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**IDENTIFYING HOW THE USAID AND THE
USAID HARVEST PROJECT CAN
LEVERAGE THE USAID CAMBODIA MSME
PROJECT'S INVESTMENTS IN BUSINESS
AND GOVERNMENT RELATIONSHIPS AND
OTHER VALUABLE ASSETS**

CAMBODIA MSME 2/BEE PROJECT

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PROJECT CAN LEVERAGE THE USAID CAMBODIA MSME
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TASK ORDER NO. EEM-I-00-07-00009-00, ORDER NO. 04

Program Title:	Strengthening Micro, Small and Medium Enterprises in Cambodia
Sponsoring USAID Office:	USAID/Cambodia
Contract Number:	EEM-I-00-07-00009-00/04
Contractor:	DAI
Date of Publication:	September 7, 2012
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The authors' views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

BACKGROUND

After 4 years of work, Cambodia MSME Project will close in October, 2012. The MSME project has improved the performance of firms, supported public-private dialogue, and strengthened the public sector through targeted technical assistance. MSME has conducted activities in 17 of the 24 provinces of Cambodia across nine value chains, including swine, aquaculture, clay roof tiles, honey, tree resin, eco-tourism, potable water, household latrines, and the garment industry. The project worked across all levels of the value chain, as well the enabling environment (rules) and supporting environment (institutions) of the targeted sectors. As confirmed in the project's final monitoring and evaluation report, MSME has generated tremendous economic growth among its clients, including an average 250% increase in household income for swine producers, and more than 1,000% increase in household income for aquaculture producers. MSME has fostered substantial market and institutional development across Cambodia that will continue to support economic development after the project is closed.

Another USAID-funded program, Helping Address Rural Vulnerabilities and Ecosystem Stability (HARVEST), was initiated in December 2010 and will run through December 2015. The HARVEST project is focused on improving food security and agricultural development through improved natural resource management. Although the approach and thematic activity areas differ between MSME and HARVEST, there are many areas where increased coordination and collaboration could enhance the positive development outcomes supported by both projects.

OBJECTIVES OF THE ASSIGNMENT

The overall purpose of this consultancy was to outline areas where HARVEST can leverage MSME investments to amplify the impact of its activities and support development in Cambodian communities. The assignment included a review of HARVEST and MSME activities to identify areas of thematic overlap and shared objectives, as well as a GIS analysis using client data from both projects to identify specific sites where MSME and HARVEST clients exist in proximity and could work together. Emphasis was placed on key introductions and meetings that MSME could facilitate through closedown to ensure that HARVEST is primed to leverage MSME relationships where appropriate.

CHALLENGES

Although the STTA yielded a set of relevant and useful recommendations, the assignment, particularly tasks 2, 3, and 6, had to be modified in response to conditions/challenges on the ground. A few of the challenges are explained below in order to better explain the modifications, and to provide key context to the recommendations.

Tasks 2 and 3, which involved meeting with HARVEST component leads for agriculture, aquaculture, and natural resource management, was modified to cope with communication and scheduling challenges. For the first half of the STTA, I was not permitted to contact members of the HARVEST Team directly, and was discouraged from scheduling meetings with component leads. This reinforced a pattern of little to no communication between the projects that has led to

misinformation and missed opportunity to collaborate. Fortunately, I was able to meet the HARVEST Component leads in the field, although in the case of the agriculture and NRM component leads, the venue was not appropriate for having an in depth conversation as we were meeting with beneficiaries. I was able to speak at length with the HARVEST aquaculture component lead as we had ample car time.

Scheduling and timing also complicated achievement of Task 6. Originally the SOW called for the MSME and HARVEST teams traveling together to a cluster of sites identified in the GIS analysis as a “hot spot” for collaboration. Unfortunately, because the trip had become too complex (Bill’s first trip to the HARVEST sites and a lot of work to prepare for Assistant Administrator Paul Weisenfeld’s visit) the MSME site component of the field visit to Pursat and Battambang was cut from the itinerary and the MSME team was not invited to participate in the trip. The HARVEST team was also not available to participate in the field visit to MSME sites in Prey Veng and Kampong Cham the following week.

Compounding the scheduling and communication was an underlying concern from the MSME team and other groups that some aspects of the HARVEST approach disrupt critical market linkages and dynamics that have had demonstrated positive impacts for rural household livelihoods. This concern resulted in observed frustration from the MSME team and defensiveness from the HARVEST team that compromised the working environment.

Specifically, it was unclear if the HARVEST team was receptive or interested in the objective of the assignment. The idea of a “corporate rivalry” was put forth over the course of the consultancy, and although DAI and Fintrac, implementers of MSME and HARVEST, respectively, often compete for contracts, once contracts are awarded, it is important - and normal - that a community of practice take precedent.

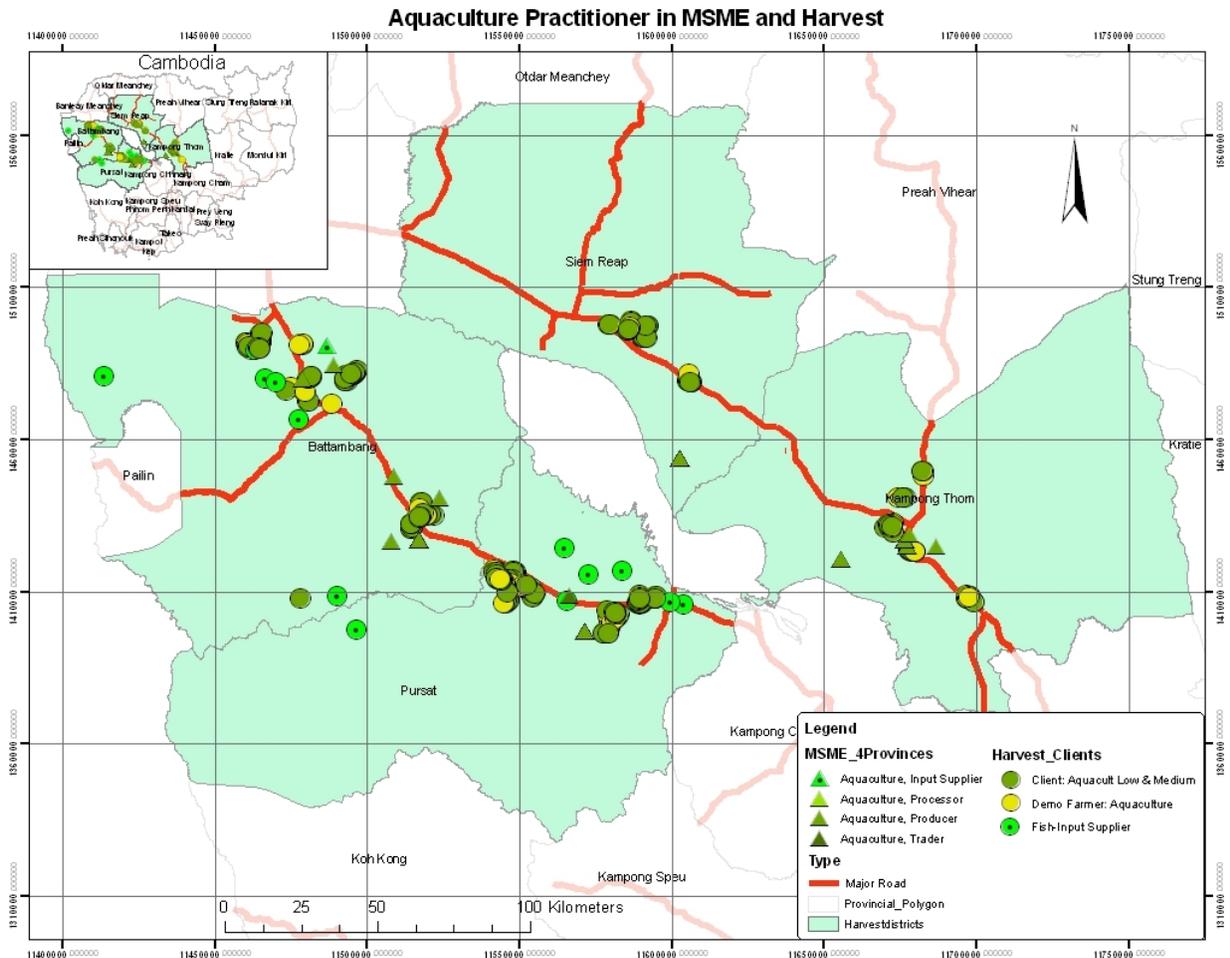
KEY LEVERAGE POINTS

Review of the HARVEST and MSME components and activities revealed technical overlap in the areas of aquaculture, including work in aquaculture to scale up production, diversify products, strengthen input suppliers, strengthen producer groups, and improve the business enabling environment and regulation that impacts aquaculture.

Although both projects work in biodiversity and natural resource management, the specific activities within these categories do not overlap. While MSME is working in honey, resin, and eco-tourism, HARVEST is working in wood production, forest conservation, and other areas.

As shown in Figure 1 below, MSME and HARVEST aquaculture clients are clustered together close to town centers and along major transportation arteries. This suggests that incorporating some MSME clients into HARVEST programs makes sense geographically. This is especially true in Battambang and Kampong Thom, and Pursat.

FIGURE 1: AQUACULTURE PRACTITIONERS IN MSME AND HARVEST PROJECTS



Source: MSME and HARVEST GIS Databases. For a larger map, see Attachment 2 and digital files.

Thematically, MSME and HARVEST both have components that operate in the Aquaculture value chain. Although the projects employ very different approaches, many MSME investments in the aquaculture value chain could be leveraged by HARVEST to meet the increased demand from HARVEST beneficiaries for inputs and continue to improve the business environment for aquaculture in Cambodia.

The chart below describes specific MSME activities by component, and the resulting asset that could be leveraged by HARVEST. These assets include field-tested training manuals and materials, study tour itineraries and contact people, sophisticated and scaled-up input suppliers, relationships with the Fisheries Administration, and empowered, business-savvy MSME clients that span the aquaculture value chain, including input suppliers, fingerling producers, fish raisers, cooperative managers, traders, and marketers.

FIGURE 2: MSME ACTIVITIES AND CORRESPONDING ASSET

Activity		Asset
Component 1: Strengthening Value Chains		
<i>Activity 1: Facilitate Substantive Input by the Private Sector into New Aquaculture Law and its Regulation</i>		
	Facilitate consultative workshops to gather private sector input on new Fisheries Law	Documentation of aquaculture private sector priorities and inputs for new Fisheries Law, focused on inputs that will enable economic expansion
	Facilitate workshops and trainings on fishery product transportation	Field tested Khmer language training on Cambodian transportation best practices and regulations
	Support training workshops on filing procedures for Fishery Offenses	Field-tested Khmer language training on filing and other procedures of the FiA.
<i>Activity 2: Diversify and Expand Aquaculture Production</i>		
	Introduce new and improved technologies and techniques including those related to production, feed, and business management among others.	Training manuals and resources for teaching a diversity of best practices in Khmer and English
	Facilitate embedded technical training to fish producers to improve fish business culture.	Fingerling and other input suppliers across HARVEST focus districts that are experienced and committed to client satisfaction and embedded service provision, have capacity to conduct embedded training for beneficiaries
	Facilitate cross provincial and international visits to best practice sites for breeding of Pegasus, Tilapia, and fresh prawns; commercial cage culture, and other new technologies	MSME clients have adopted new technology. Itineraries and contacts for international demonstration trips.
	Focused training and technology upgrade of MSME fingerling producers to expand quality and supply of Cambodian fingerlings	Critical mass of MSME fingerling producers with scaled up production and improved quality
<i>Activity 3: Strengthen Retail and Consumer Market Demand for Aquaculture and Swine Products</i>		
	Facilitate workshop on market sanitation and hygiene with market committee members and District Health Office representatives, develop poster on market sanitation standards for distribution	Network of market committee members, District Health Officers, and practitioners of good hygiene. Poster of best practices for dissemination
	Facilitate regional and international study tours to retail markets that demonstrate best practices in hygiene and sanitation	Itineraries and contacts for hygiene study tours at the district level and in the Philippines, network of trip participants who can demonstrate adopted practices and technology
Component 2: Strengthening Private Sector Voice		
<i>Activity 1: Create and Strengthen Local Business Organizations</i>		
	Assist in the establishment of new local business organizations	New established producer groups that have benefited from some MSME training, influx of producer group services to new agricultural communities
	Support establishment of organizational by-laws	Producer groups are endowed with sustainable institutional frameworks

	Support organizations and cooperatives roll out savings and credit plans, and bulk buying and selling	Producer group members have extended access to finance to scale up production and invest in new technologies
	Facilitate regional demonstration visits to established and highly functional cooperatives and expand technical and business management skills	Field tested study tour itineraries and relationships
	Facilitate training of cooperative book keeping skills focused on savings and credit management capacity	Field tested Khmer language training on book keeping and savings and credit management for producer groups
	Compile and support centralized directory booklet with contact information of all MSME clients and partners.	Khmer language directory of all MSME clients and partners
Activity 2: Improve the Business Enabling Environment		
	Support Public Private Dialogue with cooperatives and Fisheries Administration on a host of topics including transportation, registration, offense filing, and others	Documentation of private sector concerns and inputs to the Fisheries Law, private sector players and FiA contacts who understand and value PPD
Activity 3: Support Value Chain Actors Building National Level Representation to Address BEE Issues		
	Provide strategic communications training to cooperatives	Field-tested Khmer language communications training materials and manuals that address communication, negotiation, public speaking, and professional networking.
	Training to address agricultural and SME problem solving	Field tested Khmer language training materials and exercises addressing problem solving skills
	Facilitate business forums with local and regional government	Strong linkages with local governments and regulators
Component 3: Public Sector Strengthening to Improve Business Enabling Environment		
<i>Activity 1.7: Support Dialogue and Improvement of Draft Aquaculture Law, Support Drafting of Fish Transportation Prakas and Prakas on the Rate of Premium</i>		
	Engage directly with the FiA to discuss the value of regulation to support private sector expansion, and encourage differentiation between regulation of fisheries and aquaculture and other priorities	The Draft Fisheries Law is much improved from the 1988 version with a separate Aquaculture section and improved clarity for regulation.
	Facilitate public private dialogue with over 50 MSME aquaculture clients and government counterparts on the Draft of the Fisheries Law. Collect comments from private sector at PPD and submit to FiA.	Established relationship with Mr. H.E. Nao Tuok of the FiA and procedures for facilitating PPD and submitting private sector comments.
	Collaborate with the Legal Department of the FiA to facilitate 4 workshops on fishery transportation laws for MSME traders including Q&A and forum for the private sector to request that fees be printed and the process to get transport permits be simplified.	Contacts with the FiA Legal Department, Fish transportation workshop curriculum and best practices, informed and empowered network of fishery traders.
	Training on filing procedures of fisheries offenses to the Litigation Department of the FiA	Greater awareness of regulations among private sector and government officials. Training curriculum on filing procedures

RECOMMENDATIONS

1. Facilitation for Coordination and Learning Forum

This recommendation addresses the larger institutional gap that enabled MSME and HARVEST to work in the same geographies and value chains without establishing a technical community of practice – or a constructive relationship. One and a half years into implementation of HARVEST and just 2 months before the closure of MSME, the two potentially complementary projects still had not explored opportunities to coordinate or leverage investments.

In the final weeks of MSME implementation, there is still time for USAID to host a meeting or series of meetings between the MSME and HARVEST project teams to share experiences, institutional relationships, and best practices. As relationship building is an essential component of knowledge dissemination, this would be an ideal complement to the sharing of MSME final deliverables such as the Directory of Value Chain Partners, GIS information, and institutional contacts that was accomplished directly through this STTA.

Looking forward, USAID should consider implementing a regular forum between all of projects to be sure that projects are aware of all concurrent USAID investments, and well poised to take advantage of any opportunity for synergy.

2. Reciprocal site visits

Due to the circumstances described above, the local MSME team was not able to join the HARVEST field visits, nor was HARVEST able to join the MSME site visits. Although the underlying approaches are notably different, reciprocal site visits can enable a continued dialogue and brainstorm of ways HARVEST can leverage MSME investments and success to amplify its impact. Joint MSME-HARVEST field visits to both projects sites will:

- Serve as an icebreaker between MSME and HARVEST project teams
- Facilitate a deeper understanding of both projects approaches to each team
- Enable broad brainstorming and sharing of information
- Facilitate additional introductions between MSME clients, specifically input providers, and HARVEST staff

3. Incorporation of Input Suppliers in Farmer Field Days

MSME has worked with input suppliers across all of its focus value chains; including aquaculture, veterinarians, feed production, and NRM value chains. MSME worked with input suppliers to cultivate greater business acumen, including how to better serve clients, expand strategically into new markets, participate in local events, utilize communication channels, and most importantly, how to be responsive to market dynamics.

One of the most significant innovations that emerged from the MSME project are the “embedded technical assistance services” that MSME input suppliers now provide to clients. Embedded technical assistance increases customer satisfaction and builds the

reputation of the input supplier in the community, ensuring repeat purchasing and expansion of the customer base. Private sector embedded technical assistance also fills the gap created by Cambodia's weak extension system in a sustainable way, vastly expanding the information and support available to rural farmers.

HARVEST hosts on-farm farmer field days in its target communities that feature trainings and demonstrations. After the reciprocal site visits, HARVEST should consider inviting MSME input suppliers to farmer field days to display their product offerings and showcase embedded technical services. Although the specific inputs and recommendations provided by input suppliers may differ slightly from HARVEST's methodology, but is also grounded in best practices and could provide additional choice and options to farmers.

Given the limitations of the Cambodian extension system, HARVEST should also consider encouraging veteran MSME input suppliers, especially those that provide embedded services, to engage with beneficiaries outside of farmer field days, especially once farmers have been "graduated" from the training program. MSME input suppliers should be encouraged to work directly with farmers to determine if services will be provided freely or with a small fee.

Specifically, the HARVEST team has struggled to locate adequate supplies of high quality fingerlings. MSME fingerling suppliers located in and around HARVEST focus provinces (see Attachment 2 and the 2012 MSME directory) could help meet the growing demand from HARVEST beneficiaries.

To maintain and continue fostering the entrepreneurial and market-driven incentives that MSME helped to foster among its clients, HARVEST should invite fingerling producers to aquaculture field days and allow suppliers to distribute their contact and product information. HARVEST beneficiaries can then make purchases directly from the input supplier according to HARVEST technical requirements for stocking density and quality. This type of market interaction establishes a market linkage between the fingerling producer and the fish producer, who is not dependent on either project.

4. Handover of work on the Fisheries Law

MSME has fostered public private dialogue at the provincial and national level to improve the business enabling environment (BEE) for its focus value chains. In general, the project has taken a two-pronged approach to improving the BEE, first working at the national level working with the Ministry of Agriculture's, Fisheries Administration; and second, working at the provincial and district levels strengthening producer and value chain groups so that they can better advocate for their economic and policy interests.

Most relevant to the HARVEST project is MSME's work on the forthcoming Fisheries Law, which also addresses aquaculture. The most pressing BEE issue for MSMEs in aquaculture is that the Fisheries Law provides very clear guidance on the licensing and registration process and fees. Currently the language in the Law addressing registration and fees does not specify which level of government (provincial, district, or commune) is responsible for managing registration, and what the process and fees will be. This leaves the rent seeking opportunity to extend processing times, have multiple registration bodies

who claim rights to collect fees, and extraction of rents. Although MSME has facilitated private sector advocacy and participation in the drafting of the Fisheries Law, the Law will not be passed within the lifetime of the MSME project. Although the Fisheries Law is currently outside the scope of HARVEST's policy work, given the five-year USAID investment in improving private sector representation in the Law, and HARVEST's other work in fisheries and aquaculture, it makes sense for HARVEST to pick up this work when MSME ends; at least at the national level.

This handover can be initiated by a meeting between MSME's BEE and aquaculture team, and HARVEST's Policy and Fisheries and Aquaculture teams.

5. Impact Assessments

As noted, MSME and HARVEST employ fundamentally different approaches to addressing poverty and economic growth of the agricultural sector at the household level. This is justified in theory by each project's different overall objectives: micro and small enterprise development versus household food security, respectively. Still, that the projects have run back to back in overlapping geographies provides an ideal opportunity to test the development hypotheses implicit in each approach.

The most sensitive issue between the two projects is related to the role of market incentives and linkages in fostering robust local agricultural input markets. Thus, USAID should consider doing an assessment of input suppliers that have worked with MSME, with HARVEST, and with both MSME and HARVEST to measure the revenue growth, customer base, product diversity, service offerings, and technical understanding of inputs provided within each group. Results from this assessment would provide valuable insights as to how to create sustainable rural economies that serve agricultural households.

ATTACHMENT 1: FINAL SCOPE OF WORK



MSME 2/BEE PROJECT STATEMENT OF WORK

Name:	Kat Cooley
Position:	Development Specialist
Task Order Name:	Micro Small and Medium Enterprise 2/ Business Enabling Environment
Contract Number:	EEM-I-00-07-00009-00, Order No. 04
Labor Category:	TBD, Probably Level 3
Period of Performance:	Early August
Level of Effort:	12 days - 1 day in home office, 11 days in Cambodia

BACKGROUND

The Cambodia MSME Project will close in September, 2012, but the market linkages and institutional assets it fostered will continue to support increased value chain sophistication and economic development for smallholder producers across Cambodia. The Helping Address Rural Vulnerabilities and Ecosystem Stability Program (HARVEST) was initiated in December 2010 and will run through December 2015. The HARVEST project is focused on improving food security and agricultural development through improved natural resource management. Although the approach and thematic activity areas differ between MSME and HARVEST, there are many areas where increased coordination and collaboration could enhance the positive development outcomes supported by both projects.

OBJECTIVES

The objective of this consultancy is to outline areas where HARVEST could leverage MSME investments to its value chain and biodiversity awareness activities. The primary objectives of the assignment are outlined below:

1. Leveraging MSME Value Chain and Membership Based Organizational Investments

- Through a review of HARVEST's and MSME's activities, identify areas of overlap where HARVEST may be able to leverage the value chain investments and membership based organizations facilitated by MSME.

- Overlay and analyze MSME GIS and any GIS data developed by HARVEST to identify geographic overlaps that could be leveraged. (Note: both projects have GIS platforms.)
- Identify where MSME may be able to facilitate introductions in its final months to leverage the communities and cooperatives to support continued or expanded food security and climate change work.

2. Leveraging Biodiversity Awareness

- Review the existing and planned HARVEST natural resource management activities and assess where those activities may be able to leverage the considerable investments in the biodiversity landscapes facilitated by MSME.
- Identify where MSME may be able to facilitate introductions in its final months to leverage the forest communities to support continued or expanded climate change work.

TASKS

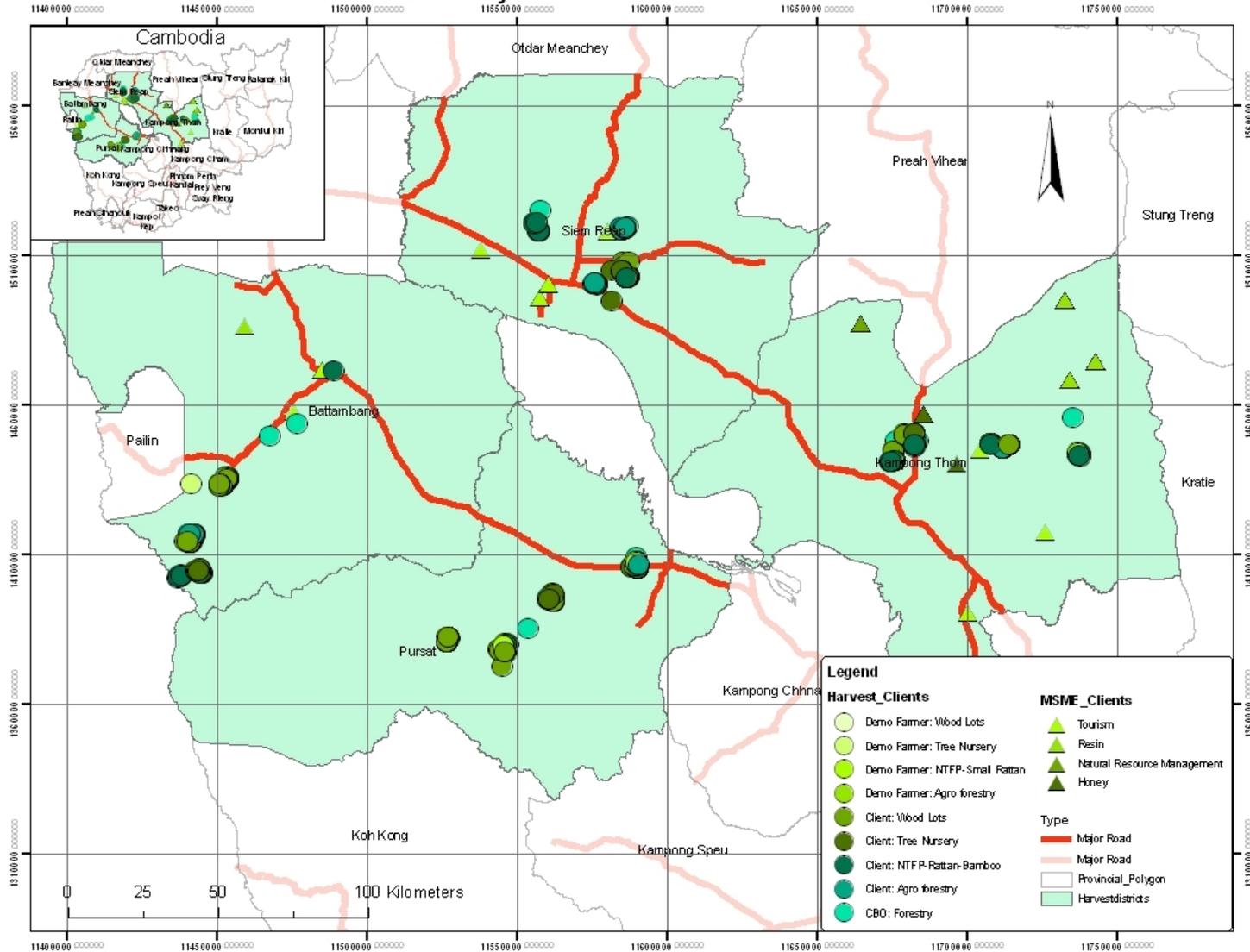
1. Complete desk review of HARVEST thematic activity areas, activities, and planned activities.
2. During the first week of the assignment, meet with component leads of HARVEST agriculture and aquaculture programs to solidify understanding of activities and assess potential for utilizing MSME value chain investments.
3. Meet with component lead of HARVEST NRM, Environment, and Climate Change program to solidify understanding of activities and assess potential for utilizing MSME value chains.
4. Collaborate with GIS Specialist to collect available data from HARVEST on project participant producers, processors, and other value chain units, as well to begin identifying the resources from MSME that could have value to HARVEST.
5. Create ArcMap layer for HARVEST data to compare to existing data and maps from MSME to identify strategic geographic overlaps.
6. Participate in a joint field visit which includes HARVEST and MSME staff, as well as FSE staff, to exchange and discuss approaches, successes, and lessons learned of both projects. Both MSME and HARVEST sites will be visited. This will include multiple site visits where MSME and HARVEST activities overlap, or are in the close proximity, and engage beneficiaries and stakeholders to assess potential for linking HARVEST beneficiaries with MSME-assisted communities and stakeholders, business development service providers, and input providers, and processors, such as animal and fish food producers, pork processors, and other leading businesses with complementary interests to HARVEST activities and indicators.
7. Complete trip report documenting activities, analysis, recommendations, and mapping tools.

DELIVERABLES

1. Trip report including analysis and recommendations.
2. Presentation of analysis and recommendations to key members of MSME and HARVEST Management and, if desired, field teams.

Attachment 3: Biodiversity Practitioners in MSME and Harvest Projects

Biodiversity Practitioner in MSME and Harvest



ATTACHMENT 4. ITINERARY AND PERSONS MET

- August 2** Kick off meeting with USAID- Participants: William Bradley, Bradley Arsenault, Teffera Betru, Sambath Sak, Curtis Hundley, Sophath Oeun, and Boreth Sun. Conclusions:
- USAID will facilitate all interactions with HARVEST, consultant is not authorized to contact HARVEST team directly.
 - Bill, Teff, and Sambath will travel to Pursat and Battambang Wednesday with the HARVEST team, unclear if MSME will be able to participate.
- Meet with Sitha Aum, MSME M&E and GIS Specialist. Create Map layers of MSME input suppliers that operate in HARVEST target districts including major roads. Prepare to generate corresponding layer of HARVEST beneficiaries.
- August 3** Meeting with Bill and Sambath to continue planning for field visit Wednesday through Friday.
- August 6** Meeting with Boreth Sun, DCOP of MSME
Meeting with Ratana Try, Senior Aquaculture value chain specialist on MSME
- August 8** Field visit to HARVEST sites. Participants: William Bradley and Sambath Sak from USAID, Dennis Lesnick, Sean Austin, Susan Novak, Guillermo Maradiaga, and Leonard Rogers from HARVEST, and a few members of the FFI team.
- Visit cooking demonstration Kraing Thom village Ou Sandan commune, Krakor district
 - Visit NTFP rattan basket group Kraing Thom village Ou Sandan commune, Krakor
 - Visit protected area management activities, Central Cardamoms Protected Forest station, Roving district
 - Visit NRM woodlot site in the Ou Baktra forestry community, Kravanh district
- August 9** Continue field visit in Pursat and Battambang
- Visit refuge pond, Boeung Dang Teuk Leach community fishery, Krakor district
 - Visit vocational youth program for agricultural machinery operation and maintenance training in Bakan Trapeng Chong village, Bakan district
 - Visit Phlov Luong rehabilitated irrigation canal, Rumlech commune, Bakan District
 - Visit input suppliers (2) Prey Sangha village, Khnach Romeas commune, and Prakeab village, Rung Chrey commune, Bavel district
 - Visit commercial horticulture site
 - Visit horticulture site #1
 - Visit horticulture site #2, a kitchen garden at a school
- August 10** Continue field visit in Battambang
- Visit aquaculture ponds
 - Visit village nutrition training and cooking demo Sdei village, Prek Norint commune, Aek Phnom district
 - Visit fish hatchery in Wat Ko commune, Battambang town

- Travel to Siem Reap

Evening: Attend MSME team celebration

- August 14** Field visit to MSME Aquaculture and Swine sites in Pre Veng and Kampong Cham with Sophath Oeurn, MSME Value Chain Team Leader
- Visit Mr. Em Thol: micro-scale fish farm Samrab village, Prey hnao commune, Prey Veng district.
 - Visit Mr. Chon Pros: micro-scale fish farm Samrab village, Prey hnao commune, Prey Veng district.
 - Visit Mr. Lim Pichvongsa: Input supplier and cooperative coordinator in Prey Veng Town.
 - Visit Mr. Keo La, Mr. Chhorn, and Mr. Loek Ra, three small scale fish producers in Koam Pradeus village, Damrei Poun commun, Svay Antor district
 - Visit Mr. Pheng Vy, small scale fingerling producer in Chea Klang village, Svay Antor district, Prey Veng
 - Visit Mr. Sin Chamroeur, Small scale fish producer. ** This fish producer was not home when we arrived because he was out at a marketing event.
- August 15** Continue field visit in Kampong Cham
- Visit Ms. Than Vanna, swine producer who has expanded into artificial insemination and local feed production
 - Visit Mr. Ky Chhin, small scale aquaculture community in Thnol Keng Batheay.
 - Return to Phnom Penh at 1:00pm.
- August 22** Final meeting with Dennis Lesnick and Boreth Sun at HARVEST offices to discuss recommendations and share resources including GIS maps and the MSME directory of suppliers.