



## KEYNOTE SPEECH

Deputy Prime Minister **KEAT CHHON**, Minister of Economy and Finance,  
Chairman of the Committee for Economic and Financial Policies  
High Representative of **Samdech Akka Moha Sena Padei Techo HUN SEN**,  
Prime Minister of Kingdom of Cambodia  
in the Official Launch of "Financial Sector Development Strategy 2011-2020"  
Phnom Penh, Cambodia, 06 July 2012

គណៈកម្មាធិការ

- *H.E. CHEA CHANTO, Governor of National Bank of Cambodia*
  - *H.E. KUNIO SENGA, Director-General of South-East Asia Department of the ADB*
  - *Excellencies, Ladies, and Gentlemen*
1. Today, it is my great honor and pleasure for having privilege to present **Samdech Akka Moha Sena Padei Techo HUN SEN, Prime Minister of the Kingdom of Cambodia**, to preside over this auspicious occasion of the official launch of the "**Financial Sector Development Strategy 2011-2020**". As the representative and Chairman of the Committee for Economic and Financial Policies, I would like to warmly welcome the presence of Excellencies, Ladies and Gentlemen from all related Government agencies and private financial institutions including banks, micro-finance institutions, insurance companies, securities companies, real estate companies as well as development partners and Non-Government Organizations. Dr. **Aun Porn Moniroth**, Minister Attached to the Prime Minister and Chairman of Subprime National Economic Council who is key driver and Permanent Vice Chairman of the Economic and Financial Policies Committee, regrets that he is busy and cannot attend this ceremony.
  2. Indeed, as **H.E. Chea Chanto** and **H.E. Kunio Senga** mentioned earlier, financial sector plays very important roles in developing private sector and ensuring sustainable economic growth. In addition to what both Excellencies mentioned, I would like add that the Royal Government of Cambodia (RGC) has been focusing on strengthening Cambodia's financial system by adopting the "**Vision and Financial Sector Development Plan 2001-2010**" in 2001, the initial roadmap for long-term financial development in Cambodia, and in 2007 it was later updated as the "**Financial Sector Development Strategy (FSDS) 2006-2015**" to streamline the strategic plan and the actual implementation and situation. Based on the progress of the implementation of "**FSDS 2006-2015**" and in response to the recent domestic, regional and global economic and financial evolution, the RGC, having Economic and Financial Policies Committee as executive arm, have seen the need to update the "**FSDS 2006-2015**" to be the "**Financial**

**Sector Development Strategy 2011-2020**", which was adopted by the Council of Ministers on 25 November 2011. All these strategic documents are flexible which allow us to update at appropriate time to adapt to the actual economic and financial development.

3. The FSDS 2011-2020 is prepared in a manner to align the development of financial sector with the **"Rectangular Strategy Phase II"** and **"National Strategic Development Plan Update 2009-2013"** of the RGC by taking into account the stocks of achievements and revising the plan in accordance with the lessons learned of the reform that has been done in the past, the experiences of recent global financial crises, and the possible changes resulting from the fast development of financial markets. This updated strategy also incorporates the principles of good governance in order to orient the economic and financial environments that are becoming more sophisticated and rapidly evolving at present as well as in the future.
4. Likewise, the update of the **"FSDS 2011-2020"** was prepared in accordance with the high recommendation of **Samdech Akka Moha Sena Padei Techo HUN SEN, Prime Minister of the Kingdom of Cambodia**, quoted as saying at the launch of the 2011 Mid-term Review Report on the Implementation of the **National Strategic Development Plan Update 2009-2013** that: *"All relevant ministries-institutions must prepare or update their respective strategic development plans by reviewing ongoing projects and programs as well as new projects and programs which are funded by either internal or external resources in order to ensure consistency with and linkage to the National Strategic Development Plan Update 2009-2013."*

*Excellencies, Ladies and Gentlemen,*

5. The ongoing Eurozone sovereign debt crises give us an important lesson that government's mismanagement of public finance policy and financial sector development strategy which is lack of anticipation and adequacy lead to severe systemic economic crises.
6. Therefore, this **"FSDS 2011-2020"** to be officially launched today is a concrete and anticipated document that widely cover all sectoral areas in the financial system, so that the possible changes that may arise will be responded in an appropriately and timely manner to enhance sustainable, dynamic and equitable economic growth towards poverty deduction in line with the Cambodia's Millennium Development Goals. This strategic development document focuses on four key elements: **1. Banking Sector, 2. Nonbanking financial sector, 3. Governance and Infrastructure, and 4. Capacity Building**. To ensure successful implementation, this strategy synthesizes sequential Action Plan for Financial Sector Development in three different priorities – short-term, medium-term and long-term.

*Excellencies, Ladies and Gentlemen,*

7. By implementing the previous **"FSDS 2006-2015"**, the RGC has achieved remarkable progress such as strengthening banking sector, expanding the scope of insurance sector, and especially introducing new sectors, namely pension and securities market. The increase of credits and deposits in banking system, as well as the growth of insurance sector has continued its dynamic momentum before, during, and after the 2008-2009 Global Financial Crisis. This has proved that Cambodia's financial system not only could

escape from the severe negative impacts of the crisis but also maintain its support for economic growth. For instance, the growth rate was 6.7% in 2008. In 2009, it declined to 0.1% due to the global financial crisis and the global economic downturn, but in 2010 and 2011 bounced back quickly in "V" shape to 6%-7.1% on average per annum.

8. In order to enhance effective support to economic growth, the "FSDS 2011-2020" incorporates the following development policies:
  - i. **Banking Sector:** focus on implementing diversified monetary policies and reinforcing banking sector supervision by strengthening cooperation among related Ministries and agencies in order to promote the use of Riel and de-dollarization, compliance with Basel Core Principles for effective banking supervision, establishment of early warning system, deposit insurance corporation, and operation of inter-bank and money market. Moreover, the policies also aim at strengthening micro-finance sector to support the poor, implementing Basel Core Principles of banking supervision on Micro-Finance Institutions, putting in place the common reporting standards for Micro-Finance Institutions, improving regulations to support diversification of micro-finance products, improving ICT for management of Micro-Finance Institutions, developing official pawn businesses, and strengthening anti-money laundering and anti-terrorism financing.
  - ii. **Nonbanking Financial Sector:** focus on development of insurance of pension and capital market including revising insurance regulatory framework, establishing of life insurance services and micro-insurance, developing an early warning system for insurance regulator, operating pension sector, preparing policies and regulations for voluntary pension schemes for private sector, as well as encouraging the establishment of companies specializing in voluntary pension schemes for private sector. Along with this, the policies also develop legal framework related to insolvency in securities market, implement good corporate governance for listed companies and unlisted companies, develop bond market, prepare investor education mechanism and dispute resolution in securities market and consider establishing Commodity Future Exchange, securities finance mechanism, sovereign wealth funds and financial development district.
  - iii. **Governance and Infrastructure:** Identify the need of commercial legal framework development, implement the International Financial Report Standards, improve accounting and auditing regulations, operationalize national clearing and settlement and credit bureau, and establish legal infrastructure to support property valuation, estate services and housing development.
  - iv. **Capacity Building:** develop strategy for capacity building in the whole financial sector, particularly for financial regulators who are critical to ensure transparency and accountability in the market.

***Excellencies, Ladies and Gentlemen,***

9. I strongly believe that by firmly implementing the "FSDS 2011-2020", we enjoy better achievements to enhance a competitive, integrated, and efficient financial system that is appropriately regulated and supervised so that it efficiently mobilizes savings to finance sustainable economic growth. Meanwhile, on behalf of the RGC, I would like to

encourage all the implementing agencies from both public and private sector to support the successful implementation of the "**FSDS 2011-2020**" in their respective sector.

10. On behalf of **Samdech Techo Prime Minister** and on behalf of Economic and Financial Policies Committee, I would like to take this opportunity to express sincere thanks to the Steering Committee for Implementing Financial Sector Development chaired by **H.E. Chea Chanto**, Governor of National Bank of Cambodia, the Technical Working Group for Implementing Financial Sector Development chaired by **H.E. Ros Seilava**, Deputy Secretary General of Ministry of Economy and Finance, Secretariat of the Technical Working Group, as well as all the related ministries and government agencies that have contributed to the development of the "**FSDS 2011-2020**". I would also like to specially thank the ADB for providing strategic inputs and technical assistance in developing this strategy.
11. Finally, I would like to wish Excellencies, Ladies and Gentlemen who are presenting in this auspicious ceremony good health, happiness, prosperity, and success.
12. On behalf of **Samdech Akka Moha Sena Padei Techo HUN SEN, Prime Minister of Cambodia**, I would like to officially launch the "**Financial Sector Development Strategy 2011-2020**" from now on.

*Thank you!*