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QUARTERLY REPORT

CAMBODIA MSME PROJECT

Implemented by Development Alternatives, Inc.

USAID Contract No. GEG-I-00-02-00014-00, Order 02

OCTOBER-DECEMBER, 2007

This publication was produced for review by the United States Agency for International Development. It was prepared by Development Alternatives, Inc.

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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.

FOREWORD

Pursuant to the requirements of the Strengthening Micro, Small and Medium Enterprises (MSMEs) in Cambodia Contract No.GEG-I-00-02-00014-00, Order 02, Development Alternatives, Inc. (DAI) is pleased to submit the eighth quarterly report covering October through December, 2007.

This report marks the beginning of the MSME Project's third and final year – a year we expect to be our most successful. During the first two years, the project achieved or exceeded performance expectations on nearly all project performance indicators. In Year 3, the project is concentrating on improved governance at the national and provincial levels, improved advocacy by private sector firms by empowering them to resolve business issues that constrain their development, increasing productivity and improving market relationships, and expanding access to credit for all firms in the swine, fish, and tile value chains. Year 3 marks a turning point as the project now has authorization to actively work with provincial and national government officers; this was not permitted during the first two years.

In year three, the MSME project works is working in three value chains in six provinces, three of which are some of Cambodia's poorest and least developed: Kratie, Prey Veng, and Svay Rieng, as well as the more economically developed Kampong Cham, Kandal, and Kampong Speu. In October 2007 after spending the first two years concentrated in three provinces, the MSME project expanded project activities to Kampong Speu and Kandal. These two provinces contain more economically-connected firms in the three project-selected value chains, which will help the project link firms in the existing four provinces to markets in Phnom Penh and beyond.

During its second year, the project directly assisted more than 1,236 firms in the aquaculture, pig raising and tile manufacturing value chains, and began assisting firms in agricultural equipment manufacturing value chain as well. The project has not quantified indirect assistance to non-client firms, but anecdotal evidence suggests that thousands of firms have benefits from the project's activities. In October 2007, the project decided to discontinue working in the agriculture machinery value chain due to disinterest by a significant number of economically viable firms in the sector to willingly participate in project activities.

This report provides information about activities identified in the Cambodia MSME Year 3 work plan and describes outcomes and achievements arising from those activities. This report also describes how activities relate to the components and indicators contained in the Mission's new Operational Plan. It describes relevant meetings and events, project publications, problems encountered and problems resolved.

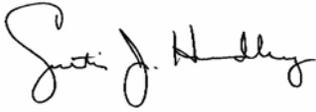
Key activities and accomplishments this quarter include the following:

- Submitted the Year 3 work plan, which was approved by USAID.
- Hosted an assessment mission to Vietnam to introduce provincial government officials to improved governance practices that support economic development and especially private sector development.

- Encouraged Community Working Group (CWG) in the swine value chain to participate in the Government-Private Sector Forum's (G-PSF's) Agriculture and Agro-Industry Working Group meeting, which led to the submission of 10 new issues and acceptance of 9 new issues for inclusion in the G-PSF national meeting hosted by H.E. Prime Minister Hun Send. Additional issues have been submitted and are actively being resolved at the provincial level of government as well.
- Supported advocacy efforts to Prey Veng Slaughterhouse Traders Committee, which resulted in a more than 50 percent decrease in trader slaughterhouse licenses and fees. By encouraging cross-provincial business dialog, these successes have expanded to Prey Veng and Kratie provinces, as well as other provinces outside the projects active boundaries.
- Expanded the business enabling environment (BEE) strategy. Significant new activities were developed for engaging government officers in the promotion of economic development at the national and provincial levels.
- Produced new research that increased understanding about how embedded credit in the aquaculture and swine value chains operates and how credit can be expanded to improve business expansion opportunities for MSMEs.
- Facilitated business diagnosis training for staff and for enterprises in the aquaculture and tile manufacturing value chains. This has helped individual and groups of firms to better envision their futures and take actions to improve their positions in the market in a manner that is sustainable after the project ends.
- Hosted a Thai technical consultant to engage with a dozen leading tile firms to improve their kiln designs, firing practices, and assess their clay qualities. This consultant can on his own volition and the MSME Project facilitated introductions and visits. The consultant was seeking partnerships with leading firms, especially in higher-value ceramic products.
- Expanded media coverage of project activities especially in Khmer print media and upgraded media linkages. This included the development of a 15 minute video on the governance assessment mission to Vietnam that was shown several times on local television, and several news articles that appeared in Khmer and English language newspapers and radio stations.
- As a result of successful pilot initiative, EDVP Program, implementing partner COSECAM received a USD\$3 million grant to expand its program coverage nationwide with European Commission funding.

By December 2007, the project was well on its way to making a lasting and sustainable impact on economic development in all six project-assisted provinces by expanding activities and the number of firms assisted. The MSME Project team was in high spirits and was observing significant increases in enterprise development, investments in new technologies, strides in quality improvement and increased sales and volumes. The development profile has been raised significantly in the past three months especially and many donors are now keen to emulate the successes of the MSME Project and to incorporate the demand-driven value

chain approach as practiced by the MSME Project into their economic development activities.

A handwritten signature in black ink, appearing to read "Curtis J. Hundley". The signature is written in a cursive style with a large initial 'C' and 'H'.

Curtis Hundley
Chief of Party
Cambodia MSME Strengthening Project

ABBREVIATIONS

ADB	Asian Development Bank
ANZ	ANZ Royal Bank (Cambodia) Ltd.
AQIP	Agriculture Quality Improvement Project
BDS	Business Development Service
CADF	Cambodia Agribusiness Development Facility
CDC	Council for the Development of Cambodia
CEB	Cambodian Entrepreneur Building
CEDAC	Centre d'Etude et de Development Agricole Cambodgien
CFI	Community Finance Institution
CIDA	Canadian International Development Agency
CIDS	Cambodian Institute for Development Studies
CIPE	Center for International Private Enterprise
CIS	Credit Information System
CIEDC	Cambodia-India Entrepreneurship Development Center
CMA	Cambodia Microfinance Association
COSECAM	NGO Coalition to Address Sexual Exploitation of Children in Cambodia
CRS	Catholic Relief Service
DAFF	Department of Agriculture, Forestry and Fisheries
DAI	Development Alternatives, Inc.
DIME	Department of Industry, Mines and Energy
DOC	Department of Commerce
EIC	Economic Institute of Cambodia
FI	Financial Institution
GIS	Geographic Information Systems
GPS	Global Positioning System
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit (German Technical Cooperation Agency)
HEDC	Human Earth Development Center
IDE	International Development Enterprises
IDLO	International Development Law Organization

IFC	International Finance Corporation
IG	Interest Group
ILO	International Labor Organization
KPP	Khmer Product Promotion
M&E	Monitoring and Evaluation
MFI	Microfinance Institution
MSE	Micro and Small Enterprise
MSME	Micro, Small and Medium Enterprise
NAI	Nathan and Associates, Inc.
NBC	National Bank of Cambodia
OGD	Office of General Development, USAID/Cambodia
PACT	PADCO/Pact Cambodia Program
PADEK	Partnership for Development in Kampuchea
PfD	Partners for Development
PSP	Private Sector Promotion
PUAC	Peri-Urban Agricultural Center
SME	Small and Medium-size Enterprise
TAF	The Asia Foundation
TAMIS	Technical and Administrative Management Information System
TPC	Thaneakea Phum (Cambodia)
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
VC	Value Chain
VCA	Value Chain Assessment
VDC	Village Development Council
VLA	Village Livestock Agent (Veterinarian)

I. INTRODUCTION:

Rural Economic Development Through a Value Chain Approach

DAI began implementation of the Cambodia MSME Project in October 2005, and the project has now begun its third and final year. Funded by the U.S. Agency for International Development (USAID), Cambodia MSME is designed to promote economic and private sector firm growth in the provinces of Kratie, Kampong Cham, Svay Rieng and Prey Veng, located in the southeastern corner of the country. In year 3, the project added two more provinces, Kandal and Kampong Speu.

Three of these provinces comprise some of the poorest economic areas in Cambodia – Kratie, Prey Veng and Svay Rieng. Kampong Cham and Kandal are economically advanced, and Kampong Speu is advanced in the eastern-most districts. To achieve maximum impact within the three-year project time frame, Cambodia MSME decided to focus on four value chains that, after a complex value chain assessment, DAI determined had the greatest potential for market growth, revenue generation, job creation and increased opportunities for women and other underserved groups: aquaculture production and processing, swine production and processing, clay tile production and marketing, and agricultural equipment manufacturing. The expansion to two new provinces will assist the project to improve market linkages with the firms located in the existing four project-assisted provinces and promote productivity-related investment throughout all the value chains. At the end of Year 3, the Project determined that further investments in the agriculture machinery value chain were not warranted due to an almost total lack of willingness by leading forms to engage and cost-share project activities.

The project strategy is to identify key constraints and opportunities in these value chains and then facilitate the services, inputs and other forms of support necessary to address them. DAI's demand-driven strategy emphasizes a grassroots approach to working with MSMEs to find sustainable private sector solutions to entrepreneurs' problems in each of the four value chains. Almost all project activities are sustainable after the project ends and concentrate on improving inter-firm relationships that increase overall industry investment and performance, which expand market linkages and information.

Project-assisted MSMEs face a range of serious problems. Some of the challenges that they face, such as poor infrastructure and low levels of education, are beyond the scope of the MSME Project to address. The most important problems that the project addresses include limited business understanding and technical expertise, weak market relationships, almost no advocacy for business constraints that inhibit economic and firm growth, and access to formal and informal credit. Cambodia MSME's strategy is to first improve firm and industry productivity and quality to ensure products can meet market demands for quality and consistency in supply, expand entrepreneurs' awareness of market opportunities and available services through local, cross-provincial, and international governance and technical assessments and trade-related events, and to improve commercial provision of technical and business products and services demanded by MSMEs. To promote sustainability, DAI facilitates mutually-beneficial relationships between private sector participants across the

value chains, such as introducing producers to more and better input suppliers, traders, processors, and credit suppliers.

As it is becoming clear that the initial objectives of productivity, quality and quantity of production will be reached, the Project must now focus more on product marketing and the business enabling environment. The area of growing importance for the MSME Project is to improve the business enabling environment and reduce the widespread corrupt practices that discourage MSME productivity and competitiveness. Cambodian MSMEs operate in a commercial system where the rule of law is weak, leading to capricious and arbitrary enforcement of regulations and contracts and a pervasive atmosphere of insecurity and mistrust. In most areas, formal private sector associations are either not well developed or do not exist at all. This environment creates a type of “vicious circle” that perpetuates poverty and slows economic growth.

To improve economic conditions in the four target provinces, the Cambodia MSME Project facilitates technical and financial solutions to value chain constraints together with new modes of thought and behavior among entrepreneurs that emphasizes cooperative “win-win” interactions among target MSMEs. It comprises five components:

Component 1: Improved Performance of USAID-Assisted Enterprises in Targeted Value Chains. Upgrading value chain competitiveness by building the knowledge, capacity and skills of MSMEs within the selected value chains.

Component 2: Enhanced Capacity of Value Chain Firms and Service Providers to Support Value Chain Competitiveness. Improving the capacity of providers of both stand-alone and embedded services and linking these providers with MSME customers within target value chains.

Component 3: Improved MSME Access to Finance. Fostering the “bankability” of MSMEs and promoting new and more appropriate financial products for enterprises within target value chains.

Component 4: Improved Business Environment. Building institutional and inter-firm trust, improving the capacity of MSMEs to engage in local policy advocacy and talk to government, fostering the development of provincial business associations, and making the local business environment more conducive for MSME growth.

Component 5: Economic Development Support for Vulnerable and Trafficked Persons (EDVP). A new set of PRIME-funded activities for FY 2007-8 designed to help people from vulnerable and trafficked groups in Svay Rieng, Prey Veng and Kampong Cham through vocational training and micro-enterprise business counseling.

Although achieving lasting impacts in the challenging environment of provincial Cambodia is a gradual process, the Cambodia MSME Project has carefully chosen interventions at key leverage points in the selected value chains. The “demonstration effects” already achieved in the project’s work with leading firms and entrepreneurs during the first two years have lent momentum to program activities in FY 2008, as Cambodia MSME broadens and deepens its interventions and replicates successes achieved.

Table 1: Activities Matrix from October to December, 2007

N°	Activities	Value Chain		Provinces				
				KC	KRT	PV	SvR	Total
1	Technical Training	Pig	Events	1	1	1	1	4
			Total Participants	61	56	75	84	276
			Women	9	10	19	23	61
			Total Participants	55	34	75	74	238
			New women	8	8	19	21	56
		Fish	Events	1	0	1	0	2
			Total Participants	24	0	20	0	44
			Women	9	0	12	0	21
			New Participants	24	0	0	0	24
			New women	9	0	0	0	9
Total 1	Events	2	1	2	1	6		
	Total Participants	85	56	95	84	320		
	Women	18	10	31	23	82		
	New Participants	79	34	75	74	262		
	New women	17	8	19	21	65		
2	Business Training	Events	1	1	2	1	5	
		Total Participants	43	18	46	6	113	
		Women	15	12	25	0	52	
3	Cross Provincial Tour	Pig	Events	1	1	0	0	2
			Total Participants	28	22	0	0	50
			Women	12	8	0	0	20
		Fish	Events	0	0	0	1	1
			Total Participants	0	0	0	28	28
			Women	0	0	0	11	11
		Tile	Events	0	0	0	0	0
			Total Participants	0	0	0	0	0
			Women	0	0	0	0	0
Total 3	Events	1	1	0	1	3		
	Total Participants	28	22	0	28	78		
	Women	12	8	0	11	31		
4	International Tour	Pig	Events	0				0
			Total	0	0	0	0	0

		Participants					
		Women	0	0	0	0	0
	Fish	Events	1				1
		Total Participants	9	0	1	0	10
		Women	3	0	0	0	3
	Tile	Events	1				1
		Total Participants	5	3	2	0	10
		Women	1	0	0	0	1
	BEE	Events	1				1
		Total Participants	2	3	3	4	12
		Women	0	0	1	0	1
	Total 4		3				3
			16	6	6	4	32
			4	0	1	0	5
Grand Total		Total Participants	172	102	147	122	543
		Women	49	30	57	34	170

II. ACTIVITIES DURING OCTOBER-DECEMBER, 2007

PROGRAM COMPONENT 1: IMPROVED PERFORMANCE OF USAID-ASSISTED ENTERPRISES IN TARGETED VALUE CHAINS	START DATE	END DATE	ACTIVITY UPDATE
ACTIVITIES			
1.1. Broaden activities to 1,500 MSMEs	Oct, 07	Dec, 07	
1.1.1. Identify more leading firms in the four project-assisted provinces.	Oct, 07	Dec, 07	<p>262 new leading firms including 65 women entrepreneurs were included in project activities in 3 months from October to December, 2007:</p> <ul style="list-style-type: none"> • 238 pig firms included 65 women entrepreneurs (55 in Kampong Cham(8 women), 34 in Kratie (8 women), 75 in Prey Veng(19 women) and 74 in Svay Rieng(17 women); • 24 fish firms in Kampong Cham included 9 women entrepreneurs.
1.1.2. Expand project assistance to new districts in Kandal and Kampong Speu provinces	Dec, 07	Dec, 07	<p>Conducted a preliminary assessment mission to Kampong Speu and identified two new districts for potential inclusion in the project assisted areas of coverage. USAID and Cambodia MSME staff will meet the Governors of Kandal and Kampong Speu in mid-January, 2008 to secure the necessary approvals from the provincial administration authorities before formally engaging with MSMEs from the two provinces.</p>
1.2 Upgrade MSME competitiveness, build knowledge, capacity, skills and services of firms			
1.2.1. Facilitate improved market linkages through business forums and local business strategy development.	Oct, 07	Dec, 07	<p>Facilitated Business Diagnostics for three Brick and Tile firms in Kratie and Kampong Cham and for 12 fish producers in Prey Veng. These business diagnostics workshops helped identify opportunities to improve production efficiency and meet market requirements for quality products.</p>
1.2.2. Facilitate quality improvements through the introduction of new technologies and processes through cross-provincial and regional exposure missions.	Oct, 07	Dec, 07	<p>Tiles:</p> <ul style="list-style-type: none"> • Introduced new technology of brick and tile techniques by conducting International trip to Thailand for 10 tile entrepreneurs including 1 women. • One of the outcomes of the exposure visit for Brick and Tile entrepreneurs to Thailand in November, 2007 is that they were able to forge business relationships with Thai Tile designers and manufacturers. As a direct result of the exposure trip, Mr. Pitaya Srijamlong, Product and Kiln Designer for the Department of Industrial Promotion,

PROGRAM COMPONENT 1: IMPROVED PERFORMANCE OF USAID-ASSISTED ENTERPRISES IN TARGETED VALUE CHAINS	START DATE	END DATE	ACTIVITY UPDATE
ACTIVITIES			
			<p>Ministry of Industry in Thailand visited 6 Cambodia MSME Project-assisted tile manufacturers. The purpose of the visit was to provide technical assistance on:</p> <ul style="list-style-type: none"> ➤ Kiln design, ➤ Wet product preparation, and ➤ Tile color development by lab demonstration <p>Furthermore, he tested the quality of clay by using laboratory kiln testing to identify the types of ceramic products that could be produced in Cambodia for potential export to Thailand; thereby upgrading production values.</p> <p>Swine:</p> <ul style="list-style-type: none"> • Introduced new and improved swine raising techniques by conducting 4 technical training on Pig Raising Techniques for 276 pig MSMEs including 61 women. The trainings include: a training in Kampong Cham for 61 participants including 9 women; in Kratie for 56 participants including 10 women; one training in Prey Veng for 75 participants including 19 women and in Svay Rieng for 84 participants including 23 women). • Introduced new technology of swine raising techniques by conducting cross provincial exposure visits for 50 pig raisers (including 20 women) for Pig MSMEs from Kratie and Kampong Cham provinces to visit pig farms in Kandal and Kampong Speu provinces. • Planning started for a technology assessment mission for firms in the swine value chain. The exposure visit to Thailand is scheduled for 28 January to 1 February 2008. <p>Fish:</p> <ul style="list-style-type: none"> • Introduced new and improved fish raising techniques by conducting 2 technical training courses for 44 fish MSMEs including 21 women (in Kampong Cham for 24 fish MSMEs including 9 women and in Prey Veng for 20 participants including 12 women). • Introduced new fish raising techniques by

PROGRAM COMPONENT 1: IMPROVED PERFORMANCE OF USAID-ASSISTED ENTERPRISES IN TARGETED VALUE CHAINS	START DATE	END DATE	ACTIVITY UPDATE
ACTIVITIES			
			conducting a cross provincial trip for 28 fish raisers (including 11 women) for fish MSMEs from Svay Rieng province to visit fish farms in Takeo, Kandal and Phnom Penh.
1.2.3. Facilitate improved business skills through the introduction of MSME-developed business training modules.	Oct, 07	Dec, 07	<ul style="list-style-type: none"> • Facilitated 5 business training courses in Prey Veng, Svay Rieng Kratie and Kampong Cham for a total 113 participants, including 52 women (for more details, please see section on Activity Update for Program Component 3) • In the process of drafting three new modules of business development training: <ol style="list-style-type: none"> 1. How do I find money to invest in my business? 2. How to attract customers with advertising and marketing? 3. Developing yourself and your business.

PROGRAM COMPONENT 2: ENHANCED CAPACITY OF VALUE CHAIN FIRMS AND/OR STAND ALONE PROVIDERS TO SUPPORT COMPETITIVE VALUE CHAINS	START DATE	END DATE	ACTIVITY UPDATE
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PROGRAM COMPONENT 2: ENHANCED CAPACITY OF VALUE CHAIN FIRMS AND/OR STAND ALONE PROVIDERS TO SUPPORT COMPETITIVE VALUE CHAINS	START DATE	END DATE	ACTIVITY UPDATE
ACTIVITIES			
2.0. Facilitate business and technical training to more MSMEs.			
2.0.1. Facilitate additional business and technical training partners, such as NGOs, MFIs, and educators.	Oct, 07	Dec, 07	Discussed potential partnership with Angkor Microfinance Kampuchea (AMK) to provide Business training services. Potential partners for Business Training will be expected to follow the training methodology and training curriculum developed by the Cambodia MSME project.
2.0.2. Facilitate and formalize traditional service providers to copy the MSME Project model of selecting leading firms and providing specialized training.	Oct, 07	Dec, 07	Facilitated 2 fish technical trainings in Kampong Cham and Prey Veng for 44 participants including 21 women: <ol style="list-style-type: none"> 1. Prey Veng: 20 participants including 12 women entrepreneurs, 2. Kampong Cham: 24 participants including 9 women entrepreneurs. A fingerling supplier from Prey Veng conducted the training
2.1. Expand access to technical and business training services provided by value chain participants.			
2.1.1. Improve and facilitate access to and distribution of technical and business publications.	Oct, 07	Dec, 07	At the opening ceremony to launch the Kampong Cham Branch of the Cambodia Pig Raisers Association, the project distributed over 300 copies of the Pig Production Manual.
2.1.2. Facilitate expansion of services to link producers to markets, improve product quality and delivery, and educate MSMEs on business policy advocacy.	Oct, 07	Dec, 07	Facilitated three cross provincial exposure trips for 78 entrepreneurs including 31 women entrepreneurs : <ol style="list-style-type: none"> 1. For the swine value chain 28 entrepreneurs from Kampong Cham including 12 women and 22 MSMEs including 8 women from Kratie were taken host farms in Kandal and Takeo. 2. For fish value chain from Svay Rieng for 28 fish MSMEs including 11 women. Conducted 6 Business Diagnostics for Brick and Tile manufacturers with the objective of helping firms increase productivity and improve product quality.
2.1.3. Facilitate advanced services training to encourage productivity and market expansion investments.	Oct, 07	Dec, 07	Facilitated four swine embedded technical trainings for a total of 276 participants included 61 women. Worldvet and Medivet two leading Input Supply Companies took a lead role in conducting the training. In Kratie, Worldvet Company facilitated the training for 56 participants (including 10 women). Medivet Company conducted the training in Kampong Cham (61 participants), Svay Rieng

PROGRAM COMPONENT 2: ENHANCED CAPACITY OF VALUE CHAIN FIRMS AND/OR STAND ALONE PROVIDERS TO SUPPORT COMPETITIVE VALUE CHAINS	START DATE	END DATE	ACTIVITY UPDATE
			(84 participants) and Prey Veng (75 participants).
2.1.4. Facilitate the linkage of the national pig association to provincial CWGs.	Oct, 07	Dec, 07	Provided technical assistance and advise on Association formation to the pig raisers in Kampong Cham. These efforts resulted in the formation of the Kampong Cham Branch of the Cambodia Pig Raisers Association on December 27, 2007.
2.1.5. Facilitate business working groups and associations to concentrate on market development and branding.	Oct, 07	Dec, 07	Submitted to USAID a Scope of Work for a consultant to design a Branding Strategy for Cambodia MSME assisted enterprises in the Swine, Aquaculture and Tile Value chains. Work on this initiative will begin next quarter contingent upon final USAID technical approval.

PROGRAM COMPONENT 3: ONGOING IMPROVED MSME ACCESS TO FINANCE	START DATE	END DATE	ACTIVITY UPDATE
ACTIVITIES			
3.0. Improve access to credit for MSMEs in the selected value chains			
3.0.1. Facilitate improved trade and credit relationships between value chain actors to decrease risk and increase lending.	Oct, 07	Dec, 07	Conducted several meetings with input suppliers in the four provinces as part of the survey on credit access. These meetings led to discussions on how to improve credit provision and reducing risks.
3.0.2. Facilitate increased understanding within value chains of the value of using credit for market and product expansion.	Oct, 07	Dec, 07	Research findings by Brett Matthews, Access to Credit Short Term Technical Assistance (STTA) consultant resulted in new understanding of the nature of embedded credit in the Fish and Swine value chains. The final report along with the illustrative work plan will be submitted to USAID in January, 2007.
3.1. Facilitate training in basic accounting.			
3.1.1. Facilitate business trainings that include bookkeeping fundamentals, improve MSME understanding about profitability, and improve the ability of MSMEs to invest resources in the most productive assets or processes.	Oct, 07	Dec, 07	Project staff facilitated 5 business training courses on calculating profit and making investment decisions. Almost 113 participants from Kampong Cham, Svay Rieng and Prey Veng and Kratie benefited from this training on bookkeeping fundamentals.
3.1.2. Facilitate MFIs, NGOs, and private firms to promote basic accounting training.	Oct, 07	Dec, 07	Met with Angkor Microfinance Kampuchea (AMK) to discuss options for their use of the MSME training products. This marketing activity will begin again next quarter as the project seeks to locate willing enterprises to promote and deliver the training courses.
3.2. Facilitate increased lending by firms upstream in the value chain, such as processors and large input suppliers.			
3.2.1. Facilitate innovative mechanisms for increasing credit flows throughout the value chain that result from early Year-3 research.	Oct, 07	Dec, 07	Review of the survey results and report by Brett Matthews indicate that many of the value chain activities currently in practice increase lending by reducing risk for lenders. Several recommendations from this report are under consideration.
3.2.2. Facilitate discussions about credit practices at community working group and association meetings.	Oct, 07	Dec, 07	Improved access to credit is a common theme at Community Working Group and Interest Group meetings.

PROGRAM COMPONENT 4: IMPROVED BUSINESS ENVIRONMENT	START DATE	END DATE	ACTIVITY UPDATE
4.0 Facilitate the development of advocacy capacity and action.			
4.0.1. Facilitate local NGOs to train and build capacity for private and public sectors to engage in dialogue.			No NGOs were identified for advocacy training this quarter.
4.0.2. Facilitate events where the private and public sectors can discuss issues openly and with the goal of resolution.	Oct, 07	Dec, 07	<p>Facilitated advocacy efforts by the Prey Veng Traders' Slaughterhouse Committee on the issue of high license fees. Trader license fees in Prey Veng cost \$350 (approximately ten times as high as in other provinces). As a result of this support and advice from the Cambodia MSME team, the Trader Slaughterhouse Committee sent an official letter of complaint to the Governor of Prey Veng. The government began negotiating a reduction to \$150, but the swine traders have not agreed.</p> <p>Planning to facilitate leading entrepreneurs to raise main BEE issues in public and private dialogue forum planned for January 2008 at Senator Mong Riththy's farm in Sihanoukville.</p>
4.1 Facilitate meetings with private and public sectors to identify issues.			
4.1.1. Facilitate interest groups, community working groups, and association meetings with a goal of identifying new business issues, while presenting successes in solving previous issues.	Dec, 07	Dec, 07	<p>Facilitated the launching of the Kampong Cham Branch of the Cambodia Pig Raisers Association. H. E. Chan Sarun was the Guest of Honor at this event at which 225 Pig raisers from the Kampong Cham province were in attendance.</p> <p>Met with leading firms in the two new Project Assisted provinces of Kampong Speu and Kandal to identify members of new Interest Groups and Community Working Groups.</p>
4.1.2. Facilitate meetings with private and public sectors – individually and collectively – to resolve business environment issues.	Oct, 07	Dec, 07	<p>Conducted a series of individual and group discussions with Swine Community Working Groups, pig raisers and traders to address issues such as:</p> <ul style="list-style-type: none"> • Procedures and avenues for advocacy • Reducing the high slaughterhouse fees • Procedures for registering as a formal Association and guidelines on how to be fully operational and effective.

PROGRAM COMPONENT 4: IMPROVED BUSINESS ENVIRONMENT	START DATE	END DATE	ACTIVITY UPDATE
4.2. Facilitate the identification of issues with the greatest economic development potential for the value chains in particular and the provinces in general.			
4.2.1. Raise awareness of important business issues presented and track their progress.	Oct, 07	Dec, 07	Facilitated travel to Phnom Penh for 12 leading enterprises to meet the Chair and Co-Chair of the Agriculture and Agro-Industry Working Group. During the meeting, 10 issues were presented by project-assisted enterprises. These issues were then presented at a meeting at the Ministry of Agriculture, where the Minister of Agriculture, H. E. Chan Sarun responded to each of the issues raised. Project staff prepared a report compiling the issues raised and the Minister's response and submitted it USAID/Cambodia.
4.2.2. Promote multiple advocacy mechanisms at the national and provincial levels for presenting and resolving issues.	Oct, 07	Dec, 07	The project assisted MSMEs to present issues to their governor in Prey Veng and encouraged the head of the Trader's Committee in Kampong Cham to provide advice to traders in Prey Veng. The project continues to encourage MSMEs to understand and be aware of the mechanism of business advocacy through Agriculture and Agro Industry Working Group. Finally, the project has continued to support the provincial officials in their desire to bring issues to the national level. This effort will continue with exposure missions to Malaysia in the first quarter of 2008
4.3. Facilitate media coverage of important issues.			
4.3.1. Facilitate working relationships with different media - print, radio, television.	Oct, 07	Dec, 07	Coordinated with SE Globe Magazine to produce articles related to Rural MSMEs assisted by the project. Continued working on the Vietnam-government video from TVK. Coordinated with various print, radio and TV stations to promote rural trade fair planned for next quarter.

PROGRAM COMPONENT 4: IMPROVED BUSINESS ENVIRONMENT	START DATE	END DATE	ACTIVITY UPDATE
4.3.2. Facilitate awareness of media on the important issues and encourage advocacy through media.	Oct, 07	Dec, 07	<p>Facilitated increased media coverage of the project-assisted sectors. The following articles highlighting the importance of the Pig and Fisheries sector published in three leading Khmer language newspapers, Koh Santepheap, Rasmeay Kampuchea and Kampuchea Thmey in :</p> <ul style="list-style-type: none"> • People at Svay Rieng happy after MSME formation • Fish farming helps increase living standards of farming families in Kampong Cham, • New fish farming techniques help farmers develop aquaculture in Cambodia. <p>Produced a 15 minutes documentary on the Cambodian provincial government officer exposure trip to Vietnam last month. The documentary will be aired on television on the channel TVK and on the radio Station, FM 102 in January, 2008.</p>
4.4. Facilitate increase participation of the provincial governments in national policy and administrative reform.			
4.4.1. Facilitate mechanisms for improved communications between provincial departments and governors with national ministries in national regulatory and administrative reform efforts.	Nov, 07	Dec, 07	<p>An expanded Business Enabling Environment Strategy was presented to USAID to identify specific strategies and corresponding activities to encourage a two-way flow of information between national ministries and provincial departments for effective implementation of administrative and regulatory reforms. The project prepared scopes of work for several STTA and placed advertisements in local newspapers to seek new staff to implement the strategy.</p>
4.4.2. Facilitate improved performance by provincial governments to perform their economic development functions by defining and improving their understanding of the provincial government's role in economic development and support to the private sector.	Nov, 07	Dec, 07	<p>Organized an exposure visit for 13 provincial government officials from 4 of the project assisted provinces to Vietnam. The objectives of the trip were to encourage Cambodian Government Officials to work as champions in improving the business environment in Cambodia and learn from the counterparts in Vietnam on the active role the government can play in supporting the private sector and stimulating economic growth at the provincial level.</p>

PROGRAM COMPONENT 5: ECONOMIC DEVELOPMENT SUPPORT TO VULNERABLE AND TRAFFICKED PERSONS	START DATE	END DATE	ACTIVITY UPDATE
ACTIVITIES			
5.1.1 Facilitate trainings for at least 50 vulnerable persons with willing enterprises using SCR concept.	Oct, '07	Dec, '07	This Quarter 16 received skills training. As of December, 2007 a total of 49 beneficiaries have received skills training on 18 different skills.
5.1.2 Provide life skills training for at least 50 vulnerable persons to be placed in jobs or self-employed.	Oct, '07	Dec, '07	16 new beneficiaries were given seed money ranging from \$80 to \$230 to be self-employed by setting up their own small businesses. The small businesses ranged from ice-cream selling, sugar cane juice production, bicycle repairing, fish selling, vegetable selling, meat selling, noodle preparation and sale, papaya salad preparation and sale and soy milk production.
5.1.3 Monitor and follow up training progress and job placement or self-employment.	Oct, '07	Dec, '07	The EDVP team at COSECAM conducted monitoring and follow-up visits three times in the first month after the grant is given to new beneficiaries and subsequently once a month visits. In addition COSECAM NGO partners and Government agencies conduct regular monitoring visits to provide business counseling, life skills training and encouragement to beneficiaries.

Short Term Technical Assistance Visits

Name	Dates	Purpose
Brett Matthews	Nov, 1-Dec, 20, 2007	Research and Recommendations on Access to Credit in the Swine and Aquaculture Value Chain
Merrilene Peramune	Dec 12-22, 2007	Facilitation and Business Diagnostics Training. Business Diagnosis for Brick and Tile firms
Bryanna Millis	Dec. 3-21, 2007	Expanded Business Enabling Environment Strategy Development
Lief Doerring	Nov 10-20 and Dec 1-22, 2007	Expanded Business Enabling Environment Strategy Development

Challenges Encountered

No significant challenges were encountered this quarter.

Lessons Learned:

We learned that government officers are very interested in participating in our project activities and are keen to help develop the private sector in their respective provinces.

We learned that the majority of credit entering the value chain comes from other actors within the value chain and not from outside sources.

Quarterly Financial Reporting

The following table reflects expenditures this quarter.

Budget Line Item	Budget Ceiling Amount	Expenses Inception to last Period through September, 2007	Expenses this Quarter October 1 - December 31	Cumulative Expenses Through December, 2007	Remaining Amount From Budget
Workdays Ordered/ Labor	\$2,579,754.00	\$1,380,450.42	\$240,342.90	\$1,620,793.32	\$958,960.68
Other Direct Costs	\$2,227,339.00	\$880,783.58	\$185,507.90	\$1,066,291.48	\$1,161,047.52
G&A	\$200,595.00	\$80,153.55	\$16,799.48	\$96,953.03	\$103,641.97
Grand Total	\$5,007,688.00	\$2,341,387.55	\$ 442,650.28	\$2,784,037.83	\$2,223,650.17