

Promoting SME Competitiveness in Cambodia

Enhanced resiliency through inclusiveness



In collaboration with



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About the paper

Cambodia's small and medium-sized enterprises play a central role in the country's economy and development, but face a number of challenges that have been further complicated by the COVID-19 pandemic.

Drawing on data from the SME Competitiveness Survey, this report shows how competitiveness factors affect the resilience of companies in the face of crises. It illustrates how quality-focused and innovative firms were less affected by COVID-induced economic shocks and how companies that engaged with business support institutions were better informed about COVID-related support programmes. Lessons offered by the survey results are being used in developing policy recommendations for fostering more competitive and resilient SMEs with the potential to contribute to Cambodia's economic recovery.

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For more information on the SME Competitiveness Survey, see: <http://www.intracen.org/SMEBenchmarking/>

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Foreword

Structural transformation and productivity growth are driving rapid economic development in Cambodia. Income growth has been very strong in recent years, with the gross domestic product (GDP) growing by 7.1% in 2019, the fastest rate among the ASEAN economies.

However, as in many other countries, growth turned negative in 2020 as a result of the COVID-19 pandemic's economic impact. While Cambodia has so far avoided the worst effects of the disease in terms of public health, restrictions on travel and economic activity put in place to manage the spread of the virus at home and abroad are disrupting production and value chains as demand in many sectors declines or changes.

Small and medium-sized enterprises (SMEs) are particularly vulnerable to the effects of the crisis, given their limited internal resources, capacities and networks. However, the dynamism and innovation potential of Cambodia's SME sector will be critical to the economic recovery.

New government initiatives have been introduced to assist firms in managing the crisis and adapting to changing conditions. Going forward, the government, business support organizations and firms will need to find new approaches to new challenges. Policy on SMEs and the business environment will play a major role in shaping the response to the pandemic and in 'building back better'.

This report provides insight on SMEs to inform the design of these policies. The International Trade Centre (ITC) has partnered with the Ministry of Industry, Science, Technology and Innovation (MISTI) to assess the competitiveness of Cambodian SMEs through surveys on their characteristics and performance, as well as their experience during the pandemic.

Under this collaboration, the ITC SME Competitiveness Survey questionnaire was administered to 400 businesses across Cambodia between December 2019 and August 2020. In June-August 2020, 272 of these respondents took part in a follow-up interview about the impact of COVID-19 on their businesses.

Competitive firms drive economic growth, diversification and exports. During crises such as the current pandemic, these firms are fundamental to the resiliency that will make recovery possible. The results of the two surveys show that, with the right support, Cambodian SMEs have the potential to succeed and to make significant contributions to the country's development.

ITC and MISTI share a vision to build the competitiveness of small enterprises so they can withstand shocks and compete in local, regional and global markets. We see this report as an important step to make this vision a reality.



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Business and Marketing Research Solutions (BMRS) Asia conducted the interviews.

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ITC was established in Geneva, Switzerland, as a joint agency of the United Nations and the World Trade Organization dedicated to strengthening the competitiveness of small and medium-sized enterprises to build vibrant, sustainable export sectors that provide entrepreneurial opportunities, particularly for women, young people and poor communities.

The Ministry of Industry, Science, Technology and Innovation (MISTI) aims at facilitating business and investment in Cambodia and at supporting industries adoption of technologies for innovation. MISTI chairs the Sub-Committee on SMEs.

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