

Business Process Analysis in Cambodia

Business process analysis (BPA) was conducted in Cambodia in 2010. Its objective was to evaluate procedures, times and related costs associated with the export and import of products of strategic importance. The BPA uncovered procedural bottlenecks and practices unfriendly to trade. The results were instrumental in raising awareness and building political will for on-going trade facilitation reform in Cambodia.

Project initiation

The Permanent Vice Chairman of the Supreme National Economic Council sought to identify where the country was in terms of trade facilitation and what had to be done to improve this. His decision was supported by the Minister attached to the Prime Minister, the Delegate of the Royal Government of Cambodia in charge of the General Directorate of Customs and Excise, and the Secretary of State, Ministry of Commerce. To move the initiative forward, UNESCAP and UNECE provided the Cambodian government with both financial and technical support. They commissioned local consultants to carry out a BPA in the context of trade facilitation and helped them acquire the knowledge and skills necessary to complete the task.

In addition to local consultants, the capacity building workshop of UNESCAP and UNECE was attended by government officials and business people, who later assisted the local consultants with data collection, analysis and validation, and also trips to ports and rice millers.

Project implementation

Export and import procedures are product specific; the BPA project was thus limited to products of national strategic importance. It included the export of rice to Europe, cashew nuts to India and silk to Europe, as well as the import of pharmaceuticals from Indonesia. These products were identified through

Cambodia's economic diversification strategy. By enhancing the performance of these sectors, it is expected that greater socio-economic development in Cambodia can be achieved.

In addition to the evaluation of procedures, times and costs associated with the export and import of products of strategic importance, a situation analysis on trade facilitation and custom automation development was also conducted. The situation analysis covered: (i) the policy context for trade facilitation; (ii) public and private sector institutions and their roles in trade facilitation; (iii) reform of the legal and regulatory framework; (vi) updates of customs reform; (vii) the automation status of trade and custom administrations.

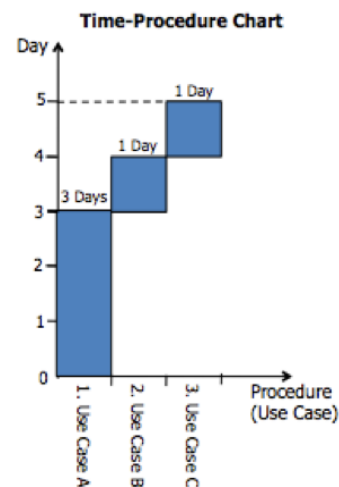
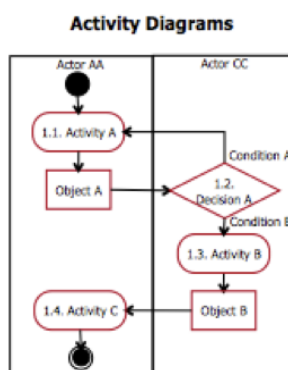
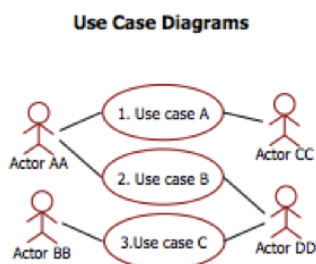
The BPA was carried out by a team of eleven people, comprising the lead national consultant, officials from several government agencies responsible for customs control, goods inspection and port management, and private sector representatives, in particular, from the freight forwarding industry.

The implementation used methodology recommended by the UNNExT Business Process Analysis Guide to Simplify Trade Procedures. It combined three different methods: desk research, field investigation, and mission validation:

- A review of secondary sources, especially the work of other development partners, such as the World Bank and the IFC, provided a good background to the situation of trade facilitation and set the stage for further in-depth field investigations.
- The in-depth field investigations consisted of face-to-face interviews. Interviewees were government officials and individuals working in the rice, cashew nut, silk and pharmaceutical businesses. Several trips were made to the deep seaport of Sihanoukville and the autonomous port of Phnom Penh.



Diagrams Used in Cambodia's BPA



► Meetings with selected top business leaders were conducted to validate collected information. Dialogue with the business leaders helped fill information gaps and form a solid foundation for analysis.

Processes related to the export of rice, cashew nuts and silk, and the import of pharmaceuticals were covered by the BPA. This analysis covered activities related to the establishment of commercial contracts (commercial procedures), the arrangement of inland and cross-border transportation of goods (transport procedures), the export or import formalities to meet regulatory requirements (regulatory procedures), and the payment for purchased goods (financial procedures).

The analysis of times and costs (official and unofficial) covered only those processes that had to be carried out every time when exporting or importing the specified products. Time and cost required to complete processes that were not required in all transactions were excluded. Thus, for example, the acquisition of export or import licenses was excluded as the license is normally valid for a certain period of time.

Cambodia's BPA provided documentation of the necessary current (As-Is) business processes that have to be completed when exporting and importing the specific products. A set of core business processes and the parties involved in each of these are illustrated in the UML use-case diagram (see Figure). Details of each core business process, including a sequence of activities, information flows and parties responsible for carrying out each activity, were portrayed in the UML activ-

ity diagram. The time required to complete each core business process was summarized in the time-procedure chart. Additional information about each core business process including its practicalities and weaknesses was provided in a written format.

Example of Results

	Mode of Transport	Cost per 20-foot container (USD)*	Percentage of total cost		
			Compliance	Inland transport and terminal handling	Freight forwarder charge
Ordinary cargo (export)	Ocean	732	N/A	N/A	N/A
Rice	Ocean	1,029	45.2	43	7.8
Cashew nut	Ocean	839	37.5	56.5	6
Silk	Air	270**	25.9	74.1	0
Ordinary cargo (import)	Ocean	872	N/A	N/A	N/A
Pharmaceuticals	Ocean	1,088	64.3	30.6	5.1

* The cost for exporting and importing ordinary cargo are drawn from the World Bank's "Doing Business".

**The cost does not include customs tariffs and duties or costs related to ocean transport.

**Cost estimation is based on a shipment by air weight below 100 kg.

Recommendations were drawn based on an analysis of As-Is business processes. The urgency to upgrade transport and port infrastructure, as well as the need to eliminate informal payments and illegal checkpoints, are examples of general recommendations. Implementation of these recommendations would contribute to a reduction in the cost of exports, especially those related to compliance, inland transport and terminal



handling. An example of a more specific recommendation is the need to centralize the process of issuing Certificates of Origin, by making it sufficiently flexible to reflect the information needs of importing countries, and by setting a reasonable fee for amending Certificates of Origin. Exporters have found these fees excessive and unpredictable.

Complete information on current processes and recommendations, and a situational analysis on trade facilitation in Cambodia, are available in the BPA report entitled “Operationalising the Rectangular Strategy for Growth: Towards Better Business Processes for Trade.” This can be retrieved from the UNNeXT website at http://www.unescap.org/tid/unnext/tools/bpa_cam.pdf.

Project Timeframe and Costs

The project actually took 3 months. However, given that the interviews could be scheduled only according to the interviewees’ availability, the time elapsed (from organization of the capacity building workshop to the delivery of the BPA report) was 6 months.

The project was funded by the 6th tranche of the UN Development Account and the Supreme National Economic Council. Funding from the UN Development Account was approximately USD 30,000. This contributed to the organization of the capacity building workshop, desk research, field investigation, and preparation of the preliminary BPA report. The Supreme National Economic Council supported the organization of stakeholder meetings aimed at validating and refining the preliminary BPA report. This support was approximately USD 20,000.

Impact of Cambodia’s BPA on Trade Facilitation Reform

The findings, as reported in the document entitled “Operationalizing the Regular Strategy for Growth: Towards Better Business Process for Trade,” were presented to senior government officials from the Supreme National Economic Council, Camcontrol (which is the lead agency for inspections under the Ministry

of Commerce), the General Directorate of Customs and Excise, and managers of the port authorities. Since the findings highlighted actual procedural bottlenecks and practices unfriendly to trade, they were instrumental in raising awareness and building the political will for ongoing reform in trade facilitation.

A visual presentation of the rice export procedure, in particular, provided direct feedback for senior policy makers to effect trade facilitation reform. Reforms in the rice export sector, in turn, decreased the costs of rice exports, and thus had a great impact on Cambodia’s external trade. As a result, the rice sector is thriving; from 15,000 MT in 2010, it is expected to surpass 250,000 MT in 2012.

Lessons Learned

The strong political windfall from the BPA initiative drove a smooth cooperation between local consultants and potential interviewees. It fostered engagement from the potential interviewees from the beginning of the project to the end.

The interviewees were frank about the complexity of processes under the scope of the analysis. However, they were not so comfortable during the interviews. Interviewees from government agencies were suspicious of the agenda behind data collection. Interviewees from businesses seemed to be uneasy when they were asked to disclose the actual informal costs involved in expediting the movement of goods across borders. Building the trust of interviewees was necessary, even though this required longer times and intensive engagements.

Stakeholder meetings held towards the end of the project provided an effective mechanism for consultants to validate information about procedures, times and related costs associated with the export and import of products. They also helped to increase stakeholders’ awareness of various complexities embedded in the procedures, and thus created momentum for trade facilitation reform.

References

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- Sok Siphana, Chandarot Kang and Dannet Liv, “Evaluating Aid for Trade on the Ground: Lessons from Cambodia,” Issue Paper, No. 22 (Geneva, International Centre for Trade and Sustainable Development, December 2011). Available from: <http://ictsd.org/downloads/2011/12/evaluating-aid-for-trade-on-the-ground-lessons-from-cambodia.pdf>

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