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# STRENGTHENING MICRO, SMALL AND MEDIUM ENTERPRISES IN CAMBODIA

**FINAL REPORT**

**OCTOBER 2008**

This publication was produced for review by the United States Agency for International Development. It was prepared by DAI.



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<b>Program Title:</b>	<b>STRENGTHENING MICRO, SMALL AND MEDIUM ENTERPRISES IN CAMBODIA</b>
<b>Sponsoring USAID Office:</b>	<b>USAID/Cambodia</b>
<b>Contract Number:</b>	<b>GEG-I-00-02-00014-00 / AMAP BDS IQC</b>
<b>Contractor:</b>	<b>DAI</b>
<b>Date of Publication:</b>	<b>October 30, 2008</b>

The authors' views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.



# CONTENTS

- EXECUTIVE SUMMARY ..... V**
- INTRODUCTION ..... 1**
- EARLY ANALYSIS AND PROJECT DESIGN ..... 1**
  - INTEREST GROUPS..... 3**
- MANAGEMENT..... 5**
- COMPONENT ONE – IMPROVING PERFORMANCE OF PROJECT-ASSISTED ENTERPRISES IN SELECTED VALUE CHAINS..... 7**
  - TECHNOLOGY AND GOVERNANCE ASSESSMENT MISSIONS ..... 7**
  - BUSINESS DEVELOPMENT TRAINING..... 9**
- COMPONENT TWO – ENHANCING VALUE CHAIN COMPETITIVENESS ..... 11**
  - PROMOTING EMBEDDED SERVICES..... 11**
  - HELPING VILLAGE LIVESTOCK AGENTS ..... 12**
  - TRADE FAIRS..... 13**
  - BUSINESS FORUMS..... 13**
- COMPONENT THREE – IMPROVING MSME ACCESS TO FINANCE..... 15**
- COMPONENT FOUR – IMPROVING THE BUSINESS ENVIRONMENT ..... 17**
  - DEVELOPMENT OF COMMUNITY WORKING GROUPS ..... 17**
  - ISSUES ..... 18**
  - ACTIVITIES..... 18**
  - ONGOING EFFORTS TO REFORM THE ENABLING ENVIRONMENT..... 19**
- COMPONENT FIVE – ECONOMIC DEVELOPMENT SUPPORT TO VULNERABLE AND TRAFFICKED PERSONS ..... 23**
  - CHALLENGES AND IMPACT ..... 23**
- LESSONS LEARNED ..... 27**



# TABLES AND FIGURES

## TABLES

1	Select Indicators of Cambodia MSME’s Success.....	vi
2	Typology of Cambodian Firms in a Given Value Chain.....	3
3	Cross-Provincial and International Exposure Trips, By Value Chain.....	8
4	Project-Facilitated Training Sessions and Participants, By Value Chain .....	12
5	Investment by Project-Facilitated MSMEs Soared .....	16
6	EDVP Beneficiary Incomes Before and After Project Support .....	24
7	EDVP Beneficiary Living Conditions Before and After Project Support .....	24

## FIGURES

1	Cambodia MSME Initially Worked in Five Provinces, Then Expanded Its Interventions .....	2
2	Dynamic of Reform to the Enabling Environment.....	20



# EXECUTIVE SUMMARY

The U.S. Agency for International Development (USAID) Strengthening Micro, Small and Medium Enterprises in Cambodia (Cambodia MSME) project has been one of the most successful rural development projects in the history of foreign assistance to the country. It focused on promoting the competitiveness of the swine, fish, and brick and tile value chains—targeting producers, input providers, traders, government officials, and other relevant parties in its efforts to improve productivity and alleviate major constraints to doing business in these subsectors. In the course of its work between 2005 and 2008, the project team maintained a market-focused, facilitator model—it rarely addressed deficiencies directly, opting rather to guide producers to individuals, such as input providers, who could deliver needed (but previously nonexistent) services in the course of promoting their products. Cambodia MSME also worked to overcome the poor governance, mistrust, and lack of communication that impedes local economic development by pulling together actors from all across the private and public sectors for exposure tours and business forums, while helping select government officials to improve their abilities to draft and enforce regulation.

Thus, in its implementation, the project worked mainly as a matchmaker and motivator, rather than as a service provider directly intervening in markets and public affairs. It owes its success also to several underlying factors: strict adherence to its market-oriented methodology, careful targeting of likely beneficiaries, strong leadership with experience and insight into local conditions, a highly qualified and dedicated local staff of technical experts, and flexible oversight from USAID, which allowed the project team to take a creative approach to each component.

In addition to its technical work, Cambodia MSME strove to monitor and evaluate every aspect of its operations, commissioning two regional analytical organizations (Cambodia Institute of Development Study and Indochina Research Ltd.) to undertake extensive field surveys to capture relevant information. Such efforts are rare among enterprise development projects. The lack of rigorous measurement in many value chain projects has led to doubts among implementing agencies about the efficacy of value chain-level assistance, and partly explains their increasing tendency to opt for projects that focus more on mitigating enabling environment constraints. Cambodia MSME's studies yielded a wealth of reliable data, some of which are included in Table 1, that allow for a quantitative discussion of the project's likely effects and should serve as a convincing argument that value chain-level assistance that is carefully targeted and rigorously implemented can result in dramatic improvements in microeconomic performance.

Cambodia MSME's results are striking. Particularly in the swine value chain, project-assisted enterprises showed huge increases in average volume of sales (232 percent of the target of 16.4 pigs per enterprise) and average value of sales (293 percent of the target of \$1,290). Although the project did not hit its targets on every indicator in the other two chains, headline indicators such as change in volume of sales and change in value of sales show results high above baseline data, and a nuanced interpretation of results indicates that many assisted firms accessed higher-value markets—for example, tile makers saw a 378 percent jump above the baseline in the value of their sales, despite only a 125 percent increase over the baseline in volume of sales (as a result of accessing the Phnom Penh construction market, discussed under Component 2).

**TABLE 1: SELECT INDICATORS OF CAMBODIA MSME'S SUCCESS**

Component	Indicator		Target	Result	% of Target	% of Baseline
1	1.1	Average change in volume of sales of project-assisted enterprises	2,890 fish/MSME	1,863	64	128
			16.4 pigs/MSME	38	232	462
			540,334 tiles/MSME	338,701	63	125
	1.2	Average change in value of sales of project-assisted enterprises	\$2,154/fish MSME	\$3,637	169	337
			\$1,290/pig MSME	\$3,786	293	587
			\$21,156/tile MSME	\$39,967	189	378
2	2.1	Total number of enterprises benefitting from USAID business development assistance	1,500 MSMEs	2,002	133	N/A
	2.2	Entrepreneurs receiving services supported by USAID	1,500 MSMEs	2,002	133	N/A
	2.3	Total number of people trained in private sector growth*	1,500 people	7067	471	N/A
	2.4	Average change in value of new investments by MSMEs	\$6,886 for fish MSMEs	\$4,830	70	141
			\$1,200 for pig MSMEs	\$5,256	438	876
			\$18,000 for tile MSMEs	\$115,160	640	1,280
3	3.1	Number of MSMEs in target value chains that have accessed loans from any source at any time	50 fish MSMEs	66	132	N/A
			150 swine MSMEs	169	113	N/A
			15 tile MSMEs	6	40	N/A
	3.2	Number of MSMEs trained in basic accounting	50 fish MSMEs	55	110	N/A
			100 swine MSMEs	119	119	N/A
			15 tile MSMEs	3	20	N/A
4	4.1	Number of MSMEs participating in policy advocacy meetings and public-private dialogues	400 MSMEs	452	113	N/A
			2 provincial-national dialogues	20	1,000	N/A
			2 changes to provincial policy	2	100	N/A
	4.2	Number of policy advocacy issues selected for action	15 issues	11	73	N/A
	4.3	Number of joint issues presented at the national and provincial levels by the private sector	3 issues	3	100	N/A
	4.4	Instances of direct media coverage of meetings and joint issues	60 instances	120	200	N/A
5	5.1	Number of vulnerable persons trained in economically viable and personally suitable skills	50 vulnerable persons	76	152	N/A
	5.2	Number of vulnerable persons placed in economically viable jobs or provided with skills and resources to operate their own businesses	50 vulnerable persons	76	152	N/A

\* Figure equals the number of enterprises trained (1,963) multiplied by the average number of adult employees per enterprise (3.6).

Cambodia MSME staff were resourceful, adapting the project to local realities and changing circumstances. Before discussing in detail the project’s activities, below are a few examples of its approach.

## **PRODUCTION IMPROVEMENT**

After Cambodia MSME invited leading pig producers to meet in small interest groups and discuss their biggest problems, it persuaded input suppliers to meet with small farmers—heretofore ignored as too poor a market—to train them on the uses of their medicines and vaccines. Sales for these input suppliers skyrocketed. One input supplier, Best Cure, sold out of several of its pig products days after giving its first Cambodia MSME-facilitated training. Overall, the project worked with seven input suppliers and several village livestock agents (veterinarians), facilitating an estimated 59 training sessions for 1963 MSMEs.

## **ACCESS TO MARKETS**

When the project learned that some district pig traders (who enjoyed government-granted monopolies on district trade) visited small producers infrequently and bought at low prices, the team invited more active traders from neighboring districts to meet with these producers on the hunch that the government would not enforce trader licenses. The team was right. Small farmers thus gained alternative, more lucrative links to markets, forcing their local traders to pay greater attention to local producers or lose business. As Cambodia MSME Chief of Party Curtis Hundley said, “Everything we do is to promote competition.”

Rural brick and tile makers struggled to generate greater demand while producing mediocre products. Cambodia MSME brought them together with Phnom Penh construction firms whose packed order books reflected the construction boom in the nation’s capital. Representatives from the construction outfits showed the tile producers what they were looking for—the personal acquaintances and market information led to huge jumps in sales value for project-assisted tile producers.

## **PUBLIC-PRIVATE DIALOGUE**

But the project also pushed against unfair competition that stifled local growth. In the face of Vietnamese and Thai firms’ dumping of diseased pigs at below-market prices, the project rallied farmers, bringing dozens of them to Phnom Penh so that they could learn about the Government-Private Sector Forum—a semi-annual venue for airing grievances to public officials. Days later, 200 farmers gathered in Kampong Cham, invited Cambodia MSME staff out to help them write a letter informing government officials of the hardship wrought by unfair foreign competition, and put their thumbprints to a letter that was delivered to Private Sector Working Group Co-Chairman H.E. Mong Reththy. Before long, the letter was on the desk of Prime Minister Hun Sen, and a short time later Cambodian pig producers got an eight-month moratorium on pig imports. Overall, Cambodia MSME facilitated 20 instances of provincial-national dialogue (1,000 percent of its target), assisting 452 MSMEs to express their concerns to government representatives.

## **COMMUNICATION AND TRUST**

One cannot overestimate the lack of trust persisting in Cambodia following its last few tumultuous decades. Cambodia MSME’s approach to opening up communication among business owners and

between members of the public and private sectors was simple—put them on a bus. On dozens of exposure trips, the project gathered pig farmers, fish raisers, public officials, pig traders, and input suppliers—sometimes separately and sometimes together—and took them out of their native provinces to witness how business is done in other parts of Cambodia and in other countries. While there was generally little communication among strangers on the way to their destination, once tour participants saw new practices and institutions their curiosity was piqued—they became excited at the possibility of putting what they had learned into practice and, on the way home, discussed what they had seen. During its three years, Cambodia MSME conducted 25 cross-provincial trips with a total of 592 participants. It also led 17 international visits for 223 participants to Thailand, Vietnam, Malaysia, and the United States.

# INTRODUCTION

The need for microeconomic development in rural Cambodia is matched only by the challenge of achieving it. Few countries present the range of problems that keep Cambodians impoverished. Events over the past 40 years—the devastation of military bombings during the Vietnam War, the Khmer Rouge period, the Vietnamese invasion, the conflicts throughout the 1980s up to the mid-1990s, and the economic stagnation that followed the 1991 peace accord—left the country a political, economic, and cultural ruin. Recent strides in economic growth, particularly in garment production and tourism, are promising, but high inflation and endemic corruption ensure that the Cambodian poor see little benefit from development. Adding to its misery, Cambodia’s neighbors, Thailand and Vietnam, give little support, while their more advanced companies drown attempts to develop Cambodia’s nascent industries with cheaper goods brought in through unregulated trade and sweetheart deals.

Thus, Cambodian industries are mostly characterized by firms with scant access to market information, few channels for trade, and little incentive to improve their products. Workers are low-skilled and use poor-quality inputs. The public sector has little tradition of service or accountability to the private sector—a relationship characterized mostly by intense mistrust—and a dearth of channels for public-private dialogue prevents most business owners from airing grievances and promoting improvements to business constraints.

Furthermore, although nongovernmental organizations (NGOs) and other donors have been actively promoting rural Cambodian development for years, many implemented unsustainable programs that incentivized participation with an assortment of handouts. This practice contributed not only to donor dependency (for the more subsidized economic development programs) but also to the widespread expectation of remuneration for participation with aid projects.

Against this backdrop, the U.S. Agency for International Development (USAID) Strengthening Micro, Small and Medium Enterprises in Cambodia (Cambodia MSME) project designed and implemented a value chain-oriented project based on in-depth subsector analyses and rigorous adherence to a few basic principles. The reliance on analysis is one distinction that sets the project apart—it was built on, and continually adjusted according to, a thorough and nuanced understanding of the economic and political situation of the producers it assisted. Another distinction is embodied in Cambodia MSME’s principles—it unwaveringly adhered to the notion that the only benefit to participation should be the business growth that comes from project-facilitated improvements, such as better production methods, more market channels, better information, and public sector action on producers’ concerns. A third distinctive feature was the discipline with which the project intervened in target value chains—it operated according to a basic set of principles (see box, below) that kept it focused on subsector-level, not firm-specific, growth while maintaining an arm’s-length relationship as a facilitator of market-improving service provision, not a provider.

Thus, when Cambodia MSME’s analyses determined that producers would benefit from training in the use of pig medicines, for example, it engaged input sellers to provide the training to producers, rather than providing it itself. When owners of project-assisted businesses attended a study tour, they received no cash stipend, although all necessary expenses were covered. When the project organized a meeting of lead firms for training by an input supplier, none of the business owners received reimbursement for travel.

The project affected the Cambodian microeconomy with relevant, sustainable measures while avoiding market distortions. Its legacy is growth in its selected value chains, characterized by entrepreneurs who are interactive and engaged in the development of their businesses.

#### **The Cambodia MSME Team's Operating Principles**

- *Market First* – Ensure that a market exists from which information can flow, that market requirements are understood, and that markets are expanding before identifying interventions to develop firms up the value chain.
- *Sustainable* – Identify how interventions can be sustained after project closure.
- *Affordable* – Ensure that interventions are affordable by value chain participants. This will encourage sustainability and keep interventions simple in design.
- *Benefits* – Ensure that interventions benefit a range of firm types across the value chain.
- *Subsidies* – Ensure that any subsidies are as far removed as possible from the financial transaction.
- *Leverage* – Concentrate on leverage points where multiple firms and different types of firms can be assisted.
- *Graduation* – Gradually build sustainable relationships, knowledge and skills.
- *Export Promotion* – Promote local, provincial, cross-provincial, national, and international exports to encourage faster and more sustainable economic development.
- *Innovations* – Promote cost reductions, investment rates of return, and quality improvements through the use of new technologies and processes.

# EARLY ANALYSIS AND PROJECT DESIGN

Cambodia MSME started in October 2005 with a three-year mandate to promote development in four of the country's poorest provinces. The project had five components:

**Component 1** – Improving Performance of Project-Assisted Enterprises in Selected Value Chains.

This component focused on the producers in target value chains, facilitating their access to new markets, improved inputs, and better information, and organizing leading producers into interest groups to, among other purposes, demonstrate success to less-dynamic producers in their subsector.

**Component 2** – Enhancing Value Chain Competitiveness. This component focused on improving the services available to producers in each value chain and primarily consisted of encouraging input suppliers to provide training to producers on uses of their products.

**Component 3** – Improving MSME Access to Finance. This component originally focused on microfinance institutions (MFIs) operating in the provinces, but evolved to look more closely at opportunities for embedded credit and other, alternative, sources of finance. It also included efforts to provide bookkeeping training to producers.

**Component 4** – Improving the Business Environment. This component initially focused on helping producers advocate for their interests with local and national government. After USAID lifted a prohibition on working directly with the Cambodian government in 2007, the project broadened its focus to include a wider regulatory and public-private dialogue reform strategy.

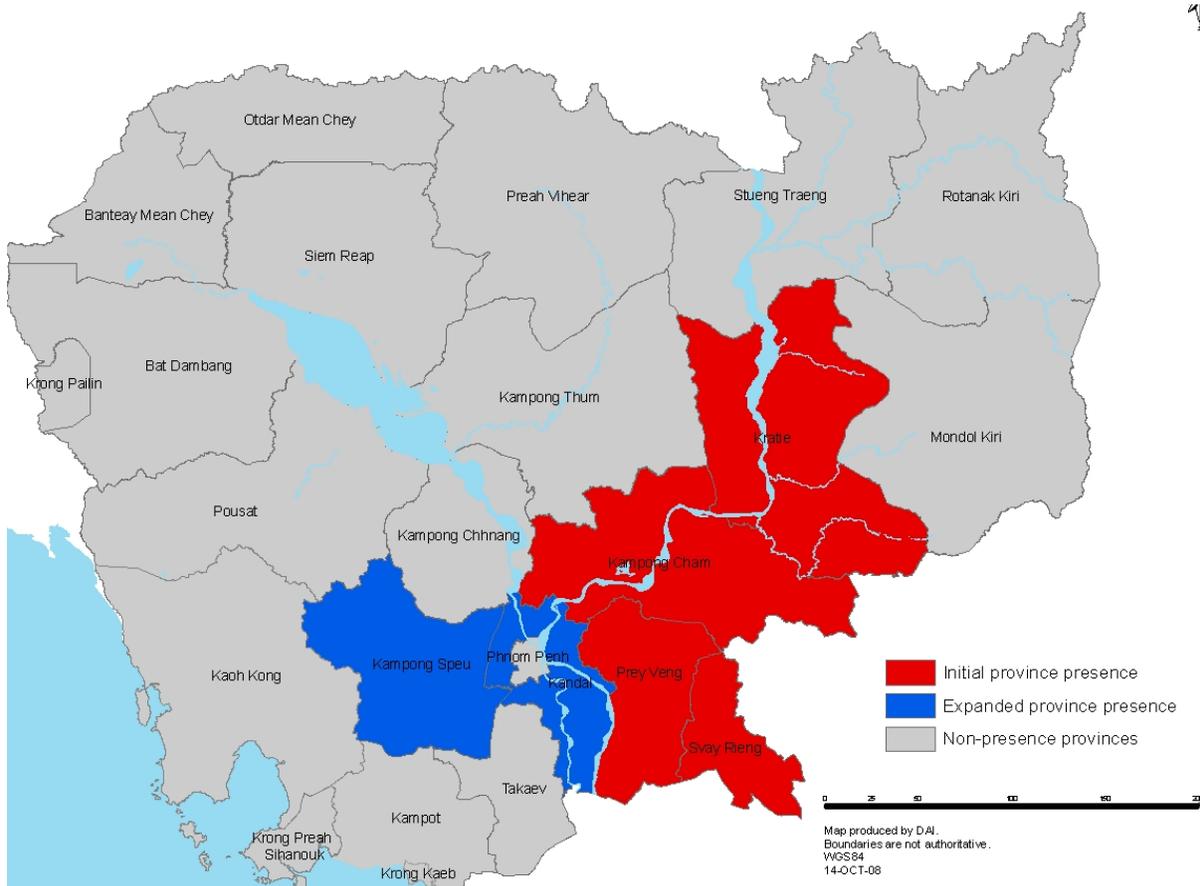
**Component 5** – Economic Development Support to Vulnerable and Trafficked Persons (EDVP). USAID added this component to the project during the 2007 fiscal year. It initially tried to integrate vulnerable and trafficked persons into project-assisted value chains but, after meeting strong resistance from producers, shifted to providing direct support in the form of grants and business training.

As stated previously, one of the defining characteristics of this project was its deep awareness of the context in which it worked. This was a product of the insight of long-term staff and a series of analyses undertaken to define project targets. At its outset, Cambodia MSME performed a rapid analysis of 20 subsectors in four target provinces (see Figure 1), evaluating the potential for intervention according to three criteria: economic potential, development potential, and feasibility of developing the subsector. By the end of 2005, the project had narrowed that list down to five value chains: brick and tile, swine, fish, agricultural machinery, and cashews.

As seen in Figure 1, the initially targeted provinces were Kratie, Kampong Cham, Svay Rieng, and Prey Veng. In October 2007, the project expanded to include producers in Kampong Speu and Kandal provinces.

Starting in January 2006, MSME undertook more thorough assessments of the five value chains. With the assistance of the U.S.-based analytical outfit Action for Enterprise, the project chose three: swine, fish, and brick and tile. Cambodia MSME also worked briefly with firms in the agricultural machinery value chain; however, that value chain was later dropped due to a lack of interest on the part of its members.

**FIGURE 1: CAMBODIA MSME INITIALLY WORKED IN FOUR PROVINCES, THEN EXPANDED ITS INTERVENTIONS**



Once the project had identified target value chains, its staff set to work identifying promising beneficiaries. Curtis Hundley (at the time the project’s Component One leader but later its Chief of Party) had, based on his experience working on value chain initiatives in Cambodia, developed the working theory that at most only 30 percent of firms in a given value chain will be willing and able to adopt new production methods or experiment with new market opportunities. He developed a classification system (see Table 2) describing five types of firms, the top two of which constituted the 30 percent of firms the project should target.

Using this theory, the Cambodia MSME team explored the four target provinces, gathering information on enterprises that were either Entrepreneurial Leaders or Entrepreneurial Followers through word of mouth and visible inspections of operations in the swine and fish value chains (the brick and tile value chain was sparsely populated, compared to swine and fish; the project worked with only 15 brick and tile producers). These firms were not necessarily distinguishable by their size or profit margin. Although larger operations generally indicated that owners were more entrepreneurial, project staff placed greater emphasis on owner responses during interviews in which they were asked to talk about their goals for their business. Thus, selected firms could be large operations just as they could be shops operated by inexperienced but earnest people who wanted to grow their businesses.

**TABLE 2: TYPOLOGY OF CAMBODIAN FIRMS IN A GIVEN VALUE CHAIN**

Distribution	Profile
10%	Entrepreneurial Leaders. Independent risk-takers and early adopters. Actively seek out new information and invest in new/improved products.
20%	Entrepreneurial Followers. Cautious and slightly risk-averse. Will invest in new/improved products only after a market has been shown to be profitable. Secondary adopters.
50%	Slow Movers. Risk-averse. Need to be pushed or offered riskless incentives before trying new approaches. Will listen and watch but rarely act. Latecomers who will only enter a market after it is well established.
10%	Change Averse (Detractors). Will work against development efforts due to self-interest (such as monopoly ownership) or conservatism.
10%	The Bottom Tenth. Not only unwilling to change, but would rather abandon the business altogether. Prefer to sell assets and get out and/or seek paid employment.

## INTEREST GROUPS

Producer interest groups were central to Cambodia MSME’s success. Each consisted of 10 to 25 leading firms from across a value chain (for example, inputs providers, producers, traders) or performing a single function (such as producers) within a specified geographic area, such as a village or commune. The groups were informal and temporary, in opposition to the prevailing model used by NGOs in rural Cambodia that set up aid-dependent associations. Cambodia MSME intended the interest groups to be platforms—for developing trust between producers and project staff and for MSME advocacy to the public sector—that might fade away once interventions had improved subsector-wide dialogue and production and market access, or might continue where participants found them rewarding.

Once the producers had gathered at an interest group meeting (photo at right), project staff reviewed the terms of an informal commitment that essentially bound producers to invest in project-related activities such as training programs and study tours, contribute to interest group meetings, provide feedback to project staff acting as interest group coordinators, and share non-competitive information with their fellow members. Staff then led producers in an exercise to identify constraints to the success of their industry and discussed possible solutions.

“The basic operating model is: to identify chains with high unrealized potential; create interest groups; facilitate TA [technical assistance] to leading enterprises in the interest group; and promote secondary TA transfer to the broader group via a demonstration effect.”

—Evaluation of the Cambodia MSME Project, USAID, 2007



Interest groups served as leverage points for exposing business owners who were likely to adopt new practices to project-facilitated technical assistance. These businesspeople then dispersed what they had learned to their neighbors, whether through meetings to discuss biosecurity practices picked up on an exposure tour or by demonstrating the correct use of medicines after an input provider training.

“[Interest groups] play an important role, first of all to showcase the project to other pig producers. If we work directly with individual producers we spend a lot of time. Those interest groups help present to other people in the province the benefits that producers got from the project.”

*-Hinn Chamroeun, Value Chain Specialist*

The interest group model predisposed the project’s value chain interventions toward success not only because it included only the top two tiers of the firm typology—in other words, those firms more likely to take advantage of what they learned—but also because it further weeded out those firms whose motives for participation were essentially rent-seeking. The businesses that remained formed a core of eager entrepreneurs. They were chosen to participate because they expressed a willingness to learn, invest to improve their business, and share information with others. Thus, rather than “picking winners,” the project found likely winners, then helped them grow.

By the end of its first year, Cambodia MSME had formed 13 interest groups consisting of 173 members. By the end of the project, it had formed 32 interest groups, counting 803 firms as members across the three value chains in six provinces.

**Interest Groups Formed by Cambodia MSME**

Value Chain	# of Groups	# of Members
Swine	19	515
Fish	10	264
Brick and Tile	3	24

# MANAGEMENT

By Cambodia MSME’s end in 2008, it had 12 full-time, local technical staff, one part-time international consultant, a third-country-national Deputy Chief of Party, and an expatriate Chief of Party. It operated out of a central office in Phnom Penh, with two satellite offices in Prey Veng and Kampong Cham staffed with administrative assistants to coordinate field activities. Each value chain had a lead technical specialist dedicated to supervising project activities in that subsector, with technical specialists reporting to them, sometimes working across several chains.

Local technical staff spent the vast majority of their time in the provinces, working with “the clients”—project beneficiaries. Each Monday morning, the entire team met in Phnom Penh for a planning session, at which each team member presented his or her planned activities for the week. Usually by noon that day, most of the team would depart to the field for the remainder of the week, returning Thursday or Friday to report on their work.



Field staff stayed in frequent contact, often calling one another to discuss problems or opportunities to link activities across provinces.

During the first year and a half, the Deputy Chief of Party generally spent two or three days in the field with the value chain technical team. As the technical team became more proficient, the Deputy Chief of Party and Chief of Party spent more time in the Phnom Penh project office and would accompany technical staff during special events, such as cross-provincial visits, business forums, working group meetings, and visits by national government or development partners.



# COMPONENT ONE – IMPROVING PERFORMANCE OF PROJECT-ASSISTED ENTERPRISES IN SELECTED VALUE CHAINS

In Component One, Cambodia MSME focused on facilitating technical and business development assistance to participants across the target value chains. Where a local commercial organization such as an input provider was better placed to provide training to producers, veterinarians, or input suppliers, the project facilitated meetings between the two parties—the latter assistance fell under Component Two. Component One largely consisted of forming interest groups, facilitating training, and organizing cross-provincial and international exposure tours. It also involved business development training to address specific weaknesses in the management capacities of assisted firms.

## EXPOSURE TOURS

The rationale behind the exposure tours was twofold: get producers and other relevant actors (for example, traders and public officials) on a bus or airplane together and show them how their business is done elsewhere and not only will they 1) absorb the new information and emulate what they saw, they will also 2) talk to each other about what they had seen, helping to break down the mistrust that pervades commercial and public-private business relationships in Cambodia.

In effect, the exposure tours served to stir up the economically stagnant situation that characterizes the Cambodian rural microeconomy. By taking a broad variety of actors out of their normal circumstances and introducing them to new people and practices, the project broke unspoken barriers prohibiting interaction and opened participants' minds to new possibilities in their old occupations. It was a simple contribution to the resolution of a complicated problem whose effects will dramatically outweigh the time and money invested in organizing and conducting the tours.

Tour groups ranged from 10 to 25 participants selected from value chain interest groups. The participants helped determine what the group wanted to learn from a study tour and assisted in the preparation of all necessary documents. In addition, all tour participants were asked to contribute to some of the tour's costs as a way to help select those most willing to learn from the experience.

“One of the lessons we've learned, when you first get these people together it's hard to get information out of them. They don't share information.... We put them in a bus together—25 of them. They don't talk at first, then they've had lunch together and seen different things and get excited, so they start talking to each other. People very quickly gravitate toward discussing business.”

—Cambodia MSME Chief of Party  
Curtis Hundley

**Benefits to MSMEs from exposure missions included:**

- Observing improved production technologies and practices;
- Recognizing various forms of operating and discussing how different forms might apply to them;
- Contacting input suppliers for goods and services;
- Identifying their own and others' competitive weaknesses
- Determining how to improve their products, sales, and marketing;
- Developing lasting business relationships and contacts with similar entrepreneurs, in their own interest groups, other provinces, and other countries; and
- Sharing what they observed with each other during and after the mission.

Cambodia MSME hosted approximately one cross-provincial study tour each month starting in September 2006. In that first event, 21 members of the swine value chain (including pig raisers, input providers, and traders) in Svay Rieng were taken to more advanced enterprises in Prey Veng and Kandal provinces. Tour participants picked up new technologies, such as more efficient pig sties, and developed links with new input suppliers who were willing to bundle training with their input sales.

These tours continued throughout Year 2 and Year 3 for members of the fish, swine, and clay tile manufacturing value chains. By the project's end, Cambodia MSME had conducted 25 cross-provincial study tours involving 592 participants from all three value chains.

**TABLE 3: CROSS-PROVINCIAL AND INTERNATIONAL EXPOSURE TRIPS, BY VALUE CHAIN**

Value Chain	Cross-Provincial		International	
	Trips	Participants	Trips	Participants
Pig	16	395	10	138
Fish	7	173	3	35
Brick and Tile	1	16	2	21
Other*	1	8	2	29
<b>Total</b>	<b>25</b>	<b>592</b>	<b>17</b>	<b>223</b>

\*Other trips: cross-provincial – agricultural machinery; international – business enabling environment

The international tours followed the model of the cross-provincial trips, only on a larger scale, exposing tour participants to a much wider range of production technologies, industry governance practices, and association structures. International tour destinations included Thailand, Vietnam, Malaysia, and the United States. For its first international trip, early in Year 2, Cambodia MSME took 12 tile manufacturers to visit a variety of similar-sized and larger firms and suppliers in Vietnam. That year it conducted several more trips for the fish and swine value chains, and continued with several international technology and governance missions in 2008.

International trips generally included a larger contingent of government officials in an effort to bring better governance practices to Cambodia. In two cases, trips to Malaysia and Vietnam in 2008, participants were almost exclusively national and provincial officers whom project staff thought would benefit from witnessing how the host governments supported economic development in their countries.

### **Improved Governance and Swine Technology Assessment Mission to North Carolina, United States**

In May 2008, Cambodia MSME took 16 Cambodian swine farmers, input providers, traders, and public officials on a 10-day tour of the North Carolina pork industry. Visiting industry associations, livestock markets, university experimental farm programs, state departments, and a slaughterhouse, among other sites, the tour sought to impart new models of industry governance, association assistance to producers, small-scale-appropriate technology for disease prevention, and more advanced marketing practices.

“...[I]t [was] a great opportunity for public and private sectors to seek information and learn together about the swine industry and better governance in America. This is the first point. Secondly, it gave a chance for all participants to discuss issues together and get to know each other, to understand difficulties and what is positive and negative in our work. Exchanging ideas during the mission showed that we are developing close relationships between the public and private sectors.”

—*Thach Rattana, Director, Department of Agriculture, Svay Rieng Province.*  
Following the tour, Mr. Thach held a workshop in Svay Rieng at which 150 participants from the province’s swine subsector discussed a new pig trading strategy based on Mr. Thach’s insights from the trip to the United States.

“The pig raisers who did not know me well before can now contact me more easily. And now we do not have a shortage of pigs for slaughter—before we did not have enough pigs for the buyers. Now this has changed, and we are always so busy with buying the pigs from the farmers. Communication with leaders, government officials, and among participants has improved. Now they ask me how much per pig, and what to do when they have a problem. We also have discussed and asked the Ministry of Agriculture to facilitate our business by introducing pig traders from Phnom Penh to bring the pigs from the communities.”

—*Toueng Vuthy, Pig Trader, Kampong Cham Province,*  
and Deputy Director of the Kampong Cham Pig Raisers Association

The focus on public sector capacity building was often fruitful. In September 2008, for example, the Cambodian government sponsored a national Swine Business Forum at which participants in the study tour to the United States, before an audience of 130 stakeholders in the swine value chain, discussed their findings in the context of Cambodian constraints. As a result, Cambodian government representatives are more aware of constraints impeding the growth of the swine industry, such as the deleterious effect of Thai dumping of feeder pigs in the Cambodian market.

## **BUSINESS DEVELOPMENT TRAINING**

The last aspect of Cambodia MSME’s direct assistance to producers consisted of business development training the project sought to encourage on a fee basis. Following an assessment, including in-depth interviews with project-assisted firms to determine what types of business training firm owners would be interested in taking, the project commissioned the development of four short courses: Am I Making a Profit? Caring for Customers, Marketing, and What Should I Invest In? It held eight workshops for 200 participants to market-test the courses.

Later the project developed four new modules: How Do I Find Money to Invest in My Business? How to Attract Customers with Advertising and Marketing, Developing Yourself and Your Business, and Borrowing Money to Expand Your Business. It engaged several NGOs and MFIs, including the Centre d’Etude et de Development Agricole Cambodgien, the NGO Coalition to Address Sexual Exploitation of Children in Cambodia (COSECAM), and Concern, an international NGO, to test and refine the courses.

As the project ended, a handful of NGOs were actively using the courses to train project clients. A total of 173 businesses had received the training, and eight training sessions had been held.



# COMPONENT TWO – ENHANCING VALUE CHAIN COMPETITIVENESS

Whereas under Component One the project directly assisted producers, in Component Two Cambodia MSME encouraged other actors to bring their services to producers. In most cases, this meant convincing input suppliers to offer free training sessions on the use of feeds, vaccines, and medicines. The project also sponsored business forums and trade fairs to bring actors from across provinces together to discuss common issues and develop new market channels. As a result of Component Two, all firms involved in project-facilitated meetings generally saw improvements in sales volume or product quality (often both).

## PROMOTING EMBEDDED SERVICES

Originally the project had sought out fee-based business service providers it could work with to facilitate delivery of services to target value chains. It shortly discovered that few such organizations existed and that donors had directly provided or subsidized services in many cases, leaving little in the way of commercially sustainable business development services provision. There was also a question of which type of provision was suitable for the most needed services.

In its analysis, Cambodia MSME had found that one great hindrance to growth in the fish and swine value chains was producers' very poor knowledge of proper medicine and vaccine use. Adding to that, inputs that were available were often expired and always tagged with labels and instructions written in languages other than Khmer. Therefore, rather than prop up new or weak providers, Cambodia MSME focused on convincing input suppliers to pay more attention to the information needs of rural producers.

Thus, over the course of three months, the project engaged Medivet, one of the largest swine input suppliers in Cambodia, based in Phnom Penh. After several phone calls and a personal visit from Chief of Party Hundley, Medivet agreed to hold a training session for leading producers from one of the swine interest groups in Prey Veng. When its local sales shot up by 50 percent immediately after the training, Medivet was an easy sell for further collaboration. Other input suppliers noticed the success project collaboration had brought to Medivet. Thom Thom, World Vet, and Best Cure, other Phnom Penh-based

"We did a couple of trainings with two different leading input supply firms in Phnom Penh. Then one Saturday we got a call from one of them saying they didn't want to do more trainings with us. We had three or four set up. My staff was panicking. I said, 'Let's go talk to them.' The firm told us they wanted to do all of our trainings—they wanted to be our exclusive partner for technical trainings. One of our staff members found out that the head of the second firm used to work for the first firm, and had told the first firm's owner that they'd sold out their entire supply of medicine after a Cambodia MSME-facilitated training session. We met with the first firm and said, 'It's really nice to have you as a partner but USAID wants competitive markets, so we can't give exclusive rights to training. If you can't operate this way, then we'll work with your competitors, but we should warn you that your market share will probably drop.' By the end of the meeting, the firm said, 'OK, we'll do trainings, but we want more of them.' The next time this firm came to conduct trainings we noticed they brought marketing materials, technical books, hats, pens, and even animal feed. They hadn't ever done that before. Competition works."

—Curtis Hundley, Chief of Party

companies, agreed shortly thereafter to hold project-facilitated training sessions with interest group members.

By the project’s end, it was working with five national input suppliers and a handful of local suppliers to facilitate service provision to producers in the provinces. Because the cost for the service was embedded in the price of inputs, producers attended the training for free, paying a fee only when they purchased inputs after learning about their proper use. Producers benefitted from having input suppliers come to them, in the provinces, to seek their business, as well as from instruction in the use of and access to higher-quality animal and fish feeds, medicines, and vaccines than were previously available to them.

**TABLE 4: PROJECT-FACILITATED TRAINING SESSIONS AND PARTICIPANTS, BY VALUE CHAIN**

Value Chain	Training Events	Participants
Pig	44	1,757
Fish	15	206
Total	59	1,963

Facilitating this type of service provision had huge effects on the production of swine and fish in target provinces. Nearly 2,000 producers, traders, veterinarians, and other entrepreneurs attended hundreds of training sessions throughout the life of the project. As a result, piglet mortality rates plummeted and production times were reduced by half, so the mean weight of feeder pigs at the time of sale rose significantly. Value and volume of sales in the swine subsector also rose dramatically with the improvements in production and technical skills. Near the end of Year Two, an eight-month swine embargo helped leverage these improvements even more (discussed under Component Four, below).

## HELPING VILLAGE LIVESTOCK AGENTS

Village livestock agents (VLAs) are government-trained veterinarians intended to serve provincial farmers on a commercial basis. Normally, VLAs were poorly trained, selling outdated or adulterated products and making a slim living from their trade. Many VLAs thought the introduction of embedded services in the provinces would spell the end of their meager businesses. In a counterintuitive stroke, however, it turned out that VLAs’ services were far more in demand following these training sessions.

The primary reason for the increase in demand for VLA services was a greater awareness on the part of producers of the benefit of veterinary advice, as a result of the training sessions. However, the VLAs also attended input supplier training sessions, improving their own services while getting a better understanding of the needs of local small producers. Some input suppliers, such as Medivet, even began offering VLA-specific technical training in recognition of the role VLAs played in improving the quality of local production.

## TRADE FAIRS

Cambodia MSME held two provincial trade fairs in 2008, in Kampong Cham and Prey Veng provinces, in an effort to promote market channel development and inter-firm communication outside of Phnom Penh. In Kampong Cham, firms set up about 60 booths and hosted an estimated 15,000 visitors. In Prey Veng, about 40 firms occupied booths visited by about 10,000 local residents. Participants gained customers; networked with each other; opened direct channels to markets in Phnom Penh; discussed credit terms with a major bank, ACLEDA Bank; improved relationships with input suppliers; and networked with other businesspeople.

## BUSINESS FORUMS

In its effort to promote dialogue throughout its target value chains, the project held a series of business forums in 2007 and 2008 bringing together actors who rarely communicated to discuss issues ranging from quality standards to design specifications, and import threats to input quality. In the first forum, Cambodia MSME brought project-assisted brick and tile makers together with leading construction firms to learn first-hand what the Phnom Penh market wanted. Up to that point, the project had assisted brick and tile firms to learn improved production methods but the businesses were hesitant to make new investments before they could identify more profitable, demanding markets.



It turned out that most of the brick and tile firms had never performed any analysis of demand in Phnom Penh, where a construction boom was underway. After they had communicated with construction firms, which brought samples of the kind of brick and tile products they wanted to buy, investment among project-assisted brick and tile companies took off—by the project’s end, brick and tile firms had pushed investment to 1,280 percent of their baseline level, averaging \$115,160 per firm. Furthermore, while the volume of their sales increased by only 25 percent, the value of their sales reached almost \$40,000 a year, or 378 percent of their baseline level—indicating a strong upward swing in value added as firms accessed the booming Phnom Penh market.

Cambodia MSME held similar forums for the aquaculture and swine subsectors in 2007 and again in September 2008. In the case of the Swine Business Forum, mentioned above, in addition to the swine raisers, traders, slaughterhouse operators, and 25 government representatives who attended, four financial institutions and four input suppliers set up booths to display their services. Aside from educating producers about quality requirements, another boon from the business forums was to introduce more traders into provincial value chains, promoting competition for trade and higher prices for producers.



# COMPONENT THREE – IMPROVING MSME ACCESS TO FINANCE

Access to finance is a serious constraint across all business sectors in rural Cambodia, as in much of the rest of the developing world. To address this critical issue, the project at its outset worked to identify specific finance-related operational constraints for businesses in the target value chains. It then assessed Cambodian financial institutions to begin addressing supply-side constraints, and developed initiatives to work with firms to alleviate demand-side constraints to accessing finance. By its second year, Cambodia MSME had found that the true dynamic of credit relationships among target firms differed dramatically from what the original approach was designed to address—value chain finance played a much greater role than credit from the financial sector—so it adjusted accordingly.

In its initial analysis, Cambodia MSME found that the fish, swine, and brick and tile subsectors suffered from at least eight major constraints:

- Lack of working capital;
- Lack of land titles and other recognized collateral;
- Lack of information on credit facilities;
- A common negative opinion of debt;
- Dislike for the requirement of a third-party guarantor;
- An effective rate of interest usually higher than the set rate;
- Inflexible repayment terms by financial institutions; and
- Financial institutions that ignored stand-alone institutions with irregular incomes.

The project began training MSMEs in business development, as discussed under Component One, to address those constraints that dealt with demand-side weaknesses, including providing courses on bookkeeping and borrowing from banks. This effort was successful—by project end Cambodia MSME had surpassed two of its three targets under the rubric of training in basic accounting, having trained 177 firms. To alleviate supply-side constraints, the project team investigated the possibility of leveraging a USAID loan guarantee with a national bank and looked into supporting the development of a credit information system. Neither of those initiatives came to fruition.

Generally, this component was slow to take off until the project hired an outside consultant to examine more closely the flow of credit within and between the fish and swine value chains, demonstrating that most of the credit for enterprise investment came from friends, family, and suppliers, rather than from MFIs or other formal financial institutions. After project staff became aware that embedded credit was by far the predominant source of credit in the target subsectors, the project shifted to focus more on improving embedded credit relationships. This meant that activities under Components One and Two,

such as trade fairs, business forums, input supplier training, and exposure tours, became the primary vehicles by which the project sought to improve credit access for target firms, because these activities promoted communication and improved relationships among producers, traders, and suppliers. Project staff facilitating this work ensured that discussions of credit entered into activities wherever possible.

This approach paid off. By the project’s end, most assisted firms had dramatically increased investment into their businesses (see Table 5). Although these results are not wholly attributable to the increased access to embedded credit that comes from better business relationships, it is safe to assume that project-facilitated interactions between value chain actors played a large role in easing constraints to embedded credit and allowing the level of increased investment witnessed over the course of the project.

**TABLE 5: INVESTMENT BY PROJECT-FACILITATED MSMEs SOARED**

Indicator	Target	Result	% of Target	% of Baseline
Average change in value of new investments by MSMEs	\$6,886 for fish MSMEs	\$4,830	70%	141%
	\$1,200 for swine MSMEs	\$5,256	438%	876%
	\$18,000 for brick and tile MSMEs	\$115,160	640%	1,280%

Encouraged by its impact, Cambodia MSME continued in its effort to understand and affect embedded credit relationships by bringing an access to finance consultant to develop specific activities to stimulate credit-related embedded services for swine farmers. That work was expected to continue into the new follow-on project.

Despite its new focus on embedded credit, Cambodia MSME continued to address issues it had identified in its original analysis, such as the need to educate MSMEs in basic accounting and bookkeeping skills, and the benefit of engaging formal financial institutions to help them tailor products for MSMEs. The project also worked through the interest groups to introduce producers and other actors to MFIs and short-term consultants hired to educate them about credit issues, and continued to engage MFIs regarding their lack of attention to MSMEs. As the project was wrapping up, a short-term credit consultant developed a risk-reduction guide for MFIs interested in lending to enterprises in the swine value chain.

In the case of Component Three, Cambodia MSME’s focus on thoroughly understanding the conditions under which target firms operated combined with USAID’s flexibility regarding project programming to produce a better approach than what was originally envisioned.

# COMPONENT FOUR – IMPROVING THE BUSINESS ENVIRONMENT

Cambodia’s business enabling environment is at best unhelpful for MSME development. At its worst, as in the case of government inaction (or complicity) in the face of foreign dumping, the enabling environment is hostile to the point of threatening an entire industry’s survival. Many of Cambodia’s enabling environment issues stem from two root problems: a lack of dialogue between the public and private sectors, and a lack of accountability among public officials whose actions harm domestic businesses. While accountability is a difficult thing for a donor project to promote, communication that informed public officials about business problems (and that may lead to accountability) was within Cambodia MSME’s means. The project engaged in a wide range of efforts to develop the public-private communication that would help alleviate major business constraints, weaving Component Four’s enabling environment focus throughout other project components—study tours and business forums promoted competitiveness while encouraging public-private dialogue, for example.

## DEVELOPMENT OF COMMUNITY WORKING GROUPS

At its outset, Cambodia MSME assigned staff from the other three components to incorporate enabling environment issues into their work. In May 2006 it awarded a subcontract to The Asia Foundation (TAF) to implement this component, giving TAF latitude to use its approaches and metrics for promoting civil society involvement. However, during the fiscal 2007 project year, Cambodia MSME absorbed Component Four back into its wider project structure to pursue enabling environment improvement more organically—that is, by building off the interest group infrastructure it used to pursue its other goals.

The rationale for this structure followed the observed progression of assisted firms. As these businesses improved their productivity and became more competitive, they began to see the limits imposed by Cambodia’s business environment in sharper relief. Interest groups of lead firms naturally became forums for discussing common grievances. The project seized on this trend and developed more formalized groups—Community Working Groups (CWGs)—of interest group members who were most eager to advocate for enabling environment improvements.

CWGs became the vehicles for MSMEs to advocate for themselves—identifying issues, developing positions, and promoting solutions to the government to support the sustainability of their enterprises. Project staff provided advocacy training to the CWGs and helped identify champions to push issues forward. By the project’s end, Cambodia MSME had founded four swine CWGs, one in each of the project’s original provinces. CWGs were intended to be more permanent than interest groups—project staff, with the advice of a short-term business strategy specialist, helped the CWGs develop into long-term, self-sustaining advocacy organs.

## ISSUES

With the help of CWG members, the project identified several key constraints as the major enabling environment impediments to the swine subsector's growth, among them:

- Prices for live pigs varied dramatically, while retail prices for pork were steady;
- Dumping by Vietnamese and Thai companies was perceived as unfair competition, artificially lowering the price of feeder pigs;
- Traders and slaughterhouse owners imposed high, unofficial fees for their services;
- Some provinces charged informal road fees, making cross-provincial trade more difficult for small farmers;
- There was no mechanism for policy advocacy in the swine or fish industries;
- Provincial policy issues, especially for micro and small businesses, were not being addressed at the national level;
- Parallel actors across provinces were unaware of measures taken to alleviate common constraints—for example, Prey Veng traders had not learned of the success Kampong Cham traders had in reducing unofficial licensing fees; and
- There was no provincial representative organization for swine value chain participants.

## ACTIVITIES

Cambodia MSME took a variety of approaches to tackle these constraints. Although it was not successful in improving conditions surrounding each of them, it made concrete improvements on several and its efforts are ongoing. To address the problem of foreign dumping of low-cost feeder pigs on the Cambodian market, the project helped the Kampong Cham CWG take its grievance to the Government-Private Sector Forum, a semi-annual event headed by high-ranking public officials held to give the private sector an opportunity to air grievances to the government.

Due at least in part to the eight-month moratorium on unregulated pig imports (see textbox), the price of live pigs rose dramatically, swelling producers' profits and allowing them to invest in improved production facilities and equipment. Unfortunately, as the project came to an end, the domestic industry was under threat again—this time from Thai imports—and Cambodia MSME was working to convince public officials of the need to intervene once more to protect Cambodian producers.

As discussed under Component One, exposure tours also served as vehicles for addressing enabling environment issues. After observing slaughterhouse operations during a study tour to Thailand, the Kampong Cham slaughterhouse committee successfully advocated for the reform of provincial slaughterhouse and trader licensing fees (see textbox below).

### **Community Working Group Advocacy Won a Nationwide Swine Import Embargo**

In 2007, the project brought 19 business owners from the Kampong Cham CWG to Phnom Penh to learn about the Government-Private Sector Forum. When they returned to Kampong Cham they asked project staff to help them compose a letter addressing the challenges posed by low-cost Vietnamese pig imports; 256 producers signed it with thumbprints. The letter was later presented to the Forum leadership and, as a result, the Prime Minister declared an eight-month moratorium on all unregulated pig imports.

Knowing that Prey Veng traders faced constraints similar to those in Kampong Cham but lacked a line of communication to learn about what had happened in the other province, the project invited a Kampong Cham trader to present his group's advocacy work to a small group of leading traders in Prey Veng province. As a result, the Prey Veng CWG took its grievance to the provincial governor and achieved a \$200 annual reduction in the fee for trader licenses, from \$350 to \$150.

Both study tours and forum participation proved to be effective means of bubbling up policy issues from the local to the provincial and national levels. The project also sought out specific, well-placed policy makers, such as Senator Mong Reththy, the largest landowner in Cambodia and the Co-Chair of the Agriculture and Agro-Industry Working Group. With project facilitation, Senator Mong held a public-private dialogue forum in March 2008 at his farm in Sre Ambel, giving producers the chance to discuss common challenges and drawing strong media attention to the industry. Senator Mong later participated in the United States study tour, where he rubbed shoulders with small farmers, input providers, and pig traders while learning about more modern industry governance. He has proven himself to be accessible to both project staff and producers as a link between the local and national levels, and he is one of the first points of contact for project staff seeking to highlight emerging issues.

To address the lack of provincial representation, the project helped groups that expressed an interest to become formal associations. In December 2007, it facilitated the launch of the Kampong Cham Branch of the Cambodia Pig Raisers Association and continued to provide it with advocacy training throughout the rest of the project.

Cambodia MSME employed a full-time staff member dedicated to promoting news coverage of exposure tours, field visits, success cases, training programs, business and government forums, and trade fairs. He also coordinated video documentaries of study tours, developed and disseminated information communication and education materials, and served as a single point of contact for media inquiries to the project. Since many Cambodian newsrooms lack the resources to allow journalists to travel outside of Phnom Penh or to conduct much investigative research, the project tried to feed information on the technical aspects of value chains and the business enabling environment. Over Cambodia MSME's three-year life, it collected approximately 150 instances of media reporting on the project—120 articles on value chain issues and project events and 30 articles on success cases.

#### **A Project-Led Study Sparked Slaughterhouse Fee Reform in Kampong Cham**

A trip to Thailand in early 2007 catalyzed slaughterhouse fee reform, when a tour participant learned that Thai slaughterhouses charged less than half the amount of fees charged by Cambodian establishments and that no fees were unreceipted. Upon returning to Cambodia, representatives of the Kampong Cham slaughterhouse committee, acting under advice from project staff, documented the government's regulations regarding fee collection and presented them to the Kampong Cham provincial governor. After several more weeks of dialogue between provincial and district governors and slaughterhouse committee members, followed by close media attention, all such fees were cut by more than 50 percent and unreceipted fees were eliminated.

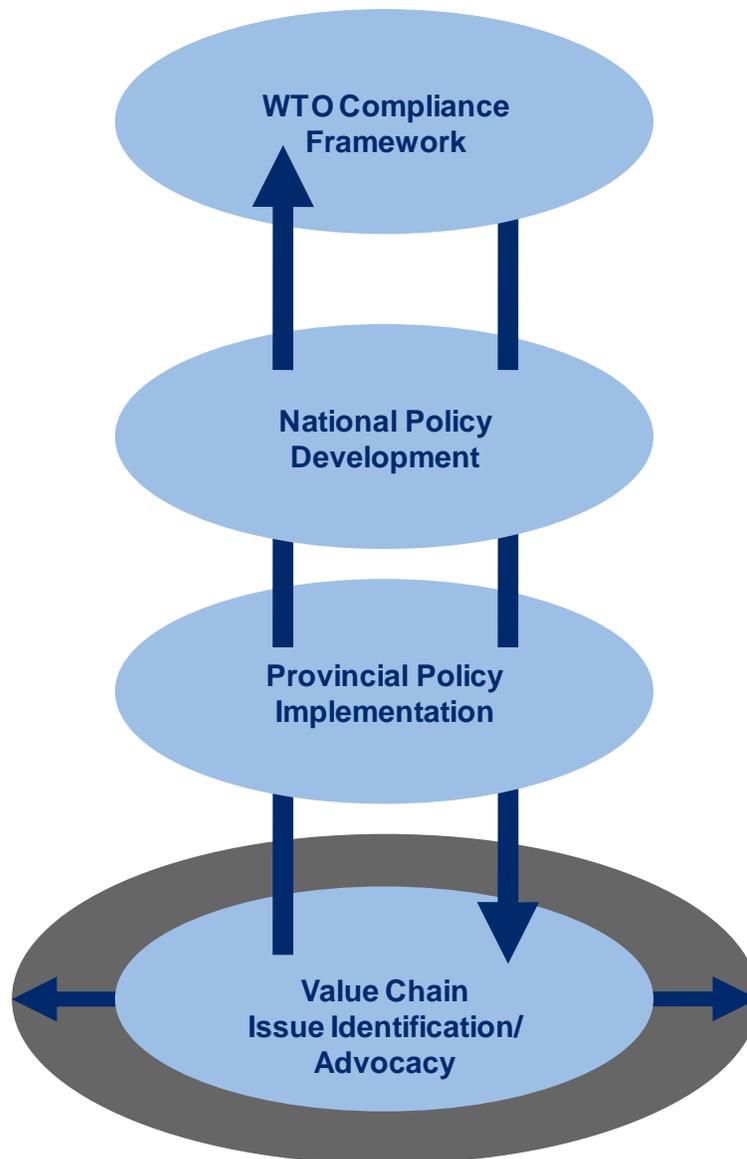
## **ONGOING EFFORTS TO REFORM THE ENABLING ENVIRONMENT**

With the October 1, 2007, change in U.S. Government policy to enable direct bilateral interaction and aid to the Cambodian Government, Cambodia MSME rapidly expanded its activities in Component Four, with increased funding and resources dedicated to these efforts. Over a five-week period in November and December 2007, the project fielded two consultants from the DAI home office to develop an expanded business enabling environment strategy. The objectives of the assignment were to identify

specific project-facilitated activities to support rural economic growth through effective regulatory and administrative reforms, processes, and dialogues.

Focused on work that could be initiated and finished in the last year of the project, but serve as a base on which future activities could be built, the assignment identified specific reforms to the provincial and national business environment oriented to the needs of the swine, aquaculture, and brick and tile subsectors. As illustrated in Figure 2, the new strategic activities focused on catalyzing continued bottom-up reform by leveraging the project’s successful value chain work; implementing top-down national policies under WTO-related legislation that had already been passed; and improving information dissemination and policy dialogue between the public and private sectors and between the national and provincial levels.

**FIGURE 2: DYNAMIC OF REFORM TO THE ENABLING ENVIRONMENT**



In February 2008, a Senior Better Regulations Advisor joined the team to implement some of the activities detailed in the December 2007 report. Among his activities during the remainder of the third project year, the consultant conducted two rulemaking seminars for 50 regulators from the Ministry of Agriculture, Fisheries and Forestry (MAFF), Ministry of Commerce, and Ministry of Industry, Mines, and Energy. The first seminar addressed the principles of regulatory drafting; the second was designed to help staff from the Department of Fisheries draft new aquaculture regulations under the Fisheries Law. Later, at the request of MAFF officials, the Senior Better Regulations Advisor reviewed and gave comments on three regulations and rules relating to the swine and aquaculture subsectors (slaughterhouse regulations, veterinary medicine rules, and aquaculture rules) and drafted a guide to developing new aquaculture regulations.



# COMPONENT FIVE – ECONOMIC DEVELOPMENT SUPPORT TO VULNERABLE AND TRAFFICKED PERSONS

During Cambodia MSME’s second year, USAID added funding to open the fifth component, aiding Cambodians who 1) were vulnerable to trafficking or 2) had already been trafficked for labor or sex and had returned to project-assisted districts. The project worked with COSECAM, a local NGO, to implement this component in Svay Rieng, Kampong Cham and Prey Veng.

At its outset, COSECAM attempted to assist its target population by integrating them into project-assisted value chains. However, it soon became clear that strong social stigma made MSMEs uncomfortable with working with these groups, forcing COSECAM to re-engineer its approach and focus instead on direct assistance and grant provision. Assistance took the form of skills training in products and services (see textbox), combined with small business counseling and follow-up monitoring and encouragement.

COSECAM selected 24 NGOs and government agencies to help implement this component. It worked with 76 individuals, out of 276 applicants, and provided grants ranging from \$25 to \$200 per recipient. Nine beneficiaries dropped out of the program. Also, using an approach called Success Case Replication, EDVP staff enlisted some of the more successful component beneficiaries to share their experiences with other participants, providing peer mentoring and encouragement by demonstration of the possibility of success.

The EDVP component’s process for selecting beneficiaries was somewhat similar to the process Cambodia MSME used for selecting interest group members—it relied heavily on in-person interviews to gauge a prospective beneficiary’s likelihood of taking advantage of project support to advance his or her economic conditions.

## CHALLENGES AND IMPACT

Working with an extremely disadvantaged population is difficult. Moreover, Component Five ran counter to the model for the rest of the project, which chose likely winners and used them as levers to improve the performance of provincial subsectors. In effect, Component Five operated as a separate project, working on its own to reach a wholly separate population (a population with which other project beneficiaries openly preferred not to interact). It overlapped with the rest of Cambodia MSME only in the use of business training modules, which COSECAM used to teach some of its beneficiaries basic business skills.

### EDVP trained participants in:

- Producing ice cream, tofu, mushrooms, soy milk, papaya salad, and Khmer cake
- Barbering
- Running a small grocery shop
- Selling vegetables
- Selling fishing tools
- Selling stationary and dessert at school
- Selling sugar cane juice
- Bicycle repair
- Buying and selling recycling

Another challenge to the implementation of the EDVP component was in the tremendous attention these vulnerable populations required to successfully adopt new skills. COSECAM’s program official, Sea Sovityea, noted that beneficiaries needed close support for at least the first three months after starting a business, with counseling at least four times each month. Then they needed monitoring for another six months before they could reliably conduct business. Lacking this level of attention, beneficiaries stood at risk of losing all investments they had made with the grant money and any further investments with their own resources.

Despite the energy-intensive nature of working with the EDVP population, surveys conducted by COSECAM indicated that participation brought strong improvements in the lives of beneficiaries. In daily income (Table 6) and impact on living condition (Table 7), most beneficiaries judged that their lives had improved as a result of project assistance.

**TABLE 6: EDVP BENEFICIARY INCOMES BEFORE AND AFTER PROJECT SUPPORT**

Level of Daily Income (in Riel)	Number of Beneficiaries Before Getting Support from the EDVP Component	Number of Beneficiaries After Getting Support from the EDVP Component
1000–3000	2	0
3100–5000	24	7
5100–7000	36	12
7100–10,000	5	22
10,100–13,000	0	3
13,100–20,000	0	19
20,100–30,000	0	1
30,100–40,000	0	3
Dropped Out	9	9
Total	76	76

**TABLE 7: EDVP BENEFICIARY LIVING CONDITIONS BEFORE AND AFTER PROJECT SUPPORT**

Living conditions	Number of Beneficiaries Before Getting Support from the EDVP Component	Number of Beneficiaries After Getting Support from the EDVP Component
Adequate and healthy food	4	67
Be able to spend for medical cost	3	50
Be able to spend for fixing house	0	27
Be able to spend for transportation cost	2	47
Be able to support children to school	49	54
Children drop-out of school	0	3

The majority of beneficiaries said they could save money, and many reported that they participated more in community life than previously (judged by participation in weddings and perception of relationship with community).



# LESSONS LEARNED

The following are some of the major lessons project staff learned during the course of implementing Cambodia MSME:

- The lack of relationships across the value chains is one of the primary constraints to economic growth for Cambodian rural enterprises. This key insight guided the design of many of Cambodia MSMEs activities—project staff worked to introduce project-assisted actors to each other, facilitating dialogue and effectively “stirring the pot.”
- It is important to involve a range of MSMEs in project interventions, rather than working on one class of actors (such as producers), because inclusive interventions help all value chain participants gain a better understanding of their role in improving the subsector’s competitiveness.
- Competitiveness against imports depends on raising MSME productivity, improving technology, and linking firms to markets, but this can be ineffective in the face of overwhelming dumped imports. Therefore, it can be necessary to advocate for the protection of nascent industries in extremely underdeveloped environments (although competitive trade should be the end goal).
- Most credit for MSME investment in Cambodia emanates from suppliers, family, and friends, rather than from financial institutions. Thus, it is important to facilitate introductions between leading suppliers and leading enterprises—available credit increases as a result of closer relationships.
- Cambodian MFIs do not have the right products or services to engage with the majority of MSMEs. Therefore, it is necessary to improve loan officers’ understanding of MSME businesses and to facilitate introductions between MFI representatives and entrepreneurs before MFIs constitute a substantial source of MSME credit.
- Association development should be an organic process—firms need a business argument to motivate them to identify issues that affect them and to associate with other enterprises to resolve those problems. Therefore, association development can be a natural result of working with interest groups to promote value chain competitiveness, as was the case with the CWGs.
- Cambodian MSMEs do not plan for the long term; therefore, it is necessary to facilitate strategic business planning. The project’s group-based planning led to localized business development strategies and improved interfirm cooperation in all six provinces.
- Finally, demonstration has the greatest impact on enterprise investment. In an environment in which the majority of firms want to see a technique or technology working before they spend the time and money to adopt it, Cambodia MSME found it extremely fruitful to take entrepreneurs on cross-provincial and international exposure missions to witness better production and governance practices. Lead firms in interest groups also served as demonstrators to non-assisted firms, leveraging project assistance beyond its immediate scope.

