

Implemented by



SME INTERNATIONALIZATION IN CAMBODIA: STUDY ON BARRIERS AND MAPPING OF SUPPORTING SERVICE PROVIDERS

Co-sponsored by

SME Promotion in ASEAN and ARISE Plus Cambodia Projects

Ratana PHURIK-CALLEBAUT, CFA

Phnom Penh, June 2020

Published by the

Deutsche Gesellschaft für
Internationale Zusammenarbeit (GIZ) GmbH
Registered offices
Bonn and Eschhorn, Germany

ASEAN Regional Integration Support -
Cambodia Trade Related Assistance
(ARISE Plus Cambodia)
Ministry of Commerce, Banteay Srey Room
Lot 19-61, Russian Federation Blvd, Phum Teuk Tla,
Sangkat Teuk Tla, Khan Sen Sok
P.O. Box 81, Phnom Penh, Cambodia
arisepluskh@giz.de
www.cambodia-ariseplus.asean.org

Strengthening Regional Structures for Small and Medium
Enterprises Promotion in ASEAN “ASEAN SME”
Delano Development Co.Ltd. #144, Street 169, Sangkat Veal Vong,
Khan 7 Makara, Phnom Penh, Cambodia.
www.giz.de

Author

Ratana Phurik-Callebaut, Phnom Penh

Editor

GIZ ARISE Plus Cambodia and ASEAN SME Projects

Disclaimer

This publication was produced with financial support of the European Union and the German Federal Ministry for Economic Cooperation and Development (BMZ). Its contents are the sole responsibility of GIZ ARISE Plus Cambodia and the ASEAN SME projects and do not necessarily reflect the views of the European Union or BMZ.

GIZ does not take responsibility for any use or interpretation by any third party that may be made of the contents of this publication.

Responsibility for the content of any external websites linked in this publication always lies with their respective publishers. GIZ expressly dissociates itself from such content.

© - 2020, ARISE Plus Cambodia and the ASEAN SME Projects. All rights reserved.

TABLE OF CONTENTS

EXECUTIVE SUMMARY	6
INTRODUCTION	11
PART I - SME INTERNATIONALIZATION: OVERVIEW IN ASIA AND CAMBODIA	13
I. SME INTERNATIONALIZATION IN THE ASEAN REGION: LESSONS LEARNT FROM OTHER PROJECTS AND BEST PRACTICES	13
SME internationalization forms	13
Barriers to internationalization	14
The ASEAN SME Policy Index 2018 Framework	14
Lessons learnt and Best Practices from the ASEAN Region	16
II. THE SME ECO-SYSTEM IN CAMBODIA	18
1. Overview	18
2. The legal framework – the existing policies supporting SMEs in Cambodia	21
3. Understanding Regulatory Compliances in Starting Up SMEs	23
III. SMEs AND BARRIERS TO INTERNATIONALIZATION IN CAMBODIA	25
1. A typology of exporting SMEs	25
2. Challenges and Barriers to SME internationalization in Cambodia	27
PART II – FIELD STUDY: SUPPORTING SERVICES AND STAKEHOLDER MAPPING IN CAMBODIA	33
Background	33
I. RELEVANT STAKEHOLDERS IN CAMBODIA BY CATEGORY	34
1. Government bodies and projects	34
2. Development partners / technical agencies	41
3. Business associations	43
4. Private Sector	47
II. TYPES OF SERVICES PROVIDED	48
1. Access to information	48
2. Building skills: capacity development programs	50
3. Accounting, taxation and legal support services (such as business registration)	54
4. Access to finance	56
5. Integration in regional global value chains and SME clusters	60
6. Franchising	61
7. Standards	62
8. Packaging	65
9. Trade, Logistics and Customs	67
III. SPECIFIC SECTORS AND CATEGORIES	69
1. Women-Focused Projects/Support	69
2. Agrobusiness projects and services	70
3. Tech startups	72
4. Retail and E-commerce	74
CONCLUSION	76
ANNEXES	78
ANNEX 1: LISTS OF MEETINGS	78
ANNEX 2 : OECD SME POLICY INDEX 2018	79
ANNEX 3: TYPOLOGY OF SMES BASED ON ANDE METHODOLOGY	80
ANNEX 4: REFERENCES	81

List of Tables

Table 1: Criteria to define an SME	18
Table 2:SWOT Analysis of the Cambodia Entrepreneurial Ecosystem.....	19
Table 3: List of main Government bodies and projects involved with SMEs	34
Table 4: List of Development partners and projects with an SME component.....	41
Table 5: List of Business Associations involved with SMEs.....	44
Table 6: List of Capacity Development Programs for SMEs.....	50
Table 7: Accounting, Taxation and legal support service providers.....	55
Table 8: List of selected initiatives for access to finance for SMEs.....	56
Table 9: List of Private Equity firms operating in Cambodia	58
Table 10: Other initiatives related to Access to finance.....	59
Table 11: Conformity Assessment Main players	63
Table 12 : List of certification bodies in Cambodia	65
Table 13: List of selected packaging companies.....	66
Table 14: List of service providers and projects supporting women SMEs.....	69
Table 15: List of selected stakeholders providing services for SMEs in Agrobusiness	71
Table 16: Selected services and service providers for Tech Startups.....	75

List of Figures

Figure 1: Access to Market and Internationalization: performance of selected ASEAN Countries.....	15
Figure 2: Country rankings according to their weighted scores	15
Figure 3 : Sub-segments as proportion of total SMEs	25
Figure 4: Proportion of Cambodian SMEs that export, by sub-segment.....	26
Figure 5: Cambodia SME sub-segments by gender of ownership, 2016.....	26
Figure 6: Cambodia Performance for Access to Market and internationalization.....	27
Figure 7: Main stakeholders involved in the Tech Startup Ecosystem.....	72
Figure 8 : List of coworking and innovation spaces for tech startups	73
Figure 9: Tech startup landscape by category.....	73

List of Boxes

Box 1: Kirirom Food Production.....	27
Box 2: Exporting Handicrafts.....	30
Box 4 : BNI Cambodia Chapter.....	47
Box 4: Do capacity development programs work?.....	54
Box 5 : Standards and Certifications, the example of Kirirom Food Production	62
Box 7: The Shine Academy initiative of BRED Bank	70
Box 6 : AGRIBUDDY	72

List of Acronyms

ADB	Asian Development Bank
AEC	ASEAN Economic Community
APO	Asia Pacific Organization
ASEAN	Association of Southeast Asian Nations
B2B	Business to business
B2C	Business to consumer
CAVAC	Cambodia Agricultural Value Chain Program
CDC	Council for the Development of Cambodia
CLA	Cambodia Logistics Association
CORAA	Cambodia Organic Agricultural Association
CRDB	Cambodian Rehabilitation and Development Board
CTIS	Cambodia Trade Integration Strategy
EBA	Everything but arms
EIF	Enhanced Integrated Framework
EU	European Union
FDI	Foreign direct investment
FTA	Free trade agreement
GDCE	General Department of Customs and Excise
GDT	General Department of Taxation
GHP	Good hygiene practice
GI	Geographical indication
GMAC	Garment Manufacturers Association in Cambodia
GVC	Global value chain
HACCP	Hazard analysis critical control point
ICT	Information and communication technologies
IDP	Industrial Development Plan
IFC	International Finance Corporation
ILCC	Industrial Laboratory Centre of Cambodia
IP	Intellectual property
IPR	Intellectual property right
ISC	Institute of Standards of Cambodia
IT	Information technology
ITC	International Trade Centre
JV	Joint venture
KE	Khmer Enterprise
LC	Letter of credit
MBI	Mekong Business Initiative
MIH	Ministry of Industries and Handicraft
MISTI	Ministry of Industry, Science, Technology and Innovation

MOLVT	Ministry of Labor and Vocational Training
MOC	Ministry of Commerce
MEF	Ministry of Economy and Finance
MNC	Multinational corporation
MPTC	Ministry of Posts and Telecommunications
MOU	Memorandum of understanding
NBC	National Bank of Cambodia
NGO	Non-governmental organization
OECD	Organization for Economic Co-operation and Development
PPCC	Phnom Penh Chamber of Commerce
R&D	Research and development
SEZ	Special economic zones
SME	Small and medium-sized enterprises
SPS	Sanitary and phytosanitary
SRP	Sustainable Rice Platform
TBT	Technical barrier to trade
TPO	Trade promotion organization
TVET	Technical and vocational education and training
UN	United Nations
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organization
USA	United States of America
USD	United States Dollar
WB	World Bank
YEAC	Young Entrepreneurs Association of Cambodia

EXECUTIVE SUMMARY

Small and medium-sized enterprise (SME) development is a key priority in the strategy of the Association of Southeast Asian Nations (ASEAN) countries, including Cambodia. SMEs play an essential role in Cambodia's economy, representing 70% of employment and 99.8% of companies and contributing to 58% of GDP.¹ In the context of an increased globalization and the ASEAN Economic Community, SME internationalization constitutes an interesting and effective tool for development.

The goal of this study is to research the barriers for SME internationalization and document the existing business support services provided in Cambodia. The report's main objectives are to map the main stakeholders involved, assess the existing capacity of these service providers and analyze the gaps in services provided. The study is conducted within the framework of two GIZ-implemented projects: (1) the ASEAN SME project, a regional project with a dual focus on improving market access and internationalizing SMEs; and (2) the ARISE Plus Cambodia project, which aims to support greater connectivity and economic integration between Cambodia and the rest of ASEAN.

The first part of the report covers the best practices in relation with SME internationalization in ASEAN. A short analysis of the SME ecosystem in Cambodia provides an understanding of the existing barriers for Cambodian SMEs. The second part of the report presents the results of a field study regarding SME service providers in Cambodia. Expert interviews have been conducted with more than 50 stakeholders to give an overview of the available SME support services available in Cambodia. The goal is also to provide a practical tool and better access to information regarding the existing services; this information will be also included on the future SME website "KhmerSME" that will be managed by the Ministry of Industry, Science, Technology and Innovation and supported by GIZ.

The second part of the report presents a comprehensive overview of the key stakeholders involved in SME internationalization. Government bodies, international organization, business associations and private sector main players are reviewed to provide country context. Service providers are also listed by type of service, with a focus on internationalization. Access to information, capacity development, legal and tax support services, access to finance, SME cluster park, franchising, standards, packaging and finally trade, logistics and customs are the areas covered in this part. In addition, an overview of services available to some important categories (women-focused projects) or sectors (IT, e-commerce and agribusiness) has been included.

Understanding the context for internationalization of SMEs in Cambodia

In ASEAN, internationalization of SMEs mostly happens through exports, franchising or licensing. In the case of Cambodia, these forms of internationalization are very limited as very few local SMEs are exporting currently. Indeed, Cambodia's exports are concentrated in relatively few sectors and products and are carried out by large companies. Regarding internationalization, the major challenges faced by SMEs are linked to the deficit of international managerial skills, the limited access to capital, the lack of

¹ According to the Cambodian Ministry of Industry, Science, Technology and Innovation (MISTI)

information on foreign markets, difficulties meeting standard quality requirements and the disjointed supporting policies.

The benefits of internationalization are well-known: market expansion, economies of scale, increased productivity and overall improved competitiveness. However, SMEs typically face major constraints when they want to internationalize, the most relevant often being internal barriers linked to the firm's own capacity and resources.

The ASEAN SME Policy Index 2018, and particularly one of its main components related to “access to market and internationalization”, offers some good elements to compare the performance of Cambodia with other countries in the region. Overall, this performance is weak: the country is lagging well behind in the areas of export promotion, quality standards, and the use of e-commerce or integration into Global Value Chains, but some progress has been made in trade facilitation.

Cambodia can learn from the experience and best practices of its neighbors, particularly Thailand and Vietnam. However, while regional cooperation initiatives are welcome, internationalization strategy needs to be adapted to each country's national context. Cambodia for example needs first to look at strengthening the capacity of its SMEs and their competitiveness. The key focus should be to enter foreign markets directly or as suppliers in global value chains. Increased coordination among ministries and enhanced collaboration between the Government and the Private Sector also remain important points that need further improvement.

Despite a reasonably investment-friendly environment and sustained economic growth, Cambodia's entrepreneurial ecosystem needs further policy actions that will support the emergence of startups and firms with high growth potential as well as provide support to existing SMEs as they grow and innovate. Deficiencies include a weak support structure for entrepreneurship, lack of adequate financing and business services for startups, scarce technical and managerial human capital and limited backward linkages between domestic and foreign firms.

At the same time, the SME environment has undergone a lot of changes recently and the Royal Government of Cambodia has taken important steps not to rely entirely on foreign direct investment (FDI) but also to diversify the economy and strengthen SMEs as a main pillar of economic growth. Several initiatives were launched in 2019 to strengthen the SME ecosystem in Cambodia: new SME tax and customs incentives were implemented, and several institutions or projects were created under the lead of the Ministry of Economy and Finance (SME Bank, Techo Startup Center, Skills Development Fund and Khmer Enterprise). Also, the long-awaited SME Development Policy draft is expected to be released in 2020 by the Ministry of Industry, Science, Technology and Innovation.

Looking more closely at the barriers to internationalization, informality is probably the one with the most pervasive consequences. Cambodia's informal businesses cannot access “formal” finance, services and development programs, while they also represent unfair competition and a loss of revenue for the Royal Government. Informal businesses are not able to export because they would need business and tax registration to trade internationally. However, they do not register because they simply do not see enough advantages to do so, in comparison with the potential problems that would come with compliance (complicated business regulations and non-transparent public service practices). Thus informal companies usually prefer to stay “under the radar” rather than register and grow.

Among many Cambodian SMEs, limited human capital along with an “old-fashioned” mindset that does not necessarily value governance, compliance, financial literacy and technology remain major barriers. However, a new generation of entrepreneurs is increasingly aware of and willing to capitalize on opportunities to improve standards and take advantage of the digital world.

Trade facilitation has improved in Cambodia, but high logistics costs remain an issue for SMEs, especially due to hidden informal costs. Finally, access to finance remains a key issue for all SMEs. Cambodia is facing the “missing middle financing” problem: MSMEs have access to informal credits, large companies have physical collateral to attract financing, but medium and small registered companies struggle to access working capital due to their inability to provide sufficient (if any) fixed assets collaterals. For the same reason, access to trade finance is almost non-existent among Cambodian SMEs. While products such as letters of credit are officially available in most banks, their dissemination is very selective in reality. With most companies having weak bookkeeping methods, SMEs are cash-strapped in Cambodia with an estimated 90% of imports being paid cash-in-advance. As the whole finance system is collateral-based, there is simply no room for typical low-risk trade financing to occur and grow.

Key providers of supportive services for Cambodian SMEs and emerging trends

Historically, the Ministry of Industry, Science, Technology and Innovation (MISTI)² and, to a lesser extent, the Ministry of Commerce (MOC) have been the main ministries in charge of supporting SMEs in Cambodia. In the past three to five years, the Ministry of Posts and Telecommunications has become very active in supporting startups and the IT sector. More recently, the Ministry of Economy Finance has become a key ministry in the establishment of new SME initiatives. Some coordinated initiatives also took place such as the SME-Startup Forum and the Digital Cambodia annual events, involving all the above-mentioned ministries. Finally, the enactment in late 2019 of the much-anticipated E-commerce Law, implemented by the MOC but drafted with inputs from several relevant government institutions, will bring interesting developments.

Among the recent government initiatives, the new “entrepreneurship promotion center” Khmer Enterprise is particularly promising. The Techo Startup Center also has some interesting and innovative projects in the pipeline, including technical mentoring and support to agriculture digitalization. In addition, the new SME Bank will support the future development of a much-needed Government Credit Guarantee Program. The Skills Development Fund aims to tackle the very acute problem of skills gap in Cambodia by establishing a trusted financing platform for sustainable and demand-driven human capital development.

All these initiatives are part of an overall positive trend, yet there is still an absence of a common SME development framework in Cambodia, with the attendant risk of policy misalignment. For example, a new project that created a single and unified business registration portal between the MOC, the General Department of Taxation and the Ministry of Labor and Vocational Training did not include the MISTI, with

² Formerly known as the Ministry of Industry and Handicraft

the consequent risk of not seeing significant improvement in the business registration issues faced by most SMEs.

Regarding internationalization, no concrete support is provided to SMEs by government to directly promote cross border trading (such as through the organization of trade missions). As is often the case in Cambodia, increased coordination between ministries is needed to fully take advantage of these new promising initiatives launched by the Royal Government.

On the development partner side, ADB, AusAID, GIZ, and UNDP are particularly active regarding SMEs and private sector development in Cambodia. While this technical support from donors is very much welcome and appreciated, key beneficiaries outline the importance of the sustainability of these projects. While in the past, IT and startups attracted (and still attract) a lot of interest, e-commerce and agriculture are now becoming sectors of choice.

For the services provided by the private sector, business associations continue to be a crucial source of information and support for SMEs. They usually play an active role in providing feedback during consultations with the government. However, local business associations are structurally and financially vulnerable, as they usually are self-financed and lack internal resources. Strengthening the capabilities of these associations could be a good solution to provide additional support for SME internationalization, as they usually understand well the challenges of their SME members. Sectoral associations are often under-utilized. An interesting trend to note is the emergence of associations like BNI or JCI Cambodia which are international organizations with high standards and requirements but adapted to the local environment. This mix of international standards and local “flavor” proves to be particularly impactful in emerging economies like Cambodia.

The business service offering from corporate providers in Cambodia has increased and is now more diversified than before. Local companies are seeing now more opportunities in servicing SMEs in “traditional” sectors, especially for high growth medium and small companies. However, the quality of service providers varies a lot, and many SMEs are still reluctant to pay for “professional” services. Nonetheless, there are signs of change and some niche markets can be exploited. Tech Startups received a lot of support and attention these last years, but this support was rarely extended to SMEs from other “traditional” sectors.

Looking more closely at the list of services provided to SMEs, a few observations can be made.

- First, access to information is usually not so easy for SMEs. Only a few websites provide simple, straightforward and adapted contents to the Cambodian context. Specific information on access to markets and practical import-export procedures is even more difficult to find. To partially overcome this challenge, the future ‘KhmerSME’ website will fill some important gaps.
- Capacity development programs are not missing in Cambodia. They are often provided with the support of international donors or sponsorship of big companies (for accelerator programs), but their format can be better adapted to SMEs’ needs.
- Only a few service providers are delivering courses in the provinces.
- Managing growth requires more finance capabilities for SMEs, especially regarding their ability to manage the funds they receive, and medium-term coaching is missing. There is also a lack of brokerage services to serve the needs of SMEs for financing.

- Compliance services linked to business registration, tax and accounting are not only provided by more trusted local firms but also by innovative tech startups like Banhji or Kiu. These firms are also facilitating access to finance for SMEs by building some data driven credit assessment solutions.
- As mentioned above, there is indeed a strong need for more adapted and innovative financing solutions. On the other hand, investors are also pointing at the lack of investable companies because access to finance is only a part of the problem.
- Other emerging developments are the SME Cluster parks. SME clusters objectives are well aligned with the rectangular strategy of the Government and with the Industrial Development Policy.
- Franchising is limited in Cambodia, yet it could be an effective way to leverage the increasing popularity of international brands in Cambodia while improving quality and standards. This is especially true in the food sector.
- Adherence to quality standards is critical for international exported goods. Cambodia is lagging behind regarding standards, conformity assessment and certification: public bodies ensuring certification are not internationally accredited and therefore their certificates are not recognized.
- Packaging is also an area where SMEs do not receive any support: because of small volumes, SMEs usually need to provide a down payment of 50% or even pay in advance.
- Trade logistics can also be very expensive for an SME. However, while exporting from Cambodia is costly, it does not mean that the services offered are especially good. Many key informants acknowledge the fact that it is better for SMEs to go through professionals (custom brokers, logistic firms) for all the logistic processes (custom clearance, etc.) instead of trying to do it by themselves. Experience and knowledge are essential in these fields.

Overall, the service offering for SMEs in Cambodia should improve through the effective implementation of the most recent government initiatives. Increasing SME compliance and overall competitiveness is clearly a top priority for the government; SME internationalization is a secondary objective. Further, increasing the overall quality and standards of Cambodian products can only lead to positive changes to support SME internationalization.

INTRODUCTION

Small and medium-sized enterprises (SMEs) are playing a key role in ASEAN where they represent around 97 to 99% of the enterprise population. The SME sector tends to be dominated by micro enterprises, which typically account for 85-99% of enterprises. In most ASEAN countries, they also are predominantly found in labor intensive and low value-added sectors of the economy, accounting for a large share of employment but not representing so much in terms of value added. Data for the region suggests that SME's contribution to total exports are estimated only at 10-30% of the total (OECD, 2018).

SME development is a key priority area for ASEAN countries. The ASEAN Strategic Action Plan for SME development (SAPSMED) 2016-2025 was developed in the context of the AEC and is built around five strategic goals. Enhancing market access and internationalization is one of these goals and is heavily supported at the regional level.

The benefits of internationalization are well known and well documented, yet SMEs usually face more challenges to internationalize than large corporations do. These include: access to information, access to finance, regulatory compliance, low economies of scale and lack of entrepreneurial culture and mindset.

Against this backdrop, the objective of this study is to research the barriers for SME internationalization and document the capacity of existing supporting structures, facilities and service providers for SME internationalization in Cambodia. The study is conducted within the framework of two GIZ-implemented projects: (1) the ASEAN SME project, a regional project under the SAPSMED 2025 with a dual focus on improving market access and internationalizing SMEs; and (2) the ARISE Plus Cambodia project, a co-financed project by EU and BMZ which aims to support greater connectivity and economic integration between Cambodia and the rest of ASEAN, one component of the project being support to SMEs for export development and trade diversification.

In Cambodia, a national project planning workshop, organized by the GIZ in close collaboration with the MISTI to launch the ASEAN SME Project in Cambodia, was conducted on 14 June 2019. It gathered participants from both private and public sectors. Lack of access to information and limited access to services were identified amongst the top priorities for SME development

To help fill this information gap, this study identifies the existing business support services provided in Cambodia (and particularly the services supporting SME internationalization), mapping the main stakeholders, assessing the existing capacity of these service providers and identifying the gaps in services provided.

This study report is organized as follows:

- The first part of the report will cover the best practices in relation with SME internationalization in ASEAN and lessons that can be learnt from the other GIZ projects in the region. An overview of the SME ecosystem in Cambodia and the legal environment will allow a better understanding of the context of SME internationalization in Cambodia. Finally, the main barriers will be presented and discussed, based on both previous analysis and feedback from stakeholder consultations.

- The second part of the report will present the results of an extensive field study regarding SME service providers in Cambodia. Individual interviews have been conducted with more than 50 stakeholders to provide a quite comprehensive picture of what is available in Cambodia for SME services support. The goal is also to provide a practical tool for SMEs to have a better access to information regarding the existing services and to facilitate the inclusion of these information on the future SME portal that will be managed by the Ministry of Industry, Science, Technology and Innovation (previously known as Ministry of Industry and Handicrafts) and supported by GIZ.

The study will not focus too much on the enabling environment of Cambodia, which considers the policy, infrastructure or the human capital. Access to finance will be partly discussed but could not be covered in detail.

It is also important to note that all the interviews took place before the Coronavirus pandemic. The impact of this global crisis and its magnitude are still unknown. Unfortunately, we already know that Cambodia will be negatively impacted and SMEs, despite their capacity of resilience, will not be able to cope with a long-term crisis without supportive government policies.

PART I - SME INTERNATIONALIZATION: OVERVIEW IN ASIA AND CAMBODIA

I. SME INTERNATIONALIZATION IN THE ASEAN REGION: LESSONS LEARNT FROM OTHER PROJECTS AND BEST PRACTICES

ASEAN Countries share some common features regarding the importance of SMEs in their economies, although these countries differ largely in their size, sophistication, stage of their development and their enabling environment.

Literature review suggests that there is no single definition of SMEs among the different countries of ASEAN. For example, Myanmar and Thailand do not recognize micro enterprises, and Malaysia will focus more about the turnover and not the size of the assets. Therefore, it is difficult to get compiled and comparable data about SMEs' contribution to regional economic integration. However, SMEs play a key role in every ASEAN country, including at the regional level. They account for 88 to 99% of all establishments, contribute to 51 to 97% of total employment, and produce 10 to 30% of exports for the ASEAN region.

SME internationalization forms

SME internationalization can be achieved through a variety of activities. They are usually grouped under the 6 following categories: 1) Direct exporting; 2) Direct importing; 3) Foreign Direct Investment; 4) Serving as subcontractors to foreign enterprises; 5) Having foreign subcontractors, and 6) Cooperation with foreign enterprises in the form of licensing, franchising, collaboration (non-equity alliance) or joint-ventures.

In ASEAN, internationalization of SMEs mostly happens through exports, franchising or licensing, but also through contractual agreements as subcontractors. SME internationalization through foreign direct investment can be seen in more advanced ASEAN economies. In the case of Cambodia, the forms of internationalization are even more limited, as very few local SMEs have broken into export markets. Taking a closer look at the Kingdom's main export products and destinations, data show that exports are still focused on a few sectors and products – garment industry, agro products (rice, cassava and sugar) and some light manufacturing products (bicycles). These products are exported primarily by large companies. Specifically for internationalization, major challenges faced by SMEs are linked to the deficit of international managerial skills, the access to capital, the lack of information on foreign markets, inability to meet standard quality requirements and the disjointed supporting policies.

The study will examine quickly what are the best practices in the ASEAN region and what are the lessons that can be learned from the other related GIZ projects in the region.

Barriers to internationalization

The benefits of internationalization have been well-documented. These benefits include market expansion, possibility to achieve economies of scale, knowledge and technology transfer, better quality inputs and possible improvement in terms of productivity and innovation and, by extension, an overall improvement in competitiveness. SMEs are usually facing more constraints than large companies when they want to internationalize: these constraints can be classified into internal and external barriers (Abonyi G, 2015), following Leonidou (2004).

Internal barriers are linked to the firm capacity and resources: business culture, skills regarding internationalization, financial constraints, product standards and certification, access to information and knowledge related to the export markets, capacity to innovate, lack of familiarity with the competition, and marketing distribution of the target market.

External barriers are linked to the business environment, local and international: rules and regulations, requirements, non-tariffs barriers, customs and other inefficiencies linked to the differences between local and international jurisdictions.

Internal barriers are often the most important, especially for SMEs. In Asia, a number of factors are particularly relevant to look at: (1) managerial mindset and organizational culture, (2) access to information, (3) access to financing, (4) the role of clusters and networks, (5) differences in level of development among the region's economies, and (6) stages of internationalization.

Thailand, Vietnam, Cambodia and Myanmar, the four countries covered in the regional GIZ ASEAN SME project, are not at the same level of development and they are also experiencing different stages of internationalization, requiring different solutions and interventions to further promote SME development.

The ASEAN SME Policy Index 2018 Framework

The ASEAN SME Policy Index 2018 framework maps and benchmarks SME policies across 8 policy areas ("dimensions"): (1) Productivity, technology and innovation, (2) Environmental policies and SMEs, (3) Access to finance, (4) Access to market and internationalization, (5) Institutional framework, (6) Legislation, regulation and tax, (7) Entrepreneurial education and skills, and (8) Social enterprises and inclusive SMEs.

The Index provides a recent and quite comprehensive framework to assess the sophistication and intensity of local policies to enhance market access for SMEs. The present study will look more closely at performance of the 4 above-mentioned countries on the 4th dimension: access to market and internationalization.

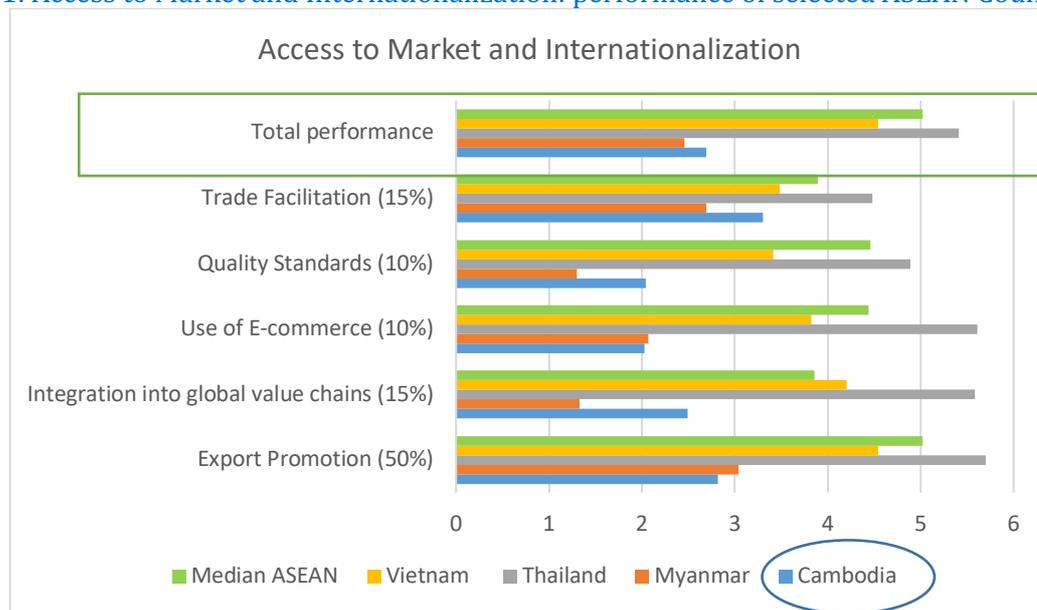
The framework covers **5 sub-dimensions for this 4th dimension:**

- (1) Export Promotion (government programs, trade fairs, FTA compliance)
- (2) Integration to Global Value Chains (business matching with MNC, backward linkages with SMEs, technology transfers)

- (3) Use of e-commerce (legal framework, platform availability, access to other e-commerce platform)
- (4) Quality standards (financial support, compliance with international standards and service quality certification coverage)
- (5) Trade Facilitation (OECD Trade Facilitation indicators, customs procedures compliance, programs, transparency and predictability and simplification of procedures)

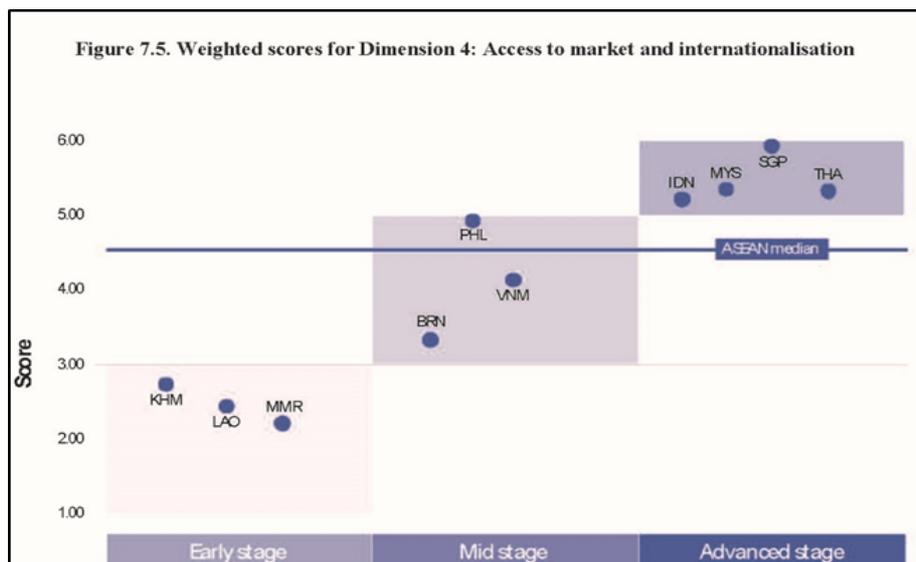
Scores range between 1 and 6, with a higher score indicating a more advanced level of policy development and implementation. Weights are applied at sub-dimension and thematic block level. Scores are calculated based on the weighted medians.

Figure 1: Access to Market and Internationalization: performance of selected ASEAN Countries



Source: OECD, ERIA (2018) – More information about the methodology can be found on Annex 2

Figure 2: Country rankings according to their weighted scores



Source: OECD (2018)

Policy intervention in ASEAN countries usually covers the following elements and tools: export promotion facilities, training programs and portals for international marketing, business matchmaking activities, support to get product quality certification, support to attend international trade fairs and creation of e-commerce platforms.

The analysis of these 5 sub-dimensions provides the following results:

- **Export promotion:** Thailand and Vietnam have developed comprehensive export promotion programs for SMEs: not only these programs are operational, but they are also well funded. Cambodia and Myanmar tend to have only some limited initiatives such as participation in trade fairs or training courses organized in partnership with development partners. They are also lacking targeted export promotion policies. Cambodia also lacks initiatives to support SMEs in understanding its Free Trade Agreements.
- **Global value chain integration:** Thailand has an excellent program to promote SMEs participation in GVCs, and Vietnam has made a lot of progress in this area. Cambodia has put this objective as a priority in its Industrial Development Policy 2015-2025, as there are very few backward linkages for now between local SMEs and MNCs. Unfortunately, little progress has been achieved in developing these backward linkages in Cambodia.
- **Use of e-commerce:** Targeted e-commerce programs for SMEs are important. Thailand is performing well in this area with initiatives like Thaitrade, the national e-commerce platform allowing SMEs to have access for free to B2B, B2B2C and also B2C opportunities. The Index was published before the 2019 enactment of Cambodia's e-commerce law, contributing to poor performance by Cambodia on this indicator. While new initiatives in this field at the Ministry of Commerce look promising, it will take some time to evaluate the effectiveness of the various e-commerce initiatives in Cambodia.
- **Quality standards:** Quality is an important condition to be able to export. Unfortunately, SMEs in general are less likely to obtain internationally recognized quality certification. Thailand is performing very well in this indicator while the other countries, and particularly Cambodia, are lagging behind. Cambodia has also the lowest score for large companies that obtain international quality certification.
- **Trade facilitation:** Thailand and Vietnam achieve high scores. Cambodia and especially Myanmar have made good progress in trade facilitation, notably in customs reform and regarding the simplification of procedures. Procedures in these two countries are quite well explained but are usually not SME-specific. Therefore, trade-related procedures can be difficult to understand for SMEs.

Lessons learnt and Best Practices from the ASEAN Region

Discussions with team leaders of GIZ internationalization projects provided interesting takeaways and confirmed the initial observations and studies done on SME internationalization in the region.

- **Internationalization strategy needs to be differentiated:** In all countries, SMEs are indeed facing a lot of challenges but depending on the country's level of development and stage of internationalization, the challenges are not the same.

For example, Thailand is the most advanced country in terms of strategy and implementation of its SME policy: they have a dedicated SME promotion office, well-funded, and an existing web portal. Although some general good practices can be applied, the methodology and the recommendations need to be adapted for each country to have the most impact.

Vietnam can also offer good examples of policy practices. For example, the country has passed a Law in 2017 to improve the ease of doing business for SMEs. The implementation will be given to the Agency for Enterprise Development. They also enhance the support for entrepreneurship support organizations including incubators, accelerators and mentorship. This includes the establishment of incubators at Vietnamese Universities. Vietnam has also introduced specific investment incentives for investment funds targeting startups. They also embarked in several training initiatives to strengthen their IT workforce and offers visas for startup founders.

- **Updating information on websites is challenging.** Access to information and, particularly, to updated information is limited for SMEs in most ASEAN countries. The management of web portals, if they exist, is usually not very efficient. These portals are not regularly updated, and many SMEs have limited language skills. The main challenge will not only be the implementation of an SME web portal but also achieving a strong commitment and ownership from the ministry in charge, in order to receive the right contributions, to promote it extensively, and then update the website on a regular basis.
- **Enhanced Collaboration between Government and Private Sector** can make a real difference. Public-Private Partnerships are increasingly recognized as a great tool to enhance successful policy implementation but also to improve tools and policies. In Vietnam, the private sector is now more involved in the consultations. To increase the leverage and the impact, a strong recommendation is to have the inclusion of relevant actors (SMEs and sector-specific representatives) during the consultations. SMEs are sometimes forgotten during important meetings. This can lead to irrelevant decisions and difficult policy implementations.
- **Language skills can be a tricky issue** for internationalization. Capacity building is much more effective if local language is used during the training (regardless the quality of the trainers). Using trainers who have a good understanding of the local mindset and local environment is also definitely a plus. However, English skills are also a strong requirement for the company to reach the next step and improve their ability to export in international markets.
- There is a **correlation between the level of development and the stage of internationalization:** less developed economies are usually facing greater challenges. For countries like Cambodia and Myanmar, the key challenge is to strengthen first the capacity of SMEs and their competitiveness. Regarding internationalization strategy, the two key focus areas will be to get ready to enter foreign markets directly or as suppliers in global value chains. Also, the use of modern tools and IT needs to be carefully assessed following the existing capabilities of each country: for example, Facebook is widely used in Cambodia, but websites are less consulted. While face-to-face activities such as workshops with printed materials will continue to be useful, service providers should also take advantage of an increasing use of technology, not to miss the digital revolution.

- Whenever it is possible, **regional cooperation initiatives are very much welcome**: best practices and experience sharing are appreciated by participants to enhance internationalization. Very concrete examples and initiatives could be shared at regional level regarding topics such as:
 - regional cooperation related to trade and supply chain finance
 - regional workshops and training focusing on internationalization or productivity enhancement.
 - SME business centers and other best internationalization practices.

II. THE SME ECO-SYSTEM IN CAMBODIA

1. Overview

SMEs play an essential role in Cambodia’s economy. According to the Ministry of Industry, Science, Technology and Innovation (MISTI)³, SMEs represent 70% of employment, 99,8% of companies and contribute to 58% of GDP. Based on the 2014 Cambodia Intercensal Economic Survey, which includes unregistered firms, the total number of SMEs in Cambodia was 513,759 firms – with micro SMEs (MSMEs) representing 97% of the total enterprises (60% female owned / 95% non-registered) and small and medium companies representing only 2% of the total (26% female owned / 25% non-registered).

Definition

The MISTI (ex-MIH) provides a definition of SMEs based on by the size of capital investment (assets but excluding land) and by the number of employees. This definition is used for business registration. However, the General Department of Taxation (GDT) uses the annual turnover instead of the assets; and many financial institutions define SMEs by loan size. A standardized definition is expected in the future Draft SME Development Policy that should be released in 2020 by the MISTI (ex-MIH).

Table 1: Criteria to define an SME

Size Classification	Ministry of Industry and Handicrafts (MIH)		General Department of Tax (GDT)	
	Indicator	Number	Indicator	Number
Micro	Assets (excl. land)	USD 50 000	Annual Turnover	USD 62 500
	Employment	≤ 10	Employment	≤ 10
Small	Assets (excl. land)	USD 50 000 – 250 000	Annual Turnover	USD 62 500 – 175 000
	Employment	11 - 50	Employment	11 - 50
Medium	Assets (excl. land)	USD 250 000 – 500 000	Annual Turnover	USD 175 000 – 1 000 000
	Employment	51 - 100	Employment	51 - 100

The present study will refer to the different categories of SMEs based on their number of employees rather than their turnover or their assets. Nonetheless, to identify and understand the best support and services provided to SMEs in Cambodia, it is also useful to keep in mind additional indicators such as the SMEs’ growth, their stage of development (mature or young) and also their characteristics such as family business or belonging to the new generation of entrepreneurs, women entrepreneurs or tech startups. Indeed, a lot of disparities can be seen between these different subcategories. Recently, Cambodia has

³ Formerly known as the Ministry of Industry and Handicraft (MIH)

seen the emergence of high-growth medium size businesses, operating often in the retail sector, as well as the rise of tech startups, which have attracted a lot of attention. Overall, Cambodian SMEs have benefited (until the Covid19 pandemic) from good momentum, thanks to a strong entrepreneurial mindset and the dynamic environment provided by the ASEAN market.

SME Ecosystem Assessment

Cambodia’s SME environment has undergone a lot of changes over the last few years. Cambodia is a small country with an open economic policy which has experienced for almost 2 decades of strong economic growth of around 7%. This performance made the country one of the best world performers over the period. This growth was the result of a market-based and export-led economic policy based on FDI attraction, an open and very business friendly environment and supported by 4 pillars of growth: tourism, construction, agriculture and garment industry. Cambodia benefited also from many Free Trade Agreements (FTAs) to boost its exports and from substantial Chinese investments. China has become the principal partner for trade, investment and tourists.

The entrepreneurial ecosystem in Cambodia needs further policy actions to be able to support the emergence of high potential growing firms and startups and assist existing SMEs to grow, innovate and take advantage of global value chains. Deficiencies include a weak support structure for entrepreneurship, lack of adequate financing and business services for startups, scarce technical and managerial human capital and few links between domestic firms and external markets. These challenges can be addressed by developing local enterprises and notably SMEs, and opening new areas of economic activities (World Bank, 2018).

Table 2:SWOT Analysis of the Cambodia Entrepreneurial Ecosystem

STRENGTHS	WEAKNESSES
Emerging pockets of entrepreneurial culture Dynamic and Adaptive SMEs Vibrant tech startup scene Increased interest from local private and venture capital Location in the dynamic and vibrant ASEAN region, especially between Thailand and Vietnam Open economic policy to attract investment, which can lead to skill and knowledge transfer in the medium to long term	Dominated mainly by informal enterprises Insufficient Government support Access to finance still requires land or real estate collateral and high cost of finance Lack of efficient business support services Need to strengthen entrepreneur capabilities (financial skills, business planning) Access to external markets (internationalization) Lack of qualified staff/managers Weak corporate governance Inability to create backward linkages High cost of logistics and electricity, particularly affecting the manufacturing sector
OPPORTUNITIES	THREATS
Business-friendly environment for Investment Increased Government initiatives and Donor Programs for SMEs Untapped sector and geographic (provinces) opportunities Improving road connectivity and increasing port capacity to lower logistic costs Customs reform program to promote trade facilitation Better supply of electricity and slightly lower electricity costs	Lack of coordination amongst stakeholders (even inside the Government) Weak business enabling environment for SMEs (access to information, high cost of electricity, transportation) Fragility of the economy if major external shocks (consequences of EBA withdrawal, Covid19-related global economic slowdown) High cost of starting up business and regulatory compliance encourages SMEs to remain informal Weak implementation of reform efforts to increase the competitiveness of SMEs along the supply chain

Potential usage of emerging technology by young workforce to increase the efficiency and productivity	Increasing trend of young labor force mobility to work in foreign countries leading to limited supply of dynamic workforce
---	--

Source: Author and World Bank, 2018

The EBA withdrawal and a shift to a stronger entrepreneurship policy

In February 2020, the European Commission decided to withdraw part of the tariff preferences granted to Cambodia under the European Union's Everything But Arms (EBA) trade scheme, because of the EU's serious concerns over violations of human rights and fundamental freedoms. During the long evaluation process in 2018-2019 that led to this decision, the Government of Cambodia took several important measures to tackle the potential economic impact of the EBA withdrawal. With a business-friendly and open economy, Cambodia has been quite successful in attracting foreign direct investments. These FDIs were vital for the Kingdom to experience over years sustained growth. However, more diversification is needed, and additional engines of growth should be found. The size of Cambodia's market, its reliance on only 4 sectors to fuel its economy (tourism, construction, agriculture and garment industry) and on China as a main partner made quite clear how fragile the economy of Cambodia can be if facing external shocks.

In a recent report, the World Bank recommended a number of policy actions around the following 4 objectives (World Bank, 2018)

- Promote a culture of entrepreneurship and build the government capacity to implement a comprehensive entrepreneurship policy
- Strengthen SME linkages to national and international markets
- Improve access to finance and business services through support programs and development of PPP
- Attract and nurture technical and managerial talents for startups

A lot happened during 2019: new initiatives from the government started or are about to be launched during 2020 and created already new trends from and for the private sector. The new release of the E-commerce law will provide also interesting opportunities to SMEs. All these progress and developments will be discussed below.

The Coronavirus Pandemic: a major shock for the economy and an uncertain future

Currently, the world is facing an unprecedented health and economic crisis with the spread of the coronavirus. Thus far Cambodia has been able to mitigate the spread of the virus within the country, but the economic recession that is now facing most of world's major economies will hit Cambodia hard as well. As a direct result of the COVID-19 pandemic, there will be a significant global slowdown to major economies such as China, the US and the European Union, resulting in the reduction of Cambodia's access to vital export markets. The World Bank and the Asian Development Bank (ADB) have predicted in April 2020 that the Kingdom's real economic growth will slow to around 2.5 percent and 2.3 percent respectively this year assuming that the pandemic ends relatively quickly. The decline in tourism has hit very hard the hospitality industry, and the consequences will probably last substantially longer than the lockdown.

The Government has taken already some immediate and proactive measures to mitigate the most urgent economic effects of the coronavirus: emergency funds (800 million USD), subsidy of 20% of the minimum wages contributed to workers in garment and hospitality, putting some pressure on property owners to avoid evictions or contract terminations, low interest state loans, tax reliefs. For SME owners, managing cash flow and avoiding bankruptcy will become the main challenges in the coming months.

2. The legal framework – the existing policies supporting SMEs in Cambodia

The body responsible for formulating SME policy in Cambodia is the SME Sub-Committee (SCSME), which was established in 2004. The SCSME is chaired by the Ministry of Industry, Science, Technology and Innovation (MISTI), previously called Ministry of Industry and Handicraft (MIH) and includes representatives from more than 10 ministries. The main body responsible for implementing SME policies and programs is the MISTI. It has a dedicated unit for SME policy, the General Department of SMEs and Handicrafts. Its resources are rather limited, but it does have a strong local presence, with offices in all 25 provinces of Cambodia.

Main Policies

Two important policies are guiding the action of the Government: **the Rectangular Strategy** (the current phase IV focused on people) which is based on the 4 pillars: (i) Human resource development (ii) Economic diversification (iii) Promotion of the Private Sector Development and Employment and (iv) Inclusive and sustainable development and **the Industrial Development Policy (IDP) 2015-2025**. The IDP's vision is to *“modernize Cambodia 's industrial structure from a labor-intensive industry to a skill-driven industry by 2025, through connecting to regional and global value chains (with clusters), integrating into regional production networks and developing interconnected production clusters along with efforts to strengthen competitiveness and enhance productivity of domestic industries and moving toward developing a technology driven and knowledge-based industry”*. The IDP identifies 4 pillars: i) Attract FDIs (ii) Upgrade and Develop SMEs (iii) Improve regulatory environment and (iv) Coordinate supporting policies related to skills development, industrial relations and territorial management.

Until recently, the government did not have a comprehensive SME development strategy in place, with objectives, concrete targets and instruments over the medium term. Instead, occasional interventions were guided by the goals of the country's industrial development strategy. However, the government, via the MISTI, had started to develop a medium-term strategy called the SME Development Policy.

The draft of this **SME Development Policy** was prepared as part of the 2017 IDP implementation and evolves around 5 priorities (1) Enhance policy and regulatory environment, (2) Promote entrepreneurship and human capital development, (3) Promote productivity, technology and innovation, (4) Enhance foreign market access and internationalization, and (5) Increase access to finance. The draft outlines some interesting initiatives such as a Credit Guarantee Scheme for SMEs, the necessity to have improved financial reporting templates for micro-businesses to improve SMEs' access to finance, and the creation of a focal point for SME information such as an SME information center (portal). Some revisions have delayed its implementation, but the policy should be released in 2020.

In March 2019, **during the 18th Government-Private Sector Forum**, Prime Minister Samdech Hun Sen announced important recommendations to facilitate trade and increase competitiveness. These

recommendations were followed by rapid actions. The new policies to support SMEs include the following:

- **Important SME tax incentives scheme** (from Oct 2018)– Sub-decree 124 provides tax exemption on the tax on income from 3 to 5 years and incentives for deductible expenditures for 6 priority sectors including agro-industry, food manufacturing and processing, manufacturing for tourism sector, manufacturing for supplying other local manufacturers, R&D associated with IT and SMEs located in SME clusters zone.
- **Creation of a Skills Development Fund** to provide upskilling and reskilling opportunities for existing workers to address skills gaps and skills shortage in the industrial sector through work-based learning programs
- **Creation of the TECHO Startup Center** to foster the creation of new tech startups and SMEs
- **Creation of an Entrepreneurship Promotion Center** (Khmer Enterprise)
- **Establishment of an SME Bank** to support the development of Cambodian agrobusinesses and SMEs that are linked to foreign direct investments, the tourism sector and tech start-ups.

In July 2019, the Ministry of Commerce also released the update of the Cambodia Trade Integration Strategy (CTISU) 2019-2023, which presents an innovative trade strategy built upon the vision outlined in the phase IV of the Rectangular strategy of the Government.

Finally, on 2 November 2019, the Government has enacted the Cambodia **E-commerce Law** with effect on May 2020. The law is an important step for the country as it sets a clear basis for trade promotion via electronic means. It will provide more opportunities to SMEs and contribute at the same time to the development of Cambodia's digital economy.

Other Specific policies or initiatives

- **Customs (Sub-Decree 50):** in 25 March 2019, a new **customs incentive** was released. SMEs in the following priority sectors (domestic seller, SEZ, exporting or supporting export, clean water and in IT sector) may obtain a customs duty exemption on imports of production equipment, construction equipment and raw materials/other production inputs.
- **The creation of the ICT Startup Center**
- **The Program for Country Partnership** (PCP) with UNIDO targets three key areas: the development of sustainable tourism, the development of competitive agro-industry and creative industry value chains, and industrial diversification, in particular through the development of Special Economic Zones.
- Building on the 2007 Law on Concessions, a **new PPP law** is being drafted and aims to attract more private sector investment in public sector infrastructure projects. This can also be helpful in developing projects like SME parks.

Implementation

All the projects announced by the Government during the GPSF in 2019 have been launched or are about to be launched. The Ministry of Economy and Finance took the lead on most SME related projects. The result is quite comprehensive as it covers tax, employment, financing and support to entrepreneurship. In particular, the establishment of the new Entrepreneurship Promotion Center KHMER ENTERPRISE is extremely promising. This initiative will be discussed later in the second part of the report

Regarding the new tax and customs incentives, the initial results are a bit disappointing for now. Very few SMEs are applying for them. These incentives, especially the tax ones, are designed to encourage SMEs to register so that they can be regulated. However, some business associations report that the application for these incentives is complicated for SMEs, which are often reluctant to deal with the administration.

3. Understanding Regulatory Compliances in Starting Up SMEs

Starting up a SME is not an easy task in Cambodia. Small and Medium Enterprises are required to possess several licenses and undergone through many inspections. The new start-up SMEs are obligated to receive all necessary licenses from a wide range of government of agencies. The number of licenses and inspections is determined by business activity, firm size and location. These licenses include Certificate of Incorporation (Business Registration), Tourism License, Food Processing Operating License, Tax Registration for Patent Tax, VAT Number and Stamp Tax, Location Approval License, Registration for Opening Enterprise, Establishment Ledger, Payroll and Internal Work Rule, Tax Permit on Sign Board and Permit on Sign Board, etc.

On the issues related with inspection, SMEs in food processing sector must comply with many inspections undertaken by inspectors from different government agencies. These inspections can include Product Quality Inspection by (MISTI), Operational Hygiene Inspection by Ministry of Health (MoH), Fire Safety and Security Inspection by Ministry of Interior (MoI); Labor Compliance Inspection by Ministry of Labor and Vocational Training (MoLVT); Environmental Inspection by Ministry of Environment (MoE); and Local Authority Inspection by Ministry of Interior (MoI).

It is important to stress that business activity is a key factor to determine what are the required licenses and inspections. For example, SMEs operating in food processing sector are required to have three-year operating license with three years validity while SMEs in tourism are obligated to have operating license for tourism with one-year validity. Given that it is not possible to specify precisely which licenses and inspections are required for particular types of firms, taking an individual example gives an idea of the licenses and inspections that firms typically have to comply with. Below is an example of the compliance burden faced by a newly established SME producing drinking water, wine and/or soft drinks.

Application for Setting Up a Small and Medium Factory Producing Drinking Water, Wine and Soft Drink Business in Cambodia⁴

What licenses does an SME need for a new business producing drinking water/wine/soft drink?

- All new factories/handicrafts producing drinking water, wine and soft drink with a sizable capital are required to have the following certificates/licenses:
- Certificate of Incorporation (Business Registration)
- Permit on Small and Medium Factory & Handicraft Establishment
- Operating License on Small and Medium Factory & Handicraft
- License for the Use of Product Certification Mark ច្បាប់
- License for the Use of Product Certification Mark CS009:2005 (optional for some products)
- Tax Registration for Patent Tax, VAT Number and Registration Tax
- Location Approval License
- Registration for Opening Enterprise, Establishment Ledger, Payroll and Internal Work Rule (within 30 days).
- Trade Mark Registration (optional)
- Tax Permit on Sign Board
- Permit on Sign Board

What inspections should SMEs expect?

During application process of Operating License on Small and Medium Factory & Handicraft from (MISTI), SMEs should expect (1) Product Quality Inspection by (MISTI), and (2) Location Inspection by Phnom Penh Municipality.

An SME operating a drinking water/wine/soft drink business should also expect the following inspections: (1) Product Quality Inspection by MISTI; (2) Operational Hygiene Inspection by Ministry of Health (MoH); (3) Fire Safety and Security Inspection by Ministry of Interior (MoI); (4) Labor Compliance Inspection by Ministry of Labor and Vocational Training (MoLVT); (5) Environmental Inspection by Ministry of Environment (MoE); and (6) Local Authority Inspection by Ministry of Interior (MoI).

⁴ Based on ADB (Mekong Business Initiative) research report, 2018

III. SMEs AND BARRIERS TO INTERNATIONALIZATION IN CAMBODIA

Following an overview of the SMEs ecosystem in Cambodia and the lessons learnt drawn from other SME policies in the region, the first observation to consider is that one size does not fit all. The most successful SME policies towards internationalization are considering a differentiated approach because needs are different and depend on the different types of entrepreneurs and their stages of growth.

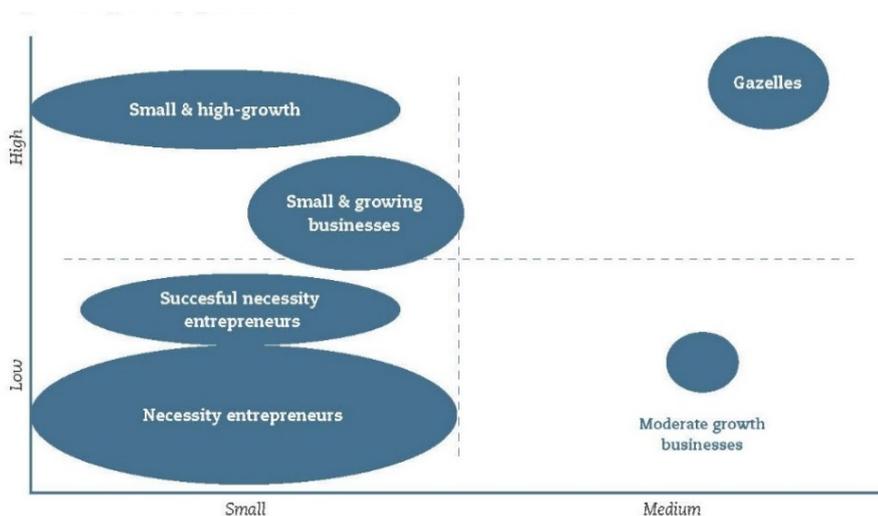
1. A typology of exporting SMEs

#ClosingtheGap Mekong, a study on Entrepreneurial Ecosystem Assessment in Cambodia, conducted by Emerging Market Consulting (EMC) on behalf of Dutch Good Growth Fund provided an interesting segmentation based on the World Bank Enterprise Survey (WBES) methodology.⁵

The analysis provided a tentative segmentation of the SMEs in Cambodia according to their growth and size characteristics using the ASPEN Network of Development Entrepreneurs (ANDE) framework and data from the World Bank Enterprise Survey 2016 (WBES 2016).

Despite some issues in the methodology, the study provides some interesting information regarding the size of each segment. (The sample is not large, the data includes only registered companies, and it excludes micro firms employing less than 5 employees. It also excludes some important sectors like agriculture or professional services or financial intermediation to focus mainly on manufacturing, construction, retail, IT, transport or communications. A full description of the typology and different SME segments can be found in the Annex 3.)

Figure 3 : Sub-segments as proportion of total SMEs



Source: EMC analysis based on Enterprise Surveys <http://www.enterprisesurveys.org>, The World Bank

Figure 3 provides a visual snapshot of the size of the different SME segments, classified by their size (small to medium) and their growth rate (low to high)

The proportion of medium companies is indeed very limited in comparison with small and micro companies. Most SMEs are micro and small businesses with limited growth.

⁵ WBES 2016 interviewed 373 establishments from a sample frame of 23 123 and used stratified random sampling to avoid concentration in any sector. EMC derived estimates for the total population based on WBES weighting.

Without surprise, the categories of SMEs that have the better capacity to export are the medium ones.

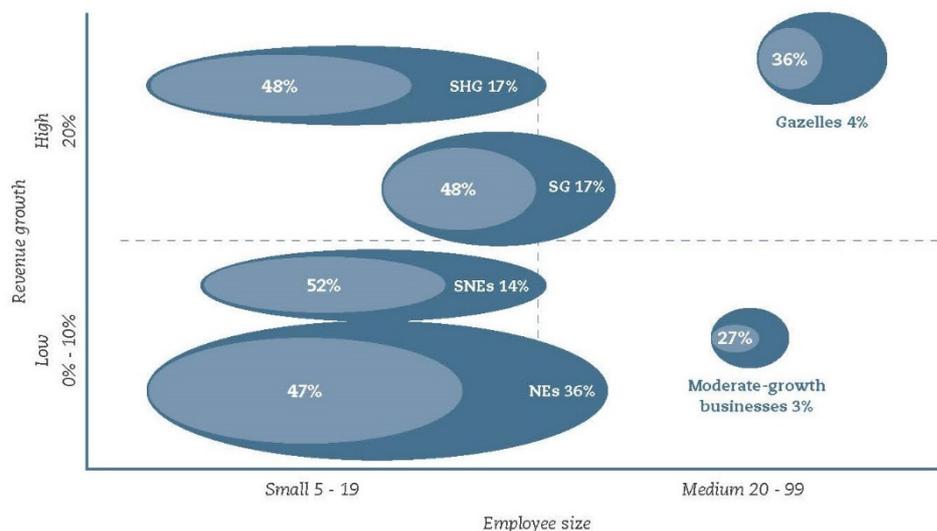
There is much more potential for growing their exports for the categories of SMEs belonging to the Small and Growing Business (SGB) and particularly to the Small and High Growth Business (SHB). SHB are defined in the report as having more than 20% growth with more than 10 employees and with less than 5 years of existence. These businesses have already invested in R&D and improved their organizational structures while SGB are defined as having a moderate turnover growth (10 to 20%), being usually less than 5 years old, using email to communicate with clients and starting to invest in R&D.

Figure 4: Proportion of Cambodian SMEs that export, by sub-segment



Source: EMC analysis based on Enterprise Surveys <http://www.enterprisesurveys.org/>, The World Bank

Figure 5: Cambodia SME sub-segments by gender of ownership, 2016



Note Female-owned defined as a business with at least 50% female ownership
Source: EMC analysis based on Enterprise Surveys <http://www.enterprisesurveys.org/>, The World Bank

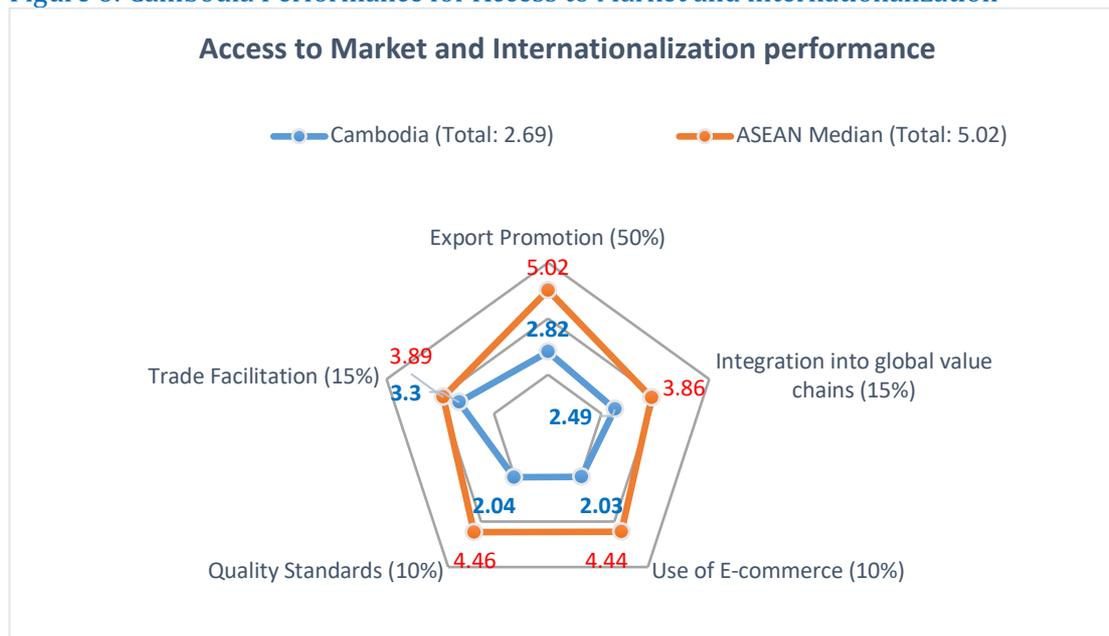
The last graph provides a snapshot of women ownership by sub-segments. The proportion of firms owned or managed by a female top manager is lower for medium business than for small companies.

Source: EMC (2019) for all the graphs

2. Challenges and Barriers to SME internationalization in Cambodia

SMEs in Cambodia face many constraints and challenges. The major ones often cited are unfair competition (for the registered companies), access to finance, bureaucracy and recruiting adequate human resources. However, these challenges are quite variable depending on the types of SMEs and their size.

Figure 6: Cambodia Performance for Access to Market and internationalization



Based on OECD, 2018

According to the 2018 OECD SME policy index, Cambodia is underperforming consistently regarding the Access to Market and Internationalization Indicator. With a global score of 2.69 (out of 6), it is well under the ASEAN median score of 5.02.

Only the sub-component linked to trade facilitation received a score quite similar to the ASEAN median score.

Exporting is not easy, but some companies have been able to do it. Here is the testimony of a local medium company that took the necessary steps to do the “right things”, a long and complicated journey where they finally have been able to grow substantially and achieve success in exporting.

Box 1: Kirirom Food Production

CASE: Kirirom Food Production, a journey to export

The company is exporting dried mangoes products and can be considered as a model of exporting company.

The company registered in 2013 to export and they started the production in 2014. They faced a lot of obstacles at the beginning. China was the first market they targeted, and they found there a partner who helped them on the technical side. At that time, they did not know much about China as a market, or about the technical aspects of the machines and processes (they were dependent of the technical expert sent by their contractor). In addition, their product was not compliant with the required standards. They experienced significant loss. In 2016 and 2017, they decided to analyze all the problems and make the necessary changes: they invested in training and relied on local human resources. It was

an important part of their success. Then, they were able to receive a grant to follow trainings at the NPCC for 5S (Japanese standards). It was extremely useful. They applied for some basic food standards: GMP (good Manufacturing Practices) and HACCP (Hazard Analysis Critical Point). They went through all certifications processes, even the most stringent ones (ISO 22001) Food Safety Management System FSMS ISO 22000. The company have now 100% of Khmer staff, very knowledgeable and they are exporting around 80% of their production. Here are some interesting pieces of advice for SMEs which would like to export.

1- Top Management is the KEY

Trust, patience and persistence are key elements to succeed this transformation journey and build a sustainable strategy.

2- Size the production to a reasonable volume

When the production is too small, it cannot bear the fix costs

3- Keep on improving technical skills

Building internal human capital is very important, starting with having the right consultants to train and build skills and knowledge internally.

4- Find the right suppliers

It can make a big difference to have the right suppliers: not only for the raw materials (fresh mangoes) but also for the equipment or for the building contractor

5- Build good relationships with Ministries and institutions

The company have been able to benefit from support from international donor programs because they maintained active relations with the people in charge of them (ISC, NPCC, MOC), not only for productivity issues but also for promotion of their products

6- Improve the productivity with proved methods

The Company followed trainings from the NPCC (National Productivity Center in Cambodia) on 5S Kaizen but also on GMP ISO 20200. Apparently, they also were able to have an In-house training for a full diagnostic and implementation on the topic of Advance Food Safety Program.

7- Apply for the relevant Standards (see standards sections for more info)

Required standards depend on the markets so there is a need to do a proper check on which standards for which countries. It might be a bit costly at the beginning, but it reduces a lot the after-sales issues because recalling products can be very expensive, and it will limit the customer complaints

8- Find the right logistic providers

Logistic providers are "specialized" by countries. Not all of them are used to work with agro products neither. Expertise is needed to know about the requirements, etc. Do not try to do it by yourself, it can be quite counterproductive. To find the right logistic provider, you can usually do it based on referrals and recommendations (word of mouth). The good news is that the providers are quite supportive with each other, so it is not so difficult to get good recommendations.

9- Expand your market

Opportunities exist but it is important to do regular market intelligence and know what is going on as information is not always available. Start with country fairs organized by institutions (MOC, CCC, YEAC, CDC). From then, build consistently your network et know well your products! Sometimes, a mix of personal contacts and network can be enough to develop a market. Since 2018, the company has increased his production and export 85 % of its production in China, Japan, Europe, USA, Australia, Vietnam and Thailand. A remarkable journey.

Source: Interview

Informality and the burden of being compliant

Informality is the first key barrier to internationalization. A large majority of MSMEs are not registered and informality has consequences that are beyond the simple sphere of business registration.

Informal businesses cannot have access to “formal” finance; therefore, their cost of financing is often higher. They do not pay taxes either and therefore create an uneven playing field and unfair competition for the other businesses and particularly the registered SMEs. The loss for the Government in terms of tax revenues is not negligible either, as informality narrows the tax base and concentrates the revenue collection on a smaller number of tax-compliant businesses. Informal businesses cannot “officially” export without being registered, they cannot have access to global supply chain or engage in any official collaboration or cross-border possibility. Therefore, they are limited in their internationalization possibilities. Finally, they also have more difficulties in accessing support services or development programs.

The Law on Commercial Rules and Registration implies that all persons or entities engaged in business must register with the Ministry of Commerce. The registration with the Ministry of Commerce creates the obligation to register with the Ministry of Labor and the General Department of Taxation (GDT). Additionally, many SMEs have other forms of registration, license or approval of business operation from other ministries: usually the MISTI (ex-MIH) or the Ministry of Tourism, but also the Ministry of Education, Youth and Sports, the Ministry of Health or the MEF. So, many unregistered businesses can have some form of government approval. This can be indeed confusing for SMEs and MSMEs which have not indeed the “obligation” to register at MOC as they can register at MISTI for example. However, the registration at MISTI does not come with a registration with the GDT, which is a condition necessary to export.

The main reason for SMEs to remain informal is to stay “under the radar” of the Government and particularly of GDT. According to key business associations and informants, formalization has a cost: on the top of the initial costs of registering a business, compliance with existing regulations is burdensome and sometimes really complicate to navigate.

Business regulations and non-transparent practices can be a real challenge for SMEs: corruption and informal practices lead to uncertainty. Cambodia unfortunately does not score very well in the “Ease of Doing Business” ranking from the World Bank. Overall, laws and regulations per se are not the issue but implementation and interpretation of the laws can be tricky, even for Government officials who disagree sometimes on how to implement certain laws in the absence of clear implementing guidelines.

Trade, logistics and customs-related issues

According to a study report from USAID (2016), the main issues in trade facilitation in Cambodia are high unofficial fees, complex, non-transparent and burdensome procedures, risk management, valuation methods, direct trader inputs and use of ICT, port congestion, supply chain security and private sector trade capacity. All these inefficiencies, non-transparency practices and heavy bureaucracy contribute to make trade facilitation a major constraint to internationalization, particularly for SMEs.

However, since the above report significant progress has been made. Cambodia has introduced many measures to facilitate areas such as customs automation, national single window, one stop border posts, customs risk measures, E-permit and customs, phytosanitary certificates and trade registrations. Some measures such as pre-shipment inspections and the need for a certificate of origin have been eliminated. Other reforms have automated certain processes and the introduction of ASYCUDA (Automated Systems for Customs Data) has improved clearance time. (CTIS, 2019)

Another analytical work conducted by the World Bank in 2018 also indicated that Cambodia's performance in logistics is uncompetitive when compared to neighboring Thailand and Vietnam. Logistics costs remain high due to poor quality of logistics services and inadequate quality of transport infrastructure. The cost and time to export a container from Sihanoukville, Cambodia's major seaport, is much higher than the global average, as reflected in the country's poor ranking in the Trading Across Borders indicators of Doing Business in 2018 (108 out of 190 countries).

Cambodia's main official imports are from big companies importing raw materials or agriculture products. Small imports from SMEs are from neighboring countries (Vietnam and Thailand). Most SMEs prefer to stay under the radar and pay a lumpsum to facilitators, but their exports are very limited.

Despite some progress, there is limited data available to monitor the performance of logistics service providers. In general, the logistics system is perceived as archaic, inefficient, ineffective, and costly to users (CTIS, 2019) but when looking more closely, it appears that trucking costs are very competitive when compared with neighboring countries. It is often informal costs that are quite high and hidden in lump sum service contracts.

Box 2: Exporting Handicrafts

CASE: EXPORTING HANDICRAFTS FOR AN SME BUSINESS OWNER

Norea Angkor Handicrafts' owner is a successful and dynamic Cambodian women entrepreneur. She admits that her products (beautiful lamps, curtains and pillows) have a great design and Cambodian flavor, but they do not fit well for the local taste. Therefore, being successful in exporting her products is not an option, it is a necessity. Her products are already very popular within the hospitality industry in Cambodia, but her market is limited.

She was able to take part in some international decoration fairs through networks such as CWEA or sometimes through the MISTI and MOC. The feedback on her products was good but overall, the assistance from the Government to help SMEs to export is still limited.

*In 2019, she entered in the **CBI Business Export Coaching program** focusing on Home Decoration; a 5-year very comprehensive program (with only 15 SMEs enrolled but many are expat-owned businesses) that provides in-depth training on how to export to Europe with the best international standards. All aspects are covered. CBI covers the cost of the program but some costs such as some trips to Europe must be financed personally and the time commitment during the first 2 years of training is quite heavy. She is determined to do it because the learning process is valuable, but it seems a bit ambitious to get many Cambodian SMEs enroll as they might not have the financial resources to commit during such a long time period.*

In addition, she tried to export by herself to Europe and other countries where she has a few clients. Finding the information regarding the relevant standards was complicated. Exporting lamps to Europe requires a CE marking, an international certification she did not know where to get at the beginning, in addition to other subtleties for each country of EU regarding the norms for electricity. Packaging was also almost the cost of the lamp.

Overall, exporting is already a complex process for neophytes, but it is even more complicated when you export handicrafts as an SME. Water Lili's owner confirmed this assessment. She mentioned however that exporting through "cooperative" or some umbrella organization might be a solution to overcome certain issues linked to the costs of shipment. A solution to explore?

Source: interview

Capacity building, mindset change and Human resources

Hiring and retaining the competent resources in Cambodia is an acute problem. In the case of SMEs, the biggest challenge for entrepreneurs is more linked to a change in mindset and regarding their ability to learn, grow and think differently. This internal barrier is often cited from service providers and stakeholders, whether they are public or from the private sector. Resistance to changes, limited capacity to innovate and difficulty to have a long-term vision are not easy to modify.

Another requirement for internationalization is the ability to plan: because of the costs involved, there is no room for improvising. Few SMEs are ready to prepare, plan, find the right information and build a strategy. Most service providers in contact with SMEs emphasize the need to conceptualize capacity building programs that are better adapted to SMEs and their learning styles. Despite the time needed and some resistance, observers confirmed positives changes: the sustained efforts of the government for more compliance, the rise of a new generation of young entrepreneurs and the increased use of digital tools in business are factors that SME Business owners cannot ignore and progress have been made recently, especially in urban areas. The solution might lie in the next generation of these family business, these sons and daughters, more tech savvy and familiar with the digital world.

International managerial skills or enhancing the capacity to export is another issue. Some service providers are providing training on market access but so far, expansion is rarely seen outside the borders. More is needed regarding export skills.

Capacity building in the tech sector is less an issue in Cambodia: emerging co-working spaces, together with community building events and training workshops have exposed young professionals to different approaches to learning and working, new inspirations, and opportunities for networking. Makerspaces, innovation labs, entrepreneurial support programs, and startup competitions offered safe venues for young people to explore new ideas, access affordable resources for experimenting with those ideas, learn to build a team, and improve problem-solving and public speaking skills (USAID, 2018).

Access to finance & Access to trade finance

Access to finance is usually one of the leading constraints mentioned by SMEs and MSMEs. This issue has been analyzed and documented in many publications. Interestingly, Cambodia is scoring quite well in many “access to finance” indicators including the Ease of Doing Business report of the World Bank or the Global Innovation Index, due to a strong financial industry (solid banking system, development of the microfinance institutions and presence of a credit bureau).

As summarized in the UNESCAP 2019 report on MSMEs Access to finance in Cambodia, Cambodia is facing the missing middle financing problem: micro and small enterprises have access to credit from saving groups or informal providers like money lenders. Also, MFIs offer non-collateralized loans of small amounts (usually less than 3500 USD). At the other end of the spectrum, large companies usually have the physical collateral required to access substantial financing. The challenge is that medium-sized enterprises often cannot access finance due to their limited ownership of fixed asset collateral.

In short, banks are not meeting fully the financing needs of medium/growth companies for working capital. For the startups/early stage companies, Cambodia has still a limited amount of risk-capital, more venture capital is needed. Some private equity firms are present in Cambodia, but they usually face a limited pipeline of investable companies.

The challenges can be explained by the informality of the business, poor financial literacy (most MSMEs do not reconcile revenues and expenses), absence of financial statements for the banks (making the credit assessment riskier for the banks) or the SME's perception that getting a loan is a complicated process. The lack of reliable creditor information leads to a lending system essentially based on fixed asset collaterals (real estate or land). Very few banks accept moveable assets and almost none accept receivables or inventory.

Access to trade finance is almost non-existent on a practical level in Cambodia. It is however an important financial mechanism to bridge the time lag between the shipment of a product and its delivery. In Cambodia, the financial landscape has evolved a lot and the large presence of foreign-owned banks has contributed to improve the "availability" of trade finance products, also for SMEs. Despite this availability, these products are distributed very selectively: mainly to a few large companies and conglomerates.

Lending facilities, issuing Letters of Credit, export factoring (companies receive funds against invoices or accounts receivable), forfaiting (purchasing the receivables or traded goods from an exporter), export credits (to reduce risks to funders when providing trade or supply chain finance) and credit insurance (during delivery and shipping, also covers currency risk and exposure) are the main trade finance tools used all over the world and for most of them, they are not that much used in Cambodia, especially for SMEs even if a decent range of products are offered officially in reputable banks.

Banks usually simply provide "loans" and working capital facilities, at a high interest rate. There is a need to improve the utilization of letters of credit (available in Cambodia). Banks mentioned the lack of available documentation but also some perceived uncertainties related to the collateral (which is, in the case of Letter of Credit, the merchandise itself). With most companies having weak accounts, SMEs are cash-strapped in Cambodia with an estimated 90% of imports being paid cash-in-advance. The reason lies also because the whole system in Cambodia is based on collateralized lending, which is not efficient and does not recognized the low-risk character of trade finance. Some products such as factoring or forfeiting could be better understood and promoted. (CTIS 2019)

PART II - FIELD STUDY: SUPPORTING SERVICES AND STAKEHOLDER MAPPING IN CAMBODIA

Background

Following the national workshop which took place on 14 June 2019, the project “Strengthening Regional Structures for Small and Medium Enterprises Promotion in ASEAN (ASEAN SME)” was introduced to 10 participants from the private sector and 14 representing the MISTI (ex-MIH) and other ministries. The workshop favored discussion, interaction and experience sharing. As a result, it clearly identified the needs of SMEs, but practical solutions and activities were not yet defined. The challenges and the barriers for internationalization were identified and agreed among the participants: access to information, access to network, access to services (finance, capacity building and technology transfer) and policy coordination.

Additional needs were also identified such as: (1) to strengthen the communication between all relevant stakeholders, (2) to improve the coordination through an SME working group that would include the private sector as well, (3) to help build the internal capacity of MISTI (ex-MIH) staff, and (4) to support the need for more comprehensive data on SMEs. Another remark was the importance of the sustainability aspect, as previous SME projects stopped as soon as funds dried up.

This study will not only support the need for more comprehensive data collection on existing services but also to get a better overview of the SMEs projects and the relevant stakeholders in Cambodia.

Following the cooperation between MISTI and ASEAN SME (implemented by GIZ), some progress has been made regarding the coordination between the different stakeholders. An SME Taskforce has been created under the facilitation of the MISTI and ASEAN SME to discuss the content of a national SME website. Another SME website, Bizinfo, has already been created with the support of the Mekong Business Initiative (MBI) by the Young Entrepreneurs Association of Cambodia (YEAC). This website has been suspended for a while after the end of the project in 2017 but has now been updated and relaunched. The SME Taskforce agreed to create a National SME Information website named “KhmerSME,” planned to be launched by December 2020.

In parallel, the project ARISE+ Cambodia (also implemented by GIZ) launched in 2019. The third component of the project is focusing on enhancing private sector engagement in trade, notably of SMEs for a better preparedness for the ASEAN Economic Community’s single economic space. This component has three workstreams: (1) SME export development through targeted technical assistance to selected firms, (2) Trade information through the provision of demand-oriented trade information, and (3) Trade advocacy by strengthening the advocacy capacities of business associations in Cambodia, particularly the ones representing SMEs and those which are underrepresented in trade.

The Cambodia landscape for SMEs has changed a lot recently. New projects, institutions and actors emerged. The Consultant interviewed more than 55 key informants to get the most relevant overview of

what exists in Cambodia in terms of SME-oriented offer, support and services. The complete list of interviewees can be found in Annex 1.

The usual stakeholders were interviewed, but newcomers or new services have also been reached out to, to see if the potential exists for leapfrogging in certain areas (such as fintech, e-commerce or industry 4.0) as the world is becoming more and more digital. Innovation will not be too much discussed as internationalization in Cambodia did not reach this point but still, modern tools of communication and consumer trends can be considered to leverage some communication actions.

In terms of methodology, the interviews were semi-structured regarding the services that can be offered to SMEs. The participants were also asked to provide their feedback on the main issues they were facing when delivering their services and the challenges faced by SMEs in the related field. They were also invited to share recommendations on how to solve these issues.

The report will first provide an overview of the different stakeholders involved in SME internationalization or more generally working with SMEs. Government bodies, international organizations and related projects and business associations will be covered. For the private sector part, it was not possible to always provide an exhaustive list of all the private sector players as they can be quite numerous and as no qualified opinion can be given on the quality of their services. The most recognized players will be nonetheless mentioned for each category as well as some innovative companies that differentiate with their competitors in their field. The second part of this field study will focus on classifying the service providers by type of services, with a focus on internationalization.

I. RELEVANT STAKEHOLDERS IN CAMBODIA BY CATEGORY

1. Government bodies and projects

SME support from the Government is dispersed across several Ministries. The main ones involved are the Ministry of Industry, Science, Technology and Innovation (MISTI ex-MIH), the Ministry of Commerce (MOC), the Ministry of Posts and Telecommunication (MPTC) for the startups, the Ministry of Economy and Finance (MEF) and the Ministry of Labor and Vocational Training (MOLVT).

Prior to the launch of the IDP, the MISTI (ex-MIH) had the primary responsibility for the Government's SME policies but the Ministry is lacking resources to implement large scale programs. In order to boost the agenda for the IDP implementation, the Government has launched in 2019 a series of measures to support SMEs and entrepreneurship in Cambodia through the leadership of the Ministry of Economy and Finance.

Another new development is the approval of the so-awaited E-commerce Law in November 2019 with a comprehensive e-commerce strategy that should be put in place in 2020 by the Ministry of Commerce.

Table 3: List of main Government bodies and projects involved with SMEs

MAIN GOVERNMENT BODY / PROJECTS	SERVICES PROVIDED
<p>MINISTRY OF ECONOMY AND FINANCE (MEF)</p> <p>The role of the MEF is to implement and contribute to the government's economic and financial policy. To implement all its tasks, the ministry is organized into various general departments and departments, including the General Department of Taxation (GDT) and the General Department of Customs and Excise (GDCE). The MEF plays a key role in Cambodia and recently, has step up as a key ministry to support SMEs with the launching of very important initiatives.</p>	
<p>KHMER ENTERPRISE</p> <p>Launched in April 2020</p> <p>www.khmerenterprise.com</p>	<p>Khmer Enterprise (KE) is the new national SME promotion and Development Center. The focus will be on business owners, scalable SMEs, entrepreneurial communities.</p> <p>They will provide financial and non-financial support through different programs linked to the following priority sectors: tech startup, tourism, agro-processing and manufacturing (import substitution) and industrial clusters</p> <ol style="list-style-type: none"> 1) START-UP Program (networking, seed funding, capacity upgrading and entrepreneurial culture promotion) with a co-working space 2) Support Entrepreneur Program, especially through business associations. For export, the goal is to work only with already advance companies that have experience in export and understand market conditions. KE will then be able to facilitate. The idea is to enhance compliance, build capabilities and create a strong ecosystem. <p>Strong operating principles will be implemented: interaction and synergies among stakeholders, KPI-based budgeting, PPP-based program delivery and balanced approach to customer needs. In addition, a public-private board will provide a strategic oversight and KE will benefit from a strong autonomy and a lot of flexibility.</p>
<p>SME BANK</p> <p>Launched in April 2020</p> <p>(website coming soon)</p>	<p>The SME bank is operating with an initial budget of 100 Million USD.</p> <p>Priority sectors: IT, Franchising, Tourism, Trading, Manufacturing, cottage industries. Agriculture sector will be taken care specifically by the Rural Development Bank with a budget of 50 Million USD</p> <p>Full range of products are expected. For the first 6 months in 2020, transactional banking will be the priority, then additional products will be added. Expansion to the provinces is expected in 2 years.</p> <p>A strong social mandate is added to the usual activities: a collaboration with the private sector is expected to help companies becoming more compliant (for example, collaboration with accounting firms to help preparing financial statements or with business organizations.)</p>
<p>TECHO STARTUP CENTER</p> <p>Launched in June 2019</p> <p>www.techostartup.center</p>	<p>TECHO is a startup center under the innovation arm of MEF which aims to build viable early stage emerging tech startups by igniting innovation and technology. They will work with young talents to co-create the products.</p> <p>Activities:</p> <ul style="list-style-type: none"> • Research: Fintech Policy Recommendation, Khmer Text Search in large data set • Projects: CamDX (a unified Online Business Registration Portal), the Digital Agriculture Value Chain under SAAMBAT project (improving

	<p>accessibility of agricultural products to the market through digital technology.</p> <ul style="list-style-type: none"> • Programs: Startup Cambodia, TAP accelerator (see capacity building chapter), E-commerce model
<p>SKILLS DEVELOPMENT FUND</p> <p>Launched in July 2019 www.sdfcambodia.org</p>	<p>The Fund is a pilot project and aims to be the most trusted financing platform for sustainable and demand-driven skill development.</p> <p>The project finances training proposals, to be supported by the Fund in 5 priority sectors: construction, manufacturing, ICT, Electronics, Hospitality.</p> <p>Two types of training opportunities: one for large companies and one for SMEs. The focus of this scheme is to improve entrepreneurial skills and mindsets of SME owners/startups and/or their employees. Participants will be equipped with new tools and techniques to facilitate (potential) entrepreneurs to start businesses as well as to facilitate the growth of existing SMEs. (more details provided in the capacity building chapter)</p>
<p>NATIONAL TRADE REPOSITORY (NTR)</p> <p>Launched in 2015 www.cambodiantr.gov.kh</p>	<p>The NTR is a trade portal that provides public access to all necessary trade information for exporting and importing businesses in order to comply with all the non-tariff measures such as quantitative restrictions, standards, customs procedures or technical regulations. Information is provided on procedures, customs permits, and documentation needed. All this information is supposed also to be transmitted to the ASEAN Trade Repository which provides a single point of access to all the trade-related information of ASEAN Member States.</p>
<p>GENERAL DEPARTMENT OF CUSTOMS AND EXCISE (GDCE)</p> <p>www.customs.gov.kh</p>	<p>The General Department of Customs and Excise (GDCE) of Cambodia has been during the last ten years very proactive in facilitating trade and assisting the importers, exporters, logistics operators and customs brokers by publications about rules and regulations including applications on import, export, customs clearing.</p> <p>They published the Handbook on Customs Clearance in October 2015, a comprehensive guide for the business community in Cambodia. The basic information on customs clearance is easily accessible for everyone.</p> <p>The GDCE is also in charge of the development of the National Single Window, launched in July 2019. The objective is to allow parties involved in trade, transport and logistics to lodge standardized information and documents with a single-entry point to fulfil all import, export, and transit-related regulatory requirements.</p>
<p align="center">MINISTRY OF INDUSTRY, SCIENCE, TECHNOLOGY AND INNOVATION (MISTI)</p> <p>On 25 January 2020, the Ministry of Industry and Handicraft (MIH) was renamed as the Ministry of Industry, Science, Technology and Innovation (MISTI) at the request of its Minister, Cham Prasidh. The Government has decided to establish two new units, the General Department of Science, Technology and Innovation, and the National Institute of Science, Technology and Innovation. The addition of these two units aims to meet the practical needs of relevant institutions so the sectors of scientific and technological research and innovation will improve within the context of the Fourth Industrial Revolution.</p>	

As mentioned earlier, MIST (ex-MIH) is the main body responsible for implementing SME policies and programs. This responsibility was given in 2014, when the Government split the Ministry of Industry, Mines and Energy to create the Ministry of Industry and Handicrafts responsible for issuing operating license for SMEs, especially food processing sector. www.mih.gov.kh

<p>SME DEPARTMENT</p>	<p>The General Department of SME and Handicraft has 3 departments: the departments of SMEs, the one of Handicrafts and the SME planning and Development Promotion. It is responsible for SME manufacturing sector and plays the role of coordination agency to engage with line ministries and as the chair of the SME Sub-committee.</p> <p>Current projects : SME portal project (GIZ), promotion of Cambodia Brand through the MCQP (Mark of Cambodian Quality Products), some export promotion activities (through cross-promotion), draft on SME cluster sub-decree in preparation, e-market, trade facilitation project, TASK (Technology Advice and Solutions Korea) project to share best practices on technology related to agro and food processing and capacity building for MSMEs, collaboration to the ASEAN SME Policy Index, decentralization to Provinces (25 sub-national Provincial Offices).</p> <p>MSMEs and SMEs can register at MISTI to get a manufacturing permit. They receive a Certification of Operation valid 3 years, but they are not registered at the Tax Department. MISTI can normally provide all services through their Office of Consultations and Information, a one-stop shop service at MISTI. Information and consultation service is free of charge. However, not many SMEs are aware about this office located within the Ministry.</p>
<p>INSTITUTE OF STANDARDS (ISC)</p> <p>www.isc.gov.kh</p>	<p>The Institute of Standards of Cambodia (ISC) is the body responsible for the preparation of national standards and guidelines for products, commodities, materials, services and operation. ISC, as a correspondent member of the International Organization for Standardization (ISO), can sell and adopt ISO standards nationally.</p> <p>In relation with services provided to SMEs and particularly to medium enterprises, ISC is providing testing services through its Industrial Laboratory Center of Cambodia (ILCC). They are also the Cambodian Certification Body. They provide training and consulting services in the area of the standards (ISO 9001, ISO 20200 and GMP). Information about the regulations are free of charge. Standards documents are provided against a small fee (5 USD) for the copyright.</p>
<p>NATIONAL METROLOGY CENTER (NMC)</p> <p>www.nmc-mih.gov.kh</p>	<p>NMC offers calibration services. They cover 3 areas: scientific, industrial and legal metrology. For example, the legal department is responsible of verifying measuring instruments used in trade transaction, verifying the production of pre-packages and developing the system of units in Cambodia. NMC received a lot of support from UNIDO and received official accreditation of its laboratories for calibration services in mass, volume and temperature.</p> <p>With SMEs, NMC provides consultations to assist implementation of metrological-related tools for productivity, they also provide training courses to selected SMEs representatives focusing on basic quality issues concept, data</p>

	and services. They try to raise awareness about calibration through different activities (training, seminar, workshops).
NATIONAL PRODUCTIVITY CENTER (NPCC) www.mih.gov.kh Since 2004	The Committee for Productivity in Cambodia is the lead policy development agency for productivity enhancement at the national level (large firms and SMEs.) It is chaired by the Minister of Economy and Finance and has 18 other members (ministries, private sector and academia). The National Productivity Centre of Cambodia (NPCC) under MIH is the main implementation agency for productivity enhancement programs and policies. SME-specific productivity enhancement projects are fragmented, and most are externally financed. The NPCC is a member of the ASEAN Productivity Organization (APO) that directly finances some multi-countries program. The NPCC offers seminars and training courses on 5S, Kaizen, GMP, ISO 9001 and ISO20200, Toyota Quality management and the Green Productivity program 3R (reuse, reduce and recycle)
MINISTRY OF COMMERCE (MOC)	
The MOC is the government ministry responsible for regulating and promoting commerce and trade in Cambodia. A per the Law on Commercial Rules and Registration, all businesses are supposed to register with the MOC. The MOC is responsible for business registration and supplying trade-related documents. It also plays an important role as facilitator in trade facilitation agenda.	
General Directorate of Trade Promotion (GDTP) www.moc.gov.kh	This department of MOC is responsible for coordination and implementation of trade and trade related investment promotion activities in Cambodia. Main activities are: - Collect information on the awareness / Preference of domestic product in global market - Matchmaking between domestic companies and foreign partners - Organizing and participation of domestic and international events (fairs). It is important to note that the MOC does not specifically do any export promotion.

<p>GO4ECAM</p> <p>Launched in January 2020</p> <p>www.moc.gov.kh</p>	<p>This project on e-commerce is co-financed by EIF, UNDP and the MOC</p> <p>The goal for this ambitious project is to enhance e-commerce in Cambodia and SME digitalization in Cambodia through 3 components:</p> <p>(1) the creation of an SME marketplace (managed by the MOC). The goal is to help SMEs to sell on this platform. The program aims to be as inclusive as possible with provisions for women and provincial SMEs and plans to have a regulatory sandbox with lawyers developing specific regulations.</p> <p>(2) Ebiznest project (managed by UNDP) that will launch an Ecommerce Bootcamp to support, through mentoring and coaching, around 50 digital SMEs per year to go online. The program will also provide small grants (5000 USD) (around 25 per year) to help the best of them to develop their project.</p> <p>(3) Launch of an “Investor Deck” (managed with the MOC): to provide support for e-commerce startups to learn how to deal with investors through pitching sessions and better understanding on financial aspects. This sub-component involves the creation of an E-commerce association, initially under the leadership of MOC. A support will also be provided to Cambodia Post for their e-commerce audit.</p> <p>NOTE: the project aims to be inclusive (women and provincial SMEs are key targets as well). In addition, the goal is also to catch up with related international standards where Cambodia is particularly lagging behind (consumer protection, intellectual property protection or return management strategies). ARISE+ component 3 has also elaborated a proposal to cooperate on this specific project with MOC.</p>
<p>AIMS (Accelerating Inclusive Markets for Smallholders) Started in 2017 https://aims.moc.gov.kh/</p>	<p>AIMS is a joint project with IFAD (International Fund for Agricultural Development) with a combined funding of 61 million. The objective is to increase returns from farming for smallholders through support for higher value agricultural products and the development of associated local clusters. It also aims to make the agriculture more attractive to younger generations. AIMS will work through 15 provinces and 5 value-chain commodities (vegetables, chicken, rice, cassava and raw silk). Service providers will deliver appropriate business development services (technical assistance, training and financial services). The second component of the program intends to enhance access to finance for smallholders through “investment support” and “financial service partnership”. A value chain innovation fund (VCIF) will provide targeted investment incentives to “first mover” private investors who invest in new production technologies in the value chain.</p>

MINISTRY OF POST AND TELECOMMUNICATIONS (MPTC)

The ministry is highly involved in the field of startups and digital economy: it has established a Capacity Building and Research Development (CBRD) Fund to promote the mobilization of young talents and to promote tech-startups in the country. Telecom operators have provided USD 6.5 million dollars to this fund and the government has contributed an additional USD 0.5 million. Furthermore, the MPTC and Ministry of Education are working together to promote entrepreneurship via the establishment of Smart Labs throughout the country. Since last year, MPTC organizes the DIGITAL CAMBODIA fair.

In 2014, the Government established the National Institute of Posts, Telecommunications and Information Communication Technology (NIPTICT) under the supervision of MPTC to address ICT research and training. It was granted an US\$ 8 million research fund financed from telecom sector revenues.

ICT INNOVATION CENTER (NIPTIC/ MPTC)
Planned for May 2020

The ICT innovation center aims to promote HR development, research and innovation development of ICT in Cambodia. The 7500 sqm center will include a research laboratory, a startup and coworking place and facilities for public and private agencies with an ICT focus to collaborate and network. For startups and SMEs, there will be a Makers place (the first of its kind in Cambodia) where tech machinery will be found with laser, IoT, robotic equipment etc. Training will be provided by a partner, Herodote, a startup company. The focus here is on hardware. SMEs are welcome but the center is more focused on startups and on creating the right ecosystem for innovation and projects that can be scaled and replicated. Tech University students will also use these facilities. Symbolic contribution for the costs. First year, probably free of charge.

NATIONAL INSTITUTE OF ENTREPRENEURSHIP AND INNOVATION (NIEI)

www.niei-tvet.com

Two training programs
- the New Enterprise Creation Program (NECP) more dedicated to startups (MSME, poor) and
- the Enterprise Development Program (EDP) for entrepreneurs. In 2020, the training department will launch a new course on "Entrepreneur and Innovation". Courses will be restructured. New Project: The National Entrepreneurship Award (in collaboration with Khmer Enterprise)
3 steps: Provincial competitions (the best 5 for each province will compete at national level), then they will get mentoring and the winners will win 10,000 USD / 5,000 USD and 3,000 USD. Criteria for participation: to be in the 5 priority sectors including tourism, agriculture, tech, manufacturing and services.

MINISTRY OF WOMEN AFFAIRS (MOWA)

MOWA does not have an SME department but is running different programs that provide support and help for Women Entrepreneurs. They have 14 Women Development Centers where basic trainings are provided for training of trainers in women entrepreneurship, financial management, financial literacy, digital tools and Business plan writing. Some specific trainings are also provided (weaving, food processing and beauty salon). Stronger collaboration with the private sector should materialize end of 2020, with a Women Center in Phnom Penh that would be a space for learning, exchanges, networking and training, in collaboration probably with CWEA. In addition, there are some specific "Women's Economic Empowerment" (WEE) projects, specifically targeting women led SMES. For example, MOWA was discussing with ADB on transforming some of the Women Development Centers into more business-oriented establishments in the form of Public Private Partnerships (PPP).

www.mowa.gov.kh

Source: interviews

2. Development partners / technical agencies

Most development partners have some programs in relation with SMEs, but few were directly related to entrepreneurship and innovation. These last years, two specific projects were very active in this field.

Mekong Business Initiative (MBI) was an ADB project supported by Australia DFAT focusing on business advocacy, alternative finance, and innovation across the Mekong Region to promote SME development and regional linkages through entrepreneurship. They worked with angel investors (Mekong Angel Investment Network “MAIN”), on fintech and had also a tech acceleration program in tourism and agro (“MIST” and “MATCh”). The MBI program is no longer active in Cambodia but there are discussions to relaunch it.

Another successful program that just ended end of 2019 was the Development Innovations (DI) program funded by USAID that sought to address development challenges and social impact through technology (ICT4D) but their activities were targeting more young graduates and below rather than more experienced young entrepreneurs.

GIZ is now one of the key contributors to SME development in Cambodia with at least 3 projects: MSME project, ASEAN SME and the SME component of ARISE+ Cambodia. Support to business associations is also provided with, for example, a technical consultant working directly with YEAC. Another agency is also very active: UNDP is involved in several public-private partnerships. An MOU has been signed in 2018 with UNIDO and Worldbridge to support the establishment of the first innovative SME cluster park. UNIDO is also involved in the GO4ECAM project of the Government and have recently created an Innovation lab and launched an incubator program BlueTribe. Although they are quite dynamic, the scope of their involvement is more limited regarding private sector development.

Table 4: List of Development partners and projects with an SME component

DEVELOPMENT PARTNER / PROJECT	SME FOCUS / Sector	AREA FOCUS	SERVICES PROVIDED
GIZ - MSME IV Project Giz.de/en/worldwide/17293.html	MSME and SME (business owners) Agro (in Siem Reap and Battambang)	Value Chain improvement	The program aims to improve access to market for business owners in Agriculture. Services provided: (1) Business Development Skills Training - training of local trainers by international consultant. Duration (2 days a week 2 times), which is better adapted to local needs. (2) Improving quality of packaging: support by international consultant to improve the design, marketing and quality of packaging. (3) Improve capacity of Provincial Business Associations through PPP Platform (4) Food standard skills development (with MISTI) Cost: free of charge for participating SMEs.

GIZ – ASEAN SME Project Launched in July 2019 Giz.de/en/worldwide/82045.html	MSMEs and SMEs Export-oriented sectors (retail, agro, services)	Access to info / Export	Regional project: Aims to support SME internationalization by improving access to information, access to services and access to finance. A key component will be the establishment of a web portal and a physical SME info portal owned by the MISTI.
GIZ-EU ARISE Plus Cambodia Launched in January 2019 www.cambodia-ariseplus.asean.org/	SMEs	SME export development, trade information and trade advocacy	The project has 3 pillars: 1- Improving customs, trade facilitations and Standards 2- Strengthening institutional capacities and improving regulatory practices 3- Enhancing Private Sector Engagement, notably of SMEs and better preparedness for AEC single economic space.
IFAD (International Fund for Agricultural Development) - SAAMBAT PROJECT Launched in February 2019 www.ifad.org	SMEs Agriculture	Roads, financing, digital skills	The objective of the Sustainable Assets for Agriculture Markets, Business and Trade (SAAMBAT) project is to improve livelihoods by better connecting rural communities to markets, technical training and employment opportunities. This is a huge project amounting of 125 million. SAAMBAT aims to productively employ at least 4,500 rural youth, develop 500 small and medium businesses and train at least 25,000 rural value chain actors to use digital technology during the 6 years' project The component "Digital Agriculture Value Chain" will be conducted by TECHO startup center with a funding of 10 million.
SWISSCONTACT www.swisscontact.org	SME with high impact	Technical Assistance	Swisscontact is the Swiss Foundation for Technical Cooperation. They have 2 programs for SMEs: (1) SENIOR EXPERT CONTACT: 10 senior experts per year can come and provide their support to SMEs in Cambodia (cost is limited to food and lodging). (2) RISE Project: funded by USAID, the project provides technical assistance through a pool of vetted consultants to help SMEs to become investment ready and to assist investors for matchmaking. Assistance is needed at different levels. The investors are also "partners".
PACT (WE ACT Project) www.pactworld.org	SMEs and MSMEs (Young Women Entrepreneurs) All	Several	WE ACT project works exclusively through partnerships with SHE investments, Asia Foundation, CWEA, Lady Saving Group, YEAC, JCI Cambodia, Sevea with Women Ventures, Facebook, Impact Hub, Agile Development Group, Wapatoa etc. Programs are centered around networking strengthening (JCI, Asia Foundation.) and skills building (through coaching, mentoring) in order to support internally the ecosystem.
UNDP (INNOVATION LAB, SME CLUSTER, E-COMMERCE, BLUETRIBE) www.kh.undp.org	Diverse / SME / Innovation	Technical Support	UNDP are supporting some very interesting initiatives through PPP projects and some innovation projects such as INNOVATION LAB,

			EBIZNEST (GO4ECAM), SME CLUSTER project and BLUETRIBE incubation project
CAMBODIAN-JAPAN COOPERATION CENTER (CJCC) www.cjcc.edu.kh	Local SMEs and Entrepreneurs	Capacity Development Program	The CJCC has been providing capacity development services for more than 10 years. (1) Full entrepreneurship program (2) Intensive courses (1 to 3 days) on entrepreneurship topics. (3) Business study tours (often in Japan, to explore the market and find potential partners but not only for SMEs, open to everyone). (4) Contracted services for potential partnership (5) CJAP: Cambodia-Japan Accelerator Program (CJAP)
CBI BUSINESS EXPORT COACHING www.cbi.eu	SME Home Decoration and Home Textile	Technical Assistance to export to Europe	Full training on export capacity to enter the EU market for a limited number of selected businesses. Trainings on (1) Business Audit and Action Plan (2) Export Capacity Building (3) Market Entry.
CAVAC (DFAT) Cavackh.org	Farmers & SMEs Agriculture	Technical Assistance	CAVAC's goal is to increase productivity and incomes for smallholder farmers in Cambodia. Rather than work directly with farmers, most of their activities are delivered in partnership with their suppliers and regulators, the government and the private sector, using a market systems approach to spread knowledge about new agricultural techniques.
ACRA (Accelerating E-commerce Regulator Adoption) – DFAT	SMEs E-commerce	Regulatory Aspects	This new project of the Australian Cooperation aims to explain and disseminate the e-commerce law and its strategy in Cambodia by raising awareness and developing the appropriate tools. They aim also to support the registration of e-SMEs

3. Business associations

Business Associations are playing a key role in the SME ecosystem in Cambodia and they are evolving a lot. The main challenge that business associations are facing is their limited funding. Most of them are self-financed, with limited revenues derived from membership fees or services provided. They also have a limited number of professional staffs. Nonetheless, with the sustained growth of the economy, these associations have evolved over time and have been able to grow their members base as well. Some of them are also supported financially by international donors or development partners.

The main associations directly involved with SMEs and MSMEs are the Federation of Small and Medium Enterprises of Cambodia (FASMEC), Young Entrepreneurs Association of Cambodia (YEAC) and Cambodia Women Entrepreneurs Association (CWEA).

Bilateral or multilateral associations such as foreign Chambers of Commerce are usually more involved in trade promotion inbound and outbound with their respective countries, but their action regarding trade (business delegations, trade pavilions) is often limited and very targeted.

Sector-related associations are numerous, and some are lacking visibility (no website, only Facebook) as they can be quite small. The Garment Manufacturers Association of Cambodia (GMAC) is the most well-known one. There are also associations in the hospitality sector, logistics and agro-industry such as Cambodia Tourism Federation (CTF), Cambodia Association of Travel Agents (CATA), Cambodia Logistics Association (CLA), etc.

Aside from these “classic” types of business association, there are interesting associations such as Business Network International (BNI), Junior Chamber (JCI) or the recent Global Entrepreneurship Network (GEN). These associations benefit from strong international processes, networks and support while keeping their own local identity: a blend of international standards and local flavor. Less intimidating than the international organizations, members usually can build their soft skills more efficiently as they feel in a “safe” environment.

Business associations are playing a crucial role in information dissemination. They are often the first source of information for SMEs and micro-enterprises regarding business news, government regulations and initiatives, compliance, tax incentives, specific topics of interests (energy, etc.), sometimes specific programs dedicated to SMEs. Information is disseminated through e-mail (newsletter), social media, Telegram group (very popular with locals) or through business meetings, formal (breakfast or luncheon presentation, working groups, seminars, conferences) or informal (networking, gala dinner, Awards).

Business associations also play an important role in advocacy in providing relevant feedback to the Government, through Public-Private sector forums or directly with the Government. The following associations are the most recognized ones and have a direct link with SMEs. The list is not exhaustive and might need to be refined to include more sector associations if there are specific programs to disseminate. Also note that the pricing information may have changed since data was collected.

Table 5: List of Business Associations involved with SMEs

BUSINESS ASSOCIATION	SME FOCUS (Beneficiaries)	AREA FOCUS	SERVICES PROVIDED
CCC (Cambodia Chamber of Commerce) www.ccc-cambodia.org	MSME and SME	Advocacy, business delegation and matchmaking, participation to fairs	The Cambodia Chamber of Commerce is open to any business of any size in Cambodia. There are now also 12 provincial chambers. The CCC is the key partner for international business delegations. They organize matchmaking sessions and participation to international fairs. They work closely with all the associations to disseminate the information and can organize info sessions about export markets as well.
FASMEC (Federation of Association of Small and Medium Enterprises of Cambodia) Founded in 2010 www.fasmec.org	MSME and SME	Advocacy, Business info, promotion	FASMEC is focusing on SMEs, working closely with MISTI. The federation was created with the aim of promoting the growth of small and medium enterprises in Cambodia through the integration of regional and global markets. One of their key roles is to promote locally made products in Cambodia. Most of their 300 members are registered and they advocate for more compliance among SMEs. They provide loans through their own MFI to their members. They are very active at advocacy level by co-chairing the Private Sector Working Group on SME. They also organize training for their members on different topics linked to internationalization. COSTS: Membership fee

<p>YEAC (Young Entrepreneurs Association in Cambodia)</p> <p>Yecambodia.org</p>	<p>SME registered, young entrepreneurs</p>	<p>Network, business info, training</p>	<p>List of services provided to SMEs</p> <ol style="list-style-type: none"> (1) bizinfo.com.kh - Information platform - currently 70-80% updated. Now accessible for all but in the future, probably a subscription will be needed. A lot of information can be found such as templates (policy, company registration info). They also have a telegram group and a telegram channel - both in English and in Khmer (2) System of referrals - YEAC have 315 members and 80% are SMEs (3) Business matching done on Agrofood processing fair (4) Access to additional markets through the ASEAN YE Association (5) Training program on TNA (Training Need Assessment) 3 weeks - training on management performance, tax, financial management for non-finance people...5 training per year (1-2 days - 100 USD per day) <p>COSTS: 100 USD/ a day for training</p>
<p>CWEA (Cambodia Women Entrepreneurs Association)</p> <p>www.cweacambodia.org</p>	<p>MSME and SME</p>	<p>Network, business info, training</p>	<p>CWEA is associated with many donor-funded programs (CBI, Senior expert, PACT). They provide a strong network and good information for dissemination. They organize also trade shows, business matching, referrals, etc. More specifically, they have an informal "BUSINESS CLINIC" where they can offer some solutions to temporary problems (provided by the team and especially by the director ONIE LUNA) - Workshops are organized on entrepreneurial skills (HR issues, Digital marketing and Leadership)</p> <p>COSTS: Business clinic: free / 20-30 USD per workshop - Business Matching (if on invitation, no cost) - Membership Fee: 125 USD - Now 680 members</p>
<p>EUROCHAM Cambodia</p> <p>www.eurocham-cambodia.org</p>	<p>SME registered</p>	<p>Advocacy, business info, network</p>	<p>EuroCham is the leading western business association in Cambodia. Their member base includes also Cambodian businesses: mostly prominent ones but also dynamic small businesses. They have sectoral committees very active in sectors like logistic, tourism, agro and they plan to have soon an SME committee. The results of the work of the committees are published in the White Book that presents the recommendations of the private sector for the Government. EuroCham also provides business services, training and is an active contributor to the public and private dialogue with the Government.</p> <p>Membership fee: 370 USD for SMEs</p>
<p>CLA (Cambodia Logistics Association) Previously CAMFFA</p> <p>www.camffa.org.kh</p>	<p>All</p>	<p>Advocacy, training and network</p>	<p>In addition to their activities to promote freight forwarding in general, CLA (ex-CAMFFA) aims also to promote engagement in enterprises related to the freight forwarding industry by rail, road, sea and air, including customs clearance and warehousing. For example, CLA offers comprehensive training on Export and Imports Procedures. The target audience is not only professionals, and the training is usually very useful for SMEs to better understand these procedures.</p> <p>COSTS: Training costs for export and imports procedures seminar: 90 USD for non-members of the association.</p>

<p>CamBFA (Cambodian Business & Franchise Association)</p> <p>Cambfa.org</p>	SME or any potential candidate	Business info, fairs, training	The association was just created in June 2019 and aims to develop SMEs in Cambodia through franchising. The main goal being to maximize franchise activity in Cambodia. Organization of group trip to learn about new products through the visits of fairs. Courses are provided and they have signed an MoU with a consulting company to provide training and coaching on the topics related to franchising.
<p>JCI CAMBODIA (Junior Chamber International)</p> <p>www.jcicambodia.com</p>	Individuals and SMEs	Community and Biz Dev	JCI is present in 125 countries. They are present in Cambodia since 2010 with 6 chapters. They are mainly involved in Community Development and aim to empower young people for change. In collaboration with YEAC, they organize the very popular "Entrepreneur Awards" and they have different programs to empower young entrepreneurs such as the Young Leaders program and the entrepreneur square that targets startups with a focus on experience sharing).
<p>BNI (Business Network International) Cambodia Chapter</p> <p>www.bnincambodia.com</p>	SME registered	Network referrals	BNI connect is an international organization with 9 000 chapters around the world. In Cambodia, the country chapter has 18 chapters and around 600 members. The objective is to grow business through referrals. All chapters follow strict rules regarding processes, organization, commitment and standards. The result is very effective. The BNI University, an education platform, provides free training to their members and their members' only directory (local and international) is very useful and effective for finding an international business partner or for providing information regarding a target market
<p>WOOMENTUM Cambodia</p> <p>App.woomomentum.com</p>	Women Entrepreneurs	Digital Community for Women entrepreneurs	<p>The chapter in Cambodia was created in 2018. Initially created for Crowdfunding but it does not work in Cambodia</p> <ul style="list-style-type: none"> - Digital platform, access to international network. - Women Tech media – Interviews, forum, publications to raise awareness about tech. – coming soon - Training in Digital Skills (general and customized trainings) coming soon

Source: author

Box 3 : BNI Cambodia Chapter

CASE: BNI Cambodia Chapter, International Standards and Local Flavor: a recipe for success

BNI Cambodia chapter is a great example of how an association can help their members to change their mindset and build their skills differently. The BNI network is international and works everywhere with the same very strict principles. Members need to show a strong commitment. If they fail to comply too often, they cannot stay as members. Mandatory weekly meeting, compulsory training, obligation to visit the business of other members and having access to an online BNI University in English are among some of the requirements needed to be a member. Each chapter has only one representative for a category of business (so that there is no competition between same service providers).

In Cambodia, there are 21 chapters and more than 600 members. In each chapter, members have the obligation to do referrals and during each weekly meeting, they present themselves very shortly and report on the number of referrals done. This is an important KPI, tracked on the members app BNI Connect. Every week, 2 companies are given more time to present publicly about their business. The most motivated members can take additional responsibilities by becoming BNI trainer, coordinator, chapter president, etc.

This method might not be suitable to everyone, but it is very effective for local SMEs in a country like Cambodia. SMEs find a very supportive environment where they are all equally treated, and they have rules to abide strictly. They build self-confidence through training, they develop their presentation skills, they learn about partnership and collaboration. Meetings are in Khmer language and there is a very strong motivational aspect through a family spirit. Regarding internationalization, the network gives plenty of opportunities through the Members App. In Singapore, they offer also additional services like fund raising, financial advisory or corporate finance.

BNI started around 5 years ago in Cambodia but took off only these last couple of years with the growth of the middle class and the emergence of young entrepreneurs, dynamic and more educated. The Annual Membership fee is 528 USD and a weekly 15 USD fee for the mandatory meeting. It is not cheap for SMEs but, according to the members, they really can grow indeed business and they learn a lot along the way.

Source: Interview

4. Private Sector

The Government has not been a significant investor in service delivery in Cambodia, but the private sector was not very active neither, except for supporting the tech startup sector. Youth, social impact or women are other targeted categories where we find many initiatives led by not-for-profit/social enterprise like SHE Investment or Impact Hub. Until recently, this support did not reach traditional industrial sectors.

Regarding the tech ecosystem, all stakeholders are playing an active role. Large telecom companies are heavily supporting the ecosystem through partnerships, sponsoring, incubator programs and venture funds. For example, SMART AXIATA finances the two well-known Smart Start and Smart Spark incubator programs (managed by Impact Hub), created a venture capital fund (SADIF), invests in tech startups and sponsors the Techno Incubation Lab (ITC), NIPTICT center, BarCamp, Young Entrepreneurs Award and ICT awards. Toyota and Grab are also visible sponsors of the tech scene.

From the Cambodian side, local conglomerates like Royal Group company through Cellcard and Ezeecom, its technology subsidiaries are also sponsoring events. Wordbridge (WB) led by Okhna Sear Rithy took additional steps through the creation of a Venture Capital Fund dedicated to SMEs, OOCANE and through the establishment of the first innovative SME Cluster Park which may break ground in 2020. This SME

cluster park is one of the most innovative private sector initiatives developed for SMEs outside the tech sector (see details section).

There are other positive signs of change: local companies are seeing more and more the opportunities that can be offered by developing services for SME business owners. With the reality of the AEC (ASEAN Economic Community), more business owners are looking to improve their processes and their productivity in order to expand to neighboring markets. Capacity building is the area where we can see some progress as well as in the area of services related to compliance (business registration, taxation). Opportunities exist, especially if these services focused on the category of high growth medium companies.

Services linked to access to finance have seen also some developments thanks to Fintech seen as a dynamic sector in Cambodia. If traditional financial institutions are lagging to innovate and to propose tailored (and innovative) products to SMEs, some startups are already offering interesting solutions to help SMEs access finance and build a credit history.

For trade and export-related services, progress seems to be slower. Existing service providers are servicing big and small exporters, but there are no tailored programs really adapted to SME needs. SMEs will continue to have a competitive price disadvantage dealing with these service providers: quality, certification, standards, packaging, exporting or importing and getting access to international markets. What is really missing is a full package to support SMEs for export or having more “Export Consultancy” services available at an affordable price for SMEs.

Private service providers will be listed in their corresponding category in the next section.

II. TYPES OF SERVICES PROVIDED

1. Access to information

Business Information services can be defined as “*A service that presents facts and interpretations to individual or institutional clients in response to a business-related issue. It contributes to informed/rational decision making for entrepreneurial gains of its users.*” Information categories/typology can be classified as follows:

1. **Business contacts** (marketing partners along the value chain, technology providers, BDS e.g. quality standard certification providers, public support programs, etc.)
2. **General business information** (registration, procedures, laws, taxation, tariffs, etc.)
3. **Sector statistics** (target markets, quota, prices, etc.)
4. **Potential and trends** (market intelligence, e.g. forecasts related to changes in demand, supply and prices)

Access to information can be complicated and challenging for SMEs in general. In Cambodia, very few websites are adapted to local SMEs. Local SMEs mentioned the “lack of digestible information and insight related to market intelligence, regulations and business opportunities” as a critical concern. Still, information is not perceived as a distinct service to members, but mostly provided on an ad-hoc personal contact basis, or as an embedded part of more complex queries on market opportunities, export regulations, import quota, etc. Here are some general sources of information, useful for entrepreneurs:

Websites

SME Business Information portals (Khmer and English)

- **Ngeay Ngeay** is a business information platform launched by SHE Investments and customized to the needs of women entrepreneurs. The focus is to provide guidance for registration and business compliance. The content is in Khmer and English, simple and straightforward. The website has been initially developed with the support of Development Innovation and has been revamped recently to include new tools and features such as an e-learning platform.
<http://ngeayngeay.co/>
- **Bizinfo** is the Business Information Center launched by the Young Entrepreneurs Association with the initial support from Mekong Biz Initiative. It has been relaunched recently and updated. Bizinfo aims to be the preferred source of information and opportunities for MSMEs in Cambodia. The site provides easy access to reliable and updated information related to laws and regulations about registration, licensing, market opportunities, access to finance and training. Business guides and templates have been added as well.
<http://bizinfo.com.kh/>
- The Cambodia Chamber of Commerce (CCC) website is not providing detailed business information. However, the site provides some business news and access to their extensive members' directory.
www.ccc.org.kh
- **Business Cambodia is an online media** that focuses on sharing best business news and knowledge. Created since 2013, this online platform has evolved from a business magazine into a popular website to inspire young entrepreneurs by providing useful resources for starting and leading their business. Available only in Khmer. <https://www.business-cambodia.com/>

The first two websites provide clear and updated information and advices for SME to register and navigate into the essential Government regulations. They were supported initially by development partners.

General information

- **B2B Cambodia** is an online resource offering business investors, owners and managers in Cambodia, and those looking to set up a business in Cambodia, with easily accessible information & advice for setting up, opening and managing a business. It includes a section on Business Registration. In addition to market overviews, feature articles and news, a very comprehensive Cambodian business directory is also available. <https://www.b2b-cambodia.com/> The site is in English only.
- **Geeks in Cambodia** is a platform delivering daily news in Cambodia and Asia, focused on Tech in Cambodia, Startups and Social Media. It is a central point for information on the organization, programs and people in the Tech Hub ecosystem. The site is in English and partly in Khmer.
<http://geeksinCambodia.com/>

Both websites were founded by expatriates. They are filling some needs but may target less local MSMEs.

Info Center

- **Office of Consultation and Information (MISTI):** The Ministry of Industry, Science, Technology and Innovation (MISTI) is normally providing consultations for SMEs at the MISTI. There is no

appointment needed and they can provide support to SMEs willing to register. However, few SMEs are aware about this possibility, and the Office is not servicing many of them.

- **SME info Center (MISTI):** the ASEAN SME project on SME internationalization will support the creation of an SME information Center together with other relevant line ministries and managed by MISTI. A possible location can be in AEON Mall.

Business associations

They are playing a very important role in disseminating information, formally and informally. They often are a first and very important point of contact for their members.

2. Building skills: capacity development programs

A lot of short trainings are provided by different organizations as part of their programs and on the request of their members (business organizations are offering for example financial literacy program).

Full Capacity development programs are provided by public and private service providers usually with the support of international donors or the sponsorship of big companies (for accelerator programs). Very few have a long-time track record, but SHE investments, CJCC, Impact Hub, Small world and Social Innovation Lab are the most well-known ones. The NIEI offers entrepreneurship programs since a very long time, but it targets more micro-enterprises, poor people and drop-outs.

Local incubators/accelerators and hubs are mainly focused on the ideation and startup phases, not really on the expansion and growth phases. A lot of them are also more interested in the digital sector (because of the low cost of entry). Connections between entrepreneurship support organizations and traditional SMEs from other sectors are weak.

Below are some of the most comprehensive capacity building programs delivered by well-known providers, but the list is not exhaustive. Note also that very few of them are open to the general population of SMEs. The BIO program from the CIC (quite recent) and Cambodia Master Club are less exclusive in targeting the participants, but you must pay for a membership fee (included in the program) to have access to their courses. However, they accept everyone although their respective business model is different. Both are self-financed programs, but the BIO program is co-financed by CIC while the Cambodia Master Club is based on a life-long membership.

Only a few service providers are delivering courses in the provinces (SHE investments, NPCC, YEAC in Siem Reap, MSME program) with usually a limited scope and range (due to a lack of demand).

To get a better overview and for comparison, we also have added at the end of the table some of the Government programs already mentioned in the Part II, Chapter 1

Table 6: List of Capacity Development Programs for SMEs

COMPANIES	SME FOCUS (Beneficiaries)	AREA FOCUS	SERVICES PROVIDED
<p>SHE INVESTMENTS</p> <p>2015</p> <p>www.sheinvestments.com</p>	<p>Women-owned MSMEs</p>	<p>Incubation and Acceleration Program / Financing / Business info platform</p>	<p>(1) Ngeay Ngeay: a business info platform in Khmer, customized for women. Just relaunched with new tools (e-learning platform, tutorials)</p> <p>(2) Full Incubation Program followed by an Accelerator Program. Delivery in 6 provinces.</p> <p>(3) Investment Readiness Program (pilot program) with a small group already accelerated. The best ones will receive some financing (funding or co-financing)</p> <p>(4) KOTRA riel Project: the goal is to design a basic app for financial recording in Khmer to teach informal business to record their expenses.</p> <p>(5) Annual SHE Conference</p> <p>COSTS: A deposit is required to ensure the attendance (100 USD to 500\$ depending on the program)</p>
<p>IMPACT HUB</p> <p>2014</p> <p>Phnompenh.impacthub.net</p>	<p>Young Entrepreneurs and Startups</p>	<p>Social entrepreneurship: pre-acceleration programs, community building</p>	<p>Impact Hub is part of the Global Impact Hub network.</p> <p>(1) SmartStart</p> <p>(2) SmartSpark</p> <p>(3) Incubator Program in Tourism</p> <p>(4) Incubator Program in Agriculture (Dakdam)</p> <p>(5) HEC Hub Entrepreneurs Club with ongoing mentoring and network of all the alumni of the incubator program.</p> <p>New: Extension of Impact Hub in Battambang and Siem Reap and program to provide professional mentorship for startups who already have succeeded.</p> <p>COSTS for the moment, everything is free of charge for startups. Sometimes, participation fee for some conferences</p>
<p>CAMBODIA INVESTORS CLUB (CIC)</p> <p>(2013)</p> <p>Cic-association.com</p>	<p>Local SMEs, members</p>	<p>Accelerator Program</p>	<p>CIC is a member-owned organization, closely related to YEAC. Their activities are:</p> <p>(1) Provide Access to finance to their SME Members across all sectors through community-based financing</p> <p>(2) BIO Program (Beyond Investment Opportunity): Pre-accelerator and Accelerator program for local SMEs (open to public). First phase: training on 9 modules. Large batch of 100 companies. After the 9 modules courses, companies will go through a diagnostic system with a mentor to identify their weaknesses and will enter the pre-accelerator program with pitching, bootcamp, mentoring.</p> <p>(3) Fund management and advisory services</p> <p>COSTS: BIO program: participation fee 750 USD (500 + 250 membership fee)</p>

<p>WOMEN INITIATIVE PROGRAM FROM BRED BANK</p> <p>(2020)</p> <p>www.bredcambodia.com</p>	<p>Women Entrepreneurs</p>	<p>Capacity Development Program</p>	<p>(1) INFORM: Breakfast talks on different topics including public speaking</p> <p>(2) EMPOWER with Shine Academy: 11 independent business modules of 3 hours tiered session each on soft skills needed to grow the business (6 on leadership and management and 5 on communication) based on the interviews and feedback of 100 Khmer female business owners. 3 categories: Business owners/Management/ Staff</p> <p>(3) Women Business Award (coming soon)</p> <p>(4) Specific financial support for women entrepreneurs (emergency loan, limited collaterals for new loan, suspension of interest payments for 3 months during pregnancy)</p> <p>COST: 60 USD for each session (50% for BRED customers)</p>
<p>CEO MASTER CLUB</p> <p>(more than 10 years)</p> <p>www.ceomasterclub.com</p>	<p>Local Entrepreneurs - Family Business</p>	<p>Capacity Development Program / Financial advisory</p>	<p>(1) Coaching institution - Through their lifetime membership, family owners and entrepreneurs can get access to the 12 modules of 2 days each to strengthen their entrepreneurship skills - Very comprehensive program that includes all aspects of entrepreneurship: business plan, SOP, HR, Taxation, corporate governance but also public speaking skills</p> <p>(2) CEO Master Club Investment: business advisory, fund management and asset management (just started)</p> <p>(3) CEO Awards Night</p> <p>Costs include a lifelong coaching and counseling through a lifetime membership Around 1150 members</p>
<p>LEADERSHIP AND DEVELOPMENT CENTER</p> <p>Ldcasia.com</p>	<p>SME / Corporate Staff / wealthy family business</p>	<p>Capacity Development Program</p>	<p>Short term courses (2 days) for SMEs on Leadership, sales and Marketing. Course on Emotional Excellence Leadership. Target: Middle management up to C-level</p> <p>Eagle Class by THE COMPANY 101</p> <p>The objective is to bring at some point the company public. Very intense 3 days training course on leadership, IPO valuation, Business Plan and strategy. After, possibility to help to find investors and follow-up on request. Want to encourage companies to become fully compliant. This exclusive course can lead to support for equity investment.</p>
<p>CAMBODIAN-JAPAN COOPERATION CENTER (CJCC)</p> <p>(more than 10 years)</p>	<p>Local SMEs and Entrepreneurs</p>	<p>Capacity Development Program</p>	<p>(1) Full entrepreneurship Program (6 months, 3 days/week)</p> <p>(2) Intensive courses (1 to 3 days) on entrepreneurship topics.</p> <p>(3) Business study tours (often in Japan, to explore the market and find potential partners but not only for SMEs, open to everyone).</p> <p>(5) CJAP: Cambodia-Japan Accelerator Program (CJAP)</p>

			COSTS: 480-500 USD for the full entrepreneurship course (6 months) - Intensive course (1 to 3 days) 50 to 150 USD
NUM SOCIAL INNOVATION LAB (more than 10 years) www.num.edu.kh	Diversified: Enterprises, Government, students	Accelerator and Global Innovation Management program	Just launched a premium Master program on entrepreneurship and innovation (new)- Cost: 3700 USD for a 15-months program National Business Model Competition (BMC startup accelerator) and Mekong Business Challenge. These two are more for young graduates and university students
ANAKOT ASIA ACADEMY Anakotasia.com	Startups	Mindfulness leadership development	Trained all the participants of Impact Hub Bootcamp. A very interesting point of view on how to become a mindful leader.
NPCC NATIONAL PRODUCTIVITY CENTER (MISTI) SINCE 2004 www.mih.gov.kh	More medium enterprises Main sectors: Industry, Agro	Capacity Building in Productivity	Seminars and training courses on 5S, Kaizen, GMP, ISO 9001 and ISO20200, Toyota Quality management and the Green Productivity program 3R (reuse, reduce and recycle). Multi-countries program is fully funded by APO, otherwise local seminars are taken care by NPCC staff. <ul style="list-style-type: none">• Standard seminars (3 days), participants pay only the organization costs and APO pays the expert costs.• In-house training (5-10 days): full diagnostic and implementation program to build internal capability of the company. Very efficient but less requested and not so many staff can provide it. Trainings are in Phnom Penh while basic training is provided in Battambang, Kampong Cham, Siem Reap and Kampong Som, due to limited SMEs capacities in the provinces. COSTS: Costs are limited for the 3-days seminar. The in-house training can be costlier but is also more efficient
SKILLS DEVELOPMENT FUND	SME	Financing for training programs	Cost sharing model (financially or in-kind) - Contribution from the Skills fund should be less than 2000 USD per student. Priority will be given to training projects that are jointly developed and delivered by TVET schools/training providers and companies, with substantial practice at industry/workplace. Priority will also be given to training programs that have substantial in-kind and financial cost sharing by schools and companies.
TECHO STARTUP CENTER (MEF)	Tech Startups (early stage business)	Accelerator Program	TAP (Techo Startup Accelerator Program): Technical Mentoring and assistance. Benefits: free access to co-working space (Smallworld), free computation (IaaS), mentor matching, face-to-face meeting and one year free with Banjhi, datacenter provided (cloud service), payment digital provided (with Sandbox). COSTS: Free of charge
NATIONAL INNOVATION AND ENTREPRENEURSHIP INSTITUTE (NIEI)	SMEs and MSMEs		The NIEI provides essentially 2 courses for SMEs: - A New Enterprise Creation Program (NECP) more dedicated to startups (MSME, poor) - An Enterprise Development Program (EDP) (6 months). Courses with mentoring, coaching.

		<p>In 2020, the training department will launch a course on "Entrepreneur and Innovation". Courses will be restructured. COSTS: Depends. Paid class (1-week course 150 USD) or sometimes when paid by Development Partners, free courses. Usually the free course attracts more people.</p>
--	--	--

Source: Author

Box 4: Do capacity development programs work?

Box: Capacity Development Programs - Do they work?

SHE investment has done a study to assess the impact of their incubation program. The result is very positive with most companies incubated which performed quite well. For example, one of their solar company's revenue increased from approx. 10,000 USD per month (2016) to 28,000 USD per month (2019). Their staff increased from 5 to 22 during the same period

Yes, capacity development programs have an impact: the investment in these companies was significant but the returns as well. One million USD was put into supporting entrepreneurs through various programs through SHE, and the increased collective revenue of about 180 graduates surveyed was 3 million USD. SHE will expand their methodology with a partner in Myanmar

Source: Interview

3. Accounting, taxation and legal support services (such as business registration)

This type of business support services is not difficult to find in Cambodia, but it is still expensive for very small firms. However, they are increasingly needed. There is an increasing pressure from the Government to formalize the economy. In order to benefit from the several incentives launched by the Government, SMEs need to register and become compliant. This section includes recommendations from SMEs on advice they would give others.

Referrals from friends, peers and business associations are usually the quickest way to choose a service provider if an SME decides to go formal. Business associations refer mostly to their own members, but they are a good source of information. Business registration is normally quite straightforward, and many companies should be able to provide this at a normal and competitive cost. HR, accounting and tax services are not that straightforward, especially if an SME wants to apply for some tax incentives. It is recommended to outsource this service if SMEs are not able to have a full-time accountant. According to some growing businesses, it can make a big difference.

With regard to business registration and tax services, many SMEs chose in the past to go through informal service providers ("intermediaries"). Although this solution is often cheaper, challenges come usually later when the company wants to grow, and the owner realizes that the registration was not properly done. Therefore, the recommendation would be indeed to seek several recommendations, to cross-check and to go through registered professionals. The new single online registration portal should help make the whole process much easier for everyone.

Below are some examples of service providers who are differentiating themselves by offering different types of products, packages or additional services in this field. One is particularly impressive: Banhji started with a free accounting software for MSMEs to end up with comprehensive solutions (accounting,

bookkeeping, digital payments and a customized financing platform) to tackle the challenge of MSMEs in accessing to financing. The below list is far from being exclusive and as mentioned, it is strongly recommended to look to different referrals from business associations and friends, knowing that some business providers will target more small foreign business owners (Belaws, Cambodia Investment Management) while some others offer mixed services (local and international).

Table 7: Accounting, Taxation and legal support service providers

COMPANY NAME	TARGET	AREA OF FOCUS	SERVICES PROVIDED
CAMBODIA STARTUP ADVISERS (CSP & ASSOCIATES, DONASCO & CO, ABACUS IP) 2019 advisers.tech	SMEs, Tech Startups	Advisory firm	Cambodia startup Advisers is an alliance of leading legal, tax, and intellectual property firms, servicing the 360 degree needs of tech firms in Cambodia Cambodia Startup Handbook is the first publication specifically written for technology startups in Cambodia: written in plain English, the handbook is for non-specialists and aims to be a practical reference guide for Cambodia’s entrepreneurs.
BELAWS CAMBODIA AUGUST 2019 www.belaws.com	Diversified but useful for SMEs (cheaper)	Legal Tech Platform	Belaws is the leading legal tech platform in South-East Asia with presence in Thailand, Cambodia, Vietnam, Singapore and Hong Kong. They aim to become the one-stop service solutions for legal, corporate, accounting and tax-services in Cambodia by allowing companies to have direct access to pre-vetted experts at fixed prices through a digital platform. Companies can also enjoy benefits across the region.
BANHJI 2016 Banhji.com	MSMEs and SMEs	Financial operating platform	Banhji is a Fintech company offering comprehensive accounting solutions to MSMEs. Banhji Accounting offers digital and localized accounting solutions for 14 selected industries (more than 4 000 signups for total assets of 250 million USD – Before it was free, now the cost is a limited fee/month. Banhji Accountants is another associated service and offers low-cost booking services to MSMEs while creating jobs for local youth.
FOURMI & PARTNERS www.fourmiandpartners.com	SMEs Main sectors: services, RE and Property management	Accounting and Tax, Business Registration	The company is extremely engaged with their clients. They provide CFO advisory. Their main purpose is to help startups and family businesses to have a proper structure, establish strong internal controls and assist them to comply with relevant laws and regulations. They plan also to have a FOURMI BUSINESS INSTITUTE where they want to teach what they do to improve standards. Interesting business model: when the SMEs are fully restructured and compliant, for the most interesting of them, the partners can offer to take some shares of these companies with the idea one day to help them go public.

Source: Author

4. Access to finance

Access to finance is a very large topic that would require a separate study to be fully explored. As mentioned earlier, we will briefly summarize some issues and mention the newest initiatives and projects that have been implemented.

New or innovative projects will be highlighted for financial institutions. Private equity firms and venture capitalists present in Cambodia will also be listed and finally, we have listed a few other initiatives including two fintech initiatives which build solutions for SMEs to get access to credit without collaterals.

Financial Institutions

In practice, banks and MFI may not have any specific SME department but some of them have business and product development departments which are responsible for developing the products tailored to the SMEs needs. Banks and MFIs measure SMEs by loan size. SMEs have recently become a key target for commercial banks and MFIs, even though financial institutions are not always willing to take on the perceived risks. In fact, lending to SMEs represents an important share of their loan amounts. For example, ACLEDA small loans (10,000 to 50,000 USD) for business and non-business purpose represents 46% of total loans, with women accounting for 60 to 70% of the total. Lending from MFIs mainly go to micro and small loans (less than 10,000 USD), but SME business loans amounted only 5 to 15% of total loans because the borrowers are often not the direct clients.

The Credit Bureau of Cambodia is a central database of credit information that helps financial institutions to manage credit risk. So far, the system was recording individual loans only, but CBC announced that they plan to upgrade for 2019-20 their process to include the history of the enterprise borrowers.

Despite willingness shown by the banks to support SMEs, still very few of them have made progress regarding the problem of collaterals (many accept only fixed assets). They also have not done much progress on the trade finance side. Below are the new initiatives launched by the Government and some special initiatives from the Banks or MFI that are different from the usual loans. The list might not be exhaustive.

Table 8: List of selected initiatives for access to finance for SMEs

Company name	Target	Special Project	Details
SME BANK (APRIL 2020)	Registered SMEs	SME co-financing project	SME co-financing project: a joint venture between SME Bank and 23 commercial banks, two specialized banks, seven microfinance institutions (MFIs). In addition to the initial 100 million, banks added 50 million of their own contribution. SMEs can borrow 200,000 USD for working capital and 300,000 USD for investment capital at 7% annual interest rate and 4-year period of payment. Normally, priority sectors criteria should be applied.
AGRICULTURAL AND RURAL DEVELOPMENT BANK (ARDB) www.rdb.com.kh	SMEs in agriculture sector	SME fund for lending	SME fund: 50 Million USD SMEs can borrow 300,000USD with 6 % annual interest rate for working capital and 6.5% rate for loans used for investment

CANADIA BANK	SMEs	SPECIAL PACKAGE FOR SMEs (2018)	Pilot program of 150 Million USD. Max loan size 200,000 USD at 8,88% in USD and 7.88% in KHR (5 year) Collateral is still real estate.
PPCB (in collaboration with IFC)	SME Members	IFC risk-sharing Facility (2019)	PPC Bank uses IFC's risk-sharing facility to help small and medium enterprises (SMEs). The facility is used to cover loans extended to SMEs, reducing the risk. In addition to sharing the risk on the covered portfolios, IFC provides advisory services designed to expand PPC Bank's capacity to confidently extend more loans to more growing enterprises.
ABC MICROFINANCE (MFI)	SME registered with proper invoicing system	Invoice Discounting	Max amount of 50,000USD at annual interest rate of 15.6% to 18% and loan term up to 90 days. But there is no demand for this product
A COMMERCIAL BANK		Non-collateralized lending	Probably in collaboration with Banhji.
LOLC with SHE INVESTMENTS	Women Entrepreneurs	Non-collateralized business loan	Micro financing program: 3,000 USD loan for the purchase of equipment
SHE INVESTMENTS	Women Entrepreneurs	"Pay-it forward Financing"	THRIIVE Cambodia: loan up to 10,000 USD. Thriive provides pay-it-forward financing for production equipment to ambitious small business entrepreneurs, helping to expand their businesses and create desperately needed new jobs. The repayment is only 10% of total loan amount, the rest is not repaid in cash, but instead "paid forward" with donations of necessities and job training to vulnerable community members.
FTB (Foreign Trade Bank) with ADB	Water supply enterprises and rural electrification enterprises	Guarantee Scheme	FTB receives the concessional loan from ADB and provides loans to water supply enterprises and rural electrification enterprises at preferential conditions: 7% interest rate and 10 years' maturity. In case of loan defaults, FTB receives the partial risk sharing (50%) from AFD.
LOLC with USAID	Agrobusiness	Guarantee Scheme	Development Credit authority of USAID (USAID-DCA) has partnered with LOLC in providing credit risk sharing (50%) to high risk borrowers in the agriculture value chain in Battambang, Siem Reap, Kampong Thom and Pursat. Normal rates apply but the maturity is longer (5 years)

Source: UNESCAP 2019

Private Equity

The landscape for Private Equity and venture capital funds did not evolve so much in Cambodia. MSP evaluates a current supply of approximately 70 million USD of risk capital managed in the Kingdom, a large proportion coming from Development Financial Institutions (DFI) and therefore carrying a "social impact" investment mandate. Most of them have a multi-countries coverage instead of focusing only in Cambodia. They are usually foreign owned, although locally managed, except for Ooctane founded by Worldbridge, a local conglomerate and for the Cambodia Investor Club (CIC).

EMIA is the only frontier market private equity fund with significant operations in Cambodia. Private investors are facing two main issues in Cambodia: the size of the market and the lack of investible companies. The limited possibility of exit can be also a problem as the limited performance of the Cambodia Stock Exchange is not attracting yet a lot of foreign investors.

Many gaps exist in the different categories of SMEs and more venture capital funds are needed in Cambodia. However, we can see some new trends recently with more involvement of domestic capital. Local investors show more interests in investing in SMEs in Cambodia. Many are already taking some participation in some high-growth potential companies directly or indirectly. Ooctane's original funding was supposed to be only 5 Million USD, but Worldbridge got additional 50 Million through additional domestic investors, probably conglomerates or rich business owners. The SECC (Securities and Exchange Commission of Cambodia) has also launched a new directive in May 2020 for collective investment schemes (mutual funds) where licensed private entities supervise investment funds of a group of investors. CIC is operating under a pilot license.

Table 9: List of Private Equity firms operating in Cambodia

COMPANY NAME	TARGET	ACTIVITY	GEOGRAPHIQUE COVERAGE AND INVESTED INDUSTRIES
EMERGING MARKET INVESTMENT ADVISORY (2009) www.emergingmarkets.asia	Growth Stage companies	Private Equity	Coverage: Cambodia, Laos, and Myanmar Invested Industries: education, banking (microfinance), tourism (restaurant and coffee), agriculture, insurance
LEOPARD CAPITAL (2008) www.leopardcapital.com	Growth Stage companies	Private Equity	Coverage: Haiti, Cambodia, Laos, Thailand, Myanmar, Bangladesh, and Bhutan Invested Industries: beverage, real estate (property development), microfinance, energy (power transmission and hydro power), telecoms, infrastructure, banking (bank and microfinance), and professional service (law firm)
DEVENCO (2007) www.devenco.com.kh	Growth Stage companies	Private equity and business consulting	Coverage: Cambodia Invested industries: medical (Pharmacy), waste management, technology, energy and agriculture
OBOR CAPITAL (2016) Oborcapital.com	Startups and Growth Stage companies	Venture Capital	Coverage: Cambodia Invested industries: agriculture, infrastructure (piped water supply) and tech startups
ASIA FRONTIER CAPITAL (2013) www.asiafrontiercapital.com	Growth stage companies	Private equity	Coverage: Asian frontier economies such as Bangladesh, Cambodia, Iraq, Laos, Mongolia, Myanmar, Pakistan, Papua New Guinea, Sri Lanka and Vietnam
INSITOR IMPACT ASIA FUND www.insitorpartners.com	Growth stage social enterprise	Impact investment	Coverage: Cambodia, India and Myanmar Invested industries: banking (microfinance) and infrastructure (piped water supply with Obor) Debt financing: with 4 projects on IT and other social-related projects
ARUN (2010) www.arunllc.jp	Growth stage social enterprise	Impact investment	Coverage: Cambodia and Japan Invested industries: agriculture, services (hair extension), Education, and hospitality (hotel) Debt and equity financing
UBERIS CAPITAL (2012) www.uberiscapital.com	Startups and Growth Stage companies	Impact investment	Coverage: Southeast Asia Invested industries: skin care, handcraft, and agriculture
ICCO ORGANIZATION www.icco-cooperation.org	Startups and Growth Stage companies	Impact investment	Coverage: Cambodia ICCO Investment is an impact investment providing funds to social enterprises in Cambodia. Agribusiness Booster is an organization investing with the agribusiness startups, operating the business between 1 and 2 years

BLUE ORCHARD (2010) www.blueorchard.com	Startups and Growth Stage companies	Impact investment	Coverage: emerging markets in Africa, Latin America, Central and Eastern Europe and Asia Invested industries: financial, education, and climate Debt and equity financing
INCOFIN www.incofin.com	Startups and Growth Stage companies	Private Equity	Coverage: Cambodia and others Invested industries: financial and agribusiness Debt and equity financing
MEKONG STRATEGIC PARTNERS (MSP) (2014) www.mekongstrategic.com	Startups	Venture Capital	Coverage: Cambodia Industries: Technology-oriented solutions with the SADIF
BELT ROAD CAPITAL www.beltroadcap.com	Growth Stage companies	Private Equity	Coverage: Greater Mekong Sub-region Invested Industries: Tech companies, e-commerce, entertainment
OCTANE www.octane.com	Startups	Venture Capital	Coverage: Cambodia Target industries: STEAM (Science, technology, engineering, arts and mathematics)
SEA VENTURE	Startups	Venture Capital	Coverage: South East Asia Industries: Technology
LAKSMI PRIME INVESTMENTS CO. LTD www.primeinvestmentslimited.net	Startups and Growth Stage companies	Venture Capital	Coverage: Cambodia Invested industries: Finance, real estate, and technology Debt and equity financing
CAMBODIA INVESTOR CLUB (CIC) (2013) Cic-investment.com	Growth Stage companies	Venture Capital	Coverage: Cambodia Invested industries: Food and beverage, retail, financial Debt and equity financing

Source: UNESCAP 2019 and Author

Other initiatives

Table 10: Other initiatives related to Access to finance

Company Name	Target	Type of Services	Description
CWEA, YEAC, FASMEC	SME Members	Training on finance, taxation Facilitation access to finance	Business Associations provide training on finance, taxation and business management. They also organize workshop on access to finance. YEAC partners also with Banhji and develops the fintech mapping report. In addition, YEAC facilitates access to finance through sharing the financial information to members, linking FIs and investors to MSMEs. FASMEC links MSMEs to FASMEC microfinance offering special terms and conditions to their members.
CIC and CWBF	SME Members	Peer to Peer Lending	CIC: Offline peer-to-peer lending platform through CIC or directly among CIC members The Cambodian Women Business Federation (CWBF) is also doing peer-to-peer lending among its members, although it is unofficial.
CSX GROWTH BOARD Csx.com.kh	SMEs	Listing Incubator Program	Listing Incubator program: - Free consultation for IPO preparation (review internal preparation, documentation). Basic information provided for technical work (share valuation) - Platform for SMEs to share their business model (CEO talks) and opportunities to meet business partners and facilitate matchmaking

	Main sector: textile, agro, healthcare, education		However, most of companies are not ready (weaknesses in internal control, corporate governance, accounting and tax) Future collaboration with SECC to do a Roadshow and to attract more SMEs (Siem Reap, Poipet, PP, Sihanoukville)
KIU CAMBODIA www.kiuglobal.com	SMEs	Fintech Solutions to build credit scoring	KIU is a Vietnam-based startup. They provide an online ERP solution to help firms formalize resource planning, sales and service delivery, customer relationship management, accounting and finance and human resource management. Kiu helps digitize and educate business owners on how they can improve their business processes, establish credibility and gain easier access to loans using Kiu. Their built-in AI credit scoring engine analyze data to build a credit history that Kiu's partner banks and MFIs can accept to grant a loan.
BANHJI	MSMEs	Fintech Solutions for data driven credit assessment and invoicing	In addition to their accounting software, Banhji offers also fintech solutions to support SMEs in accessing finance. BANJHI FINANCING: MSMS using the accounting software can apply for non-collateralized loans within Banhji based on data driven credit assessment. Financial institutions will be able to have a real time loan monitoring through this software. BANHJI CONNECT: enables MSMEs to participate in the formal and digital financial systems with financial institutions like Wing, PPCB or Amret with an API Based B2b/C2B payment enabling platform where the Financial Institutions will be able to issue invoice payment for the MSMSs
SWISSCONTACT	SME with high impact	Technical Assistance	The RISE Project provides pre and post technical assistance (TA) through a pool of vetted consultants to help SME to become investment ready and to assist investors for matchmaking. Assistance is needed at different levels. The investors are also "partners". Facilitation is free and the costs for the TA are advanced by Swisscontact. Then, the beneficiary company has 2 years to repay with no interest. For the beginning of the project, 25% discount are applied on the costs. N.A: the scheme is interesting but the capacity of absorption of SMEs is sometimes limited.

Source: Interviews

5. Integration in regional global value chains and SME clusters

Cambodia is well integrated in global value chains since the arrival of the garment export industry in the country but so far, there has been little progress in diversifying the type of industry or even in climbing the garment value chains for more value-added outputs. SME Clusters can provide an efficient development tool to solve these issues, well aligned with the current vision and strategy of the RGC to support SMEs development. SME clusters are not SEZs. Clusters are usually organically formed from existing industries with a limited role of the Government at the initial stage. However, in developing countries, it seems extremely difficult to create new industries from scratch without this kind of support, without good infrastructure and sound institutions.

An analytical research on FDI-SME Linkages conducted by the World Bank in 2018 reveals that not much progress has been made to improve backward linkages by connecting FDI firms with domestic suppliers, especially SMEs. Foreign Direct Investment has been a critical source of growth and industrial development in Cambodia. However, the current quality in terms of international transfer of resources and knowledge to local firms, and quantity of backward linkages within the sector is low, except for services inputs. Services are more frequently sourced locally than manufactured inputs.

Surveyed FDI firms import more than 90% of material inputs used for production. They mostly use Cambodia as an export platform for low-cost, low-productivity production activities with limited potential for transferring capital and knowledge to Cambodia. More than half of all FDI firms surveyed were keen to increase local sourcing, but often had not found competitive suppliers to buy from. The main reason contributing to this situation, according to FDI firms, is a lack of competitive local entrepreneurs active in FDI-dominant sectors. Supporting industries for light manufacturing are missing, a segment increasingly covered by smaller FDI firms from China, Japan, Korea and other ASEAN partners.

Besides, the cumbersome processes to identify potential suppliers and to receive value-added tax (VAT) refunds for locally sourced purchases were highlighted as critical barriers. Furthermore, domestic suppliers are often not able to comply with FDI criteria related to quality, cost, and delivery (QCD) of inputs. Relatively few businesses hold internationally-recognized quality certification and there are few business development services (public or private) available to provide support or create awareness. Also, a small share of manufacturing firms in Cambodia offer formal workforce training and cooperation between the private sector and technical and vocational training institutes is generally weak.

Moving forward, Cambodia needs to develop local clusters to allow SMEs to diversify and expand. In a bid to boost SMEs and industrial diversification, the MISTI is drafting a sub-decree to regulate the construction of industrial parks dedicated to SMEs.

Worldbridge, a local conglomerate, aims to create the first SME cluster in Cambodia. Located near Phnom Penh, the first cluster will focus on agrobusiness with the goal to produce higher value products than the ones usually on the market, and to export them. The Worldbridge cluster model features a modular design, making the cluster easy to build and easy to adapt for any type of industry. It will also integrate industry 4.0 features (blockchain, learning platform) with a services center, research and development facilities and logistic operators. It aims to build the bridge between foreign investors and local SMEs by creating backward linkages and removing the barriers faced by the small entrepreneurs. If this ambitious pilot project is successful, the project can be replicated in other provinces and be a model for other industrial parks.

6. Franchising

Franchising is another way to internationalize and opportunities come with the steady growth of the economy. The rising local middle class and the importance of tourists created a huge demand for different businesses including franchise companies, especially quality restaurants and fast food. Some brands have already become very popular among Cambodians such as Burger King, Krispy Kreme, Starbucks, etc.. A lot of franchises in Cambodia are international, from USA, Singapore, Taiwan, Korea, Thailand and Australia. SMEs might not be able to reach out to the most popular brands, but opportunities exist at many levels.

The Cambodian Franchise Association has been founded in June 2019 by 4 co-founders (2 Cambodian and 2 Thai). The association aims to develop SMEs in Cambodia through franchising but also to improve productivity of Cambodian Businesses through Innovation. Their main goal is to maximize franchise activity in Cambodia. They organize group trips to learn about new products through the visits of Franchise fairs (they had a delegation to visit Franchise Expo in Paris). Training Courses are organized on a regular basis (“how to select the right franchise”, “Training on Franchise Disclosure Document”) and

an MoU has been signed with the Franchise University of Bangkok and with a consulting company to provide mentoring and coaching during advance training for potential franchisees. F&B is usually the main sector of interest but other sectors such as construction or healthcare are also targeted. The cost to be part of the Association is now limited (100 USD) and their co-founders are very motivated. The potential looks interesting, but the activities are just starting.

7. Standards

Cambodia is still at the early stage of helping local businesses to improve their product quality and deal with international quality standards.

The Institute of Standards of Cambodia (ISC) is the body responsible for the preparation of national standards and guidelines for products, commodities, materials, services and operation. ISC, as a correspondent member of the International Organization for Standardization (ISO), can sell and adopt ISO standards nationally.

Practically, businesses still rely on laboratories in neighboring countries like Vietnam and Thailand for product inspection to comply with the Hazard Analysis Critical Control Point (HACCP) safety management system. This was despite improvements by the Industrial Laboratory Centre of Cambodia, which was seen by local businesses as lacking product coverage. Donors have provided a lot of support to scaling up laboratory capacities, especially in Sanitary and Phytosanitary (SPS) measures and Technical Barriers to Trade (TBT), yet only two government laboratories had achieved international certification, and for a very narrow set of parameters. The absence of international accreditation means that certificates issued by such labs have little value in export markets. This poses a problem for Cambodian businesses seeking to go global. The lack of support for SMEs in complying with quality standards has even made them less competitive against imported goods in the domestic market

Box 5 : Standards and Certifications, the example of Kirirom Food Production

CASE: Standards and Certification: An insider point of view - KIRIROM FOOD PRODUCTION

The company, in their journey to export their mangoes product, applied for the best standards available.

Basic food Safety standards are GMP (Good Manufacturing Practices) and HACCP (Hazard Analysis Critical Control Point), then ISO 22000 for food products is the more requested by international buyers.

- *GMP is a system to ensure that products meet food safety, quality and legal requirements. As a food manufacturer, it is necessary to have GMP in place. Requirements include a training to obtain the certificate, the cost of the certification fee (ISC certification or a joint accreditation) and the audit. The process is composed of 8 steps.*
- *HACCP can be part of GMP and is a systematic program to assure food safety. There are 12 steps (that includes the 8 previous ones).*
- *ISO 22000 (Food Safety Management System) is even higher as it provides a layer of assurance within the global food supply chain and helps products cross borders. It requires the following steps:*
 - *Consultations fees (training, documentations)*
 - *Infrastructure, facility improvement (need to understand the concept first)*
 - *Then the certification fee. A certification from an international body will be higher than a local one.*
 - *Final step is the audit fee (costs need to cover the transportation, the accommodation and the food). Usually there are 2 audits. The second one will take place 3 months later. Price will vary depending if there is a local auditor or not (auditors from Thai or Malaysia are quite demanded).*

When the product is fresh food, you have also other standards and requirements such as the GAP (Good Agricultural Practices) and certificates of origin. You need also to apply for a Phytosanitary (SPS) certificate from the Ministry of Agriculture and the Ministry of Health.

Other standards are requested from the country of destination when you export such as the packaging and the products standards: calibration, moisture, sugar, preservation, SO₂ (for the mangoes). Parameters will be given also by the buyers or you need to do some research to apply for the right standards. It is important to have at some point the necessary lab equipment in-house.

Some tests can be done in the very few laboratories in Cambodia (NMC and ILCC) but they cannot provide all the types of test so some companies send them to laboratories linked to international certification bodies.

Source: Author

Conformity Assessment

As is the case for inspection, private (voluntary) certification services are used in trade transactions between suppliers and buyers, to ascertain compliance of products, services or management system with clients' requirements or standards. Certification of systems is often used to demonstrate the capacity of an operator to regularly produce goods with a given level of quality (quality management system) or a given level of safety (food safety management systems such as HACCP or ISO 22000).

Table 11: Conformity Assessment Main players

	Type of Support	Service Providers	Type of services
INSPECTION	Public Services	Public Inspection Services (local)	At MISTI, the Regulatory Department of ISC is on the way of developing the inspection procedures in line with requirements of the standard ISO/IEC 17020
	Private Bodies	Control Union, Bureau Veritas, Intertek, SGS	Private (voluntary) inspection services are used in trade transactions between suppliers and buyers, to ascertain that shipments conform to the quantities and basic characteristics stated in sales documents
CERTIFICATION	Public Certification Body	Institute of Standards (ISC)	ISC provides commercial certification services for management systems (ISO/IEC 9000, ISO22000, ISO14000, HACCP-GMP). This certification activity is organized according to the standard ISO 17021; however, the Certification department is not yet accredited.
		Ministry of Commerce	Export and Pre-shipment Certification
		MAFF	Health Certificate (animal products incl. fisheries products) and Phytosanitary certificates (vegetal products) In respect with hygiene and safety of agricultural products
	Private Certification Bodies	Guardian Independent Certification, TUV Rheinland, EcoCert, and Control Union (agri-food)	Particularly active in the area of agri-food products are Guardian Independent Certification, TUV Rheinland, EcoCert, and Control Union. There are still a limited number of certified enterprises in the food sector (ISO 22000 for water, fish sauce, cassava starch) or in the manufacturing sector such as construction (ISO/IEC9000), electrical (ANZ product standard), cement (OHS18000), rubber, and human resource and training services (ISO/IEC 9000).
TESTING LABORATORY	Public Laboratories	Industrial Laboratory Centre of Cambodia (ILCC)	Testing services to support the work of other MISTI departments in the areas of food and non-food products, control of regulated goods, and quality control systems. The ILCC also serves other customers in the private sector and the community. ILCC has started since 2016 providing testing

			services for the control of non-food products. The laboratory is accredited for microbiology tests by NATA, and for food and water chemical tests by the Singapore Accreditation Council. The range of tests includes heavy metals and pesticides residues in food matrices (capacity for 31 organochlorine and organophosphate molecules).
		Other Laboratories involved in SPS:	The National Agricultural Laboratory (NAL), the laboratory Dep't of Agro Industry (Prek Liep University-MAFF), the National Food & Drug Quality Control. The National Specific House Laboratory of MAFF is responsible to test rubber and provide grade as per international trading standards (This laboratory has lost its accreditation when it was relocated in 2017.)
	Private Laboratories	Intertek Testing Services lab, Bureau Veritas lab, SGS lab, and TUV Rheinland lab Modern Testing Services	The four mentioned are based in PP and are owned by the eponym multinational conformity assessment groups. Under the group supervision, they provide a range of testing and quality-related solutions for industry, where testing mostly comes as a part of the inspection and auditing services. The analytical range includes analyses for textile industry (mechanical and chemical tests) and commodities such as petroleum, chemicals, minerals, and food and agricultural products. In addition, smaller laboratories operate in the area of textiles and cosmetics (e.g. Modern Testing Services). Among the group of private laboratories, the four laboratories mentioned above are accredited.
		The Laboratory for Food and Environmental Hygiene (LHAE) of Institut Pasteur du Cambodge (IPC)	The IPC's Food & Environmental Hygiene laboratory carries out routine services for water testing (microbiology and chemical tests), and microbiology of food and environmental samples (e.g. food preparation surfaces, air, water, etc.)

Source: CTIS (2019)

Sanitary and Phytosanitary (SPS) Certificate

Sanitary and Phytosanitary Certificate (SPS) are often required by importing countries when exporting fresh fruits, vegetables, fish, live animal and other products. This certificate certifies that the product is free from injurious pests which could damage crops. It is exporter's responsibility to ensure that the Sanitary and Phytosanitary conditions are met.

The whole process is well-explained on the customs website: <http://www.customs.gov.kh/procedures-of-other-relevant-ministries/sanitary-and-phytosanitary-certificate-sps/>

The enquiry point system was created so that countries could easily obtain information about SPS and related issues. The national enquiry point is responsible for answering all reasonable questions and providing relevant documents regarding any sanitary or phytosanitary regulations adopted or proposed within the country; any control and inspection procedures, production and quarantine treatment, pesticide tolerance and food additive approval procedures and risk assessment procedures, factors taken into consideration, as well as the determination of the appropriate level of sanitary or phytosanitary protection. In Cambodia, it is the CAMCONTROL Department of Technical Information that has this role. For other countries, it can be easily found online.

Table 12 : List of certification bodies in Cambodia

Services provided	Name	contacts
Local Certification Body	Institute of Standards of Cambodia (ISC)	Tel: +855 23428745 camtb-info@isc.gov.kh www.isc.gov.kh
International Certification Bodies	ISO Certification Body (ISB-K2A)	www.iso-certifications.com/
	Bureau Veritas	Tel: +855 17 555 638 Bbvcpinfo.kh@vn.bureauveritas.com www.bureauveritas.com/cps
	SGS Cambodia	Tel: +855 23967888 sgs.cambodia@sgs.com www.sgs.com
	TUV Sud	Tel: +855 23 500 2525 /12 301758 https://www.tuvsud.com/en/services/global-market-access/cambodia
	Ecocert (based in Singapore)	Tel: +65 3138505 Office.asean@ecocert.com
	Guardian Independent Certification	Tel: +855 12604075 http://www.saasaccreditation.org/gic
	Intertek testing	Tel: +855 23885421 https://www.intertek.com/contact/asiapacific/cambodia/
SPS Enquiry Point	CAMCONTROL Department of Technical Information	
TBT Enquiry Point	ISC Department of Information	

Source: Author

8. Packaging

According to an expert in Packaging with good knowledge of Cambodia, there are many opportunities for local SMEs to produce and to work in the field of packaging. For now, there are only few companies working in each sub-sector and they have a monopolistic situation. Because of the small volumes, customers must provide a down payment of 50% and to pay in advance. Packaging can be costly for local SMEs. Packaging products are less expensive abroad but if you add the cost of transportation, it is not worth importing for small quantity and the demand is not so high.

Transport boxes (corrugated boards and carton boxes) can be easily found: 8 very well-developed companies are in the market. A lot of them produces boxes for the garment industry, and they are mainly international companies. Regarding plastic packaging, there is the subsidiary of a Thai company.

More information can be found in the recent “**Cambodia Manufacturing Industry Business Directory 2019**”, published by the MISTI, in partnership with Japan cooperation and supported by IFC. This user-friendly directory features 44 high-potential SMEs which are among the leading companies supplying manufacturing FDIs in Cambodia. They are categorized in 5 groups: (i) Packaging, (ii) Printing and labelling, (iii) Rubber & Plastics, (iv) Steel processing and metals, and (v) others.

However, this directory was created with the initial goal to provide opportunity for SMEs present in Cambodia to access international markets and to be connected with foreign investors, a first step to be integrated in global value chains and become exporters one day. It can be noticed however that despite their limited size in Cambodia, many companies present in this Directory are subsidiaries of regional firms and are not really SMEs. Nonetheless, the directory provides very useful information and below are the most useful ones for SMEs. For the full report:

http://www.mih.gov.kh/File/UploadedFiles/6_11_2019_4_5_45.pdf

Table 13: List of selected packaging companies

COMPANY NAME	PRODUCTS	CONTACT
PACKAGING		
ANGKOR THOM PRINTING	Printing Services (also for packaging, paper and plastic bags)	+855-12-678-089 angkorthom_printer@yahoo.com
ARDUMAS INDUSTRIES (CAMBODIA) LTD	Polymer bags, flexographic and rotogravure printing.	+855-12-858-778/ +855-12-322-278 ilean.ardumass@gmail.com
ES PACKAGING CO., LTD	Carton boxes	+855-23-6333-485/ +855-12-333-480 espackaging@easterms-group.com
HARTA PACKAGING INDUSTRIES (Cambodia) Limited	Corrugated boards (single-wall, double-wall, triple-wall), cartons and die-cut Containers. Plain and printed polybags and films, in various types & sizes.	+855-17-333-977 / +855-17-333-988 virak@hartapack.net www.hartapack.com
K-PACK INDUSTRIAL BAVET CO.,	Corrugated products (corrugated boards, regular slotted cartons, printing boxes, die-cut boxes) and poly bag products	+855-23-72-92-68 eang@kpackindustrial.com www.k-packindustrialbavet.com
LIH WOEI CARTON WORKSCO.,LTD	Carton boxes	+855-89-777-559/+855-23-677-6888 info@lihwoei.net
MAXIM Label & Packaging	Hang tags, price tickets, care labels, adhesives, print and woven labels, novelty trims and patches, heat transfers, packaging and RFID.	+855-10-65-51-18 richardlay@maxim-group.com www.maxim-group.com
OJITEX HARTA PACKAGING (SIHANOUKVILLE) LIMITED	Corrugated carton boxes, corrugated boards, die-cut containers, paper pallets, partitions, inner boxes and gift boxes.	+855-34-6363-161 / +855-999-1771 ling@ojitexharta.net www.hartapack.com
PHNOM PENH PACKAGING	Packaging products, premium gifts.	+855-17-88-36-88 / +855-98-88-36-88 sophea@phnompenhpack.com sophea.cup@gmail.com www.phnompenhpack.com
REDIAN PRINTING CO., LTD	Plastic bags and printing services for plastic bags	+855-61-214-172/ +855-78-555-101 info@kpackindustrial.com
SUNNYEPS	Polystyrene products	+855-12-580-765 chenguang7779@sina.com
PRINTING AND LABELLING		
CAM-IDEA PRINTING AND ADVERTISING	Offset publishing, inkjet printing, graphic design, silkscreen prints and premium items.	+855-117-650-088/ +855-10-551-886 nimol017@gmail.com www.cam-idea.com
CMYK Printing & Cartons	Carton products, offset printing products, advertising products and inkjet printing products	+855-17-200-992 / +855-23-987-367 info.cmyk.kh@gmail.com www.cmyk.com.kh
DIAMOND PRINTING	All kinds of offset printing and inkjet printing.	+855-23-635-0123 sous.phors@diamondprinting.com www.diamondprinting.com
DONGGUAN CITY FINE STAR PRINTING CO.,LTD	Stickers and shoe boxes (cartons)	+855-10-948-198 +855-92-908-199

NYTA PLASTIC & PRINTING SERVICE	Plastic products and printing services.	+855-92-648-885 nytaplast@gmail.com www.nytasolution.com
SOKHA PRINTING HOUSE	Offset, ink jet, silk screen, graphic design, sticker labels, security papers, security ink, plastic bags, rolling papers, rolling tickets, ATM rolling.	+855-12-877-776 sokhasun@sokhagroup.com www.sokhagroup.com
PLASTIC		
KHMER PLASTIC CO., LTD	Hard plastic products.	+855-16-891-144/ +855-12-697-967 khmerplastic09@gmail.com
KVENG HONG ENTERPRISE	Plastic jars.	+855-11-722-036 / +855-11-763-073 muyyimlim@gmail.com
OCEAN PLASTIC PRODUCT CO., LTD	Plastic bags.	+855-12-397-357 leanghuongseng6@gmail.com

Source: MISTI (2019)

9. Trade, Logistics and Customs

Publications

Two books of reference that are a bit outdated, but which can provide valuable information for exporters

- **Handbook on Export Procedures: Practical Guide for Small and Medium Enterprises in Cambodia.**

Published by the Ministry of Commerce with the support of IFC. The book is dated from 2008 and provides clear and concise information on government export procedures in a user-friendly format suited to SMEs, with step-by step guide on various procedures. It would be worth updating it, but for first time exporters, some general procedures are still very valid and are explained in a very simple way. <https://www.MOC.gov.kh/Portals/0/Docs/OfficialDocs/Handbook-Export-Prodcedure-Eng.pdf>

- **Handbook on Customs Clearance (2015)**

Published by the Customs Department (GDCE) with the assistance of ADB, the goal of this Handbook is to disseminate information on goods clearance procedures in Cambodia, in simple language. It is a very useful and comprehensive guide. <http://www.customs.gov.kh/wp-content/uploads/2015/10/Handbook-on-Customs-Clearance-EN-Final.pdf>.

Trade information websites

- **The National Trade Repository**

It is a trade portal that provides public access to all necessary trade information for exporting and importing businesses. Managed by the Ministry of Economy and Finance, the website provides information on procedures, customs permit and documentation needed for trade. <https://www.cambodiantr.gov.kh/>

- **General Department of Customs and Excise**

Practical information related to trade can also be found on the website of the GDCE related to trade facilitation. http://www.customs.gov.kh/en_gb/

Important programs working on trade facilitation

ARISE Plus Cambodia: This EU-German project implemented by GIZ in Cambodia focuses on trade facilitation issues under the WTO FTA and Cambodia’s ASEAN commitments with the aim to strengthen intra- ASEAN trade and investment. The project started in January 2019 and will run until June 2023. <https://www.cambodia-ariseplus.asean.org/>

1: Improving Customs, Trade Facilitation and Standards	2: Strengthening Institutional Capacities and Improving Regulatory Practices	3: Enhancing Private Sector Engagement, Notably of SMEs, and Better Preparedness for AEC
1.1. Cambodia National Single Window (CNSW)	2.1. Capacity Building / Institutional Strengthening	3.1 SME Export Development
1.2. Authorised Economic Operators	2.2. Trade and Investment Statistics	3.2 Trade Information
1.3. Pre-arrival processing	2.3 Coordination of Trade Facilitation Implementation	3.3 Trade Advocacy
1.4. Product Risk Management in Camcontrol	2.4. Transparency and Clarity of Legislation and Policies	

Logistics

Logistics agents are numerous and diverse in the kingdom. Multinational firms and family-run businesses operate side by-side in Cambodia, which implies considerable discrepancies in terms of the services offered. Besides, freight forwarders are typically independent from transport companies, making the market difficult to apprehend. A freight forwarder does not own his own equipment but instead, organizes transport of goods in combination with the transport company (land, sea or air).

Around 150 companies are working in the sector, of which around 40 are of CAMFFA, the Cambodian Freight Forwarder Association, recently renamed Cambodia Logistics Association (CLA). Their main function is to help the business or the shipper of the goods to find a reliable carrier that ship their cargos under the terms negotiated by the forwarder as well. Aside from that, they can also assemble and consolidate smaller shipments from different shippers to make one bulk shipment, and vice versa.

A customs broker on the other hand oversees submitting all important document like clearances to allow the shipment to enter legally. They are extremely vital if the business do not want to invest too much time and money dealing with bureaucracy and paperwork. Custom brokers have also a lot of knowledge regarding all the taxes and fees for importation. They also can help in reconciliation, dispatching for final delivery and other additional services.

In Cambodia, it is possible for an individual to do the custom clearance procedures. Customs processes are more and more automated with the ASYCUDA system and they are quite clear now. Yet, according to many specialists, customs brokers remain essential. Most SMEs prefer to go through a custom broker instead of trying to do export/import procedures by themselves. Customs brokers have the knowledge, the network and know how to deal with the different issues.

Regarding the service providers, CLA ex-CAMFFA is the best place to go to find the right referrals and recommendations because freight forwarders and customs brokers are often specialized by destination (China, Europe, USA, etc.). The association is very dynamic and is also active in advocacy. They offer regular course on logistics for professionals but also on Export and Import procedures. Courses are open to everyone and are very affordable. Usually, the trainers are from companies which are members of CLA. An association of customs brokers (CCBA) has also been created but their members seem to be the same as CLA members and they do not have their own website.

Regarding small sending of product samples, key informants usually recommend contacting DHL.

III. SPECIFIC SECTORS AND CATEGORIES

This section has been added to give an overview of some important categories and sectors targeted by the Government and the development partners. No specific recommendations will be provided as they might need to be more sector-specific, but we thought that it can be interesting to have all the initiatives grouped to give a better snapshot of the services available for these categories.

1. Women-Focused Projects/Support

Most SME businesses are owned and managed by women. According to the 2014 census, they are also a large majority in the category of micro-enterprises. Informality is a big issue for women entrepreneurs: 70% of women businesses take place from their home and they are often self-employed. On average, women-businesses are also smaller. The main challenges faced by women entrepreneurs are the following: lack of time, cultural barriers to access to education and training (technical and financial training), while women are taken care of finances and administration, business decisions need often the approval of the husband, low level of literacy and education, difficulty to hire and retain male staff and greater difficulty to have access to finance.

Women-focused initiatives are not missing in Cambodia and they usually work well, led by very dynamic and motivated leaders. Here are a short recap of projects and services dedicated to women. For more information, please see the corresponding description in the different categories of services and stakeholders

Table 14: List of service providers and projects supporting women SMEs

Type of Support	Service Providers	Type of services
Business Associations	Cambodia Women Entrepreneurs Association (CWEA) – More than 400 members	Lead association. Secretariat with full time staff
	Cambodia Women Business Federation (CWBF) – Around 110 members	Specific service: provides informal peer-to-peer lending from large member to SMEs members
	WOOMENTUM	Digital platform, access to international network. Women Tech media – Interviews, forum, Publications to raise awareness about tech Training in Digital skills
Government	Ministry of Women Affairs (MOWA)	14 Women Development Centers
Development Partners	PACT (WE ACT PROJECT)	Partnership with more than 10 associations to develop networking strengthening and skills building
Capacity Development	SHE Investments	Training, Incubator and Accelerator Program
	SHINE Academy from BRED	Training on soft skills
Access to Finance	SHE Investments	Micro-financing Program with LOLC and THRIVE Cambodia

	Women Initiative Program from BRED	Specific financial support (emergency loan, limited collaterals for new loan, suspension of interest payments for 3 months during pregnancy)
	Women MSME FinTech Innovation Project led by BANHJI	
E-commerce	WE MALL	E-commerce Platform
	GO4ECAM (MOC + UNDP)	1/3 of target beneficiaries will be women

Source: Author

Box 6: The Shine Better Business Academy initiative of BRED Bank

Case: Building Soft skills for Women Entrepreneurs – the SHINE Better Business Academy

Recently, BRED researched over 100 successful business women in Battambang, Siem Reap and Phnom Penh to understand the challenges that women businessowners are facing here in Cambodia. The research delved into the challenges that women business owners face here in Cambodia. The biggest challenge is around STAFF capabilities. Business owners felt that they cannot rely on their staff to act independently, and take charge of situations, and therefore the owners need to be on site at all times. They also felt that the current formal training options available to small business did not meet their needs, impact business operations too much, and would drive staff to ask for higher wages. There is a need for non-formal development opportunities that concentrate on soft-skills and help employees become more independent, positive, and strategic in the way they do their jobs.

To initiate a change of mindset, BRED Bank designed the SHINE Better Business Academy. Here participants engage with different soft skills in peer level groups and through experiential learning methods (learn by doing). All sessions are half day as SME's stated that they cannot afford to have staff away from the workplace for extended periods of time. Each topic is designed for 3 different audiences (owners and executives, middle managers, staff) to ensure the right program is delivered for the right audience. The sessions are independent, and attendees are not required to attend any previous courses or do any course pre-work.

Each session is limited to 15-20 people ensuring that everybody has space to participate and learn. The topics reflect real working life situations and are contextualized for the Cambodian workplace. All courses are delivered in Khmer and some can be done in English.

For more information please go to <https://www.facebook.com/GrowYourBusinessByBRED> to learn more.

2. Agrobusiness projects and services

Most agriculture in Cambodia is produced by small family-run farms. The average size of these smallholdings is about half a hectare, unsuitable for industrial farming and for small-scale technologies. For small farmers, to earn the average of garment workers' wages, they would need to produce up to six hectares of rice annually. The way forward, as offered by international donors and local NGOs, is for small farmers to diversify into high value-added crops, such as organic farming and fresh vegetables.

Agriculture can integrate new technologies to increase the productivity of the farmers: for example, the process of switching crops from rice to, say, pepper requires technical information that is not common knowledge but could be easily made available with the appropriate means of communications. For example, the ADB has been supporting an e-Agriculture Platform for Kampong Cham Province, which is at the center of rice growing in Cambodia. The project involves channels of communications using mobile phones – 80 per cent of farmers are thought to have mobile phones, 20 per cent of them smartphones – kiosks, desktop, call centers, TV, and radio, among others. The project, implemented by Ernst & Young on behalf of the ADB, dismisses the typical intermediaries – from farmer to markets, trader, processor, exporter to consumer – along the supply chain which not only reduces the revenues available to farmers,

but creates inefficiencies that add to the cost of the final exportable product. Also active in promoting innovation in farming in these provinces and ICT4AG is CAVAC in partnership with the Australian government and many private companies. In this regard, the 10 million received by Techo Startup Center to lead the project on Digital Agriculture Value Chain of SAAMBAT is particularly interesting: they will build an e-commerce platform with tools such as credit scoring, smart contracts and provide training to farmers on digital skills.

Agribusiness and agriculture sectors have received an increased amount of financing recently from donors. The following list is not exhaustive and includes mostly development donors' projects and government led projects. Private sector initiatives exist but in the field of development are more limited. One is Agribuddy, a startup that connects farmers to resources and networks. Their digital platform is both a mobile application and a web application, which farmers use alongside a "buddy" to store data and order supplies as needed. Agribuddy enables farmers to have access to capital through bank loans, as well as higher quality farm inputs.

Table 15: List of selected stakeholders providing services for SMEs in Agrobusiness

Type of Stakeholders	Service Providers	Type of services
Business Associations	Cambodia Rice Federation	Business Associations in the sector vary a lot with their size and their scope. Some are strong players, acting as cooperative. Others have simple mandate such as awareness, marketing, and promotion. Some offers more technical services: support for certification etc. It is useful nonetheless to reach out to them whenever it is useful to disseminate information.
	Cambodia Organic Agriculture Association (COAA)	
	Cambodia Farmer Federation Association of Agricultural Producers (CFAP)	
	Cambodia Cassava Development Association	
	Kampot Pepper Promotion Association	
	Kampong Speu Mangoes Association	
	Cambodia Livestock Raisers Association	
Government	Alliance of Marine Fishery Association of Cambodia	
	Ministry of Agriculture, Forestry & Fisheries (MAFF)	
Development Partners	AIMS	Business Development and Financing
	GIZ MSME Project	Training
	IFAD (International Fund for Agricultural Development)	SAAMBAT project
Capacity Development	CAVAC – DFAT	Productivity, irrigation, rice milling
	TECHO Startup Center - SAAMBAT	Training on Digital skills
Access to Finance	GIZ RED 4 Project	Training
	Agricultural and rural development bank	SME Fund = 50 Millions
	AIMS (Accelerating Inclusive Markets for Smallholders)	Value-Chain Innovation Fund
E-commerce	Agribuddy	Farming Services management (credit, Rental, Input provision...)
	Digital Agriculture Value Chain under SAAMBAT	Creation of a Digital Platform

Source: Author

Box 7 : Agribuddy

Case: Agriculture and Technology: the success of Agribuddy

The goal is to connect all the different stakeholders to boost efficiency and help farmers. The system is innovative: Agribuddy recruits and trains entrepreneurs all over the countries “the Buddies”. With their smartphones and the Agribuddy App, the buddies recruit local farmers with limited literacy and no smartphones to benefit from the system. The application then streamlines the farming process by connecting the buddies and their farmer network to banks, suppliers, markets, and technical help. Farmers through the app can get access to the necessary inputs to their farming needs whenever they need it. Buddies are the main sources of data input in the system and are mentors to farmers who are learning to use the digital platform.

This solution can overcome the main challenges that are facing farmers and SMEs in agriculture: limited access to loans due to limited collaterals, difficulty to reach a wider market, the lack of technical knowledge on efficient farming and the small size of the farms.

The application allows to build data and build credit profiles for the banks. With these credit profiles, Agribuddy acts as the guarantor of the loans given to farmers. In 3 years, they have grown 50,000 farmers registered as members of Agribuddy and disbursed 2.5 million USD to 3,000 families and have partnerships with banks in Cambodia, crop insurances companies and local authorities.

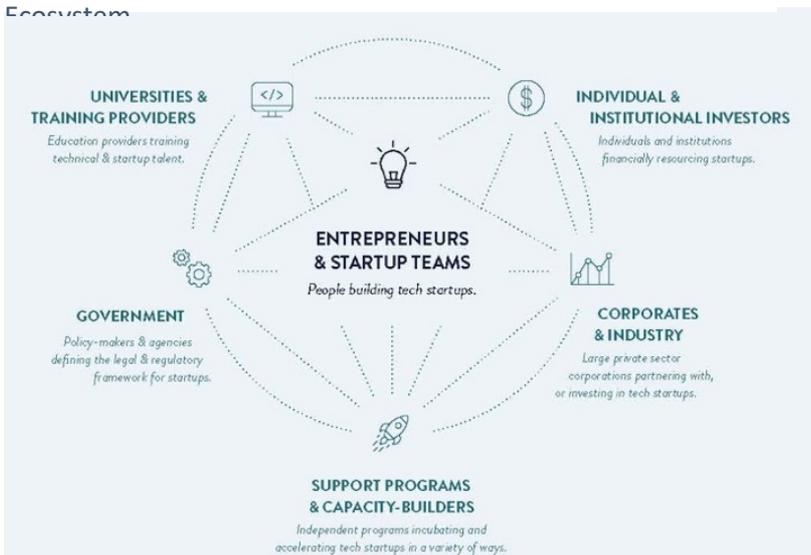
Source: Author and Geeks in Cambodia interview

3. Tech startups

Tech startups were not extensively covered in this report because many recent reports have described in detail the tech ecosystem and the stakeholders involved. A lot of information can be found in the well-disseminated and acknowledged “Cambodia Vibrant Tech Startup Ecosystem” published by Mekong Strategic Partners (MSP) and Raintree Cambodia. Another great source of information is the “Tech Innovation Sector of Phnom Penh: Landscape Scoping and Narrative of Change 2013-2018” published by Development Innovations (USAID).

A few Graphs have been extracted to illustrate the ecosystem and the key actors in the sector:

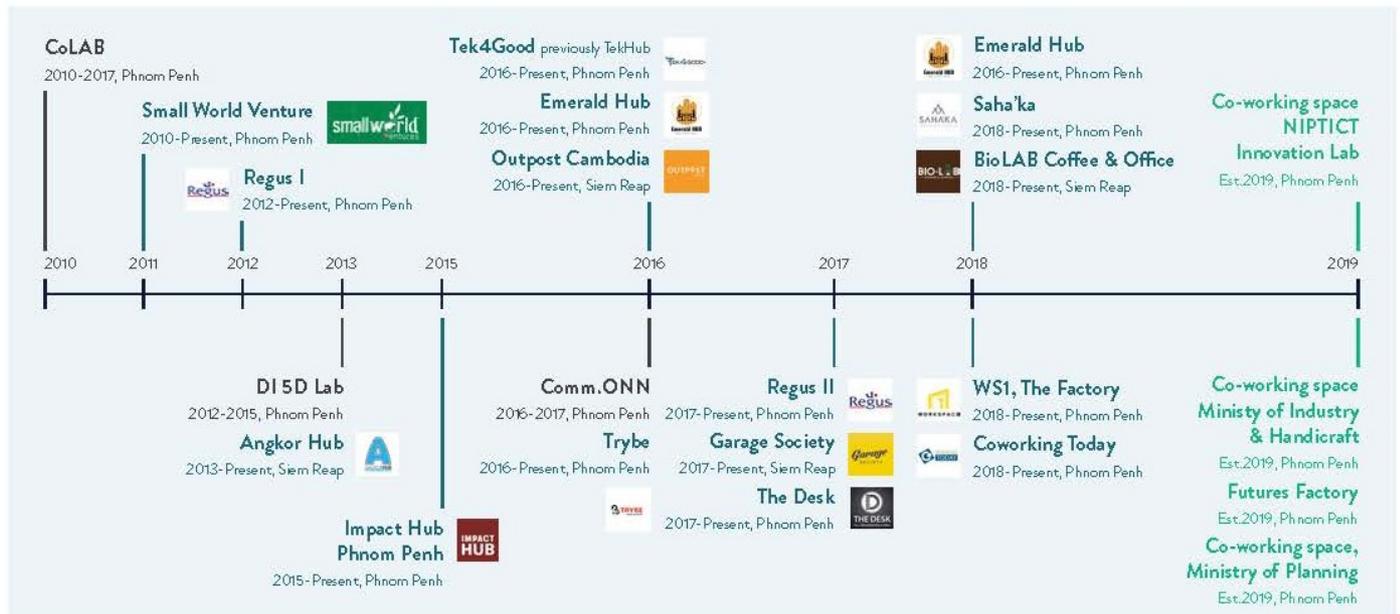
Figure 7: Main stakeholders involved in the Tech Startup Ecosystem



In addition to this list, we need to add the recent initiative from MPTC which will launch its ITC INNOVATION CENTER tentatively in May 2020 and the TECHO startup Center launched in 2019 by the MEF for its Accelerator Program

Source for all graphs: MSP (2018)

Figure 8 : List of coworking and innovation spaces for tech startups



Note: Spaces in grey are no longer in operation. The list does not include university incubation or university innovation spaces as they are covered in the following sections 8.2 and 8.3.
Source: Development Innovations, startup-cambodia.com, www.coworkers.com

Figure 9: Tech startup landscape by category



*Note this is not exhaustive of all unregistered 'long-tail' startups emerging from academic courses, hackathons and other similar programs.
Source: MSP & Raintree estimates.

4. Retail and E-commerce

In relation with the above category “Tech Startups”, it is worth looking more closely at opportunities provided by the development of e-commerce in Cambodia for companies and their related service providers.

Currently, Cambodian consumers maintain a strong preference for traditional markets and their financial markets rely on cash. The demand for e-commerce is still limited to goods and services that customers cannot access through traditional channels and/or very niche sectors (handicrafts, garments, tourism, and catering-related services). However, social media platforms such as Facebook have provided an attractive channel for small entrepreneurs to buy overseas products and sell them online. This type of “e-commerce” is the most popular and is very informal. Cambodia has local e-commerce platforms such as MyPhsar, Khmer24, Iknow, and Mall855 but access to these portals are less when compared to Facebook due to its perceived “less user friendliness”. (CTIS 2019)

The Government has been encouraging Cambodian’s to utilize digital payment solutions to promote e-commerce. Internet banking/mobile banking and mobile payment services (most notably Wing and PiPay) have been gaining popularity among consumers but online transactions are limited as many people are still unbanked or underbanked. Logistic costs, coordination and efficiency are also important barriers: last mile delivery involves heavy reliance on MSMEs and is very costly for small companies. Another important challenge is the low e-commerce skills in Cambodia due to a low awareness and lack of support.

However, things are changing: An E-commerce law has finally been adopted to be implemented in May 2020 and will finally fill some important gaps such as consumer protection aspects. Plenty of opportunities for SMEs can come for internationalization through this channel, not only for trading but also for all the related services associated: digital skills training, fintech solutions, digital marketplace, logistics companies.

The Government starts seriously to tackle these challenges: the National Bank of Cambodia is at the forefront in working with digital solutions, blockchain and payment solutions. MPTC is also involved a lot in monitoring all the tech startup initiatives, and the Ministry of Commerce is preparing to launch an ambitious e-commerce program (Go4eCam) with the support of UNDP and EIF. In the future, with the increase adoption of these digital tools, there are some chances to see finally cross-border e-commerce expand. Cross-border e-commerce enables local enterprises to extend their economic activities beyond borders in order to pursue opportunities elsewhere.

As the sector is still to be developed, we will only mention here some recent initiatives and the names of some service providers that might be interesting to watch.

Table 16: Selected services and service providers for Tech Startups

Type of Support	Type of Services	Service providers
Communities	Associations	ICT Federation, La French Tech Cambodge, Amcham, ICT Cambodia
	Network	Cambodians in Tech. Startup & Angels
	Community	Impact Hub Entrepreneur Club (HEC), SHE community group
Specific Programs	Technical Mentoring	Techo Startup Center
	E-commerce marketplace	GO4ECAM
Capacity Development	Training on Digital Skills	Woomentum, Geeks in Cambodia, IT step Academy and some business associations (YEAC, CWEA)
	Incubators, Accelerators	Smallworld, Smart Spark, Smart Start, SHE investments, BNC Startup Accelerator, CJCC accelerator, TAP (Techo startup center), etc.
Cross border Trade (inward)	International marketplaces platforms	Alibaba, Aliexpress, Ebay (direct delivery in Cambodia)
	Other platforms (intermediaries)	Fado 168 (Amazon USA and Japan), Kiumarket and Kiuship
	IT development and support Services (digital marketing)	Web development, software outsourcing and digital marketing services have emerged, and the quality is relatively good. There are too many to be mentioned here.

Source: Author

CONCLUSION

This report highlighted the recent initiatives implemented by the government, development partners, and private sector to support SMEs in Cambodia. All these efforts are going in the right direction. After years of policy focusing on attracting FDI and investors, it is time indeed to recognize the importance of SMEs as a natural engine of growth and to support them in overcoming their particular challenges and boost Cambodia's entrepreneurial ecosystem.

The first step to support SME internationalization is indeed to strengthen the overall competitiveness of SMEs in Cambodia. Progress has been made in recent years. However, much remains to be done to further increase the competitiveness of SMEs to compete internationally. . The new government initiatives like Khmer Enterprise or Techo Startup Center are very promising, because they are tapping into new models. However, they have just started.

This study identifies areas for improvement linked to a lack of cooperation between ministries, to bureaucratic complexity and limited implementation of supporting initiatives. The SME tax incentives, the SME customs incentives and the Skills Development Fund are perceived by most private sector representatives as complicated to access and not sufficiently adapted to the needs of SMEs. The goal of the government's policy is to increase compliance, yet SMEs do not see enough advantages to be in the system. More efforts are needed to create support programs really tailored to SME needs.

Services provided by development partners can help fill the gap left by the previously very limited support from the government. However, sustainability will always remain an issue. Robust program such as Development Innovation (USAID) and Mekong Business Initiatives have ended, leaving sometimes some great projects without further support. In this regard, pushing for more public-private partnerships can be a good way to promote sustainability. Creating synergies between co-existing projects targeting the same topics is only common sense and best practice, but it is rarely done. Further attention is needed to improve the collaboration among development partners, government agencies and private sector representatives to accelerate reform agendas for SME development in Cambodia.

There is a positive trend emerging from the private sector. Servicing SMEs is a more common business model than it used to be. In the past, companies' motivation to help SMEs was often driven by the willingness to support the development of the country and to have a social impact. It can still be a strong driver for some successful businessmen or Khmers from overseas, but motivations have shifted to be more profit-driven and hence sustainable. Indeed, opportunities can be found almost everywhere with the sustained growth of the economy, and many new service providers entering the market are themselves startups or SMEs.

Interestingly, we could also see a cultural "re-appropriation" from these local service providers and from the new generation of local entrepreneurs. International standards were previously the reference for the best standards. Today, more and more Cambodians believe that the best solutions lie in-between: international standards, yes, but applied and adapted to the local culture. Trainings are more impactful with SMEs when they are delivered by someone who has a good understanding of the Khmer culture and mindset. Trust needs to be built to change in-depth mindset and habits. It is indeed possible to operate in the "Cambodian way" while retaining and adapting international standards.

Despite recent improvements to the SME support landscape in Cambodia, several gaps remain to be filled. One key aspect is the absence of a comprehensive export promotion strategy and associated tools targeted to SME needs. Barriers facing would-be SME exporters are real and numerous: costs, bureaucratic inefficiencies, lack of support, and inexperience. Promising areas for Cambodia's further development of export-ready SMEs include e-commerce ecosystem, franchising, SME clusters, trade finance, user-friendly information and enhanced networks for SMEs.

ANNEXES

ANNEX 1: LISTS OF MEETINGS

GOVERNEMENT BODIES / PROJECT

KHMER ENTERPRISE (MEF)
SME BANK (MEF)
TECHO STARTUP CENTER (MEF)
SME DEPARTMENT (MIH)
INSTITUTE OF STANDARDS (MIH)
NPCC NATIONAL PRODUCTIVITY CENTER (MIH)
EXPORT PROMOTION (MOC)
GO4ECAM (MOC)
MPTC FOR NIPTIC (START UP) - INNOVATION CENTER
MINISTRY OF WOMEN AFFAIRS (MOWA)
NIEI NATIONAL ENTREPRENEURSHIP INSTITUTE (MOLTV)

DEVELOPMENT PARTNERS / PROJECTS

GIZ RED 4,
SWISSCONTACT
PACT PROGRAM (WE ACT)
UNDP (INNOVATION LAB, SME CLUSTER, E-COMMERCE)

BUSINESS ORGANIZATION

CAMBODIA WOMEN ENTREPRENEURS ASSOCIATION)
CAMBODIA CHAMBER OF COMMERCE
EUROCHAM
CAMBODIAN FRANCHISE ASSOCIATION
YEAC
JCI CAMBODIA
BNI CAMBODIA CHAPTER

WOMEN FOCUS

SHINE PROGRAM FOR BRED
WE MALL / WOMENTUM
SHE INVESTMENTS

BUSINESS SUPPORT SERVICES
IMPACT HUB
CAMBODIA INVESTORS CLUB (CIC)
BANHJI
FOURMI
CAMBODIAN IP & STRATUP ADVISERS
INTRI INNOVATIONS
COMPANY 101
WORLDDBRIDGE SME CLUSTER PARK
CSX GROWTH BOARD

CAPACITY DEVELOPMENT - TRAINING

CEO MASTER CLUB

LAURENT NOTIN

CAMBODIA-JAPAN COOPERATION CENTRE (CJCC)
SOCIAL INNOVATION LAB
ANAKOT ASIA ACADEMY

OTHER MEETINGS

KIRIROM FOOD PRODUCTION
NOREA HANDICRAFTS
WATER LILY
SPECIALIST IN PACKAGING (WOLFGANG CZIZEGG)
SPECIALIST IN SME (RAHUL BHATNAGAR)
SPECIALIST IN CUSTOMS (SOK KHA)
SPECIALIST IN LOGISTICS (CHRISTINE SOUTIF)
RHENUS LOGISTIC
GIZ MYANMAR: PROJECT MANAGER + CONSULTANT
GIZ VIETNAM: PROJECT MANAGER
GIZ THAILAND: REGIONAL PROJECT MANAGER

ANNEX 2 : OECD SME POLICY INDEX 2018

The following graph gives the details of the Dimension 4 : “Access to Market and Internationalization” for the OECD SME Policy Index.

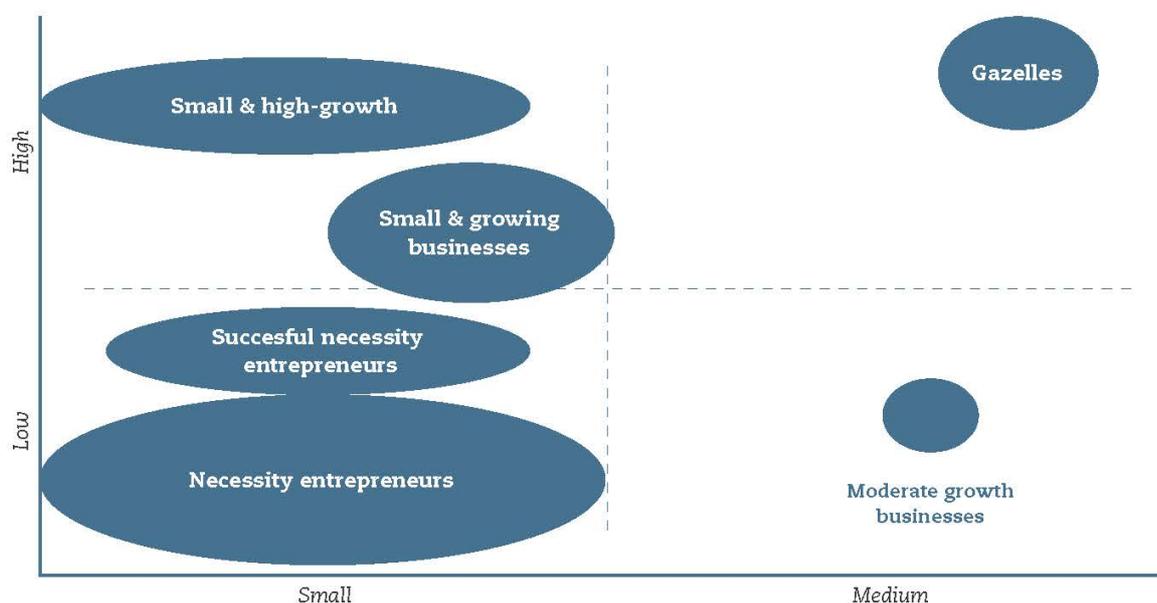
The sub-dimensions and their respective thematic blocks results are also given. Highlighted in red are the results for Cambodia and, for comparison, highlighted in blue Vietnam’s results.

Dimension 4: Access to Market and Internationalisation

<i>Dimension / sub-dimension / thematic block</i>	<i>BRU</i>	<i>KHM</i>	<i>IDN</i>	<i>LAO</i>	<i>MYS</i>	<i>MMR</i>	<i>PHL</i>	<i>SGP</i>	<i>THA</i>	<i>VNM</i>	<i>Weights</i>	<i>Median</i>	<i>StD</i>
4: Access to market and internationalisation	3.41	2.69	5.21	2.45	5.43	2.46	4.95	5.94	5.41	4.15	NA	4.55	1.29
4.1 Export promotion	3.32	2.82	5.49	2.43	5.69	3.04	5.62	6.00	5.70	4.54	50%	5.02	1.34
Thematic block 1: Planning and design	3.37	3.84	5.76	3.12	6.00	4.08	6.00	6.00	6.00	5.76	35%	5.76	1.16
Thematic block 2: Implementation	3.72	2.84	5.36	2.24	5.74	2.55	5.32	6.00	5.62	4.28	45%	4.80	1.37
Thematic block 3: Monitoring and evaluation	2.32	1.00	5.33	1.66	5.00	2.32	5.66	6.00	5.33	3.00	20%	4.00	1.78
4.2 Integration into global value chains	2.57	2.49	4.65	2.28	4.93	1.33	3.52	5.77	5.58	4.20	15%	3.86	1.44
Thematic block 1: Planning and design	3.36	3.36	5.04	2.53	5.40	1.94	4.07	6.00	5.76	5.88	35%	4.55	1.41
Thematic block 2: Implementation	2.65	2.24	4.74	2.66	5.58	1.00	3.48	6.00	6.00	4.33	45%	3.90	1.64
Thematic block 3: Monitoring and evaluation	1.00	1.55	3.77	1.00	2.65	1.00	2.65	4.87	4.32	1.00	20%	2.10	1.43
4.3 Use of e-commerce	3.66	2.03	5.57	2.71	5.47	2.07	5.06	6.00	5.61	3.82	10%	4.44	1.46
Thematic block 1: Planning and design	4.74	2.24	5.58	3.90	6.00	3.50	5.58	6.00	6.00	5.16	35%	5.37	1.21
Thematic block 2: Implementation	3.77	2.33	5.89	2.54	5.32	1.44	4.98	6.00	5.89	3.53	45%	4.37	1.59
Thematic block 3: Monitoring and evaluation	1.55	1.00	4.87	1.00	4.88	1.00	4.32	6.00	4.30	2.10	20%	3.20	1.85
4.4 Quality standards	4.03	2.04	5.31	2.18	5.29	1.30	5.36	6.00	4.89	3.41	10%	4.46	1.58
Thematic block 1: Planning and design	3.48	1.83	6.00	1.83	6.00	1.00	6.00	6.00	4.33	1.83	35%	3.90	1.98
Thematic block 2: Implementation	5.33	2.66	4.98	2.99	5.66	1.66	5.32	6.00	5.33	4.99	45%	5.16	1.41
Thematic block 3: Monitoring and evaluation	2.10	1.00	4.87	1.00	3.20	1.00	4.32	6.00	4.87	2.65	20%	2.93	1.75
4.5 Trade facilitation	3.99	3.30	4.49	2.69	5.13	2.69	3.78	5.84	4.48	3.48	15%	3.89	0.97
Thematic block 1: OECD Trade Facilitation Indicators	4.75	3.50	4.33	2.67	4.75	2.25	3.50	6.00	5.17	5.17	25%	4.54	1.13
Thematic block 2: Planning and design	2.65	3.48	4.33	1.00	4.30	1.00	4.30	6.00	3.48	1.00	25%	3.48	1.63
Thematic block 3: Transparency and predictability	4.87	3.77	4.87	4.87	6.00	4.32	4.88	6.00	4.87	4.87	25%	4.87	0.64
Thematic block 4: Simplification of procedures	3.70	2.44	4.43	2.24	5.47	3.18	2.44	5.36	4.43	2.87	25%	3.44	1.15

ANNEX 3: TYPOLOGY OF SMES BASED ON ANDE METHODOLOGY

Figure 7: Sub-segments as proportion of total



Source: EMC analysis based on Enterprise Surveys <http://www.enterprisesurveys.org>, The World Bank

- **Necessity entrepreneurs (NE)** constitute the largest group within the SME sector. They are small businesses with an average 6.6 full-time employees that experience negative annual turnover (no growth). More than half are service oriented, and virtually all target only the domestic market.
- **Successful necessity entrepreneurs (SNE)** are small businesses in the SME sector that experience low growth (0–10%) in annual turnover. They employ an average 7.8 full-time employees and are more likely to increase that figure to ten, compared with necessity entrepreneurs. They are more likely to operate in the manufacturing sector than necessity entrepreneurs but are still very unlikely to export.
- **Small and growing businesses (SGB)** are characterized by moderate annual turnover growth (10–20%) that employ an average 7.6 full-time employees and are less likely than successful necessity entrepreneurs to employ more than ten. Unlike NEs and SNEs, they are less than five years old, use email to communicate with clients, introduce products and services, and have invested in research and development (R&D) in the last three years.
- **Small and high-growth businesses (SHB)** are small businesses with more than 20% growth in annual turnover. They retain an average of 9.6 full-time employees and are more likely than small and growing businesses to employ more than 10. These businesses are less likely to be younger than five years but are more likely to have introduced or improved organizational structures and invested in R&D in the last three years (compared to small and growing businesses). These businesses are also starting to target export markets in addition to the domestic market. Roughly half are located in Phnom Penh.
- **Moderate-growth businesses (MGB)** are medium-size (20 to 100 employees) with 0–20% growth in annual turnover. In Cambodia, such businesses employ an average of 31.2 full-time employees - the majority employ less than 50. MGBs are the most likely to operate in manufacturing, be managed by employees with ten or more years of professional experience, and to have introduced new or improved operational activities. However, they are the least likely to be managed by women in top-manager roles.
- **Gazelles (GAZ)** are high-growth (more than 20% growth of annual turnover), medium-sized businesses. They employ an average of 26.4 full-time employees and usually have fewer than 50. Gazelles are the most likely to be younger than five years of age compared to aforementioned businesses. They are the most likely to operate in the retail sector and the least likely in the manufacturing sector. Most use email to communicate with clients and they are the most likely to maintain company websites. Finally, they are the most likely to introduce new or improved products, services, and methods, invest in R&D, and to formally training employees. Gazelles are the most likely segment to export and more than half operate in Phnom Penh.

ANNEX 4: REFERENCES

- Abonyi George, 2015:** *Best Policy Practices for Internationalization of SME's Trade and Investment for ASEAN and East Asia*, chapter 2 in "Innovation, Technology Transfers, Finance and Internationalization of SMEs' Trade and Investment", ERIA research project Report FY2013
- APEC Policy Support Unit, Bernadine Zhang Yuhua 2015:** *SME Internationalization and Measurement*, in Policy Brief, No12, March 2015
- Bobowski Sebastian, 2017:** *Internationalization of micro, small and medium enterprises (MSMEs) in ASEAN*, conference paper.
- Emerging Markets Consulting (**EMC**) **2017**, Mekong Business Initiative: *Unlocking the Potential of the Cambodian Private Sector*
- Emerging Market Consulting (**EMC**), **2018**, Dutch Growth Fund: *Closing the Gap Mekong, Country report Cambodia, Entrepreneurial Ecosystem assessment*
- Mekong Strategic Partners (**MSP**), Raintree **2019:** *Cambodia Vibrant Tech Startup Ecosystem in 2018*
- MEF, General Department of Customs and Excise (**GDTE**) **2015:** *Handbook of Customs Clearance*
- Ministry of Commerce (**CTIS**) **2019:** *Cambodia Trade Integration Strategy 2019-2023*
- Ministry of Industry and Handicrafts (**MIH**), **2017:** *Draft SME Development Policy and Five-year Implementation Plan 2017-2021*
- Chhea Layhy, Ministry of Industry and Handicrafts **MIH (2019):** Current Situation of SME in Cambodia – MSME Financing. PPT presentation
- Ministry of Industry and Handicrafts, World Bank (**IFC**) **2019:** *Cambodia Manufacturing Industry Business Directory 2019*
- OECD, 2018**, ERIA: *SME policy Index, ASEAN 2018, Boosting Competitiveness and Inclusive Growth*
- Ministry of Commerce (**MOC**) **2008**, IFC: *Handbook of Export Procedures, Practical Guide for Small and Medium Enterprises in Cambodia*
- UNESCAP 2019**, BD Trust: *MSMEs Access to Finance in Cambodia*
- USAID**, Development Innovation **2018:** *Tech Innovation Sector of Phnom Penh, Landscape Scoping and Narrative of Change 2013-2018*
- World Bank (**WB**) **2016:** *Enterprise Surveys, Cambodia 2016 Country Profile*
- World Bank (**WB**) **2018:** *Entrepreneurial Cambodia, Cambodia Policy Note*
- World Bank (**WB**)/International Finance Corporation (**IFC**) **2018:** *FDI-SME Linkages: Supply and Demand Survey Results*