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Evaluation of the Cambodia Strengthening Micro, Small and Medium Enterprise Program

10 October – 13 December 2007

This publication was produced for review by the United States Agency for International Development. It was prepared under the USAID/Cambodia - Checchi and Company Consulting, Inc. Contract GS-10F-0425M, Order No. 442-M-00-07-00009-00. The report was authored by Thomas F. Miller, Team Leader (Wiles and McLaughlin, LLC), and Peter W. Amato. PhD (Wiles and McLaughlin, LLC)

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I. Executive Summary

The \$5 million USAID Micro, Small and Medium Enterprise (MSME) project is systematically strengthening all elements, except retail sales, of the production/marketing chain for pigs, pond aquaculture, and tile-making in four relatively poor Cambodian South Eastern provinces¹. The assistance model has proven effective in the Cambodian rural context. All elements of the respective value chains appear to have benefited. These gains – derivative from improved intra-value chain relationships and technical knowledge transfer -- will in all likelihood be sustained even in the absence of future assistance. Moreover, if this line of activity is continued and extended to additional provinces, replication of success is likely. Self-replication, thus far, is fairly localized. To achieve sustainable results on a national scale in a timely manner will require continued efforts beyond the project completion date.

The evaluation team was impressed by the project's work in the advocacy area. The project has facilitated a demonstration of effective, successful rural representation, within the national political process, for the redress of economic grievances – something arguably unprecedented in Cambodia. Project advocacy work is also supportive of USAID democracy, governance accountability, decentralization, and rural development objectives.

In pig production the impact is already national with substantial and documentable gains at all elements of the value chain. The project facilitated – with little direct technical assistance (TA) - better feed, breeds, and medicines. Piglet survival rates among lead producers in project-created interest groups have nearly doubled, and the leaner, healthier animals command a substantial price premium. This is being replicated at all scale levels and is allowing household-level producers to move to more viable, commercial scale operations. The project's advocacy activities were instrumental in curbing the flow of pigs (many diseased and fleeing home country health controls) from Vietnam and China. The consequent increase of more than 50% in farm gate prices² has raised producer incomes well beyond the targeted provinces, and is thought to be engendering a strong investment response at a national level.

Pond fish production has benefited, but the impact has been more localized. Still, with facilitated (and embedded³) TA engendering better feed, medicines, pH (acidity/alkalinity) control, and other improvements, lead producers are seeing yield increases on the order of 5 to 7 times⁴. Replication throughout the target value chain has been rapid. However, given the low starting base, and strong popular preference for wild fish, the impact to date is localized.

Tile making, with its substantial scale economies, has responded rapidly to facilitated TA. Gains in production efficiency, energy efficiency, and quality can be traced directly to project

¹ Prey Veng, Svay Rieng, Kampong Cham, and Kratie

² Estimate by Phil Psilos, DAI pig consultant

³ TA is embedded when it is bundled with and included in the cost of other goods – e.g., when the input supplier provides information on PH control.

⁴ Reported by producers interviewed and supported by project M&E data.

activities. Most notable of these are the project arranged trips to Vietnam and Thailand, where assisted producers forged links with kiln designers, machinery manufactures, and input suppliers. The project activity has accomplished these gains despite being handicapped by being directed to work in relatively poor provinces with relatively low economic potential. The disciplined “value chain” (VC) approach, focusing on fostering appropriate supportive relationships within given VCs, has proven appropriate to the rural Cambodian context. DAI implements the VC approach in a strict manner, not providing direct technical assistance (TA) but rather facilitating TA transmission from within the value chain and doing so without transaction subsidies, and with absence of “freebies”. This discourages participation of those not intensely interested in accessing TA or improving their supply chain relationships. Indeed the lack of tangential benefits appears to lead to a self-selection of those beneficiaries who would most benefit. The TA facilitation only model also avoids displacing/superceding elements of the value chain – i.e., a situation in which the donor substitutes for service or input providers and thereby inhibits development of that link of the value chain. The DAI approach seems inherently sustainable as the TA transfer is permanent and the transfer mechanism – self-interested cooperative behavior within the VC – has been demonstrated to be good business practice. Moreover, the “facilitation only approach” appears especially cost-effective. Lastly, the evaluation team observed, and project data supports, a gender reverse bias, with woman-run businesses disproportionately benefiting.

However, little was accomplished during the first year of the project. There were also disappointing results with respect to fostering access to credit and agricultural machinery value chain development. The effort directed at boosting credit to the VCs suffered from the apparent operational rigidity of medium size financial institutions (MFIs), which made it difficult to promote them as a preferred source of MSME financing. For different reasons, the Agricultural Machinery VC elements proved insufficiently responsive to project entreaties, and showed little inclination for cooperative behavior. Lastly, improving opportunity for vulnerable Trafficking-In-Persons (TIP) victims from within the project framework was problematic. TIP participants were not welcomed by members into the existing VC interest groups. Moreover, effective assistance to TIP participants required a level and type of subsidization antithetical to the MSME project concept. Accordingly, the TIP activity could not be made to fit within the project context. The above all seem to be the result of flawed assumptions and perhaps inadequate pre-implementation research. The evaluators do not see them stemming from current operational behavior. Rather, the project made a judicious choice to rethink credit operations, phase-out of the Agricultural Machinery VC, and compartmentalize TIP activities.

Regarding project management, the evaluators see excellent leadership, a strong well-mentored staff, and consistent application of a successful model and operating style. Innovation, reasonable risk-taking, and taking advantage of unforeseen opportunity are areas of strength. Initially there was a difficult start-up period with a steep learning curve, but that is clearly in the past not the present. Still, even now some problems remain with respect to insuring timely and user-friendly reporting.

The project is now intent on building on its successes. Extension of MSME activities to two provinces⁵ neighboring Phnom Penh is proposed. This would involve working with the same

⁵ Kandal and part of Kampong Speu

three key value chains (swine production, fish pond aquaculture and tile making). The evaluation team sees this as a logical expansion of the activity and well within existing staff capabilities.

In addition, with the lifting of US legislative restrictions on working with the central government, the project has recently taken a group of provincial officials to Vietnam to observe how Vietnamese provincial officials are supporting/promoting business development. This reportedly has been well received by the officials involved. An orientation to more business-friendly provincial economic governance is clearly desirable.

Other activities working directly with government officials under a public sector value chain enhancing rubric are contemplated. In any such endeavors, we would urge that the provincially-based, bottoms up approach be maintained – this is the strength and uniqueness of the MSME activity. With less than a year remaining in the project’s life, lateral expansion rather than new modus operandi is appropriate. An approach to central government actors makes sense to the evaluation team, but only derivative from VC related advocacy activities operative within the target provinces. A more expansive, top-down effort to improve the business enabling environment is needed in the longer term but, while drawing from lessons learned in the MSME project and building on the experiences of that project, may best be done outside the MSME platform to preserve the MSME bottom-up approach.

The project thoroughly grounds USAID with respect to operating realities of the rural Cambodian context. It is a good base upon which to build. The sustainability of the assistance model, its cost-effectiveness and its potential replicability should serve USAID well. The project also shows the value of a careful, well-thought out approach focusing on narrow economic issues specific to given value chains. These have demonstrated clear returns to rural Cambodians, and facilitated development of effective, activist economic interest groups. Equally important is the demonstration that this can promote responsive democratic processes. Impressively, the project’s major advocacy endeavors have elicited a positive, non-hostile response from the political elite.

II. Methodology

This mid-project evaluation was undertaken by a two person team of experienced (retired) USAID professionals – one an economist and program officer, and the other a business development specialist and private sector officer. Both have extensive experience with economic policy and business development assistance activities. The project – a three-year rural-based micro and small enterprise development effort, is in its third year and the Mission is considering options with respect to its EG portfolio. The Task Order scope of work emphasized assessing the effectiveness, cost-effectiveness, sustainability, and replicability of the activity. Eighteen days of field work was authorized in addition to three days pre-trip and three-five days post trip work. The two person evaluation team reviewed project documentation in preparation for the evaluation. The team visited two provinces, Prey Veng and Kampong Cham, on two separate field trips where they interviewed suppliers and producers in the three key value chains. They also spoke with a limited number of traders (middlemen), during each field visit in each

VC. The workings of downstream VC actors -- processors, wholesalers, retailers-- although part of the MSME VC, were of less significance and, given time constraints, none were interviewed. The evaluators witnessed a formative meeting of a new project community interest group. Lastly, and most importantly, considerable time was spent with project personnel, both local and American, and with project consultants.

The beneficiaries described their experience with relation to the project – specifically how and to what extent they benefited; what they saw as the benefit to others; and how their operations’ business decisions changed as a result. In addition beneficiaries spoke to what types of project facilitation they found most useful, and how they related to the project implementers. One particularly successful advocacy activist described how the project had assisted with curbing pig imports and illegal slaughterhouse fees. Detailed discussion with project personnel provided program operations detail, technical information, and a sense of project operating style and evolution. The information gained served to corroborated the M&E data found in the project reporting documents.

To provide broad context and a full range of viewpoints on the MSME activity, the team also interviewed stakeholders, both direct and indirect, and development practitioner peers. These included: provincial-based Commerce Ministry officials. The Ministry of Industry official responsible for SME development, international financial institution program officials, local professionals, and operations level program implementers with other bilateral assistance activities.

III. Country Context

Cambodia is poor with a per capita income of some \$513, and roughly one-third the population lives under the \$1 per day poverty line. The population is one of the world’s youngest and job creation sharply lags procreation. Roughly one-third of GDP originates with agriculture more than half of which is farm crops. Agriculture employs some 60% of the labor force. Garment and other export processing activities are increasing rapidly and are a major exchange earner. Most positively, the country is now thought to possess substantial mineral resources. Petroleum prospects in the Gulf of Siam are especially promising. Cambodia is a member of the ASEAN block and has strong economic linkages with both Thailand and Vietnam.

The donor context is highly important in Cambodia. Collectively the donors contribute more than \$500 million per year – in excess of 15 % of GDP. Donors operate within a framework established under the World Bank sponsored Tokyo Cambodia Consultative Group accords of 1996. More than 19 donor and international organizations maintain economic assistance programs. Many of these contain business development elements that are notionally described as “value chain” type activities. Though the donors try to speak with one voice to the government, their individual activities in some cases overlap unproductively, both substantively and geographically. They are amenable to coordination only at the broadest level. Most donor programs center on Phnom Penh and surrounding provinces or on tourism-intensive Siem Reap. “Donor pollution” is a term one hears all too frequently and it refers to the collateral damage of poorly designed/implemented assistance projects. These can distort the incentive structure

and/or displace elements of the value chain, impeding rather than hastening sustainable development. The relative size and breadth of the donor community in Phnom Penh makes this especially problematic here.

Many other donor programs predate the USG assistance effort. For political reasons, the latter was relatively late in starting and, until the start of this fiscal year, was precluded from working with the central government. The USAID MSME activity gives the appearance of being crafted to fit into what, at the time of design, would have been a potentially difficult situation. More specifically, MSME is clearly and closely bounded --substantively, geographically, and time-wise. Moreover, it operates in areas where other donor presence is low, and where there is potential for making a positive impact with relatively small risk of political complications. Lastly, by choosing to work in programmatically difficult and less desirable areas, the USAID effort fit well into the collective donor effort and positioned USAID as a “team player”.

IV. Project Overview

MSME is in the third year of a three year effort, initiated in October of 2005 and ending September 30, 2008. It is budgeted at \$5.0 million including a \$150,000 dollar add-on for TIP. The intent is to strengthen micro, small, and medium size enterprise development using a value chain (VC) approach, working in a limited number of VCs. Four target provinces were specified: Kratie, Prey Veng, and Svay Rieng, and Kampong Cham, the first three of which are poor by Cambodian standards. After some expensive surveying, the contractor (DAI) chose four VCs – pigs, pond fish aquaculture, tile-making, and agricultural machinery. In addition, the project had specific components to address credit and finance, and advocacy needs. A strong gender bias in favor of women was also intended. Later a TIP (Trafficking In Persons) component was added.

The initial start-up was slow and protracted. Little in the way of results were achieved in year one. The implementation team was slow off the mark, lacked a coherent operational philosophy, and showed evidence of internal dissent. Both USAID and the DAI home office felt that a change of leadership was needed. The Chief of Party job was given to the then deputy COP. In the view of those the evaluation team talked with – USAID project managers, project staff, and other donor peers -- substantial improvements in all aspects of project implementation dated from this change. All praised the new COP’s performance. This evaluation will focus on year two and beyond, which we deem as relevant to the effectiveness, relevance, impact, and sustainability questions central to the evaluation SOW. Moreover, the more important positive lessons learned are to be found in the more recent period.

As structured currently, the implementation team consists of two expatriates (the Chief of Party and the Deputy Chief), 12 local professionals, and 8 support personnel. There is also an episodic flow of short term foreign consultants – sometimes as many as three and averaging perhaps one or two at any given time. MSME also has in place a contract with Indochina Research Limited for M&E survey work. (An earlier arrangement with a different provider was discontinued when project personnel were unhappy with initial baseline survey work.) The partnership with the Asia Foundation (TAF) was phased down as its operating philosophies differed from the project

model. COSECAM runs the project's anti- "traffic-in-persons" activity, reporting through the project but now running a more or less free-standing operation. The project's main office is located in Phnom Penh with satellite offices in Prey Veng and Kampong Cham. A guest house is maintained for field personnel and visitors in Kampong Cham, and hotels are used elsewhere. Operational personnel are organized along value chain lines, each headed by a technical specialist. For practical reasons, one of these will have the coordination lead in each of the locality operating areas. All the professionals are based in Phnom Penh, but spend the bulk of their time in the field. The project team meets collectively twice a week in Phnom Penh to report and coordinate.

V. Value Chain Theory and MSME Implementation

"Value chain" (VC) refers to the entire interrelated set of business linkages and relationships necessary to bring a product to market. The essence of the approach is to foster effective and efficient vertical and horizontal linkages between the enterprises in the chain. Value chain actors include input suppliers, producers, traders, processors, wholesalers, and retailers. They also includes suppliers of technical and financial services. A "value chain" approach focuses on the interface of business relationships – building trust, and promoting information flow. Value chain methodology subsumes the "cluster" approach which focuses on horizontal linkages e.g., the supporting linkages for a particular stage of production -- business associations, specific classes of services, specific linkages across an industry.

The MSME Cambodia Project embodies what could be called a disciplined value chain approach. The basic program model is: to identify chains with high unrealized potential; create interest groups; facilitate TA to leading enterprises in the interest group; and promote secondary TA transfer to the broader group via a demonstration effect. The process is disciplined in its narrow focus on relationships, and in working with a small number of chains in a relatively comprehensive manner (neglecting only the far downstream retail component.) Target VCs are holistically analyzed, looking for potential gains from improved intra-value chain relationships. The development of interest groups is then fostered, with due attention to the creation of trust relationships with project personnel. Enterprises within the VC are brought into close contact with one another through trips, joint meetings, product promotions and other activities. Sources of technical assistance within the value chain are promoted, based on the source's own self-interest. For example, suppliers of vaccine benefit from providing swine-raisers the TA to use their vaccines correctly and effectively; feed suppliers from demonstrating the effectiveness of proper feed and pens; machinery makers from showing effective use of their product, etc. Such "embedded" TA is usually clearly in a suppliers' self interest. The project facilitates relationships which makes self-interest cooperation productive and practical for all concerned.

The project itself provides little direct TA. Rather, it facilitates TA provision through the creation of mutually beneficial self-interest relationships within the value chain. The MSME activity is disciplined in its adherence to this principle. Moreover, in the facilitation process, care is taken to avoid any direct transactional subsidies – actual project subsidies are at arms length, e.g. the facilitators, the meeting hall, and the bus, but never on the commodity or service. The facilitation itself is low-keyed. If there is no initial receptivity, the effort is dropped and

begun again elsewhere. The nature of this assistance precludes displacement of essential elements of the value chain – a serious problem in some donor projects. Lastly, minimal non-TA benefits are provided. No monetary per diem is paid to trip participants, nor are commodities or services provided directly or transactionally subsidized. Thus there is little in it for participant beneficiaries except the new relationships and the associated TA. This technique appears to effectively screen out less serious participants. It should be noted that the result appears highly cost effective – and sustainable -- relative to more traditional client-based business development programs in that the costs of TA are largely borne within the VC itself.

VI. Program Components

Components 1 and 2: Enhanced Capacity in Target Value Chains and Project Assisted Enterprises

a. Swine Production

The project works, at present with over 1000 micro and small size pig raisers. Monitoring and evaluation data suggests that the average sales value for these has been rising by some 25% per year for the two project years⁶. No comparable information is readily available for the income trends for small and micro enterprise farmers outside the target area.

Interviewees – micro- and small scale swine raisers – consistently reported that the project significantly added to their incomes. The extent of benefit seemed to vary with the length of participating time in the project, the producer's starting point, and the particular province involved. Kampong Cham Province, with the highest per capita income of the project's four provinces, had the best results.

The swine producers' felt that their field trips to Thailand were especially successful – resulting in a wealth of knowledge on the three major components in pig raising: survival, breed and feed. Project facilitation of better sty designs, genetic stock, feed, access to vaccines and veterinary services has greatly improved profitability at all scale levels. MSME pig raisers enthusiastically spoke of major gains. In a number of cases the TA enabled progression from household to commercial production. M&E survey data seem to confirm that interest group members experienced substantial economic gain. The team also interviewed several feed and medicine suppliers, who stated that their businesses have benefited from association with the project. More specifically, increased embedded TA, facilitated by MSME, boosted the number and marketability of downstream producers' animals, with consequent increases in demand for the supplier's products. The project has also promoted biogas generation, facilitating relevant TA to its interest groups from a Dutch assistance project.

⁶ The original baseline survey data is unreliable. Moreover, later survey work was out of sync with production cycles, specifically fish. As a result it is difficult to measure progress with precision. Survey questions were asked in an attempt to reconstruct a pre-project data base but the results are questionable. However even allowing for a wide margin of error, clear and substantial success is evident.

Project supported advocacy activities are thought to be responsible for eliminating extralegal slaughter house fees in Kampong Cham. With advice and research from MSME, province meat traders organized, and citing the specific governing national laws and regulations being contravened by local authorities, prevailed upon the province governor to eliminate the illegal and extralegal fees being charged by the health and agriculture field offices of the central government. This saves meat traders an estimated \$75,000 per year. The project is hoping to duplicate this success in Svey Reng where such fees are also a problem.

At the national impact level, project advocacy activities (with local advocates out front and project personnel in a strictly advisory role) led to the near elimination of illegal pig imports.⁷ This raised farm gate prices and lowered disease transmission.

Lastly, the evaluation team observed that a good portion of SMSE pig-raising is done in relatively confined spaces in urban village settings. Although this could be seen as a potential neighborhood nuisance and a possible risk to human health, the team was assured that the health risk is minimal; and that “peri-urban” pig raising is widely practiced in Southeast Asia. The practice is apparently acceptable in the local context (where there is no zoning.) Clearly producer incomes have risen. In low income areas, this is generally seen as sufficient justification.

b. Fish Farming

At last count, the project works with some 72 pond fish raisers. Data on productivity gains is less reliable here than for pigs⁶. However, pre-project production practices were especially inefficient and application of appropriate water pH controls, medicine, and better feed enabled output of some fish farmers to rise five to seven fold. Fish farmers interviewed stated that they could now get three production cycles per year where they previously got one. Moreover fish mortality decreased sharply and the average weight of fish increased, further adding to producer incomes. The new techniques were learned on project sponsored cross-provincial trips and trips to Vietnam, or indirectly from those that took them. As a result farmers in project sponsored interest groups now procure more appropriate feed and medicine (with the better quality items of Vietnamese origin) and control water quality through more frequent water change and/or pH control chemicals. Pond construction has also been improved through knowledge gained under project sponsorship. Moreover, practices such as allowing human or animal waste to run into the fish ponds are becoming less prevalent. Interestingly, tile-makers are also entering the fish pond business, finding that clay excavation sites can be used for fish ponds.

Although no interviewed fish raiser reported difficulty in selling his crop to fish traders, little if any is procured by or for local restaurants. There is a strong local preference for wild fish, which is satisfied by the nearby Mekong River. Aquaculture pond fish in Cambodia are of very uneven quality, are less desirable species, and suffer from a negative reputation. The output from fish farms largely goes to provinces distant from the river and is less used for direct human consumption. This, however, may change as Mekong fish stocks are further depleted and pond fish quality rises and becomes more standardized. On a different note, the March 2007, M and E

⁷ See Section VII.4.

survey reports little if any progress in largely nonexistent fish farmer record keeping. However, by the time of the July survey four months later this had been satisfactorily addressed and the IRL survey reported that the project was on track to achieve goals in this area.

By observation and interviews, the result of project facilitated TA appears to be a pronounced increase in quality and productivity. Beneficiary farmers have seen their incomes rise accordingly and they acknowledge the decisive role of the MSME project in this. Nonetheless the impact is very localized.

c. Tile

The project works with 25 tile makers in the three target provinces. These are small scale enterprises with less than 50 employees, and an average of just over \$90,000 in capital investment. Nonetheless the scale is far larger than that of the project's pig or fish farmers. Because of its greater scale and more industrial nature, tile-making lends itself to rapid and large productivity responses to TA. Major innovations improving quality, energy efficiency, productivity, and profitability are directly traceable to MSME project TA facilitation.

The evaluation team spoke with two tile-makers. Each had benefited substantially from a project sponsored visit to Vietnam where they viewed more efficient technology in use. The interviewees noted that they learned proper clay grinding and preparation techniques, saw and emulated more efficient production lay-outs (including better molding machinery and conveyor belt production lines), and learned about more energy efficient and higher firing kilns. They arranged to purchase some higher quality product inputs, and one tile maker contracted with a Vietnamese kiln designer who helped him build a more efficient firing facility.

d. Agricultural Machinery

The project's agricultural machinery value chain development activities failed to elicit a sufficient response. Small scale producers here were generally one-person centered operations, deeply suspicious of competitors, real or potential. They evidenced little interest in and/or ability to leave their operations for training or travel exposure. Project management concluded that a much longer timeframe (four years or longer) would be needed for a successful program. Consequently, and consistent with the project's operating philosophy which requires a high level of receptivity, this line of activity was deemphasized, and phased-out by the end of second project year.

Component 3: Improved MSME Access to Finance

Credit and finance is the most difficult and the least successful area of MSME activity. There has been progress but initial targets were not met – accordingly the strategy was revised and the targets recalibrated (and now are being met). In large measure the problems are thought to reflect initial design misconceptions as to the potential for MFI lending. An additional problem has been the inability of the project to hire a top-notch local SME- knowledgeable financial

professional to head the effort. Such talent is exceedingly rare in Cambodia and much sought after by all the donors.

Producers associated with project interest groups do appear to be reinvesting capital in operations and obtaining modest amounts of financing. Consistent with the M&E survey averages, producers interviewed for this evaluation stated that most of them financed capital needs from business proceeds, personal, and family funds. By some estimates reinvested earnings and family based funding accounts for upwards of 80 % of invested micro and small enterprise capital in the target value chains. No monetary interest is likely to be charged in such internal transactions. The remaining 20% is thought to be obtained from local lenders charging high rates of interest. Loans usually are endorsed by senior village personalities and have high repayment rates. There is little use of MFI's or other banking systems. An attempt on the part of USAID to get an SME credit guarantee program started with Canadia bank did not gain traction and was discontinued. Because of the proportionately high transaction cost component, SME loans are rarely attractive to financial institutions. Moreover in the view of an outside consultant brought in by the project to assess the credit problem, MFIs relevant to the target value chains have been rigidly applying take-it-or-leave-it rules and procedures which do not fit the local cultural context. Faced with local resistance, MFI lenders seem to have lost interest in working with the project. In contrast, supplier's credit, on a short term revolving basis, is often available to retailers and wholesalers in the value chain. Some of this may well be passed on to producers in a user-friendly manner, but only on a very short term basis against product in process. There appears to be good potential to facilitate expanded supplier credit along with embedded technical assistance. Given the original misreading of the operative credit system, MSME management is moving carefully. Currently the project is conducting an extensive four- week survey to document where credit may be pilling up among the suppliers, producers, traders, processors, wholesalers, and retailers in the project's three VCs. It is hoped that this would lead to a better understanding of the credit/finance system currently and suggest ways to better facilitate and increase the coverage of the system during the last year of the project's life.

Component 4: Improved Business Environment (Advocacy)

Two project advocacy activities have achieved major success. Specifically these are the nationwide curbing of illegal pig imports and the elimination of illegal and extra legal slaughter house fees in Kampong Cham. Because of their potential impact on building democratic processes and improving rural-capital dynamics, these are discussed under Impact (Section VII.). These successes are the achievement of community working groups formed by and receiving effective nurturing and advice from project staff. The issues, and the emotion to pursue them, arose from within the interest groups. Project positioning has been good. If the project had been out in front rather than behind the scenes, official reaction might well have been hostile rather than receptive. The project continues to develop community working groups directed at improving the business enabling environment. Most importantly, with MSME advice and counseling, these groups have had success in getting their issues raised at the high level Government – Private Sector Forum⁸ in Phnom Penh. Most recently (after the evaluation team's departure) the project took a provincial

⁸ See footnote 12

community working group to meet with senior Agriculture Ministry Officials at a meeting of the Agricultural Subcommittee of the Government – Private Sector Forum, where the majority of agenda issues originated with the community group. This represents considerable success. Moreover, developing such groups and building the requisite amount of trust takes time and patience. Since the project is only in its second productive year, it would be unreasonable to expect that more systematic or systemic advocacy efforts could have or should have been mounted under the project model. Over time, as project sponsored interest groups grow and mature, this should be increasingly possible. However, the project will be ending before its full potential in this area can be realized.

Closely related to advocacy is public relations. MSME has recently hired a dedicated staff person charged with the sole responsibility of publicity and public relations. This is appropriate and supportive of the full range of project activities. It should be particularly useful now that MSME, in its last year of operations, is looking at models for government/private sector partnership for Business Enabling Environment (BEE) development and for ways of engaging the government at local, provincial and national levels.

Component 5: Economic Development Support for Vulnerable and Trafficked Persons

A \$150,000 anti- “trafficking in persons” (TIP) component was added to MSME subsequent to project design. Additional funding for it was available and it was thought a good fit with the project. To implement the component, DAI established a partnership⁹ with COSECAM, a locally based consortium of NGOs working with vulnerable populations. Component activities commenced towards the end of project year one. However, project participants – particularly the project’s VC lead enterprises -- immediately showed great reluctance to work with vulnerable persons. It became clear that this aversion was deep-seated and could not be overcome in the narrow confines and short time horizon of the MSME project. Moreover, subsidies would be required to help TIP-relevant individuals improve their economic opportunity. Direct subsidies run counter to project philosophy and operations, and could negatively complicate the otherwise effective project model. In short, the TIP component did not fit well into project concept and operations. Accordingly, although it reports to the MSME project, the TIP component managed by COSECAM is now operated on a largely free-standing basis and has little direct interface with other MSME components. This component now focuses on mentoring, skills training and placement, and at times, very small grants to help vulnerable individuals establish micro enterprises. It is reportedly operating well and although not ideal, this compartmentalization appears to be a reasonable solution.

Cross-cutting Issues: Gender Bias

Project records indicate that some 24% of interest group participants are women. We believe this greatly understates their proportion as beneficiaries. Because they are less able to travel to

⁹ The actual mechanism was two purchase orders.

meetings and more likely to communicate among themselves, they derive benefit disproportionate to their recorded participation numbers. Moreover, interviews with women project participants suggest that, because they were starting from a relatively more disadvantaged position with regard to business knowledge and skills, project facilitated TA was all the more valuable.

VII. Assessment of MSME activities

a. Relevance

Systematic focus on strengthening interrelationships within the value chain does indeed appear to increase the potential and actual income across the entire value chain. It is especially relevant to rural Cambodia in its hands-on tailored approach, facilitating the use of unutilized and underutilized TA resources. The implementer has shown flexibility in dealing with changing circumstances (e.g., enablement of work with the Central government), dealt reasonably with unforeseen problems (e.g., TIP) and taken advantage of emerging opportunities (e.g., the pig embargo.)

Unlike many donor projects MSME is firmly grounded in the rural reality. There is little question that strengthening the rural political-economic process and integrating it into the national process is of critical importance to the country. The evaluation team believes the project has made a pioneering contribution towards helping to link the political-economic dynamics of the country-side to that of the capital. It is commendable that USAID, with a relatively narrow program, is ahead of other donors in this area.

Lastly, it appears that the vertical interest groups created to strengthen value chains should also serve to organize members to more effectively address corrupt practices through collective action

b. Effectiveness

The data collected by the project and the several evaluation surveys demonstrate that the project model materially enhances the well-being of target beneficiaries. Clearly, project personnel have facilitated TA which improves productivity in the three key value chains. It has created value chain interest groups and demonstrated to them that improving relationships within these VCs leads to enhanced productivity and profitability throughout the chain. Doing this without direct transaction subsidies or other direct benefits is key to insuring that project resources are directed (by self-selection) to those most likely to take full advantage of them. In the judgment of the evaluation team, the principal development partner (DAI) is meeting its responsibilities under its contract.¹⁰

¹⁰ The evaluation team believes that COSECAM and Indochina Research Limited, working under contractual arrangement with DAI are also meeting their responsibilities. We would qualify this by noting that the evaluation team did not have access to contract documents but rather to substantive information within them.

c. Cost-effectiveness

The evaluation team sees no way the same impact could have been achieved on target populations at lower cost – that is, without compromising sustainability. Whether the targeted results, per se, are cost-effective in themselves is a somewhat different question. Clearly there are substantial benefits accrued. With some 1236¹¹ plus beneficiaries, an average gain of some \$4000 would equate to project cost. The realized gains to individuals, plus discounted future benefits (since the gains will be sustained), should sum to well in excess of project costs. With self-replication, the activity could ultimately prove very cost-effective indeed, but this is conjectural. Initial anecdotal information suggests that unassisted replication is taking place within the individual VCs. For example, an animal vaccine supplier participated in several project sponsored meetings, providing advice and technical guidance on the use of its products to swine raisers. As a result, its sales increased sharply. Subsequently, the vaccine supplier began a campaign along similar lines organizing pig farmer meetings and providing vaccine and medicine TA, independent of MSME support. With continued sales increases, he has continued the campaign in a number of new provinces.

Additionally, if the benefit against which the cost effectiveness is judged is expansively defined to include collateral benefits there is little doubt as to absolute cost effectiveness.

Lastly, since most TA cost is borne within the VC itself, the VC approach has clear cost advantages over the more traditional client-based approach SME support project. The latter often ends up providing expensive labor-intensive, client-specific business development services to a limited number of enterprises. It is of note that the New Zealand AID project in Siem Reap is being redesigned along MSME value-chain project lines, largely because of the economics. This approach stretches the project dollar while achieving results.

d. Impact

There appear to be substantial collateral gains from MSME. The project in a narrow but very visible manner is fostering greater public sector accountability -- fomenting interest groups and helping these effectively petition political leaders to address economic grievances. Two recent examples are the actions of the Governor of Kompong Song eliminating illegal but openly required slaughterhouse fees; and of the Prime Minister in decisively moving to embargo (or at least substantially reduce) the smuggling of pigs – many diseased – from Vietnam. In both cases, the actions were a direct response to petitioning by project assisted interest groups. The governor's action saved Kompong Song meat traders an estimated \$75,000 per year and forced locally-based agriculture and Health Ministry officials to conform to the law. The prime minister's orders very sharply reduced the flow of pigs across the border – nearly doubling farm gate pig prices with significant income gains to small pig farmers and sparking greater investment in pigs. The pig embargo advocacy effort and response was played out in the highly

¹¹ A figure of 1500 is sometime used but this includes roughly 200 enterprises whose marginal participation fails to meet project standards.

publicized context of the (IFC-managed) National Public - Private Sector Forum¹². It demonstrated that rural interests could effectively represent themselves in national forums and obtain redress of grievances. Both examples involve MSME organized interest groups acting on guidance and advice from project personnel. Further, it appears that these actions – potentially politically threatening -- were well-crafted in the sense that they elicited a supportive rather than hostile reaction from the political establishment. The ability to organize and petition for redress of grievances is new to Cambodia but fundamental to democratic process.

The evaluation team believes that MSME, operating within given restrictive geographic limitations, has appropriately targeted beneficiaries for greatest long term impact. Towards this end, the project expended time and effort on the selection of target value chains. Had more options been available in terms of operating venue, or a requirement for more immediate as opposed to long term sustainable results, a different approach might have necessitated different targeting.

e. Sustainability

The technical knowledge transferred remains with the recipient. Moreover, by demonstrating the clear self-interest economic advantages of cooperative TA transfers from within the VC, the transfer mechanism should be self-sustaining and to some extent may replicate on its own. Accordingly, sustainability appears to be inherent in the VC model as implemented by DAI.

f. Donor Coordination

The project fits well into the collective donor effort – it fills an otherwise unoccupied programming niche by working where there is an absence of donor programs and a strong need for SME development. Further, it helps position USAID for donor coordination. Given the extent, diversity, and density of donor programs in Cambodia, coordination is exceptionally important. Over 19 bilateral and multilateral organizations operate assistance programs, which in total may sum to the equivalent of some 15% of GDP. These are of varying quality and effectiveness. The MSME project enhances the Mission’s ability to promote sensible effective programming within the donor community. Achieving demonstrable results in difficult rural areas where few other donors are operating raises USAID standing in technical discussion. The activity itself provides a good example of operationalizing a value chain approach – a concept

¹² The Government-Private Sector Forum (G-PSF), funded by IFC and the Government of Australia through AusAID, seeks to improve the business environment, and encourage private investment. It is a demand driven process with the private sector identifying issues and recommending solutions. The Forum is considered a key pillar in improving the investment climate in Cambodia.

The Forum meetings, held twice per year, are formal Cabinet meetings chaired by the Prime Minister and are telecast live on television and radio. Decisions made in the Forums are binding. The Forum is considered an umbrella mechanism under which sit eight Working Groups: Agriculture & Agro-Industry; Tourism; Manufacturing & SMEs; Law, Tax & Good Governance; Services, including Banking & Finance; Energy, Infrastructure & Transport; Export Processing & Trade Facilitation; and Industrial Relations.

the donor community is much taken with. The recent donor “value chain” workshop¹³ held by MSME in September of 2007 is an example of the Mission using the project for donor outreach. Lastly, the good reputation of the project among peer practitioners obviously is supportive of USAID leadership interests.

In addition, the project cooperates and coordinates with a wide range of US and other donor assistance activities. Specifically¹⁴ the project:

- Trained MSME Community Working Groups on advocacy skills using NGOs trained by PACT's USAID anti-corruption project.
- Co-funded the Swine Competitiveness Study with FAO and the EU mission.
- Supported distribution of the ADB-funded SME Framework materials related to business registration and improved bookkeeping skills to MSMEs in our four provinces.
- Linked provincial MSME Community Working Groups with the IFC's Government-Private Sector Forum mechanism which resulted in the national swine ban.
- Coordinated with the New Zealand Aid funded CADF project to promote market development in Swine Business Forum in Siem Reap province.
- Trained NZAID-CADF staff in value chain principles by having the staff accompany the MSME teams for one month.
- Coordinated market information aspects of the MSME project with several agriculture sector donors in an effort led by the CIDA funded Cambodia Agricultural Market Information Project.
- In Kratie, worked with the US Department of Agriculture (USDA)-supported Partners for Development (Pfd) to promote fish production and integration of Pfd clients into MSME value chain activities.
- Partnered with the National Biogas Program funded by the Dutch government to promote improved productivity, waste management, and energy production to MSME clients by introducing the biogas digester technology.
- Supported national donor coordination by co-sponsoring the well-attended Value Chain workshop with USAID.
- Coordinated provincial private-public sector dialogue with TAF, UNDP, GTZ, MPDF-and IFC.
- Engaged educational institutions in MSME business training and MFIs in promoting their products and services to client MSMEs, and partnered with several leading input supply firms to promote free technical training.
- Encouraged Cargill and Briggs and Stratton to consider increasing their Cambodian investments and partnering with MSME in doing so.

¹³ Other donor participants interviewed praised the effort and found it valuable. However, at the operations level, we heard some comment to the effect that the time spend on organizational and coordination issues subtracted from the time available for technical discussion which was suppose to be the purpose of the meeting. (This however was outside project control.)

¹⁴ List supplied by MSME at request of the evaluators.

VIII. Project Management

Leadership appears strong, particularly with respect to vision and mentoring. The project endeavors to hire the best available technicians. They are all well-motivated and evidence a strong *esprit de corps*. The project team manifests confidence in the DAI leadership, and is proud of their accomplishments. Team leaders are afforded appropriate discretionary authority and they are quick to take advantage of targets of opportunity. Given the high quality standards there has been difficulty getting an appropriate team leader for credit and finance. Also, project management notes a wage inflation problem as the donors compete for top local talent.

The USAID/Comptroller's office recently reviewed project accounting and financial controls, and found no problems. Given this, the evaluation team saw no need to examine this area.

Three areas for improvement – documentation, program budgeting and M&E – suggest themselves. The reporting and document flow has been tardy. Much of year two was done without a formal approved annual plan and the April to June quarterly report arrived late, bundled with the July through September report. Moreover, the reports are not user-friendly. In part this tracks to the initial component structure of the project – a parameter as far as the contractor is concerned. Specifically, Component 1 and Component 2 largely overlap. Reporting would benefit if they were combined and treated as a single component.

Another area with potential for improvement is program budgeting. The contractor budgets in accordance with the contract specified requirements -- e.g., direct and indirect costs. Overall the expenditure rate looks reasonable – as of June 30th some 47% of LOP resources had been expended with roughly 42% of project lifetime remaining. Nonetheless, the lack of programmatic detail in the budget makes it difficult to closely track or program the proportional level of effort against functional activities. It would be useful to have a better sense of the level of effort against the individual value chains, the four province venues, and specific types of activities such as familiarization travel. As the evaluators understand it, the chief of party does this on an informal level, but there are advantages in being more systematic and sharing the results. Adding this type of information would also make overall reporting more user-friendly.

Monitoring and Evaluation has been a problem since day one. The initial baseline survey was flawed in that it did not capture the project beneficiary's pre-project state. The survey target groups did not sufficiently mesh with the later formed project-assisted groups. Although reconstruction attempts have been made with survey questions asking beneficiaries about their pre-project state, the result lacks full credibility. The second major survey was flawed in at least one component when the measurements were made out of synch with the fish production cycle, understating the gains. Also, with rapid expansion of the number of assisted enterprises, it has been difficult to get meaningful figures that isolate the increase in incomes strictly attributable to project facilitated TA¹⁵. Lastly, many of the indicators used require intrusive surveying and are not practical to measure on a more than annual basis. Indeed, one suspects that the extensive

¹⁵ The number of firms receiving project facilitated TA is continually rising. The comparison figures generated are based on average values at any given time. Thus changes in base population characteristics as well as the effect of project facilitated TA influence the result. No attempt has been made to measure change in original baseline firms over time.

surveying done to date is already too invasive. It would be useful to give a more real-time flavor to the process by tracking indicators – proxies showing progress – on a quarterly basis, keyed to the work plan. More positively, the evaluation team does not believe that anything has been lost in the way of operational guidance. More likely, the project has not been able to credibly take full credit for its successes. When and where the project was not performing – TIP, agricultural machinery, and credit – it was quickly realized. At this point, with less than one year remaining, extensive or expensive work in M&E is reasonable only to the extent that it would be useful for follow-on activities.

IX. Lessons Learned

- A disciplined value-chain approach to MSME development stretches project dollars and provides more impact than the more traditional client-based business service development approach.
- Projects that displace elements of the value chain are unlikely to be sustainable and may even be counterproductive. This is a major source of donor pollution in Cambodia.
- Carefully crafted and closely bounded economic advocacy activities with local groups in the lead can foster democratic process and further rural empowerment. The MSME experience shows that this can be done without necessarily engendering a threat response from the political establishment.
- Avoiding transaction subsidies and project “freebies” encourages self-selection by those most disposed to benefit from the assistance. Clearly, if you don’t want the TA, without freebies there’s no reason to participate in the project. Thus, there is little waste of project resources on the uncommitted.
- Trust relations between the activity implementer and the target beneficiaries are all important. These require time and patience. Three years is too short a time frame to fully develop the advocacy potential of target groups.
- Quality staff is indispensable. The design of a project should take account of the local talent pool available to implement it. MSME is fortunate in the quality of its staff. But tellingly, in the one area MSME could not get top quality local expertise – credit and finance – the project faltered.
- Baseline survey work needs to be done correctly. Later reconstructions will lack credibility.
- Initial testing of project component concepts is important. There were serious flaws in assumptions on credit finance, agricultural machinery, and TIP which led to delays and stalled progress.

- Narrowly-bounded areas with relatively low activity levels, lacking other donor involvement, can provide the clearest attributable results for concept demonstration. Working with a small number of value chains in a limited number of poor provinces without other program distractions enables MSME to take a more comprehensive value chain approach and facilitates attribution of results.

X. Recommendations

1. The proposed lateral extension of project activities to two provinces adjoining Phnom Penh makes sense and is within time and resources limitations. The model is successful and lends itself to replication. The Mission should consider continuing this line of activity beyond the time remaining in this project vehicle.
2. In beginning to work with government entities¹⁶, the project should maintain a clear provincial grounding. This bottoms up approach is one of the unique strengths of MSME. Introducing top-down elements could distract management attention and draw resources away from implementing its successful model. The just completed trip for provincial government economic officials to Vietnam appears to be a good beginning to working directly with government.
3. A more expansive top-focused effort is also needed but, while a focus on the enabling environment should be built on the experiences of the MSME project, the Mission should seriously consider whether this could best be done outside the current project platform type.¹⁷ In terms of business enablement, clearly there is need for assistance to improve the judicial regulatory framework. Decentralization and provincial empowerment are also of concern, both for SME development and for the larger political-economic context.
4. The MSME has done admirable pioneering work in promoting rural SME development in a narrow range of activities. Moreover, it shows promise with regard to helping address rural economic governance issues. Though successful in terms of its short time frame, implementation of the project concept is still evolving and the activity has not yet reached its full potential. Further, MSME arguably fills a gap in the collective donor program for Cambodia. With the building blocks now in place, a successor project should be considered.
5. The Mission should consider adding some program budgeting information to the quarterly reporting format. This need not be extensive nor burdensome -- just enough to give a flavor of the relative level of effort being expended against each of the value chains, in each of the operating provinces, for advocacy, and perhaps for orientation trips.

¹⁶ A US legislative prohibition against working with the Central government ended with Fiscal 2007, and USAID encouraged the contractor to take advantage of this within the project frame of reference.

¹⁷ One evaluation team member felt strongly that any proposed BEE project should be viewed as separate and distinct from MSME in order to preserve the effective bottom-up approach used by the project. The other team member believes that new BEE activities can be developed with a substantial central government component, and yet retain much of the provincial grounding and value chain approach of the MSME project. Both agree that business enabling environment activities with the central government are desirable. Both also agree that the bottom-up approach of the MSME project is of great value.

Cambodia MSME Project

Strengthening Micro, Small and Medium Enterprises



Appendix A: Persons Consulted

Cambodia Government Officials

Chea Dara, Deputy Director of Department of Small Industry and Handicraft, Ministry of Industry, Mines and Energy
Kou Yeourn, Director, Department of Commerce in Prey Veng
Norng Samheourng, Deputy Director, Department of Commerce in Prey Veng

International Organizations

James P. Brew, Project Manager (Government-Private Sector Forum), International Finance Corporation (The World Bank Group)
Hout Chea, Economist, The World Bank
Nil Vanna, Social Development Specialist, The World Bank
John Donnelly, Team Leader (MSME project at Ministry of Industry, Mines and Energy), Asian Development Bank
Hin Wisal, Trade and Private Sector Analyst, UNDP
Natharoun Ngo, GSB Project Officer, UNDP

Other Donor Bilateral Assistance Programs

Pieter Ypma, Project Field Manager (CAMIP), AGRITEAM CANADA
Udo Gärtner, Principal Advisor (Private Sector Promotion), GTZ
Bruce Todd, Manager, Cambodia Agribusiness Dev. Facility, NZAID
Tep Being Thay, Cambodia Agribusiness Dev. Facility, NZAID
Kaing Chanien, Cambodia Agribusiness Dev. Facility, NZAID

Cambodian Experts and Researchers

Kakada Dourng, Senior Researcher (Private Sector Program), Economic Institute of Cambodia
Chhay Sothet, Research Assistant, Economic Institute of Cambodia

USAID

Jeanne Downing, Lead on Value Chain Issues, EGAT
Deidre Winston, Acting Cambodia Desk Officer, ANE/AID/W
Cullen Hughes, Economic Growth and Environment Officer, USAID/Cambodia

U.S. Consultants

Phil Psilos, Pig Consultant, Value Chain & Private Sector Development Services
Brett Matthews, Micro Finance Specialist, Mathwood Consulting Company
Andrew Mayock, Booz Allen Hamilton
Joanne Cornelison, Booz Allen Hamilton

Louise Williams, Booz Allen Hamilton
Nina Kolbe, Sustainable Tourism Development Advisor, Conservation International

MSME Project Staff

Curtis Hundley, Project Manager
Vishalini Lawrence, Deputy Chief of Party
Sam Bona, Manager of Field Operation
Narith Chan, Value Chain Coordinator
Sopthath Oeun, Senior Value Chain Specialist
Kimhor Proum, Value Chain/BDS Specialist
Sambom Kong, Value Chain/BDS Specialist
Phirum Chet, Value Chain/BDS Specialist
Chamroeun Hinn, Value Chain/BDS Specialist
Sithan Pech, Value Chain/BDS Specialist
Sovathaia Lam, BEE Field Activities Team Leader
Thavy Thann, Value Chain/BDS Specialist
Sotheary Chhay, Value Chain/BDS Specialist

DAI Home Office Staff

Doug McLean, Practice Manager
J. Wright, Senior Manager
Marina Krivoshlykova, Associate Development Specialist
Bryanna E. Millis, Economist/Development Specialist
Maya Williams, Project Coordinator, Economics, Business
Helle Weeke, Principal Development Specialist
Lief Doerring

Appendix B: Documents Consulted

MSME Activity Updates

- Numbers 1 to 14

MSME Quarterly Reports

- December 2005
- March 2006
- June 2006
- June 2007

MSME Monthly Reports

- August 2007
- July 2007

MSME Work Plans

- Draft 2nd Annual Work Plan
- Current and Revised Targets 11/3/06
- Year Three Work Plan 11/21/07

Monitoring and Evaluation

- Baselines for the MSME Project - Draft April 2007 (Spreadsheet)
- DAI_OP Indicator 10-10-07 (Spreadsheet)
- Monitoring and Evaluation Research Report - Cambodia MSME Project - May 25, 2007
- Supplemental M&E Report - Fish and Agro Machinery - July, 2007
- Monitoring and Evaluation Research Report - Gary Woller - May 25, 2007
- Monitoring and Evaluation Research Report - Cambodia MSME Project - May 25, 2007
- OGD PMP_DAI Indicator Trackers-revised 10-15-07 (Spreadsheet)

Project Consultant Reports

- Access to Finance December 2006 Report from Mary Miller
- Aquaculture Strategy Development - M. Peramune.
- Developing the Swine Value Chain in Cambodia - Gary Sullivan
- Swine marketing IRL draft 103007
- Agro Machinery Briefing Notes #1 - Alfred Schmidley
- Aquaculture Value Chain - Business Fundamentals - M. Peramune.
- EVDP Assessment - Final - Jan Orsini
- Agro Machinery Briefing Notes #2 - Alfred Schmidley
- Assessment of the Access to Finance Component of the Cambodia MSME Project
Brett Matthews
- IRL Study on Swine Market Functions and Dysfunctions

Other

- Concept Paper - Cross-Provincial and International Assessment Missions
- Memo proposing additional funding – July 12, 2007

USAID/W Reports

- Following Conflict Brief #2: Developing a Post-Conflict Microfinance Industry: The Case of Cambodia (USAID Micro Links website)
- VALUE CHAIN APPROACH TO ECONOMIC GROWTH WITH POVERTY REDUCTION VCA Briefing Paper (USAID Micro Links website)

USAID/Cambodia Reports

- USAID/C Operational Plan 2006
- Jobs for the 21st Century: Cambodia Assessment (Aug 2006)
- Private Sector Competitiveness Nov 2005
- Development Partners' Value Chain Activity & Coordination Study – Cambodia Sept. 2007 (draft)
- INTERIM STRATEGIC PLAN 2002-2005 (May 2002)
- USAID Cambodia Implementation Plan for the PRIME Proposal.
- Nathan Reports
 - SOUTHEAST ASIA COMMERCIAL LAW & INSTITUTIONAL REFORM
 - AND TRADE DIAGNOSTICS – CAMBODIA Final Report April 2007
 - Cambodia Data Supplement
 - NATHAN-#203748-v2-Cambodia_CAS_Report_Final_Draft
 - NATHAN-#203756-v2-Cambodia_Graphs_take_two

Other Donor Information

- Cambodia: Sharing Growth: Equity and Development in Cambodia Equity Report 007 (World Bank)
- Doing Business 2008 (World Bank)
- The Provincial Business Environment: Scorecard in Cambodia A Measure of Economic Governance and Regulatory Policy, (IFC, TAF, AusAID)
- Development Partner Statement on Private Sector Development, Government-Donor Coordination Committee (delivered by the Australian Ambassador, HE Margaret Adamson Phnom Penh, October 8, 2007)

Appendix C: Statement of Work

Evaluation Component should address, at a minimum, each of the following factors and questions:

1. *Relevance* - Are hypothesis and assumptions behind each program still valid? Do the programs continue to respond to current needs? Does each program adapt to the changing needs of beneficiaries?
2. *Effectiveness* - Are the partners meeting their responsibilities under their contracts or grants? To date how well does each program meet their respective targets and the needs of the various beneficiaries? How appropriate are implementation strategies in reaching the objectives of each program? What are the unintended consequences and effects of each program and how did they occur?
3. *Cost-effectiveness* – Are the results achieved being produced at an acceptable cost compared with alternative approaches? What alternative approaches exist which could achieve results with greater efficiency?
4. *Impact* – What has been the impact of activities implemented on Cambodia? Beyond the immediate stakeholders, has this project had an impact on civil society, government or the private sector? Have programs targeted the appropriate beneficiaries to ensure the greatest impact? Have partners established quality internal and external monitoring, evaluation and reporting systems? In the case of IRI and NDI, the evaluation will have a greater emphasis on the sector-wide impact made by the combined efforts of both of these partners, rather than a specific project level evaluation.
5. *Donor / USAID Coordination* - To what extent have each program coordinated, supported or complemented other USAID projects or those of other donors in the same areas?
6. *Sustainability* - Based on results to date, are programs likely to engender sustainable development impacts after USAID funding has stopped? Are the programs designed for sustainability likely to achieve such sustainability as defined in the respective agreements? For those programs involving the RGC, what evidence suggests that the government has taken ownership of the activities?
7. *Lessons learned* – What are the key lessons learned from each program?
8. *Recommendations* – Given the analysis above, if the projects are extend, how should each be modified to enhance their effectiveness for each of the criteria above and what time period is required to meet the program objectives? What are the untapped synergies and opportunities for cross program collaboration that should be incorporated into future work plans?