







# cambodia

## trade on the ground

The gateway on trade is opening up around the country.

Trade is in the crowd of tourists at the temples reflecting in the lake at sunrise capturing Angkor Wat's ancient past on film. While in Banteay Meanchey, children test out the new water pump in villages where women plant mulberry saplings and weave silk yarn into golden cloth.

Trade is cruising along with the students pouring out of classes on business start-up models and onto mopeds at the National University of Management in Phnom Penh. Further south, trucks queue up outside Sihanoukville Autonomous Port to move through customs as rice is loaded onto tankers, and day-trippers order seafood at the waterfront.

Trade's direction leads on to the two-way ferry heading to the island of Koh, where traders, bikes and animals jostle for space as farmers sow seeds in fields by the loading bay. At the banks of the Mekong facing high-end hotels and artisan shops, families exercise at dusk next to groups in white performing tai chi.



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*“Cambodia has introduced what we call a pro-poor trade strategy. We have developed a diagnostic of our trade system. After that we have been able to develop the supply base for Cambodia. By the end of the road you would see that the economy really has improved.”*

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Cham Prasidh, former Senior Minister, Minister of Commerce

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## trade journey

Trade is developing cutting-edge skills nationwide. In rice factories, milling is growing profits for farmers and producers; in villages, women's prospects are rising with greater productivity in silk; cassava, fishing and tourism are moving up the agenda, and monitoring and evaluation is helping to track trade programmes' impact.

## laying the trade foundations

Sharing experiences on trade with regional and global partners, including Chairing ASEAN in 2012, shows how far the country has moved. There were hard times in the past with a divided society and a need to rebuild the economy, particularly for marginalized groups and rural areas. Seeing trade turn around livelihoods is lighting up a brighter future as the country plans to graduate from LDC status.

The EIF has been instrumental in creating the right backdrop for partners' support to Aid for Trade (Aft). Cambodia used the IF programme to take advantage of trade opportunities following WTO accession, including building political commitment for reforms and a new business and trade-friendly legal framework. Support provided through the updated Diagnostic Trade Integration Study (DTIS) led to the Trade Sector-Wide approach (SWAp), with the Roadmap acting as the National Trade Sector Development Plan. This has helped the programme approach take off with a medium-term programme. It's updated every year, and consolidated indicators feed into a Results Monitoring Framework. To share

## trade snapshot

In the Sihanoukville Autonomous Port, electronic scanners check the loads of arriving trucks and customs officials stamp papers with red/blue risk markings.

At CEDAC's farmers shop in outlets across Phnom Penh, customers stock up on rice sacks and organic produce from neatly stacked brightly coloured shelves.

Over at the city's open-plan market, shoppers move between garments and technology, fruits and vegetables, stopping to sample a stall's fried delicacies.

At Artisans d'Angkor's craft workshops, workers from rural villages skilfully carve statues modelled on ancient temple figures, heading for airport souvenirs.

In Angkor Kasekam Roongroeng Rice factory, the farmers' association gathers round to discuss training as milling machines take paddy rice to the next level.

At Sentosa Silk's high-end shop in Phnom Penh, sales are on for international women's day as tourists browse the elegant dresses and accessories on display.

Vehicles line up to enter the Special Economic Zone outside of the capital where traders and investors are using its one-stop shop facilities to grow their business.





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*"The Trade SWAp is a consolidated approach to look at our trade development and trade policies. There is a lot of added value in human resource development. It's very important to transfer technologies to the local expertise."*

Pan Sorasak, EIF Focal Point and Secretary of State, Ministry of Commerce

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lessons learned in these areas, the country has exchanged good practice with other LDCs at regional workshops and hosted country delegations on study tours.

The EIF platform is putting trade centre-stage, supporting training in trade mainstreaming. The agenda has strong leadership and engagement from the political level in the Ministry of Commerce. A second update to the DTIS with technical support from UNDP is underway to keep analysis current. It will also build on pillars of crosscutting reform, 10 potential export sectors including garments, footwear, light manufacturing, processed food, fisheries, milled rice, cassava, rubber, tourism and high-value silk products, as well as capacity development. The update will feed into the National Strategic Development Plan IV and Rectangular Strategy (2014-2018) and Vision 2030. Trade now features in strategies on agriculture, industry, tourism and transport, and there is an action plan on trade facilitation. To boost visibility, the strong Department of International Cooperation (DICO), acting as the EIF National Implementation Unit (NIU), has a creative communications plan with Trade SWAp publications, brochures, an interactive website and engagement with print media and Khmer TV stations. At the same time the team has organized numerous outreach sessions for different stakeholders.

## **making connections on trade count**

Through EIF coordination, there's been a long-term approach to bring on board Government, private sector and civil society alongside development partners and technical agencies on trade. The Prime Minister chairs the Government-Private Sector Forum, and private sector representatives sit in the Trade SWAp Working Group. There is a solid structure to support the SWAp at policy and technical



levels. The Sub-Steering Committee on Trade Development and Trade-Related Investment is chaired by the Minister of Commerce and includes line ministries at senior level. To move the agenda forward, the SWAp Implementation Committee meets monthly to provide operational guidance, discuss issues and review project proposals.

Support from development partners is coordinated through the Multi-Donor Trust Fund (TDSP) managed by the World Bank (WB). The DICO team acts as the secretariat for both Committees and coordinates AfT projects with a common logframe and work plan. The team, as part of the Ministry of Commerce, has been building up its expertise alongside other line ministries. EIF support has helped to run training on English language, report writing, financial and project management, as well as AfT and monitoring and evaluation.

The partnership between Government and development partners has been growing with monthly meetings between donors and agencies chaired by the active EIF Focal Point. The TDSP counts US\$12.35 million of support with 23 projects, delivered by 15 agencies with an extension of US\$5.85 million to 2015 being backed by the European Union. The Donor Facilitator (DF) role, taken up by the ADB, is helping to move coordination and delivery forward. The UN-CEB Cluster is active in the country, and agencies including UNCTAD, ITC, UNIDO and UNDP are engaged on trade development. This strong in-country collaboration has also been highlighted at the EIF Steering Committee as playing an important role in progress achieved to date.

## setting the trade cycle in motion

The EIF has made an impact on trade analysis, trade coordination and trade activities on the ground. Important steps have been made in the area of trade facilitation, where through workshops and awareness-raising, backing from the Ministry of Commerce has joined up customs, the camcontrol and the port authority. This has meant that 30 containers per ship can be unloaded every hour up from 10. It's helping to make the port a gateway for the economy and

increased user and shipping line satisfaction. The idea is to upgrade facilities to build on the one-stop window, ASYCUDA and processes leading to the reduction in export processes from 37 days to 22 days, with 90% of imports cleared and goods released within 24 hours of filing a declaration. Importantly, it will boost rice's export potential with strong links being made along the trade pathway.

EIF support to the rice sector and assistance from other development partners is going towards meeting the Government's ambition to have 1 million metric tonnes of milled rice for export by 2015. That will be about diversifying exports and adding value to paddy rice, which in turn will lead to bigger profits for everyone along the rice chain – and a boost for rice farmers. An important step was the set-up of the Federation of Cambodian Rice Exporters in June 2012, alongside a growing focus on strengthening the Government-private sector dialogue with greater market opportunities opening up for rice millers by adopting SPS standards. At the same time, partnering with civil society organizations such as CEDAC to mobilize communities is vital going forward to help link up the sector from fields to ports.

In silk, building on earlier IF backing, the EIF is helping to organize the sector through a Silk Sector Strategy and Action Plan with a National Silk Board that brings together public and private sector stakeholders to help in delivery. There will be increases in the sales of handmade high-end silk, which will benefit poor women in rural areas the most whose livelihoods depend on production. One of the targets is to increase silk weavers' income by 200%. Already through ITC and IF support, silk yarn production increased from 2 kg per year to 4 kg per month, and weavers' income has increased by 39% and silk products by 43%. The aim is to support 1,500 weavers and back 12 exporters in up to five markets. In both projects, there's been strong engagement from line ministries, namely the Ministry of Agriculture on weaving and the Ministry of Industry on milling. In addition, an EIF project supporting fisheries, cassava and tourism is coming up to add greater value to the wider trade agenda.



## bringing the trade horizon closer

The scale of Cambodia's trade ambitions is clear. Developments are evolving quickly; take the growing number of tankers leaving the deep-sea port loaded with goods and the special looms put to use in villages that reduce silk weaving time. The EIF has helped to bring about a stronger institutional framework on trade at the same time as supporting agricultural sectors to promote trade with equity.

There is still a distance to travel. There needs to be a wider range of exports, overcoming the heavy reliance on garments and support for rural farmers making up 85% of the population. Focus needs to be on supplying regional and emerging markets, narrowing the skills gap, getting market intelligence and building value chains, including in manufacturing. Plugging infrastructure gaps and continuing to streamline trade facilitation is vital. And meeting international norms matters. Further research is needed to track market potential and how to connect with the provincial private sector and build producers' associations. It's also important to provide capital for small-scale growers and expand storage and milling facilities, and reforms to promote the doing business environment and protect investment need to be stepped up.

Now with AfT and the EIF's ongoing support backed by a deeper partner engagement, the upcoming DTIS Update will build on lessons learned, reinforce the Trade SWAp's pillars and identify new priorities. Continuing to focus on rural engagement and build young people's know-how will catalyze greater change. That way, trade in Cambodia will continue to move full steam ahead.



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*"Last time we operated only 10 containers per hour, now we operate 30 containers per hour by each ship. The Ministry of Commerce organizes meetings and seminars and customs, camcontrol and port understand about trade facilitation."*

**Lou Kim Chhun, Chairman and CEO, Sihanoukville Autonomous Port**

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## trading high

### making trade matter:

The Trade Sector-Wide Approach (SWAp) is in place supporting trade into wider development. The SWAp is adopted as the National Trade Sector Development Plan, and the Roadmap acts as the national medium-term programme

Trade studies are underway to feed into the National Strategic Development Plan and Rectangular Strategy (2014-2018), and trade is included in sectoral strategies on agriculture, industry, tourism and transport with a trade facilitation action plan

Cambodia was Chair of ASEAN in 2012 and Co-chair of the Regional Technical Group on Aid for Trade in the Asia-Pacific region

### private sector:

The EIF is supporting the private sector to increase milled rice exports and back up to 12 silk exporters in up to 5 markets on hand-made high-value silk products supporting 1,500 weavers in villages

EIF support went to help set up the Federation of Cambodian Rice exporters in 2012 as a platform for the private and public sectors to meet milled rice export targets

A Government-Private Sector Forum is in place chaired by the Prime Minister

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*"Partnership between Government and private sector is very important. Working with the Ministry of Commerce is helping me a lot to expose my product to the local and international market."*

Seng Takakneary, Managing Director, Sentosa Silk

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## support to trade:

EIF total support equals US\$3,317,597

EIF support of US\$709,900 is going to boost coordination and ownership of national AfT and US\$199,983 to support national trade studies

EIF support on rice and silk totals US\$2,407,714, with US\$975,715 including contributions of US\$189,840 in-kind support from the Government; US\$448,000 private sector contribution and US\$337,875 in-kind contribution from IFC and ITC

EIF National Implementation Unit-led joint donor TDSP is supporting 23 projects of up to US\$12.35 million through 15 agencies

## facilitating trade:

EIF support is working to help trade flow faster and increase productivity from ports to markets; each ship unloads 30 containers every hour up from 10 previously

The Customs One-Stop Window and ASYCUDA system are in place streamlining customs procedures leading to a reduction in the export process from 37 days to 22 days, with 90% of imports cleared and goods released within 24 hours of filing a declaration

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*"The Government can provide political and legal support to open access for the market for the farmer. The Government's role is to open this trade so that we can develop a good partnership with other private investors in the country."*

Yang Saing Koma, President, CEDAC (Cambodia Agricultural Development and Research Centre)

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## rice:

The EIF project supports Government policy to move up the value chain from paddy rice to high-value milled rice with a target of 1 million metric tonnes of milled rice exports by 2015	A Rice Production and Milled Rice Export Policy are in place to support the value chain
Cambodian Premium Jasmine Rice 'Phka Malis' was awarded the 'World's Best Rice' title in 2012 and was showcased at the Fourth Global Review of Aid for Trade in 2013	There are 2.8 million hectares of cultivated land out of which 84% (2.4 million hectares) is used for rice farming, with the rice sector employing over 2.9 million people
Cambodian rice complies with international quality standards, with major rice export markets including the European Union, Malaysia, Russia and the United States of America	

## silk:

The EIF is helping to organize the sector through a Silk Sector Strategy and Action Plan and National Silk Board. One of the targets is to increase silk weavers' income by 200%	Silk exports are projected to increase to US\$25 million a year from US\$4 million (2006)
Earlier IF support together with the New Zealand Aid Programme and SECO helped set up 30 weaving groups in 21 villages across 11 communes, 5 districts and 3 provinces	4 kg of silk yarn are being produced in a month, up from 2 kg in a year, and weavers' income has increased by 39%, with an increase in silk products of 43%
Gross output of the silk sector is approximately US\$50 million, of which US\$25 million represents the cost of yarn import and US\$25 million the value added	

## doing business:

The World Bank's 'Doing Business' ranking went from 141 in 2012 to 133 in 2013, and the *ease of doing business* indicator scored 133 in 2013 up from 150 in 2007

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*"Under the Trade SWAp we start to develop the silk sector and with the help of EIF to strengthen this sector that will constitute one of the priorities of the Government in terms of sectors to be exported."*

**Pheanuroth Sisowath, Senior Technical Adviser, ITC Coordination Office**

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*"Lessons that Cambodia can share to other LDCs are that you should have open-minded leaders. You have to be daring, when you dare to do this you have all the private sector to go jointly with you."*

**Cham Prasidh, former Senior Minister, Minister of Commerce**

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## trade story

*"Before, after raising silkworm a whole year, I could get 2 kg of silk yarn. I can get a higher income nowadays. In just a month I can make 4 kg of silk yarn. Partnering with international communities I can get ideas and techniques."*  
Rin Chea, silk weaver

Rin keeps the spinning loom going at a steady pace, expertly adjusting the thread, her blue and gold patterned skirt gathered under her stool. She looks around contentedly. There are the mulberry plots and cocoons in storage. It looks different from when her grandparents started. *"There are many points that have changed in my family – firewood, transport, farming equipment and my own tools."* Under the raised wooden house, shaded from the heat of the day, weaving is bringing in US\$2,000 a year and helping grow the family farm. Now Rin's dream is to get help with new designs and techniques that will lead to bigger returns. *"My hopes are that in the future, if I can just get support from buyers who order the silk, I will be happy."*

Offerings are commonplace in Cambodia at temples and markets, with palms raised in respect. In business transactions, replies of 'arkun chiran' in appreciation complete the exchange. International awards thrive: the World's Best Rice 2012, the 'Golden Silk' reviews. It's a fitting backdrop for Government students as they line up to receive training certificates from the Minister of Commerce. Knowledge is being developed to compete globally, moving on after past divisions and inertia. Rin's family business and others like hers are sharing in this fresh confidence seizing trade opportunities from the grassroots up.

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*"The EIF programme has been supporting Cambodia in trade development tremendously. It will put us to the next level of integration and promote exports to bring value added to our people, especially in reducing poverty."*

Pan Sorasak, EIF Focal Point and Secretary of State, Ministry of Commerce

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