



USAID
FROM THE AMERICAN PEOPLE

CAMBODIA



Economic Growth

CURRENT PARTNERS

Nathan & Associates: The Garment Industry Productivity Center (GIPC) focuses on productivity and workforce development. It provides consulting services to factories, trains Cambodians in industrial engineering, and promotes cooperation between labor, management and government. Launched in 2005, the project is scheduled to continue until January 2009. At its conclusion, the Center will continue operations as a self-sustaining entity, staffed by Cambodian nationals and supported by user fees.

International Labor Organization (ILO) - ILO supports the Cambodian *Labor Arbitration Council*, a tripartite arrangement between workers, government and employers with a mandate to independently and impartially hear labor disputes. The Council also provides training for arbitrators, workers, employers, judges, and lawyers. The Council is viewed as the only impartial judicial decision-making body in the country. USAID also supports the ILO *Better Factories* monitoring project, which works with factories, unions and international buyers to monitor and report on compliance with labor laws.

Development Alternatives, Inc. (DAI): The Strengthening of Micro, Small and Medium Enterprises Project assists Cambodia's provincial and rural businesses by focusing on the swine, aquaculture, roofing tile and agro-machinery industries. The objective of the project is to bring economic growth to Cambodia's poorest region along the Vietnamese border by addressing the constraints inhibiting those industries that hold the most potential for growth.

RESULTS TO DATE

- **GIPC** has assisted 20 factories, some of which increased productivity up to 100%. The total value of savings generated by productivity improvements has amounted to approximately \$3.7 million. Out of the 125 workers trained, over 80% are women. Other successes include a program to educate unions on global garment industry economics, the first reading course at a university on garment industry management, and initial formulation of the first industry training strategy.
- Since 2003, the **ILO Arbitration Council** has arbitrated over 400 labor dispute cases with a successful resolution rate of 68%. In 2007, it also supported 14 return-to-work orders and eight collective bargaining agreements averting costly strikes. Furthermore, the **ILO Better Factories** Program has monitored over 300 factories annually for labor standards and trained over 1,500 workers in labor rights.
- **The MSME Project** has assisted over 1,200 poor rural entrepreneurs, who typically lack opportunity, training, and access to business-related information, to boost production and sales by 100% - 340%. The total value of their sales increases amounted to about \$2.99 million in new revenue. Over 250 of the entrepreneurs are women.

BACKGROUND

Although Cambodia has experienced strong growth since 1999, the economy is fragile and undiversified. Growth is fueled by garment exports, the tourism sector, and a recent rise in urban construction. As a result, it is vulnerable to external factors and the benefits of growth are concentrated in a few urban centers and not the rural areas where most of the population lives.

The garment industry is one of the primary drivers of the Cambodian economy and the first major step toward industrialization. It is responsible for over 85% of all exports and employs over 330,000 people. However, the expiration of the WTO Agreement on Textiles and Clothing in 2005 has left the future of the industry uncertain. The reduction of quotas left Cambodia more vulnerable to global competition than at any time during the short history its industry. Cambodia is ill-prepared to compete due to inefficient factories, poor labor dispute mechanisms and a low skilled workforce.

The economy is largely based on micro, small and medium enterprises (MSME) in the informal sector, that are hampered by a poor business enabling environment with endemic smuggling, lack of transparent regulation and few business development service providers. These MSMEs have difficulty competing for domestic market share with products from neighboring countries.

USAID/Cambodia's Economic Growth Program has been assisting private sector entities in the garment and rural MSME sectors to increase productivity, develop their workforce, and enhance the business enabling environment. A new program is also planned in order to help Cambodia's government address policy and regulatory constraints on trade and investment.