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YOUTHSTART GLOBAL

INCEPTION PHASE — YOUTH ECONOMIC OPPORTUNITY ECOSYSTEM ANALYSIS

CAMBODIA COUNTRY REPORT

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DEFINITIONS, ABBREVIATIONS, AND ACRONYMS

Youth are defined by the government of Cambodia as individuals between the ages of 14 and 35 years. However, the UNCDF YouthStart Global (YSG) program targets youth aged 15 to 24. Wherever possible, the YSG definition is used. In some cases, information or data was only available for youth aged 14 to 35, and thus the government's definition was used.

Micro, small, medium and large enterprises were defined as a part of the "SME Development Framework". This framework was developed by the SME Sub-Committee of the Private Sector Steering Committee, and it classifies SMEs according to the number of their employees and the size of their assets.¹

Table 1

SME definition

Classification	Government Definition	
	Employees	Assets
Micro	Less than 10 employees	Less than US\$50,000
Small	Between 11 - 50 employees	Between US\$50 - 250,000
Medium	Between 51 - 100 employees	Between US\$250 - 500,000
Large	Over 100 employees	Over US\$500,000

In 2013, the Ministry of Planning (MOP) introduced new poverty lines. The per capita line for Phnom Penh is US\$ 1.53 per day, compared to US\$ 1.05 in other urban areas, and US\$ 0.84 in rural areas. This makes the national average for the poverty line US\$ 0.93 per month.²

ADB	Asian Development Bank
ASEAN	Association of Southeast Asian Nations
BDS	Business Development Services
CEDAC	Centre d'Etude et de Développement Agricole Cambodgien
FDI	Foreign Direct Investment
FSP	Financial Services Provider
ICT	Information and Communication Technology
IFC	International Finance Corporation
ILO	International Labour Organization
MFI	Microfinance Institution
NGO	Non-Governmental Institution
NEA	National Employment Agency
NSDP	National Strategic Development Plan

1 "Understanding Cambodian Small and Medium Enterprise Needs for Financial Services and Products", IFC.

2 "Cambodia country poverty analysis", ADB, 2014.

NYDP	National Youth Development Policy
PADEE	Project for Agricultural Development and Economic Empowerment
RGC	Royal Government of Cambodia
RS	Rectangular Strategy
SEZ	Special Economic Zone
SME	Small and Medium Enterprise
TVET	Technical Vocational Education and Training
UN	United Nations
UNCDF	United Nations Capital Development Fund
UNICEF	United Nations Children Fund
UNDP	United Nations Development Program
UNIDO	United Nations Industrial Development Organization
YES	Youth Employment Services Centre
YSG	YouthStart Global

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EXECUTIVE SUMMARY

Cambodia's economy has experienced a fast and sustained average annual growth of 7.7% between 1993 and 2012, and is predicted to continue on this strong trajectory.³ Growth has been driven by a boom in the garment, construction and tourism industries and in the agriculture sector. The agriculture sector remains the largest employer—generating the majority of employment (>50%)—but accounts for only less than a third of the country's GDP.

This economic growth has not translated into sufficient decent and productive employment particularly for the growing youth cohort. Cambodia has the youngest population in Southeast Asia, with 65% of its people under the age of 30.⁴ It has one of the highest labour force youth participation rates in the region,⁵ as 15-24 year olds constitute 32.4% of the labour force.⁶ However the type of employment available to the youth is largely unskilled and low paid. Therefore, despite the unemployment rate being as low as 0.3%,⁷ most youth remain underemployed. Each year, about 300,000 youth join the labour force but the rate at which new formal sector jobs are created remains low and mismatched. 38% of the hard-to-fill vacancies in 2014 were due to a low number of applicants with the required skills.⁸

The government is utilizing policy instruments such as the newly launched National Youth Development Policy to address the needs of this growing 'youth bulge,' demonstrating that the expansion of economic opportunities for youth remains an overarching priority for the Cambodian government. However, there is a need for more interventions and actions to support the implementation of these policies.

MAIN FINDINGS

Finding 1: Cambodia's labour market is severely demand-constrained. There is a broad consensus that self-employment and enterprise development will be the mechanisms by which to create more opportunities for youth.

- More than half of youth were employed in non-wage jobs, and among those engaged in wage work, a large majority were employed in the private informal sector (i.e., individuals who earn an income from piecework rather than through formal employment).
- Youth underemployment is a particular feature of the agriculture sector, which employs 70% of youth.
- Small and medium-sized enterprises' capacity to absorb job-seekers is limited and entrepreneurship is a challenge.

3 Ministry of Economy and Finance, 2014.

4 Country information, UNDP, 2015.

5 "Situation Analysis of Youth in Cambodia", UNICEF Cambodia, 2009.

6 "Situation Analysis of Youth in Cambodia", UNICEF Cambodia, 2009.

7 World Bank, 2013.

8 "Skills shortages and skills gaps in the Cambodian labour market", National Employment Agency, 2015.

Finding 2: Lack of information on Technical Vocational Education and Training (TVET) and labour markets, and lack of vocational training and poor quality of education are the biggest hurdles to better youth economic opportunities. These have created a mismatch between labour supply and demand for medium and high skilled labour force. Lack of job opportunities further indicates poor returns on education making large numbers of youth drop out after primary school. In 2014, 40% of students dropped out after primary school.⁹ This has resulted in overall low skills and low productivity of the Cambodian labour force causing the **Cambodian economy to be stuck in low value add areas of the value chain.**

Finding 3: Access to capital is a major and consistent challenge, limiting youth to successfully start a business.

- Financial exclusion is significantly higher among youth as they do not possess collateral.
- A lack of individual awareness and lack of understanding of the value of specific financial products and services are significant barriers to uptake.
- With that in mind, financial education and literacy have a key role to play to boost access to finance.
- High interest rates and risk of failing on repayments are huge deterrents for youths from taking loans even when available.

Finding 4: Five sectors have emerged as offering the most promising economic opportunities for youth.

- The **agriculture and agro-processing sector**, has high potential economic opportunities for youth in production to facilitate import substitution, build food processing brands for the domestic market as well as opportunities to establish parallel businesses to support agriculture like seeds and fertilizers.
- The **tourism sector** offers high potential opportunities for employment (hospitality and catering jobs), as more than 400,000 additional jobs are expected to be created within the next 5 years.¹⁰
- The **construction sector** offers opportunities for both low-skilled and mid-skilled workers, both in entrepreneurship and employment. This is due to large influxes of FDI into the industry, which caused a 40.8% increase in employment between 2011 and 2014,¹¹ covering opportunities both in skilled and unskilled workers, and in self-employment.
- **Cross-cutting repairs jobs for cars, motorcycles, air conditioners, mobile phones, etc.,** offer significant opportunities for youth in entrepreneurship, due to the increasing number of electronics, such as mobile phones (130% penetration rate¹²) and of vehicles (2.36 million registered automobiles and motorcycles in 2013¹³) in the country.

9 "Labour market transitions of young women and men in Cambodia", National Institute of Statistics and ILO, 2014.

10 "Cambodia's students to get schooled in tourism", Rann Reuy, 2013.

11 "Skills shortages and skills gaps in the Cambodian labour market", National Employment Agency, 2015.

12 "The Status of ICT in Cambodia", Danièle Adler, 2014.

13 Xinhua News Agency, 2013.

-
- Finally, the **light manufacturing sector** is growing rapidly, particularly in Special Economic Zones (SEZs). In fact, its contribution to exports in Cambodia has increased by 44.3% between 2008 and 2012, as more foreign companies bring in the labour intensive stages of production, which provides employment opportunities to low-skilled and mid-skilled youth.

Finding 5: Existing programs do not fully cover the different elements required for youth to access high-potential opportunities. Key gaps across most programs are skills trainings (including in conceptualizing business ideas), start-up capital and business support coaching. In addition, organizations generally struggle to cater to the unique needs of urban versus rural youth. For instance, rural youth are very likely to migrate to the cities or to neighbouring countries, and most programs fail to adjust to this phenomenon, and end up constantly losing participants. In addition, while most programs are only present in the main provincial centers, rural youth often have difficulties paying for transport or for the living costs required to attend. Finally, not all existing programs cater to both genders equally. More specifically, the disparities between the number of boys and the number girls who continue their schooling beyond the primary school level, hinders the girls' ability to access many programs.

Overall, more comprehensive and scalable programs, particularly in support of youth employment and demand side programs in supporting youth entrepreneurship are needed. In addition, more interventions in rural areas supporting youth in agriculture are needed, due to the high underemployment rate that stems from the seasonal nature of the sector.

INTRODUCTION AND CONTEXT

The United Nations Capital Development Fund (UNCDF) has a unique financial mandate within the United Nations system and a proven track record and expertise in inclusive finance and local development finance, with a primary focus on least-developed countries. **In 2010, UNCDF in partnership with The MasterCard Foundation launched the YouthStart Program**, Building Youth Inclusive Financial Sectors in Sub-Saharan Africa, as a regional pilot.

For the past five years, the YouthStart program has worked with ten financial services providers in eight countries to provide access to savings for over 624,000 youth, access to loans to 85,763 young entrepreneurs, and financial literacy and other complementary non-financial services to 703,444 youth. UNCDF has learned from these different approaches that financial inclusion can help address the youth employment challenge through its regional pilot; however, UNCDF has also found that, in order to have a greater and long-lasting impact on youth, the YouthStart program must seek to establish a more concrete link between financial inclusion and the creation of economic opportunities for youth. Indeed, while young people need access to relevant and affordable financial services, they also require access to entrepreneurship training, mentoring, apprenticeships, and other relevant non-financial services that can support their transition from school to work at the right time, and allow them secure and sustain decent jobs and/or start and sustain successful enterprises.

UNCDF aims to leverage the lessons learned and best practices from the regional pilot for its new program, YouthStart Global (YSG). YSG will be implemented in three phases: 1) an inception phase that entails an analysis of youth economic opportunities in 10 to 15 countries (the first of which in Asia will be Cambodia); 2) a first phase that consists of selecting the right partners to work with in each country; and 3) a second phase that involves supporting selected partners in developing, testing, and scaling up relevant, accessible, and affordable services to youth.

This report is the key output of an assessment implemented over eight weeks in Cambodia, as part of YSG's inception phase. The assessment was conducted in three stages, as outlined in the Methodology section below: 1) literature review and structuring and design of research questions and tools, 2) data collection and analysis during a three-week visit in Cambodia, and 3) final synthesis of findings for the present report.

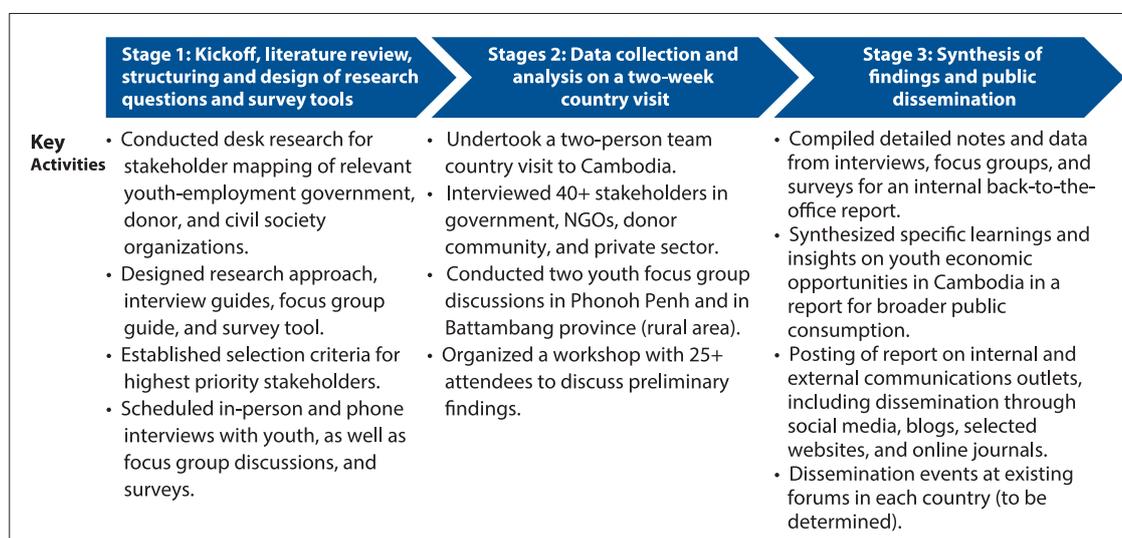
The report aims to capture a complete picture of youth economic opportunities ecosystem in Cambodia by 1) providing an economic overview of the employment challenge and demand for financial services, 2) presenting a comprehensive analysis of the demand for and the supply of labor, and 3) identifying high-potential opportunities for youth (Chapter 1). It also provides an overview and mapping of the current youth intervention landscape and the supply of financial services, as well as an assessment of key gaps for each of the high-potential opportunities for youth (Chapter 2).

METHODOLOGY

Figure 1 outlines the methodology for this assessment of youth economic opportunities in Cambodia undertaken in three stages: 1) literature review and structuring and design of research questions and tools, 2) data collection and analysis during a three-week visit in Cambodia, and 3) final synthesis of findings. This report is the product of a number of activities including desk research, stakeholder interviews (refer to the Annex for the comprehensive list), focus group discussions and surveys, and a participative workshop with key stakeholders.

Figure 1

Study methodology



The research approach was structured across five principal elements (Figure 2).

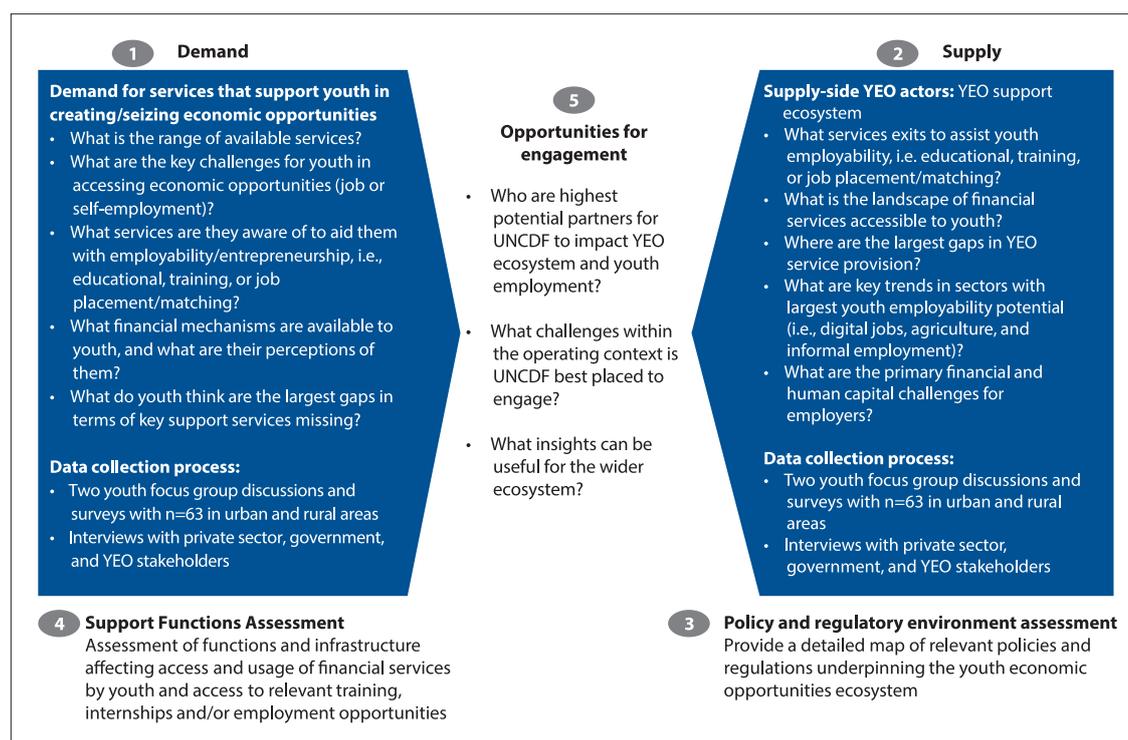
- **Demand-side analysis**, which sought to understand, from the perspective of youth, the principal concerns, challenges, and aspirations with regard to seizing economic opportunities in Cambodia. The focus group discussions and surveys were the primary instruments for collecting data for this analysis, supplemented by secondary research and interviews with relevant stakeholders.
- **Supply-side analysis** focused on the supply of youth employment support and financial services from two lenses:
 - A landscaping assessment comprised of interviews with key stakeholders including government actors, training or employment matchmaker services, and youth organizations, as well as a gap analysis of programmatic opportunities based on the needs identified by youth and stakeholders.

- A macroeconomic analysis of highest-potential sectors. Quantitative sector growth and employment data were used to initially identify sectors that have a large potential for potential of creating economic opportunities, and/or are employing large sections of the youth population. Qualitative insights were used to identify particular opportunities within each sector that are attractive and accessible to youth.

- **Policy and regulatory environment assessment** driven by desk research covering national policy documents and external policy analysis reports, and interviews with government agencies and external stakeholders.
- **Support functions assessment** focused on access and usage of financial services and training, internships, and employment opportunities.
- **Opportunities for engagement** aiming to identify the set of partners and opportunity areas with which UNCDF YSG should engage to maximize impact.

Figure 2

Analytical framework



CHAPTER ONE

YOUTH ECONOMIC OPPORTUNITIES AND CHALLENGES

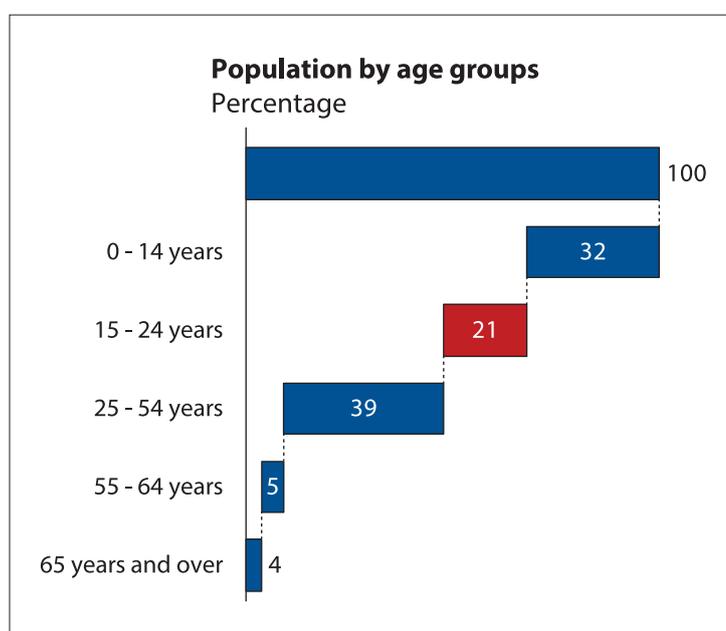


SECTION 1 – ECONOMIC OVERVIEW AND YOUTH UNEMPLOYMENT CHALLENGE

The Cambodian government categorises youth as individuals between the ages of 15 and 30,¹⁴ and they constitute 33% of the Cambodian population,¹⁵ which makes Cambodia **the youngest country in Southeast Asia**. Cambodia also has one of the highest labour force youth participation rates in the region,¹⁶ as 15-24 year olds constitute 32.4% of the labour force.¹⁷ This now puts Cambodia in the right position to take advantage of a demographic dividend that will last for approximately the next 30 years.¹⁸

Figure 3

Population by age group¹⁹



Cambodia's economy has experienced very rapid growth over the past two decades, outperforming any other post-conflict society.²⁰ Even though the GDP growth rates have been slowing down over the past few years, decreasing from an average of 8.2% annually between 1997 and 2007,²¹ to 7% in 2014,²² they are expected to continue growing at the same level over the next few years. According to the Ministry of Economy and Finance, the Cambodian GDP is expected to grow at a 7% annual rate until 2018.²³ Factors contributing to this fast economic growth include the restoration of peace and security; economic openness; and fairly stable macroeconomic conditions.²⁴

14 National policy on Cambodian Youth Development, Ministry of Education Youth and Sport, 2011.

15 National policy on Cambodian Youth Development, Ministry of Education Youth and Sport, 2011.

16 "Situation Analysis of Youth in Cambodia", UNICEF Cambodia, 2009.

17 "Situation Analysis of Youth in Cambodia", UNICEF Cambodia, 2009.

18 "Cambodia needs to capitalize on demographic dividend", UNDP, 2015.

19 The World Fact Book, The Central Intelligence Agency, 2015.

20 Country information, UNDP, 2015.

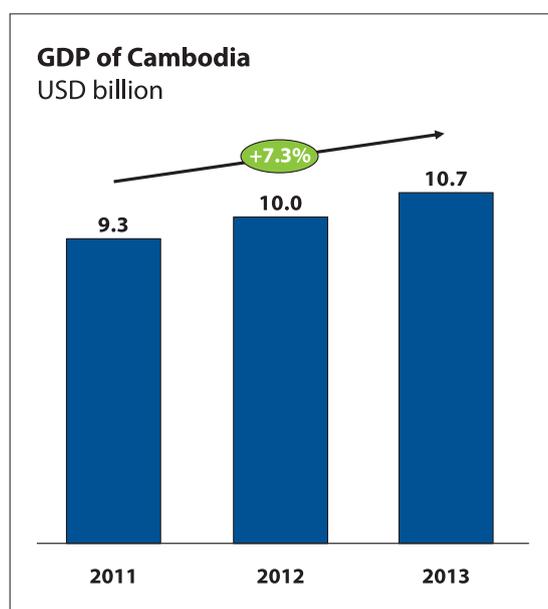
21 "Situation Analysis of Youth in Cambodia", UNICEF Cambodia, 2009.

22 Cambodia country overview, The World Bank, 2015

23 "Skills shortages and skills gaps in the Cambodian labour market", National Employment Agency, 2015

24 Country information, UNDP, 2015.

Figure 4
GDP growth in USD billion²⁵



The main sectors leading economic growth in Cambodia are garments, construction, tourism and paddy (unprocessed) rice.²⁶ However, while the garments manufacturing sector grew at an average annual rate of 44% between 1994 and 2004, it recently has been facing several issues, causing a slowdown in its growth. More specifically, increased competition, arising from the continued appreciation of the US dollar, emergence of other low-wage regional competitors, such as Myanmar, and continuing labour market disputes—labour union activities and unplanned strikes, have contributed to the decrease in the year-on-year growth rate from 17.6% in 2013 to 9.2% in 2014.²⁷ Similarly, although agriculture constitutes 33% of GDP, the sector is growing very slowly at a rate of 4.2% in 2013, compared with 9.3% for industry.²⁸ Investment levels in the sector remain very low, with public investment equalling only 0.55% of GDP.²⁹

On the other hand, the tourism sector, which grew at 34% annually between 1994 and 2004,³⁰ is expected to continue on this trend. Despite the recent slowdown caused by the financial crisis and the decrease in the number of incoming tourists, their number is expected to increase from 5 million in 2015 to 8 million in 2020.³¹ In addition, the construction sector is also expected to grow rapidly, a rate of 9.5% between 2014 and 2017.³² The growth of this sector is supported by the return of business confidence and the restoration of domestic political stability.³³ These factors help attract more FDI into the sector; as 847 out of 1,074 construction and design companies in Cambodia are foreign firms.³⁴

25 World Bank Development Indicators; Cambodia Statistical Indicators.

26 "Driving forces of future Cambodia's economic growth", Senh Senghor, Cambodia Development Resource Institute, 2015.

27 Cambodia Economic Update, The World Bank, 2015.

28 "Timing of stats questioned", May Kunmakara, The Phnom Penh Post, 2013.

29 "Situation Analysis of Youth in Cambodia", UNICEF Cambodia, 2009.

30 "Situation Analysis of Youth in Cambodia", UNICEF Cambodia, 2009.

31 "Cambodia Expects 8 Million Foreign Tourists by 2020", Mom Chan Dara Soleil, Agence Kampuchea Presse AKP, 2015.

32 Country Report – Focus on Construction Sector, International Development Group, 2013.

33 Cambodia Economic Update, The World Bank, 2015.

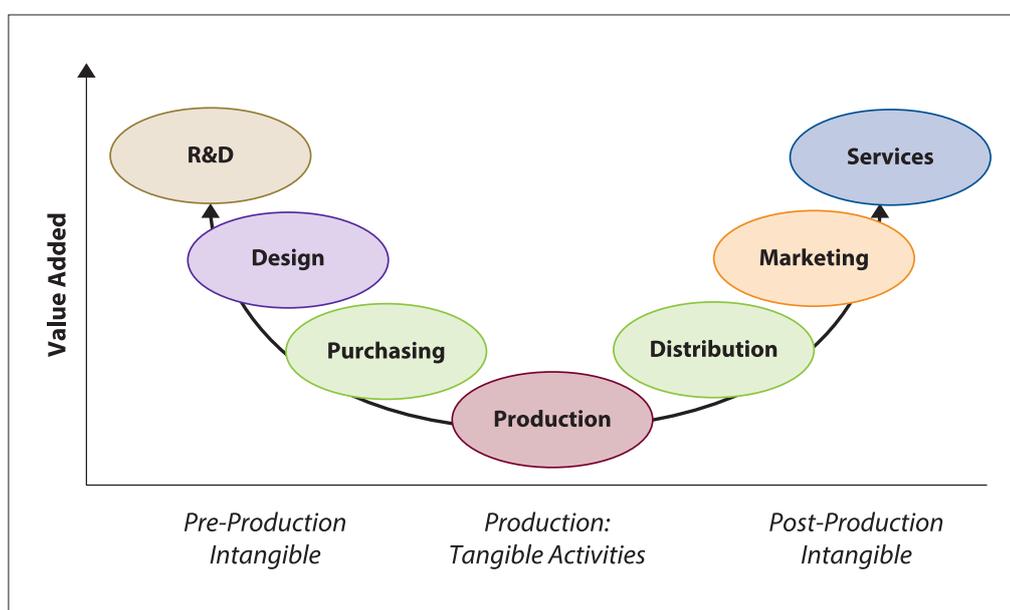
34 Country Report – Focus on Construction Sector, International Development Group, 2013.

Poverty rates in Cambodia are gradually falling, from 19.8% in 2011 to 18.9% in 2012, following a sharp decrease from 47.8% in 2007 to 22.9% in 2009.³⁵ However, although income poverty has fallen dramatically, large numbers of Cambodians have barely made it above the poverty line.³⁶ In addition, regional discrepancies continue to be a challenge, as about 90% of the poor currently live in rural areas.³⁷

The young labour force and rapid GDP growth provide Cambodia with a very high potential for development. However, the economy is trapped in low value added parts of the global value chain. For instance, although garments and textiles make up 85% of its exports,³⁸ Cambodia only participates in production – the lowest value adding part of the value chain.

Figure 5

Curve of value-added stages in the apparel global value chain³⁹



This leads to a vicious circle of low wages and low skills. Low-value addition means that the workers participating in these value chains will receive low incomes. These low incomes, coupled with the low quality of education and the lack of job prospects provide youth with less incentive and less financial ability to remain at school. Low wages also push thousands of Cambodian youth to migrate to neighboring countries, such as Thailand, where the minimum wage is US\$ 10 per day,⁴⁰ compared to the US\$ 140 monthly minimum wage in the Cambodian garments sector (the only sector with a minimum wage). This leads to low skills in the labour market, and low worker productivity. In fact, in 2009, productivity in Cambodia was lower than any country in the region except for Laos.⁴¹ In addition, as the figure below shows, Cambodian workers' productivity has not only been lower than neighbouring countries, but has also failed to achieve significant improvements.

35 Cambodia Country Poverty Analysis, The Asian Development Bank, 2014.

36 Cambodia country overview, The World Bank, 2015.

37 Cambodia Country Poverty Analysis, The Asian Development Bank, 2014.

38 Cambodia trade policy review, the World Trade Organization, 2011

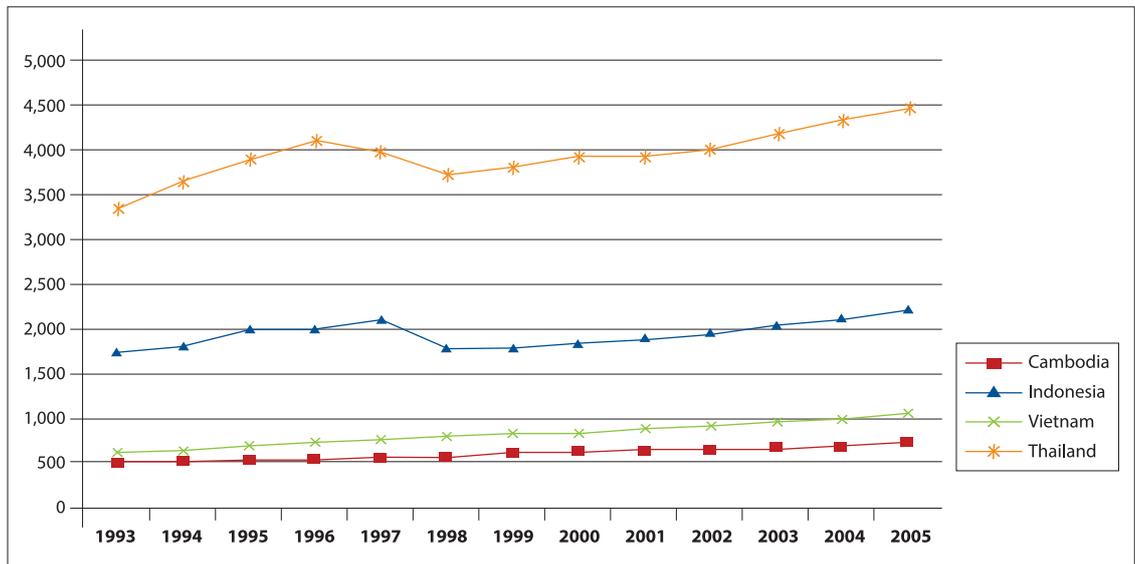
39 "The apparel global value chain", Karina Fernandez-Stark, Stacey Frederick, Gary Gereff, 2011

40 "Migration Puts Cambodia's Youth in Danger", Lim Siv Hong, 2013

41 Cambodia Country Competitiveness Driving Economic Growth and Poverty Reduction, UNDP, 2009.

Figure 6

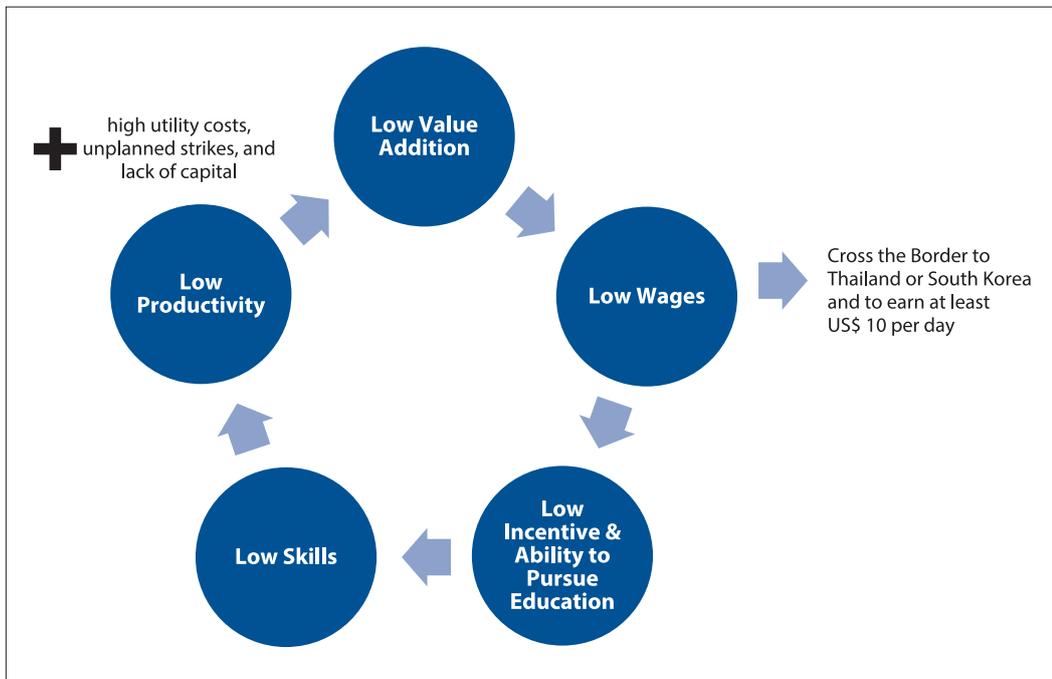
Labour productivity between 1993 and 2005 (annual output per worker in constant US\$ 2000)⁴²



These low skill levels, coupled with additional factors such as high utility costs and unplanned labour disputes, prevent businesses in Cambodia from moving upward in the global value chain.

Figure 7

Vicious circle of low value addition⁴³



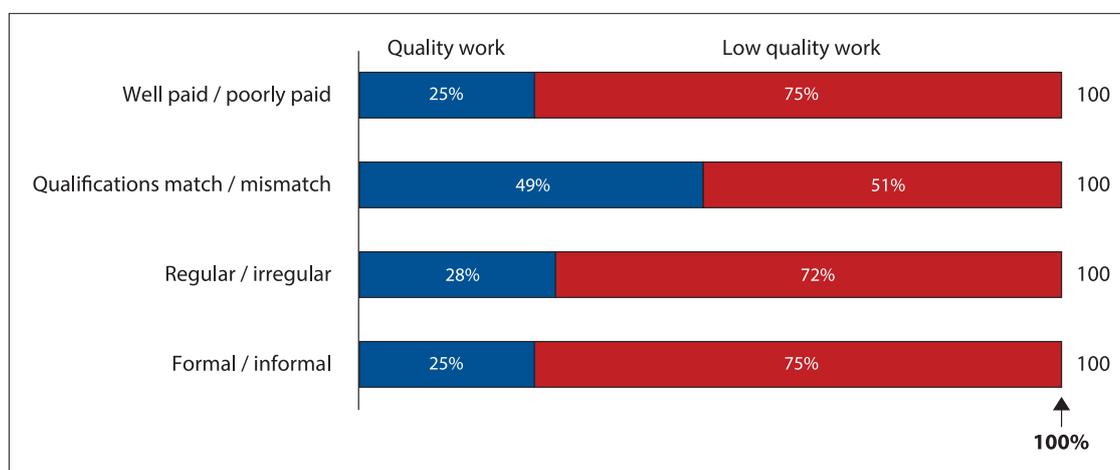
42 Cambodia Country Competitiveness Driving Economic Growth and Poverty Reduction, UNDP, 2009.

43 Dalberg analysis, stakeholder interviews, focus group discussions.

Even though Cambodia’s unemployment rates are very low, the number of quality jobs available to the youth are limited. According to an employment survey conducted by the ILO in 2014, about 75% of jobs are considered poorly paid, which means that three quarters of workers receive wages that are below the average weekly wages. In addition, 51% of jobs do not match the employees’ qualifications, and so these workers are either overqualified or underqualified for the positions they hold. Finally, 72% of jobs are irregular, which covers self-employment in the informal sector and temporary contracts, due to the highly informal nature of the Cambodian labour market. Due to this lack of opportunities, **Medium and Small Micro-Enterprises (MSMEs) are widely considered as the engine of growth for Cambodia’s future.**⁴⁴

Figure 8

Quality of employment in Cambodia⁴⁵



44 "Situation Analysis of Youth in Cambodia", UNICEF Cambodia, 2009.

45 "Cambodia's Labour Market and Employment", The World Bank, 2008; "Labour market transitions of young women and men in Cambodia", National Institute of Statistics and ILO, 2014.

SECTION 2 – OVERVIEW OF YOUTH POLICY LANDSCAPE

The government has several plans and policies to address the growing youth bulge in Cambodia. A number of policies that have been put in place have the potential to impact the youth employment space both directly and indirectly. The table below captures some of these key policies.

Table 2

Policies that impact the youth employment space in Cambodia

Key policy	Overview
National Youth Development Policy (NYDP) 2011	NYDP’s vision is to mobilize all effort available in the country to contribute positively to youth development. Provide youth opportunities to develop their potential, ease access to education, employment, and health services, to participate in decision making, and contribute to family, community, national, and global development. ⁴⁶ This policy covers a wide range of topics, from peace and justice to education, arts, culture and entrepreneurship but in a general manner. Some attention is given to entrepreneurship and employment, with the focus being placed on developing skills and attitudes among youth. In addition, the policy recognizes the need to develop a more concrete plan to respond to the needs of the labour market.
The Rectangular Strategy (RS) & the National Strategic Development Plan (NSDP) 2014-2018.	Youth employment This section of the RS aims to create more jobs for people, especially the youth, through further improvement in Cambodia’s competitiveness to attract and encourage both domestic and foreign investments. In order to further this objective, the policy priorities of NSDP 2014-2018 include the development of the labour market and strengthening of education . The NSDP also calls for the development and implementation of “a national employment policy to closely align the employment sector to the need of socio-economic development, in particular by focusing on youth employment, and labor force preparedness”. Moreover, the policy calls for the Employment Forum coordinated by the government to strengthen its capacity and role in improving “exchange of labor market information, counselling and responsiveness to changing market conditions”. As a mean to achieve this objective, the policy identifies the expansion of job centres under the National Development Agency of the National Training Board across the country.

Key policy	Overview
	<p data-bbox="547 309 1447 409">Financial Sector: Financial Development Strategy 2011-2020: <i>The policy focuses on the development of financial services across the country but does not mention youth in particular</i></p> <ul data-bbox="547 421 1447 1003" style="list-style-type: none"> • Continue strengthening the micro finance sector to mobilize savings from the depositors and channel them into the mainstream, improve their financial effectiveness and sustainability and at the same time provide loans to small and micro enterprises and other self-employed workers. • Expand the coverage of microfinance services across the country and widely disseminate their benefits to the people. • Keep orienting the providers towards their focus of lending to the poor at reasonable interest rates and without imposing stringent conditions. • Transform traditional credit and savings institutions to make them more financially inclusive. Strengthen regulatory and supervisory capacity and focus on the balance between financial returns and social responsibility as well as consumer protection through transparency on fees and interest rates. • Promote financial literacy – “Financial literacy should be a critical component of expansion into hard-to-reach areas”. In order to achieve this, among others things, the “government will ... design and implement a program for promoting financial literacy for the clients of MFIs and the general public”. <p data-bbox="547 1014 903 1048">Business Sector Development</p> <ul data-bbox="547 1059 1447 1350" style="list-style-type: none"> • Promote entrepreneurship, especially among Cambodian nationals, for them to know how to operate businesses and industries. • Promote SME development by providing technologies, management services, funding, and support infrastructure. • Create a congenial business environment for receiving domestic and foreign investments. • Continue to open the economy and integrate it into the region and the world, to open business and investment opportunities to entrepreneurs.
<p data-bbox="335 1361 518 1641">National TVET Development Plan, National Training Board (NTB), Ministry of Labour and Vocational Training, 2008</p>	<p data-bbox="547 1361 1447 1794">The second edition of this policy (first one from 2006) recognizes several areas of need, including the delivery of quality training, especially when it comes to areas such as micro-enterprise management, and addressing the needs of the many out of school youth across the country. In addition, the policy calls for a better coordination among all actors in the sector, improved gathering of basic labour market information, as well as a closer collaboration with successful enterprises for the selection and design of TVET courses. While this policy clearly needs to be updated, in 2010, the government of Cambodia requested UNESCO to review its national TVET policies. Throughout 2011 and 2012, an extensive review was conducted and a report was published in 2013. This report included several policy recommendations. However, the development and publication of a new TVET policy for Cambodia is unclear.</p>

Gender inequality is an issue that cannot be ignored when looking at youth employment and economic opportunities. Despite Cambodia's female labour force participation rate being very high, with 79.7% of all women who are 15 years or older in the workforce, only 30.3% of the female workforce are wage employees.⁴⁷ A recent study by ILO also revealed a US\$ 25 monthly pay gap between Cambodian women factory workers and their male counterparts. In business, while women own 65% of all businesses, 51% of those businesses engage only one person and 96% engage four or fewer persons. They are on average smaller and less profitable than male-run businesses.⁴⁸ **Overall, women have less access than men to higher-skilled occupations, public sector employment, and business associations and networks.**

One main reason for lack of better paying jobs for women is lack of education. While gender ratios in primary schools are nearly even, the share of females is significantly lower than that of males in secondary schools, and is only half that of men in tertiary education.⁴⁹

It is interesting to note that collaboration between the government of Cambodia and international organizations or donors generated innovative initiatives related to youth employment and entrepreneurship. A first example is the development of a smart phone app allowing young job seekers to get connected with job opportunities which was developed by the National Employment Agency and Sweden's SIDA. Another example is a partnership between the Ministry of Education, Youth and Sports and the International Labor Organization (ILO) for the implementation of a pilot program offering entrepreneurship education in high school.

47 Promoting women's economic empowerment in Cambodia, Asian Development Bank 2015.

48 Promoting women's economic empowerment in Cambodia, Asian Development Bank 2015.

49 Ministry of Women's Affairs, 2008.

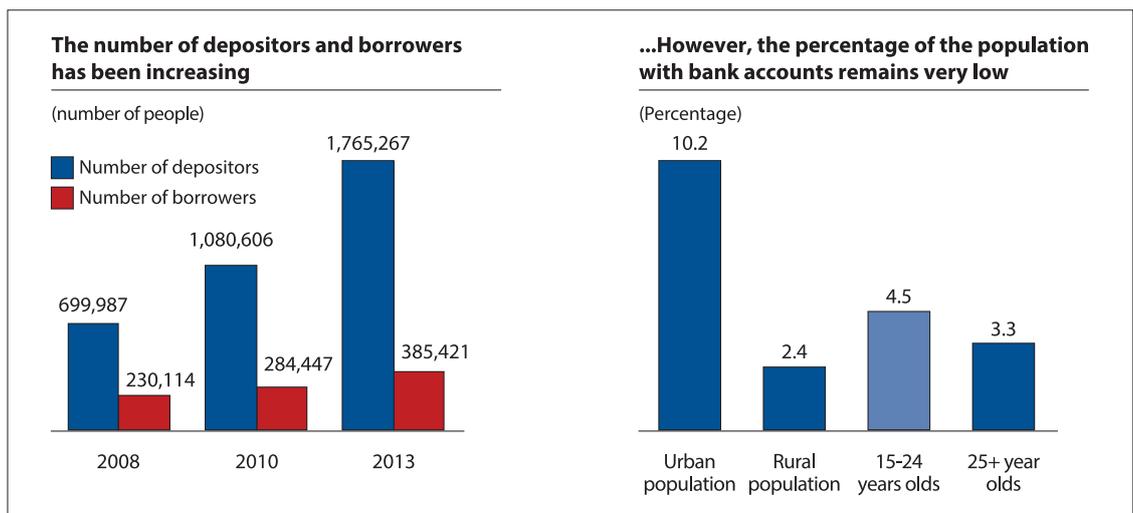
SECTION 3 – OVERVIEW OF THE DEMAND FOR FINANCIAL SERVICES

Accessing capital is a major and consistent challenge, limiting youths’ ability to successfully start a business or even find employment.

While access to finance has generally improved in Cambodia with number of depositors rapidly increasing, the percentage of people with bank accounts remains very low (Figure 9). While 10% of the urban population has bank accounts, only 2.4% of Cambodia’s rural population and 4.5% of youth have bank accounts and an even smaller percentage have used these bank accounts in the past year.⁵⁰ This is because most banks (except ACLEDA) have not expanded their reach into the rural areas. However, these numbers improve significantly if MFIs and Mobile Payment methods are included. Almost 20% of the population has access to one of these means of financial services.⁵¹

Figure 9

Number of borrowers, depositors and bank accounts



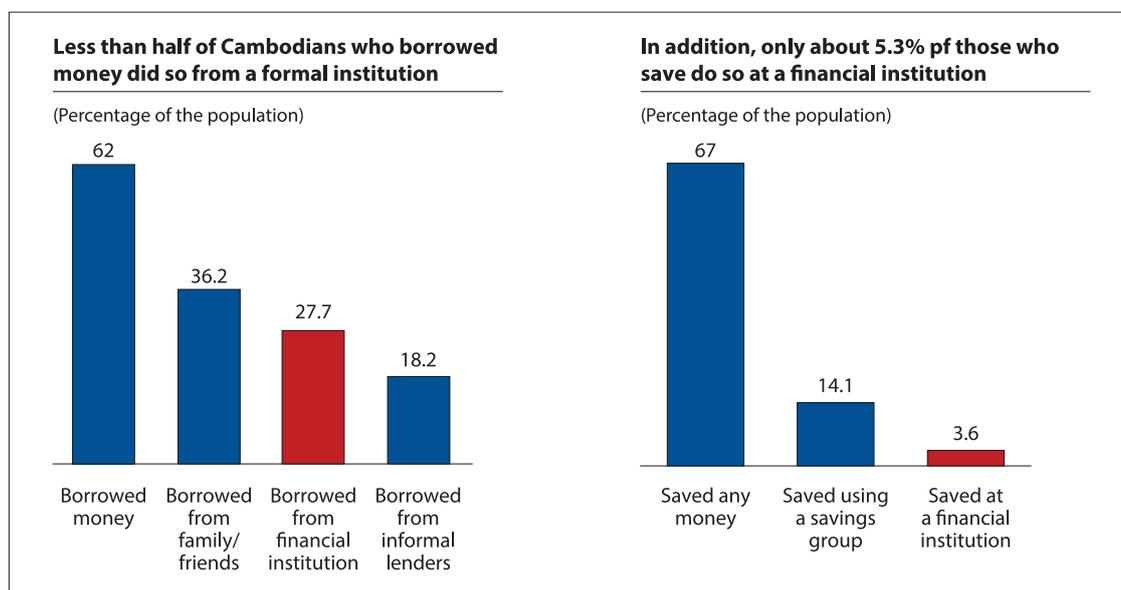
Despite the formal sector growing rapidly, most people, especially young entrepreneurs continue to rely on informal sources of finance.

50 Findex, World Bank.

51 ACLEDA Bank stakeholder meeting.

Figure 10

Sources of borrowing and type of savings



Lack of collaterals on loans, Cambodian youths’ fear of non-repayment and an overall lack of financial literacy are the main factors that deter youth from borrowing.

Most banks and MFIs provide loans for micro enterprises but only on the basis of collaterals. Youth, on the other hand, begin their economic lives with a very low asset base and cannot access traditional products that require collateral. Other eligibility requirements, for instance ACLEDA bank’s requirement to have a payroll account to get a loan, are also deterrents for youth to access credit from formal institutions. **Funding from friends, family and informal savings groups thus become the most common sources of finance for the youth.**

SMEs also do not actively seek finance from formal sources, but rely on informal financing, personal savings or retained earnings. Among 504 SMEs surveyed in 2010 by IFC for its research, only 59% prepared a simple profit and loss statement, and 57% did not have a bank account. Lack of suitable financial laws for SMEs lead to high interest rates and collaterals thus making it impossible for them to borrow from the formal sector.

The conservative attitude of youth toward debt, and their fear of not being able to repay loans are other major constraints to credit uptake. Despite some financial institutions offering collateral free loans, Cambodian youth lack an interest in taking loans. One major factor for this is the higher interest rates on such loans, and also that these youth are unsure about the success of their business and fear non-repayment. They strongly prefer no credit to being in long term debt.



I have a business plan, but I will wait till I have my own money. I do not want to take a loan. If my business does not succeed, how will I repay, especially with the high interest rate.



- Youth, Phnom Penh

Overall, this evidence suggests that financial education and literacy have a key role to play in boosting access to finance for youth. In particular, encouraging savings with an FSP from a young age, thus increasing youth exposure to financial systems early on, can be particularly impactful. Currently there is a lack of such financial literacy programs, especially on a national level. Microfinance institutions provide some education to its clients, but no FSP focuses on educating the youth.⁵²

However, the government has strongly emphasized the importance of financial literacy in its Financial Sector Development Strategy 2011-2020 and intends to design and implement a national program for promoting financial literacy for the clients of MFIs and the general public.⁵³

Informal saving clubs are also helping youth, especially rural youth, to improve their means for generating savings and increasing their borrowing power. There are 219 youth saving groups in the region of Phnom Penh alone and are members of the “Friendship Saving Federation” (FSF), an association for savings group set up in 2010, with a total capital of US\$ 88,727. The monthly interest reaches US\$ 1,448, while the monthly saving is around US\$ 3,207. This ensures the provision of a total loan amount of US\$ 93,903.⁵⁴

52 Oiko Credit stakeholder meeting.

53 Ministry of Economy and Finance stakeholder meeting.

54 Youth and agriculture: key challenges and concrete solutions, Food and Agriculture Organization of the UN.

SECTION 4 – ASSESSMENT OF THE DEMAND AND SUPPLY OF LABOUR

This section will discuss the demand and supply for labour and derive key gaps and implications for youth.

DEMAND FOR LABOUR

The labour market in Cambodia is severely demand-constrained. An estimated 300,000 young Cambodians enter the labour market every year.⁵⁵ However, according to the National Employment Agency, only 28,000 formal jobs were created in 2014.⁵⁶

This lack of formal jobs is due to several reasons. Firstly, the poverty rate in Cambodia was 17.7% in 2012, which translates to about 3 million poor people. However, out of the 11.5 million Cambodians who are not poor, over 70%, or 8.1 million, are “near-poor”, which means that their incomes are less than US\$ 2.3 a day.⁵⁷ Therefore, **the domestic demand for goods and services is generally very low.** In addition, **there are several factors that reduce Cambodia’s competitiveness as a receiver of FDI and an exporter.** The most prominent reasons are the high utility costs (especially electricity), the low skill level and productivity of the labour force, and unplanned strikes and labour disputes.

Total employment grew by 17.2% from 2008 to 2013. Employment in the private sector increased by 45.2% and in the industry sector by 58.5%. However, although this percentage growth is very high, it was not sufficient to meet the increase in the labour supply, caused by the increase in the working-age population. Therefore, the agriculture sector has acted as a sponge, absorbing the youth who cannot find employment in modern sectors, mainly into subsistence farming.⁵⁸

The agriculture sector accounted for 64.3% of total employment in 2013.⁵⁹ However, these statistics are most likely overestimated, because informal migration – whether towards urban areas or towards neighbouring countries – cannot be accounted for. This sector is also marked by its low productivity, especially with regards to subsistence farming. This is due to the inadequate management of natural resources, low levels of technology and dependence on the rain instead of an efficient irrigation system. Most key stakeholders have agreed that there are a number of untapped opportunities along the various agriculture value chains in extension, aggregation, trade and small-scale processing.

55 About Cambodia, UNDP.

56 “Skills shortages and skills gaps in the Cambodian labour market,” National Employment Agency, 2015.

57 The World Bank.

58 “Skills shortages and skills gaps in the Cambodian labour market,” National Employment Agency, 2015.

59 “Skills shortages and skills gaps in the Cambodian labour market,” National Employment Agency, 2015.

Unfortunately, youth generally have negative perceptions towards agriculture, and gravitate towards more modern sectors. These negative perceptions come from the fact that a large number of youth associate agriculture with subsistence farming, and for rural youth, with their parents' experiences of poverty and lack of opportunities. Many youth cite the lack of irrigation systems as one of the biggest barriers in this sector, as only one crop can be planted per year, causing employment to be highly seasonal and dependent on the weather. On the other hand, urban youth do not see opportunities for lucrative employment within the agriculture sector.

“ My friends who studied agriculture are all working in unrelated fields, and the ones who work in agriculture are getting paid the same wages as non-university graduates.

”
- Youth, Phnom Penh

Small and medium enterprises (SMEs) make up 99% of all Cambodian enterprises and account for almost half of all employment;⁶⁰ however, their capacity to grow and create more jobs is limited because of ecosystem challenges. SME growth is constrained by lack of access to affordable capital, heavy red tape and a poor business climate. Enabling SMEs to generate employment at a sufficiently high pace, either directly or through linkages, demands investment in the sector and government reforms.

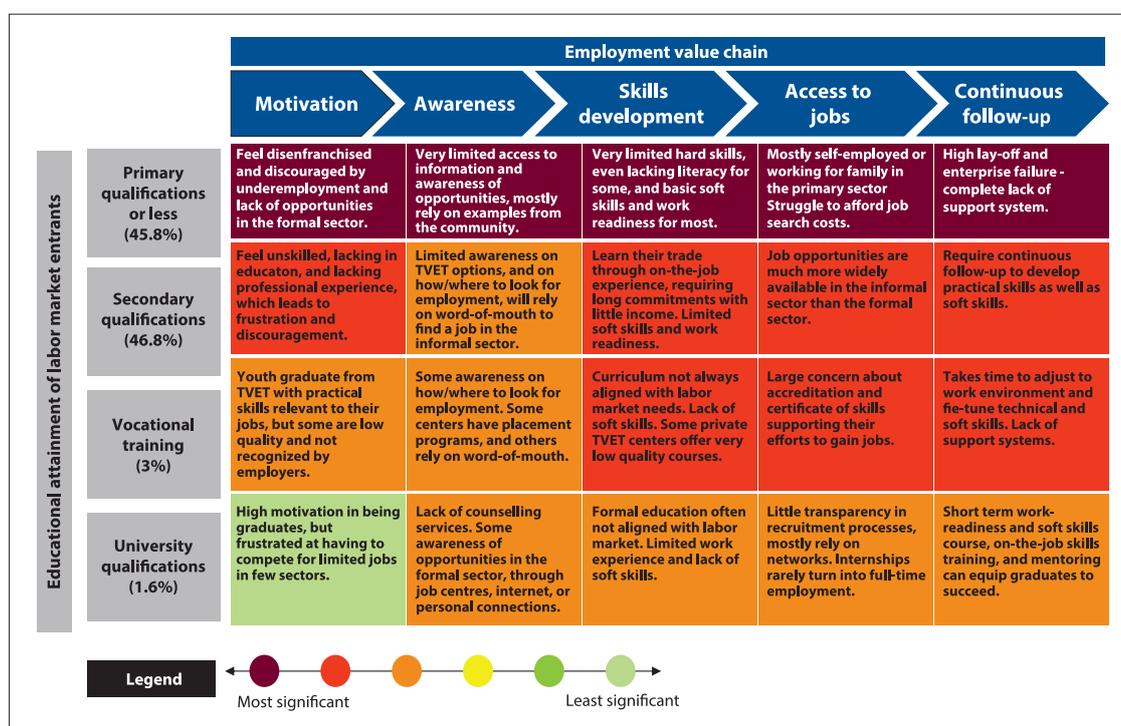
SUPPLY OF LABOUR

While the insufficient demand for labor does significantly constrain youth's access to economic opportunities, youth are insufficiently and/or inadequately prepared to access existing opportunities. Preparation consists of a number of sub-drivers (Figure 11), which include insufficient and/or inadequate motivation and awareness, skills development or capabilities, access to jobs, and follow-up or guidance.

60 “Youth Employment: Why is it an issue for Cambodia?” the International Labour Organization.

Figure 11

Opportunities in employment value chain ⁶¹



MOTIVATION AND AWARENESS

The 45.8% of youth with primary education or less face a crowded and competitive, mostly informal, low-productivity segment of the labor market,⁶² which means that it is more difficult and more time consuming to find jobs. As a result, the youth with low levels of education are often discouraged due to this repeated job search. Because of the high levels of competition across education levels, **this problem is not only limited to unqualified youth.** For instance, it takes Cambodian high school graduates an average of nine months to find employment after they join the labor force.⁶³

“ The biggest challenge we faced working with and training disadvantaged and uneducated youth, is that they generally got discouraged very fast. If they do not find a job in the first or second try, they abandon the job search and go back to their province.

- Program implementer, Phnom Penh

61 Dalberg analysis, stakeholder interviews, focus group discussions.

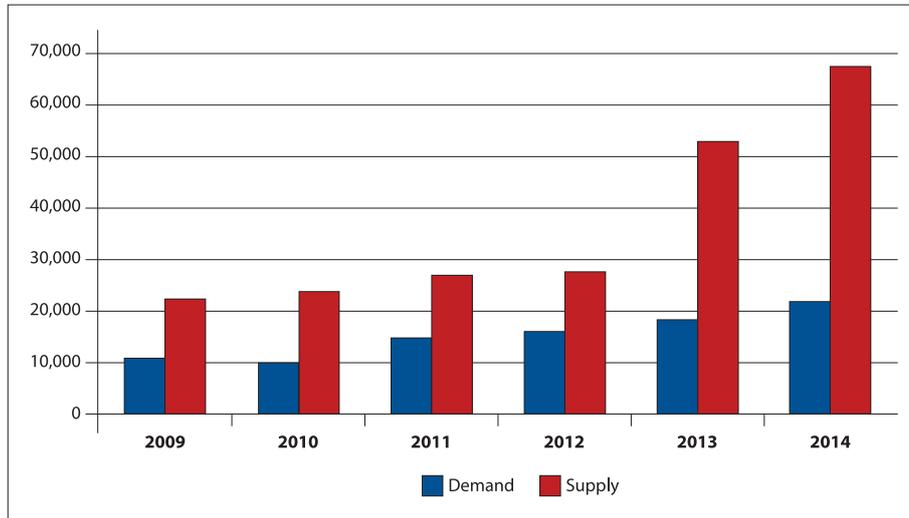
62 “Labour market transitions of young women and men in Cambodia”, National Institute of Statistics and ILO, 2014.

63 “Higher Education and Skills for the Labor Market in Cambodia”, HR Inc., 2010.

As figure 12 shows, the supply of university graduates in Cambodia is far above the demand, which means that a large number of educated youth are competing for a limited number of positions, creating a feeling of discouragement even amongst the most educated.

Figure 12

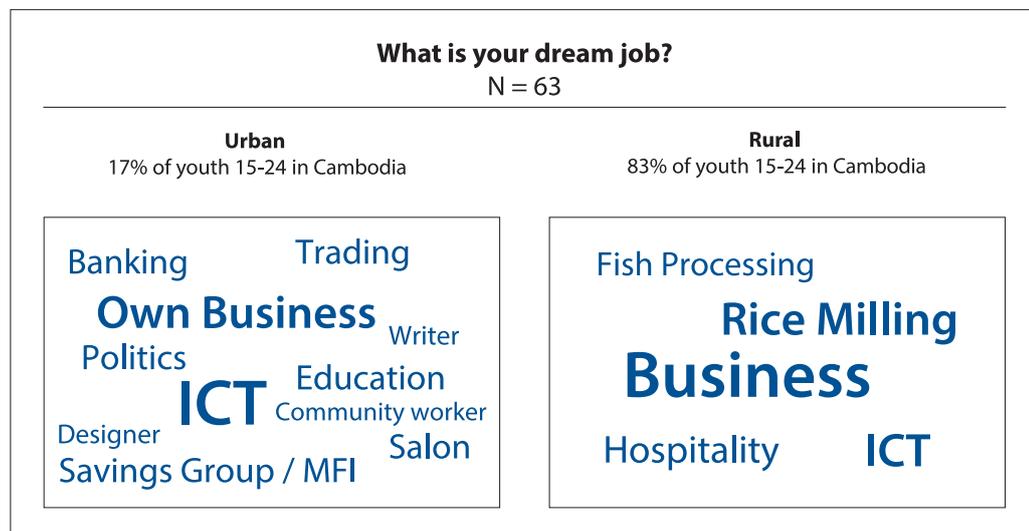
Demand and supply of higher education graduates per year (number of people)⁶⁴



Youth awareness about the number and types of economic opportunities is generally low and largely determined by their experience and environment. Youth with primary or no qualification are not well informed about jobs economy-wide; their aspirations tend to be driven by what they judge to be successful within their immediate community. Therefore, interest in certain jobs or sectors is often based on anecdotal evidence. In part, this explains the stark differences in youth aspirations in rural and urban areas. Youth in urban areas are generally interested in a greater variety of jobs, and have a multitude of aspirations and dreams compared to the youth from rural areas.

Figure 13

Youth aspirations^{65 66}



64 "Higher Education and Skills for the Labor Market in Cambodia", HR Inc., 2010.

65 Youth focus group discussions and survey; UNICEF Cambodia Statistics; Dalberg analysis.

66 The differences in youth aspirations between genders were insignificant.

However, although information sharing on employment or entrepreneurship opportunities and experiences is limited, the situation has been improving over the past few years. Youth can increasingly find information about formal sector jobs through the Internet (Facebook pages, NEA, HR Inc., etc.), NGOs such as the Youth Employment Services (YES) center, and through the National Employment Agency’s job centers. However, although the number of options are increasing, many youth in the rural focus group conveyed that they were not previously aware of them. A large percentage of youth still learn about job opportunities through word of mouth.

The National Employment Agency (NEA)

The NEA was established as a Special Operating Agency under the jurisdiction of the National Training Board, and the General Department of Technical and Vocational Education and Training. Its aim is to provide quality, efficient employment and labour market information services to job seekers, employees, employers, training providers and general public. Their main duties include matching job seekers with job vacancies and assisting the government in managing the human resource development plan. The NEA has job centers in several Cambodian cities, where youth can receive information about vacancies and learn about the job application process, employers can access candidates and hold their interviews, and trainers can offer their sessions. Finally, the NEA website also has a job board, where vacancies and students’ resumes are posted.

HR Inc.

HR Inc. is a human resources company that offers four main services: consulting, technical training, recruitment and outsourcing. The training courses they offer include safety, productivity and soft skills, and their clients range from NGOs, to start-ups and SMEs, to the largest garment factories. In addition, the HR Inc. website includes free career articles and video tutorials to support youth who are starting their careers. In their recruiting practice, HR Inc. assists the private sector to find the people that they need, in a market that is competitive and has a shortage of technical and managerial skills. In addition, HR Inc. operates one of the leading online job portals in the country, and was the first to develop a recruitment mobile application in Cambodia.

SKILLS DEVELOPMENT

Education quality is generally low and skills do not match labor market needs. This challenge persists across sectors and education levels. For instance, according to a survey conducted by the Cambodian Federation of Employers and Business Associations (CAMFEBA), only 13% of employers reported that graduates have “all or most” of the right skills for the labor market, while the majority (76%) believed that youth have “some but not all” of the required skills. The remaining 11% believed that youth are not educated with the right skills at all.⁶⁷ In addition, in the three biggest sectors outside of agriculture (garments, tourism and construction), only one out of five firms say that graduates from vocational training courses are equipped to do their job.⁶⁸

67 “Youth and Employment: Bridging the Gap”, CAMFEBA, 2008.

68 “Youth Employment: Why is it an issue for Cambodia?”, ILO.

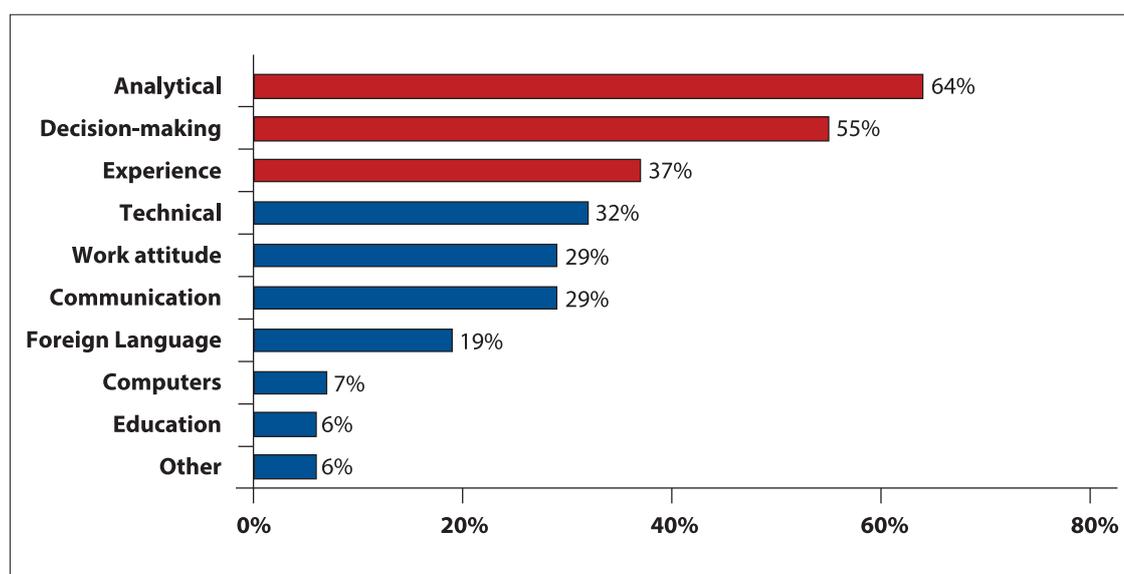
Soft skills and work-readiness are also a challenge. Employers assert that young employees generally lack crucial soft skills that often cannot be mastered over a short on-the-job training, such as critical thinking and problem-solving skills. In addition, many youth also lack ‘work-readiness’ skills, which can be developed through targeted training and coaching, such as punctuality, communication, and basic IT competency. Employers tend to have negative perceptions of youth and consider that they lack work ethic and interpersonal skills. Some of the lacking work ethics mentioned by employers are self-confidence, motivation, being dynamic and patient, and the willingness to learn and work hard. In addition, some employers also believe that youth are not aware of how to apply for jobs (reaching out to employers, writing individual cover letters for each company, etc.) and conduct themselves in interviews.

“ We get applications from candidates who have all the necessary qualifications on paper. However, we cannot find applicants with the right soft skills for the job. ”

- Employer, Phnom Penh

As figure 14 shows, 64% of employers feel that analytical skills are hard to find and 55% of employers feel that decision-making and problem-solving skills are hard to find in professional staff.

Figure 14
Needed skills and qualifications that are hard to find for professional staff (percentage of employers)⁶⁹



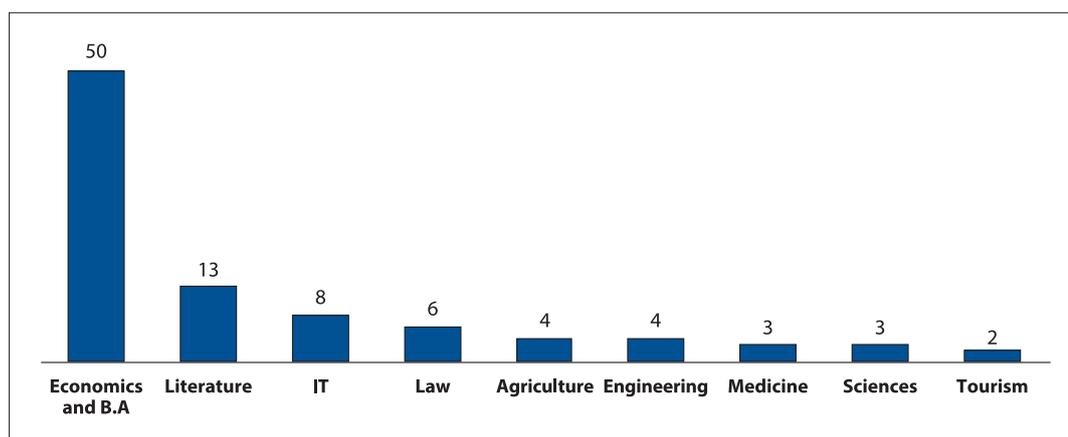
69 “Youth and Employment: Bridging the Gap”, CAMFEB, 2008.

70 “Youth and Employment: Bridging the Gap”, CAMFEB, 2008.

At the university level, there is a mismatch between the skills demanded in the labor market and those pursued by students. For instance, as figure 15 shows, half of the students enrolled in bachelor's degree courses in 2010-2011 were studying economics and business administration. On the other hand, only 4% of students were enrolled in engineering majors, 3% in sciences and 2% in tourism. As a result, there were 100,000 new university graduates in banking, finance, economics and accounting between 2009 and 2014, competing for 40,000 jobs in these fields.⁷¹

“ The problem is that young people all want to sit in air conditioned offices, and all dream of accounting and banking careers. Most of them are not aware that engineering and technical jobs are the ones in demand today. ”

Figure 15
Share of bachelor's degree enrolments by major – 2010-2011 (%)⁷²



There is a limited number of students pursuing vocational training courses. In fact, in 2011-2012, progression to formal TVET, which requires grade 9 completion, was less than 1% of secondary enrolments.⁷³ This is due to a lack of TVET centres, a lack of awareness about vocational training options and the negative perception that these courses have. In addition to limitations in quantity, **the quality of the TVET courses that are currently offered is also very low.** This is partly due to the fact that the TVET system emphasizes theoretical knowledge with limited practical application. Most public TVET institutions lack adequate, industry-relevant equipment and training facilities, in addition to the low quality of instructors.⁷⁴ Finally, as figure 16 below shows, 95% of the TVET degrees offered are only short term programs (often between one and four months⁷⁵). Out of these short term programs, 74% are one-month agricultural programs.⁷⁶

71 “Higher Education and Skills for the Labor Market in Cambodia”, HR Inc., 2010.

72 “Skills shortages and skills gaps in the Cambodian labour market”, National Employment Agency, 2015.

73 Technical and Vocational Education and Training Sector Development Program”, The Asian Development Bank, 2014.

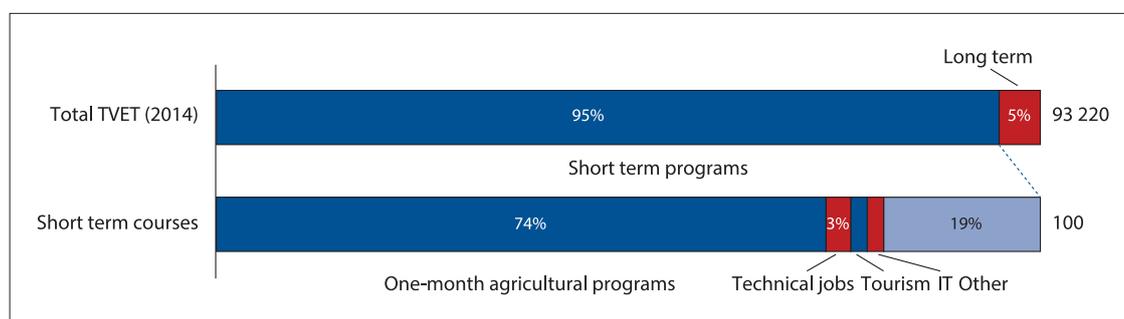
74 “Technical and Vocational Education and Training Sector Development Program”, The Asian Development Bank, 2014.

75 “Policy review of TVET in Cambodia”, UNESCO, 2013.

76 “Skills shortages and skills gaps in the Cambodian labour market”, National Employment Agency, 2015.

Figure 16

Types of TVET courses⁷⁷



As figure 17 shows, **the enrolment rate of women in TVET courses is lower than that of men.** In 2010, there were 4,393 male students enrolled in the four main levels of TVET education (certificate level, diploma level, higher diploma level and bachelor’s level), compared to 1,732 female students.

Figure 17

Enrolment by qualification level in 2010⁷⁸

Qualifications	Enrolment		
	Male	Female	Total
Bachelor + Upper	1,523	458	1,981
Diploma Level	2,466	842	3,308
Certificate I, II, III	404	342	746

Source: Desk research; Stakeholder interviews; Dalberg analysis.

These gender disparities might be due to several reasons. First of all, while TVET education requires grade 9 completion, there are more female youth of secondary school age that are out of school (43%) than male youth (36%),⁷⁹ which means that there are less female students who qualify for vocational training. Secondly, there are disparities between male and female returns to education that are more pronounced for technical and vocational training. The average wage of a male graduate from a TVET program is US\$ 149.71 per month, compared to US\$ 75.60 for female graduates, which means that women have less incentive to join TVET.

77 “Skills shortages and skills gaps in the Cambodian labour market”, National Employment Agency, 2015.

78 “Policy review of TVET in Cambodia”, UNESCO, 2013.

79 National Education Profile, Education Policy and Data Center, 2014.

Figure 18

Average earning by education level for youth (US\$/Month)⁸⁰

Education Levels	Male	Female	Total
None	-	-	37.5
Primary School	56.23	59.82	58.14
Lower Secondary School	61.70	61.03	61.35
Upper Secondary School	59.19	65.79	62.17
Technical / Vocational	149.71	75.60	95.02
College / University Undergraduate	135.53	103.02	115.55
Bachelor Degree	150.78	129.59	141.74

Source: Cambodia Socio-Economic Survey (CSES), 2007. (National Institute of Statistics).

In addition, **there is a lack of collaboration among the TVET centers.** For instance, in 2013, 80% of the TVET programs offered were from NGOs and private institutions, and only 20% were government programs. However, private and non-profit TVET institutions largely operate outside any general framework and rarely coordinate amongst themselves or with the government. Therefore, it is very important to have a relevant TVET policy that can be enforced.

ACCESS TO JOBS

Access to jobs is extremely limited in the formal sector, especially for youth with limited education. Looking for work is expensive and youth, particularly those in the bottom quintile, do not necessarily have the capital to fund job search costs such as communication, transport, copies of their documents, notary fees, or accommodation (if they are forced to look for work in other areas where there may be more job opportunities for them).

“ I went to town to apply for a job in a restaurant twice. However, I have not heard back, and it is expensive to go back, so I will start selling rice.

”
- Youth, Battambang

Even for university graduates, access to formal employment is limited because employers typically ask for work experience. As figure 19 shows, 65% of employers believe that previous experience is “definitely required” for professional staff, which include university graduates; versus only 10% for unskilled workers. As a result, taking internship or volunteer positions upon graduation is commonplace among recent graduates. Graduates complain that many firms abuse this system to profit from inexpensive labor—providing at best a small stipend—and many internships are long-term and/or do not lead to formal employment.

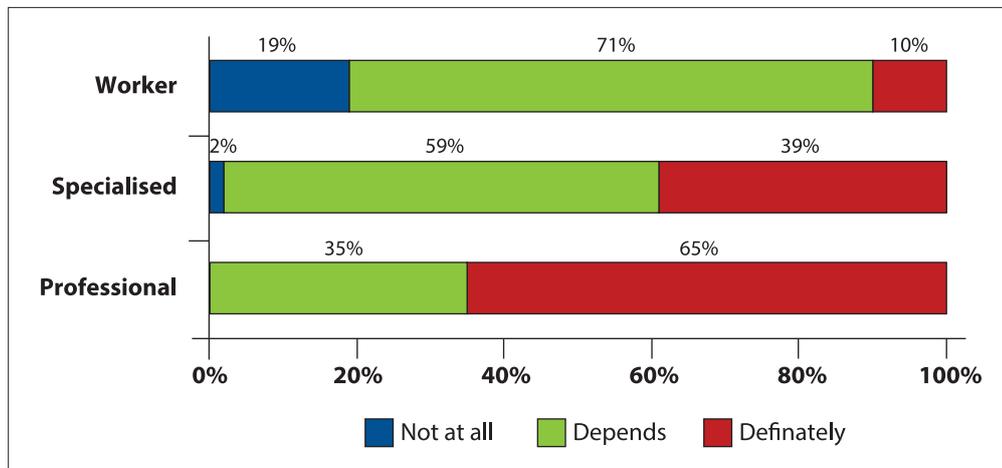
80 “Policy review of TVET in Cambodia”, UNESCO, 2013.

“ Employers all want candidates with experience, but most youth don’t have any. Those who have done internships all get hired. ”

- Private sector representative, Phnom Penh

Figure 19

The employers’ view on whether experience is required by skill level



Many Cambodian youth want to start their own businesses. In fact, as many as 80% of the urban group and 93% of the rural group expressed strong interest in starting businesses in a variety of sectors. **However, in addition to technical and material barriers, most are not aware of ideas or opportunities** beyond what they see in their immediate communities. This leads to young adults starting the same types of businesses, and facing high failure rates. As a result of this lack of access to opportunities, **increasing numbers of youth consider migration to neighbouring countries as their best option.** In 2013, it was estimated that there were more than 500,000 Cambodian workers in Thailand alone,⁸¹ in the pursuit of higher wages.

“ So many youth want to start businesses, but they are all thinking about guest houses or small restaurants, because that is what their friends are doing, even if the market is saturated. ”

- NGO, Siem Reap

81 “Migration Puts Cambodia’s Youth in Danger”, Lim Siv Hong, 2013.

CONTINUOUS FOLLOW-UP

There is a general lack of continuous follow-up for youth as they adjust to new jobs or develop their enterprises. At the end of the employment value chain, once youth access economic opportunities, there are few formal structures or programs in place to support their professional growth, i.e., ongoing skills development, professional coaching and mentoring, linkages to professional networks, and career guidance and counseling.

“ We are one of the few organizations that follow up with the youth once they get placed in jobs. This is crucial because we notice that they usually don’t know how to handle conflicts in the work place, so many just quit if anything happens. ”

- NGO, Siem Reap

Many employers have therefore recalibrated their mindsets and expectations at the outset and committing to the training and up-skilling of their workers. Many private companies offer their own training programs in order to fill skill gaps, either where training is not available in Cambodia or where there is a lack of upskilling and continuous follow up.

“ There are two specific positions where we are facing a severe lack of skills, so we are starting our own training facility. ”

- Private sector representative, Phnom Penh

Support structures for entrepreneurs are still limited. Over the past few years, there has been increasing support for young entrepreneurs in Cambodia. For instance, business incubators such as Young Startups, the EME business incubator, and Kotra incubator have been set up to help business owners address some of the main challenges in the Cambodian market and help them take their businesses to the next level. However, these programs generally target university educated entrepreneurs with original, innovative and scalable ideas. There is still a severe lack of support for youth with less education who want to start small businesses or pursue a self-employment path.

MATCHING DEMAND AND SUPPLY

Matching interventions, which facilitate the connection between labor demand and supply, are few and far between in Cambodia. There is a need to support youth in their job search through active labour market policies and by assisting job seekers to find vacancies through employment service centres such as the National Employment Agency (NEA) job centres.

Youth in the capital city are relatively well-informed about ongoing programs and initiatives aimed at helping them access economic opportunities. Youth who took part in the urban focus group (Phnom Penh), had heard of a wide range of interventions, while most of the youth who took part in the rural focus group (Battambang) had less knowledge. For example, while there was a discussion in the urban focus group around the new national youth policy that is about to be implemented, none of the participants in the rural focus group had heard of the policy. This lack of awareness could be attributed to the poor geographic spread of institutions, and the overall lack of scale of existing efforts. In addition, **program implementers have also been discouraged from working in rural areas** not only because of the inaccessibility of these regions, but also because of the high prevalence of migration.

“ We start very successful programs, and spend a lot of time selecting the youth, but they all leave to either Thailand or to the cities at one point or another. There are no youth in rural areas!”

- Program implementers, Battambang

SECTION 5 – HIGH POTENTIAL OPPORTUNITIES FOR YOUTH

The **agricultural sector** offers a number of opportunities for youth employment. So also do the **service and hospitality, building and construction** and **light manufacturing sectors**, given their recent and projected growth, and the relatively low level of formal education required. In addition, entrepreneurship is a strong pathway for employability in Cambodia, with **repair** and **small-scale agribusiness** as potential sectors of interest for youth.

Figure 20 summarizes numerous high potential opportunities for youth and significance of related factors.

Figure 20

High-potential opportunities for youth

	Opportunities for youth	Size of demand	Barriers to entry	Youth interest
1	Agro-processing	Green	Red	Red
2	Agricultural inputs and ancillary services	Green	Orange	Red
3	Entry-level jobs in hospitality	Green	Orange	Green
4	Entry-level jobs in food services	Green	Yellow	Green
5	Construction artisans	Green	Light Green	Yellow
6	Skilled trades people	Light Green	Dark Purple	Orange
7	Mobile repair	Green	Orange	Light Green
8	Vehicle repair	Green	Orange	Orange
9	Low skilled labor in light manufacturing	Light Green	Yellow	Orange
10	Vegetable and fruit agribusiness	Light Green	Red	Red

Legend	←	●	●	●	●	●	→
		Dark Purple	Red	Orange	Yellow	Green	Light Green
		Most significant					Least significant

I. OPPORTUNITIES IN AGRICULTURE

The agriculture value chain offers a number of high potential economic opportunities for youth such as SMEs in agro-processing, import substitution of vegetable and fruit, and agricultural inputs and ancillary services such as fertilizer trade. Agriculture is a growing sector but limited value addition is taking place. Agriculture remains the dominant sector in the Cambodian economy. It has grown at an average annual rate of 4.5% during 2008–2013 and contributed about 29% to the national gross domestic product during the same period.⁸² According to the National Institute of Statistics, the sector employed about 51% of Cambodia’s workforce in 2012, mainly organized in small farms, and more than 80% of the population depends on agriculture for their livelihood. However, the sector has a narrow base and most employment is rural, informal and unskilled, primarily to secure a means of livelihood, leading to absorption of rural labour without any increase in income.

The common farming system in Cambodia is low productivity, terraced rain-fed, undertaken by around 70% of the rural population, representing 80% of the rice cropping area and 70% of paddy production.⁸³ The lack of irrigation facilities restricts the majority of producers to a single crop per year, and makes them dependent on rain-fed conditions. As a result, in the past decade, small farms became smaller while large farmers grew larger. Farms with less than 1 hectare producing annual crops, except vegetables, have smaller incomes on average. They are less likely to adopt modern technologies and integrate into modern value chains. Special attention is needed for this group of farm households, as they will continue to account for the largest share of farm households in Cambodia.

Despite having a large population engaged in agricultural activities, Cambodia in the last decade has witnessed a significant reduction in the agricultural labour force. From 73% in 2004, the percentage of the population engaged in agricultural activities has reduced to 51% in 2012.⁸⁴ Rural youth leave farms and rural areas for other employment opportunities including migration to nearby countries causing a shortage of supply of labour in the farms.

This trend will continue in the future and if it is not accompanied by parallel mechanization in the agricultural sector there will be a shortage of labour supply. Mechanized activities like food processing and other parallel farm activities that add to the value chain of agriculture are crucial for the sector to sustain itself.

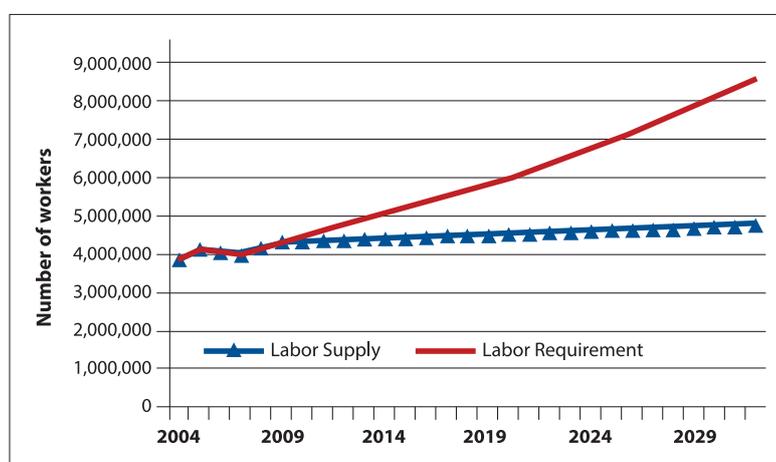
82 ADB - Country Partnership Strategy: Cambodia, 2014–2018.

83 ADB - Country Partnership Strategy: Cambodia, 2014–2018.

84 Social Economic Surveys of NIS.

Figure 21

Agricultural labour supply versus labour requirement



Source: CSES 2004, CSES 2009, MAFF, and extrapolation by CIDS.

To overcome these challenges, and to realize the vision of agricultural sector development, the RGC has adopted a three-pronged strategy – productivity enhancement, diversification and agricultural commercialization through implementing a package of interrelated measures – infrastructure building and enhancement (roads, irrigation, energy/electricity, and Information and Communication Technologies (ICTs)); improvement in the provision of extension services; and improved agricultural inputs, land management reform, finance, marketing, farmer organization, and institutional building and coordination.

There are four starting points for employment in agriculture for youth:

- **Continuing on the family plot:** Youth with limited options can remain on inherited family land but have little incentive to invest in skills, since they must wait until parents pass on decision-making to make use of them.
- **Establishing own operations:** This pathway is the most risky but offers the highest returns. Experienced youth are likely to succeed. The cooperatives system offers a way to mitigate risks. As a group, youth can pool resources, e.g., equipment, tools, land, finance, as well as qualifications or know-how, start small and scale fast.
- **Combining agriculture and other work:** Youth can utilize capital gained from farming to move up agricultural value chains, for example in processing, or in other sectors such as trading.
- **Working for a wage on a commercial farm:** There are a few commercial farms in Cambodia. Work is seasonal, usually pays little and requires few skills.

The following table summarizes the specific employment opportunities accessible to youth in the agriculture sector.

Table 3

Opportunities in agriculture

Employment activities	Description	Why is it an opportunity for youth?
Opportunity 1: Agro Processing	<p>Develop a domestic agro-industry and small and medium-sized enterprises (SMEs) to absorb agricultural output and stimulate growth.</p> <ul style="list-style-type: none"> Higher-value rice includes glutinous rice, aromatic rice, and rice grown under organic production systems. Non-rice crops are typically fruits and vegetables in lowland and irrigated areas, but also include flowers, bamboo, pulses, maize, cassava, and tree crops in upland areas. <p>Although many crops and primary outputs with such value-adding potential are already known in Cambodia, areas are small, cultivation and management history is short, and agronomic and economic data are largely absent.</p>	<ul style="list-style-type: none"> Strong demand: Most agricultural produce is sold as is, with little to no value addition and further income to the farmer.
		<ul style="list-style-type: none"> Medium entry barriers: Depending on level of sophistication required for processing in sub-sector, youth require access to markets, start-up capital, requisite skills, and partnerships with vendors.
		<ul style="list-style-type: none"> Medium to high youth interest: Youth focus groups and data indicated interest from youth in starting up agro processing businesses.
Opportunity 2: Agricultural inputs and ancillary services	<p>Machinery repairs, trade of inputs, high yield seeds production, post-harvesting storage, transportation.</p>	<ul style="list-style-type: none"> Medium to strong demand: There is an increasing demand for better seeds, organic fertilizers, logistics and transport services as well as newer technology and equipment, raising an opportunity for manufacturing, trading and other businesses for these products and services.
		<ul style="list-style-type: none"> Medium to high entry barriers: Depending on level of sophistication required for processing in sub-sector, youth require access to markets, start-up capital, requisite skills, and partnerships with vendors.
		<ul style="list-style-type: none"> Low youth interest: Youth are attracted by the market opportunity and potential high returns. However, they generally aspire to move away from farming.

Employment activities	Description	Why is it an opportunity for youth?
<p>Opportunity 3: Import substitution of fruits and vegetables</p>	<ul style="list-style-type: none"> Vegetable imports from Vietnam cover almost 70% of the vegetable demand in Cambodia, with Cambodian production meeting the remaining 30%.⁸⁵ The volume of daily imports ranges from 40 to 160 tonnes depending on the season. The main products imported include onions, red garlic, carrots, potatoes, tomatoes, cabbage, Chinese cabbage and peas. Once production is established and profitable, savings can be used to move into value addition, e.g., washing, juice pressing, packaging, labelling and sealing. 	<ul style="list-style-type: none"> Medium to strong demand: There are strong opportunities for vegetable production and processing for both export, as well as domestic consumption. 80% of domestic consumption is met by imports from neighbouring countries, especially Thailand. Medium entry barriers: Land and technical know-how are main constraints, however, technical skills can be acquired through networks or short-term training. Processing requires literacy, numeracy, business spirit and capital. Low youth interest: Youth are attracted by the market opportunity and potential high returns. However, they generally aspire to move away from farming.

85 CDRI.

II. OPPORTUNITIES IN TOURISM

Tourism is a significant part of the economy and is expected to continue on this strong growth path. In fact, tourism's share in the Cambodian GDP (17% in 2013) increased by 6 times since 1995, and receives 54% of all foreign investments coming into Cambodia.⁸⁶ In addition, the hotel and restaurant industry had an overall growth rate of 8 to 12% in 2012. The real GDP share of the hotels and restaurants sector in Cambodia has grown from 1.5% in 1993 to 4.9% in 2011.⁸⁷ However, despite the growth in the number of incoming tourists, there has been a shift in their countries of origin. In 2012 for instance, the Ministry of Tourism reported that most visitors (51.6%) to Cambodia arrived by land and water ways from Vietnam, Laos and Thailand. Asians are in fact the first tourists and US citizens only rank as the 6th (compared to the 3rd in 2006⁸⁸) group of visitors, followed by citizens from Japan, France, Australia and the UK.⁸⁹ In addition to this shift, and to the shift towards backpacker (low spender) tourists, several stakeholder interviews asserted that there are still opportunities to upgrade the value added in this sector.

The sector is expected to create more jobs for youth over the next five years. According to the Minister of Tourism Thong Khon, there are about 400,000 direct employees who currently work in the tourism sector and, by 2020, when Cambodia expects to receive seven million tourists annually, the industry will need 800,000 staff.⁹⁰

The government recognizes and supports the growth of the tourism industry through national policy. For instance, the Ministry of Tourism understands that the main problem for the sector today is the lack of human resources (technical, language and soft skills). Therefore, the government is introducing a program for young Cambodians to learn about tourism in grades 11 and 12, as part of the new curriculum for public education.⁹¹

Given the relatively transferable nature of skills and training acquired in the tourism sector, trained workers have good mobility to retail and other services sectors, unlike in sectors with highly specialised skills (e.g., the garment sector). For instance, most tourism training includes a language component, as communicating in English is crucial for all client-facing positions. This skill can be transferred to a wide range of employment opportunities such as sales and retail, and are not constrained within a specific role.

86 "Cambodia diversifying beyond garments and tourism, The Asian Development Bank, 2014.

87 "Growth in hotel industry", Anne Renzenbrink, 2012.

88 "Tourism development in Cambodia: opportunities for Japanese companies", Vannarith Chheang.

89 "The boom of the Cambodian tourist industry", Albeiro Rodas, 2012.

90 "Cambodia's students to get schooled in tourism", Rann Reuy, 2013.

91 "Cambodia's students to get schooled in tourism", Rann Reuy, 2013.

The following table summarizes the specific employment opportunities accessible to youth in the tourism industry.

Table 4

Opportunities in tourism

Employment activities	Description	Why is it an opportunity for youth?
<p>Opportunity 1: Entry-level jobs in hospitality</p>	<p>Youth can break into hospitality in low-skill positions:</p> <ul style="list-style-type: none"> - Room attendant - Reception assistant - Porter - Cook - Housekeeping <p>With experience, and additional qualifications, youth can progress to mid-level supervisor or managerial positions.</p>	<ul style="list-style-type: none"> • Strong demand: The number of tourists are increasing to 7 million in 2020. Therefore, the industry needs at least 400,000 more staff within the next 5 years.
		<ul style="list-style-type: none"> • Medium entry barriers: Literacy, basic numeracy and varying levels of English proficiency are required. Soft skills are paramount and should be acquired through training courses, and reinforced by short term targeted work-readiness courses and on-the-job experience.
		<ul style="list-style-type: none"> • High youth interest: The youth in both the urban and rural focus groups were enthusiastic and interested in various opportunities within the tourism sector, including hospitality.
<p>Opportunity 2: Entry-level jobs in food services</p>	<p>Youth can break into restaurant and mobile food services in low-skill customer facing roles:</p> <ul style="list-style-type: none"> - Wait staff - Bar staff - Baristas <p>And in back-end roles:</p> <ul style="list-style-type: none"> - Chefs - Food preparation - Cleaners <p>With experience, and additional qualifications, youth can progress to mid-level positions such as cashier, host or chef.</p>	<ul style="list-style-type: none"> • Strong demand: The food services industry is developing rapidly with growing tourism demand, urbanization, and increased living standards.
		<ul style="list-style-type: none"> • Medium entry barriers: Literacy and basic numeracy required. Customer facing roles require strong soft skills, especially customer service, and agile English. Back-end roles require more specialized skills that can either be learnt on-the-job or through specialized training programs for more demanding roles.
		<ul style="list-style-type: none"> • Medium youth interest: Youth in the focus groups showed very strong interest in the food industry. However, many of them were targeting small businesses.

III. OPPORTUNITIES IN CONSTRUCTION

The construction sector had a 40.8% increase in employment between 2011 and 2014, making it the sector with the largest percentage increase in Cambodia, well above the total increase in employment of 23.5%.⁹² Overall, **construction is the second largest driver of Cambodian GDP**, after the Garments sector and ahead of Tourism.⁹³

In 2014 alone, the Ministry of Land Management, Urban Planning & Construction approved construction permits that reached US\$3.2 billion or 17.5% higher than those issued in 2013.⁹⁴ **Building and construction is labour-intensive and will generate significant employment as more projects are approved.** As of 2015, Cambodia still does not have a set of building or fire safety standards in the area of construction, to protect the workers' rights in the workplace. However, several initiatives are currently underway to ensure a higher quality of employment in this sector, especially with the increasing FDI coming into the country.

Construction wages increased by 30% between August 2013 and August 2014,⁹⁵ caused by an increase of wages in other sectors and the increasing demand for skilled construction workers to meet the demands of the market. In addition to the increase in wages, this sector is also more stable than the garments sector and has less labour disputes.

Building and construction offers entry points for youth with a range of skill levels. The sector offers low-cost entry points for unskilled youth (e.g., porters, mason helpers, brick layers) and room for progress to specialized functions (e.g., construction supervisors) for youth with a few years of experience; in addition to youth with technical and vocational training degrees (e.g., welders, plumbers, electrical technicians) highly skilled university graduates (e.g., electrical engineers, civil engineers).

Because of the linkages to the construction industry and the large amounts of FDI coming into Cambodia, these job opportunities are on the rise. For instance, Cambodia's biggest cement plant will be constructed in early 2016 with a total investment capital of some US\$ 262 million. Once finished, this modern plant would be capable of producing some 5,000 tons of cement a day in order to supply to the growing construction industry, which means that a large number of jobs will be created.⁹⁶ Other job creating linkages also include the tourism industry, with the construction of new hotels and tourist attractions.

92 "Skills shortages and skills gaps in the Cambodian labour market", National Employment Agency, 2015.

93 "Cambodia's Booming Construction Sector", Denis Schrey, Julia Baur, Martina Mayr, 2015.

94 Cambodia Economic Update, The World Bank, 2015.

95 "Cambodia's Booming Construction Sector", Denis Schrey, Julia Baur, Martina Mayr, 2015.

96 "Cambodia's Modern Cement Plant To Be Constructed in Early 2016", AKP Phnom Penh, 2015.

The sector also offers entrepreneurship opportunities for youth, in addition to opportunities to form cooperatives. Forming a group with other workers skilled in a core range of construction fields is a way for youth to access markets. As a group, youth can pool resources, e.g., equipment, tools, finance, as well as qualifications or know-how, and start by applying for loans and small contracts. As they build experience they should be able to access larger markets. These entrepreneurship or self-employment opportunities include electrical work, plumbing, welding...etc.; which are currently lacking in Cambodia, and will be in even higher demand as the construction sector grows.⁹⁷

The following table summarizes the specific employment opportunities accessible to youth in the building and construction sector.

Table 5

Opportunities in building and construction

Employment activities	Description	Why is it an opportunity for youth?
Opportunity 1: Construction artisans	Construction artisanry offers opportunities for employment as well as entrepreneurship as part of a cooperative. Activities in high demand include: - Welders - Plumbers and pipe fitters - Stonemasons - Bricklayers - Metalworkers	<ul style="list-style-type: none"> • Very high demand: Construction had a 40.8% increase in employment between 2011 and 2014, which was the highest among all sectors. Stakeholder interviews conveyed a severe shortage of welders and plumbers.
		<ul style="list-style-type: none"> • Medium entry barriers: Depending on the nature of the job, workers can either break in using a “watch and learn” method, or a specialized vocational training degree.
		<ul style="list-style-type: none"> • Low to medium youth interest.
Opportunity 2: Skilled trades people	Opportunities for wage employment and entrepreneurship exist for youth in trades with higher skill levels. Activities with the highest demand include: - Civil engineering technician - Electrical engineering technician - Electronics engineering technician - Construction supervisors	<ul style="list-style-type: none"> • Very high demand: High demand following the increase of FDI going into the construction sector. All stakeholder interviews confirmed that there is a severe shortage of electricians and electrical/ civil engineers.
		<ul style="list-style-type: none"> • Medium to high entry barriers: Engineering roles require specialized university education. Construction supervisor roles can be accessed through learning and experience ‘on-the-job’ for 5+ years.
		<ul style="list-style-type: none"> • Low to medium youth interest: Only 3.8% of bachelor degree enrolments are in engineering,⁹⁸ as most Cambodian university students pursue finance or business management related courses.

97 Stakeholder interviews, Dalberg analysis.

98 “Skills shortages and skills gaps in the Cambodian labour market”, National Employment Agency, 2015.

IV. OPPORTUNITIES IN CROSS-CUTTING REPAIR JOBS

There are opportunities for youth in repair services for mobile phones, air conditioning equipment, cars and motorcycles.

There are a significant number of mobile phones in circulation, and this provides a growing opportunity for mobile repair services. In 2014, there were 20.2 million SIM cards in circulation, which translates to a 130% penetration rate, compared to the regional average of 89%.⁹⁹ In addition, **Cambodian imports of motorbikes reached 264,085 units, valued at a total US\$ 139 million** in the first 11 months of 2012, a 55% jump from 2011.¹⁰⁰

This sector also has considerable entrepreneurship opportunities for youth, because of the high demand for these jobs. Stakeholder interviews have stated that it is very difficult to find trained repairmen, because at the moment, most have learned their trade through watching and helping experienced repairmen. In addition to opportunities to form cooperatives, forming a group with other workers skilled in repair is a way for youth to access bigger markets and have more visibility. As a group, youth can pool resources, e.g., equipment, tools, finance, as well as qualifications or know-how, and start by applying for loans and small contracts. As they build experience, they would have a platform to access more customers.

Table 6

Opportunities in cross-cutting repair jobs

Employment activities	Description	Why is it an opportunity for youth?
Opportunity 1: Mobile repair shops	Opportunities in entrepreneurship exist for youth to start mobile repair shops.	<ul style="list-style-type: none"> • Strong demand: Cambodia has a 130% mobile penetration rate. It is common in urban areas for people to have two mobile phones. Therefore, there are a significant number of devices that need to be repaired.
		<ul style="list-style-type: none"> • Medium entry barriers: Technical secondary school or college qualifications, or alternatively significant hands-on experience with TVET qualifications. Strong soft skills needed, e.g., customer service ability, and communication ease.
		<ul style="list-style-type: none"> • Medium youth interest: Youth in the urban focus group showed considerable interest both in entrepreneurship and in technology.

99 "The Status of ICT in Cambodia", Danièle Adler, 2014.

100 "Malaysian motos to enter market", Anne Renzenbrink, 2013.

Employment activities	Description	Why is it an opportunity for youth?
Opportunity 2: Vehicle repair shops	Opportunities in entrepreneurship exist for youth to start auto and motor repair shops.	<ul style="list-style-type: none"> • Strong to medium demand: Motorcycle imports approached 300,000 in 2012 alone. In addition, in 2012, Phnom Penh had 50,000 Lexus cars, and other high-end vehicles such as BMWs, Mercedes and Humvees.¹⁰¹ This does not only lead to a high demand of regular car repairmen, but for skilled repairmen who can handle the increasing number of technologically advanced new vehicles.
		<ul style="list-style-type: none"> • Medium entry barriers: Technical secondary school or TVET qualifications, or alternatively significant hands-on experience. Strong soft skills needed, e.g., customer service ability, and communication ease.
		<ul style="list-style-type: none"> • Medium youth interest

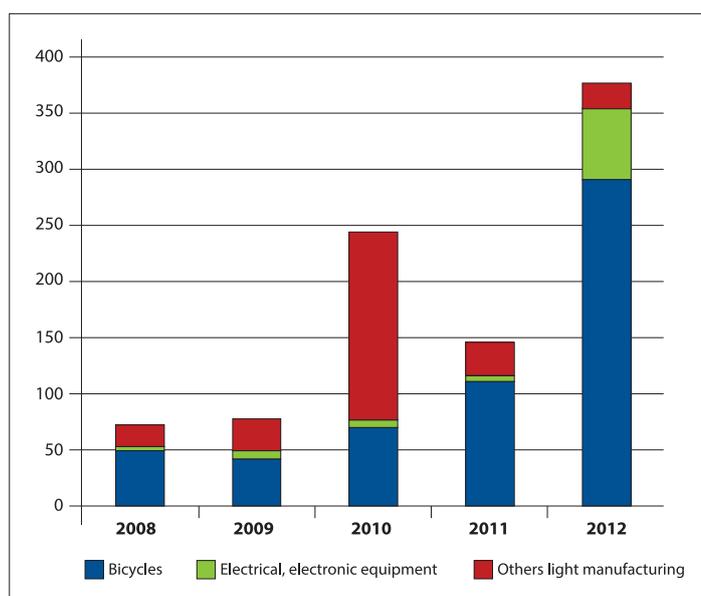
101 "The Phnom Penh phenomenon: a city transformed", Lindsay Murdoch, 2012.

V. OPPORTUNITIES IN LIGHT MANUFACTURING

Light manufacturing in Cambodia comprises of foreign company set ups for labour intensive stages of the production process, mainly focused on exports. The contribution of light manufacturing to exports in Cambodia has increased 44.3% between 2008 and 2012 to reach US\$ 373 million.¹⁰²

Figure 22

Cambodia light manufacturing exports, 2008-2012 (USD millions)



Source: Comtrade

Low labour costs make Cambodia attractive for the labour-intensive stages of light manufacturing production within the Association of Southeast Asian Nations (ASEAN), in particular for tasks with lower levels of technology such as wire harness, bicycle assembly, structural blocks for digital information appliances, chassis and auto body components. The concentration of firms in the various sub-sectors (i.e. bikes or wire harness) allows for productivity gains and economies of scale. Bicycles comprise almost 80% of these light manufacturing exports.¹⁰³ But, with electrical and electronic parts attracting new FDI, it appears a second light manufacturing export sector is taking shape. Electrical and electronic equipment has been the fastest growing category, increasing by 113% annually between 2008 and 2012, while bicycles increased by 56% annually and other light manufacturing by 2%.¹⁰⁴ This is because there has been a surge of FDI mainly from big Japanese companies including Minebea, Denso, Asle, Izumi and Yazaki.

These labour intensive processes provide an alternative with better wages for low skilled employees working in the garment sector or migrating to nearby countries. With onsite and parent country training, these companies also provide opportunities for mid-level technicians and managers.

102 Cambodia's DTIS 2014-2018 Full Report.

103 Cambodia's DTIS 2014-2018 Full Report.

104 Cambodia's DTIS 2014-2018 Full Report.

The Government, with its new National Industry Policy 2014-2024, is focusing on diversifying to other light manufacturing industries that are suitable for Cambodia's labour force to reduce its over dependence on the garment industry for manufacturing and exports. The creation of Special Economic Zones (SEZs), tax exemptions and duty free exports are some of the steps taken by the Government to promote the industry.

Light manufacturing is expected to see continuous growth in Cambodia as the ASEAN market integrates further and tariffs reduce under the ASEAN Free Trade Area (AFTA) scheme and as Cambodia receives part of the investment from Japanese, Korean, and Chinese firms to develop their supply chain network further. A number of factors make Cambodia an attractive place for this sector:

- SEZs, with their access to better infrastructure, larger pool of workers, and streamlined administrative process, are in an ideal position to capture these investments.
- Low labour costs make Cambodia attractive for the labour-intensive stages of light manufacturing production in the ASEAN division of labour, in particular for tasks with lower levels of technology such as bicycle assembly.
- Other manufacturing countries including China and Thailand moving up the value chain adds to Cambodia's attractiveness for cheap labour. Also the 'China plus one' strategy adopted by companies as a prudent way to diversify a portion of their manufacturing out of China increases the scope for Cambodia
- Duty-free status for exports to the European Union (EU) for a number of manufactured goods (such as bicycles) has brought investors to move production from neighbouring countries to Cambodia.
- Proximity to neighbouring ASEAN markets leads to shorter lead time as part of a production supply chain, with Thailand and Malaysia, in particular, having well developed electric and electronic industries.
- Strong agglomeration of foreign investment from a given country in a specific SEZ (i.e. Japan in PPSEZ, China/Taiwan in Bavet, China in Sihanoukville) tends to attract new investors from the same country.¹⁰⁵

Despite these attractions, Cambodia also has its challenges. There is limited supply of skilled labour, particularly in SEZs away from Phnom Penh. Despite recent advances, labour productivity is lower in Cambodia than most of its neighbours. At its current level, Cambodia's labour productivity levels are comparable to those of Vietnam in 1993.¹⁰⁶ Shortages in engineering and technical personnel result in high dependency on more expensive expatriate personnel. It also requires companies to provide their own training. Cambodian workers also lack the language skills needed to facilitate their promotion to management and supervisory positions in foreign firms. Companies provide training to their workers, either on site or through visits to parent factories in neighbouring countries. **Combined with the use of new technologies in factories, light manufacturing can be a key driver of skill development across the Cambodian economy.**¹⁰⁷

105 Cambodia's DTIS 2014-2018 Full Report.

106 Cambodia's DTIS 2014-2018 Full Report.

107 Cambodia's DTIS 2014-2018 Full Report.

DENSO

DENSO Corporation, headquartered in Japan, is a leading supplier of advanced automotive technology, systems and components for major automakers around the world. The company started its operations in Cambodia in 2013 through expansion from neighbouring Thailand, mainly driven by the steep rise in wages there.

So far DENSO has found it challenging to find enough assembly line workers. The company actively goes out to the provinces in order to hire. Frequently workers are found to be illiterate and low skilled. DENSO provide Khmer reading and writing classes in addition to job specific training. Before a worker can start on a production typically five days of training are required. They are taught not only technical skills and safety awareness, but also soft skills and proper worker attitude to adjust “from farm to factory.” Higher-skilled staff, such as production supervisors, quality control officers, and maintenance personnel, is sent to Thailand for about two and a half months of training at DENSO’s facilities there. The company takes a long term perspective on staff training and skill development and plans to introduce its “Human Development Plan”, from Thailand after it has been tailored to Cambodian needs. This plan covers career development for staff in both technical and managerial areas with a training period ranging from two to four years before individuals reach those positions.

Source: Interview with DENSO (Cambodia) General Manager and DENSO website.

Table 7

Opportunities in light manufacturing

Employment activities	Description	Why is it an opportunity for youth?
Opportunity 1: Assembly and other labour intensive production jobs	Opportunities for employment in light manufacturing companies for labour intensive processes like assembly, wire harnessing etc.	<ul style="list-style-type: none"> • Strong demand: With multiple foreign entities setting up labour intensive part of their value chain in Cambodia, there will be strong demand for labour.
		<ul style="list-style-type: none"> • Low entry barriers: No prior training required. All training provided by the companies on the job or in parent countries.
		<ul style="list-style-type: none"> • Medium youth interest: Low skilled youth is looking for higher paying options compared to garments.
Opportunity 2: Roles for mid-level managers and technicians	Being more capital intensive these companies have roles for mid managers and technicians for quality trained people. Currently the roles are being taken by expatriates but with improved training and more experience these can be available to local population.	<ul style="list-style-type: none"> • Low to Medium demand: Currently the roles are filled by foreign expats but as skill levels improve in Cambodia this demand will increase.
		<ul style="list-style-type: none"> • Medium to high entry barriers: Skills and trainings required to access these jobs.
		<ul style="list-style-type: none"> • Medium youth interest: Youth is interested in managerial jobs but is not well informed about the opportunities and hence not trained for such jobs.

CHAPTER TWO

CURRENT INTERVENTION LANDSCAPE AND KEY GAPS

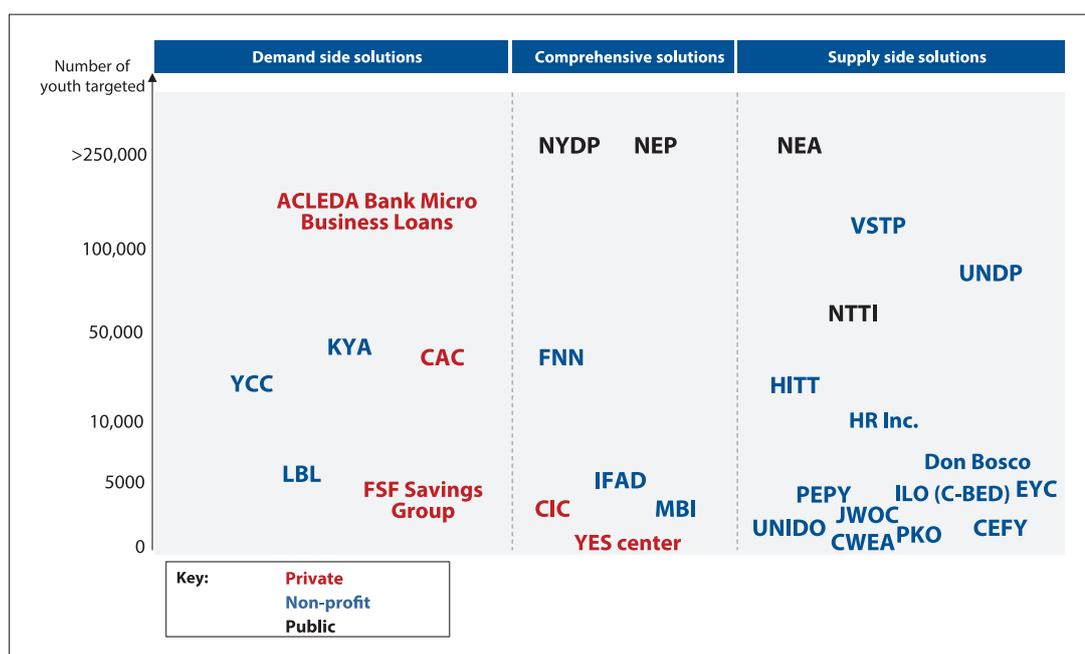


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SECTION 1 – OVERVIEW OF YOUTH EMPLOYMENT INITIATIVES AND KEY GAPS

The following figure maps demand-side, supply-side, and comprehensive youth employment interventions in Cambodia by scale.

Figure 23
Interventions by scale (non-exhaustive)¹⁰⁸



There are very few large programs that target multiple parts of the youth employment value chain. Most programs are providing very specific services, targeting one segment of the value chain. Although comprehensive programs do exist, most of them are very limited in scale. For instance, even though the YES program is comprehensive, it is limited to Siem Reap and targets a relatively small number of youth.

The Youth Employment Services (YES) center

The YES center was founded by the Italian NGO Progetto Continenti, and operates a center that offers free services to youth in Siem Reap. The services include counselling sessions that assist young people in making crucial decisions about their future. The counsellors provide information about the types of opportunities available, and connect the youth to private sector companies, TVET centers, universities, or help them think through self-employment opportunities. After the placements, the center follows up with the youth and help them settle into their jobs/ programs and work through the most prominent issues that come up. For instance, they noticed that young people have difficulties dealing with conflicts in the workplace, and tend to quit if there is a disagreement; and that many tend to switch jobs very frequently in order to add them to their CVs, without taking the time to learn the skills required for the job. The Yes center also provides soft skills trainings for employers in order to finance a part of its operating costs.

¹⁰⁸ Dalberg analysis (estimated numbers), stakeholder interviews.

There is a lack of coordination between existing initiatives. In most cases, program implementers are not fully aware of what other NGOs are doing in the same space. For instance, there is no general clear understanding of all the training programs that are available to youth, in order to successfully identify the gaps and opportunities for collaboration among programs.

There is a variety of training and skills development programs for youth, but most are very short term. For instance, UNIDO runs a training program for small repair entrepreneurs, which targets both hard skills and soft skills. However, the program is only two weeks long.¹⁰⁹

UNIDO

UNIDO, together with the Republic of Korea through Korea International Cooperation Agency (KOICA) and Samsung Electronics joined hands in 2012 to design and implement a program that aims at ensuring effective e-waste management and creating employment opportunities in the electronics industry in Cambodia. The program is focused on the provision of capacity-building to improve the skills of youth in handling electronic products, upgrading repair services and e-waste management. The training is two weeks long, and is offered to 250 youth in 4 provinces. Finally, the program also trains shop owners in entrepreneurial skills, most of whom are mobile/ appliance shop owners. The UNIDO training program first began by targeting the most disadvantaged and vulnerable youth. However, they realized that they cannot succeed with this target population because vulnerable youth often quit very fast. If after the first attempt, they are not able to find employment, they go back to the provinces.

There is a clear focus on supply-side interventions. As reflected in figure 23, a majority (16 programs out of the 29 presented) of the current youth employment-related programming is focused on the supply side, versus 6 in the demand side and 7 comprehensive programs. The supply side programs are aimed at increasing the quantity and quality of employees in the labour market, and are mainly training-related, seeking to upskill workers or provide them with new skills to improve the prospects in the job market.

More demand-side programs, particularly in support of youth entrepreneurship, need to be implemented and existing ones must be scaled up to reach a larger number of youth. Figure 23 also reflects a clear gap in the number of demand-side interventions seeking to expand the job market through formal employment or entrepreneurship.

More comprehensive programs would add the greatest value. Interviews with key informants close to the YouthStart team, combined with Dalberg's understanding of youth unemployment in the Cambodian context revealed a strong need for comprehensive programs that seek to both increase the labour market and the quantity and quality of employees while also matching the employees and trainees to placements. Programs in which private sector partners develop tailored curriculums would help bridge the gap between under-skilled labour and unfilled jobs. An initial mapping of such curricula and the training and placements they provide is needed.

109 "Transforming e-waste into job and business opportunities"; UNIDO, Stakeholder interviews.

While the Government has recently implemented a youth policy and is moving to translate it into impactful programs, more work needs to be done. Government-funded and supported projects remain limited. For instance, only 3 out of the 29 programs illustrated in figure 24 are government interventions. Stakeholder interviews generally stated that the civil society organizations space in Cambodia is dominated by international NGOs and local NGOs that receive foreign funding.

The following figure maps demand-side, supply-side, and comprehensive youth employment interventions in Cambodia by geographic characterization, demonstrating a greater concentration of programs in accessible areas.

Figure 24

Types of interventions¹¹⁰

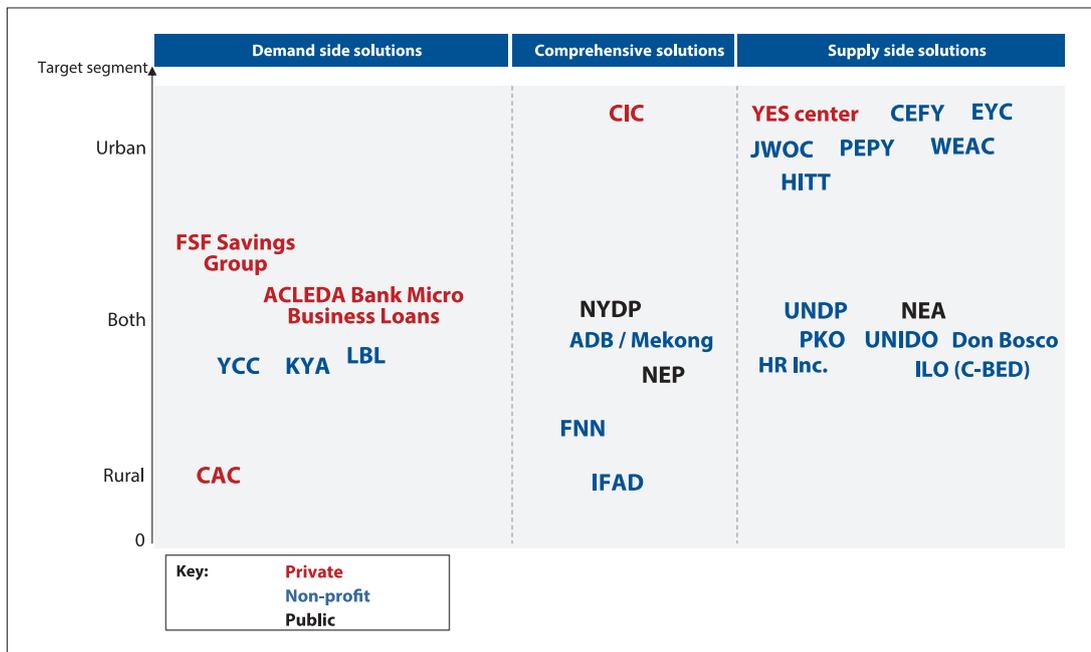
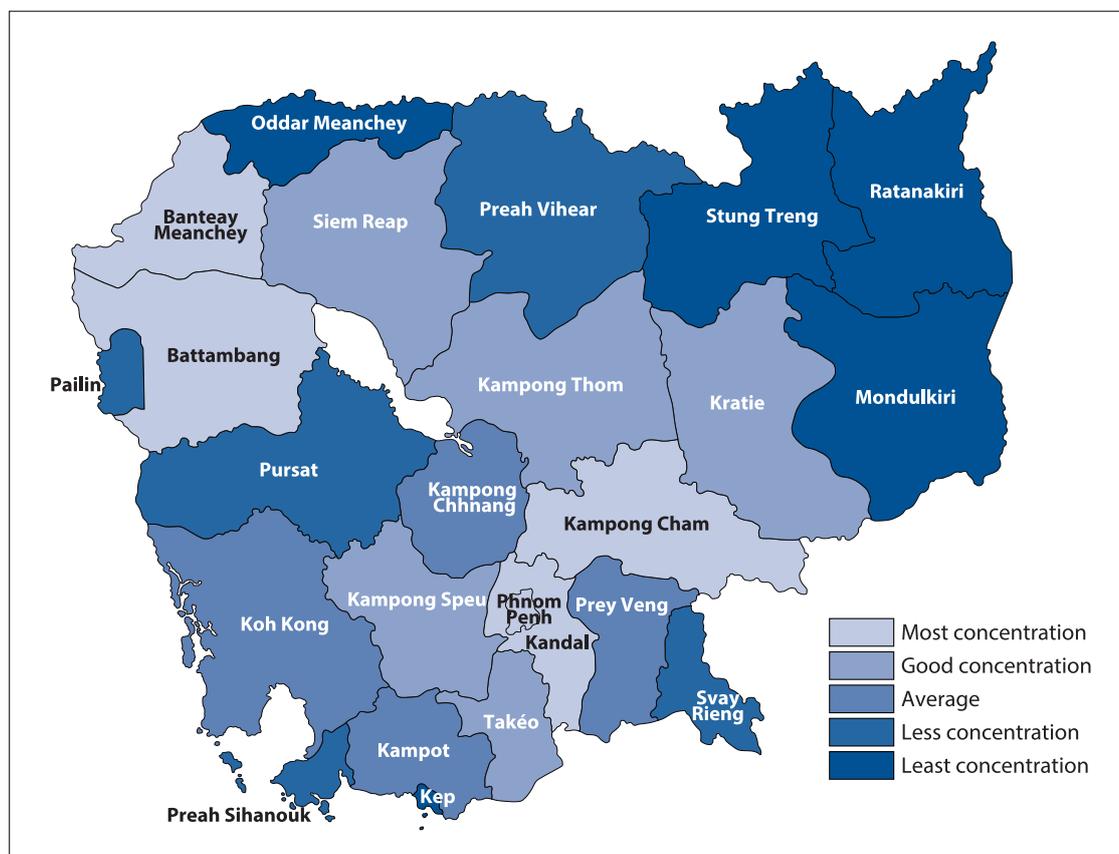


Figure 24 shows that most programs are either urban or comprehensive programs, while only 3 out of 29 programs are rural. The figure below shows the extent of these geographic disparities. The areas that are the least inaccessible geographically, especially mountainous areas, and the ones furthest from the capital, have the least youth programs.

110 Dalberg analysis (estimated numbers), stakeholder interviews.

Figure 25

Density of youth employment initiatives in Cambodia by province¹¹¹



In the absence of demand-side interventions in rural areas, migration to and overcrowding in urban areas will continue, despite the fact the urban areas are not creating sufficient job opportunities either. In addition, migration to neighbouring countries such as Thailand will continue to increase.

111 United Nations, 2009.

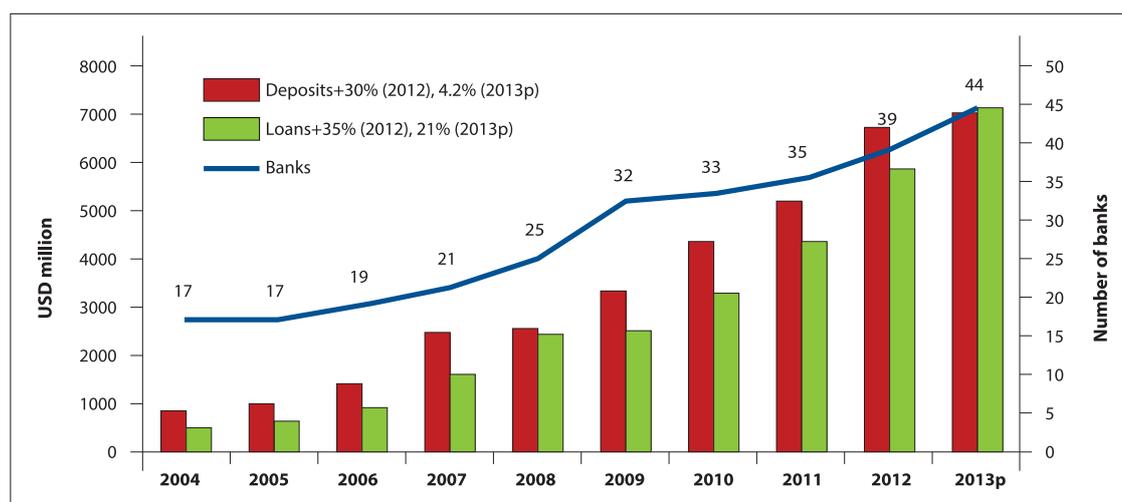
SECTION 2 – OVERVIEW OF THE SUPPLY OF FINANCIAL SERVICES AND KEY GAPS

Supply-side information and analysis is important to effectively determine physical access to financial institutions, products and services on offer, requirements for uptake, and the extent of eligibility for financial products and services. **Overall, proximity and eligibility are severely binding constraints to financial inclusion for youth in Cambodia, with low uptake of financial services – particularly in rural areas – and limited incentives for formal providers to service low-income groups.**

Cambodia, although still classified as a low-income country, has a financial sector with characteristics typical of a middle-income country. Despite its per capita GDP of US\$ 1,035, it has a high bank density and its credit-GDP ratio stood at 47% in 2013, which is the median level for a middle-income country.¹¹²

Figure 26

Growth of the financial sector in Cambodia



Source: NBC 2009, 2010, 2011, 2012, 2013

The financial sector in Cambodia is growing steadily. The number of banks has increased from 17 in 2004 to 44 (35 commercial and 9 specialised) in 2013, and credit has grown at a rate of more than 30% annually between 2009-2012, slowing to 21% in 2013 due to political uncertainty.¹¹³ ACLEDA, the largest bank in the country has 1.6 million accounts and more than 50% of its borrowers are female.¹¹⁴

112 Financial Access and Stability in Cambodia: Opportunities and Challenges, CDRI.

113 Financial access and stability in Cambodia: opportunities and challenges, CDRI, 2014.

114 ACLEDA Bank Stakeholder Meeting.

Microfinance institutions (MFIs) on the other hand are experiencing an even faster growth.

Because of the relatively easy registration for small NGO MFIs, there are more than 300 registered NGO MFIs, formally referred to as credit operators. In addition, there are around 40 formalized MFIs that function in Cambodia with a gross loan outstanding portfolio of around US\$1,978 million and a borrower base of 1,901,153 accounts, predominately located in Phnom Penh and large provincial towns.¹¹⁵

This recent growth of the MFI sub-sector (which includes both regulated and non-regulated institutions) has created a number of challenges, including clients borrowing over repayment capacity.¹¹⁶ The NBC 2011-2020 strategy underlines that client protection in the FSP/MFI context is important and that it is now working with the country's Credit Bureau and other international agencies to "put in place a more extensive consumer-protection framework".¹¹⁷

Access to these financial institutions and services is being facilitated with increased branches and ATMs, and digitalized money transfer systems. ACLEDA bank has 253 branches and 265 ATMs across the country in almost all the provinces.¹¹⁸ The challenge lies in the fact that most of these branches do not reach the deeper rural areas.

In addition to branches and ATMs, digital and mobile transactions are also gaining popularity. The market leader for digital finance in Cambodia is a company called WING. With 1,800 agents and close to 1 million users, WING provides a way for all segments of the population to make payments out of its exclusive WING Cash X-Press agents, using POS devices. Since its creation in 2009, WING has become the largest payment aggregator in Cambodia, with more than half of its clients being farmers.¹¹⁹

Financial penetration or the percentage of Cambodians with access to formal banking services is expected to almost double in the next six years, according to the Credit Bureau of Cambodia.

However, despite this spectacular growth, access to finance and financial literacy remain a challenge for the youth. As per a study conducted by Save the Children International in Kampong Cham province youth responses to some basic questions about financial literacy are indicative of the knowledge gap. For example, only 26% of the secondary school sample indicated that they had ever even visited a bank or MFI, dropping to 13% among the out-of-school sample.¹²⁰ Only 3% or less of respondents indicated that they had a bank account in either sub-sample and less than 6% of those currently without a bank account indicated that they knew the steps/documents needed to open one.¹²¹ In addition, few of the youth consulted indicated that they knew what an ATM card is with most saying that they had never heard the term before. Only 3 to 8% of the sample indicated that they knew what such a card is and what it is used for.¹²²

115 <http://cma-network.org/drupal/MicrofinanceEnvironment>.

116 Study on the Drivers of Over-Indebtedness of Microfinance Borrowers in Cambodia: An In-depth Investigation of Saturated Areas, Micro-Finance Gateway, 2013.

117 Global Microscope 2015, The Enabling Environment for Financial Inclusion, The Economist, 2015, page 29.

118 ACLEDA Bank Stakeholder Meeting.

119 Empowering youth in Cambodia today, Save the children, 2014.

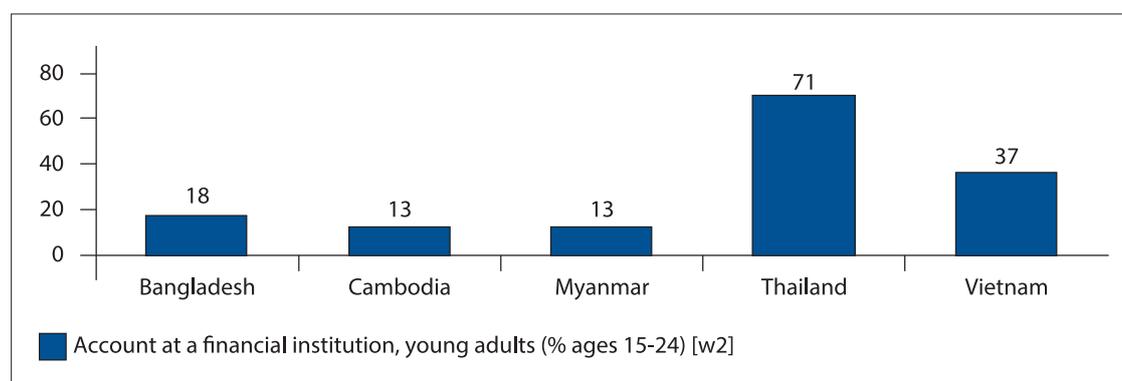
120 Empowering youth in Cambodia today, Save the children, 2014.

121 Empowering youth in Cambodia today, Save the children, 2014.

122 Empowering youth in Cambodia today, Save the children, 2014.

Figure 27

Access to finance for Cambodian youth among the lowest in the region¹²³



Some of the main challenges faced by youth in accessing credit for education or business:

- **Lack of rural coverage by MFIs** – There are almost no branches of banking institutions operating in rural areas, with the exception of ACLEDA. This makes the movement of cash for MFIs very difficult, and restrains their expansion to rural regions. In consequence, most MFIs compete in urban and easily accessible rural areas. Outreach is still limited in more remote, rural regions.
- **Lack of financial solutions tailored for youth** – While some banks and MFIs provide collateral free loans, these are limited and not designed for youth specifically. For example, most institutions limit loans to one year, which is not sufficient time for a young entrepreneur to get a business off the ground.¹²⁴

Government Support

The Ministry of Labour has a fund for TVET students to start their own businesses after graduation. This fund can be used directly by the training institutes to disburse small loans to groups of youth, as long as two thirds have graduated from the TVET course. The training institute is required to assess the business plan of the student and disburse the loan on that basis. However, because non-performing loans are under the responsibility of the Director of the TVET Institute, and no incentives are put in place for loan disbursements, the institutes have no motivation to give out these loans. As a result, only around US\$ 300,000 of US\$ 1 million has been utilized.

- **Ineffective education loans** – Some banks and MFIs provide education loans but against collaterals owned by parents, making it difficult for youth from poor families to take advantage of these, even though they have the most urgent need.
- **Fear of non-repayment** – The limited collateral loans that are available are so at high interest rates of 12-13% per annum from banks and even higher¹²⁵ (up to 18% for VisionFund) from MFIs.¹²⁶ This deters the youth from taking these loans. Most youth who are aware of collateral-free loans or have collateral (usually family owned) to take a regular loan, do not want to take it for starting a business because of fear of not being able to repay in case the business fails.

¹²³ Empowering youth in Cambodia today, Save the children, 2014.

¹²⁴ Stakeholder interviews.

¹²⁵ The World Fact Book 2014.

¹²⁶ VisionFund website.

- **Lack of equity funding for youth** – There is a lack of investors who are willing to invest in youth’s businesses, which means that the entrepreneurs have to fully rely on debt. On the other hand, stakeholder interviews show that because youth are at a stage where they have nothing but an idea, the fear of being in debt is often far greater than their motivation to start the business. Therefore, there is a strong preference for equity funding and investing in the SMEs – which are currently lacking – instead of debt.
- **Lack of financial literacy to access available resources** – Financial literacy and access to financial services like bank accounts and digital payment methods is very low among the youth. Financial literacy training programs have been initiated by various organizations including Good Returns in partnership with the MFITVC, Vision Fund Cambodia and CEDAC (under PADEE project) but they remain small in scale and focus only in specific regions.

Good Return

Good Return is an innovative social enterprise established by World Education Australia to address poverty issues in the Asia Pacific region. In Cambodia, Good Return partners with Thaneakea Phum Cambodia (TPC), a microfinance institution (MFI), to provide small loans to individuals living in rural areas. These individuals are often either working in family farms or running small kiosk businesses, and are mostly women. World Education is a partner that provides management and technical support to TPC, as they provide financial services to these women and trainings on business management topics such as budgeting and cash flow.

The Project for Agriculture Development and Economic Empowerment (PADEE)

PADEE is the latest program funded by the International Fund for Agricultural Development (IFAD). It is the result of a collaboration between CEDAC (Cambodian Center for Study and Development in Agriculture), FNN (Farmer and Nature Net), and the Royal Government of Cambodia, Ministry of Agriculture, Forestry and Fisheries (MAFF), and aims to carry out Financial Literacy Training Services. The program serves 1000 groups with 50 farmers each, and aims to lift the poorest rural families out of poverty by increasing the productivity and diversity of the crops they produce. Other than training, the project also plans to provide the farmers with hard-to-come-by financial capital through group funds and to educate them in farm and business management. Nearly 500 mobile Commune Extension Workers (CEW) were recruited among the youth in the community to provide advice on a daily basis to farmers’ groups.¹²⁷

127 Good Return: Improving Livelihoods in Cambodia, World Education.



In July 2012, the Government officially launched the Financial Sector Development Strategy 2011-2020 – the roadmap for the development of the financial sector (RGC 2012). Though this roadmap aims to open access to financial services, improve financial literacy and increase financial inclusion on a national scale, it lacks policies targeted for the youth. Therefore, while the strategy will add to the current growth of the financial sector and may bring some spill over improvements for the youth, it may not incentivise the financial institutions to design programs and solutions specific to the youth, leaving them to largely continue facing the same challenges that they do now.

However, on a practical level, “an increase in MFIs partnering with mobile network operators (MNOs), shopkeepers and traders to deliver their services” and the NBC’s recently introduced new system for payment of micro-loans enabling settlement with multiple MFIs,¹²⁸ will certainly be viewed positively by young clients.¹²⁹ However, this is only the tip of the iceberg; much remains to be done to bring the financial system in line with the country’s objective to have young people and entrepreneurship play a pivotal role in the country’s economic development.

128 Global Microscope 2015, The Enabling Environment for Financial Inclusion, The Economist, 2015, page 28.

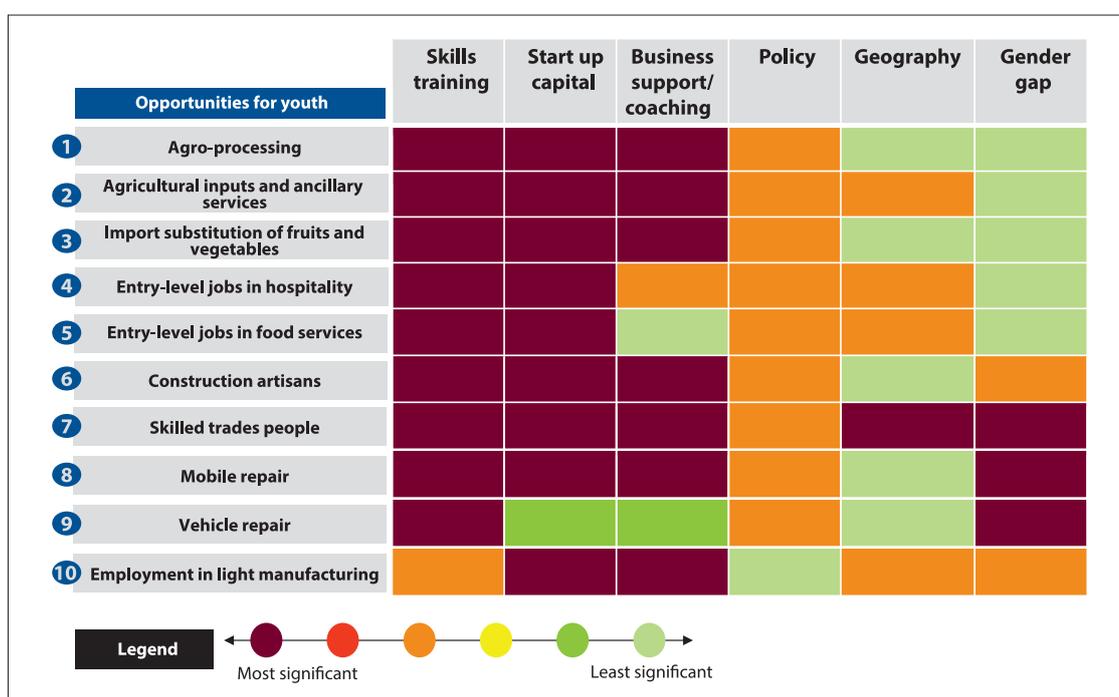
129 Global Microscope 2015, The Enabling Environment for Financial Inclusion, The Economist, 2015, page 29.

SECTION 3 – KEY GAPS UNADDRESSED BY CURRENT INTERVENTIONS WITHIN HIGH-POTENTIAL OPPORTUNITIES

Existing programs are not fully covering the different elements required for youth to access high potential opportunities. Expanding skill trainings, alleviating constraints on start-up capital, and increasing the provision of business support coaching would help reduce youth unemployment.

Figure 28

Gaps in opportunities for youth¹³⁰



Skill-building

- Youth lack adequate soft skills, technical knowledge and business expertise, and face significant barriers to skills development across opportunities. These skills development barriers are greater for opportunities requiring higher levels of technical ability such as skilled trades; while soft skills barriers are most important for hospitality and food services opportunities.
- The challenges youth face in skill-building include:
 - Lack of information or knowledge about skills needed or their potential benefits.
 - Lack of access to facilities due to cost, high opportunity cost, or the absence of training facilities altogether.
 - Poor quality of the training on offer.
 - Mismatch between training and labour market needs.
 - Negative perception of TVET.
 - Poor awareness or recognition of qualifications acquired, e.g., TVET.

130 Stakeholder interviews, focus group discussions, Dalberg analysis.

Start-up capital

- Accessing start-up capital is a major and consistent challenge limiting youth's ability to successfully start their business.
- Informal financial services, such as community-based saving groups and loans from family and friends continue to be a very popular source of finance in Cambodia.
- Youth face significant capital constraints including:
 - Financial illiteracy, lack of information about financial systems and benefits.
 - High costs of borrowing, e.g., high interest rates or fixed cost of opening an account.
 - Lack of collateral or guarantee and lack of cash flow based financing.
 - Short repayment rates.

Business support/coaching and matching:

- A large number of interventions in the youth opportunities ecosystem provide skills, finance or place youth in jobs without mentoring, coaching or business support.
- In addition, there are few systems in place in Cambodia to facilitate matching between entrepreneurs and suppliers or distributors, and aid in the creation of linkages.

Geography and gender:

- Rural areas, especially the less accessible regions, tend to receive less coverage.
- Construction, and to a lesser extent agribusiness, are not amenable to women as they traditionally engage very little in the sector.
- There are major disparities in access to post-primary education between boys and girls, which means that less women are in a position to benefit from existing interventions or programs that cater to youth.

Table 8
Specific gaps within high-potential opportunities

Opportunity areas	Gap size	Specific challenges	Potential implications for YSG
Agriculture			
1. SMEs in agro processing like drying fruits, making jam packaging	Skills	<ul style="list-style-type: none"> Lack of technical and business skills to start a business and to market the business to get customers. 	<ul style="list-style-type: none"> Advocate to create policies to support SMEs, in accessing finance, registration, tax etc. Provide training and business support to existing micro enterprises to create a domestic brand. Access to network and markets through YSG's partnerships. Facilitate a platform for people to showcase their agro-processed products and pick the best ones for commercialization. Provide required technical and financial support.
	Capital	<ul style="list-style-type: none"> Lack of access to capital to start agro-processing units. Many banks and MFIs provide loans for Agro businesses but lack of financial literacy/ awareness to access these funds. 	
	Business support / matching	<ul style="list-style-type: none"> Many have products but are not able to commercialise them due to lack of business knowledge and lack of access to market. Lack of skills to scale up already existing micro businesses. 	
	Policy/ ecosystem	<ul style="list-style-type: none"> Agro processing is a priority sector for the government in its new industrial policy. Lack of policies for promoting export of processed food versus in the raw form. Most rice is exported raw. Lack of policies for supporting growth of domestic SMEs. Most domestic businesses are micro enterprises and large businesses are owned by foreigners. 	
	Geography	<ul style="list-style-type: none"> Concentration of businesses in rural areas commonly where rice is grown including Tonle Sap basin, Battambang, Kampong Thum and many other provinces. 	
	Gender	<ul style="list-style-type: none"> Women have high participation rate in agricultural activities. Need to be supported to move from microenterprises to SMEs. 	

Opportunity areas	Gap size	Specific challenges	Potential implications for YSG
Agriculture			
2. Agricultural inputs and ancillary services like production of seeds and fertilizers	Skills	<ul style="list-style-type: none"> Lack of technical and business skills to start a business and to market the business to find customers. 	<ul style="list-style-type: none"> Partner with the private sector to increase youth access to funds such as banks and MFIs. Develop asset loans or micro-leasing for processing equipment. Partner with current public and private sector service providers to increase awareness on available opportunities. Access to network and markets through YSG's partnerships. Create a platform to share data on quantity demanded and location.
	Capital	<ul style="list-style-type: none"> Lack access to capital to start agro-processing units. Many banks and MFIs provide loans for Agri businesses but lack of financial literacy/ awareness to access these funds. 	
	Business support / matching	<ul style="list-style-type: none"> Lack of exposure to ideas. Lack of partnerships or knowledge to create forward and backward linkages. 	
	Policy	<ul style="list-style-type: none"> Lack of policies promoting local products other than rice. 	
	Gender Gap	<ul style="list-style-type: none"> Women are widely involved in agriculture and small agri businesses. 	
3. Import substitution of fruits and vegetables	Skills	<ul style="list-style-type: none"> Limited exposure to ideas and information on profitable farming practices, with few farmers engaging in new and innovative farming that can result in import substitution. Students in technical colleges or university are not trained on how to innovate with regards to the type of farming. Lack of information and skills to develop successful agribusiness. 	<ul style="list-style-type: none"> Facilitate formation of co-operatives for land ownership and cultivation to create economies of scale and more supplier power. Facilitate contract farming for small landholders and commune level consolidation of produce for economies of scale. Create awareness about diversifying from food for self-consumption to cash crops. Provide loan/ grant capital for and introduction to better inputs and technology. Facilitate training on new technology and new methods of cultivation. Develop asset loans or micro-leasing for processing equipment. Linkages to markets both domestic and for export. Create a platform to share data on quantity demanded and location.
	Capital	<ul style="list-style-type: none"> Access to technology, capital for better inputs. 	
	Business support / matching	<ul style="list-style-type: none"> Linkages of rural farmers to markets. Lack of economies of scale. 	
	Policy / ecosystem	<ul style="list-style-type: none"> Lack of policies around quality standards. Quality of produce being imported from Vietnam is questionable. 	
	Gender	<ul style="list-style-type: none"> Women have high participation rate in agricultural activities. Need to be supported to move from microenterprises to SMEs. 	

Opportunity areas	Gap size	Specific challenges	Potential implications for YSG
Tourism			
4. Hospitality	Skills	<ul style="list-style-type: none"> Lack of hospitality training schools. Low quality of the hospitality training programs available, especially in terms of language and soft skills. 	<ul style="list-style-type: none"> Support the scale-up of existing training institutions. Facilitate job search costs through employment service centres (such as the NEA), build and share a database of employers. Establish an industry mentoring scheme with seasoned professionals and events to develop youth networks Establish a platform for stakeholder collaboration which truly connects actors whose incentives align, e.g., private sector, training institutes, government.
	Capital	<ul style="list-style-type: none"> Lack of education loans options; youth pursuing vocational training or university degrees can't easily access financing. 	
	Business support / matching	<ul style="list-style-type: none"> Lack of continued mentorship once placed in a job. 	
	Policy/ ecosystem	<ul style="list-style-type: none"> ASEAN standards for hospitality jobs have recently been implemented. 	
	Geographic	<ul style="list-style-type: none"> The majority of opportunities are centered in Phnom Penh and Siem Reap. 	
	Gender	<ul style="list-style-type: none"> Women have high participation rate in the hospitality sector. 	
5. Food services	Skills	<ul style="list-style-type: none"> Currently, training is mostly done through a watch-and-learn process. Low quality of training in the existing training centres, and lack of qualified trainers. 	<ul style="list-style-type: none"> Develop a vocational training course with experienced partners in skill-building for the food services industry. Facilitate job search costs through Employment Service Centres; build and share a database of employers. Establish an industry mentoring scheme with seasoned professionals and events to develop youth networks.
	Capital	<ul style="list-style-type: none"> Lack of education loans options; youth pursuing vocational training or university degrees can't easily access financing. 	
	Business support / matching	<ul style="list-style-type: none"> Lack of continued mentorship once placed in a job. 	
	Policy/ ecosystem	<ul style="list-style-type: none"> Workers unions that aim to improve working conditions facing roadblocks. 	
	Geographic	<ul style="list-style-type: none"> Most opportunities are centered in Phnom Penh and Siem Reap. 	
	Gender	<ul style="list-style-type: none"> Women have high participation rate in the food services industry. 	

Opportunity areas	Gap size	Specific challenges	Potential implications for YSG
Construction			
6. Construction artisans	Skills	<ul style="list-style-type: none"> • Most learning happens 'on-the-job'; construction workers lack formal training in order to specialize due to: 1) the paucity of training institutes, and 2) the prohibitive costs and the high opportunity costs associated with education. • TVETs are not equipped to respond to the recent boom in the sector, especially in terms of equipment and facilities. 	<ul style="list-style-type: none"> • Give employers vouchers—that cover some but not all costs—to send entry-level hires to training and give employees stipends for apprenticeships. • Develop micro-leasing products or asset finance for tools and other equipment in the construction sector. • Offer start-up kits for cooperatives through business plan competitions. • Encourage certification of construction workers so they are able to access better jobs and pay. • Link youth with artisans in less practiced but needed trades; provide incentives to create apprenticeships. • Generate and disseminate information about training services, as well as potential business opportunities, available in rural areas. • Develop incentive schemes such as scholarships to encourage women to attend training to become construction technicians. • Disseminate information on upcoming tenders to youth.
	Capital	<ul style="list-style-type: none"> • Education loans limited to higher education students; youth taking the vocational path can't easily access financing. • Artisans lack access to capital to start their own enterprises; financial service providers often require collateral or harsh repayment terms. 	
	Business support / matching	<ul style="list-style-type: none"> • Construction work is precarious and there is lack of information about where work exists. • Employers cannot calibrate workers' skills. • Artisans make choice of trade based on a clear understanding of the market need. 	
	Policy	<ul style="list-style-type: none"> • The construction industry is still highly informal, leading to low pay, and often poor conditions for the workers. • The construction safety code, which ensures the workers' protection are progressing, but still have a long way to go.¹³¹ 	
	Geographic	<ul style="list-style-type: none"> • Employment is mostly generated around Phnom Penh. 	
	Gender	<ul style="list-style-type: none"> • Women make up 20 to 30% of the construction labour force.¹³² However, women generally occupy unskilled and low paid positions. 	

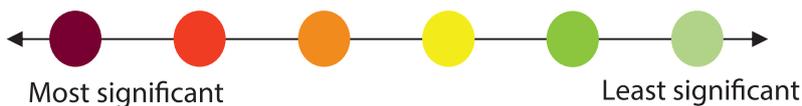
131 "Construction codes are progressing but are still a long way off", Sum Manet, The Phnom Penh Post, 2015.

132 "Health Education for Female Construction Workers in Cambodia", Seed Grants, 2014.

Opportunity areas	Gap size	Specific challenges	Potential implications for YSG
Construction			
7. Construction skilled tradesmen	Skills	<ul style="list-style-type: none"> • Only 3.8% of university students pursue engineering majors.¹³³ • Students in technical universities generally do not have work experience and lack the facilities and equipment to learn their trade. • Curriculum in formal sector is not up-to-date with latest techniques. • The cost (including opportunity cost) of education can be prohibitive. • No coordination between education providers in the construction field. 	<ul style="list-style-type: none"> • Counselling for high school students to encourage engineering studies. • Support the development of construction courses, and encourage enrolment through incentives such as scholarships. • Partner senior students with construction cooperatives that need technician engineers to bid for tenders. • Develop internships and apprenticeships that lead to concrete job outcomes. • Link experienced construction technicians to the formal education system to offer practical teaching stints, or 'train the teacher' sessions. • Develop education loans or offer vouchers to employers to encourage them to send workers to training. • Develop partnerships between MFIs and private business development services (BDS). BDS can ease MFIs' need to monitor loans. Youth benefit from BDS support and are less likely to default. BDS need a financial stake in the business they support • Train youth/cooperatives to apply for local construction contracts. • Connect education providers (e.g., technical institutes) to harmonize curriculum, pool equipment, and expertise.
	Capital	<ul style="list-style-type: none"> • Lack of education loans options; youth pursuing vocational training or university degrees can't easily access financing • Access to capital for young entrepreneurs is limited because of the lack of cash flow financing. 	
	Business support / matching	<ul style="list-style-type: none"> • Lack of business support for skilled tradesmen who want to start their own businesses, or form cooperatives for better access to markets. 	
	Policy	<ul style="list-style-type: none"> • Most government tenders are won by foreign construction firms. 	
	Geographic	<ul style="list-style-type: none"> • Skills training is mostly offered in Phnom Penh. 	
	Gender	<ul style="list-style-type: none"> • Few women choose construction technician or engineering fields in universities. 	

Opportunity areas	Gap size	Specific challenges	Potential implications for YSG
Repair			
8. Self-employment in auto and mobile repair	Skills	<ul style="list-style-type: none"> • Most learning happens 'on-the-job'; repair entrepreneurs lack formal training in order to specialize due to: 1) the paucity of training institutes, and 2) the prohibitive cost of education. • There is a lack of TVET centres, and programs specialized in this field. • The existing programs that target mobile repair are very short term. 	<ul style="list-style-type: none"> • Partner with experienced training providers to develop short-term low-cost soft skills course targeted to repair and essentials on managing a business. • Identify successful innovative small business models and disseminate. • Develop working capital loans for youth who want to open small repair shops. • Partner with private sector, e.g., to ease access to goods. • Partner with BDS to provide youth with assistance to bring enterprise to the next level through networks.
	Capital	<ul style="list-style-type: none"> • Lack of start-up capital to purchase initial goods, due to the lack of cash flow financing. 	
	Business support / matching	<ul style="list-style-type: none"> • Difficulty sustaining and expanding business beyond first success • Lack of BDS support 	
	Policy	<ul style="list-style-type: none"> • Complex and costly process to open a small business. 	
	Geographic	<ul style="list-style-type: none"> • Demand for mobile repair services is more common in highly populated urban areas. 	
	Gender	<ul style="list-style-type: none"> • Women generally do not pursue technical repair jobs. 	

Opportunity areas	Gap size	Specific challenges	Potential implications for YSG
Repair			
9. Assembly and other labour intensive jobs	Skills	<ul style="list-style-type: none"> There is a lack of skilled labour especially for mid-level and technical positions. Most training is provided on the job. For mid-level positions, either the companies hire expats or train the Cambodians in the factories outside of the country. 	<ul style="list-style-type: none"> Partner with employment organizations like HR Inc. To provide counselling and training for technical positions and mid-level jobs. Provide support to workers who move to SEZs for jobs in terms of stay and language training. Help identify and develop forward and backward linkages or internalize parts of the existing value chains to develop the sector for domestic start-ups.
	Capital	<ul style="list-style-type: none"> Not many Cambodian start-ups in this sector. Most firms comprise of foreign production cycles. 	
	Business support / matching	<ul style="list-style-type: none"> The sector is not developed for domestic start-ups. Support for existing firms come from parent companies abroad. 	
	Policy	<ul style="list-style-type: none"> Government is focused on improving business environment for SEZs where most light manufacturing is present. 	
	Geographic	<ul style="list-style-type: none"> Concentrated in the SEZs of the country. 	
	Gender	<ul style="list-style-type: none"> Mostly males since required to work with machines and outside of homes in the SEZ areas. 	



Source: Desk research; Stakeholder interviews; Dalberg analysis.

CONCLUSION

MOVING FORWARD



Overall, Cambodia's formal labour market is demand constrained and mismatched and it is largely accepted that self-employment and enterprise development are viable mechanisms to create more opportunities for youth:

- The youth labour force is increasing by almost 300,000 every year but the rate at which new jobs are being created within the formal sector is not enough to match this supply; therefore, three-quarters of youth are employed in the informal sector.
- Youth underemployment is a particular feature of the agriculture sector which employs more than 50% of the working population.
- Small and medium enterprises' capacity to grow and create additional jobs is limited because of the regulatory and policy environment and lack of business support and access to finance.

Accessing capital is a major and consistent challenge limiting youth ability to successfully start a business:

- Financial exclusion is significantly higher among youth as they are considered a risky demographic.
- A lack of individual awareness and understanding of the value of specific financial products and services are significant barriers to uptake.

With that in mind, financial education and literacy have a key role to play to boost access to finance. On the supply side, developing products to meet youths' needs and generating awareness is necessary.

Further, more demand-side programs, particularly in support of youth entrepreneurship, need to be implemented while existing ones must be scaled up to reach a larger number of youth. In addition, more interventions in rural areas supporting youth in agriculture are needed, particularly in provinces with low program coverage.

With regards to sectors, the following sectors offer the most promising economic opportunities for youth:

- The agriculture and agro-processing sector has high potential economic opportunities for youth to facilitate import substitution, building food processing brands for domestic market as well as opportunities in establishing parallel businesses to support agriculture like seeds and fertilizers.
- The tourism sector offers high potential opportunities for employment in hospitality and catering jobs.
- The construction sector offers opportunities for both low skilled and mid skilled workers, both in entrepreneurship and employment.
- Cross-cutting repairs jobs for motor, air conditioners, mobile phones, etc., offer significant opportunities for youth in entrepreneurship.
- Finally, the light manufacturing sector is growing particularly in SEZs and there is an opportunity to provide higher paying jobs to low skilled and mid skilled youth.



In the five economic opportunities identified, **existing programs are not fully covering the different elements required for youth to access high-potential opportunities.** Key gaps across most programs are skills trainings (including in conceptualizing business ideas), start-up capital and business support coaching. In addition, organizations generally struggle to cater to the unique needs of both urban and rural youth.

This report is a key input in YSG's inception phase in Cambodia. The next, and first, phase of YSG consists of convening the necessary partnerships between actors in the youth economic opportunities ecosystem for each intervention. Specifically, it will involve building the capacity of partners to develop high quality proposals, conducting required due diligence, and finally, securing financial and political buy-in.

Once the first phase is complete, the second phase will involve awarding grants to intervention consortia, supporting and monitoring selected partners in implementation, and capturing and disseminating knowledge acquired in this process.



THE GOVERNMENT
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