SUPPORTING PRIVATE SECTOR DEVELOPMENT IN CAMBODIA

The Asia Foundation supports economic reform programs to encourage sustainable market-led growth, poverty reduction, and private sector involvement in the policy reform process. Better policies will boost business growth and employment, and help improve competitiveness and reduce poverty.

In Cambodia, micro, small and medium enterprises (MSMEs) dominate the economic landscape, particularly in the provinces. MSMEs owners are among those most affected by a poor business environment, consisting of opaque regulations, lack of information, and extensive costs associated with corruption and over-regulation.

The Asia Foundation’s economic reform program in Cambodia supports reform of policy-making process, empowerment of the private sector—particularly provincial MSMEs and development of a more business-friendly environment. The program encourages increased transparency and greater competition to create appropriate incentives for investment and trade.

DOCUMENTING IMPEDIMENTS TO PRIVATE SECTOR GROWTH

At the provincial level, The Asia Foundation has conducted studies to document barriers to private sector growth and to evaluate the business climate. These studies form an empirical base that guides the Foundation’s economic program activities. In 2006, the Foundation collaborated with the International Finance Corporation’s Mekong Private Sector Development Facility to develop the Provincial Business Environment Scorecard (PBES).

The PBES is a thorough comparison of the economic governance of 10 provinces according to 10 basic criteria (sub-indices). Top-ranked provinces were the eastern border provinces of Kampong Cham and Svay Rieng, followed by Kampong Chhnang, and Kampot. Unexpectedly, the lowest-ranked provinces were those richest in economic resources: the capital city of Phnom Penh, the tourist destination, Siem Reap, and the port province, Sihanoukville. Advantageous initial conditions may mean that officials in these provinces do not have to work as hard as their peers in other provinces to attract investment.

These results generated widespread public attention, engaging both the public and private sectors in constructive dialogue to improve economic governance. As Mr. H.E. Suy Sem, Cambodia’s Minister of Industry, Mines and Energy, notes, “A survey that ranks provinces on the business-friendliness of their policies, regulations, and services will encourage local officials to be more responsive to the needs of entrepreneurs. This will lead to a better business environment, greater investment, and ultimately to job creation and a reduction in poverty.” The PBES is being expanded to cover all 24 provinces.

ASSOCIATION-BUILDING AND POLICY ADVOCACY

Results from the PBES drew attention to business constraints that directly affect the performance of enterprises. The Asia Foundation empowers MSMEs to discuss these business constraints with local authorities and improve the business environment through policy advocacy. To establish a collective voice for MSMEs, the Foundation has supported the creation of Cambodia’s first provincial cross-sector business associations in Kampong Cham, Kampong Chhnang, and Kampot. These associations are composed of some 200 enterprises from a variety of sectors, including rice milling, retail, agro-business, and fish-raising. The Foundation strengthens the voice of these associations by providing them with networking oppor-
tunities, training, and technical assistance. Similar activities are being developed in other provinces such as Takeo, Kampong Thom, Sihanoukville, and Siem Reap. By supporting provincial multi-sector business associations and their efforts to address business environment issues, the Foundation promotes long-term improvements to the provincial business environment to generate higher levels of broad-based economic growth in Cambodia, making life better for ordinary Cambodians.

Recognizing the important role of businesswomen in Cambodia’s economy, the Foundation’s programs aim to incorporate women in all aspects of association building and policy advocacy. Venues for networking facilitated by the Foundation strengthen the links between provincial businesswomen and the Women’s Association for Small and Medium Business in Phnom Penh. The Foundation also operates a mentoring program through which provincial businesswomen can exchange experiences in management, production, and marketing.

PROVINCIAL PUBLIC PRIVATE DIALOGUES

Provincial Public-Private Dialogues, initiated by the provincial business associations and facilitated by The Asia Foundation, bring MSMEs owners and local authorities together to formulate proposals for change. Concerns raised by business owners include informal fees, the need for clearer information on licensing procedures and greater taxation transparency. Simplification of administrative paperwork and the reduction of taxes and informal fees are tangible results of the dialogues. For more effective mobilization around policy reform, the Foundation coordinates advocacy actions across provinces and brings provincial business environment issues to the attention of national policymakers through existing national public-private fora. Workshops organized by the Foundation in cooperation with the Cambodian Senate also provide opportunities for local enterprises to raise provincial business concerns. Regular interactions with local and national authorities help position business associations as legitimate partners for the public sector. Building trusting relationships between the public and private sector also improves the transparency of the business environment.

SUPPORTING WTO-RELATED POLICY REFORMS

Cambodia’s accession to the World Trade Organization (WTO) in 2004 created a need for genuine institutional and policy reforms. To stimulate these reforms, The Asia Foundation facilitates workshops that highlight ways in which Cambodia’s accession to the WTO affects small businesses. Through these workshops, small business owners learn that rules on intellectual property and new regulations on operations affect not only large international firms, but also smaller businesses such as local salt producers, building companies, and silk designers. Panel discussions held during the workshops provide a venue for the private sector to express its views on crucial reforms such as the establishment of a commercial court, lower tariff rates, or trade facilitation regulations. Mobilizing the grassroots private sector around these reforms will ultimately enable Cambodia to maximize benefits from its accession to the WTO by encouraging improvements in Cambodia’s governance and by helping to speed up its legal and judicial system reforms.