclusion on Cambodia's economic performance, which has been holding up in the face of setbacks to the global recovery.

Now, let me turn to the more recent achievements of the Royal Government of Cambodia. During the three year period from 2010 to 2012, Cambodia recorded an average growth rate of 6.7% while keeping in check the inflation rate at less than 5%. In 2011, despite the very difficult global economic environment and the impacts of severe floods, we achieved a robust growth of 7%. We expect to maintain the same growth rate this year. All economic indicators show that Cambodia has succeeded in maintaining macroeconomic stability. Reserves are about five months of retained imports and debt distress has been considered low. We will continue to implement prudent policies to sustain this level of performance.

In conclusion, on behalf of the Royal Government and people of Cambodia, we wish the Annual Meeting a great success.