

Chapter 3

Challenges to Make Cambodian SMEs Participate in Global Value Chains: Towards Addressing Poverty and Inequality

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Abstract

The inequality within and between countries, which has been brought about by the liberalization of trade and investment, is now becoming a critical issue. Even though regional integration has achieved economic growth, domestic industry does not always receive the benefit of such growth. Cambodia is one of the most liberalized countries among the least developed countries. It enjoyed rapid economic growth in the 2000s led by Foreign Direct Investment and the private sector. However, the local SMEs were left behind in the economic development because of various factors, such as a lack of access to finance, shortage of skilled workers, lack of compliance, and so on. Managing these bottlenecks is definitely important for Cambodia to join the Global Value Chains and find the way for long-term sustainable comprehensive and inclusive development.

Introduction

Trade and investment liberalization has achieved higher economic growth in many countries; however at the same time, this created some inequality within and between countries and it is now becoming a critical issue and the benefits are not broadly or equitably shared. Because of this, any economic gaps become ever more serious, especially in less developed countries. It is essential, therefore, to address this inequality to ensure sustainable economic growth in the era of Free Trade Agreements (FTAs). For that purpose, to promote the involvement of local enterprises consisting mainly of small and medium sized enterprises (SMEs) in Global Value Chains (GVCs) becomes important. This involvement, rather than avoidance of international production networks, will be a key solution to enable these enterprises to benefit from the economic growth brought about by liberalization.

The objective of this paper is to point out the bottlenecks that hinder the growth

of Cambodia's local enterprises and to examine the opportunities for local enterprises to join GVCs or international production networks as a means of mitigating the existing inequalities. This paper is based primarily on general statistical data extracted from the Economic Census of 2011 and the results of interviews with local and foreign enterprises around Phnom Penh and border areas in August and November 2013.

1. Overview of Cambodia's Industrial Development

1.1 Economic Growth and Income Inequality

Cambodia has experienced rapid economic growth during the last twenty years, since the Paris Peace Agreement in 1991. Under the liberalized economic system, the average annual growth rate in 2000- 2012 was 7.8 %. Especially, from 2004-2007, it achieved double digit growth. It seems that the livelihood of the people improved dramatically. The poverty headcount ratio at USD1.25 per day in 1994 was 44.5% improved to 22.8% in 2008(Table 1). However, income inequality (Gini Coefficient of Inequality) remains at the same level; it was at 38.3 in 1994 and 37.9 in 2008. Actually, this serious inequality is not a phenomenon unique to Cambodia within Southeast Asia. In other Southeast Asian countries, the inequality according to the Gini Coefficient is sometimes more serious than in Cambodia among the ASEAN countries. Vietnam and Laos, which are socialist countries, are exceptions with a lower inequality than in Cambodia. However, the recent dissatisfaction prevailing among the people created social tensions within Cambodia after the fifth general election in 2013. For future sustainable development, this should be mitigated.

—Table 1—

1.2 History of the FDI-led Industrial Development

Before the civil wars, in the 1950s-60s, public enterprises supported the Cambodian economy in such areas as food processing, textiles, wood processing, rubber, etc. Since the 1970s, however, because of the civil war, industry has been essentially destroyed. In the 1980s, Cambodia adopted a planned economy based on the socialist doctrine. During that era, SMEs began to revive within the limited area of Cambodia where there was no fighting. Since 1989, Cambodia has moved toward a market economy.

In 1991, the country succeeded in joining the Paris Peace Agreement and then, in 1993, approved a new constitution, which stated that “The Kingdom of Cambodia shall adopt the market economy system (Article 56).” Since then, the country has operated a private sector led economy open to FDI and, simultaneously, because of the combination of liberalized policies and a relatively peaceful and stable political situation, the economy has become more active and SMEs are booming more than in the last 20 years.

According to the 1994 Law on Investment, domestic and international investments are treated as equal and there is no discrimination between them (unless it pertains to land ownership). Under that law, and the 2003 amendment to the Law on Investment, Cambodia has attracted FDI, especially in the manufacturing sector.

Since the mid-1990s, the garment industry, supported mainly by Chinese companies, has led the economy, because under the ATC (Agreement on Textiles and Clothing) and MFA (Multi Fibre Arrangement) system, China, the largest exporter, was restricted in the amount of product it could export to these countries until January 2005. Since around 2010, reflecting the deterioration of the investment climate in neighboring countries, Cambodia has begun to attract more investors in the labor intensive sector besides the garment industry. Not only within the garment sector, but also in other manufacturing industries such as automobile parts, electronic parts and others, which need a lower cost labor force, have started to come to Cambodia. Japanese investors, whose numbers began to increase in 2010, have accelerated their activities in Cambodia throughout 2012 and 2013 because wages in Thailand, where hundreds of Japanese companies are located, increased drastically due to the minimum wage increase to 300B per day, in 2012 and 2013, making it necessary for them to find places where they can take advantage of a less expensive labor force. In addition to wages, other factors must be considered, such as the severe flooding in 2011, and the Thai government’s changing attitude toward accepting more high-technology industry. As in Thailand, wages in Vietnam and China have increased, leading more companies to seek their next location. Cambodia was one of the options for such companies because wages are relatively lower, greater numbers of young laborers are available, and it offers better access to the original production hubs because of the recent infrastructure development connecting major cities within the Greater Mekong Sub-regions(GMS).

More manufacturing industries started to invest in Cambodia in the 2010s,

besides the garment factories, which have more than ten years' experience. However, the newcomers, as well as the garment factories, have almost no connection with the local industries. According to the author's interview with foreign investors in November 2013, they have only a rare connection with the local economy except for boxes for packaging that are made in Cambodia¹. One producer of electronic parts clearly noted that they needed only the labor force in Cambodia and never planned to procure anything from the local market since they import all of their materials from the original production hubs, such as Thailand.

Similar developments also can be seen in the service sector, such as the wholesale and tourism sectors. Foreign hotels and wholesalers have now started to invest more in Cambodia, however they rely more on imported materials and rarely procure them from local enterprises in Cambodia because of their quality, unstable supply system and so on².

This means that, even though Cambodia has succeeded in attracting more FDI, it has failed to build additional domestic value, and there is the ongoing concern that the FDIs might leave the country.

1.3. The Present Situation of Local Enterprises

(1) The Share of SMEs in the Cambodian Economy

According to the 2011 Economic Census, 99.8% of the establishments in Cambodia are SMEs that employ fewer than 100 workers, and 73.0% of Cambodia's workers are working in SMEs. In the manufacturing sector, 99.4% of the establishments are SMEs; however, some larger factories employ more than 5,000 workers. That means 35% of the country's manufacturing sector workers are employed by SMEs and 65% are in factories that have more than 100 workers (Table 2).

—Table 2—

By province, SMEs are located all over the country in proportion to the population; however, large factories are concentrated mainly in Phnom Penh and Kandal,

¹ One garment factory answered that they procure some accessories from the local market but they are made in China and imported by other companies.

² Author's interview to the investors in August and November 2013.

surrounding Phnom Penh (Table 3). Recently, more large factories have begun to locate in the SEZs along the border with Thailand or Vietnam, and those new comers are not included in the statistical data in 2011. As of 2013, there are three factories in Banteay Meanchey (Poi Pet O'neang SEZ), two in Koh Kong (Koh Kong SEZ), and more than 40 factories are in Svay Rieng (Manhattan SEZ and Tai Seng SEZ) provinces³.

—Table 3—

(2) Types of SME Industry in Cambodia

Mainly, Cambodian SMEs are active in the service sectors such as retail trade, food, education, and so on. Food processing, wearing apparel, textiles, non-metallic mineral products, and metal product producers are the top five in the manufacturing sector (Table 4). The food processing industry is especially prevalent throughout the provinces in response to demand and the fact that raw materials are available throughout the country. Cambodia's textile industry includes traditional silk weaving, which is handled by farmers in the provincial areas.

—Table 4—

2. Approaches to SME Development

2.1 Policies at the National Level

The Government of Cambodia recognizes that SMEs play a significant role in promoting economic development and creating sustainable employment and income to reduce poverty. Therefore, major policy documents such as the Rectangular Strategy (RS, Phases I to III, since 2004) and the National Strategic Development Plan (NSDP I, II and II updated, since 2004), always mention SME development. Since the mid-2000s, the number of cooperative efforts between the government and private sector to promote SMEs has increased. Now multilateral and bilateral donors are also interested in supporting this policy. There are even enterprises, that were originally active as non-profitable NGOs because they started to think that the business was necessary to improve the people's livelihood in the long-term. The promotion of local SMEs is

³ Author's interviews in each SEZ in August and November 2013.

becoming one of the major development goals for Cambodia.

The Rectangular Strategy counted SME promotion as an important pillar for private sector development and stated that “Financing, management, and technology are major challenges for SMEs in Cambodia,” in RS III. It says the government will focus on formulating the Industrial Development Policy based on two key approaches: (1) Expansion of the industrial base supported by increased attraction of Cambodia for investors and investment promotion including modernization of SMEs; and (2) Improved connections with regional production networks to integrate with and move up the global value chains.

The same as the RS, the updated NSDP II (2009-2013) recognizes that further development of the SME sector provides benefits for rural communities in the form of processing and adding value to products, as well as creating employment. It also aims at SME’s to create important links with the trading sector, as well as with larger enterprises.

2.2 SME Development Framework

The SME Development Framework was submitted in 2005 by the Sub-Committee on SME. It focuses on three key areas: (i) The regulatory and legal framework, (ii) Access to finance, and (iii) SME support activities.

Several issues were identified and discussed within each of these three key areas, including background information and the constraints and objectives faced by SMEs. With regard to the regulatory and legal framework, one significant issue is the need to streamline the process and reduce the cost of company registration. Currently, registration represents one of the highest cost and time expenditures in the region. A second priority is establishment of a regulatory review process and recourse mechanism that focuses on reducing the number of overlapping licenses issued by most ministries, a situation that imposes a severe burden on SMEs. Thirdly, the need to establish a legal and commercial framework is highlighted as an important part of the strategy.

The second key strategy is improving access to finance. This is a critical issue for all businesses, and it continues to be a problem, particularly for SMEs. Among the issues addressed by this strategy are: (i) Collateral and land titling, (ii) Leasing, (iii) Credit information sharing, (iv) Simplified accounting for SMEs, and (v) Non-bank financial institutions.

The third key area is improving support activities for SMEs. Delivery of support services offers the government an important role to play in addition to that played by the private sector. Where public goods and services are involved, or where there is market failure, the government should take the initiative, either by itself or in partnership with the private sector.

The SME Development Framework has been designed to improve and coordinate the government's efforts to promote SME activity in a market economy. In doing so, it incorporates and elaborates the government's key SME policies, including those set out by the government's RS.

The SME Development Framework is intended to serve the government as a road map for development of the SME sector. In so doing, it should be seen as a "living document", which can be amended as conditions faced by SMEs and the government's capacity to deliver services change. The framework also provides a focal point around which government and donor discussions and activities can be coordinated.

The Industrial Development Policy (IDP) is under discussion as of the end of 2013, while the government is also upgrading the SME Development Framework. IDP will include the promotion of local SMEs as well, since the SMEs are the main players in the economy.

2.3 Institutions

The Ministry of Industry, Mines and Energy (MIME) is in charge of managing SME issues in Cambodia. The Inter-Ministerial SME Sub-Committee was established to promote the development of cooperation among various institutions through private sector representation. The committee's secretariat, located within the MIME, supports this function and coordinates activities. Implementation of the road map will also require the government to collaborate with donors and support the development of and coordination among business associations.

To promote cooperation with the private sector, the government of Cambodia established the Government-Private Sector Forum (GPSF), which is composed of eight Technical Working Groups (TWG). The Manufacturing and SME TWG is co-chaired by the Minister of Industry, Mines & Energy and a representative of the Cambodia Chamber of Commerce.

In 2013, the government decided to establish the Ministry of Industry and

Handicrafts, which was originally contained within the Ministry of Industry, Mines and Energy. Ways to promote SMEs will be considered in the newly discussed industrial policy and by the new ministry.

—Figure 1—

2.4 Cooperation within the Private Sector

Within the private sector, there have been several associations formed to promote SME development, and share information and facilitate problem solving.

There are some associations for cooperation within the private sector such as the Federation of Associations of SME of Cambodia (FASMEC, established in 2010), the Cambodia Small and Medium Enterprises Association (CSMEA, established in 2006), the Phnom Penh Small and Medium Industry Association (PSMIA, established in 2004), the Cambodia Women Entrepreneurs Association (CWEA, established in 2011) and so on. Each of these has approximately 100 members. These associations aim to take a defined role in providing information, training, and so on from international societies to member enterprises; however, not all these organizations are active and working effectively for the member enterprises.

FASMEC is a recent initiative to gather together various business associations and commercial enterprises throughout the country, which was organized by two businessmen⁴ to take up the challenge of setting up with support from the MIME. The members share the same vision, and it is one of the most active associations for SMEs now. FASMEC is committed to achieving the following mission objectives:

- Promoting SMEs in Cambodia.
- Acting as the main conduit for dialogue on SME issues with the government through the GPSF.
- Seeking technical and financial support from the government, and multilateral and bilateral aid agencies for SME improvement.
- Facilitating problem solving between SMEs and the government.
- Providing relevant vocational training and capacity building for SMEs.

⁴ Local businessmen, Okhna Te Taing Por and Okhna Hun Lak started FASMEC.

- Partnering with government institutions to improve productivity, standards, export procedures, etc.
- Assisting SMEs with business registration, licensing and permits in the most efficient and cost-effective way.

3. Cambodian Local SME's Participation in the Global Value Chains

3.1 Example of the Manufacturing Industry

In the mid-1990s, some foreign garment factories started investing in Cambodia because of its ability to offer a freer market access to the United States and the European Union than China, the largest garment producer in the world. Because the ATC/MFA system restricted China's exports, Cambodia has enjoyed substantial FDI into its garment sector since the mid-1990s. Raw materials are imported from China, Hong Kong, and neighboring countries, and then the finished garments exported to the US, EU and other major markets, such as Japan. Even though the factories in Cambodia handle the Cut, Make and Trim (CMT) process, garment exports have occupied more than 80% of the export value of Cambodia and support its economy (Ear 2013).

—Table 5—

At the same time, diversification of the economy has been a major policy concern for Cambodia because of its excessive dependence on the garment sector. Since 2010, however, new types of investment, such as electrical parts and automobile parts, have made an appearance. These had originally invested in Thailand and the neighboring countries, and they have transferred only those processes that demand more labor to Cambodia's border areas or Phnom Penh, which have better connections along the Economic Corridor within the GMS. These companies import everything from Thailand and, after processing by the Cambodian labor, export the finished products to Thailand.

Even within the garment industry, which has a longer experience in Cambodia, the factories import all of their raw materials, and rarely procure raw materials locally. Quite recently, they have begun to use cardboard boxes made in Phnom Penh for packaging; however, their primary materials, such as textiles and accessories, are always imported from China and the neighboring countries. Design processes are also

completed in other countries, as are pattern making and certain other steps that require more advanced techniques offered by foreign experts, although the percentage of foreign experts working in the factories in Cambodia is currently being reduced through efforts to grow Cambodian supervisors, engineers, and others.

The FDI in other sectors is the same, in that they import almost all raw materials from other countries and use the relatively younger and cheaper labor force in Cambodia. Because the activities of these factories are limited to specific areas, such as Special Economic Zones (SEZs), only the foreign invested factories themselves join the international network, while the other companies within Cambodia never have a chance to join this kind of network or GVC. Some foreign investors never expect to procure anything tangible from Cambodia, but still, these companies, and potentially all of the FDIs would be happier procuring better quality parts from domestic sources if such products really exist in Cambodia, from the view point of cost effectiveness. Thailand and the other Asian countries have experienced similar pathways, in that they first attracted FDI, then fostered the local enterprises to support the FDI. However, as of the beginning of the 2010s in Cambodia, it is difficult to see such connection or participation by local SMEs into the GVC (Figure 2).

—Figure 2—

3.2 Example of the Rice Milling Industry

The government of Cambodia established a rice export policy in 2010, with the goal of exporting more than one million tons of milled rice by 2015. Because job creation is not yet sufficient for the new, increasing, young population, the creation of jobs and income sources for the 78% of Cambodia's population now living in rural areas remains a crucial issue for Cambodia. Formerly Cambodia had surplus rice production; however, it was always unofficially exported to the neighboring countries without milling, because of the lack of market information or lack of negotiation power with the middlemen.

In 2013, Cambodia exported 37, 8856 tons of milled rice to its main markets in the EU, Africa and China (Table 6). The EU applies Everything But Arms (EBA) treatment, which imposes a zero tariff and quota free access to the EU market for LDCs to import Cambodian rice since 2011, and this also supports the promotion of rice

exports from Cambodia. With this treatment, Cambodian rice has found some viable markets in the EU. Besides the EU, there is more market demand from China and some African countries. Cambodian rice millers export fragrant jasmine rice which is most expensive, long grain white rice and other types of rice including organic rice, to the international markets.

—Table 6—

FDI also began to invest in this sector; however, local companies are still the major players in the rice milling industry, unlike the garment industry that is predominantly handled by foreign companies. There are several associations among the rice milling exporters such as the Alliance of Rice Producers & Exporters of Cambodia (ARPEC,⁵ Established in 2012), the Cambodian Rice Exports Association (CREA⁶, Established in 2012) and so on, which are led by local large scale rice milling companies and involve the local SMEs such as rice millers, rice traders and suppliers of rice equipment etc., currently established to promote the rice export. In December 2012, the Federation of Cambodian Rice Exporters (FCRE) was inaugurated, which would gain full authorization from the government to deal with any and all issues within the rice industry⁷.

Individual local and larger scale rice milling companies in the rice sector have started to join the GVC. They collect rice from farmers directly, or via middlemen, or smaller scale rice millers. Most of the large scale local rice millers started their business in the 1990s as smaller scale rice millers, and then they developed their activities from the domestic market into the international market in the late 2000s. Larger scale local rice milling companies actively receive technical advice through trading or dealing with foreign companies, especially Thai experts, who know how to access the international markets. It can be pointed out that trading with markets outside the country provides them with longer-term opportunities to gain more information, skill, and new opportunities.

⁵ The chairman is Okhna Phou Puy, Baitang PLC, and the president is Okhna Hann Khieng, Muhibbah Engineering Co., Ltd.

⁶ Okhna Lim Bunheang, Loran Group Plc. is the president of CREA.

⁷ “Rice federation started,” *Phnom Penh Post*, 17 December 2012. Okhna Kim Savuth, Khmer Food Co., Ltd. is the president of the FCRE.

Unfortunately, however, there are other challenges for promoting Cambodian rice and the rice millers to participate more deeply with the GVC. In the EU market, some Cambodian rice is sold as Thai rice because consumers are not familiar with Cambodian rice⁸. They are now looking toward the future when they can sell their own rice under their own brand names in the EU or in the international market.

According to the author's interview with a rice exporter, one of the main bottlenecks for domestic rice millers is access to necessary financial resources. Upgrading their machinery requires a significant amount of cash; however, even though some support is available for the rice millers, it is still difficult for many of them to obtain the right support at the right time, due to poor governance.

—Figure 3—

3.3 Bottlenecks for Local SMEs to Connect with the GVC

If local enterprises can trade with foreign companies, the experience can offer them more chances to learn new technologies that can be used for further improvement and provide long-term opportunities⁹. Even if both of sides wish to trade with each other, several factors inhibit their ability to do so.

There have been various surveys done by international organizations and researchers to point out those bottlenecks (Chap 2013, Chheang et al 2010, Ung and Hay 2011). Firstly, it is said that suitable goods manufactured by Cambodian companies do not yet exist because Cambodia imports a wide variety of the required products, including those for daily consumption.

Secondly, SMEs are not yet well enough equipped or developed to provide better quality goods. Previous studies have revealed several bottlenecks, in addition to severe competition from products from the neighboring countries, including:

- Higher cost of infrastructure especially the cost of electricity.
- Shortage of technicians and skilled workers.
- Limited access to financial resources.
- The lack of governmental support, especially in human resource development,

⁸ Author's interview with a rice milling company in November 2013.

⁹ Author's interview with a local food processing company in November 2013.

market information, market access, and technological innovation.

The price of electricity is still quite high compared to the neighboring countries, 1.5-2 times more expensive than Thailand and Vietnam and although the road infrastructure is now improving, this still needs more improvement. Human resource development is one of the priority issues among the development challenges in the RS III. The improvement of access to finance is the key for many SMEs to expand their business.

Thirdly, even if Cambodian enterprises can produce better quality products at reasonable prices, the awareness barrier based on the level of Cambodian enterprises' compliance capability, remains. Some foreign companies cannot trade with companies involved in illegal activities, those that never pay taxes, or exploit workers with extremely poor labor conditions and so on, because of the legal and social responsibility and accountability requirements in their home countries.

For the labor standard, the garment factories that export their products to international markets are monitored regularly by the Better Factory in Cambodia project by the ILO to ensure they follow the Labor Law¹⁰, therefore, relatively better conditions by the LDCs are observed in Cambodia. For other compliance issues there remain many unclear points to be resolved by the Cambodian local enterprises. For example, many Cambodian SMEs remain unregistered or have no official status. Recently, more SMEs have registered with the Ministry of Commerce; however, tax registration and tax payment is not yet managed appropriately nor implemented effectively.

The Cambodian government has begun to promote the registration of companies and the number of registrations with the Ministry of Commerce has increased dramatically. Since the reforms started in 2005, the number of registered companies has increased every year. In fact, in 2008, that number was double that in 2005 and it is still increasing, though more than 97% of SMEs are not yet registered according to the economic census 2011. The value of tax collection has also increased in the last three years¹¹. However, there are still a certain number of enterprises with an unofficial status or without transparent accounting. Without effective governance, SMEs are missing the

¹⁰ Better Factory Cambodia is the project to monitor the labor standard in garment factories in Cambodia, and was started in 2001.

¹¹ "Government Sees 17% Increase in Tax Revenue" Cambodia Daily, December 6, 2013.

opportunity to trade with better qualified investors and buyers and allow them to connect with the GVCs.

Conclusion

Despite rapid economic growth, Cambodia still has many poor people, and solutions for the challenges of inequality are crucial for the country's current stability. To achieve inclusive development, enabling local SMEs to join the GVC is one of the essential challenges. The Cambodian industrial development status is categorized as just at the first stage in the GVC oriented strategy. The Industrial Development Policy is now under discussion in Cambodia. It intends to let the country move to a higher value chain in the regional and global economy, especially within the rapidly growing Asian market, while paying attention to upgrading skills and vocational training for Cambodian workers at all levels.

Several bottlenecks challenge the ability to grow enough to join the GVC, including higher costs of electricity, poor access to finance, and limited access to skilled human resources, etc. Compliance with the basic rules is also crucial for local companies as they attempt to build relationships with better-qualified foreign investors or buyers and thus learn higher skills from them. Garment and other manufacturing industries have now started to make connections with local enterprises, but the efforts are just starting and will take time to develop.

The rice milling industry is one industrial sector that is expected to develop to the next stage, and it has just started to export to international markets. In the rice sector, too, access to finance continues to be the big bottleneck; however, with steady demand and the establishment of trade with international markets through official routes this sector is now expected to expand gradually.

To address the challenges discussed in this paper, the government's continuous effort to improve the business environment for local SMEs is necessary, at the same time, the private sector, including the local SMEs, needs to change and understand the importance of long-term benefits, such as complying with international standards not only in final products but also in the production process.

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Table1: Poverty and Inequality in Southeast Asia

Poverty headcount ratio at USD 1.25 a day(PPP) (% of population)				
Cambodia	1994	44.5	2008	22.8
Indonesia	1990	54.3	2010	18.1
Malaysia	1992	1.6	2009	0.0
Philippines	1991	30.7	2009	18.4
Thailand	1990	11.6	2009	0.4
Vietnam	1993	63.7	2008	16.9
Poverty headcount ratio at USD 2 a day(PPP) (% of population)				
Cambodia	1994	75.2	2008	53.3
Indonesia	1990	84.6	2010	46.1
Malaysia	1992	11.2	2009	2.3
Philippines	1991	55.4	2009	41.5
Thailand	1990	27.1	2009	4.6
Vietnam	1993	85.7	2008	43.4
Gini coefficient of inequality				
Cambodia	1994	38.3	2008	37.9
Indonesia	1990	31.3	2011	38.9
Malaysia	1992	48.5	2009	46.2
Philippines	1991	46.2	2009	43.0
Thailand	1990	42.9	2009	40.0
Vietnam	1993	35.5	2008	35.6

Source: OECD 2013.

Table 2: Number of SMEs in Cambodia**All Sector****Manufacturing Sector**

All Sector			Manufacturing Sector			All Sector			Manufacturing Sector			
Employment	Establishment		Employment		Employment	Establishment		Employment		Employment	Establishment	
Size	Number	Share (%)	Number	Share (%)	Size	Number	Share (%)	Number	Share (%)	Size	Number	Share (%)
1	222,150	44.0	222,150	13.3	1	23,877	33.4	23,877	4.5	1	23,877	33.4
2	176,211	34.9	352,422	21.1	2	28,709	40.2	57,418	10.8	2	28,709	40.2
3	46,372	9.2	139,116	8.3	3	8,542	12.0	25,626	4.8	3	8,542	12.0
4	20,874	4.1	83,496	5.0	4	3,988	5.6	15,952	3.0	4	3,988	5.6
5	10,752	2.1	53,760	3.2	5	1,912	2.7	9,560	1.8	5	1,912	2.7
6	6,615	1.3	39,690	2.4	6	1,106	1.5	6,636	1.3	6	1,106	1.5
7	4,140	0.8	28,980	1.7	7	614	0.9	4,298	0.8	7	614	0.9
8	2,814	0.6	22,512	1.3	8	384	0.5	3,072	0.6	8	384	0.5
9	2,033	0.4	18,297	1.1	9	265	0.4	2,385	0.4	9	265	0.4
10-19	8,052	1.6	105,836	6.3	10-19	1,002	1.4	12,905	2.4	10-19	1,002	1.4
20-29	2,106	0.4	49,353	2.9	20-29	259	0.4	6,074	1.1	20-29	259	0.4
30-39	908	0.2	30,532	1.8	30-39	120	0.2	3,911	0.7	30-39	120	0.2
40-49	447	0.1	19,586	1.2	40-49	67	0.1	2,889	0.5	40-49	67	0.1
50-99	833	0.2	55,279	3.3	50-99	159	0.2	10,759	2.0	50-99	159	0.2
Over 100	786	0.2	452,239	27.0	Over 100	412	0.6	344,979	65.0	Over 100	412	0.6
Total	505,093	100	1,673,248	100	Total	71,416	100	530,341	100	Total	71,416	100

Source: Economic Census 2011.

Table 3: SMEs by Provinces**All Sector**

Province	Small	Large	All
Phnom Penh	87,531	435	87,966
Kandal	48,303	106	48,409
Kampong Cham	56,228	34	56,262
Siem Reap	32,074	46	32,120
Battambang	34,076	17	34,093
Kampong Speu	22,521	15	22,536
Takeo	31,984	11	31,995
Banteay Meanchey	21,515	19	21,534
Prey Veng	29,926	7	29,933
Kampong Chhnang	19,678	11	19,689
Svay Rieng	15,214	30	15,244
Kampong Thom	22,278	6	22,284
Kampot	17,024	8	17,032
Preah Sihanouk	10,703	25	10,728
Pursat	12,072	3	12,075
Kratie	11,040	2	11,042
Otdar Meanchey	4,910	2	4,912
Koh Kong	5,049	2	5,051
Ratanak Kiri	5,479	1	5,480
Stung Treng	4,664		4,664
Preah Vihear	5,317		5,317
Pailin	2,865	5	2,870
Mondul Kiri	2,221	1	2,222
Kep	1,635		1,635
Total	504,307	786	505,093

Manufacturing Sector

Province	Small	Large	All
Phnom Penh	6,476	250	6,726
Kandal	7,203	90	7,293
Kampong Cham	7,385	18	7,403
Kampong Speu	5,993	10	6,003
Kampong Chhnang	5,553	7	5,560
Takeo	9,872	7	9,879
Svay Rieng	2,381	10	2,391
Preah Sihanouk	716	10	726
Prey Veng	4,474	1	4,475
Siem Reap	3,570		3,570
Kampong Thom	4,118	2	4,120
Battambang	2,912	1	2,913
Banteay Meanchey	2,664		2,664
Kampot	1,496	3	1,499
Pursat	1,489		1,489
Kratie	1,028	1	1,029
Preah Vihear	1,432		1,432
Stung Treng	749		749
Ratanak Kiri	414	1	415
Otdar Meanchey	367		367
Koh Kong	240	1	241
Pailin	197		197
Mondul Kiri	131		131
Kep	144		144
Total	71,004	412	71,416

Note: Small indicates the enterprises with less than 100 workers, and Large is those with more than 100 workers.

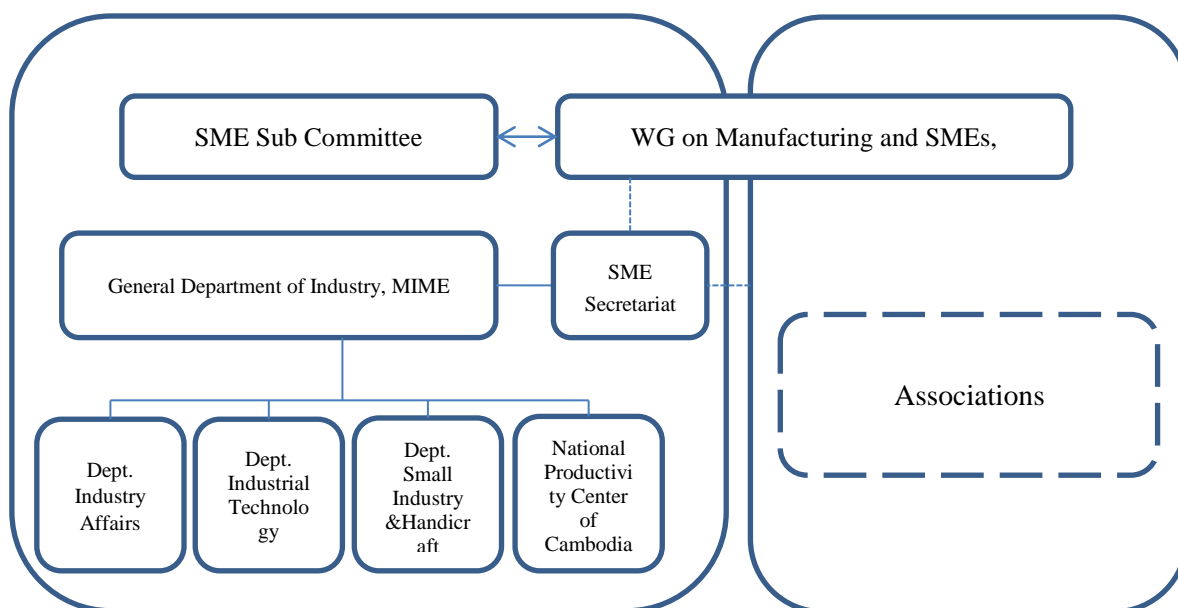
Source: Economic Census. 2011

Table 4: SMEs by Sectors

Rank	ISICs Code Sector		Cutoff employment to define SME		
			<100	<50	<10
			Establishment		
1	47	Retail trade, except of motor vehicles and motorcycles	261,064	261,035	260,308
2	56	Food and beverage service activities	66,892	66,838	65,047
3	85	Education	9,771	9,490	6,000
4	10	Manufacture of food products	27,627	27,614	27,323
5	45	Wholesale and retail trade and repair of motor vehicles and motorcycles	22,509	22,501	22,156
6	96	Other personal service activities	18,513	18,506	18,307
7	14	Manufacture of wearing apparel	15,671	15,630	15,412
8	46	Wholesale trade, except of motor vehicles and motorcycles	8,754	8,733	8,327
9	64	Financial service activities, except insurance and pension funding	3,499	3,437	2,892
10	86	Human health activities	4,671	4,645	4,225
11	55	Accommodation	2,721	2,678	2,225
12	13	Manufacture of textiles	8,898	8,880	8,769
13	94	Activities of membership organizations	6,069	6,039	5,654
14	23	Manufacture of other non-metallic mineral products	2,820	2,790	2,388
15	25	Manufacture of fabricated metal products, except machinery and equipment	4,727	4,722	4,610

Source: *Economic Census, 2011.*

Figure 1: Institutions to manage SMEs



Source: MIME website and various sources.

Table 5: Overview of the garment industry in Cambodia

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Factories	185	188	197	219	247	290	292	284	243	262	309
Workers	187103	210440	233969	269846	283906	334063	353017	324871	281855	319383	335432
Export (million USD)											
USA	828.51	959.5	1,122.99	1,272.11	1,564.63	1,906.07	1,999.41	1,987.94	1,507.72	1,819.75	2,068.00
EU	309.12	355.94	407.83	580.06	490.8	571	631.7	658.65	577.63	693.5	1,170.22
Canada	5.8	6.91	57.56	96.91	92.37	116.47	153.78	198.94	195.16	275.8	382.74
Other	13.4	21.32	21.31	33.71	42.51	57.97	81.43	135.74	138.06	219.1	426.1
Total	1,156.84	1,343.67	1,609.69	1,982.79	2,190.31	2,651.51	2,866.32	2,981.27	2,418.57	3,008.00	4,047.05

Source: Garment Manufacturers Association in Cambodia.

Figure 1: Connection with the international market: Garment and other manufacturing industry in Cambodia

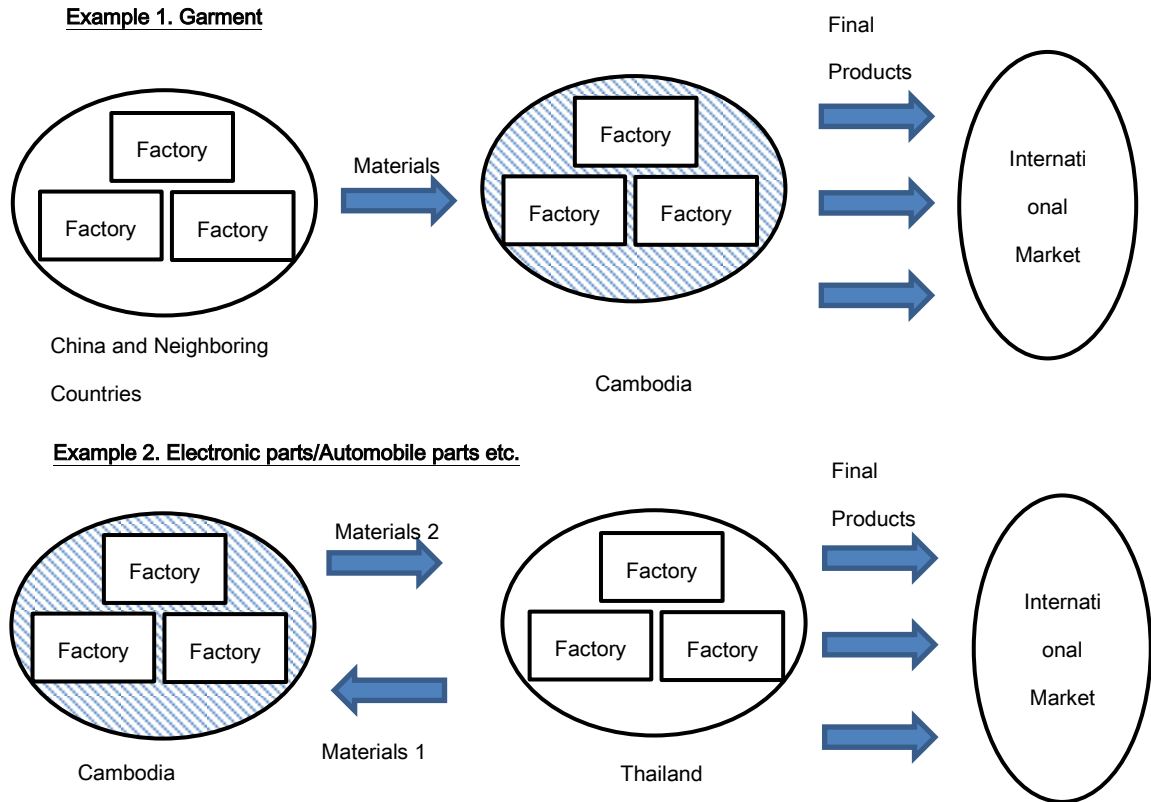


Table 6: Overview of the Rice Export of Cambodia

Year	2009	2010	2011	2012	2013
Amount (tons)	12,613	105,259	201,899	205,717	378,856

Export in 2013

Country	Amount(tons)
1 France	57,232
2 Poland	55,879
3 Malaysia	51,823
4 Netherlands	29,699
5 China	28,302
6 Thailand	23,550
7 Gabon	14,708
8 Spain	11,373
9 UK	11,373
10 German	10,564

Source: The Federation of Cambodian Rice Exporters

Figure 3: Connection with the international market: Rice industry in Cambodia

Example 3. Rice milling and food processing industry

