

## **Executive Summary**

*A by-product of the preparation of the Cambodia Trade Integration Strategy 2007 (CTIS 2007) was to point to the need for capacity development in areas of value chain research and trade information in Government. Pillar 2 of the Trade Sector-Wide Approach (Trade SWAp) launched in early 2008 took on the responsibility of coordinating work on export value chains in the 19 export potential sectors identified in CTIS 2007. Pillar 2 identified early on the need to create a value chain and trade information unit (VCU) within the Ministry of Commerce (MoC) to begin developing such supportive research and information capacity.*

*With the start of the VCU in 2009 and the change of donor support in 2011, it is too early to identify clear impacts or draw strong lessons as of yet. But by most accounts, that capacity is needed as it could benefit the private sector in its export efforts, Government in some of its discussions with development partners about Aid-for-Trade (Aft), Government in sector-based policy-making, or Government, the Private Sector and development partners in their monitoring of progress under Trade SWAp.*

### **1. Issue Addressed**

In 2006-2007, the Royal Government of Cambodia (RGC), under the leadership of the Ministry of Commerce (MoC), proceeded with updating its *2001 Diagnostic Trade Integration Study*. The result was the preparation of the *Cambodia Trade Integration Strategy 2007* (hereafter, *CTIS 2007*) endorsed by the Sub-Committee on Trade Development and Trade-Related Investment in March 2007 and launched by His Excellency Samdech Hun Sen, Prime Minister, in December 2007.

*CTIS 2007* identified and provided preliminary research on 19 potential sectors that could serve as a basis for the expansion and diversification of Cambodia's export base. A by-product of that effort was to point to the need for capacity development in areas of value chain research and trade information in Government and the piece-meal approach to value chain research by development partners up to that point.

### **2. Objective Pursued**

Subsequent to the launch of the *CTIS 2007* and the Trade SWAp itself (January 2008), the Sub-Committee on Trade Development and Trade-Related Investment identified three "Pillars" to support the implementation of the Trade SWAp and coordinate development partners' assistance going forward with Pillar 2 focusing on export value chains. From early on, Pillar 2 took the development of value chain research and trade information capacity in Government as one of its key objectives, with a focus on creating a Value Chain Unit (VCU) in the Ministry of Commerce (MoC.)<sup>1</sup>

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<sup>1</sup> Development of Value chain and trade information is Outcome 1 in the Pillar 2 Road Map which is being finalized (draft of February 16, 2011)

### **3. Challenges Encountered and Factors for Success**

#### 3.1 Further Background

While the work on *CTIS 2007* and the rolling out of the Trade SWAp were progressing, USAID, with the support of UNDP, the World Bank and IFC organized a meeting of development partners working in Value Chains in September 2007. Eventually, a study was prepared by USAID and a number of recommendations emerged from it and from the workshop.<sup>2</sup>

Key recommendations from the *Cambodia Development Partner Value Chain Activity and Coordination Study* included:

1. Creation of a Value Chain Secretariat that would include Government, Development Partners and Private Sector representatives and would help identify needs and coordinate development assistance on the priority potential export sectors identified in *CTIS 2007*;
2. The Secretariat would serve as a “repository of value chain and sector-based information”
3. Establishment of sector-based working groups in which Government, Development Partners and Private Sector representatives would work together on the priority sectors.

In effect, while not quite following the exact format suggested at the outcome of the workshop, all three recommendations are at various stages of implementation. Pillar 2 of the Trade SWAp, under the leadership of the Ministry of Commerce, is intended to serve as the coordinator and leader of export value chain activity in priority export sectors. Pillar 2 is organized around a number of “Task Teams”, that are mostly export sector-based working groups with a mandate similar to that suggested by the participants to the September 2007 USAID workshop. And, initial steps have been taken to develop a Value Chain and Trade Information Unit in the Trade Promotion Department (TPD) of the MoC.

This case story does not cover all three developments – though they are linked – but focus more narrowly on the Value Chain Unit.

#### 3.2 Initial Capacity Development for Value Chain and Trade Information in Government

With initial support from the UNDP TRADE project, an advisor was recruited in September 2009 to help kick-start capacity development in one of the Offices of the Trade Promotion Department (TPD.) The initial goals of the support were four-fold:

1. Develop research and analytical capacity among a dedicated staff to prepare sector value chain studies, including learning the use of basic tools (SWOT analyses, use and manipulation of basic

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<sup>2</sup> USAID, *Cambodia Development Partner Value Chain Activity and Coordination Study*, Phnom Penh, September 2007

trade data, use of basic information tools such as the International Trade Center (ITC) trade maps, field survey techniques, etc.);

2. Prepare selected sector value chain studies focusing initially on the 19 priority sectors identified in *CTIS 2007*;
3. Disseminate some of the information in the form of web pages, printed bulletins, training of private sector and government officials in provinces, etc.; Share and validate value chain studies with the pertinent sector-based Pillar 2 task teams;
4. Develop an inventory of existing recent and current value chain studies.

With the UNDP TRADE project coming to a conclusion in December 2010, the four goals were actually more ambitious than could be achieved realistically. In practice, the initial focus of the newly created VCU was on goals 1 and 2, namely:

- training of government officials in value chain research techniques and tools;
- design of a basic field survey questionnaire;
- development of a generic template for sector studies; and,
- completion of three value chain studies – rice, cassava and cashew nuts.

### 3.3. Government Coordination and Commitment

From the initial VCU team of five staff from TPD, the MoC decided to expand training to a much larger group or “MoC research team” including some 20 to 30 people. While the notion of training a much larger pool of MoC officials in basic value chain study techniques and tools as well as on data sources and data collection than initially planned is healthy, there needs to be a clearer and longer-term commitment of a more limited number of staff to the VCU to focus on producing basic studies and disseminating information. That commitment has yet to be fully clarified, including sorting out the respective roles of the initial VCU team and the larger “MoC research team” or simply merging the two into an expanded VCU.

Inter-ministerial coordination and cooperation on export value chain research and value chain strategy formulation among key line ministries as well as among development partners will require improvement and deepening going forward to ensure quality work. In the short term, there is very limited sharing of information and data between MoC (focusing on trade) and the Ministry of Agriculture, Forestry and Fisheries (MAFF) (focusing on production) in many of the potential export sectors that have been identified in *CTIS 2007*. Mechanisms need to be put in place to foster such collaboration. Strengthening of the Pillar 2 mechanisms that call for better coordination across ministries should have a positive impact in that regard. Coordination among development partners and between them and government in this area remains poor and will need to change.

### 3.4. Aid for Trade

Initial establishment of the VCU was financed through the UNDP TRADE project. TPD has submitted a follow-up one-year project to the Trade SWAp's Trade Development Support Program (TDSP) multi-donor trust fund.<sup>3</sup> The proposal has been approved for funding by TDSP. Still, it will take a longer term commitment from a donor or group of donors to help MoC establish a sustainable unit. It will also take a change in attitude on the part of development partners (DPs.)

Numerous value chain studies of key Cambodian export sectors have been prepared in the past by DPs, often duplicating each others, and with rather little coordination. If DPs are true to the recommendations they made during the USAID September 2007 workshop discussed earlier, they will need to link their value chain analytical work much more closely with the work of the VCU, using it as an opportunity to build capacity within the VCU. That is far from the case now. Indeed, and to give only a couple of recent examples among many, the preparation of the *Policy Paper on Rice Export* recently adopted by the Council of Ministers<sup>4</sup> involved redoing value chain research with donor funding, much of which could easily have been obtained from the ongoing work of the VCU on rice. Likewise, two similar value chain studies on cashew nuts were prepared during 2010 with little to no sharing of information, including one by the VCU.

### 3.5 Mitigating External Factors

Beside a clear institutional and human resources commitment to the VCU by MoC, a key external factor for Government to mitigate going forward will be for MoC to secure the long term AfT resources that are needed to establish a truly sustainable unit able to produce and disseminate high quality information. MoC will also need to secure a stronger commitment from DPs currently involved in value chain work and value chain research to link their work more closely to the capacity development needs of MoC in this area.

## **4. Results Achieved – Measurable Impacts**

It is too early in the development of value chain and trade information capacity in MoC to be able to identify a measurable impact. This, with the exception that the creation of VCU and initial support should allow to shift the discussion between Government and development partners as to where is the right place to produce value chain and trade information and which is the best way to do it so that government capacity is increased in the process.

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<sup>3</sup> TDSP, or Trade Development Support Program, has been designed to support some of the objectives of Cambodia's Trade SWAp and is executed by MoC. It is financed by the multi-donor trust fund (MDTF) administered by the World Bank and funded by the EU, Danida, and UNIDO.

<sup>4</sup> Royal Government of Cambodia, Council of Ministers, *Policy Paper on the Promotion of Paddy Production and Rice Export*, adopted July 25, 2010.

In the medium and long-term a strong value chain and trade information capacity within MoC could serve a multiplicity of purposes:

- it could generate information that could usefully be disseminated to business;
- it could generate information that could be used by development partners, Government and the business sector, in the context of Pillar 2, to plan additional AfT for selected export value chains;
- it could generate some of the information that Government needs to formulate sector-based policies, such as the one recently issued for rice;
- it could generate information Government, the Private Sector and Development Partners can use to monitor and evaluate progress made under the Trade SWAp objectives.

## **5. Lessons Learned**

It is also too early to draw strong lessons from the initial work of the VCU except in so far as confirming that capacity building takes time, especially when one tries to develop new capacity that simply did not exist heretofore. This can be a challenge for Government when confronted with AfT partners that demand shorter-term horizons for results and impacts.