

United Nations Conference on Trade and Development  
Japan Bank for International Cooperation

**Blue Book  
on Best Practice in Investment  
Promotion and Facilitation**

**Cambodia**



## PREFACE

The Blue Book for Cambodia comprises 10 measures, actionable over a short term of one year, to move the country towards best practice in investment promotion and facilitation.

The project is jointly carried out by the United Nations Conference on Trade and Development (UNCTAD) and the Japan Bank for International Cooperation (JBIC). The contents of the Blue Book were developed through a brainstorming session at a workshop in Bangkok on 8 and 9 September 2004, which included representatives from the public and private sectors of Cambodia. This was followed up with a national workshop on 27 October 2004 in Phnom Penh to endorse the measures to be included in the Book. The national workshop was hosted by H.E. Mr. Sok Chenda, Secretary-General of the Council for Development in Cambodia, and participants were from the public and private sectors as well as the donor community in Cambodia.

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## ABBREVIATIONS

ADB	Asian Development Bank
ASEAN	Association of South East Asian Nations
AusAID	Australian Agency for International Development
CCC	Cambodian Chamber of Commerce
CDC/CIB	Council for the Development of Cambodia/Cambodian Investment Board
CIB	Cambodian Investment Board
CG	Consultative Group
CLRDC	Cambodian Legal Resources Development Center)
FDI	foreign direct investment
GPSF	Government-Private Sector Forum
IAC	Investment Advisory Council
ICC	International Chamber of Commerce
IFC	International Finance Corporation
IPA	Investment Promotion Agency
ITS	investment targeting strategy
JIBC	Japan Bank for International Cooperation
LDCs	least developed countries
LRU	Legal Reform Unit
MAFF	Ministry of Agriculture, Forestry and Fishery
MAP	Marketing Action Plan
MCCI	Mauritius Chamber of Commerce and Industry
MIGA	Multilateral Investment Guarantee Agency
MIME	Ministry of Industry, Mines and Energy
MOC	Ministry of Commerce
SCCCI	Singapore Chinese Chamber of Commerce and Industry
SEAFILD/CIDA	Southeast Asia Fund for Institutional and Legal Development/ Canadian International Development Agency
SME	small and medium-sized enterprises
TNC	Transnational corporation
SWOT	strengths, weaknesses, opportunities, threats
UNCTAD	United Nations Conference on Trade and Development
UNIDO	United Nations Industrial Development Organization
WCF	World Chambers Federation

## **TEN-POINT ACTION PLAN**

- 1.** Produce timely official translations of business-related laws and decrees into English.\*
- 2.** Change regulations to allow prices of CDC-approved imported inputs to be calculated at transaction values.\*
- 3.** Install an investor tracking system.\*
- 4.** Develop facilitation and aftercare services units within the CIB.
- 5.** Implement a targeted investment promotion strategy: starting with light manufacturing, including agro-processing.
- 6.** Train government institutions in technical dealing with investors (client-orientation)..\*
- 7.** Initiate pilot programme on building supplier relationships between foreign and domestic firms (i.e., business linkages) among CDC/CIB, MAFF, MIME, MOC, and other agencies in the garments and agro- processing sectors, and with affiliates of foreign TNCs in Cambodia.
- 8.** Enhance the monitoring system to track problems raised by the Working Groups of the Government-Private Sector Forum and the progress achieved.\*
- 9.** Build up the information base and services of the Cambodian Chamber of Commerce to support SMEs and other businesses (utilizing the Internet to achieve this).
- 10.** Support establishment of Provincial Chambers of Commerce.

*\* Actions relatively simple to implement with minimal financial requirements*

## INTRODUCTION

**Background.** During the third meeting of the United Nations Conference on Trade and Development (UNCTAD)/International Chamber of Commerce (ICC) Investment Advisory Council (IAC), held on 13 November 2003 in Japan, high level government and business representatives discussed ways and mechanisms to overcome impediments and bottlenecks to foreign direct investment (FDI) in Asian least developed countries (LDCs). A number of issues were highlighted with regard to strengthening the investment climate in the participating countries, in particular how best practices in other countries and regions could be more efficiently applied. The meeting participants recommended the preparation of a "Blue Book" on best practices in strengthening the investment climate.

On 14 November 2003, the Japan Bank for International Cooperation (JBIC), UNCTAD and ICC signed a Memorandum of Understanding relating to investment promotion and facilitation in the new ASEAN member states. Subsequently, UNCTAD and JBIC initiated a project aimed at documenting success stories and best practices in improving the investment climate, in particular policy and capacity-building measures, and applying them in two LDCs – Cambodia and Lao PDR.

**Process.** The Measures presented in the Blue Book on Best Practice in Investment Promotion and Facilitation for Cambodia reflect the consensus from the Cambodia Workshop held in Phnom Penh on 27 October 2004 and hosted by the Council for the Development of Cambodia (CDC). The Workshop comprised representatives from the public sector, the private sector, and the donor community. Additional stakeholder interactions were held during the Bangkok Meeting (8 and 9 September 2004) and the fact-finding mission to Cambodia (10 to 13 September 2004), which involved in-depth interviews with numerous companies and policymakers. Additional insights from the business community were obtained through a detailed firm level survey in Cambodia. All these valuable inputs are greatly appreciated by the research team, and it is hoped that the insights obtained can be recognized in the 10 measures presented below.

The "Blue Book" is intended to guide Cambodia in the process of improving the investment climate, in benefiting more from foreign direct investment, and in dealing with a range of investment-impediment related issues and public-business sector dialogue. It was compiled drawing extensively on inputs from all stakeholders, including UNCTAD, JBIC, and the ICC.

The Blue Book on Best Practice in Investment Promotion and Facilitation for Cambodia, therefore, contains concrete and measurable activities for the government in achieving best-practices in the following three broad areas: (1) Regulatory framework for investment and impediments to investment; (2) Investment promotion strategy; and (3) Institutional development. The selection of topics and action items were guided by the following key criteria: (a) relevance to foreign investment; (b) actionable within one year; (c) not being covered by other players/donors; and (d) with a focus on action and doing – not on planning.

**Monitoring implementation.** Several measures require financial support from Cambodia's development partners, and the existing mechanism of donors' Consultative Group(CG) meeting should be fully utilized for the purpose of securing the necessary resources. There is also the need for appropriate monitoring to ensure smooth implementation. A first follow up on the Blue Book measures will be held in the week commencing 9 January 2005, after the ASEAN Ministerial Summit in Vientiane and the CG meeting in Phnom Penh either by email exchange or a telephone conference. Subsequent monitoring will be undertaken on a regular basis to be determined at the first follow up exchange.

## **Measure 1. Produce timely official translations of business-related laws and decrees into English**

### **(a) Rationale and Country Context**

One critical determinant of investment location is the quality of the business legal and regulatory framework. However, before foreign investors can assess the business environment, they must have access to the various business laws and regulations. Most developing countries have good translations of the investment law and often a few others such as the labor law, but generally laws in developing countries are difficult to access in terms of availability and reliable translations. Timely and properly translated laws and regulations are also necessary for existing foreign investors to assure greater compliance with the law and to help avoid arbitrariness in law enforcement. In sum, businesspeople need to have access to clear and understandable written versions of the laws and regulations governing their operations.

The Legal and Judicial Reform Strategy for Cambodia, as presented on March 2001, outlines the current situation in Cambodia regarding publication of laws. As recognized by the government, few Cambodian laws are translated into English and even fewer are "official" translations, which have often led to problems of inconsistency and difficulties with enforcement. The process of translating laws into English in the past is as follows (Legal and Judicial Reform Strategy for Cambodia, Chapter III): "The genesis of the publication of the English version of Cambodian laws dated back to the year 1993 when the initial compilation and translation of Cambodian laws took place at the initiative of a few expatriate legal advisors working with the Government. The First and Second Volumes of the Compendium were published by the Council for the Development of Cambodia under funding from UNDP. The works were converted into a CD Rom legal database under another UNDP project and subsequently the Legal Reform Unit (LRU) under the Council of Ministers uploaded them onto their website. Under the Technical Assistance Project, the World Bank has supported the regular publication of Cambodia's laws and regulations in three languages (Khmer, English and French). These laws and regulations, which are produced in a monthly bulletin, are also accessible through the Internet and in the form of CD softwareROMS. These initiatives are being expanded to cover on a selective basis court judgments and decisions which may be of interest.

"The publication of the Third Volume of the Compendium was undertaken by the Cambodian Legal Resources Development Center (CLRDC) with seed funding from Southeast Asia Fund for Institutional and Legal Development/ Canadian International Development Agency (SEAFILD/CIDA)CLRDC with seed funding from SEAFILD/CIDA and built partly on the works of the LRU. For those pieces, the CLRDC provided the value added in terms of re-editing the translated version and fine-tuning them into more acceptable professional translations. Weekly updates of legislation development were undertaken by the law firm of DFDL (founded as Dirksen Flipse Doran & Le in 1993), which also offers subscriptions through online services." (Source: in-country consultant).

**(b) An Example of Best Practice**

Viet Nam's Ministry of Planning and Investment has cooperated with a private law firm since 1992 to produce official translations of laws and decrees related to investment and conducting business in Viet Nam. The law firm translates the laws, gets them approved by the Ministry of Justice, provides copies of the official translations to the government, and has exclusive rights to package and sell these official translations.

The law firm produces and markets the "Foreign Investment Laws of Vietnam Loose-leaf Service," which comprises over 800 laws in 16 volumes. Topics include foreign investment; taxation; banking, finance, and foreign exchange; land and premises; labor; customs and immigration; accounting and auditing; contracts; intellectual property and technology transfer; natural resources and environment; business organizations; civil code and commercial law; and others.

Additionally, the firm offers the "Vietnam Legal Update," which is published on a monthly basis and assists business people in keeping up to date on changes in the business legal and regulatory framework.

The measure can be a costly process if undertaken by the Government, and in the creative solution found in Viet Nam, the costs is undertaken are borne by a private law firm.

**(c) Action Plan**

It would not be possible to produce a complete set of official translations of business-related laws and regulations within one year, but this measure is intended to initiate the process of an arrangement similar to the one in Viet Nam and gradually build up the compendium of official translations. The action plan presented below aims to initiate a long-term cooperative arrangement between an international law firm in Cambodia and the appropriate overseeing ministry or public agency that will produce a priority set of translated laws and decrees within the first year and set targets for the subsequent years. The main steps entail:

- Preparation of the necessary tender documents, including a clear terms of reference and qualifying criteria;
- Solicit proposals from international law firms;
- The appropriate committee within the public sector will review and select the law firm with the best proposal meeting the qualifying criteria;
- Prepare a contract that specifies the terms of the arrangement, including deliverables, the approval process, target dates, and length of agreement;
- Sign contract with the winning bidder;
- Embark on translating priority laws agreed to in the contract for the first year.

**(d) Key Performance Indicators**

- Contract signed with winning law firm by April 2005.
- First batch of high priority laws produced by September 2005.
- Second batch of laws produced by December 2005.

**(e) Financial Implication**

None for the Government.

## **Measure 2. Change regulations to allow prices of CDC-approved imported inputs to be calculated at transaction values**

### **(a) Rationale and Country Context**

In order to strategically plan ahead and maintain company accounts that accurately represent underlying profitability, businesses need invoice values that reflect real prices at the time of the transaction.

At present, the calculation of transaction values of imported inputs in Cambodia is quite opaque. On the Customs and Excise Department's website, the current laws related to customs are based on the Law of 1989. This law does not mention the technique for calculating import values. However, a draft of the Law on Customs currently exists, which contains a provision stating that the value of imports shall be calculated based on the transaction value- price actually paid when goods/services are sold to Cambodia.

According to the Sub-decree on the Implementation of the Law on Investment, Chapter 7, Article 23, CDC requires enterprises that import materials as part of an approved project to provide documentation of customs clearance (including valuation documents) within 30 days. As for the CDC practices, companies are required to specify amounts and prices of imported inputs at the beginning of each year. Then, when the inputs are imported, they are valued at the price that was declared earlier. In the event that prices have changed since the initial declaration, the prices for inputs that companies are then required to use for their accounts are different from the actual prices paid, namely the transaction values at the time of import. This results in official company accounts that show either artificial profits or losses, depending on whether the initially declared prices were lower or higher than the transaction values at the time of import. This pricing practice also causes problems with regard to obtaining insurance on imported inputs since the insurer generally uses the prices in the company's official accounts as the basis for insured values.

### **(b) Benchmarking and Best Practice**

In general, it is common practice to utilize transaction values at the time of the transaction for the valuation of imported inputs. This allows companies to use actual prices paid in their accounts and also for insurance purposes.

### **(c) Action Plan**

- Prepare the necessary draft regulations to change the valuation practice of CDC, requiring CDC-promoted companies to declare at the beginning of the year only the expected quantities of imported inputs, and allowing flexibility in these quantities in the event that the company expands or has other sound justification for larger quantities;
- Submit the proposed revisions through appropriate procedures to the required authorities in government, and push for rapid approval;

- Upon successful completion, publicize on the CDC/CIB website, in promotional materials, and announcements to business associations and ministries.

**(d) Key Performance Indicators**

- Change the valuation basis for imported inputs by CDC-promoted companies by December 31, 2005.

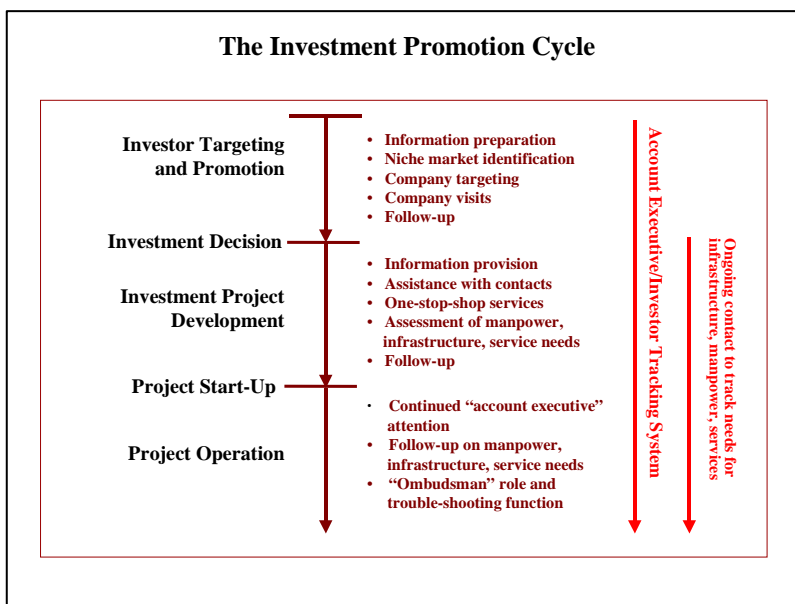
**(e) Financial Implication**

None for the Government.

### Measure 3. Install an investor tracking system

#### (a) Rationale and Country Context

Effective selling requires a good investor leads tracking system that tracks prospects throughout the investment promotion cycle – from inquiry to investment lead to commitment to investment and beyond. Installing an investor tracking system in an investment promotion agency (IPA) will enable the Agency to more effectively manage its relationship with contacts, potential investors, and established firms. The system will allow staff to input and update contact information, and to produce reports so that management may track progress of investors through the investment process and thereafter. Investor tracking software will be used to track in-



vestor activity and provide multiple users in an organization with features to better manage their portfolios and to provide a much more effective service to both potential and actual investors.

The Cambodian Investment Board (CIB), which resides in CDC, is the department in charge of investment information and data. At present, CIB holds only paper records of applicants and approved investors. An investor tracking system or equivalent does not exist, and no computerized tracking software is in place.

#### (b) Benchmarking and Best Practice

In general, with regard to leads tracking systems, effective IPAs exhibit a:

- Demonstrated use of tracking software, including the follow up and rekindling of leads;
- Good record of success in using the investor tracking system in a sustained and systematic manner; and
- The existence of a complete history of all investor leads and activities available to all officers and account executives in the agency.

It is highly recommended to computerize this system, and any effective system will include the following key elements:

- Investment project tracking – to accurately record the nature of the project being proposed and the major characteristics of the proposed investment;
- Contact management – monitoring the types and frequency of the contacts made with the investor to facilitate timely follow up and required actions;
- Work management – tracking the various work elements that the investment promoter needs to carry out in order to progress the investor through the investment promotion cycle. This includes correspondence, assisting with investor visits, etc;
- Investor servicing – recording the types of assistance that the investor requires both from the investment agency and from other agencies such as customs, business consultants, lawyers, etc;
- Permits and authorization tracking – maintaining a comprehensive record of all the permits and licenses that the investor requires and the status of applications for these permits and licenses;
- Management reporting – providing the senior management of the investment promotion agency with accurate and timely information on the processing of an investment proposal, and permitting the monitoring and evaluation of the performance of investment promotion officers.

Some additional useful features of an investor tracking system include the following:

- Tracking milestones – this registers an investment as it progresses through the investment project life cycle. The stage is updated as each key milestone is reached, and this can be automated if required. This feature can be used systematically to analyze the outcomes of investment projects – to serve as a tool for identifying areas where the investment climate needs improvement;
- Registration of source for all leads – this permits a systematic tracking of the investment promotion partners that are most active, and which can usefully be followed up more regularly;
- Automatic lead qualification – incorporating a set of system triggers: hot, active or cold classifications based on where investor prospects are within the investment cycle, and how active the prospect has been;
- Automatic “time-out” for inactive leads – once leads have been inactive for a period of time or decisions have been made that end the investor’s consideration of an investment in the respective country, the investor tracking system will inform users that the lead is being removed from active consideration.

Record and analyze the total impact of an investment in the country, in terms of investment capital expended, annual sales turnover, employment generated, land use, and raw materials and utilities consumed.

**(c) Action Plan**

The basic activity will involve the installation of a software programme (the recommended package by UNCTAD is ACT) tailored to the country's needs, and the provision of five days training on its use and application and the development of a full implementation plan. The implementation will be done through advisory services/technical assistance. UNCTAD and MIGA have provided such services to IPAs in Algeria, Ghana, the Republic of Tanzania and Zanzibar.

A typical activity is given below:

<b>Activity</b>	<b>Time Line</b>
1 Design specification review (with background project material sent to consultant)	1 week
2. Confirm final project specifications (which will take into account DDFI's existing computer system) and signs contract agreement with consultants	1 week
3. Project review with clients, and installation of system and database design and customization according to country's needs (on site).	2 days
4. Training users to operate the new programme (on site)	1 day
5. Administrators Training, design of templates and reports Handover and review of project (on site). This activity will include the development of a complete implementation plan along with expected milestones as DDFI implements the investor tracking system	2 days

**(d) Key Performance Indicators**

- Installation of tracking software and implementation of training – June 30, 2005
- Complete functioning of investor tracking system in place – December 31, 2005

**(e) Financial Implication**

\$10,000.

## **Measure 4. Develop facilitation and aftercare services units within CIB**

### **(a) Rationale and Country Context**

Investment promotion usually at best results in a potential investor deciding to explore the location in person. Landing the initial investment, keeping it in the location, and possibly expanding the investment later on, however, depend in great part on the quality of services provided to the investor throughout the investment cycle. Facilitation through the site visit and investment registration process, along with continued support and troubleshooting assistance during a company's operations helps to develop satisfied investors who will stay in the location.

Aftercare services are seen as a crucial incentive for investors. If this service is provided by CIB, this is an additional benefit for investors regarding the One-Stop Service of the CIB. In practice, the CIB does not provide extensive aftercare services, although on the CDC website, they do state that they provide services to "monitor investment projects after implementation".

Given the limited resources within CIB, it is recommended that a number of existing staff members be transferred from present functions into an investor facilitation and aftercare services division that will strengthen relationships with existing investors in Cambodia. Investment facilitation for new investors is also envisaged for the retrained division, but for the immediate term the focus will be on more frequent contact and service provision for existing investors. The reason for this is that existing investors are one of the greatest sources of new investment in any particular location, and the CIB must ensure that the relatively limited number of foreign investors remain in Cambodia remain there as satisfied customers.

### **(b) Benchmarking and Best Practice**

Strong IPAs tend to possess

- Well developed facilitation and aftercare services identified and prioritized explicitly in their investment promotion strategy;
- A clear target of working for second generation investment;
- Post-location problem-solving services for the investor clients; and
- Facilitation and aftercare services geared to 'anchoring' the investment to the location.

In order to achieve these features, many IPAs and other agencies have set up investment service centers or a specially trained team to consolidate and facilitate the services offered to investors. Among the general functions performed by investment service centres or teams are providing information and documents to investors, processing investment applications, providing matchmaking services, and help rectify problems of investors with other government agencies. An investment service team should not be designed to assist investors only during the project application phase; rather, a range of services should be offered covering the entire investment cycle.

Most companies interested in investing in a location will make a site visit to decide if that location is ideal for them. The objectives of these site visits are normally to obtain specific information necessary for the investor's project, to meet with the appropriate government officials and private firms to discuss the business environment and specific matters, and to assess the overall quality of the location.

Normally it is best to assign one officer to manage the entire visit (often referred to as the "account executive" approach), so that the prospective investor knows exactly who is handling the visit, can address all requests to that person, and there is clear accountability for the site visit. If the visiting company is a major one, a senior IPA official ought to manage the site visit to emphasize the importance of that particular investor.

One of the keys to planning a successful visit is to tailor it to the investor's specific needs and interests. The IPA will need to identify the appropriate people in the public and private sectors who are relevant to the investor's project, such as existing investors in your location who are in the same industry and government officials who can respond to specific and important questions about the project or industry.

An investor's service needs change after commencing with the project establishment phase. In this stage, investors require a lot of assistance from the IPA in facilitating the investment approval, getting the maximum incentives offered by the Government for their project, and working through the bureaucracy to complete the registration process and obtain the required permits and licenses.

Depending on the level of bureaucracy in a location and the consistency of procedures, establishing the investment project can be a frustrating experience for many investors, and they will turn to and expect assistance from the IPA's service team. Failure to provide adequate assistance through the bureaucracy in getting the project established could cause the investor to back out of the commitment. Many countries experience high rates of unrealized project approvals, partly because of getting stuck in the bureaucracy (but also because of other factors such as the investor not being able to obtain the necessary financing for the project and other reasons).

Once the investor's project is operating, the IPA's job in facilitating investors is still not over. Recall that many industries are extremely mobile these days and will quickly leave one location for another if they encounter severe constraints in their operations or the business environment deteriorates. Also, even after starting up, the investment project might have additional or unforeseen needs that the IPA can assist in resolving.

A proactive and service-friendly IPA would maintain periodic contact with the firms after they commence with operations to keep abreast of the developments and address problems early before they get more complicated. Some of the typical types of support activities that an IPA should offer investors in the implementation phase entail ongoing troubleshooting with agencies such as customs and immigration (since the company might encounter new problems after the project is operating); fostering networking opportunities among investors and with business associations; and providing value-added services such as identifying new suppliers, potential business partners, and coordination with other types of business service suppliers.

The IPA should be proactive in following up with firms periodically to identify any problems that they are having that the IPA can resolve, even with firms that have been

operating in the location for many years. The periodic follow-up with investors is also useful for anticipating their future needs, and may enable account executives to identify ways to support or convince a firm to expand its operations in that location.

The IPA can expect certain kinds of after-care issues for its clients. With industries changing rapidly these days, firms in your location might need assistance in locating specialized labor or identifying advanced technology suppliers. Some firms may eventually look for new partners to help them expand their operations or to raise additional capital. Firms occasionally encounter problems with suppliers or customers that require finding replacements quickly, and the IPA's database of firms can often be a good source of this information. Also, the IPA can and should play an active advocacy role on behalf of investors to improve the local business environment, such as streamlining local procedures and paperwork, reducing the number of inspections, removing economic distortions or unfair competition rules, conducting counter-corruption campaigns, and more generally involving the business sector in the policy-making process. Often, the IPA needs to perform the role of (inter)mediator between the investor and (local) government, and facilitate government-business consultations.

Among other international agencies, UNCTAD provides advisory services to investment promotion agencies. A recent example includes assistance to the IPA in Morocco, as part of a larger investment promotion strategy.

**(c) Action Plan**

- Review the types of services currently offered by the CIB that constitute "facilitation" and "aftercare services/CDS," and identify priority services to be developed;
- Conduct a training needs assessment of the existing CIB officers to be transferred to this function, and identify the types of training activities to be implemented;
- Re-train the existing officers to serve as the staff of CIB's investor facilitation and aftercare services division;
- Provide the CIB with a standard "manual" on facilitation and aftercare services to guide existing officers and train future officers.

**(d) Key Performance Indicators**

- Completion of training needs assessment and capacity building design by April 2005.
- Implementation of capacity building and manual preparation by June 2005.
- Full implementation of the CIB's investor facilitation and aftercare services division by December 2005.

**(e) Financial Implication**

\$ 20,000.

## **Measure 5. Implement a targeted investment promotion strategy: starting with light manufacturing, including agro-processing**

### **(a) Rationale and Country Context**

An investment promotion strategy that starts with light manufacturing is a realistic strategy that takes into account the structure of the industrial sector in Cambodia on one hand, and on the other hand, provides the way for broad-based growth. The effort should focus on garnering special attention for agro-processing, as a large majority of the population still depends on agriculture, and on the garments sector, which accounts for 80 percent of exports and 65 percent of manufacturing employment. For the garment sector, a comprehensive report has been prepared by the Ministry of Commerce (MOC) and the Asian Development Bank (ADB) (called: Cambodia's Garment Industry: Meeting the Challenges of the Post-Quota Environment, October 2004) that calls for the development of such a strategy for the garment industry and lays out an implementation plan.

According to the First Schedule of Sub-decree 88 on the Implementation of the Law on Investment of the Kingdom of Cambodia dated 12/29/1997, the CDC/CIB offers investment incentives to a number of "suggested areas for investment". Likewise, the CDC website states that these sectors are given "special priority". However, the list is very broad, ranging from all types of agriculture production to manufacturing and food processing as well as hotel construction and infrastructure. More focus is necessary.

### **(b) Action Plan**

In general, with regard to targeted investment promotion, effective IPAs exhibit a:

- Clear identification of key target sectors and countries;
- Clear identification of key individuals who can help leverage projects; and
- Pro-active approaches to potential investors with proposals.

Investor targeting is often (mis)construed as picking opportunities within an industry group. In fact, most basic industrial development consulting firms provide this level of detail, and the investment targeting strategy (ITS) often uses such work as a point of departure. The real added value provided by the ITS lies in the allocation of scarce promotion resources to those opportunities which make sense from an FDI perspective. Building on this prioritization of industries for overseas promotion, the ITS then identifies target investor markets: not just likely investor countries, but complete investor profiles based on trends in the international marketplace and in related economic landscapes.

The second (and perhaps the most important) output of the ITS is the marketing action plan. This is the framework for implementation of the promotion programme and is an area that is typically not covered by location consulting firms. It provides the approach necessary for the IPA to attract the identified investor countries and firms, as well as accompanying implementation timelines and budgets. It is this marriage between abstract identification and hands-on promotion that sets the ITS apart from traditional targeting work

and allows IPAs to develop promotion approached based on a detailed, holistic, and actionable document.

The ITS essentially relies on an industry identification and screening process to arrive at target markets for investment promotion, and then develops marketing plans for those targets. The ITS methodology first develops a “long list”, or universe of possible activities, consisting of all industries which could be considered as candidates for international investment promotion efforts by the counterpart IPA. Those industries are then screened through three tests: a comparative analysis that compares each industry’s location requirements with the economy being promoted, a competitive analysis that examines each industry’s supporting and constraining trends (domestically and internationally), and a policy analysis that prioritizes industries deemed suitable based on government policy priorities. Note that the comparative and competitive screens are the first screening hurdle, so that an industry cannot be included based on its consistency with policy objectives if it has not passed the fundamental economic comparative and competitive analyses. Identified targets are then separated into near-term and medium-term candidates, and marketing plans are tailored to immediately promote near-term candidates for promotion.

The marketing strategy acts as the core plan for navigating the IPA management's promotion activities. In general, it outlines the broad approach that IPA management will have to undertake in selling industrial opportunities to prospective investors. The promotion strategy provides the basis for developing industry-specific marketing action. The marketing action plan (MAP) is an outline of the overall programme for promoting a particular industry in the host province or country. While the promotion strategy provides the basis for the overall approach to be undertaken the IPA, the MAP outlines this strategy as a basis to develops industry-specific approaches.

A typical MAP contains the following elements:

- **Target Investors:** the characteristics of the investor groups are described, in order to gain an understanding of who the promotion effort will be targeting. This is done in terms of nationality, type of investor, the motive for potential location in the host province, patterns of local and regional investment, and other information that may be relevant;
- **Principal Selling Themes:** the promotional emphasis or principal advantages that the host province can highlight in the customized materials and approaches in a single attractive slogan. This is obtained from a benchmarking exercise undertaken earlier;
- **Promotion Approach:** the specific combination of the various investment promotion techniques as determined by the nature of the investor and the characteristics of the industry. This is a summary of the promotion strategy applied for each industry;
- **Promotion Materials:** the optimal promotional materials are described for each sector, in general terms. Apart from the standard printed materials, management may decide to develop materials if the industry is deemed as a major industry for the area. Feature videos and CD-ROMs typically form part of such materials. At the least, an information sheet describing each industry should be developed.

Investment Goals: the specific objectives for each sector, in terms of numbers of investments, average size of investment, employment, and other characteristics are noted. Determining investment goals is a difficult if not impossible task as it is akin to forecasting the demand. Management may use historical investment patterns as an indicator for future goals. Alternately, they may use figures from best in class locations as a target to strive for. Locating an investment is ultimately a corporate decision, and the factors involved in this decision may not always be transparent to the economic development professional. The frequency of activities towards generating the investment should be factored in the assessment of goals as well.

**(c) Action plan**

In general, the major activities that need to be carried out include the following:

1. Sectoral SWOT analysis and benchmarking for the sectors to be targeted;
2. Development of marketing action plan, including plan for working with a broad range of partners;
3. Identification of country targets;
4. Survey and fine-tuning of potential investors;
5. Preparation of investment promotion materials and marketing documents;
6. Marketing strategy implementation, including missions to target markets and potential investors;
7. Follow up activities to maximize effectiveness of activities.

For the agro-processing sector, the initial focus would need to be on the development of a strong understanding of the present status of the sector; once this is complete, then the steps 1 to 7 can be implemented.

For the garment industry, the targeted investment campaign can draw on the findings of the detailed study of the MOC/ADB. The study called for the following activities related to the implementation of an investment promotion drive:

- Implementation of an investment promotion activity to domestic investors (both male and female entrepreneurs) and potential foreign joint venture partners. This involved the preparation of investment opportunity profiles for selected economic-size model factories to support efforts to attract Cambodian investors to various parts of the garment value chain, to stimulate the growth of backward linkages, and to improve lead times in the industry;
- Visits to Cambodia-based companies that have been receiving approvals for large investments, apparently for backward linkages, to understand how these projects relate to the development of backward linkages in the garment industry;
- Visits to, the mainly East Asian, offshore owners of major garment manufacturers in Cambodia;
- Targeted investment promotion visits to other potential investors in neighboring countries and selected locations in Europe and elsewhere. These visits could include companies seeking to relocate dyeing and finishing plants from higher cost countries, e.g. from the EU, Singapore and Malaysia, and preferably with

the foreign company investing in Cambodia with a used plant and domestic partners on a joint-venture basis. The opportunity for the transfer of a plant is much more likely in 2004 than in 2005, as companies planning to close their plants in higher cost countries will make their decisions this year.

Building on the analysis in the study, the activities proposed for the period up to the end of March 2005 are as follows:

- Follow up activities to the potentially interested Cambodian investors, including the provision of technical support to stimulate their interest, and assistance in identifying joint-venture partners if required;
- Planning and implementation of a one-week visit to the offshore owners to reassure them of the seriousness of the Cambodian government to implement the reform agenda, and also to solicit their assistance in retaining existing operations or stimulating new investments. This will include preparation of customized dossiers for each of the major offshore owners that are visited;
- Planning and implementing a one-week targeted investment promotion mission to carefully selected overseas markets. This will include the preparation of customized dossiers for each potential investor that is identified and will identify possible joint-venture partners willing to join in investments in Cambodia and/ or to transfer their used plants to Cambodia.

Among other international agencies, UNCTAD and UNIDO provide technical assistance on targeted investment promotion. Recent examples of technical assistance in sector-specific targeting was provided by UNCTAD to Bosnia and Herzegovina, and Botswana. In Botswana, the strategy encompasses a "hands-on" approach for the IPA and local firms in contacting and promoting to potential investors

**(d) Key Performance Indicators**

For garments (building on analysis already carried out in MOC/ADB study):

- Pulling together the investment promotion strategy .....January-February, 2005
- Completion of first investment promotion mission .....March, 2005
- Follow up and planning for incremental FDI..... Quarters 2-4, 2005
- Investment activities of interested Cambodian investors..... Quarters 3-4, 2005

For agro-processing:

- Completion of industry study on agro-processing .....Quarter 1, 2005
- Pulling together the investment promotion strategy .....April-May, 2005
- Completion of first investment promotion mission .....June 2005
- <sup>2</sup>Follow up and planning for incremental FDI..... Quarters 3-4, 2005

**(e) Financial Implication**

\$80,000.

## **Measure 6. Train government institutions in technical dealing with investors (client-orientation)**

### **(a) Rationale and Country Context**

A client charter is a tool that is used by institutions, including IPAs, to set service standards and to improve on these standards in order to satisfy customers. A good set of standards enables the organization to compare its performance in terms of service delivery with IPAs in other countries. In general, government officials with specific understanding of investment issues will provide better customer services to investors. They will be able to comprehend the needs of investors under different situations.

Based on the findings from the Blue Book Survey of Cambodian-based businesspersons, 5 out of 9 businesses that answered felt that the quality of government services is inefficient. Similarly, 5 out of 9 are not satisfied with public services dealing with troubleshooting and problem solving. These findings suggest that serious improvements need to be made in public service delivery. In particular, Cambodian government organizations interfacing with foreign investors generally lack the necessary customer orientation and associated skills to be considered service providers as opposed to regulators or administrators. Moreover, the high use of middlemen interfacing between the foreign investors and the government agencies also hinders the development of officials' customer skills and creates more scope for inaccurate information flows.

### **(b) Benchmarking and Best Practice**

The Uganda Investment Policy Review carried out by UNCTAD in 1999 contained an action to introduce client charters in public institutions handling foreign investors. The first stage of this process entailed training in customer care for heads of government agencies and the front desk officials. Subsequent stages involved each government agency preparing its own client charter during a workshop. The client charter included the vision and mission statement to ensure that all officers from the top of the organization to the entry-level staff understood and were unified in the agency's purpose. The client charter also specified the types of services offered by the agency, set standards for service delivery time, and clearly delineated the charges for each type of service. Upon completion of the draft client charter, private sector representatives were invited to workshops to discuss the agencies' proposals; the deliberations were then incorporated into the final charters. Each organization is then expected to display the client charter near the reception desk and also to promote the charter in the media and in their interactions with other government agencies.

Feedback given by the Uganda Investment Authority, the IPA, on the impact of the implementation of the Client Charter is: "The effect of the Client Charters was immediately felt. Staff in the organizations recognised and bought into the Organization's Vision. They had clear services they were responsible for and had clear timelines to beat. It also informed investors on the available services and how long they should take. Staff were eager to exceed expectations. Networks were created in the process of producing the Client Charters."

**(c) Action Plan**

1. Introduce “Client Charters” in CIB through a three-day training workshop. (And include two representatives from selected other government agencies such as Customs and Ministry of Finance):
  - Module 1. Service excellence training: To allow participants of the CIB to review investor service best practices and evaluate their own service delivery;
  - Module 2. Developing service standards specific to the CIB: To enable participants from the CIB to evaluate their existing service delivery methods and standards;
  - Module 3. Designing a client charter: To set clear, uniform and transparent service delivery standards for the future.
2. Build the capacity within CBI to develop Client Charters with other public institutions dealing with investors.

UNCTAD has provided Client Charter training to Ethiopia, Lesotho, Maldives, the Republic of Tanzania and Uganda. Except for Uganda, Client Charters were introduced as one component of the UNCTAD Good Governance in Investment Promotion.

**(d) Key Performance Indicators**

- Undergo the training activities and adopt a Client Charter within CIB by June 2005.
- Facilitate the adoption of Client Charters in two more investor-related agencies by September 2005.
- Facilitate the adoption of Client Charters in two more investor-related agencies by December 2005, for a total of five agencies including the CIB.

**(e) Financial Implication**

\$10,000 per institution training.

**Measure 7. Initiate pilot programme on building supplier relationships between foreign and domestic firms (i.e., business linkages) among CDC/CIB, MIME, MOC, MAFF, and other agencies in the garments and agro- processing sectors, and with affiliates of foreign TNCs in Cambodia**

**(a) Rationale and Country Context**

The rationale for improved business linkage programmes is persuasive for all participants in the linkage activities. The types of benefits include: (a) a more dynamic and competitive private sector (especially SMEs); (b) improved micro-economic environment conducive to the establishment of business linkages; (c) more, better quality linkages between TNCs and SMEs; (d) more quality jobs created and preserved; (e) improved competitiveness of local SMEs through technology, know-how and management skills transfer and capital injection; (f) TNCs more deeply rooted in the local economy; (g) increased capacity to attract Foreign Direct Investment; and (h) broader and more diversified tax base for government.

The proposed programme of collaboration between CDC/CIB, MIME, MOC, MAFF and others opens up the opportunity for domestic firms to be better informed about the demands of foreign firms. On the other hand, such a programme can benefit foreign firms by providing information about the feasibility of their investments and/or opportunities to expand their production. This programme of integration can help ignite greater business linkages in Cambodia.

According to findings from the Blue Book Survey, 6 out of 9 businesspeople that answered perceive that the quality of public services in matchmaking foreign and local companies is unsatisfactory. Also, in the Sub-decree on the Organization and Functioning of the CDC, building supplier networks between foreign and domestic firms is not listed as a responsibility of the CDC or CIB. Therefore, this kind of programme does not yet exist. The CDC emphasizes building value added linkages in the agro-industry, in particular.

**(b) Benchmarking and Best Practice**

Experience shows that business linkages can offer substantial mutually beneficial "win-win opportunities" to those foreign affiliates and domestic firms that create and deepen their linkages activities.<sup>\*</sup> Foreign affiliates benefit from linkages with domestic firms as they can reduce costs, enhance access to local tangible and intangible assets, increase their specialization and flexibility and adapt technologies and products better and faster to local conditions; and facilitate their local "rooting".

TNC-SME business linkages can be one of the fastest and most effective ways of upgrading domestic enterprises, facilitating the transfer of technology, knowledge and skills, improving business and management practices, and facilitating access to finance and

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<sup>\*</sup> See UNCTAD, World Investment Report 2001: Promoting Linkages

markets. Strong linkages can promote production efficiency, productivity growth, technological and managerial capabilities and market diversification in local firms.

The ability of foreign affiliates' linkage activities to contribute to domestic supplier development depends, to a large extent, on the domestic markets' and local firms' capabilities. However, government interventions are essential to create an environment conducive to sustainable business linkages, through policies and regulations that support the mutual interests of both foreign affiliates and domestic firms.

Experience shows that public-private sector dialogue and partnership is important to help domestic enterprises integrate into the supply chains of foreign affiliates. It also shows that special care must be taken when drawing lessons from experience of different countries as a certain strategy may only work in a specific context, making it difficult to transpose it to a different setting.

Parties involved could combine their efforts at supporting the creation and expansion of SMEs through various linkage options, such as seeding, outsourcing and sub-contracting. These activities could take place throughout the foreign affiliates' value chain in either forward (e.g., distribution) or backward (e.g., sourcing) linkages.

As part of their normal business operations, many TNCs take various steps to develop linkages between their foreign affiliates and SMEs in host developing countries. Some affiliates provide assistance in a broad range of areas; others may only support specific activities. The most intense relationships are those affecting the technological status of SMEs and their ability to meet the scale, quality and cost needs of the buyer.

The compilation below brings together concrete ways in which linkages can be created and developed and reflects good TNCs practices to date. It is meant to be a checklist for firms to see whether they have exploited their potential for linkages.

<b>Roster of Good Linkages Practices by TNCs</b>	
1	<p>Encouragement, initiation and support of linkage promoting programmes</p> <ul style="list-style-type: none"><li>• Participating in programmes that support the creation of small and medium-sized enterprises;</li><li>• Providing inputs in establishing a public-private sector dialogue to promote linkages: providing policy advice on an enabling business environment; cooperating with chambers of commerce, industry federations and other parties in identifying local capabilities;</li><li>• Providing inputs into linkage development and strengthening.</li></ul>

**Roster of Good Linkages Practices by TNCs**

- |   |
|---|
| <p>2 Support of linkages activities by internal TNC systems</p> <ul style="list-style-type: none"><li>• Considering nominating an in-house linkages focal point with responsibilities for encouraging the formation and deepening of linkages; tracking the linkage process;</li><li>• Looking into parent company and affiliate practices in other countries specifically to get in-house assessment of their success or profitability and operational obstacles;</li><li>• Surveying local suppliers to ascertain their views on their experience and relationship with foreign affiliates;</li><li>• Surveying existing supplier networks, both domestic and foreign, with a view to benchmarking performance, assessing efficiency and highlighting entrenched problems;</li><li>• Introducing periodic open days for SMEs and current suppliers and distributors to visit and interacting with specific sections of the affiliate, from production line to delivery systems;</li><li>• Sponsoring a business linkage unit (e.g. secondment of own human resources and/or in-kind support).</li></ul> |
| <p>3. Providing funding</p> <ul style="list-style-type: none"><li>• Allocating a company budget for creating or upgrading linkages;</li><li>• Setting up a “linkages fund” dedicated to small-scale start-up suppliers to which all foreign affiliates participating in the project contribute;</li><li>• Obtaining funds from Foundations of parent firms for this purpose.</li></ul>  |
| <p>4 Providing access to markets</p> <ul style="list-style-type: none"><li>• Facilitating the SMEs access to tenders and contracts;</li><li>• Committing as much as possible to allocate markets to SMEs;</li><li>• Providing information on annual purchase orders;</li><li>• Providing market information, particularly of foreign markets.</li></ul>   |
| <p>5 Facilitating access to finance</p> <ul style="list-style-type: none"><li>• Acting as guarantors for suppliers taking out loans from banks;</li><li>• Introducing special credit facilities and advance payment mechanisms in support of SMEs;</li><li>• Providing advice on the information needs of capital providers;</li><li>• Providing special or favorable pricing for SME products;</li><li>• Helping suppliers cash flow;</li><li>• Sharing costs of specific projects, leasing, establishment of funds for working capital or other suppliers needs.</li></ul>  |
| <p>6 Providing feedback, coaching and mentoring</p> <ul style="list-style-type: none"><li>• Ensuring regular evaluation of supply chain management; conducting supplier visits and quality audits;</li><li>• Considering the use of local know-how to find solutions to supply-chain problems;</li><li>• Creating feedback mechanisms offering small suppliers an opportunity to air their grievances, constraints and problems.</li></ul>  |

**Roster of Good Linkages Practices by TNCs**

7 Encouragement of human resource development

- Conducting training sessions with suppliers and distributors on quality control, the importance of international standards in producing for exports, and management practices;
- Offering domestic SMEs access to internal training programmes in affiliates or abroad;
- Sending teams of experts to SME partners to provide in-plant training;
- Providing initial and continuous training of suppliers;
- Introducing apprentice programmes;
- Conducting literacy programmes for their workers outside working hours: workers who can read and write are more productive for the company.

8 Contribution to technology transfer

8.1 In the area of product technology:

- Making available product-related technology and design specification to help suppliers meet specifications
- Offering advice, training or financial support to suppliers to upgrade supplier products and operations through the transfer of product technology, such as product know-how, design and manufacturing details, technical consultations on new technologies and feed back on product performance;
- Providing computer training and facilities for outsourcing, inventory management etc;
- Upgrading supplier capacity by donating computer(s) plus basic training in software application related to specific company operations together with enabling access to relevant operations (inventory database, e.g.).

8.2 In the area of process technology:

- Transferring machine-embodied process technology by providing machinery/equipment to local SMEs;
- Technical support on production planning, quality management, inspection and testing to improve SME manufacturing processes, quality control, and methods;
- Visiting SME premises to advise on factory layout, installing machinery, production planning, production problems.

8.3 Organization and managerial know-how:

- Assisting with inventory management and the use of just-in-time and other systems to enable SMEs to meet continuous supply needs of foreign affiliates;
- Assisting in implementing quality assurance systems, including ISO certification.

**Roster of Good Linkages Practices by TNCs**

- 9 Support of clustering, networking and other forms of cooperation
- Promoting local presence through cluster-focused subcontracting promotion programmes that diffuse information on infrastructure and financial facilities, combined with international seminars to attract potential foreign and domestic suppliers;
  - Forming cooperation clubs to strengthen local supplier capabilities through group activities geared to diffusing information and know-how about the affiliates' production systems, quality control mechanisms, cost efficiency, quality assurance and delivery;
  - Encouraging SME partners to join business associations, participate in fairs and facilitate networking.
- 10 Encouragement of seeding
- Encouraging in-house employees to set up their own small supply business for which their acquired knowledge on production, process management and quality and delivery needs would be valuable. Initial financial, technical and loan guarantee support could be provided by the affiliate for start up activities.
- 11 Support of Exporters
- Providing training and technological upgrading to meet requirements for export-oriented activities (in terms of standards for production, quality, packaging and delivery) as an incentive to improve efficiency, diversify production and generally familiarize suppliers with growth potential, to ultimately enabling them to become global suppliers.
- 12 Support of Gender balance
- Introducing gender-oriented company policies, such as in-house or adjunct child minding units to ease the burden on women workers, improve their productivity, and free them for additional training or literacy instruction.
- 13 Support of Agricultural Producers
- Collaborating with other foreign affiliates together with domestic/local research institutes to develop new crop varieties, agricultural implements and cropping patterns to raise productivity;
  - Introducing contract farming to plant and deliver crops for food processing firm, which would provide seed inputs, information on agricultural practices, crops advice and inspection. Farmers could be given the option of selling part of the contracted output on the open market.
- 14 Promoting linkages with non-business entities
- Collaborating with other entities like universities, training centers, research and technology institutes, export promotion agencies and other official or private institutions.

*Source: Derived from UNCTAD note*

**(c) Action Plan**

In order to put in place two pilot business linkages projects, the following general steps need to be taken:

- Collection and distribution of information on products and firm capabilities in the two sectors being considered – note that considerable information already exists on the business linkage potential for the garment industry (see the MOC/ADB study), whereas more research is called for on the agro-processing sector. This activity should be done jointly by government and business associations, and one part of the activity should focus on identifying the impediments to business linkages development and recommendations on removing them.
- Arrange at least one business linkages matchmaking event to provide a forum for firms to meet and seek linkages (such as a “meet the buyers” event for foreign firms and local firms). In this way, strengthen the business linkages programmes in the economy.
- Building business linkages:
  - Help and support the creation of demand-driven business linkages between foreign affiliates in Cambodia and domestic enterprises;
  - Provide assistance to upgrade domestic enterprises participating in the business linkages deals to meet the standards and requirements of their TNC partners;
- Strengthening the capacity of business development services (BDS) providers, to support the implementation of TNC-SME linkage deals.

In order to achieve these ambitious steps, and on the basis of a linkages scoping survey carried out by UNCTAD with the support of CDC in November 2003, it is proposed to establish a Business Linkages Task Force – comprising a coalition of key stakeholders such as: UNCTAD, CDC, other government agencies involved in the two sectors, IFC/MPDF, TNCs in the respective sectors, SME representatives in the respective sectors, BDS providers, and potential donors. The task force should then agree on the basic parameters for the two pilot business linkage development programmes, including: objectives, outputs, organizational framework, roles and responsibilities (based on a draft project documents prepared by UNCTAD, building on the experience in Brazil). Then a formal project document can be issued, and funds raised to implement the project programme.

**(d) Key Performance Indicators**

- The end result of the two pilot projects should be a certain number of business linkages established/strengthened, e.g., supplier agreements, sub-contracting, contract-manufacturing, by December 2005.
- In this process, SMEs receive continuous upgrading of their business and management skills and a sustainable TNC-SME linkage facility will be established that is able to continue facilitating new business linkages beyond the end of the programme.

- In the shorter term, by the end of March 2005, the first meeting of the Business Linkages Task Force should be held, and funding sources put in place for the various activities under the project.

**(e) Financial Implication**

\$ 650,000.

## **Measure 8. Enhance the monitoring system to track problems raised by the Working Groups of the Government-Private Sector Forum and the progress achieved**

### **(a) Rationale and Country Context**

In Cambodia, the Government-Private Sector Forum (GPSF) was established in early 2000 as a mechanism to improve the business environment, build trust between the public and private sectors, and foster private investment activity. The GPSF provides the framework for ongoing, structured dialogue between business and the Royal Cambodian Government with the goal of improving the business environment. The Prime Minister chairs a large meeting attended by private business leaders, the donor community, and government officials, usually held twice a year. However, the basic work is undertaken during the year by seven public-private working groups: (1) agriculture and agro-industry, (2) tourism, (3) manufacturing and distribution (4) legislation, taxation and governance, (5) services sector (including banking and finance), (6) energy and infrastructure, (7) processing of exports. The IFC and Australian Agency for International Development (AusAID) financially support the Government-Private Sector Forum Coordinating Bureau.

Despite its short history, the concept of the GPSF and public-private dialogue is proving durable in Cambodia. The GPSF has demonstrated its ability to serve as an unbiased intermediary between the private sector, the Royal Cambodian Government, and the donor community in a market that generally lacks organized associations and business groups capable of serving as independent forces for change. The GPSF has provided a platform for business leaders to offer expertise on a range of policy and regulatory reforms. Successful examples include high-level consultation on investment and tax law, the introduction of private sector monitors within the Customs Department, and negotiations on cost reductions in the contract for a major road concession.

In facing the challenge of creating an environment of trust, while rebuilding the legal and regulatory systems, the GPSF continues to generate interest in all sectors for the promotion of dialogue and action aimed at tackling economic development challenges through the private sector. One issue that has been raised by many participants in the process concerns the improvement of a monitoring system to track the implementation of measures agreed to under the GPSF process.

### **(b) Benchmarking and Best Practice**

In a similar initiative in Vietnam, the issues being addressed are monitored by the working groups which then attempt to assess the extent to which the measures have been successfully implemented. The experience of the Vietnam Business Forum warrants careful examination in this regard.

In any event, any public-private sector initiative aimed at addressing impediments in the investment climate should institute an ongoing monitoring and evaluation system to enable the managers and stakeholders to assess the initiative's progress towards defined goals; to make adjustments to the plans and special activities; to determine the most efficient way to utilize resources; and to enhance accountability. It is important to emphasize the

“ongoing” nature of the monitoring system, including mid-term reviews of measures and activities and the overall operations of the infrastructure put in place by the public-private sector initiative, because the feedback from a monitoring and evaluation system can assist the managers in adjusting the implementation of the initiative’s activities.

A well-functioning monitoring and evaluation system provides the following benefits to the managers implementing a public-private sector initiative, as well as its broader stakeholders:

- **Accountability:** Providing an “audit trail” of relevant events that can be traced back to the start of the implementation of each policy reform;
- **Reporting results:** Showing the extent to which the policy reforms have been achieved and had concrete impacts;
- **Driving progress:** The fact that a reporting and monitoring system is in place itself encourages participants to make good progress in implementing the policy reforms;
- **Enabling problem management:** Programme managers/overseers need to be informed about policy reform progress so that they can provide help, advice, and resources;
- **Management information:** A monitoring system provides information for both programme managers and the policymaking level.

The monitoring and evaluation system described below is intended to serve as a general framework that can be applied to the overall operations of a public-private sector initiative. In particular, there are four basic phases of an evaluation that can be applied to specific measures and activities, as well as for overall operations of the initiative:

In the “**structuring**” phase for the monitoring and evaluation system, the public-private sector initiative managers will need to conduct the following tasks: (a) identify and analyze needs; and (b) establish the “intervention logic,” and the rationale for the policy reform. This will involve a clear distinction between: (a) the outputs of the policy reform; (b) the outcomes of the policy reform or the direct effects of the reform on costs of doing business, time taken for registration, etc.; and (c) the impact of the policy reform or the wider effects of the reform on overall competitiveness.

The structuring phase will also include: (a) the definition of the project or action’s objectives and expected results; (b) the engagement of stakeholders (informing them of the evaluation system and how they can contribute data, if relevant); (c) the determination of reporting requirements (information needed to be collected and how the data will be presented); and (d) the definition of policy reform monitoring tools (such as: (i) milestones (key intermediate achievements during the project); (ii) performance indicators; (iii) results reporting; and (d) quality control.

The “**observing**” phase entails the actual gathering of the (indicators) data as defined in the previous phase. The third phase, “**analysis**”, is where the evaluation team or initiative managers examine the data and try to determine outcomes and likely explanations (causes) of the effects.

Finally, in the “*judgment*” phase the public-private sector initiative managers assess the results of the project based on predetermined criteria for measuring success. In this phase, the managers will need to decide whether to continue the policy reform process as it is, make modifications to the policy reform design, or close down the activity (either because it successfully completed its goals or was determined not to be suitable for reaching the goals). The initiative managers should prepare a final report on the project summarizing the project design and goals, the implementation of activities, the results of the data analysis, and final recommendations.

**(c) Action Plan**

The Action Plan items are put in place for the consideration of the GPSF and its various stakeholders:

1. Seek information on the monitoring and evaluation process in place with the Vietnamese Business Forum.
2. Consider the ways and means to put in place the monitoring and evaluation process outlined above, for example:
  - Define the process or criteria by which a policy reform measure or agreed action enters the monitoring matrix (i.e., priorities);
  - Select/elect/appoint/get volunteers, such as 2-3 public and 2-3 private sector representatives of the GPSF who will serve as the monitoring board of GPSF and prepare quarterly (or half year) “progress reports” on policy issues/reforms contained in the matrix. Also, the monitoring board would make presentations at each GPSF meeting. This would allow government and private sector perspectives on the status of implementation to be exchanged.
3. Issue a statement to all stakeholders stating clearly the next steps and expectations of all parties.
4. Begin the improved monitoring and evaluation process.

**(d) Key Performance Indicators**

- Issue a statement to all stakeholders .....April 2005.
- Put in place monitoring and evaluation process for Working Groups .....June 2005.
- Prepare a report on status of all measures for all Working Groups .....Dec. 2005.

**(e) Financial implication**

None for the Government

## **Measure 9. Build up the information base and services of the Cambodian Chamber of Commerce to support SMEs and other businesses (utilizing the Internet to achieve this)**

### **(a) Rationale and Country Context**

Chambers of commerce and industry generally perform two broad sets of development functions: reducing transaction costs and resolving collective action problems. One aspect of reducing transaction costs is that chambers of commerce and industry can help reduce the various “search” costs that businesses typically incur. For instance, firms often incur costs in searching for new customers (either domestically or abroad), suppliers, service providers, technology, and specialized expertise. Costs refer not only to the money involved in compiling information but also in terms of time. In transitional economies such as Cambodia, these search costs are even higher because of the nascent business sector and the relatively low levels of organization and information. Search costs particularly affect SMEs because of the lack of resources available to them for information technology and research, and also because their networks are not as well developed as larger firms.

Chambers of commerce and industry can play a critical role in reducing search costs for its members by means of achieving economies of scale in the compilation and provision of the information required by firms. Hence, it is important for chambers to develop their information base, make it accessible to members, and continuously update it.

In Cambodia, greater attention by the Cambodian Chamber of Commerce (CCC) to SME support issues could significantly contribute to the growth of SMEs. One aspect of this new SME focus would be on making information about the market, quality standards, public sector issues, etc. more accessible to SMEs. Currently, CCC’s main activity is to collect data for publishing two kinds of business directories: one lists only large companies, and the other lists only SMEs. These directories include the company name, location, type of business activity and paid advertisement. There is not much “value-added” information produced or presented at the present time. Their website (<http://www.ppcc.org.kh/>) offers little useful information for investors. For instance, under the "service" link there is only one service listed - Barcode GS1. Likewise, the link "main activities" contains only the objectives and obligations of the CCC, while offering no details on current or planned projects. On the service side, the CCC does provide training courses on business management to SMEs and helps facilitate/set up meetings between enterprises.

### **(b) Benchmarking and Best Practice**

What kinds of information should be included in a chamber’s information base? A full range of data about doing business in that country and the domestic economy might include:

- Competitiveness indicators (e.g., the World Economic Forum)
- Business environment
- Export performance
- Human capital and labor market
- ICT infrastructure

- Investment (domestic and foreign; inflows and outflows)
- Taxes and tariffs
- Operating costs for industry and services
- Business legal and regulatory frameworks
- Labor productivity
- Trade regime
- Benchmarks on main competitor countries.
- Standard documents and forms required for trade, setting up a business, licences, permits, and membership in the chamber
- Upcoming chamber activities
- Special programmes of the chamber (see below for SME programmes)

Chambers should also provide information that helps link local producers with distant markets, including data on:

- General international trends in investment and trade
- Markets
- Prices in key markets
- Competitors (firm level, not country level)
- Trade policies in major foreign trade partners

The database enables the chamber of commerce and industry to provide chamber executives, members, and others with efficient information and keeps data and forms in an organized and accessible manner. Providing instant information to members then becomes another high-value added service from the chamber.

Well developed chambers of commerce and industry often create on-line databases through their websites. One example of an excellent web-based information base is the Mauritius Chamber of Commerce and Industry (MCCI) ([www.mcci.org](http://www.mcci.org)). MCCI set up six main sections of the website, including four devoted to providing quick and accessible information related to conducting business. Some of the key sub-headings of these sections are shown in the table below:

<b>Information Sections of MCCI's Website</b>			
<b>Doing Business</b>	<b>International Trade</b>	<b>Economy</b>	<b>Our Members</b>
<ul style="list-style-type: none"> <li>- Support services</li> <li>- Setting up an enterprise</li> <li>- Private sector institutions</li> </ul>	<ul style="list-style-type: none"> <li>- Tariffs and taxes</li> <li>- Trade statistics</li> <li>- Export and import sectors</li> <li>- Multilateral agreements</li> <li>- Bilateral agreements</li> <li>- Procedures for exports</li> <li>- Procedures for imports</li> </ul>	<ul style="list-style-type: none"> <li>- Economic indicators</li> <li>- Main economic sectors</li> <li>- Infrastructure</li> <li>- Exchange rate policy</li> </ul>	<ul style="list-style-type: none"> <li>- MCCI application form</li> <li>- Alphabetical listing</li> <li>- Search for members</li> <li>- Sectoral groups</li> </ul>

Another example is the Singapore Chinese Chamber of Commerce and Industry (SCCCI) for its SME-related information section of the website ([www.sccci.org.sg](http://www.sccci.org.sg)). In its "SMEs One-Stop Service" section of the website, SCCCI has provided information on government development assistance programmes for SMEs. Each programme is briefly described and the name and contact information of the responsible government agency are

included. Other sections of the SMEs One-Stop Service provide information on banks and financial services, consultants, insurance, and legal services.

Likewise, the CCC could provide a section on its website for SMEs with information about donor-sponsored training programmes, government finance programmes, business services, and other content such as starting a business. However, because SMEs in developing countries often do not have their own access to the Internet, chambers should provide a place for members to access the Internet. Access to the Internet and the special SME content in the website become another important service provided by the chamber and should be publicized to encourage more SMEs to join.

New or enhanced business development services provided by the CCC also need to be developed and would complement the SME information database. Business development services for SMEs could include training, consultancy, and support in marketing.

The World Chambers Federation (WCF) of the International Chamber of Commerce (ICC) prepared useful guidelines for developing a chamber of commerce and industry website:

- To ensure members, potential members and other relevant parties are able to get in touch with your chamber, devote a section to contact information including: e-mail addresses, telephone and fax numbers, and street and mailing addresses. A section about your chamber should also introduce key chamber representatives, including relevant chamber staff and board members. Consider a section that highlights successful elements of the local economy.
- One of the principle roles of a chamber is to offer services to its members. Therefore, utilize your chamber web site as a forum where members can learn of available chamber services and upcoming chamber events. A chamber web site provides the chamber with its own on-line publishing forum and chambers should take advantage of this medium to announce their news to the public, and post their recent press releases.
- An integrated web site allows members to contact not only your chamber, but other members as well. You can create on-line networking opportunities by publishing links to member web sites and listing the chamber directory. Recognizing the role of government in the business sector, consider including links to relevant government web sites, explaining government programmes for economic and business development.<sup>1</sup>

WCF also prepared a simple content checklist for a chamber website:

- Contact information for the chamber
  - Key contacts;
  - Phone numbers;
  - Fax numbers;
  - Street address;
  - Mailing address;
  - Email addresses.

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<sup>1</sup> WCF, *Chambers Communications: A Guide to Preparing Publicity and Publications for Chambers of Commerce*, 2003.

- Information about the chamber
  - Staff;
  - Board members;
  - Committee members;
  - Membership profile, statistics, and list;
  - History of the chamber.
- Chamber services
  - How to join: cost, benefits, on-line registration;
  - Information for chamber members;
  - Chamber events calendar.
- Chamber directory
- Business information
  - Information about local business sectors;
  - Information about local economic development;
  - Information about business development programmes;
  - Links to relevant government sites.
- Press releases
- Media package
- Sponsors & advertisements
- Site map
- Search function
- Links to related sites
- Member companies
- Relevant government departments

Some additional points to note about website development, and especially for the SME section of the website, are the following:

- Keep the website fairly simple so that information is easy to find and accessible quickly.
  - Avoid animation (visitors will be businesspeople, not children);
  - Minimize graphics (to make it faster to download);
  - Make it easy to navigate from section to section, page to page;
  - Keep the site content and layout consistent over time (so that repeat visitors can find information again), but be sure to update information and data.
- After launching the upgraded website and the new SME section, notify the business community (namely chamber members and other business associations) and government ministries/agencies about the database.
- Periodically disseminate selected new data and indicators to the appropriate chamber members and other business associations.
  - Send only relevant and important documents/data;
  - Type(s) of document/data to disseminate may vary, depending on the type of firm;
  - Periodic disseminations of data generate continued interest in the database.
- Disseminate key indicators/data to other chambers of commerce.
  - This helps to increase international collaboration;
  - Also, it enables the chamber to acquire useful data and benchmarks from other chambers.

**(c) Action Plan**

**Track 1:**

1. CCC will prepare a formal request for technical assistance from the World Chamber Federation on developing a comprehensive database, upgrading its website to contain relevant information for SMEs, and a communications strategy. Include in the request the connection with UNCTAD, JBIC, and the Blue Book project. The ICC WCF has already expressed willingness to work with the CCC in this area, and also to collaborate with UNCTAD in seeking funding sources.
2. Conduct technical assistance programme from WCF.

**Track 2:**

1. Chamber should begin accumulating laws, decrees, and regulations related to business and investment, and make them available for consultations with chamber members and other visitors.
2. Chamber to initiate contact with relevant public and private sector agencies providing services, training, and finance programmes for SMEs. Compile and organize according to categories the names of programmes, a brief description of the SME programme/service, and contact information of the programme managers.
3. Conduct survey of members on new priority services that could be provided by the chamber.
4. Based on the survey results, prepare proposal for technical assistance to provide training to the chamber on new services.

**(d) Key Performance Indicators**

- Submit request to WCF for track 1 actions by end of January 2005.
- Complete technical assistance programme from WCF by December 2005.
- For track 2, commence process of accumulating laws, decrees, and regulations in December 2004 and complete by March 2005.
- Chamber to initiate contact with public and private sector SME programme providers by December 2005 and complete “inventory” by February 2005.
- Implement and complete survey of chamber members on types and quality of services provided by the chamber by July 2005. (Asia Policy Research will provide the questionnaire).
- Submit proposal for technical assistance on new chamber services to appropriate organization by September 2005.

**(e) Financial implication**

\$30,000.

## **Measure 10. Support establishment of Provincial Chambers of Commerce**

### **(a) Rationale and Country Context**

The functions and benefits of chambers of commerce and industry are widely known, and thus a thorough description of these is not necessary here. In summary, among some of the most important functions and benefits are the following:

#### **A. Reduce transaction costs**

##### **1. "Search" costs:**

- Firms often incur costs in searching for new customers, suppliers, services, technology, and expertise;
- All members gain from the provision of information, yet the cost is frequently beyond the capacity of many members, especially small firms;
- Chambers can help achieve economies of scale in reducing search costs.

##### **2. Enforcement costs:**

- Property rights and contract enforcement are often weak in developing countries;
- Weak legal systems mean that reputations and reliable information on reputations are more important;
- Chambers around the world often keep information on firms that do not uphold agreements.

#### **B. Resolve collective action problems**

##### **1. Standards**

- Low quality products from one firm harms the reputation of all firms in an industry;
- Chambers often help to set and enforce standards, especially those suited to international markets;
- Sometimes chambers set and enforce product specifications so linkages with other products are possible.

##### **2. Training**

- Individual firms often cannot afford or lack incentives to train employees;
- Chambers can help reduce training costs, especially for SMEs.

##### **3. Upstream-downstream coordination**

- Chambers help bring together different interests of firms within an industry or supply chain;
- For example, facilitate the supply, price, and quality coordination between upstream and downstream firms.

##### **4. Horizontal coordination**

- Coordination among producers in the same sector;
- Prevent "ruinous competition" in product markets;
- For example, regulate the capacity to ensure that prices for chamber member products are not allowed to decline due to overproduction.

#### **C. Government interface**

- Chambers provide a channel between their members and the bureaucracy and represent the interests of the business sector as a whole before the government;
- Chambers participate in the framing and/or implementation of public policy;
- Chambers lobby government in the interests of the members;
- Chambers defend the interests of their members and influence the policy making process to the benefit of the chamber/business community.

- Chambers should play a role in building consensus within the business sector and conveying to government the results of these efforts.

Cambodia currently has only one functioning chamber of commerce, and that is the national Cambodian Chamber of Commerce (CCC). Previously the CCC was the Phnom Penh Chamber of Commerce, and it still retains much of its former orientation towards Phnom Penh, including deriving most of its members from the capital. Hence, other provincial businesses throughout Cambodia are highly under-represented. Also, the business sector in the provinces is generally not well organized to articulate its views and needs to provincial government authorities, and to speak as a unified voice.

Recent legislation has paved the way for setting up provincial chambers of commerce. By means of the Law on the Chambers of Commerce, chambers will be established in each province through a sub-decree proposed by the Ministry of Commerce. According to CCC, regulations for establishing provincial chambers of commerce have been ratified, and six provinces (out of a total of 24 provinces) will be the first to establish chambers: Kompong Som, Koh Kong, Battambang, Siem Reap, Kompong Cham, and Banteay Mean Chey. These provincial chambers of commerce could greatly benefit from support in getting started.

#### **(b) Benchmarking and Best Practice**

In developed and developing countries alike, provincial and often municipal chambers of commerce are established to articulate the concerns of the local business community. Local levels of government administration may have different regulations (or obstacles) affecting local businesses compared to the national context, and therefore provincial or municipal chambers of commerce perform important functions catering specifically to the needs of local businesses.

The World Chambers Federation (WCF) of ICC has developed several manuals and publications on setting up and operating new chambers of commerce, especially in the areas of: (a) services to members; (b) membership development and retention; and (c) chamber administration. In particular, WCF has produced a “New Chamber of Commerce Start-up Kit” that lists the essential elements of a successful chamber; explains the purpose and history of chambers of commerce; details the responsibilities of the chamber’s Board of Directors; and contains many other important guidelines, suggestions, and ready-made tools for establishing chambers of commerce. This documentation could be said to be the best representation of best practice in the area of establishing and managing chambers of commerce.

#### **(c) Action Plan**

1. CCC will prepare a formal request for technical assistance from the World Chamber Federation on establishing chambers of commerce in the six selected provinces (WCF’s “New Chamber of Commerce Start-up Kit”). Include in the request the connection with UNCTAD, JBIC, and the Blue Book project. The ICC WCF has already expressed willingness to work with the CCC in this area, and also to collaborate with UNCTAD in seeking funding sources.

2. Conduct technical assistance programme from WCF.

**(d) Key Performance Indicators**

- Submit request to WCF by end of January 2005.
- Complete technical assistance programme from WCF for at least three provincial chambers of commerce by December 2005.

**(e) Financial Implication**

\$30,000.