Chapter 5

A Case Study of Cambodia’s Agro-Industry

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CHAPTER 5

A Case Study of Cambodia's Agro-industry

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[1] Introduction

Agriculture is one of Cambodia's key industries. In recent years, however, its contribution to the economy has shrunk behind the manufacturing and service sectors. Despite this, agriculture remains central to Cambodian economy, employing millions of people including the poor and the most vulnerable groups of Cambodians. Because of the sector's significance, the Cambodian government has identified the agricultural sector as central to phase 3 of its rectangular strategy, and intends to increase added value to it through increased production, export, and investment (RGC, 2013a).

Existing research shows that the Cambodian agricultural sector continues to face tremendous challenges from unfair competitive practices, inadequate workforce, poor access to finance and utilities, high tax rate, and complex licencing and permit processes (World Bank, 2016). Agro-business operators have identified complex regulations and licencing processes as a constraint, though not a primary one. Such unnecessary regulatory burdens have not only contributed to increasing consumer prices but have also created additional costs for business compliance, resulting in reduced competitiveness (MPC, 2014) compared to other regional and global competitors. Thus, reducing unnecessary regulatory burdens (RURB) contributes in creating a favourable enabling business environment that could drive more investors into the sector, which is one of the objectives of the Cambodian government's rectangular strategy.

Evidence from other countries suggests that success in RURB lies in the central role of regulators in ensuring more transparent and accountable processes in enacting, enforcing, and reviewing regulations (MPC, 2014). This requires that regulators be adequately capable of leading consultative process with the private sector on issues and burdens for businesses that have been identified and addressed in a regulatory system. Good governance means guiding good regulatory processes so that unnecessary and burdensome regulatory issues are removed.

As RURB is important to Cambodia's agro-industry and is well aligned with the government's priorities and policies and its commitment to ASEAN, the Economic Research Institute for ASEAN and East Asia commissioned a research team[1] to conduct a study on RURB, with Cambodia's agro-industry as case study. The central aim of the study is to identify unnecessary regulatory burdens in agro-industry and to consider a systematic process of 'informed regulatory conversations' between and among key regulators and relevant stakeholders to improve Cambodia's business and investment environment.

To achieve the objective, a thorough research process was undertaken through review of literature, in-depth interviews with key stakeholders (12 agro-business people and 10 regulators), and two distinct workshops. The first workshop was joined by about 40 agro-business people who provided feedback on the design of the research project. The second workshop was a round-table dialogue, during which about 40 regulators and business people interacted and discussed the initial findings and offered insights into practical solutions for RURB.

To illustrate the study results, the rest of this report is organised as follows. Section 2 is an overview of the agro-processing industry in Cambodia, setting some scenes for a general understanding of the industry, and how regulations are crafted and implemented. Section 3 details the research processes with regard to how the industry was selected and how data were collected, analysed, and validated. The final section presents key research findings, divided into three sub-sections (institutional context and RURB, business start-up, and export procedures), followed by conclusions and policy recommendations.

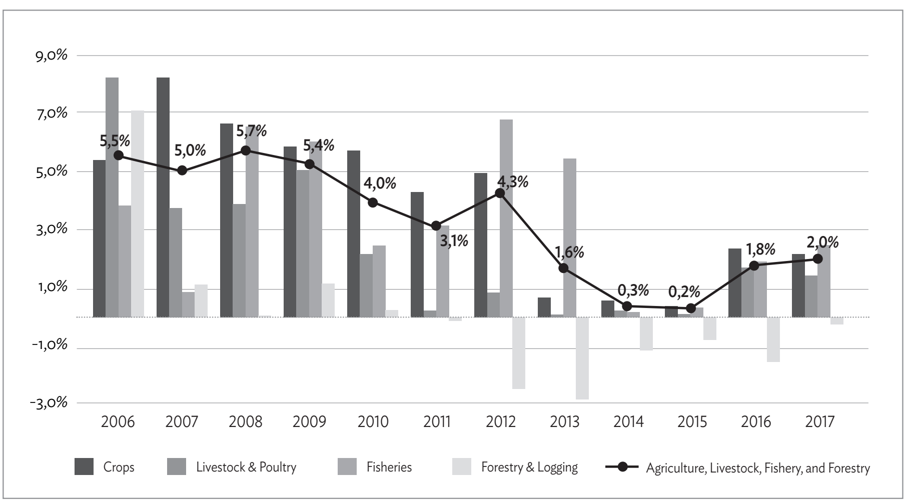
[1] The team consists of Dr. Sothea Oum, Mr. Theara Khoun, and other research assistants

[2] Agro-processing Industry in Cambodia: An Overview

Agriculture and industry were traditionally considered as two separate sectors in terms of their characteristics and roles in economic development. However, in the light of agriculture's technological advancement and integration into production chains and networks of industrial interdependencies, it is now considered as either 'agro-industry' or 'agro-processing industry' (FAO, 1997).

Agriculture has been pivotal in Cambodia's economy and its poverty-reduction efforts. In 2013, 49% of Cambodia's labour force engaged in this sector, compared with 20% in industry and 31% in services (CIA, 2018). Cambodia's agricultural gross production grew by 8.7% between 2004 and 2012, with significant increase in maize (20%), cassava (51%), sugarcane (22%), and vegetables (10%) productions, driven mainly by new technologies and quality of fertilisers, improved irrigation, and better access to markets (World Bank, 2015). Farm wages also grew significantly by 206% (compared with non-farm wages: up by 60%) in 2005–2013, converging with wages in other sectors (World Bank, 2015). However, since 2013, Cambodia's agricultural production has slowed down considerably (Figure 1).

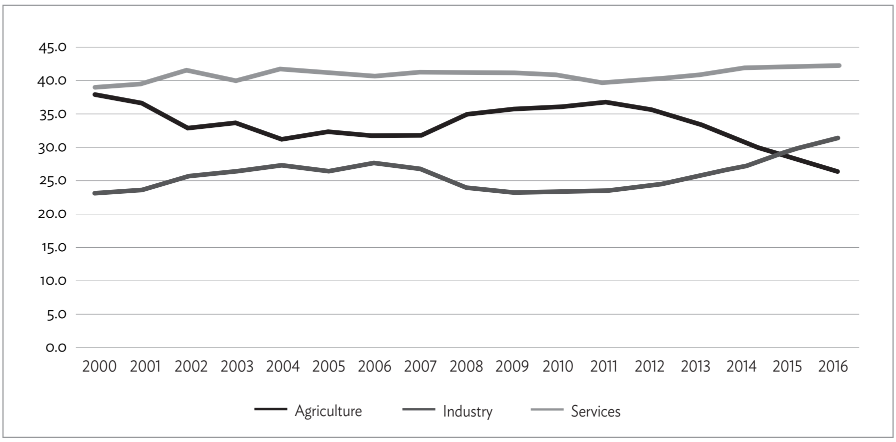
Figure 1: Cambodia's Annual Growth of Agricultural Sub-sectors (Constant Prices), 2005–2017



Source: Ministry of Economy and Finance, 2018.

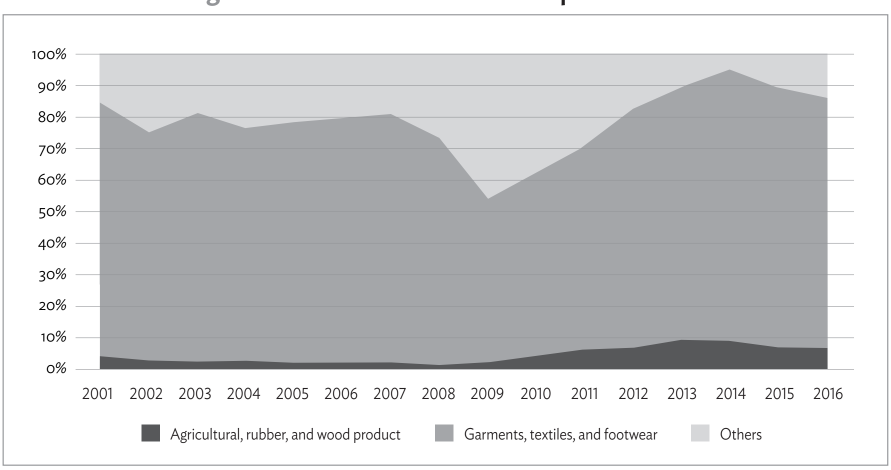
As shown in Figure 2, despite the high share of Cambodia's total labour force in the economy, the share of the agricultural sector in the country's real gross domestic product steadily declined from 47% in 2000 to about 26% in 2016. In contrast, the industry (garments) and services sectors maintained a healthy growth. Similarly, agricultural export value was merely 6.8% in 2016, as opposed to 79% in garments and textiles (Figure 3).

Figure 2: Key Indicators of Cambodia's GDP



GDP = gross domestic product.
Source: Asian Development Bank Statistical Database System.

Figure 3: Share of Cambodia's Export in 2015



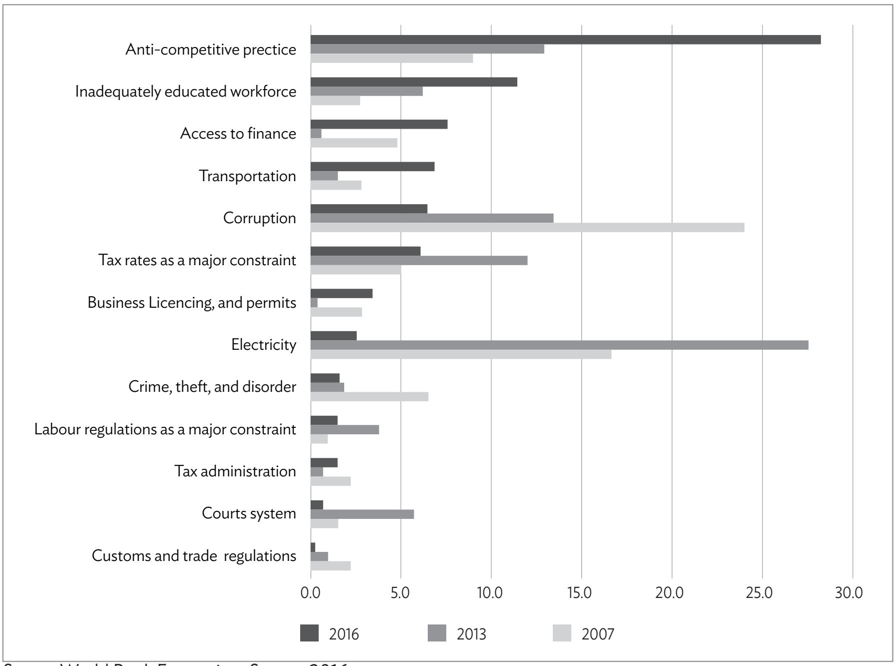
Source: Trade Map – International Trade Centre, 2018.

Despite the significance of Cambodia's agricultural export, several major constraints undermine its reaching full potential. First is the high cost of transportation. According to the World Bank (2015), Cambodia's transportation cost decreased from US$15 per 100 kilometres per tonne in 2009 to around US$10 per 100 kilometres per tonne in 2013 due to better road quality, increased truck availability, and greater competition among local transport companies. Still, the cost is relatively high compared to that of its neighbours (for instance, US$7/100 km/tonne in Viet Nam and US$5/100 km/tonne in Thailand) (World Bank, 2015).

Another challenge is the high informal fees, and corruption. According to an enterprise survey by the World Bank in 2016, corruption is the fifth major constraint faced by business owners in Cambodia (Figure 4). Similarly, the survey results also showed that most business owners reportedly used to pay unofficial fees, especially to secure government contracts, get import licences, and comply with other procedural requirements. Another study by Chheang and Hamanaka (2011) found that all the firms they interviewed raised concerns about the high unofficial facilitation fees required to export their products. Such informal payments inevitably pose direct and indirect burdens on business as these add to export cost and thus affect business competitiveness and the business climate in Cambodia in general.

The informal nature of Cambodia's agricultural exports is also quite burdensome. It is estimated that much of Cambodia's agricultural exports, especially rice, pepper, maize, and cashew nut, is informally exported to neighbouring Viet Nam and Thailand, but whose values and quantities are not found in official data (RGC, 2014). According to Oum and Thangavelu (2016), 97% of Cambodia's existing firms are not registered. The decision to stay informal is due to the perceived high costs of compliance to regulations. More specifically, in the context of poor governance and corruption, while registered firms incur high compliance costs, including taxes and non-tax expenditures, informal firms can evade taxes and licencing requirements by paying lower informal fees and thus maintain higher profit margins (Oum and Thangavelu, 2016; Chheang and Hamanaka, 2011). An important implication for the informal nature of agricultural firms is that they cannot export their products and agricultural commodities through formal means but have to export them informally to neighbouring countries (Oum and Thangavelu, 2016).

Figure 4: Major Constraints Faced by Firms in Cambodia (% of Responses)



Source: World Bank Enterprises Survey, 2016.

Given its high share of labour despite meagre share of gross domestic product and export value, Cambodia's agro-industrial sector has much potential to be bolstered. The promotion of agricultural export through trade facilitation and the reduction of procedural requirements have been among the top five priorities of the Cambodian government (RGC, 2013a; 2016). In particular, the Cambodian government aims to increase the share of agribusiness to 30% of real gross domestic product by 2025 in an effort to reduce the latter's reliance on garments production (RGC, 2016). Major developments include expediting the implementation of the national single-window service by streamlining and digitalising import, export, and business-related procedures at all international border checkpoints, and ensuring its integration with the ASEAN single-window service, and the commitment to reduce or abolish repetitive and non-transparent procedures (RGC, 2016). However, full implementation of these commitments remains to be seen.

[3] Research Methodology

This research relies on literature review and qualitative survey. The sampling strategy used for this study is purposive in nature. The research team identified research participants with direct experience in operating agro-business and in dealing with export processes, particularly those who were able to provide answers related to key regulatory frameworks and their practice. Given this, the research participants interviewed for this study were selected from the list of agro-businesses registered with Cambodia's Ministry of Commerce (MoC). Based on the list, only 42 companies are in the agro-industry for exports. Of these, about 30 have direct and regular experience in dealing with export processes. Twelve companies (or 40% of the total number of active agro-business companies) were interviewed.

While this sample size appears to be small, it provided the opportunity for the research team to interview research participants in detail and more accurately. This resonates well with the objectives of this study. Furthermore, irrespective of the sample size, the interviews led to no additional themes or explanations by research participants. This reflects the saturation of the data collected, as no additional information emerged from the interviews.

As a result of the data collection, key research findings were developed by the research team. To contribute in finalising the research, an interactive round-table dialogue was organised, with about 40 regulators and agro-business people participating. The dialogue was used not only to validate key findings-related regulatory burdens (as provided mostly by the private sector) but also to enable the private sector and regulators to meet and discuss technical issues related to the existing regulations and some possible actions and plans of actions for regulatory reforms to ease doing business in Cambodia. The dialogue resulted in key policy recommendations and actions and way towards RURB in the context of regulatory reforms in Cambodia.

[4] Key Finding – Regulatory Issues

Section 2 discusses central issues in Cambodia's agro-business industry. This provides not only contextual background to the industry but also plays a role in shaping and influencing how regulatory frameworks are developed, enacted, practiced, and complied with by both regulators and agro-business people. This section highlights key findings related to how context influences the way in which agro-industry people engage with regulators, and some initiatives by the Cambodian government in attempts to address issues related to RURB.

As pointed out in Section 2, Cambodia's agro-industry faces a wide range of constraints in operating its business. These include anti-competitive practice, corruption, access to finance, inadequate workforce, and high logistic and operation costs (electricity and transport). In this context, some agro-business research participants do not see paying informal fees to get their needed permits or licences as a critical issue. Attempts to address RURB need to be driven by the agro-industry itself. In the context of Cambodia, this demand-driven approach first requires awareness among agro-business people of the costs as a result of RURB.

4.1 | Business Start-up

Starting up agro-business in Cambodia is not much different from that of other types of businesses. Agro-business people are required to follow different procedures with relevant regulatory agencies/ministries. The detailed procedures with the relevant regulatory agencies/ministries will be discussed in detail below.

In general, the themes that emerged from the qualitative data collected from the agro-business participants point to their good perceptions of MoC in its introduction of an online business registration system. According to them, such a system has helped improved business registration in terms of time and costs.

While business registration at MoC has improved, other registration and certificate requirements (such as patent/value added tax registration) remain complex. Given the required processes in relevant registrations and complex bureaucracies within some regulatory agencies, many start-up businesses prefer to hire brokers or agents to deal with the complexity on their behalf, creating additional costs for them.

4.1.1 Initial Check for Uniqueness of Company Name

Based on MoC's Prakas 299 of December 2015, this process is the responsibility of the ministry's Business Registration Department, which initially checks online the uniqueness of a company name. Yet, while regulations require three days maximum for the department to issue a decision, the interviewees for this study informed that, in practice, this process may take one to seven days or even a month because of the lengthy exchanges between the department and business applicants.

4.1.2 Initial Check for Uniqueness of Company Name

According to the Prakas 299, after securing a unique name, applicants are required to register their business online through MoC's automated business registration system. Required for this process are documents stating the applicant's address (i.e. electricity/water bills, lease agreements, and bank statements), company agreements, photos of applicant, identity cards or passports of company owners, and information about company shares.
The introduction of online business registration has been applauded by many of the research participants as it has contributed in reducing time and costs for business registration. Overall, it takes three to seven days to complete business registration. However, delays may occur when applicants fail to, for example, submit all required documents.

The process is more complicated when it comes to changing business registers (e.g. change of shareholders; change of information related to capital, location, or business activities). While this process should legally take three to seven days, it may take longer in practice as the business registration department requires soft and hard copies of relevant documents. Such a requirement may be redundant given that certified legal documents have already been submitted.

The research participants provided different figures on how much they had spent in securing business registration with MoC. As reported, the amount may vary depending on the relationship/connection of the applicants with responsible officers. But it usually costs around US$700 for a well-connected company to be registered.

4.1.3. Patent Tax and Value Added Tax Registration

The patent/value added tax registration is handled by the General Department of Taxation of the Ministry of Economy and Finance. According to the ministry's Prakas 496 dated 06 April 2016, the documents required for registration include certificate of business registration (issued by MoC), company statute, lease agreement, ID/passport, residency letter (for foreigners), photos of applicant, photos of company and its location on map, and bank account registration. In addition, an applicant must also visit the tax office so his photo and fingerprints can be taken.

While Prakas 496 mentions that it takes 7–10 days to approve patent/value added tax registration, the General Department of Taxation procedure has been identified by key respondents as cumbersome compared to business registration with MoC. It has been reported that the department's officers are strict and lack flexibility in checking the required documents, particularly in paying attention to every little detail including minor typographical errors.

These strict requirements appear to create burdens for patent/value added tax applicants, particularly foreign business people, since many of them have yet to settle down in Cambodia.

Language is another barrier for foreigners in completing the forms and in communicating with relevant authorities. In particular, the required documents extend to information related to residency of applicants, which involves local commune authorities who are quite difficult to meet as they are not at their office full time. Also, some unofficial fees are collected if one wants to quickly (oftentimes, one week) obtain a certificate of residency. As reported by the research participants, getting a lease agreement certified by local authorities (commune councils) is complicated and unnecessary. For example, commune councils require that the applicant's landlord has to prove full payment of property tax, and has hard-title registration of property.[2] Failure to meet this requirement can obstruct the patent/value added tax registration.

Upon completion of the patent/value added tax registration, a patent certificate is to be issued by a tax administration officer at the company site. The officer then verifies the location of the company against the declaration made. Here, unofficial fees are collected before the certificate is issued.

4.1.4. Registration with the Ministry of Labour and Vocational Training

Businesses wishing to operate in Cambodia are required to submit a written declaration to the Ministry of Labour and Vocational Training (MoLVT) prior to their operations. It has been reported that the processes with MoLVT are 'strict' in the sense that the processes of declaration need to begin even if a business has yet to be operational and staffed.

The processes are more complicated for an enterprise with at least eight employees. For this category, internal regulations need to be developed, containing general provisions of Cambodia's labour code such as those regarding working conditions, health and safety measures, salaries, and other employment benefits.

While some requirements by MoLVT are easy to address (i.e. identification cards/passports, visas, and a list of employees), the requirements for work identification cards and a labour book are burdensome. Before a work ID card is processed, there must first be an employment contract. To have a labour book, employees are required to have their physical examinations at the Labour Health Centre.

As reported by the research participants, the physical examination requirement appears to be unnecessary and burdensome as it has been used only to collect money from business people. For example, an employee's physical examination

[2] This is different from soft-title registration of property which is easier and can be made with a district authority. A hard-title property registration requires its application to be lodged with the Ministry of Land Management, Urban Planning and Construction.

costs US$25. However, an employee need not show up for examination if he or she pays an unofficial fee of up to US$50.

In its *Doing Business in Cambodia* 2018, the World Bank reports that the official fees for registration with MoLVT are as follows: registration for opening of enterprise, KHR30,000; registration of enterprise/establishment ledger, KHR40,000; registration of payroll, KHR60,000; certifying internal regulations, KHR70,000; and issuance of letter recognising the election of shop steward for enterprise/establishment, KHR80,000 (World Bank, 2018).

While these formal fees are recorded, it has been reported that unofficial fees made to MoLVT regarding labour registration are often in lump sum. The amount varies depending on the size of the enterprise being registered: for an enterprise with 8–10 employees, the cost is US$350; for an enterprise with 100–450 employees, US$700; for an enterprise with eight to 500 employees, US$500; and for an enterprise with more than 500 employees, US$700.

4.2 | Export Procedures

While exporters have generally reported a considerable improvement in export procedural requirements in recent years, they all agreed that these procedures remain quite bureaucratic, time-consuming, and costly given the high formal and informal costs. They also reported difficulty going to different departments to obtain certifications/permits. As identified by Cambodian agricultural and agro-processing exporters, below are the major regulatory requirements and their associated burdens, some of which may be unnecessary.

4.2.1. One-off Registration

A new agricultural exporter usually has to make a one-off registration at three different institutions: the General Department of Customs and Excise (GDCE) of the Ministry of Economy and Finance, the Department of Import-Export (DIE) of MoC, and the General Department of Agriculture (GDA) of the Ministry of Agriculture, Forestry and Fisheries (MAFF). At GDCE, a new exporter needs to register in a universally computerised system called Automated System for Customs Data (ASYCUDA), which is a one-time process, to obtain customs clearance at a later stage. The required documents for ASYCUDA registration are proposal letter, company registration, company memorandum, certificate of corporation, value added tax, patent, and ID/passport.

For agricultural export to some countries such as China, MAFF/GDA requires exporters to register with GDA so that the department can make the list of authorised companies for export.[3] Qualification and registration with GDA is a one-time process but may be subject for review every two to three years for a business to remain qualified (ESCAP, 2014). Failure to do so would render exporters ineligible to export. There are no official fees for registration. To register with GDA, exporters must submit biographical information of owner(s), company registration logged at MoC, and other relevant data, i.e. locations of office, silos, warehouses, factories, and/or geographical areas of the commodities. Once all required documents are received, GDA assigns an inspector or surveyor to conduct an on-site inspection of the exporter's premises. If no irregularities are found, GDA issues a certificate to the exporter.

General Department of Customs and Excise	Department of Import-Export	General Department of Agriculture
Proposal letter Company registration Company memorandum Certificate of corporation Value added tax Patent ID/passport	Proposal letter Company registration Company memorandum Certificate of corporation Value added tax Patent ID/passport	Owner's biographical data Company registration Location of firm, warehouse and/or commodities

Registration for Generalised System of Preferences (GSP) with DIE is mandatory to be eligible for GSP entitlement and clearance of certificate of origin (CO). Since 2015, the requirement for exporters to file a yearly application to use GSP has been eliminated and replaced with one-time registration (MoC, 2015). The required documents for GSP registration are similar to the ASYCUDA registration with GDCE.

The experiences of agro-processing exporters in dealing with export licencing and permits vary. In general, while registration at GDCE and GDA has reported no complaints, registration at DIE has been complained about because of its

[3] In China, for instance, MAFF/GDA updates and sends the list to China Inspection Quarantine Services (CIQ) on annual basis.

complicated, time-consuming process, and considerably high cost. For instance, a research participant reported that it took him more than a month and cost him more than US$500, including both formal and informal fees, to be registered. Such complex processes have discouraged him to process further exports. Nonetheless, he finally obtained registration permit from DIE, following multiple and close follow-up with DIE officials.

In response to these concerns during the national consultative dialogue, a senior MoC official opined that the GSP registration process may not be as difficult, untimely, and costly as reported by some research participants if they are registered companies and approach the institutions with authorised mandate to issue GSP registration.

4.2.2. Mandatory Certificates

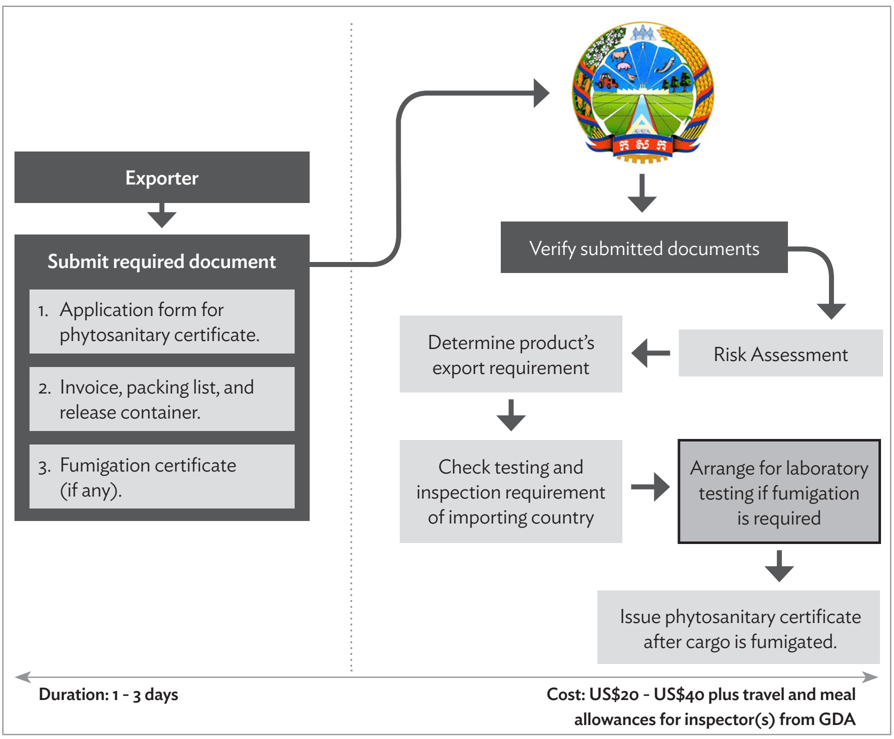
Usually, exporters have to apply from different state institutions for two major certificates: sanitary and phytosanitary certificate (SPC), and CO.

Sanitary and Phytosanitary certificate
The SPC is often required by countries importing and exporting agricultural commodities. This is to certify that commodities are free from dangerous pests and diseases that can damage crops. An exporter must submit to GDA a request letter for phytosanitary check, together with packing list, commercial invoice, patent licence, value added tax certificate, and commercial registration certificate at least 10 days prior to exporting goods, and must provide convenience for phytosanitary check in compliance with the International Plant Protection Convention (RGC, 2003).

GDA then makes risk assessment based on the risks for pests, source of origin, soil condition, and testing and inspection requirements of importing country. If risks are identified to be low and all conditions are met, GDA will issue SPS for inspected goods. This process takes one to two days. However, if risks are high, a fumigation certificate is required to ascertain that dangerous pests or diseases do not subsist. According to sources, fumigation done by a recognised private party costs, on average, US$28 and takes about a day.

While rice exporters reportedly need to spend US$30–US$45 per TEU[4] to get SPC done at the one-window service of the Council for the Development of Cambodia in Phnom Penh, other agricultural exporters have to spend as high as US$100–US$150 for SPCs issued by GDA. Besides, although inspection by GDA officials is free of charge, an exporter has to provide meal and travel allowances for inspectors, which range between US$20 and US$100 per inspection. Despite this, however, inspection time has reportedly been accelerated significantly from one week to only one to two days.

Figure 5: Application Process for Sanitary and Phytosanitary Certificate



Sources: RGC (2003) and key informant interviews.

In addition, filing SPC application at GDA/MAFF in Phnom Penh, as required, is difficult for exporters whose companies are located at the border. Thus,

[4] Twenty-foot equivalent unit (TEU) which can be used to measure a ship's cargo-carrying capacity. The dimensions of one TEU are equal to that of a standard 20-foot shipping container

additional costs (i.e. accommodations, travel, and food) are incurred if exporters have to file the SPC application themselves. Such a centralised system has discouraged agro-processing exporters from applying for SPCs themselves and have instead depended on brokers to secure SPCs for them. While this may be costly for exporters, it is time-efficient and offers value for money.

In addition, filing SPC application at GDA/MAFF in Phnom Penh, as required, is difficult for exporters whose companies are located at the border. Thus, additional costs (i.e. accommodations, travel, and food) are incurred if exporters have to file the SPC application themselves. Such a centralised system has discouraged agro-processing exporters from applying for SPCs themselves and have instead depended on brokers to secure SPCs for them. While this may be costly for exporters, it is time-efficient and offers value for money.

Certificate of Origin

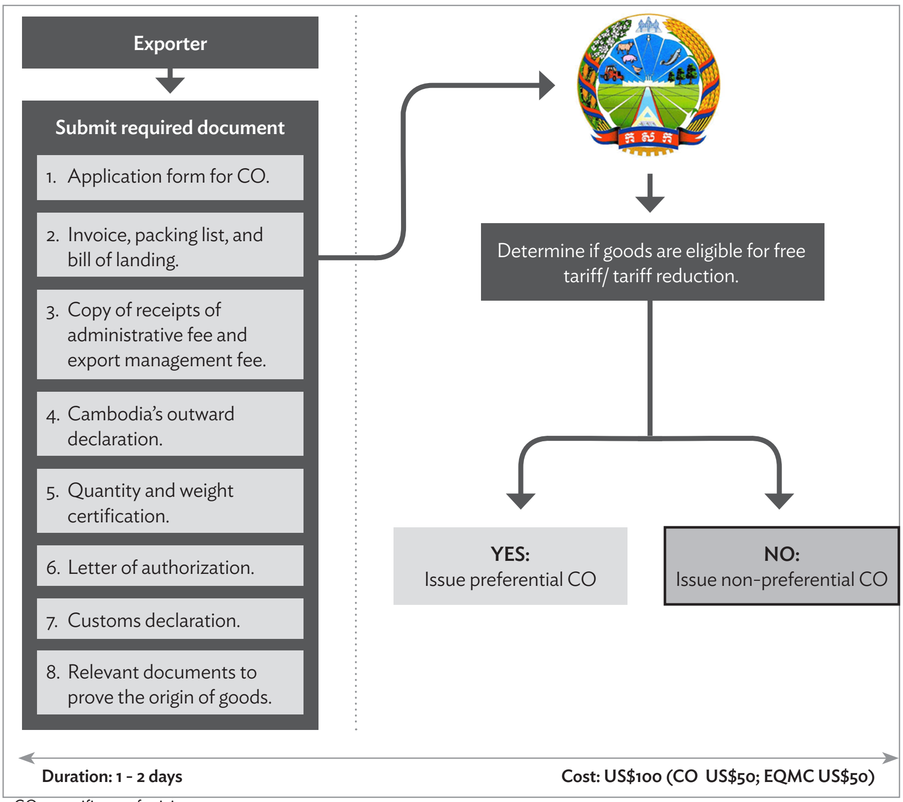
The certificate of origin is an important required document for exporters, especially for a developing economy like Cambodia, because it affects quotas and tariffs applied between countries for specific products (MoC, 2013). The eligibility for preferential treatment provided by importing countries under established trade agreements such as GSP, Most Favoured Nations, and Everything But Arms is assessed based mainly on CO which describes product classification, origin, and original status. In 2015, MoC eliminated the requirement for exporters to obtain a CO to countries that do not require them, which ultimately has saved exporters millions of dollars (MoC, 2015).

In applying for CO, an exporter needs to prepare and submit required export documents: application form for CO, a copy of payment receipt of administrative fee and export management fee, invoice, packing lists, bill of lading, Cambodia's outward declaration, quantity and weight certificate of export goods by Camcontrol, customs declaration by GDCE, relevant documents to prove the origin of the goods, and company's letter of authorisation to appropriate departments of MoC (RGC, 2013b).[5] According to the MoC website, the

[5] Bilateral Department for CO destined for the European Union and the Russian Federation; Multilateral Department for ASEAN, Australia, New Zealand, China, Japan, and South Korea; and GSP Department for the US, Canada, Mexico, and other countries.

application fee for CO is US$50 for preferential countries and US$30 for non-preferential countries. The process takes 1–2 business days and can be applied only after all other required documents are completed (MoC, 2018). However, according to our interviews, exporters need to spend around US$100 per TEU (US$50 for CO and US$50 for export quality management cost).

Figure 6: Application Process for Certificate of Origin



CO = certificate of origin.
Sources: RGC (2013b) and key informant interviews.

4.2.3. Customs Declaration and Cargo Inspections by Camcontrol and Customs

Besides requirement for SPC and CO, exporters also need to declare their goods to be exported and have them inspected by the Department of Cambodia Import-Export Inspection and Fraud Repression (hereafter called Camcontrol) and customs officials. To complete the customs declaration, an exporter or freight forwarder prepares and submits the letter for customs together with other required documents: commercial invoice, packing lists, value added tax, patent, exporter's ID card, and joint inspection report to customs headquarters for approval and inspection, and pays declaration charges of about US$3.75 per TEU (MoC, 2007). The deputy customs chief then assigns an inspector to inspect the cargo at exporter's warehouse or dry port. The exporter may also use ASYCUDA, which is available at most checkpoints, for customs declaration and for more accurate and updated customs clearance process.

All exports and imports are required to be reported and inspected by officials at a customs office or other locations as determined by DGCE (RGC, 2006). Similarly, Camcontrol is authorised to conduct safety inspection of goods in international trade and domestic retail markets (RGC, 2000). In particular, Camcontrol is responsible for non-regulatory inspections for exporters especially on rice and other agricultural products. Customs and Camcontrol must examine all export products and check approved documents and export requirements, including export tax (if any). Since 2013, inspection fees have been waived.[6] However, sources said they pay KHR62,500 (about US$15.5) for inspection by customs, and usually pay informal fees to inspectors from customs and Camcontrol to facilitate and accelerate export.

Some interviewees complained that customs declarations and joint inspections by customs and Camcontrol officials are somewhat complicated and confusing while the information related to these processes is also limited. In addition, when approached for clarification, officials at customs and Camcontrol headquarters are sometimes not quite cooperative. As a result, some exporters have to use freight forwarder service[7], which charges approximately US$500 per transaction. This is costly relative to export values.

During the consultative workshop, an official from GDCE responded that exporters can find all required documents and processes such as the Customs Clearance Handbook and import-export tax book on the department's official

[6] Prior to 2013, customs charges a fee of KR15,000 for each export declaration; Camcontrol fee was 0.1% of value of exports (ESCAP, 2014).
[7] A freight forwarder is a private agency charging fees for assisting in export paper works.

website. Also, exporters can get these documents through annual workshops if they are members of Cambodia's Chamber of Commerce. He also opined that referrals to different institutions by customs and Camcontrol officials at their headquarters are justifiable as export procedures involve several state institutions and private entities. Thus, it appears that the problems lie in the fact that most agro-businesses are informal and lack awareness of the rules and regulations. Sensitising basic information with them regarding export procedures will reduce costs for both regulators and agro-business people.

4.2.4. Export Time and Cost Breakdown

While exporters face outstanding issues related to export procedural requirements, most interviewees agreed that compliance with export procedures is not the top constraint compared with issues such as their difficulty with access to finance and high transportation cost. Figure 3 shows that the formal cost of export procedural compliance accounts for about 26% of total export cost of US$686 per TEU, excluding informal fees and freight forwarder service fees (if any). Inland transportation is as high at 44%. Consideration on cost reduction, therefore, should be given to the entire supply chain system.

Based on triangulation of interviews with key exporters, the entire process of export from signing the sale contract to customs clearance may take about 12 days. Of this, up to six days are allocated for compliance with a range of regulatory requirements: applications for SPC and CO, joint inspections, customs declarations, and customs clearance. Most interviewees said that while the duration has been remarkably improved compared with the past several years, they would appreciate it if key regulators could expedite the process further.

Table 1: Cost Breakdown of a Typical Agro-processing Export

I.	Ministries and Departments	Fees (US$)	Applied to
Ministry of Commerce			
1.	Certificate of origin	50.00	Shipment
2.	EQMC	50.00	Shipment
Camcontrol			
3.	Quantity/Weight certificate	7.50	TEU
4.	Inspection	0.00	TEU
GDCE			
4.	Customs declaration	3.75	TEU
5.	Inspection	15.50	TEU
MAFF			
6.	Sanitary and phytosanitary certificate	45.00	TEU
7.	Inspection	0.00	TEU
	Sub-total	**171.75**	
II.	**Autonomous Port**		
Private Company			
8.	Container scanning	20.00	TEU
Autonomous Port			
9.	Lift-on Lift-off charge	26.00	TEU
10.	Terminal handling charges	120.00	TEU
	Sub-total	**166.00**	
III.	**Private Sector**		
11.	Fumigation certificate	28.00	TEU
12.	Container scanning	20.00	TEU
13.	Inland transport to Shihanouk Ville Autonomous Port (trucking fee)	300.00	TEU
	Sub-total	**348.00**	
	Total (without using freight forwarder service)	**685.75**	
Freight Forwarder Charges (Optional)			
14.	Bill of lading	20.00	TEU
15.	Forwarder handling service	55.00	TEU
	Sub-total	**75.00**	
	Total	**760.75**	

EQMC = export quality management cost; GDCE = General Department of Customs and Excise; MAFF = Ministry of Agriculture, Forestry and Fisheries; TEU = twenty-foot equivalent unit.
Sources: Compilation from official sources and key interviewees.

Table 2: Time Breakdown of a Typical Agro-processing Export

No.	Key Stages of Export Procedure	Day(s)
1	Finalise sale contract	2
2	Arrange for inland transportation	1
3	Apply for sanitary and phytosanitary certificate	2
4	Arrange for inspection and fumigation	
5	Arrange for cargo inspection (Camcontrol and customs)	1
6	Customs declaration (ASYCUDA)	1
7	Load container and transport to port (SAP)	2
8	Apply for certificate of origin	1
9	Container handlings at the terminal and stow onto vessel	1
10	Customs clearance at port	1
	Total	**12 days**

ASYCUDA = automated system for customs data, SAP = Sihanoukville Autonomous Port
Sources: Compilation from official sources and key interviewees.

[5] Options and Recommendations

Some of the recommendations below were made based from consultations with interviewed stakeholders from the private sector and government officials in Cambodia. Overall, policy recommendations were made in a practical manner, particularly in the light of Cambodia's business and institutional context.

5.1 Export Procedures

- One-off registration

a. In the medium term, one-off registration should be expedited especially with regard to GSP registration at DIE. Official time, costs, and procedures should be clearly specified in legal instruments such as sub-decrees or Prakas so as to avoid delays and unreasonably high unofficial fees. In this regard, once all required documents are submitted, the duration of the registration process should be clearly determined on receipt, and delays justified to applicants who should be notified as soon as possible.

b. In the medium term, documentary requirements for registration at GDCE and DIE should be streamlined and done jointly since they are generally identical. Integrating this process with the Cambodian national single-window online system can reduce costs, time, and resources for exporters.

- Mandatory export certificates

a. In the short term, the one-window service at CDC should also be accessible to other agricultural and agro-processing sectors in general in addition to rice exporters. This will increase convenience, predictability, timeliness, and cost efficiency for agro-industrial exporters who do not have to lodge CO and SPC applications at different institutions.

b. In the medium term, SPC application should be fully decentralised in a way similar to CO application at the Department of Agriculture in 24 provinces. However, although a decentralised system at provincial level may be a solution, the capacity of both provincial regulators and private sector needs to be enhanced to perform these functional transfers effectively and efficiently.

c. In the medium term, it is recommended that all compulsory export procedures be streamlined and automated in the framework of Cambodian national single-window system as this will drastically improve the country's trade performance by reducing cost of doing business.

d. In the medium term, wider dissemination and training of online export applications should be considered. It is important to note that while CO application has been available online and may soon be also applicable to SPC application through the automated Cambodian national single-window system, many exporters still lack knowledge on this integrated system. As a result, based on our interviews, many exporters still prefer the traditional way of submitting application. Relevant authorities should therefore circulate among exporters available and forthcoming online systems, and clearly demonstrate to them the process so they can do these activities without having to submit themselves physically or seek assistance from brokers.

- Customs declaration and joint inspection

a. In the medium term, GDCE and Camcontrol should publicise in print and online important procedures and the required documents to enable exporters to track, comply, and undertake regulatory requirements. While online guidelines on customs declaration and inspection procedures are available, some exporters are not aware of them or still find the process complicated. In addition, information on standards and requirements by importing countries should also be compiled, regularly updated, and made accessible online. Procedures and regulatory documents should be widely disseminated to key export stakeholders especially exporters through online portals, export exhibitions, conferences, and trainings.

b. In the medium term, it is recommended that the Cambodian government establish an export information centre to facilitate enquiries on export procedures. Capacity building and customer service skills should also be provided to officials in charge. Real-time demonstration of export procedures to enquiring exporters should be integral at the information centre.

- High unofficial fees

a. In the longer term, stricter integrity measures and publication of official fees should be clearly and widely circulated and made accessible to exporters. Real-time complaint and reporting mechanisms should also be introduced to eliminate any unreasonably high unofficial fees. As a legal requirement, exporters spend slightly less than US$200 for official fees, making export total costs per TEU close to approximately US$700 (See Table 1). In fact, however, they generally need to pay around US$800–US$1,100 per TEU as they have to spend a few hundred dollars more on unofficial fees to facilitate and fast-track export.

b. In the longer term, decent salaries of government officials (regulators) should be considered by formalising the informal fees/payments.[8] During our national consultation workshop with key stakeholders, some officials admitted that the lack of political will and conflict of interest hinder the addressing of these issues. While reforms are likely welcomed by exporters, some government officials may feel uncomfortable with the degree of transparency and accountability as this might mean loss of control and unofficial revenue-generating stream. Therefore, a decent increase in their salaries is conducive to future reforms and reducing demand for unofficial fees.

[6] Conclusion

This study finds that the Cambodian government has, to a great extent, been working hard in recent years to reduce unnecessary regulatory burdens to attract more investment in agro-processing industry as well as to bolster this sector's export. Conducive reforms include, but are not limited to, automation of business registration and most export compliance procedures, and reduction

[8] In Cambodia, the average salary of government officials is generally less than US$300 a month.

of redundant and inefficient regulations. As a result, interviewed exporters and stakeholders generally agree that the agro-business atmosphere and export facility in Cambodia have been improved significantly in terms of cost, time, and predictability.

Despite these improvements, however, as identified by agricultural exporters, some issues persist and may need to be addressed to enhance ease of doing business in Cambodia. In business registration, the cost of registration and compliance is still relatively high, which in turn demotivates small enterprises from registering officially at MoC. In addition, duration of registration is generally longer than what is being specified by law while online business registration is not convenient for some people. With respect to export procedures, knowledge and awareness of automated system such as CO and ASYCUDA are still limited, with some procedures perceived by some exporters to be burdensome and complicated, and where informal fees are reportedly high. Addressing remaining issues require some degree of political buy-in and a genuine political commitment from cross-cutting state institutions to implement further necessary reforms.

Looking into the future, successful implementations of these reforms will make investment climate in agro-processing industry in Cambodia more favourable, and thus improve the country's ease of doing business on such global indices as the World Bank's annual Ease of Doing Business Report. This, in turn, will attract more investment into the agricultural sector, increase the sectoral export volumes, and consequently contribute to more employment and economic growth in Cambodia.

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