

World Bank Country Partnership Framework for Cambodia FY2025-2029
Private Sector Consultation Summary
December 7, 2023
Raffles Hotel Le Royal, Phnom Penh

The third consultation on the World Bank's proposed Country Partnership Framework (CPF) FY2025-2029 with Cambodia was held on December 7, 2023, with 32 representatives from the private sector (see Annex).

Key points discussed:

The CPF's cross-cutting focus on governance received significant attention and support.

- Participants focused on the need for more enforcement of existing government policies to combat corruption and add certainty to business processes and costs. It was also noted that inconsistent application of policies and regulations result in uncertainty for business, acting as disincentive for international investors and the domestic private sector growth.
- Participants suggested further information, analysis, and data to ensure consistent enforcement of business regulations could be useful.
- Some respondents noted issues with a complex tax system that some found to be subject to different interpretation and can take time to navigate.
- Several participants noted that greater automation and digitization of business registration and service delivery significantly helps to reduce informal payments.
- It was noted that this concern was also raised at the recent Cambodia Government Public-Private Forum, held in November 2023.

There were requests for greater and more frequent engagement between the WBG and the Private sector.

- Participants expressed an eagerness to better understand how the private sector could support the CPF's High Level Outcomes.
- More frequent engagement with the World Bank was suggested along with a greater emphasis on the private sector within the CPF.

The CPF's Higher Level Outcomes (HLO) and focus on human capital and education were widely supported.

- Participants supported building skills and education. They noted that the World Bank could do more in education support and to address a drop in tertiary education. Understanding drivers of school-leaving rates, such as income pressure, was noted as key research in this regard.
- Private sector representatives noted that education and human capital were essential to improving competitiveness in Cambodia and suggested it should be the priority of World Bank and private sector cooperation.
- In determining the role the private sector can play in improving education outcomes, private sector representatives requested more frequent dialogue and cooperation with the World Bank.

There were calls for more progress in technical, and vocational skills.

Participants were supportive of the World Bank's focus on tertiary education but underscored the need for support on technical skills training that is experiencing low enrollment according to representatives from the garment sector.

- It was suggested the World Bank coordinate more closely with the private sector to identify what skills would be the most useful to support.
- Trades and skills such as plumbing, engineering, and electrical were singled out as drivers for small- and medium- enterprises (SMEs) which, in turn, expand the economy. As such, better skills development in these areas was suggested as a public revenue opportunity.
- It was suggested that businesses in Cambodia could invest more effectively in training local workers – but high-quality trainers are required.
- Participants also pointed to the WB Systematic Country Diagnostic conclusions that growth models in Cambodia were changing and requested more collaboration with the World Bank, along with research, on how the private sector should support in transforming skillsets, alongside research on what skills would best meet the needs and opportunities of the future.
- Numerous respondents referenced the need to focus on the quality of technical and vocational education and training (TVET) courses being offered, and not just access to TVET.
- It was suggested that there need to be more industries built downstream to create adequate jobs for the planned increase in education and skills. There was a request that the World Bank advise on opportunities here and potentially undertake analytical work to support this.

There was extended discussion about how the private sector in Cambodia perceives climate change priorities.

- Participants noted that local enterprises need to better understand how shifts in global markets for decarbonization could impact local business exports – so the cost imperative of de-carbonizing is clearer.
- Banking representatives noted issues in Cambodia with non-performing loans. They suggested addressing the resolution of non-performing loans, while ensuring that a move towards green finance wouldn't compound this issue.
- Representatives from the garment industry referred to work to increase energy efficiency, including energy audits, and options to reduce energy costs or transition to renewable energy. They cited financing as an issue when it comes to transition and support for 'green loans'. It was suggested that support to provide lower interest rates with less collateral requirements may help to address this.
- Other participants noted the protection gap issue for microfinance lending for green investments, so work should be undertaken to determine more effective incentives for green financing.

The CPF's Second High Level Outcome on competitiveness was supported.

- Some participants noted that logistics costs, which are larger for businesses than energy costs, had a large impact on competitiveness, and as such HLO 2 should have a particular focus on logistics.
- PPPs were suggested as an effective way to improve logistics capacity and there was a request for more assistance with the institutional capacity of PPPs and to foster growth in local investors through capacity building and analytical work to support PPP models.
- FINTECH policies and growth were noted as positive and greater digitization and accessibility were highlighted as potential priorities for this sector.

Significant support and appreciation of World Bank analytical work was underscored by participants.

- Participants repeatedly referenced the usefulness and unique benefits of World Bank research, calling it 'unparalleled'.
- These were described as a significant asset for the private sector's own due diligence.
- Requests were made for more analytical work on PPP models, how local investors can leverage public-private partnerships (PPPs), and the business benefits for pricing in climate change and how this can drive local action.

Other points:

- Participants noted that bank finance to SMEs is not adequate and could be deepened to support the growth of smaller enterprises.
- On aims related to financial stability and improvements to financial inclusion, participants asked to see any proposed initiatives and be consulted on how the Bank planned to address these challenges.
- On financial inclusion, participants referred to good progress on policies and regulation in recent years but suggested more remains to be done.

Annex:

Number of Participants	Organizations attending
32 participants	ABA Bank ACLEDA Bank AmCham AMRET Cambodia Rice Federation Amru Rice (Cambodia) Co., Ltd Association of Banks in Cambodia (ABC) Cambodia Australia Partnership for Resilient Economic Development (CAPRED) Dai Ichi life insurance, IAC BOM member Cambodia Insurance Association Cambodia Microfinance Association (CMA) Cambodia Securities Exchange (CSX) Credit Bureau of Cambodia (CBC) Credit Guarantee Corporation of Cambodia (CGCC) Hatha Bank Prudential Real Estate Business & Pawnshop Regulator (RPR) SME Bank TAFTAC (Textile, Apparel, Footwear & Travel Goods Association in Cambodia) _ Former GMAC Wing Bank Cambodia Plc Worldbridge Sathapana Bank Greenway Canadia Bank CIMB KPMG Elite Group Kirisu Farm COMREDA Auskhmer Import Export Co., Ltd Bridge Bank Plc. MEF