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Cambodia Advances 15 Places in *Doing Business 2009* Rankings

Phnom Penh, Cambodia, September 10, 2008 – Cambodia has moved up 15 places in *Doing Business 2009*, a report published today by IFC and the World Bank, that compares the ease of doing business around the world. Cambodia's significantly higher standing is the result of reforms that make it easier for businesses to get credit and to close a business. While much progress remains to be done in several areas, the report names Cambodia as the world's top reformer in easing access to credit.

Doing Business 2009, which compares 181 economies, uses 10 indicators of business regulation: (1) starting a business, (2) dealing with construction permits, (3) employing workers, (4) registering property, (5) getting credit, (6) protecting investors, (7) paying taxes, (8) trading across borders, (9) enforcing contracts, and (10) closing a business.

The rankings are derived from reviews of laws and regulations, and in-depth interviews with business service providers such as accountants and lawyers. *Doing Business* surveys do not assess such areas as macro-economic policy, quality of infrastructure, currency volatility, investor perceptions, or crime rates.

“These are very encouraging results,” said Stéphane Guimbert, Senior Country Economist for the World Bank in Cambodia, “especially when you consider that many other countries are also making reforms. In 2007, Cambodia ranked 150 out of 181 economies worldwide; this year Cambodia rose to 135 out of 181 economies. This means that Cambodia effectively moved up 15 places.

“These positive results show that important reforms are being introduced leading to substantial improvement in Cambodia's ranking this year. These results are consistent with the survey of 500 firms that we are just completing to assess the investment climate in Cambodia. This, in turn, should help boost economic growth. As *Doing Business* research shows, reforms pay off in greater growth and greater investment.”

Cambodia's strong showing this year is a result of two reforms. The first is passage of the Law on Secured Transactions in 2007 which makes it possible for a business to use its moveable and intangible assets as security for a loan. Assets include equipment, vehicles, inventory, accounts receivable, and agricultural commodities. Before this law was written, bank lending was secured almost entirely with fixed collateral such as land and buildings.

In addition to the Law on Secured Transactions, the Ministry of Commerce has established an Internet-based Registry Office which allows financial institutions to quickly, easily, and for a minimal fee, register the moveable and intangible assets they have taken as collateral. Financial institutions can also search for prior claims on this collateral.

“Enabling banks to accept moveable assets as collateral is a major improvement in access to finance in Cambodia,” said Trang Nguyen, IFC’s Head of Advisory Services for the Mekong Region.

“Now a successful small and medium enterprise that has valuable moveable assets but lacks land and buildings to use as collateral, can get the financing needed to improve its business. This, in turn, should enable SMEs, which represent over 99% of Cambodia’s firms and 45% of employment, to expand, create more jobs, and contribute to economic growth and poverty reduction. Creating jobs is especially important given the nearly 250,000 young people who are reaching working age and joining the labor market every year.”

A second reform which helped Cambodia rise in this year’s *Doing Business* rankings was the passage of the Law on Bankruptcy in 2007.

Although Cambodia’s rise in the *Doing Business* rankings is primarily a result of passage of the Secured Transactions Law, and to a lesser extent, the bankruptcy law, another reform helped as well says Guimbert. “Cambodia has also improved indicators on trading across borders by reducing the time required to export from 37 to 22 days and import times from 46 to 30 days.”

Guimbert says even greater import/export improvements are expected as a result of the May 2008 launch of ASYCUDA (Automated System of Customs’ Data) in the Port of Sihanoukville, which was developed with World Bank assistance. “It is too early yet to see much data on the impact of computerization, but exporters such as garment manufacturers, who were initially very skeptical, say they see improvements in export times as a result of this new system.”

“Economies need rules that are efficient, easy to use, and accessible to all who have to use them. Otherwise, businesses get trapped in the unregulated, informal economy, where they have less access to finance and hire fewer workers, and where workers lack the protection of labor law,” said Michael Klein, World Bank/IFC Vice President for Financial and Private Sector Development. “Doing Business encourages good rules, and good rules are a better basis for healthy business than ‘who you know’,” he added.

IFC, a member of the World Bank Group, fosters sustainable economic growth in developing countries by financing private sector investment, mobilizing private capital in local and international financial markets, and providing advisory and risk mitigation services to businesses and governments. IFC’s vision is that people should have the opportunity to escape poverty and improve their lives. In the Mekong region, IFC manages MPDF, a multi-donor initiative delivering advisory services in Lao PDR, Vietnam, and Cambodia. IFC MPDF’s donors are Australia, Canada, the European Union, Finland, IFC, Ireland, Japan, New Zealand, the Netherlands, Norway, Sweden, and Switzerland.