

**TALKING POINTS**  
**19<sup>th</sup> Sub-Steering Committee on Trade Development & Trade Related Investment**  
**(SSC-TD-TRI)**  
**Thursday, 27 November 2014**

<b>Area</b>	<b>Talking Points</b>
<b>Trade SWAP</b>	<p>Cambodia's participation in the ASEAN Free Trade Area and its membership in the WTO have set the stage for an acceleration in the pace of internal reform, an increase in domestic and foreign investment, and an expansion of trade. To strengthen further the contribution of trade to Cambodia's economic growth and socio-economic development, the Royal Government of Cambodia (RGC) has put in place a Sector-Wide Approach (or SWAp). Trade SWAp is helping already to coordinate and manage better the Aid for Trade Cambodia receives from its Development Partners.</p>
<b>Cambodian Economy</b>	<p>According to the latest Regional Economic Outlook Update of the International Monetary Fund (October 2014), Asia's near-term growth prospects remain solid amid downward revisions for other regions. Despite a mild slowdown earlier this year, Asian economies are expected to grow at 5.5 per cent in 2014 and 2015, broadly in line with the pace of the last couple of years. With some exceptions, the inflation outlook should remain benign across most of the region. This regional outlook bodes well for Cambodia's prospects, especially in light of its increasing regional integration.</p> <p>The favorable regional economy coupled with an improving domestic demand is expected to support Cambodia's growth outlook. In Cambodia, growth is projected to be above 7 per cent this year and edge up to 7.5 per cent over the medium term with needed support from strong reform efforts.</p> <p>But addressing medium-term risks calls for a renewed push for structural reforms across the region, which has seen a steady deterioration of its long-term growth outlook in the past few years. Such reforms would not only make Asia's growth stronger and more sustainable, but would also lower its vulnerability to further growth disappointments and financial market shocks coming from the West.</p> <p>What does this regional outlook mean for Cambodia? The main takeaway for Cambodia from the latest Regional Economic Outlook Update is to take advantage of the regional economic tailwinds to push through the reform efforts. As the experience of other developing and emerging market economies have shown, a favorable growth environment often makes reform efforts easier to implement.</p>

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	<p>On specific policy measures, the government’s emphasis on improving its revenues and delivery of public services, especially in education and health is both timely and necessary to make growth more inclusive and sustainable in the medium term. Continued efforts to increase domestic revenue and improve spending efficiency would help finance Cambodia’s vast development needs in soft and hard infrastructure while building increased fiscal buffers, critical for an open and highly dollarized economy like Cambodia to address any external shocks.</p> <p>No doubt Cambodia’s growth performance so far has been impressive. But the policy challenges evolve as countries undergo economic transitions. Going forward, reform measures need to support a growth strategy that would not only attract FDI but also, equally importantly, encourage domestic investment to support economic diversification, job creation and fulfill the aspirations of Cambodians for a more inclusive growth.</p>
<b>Investment Climate Assessment on Cambodia</b>	<p>Cambodian businesses are facing the same challenges today (October 2014) as they were in 2009, according to a new joint World Bank and Asian Development Bank (ADB) study. Mirroring the results of the 2009 ICA, the latest report lists electricity prices, corruption, a lack of skills and financing as the biggest constraints to doing business.</p> <p>“Despite the government’s effort at introducing reforms to improve the investment climate, the business environment continues to hamper the competitiveness of firms in Cambodia,” the report states. Overall, 43 per cent of the 862 businesses surveyed for the ICA listed electricity prices and more than 30 per cent listed corruption as their as the biggest constraints.</p> <p>Consequently, the World Bank and the ADB have jointly called on the government to prioritize reviewing Cambodia’s energy source strategy, passing a new e-commerce law to expedite automated private-to-public-sector payment systems and revise the current Investment Law to improve the attractiveness of special economic zones (SEZs). “Still, Cambodia can do more to address the most serious constraints seen by the firms.” Among the ICA’s additional recommendations was a “Zero Corruption Strategy” for the Kingdom’s SEZs where more than 70 per cent of the firms listed corruption as their primary concern – almost double that of non-SEZ companies. “Policing this strategy would be feasible in the controlled environment of the SEZs, and have a strong resonance in terms of building a positive image for Cambodia as an FDI destination,” the report states.</p>
<b>MoC Reforms</b>	<p>In several discussions, we have heard from representatives of the private sector, traders, and development partners that it is important for MOC to engage in long-term, strategic development planning for various</p>

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	<p>projects on automation and innovation design, informed by cutting-edge evidence and analysis that will be useful in improving present trade and business operations. That is why, the Ministry of Commerce has strengthened its existing structure for more effective trade policy formulation and implementation, which are key elements of the trade reform agenda and develop world-class automated processes and systems to ensure that government's and TDSP's activities deliver results.</p> <p>In a competitive environment where managing risk, reducing costs, and exploring savings opportunities are important drivers for trade professionals, investigating options for trade automation becomes critical. In this regard, a lot of trade automation processes are on top of the agenda at the Ministry of Commerce. Recognizing ICT's ability to contribute towards economic development and efficiency, the Royal Government of Cambodia supports the goal of achieving a paperless trading environment in both government and businesses. Various reforms have been introduced by the Ministry of Commerce that instituted introduction of new technologies to cover a wide range of transaction processes, namely:</p> <ul style="list-style-type: none"> <li>• <b>Automation in the Issuance of Certificate of Origin:</b> CrimsonLogic Pte. Ltd. from Singapore was recently hired by TDSP in order to customize an automated system in the Issuance of a Certificate of Origin. A relevant aspect of the automation of the process in the issuance of Certificate of Origin is the inclusion of a digital signature on declarations and its storage on signed-document documentary bases and electronic payment system so as to allow more Cambodian exporters to take advantage of preferential customs duty rates that have been established by either bilateral agreements or the provisions arising from international treaties.</li> <li>• <b>Trade Information Website (TIW).</b> The plan is to create a single platform, known as a Trade Information Portal or Trade Information Website (TIW), where all the information relating to trade from all the various agencies is aggregated under one roof and is readily available for searching and viewing. The establishment of a Trade Information Portal is seen as a first step towards the introduction of an electronic National Single Window, which is also increasingly being seen as a way of affording greater facilitation to trade. We are now at the stage of moving to develop the prototype for this website.</li> <li>• <b>On-Line Business Registration System.</b> The proposed Business Registration automated process aims to reduce the number of steps, application forms and number of signatories needed in business registration and permit applications. It is a priority program in a bid to improve the business climate in the country.</li> <li>• <b>Drafting of the E-Commerce Law:</b> The drafting of the E-Commerce Law in Cambodia is the initial step towards paperless trading initiatives in</li> </ul>

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	<p>Cambodia. The draft E-Commerce Law defines the Royal Government of Cambodia’s policies on electronic transactions, requiring the government to be a model user of electronic commerce, specifically in the delivery of core public services.</p> <ul style="list-style-type: none"> <li>• <b>IPR Automation.</b> The Ministry of Commerce’s Department of Intellectual Property Rights will soon cooperate with various intellectual property (IP) offices worldwide, users and other stakeholders to develop shared IP tools, services, standards, databases and electronic platforms. The system is also expected to validate information related with Trademarks.</li> <li>• <b>SPS Automation.</b> The Ministry of Agriculture, Forestry, and Fisheries, with assistance from the World Bank and the Ministry of Commerce has already prepared the blueprint for the SPS Automation and is now in the process of recruiting a company that will deliver a customized computer program that will harmonize the SPS Clearance Application to Approval and Importation Procedures.</li> </ul>
<p><b>Justification for TDSP Extension</b></p>	<p>As TDSP is about to close in March 2015, we hope that our development partners will help us by further extending the Program so that the Cambodia’s ranking in Ease of Doing Business and the Logistics Performance Index (LPI) will move up by at least 20 ranks. If the proposal to extend TDSP by at least 17 months will be given the upper hand of the development partners, thru the World Bank intercession, we will be able to foster a renewed spirit of innovation by adopting the latest technologies in the ASYCUDA World System, the automation of the Certificate of Origin System processing, speeding up of the business registration process, as well as in the issuance of SPS Certification and Trademarks, and the establishment of the National Single Window, which are expected to bend the curve of development in Cambodia into something that is regionally acceptable.</p> <p>As noted by the recent WB Implementation Support Mission, there were good progress in all components of TDSP, with several program development objectives (PDOs) now having been achieved. The overall PDO of increasing the capacity of Government officials to formulate and implement new trade policies has markedly improved since 2009.</p> <p>Since some of the sub-components and projects of TDSP are about to close in March 2015, there are about \$6 million funds that are to be disbursed, the Ministry of Commerce, the General Department of Customs and Excise, and the General Department of Agriculture have identified some unfinished tasks that are included in each ministry and agencies reform agenda that will be accomplished over a period of 17 to 18 months using the funds remaining from TDSP. Most of these reforms will lead to improved Doing Business and Logistics Performance ratings by at least 20 rankings for Cambodia, and higher foreign direct investment (FDIs) in Cambodia leading eventually to</p>

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	<p data-bbox="505 233 1122 268">new, better-paid jobs for the Cambodian people.</p> <p data-bbox="505 306 1438 449">With the most of the items in the reform agenda in the trade sector not yet implemented, we are requesting that the World Bank and its financing partners the EU and UNIDO, agree to extend the closing date of the program by 17 months from March 31, 2015 to August 31, 2016.</p> <p data-bbox="505 487 1438 814">The proposed 17 months extension will utilize the undisbursed portion of TDSP funds in improving and strengthening the business environment (automating new company registration, certificates of origin, phyto-sanitary reporting and trademark registration) and to expand the outreach of the customs automation system, ASYCUDA, to additional checkpoints while also increasing the scope of ASYCUDA functions (to cover warehousing, transit, e-payment, direct trader inputs and other functionalities) that will be in line with the National Single Window implementation, similar to its ASEAN neighbors.</p> <p data-bbox="505 852 1438 1255"><del>We still have some ways to go and we will continue to pursue these innovative reforms at the Ministry of Commerce, thru the Trade Development Support Program, in partnership with the private sector and donor agencies. The challenge before us now is not only to sustain our progress, but also to deepen and accelerate our efforts. In order to get there, we must continue to work harder to ensure these reforms become an integral part of the way we provide services to our traders and our people every day. That means backing cutting-edge innovations to develop the next generation of breakthrough technologies in the trade sector, so as to reduce face-to-face interactions with traders and expand economic opportunity to everybody.</del></p>