Phnom Penh, May 22, 2007 — With resolution of the crisis surrounding the World Bank’s leadership, the Bank’s Country Director for Cambodia, Ian Porter, has called for a continuation of the organization’s important work in the field.

“Now that the Bank’s leadership issue has been resolved and is behind us, we can focus all our efforts on assisting developing countries with their considerable development challenges,” Mr. Porter said. “In Cambodia, our key priority is to address the governance challenges to high and diversified growth and poverty reduction, as laid out in our Country Assistance Strategy. We have just had a country team retreat last week to review progress against the CAS and we believe that in a number of areas, implementation is on track.”

Need to Continue our Work on Core Mission of Fighting Poverty, Says World Bank Cambodia Country Director

The World Needs a Stronger World Bank

Ms. Ngozi Okonjo-Iweala is a former finance minister of Nigeria and currently a fellow at the Brookings Institution in Washington. This article appeared in The International Herald Tribune, May 25, 2007. Ms. Ngozi Okonjo-Iweala was also the previous World Bank Country Director for Cambodia.

By Ms. Ngozi Okonjo-Iweala

As a former World Bank staff member and as one who worked with the bank while finance minister of Nigeria, I have watched with growing sadness the many recent criticisms of this institution.

By no means is the World Bank perfect. I agree with those, many of them within the bank, who feel reform is overdue. Yet I cannot agree with those who question the need for such an institution today.

There is no doubt that we need the World Bank. It has a strong future, and it has a mandate that it must fulfill in helping...
More than one hundred participants representing government ministries, donors, civil society groups, and the media attended a one-day workshop at Sunway Hotel in Phnom Penh on May 3, 2007 to discuss the Ministry of National Assembly-Senate Relations and Inspection (MoNASRI) component in the proposed Demand for Good Governance (DFGG) Project.

The DFGG project is being prepared by the Ministry of Interior (MoI) with support from the World Bank. It aims to promote good governance by building the capacities of state and non-state institutions, and supporting programs and coalitions that promote, mediate, respond to, or monitor for strengthening DFGG.

DFGG refers to the extent and ability of citizens, civil society organizations, and other non-state actors to hold the state accountable and to make it responsive to their needs. And in return, this DFGG enhances the capacity of the state to become transparent, accountable, and participatory in order to respond to these demands.

MoNASRI is one of four state institutions that have been selected for support under the project, the others being the Arbitration Council in the Ministry of Labor and Vocational Training, Radio National Kampuchea in the Ministry of Information, and the MoI itself for their One Window Service Office and District Ombudsman initiative. In addition the project will have a window for supporting non-state institutions that will promote partnerships of state and non-state actors in promoting transparency and responsiveness in implementation of Royal Government of Cambodia (RGC) reform.

Each of the state institutions is preparing its proposals for support from the DFGG project and is undertaking a participatory process of consultations to solicit feedback from numerous stakeholders to help develop these. The event by MoNASRI was the first of these consultation workshops.

H.E. Sr. Men Sam An, the Minister for MoNASRI, inaugurated the meeting and said that Ministry was honored to be chosen for support by the DFGG project. “Today’s workshop is organized with the purpose of revising the project concept note of MoNASRI and seeking comments or recommendations in relation to the proposed strategy of law dissemination,” she said. “The comments and recommendations received will be taken into account in the preparation of the project proposal to make it of superior quality and ensure its successful implementation.”

H.E. Prak Ham, Secretary of State of MoNASRI, explained that his ministry is officially mandated to perform three key roles: building legal awareness on existing laws and rights, inspection on all fields to combat corruption, and drafting new legislation. Of these, the support under the DFGG project will be in the first area, i.e., in law dissemination. Additionally, the proposed component will consider pilot programs in the area of complaints resolution related to these laws.

“Our Ministry will disseminate six key laws, three already adopted (Land Law, Forestry Law, and Fisheries Law), and another three that are still under discussion and preparation (Anti-corruption, Decentralization and Deconcentration, and Freedom of Information),” Prak Ham said. “We also intend to facilitate debates, meetings and advocacy activities connecting citizens and their interest groups and respond directly to queries and complaints from citizens during public forums that will be organized by our ministry in the context of its law dissemination activities.”

Several important points of feedback emerged from the group discussions during the workshop. These included: the need to develop human resources at national, provincial, district and commune level for law dissemination; the need to work with volunteers at community level including students, women group and monks; the importance of cooperation between all relevant institutions and actors; the need for providing sufficient equipment and financial resources; the importance of selecting locations for dissemination that fit or need knowledge of particular laws; and the need to target a variety of audiences including civil servants, students, ordinary citizens, community members, local authorities, commune councils, civil society, monks and armed forces. The workshop also recommended that the Ministry establish a website for law dissemination and set up formal mechanisms for investigating and solving complaints.

The May 3 workshop was the first in a series of consultations the Ministry will undertake in the course of the coming months to finalize its proposal for the DFGG project. It is expected that through its component on law dissemination, the MoNASRI program will help citizens understand key laws and be aware of their rights provided by those laws. This awareness should allow ordinary citizens to organize themselves and put pressure on relevant authorities to respond more positively to their demands regarding the implementation of these laws. In this way, their wishes for better governance could become an effective demand for good governance.

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Strengthening Accounting, Auditing and Corporate Reporting in Cambodia

Cambodia urgently needs more professional accountants and auditors in both its private and public sectors, and a strengthening of its accounting and auditing standards to support good quality and credible financial reporting, a joint Government/World Bank workshop was told in early May.

The one-day workshop to discuss The Report on the Observance of Standards and Codes (ROSC) in Accounting and Auditing for Cambodia, was attended by more than 100 representatives from government, educational institutions, banks, private sector organizations, the accounting and auditing profession, and CPA Australia. The workshop was opened by Senior Minister Keat Chhon, Minister of Economy and Finance. Key note addresses were delivered by H.E. Ngy Tayi, Under Secretary of State and Chairman of the National Accounting Council, Mr. Key Kak, President of the Kampuchea Institute of CPAA, and Mr. Iraj Talai, Manager Financial Management, World Bank East Asia and Pacific Region, World Bank.

The Accounting & Auditing ROSC is a diagnostic study which aims to assess the strengths and weaknesses of the infrastructure of corporate reporting, including accounting and auditing standards and practices in a country. Nisha Agrawal, World Bank Country Manager, told the workshop the Accounting and Auditing ROSC diagnostic exercise had been collaboratively undertaken with the National Accounting Council.

“Given the importance of economic growth and good governance in Cambodia, agreement was reached with the Government to study the important area of accounting, auditing and corporate reporting by conducting the Accounting and Auditing ROSC review,” she said.

The report found that Cambodia is putting in place an institutional framework with regard to accounting, auditing, and financial reporting practices. However, institutional weaknesses in regulation, compliance, and enforcement of standards and rules still exist. The accounting and auditing statutory framework suffers from inconsistencies among different laws. There are varying compliance gaps in both accounting and auditing practices. These gaps could primarily stem from lack of clearer understanding by professional accountants, inadequate technical capacities of the regulators, absence of implementation guidance, lack of independent oversight of the auditing process.

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“While the recent crisis in the Bank has been very difficult to address, the process shows that the World Bank is determined to confront governance matters head-on within our institution, in the same way that we encourage our client countries to do.”

According to Nisha Agrawal, Country Manager for Cambodia, “The Bank has been working on the governance agenda for over a decade and remains committed to advancing this work through the implementation of the Governance and Anti-corruption (GAC) strategy that was unanimously endorsed by the Bank’s Board of Executive Directors, following an unprecedented consultation with thousands of stakeholders in 47 countries, including Cambodia. The GAC carries forward many years of effort within and outside the Bank, recognizing the critical impact of good governance and anti-corruption in poverty reduction. We believe that the GAC is an essential part of the Bank’s overall mission to reduce poverty and remains highly relevant to the development challenges that Cambodia continues to face. We look forward to working with the Government of Cambodia and other development partners and stakeholders to implement the GAC in the coming years.”

The World Bank supports Cambodia’s development with 11 ongoing projects for a total of $220 million and about $60 million in new grants per year. The focus in recent years has been on projects that support the Government’s efforts to improve governance in a number of areas (example, land titling and natural resources management; trade facilitation and private sector development; public financial management; decentralization and deconcentration) as well as those that finance Cambodia’s Millennium Development goals (basic health and education; basic infrastructure). The World Bank has been working on four new projects that we hope to take to our Board for approval in the coming months: a GMS Power trade project to bring power to Cambodia from Vietnam and Laos; additional financing for the commune/sangkat fund to support decentralization and deconcentration; a project to help the Government prepare for Avian and Human Influenza; and a policy based operation to support the Government’s overall reform efforts.

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The World Needs a Stronger World Bank

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the two billion people still living on less than $2 a day.

It can only do so, however, if the countries that it serves feel true ownership of the institution. Why were there no voices raised from the developing world during the recent crisis against the damage being done to an institution with such a noble and critically important mission?

Perhaps it is because developing countries feel they have so little voice at the bank, despite being the very reason for its existence. It is clear that the governance structure at the Bank must be addressed; that developing countries must feel they have a stake in its policies and its work.

In these days, it is too easy to overlook how much we need the World Bank. Developing countries are diversifying their sources of finance and aid; that is common sense, and the Bank will have to ensure it is competitive.

However, what is not as widely available is the knowledge and experience the Bank bundles with its finance. Many emerging economies with access to capital markets still turn to the bank for help because its staff has tremendous experience in addressing problems that have no regard for national borders.

Knowing that expertise is there, I can say from experience, is important to many countries.

We know the terrible toll diseases like HIV/AIDS, tuberculosis and avian flu are exacting on the world’s most vulnerable people; the bank supports local and global efforts to contain their spread.

We also need global solutions to the challenges posed by climate change, and the bank already has a depth of experience that makes it an obvious ally in confronting this problem.

Many people also have forgotten the other role that the World Bank plays in times of great financial distress in the world.

There were no questions about the bank’s relevance during the peak of the Asian financial crisis in 1997-98, when the Bank provided $10 billion in emergency financing to Indonesia, South Korea and Thailand. It should not take another financial meltdown in some part of the world for the bank’s value to become clear again. Of course, the bank itself - its shareholders and its staff - are the keys to its own recovery from the current controversy.

The shareholders must focus on the corporate governance of the bank. Everything from the management selection to management structure to clarity on the role and operation of the board must be reexamined and reformed. Openness, transparency, and merit should be the bywords in doing such reforms.

Above all, the bank must move quickly to safeguard its greatest asset - its staff. I know from experience that the people working for the World Bank are among the most competent and committed of any working in development in the world, and they have unparalleled experience to offer. I know personally that Bank staffers will favor reform - in fact will demand it - if they are convinced it will enhance the work they do to assist the poor people of the world.

The World Bank has so much to offer the world. But it needs to adapt, it needs to be flexible in a changing world. The excruciating experience it is going through can be turned to good if it is seen as an opportunity for true change and reform.

Strengthening Accounting, Auditing ...

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fession, and shortcomings in professional education and training.

H.E. Ngy Tayi, Chairman of the National Accounting Council, noted the significant steps that had been taken within a short time in developing the accounting and auditing legislative framework in Cambodia and emphasized the need for developing the appropriate regulatory and professional framework and for cooperative efforts to address capacity development needs in Cambodia.

In response to the findings, the ROSC report provides policy recommendations focusing on (i) modernizing the statutory framework by revising and rationalising the company, accounting, banking, insurance and taxation laws in relation to accounting and auditing requirements, (ii) capacity building for national institutions, professional accountants, auditors and regulators, (iii) regional integration of the accounting and auditing professions, (iv) greater transparency through increased disclosure requirements and compliance in the corporate sector (v) improving monitoring and enforcement of accounting and reporting.

Workshop participants were able to discuss and contribute to the ROSC country action plan aimed at operationalizing the policy recommendations. Mr. Russell Guthrie, Director - Quality Assurance and Member Body Relations of the International Federation of Accountants (IFAC), in his address to the Workshop stressed the importance all stakeholders - government, academia, business community, profession and donor partners - being involved in reforms and learning from regional and international experiences.

Senior Minister H.E. Keat Chhon, Minister of Economy and Finance, said there is an urgent need for more professional accountants and auditors in both the private and public sectors.

“We need to upgrade our accounting and auditing standards, which are outdated, and to adopt the remaining IFRSs, to amend our accounting law, to empower the National Accounting Council (NAC), and to institutionalize appropriate authorities to regulate and oversee statutory audits and quality control to protect the public interest,” he said.

The Senior Minister noted that the government’s strategy for developing the financial sector requires good quality and credible financial reporting, which is the by product of robust accounting and auditing statutory framework and sound practices and said that the “workshop had come at a crucial moment as we (the Government) are at the crossroad of overhauling the accountancy regime and profession in Cambodia”.

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