

Export Facilitation

A Way Forward in House to Reduce Cost for Exporters

Exports are an important component of economic development and poverty reduction. Export increases mean additional demand for labour leading to many job creations.

But for a product to be marketable, at least two factors are critical, namely a competitive price and consumer preference.

Price competitiveness depends on a whole chain of processes and events ranging from raw materials to market places. It is competitive when each stage of the value added chain is less costly than the competition. Consumer preferences are becoming more and more complex and noticeably linked to various standards as well as health and environmental issues.

While two factors are applied to Cambodia in the framework of trade facilitation. First, unnecessary costs involving in export process must be reduced. It results from the overlaps and duplications of roles and responsibility, corruption and inefficient bureaucracy inducing time consuming. Second, the responsiveness to admissible criteria to the markets must be effective and efficient.

This article tries to analyse two challenges within Cambodia export context. It also intends to open floor for discussion of some possible solutions in relation to export facilitation.

Eliminating Overlap and Duplication of Responsibility and Activity

The overlap and duplication occur while a role and activity are performed by more than one agency. In Cambodia, agencies involving in export process of goods include Customs and Excise Department, Ministry of Commerce, Ministry of Health, Ministry of Agriculture, Forestry and Fisheries and Ministry of Industry, Mine and Energy. It was cited that overlap and duplication have occurred among these agencies.

This overlap and duplication results from unclear procedures and

legislation about duties to be undertaken by agencies. A number of Cambodian laws and legislations spelling out roles and responsibilities of relevant agencies involving in imports and exports of goods have been designed to fulfil the requirements of the fledgling nation in the previous decades. They would no longer serve suitably the needs of currently modern trade and expanding economy.

Moreover, there is noticeably no clear formal agreements of roles and duties among agencies involved in export process. It induces the confusion for an agency to undertake intentionally and unintentionally duties of other agencies. There are also interferences among control agencies.

As consequence, the overlap and duplication of inspection for consignments are really hampering exporters. It causes time delays due to many document completions and dealing with agencies; and induces likelihood for corruption.

According to the World Bank, the time for export clearance has a great variation and unpredictability. On average, a firm takes 4.5 days for export custom clearance while in 2003 it took 16 days to clear an export shipment. The longest time for exports to clear custom was estimated at about 17 days.

Risk management strategy and selectivity in physical examination are not yet applied, even though its concept was recently introduced to the relevant control agencies. In early 2005, it was said even textile imported under duty exemption are examined in an 8:10 ratio.

The risk management method will allow known complaint exporters to benefit from less onerous reporting and fewer physical examinations resulting in short time to enter markets. Moreover, government can utilise efficiently resources to focus on non compliant exporters.

Understandably, at least two more steps must be further taken to place the concept of risk management into practices. Initially, it should pre-

pare and adopt new operational guidelines for risk management based inspection and clearance within respective agencies. It will review existing procedures and it can incorporate the retained elements and additional elements needed to support risk management based system of selection, inspection and clearance.

Finally, timing will be spent on how to implement operational guidelines. It needs to train the new operational guidelines to trainers then extending to staff of entry and exit points.

To facilitate trade, the government with donor's aids has expressed its strong commitment to reduce unofficial fees and time, while increasing public revenue. It has embarked on Twelve-Action Plan to improve investment climate and trade facilitation covering the period from July 2004 to December 2005. A number of commitments have been significantly done and others are supposed to complete by end 2005.

Response Effectively and Efficiently to Global Standard Requirements

Cambodia's products can enter external markets while they are compliant with global requirements or specific requirements of importing countries. Generally, it is the standard requirement used to measure quality before entering into markets. This action is being used to protect health and interest of consumers. A number of Cambodia's export products have been suffered from the measures, for instance fishery products to the EU and rice export to China. However, there are some countries which are benefiting of using these requirements as barriers to hamper imports and protect their local producers.

While the standard of products is physically qualified, it is a must to have standard certificate which have to be issued by certification bodies. These bodies must be internationally recognized or be a part of interna-

tional standard network. Thus, standard infrastructure in the country must be firmly built and response effectively to guaranty that export products can access to all potential markets, especially markets of 147 countries of World Trade Organization (WTO).

But the conditional fulfilments would be an additional cost for exporters. It means that exporters have to develop more sophisticated technology inside factory such as laboratory, supervision and inspection system and they need to be prepared for providing information required by national authority or importing countries. Additionally, exporters have to be involved with agencies for requesting attestation on the standard, which is the cost at least administrative cost and time consuming waiting for approvals.

However, serious concerns are raised if a chance of corruption happens involving in inspection and issuing of certificates by relevant agencies. If responsibility arrangements are not done properly, exporters will fall into current track of overlaps and duplications of roles and activities which place burden on them.

To keep the competitiveness of export product, the certification bodies would serve service in efficient way to minimize costs for exporters. The additional cost associated with this certification would not be a matter of product cost. Clearly, the public administration must be efficiently responsive and time must be short. The instruction for obtaining certifications would be understandable by exporters and its process would be transparent and predictable.

Concluding Remarks

In conclusion, it is clear that two issues are daunting challenges and must be addressed to smooth exports, which are the elimination of overlaps and duplication and responsiveness to global standard. The success of these tasks would be a driver for export growths and local producer promotion.

The concrete actions to reduce a number of inspections require strong efforts from the government. It

must modernise and revise laws and legislations of relevant agencies involving in export process. Instructions and operational procedures of respective agencies must be clear, understandable and predictable for all stakeholders to avoid confusion and interference.

Another challenge is to build suddenly and firmly standardization infrastructure in the country to get export products accessible to all international potential markets. The government should find the way to be part of global and regional network of certification bodies.

At the same time, the government has to ensure that institutional

mechanisms of accreditations do not place burdens on exporters in some form such as overlaps, duplications and corruptions. It should be well prepared on clear definition of roles and duties in relation to standards of certification.

Finally, these two daunting challenges are not easy tasks and really need strong supports from donors and other countries in terms of technical and financial aides. Private sector would play a consultative role and provide constructive comments for ensuring real benefits for them.

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Box 1: Twelve-Point Plan: Government Commitments to Improve Investment Climate and Trade Facilitation July 2004-December 2005

Article 1: Establish a Cross-Agency Trade Facilitation/Investment Climate Reform Team. (Done)

Article 2: Establish Transparent Performance Measurement including Private Sector Monitoring

Article 3: The trade facilitation process, including all licences, procedures and documents, will be reviewed to remove overlaps and unnecessary approvals. Following the reengineering, a Single Administrative Document will be implemented and other documents progressively eliminated.

Article 4: Introduce an overall risk management strategy to consolidate and rationalise all examination requirements of different control agencies.

Article 5: A strategic review of the role of Cambodia's Import Export Inspection and Fraud Repression Department (CamControl) will be launched to more productively deploy the organisation's unique knowledge of quality control process and make optimised use of inputs and resources from other agencies, such as the Custom and Excise Department (CED). (Done)

Article 6: A single Window process to manage trade facilitation will be piloted in port of Sihanoukville by December 2005. Trade facilitation process, once streamlined, will be automated by December 2005.

Article 7: The government will introduce a WTO compatible flat fee for service, and service will be defined by a service level-agreement. The fee structure will be public.

Article 8: Streamline the process and reduce cost of incorporating with the Commercial Register maintained at the office of Clerk of Commercial Court, and cost an average of US\$ 630 and take 30 days. (Done)

Article 9: Streamline the process notification of Ministry of Labour to start hiring employees, which cost US\$ 250 and take 30 days to complete.

Article 10: Harmonise registration for VAT, income tax and company registration using the same form and resulting in the same unique identifier. This would facilitate information sharing across agencies.

Article 11: Implement a national award to promote good corporate citizenship in private sector. (Done)

Article 12: Monitoring and Reporting will take place through Private Sector Forum. (Done)

Source: The World Bank