

Country Name	Project for Strategic Strengthening of Small and Medium Enterprise (SME) Support System
Kingdom of Cambodia	

I. Project Outline

Background	<p>The Small and Medium Enterprises (SMEs) dominated the Cambodian economy in terms of the number of firms (98%) and have a significant role in promoting economic development and creating sustainable employment. However, there was not yet a concrete and comprehensive SME promotion policy after the initial policy direction developed by the support of the Asian Development Bank (ADB) in 2005, which was recognized as the SME Development Framework. The implementable policy in this area still had a need for the immense significance of SME to be recognized in the Cambodian economy. In response to the request of Government of Cambodia, JICA carried out the “Project for Pilot Business Performance Support to Small and Medium Enterprises with Focus on Productivity Improvement” (2010-2011) in cooperation with the Ministry of Industry, Mines and Energy (MIME), which had been responsible for the SME policies, in order to support SMEs through transfer of expertise for production management as well as to formulate a paper of strategic options for improving Business Development Services (BDS) for SMEs. To utilize the successful results of the above project and extend its activities, MIME requested to the Government of Japan for further support in the area of SME promotion.</p>										
Objectives of the Project	<p>Through transferring the skills and know-how to the Ministry of Industry and Handicraft (MIH)* staff on SME policy formulation, company diagnosis consulting, and development of company diagnosis consulting training program, the project aimed at strengthening the capacity of MIH to formulate the SME policies and to implement measures based on the SME support needs in Cambodia, thereby contributing to improve SME management in the target area.</p> <ol style="list-style-type: none"> Overall Goal: SMEs are promoted through “SME support system” of Ministry of Industry and Handicraft (MIH) Project Purpose: “SME support system” of MIH is strengthened to formulate the SME policy and to implement measures based on the SME support needs <p>(Note) The SME Support System of MIH is a system for the SME policy formulation and its implementation including human resource development. Through the System, the SME policy is continuously refined with the plan-do-see process and consultants for SMEs are trained and maintained their consulting quality.</p>										
Activities of the Project	<ol style="list-style-type: none"> Project site: Phnom Penh City Main activities: i) Training and technology transfer on SME policy formulation, ii) company diagnosis consulting, and iii) development of the National Productivity Center of Cambodia (NPCC)’s company diagnosis consulting program. Inputs (to carry out above activities) <table border="0" style="width: 100%;"> <tr> <td style="width: 50%;">Japanese Side</td> <td style="width: 50%;">Cambodian Side</td> </tr> <tr> <td>1) Experts: 7 persons</td> <td>1) Staff allocated: 28 persons</td> </tr> <tr> <td>2) Trainees received: 9 persons</td> <td>2) Land and facilities: Office space</td> </tr> <tr> <td>3) Equipment: None</td> <td>3) Local cost: Salary and allowance of counterpart personnel and utility cost for office space</td> </tr> </table> 			Japanese Side	Cambodian Side	1) Experts: 7 persons	1) Staff allocated: 28 persons	2) Trainees received: 9 persons	2) Land and facilities: Office space	3) Equipment: None	3) Local cost: Salary and allowance of counterpart personnel and utility cost for office space
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Project Period	June 2013 – June 2015	Project Cost	(ex-ante) 290 million yen., (actual) 283 million yen								
Implementing Agency	Ministry of Industry and Handicraft (MIH) (The Ministry of Industry, Mines and Energy (MIME) was divided into the Ministry of Industry and Handicraft (MIH) and the Ministry of Mines and Energy (MME) after the reform of government sector in December 2013)										
Cooperation Agency in Japan	ExeIdea Ltd., Mitsubishi UFJ Research and Consulting Co., Ltd., World Business Associates Co., Ltd. Rising Consultants Co., Ltd.										

II. Result of the Evaluation

< Special Perspectives Considered in the Ex-Post Evaluation >

(1) Evaluation of the Overall Goal

- In the project design set the indicator of Overall Goal as “Indicator 1: MIH implements the company diagnosis consulting at 12 SMEs in the Project sites” and “Indicator 2: Performance of the Pilot SMEs is improved in the Project sites”. However, according to the terminal evaluation report, these two indicators were already achieved by the project completion because they related to the activities for Output 2.
- Overall Goal aims to develop a comprehensive and concrete support policy and measures for SME promotion capturing wider scope as a national level, not only Pilot SMEs.
- Based on the above understating, this ex-post evaluation supplementary verified indicators such as number of company diagnosis consulting provided by MIH/NPCC, considering the spreading effect of the project at a national level for the Overall Goal.

(2) Change of project site

- At the ex-ante evaluation, the project identified three project sites such as Phnom Penh City, Battambang Province and Pursat Province. However, the project activities in Battambang Province and Pursat Province were not implemented due to the budget constraints.

I Relevance

<Consistency with the Development Policy of Cambodia at the Time of Ex-Ante Evaluation and Project Completion>

The project was consistent with Cambodia’s development policies of “the National Strategic Development Plan (NSDP)” (2004), “the Rectangular Strategy” (2008-2013), “the Rectangular Strategy III” (2013-2018) and “the Industrial Development Policy” (2015-2025) emphasizing the private sector development including promotion of SMEs.

<Consistency with the Development Needs of Cambodia at the Time of Ex-Ante Evaluation and Project Completion >

The project was consistent with Cambodia's development needs of the establishment of concrete and comprehensive SME promotion policy.

<Consistency with Japan's ODA Policy at the Time of Ex-Ante Evaluation>

The project was consistent with Japan's ODA policy for Cambodia at the time of ex-ante evaluation in 2013 highlighting strengthening economic infrastructure as one of priority areas, in which strengthening private sector was included¹.

<Evaluation Result>

In light of the above, the relevance of the project is high.

2 Effectiveness/Impact

<Status of Achievement of the Project Purpose at the time of Project Completion>

The Project Purpose was not achieved by the time of project completion. Due to the institutional restructuring of the counterpart agency during the project implementation period, the final output of "the SME policy draft" was modified to "the SME policy framework draft" with the "policy concept note" (Indicator 1).

<Continuation Status of Project Effects at the time of Ex-post Evaluation>

The project effects have been partially continued after the project completion. MIH has been working on drafting the SME policy continuously with the support of ADB, but the SME policy draft has not been finalized yet at the time of ex-post evaluation due to (i) lack of human resources to formulate the policy in MIH, (ii) the necessity for coordination among concerned government ministries and agencies as well as related stakeholders due to its involvement of cross sectoral issues. MIH expects that the SME policy draft will be completed and approved by the end of 2019. On the other hand, the Government of Cambodia endorsed two sub-decrees in October 2018 and March 2019 for supporting SMEs through tax incentive and customs incentive. Also, the Government of Cambodia has been working on establishing the SMEs bank and the Entrepreneurship Promotion Funds (EPF), and Techo Startup Center for improving and supporting the business environment for SMEs.

<Status of Achievement for Overall Goal at the time of Ex-post Evaluation>

The Overall Goal has been partially achieved by the time of ex-post evaluation. The original two indicators for Overall Goal such as "MIH implements the company diagnosis consulting at 12 SMEs in the Project sites" (Indicator 1) and "Performance of the Pilot SMEs is improved in the Project sites" (Indicator 2) were already achieved even by the project completion as these activities were carried out through the activities of Output 2. After the project completion, NPCC has not continued to provide the company diagnosis consulting for the 12 pilot SMEs mainly due to the shortage of budget. However, NPCC sometime invites the pilot SMEs to the training, workshops and conference programs as well as consultancy service. 8 out of 12 pilot SMEs' performance have been improved than at the time of the project completion mainly due to improvement in company owner's capacity on management style, leadership, and networking. On the other hand, the pilot SMEs still have a need of the follow up support by NPCC. Regarding the NPCC's support for non-pilot SMEs, NPCC provided the company diagnosis consulting for two non-pilot SMEs in 2016 on the subjects of human resource, marketing and operational process. One of the constraints for SMEs to receive the NPCC's support is that the SMEs have to pay the cost for the services including transportation and meals because NPCC is a non-profit organization. NPCC/MIH observes that there are approximately 10 private consulting firms in Cambodia who support the SMEs and some governmental organizations who embark on the capacity development projects for SMEs through the technical and financial supports by the development partners.

<Other Impacts at the time of Ex-post Evaluation>

No other positive or negative impacts of the project were confirmed at the time of ex-post evaluation.

<Evaluation Result>

Therefore, the effectiveness/impact of the project is fair.

Achievement of Project Purpose and Overall Goal

Aim	Indicators	Results
(Project Purpose) "SME support system" of Ministry of Industry and Handicraft (MIH) is strengthened to formulate the SME policy and to implement measures based on the SME support needs	Indicator 1 The draft of SME policy is approved by MIH.	Status of the Achievement: Not achieved (Not achieved) (Project Completion) <ul style="list-style-type: none"> Due to the institutional restructuring of the counterpart agency during the project implementation period, the final output of "the SME policy draft" was modified to "the SME policy framework draft" with the "policy concept note" to be based on. (Ex-post Evaluation) <ul style="list-style-type: none"> MIH has been working on drafting the SME policy continuously, but the SME policy draft has not been completed yet at the time of ex-post evaluation due to (i) lack of human resources to formulate the policy in MIH, (ii) the necessity for coordination among concerned government ministries and agencies as well as related stakeholders due to its involvement of cross sectoral issues. MIH expects that the SME policy draft will be completed and approved by the end of 2019. Meanwhile, two sub-decrees were issued in October 2018 and March 2019 for supporting SMEs through tax incentive and customs incentive. Moreover, new initiatives such as establishment of the SMEs bank with 100 million US Dollars, the Entrepreneurship Promotion Funds (EPF) with 5 million US Dollars, Techo Startup Center.
(Overall Goal) SMEs are promoted through "SME support system" of MIH	Indicator 1 MIH implements the company diagnosis consulting at 12 SMEs in the Project sites.	(Ex-post Evaluation) Achieved <ul style="list-style-type: none"> This indicator was already achieved by the project completion through the activities of Output 2.
	Indicator 2	(Ex-post Evaluation) Achieved

¹ Source: Ministry of Foreign Affairs, Japan, "ODA Country Data Book 2013".

Performance of the Pilot SMEs is improved in the Project sites.	<ul style="list-style-type: none"> This indicator was already achieved by the project completion through the activities of Output 2. 															
Supplemental Information 1 Status of continuation of company diagnosis consulting for the 12 pilot SME by NPCC/MIH.	<p>(Ex-post Evaluation)</p> <ul style="list-style-type: none"> NPCC has not provided the company diagnosis consulting for the 12 pilot SMEs continuously due to the shortage of budget and some pilot SMEs do not require the follow up of NPCC's consulting as their business performance are going well. However, NPCC sometime invites the pilot SMEs to the training, workshops and conference programs as well as consultancy service. For example, 10 participants from one pilot SME participated to the training program on ISO22000:2005 in 2017 organized by the Asian Productivity Organization (APO). 															
Supplemental Information 2 Status of performances of the 12 Pilot SMEs after project completion.	<p>(Ex-post Evaluation)</p> <ul style="list-style-type: none"> 8 out of 12 pilot SMEs' performance have been improved than at the time of the project completion. The main contribution factors are the improvement in company owner's capacity on management style, leadership, and networking. On the other hand, the pilot SMEs still have a need of the follow up support by NPCC. 															
Supplemental Information 3 Status of the company diagnosis consulting for SMEs by MIH or NPCC except the pilot 12 SMEs.	<p>(Ex-post Evaluation)</p> <ul style="list-style-type: none"> Two SMEs (a food production manufacture and a logistic company) received the company diagnosis consulting in 2016 by NPCC on the subjects of human resource, marketing and operational process. However, no company diagnosis consulting was provided by NPCC in 2017 and 2018. On the other hand, NPCC has organized several training programs for SMEs as shown in table below: <table border="1" data-bbox="711 801 1513 1196"> <thead> <tr> <th>Name of program</th> <th>Target group</th> <th>Frequency</th> </tr> </thead> <tbody> <tr> <td>Productivity Awareness, 5S and Kaizen</td> <td>At least 10 management level participants from SMEs</td> <td>Every month and year</td> </tr> <tr> <td>ISO9001:2015, HACCP and ISO22000:2005</td> <td>35 people who are representative from 7 SMEs</td> <td>2016-2017</td> </tr> <tr> <td>-Green Productivity (co-organized with APO) -Manpower Audit and Workforce Planning</td> <td>- 35 participants from 20 SMEs - 40 participants from 20 SMEs</td> <td>2018</td> </tr> <tr> <td>Innovation and Quality Circles and Knowledge Management (co-organized with APO)</td> <td>57 participants from 30 SMEs</td> <td>2019</td> </tr> </tbody> </table>	Name of program	Target group	Frequency	Productivity Awareness, 5S and Kaizen	At least 10 management level participants from SMEs	Every month and year	ISO9001:2015, HACCP and ISO22000:2005	35 people who are representative from 7 SMEs	2016-2017	-Green Productivity (co-organized with APO) -Manpower Audit and Workforce Planning	- 35 participants from 20 SMEs - 40 participants from 20 SMEs	2018	Innovation and Quality Circles and Knowledge Management (co-organized with APO)	57 participants from 30 SMEs	2019
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Supplemental Information 4 Status of company diagnosis consulting together with SME supporting benchmarks for business performance by other organization including private sector.	<p>(Ex-post Evaluation)</p> <ul style="list-style-type: none"> MIH and NPCC has not confirmed a specific case of company diagnosis consulting together with SME supporting benchmarks for business performance provided by other organizations including the private sector. On the other hand, there are approximately 10 private consulting firms in Cambodia who support the SMEs and some governmental organizations who embark on the capacity development projects for SMEs through the technical and financial supports by the development partners. For example, the technical supports includes consultancy services by overseas experts and local consultants for improving productivity. Whereas, the financial supports focus on assistance for startup business and capital investment for facility and equipment through the fund established by the Cambodian government and development partners. 															

Source: Terminal Evaluation Report, Response to Questionnaire and Interview with MIH

3 Efficiency

Both the project cost and project period were within the plan (Ratio against the plan: 98% and 100%, respectively). The Outputs were produced as planned. Therefore, efficiency of the project is high.

4 Sustainability

<Policy Aspect>

The "Rectangular Strategy III" (2013-2018) identified "private sector development and employment creation" as one of the priority policies including promotion of SMEs.

<Institutional Aspect>

There has not been any change in the institutional structure for SMEs support system in Cambodia. MIH is responsible for developing and implementing policies, strategies, directions and planning for SME development. The roles of NPCC in term of SME support system are: (i) coordinate and provide consultancy and training services to mainly Cambodian SMEs, (ii) enhance and promote productivity movement in Cambodia and region, (iii) organize the national seminars/conference and training courses about the productivity awareness and safety, and (iv) communicate and cooperate with APO, line-ministries/provincial and other development partners including other NPOs. Although there is a concern on insufficient number of staff, and most of core competent staff left NPCC after the project completion, its main functions have been maintained to some extent by the existing staff. In addition, NPCC provides SME support in collaboration with private consulting companies.

<Technical Aspect>

MIH and NPCC have been making efforts to maintain the knowledge and skills for SME support through engaging the SMEs

development project by the development partners including JICA as well as participating to the training programs. As mentioned above, NPCC has conducted several training programs for SMEs with the support of APO. However, there is no internal training system in MIH and NPCC to disseminate the skills and knowledge transferred by project. There are many rooms for MIH and NPCC officers to maintain and improve their technical capacity.

<Financial Aspect>

NPCC received the budget of USD 65,000 in 2016, USD 45,000 in 2017, and USD 55,000 in 2018. These allocated budget for NPCC were used for the activities regarding 5S/KAIZEN and food safety for productivity and quality improvement program/project which were under the NPCC's action plan. MIH and NPCC recognize that the national budget allocation for SME development is still challenging, which affects a shortage of manpower in NPCC.

<Evaluation Result>

Therefore, as there have been some problems from the technical and financial aspects, the sustainability of the effects through the project is fair.

5 Summary of the Evaluation

The project has not achieved the Project Purpose but partially achieved the Overall Goal to promote SMEs through SME support system of MIH enhanced by the project. Regarding sustainability, no major problems have been observed in terms of the policy and institutional aspects, but there are concerns about technical and financial aspects to maintain the sufficient roles of MIH and NPCC for SME supports. As for efficiency, both the project cost and project period were within the plan.

Considering all of the above points, this project is evaluated to be satisfactory.

III. Recommendations & Lessons Learned

Recommendations for Implementing Agency:

- Although SME support system has been introduced in Cambodia and been maintained to some extent, there are some weakness in commitment and implementation of SME promotion activities by related government agencies such as MIH, Ministry of Economy and Finance (MEF), and Ministry of Commerce (MOC). In order to materialize concrete ecosystem ^(Note) for supporting SMEs, it is recommended that the related government agencies should strengthen their respective roles in promoting a favorable business environment to support SMEs such as access to finance, training services, company diagnosis consulting, etc.

Note: co-operation system or environment which involves a variety of players such as private and public institutions including academia for supporting development of SMEs.

Lessons Learned for JICA:

- The project implementation period was insufficient to complete the draft SME policy including the implementation of pilot activities in 2 years, in addition to required change of project site which was taken place during the project implementation period. However, the draft policy framework was the useable tool for individual and organizational levels to continue developing of SME policy. For the similar type of the project in the future, JICA should strongly negotiate with implementing agency in order to secure the sustainability of project as the following points:
 - The project team members including the counterparts should consider to set concrete action plans to utilize the project outputs and also conduct the training for the capacity building of other related staff of the implementing agency at the implementation stage. Moreover, the budget allocation of counterparts should be carefully studied and analyzed to continue the activities of project and involvement of implementing agency to the process should be taken into account;
 - At the project planning or implementation stage, the working group or sub-working group which consists of the cross sectors or line ministries should be established, which is the key channel to approach the development of project activities as well as policy making; and
 - The model for improving the consultation services which is the fundamental key for supporting project activities should be produced.



5S training of NPCC at Kampong Chhnang Province



Kaizen/5S training at NPCC of MIH