

# Cambodia Country Partnership Framework 2019-2023

## Summary of Consultation Discussions with Private Sector

Phnom Penh, January 29, 2019

Private Sector was represented by: 10 representatives from private sector working in Cambodia

Introduction: The World Bank team opened with a presentation outlining the country context and development priorities as identified in the Systematic Country Diagnostic (SCD), as well as the proposed areas of focus for the upcoming Country Partnership Framework (CPF), which align with priorities of the Royal Cambodian Government's (RCG) Rectangular Strategy. The proposed CPF focus areas include: 1) promote state efficiency and boost private sector development, 2) foster human development, 3) improve agriculture and strengthen sustainable use of natural resources; and a cross-cutting theme of strengthening governance, institutions and citizen engagement. In addition to the SCD pathways and RCG strategy, the CPF aims to consider the WBG's areas of comparative advantage. Participants then discussed questions posed by the Bank team.

Top issues raised in discussion: Logistics, agriculture, financial sector, skills development

Areas of discussion	Detailed Minutes
<b>What are Cambodia's most pressing development challenges and needs?</b>	<b>Financial Sector</b> <ul style="list-style-type: none"><li>▪ the EU removes Cambodia's access to the preferential <i>Everything But Arms</i> (EBA) Agreement, there may be some negative impacts on the private sector</li><li>▪ With the high credit growth, loans will slow down due to the 1.25% additional capital buffer imposed by the central bank starting from January 2019 (they will bring the buffer to 2.5% in 2020).</li><li>▪ There is no unified and central data/statistics available on SMEs that is reliable.</li><li>▪ On digital economy, NBC does not accept softcopies of relevant documents. The tax department requires 10 years of archived hard copies(financial information), a requirement lenders find difficult to meet.</li></ul> <b>Logistics/Energy</b> <ul style="list-style-type: none"><li>▪ High cost and poor connectivity of logistics</li><li>▪ High electricity cost remains a challenge for Cambodian businesses</li></ul>

	<p><b>Agriculture</b></p> <ul style="list-style-type: none"> <li>▪ Lack of mechanization, labor force, crops diversification and value addition</li> <li>▪ Cambodian products lack quality standards</li> <li>▪ Insufficient research on productivity improvement in the agricultural sector, especially rice and cassava.</li> <li>▪ Farmers generally adopt one crop farming practice (especially rice).</li> <li>▪ High post-harvest loss due to poor logistics and connectivity for farmers to transport their products from farm to warehouse and market.</li> <li>▪ It is noted that there has been little improvement in agriculture; Cambodia needs more support to infrastructure, irrigation and market access.</li> </ul> <p><b>Skills</b></p> <ul style="list-style-type: none"> <li>▪ Cambodia has raw materials but lack of skills to produce finished products. Skilled laborers are needed to increase productivity and transition to produce high-end products such as airconditioning units or home appliances.</li> </ul>
<p><b>What would be the priority areas for WBG support over the next 5 years? What should the WBG do more or less of?</b></p>	<ul style="list-style-type: none"> <li>• WB has been supporting logistics, but the Bank should do more to reduce logistics cost. The government acknowledges this as a major constraint.</li> <li>• WB should support farmers to transform themselves to be agri-entrepreneurs</li> <li>• Diversification of products to more high value crops should be developed, such as pepper, cashew, fruit and vegetables.</li> <li>• Improve agro-processing efficiency through establishment of agro-processing centers, agriculture land zoning and tax incentives</li> <li>• Promote local agri-products e.g. GAP, brand development etc.</li> <li>• The government and development partners should improve connectivity such road, waterways.</li> <li>• Improve food safety, SPS, and market access</li> <li>• Improve investors' confidence through improved law enforcement, predictability and transparency</li> <li>• Promote better nutrition</li> </ul>
<p><b>What could be the most significant implementation challenges and how could they be mitigated?</b></p>	<ul style="list-style-type: none"> <li>• The government should consult with the private sector before the adoption of any law that will impact private sector</li> <li>• The tax exemption policy should be reviewed, the limitation of US\$0.5 million will not work for agri-SMEs, which turnover between \$3-5 million.</li> </ul>
<p><b>Other comments</b></p>	<ul style="list-style-type: none"> <li>• WB Ranking on Logistics is 85 out of 180 countries. The ranking should be better, as infrastructure in Cambodia has improved.</li> <li>• The sample size should be increased for the annual Doing Business Rankings, as well as addition of more questions</li> </ul>