Best wishes for a Happy 2005

World Bank/IFC Vice President encourages Cambodia to reduce red tape to stimulate economic growth

Although Cambodia’s economy lags behind the region and the world, creating a more business-friendly environment can do much to stimulate economic growth. Key areas where Cambodia can take action include business startup, reduction of red tape and steps to improve the rule of law.

These were the central messages delivered by Michael Klein, World Bank/IFC Vice President for Private Sector Development and IFC’s Chief Economist when he spoke to large audiences in Phnom Penh in January. ‘Cambodia desperately needs new enterprises and jobs. Currently, it risks falling even further behind countries that are simplifying regulation and making their investment climates more business friendly.’

Speaking first to an audience of 100

Second water project focuses on commune level services

In this issue of the World Bank newsletter, we had the opportunity to interview Luiz Tavares, task team leader of the Provincial and Peri-urban Water Supply and Sanitation Project and the completed Cambodia Urban Water Supply Project.

Q – Could you tell us about World Bank-supported projects in the water supply sector?

A – We just finished the first project for the rehabilitation of the water system in Phnom Penh and Sihanoukville. The results were very positive. Now we are implementing a second project, which focuses on small communes along national and provincial roads, in communes that link rural and urban markets. This association of communes is very important economically, because it enables poor people to sell their products to markets within these communes. A third component of the project is sanitation which cooperates with an NGO called Center for Development (CFD). This project will fund the construction of 12,000 sanitation facilities in the same places where we have water supply coverage.

Q – How will these projects benefit Cambodia?

A – When people have access to clean water, their health improves and they are less likely to contract waterborne diseases. The project is based on a strong community consultation process. Clean Water Committees act on behalf of the community and provide additional services beyond the project’s primary pur-
Communities needed to be involved in the process

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suits. For example, some communities organized water for the poor in Phnom Penh. With the same approach, they worked with Electricité Du Cambodge (EDC) to provide poorer people with electricity direct from the grid. So you create a mechanism the community can use to improve access to amenities. Outside Phnom Penh, at a commune level, the same community-approach was used. Communes are in the process of consultation to construct their own sanitation facilities to improve health and hygiene.

Q – The Cambodia Urban Water Supply project has just been completed. What were the challenges faced by the project and what are the most significant lessons learned?

A – The challenge was capacity-building at both the Phnom Penh Water Supply Authority (PPWSA) and the Sihanoukville Water Supply Authority (SWSA), so that systems can be continued after the Bank has concluded the project. Today, PPWSA has the capacity to design and operate water systems on an international level. Sihanoukville Water Supply Association is also equipped for operating their water system. We learnt that you need at least two things in water supply projects. Firstly, you need a commitment from the authorities and secondly, you need to involve communities in the process. If communities are not involved, it is very difficult to achieve health and hygiene objectives. In terms of the PPWSA coverage area in 2000 – the NGO informed the Bank that the number of poor families without water connection was around 25,000. With the Bank-supported project, the PPWSA has reached over 9,500 families, and over the next three of four years, this will grow to 18,000 families. It is a very long and difficult process because sometimes, you can’t localize the families as many live in isolated areas.

Q – The project provides access to water for poor communities. What was the most significant impact on these communities, aside from the obvious access to clean water?

A – To discover how poor people could benefit directly or indirectly from the project, commune councils were asked to develop criteria for identifying the poor people in their communities. At the end of this process, the communities came up with a list of the names of the families, which was then sent to the PPSWA and a consultant, in order to conduct a survey of 2 to 3 percent of the households the communities had indicated as poor. This was to guarantee the list did not short-cut the selection process. Within the communities, this process created a very important consensus of who was to benefit and who was supposed to be included in direct connection to the Bank project. So poor people do not pay the connection, they get this for free, because their income is only around $0.75 a day in Phnom Penh.

Q – In some areas, the water supply is controlled by the private sector. Is this a policy that the Bank should encourage, and why?

A – Let’s rephrase it. Water is provided by the private sector. What we encourage are water supply facilities operated by the private sector. However, the owners of the facilities, in most cases, are either the government or local communities. There are very few cases when the government does not have full ownership. Yes, the Bank does encourage this policy, but only when the contracts for the private sector are bid for in a transparent and competitive manner – with community consultation a priority.

Q – Clean water is essential. Did the project aim, or plan on working with a civil society or another partner?

A – Yes, we prepared for the project by consulting all communities before a feasible study was prepared. Before a feasible study began, extensive consultation with communities was done. This phase took at least six months. From this consultation, much information was provided by poor communities to guide the engineer in preparing feasibility studies. For example, the list of poor people was prepared during this time. During the implementation process, CFD continued to speak with communities to form Clean Water Committees, according to Commune/Sangkat regulations. The Clean Water Committees interact with private operators at a local level. The Committees will receive special training to un-
Cambodia needs to create a more friendly business environment

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people from the government, private sector, donor community and NGOs and then to 150 university students, Mr. Klein cited statistics from the IFC/World Bank report Doing Business 2005: Removing Obstacles to Growth. This report, which benchmarks regulatory performance and reforms in 145 nations, including Cambodia, stresses the need for investment climate reforms. While often simple, they can help create jobs for women and young people, encourage businesses to move into the formal economy, and promote economic growth.

Doing Business 2005 also states that poor nations still make it two times harder than rich nations for entrepreneurs to start, operate, or close a business and that businesses in developing countries have less than half the property rights protections available to businesses in rich countries. Overall, rich countries undertook three times as many investment climate reforms as poor countries last year.

Regulations are another problem in poor countries. In poor countries it costs more to fire a worker, enforce contracts, or file for registration. In administrative costs alone, there is a threefold difference between poor and rich nations.

In both his speeches, Michael Klein noted that the Cambodian government has recently taken steps to create a more friendly environment for business. “The minimum capital required to start a business has been reduced from $5000 to $1000, the cost of registration has declined from $615 to $177 and the number of days to register a business is down from 30 days to 10.5 days. “These are all positive steps and we encourage the government to pursue vigorously the other reforms that are under consideration.”

The full Doing Business 2005 report is available online at the World Bank’s Media Briefing Center.

http://media.worldbank.org/

World essay competition for young people

Building a secure future… Seeking practical solutions

In many of the world’s current crises, for example, armed conflict, HIV/AIDS, unemployment, financial instability – young people are on the front lines and are the main victims. To learn what the lack of a secure future really means to young people, to understand how the deal with this challenge in their daily lives, and enlist their help in finding solutions, the World Bank is holding a World Essay Competition for students and young people.

Objective:
♦ Learn from young people what insecurity really means for them;
♦ Involve youth in finding concrete solutions for building a more secure future;
♦ Provide inputs from young people to an annual worldwide conference on development: the Annual Bank conference on Development Economics (ABCD/E), May 23 – 24, 2005, Amsterdam, The Netherlands;
♦ Increase the awareness of global poverty issues among young people.

Essay Topic: Building a Secure Future ... Seeking Practical Solutions
1 – What are the biggest obstacles you face in your daily life?
2 – What practical solutions would you propose to build a secure future for yourself and other?

Essay content: Entrants will be specifically requested to avoid general statements, but rather discuss specific experiences and propose concrete solutions. Entrants can use one of three approaches to address the Second part of the essay (question 2): personal reflection, policy analysis, or academic inquiry.

Who can take part in the Competition
The World Essay Competition is open to all young people, students and non-students alike, between 18 and 25 years old. Essays should be submitted by individuals.

Awards
Awards are anticipated and may include:
Prize of $5,000
Prizes of $1,000

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Where submit to:
Entrants will submit their essay through website below:
http://www.essaycompetition.org

Process:
Young people will be invited to submit their essay (max. 10 pages – 4,000 words) and an abstract (max. 1 page) in French, English or Spanish.
The competition was launched on January 5, 2005
Deadline April 15, 2005

The selection will be completed by May 2005. The ten or so finalists will be invited to present their essays to a panel of experts. The Winner(s) will present their work to the audience of the ABCDE-Europe 2005 conference, followed by an award ceremony.
Water project focuses on poor groups

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derstand the process of water contracts. In particular, they will learn how, and what they can ask operators. It is very important we have sanitation facilities because the volumes of water will increase at household levels. So if you don’t build the facilities, the additional amounts of water used could create different type of environmental problems.

Q – What are the reactions of people in communities when they get clean water?

A – I have been working for seven years in Cambodia and I have visited many of these communes. When we first began to work with these communes some years ago, they were very small. But now they are growing very fast – some communities have doubled in size. Because of this growth we have had to adjust some earlier technical designs. But it is interesting to see how the economy has grown between rural and urban markets.

In Cambodia there used to be four or five private legal providers operating the systems, but they only provided water to those with high-incomes. These private operators did not usually provide water to those with low-incomes. Through the World Bank project, we have focused on those earning little, so they realize that they are a part of society too. Land tenure is also a very good instrument for this social change. I think these two things enable poor people to be incorporated better into the greater society.

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Upcoming international summit:
Seizing the global opportunity


In the wake of the expiration of the global quota system for textiles and garments—an industry responsible for 80% of Cambodia’s export revenue—and during Cambodia’s WTO accession process, global leaders from government, business and civil society will discuss Cambodia’s unique opportunities in the global market, its strategy to leverage corporate social responsibility for competitive advantage, and the reforms the Government is implementing to make Cambodia a competitive business destination.

On the evening of February 10th, World Bank President James Wolfensohn, former EU Trade Commissioner Pascal Lamy, and a number of regional and global economic and political leaders of the region will engage in an informal dialogue on Cambodia’s commitment to growth through trade and corporate social responsibility. In addition, at this event, Mr. Wolfensohn will also announce the winners of Cambodia’s First Annual Corporate Citizenship Awards, which are sponsored jointly by the Ministry of Commerce and IFC, and highlight good practices in employment and labor, environmental stewardship, community engagement and corporate governance.

The opening event will then be followed by a one-day Conference on February 11th, where a series of distinguished panels will address local and international media, regional governments, multinational corporations and other foreign investors on the specific attractions of Cambodia’s investment climate, the challenges that lie ahead, and emerging opportunities in global trade.

Seizing the Global Opportunity presents an unprecedented opportunity for business, government, labor, multilaterals and the NGO community to explore Cambodia’s unique advantages—like its pursuit of a corporate social responsibility market niche in the garment sector, and Cambodia’s particular challenges—especially in rule of law and cutting informal costs to business.

For more information, visit the conference website at: http://www.globalfairness.org/cambodia

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