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Small Enterprises: New Sources of Growth

“Cambodia’s Garment Industry after the End of the Quota System”:
A Conference for Distinguished Members of the National Assembly
and the Senate of Cambodia

Organized by The Cambodia-Canada Legislative Support Project and the
Economic Institute of Cambodia

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Introduction

- The garment industry has been a leading force in Cambodian economic development, and continues to be important even after the elimination of global quotas
- However, it is imperative that Cambodia promote small-scale industries alongside large-scale enterprises like garment factories to insure balanced long-term economic growth and competitiveness
- The RGC's recognition of this fact is indicated by the publication of the SME Development Framework and the creation of the SME Sub-Committee

Small enterprises are key sources of global economic dynamism

- **Knowledge economy: IT industry of Silicon Valley**
- **Decentralized Textile Industry in India**
- **Shoe and Glassware Clusters in Northern Italy**
- **Other examples of MSME competitiveness from a range of sectors in both LDCs and ICs worldwide**

Why Micro, Small and Medium Size Enterprises (MSMEs) are important

- The garment industry employs a quarter million Cambodians, but 1 out of every 2 Cambodians are employed in MSMEs
- 99% of all Cambodian businesses are MSMEs
- MSMEs are concentrated in the agricultural sector, which supports the majority of Cambodians

The Cambodia MSME Program

- **3-year program funded by USAID and implemented by DAI**
- **Project goals:**
 1. Improving performance of MSMEs (Micro, Small and Medium Enterprises) in specific subsectors
 2. Upgrading the competitiveness of target subsectors
 3. Improving MSME access to finance
 4. Improving the enabling environment for MSMEs
- **The project is currently beginning to implement activities in pig-raising, aquaculture and tile manufacturing subsectors in Kratie, Kampong Cham, Prey Veng and Svay Rieng**



Cambodian MSMEs: The way forward

- Agricultural Products are a high potential area for Cambodian MSMEs
- Competitive advantage for MSMEs differs from sector to sector
- Cheap labor only a short-run advantage
- Seeking greater value added in areas like food processing must be a priority
- Boosting exports an important long-term goal, but competing with imports an immediate challenge in many sectors
- MSMEs can achieve global success only if the RGC creates a positive enabling environment in line with the SME Development Framework

The Bottom Line:

Promoting competitiveness for both small- and large-scale enterprises will be a key task for the RGC in creating a diverse, balanced and prosperous Cambodian economy