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## World Bank Managing Director and Chief Economist Visit Cambodia

### *Family farms, small businesses critical engines for reducing persistent poverty*

Improving the investment climate and investing in the rural economy are critical to having an impact on poverty in Cambodia, said two senior World Bank officials who visited the country recently.

Managing Director Mr. Shengman Zhang, who visited Cambodia April 28 - 29, and Senior Vice President and Chief Economist Mr. Nicholas Stern, who vis-

ited on May 2 - 5, met with Government officials and a range of stakeholders to talk about Cambodia's prospects for reducing poverty and improving the economy. The visit marked the beginning of a process to formulate the World Bank group's new plan for working with Cambodia, the Country Assistance Strategy.

During his visit, Mr. Zhang met

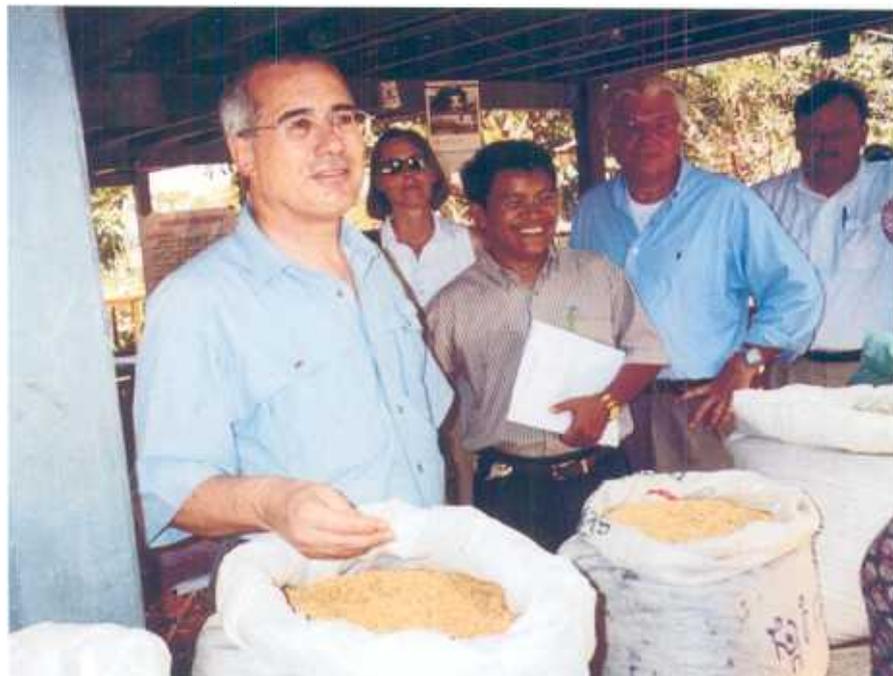
with senior officials in the Cambodian Government, including H.E. Mr. Keat Chhon, Senior Minister, Ministry of Economy and Finance; H.E. Mr. Cham Prasidh, Minister of Commerce; and Members of Parliament. He also met with groups of donors, NGOs and private sector representatives to discuss Cambodia's development challenges and how to build more effective partnerships.

Mr. Zhang applauded the significant progress made over the past 10 years in rebuilding the country. He noted, however, that while Cambodia has experienced favorable growth in recent years, growth has not been widespread and it is not clear to what extent it has had an impact on pervasive poverty.

"Going forward, Cambodia must confront a number of complex issues that cannot be solved overnight. It is therefore critical that the government and all of its development partners approach development with a long-term perspective and seriously examine what will be the country's engines of growth in the medium- and long-term," he said

"The fragility of the Cambodian economy can be addressed by improving the productivity and competitiveness of its manufacturing sectors, diversifying its export base, and improving the investment climate. Equally important, however, is how to grow the rural economy, particularly through investing in rural infrastructure such as irrigation," he added.

Mr. Zhang spoke with teachers and students at the Chambak primary school in Bati district, one of 46 primary schools supported by the World Bank-supported Education Quality Improvement Project and talked with commune council officials who are implementing the SEILA program, a multi-donor-supported program designed to reduce poverty through sustainable development programs identified through the commune's participatory planning process.



Nick Stern met with Rice Seed Association member and see new rice variety during his official visit to Siem Reap

## From the New Cambodia Country Manager

This year, the World Bank group will develop a new Country Assistance Strategy for Cambodia, a plan that guides the World Bank group engagement with Cambodia. The Country Assistance Strategy or CAS is a tremendous opportunity to take stock of where we are in terms of poverty reduction and development, learn from what has worked and what hasn't, and determine how we can work together to achieve the goals set out in the country's National Poverty Reduction

Strategy.

Because I am new to the country, I have spent my first month learning and listening to a variety of people from all walks of life – Government officials, NGO heads, donors, researchers, journalists, business people, and farmers. where we want to be. What they have told me is this.

- The World Bank is working on too many different areas. That it should focus its efforts on three or so key

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## What is a Country Assistance Strategy?

A Country Assistance Strategy (CAS) is the plan for the World Bank group assistance to a member country over a 3- to 5 year period. The CAS identifies the priority areas where Bank group assistance can have the greatest impact on poverty reduction and sets the level and composition of financial and technical assistance the Bank group can provide during this period.

To help determine priority areas for development assistance, the Bank draws from the country's poverty reduction strategy -- in Cambodia, the National Poverty Reduction Strategy (NPRS)-- and engages in a consultative process involving key stakeholders, including members of government, NGOs and other civil society organizations, private sector representatives, as well as other donors to get their perspective on the country's key development challenges and the areas where the World Bank group can best assist. This broad participation in CAS formulation has helped improve the quality, effectiveness, and sustainability of the

World Bank group programs, and has strengthened ownership and commitment of government and others in the development process.

The Bank group uses the CAS to account to its shareholders for the programs it supports in any given country. The country's past portfolio performance and creditworthiness are also taken into account when determining the level and nature of assistance the Bank can provide. All CASs are reviewed by the Bank's Board of Executive Directors. The key elements of the CAS are discussed with the government prior to presentation to the Bank's Board. However, it is not a negotiated document. Any differences between the country's own agenda and the program supported by the Bank group are highlighted in the CAS document.

The process for formulating a new CAS is already underway in Cambodia for 2004-2008. Cambodia has been selected as a pilot for a results-based CAS, which will focus more on defining key results of activities undertaken as part of

the Bank group CAS. These activities will support the broader and longer-term development outcomes articulated in Cambodia's National Poverty Reduction Strategy (NPRS) and localized Millennium Development Goals (MDGs).

The results-based framework will provide a more effective tool to monitor and assess progress towards achievement of these goals during the CAS implementation period. This CAS will also be used as a mechanism for review of how the World Bank group can enhance its work with Government, NGOs, donors, and other partners.

CASs for all countries eligible for IDA funding are made public once they have been discussed by the Board and finalized. The World Bank Group policy also requires that, with Government consent, the Bank issue a CAS Public Information Notice (CPIN) following Board discussion of a CAS. These documents are posted on the Bank's external website: <http://www.worldbank.org/cas> and in its Public Information Center.

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The World Bank's Chief Economist Mr. Stern met with the Prime Minister, H.E. Mr. Hun Sen; Senior Minister H.E. Mr. Keat Chhon; as well as senior policy makers of the Supreme National Economic Council. He also spoke with more than 100 university students from five universities and gave a speech before some 100 government, donor, NGO and private sector representatives.

Mr. Stern pointed out that the two main pillars of economic growth and poverty reduction are to improve the investment climate and to empower and invest in people. "When we talk about the investment climate we are talking about the family farm and small- and medium-sized enterprises. These should be our focus because they are the main forms of business here and are key to reducing poverty," he stated.

"The importance of improving the investment climate will only intensify in the years ahead as the country must work to reverse a decreasing trend in foreign direct investment (FDI) and adjust to the dismantling of the quota system that has stimulated the growth of its garment sector over the past several years," he added.

Both men noted that improving the investment climate requires atten-

tion to governance and rural infrastructure. The best way to benefit the family farm and small businesses is to invest in irrigation systems, agricultural extension, and rural roads. This will help raise productivity and get products to market. Cambodia also needs to begin to tackle the problems of informal taxes that hinder entrepreneur-

**"When we are talking about the investment climate, we are talking about the family farm and small- and medium-sized enterprises. These should be our focus because they are the main forms of business and are key to reducing poverty," said Mr. Stern**

ial initiative and participation in the economy. These types of investments and reforms can have a profoundly positive impact on the lives of poor people, particularly in a country like Cambodia where more than 80 percent of the population live in rural areas and over 70 percent earn their livelihoods from agricultural activities.

"Improving trade and infrastructure links with neighboring countries can also provide an enormous boost to the farmer," Mr. Stern said. "In Siem Reap we learned that large quantities of vegetables come in from Vietnam to meet the tourism demand, but with some investment, Cam-

bodian farmers can benefit from this demand as well."

Mr. Stern noted that for Cambodia, the main driver of poverty reduction will be rural development. "Rural development should be central to any development strategy, not just a footnote," he said.

A strong rural development strategy should be complemented with investment in people through health and education. "Social sector investments are not only vital and worthwhile investments in and of themselves for the direct improvements they make in people's lives, they also

help the country lay a better foundation for medium-term growth and integration into the broader regional or international economy," Mr. Stern said.

Both officials called for a broader development partnership that includes the Government, the Bank, other donors as well as much more active participation of the private sector, NGOs, the media, and local communities to ensure that development activities reach the poorest and address the needs of farmers and small business entrepreneurs -- Cambodia's most promising engines of growth.

## World Bank Approve Three New Projects

Over the past six months, the World Bank's International Development Association (IDA) has approved nearly \$69 million in no-interest loans and nearly \$10 million in grants to help Cambodia improve the delivery of basic health services, enhance rural infrastructure and services, and improve access to water and sanitation services.

The three projects supported by the IDA credits and grants are the Health Sector Support Project, approved December, 2002 (\$17.2 million IDA credit; \$9.8 million IDA grant), and Rural Investment and Local Governance (\$27 million) and Provincial and Peri-urban Water Supply and Sanitation (\$22 million), approved April 2003.

IDA, one of the institutions that makes up the World Bank Group, provides loans and grants to low-income countries. IDA loans are called "credits" because they are loaned without interest and have a long repayment period, normally 40 years.

The Health Sector Support Project focuses on primary health care, especially improving health services in rural areas and making it easier for low-income people to use health services. The project is intended to support better control and prevention of infectious disease epidemics and malnutrition, especially among the poor.

The Provincial and Peri-Urban Water Supply and Sanitation Project aims to assist the Water Supply Authority to expand the supply of safe water to targeted towns and growing peri-urban communities (communities immediately outside the city) and improve sanitation services. The project also aims to help low-income communities in urban centers find a way to pay for piped-in water services.

The Rural Investment and Local Governance Project supporting through Seila Prgoram, provision of priority public goods and services at the commune level, and promotes good local governance.

For more information about the World Bank in Cambodia, please visit our Public Information Center (PIC) at 113 Norodom Blvd, Phnom Penh or our website at <http://www.worldbank.org/kh>.

## From the Cambodia Country Manager . . .

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areas where it can build a consensus for reform and action.

- We need to work together in partnership with others, including local organizations, NGOs, other donors, as well as with Government because the challenges are huge and we cannot make a difference if we work alone.
- Since poverty in Cambodia is largely rural in nature, we need to focus much more than we have in the past on rural development, including agricultural growth and productivity; rural infrastructure; and making rural markets work better.
- Improving governance should be a key objective of everything we do.
- We need to find better ways of working that build and utilize local capacity and to always have that as our long-term goal in whatever we do.
- The World Bank should be a conveyor of information and

knowledge about development. The Bank should work to help build the knowledge base of the country and bring experiences from other countries and help share experiences within the country.

These are important insights, and my colleagues and I look forward to hearing others and helping to come up with solutions on where we can do the most good.

I believe this Country Assistance Strategy will look very different from the ones before. Cambodia is reaching a new stage in its development, moving from post-conflict reconstruction to more long-term development issues, but the challenges remain significant.

This calls for a very different way of operating, one that focuses on partnerships and building skills and abilities for the long-term. I look forward to working with you and invite your insight and suggestions on the World Bank's future programs.

*Ms. Nisha Agrawal*

*Cambodia Country Manager*

*Email: [nagrawal@worldbank.org](mailto:nagrawal@worldbank.org)*

## World Bank Conducting Civil Society Assessment

The World Bank is conducting a civil society assessment in Cambodia as part of its effort to build stronger partnerships in its development programs.

The CSO assessment will provide a comprehensive picture of the overall state of civil society in Cambodia by examining the history of civil society development, the sectors and provinces in which they work, the activities they undertake, the legal and financial environment in which CSOs operate, their areas of concern with respect to

Cambodia's development process and their role in it, and the potential for building more effective partnerships.

The assessment includes a review of the World Bank's portfolio in Cambodia which will analyze the critical fac-

tors that contribute to successful participation of civil society organizations in Bank-supported programs in terms of project design, implementation and learning experiences. It will also con-

sider missed opportunities and provide recommendations for how to achieve more productive and collaborative partnership moving forward.

The report will be completed in June 2003 and will be published in English and Khmer, posted on the Bank's website at [www.worldbank.org/kh](http://www.worldbank.org/kh) shared with CSOs and available at the Public Information Center at the World Bank office.

*For More information please*

*contact: Ms. Nil Vanna*

*Email: [vnil@worldbank.org](mailto:vnil@worldbank.org)*

## World Bank's Activities Since 1992 Focus on Rural Development

*The World Bank returned to Cambodia in 1992 to help with the Government's development objectives. The Government has borrowed a total of \$478 million from the World Bank (of which \$300 million has been received so far) and has received more than \$15 million in grants for this purpose.*

Bank lending aims to help build the foundations for Cambodia's development and for poverty reduction. This means supporting good governance, such as legal, judicial and public sector reforms, including civil service restructuring and military demobilization. It means building physical infrastructure, such as roads, water supply and electricity in rural and provincial areas to increase people's access to services and productive activities. It means rebuilding human capital by increasing people's access to and the quality of healthcare services and education. It means investing in education and skills development that will contribute to building new generations of good leaders in government, business and society. It also means helping private sector development in traditional and non-traditional sectors, including supporting rural-income-generation.

The Bank's loans and grants focus as much as possible on Cambodia's rural areas where the majority of the population, and the majority of the people who are poor, live. They also aim to increase access and opportunities for women, especially in education.

The Bank is also helping the Cambodian Government in creating a long-term strategy to reduce the country's vulnerability to flooding. And the International Finance Corporation, a division within the World Bank, supports the development of private, domestically owned, small- and medium-scale enterprises through the Mekong Project Development Facility (MPDF). It includes the Hagar Project, an integrated housing and job-training program for destitute women and their children. This project is seen as one of Cambodia's most effective poverty-fighting initiatives.

In collaboration with the government's other development Part-

ners, the World Bank is supporting implementation of Cambodia's National Poverty Reduction Strategy (NPRS), including strengthening participation in setting priorities and monitoring activities in the NPRS towards achievement of the Millennium Development Goals (MDGs). The World Bank also co-chairs, with the Government, the Consultative Group (CG) which provides a forum for Government and its development partners to discuss coordination and progress with development assistance in Cambodia.

*For More information please contact:*

*Mr. Steven N. Schonberger*

*Email:*

*sschonberger@worldbank.org*

## World Bank provides \$42,000 in grants to 7 local organizations

The World Bank recently awarded \$42,000 in grants to 7 local NGOs as part of the 2003 Small Grants Program, a program that operates globally to support local NGOs working with vulnerable groups.

The Small Grants Program (SGP) was created in 1983 to provide a way for the World Bank to promote dialogue and dissemination of information about international development in forums outside its own operations. The SGP in Cambodia was started in 2002. This year, the program is providing support to seven local NGOs: Star Kampuchea, Action on Disabled and Development (ADD) through Svay Kravann Disabled People Development Federation (SDDF), Wathnakpheap, Opération Enfants De Battambang (OEB), Cambodian Building Organization (CBO), Khmer Women Voice Center (KWVC), and Women's Media Center of Cambodia (WMC).

Star Kampuchea has received US\$6,000 to strengthen labor rights through cooperating with union federations and trade union, share the updated draft law to public, and strengthen capacity of the cooperating organization and

provincial advocacy networks.

A Kampong Speu province-based Disabled NGO, SDDF, also received \$6,000 to support activities to provide opportunities and capacity building to disabled women to establish their equal rights, and to participate and contribute to development activities. The program will operate in four districts in the province where there are 47 direct beneficiaries and 17700 disabled members.

Wathakpheap (Development Organization) received \$7,000 to support implementation of activities to enhance the capacity and partnerships with local communities on service delivery and sharing experiences, and to promote a community-based child development program in four districts in Pursat province. The program is also helping to promote village-based education and income-generation skills.

Two Battambang province NGOs, OEB and CBO, have also received \$6,000 for activities such as supporting the rights of vulnerable children in a newly reconciled area and cooperation between local authorities and NGOs to address cases of abuse of child rights. For

CBO, their work is on upgrading capacity building of the community-based network, improving the way decentralized partnerships function and promoting good governance to local community leaders and commune council members.

KWVC has received \$5,000 for work to disseminate information on women's rights through concerts and street activities. This work will focus on empowering women and encouraging them to participate in decision making process in all sectors of political, economic, social and cultural life of the nation.

WMC received \$6,000 to operate a radio program on women and the law on violence against women to be broadcast on radio FM 102. This program focuses on women's rights in society and addresses issues of women's protection, and encourage engagement by women lawmakers on these issues.

*For More information please*

*contact: Ms. Nil Vanna*

*Email: vnill@worldbank.org*