Private Sector Development and Employment Generation

Since the previous CG meeting the novelty is the advent of the Sector Wide Approach, or SWAP, on private sector development. In Cambodia we have faced a challenge of coordination and cooperation. This is not an issue of Government or donors. We have acknowledged it is an issue we all share.
The SWAP approach has been welcomed by the Government as a positive step to improving donor coordination on private sector development. From the Royal Government side, a Private Sector Development Steering Committee composed of seven Ministers and chaired by H.E the Senior Minister, Minister of Economy and Finance has been established. The private sector under the Government Private Sector Forum (GPSF) is also involved in this consultation and I will touch more on the role of the private sector in a moment. Some of the issues that we are addressing in this dialogue and that will impact the private sector, include reducing bureaucracy, phasing out redundant inspections on imports and exports, eliminating unnecessary licensing and, in general, identifying and reforming processes that are a waste of time and cost money. In the near future all exporters, not only the important garment sector, will have their administrative burden reduced and the improved administrative environment should provide incentives for exporters.

A significant success, heralded and supported by so many of us around the table today, has been the accession of Cambodia into the WTO. This will provide further challenges and opportunities. We have access to new markets. We also have an agenda to move forward on the adoption and enforcement of basic business regulations and to work on creating a level playing field for our investors.

We, the Royal Government, are committed to the development of the SME sector. Our commitment to SMEs will foster activity in the provinces and rural areas where the majority of Cambodians are living. It will reduce the rural exodus by encouraging the development of non farm rural enterprises and encourage the growth of the formal sector. We look to you, development partners, for further support in this endeavor. However, what we really want is for the private sector to grow, to develop business associations, to be advocates for their sector, to expand and to generate employment.
We look to an inclusive approach to development which is one way to describe an overarching approach to private sector development that will enable Cambodia to benefit from AFTA, the WTO, Everything But Arms, the Early Harvest Program... and seeks to more closely integrate the country into the region and the world.

Sok Chenda, Secretary General of the CDC, Secretary General of the GPSF,, Secretary General of the Steering Committee for Private Sector Development, CG Meeting, 6-7 December 2004

It is in that sense of inclusiveness, that in Cambodia, at the initiate of the Prime Minister the Government-Private Sector Forum (GPSF) was established in 1999 as a mechanism to improve the business environment whereby, trust can be built between the public and private sectors. The GPSF provides the framework for ongoing, structured dialogue between the Royal Government and the business community. The basic work is undertaken during the year by seven public-private sectoral working groups that specialize in areas ranging from agro-processing to financial services, law, taxation, and governance, to tourism among others.

Despite its short history, the concept of the GPSF and public-private dialogue is proving durable in Cambodia. The GPSF has demonstrated its ability to serve as an unbiased intermediary between the Royal Government and the private sector, in a context that generally lacks organized associations and business groups capable of playing an advocacy role. The GPSF has provided a platform for business representatives to offer expertise on a range of policy and regulatory reforms. Successful examples include consultations on investment law, taxation law, and concession law, the introduction of private sector monitors at the Ministry of Commerce, and negotiations on cost reductions for scanning operations and toll road fees.

Not all issues are solved in the Working Groups to everyone's satisfaction. Unresolved issues are recommended for review at the bi-annual Government Private Sector Forum. The Prime Minister chairs this Forum and its deliberation is considered as the one of a Cabinet meeting.

The benefits of this public — private dialogue are manifold. The Government is able to cater directly to the private sector as the 'engine of growth'. The Private Sector can rightly assume its role as a key partner in the ongoing development of Cambodia. The Government can, in turn, tap into the human resource potential of the private sector.

Cambodia has had significant challenges in terms of attracting private sector investment. These challenges are well known. Addressing these challenges and working to overcome the obstacles to further improve the development of the country has been a constructive and revealing process under the GPSF mechanism.

Nevertheless, this process is not only restricted to Government and private sector participants. Issues raised by the private sector have inspired a range of donor's studies and reviews including the WB report on Investment Climate Assessment and reform strategy. Donor's involvement in the private sector development has increased markedly in recent years and this tripartite collaboration between the Government, donors and private sector is a welcome development.

As noted in my introductory comments, on the donor side, since the last few months there has been a move towards greater coordination and collaboration on private sector development. A Sector Wide Approach, or SWAP, has been developed. The donors have aligned themselves around the Royal Government Private Sector Development Steering Committee and the three Sub Committees.

Since their inceptions, each Sub Committee has organized meetings and discussed with development partners as well as with the private sector.
The Sub Committee on Investment Climate and PPI under the leadership of H.E. the Senior Minister, Minister of Economy and Finance is currently working on the draft of the

Concession Law which will provide, once the law adopted, a proper regulatory framework for the private participation in the provision of infrastructures.
For this matter, technical assistance has been and will be provided by the World Bank and other development partners.

The Sub Committee on Trade Facilitation, under the leadership of H.E. the Senior Minister, Minister of Commerce, is implementing the Twelve Point plan which aims to have by end 2005 on operational Single Window for import-export activities. Streamlining administrative procedures wherever it is possible is the motto.
Here also, technical assistance has been and will be provided by the World Bank and other development partners.

The Sub Committee on SME, under the leadership of H.E. the Minister of Industry, Mines and Energy is undertaking a 3 pronged action: provide an enabling legal and regulatory framework for SME, increase access to financing including leasing and enhance SME related business development services. Here the ADB is providing the core technical assistance along of course the other donors.

The path of the above activities has led to a greater understanding of the value chain approach to development, the importance of competitive trade facilitation reform and the potential that a dynamic SME sector can provide once it has been liberated from the rigors of bureaucracy and unnecessary expenses.

Thus it can be seen that the inclusive approach to private sector development has spawned many associations of common interest and shared consensus amongst what may have seemed in Cambodia only a short time ago as unlikely partners. Royal Government, Private sector, and development partners are focusing on private sector development in an increasingly unified manner. This unity speaks loudly to the private sector that understands that to run a successful enterprise, clear policy, planning and teamwork are essential.

The Government has encouraged this inclusive approach. It has designed it, placed a high level Ministerial delegation to lead the PSD Steering Committee and Sub Steering Committees. It has called on all partners to rise up to the challenge of PSD. In doing this we know that it has meant that the private sector have had to break barriers that had made interaction between the private sector and the Government difficult to take place. We know that mechanisms such as the GPSF, the Steering Committee and the SWAP can take time to fully reach their potential. Regardless, we have faith in the principle that only by being inclusive and by challenging existing norms can we reach the goal of increasing GDP to 6-7% and generate employment that will reduce poverty and provide opportunities for our people.

The process is developing an inherent accountability but for the process to work, all must work hast to achieve mutual goals. If we stop being inclusive at this point or at any point where the strain seems too great then such an approach will never have achieved its potential. In Cambodia private sector development is a long term commitment whose outcomes can be measured tangibly through the level of formal employment, per capita income and decreased poverty. The signal that this approach must send to you is that, an opportunity exists in the field of PSD that has not previously been available. It is one that says **‘now is our chance to have a direct impact if we, RGC, development partners, and private sector have the will and commitment to truly make the engine of growth a catalyst for generating employment.’**