Draft Outline of SME Development Framework
Sub-committee on Small and Medium Enterprises
Contact: Mr. Keo Rottanak, Ministry of Industry, Mines and Energy

An overall Vision: Develop a conducive business environment which will lead to a competitive SME sector contributing to the creation of quality employment and improve the range of goods and services available to the people of Cambodia.

Major Issues	**Phase I: (2005-'07)** Establish the Framework for and Enabling Environment for SME Development	**Phase II: (20090-'10)** Enhance and Expand the Framework for Enabling Environment for SME Development	**Future Consideration:** Foster Competitiveness of SMEs through Integration into the World Economy	**Major Donor Activities**
I. Regulatory and Legal Framework **Vision:** To reform the regulatory and legal framework for the purpose of creating and enabling business environment based on the rule of law and designed to minimize the impacts of government interventions on the private sector while providing the necessary protection of public goods.				
(A) Company Registration *Objective:* Reduce the Barriers and Building the Necessary System of Effective Registration	• Reduce administrative and cost barriers in registration, including reduction of minimum capital requirement. • Engage in public-awareness campaign, including issuing a manual on registration process and a series of necessary templates • Conduct pilot decentralization of company registration outside Phnom Penh	• Commence full decentralization • Plan for on-line registration system • Link business registration at MOC with tax and VAT registration at MEF and eventually merge into one procedure	• Implement the online registration • Expand registration to a wider segment of economy by further developing practical thresholds for firms to register	• ADB-Cambodia SME Development Program (CSDP) • World Bank review of investment climate and reform strategy
(B) Regulatory Review and Recourse Mechanism *Objective:* Reduce regulatory compliance costs by enhancing governance and responsibilities of the relevant state agencies	• Establish regulatory review process for existing and proposed licenses and remove or streamline the requirements-for both operating and regulatory licenses • Formulate a recourse mechanism to appeal administrative decisions • Plan for a pilot program for one-stop window for all relevant business licenses	• Continue to evaluate and remove unnecessary licenses • Implement a comprehensive system for issuance of new licenses and recourse mechanism • Develop a comprehensive program for one-stop window for all relevant business licenses	• Continue to implement the reforms as outlined • Expand the one-stop window program for licensing of SMEs	• ADB-CSDP
(C) Commercial Legal Framework *Objective:* Develop basic legal infrastructure needed for businesses and strengthen the rule of law	• Enact draft laws on commercial enterprises, insolvency, secured transactions and contracts, among others-and harmonize them with the civil code • Enact legal framework necessary to crate specialized court to resolve commercial disputes and strengthen training of judges.	• Engage in extensive capacity-building program for the commercial court system • Enact legislation to establish commercial arbitration • Implement anti-corruption legislation to improve transparency and fairness and adopt code of ethics	• Establish small claims court to strengthen contract enforcement for SMEs	• Japan International Cooperation Agency (JICA)-Civil Code and Procedures • World Bank Contract Law • Canada International Development Agency (CIDA)-Law on Commercial Arbitration and Law on Commercial Court
II. Access to Finance **Vision:** To ensure that SMEs have access to necessary working capital as well as medium and long-term finance by strengthening the collateral system and by providing a greater range of products from a wider variety of financial institutions.				

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(A) Collateral and land titling *Objective:* Establish secure titling to improve collateral base, and effective mechanism of enforcement of the Land law	• Issue the legal framework for secured transaction and land registration • Initiate the registration system for both movable and immovable properties	• Develop and implement support programs for banks and other financial institutions for effective collateral valuation	• Expand the on-line registration systems on nation-wide basis	• ADB-Financial Sector Program Loan (FSPL) • Mekong Private Sector Development Facility (MPDF)-Bank Training Institute • ADB-TA 4181 on Land Law (phase II) • WB and Other Donors-Land Titling Project
(B) Leasing *Objective:* Create an enabling framework for banks to provide finance leasing	• Amend the tax law so as to enable finance leasing to occur • Issue the legal framework on leasing covering both financial and operating leasing	• Issue IAS-17, specifying best accounting practice for leasing • Develop and implement training and information programs for banks, SMEs and equipment suppliers that promote leasing	• promote joint venture or stand-alone finance/operating leasing companies	• ADB-CSDP • ADB-FSPL • International Finance Corporation (IFC)-Review of leasing industry
(C) Credit Information sharing *Objective:* Facilitate Enhanced Access to Finance by Reducing the Risks Associated with Limited Information on Potential Borrowers	• Implement the private credit information sharing system • Establish an enabling legal framework for operation of the system by establishing and enabling legal framework and to protect the rights of borrowers	• Expand the credit information system by providing historical and other information • Facilitate the establishment of a private credit bureau • Develop and implement a plan to include other financial institutions to participate in the system	• Continue to implement the plan for expanded credit information system and inclusion of non-bank financial institutions • Draft a plan for the feasibility of developing new information products such as credit scoring	• ADB-CSDP • ADB-FSPL • Agence Francaise de Development (AFD)-Capacity Building for microfinance institutions • Kreditanstalf fur Wiederafbau (KfW)-Capacity Building for commercial banks • MPDF-Bank Training Institute
(D) Simplified Accounting and Taxation Systems for SMEs *Objective:* Facilitate Enhanced Access to Finance by Reducing the Risks Related to Lack of Appropriate Financial Information	• Issues simplified SME accounting guidelines (including the related templates) • Develop a simplified tax-reporting system for SMEs operating as companies • Engage in extensive training program to both accounting professionals and SMEs (through private sector representatives)	• Continue to support the development of the accounting professionals • Issue guidelines and specific requirements to assist the SMEs to adhere to the formal tax system	• Develop corporate governance guidelines and disclosure requirements on financial information	• ADB-CSDP • ADB-FSPL • ADB & International Monetary Fund (IMF)-Public Financial Management Program
III. SME Support Activities **Vision:** Create a dynamic market for SME support service. Assure that services are supplied in the most efficient means possible by the private sector and government. Encourage suppliers of services to respond to market signals and cater to a rage of enterprise size. Finally, create a market place, where SME are aware of the benefits and rage of services available.				
(A) Business development	• Identify existing BDS suppliers and demand	• Develop and implement education campaign for	• Develop in public private partnership new	• Australia Agency for International

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services *Objective:* Create a dynamic market for BDS supplies as private goods and offering a range of serviced demanded by SMEs	for services and develop a registry by district of BDS suppliers and make it available to SMEs • In cooperation with BDS facilitators (NGOs Donors and associations), identify BDS needs of SMEs and barriers to greater use.	SMEs on the benefits of BDS • In cooperation with BDS facilitators, encourage new BDS suppliers into the market • Encourage existing institutions to enter the BDS market and/or link with existing BDS providers to improve their services (for example, linkages between educational institutions and BDS providers can improve quality) • To stimulate demand and supply, encourage third parties to deliver pilot projects for voucher schemes	BDS products • Facilitate the replication of successful BDS providers • Encourage a BDS industry association, a code of ethics and independent certification of BDS providers • Direct delivery of BDS should be avoided by the government, however, where it does occur, some cost recovery components should be introduced	Development (AusAID)-BDS for Agriculture • JICA-BDS Development • MPDF-Business Advisory Assistance
(B) Access to Markets *Objective:* Improve SMEs access to domestic and export markets through better information, market research, product development and promotional activities	• Design and implement an education program on utilizing information for access to markets • Encourage and assist SMEs to participate in trade fairs and exhibitions • In cooperation with SME associations develop multi-purpose facilities • In conjunction with other stakeholders link buyers with SMEs for clusters of SMEs	• Develop and implement a strategy for regional SMEs to have improved access to the internet • Facilitate better flow of useful information between public institutions, such as technical college and universities, and SMEs • To improve access to export market, facilitate linkages between local and international businesses associations	• To enhance the use of the internet, a legal and regulatory framework for e-commerce should be implemented • In partnership with the private sector, facilitate trade fairs and product exhibition • Develop and implement a matching grant scheme for SMEs to access export markets	• ADB-TA 4121 (Garment Sector Study) • European Union (EU)-World Trade Organization (WTO) Assistance • EU-Export Development • Gesellschaft fur Technische Zusammenarbeit (GTZ)-Trade Promotion • New Zealand Agency for International Development (NZAID)-Trade Policy in Agriculture • United Nations Economic and Social Commission for Asia and Pacific (UNESCAP)-WTO Assistance • United Nations Industrial Development Organization (UNIDO)-Market Access Support • World Bank-Supply Chain and Trade Facilitation

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(C) Technology and Human Resource Upgrading *Objective:* Improve availability and awareness among SMEs of technology and technical and managerial training	• Review current technology and training needs, incentive structures and barriers • Coordinate with providers of vocational training to identify needs and develop links with SMEs • Strengthen the capacity of current research institutions and foster linkages with the private sector (including academic institutions)	• Develop and action plan for implementing opportunities identified in the phase on review • Coordinate and work with training institutions and donors to develop toolkit packages for training and capacity building in SMEs	• Encourage quality standards in SMEs trough ISO 9000 certification process • Encourage linkages between training and research institutions and SMEs	• ADB-Garment Sector Study • Government of India-Vocational Training • GTZ-Vocational Training • JICA-Training Center • UNIDO-Industrial Standards
(D) Linkages *Objective:* Assist SMEs to work together and cooperate in integrated networks to improve their competitiveness and access to local and international markets	• Review relevant regulations and procedures for the registration of associations and make recommendations for improvements • In cooperation with other stakeholders, develop and implement an action plan for encouraging the formation and strengthening associations • Carry out a stock take of clusters, including identifying number, size, type and location	• Encourage the development and use of media outreach programs for raising awareness of issues related to SMEs • Develop in cooperation with donors and associations, common service provisions and other related support for clusters	• To help improve the competitiveness of clusters, encourage linkage between local clusters and international organizations • Working together with other stakeholders, assist SMEs in clusters become integrated in global value chains. This can include promoting learning networks, joint international marketing, as well as, a range of other services	• ADB-FSPL • ADB-Garment Sector Study • World Bank-Trade Facilitation and Supply Chain • JICA-Feasibility of Export Processing Zone to build backward linkages to SMEs • United States Agency for International Development (USAID)-Capacity Building for Business Associations
IV. SME Policy Framework – Implementation Process **Vision:** Develop a specific framework and institutional arrangements for effective policy formulation and implementation, as well as monitoring of the impact. Involve the private sector representatives and obtain donor support to ensure its overall success.				
(A) Government Organization *Objective:* Develop an institutional arrangement among key Government agencies for effective and coordinated policy formulation and implementation	• Formulate and implement the First SME Development Framework based on public private partnership • Establish a Secretariat for the National SME Sub-committee with detailed work plan • Develop and implementation a plan to provide and collect information to and from SMEs • Publish a report on the state of the SME sector and the achievements of the First SME Development	• Formulate and implement the Second SME Development Framework based on public private partnership • Expand the system to provide and collect information to and from SMEs • Publish a report on the state of the SME sector and the achievement of the Second SME Development Framework • Expand the specific plan for capacity building programs for the Government		• ADB-Cambodia SME Development Program (CSDP) • World Bank review of investment climate and reform strategy

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	Framework • Develop a specific plan fro capacity building programs for the Government of officials and private sector representatives • Ensure that the implementing agencies are allocated with sufficient resources to take the reforms as outlined in the SME Development Framework	officials and private sector representatives		
(B) Promotion of Public Private Partnership *Objective:* Support the development of active private sector representation in policy advocacy	• Develop a specific consultation process with business associations and other stakeholders to foster public private partnership • Formulate a plan to enhance capacity of the business associations to provide policy advocacy on behalf of SMEs	• Facilitate the establishment of private policy research institutions for support in policy formulation, evaluation, and monitoring of impact		• United States Agency for International Development (USAISD)-Capacity Building for Business Associations • MDPF