

#ClosingTheGap Cambodia

By: Emerging Markets Consulting

The Dutch Good Growth Fund (DGGF) in cooperation with Emerging Markets Consulting and Cambodian Women Entrepreneurs Association, gathers local stakeholders around new perspectives on the Cambodian entrepreneurial ecosystem.

On 12th December 2017, the local stakeholders from Cambodia's entrepreneurial ecosystem gathered in Phnom Penh to share their appreciation of the strengths and weaknesses of the ecosystem and elaborate together potential solutions to contribute to a more conducive operating environment for local entrepreneurs and their businesses. 34 representatives from financial institutions, business associations, development organisations, the government, business support service providers, educators, corporates and entrepreneurs took part in the discussions.



Figure 1: Preliminary Findings Presentation by the Consultant

Emerging Markets Consulting was commissioned by the [Dutch Good Growth Fund \(DGGF\)](#) to undertake a study in the Mekong region, covering Cambodia, Lao PDR, Myanmar and Vietnam (#ClosingTheGap Mekong). The DGGF is an initiative of the Dutch Ministry of Foreign Affairs which seeks to improve underserved small and medium-size enterprises' (SMEs) access to the financial backing they need to grow. The so called "missing middle" are enterprises who have outgrown micro-finance but do not yet have access to regular financial services. DGGF/financing local SMEs is a "fund of fund" that may invest in funds and financial institutions which in turn finance local businesses in 68 countries, including Cambodia. DGGF #ClosingTheGap series was designed to improve the common understanding of key challenges faced by the

"missing middle" by researching local entrepreneurs' characteristics and needs; testing assumptions related to the current financial and non-financial service offering and sharing insights as to their impact on the conduciveness of the ecosystem overall. The methodology was piloted in [Kenya](#) in 2015 and scaled to a regional level in [francophone West Africa](#) in 2017 using the Aspen Network of Development Entrepreneurs' framework for ecosystem assessment. The framework was modified for #ClosingTheGap Mekong by adding entrepreneurs' capabilities at the centre of it.



Figure 2: Modified Entrepreneurial Ecosystem Framework

The research approach draws on analysis of existing SME data sets and an extensive literature review, as well as outcomes of interviews undertaken with entrepreneurs and relevant financial and non-financial institutions in the ecosystem. The workshop brings together those stakeholders to review, validate and challenge research findings to date and engage in an interactive session towards elaborating solutions to address gaps identified in the ecosystem. Conclusions from the workshop are directly captured in the final report.

Analysis of [World Bank 2016 Enterprise Survey](#) shows that the Cambodian SME sector is composed mainly of zero and low (0-10%) growth small businesses. One third of small businesses have medium to high growth (10-20%) and a fraction of medium businesses with more than 20 percent annual growth.

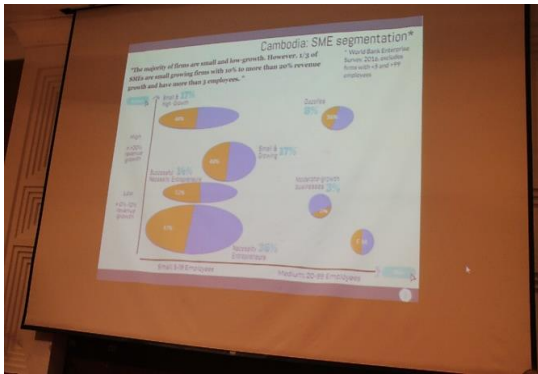


Figure 3: Cambodia: SME Segmentation

Local entrepreneurs self-assessment of their 'entrepreneurial capabilities' shows a desire for improvement across all categories, with strategic planning, acquiring finance and operations ranking highest. The local ecosystem counts many financial and non-financial stakeholders that support businesses throughout the enterprise life cycle. However, service provision outside the capital Phnom Penh is low, and SME are unable to borrow from financial institutions without significant collateral.



Figure 4: Participants are using interactive software to vote on the top 4 gaps

Participants gathered in small working groups to deep dive into the gaps in provision of: Debt financing, equity financing, businesses support and human capital.



Figure 5: Participants listened to a group's presentation of their solutions.

Solutions put forward to increase the conduciveness of the ecosystem to local entrepreneurs and their businesses include:

- Matchmaking solutions to help entrepreneurs identify and access appropriate services. These included a platform for helping start-ups identify qualified consultant and business support service providers, and services to help SME access foreign buyers and suppliers.
- A guarantee scheme was proposed to mitigate SME lack of collateral which limits access to debt.
- A capacity building program for financial institutions was proposed to improve credit assessments and make faster lending decisions.
- A private equity & venture capital association was proposed to develop domestic entrepreneurs' understanding and stimulate demand for equity based finance.



Figure 6: Participants voted on their top three favourite solutions.

The recommendations put forward will be refined and elaborated in the final report #ClosingTheGap Cambodia which is expected to be finalised by the end of February 2018 and made available to the public through the [consultant website](#) and [DGGF website](#).