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CAMBODIA MSME 2/BEE PROJECT

QUARTERLY REPORT NO. 1

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TASK ORDER NO. 04

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CAMBODIA MSME 2/BEE PROJECT

QUARTERLY REPORT NO. 1

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INTRODUCTION

Pursuant to the requirements of the Cambodia Micro, Small and Medium Enterprise 2/Business Enabling Environment (MSME 2/BEE) Contract No. EEM-I-00-07-00009-00, Task Order No. 4, Development Alternatives, Inc. (DAI) is pleased to submit the first Quarterly Report covering the period October 1 – December 31, 2008.

BACKGROUND

The Cambodia MSME 2/BEE project (referred to throughout this document as MSME 2) is implemented by a consortium led by DAI. Consortium partners include Nathan Associates, International Development Enterprises (IDE), Agriculture Development International (ADI), Emerging Markets Consulting (EMC), Equal Access and Indochina Research Limited (IRL).

The Cambodia MSME 2 project is managed by Chief of Party, Mr. Curtis Hundley. Mr. Hundley is supported by Deputy Chief of Party, Ms. Vishalini Lawrence; Value Chain Advisor and Component 1 Team Leader, Mr. Sun Boreth; Private Sector Voice Component 2 Team Leader, Mr. Chan Narith; and Public Sector Strengthening Component 3 Team Leader, Mr. Kem Sambaddh. The core technical team is comprised of 15 Cambodian Value Chain Advisors, Business Enabling Environment Specialists, Communications Specialists, Water and Sanitation Specialist, and Monitoring and Evaluation Specialist. In addition, the Phnom Penh office and field offices in Prey Veng and Kampong Cham are supported by six Administrative, Finance and IT staff.

PROJECT OBJECTIVES AND APPROACH

MSME 2 project operates in twelve provinces in Cambodia, including Battambang, Siem Reap, Kampong Thom, Kampong Cham, Kampong Speu, Kandal, Kratie, Prey Veng, Svay Rieng, Pursat, Takeo and Kampot. The MSME 2 project improves the performance of firms in selected value chains, supports public-private dialogue and strengthens the public sector through targeted technical assistance. Program strategies include:

1. Leverage and expand the value chain efforts in the swine, aquaculture, and clay tile value chains, and after a value chain assessment where it can be determined that a market exists from which information can flow to improve relationships and expand the incomes throughout the value chain, add additional agricultural value chains, such as poultry, feed grains, and high-quality fruits and vegetables, in addition to non-timber forest products, such as rattan, honey, and resin, and possibly eco-tourism through an innovative approach in biodiversity;
2. Take an innovative approach to expanding water and sanitation using a value chain approach to engage the private sector and develop sustainable enterprises that will continue the project's efforts after the project activities end;
3. Improve the ability of the MSMEs with whom the project engages to organize effectively among themselves through interest groups, working groups, or associations and then engage with

national and provincial government representatives to improve their business enabling environment;

4. Support the Government-Private Sector Forum (G-PSF) process by assisting the efforts of the IFC to make the G-PSF sustainable;
5. Assist various levels of the government to create a better business enabling environment by improving their ability to draft and implement good legislation, and helping them effectively communicate with other government agencies and officers and the private sector; and
6. Facilitate the Garment Industry Productivity Center to create a sustainable Cambodia Development Skill Training Center.

The project aims to improve firm productivity, build relationships across the selected value chains, and increase investments in enterprises to improve competitiveness. The objective is to assist enterprises to become and remain cost competitive relative to other national and regional firms, while improving quality and capabilities to provide a consistent supply of quality products to local and national markets. At the same time, the project will facilitate the development of business membership organizations (BMOs) among the MSME clients so that they can develop service-based associations that facilitate the delivery of technical and business training and help to lobby for improvements to the business enabling environment that will make their businesses more competitive and profitable.

This quarterly report provides an update of significant activities and achievements in each of the three program Technical Components, Operations, Communications and Media Outreach, Monitoring and Evaluation.

SUMMARY OF PROJECT HIGHLIGHTS IN THE FIRST QUARTER:

- The entire project technical team contributed to the development of the Project Year 1 Annual Work Plan. This was a highly participatory process and involved a full month of planning and discussion with the project team, USAID technical counterparts, and Short Term Technical Assistance support from the DAI Home Office.
- More than 200 prospective project clients in the aquaculture, swine, brick and tile, and water supply value chains were identified in the 12 project assisted provinces.
- The newly appointed US Ambassador, Ms. Carol Rodley, visited project clients in the Swine and Aquaculture Value Chains in Kampong Cham to see the results of the US Government's support to strengthening micro, small and medium enterprises and improve private sector voice in rural Cambodia.
- Organized the roll-out of two Provincial Investment Profiles in Kampong Cham and Svay Rieng Province and planned an additional 10.
- Shared lessons learned from the previous Cambodia MSME project at a Value Chain Workshop for development partners implementing private sector development projects in Cambodia. The Chief of Party, Mr. Curtis Hundley, laid out the strategy and approach which led to the success of the previous project and will continue to guide the MSME 2 project. The workshop was sponsored by Oxfam, America.

- Team Leaders met with Senior Provincial Government officials in all 12 project-assisted provinces to introduce the MSME 2 mandate and seek approval to implement project activities in the respective provinces. All of the Provincial authorities visited, welcomed USAID's continued support to promoting private sector development in their provinces.
- Submitted a detailed legal assessment report to the Head of the Fisheries Administration on ideas for a drafting the new Aquaculture regulation under the Fisheries Law.
- Analyzed and provided written comments to the Ministry of Industry, Mines and Energy (MIME) on the draft regulation for registration of factories and handicrafts.
- Received requests for MSME 2 support from MIME in 7 areas.
- Received requests for MSME 2 support from MOC in 2 areas.
- Attended two Office of Council of Ministers (OCOM)-USAID-MSME 2 Project coordination meetings to obtain feedback from OCOM representatives on the project's first Annual Workplan. OCOM counterparts did not raise concerns about any proposed activities planned for the first year and pledged full cooperation and support to ensuring the project's continued success.

COMPONENT 1: STRENGTHENING VALUE CHAINS

SUMMARY OF ACTIONS, ACTIVITIES AND ACCOMPLISHMENTS THIS PERIOD

A. SWINE VALUE CHAIN

- Facilitated the formation of an Interest Group in Kampot Province for firms in the swine value chain. Thirty-six clients, including 16 women, are members of this newly formed interest group and will receive project facilitated technical assistance and other services to improve the competitiveness of their businesses.
- Formed an Interest Group for 30 firms in the swine value chain in Prey Veng and conducted an assessment of technical assistance needs to improve the performance of firms in the newly formed Interest Group.
- Facilitated a Cross-Provincial Exposure visit for 20 project clients, including 5 women, in the Swine Value Chain from Kampong Speu to Takeo and Kampot provinces to learn about improved feed production techniques and pig farm management. Upon the request of GTZ, ten additional swine raisers from Siem Reap accompanied the project team on this exposure visit.
- US Ambassador-Designate, Ms. Carol Rodley, met with the Mean Commune Branch of the Cambodia Pig Raisers Association in Kampong Cham to learn about the Association's activities to improve the Business Enabling Environment for entrepreneurs in the swine value chain.
- Facilitated a workshop for thirteen input supply companies to introduce the MSME 2 project goals and objectives and identify opportunities to forge partnerships to provide embedded technical training and other services for value chain clients.
- Met with Beta Grow, a leading input supply company interested in partnering with the MSME 2 project to provide embedded technical training to clients in the swine, aquaculture and poultry value chain.
- Met with Cargill Animal Feeds representatives to reiterate MSME 2's commitment to support the introduction of Cargill to MSME's thousands of clients.
- Component Team Leaders attended a Provincial Trade Fair in Svay Rieng. The event was organized by the Svay Rieng Provincial Department of Agriculture. The team assisted a project client from the swine value chain (the client is a pig producer and trader), to set up a booth at the Trade Fair to market his product and services.

B. AQUACULTURE

- Identified 40 new clients in the Aquaculture value chain.
- Coached two highly-successful clients to share their success stories as a result of participation in Cambodia MSME Project activities at two provincial workshops in Kampong Cham and Svay Rieng provinces.
- Facilitated a cross-provincial visit for 7 firms in the Aquaculture Value Chain from Svay Rieng province to Prey Veng to learn about improved aquaculture production techniques.
- Received endorsement from the Fisheries Administration for the Aquaculture Technical and Business Handbook and disseminated over 500 copies to project clients and government counterparts. At the request of USAID/Cambodia, 200 copies of this project publication were distributed to schools through USAID-funded education programs.

C. BRICK AND TILE

- Identified 21 prospective clients in Kampong Cham, Kratie and Battambang provinces.

D. WATER

- Identified more than 21 prospective clients (mostly private water service providers) in Takeo, Kampot, and Kampong Cham who are interested in participating in MSME 2 project activities and expanding water services.
- Finalized a scope of work for IDE, MSME 2 consortium partner, to support the project's mandate to promote improved sanitation in rural Cambodia.
- After an open and transparent bidding process, selected two implementing partners to conduct an assessment of water supply providers (WSPs) and an assessment of towns that have the potential for investments in piped water systems. KOSAN Engineering has been selected for the assessment of WSPs and GRET, a French NGO, has been selected for the assessment of towns for new piped water supply.
- Conducted several meetings with representatives from PATH, a health NGO, interested in collaborating with the MSME 2 project on promoting Point of Use (POU) water filtration systems in Cambodia using a value chain approach. After a series of consultations, the project team decided that there was little value added by engaging with PATH, since they were interested in subcontracting the bulk of the work to Hydrologic, a newly established private firm interested in supporting POU water filtration systems as a fully commercial activity. The project is now in direct discussions with Hydrologic to identify potential opportunities for partnership.
- Reviewed an unsolicited proposal from Ideas At Work on supporting market distribution channels for water pumps and other water and sanitation products in rural Cambodia using a private sector approach. MSME 2 is continuing its dialogue with Ideas at Work.
- Met with Kate Crawford from USAID Health Office to share the MSME 2 project's value chain approach to water and sanitation product and service delivery and solicit her ideas and

recommendations on refining our strategy. Ms. Crawford has extensive experience working in the Health Sector in Cambodia.

E. BIODIVERSITY

- Met with Mary Melnik, Environment and Natural Resource Management Advisor from USAID/Washington to get clarity on the parameters that guide how the Biodiversity earmarked funds can be programmed.
- Coordinated with representatives from the USAID funded PRAJ project implemented by EWMI to discuss ideas for potential collaboration in advocacy efforts to promote biodiversity conservation in Cambodia.
- Began contract negotiations for two locally-based consultants to conduct an assessment of the honey value chain. The assessment will begin in January 2009.
- Three firms and NGOs expressed interest in bidding on the Request for Proposals to support the MSME 2 project's biodiversity program sub-component. Clarification questions were submitted and written response was sent to all interested parties but only one bidder, PACT/CFI, submitted a proposal.
- Project representatives have been regularly attending the Rattan Working Group meetings facilitated by World Wildlife Foundation (WWF).
- Natural Resource Management Advisor, Andrew Watson, surveyed the Toub Cheang conservation area and met with Community Forestry Groups working on biodiversity conservation efforts and the sustainable harvesting for Non-Timber Forest Products. Information gathered during the field visit along with extensive consultations with organizations working on conservation efforts in Cambodia, informed Mr. Watson's recommendations for activities to be implemented by MSME 2 in the first year of project implementation.
- Began the process of indentifying locally-based consultants to conduct assessments of the resin, rattan, citrus and eco-tourism value chains.

CONSTRAINTS ENCOUNTERED AND UNRESOLVED ISSUES

- The Swine industry in Cambodia continues to be in a precarious state. The team is working with project clients to help them address several critical business enabling environment issues, including the high cost of cross-provincial transportation of pigs and inputs, and the declining price of live pigs due to illegal imports and other market distortions. These two issues remain the biggest challenge facing entrepreneurs in the swine value chain and have led many to abandon their swine raising activities altogether.
- The project has experienced several unforeseen challenges in recruiting a full time expatriate Water Advisor which has led to delays in promoting some of the planned water and sanitation activities.

- Four key technical staff members proposed in the MSME 2 proposal opted not to continue on the MSME 2 project which led to a loss of momentum in ramping up field activities.

ACTIVITIES PLANNED FOR THE NEXT REPORTING PERIOD

- Organize ten provincial project introduction workshops in Battambang, Siem Reap, Kampong Thom, Kampong Speu, Kandal, Kratie, Prey Veng, Pursat, Takeo and Kampot.
- Facilitate the formation of 10 Interest Groups in the Swine and Aquaculture Value Chain.
- Conduct a value chain assessment of Honey, Rattan, Resin and possibly citrus and eco-tourism.
- Facilitate six cross-provincial exposure visits for entrepreneurs to learn about improved production and marketing methods and build relationships across Value Chain actors.
- Complete two assessments of Water supply operators and municipalities for potential piped water supply.
- Facilitate six embedded technical and business trainings for entrepreneurs in the swine, aquaculture and brick and tile value chains.
- Begin working with Community Forestry Groups on Non-Timber Forest products such as honey, rattan and resin.
- Facilitate two Provincial Rural Trade Fairs.
- Conduct an international technology and governance exposure visit to Vietnam for entrepreneurs in the Brick and Tile value chain.
- Begin activities to promote rural economic development through provincial and national government investment promotion agencies and private sector associations.
- Begin activities to promote better business profitability by facilitating more entrepreneurship and business trainings.

COMPONENT 2 - STRENGTHEN PRIVATE SECTOR VOICE

SUMMARY OF ACTIONS, ACTIVITIES AND ACCOMPLISHMENTS THIS PERIOD

➤ **Engagement with Provincial Departments**

Met with Directors of the Department of Agriculture in 10 provinces among our 12 target provinces to introduce the project and discuss the project's overall objective to improve the performance of firms in selected value chains and improve the business enabling environment in Cambodia. The project team introduced the idea of establishing Provincial-level Agriculture Sector specific public-private dialogue mechanisms in Kampot, Svay Rieng, Kampong Thom, Kratie and Kampong Cham. The Provincial authorities in each of the aforementioned provinces welcomed such an initiative and assured the team of full cooperation and support.

➤ **Public-Private Dialogue**

1. The project facilitated the participation of 8 firms in the swine value chain, in the G-PSF Technical Working Group on Agriculture and Agro-Industry. While most of the agenda for the meeting was dominated by large private sector Agro-Industry companies, our clients were able to raise 3 issues:
 - a. Clarification on the services provided and fees charged by Government Animal Testing Laboratories.
 - b. RGC commitment that requests for licenses and permits would receive action or at least acknowledgement within 30 days of application.
 - c. RGC commitment to enforce the agreement with pig traders that only 800 pigs will be imported each day and that the imported livestock will be inspected carefully before import.

All three issues were addressed to the reasonable satisfaction of our clients.

2. Participated in a meeting between the Department of Animal Health and Production with Mong Reththy and 4 pig traders as well as provincial project clients. Discussed pig importation issues from neighboring countries that affects the profitability of local pig producers.
3. Participated in a follow up meeting of the Agriculture and Agro-Industry Working Group facilitated by the IFC at MAFF. The Minister of Agriculture, H.E. Chan Sarun, raised concerns over the issue of inadequate animal inspection while importing pigs and as well the issue of the four large pig traders exceeding their trader license terms which allows the

import of only 800 pigs per day. Anecdotal reports indicate that imports have been greater than this allotted amount, which has had an adverse affect on domestic pig producers.

4. Director General of MAFF issued a memorandum to the Department of Animal Health and Production and Mong Reththy Group, setting clear limits on pig imports from neighboring countries and set a quota of 800 pigs per day. This government action was welcomed by entrepreneurs in swine value chain.

➤ **Government-Private Sector Forum (G-PSF)**

1. Project representatives attended the Government-Private Sector Forum meeting on Nov. 21, 2008. The event was presided over by Prime Minister Hun Sen. 600 copies of a video documentary on two successful Cambodia MSME project-facilitated Better Governance exposure missions to the USA and Vietnam were distributed to Forum participants, including high level RGC officials, Private Sector representatives, International Organizations and Donors.
2. In close collaboration with the IFC and USAID, drafted a scope of work for a firm to assist in identifying how the project can support the IFC in defining its future role with regards to the G-PSF.

➤ **Association Building**

1. Met with the Salt Producers Association in Kampot to learn from their experience in establishing and operating a Business Membership Organization. The Salt Producers Association is widely regarded as one of the most successful associations in Cambodia.
2. Identified four local NGOs for potential partnership on association development and advocacy training.

➤ **Project Implementation Workshops**

1. The Project Implementation and Provincial Investment Profile Roll-Out workshop for Kampong Cham was held on December 17, 2008. USAID representatives from the Office of General Development, Mr. Reed Aeschliman and Ms. Ronit Gerard, attended the event. Mr. Reed Aeschliman introduced the new USAID project and pledged USAID's continued commitment to supporting economic development and better governance initiatives in Cambodia. Over 75 public and private sector participants attended the event. The workshop served as an important provincial public-private dialogue forum event where private sector representatives were able to engage directly with Government officials and highlight challenges facing rural businesses in Cambodia. Provincial Government officials offered ideas on how they could jointly address some of the critical Business Environment issues identified by the private sector. The Kampong Cham Provincial Investment Profile was presented to the governor's cabinet and other participants at the event.
2. The second Project Implementation workshop was held in Svay Rieng on December 19, 2008. Mr. Reed Aeschliman represented USAID at the event and the Deputy Governor of Svay Rieng represented the provincial administration. Over 90 participants attended the Svay Rieng Project Launch event, which also became a private-public dialogue.

➤ **Global Development Alliance (GDA) Partnerships**

1. Met with Mr. Lyuan Hay of the Mong Reththy Group to discuss options for USAID support for a technical training school in Sre Ambel. USAID and MSME determined that while this option will be assessed, a broader initiative will be commissioned through the MSME 2 Project.
2. Met with representatives from Cargill Animal Feeds and Du Pont Thailand, Ltd. to discuss potential GDA partnership opportunities with the MSME 2 project.

➤ **Other Important Activities**

1. **USAID and Project Team Leaders met with the Deputy Governor of Kampong Cham** who reiterated his appreciation of USAID’s continued support to economic development in Kampong Cham Province.
2. **The newly appointed US Ambassador, Ms. Carol Rodley**, visited project clients in the Swine, Aquaculture and Brick and Tile Value Chain in Kampong Cham to see the results of the US Government’s support to strengthening micro, small and medium enterprises and improving private sector voice in rural Cambodia.
3. **Technical advisory support for the Svay Rieng Provincial Trade Fair.** The trade fair was organized by the Svay Rieng Provincial Department of Agriculture. Team Leaders advised on including input suppliers and leading businesses and used the opportunity to meet with and build on their existing network of key Provincial Administration officials from the Departments of Fisheries and Agriculture and leading businesses in Svay Rieng.

CONSTRAINTS ENCOUNTERED AND UNRESOLVED ISSUES

No significant constraints were encountered this quarter.

ACTIVITIES PLANNED FOR THE NEXT REPORTING PERIOD

- Form Community Working Groups in each of the project supported value chains.
- Facilitate 4 advocacy and association development training sessions for Community Working Group members in Kratie, Kampong Speu, Kandal and Kampong Cham.
- Organize 10 Provincial Project Implementation workshops in Battambang, Siem Reap, Kampong Thom, Kampong Speu, Kandal, Kratie, Prey Veng, Pursat, Takeo and Kampot.
- Facilitate one Better Governance International Exposure visit to Malaysia, Vietnam, or the Philippines for government and private sector representatives.
- Facilitate field visits for government counterparts to give them greater exposure to the opportunities and challenges of stimulating private sector development at the provincial level.

COMPONENT 3: PUBLIC SECTOR STRENGTHENING TO IMPROVE THE BUSINESS ENVIRONMENT

SUMMARY OF ACTIONS, ACTIVITIES AND ACCOMPLISHMENTS THIS PERIOD

- Prepared and submitted detailed comments to the head of the Fisheries Administration on ideas about aquaculture rulemaking and other MSME 2 support for the new Fisheries Law.
- Better Regulations Advisor, Paul Dodds, gave a presentation on ideas for regulating Aquaculture under the new Fisheries Law. The presentation was well received by the 30 participants at the Fisheries Technical Working Group meeting on November 6, 2008.
- Conducted field meetings with fish farmers to test a questionnaire about their experiences with the Fisheries Administration licensing practices as they are implemented in the field.
- Commented on draft MIME regulation for registration of factories and handicrafts as a first step to working with MIME in this possibly important new prakas.
- Provincial Investment Profiles
 1. After a lengthy consultative process with Provincial Government Departments, the project produced six Provincial Investment Profiles in English and Khmer Language for Kampong Cham, Svay Rieng, Kratie, Prey Veng, Kandal and Kampong Speu Province.
 2. Met with David Van, UNDP Trade Advisor to discuss strategies for potential collaboration with UNDP to promote investments and improvements to the provincial Business Enabling Environments.
 3. The project began discussions with Peter Brimble, a renowned Investment Advisor, on strategies for promoting investment opportunities in the Project assisted provinces using the Provincial Investment Profiles as a starting point.
- Met with Mr. Meng Saktheara, Director General of Ministry of Industry, Mines and Energy (MIME) to introduce the project and identify possible areas for targeted technical assistance. Mr. Meng welcomed USAID's new Economic Growth program and shared his plans to improve the business environment for Cambodia's MSMEs through improved service provision by MIME, mostly for MSMEs in the industrial and handicrafts sectors.

He requested support in the following seven areas:

1. Development of a Recourse Mechanism
 2. Support to Build Capacity of SME Secretariat, National and Provincial MIME Civil Service Employees
 3. Support to Develop Better Regulations and Regulatory Instruments
 4. Support to Improve Dialog Between the National and Provincial Government Offices
 5. Support to Improve Dialog Between the MIME and DIME Civil Servants and MSMEs
 6. Support to Analyze and Present Solutions to Issues Raised in the Manufacturing and SME Working Group
 7. Support to Provide Better and More Interactive Information on the MIME Website
- Prepared analysis of G-PSF sustainability concepts, and worked with IFC to prepare scope of work.
 - Assisted Component 2 team colleagues to prepare pig farmers to participate in G-PSF working group meetings with MAFF, and raise their concerns about swine import and quarantine procedures.
 - Chief of Party, Curtis Hundley, gave a presentation to TradeSWAp on MSME 2's strategy and approach for engaging with TradeSWAp Ministries related to efforts to improving the business enabling environment. The presentation was well received and participants included representatives from Laos and Nepal.
 - Project representatives attended two Technical Working Group meeting on Fisheries, and the Forestry and Environment.
 - Met with MAFF counterparts about possible assistance to the working group in charge of establishing agreements among swine importers and licensing framework for a quarantine for imported swine.
 - Assisted water and bio-diversity STTA consultants to review possible policy and regulatory barriers to implementing these project components.
 - Interviewed several Ministry of Commerce officials and Trade Swap counterparts, including Sven Callebaut, UNDP Advisor for Trade SWAP Pillar 3, H.E. Pan Sorasak, Secretary of State, MOC, Penn Sovicheat, Director of Notification and Legal Compliance and Om Dararith, Director of Legal Affairs Department, to identify training and technical assistance needs.
 - Developed initial outline for training by Vietnamese experts on their WTO accession and compliance experiences.
 - Met with MOC officials, including Sok Sophiek, and received request to assist them to establish and implement systems to improve intra-ministerial reporting and improve coordination to identify possible WTO-compliance issues in proposed and new laws and regulations that are required in laws promulgated by other ministries.

CONSTRAINTS ENCOUNTERED AND UNRESOLVED ISSUES

- Fisheries Administration (FiA) has requested financial support and is seeking to have development partners fund 80% of its operating expenses in 2009. Project inability to provide direct financial support to FiA may directly, negatively impact project effectiveness.
- Communication between the project and the MAFF Department of Animal Health and H.E. Mong Reththy has worsened over the past several months, as RGC-sanctioned distortions in the swine market continue to inflict severe harm on project value chain clients. It will remain challenging to engage in constructive dialogue to foster rural SME goals.
- As the project meets and engages with a much wider range of RGC counterparts in new ministries and provinces, careful setting of priorities and expectations, and careful allocation of scarce project resources will be increasingly needed to ensure success.
- The legal rights of community forestry groups in identified bio-diversity hot spots may be less well established than originally believed, and there may be more direct conflicts with road building or land concessionaire interests, than initially expected. If so, this could lead to delays and additional efforts required to meet project bio-diversity goals.

ACTIVITIES PLANNED FOR THE NEXT REPORTING PERIOD

- Prepare methodology to select priority interventions for assisting RGC counterparts. Continue to meet with identified RGC counterparts, both nationally and provincially, to poll them about their policy advisory and training needs, to help select priority interventions with promising counterparts.
- Work with Fisheries Administration aquaculture team to draft regulation, once approval is given by H.E. Nao Thouk for approach to be taken.
- Continue to develop and roll out the questionnaire for fish farmers, with the aim of presenting results to the Fisheries Administration and fish farmers by second quarter 2009.
- Work with MIME General Director of Industry on draft regulations for factory and handicraft licensing. Coordinate with MIME to engage both private sector and provincial level officials in rulemaking discussion.
- Work closely with water consultants, particularly with visits to likely communes and providers, to learn about possible legal and regulatory issues that may impact piped water implementation.
- Work closely with bio-diversity consultants, once contracted, to help identify and begin to resolve community forestry group legal issues.
- Assist MoC to establish and implement systems to improve intra –ministerial reporting and coordination to identify possible WTO-compliance issues in proposed and new laws and regulations.

- Conduct background research on Royal Kram electronic publication efforts and prepare recommended strategy for how to proceed, including setting out RGC commitments needed to ensure sustainability.
- Develop and present a seminar in fact checking for regulators, tying into ADB efforts to develop regulatory impact assessment capacity with key RGC counterparts.
- Simplify legal drafting seminar documents and present again to a different group of regulators.
- Prepare strategy to select provincial level training providers for general skill building for RGC counterparts.

OPERATIONS AND ADMINISTRATION

SUMMARY OF ACTIONS, ACTIVITIES AND ACCOMPLISHMENTS THIS PERIOD

GENERAL OPERATIONS

- Successfully completed expansion of the office space to accommodate additional project staff.
- Renewed project registration with the Ministry of Foreign Affairs through early December 2011.
- Completed project performance monitoring and evaluation plan and submitted to USAID for review.
- DAI Home Office business manager, Lisa Lynn, conducted additional training for project Accountant and Office Manager on DAI policies and procedures to help them streamline administrative processes.
- With assistance of international STTA, Ms. Tanja Lumba, established and customized the project TAMIS (Technical and Administrative Management Information System) database which is being utilized to capture personnel records, procurement, travel and leave, and improve project performance monitoring. All Cambodia MSME 2 staff have been trained in the database use.
- Completed updates to the project Personnel Policies Manual, incorporating comments on labor law issues and recent policies from local lawyers. The manual is currently awaiting approval from the DAI Human Resources and Contracts Departments.
- Updated project travel policies.
- Implemented a more rigorous system for monitoring and tracking staff travel advances.

PROCUREMENT

- Requested and collected proposals from vendors to complete water town assessments, water service provider assessments, and biodiversity training. From the proposals submitted, selected firms based on cost, qualifications, and merits of proposals submitted. Current status on these procurements is listed on the table below:

TABLE 1: SUMMARY OF LARGE SERVICE PROCUREMENTS IN THE FIRST QUARTER

Work	Company Selected	Status
Water Town Assessments	Kosan Engineering	Contract issued – no CO approval needed; started on Jan 6, 2009
Water Service Provider Assessments	GRET	SOW and budget finalized; will submit source/origin waiver in early January
Biodiversity Training/Implementation	PACT/CFI	Finalizing the SOW/budget; will submit for approval in second quarter of project

- Selected project vehicles, provided justifications and requested necessary approvals and waivers from USAID. The project has recruited drivers and is currently renting several vehicles to meet project short-term staffing needs until the purchased vehicles arrive.
- Completed the procurement of computer and copy machine equipment through the DAI/Bethesda office. The equipment arrived in Cambodia on January 10, 2009.
- Procured additional office furniture for the expanded office and additional project staff.
- DAI Home Office business manager, Lisa Lynn, conducted training for the project Office Manager and DCOP on USAID and DAI procurement regulations, policies, procedures and documentation requirements.
- Issued subcontract agreements with Nathan Associates, Equal Access, dTS, and IRL.

STAFFING

- In the first quarter of the project, MSME 2 hired a large number of staff. 18 CCN staff from the previous Cambodia MSME continued employment with MSME 2 and were issued employment agreements at the start of the project. The three full-time project expatriates were hired. In addition, recruited the following staff:

TABLE 2: SUMMARY OF STAFF RECRUITED IN THE FIRST QUARTER OF THE PROJECT

Employee	Position
Kem Sambaddh	Component 3 Lead (replaces Ouch Chamroeun in the proposal budget)
Kim San	Legal Advisor (New position)
Nouv Channarin	Water Engineer (TBD position)
Bou Khema	Office Manager (additional position based on project needs)
Sok Sokha	Senior Accountant (additional position based on project needs and imminent departure of the accountant)
Seang Chhungleng	Office Manager – Kampong Cham (TBD position)
Sam All	Driver (TBD position)
Sitha Sok	Driver (TBD position)
Leang Chheang	Driver (TBD position)

- Contracted HR Inc., a local recruiting/staffing company to obtain information on current market salary rates for positions and to review the project’s benefit package to ensure that it is competitive enough to retain staff. The report was received at the end of the year and is currently being analyzed by the MSME 2 management team. Cambodia MSME had been negotiating salaries purely on prior salary history, and has realized that this has had a negative impact on retention for some positions, and therefore is looking at a more holistic compensation package to ensure retention of quality staff. The project anticipates requesting market-rate adjustments for a few employees during the project’s second quarter.

CONSTRAINTS ENCOUNTERED AND UNRESOLVED ISSUES

GENERAL OPERATIONS

- Project registration was finalized in mid-December, after a brief delay following the original request in October, due clarification questions that arose with the Ministry of Foreign Affairs. The registration process necessitated more time than originally anticipated.
- MSME 2 began receiving a number of clarification questions from USAID on salary and rate approval requests, beginning in December 2008. DAI and MSME 2 provided additional clarification and information to support on submissions, and sought to gain a better understanding of the CTO and CO approach on reviewing submissions so that all necessary information is included on original requests.
- It has taken additional resources to fully understand the earmark requirements, tailor the workplan and implementation activities to ensure that it is in alignment with earmark goals, to determine the best and most efficient way to track costs by earmark, and to ensure that employees, the accountant, and subcontractors understand how to track costs and their earmark reporting requirements. We are confident that the MSME Year 1 Workplan and implementation

are now appropriately tailored to align with 2008-2009 earmarks, and that the appropriate reporting and accounting measures are in place to track earmark costs.

STAFFING

- Several candidates who were included in the proposal in strategic positions have resigned or withdrew their names after the proposal was won. These include the Component 3 Team Leader, the expatriate Water Engineer, the Strategic Value Chain Advisor and other value chain specialists. Cambodia MSME 2 has actively recruited for replacements, filled most positions, and is still in the process of recruiting for remaining positions.

TABLE 3: SUMMARY OF UNEXPECTED STAFFING CHANGES FROM PROPOSAL

Position	Status
Component 3 Team Lead	Kem Sambaddh filled the position and started on Jan 2, 2009
Expatriate Water Engineer	The project has been actively recruiting for this position since contract was awarded and the original candidate backed out. A preferred candidate has been identified. However mobilization has been delayed due to medical issues. The management team hopes to have this resolved and the candidate mobilized by the end March 2009.
Strategic Value Chain Advisor	Sam Bona, the former Field Operations Manager on the Cambodia MSME project was proposed for his position declined.
M&E Advisor	The candidate recruited early in the project declined our job offer, the day before he was supposed to start. Mr. Prum Vothana, his replacement, will be starting in mid-January 2009.
Private Sector Voice Coordinator	Candidate, Ms. Kong Vy, has been identified and the approval request will be submitted in early January 2009.

- The delay in filling the positions has stretched team resources. The absence of the full time expatriate water engineer has created some delay in water and sanitation activity programming and implementation.
- During this quarter the project has mobilized the following STTA:

TABLE 4: STTA MOBILIZED DURING THE PROJECT'S FIRST QUARTER

Consultant	Main Objective
Andrew Watson	Support the development of biodiversity programming, contribute to the workplan and the PMP
Del McCloskey	Support the development of water-related programming, contribute to the workplan and the PMP
Bryanna Millis	Develop the project PMP and provide input on indicator tracking
Paul Dodds	Support workplan and PMP planning for regulatory reform and BEE.
Lisa Lynn	Support project startup, train administrative and finance staff, improve processes and systems to make sure appropriate internal controls and systems are in place
Tanja Lumba	Customize for the project the TAMIS database – for performance and administrative tracking

ACTIVITIES PLANNED FOR THE NEXT REPORTING PERIOD

GENERAL OPERATIONS

- Finalize and train staff on all project manuals, policies and procedures.
- Open two additional project offices and train new provincial office managers.
- Train new Sr. Accountant and Office Manager on their responsibilities and job duties.
- Continuation of evaluation and streamlining of administrative procedures to ensure that the appropriate systems and practices are in place to support scaled-up project activities.

PROCUREMENT

- Finalize and issue subcontracts and purchase orders to EMC, ADI, PACT/CFI, IDE, GRET.
- Cambodia MSME 2 anticipates receiving approval on project vehicles requested.

STAFFING

- MSME 2 has made a lot of progress in filling open positions. We expect that the following positions will be filled in the second quarter:

TABLE 5: PROJECT POSITIONS FILLED IN SECOND PROJECT QUARTER

Person	Position
Ros Limhy	Feed Grain Value Chain Coordinator
TBD	Water Specialist
Kong Vy	Private Sector Dialogue Coordinator
Prum Vothana	M&E Specialist – approved in early January, to start late January 2009
Duc Phon	GIS Specialist
TBD	Office Manager for Battambang
TBD	Office Manager for Kampon Thom
Phoung Ponreay	Rattan VC Specialist/CBNRM Specialist
TBD	Expatriate Water Engineer/Advisor

- The Operations and Administration team will be working on mobilizing the following short-term consultants in the second quarter of the project:

TABLE 6: STTA ANTICIPATED TO BE MOBILIZED IN SECOND PROJECT QUARTER

Person	Position
Steve Parker	Support on trade-related issues
Del McCluskey	Water programming support
Bob Bouvier	GIS support/training, particularly in support of biodiversity work for the project
Christina Manfre	Gender-aware programming and implementation
Eric Bjers	IT setup, installation and configuration

Andrew McNaughton	Honey value chain assessment
Meang Sotha	Honey value chain assessment
Tim Purcell	Resin and Citrus Value Chain Assessment
Phil Psilos	Access to Finance and Enterprise Development Advisor
Peter Brimble	Provincial Investment Promotion Advisor
Gary Kilmer	Rattan Value Chain Assessment
Tanja Lumba	Follow-up to TAMIS customization
Marina Krivoshlykova	Value chain work, technical planning and implementation, project management

COMMUNICATIONS AND MEDIA OUTREACH

SUMMARY OF ACTIONS, ACTIVITIES AND ACCOMPLISHMENTS THIS PERIOD

- Equal Access drafted an Integrated Communications and Media Plan, based on the communications strategy included in the project proposal.
- The overall integrated communication plan was presented to the MSME Management team, Component team leaders, and USAID communication specialists on November 24, 2008.
- In December, 2008 Equal Access and the MSME 2 Communications team began discussing topics for the Project Quarterly Newsletter and the Weekly Business Radio program.
- Completed a draft work plan for the design and production of the business radio magazine program planning, research and design will adhere to this plan.
- Prepared press relations materials templates.
- Prepared a draft format and template for the quarterly newsletter, the first edition is expected to be released in late January, 2009.
- 2000 copies of the Project Calendar for 2009 were printed and distributed to project clients and government counterparts.
- 500 copies of the Aquaculture Technical Training poster were published and distributed to project clients and relevant national and provincial Department of Fisheries officials.
- 500 copies of a series of technical training videos on advanced pig raising techniques were disseminated to project clients and relevant government departments.
- Coordinated with various media outlets to ensure maximum press coverage for the MSME Project Implementation Workshops in Kampong Cham and Svay Rieng. The events were covered by the following news media:
 - FM 100.5 radio station
 - National Radio FM 96.5
 - An article was published in Rasmey Kampuchea, a Khmer Language Daily Newspaper
 - A news clip was aired on Cambodia Television Network (CTN)
 - A news clip was broadcast on Bayon TV station.
- Exhibited photos of Cambodia MSME project activities during project implementation workshops in Kampong Cham and Svay Rieng.

CONSTRAINTS ENCOUNTERED AND UNRESOLVED ISSUES

- Based on significant comments and input from DAI and USAID the first draft of the Integrated Communications and Media Plan was deemed unacceptable and a complete revision was completed by Equal Access.
- After numerous internal debates and discussions, the Project name changed from MSME 2/BEE project to the SAMRAJ Project (Khmer word for Achievement), back to the MSME 2/BEE project and by the end of the Quarter, it was decided that the project would continue to use the name Cambodia MSME given the project brand recognition particularly among project clients.

ACTIVITIES PLANNED FOR THE NEXT REPORTING PERIOD

- Integrated Communications and Media Plan will be finalized.
- Communications Management Matrix will be drafted and distributed to the MSME 2 team and USAID to ensure that all parties concerned are aware of communications activities and outputs.
- A press relations management matrix will be drafted and finalized - detailing all project activities which should have press relations materials.
- Press relations material template will be completed – press releases and fact sheets will be produced according to the press relations matrix.
- First edition of the quarterly newsletter will be completed.
- The project website will be upgraded and updated.
- First 4 episodes of “Success Starts With You” business radio magazine will be produced and broadcast nationwide.
- First 2 episodes of local editions of “Success Starts With You” roundtable dialogue radio programs will be produced and broadcast on 9 FM stations.
- Planning for use of short format radio and television media will be finalized.

MONITORING AND EVALUATION

SUMMARY OF ACTIONS, ACTIVITIES AND ACCOMPLISHMENTS THIS PERIOD

- Basic Client Profile Forms have been developed to track private sector and public sector clients. Project staff have updated over 400 client profile forms in the MSME 2 Project's Technical and Administrative Information Management System (TAMIS) database.
- Sophath Oeun and Curtis Hundley attended a three day workshop in Bangkok on "Quantifying Achievements in Private Sector Development," sponsored by the Donor Committee for Enterprise Development (DCED), of which USAID is a leading contributor. MSME 2 will be one of four pilot projects worldwide to test the DCED methodology.
- In close collaboration with the Project Technical Team, Bryanna Millis, Performance Management and Evaluation Plan (PMEP) Advisor, completed the PMEP. The PMEP was prepared in compliance with DCED guidelines. Ms. Millis trained the team on the PMEP, the causal model for each program component and the performance measurement indicators and targets that have been established for measuring project results.

CONSTRAINTS ENCOUNTERED AND UNRESOLVED ISSUES

- The M&E Specialist proposed in the MSME 2 proposal declined our job offer the day before he was to join the team. Ms. Bryanna Millis's trip was planned to allow for overlap with the M&E specialist so that he could be trained by Ms. Millis and contribute to PMEP development. The delay in recruiting a replacement M&E specialist has placed an undue burden on other members of the project team.
- Indochina Research Limited (IRL) is the implementing partner responsible for designing and setting up the project's M&E system and methodology for data collection and analysis. Although DAI has issued a subcontract to IRL, the subcontract has not been fully executed because it stipulated payment in local Cambodian currency as per USAID regulations, which was unacceptable to IRL. The DAI office of contracts has submitted a waiver request to allow for payment of local subcontractors in US Dollars as is standard practice in Cambodia. We hope this issue will be resolved expeditiously so that IRL can fully execute the subcontract and begin design and field work for the baseline survey scheduled to begin in late January, 2009.

ACTIVITIES PLANNED FOR THE NEXT REPORTING PERIOD

- Baseline Survey Methodology design and field work.
- Further customization of the TAMIS to track progress on MSME 2 indicators.