

Handbook for Simplifying Administrative Procedures at the Provincial Level

LESSONS LEARNED FROM STREAMLINING BUSINESS START-UP IN SIEM REAP PROVINCE



Investment Climate Advisory Services

World Bank Group



**International
Finance Corporation**
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World Bank Group
Multilateral Investment
Guarantee Agency



THE WORLD BANK



Siem Reap Municipality

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The findings, interpretations and conclusions included in this note are those of the author and do not necessarily reflect the view of the Executive Directors of the World Bank Group or the governments they represent.

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The Siem Reap Administrative Simplification Project was carried out by Ros Khemara under the supervision of Charles Schneider and Hor Soneath. Chea Marong conducted most of the field research in Siem Reap and drafted the bulk of this handbook, with inputs from Sandra D'Amico and Uriel Levy. Ann Bishop served as technical editor, Kunthea Kea designed and laid out the handbook and Tonie Tan provided ongoing logistical support.

About this Handbook

This handbook was prepared by IFC in cooperation with the Siem Reap Provincial Government to show the benefits of simplifying business start-up and licensing procedures, and to explain, step-by-step, how to do this. Siem Reap is the first province in Cambodia to make a concerted effort to improve business start-up procedures. This handbook serves as a tool to assist other provincial governments to do the same by illustrating how Siem Reap approached its administrative reform process and the steps it took to streamline business entry procedures. Although this handbook focuses on business entry procedures, the process and steps outlined here can also be applied to reforms of all types of administrative procedures.

The impetus to prepare this handbook came from the successful example of Siem Reap Province. The Siem Reap Provincial Governor launched an administrative reform process in 2007, with assistance from IFC, after Siem Reap ranked near the bottom on the 2006 Provincial Business Environment Scorecard (PBES), a comparative study of business environment quality in ten economically-important provinces and municipalities. Due to Siem Reap's efforts to improve procedures related to business start-up, its ranking on the 2009 PBES improved significantly.

PBES is a joint initiative of IFC and The Asia Foundation which asks business owners and general managers for their opinions on ten key indicators of business environment quality at the provincial level. Based on the results of these surveys published in 2006 and 2009, provinces were ranked against each other.

In an effort to share lessons learned from the Siem Reap Administrative Simplification Project with government authorities and the private sector at the national, provincial and municipals level, IFC and the Siem Reap Provincial Government have collaborated to summarize administrative streamlining efforts in this handbook. It is hoped that by sharing what was learned from the Siem Reap experience, other provinces and municipalities will be inspired to undertake similar reform initiatives.

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1 About Administrative Simplification

Simplification is the act of reducing or eliminating unnecessary steps in a process in order to reduce complexity and inefficiency. In this handbook, the term simplification refers to reducing unnecessary provincial/municipal administrative procedures in order to register businesses, but without compromising core standards of health, safety, labor or the environment.

An effective administrative simplification process, if implemented well, should result in significant benefits for everyone involved. To achieve success, commitment to change must come from the highest level, and all those involved must see the benefits that will be achieved and take responsibility for the reform process.

1.1. Why Simplify Administrative Procedures Related to Business Start-up?

Government has an important role to play in developing a supportive regulatory environment for private enterprise. This is especially true in a country such as Cambodia where over 95% of businesses are micro, small and medium enterprises, and at least 85% are operating in the informal sector. Many businesses choose to remain informal to avoid being seen by the authorities.¹ Unfortunately, this means that they will have difficulty borrowing money for expansion, insuring their business, and exporting. As a result of high levels of informality, large numbers of successful enterprises are not achieving their potential to create jobs, develop human resources, generate tax revenue and contribute to economic growth and poverty reduction.

Comparative research shows a strong, and statistically significant, relationship between entrepreneurship and a good business environment. The Second Investment Climate Assessment (2009), by the World Bank and IFC, highlights the importance of developing a more efficient, cheaper and better governed business registration process in order to encourage business entry and diversification. Making it easier and less expensive to register a business has a positive impact not only on encouraging businesses to formalize, but also by enabling the creation of new businesses. Because formal firms

¹ Second Investment Climate Assessment, World Bank and IFC, 2009

also pay taxes, taking steps that encourage more businesses to register should increase government revenues. Thus, there are a number of very good reasons why provincial/municipal government agencies should improve business registration procedures and other regulatory requirements.

In order to encourage businesses to join the formal sector and increase investment, provincial/municipal governments need to communicate regulations clearly and be transparent regarding required fees. By streamlining and clarifying administrative procedures and costs related to business start-up, provincial/municipal governments can take an important first step towards improving the environment for investment and doing business, strengthen collaboration with private enterprise and develop the local and the national economy.

1.2. Benefits of Administrative Simplification

Improving transparency and simplifying administrative procedures benefits business owners, authorities and society at large by encouraging more investment, greater productivity, the creation of jobs, and economic growth.

Benefits of simplification for provincial/municipal authorities:

1. Making administrative procedures more transparent and efficient reduces the time government officials need to spend processing registration and licensing applications. More efficient administrative procedures will reduce the burden on officials and save their time for other tasks.
2. Eliminating unnecessary procedures is a relatively low-risk activity for government staff that pays off in more businesses registering, joining the formal economy and paying taxes. If more businesses pay tax, municipal/provincial revenues will increase and authorities will have larger budgets for carrying out their work.
3. If businesses are registered, it will be easier for authorities to inform them about labor, health, safety, environmental, and other regulations, and business owners will be more likely to comply with regulations.
4. Simplifying business start-up procedures will improve relations between the government and the private sector and increase the likelihood of collaboration in improving economic development.

Benefits of simplification for the private sector:

1. Greater transparency and simpler procedures will contribute to entrepreneurs' success because they will be better informed about regulatory requirements, understand their responsibilities better and spend less time complying with regulations. This also reduces the likelihood that business owners will be subjected to requests for informal payments.
2. The legal status provided to firms by registering offers business owners a number of benefits, including: (i) protection under the laws of the Kingdom of Cambodia; (ii) having their contractual relations with business partners and customers legally recognized and protected under the law; (iii) having greater access to financing, being able to export and having the ability to insure their businesses; and (iv) giving them access to relevant authorities to seek advice if problems arise.
3. Once registered, businesses are able to join business associations and through these, can participate in active dialogue with the government to seek improvements in the business environment.

② Strategic Approaches to Administrative Simplification

Having a strategic approach to administrative simplification that specifies and prioritizes goals, defines tasks and outcomes, identifies roles and responsibilities and specifies resources required (both time and money) helps to manage expectations and achieve success. Commitment of adequate resources is crucial as is flexibility to adjust plans if required.

2.1. Identifying the need to simplify

Various sources can be used to identify the administrative procedures that should be simplified. These include:

1. Surveys and studies on the ease of doing business in Cambodia such as IFC and The Asia Foundation's PBES surveys (2006, 2009), the World Bank/IFC Investment Climate Assessment (2004, 2009), and the annual World Bank/IFC Doing Business Reports. The PBES surveys are especially valuable because they highlight issues related to the provincial business environment.
2. Interviews with leaders and members of business associations, the Chamber of Commerce and the Private Sector Working Groups of the Government-Private Sector Forum.
3. Interviews with government employees involved in current registration and licensing procedures.
4. Surveys of business owners about the challenges they face with current registration and licensing procedures.
5. Relevant data from each agency concerned with start-up and licensing such as the number of enquiries, the number of registered businesses versus unregistered businesses, the subject of complaints related to start-up procedures, and whether these have been addressed. Over time, government statistics on business registration and economic development can show the successful results of simplifying administrative procedures through greater numbers of businesses registering.

Once the need to improve procedures has been identified, it is important that key leaders agree on the proposed changes and are committed to carrying them out. Clear and measurable goals need to be developed as well to assess whether administrative simplification has resolved the problems identified in the initial research. Next a strategy needs to be put in place to address the needs.

2.2. Developing a Simplification Strategy

A strategy for simplifying administrative procedures does not need to be complicated or to solve all possible problems. What is important is having a clear and structured

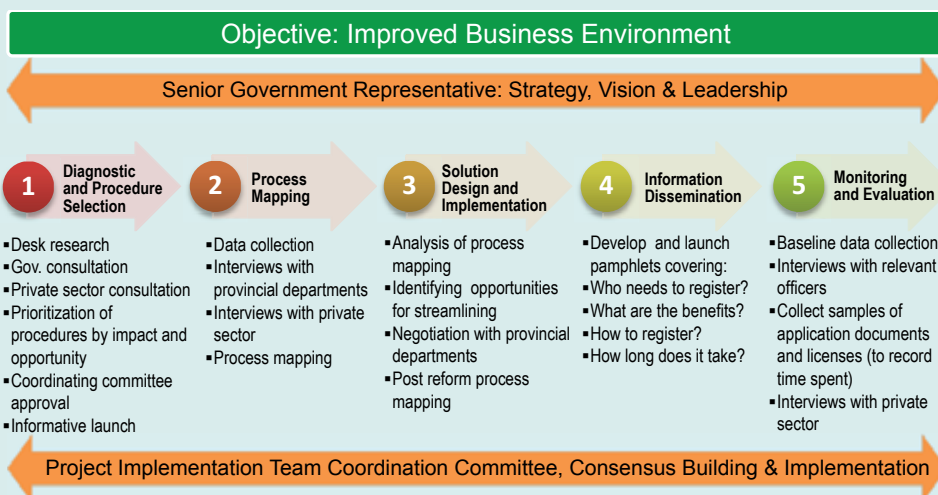
Experience from Siem Reap

Once the need to improve business entry procedures was determined and agreed upon at senior levels, a clear process for simplification was laid out to achieve the following objectives:

- Identify, with the help of relevant stakeholders, which business start-up procedures could be simplified with a high probability of success.
- Ensure that all key stakeholders are consulted on which business start-up procedures should be simplified.
- Widely communicate the simplification strategy and allow adequate time for building consensus.

The Siem Reap Administrative Simplification Project was completed over the course of a year to allow ample time for consensus building and was followed by on-going monitoring to measure the impact of simplification. An overview of the simplifying procedures is summarized in the figure below:

Figure 1: Summary of Administrative Simplification Project Methodology



approach that can be communicated to all stakeholders, allows for their input, and has goals that are realistic and achievable.

2.3. Essential Elements for Successful Administrative Simplification

The most essential element for successful project implementation is strong commitment and leadership from top management. Officials (directors, managers, staff) who implement the process and are impacted by the changes, must be committed to being part of the process. Other key stakeholders whose commitment is required include interested members from local business associations who can provide valuable feedback throughout the process. Clear commitment and direction from senior officials helps in consensus building, in ensuring that the voice of everyone is heard, and that expectations are realistic.

Other essential components of successful implementation include:

- Ensuring that those who carry out the implementation process are committed to it.
- Selecting goals and objectives that can be achieved and will result in observable impact.
- Managing change carefully and consistently by keeping everyone informed and building consensus and buy-in throughout the process.
- Specifying deadlines for the tasks staff are to carry out and holding them responsible for achieving these.
- Monitoring the processes, outcomes and impact of simplification.
- Allowing for adequate time to ensure agreement, commitment and cooperation from all stakeholders.

It is especially important to involve stakeholders at all levels of the administrative simplification process. Every voice should be heard and considered.

Experience from Siem Reap

The Siem Reap Provincial Governor showed strong leadership and commitment to improving the province's business environment after the province ranked near the bottom of the 2006 Provincial Business Environment Scorecard. Based on these results, which highlighted the need to improve business start-up procedures, the Governor and key deputies successfully launched the Provincial Administrative Simplification Project in 2007. Key components were:

Having a clear achievable objective: Simplify business entry procedures that if streamlined would have an impact on improving the business environment.

Involving the right leaders: The Governor himself formed a Coordinating Committee consisting of relevant Department Heads, District Chiefs and Provincial Hall staff. The Department Heads were responsible for leading the administrative simplification process in their respective departments and were accountable for the results. The Deputy Governor led the project and had overall accountability for project implementation.

Why so many committee members?

- Business start-up in Siem Reap involves a number of provincial agencies. For example, to establish a restaurant, the owner must register with the Provincial Department of Commerce as well as with the Provincial Department of Tourism and also obtain approval from the departments responsible for labor, fire safety, health and environmental protection.
- Including the heads of all relevant provincial departments on the Coordinating Committee, and making them responsible for specific outcomes was critical for project success. Their commitment and leadership was essential for identifying all the administrative procedures involved in business start-up, the appropriate solution design, and realistic monitoring and evaluation measures. Having all the key players closely involved in the simplification process meant that the project team advising on simplification could seek advice and assistance from senior officials whenever required.
- Most importantly, the simplification process was not forced on the agencies concerned. Rather, their leaders, as members of the Coordinating Committee, clearly understood the benefits of procedural streamlining and were willing to work closely with the project team members who were advising on the project.

Consult all relevant stakeholders: Over the course of the project, individual business owners as well as leaders of local business associations and the Chamber of Commerce were consulted extensively.

Periodically report on project progress: At various stages of the project, senior government officials, staff, representatives of business associations and interested entrepreneurs were invited to comment on the project's progress. At these sessions, department heads explained current procedures and how they proposed to change them. These meetings helped to ensure adequate feedback from the private sector as well as to build consensus among senior officials and staff responsible for implementing the new procedures.

To ensure wide understanding of the goals and objectives to be achieved by the administrative simplification project and involve the private sector in project implementation, a public launch was held. This was attended by more than 100 participants, including relevant government officials and business leaders. The following results were achieved:

- Senior officials were able to affirm their commitment to improving the business environment and were seen as leading the process.
- All relevant directors and staff in the concerned provincial departments heard first hand about the project, their roles and responsibilities, and the importance of their contribution to the success of the initiative.
- The Coordinating Committee and staff members of relevant departments had a chance to meet and understand the objectives, main activities and expected outputs and impact of the project.
- The private sector and the public had an opportunity to engage and have their views considered.

Besides showing leadership and commitment to the process, the public launch also allowed for valuable networking and exchange of ideas amongst stakeholders, creating a ‘buzz’ and good promotion of the simplification process.



③ The Administrative Simplification Process

As presented in Figure 1 above, administrative simplification can be done effectively through a strategic process that involves the five major phases below:

- ① Diagnostic and Procedure Selection
- ② Process Mapping
- ③ Solution Design and Implementation
- ④ Information Dissemination
- ⑤ Monitoring and Evaluation



Before implementing any reform process, it is important to identify and prioritize the procedures that need to be simplified. Consensus building with stakeholders should continue over the life of the project.

① Diagnostic and Procedure Selection

1. Identifying which procedures to simplify

Before beginning an administrative reform process, it is important to understand all the opportunities for simplifying procedures. This helps to set clear priorities and ensures that project resources are used in a cost-effective manner. Including a wide range of stakeholders in the project is important to ensure comprehensive understanding of the opportunities for reform. Desk research and consultations provide qualitative and quantitative data on the impact that reforms could have on economic development.

2. Why is this important?

Administrative reform projects run the risk of being overly ambitious and failing because they try to change too many procedures. To avoid this, sufficient time is needed for identifying problems, exchanging ideas, and building consensus with stakeholders about which procedures to simplify. Also important, is making sure that changes in procedures do not conflict with existing laws and regulations. The roles of the concern national, provincial and district agencies require careful consideration in order to achieve best results within the parameters of the legal framework.

The project team conducted a rapid diagnostic of the business environment that included:

- Desk research to collect relevant regulations, circulars, and documents about start-up procedures.
- Interviews with business owners operating in the province's key sectors to ensure appropriate inputs from the private sector and to cross-check current regulations and procedure.
- Interviews with representatives from Siem Reap's most important business associations – the Siem Reap Chamber of Commerce and the Cambodia Hotel Association.
- Two rounds of consultations with relevant government officials to build relationships, assess the willingness of specific departments to cooperate with the simplification process, and ensure smooth implementation of the project.

The output of this diagnostic was a document entitled 'A Comprehensive List of Business Start-up Procedures in Siem Reap'. This included interview notes and data collected, and served as a baseline from which simplification decisions could be made.

Government Department	Administrative Procedures Reviewed
Department of Commerce	❶ Certificate of sole proprietorship business registration (MoC-Reg)
Department of Industry, Mines & Energy	❶ Operating license for SME (MIME-SME) ❷ Bulletin of analysis/license of standard (all products related to food) ❸ Certificate of quality (MIME-Standard) ❹ Permit for power investment (MIME-Power)
Department of Agriculture, Forestry and Fisheries	❶ Business operating license for agricultural materials supplier (MAFF-Ag. Materials) ❷ Permit for slaughterhouse (MAFF-Slaughter) ❸ Permit for slaughter and meat sale (MAFF-Meat) ❹ Permit for processed meat products (MAFF-Processed Meat) ❺ Permit for operating a business in a fresh water domain ❻ Fish stocking permit (MAFF-Fish Stock) ❼ Fish raising permit (MAFF-Fish Raising) ❽ Fish transportation permit (MAFF-Fish Trans.)
Department of Tourism	❶ Operating license for a hotel (MoT-Hotel&Guest) ❷ Operating license for a guesthouse (MoT-Hotel&Guest) ❸ Operating license for a travel agency (MoT-Agents) ❹ Operating license for a tour guide ❺ Operating license for a restaurant (MoT-Rest.)
Department of Environment	❶ Environment permit (Envir.-Permit)
Department of Land Management, Urban Planning and Construction	❶ Construction permit (Con.-Permit) ❷ Business certificate for construction workers (Con.-Group)
Department of Tax	❶ Patent tax license (Tax-Patent) ❷ Monthly tax payment (Tax-Monthly)
Provincial Hall	❶ Location permit

3. Prioritizing and Deciding Where to Focus

It is important to make realistic decisions about which administrative procedures to reform. In deciding where to focus, two key criteria should be considered - how large an economic impact will be achieved by a particular reform and the likelihood of achieving the reform.

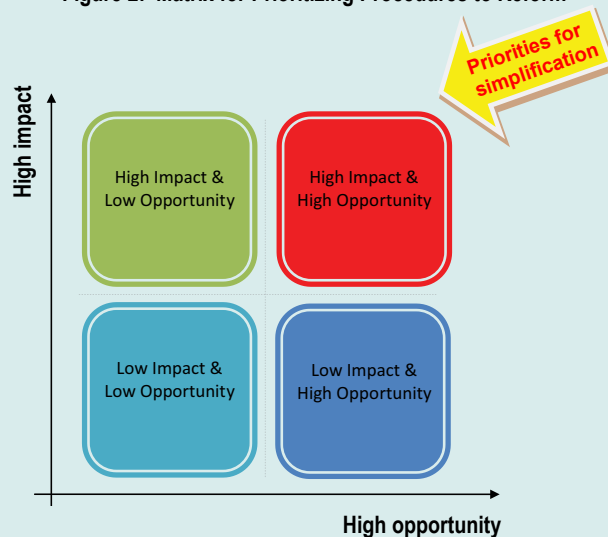
Experience from Siem Reap

Using the results of the diagnostic study that identified all possible administrative procedures to reform, the project team prioritized procedures according to two criteria:

1. Procedures with the greatest impact if reformed
2. Departments with the highest opportunity to succeed in implementing reforms

These two criteria are shown on the matrix below as 'high or low impact' and 'high or low opportunity'. The project team used this matrix to consider all the possible procedures that could be reformed, and then prioritized them according to the magnitude of 'impact' and 'opportunity'.

Figure 2: Matrix for Prioritizing Procedures to Reform



Impact was assessed on two criteria:

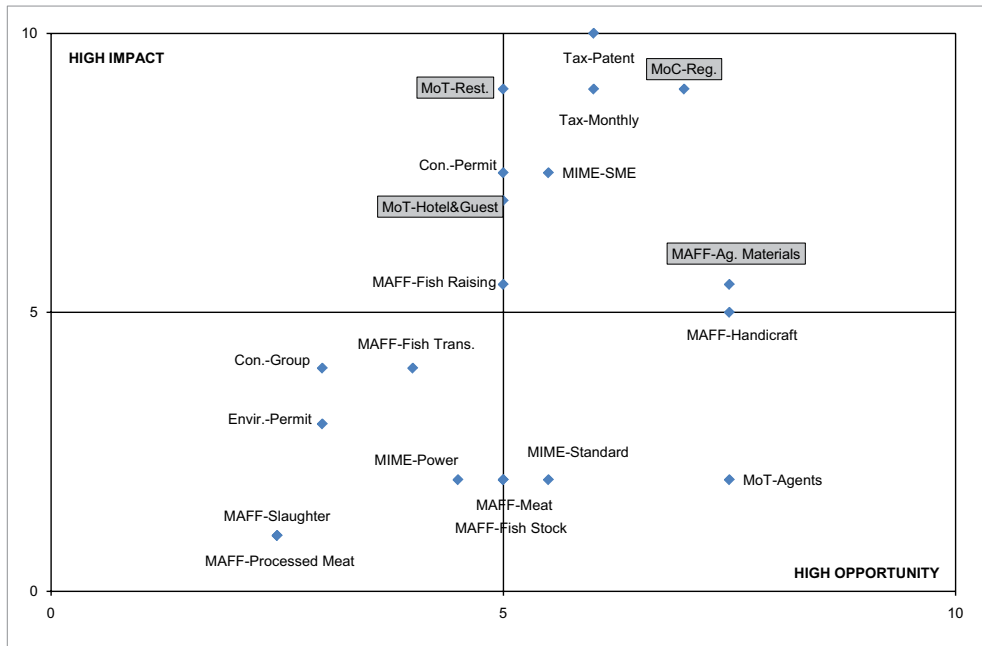
1. The number of businesses that could be positively impacted by a particular reform.
2. An estimate of the average investment that each of the businesses planning to register would likely make (this assumes that businesses with greater investment have a greater economic impact).

Opportunity was assessed on two criteria:

1. The main challenges associated with reforming procedures (based on existing legislation and feedback from the private sector).
2. Department willingness to collaborate in the reform process.

Once the project team prioritized which reforms to undertake according to impact and opportunity, the Coordinating Committee members reviewed the assessment and made the final selection of procedures to be simplified. The Coordinating Committee's final selection of procedures is indicated below with grey-shaded boxes.

Figure 3: Prioritization Matrix for Procedure Selection





Process Mapping

Process mapping is a visual representation of all the steps involved in a process. In this case, the term applies to all the steps in the business start-up process, and includes the following:

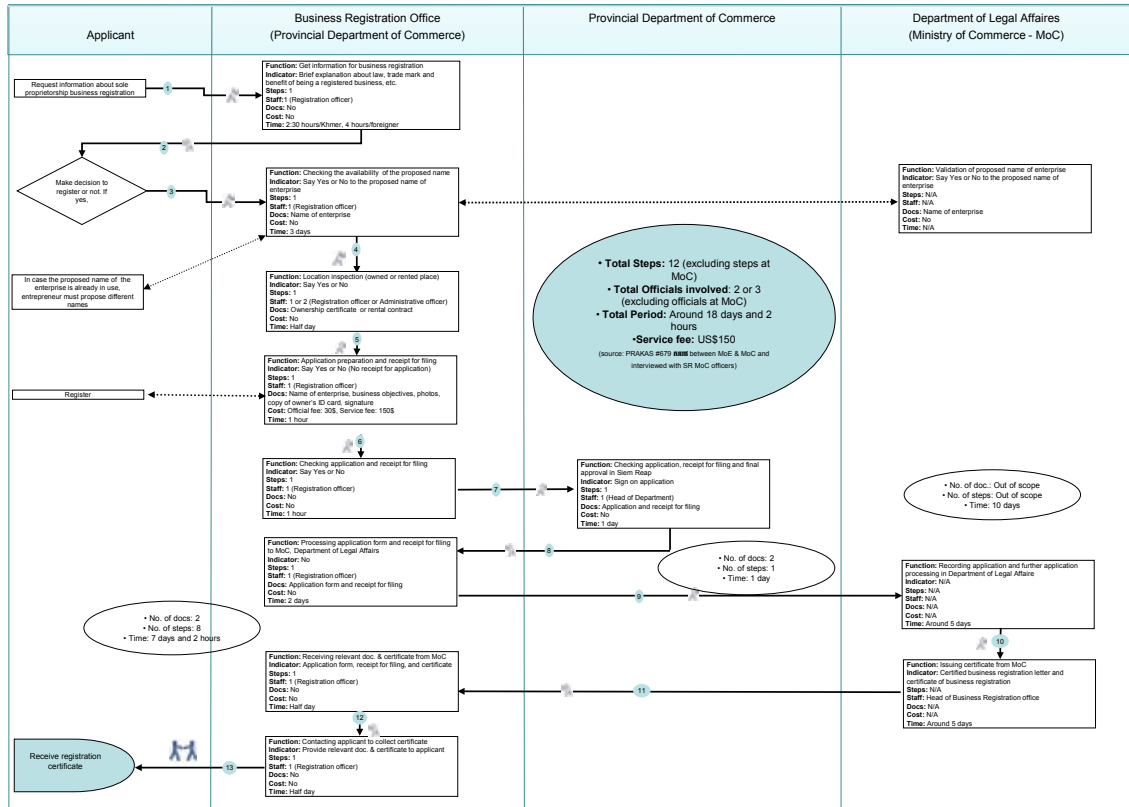
1. Required information and documents;
2. Where required information and documents are submitted and what happens to them in the course of granting approval;
3. The time required for each step in the approval process; and
4. The fees that must be paid at particular steps in the approval process.

A good process map will allow people unfamiliar with business start-up procedures to see all of the administrative steps that take place, the time required and the fees that have to be paid to achieve the final outcome. It also helps those working on the simplification of business start-up procedures to see the entire process in relation to all the factors that could impact the outcome, including which government agencies, laws, procedures, and personnel are involved.

Therefore the goal of process mapping is to have all the stakeholders involved share the same understanding when discussing and analyzing how to streamline specific administrative procedures. This creates an objective basis for understanding the administrative procedures involved and reduces the chance that decisions will be influenced by personal and political preferences.

Figure 4 illustrates the output of a process mapping exercise:

Figure 4: A Process Map for Simplifying Business Registration in Siem Reap



Experience from Siem Reap

After the Coordinating Committee approved the specific procedures to simplify, the project team worked closely with the relevant department officials to draw a detailed process map for each of their respective procedures.

The process mapping exercise and development of the solution design were the most challenging parts of the project. All departments were required to spend time developing, discussing and analyzing how procedures are carried out to ensure accuracy and agreement with the process maps. A two-step process was followed:

Step 1: Intensive Mapping Phase: Consultations with government officials covered policies, laws, regulations, forms and other relevant internal documents. The project team, with support from relevant officials, drafted process maps for all the procedures to be simplified by:

1. Identifying the officials and departments involved;
2. Listing all the documents required; and
3. Listing all the steps and time required to complete each step.

Step 2: Agreement and Consensus: Information received from each government department/agency was cross-checked against the documents attached to the registration forms collected from business owners. Draft process maps were shared with the concerned government staff in order to ensure accuracy of all information. Suggestions for improvements were taken into account and adjustments made to best reflect actual procedures. Final consultation and endorsement of the process maps was undertaken in collaboration with the heads of the respective provincial departments. Once the process maps were endorsed, solution design, the next stage in the process, began.

Lessons Learned: The preparation of process maps took a total of two months to ensure relevant stakeholders agreed on the detailed steps, documents, time frames, and fees involved in the registration process. Developing a process map can be an extremely sensitive phase if the personnel involved are seeing their work activities visually for the first time. The Siem Reap case study shows that when staff and department heads are committed and held responsible for carrying out the simplification process, and are given clear direction from their leaders, the result is an engaging and rewarding process.



Solution Design and Implementation

What is Solution Design? Solution design is the process of identifying challenges and finding solutions to overcome them. Challenges may include inefficient processes, irrelevant documentation, duplicate tasks, and/or unnecessary steps.

Successful solution design results in improving efficiency and transparency by:

1. Reducing or consolidating the number of steps;
2. Consolidating relevant documents and how they are filed; and
3. Reducing the number of times fees are paid.

How is Solution Design undertaken? The process map is carefully examined, along with all the information related to each step, including corresponding laws and stakeholder inputs. In the case of Siem Reap, the following questions were asked:

- Can steps be combined? For example, if certain steps are undertaken in different offices, could these steps take place in one office?
- Can performance be improved? For example, could all collection of information related to a process be undertaken by one office or department only?
- Can service standards be introduced to reduce the time needed to complete a particular step? For example, could a maximum number of days be set for providing all relevant signatures and stamps?
- Do proposed changes conflict with current laws and regulations?

Experience from Siem Reap

Using the guidelines listed above, the respective department heads and their staff began the Solution Design phase. Recommendations made in this phase resulted in merging or cutting unnecessary or duplicate steps, proposing time limits for such things as providing signatures, and consolidating the collection of documents required for registration by asking business owners to submit them in one place, rather than several.

The process of solution design: The project team drafted and proposed an initial Solution Design. Many of the recommendations made by government departments in the process mapping phase were taken into account.

Draft solutions were then presented and debated with staff in charge of each procedure and the Head of the Department. Additional improvements and changes were made to the process maps and final solution designs were agreed on by the project team and the heads of concerned provincial departments.

For example, the steps involved in obtaining a Tourism Operating License were reduced from 15 to 13 steps. The number of officers engaged in the process was reduced from 8 to 7 persons, while the total time required to obtain a Tourism Operating License for a hotel or guesthouse was reduced significantly from 25 days to 5 days if all the required documents were submitted at the beginning of the process.

Stakeholder feedback: Staff of the concerned departments were appointed to present the 'Before and After Solution Design' results in a public forum. The Deputy Governor, senior provincial officials, Heads of provincial departments, representatives of business associations, individual business owners, development partners, and other relevant stakeholders attended the forum. This public event showed that the concerned departments were committed to, and responsible for, simplifying the procedures involved in business registration and obtaining necessary licenses and permits. All questions and recommendations given in the forum were further discussed by the relevant departments and additional improvements were made.



Interviews with private sector representatives highlighted that entrepreneurs suffer from a persistent lack of information regarding their rights, duties and the procedures they must follow. Disseminating information on how these are being improved demonstrates the willingness of government to make changes for the better. Effective dissemination also offers business owners greater understanding of the administrative procedure they must follow. Knowing in advance what procedures must be followed and what fees must be paid enables businesses to plan and budget for these. Information dissemination also allows government agencies to raise their profile and open communication channels with the public at large. Critically important is making the private sector aware of the new, improved procedures in order to ensure maximum impact.

Providing public information in response to business owners' needs shows the government's willingness to address private sector concerns. Streamlining a process can be considered the 'easy part' of simplifying administrative procedures, but ensuring that reforms are actually carried out takes effort and commitment. Taking the step of developing informative pamphlets and disseminating these widely through government offices and business associations, reinforces the message to all that the provincial government is committed to improving the business environment.

Experience from Siem Reap

Private sector concerns: Interviews with the private sector stressed that lack of information is a major constraint in registering a business. The private sector also requested further reform of procedures at the Provincial Hall and district offices. The leading Siem Reap business associations were very enthusiastic about disseminating information to their members on business start-up and other relevant laws and regulations.

Approaches to disseminating information: To respond effectively to the private sector, project team members brainstormed possible communication tools. Several suggestions were proposed, as listed below, but due to the timeframe and budget, only one initiative (pamphlets) was developed.

1. A pamphlet for each department: Four one-page pamphlets were prepared – one on business registration and three on key permits and licenses. These were printed and widely disseminated through business associations and provincial department offices in order to achieve high impact in the most cost-effective manner. This initiative was implemented during the project and senior officials committed themselves to updating the pamphlets in the future, when required. Examples of these can be seen in the appendix.

2. Public posters and an information desk at the initial point of contact: These would explain the business registration process. However, due to the relatively high cost and the considerable time it would take to get the necessary resources in place, this communication tool was not implemented.
3. Development of a marketing strategy and a TV and/or radio campaign: Using the slogan 'Siem Reap is Open for Business' the campaign would explain the importance and benefits of business registration, and also encourage entrepreneurs to seek information from associations and relevant provincial departments so they could legally register their businesses. This initiative, although likely to achieve high impact and be extremely beneficial for all stakeholders, was not selected due to the project's limited resources

The development and dissemination of the pamphlets: As mentioned earlier, among the three options above, only the pamphlets were developed and disseminated. Each pamphlet was designed to answer six questions of importance to business owners:

1. Who needs to apply?
2. What are the benefits?
3. How and where to apply? What documents are required?
4. How long does it take?
5. How much does it cost?
6. Where to go for further information?

With the pamphlets developed, simplified procedures and their implementation underway, the project team held a public event to announce implementation of the streamlined procedures and to make sure that the private sector was well informed. This event brought together over 200 participants from all sectors (public, private and not-for-profit).

The objective: To publicly inform stakeholders, and most importantly the private sector, of the benefits of business registration and how procedures have been improved and acknowledge the efforts of everyone involved in the simplification process. This demonstrates the government's commitment to improving the environment for investment and doing business.

The target audience: Business associations, individual entrepreneurs and government leaders and staff involved in the streamlining process. Other stakeholders included international development agencies, government agencies not involved in the administrative reform process, and the general public, including entrepreneurs, and school and university students.

Business information kit: The four information pamphlets, plus regulations from relevant departments and other useful business materials were compiled in a 'business information kit' and provided to all participants attending the launching event. This ensured rapid dissemination of information on improved business start-up procedures.

Addressing the audience: The Deputy Governor, senior provincial officers, provincial department heads, project team members, and private sector representatives all addressed the audience about the benefits of reform and their experience in working on administrative simplification in Siem Reap Province.



More than just a launch: In addition to information dissemination efforts, the launch provided a platform for provincial officials and business owners to share experience on various business issues with a view towards further improving the business environment. A lively dialogue continued over the course of the evening, contributing towards the strengthening of public-private dialogue.

5

Monitoring and Evaluation

The completion of process mapping, solution design, and implementation and information dissemination is not the end of the administrative simplification project. Monitoring and evaluation (M&E) of the project is a crucial step in order to measure the effectiveness of administrative reform and show clear links between past and present performance.

Not only does M&E help the agencies concerned to see the impact of their efforts, but it also supports further reforms by helping develop ways to gather, interpret and utilize data for additional purposes. Without M&E, it is impossible to make an assessment of whether or not reform processes are having the desired impact or what further interventions may be required.

As noted previously, the Coordinating Committee plays various roles in implementing an administrative reform project, and this also includes ensuring that M&E takes place. M&E cannot be conducted without baseline data on the current situation against which the results of reforms can be tracked and measured. Thus gathering accurate baseline data is a crucial part of the reform process.

Examples of baseline data to collect from business owners include: 1) the fees paid by a business owner in obtaining licenses/permits; 2) the dollar cost of the time business owners and staff spend applying for a particular permit or license; 3) other expenses associated with obtaining a particular business permit or license; and 4) the number of employees working for an enterprise.

Baseline data to be collected from provincial departments include: 1) the time spent on issuing a particular permit or license; 2) the number of businesses registered; 3) the amount of fees collected; and 4) the number of investments or investment enquiries made in the province.

Deciding which indicators are best for measuring the success of a particular administrative reform program should be determined by the project's objectives, and in close consultation with those implementing the reform process.

Data collection procedures: One of the best ways to collect data on how long business start-up takes is to review a sample of applications. Provincial departments keep good records of incoming and outgoing documents and thus application forms have both entry and exit dates officially stamped on them.

Using the information gained through consultation with stakeholders, the project team is able to measure the impact of the project over time. For example, reviewing M&E data every six months for a period of two years, and comparing this to baseline data, will show the impact of reform. Such reviews undertaken at reasonable intervals enable the project team to address any problems in implementation so that the best possible results can be achieved.

When reviewing the 'before' and 'after' data, it is important to take into account the current economic environment and any external factors that may have an impact on the reform process. For example, if there is a decline in the number of businesses registering, it may not be a direct impact of the reform process, but instead the result of unfavorable economic factors.

In summary, without M&E, making an objective assessment of the impact of the reform process is not possible. M&E should be a regular activity within departments to evaluate the effectiveness of the reform overall. M&E does not need to generate or create new information, instead it should leverage existing data as much as possible.

④ Flexibility and Addressing What Makes a Difference

Throughout any reform process it is important to continue to focus on the issues that will make the most difference to the business community and have the greatest impact. To achieve this, it is important to remain flexible in reforming administrative procedures in order to identify opportunities as they arise and capitalize on them.

1. Provincial Hall and District Level Review

Earlier, we mentioned that business owners requested a review of Provincial Hall procedures. This request was made to the project team during interviews with the private sector and again at the launching event that introduced implementation of simplified business start-up procedures. In response, the Deputy Governor asked the project team to simplify procedures for obtaining the location permit, which involved both the Provincial Hall and district offices. Over the course of the project, various challenges were identified. The project team used the same reform methodology to collaborate with government staff at both the Provincial Hall and district offices.

2. New Challenges and Opportunities Identified

Throughout the consultation process and documentation review, challenges were identified not only by the private sector but also by the government. In these challenges lie opportunities for reform. These have been documented here to present a complete picture.

Although registration processes that require national level signatures and review were simplified at the provincial level as far as possible, the need for significant additional reforms was raised by the private sector and acknowledged by the government. Greater decentralization of business registration to the provincial level would have a positive impact on the timing and costs of business registration.

The importance of public-private dialogue should not be underestimated. In Phnom Penh, the private sector working groups of the Government-Private Sector Forum are a constructive mechanism for government and the private sector to resolve business environment issues. Businesses in Siem Reap contribute to this process from afar and are eager to participate. For example, Siem Reap business associations were very enthusiastic about playing a greater role in disseminating information on laws and

regulations because this enables the associations to deliver valuable services to their members. This also helps the government to ensure that businesses are fully aware of their legal responsibilities. Associations also play a role in preparing their members for business registration by ensuring that members understand what is required of them. If members have all the right documents ready during registration, it will help government staff to process their application forms more quickly. Individual business owners, both foreign and Cambodian, were very receptive to playing a role in the administrative simplification project and helping the government to achieve good results. More frequent informal interaction between government and the private sector is highly beneficial for both.

⑤ Conclusions

Siem Reap Province has set a good example for other provincial and municipal governments on how to improve the business environment by simplifying administrative procedures related to business start-up. Through their commitment, accountability and dedication, senior government officials and staff, in partnership with private sector representatives, made the project a success.

Administrative simplification is not just about eliminating unnecessary steps in a particular process. It also involves ensuring that provincial and municipal governments remain committed for the long-term to continuing to reduce regulatory burdens and improving government services. This means that governments must continue to involve relevant stakeholders to undertake administrative reform. Successful reforms improve the environment for doing business and benefit both the government and the private sector.

Any administrative simplification project will result in developing more effective regulations, combined with improved performance and efficiency of provincial departments. Making it easier for businesses to start-up and register formally will benefit the economy of the province through greater investment, greater diversification, increased employment, and poverty reduction. These are all key strategies and priorities of the Royal Government of Cambodia.

Annex 1 Siem Reap's Improvement in Scorecard Ranking²

In 2006, the International Finance Corporation (IFC) and The Asia Foundation launched the first Provincial Business Environment Scorecard (PBES) in Cambodia. The PBES measures ten key indicators of economic governance at the provincial level and ranks provinces against each other, based on these results. The ten indicators are: the time and costs of starting a business; informal charges; property rights; crime prevention; transparency of regulations; dispute resolution; time and procedures to pay taxes; time spent complying with regulations; participation of the private sector in policy making; and the effectiveness of local officials in helping businesses.

The 2006 PBES survey results revealed that Siem Reap ranked 9th out of 10 provinces and was especially low on Entry Costs, Transparency, Crime Prevention, Proactivity of Provincial Officials, and Taxes.

Recognizing the importance of improving the business environment in the province, the Siem Reap Governor and other senior officials implemented the Siem Reap Administrative Simplification Project in order to improve business start-up procedures. Registration of a sole proprietorship, and acquisition of a tourism license, a permit to supply agricultural inputs and the license required to set up business at a particular location were all simplified by reducing the steps, documents and fees involved. Disseminating information on these changes as widely as possible was done through easy-to-understand, one-page pamphlets.

In 2009, IFC and The Asia Foundation launched the second PBES. Findings from this second survey revealed that as a result of starting administrative reform, Siem Reap made good progress (moving up in rank to 6th place on the 2009 PBES, when comparing the same 10 provinces as 2006 PBES). Although these achievements are not only a consequence of simplifying administrative procedures, the concerted efforts of the provincial government to make business start-up easier and respond to private sector requests in other ways, is evident in Siem Reap's much improved ranking. Thanks to efforts to streamline business start-up procedures, Siem Reap Province stands out as one of only a few provinces that has easy-to-understand information on regulations readily available in the lobbies of a number of government agencies.

² The Provincial Business Environment Scorecard in Cambodia, April, 2009.

Figure 5: Assessment of PBES in 2006 Compared to 2009 (same 10 provinces)

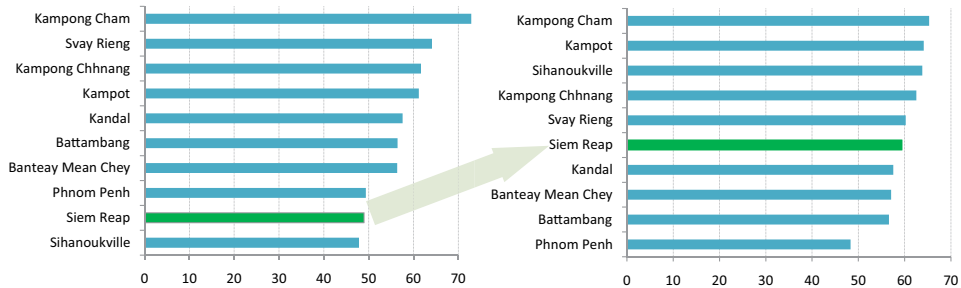
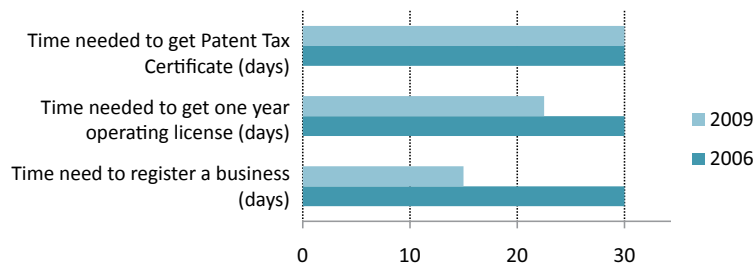


Figure 6: Comparison of Business Start-Up in 2006 and 2009 in Siem Reap



Annex 2 Information Pamphlets

APPLICATION FOR Location Permit IN SIEM REAP PROVINCE




Who needs to apply?

All businesses, except mobile business operations, are required to apply for a location permit* from the Provincial Hall. The permit is valid for one year.

What are the benefits?

There are several benefits to receiving a Location Permit:

1. Your business will be recognized as a legal entity and protected by the laws of the Kingdom of Cambodia;
2. Your business transactions will be recognized by all relevant institutions; and
3. Your contractual relationships with business partners will have better legal standing, which is important in taking advantage of business opportunities, and increasing your access to resources such as financing.

How to apply?

You may first want to consult with the Administrative Office of the Provincial Hall to obtain advice on the registration process. To apply for a location permit in Siem Reap, you need to fill in the application form available from the Economic Office of the Provincial Hall.

Documents required for the application include: (i) Two copies of your photograph (4 x 6 cm); (ii) one copy of your business registration certificate; (iii) one copy of your certificate of land title or leasing contract; (iv) the business location shown on a map; and (v) one copy of your passport or identification card.

How long does it take?

If you have all the documents required, under usual circumstances it takes approximately **5 working days** to obtain a location permit from the Siem Reap Provincial Hall.

How much does it cost?

The service fee will cover application processing through the village, commune, district and provincial levels. For a medium-sized business, the fee will average USD 150.



ABOUT THIS BROCHURE

Siem Reap Province is simplifying administrative procedures related to business start-up by streamlining business registration and licensing, and by disseminating information more widely to business owners to increase transparency. Similar brochures are available in Siem Reap for other business start-up procedures from: the Department of Commerce; the Department of Tourism; and the Department of Agriculture, Forestry and Fisheries.

For more information please call: 083 963 460
012 780 099

* The Siem Reap Provincial Administration refers to this as the "License of Exploitation Place"

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APPLICATION FOR PERMISSION LETTER FOR Agricultural Inputs Supplier IN SIEM REAP PROVINCE



This initiative is funded by
IFC International
Finance Corporation
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Who needs to apply?

Businesses intending to sell agricultural inputs are required to obtain a permission letter from the Provincial Department of Agriculture, Forestry and Fisheries. Agricultural inputs include chemical fertilizer, pesticides, seeds, animal feed and feed additives.

(To import agricultural inputs, a license is required from the Ministry of Agriculture, Forestry and Fisheries.)

What are the benefits?

Being a legally-registered agricultural inputs business gives you several benefits:

1. Your business will be recognized as a legal entity and protected by the laws of the Kingdom of Cambodia;
2. Your contractual relationships with business partners will have better legal standing, which is important in taking advantage of business opportunities, and increasing your access to resources such as financing;
3. You will be able to consult with officials on business start-up, running the business and customer protection; and
4. Consumers will better trust your product if it has been legally registered.



ABOUT THIS BROCHURE

Siem Reap Province is simplifying administrative procedures related to business start-up by streamlining business registration and licensing and by disseminating information more widely to business owners to increase transparency. Similar brochures are available in Siem Reap for other business start-up procedures from: the Department of Commerce; the Department of Tourism; and the Provincial Hall.

For more information please call: 063 964 410
012 225 152

How to apply?

To obtain a license as an Agricultural Inputs Supplier in Siem Reap, you should fill out an application form – available from the Provincial Department of Agriculture (from either its Administration Office or District Agriculture Office).

Documents and information required for licensing include:
(i) a letter requesting permission to open an agriculture inputs business; (ii) a summary of your biography with 4 x 6 cm photo; and (iii) a signed statement explaining business purpose.

Submit these documents to the Commune Council, and then to the Provincial Department of Agriculture (either its Administration Office or District Agriculture Office).

How long does it take?

Normally it takes about **7 working days**¹ to obtain a Permission Letter:

- At a District Agriculture Office - 4 days
- At an Administration Office of the Provincial Department - 3 days

How much does it cost?

The cost of registering an agricultural inputs business in Siem Reap is around 30,000 riels, which includes:

1. Application form: 5,000 riels
2. Registration fee: 25,000 riels (for facilitation, and other fees related to sending documents to/from the Provincial Department of Agriculture)

¹ Seven working days excludes the time spent at the Commune Council.



PERMISSION LETTER FOR Small and Medium Enterprises IN SIEM REAP PROVINCE



ABOUT THIS BROCHURE

The Siem Reap provincial administration is actively simplifying administrative procedures related to business start-up by streamlining business registration and licensing and disseminating information more widely to business owners to increase transparency. Similar fact sheets are available for other business start-up procedures in Siem Reap province in the Ministry of Agriculture, Forestry and Fisheries, the Ministry of Tourism, and the Ministry of Commerce.



Who needs to register?

All entrepreneurs wanting to conduct business producing and processing products for new, small-scale industry and handicraft operations including: (i) food, beverages and tobacco, (ii) textiles, wearing apparel and leather products, (iii) paper products, (iv) chemical, rubber and plastic products (except petroleum and gas), (v) non-metallic mineral-based products, (vi) basic metal, (vii) fabricated metal, machinery and equipment, and (viii) other sectors such as: production of jewelry, decorations, musical instruments, sports equipment, toys and office equipment are required to register with the Ministry of Industry, Mines and Energy (MIME) and/or its provincial department.



What are the benefits?

Being a legally registered business provides several benefits:

1. Your business is recognized as a legal entity and is protected by the laws of the Kingdom of Cambodia;
2. Being a registered business allows you to engage in contractual relationships with business partners, which is important to take advantage of business opportunities and to increase your access to resources (e.g. financial services, opportunities for being a member of business associations and the Chamber of Commerce etc.); and
3. Consultation with officials on best practices for handling products for consumers' protection (for example, participation in training or workshops organized by the provincial department or business association, in order to promote the competitive advantage of your business).

How and where to register? What documents are required?

If you would like to open a rice mill which has an engine with less than or equal to 24 horse power, a welding enterprise, a tailoring shop or a garage in Siem Reap, you should first go to the Provincial Department of Industry, Mines, and Energy, SME Affairs Office, to get information about the business registration and application form. You then have to submit the documents to local authorities (village, commune council and district hall) for approval. Documents include 1) Letter to request approval for a specific place of business, (Letter of Exploitation Place) 2) Summary of your biography 3) Social Impact Guarantee, and 4) Survey List.

After getting approval from local authorities, you have to submit the documents to the Administrative Office of Department of Industry Mines and Energy in Siem Reap.

Similarly, if you would like to open a rice mill which has an engine with more than 24 horse power or engage in any type of food production in Siem Reap, you will need to go through the local authorities (village, commune and district) and then Provincial Department of Industry, Mines, and Energy in Siem Reap. After that you also need to request for letter of exploitation place from Siem Reap Provincial Hall and a PRAKAS from MIME in Phnom Penh.

How long does it take?

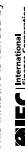
Under usual circumstances, it takes approximately 3 working days to obtain the Permission Letter for opening your business from the Provincial Department of MIME in Siem Reap. However, if the business requires a PRAKAS from MIME in Phnom Penh, this will take more time.



SOLE PROPRIETORSHIP Business Registration IN SIEM REAP PROVINCE



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Who needs to register?

If your business reaches a certain size, it must register with the Ministry of Commerce (MoC).

What are the benefits?

Being a registered sole proprietorship gives you several benefits:

1. Your business will be recognized as a legal entity and protected by the laws of the Kingdom of Cambodia;
2. The name of your enterprise belongs to you, and you can exclusively use it for a period of 99 years; and
3. Your contractual relationships with business partners will have better legal standing, which is important in taking advantage of business opportunities, and increasing your access to resources such as financial services.



ABOUT THIS BROCHURE

Siem Reap province is simplifying administrative procedures related to business start-up by streamlining business registration and licensing, and by disseminating information more widely to business owners to increase transparency. Similar brochures are available in Siem Reap for other business start-up procedures from the Department of Agriculture, Forestry and Fisheries, the Department of Tourism and the Provincial Hall.

¹ Goods: annual revenue greater than 500m riel; Services: annual revenue greater than 250m riel; Government contracts: annual revenue greater than 125m riel. (Source: MEF Prakas 795 on the Real Regime for Tax Purposes)

How and where to register? What documents are required?

To register a Sole Proprietorship in Siem Reap, you should collect an application form from the **Business Registration Office of the Provincial Department of Commerce**.

Documents and information required for registration include:
(i) proposed name of the enterprise; (ii) 3 photocopies of your passport/identification card; (iii) 4 copies of your photograph (4x6 cm); (iv) a short description of your business objectives; and (v) 3 copies of other operating permits, if they exist. In addition, the registration or administrative staff may wish to visit your business location to verify that the sole proprietor is the lessee/owner/lender of the proposed location, etc.

After reviewing the application form and verifying the relevant documents, the Provincial Department of Commerce in Siem Reap forwards the application to the Department of Business Registration of MoC in Phnom Penh for final approval and issuance of the registration certificate. The certificate of registration for a sole proprietorship will then be sent back to the Provincial Department of Commerce, which will notify you to collect it.

How long does it take?

Under usual circumstances it takes about **18 working days** to obtain the Certificate of Registration from the date of submitting the proposed name.



APPLICATION FOR TOURISM LICENSE

Hotel, Guest House, Restaurant and Karaoke Venue

IN SIEM REAP PROVINCE



Photo: Chhun Long

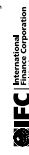
How to apply?

To apply for a Tourism License, you should first consult with the Office of Tourism, Industry and Development Planning, which is part of the Provincial Department of Tourism in Siem Reap. Then submit the application form.

Documents and information required for licensing include:

1. Letter of Exploitation Place (which is a letter from City Hall stating where the business is located);
2. Permission Letter for Constructing or Repairing a Building, issued by the Department of Land Management, Urbanization and Construction;
3. Certificate of Commercial Registration;
4. Certification Letter for a Fire Management and Safety Protection System issued by the Ministry of Interior/provincial/municipal commissioner;
5. Sanitation Certificate issued by the Health Ministry or Provincial/Municipal Health Department;

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Who needs to apply?

All hotels, guesthouses, restaurants and karaoke venues operating in Siem Reap are required to have a Tourism License from either the Provincial Department of Tourism or the Ministry of Tourism in Phnom Penh (depending on business size – see below).

What are the benefits?

Having a Tourism License will provide you with the following benefits:

1. Your business will be recognized as a legal entity and protected by the laws of the Kingdom of Cambodia;
2. Your contractual relationships with business partners will have better legal standing, which is important in taking advantage of business opportunities, and increasing your access to resources such as financing; and
3. You will be able to consult with officials on business start-up, running the business and consumer protection.

6. Identification Card or Passport;
7. Authorization Letter from the business owner if the business is not owned by the manager; and
8. Degree or Certificate which certifies that the manager is qualified in Hospitality or Tourism Management. (In addition to item 4, karaoke businesses are required to have a specific certificate for public safety.)

If you open a hotel with 20 rooms or less, a guesthouse with 15 rooms or less, a restaurant with 75 or fewer seats, or a karaoke venue with 15 rooms or less, the business will need a Tourism License issued by the Provincial Department of Tourism in Siem Reap. For hotels, guesthouses, restaurants or karaoke venues with facilities over the above-mentioned limits, the license needs to be issued by the Ministry of Tourism in Phnom Penh, through the Provincial Department of Tourism in Siem Reap.

How long does it take?

Normally, it takes approximately 5 working days for a Tourism License to be issued by the Provincial Department of Tourism, and 10 working days from the Ministry of Tourism in Phnom Penh.

How much does it cost?

Official fees for a Tourism License:

1. License for business start-up:

- **Hotel:** depending on the number of rooms, the fee ranges from 150,000 to 2,400,000 riels.
- **Guesthouse:** 10,000 riels/room.
- **Restaurant:** from 100,000 to 1,200,000 riels, based on the number of seats.
- **Karaoke:** depending on the number of rooms, the fee ranges from 400,000 to 1,400,000 riels.

2. Renewal of a license costs 50% of the start-up license; and
3. If the manager is replaced, you need to inform the Department of Tourism and pay 10% of the fee for the business start-up license.

ABOUT THIS BROCHURE

Siem Reap Province is simplifying administrative procedures related to business start-up by streamlining business registration and licensing, and by disseminating information more widely to business owners, to increase transparency. Similar brochures are available in Siem Reap for other business start-up procedures from: the Department of Agriculture, Forestry and Fisheries; the Department of Commerce; and the Provincial Hall.

For more information please call: 063 964 925



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