

An Analysis of Trade Facilitation and Import/Export Processes in Cambodia

*“Operationalising the Rectangular Strategy for Growth:
Towards Better Business Processes for Trade*

**Presentation of Findings
to the Supreme National Economic Council (SNEC)*
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***“Operationalising the Rectangular Strategy for Growth:
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PART I

**SITUATIONAL ANALYSIS
OF TRADE FACILITATION IN CAMBODIA**

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PART II

BUSINESS PROCESS ANALYSIS (BPA) Rice; Cashew Nuts; Silk Products; Pharmaceuticals Goods

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LIST OF ACRONYMS

| | |
|---------|--|
| ACFTA | ASEAN China Free Trade Agreement |
| AFTA | ASEAN Free Trade Area |
| ASEAN | Association of South East Asian Nation |
| ASYCUDA | Automated System for Customs Data |
| BPA | Business Process Analysis |
| B/L | Bill of Lading |
| CBTA | Capacity building and technical assistance |
| C&F | Cost + Freight without Marine Insurance |
| CIF | Cost, Insurance and Freight |
| CNS | Cambodian National Silk |
| CO | Certificate of Origin |
| DAALI | Department of Agronomy and Agricultural Land Improvement |
| EBA | Everything But Arms |
| EU | European Union |
| FOB | Free on Board |
| GDCE | General Department of Customs and Excise |
| GSP | Generalised System of Preferences |
| ITC | International Trade Centre, UNCTAD/WTO |
| L/C | Letter of Credit |
| LDC | Least Developed Country |
| MOC | Ministry of Commerce |
| NGO | Non-Governmental Organisation |
| GDCE | General Department of Customs and Excise |
| GDP | Gross Domestic Products |
| G-PSF | Government-Private Sector Forum |
| MOC | Ministry of Commerce |
| NSDP | National Strategic Development Plan |
| PAS | Port Authority of Sihanoukville |
| RGC | Royal Government of Cambodia |
| SAD | Single Administrative Document |
| SEDP | Socio-Economic Development Plan |
| SNEC | Supreme National Economic Council |
| UNCTAD | United Nations Conference on Trade and Development |
| WTO | World Trade Organization |

ACKNOWLEDGEMENT

1.1. ESCAP undertook an assessment mission to Cambodia from 8-11 March 2010, at the request of the Supreme National Economic Council (SNEC), a policy think-tank that researches and advises the Royal Government of Cambodia (RGC) on all economic development issues. The purpose of the mission was to consult with key trade facilitation players and guide the development of a trade facilitation capacity building and technical assistance (CB/TA) programme that would be specifically targeted to Cambodia's needs. The timing was appropriately tuned, and the needs became more obvious, along the development of the Rice Export Policy, which the Royal Government of Cambodia launched a few months afterward.

1.2. The analysis of the Cambodia BPA was initiated by H.E. Dr. Hang Chuon Naron, Permanent Vice Chairman of the Supreme National Economic Council (SNEC) in mid 2010 following the holding of a National Workshop on Advancing Trade Facilitation under a thematic "Business Process Analysis for Trade Facilitation: Operationalising the Rectangular Strategy for Growth" on 1-2 June 2010 in Phnom Penh. The workshop was organized jointly by the General Department of Customs and Excise, the Ministry of Commerce, and SNEC and supported by the UN ESCAP and UNECE. The workshop laid the foundation for ESCAP's support, a tailored Business Process Analysis (BPA) 'training of analysts' course followed by application of BPA techniques to four key import and export products identified under Cambodia's economic diversification strategy.

1.3. This report is comprised of two parts. Part I provides a country situational analysis on the trade facilitation in Cambodia, in which the Business Process Analysis (BPA) of the four key import and export products (Rice, Cashew Nuts, Silk, and Pharmaceuticals) takes place. The situation analysis on trade facilitation and custom automation development, which complements the BPA analysis, covers the followings: (i) 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) Automation Status of Trade and Custom Administrations; and on-going projects and initiatives. Part II provides a detailed Business Process Analysis (BPA) of the four key import and export products.

1.4. The BPA team is led by Dr. Sok Siphana, Principal of Sok Siphana and Associates and Advisor to the Royal Government of Cambodia, and is composed of the following individuals, all acting their personal capacity: Miss. Phanin Hei, Deputy Manager of Planning Office, Phnom Penh Autonomous Port; Mrs. Som Ny, Kamsab; You Mab, Ministry of Commerce; Loeung Ratha, Camcontrol; Meach Yadi, Ministry of Agriculture, Fisheries and Forestry; Mr. Lim Rady, Deputy Chief, Sre Ambel, General Department of Customs and Excise (GDCE); Mr. Iv Taing Phea, GDCE; Mr. Pha Eng Veng, GDCE; Hay Sovuthea, SNEC; Kaing Monika, Garment Manufacturers Association of Cambodia (GMAC); and Pith Prakath, Port Authority of Sihanoukville (PAS).

1.5. Important political support was given upstream by H.E. Dr. Aun Porn Moniroth, Minister attached to the Prime Minister; H.E. Dr. Pen Siman, Delegate of the Royal Government of Cambodia in charge of the General Directorate of Customs and Excise; H.E. Kem Sithan, Secretary of State, Ministry of Commerce; H.E. Mao Thora, Secretary of State, Ministry of Commerce; and H.E. Dr. Hang Chuon Naron, Permanent Vice Chairman of the Supreme National Economic Council (SNEC); H.E. Dr. Mei Kariyan, Senior Advisor, SNEC.

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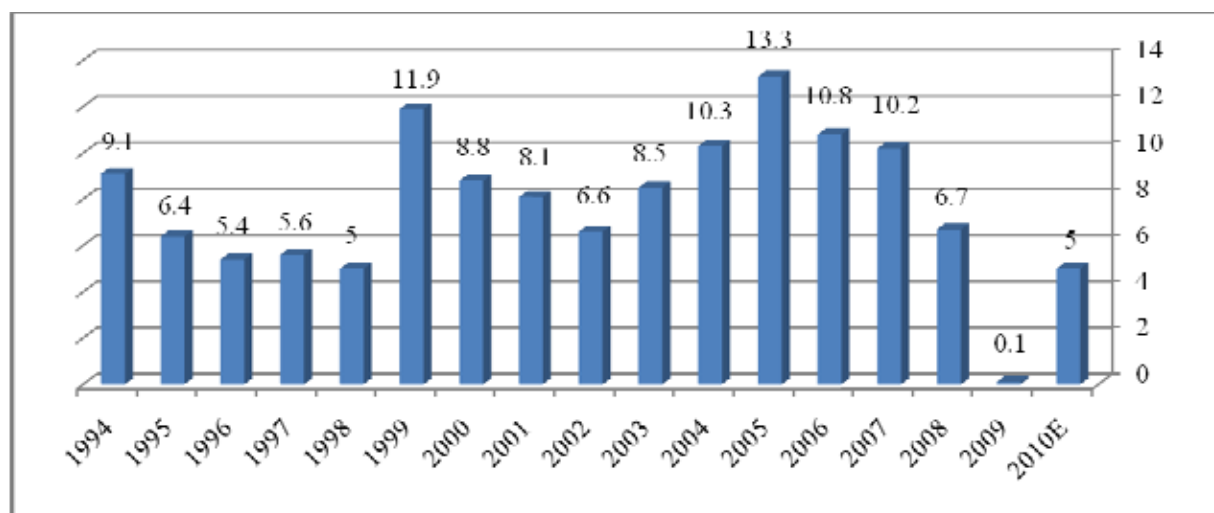


PART I

Section I. Country Background

1.1. From a period of conflict and instability, which decimated the economy and retarded economic and social development for almost two decades, Cambodia rebounded to enjoy an average annual growth rate of 9.5% from 1999-2009 and 10.3% during 2003-2008, reaching a high of 13.3% in 2005. The World Bank named Cambodia among the 15 fastest growing economies in the world between 1998-2007, when it achieved 9.8%, just ahead of China and surpassing the Asia-Pacific average of 8.4%. Despite the global recession, Cambodia posted economic growth of 6.7 percent in 2008 compared to only 0.1 percent in 2009 and rebound 5 percent in 2010. (See Figure 1)

Figure 1: Cambodia Economic Growth Rate (1996-2010)



Source: Hang Chuan Naron (2010).

1.2. Other macroeconomic indicators are positive. Net international reserves grew from a low of \$100 million 13 years ago, reaching \$2.9 billion by the end of 2009 while poverty dropped from 50% in the 1990's to 30% in 2009. A concerted attempt to manage political stability has brought about greater levels of social cohesion, according to government reports. This has been achieved in part by adopting an accelerated institutional development programme combined with social and judicial reform and an aggressive economic management programme.

1.3. Table 2.1 shows trade and GDP data for the period 2005-2009. Spurred by a construction boom in both non-residential and residential real estate, Cambodia recorded a very strong real economic growth during the period 2005 and 2007 which tamed down in 2008 and almost fade away in 2009 as a result of the impact of the world economic crisis.

1.4. In 2009, Cambodia's biggest export markets are the United States of America, Hong Kong, Canada, Vietnam, United Kingdom, Holland, and Singapore (see Table 2.3). Cambodia's export depends substantially on textile, garment and apparel products which cover about 70 percent of total export. Pulp and paper stands number 2 in exports covering about 20 percent of total export. Agro-products covered less than 1 percent of total export, despite 85 percent of the population is living with agriculture in rural areas. Cambodia has limited export of her agro-products (see Table 2.2). Agricultural products, especially rice, rubber and other products are traded across border to neighboring countries with limited statistical recording.

| Table 2.1. Trade and GDP, 2005-2009 | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|
| Trade and GDP | 2005 | 2006 | 2007 | 2008 | 2009 |
| GDP | | | | | |
| GDP (Million US\$) | 6,293 | 7,275 | 8,614 | 10,337 | 10,385 |
| Real GDP (% increase) | 13.3% | 10.8% | 10.2% | 6.7% | 0.1% |
| GDP per capita (US\$) | 468 | 534 | 623 | 738 | 731 |
| Imports and Exports | | | | | |
| Imports (Million US\$) | 2,546 | 2,984 | 3,449 | 4,297 | 3,882 |
| Exports (Million US\$) | 2,435 | 2,910 | 2,963 | 3,456 | 2,987 |
| % of GDP | | | | | |
| Imports | 40.5% | 41.0% | 40.0% | 41.6% | 37.4% |
| Exports | 38.7% | 40.0% | 34.4% | 33.4% | 28.8% |
| Imports (% of Total) | | | | | |
| Raw & Primary | 3.3% | 4.4% | 3.1% | 3.9% | 2.8% |
| Semi Processed | 62.7% | 64.1% | 63.2% | 59.7% | 63.1% |
| Machineries & equipment | 16.9% | 13.4% | 16.2% | 19.5% | 17.6% |
| Final Consumption | 17.1% | 18.1% | 17.5% | 16.8% | 16.5% |
| Exports (% of Total) | | | | | |
| Raw & Primary | 0.9% | 0.6% | 0.7% | 3.8% | 2.0% |
| Semi Processed | 3.8% | 3.5% | 3.5% | 2.4% | 5.7% |
| Machineries & equipment | 0.4% | 0.7% | 0.5% | 1.3% | 2.3% |
| Final Consumption | 94.9% | 95.2% | 95.2% | 92.5% | 90.0% |

Source GDP data: MEF, Macroeconomic Framework 2000-2011, March 2010, pages 14 & 27

Source Trade data: GDCE HS8 Customs database adjusted (excluding trade in bank notes)¹

1.5. Cambodia imported in 2009 most from China, Vietnam, Hong Kong, Thailand, and Taiwan (*see Table 2.4*). Cambodia's imports in 2009 amounted to about US\$3.8 billion worth, while it exported only US\$2.9 billion worth. The economic downturn resulted in a further decrease in trade in 2008 when Cambodia imported only US\$4.2 billion worth and exported only US\$3.4 billion worth of goods.² Nevertheless, Cambodia's trade volume is still small compared to trade in her neighbors and some other countries in the ASEAN such as Singapore, Thailand and Vietnam. Cambodia imported more in raw materials such as cloth and related unfinished products of textile. Other main import items include vehicles (both new and second hand ones), machinery and electrical appliances and mineral resources including oil and gas (*see Table 2.5*).

¹ It appears that Cambodian banks regularly transfer their excess holding of bank notes abroad. For example in 2008, some \$903 million were recorded as exports, thereby inflating total exports by about one third. For the purpose of this study, the import and export of bank notes were removed to better reflect the true level of imports and exports of goods.

⁴ See Chap and Chheang, Cambodian Economic Scorecard 2010, CICC 2010; Hang Chuan Narong, Cambodia Economy: Charting the Course of a Brighter Future- A Survey of Progress, Problems and Prospects, 2010

| Table 2.2. Main and Emerging Cambodian Exports | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|
| Main exports | 2005 | 2006 | 2007 | 2008 | 2009 |
| Total exports (Million US\$) | 2,435 | 2,910 | 2,963 | 3,456 | 2,987 |
| Clothing Knitted | 2,086.3 | 2,484.3 | 2,546.5 | 2,829.0 | 2,386.6 |
| Footwear | 38.1 | 61.4 | 78.8 | 87.9 | 108.3 |
| Agriculture & foodstuffs | 30.3 | 27.8 | 30.9 | 30.5 | 57.7 |
| Natural rubber, primary | 34.7 | 43.1 | 40.6 | 31.1 | 48.6 |
| Bicycles | 0.1 | 38.3 | 36.9 | 48.6 | 41.2 |
| Vessels, not motorized | 0.5 | | 1.8 | 23.5 | 34.5 |
| Motor vehicle, ambulance | 3.9 | 2.5 | 7.3 | 12.8 | 6.1 |
| Furniture for sewing machine | 0.9 | 1.4 | 0.3 | 0.4 | 3.9 |
| Pharmaceutical products | 0.9 | 1.2 | 1.9 | 0.7 | 3.3 |
| Motorcycles | 0.0 | 0.0 | 0.1 | 0.6 | 0.7 |

Source: GDCE HS8 Customs database adjusted (excluding trade in bank notes)

| Table 2.3. Shares of Total Exports by Destination, 2005-2009 | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|
| Country / Region | 2005 | 2006 | 2007 | 2008 | 2009 |
| USA | 65.52% | 65.25% | 63.47% | 57.02% | 52.00% |
| Canada | 4.40% | 3.96% | 4.66% | 8.43% | 6.56% |
| UK | 5.10% | 5.26% | 4.97% | 4.51% | 6.02% |
| Holland | 0.88% | 0.95% | 2.66% | 4.40% | 4.86% |
| Singapore | 1.14% | 1.14% | 0.59% | 1.33% | 3.93% |
| Vietnam | 1.89% | 2.58% | 2.68% | 4.94% | 3.86% |
| Germany | 9.24% | 8.02% | 6.24% | 4.00% | 3.64% |
| Spain | 1.39% | 2.93% | 3.33% | 3.58% | 3.54% |
| Japan | 2.58% | 1.17% | 1.13% | 0.93% | 2.67% |
| France | 2.14% | 1.89% | 1.45% | 0.99% | 1.40% |
| Belgium | 0.42% | 0.79% | 0.99% | 1.48% | 1.33% |
| Italy | 0.27% | 0.38% | 0.69% | 0.77% | 0.85% |
| Thailand | 0.45% | 0.30% | 0.56% | 0.39% | 0.64% |
| Ireland | 0.41% | 0.53% | 0.56% | 0.45% | 0.61% |
| Hong Kong | 0.32% | 0.20% | 0.26% | 0.21% | 0.59% |
| China | 0.58% | 0.53% | 0.34% | 0.37% | 0.55% |
| Australia | 0.22% | 0.15% | 0.19% | 0.27% | 0.51% |
| Mexico | 0.16% | 0.28% | 0.33% | 0.61% | 0.50% |
| Sweden | 0.39% | 0.41% | 0.52% | 0.46% | 0.48% |
| Malaysia | 0.35% | 0.25% | 0.26% | 0.26% | 0.47% |
| Switzerland | 0.35% | 0.27% | 0.30% | 0.28% | 0.39% |
| Preferential | | | | | |
| ASEAN | 3.97% | 4.40% | 4.69% | 7.17% | 9.29% |
| China | 0.58% | 0.53% | 0.34% | 0.37% | 0.55% |
| Japan | 2.58% | 1.17% | 1.13% | 0.93% | 2.67% |
| South Korea | 0.08% | 0.11% | 0.19% | 0.21% | 0.31% |
| ANZ | 0.23% | 0.16% | 0.21% | 0.30% | 0.56% |
| Non Preferential | | | | | |
| NAFTA | 70.08% | 69.49% | 68.46% | 66.06% | 59.06% |
| EU | 20.79% | 22.34% | 22.61% | 21.92% | 23.88% |
| Total Exports (Billion US\$) | 2,435 | 2,910 | 2,963 | 3,456 | 2,987 |

Source: GDCE HS8 Customs database adjusted (excluding trade in bank notes)

| Table 2.2. Main Exports, 2005-2009 | | | | | |
|---|------------------------------|--------------|--------------|--------------|--------------|
| HS 04 Product Heading | 2005 | 2007 | 2008 | 2009 | |
| 6110 | Pullovers | 637.1 | 742.2 | 722.8 | 651.5 |
| 6104 | Women's or girls' suits | 576.8 | 673.9 | 703.2 | 624.3 |
| 6103 | Men's or boys' suits | 328.9 | 413.9 | 463.0 | 392.8 |
| 6109 | T-shirts | 25.4 | 70.1 | 158.6 | 165.6 |
| 6106 | Women's or girls' blouses | 131.5 | 251.3 | 276.8 | 135.0 |
| 6108 | Women's or girls' slips | 166.6 | 101.2 | 151.6 | 130.0 |
| 6105 | Men's or boys' shirts | 98.8 | 159.8 | 164.0 | 103.2 |
| 6403 | Footwear with leather uppers | 33.6 | 71.3 | 75.0 | 81.1 |
| 7108 | Gold | 14.3 | 14.7 | 11.0 | 77.7 |
| 6107 | Men's or boys' underpants | 53.5 | 29.3 | 68.0 | 58.6 |
| 4001 | Natural rubber, primary | 34.7 | 40.6 | 31.1 | 48.6 |
| 6112 | Track suits, sky, swimwear | 9.5 | 25.7 | 45.9 | 43.8 |
| 8712 | Bicycles | 0.1 | 37.0 | 48.6 | 41.2 |
| 2505 | Natural sands | 0.0 | 2.5 | 117.6 | 34.8 |
| 8901 | Vessels, not motorized | 0.5 | 1.8 | 23.5 | 34.5 |
| 9706 | Antiques + 100y | 34.8 | 3.9 | 0.0 | 31.2 |
| 6111 | Babies' garments | 31.6 | 36.8 | 22.5 | 28.1 |
| 6404 | Footwear with textile uppers | - | 6.6 | 12.8 | 26.6 |
| 6114 | Other garments | 21.6 | 23.8 | 25.2 | 24.9 |
| 6115 | Panty hose, socks | 0.4 | 5.3 | 11.8 | 16.0 |
| 6210 | Other garments | 2.1 | 13.7 | 115.2 | 15.6 |
| 2207 | Ethyl alcohol (Denatured) | - | - | 0.0 | 13.9 |
| 9802 | Special transactions | - | 1.6 | 3.9 | 11.7 |
| 1006 | Rice | 3.0 | 1.6 | 2.4 | 11.0 |
| 9404 | Mattresses, cushions | 5.3 | 3.8 | 5.3 | 10.2 |
| 2402 | Cigars & Cigarettes | 3.0 | 7.3 | 7.9 | 7.3 |
| 6211 | Track suits, sky, swimwear | 0.8 | 2.2 | 2.7 | 6.9 |
| 1511 | Palm oil (crude) | 0.7 | 1.4 | 8.4 | 6.7 |
| 6204 | Women's or girls' suits | 40.3 | 35.8 | 27.8 | 6.4 |
| 8703 | Motor vehicles, ambulances | 4.0 | 7.3 | 12.8 | 6.1 |
| 6302 | Bed & tables linen | 2.2 | 1.1 | 2.3 | 5.5 |
| 6207 | Men's or boys' underpants | 2.4 | 13.4 | 6.1 | 5.2 |
| 1108 | Starches; inulin (Manioc) | 0.9 | 4.3 | 1.6 | 4.8 |
| 8902 | Fishing vessels | - | 0.0 | 0.1 | 4.6 |
| 6113 | Garments, made-up | - | - | 0.2 | 4.5 |
| 7612 | Aluminum casks, drums, cans | 0.0 | 0.8 | 3.3 | 4.3 |
| 6101 | Men's or boys' overcoats | 2.2 | 7.2 | 5.5 | 4.1 |
| 6203 | Men's or boys' suits, woven | 15.0 | 15.4 | 13.0 | 4.1 |
| 6505 | Sacks and bags | 8.0 | 4.7 | 5.9 | 4.0 |
| 8452 | Sewing machines, furniture | 0.9 | 0.3 | 0.4 | 3.9 |
| Sub-Total | | 2,309 | 2,865 | 3,387 | 2,918 |
| Total Exports | | 2,435 | 2,963 | 3,456 | 2,987 |
| % of Total Exports | | 94.8% | 96.7% | 98.0% | 97.7% |

Note: HS4 Headings with values exceeding \$3.9 million in 2009

Source: GDCE HS8 Customs database adjusted (excluding trade in bank notes)

Table 2.4. Shares of Imports by Origin, 2005-2009

| Country / Region | 2005 | 2006 | 2007 | 2008 | 2009 |
|-------------------------|-------------|-------------|-------------|-------------|-------------|
| China | 16.62% | 17.55% | 18.07% | 21.73% | 22.59% |
| Vietnam | 7.13% | 9.04% | 10.00% | 10.98% | 12.64% |
| Hong Kong | 17.65% | 18.06% | 19.70% | 13.47% | 12.41% |
| Thailand | 11.40% | 13.90% | 14.74% | 16.21% | 11.91% |
| Taiwan | 11.43% | 12.79% | 11.01% | 8.51% | 8.75% |
| South Korea | 5.91% | 4.89% | 5.52% | 5.34% | 5.36% |
| Singapore | 5.34% | 5.25% | 5.16% | 7.07% | 5.35% |
| Indonesia | 3.24% | 2.88% | 2.57% | 2.24% | 3.73% |
| Malaysia | 3.63% | 2.99% | 3.09% | 2.85% | 3.39% |
| Japan | 3.93% | 4.34% | 4.05% | 2.66% | 3.05% |
| USA | 1.42% | 0.85% | 1.05% | 2.77% | 2.32% |
| France | 6.94% | 1.59% | 1.37% | 0.79% | 1.05% |
| India | 0.66% | 0.92% | 0.88% | 2.06% | 0.91% |
| Australia | 0.61% | 0.44% | 0.40% | 0.40% | 0.74% |
| Pakistan | 0.43% | 0.44% | 0.44% | 0.38% | 0.53% |
| Preferential | | | | | |
| ASEAN | 31.03% | 34.33% | 35.79% | 39.47% | 37.26% |
| China | 16.62% | 17.55% | 18.07% | 21.73% | 22.59% |
| Japan | 3.93% | 4.34% | 4.08% | 2.66% | 3.05% |
| South Korea | 5.91% | 4.89% | 5.52% | 5.34% | 5.36% |
| Australia/NZ | 0.71% | 0.45% | 0.43% | 0.46% | 0.79% |
| Non Preferential | | | | | |
| EU | 8.80% | 4.07% | 3.68% | 2.38% | 3.00% |
| NAFTA | 1.49% | 0.94% | 1.09% | 2.82% | 2.40% |
| Total Imports | | | | | |
| (Billion US\$) | 2,546.3 | 2,984.2 | 3,449.3 | 4,296.5 | 3,882.1 |

Source: GDCE HS8 Customs database adjusted (excluding trade in bank notes)

| HS 04 Product Heading | 2005 | 2007 | 2008 | 2009 |
|---|--------------|--------------|--------------|--------------|
| 6006 Other knitted/crocheted fabrics | 0.2 | 296.7 | 770.5 | 546.2 |
| 2710 Petroleum oils | 175.9 | 274.3 | 307.6 | 350.3 |
| 5515 Other woven fabrics, synthetic | 342.0 | 339.3 | 316.0 | 263.0 |
| 8517 Telephones sets & Apparatus | 4.8 | 53.9 | 119.7 | 180.9 |
| 6004 Fabrics > 5% elastomeric yarn | 405.2 | 388.0 | 104.1 | 161.4 |
| 2402 Cigarettes & cigars | 86.2 | 81.5 | 117.1 | 143.9 |
| 5509 Synthetic yarn | 41.7 | 64.7 | 82.8 | 99.1 |
| 8703 Motor vehicles, for persons | 41.5 | 95.4 | 153.7 | 98.0 |
| 3004 Medicaments for retail sale | 58.4 | 69.7 | 70.2 | 76.4 |
| 6309 Worn clothing & articles | 44.0 | 53.0 | 50.9 | 60.8 |
| 8704 Motor vehicles, for goods | 28.1 | 67.6 | 115.6 | 53.1 |
| 7108 Gold unwrought or in powder | 4.6 | 0.0 | 35.7 | 52.4 |
| 8711 Motorcycles | 53.5 | 90.1 | 116.4 | 44.0 |
| 2523 Cement | 47.7 | 29.0 | 54.2 | 43.5 |
| 2309 Vegetable residues, animal feed | 19.3 | 27.8 | 41.1 | 43.5 |
| 7308 Iron & steel for use in structures | 21.0 | 12.4 | 33.6 | 43.0 |
| 5211 Woven cotton fabrics | 17.0 | 11.6 | 18.9 | 36.3 |
| 3926 Other articles of plastics | 22.1 | 30.2 | 30.2 | 36.0 |
| 8901 Cruise & cargo ships | 1.0 | 19.0 | 47.9 | 32.9 |
| 6002 Fabrics < 5% elastomeric yarn | 19.1 | 8.3 | 16.3 | 29.0 |
| 6217 Other clothing accessories | 38.2 | 60.8 | 32.6 | 28.0 |
| 4802 Uncoated paper & paperboard | 5.9 | 17.8 | 17.4 | 26.3 |
| 8447 Knitting machines | 28.7 | 38.3 | 35.0 | 25.5 |
| 7606 Aluminum plates, sheets & strip | 0.6 | 3.6 | 18.5 | 25.3 |
| 4015 Clothing of vulcanized rubber | 10.1 | 18.6 | 22.4 | 25.1 |
| 4821 Paper or paperboard labels | 17.6 | 26.0 | 24.8 | 23.6 |
| 9607 Slides fasteners & parts | 24.0 | 25.5 | 24.4 | 23.6 |
| 5903 Textile fabrics impregnated | 18.3 | 20.8 | 24.3 | 23.5 |
| 6908 Glazed ceramic paving & tiles | 12.9 | 21.7 | 28.8 | 22.9 |
| 8426 Ships' derricks & cranes | 0.6 | 2.0 | 4.3 | 22.7 |
| 3402 Organic surface-active agents | 9.5 | 11.7 | 12.5 | 22.1 |
| 5807 Labels & badges | 17.2 | 21.9 | 20.8 | 21.0 |
| 5806 Narrow woven fabrics | 12.1 | 21.6 | 19.5 | 18.3 |
| 2711 Petroleum gases | 9.0 | 14.9 | 14.4 | 17.8 |
| 8504 Electrical transformers | 4.1 | 2.9 | 7.4 | 17.4 |
| Sub-total | 1,642 | 2,321 | 2,910 | 2,737 |
| Total Imports | 2,546 | 3,449 | 4,297 | 3,882 |
| % of Total Imports | 64.5% | 67.3% | 67.7% | 70.5% |

Note: HS4 Headings with values exceeding \$17 million in 2009

Source: GDCE HS8 Customs database adjusted (excluding trade in bank notes).

Section II. Policy Context for trade Facilitation

A. Trade Mainstreaming

2.1. Cambodia's policy development framework is defined in the 'Rectangular Strategy for Growth, Empowerment, Equality and Efficiency'. This is graphically represented as an 'integrated structure of interlocking rectangles' at the core of which is good governance, supported by (i) enhancement of agricultural development (ii) development of the private sector and job creation (iii) rehabilitation and reconstruction of physical infrastructure and (iv) capacity building and human resources. The stated objective of the Strategy is to encourage growth, generate employment, and improve the efficiency of the public sector, among other ideals. The Strategy seeks to capture the key elements of the MDGs and other reform policies, strategies, programmes and plans.

2.2. Trade has become a cornerstone in Cambodia's development agenda, in which the initiatives need to be systematic, coordinated, integrated, efficient, and consistent with the Rectangular Strategy. In this context, the Government is actively taking on more ownership and coordination of the trade reform process. With the support of development partners concerned, the Government has opted for a Trade Sector Wide Approach (Trade SWAp) to encompass all initiatives, strategies, measures and actions, to strengthen partnerships for consensus-building and coordination with the all stakeholders.

2.3. The Government gives great importance to the trade facilitation as it can promote not only trade exchanges itself but has more impetus on investment flow and economic development as a whole. Since June 2004 the Government has adopted and pursued the implementation of a 12-point Action Plan on improving investment climate and promoting trade facilitation through risk management. While some trade facilitation measures have been introduced in Cambodia (including limited electronic data processing), delays, costs and the complexity of customs and other procedures remain high in comparison to other economies. In the World Bank "Doing Business" rankings for 2010, Cambodia is ranked 22nd out of 24 East Asia and Pacific nations in the overall index and 21st out of 24 in the "trading across frontiers" index. As is well known, this has a large impact both on Cambodia's attraction as a location for inward investment and as a competitor in international export markets. (*See Table 3.1*).

2.4. Mindful of these shortcomings and also in response to the global financial crisis and economic downturn, the Government has called for rapid action to streamline and improve trade facilitation processes, with specific attention to any overlaps of information and inspection requirements carried out by various government agencies.

Table 3.1: World Bank Doing Business

| <i>Trading Across Borders data Cambodia</i> | Doing Business 2008 | Doing Business 2009 | Doing Business 2010 | Doing Business 2011 |
|---|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| <i>Rank</i> | ... | ... | 126 | 118 |
| <i>Cost to export (USD per container)</i> | 722 | 732 | 732 | 732 |
| <i>Document to export (USD per container)</i> | 11 | 11 | 11 | 10 |
| <i>Time to export (days)</i> | 37 | 22 | 22 | 22 |

| <i>Trading Across Borders data Good Practice Economies</i> | Documents to export | Time to export (days) | Cost to export (USD per container) |
|--|--------------------------------|----------------------------------|---|
| <i>Denmark</i> | | 5 | |
| <i>France</i> | 2 | | |
| <i>Malaysia</i> | | | 450 |
| <i>Other ASEAN countries plus Timor Leste</i> | | | |
| <i>Indonesia</i> | 5 | 20 | 704 |
| <i>Lao PDR</i> | 9 | 48 | 1860 |
| <i>Malaysia</i> | 7 | 18 | 450 |
| <i>Philippines</i> | 8 | 15 | 675 |
| <i>Thailand</i> | 4 | 14 | 625 |
| <i>Timor Leste</i> | 6 | 25 | 1010 |
| <i>Selected Economy: Cambodia</i> | 10 | 22 | 732 |

| <i>Trading Across Borders data Cambodia</i> | Doing Business 2008 | Doing Business 2009 | Doing Business 2010 | Doing Business 2011 |
|---|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| <i>Rank</i> | ... | ... | 126 | 118 |
| <i>Cost to import (USD per container)</i> | 852 | 872 | 872 | 872 |
| <i>Document to import (USD per container)</i> | 11 | 11 | 11 | 10 |
| <i>Time to import (days)</i> | 45 | 29 | 29 | 26 |

| <i>Trading Across Borders data Good Practice Economies World Bank Doing Business 2011</i> | Documents to import | Time to import (days) | Cost to import (USD per container) |
|---|--------------------------------|----------------------------------|---|
| <i>Singapore</i> | | 4 | 439 |
| <i>France</i> | 2 | | |
| <i>Other ASEAN countries plus Timor Leste</i> | | | |
| <i>Indonesia</i> | 6 | 27 | 660 |
| <i>Lao PDR</i> | 10 | 50 | 2040 |
| <i>Malaysia</i> | 7 | 14 | 450 |
| <i>Philippines</i> | 8 | 14 | 730 |
| <i>Thailand</i> | 3 | 13 | 795 |
| <i>Timor Leste</i> | 7 | 26 | 1015 |
| <i>Selected Economy: Cambodia</i> | 10 | 26 | 872 |

B. International and Regional Commitments in Trade Facilitation

2.5. Cambodia has also joined the World Customs Organization (WCO) in 2001 making Cambodia the 155th member of the Organization.³ Following Cambodia's accession to the Convention Establishing the Customs Cooperation Council (CCC), Cambodia became a member of the Asia Pacific Region, bringing the number of member administrations in the region to 24.

2.6. From a policy perspective, trade facilitation is viewed as an extension of Cambodia's commitment to enhance cross-border trade with its neighbors and deepen its relationship with ASEAN/ASEAN Free Trade Area (AFTA).⁴ The commitment to meet the ASEAN Single Window deadline of 2012 can be seen within this context.

2.7. ASEAN has devoted attention to trade facilitation in the area of customs and through the elimination of technical barriers to trade with a view to lowering the cost of doing business in the region. ASEAN's efforts have been directed at the simplification and harmonization of customs procedures, specifically through such measures as the harmonization of tariff nomenclatures and the accelerated implementation of the WTO Valuation Agreement. In addition to tariffs, the ASEAN framework also covered areas such as customs, industrial cooperation, intellectual property cooperation, services, economic cooperation, promotion and protection of investment, energy cooperation, facilitation of goods in transit, mutual recognition, etc. The ASEAN Trade Facilitation Work Programme (ATFWP), adopted in August 2008 calls for an ambitious set of trade facilitation measures in areas including customs modernization, simplified rules of origin, and harmonization of product standards and technical regulations. It also includes ASEAN's most visible effort to facilitate trade: establishment of the ASEAN Single Window (ASW).

2.8. In August 2010, the ASEAN Ministers endorsed the updated ASEAN Trade Facilitation Work Program and endorsed the recommendation for each ASEAN Member States to conduct a survey of the status of trade facilitation as the first step to take stock of the current environment in ASEAN in 2010 - 2011. In this regard, the Ministers tasked the officials to finalise the common set of questionnaire for the private and public sector to be used in the trade facilitation assessment as soon as possible. The Ministers also re-iterated their commitment to promote trade facilitation measures for free flow of goods in the region.

2.9. The Ministers reiterated the need to further accelerate work towards the full implementation of the ASEAN Single Window (ASW) and National Single Windows (NSWs) by Member States. Ministers noted that Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore and Thailand have activated their National Single Windows (NSWs) as well as their efforts to expand the operational scope of their NSWs in line with the timeline set in the Agreement to Establish the ASEAN Single Window (ASW). Ministers also noted the preparatory work being undertaken by CLMV to implement the NSWs.⁵

C. Sub Regional Initiatives:

2.10. **GMS Cross-Border Transport Agreement:** The Greater Mekong Subregion (GMS) Cross-Border Transport Agreement (CBTA) is a pioneering, landmark accord, which consolidates, in a single legal instrument, all of the key nonphysical measures for efficient cross-border land transport. The GMS program is attempting to integrate the sub-regional economy by 2015 to coincide with the realization the ASEAN Community in 2015. The CBTA was signed in 1999 and ratified by all GMS countries, including Cambodia, in 2003 thus provided the legal force for implementation. From 2004 to 2007, most of the GMS countries have ratified and/or accepted nearly all the annexes and protocols of the CBTA, which contains the technical and guiding provision for implementation.⁶

³ The Instrument of Accession was signed by Senior Minister, Minister of Economy and Finance, and forwarded to Belgian Ministry of Foreign Affairs. On 3rd April 2001, the latter informed the Council of the WCO about the deposit of Instrument of Accession of the Kingdom of Cambodia to the Convention Establishing the Customs Cooperation Council (CCC).

⁴ Cambodia had joined the Association of South-East Asian Nations on 30 April 1999, which implied automatic accession to the ASEAN Free Trade Area (AFTA).

⁵ The 42nd Meeting of the ASEAN Economic Ministers (AEM) held on 24 – 25 August 2010 in Da Nang, Viet Nam.

⁶ Cambodia, the PRC, Lao PDR, and Viet Nam have ratified all 17 annexes and three protocols of the CBTA. To date, Thailand has ratified nine annexes and two protocols, but at a meeting of its Neighboring Countries' Cooperation Committee on 18 March 2009,

2.11. GMS countries leaders affirmed they would expedite the full implementation of the CBTA.⁷ They further instructed their ministers to move with speed and purpose to implement the Agreement at an increasing number of border crossings, and that the countries would take all necessary measures that the Agreement can be implemented starting in 2006.⁸ Leaders stressed the importance of making substantial and early progress on measures to [harmonize and integrate procedures], and [systems] to facilitate border crossing formalities, including customs, immigration, and quarantine, and promotes the development of trade logistics.⁹ In between, the Second Meeting of the Joint committee for the CBTA also called for: (i) formulation of comprehensive and well coordinate national action plan for the implementation of the CBTA and its annexes and protocols, by the end of 2007; (ii) monitoring of this action plans by the relevant national GMS country national transport facilitation committees (NTFCs).¹⁰

2.12. However, in spite of calls for accelerated implementation of the CBTA by the GMS Leaders at the first three GMS Summits, initial/pilot implementation of the CBTA has been delayed or stalled. Pilot projects are not proceeding, except to a limited extent at one of the border crossing pairs. Multi-step, sequential, redundant, and generally uncoordinated processing of goods, vehicles, and people by regulatory agencies remains the norm at most border checkpoints in the GMS.¹¹ At the recent 6th CLV Summit held in October 2010, the meeting was resolved to accelerate the implementation of the bilateral and multilateral agreements in the Development Triangle Area, particularly among others the Cross Border Transport Agreement of the GMS.

2.13. **The CLV Summit and the CLMV Summit:** The 6th CLV Summit and the 5th CLMV Summit were held to review progress and set out future direction of the CLV and the CLMV cooperation respectively. The revised Socio-Economic Development Master Plan in the CLV Development Triangle Area (2010-2020) was adopted with high priority given to a number of sectors, such as physical infrastructure, *trade and investment facilitation*, social and cultural development, agro-industry and tourism...etc. with a view to accelerating socio-economic development and poverty reduction, which are crucial for realizing the vision of creating a harmonious and prosperous Development Triangle Area by the year 2020. The CLMV Summit reaffirmed their determination to promote cooperation in the 9 areas cooperation: (1) coordination of economic integration policies, (2) *trade and investment facilitation and promotion*, (3) agriculture, (4) industry and energy, (5) transport, (6) information and communication technology (ICT), (7) tourism, (8) human resource development and (9) health care.

2.14. **The Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS):** ACMECS is a cooperation framework between Cambodia, Lao PDR, Myanmar, Thailand and Vietnam established to capitalize on both economic disparities and complementarities of member countries in order to narrow the development gaps in the sub-region and contribute to building the ASEAN community. The 4th ACMECS Summit adopted the Phnom Penh Declaration on ACMECS and incorporated the Declaration on ACMECS Rice Cooperation into agricultural cooperation in order to strengthen ACMECS's position in the areas of rice production and exports to world market.

the Thai Prime Minister promised to expedite the legal process for five legal acts that will result in the ratification of seven more annexes and the remaining one protocol by 2010. The ratification process in Myanmar is underway.

⁷ First GMS Summit in Phnom Penh, 3 November 2002. China has been aggressively driving the CBTA, attempting to standardize process of procedures of harmonization protocols under the China's leadership.

⁸ Second GMS Summit in Kunming, 4-5 July 2005.

⁹ Third GMS Summit in Vientiane, 30-31 March 2008.

¹⁰ Meeting held on 20 March 2007.

¹¹ Considering that all of the CBTA's annexes and protocols have a partial entry into force provision, stating that they enter into force between and among the parties that have ratified, or accepted it, Cambodia, the PRC, Lao PDR, and Viet Nam should have already commenced implementation of the CBTA and its annexes and protocols, at least along the corridors in the CBTA's Protocol that connect them. Such entry force has not yet happened since there is a wide gap between ratification and implementation in most GMS countries.

Section III. Public and Private Sector Institutions and their Roles in Trade Facilitation

A. Public Institutions

3.1. The simplification of regulatory requirements, trade documentation and clearance procedures are at the core of the Government of Cambodia's strategy for improving trade facilitation and increasing competitiveness. While principle responsibility for the processing and clearance of imported/exported goods rests with the Customs and Excise Department, several other government agencies also exercise regulatory control over the import/export process or are involved in its physical handling or inspection. As such, the contribution of numerous relevant agencies was captured in the development of the trade facilitation process. The following are the main actors:

3.2. **General Department of Customs and Excise (GDCE):** GDCE is a lead player in all trade facilitation measures in Cambodia, as the lead trade facilitator, a revenue agency and an enforcer of border management procedures. GDCE is a public administration under the Ministry of Economy and Finances, headed by a Director General (DG) acting as Delegate of the Royal Government. GDCE has 5 DDGs and a total workforce of 1,214 staff. Customs revenue collected by GDCE is approximately 70% of the total national tax revenues, 40% of the total national revenues and 6% of the current GDP.

3.3. As a member of the WCO, GDCE has very similar roles with other customs administrations: Revenue collection (duties, taxes, and other charges); Anti-smugglings and combating of customs frauds; Compilation of trade statistics, analysis of trade patterns, and provision of recommendations to policy makers; Society protection by securing the supply chain; and international trade facilitation.

3.4. GDCE operates 24 hours a day, 7 days a week, at the airport and seaport. Cross-border station work hours are correlated with those of the neighboring country. Other agencies are covered by this but they are not present at all times. Although regulations provides for an 8-hour workday including public holidays, the Prime Minister and the GDCE Director-General have issued nevertheless directives that Customs services be provided to the private sector if and when such requests are made.

3.5. **The Ministry of Commerce (MOC):** In the larger framework of trade development, the Government has opted for a Trade Sector Wide Approach (Trade SWAp) to encompass all initiatives, strategies, measures and actions, to strengthen partnerships for consensus-building and coordination with the all stakeholders. Operationally, the Ministry of Commerce (MoC) is actively taking on more ownership and coordination of the trade reform process and plays a leading role in Trade SWAp implementation through a multi-donor trust fund for a Trade Development Support Program. MOC is also the main counterpart for the \$10 million World Bank Trade Facilitation Competitiveness Project.¹²

3.6. **CAMCONTROL:** CAMCONTROL, an agency under MoC, is the lead agency for inspections at the border which plays a critical role in the trade approvals process. Its main role in this capacity is overseeing the safety of products and the quality of products and services. Unlike the Customs authorities whose main focus is seen to be revenue generation, it sees its role as acting for the public good especially as regards border surveillance on food health issues. By virtue of a 2006 Decree, CAMCONTROL has been assigned responsibility for inspections of all exports and imports. The agency is a member of the working groups established to address trade facilitation issues related to capacity building, products and 'cross-cutting issues'.

3.7. A strategic review of the role of CAMCONTROL was carried in 2005 to more productively deploy the organization's unique knowledge of quality control processes and make optimized use of inputs and

¹² The project has four components: trade facilitation, specifically implementing the ASYCUDA system, an export market assistance fund, private participation infrastructure and investment and legal transparency.

resources from other agencies, such as the GDCE. Progress has been limited so far with the Government opting to strengthen the agency, which remains focused on border activities. A Risk Management Unit for CAMCONTROL was set up but not yet operational. The agency has not yet developed a risk management approach.

3.8. **Cooperation between Customs and Camcontrol to facilitate export of Garment and Textile manufacturing products:**¹³ As a result of the trade facilitation reform both Customs and Camcontrol sit together at Export Office of the GDCE and other customs check-points where there is export of garment and textile products, and they both shall issue “Joint Inspection Report of Garment and Textile Exports” after their eventually conduct physical inspection based on risk management.

3.9. **Ministry of Agriculture, Forestry and Fisheries (MAFF):** MAFF is primarily responsible for Sanitary and Phytosanitary Standards (SPS) oversight and plant inspections for exports. Difficulties with conformity assessments and inappropriate packaging were identified as major areas of concern for Cambodian products inspected by the MAFF. This has implications for exporters attempting to launch and maintain a presence in foreign markets. MAFF’s other role is also inspections but especially in ensuring that Cambodian goods that are designated for organic branding meet the required standards.¹⁴

3.10. **Ministry of Health (MoH):** MoH, in particular the Department of Drugs and Food is responsible for regulating the import and export of drugs and other pharmaceutical products into the country.

Other institutional coordination mechanisms:

3.11. **Government-Private Sector Forum (G-PSF):** The Prime Minister of Cambodia, Samdech Decho Hun Sen, has established the G-PSF since 2000 in order to foster a regular dialogue between the private sector and the government, and to contribute to improving the business environment. Eight G-PSF working groups provided the private sector with the opportunity to raise concerns with the government and seek solutions to them.

3.12. **Cross-Agency Trade Facilitation / Investment Climate Reform Team:** A Cross-agency Trade Facilitation and Investment Climate Reform Team, which was established since 2004, is responsible for preparing recommendations to the Steering Committee of Private Sector Development on policy design, institutional reforms to streamline trade facilitation. The team usually meets along with the sub-steering committee meetings of Trade Development and Trade Related Investment chaired by Senior Minister of Commerce.¹⁵

3.13. The Government has established also a Private Sector Development Committee under which a Trade Facilitation Working Group was created. In addition, an inter-agency coordination group on risk management, created by the Sub-Decree on Risk Management led by GDCE, has also met on a more regular basis.¹⁶ This Inter-ministerial Coordination Group is chaired by the DG of Customs with members from different government agencies involved in enforcing relevant laws governing import and export. Other coordinating bodies for trade facilitation include: Trade Consultative Committee, Service Level Arrangements between customs and other government agencies.

¹³ The cooperation came about pursuant to four regulations: (i) Government order No. 868 of 12th August 2004 on procedures of pre-shipment inspection of garment and textile products; (ii) Joint announcement between MEF and MOC No. 016 of 18th August 2004 on joint inspection b/w Customs and Camcontrol on export of garment and textile products and Joint Inspection Report of Garment and Textile Exports; (iii) MOC’s letter No. 1907 of 24th August 2004 on the establishment of Conjoined Office of Export b/w Customs and Camcontrol; and (iv) MEF’s letter No. 4683 of 10 September 2004 on the establishment of Conjoined Office of Export b/w Customs and Camcontrol.

¹⁴ ESCAP fact finding mission, March 2010

¹⁵ The team was created on 19 August, 2004 by Prakas No. 2289/04 CDC and comprised a chairman, two vice-chairmen, and 19 members from agencies/institutions involved in trade facilitation, mainly the Ministries of Commerce, Industry, Agriculture, Labor and Vocational Training, Interior, CDC, GDCE and the Port of Sihanoukville.

¹⁶ The Sub-Decree on trade facilitation through risk management (March 2006) serves as the legal base to implement risk management in Cambodia.

Autonomous State Owned Enterprises:

3.14. ***Port of Sihanoukville:*** The Sihanoukville Autonomous Port ("PAS") is the only deep sea port in Cambodia and accounts for approximately 70% of Cambodia's international cargo. It has over 1,000 employees and workers and is under the direct management of a Chairman & CEO and three Deputy Director-Generals. The PAS is open 24 hrs every day. The main exports that are moved through PAS are agricultural products such as yellow corn, beans, sesame and other food products, light industrial goods and personal effects. While garments comprise the majority of PAS exports, most have already been reviewed by CAMCONTROL and Customs officials through the joint inspection process in Phnom Penh. PAS Customs Officials generally check the documents and verify the seals on these containers but do not reopen them.

3.15. The number of steps and communication between PAS, Customs and Excise and CAMCONTROL has significantly improved over the past few years. In particular, the linking of PAS' computer system with the relevant Port agencies has streamlined the export process.

3.16. ***The Port of Phnom Penh:*** The Phnom Penh State Port Authority, under the Ministry of Public Works and Transport, operates and manages the Phnom Penh Autonomous Port ("PPAP"). The Port Authority is independent and has its own Board of Directors. The PPAP is also open 24 hrs everyday. Most all products moved through the port are containerized. Common export goods include agriculture products (yellow corn, beans and sesame), rubber and cigarettes. The major PPAP export destinations include Taiwan, China, Malaysia, Korea, France, the European Union and USA. PPAP does not have a warehouse to store dangerous goods. If exporters intend to ship dangerous goods, they will need to make arrangements to store the cargo at another location and then move it to the port the day that it needs to be loaded.

3.17. With a soft loan from China of USD 28 Millions, the port will move to a New Container Terminal, which will be operational by 2012. The new port will have an initial capacity of 120,000 TEU and an expected total capacity of 300,000 TEUs per year. The PPAP is currently seeking approval to cooperate with a private operator for the management of the new port.

3.18. ***Phnom Penh International Airport:*** The PPIA provides also export services, which is handled by the Cambodia Airport Management Services ("CAMS") located in the Cargo Terminal, adjacent to the airport. The Customs and Excise and CAMCONTROL offices are also located inside the building.

B. PrivateSectorInstitutions and Industry Associations

3.19. The freight forwarding and logistics community and the Garment Manufacturing Association of Cambodia (GMAC) are two active players in the trade facilitation area. As chair of the Trade Facilitation Working Group, the GMAC has been at the forefront of efforts to introduce trade facilitation best practices in Cambodia including lobbying government to establish faster and more transparent approvals processes and introducing an automated risk management system, now a feature of the ASYCUDA programme. However, aside from this G-PSF, there has been insufficient awareness and involvement by the private sector in many of these regional and sub-regional initiatives to date. Some private sector organizations (such as, freight forwarders and other entities involved in transport and trade) have little or no awareness of the CBTA nor of the ASEAN China Free Trade or the ACMECS.¹⁷

3.20. ***Freight forwarders and customs brokers:*** There are over 100 freight forwarding companies in Cambodia. Freight Forwarders are service companies that handle all aspects of export shipping for a fee. They act as the exporter's agent and can improve delivery time and customer service. Freight forwarders often don't own their own trucks but hire transport and contract with local brokers as needed. In general, these companies provide quality services at competitive prices. Additional advantages of using a freight forwarder include: (i) Providing customized services for physical transportation of goods; (ii) advising on rates and routing; (iii) offering assistance with packing and documentation; (iv) arranging consolidations or

¹⁷ Generally in other GMS countries, while ADB has urged the countries to actively involve the private sector, and indeed there is some private sector representation on the respective national transport facilitation committees, in some countries they are invited only when there is a generally perceived need for their presence.

full container movements; (v) offering Customs clearance services; (vi) providing quotes on insurance and freight.

3.21. Customs Brokers prepare customs documentation and clear goods through customs. There are approximately 110 customs broker companies in Cambodia, excluding the large number of individuals independently performing these services. As there is little regulation or public authority oversight of the sector and quality of service. Professionalism can vary considerably.

3.22. **Customs Bonded Warehouses:** Currently in operation are four bonded warehouses that are either dryports or inland container depots. All of them are located around Phnom Penh: Meng Sreang Inland Port, CWT Dry Port, So Nguon Dry Port and Golden Ocean Dry Port.¹⁸ These facilities serve Sihanoukville, one of which is operated by the port authority and the others by private operators. The bonded warehouses are used for storing and controlling imported goods before they are released from Customs. Bonded warehouses are approved by the Council of Ministers and controlled by Customs under the guidance of the MEF. Their operators are required to conclude agreements with the GDCE and fulfill all technical obligations for operating the warehouse, including a deposit/guarantee to the GDCE in order to secure the payment of duties or other dues that may be claimed by GDCE under the agreement.

3.23. Importers may choose where they want goods to be cleared and inform the GDCE. This allows Dryport Stations and the 21 trucking companies to compete, enhancing efficiency and lowering costs. The operators provide handling and transport services, charging fees of US\$10--15 for 20-ft containers and US\$25 for 40-ft containers.

3.24. **Special Economic Zones ("SEZs"):** SEZs also referred to as Free Trade Zones or Export Processing Zones, are in the initial phase of development in Cambodia. SEZs, in general, are commonly used to attract foreign direct investment ("FDI") and to stimulate growth by providing tax advantages and incentives for businesses to locate operations in a designated zone. SEZs are often subject to an entirely different Customs tariff and income tax regime because they are considered to be outside the Customs territory of the country.

3.25. Cambodia's first SEZ was approved in mid-2005 and developed by the Manhattan International Group in Bavet, close to the Cambodia-Vietnam border. The site has representatives from the GDCE, CAMCONTROL, Labor and the GSP co-located onsite, providing a one-stop service to its users. Officials carefully track all goods imported into, and exported from, the SEZ, to ensure that preferential tariff incentives and Rules of Origin are appropriately applied.

3.26. Currently, the SEZ is used by three manufacturers - Bestway Bicycles (bicycles), SYG International Steel (screws) and King Maker (Cambodia) Footwear (shoes) - which employ over 2,000 people. Plans are underway for two or three additional companies to join the Manhattan SEZ as well as for a second SEZ to be built nearby. The Port of Sihanoukville also has plans to establish a special economic zone in the near future - approval has been given for a total of 9 SEZ's throughout the country.

¹⁸ The bonded warehouses are created pursuant to Prakas 1214 of 30 December 1999.

Section IV. Trade Facilitation Issues identified by the Private

Sector

4.1. Generally the Private Sector has identified their priority needs in the areas of Trade Facilitation as covering the following: (i) Finance; (ii) Cost to export; (iii) Time to export; (iv) Reliable information; (v) Certification and Quality Conformance; (vi) Service Providers; (vii) Firm-Level Business Capabilities.¹⁹

4.2. **Improved Access to Finance and access to affordable working capital finance:** Underpinning all significant trade activities for most private sector firms is efficient access to affordable trade finance, export credit and working capital. The export community currently suffers from the lack of Trade Finance / Export credit, on two different aspects: first, from the low levels of trade finance provision due to the inexistence of domestic Exim Bank or other guarantee facilities as can be found in some other countries; and second, from what is available from domestic commercial banks, the terms and conditionalities are hard for Cambodian exporters/importers to obtain.²⁰

4.3. **Availability of Export insurance:** The informality of many Cambodian SMEs is both an inhibitor to exports directly (i.e. they cannot export officially unless registered) and through access to finance that would help to build a more capable, export ready firm.²¹

4.4. **Export Costs – Official, Unofficial and Ambiguity:** The primary private sector need with respect to import and export process is reduced and clear costs. Regular costs are still high. Cost concerning clearance charges are reported as high by the private sector, though these are potentially mixed or coupled with private freight forwarders' charges.²² Port charges are seen as high, by the private sector, vis-à-vis competitors.²³ For some of Cambodia's more niche and small-scale potential exporters – e.g. handicrafts – costs can be specially high relative to shipment value.²⁴ The private sector is particularly discouraged from exporting because of the uncertainty and unpredictability of unofficial fees.²⁵ Unofficial costs “between farm gate and FOB” often render Cambodian products uncompetitive due to unofficial charges along the roads and unofficial fees for signatures/stamps and completing routine export steps at and before the border.

4.5. **Infrastructure Costs:** High transportation costs, in particular, are cited as having a significant impact on ability to effectively export. For example, a visiting buyer seeking to purchase a significant volume of rice from Cambodia -- farm gate prices were competitive and quality acceptable, but FOB price included too much additional costs for unofficial fees, transportation, etc. which made the Cambodian rice uncompetitive – the buyer went to source from a competing country.²⁶

4.6. **Process Timing:** To meet customer orders in a timely manner, firms need to understand clearly the time required to secure appropriate certifications and clearances. The excessive number of licences/documents required for Export is time-consuming, cumbersome and costly, i.e. for handicrafts, the Private Sector Working Group cites a “need to obtain export documents and deal with several institutions such as: MAFF, Ministry of Culture, Ministry of Commerce, Customs, Camcontrol.” Some key certificates, such as C/O, Customs Permit, regularly take longer time to obtain. The private sector considers that time to deal with multiple officials from numerous Ministries is a distraction from business and some report loss of

¹⁹ This section is extensively based on the presentation of Mr. Penn Sovicheat on “Private Sector Needs in the Improvement of Trade Facilitation” at the AITIC Regional Workshop Trade Facilitation Negotiations for Asian LDC Members and Observers of the WTO, 2009.

²⁰ Summary of Working Group Meeting - Export Processing & Trade Facilitation, 21 May 2009.

²¹ Agenda For M&SME WG in July/August 2009.

²² Summary of Working Group Meeting - Export Processing & Trade Facilitation, 21 May 2009.

²³ EMAF experience.

²⁴ Ibid.

²⁵ World Bank Trade Process Mapping project, Work In Progress, 2009.

²⁶ EMAF experience

credit facilities with buyers due to missing orders while complying with the range of documents needed.²⁷ There is a lack of delegation of authorization from senior to more junior officials for signatures.

4.7. **Access to Quality Information:** Information – easily accessible and definitive – is critical to growing a firm’s confidence in aggressively pursuing cross-border trade. For the export process, there is a shortage of published and adhered-to information on time/fees required for each permit, which do not always contain in published regulation. There is no official processing timeframe and changes to process are not properly communicated to exporters.²⁸

4.8. **Market Information:** Although the Government has made significant progress in this area, the private sector highlights a lack of information on overseas markets, pro-active opportunities that could be pursued (such opportunity under EBA scheme), international agents and service providers that could support export sales by Cambodian firms (something EMAF seeks to address)

4.9. **Attainment of Quality and Conformance Standards:** For Cambodia to succeed in its market and product diversification, attainment of quality and conformance standards is critical – particularly for export to more developed economies such as the EU and USA. There is a lack of private sector and government providers of services in controlling food standards, safety standards, awarding quality standards and certificates. There is a clear lack of organic certifier and limited ISO and GMP certifiers/consultants.

4.10. **Access to Service Providers:** The ability to engage international-standard service providers across multiple disciplines is increasingly becoming a critical competitive tool. Private sector service providers like consultants in marketing, product development, laboratories, standards agencies, distributors are either unavailable or not highly visible and accessible to Cambodian SMEs who do not have familiarity with them. Some standards certifiers are available from the region, but lack trained Cambodian staff who can cost-efficiently transfer knowledge to Cambodian firms.

4.11. For government services, particularly in areas such as standards, SPS, quality control, there is a lack of proactive, positive trade facilitation services, such as fast-lane, implementation of one-stop shops, pre-arrival processing, expedite shipment, authorized trader. The private sector felt that government services are more focused on policing and monitoring, but not facilitating.

4.12. **Firm-Level Business Capabilities:** Finally, Cambodian firms need assistance to build their own capabilities to more effectively compete in regional and global markets across all functions, i.e. in terms of improving their limited marketing capabilities and export market understanding. The solutions proposed include more capacity development, enabling environment, facilitation to improve existing skills, supporting scheme like EMAF.

Box 4.1: A Case of Rice Export prior to the launch of the Rice Export Policy in August 2010:

The following are issues and recommendations on the Agenda of Proposed Agriculture & Agro-Industry Working Group on 10 March 2010: To export rice below 200 ton, the Private Sector needs to write a letter to ask for permission from MoC and GDCE. However, even though the MoC agree, the Private Sector still needs to negotiate with the GDCE. This takes time and the buyer contract time is limited i.e. from 3-4 weeks only.

Exporting more than 200 ton of rice is even more difficult and expensive. For example: the Private Sector need to go to Green Trade (GT) which has the monopoly to export rice; ask them to write a letter to MoC and then the MoC writes another letter to GDCE to ask for facilitation on this export operation. At each stage, the concerned authorities can create difficulties, delay unless the PS agrees to pay informal fees. Expenses occurred are as follows: (i) 50\$ for CO, 0.1 % for export tax, (official); (ii) 170\$ for export permit from GDCE; (iii) GDCE charges 55\$ per container for checking and so does the CAMCONTROL; (iv) MAFF charge 24\$ to check a container; (v) When loading merchandises into the container, the MoC charge 40\$ per container.

Consequently, to transport rice from PP to Sihanouk Ville costs 40\$ per ton which include 5\$ charged by the trucking company. The exporter needs to top 50\$ on the price of rice (for example buying the farmer 375\$/ton and selling to buyer 425\$) to be able to cover the export and transport charges and keep 10\$/ton of gross margin.²⁹ The PS also raises that the PS can not load the rice into

²⁷ Agenda For M&SME WG in July/August 2009.

²⁸ Summary of Working Group Meeting - Export Processing & Trade Facilitation, 21 May 2009.

²⁹ Proposed Agriculture & Agro-Industry Agenda, February 9th February 2010

container directly from the millers in various places. They have to bring the rice to PP and load into the container. This cost double price. This is a barrier that we can not export rice in large amount.³⁰

One-Stop Shop: The Private Sector recommends that there is a special service for processing the export and import of agricultural products. This office will be in charge of issuing all the necessary permits and ensure: (i) transparent fee, and (2) time limit i.e. 5 working days only.³¹

Reduce informal fees. To be competitive with neighboring markets which are market leaders, we need to reduce the sales prices of rice meaning we need to limit unofficial fees for both export and import procedure.³²

Export of rice: ensure free and fair competition by removing monopolies such as Greentrade. Thus enabling companies to export freely.

Intervention in transport and transfer of merchandises: The MoC can influence other relevant entities such as dry ports to lower the cost for entering container from 20 USD to 3-5 USD. Or else the RGC can provide a location for transferring merchandises without charging any fee. The RGC should establish or provide land for establishing of transferring center for huge amount of merchandises so that Cambodia can be a big rice supplier in Asia. There should be a website to promote rice in Cambodia or have an association of exporters of rice like in Thailand.³³

³⁰ Ibid.

³¹ Ibid.

³² Ibid.

³³ Ibid.

Section V. Reform of the Legal and Regulatory Framework

Description of the main regulatory instruments:

5.1. The following highlights the main legal development surrounding trade facilitation since the last 10 years. The full listing of all the legislative and regulatory instruments adopted by the Royal Government can be found in Annex 2.

5.2. **Sub-decree³⁴ No. 64 of 09 July 2001 on the Establishment and Management of International Check-points, International border check-points, Bilateral border check-points, Local border check-points, and Sea port check-points over the country:** The Sub Decree defines legal check-points nationwide and assign competence as border control agencies to government units such as port authorities, police, customs officers, Camcontrol, and CAMSAB. It provides a mechanism for cooperation among agencies, such as managerial hierarchy and organizational structure, precise roles and responsibilities of each respective agency to avoid overlapping duties, etc. Article 25 clearly provides that at every check-point all competent agencies in cooperation with each other and in accordance with its respective competence, shall conduct only once and at the same time the physical inspection of goods crossing the border. The sub-decree gives adequate legal ground and administrative procedures for each competent agency to inter alia conduct joint physical inspection, select shipment for inspection and expedite the release of goods.

5.3. For the purpose of improving effectiveness of inter-agency cooperation, further amendments of the Sub-Decree was made to reflect the following cases:

- The establishment of new border check-points and the upgrade of current bilateral Border Check-points to International Border Check-points.
- The addition of competent agencies such as Phyto-Sanitary authority, and Veterinary authority into border check-points.
- The issuance of regulations implementing the amended Sub-Decree 64.
- The provision of precise mechanism for effective cooperation among relevant agencies to avoid overlapping and duplicating duties, and to improve trade facilitation and security supply chain.

5.4. **Government Order No. 02 dated 19 December 2001 on the Strengthening of Prevention and Anti-Smugglings:** The order provided for various procedures for communication, for detention/seizure of goods, and an incentive system to be implemented through an mechanism for cooperation among the following relevant inter agencies structures:

- Inter-Ministerial Committee consisting of high ranking officers from MEF, GDCE, Commissariat of Royal Army, Military Police, Police, MOC, to deal with large-scale smuggling case;
- Inter-agency Committee consisting of officers at provincial level from MOC, GDCE, MP, and Police under the guidance of provincial governor to deal with medium scale smuggling activities;
- Working team for urgent case that customs can seek immediate cooperation from Army, MP, or Police and other relevant agencies at urgent request from customs.

5.5. **Government announcement No. 90 of 6th December 2005:**³⁵ The announcement sets the legal ground for applying Risk Management and Single Window Approach in the management of import/export activities: (i) to establish a Single Administrative Document (SAD) which is the only declaration form for trader to submit to all relevant agencies; (ii) to introduce ASYCUDA (Automated System for Customs Data) in the clearance process of imported/exported goods; (iii) to establish an action plan for the introduction of a

³⁴ *Anukret* are sub-decrees or government decrees adopted by the Council of Ministers, signed by the Prime Minister, and countersigned by the minister or ministers in charge of execution. Alternatively, the Prime Minister can issue an *Anukret* if it is within the purview of the Prime Minister's regulatory authority. See Annex for a full description of the various legislative and regulatory instruments.

³⁵ The announcement, which is usually used to explain or clarify a regulation or a sub-decree, carries legal weight and has the force of law.

National Single Window System; and (iv) The selection of imported/exported shipments for physical inspection or for scanning shall apply the risk-based approach.

5.6. ***Sub-decree No. 21 of 01 March 2006 on Trade Facilitation through Risk Management:*** The Sub-Decree provides the mandate to establish an Inter-Agency Coordination Group consisting of GDCE, MOC, MOH, MAFF, MIME, and SEZ Committee under the CDC. Customs is mandated to act as a single leading agency for inspection of goods at border check-points. When a case warrants the inspection by other technical agency, GDCE shall coordinate and cooperate based on Risk Management with the relevant agency in order to ensure that the physical inspection would be done only once, and without unnecessary delay. In this regard, the sub-decree provides a clear provision that traders are required to submit their import/export documents only to GDCE and only one set.

5.7. For this purpose, the Single Administrative Document (SAD) was introduced since early 2007. The SAD is the only document that will, in case where other technical agencies require, be applicable to all competent authorities concerning import/export of goods. In the spirit of effective cooperation, the sub-decree outlines a clear administrative procedures including reporting mechanism to ensure an on-going communication among relevant agencies. The sub-decree also requires all competent agencies to establish a National List of Prohibited and Restricted Goods, and Inter-agency MoU in order to clarify roles and responsibilities of each respective agency in order to avoid overlapping or duplicating duties and to ensure a sound and effective cooperation.

5.8. ***MEF Prakas³⁶ No. 1015 of 24 October 2006 on the establishment of Inter-Agency Coordination Group for Trade Facilitation through Risk Management:***³⁷ The Inter-Agency Coordination Group is headed by H.E. Dr. Pen Siman, DG of GDCE and its membership consists of representatives from GDCE, MOC, Camcontrol, MOH, MOC, MAFF, MIME, and SEZ. Its main roles and responsibilities include the following: (i) ensuring proper balance between law enforcement and trade facilitation; (ii) defining clearly the respective roles and responsibilities of each agency in order to ensure that no overlapping and duplicating tasks exist among relevant agencies; (iii) coordinating the implementation of action plan and/or coordination among all agencies involved in the management of import/export activities; and (iv) informing the public and the trading community in order to enhance the public awareness of the respective roles and responsibilities of each technical agency.

5.9. ***Sub-decree No. 209 dated 31 December 2007 on Prohibited and Restricted Goods:*** The Sub-Decree established a national list of high risk goods that require an approval from technical agency and physical inspection on its imports/exports. The list splits the goods into different part, based on HS Codes with clear special treatment on each import/export HS item, and assigns them under the control and competence of different technical agencies. To ensure the sound implementation of the sub-decree, an MOU is also needed to establish inter-agency coordination.

5.10. Import and export licenses are required for some goods from the Ministry of Commerce. Import and export permits are also required from relevant government agencies depending on nature of goods. Example of goods with prohibitions, restrictions and controlled includes narcotic drugs, medicines (permit is required from the Ministry of Health), live animal, wood products (permit is required from the Ministry of Agriculture, Forestry and fishery), fire arm (permit is required from the Ministry of Interior), subjects of culture and arts (permit is required from the Ministry of Culture) etc.

5.11. ***Prakas No. 1412 dated 29 December 2009 of the General Department of Customs and Excise on the Decision on Establishment of Public Relation Unit (PRU):*** The Prakas establishes a Public Relation Unit (PRU) under the supervision of the GDCE Department of Legal Affairs, Audit, and Public Relations. The PRU's main roles and duties are to receive requests or complaints from the private sector, especially from exporters and importers, in order to facilitate and solve problems in accordance with the provisions of the law. The objective is in effect to promote fiscal ethics and improve trade facilitation through a better understanding of the law, which leads to a higher level of legal conformity, customs procedure simplification, reduction in cost and in delay of customs formalities. The PRU also acts as a

³⁶ Prakas are regulations issued by a government office or official, to the extent that such office or official holds regulatory authority to regulate the matter.

³⁷ The Prakas as issued pursuant to the Sub-decree No. 21 of 01 March 2006 on Trade Facilitation through Risk Management.

secretariat of the recently established Customs-Private Sector Partnership Mechanism.³⁸

³⁸ Prakas No. 906 dated 09 October 2009 of the Ministry of Economy and Finance on the establishment and functioning of Customs-Private Sector Partnership Mechanism

Section VI. Updated on Implementation of Selected Customs and Trade Facilitation Measures

6.1. The following are updates on the implementation of Cambodia's commitments under the WTO Accession Protocol.

6.2. **Customs Code:** The new law on Customs has been adopted and was promulgated by the King on 20 July 2007. A total 32 implementing regulations have already been drafted. Among the 32 implementing regulations, 28 have been signed and entered into force. The Prakas on Customs Valuation has been drafted in order to implement the WTO Valuation Agreement.

6.3. **Implementation of PSI mechanism:** The imported goods using PSI service, which accounts for almost 80% of the total duty paid imports are consistent with the WTO Valuation Agreement. A Customs team and departmental plan was prepared to implement valuation transition plan with the phasing out of PSI by 1 May 2009 and GDCE will embark on the full implementation of WTO Customs Valuation Agreement by January 2011. In this regards, ADB is providing technical assistance TA to GDCE on how to move from the existing procedure to the fully implementing WTO Agreement on Customs Valuation. Previously BIVAC International was selected in 28 February 2006 through a bidding process as the new PSI provider until 2009.

6.4. **Implementing WTO Valuation Agreement in accordance with Transition Plan (TP):** In the context of Cambodia's membership in the WTO, preparation for implementation of the WTO Valuation Agreement is one of the prioritized tasks. The GDCE has implemented the WTO Valuation Agreement along with the decentralization process for customs valuation decision. Cambodia has obtained a 5 years grace period to migrate to the WTO methods. During this transitional period, GDCE has implemented a clear action plan to implement the Transitional Plan, which helps to prevent a major revenue loss when it switches to fully implement the Transaction Value Concept. The results are significant, in particular, all imported goods in which customs duties and taxes are payable by the state have been cleared at transaction value. In addition, 50 percent of dutiable goods have been processed at the transaction value. From 1 January 2009, the Customs Technique Office has implemented three methods of customs valuation such as transaction value, identified goods, and similar goods as a step towards full automation with the ASYCUDA system. The WTO valuation method will be fully implemented from 1st January 2011.

6.5. **Application of transactions value to large multinationals, firms importing identical or similar goods, and importers entitled to exemptions:** BIVAC has supplied a Valuation database called "VeriValue" is to GDCE in addition to the VSS (Valuation Support Services), which has been developed to facilitate the works of Customs valuation officers as a basic database in implementing Customs valuations process.

6.6. **Implementing a Post Clearance Audit (PCA) program:** The Post Clearance Audit Office was already been established and became operation with staff assigned and trained on PCA.

6.7. **Preparation and publication of a Manual on Law on Customs and related Regulations:** The Customs Law and its implementing regulations were published for general dissemination to all interested parties since April 2009. (See next section under Trade Information Website)

6.8. **HS classification and Cambodia Customs Tariff 2007:** Commodity classification and coding system is an important tool for traders to have transparent and predictable of duty and taxes applicable for imported and exported goods. Cambodia was among the first countries to implement the amended WCO HS-2007. The new Tariff Book and the entry into force of the New AHTN (WCO HS version 2007) was completed on 1 July 2007. Works are being pursued for preparations to implement the new HS version 2012.

6.9. In addition to tariff reduction under FTA agreements, the Government is lowering or eliminating further the import tariff particularly for agricultural and SMEs sectors. As the results of this undertaking, the un-weighted average tariff rate in Cambodia is about 12%.³⁹

6.10 ***Decentralization of Customs Valuation:*** Trade facilitation requires simplification of customs procedures. To meet this requirement, the GDCE has adopted decentralization policy the aim of which is to provide more decision power to frontline officers. After the termination of Pre-Shipment Inspection (PSI) service in mid 2009 which the GDCE has employed more than 10 years, the matter concerning customs valuation is gradually given to provincial customs branches and checkpoints.⁴⁰

6.11. ***Risk Management:*** Pursuant to Sub-Decree No. 21 and Inter-ministerial Working Group on Risk Management, a Risk Management Unit was established at the GDCE as lead agency. The risk management offices at Camcontrol, Ministry of Health, Ministry of Agriculture, Forestry and Fishery, and Ministry of Industry, Mines and Energy will be established after the signing of Service Level Agreement to implement the risk management. (*See next section for details of the measures*)

6.12. ***Establishment of 28 Risk Indicators and 9 Selectivity Criteria:*** Done and already sent to ASYCUDA, but some selectivity criteria that relate to HS Code 2004 need to be converted to Tariff 2007 version in order to be consistent with ASYCUDA system.

6.13. ***Prohibited and Restricted (P&R) Goods:*** The National Prohibited and Restricted List, which consists of 1537 tariff lines was adopted on 31 December 2007.

6.14. ***Customs Broker:*** The Prakas on Customs Broker was issued and came into effect. The MEF issued a letter to put the interim customs broker system into use. So far, initial conditions for interim customs broker was developed with almost 200 applicants applying for interim customs broker licenses. The Custom brokers will be selected and approved by the MEF. The implementation of customs broker has been delay due to limited awareness of the private sector on the system.⁴¹

6.15. ***Interim Customs Broker:*** The introduction of Interim Customs Brokers into customs clearance operations came into effect with an MEF letter N° 2664 dated 25 May 2007. An automated system pilot site of in Sihanouk Ville began on 1 May 2008, with the selection of interim customs brokers by GDCE. A Customs Broker Unit consisting of 5 members was established by order letter No.788 date August 24th, 2007 under the direct guidance of the Risk Management and Audit Office.

6.16. The initial conditions for Interim Customs Broker set the qualifications and criteria and a security deposit of USD 5000 for any legal person or individual wanting to become an authorized declaring/Interim Customs Broker. To ensure the sound process of clearance of goods, non customs brokers can also clear goods from customs (as existing practice) even after the Customs Broker System comes into effect. Clearance by non customs brokers will end at an appropriate time.

6.17. ***Conformity with WTO Rules of Origin:*** MoC and MEF have yet to work out the details on the draft Law on Rules of Origin. Currently technical assistance is needed for preparing Cambodia's Rules of Origin to conform with the WTO Agreement on Rules of Origin.

6.18. ***Smuggling:*** The process of tackling smuggling is an ongoing effort. GDCE has established a Customs Marine Team to operate in the sea and its customs zone.

6.19. ***Establishment of a dispute settlement mechanism:*** a Draft Prakas has been prepared in accordance with the provisions contained in the Customs Code.

6.20. ***Preparation to join the Revised Kyoto Convention:*** Preparation is under way for becoming a party

³⁹ Kun Nhem, Trade Facilitation: Challenges of Supply chain security and risk management: Cambodia, Asia-Pacific Trade Facilitation Forum, Bangkok 25-26 November 2009.

⁴⁰ Ibid.

⁴¹ Prakas No. 115 MEF.PRK of 15 February 2008 on Establishment and Functioning of Customs Brokers

to the Kyoto Convention with ADB technical support. This project started in 2009 with customs experts studying the legal systems and customs procedures currently being implemented in order to improve, reduce inappropriateness or introduce standards of best practice in harmonization with the customs procedures of the Revised Kyoto Convention. An action plan will be prepared by customs experts after the completion of the feasibility study.

6.21. **Enforcement of Border Measures:** Customs is entrusted with the enforcement of intellectual property rights at the borders and their roles become and more prominent in preventing the import/export/transit of counterfeit goods and pirated copyright goods into/out of Cambodia. Customs protection of IP rights is normally initiated by an application made by the right-holder or by their own initiatives (ex-officio action) upon prima facie evidence or strong information from the public.

6.22. **Implementing Customs Policy and Procedures with Simplified/Standardized Operating Procedures:** GDCE has improved certain customs procedures as follow:

6.23. a. **Import and Export procedures -Single Administrative Document (SAD):** The import and export procedures are carried out in two ways including through manual form filling and electronic operation by Automated System for Customs Data (ASYCUDA). For the purposes of trade facilitation and simplifying customs clearance procedures, GDCE has established since 1 January 2008 a new Customs Declaration called the Single Administrative Document (SAD), which applies to all regimes for customs clearance, export-import, bonded warehouse etc. Numerous training courses were held at the GDCE to both customs officers and applicants of interim customs brokers (Declarant). An Explanatory Note for filling out of all boxes in the SAD was also prepared and disseminated.

6.24. b. **Customs Transit:** For the purpose of ensuring efficiency and effectiveness of customs control in Customs Transit operation and to promote trade facilitation, GDCE has defined the conditions relevant to the operation of Customs Transit in line with the obligations of Cambodia under various international agreements and along international best practices. The procedures are stipulated in the MEF Prakas and Law on Customs.⁴²

6.25. c. **Temporary Admission:** Temporary admission means the customs procedures under which certain articles can be temporarily imported and to be re-exported within a certain period as specified by Customs from the date of importation. These articles will be granted exemption in total or in part from payment of import duties and/or taxes, but the importers may be required to make a contract with Customs that such articles will be re-exported within one year. If the re-export period exceeds one year, the importers are required to notify the GDCE and place a certain amount of security guarantee, which will be released after all the conditions have been met.⁴³

6.26. d. **Management of exemptions:** Duties and taxes exempted goods imported by diplomatic or consular missions, international organizations and technical cooperation agencies and their personnel are required to be re-exported after completion of their mandates. Those goods are not allowed to be disposed of, sold, transferred or diverted to unauthorized uses without prior authorization from GDCE. Organizations or persons wishing to do otherwise must request prior approval from GDCE.⁴⁴

6.27. e. **Management of Customs Warehouses:** Temporary storage of imported and exported goods may be kept under customs supervision in approved bonded warehouses pending completion of customs formalities. Licenses setting out the conditions for operation of a temporary storage facility are approved by MEF.⁴⁵ The facility license carries also an annual fee of 20,000,000 riel. The time limits for temporary storage is 30 days at an airport and 45 days for temporary storage facilities located in places other than at an airport.⁴⁶

⁴² Prakas No. 508 MEF.PRK of 01 July 2008 on Customs Transit

⁴³ Conditions for goods under temporary admission consists of goods for exhibition, personal effects, goods for advertising, etc.

⁴⁴ Prakas No. 928 MEF.CE of 02 October 2008 on Temporary Importation under Temporary Admission Procedures

⁴⁵ Conditions imposed on owners or operators include location, construction, lay out of premises, security requirement and procedures for the handling and control of goods.

⁴⁶ Prakas No. 116 MEF.PRK of 15 February 2008 on Customs Bonded Warehouse

6.28. f. ***Procedures in the Special Economic Zones (SEZs):*** The SEZs are special duty-free zones for economic development gathering industries and other relevant activities, including General Industrial Zones or Export Manufacture-Processing Zones.⁴⁷ Each Special Economic Zone consists of production zones, free-trade zones, service zones, residential zones and tourism zones. Special streamlined customs procedures are applied to all operations of SEZs, including simplified inspection mechanisms at customs checkpoints. For all goods imported into the zones for processing and re-export, taxes and duties are suspended.⁴⁸

⁴⁷ SEZs are subjected to the Law on Investment, the Law on Taxation, the Law on Customs, and the Sub-decree on the Establishment and Management of Special Economic Zones.

⁴⁸ Prakas No. 734 MEF.PRK of 11 September 2008 on Special Customs Procedure For The Implementation of the Special Economic Zone

Section VII. On-Going Development of the Cambodia National Single Window

A. Customs automation:

7.1. Trade facilitation demands simplification of customs procedures and processes with the maximum use of information technology. Customs automation is one of the biggest trade facilitation projects in Cambodia, involving the review and reform of customs procedures, regimes, codifications.

7.2. The Government decided in 2006 to move toward the ASEAN Single Window by 2012, based on the ASYCUDA platform. The customs automation project, which is financially supported by the World Bank, has commissioned UNCTAD to deploy ASYCUDA World system in key customs checkpoints.⁴⁹ Overall progress on customs automation and risk management are encouraging, in particular with the launch of ASYCUDA at the Port of Sihanoukville on May 1, 2008.⁵⁰ ASYCUDA are now installed in some other locations - the Phnom Penh International Airport, Phnom Penh Port, and 3 dry ports Teng Lay, So Nguon and Meng Sreang. There are also plans to have ASYCUDA roll out in due course the system at the main borders with Thailand and Vietnam, Poipet and Bavet respectively in October 2011, and add system functionalities including transit, warehousing and manifest management.

7.3. According to Customs officials, trained importers, exporters and customs brokers have used the ASYCUDA system to fill out their Customs declaration by conduct data input themselves with supervision and monitoring from customs officials. ASYCUDA has significantly reduced the burden of importers by limiting the import processes to three major steps: (i) documentation, (ii) inspection and (iii) payment. The system implementation has also facilitated the initial implementation of the Government's risk management strategy and has sharply reduced document requirements, the number of containers physically inspected from almost 100 percent at the time of project inception to less than 20 percent now, and ratio of physical examination of shipment dropped from about 50% to less than 20%, 90% of SADs lodged are cleared within 1 day. The roll-out of ASYCUDA and the gradual automation of other trade processes are now considered as priorities.⁵¹

7.4. Within the framework of GDCE's Strategy and Work Programs to Reform and Modernize Cambodia Customs 2008-2013, with renewed support from the WB under the same TFCP, the GDCE is in the process of preparation for new phase of the project i.e. expansion of the customs automated system to cover other checkpoints. The project will start in November or December 2010 and be completed in mid 2012. It is expected that 17 more customs sites will be automated thus making around 95% of trade volume be processed through the system. The new features of the project include the activation of the system functions such as transit, manifest and warehouse control and management, moving from stand-alone to centralized WAN connected management and establishment of DTI and internet facilities⁵². The Government plans to introduce a WTO compatible flat fee for service, and the service will be defined by a service-level

⁴⁹ The ASYCUDA component cost amounts to US\$ 2,249,492.

⁵⁰ World Bank's Trade Facilitation Competitiveness Project, mid-term review (May 2008)

⁵¹ Lessons learned from ASYCUDA implementation – and its challenges – about the management of such a complex ICT project include: (i) the lead agency (GDCE) needs strong support in project management (including setting up and managing a performance monitoring framework; developing quality control mechanisms); (ii) the sustainability of the system depends on the ICT capacity of the recipient (GDCE in the case of ASYCUDA); (iii) technical design needs to factor in Cambodia's capacity constraints (e.g. the lack of a cost-effective solution for a wide-area network until recently); (iv) procurement packaging requires careful design to allow for the emerging, but weak capacity of the local ICT industry and the risk of integrated software / hardware contracts to not deliver value for money; and (v) contract design requires attention to performance management given the risks of delays in such complex project. While the ASYCUDA system has been successfully deployed in many developing country situations, the latest version deployed in Cambodia employs more advanced technology and in turn requires a higher level of ICT support than previous versions. *World Bank's Trade Facilitation Competitiveness Project, Aide-Memoire, Follow-up Supervision Mission, June 2–22, 2009.*

⁵² Dr. Kun Nhem, Deputy Director General of Customs, "Status and Challenges of Single Window and Paperless Trade Implementation in Cambodia" at Asia-Pacific Trade Facilitation Forum 2010, 5-6 October 2010, Kuala Lumpur, Malaysia

agreement. GDCE is designing a processing fee for ASYCUDA, which could form the platform for a streamlined fee structure.⁵³

7.5. Automation at other trade related agencies has moved gradually with the MoC planning the introduction of a Trade Information Website that would automate MoC-related processes (in addition to providing a knowledge portal for all trade-related regulations and processes). Also, a One-Stop Service is being implemented with 5 agencies at each operational Special Economic Zone (only Bavet and Phnom Penh SEZ).

B. Other trade facilitation measures

7.6. A number of key trade facilitation projects and initiatives on trade facilitation are being implemented to complement the customs automation process:

7.7. **Single Administrative Document:** The Single Administrative Document was developed in 2006 and is implemented since 2008 (manually since January 1st and through ASYCUDA since May 1st).⁵⁴ A number of streamlining measures were taken, including: (i) moving to joint inspection (Customs / Camcontrol) and issuing certificates of processing and of origin, and visa on commercial invoice and export license done based on this joint inspection (September 2004); (ii) joint Customs-Camcontrol focal point in large garment factories; (iii) fewer steps and faster turnaround for certificates of origin, and visa on commercial invoice and export license (May 2004).

7.8. The SAD simplified form was developed with the assistance of the World Bank consultant and using template or model of ASEAN Customs Declaration Document (ACDD). The data fields, parameters and the layout are consistent with international standards and practices, including the UN Layout Key and the WCO data Model. This SAD is applicable in paper and electronic forms replacing then the Customs Declaration.⁵⁵

7.9. **Risk Management:** In Cambodia the concept of risk management is new and introduced in the time when traditional approach (import-focused) need to be shifted to a broader context of international supply chain (both import and export focused). Risk management is one of the key trade facilitation measures undertaken by the Government. Legal and institutional arrangements have been established and TA obtained to implement the Risk Management together with ASYCUDA system. JICA is considering the development of risk management database in order to provide systematic review, analysis, update risk criteria and profiles and to handle other risk management techniques.

7.10. Progress in risk management is seen mainly with GDCE with the issuance of Sub-Decree No. 21 on Risk Management on March 2006.⁵⁶ GDCE established subsequently a Risk Management and Audit office in 2007. Other trade-related agencies have not created any similar unit yet. Camcontrol has established a Risk Management Unit but has yet to operationalize it.

7.11. The consolidated list of prohibited and restricted goods was approved by the Prime Minister in December 2007, after considerable debates to trim it down.⁵⁷ GDCE has developed risk indicators and selectivity criteria and a system to profile traders. These various lists and indicators have been uploaded to ASYCUDA. Service level agreements have been drafted but have not been signed yet. Finalizing and signing the service level agreements and expanding the risk management approach to agencies other than GDCE is seen as a government priority in this area.

7.12. To meet the requirement of WCO SAFE Framework, the GDCE has also developed basic standards for exported goods to pass through selective screening by non-intrusive equipment (X-Ray machines). Development of criteria for setting up of authorized economic operators (AEO) and seeking interested partner country to conclude Mutual Recognition Arrangement (MRA) is in the agenda of GDCE.

⁵³ A regulation from MEF on flat fee has already been drafted.

⁵⁴ "12-Point Action Plan to Improve the Investment Climate and Trade Facilitation" Update as of July 31, 2009.

⁵⁵ The SAD was put in place pursuant to MEF Prakas on 26 December 2007.

⁵⁶ Sub-decree No. 21 of 01 March 2006 on Trade Facilitation through Risk Management

⁵⁷ The List of Prohibited and Restricted Goods was determined in Sub-decree on 31 December 2007.

7.13. **Service Level Agreements (SLAs):** Trade facilitation requires inter-agency coordination and cooperation in order to avoid duplication and overlap of functions and responsibilities of government agencies involving in border control. The Sub-Decree on Risk Management designates GDCE as the leading agency at the border to coordinate, where required, the inspection of imported and exported goods. This coordination and cooperation mechanism is laid down in a Service Level Arrangement (SLA) separately concluded between GDCE and other government agencies. The SLAs aim to coordinate functions among trade approvals agencies in order to establish operating parameters and increase inter-agency coordination and cooperation. Although in some cases it is difficult to reach agreement, the SLAs were gradually concluded with some competent agencies. MEF has coordinated with MoC to finalize a SLA between GDCE and Camcontrol.

7.14. The Sub-Decree No. 21 also requires all competent agencies to have an Inter-agency Memorandum of Understanding (MoU) in order to clarify roles and responsibilities of each respective agency in order to avoid overlapping or duplicating duties and to ensure a sound and effective cooperation. An Inter-Agency MoU provides, inter alia the following: (i) to establish communication channel (Focal Points); (ii) to identify roles, responsibilities, rights and obligation of each party; (iii) to exchange of information on clearance documents, data/risk indicator concerning imported/exported goods, related laws and regulations, etc.; (iv) to identify situation where joint inspection with other agency is necessary, and administrative procedures of request for cooperation; (v) to develop dispute settlement mechanism; and (vi) to maintain confidentiality. So far, GDCE have entered into an Inter-Agency MoU with Ministry of Health (MOH) and Camcontrol respectively. The MOU with Ministry of Industry, Mine and Energy (MIME) and Ministry of Agriculture, Forestry and Fisheries (MAFF) are still pending.

7.15. **Trade Information Website: Publication of Law on Customs and related regulations:** The GDCE is aware of the requirement of Article X of GATT 1994 on transparency and publication of legal and procedural documents governing import, export and transit. The requirements of Article X have been met in part through the efforts of GDCE to publish and make available all the relevant customs laws in English and Khmer both on-line and in a hard copy compendium. The soft copy is posted in the GDCE's website at www.customs.gov.kh.⁵⁸

7.16. To support Cambodia's full compliance of GATT Article X as well as to respond in a consistent manner the concerns of the Cambodian Private sector – the lack of access to trade-related information covering, inter alia, regulations, procedures, fee schedules, penalties and necessary forms to be used – a proposed Trade Information Website (TIW) was developed under the World Bank competitiveness project. TIW has as its objective the publication/dissemination of all the trade-related information, regulations, procedures, fee schedule, and required forms of the relevant government agencies on the websites of the relevant ministries and institutions, so that they can be easily accessible to the private sector. At the beginning stage, it could be started with the Ministry of Commerce. In the second phase, the TIW and these agencies websites could be expanded to enable electronic submission of required forms. Building on lessons learned during ASYCUDA implementation, the TIW will be part of the Ministry of Commerce ICT master plan to ensure sustainability.⁵⁹

7.17. According to the MoC, there are plans to introduce other trade facilitation measures including electronic Certificates of Origin, which will help to reduce the approvals time for businesses. Other new initiatives include the establishment of a 'one-stop service' at the Phnom Penh Special Economic Zone, which allows all export formalities to be processed through the facility. As a result, exports are able to go directly from the port to the vessel.

7.18. Aside from providing in a 'user friendly' and easily accessible way all of the key information necessary for importers and exporters to comply with regulatory requirements, the TIW would also assist Cambodia to comply with changes to GATT Article X currently being discussed as part of the WTO Trade Facilitation negotiations, which will likely require all WTO members to make all relevant import, export and transit information available and easily accessible to the public via dedicated trade information websites.

⁵⁸ Kun Nhem, Trade Facilitation: Challenges of Supply chain security and risk management: Cambodia, Asia-Pacific Trade Facilitation Forum, Bangkok 25-26 November 2009.

⁵⁹ The study on TIW is completed at a cost of US\$ 50,098. The consultant's Final Report and MoC's ICT Master Plan have been produced.

Box 7.1: ASEAN SINGLE WINDOW

The ASEAN Single Window (ASW) is ASEAN's most visible effort to facilitate trade among members, by enabling the rapid exchange of standardized data among countries' customs agencies. Currently, the ease of importing and exporting varies widely among SEAN members. Since the signing of the Agreement to establish and implement the ASEAN Single Window on 9 December 2005 (ASW Agreement), and Protocol to establish and implement the ASEAN Single Window on 20 December 2006 (ASW Protocol), ASEAN has fully embarked on the development of the ASEAN Single Window (ASW). The ASW aims to facilitate international trade and investment through expeditious clearance and release of cargoes by the Customs, and constitutes one of the mechanisms to realize the ASEAN Economic Community.

ASEAN Members agreed that the ASEAN-6 (Brunei, Indonesia, Malaysia, the Philippines, Thailand, and Singapore) would activate their NSWs by 2008, while the ASEAN-4 (Cambodia, Laos, Burma, and Vietnam) would do so no later than 2012. The effective deadline for completion of the ASW is 2015.

At the 42nd ASEAN Economic Ministers' (AEM) Meeting held in Da Nang, Viet Nam on 24-25 August 2010, the Ministers noted the developments in the implementation of the ASEAN Single Window (ASW) and National Single Windows (NSWs) by Member States. Ministers noted that Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore and Thailand have activated their National Single Windows (NSWs) as well as their efforts to expand the operational scope of their NSWs in line with the timeline set in the Agreement to Establish the ASEAN Single Window (ASW).⁶⁰ Ministers also noted the preparatory work being undertaken by CLMV to implement the NSWs.

Box 7.2: Major Achievements of the ASW⁶¹

ASEAN Member States, particularly Brunei Darussalam, Indonesia, Malaysia, Philippines, Singapore and Thailand have achieved substantial progress in the activation of their National Single Windows (NSWs). Indonesia and Singapore already operate their NSWs while the remaining.

- Member States are in an advance stage of networking customs automated systems with those of governmental agencies.
- The NSW Steering Committees have been activated in all the Member States. In most of them, the Customs has been assigned to be the lead agency for the development of the NSWs.
- To put into place a common language of dialogue for the ten NSW systems, ASEAN has developed the ASEAN Data Model (Work base 1.0) based on relevant international standards such, WCO, among others.
- ASEAN has activated the ASW Exchange Gateway to facilitate information exchange of CEPT Form D on trial basis. It entered into operation in May 2008 and functions well technically.
- In December 2008, ASEAN completed the development of a software application for electronic processing of CEPT Form D. The software application will be used to test information exchange among Member States on a trial basis.
- Member States are developing the legal framework of operations of the ASW. The MOU is expected to be finalised in the first half of 2009.

⁶⁰ Vietnam had completed a National Single Window Master Plan and was piloting an "E-Customs" system intended to be a core element of its NSW.

⁶¹ For more information on the ASEAN Single Window, contact Mr Quang Anh Le (quang@asean.org) of the Bureau for Economic Integration and Finance of the ASEAN Secretariat.

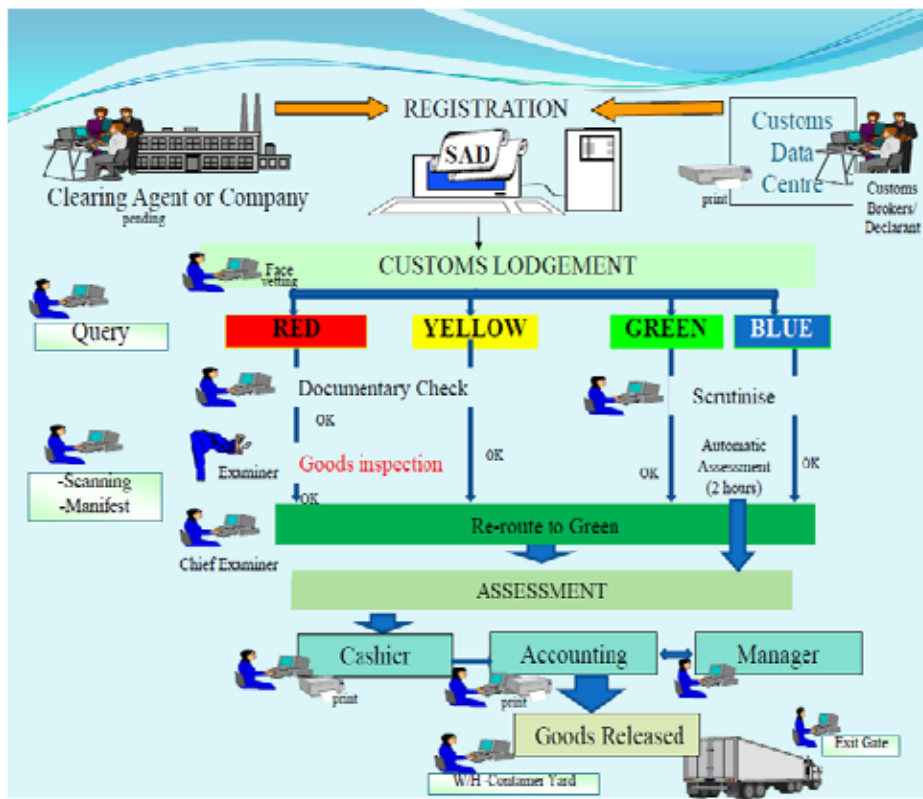
- Member States have started the ASW Pilot Project to acquire more knowledge and information for the development of technical features of the ASW.
- Activities of capacity building were conducted on data harmonisation and establishment of the legal environment.

B. National Single Window

7.19. Cambodia has started developing a National Single Window with the early piloting of ASYCUDA. The political mandate of NSW is at a ministerial level with strong commitment from various Government agencies involved and strong support from various business communities such as the Chambers of Commerce, transport and logistics associations. There is a Project Steering Committee that coordinates the planning and implementation of NSW in Cambodia with the GDCE as the lead agency. Membership includes MoC, the Ministry of Transport and Public Works, the Ministry of Agriculture, Fisheries and Forestry and their respective agencies under their mandate.⁶²

7.20. Ongoing works to operationalize the NSW include complex tasks such as: Process Analysis; Process Simplification and Harmonization; Document Simplification and Standardization; Cross Border Data Exchange and Single Window Implementation. (see figure 8.1 below for the proposed procedure for the NSW).

Figure 8.1



Source: General Department of Customs and Excise

⁶² These institutions include the autonomous ports of Sihanoukville and Phnom Penh, the Plant Quarantine Office, the Animal Health and Production Department, Camcontrol, and the various Special Economic Zones.

7.21. Noteworthy progress include the completion of the National Data Harmonization by the ASYCUDA project team; the design and development of the Automated System for Customs Data by UNCTAD for procedures simplification, trade facilitation, and improvement of trade statistics.⁶³ Physical facilities wise GDCE and the international ports have adequate facilities and system ready to implement NSW.

⁶³ The system uses all international standards for trade data under WCO and ISO conventions (SAD Forms, SAD Explanatory Note).

Section VIII. On-going Projects and Initiatives

8.1. **Trade Facilitation Competitiveness Project:** The World Bank's Trade Facilitation Competitiveness Project is a \$10.3 million dollar project, which has funded four components, the most prominent of which is the installation of the ASYCUDA system at three main control posts to date.⁶⁴

8.2. The main on Trade Facilitation finances the implementation of ASYCUDA in the GDCE⁶⁵ and a wider and more sustainable rollout of the Customs automated system, its implementation in a number of additional sites, its networking via secure communications infrastructure, together with support for the implementation of the full suite of functional modules including, as a priority, the transit and manifest modules. The restructured component also includes the automation of certificates of origin C/Os in the Ministry of Commerce (MoC).

8.3. The other three components include (i) an Export Market Access Fund, (ii) Private participation infrastructure and investment (PPI), and (iii) Legal transparency.

8.4. **Trade Development Support Program (TDSP):** The TDSP is financed from the Multi Donor Trust Fund (MDTF), contributed by the European Commission, DANIDA, UNIDO and government counterpart contribution for an amount of approximately US\$ 12.35 million. The development objective of the TDSP is to support the Government's strategy to promote a Trade Sector Wide Approach (Trade SWAp). The 3 year program which is implemented by the MoC/Department of International Cooperation (D/ICO) is coordinating with cross-governmental agencies and comprised of four components: Component 1 - Trade Policy Formulation and Implementation; Component 2 - Performance Monitoring and Evaluation; Component 3 - Institutional and Human Capacity Building; and Component 4 - TDSP Implementation Support.

8.5. Two other smaller initiatives are worth mentioning:(1) *World Bank Mapping of Trade Processes – Cambodia: Draft Process Maps and Analysis(December 2009)*, which attempts to do a trade process mapping work to measure and evaluate procedures, times, rationales and related costs of the commercial traffic process of imports and exports. The report is simply a description of the process maps and will be used to track changes in processes, and to facilitate a dialog with the private sector regarding areas of concern, next steps and major reform options; and (2) the *International Finance Corporation's Mekong Private Sector Development Facility (IFC MPDF) and the Ministry of Commerce's Export Booklet 2008*, which explains the export procedures the respective government agencies require for a wide range of products.

8.6. In accordance with the agreement on e-ASEAN Framework adopted in 2004, Cambodia made commitments to adopt a law on e-commerce by end 2008, together with all other ASEAN members. Cambodia has received the support of UNCTAD, which has assist in the preparation of a draft law on e-commerce and raise awareness of key stakeholders. The draft is currently under revision to reflect Cambodia's legal and economic needs and requirements. The Ministry of Commerce has issued a Prakas to create a drafting group comprising officials from key line ministries to pursue the task.

8.7. It is recognized that existing capacities and understanding, in particular among government officials, of notions such as e-commerce, e-transactions, cyber law, etc are still weak, let alone their legal aspects. For that purpose, the project is being considered for financing under the TDSP to address 4 issues: (i) Improve knowledge and understanding on e-commerce of key MoC and other line ministries officials involved in drafting e-commerce law; (ii) Support the inter-ministerial process of discussions and negotiations of the draft laws; (iii) Carry out an awareness raising campaign, in particular targeting the private sector, on the use of e-commerce in Cambodia within the proposed legal framework; and (4) Define e-commerce law

⁶⁴ Up to the present time....., TFCP disbursed US\$ 3,923,414 out of US\$ 10 Million and the government counterpart fund of US\$ 261,342 out of US\$ 630,000 for overall project implementation of TFCP.

⁶⁵ The project originally provided for the implementation of ASYCUDA in the GDCE, as well as the implementation of a Single Window.

implementation regulations.

8.8. Grosso modo the gist of the draft e-Commerce Law is designed to achieve the following objectives and should be construed accordingly: (a) To facilitate domestic and international electronic commerce by eliminating legal barriers and establishing legal certainty; (b) To encourage the use of reliable forms of electronic commerce; (c) To facilitate electronic filing of documents with Government and to promote efficient delivery of Government services by means of reliable forms of electronic communications; (d) To promote public confidence in the authenticity, integrity and reliability of data messages and electronic communications; (e) To deter the commission of certain harmful conduct against, or using, computer data and information systems.⁶⁶

⁶⁶ http://www.moc.gov.kh/pdf/pdf_conference/18.MoC_LAD_E-Commerce%20Law%20&%20relevant%20regulations_Final.pdf

ANNEXES

Annex 1: Explanations of the various Governmental Decrees and Subsidiary Regulations

The legislature usually enact a law that establishes important policies, and sets standards that are to be followed by the executive branch in implementing the law. The law will grant authority to the executive branch to add the necessary details by adopting administrative rules and regulations that comply with the policies and standards set by the legislature. This grant of authority is called “delegation” of rulemaking authority. When the legislature passes a law that delegates rulemaking authority, the executive branch must follow the policies and standards in the law.

The executive branch does not have unlimited power to issue regulations. The executive branch must follow the policies and standards established by the legislature in the laws delegating the rulemaking authority. Sometimes the policies and standards are clear, but often many details are missing from the law. In these cases, the executive branch must supply the missing details so that the law can be implemented. The Law on the Organization and Functions of the Council of Ministers (the CoM Law) contains some general requirements on the issuance of regulations by the Council of Ministers and the various ministries. These requirements concern the types of regulations that may be issued, what they are used for, and who has the power to issue the regulations. In the COM Law, the legislature gives specific instructions to the Council of Ministers and the various Ministries about how they are to carry out their duties. The Law specifies who has authority to adopt Sub-Decrees, Proclamations, Circulars, and Decisions, what they may be used for, and how they are adopted.

- *Anukret* are sub-decrees or government decrees adopted by the Council of Ministers, signed by the Prime Minister, and countersigned by the minister or ministers in charge of execution. Alternatively, the Prime Minister can issue an *Anukret* if it is within the purview of the Prime Minister’s regulatory authority.
- *Prakas* are regulations issued by a government office or official, to the extent that such office or official holds regulatory authority to regulate the matter.
- *Sechdei Samrech* are decisions of the Prime Minister or a minister to the extent that such official holds authority to make such decision.
- *Sarachor* are circulars issued by a Prime Minister or by another minister to explain or clarify certain legal or regulatory measures or to provide instructions.
- *Deka* are orders given by provincial governors and have the force of law only within the geographical limit of their provinces.

Annex 2: Legal Instruments for border agency cooperation

- The Law on Customs NS/RKM/0707/017 adopted by the National Assembly on the 22nd June 2007 and promulgated on 20 July 2007.
- Sub-decree 64 dated 09 July 2001 on the Establishment and Management of International Check-points, International border check-points, Bilateral border check-points, Local border check-points, and Sea port check-points over the country
- Government Order No. 02 dated 19 December 2001 on the Strengthening of Prevention and Anti-Smugglings:
- Government announcement No. 90 dated 6th December 2005
- Sub-decree 21 dated 1st March 2006 on Trade Facilitation through Risk Management,
- MEF Prakas No. 1015 Dated 24 October 2006 on the establishment of Inter-Agency Coordination Group for Trade Facilitation through Risk Management,
- Sub-decree No. 209 ANK.BK of 31 December 2007 on the Enforcement of the List of Prohibited and Restricted Goods
- Sub-decree No. 134 ANK.BK dated 15 September 2008 on transforming the Department of Customs and Excise, Department of Taxation and National Treasury of the Ministry of Economy and Finance into General Department of Customs and Excise, General Department of Taxation and General Department of National Treasury under the supervision of the Ministry of Economy and Finance
- Sub-decree No. 152 ANK.BK dated 06 October 2008 on the establishment of Department of Excise, Department of Customs Regimes and Departments in all preferential zone under the supervision of General Department of Customs and Excise of the Ministry of Economy and Finance.
- Prakas No. 1447 MEF.PRK of 26 December 2007 on Customs Declaration Provision and Procedures. Appendix B: Provisions and Conditions for the Electronic Submission of Customs Declaration (Single Administration Document: SAD)
- Prakas No. 105 MEF.PRK 15 February 2008 on Management of Goods that Exempt Duties and Taxes
- Prakas No. 107 MEF.PRK of 15 February 2008 on Reporting, Movement, Storage and Transportation of Exported Goods
- Prakas No. 106 MEF of 15 February 2008 on Customs Temporary Storage
- Prakas No. 108 MEF.PRK of 15 February 2008 on Refund of Customs Duties and Taxes
- Prakas No. 109 MEF.PRK of 15 February 2008 on Management of Unclaimed Goods
- Prakas No. 110 MEF.PRK of 15 February 2008 on Extension of Customs Zone
- Prakas No. 111 MEF.PRK of 15 February 2008 On Authorization to Carry out Customs Formalities Outside Customs Offices
- Prakas No. 112 MEF.PRK of 15 February 2008 on Provision of Security

- Prakas No. 113 MEF.PRK of 15 February 2008 on Management of Documents, Books, Records and Other Information on Imports and Exports
- Prakas No. 114 MEF.PRK of 15 February 2008 on Determination of Exempted Goods
- Prakas No. 115 MEF.PRK of 15 February 2008 on Establishment and Functioning of Customs Brokers
- Prakas No. 116 MEF.PRK of 15 February 2008 on Customs Bonded Warehouse
- Prakas No. 117 MEF.PRK of 15 February 2008 on Temporary Export of Goods
- Prakas 389 MEF.CE of 22 May 2008 on The Transportation, Distribution, and Possession of Imported Goods in the Customs Territory
- Prakas No. 388 MEF.CE of 22 May 2008 on Post Clearance Audit by Customs and Excise Department
- Prakas No. 387 MEF.PRK of 22 May 2008 on Customs Valuation of Imported Goods
- Prakas No. 508 MEF.PRK of 01 July 2008 on Customs Transit
- Prakas No. 734 MEF.PRK of 11 September 2008 on Special Customs Procedure For The Implementation of the Special Economic Zone
- Prakas No. 735 MEF.CE of 11 September 2008 on Procedures for the Management of Specially-Designated Goods
- Prakas No. 928 MEF.CE of 02 October 2008 on Temporary Importation under Temporary Admission Procedures
- Prakas No. 906 dated 09 October 2009 of the Ministry of Economy and Finance on the establishment and functioning of Customs-Private Sector Partnership Mechanism.
- Prakas No. 1412 dated 29 December 2009 of the General Department of Customs and Excise On the Decision on Establishment of Public Relation Unit (PRU)
- Instruction No. 790 CE of 28 August 2008 On Customs Transit Procedures
- Cross-agency Trade Facilitation and Investment Climate Reform Team was created on August 19, 2004, by Prakas No. 2289/04 CDC

Annex 3: Port Procedures

A. Sihanoukville Port Procedures

At Sihanoukville seaport, there are 5 teams that handle reporting and control of cargo, declaration processing, transit operations, accounting and administration, i.e. the Customs Formality, Active, Warehouse, Examination, and Entrance/Exit Teams.

Import procedures: The import procedures are as follows:

1. Upon arrival of the vessel at the port, KAMSAB (the government-owned shipping agent for marine cargo) informs Customs, Camcontrol, and Immigration Police.
2. The Customs Chief assigns 2 officers to the boarding committee or Formality Team, which includes KAMSAB, Camcontrol, Port Authority, Immigration Police, and Quarantine. KAMSAB provides a total of 9 copies of the manifest and related documents to the Team members, which boards the vessel. The Team breaks up to carry out their respective functions in formal clearance of the vessel and crew. The ship captain provides the manifest and bills of lading to Customs, which stamps them received. Crew lists and declarations are examined by Customs and the vessel's stores are sealed.
3. After vessel formalities, Customs authorizes unloading of cargo. The Active Team that includes KAMSAB and Port Authority, monitors unloading, checks cargo against the manifest, and verifies the condition of seals.
4. Cargo is stored in the warehouse and received by the operator. While awaiting their importer they are under the responsibility of the warehouse operator and Warehouse Team, which also controls cargo in the yard. A computer registers of all cargo is maintained by both the operator and Customs. Goods are allowed 45 days storage, beyond which a daily penalty of 1% of the value is exacted. Goods stored beyond 3 months are transferred to the Customs warehouse.
5. Importers lodge three copies of the declaration with supporting documents such as commercial invoice, packing list, bill of lading, Import license (if required), Report of Finding (ROF) if an import FOB value greater than USD 4,000.00 and other documents if any.
6. At the clearance point, the declaration is registered with a sequential number that is unique to an individual entry processing unit. 3 copies of the entry are submitted to the clearance point with invoice, bill of lading, packing list; one copy is kept at clearance point, one goes to audit team at headquarters, one to the importer. Declaration information is validated and scrutinized. (CED Annex 9 2003) The Camcontrol form is also attached to the declaration.
7. After assessment, importers pay duties in cash or bank guarantee either at the accounts section, or treasury in Phnom Penh which issues a receipt. Storage fees are also paid for.
8. The Customs Examination Team inspects the goods simultaneously with Camcontrol. Cargo is classified into 3 categories based on risk assessment: (a) Sealed PSI containers are not examined unless there is reason to suspect irregularities. On a selective basis, a maximum of 5% of containers is to be checked in detail. This was implemented since August 2002. (b) 100% of containers that bypass PSI are subject to detailed inspection. (c) 80% of investment company goods are inspected. In June 2002 a TC-Scan machine was installed to reduce physical inspection.
9. Goods are released. Containers are loaded on trucks for transport to Phnom Penh. Customs Entrance/Exit Team checks documents and receipts to verify payment, and matches container numbers against ship manifests.

10. Copies of the entry are dispatched to the headquarters Control Office which is responsible for post-entry audit.

Export Procedures: The majority of goods exported through Sihanoukville Port are garment exports. Most of the exported goods are examined by the Export Office in Phnom Penh, and the containers are sealed there. Customs at Sihanoukville port do not reopen the containers. They generally check the related documents and verify the seals on the containers. If everything is in order, containers are loaded on the vessels for export.

There are some goods cleared for export at Sihanoukville such as wood products and garments from factories located in the Sihanoukville area. The chief of customs of Sihanoukville port sends staff to carry out the customs formality and examination at the investors' premises.

Documentary Requirements: Export declaration have to be made triplicate and be submitted to the Customs Office, accompanied with the following documents:

- Customs declaration,
- Commercial invoice,
- Packing list,
- Export license (if any),
- Certificate of origin (if any), and other documents.

Cargo Examination: All exports must be examined by GDCE as a spot check, primary or in detail. Goods are released when documents are approved, the export tax if any is paid for, and examination is completed.

An Export Office at GDCE headquarters takes charge of garments exports, which examines and seals cargo with a container bolt seal (in factory premises) that conforms to international standards. Once they reach Sihanoukville seaport their documents and container seal are checked by GDCE , and they are loaded on vessels.

Other goods cleared at Sihanoukville seaport such as wood products undergo Customs formality and examination on company premises in the Sihanoukville area by GDCE staff who are sent by their Chief.

B. Tomnop Rolork Port Procedures

Most of cargo arrive at the Tomnop Rolork Port are small cargo boats from Thailand and Viet Nam, so cargo manifest is not required. Normally, each vessel carries shipments for numerous importers. Main imported merchandises is sugar (most of which is for re-exporting to third countries). Shipments are all under the US\$ 4000,00 PSI threshold, thus SGS's ROF is not required. Approximately eighty percent of shipments subject to duty and tax payable of less than US\$ 300, therefore customs valuation is done at the local customs office and a brief-declaration is used.

1. Importers inform customs the arrival of cargo and submit the required documents (declaration, invoice, packing list, and others if any).
2. In the case that documents are not presented upon cargo arrival, goods will be unloaded and temporarily stored on the dock under the control of both warehouse operators and customs.
3. After the document submission, chief of customs assigns an examination team to inspect the goods. 100% of all shipments are inspected by customs and camcontrol.
4. Importers bring the examination results to accounting team where the customs tariff classification is determined and duty and taxes are calculated.
5. Duty and tax payments are made at the customs branch office of Sihanoukville port. The accountants at Tomnop Rolork issue tax receipts to importers after they pay cash at Sihanoukville port's cashier. Importers are not allowed to pay duties at Tomnop Rolork.

6. Goods are released.

C. Dryport Procedures

About 15% of cargo that arrive at Sihanoukville are cleared at Dryports as follows:

1. Importer brings invoice for certification to GDCE headquarters, attaching the PSI-ROF, packing list, Bill of Lading, VAT registration, relevant license or exemption permit, and then to the Dryport Customs Chief for verification, upon which they are sent to any of the 3 Station Chiefs. Authorization is obtained by Dryport operator from GDCE headquarters to transport the cargo to the Dryport. Four copies of the approved transit declaration are sent to Sihanoukville Customs, which registers and seals it, specifies departure time and date, and returns 3 copies to Dryport operator.

2. Upon arrival of cargo, carrier submits manifest and bill of lading to Customs and warehouse operator. Carrier or importer posts a surety/guarantee with Sihanoukville Customs, which may also escort the cargo or apply other controls depending on risk. It faxes information about the cargo to GDCE headquarters.

3. Cargo is transported to the Dryport. Upon arrival, the Dryport operator submits the 3 copies of the transit declaration to Dryport Customs, which returns an endorsed copy to the carrier in order to cancel it at the entry checkpoint register. The 2 remaining copies automatically become the summary declaration.

4. Entry declaration is registered, duties are assessed and collected at accounting.

5. Cross-checking and physical inspection is done, after which goods are released if they match documents, or seized if not;

6. Documents are compiled under a single registration and sent back to Dryport Chief. For seized goods, a report is written and sent to the Chief for decision.

Using risk assessment, generally only a random 10-15% of containers is physically inspected.

D. Airport Procedures

At the Phnom Penh International Airport, procedures are the reverse of those at the Dryport: (1) importer submits documents, (2) assessment and payment is done, (3) Customs verifies documents, (4) entry declaration is registered; (5) documents are given to Deputy Chief and Chief.

In order to facilitate the bona fide travelers and tourists, who come into Cambodia bringing along non-dutiable, non-prohibited and non-restricted goods, the Customs Administration established the Green Lane channel for them. By passing through the Customs counter on the Green Channel, the travelers' belongings will not be checked only if they declare to the Customs that there are no dutiable, prohibited and restricted goods accompanied with them. The Green Channel can be noticed by having the panel with words "NOTHING TO DECLARE" on it.

Travelers or passengers who bring along dutiable goods have to go into the Red Channel and pay duties and tax applicable. The Red Channel is noticed by having the panel with words "GOODS TO DECLARE" on it.

Travelers or passengers bringing along dutiable, restricted and prohibited goods, and found using the Green Channel shall be imposed a penalty and/or a fine.

Travelers and tourists may bring personal belongings in reasonable quantity. Conditions under which travelers and tourists should enjoy concession are stated in Customs Passenger Forms, which are available at entry checkpoints and/or air carriers.

PART II

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United Nations Development Program (UNDP), A SWOT Analysis of the Cambodian Economy, 2006

I. GENERALITIES

1.1. Emerging from a turbulent period of regime changes and protracted civil war, the Royal Government of Cambodia have also made a sustained effort over the past 20 years to create a market-friendly environment. The Cambodian economy became more resilient and dynamic despite the major challenges faced by the regional and global economy and sporadic natural disasters the country experienced. For the period 2000—2008, Cambodia achieved an average growth of approximately 9 percent per annum. Despite the global recession, Cambodia posted economic growth of 6.8 percent in 2008 compared to only 0.1 percent in 2009 and rebound 4.8 percent in 2010.⁶⁷ As result, the average per capita income increased remarkably from US\$288 in 2000 to US\$900 in 2008. Cambodia's economy suffered a serious setback in 2009 while GDP is estimated to have contracted by 2 percent, driven by poor exports of garments, smaller tourism receipts, and weak inflows of foreign direct investment. These negative factors were compounded by tighter credit and a severe slowdown in construction. However, the performance in 2010 shows a remarkable rebound with a doubling of agribusiness production and exports (essentially in milled rice and rubber exports), increasing tourist arrivals, a steady import of consumer goods, and inflows of foreign direct investment.

1.2. Cambodia's imports in 2007 amounted to about US\$6 billion worth while it exported only US\$4.48 billion worth. The economic downturn resulted in a further decrease in trade in 2008 when Cambodia imported only US\$5.72 billion worth outpacing its exports of only US\$3.25 billion worth of goods.⁶⁸ Cambodia's biggest export markets are the United States of America, Hong Kong, Canada, Vietnam, United Kingdom, Holland, Germany, Spain and Singapore (see Table). Cambodia imported most from China, Thailand, Hong Kong, Vietnam, Taiwan and Singapore. Nevertheless, Cambodia's trade volume is still small compared to trade in her neighbors and some other countries in the ASEAN such Thailand and Vietnam.

1.3. Though Cambodia is primarily an agrarian society with about 85 percent of population is living of the land, Cambodia has limited export of its agro-products covering only about 0.3 percent of total export. Unofficially, agricultural products, especially rice, rubber and other products were traded across border to neighboring countries without proper statistical recording. Cambodia imported more raw materials such as fabrics and related unfinished textile products, covering about 35 percent of import. Other main import items include vehicles (both new and second hand), machinery and electrical appliances, and oil and gas. (see Table ...).

II. POLICY ENVIRONMENT

2.1 Snapshot of Cambodia's Trade Liberalization Policy

1.4. Cambodia's integration in the region and the world began in earnest in 1998 after the RGC launched its "Triangular Strategy" which emphasizes political normalization and stabilization; regional and global economic integration and poverty reduction". Cambodia became a full member of the Association of Southeast Asian Nations (ASEAN) in April 1999 and has acceded to the WTO in October 2004. Advances in peace, stability and social order, combined with strong political commitment has enabled Cambodia to further deepen its economic integration in other regional and sub-regional mechanism. Cambodia is also a member of the ASEAN-China FTA which is the world's biggest free trade area. Cambodia has signed trade agreements with many countries to increase easy access to outside markets. Cambodia has also joined the World Customs Organization (WCO) in 2001 and became a member of the Asia Pacific Region.

1.5. Cambodia has benefited from trade liberalization as witnessed by hundred of thousands of job creation, improvement in productivities, and poverty reduction. Looking forward, the Royal Government of

⁶⁷ *ibid.*

⁶⁸ Hang Chuon Naron, Secretary of State, Ministry of Economy and Finance during 3rd CDCF on 2 June 2010.

Cambodia (RGC) updated in June 2010 its National Strategic Development Plan (NSDP) 2008-2013 to reflect an ambitious 2013 targets of attaining per capita GDP income of nearly \$1,000, net primary school enrolment of 99 percent, and rural access to improved drinking water of 67 percent.

1.6. The NSDP, which will provide details on specific actions, programs, and projects to be carried out by line ministries and agencies to achieve the national prioritized goals as stated in the “Rectangular Strategy for Growth, Employment, Equity and Efficiency - Phase II (RS II)”, constitutes the socio-economic policy agenda or the “Political Platform” of the RGC. Prominent in the RS II and the NSDP, Cambodia has recognized the private sector as the engine of growth.

1.7. The Government gives great importance to the trade facilitation as it can promote not only trade exchanges itself but has more impetus on investment flow and economic development as a whole. From a policy perspective, trade facilitation is viewed as an extension of Cambodia’s commitment to enhance cross-border trade with its neighbors and deepen its relationship with ASEAN/ASEAN Free Trade Area (AFTA). The commitment to meet the ASEAN Single Window deadline of 2012 can be seen within this context. The AFTA is the only free trade area to which Cambodia was a member, and that Cambodia did not grant trade preferences to any trading partner outside the ASEAN framework.

2.2. Context for Diversification

1.8. Despite some initial signs of recovery from the recent global financial crisis, Cambodia felt the need to enhance its competitiveness. In the World Bank “Doing Business” rankings for 2010, Cambodia is ranked 22nd out of 24 East Asia and Pacific nations in the overall index and 21st out of 24 in the “trading across frontiers” index. Maintaining competitiveness is important given the social implications of the garment sector, which provides direct employment to 280,000 people and indirect employment to an estimated one million people, and the agriculture sector, in which rice export alone, once it reaches 3 million metric tons, could make up approximately 20% of GDP.

1.9. The rice sector could have a big potential comparable to that of the garment sector in terms of gross export value and value added generated throughout the supply chain including employment. Provided the RGC can solve the issues related to rice export in the same way as it has done for the garment sector, a substantial value added will be retained in the country and the gains generated from the process could directly contribute to economic growth, i.e. in the form of employment for more than 70% of rural people, an income increase, and particularly a reduction of poverty and an improved living condition for farmers and most Cambodian people engaging in rural economic activities. The sector could provide additionally a mechanism for equitable redistribution of economic gains, and have spillover effects on broader economic activities, which could lead to a complete change in the image of Cambodia’s rural economy.⁶⁹

1.10. In realizing the vision of agriculture development, the RGC has adopted a three-pronged strategy — ***productivity enhancement, diversification and agricultural commercialization*** (from subsistence to commercial agriculture) — through implementing a package of interrelated measures: In the current context, agricultural commercialization has become more dynamic in lights of global economic changes due to increasing food demand and prices. This trend bears some implications on, and revives the impetus of, paddy rice and other crops production in Cambodia, which have the potential for further higher growth.⁷⁰

1.11. The promotion of milled rice export is the first step to catalyse the export of other agricultural products such as cashew, rubber and other crops. Parallely, the success of the implementation of rice export policy will send a strong political message, with the effect of encouraging and paving the way for the export promotion of other agricultural crops.

⁶⁹ Rice Export Policy, August 2010

⁷⁰ Ibid.

III. OBJECTIVE OF THE BPA

1.12. The objective of this business process analysis (BPA) is to measure and evaluate procedures, times, rationale and related costs of the commercial traffic process of three export products, essentially agriculture products like rice, cashew nuts and silk, and one import pharmaceutical product.

1.13. Trade facilitation is a major challenge and impediment to the competitiveness of the sector.⁷¹ The BPA establishes a baseline of the “as-is” business processes demonstrating how things work today, i.e. in the current rice export. It then serves as a baseline for the determination of the improvement programs or “to-be” processes that should be introduced in the future. By analyzing the trade processes and eliminating inefficiencies, it is estimated that Cambodia could become a major rice competitor, as it enjoys certain cost advantages under the “Everything But Arms” (EBA) initiative that gives it a competitive advantage over neighboring countries.

1.14. For example, on the rice supply side, the cost and pricing structure of the Cambodian rice as it is “currently” is not competitive. Although our farm-gate price at farm level is lower than Vietnam and Thailand, our FOB price is higher than the two countries (for example currently for 25% broken, Cambodia FOB for USD 490.00 versus Vietnam FOB for USD 435.00). This makes our rice very uncompetitive against Vietnam, when supplying to foreign countries, in particular to the Philippines.

1.15. The difference between farm-gate price and FOB price is largely due to: high cost of credit, old milling facility, high cost of energy, high cost of transport and logistics, high cost of documentation and port handling. For example the cost of documentation and port handling in Cambodia is US\$ 20/ton as compared with US\$ 7/ton in Vietnam. The cost of fumigation is US\$ 1-2/ton as compared with US\$ 0.50-0.70 in Vietnam. In addition to this high cost, processing document in Cambodia tends to be very cumbersome, and unpredictable in terms of timing. There is an urgent need to streamline and simplify the process, and cut the cost to make our rice more competitive. If Cambodia can cut the cost between farm-gate and FOB, it can eventually increase the farm gate price for the benefits of millions of Cambodian farmers.

1.16. The compelling reason for having a BPA survey done is that the results of the analysis may serve as a baseline for implementing trade facilitation measures, not only for the selected products, but for the export/import sector such as:

- Simplification of trade procedures (including commercial, transport, regulatory and financial procedures);
- Simplification of documentary requirements and their alignment with international standards; and
- Ultimately automation of international trade transaction and its associated electronic documents for paperless trade systems.

1.17. The documented business processes provide stakeholders at the management level, in particular senior government officials at the Supreme National Economic Council (SNEC), the Ministry of Commerce/Camcontrol, the General Directorate of Customs and Excise (GDCE) and managers of the port authorities, insights about existing situations at the operational level. They serve as an organizational blueprint that facilitates the identification of bottlenecks, the prioritization of areas for improvement, and the design of improvement strategies by top policy makers to eliminate redundancies.

1.18. It is expected also for this deeper analysis at the country-level will provide useful information to traders to pinpoint the existing procedures/processes bottlenecks and encourage them to provide inputs to the government.

1.19. The business process also varies based on the mode of transportation of the items e.g. if the product under consideration is transported solely by land route or waterways then the process will be much different than if the same product is carried with other mode of transportation. And so the time and associated cost of

⁷¹ The general challenges for Cambodia’s export are: lack of trade promotion activities; lack of information and understanding regarding trade preferences; complicated bureaucracy; high cost of doing business; limited size of production capacity with poor technology; lack of credit access and insurance; and lack of appropriate trading partners.

transportation with export or import also differ to a large degree. Thus the selection of the four products is partly driven by their importance in the Cambodian economy, i.e. overall export performance in the context of regional and global economic integration and its high potential for pro-poor export led growth, it is partly driven by to the desire to understand different export processes for different export routes, i.e. rice export is done through the deep seaport of Sihanoukville, the cashew nut export is also done through the seaport of Sihanoukville, the silk products export is done by small shipment through the Phnom Penh International Airport. The selection of pharmaceutical products as import is generally illustrative of the import process.

1.20. As the situation varies greatly across products traded, as well as trade route, origin and destination of these products, this study aims therefore at capturing the different requirements, in term of procedures and processes specific to the chosen products and the chosen routes, i.e. the standard chain is what export is supposed to mean i.e. FOB and imports CIF. This means tracking the flow from the factory/farm to the port of loading; or tracking the flow from the port of loading to the warehouse of the importer or the home of the consumer. Moreover undertaking deeper analysis of the processes small firms (for silk products) and large firms (rice and cashew products) face when engaging in international trade may provide useful insights and more practical and specific policy recommendations.

IV. BPA METHODOLOGICAL CONSIDERATION

1.21. Business processes are valuable organizational assets, which have become a source of greater transparency, improved efficiency, and greater capacity to innovate. When properly applied, they can in turn be the keys to the success of any organization, whether they be government agencies or private sector organizations. In this context, UNESCAP/UNECE/UNNExT⁷² has detailed out the methodology to analysis the complete business process in its “Guide to Business Process Analysis to Capture and Simplify Trade Procedures”. The guide aims to provide a simple methodology to elicit and document the “as-is” business processes used in the international trade which requires an interaction between traders, between traders and government agencies, and between government agencies.

1.22. BPA is drawn based on Unified Modelling Language (UML)⁷³ which provides a set of standard graphical notations for business process modelling. The *use case diagram* serves as a project's frame of reference. Its purpose is to present a graphical overview of core business processes including all stakeholders that are involved in these business processes and demonstrates all actual associations between these business processes and stakeholders. The *activity diagrams* an elaboration of each business process displayed in the use case diagram. It portrays a sequence of activities and documentary flows from one responsible party to another. It informs its audience not only who is doing what in which order, but also documentary inputs that serve as prerequisites to activities and documentary outputs that can be obtained after completing certain ones.

1.23. The documented business processes resulting from the business process analysis exercise provides a significant input to practitioners who are responsible for harmonizing commercial, transport and regulatory data requirements. It helps them identify not only relevant commercial, transport and regulatory documents, but also the business context and the transactional environment in which each document is used and exchanged. Improving the business processes often has cost implications. The costs are not only limited to human and financial resources required in implementing trade facilitation measures but are also associated with regulatory, legislative, and institutional changes.

1.24. The use of common standard graphical notations in business process modelling as much as the understanding these business processes and their attributes is vital and therefore essential prior to introducing any trade facilitation measures and other improvement programs aimed at the simplification, harmonization, and automation of trade procedures and documents. The BPA is such a necessary first step.

1.25. In the context of its efforts to contribute to the implementation of the Rice Export Policy, this analysis will use the BPA Guide as its core methodology. It will presents the trade process mapping for four

⁷² UNNExT, UNESCAP and UNECE (2009)

⁷³ UML Resource Page, <http://www.uml.org>.

selected products (three for export and one for import) with a view to identify the steps, actors, documents, time and cost involved in the overall transaction procedure.

1.26. Mapping and time/cost estimation is initially done for a “typical” transaction of a “typical” firm using the most common route. Aspects of the transactions to be specified may include, *inter alia*: Estimate time and costs (official and unofficial) of the relevant procedures and processes; method of payment, mode(s) of transport and route, company size and other relevant company characteristics (e.g., frequency of trading in this type of product); and location of the firm warehouse from which product will depart.

1.27. The BPA study combines three different research methods: desk study, several field investigations, and a mission validation. A review of secondary source especially on works done by other development partners like the World Bank and the IFC provides a good background on the situation of the trade facilitation and set the stage for further in-depth field investigations, which comprises of face to face interviews of companies, individuals, government officials and experts directly involved in the import-export processes. Personal meetings with selected top business leaders were also conducted to fill information gaps and to form the solid foundation for analysis. Several trips were made to the deep seaport of Sihanoukville and the autonomous port of Phnom Penh.

1.28. For the rice product, several field investigations are made with two rice millers/exporters and three rice exporters. For the cashew nuts product, interviews were made with a producer and a leading exporter. For the silk, interviews were made with the representative of the silk association and the technical advisor of the ITC silk project coordinator. As for the import of pharmaceutical products, interviews were made with a leading importer/distributor. This range of consultations with private sector provides a broad set of knowledgeable inputs into the documentation of the process.

1.29. The study has benefited tremendously from the inputs of the BPA group trainees, who have received the capacity building from ESCAP. Not only have they contributed to the data and documents collection and analysis, they have been instrumental in facilitating various field visits to the ports and the rice millers. The outputs of the BPA were extensively discussed and validated by them.

1.30. The study got a strong political windfall when the Prime Minister launched the Rice Export Policy and appointed the author to be the special envoy to negotiate the sale of Cambodian rice to the Government of the Philippines. Numerous key actors in the area of trade facilitation have come out with strong expression of support and collaboration to tackle trade facilitation issues. Much more information from both the private sector and the government ministries was forthcoming. Moreover, there is a strong interest from several specialised industry associations in particular the Cambodian Chambers of Commerce, the Garment Manufacturers Association of Cambodia (GMAC), the Small and Medium Industries association (SMI) and the Cambodian Freight forwarders Association (CAMFFA).

Table 1: Selected Products and Institutions Interviewed

| Process Analysis | Product | Trading Region | Institutions interviewed |
|------------------|-----------------|----------------|--|
| Export | Rice | Europe | Mega Green; Golden Rice; Ying Yang; SMI. |
| | Cashew nuts | India | Mekong Rain; San’s Cashew Plantation |
| | Silk | Europe | KSV, ITC Silk Project; EU Ecosorn Project; CCC |
| Import | Pharmaceuticals | Indonesia | Dynamic Pharma Co. |

V. LIMITATIONS OF THE BPA STUDY

1.31. *Issues with Cambodian trade statistics:* It is difficult to assess the volume and value of Cambodia's exports because of lack of reliable, official data. Cambodia reported trade data to the United Nations

Statistics Department (Comtrade database) only until 2004, while so-called mirror statistics --those reported by Cambodia's trade partners to the United Nations Statistics Division-- are available until 2008. However, the two sources can differ substantially and thus suggest different interpretations. A second problem is that official statistics do not take into account informal exports to Thailand and Vietnam and thus seriously underestimate Cambodia's agriculture exports.

1.32. *Access to Quality Information:* For the export process, there is a shortage of published and adhered-to information on time/fees required for each permit, which do not always contain in published regulation. There is no official processing timeframe and changes to process are not properly communicated to exporters.

1.33. Interviews with government officials exporters were marred by suspicion of the motives of this research. On the exporters' side, while they are quite truthful about the complexity of the various procedures and processes, they are a bit uneasy when it comes to disclosing the actual informal costs. Building trust of interviewees required longer time and intensive engagements.

VI. Structure of the Study

1.34. This paper is divided into 2 Parts. The first part of the paper is arranged into 4 Sections, each one covering a specific BPA product, starting with rice, cashew nut, silk, and pharmaceutical product. Each section starts with a brief discussion of the economic and market prospects of the product, follows by the BPA and the relevant use case diagrams and the activity diagrams.

1.35. The second part of the study provides general observations on the effects of trade facilitation on Cambodia's specific exports, followed by recommendations on the effective use and dissemination of the BPA study results, the recommendations on the use of BPA methodology, and a concluding statement.

EXPORT OF RICE TO EUROPE

BPA through the Sihanoukville Autonomous Port

PART I. OVERVIEW OF THE RICE SECTOR

2.1. **Generalities:** Rice is by far the most important agricultural product of Cambodia and the sector employs around 2.9 million people. Rice is the major staple food and is cultivated by the large majority of small farmers. It is crucial for human development in terms of food security and poverty reduction, especially for subsistence farmers. Estimates of rice exports – including informal exports – suggest that rice is by far the most important agricultural export product in Cambodia. Though most exports concern paddy rice, milled rice is increasingly considered to have an important potential for future exports.

2.2. Rice is grown in all provinces in Cambodia, though there are mainly two corridors producing the majority of rice: in the East along the Vietnamese border --Prey Veng, Takeo, Kampong Cham, and Svay Reang and the West along the Thai border: Battambang, Banteay Meanchey. The corridors produce different varieties: the Eastern provinces specialise in high yield IR varieties and the Western provinces produce especially aromatic rice.

2.3. The RGC has chosen milled rice as a priority export item and has an ambition to turn Cambodia into a major “**rice - white gold**” exporting country in the international market. Paddy rice production could reach 7.3 million tons in 2010-2011, after a remarkable rebound over the past decade. With an estimated domestic consumption of approximately 3.14 million tons of paddy rice, a provision for seeds and harvest loss, statistical data shows a surplus of 3.32 millions, which can be processed into milled rice for export.

2.4. The diversification of Cambodia’s sources of growth through increasing paddy rice production and milled rice export could complement other sectoral growth, including garment. In the future, the rice sector could become an important pillar to sustain Cambodia’s economic growth while the garment sector is facing stiffer competition. In fact, high growth in agricultural sector will benefit most Cambodian people who are farmers with their living standard improved. The RGC is committed to promoting paddy rice production and removing all constraints to milled rice export from Cambodia.

2.5. The rice sector could have a big potential comparable to that of the garment sector in terms of gross export value and value added generated throughout the supply chain including employment. If rice export could reach 3 million tons, the total export value would amount to USD 2.1 billion (approximately 20% of GDP) or equivalent to about USD 600 million (approximately 5% of GDP) in value added contribution to the national economy.

2.6. **Cambodia's performance relative to the main competitors:** Cambodia is still a small player in the world rice market, and is ranked in general between rank 27 and rank 50 for the various products (Table 4). However, this low ranking is partly a statistical shortcoming (for paddy) and partly subject to change (wholly and milled rice). Cambodia may well be one of the biggest paddy rice exporters in the world, even though mirror statistics suggest that Cambodian formal paddy rice exports amount to less than USD 500,000.

2.7. **Cambodia's current markets:** For paddy rice, it is estimated that about 1.6 million tons of paddy are exported informally to Viet Nam and Thailand. With regard to varieties, Cambodian paddy exports to Vietnam consist mainly of IRRI rice, while exports to Thailand are traditionally aromatic varieties, although in recent years increasing quantities of non-aromatic paddy are exported, too.

2.8. For milled rice the main market has become recently the European Union (EU) with total exports of more than USD 2 million (mirror data). The main markets within the European Union are France, Italy and Germany. The strong up-ward trend of Cambodian wholly and semi milled rice export, which tripled in 2009, can be attributed to the tariff-free market access granted to Cambodia by the EU under the Everything-

but-Arms Agreement. For other, more traditional markets, reliable mirror data is not available but considerable quantities of wholly or semi milled rice are exported to Vietnam to Thailand.

2.9. **Potential future markets for Cambodia to diversify its rice exports:** In order to identify promising markets to diversify Cambodia's exports, the International Trade Centre (ITC) developed a Market Attractiveness Index that takes into account three dimensions: size of importing markets; dynamism of imports over the last 5 years; and the market access conditions they apply to an exporter country and its main competitors. Applied on Cambodia the following markets are considered most attractive.

2.10. For milled rice, the most attractive markets are in the Middle East (United Arab Emirates, Iran, Saudi Arabia) followed by the Philippines, the largest importer in the world, the United States and Malaysia. Some of these countries apply 0% tariff for milled rice from Cambodia (e.g. UAE, Saudi Arabia, United States, South Africa). In contrast, others apply much higher tariffs, such as the Philippines (50%) and Malaysia (40%). Cambodia has a substantial tariff advantage on the Russian market: 0% for Cambodia compared to 21% on average for Thailand, Vietnam and China. In 2008 Cambodia exported to only two countries among the 20 most attractive markets in the world: Malaysia and Singapore.

II. BUSINESS PROCESS ANALYSIS (BPA) MAPPING

2.11. About the Rice Exporter (Mega Green Co. Ltd.): The company was established in 2008 to promote the export of Cambodian rice to the region and the world. Although it is a new trading company, its networking capability with the domestic rice milling suppliers and overseas clients is relatively efficient. These millers supply good quality rice to the company based on the specifications set by the overseas clients though Mega Green still rely on mutual trust with its rice supplier. Currently the firm has the capacity to mill and pack up to 110 Metric Tons (MT) of rice daily to meet the local and oversea demand compared to 8 MT in 2008. The company has exported about 3,000 MT of rice annually to foreign countries, particularly the European markets. The quantity of rice export to Europe depends on the order from the buyers and the company has steadily increased its quantity over the last years from only about 72 MT to 1,500 MT per one order. Normally, the company can export three times per year.

2.12. In recent years other Cambodian rice millers, a few of them with international partners, have entered the rice export market by either in upgrading their existing rice mills or establishing new rice mills using latest technology from Japan or Taiwan. The most prominent examples are Green Trade, Baitang Kampuchea and Golden Rice.

2.13. **About the Importing Market:** The European Union is a major destination for Cambodia's rice exports. Preferential access to the EU is provided under the "Everything But Arms" (EBA) initiative launched by the EC in 2001 to replace the previous GSP system.⁷⁴ Under the EBA, most products from LDCs, including Cambodia, get duty-free access to European markets with greater predictability. Cambodia's utilization of preferential access to the EU market has grown vigorously since the phasing in of rice in the program in September 2009. Almost 100 percent of Cambodia's exports to the European Union are eligible for preferential access to the European Union.⁷⁵ Cambodia's utilization of its quota for "wholly-obtained long grain rice" stood at 78.9% in 2005. Under this trade preferences, the company can export rice shipment to the European market with special tax preferential treatment of about 140 Euros per ton as compared to exporters from developing Thailand and Vietnam.

2.14. This BPA illustrates core business processes used when exporting rice from Cambodia to European markets. The diagrams in the Annexes list all processes involved in getting to delivering the order, including

⁷⁴ A crucial distinction between EBA and earlier GSP EU schemes is that the preferences granted under EBA are for an unlimited period, in other words, not subject to periodic review. This stable environment has encouraged Cambodia to diversify their exports to the EU. Moreover, the EU has provided access to most of the agricultural products that were excluded by its earlier GSP schemes. The only two products excepted from EBA are now sugar and rice. However, the EBA regime is incrementally extended to both in full respectively since July 1, 2009 and September 1, 2009. Phase-in is underway and takes the form of increasing tariff quotas and decreasing tariff rates.

⁷⁵ The corresponding numbers for Cambodia's ASEAN neighbors are: 93 percent of the exports of Lao PDR, and 83 percent of the exports of Vietnam.

all activities in between in the export processes, including commercial and financial procedures, through the international port gateway of Sihanoukville.

1. BUY

2.15. Although the buying procedure is quite similar for most of the exporters, some differences exist depending on the size of the company and the existence in the business. The surveyed export company, Mega Green, has a relatively short period of experiences in rice exporting but has good track records of reliability with European buyers.

2.16. The company identified two main types of clients: (i) New potential clients who ask for a rice quotation by email, and (ii) Regular clients with whom the company has previous dealing on a certain types and grade of rice.

2.17. We start the BPA map through getting order as the first contact between exporter and importer. The steps of getting order are as follows:(*See Chart 3: Buy*).

2.18. Step 1. The Importer in Europe shows interest in import of rice from Cambodia (*See Annex I.1. Sample Letter 1: Request for Information and Quote*). In the case of a new buyer, the exporter first sends the quotations to European importer, after which rice samples are usually sent by overnight courier(*See Annex I.2. Sample Letter 2: Response to Inquiry*). The importer insists to see the samples due to the vast variety of rice planted in the country. Each type of rice is harvested and available during certain periods of the year and the buying period reflects the cyclical climate conditions and some exporters maintain jealously a list of rice millers, whom they know carry certain types of rice and at what time of the year. However, in the case of a regular client, the exporter quotes prices and terms of trade to the buyer via e-mail.

2.19. Step 2. The European importer verifies the quotation and, assuming the payment terms are acceptable to both parties, confirms the intent to purchase. Then a Purchase Order (PO) is sent by the importer/buyer to the exporter/seller by email or by fax. The exporter/seller raises a Proforma Invoice (PI) or a Sales Contract against the PO and send it by email or by fax back to the importer/buyer who is required to countersign. Depending on the understanding/trust between the exporter and the importer the mode of payment varies.(*See Annex I.3.1 to I.3.3: Sale Contract*)

2.20. Step 3. Both parties sign contract which determined the shipping date and commercial terms and conditions, specifically:

*a. Contract terms: Information on the Goods – Cambodian long grain white rice with max 25 pct broken, moisture max 14 pct, crop 2010 freshly milled and with following specifications: Average length whole kernels 6,45 mm; Broken 30 % max; Chalky kernels (>= half kernel) 6% max; Red/red streaked kernels 0,60 % max; Yellow kernels 0,10% max; Damaged kernels 0,25% max.*⁷⁶

*b. Payment conditions Price: US\$ 400.00 (Four Hundred United States Dollars) per metric ton Net, FOB Sihanoukville/Cambodia (Free On Board, Incoterms 2000), in container, including cost of GSP Form A certificate and other original shipping documents.*⁷⁷

c. Other terms and specific conditions: Milling degree well milled. Fumigated at time of stuffing the container. All Rice to be sound, loyal and merchantable quality suitable for direct human consumption, without alien taste/odor, without warehouse smell in milled rice after cooking, free from alive weevils, and free of their larvae at the time of loading. Rice to be fit for immediate human consumption, and to be free from chemical and all other substances noxious to health. No metal or glass admixtures, and no dead rodents and lizards are allowed to be in bags with rice. No cocoons allowed inside rice. No plastic strings and other plastic admixtures allowed. Residues of pesticides not to exceed the international standard, organic admixtures max. 0.20 %, mineral impurities max. 0.10 %, heavy metal contents not to exceed the international standards. Rice to be milled from non-GMO paddy. Exact quality to be the same or better than sample sent to buyers via ABC & Co in April 2010.

2.21. Step 4. The Cambodian exporter prepares the shipment for export.

⁷⁶ For illustration purpose only

⁷⁷ For illustration purpose only

2. SHIP

2.22. The exporter needs to be mindful of the reasons for export procedures and documentation, which are threefold: (1) to standardize international trade practices by defining the rights and obligations of the parties; (2) to comply with governmental rules and regulations (i.e. for the purpose of collecting trade statistics, trade taxes and duties, and foreign exchange, and (3) to comply with Conventions and Multinational Agreements (WTO, ASEAN etc...).

2.23. In fact, these so called *limitations to freedom of contract* are quite extensive and include: export & import regulations, consumer protection, technical norms and standards, customs clearance, taxation, foreign exchange control, restrictive trade policies, public health and safety, laws of transit countries, and dangerous and banned goods.

2.24. To meet customer orders in a timely manner, the exporter need to understand clearly the time required to secure appropriate certifications and clearances. The excessive number of licences/documents required for export is time-consuming, cumbersome and costly. Some key certificates such as Certificate of Origin regularly take longer time to obtain.

Ship 2.1: Arrange Transport

2.25. Transport is viewed in the BPA as cost incurred by the exporter or importer. Yet transport is clearly more than just a cost layout on the part of the trader. It is a source of intervention – from its location, the interchanges among the modes of transport, the toll imposition, traffic conditions, congestion and other transport issues.

2.26. Planning for the shipment of goods from the exporter to the importer's country involves the decision on mode of transportation. Four major factors are relevant in this context: the-urgency of delivery; the size and weight of items to be moved; the location and accessibility of the point of delivery; and transit time.

2.27. **Mode of transport:** Product characteristics affect the relative cost of transportation by different modes of transport. Sea freight is the most widely used form of transportation for rice trade. There are three options for rice shipments abroad: 1) Sihanoukville; 2) Via Saigon/Cai Mep (Vietnam); 3) Via Laem Chabang or Bangkok (Thailand). The Sihanoukville Autonomous Port (PAS) is the only deep sea port in Cambodia and accounts for approximately 70% of Cambodia's international cargo. The port is served by feeder vessels connecting to intercontinental mother vessels and other regional vessels at the major transit ports in Singapore and Hong Kong and other secondary South East Asian seaports. The lack of handling equipment in Sihanoukville Port is a constraint for the export of large quantity of milled rice. Only vessels with depth less than 8 to 8.5 meters can dock at the Sihanoukville Port, as the waterway is shallow and rocky. The maximum allowable load of vessels docking in the port is 10 thousand tons suitable only for shipment of milled rice to Southeast Asia or Africa.

2.28. Presently, exports via Sihanoukville remain more costly compared to exports via Vietnam's new deep sea port in Cai Mep. Even the Ho Chi Minh Port allows vessels with load capacity up to 30 thousand tons in docking station and 60 thousand tons in transfer zone. Nonetheless, a railway connection is currently under reconstruction by an Australian concessionaire. The railways, when completed in the next years, will help promote bulk transport from the northwest to the southern seaport with reduced cost of transportation.⁷⁸

“Contract terms: from Sihanoukville during end July / August 2010, in 2 equal lots, in mutual agreement.”⁷⁹

⁷⁸ Source: Agence Khmer Press (AKP) June 15, 2009 and Reuters, “Cambodia rebuilds railway with Australian, ADB aid” March 2, 2010.

⁷⁹ For illustration purposes

2.29. **Procedures for arranging shipment:** The procedures for arranging a shipment of goods can be complex. Therefore, a shipping and forwarding agent who is knowledgeable about the different modes of transport and how they can best be used may be employed. Shipping and forwarding agents can save much time for the exporter if they are given clear and concise instructions about the freight.

2.30. Freight Forwarders are service companies that handle all aspects of export shipping for a fee. They act as the exporter's agent and can improve delivery time and customer service. Freight forwarders often don't own their own trucks but hire transport and contract with local brokers as needed. There are approximately 110 customs broker and freight forwarding companies in Cambodia, excluding the large number of individuals independently performing these services. As there is little regulation or public authority oversight of the sector and quality of service. Professionalism can vary considerably. In general, these companies provide quality services at competitive prices. The rice exporter requests the freight forwarder to provide quotes on insurance and freight, advises on rates and routing, and documentation and Customs clearance services. The rice exporter usually does not need assistance with packaging as the service is already done by the rice miller.

2.31. **Shipping instructions:** The exporter must give clear instructions to the forwarder to avoid moving goods in advance of documentation, which could be inviting problems and expense. Countless export operations have gone astray because the exporter failed to give sufficiently precise instructions. The resulting loss of time and money are often large. For surface freight, documents should be mailed to the forwarder and only exceptionally handed to his uniformed driver.⁸⁰

2.32. **Forwarder's Consignment Note:** This is a simple form of instruction, which is designed to be the simplest and clearest way to give instructions. Instructions should always be given in writing, sometimes by fax and in many cases on forms provided by the forwarder or designed by the exporting firm. Where exporters make their own arrangements for delivery directly to docks or terminals, they should ensure that shipping instructions are received at the port by the day prior to delivery.

2.33. **Obtain Cargo Insurance:** Although the insurance industry is young in Cambodia, factories and the transport of merchandise within Cambodia are fully insured by a few insurance companies. Whether a Marine Insurance Policy is obtained by the exporter or importer depends on the buyers requirements. Most, if not all, of the rice shipment is F.O.B. Sihanoukville. The exporter subcontracts to the freight forwarder the task of procuring the inland part of the insurance policy and the cost of the insurance premium is billed from the freight forwarder to the exporter together with the freight forwarding costs.

“Contract terms: INSURANC : Buyers to cover the marine insurance. Sellers’ shipping advice to be done within 3 working days after date of shipment, with all necessary shipping details, to allow buyers to insure the cargo in due time.”

2.34. **Booking Cargo space:** The exporter instructs to his freight forwarder to undertake the following: (1) make the initial reservation of cargo space verbally over the telephone, followed by a formal booking request, (2) register details on customs entries' forms and send to customs and (3) register cargo on a shipping note and send shipping note to shipping company. The shipping line then issues a Shipping Note and a Release Order (RO).⁸¹ The exporter sends the shipping note along with the RO to the inland transport agent to collect the container from the yard. The RO is usually faxed. (*See Chart Ship 2.1: Arrange Transport*).

Ship 2.2A and 2.2B: Apply for Certificate of Origin

2.35. **Export processes with Government agencies:** The following are documents, which need to be secured from government agencies:

2.36. A Certificate of Origin (“CO”), which is a document certifying where a product originated from, is an important document to the buyer and seller and the Customs authorities as it affects tariffs and quotas

⁸⁰ It is however standard practice for air freight shipments that documents is collected with goods.

⁸¹ The Release Order is for the release of the container from the yard.

applied between countries for specific product. Product classification, origin and original status determine eligibility for preferential treatment and the specific duty rate assessed by the importing country. The Certificates of Origin are often required by both importing and exporting countries because of established trade arrangements and typically allow exporters to take advantage of the preference system of the importing countries, such as GSP or MFN schemes. For rice export to the EU under the EBA, rice exporters enjoy duty exemption with the EU upon submission to the EU of the Certificate of Origin Form A as issued by the Bilateral Trade Department of the Ministry of Commerce, formerly the Foreign Trade Department (“FTD”).⁸²To receive a CO, the rice exporters will need to register first with the Trade Preferences Department (“TPD”). This initial process is required for both for-profit and non-governmental organizations (“NGO”) and is only done once. (See 2.2A and 2.2B: *Exporter Registration Procedures and Certificate of Origin*).

Ship 2.4 and 2.5: Request for SPS and Arrange Fumigation

2.37. The Sanitary and Phytosanitary Certificates (“SPS Certificate”) are required when exporting rice to most countries and depending on the risk factor. Plants are classified into low risk and high risk categories. Low risk plants usually include rice and grains. High risk plants like banana or sugar palm trees typically have high moisture content. Soil becomes an important factor in the risk assessment.

2.38. The MAFF/Department of Agronomy and Agricultural Land Improvement (“DAALI”) is responsible for issuing the SPS certificates, which certifies that the product is free from quarantined pests and significantly free from injurious pests which could damage crops. It is the exporter’s responsibility to ensure that the SPS conditions are met. For this the exporter submits an application to the MAFF/DAALI in Phnom Penh, which will issue the SPS Certificate.

2.39. The SPS application process involves the following steps: The exporter submits a letter requesting SPS certification, along with the packing list and invoice, and for DAALI officers to inspect the rice shipment. His request specifically mentions the buyer’s requirement as per the Purchase Order.

“Contract terms: FUMIGATION : Fumigation final at time of stuffing the container as per official certificate issued by competent authority, mentioning fumigant type and dosis. Fumigation only allowed with aluminium/ magnesium phosphine.”

2.40. DAALI makes a risk assessment based on the risk for pests, the source of origin of the rice, the testing and inspection requirements of the importing country, and determines the export requirements and guidelines in Cambodia. Normally DAALI will arrange for fumigation, if needed, at least 15 working days before exporting. The full process for fumigation can take up to 96 hrs. The exporter usually do the follow up directly with the MAFF authorized fumigation company. A Fumigation Certificate is then issued. The certificate states the product, date, and dosage used for the treatment. The product is now SPS certified and ready for export. (See Ship 2.4: *Request for SPS* and Ship 2.5: *Arrange for Fumigation*; See also Annex I.6: *Fumigation Certificate* and Annex I.7: *Phytosanitary Certificate*).

Ship 2.3: Request for Export Permit

2.41. The Department General of Customs and Excise (DGCE) typically requires exporters to submit a *Request Letter* to start the export process. There is no official Request Letter format but the letter should have basic export information. A hand written note on a commercial invoice is sometimes sufficient. Once received, the DGCE will assess export duty (if any) and issue a *Permission Letter*, which allows the export process to move forward. The Permission Letter format is also not standardized and can range from a formal letter to a signature and stamp on the exporter’s Request Letter. DGCE operates 24 hours a day, 7 days a week, at the seaport. A Sub-Decree prescribes an 8-hour workday including public holidays that can be

⁸² For other destinations, the COs are issued by the different departments of the Ministry, such as the *Multilateral Trade Department*” for Australia, Brunei, China, India, Indonesia, Japan, Laos, Malaysia, Myanmar, New Zealand, Philippines, South Korea, Singapore, Thailand and Vietnam and the *Trade Preferences Department* (“TPD”) for USA, Canada, Mexico and all other countries not listed above.

extended overnight if needed.⁸³(*See Chart Ship 2.3*).

2.42. To receive a Permission Letter, the exporter first needs to submit a *Request for Export Letter* along with the following supporting documents: Packing List, Commercial Invoice, VAT Identity Number or a Business License, and a Customs Declaration (in process). However, if the service of a customs broker or freight forwarder is used, Customs officials would require an Authorization Letter, which is typically provided by the broker or freight forwarder. Customs Brokers prepare customs documentation and clear goods through customs.

Ship 2.6: Arrange Quality and Quantity Inspection

2.43. The exporter is also required to clear its shipment through Camcontrol. The process starts with the Camcontrol headquarters in Phnom Penh with the submission of the following documents: Invoice, Packing List, Contract/Insurance Letter, and Certifications. An inspector is assigned to inspect the cargo with the Customs and Excise official. He then completes and signs and stamps an Inspection Survey Report. Next, the exporter goes to the Administrative Office and pays an inspection fee of 0.1% of the value stated on the Commercial Invoice (already evaluated by the Customs and Excise Sihanoukville Branch). An Inspection Fee Receipt will be issued. A Certificate of Quantity document can then be issued if needed. (*See Chart Ship 2.6 and Annex I.9: Certificate of Quantity*).

Ship 2.7: Stuffing Container and transport to Port

2.44. The inland transport agent collects the container from yard and brings it to the dry port warehouse or at the Green Trade rice milling warehouse after which loading is carried out. The freight forwarder then calls the Camcontrol in advance to arrange for the rice shipment to be inspected as it is loaded into its container. A Camcontrol official can inspect and seal the container either at the dry port warehouse or at the Green Trade rice milling warehouse. Since the RO has the customs entry number, no other approval is needed to transport the container from the yard to the port. (*See Chart Ship 2.7*)

2.45. **Packing List:** Most Incoterms stipulate that the exporter/seller must provide at his own expense the customary packing of the goods, unless it is the custom of the trade to dispatch the goods unpacked. The exporter is thus responsible for the packing and for the consequences of insufficient or improper packing.

*“Contract terms: PACKING: in new polypropylene bags of 50 Kg Net each, with buyers’ marks.”*⁸⁴

2.46. Correct labelling allows the receiver to identify the cargo easily, ensures proper handling while the cargo is in transit and meets shipping regulations. Many countries have specific label requirements, such as the requirement that imported goods (or their containers) be marked with the country of origin. Your freight forwarder will furnish information on marking and labelling requirements. If any article is not properly marked when exported, a penalty can be assessed. This is called a marking duty. Marking duties are imposed in addition to any other duties, even if the article is exempt from ordinary duties.

2.47. On completion of packing and marking, a packing list is prepared with the following particulars for each package: (i) marks; (ii) numbers; (iii) gross weight in kg; (iv) net weight in kg; (v) dimensions in cm in the order: length, breadth, height; (vi) volume; and (vii) details of contents.

2.48. The Packing List is an essential document, as it is needed in particular for customs purposes when goods are exported or imported. It is also needed by carriers, cargo handlers, warehouses and, of course, customers. The list also gives the total number of packages and their total gross weight and volume.

⁸³ Other agencies are covered under the Sub Decrees but they are not present at all times. Nevertheless, the Prime Minister and the Customs Director-General issued directives that Customs service be provided to the private sector if and when such requests are made.

⁸⁴ For illustration purpose only

2.49. The indispensable commercial invoices and packing lists must include: (i) The shipping marks and numbers of packages; (ii) in deep sea trades the destination town and port of entry must be part of the mark; (iii) clearly the terms of sale and payment.

Ship 2.8: Clear Goods through Customs

2.50. After the Permission Letter has been issued, a **Customs Declaration Form** will need to be completed at the DGCE. The exporter or freight forwarder takes both the Permission Letter and the completed Customs Declaration form to the Customs and Excise Office Chief for approval and requests inspection, goes to the Accounting Office and pays declaration charges and export duty, if any, and receive a receipt for payment. The Deputy Customs Chief will assign an inspector. Lastly, bring the Customs and Excise Office Chief signs and stamps the Inspection Report and the Customs Declaration form at the Customs and Excise Administration Office. (*See Chart Ship 2.8*)

2.51. **Cargo Inspection:** All exports must be examined by GDCE as a spot check, primary or in detail. The Customs and Excise Department is the lead agency in the inspection process. Goods are released when documents are approved, the export tax if any is paid for, and examination is completed.

2.52. An Export Office at GDCE headquarters takes charge of the rice exports, which examines and seals cargo with a container bolt seal (either at Dry Port premises or at Green Trade Co where the rice is milled and packaged) that conforms to international standards. Customs at Sihanoukville port do not reopen the containers. They generally check the related documents and verify the seals on the containers. Once all the documents and container seals are checked by GDCE, containers are loaded on the vessels for export.

2.53. The container may also require scanning, depending on the type of goods and the risk management assessment. As a matter of practice, cargo is always inspected using a TX Scan located in the port. The exporter needs to pay a scanning fee to AZ company which is located at the port. The scanning charge depends on the size of the container. For 20-foot containers, the charge is \$40. For 40-foot containers, it is \$60. Once the inspection is completed, an Inspection Report will be completed and signed.

Ship 2.9: Handle Container at Port

2.54. The truck driver presents a form called Equipment Interchange Receipt to the port gate showing the container number. The exporter then proceeds to pay port fees (loading and unloading (LoLo)), stevedoring charges to the PAS Billing Department. A receipt is in turn issued (in the form of a PAS Invoice) and information is entered into the PAS Single Window Computer System in order to inform the Stevedoring Department to proceed with loading and unloading.⁸⁵ The PAS Invoice is also sent to the Shipping Line, which works closely with the Stevedoring Department at the Port to prepare a “load list” for the cargo. The rice shipment is then be moved from the container yard to the ship for export. (*See Chart Ship 2.9 and Annex I.11: Equipment Interchange Receipt; Annex I.12: Request for export container; Annex I.13: Control of the container at the gate*).

“Contract terms: Sellers to send a Shipment Advice/ Shipment appropriation to ABC & Co. within 3 (three) working days after completion of loading to allow buyers to insure the cargo in due time. Requirements: B/L number and date, description of the goods as mentioned in the B/L, container numbers and seals, exact loaded weight gross and net, number of bags, vessel names and voyage number.”

Ship 2.10: Prepare Documents for Importer

2.55. Export documentation falls into three essential categories: a) Internal company documentation; b) Documentation to facilitate the physical movement of the goods including establishing title or ownership during transportation, c) Documentation required by consignee for Customs clearance, payment, etc. The following are documents, which need to be prepared either internal by the exporters and other with services providers:

⁸⁵ The number of steps and communication between PAS, Customs and Excise and Camcontrol have significantly improved over the past few years, in particular, with the linking of PAS' computer system with the relevant Port agencies which has resulted in the streamlining of the export process.

2.56. **Commercial Invoice:** The exporter-prepared commercial invoice is a paramount document. It should incorporate or annex a detailed packing list where there is more than one package. The commercial invoice, which for some destinations may be produced on a combined invoice and certificate of value and origin form, is the basis for all subsequent documentation. Commercial invoices, with an adequate number of copies, plus the packing list if this is a separate document should be available at destination in advance of the goods. (See Annex II.4: Commercial Invoice).

2.57. Invoicing regulations vary according to destination: special invoice forms, certificates of origin or consular documents may be specified and care must be taken in fulfilling these destination requirements.

2.58. **Bills of Lading:** For ocean shipments this is the supreme document. In legal terms it is "a receipt for goods shipped, a document of title and evidence of the contract of affreightment". In commercial terms, the Bill of Lading has an accepted special identity, and may be regarded as a combined "ticket for the journey" and "title deeds" of the goods. Possession of a negotiable Bill of Lading, properly completed, constitutes effective control of the goods. When Bills of Lading are to be established in the name of the exporter the forwarder needs to be told. Otherwise, it is fairly normal practice that the Bill of Lading will be established in the name of the forwarder as agent (agent of the shipper, i.e. exporter, is implied). (See Annex I.10: Bill of Lading)

3. PAY

2.59. At present, the Cambodian export community as a whole suffers from the lack of trade finance / export credit, on two different aspects: first, from the low levels of trade finance provision due to the inexistence of domestic Exim Bank or other guarantee facilities as can be found in some other countries; and second, from what is available from domestic commercial banks, the terms and conditionalities are hard for Cambodian exporters/importers to obtain.⁸⁶ Thus the current practice of TT transfer for rice trade.

2.60. Cambodia export market is 100% FOB and even late orders exported by airfreight on factories account will be executed by the nominated FOB-forwarder, with very little exception from this rule. The exporter pays the cost of export packing, the cost of delivering the goods to the carrier which will transport the goods to port and the loading charge. INCOTERMS are internationally accepted terms used to define exactly at what point costs, responsibilities and risks are transferred from the seller to the buyer during the transfer of goods from their source to their destination.

“Contract terms:⁸⁷ PRICE: US\$ 400.00 (four hundred US Dollars) per metric ton Net, FOB Sihanoukville/Cambodia (Free On Board, Incoterms 2000), in container, including cost of GSP Form A certificate and other original shipping documents. Containers to be lined with carton on bottom, front/ rear side, left/ right side, topside.

PAYMENT: To be effected as follows:

A) 10 % advance payment for total contract quantity latest 5 days after conclusion of the business, upon presentation of a signed proforma invoice and copy of ABC Shipping Co confirmation signed by all parties.

B) Part payment of 25 % value of each lot, by TT transfer prompt, after presentation of copy of b/lading and copy of invoice + packing list by fax/email via ABC Shipping Co.

C) balance value of 65 % of each lot, by TT transfer latest 21 days after date of shipment and after presentation of full set of copies of shipping documents by fax/email via ABC Shipping Co.

All payments to be effected as per payment instruction in Proforma Invoice sent by sellers.

All bank charges outside the country where sellers' bank is located for buyers' account/Bank charges in Cambodia for sellers account. All bank charges in the country of destination and outside Cambodia to be for buyers' account.

⁸⁶ Summary of Working Group Meeting - Export Processing & Trade Facilitation, 21 May 2009.

⁸⁷ For illustration purpose

2.61. Before the payments are made the exporter has to send in the following documents pursuant to the Purchasing Order:

*“Contract terms:*⁸⁸ **DOCUMENTS TO BE PRESENTED:**

1. Original **commercial invoice** in triplicate.
2. Full set of “clean on board” **Bills of Ladings**, issued to order, blank endorsed, marked “freight prepaid”.
3. **Certificates of origin (GSP Form “A”)** issued in Cambodia. If the GSP form A certificate is issued after B/L date it must bear in box No. 4 the mention “issued retrospectively”.
4. **Weight certificate** issued by CAMCONTROL, countersigned by ISC *.
5. **Quality certificate** issued by CAMCONTROL, countersigned by ISC,* showing exact specification of rice and stating that the rice is milled from non-GMO paddy.
6. **Original Phytosanitary certificate**, issued in Cambodian by competent authorities.
7. **Fumigation certificate** issued by the competent authority stating that fumigation has been done with Phostoxine (Aluminium Phosphine).
8. **Sellers’ weight & quality certificate** issued in the style agreed between sellers and buyers.

Original documents to be delivered by first-rate courier service (with tracking possibility) to buyers’ address promptly after receipt of full payment. (for each lot separately).”

2.62. **Letter of Credit requirements:** Shipments under Letter of Credit require special documentary care for the Letter of Credit will stipulate method, timing of shipment, documentary requirements as well as the deadline for negotiation. The forwarder can advise the vessel or service, which meets the required shipment and negotiation dates.

2.63. The benefit of a letter of Credit is that cash is made available through a bank in the country of export and thus payment may be obtained locally by the seller against production of specified documents evidencing shipment. Normally a Letter of Credit is instructed by a buyer through his local bank and that bank's overseas representative called “Correspondent Bank” will advise the seller/beneficiary of the terms in writing. Letter of Credit terms must be strictly adhered to in all detail since payment will not be effected unless the documents presented correspond precisely to the requirements of the Letter of Credit. However, this being so, payment is immediate provided the credit is still current, i.e. unexpired as to date.

2.64. When attending to a Letter of Credit shipment, forwarders ask the exporter for a copy of the document in order to ensure that its terms are completely observed. The forwarder responsible for the shipping documents needs the fullest details of Letter of Credit conditions by far the best method is to supply a further copy of the document to support shipping instructions. (See Chart 10: Payment Process and Annex 15: Service Fees for issuance of letters of credit).

III. Documents involved in exporting and agencies to be visited

2.65. The BPA findings reveals that the exporter has to go through 6 agencies and working with 24 documents in different checking or approval processes. In fact, we find that only 8 documents are required for export. The other 11 documents are all documents used for the processing of the export documents. The remaining 5 documents are only receipts issued.

2.66. The World Bank Doing Business 2010 study found 9 documents required to export including (i) bank documents; (ii) and transport documents; (iii) Customs clearance documents; (iv) Port and terminal handling documents. However, the World Bank study is quite general in term of export process. It did not have to take into account the specificity of rice export; (1) SPS issues which in this case comprises of 4 documents already; (2) weight and quality inspection which comprises 2 documents; (3) shipping

⁸⁸ For illustration purpose

instructions which comprises of 3 documents; and (3) of more general nature official 4 receipts. (See Table 2.1: Documents involved in exporting and agencies to be visited).

IV. Cost involved in exporting

2.67. The costs for exporting a 20 ft container with 24 MT of rice is estimated around USD 1,029. The cost does not include the official export tax of 0.1% of commercial value collected on behalf of the State by Camcontrol charge. All costs to be paid by the freight forwarder on exporter's behalf are subject to VAT 10%. Translated into cost per tonnage of rice it is an equivalent to USD 42.87 per MT. Official administrative costs represent 45.18 percent of the total cost. Inland transport comprises of about 35.76 percent and freight forwarder charges and shipping charges amounts to slightly more than 7 percent. (See Table 2.2: Cost involved in exporting and Annexes II.14.1-14.5: Various quotes from freight forwarders).

2.68. The actual export cost for a container of rice is more than the standard cost 732 USD per container as per the World Bank Doing Business 2010 study. The BPA findings differs from the World Bank Doing Business 2010 cover only official costs required to export and import (US\$ per container) to include (i) All documentation; (ii) Inland transport and handling; (iii) Customs clearance and inspections; (iv) Port and terminal handling.

2.69. The World Bank case study assumes the export company has at least 60 employees and is located in the economy's largest business city and the traded product is transported in a dry-cargo, 20-foot full container load; weighs 10 tons and is valued at \$20,000; is not hazardous, does not require special phytosanitary or environmental safety standards and is one of the economy's leading export or import products. In the case of the BPA on rice the difference is in 4 MT per container.

Table 2.1: Documents involved in exporting and agencies to be visited

| | No. of Documents | List of Documents | World Bank Doing Business |
|-----------------------------------|---|---|---|
| Documents for rice export | 24 documents: - 8 export documents - 11 internal process document - 5 receipts | <p>Export documents</p> <ol style="list-style-type: none"> (1) Bill of Lading (2) Certificates of origin (GSP Form "A") (3) Commercial invoice (4) Phytosanitary Certificate (5) Fumigation Certificate (6) Packing list (7) Inspection Survey Report (8) Weight and Quality certificate issued by Camcontrol <p>Internal process documents</p> <ol style="list-style-type: none"> (1) Request for Export Permit (2) Customs Export Declaration Form (3) Insurance Certificate (4) Business License/Patente Tax Certificate (5) Purchase Order (6) Phytosanitary Request Form (7) Fumigation Request Form, (8) Cargo Release Order (9) Shipping Note (10) Freight forwarder Consignment Note (11) Cargo Dispatch Note <p>Others: Receipts</p> <ol style="list-style-type: none"> (1) PAS Terminal Handling Receipt (2) GDCE Payment Receipt (3) Camcontrol Payment Receipt (4) Equipment Interchange Receipt (5) Terminal Handling Receipt | <ol style="list-style-type: none"> (1) Bill of Lading (2) Cargo Release Order (3) Certificates of origin (4) Commercial invoice (5) Customs Export Declaration Form (6) Insurance Certificate (7) Packing list (8) Business License/Patente Tax Certificate (9) Terminal Handling receipts |
| Agencies/ that need to be visited | 6 | <ol style="list-style-type: none"> (1) Ministry of Commerce (2) General Department of Customs and Excise (3) Camcontrol (4) Dry Port (5) Port Autonomous of Sihanoukville (6) Ministry of Agriculture, Fisheries and Forestry | |

Source: Interviews carried out with companies

Table 2.2: Cost involved in exporting

| | Institutions and Processes and Documentation | Official (USD) | Subtotal | % of total costs | Cost per tonnage or per container |
|-------------|--|-----------------------|-----------------|-------------------------|--|
| I. | Government Agencies | | | | |
| 1.0 | Ministry of Commerce | | | | |
| 1.1 | Certificate of Origin | 150 | | | |
| | | | 150 | 14.58% | 3.50 per MT |
| | Camcontrol | | | | |
| 1.2 | Certificate of Weight and Quality | 30 | | | |
| 1.3 | Container Check (see 2.2) | 35 | | | per container |
| | | | 65 | 6.3% | 1.51 per MT |
| 2.0 | GDCE | | | | |
| 2.1 | Application to Export Permit | 170 | | | |
| 2.2 | Customs Clearance (inspection and formality) with Camcontrol | 35 | | | Per container |
| | | | 205 | 20.00% | 4.78 per MT |
| 3.0 | MAFF | | | | |
| 3.2 | Phytosanitary Certificate | 45 | | | 20 per certificate and 25 per container |
| | | | 45 | 4.3% | |
| | Subtotal | | 465 | 45.18% | 10.84 per MT |
| II. | Gov. Agencies /Concessionaire | | | | |
| 4.0 | AZ Container Scanner | | | | |
| 4.1 | Container Scanning Fees | 40 | 40 | 0.38% | 0.93 per MT |
| 5.0 | Port Autonomous of Sihanoukville | | | | |
| 5.1 | Lift-on/ Lift off laden container trucking | 26 | 26 | 0.25% | 0.60 per MT |
| III. | Private Sector Operators | | | | |
| | Fumigation services | | | | |
| | Fumigation Certificate | 50 | | 4.8% | 1.16 per MT |
| 6.0 | Inland Transport | | | | |
| 6.1 | Trucking of empty and laden container to/from warehouse | 50 | | | |
| 6.2 | Carrier local charges Transport (Phnom Penh-Sihanouk) | 180 | | | |
| | Container weight scale | 3 | | | |
| 6.3 | Toll Fee | 15 | | | |
| 6.4 | THC (Terminal Handling Charges) | 120 | | | |
| | | | 418 | 35.76% | 8.58 per MT |
| 7.0 | Freight forwarder charges | | | | |
| 7.1 | B/L fees | 20 | | | |
| 7.2 | Kraft carton paper lining inside container | 30 | | | |
| 7.3 | Forwarder handling service charge | 30 | | | |
| | | | 80 | 7.78% | 1.86 per MT |
| | Total | 1,029 | | 100% | 42.87 per MT |

** Source: Interviews carried out with exporters, freight forwarders and government officials.

V. Average Length of Time Spent for export

2.70. The average time required to export is 16.5 days including: (i) Obtaining all the documents; (ii) Inland transport and handling; (iii) Customs clearance and inspections; and (iv) Port and terminal handling. This length of time is favorably compared to the World Bank Doing Business Survey 2010 which goes up to 22 days. The caveat of course that the exporter takes some pro-active steps to undertake certain activities in parallel and in anticipation to other activities, i.e. the phytosanitary and the Fumigation though separately could take 12 days will take only 7 days and so is the arrangement for transport which could take 14 days from booking cargo space to actual arranging loading the container for removal to the seaport. (See Table 2.3: Average Length of Time Spent for export and Time Procedure Chart).

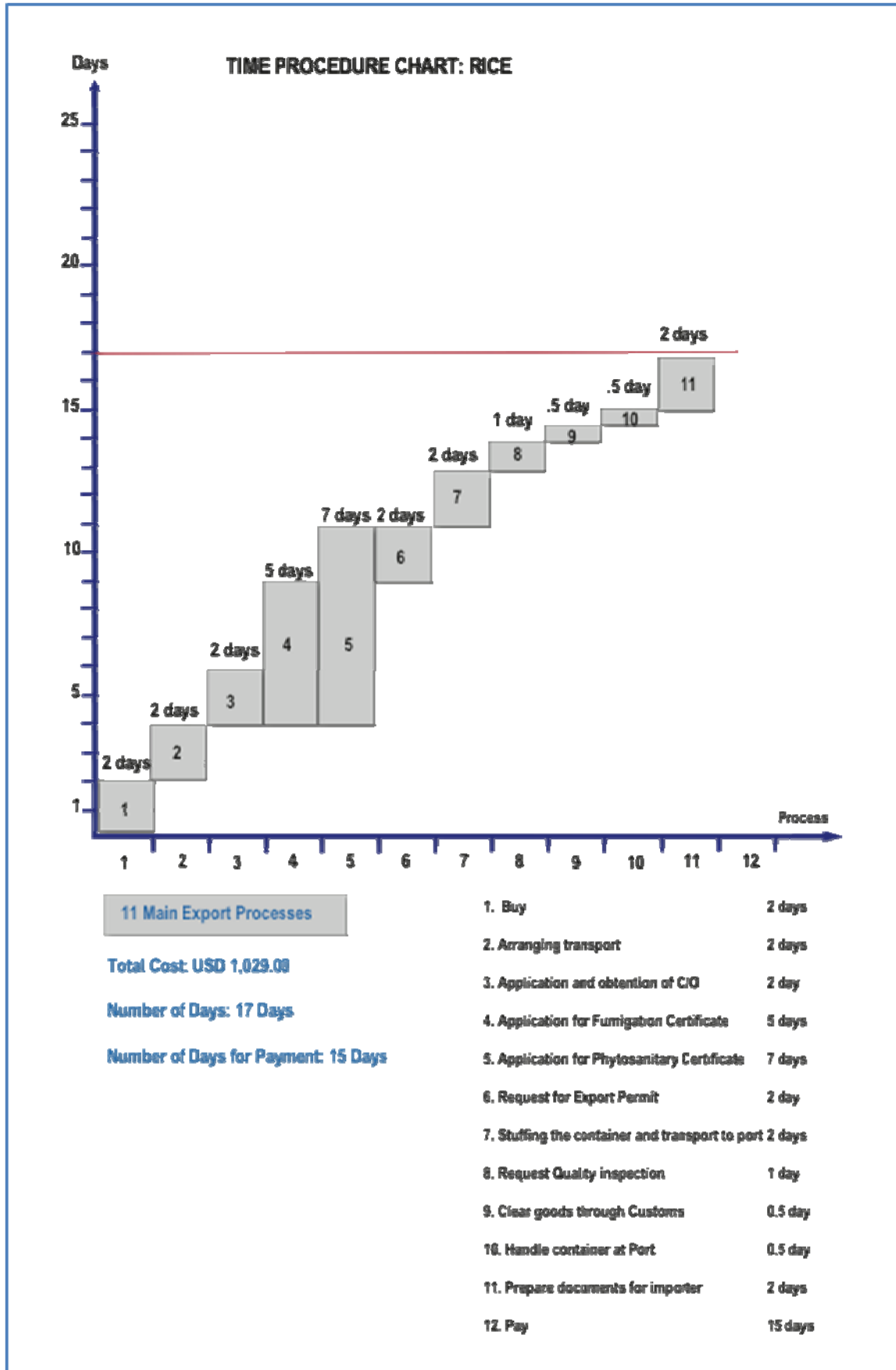
Table 2.3: Average Length of Time Spent for export

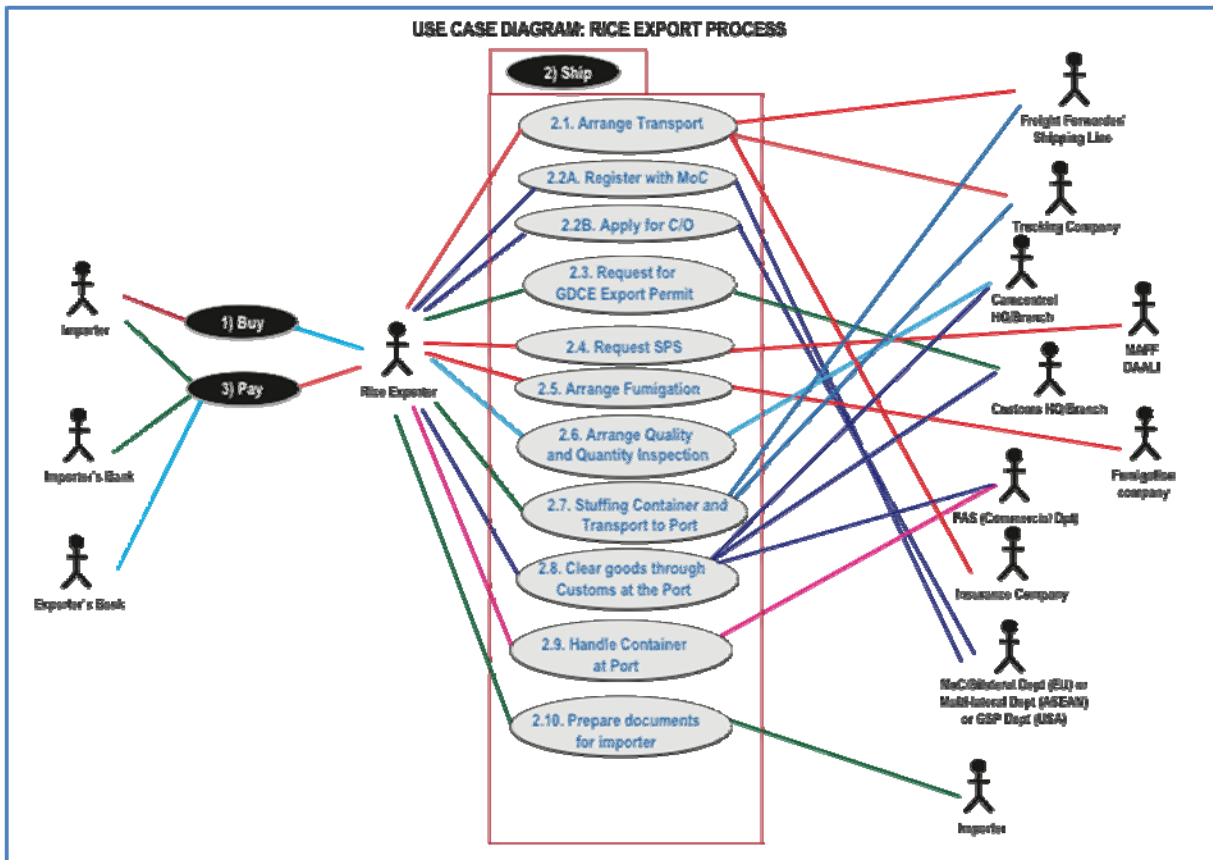
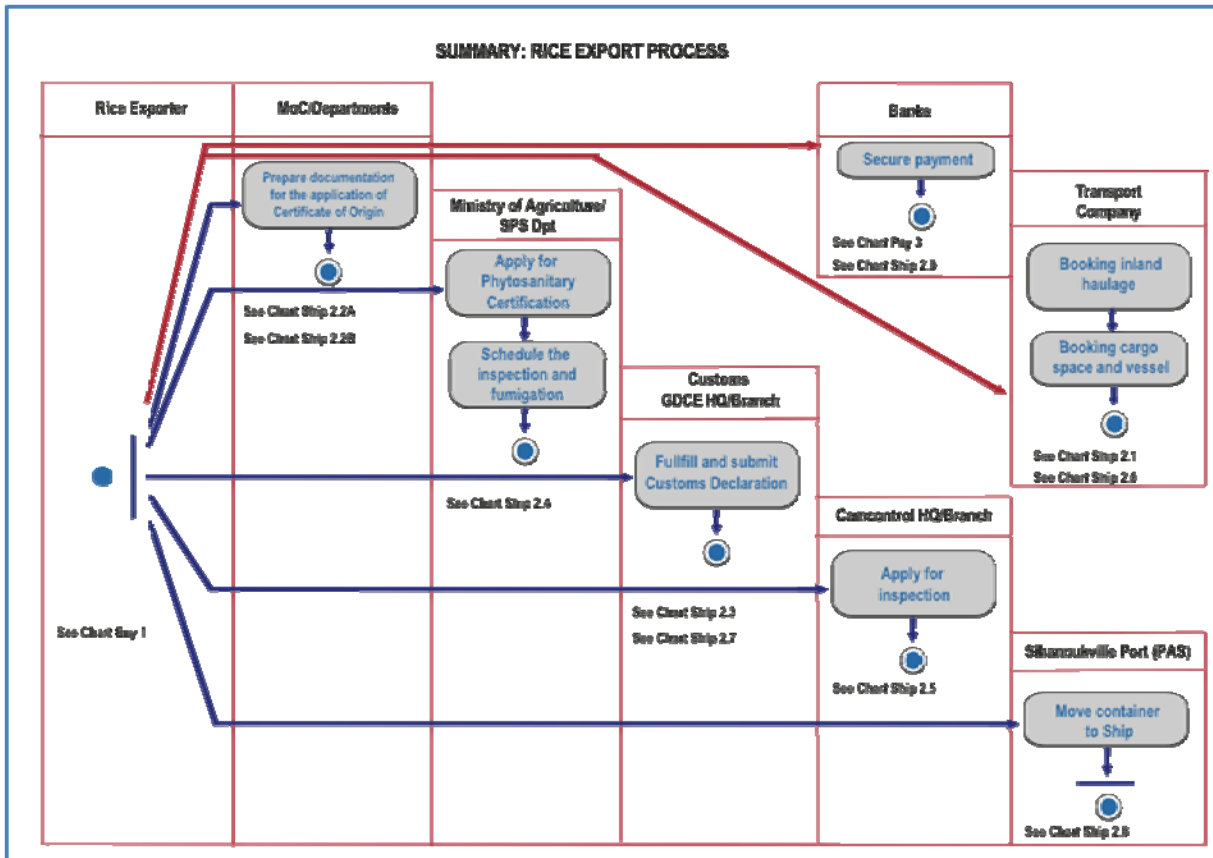
| | Institutions and Processes | Time/Days | In hours | Average days |
|-----------|--|-----------|----------|--------------|
| 1. | BUY | 2 | | 2 |
| 2. | SHIP | 15 | | 15 |
| 2.1 | Arrange transport | 2 | | 2 |
| | Reservation cargo space and container | 14 * | | |
| 2.2A | Registration with the GSP Dept | 7* | | |
| 2.2B | Apply Certificate of Origin | 2 | | 2 |
| 2.3 | Request Customs export permit | 2 | | 2 |
| 2.4 | Apply Phytosanitary Certificate | 7* | | 7 |
| 2.5 | Request Fumigation Certificate | 5* | | 5 |
| 2.6 | Request Quality and Quantity Inspection | 1 | | 1 |
| 2.7 | Stuffing container and transport to port | | | |
| | Collect empty container from yard | 0.5 | 6 hours | |
| | Packing goods | 0.5 | | 0.5 |
| | Loading to container | 0.5 | 5 hours | 0.5 |
| | Independent quality surveyor | 0.5* | | |
| | Transfer from Phnom Penh to Sihanoukville sea port | 0.5 | 6 hours | |
| | Sub Total | 2 | | 2 |
| 2.8 | Clear goods through Customs | 0.5 | | 0.5 |
| 2.9 | Handle containers at port | 0.5 | 6 hours | |
| 2.10 | Prepare documents required by importer | 2 | | 2 |
| | TOTAL BUY + SHIP | 17 | | 17 |
| 3 | PAY | 15 | | 15 |

Note: *
to the

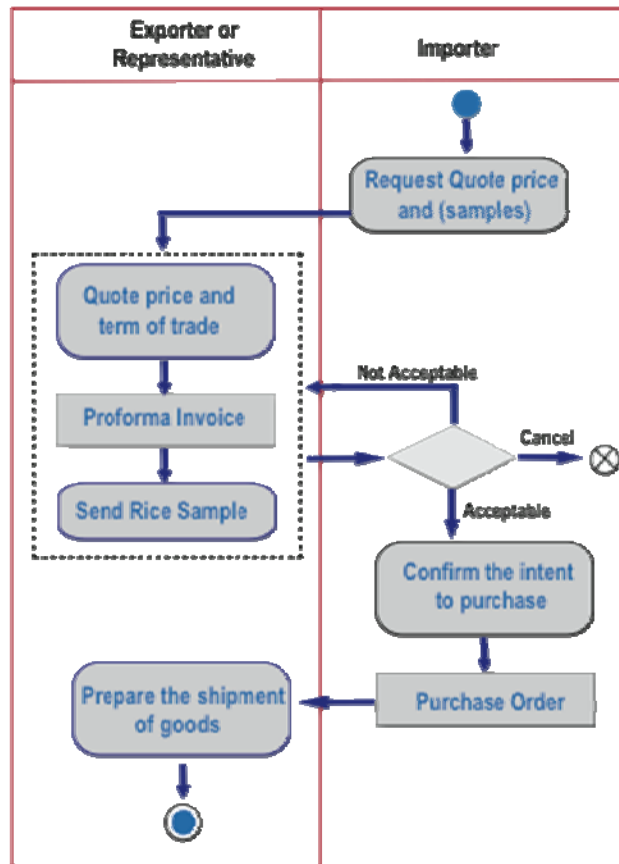
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activities which can be done parallelly.

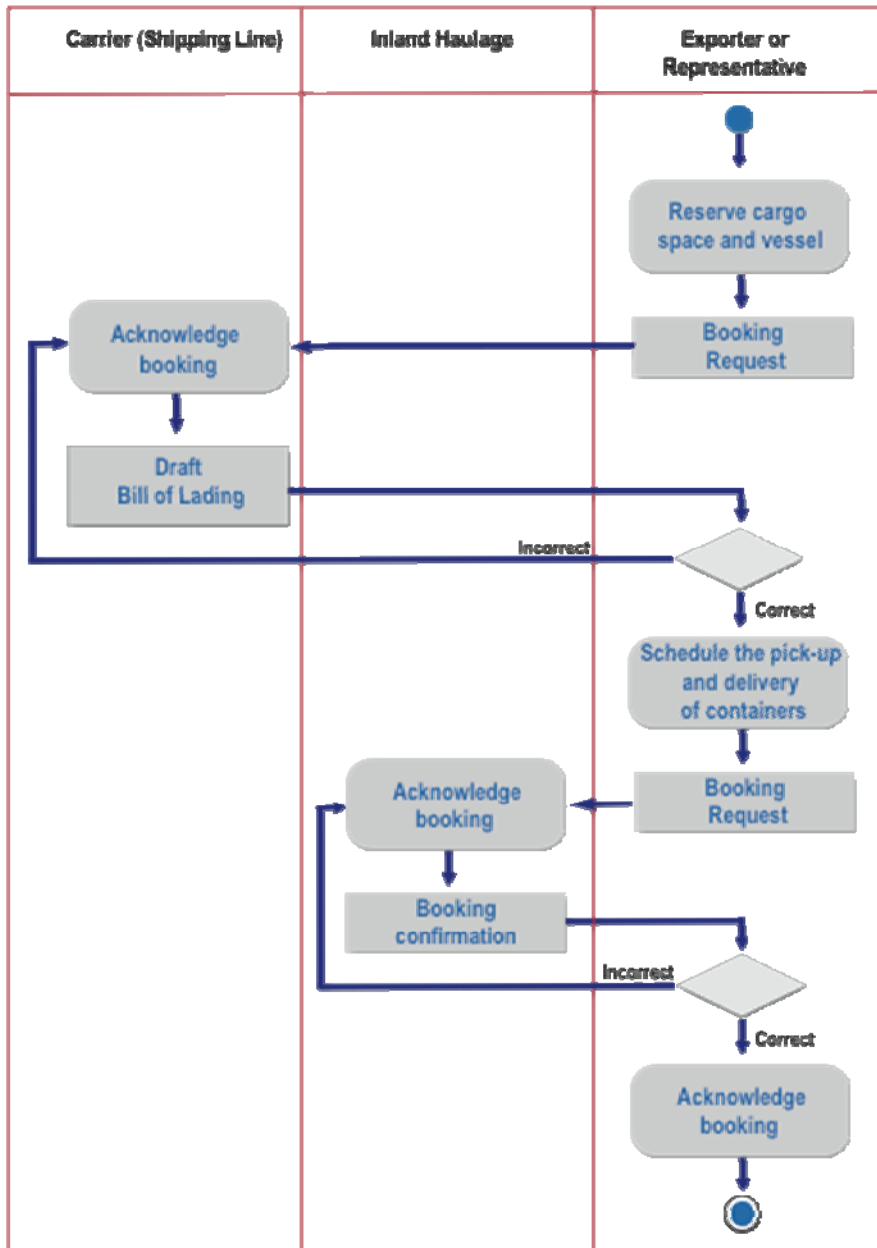


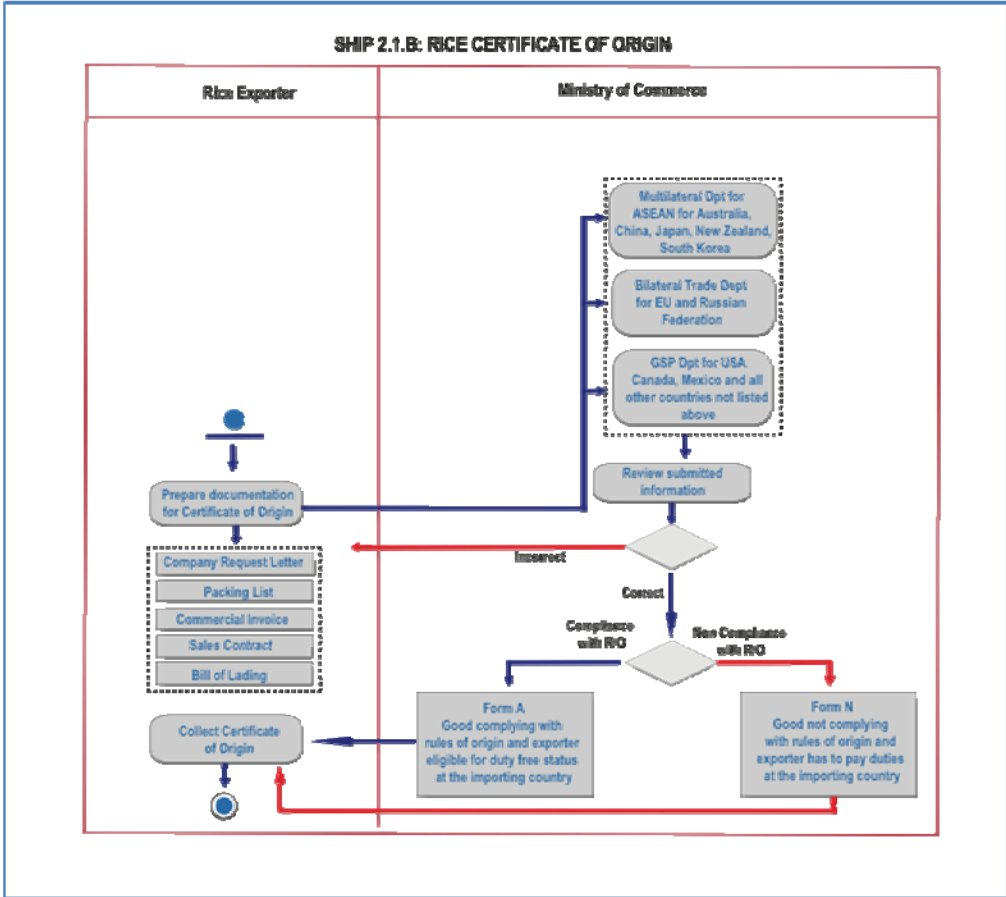
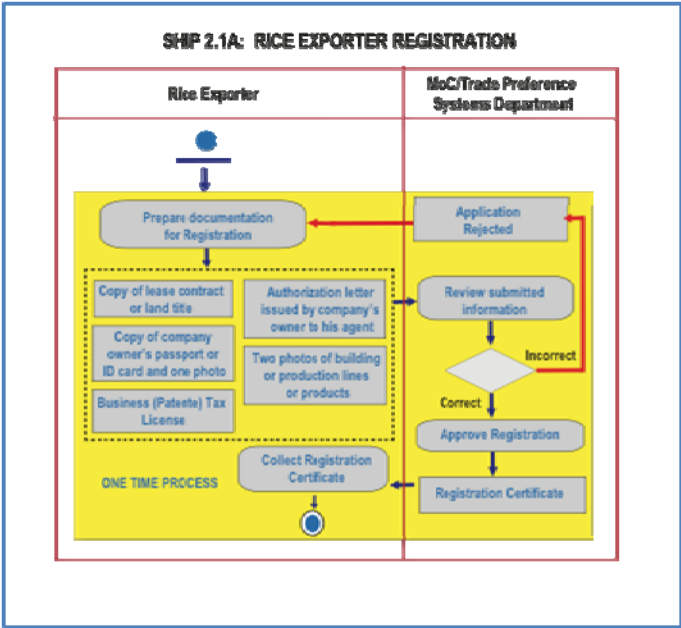


BUY 1

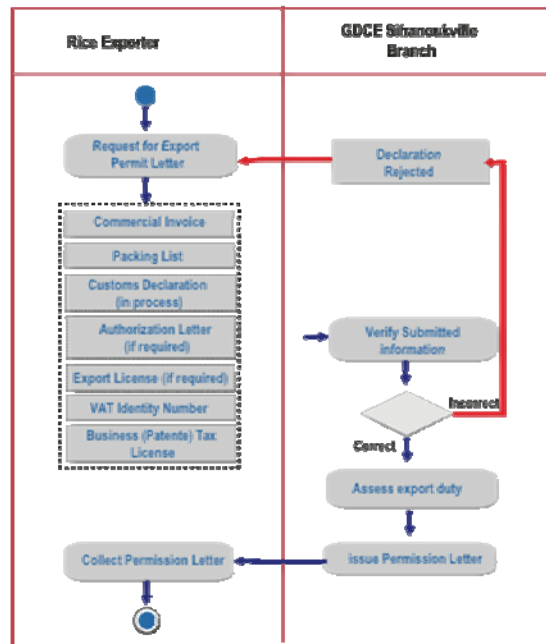


SHIP 2.1: ARRANGE TRANSPORT

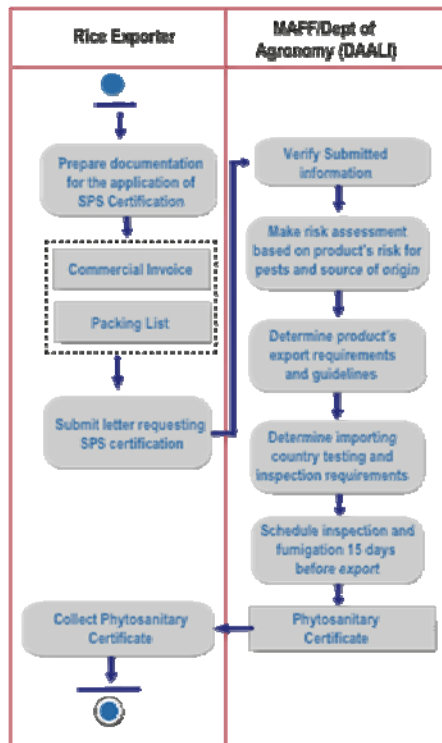


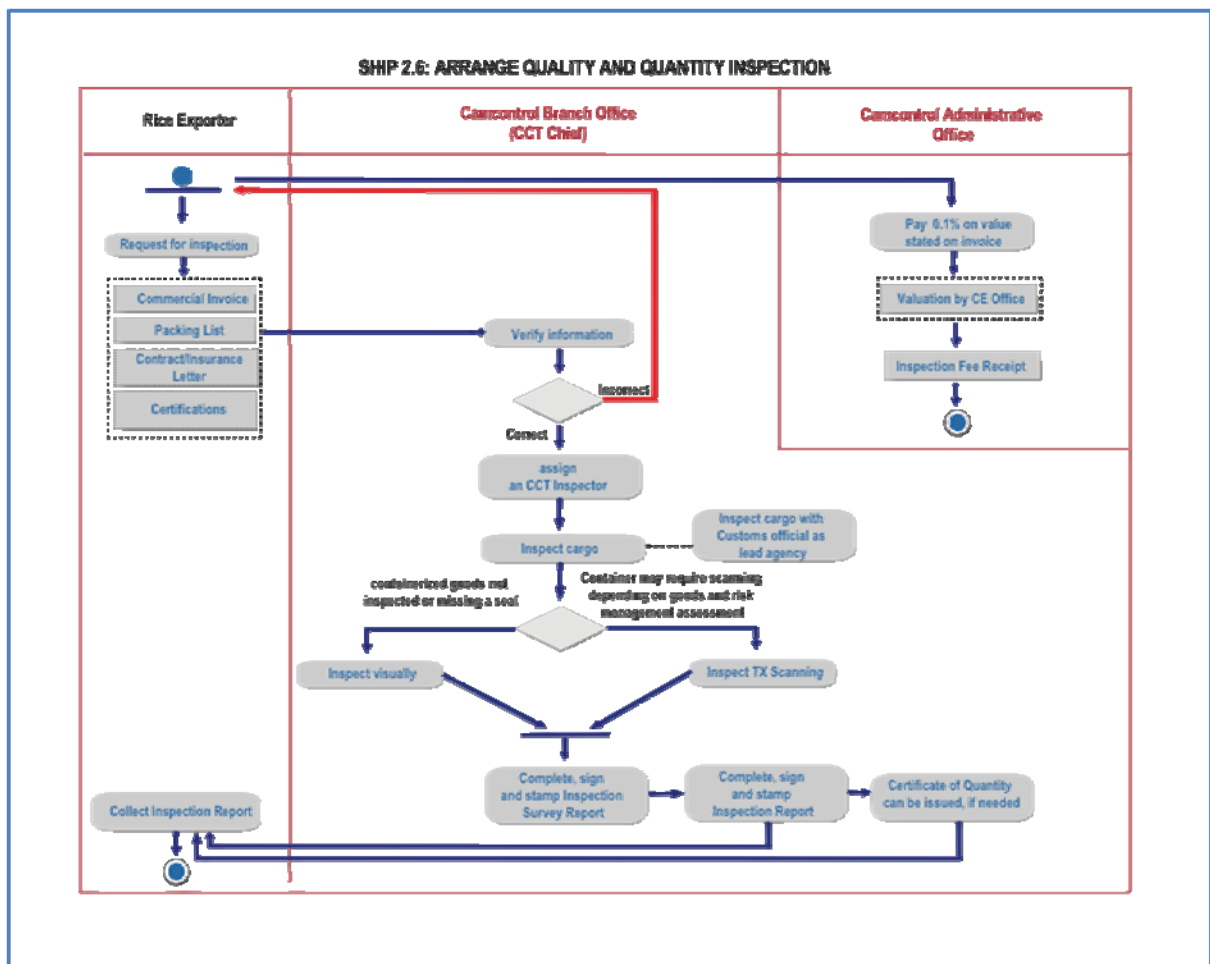
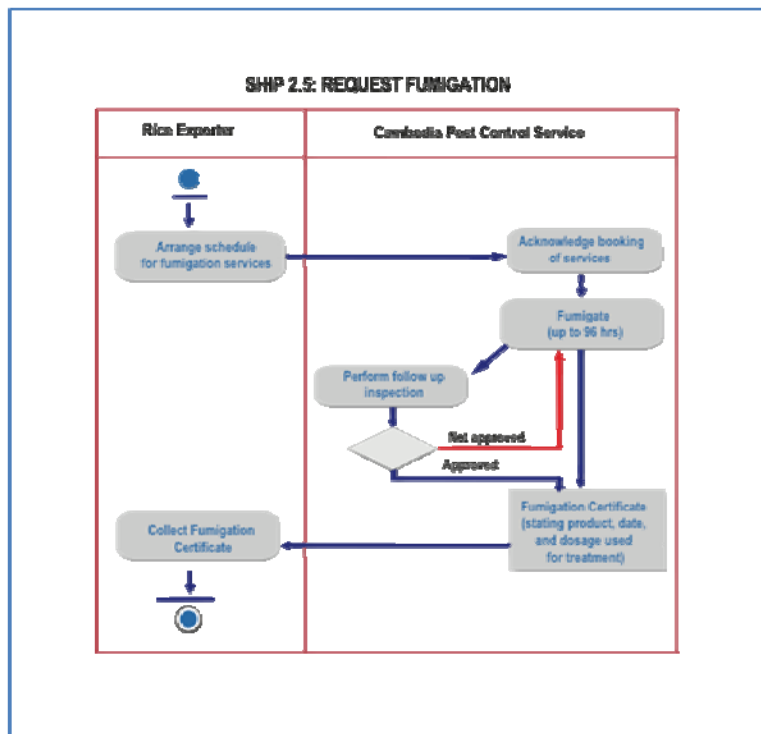


SHIP 2.3: REQUEST FOR GDCE EXPORT PERMIT

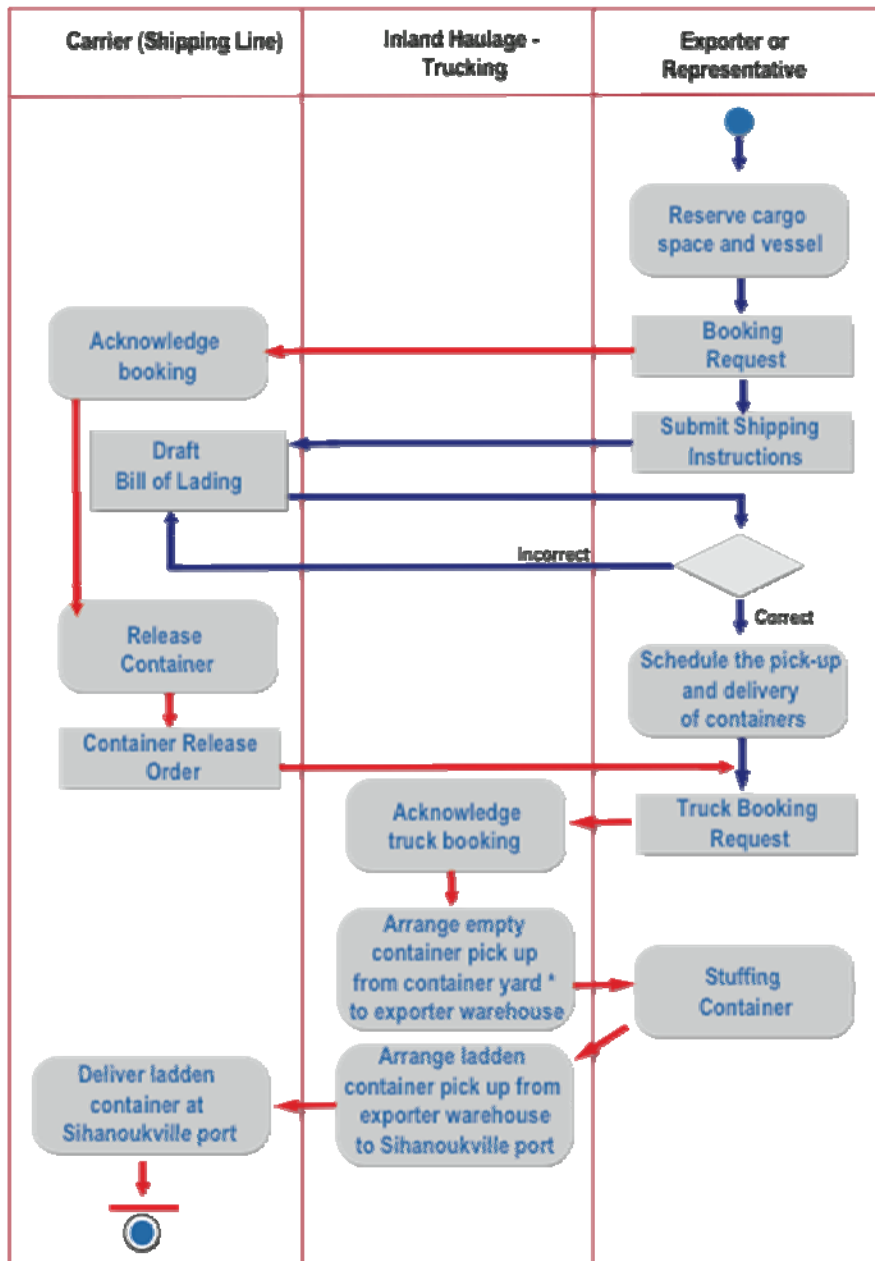


SHIP 2.4: REQUEST SPS CERTIFICATION



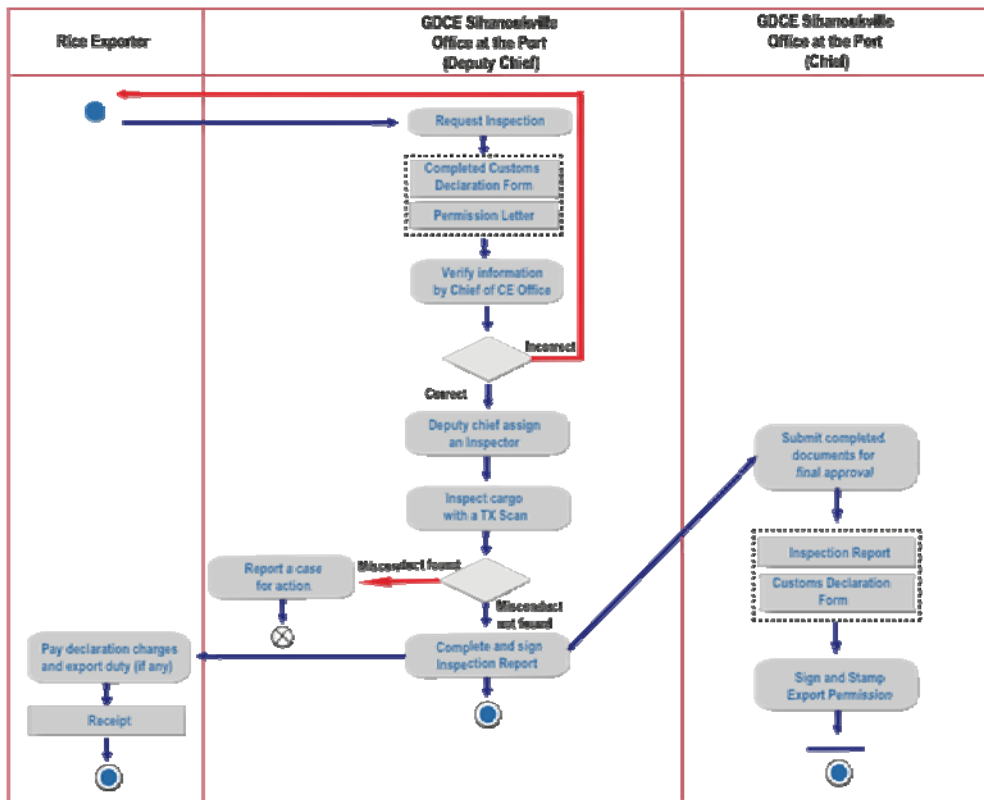


SHIP 2.7: STUFFING CONTAINER AND TRANSPORT TO PORT



NB: Container yard *: could either be Inland Container Depot (ICD) or a Dryport

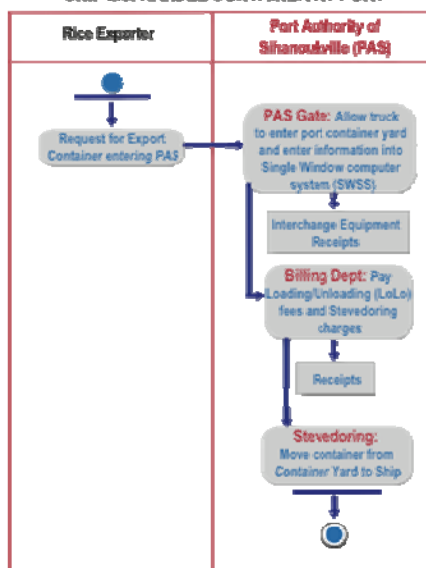
SHIP 2.8: CLEAR GOODS THROUGH CUSTOMS



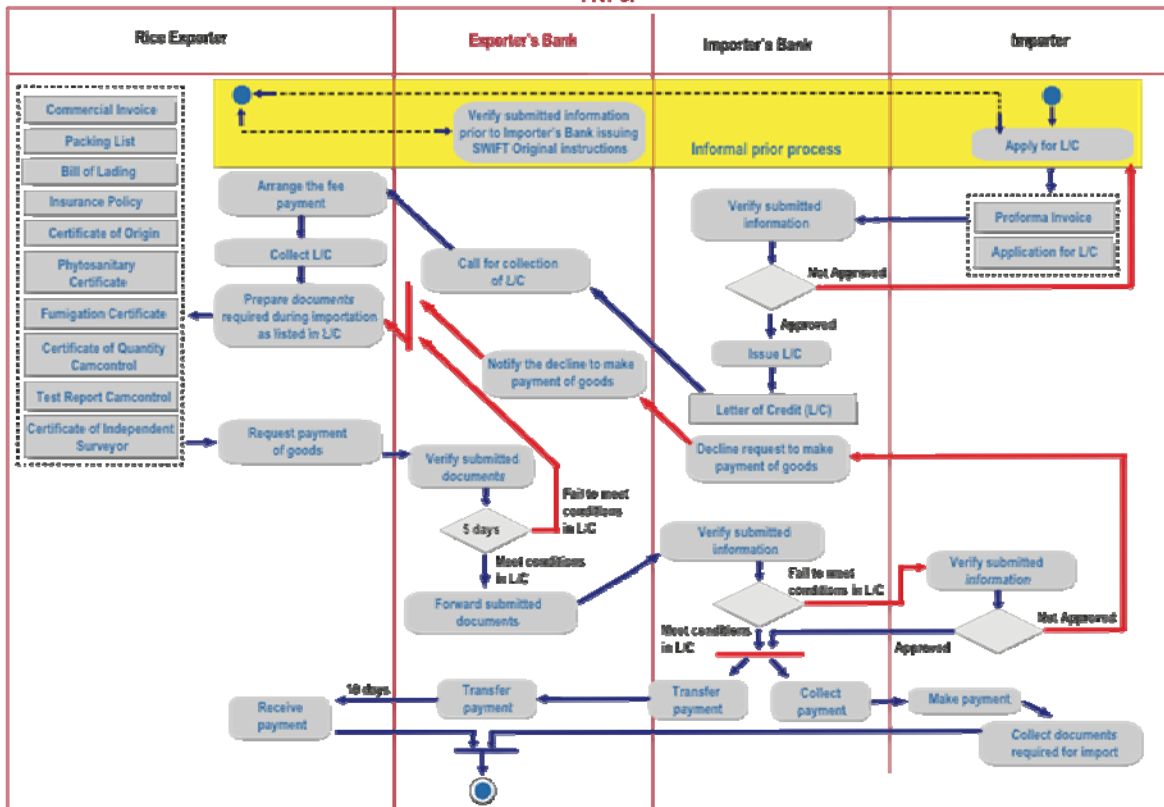
SHIP 2.10: PREPARE DOCUMENTS FOR IMPORTER



SHIP 2.9: HANDLE CONTAINER AT PORT



PAY 3:



EXPORT OF CASHEW NUTS TO INDIA BPA through the Sihanoukville Autonomous Port

I. OVERVIEW OF THE CASHEW NUT SECTOR

3.1. Cambodia is a very small exporter but an almost 100% net exporter. Cambodia is a small supplier in the world cashew market. Cambodia produces about an annual 100,000 metric tons of raw cashew nuts (in-shell) making Cambodia the 10th ranked producer in the world, with just under 3% of world production.⁸⁹ Almost all cashew nuts are exported in the form of raw cashew nuts (RCN), as Cambodia has very limited processing facilities. Cambodia relies mostly on Vietnam and Thailand as export markets of raw cashew nuts. Cambodia's exports have recently increased as a result of increased processing capacity in Vietnam. The production is growing fast, driven by the Vietnamese demand.

3.2. Cambodia is well situated to participate in the cashew nut market, enjoying the same strategic global location *vis-à-vis* Europe, North America and Asia as the world's leading cashew kernel exporter, Vietnam. From the firm's perspective, processing in Cambodia offers competitive advantages including closer access to raw material, a low cost labour force, the opportunity for organic certification giving access to high-end niche markets, and as a least developed country, tariff advantages in European, North American, and Australian markets. China also offers import duty waivers on Cambodian cashew nuts. The major competitor, Vietnam, enjoys none of these advantages.

3.3. Cambodia's cashew sub-sector has shown strong potential to grow, create jobs and improve incomes for tens of thousands of poorer, rural Cambodians. Cashew kernels/nuts, which are eaten by middle class people at parties or as a 'between-meals' snack, earn high prices in markets around the world and are expected to continue doing so for the long term. Cambodia has favorable soil and climatic conditions for growing cashew nut trees. The level of domestic production can easily be expanded and is currently growing at 20% per year, as there is plenty of land available, which is suitable for planting cashew nut trees. The cashew nuts producers in Cambodia are smallholders and medium-sized farms. Growing cashew nuts is an attractive business for Cambodian farmers as it is highly profitable.

3.4. **Market access conditions:** Cashew nuts are a favorite snack food and confectionary ingredient in many countries, second to almonds in global tree-nuts market share. The cashew nut market is estimated at 350,000 tons of kernels and growing as consumer eating habits change toward more snack foods. The major consuming countries are the United States, European countries, India and China. The United States alone consumes 73,000 tons per annum.

3.5. The world market for cashew nuts is highly dynamic compared to the other industries. The dramatic increase seen in recent years in the consumption of almonds is based on heavy promotion and consumer awareness of the health benefits. Cashew market share in the snack sector has remained relatively stable in the West. Cashew prices are buoyant, even in recession. This can continue as a function of diversified demand as countries such as India, China and in the Middle East become more important markets. Viet Nam is now the biggest cashew nuts producer worldwide, with high growth rates in recent years; the other main producers are India, Brazil and several African countries.

3.6. Market access conditions for the cashew nut industry throughout the world are favorable compared to the other industries. Tariffs for Cambodian cashew kernels in most regional markets are low and Cambodia faces the same tariffs as its main competitors. Overall Cambodia's tariff advantage is 0.2%. The major importing countries (USA, EU, Australia, Canada, Japan, and India) apply a zero MFN tariff for RCN and kernels. Some ad-valorem tariffs in % are (MFN / preferential tariff for Cambodia): China (MFN -10% / Cambodia – 5%), Indonesia (MFN - 5%/ Cambodia – free), Japan (Cambodia – free), South Korea (MFN -

⁸⁹ It is difficult to ascertain the exact production with estimates running from 30,000 mt to 100,000 mt.

8% / Cambodia – free), Lao PDR (MFN -30% / Cambodia – 10%), Malaysia (Cambodia – free), Thailand (MFN -40% / Cambodia – free), Viet Nam (MFN -40% / Cambodia – 5%).

3.7. Tariffs for RCN are only relevant for countries that have a processing industry, notably Viet Nam and Thailand. Viet Nam applies a 10% tariff to Cambodia, but it is not clear whether this is actually paid, as the trade is informal. India, the world’s biggest RCN importer, applies an MFN tariff of 30%.

3.8. Standards and SPS measures apply, which will become an issue for Cambodia once processing and direct exports to consuming countries have started. As a luxury product, cashew nuts require careful attention to product quality, not just organic certification. Traceability is fast becoming a requirement for most food products going into developed country markets, a trend accelerated by recent chemical and salmonella contamination disasters, in China and the USA respectively.

3.9. **Marketing chain:** Farmers selling to local collectors, who sell on to middlemen, who sell to export traders, is typical. In fact, this is the experience in every country that lacks its own indigenous shelling operations. The long chain usually inhibits returns to growers. Cambodia has a distinct advantage over other exporting countries due to its proximity to the market for in-shell cashews.

3.10. The Asian regional markets so far identified are Thailand, which imported 1,775 mt in 2007, mainly from Vietnam; Singapore, a small market in the region (1,000 mt per year) but a market in which organic is becoming significant; and China, which may become a very important market.

II. BUSINESS PROCESS ANALYSIS (BPA) MAPPING

3.11. About the Cashew Exporter (Mekong Rain): Mekong Rain has been developing in the cashew business since 2007, with an investment by the owners of over US\$300,000 to date. In cooperation with the IFC they have facilitated the formation of over 120 Organic Cashew Farmer Associations, and so far helped some 700 of their members to obtain full European and USA organic certification for their product. These producers are the source of the approximately 6,000 tons per year of specialty (organic) raw material.

3.12. This section illustrates core business processes used when exporting cashew from Cambodia to India. The diagrams in the Annexes list all processes involved in getting to delivering the order, including all activities in between in the export processes, including commercial and financial procedures, through the international port gateway of Sihanoukville.

3.13. **About the Importing market:** India has emerged as the largest consumer and continues to grow as sectors of the huge population attain a level of income that allows them to indulge their taste for cashew nuts. As a result, prices for pieces are higher in India, and imports have even taken place, despite the \$0.35 per lb import duty. Over the last 10 years, consumption in India has grown enormously from an estimated 30,000 mt per to today’s estimate of 130,000 mt making India the largest importer, sheller and consumer of cashew nuts in the world.

1. BUY

3.14. While the buying procedure is quite similar for most of other exports, the pricing policy for the cashew industry is very particular. In a ‘commodity’ type relationship cashew buyers need to know their suppliers’ pricing policy in order to build a genuine long-term relationship. Buyers buy for many reasons and price may not be the most important. Factors such as interpersonal relationships and liking for a particular country influence buyers, but there are certain basics, which cannot be compromised. The buyer needs to have a fixed absolute price for any given purchase, but would also like to know the relative price levels if, for example, the buyer was to increase volume or buy different grades.

3.15. Indeed, it is possible to sell cashew nuts using an ad hoc, day-to-day approach, selling a container to an importer ‘here’, and a speculator ‘there’. However, this approach is risky and does not allow a business to

develop in a planned and predictable fashion

3.16. The company identified two main types of clients: (i) New potential clients who ask for a cashew quotation by email, and (ii) Regular clients with whom the company has previous dealing on a certain types and grade of cashew. The Indian import market operates through a series of traders and big buyers who handle shipment and advance payment to the cashew shellers. The major corporate players are Cadbury, Britannia, Haldiram, and Amul and many smaller trading houses.

3.17. We start the BPA map through getting order as the first contact between exporter and importer. The steps of getting order are as follows:

3.18. The Importer in India shows interest in import of cashew from Cambodia. In the case of a new buyer, the exporter first sends the quotations to the Indian importer, after which cashew samples are usually sent by overnight courier. However, in the case of a regular client, the exporter quotes prices and terms of trade to the buyer via e-mail.

3.19. The Indian importer verifies the quotation and, assuming the payment terms are acceptable to both parties, confirms the intent to purchase. Then a Purchase Order (PO) is sent by the importer/buyer to the exporter/seller by email or by fax. The exporter/seller raises a Proforma Invoice (PI) or a Purchase Contract against the PO and send it by email or by fax back to the importer/buyer who is required to countersign and stamp as a token of acceptance. (*See Annex 1: Purchase Contract*).

3.20. Both parties sign contract which determined the shipping date and commercial terms and conditions, specifically:

- a. **Contract terms:** *Information on the Goods – Dried raw cashew nuts in shell.*
Outturn: Min 51 lbs
Count: Max 180 nuts
Well dried, new crop
A tolerance of 10% more or less at seller's option
- b. **Payment conditions** *Price: US\$ 760.00 (Seven Hundred Sixty United States Dollars) per metric ton Net, CNF Mangalore, India in Containers.⁹⁰Duties and taxes in country of origin to be for seller's account.*
- c. **Other terms and specific conditions:** *All other terms and conditions subject to Incoterms 200; Arbitration as per ICC Paris Arbitration.*

3.21. The Cambodian exporter prepares the shipment for export.

2. SHIP

Ship 2.1: Arrange Transport

3.22. The procedures for shipment are similar to the one for rice export as illustrated in details in the previous section under BPA for Rice Export.

Ship 2.2: Request for Export Permit

3.23. The procedures for export permit are similar to the one for rice export as illustrated in details in the previous section under BPA for Rice Export.

Ship 2.3 and 2.4: Request for SPS and Arrange Fumigation

⁹⁰ For illustration purpose only

3.24. The Sanitary and Phytosanitary Certificates (“SPS Certificate”) are required when exporting cashew to most countries and depending on the risk factor. All EU shipments must be accompanied by a certificate from a recognized laboratory showing the goods to be within EU tolerance levels for Aflatoxin. The test must be conducted according to the European Union’s methodology. Certain countries require a Phytosanitary Certificate e.g. Australia, Russia, Greece, Turkey, India and Spain.

3.25. The MAFF/Department of Agronomy and Agricultural Land Improvement (“DAALI”) is responsible for issuing the SPS certificates, which certifies that the product is free from quarantined pests and significantly free from injurious pests which could damage crops. The SPS application process involves the following steps: The exporter submits a letter requesting SPS certification, along with the packing list and invoice, and for DAALI officers to inspect the cashew shipment. His request specifically mentions the buyer’s requirement as per the Purchase Contract.

3.26. DAALI makes a risk assessment based on the risk for pests, the source of origin of the cashew, the testing and inspection requirements of the importing country, and determines the export requirements and guidelines in Cambodia. Normally DAALI will arrange for fumigation, if needed, at least 15 working days before exporting. The full process for fumigation can take up to 96 hrs. The exporter usually does the follow up directly with the MAFF authorized fumigation company. A Fumigation Certificate is then issued. The certificate states the product, date, and dosage used for the treatment. The product is now SPS certified and ready for export. (*See Charts Ship 2.3 and 2.4 and Annexes 2.2 and 2.3: Fumigation Certification and Phytosanitary Certificate*).

Ship 2.5: Arrange Quality and Quantity Inspection

3.27. The exporter is also required to obtain a certificate of weight and quality which is issued by Camcontrol. The process start with the Camcontrol headquarters in Phnom Penh with the submission of the following documents: Invoice, Packing List, Contract/Insurance Letter, and Certifications. An inspector is assigned to inspect the cargo with the Customs and Excise official. He then completes and signs and stamps an Inspection Survey Report. Next, the exporter goes to the Administrative Office and pay an inspection fee of 0.1% of the value stated on the Commercial Invoice (already evaluated by the Customs and Excise Sihanoukville Branch). An Inspection Fee Receipt will be issued. A Certificate of Quantity document is then issued. (*See Chart Ship 2.5 and Annex 2.4*)

Ship 2.6: Stuffing Container and transport to Port

3.28. The shipment of cashew under this BPA is referring to the use of Sihanoukville Port although the majority of cashew exports are done by truck loading containers cross border to Vietnam. It should be noted that the documents required for products to be exported or transited to Vietnam are bill of products, packaging invoices, Certificate of Rules of Origin (in some cases), and Phytosanitary documents if necessary.

“Contract terms: from Sihanoukville during end July / August 2010, in 2 equal lots, in mutual agreement.”

3.29. Standardized packaging, quality assurance, pre-shipment inspection and traceability are important issues for exporters of cashew kernels. Food safety issues and buyers’ compliance with their own HACCP, ISO or BRC control systems mean they are compelled to ask suppliers for compliance in these areas. Over the past ten years, the packaging of bulk cashew nut kernels has not changed since the phasing out of tin packing and the introduction of vita, flexi, or corvac packs. (*See Annex 2.5: Packing list*).

3.30. Cashew bulk packing standardized within international specifications well known to the trade are as follow:(a) 50 lb/22.68 kg net weight cartons; (b) Containing either 2x25 lb or 1x50 lb vacuum or gas back flushed flexi packs; (c) Shipped in sealed 20ft dry van containers, each containing 700 cartons (net weight 15.76 mt); (d) Each carton to bear the product name, grade, weight and the name and address of the factory that processed the cashews.

“Contract terms: PACKING: in sound jute bags of about 75kgs Nett each. Shipment to be effected in containers lined with Kraft paper with sufficient “Dry” bags.”⁹¹

3.31. **Cargo Insurance:**

“Contract terms: Insurance: For Buyer’s account once cargo passes ship’s rail.”

Ship 2.7: Clear Goods through Customs

3.32. The procedures for clearing goods through Customs are similar to the one for rice export as illustrated in details in the previous section under BPA for Rice Export.

Ship 2.8: Handle Container at Port

3.33. The procedures for handling the container at the port are similar to the one for rice export as illustrated in details in the previous section under BPA for Rice Export.

Ship 2.9: Prepare Documents for Importer

3.34. The procedures for preparing documents for the importer are similar to the one for rice export as illustrated in details in the previous section under BPA for Rice Export.

For this specific case, the Purchase Contract stipulates that exporter needs to provide the following documents:

- (1) Commercial invoice;
- (2) Full set shipped “Clean on Board” Bills of Lading marked “Freight Prepaid”;
- (3) Certificate of Weight and Quality Issued by independent surveyor;
- (4) Phytosanitary Certificate issued by authorized authority;
- (5) Packing list;
- (6) Quality approval certificate issued and signed by authorized representative.

3.35. In this case no Certificate of Origin is required by the importer.

3. PAY

3.36. Depending on the understanding/trust between the exporter and the importer the mode of payment varies. Importers usually pay against presentation documents on collection or by Letter of credit. In the initial purchase contract the importer proposed that payment be done by 100% sight letter of credit; all charges at advising bank are at seller’s account. L/C confirmation charges if required are at seller’s account. However, in the case a new buyer, the exporter insisted that it is one hundred percent (100%) prepaid.

⁹¹ For illustration purpose only

III. Documents involved in exporting and agencies to be visited

3.37. The BPA findings reveals that the exporter has to go through 4 agencies and working with 21 documents in different checking or approval processes. In fact, we find that only 6 documents are required for export. The other 10 documents are all documents used for the processing of the export documents. The remaining 5 documents are only receipts issued.

Table 3.1: Documents involved in exporting and agencies to be visited

| | No. of Documents | List of Documents |
|-----------------------------------|---|---|
| Documents for rice export | 21 documents: - 6 export documents - 10 internal process document - 5 receipts | <p>Export documents</p> <ol style="list-style-type: none"> (1) Bill of Lading (2) Commercial invoice (3) Phytosanitary Certificate (4) Fumigation Certificate (5) Packing list (6) Weight and Quality certificate issued by Camcontrol <p>Internal process documents</p> <ol style="list-style-type: none"> (1) Request for Export Permit (2) Customs Export Declaration Form (3) Business License/Patente Tax Certificate (4) Purchase Order (5) Phytosanitary Request Form (6) Fumigation Request Form, (7) Cargo Release Order (8) Shipping Note (9) Freightforwarder Consignment Note (10) Cargo Dispatch Note <p>Others: Receipts</p> <ol style="list-style-type: none"> (1) PAS Terminal Handling Receipt (2) GDCE Payment Receipt (3) Camcontrol Payment Receipt (4) Equipment Interchange Receipt (5) Terminal Handling Receipt |
| Agencies/ that need to be visited | 4 | <ol style="list-style-type: none"> (1) General Department of Customs and Excise (2) Camcontrol (3) Port Autonomous of Sihanoukville (4) Ministry of Agriculture, Fisheries and Forestry |

Source: Interviews carried out with companies

IV. Cost involved in exporting

3.38. The costs for exporting a 20 ft container with 24 MT of cashew is estimated around USD 839. The cost does not include the official export tax of 0.1% of commercial value collected on behalf of the State by Camcontrol charge. All costs to be paid by the freight forwarder on exporter's behalf are subject to VAT 10%. Translated into cost per tonnage of rice it is an equivalent to USD 34.95 per MT. Official administrative costs represent 37.5 percent of the total cost. Inland transport comprises of about 43.8 percent and freight forwarder charges and shipping charges amounts to around 6 percent. (See Table 3.2: Cost involved in exporting).

Table 3.2: Cost involved in exporting

| | Institutions and Processes and Documentation | Official (USD) | Subtotal | % of total costs | Cost per tonnage or per container |
|-------------|--|----------------|----------|------------------|---|
| I. | Government Agencies | | | | |
| | Camcontrol | | | | |
| 1.2 | Certificate of Weight and Quality | 30 | | | |
| 1.3 | Container Check (see 2.2) | 35 | | | per container |
| | | | 65 | 7.7% | 1.86 per MT |
| 2.0 | GDCE | | | | |
| 2.1 | Application to Export Permit | 170 | | | |
| 2.2 | Customs Clearance (inspection and formality) with Camcontrol | 35 | | | Per container |
| | | | 205 | 24.5% | 6.43 per MT |
| 3.0 | MAFF | | | | |
| 3.2 | Phytosanitary Certificate | 45 | | | 20 per certificate and 25 per container |
| | | | 45 | 5.3% | |
| | Subtotal | | 315 | 37.5% | 9.0 per MT |
| II. | Gov. Agencies /Concessionaire | | | | |
| 4.0 | AZ Container Scanner | | | | |
| 4.1 | Container Scanning Fees | 40 | 40 | 0.47% | 1.14 per MT |
| 5.0 | Port Autonomous of Sihanoukville | | | | |
| 5.1 | Lift-on/ Lift off laden container trucking | 26 | 26 | 0.31% | 0.74 per MT |
| III. | Private Sector Operators | | | | |
| | Fumigation services | | | | |
| | Fumigation Certificate | 40 | 40 | 0.47% | 1.14 per MT |
| 6.0 | Inland Transport | | | | |
| 6.1 | Trucking of empty and laden container to/from warehouse | 50 | | | |
| 6.2 | Carrier local charges Transport (Phnom Penh-Sihanouk) | 180 | | | |
| | Container weight scale | 3 | | | |
| 6.3 | Toll Fee | 15 | | | |
| 6.4 | THC (Terminal Handling Charges) | 120 | | | |
| | | | 368 | 43.8% | 10.53 per MT |
| 7.0 | Freight forwarder charges | | | | |
| 7.1 | B/L fees | 20 | | | |
| 7.2 | Forwarder handling service charge | 30 | | | |
| | | | 50 | 6.0% | 1.43 per MT |
| | Total | 839 | | 100% | 34.95 per MT |

** Source: Interviews carried out with exporters, freight forwarders and government officials.

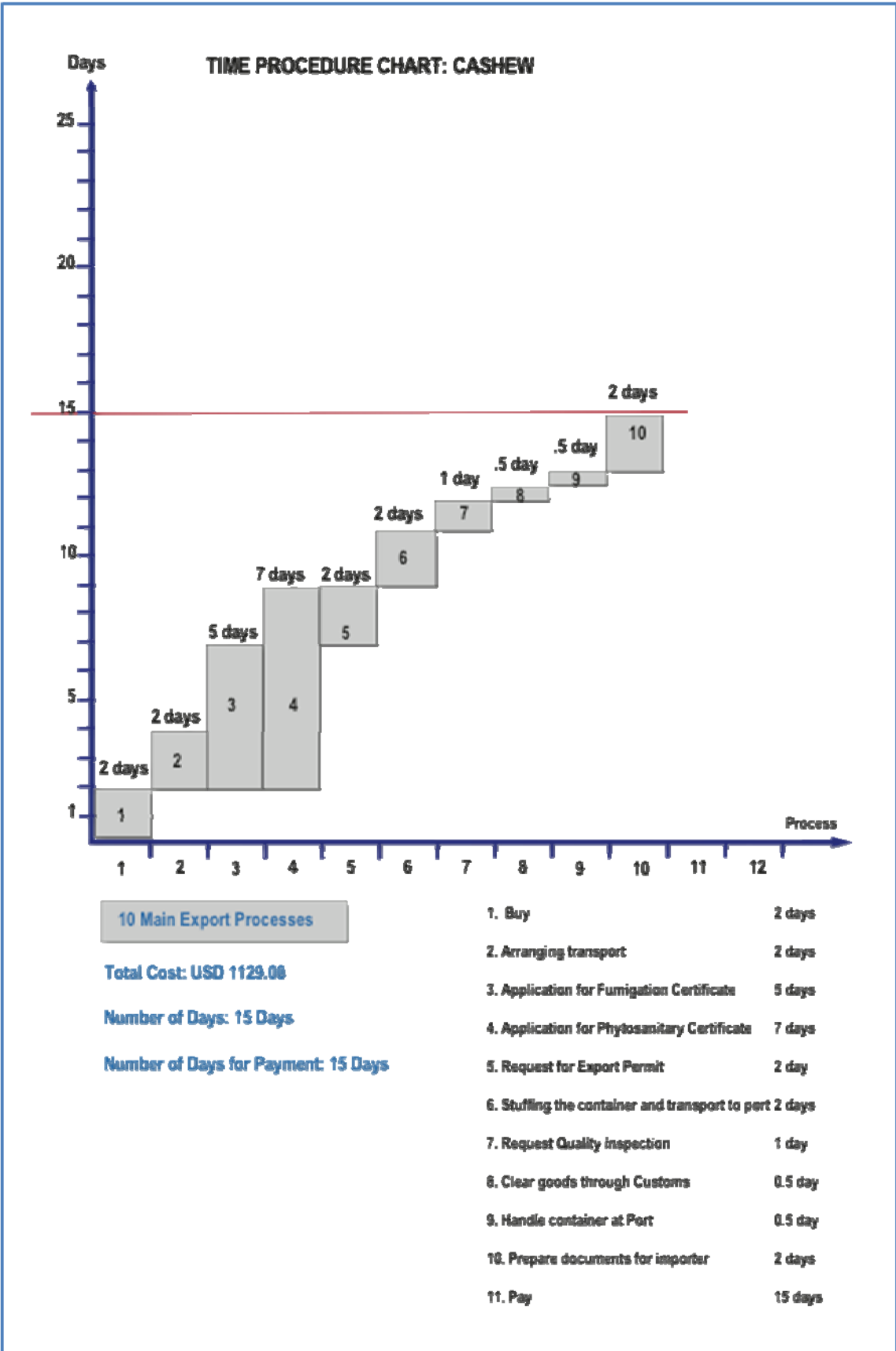
V. Average Length of Time Spent for export

3.39. The average time required to export is 13.5 days including: (i) Obtaining all the documents; (ii) Inland transport and handling; (iii) Customs clearance and inspections; and (iv) Port and terminal handling. The caveat of course that the exporter takes some pro-active steps to undertake certain activities in parallel and in anticipation to other activities, i.e. the phytosanitary and the Fumigation though separately could take 12 days will take only 7 days. The arrangement for transport is shorter than rice as the condition for clean container is less stringent, i.e. 10 days instead of 14 days from booking cargo space to actual arranging loading the container for removal to the seaport. (See Table 3.3: Average Length of Time Spent for export and Time Procedure Chart).

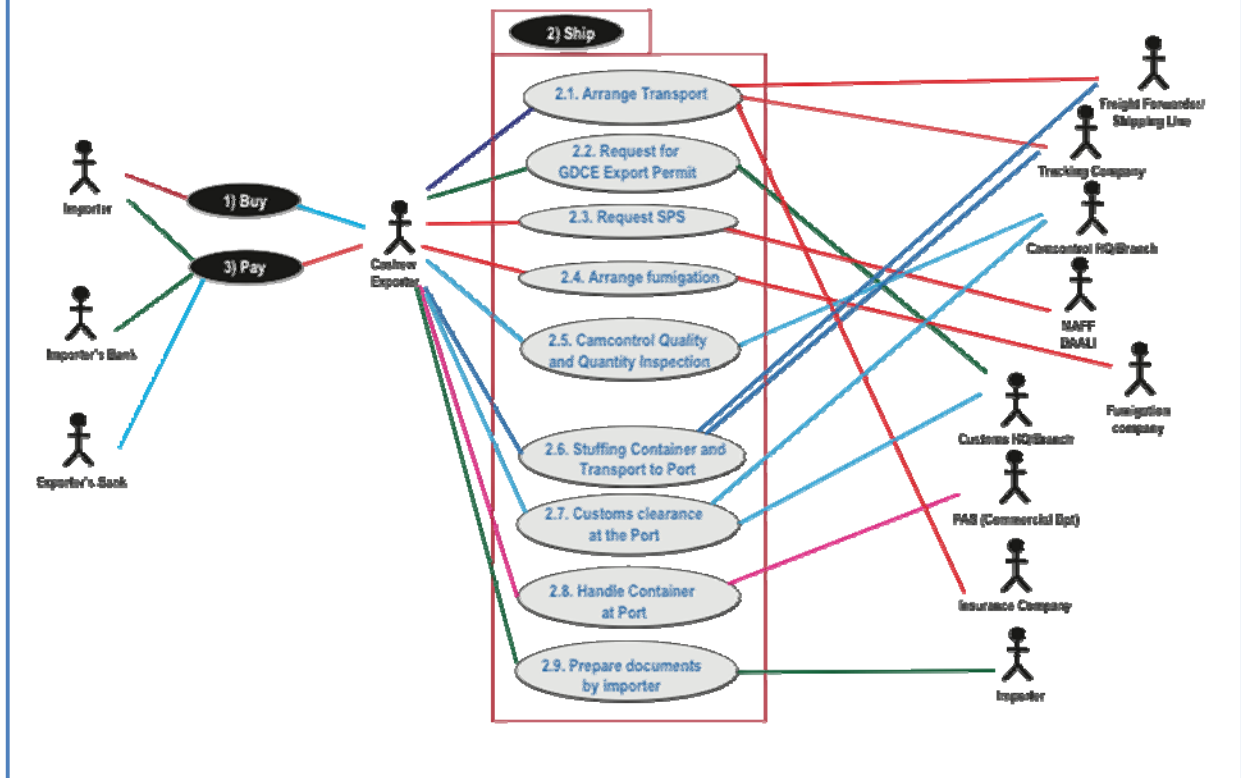
Table 3.3: Average Length of Time Spent for export

| | Institutions and Processes | Time/Days | In hours | Average days | | |
|---------------------------|--|--|----------|--------------|---------------|-----|
| <i>Note: * to the</i> | 1. BUY | 2 | | 2 | <i>refers</i> | |
| | 2. SHIP | 13 | | 13 | | |
| | 2.1 | Arrange transport | 2 | | | 2 |
| | | Reservation cargo space and container | 10 * | | | |
| | 2.2 | Request Customs export permit | 2 | | | 2 |
| | 2.3 | Apply Phytosanitary Certificate | 7* | | | 7 |
| | 2.5 | Request Fumigation Certificate | 5* | | | 5 |
| | 2.6 | Request Quality and Quantity Inspection | 1 | | | 1 |
| | 2.7 | Stuffing container and transport to port | | | | |
| | | Collect empty container from yard | 0.5 | 6 hours | | |
| | | Packing goods | 0.5 | | | 0.5 |
| | | Loading to container | 0.5 | 5 hours | | 0.5 |
| | | Independent quality surveyor | 0.5* | | | |
| | | Transfer from Phnom Penh to Sihanoukville sea port | 0.5 | 6 hours | | |
| | Sub Total | 2 | | 2 | | |
| 2.8 | Clear goods through Customs | 0.5 | | 0.5 | | |
| 2.9 | Handle containers at port | 0.5 | 6 hours | | | |
| 2.10 | Prepare documents required by importer | 2 | | 2 | | |
| | TOTAL BUY + SHIP | 15 | | 15 | | |
| 3 | PAY | 15 | | 15 | | |

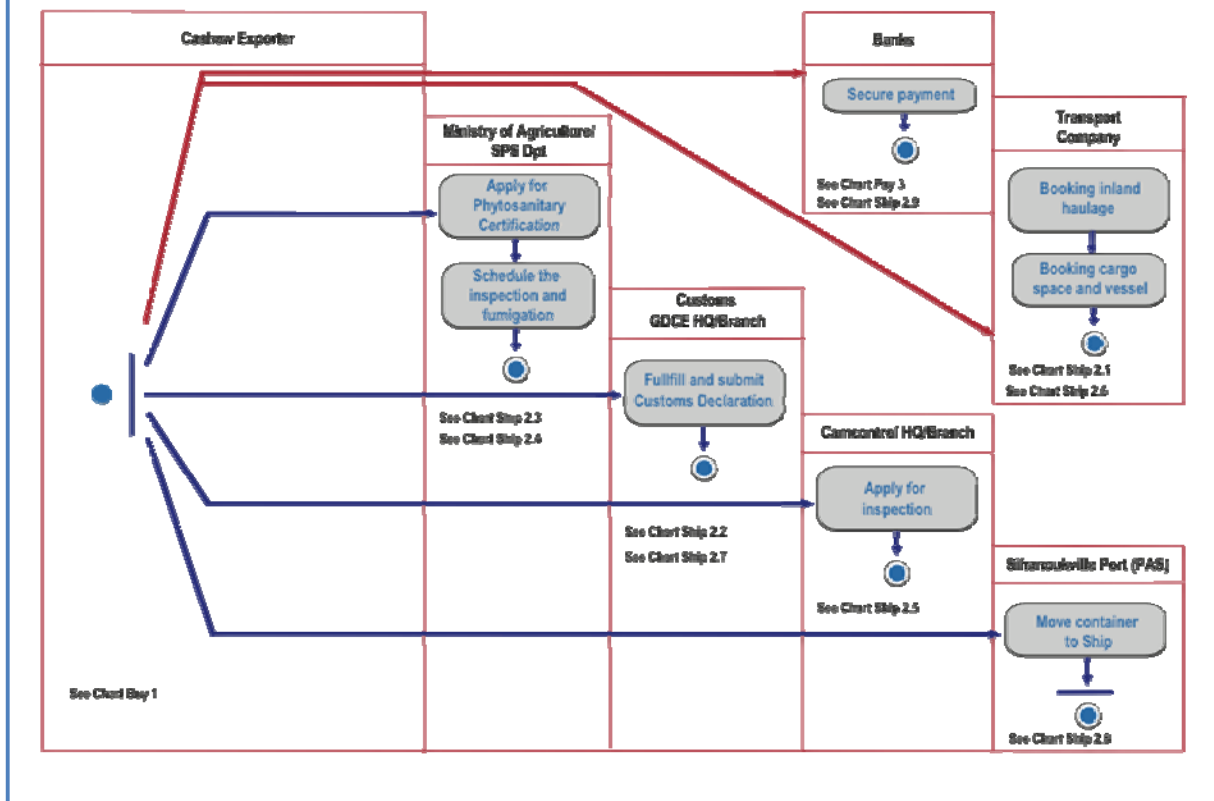
activities which can be done parallelly.

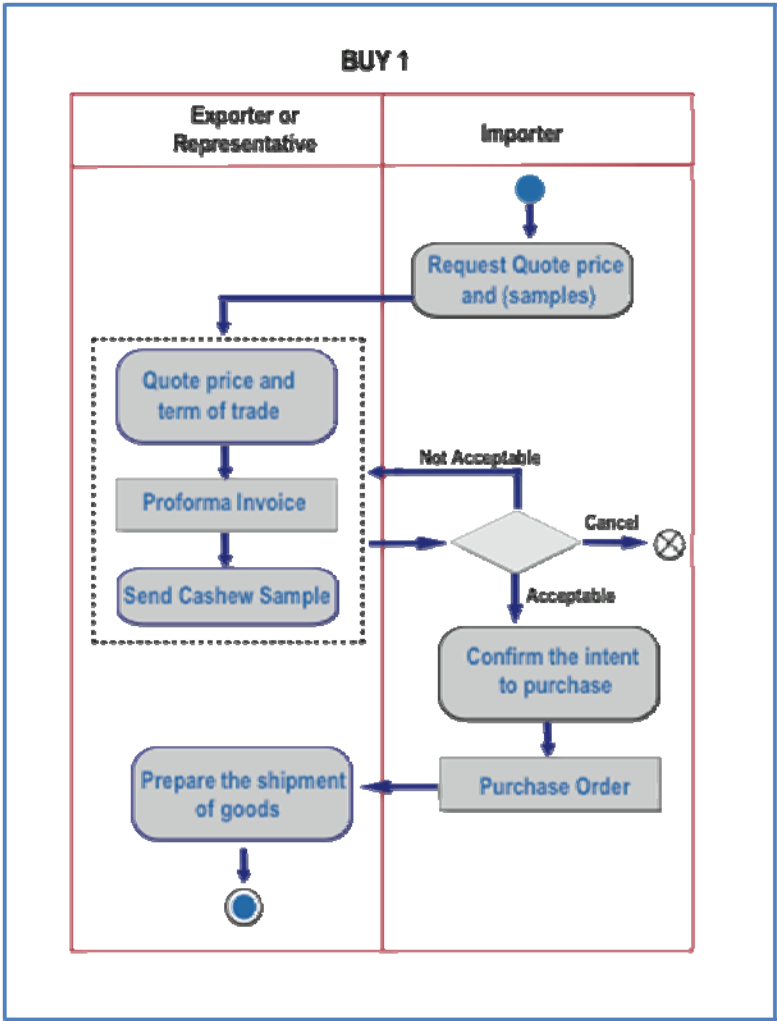


USE CASE DIAGRAM: CASHEW EXPORT PROCESS

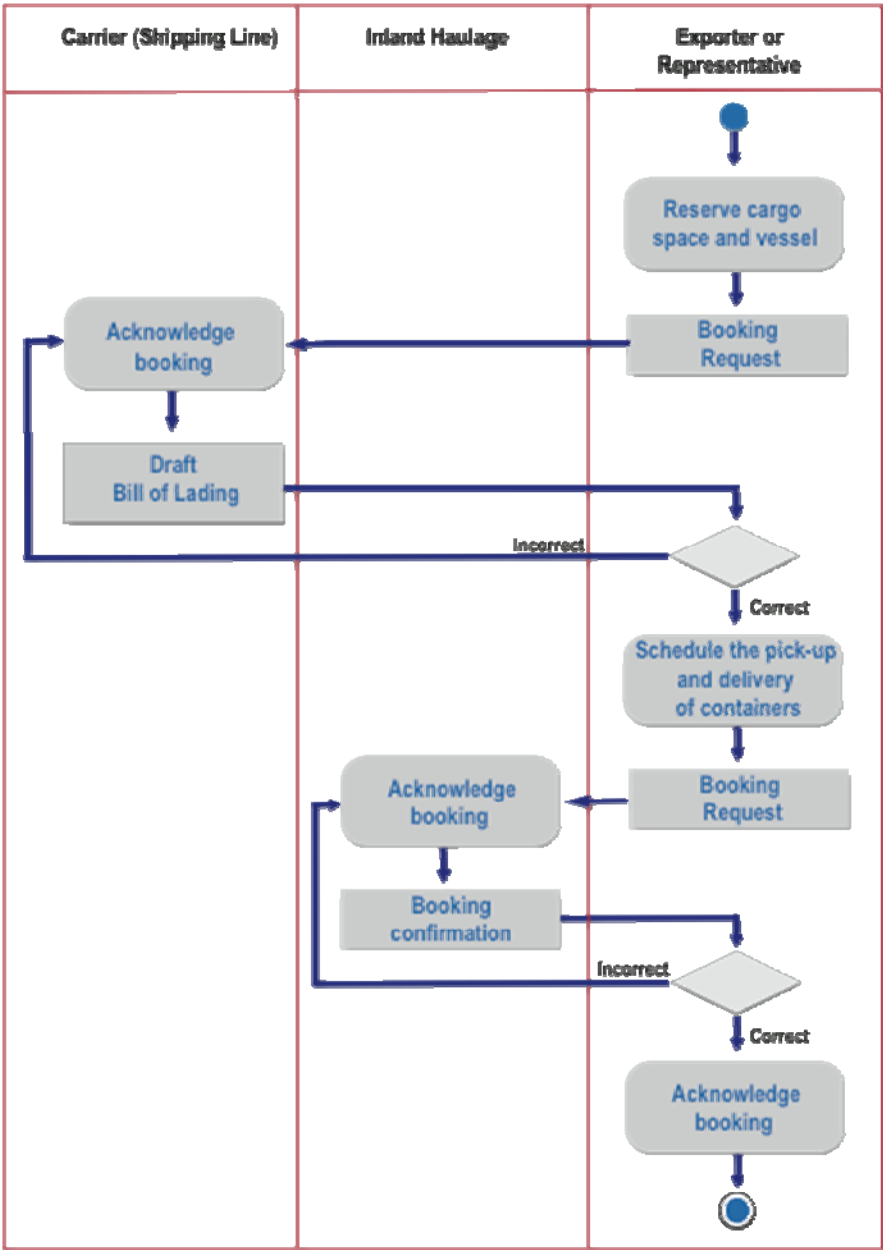


SUMMARY: CASHEW EXPORT PROCESS

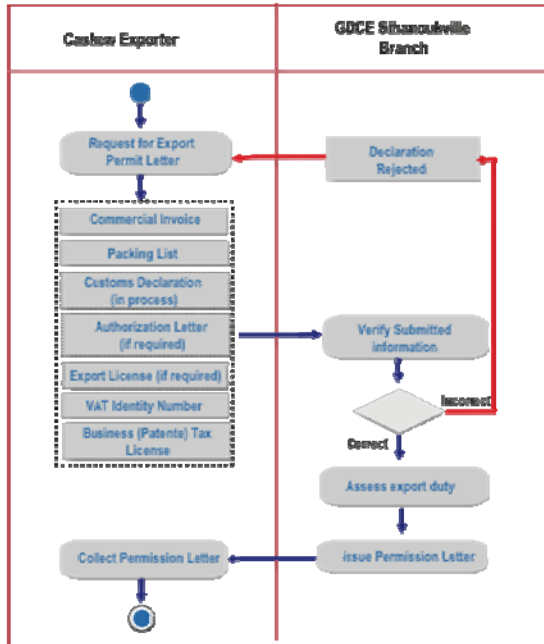




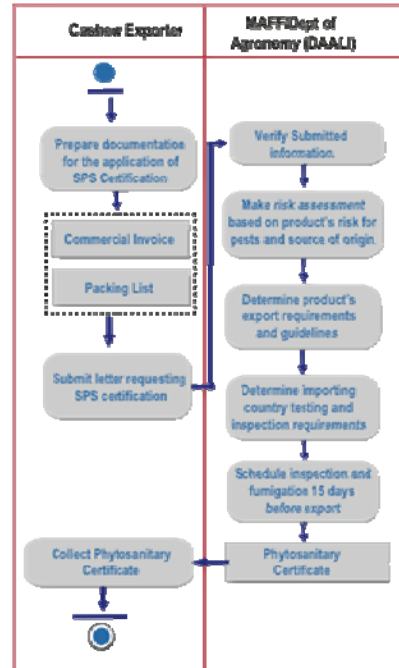
SHIP 2.1: ARRANGE TRANSPORT

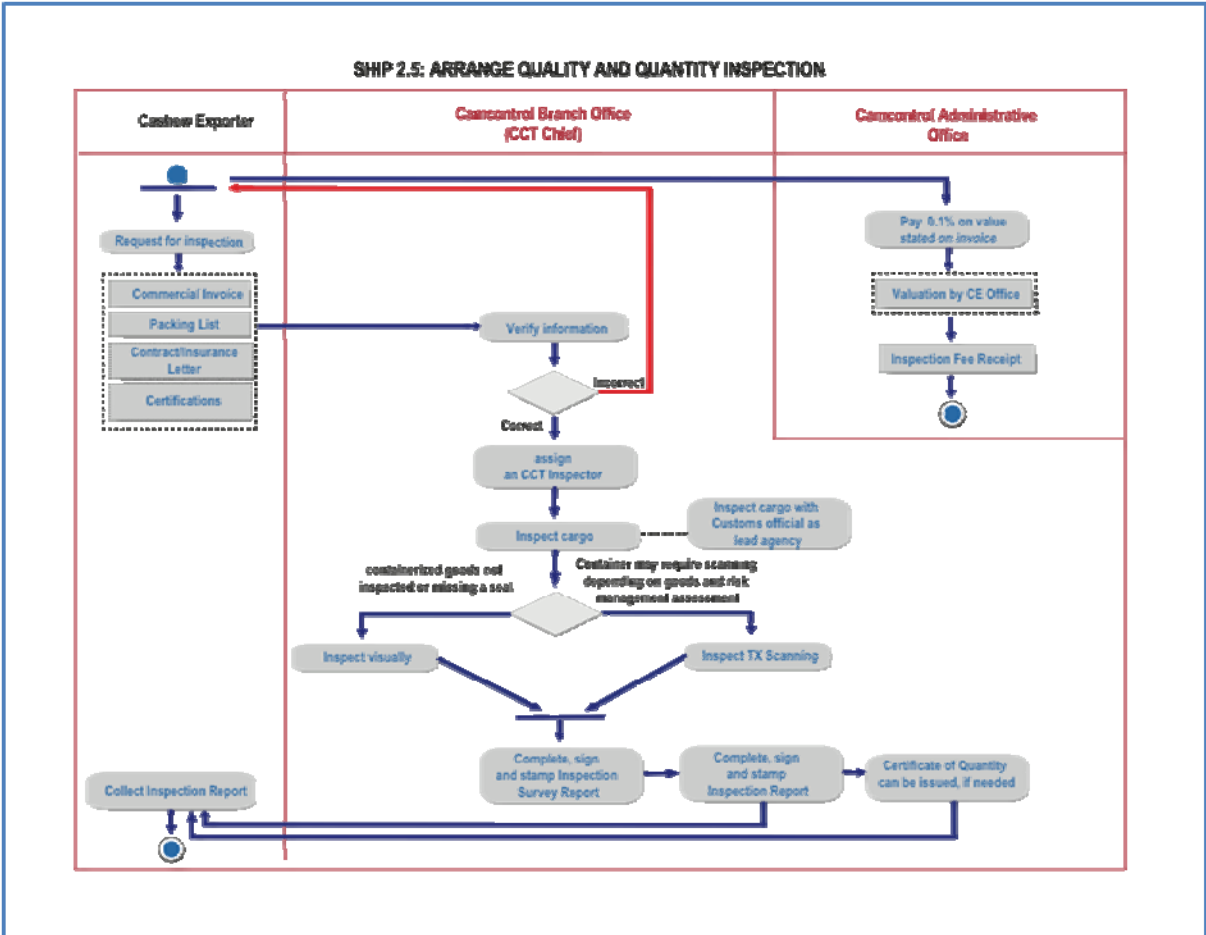
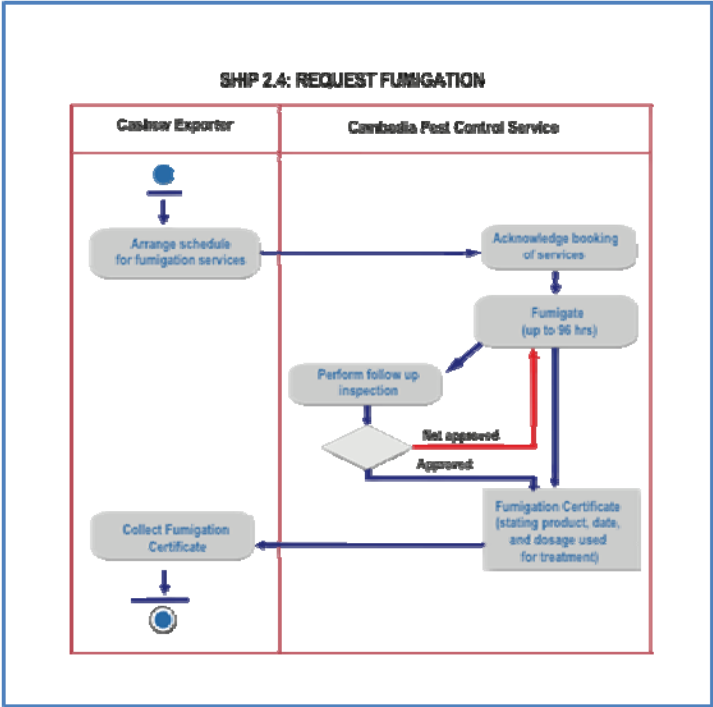


SHIP 2.1: REQUEST FOR GDCE EXPORT PERMIT

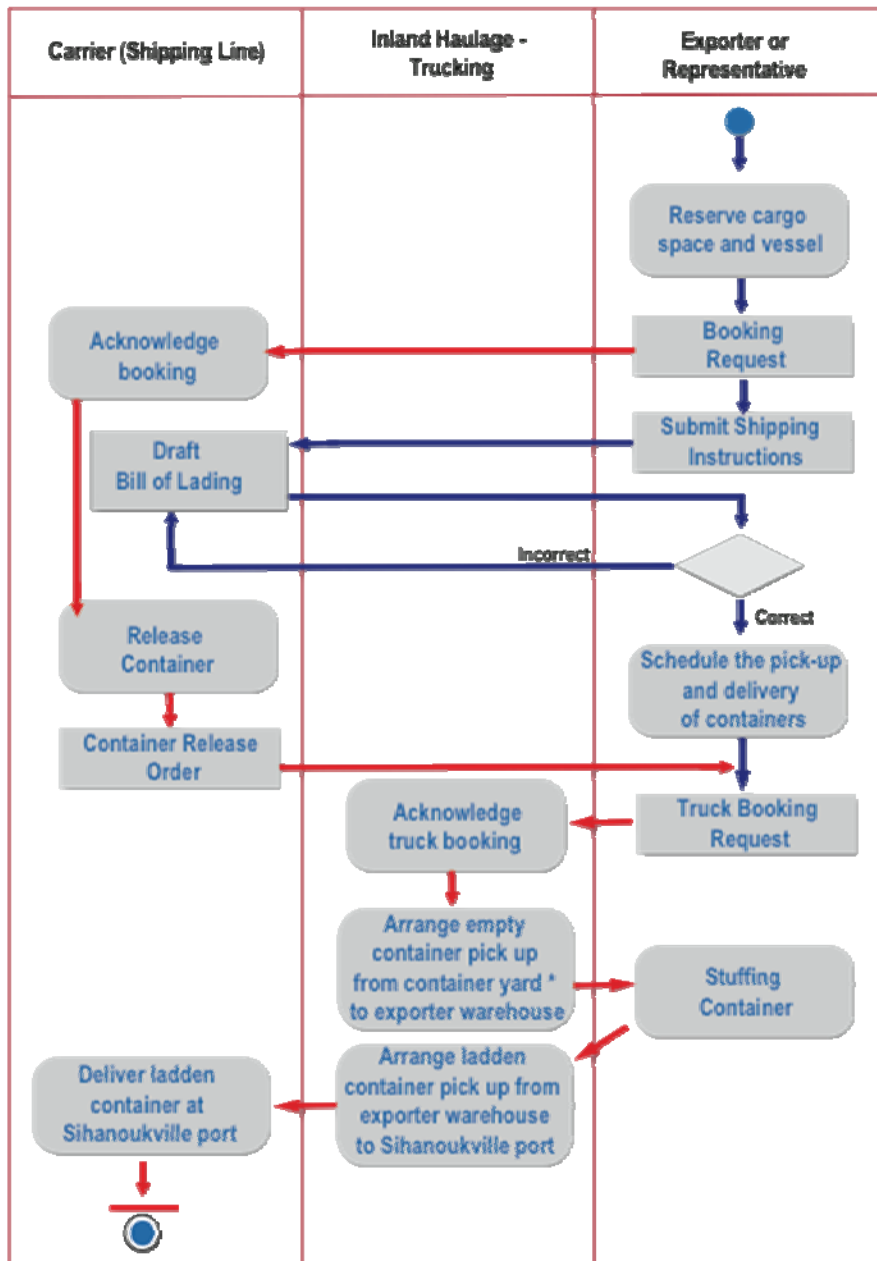


SHIP 2.2: REQUEST SPS CERTIFICATION

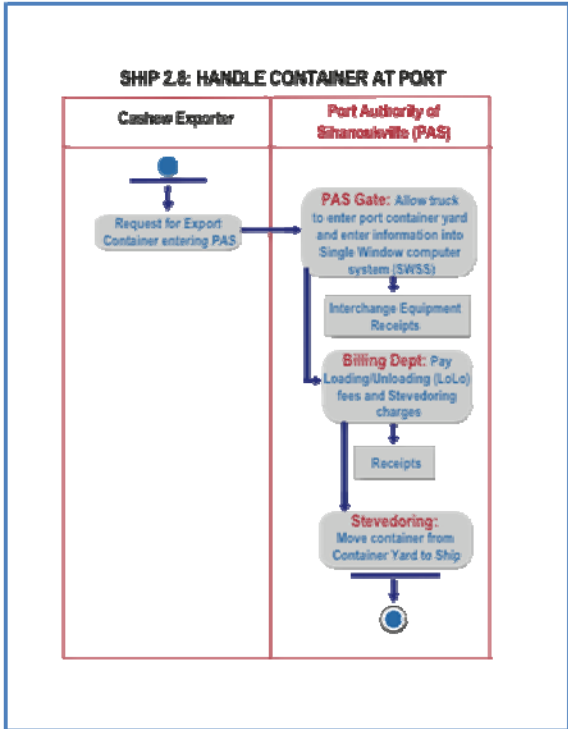
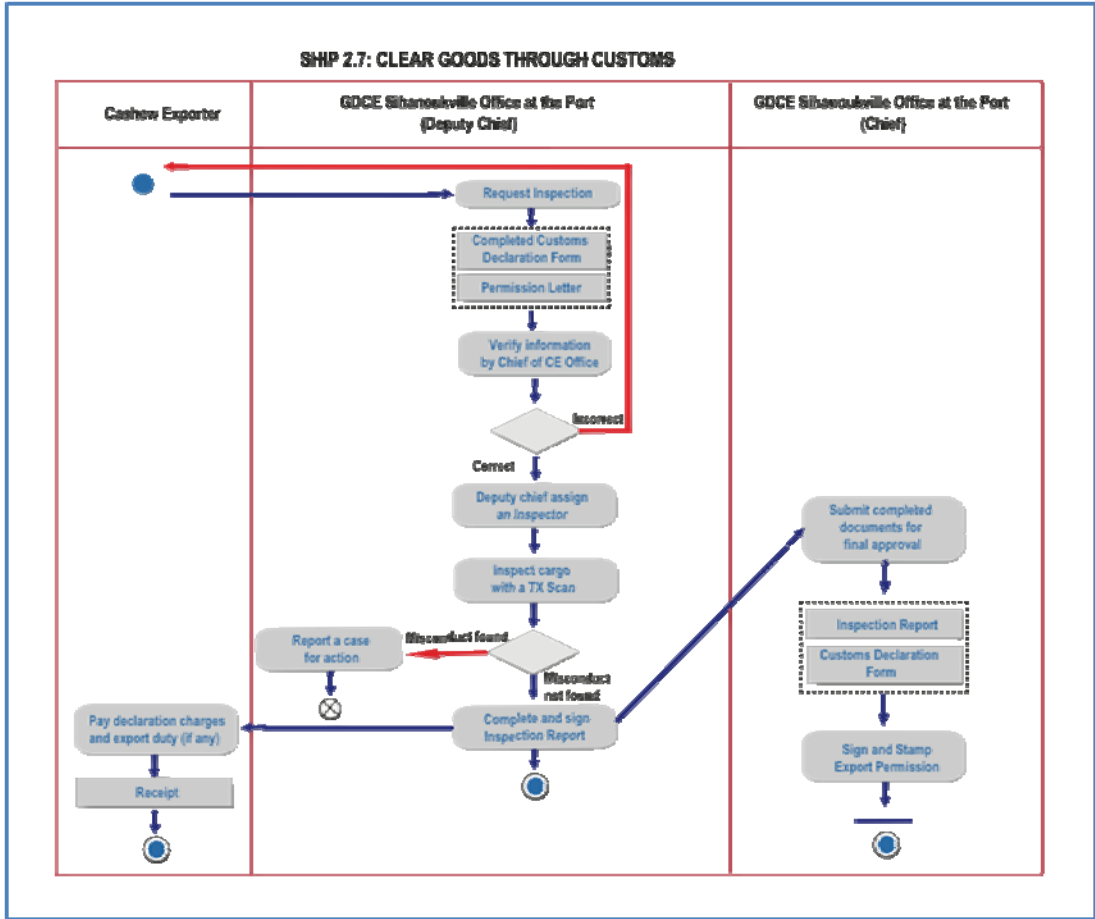




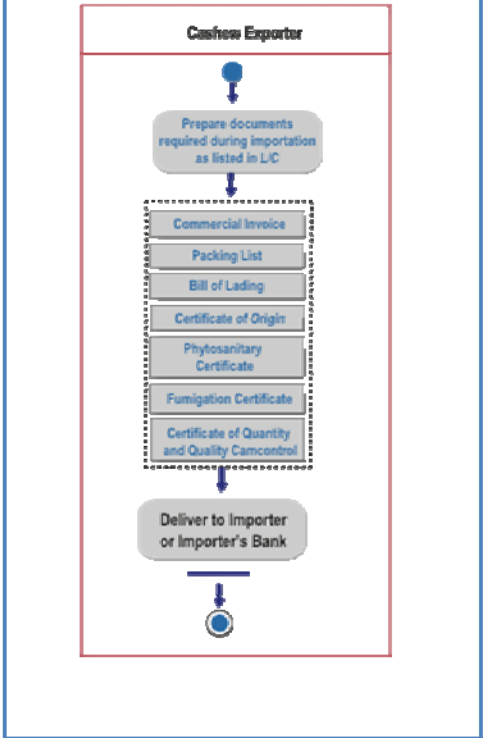
SHIP 2.6: STUFFING CONTAINER AND TRANSPORT TO PORT



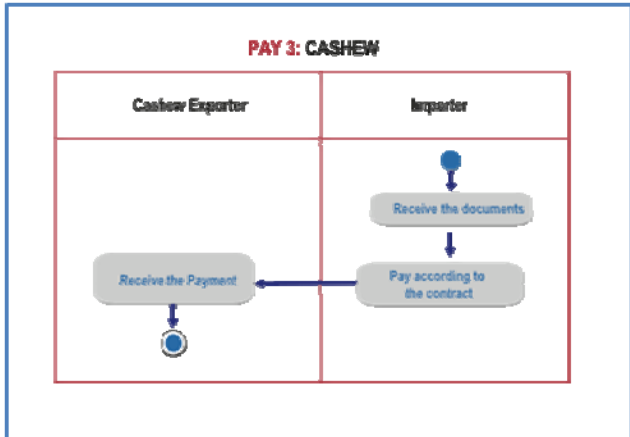
NB: Container yard *: could either be Inland Container Depot (ICD) or a Dryport



SHIP 2.10: PREPARE DOCUMENTS FOR IMPORTER



PAY 3: CASHEW



EXPORT OF SILK PRODUCTS TO EUROPE

BPA Airport Procedures

I. OVERVIEW OF THE SILK SECTOR

4.1. Cambodia has a well-established tradition of silk weaving dating back to the times of the Khmer empire. Traditional silk clothing is an important part of rites in religious and life. Weaving was kept alive during the Khmer Rouge period but sericulture (breeding of mulberry trees and silkworms) was, almost completely, interrupted.

4.2. Cambodia has a valuable potential asset in its silk industry. Traditional hand-woven silk *ikat* using vegetable dyes is among the finest in the world. New designers are now beginning to develop contemporary products and many others - the artisans themselves, the Silk Forum, Cambodian National Silk, Artisans d'Angkor, the business community, etc. The silk industry is benefiting from the growth of tourism industry, for which the potential is high and still mostly untapped.

4.3. The most renowned traditional silk cloth in Cambodia is the hol, finely patterned with floral and diamond motifs using the weft ikat technique and a twill weave. Traditional colours for hol are burgundy, yellow and black, but pastel coloured hols which are favoured by the younger generation have been introduced. Silk is usually produced in certain fixed sizes. A kabun is 3.6 m long and is sufficient for a skirt and top. A sampot (half a kabun) is 1.8 m long and is worn as a sarong. The width is almost always just under 1 metre (98 cm).

4.4. Silk is currently a minor export product in Cambodia with locals purchasing the bulk of production of various traditional silk products for the domestic market. Most of exported silk products are sold directly to tourists while orders through online shopping are steadily rising, consisting mainly of women's clothing and shawls and scarves. The international demand for silk products exported by Cambodia is just as dynamic as the overall international demand and this is due to a strong rise in price. Khmer silk generates 19 different export products.

4.5. From 2005 to 2009 Cambodia imported between about 400 tonnes of white silk yarn per year from Vietnam and China to produce finished products, thirty percent of which were exported internationally and 70 percent sent to supply local markets. Cambodia produces about three tons annually of high quality handmade golden silk. On April 2010, the sector got a boost with the Government allows silk thread imports duty-free, suspending import tax and value-added tax on the product, equivalent to a 7 percent to 10 percent cost cut.

4.6. The current socioeconomic impact for the silk sector is minimal though promising and yet it has a high human development impact in terms of job creation. Silk production is traditionally undertaken by women – 99.54 percent of the beneficiaries are women. It is estimated that there are currently about 20,700 people employed in the sector as weavers farmers. The entire silk sector in Cambodia generates roughly US\$25 million in turnover.

4.7. **Market access:** Cambodia's market access for silk to markets throughout the world are very favorable. All countries apply zero or lower tariff rates to Cambodia. Overall, the average tariff advantage compared to the top 5 competitors is 2.8%. Moreover, Cambodia has preferential tariff advantages in Japan and the US markets and is guaranteed free market access to the EU as a least developed country under the EBA, giving Cambodia a tariff advantage over its neighbors Thailand and Vietnam, as well as over China. In addition to top 5 countries, Asian countries are also important markets. Most of Asian countries demands are small, except for Hong Kong, yet these countries are highly dynamic markets. ASEAN countries definitely offer preferential tariff access to Cambodia with tariff differences (10-45%) for women silk blouses and

shirts (HS 620610).

4.8. **SPS issues:** At the present time, although the EU has issued guidelines regarding the use of Azo dyes, so far only Germany has introduced legislation prohibiting their use in products which come into direct contact with the skin. The likelihood is that other EU countries will eventually follow the example of German legislative barriers, but this is not imminent. Dystar dyes comply with German legislation and EU guidelines as well as all environmental, health and safety issues. They improve colour consistency and dye-fastness, reduce health risks (non-carcinogenic) and are environmentally friendly.

II. BUSINESS PROCESS ANALYSIS (BPA) MAPPING

4.9. **About the silk exporter:** The Cambodian Craft Cooperation (CCC) has been founded in August 1997 as an association of small business enterprises. Almost 500 craft enterprises had joined the CCC as members until December 2008, when the CCC and some smaller SME associations had formed the Chamber for Professionals and Micro-Enterprises of Cambodia (CPMEC). It has about 2,000 SMEs as members. The CPMEC has already set up under its umbrella several associations of different business sectors as ceramics, silversmith, handmade textile, motor mechanics, rush, cane and wicker-work, and Khmer souvenir.

4.10. The Handmade Textile Association groups together weavers from several Cambodian villages in Takeo and Prey Veng province. In collaboration with the CCC, and with the support of the Export-led Poverty Reduction Programme of the International Trade Centre UNCTAD/WTO the Handmade Textile Association responds to the weavers' needs and tackles constraints related to supply, production, quality and sales of the silk products. By working together as a community, by developing their own designs, by using natural and environmental friendly dyes, and by blending traditional with modern weaving techniques, the weavers today deliver high quality products that meet international market requirements. Today the association continues to witness a big increase of exports of silk and other products to Europe (see www.silkfromcambodia.com).

1. BUY

4.11. Silk purchase is quite a niche approach. Many buyers usually have to have deal with numerous individual enterprises all of whom are different: in scale, in design – some more traditional, some more contemporary, some only dealing in silk products and some with other products - therefore each has to adopt a different approach to their production and marketing. There is no single right way to proceed. The Handmade Textile Association maintains a web shop aimed at international retail and wholesale customers looking for medium-sized quantities. For larger orders of 400 items and up or for custom design orders, the buyers would normally consult with the organization on the custom-made design using different yarn, patterns and colours.

4.12. We start the BPA map through getting order as the first contact between exporter and importer. The steps of getting order are as follows:

4.13. The importer in Europe shows interest in import of silk products from Cambodia through the web catalog. For an existing buyer, the importer first sends the request for quotation to the Cambodian exporter, indicating the items in the catalog and the quantity after which the exporter quotes prices and terms of trade to the buyer via e-mail.

4.14. The importer verifies the quotation and, assuming the payment terms are acceptable to both parties, confirms the intent to purchase. Then a Purchase Order (PO) is sent by the importer/buyer to the exporter/seller by email or by fax. The exporter/seller raises a Proforma Invoice (PI) or a Purchase Contract against the PO and send it by email or by fax back to the importer/buyer who is required to countersign and stamp as a token of acceptance. Normally the Purchase Contract is quite simplistic, with inclusion of only necessary terms and conditions.

4.15. Both parties sign contract which determined the shipping date and commercial terms and conditions, specifically:

a. **Contract terms:** *Information on the Goods – Items No, Fabrication: 100% silk, Quantity and unit price, and tariff line number.*

b. **Destination:** *From Phnom Penh International Airport, Cambodia to Hannover Airport (HAJ) Germany.*

c. **Other terms and specific conditions:** *In case of dispute, both parties shall settle by amicable negotiation.*

4.16. The Cambodian exporter prepares the shipment for export.

2. SHIP

4.17. A major challenge to the expansion of export of silk products stems primarily from in the lack of an infrastructure supporting export procedures and documentation for small exporters. At present the system, both within the freight forwarding / shipping sector and at the Ministry of Commerce, is geared towards handling large consignments of garments and there is no culture of handicraft exporting. Information relating to quotas, commodity codes and the GSP in the handicraft sector appears to be hazy. The tax law makes it difficult for small export shipments by courier service to receive VAT exemption.

Ship 2.1: Arrange Transport

4.18. Similar booking arrangement of cargo space through the Freight forwarder. Generally, the booking process is less complicated as the number and frequency of flights are quite few and regularly predictable.

Ship 2.2A and 2.2B: Apply for Certificate of Origin

4.19. **Export processes with Government agencies:** The following are documents, which need to be secured from government agencies:

4.20. For export by air (to all destinations except the USA), the exporter need to submit:

- Certificate of Origin
- Invoice
- Packing List
- Sales Contract

4.21. **Certificate of Origin (CO):** The Certificates of Origin are required for export to the EU because of the established EBA trade arrangements which typically allow exporters to enjoy duty exemption with the EU upon submission to the EU of the Certificate of Origin Form A as issued by the Bilateral Trade Department of the Ministry of Commerce, formerly the Foreign Trade Department (“FTD”).⁹²To receive a CO, the silk exporters will need to register first with the Trade Preferences Department (“TPD”). This initial process is required for both for-profit and non-governmental organizations (“NGO”) and is only done once. The CO application process for exports by air to the EU, however, can usually occur after the cargo ships since most exports are duty and quota free. Moreover the exporter does not have to pay for the Export Management Fee for small quantities of goods valued under 6,000 Euros for European countries and under \$800 USD for other countries. (*See Charts Ship 2.2A and 2.2B and Annex III.1: Certificate of Origin*).

Ship 2.3: Packing and transport

⁹² For other destinations, the COs are issued by the different departments of the Ministry, such as the *Multilateral Trade Department*” for Australia, Brunei, China, India, Indonesia, Japan, Laos, Malaysia, Myanmar, New Zealand, Philippines, South Korea, Singapore, Thailand and Vietnam and the *Trade Preferences Department* (“TPD”) for USA, Canada, Mexico and all other countries not listed above.

4.22. The packing of silk products are quite simple to pack and to transport to the airport. The Phnom Penh International Airport is located 10km from downtown Phnom Penh on Road # 4 (Russian Blvd). PPIA cargo facilities include mechanical handling, air-conditioned storage, refrigerated and deep freeze storage, fresh meat inspection, livestock handling, security for dangerous goods and very large/heavy cargo. (See *Chart Ship 2.3*)

Ship 2.4: Arrange Quality and Quantity Inspection

4.23. The freight forwarder/exporter proceeds next to arrange Camcontrol Inspection at the Camcontrol office in the Cargo Terminal and provide the following documents: Packing List, Commercial Invoice, Airway Bill, Sale Contract, and a Certificate of Origin. Camcontrol then fills out a separate Inspection Survey Report. Next, the freight forwarder/exporter pays an official export tax 0.1% fee, based on the value of the goods, at the Camcontrol cashier. An Inspection Fee Receipt is issued to the exporter. The Camcontrol inspection report is submitted to the Head of the Camcontrol PPIA for approval and signature. A Certificate of Quantity document can also then be issued if needed.

Ship 2.5: Clear Goods through Customs

4.24. After the cargo has been received, the freight forwarder/exporter completes a **Customs Declaration Form** with the Customs and Excise PPIA Office in the Cargo Terminal. The Customs and Excise and Camcontrol offices are also located inside the building. The following documents need to be submitted along the application: Packing List, Commercial Invoice, Air Waybill, Sale Contract, and a Certificate of Origin. (See *Annex III.3: Customs Declaration Form*).

4.25. An inspection is then arranged with Customs and Excise PPIA. For export of garments or textiles products, a Joint Inspection Report from Camcontrol is also required. The freight forwarder/exporter pays 15,000 Riel for Customs Declaration fees, and any export duty owed, at the Accounting Office, which in turn provides a receipt. Last, the inspection report is signed and stamped by either the Deputy Chief or the Chief Customs and Excise PPIA. (See *Annex III.4: Joint Inspection Report on Garment and Textile Export*).

Ship 2.6 and 2.7: Handle Shipment at Airport and Loading

4.26. The PPIA export process can be captured in four key steps beginning with the Cambodia Airport Management Services (“CAMS”) located in the Cargo Terminal, adjacent to the airport. The freight forwarder or the exporter himself needs to submit to CAMS the Air Waybill document. The Air Waybill can be obtained directly from the airline or may be provided by the shipping agent. The cargo is then moved to the loading dock. At this time a **Shipper Checklist** form is filled out by CAMS staff and signed off by the shipper. This document captures basic information about the cargo, the number of pieces and weight (used to calculate gross weight) and declares if the goods are dangerous or require special handling. A CAMS Official completes a **Counting Report**, which is a document used to tally the goods to be shipped and to check the appropriate labeling and packaging for air transport. The cargo is now moved into storage and the Customs and Excise and the Camcontrol joint inspection can begin. (See *Chart Ship 2.6 and Annex III.2: Air Waybill*).

4.27. Once the customs clearance and the Camcontrol inspection are completed, the freight forwarder/exporter can proceed the exit process at the CAMS Administrative Office. The freight forwarder/exporter completes an **Export Cargo Form**, also referred to as a **Warehouse Form** along with the Airway Bill, Shipper Checklist, Counting Report, and Customs Declaration. (See *Annex III.5: Export Cargo Form*).

4.28. Next, the freight forwarder/exporter brings the completed Export Cargo Form to the cashier and pays the cargo handling charges based on the cargo’s gross weight and any special handling charges. Last, the cargo is moved by CAMS into an export storage and prepared for flight. CAMS will complete a Cargo Load Request and follow instructions received from the airline. The goods are then moved to the aircraft for export. (See *Chart Ship 2.7*).

Ship 2.10: Prepare Documents for Importer

4.29. The procedures for preparing documents for the importer are similar to the one for rice export as illustrated in details in the previous section under BPA for Rice Export.

3. PAY

4.30. Once the shipment is out the exporter prepare the whole set of documentation and email them to the European buyer. The original sets are sent by courier to the European buyer, which include the Packing List, Commercial Invoice, Airway Bill, Sale Contract, and a Certificate of Origin. Upon receipt of the documents, the Buyer makes a bank transfer in favor of the Exporter.

III. Documents involved in exporting and agencies to be visited

4.31. The BPA findings reveals that the exporter has to go through 4 agencies and working with 13 documents in different checking or approval processes. In fact, we find that only 4 documents are required for export. The other 6 documents are all documents used for the processing of the export documents. The remaining 3 documents are only receipts issued. (See Table 4.1: Documents involved in exporting and agencies to be visited).

Table 4.1: Documents involved in exporting and agencies to be visited

| | No. of Documents | List of Documents |
|-----------------------------------|--|---|
| Documents for rice export | 13 documents: - 4 export documents - 6 internal process document - 3 receipts | <p>Export documents</p> <ul style="list-style-type: none"> (1) Air Waybill (2) Certificates of origin (3) Commercial invoice (4) Packing list <p>Internal process documents</p> <ul style="list-style-type: none"> (1) Request for Export Permit (2) Customs Export Declaration Form (3) Joint Inspection Report of Garment and Textile Export (4) Business License/Patente Tax Certificate (5) Sale contract (6) Cargo Export Form <p>Others: Receipts</p> <ul style="list-style-type: none"> (1) CAMS Receipt (2) GDCE Payment Receipt (3) Camcontrol Payment Receipt |
| Agencies/ that need to be visited | 4 | <ul style="list-style-type: none"> (1) Ministry of Commerce (2) General Department of Customs and Excise (3) Camcontrol (4) Cambodia Airport Management Services |

Source: Interviews carried out with companies

IV. Cost involved in exporting

4.32. Sale of silk products are on a F.O.B. basis and shipment by air for weight below 100 kg. Usually for shipment exceeding 100 kg, buyers recommend that shipments be made by sea cargo. Freight forwarders charge the shipment by weight inclusive of their services, i.e. for 50 kg shipment the cost is 10 USD per kg. There is no additional charge for their services. Such costs are borne by the buyers.

4.33. The costs for exporting a shipment of silk product below 100 kg is around USD 270. The cost does not include the official export tax of 0.1% of commercial value collected on behalf of the State by *Camcontrol charge*. All costs to be paid by the freight forwarder on exporter's behalf are subject to VAT 10%.

4.34. Official administrative costs represent almost 100 percent of the total cost. Obtaining the certificate of origin comprises of about 26 percent and customs clearance and airport charges amounts to about 76 percent. (See Table 4.2: *Cost involved in exporting*)

Table 4.2: Cost involved in exporting

| ** | Institutions and Processes and Documentation | Official (USD) | Subtotal | % of total costs | |
|------|--|----------------|----------|------------------|--|
| with | 1.0 Ministry of Commerce | | | | Source: Interviews carried out exporters, freight forwarders government officials. |
| | 1.1 Certificate of Origin | 50 | | | |
| and | Joint Inspection for garment and textile export | 20 | | | |
| | | | 70 | 26% | |
| | 2.0 Airport clearance | | | | |
| | 2.1 Customs Declaration | 200 | | | |
| | 2.2 Customs Clearance (inspection and formality) with Camcontrol | | | | |
| | 2.3 Cambodia Airport Management Services | | | | |
| | Subtotal | | 200 | 74% | |
| | 3.0 Freight forwarder charges | none | | | |
| | Total | 270 | | 100% | |

V. Average Length of Time Spent for export

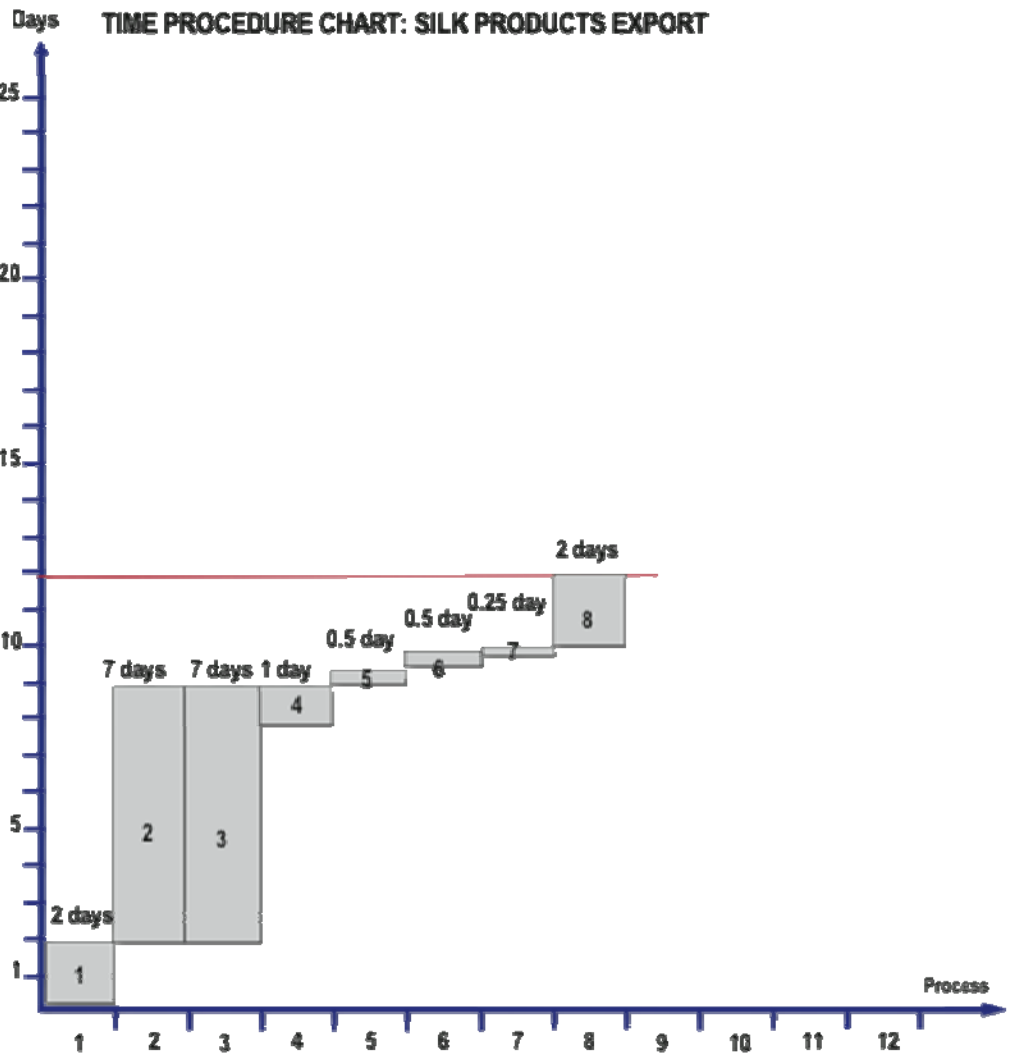
4.35. The average time required to export is 7 to 10 days including: (i) Obtaining all the documents; (ii) transport and handling; (iii) Customs clearance and inspections; and (iv) airport and terminal handling. The longest time is for obtaining the Certificate of Origin which could take between 7 to 10 days, including clearing with the joint inspection of garment and textile export committee. The exporter usually book the cargo flight space one week in advance and on the day of the flight the shipment is taken about 6 hours before flight time. (See Table 4.3: Average Length of Time Spent for export and Time Procedure Chart).

Table 4.3: Average Length of Time Spent for export

| | Institutions and Processes | Time/Days | In hours | Average days |
|-----------|--|-----------|----------|--------------|
| 1. | BUY | 2 | | 2 |
| 2. | SHIP | 10 | | 10 |
| 2.1 | Booking air cargo space | 7 | | 2 |
| 2.2A | Registration with the GSP Dept | 7* | | |
| 2.2B | Apply Certificate of Origin | 7 | | 7 |
| 2.3 | Packing and transport to airport | 1 | | |
| 2.4 | Request Quantity and Quantity Inspection* (jointly with Customs) | | | |
| 2.5 | Clear goods through Customs | 0.5 | | 0.5 |
| 2.6 | Handle shipment at airport | 0.5 | | 0.5 |
| 2.7 | Loading shipment onto the plane | 0.25 | | 0.25 |
| 2.8 | Prepare documents required by importer | 2 | | 2 |
| | TOTAL BUY + SHIP | 12 | | 12 |
| 3 | PAY | 15 | | 15 |

Note: * refers to the activities which can be done parallelly.

** Source: Interviews carried out with exporters, freight forwarders and government officials.

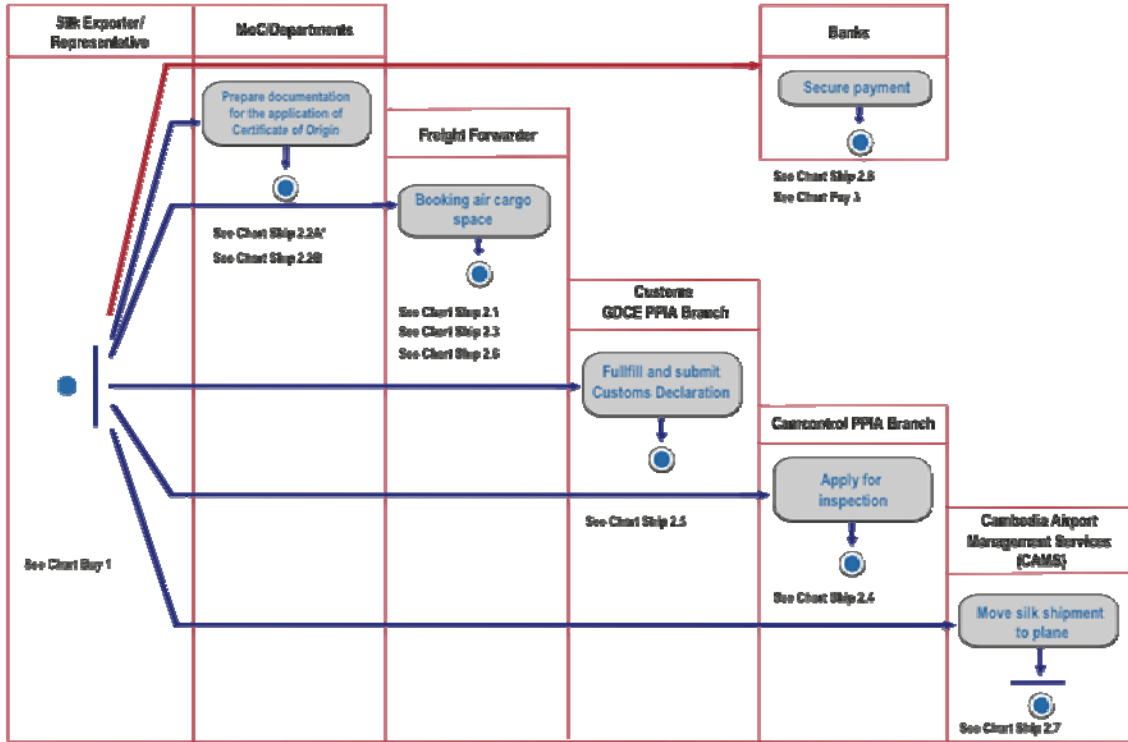


8 Main Export Processes

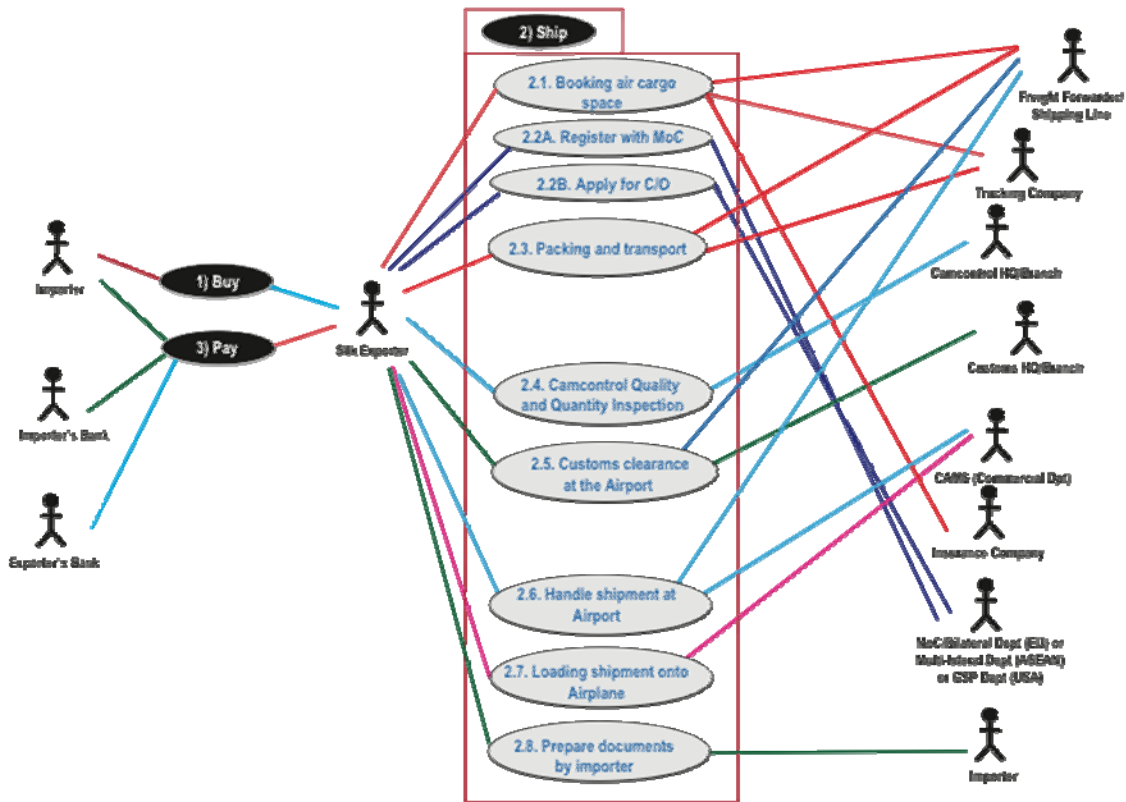
Total Cost: USD 1129.00
Number of Days: 12 Days
Number of Days for Payment: 15 Days

- 1. Buy 2 days
- 2. Booking air cargo space 7 days
- 3. Apply for C/O 7 days
- 4. Packing and transport goods to airport 1 day
- 5. Clear goods through Customs 0.5 day
- 6. Handle shipment at airport 0.5 day
- 7. Loading shipment onto plane 0.25 day
- 8. Prepare documents for importer 2 days
- 9. Pay 15 days

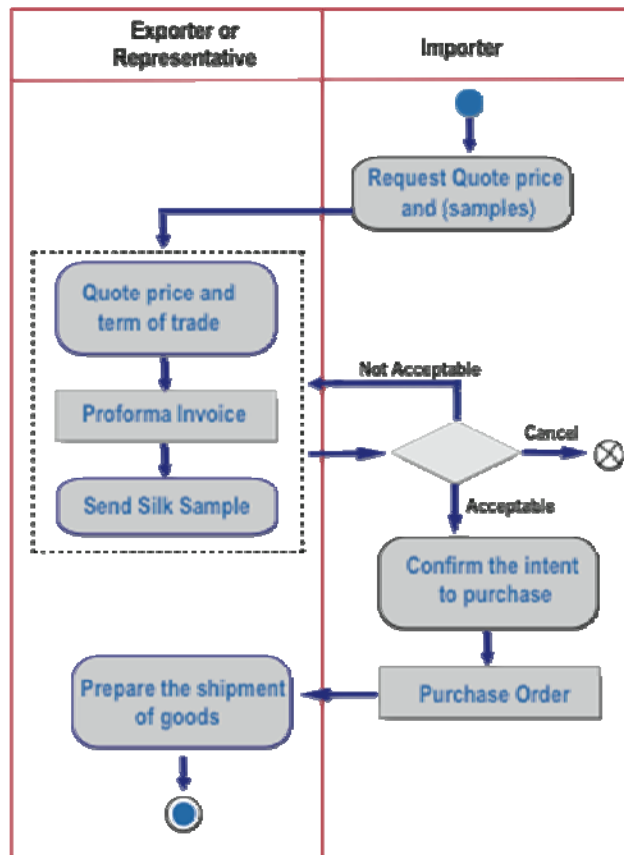
SUMMARY: SILK PRODUCTS EXPORT PROCESS



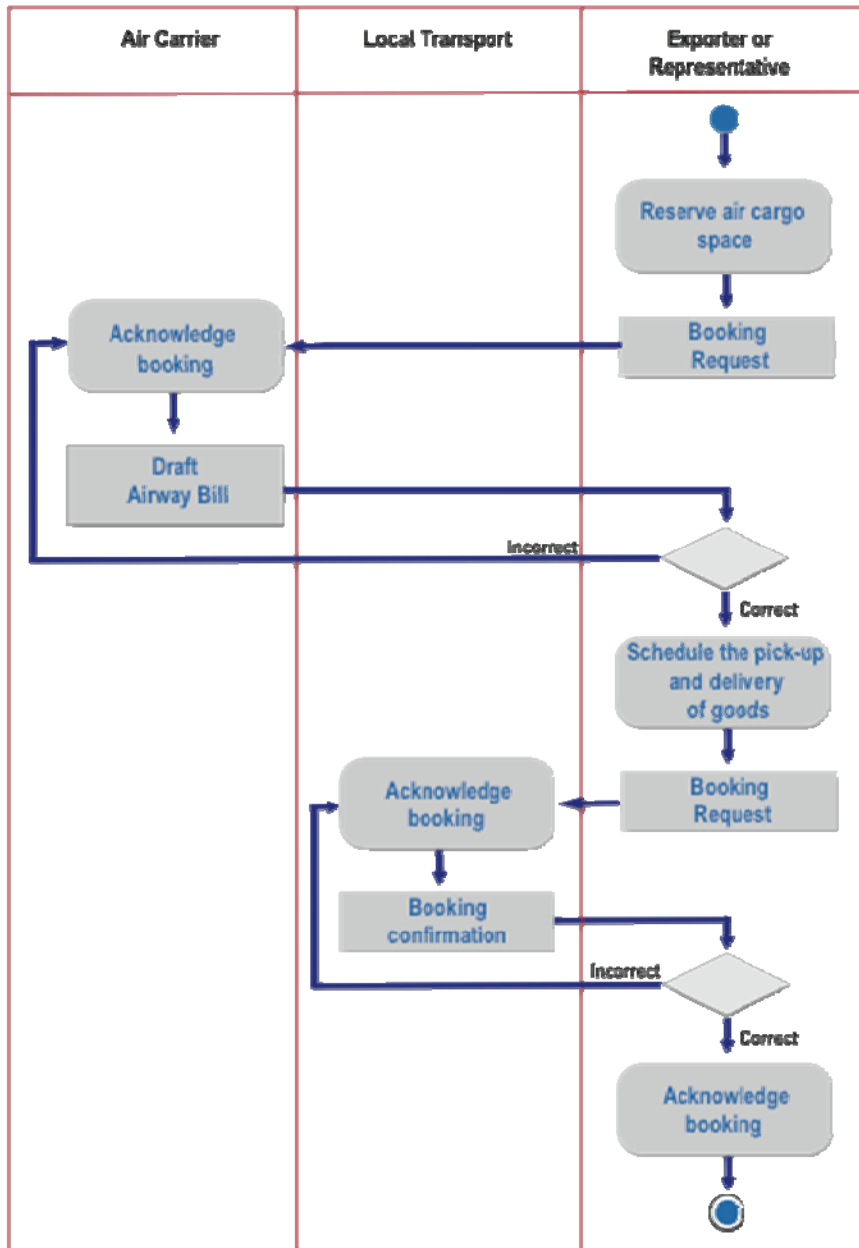
USE CASE DIAGRAM: SILK PRODUCTS EXPORT



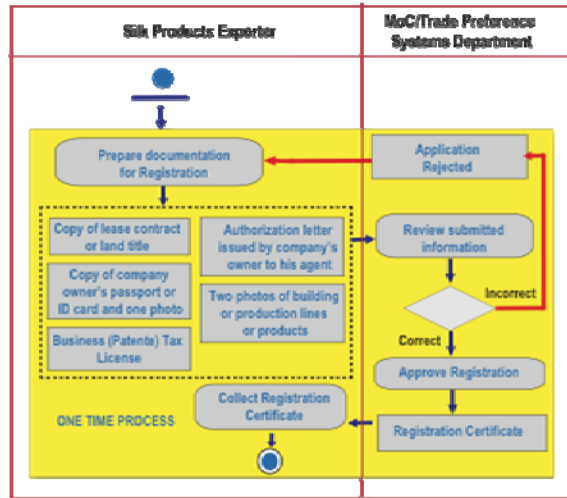
BUY 1



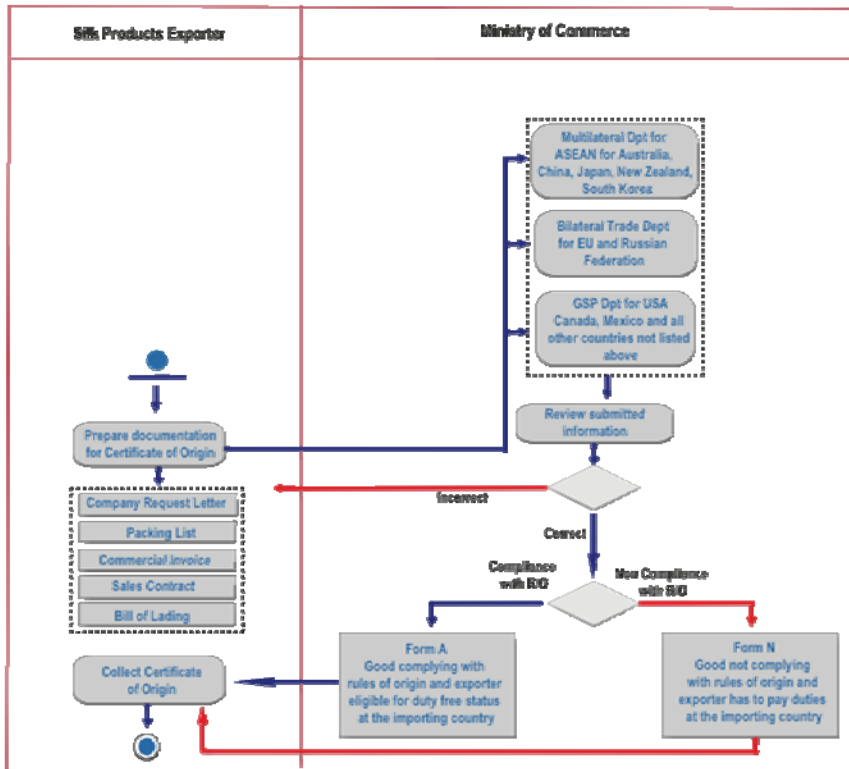
SHIP 2.1: ARRANGE TRANSPORT



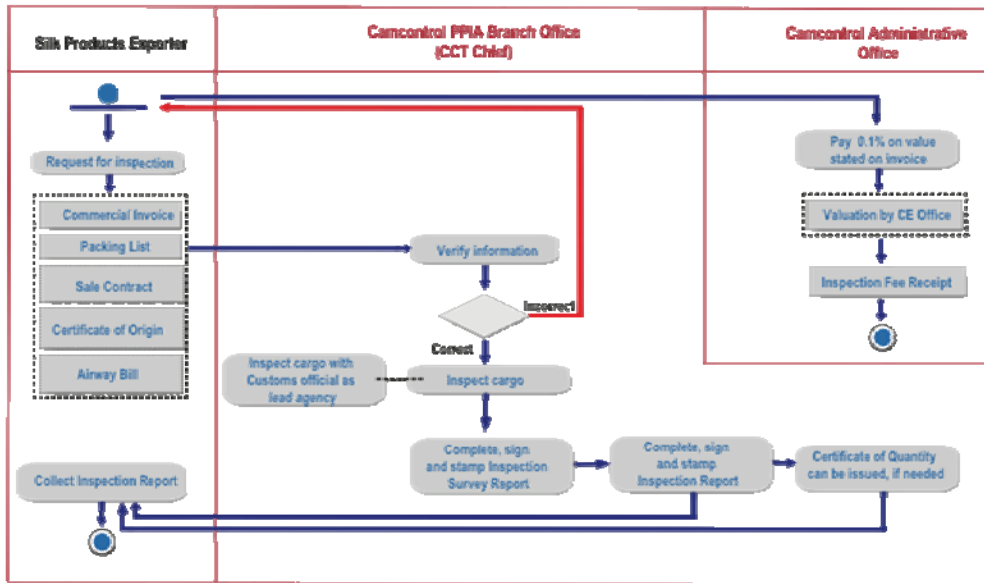
SHIP 2.1A: SILK PRODUCTS EXPORTER REGISTRATION



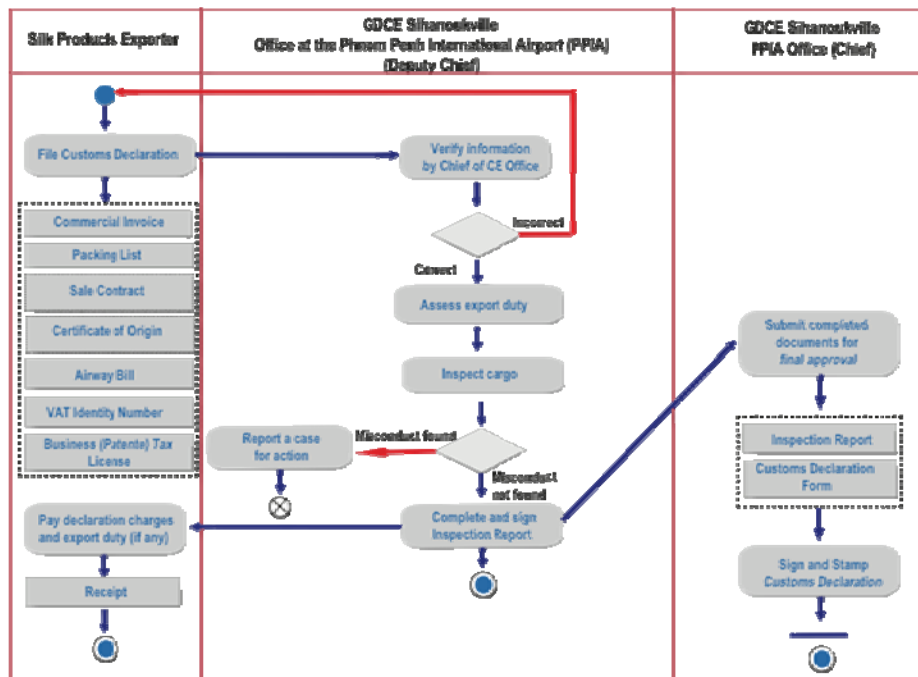
SHIP 2.1.B: SILK PRODUCTS CERTIFICATE OF ORIGIN

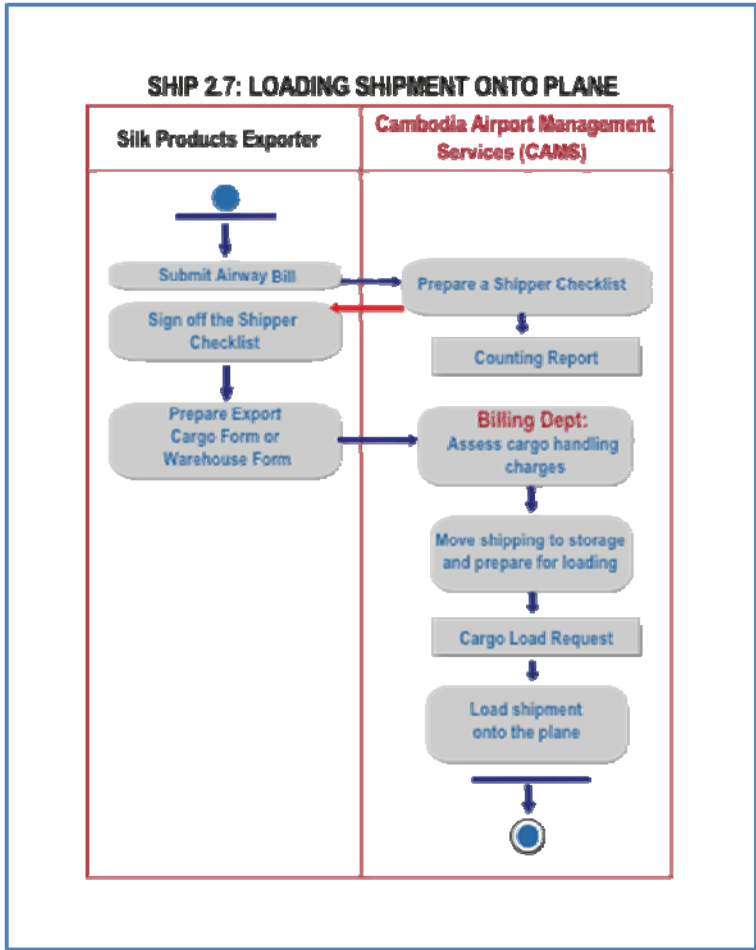
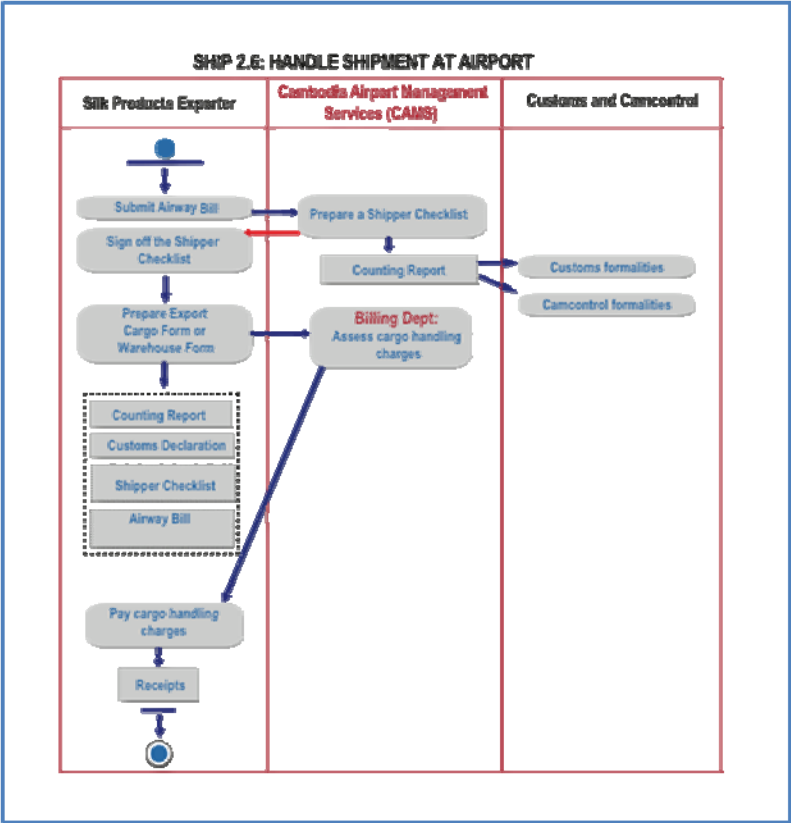


SHIP 2.4: REQUEST QUALITY AND QUANTITY INSPECTION

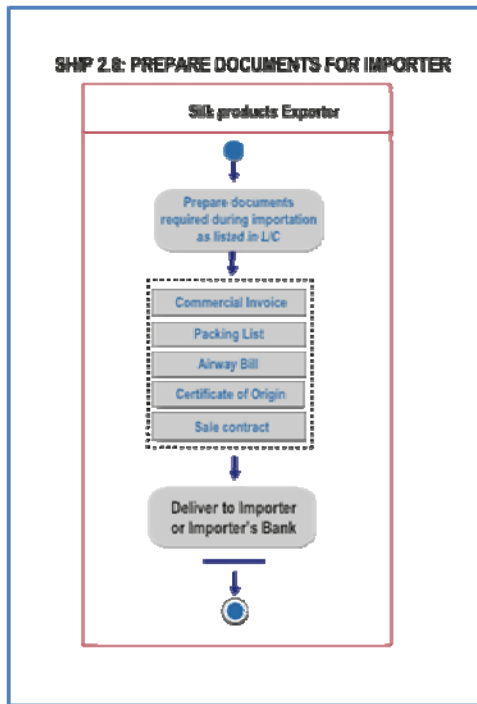


SHIP 2.5: CLEAR GOODS THROUGH CUSTOMS

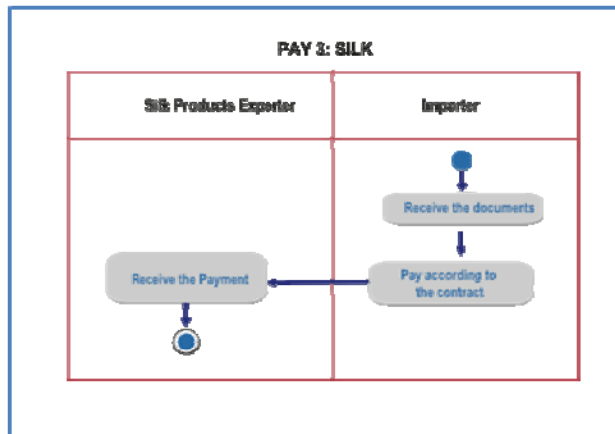




SHIP 2.8: PREPARE DOCUMENTS FOR IMPORTER



PAY 3: SILK



Import of Pharmaceutical Products From Indonesia

I. OUTLINE OF THE IMPORT LICENSING SYSTEM

5.1. The import licensing (or permit) system applies to administer imports of pharmaceuticals, medical materials and agricultural inputs such as chemical pesticides and chemical fertilizers. This system was introduced for the purpose of administering imports of goods, which may affect human health and consumers, and environmental welfare. This system is not designed to restrict the quantity or value of imports.

5.2. Imports of pharmaceuticals and medical materials is under the administration of the Ministry of Health (MoH) in accordance with the Law on Drug Management dated 9 May 1996 and "Prakas No. 82 on Drug Import-Export Procedures" dated 31 March 1999, while imports of chemical pesticides and fertilizers is under the administration of the Ministry of Agriculture, Forestry and Fisheries (MAFF) in accordance with the Law on Drug Management dated 9 May 1996 and the Sub-Decree on Standards and Management of Agricultural Materials dated 28 October 1998.

5.3. **Products covered:** Import licensing is applied to imports of pharmaceutical products and materials, including raw pharmaceutical materials, bulk and finished product. Import products under the licensing system are listed with the following 6 digits of HS code of Tariff Structure of Cambodia:

300110, 300120, 300190, 300210, 300210, 300230, 300290, 300310, 300320, 300330, 300340, 300390, 300410, 300420, 300430, 300440, 300450, 300490, 300510, 300590, 300610, 300620, 300630, 300640, 300650, 300660.

5.4. The system applies to the products covered originating from all countries. There is no discrimination by country of origin. The purposes of the licensing system are not to restrict the quantity or value of imports but to protect the health of consumers and people, environmental and animal welfare. It is also to control and reduce the illegal imports of pharmaceuticals; and to ensure the quality of the products based on WHO and FAO standards. No alternative methods have been developed due to insufficient technological and human capacities and the lack of relevant technical assistance.

5.5. Licence applications are refused only when they failed to meet the ordinary criteria, e.g. unregistered drugs. If the drugs or other medical materials are not yet registered, the Ministry of Health will suggest to the applicant to register and submit full supporting documents.

5.6. **Eligibility of importers to apply for licence:** The licence application is effected by only one organ, which is the Department of Drugs and Food. Not all persons, firms and institutions are eligible to apply for licences. The persons who are eligible for the licence application should be both a pharmacist and his company. This company, for its eligibility for import activity, should also be a pharmaceutical company registered with the Ministry of Commerce and authorized by the Ministry of Health. A licence is valid for six months and can be extended upon request but is not transferable. For the importation of psychotropic or narcotic drugs, in addition to the import documentation, the report on the distribution of drugs previously imported is required. For import licensing systems, foreign exchange is not a condition for obtaining a license. Foreign exchange is freely available.

5.7. In accordance with the Prakas of Ministry of Health, No. 254 dated 13 June 1996, there is a registration fee of US\$ 200 (for each product registered) to be paid by the company to the Ministry of Health.

5.8. A list of authorized importers is available at the Department of Drugs and Food, Ministry of Health. At present, there are 90 authorized companies.

II. BUSINESS PROCESS ANALYSIS (BPA) MAPPING

1. BUY

5.9. **Manufacturer Registration Process:** For medicines, normally the importer has to sign an agreement with its principal suppliers or manufacturers, so if the items the importer want to order belongs to them, then the importer just places the order directly to that particular supplier/manufacturer. In the case of this BPA, the importer acts as the exclusive local distributor for the manufacturer's medicines.

5.9. The manufacturer is required first to send medicine samples to the importer for the latter to initiate the registration process. The importer then submits the samples and other supporting documents (factory, production, clinical study, and any other related document required by Ministry of Health) to the Drug and Food Department of the Ministry of Health, which is the agency responsible for the registration. Provided all the conditions are met and are satisfactory to the MoH, the registration process takes nearly one year to complete. (See requirement and procedures for registration at MoH).

5.10. **Procedures for Manufacturer registration:** Generally, a manufacturer of pharmaceutical products would prefer to have their manufacturing facilities registered first. However, it does not need to wait for the completion of the manufacturer registration to submit our procedures of drug registration. It can do so after making the initial payment, the receipt of which can be used to lodge the application for drug registration.⁹³ The manufacturer is required to submit samples of every product which is the subject of a registration for testing by the National Laboratory. (See Chart 1. Procedures for manufacturer registration).

2. SHIP

Ship 2.1: Apply for Import Permit

5.11. **Obtain Import Permit:** Only when the importer has obtained the registration for each particular drug, can he submit his application for an Import Licence with MoH(See Annex 4.1). At this stage the importer has to provide its import prices and the estimated quantity for 6 months (validity of the license lasts about 6 month once approved). Upon the issuance of the import license, the importer can start the importation process of the products.

5.12. Prices can be quoted by the supplier or sent to the importer in different format and timing. Prices as rarely quoted on a case by case basis, but most of the time it is quoted at the specific request of the importer and can be adjusted or changed when they supplier/manufacturer informs of such changes.

5.13. For ordering purpose, the order cycle would be monthly, but the quantity would be in accordance with the forecast and sales estimates. The importer makes an estimate of its sales projection per quarter then add some contingency plan for maintaining his stock level in order to avoid stock running out. For certain critical products, the importer has to maintain a stock of more than 4 to 6 months, thus incurring additional cost in holding stocks.

Ship 2.2: Issue Shipping Instructions

5.14. Upon receiving the Purchase Order the Supplier confirm shipment schedule pursuant to the agreed terms and conditions (i.e.CIF and C&F term or Ex-work and FOB term). The importer usually will choose C&F (Cost + Freight without Marine Insurance) if he have a good local insurance providing us cheap premium rate, and sometimes for the importer's convenient purposes, the suppliers just offer CIF (Cost +

⁹³ According to the findings of our interviews, up to now no manufacturer which has applied for the manufacturing license has obtained the approval yet due to internal procedures at DDF (MoH).

Marine Insurance + Freight). The Cambodian import market is nominated by CIF terms under direct involvement of carriers rather than freight forwarders, however there is room for consignee sales for commercial customers.

5.15. FOB (Free on Board) is normally used when the supplier is not familiar with or could not obtain good ocean freight rate or air cargoes rate, and the importer has good connections and could obtain cheaper rates from the local liners or airlines. In this case the importer has to cover also the cost marine or air insurance.

5.16. Ex-works is dictated by the manufacturers most of the time, and it is generally the case for US or European manufacturers which lack the additional capacity or are unwilling to organize export operations. In this case the importer has the burden to secure the services of a freight forwarder to assist him in consolidating his cargo. The additional cost for preparing export as well as transportation from factory to the sea or airports rest on the charge of the importer.

5.17. For CIF and C&F term, the importer sends its shipping instruction to supplier. For Ex-work and FOB term, the importer informs to both the freight forwarder and the supplier to arrange goods via sea or air based on the volume of goods. The shipping instruction is also sent by the supplier to the shipping agent or freight forwarder. (*See Chart Ship 2.2*)

Ship 2.3: Prepare Documents for Import

5.18. The supplier sends shipping documents both via e-mail and via courier for the original documents. A majority of the documents that are required for the clearance of pharmaceutical products are: 1) Import Permit from MoH; 2) Commercial Invoice; 3) Packing list; 4) List of Imported Products; 5) Ocean Bill of Lading; 5) Certificate of Origin. (*See Chart Ship 2.3*)

5.19. The importer checks the shipping documents, prepare shipping documents and coordinate with the freight forwarder/agent for goods arrival and port of clearance.

5.20. The goods are shipped and arrive at the port.

Ship 2.4: Delivery and Offloading Container from Vessel

5.21. Upon arrival of the vessel at the port, KAMSAB (the government-owned shipping agent for marine cargo) informs Customs, Camcontrol, and Immigration Police. After vessel formalities, Customs authorizes unloading of cargo. KAMSAB and the Port Authority monitors the unloading, checks cargo against their manifests, and verifies the condition of seals.

5.22. Cargo is stored in the warehouse under the responsibility of the warehouse operator. A cargo register computer is maintained by both the warehouse operator and Customs. Goods are allowed 45 days storage, beyond which a daily penalty of 1% of the value is exacted from the importer. Goods stored beyond 3 months are transferred to the Customs warehouse. (*See Chart Ship 2.4*)

Ship 2.5: Customs Clearance of goods

5.23. The importer engages the services of a clearance agent, which can be the same as the freight forwarders, or their associates or agents. The importer prefers that they must be the same (or agent) for coordinating with the shipping or airlines for the delivery of goods.

5.24. The importer completes the clearance documents and pass to registration sector for import permit at the Medicine Department of MOH. Then the importer passes on the clearance documents to the clearance agent to start the clearance process.

5.25. The importer or his clearance agent lodges with the Customs Office three copies of the declaration with supporting documents such as Commercial Invoice, Packing List, Bill of Lading, Import license. The Declaration information is validated and scrutinized. The Camcontrol form is also attached to the

declaration.

5.26. For shipment with full duties and taxes payment, it takes the Customs office 3 days to do price evaluation for shipment of medical equipments and 2 to 3 days for shipment of medicine, re-agent, chemical and disposable. It takes another 1-2 days to obtain a Customs Permit from the Customs office.

5.27. The importer then does a follow-up with clearance agent on the declaration value and the tax payment rate. He then prepares a tax payment cheque for the clearance agent, who pays the duties and the taxes either at the port or at the treasury in Phnom Penh which in turn issues a receipt. For shipment under tax exemption, the clearance agent uses the letter for pre-clearance issued by MoH to apply for customs import permission at customs office.

5.28. The Customs Examination Team inspects the goods simultaneously with Camcontrol.

Box 5.1 Clearance with the MoH for shipment under tax exemption:

The importer completes the clearance documents and passes them on to the consignee/customer to prepare 2 request letters for submission to MoH. The request letters to MoH must be accompanied with Commercial Invoice, Packing List and Air Waybill or Bill of Lading for all goods related to the health sector under import by government agencies and hospitals, and organizations registered with the CDC.

This letter is used for submission to Customs Department for **Approval Pre-clearance** at port / airport without any letter from Ministry of Economy and Finance or CDC, after which the importer can go for customs clearance at the port or airport to take the goods out from customs warehouse. For shipment under Consignee (i.e. Hospital Calmette, Heart Center, Pasteur Lab, WHO, etc.) the consignee can issue letter for pre-clearance direct to the Customs office and then submit the exemption letter to the MoH at a later date.

Request for Tax Exemption Letter to be issued by MoH: This letter is used for submission to the Ministry of Economic and Finance (MEF) or CDC based on the value of imported goods. The MEF or CDC will subsequently issue a Tax Exemption Letter for submission to the Customs Department for approval of the **Tax Exemption Import Permit**. After obtaining all documents the importer must submit to the Customs at the port or airport for goods which have already been cleared. This process is referred to as “returning documents or completing the missing formalities after pre-clearance” and usually takes about 1 or 2 months after MoH’s issuance of the for pre-clearance letter.

Ship 2.6: Transport from Port to Phnom Penh/Importer

5.29. Goods are released. Containers are loaded on trucks for transport to Phnom Penh. Customs Entrance/Exit Team checks documents and receipts to verify payment, and matches container numbers against ship manifests.

5.30. **Dryport Procedures:** Currently in operation are four bonded warehouses that are Dryports or inland container depots all located within Phnom Penh: Meng Sreang Inland Port, CWT Dry Port, So Nguon Dry Port and Golden Ocean Dry Port.⁹⁴ These facilities serve Sihanoukville, one of which is operated by the port authority and two privately. These bonded warehouses are used for storing and examining imported goods before they are released from Customs. Bonded warehouses are approved by the Council of Ministers and controlled by Customs under the guidance of the Ministry of Economy and Finance. Their operators are required to conclude agreements with the GDCE and fulfill all technical obligations for operating the warehouses, including a deposit/guarantee to the GDCE in order to secure the payment of duties or other dues that may be claimed by GDCE under the agreement. About 15% of cargo that arrive at Sihanoukville are cleared at Dryports according to the following procedures:

5.31. The importer or clearance agent brings the Commercial Invoice for certification to GDCE headquarters, along with the Packing List, the Bill of Lading, VAT registration, other relevant license or

⁹⁴ The bonded warehouses are created pursuant to Prakas 1214 of 30 December 1999.

exemption permit, and then to the Dryport Customs Chief for verification. Authorization is obtained by the Dryport operator from GDCE headquarters to transport the cargo to the Dryport. Four copies of the approved transit declaration are sent to Sihanoukville Customs, which registers and seals it, specifies departure time and date, and returns 3 copies to the Dryport operator.

5.32. Upon arrival of cargo, the carrier submits the Manifest and the Bill of Lading to the Customs and the warehouse operator. The carrier or importer posts a surety/guarantee with the Sihanoukville Customs, which may also escort the cargo or apply other controls depending on risk. It faxes information about the cargo to GDCE headquarters.

5.33. The cargo is transported to the Dryport. Upon arrival, the Dryport operator submits the 3 copies of the Transit Declaration to Dryport Customs, which returns an endorsed copy to the carrier in order to cancel it at the entry checkpoint register. The 2 remaining copies automatically become the summary declaration.

5.34. The Entry Declaration is registered, duties are assessed and collected at the Accounting Office.

5.35. A cross-checking and physical inspection is done, after which the goods are released if they match shipping documents. In the event of discrepancies, the undeclared goods are seized.

5.36. All the documents are compiled under a single registration and sent back to the Dryport Chief. For seized goods, a report is written and sent to the Chief for decision. Using risk assessment, generally only a random 10-15% of containers are physically inspected.

3. PAY

5.37. Payment terms are dictated when they negotiate the purchasing, so it is decided before the importer places the order. Either LC or TT or term payment or called DA (document against acceptance). In this case, the importer has a variance of 90 to 180 days credit counting from the date of shipment (Bill of Lading Date) and due after the number of days. In some cases, the importer has to open an LC for sight payment, that is once shipment is effected, payment will be drawn from banks against us. Some would give us a tenor of 60 days or 90 days from bill of lading date.

5.38. In some cases, such as for purchasing equipments, the importer is required to TT in advance in order for the manufacturers to produce the equipments and ship to the importer. In such case the importer bears the interim burden of financing from his own account and he passes on the costs plus interest to the clients.

5.39. Following the confirmation of purchase and receiving the Proforma Invoice, the importer opens an LC. The LC has to be opened before the shipment date by applying with a local bank, normally with whom the importer has previous dealings, along with the Proforma Invoice as supporting document. Once the LC is opened and notification is made to the supplier, the supplier prepares the documents that are required to be sent to the importer in order for the importer to clear the goods. These documents include the Commercial Invoice, BL, Certificate of Origin and the Packing List. These documents are handed over to the supplier's bank by the supplier. The bank verifies the documents and, provided all the conditions in the LC are met, forwards the documents to the importer's bank. The importer's bank verifies the forwarded documents and, again provided all the conditions in the LC are met, transfers the payment from the importer's account to the supplier's bank. The importer then collects the documents from the bank and the supplier receives the payment. (*See Chart Pay 3*)

III. Documents involved in exporting and agencies to be visited

5.40. The BPA findings reveals that the importer has to go through 5 agencies and working with 14 documents in different checking or approval processes. In fact, we find that only 7 documents are required for import. The other 7 documents are all documents used for the processing of the import documents. The remaining 4 documents are only receipts issued.

5.41. The World Bank Doing Business 2010 study found 10 documents required to export including (i) bank documents; (ii) and transport documents; (iii) customs clearance documents; (iv) port and terminal handling documents.

Table 5.1: Documents involved in importing and agencies to be visited

| | No. of Documents | List of Documents | World Bank Doing Business |
|--------------------------------------|--|--|---|
| Documents for pharmaceuticals import | 19 documents: - 7 export documents - 7 internal process document - 4 receipts | <p>Import documents</p> <ol style="list-style-type: none"> (1) Import Permit from MoH (2) Ocean Bill of Lading (3) Commercial invoice (4) Packing list (5) List of Imported Products (6) Certificate of Origin (7) Tax exempted import permit <p>Internal process documents</p> <ol style="list-style-type: none"> (1) Request for Export Permit (2) Entry Declaration (3) Customs Export Declaration Form (4) Insurance Certificate (5) Business License/Patente Tax Certificate (6) Purchase Order (7) Cargo Release Order <p>Others: Receipts</p> <ol style="list-style-type: none"> (1) GDCE Payment Receipt (2) Camcontrol Payment Receipt (3) Equipment Interchange Receipt (4) Terminal Handling Receipt | <ol style="list-style-type: none"> (1) Bill of Lading (2) Cargo Release Order (3) Certificates of origin (4) Commercial invoice (5) Customs Import Declaration Form (6) Import License (7) Insurance Certificate (7) Packing list (8) Business License/Patente Tax Certificate (9) Terminal Handling receipts |
| Agencies/ that need to be visited | 5 | <ol style="list-style-type: none"> (1) Ministry of Health (2) General Department of Customs and Excise (3) Camcontrol (4) Dry Port (5) Port Autonomous of Sihanoukville | |

Source: Interviews carried out with companies

IV. Cost involved in importing

5.42. The costs for importing a 20 ft container of pharmaceutical products is estimated around USD 1,088. The cost does not include the official import tax of 0.1% of commercial value collected on behalf of the State by Camcontrol. All costs to be paid by the freight forwarder on exporter's behalf are subject to VAT 10%. Official administrative costs represent 64.35 percent of the total cost. Inland transport comprises of about 23.4 percent and freight forwarder charges and shipping charges amounts to slightly more than 5.5 percent. (See Table 5.2: Cost involved in exporting).

5.43. The actual export cost for a container of import is more than the standard cost 872 USD per container as per the World Bank Doing Business 2010 study. The BPA findings differs from the World Bank Doing Business 2010 cover only official costs required to export and import (US\$ per container) to include (i) All documentation; (ii) Inland transport and handling; (iii) Customs clearance and inspections; (iv) Port and terminal handling.

Table 5.2: Cost involved in exporting

| | Institutions and Processes and Documentation | Fees official (USD) | Subtotal | % of total costs |
|---------------------------------------|---|---------------------|-------------|------------------|
| V. | I. Government Agencies | | | |
| | 1.0 Ministry of Health | | | |
| | 1.1 Import License from MoH | 200 | 200 | 18.4% |
| | 2.0 GDCE | | | |
| | 2.1 Application to Import Permit | 500 | 500 | 45.95% |
| | 2.2 Customs Clearance (inspection and formality) with Camcontrol | | | |
| | Subtotal | | 700 | 64.35% |
| | II. Gov. Agencies /Concessionaire | | | |
| | 3.0 Port Autonomous of Sihanoukville | | | |
| | 3.1 Lift-on/ Lift off laden container trucking | 78 | 78 | 7.2% |
| | III. Private Sector Operators | | | |
| | 4.0 Inland Transport | | | |
| | 4.2 Carrier local charges Transport (Sihanouk to Phnom Penh) Container weight scale | 150 | | |
| | 4.3 Toll Fee | 15 | | |
| | 4.4 THC (Terminal Handling Charges) | 90 | | |
| | | | 255 | 23.4% |
| | 5.0 Freight forwarder charges | | | |
| 5.1 B/L fees | 20 | | | |
| 5.3 Forwarder handling service charge | 35 | | | |
| | | 55 | 5.5% | |
| Total | | 1,088 | 100% | |

Average Length of Time Spent for export

Average Length of Time (Hours) Spent on the following process (loose cargo within a 20 ft Container)

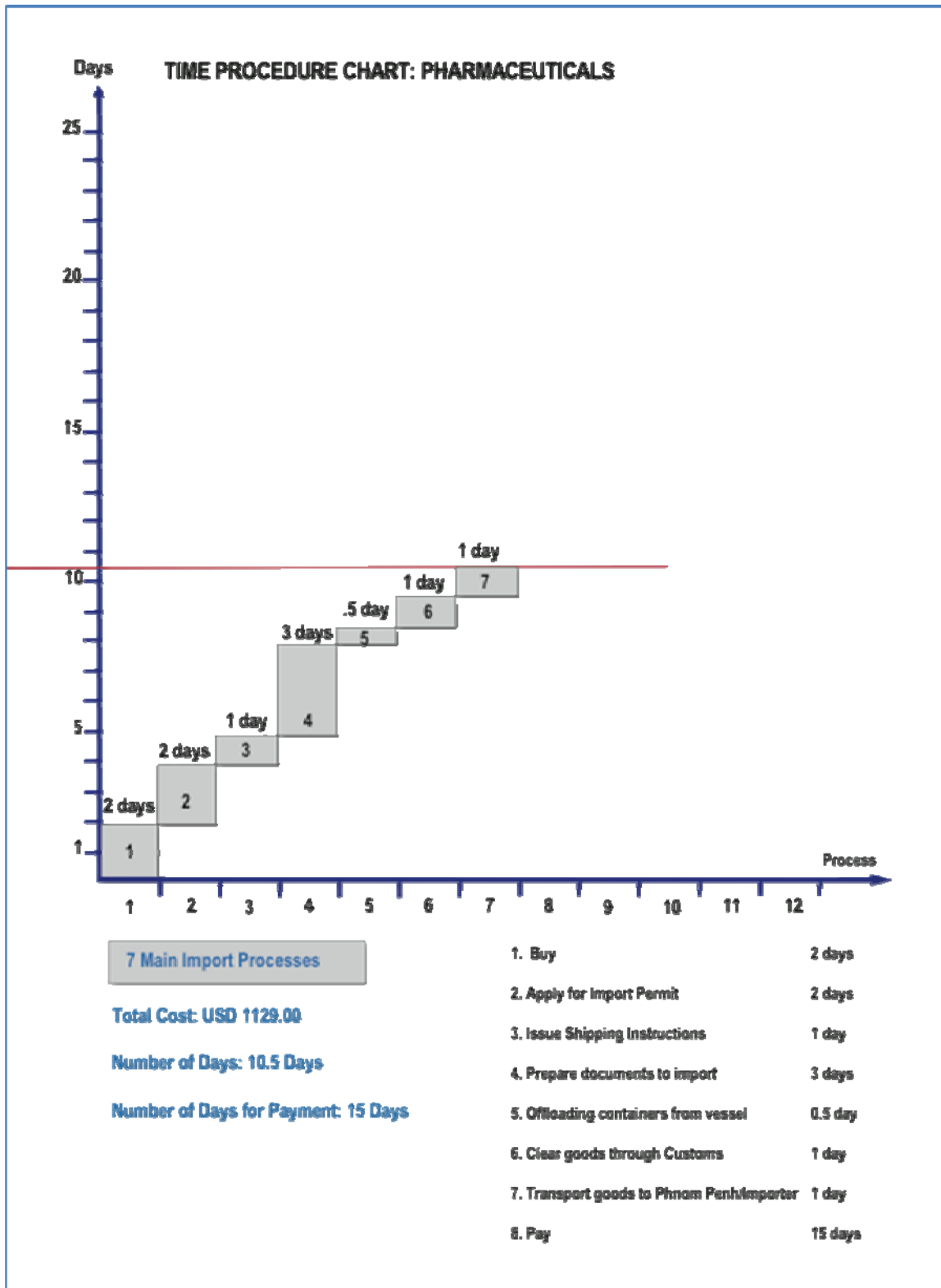
5.44. For shipment with full duties and taxes payment, the total clearance process needs between 5 to 7 working days assuming that all the documentation are correct. For tax exempted shipment the average total clearance time needs between 8 to 10 working days, again assuming that all the documentation are correct. This length of time is favorably compared to the World Bank Doing Business Survey 2011, which goes up to 26 days for Cambodia. The caveat of course that the exporter has the documents properly in place and the importer and its clearing agent are quite efficient for this specialized pharmaceutical products import.

Table 5.3: Average Length of Time Spent for Import

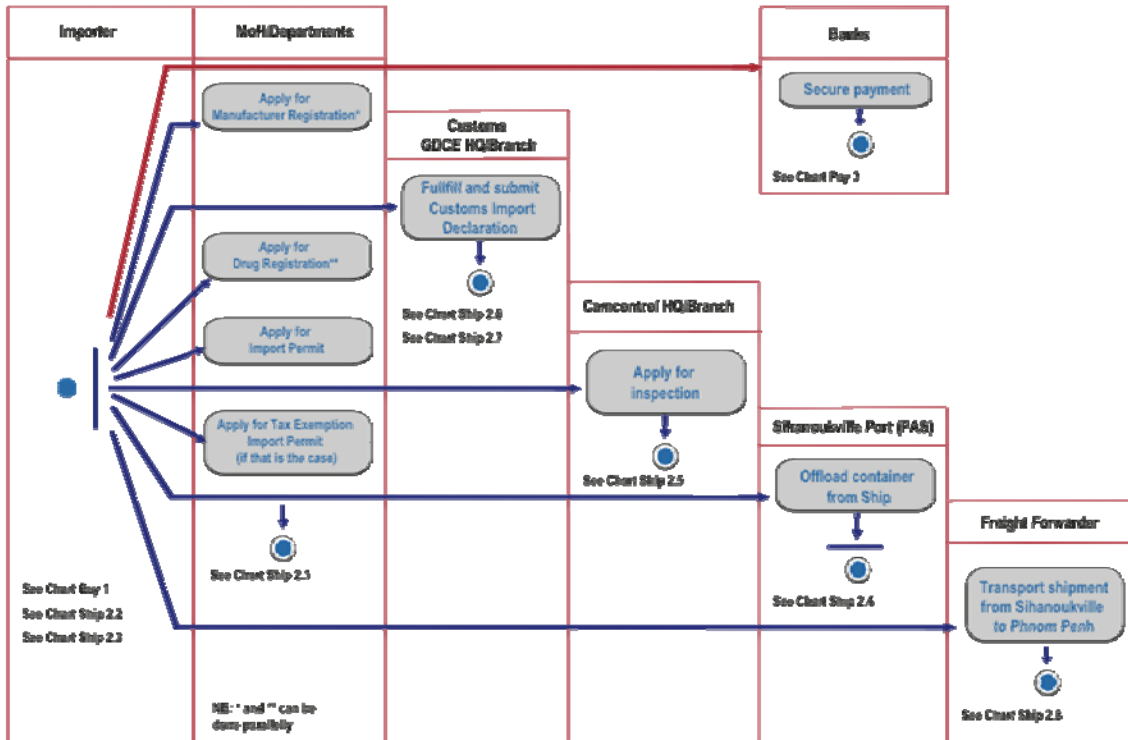
| <i>Note:</i> | Institutions and Processes | Time/Days | In hours | Average days | |
|-----------------------------|---|------------------|-----------------|---------------------|-------------------------|
| <i>* it not the</i> | 1. BUY | 2 | | 2 | <i>does include</i> |
| | 2. SHIP | 10 | | 10 | |
| | 2.1 Apply for Import Permit with MoH | 2 | | 2 | |
| | 2.2 Issue Shipping Instructions | 1 | | | |
| | 2.3 Prepare documents for import | 3 | | 3 | |
| | 2.4 Deliver* and Offloading Container from Vessel | 0.5 | | | |
| | 2.5 Clear goods through Customs** | 1 | | 1 | |
| | 2.6 Transporting shipment to Phnom Penh/Importer | 1 | | 1 | |
| | TOTAL BUY + SHIP | 8.5 | | 8.5 | |
| | 3. PAY | 15 | | 15 | |

vessel's voyage time

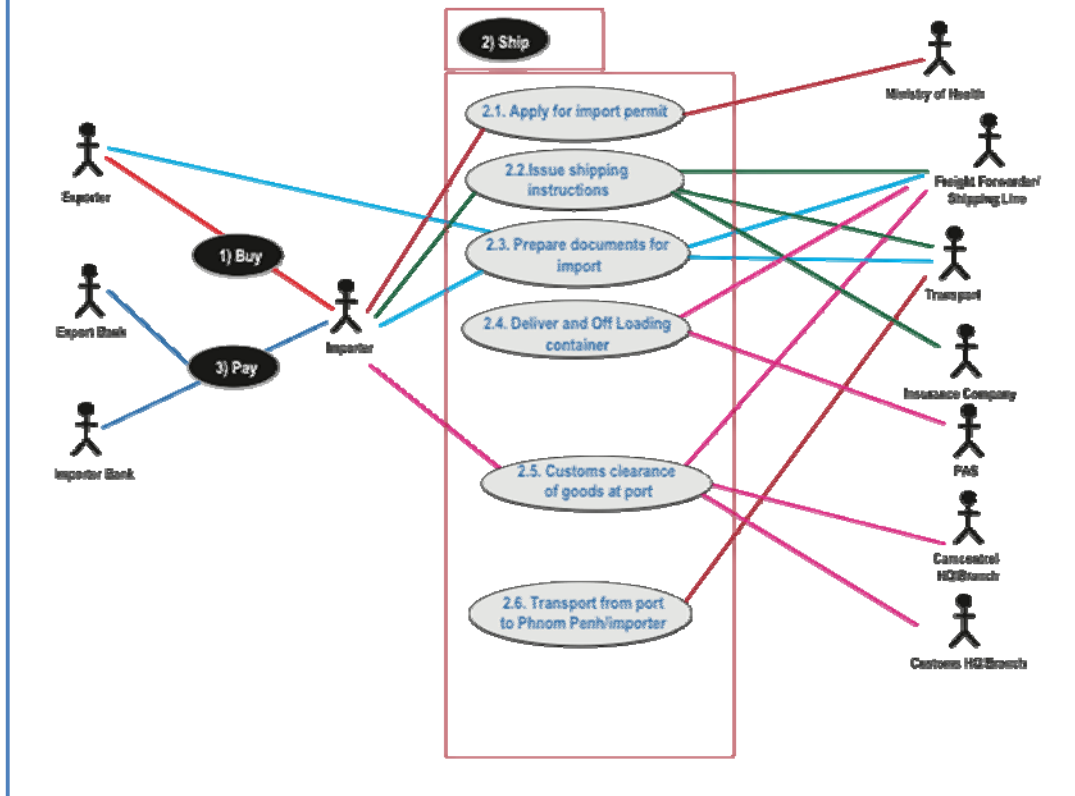
*** including joint inspection with Camcontrol*



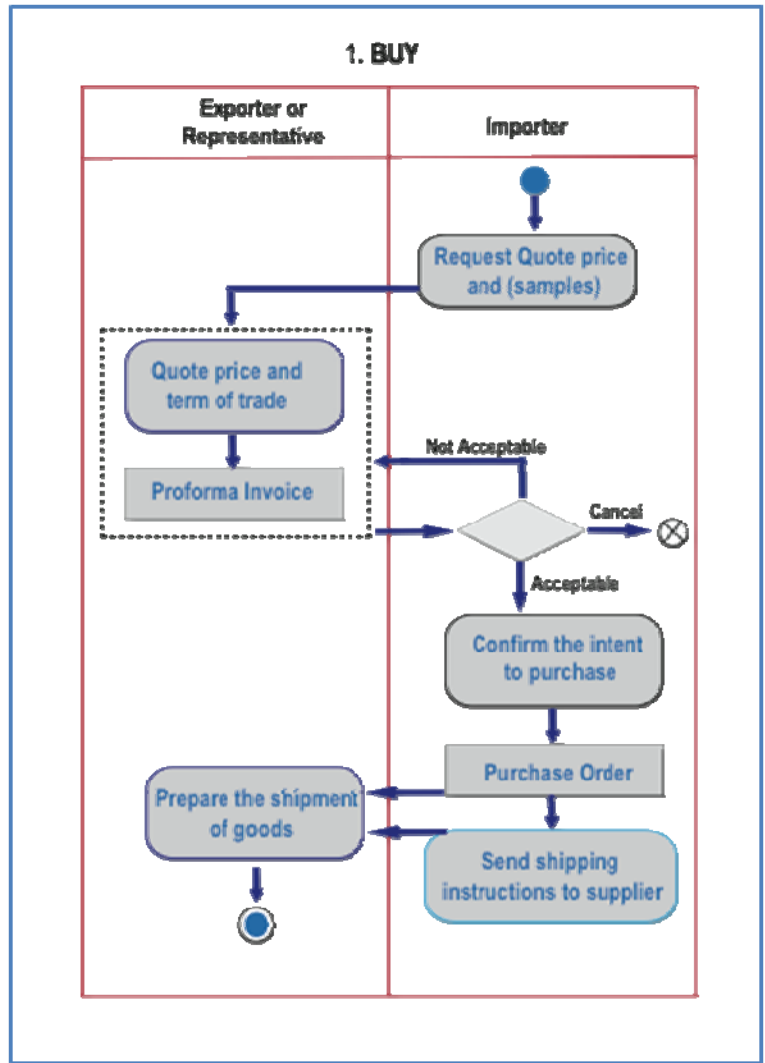
SUMMARY: PHARMACEUTICALS IMPORT PROCESS



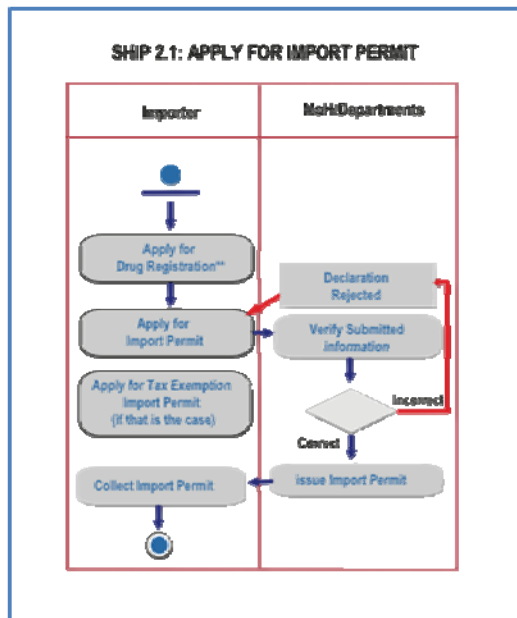
USE CASE DIAGRAM: PHARMACEUTICAL IMPORT



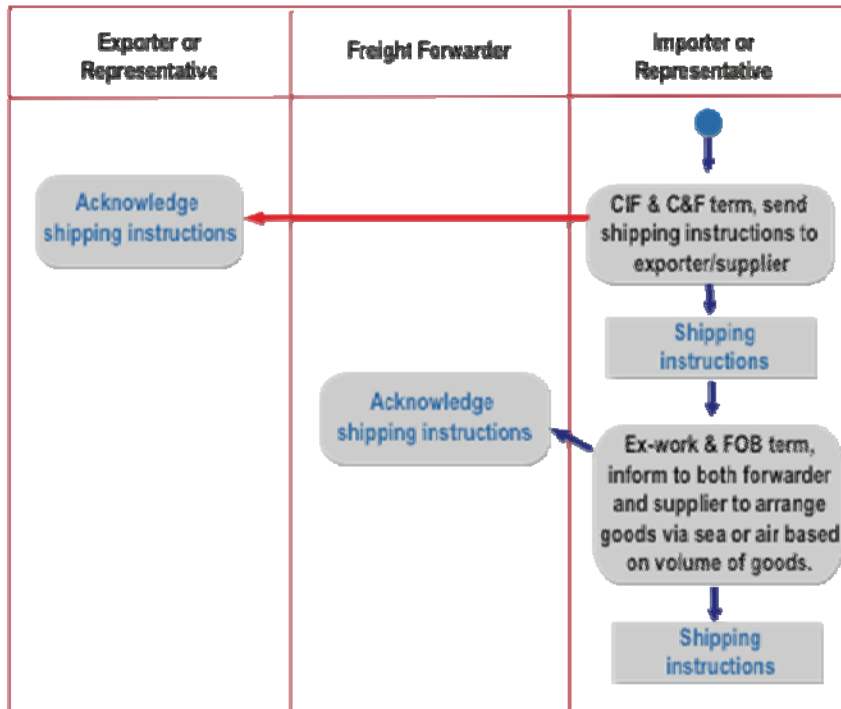
1. BUY



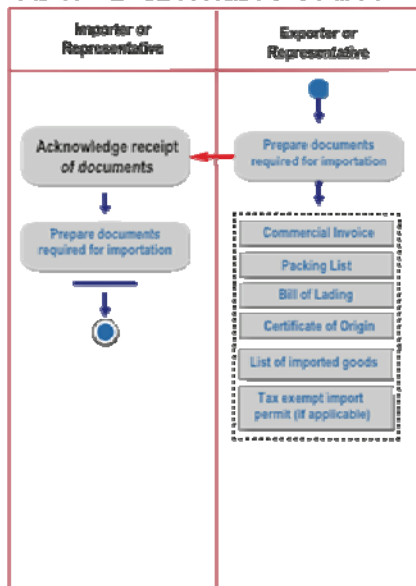
SHIP 2.1: APPLY FOR IMPORT PERMIT



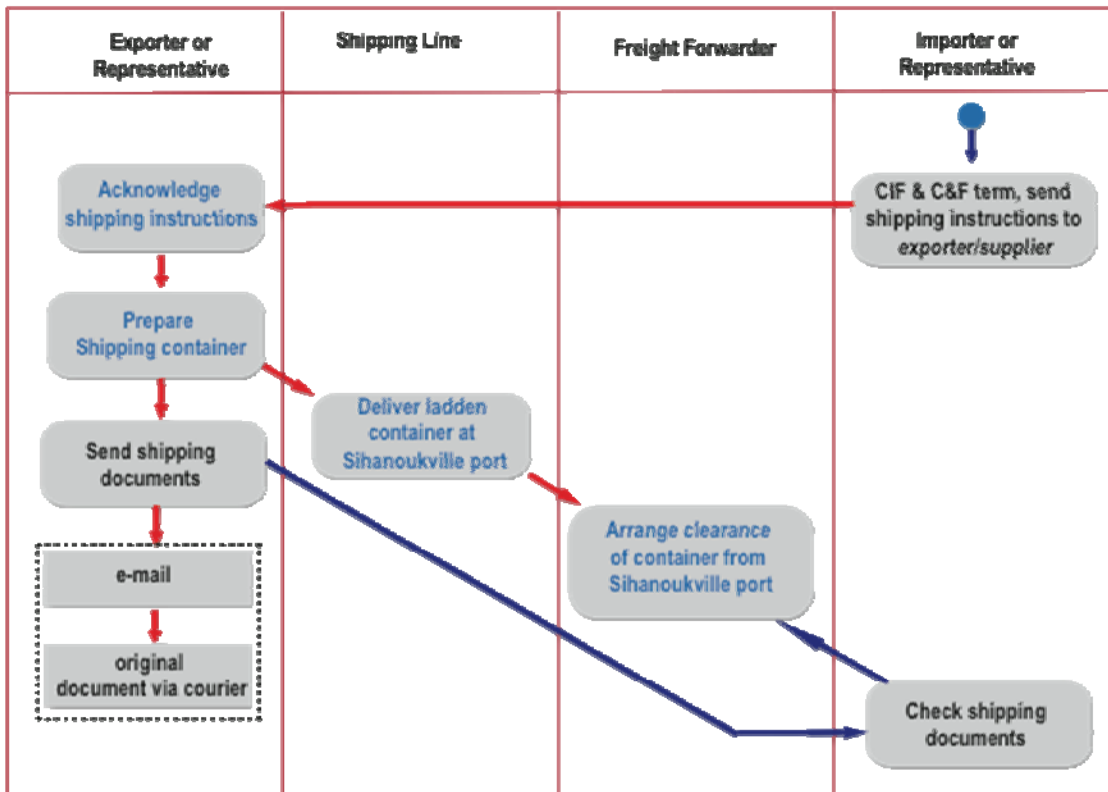
SHIP 2.2: ISSUE SHIPPING INSTRUCTIONS



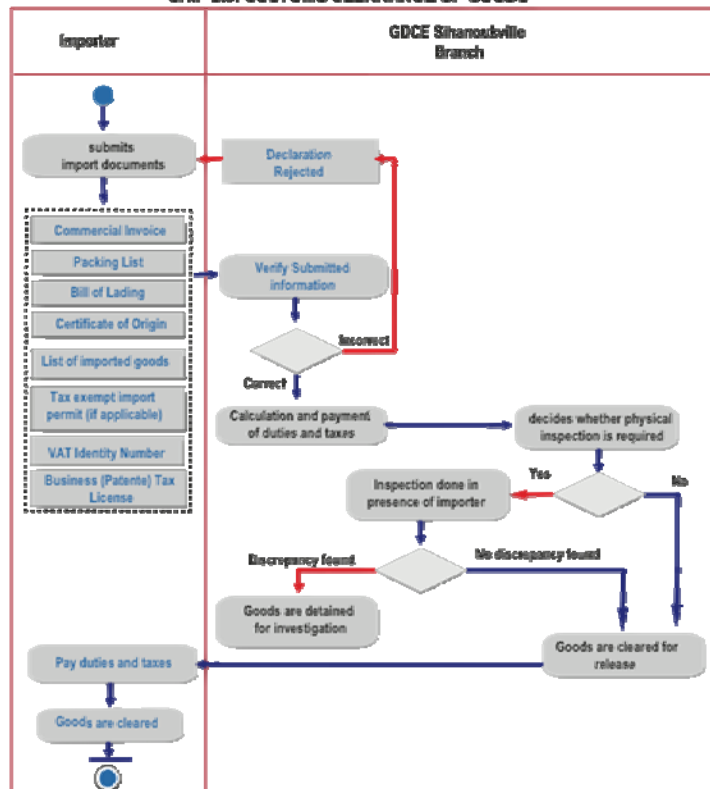
SHIP 2.3: PREPARE DOCUMENTS FOR IMPORT



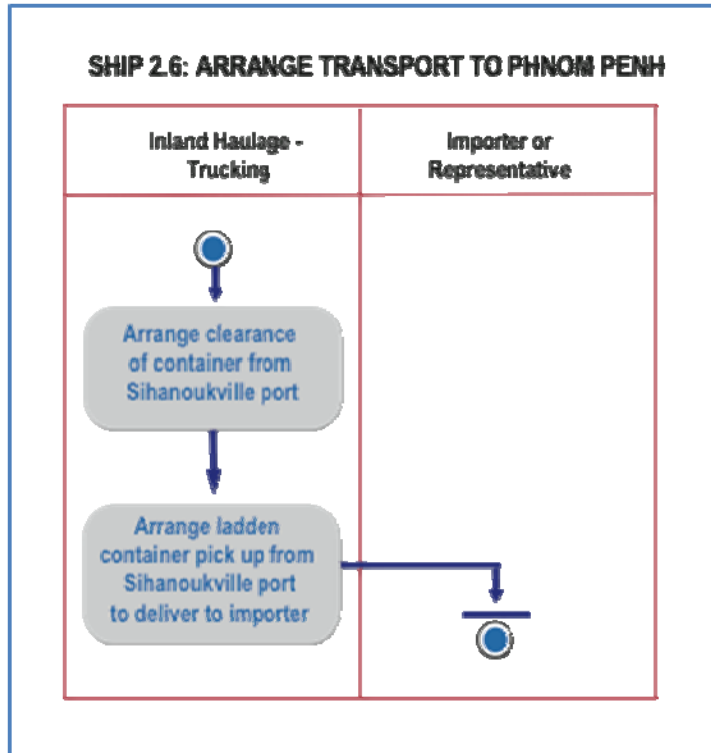
SHIP 2.4: DELIVER AND OFFLOADING CONTAINER



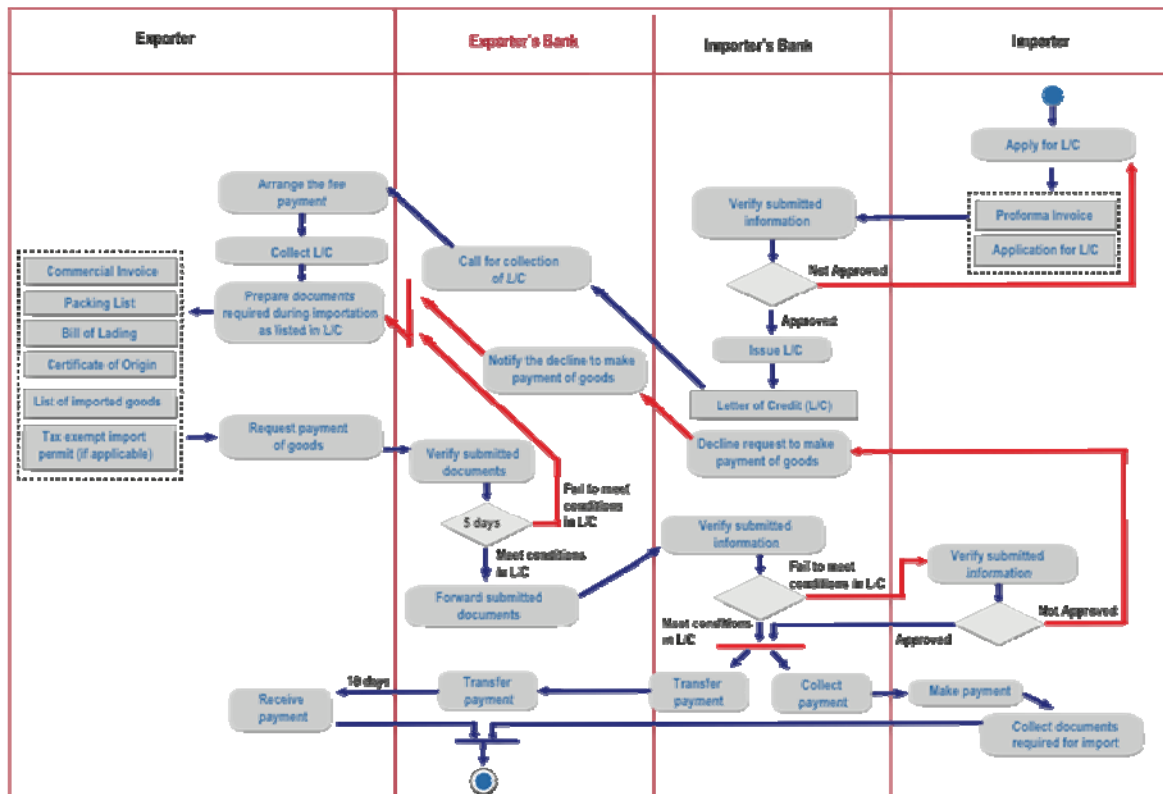
SHIP 2.5: CUSTOMS CLEARANCE OF GOODS



SHIP 2.6: ARRANGE TRANSPORT TO PHNOM PENH



PAY 3: PHARMACEUTICALS



Observations And Recommendations

I. GENERAL OBSERVATIONS

6.1. **Overall positive effects of the Rice Export Policy:** There has been some improvement in the export process after the launching of the new policy of paddy production and rice export. Many rice exporters with whom we have interviewed have enthusiastically stated that there is a clear efforts from the various government agencies along the institutional value chain to support the implementation of the rice export policy. There are visible improvements in reduction of government-related transaction costs related to Customs, Camcontrol, and Commerce. For some private services providers like the fumigation services, there are some efforts to reduce the fumigation fee, although the rice exporters still perceived it as high and not commensurate with the services provided. The Port Authority of Sihanoukville has made substantial efforts to streamline their port operations procedures with particular attention to support and facilitate rice and other agriculture products exports.

6.2. While there are general improvements in computerizing and standardizing documents for customs clearance and inspection, pre-export documents submission are still perceived as paper intensive and in sometimes superfluous, i.e. Certificate of Quality from Camcontrol.

6.3. There is a general appreciation of the urgency to invest and upgrade in necessary infrastructure to reduce the costs of export. Concerned ministries/agencies are expected to prepare plan of actions to reduce infrastructure-related costs of export including costs related to transportation, port handling, storage, port operations and other service charges by assessing the possibility of investing in infrastructure, transportation and port handling facility.

6.4. **High confidence building for the private sector:** On the private sector side, various actors are encouraged and motivated by the high political visibility generated by the launch of the policy and are mobilizing their resources to invest in the rice sector, in term of private infrastructure like modern rice millings, new grain silos and warehouses, and paddy dryers. The clear and visible effects of these investments are highly psychological as, for the first time in the recent history of Cambodia, the Cambodian rice actors felt the confidence that they could absorb the paddy surplus and extract and retain the value in country in the form of available husk for generating energy for milling, and bran for animal feed.

6.5. **Clearance agents as buffer:** It is interesting to note that although the number of documents required in the trading process, agencies that need to be visited is considerably high the interviewed companies, mostly seasoned rice exporters, have become acclimatized to the process and did not consider the processes to be significantly cumbersome. Moreover, many of them have relied on the use of freight forwarders or clearance agents, which in some way absorbed the brunt of the procedural formalities and acted as a direct shield for the exporters. The same can not be said for smaller rice exporters or newer entrants who feel nevertheless that some key trade facilitation related areas need to be improved.

6.6. **Benefits dependent on political visibility:** The benefits that can results from different types of trade facilitation related measures i.e. reducing the number of documents required per transaction, are always positive, although the actual magnitude varies and is quite dependent on the political visibility of the sector, i.e. the Rice Export Policy expressly considers milled rice export as a top priority and as such provides clear instructions to measures to reduce to a minimum (1) informal payments and (2) time required to export by extending “special treatment” similar to the garment sector.

6.7. The same can not be said for the silk export sector. Unofficial fees to get shipments through customs and the high cost of shipping need to be addressed if Cambodian handicrafts, which are products of extremely low export value, are to be competitive in the international market place. The Cambodian silk

export industry cannot expand and grow without a clear commitment of the Ministry of Commerce to streamline and to reduce transactions costs related to the export documentation and procedures, the inspection and clearing for export process. The cashew sector is slowly beginning to take some importance in the economy. The imports of pharmaceuticals remain somehow below the political radar screen. In other words, Trade Facilitation reforms should aim at bringing systemic changes without every time be dependent on the political visibility or attention paid by politicians or policymakers.

6.8. ***Transaction costs vs private services costs:*** In undertaking the BPA a recurrent mix-up stems from the lack of up front classification of the various sources of interventions according to whether they are private or public sector. In general, private sector interventions may be unique practices by individual traders but the sum of the whole private sector interventions taken as a whole do have also common impacts on the process flows – banks, trucks and haulers, producers’ associations, among others. Rightfully or wrongfully so, there is a pervasive perception that induced costs arising from procedures in trade facilitation are by far more than the direct costs incurred for private sector actors like transport operators, freight forwarders, customs brokers, banks and finance companies, insurance companies, and port operators. However, some rice exporters suggested that these direct costs and procedures could also benefit from a more streamlined and integrated approach as much as a reduction of fees or services charges. The role of some freight forwarders or clearance agents and their lump sum services charges, which are tantamount to a “Black Box”, need to be furthered analyzed and their actual costs and expenses broken down.

6.9. There are many other interventions, either undertaken squarely by private sector actors or by quasi government institutions, which could have merited more thorough analysis – i.e. port handling charges, stevedoring, storage facilities, etc. all of which are imposed as set fees or charges upon all traders or exporters whatever products they are exporting or importing. While it is understood that the rates from the transport and shipping company should be different according to the kinds of products to transport and quality and speed of the services to provide, it is not clearly understood when these rates are still different for the same types of products, same mode of transport, and same destination. Perhaps these differences could be attributed to the commercial practices of these different actors, i.e. as part of their business strategies, some companies may offer for a reduced fees and charges certain services.

II. Comparing the BPA findings to the World Bank Doing Business

| <i>Trading Across Borders data Cambodia</i> | Doing Business 2008 | Doing Business 2009 | Doing Business 2010 | Doing Business 2011 |
|---|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| <i>Rank</i> | ... | ... | 126 | 118 |
| <i>Cost to export (USD per container)</i> | 722 | 732 | 732 | 732 |
| <i>Document to export (USD per container)</i> | 11 | 11 | 11 | 10 |
| <i>Time to export (days)</i> | 37 | 22 | 22 | 22 |

| <i>Trading Across Borders data Good Practice Economies</i> | Documents to export | Time to export (days) | Cost to export (USD per container) |
|--|--------------------------------|----------------------------------|---|
| <i>Denmark</i> | | 5 | |
| <i>France</i> | 2 | | |
| <i>Malaysia</i> | | | 450 |
| | | | |
| <i>Other ASEAN countries plus Timor Leste</i> | | | |
| <i>Indonesia</i> | 5 | 20 | 704 |
| <i>Lao PDR</i> | 9 | 48 | 1,860 |
| <i>Malaysia</i> | 7 | 18 | 450 |
| <i>Philippines</i> | 8 | 15 | 675 |
| <i>Thailand</i> | 4 | 14 | 625 |
| <i>Timor Leste</i> | 6 | 25 | 1,010 |
| | | | |
| <i>Selected Economy: Cambodia</i> | 10 | 22 | 732 |
| | | | |
| <i>BPA - Rice</i> | 8 | 17 | 1,029 |
| <i>BPA - Cashew</i> | 6 | 15 | 839 |
| <i>BPA - Silk products</i> | 4 | 12 | ** |

** USD 270 (loose cartons)

| <i>Trading Across Borders data Cambodia</i> | Doing Business 2008 | Doing Business 2009 | Doing Business 2010 | Doing Business 2011 |
|---|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| <i>Rank</i> | ... | ... | 126 | 118 |
| <i>Cost to import (USD per container)</i> | 852 | 872 | 872 | 872 |
| <i>Document to import (USD per container)</i> | 11 | 11 | 11 | 10 |
| <i>Time to import (days)</i> | 45 | 29 | 29 | 26 |

| <i>Trading Across Borders data Good Practice Economies World Bank Doing Business 2011</i> | Documents to import | Time to import (days) | Cost to import (USD per container) |
|---|--------------------------------|----------------------------------|---|
| <i>Singapore</i> | | 4 | 439 |
| <i>France</i> | 2 | | |
| | | | |
| <i>Other ASEAN countries plus Timor Leste</i> | | | |
| <i>Indonesia</i> | 6 | 27 | 660 |
| <i>Lao PDR</i> | 10 | 50 | 2040 |
| <i>Malaysia</i> | 7 | 14 | 450 |
| <i>Philippines</i> | 8 | 14 | 730 |
| <i>Thailand</i> | 3 | 13 | 795 |
| <i>Timor Leste</i> | 7 | 26 | 1015 |
| | | | |
| <i>Selected Economy: Cambodia</i> | 10 | 26 | 872 |
| | | | |
| <i>BPA</i> | 7 | 13 | 1,088 |

III. ACTIONS AND SPECIFIC TRADE FACILITATION MEASURES

Action 1: Tackling Capacity building issues

6.10. **Capacity building for exporting firms on export procedures:** Human resource remains the main constraint for the majority of Cambodia medium exporting firms. In the area of capacity building, there is a clear need for training medium size provincial rice millers on the actual process of international trade, in particular on the specificity of the export procedures. With the exception of the top ten rice millers, most of the three hundred rice millers have only a vague idea of the export process. The myth remains that export is such a complicated process that only large and sophisticated rice millers can successfully engage. This myth reinforces the existing marketing practices of paddy buyers from neighboring countries, who constantly reaffirm the message that it is too complicated to mill the paddy and then have to go through the hassle of exporting the milled rice.

6.11. Capacity building strategies should therefore be on practical, hands on, and network based. All the institutional actors, both public and private, should be brought in one training session to explore all the hypothetical scenario surrounding a few export cases. The role of practitioners within a particular government agencies as much as those of the shipping agents / freight forwarders and port authorities are crucial in order to address issues surrounding export procedures and documentation. As a result of an efficient and effective information exchanges the trade and transport community will benefit from faster time-to-market, substantial cost-savings, and increased firm-level competitiveness.

6.12. **Capacity building on market access conditions:** The regional institutions such as ESCAP, IFC, and ADB should further engage and implement more trade projects to support Cambodia promising exporting firms by helping them, first, to understand concrete export opportunities arising from numerous regional and sub-regional trade agreements⁹⁵ and, second, to understand the export rules and regulations and other procedural aspects of international trade.

Action 2: Mobilizing of private sector rice actors

6.13. There are a clear need to mobilize more formally the myriad of private sector representative bodies (e.g., provincial rice millers associations or groupings and the Federation of Rice Millers Associations led by Okhna Phou Puy, *le Rassemblement des producteurs du riz* driven by Green Trade), the recently established rice federation, which would be in a better position to present a common position and interest of their members to deal with government with regards to specific trade facilitation issues and the development of the rice export industry as a whole.

Action 3: Enhancing trade facilitation, reducing informal fees and eliminating illegal check points

6.14. The Rice Export Policy has made specific references to this issue:

Measure 1: “MEF/General Department of Customs and Excise (GDCE), MAFF and MoC/General Department of CAMCONTROL and relevant agencies shall: develop a specific strategy to identify and streamline export processing procedures including inspection, documentation requirements, fees and time required to process export applications; define clear and publicly transparent division of responsibilities among export regulating ministries/agencies; consider milled rice export as a top priority in order to reduce to a minimum informal payments and time required to export by extending “special treatment” similar to the garment sector.”

Measure 2: Implement a single-stop service for export processing: MEF/GDCE, MAFF and MoC/ CAMCONTROL and relevant agencies shall set up a Single Stop Service for export

⁹⁵ like ASEAN, ASEAN FTA with China and Australia/New Zealand, ASEAN-Japan Comprehensive Economic Partnership (AJCEP), ASEAN-Korea Comprehensive Economic Cooperation (AKCEP), and ASEAN-India Comprehensive Economic Cooperation (AICEC).

processing and issuing certificates for SPS, fumigation, grading and quality, quantity and weight, and customs declaration.

6.15. The process for obtaining the Certificate of Origin needs to be centralized within one department, versus spread into different departments covering different geographical preferences. This will avoid the confusion for rice exporters, particular the new entrants, who would loose time and money in the process of applying for the C/O. In fact, a special window should be established to facilitate not just rice export but as well for other agricultural exports.

6.16. Rice exporters voice their concerns about the rigidity of the ministry officials in the preparation of the C/O, which they believe should be more flexible in reflecting the information needs of the importing countries. They felt that the data requirements for some importing countries do not exactly follow the format imposed by the MoC and as such much time is waste and possibly many shipments are delayed as a result.

6.17. Rice exporters also voice their concern over costs for making amendments or changes in the C/O, which they find it excessive and unpredictable.

6.18. The Government should speed up the drafting of modalities for inter-agencies collaboration to set up a Single Stop Service as pursuant to the Rice Export Policy measures highlighted above.

Action 4: Identifying key legal and institutional gaps

6.19. The BPA process in parallel to the early implementation of the Rice Export Policy have unraveled the shortcomings in the legal and institutional coordination setting. The Government should consider reviewing such gaps or inefficiencies by identifying the existing legal and regulatory instruments and make the necessary amendments. Institutional setting wise, coordinating measures should be speed up to bring into coherence, and under one mechanism, the various institutions responsible for the export process.

IV. ACTIONS ON EFFECTIVE USE AND DISSEMINATION OF THE BPA STUDY RESULTS:

Action 1: For the Research Community

6.20. **Group 1: The researchers' community** within the country, such as policy think tanks (CICP), specialized universities/faculties of trade or economics (RULE and NUM), and research institutions (CDRI). It is indeed clear that the readership and the interest of these sorts of specialized analysis are limited in scope and in numbers. However, for the few who are interested, they should be consciously targeted and approached as it will be them will have to some extent the burden of further disseminating these BPA findings, if they do find them of relevance in their field of works.

6.21. In fact, a particular institution should take the lead in doing so (i.e. CDRI) and should act as catalyst to translate the academic and research lingo in user friendly language of the private sector and the policy makers. They should watch for opportunities to interject or to volunteer the presentation of these findings during various fora where trade policies, trade development, trade facilitation are discussed. Summarized findings could be introduced as reference documents to events where government and private sector are holding dialogue (i.e. the Government Private Sector Forum or their regular Working Group on Trade Facilitation).

6.22. For courses at universities and specialized institutes, the respective authors of the BPA should commit at least to kick start the experiences sharing process to a wider audience of researchers and post graduate students, most of whom happen to be working already either in mid level management position in the government or in the private sector.

Action 2: For the Private Sector Actors

6.23. **Group 2: The private sector actors** in the trade value chain, be they domestic traders, exporters, trade services providers, credit providers, port operators and transport companies. This second group is probably the most direct beneficiaries of the BPA studies. They should be brought into the picture, as

perhaps through the linkage with the first group, and explained on the actual benefits of understanding the BPA process, which could be as simplistic as saving time and money in filing correctly trade export documents in the correct sequence to something as complex as preparing advocacy position papers to government offices to plead or lobby for changes of their complicated export procedures.

6.24. Capacity building initiatives should be undertaken in the form of practical, hands on, and network based. All the institutional actors, both public and private, should be brought in one training session to explore all the hypothetical scenario surrounding a few export cases. The role of practitioners within a particular government agencies as much as those of the shipping agents/freight forwarders and port authorities as crucial in order to address issues surrounding export procedures and documentation.

6.25. One concrete outcome from these experience and solutions sharing events should culminate in the formation of a sort of informal networks of professionals engaged in the trade facilitation, as is the case of ESCAP BPA training team in Cambodia where after three days of intensive BPA group exercises training there emerged a strong desire to continue nurturing the professional relations and the mutual self help group. This informal network and its ready accessibility was extremely helpful not only in my works in doing the Cambodia BPA but in advising me on concrete issues and options in my recent appointment as special envoy to explore rice export to the Philippines and to China.

Action 3: For the Government Officials

6.26. **Group 3:** The **government officials**, be they policy makers or implementing agents, should comprised the third group of beneficiaries. An executive summary with succinct findings and recommendations should be prepared for this group. Whenever it is possible and suitable, positive notes and success stories should be highlighted to gain their confidence and trust. The recommendations for various follow up reform actions could form the basis, or elements for the respective government agencies to prepare their reform programmes, requests for additional technical assistance, and further inputs for future capacity building.

Action 4: For the Media

6.27. **Group 4:** The **media** is the fourth group to reach out, though with kids' gloves. The media has an important role in disseminating news, and unfortunately most of the times sensational news. Media is always on the look out for catchy headlines on the front page. Correctly crafted messages could help trade facilitation reformists get the necessary political support on pushing the issue.

V. ACTIONS ON THE USE OF BPA METHODOLOGY:

6.23. The BPA methodology should be a tool for the government officials, the traders, and the researchers to be used for analyzing the next products targeted for export as suggested in the Rice Export Policy. All those who have been exposed to the use of the process, either through actual trainings, or as interviewees for past surveys, should be tapped for future assignments.

6.24. As a matter of best practices, the BPA for the four products should be updated regularly, perhaps yearly, by the same practitioners. The systematic updates could feed as credible inputs for other global analysis, i.e. the World Bank Doing Business, or the Trade Logistics Index, which are most of the times criticized by country practitioners for their lack of detailed data and processes, their caveats, and their sweeping conclusions.

6.25. Efforts should be made to reach out to techies to look for similar UML software compatible for Mac computers' users.

CONCLUDING REMARKS

6.26. One of the key elements of Cambodia's post global financial crisis policy of reversing the declining trend of exports was through the launch of a "*Policy on paddy rice production and promotion of milled rice export*". The success of the rice export policy will act as a lead catalyst to the export promotion of other agricultural products.

6.27. The rice sector holds a huge potential comparable to once of the garment sector in terms of gross export value and value added generated throughout the supply chain including employment. If rice export could reach 3 million tons, the total export value would amount to USD 2.1 billion (approximately 20% of GDP) or equivalent to about USD 600 million (approximately 5% of GDP) in value added contribution to the national economy.

6.28. Nonetheless, high trade facilitation and internal transportation costs, in particular, are cited as having a significant impact on smaller rice traders' ability to effectively export. The Government is conscious of this transaction costs issue, which renders a competitive farm gate price into an uncompetitive and FOB price.

6.29. This Business Process Analysis (BPA) on a major export commodity like rice and on two other promising export products like cashew and silk unable has to help to assess and map the trade processes and procedures. The BPA on rice export was instrumental in highlighting actual uncompetitive trade facilitation practices as well as identifying helpful suggestions in improving trade facilitation procedures and processes at the national level.

6.30. Moving goods across borders requires meeting a vast number of commercial, transport and regulatory requirements. Inefficiencies in complying with these requirements often create unnecessary delays and costs. However, not all inefficiencies are from the public sector. The BPA is a good tool to differentiate between regulatory and procedural processes (i.e. unclear border procedures, and overzealous cargo inspection) all within the purview of the public sector and the business-to-business procedures, i.e. a source of tremendous inefficiencies is associated with the preparation of incorrect or incomplete transport and regulatory documents. The BPA has provided such an understanding on how much these inefficiencies add to the time and costs of doing business across border.

6.31. The expectations are that the outcomes of the BPA would assist Cambodia's policy makers and regulators improve the country's trade facilitation system that is supportive of its export goals. Further, it is anticipated that these outcomes would also help to improve trade efficiency by identifying capacity gaps in trade related agencies and private sector actors as well addressing their capacity building requirements to build a sustainable foundation for Cambodia's transition to the ASEAN Single Window.

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Annex I Rice

Available upon request

Annex II Cashew

Available upon request

Annex III Silk

Available upon request

Annex IV Pharmaceuticals

Available upon request