



International
Labour
Office
Geneva

2014

The enabling environment for sustainable enterprises in Cambodia

Small and Medium
Enterprises Unit

Enterprises
Department

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First published 2014

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ILO Cataloguing in Publication Data

ISBN 978-92-2-128500-7 (web pdf)

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International Labour Office; Enterprises Department

enterprise creation / business economics / social dialogue / sustainable development / Cambodia

03.04.5

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Produced in Switzerland

Foreword

In June 2007, the International Labour Conference (ILC) discussed the promotion of sustainable enterprises. The conclusions of this discussion provided an important contribution agreed by the ILO's tripartite constituency of governments, employers' and workers' organizations on how to promote enterprise development in a manner that aligns enterprise growth with sustainable development objectives and the creation of productive employment and decent work. The conclusions called for the strengthening of the institutions and governance systems which nurture enterprises. Strong and efficient markets need strong and effective institutions. Promoting sustainable enterprises is also about ensuring that human, financial and natural resources are combined equitably and efficiently in order to achieve innovation and enhanced productivity.

The conclusions reached at the 2007 ILC discussion on the promotion of sustainable enterprises identified 17 pillars for an environment conducive to the promotion of sustainable enterprises. This report analyses how Cambodia performs with respect to each pillar, with the aim of assessing the relative strengths and weaknesses of the enabling environment for sustainable enterprises and employment in the country. The report incorporates the results of a national opinion or perceptions survey conducted in the country focusing on 4 of the 17 pillars, including social dialogue; education, training and lifelong learning; legal and regulatory reform; and trade and integration.

The report is designed to stimulate debate and to provide an evidence base for policy reforms for an environment more conducive to the promotion of sustainable enterprises in Cambodia. A complementary action plan based on the findings of this report will ensure the implementation of specific measures aimed to improve the enabling environment for sustainable enterprises in Cambodia.

The EESE exercise comes timely to the process of the broader National Employment Policy development also supported by the International Labour Organization. Two of the priority topics of the EESE work (skills and industrial relations) relate to topics within the broader on-going National Employment Policy (NEP) process. Within the NEP process four priorities have been identified and studies have been commissioned, namely rural employment, macroeconomic policy and its impact on the labour market, labour migration and skills gaps. These studies informed the EESE report. CAMFEBA, as national employer organization will have to have clear positions on issues such as the dollarization of the economy, weighing the possible positive effect of dollarization on investments vis a vis the vulnerability of the macroeconomic framework due to dollarization and the limited control the National Bank of Cambodia has over the money supply.

Cambodia Federation of Employers and Business Associations ought to be thanked for helping to facilitate the implementation of activities since their inception. The authors are grateful to Ms. Annie Guyon for editing and formatting this report.

The views expressed in the report are the sole responsibility of the authors and do not represent those of the ILO or the social partners in Cambodia. Similarly, any errors or omissions are the sole responsibility of the authors.

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Abbreviations and acronyms

ACE	ASEAN Confederation of Employers
ACLEDA	Association of Cambodian Local Economic Development Agency
ASEAN	Association of South-East Asian Nations
CAMFEBA	Cambodia Federation of Employers and Business Associations
CAPE	Confederation of Asia-Pacific Employers
CCTU	Cambodian Confederation of Trade Unions
CCU	Cambodian Confederation of Unions
CCWR	Cambodia Confederation for Workers Rights
CIC	Coalition of Cambodia Inheritance Confederation
CLC	Cambodian Labour Confederation
CMA	Cambodian Microfinance Association
CNC	Coalition of Cambodia of National Labour Confederation
CPP	Cambodian People's Party
CUNIC	Confederation of Union National Independence Cambodia
DWCP	Decent Work Country Programme
FTUWKC	Free Trade Union of Workers of the Kingdom of Cambodia
GMAC	Garment Manufacturers Association in Cambodia
GMS	Greater Mekong Sub-region
G-PSF	Government-Private Sector Forum
HRP	Human Rights Party
IOE	International Organization of Employers
MOLVT	Ministry of Labour and Vocational Training
MFA	Multi Fibre Arrangement
MOEYS	Ministry of Education, Youth and Sports
MONASRI	Ministry of National Assembly-Senate Relations and Inspection
MOWRAM	Ministry of Water Resources and Meteorology
MPT	Ministry of Posts and Telecommunications
NAA	National Audit Authority
NIDA	National Information Communications Technology Development Authority
NLC	National Labour Confederation of Cambodia
NRPG	Natural Resource Protection Group
NSSF	National Social Security Fund
PRK	People's Republic of Kampuchea
RGC	Royal Government of Cambodia
SEZ	Special Economic Zones
SRP	Sam Rainsy Party
WITSA	World Information Technology and Services Alliance

Executive summary

In June 2007, the International Labour Conference (ILC) discussed the promotion of sustainable enterprises. This calls for the strengthening of the institutions and governance systems which nurture enterprises. Strong and efficient markets need strong and effective institutions. Promoting sustainable enterprises is also about ensuring that human, financial and natural resources are combined equitably and efficiently in order to achieve innovation and enhanced productivity.

The conclusions reached at the 2007 ILC discussion identified 17 pillars for an environment conducive to the promotion of sustainable enterprises. This report is based on these conclusions. It analyses how Cambodia performs with respect to each pillar, with the aim of assessing the relative strengths and weaknesses of the enabling environment for sustainable enterprises and employment in the country. The assessment described in this report is based on secondary data, a literature review, and results of a national perceptions survey of workers and employers conducted in Cambodia which focused on 3 of the 17 pillars.

To further enhance the readability of the report, summaries have been included at the beginning of each chapter with a graphical representation of the most relevant indicators for the respective chapter, comparing Cambodia to selected countries and summarizing the main chapter findings.

Economic elements

Economic growth and job creation in Cambodia are mainly sustained by the garment, tourism and construction sectors. This exposes the economy to a number of structural vulnerabilities – for example, the garment industry is losing its competitive edge because of comparatively higher wages, higher freight costs and increased competition in the sector. Tourism has attracted substantial foreign direct investments (FDI) so far. Agriculture, instead, though accounting for the majority of national employment, is mostly a means of subsistence, accounting only for one third of total GDP. The Government, however, has plans for Cambodia to become a major rice exporter by 2015, with already some successful achievements.

Cambodia's GDP has impressively grown over the last fifteen years and, even after the global crisis of 2008-09, staged a strong recovery. Nonetheless, not sufficient jobs have been generated and the poverty rate remains high, with about 90 per cent of the population still obliged to rely on the informal economy to supplement their incomes. With regard to trade, Cambodia performs fairly well, with the total trade-to-GDP ratio above 100 per cent. Nevertheless, its exports are concentrated towards a few selected markets and made up mainly of garments and footwear, making it vulnerable to market changes and price fluctuations. The majority of FDI inflow comes from the Republic of Korea and Malaysia, and is related to telecommunications and garment enterprises, followed by commercial banks. Furthermore, despite the effort put in fostering regional integration, concrete benefits in terms of intra-regional trade have not been realized, yet.

Regarding the legal and regulatory framework, the Government has recently simplified the business registration process by reducing the number of documents required and registration costs. However, according to the "Starting a Business Index", Cambodia still performs poorly, ranking at 175 out of 185 in 2012 – hence, further improvements need to be achieved. Also the judicial system and respect for property rights and intellectual property rights are issues of concern. In this regard, especially the high filing fees prevent a large part of the population from accessing judicial institutions, whilst intellectual property rights are not yet legally implemented. On the other hand, considerable improvements have been reached in terms of competition

regulation and promotion in recent years, although a number of employers still perceive unfair competition to be one of the main challenges to doing business.

The ICT sector in Cambodia has been developing very fast, growing at a pace of 32 per cent per year, owing particularly to the encouraged entry of private mobile and Internet providers in the market. Nevertheless, the low personal computer penetration rate – due to high tariff rates on ICT products – and the small number of Internet subscriptions constrain SMEs' competitiveness, which also lack IT skills and knowledge. Concerning access to finance, it does not appear to be a major constraint for large enterprises, whilst the opposite is true for SMEs, especially those operating in the farming sector. This is the reason why microfinance institutions are a key component in the Government agenda – they effectively provide financial services to the rural and SME economy and are a tool for poverty reduction. With regard to physical infrastructures, in spite of a strong improvement shown by secondary data, they need to be substantially upgraded. Electricity supply is erratic and deficient outside urban areas. Potable water is accessible only by 64 per cent of the population.

Social elements

Promoting an entrepreneurial culture is fundamental to increase people's awareness of the potential of business as an alternative to waged employment. In Cambodia, although large-scale firms employ a considerable portion of the labour force, the number of enterprises with up to two persons engaged is greater than the number of those with more employees. SMEs are particularly determinant in rural areas, where they are the main contributor to employment, including poor and vulnerable households, and foster local economic growth and social stability. Nevertheless, they face several challenges, of which access to financing and to the labour market is the most severe. In its effort to promote SME development, the Government has identified some main intervention areas in the National Strategic Development Plan Update 2009-2013, and has established the SME Sub-committee to draw key nationwide strategies.

The supply of skilled and specialised labour in Cambodia is a central issue for business development. Despite an increase in the public expenditure on education and in the literacy rate, students generally complete primary and secondary education without acquiring the appropriate skills in order to be then easily employed in the labour market. Furthermore, apart from the tourism sector, only rarely employers provide training or pay for staff training and, most of the times, these are large firms. As a consequence, small companies tend to be more negatively affected by the lack of skills. This requires the Government to promote enterprise and vocational training for the general public more effectively.

Low levels of inequality and the absence of discrimination are necessary conditions for sustainable enterprise development. Despite the fact that growth has not been shared equally among the population, the number of people living under the poverty line in Cambodia halved over the last two decades. Unfortunately, for particular groups, poverty incidence still remains high, though. Moreover, notwithstanding a relatively high labour force participation rate, most of the jobs are neither adequately remunerative nor productive, determining a high vulnerable employment rate. With regard to social protection, Cambodia provides insufficient support, which leaves poor people disproportionately vulnerable to risks.

Political elements

Despite recent political disruption and uncertainty since 2013, over the last decade, Cambodia has in fact been experiencing increasing political stability, especially owing to incremental improvements in developing democratic institutions and practices. Nevertheless, security risks, due to violent and organised crime, undermine business development. Also,

corruption has been identified as the major constraint hampering firms' activity according to the World Economic Forum confirmed by the EESE.

Social dialogue is still weak in Cambodia with the majority of strikes caused by the lack of communication between workers and management and/or conflicting agendas of unions. This clearly emerges from both the survey conducted with employers and the one with employees. The unionisation rates nationally across the entire labour force are quite low, with the exception of the garment sector having 60% of its workers registered in unions. However, it should be noted that the union movement is quite young and it will inevitably take time for more institutional improvements in the labour-employer relationship. In addition, some institutions facilitate the tripartite dialogue about labour-related issues, whilst an Arbitration Council effectively solves disputes. In regards to human rights and international labour standards, the Government has put an emphasis on poverty reduction and improving working conditions, especially fighting against child labour. Nonetheless, land property rights and human trafficking still remain a concern.

Environmental elements

Environment protection is a controversial issue in Cambodia. In fact, the country is unable to efficiently manage the extensive natural resources, of which it is endowed, in spite of the necessary suite of laws and regulations. In addition, the economy is strongly affected by the environment management, because large portions of the population depend on it – for example, forests contribute about 30-40 per cent of the rural population's total household income, while inland fisheries are essential in a country where fish accounts for three-quarters of the animal protein intake, without considering the relevance of the agricultural sector. Improvements in the environment stewardship have been made. However, improved institutional coordination and better technical and financial resources are required.

Assessment results and ways forward

The final results of the overall assessment on an enabling environment for sustainable enterprises in Cambodia based on primary and secondary data, thorough literature review, indicate that 1) education, training and skills, 2) corruption, 3) social security and 4) social dialogue are the areas deserving attention. In this respect, active involvement with the Anti-corruption Unit and advocacy for wider publishing of public services fees and dissemination of this information to businesses is pivotal to preventing corruption within the legal and regulatory environment, and thus facilitating more sustainable business operations. Skills and capacity challenges are also a primary concern for the country where nearly half of surveyed enterprises expressed concern of the free flow of labour and the impact of this on their companies.

In line with the broader Cambodian National Employment Policy Development exercise, there is a need for a) more public investments, b) boosting domestic investments (through entrepreneurship culture and access to credit and business development services), c) more structural transformation towards the manufacturing sector and d) expanding spending on a social protection and safety net programme to support aggregate demand.

Building on the EESE assessment, the Cambodian Federation of Employers and Business Association's (CAMFEBA) advocacy efforts over the next years to come will focus on 1) education, training and skills, 2) improving governance, 3) better legal and regulatory frameworks, and 4) improving work place relations and social dialogue.

1. Introduction

The important role that the private sector plays in social and economic development led the International Labour Conference to discuss the concept of sustainable enterprises in June 2007. The promotion of sustainable enterprises ensures that human, financial and natural resources are combined equitably. An environment conducive to the creation and growth of enterprises on a sustainable basis must take into account the four dimensions of sustainable development – political, economic, social, and environmental – as interdependent and mutually reinforcing pillars.

The 2007 International Labour Conference adopted conclusions for the promotion of sustainable enterprises and identified 17 conditions for an enabling environment. An environment conducive to the creation and growth of sustainable enterprises combines the legitimate quest for profit with the need for development that respects human dignity, environmental sustainability and decent work.

The same conclusions invite the ILO to focus its interventions on practical responses, including tools, methodologies and knowledge sharing, which are relevant to the social partners in their activities. This is why the ILO has developed a methodology to assess the degree to which the 17 conditions for an enabling environment for sustainable enterprises are met in different countries. This report describes the implementation of such an assessment in Cambodia and is part of a series of country reports on the same topic. The report covers the political, economic, social, and environmental situation of the enabling business environment in Cambodia. The political area comprises 4 of the 17 conditions, the economic includes 8, the social 4, and the environmental dimension consists of 1 condition.

The enabling environment for sustainable enterprises in Cambodia was assessed through a careful review of secondary data, findings from a national perception survey of workers and employers (including owners, CEOs and managers of companies), and supplementary information from published and unpublished materials. The perception survey was conducted in 2013 by BDLINK Cambodia with the aim of identifying policy and advocacy strategies, and to inform the development of the EESE report. The survey focused on 3 of the 17 conditions.¹

The survey was conducted in two parts, first reviewing business owners' needs and challenges, and second, reviewing the attitudes of workers (including professionals) with the aim of informing policy development of employers. A total of 355 enterprise representatives, or employers, were sampled. Of this total, 155 companies are based in Phnom Penh, 105 in Siem Reap and 95 in Battambang. Firms represent all major industries including trade (wholesalers and retailers) (20.8 per cent), hotel, guesthouse and restaurant (17.5 per cent), food and beverage producers (13 per cent), agro-processing (rice milling) (11.8 per cent), construction (9 per cent), garment and footwear (8.7 per cent), professional service providers (4.8 per cent), banking, insurance and microfinance institutions (3.7 per cent), and telecom/ICT (2 per cent), as well as 8.7 per cent from sectors categorized under "other", such as NGOs and manufacturing. Only 17.2 per cent of surveyed firms are members of Cambodia Federation of Employers and Business Associations (CAMFEBA), while the remaining 82.8 per cent are not. 49 per cent of surveyed enterprises are small and 51 per cent are large. Of the CAMFEBA members, 52 firms are large, and 9 are small.² Considering the position of the firm representatives who participated in the EESE survey, 45 per cent are CEOs or owners, 43 per cent are managers, 9 per cent are officers or executives, and 3 per cent have other roles. Respondent distribution by ownership of the

¹ These are "good governance", "social dialogue", and "education, training and lifelong learning".

² Firm size is determined by value of assets (excluding land), where small firms are defined as those with less than 500,000 USD in assets, and large firms are those with over 500,000 USD.

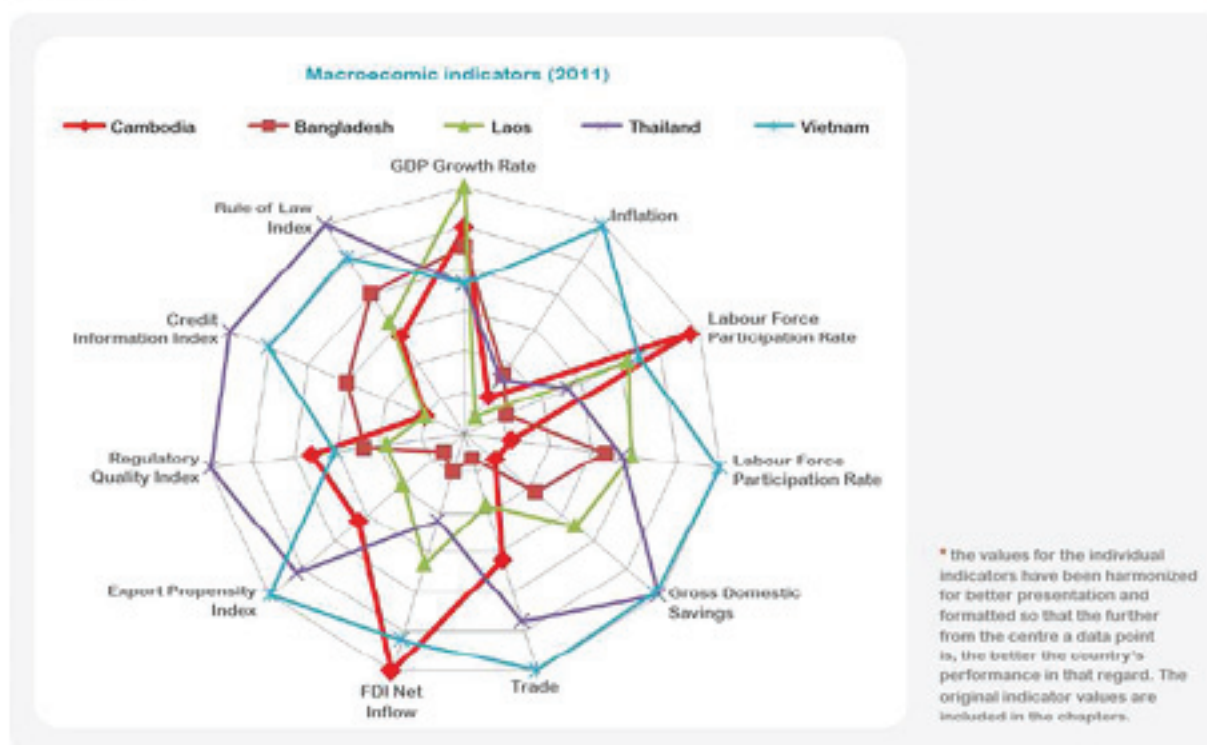
company shows that 70.7 per cent of surveyed firms are Cambodian-owned, 22.5 per cent are foreign-owned, and 6.8 per cent are both Cambodian and foreign-owned. Regarding union representation, 77.5 per cent of companies surveyed reported not having any unions and/or employee representatives operating in their enterprise, while 22.5 per cent reported having such entities. Interestingly, though the majority of surveyed firms were not CAMFEBA members, no similar association reflected a higher representation among firms. Of the total firms, 222 reported not being a member of any association, 61 are CAMFEBA members, and 61 reported being a member of a different association, such as the Garment Manufacturers Association in Cambodia (GMAC) or the Rice Miller Association. For all other associations, all reflected membership levels are low, with less than 10 members participating in the EESE survey.

The EESE survey sample of workers is made up of 257 individuals. The sample is regionally diverse, including 111 workers from Phnom Penh, 74 from Siem Reap, and 72 from Battambang. Surveyed workers are engaged in a range of industries including: construction (18 per cent); hotel, guesthouse and restaurant (17 per cent); trade (17 per cent); food and beverage producers (15 per cent); garment and footwear (13 per cent); agro-processing (9 per cent); and industries categorized as "other", such as manufacturing (11 per cent). Male workers account for 63.8 per cent of respondents, while female workers account for 36.2 per cent. The majority of workers (56 per cent) are between the ages of 21-30, those 20 years or younger make up 23 per cent of respondents, those 31-40 years old make up 12.8 per cent, 41-50 years make up 5.4 per cent, and those over the age of 50 make up just 2.7 per cent. Regarding years spent with a current employer, the large majority of workers surveyed (62.6 per cent) have only been with their current employer for less than one year. 29.2 per cent have been with their employer 1-5 years, 7 per cent for 5-10 years, and 1.2 per cent for more than 10 years. Similarly, when it comes to years of work experience, 29.2 per cent have less than one year, 44.4 per cent have 1-5 years, 17.5 per cent have 5-10 years, and 8.9 per cent have more than 10 years of work experience. Of all workers surveyed, 67 per cent have not reached high school, with a small portion having no schooling at all. This is true across all industries.

The EESE assessment described in the present report has certain shortcomings which should be kept in mind. Secondary data on Cambodia is sometimes missing, is available for only one or few years, or is not up-to-date. Furthermore, it is sometimes difficult to identify appropriate indicators to measure specific EESE conditions, as in the case of "entrepreneurial culture" where only two indicators have been identified, and only one of which has data on Cambodia. Primary data also presents some limitations. To overcome these and other limitations, the authors have used information from available national and international literature.

2. Economic elements

Indicators assessing economic elements of an enabling environment for sustainable enterprises*



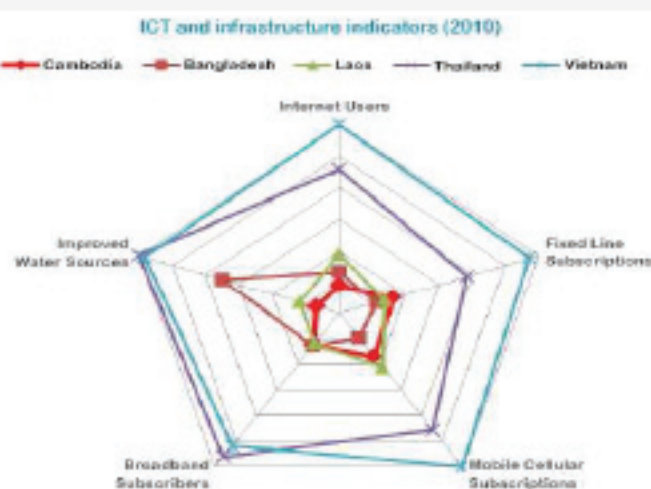
- Cambodia's economy is based on the garment, tourism and construction sectors, which have recently driven economic growth and job creation. On the other hand, the agricultural sector yields limited formal exports, due to its low productivity, but accounts for more than two-thirds of total employment.
- Despite a consistently high annual GDP growth rate until 2008 and a notable recovery after 2009, Cambodia still exhibits a very high poverty rate. Nevertheless, the Government has undertaken a number of measures to reduce it, and significant results have already been achieved.
- The 2008-09 global economic downturn has shown Cambodia's vulnerability to market changes and price fluctuations. As a consequence, the Government is trying to diversify the country's economic base, for example fostering rice exports and establishing Special Economic Zones in order to attract FDI.
- Cambodia's gross domestic savings are rather low, indicating that the financial sector is in relatively bad conditions. Moreover, also its gross capital formation, a measure of investment, underperforms the values of the countries used for comparison as well as the world and East Asia and Pacific means.
- The current account balance as a percentage of GDP went below zero between 2008 and 2012, indicating Cambodia's high reliance on imports coupled with a low diversification of exports.
- Total trade as a percentage of GDP has increased at an annual average rate of 17 per cent between 1995 and 2009. This highlights how Cambodia is a highly liberal and outward-looking economy. However, exports are concentrated towards the U.S., EU and Hong Kong and composed mostly by textiles and apparel. The consequent riskiness clearly emerged in 2009, when garment exports dropped by 31 per cent, causing a large job loss in the sector. Also agriculture can become a relevant source of exports, but many agricultural products do not meet the technical standards of buyers, thus they are informally exported.
- Cambodia is also trying to substitute imports of raw materials for the garment industry with locally produced commodities.
- The FDI inflow is relatively high, especially since Special Economic Zones have been established. Cambodia is also making efforts to increase its integration in regional markets, although it has not yet fully benefited from this. China has become its major partner, mainly owing to the financing of significant infrastructure projects.
- With regard to the legal and regulatory framework, Cambodia does not perform well. Although considerable improvements have been achieved

according to the “Ease of Doing Business Index”, setting up a new business as well as acquiring permits and licences is still a cumbersome process.

- In spite of recent progress, the judicial system is poorly accessible, affecting disproportionately poor women, whilst protection of property rights and intellectual property rights is weak and not enforced.
- The promotion of competition in Cambodia is moving forward, with a draft Law on Competition introduced in 2012 and other numerous laws currently in progress. Likewise, anti-monopoly policies have revealed to be effective. Nonetheless, anti-competitive practices are still a challenge to doing business, and employers mostly perceive unfair competition as a major constraint.
- The Cambodian financial system is still under developed and the depth of financing limited. Due to the extensive presence of informal and foreign-

owned firms, access to credit is not considered a major challenge; however, it is reasonable to think that it limits private sector diversification into higher value-added sectors.

- The lack of credit infrastructure and formal services negatively impacts farmers and SMEs in particular. For this reason, the role played by microfinance institutions is fundamental, serving more than three-quarters of rural Cambodian borrowers with just 10 per cent of the total national amount of credit. However, the creation of the first private credit bureau in 2012 is expected to progressively ease SMEs’ access to finance.
- The ICT sector in Cambodia has been growing very fast in recent years. Nevertheless, a number of issues still hamper its full development, such as the absence of a clear legal framework, high operating costs and the low number of qualified ICT workers.



* the values for the individual indicators have been harmonized for better presentation and formatted so that the further from the centre a data point is, the better the country's performance in that regard. The original indicator values are included in the chapters.

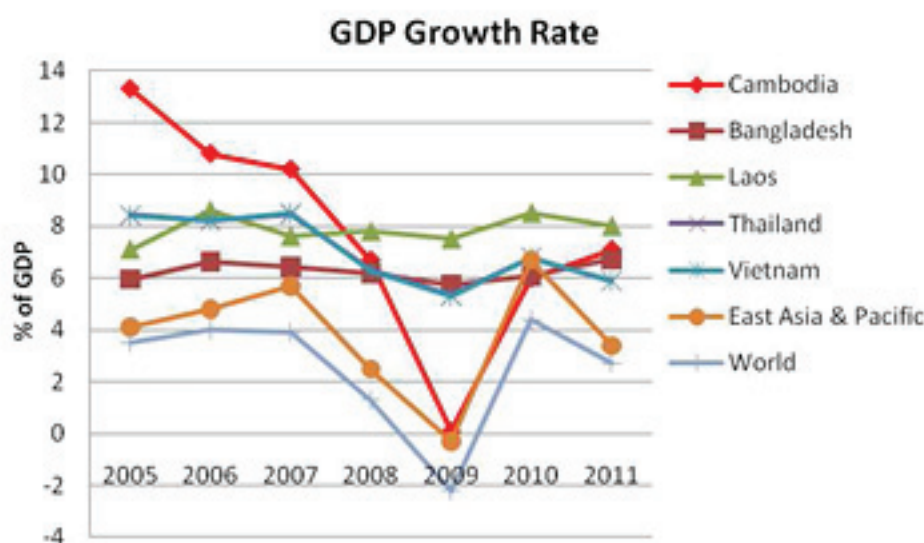
As a result, the personal computer penetration rate is less than Cambodia's potential, affecting disproportionately SMEs' competitiveness. Especially in the tourism sector, e-business is essential, whilst Internet access and use of emails remain limited.

- With regard to ICT usage, improvements are evident, in particular in the area of mobile cellular subscriptions. However, the number of fixed-line, Internet and broadband subscriptions remains substantially low.
- Transportation infrastructures are an issue for concern, since ports and airports remain inadequate despite recent upgrades, whilst road and rail networks continue to suffer from a lack of investment.

- Access to electricity is mainly limited to urban areas and, even there power shortage causes risks to business operations. In addition, electricity prices are comparatively high and place a burden on firms.
- Significant improvements need to be achieved regarding access to potable water, as more than a third of the population did not have access in 2010.
- Aiming to become a major rice exporter by 2015, Cambodia needs to develop appropriate milling, storage and irrigation infrastructures, considering that, at the moment, farmers are obliged to have their rice harvests milled in Thailand and that annual production strongly depends on rains

2.1. Sound and stable macroeconomic policy and good management of the economy

Macroeconomic policies should guarantee stable and predictable economic conditions. Sound economic management should combine the objectives of creating more and better jobs, combating inflation, and implementing policies and regulations that stimulate long-term productive investment. Cambodia is a developing country with a narrow economic base. In recent years, the garment, tourism, and construction sectors have driven economic growth and job creation, while the agricultural sector, where the majority of Cambodians earn their livelihoods, remains poor and unstable. Despite several consecutive years of impressive economic growth in the country, the poverty rate remains high, and disproportionately so in rural areas.³



Source: World Bank, World Development Indicators.

Between 1998 and 2008, Cambodia registered an average annual GDP growth rate of nearly 10 per cent,⁴ achieving a rate of 13.3 per cent in 2005.⁵ Although this remarkable growth was interrupted by the global economic downturn in 2008-09, Cambodia staged a strong recovery in 2010 and 2011, with GDP growth at 7.1 per cent in the latter year. This is higher than the East Asia and Pacific region average of 3.4 per cent in the same year, and of the other four countries used for comparison, only Laos performed better in 2011, reaching over 8 per cent. The World Bank predicts that growth momentum in Cambodia will further increase, driven by strong exports, private investment, and a solid macroeconomic position. Though poverty rates remain high in spite of this impressive performance, rapid economic growth has created new employment opportunities, thereby contributing to the decline in poverty from 47.5 per cent in 1993/94 to 34.7 per cent by 2004.⁶

The three key economic sectors in Cambodia are the agriculture, garment and tourism industries. Cambodia boasts one of the largest agricultural sectors in the East Asia region,

³ World Bank. 2008. [Cambodia Country Economic Memorandum: Sustaining Rapid Growth in a Challenging Environment](#). Economic Institute of Cambodia; World Bank, December. Accessed 14 June 2013.

⁴ World Bank. (undated). [Cambodia Overview](#).

⁵ ILO. 2010.

⁶ World Bank. (undated).

accounting for 72.2 per cent of national employment in 2008.⁷ But while agriculture generates 32 per cent of the total GDP, most farming is for subsistence, and formal agricultural exports are limited. Productivity per day worked in Cambodia's agricultural sector is quite high, often at 10 USD per day or more. Unfortunately, because the land generates relatively few days of work a year, the overall output per person is low. The proportion of irrigated land is among the lowest in the region, which means that most areas produce only one crop per year. This is one of the main constraints to higher output in the sector.⁸ The Government has prioritized improvements in agriculture and rural development, for example, including specific actions in the Rectangular Strategy II for 2008.⁹

In contrast to the agricultural sector, Cambodia reflects the lowest share of employment in industry in the East Asian region at 8.6 per cent in 2008. Countries with the largest shares of employment in industry in the region include China (27.2 per cent in 2008), Malaysia (27 per cent in 2009), and Japan (25.3 per cent in 2010).¹⁰ Nonetheless, manufacturing accounts for a large portion of Cambodia's economic growth, especially in regards to the garment industry. The 2009 global recession exposed Cambodia's structural economic vulnerabilities, and in particular its dependence on garment exports.¹¹ The garment industry is predominantly foreign owned, as is also the case for other types of light manufacturing for export in the country. The garment sector is showing signs of losing its competitive edge because of comparatively higher wages (exacerbated by inflation in the recent past) relative to wages in other countries producing similar products, higher freight costs, and increased competition for similar products, coupled with declining overall demand for the manufactured goods. In efforts to protect the sector, the Government provided firms with tax exemptions in 2008 and began providing wage subsidies to top up the salaries of workers by 6 USD per month.¹²

Tourism is another sector that is highly important for the stability and health of the Cambodia economy, as well as one requiring complex macroeconomic policy guidance. Between 2001 and 2006, tourism grew at an annual rate of 10-20 per cent.¹³ In more recent years, tourist spending, using a strict definition, accounts for just under 10 per cent of the economy, though, its contribution may be closer to 20 per cent when related activities are taken into account. One-third of foreign direct investment (FDI) since the mid-1990s has been in the tourism sector. In 2013, the World Economic Forum ranked Cambodia at 109 out of 139 in tourism competitiveness.¹⁴ High energy and flight costs, as well as limited ICT and infrastructure, are main reasons for this low position. There is strong evidence that Cambodian tourism has developed primarily on the basis of the comparative advantage of the Angkor Wat temples and the cost competitiveness of Cambodia in the traditional source markets in Europe and the U.S. However, over-reliance on the temples and price competitiveness, without quickly developing other competitive advantages of this sector, is the greatest challenge presently facing the tourism sector.¹⁵

⁷ OECD. 2012.

⁸ UNDP. 2009.

⁹ World Bank. 2010. [Project Appraisal on a Proposed Credit and a Proposed Grant to the Kingdom of Cambodia for an Agribusiness Access to Finance Project](#). World Bank, 16 November. Accessed 14 June 2013.

¹⁰ OECD. 2012.

¹¹ EIU http://www.eiu.com/report_d1.asp?issue_id=1379330122&mode=pdf

¹² Royal Government of Cambodia. 2013.

¹³ Nuon, V. and Serrano, M. 2010.

¹⁴ World Economic Forum. 2013. [Travel & Tourism Competitiveness Report](#). WEF (Geneva, Switzerland). Accessed 17 June 2013.

¹⁵ UNDP. 2009.

In addition to sector-specific solutions to these economic challenges, the Government is also looking for alternative areas through which to stimulate economic growth. For example, there are plans for Cambodia to become a major rice exporter, and authorities have set a target of exporting 1m tonnes of milled rice annually by 2015. This plan is already showing some success; between 2010 and 2011, exports of milled rice rose from 140,000 tonnes to 170,000 tonnes, despite severe floods in the fourth quarter of 2011, which caused considerable damage to agriculture. In line with plans to expand rice production, agricultural growth should accelerate as well. There are also signs that Cambodia's special economic zones are beginning to attract FDI in a range of manufacturing activities. Flows of FDI, especially from Asian investors, should rise steadily in the next few years, though the small size of Cambodia's domestic market will likely prevent large inflows.¹⁶ The construction sector has traditionally been a good marker of the status of FDI in the country as much foreign investment involves construction, but this sector too has been hit particularly hard by the global crisis. Over 30 per cent of construction projects may have been placed on hold due to the global downturn. As the majority of products are imported, Cambodian construction companies depend to a large degree on regional and world prices for materials. The prices of construction materials in Cambodia have also rapidly risen since 2003, thus further adding to the cost of conducting construction activities.¹⁷ It is essential that the Government give attention to this industry in order to stimulate continued FDI and economic expansion. In addition, offshore oil and gas resources also represent a major potential source of future revenue for the country. Cambodia possesses mineral reserves, including gold, bauxite, metal ores, precious gemstones and marble, the extraction and exploration of which are on the rise.¹⁸

Despite the rapid economic growth preceding the global economic crisis and the fact that Cambodia remained comparatively strong throughout the crisis period, the economy has not generated sufficient jobs to meet the population demand. This situation is exacerbated by a general lack of adequately skilled labour. In part owing to this, the majority of Cambodians work in informal and/or vulnerable employment. Although estimates vary, most studies have pegged the informal economy's contribution to the economy at well over half of the national GDP. This figure has declined over the years, but nearly 90 per cent of the nation's inhabitants still rely on the informal economy to supplement their incomes, including through agricultural activities. Rural-to-urban migration is another factor that has likely exacerbated the situation. The prevalence of agricultural employment has declined as more jobs have become available in the service and manufacturing industries. This trend has in turn, provoked migration from rural to urban areas, with migrants lacking the appropriate skills, education and professional experience for the urban labour market. Many migrants are thus forced to accept low-paying jobs in the informal economy. Self-employment also dominates the informal economy in Cambodia and accounts for 36 per cent of the entire labour force.¹⁹

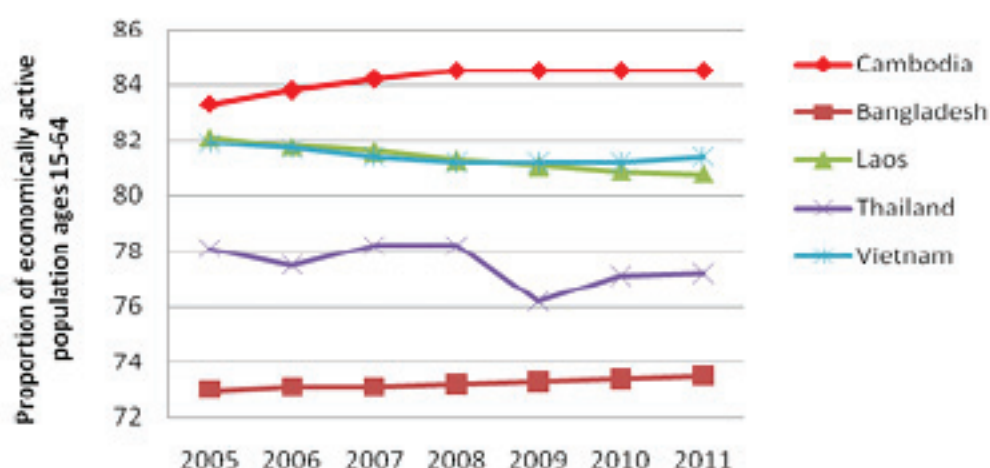
¹⁶ EIU. 2012a.

¹⁷ UNDP. 2009.

¹⁸ Cambodia Development Research Institute. 2012a.

¹⁹ Dalberg Global Development Advisors. 2012. [Skills for Employability: The Informal Economy](#). Results for Development Institute. Accessed 14 June 2013.

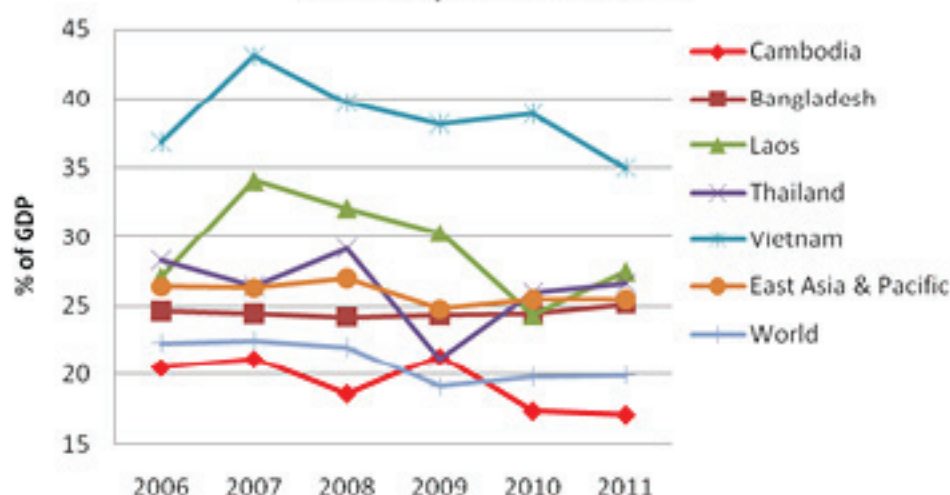
Labour Force Participation Rate



Source: ILO KILM.

According to ILO data on the “Labour Force Participation Rate”, Cambodia has maintained a relatively stable rate over the period 2005-10. In the former year, it registered 83.3 per cent and increased marginally to 84.5 per cent in the latter year. Relative to the four countries used for comparison, Cambodia has consistently registered the highest labour force participation rates over the period 2005-10. The country’s rapid economic growth increased employment opportunities, which in turn, contributed to the decline in the poverty rate from 47.5 per cent in 1993-94 to 34.7 per cent in 2004. Labour force participation is considerably higher in rural than urban areas, with a slight reduction in urban participation rates observed between 2004 and 2009.²⁰

Gross Capital Formation



Source: World Bank, World Development Indicators.

High levels of “Gross Capital Formation” or investment are conducive to economic growth. Cambodia’s performance in this regard however, is comparatively poor. Over the period 2006-11, Cambodia underperformed all other countries used for comparison, as well as the world mean, with the exception of 2009, when Thailand registered a marginally lower percentage. In 2011, Cambodia performed the poorest, registering a percentage of 17.1. The second lowest score for the year was

²⁰ ILO, 2012b.

for Bangladesh at 25.2 per cent, and the highest performer, Vietnam, recorded a value of 35 per cent. The mean for the East Asia and Pacific region was 25.5 per cent. Related to this, Cambodia reflects a moderate risk of exchange rate volatility. The National Bank of Cambodia is focused on maintaining stability between the floating riel and the U.S. dollar, but its foreign exchange reserves are limited. After expanding by an estimated 6.1 per cent in 2011, up from 5.9 per cent in 2010, the Economist Intelligence Unit predicted in 2012 that Cambodia's economic growth should remain more or less stable at 6 per cent.²¹

High "Gross Domestic Savings" rates usually reflect a country's high potential to invest. However, savings must be deposited in financial institutions in order to be invested through credit to businesses. In developing countries, the financial sector is often weak and good savings rates do not correspond to significant investments. Cambodia has performed poorly compared to the other countries used for comparison over the period 2006-11, indicating that its financial sector is in relatively bad conditions. The rate in Cambodia decreased from 13.1 per cent in 2006 to 11.7 per cent of GDP in 2011, and is the lowest rate among the countries compared. Thailand and Vietnam performed the best respectively, where both achieved savings levels of more than twice that of Cambodia in 2011.

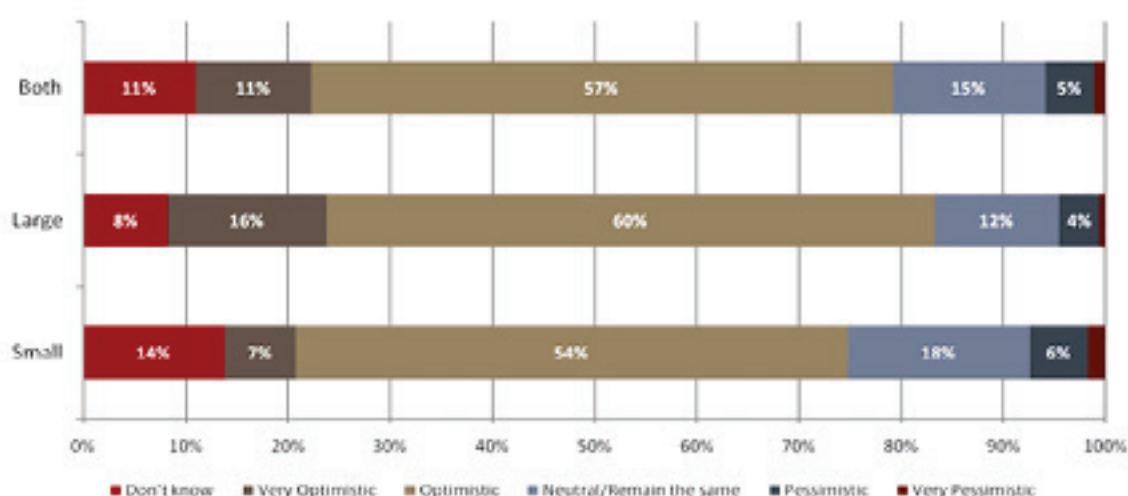
The "Current Account Balance" as a percentage of GDP remained in Cambodia at levels well below zero over the period 2008-12. Since 2009, it has been decreasing, moving from -3.4 to -10.5 per cent. Only Laos recorded a lower balance in 2012 at -19.6 per cent. Vietnam and Bangladesh performed notably better, but still below zero at -1.5 and -1 per cent respectively. Thailand conversely recorded the highest value of the group and the only positive level at 1 per cent. This is indicative of the highly import-dependent nature of the Cambodian economy, coupled with a low level of diversification in the export sector. By the end of 2010, net international reserves increased by 12.7 per cent over the 2009 level and were sufficient to provide finance for about 4 months of imports. Customer deposits, banks' credit and total assets during 2010 rose by 23.9 per cent, 26.6 per cent, and 23.6 per cent respectively over 2009. The rise in credit can be primarily ascribed to increased economic activities taking place in the country.²²

Considering results from the EESE survey, enterprises are highly positive when it comes to their outlook on the future of the Cambodian economy and their business success. According to the survey findings, the majority of enterprises (68 per cent) are optimistic about their business operations over the next three years. Large enterprises appear to be more optimistic in this regard than smaller enterprises, though both small and large firms are generally quite optimistic.

²¹ EIU. 2012. Risk Briefing.

²² National Bank of Cambodia. 2010. [Annual Report](#). Royal Government of Cambodia. Accessed 14 June 2013.

Employer expectations for the next 3 years, by enterprise size



Source: Cambodia EESE Survey.

Key Indicators

GDP Growth Rate (%)

Annual percentage growth rate of Gross Domestic Product (GDP) at market prices based on constant local currency. GDP is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources.

Source: World Bank national accounts data (World Development Indicators Online).²³

	2005	2006	2007	2008	2009	2010	2011
Cambodia	13.3	10.8	10.2	6.7	0.1	6.0	7.1
Bangladesh	6.0	6.6	6.4	6.2	5.7	6.1	6.7
Laos	7.1	8.6	7.6	7.8	7.5	8.5	8.0
Thailand	8.4	8.2	8.5	6.3	5.3	6.8	5.9
Vietnam	8.4	8.2	8.5	6.3	5.3	6.8	5.9
East Asia & Pacific	4.1	4.8	5.7	2.5	-0.3	6.7	3.4

Annual percentage growth rate of GDP.

Labour Force Participation Rate

The labour force participation rate is the proportion of the population ages 15-64 that is economically active: all people who supply labour for the production of goods and services during a specified period. The labour force participation rate is calculated by expressing the number of persons in the labour force as a percentage of the working-age population. The labour force is the sum of the number of persons employed and the number of unemployed. The working-age population is the population above a certain age, prescribed for the measurement of economic characteristics.

Source: ILO KILM²⁴

	2005	2006	2007	2008	2009	2010
Cambodia	83.3	83.8	84.2	84.5	84.5	84.5
Bangladesh	73.0	73.1	73.1	73.2	73.3	73.4
Laos	82.1	81.8	81.6	81.3	81.1	80.9
Thailand	78.1	77.5	78.2	78.2	76.2	77.1
Vietnam	81.9	81.7	81.4	81.2	81.2	81.2

The labour force participation rate is calculated by expressing the number of persons in the labour force as a percentage of the working-age population.

²³ [World Bank World Development Indicators](#).

²⁴ [ILO KILM](#).

Other Useful Indicators

Current Account Balance (% of GDP)

Current account balance (also called 'current account surplus/deficit') is the sum of net exports of goods and services, net income, and net current transfers. It is a record of a country's transactions with the rest of the world. It shows whether a country is 'living within its means'. If a country is spending more abroad than it earns from the rest of the world then corrective action will be necessary, e.g. to maintain the value of the country's currency in relation to other countries' currency. The balance of payments is a double-entry accounting system that shows all flows of goods and services into and out of an economy. All transactions are recorded twice – once as a credit and once as a debit. In principle the net balance should be zero, but in practice the accounts often do not balance, requiring inclusion of a balancing item, net errors and omissions. Positive current account (surplus) balance is associated with positive net exports. If the current account balance is negative, it measures the portion of domestic investment financed by foreigners' savings.

Source: International Monetary Fund, World Economic Outlook Database, April 2010.²⁵

	2008	2009	2010	2011	2012
Cambodia	-4.5	-3.4	-3.9	-9.6	-10.5
Bangladesh	1.3	2.8	1.6	-0.4	-1.0
Laos	-18.4	-20.9	-18.1	-19.3	-19.6
Thailand	0.7	8.3	4.1	3.4	1.0
Vietnam	-11.9	-6.5	-4.1	-0.5	-1.5

% of GDP.

Gross Capital Formation (% of GDP)

Gross capital formation consists of outlays on additions to the fixed assets of the economy plus net changes in the level of inventories. Fixed assets include land improvements (fences, ditches, drains, and so on); plant, machinery, and equipment purchases; and the construction of roads, railways, and the like, including schools, offices, hospitals, private residential dwellings, and commercial and industrial buildings. Inventories are stocks of goods held by firms to meet temporary or unexpected fluctuations in production or sales, and "work in progress". Gross capital formation (also called investment rate or gross domestic investment), along with foreign direct investment, is critical to economic growth and economic development. High level of gross capital formation in a period of time refers to increase in the value of inventories. High level of gross capital formation or investment is conducive to economic growth.

Source: World Bank national accounts data, and OECD National Accounts data files (World Development Indicators Online)²⁶

	2006	2007	2008	2009	2010	2011
Cambodia	20.6	21.2	18.6	21.4	17.4	17.1
Bangladesh	24.7	24.5	24.2	24.4	24.4	25.2
Laos	27.1	34.1	32.1	30.3	24.3	27.4
Thailand	28.3	26.4	29.1	21.2	25.9	26.6
Vietnam	36.8	43.1	39.7	38.1	38.9	35.0
East Asia & Pacific	26.4	26.3	27.0	24.8	25.5	25.5

% of GDP.

²⁵ [IMF World Economic Outlook Database](#).

²⁶ [World Bank World Development Indicators](#).

Gross Domestic Savings (% of GDP)

Gross domestic savings are calculated by deducting total final consumption expenditure from GDP at current prices. A high gross domestic savings rate usually indicates a country's high potential to invest. Savings can therefore be vital to the amount of fixed capital available, which in turn can contribute to economic growth. However, increased savings do not always correspond to increased investment. If savings are not deposited into a financial intermediary like a bank, there is no chance for those savings to be recycled as investment by businesses. This means that savings may increase without increasing investment, possibly causing a short-fall of demand rather than economic growth. In the short term, if savings fall below investment, it can lead to growth of aggregate demand and economic boom. In the long term, it eventually reduces investment and detracts from future growth.

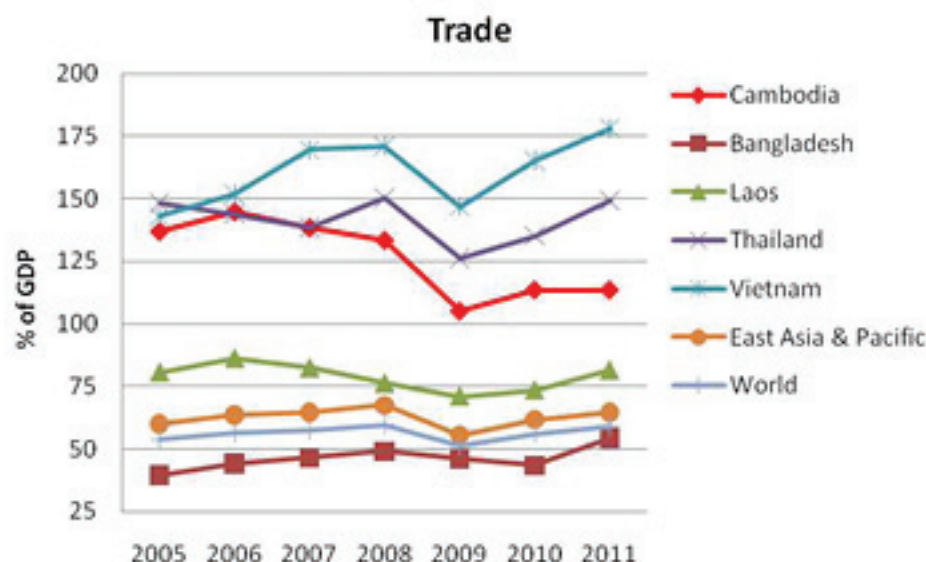
Source: World Bank national accounts data, and OECD National Accounts data files (World Development Indicators Online).²⁷

	2006	2007	2008	2009	2010	2011
Cambodia	13.1	13.6	16.4	14.7	11.9	11.7
Bangladesh	18.4	17.5	15.8	17.2	17.8	16.4
Laos	21.5	20.6	19.9	21.1	22.0	21.2
Thailand	31.8	34.8	31.7	31.8	33.4	31.2
Vietnam	31.7	27.3	24.5	27.8	28.6	30.8

% of GDP.

2.2. Trade and sustainable economic integration

Cambodia has fostered rapid expansion of trade and investment in recent years and reflects a highly liberal and outward-looking economic regime.²⁸



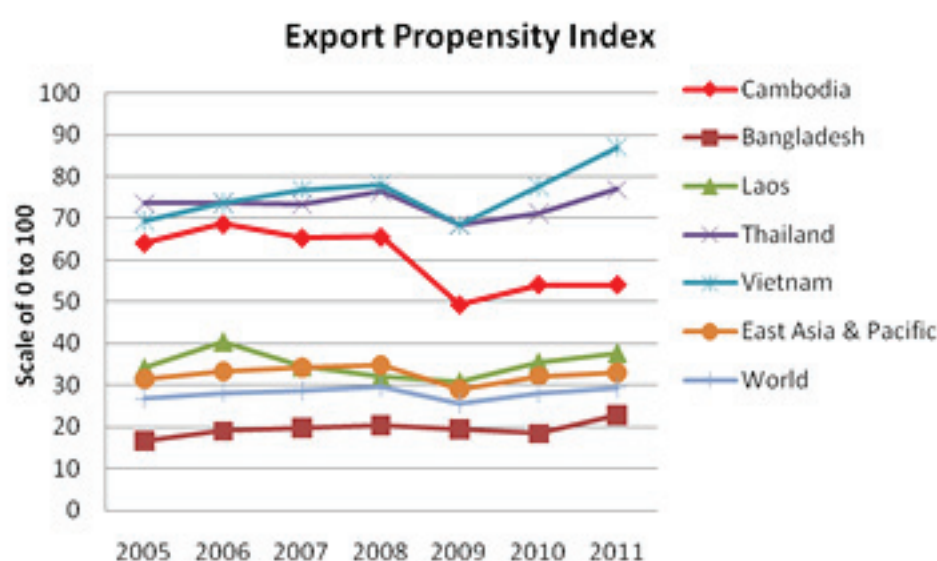
Source: World Bank, World Development Indicators.

Between 1995 and 2009 total trade in Cambodia as a percentage of GDP increased at an annual average rate of 17 per cent, reaching 10.02 billion USD and exceeding GDP with total trade-

²⁷ [World Bank World Development Indicators](#).

²⁸ Cambodia Development Research Institute. 2012a. [Annual Development Review 2011-12](#). CDRI (Phnom Penh, Cambodia), February. Accessed 14 June 2013.

to-GDP ratio at 105.7 per cent.²⁹ “Trade” as an indicator measures the sum of exports and imports of goods and services as a share of GDP. For some countries, in particular small ones, it exceeds 100 per cent, as is the case in Cambodia. Relative to the other countries used for comparison, Cambodia performs relatively well in this area, registering a higher percentage than Laos in 2011, more than double the rate of Bangladesh, and below the rates for Thailand and Vietnam. However, Cambodia has suffered a decrease in this regard over the period 2006-11, moving from 144.6 per cent of GDP in the former year, to 113.6 per cent in the latter. Other secondary data reflects a similar picture. The “Export Propensity Index” measures the export of goods and services as a percentage of GDP. Cambodia performs well in this area relative to the countries compared, and consistently outperforms the mean for the East Asia and Pacific region. In 2011, Cambodia outperformed Bangladesh and Laos with 54.1 per cent, as well as the East Asia and Pacific mean of 33 per cent in that year. Thailand and Vietnam recorded higher index scores at 76.9 and 87 per cent respectively. Though Cambodia reflects a relatively high level in 2011, this is a decrease from the 2006 rate for the country of 68.6 per cent.



Source: World Bank, World Development Indicators.

The Cambodia exports market is highly concentrated in a few selected markets, with only a few products dominating. This earned the country a high export product concentration index of 36.4 per cent in 2009. In the same year, textiles and apparel accounted for 3.45 billion USD, or 76 per cent of total exports. Exports are also highly concentrated in a small number of markets, with the U.S. and EU absorbing about two-thirds of Cambodia's exports, made up mainly of garments and footwear. The other major export markets include Hong Kong (19.3 per cent), Canada (6.7 per cent) and Vietnam (3.9 per cent).³⁰ Because export goods and partner countries are so few, Cambodia is highly vulnerable to market changes and price fluctuations. Garment manufacturing, Cambodia's only significant export industry, has been the hardest hit sector in the economy during the global financial crisis, with more than 30 factories closing in 2009-10. In 2009, garment exports generated only 70 million USD compared with 250 million USD in 2008.³¹ The industry was also hit by a spate of strikes since the crisis, and walk-outs that have harmed factory productivity at a time when stronger international competition from other low-wage economies is a major concern.³²

²⁹ Cambodia Development Research Institute. 2012a. [Annual Development Review 2011-12](#). CDRI (Phnom Penh, Cambodia), February. Accessed 14 June 2013.

³⁰ Ibid.

³¹ Business-in-Asia. (undated)b. [Cambodia's Industries Update](#). Accessed 14 June 2013.

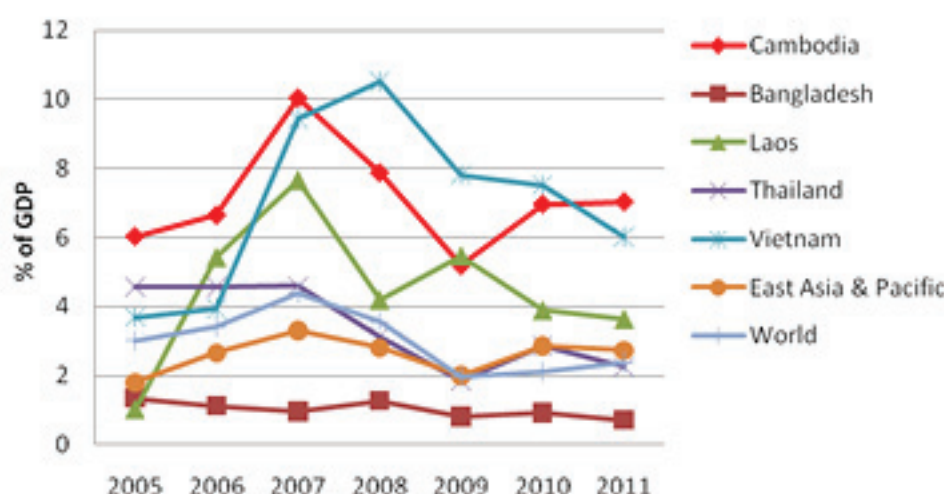
³² EIU. 2012c

Cambodia is in the process of initiating the National Single Window (NSW) service for cross-border procedures, which will potentially form the basis of its participation in the ASEAN Single Window.³³ Another area for improvement concerns the importing of raw materials in Cambodia. According to the Garment Manufacturers Association of Cambodia, its garment industry imported 1 billion USD in raw materials in 2008, leading to calls for more local production to cut costs and improve access to Western markets. The association said 66 per cent of garment components were imported from China, while the rest came from Taiwan and South Korea. Despite these calls for localization of production of raw materials, little has happened.³⁴ According to a report from the World Bank, Cambodia's garment exports fell in January 2009 by 31 per cent, and producers reported a 20-40 per cent drop in orders. Subsequently, more than 50,000 garment factory workers, or 17 per cent of the total labour force in this sector, had lost their jobs by late 2009.³⁵

Agriculture has also emerged as an important source of export growth. The sector expanded at an average annual rate of 4.4 per cent over the period 1998-2008. This is quite high compared to the average agricultural GDP growth rate of the East Asia and Pacific region over the same period (3.8 per cent). The sector expanded another 4.7 per cent in 2009, despite the global economic and financial crisis.

Many agricultural products are informally exported probably due to the challenges associated with the trade process on the formal market. For example, many products do not meet technical standards of buyers due to outdated processing facilities, such as old rice mills, and poor production methods. The "Enabling Trade Index" measures the factors, policies and services facilitating the free flow of goods over borders and to final destination. On a scale from 1 to 7 where the highest value indicates that a country is successful at enabling the free flow of trade, Cambodia has improved from 2.95 in 2008 to 3.52 in 2012. It is difficult to analyse these figures based on cross-country comparison, as comparable data is only available for Vietnam, which performs somewhat better than Cambodia, registering a score of 4.02 in 2012.

Foreign Direct Investment net inflow



Source: World Bank, World Development Indicators.

³³ Cambodia Development Research Institute. 2012b. [Cambodia in 2012: Key Trends and Policy Priorities from the Cambodia Outlook Conference](#). Cambodia Development Review, vol. 16, issue 1, January-March. Accessed 14 June 2013.

³⁴ Business-in-Asia. (undated)b.

³⁵ World Bank. 2009. [Battling the Force of Global Recession](#). East Asia and Pacific Update, April. Accessed 18 June 2013.

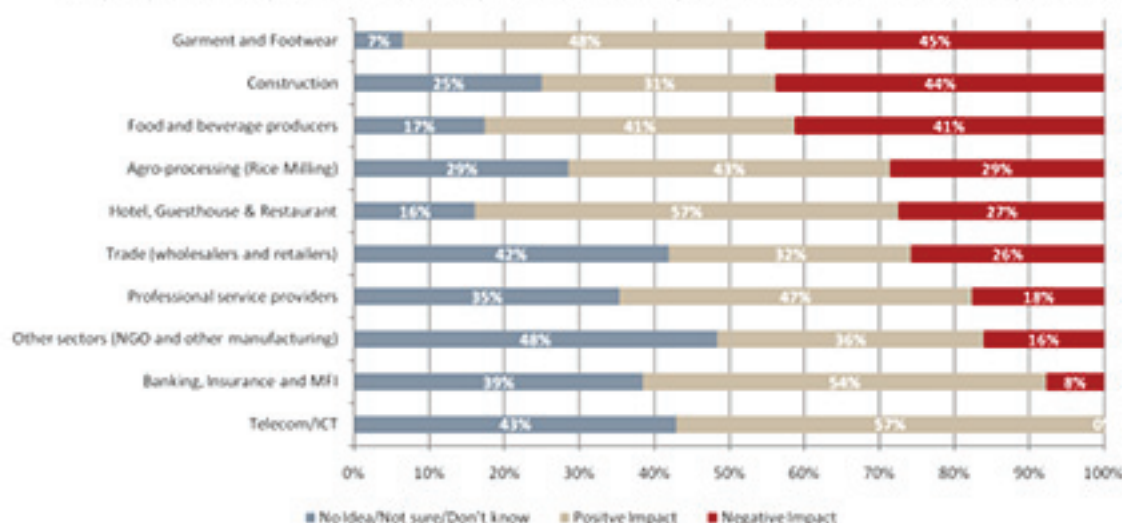
“Foreign Direct Investment” measures the net inflows of investment to acquire lasting management of an enterprise operating in a country different from that of the investor, as a percentage of GDP. Cambodia performs very well in this regard, consistently registering the highest FDI levels of the countries compared over the period 2006-11. In the latter year, Cambodia registered FDI net inflow at 7 per cent of GDP. The second highest rate of the group was 6 per cent in Vietnam, and the lowest was 0.7 per cent in Bangladesh. The East Asian and Pacific mean was less than half the Cambodia rate at 2.7 per cent in 2011. Following the global economic crisis in 2008-09, FDI into Cambodia slightly decreased, from 867 million USD in 2007 to 815 million USD in 2008. The majority of FDI inflow comes from the Republic of Korea and Malaysia, and has been concentrated in telecommunications and garment enterprises, followed by commercial banks.³⁶ In 2011, the total value of investment projects in Cambodia’s Special Economic Zones (SEZ) increased 683 per cent, according to the Council for the Development of Cambodia. The Council also upped its approval rates, approving 39 projects worth 715.25 million USD, compared with 22 projects worth 91.25 million USD in 2010. In addition, revenues from shipments increased.³⁷

Cambodia scores high in its commitment to regional integration, yet the benefits from this have not been fully realized. Cambodia’s intra-regional trade volume is meagre compared to other countries in the region, and regional integration may also pose security threats and create social problems among member countries, especially those that share borders. An increase in illegal migration and incidents of human and drug trafficking in the last decade have created many problems for both origin and destination countries. China has become a major partner for Cambodia mainly owing to its financing of major infrastructure projects. The Cambodia EESE survey reveals that more than half of surveyed enterprises (54 per cent) are aware of the goal of ASEAN to become an integrated economic region by 2015. However, a significant amount of firms expressed uncertainty concerning the increased competitiveness of Cambodian SMEs within the context of the ASEAN integrated region. Specifically, the small CAMFEBA member firms do not seem to believe that Cambodian SMEs are competitive, while the larger member firms feel more competitive in this regard. In addition, large CAMFEBA member enterprises seem to have less concern about the effect of the free flow of skilled labour across ASEAN and perceive the mobility of skilled labour through ASEAN to have a more positive potential impact on their company than do non-members. However, about one-third of all surveyed enterprises do not have a clear position on the impact of ASEAN on their companies. Considering opinions by industry, enterprises operating in the construction sector generally perceive the impact of skilled labour mobility to be negative within the ASEAN framework, while those in the hotel, guesthouse and restaurant, telecom/ICT, banking, and professional service providers sectors tend to be more positive.

³⁶ ILO, 2010.

³⁷ Business-in-Asia. (undated)a.

Employer perceptions of the impact of mobility of skilled labour on companies, by sector



Source: Cambodia EESE Survey.

Cambodia is currently lobbying, along with other countries such as Bangladesh, for all LDCs to be afforded duty-free quota-free access in developed country markets, such as the U.S., both at multilateral and bilateral levels. Since the end of the Multi Fibre Arrangement in 2005, the explicit link to adherence to labour standards and benefiting from additional quotas in the U.S. market ended. Cambodia thus no longer has preferential access to the U.S. market relative to Vietnam as of January 2007, or China as of 2008 and the removal of WTO safeguards.³⁸ According to CAMFEBA, Cambodia is the only country, apart from Jordan and Haiti, that links trade and labour standards in order to export.³⁹

Key Indicators

Trade (% of GDP)

Trade is the sum of exports and imports of goods and services measured as a share of gross domestic product. It takes values between 0 and +∞.

Please note that the trade-to-GDP ratio refers to the sum of the imports and exports and could therefore exceed 100%.

Source: World Bank national accounts data (World Development Indicators Online).⁴⁰

	2006	2007	2008	2009	2010	2011
Cambodia	144.6	138.3	133.3	105.1	113.6	113.6
Bangladesh	44.2	46.5	49.1	46.0	43.4	54.5
Laos	86.3	82.5	76.2	71.0	73.5	81.6
Thailand	143.8	138.5	150.3	126.2	135.1	149.4
Vietnam	151.8	169.6	171.1	147.0	165.3	178.2
Trade share (%) in GDP.						

³⁸ Overseas Development Institute. 2010. [Cambodia Case Study for the MDG Gap task Force Report](#) (Draft). May. Accessed 14 June 2013.

³⁹ Business-in-Asia. (undated)a.

⁴⁰ [World Bank World Development Indicators](#).

Enabling Trade Index (ETI)		(Report 2008)	(Report 2009)	(Report 2010)	(Report 2012)		
The Enabling Trade Index measures the factors, policies and services facilitating the free flow of goods over borders and to destination. The index breaks the enablers into four overall issue areas: (1) market access, (2) border administration, (3) transport and communications infrastructure and (4) the business environment.	Cambodia	2.95	3.50	3.57	3.52		
	Vietnam	3.42	3.54	3.96	4.02		
	On a scale from 1 to 7, a high score in the overall ETI indicates that a country is relatively successful at enabling the free flow of trade.						
Source: World Economic Forum. ⁴¹							
Note: Data for Bangladesh, Laos and Thailand is not available.							
FDI Net Inflow (% of GDP)		2006	2007	2008	2009	2010	2011
Foreign direct investment are the net inflows of investment to acquire a lasting management interest (10 per cent or more of voting stock) in an enterprise operating in an economy other than that of the investor. It is the sum of equity capital, reinvestment of earnings, other long-term capital, and short-term capital as shown in the balance of payments. This series shows net inflows in the reporting economy and is divided by GDP.	Cambodia	6.6	10.0	7.9	5.2	7.0	7.0
	Bangladesh	1.1	1.0	1.3	0.8	0.9	0.7
	Laos	5.4	7.7	4.2	5.5	3.9	3.6
	Thailand	4.6	4.6	3.1	1.8	2.9	2.3
	Vietnam	3.9	9.4	10.5	7.8	7.5	6.0
	East Asia & Pacific	2.7	3.3	2.8	2.0	2.9	2.7
	FDI net inflow (in current US\$ as % of GDP).						
Source: International Monetary Fund, International Financial Statistics and Balance of Payments databases & World Development Indicators Online. ⁴²							
Other Useful Indicators							
Export Propensity Index = Exports of goods and services (% of GDP)		2006	2007	2008	2009	2010	2011
Exports of goods and services represent the value of all goods and other market services provided to the rest of the world. They include the value of merchandise, freight, insurance, transport, travel, royalties, license fees, and other services, such as communication, construction, financial, information, business, personal, and government services. They exclude labour and property income (formerly called factor services) as well as transfer payments.	Cambodia	68.6	65.3	65.5	49.2	54.1	54.1
	Bangladesh	19.0	19.8	20.3	19.4	18.4	22.9
	Laos	40.4	34.5	32.0	30.9	35.5	37.7
	Thailand	73.6	73.4	76.4	68.4	71.3	76.9
	Vietnam	73.6	76.9	77.9	68.3	77.5	87.0
	East Asia & Pacific	33.3	34.2	34.8	29.0	32.2	33.0
	It ranges from 0 (with no exports) to 100 (with all domestic production exported).						
Source: World Bank national accounts data and OECD national accounts data files (World Development Indicators Online). ⁴³							

2.3. Enabling legal and regulatory environment

Well designed and clear regulations, including those that uphold labour and environmental standards, are good for the promotion of start-ups and enterprise development. Secondary data gives a somewhat more positive image of the situation in Cambodia. The “Regulatory Quality

⁴¹ [World Economic Forum Global Enabling Trade report.](#)

⁴² [World Bank World Development Indicators.](#)

⁴³ Ibid.

Index” measures the ability of a government to provide sound policies and regulations for the promotion of the private sector. Relative to the other countries used for comparison, Cambodia performs well in this area. In 2011, it outperformed all countries compared except Thailand. However, it still only reached a value of -0.45. Though higher than the countries compared, this is a very low value, reflecting poor performance and regulatory quality. Also in 2011, Thailand registered a score of 0.24, which is reflective of a notably stronger country, though still one with space to improve. The “Ease of Doing Business Index” ranks economies from 1 to 185, where a high ranking reflects a regulatory environment that is conducive for business operations. This index includes averages for 10 different topics. Cambodia has improved its environment for doing business in this regard since 2008, moving up the rank from 150 to 133 in 2012. In the latter year, the only two countries of the group compared to be included in the rank, Laos and Vietnam, ranked at 163 and 99 respectively. The “Starting a Business Index” records the officially required procedures to start and operate an enterprise and ranks economies out of 185 countries. Cambodia performs very poorly in this area, ranking at 175 out of 185 in 2012 after having fallen from 162 in 2008. In 2012, Laos and Vietnam ranked higher, at 81 and 103 respectively.

In Cambodia, the process of acquiring permits and licenses can be extremely time-consuming. In 2009, to obtain all construction permits required to complete a project, it took approximately 710 days. Comparatively, it took 200 days in Vietnam and about 150 in Thailand to do so, which is still high by global standards.⁴⁴ Fortunately, successful efforts have been made by the Government to simplify the process of business development in the country. This may account for the improvements in secondary data for the country in recent years. For example, efforts by the Ministry of Commerce in 2007 to streamline the business registration process reduced commercial registration time from 2-3 weeks to 1 week. The documentation process has also been reduced as has the cost of registering a business to 177 USD. The capital requirement in the form of a bank deposit for commercial registration has been reduced as well, from 20 million riels to 4 million riels. As a consequence of these changes, the number of companies registered doubled between 2005 and 2008.⁴⁵

Key Indicators						
Regulatory Quality Index		2005	2007	2009	2010	2011
The ability of the Government to provide sound policies and regulations that enable and promote private sector development. Estimate of governance measured on a scale from approximately -2.5 to 2.5. Higher values correspond to better governance. <i>Source: World Bank, Governance Matters database.⁴⁶</i>	Cambodia	-0.49	-0.49	-0.46	-0.44	-0.45
	Bangladesh	-1.03	-0.88	-0.85	-0.84	-0.81
	Laos	-1.31	-1.16	-1.05	-1.00	-0.96
	Thailand	0.46	0.14	0.25	0.20	0.24
	Vietnam	-0.57	-0.50	-0.61	-0.60	-0.61
	Estimate of governance measured on a scale from approximately -2.5 to 2.5. Higher values correspond to better governance.					

⁴⁴ UNDP. 2009.

⁴⁵ Royal Government of Cambodia. 2009.

⁴⁶ [World Bank World Development Indicators](#).

Ease of Doing Business Rank	2008	2009	2010	2011	2012	
Ease of Doing Business Index ranks economies from 1 to 185, with first place being the best. A high ranking means that the regulatory environment is conducive to business operation. This index averages the country's percentile rankings on 10 topics, made up of a variety of indicators, giving equal weight to each topic.	Cambodia	150	139	145	138	133
	Laos	162	165	169	163	163
	Vietnam	87	91	88	90	99
The index ranks economies from 1 to 185, with first place being the best.						
<u>Source:</u> World Bank, Doing Business Project. ⁴⁷						
<u>Note:</u> Data for Bangladesh and Thailand is not available.						

Other Useful Indicators						
Starting a Business Rank	2008	2009	2010	2011	2012	
Starting a Business Index records all procedures that are officially required for an entrepreneur to start up and formally operate an industrial or commercial business. These include obtaining all necessary licenses and permits and completing any required notifications, verifications or inscriptions for the company and employees with relevant authorities.	Cambodia	162	169	173	170	175
	Laos	78	92	89	93	81
	Vietnam	97	108	116	100	103
The index ranks economies from 1 to 185, with first place being the best.						
<u>Source:</u> World Bank, Doing Business project. ⁴⁸						
<u>Note:</u> Data for Bangladesh and Thailand is not available.						

2.4. Rule of law and secure property rights

A formal and effective legal system, which guarantees that contracts are honoured and upheld, the rule of law is respected, and property rights are secure, is a key condition for attracting investment, as well as for nurturing trust and fairness in society. The judicial system and respect for property rights and intellectual property rights in Cambodia are significant issues for concern.



Source: World Bank, Governance Matters database.

⁴⁷ [World Bank Doing Business report.](#)

⁴⁸ Ibid.

The “Rule of Law Index” measures the extent to which agents have confidence in and abide by the rules of society. This includes the quality of contract enforcement and property rights, the police and the courts, as well as the likelihood of crime and violence. Cambodia does not perform well in this area. Over the period 2007-11, Cambodia maintained scores below -1 and consistently registered the lowest score of the countries compared. In 2011, Cambodia recorded a score of -1.03. The second lowest of the countries compared was -0.92 in Laos, and the strongest performer, Thailand, still recorded a somewhat low score of -0.24 in that year. A key concern regarding rule of law in Cambodia is access to judicial institutions, where the high cost of filing complaints under the new Code of Civil Procedure prevents many Cambodians from even accessing services. Currently, the cost of filing a civil complaint is 12 USD, which renders it impossible for the majority of the population where the per capita annual income is approximately 480 USD, or 1.32 USD per day. The high filing fees affect women disproportionately, particularly in cases of domestic violence. Although, a provision in the Code of Civil Procedure allows a fee exemption for the “poor”, the lack of a definition of “poor” in the Code allows for arbitrary determinations by public authorities.⁴⁹

When it comes to assessing whether property rights are well defined and protected by law, Cambodia has improved conditions in recent years. Between 2008 and 2012, the country improved from 3.5 to 3.8, on a scale from 1 to 7 where a higher value indicates better performance. In the latter year, Cambodia recorded a higher rate than any other country used for comparison. On a global scale though, Cambodia does not compare as well. Though the world mean is not available for 2012, over the period 2008-11, Cambodia consistently recorded lower values than the world mean, even as the world mean fell and Cambodia improved over the same period. When assessing whether intellectual property protection is weak and not enforced, or strong and enforced, on a scale from 1 to 7 with higher values corresponding to better performance, Cambodia registers values which are good and have improved between 2008-12. In 2008, the country scored a 2.7, and by 2012 it had improved to a level of 3.3, the highest score of the countries used for comparison in that year. Intellectual property rights laws are not yet legally implemented in Cambodia, though the Ministry of Economy and Finance has stated that it is in the process of addressing this issue.

Key Indicators						
Rule of Law Index		2007	2008	2009	2010	2011
The extent to which agents have confidence in and abide by the rules of society, including the quality of contract enforcement and property rights, the police and the courts, as well as the likelihood of crime and violence. <i>Source: World Bank, Governance Matters database.⁵⁰</i>	Cambodia	-1.06	-1.10	-1.09	-1.09	-1.03
	Bangladesh	-0.83	-0.75	-0.76	-0.77	-0.72
	Laos	-0.92	-0.83	-0.98	-0.90	-0.92
	Thailand	-0.07	-0.12	-0.23	-0.21	-0.24
	Vietnam	-0.45	-0.42	-0.45	-0.50	-0.46
	Estimate of governance measured on a scale from approximately -2.5 to 2.5. Higher values correspond to better governance.					

⁴⁹ UN Committee on Economic, Social and Cultural Rights. 2009.

⁵⁰ [World Bank World Governance Indicators](#).

Other Useful Indicators

Property Rights

The World Economic Forum (WEF) Survey asked the business leaders to provide their expert opinions on the following: "Property rights in your country, including over financial assets, are 1=poorly defined and not protected by law, 7=clearly defined and well protected by law".

Source: World Economic Forum, The Global Competitiveness Report.⁵¹

	2008	2009	2010	2011	2012
Cambodia	3.5	3.5	3.6	3.8	3.8
Bangladesh	3.6	3.5	3.4	3.7	3.6
Thailand	4.7	4.3	3.9	3.6	3.7
Vietnam	4.4	4.4	4.1	3.7	3.5
World	4.7	4.5	4.4	4.3	-

1=poorly defined and not protected by law, 7=clearly defined and well protected by law.

Intellectual Property Protection

The World Economic Forum (WEF) Survey asked the business leaders to provide their expert opinions on the following: "Intellectual property protection and anti-counterfeiting measures in your country are 1=weak and not enforced, 7=strong and enforced".

Source: World Economic Forum, The Global Competitiveness Report.⁵²

	2008	2009	2010	2011	2012
Cambodia	2.7	2.7	2.8	3.1	3.3
Bangladesh	2.1	2.4	2.6	2.4	2.4
Thailand	3.8	3.3	3.1	3.1	3.1
Vietnam	3.0	3.0	2.7	2.5	2.6
World	3.8	3.8	3.7	3.7	-

1=weak and not enforced, 7=strong and enforced.

2.5. Fair competition

Anti-competitive practices at the national level are a challenge to doing business in Cambodia, though there are relatively few concerns in relation to unfair competition and price controls.⁵³ Findings from the EESE survey show that employers tend to perceive unfair competition to be among the greatest challenges facing the Cambodia economy.

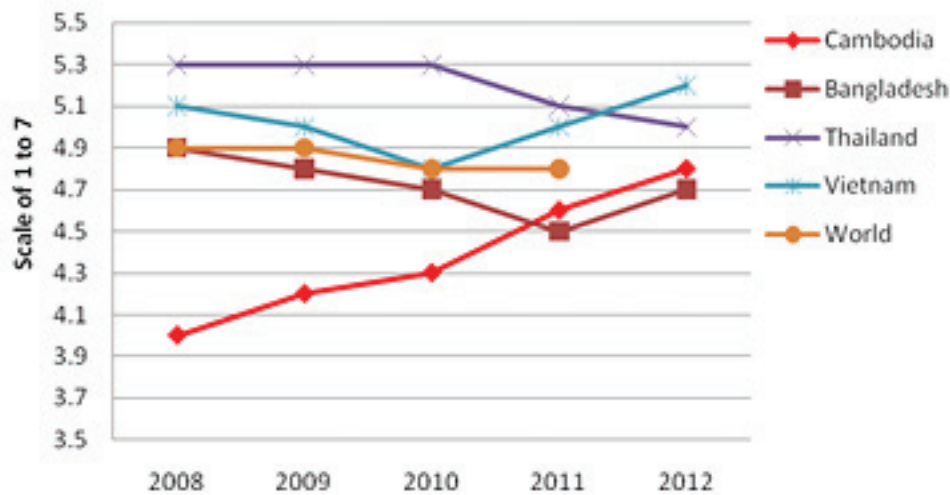
Reflective of the level of market competition in the country, "New Business Density" indicates the number of newly registered, limited liability companies per 1,000 working aged people (15 to 64 years old) in a given year. Unfortunately, data is not available for Cambodia for 2010 and 2011, the most recent years for which data was recorded, nor is data available for Vietnam for any recent years. In 2009, Cambodia outperformed Bangladesh and Laos at a rate of 0.22, while Thailand compared the best of the group at 0.59. In spite of this relatively strong performance, Cambodia has performed poorly in contrast to the world mean and even more so, to the East Asia mean. In 2009, Cambodia had a rate of 0.22 newly registered companies, compared to a world mean rate of 3.16, and in East Asia, an average rate of 4.54. Other secondary data reflects a moderately high intensity level of local competition in Cambodia. The "Intensity of Local Competition Index" measures the level of competition in local markets from 1 to 7, 1 being limited and 7 being intense in most industries. From 2008-12, the level of intensity in Cambodia consistently improved, moving from 4 to 4.8. In the latter year, the country outperformed Bangladesh, and recorded an equal level with the world mean. Thailand and Vietnam recorded slightly higher levels at 5 and 5.2 respectively.

⁵¹ [World Economic Forum Global Competitiveness report.](#)

⁵² Ibid.

⁵³ EIU, 2012b.

Intensity of Local Competition Index

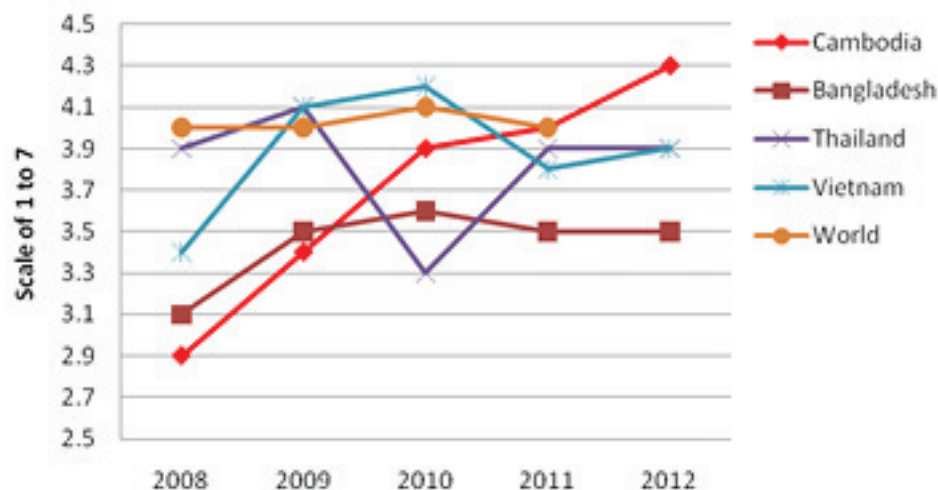


Source: World Economic Forum Executive Opinion Survey, The Global Competitiveness Report.

In 2012, a draft Law on Competition was introduced to establish provisions and procedures applicable to lawful and unlawful business practices and to promote and protect the benefits of a competitive market economy in the country.⁵⁴

Several other laws intended to promote fair competition are currently in progress. These include: Commercial Contracts; Competition; Law on the Establishment of the Commercial Court; Law on Anti-dumping, Countervailing Duty and Safeguard; Law on Competition (final draft); Law on Union; and Regulations on Sanitary and Phyto-sanitary Measures.⁵⁵

Effectiveness of Anti-Monopoly Policies

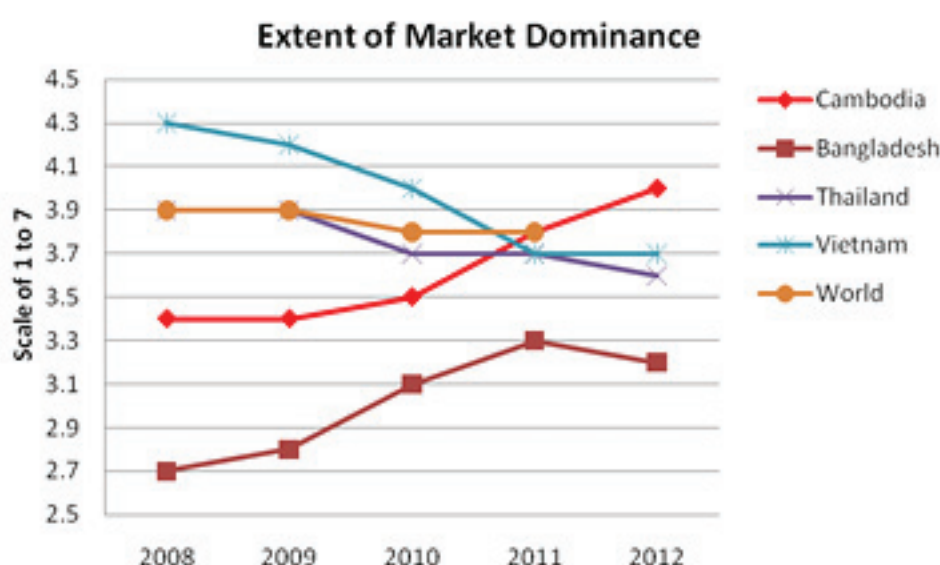


Source: World Economic Forum Executive Opinion Survey, The Global Competitiveness Report.

⁵⁴ Ministry of Commerce. 2012. [Public Consultation on the Draft Law on Competition of Cambodia](#). Document No. 3. Royal Government of Cambodia (Phnom Penh). Accessed 14 June 2013.

⁵⁵ Vuthy, Chea. 2012. [Cambodia's Economy and Investment Regime](#). Greater Mekong Investment Policy Forum. Council for the Development of Cambodia; OECD. Accessed 14 June 2013.

Secondary data on competition regulation and promotion reflects a promising picture of Cambodia, where the country has improved in recent years. The “Effectiveness of Anti-Monopoly Policy Index” reflects the level of efficiency of anti-monopoly policy in promoting competition, on a scale from 1 to 7 with higher values corresponding to better performance. Cambodia has notably improved in this regard, moving from a score of 2.9 in 2008 to 4.3 in 2012. In it is also to be noted that this improvement moved Cambodia from the worst performer of the countries compared in 2008, to the strongest performing country in 2012. Though data is not available for Laos for this indicator, in 2012, Cambodia outperformed Bangladesh, Thailand and Vietnam. The “Extent of Market Dominance Index” indicates whether corporate activity is dominated by only a few business groups or spread among many firms, in a range of values from 1 to 7 with higher values corresponding to more firms. Also in this regard, Cambodia has shown consistent improvement since 2008, moving from a level of 3.4 in that year to 4 in 2012. In 2011 and 2012, Cambodia outperformed all countries used for comparison, and though data on the world mean in 2012 is not available, Cambodia recorded an equal score as the world mean in 2011.



Source: World Economic Forum Executive Opinion Survey, The Global Competitiveness Report.

Key Indicators							
New Business Density		2004	2005	2006	2007	2008	2009
The number of newly registered limited liability companies per 1,000 working-age people (those ages 15-64) in that year.	Cambodia	0.13	0.18	0.20	0.32	0.30	0.22
	Bangladesh	0.05	0.06	0.06	0.06	0.05	0.07
Source: World Bank's Entrepreneurship Survey (World Development Indicators Online) ⁹⁸	Laos	-	-	-	-	0.02	0.08
Note: Data for Vietnam is not available.	Thailand	0.70	0.72	0.67	0.55	0.60	0.59
	East Asia	4.98	5.17	4.91	5.22	4.23	4.54
	World	2.70	3.01	3.25	3.57	3.54	3.16
	The number of newly registered limited liability companies per 1,000 working-age people.						

⁵⁶ [World Bank World Development Indicators](#).

Other Useful Indicators						
Intensity of Local Competition Index Intensity of local competition index is based on survey data drawn from the following question: "Competition in the local markets is (1=limited in most industries and price-cutting is rare, 7=intense in most industries as market leadership)". <u>Source:</u> World Economic Forum Executive Opinion Survey, The Global Competitiveness Report. ⁵⁷ <u>Note:</u> Data for Laos is not available.		2008	2009	2010	2011	2012
	Cambodia	4.0	4.2	4.3	4.6	4.8
	Bangladesh	4.9	4.8	4.7	4.5	4.7
	Thailand	5.3	5.3	5.3	5.1	5.0
	Vietnam	5.1	5.0	4.8	5.0	5.2
	World	4.9	4.9	4.8	4.8	4.8
	1=limited in most industries and price-cutting is rare, 7=intense in most industries as market leadership.					
Effectiveness of Anti-monopoly Policies Effectiveness of anti-monopoly policy index is based on annual survey data. The respondents were asked to rate the effectiveness of anti-monopoly policy in their country: "Antimonopoly policy in your country is (1=lax and not effective at promoting competition, 7=effective and promotes competition)". <u>Source:</u> World Economic Forum Executive Opinion Survey, The Global Competitiveness Report ⁵⁸ <u>Note:</u> Data for Laos is not available.		2008 (GC 08/09)	2009 (GC 09/10)	2010 (GC 10/11)	2011 (GC 11/12)	2012 (GC 12/13)
	Cambodia	2.9	3.4	3.9	4.0	4.3
	Bangladesh	3.1	3.5	3.6	3.5	3.5
	Thailand	3.9	4.1	3.3	3.9	3.9
	Vietnam	3.4	4.1	4.2	3.8	3.9
	World	4.0	4.0	4.1	4.0	-
	1=lax and not effective at promoting competition, 7=effective and promotes competition.					
Extent of Market Dominance Extent of market dominance index is based on annual survey data. The respondents were asked to rate the corporate activity in their country: "Corporate activity in your country is (1=dominated by a few business groups, 7=spread among many firms)". <u>Source:</u> World Economic Forum Executive Opinion Survey, The Global Competitiveness Report. ⁵⁹ <u>Note:</u> Data for Laos is not available.		2008	2009	2010	2011	2012
	Cambodia	3.4	3.4	3.5	3.8	4.0
	Bangladesh	2.7	2.8	3.1	3.3	3.2
	Thailand	3.9	3.9	3.7	3.7	3.6
	Vietnam	4.3	4.2	4.0	3.7	3.7
	World	3.9	3.9	3.8	3.8	-
	1=dominated by a few business groups, 7=spread among many firms.					

2.6. Information and communication technologies

The ICT sector in Cambodia has been growing at a pace of 32 per cent per annum.⁶⁰ In addition, SMEs in Cambodia are beginning to make their company information available on the web and to participate in e-marketplaces.

The ICT sector offers great potential for stimulating economic growth. In Cambodia, total donor investment committed to government ICT projects from 2006 to 2008 totalled 83.5 million USD. This figure is even higher when funds allocated under sector projects, such as under

⁵⁷ [World Economic Forum Global Competitiveness report](#).

⁵⁸ Ibid.

⁵⁹ Ibid.

⁶⁰ Overseas Development Institute. 2010.

education, public finance, and trade are included.⁶¹ In addition, the ICT sector shows a high degree of economic openness, in part due to efforts by the Ministry of Posts and Telecommunications (MPT) to encourage the entry of private mobile and internet service providers.⁶²

There are several ICT-related policy documents, including the draft ICT Policy, which broadly defines how ICTs will be leveraged to achieve national socio-economic goals in various sectors.⁶³ However, there is currently no clear legal framework overseeing the ICT sector, and more specifically, the telecommunications market in Cambodia. In addition to inefficient overlaps, companies which are heavily reliant on ICT for their business operations face high operating costs. Another key issue is the low number of qualified ICT workers which hinders competitiveness and increases employee turnover rates.⁶⁴ What is particularly lacking in Cambodia at this time are the detailed policies, decrees and laws necessary to guide individual agencies in ICT implementation.⁶⁵

Secondary data reflects a similar picture, also showing that the country has improved in recent years. The “ICT Development Index” compares developments in information and communication technologies in 154 countries. It combines several indicators, such as households with a computer, number of Internet users, literacy levels, etc. On a scale from 1 to 10 with higher values indicating better performance, Cambodia has improved in this regard, moving from 1.07 in 2008 to 1.99 in 2010. Though the country outperforms Laos in the latter year, Thailand records a much higher score at 3.53, reflecting the need for greater development in Cambodia’s ICT sector. In terms of promoting and facilitating trade of ICT goods with the rest of the world, Cambodia lags behind other countries. Cambodia’s Personal Computer penetration rate is 5.4 times less than its potential, mainly due to the high tariff rates for ICT products thereby resulting into low computer penetration. Such hindering policies are preventing the country from benefitting economically from ICT usage. Currently ICT products and particularly PCs are subject to 15 per cent tariff, as well as a Value Added Tax (VAT) of 10 per cent. Cambodia recently announced a reduction of import duty to 0 per cent on IT products from ASEAN countries. Realizing the importance of ICT in SMEs, the National Information Communications Technology Development Authority (NiDA), conducted a 2007 survey, “Result Findings on ICT use and Infrastructure for SMEs in Cambodia,” to uncover the prevalence and quality of ICT adoption by SMEs. Findings show that 49.4 per cent of SMEs have personal computers in the office and 58.5 per cent of the work done on those respective computers is through the internet. There is significant evidence that firms in developing countries that adopt ICT have higher growth in productivity than firms that do not. In Thailand for example, manufacturers using computers witnessed a ten-fold increase in sales per employee compared to those who did not use computers. The NiDA study indicates that around 50 per cent of the large and medium companies in Cambodia do not have networks that connect the computers together for sharing files and resources, and Internet and email are very limited. In this regard, financial constraints are the most leading obstacle for greater ICT adoption and usage among SMEs in Cambodia.⁶⁶

The “Network Readiness Index” measures the extent to which a country leverages ICTs for enhanced competitiveness. On a scale from 1 to 7 with higher values corresponding to better

⁶¹ World Bank Group. 2010. [Cambodia – Review of Government Information and Communications Technologies \(ICTs\) Policies and Investments](#). Policy Note, March. Accessed 14 June 2013.

⁶² UNDP. 2009.

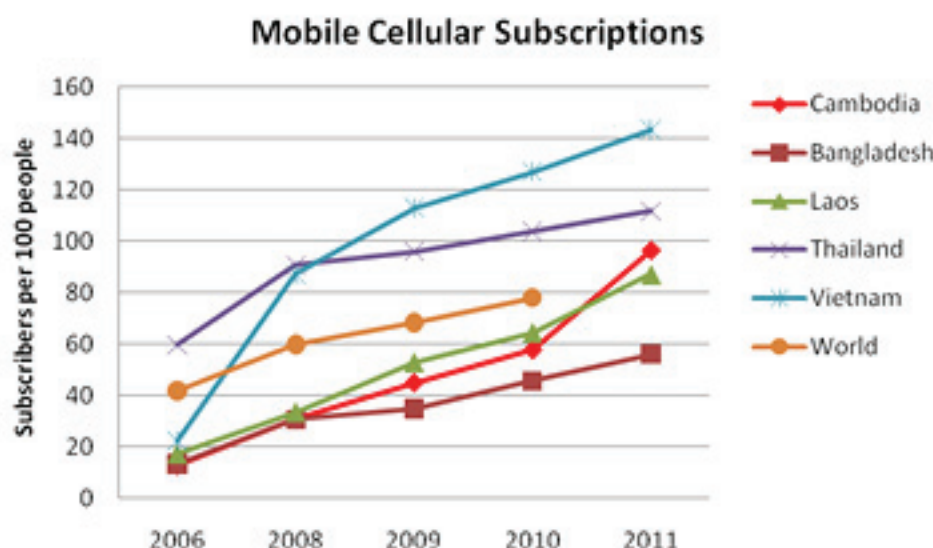
⁶³ World Bank Group. 2010. [Cambodia – Review of Government Information and Communications Technologies \(ICTs\) Policies and Investments](#). Policy Note, March. Accessed 14 June 2013.

⁶⁴ UNDP. 2009.

⁶⁵ World Bank Group. 2010. [Cambodia – Review of Government Information and Communications Technologies \(ICTs\) Policies and Investments](#). Policy Note, March. Accessed 14 June 2013.

⁶⁶ Dutta, M. K.; Chann, S.; Marcus, T.; Vit-Kory, S.; and Lim, S. 2009. [PC Penetration in Cambodia](#). Working Paper, Economic Institute of Cambodia. Accessed 14 June 2013.

performance, Cambodia shows improvement over time, moving from 3 to 3.3 during the period 2007-12. In 2011-12, Vietnam, the only other country used for comparison for which data is available, recorded a higher value than Cambodia at 3.7. The competitiveness of SMEs in the Greater Mekong Sub-region (GMS) is particularly constrained by limited access to IT skills and knowledge to support the development and marketing of value-added products. The use of information, communication and space technologies, particularly in regards to e-business applications, can address some of these limiting factors in the development of enterprises, especially for SMEs. A complete online transactions system of goods and services is still rare considering online payment systems are absent in all GMS countries except China and Thailand. Tourism is a key industry for SMEs operating in the GMS, but e-business is essential in this sector to leverage the position of SMEs in the market. A number of tourism-based business associations have been established, offering viable potential for this project. IT is an emerging subsector that has recently established an ICT Association with the support of USAID and the World Information Technology and Services Alliance (WITSA). An active outsourcing sector for international clients, Cambodia is in a unique position to further develop e-business services. One strategy used by the Royal Government of Cambodia (RGC) is to raise ICT awareness in order to change the perception of ICT from something that is out of reach, difficult and perhaps unnecessary to SMEs, into something that is accessible and will add immediate value to business development. The focus of this marketing strategy is to support ICT initiatives through the value of innovation, participation and dialogue, and is aimed at promoting and supporting the training through provincial representatives.⁶⁷

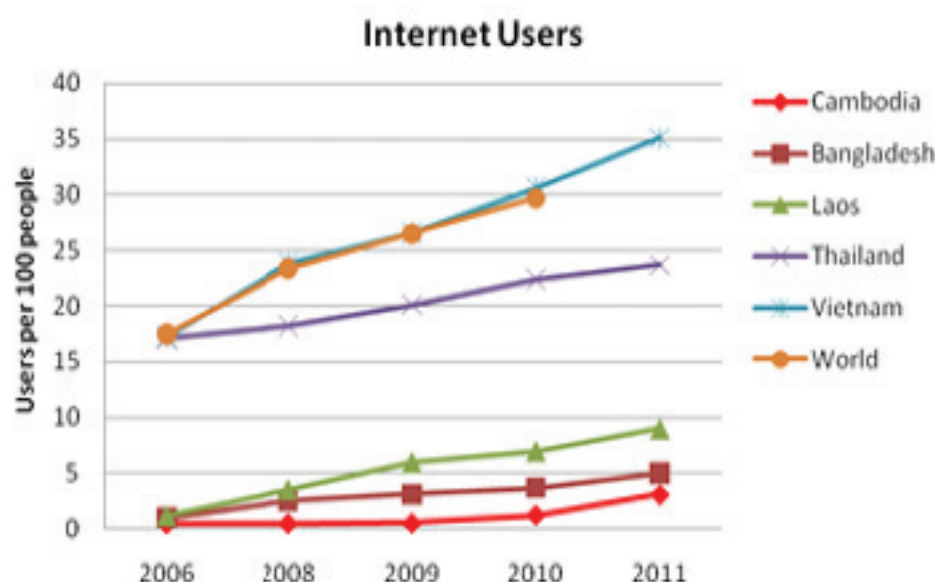


Source: International Telecommunication Union.

Concerning ICT usage in Cambodia, rates remain notably low, but improvements are clear, especially in the area of mobile cellular usage. The number of “Mobile Cellular Subscriptions” per 100 people in Cambodia has risen quickly from a rate of 12.7 in 2006 to 96.2 in 2011. In the latter year, Cambodia outperformed Bangladesh and Laos, with Thailand and Vietnam registering the highest scores at 111.6 and 143.4 respectively. Cambodia, along with Vietnam, has shown the most impressive growth patterns over the 5 year period, where Cambodia ranked the lowest of the group in 2006, and was outperformed only by Vietnam and Thailand in 2011. When it comes to “Fixed-line Subscriptions” per 100 people, Cambodia again improved since 2006. In 2011, it reached a rate of 3.7 subscriptions per 100 people, outperforming Bangladesh and Laos in that year, though it was

⁶⁷ UN ESCAP. 2007. [E-Business Development Services for SMEs in Selected ASEAN Countries and Southern China](#). UN Economic and Social Commission for Asia and the Pacific (New York). Accessed 14 June 2013.

still notably lower than both Thailand and Vietnam. While the world mean in 2010 was the lowest it had been since 2006 at 17.2, this is still notably higher than the rate in Cambodia for the same year at 2.54. Cambodia was the first country worldwide where the number of mobile phone users surpassed fixed-line users. However there are only 17,000 Internet subscribers, the second lowest number in ASEAN with the second highest cost of Internet.⁶⁸ The rate of “Internet Users” per 100 people in Cambodia also reflects a consistent improvement in the number of users, though it is well below the world mean, and underperforms all countries used for comparison over the period 2006-11.



Source: International Telecommunication Union.

Concerning “Broadband Subscriptions” per 100 people, the number in Cambodia has only marginally increased since 2007 and remains notably low at 0.15 in the latter year. All other countries used for comparison have also improved in this regard at a faster pace than Cambodia. In 2007, Bangladesh recorded the lowest level of subscribers at 0.03, but improved to a rate of 0.31 by 2011. Over the same period, Cambodia moved from a slightly higher rate in 2007 to 0.15, the lowest of the group, in 2011.

The RGC has promised to provide more information for both local and foreign investors in order to incentivise them to invest in the ICT sector. The Government will also undertake investments in infrastructure projects, such as construction of a submarine fibre optic cable aimed at increasing the maximum internet bandwidth available and of a nationwide fibre optics communication network to connect different regions of the country to high speed broadband. A number of different laws have been implemented or are in the process of being implemented to promote access to ICT technology. These include the Cyber Law (to be implemented in 2012), the 2009 National Frequency Plan and a number of laws promoting e-commerce.⁶⁹ Reflective of the growing importance of this sector for the country, the First Asian Conference on Information Systems was held in 2012 in Cambodia to provide a space for researchers, professionals and practitioners to discuss current issues in information systems and related areas. A special focus was given to the current conditions and the future sustainable developments of Asian countries.⁷⁰

⁶⁸ UNDP. 2009.

⁶⁹ Overseas Development Institute. 2010.

⁷⁰ ACIS. 2012. [The First Asian Conference on Information Systems](#). (Siem Reap, Cambodia), 6-8 December. Accessed 14 June 2013.

Key Indicators

ICT Development Index (IDI)

IDI compares developments in information and communication technologies (ICT) in 154 countries. The Index combines 11 indicators in a single measure that can be used as a benchmarking tool globally, regionally and at the country level. These are related to ICT access, use and skills, including households with a computer, the number of Internet users and literacy levels.

Source: International Telecommunication Union.⁷¹

Note: Data for Bangladesh and Thailand is not available.

	2002	2007	2008	2010
Cambodia	1.07	1.53	1.63	1.99
Laos	1.08	1.60	1.64	1.90
Vietnam	1.59	2.61	2.76	3.53

Scale from 1 to 10, with lower scores reflecting lower development levels.

Network Readiness Index

The NRI measures the degree to which developed and developing countries across the world leverage information and communication technologies (ICT) for enhanced competitiveness. The Index comprises three sub indexes that measure the environment for ICT, together with the main stakeholders' readiness and usage, with a total of nine pillars and 71 variables.

Source: World Economic Forum, The Global Information Technology Report.⁷²

Note: Data for Bangladesh, Laos and Thailand is not available.

	2007-08	2008-09	2009-10	2010-11	2011-12
Cambodia	3.0	2.9	3.0	3.2	3.3
Vietnam	3.7	3.8	3.9	3.9	3.7

Scale of 1 to 7, with higher scores reflecting a better readiness to utilise the opportunities created by ICT.

Other Useful Indicators

Internet Users (per 100 people)

The Internet is a linked global network of computers in which users at one computer get information from other computers in the network. Internet users are people with access to the worldwide network. The total number of Internet users is divided by the population and multiplied by 100.

Source: International Telecommunication Union.⁷³

	2006	2008	2009	2010	2011
Cambodia	0.47	0.51	0.53	1.26	3.10
Bangladesh	1.00	2.50	3.10	3.70	5.00
Laos	1.17	3.55	6.00	7.00	9.00
Thailand	17.16	18.20	20.10	22.40	23.70
Vietnam	17.25	23.92	26.55	30.65	35.07
World	17.50	23.40	26.50	29.70	-

Number of users per 100 people.

⁷¹ [International Telecommunication Union](#).

⁷² [World Economic Forum Global Information Technology report](#).

⁷³ [International Telecommunication Union](#).

Fixed-line Subscriptions (per 100 people) Fixed lines are telephone mainlines connecting a customer's equipment to the public switched telephone network. Source: International Telecommunication Union. ⁷⁴		2006	2008	2009	2010	2011
	Cambodia	0.19	0.31	0.39	2.54	3.70
	Bangladesh	0.80	0.92	0.84	0.86	0.65
	Laos	1.58	2.12	1.64	1.66	1.71
	Thailand	10.51	10.83	10.49	10.02	9.58
	Vietnam	10.19	17.18	20.05	16.36	11.46
	World	19.20	18.60	17.8	17.2	-
	Number of subscribers per 100 people.					
Mobile Cellular Subscriptions (per 100 people) Mobile phone subscribers refer to users of portable telephones subscribing to an automatic public mobile telephone service using cellular technology that provides access to the public switched telephone network. Source: International Telecommunication Union. ⁷⁵		2006	2008	2009	2010	2011
	Cambodia	12.7	30.7	44.8	57.7	96.2
	Bangladesh	13.4	30.7	34.9	45.7	56.1
	Laos	17.3	33.6	52.9	64.6	87.2
	Thailand	59.6	90.6	96.0	103.8	111.6
	Vietnam	22.5	87.1	113.0	127.0	143.4
	World	41.8	59.9	68.3	78.0	-
	Number of subscribers per 100 people.					
Broadband Subscribers (per 100 people) Broadband subscribers are the total number of broadband subscribers with a digital subscriber line, cable modem or other high-speed technologies. Source: International Telecommunication Union. ⁷⁶		2007	2008	2009	2010	2011
	Cambodia	0.06	0.12	0.21	0.25	0.15
	Bangladesh	0.03	0.03	0.21	0.28	0.31
	Laos	0.08	0.10	0.14	0.19	0.66
	Thailand	1.91	3.04	3.82	4.61	5.03
	Vietnam	1.52	2.38	3.70	4.18	4.32
	World	5.30	6.10	6.90	7.60	-
	Number of subscribers per 100 people.					

2.7. Access to financial services

According to the 2013 World Bank Doing Business report, Cambodia reflects the most improvement of all countries globally in the ease of getting credit in 2011/12.⁷⁷ However, the financial sector is underdeveloped, and the depth of financing is limited.⁷⁸ Cambodia's tiered financial sector consists of 19 commercial banks, six specialized banks, 18 licensed microfinance institutions, and two foreign bank representative offices. There are also 27 registered microcredit organizations operating in rural areas and an estimated 80 NGO providers. Microfinance institutions either register or become licensed depending on the size of their loan portfolio or outreach with larger microfinance institutions subject to licensing and more stringent oversight.

⁷⁴ [International Telecommunication Union](#).

⁷⁵ Ibid.

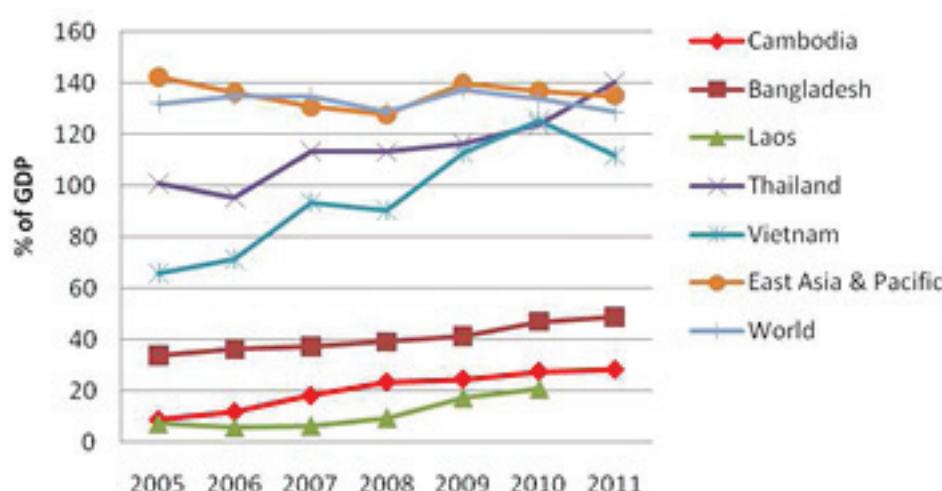
⁷⁶ Ibid.

⁷⁷ World Bank. 2013. [Doing Business Report](#). World Bank; IFC. Accessed 14 June 2013.

⁷⁸ EIU. 2012b.

Products and services used by low income consumers include loans, deposits, remittances, insurance, and “Prakas” (consumer protection regulations). The Cambodian Microfinance Association (CMA) estimated the number of microfinance borrowers in 2008 at 1 million with loans totalling 740 million USD. ACLEDA Bank is the market leader, holding more than 40 per cent of the total (302 million USD). Interest rates on loans are high compared to neighbouring countries but they are improving. According to the CMA, effective interest rates have declined from 10 per cent to 3-3.5 per cent per month, due in part to the change in calculation method from flat rate to declining balance.⁷⁹ Secondary data on “Interest Rate Spread” in Cambodia is not available.⁸⁰ Regarding deposits, the NBC estimates that there are more than 100,000 microfinance institution depositors with 5.4 million USD in deposits. ACLEDA Bank is the main holder of voluntary savings, while most non-bank microfinance institutions hold only compulsory savings that make up only a small proportion of microfinance loans.⁸¹

Credit to the Private Sector



Source: International Monetary Fund, International Financial Statistics and data files, and World Bank and OECD GDP estimates (World Development Indicators Online).

Considering “Credit to Private Sector” as a percentage of GDP, Cambodia performs poorly. Over the period 2006-11, the country registered notably lower percentages than the other countries used for comparison. Though it has shown consistent improvement, more than doubling over this period, in 2011, Cambodia recorded a level of only 28.25 per cent, while the second lowest percentage was 48.82 in Bangladesh and the highest of those countries compared was 140.38 per cent in Thailand. Finance is not currently considered a major constraint to businesses in Cambodia due to the large presence of informal and foreign-owned firms, but the lack of formal financial intermediation for businesses may limit private sector diversification into higher value-added sectors. In the most recent investment climate assessment, less than 10 per cent of surveyed firms have borrowed from banks to finance investment, placing Cambodian firms well behind their counterparts in Thailand, Laos, and Vietnam.⁸² The lack of formal service and credit infrastructure

⁷⁹ CGAP. 2009.

⁸⁰ “Interest rate spread” (lending rate minus deposit rate) is the interest rate charged by banks on loans to prime customers minus the interest rate paid by commercial or similar banks for demand, time, or savings deposits.

⁸¹ CGAP. 2009.

⁸² Girishankar, N.; DeGroot, D.; Desai, R.; Stout, S.; and Wescott, C. 2011. [Cambodia: World Bank Country-Level Engagement on Governance and Anticorruption](#). IEG Working Paper 2011/6. Independent Evaluation Group; World Bank; IFC; MIGA. Accessed 14 June 2013.

is an especially influential constraint for farmers and SME operators.⁸³ Because the banking sector tends to concentrate services on businesses operating in urban areas, these groups are largely out of reach.⁸⁴

Access to finance at the macro level does not appear to be a constraint in Cambodia, but the opposite occurs at micro enterprise level.⁸⁵ According to a recent IFC survey, about 90 per cent of agribusiness SMEs in Cambodia have identified lack of access to finance as their major constraint for growth, compared to only two-thirds of SMEs in the manufacturing and service sector. Agribusiness firms need both large amounts of working capital to purchase raw materials during harvest times, and term capital to upgrade or expand their processing equipment. While agribusiness SMEs make up about one-third of all SMEs in Cambodia, their financing needs are about half of financing demand of all SMEs. However, though banks have sufficient capital available to fund investments in agriculture, agro-industry and SMEs in general, commercial bank lending to agriculture is notably low. In 2008, only 5 per cent of total lending went to the agriculture sector, and lending to the agribusiness sector, which is classified under manufacturing, was 3-4 per cent.⁸⁶ Because of the bias towards urban and large enterprises among financial service providers in Cambodia, microfinance institutions are principally the main providers of financial services to the rural and SME economy. This makes them extremely important in the national agenda, where they extend only 10 per cent of the total national amount of credit, while serving more than three-quarters of rural Cambodian borrowers. The Cambodian Microfinance Association estimates the number of microfinance borrowers hit 1 million last year with loans totalling US\$740 million.⁸⁷ From 2006-08, the number of microfinance borrowers grew at a very rapid rate of 23 per cent, 29 per cent and 31 per cent, respectively, while total microfinance lending increased at a rate of more than 55 per cent annually.⁸⁸ Over the last five years the number of borrowers reached 1.3 million and the number of savers reached 1.1 million in 24 provinces. Over the same period, deposits increased by 32 per cent to 1.26 billion USD in 2011, up from 952 million USD in 2010.⁸⁹ Microfinance is a central component in the governmental agenda, as it is seen as an effective and essential development tool for poverty reduction.⁹⁰ However, the Association of Cambodian Local Economic Development Agency (ACLEDA) and Amret experience challenges competing with informal creditors also serving rural households. Although microfinance institutions offer cheaper loans compared to middlemen who charge around 5 to 7 per cent interest a month, they demand the deposit of collateral to secure the loan and repayment schedules are less flexible.⁹¹

The "Credit Information Index" measures the level of credit information available in a country through public or private registries to facilitate lending decisions. On a scale from 0 to 6 where higher values indicate better performance, Cambodia performs moderately well, registering a score of 3 in 2012. In that year, the country outperformed Bangladesh at 2 and Laos at 0, while Thailand and Vietnam recorded higher scores of 5 and 4 respectively. Furthermore, the world mean for that year was only marginally higher than the score for Cambodia, at 3.33. In 2012, Cambodia established its first private credit bureau, which now covers 1.1 million people. The bureau collects

⁸³ Cambodia Development Research Institute. 2012b.

⁸⁴ IFC. 2009. [Microfinance in Cambodia: Taking the Sector to the Next Level](#). Business Issues Bulletin, No. 17 (Cambodia), June. Accessed 14 June 2013.

⁸⁵ Cambodia Development Research Institute. 2012b.

⁸⁶ World Bank. 2010.

⁸⁷ CGAP. 2009.

⁸⁸ IFC. 2009.

⁸⁹ Cambodia Development Research Institute. 2012b.

⁹⁰ National Bank of Cambodia. 2010

⁹¹ Cambodia Development Research Institute. 2012b.

and distributes credit information on individuals, and includes loans in its database irrespective of size. A 2011 regulation on credit information sharing now guarantees the right of borrowers to inspect their own data.⁹²

Financial risk is an important concern for the country, where the financial sector is underdeveloped and the depth of financing is limited. The weakness of bank supervision in Cambodia has heightened the risks facing a number of banks, and non-performing loans are thought to be far more prevalent than reported officially. State interference in the financial sector is low, with no fully state-owned commercial banks in operation. Cambodian banks are generally risk-averse and since there is no local stock or bond market, domestic financing in general can be difficult to arrange at competitive rates.⁹³

Key Indicators							
Credit to Private Sector (% of GDP)		2006	2007	2008	2009	2010	2011
Domestic credit to private sector refers to financial resources provided to the private sector, such as through loans, purchases of non-equity securities, and trade credits and other accounts receivable that establish a claim for repayment. For some countries these claims include credit to public enterprises.	Cambodia	11.99	18.21	23.46	24.59	27.56	28.25
	Bangladesh	36.16	37.29	39.21	41.51	47.05	48.82
	Thailand	95.20	113.24	113.05	116.42	123.88	140.38
	Vietnam	71.22	93.55	90.23	112.76	125.19	111.64
	Credit to private sector (% of GDP).						
<p><u>Source:</u> International Monetary Fund, International Financial Statistics and data files, and World Bank and OECD GDP estimates (World Development Indicators Online).³⁴</p> <p><u>Note:</u> Data for Laos is not available.</p>							
Other Useful Indicators							
Credit Information Index		2009	2010	2011	2012		
Credit information index measures rules affecting the scope, accessibility and quality of credit information available through public or private credit registries. The index ranges from 0 to 6, with higher values indicating the availability of more credit information, from either a public registry or a private bureau, to facilitate lending decisions.	Cambodia	0	0	0	3		
	Bangladesh	2	2	2	2		
	Laos	0	0	0	0		
	Thailand	5	5	5	5		
	Vietnam	4	4	4	4		
	World	2.96	3.11	3.21	3.33		
<p><u>Source:</u> World Bank, Doing Business project.³⁶</p> <p>0=less information to 6=more information.</p>							

⁹² World Bank. 2013. [Doing Business Report](#). World Bank; IFC. Accessed 14 June 2013.

⁹³ EIU. 2012b.

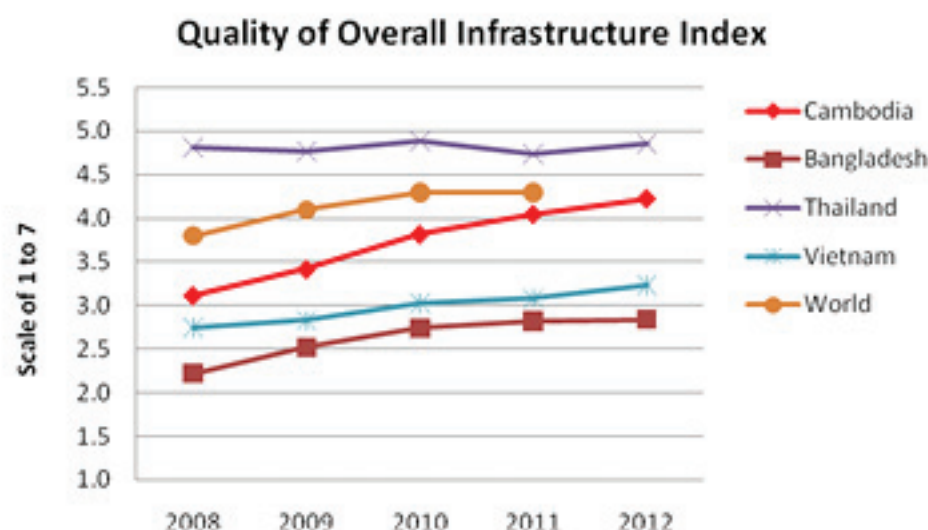
⁹⁴ [World Bank World Development Indicators](#).

⁹⁵ Ibid.

2.8. Physical infrastructure

Transportation infrastructure is a key concern for Cambodia where the export-oriented garment industry is a main driver of growth in the country and is heavily reliant on transport. In recent years, the ports and airport transport facilities have undergone upgrading, but still remain largely inadequate for most business needs. Similarly, the limited road and rail transportation networks continue to suffer from a lack of investment. Electricity supply outside of Cambodia's main cities is inadequate, and even in urban areas, power shortages pose high risks to business operations.⁹⁶ "Electric Power Consumption" measures the production of power plants and combined heat and power plants less transmission, distribution and transformation losses, and own use by heat and power plants. The situation in Cambodia in this regard reflects consistent increases in energy consumption, but levels are notably low over the period 2004-10. In the latter year, Cambodia registered a rate of 146.1 KWh per capita. The next lowest rate among the countries compared in that year was for Bangladesh with 278.9 KWh per capita, and the highest consumption rate was in Thailand with 2243.4 KWh per capita. The averages for the East Asia and Pacific Region are also substantially higher, at 3,063.6 and 2,974.7 KWh per capita in 2010. Electricity prices are comparatively high and place a large burden on firms. Thus, the energy sector would likely benefit from increased competitiveness. Cambodia established an electricity regulator and passed the Electricity Law in 2001. However, there is no national grid and most towns are supplied through isolated systems. The problem is particularly acute in rural areas, where 10 per cent of the population, largely residing in Phnom Penh, consume 90 per cent of the electricity. Although the average tariff is around 0.16 USD/kWh, the tariffs of rural electricity enterprises range from 0.30-0.90 USD/kWh. Only 6 per cent of rural households have access to electricity, and half of those use individual power generating units. However, the RGC has announced plans to increase rural electricity coverage from around 10 per cent at present, to 70 per cent by 2030.⁹⁷

Secondary data on access to potable water in Cambodia sheds light on the relatively high need for improvement in this area. When it comes to the percentage of population with access to improved water sources, only 64 per cent of the population had access in 2010, up from 54 per cent in 2005. Of the countries compared, Laos is the only one that reflects a similarly low rate of 67 per cent in 2010, while 81 per cent of the Bangladeshi population has access to improved water sources, and in Thailand and Vietnam the numbers are in the high 90s.



Source: World Economic Forum, The Global Competitiveness Report.

⁹⁶ EIU, 2012b.

⁹⁷ UNDP, 2009.

The “Quality of Overall Infrastructure Index” reveals whether a country's infrastructure is underdeveloped or extensive and efficient based on a range from 1 to 7 with higher values indicating better performance. In this area, Cambodia performs relatively well and has shown strong improvement over the period 2008-12. Moving from 3.12 to 4.23 during this span, Cambodia recorded the second highest level of infrastructure quality of the countries compared, with Thailand achieving the highest level of 4.86. The “Quality of Port Infrastructure Index” reflects the level of development of port facilities and inland waterways on a range from 1 to 7 with higher values indicating better development. For landlocked countries, this indicates how accessible port facilities are. Again, Cambodia registers a comparatively strong score in this regard at 4.2 in 2012. This is only somewhat lower than Thailand, which recorded the highest score in that year at 4.6. Furthermore, Cambodia has consistently improved in this area, moving from 3.4 in 2008.

Because Cambodia is a net exporter of rice, infrastructure necessary for holding and transporting rice is especially important for the economic growth of the country, especially considering plans to expand rice production. The sharp rise in food prices in 2008 hit isolated areas of the country disproportionately hard, leaving many poor households without enough food to eat. More than 85 per cent of rice production depends on annual rains, but recurrent drought and floods have led to reduced yields. Weaknesses in infrastructure and the trading system further hinder the country's rice surplus. The lack of proper milling infrastructure also means that many subsistence farmers are unable to produce rice that can be consumed immediately; rather they are obliged to have their rice harvests milled across the border in Thailand. Once this is done, they must buy it back at a higher price. Storage facilities and irrigation systems tend to be inadequate. At the same time, only 15 per cent of rice fields use irrigation, though these irrigated fields account for 40 per cent of the country's rice production.⁹⁸

Key Indicators				
Roads, paved (% of total roads)		2003	2004	2005
Paved roads are those surfaced with crushed stone (macadam) and hydrocarbon binder or bituminized agents, with concrete or with cobblestones, as a percentage of all the country's roads, measured in length. <small>Source: International Road Federation, World Road Statistics (World Development Indicators Online).⁹⁹</small>	Cambodia	-	6.29	-
	Bangladesh	9.50	-	-
	Laos	14.41	-	13.40
	Thailand	-	-	-
	Vietnam	-	43.89	-
	East Asia and Pacific	34.70	42.73	41.57
	World	49.40	45.02	46.01
	% of total roads.			

⁹⁸ FAO. (undated). [Cambodia – FAO Initiative on Soaring Food Prices](#). Food and Agriculture Organization of the United Nations. Accessed 14 June 2013.

⁹⁹ [World Bank Databank](#).

Electric Power Consumption (KWh per capita) Electric power consumption measures the production of power plants and combined heat and power plants less transmission, distribution, and transformation losses and own use by heat and power plants. <u>Source:</u> International Energy Agency, Energy Statistics and Balances of Non-OECD Countries and Energy Statistics of OECD Countries (World Development Indicators Online). ¹⁰⁰ <u>Note:</u> Data for Laos is not available.		2004	2006	2008	2009	2010	
	Cambodia	55.2	80.5	115.1	129.0	146.1	
	Bangladesh	163.4	197.4	228.7	251.6	278.9	
	Thailand	1797.8	1961.6	2051.9	2044.8	2243.4	
	Vietnam	493.6	655.3	813.1	917.4	1034.6	
	East Asia and Pacific	2100.3	2420.3	2697.4	2797.2	3063.6	
	World	2576.6	2735.3	2860.8	2815.6	2974.7	
	KWh per capita.						
Other Useful Indicators							
Improved Water Source (% of population with access) Access to an improved water source refers to the percentage of the population with reasonable access to an adequate amount of water from an improved source, such as a household connection, public standpipe, borehole, protected well or spring, and rainwater collection. Unimproved sources include vendors, tanker trucks and unprotected wells and springs. Reasonable access is defined as the availability of at least 20 litres per person per day from a source within one kilometre of the dwelling. <u>Source:</u> World Health Organization and United Nations Children's Fund, Joint Measurement Programme (World Development Indicators Online). ¹⁰¹		2005	2006	2007	2008	2009	2010
	Cambodia	54	56	58	60	62	64
	Bangladesh	81	81	81	81	81	81
	Laos	57	59	61	63	64	67
	Thailand	94	95	96	96	96	96
	Vietnam	86	88	90	92	93	95
	East Asia and Pacific	87.30	87.52	88.93	89.24	89.92	90.78
	World	85.84	86.34	87.09	87.39	87.87	88.39
% of population with access.							
Quality of Overall Infrastructure Index Survey data: "General infrastructure in your country is: 1=underdeveloped, 7=as extensive and efficient as the world's best". <u>Source:</u> World Economic Forum, The Global Competitiveness Report. ¹⁰² <u>Note:</u> Data on Laos is unavailable.		2008	2009	2010	2011	2012	
	Cambodia	3.12	3.42	3.82	4.05	4.23	
	Bangladesh	2.22	2.52	2.74	2.82	2.84	
	Thailand	4.81	4.77	4.89	4.74	4.86	
	Vietnam	2.75	2.83	3.03	3.08	3.23	
	World	3.8	4.1	4.3	4.3	-	
	1=underdeveloped, 7=as extensive and efficient as the world's best.						

¹⁰⁰ [World Bank World Development Indicators](#).

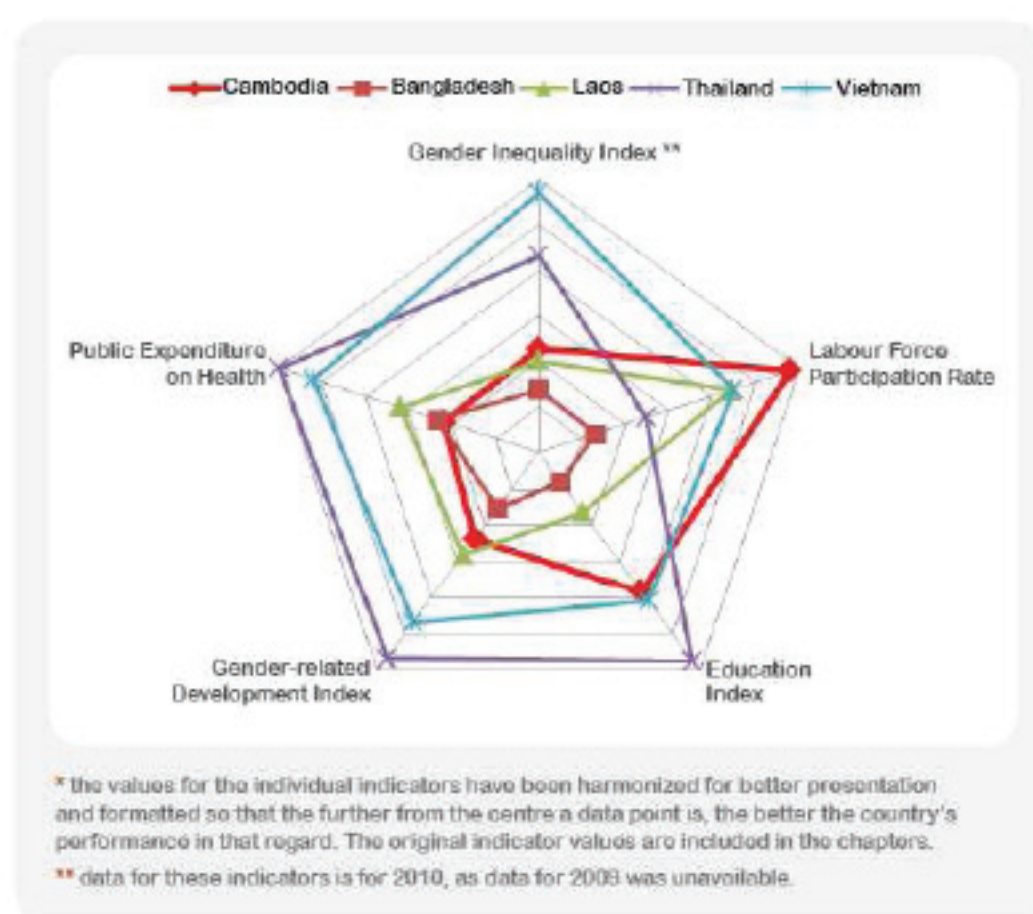
¹⁰¹ Ibid.

¹⁰² [World Economic Forum Global Competitiveness report](#).

Quality of Port Infrastructure Index	2008	2009	2010	2011	2012
Survey data: "Port facilities and inland waterways in your country are: 1=underdeveloped, 7=as developed as the world's best. For landlocked countries, this measures the ease of access to port facilities and inland waterways".					
Source: World Economic Forum, The Global Competitiveness Report. ¹⁰³					
Note: Data on Laos is unavailable.					
Cambodia	3.4	3.5	3.9	4.0	4.2
Bangladesh	2.6	3.0	3.4	3.4	3.3
Thailand	4.4	4.7	5.0	4.7	4.6
Vietnam	2.8	3.3	3.6	3.4	3.5
World	4.1	4.2	4.3	4.3	-
1=underdeveloped, 7=as developed as the world's best.					

3. Social Elements

Indicators assessing social elements of an enabling environment for sustainable enterprises for 2009*



¹⁰³ [World Economic Forum Global Competitiveness report.](#)

- As of 2009, enterprises in Cambodia with one or two persons engaged accounted for 70 per cent of the total, whilst enterprises with five or more employees only for 12.3 per cent. Despite these figures, the proportion of labour force employed by large-scale firms was still considerable.
- The majority of very small – and often informal – enterprises is owned by women, whilst, as the size of firms increases, men make up larger portions of the labour force. Moreover, agriculture and agribusiness SMEs represent the backbone of rural economy, showing also a high growth potential.
- In order to help SMEs to overcome their constraints and promote their development, the Government has promoted financial support as well as implemented legislation to streamline SME registration, and import and export procedures.
- The labour force in Cambodia is characterised by low levels of education and skills, with 78 per cent of workforce not having completed lower secondary school. This puts both workers and employers at risk.
- Cambodia has registered rapid employment growth, but mostly in low-income low-productivity activities. Conversely, more quality jobs have to be generated.
- Concerning gender and women's empowerment, Cambodia has made improvements, and women are regarded as the backbone of the national economy and society. Nevertheless, discriminatory practices still persist and efforts need to be put to ensure gender equality and equity.
- One of the sources of skilled workers' shortage is the mismatch between the training provided in the education system and the requirements of new industries in the Cambodian private sector. In fact, according to findings from the EESE survey, competent university graduates cannot find jobs, whilst business and manufacturing sectors cannot find qualified high school graduates.
- The informal economy is the most affected by the lack of skilled labour, impacting negatively incomes of workers there employed. Hence, better skills training can help to reduce poverty by increasing incomes and moving labour out of the informal sector.
- Although progresses in poverty and inequality reduction have been made, further improvements need to be achieved. Specifically, investments in pro-poor sectors, such as healthcare, rural development and education, are needed as well as adequate strategies to increase agriculture productivity.
- In regards to healthcare, nutrition, education and social protection, Cambodia lags far behind many other countries in the region, without effective protection schemes currently provided by the Government. One consequence is that poor people cannot afford to remain unemployed for long, ending up with an unsafe vulnerable job. Fortunately, civil society and microfinance institutions provide social support mechanisms and credit for increasing income earning opportunities.

3.1. Entrepreneurial culture

As of February 2009, there were 376,761 enterprises in Cambodia, employing 1,469,712 persons, of which 626,783 were male (42.6 per cent) and 842,929 female (57.4 per cent). The number of enterprises with one person engaged was 112 thousand, accounting for 29.8 per cent of the total, and the proportion of those with two persons engaged made up 39.6 per cent (149 thousand enterprises). Thus, enterprises with up to two employees accounted for around 70 per cent of the total. Enterprises with five or more persons engaged accounted for 12.3 per cent, with ten or more persons engaged made up 3.5 per cent, with one hundred or more persons engaged was 0.2 per cent, and those with one thousand or more persons engaged accounted for only 106 enterprises. That is to say, large-scale establishments account for a very small portion of enterprises in Cambodia. However, 56.3 per cent of the labour force was engaged in establishments with five or more persons in 2009, 42.6 per cent in firms employing ten or more persons, 25.4 per cent in firms with 100 or more staff, and 14.5 per cent in firms with more than 1,000 staff. Thus, although there are only a few large-scale establishments in the country, the proportion of the labour force employed in these firms is substantial. Gender differentiation in enterprise representation by size is particularly interesting.¹⁰⁴ In Cambodia, women feature prominently in the workforce, where more than 80 per cent over the age of 15 participate in formal and informal labour. However, while more than 60 per cent of micro, small and medium enterprises are owned by women, the large majority (90 per cent) of these businesses are very small and in the informal sector.¹⁰⁵ In 2009, women predominated enterprises with one person engaged, accounting for 80,000 representatives compared to 33 thousand male representatives. However, as the staff size of firms increases, men make up larger portions of the labour force. Specifically, even for firms with two or more persons engaged, the ratio shifts to men accounting for over 50 per cent of the labour force.¹⁰⁶

There were about 55,000 SMEs and micro enterprises in Cambodia in 2007. Agriculture and agribusiness SMEs make up about 1/3 of all these SMEs. SMEs are overwhelmingly the largest contributors to rural employment, including poor and vulnerable households, and foster local economic growth and social stability in rural areas. At the same time, agriculture has demonstrated a high growth potential in Cambodia.¹⁰⁷ According to a survey of owners and manager of SMEs in Cambodia in 2008, sales/service and trading firms make up 85.4 per cent, outnumbering their manufacturing counterparts with 14.6 per cent. The majority of respondents (85.5 per cent) derived their sources of capital from personal savings, family and friends, and 70 per cent of the capital investments by firms below 20,000 USD. This same survey revealed that skills and training are crucial in entrepreneurs' abilities to set up and manage a company, and allow entrepreneurs to improve the quality of their firm while reducing the cycle time. Furthermore, adequately skilled and motivated employees must be provided with accurate and timely information.¹⁰⁸

Identifying indicators showing the degree of entrepreneurial culture in a country is quite challenging. Moreover, for Cambodia, secondary data in this area is scanty. 'New Business

¹⁰⁴ National Institute of Statistics. 2009. [Ceremony of Releasing the Final Results of 2009 Nation-wide Establishment Listing of Cambodia](#). Japan Cooperation Center; Project on Improving Official Statistics in Cambodia; National Institute of Statistics, 9 December. Accessed 20 June 2013.

¹⁰⁵ UNDP. 2013a. [Promoting women entrepreneurship in Cambodia](#). Stories From the Field, 13 June. Accessed 20 June 2013.

¹⁰⁶ National Institute of Statistics. 2009.

¹⁰⁷ World Bank. 2010.

¹⁰⁸ Shariff, M. N. M. and Peou, C. 2008. [The relationship of entrepreneurial values, firm financing and the management and growth performance of small-medium enterprises in Cambodia](#). Problems and Perspectives in Management, Vol 6 Issue 4. Accessed 20 June 2013.

Density” indicates the number of newly registered limited liability companies per 1,000 working age people in a year. Cambodia is characterized by a majority of micro and small enterprises that are normally not limited liability companies. This partly explains why Cambodia registers rather low values, from 0.13 in 2004 to 0.22 in 2009. These rates are higher than those recorded for Bangladesh, are lower than the rates in Thailand, and are substantially lower than the East Asia and World mean rates over the 2004-09 period. In 2009, Thailand recorded a density rate of 0.59, in East Asia the mean was 4.54, and the world mean for that year was 3.16. Unfortunately, more recent data is not available for Cambodia.

One of the main challenges in Cambodia for SME development is access to financing, as described in section 3.7 of this report. This constraint is largely attributable to several key factors that are common to all sectors: (i) low levels of formalization of SMEs, which leads to a lack of sufficient market credibility; (ii) institutional weaknesses, including lack of use of proper record-keeping and accounting tools; (iii) absence of reliable credit information that increases banks’ transactions costs in dealing with SMEs; and (iv) weak legal and regulatory framework that makes recovery of bad loans and contract enforcement difficult for creditors. These issues make it difficult for lenders to assess risks versus returns properly, creating differences in the perceived versus real risk profiles and resulting in untapped lending opportunities to SMEs. Unlike in many developing countries where domestic financial systems tend to lack a local funding base, Cambodia’s financial system has excess liquidity. Nonetheless, limited lending poses a serious threat to the further development of agriculture and agribusiness in particular, and the SME sector more generally, as these firms are perceived to be riskier or less profitable than larger firms.¹⁰⁹ Because this situation mainly stems from a lack of information about potential borrowers, and resulting risk perceptions, the creation of the first credit information bureau in 2012, which now covers 1.1 million people, should have a positive impact on this constraint.¹¹⁰ Another challenge for local SME firm development and rapid expansion is the small labour pool, and the subsequent impact of high turnover rates within companies. This is compounded by relatively high wages compared to other neighbouring countries. In the ICT sector, workers with just two or three years experience command monthly wages of up to 600 USD, which is higher than wages for equivalently skilled and experienced workers in both Vietnam and Thailand.¹¹¹

In order to promote SME growth, the Government has implemented legislation to streamline import and export procedures for SMEs, as well as provided financial support to SMEs in order to promote product exportation, reduced and streamlined SME registration procedures, and reduced the capital required in order to register a SME.¹¹² In addition, the National Strategic Development Plan Update for 2009-2013 specifies three main focus areas in which SMEs should be promoted: i) limitation of procedures of inspection and product justification for import and export, preparation and adoption of a sub-decree on business facilitation through risk management and widening registration through the internet; ii) creation of new financing sources, company classification by credit points and strengthening governance and financial reporting; and iii) creation of business development services, prevention of all kinds of smuggling, subsidies for SMEs for export, and introduction of SMEs into a global value chain.¹¹³ The SME Sub-committee is a more recent example of the Government’s continued commitment to this issue. Based on the Government’s Rectangular Strategy, in which the promotion of SMEs is a cornerstone of private sector development, the SME Sub-committee was created to formulate the SME Development Framework. This framework acts as a guide for establishing SMEs nationwide, and includes the following strategies: (i) improving regulatory and legal framework; (ii) facilitating access to

¹⁰⁹ World Bank. 2010.

¹¹⁰ World Bank. 2013.

¹¹¹ UNDP. 2009.

¹¹² Overseas Development Institute. 2010.

¹¹³ Royal Government of Cambodia. 2009.

finance; (iii) diversifying and coordinating SME support activities; and (iv) harmonizing policy.¹¹⁴ The Government has also strengthened its partnerships to bolster holistic support for enterprise development within the informal economy. The Cambodia-India Entrepreneurship Development Center is an example of a bilateral effort between the Government of India and the RGC, to deliver a broad range of services that includes skills training and entrepreneurial support for students who wish to establish their own enterprises.¹¹⁵

Key Indicators							
New Business Density		2004	2005	2006	2007	2008	2009
The number of newly registered limited liability companies per 1,000 working-age people (those ages 15-64) in that year. <i>Source:</i> World Bank's Entrepreneurship Survey (World Development Indicators Online). ¹¹⁶ <i>Note:</i> Data for Laos and Vietnam is not available.	Cambodia	0.13	0.18	0.20	0.32	0.30	0.22
	Bangladesh	0.05	0.06	0.06	0.06	0.05	0.07
	Thailand	0.70	0.72	0.67	0.55	0.60	0.59
	East Asia	4.98	5.17	4.91	5.22	4.23	4.54
	World	2.70	3.01	3.25	3.57	3.54	3.16
	The number of newly registered limited liability companies per 1,000 working-age people.						

3.2. Education, training and lifelong learning

The development of a skilled workforce and the expansion of human capabilities through high-quality systems of education, training and lifelong learning is important in helping workers to find good jobs and enterprises to find the skilled workers they require. According to the 2012/13 World Economic Forum Global Competitiveness report, an inadequately educated workforce is the second most problematic factor for businesses operating in Cambodia. Skilled and specialised labour is in limited supply in the country, in large part due to the lasting negative impact of the destruction of the education system under the Khmer Rouge.¹¹⁷

In Cambodia, the Ministry of Education, Youth and Sports (MOEYS) oversees formal preschool, primary, secondary, and tertiary education programmes, and the Ministry of Vocational Education and Training oversees formal Technical and Vocational Education and Training programmes.¹¹⁸ Data on "Public Spending on Education" as a percentage of GDP consists of current and capital public expenditure on education plus subsidies to private education at the primary, secondary, and tertiary levels. Though data on Cambodia is only available for certain years, there has been a general increase in expenditures since 2001 from 1.72 per cent of GDP to 2.6 per cent in 2010. Nonetheless, this is still lower than all countries used for comparison for which data was available. Between the 2003/04 and 2006/07 academic years, the number of schools in Cambodia increased by 30 per cent, and enrolment rates increased at all levels of schooling. The number of scholarships provided to poor students at the secondary level reached 45,754, of which female students account for 63.2 per cent. The number of teaching staff has also increased from 73,642 in 2003/04 to 78,606 in 2006/07 academic years.¹¹⁹

¹¹⁴ Cambodia Development Research Institute. 2012b.

¹¹⁵ Dalberg Global Development Advisors. 2012.

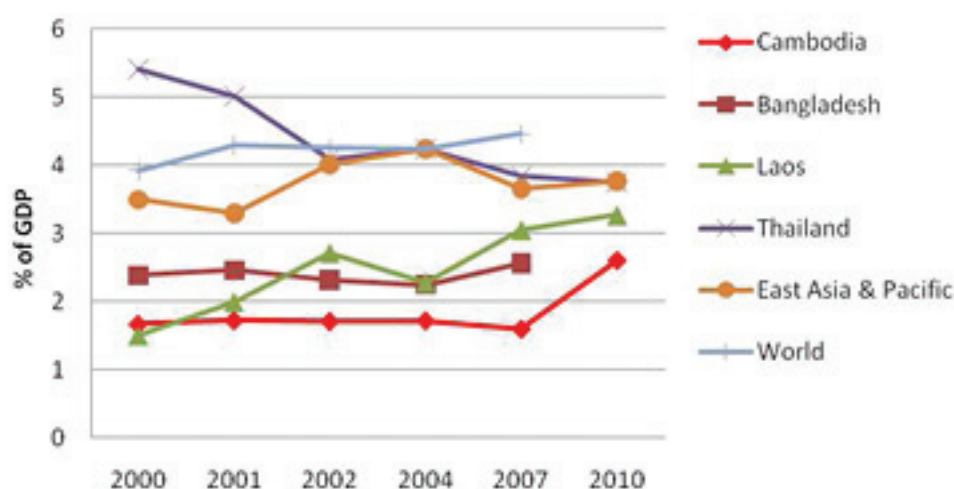
¹¹⁶ [World Bank World Development Indicators](#).

¹¹⁷ EIU. 2012b.

¹¹⁸ Dalberg Global Development Advisors. 2012.

¹¹⁹ United Nations General Assembly. 2009.

Public Spending on Education



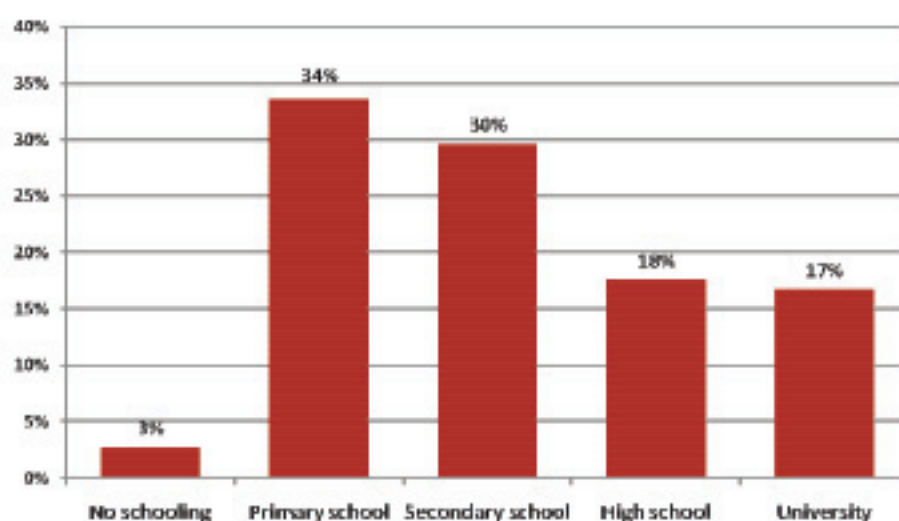
Source: United Nations Educational, Scientific, and Cultural Organization (UNESCO) Institute for Statistics (World Development Indicators Online).

In spite of the fact that public funding for education is relatively low, there was a substantial rise in literacy between 1998 and 2008, with the female rate of growth greater than that of the male rate. However, almost half of these people (48.9 per cent) had not completed their primary education as of 2008. In addition, in spite of the fact that the literacy rate among women grew faster than that of men, more of the literate employed were male (82.7 per cent) in the country compared to female (69.1 per cent) in 2008.¹²⁰ Youth literacy is particularly important where 32 per cent of the population is under 15 years of age and 300,000-400,000 young people enter the labour market each year.¹²¹ Data on the “Youth Literacy Rate” in Cambodia and the countries used for comparison is scanty. In 2009, the last year for which data is available for Cambodia, the country registered a rate of 87.13 per cent. This is an increase from the 2004 rate of 83.38, but also reflects a minor decrease from 2008, when the rate was 87.47 per cent. Vietnam is the only country of those compared for which data is available in 2009. In this year, Vietnam recorded a rate almost 10 percentage points higher than that of Cambodia, at 96.88 per cent. According to the EESE survey findings, of all workers surveyed, 67 per cent have not reached high school, with only a few having no schooling at all. This is true across all industries.

¹²⁰ ILO. 2010.

¹²¹ CAMFEBA. 2012. [Case for Inclusive Growth: Benefits for Business, the Community, the Poor and Vulnerable – Bridging the Labour Market Skills Gap](#). Cambodia Outlook Conference 2012 – Cambodia’s Priorities for Inclusive Growth, Regional Integration and ASEAN Leadership. Accessed 20 June 2013.

Highest level of educational achievement among workers



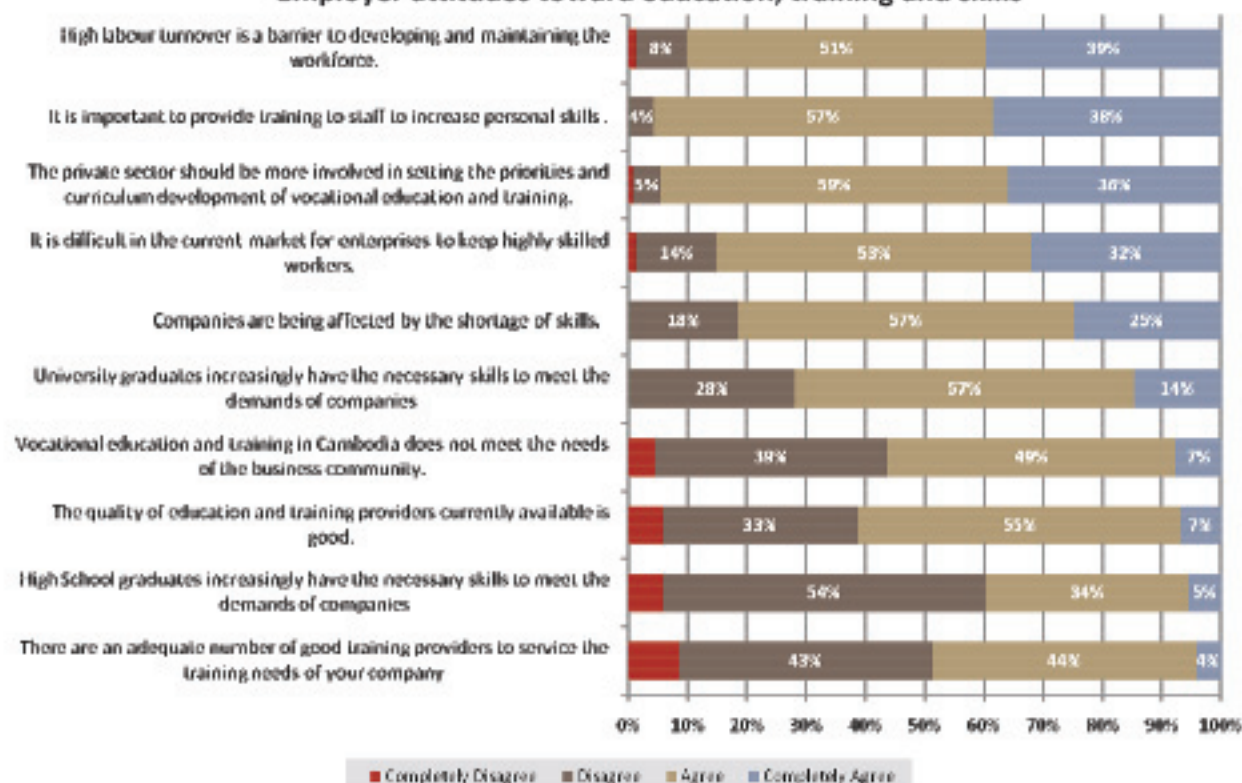
Source: Cambodia EESE Survey.

The “Education Index” measures educational attainment based on the adult literacy rate and the combined primary, secondary, and tertiary gross enrolment ratio on a scale from 0 to 1 with higher values indicating better performance. Cambodia performs well in this regard. In 2012, Cambodia recorded a level of 0.52, thereby outperforming Bangladesh and Laos, and earning a similar score as Vietnam. Thailand performed the strongest of the group with a rate of 0.6 in that year. In spite of this comparatively good performance by Cambodia, students are completing primary and secondary school without acquiring skills that will allow them to adapt to changes in the labour market.¹²² Findings from the EESE survey confirm this, where employers responded that high school and vocational training graduates do not have the necessary skills to meet their demands, though university graduates do. Nonetheless, a large number of graduates are unable to find jobs, while business and manufacturing sectors cannot find qualified workers. Moreover, the national dropout rate is estimated to be 8.3 per cent in primary, about 18.8 per cent in lower secondary, and 11.3 per cent in upper secondary. Providing technical and vocational skills to this group is a top priority.¹²³

¹²² OECD. 2012.

¹²³ Ibid.

Employer attitudes toward education, training and skills



Source: Cambodia EESE Survey.

According to findings from the EESE survey, employers included a shortage of skilled labour and a lack of quality human resources among the greatest challenges facing the Cambodian economy. Employers tend to agree that, while the quality of education and training providers currently available in the market is good, there are not enough providers. The majority of enterprises (59.7 per cent) noted never having purchased local training, though the few that did found the quality to be good or very good (28.6 per cent). The largest proportion of responding employers (40 per cent) believe that the supply of high quality training providers is inadequate, compared to 26.5 per cent believe the supply is adequate and 33.5 per cent who do not know. Although a lack of skilled labour is a clear challenge on the employer's side, only a few sectors provide training or pay for staff training, according to EESE survey responses from workers. Of all workers surveyed, 81.3 per cent responded that financial support for training is not provided by employers, and only 13.2 per cent responded positively to this question. Similarly, 80.5 per cent noted that training has not been offered to employees in the past 12 months, compared to 16.3 per cent who said training had been offered. The hotel, guesthouse and restaurant industry tends to provide the most training support, according to employee responses. In this sector, 43.2 per cent of employees receive financial support for training, and in regards to provided training, 53.5 per cent reported that their enterprise provided such services in the last 12 months. When asked whether they take part in training offered by their company, 83 per cent of employees responded that their company did not offer these services, or that they were not aware of it, while 13 per cent said they do participate, and 4 per cent responded that training services are available but they do not participate. Among the limited training being provided by enterprises, the main areas of study according to the EESE survey findings include those categorized as "other", such as basic computer skills, language, cooking, and others, as well as technical training relevant to the job description, and customer service. Management and leadership, and human resources training seem to be the least commonly covered.

The RGC considers technical education one of the central means for economic development through the integration of its growing number of young people, especially in rural areas and poor

city suburbs, into the labour market. In addition to promoting practical skills development, technical education also dissuades students from dropping out of school early. For this reason, the Government is pushing to start training at earlier levels of schooling. The introduction of technical and vocational education programmes in high schools is still in its infancy, but an externally supported pilot project has been introduced. The main challenge for the Government in this regard however, is that investment in technical education is costly as facilities, materials, equipment, and maintenance are expensive, and technical education facilities can quickly become obsolete due to market change and industry adaptations.¹²⁴ Positive gains have been made though, where, according to Ministry of Labour and Vocational Training (MOLVT) findings, the number of technical vocational education and training graduates in Cambodia increased, from 88,367 in 2007 to 113,648 in 2008.¹²⁵

The Cambodian labour force is characterised by low levels of education and skills. As of 2012, 78 per cent of the Cambodian workforce between ages 15 and 64 had not completed lower secondary school. For women, the situation was graver, where 57 per cent of men completed at least primary education, compared to just 38 per cent of women.¹²⁶ Only 23 per cent of the total workers are educated beyond the primary school level, 29 per cent have no schooling at all, and little more than 1 per cent attended vocational, non-graduated or graduated training. Education levels are highest among workers in the services sector, followed by the industry sector, with agriculture workers being the least educated. At the same time, garment and other manufacturing sector workers typically come from the agriculture sector. Though this sector is thought to be the most inefficient part of the economy, it has considerable potential to provide additional labour recruits, and thus, training and skills development for those operating in it would help to increase the skilled labour pool in general. The low level of skills and education in the Cambodian labour market creates risks for workers such as low wages and poor benefits, unsafe working conditions, and job insecurity. Furthermore, much of the Cambodian workforce is under-employed, according to a recent estimate by the National Institute of Statistics, putting the rate at 30 to 40 per cent. The low level of skilled labour also puts employers at risk of uncertain worker capacity, high turnover, and workplace instability.¹²⁷ Even the National Audit Authority (NAA) is currently seeking to opt out of civil service pay scales to attract more skilled staff.¹²⁸

When it comes to diversifying the country's base for economic growth, the issue of labour is inevitably raised. Currently, skilled labour in light industries (mainly garment factories that require workers to have certain basic skills) exists in Cambodia, but skills are scarce for other jobs and expatriate workers are often recruited for positions requiring higher skills. Cambodia has more than enough workers to supply emerging sectors, but thus far, demand and supply of labour have been mismatched. Economic diversification and the movement of labour from agriculture to other sectors are needed to absorb new workers. At the same time, training must be provided to these new workers to facilitate a smooth transition between sectors. New industries in the country should focus on creating job opportunities for entry-level low-skilled workers, supplemented by opportunities for on-the-job training to motivate workers and accelerate their skills and career development in parallel with development of new industries.¹²⁹ Responses from employers in the EESE Cambodia survey confirm the fact that several different sectors seem to face shortages of skilled workers and it is becoming increasingly difficult to retain highly skilled workers. Large enterprises in particular are more affected by the shortage of skills, and employers in these firms strongly agree that retention of highly qualified staff is difficult in the current market.

¹²⁴ OECD. 2012.

¹²⁵ ILO. 2010.

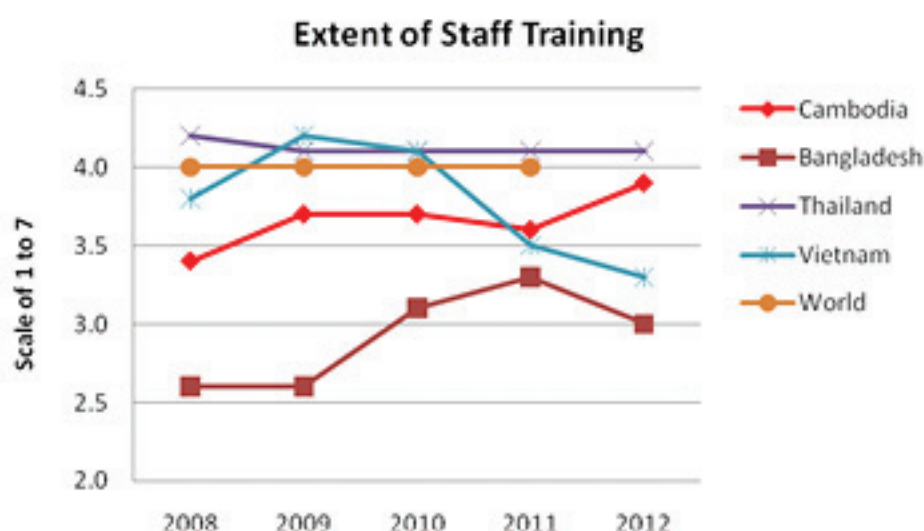
¹²⁶ Dalberg Global Development Advisors. 2012.

¹²⁷ Nuon, V. and Serrano, M. 2010.

¹²⁸ Girishankar, N.; DeGroot, D.; Desai, R.; Stout, S.; and Wescott, C. 2011.

¹²⁹ World Bank. 2008.

The low level of skilled labour in the informal economy is also notable, where the self-employed, who make up the majority of the informal workforce, on average have just 4.5 years of education. This affects wages in the informal economy, which in turn, hinders economic growth poverty reduction. Workers in the informal sector, including both agriculture and non-agriculture, earn significantly less than their counterparts operating in the formal economy. Thus, better skills training can help reduce poverty by augmenting incomes and moving labour out of the informal sector. This is particularly true for women working in rural communities.¹³⁰



Source: World Economic Forum, The Global Competitiveness Report.

Perceptions of Cambodia's business leaders concerning the extent of investment in staff training over the period 2008-12 slightly improved, according to the indicator "Extent of Staff Training". This indicator shows whether companies in a country invest little or heavily in training and employee development to attract, train and retain staff, on a scale from 1 to 7 with higher values indicating more investments. Cambodia performs comparatively well in this area, recording a score of 3.9 in 2012. This is higher than all countries used for comparison for which data was available, with the exception of Thailand, which recorded a marginally higher score of 4.1. In contrast to the inadequate educational and private vocational training provided, this data implies that the strongest source of training is provided by companies to their staff. While this is very positive for the country, such training tends to be more prevalent in larger formal sector companies, making it essential that the Government step up efforts to promote enterprise and vocational training for the general public. Findings from the EESE survey confirm this possibility, where small companies tend to be more negatively affected by the lack of skills compared to larger companies. At the same time though, while all firms agree that personal skills development is important, large enterprises tend to agree more. Personal skills include: time management; setting priorities; increased learning; reviewing and evaluating personal achievements; taking responsibilities; etc.

The main issue for the Government at this time is the need to respond to the disconnect between the new industries in the Cambodian private sector and training provided in the education system. Development of the education and training programmes in the country will have little positive impact if they are not coordinated to the current and growing labour market demands in the country. Barriers which currently hinder stronger public-private coordination in Cambodia's educational system include: a lack of information at the policy and industry level; weak or non-existent linkages between institutions; and a lack of capacity and resources (investment, people, and infrastructure). There is a great need to diversify the type of disciplines

¹³⁰ Dalberg Global Development Advisors. 2012.

youth pursue in their training to ensure that the education system is producing a competitive and diversified workforce. Human resource development focus areas should include: agriculture sector development; expansion of industrial manufacturing; diversification of export products and regional markets; and attraction of quality trade-oriented investment. Skills priorities have been identified over the years, but the greatest challenge for the country now is to transform these priorities into actions.¹³¹

Key Indicators							
Public Spending on Education, total (% of GDP)		2001	2002	2004	2007	2010	
Public expenditure on education consists of current and capital public expenditure on education plus subsidies to private education at the primary, secondary, and tertiary levels.	Cambodia	1.72	1.71	1.72	1.60	2.60	
<u>Source:</u> United Nations Educational, Scientific, and Cultural Organization (UNESCO) Institute for Statistics (World Development Indicators Online). ¹³²	Bangladesh	2.46	2.32	2.25	2.56	-	
<u>Note:</u> Data for Vietnam is not available.	Laos	1.99	2.71	2.28	3.05	3.27	
	Thailand	5.02	4.09	4.24	3.84	3.75	
	East Asia and Pacific	3.30	4.01	4.24	3.65	3.77	
	World	4.29	4.25	4.25	4.46	-	
	Public spending on education as share (%) of GDP.						
Education Index		2006	2008	2009	2010	2011	2012
It measures the educational attainment. The Education Index is measured by the adult literacy rate and the combined primary, secondary, and tertiary gross enrolment ratio.	Cambodia	0.51	0.52	0.52	0.52	0.52	0.52
The adult literacy rate gives an indication of the ability to read and write, while the gross enrolment ratio gives an indication of the level of education from kindergarten to postgraduate education. It is a weighted average of Adult literacy index (with two-thirds weighting) and the combined primary, secondary, and tertiary gross enrolment ratio (Gross enrolment index [0, 1]) (with one-third weighting).	Bangladesh	0.39	0.40	0.41	0.41	0.42	0.42
<u>Source:</u> UNDP, Human Development Report. ¹³³	Laos	0.42	0.43	0.44	0.44	0.45	0.45
	Thailand	0.57	0.59	0.59	0.59	0.60	0.60
	Vietnam	0.50	0.51	0.52	0.53	0.54	0.54
	On a scale from 0 to 1. Higher values correspond to better performance.						
	% of firms offering formal training.						
Extent of Staff Training		2008	2009	2010	2011	2012	
The World Economic Forum (WEF) Survey asked the business leaders to provide their expert opinions on the following: "The general approach of companies in your country to human resources is: (1=to invest little in training and employee development, 7=to invest heavily to attract, train, and retain employees)".	Cambodia	3.4	3.7	3.7	3.6	3.9	
<u>Source:</u> World Economic Forum, The Global Competitiveness Report. ¹³⁴	Bangladesh	2.6	2.6	3.1	3.3	3.0	
<u>Note:</u> Data on Laos is not available.	Thailand	4.2	4.1	4.1	4.1	4.1	
	Vietnam	3.8	4.2	4.1	3.5	3.3	
	World	4.0	4.0	4.0	4.0	-	
	1=to invest little in training and employee development, 7=to invest heavily to attract, train, and retain employees.						

¹³¹ CAMFEBA. 2012.

¹³² [World Bank World Development Indicators](#).

¹³³ [UNDP Human Development reports](#).

¹³⁴ [World Economic Forum Global Competitiveness report](#).

Literacy Rate, youth total (% of people ages 15-24)	2004	2005	2008	2009	2010
Youth literacy rate is the percentage of people ages 15-24 who can, with understanding, read and write a short, simple statement on their everyday life.					
Source: United Nations Educational, Scientific, and Cultural Organization (UNESCO) Institute for Statistics (World Development Indicators Online). ¹³⁵					
Cambodia	83.38	-	87.47	87.13	-
Bangladesh	-	-	-	-	76.96
Laos	-	83.93	-	-	-
Thailand	-	98.10	-	-	-
Vietnam	-	-	-	96.88	96.94
World	-	-	-	-	89.63
% of people.					

3.3. Social justice and social inclusion

Inequality and discrimination hinder the creation and growth of sustainable enterprises. Explicit policies for social justice, social inclusion and equality of opportunities for employment are needed. Cambodia ranks low on the UNDP Human Development Index, at 138 out of 186 countries in 2013.¹³⁶ Though economic growth has been rapid in the country, poverty reduction has not improved at corresponding levels.

The “GINI Coefficient” measures the extent to which the distribution of income among individuals or households within an economy is equal. Absolute equality corresponds to a value of 0, whereas absolute inequality is represented by 100. Available data in Cambodia is very scanty and is only available for three years since 2004. Nonetheless, based on the data available, the country shows improvement between 2007 and 2008. In the latter year, comparable figures are available for Laos, Thailand and Vietnam. Laos and Vietnam reflect more positive degrees of equality than Cambodia, while Thailand reflects a poorer situation in that year. Economic growth in Cambodia has only resulted in a reduction in the poverty rate of 1 per cent annually and income distribution is notably uneven, showing that growth has been shared unequally among the population.¹³⁷ Some improvements have been made in the past two decades however, where the number of people living under the poverty line fell from 50 per cent in the mid-1990s to 25 per cent at present.¹³⁸ According to the national Annual Development Review 2011-2012, further reductions in poverty and inequality will require a significant increase in public investment in pro-poor sectors such as healthcare, education and rural development. According to Cambodia’s Millennium Development Goal, the proportion of people living below the national poverty line is hoped to decline to 19.5 per cent by 2015. However, due to the global economic and financial crisis, there has been an increase in poverty in some areas given the reduction in income due to unemployment in garments, construction and tourism.¹³⁹ Cambodian construction workers in particular, record the lowest wages across ASEAN countries, at a daily wage of 4.50 USD, as opposed to 7 USD in Thailand. In more highly skilled construction positions where wages are higher however, such as architects, engineers, electricians, welders, and carpenters, these are generally filled by foreign workers.¹⁴⁰

¹³⁵ [World Bank World Development Indicators.](#)

¹³⁶ UNDP. 2013b. [Human Development Report.](#) UNDP. Accessed 26 March 2013.

¹³⁷ World Bank. 2008.

¹³⁸ Vuthy, Chea. 2012.

¹³⁹ Cambodia Development Research Institute. 2012a.

¹⁴⁰ UNDP. 2009.

Although Cambodia has reduced poverty throughout the country, there are particular segments of the population, such as self-employed farm workers and domestic workers, for whom poverty incidence remains high. The reality of rising income inequality is likely to slow down progress in poverty reduction unless high growth rates bring about a rise in mean income of vulnerable groups. Projected growth of 5-6 per cent, down from double-digit growth experienced in recent years, is also likely to slow job generation and poverty alleviation. The approach to macroeconomic policy in Cambodia is concentrated on macroeconomic stability and neglects other critical goals such as employment generation and social protection. Although agriculture production has been increasing recently, productivity remains low compared to other ASEAN countries. Thus, one strategy for Cambodia to invigorate productivity and labour absorption would be through the development of small-holder farming, as well as large scale crop production, including forestry development and plantations. Public policy and expenditures to facilitate these activities would include spending on expansion of irrigation, facilitation of access to credit, inputs, and training.¹⁴¹

The “Labour Force Participation” rate in Cambodia has remained relatively stable since 2006, and has even shown marginal improvement, in spite of the 2008 economic crisis. The country has consistently outperformed rates recorded in other countries used for comparison. In 2010, the most recent year for which data is available, Cambodia recorded a rate of 84.5 per cent, while the second highest rate was 81.2 per cent in Vietnam and the lowest was 73.4 per cent in Bangladesh. However, the co-existence of a low unemployment rate in Cambodia with a high incidence of poverty and low levels of productivity implies that most of the jobs created are neither adequately remunerative, nor productive. The Cambodian labour market is characterized by a limited formal sector, with the bulk of unemployment being in the informal economy. Cambodia has registered rapid employment growth, but most of this has taken place in low-income low-productivity activities. An indicator of this is that the employment share in the modern industrial sector is still quite low, and the economy is yet to witness any structural transformation.¹⁴²

Since the global economic crisis, job growth has resumed in the country, but there is still room for improvement in terms of job quality.¹⁴³ With formal employment opportunities in short supply and much of the labour force being low-skilled, the vulnerable employment rate (proportion of own-account workers and unpaid family workers) in Cambodia is notably high at around 73 per cent, though it has recently been declining. Pockets of high unemployment remain among specific groups and geographic localities; urban workers with a secondary education being particularly at risk. In general, youth remain far more likely to be unemployed than older adults, in both rural and urban areas. Under-employment is most prevalent among female and rural workers.¹⁴⁴ In order to realize decent work, with the ILO, Cambodia is one of the first countries to have completed the first phase of the Decent Work Country Programme (DWCP) and is now entering into the second phase. The DWCP is a tripartite consultation process involving representatives from government, employers’ and workers’ organizations. CAMFEBA hopes the Cambodia DWCP will help address such challenges as job creation, elimination of child labour and the worst forms of child labour, social protection, and contribute to better relationships and coordination mechanisms between employers, trade union counterparts and the government.

¹⁴¹ Muqtada, M. 2011. Cambodia: Toward a National Employment Strategy for Sustained Poverty Reduction. Global Extension of Social Security (GESS) – ILO.

¹⁴² Ibid.

¹⁴³ ILO. 2011. [Tripartite Training Consultation Workshop on Measuring Decent Work in Cambodia](#). Workshop Report. ILO Country Office for Thailand, Cambodia, and the Lao People’s Democratic Republic (Phnom Penh), 4-6 May.

¹⁴⁴ ILO. 2012b.

According to the ILO DWCP, Cambodia is on-track in realizing decent work, but some challenges remain.¹⁴⁵

Findings from the Cambodia EESE survey reveal interesting findings as concerns worker salaries, working hours and contracts. Considering hours worked per week, the median number of reported hours worked by employees is 56, with those engaged in the garment and footwear and food and beverage producers industries working the most hours, with means of 60.5 and 66.5 respectively. The median monthly wage among surveyed workers was 100 USD, while the mean was 111 USD. Based on employer estimates, the trade sector reflects the highest number of weekly hours with a mean of 61.4, compared to the banking, insurance and micro-finance institutions sector with a mean of 42.4 hours per week. It is interesting to note that the mean number of weekly work hours in the garment and footwear industry is, according to employers, only 53.2 on average, with a median of 48, compared to the significantly higher number of hours reported by employees engaged in this sector. Regarding differences in working hours of different levels of staff (i.e. management and employees), 81.1 per cent of employers believe that the schedules are the same, while 18.6 per cent believe they are different. The difference seems to be greatest in the hotel, guesthouse and restaurant sector, where 51.6 per cent of employers believe it is different, as well as in the professional service providers sector, where 41.2 per cent believe it to be different. The best paying sectors include construction (148 USD/month) and hotel, guesthouse and restaurant (124 USD/month). Overtime compensation for work during public holidays is another issue in the country where just over half (55.2 per cent) of employers reported that they do not pay extra for work done on public holidays, 13.5 per cent report paying 200 per cent of the normal salary for work on public holidays, and 8.2 per cent pay 150 per cent of the normal salary; 14.6 per cent report paying at other rates or providing other incentives. The garment and footwear, professional service providers, and telecom/ICT sectors, in particular, seem to perform well in this area, where 77.4, 70.6, and 71.4 respectively compensate for overtime at 150- 200 per cent of the normal salary. This may be due to the fact that the economic impact of public holidays is not equal across industries. It is however worth mentioning that Cambodia is among the countries with most public holidays in the region. In Cambodia, any public holiday that falls on Saturday or/and Sunday will be carried over to the next working day.¹⁴⁶ The garment and footwear industry for example, generally compensates workers at a rate of 150-200 per cent the average salary for working on public holidays, while 85.7 per cent of the agro-processing industry, which is much less impacted by holidays, does not provide any compensation for work done on these days. The EESE survey also shows that large companies are more negatively impacted by a high number of public holidays than small firms. Food and accommodation is another area where certain industries perform better. Industries working with food items generally provide food to their employees on top of salaries. 100 per cent of employees in the agro-processing sector reported receiving food on working days as an additional benefit, 93.2 per cent of those in the hotel, guesthouse and restaurant sector reported this to be the case, and 81.6 per cent of those in the food and beverage producers sector also reported this. In the construction sector, 87.2 per cent of employees said they did not receive food, 70.4 per cent of those in other sectors, including manufacturing, do not receive food, and 64.7 per cent in the garment and footwear sector do not either. Accommodation provided to employees follows a similar pattern. The majority of employees engaged in the food and beverage producers (86.8 per cent), agro-processing (83.3 per cent), construction (55.3 per cent), and trade (51.2 per cent) sectors receive accommodation on top of their salary or wages. In the garment and footwear industry, only 35.3 per cent report this to be the case, and in other sectors, including manufacturing, 48.15 report it to be the case. Interestingly, in the hotel, guesthouse and restaurant industry, only 9.1 per cent of employees report receiving accommodation.

¹⁴⁵ ILO. 2011. [Tripartite Training Consultation Workshop on Measuring Decent Work in Cambodia](#). Workshop Report. ILO Country Office for Thailand, Cambodia, and the Lao People's Democratic Republic (Phnom Penh), 4-6 May.

¹⁴⁶ Website of the Ministry of Foreign Affairs & International Cooperation, Kingdom of Cambodia.

Labour productivity levels in Cambodia remain lower than most of its ASEAN neighbours, with an estimated value of 4.19 million riels (1,030 USD) in 2008. The highest average annual change of labour productivity between 1998 and 2008 took place in the mining and quarrying sector (19.4 per cent), followed by finance and other services (8.6 per cent). Average annual growth of labour productivity in agriculture in the same period was much slower at 1.7 per cent, as well as in trade at 1 per cent. With regards to labour mobility, from 2004 to 2008, the MOLVT expanded its activities to further develop both local and foreign employment options. Cambodian migrants were increasingly employed through official channels in Malaysia, the Republic of Korea, Thailand, and Japan. Most of these Cambodian migrants were offered employment in the manufacturing sector, followed by domestic work and the agriculture sector respectively. As of 2004, more Cambodian women were going abroad for work than men.¹⁴⁷

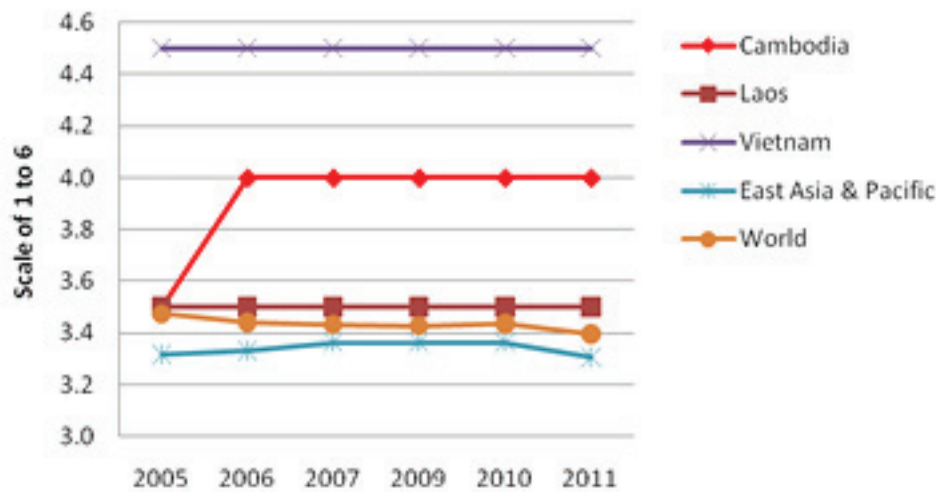
Progress has been made in the country in such crosscutting areas as gender and women's empowerment. The "Gender-related Development Index" (GDI) measures average achievements in long and healthy life, knowledge and a decent standard of living, adjusted to account for inequalities between men and women. Higher values indicate a better situation. Cambodia shows only marginal improvement in this regard over the period 2005-09, the most recent years for which data is available, moving from 0.57 to 0.59. Nonetheless, in the latter year, the country does not perform poorly relative to the countries used for comparison; Bangladesh earns a lower score in that year at 0.54, Laos is only slightly higher at 0.61, and Thailand and Vietnam record the strongest GDI levels at 0.78 and 0.72 respectively.

The "Female Economic Activity Index" measures the share of women over the age of 15 who work in industry, agriculture or services as a percentage of men. The "Female Economic Activity Index" measures the share of women over the age of 15 who work in industry, agriculture or services as a percentage of men. Between the years 2003-05, Cambodia showed a decrease in the rate of women employed, reaching 74.4 per cent in the latter year. Nonetheless, it still reflects the highest rate in 2012, compared to Laos and Vietnam, the only two countries used for comparison for which data is available. Data for this indicator has not been recorded for any years following 2005, as the UNDP has introduced the GEM and GII as new and more thorough indicators of national gender dynamics. The "Gender Empowerment Measure" (GEM) is an index measuring gender inequality in economic participation and decision-making, political participation, and decision-making and power over economic resources. The lower the value, the more heavily a society is penalized for having inequalities. Cambodia has consistently improved in this area, moving from 0.36 in 2005 to 0.43 in 2009. In the latter year, Bangladesh recorded the lowest score of the countries compared at 0.26, while Thailand and Vietnam outperformed Cambodia with scores of 0.51 and 0.55 respectively. The "Gender Inequality Index" measures the loss due to inequality in achievements in health, empowerment and the labour market. Values range from 0, reflecting perfect equality, to 1, reflecting total inequality. This indicator confirms the pattern shown by the other indicators reflecting gender dynamics in Cambodia. Since 2005, the country has improved from a level of 0.55 to 0.47 in 2012. This performance is outperformed by Vietnam at 0.3 and Thailand at 0.36 in 2012, while Laos performs similarly to Cambodia with a score of 0.48, and Bangladesh performs the worst in that year with a score of 0.52. Women in Cambodia are overrepresented among vulnerable workers due to persistent gender inequalities facing the country with regard to women's access to decent work. Men's wages are consistently higher and growing more rapidly than women's, while low wages are higher for women than for men. This is not only an indication of wage inequalities, but also of the sectoral concentrations of women in formal employment such as garment manufacturing.¹⁴⁸

¹⁴⁷ ILO. 2010.

¹⁴⁸ ILO. 2012b.

Gender Equality Rating



Source: World Bank Group, CPIA database127 (World Development Indicators Online).

The “Gender Equality Rating” measures the extent to which a country has implemented institutions and programmes to enforce laws and policies aimed at promoting equal access for men and women to education, health, the economy, and legal protection. On a scale of 1 to 6, where higher values signify greater equality, Cambodia performs comparatively well. In 2006 the country moved from 3.5 to 4, and has since maintained this score. Between 2006-11, Cambodia was outperformed by Vietnam, but consistently recorded better gender equality levels than those in Laos (no data is available for Bangladesh and Thailand), as well as average levels in the East Asia and Pacific region and the world. Women are regarded as the backbone of the national economy and society in Cambodia, and the Government has exerted efforts to promote the status of women through the continued implementation of “Neary Rattanak” or “Women as Valuable Gems”, with emphasis on gender equity in economic development. The RGC considers maternal leave to be a vital social function. It clearly states in article 46-2 of the constitution that “A woman shall not lose her job because of pregnancy. Woman shall have the right to take maternity leave with full pay and with no loss of seniority or other social benefits”.¹⁴⁹ This reflects a commitment to ensuring not only gender equality in the workplace, but also gender equity, where provisions are made for the specific needs of women in order to allow them the same formal labour opportunities allotted to men. However, discriminatory practices are prevalent. For example, female-headed households in the country have access to about 21 per cent less land than male-headed households. In Laos and Vietnam, they have 16 and 27 per cent less land respectively. In the mountain-plateau zone of Cambodia, the average land size of female-headed households was up to 54 per cent smaller than in male-headed households, leading female-headed households producing up to 8 times less rice.¹⁵⁰

¹⁴⁹ United Nations General Assembly. 2009.

¹⁵⁰ FAO. 2010. [Supporting Asia-Pacific agriculture with better data](#). 25 June. Accessed 20 June 2013.

Key Indicators

GINI coefficient

Gini index measures the extent to which the distribution of income (or, in some cases, consumption expenditure) among individuals or households within an economy deviates from a perfectly equal distribution. A value of 0 represents absolute equality, a value of 100 absolute inequality.

Source: World Bank, Development Research Group. Data are based on primary household survey data obtained from government statistical agencies and World Bank country departments.¹⁵¹

	2004	2006	2007	2008
Cambodia	41.85	-	44.37	37.85
Bangladesh	-	-	-	-
Laos	-	-	-	36.74
Thailand	-	42.40	-	40.51
Vietnam	36.81	35.75	-	35.57
0=perfect equality, 100=perfect inequality.				

Labour Force Participation Rate

The labour force participation rate is the proportion of the population ages 15-64 that is economically active: all people who supply labour for the production of goods and services during a specified period. The labour force participation rate is calculated by expressing the number of persons in the labour force as a percentage of the working-age population. The labour force is the sum of the number of persons employed and the number of unemployed. The working-age population is the population above a certain age, prescribed for the measurement of economic characteristics.

Source: ILO KILM.¹⁵²

	2006	2007	2008	2009	2010
Cambodia	83.7	84.1	84.5	84.5	84.5
Bangladesh	73.0	73.1	73.2	73.3	73.4
Laos	81.8	81.5	81.3	81.1	80.9
Thailand	77.5	78.1	78.2	76.2	77.1
Vietnam	81.7	81.4	81.2	81.2	81.2
The lower the value, the more heavily a society is penalized for having inequalities.					

Gender-related Development Index (GDI)

A composite index measuring average achievement in the three basic dimensions captured in the human development index - a long and healthy life, knowledge, and a decent standard of - adjusted to account for inequalities between men and women.

Source: UNDP Human Development Report.¹⁵³

	2005	2006	2007	2009
Cambodia	0.57	0.58	0.59	0.59
Bangladesh	-	-	-	0.54
Laos	0.54	0.55	0.59	0.61
Thailand	-	-	-	0.78
Vietnam	0.70	0.71	0.73	0.72
The lower the value, the more heavily a society is penalized for having inequalities.				

Gender Empowerment Measure (GEM)

A composite index measuring gender inequality in three basic dimensions of empowerment—economic participation and decision-making, political participation, and decision-making and power over economic resources.

Source: UNDP, Human Development Report.¹⁵⁴

Note: Data for Laos is not available.

	2005	2006	2007	2009
Cambodia	0.36	0.37	0.38	0.43
Bangladesh	-	-	-	0.26
Thailand	-	-	-	0.51
Vietnam	-	-	0.56	0.55
The lower the value, the more heavily a society is penalized for having inequalities.				

¹⁵¹ [World Bank World Development Indicators.](#)

¹⁵² [ILO KILM.](#)

¹⁵³ [UNDP Human Development reports.](#)

¹⁵⁴ *Ibid.*

Gender Inequality Index (GII) The Gender Inequality Index is a composite index measuring loss in achievements in three dimensions of human development - reproductive health, empowerment and labour market - due to inequality between genders. <u>Source:</u> UNDP, Human Development Report. ¹⁵⁵		2005	2010	2012		
	Cambodia	0.55	0.49	0.47		
	Bangladesh	0.59	0.53	0.52		
	Laos	0.55	0.50	0.48		
	Thailand	0.41	0.38	0.36		
	Vietnam	0.32	0.32	0.30		
	Values range from 0 (perfect equality) to 1 (total inequality).					
Gender Equality Rating Gender equality rating assesses the extent to which the country has installed institutions and programmes to enforce laws and policies that promote equal access for men and women in education, health, the economy, and protection under law (1=low to 6=high). <u>Source:</u> World Bank Group, CPIA database ¹²⁷ (World Development Indicators Online). ¹⁵⁶ <u>Note:</u> Data for Bangladesh and Thailand is not available.		2005	2007	2009	2010	2011
	Cambodia	3.5	4.0	4.0	4.0	4.0
	Laos	3.5	3.5	3.5	3.5	3.5
	Vietnam	4.5	4.5	4.5	4.5	4.5
	East Asia and Pacific	3.3	3.4	3.4	3.4	3.3
	World	3.5	3.4	3.4	3.4	3.4
	Equality: 1=low to 6=high.					
Female Economic Activity Female economic activity is a measure of women over the age of fifteen who are working in industry, agriculture, or services as a percent of males. <u>Source:</u> UNDP, Human Development Report. ¹⁵⁷ <u>Note:</u> Data on Bangladesh and Thailand is not available.		2003	2004	2005		
	Cambodia	80.1	74.4	74.4		
	Laos	74.6	54.0	54.0		
	Vietnam	73.3	72.4	72.2		
	% aged 15 and older.					

3.4. Adequate social protection

Providing citizens with access to key services, such as quality health care, unemployment benefits, maternity protection, and a basic pension, is key to improving productivity. Protecting workers' health and safety at the workplace is also vital for sustainable enterprise development and productivity gains. Cambodia lags behind many countries in the region when it comes to healthcare, nutrition, education, and social protection.¹⁵⁸ Health care and rural sanitation services, as well as the supply of clean water in rural areas, are below the country's targets set in the Millennium Development Goals.¹⁵⁹

Cambodia's current social protection landscape consists of i) a National Social Security Fund for private sector employees, providing employment injury insurance; ii) the National Social Security Fund for civil servants, providing pension benefits; iii) various social health protection programmes targeting the poor and those engaged in the informal economy, such as the health equity funds and the community-based health insurance schemes; and iv) various social safety social assistance programmes targeting the poor and the vulnerable. These programmes are all largely funded by donor support. In addition, the Government has instituted policies for

¹⁵⁵ [UNDP Human Development reports.](#)

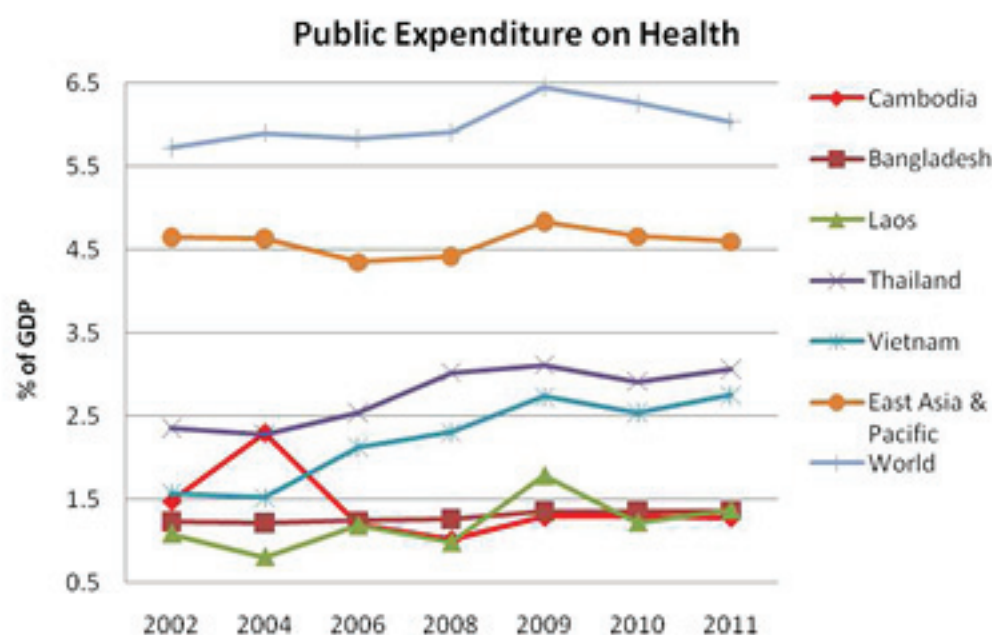
¹⁵⁶ [World Bank World Development Indicators.](#)

¹⁵⁷ Ibid.

¹⁵⁸ Cambodia Development Research Institute. 2012b.

¹⁵⁹ United Nations General Assembly. 2009.

improving the occupational safety and health (OSH) of its workers, including HIV-in-the-workplace policies and programmes, and the reporting of accidents and injuries. The first OSH Master Plan in Cambodia was launched in 2009.¹⁶⁰ In spite of these protections however, to date there is still no wide-reaching state administered social protection system in Cambodia. Civil society has endeavoured to provide social support mechanisms for the most vulnerable, and development partners' support of specific projects has also had positive impacts. Microfinance institutions have also played an active role in reducing or protecting against this vulnerability by providing credit for increasing income earning opportunities and savings services to build up resources that can be drawn from in cases of emergencies.



Source: World Health Organization National Health Account database (www.who.int/nha/en/) supplemented by country data.

Secondary information on social protection in Cambodia is limited and partly missing. No data on “Coverage by Health Care” is available for Cambodia.¹⁶¹ Cambodians generally pay for healthcare out of their own pocket and do not benefit from pension. There is however, a narrowing gap between the share financed by households and the share financed by the state.¹⁶² Cambodia performs poorly in the area of “Public Expenditure on Health” as a percentage of GDP. As of 2011, Cambodia performs the poorest of the group, at 1.28 per cent. Another indicator of government commitment to social protection, the “General Government Expenditure” includes all current government expenditures of goods and services (including compensation of employees) as a percentage of GDP. It also includes most expenditure on national defence and security, but excludes government military expenditures that are part of government capital formation. Cambodia reflects a lower rate of expenditures than Laos and Vietnam, the only countries for which data is available, over the period 2002-2010. In 2010, Cambodia recorded a level of 6.3 per cent of GDP compared to 6.5 per cent in Vietnam and 9.5 per cent in Laos. In the same year the East Asia and Pacific average rate was as high as 17.3 per cent and the world mean was 18.6 per cent.

¹⁶⁰ ILO. 2010.

¹⁶¹ “Coverage by Health Care” measures the percentage of total (public and private) health care expenditure not financed by private household’s out of pocket payments.

¹⁶² ILO. 2012b.

The limitations in terms of social protection and healthcare services leave poor people in Cambodia disproportionately vulnerable to risk, both in the form of natural disasters and more regular occurrences of illness and accidents.¹⁶³ Due to this lack of social protection, many impoverished people cannot afford to be jobless for long, leading to increased participation in unsafe vulnerable employment. This also leaves them highly vulnerable when shocks to their income or circumstances occur.¹⁶⁴ Non-wage workers represent a high, though declining, proportion of those employed in industry and services, and for many of them, stability and security at work is far from guaranteed. The garment sector, for example, has seen a rise in the use of casual and probationary contracts. Furthermore, current statistics on injuries in the workplace indicate that a large number of people who experience injuries are women workers in the garment industry.¹⁶⁵ It is worth mentioning however, that the garment sector to 90% consists of female workers. Occupational injuries in Cambodia are on the rise, although better reporting may also account for a proportion of this increase. Such injuries continue to affect more men than women, although the proportion occurring among women has also increased in recent years. Official data, however, is likely under-representative; as such data are limited geographically and only reflect inspections carried out in enterprises covered by the labour law.¹⁶⁶

According to findings from the EESE survey of workers in Cambodia, health insurance for employees is only provided in certain industries, including the garment and footwear industry and the hotel, guesthouse and restaurant industry. Alternative protections exist however, were workers in industries such as food and beverage producers and trade are provided with health benefits, for example where employers pay for injury or other treatment related to workplace-related incidents. The proportion of employees surveyed who have health insurance is only 11.7 per cent, though 60.7 per cent report having health benefits. When asked to describe the adequateness of compensation for workplace-related injuries, employees were quite positive, where 53.75 per cent responded that it is “completely adequate”, 13.75 per cent said “mostly adequate”, 18.75 said “somewhat adequate”, and only 7.5 per cent said it was “not at all” adequate. Also positive, the majority of respondents (63 per cent) reported being aware of no injuries in their workplace in the last 2 years, while 32 per cent responded that there has been at least one injury in the last year, and 5 per cent did not know. Also interesting, the survey results show that 98 per cent of CAMFEB member enterprises contribute to the National Social Security Fund (NSSF), compared to only 38 per cent of non-member enterprises, 79 per cent of which are large. Of the enterprises surveyed, 60 per cent have experience using NSSF services, and 37 per cent of host enterprises report that services are slow and require too much paperwork. However, a notable proportion of 21 per cent described NSSF services as quick and responsive to cases.

Social protection in the country is low in part because full-employment and social protection go hand in hand, and since Cambodia has a low proportion of market-based jobs and severe budget constraints, it has been difficult to embody such policies in the planning framework. Cambodia needs an employment growth strategy for sustained reduction in poverty and a structural transformation in the economy. The RGC has indeed realized the need for such an employment strategy and the ILO is currently offering its support in developing a National Employment Policy. As a result of measures already taken by the Cambodian Government to improve social protection and healthcare, child mortality rates drop from 95 per 1,000 in 2000 to 66 in 2005. The under-five year mortality rate also declined during the same period, as did maternal mortality rates, decreasing from 472 to 437 out of 100,000 births. Also notable, it was reported that HIV prevalence at only 0.9 per cent is less than half of the 1.9 per cent assumed

¹⁶³ IFC. 2009.

¹⁶⁴ ILO. 2012a.

¹⁶⁵ ILO. 2010.

¹⁶⁶ ILO. 2012b.

earlier for 2005. It was also estimated that there have been a total of 8,745,641 clients of medical consultation, and out of this number, 6,607,178 new cases of diseases were found.¹⁶⁷

Key Indicators						
Public Expenditure on Health (% of GDP)		2002	2004	2006	2008	2010
Public expenditure on health as a percentage of GDP—Public health expenditure consists of recurrent and capital spending from government (central and local) budgets, external borrowings and grants (including donations from international agencies and nongovernmental organizations), and social (or compulsory) health insurance funds.	Cambodia	1.47	2.29	1.20	1.01	1.30
	Bangladesh	1.23	1.21	1.24	1.26	1.35
	Laos	1.08	0.81	1.18	0.98	1.22
	Thailand	2.35	2.28	2.54	3.02	2.91
	Vietnam	1.57	1.52	2.12	2.30	2.54
	East Asia and Pacific	4.64	4.63	4.35	4.41	4.65
Source: World Health Organization (WHO) WHOSIS133 and World Development Indicators CD-ROM and UNDP Human Development Report. ¹⁶⁸						
% of GDP.						
Government Expenditure (% of GDP)		2002	2004	2006	2008	2010
General government final consumption expenditure includes all government current expenditures for purchases of goods and services (including compensation of employees). It also includes most expenditures on national defense and security, but excludes government military expenditures that are part of government capital formation.	Cambodia	5.4	4.5	3.5	5.6	6.2
	Laos	6.8	7	8.3	9.4	10.7
	Vietnam	6.2	6.4	6	6.1	6.3
	East Asia and Pacific	16.6	16.3	16.2	16.4	17.5
	World	17.2	17.2	17.2	17.7	18.9
	World	17.2	17.2	17.2	17.7	18.9
Source: World Bank national accounts data, and OECD National Accounts data files. ¹⁶⁹						
Note: Data for Bangladesh and Thailand is not available.						
Government expenditure, excluding military, as a % of GDP.						

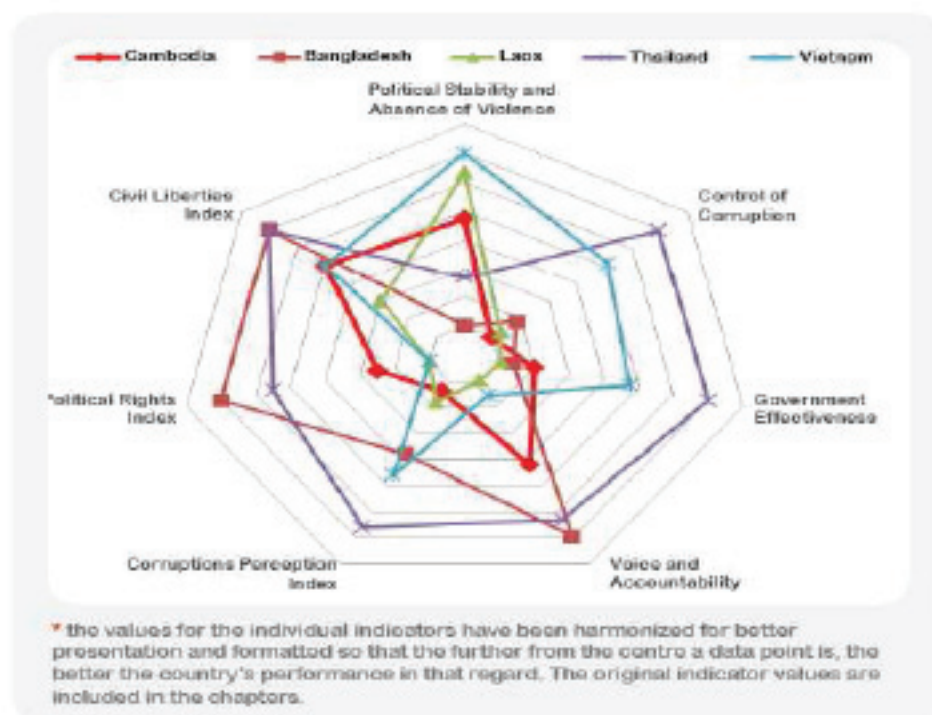
¹⁶⁷ United Nations General Assembly, 2009.

¹⁶⁸ [World Health Organization WHOSIS133](#).

¹⁶⁹ [World Bank World Development Indicators](#).

4. Political elements

Indicators assessing political elements of an enabling environment for sustainable enterprises for 2011*



- Cambodia has seen the durability of its political system improving as well as the development of democratic institutions and practices over the last decade. However, the existence of organized crime makes extortion a serious problem for enterprises.
- Corruption is the most hindering business constraint: it is estimated that 10 per cent of GDP is annually lost to it. Despite steady improvements in public financial management since 2002, about 30 per cent of firms still believe that policymaking is controlled by individuals with personal connections to leaders in government. This is favoured by the fact that the economy is cash-based, allowing greater possibility for corrupt behaviour.
- Concerning the capacity of providing good-quality public services as well as the degree of citizens' participation in selecting their government and freedom of expression, Cambodia does not stand out.
- The vast majority of surveyed workers do not have a contract or have only a verbal agreement with the employer. Moreover, most of work contracts are fixed term and are concentrated in the garment and tourist sectors. However, surprisingly, the largest proportion of employees prefer not to have a contract or only a verbal agreement.
- Owing to the ratification of the core ILO conventions and a comprehensive Labour Law, the number of unions increased significantly. Nonetheless, only 1 per cent of total labour force is organised into unions or associations, with the most unionised sector being the garment industry.
- Despite the existence of a forum for public-private sector dialogue and a tripartite labour regulation institution, which work fairly effectively, the lack of communication between workers and management is a considerable source of workplace disturbance. As a result, strikes are frequent.
- Respect of human rights in Cambodia is brought to public attention also by a number of NGOs, and the Government has made efforts to reduce poverty. However, land property rights and human trafficking remain an issue.
- General working conditions have improved over the last years and the Government is exploring and piloting social security systems in the country.

4.1. Peace and political stability

Despite recent political disruption and uncertainty since 2013, over the last decade, Cambodia has in fact been experiencing increasing political stability, especially owing to incremental improvements in developing democratic institutions and practices.

Secondary data on “Political Stability and Absence of Violence” assesses countries’ political stability on a scale from -2.5 to 2.5 where higher values correspond to better performance. Considering this indicator, Cambodia does not perform very well over time, remaining at values below 0 over the period 2006-11. Nonetheless, it has shown improvement since 2009, moving from -0.7 in that year to -0.4 in 2011. Relative to the four countries used for comparison, Cambodia falls somewhere in the middle. In 2011, it far outperformed the scores for Thailand and Bangladesh of -1 and -1.5 respectively, and underperformed Vietnam and Laos at 0.2 and 0 respectively.

In the country, moderate security risks exist due to violent and organised crime, and corruption is a major problem. Violent crime is a concern, particularly in the capital. In addition, the existence of organised crime, with close links to the military and police, ensures that extortion is a problem for businesses.¹⁷⁰

Key Indicator							
Political Stability and Absence of Violence/Terrorism The likelihood that the government will be destabilized by unconstitutional or violent means, including domestic violence and terrorism. Source: World Bank, Governance Matters database. ¹⁷¹		2006	2007	2008	2009	2010	2011
	Cambodia	-0.4	-0.4	-0.4	-0.7	-0.6	-0.4
	Bangladesh	-1.5	-1.5	-1.5	-1.6	-1.4	-1.5
	Laos	-0.1	-0.2	0.0	-0.1	-0.2	0.0
	Thailand	-1.1	-1.1	-1.2	-1.3	-1.3	-1.0
	Vietnam	0.4	0.2	0.2	0.3	0.1	0.2
	Estimate of governance measured on a scale from approximately -2.5 to 2.5. Higher values correspond to better governance.						

4.2. Good governance

Good governance, the absence of corruption, and efficient institutions foster entrepreneurship and promote private sector growth and development. Cambodia is one of the world’s most open economies, sustaining high levels of growth in an environment of relatively weak governance.¹⁷² The World Economic Forum has noted corruption as the single most problematic factor hindering doing business in Cambodia as of 2012, and according to estimates,

¹⁷⁰ Economist Intelligence Unit. 2012b.

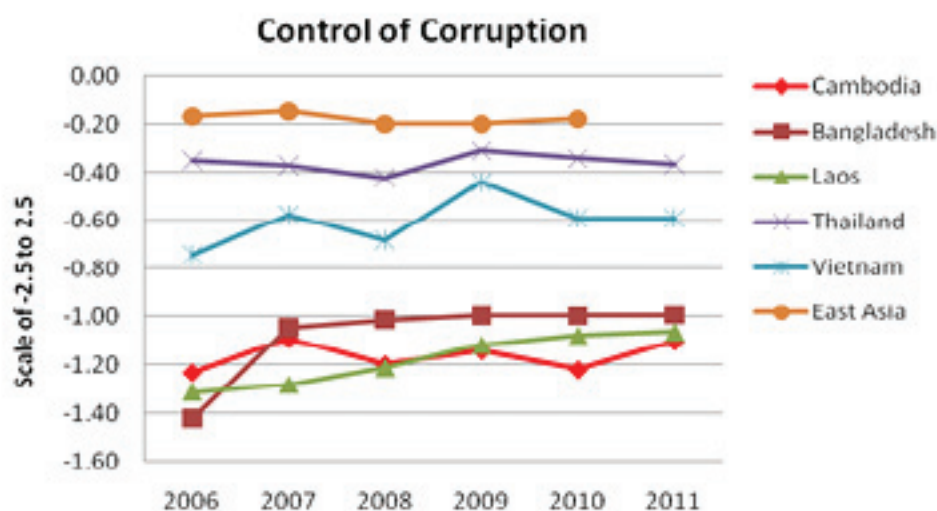
¹⁷¹ [World Bank Governance Matters database](#).

¹⁷² Girishankar, N.; DeGroot, D.; Desai, R.; Stout, S.; and Wescott, C. 2011. Cambodia: World Bank Country-level Engagement on Governance and Anticorruption. Independent Evaluation Group Working Paper 2011/6. World Bank. Accessed 11 June 2013.

10 per cent of Cambodia's annual GDP is lost to corruption.¹⁷³ Furthermore, public officials receive low wages, lack accountability and subsequently, regularly demand bribes for basic services, causing major impediments to the efficient operations of businesses.¹⁷⁴ Additionally, findings from the Cambodia EESE survey reveal that employers most often perceive corruption to be the greatest challenge facing the economy.

Cambodia has sought to address human and social capital deficits across sectors, weaknesses in public finance, and corruption. A recent Public Expenditure and Financial Accountability assessment found steady improvement in the country since 2002, yet public financial management remains a work in progress. Shortcomings exist in the following areas: (i) relatively high levels of budget variance; (ii) poor reporting of sub-national expenditures; (iii) sizeable tax arrears; (iv) weaknesses in report consolidation, payroll audits, internal audit (lack of a systematic approach), and timely reconciliation and clearance of suspense accounts; (v) incomplete budget settlement report submitted to the National Assembly; (vi) no national or international accounting standards in use; and (vii) a failure to publish most audit reports. A key accountability institution is the National Audit Authority (NAA), which has been responsible for external audits since 2002. The NAA has built some of the basic elements of a functioning supreme audit institution over a short period of time. Nonetheless, the percentage of sales that firms report paying as bribes increased from 5.2 per cent in 2003 to 8.7 per cent in 2008. The more recent Investment Climate Assessment report notes that, in addition to bribe-taking for services, in regulatory actions and in courts, approximately 30 per cent of firms believe that policymaking is controlled by individuals with personal connections to leaders in government.¹⁷⁵

The country reflects a cash-based economy where most business transactions are made in cash. This allows greater possibility for corrupt behaviour. Bribes are typically paid to secure efficiency of services, though a main reason many small companies pay bribes is to maintain good relations with local officials. This indicates that the gift-giving tradition to honour and strengthen relationships still has an impact on business conduct in the country.¹⁷⁶



Source: World Bank, Governance Matters database.

¹⁷³ Business Anti-Corruption Portal. (undated). [Snapshot of the Cambodia Country Profile](#). Accessed 11 June 2013. Economist Intelligence Unit. 2012b.

¹⁷⁴ Economist Intelligence Unit. 2012b.

¹⁷⁵ Girishankar, N.; DeGroot, D.; Desai, R.; Stout, S.; and Wescott, C. 2011.

¹⁷⁶ Business Anti-Corruption Portal. (undated).

“Control of Corruption” measures the extent to which public power is exercised for private gain and the extent to which the state is captured by elites and private interests. On a scale from -2.5 to 2.5 where higher values reflect better performance, over the period 2006-11 Cambodia maintained notably low levels, consistently below -1. In 2011, the country recorded a level of -1.1, thus underperforming all other countries used for comparison in that year. Bangladesh recorded the next lowest value at -1 and Thailand recorded the highest at -0.37.

In Cambodia, corruption is the main obstacle for doing business. Foreign investors do not suffer serious discrimination, but the legal system is not a reliable enforcer of laws and regulations.¹⁷⁷ The “Corruption Perceptions Index” measures the perceived levels of public sector corruption as seen by business people and country analysis in a country. On a scale from 0 (“highly corrupt”) to 10 (“highly clean”), Cambodia has improved somewhat moving from 1.8 in 2008 to 2.2 in 2012. This is still low however, relative to the countries used for comparison, where only Laos recorded a lower score in 2012 at 2.1, and Thailand recorded the highest of the group at 3.7.

Actions taken internally by companies to reduce the effect of corrupt and unethical practices, by industry



Source: Cambodia EESE Survey.

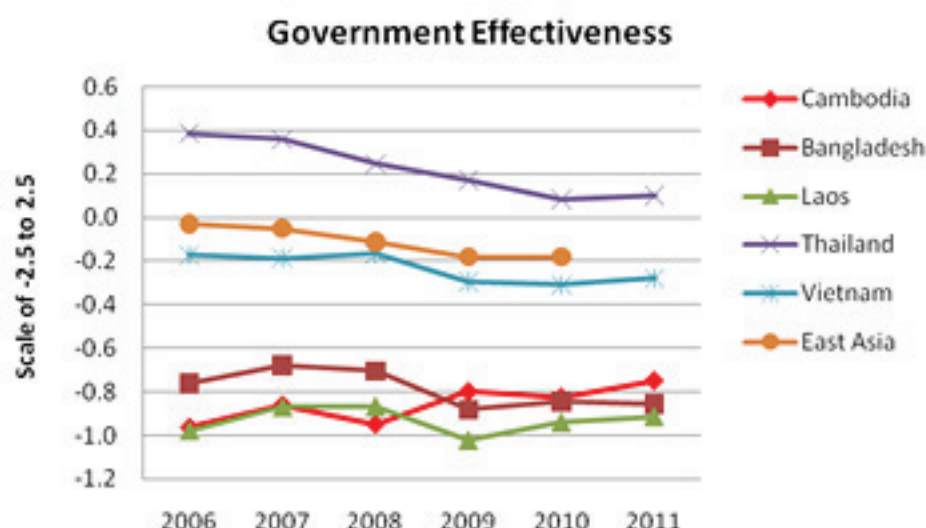
The EESE survey reveals that, when faced with corrupt and unethical practices in the regulatory and legal environment, the most frequent course of action by firms is to take no action (32.7 per cent). This is more common among firms operating in the garment and footwear sector, which were the most likely to take no action. This is also more common among small firms, where 38.5 per cent responded in this way, compared to 27 per cent of large firms. Rather, large firms are the most likely to create codes of conduct or specify company policies, where 29.3 per cent listed this solution. Among CAMFEBA members, 63.93 per cent reported creating codes of conduct or specifying company policies to reduce the effect of corrupt and unethical practices internally, while non-member enterprises most often reported taking no action to reduce the effect of such practices (37.41 per cent). When asked about the impact on enterprises of not paying facilitation fees, the majority of firms (57.5 per cent) reported never having such an experience, and 11.8 per cent did not know. Issues noted by those that had experience with this include:

¹⁷⁷ OECD. 2012.

service provided with significant delays (9.6 per cent); service not provided (9.3 per cent); service provided with some delays (3.9 per cent); service provided with no delay (3.9 per cent); and 3.9 per cent responded “other”. Particularly concerning is the fact that, when asked whether employers are aware that many ministries publicly publish their official service fees, only 28.7 per cent responded positively, while the remaining 71.3 per cent was unaware of this service.

In 2007, Cambodia acceded the United Nations Convention against Corruption, and the Anti-Corruption Action Plan for Asia and the Pacific was endorsed in 2003.¹⁷⁸ While corruption remains a major challenge progress is being made. The Cambodian Anti-Corruption Law came into force in 2012.

It is too early to judge the impact that this long awaited legislation will have. For sure there are lacuna that need to be addressed such as the absence of effective protection of ‘Whistle-blowers’. The structures to report corruptive practices are also imperfect but efforts are underway to improve the implementation of the legislation. CAMFEBA has been to the fore in these efforts and there are some definitive signs of progress. A senior provincial official was the first person convicted under the Law and received a sentence of 19 years in prison.¹⁷⁹



Source: World Bank, Governance Matters database.

“Government Effectiveness” measures the quality of public services, the capacity of the civil service and its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the Government’s commitment to such policies. In a range of values from -2.5 to 2.5 with higher values indicating better performance, Cambodia maintains values below 0 over the period 2006-11. Bangladesh and Laos recorded lower scores in 2011 at -0.85 and -0.91 respectively, while Thailand registered the highest score of the group at 0.1. It is also to be noted that, while conditions in the other countries worsened in this regard over the period 2007-11, the situation in Cambodia was the only one to have improved. “Voice and Accountability” measures the extent to which citizens participate in selecting their government, as well as freedom of expression, freedom of association and a free media. In this regard as well, Cambodia maintains levels below 0 over the period 2006-11 on a scale from -2.5 to 2.5 with

¹⁷⁸ OECD. 2003. [Anti-Corruption Action Plan for Asia and the Pacific Third Steering Group Meeting](#). Accessed on 3 June 2013.

¹⁷⁹ State prosecutor Pong Chan Soyutheara said Tob Chan Sereivuth, a former prosecutor in Pursat province, was convicted of extortion and accepting bribes to release timber smugglers, Wall Street Journal. 2011.

higher values indicating better governance. In 2011, Laos and Vietnam recorded lower scores than Cambodia, while Bangladesh registered the highest score of the group at -0.31, still well below 0.

The Cambodia EESE survey asked business representatives to provide recommendations for business associations with regard to tackling the challenges and negative consequences of corruption in the business environment. Though the response rate for this question was low, 27 employers recommended advocating for wider publishing of public service fees and widely disseminating this information to businesses, 12 recommended actively working with the Anti-Corruption Unit, and 2 recommended creating a code of conduct and specifying policies for companies.

Key Indicators							
Control of Corruption The extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests. <small>Source: World Bank, Governance Matters database¹⁸⁰.</small>		2006	2007	2008	2009	2010	2011
	Cambodia	-1.23	-1.09	-1.20	-1.14	-1.22	-1.10
	Bangladesh	-1.42	-1.05	-1.01	-1.00	-1.00	-1.00
	Laos	-1.31	-1.28	-1.21	-1.12	-1.08	-1.06
	Thailand	-0.35	-0.37	-0.42	-0.31	-0.34	-0.37
	Vietnam	-0.74	-0.58	-0.68	-0.44	-0.59	-0.59
	Estimate of governance measured on a scale from approximately -2.5 to 2.5. Higher values correspond to better governance.						
		2006	2007	2008	2009	2010	2011
Corruption Perceptions Index (CPI) The Transparency International CPI measures the perceived levels of public sector corruption as seen by business people and country analysts in a given country and is a composite index, drawing on different expert and business surveys. <small>Source: Transparency International.¹⁸¹</small> <small>*In 2012, Transparency International changed the CPI scale from 0-10 to 0-100. In the interest of comparison, the numbers reflected here for 2012 are thus altered, where the original score given is divided by 10.</small>		2006	2007	2008	2009	2010	2011
	Cambodia	2.1	2.0	1.8	2.0	2.1	2.1
	Bangladesh	2.0	2.0	-	2.4	2.4	2.7
	Laos	2.6	1.9	2.0	2.0	2.1	2.2
	Thailand	3.6	3.3	-	3.4	3.5	3.4
	Vietnam	2.6	2.6	2.7	2.7	2.7	2.9
	The scores are on a scale from 0 (highly corrupt) to 10 (highly clean).						
		2006	2007	2008	2009	2010	2011
Government Effectiveness The quality of public services, the capacity of the civil service and its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the Government's commitment to such policies. <small>Source: World Bank, Governance Matters database.¹⁸²</small>		2006	2007	2008	2009	2010	2011
	Cambodia	-0.96	-0.86	-0.95	-0.80	-0.82	-0.75
	Bangladesh	-0.76	-0.68	-0.70	-0.88	-0.84	-0.85
	Laos	-0.98	-0.87	-0.87	-1.02	-0.94	-0.91
	Thailand	0.39	0.36	0.25	0.17	0.08	0.10
	Vietnam	-0.17	-0.19	-0.17	-0.29	-0.31	-0.28
	Estimate of governance measured on a scale from approximately -2.5 to 2.5. Higher values correspond to better governance.						
		2006	2007	2008	2009	2010	2011

¹⁸⁰ [World Bank Governance Matters database.](#)

¹⁸¹ [Transparency International CPI.](#)

¹⁸² [World Bank Governance Matters database.](#)

Voice and Accountability The extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association and a free media. <i>Source:</i> World Bank, Governance Matters database. ¹⁸³		2006	2007	2008	2009	2010	2011	
	Cambodia	-0.92	-0.92	-0.96	-0.90	-0.92	-0.91	
	Bangladesh	-0.47	-0.53	-0.45	-0.29	-0.27	-0.31	
	Laos	-1.68	-1.66	-1.65	-1.65	-1.63	-1.60	
	Thailand	-0.71	-0.58	-0.53	-0.47	-0.52	-0.45	
	Vietnam	-1.54	-1.52	-1.49	-1.45	-1.47	-1.48	
	Estimate of governance measured on a scale from approximately -2.5 to 2.5. Higher values correspond to better governance.							
Other Useful Indicators								
Political Rights Index The Political Rights Index measures the degree of freedom in the electoral process, political pluralism and participation, and functioning of government. <i>Source:</i> Freedom House, The Freedom in the World Survey. ¹⁸⁴		2006	2007	2008	2009	2010	2011	2012
	Cambodia	6.0	6.0	6.0	6.0	6.0	6.0	6.0
	Bangladesh	4.0	5.0	4.0	3.0	3.0	3.0	3.0
	Laos	7.0	7.0	7.0	7.0	7.0	7.0	7.0
	Thailand	7.0	6.0	5.0	5.0	5.0	4.0	4.0
	Vietnam	7.0	7.0	7.0	7.0	7.0	7.0	7.0
	Freedom House rates political rights on a scale of 1 to 7, with 1 representing the most free and 7 representing the least free.							
Civil Liberties Index The Civil Liberties index measures freedom of expression, assembly, association, and religion. <i>Source:</i> Freedom House, The Freedom in the World Survey. ¹⁸⁵		2006	2007	2008	2009	2010	2011	2012
	Cambodia	5.0	5.0	5.0	5.0	5.0	5.0	5.0
	Bangladesh	4.0	4.0	4.0	4.0	4.0	4.0	4.0
	Laos	6.0	6.0	6.0	6.0	6.0	6.0	6.0
	Thailand	4.0	4.0	4.0	4.0	4.0	4.0	4.0
	Vietnam	5.0	5.0	5.0	5.0	5.0	5.0	5.0
	Freedom House rates civil liberties on a scale of 1 to 7, with 1 representing the most free and 7 representing the least free.							

4.3. Social dialogue

Social dialogue with freedom of association and the right to collective bargaining is fundamental for the achievement of effective, equitable and mutually beneficial outcomes for ILO constituents and society at large. In Cambodia, unionization rates are quite low¹⁸⁶; only an estimated 1 per cent of the total workforce is organised into unions or associations. The union movement is quite young as well, and a culture of bargaining in tripartite and bipartite levels is only emerging. The vast majority of those registered in unions work in the garment industry, where the unionization rate is at about 60 per cent.¹⁸⁷ Thus, in spite of a low total unionization rate in Cambodia, the large and extremely influential garment industry boasts powerful unions with high membership rates.

¹⁸³ [World Bank Governance Matters database.](#)

¹⁸⁴ [Freedom House.](#)

¹⁸⁵ Ibid.

¹⁸⁶ Economist Intelligence Unit. 2012b.

¹⁸⁷ Nuon, V. and Serrano, M. 2010.

As of December 2013, there were 13 Confederations, 80 Federations and 3004 local Trade Unions active in the garment and footwear industry.¹⁸⁸ In 2010, the garment sector boasted a unionization rate of around 60 per cent, with a workforce of approximately 300,000 people, 90 per cent of which was female. This sector has the highest union density rate among all industries in any country in Asia. In 2010, the rubber and tobacco industry also reflected a high unionization rate at 25 per cent of over 309,000 workers, and 30 per cent of the tuk-tuk transport sector was unionized, though this sector only represents a workforce of approximately 10,000 people. Rates for other sectors were relatively low. In the construction sector, the rate was around 5 per cent of over 100,000 workers in purely construction-based activities, and less than 3 per cent if compared to the over 200,000-person workforce of allied workers in the construction and building products and materials industry. The unionization rate was 5 per cent of 30,000 workers in both the civil service and beer promotion sectors, and in the tourism sector it was only 0.06 per cent of over 666,600 employees. Regarding unions per enterprise, on average, there are about four unions per enterprise, and the highest number of unions noted was six. The most frequently cited reasons for joining a trade union in Cambodia as stated by employees include: (a) the benefits derived from union membership; (b) improvement in working conditions; (c) enhanced job security; and (d) belief in the principles and objectives of unionism.¹⁸⁹

There were 80 strikes in Cambodia in 2001, accounting for 136 days of lost work across industries. Just prior to the global financial crisis, over the period 2005/06-2007/08, strikes increased by about 30 per cent and between 2005-09, there were 395 strikes in the garment industry alone. In 2009 however, there was a sharp decrease of 45 per cent in the number of strikes in the country. This is due largely to the fact that following the crisis at the end of 2008, the severe impact this had on the Cambodian garment sector created concern among employees over lower market demands and the uncertain future of the garment industry, which in turn, deterred striking.¹⁹⁰ The EESE survey findings show that in 2012, six of the surveyed garment and footwear factories had 1-2 strikes each, lasting for an average of six days. The motivation for the strikes, according to EESE survey respondents, was a lack of communication with management and/or political and conflicting agendas of unions. In all cases, external parties were involved in resolving the strikes, including the Ministry of Labour, Police, Chamber of Commerce, and the Labour Arbitration. Of the six strikes, all involved the Ministry of Labour and Vocational Training, 3 of which were ultimately effective; 2 strikes involved the police, 1 involved the Chamber of Commerce, and 2 involved the Arbitration Council, all of which were deemed effective by respondents. According to employer responses in the EESE survey, a significant amount of effort from different parties is needed to resolve strikes, and in all strike cases recorded in the EESE survey, no pre-strike procedures were followed, though the law requires this. Conversely, the vast majority of surveyed workers (91 per cent) reported having no experience with strikes, and of the remaining 9 per cent, 5 per cent reported having strikes in their place of employment and 4 per cent did not know.

Public-private sector dialogue exists in Cambodia and is facilitated largely by the Government Private Sector Forum (G-PSF), which holds meetings twice a year. Meetings are chaired by the Prime Minister, they are formal Cabinet meetings, and decisions made in the Forum are binding. To ensure wide public exposure, the Forum is broadcast live on television and radio. The tripartite labour regulation institution, LAC15, has representatives from relevant ministries, trade unions and employers. LAC meets twice a year to study, consult and respond to issues related to labour, employment, wages (including minimum wage formulation), vocational training, migration, improvement of material and moral conditions of workers, and occupational safety and health (OSH).

¹⁸⁸ Ministry of Labour and Vocational Training Statistics 2014.

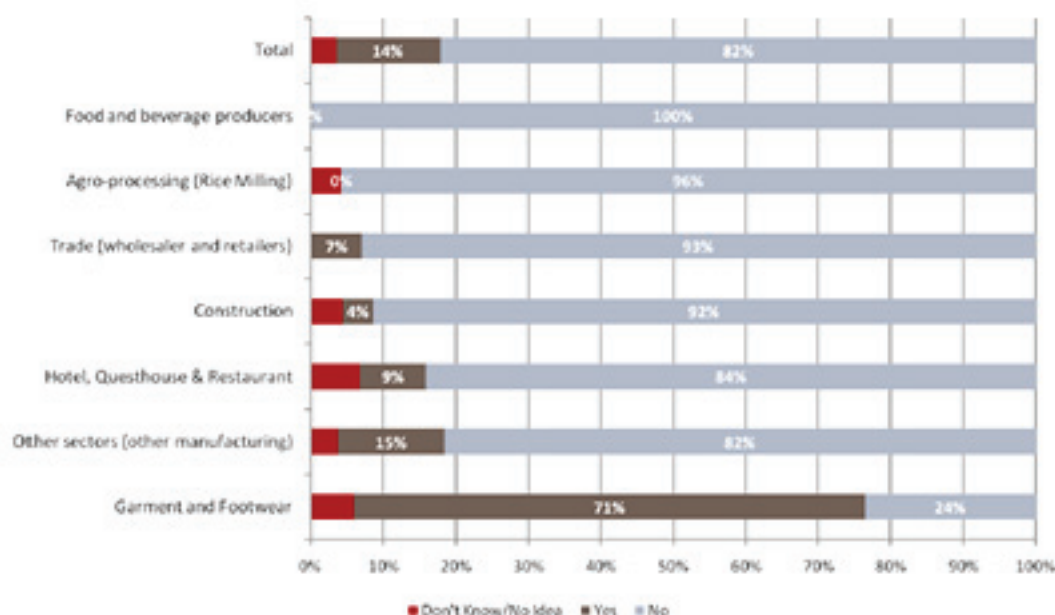
¹⁸⁹ Ibid.

¹⁹⁰ Ibid.

Regarding dispute resolution in Cambodia, the Arbitration Council (AC) is a tripartite structure with an equal number of representatives for workers, employers and the government. The AC is both highly regarded and effective. Reportedly, decisions take only two weeks from the time a case is submitted.

Although collective bargaining coverage rates are not available, the number of collective bargaining agreements signed stood at about 246 as of 2010.¹⁹¹

Workers employed in firms with unions or employee representatives



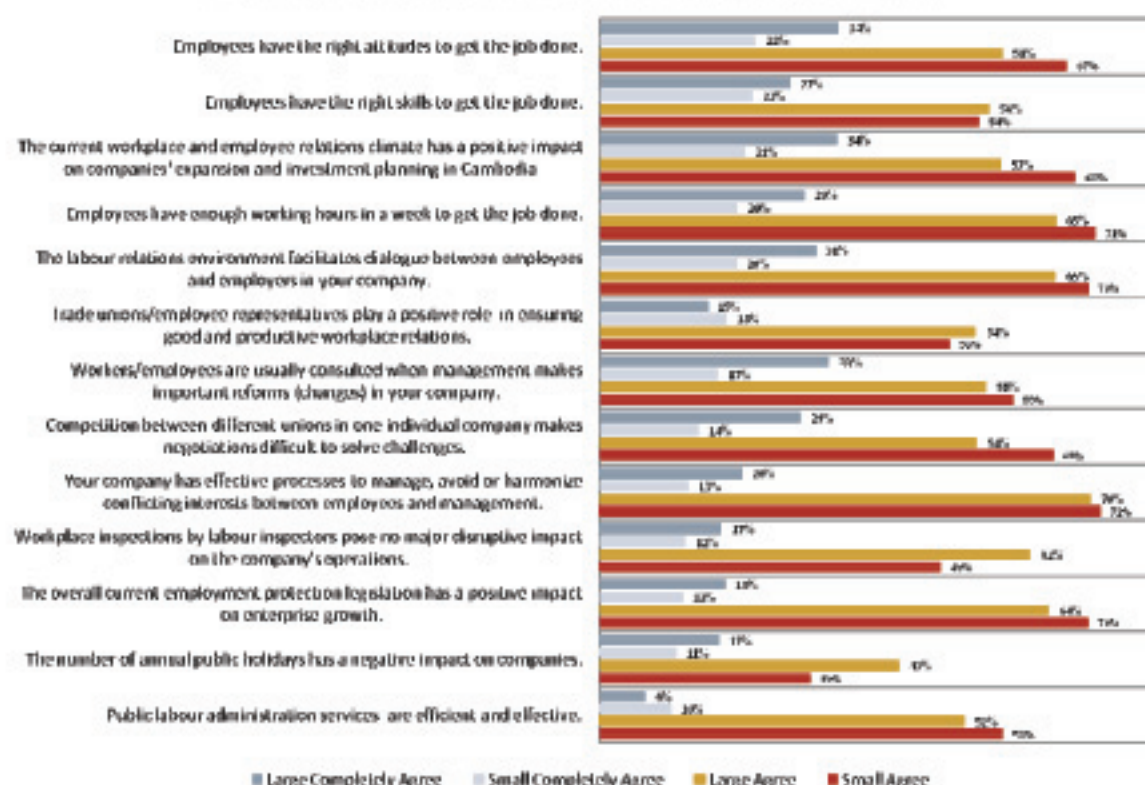
Source: Cambodia EESE Survey.

EESE survey findings support the fact that the sector with the most worker representation is the garment sector, where 71 per cent of surveyed employees in that sector are represented by a union or employee representative. The category of “other” sectors, including manufacturing, reflects the second highest representation rate, at only 15 per cent, thereby reiterating the comparatively large difference between the garment industry and all others in this regard. Of all workers surveyed, 91 per cent report having no representation or that no representation is available in their enterprise, compared to just 9 per cent who do have representation, either through a union or an employee representative body. Considering worker satisfaction with their union or representative, 91 per cent of employees reported not being members or having representation, and among the 8 per cent with representation, 2 per cent report always being satisfied, 4 per cent were often satisfied, 2 per cent rarely, and none were never satisfied. When asked whether wages or salary are negotiated through unions or employee representatives, 41 per cent of employees responded positively, 26 per cent said no, and 33 per cent did not know. Attitudes towards the state of social dialogue in the country did not vary significantly between workers and employers. As far as recommended improvements in this regard, surveyed employers most commonly recommended “open discussions and finding solutions through regular meetings”, and “clear message, effective communication and good relationship with employees” to improve workplace relations and promote better management and employee dialogue. Other recommendations given, in order of popularity, include: “provide appropriate benefits/compensations to the employees”; “motivate and pay more attention to employee needs”;

¹⁹¹ Ministry of Labour and Vocational Training Statistics 2014.

“create entertainment events for employees”; “eliminate discrimination between employer and employees”; and “have rules and regulations in place to meet the Labour Law”. Attitudes do not vary widely between large and small firm employers in this regard.

Employer attitudes toward social dialogue, by firm size



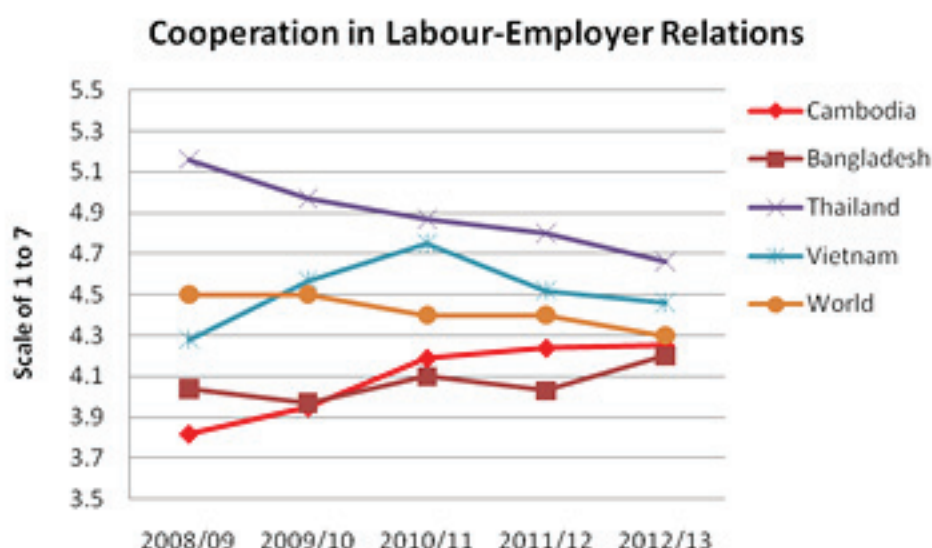
Source: Cambodia EESE Survey.

Worker responses are generally similar to those of employers, where 58 per cent of workers agreed that poor communication and cultural misunderstandings between foreign managers and workers often lead to workplace disputes and strikes, and 74 per cent agree that a lack of communication between workers and management is a significant cause of workplace disturbance. According to the surveyed workers, 43 per cent report that they are never consulted by management when important changes are made that might affect them. This is most true among employees in the agro-processing (70.8 per cent), garment and footwear (61.8), and construction sectors (5.3 per cent). It is notable that the garment sector, where the most union collaboration and activities are, has one of the lowest rates of consultation according to the survey respondents from this sector.

The majority of EESE surveyed employees do not have a work contract, or they have only a verbal agreement with their employer (72.73 per cent), compared to 18.7 per cent that have fixed term contracts, 7.8 per cent with non-fixed term contracts, and 0.8 per cent who do not know. Employees with fixed term contracts are found more often in the garment and footwear (58.8 per cent) and hotel, guesthouse and restaurant (47.7 per cent) industries. In the agro-processing sector, all workers report having no contract, and the percentages are similarly high in the food and beverage producers (94.8 per cent), construction (91.5 per cent), and trade (90.6 per cent) industries. Particularly concerning is the fact that, when asked about the advantages of fixed term contracts, 71.6 per cent of workers did not know. Likely as a result of this general lack of contracts, 30 per cent of employees surveyed have worked for their current employer for less than 1 year and the preferred contract of the largest proportion of employees (35 per cent) was surprisingly, to have either a verbal agreement or no contract. Only 24.9 per cent of employees

preferred fixed term contracts, 20.2 per cent did not know, and 19.5 per cent preferred non-fixed term contracts. In the garment and footwear industry, the majority (64.7 per cent) preferred fixed term contracts, while in the trade, food and beverage, and agro-processing sectors, most employees reported verbal agreements or no contracts being preferred. When asked what their main concern is in terms of job security, nearly half (48.25 per cent) of all employees reported having no worry in this regard. Risk of work-related injury was a concern for 14.8 per cent, less business for the company was a concern for 12.45 per cent, and 17.12 per cent responded “other”. Non-renewal of fixed-term contracts was a concern for only 0.78 per cent, and conflict situations between workers and management was a concern for just 3.11 per cent.

Secondary data on social dialogue in the country is scarce and there is no complete data on “Enterprises Belonging to Employers’ Organizations Rate” or “Collective Wage Bargaining Coverage Rate”.¹⁹² “Cooperation in Labour-Employer Relations” determines whether labour-employer relations are confrontational or cooperative on a scale from 1 to 7 with higher values indicating more cooperation. Cambodia has registered consistent improvement in this regard, moving from 3.82 in 2008-09, to 4.25 in 2012-13. Comparatively however, it maintains the second lowest level of the countries compared in the latter period, ahead of Bangladesh at 4.2.



Source: World Economic Forum Executive Opinion Survey.

As noted above, ratification of the core ILO conventions and the comprehensive Labour Law have allowed unions to be established quite easily in Cambodia, giving substantial space to union leaders and workers to form unions for whatever motivation. As a result, the number of unions has increased remarkably in the garment sector, although only a very small percentage of workers (1 per cent of total labour force) are organised into unions or associations.

A Memorandum of Understanding on Improving Industrial Relations in the Garment Industry (MoU) signed in September 2010 between the Garments Manufacturers Association and a number of unions which was renewed in 2013 and while welcome, needs rigorous and actual implementation. In the MOU, both sides agreed to use the AC’s binding arbitration procedures on disputes over rights, violations of the law, and existing collective bargaining agreements.

¹⁹² The “Enterprises Belonging to Employers’ Organizations Rate” measures the number of enterprises which are members of employers’ organizations. The “Collective Wage Bargaining Coverage Rate” measures the number of employers who belong to an employers’ organization.

In the EESE survey, respondents were asked to give recommendations for improving social dialogue in the country. Employers were most likely to recommend “open discussions and finding solutions through regular meetings” as the best method for improving workplace relations and better management and employee dialogue, followed by “clear message, effective communication and good relationship with employees”. However, only a limited number of employers responded to this question, which may be depictive of the lack of adequate experience with social dialogue in the country. The recommended action which was least popular among employers in the survey was to “have rules and regulations in place to meet the labour law”, which is interesting considering that unions have in recent years become highly reliant on Labour Law provisions to support their labour disputes.

Related Indicators						
Cooperation in Labour-Employer Relations		2008/09	2009/10	2010/11	2011/12	2012/13
The World Economic Forum (WEF) Survey asked business leaders to provide their expert opinions on the following: “Labour-employer relations in your country are”. <i>Source: World Economic Forum Executive Opinion Survey.¹⁹³</i>	Cambodia	3.82	3.95	4.19	4.24	4.25
	Bangladesh	4.04	3.97	4.10	4.03	4.20
	Thailand	5.16	4.97	4.87	4.80	4.66
	Vietnam	4.28	4.57	4.75	4.52	4.46
	World	4.5	4.5	4.4	4.4	4.3
1 = generally confrontational, 7 = generally cooperative.						

4.4. Respect for universal human rights and international labour standards

Respect for human rights and international labour standards is a distinctive feature of societies that have successfully integrated sustainability and decent work. Cambodia has adopted 8 of the 9 main human rights conventions, but has not yet ratified the International Convention for the Protection of All Persons from Enforced Disappearance. Bangladesh, Laos and Thailand have also adopted 8 of the 9 main human rights conventions, while Vietnam has ratified only 6.¹⁹⁴

Of the five countries used for comparison, Cambodia is the only one to have ratified all eight ILO core conventions on freedom of association and collective bargaining, and the abolition of child labour, forced labour and all forms of discrimination. Efforts continue to tackle Child Labour and industry associations including CAMFEBA have been to the fore in these efforts.

Property rights are a concern. Approximately 90 per cent of the Cambodian population does not hold title deeds to the land they live and work on. Cambodia has nearly 2,000 local and international NGOs which are carrying out their operations in many fields and sectors; 60 of which are performing in Human Rights fields. 23 NGOs have formed a common association, the Cambodian Human Rights Action Committee, whose role is to promote and protect human rights

¹⁹³ [World Economic Forum Global Competitiveness report.](#)

¹⁹⁴ These are the International Convention on the Elimination of All Forms of Racial Discrimination, the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social and Cultural Rights, the Convention on the Elimination of All Forms of Discrimination against Women, the Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment, the Convention on the Rights of the Child, the International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families, the International Convention for the Protection of All Persons from Enforced Disappearance, and the Convention on the Rights of Persons with Disabilities.

in the areas of education, dissemination, and training for armed forces. Cambodia places special emphasis on poverty reduction as a major focus area for promoting and protecting human rights. The Government has thus made steady progress in ensuring that the macro-economic climate also supports poverty reduction.¹⁹⁵

Human trafficking is another relevant human rights issue in the country, where Cambodia is a known destination and origin country for the trafficking of women and girls for prostitution.

Wages are set by market forces, except for civil servants, for whom wages are set by the Government.

The Labour Law states that the standard working hours are eight hours per day, 48 hours per week, and the working week must include a period of 24 consecutive hours of time-off. In practice, these provisions are often not complied with as workers tend to work more hours as much as possible to earn additional income. Factories that limit the amount of overtime allowed thus tend to lose workers.¹⁹⁶

Cambodia has improved in recent years in regards to the general working conditions, especially in the apparel industry, leading reputation sensitive buyers, to resume sourcing from the country. The Better Factories Cambodia (BFC) programme of the ILO/IFC (World Bank) to improve working conditions in export-oriented apparel factories, has been in operation since 2011 and combines monitoring, remediation and training. It is a compulsory programme for all garment exporters and has facilitated global recognition of the good working conditions provided by the garment and footwear industry.

Efforts have also been made by the Government to improve the working standards in the country. For example, the Ministry of Labour and Vocational Training has conducted 3,133 inspections, in which 927 business establishments were in violation of the provisions of the Labour Law and received a warning. However, only 12 were fined. The Ministry also conducted 1,338 inspections of hygiene and OSH conditions in 586 business establishments. The Ministry has removed 8,221 children who were engaged in hazardous types of work, and prevented 10,095 children from working on these types of jobs. The Ministry also introduced the labour risk insurance that is now providing insurance to about 400,000 workers/employees working for all types of business establishments and will expand the coverage of this scheme to the whole country. The application of a social security system for workers/employees in the private sector is a new turning point in history of Cambodia's social security system.¹⁹⁷

¹⁹⁵ Freedom House. 2012.

¹⁹⁶ Nuon, V and Serrano, N. 2010.

¹⁹⁷ Royal Government of Cambodia. 2013. National Strategic Development Plan (NSDP) 2014-2018. Ministry of Planning, April. Accessed 12 June 2013.

Key Indicators

Ratification of Human Rights Conventions

It shows the status of human rights referring to ratification of following 9 conventions: Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment; Convention on the Rights of the Child; Convention on the Elimination of All Forms of Discrimination against Women; International Convention on the Elimination of All Forms of Racial Discrimination; Convention on the Prevention and Punishment of the Crime of Genocide; International Covenant on Civil and Political Rights; International Covenant on Economic, Social and Cultural Rights; International Convention for the Protection of All Persons from Enforced Disappearance; Convention on the Rights of Persons with Disabilities.

Source: United Nations Treaty Collection Multilateral Treaties Deposited with the Secretary General (UNTC).¹⁹⁸

As of 27 August 2012

Cambodia	8
Bangladesh	8
Laos	8
Thailand	8
Vietnam	6
Number of Conventions ratified out of 9.	

Ratification of fundamental ILO Conventions

It shows the status of labour rights conventions. It refers to ratification of following 8 conventions: Freedom of association and collective bargaining (C.87, C.98), Elimination of forced and compulsory labour (C.29, C.105), Elimination of discrimination in respect of employment and occupation (C.100, C.111), Abolition of child labour (C.138, C.182).

Source: ILO.¹⁹⁹

As of 8 May 2012

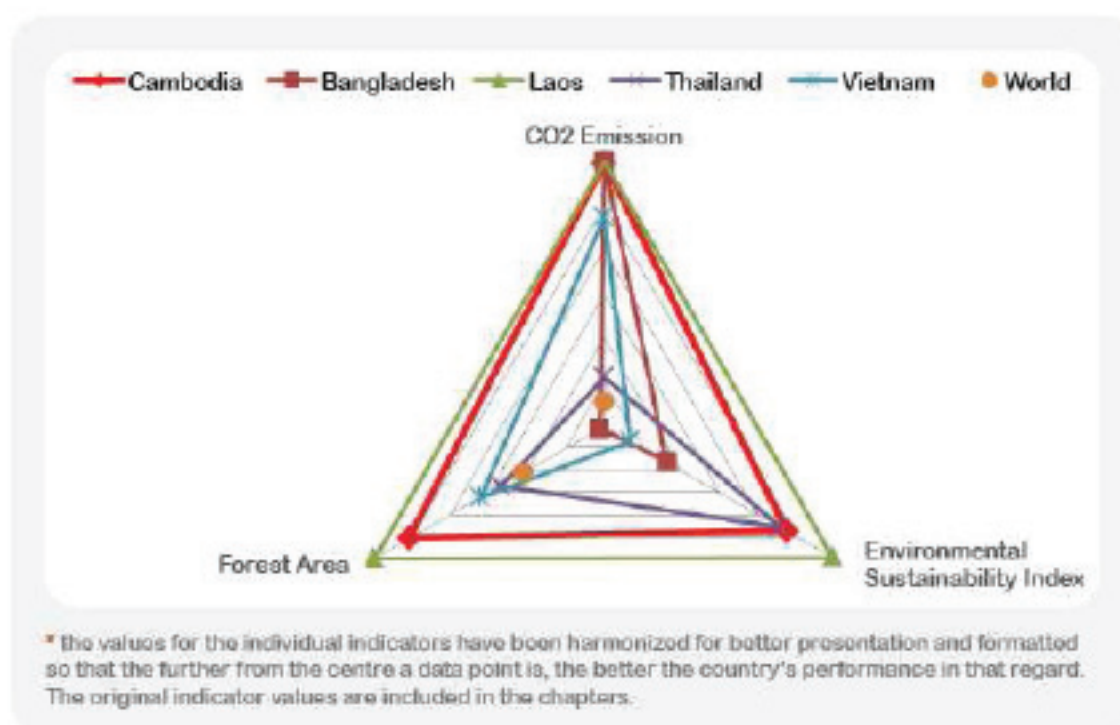
Cambodia	8
Bangladesh	7
Laos	5
Thailand	5
Vietnam	5
Number of Conventions ratified out of 8.	

¹⁹⁸ [United Nations Treaties](#).

¹⁹⁹ [ILO](#).

5. Environmental elements

Indicators assessing environmental elements of an enabling environment for sustainable enterprises (2005)*



- Cambodia is well endowed with natural resources, but is also considered one of the most vulnerable countries in the region to climate change effects, especially when they affect agriculture.
- Secondary data show that Cambodia is improving its environment stewardship.
- Notwithstanding the Constitution requires the Government to sustainably manage all natural resources, concessions to private companies increased in 2009, thus limiting local population's access and causing food security issues.
- Water is unregulated, resulting in an overabundance in the wet season and a shortage during the dry season. Furthermore, destructive fishing practices are widely used, though local communities are active in responding to this.
- Cambodia has one of the highest percentages of forest area in the region, which significantly contributes to the income of the rural population. However, due to the lack of implementation of existing laws and policies, deforestation represents a serious threat.
- CO2 emissions per capita are not high, though increasing.

5.1. Responsible stewardship of the environment

In the absence of appropriate regulations and incentives, markets can lead to undesirable environmental outcomes. The development of sustainable enterprises and the protection of the environment require sustainable production and consumption patterns. Environmental protection is a controversial issue in Cambodia, especially in regards to environmental degradation that is economically profitable.²⁰⁰ Cambodia is well endowed with natural resources, including forests, inland and coastal fisheries, and a wide diversity of agricultural zones suited to a range of crops and livestock.²⁰¹ In addition to economically profitable degradation, the country is also regarded as one of the most vulnerable in the region to the effects of climate change, especially with regard to the high dependence on agriculture.²⁰²

The Cambodian Constitution provides that it is the responsibility of the state to protect the environment, maintain balance in the ecosystem, and efficiently and sustainably manage the lands, water, air, mines, forests, fisheries, and wildlife. In addition, it is crucial that the Government expressly take into account the traditional right of access to these resources by persons and groups in proximity for their subsistence. Nonetheless, concessions to private enterprises increased in 2009, thereby limiting the local population's access to natural resources. This has led to serious impacts on food security among vulnerable populations, where subsistence is often based on availability of natural resources. Corruption and impunity are widely present in environmental legal processes and in how lands are allotted, leading to serious concerns regarding the management of natural resources by the Government.²⁰³

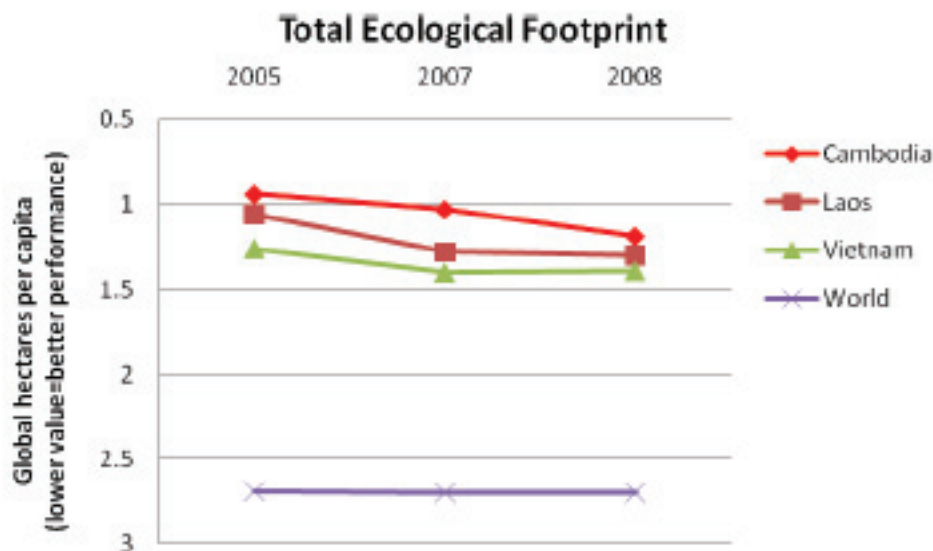
Secondary data reflects improvements in regards to Cambodia's environmental stewardship. The "Environmental Sustainability Index" benchmarks the ability of nations to protect the environment over the next several decades. Higher values indicate better performance. During the period 2002-05, Cambodia improved in this area, moving from 45.6 to 50.1. In 2005, the last year for which data is available, Cambodia outperformed Bangladesh (44.1), Vietnam (42.3) and Thailand (49.8), and recorded a slightly lower score than the top performer, Laos, which earned a value of 52.4 in the same year.

²⁰⁰ Amnesty International. 2012.

²⁰¹ FAO. 2012.

²⁰² UNEP. (undated). [Environment and Energy](#). UNEP Cambodia. Accessed 20 June 2013.

²⁰³ United Nations Committee on Economic, Social and Cultural Rights. 2009



Source: Global Footprint Network, based on international data (UNSD, FAO, IEA, IPCC).

Considering “Total Ecological Footprint”, where lower values indicate better performance, Cambodia’s economic development comes at the cost of environmental sustainability, moving from 0.94 to 1.19 between 2005 and 2008. Of the compared countries, data for this indicator is only available for Laos and Vietnam, both of which recorded higher scores and thus, worse conditions than those in Cambodia. Moreover, in 2008, while Cambodia recorded a level of 1.19, the world mean for that year was much higher, at 2.7. The “Environmental Performance Index” ranks 149 countries based on 25 indicators. The higher the score, the better the environmental performance of the country. Cambodia has consistently registered increasing scores over the period 2006-10, reaching 55.3 in the latter year. This is higher than the scores recorded for Bangladesh (42.6) and Vietnam (50.6), while Thailand performed the best of the countries compared in that year, reaching 60. No data is available for Laos.

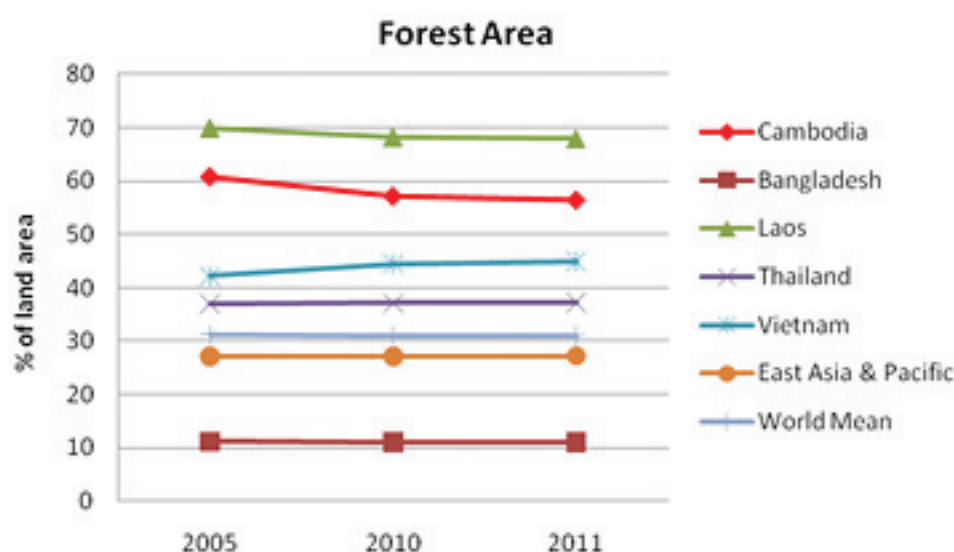
Water quality and availability of fish are important environmental issues in Cambodia where much of the population gain their livelihood from these resources. Cambodia is centred on Tonle Sap Lake which expands considerably in size each year during the rainy season. The Tonle Sap and the Mekong river systems provide important sources of water for dry season cultivation and for inland fisheries.²⁰⁴ Among GMS countries, Cambodia has the lowest overall percentage of access to safe drinking water. In addition, water is unregulated, creating a situation where there is an overabundance of water during the wet season and a shortage for agriculture in the dry season.²⁰⁵ Fish account for three quarters of the animal protein intake of Cambodia’s 13 million person population and inland fisheries are essential for local livelihoods. Fish production has increased in recent years, largely due to greater production by small-scale and rice-field fisheries. At Tonle Sap Lake, production has not changed significantly in volume, but there is evidence of changes in the composition of the catch towards smaller sized fish, raising concerns about sustainability.²⁰⁶ Destructive fishing practices are widely used throughout Cambodia, but local communities are active in responding to this. Policy demands include support for community-based fisheries and reduction of commercial fishing lots in favour of community-based

²⁰⁴ FAO. 2012.

²⁰⁵ Ministry of Environment. 2009. [Cambodia Environment Outlook](#). Royal Government of Cambodia; UNEP. Accessed 20 June 2013.

²⁰⁶ FAO. 2012.

management. However, policy changes are too recent to say whether this has resulted in more sustainable management of the fish resource.²⁰⁷



Source: World Bank, World Development indicators.

The percentage of forest area in Cambodia is quite high. Of the countries compared, only Laos records higher percentages over the period 2005-11, and both the world means and the East Asia and Pacific region averages over the same period are substantially lower. In 2011, 56.46 per cent of the total land was forested in Cambodia, down from 60.79 per cent in 2005. In the same year, 67.91 per cent was forested in Laos, 44.96 in Vietnam, 37.16 in Thailand, and 11.06 in Bangladesh. The world mean was only 31.02 per cent and the average for the East Asia and Pacific region was even lower at 27.19, nearly half the percentage for Cambodia in that year. Forest resources in Cambodia contribute about 30-40 per cent of the rural population's total household income.²⁰⁸ For this reason, proper forest management can contribute to poverty reduction and help the Government achieve one of the main Cambodia Millennium Development Goals to maintain 60 per cent of forest cover.²⁰⁹ Models for sustainable forest management, such as a supportive legal framework for community-based forest management, technologies that reduce demand for fuel wood, and productive use of forest resources through micro-enterprises, will be piloted in the Northern Plains in support of the 20-year National Forestry Programme.²¹⁰ The Government is aiming to establish 2 million hectares of community forestry sites throughout the country by 2029. Currently there are 430 community forestry sites covering some 400,000 hectares of forest areas, about one-fifths of the overall target.²¹¹

In spite of efforts by the Government to preserve Cambodia's vast forests, the country has been classified as a 'high forest cover, high deforestation' country. Deforestation in Cambodia is caused by the rapid pace of development, including large-scale agro-industrial development, and a lack of effective implementation of existing laws and policies for forest and forest resources

²⁰⁷ Ministry of Environment. 2009.

²⁰⁸ UNEP. (undated).

²⁰⁹ UNDP. 2011. [UNDP-GEF joint project helps Cambodia save forests](#). Press Release, 31 May. Accessed 20 June 2013.

²¹⁰ UNEP. (undated).

²¹¹ UNDP. 2011.

management.²¹² Forests in the country are facing constant threat from logging, fuel wood dependency and lack of alternative energy sources, clearance for agriculture, weak forest sector governance, and economic and social land concessions.²¹³

CO² emissions in metric tonnes per capita are not high in Cambodia, though they have generally increased since 2002 from 0.22 metric tonnes per capita to 0.33 in 2009. In 2009, only Laos recorded a lower emissions level than Cambodia at 0.3 metric tonnes per capita, and Bangladesh was only marginally higher at 0.35. Conversely, Vietnam recorded a rate of 1.65 and Thailand was much higher at 3.95 in the same year. Moreover, the world mean for 2009 was as high as 4.7 and the average CO² emissions level per capita in East Asia and the Pacific was 5.17.

Cambodia has the necessary suite of laws and regulations for environmental management. However, improved institutional coordination with other development ministries and availability of better technical and financial resources is required to strengthen the institutional framework for environmental management in Cambodia.²¹⁴

Key Indicators				
Environmental Sustainability Index (ESI)				
<p>The Environmental Sustainability Index (ESI) benchmarks the ability of nations to protect the environment over the next several decades. It does so by integrating 76 data sets - tracking natural resource endowments, past and present pollution levels, environmental management efforts, and the capacity of a society to improve its environmental performance - into 21 indicators of environmental sustainability.</p> <p>Source: Yale University's Center for Environmental Law and Policy in collaboration with Columbia University's Center for International Earth Science Information Network (CIESIN), and the World Economic Forum²¹⁵</p>		2001	2002	2005
	Cambodia	-	45.6	50.1
	Bangladesh	39.5	46.9	44.1
	Laos	-	56.2	52.4
	Thailand	45.2	51.6	49.8
	Vietnam	34.2	45.7	42.3
The higher a country's ESI score, the better positioned it is to maintain favourable environmental conditions into the future.				
Total Ecological Footprint (EFP) (global hectares per capita)				
<p>The Ecological Footprint (global hectares per capita) measures the amount of biologically productive land and sea area an individual, a region, all of humanity, or a human activity requires to produce the resources it consumes and absorb the waste it generates, and compares this measurement to how much land and sea area is available.</p> <p>Source: Global Footprint Network, based on International data (UNSD, FAO, IEA, IPCC).²¹⁶</p> <p>Note: Data for Bangladesh and Thailand is not available.</p>		2005	2007	2008
	Cambodia	0.94	1.03	1.19
	Laos	1.06	1.28	1.30
	Vietnam	1.26	1.40	1.39
	World	2.69	2.70	2.70
Lower value=better performance. For 2005, humanity's total ecological footprint was estimated at 1.3 planet Earths. In other words, humanity uses ecological services 1.3 times as fast as Earth can renew them.				

²¹² United Nations. 2011.

²¹³ UNDP. 2011.

²¹⁴ Ministry of Environment. 2009.

²¹⁵ [Environmental Sustainability Index](#).

²¹⁶ [Global Footprint Network Total Ecological Footprint](#).

Other Useful Indicators

Environmental Performance Index (EPI)

The 2008 Environmental Performance Index (EPI) ranks 149 countries on 25 indicators tracked across six established policy categories: Environmental Health, Air Pollution, Water Resources, Biodiversity and Habitat, Productive Natural Resources, and Climate Change. The EPI identifies broadly-accepted targets for environmental performance and measures how close each country comes to meeting these goals.

Source: Yale University's Center for Environmental Law and Policy in collaboration with Columbia University's Center for International Earth Science Information Network (CIESIN), and the World Economic Forum.²¹⁷

Note: Data for Laos is not available.

	2006	2007	2008	2009	2010
Cambodia	53.5	54.0	54.5	55.0	55.3
Bangladesh	41.4	42.0	42.1	42.3	42.6
Thailand	59.1	59.6	59.70	59.80	60.0
Vietnam	49.9	50.2	50.60	50.60	50.6

The higher the score the better the environmental performance of the country (range of 0-100).

CO₂ Emissions (metric tonnes per capita)

Carbon dioxide emissions are those stemming from the burning of fossil fuels and the manufacture of cement. They include carbon dioxide produced during consumption of solid, liquid, and gas fuels and gas flaring.

Source: Carbon Dioxide Information Analysis Center, Environmental Sciences Division, Oak Ridge National Laboratory, Tennessee, United States (World Development Indicators Online).²¹⁸

	2002	2004	2006	2008	2009
Cambodia	0.22	0.27	0.30	0.36	0.33
Bangladesh	0.25	0.29	0.34	0.32	0.35
Laos	0.21	0.25	0.27	0.29	0.30
Thailand	3.57	4.05	4.22	4.16	3.95
Vietnam	0.89	1.24	0.99	1.51	1.65
East Asia and Pacific	3.36	4.18	4.65	4.95	5.17
World	4.09	4.46	4.67	4.77	4.70

Metric tonnes of CO₂ emitted per capita.

Forest Area (% of land area)

Forest area is land under natural or planted stands of trees of at least 5 meters in situ, whether productive or not, and excludes tree stands in agricultural production systems (for example, in fruit plantations and agroforestry systems) and trees in urban parks and gardens.²¹⁹

Source: World Bank Indicators online

	2005	2010	2011
Cambodia	60.79	57.18	56.46
Bangladesh	11.18	11.08	11.06
Laos	69.94	68.25	67.91
Thailand	36.99	37.14	37.16
Vietnam	42.17	44.50	44.96
East Asia and Pacific	27.09	27.17	27.19
World	31.24	31.03	31.02

% of total land area.

²¹⁷ [Environmental Performance Index](#).

²¹⁸ [World Bank World Development Indicators](#).

²¹⁹ Ibid.

6. Assessment results and ways forward

The EESE exercise comes timely to the process of the broader National Employment Policy development also supported by the International Labour Organization. Two of the priority topics of the EESE work (skills and industrial relations) relate to topics within the broader on-going National Employment Policy (NEP) process. Within the NEP process four priorities have been identified and studies have been commissioned, namely rural employment, macroeconomic policy and its impact on the labour market, labour migration and skills gaps.

These studies informed the EESE report. CAMFEBEA, as national employer organization, will have to have clear positions on issues such as the dollarization of the economy, weighing the possible positive effect of dollarization on investments vis-a-vis the vulnerability of the macroeconomic framework due to dollarization and the limited control the National Bank of Cambodia has over the money supply. In line with the broader Cambodian National Employment Policy Development exercise, there is a need for a) more public investments, b) boosting domestic investments (through entrepreneurship culture and access to credit and business development services), c) more structural transformation towards the manufacturing sector and d) expanding spending on a social protection and safety net programme to support aggregate demand.

The final results of the overall assessment on an enabling environment for sustainable enterprises in Cambodia based on primary and secondary data, thorough literature review, indicate the following as the key priority areas for policy attention:

1. education, training and skills

Skills and capacity challenges are a primary concern for the country where nearly half of surveyed enterprises expressed concern of the free flow of labour and the impact of this on their companies.

2. corruption

The research indicated that active involvement with the Anti-corruption Unit and advocacy for wider publishing of public services fees and dissemination of this information to businesses is pivotal to preventing corruption within the legal and regulatory environment, and thus facilitating more sustainable business operations.

3. social dialogue/industrial relations

Developing the institutional infrastructure to manage Cambodia's industrial relations while costly in terms of government resources and time is critical to improving the IR climate. Implementation of this requires buy in from all stakeholders, workers, trade unions, government and business.

4. legal and regulatory environment

Well-designed laws and regulations provide the framework for successful economies, enhance competition, reduce regulatory costs, boost efficiency, bring down prices and stimulate innovation. As Cambodia further integrates its economic relationship with its ASEAN neighbours, a focus on the competitiveness of the economy and the enterprises that populate it is essential to the future well-being of the country.

Building on the EESE assessment, the Cambodian Federation of Employers and Business Associations (CAMFEBEA) drafted four policy papers focusing on 1) education, training and skills, 2) corruption, 3) legal and regulatory environment, 4) social dialogue and an overarching Vision Document. These will shape CAMFEBEA's advocacy efforts over the next years to come.

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