CBI
Ministry of Foreign Affairs

Export Value Chain Analysis

Home Decoration & Personal Accessories
Cambodia

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III. Acronyms

AAC	Artisans Association of Cambodia
AFD	Agence Française de Développement
AHA	Angkor Handicraft Association
BSCI	Business Social Compliance Initiative
CBI	Centre for the Promotion of Imports from developing countries
CE	Communauté Européenne (European Community)
CGS	Cambodian Golden Silk
CITES	Convention on International Trade in Endangered Species
CWEA	Cambodian Women Entrepreneurs Association
EFTA	European Free Trade Association
FOB	Free On Board
FWF	Fair Wear Foundation
GDP	Gross Domestic Product
GIZ	German Agency for International Development
GNI	Gross National Income
GOTS	Global Organic Textile Standard
HDHTG	Home Decor, Home Textiles and Gifts
HS	Harmonized System
H-SBAC	Handicraft-Silk Business Alliance of Cambodia
ITC	International Trade Centre
MAFF	Ministry of Agriculture, Forestry and Fisheries
MDG	Millennium Development Goal
MoC	Ministry of Commerce
MoIH	Ministry of Industry and Handicraft
MoLVT	Ministry of Labour and Vocational Training
MoWA	Ministry of Women's Affairs
NGO	Non-Governmental Organization
Öko-tex 100	Öko-Tex Standard 100 (also Oeko-Tex Standard 100)
PCP	Pentachlorophenol
Prop65	California Proposition 65, Safe Drinking Water and Toxic Enforcement Act
RAC	Rattan Association of Cambodia
REACH	Registration, Evaluation, Authorisation and Restriction of Chemicals
Rohs	Restriction of Hazardous Substances
SME	Small- and Medium-sized Enterprises
SR	Social Responsibility
SWOT	Strengths Weaknesses Opportunities Threats
WDC	Women's Development Centres
WFTO	World Fair Trade Organization
WWF	World Wildlife Fund

1 Introduction

This CBI study was compiled as part of a series of three value chain studies for home decor and personal accessories from Cambodia, Laos and Myanmar. The aim of these studies is to identify export potential to Europe and possibilities for upgrading the value chain in this sector. A value chain approach has been chosen to arrive at a deeper understanding of the structure of the industry and the most important issues to increase its competitiveness.

The study is based on:

- An assessment of trade statistics and a review of available secondary material (see Annex I)
- A survey assessing 21 handicraft companies in Cambodia
- A market survey in Europe among 25 importers and market consultants
- A field visit to Cambodia (meetings with key informants from handicraft associations, donor organisations and leading firms)
- The validation of findings at a national conference with 44 participants in Phnom Penh

The research was conducted by a team made up of an international and a local consultant, with support from CBI, the Artisans Association of Cambodian and the Vietnamese association VIETCRAFT.

All work was carried out in the period September–December 2016.

2 Executive summary

European imports of home decoration and home textiles totalled €120 billion in 2014, of which 40% came from developing countries at a value of €48 billion. While China is by far Europe's leading supplier of home decoration and home textiles, Southeast Asia is an important production area with four countries (Vietnam, Indonesia, Thailand and Malaysia) ranking among the leading suppliers outside Europe. European imports show an annual import growth rate of 2.5% from 2010-2014, which indicates that the market recovered from the economic crisis in 2007-2009. Current European economic forecast data suggest that the growth trend is likely to continue.

At an abstract level, the European market for home decoration and home textiles comprises four different market segments (high-end, mid-high, mid-low and low-end) that offer opportunities for suppliers from developing countries. The main market trends for home decoration and home textiles in Europe are currently the trends for individuality/originality, functional and appealing products from emerging markets, sustainable/ecological/fair products and the growing importance of alternative trade channels such as direct supply. Value chain integration is on the rise. The market demands closer cooperation, greater efficiency, transparency along the supply chain and shorter lead times.

In a survey conducted for this research among 25 European importers and consultants, the sources indicated the highest market demand is for product groups such as recycled products, bags, home textiles, scarves and other textile accessories, basketry, seasonal decoration as well as wooden items, while there is less demand for small bamboo and rattan furniture, carpets, paintings, sculptures etc. The sources provided detailed information on competitive prices for a number of products and provided feedback on import experience with Cambodia, Laos and Myanmar. They suggested that Cambodia, Laos and Myanmar should not try to compete with cheap products from China or India. Instead, the countries should focus on high quality, developing their own style and functional, unique, contemporary design as well as sustainable materials.

Among the three countries that were part of this research, Cambodia is by far the most important exporter of home decoration, home textiles and gifts to the European market, with a value of US$44.874 million for selected HS codes in 2015, while imports from Myanmar were $12.396 million and those from Laos were $0.391 million. Compared to neighbouring Vietnam, with its export of $441.975 million according to the selected HS codes, Cambodia's exports amounted to just 10% of Vietnam's exports, which can serve as a benchmark.

The product groups of home decoration, home textiles and gifts imported from Cambodia to Europe that are the largest by far are 1) suitcases, bags, wallets, 2) home textiles, and 3) scarves and accessories of textile materials. Cambodia ranks first among the three countries in all three product groups. In all three groups, imports grew in the last five years. However, Cambodia is particularly weak at exporting basketry and wickerwork to Europe. The main European importing countries in 2015 were the United Kingdom, Belgium and France.

Cambodia has a population of 15.6 million people and a gross national income of $1,070 per capita. The garment sector (which employs 600,000 persons), construction and services are the main drivers of the economy. The poverty rate was 17.7% in 2012 according to the poverty headcount ratio at national poverty line level. As for the production of home decoration, home textiles and gifts in Cambodia, four main categories of companies can be distinguished. These are 1) companies with a focus on silk, 2) companies with a focus on rattan and other natural fibres such as sedge, 3) companies with a focus on recycling products and 4) general handicraft companies working with a broad range of different products.

The companies largely focus on handmade production. Silk weaving, as well as rattan & sedge weaving, provide the most employment with about 5,000 active weavers in each product group. About 3,000 persons are employed at production level by other general handicraft companies and the production of recycled products is estimated to provide income to about 800 families. Including suppliers, end producers and traders, it is estimated that the industry employs more than 20,000 people in total. The goods are mainly produced for three main markets: domestic consumers, the tourism market and the export market. Social enterprises and women-led enterprises play an important role in the value chain. It is estimated that there are more than 50 companies with ongoing exports of silk products, more than 10 companies exporting some kind of recycled products and a further 8-10 general handicraft enterprises with export activities. For basketry, there is one larger export company only.

The main ministries in charge of the industry are the Ministry of Industry and Handicrafts with responsibility for small and medium enterprises and the Ministry of Commerce with responsibility for trade facilitation. The main sector associations are the Artisans Association of Cambodia in Phnom Penh and the Angkor Handicraft Association (AHA) in Siem Reap province. There are a number of ongoing support programmes on silk and other natural fibres, and the Ministry of Commerce recently launched a new National Silk Strategy 2016–2020. It was learned from past programmes that there is potential for hand-woven silk from Cambodia on the international market. Projects in the past contributed to an increase in Cambodian silk exports and particularly silk scarves proved to be competitive. Past attempts to promote sericulture farming were difficult, while promotion efforts for basketry products showed mixed results.

A general competitive advantage of the home decoration, home textiles and gifts value chain in Cambodia is the fair trade and social orientation of the industry, with many companies having an NGO background. Some companies are fair trade certified or use fair trade certification. The social orientation makes the industry attractive for fair trade-oriented buyers in Europe and is a strong advantage. However, many (former) NGOs have difficulties moving towards commercial business models which enable them to grow significantly. Most companies are small and do not have the necessary human capacities in design, production management and marketing.

The greatest export promotion potential for home decoration, home textiles and gifts in Cambodia is in silk. The silk industry has the largest number of export-oriented and export-experienced companies that employ a large number of people. There is proven market demand for silk products from Cambodia, and they have proven to be competitive. Second, Cambodia is strong on recycled products. There are a number of export-experienced companies that specialise in this product group, for which there is especially strong market demand. The industry is particularly dynamic and employs a reasonably large number of craftsmen. Third, there are a number of major general handicraft companies offering a broad range of various crafts with export potential, such as organic cotton textiles, ceramics etc. The companies have different competitive advantages in terms of their solid economic background and specialisation in particular products. Basketry products rank fourth. The industry provides employment to a large number of producers and has export-ready products, but companies have less export experience and there is tough competition for basketry products.

The main general barriers hindering export to Europe are cumbersome customs procedures, difficult company registration requirements and the need for unofficial payments. These result in additional costs and subsequent customer complaints about high transport cost and high prices. Further on, companies do not receive much support from associations and the government in terms of training services and trade promotion support, resulting in less innovation and few market contacts. The main specific barriers for increasing silk exports to Europe are inconsistent/expensive raw materials, low weaver productivity resulting in relatively high product prices, predominant focus on the export of silk scarves and rather poor communication by companies. For recycled products, key constraints are low productivity resulting in relatively high prices, products that are too simple or not durable, the specific niche market character and unfavourable framework conditions. The general handicraft producers have a strong focus on the domestic market, lack export market knowledge/experience, have low productivity and are affected by unfavourable framework conditions as well. The main barriers hindering the export of basketry products are the relatively high price level and the lack of general export experience or specific export experience to Europe.

Cambodia can benefit from sharing experience with Vietnam in terms of purchasing silk yarn and accessories there directly, and can learn from the organisational models of Vietnamese companies. The mobilisation of Vietnamese experts for technology transfer, participation in regional trade shows such as LIFESTYLE Vietnam and an exchange on organisation development among the handicraft associations would be welcome developments, and would help Cambodian companies to become more competitive.

As for suggested solutions to upgrade the value chain, the silk industry should get better control over its supply chain, introduce new technologies and diversify the product range for export. The major silk export companies should be registered formally, improve their communication and participate regularly in international trade fairs to develop more market contacts. The expected impact would be that 10 companies double their current combined export turnover of $500,000 per year and increase their permanent and part-time workforce by 500 workers.

The recycled products industry can be upgraded to offer a more sophisticated and broader product range. Productivity can be increased so that prices become more competitive. The expected impact would be that 5 companies double their current combined export turnover of $400,000 per year and increase their permanent and part-time workforce by 300 workers.

The general handicraft companies can use their existing local production system and resources to develop the export market as well, focusing on selected products that can be produced at lower cost and in larger quantity. The expected impact would be that 6 companies double their combined current export turnover of $400,000 per year and increase their permanent and part-time workforce by 400 workers.

Basketry companies can develop export market knowledge and contacts on the European market and supply sustainably-produced basket ware in larger quantities. The expected impact would be that 4 companies increase exports by $100,000 per year each and increase their permanent and part-time workforce by 400 workers.

The capacity of the local associations Artisans Association of Cambodia (AAC) and Angkor Handicraft Association (AHA) should be strengthened to provide better services to their members, e.g. for design capacity development and lobbying for improved framework conditions.

The total impact of upgrading the value chain that can be expected within a period of five years is estimated to be an increase in exports of $1.4 million per year and 1,600 jobs created. This impact should make it possible to develop a positive project business case with a generated impact higher than the required investment. A support project is recommended to increase exports of home decoration, home textiles and gifts to Europe.

As for the Social Responsibility Risk assessment undertaken, most companies assessed in the home decoration, home textiles and gifts value chain show more social responsibility advantages than risks. The companies are particularly important for income generation for women and many companies are managed by women. An important number of companies play an important role for the employment of handicapped people. Moderate risks should be addressed with targeted activities to avoid child work in the predominant cottage industries, improve occupational health and safety, reduce environmental pollution and corruption and ensure better traceability of the origin of inputs.

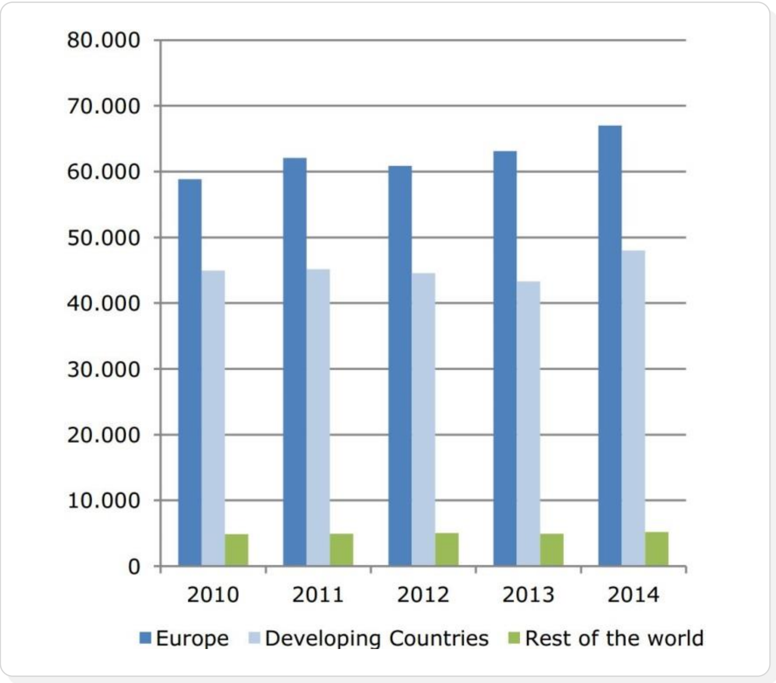
3 The European market for home decoration, home textiles and gifts

3.1 Overview of the European market

The European market for Home Decoration, Home Textiles and Gifts (HDHTG) comprises 32 countries with 757 million consumers, of which 28 countries with a population of 510 million people are in the European Union (EU) and 4 countries with a population of about 14 million people are in the European Free Trade Association (EFTA).

European imports of home decoration and home textiles totalled €120 billion in 2014. Of these imports, 40% came from developing countries (€48 billion), while the largest share of imports (55%) is due to trade within Europe. A large share of these imports from other European countries can also be attributed partly to developing countries, as the figure includes re-exports within Europe. This means that Asia is by far the most important source of home decoration and home textiles, whereas the supply from other parts of the world is not more than 5%.[1]

Graph 1: European imports of home decoration and home textiles[2]

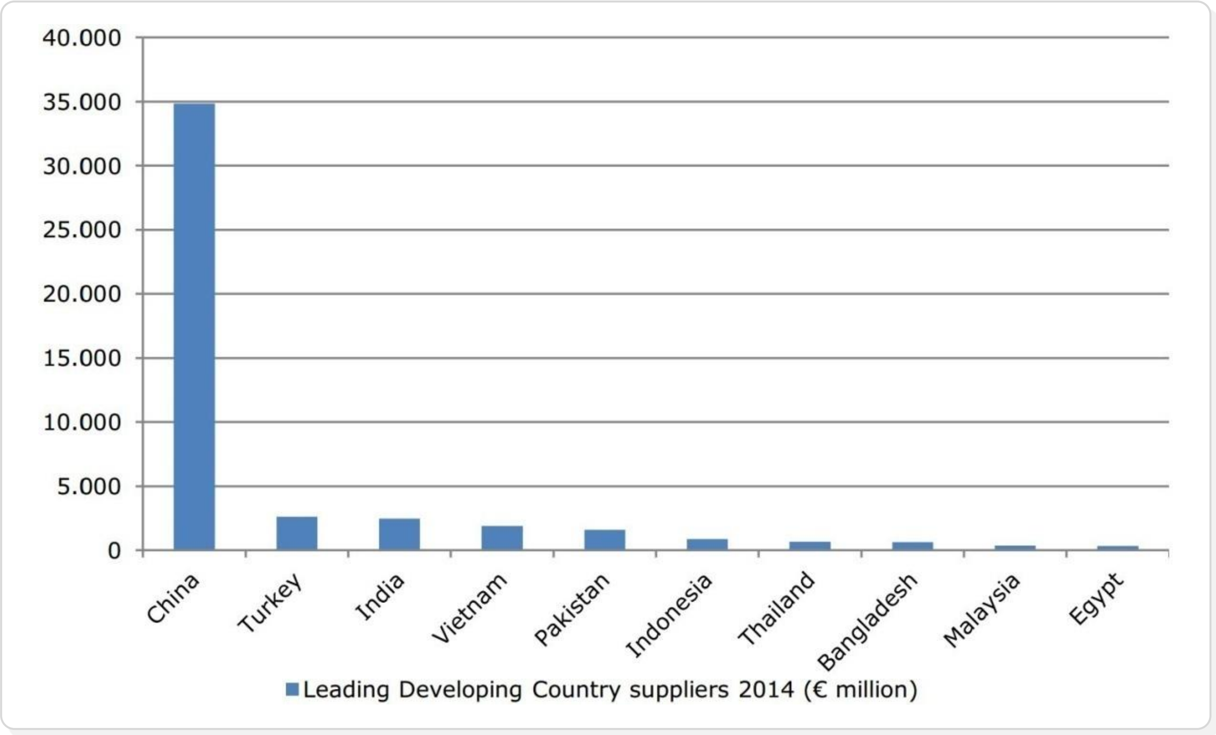


The average annual growth of imports of 2.5% from 2010-2014 indicates that the market recovered from the economic crisis in 2007-2009 and again shows a stable growth trend. Current European economic forecast data suggest that the growth trend is likely to continue. The European Commission expects a GDP growth rate of 1.7% in the eurozone for 2016 and of 1.9% in 2017.[3]

China is Europe's leading supplier of home decoration and home textiles. With imports worth €35 billion in 2014, it accounted for 73% of all imports from developing countries. Other leading suppliers from developing countries are Turkey (€2.6 billion), India (€2.5 billion), Vietnam (€1.9 billion), and Pakistan (€1.6 billion). Whereas imports from China and India are increasing with a below-average annual growth rate (1.3% each), Turkey, Vietnam and Pakistan are performing well with average annual growth rates of 4.6%, 3.4% and 6.5%, respectively.

[1] CBI (2015), CBI Trade Statistics: Home Decoration & Home Textiles in Europe
[2] CBI (2015), CBI Trade Statistics: Home Decoration & Home Textiles in Europe
[3] EU (2016), European Economic Forecast Winter 2016

Graph 2: Leading developing country suppliers 2014[4]



3.2 Market segments

At an abstract level, one can segment the EU market for home decoration, home textiles and gifts into four market segments according to different price levels:

- The exclusive high-end market
- The mid-high market for trendy products with added value
- The mid-low market for solid, good quality products
- The particularly price-sensitive mass market[5]

Graph 3: Market segments

[4] CBI (2015), CBI Trade Statistics: Home Decoration & Home Textiles in Europe
[5] CBI (2015), Market channels and segments for home decoration

The premium high-end market provides price-insensitive customers with exclusive products providing status and is largely dominated by international designer brands with high financial branding power. A typical example for this market segment is the French company HERMES, where a silk scarf, for instance, costs €345 or where a wooden lacquer tray is sold for €670.[6] In terms of market volume, the high-end market segment is by far the smallest market segment.

Graph 4: Product examples for different market segments

The mid-high market segment is characterised by products with some kind of added value and a higher price that go beyond regular standard products. It provides products that allow the consumer to somehow differentiate themselves from the mainstream market and that reflect a certain lifestyle. The mid-high market segment can be a good option for producers from developing countries with higher value products, e.g. handmade, organic, fair, or trendy products and who can show the benefits gained from their products. Design-oriented fair trade retail chains such as CHANGEMAKER (Switzerland) or CONTIGO (Germany) can be taken as examples for the mid-high market of socially and environmentally conscious consumers. A hand-woven silk scarf from Nepal or a lacquered bamboo bowl from Vietnam may fetch €73 here.[7]

The mid-low market segment comprises standard products supplied at reasonable prices. To supply the mid-low market segment, exporters from developing countries must be able to supply large volumes at competitive prices. Retail chains such as Butlers offer typical household rattan ware as it is produced in Myanmar.[8]

On the low-end mass market of home decoration, home textiles and gifts, products can be found for final sales prices of less than €10 at retail chains such as IKEA or PRIMARK. IKEA, a main buyer of rattan ware in Vietnam, for instance, starts to offer simple rattan baskets as low as €4.99.[9] The low-end market segment is largely dominated by suppliers from China, India, Vietnam, and Indonesia.

[6] www.hermes.com
[7] www.changemaker.ch, www.contigo.de
[8] www.butlers.com
[9] www.ikea.com, www.primark.com

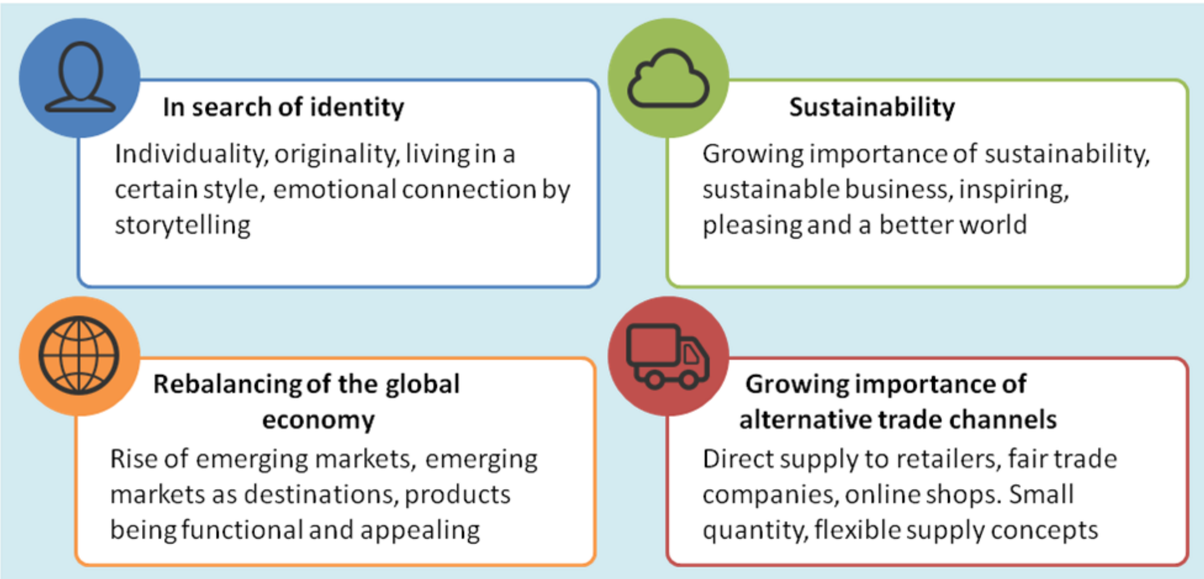
Producers from other countries mostly cannot compete with the economies of scale in these countries. In terms of market volume, the low-end market segment is the biggest.

3.3 Market trends

The latest CBI trend and market analysis for home decoration and home textiles in Europe spots four main trends:[10]

- In search of identity (individuality, originality, living in a certain style, emotional connection by storytelling)
- Rebalancing of the global economy (rise of emerging markets, emerging markets as destinations, products being functional and appealing)
- Sustainability (growing importance of sustainability, sustainable business, inspiring, pleasing and a better world)
- Growing importance of alternative trade channels.

Graph 5: Main market trends



There is a strong trend in the Western world of striving for individuality and originality. The interest in new, more eco-friendly products and the increasing number of Western tourists attracted by Southeast Asian culture are important trends that fit well with the supply potential of Cambodia, Laos and Myanmar.

Alternative distribution channels are of growing importance too. Increasing numbers of smaller retailers are also interested in buying directly from producers in developing countries and there are more and more online shops that import their products. This offers new opportunities for suppliers in developing countries that can prepare pricelists specifically for individual retailers and can offer standard packages for cost-efficient shipment and door-to-door delivery.[11]

In line with these trends, the fair trade niche market shows strong growth. In Germany, the fair trade market volume nearly tripled in the last five years and showed a growth of 11% in 2015.[12]

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[10] CBI (2015), CBI Trends: Home Decoration & Home Textiles in Europe and CBI (2015), Alternative distribution channels
[11] CBI (2015), Alternative distribution channels
[12] www.forum-fairer-handel.de, Zahlen & Fakten (2016)

Value chain integration is on the rise. The market demands closer cooperation, greater efficiency, transparency along the supply chain and shorter lead times. New forms of interaction between supplier and buyer are on the rise. The co-creation of products is a key concept and offers new business opportunities.[13]

The importance of the trends above was underlined in the survey conducted for this study among 25 EU importers and consultants of home accessories and gifts in September/October 2016.

The sources indicated that the approach towards the product becomes more relevant; it is the combination of design, material, technique, uniqueness and story that creates demand. The importance and number of niche markets increases, particularly for fair trade-certified products. The sources particularly pointed out the following demand trends relevant for Asian suppliers:

- Ethno-chic, pure natural products, and organic materials, natural fibres from renewable sources
- Simplicity, timeless style, products made to last
- Fair trade and sustainable design
- Indigo and natural dyes
- Classical black & white Scandinavian styles, as well as subdued/pastel-coloured items
- Basketry: The basket that fits with the carpet, the basket that follows colour trends

The market trends mentioned are quite similar throughout Europe. However, there are differences from one European country to the next. On the one hand, for example, the market trend for ecological and fair trade products is particularly strong in some countries such as Germany, the Netherlands, Switzerland and Scandinavia, while it has been less important so far in other countries, such as France. On the other hand, a number of German importers indicate that the Southeast Asian ethnic style is less interesting for the German market than it is for the neighbouring countries France and the Netherlands. Designs are "sometimes too fancy for the German customer". Instead, the importers prefer simpler, regular products for the mainstream customer.

Co-creation is the preferred way to work for most of the 25 importers interviewed for this study. Importers usually welcome product ideas and designs from suppliers and translate the exporters' products into their own designs, e.g. with slight adjustments regarding colour codes or patterns. 50/50 co-creation is often referred to as the best solution, as it offers many advantages. The importer usually knows consumer taste and expectations best, while the exporter can offer particular techniques and product types. A number of European importers

FOCUS ON

- ✓ Natural, eco-friendly products
- ✓ Emotional connection by storytelling (e.g. about the people making the product)
- ✓ Adding a touch of local context or culture, but not too much (products become "niche" when adding too much ethnicity)

[13] CBI Scenario Planning Home Decoration & Hon

invest in joint product development. European in-house designers cooperate with the product development team of the Asian supplier.

However, a significant number of importers rely 100% on new designs by suppliers. They go around and look what kind of new designs are suggested by the suppliers to choose from. Other importers develop their own designs for 100%, making use of the authentic ways of weaving, particular prints or individual craftsmanship of suppliers.

3.4 Market requirements

Exporters have to comply with a number of legal requirements for the different product categories.[14] Important requirements for home decoration, home textiles and gifts are:

- The EU General Product Safety Directive states that all products sold in the EU must be safe and provides a general framework even if no specific regulations apply.
- Chemicals: Ban of 22 AZO dyes for all products that can come into regular contact with human skin, health control of articles coming into contact with foodstuffs (bowls, pans, cutlery etc.), impregnation of wood products without creosote substances and arsenic, fumigation of basketry and wickerwork.
- The CITES convention (Convention on International Trade in Endangered Species) has to be respected if products are made from wild plants or animal products.
- Labelling: Fibre composition and washing instructions have to be indicated for all textile products and have to be sewed firmly.

In addition to AZO dyes, EU importers check for maximum content of pentachlorophenol (PCP) for textiles and of chromium VI for leather. Nickel is banned for jewellery; importers require that silver jewellery must be made of lead-free 925 sterling silver; there is a maximum content applied for cadmium. There are special requirements for toys (need to be CE marked) and commodities in contact with foodstuff. There is a limit for cadmium in plastic bags, benzene in incense sticks, and dimethyl fumarate in packing materials.

Fair wages, good working conditions and respecting environmental standards are requested by many importers. For some importers, fair trade standards must be fulfilled. The exporter must not necessarily be certified, but has to prove compliance with fair trade criteria. Suppliers having undergone a social audit are generally preferred.

Importers refer to many different standards such as WFTO, REACH, Rohs, Prop65, Öko-Tex 100, BSCI compliance, BCFS, FWF Code of Labor Practice, GOTS organic, Max Havelaar Fair Trade Certified, etc. The application of standards is more and more important. Physical and social protection of workers, work safety trainings (e.g. application of dyes with masks) and the payment of at least minimum wages is a concern for most buyers.

Importers aim at reject rates of less than 1% and need customised packaging and labelling according to individual requirements (proper inner and outer packaging, single packing in poly-bags or cardboard boxes, customer-specific labelling with barcode stickers, box marking, tags and labels attached, sometimes vacuum-packed, washing instructions labels on textile materials).

It is striking that many companies interviewed in the EU importers survey indicate that they struggle with the fact that their suppliers from Cambodia, Laos, and Myanmar do not always meet the basic

[14] CBI EU Buyer Requirements for Home Decoration and Home Textiles

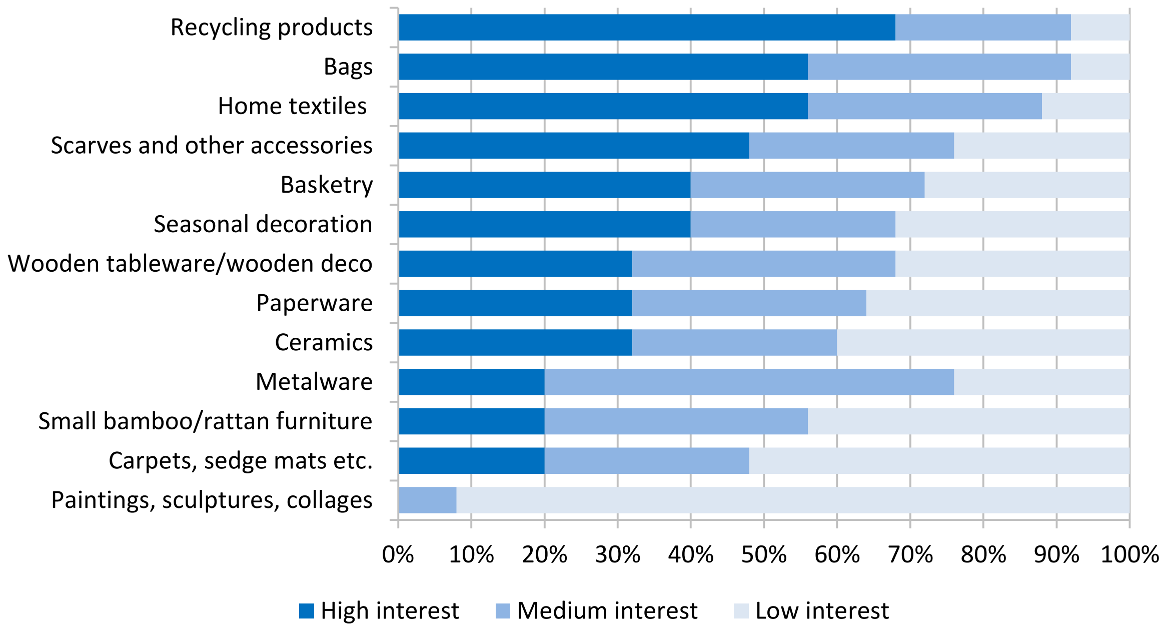
legal requirements. Even if suppliers are aware of the basic legal requirements, they often do not have sufficient control over their own raw material supply chain.

3.5 Interest of EU companies to source from Cambodia, Laos and Myanmar

In the survey undertaken among the 25 EU importers and consultants of home accessories and gifts in September/October 2016, the interviewed sources indicated that, in general, the market for home accessories, home textiles and gifts has become stronger again due to the growing importance of lifestyle concepts. However, it is no longer common to place large orders for one single product. Instead, buyers think in collections and put together orders of mixed products.

The interviewed sources stated an interest in the following product groups as presented in Graph 6.

Graph 6: Interest in product groups[15]



Though it is a rather specific niche market product, the highest interest was expressed for recycled products, e.g. recycled glass, recycled yarn and others. This reflects the importance of the above-mentioned ecological trend. It was indicated as well that recycled products should become more sophisticated in future. Bags and home textiles rank second in terms of market interest. For home textiles, the sources indicated high market demand for table cloths, cushion covers, throws, and bed spreads. There is particular market interest in eco-friendly household textiles based on organic fibres, organic cotton and organic dyes. Organic materials should be certified.

Scarves and other accessories such as purses and jewellery provide good market opportunities as well, as consumers change accessories more often than home decoration items. Particularly small, less expensive accessories sell faster than larger and more expensive items. There is also a high interest in well-designed, distinctive seasonal decorations, as European households tend to buy new decorative accessories according to the different seasons to create a similar ambience and atmosphere in the house. For basketry, ceramics and wooden products, the market expects functional table ware, kitchen items, place mats, garden-related products, storage products and planters/plant pots. Low interest was expressed in small bamboo & rattan furniture, carpets, sedge mats and metalware. Paintings, sculptures and collages rank last in terms of market demand.

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[15] CBI's assessment

Market trends and interest in specific products provide sound market opportunities. However, exporters should be aware that in the end the consumer, and the importer, buys in a price-sensitive way. The interviewed sources indicated a number of typical FOB prices for certain order quantities that can serve as an orientation as to what kind of FOB price level can be competitive on the market.

Table 1: Typical FOB prices[16]

Product	Typical order quantity	Typical fob price ($)
Tablecloth	100/design	11
Scarves	100/design	5-12
Scarves	5-25	6-25
Throws	5-25	30
Necklace	100/design	5.5
Textile accessories such as pouches, cases, purses	100/design	2-8
Cushion, filled, with zipper	200/colour	3.5-5
Cushion	100	13
Cushion cover	5-30/design	12-20
Macramé wall carpet	250/colour	3.5
Tea towel	1,000	1.5
Hamam towel	100-500	4-6
Textile purse	2,000	1.5
Silk cosmetic pouch	1,000	3.5
Small bag	1,000	6.00
Ladies handbag	50-300	11
Medium-sized bag	500	18
Bags	5-25	15-60
Jewellery	100-400	4.5-11
Recycling bags	100	6-8
Glass	5,000	1.5
Silver jewellery	20-30	5-15
Leather bag	200	33
Rug	50	40
Shopping basket	20-ft container	3.5
Ceramic planter bucket size	20-ft container	5-7
Laundry basket	20-ft container	25
Lacquerware vase, 50 cm tall		16-27

The sources came up with some proposals as to how Cambodia, Laos and Myanmar could become more competitive. They suggested that different suppliers should cooperate to have consolidated shipments to one customer in order to reduce transport costs. The companies should improve reliability, regular customer communication, command of the English language and services. Product differentiation is important as well. Cambodia, Laos and Myanmar should offer products that are distinctive from Vietnam, Thailand, Indonesia and other countries.

FOCUS ON

- ✓ Functional products
- ✓ Less purely decorative products
- ✓ Simplified designs
- ✓ Less ornamental applications
- ✓ Less expensive standard products that can be produced in large quantity
- ✓ No tourist souvenirs

[16] CBI's assessment

The supply chains need to be improved. The companies should have better control over their raw material supply, which often is too expensive, of third-rate quality and unreliable. Having their own reeling and weaving factories in the countries would be preferred. Production capacity and processes should be improved. The lead time for production should be shorter.

Exporters should develop more standard products and product lines, e.g. the same bag in three different sizes. Exporters should assess where in the production line they have high costs (price drivers) and how simple adaptations can reduce costs significantly.

In summary, it was suggested that Cambodia, Laos and Myanmar should not try to compete with cheap products from China or India. The countries should focus on high quality, developing their own style and functional, unique, contemporary design as well as sustainable materials.

4 European imports of home decoration, home textiles and gifts from Cambodia

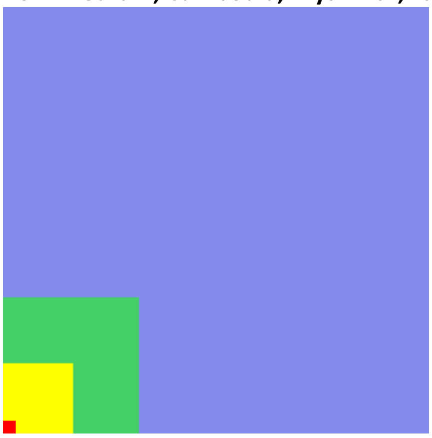
4.1 Regional overview Cambodia, Laos and Myanmar

For the selected product groups and Harmonized System (HS) codes in Table 2, imports of home decoration, home textiles and gifts from Cambodia, Myanmar and Laos to the European market amounted to $57.661 million in 2015.[17]

Among the three countries, Cambodia is by far the most important exporter of home decoration, home textiles and gifts to the European market, while imports from Laos counted for less than $0.4 million. Compared to neighbouring Vietnam with its exports of $441.975 million of HDHTG according to the selected HS codes, Cambodia's exports amount to just 10% of Vietnam's exports.

- Vietnam: Imports of $441.975 million
- Cambodia: Imports of $44.874 million
- Myanmar: Imports of $12.396 million
- Laos: Imports of $0.391 million.

Graph 7: Comparison of imports of HDHTG from Vietnam, Cambodia, Myanmar, Laos



The main product groups within home decoration, home textiles and gifts from Cambodia, Laos and Myanmar are 1) suitcases, bags, wallets, 2) home textiles, and 3) scarves and accessories of textile materials. Cambodia ranks first among the three countries in all three product groups. However, Cambodia is particularly weak at exporting basketry and wickerwork to Europe.

Table 2: Imports of HDHTG from Cambodia, Laos and Myanmar to Europe, 2015 (in $1,000)[18]

	European imports 2015			
Product groups (included HS codes)	**CAM**	**LAO**	**MYA**	**Total**
Suitcases, bags, wallets (4202)	31,071	188	8,349	**39,608**
Tableware/kitchenware/wooden decor (4419, 4420, 441400)	84	7	112	**203**
Basketry and wickerwork (4601, 4602)	62	2	1,691	**1,755**
Paper products (4802)	0	0	0	**0**
Carpets (57)	9	5	0	**14**
Scarves and accessories of textile material (6214, 6217)	3,668	125	687	**4,480**
Home textiles (6301, 6302, 6303, 6304)	8,809	5	1,006	**9,820**
Ceramics (6912, 6913, 6914)	87	2	19	**108**
Glassware (7013)	0	0	1	**1**
Jewellery and silverware (7113, 7114, 7116, 7117)	579	18	283	**880**
Metalwork (8306)	38	1	29	**68**
Bamboo and rattan furniture and chairs (940151, 940381)	2	0	65	**67**
Paintings, sculptures, seasonal (6702, 950510, 9601, 9701, 9703)	465	38	154	**657**
TOTAL	**44,874**	**391**	**12,396**	**57,661**

[17] EU/EFTA country import statistics are used as statistical data.
[18] CBI's compilation based on ITC Trade Map, www.trademap.org

Jewellery, paintings/sculptures, and wooden items were of medium importance. Imports of ceramics, metalwork, bamboo/rattan furniture, and carpets were very low. The import of glassware to Europe from the three countries was marginal ($1,000 only) and there were no imports of paper products from Cambodia, Myanmar and Laos to Europe. The last two product categories were therefore left out of any further assessment.

4.2 Main product groups imported from Cambodia

The Cambodian exports of the assessed HS codes are largely dominated by the HS code 4202 (suitcases, bags, wallets etc.). With a value of $31 million, this accounts for 69% of all Cambodian exports. Still of minor importance in 2010-2012, this product group only developed strongly in the last two years and more than tripled in 2015 (see Graph 8). This strong growth is likely due to some industrial manufacturing unit(s) in the garment industry. Similarly, exports of home textiles to Europe doubled in 2015 to a value of $9.8 million, while the product group was at a similar level to scarves and textile accessories the years before. The export of bed linen seems to be industrial manufacturing too.

Scarves and accessories of textile material are the third most important product group. The three product groups bags/wallets/suitcases, home textiles, scarves/textile accessories make up for 97% of all European imports of home decoration, home textiles and gifts from Cambodia. All other product groups are of minor importance.

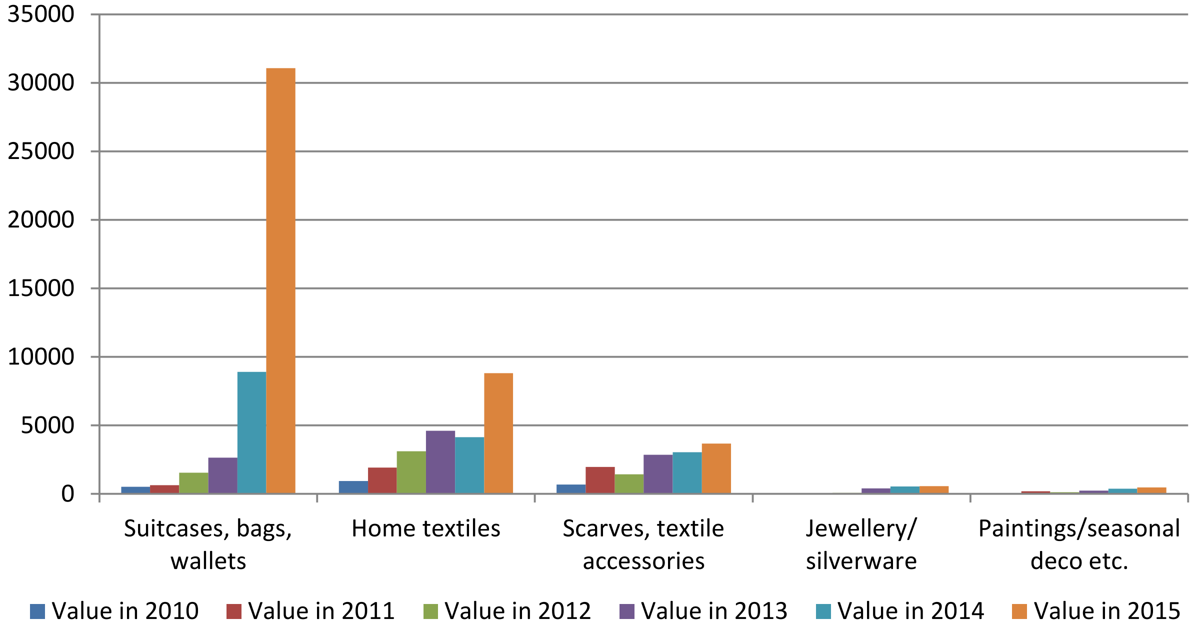
Table 3: Imports of HDHTG from Cambodia (in $1,000)[19]

European imports 2015		per HS code	Total
Suitcases, bags, wallets etc.			**31,071**
4202	Suitcases, bags, wallets etc. (leather, textile, plastics, other material)	31,071	
Tableware, kitchenware, decoration items of wood			**84**
4419	Tableware and kitchenware, of wood	10	
4420	Wood parquetry, inlaid wood, cases, statuettes, ornaments etc.	74	
Basketry and wickerwork, woven mats, plaits, etc.			**62**
4601	Plaits and similar products of plaiting materials, mats, matting, screens	8	
4602	Basketwork, wickerwork and similar articles	54	
Carpets			**9**
57	Carpets and other textile floor coverings	9	
Scarves and accessories of textile material			**3,668**
6214	Shawls, scarves, mufflers, mantillas, veils and similar articles	666	
6217	Made-up clothing accessories and parts of garments or accessories	3,002	
Home textiles			**8,809**
6301	Blankets and travelling rugs of all types of textile materials	3,197	
6302	Bed linen, table linen, toilet linen, kitchen linen of textile materials	5,548	
6303	Curtains, drapes, interior blinds, bed valances of textile	8	
6304	Articles for interior furnishing, of all types of textile materials	56	
Ceramics			**87**
6912	Tableware, kitchenware, etc. of ceramics other than porcelain	54	
6913	Statuettes and other ornamental ceramic articles	32	
6914	Ceramic articles	1	
Jewellery and silverware			**579**
7113	Articles of jewellery and parts thereof, of precious metal etc.	71	
7114	Articles of goldsmiths' or silversmiths' wares and parts thereof	5	
7117	Imitation jewellery	503	
Metalwork			**38**
8306	Bells, gongs, statuettes, ornaments, picture frames, mirrors	38	
Furniture, chairs made from bamboo or rattan			**2**
940381	Furniture of bamboo or rattan	2	
Paintings, sculptures, collages, Christmas articles, etc.			**465**
6702	Artificial flowers, foliage and fruit and parts thereof	20	
950510	Christmas articles	78	
9601	Worked ivory, bone, tortoiseshell, horn, antlers, coral, etc.	1	
9701	Paintings, e.g. oil paintings, watercolours and pastels, drawings	249	
9703	Original sculptures and statuary, in any material	117	
TOTAL			**44,874**

Graph 8 shows the strong continuous growth of the three main product group segments in the last five years, while all other product groups remained at an insignificant level. While the strong growth in suitcases/bags/wallets and home textiles is likely largely due to some side effects of the garment industry, the step-by-step growth of scarves and textile accessories exports can be attributed to small-scale handmade production. From 2010 to 2015, exports in this product group increased from $689,000 to $3,668,000, an average annual growth rate of 57%.

[19] Own compilation based on ITC Trade Map, www.trademap.org

Graph 8: Development of European imports of the top five product groups of HDHTG from Cambodia (in $1,000)



Compared to overall European imports in the assessed product groups, there is no product group where Cambodian exports account for more than 0.15% of all imports. This figure shows that there are still ample opportunities for capturing bigger market shares on the European market.

Table 4: Cambodia's share of total European imports of HDHTG (in $1,000)[20]

	European imports from Cambodia 2015	Cambodia's share of total European imports 2015
Suitcases, bags, wallets etc.	31,071	0.1532%
Tableware, kitchenware, decoration items of wood	84	0.0057%
Basketry and wickerwork, woven mats , plaits, etc.	62	0.0110%
Carpets	9	0.0002%
Scarves and accessories of textile material	3,668	0.1551%
Home textiles	8,809	0.0799%
Ceramics	87	0.0060%
Jewellery and silverware	579	0.0020%
Metalwork	38	0.0051%
Furniture, chairs made from bamboo or rattan	2	0.0013%
Paintings, sculptures, Christmas articles, etc.	465	0.0019%
TOTAL	**44,874**	**0.0417%**

Comparing the Cambodian exports of home accessories to Europe with Cambodian exports to other countries, the exports of bags, suitcases and wallets to Europe only account for 18% of all Cambodian exports of this product group.

[20] Own compilation based on ITC Trade Map, www.trademap.org

Table 5: Total exports and main importers for the three main product groups for Cambodia (in $1,000)

Product group	Importers	Export value 2015
1. Suitcases, bags, wallets (4202)	Total	170,485
	USA	53,172
	Japan	40,678
2. Home textiles (6301, 6302, 6303, 6304)	Total	68,025
	USA	20,415
	Canada	14,111
3. Scarves and textile accessories (6214, 6217)	Total	6,754
	Luxemburg	2,086
	Singapore	2,09

This is similar for home textiles. While home textiles are exported to Europe for a value of $8.8 million, home textiles are exported for more than $68 million to the rest of the world, particularly the USA and Canada. The comparison suggests that there is still a particularly high unused supply potential in Cambodia for bags, suitcases, wallets and home textiles to Europe.

For scarves, the third most important product group of Cambodian exports of HDHTG, exports to Europe amounted to 54% of all Cambodian exports of scarves.

Cambodia's exports of home accessories, home textiles and personal accessories are going to a number of different countries. In 2015, the UK and Belgium were the leading import countries, while France only came third and Europe's largest market, Germany, only in sixth place. The Netherlands imported home decoration, home textiles, and gifts worth $675,000 from Cambodia in 2015.

Graph 9: Top ten European countries importing from Cambodia in 2015

Rank	Country	1,000 US$
1	United Kingdom	11,895
2	Belgium	8,493
3	France	5,678
4	Italy	4,938
5	Spain	3,926
6	Germany	3,471
7	Luxembourg	2,116
8	Poland	1,387
9	Netherlands	675
10	Norway	486

5 Value chain structure in Cambodia

5.1 Macro-economic context

Cambodia has a population of 15.6 million people. It is still mostly an agricultural economy, where most rural households depend on rice farming and other agricultural produce. However, urbanisation is increasing rapidly. The capital Phnom Penh officially still counted 1.5 million inhabitants in 2012, whereas the population of Phnom Penh is expected to reach 3 million by the end of 2016.

After more than two decades of strong economic growth, Cambodia has attained lower-middle-income status in 2015 with gross national income (GNI) per capita reaching $1,070. The garment sector, construction, and services are the main drivers of the economy. Growth is expected to remain strong in 2016.

Table 5: Macro-economic data[21]

Cambodia	
Population 2015	15.578 million
GNI/capita/year 2015	$1,070
GDP growth 2015	7%
Exports 2015	$12.2 billion
Human Development Index 2014	143 (of 188)
Minimum wage garment sector 2017	$153/month
Garment industry workers	600,000

Poverty continues to fall in Cambodia, albeit more slowly than in the past. In 2012, the poverty rate was 17.7% according to the poverty headcount ratio at national poverty line level. About 90% of the poor live in the countryside. While Cambodia has achieved the Millennium Development Goal (MDG) of halving poverty in 2009, the vast majority of families who escaped poverty were only able to do so by a small margin, thus around 8.1 million people remain near-poor.[22]

The Cambodian government recently increased the current minimum wage for garment factory workers from $128 per month to $153 per month.[23] The new minimum wage will come into effect in January 2017. As the garment industry employs 600,000 people, this minimum wage sets standards for other urban parts of the economy too. As the sewing work in garment factories does not require much education, it is particularly a benchmark and alternative for the handicraft sector.

5.2 Main product groups of home decoration, home textiles and gifts

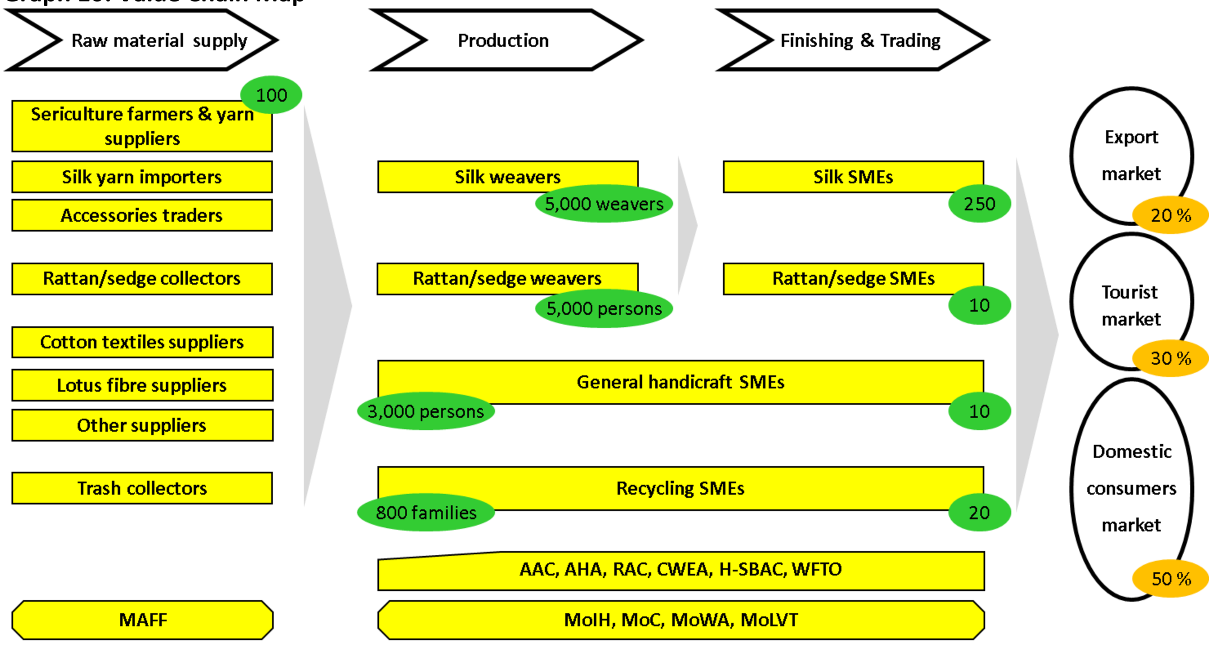
According to estimations of sources at the national workshop in Phnom Penh in November, the home decoration, home textiles, and gifts value chain in Cambodia provides employment to about 14,000 persons at production level. Including raw material supply and trading, more than 20,000 persons are likely to be involved in the industry.

Most traders of home decoration, home textiles, and gifts in Cambodia are not specialised in one product group only but work with different kinds of products. However, four main categories of companies can be distinguished:

- Companies with a focus on silk
- Companies with a focus on rattan and other natural fibres such as sedge
- Companies with a focus on recycling products
- General handicraft SME, working with a broad range of different product groups.

[21] www.worldbank.org and www.undp.org
[22] www.worldbank.org
[23] www.phnompenhpost.com, Phnom Penh Post online September 30, 2016

Graph 10: Value Chain Map[24]



Social enterprises and women-led enterprises play an important role in the value chain. A number of about 300 small- and medium-sized enterprises (SMEs), many of whom have an NGO background, are active in the value chain. Of these, 36 have been identified as being the most important players in the tourist and export market (see Annex II). Of these companies, 21 have been assessed in further detail to get an overview on leading firms with the biggest export potential in different product categories.

The products are mainly produced for three main markets: domestic consumers, the tourism market and the export market. According to an assessment of the silk value chain in 2015, the market for domestic customers makes up about 50% of total consumption, the tourist market 30% and the export market 20%.[25] This provides a good indication of the overall importance of the three different market segments for all home accessories, home textiles, and gifts traders, except for recycling products that aimed more at the tourist and export market.

Silk weaving and rattan & sedge weaving provide the most employment with about 5,000 active weavers in each product group. About 3,000 persons are employed by other general handicraft companies and the production of recycled products is estimated to provide income to about 800 families.

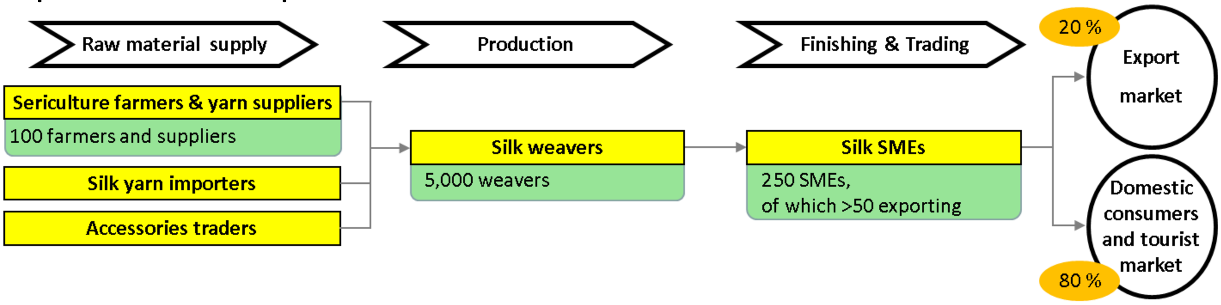
5.2.1 Silk

Sericulture has a long history in Cambodia, going back to the thirteenth century, and plays an important role in Cambodian culture. The natural appearance and softness of the hand-spun so-called Cambodian Golden Silk (CGS) are famous. Nevertheless, it is thought that there are less than 100 active silkworm breeders in Cambodia today, who produce less than one tonne of silk yarn per year. Though sericulture has the advantage of providing regular cash income every two months and though one hectare of mulberry trees with silkworm breeding would yield an annual income of $2,000 (compared to $500-600 for one hectare of rice), farmers tend to prefer cultivating other crops

[24] Own compilation
[25] Kingdom of Cambodia/ITC (2016), Cambodia National Silk Strategy 2016-2020

for which market linkages and demand are stronger. The lack of industrial reeling centres plays a crucial role in this regard, too.

Graph 11: Value chain map extract – Silk



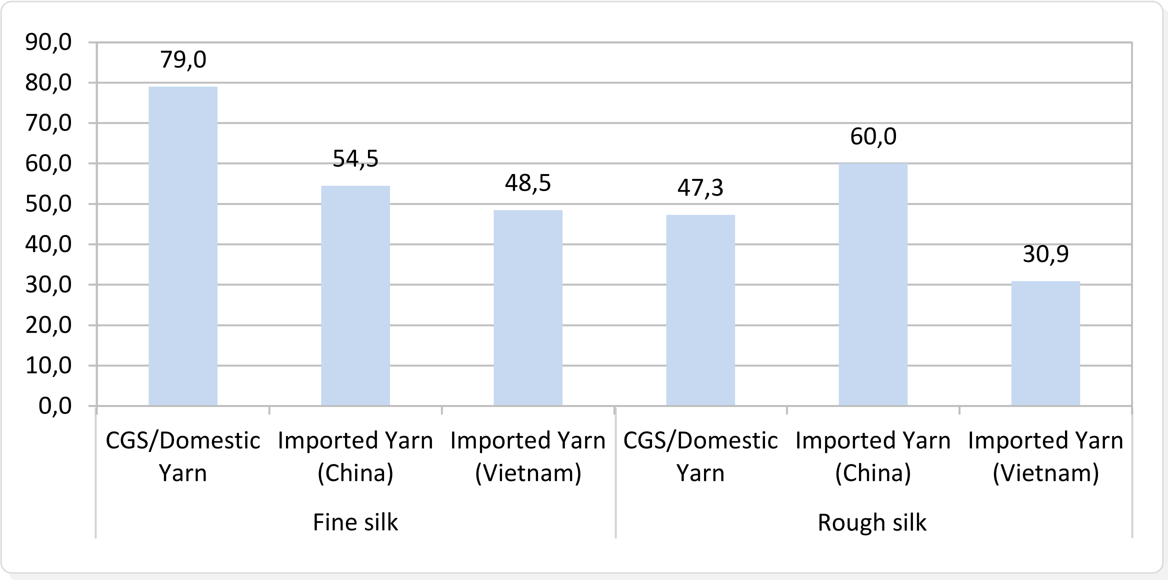
Cambodia is a significant net importer of raw silk and silk fabric products. Current import is estimated to be 200-300 tonnes per year.[26] Companies mostly buy smaller quantities from individual shops in Cambodia that import mainly from Vietnam. Companies interviewed for a project in 2012 reported an average price of $54.50 per kg of fine silk from China. The average price of fine silk yarn imported from Vietnam was $48.50, while the price for Cambodian Golden Silk yarn was as high as $79. The price difference of 63% reflects the high demand for CGS. The prices of rough silk yarn are much lower (for CGS 40% below the price level of fine silk yarn, for Vietnamese silk 36% below the price of fine silk yarn).

The number of weavers dropped from 20,000 to an estimate of less than 5,000 active looms, mainly due to unreliable markets and alternative urban employment opportunities in the garment industry. Weavers produce silk fabric, scarves, cloth and other silk items. Silk weaving is mostly done at household level, with one to four looms per household, and constitutes an important additional source of income for low-income rural households. Ninety per cent of weavers are part of loosely organised weaver groups that are connected through group leaders and middlemen to SMEs in the urban centres.

The majority of weavers (82%) produce scarves and local 'Sampot (kben)' skirts which represent the main production output; 29% produce fabrics and a few weavers also produce blankets and fringes. In addition, companies produce silk accessories, ties and a broad range of home interior decoration items such as tablecloths, cushion covers, curtains, bedspreads, silk towels and seasonal ornaments.

[26] Own assessment, estimation of companies in the CBI project planning workshop.

Graph 12: Average cost of silk yarn by quality and country (in $)[27]



There are about 250 SMEs, NGOs and middlemen that play a crucial role in the entire value chain. The value chain is directed to a large extent by these SMEs, which develop the product design, buy and distribute inputs, provide access to training and control market access for larger numbers of weavers. These SMEs are the most powerful actors in the industry. Sewing is also often outsourced, while the finishing of final products is mostly done in-house by these SMEs. More than 50 of these SMEs are currently exporting, though mostly smaller quantities.

Table 6: Cost calculation example of a silk scarf[28]

The production cost of scarves or other silk final products varies widely depending on the kind of product, the design and quality, the calculation of the company etc.

In the case of a typical scarf which sold for $8.5 FOB at exporter level in February 2015, the cost of the silk made up 35%, whereas the weaver got about $2 for his work. For this kind of scarf, a weaver can produce 2-3 scarves per day. Based on five-six days of work per week (24 working days/month), the income from weaving would be $96-144. Experienced master weavers and producer group leaders are able to earn much higher incomes, as well as some weavers who employ 2-3 other persons.

Silk weaving provides income in remote rural areas which is similar to the minimum wage in the garment industry. The advantage of handloom weaving of silk is that the work is mostly done at household level in rural areas. Silk weaving generates additional income to farming activities. The weaver can stay at home, can take care of family and children and has lower living cost than in urban areas.

Hand-woven scarf for export, German dyes

Silk $3 → Dyeing $1.8 → Weaving $2 → Finishing/packaging overheads/profit $1.7 → FOB price $8.5

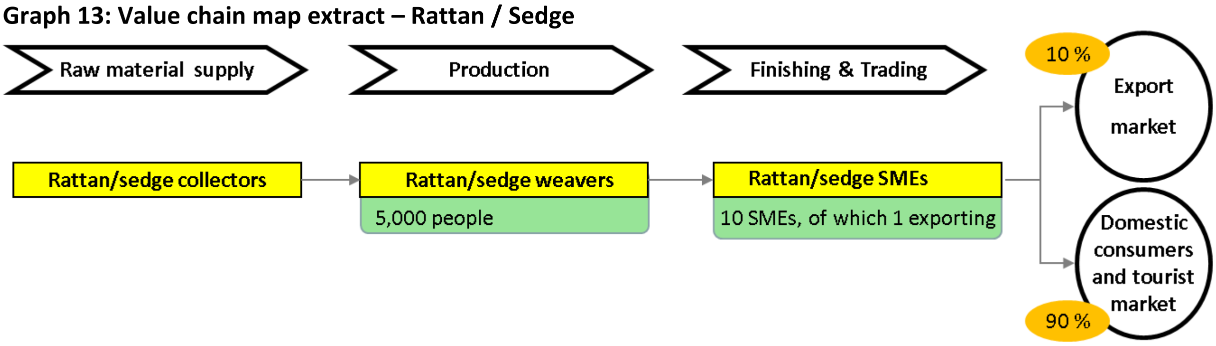
It is estimated that silk generated a sales volume of about $25 million in 2012, which corresponds to about 0.15% of GDP in 2014. Total employment in the silk sector is currently estimated to be about 7,000 persons. The proportion of women within the silk workforce is very high, varying from 66% to 87%.[29]

[27] ITC (2014), Value Chain Analysis of the High Value Silk Sector
[28] Kingdom of Cambodia/ITC (2016), Cambodia National Silk Strategy 2016-2020
[29] Kingdom of Cambodia/ITC (2016), Cambodia National Silk Strategy 2016-2020

5.2.2 Basketry

The rattan and sedge industry provides employment to a large number of craftsmen as well. About 10 SMEs work on basketry products, providing income to up to 5,000 people, of which 7 companies work on bamboo and rattan, providing employment to about 4,000 people, and 3 SMEs mainly work with sedge. The number of people involved in sedge trading and processing is estimated to be 1,000.

Graph 13: Value chain map extract – Rattan / Sedge



The number of basket weavers, 90% of whom are women, has been going down in the last ten years due to the relatively low income and other better-paid alternatives. According to a GIZ study in 2009, a basket weaver earned an income of less than $1.5 for 12 hours of work for the most commonly produced baskets. The study also points out a decline in raw material availability. Eighty-five per cent of the baskets produced in Siem Reap province are exported to the market in Thailand. Lpeak "small rattan" is the most common fibre used.[30]

There is only one major basketry exporter, which is focusing on the US market and is hesitant to enter the European market. The other company assessed for this study has no export experience and is not registered as an exporter. It is estimated that 90% of the rattan ware produced in Cambodia is sold on the domestic market. The companies report that it is difficult to find people interested in rattan weaving. As it is hard work, out of 100 people trained only 10 continue working as rattan weavers. According to the Artisans Association of Cambodia (AAC), companies working with rattan, bamboo and wood face difficulties in obtaining licenses from the Ministry of Agriculture, Forestry and Fisheries (MAFF).

The Rattan Association of Cambodia is currently setting up a Rattan Trade Sector Road Map, including two pilot projects on local rattan transport and exporting semi-finished rattan products to Vietnam in cooperation with the World Wildlife Fund (WWF) and financing from the Asian Development Bank. According to the Road Map, the sustainability of rattan resources is threatened

[30] GIZ (2009), Current conditions and development potential of the "Lpeak" (small rattan) processing industry in Siem Reap province

in Cambodia due to the increasing regional demand, which is why The Rattan Association intends to focus more on law enforcement, improved policies, sustainable resource management and value addition.[31]

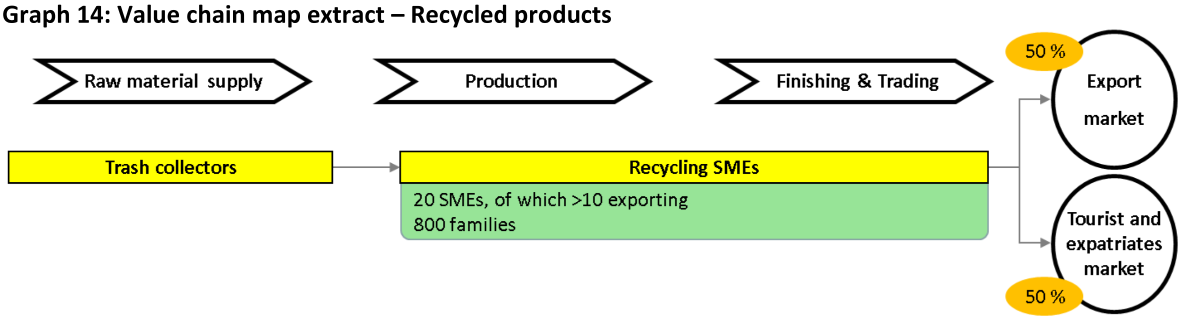
5.2.3 Recycled products

Different materials are used for recycled products. The most commonly used materials are recycled packaging materials such as fish feed bags, rice bags, cement bags etc. In addition, a broad variety of other materials is used such as leftovers from garment production, horn, broken ceramics, bomb shells, iron, used car tires, reclaimed wood. There are about 20 SMEs mainly working with a broad range of recycled materials and providing income to about 800 families.

These 20 SMEs dominate the industry and are much more powerful than the individual producers. They decide on products, buy and process raw materials, control market access and direct the whole industry.[32] More than 10 of these SMEs are exporting. Roughly half of the products are exported, while the other 50% are mainly sold on the domestic tourist and expatriates market.

Recycled products are mostly sold to tourists, e.g. on the night markets in Siem Reap and Phnom Penh, where one can find plenty of night market stalls with recycled products. Many tourist shops sell recycled products too. Some higher-quality product collections are exported by a number of different companies to wholesalers in the US and Europe. The sector is quite dynamic and shows a lot of fashionable design development, including sales at exclusive airport shops.

Graph 14: Value chain map extract – Recycled products



The supply chain creates income for suppliers belonging to the poorest of the poor, e.g. trash collectors who are aware of companies and social enterprises working with recycled materials. They collect the used bags, wash and clean them, and sell them to SMEs who use the material for sewing fashionable bags. Sewing is done in some cases by handicapped people. Besides poverty alleviation, there is also a positive environmental impact.

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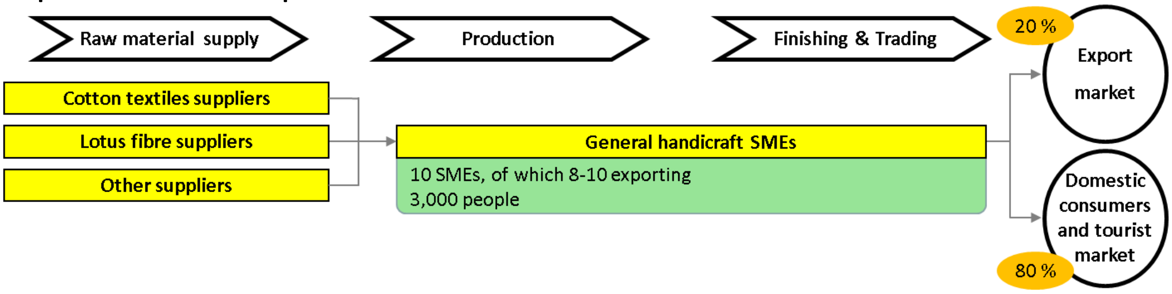
[31] Rattan Association of Cambodia, Rattan Trade Sector Road Map (2014-2016)
[32] Own assessment, estimation of companies in the CBI project planning workshop.

5.2.4 General handicraft companies

There are about 10 general handicraft SMEs working with a variety of products and providing employment to about 3,000 persons. Most of these SMEs export their products, some only occasionally at a low level, some export most of their products. Products comprise cotton textiles, lotus fibre, silk, lacquerware, stone and wood carvings, silver plating, jewellery, ceramics, floor mats, toys, iron works, etc.

Graph 15: Value chain map extract – General Handicrafts



The leading firm and most well-known company Artisans d'Angkor employs more than 1,100 people, amongst which many handicapped persons, for the production of many kinds of crafts from silk to ceramics to stone carving. Products are mainly sold to tourists who visit demonstration sites. Though the company has a high turnover on the domestic market, export so far has been marginal (only online sales and shipments to individual customers).

Other companies specialise in particular product lines. Home textiles and accessories made of organic cotton and natural dyes are a specialty of some companies. One SME works with the exclusive lotus fibres.

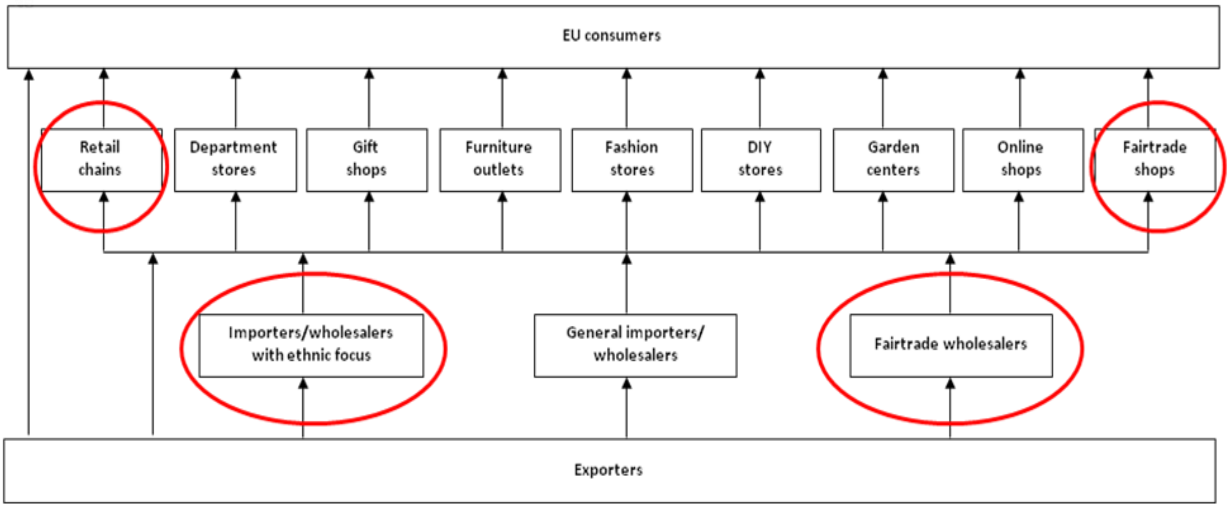
5.3 Export channels

Home decoration, home textiles and gifts from Cambodia are mainly imported by four types of companies:

- Specialised importers/wholesalers with an ethnic focus
- Fair trade wholesalers/NGOs
- Retail chains importing directly
- Retailers importing directly, such as fair trade shops

In terms of quantities traded, specialised importers with an ethnic focus and fair trade wholesalers/international NGOs are the most important types of clients. However, in terms of the number of clients, retailers importing directly are the largest group. Most Cambodian exporters supply directly to a number of retailers, at least partly. Of lesser importance are direct sales to European consumers, e.g. via the internet or shipments to tourists who visited the companies in Cambodia.

Graph 16: Market structure in Europe[33]



5.4 Description of macro and meso level value chain actors

The most important **ministries** in the home decoration, home textiles, and gifts value chain are:

- Ministry of Industry and Handicrafts (MoIH): In charge of small- and medium-sized enterprises (turnover less than $0.5 million). Responsible for product standardisation and promotion of handicrafts, providing logos/products for graphic design and conducting trainings
- Ministry of Commerce (MoC): Trade facilitation, company registration, provision of Certificates of Origin (C/O), customs clearance
- Ministry of Agriculture, Forestry and Fisheries (MAFF): Mandate for technical assistance on raw material production
- Ministry of Women's Affairs (MoWA): Promotes women's employment and runs Women's Development Centers (WDCs) which also work with handicrafts
- Ministry of Labor and Vocational Training (MoLVT): Provides technical training to craftsmen

The Ministry of Commerce (MoC) recently developed a National Silk Strategy 2016-2020 in cooperation with the International Trade Centre. It is an explicit aim of the Cambodian government

[33] Adapted from CBI (2015), Market Channels and Segments for Home Decoration

to revitalise the sericulture sector and silk tradition which are considered vital for the country's traditional heritage and tourism industry. Following the launch of the Silk Strategy in March 2016, the Ministry currently mobilises financial support that allows companies to get subsidies for establishing sericulture farms. In addition, the National Silk Development Commission is supposed to play a more active role.

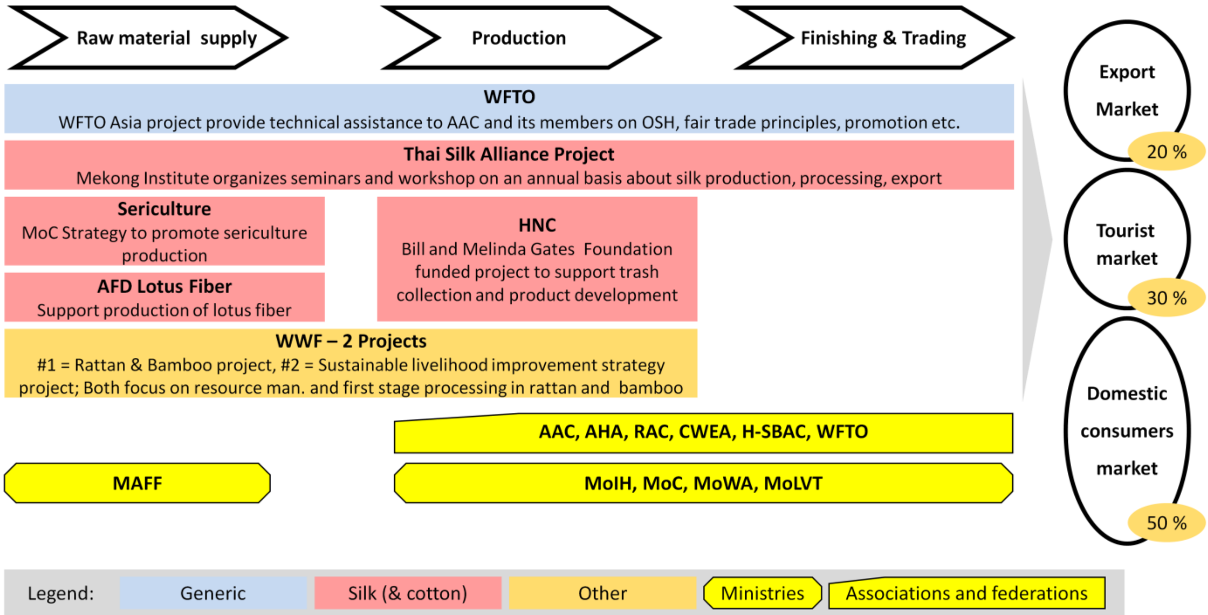
Five different sector **associations** play a role in Cambodia:

- Artisans Association of Cambodia (AAC): The national handicraft association represents 50 handicraft companies with over 3,000 handicraft producers. AAC is also providing wholesale functions and is currently transforming from an NGO status to the status of a Social Enterprise.
- Angkor Handicraft Association (AHA): The regional association in Siem Reap province with 39 members.
- Rattan Association of Cambodia (RAC): Smaller association with a mandate for rattan and bamboo.
- Cambodian Women Entrepreneurs Association (CWEA): Active and important association with 330 members, including 25 handicraft companies of which 10-12 are export-ready.
- Handicraft-Silk Business Alliance of Cambodia (H-SBAC): A new national association with a focus on silk which is in the process of being established.

Ongoing support programmes:

There are a number of ongoing initiatives to support the handicraft sector in Cambodia (see Graph 21), though there are currently no larger support programmes. The most important ongoing initiative is the silk sector promotion by the MoC. The World Fair Trade Organization (WFTO) has been supporting the handicraft sector in Cambodia in cooperation with AAC since ten years ago. This has led to a considerably active fair trade movement in Cambodia. Most ongoing support projects target the raw material and production level, while little support is provided on the finishing & trading level.

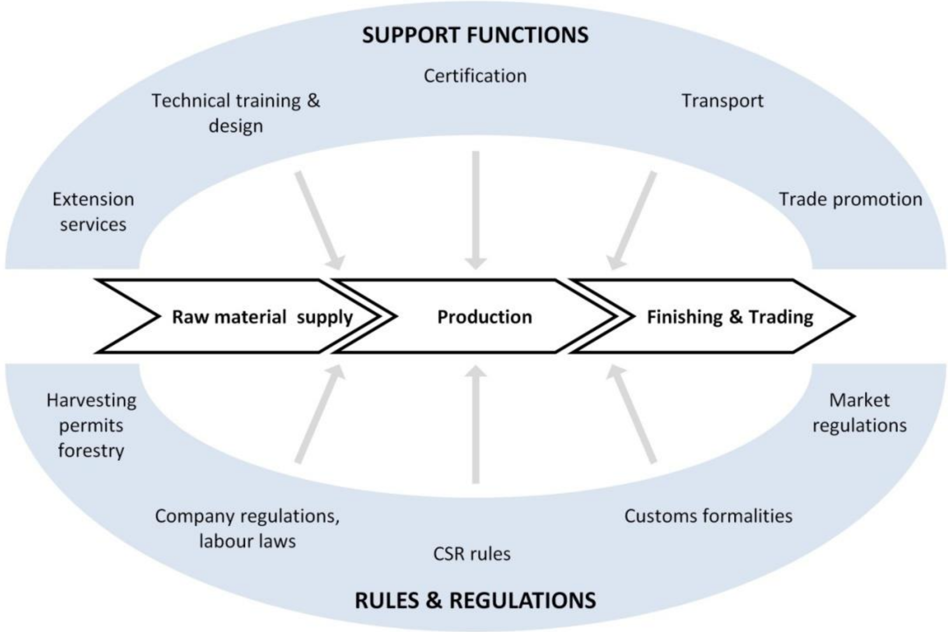
Graph 17: Ongoing support projects in the value chain



The support functions in the value chain mostly depend on the availability of external (project) funding. In the case of the provision of services such as extension for sericulture or trade promotion support, the on/off kind of provision did not allow for a stable development as access to essential support was only available for a short time. There is no important handicraft trade fair. Transport costs are high due to poor services of transport companies and port infrastructure. Electricity is expensive and unstable. The situation is better regarding technical training/design trainings and certification, as a number of NGOs, projects and the WFTO have been supporting service provision in these areas for a long time.

Rules and regulations need to be improved in general. Customs and company registration procedures are cumbersome; companies often rely on unofficial payments for speeding up customs clearance. Customs formalities are an important barrier for handicraft export promotion in Cambodia. The handicraft associations lack impact on the industry and the policy level. However, a positive development in Cambodia was the rather quick increase of minimum wages applied in the garment industry in recent years, which sets standards for other industries as well.

Graph 18: Value chain support functions, rules and regulations



5.5 Lessons learned from past programmes

The Agence Française de Développement (AFD) and other donors supported the sericulture sector for some years. However, as a result, the number of sericulture farmers only increased for a few years. In the end, there are much fewer active sericulture farmers today than there were 20 years ago. The inconsistent market, lack of industrial reeling factories and promising alternative crops such as cassava led to a decrease in the number of sericulture farmers. So far, the efforts to revitalise sericulture were not successful. The silk industry relies on silk yarn imports from Vietnam and China.

In cooperation with the Ministry of Commerce, particularly the International Trade Centre (ITC) played a strong role in promoting silk exports. As part of two different projects, 10-15 silk SMEs received support in terms of training, design development, marketing and trade fair participations in Europe, the US and Japan. This applied in particular to 12 SME in the context of the High Value Silk Program 2012 - 2015 (ITC/MoC). The project showed positive results on export promotion for silk and recycled products. There was demand for these products on the market. The most successful products were personal accessories (scarves, bags, etc.), while interior decoration was less competitive (too expensive, not very different in design compared to other Asian suppliers). The companies were particularly successful in the fair trade market segment. Major constraints were low productivity, high prices and the fact that many Cambodian SMEs struggled with professional communication. Some companies were too small with limited supply potential and poor organisational background.

In summary, the High Value Silk project showed that there is potential for hand-woven silk from Cambodia on the international market. Some export links could be established. The three-year project prepared a basis for better competitiveness and understanding of market requirements. It contributed to the increase in Cambodian silk exports shown above. While quantities are still small or medium-sized, the achievements thus far can be a starting point for future initiatives.

Different programmes of GIZ (the GIZ Regional Economic Development programme in Siem Reap and a former GIZ programme in Phnom Penh) supported companies processing natural fibres, e.g. the Cambodian Sedge Mats Association (CSMA), the company Baskets of Cambodia and others. GIZ works closely with the Angkor Handicraft Association in Siem Reap and introduced a "Seal of Authenticity" for locally produced handicrafts. It was learned that sedge mats with innovative designs were quite interesting for the German market, but did not meet all market requirements in terms of finishing (colour stability, anti-gliding finishing) and logistics (packaging). Basketry products are of quite good quality, including the use of special local fibres such as Lpeak, but are quite expensive compared to other countries. Exports are mainly to the US. The seal of authenticity in Siem Reap is still in the process of getting enough market attention, but a similar model was successfully introduced in Luang Prabang in Laos based on the Siem Reap model.

6 Analysis of the development potential of the value chain

6.1 Product group ranking

The development potential of the different product groups in the value chain is compared according to three main selection criteria:

- Relevance of the industry for employment and income creation
- Market demand and competitiveness
- Export readiness of companies

Based on these criteria, the four main groups of companies in home decoration, home textiles and gifts with the highest export promotion potential in Cambodia are 1) silk, 2) recycled products, 3) general handicraft and 4) basketry companies.

The highest export promotion potential for home decoration, home textiles and gifts in Cambodia is in the silk sector. The silk industry has the largest number of export-oriented and export-experienced companies that employ a large number of people. There is proven market demand for silk products from Cambodia, and they have proven to be competitive.

Second, Cambodia is strong on recycled products. There are a number of export-experienced companies that specialise in this product group for which market demand is particularly strong, according to the market survey conducted. The industry is highly dynamic and employs a reasonable number of craftsmen.

Third, there are a number of major general handicraft companies offering a range of various crafts with export potential such as organic cotton textiles, ceramics and other products. The companies have different competitive advantages in terms of their solid economic background and specialisation in particular products.

Basketry products rank fourth. The industry provides employment to a large number of producers and has export-ready products, but companies have less export experience and there is tough competition for basketry products.

Table 7: Product group ranking

1. Silk	▪ Largest number of export-oriented and export-experienced companies ▪ Proven market demand and competitiveness
2. Recycled products	▪ Dynamic industry with export-experienced companies ▪ Strong market demand for recycled products
3. General handicraft companies	▪ Solid economic background of some companies ▪ Different products with export potential
4. Basketry	▪ Large number of producers and export-ready products ▪ Less export experience and greater competition

6.2 SWOT analysis of prioritised product groups

6.2.1 General competitiveness

A general competitive advantage of the home decoration, home textiles and gifts value chain in Cambodia is the fair trade and social orientation of the industry. Many companies have an NGO background and have social aims. The industry plays an important role in the employment of disadvantaged population groups, particularly for the large number of handicapped people found in Cambodia after long years of civil war and without proper health care. Some companies are fair trade certified or use fair trade certification. The social orientation makes the industry attractive for fair trade-oriented buyers in Europe and is a strong advantage. However, many (former) NGOs have difficulties moving towards commercial business models which enable them to grow significantly. Most companies are small and do not have the necessary human capacities in design, production management and marketing.

Policy constraints and other framework conditions affecting the market are a major issue as well. Customs and company registration procedures are cumbersome; companies often rely on unofficial payments for speeding up customs clearance. The associations lack impact on the level of the industry and on a policy level. There is no important handicraft trade fair. Transport costs are high due to the poor services of transport companies and port infrastructure. Electricity is expensive and unstable. There is not much trade promotion support.

The buyers and other sources interviewed for this assessment still see Cambodia as less competitive than Vietnam in terms of the main competitiveness criteria: design, quality, quantity, price, transport cost, reliability, and service. However, Cambodian exporters are already very close to Vietnam regarding product quality, design and reliability. There is not much difference anymore regarding these criteria. The weakest points are transport cost, price, service and supply quantities.

Graph 19: Competitiveness benchmarking

6.2.2 Silk

The main strengths of the industry are the large number of skilled weavers, the adaptation of dyeing techniques, product range and quality to the demand on the European market that took place in the past, and the presence of export-experienced SMEs with proven market success. A main market opportunity is the European demand for fair trade, hand-woven, fine silk scarves and home textiles.

Some major constraints at the level of raw material supply are the facts that companies complain about high, fluctuating prices of silk yarn and that there is insufficient domestic supply capacity of the local Cambodian Golden Silk. Companies mostly buy small quantities from market traders, do not have knowledge of silk yarn grades A, B, C, etc. and cannot trace the origin of silk yarn. As regards weaving, there is inconsistent quality from one loom to the other. Sometimes there are quality problems like poor product softness. At finishing and trading level, products are relatively expensive. The product range is limited; mostly only scarves are exported. Many companies are registered as retail companies and do not have export licenses, meaning they are not able to obtain customs clearance documents and rely on small shipments by parcel service. Reliable communication in good English is a major issue as well.

The main threats are that weavers move to garment factories to seek employment due to inconsistent markets and that raw material cost will increase further and reduce competitiveness.

Table 8: SWOT analysis silk

Strengths	Weaknesses
▪ The large number of skilled silk weavers and the Cambodian silk weaving tradition; handmade production with social impact ▪ The income increase potential for rural farm households keeps the sector particularly attractive for employment of women ▪ Quite a number of silk SMEs have export experience to the world market and the European market ▪ The combination of the export activities with	▪ High, fluctuating prices of silk yarn due to small quantities bought from local traders ▪ Less than 1 tonne of domestic silk yarn production ▪ Inconsistent product quality ▪ Difficult management of weaver groups ▪ Use of old weaving looms ▪ Mostly export of scarves only ▪ Relatively high product prices ▪ Exporters that are not registered correctly are not

sales on the domestic and tourist market make the companies more competitive ▪ Production techniques, product quality and designs are already adapted to European market requirements	able to ship with customs clearance documents ▪ Communication and service orientation of exporters
Opportunities	**Threats**
▪ Market demand for fair trade, hand-woven, fine silk scarves and home textiles	▪ Loss of labour force to the garment industry ▪ Increasing raw material cost

6.2.3 Recycled products

The main strengths of the recycled home decoration and gifts industry are the availability of suitable raw materials , the dynamic development of the industry with some experienced exporters and the broad variety of products. There is potential to upgrade to higher value products. The market trend for more ecological products and consumer groups looking for very different products provide the main market opportunities.

As for constraints, unsustainable supply of recycled material is a problem for reliable production of larger quantities over a longer time period. At production level, productivity is too low, leading to rather high prices. Rising wages and the loss of skilled sewers to the garment industry are the main threats.

Table 9: SWOT analysis recycled products

Strengths	Weaknesses
▪ Availability of different kinds of waste material ▪ The dynamic recycled products industry working with a broad variety of materials ▪ Designs are developed particularly for the taste of foreign customers ▪ Proven export market potential ▪ Upgrading potential to more sophisticated products	▪ Unsustainable supply of specific raw materials ▪ Low productivity due to inefficient production lines ▪ Sometimes too simple or not durable products ▪ Relatively high product prices ▪ Niche market products
Opportunities	**Threats**
▪ The demand trends for recycled products, individuality/originality, fair and sustainable products, particularly in the mid-high market segment	▪ Rising wages, loss of labour force to the garment industry

6.2.4 General handicrafts

The main strengths of handicraft companies are their broad product range with some interesting products with export potential and the good commercial capacity and production basis of these companies. The market demand for new products from previously unknown sources and for quality tableware and organic materials provide the main market opportunities.

The main constraints are the limited availability of quality accessories (companies describe the sourcing of suitable-quality accessories as a nightmare) and the lack of specialisation which leads to rather high cost per piece. At finishing and trading level, most general handicraft companies focus more or less exclusively on the local market, mainly the tourist market. Export is surprisingly low. A main reason for not taking up export are the rather high prices that companies can get for their products in their own retail shops in the country.

Table 10: SWOT analysis general handicrafts

Strengths	Weaknesses
▪ Broad product range comprising organic cotton textiles, lotus fibre, lacquerware, stone and wood carvings, silver plating, jewellery, ceramics, floor mats, toys, iron works, etc. ▪ High commercial capacity of leading firms with sound production basis and large workforce	▪ Limited availability of quality accessories ▪ Lack of product specialisation, high cost ▪ Focus on the domestic market ▪ Lack of export market knowledge and experience ▪ Relatively high product prices
Opportunities	**Threats**
▪ Market demand for new products from previously unknown sources ▪ Market demand for tableware and organic materials	▪ Rising wages, loss of labour force to the garment industry

6.2.5 Basketry

The basketry industry offers good-quality baskets and sedge mats and some companies have high supply capacity. Past support projects helped the companies to advance; new projects have been launched. There are specific market opportunities for local raw material such as the Cambodian Ipeak rattan variety. The demand for functional basketware from fair production provides another market opportunity.

As for constraints, there is a lack of access to certified raw material. The skills of rattan weavers are limited and the introduction of new designs is difficult. It is difficult to find people who are interested in rattan weaving, as many people do not like the hard work and do not continue after training. Raw material storage, fumigation and protection against insects provide challenges. All companies lack export experience and contacts on the European market. The sustainability of rattan resources is threatened due to increasing regional demand. It is expected that the access to local raw materials will decline due to deforestation.

Table 11: SWOT analysis basketry

Strengths	Weaknesses
▪ Good quality of baskets and sedge mats ▪ Supply potential of some companies ▪ Ongoing support initiatives of international organisations such as WWF and GIZ	▪ Lack of access to certified raw material ▪ Lack of skilled weavers ▪ Raw material storage and fumigation constraints ▪ Companies lack export experience on the European market ▪ Relatively high product prices
Opportunities	**Threats**
▪ Demand for particular product qualities based on specific raw materials such as Ipeak rattan ▪ Demand for functional and fair home accessories	▪ Threatened sustainability of raw material resources, decreasing natural resources

6.3 Main barriers hindering export to Europe

The main general barriers hindering export to Europe are cumbersome customs procedures, difficult company registration requirements and the need for unofficial payments. These result in additional costs, e.g. relying more on parcel services, and subsequent customer complaints about high transport costs (see benchmarking). Second, companies do not receive much support from associations and the government in terms of training services and trade promotion support, resulting in less innovation and few market contacts.

The main barriers hindering silk exports to Europe are the fact that the supply of raw material is inconsistent and/or expensive, low weaver productivity resulting in relatively high product prices, the industry's concentration on the export of silk scarves, and the rather poor communication by companies. The main barriers hindering the export of recycled products to Europe are low productivity resulting in relatively high prices, products that are too simple or not durable, the specific niche market character limiting broader market access, and unfavourable framework conditions.

The main barriers hindering the export of various handicraft products are the strong focus on the domestic market, lack of export market knowledge and experience, low productivity leading to high prices, and unfavourable framework conditions. The main barriers hindering the export of basketry products are the relatively high price level, and the lack of general export experience or specific export experience to Europe.

Table 12: Main export barriers per product group

1. Silk	▪ Inconsistent and expensive supply of raw materials ▪ Low weaver productivity resulting in high prices ▪ Predominant concentration on silk scarves ▪ Rather poor communication ▪ Unfavourable framework conditions
2. Recycled products	▪ Low productivity resulting in high prices ▪ Products sometimes too simple/not durable ▪ Specific niche market character limiting broader market access ▪ Unfavourable framework conditions
3. General handicraft companies	▪ Strong focus on the domestic market ▪ Lack of export market knowledge ▪ Low productivity resulting in high prices ▪ Unfavourable framework conditions
4. Basketry	▪ Relatively high price level ▪ Lack of general export experience or specific export experience to Europe ▪ Unfavourable framework conditions

6.4 Potential to learn from Vietnam

The product ranges are quite similar in Cambodia and Vietnam. As the industry is much more developed in Vietnam, Cambodia can benefit from sharing experience with Vietnam in multiple ways:[34]

- Direct purchasing of silk yarn from reeling centres in Vietnam
- Direct purchasing links with accessories wholesalers in Vietnam
- Studying organisational models of Vietnamese companies
- Mobilisation of Vietnamese experts for technology transfer
- Transfer of silk yarn reeling knowledge to Cambodia, e.g. based on promotion of joint ventures
- Participation in regional trade shows such as LIFESTYLE Vietnam
- Exchange on organisational development among the handicraft associations

[34] VIETCRAFT presentation, November 2016

Intensified commercial links and exchange programmes with Vietnam are welcome in Cambodia, as the advanced organisation and economic strength of Vietnamese companies is well known.

7 Value chain upgrading solutions

7.1 Silk

The most important improvement at the level of the supply of raw materials is to have better control over the silk supply chain. Direct supply in bulk from reeling factories in Vietnam or China should be developed by some individual companies to reduce costs and ensure traceability. There are ongoing joint initiatives by the Cambodian government and companies to stimulate investment in sericulture and local silk reeling facilities.

Regarding the weaving process, new technologies can be introduced such semi-automatic bobbining that make weaving faster but do not change the handmade character of the weaving. There is huge potential for Cambodian fine silk companies to further diversify the product range in terms of different silk scarves (patterns, tie dye, deep dye, ikat), other accessories like silk fashion jewellery and seasonal decorations, as well as home textiles such as table runners and cushion covers. The structure of companies and performance of exporters should be improved, and companies should intensify their export marketing.

Table 13: Overview silk – Changes and growth potential

Changes to be implemented	Growth potential within 5 years
▪ Direct sourcing of silk yarn in bulk from Vietnam or China ▪ Promote local sericulture and reeling centres ▪ Improve organisation of weaver networks and quality management ▪ Introduction of advanced weaving technologies ▪ Diversification of product lines: silk scarves, fashion jewellery, home textiles ▪ Improved export company structure and performance (export license, introduction of standards, communication and marketing, trade fair participations)	The silk industry has better control over its supply chain, introduces new technologies and diversifies the product range for export. The major silk export companies are registered formally and can provide customs clearance documents. Exporters improve their communication and service and participate regularly in international trade fairs to develop more market contacts. The expected impact would be that 10 companies double their combined current export turnover of $500,000 per year and increase their permanent and part-time workforce of 800 workers by 500 workers.

7.2 Recycled products

Recycled products should become more sophisticated. The industry should move from products of simple quality mainly offered to tourists to higher-value recycled products for long-lasting use. Productivity should be increased by introducing more cost-efficient product designs and by improving the production lines. The introduction of new designs is needed. Product design should be mainstreamed, e.g. simplified and less ethnic. Usability and durability should be improved.

Table 14: Overview recycled products – Changes and growth potential

Changes to be implemented	Growth potential within 5 years
▪ Product engineering (cost-efficient product design, improvement of production lines) ▪ Mainstreaming product designs ▪ Regular participation in international trade fairs	The recycled products industry is upgraded to a more sophisticated and broader product range. Productivity is increased and prices become more competitive. New designs are introduced. The expected impact would be that 5 companies double their combined current export turnover of $400,000 per year and increase their permanent and part-time workforce of 500 workers by 300 workers.

7.3 General handicraft companies

Some of the local suppliers of accessories should be encouraged to offer an additional range of higher-quality accessories that will allow companies to come up with final products of a better quality. The general handicraft companies need to select specific products for export, products that they can produce at relatively low cost and in large quantities. These will often be simple, standard products.

Table 15: Overview general handicraft companies – Changes and growth potential

Changes to be implemented	Growth potential within 5 years
▪ Improve the product range of selected accessories suppliers ▪ Develop a particular product range for export ▪ Participation in international trade fairs	General handicraft companies use their existing local production system and resources to develop the export market as well, focusing on selected products that can be produced at lower cost and in larger quantities. The expected impact would be that 6 companies double their combined current export turnover of $400,000 per year and increase their permanent and part-time workforce of 2,000 workers by 400 workers.

7.4 Basketry

For rattan and bamboo, ongoing initiatives on the sustainable management of natural resources will become more successful if they are combined with increased export promotion for final products. The basketry industry has to develop its export market knowledge and contacts on the European market in order to be able to sell sustainably-produced basketware in larger quantities to foreign markets and thus reduce dependence on the local market.

Table 16: Overview basketry – Changes and growth potential

Changes to be implemented	Growth potential within 5 years
▪ Sustainable management of natural resources ▪ Skills trainings for weavers ▪ Introduction of sustainability certification ▪ Participation in international trade fairs	Basketry companies develop export market knowledge and contacts on the European market and supply sustainably-produced basketware in larger quantities. The expected impact would be that 4 companies increase their exports by $100,000 per year each and increase their permanent and part-time workforce by 400 workers.

7.5 Framework conditions

The capacity of the local associations Artisans Association of Cambodia (AAC) and Angkor Handicraft Association (AHA) should be strengthened to provide better services to their members, e.g. for design capacity development and lobbying for improved framework conditions.

Table 17: Overview general changes and growth potential

General changes to be implemented	General growth potential within 5 years
▪ Provision of training seminars on production, marketing and design ▪ Organisation of study tours to other Asian countries, e.g. Vietnam ▪ Exchange programme with regional handicraft associations ▪ Lobbying for improved framework conditions	▪ The two main sector associations AAC and AHA provide suitable information, training and trade services. The organisation of handicraft fairs is improved and the associations develop partnerships with international universities or design institutes, e.g. for internship programmes. The associations play an active lobbying role for the industry, e.g. on reduced customs clearance cost, simplified export paperwork, one window or online services and more active government support for handicraft export.

8 Social Responsibility Risk Assessment

The following general statements can be made regarding the Social Responsibility Risk assessment:

- Most companies assessed in the home decoration, home textiles and gifts value chain show more advantages than risks with regard to social responsibility. Most have an NGO background and are thus particularly socially oriented.
- Most of the assessed companies are particularly important in providing employment opportunities for women. Fifty per cent of the companies assessed and suggested for the programme are managed by women. The proportion of women in the most important product segment (silk) varies from 66% to 87%. Particularly rural women gain additional income from handicraft production. The Cambodian Women Entrepreneurs Association (CWEA) plays a strong role in promoting the sector and women entrepreneurship. Thirty per cent of the companies assessed are members of CWEA.
- Many companies in the value chain play an important role in the employment of handicapped people. In some workshops, handicapped workers make up most of the workforce.

In detail, the social responsibility assessment has been conducted according to the following criteria.

Employment of children under the age of 15
There is not much child labour involved. All companies assessed confirm to be compliant with the minimum legal age for employment. However, most handicraft producers live and work with their families. It is possible or even likely that their children take over some tasks and help in the family. Out of 21 companies assessed, 8 do not have a written policy on child labour and only 2 are certified by a third party. Companies working with recycled products source some raw material from trash collectors who belong to the poorest of the poor. They aim at increasing their income and advocate for schooling of children. Though this cannot always be ensured at this level, one company working this way is WFTO certified.
Risk level: moderate.
Awareness should be raised; certification should be promoted.

Forced compulsory labour (harassing, abusive and/or threatening working conditions, debt)
There is little or no specific forced labour. Most companies have an NGO background and provide good working conditions. Though 6 companies have no written policy, out of 21 companies assessed, 15 indicate having measures implemented, though only two are monitored externally.
Risk level: minor.
No particular action needed.

Violation of human rights (political rights, civil liberties)
There is no incidence of the violation of human rights in the handicraft sector in Cambodia. Consequently, the awareness of companies on human rights issues is low. Half of the companies assessed do not have a written policy.
Risk level: minor.
No particular action needed.

Unfair employment terms (wages below minimum, excessive working hours)
Twenty out of 21 companies assessed provide reasonable employment terms and have measures implemented. The minimum wage in Cambodia has been increased to $153 per month in the garment industry. Companies indicate that they pay similar or higher wages for full-time employment in Phnom Penh. In rural areas, weavers and sewers are not always able to reach this level. In rural areas, companies mostly offer part-time, often self-employed income earning opportunities for the rural poor in addition to their farming work. The additional income from handicraft production often makes the difference between poor and less poor households.

Risk level: minor.
No particular action needed.

Discrimination of workers (disadvantageous treatment of a person or group of people)
There are no particular issues, though many companies do not have specific policies or measures in place.
Risk level: no particular risk.
No action needed.

Lack of freedom of association (trade unions)
Companies allow their workers to join workers' unions. However, as companies are mostly quite small, this is not very popular among the workers, except for one company (Artisans d'Angkor) that has a labour union within its company.
Risk level: minor.
No action needed.

Unequal opportunities for women (salary inequality, limited promotion opportunities, no maternity leave)
Most companies provide particular opportunities for women employment both within the company and at supplier level. Many companies are managed by women and have administrative female staff. At SME level, maternity leave is a regular advantage.
Risk level: no particular risk.
No action needed.

Occupational health and safety dangers for workers
Many companies do not have emergency procedures (16 out 21 companies assessed) or provide health and safety trainings. Sometimes there is little awareness of safety issues, as the workshops are small and the management does not see much risk. However, most companies have fire extinguishers and use protective equipment. In general, occupational health and safety should be improved.
Risk level: moderate.
Action needed. Awareness should be raised, trainings on occupational safety and health should be held and implementation should be monitored.

Non-compliance with local and/or international environmental regulations
Most companies are not aware of environmental requirements and have no specific policies in place for environmental management.
Risk level: moderate.
Action needed. Awareness should be raised, trainings on environmental regulations should be provided and the implementation should be monitored.

Excessive use of natural resources
There is no particular excessive use of natural resources. For rattan & bamboo, handicraft production is regarded as a means to contribute to the conservation of natural forests. Sustainable harvesting is promoted by WWF and other actors.
Risk level: minor.
No particular action needed.

Environmental harm by polluted water, harmful gases and/or other waste
Half of the companies assessed do not have an appropriate management system for hazardous substances. The main environmental issues are encountered in the dyeing of textiles and proper handling of chemicals after the dyeing process. The management of environmental issues needs to be improved with regard to chemical dyes used for textiles and lacquer ware as well as chemical

substances used for fumigation. Apart from chemical dyes and other chemical substances, there is not much risk in terms of emissions or waste. Some companies even have a particular recycling focus.
Risk level: moderate
Action suitable. Trainings on the correct use of chemical substances should be held.

Corruption in the sector (the abuse of entrusted power for private gain)
The companies in the value chain are rather victims of corruption than drivers of corruption. They are affected by corruption, as they are often forced to make unofficial payments.
Risk level: moderate.
Action possible. Awareness raising on corruption problems at political level.

Lack of traceability on the origin of raw materials used for production
Most companies lack the possibility to trace the origin of inputs. Better control over the supply chain is a key improvement suggested for the value chain and should be part of the project activities.
Risk level: moderate.
Action needed. Reliable sourcing should be promoted.

9 Annex

Annex I: Bibliography

Annex II: Company database

Annex III: CBI SR risk

Annex I: Bibliography

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Annex II: Company database

#	Company name	Address	Phone	Mail / Website	Main products	Main Market	Association	Comment
1	**A.N.D.**	Mr. Alan Flux Phnom Penh	023 22 47 13 855 17 85 47 26	artisandesigners@gmail.com	Fashion clothing and accessories; home wares; jewellery; bags, etc.	-	H-SBAC, AAC	Assessed
2	**Afesip Fair Fashion (AFF)**	#83, St.11 Choam Chao, Khan Porsenchhey Phnom Penh	+855 0 12 84 13 27 +855 0 96 44 48 92 7	fashioncambodia@gmail.com www.fairfashioncambodia.org	Silk accessories; apparel for women, men, children; home accessories, custom tailoring	USA, Austria	H-SBAC, AAC	Assessed
3	**Alchemy Design**	Mr. Jonathan Livingstone #61, st. 57 Sangkat Boeung Keng Kang I Phnom Penh	012 43 79 10	johathan@alchemydesignco.com	Wood, iron furniture and wood home products	Local	-	Assessed
4	**Artisans De Angkor**	-	+855 0 23 21 17 01	phnshop@artisansdangkor.com infos@artisansdangkor.com	Silk products and cotton, silver and wood	Europe, USA	AHA	Assessed
5	**Cambodia Knits**	Ms. Monika Novaczyk #16, St. 300 Boeung Keng Kang 2 Phnom Penh	023 63 17 91 4	monika@cambodiaknits.com www.cambodiaknits.com	Kids toys and accessories	Australia	-	Assessed
6	**Colors of Life**	Ms. Vibol SATH St 178 Phnom Penh	+855 12 40 00 07 +855 23 99 20 86	vibolsath@gmail.com colvib2015@gmail.com	Home stuffs, gifts, textiles	Local, Europe, USA, Asia	H-SBAC, AAC	Assessed
7	**Fairweave**	Phnom Penh	+855 12 50 77 17	chomnab168@gmail.com	Scarves, home textiles	Germany, Switzerland, France	H-SBAC	Assessed
8	**Goel Community**	Phnom Penh and Takeo	+855 17 44 40 10	goelplus@gmail.com www.goelcommunity.org	Natural dyed and handwoven fabric, clothes, carves, dolls, accessories	Australia, New Zealand, Korea	H-SBAC, AAC	Assessed

9	**Iron works Furniture**	Eng Kongkea	+855 70 37 04 10 +855 92 37 04 17	office@gloryuniformtailor.com office@ironworks.com	Wood, iron works, water hyacinth, furniture	Europe	CWEA	Assessed
10	**Khmer Rachana Rattan Handicraft**	Mr. Ung Sovan Piseth #41, St. 488 Sangkat Phsar Kemthkov, Khan Chamkarmorn Phnom Penh	016 96 86 32 016 96 97 52	-	Rattan furniture and home products, water hyacinth	Local and through exporters	RAC	Assessed
11	**Kravan House**	#13 St.178 sangkat chey chum nak khan Phnom Penh	+855 0 12 73 17 70	Hkravan@yahoo.com	Silk tie scarf, bag silk and cotton printing	Australia, USA, Germany	H-SBAC, AAC	Assessed
12	**Lotus Silk**	#57, St. 240 Chey Chumnas, Khann Daun Penh Phnom Penh	+855 10 55 62 26	vannary@lotus-silk.com www.lotus-silk.com Facebook: lotus silk & Boutique	Silk accessories, apparel, home	Local, USA, Europe, Korea, Canada, Australia	H-SBAC, CWEA, AAC	Assessed
13	**Mekong Blue**	Ms Nguon Chantha	012 60 97 30	chantha@mekongblue.com	Silk	Europe, USA	H-SBAC	Assessed
14	**Rajana Crafts**	Nimul Nhok – Sales Manager	+855 0 23 99 36 42 +855 0 12 78 93 50	nimul.nhok@rajanacrafts.org rajana.info@rajanacrafts.org www.rajanacrafts.org	Metal jewellery accessories, gifts, home decors, silk painting, ceramics	-	H-SBAC, CWEA, AAC	Assessed
15	**Samatoa Lotus textile**	-	+855 12 28 59 30 +855 92 52 90 01	gm@samatoa.com contact@samatoa.com	Silk and Lotus Yarn / Fabric	Europe	AAC	Assessed
16	**SentoSaSilk**	#33, Street Sothearos corner of Street 178 Khan Daun Penh Phnom Penh	+855 23 22 29 74 +855 23 21 21 74	http://www.sentosasilk.com facebook: sengtakakneary	Home decors, apparel, accessories and corporate gifts	Local, Australia, France	H-SBAC, CWEA, AAC	Assessed
17	**Soiries du Mekong**	Mr Chak Samrach Sras Chrey Village Bantehy Meanchay Province	092 82 15 80	thibault@soieriesdumekong.com ch.samrach@gmail.com	Silk	Europe, USA	H-SBAC	Assessed
18	**Villageworks Songkhem Co. Ltd.**	Kom Pongthom province 118 street 113 BKK3 Phnom Penh	023 21 57 32	anak@villageworks.biz www.villageworks.biz	Silk, recycled products (home, bags, and other gift accessories)	USA, Germany	H-SBAC, AAC	Assessed

19	**WaterLily**	No 37 Eo St. 240 Phnom Penh	+855 12 81 24 69	-	Recycled products, fashion jewellery	USA, Europe, Asia	CWEA	Assessed
20	**Watthan Artisans Cambodia (WAC)**	Inside Wat Than Pagoda 180 Norodom Blvd Tonle Basac, Chamkar Mon Phnom Penh	+855 23 21 63 21 +855 12 92 99 31	wacwatthan@gmail.com www.watthanartisans.org	Hand woven ikat, silk/cotton fabrics, scarves, blankets, handbags, Christmas decoration, jewellery of reclaimed hardwood, natural seed, sea shelves, natural stone, wood carving	USA, Europe	H-SBAC , ACC	Assessed
21	**Women For Women/ Happy Silk**	Kandal Province	+855 12 65 06 65	womanforwoman.kh@gmail.com www.womanforwoman.net	Scarves, silk bags, jewellery, pillow cases, home stuffs (handwoven silk and cotton)	Local, Germany, Belgium	H-SBAC, CWEA, AAC	Assessed
22	**Artisans of Silver**	№ 79, Street 371 Sangkat Boeng Tum Pun, Khan Mean Chey Phnom Penh	+855 0 23 66 04 74 7 +855 0 12 70 12 44	info@artisansofsilver.org	Silver accessories	Italy, other European countries	CWEA	-
23	**Basket of Cambodia**	-	-	info@basketsofcambodia.com	Rattan, la peak	Europe, USA	-	Assessed but not used
24	**Beyond Interiors**	14 Street 306 Phnom Penh	012 93 03 32	info@beyondinteriors.biz www.beyondinteriors.biz	Furniture	Australia, Europe	CWEA	Assessment not done as owner is abroad
25	**Cambodian Modern Rattan**	Ms. Lip Sophy T21, J10,11 St. Sothearos, Sangkat Tonle Basac Khan Chamkamorn	011 94 78 82	-	Rattan furniture and home products	Local and through exporters	RAC	Not interested in any assessment
26	**Chimazo**	-	-	dominique.dufieux99@gmail.com	Silver jewellery	USA, Europe	CWEA	-
27	**Chisor Weaving Silk**	Ou Leang Keu	017 41 91 04 017 95 60 06	sanghaou@gmail.com	Cambodian traditional textile in Takeo	Through exporters	CWEA	-

28	**Color Silk**	# Suite 135, First Floor, Phnom Penh Center, Building B, Preah Sihanouk & Sothearos Tonle Bassac, Chamkar Mon Phnom Penh	012 76 90 69 093 99 22 68	colorsilk.community@gmail.com http://colorsilkcommunity.wix.com/colorsilk-cambodia	Silk and cotton	USA, Europe, Asia	CWEA, AAC	No time for the assessment
29	**Craft Village**	#375Eo Sisowath Quay Sangkat Chey Chumneas, Khan Daun Penh Phnom Penh	+855 0 95 75 37 87 016 20 65 96	sales@craftvillage.biz infocraftvillage@gmail.com www.craftvillage.biz	Scarves, home decor	Local, Australia, Europe, USA, Japan	H-SBAC, CWEA, AAC	Owner is currently in the US
30	**CSMA - Cambodia Sedge Mat Association**	-	-	info@csma-kh.com www.csma-kh.com	Sedge mats	USA, Europe	H-SBAC, AAC	-
31	**Joy Export Training and Trading**	#72, Street 606 Sangkat Boung Kok II, Khan Toulkok Phnom Penh	+855 17 72 87 28	info@joyexport.co	Rattan, Lpeak, bamboo , sedge mats, water hyacinth	Japan, Italy, USA	CWEA	-
32	**Khmer Artisanry**	#11E0, St. 95, BKK2 Chamkarmon Phnom Penh	+855 23 99 79 79 +855 16 92 82 79 79	info@khmerartisanry.com khmerartisanry@hotmail.com www.khmerartisanry.com	Scarves & accessories, Fashion & home decoration (silk & cotton with textile of natural dye)	USA, Japan	H-SBAC, CWEA	-
33	**Khmer Golden Silk**	Man Saroeuth	017 44 09 25 012 75 81 25	khmergoldensilk@gmail.com	Cambodian traditional textile in Banteay Mancheay / Siem Reap	Through exporters	CWEA	-
34	**Peace Handicraft**	Ms Yek Kong (Director) #39, St. 155 Sangkat Toul Tum Pung 1 Phnom Penh	023 99 33 31 017 78 80 89	peacehandicrafts@online.com.kh www.peacehandicraft.com	Women's wear, fashion accessories, gifts, home ware	USA, Europe, Asia	AAC	Does not want to be part of assessment
35	**Smarteria**	Jennifer Morellato	+855 12 64 70 61	jennifer@smateria.com http://smateria.com/	Recycled products, bags, fashion jewellery	USA, Europe, Asia	-	No response for

		(sales/press/PR/boutique)						assessment
36	**Taprohm Silk**	Contact person: Samoeun Ork #168BEo, Street 155 Toul Tum Pung I, Khan Chamkarmorn Phnom Penh	023 21 46 76 012 96 49 98	sam.taprohmsilk@gmail.com	Silk scarves and fashion accessories, gifts	USA, EU, Canada, Australia, Japan	-	No time for assessment

Annex III: CBI SR risk

Social responsibility risk indicator (see Sheet Risk Scoring - Sources & Guide)	VC analysis/BC risk level sector	Progress reports ECP companies STATUS Risk level	Anticipated risk level ECP companies end of the programme	Possibility for solution (CBI or 3rd party)
Children under age of 15 are employed				Yes
Forced or compulsory labour (harassing, abusive and/or threatening working conditions, debt bondage, trafficking)				No
Violation of human rights (political rights, civil liberties)				No
Unfair employment terms (wages below minimum, excessive working hours)				No
Discrimination of workers (disadvantageous treatment of a person or group of people)				No
Lack of freedom of association (trade unions)				No
Unequal opportunities for women (salary inequality, limited promotion opportunities, no maternity leave)				No
Occupational health and safety dangers for workers				Yes
Non-compliance with local and/or international environmental regulations				Yes
Excessive use of natural resources				No
Environmental harm by polluted water, harmful gases and/or other waste				Yes
Corruption in the sector (the abuse of entrusted power for private gain)				Yes
Lack of traceability on the origin of raw materials used for production				Yes

1. Children under age of 15 are employed		Comments risk level	CBI intervention
PITCH Value from index or ranking		There is not much child labour. All companies assessed confirm to be compliant with the minimum legal age for employment. However, most handicraft producers live and work with their families	Raise awareness and promote certification
PITCH Index score translated in risk level			
VC analysis/BC risk level sector			
Progress reports ECP companies STATUS Risk level			
Anticipated risk level ECP companies end of the programme			
CBI contribution to anticipated risk level	Minor		
Social Responsibility Index	0,25		
Inclusion in M&E	Yes		
Possibility for solution (CBI or 3rd party)	Yes		
Actor to whom risk applies	Exporter & Supplier		
Third-party solution			

2. Forced or compulsory labour (harassing, abusive and/or threatening working conditions, debt bondage, trafficking)		Comments risk level	CBI intervention
PITCH Value from index or ranking	3	There is little or none specific forced labour; most companies have an NGO background and provide good working conditions. Out of 21 companies assessed, 15 indicate having measures implemented, though only two are monitored externally.	
PITCH Index score translated in risk level			
VC analysis/BC risk level sector			
Progress reports ECP companies STATUS Risk level			
Anticipated risk level ECP companies end of the programme			
CBI contribution to anticipated risk level	None		
Social Responsibility Index	0,00		
Inclusion in M&E	No		
Possibility for solution (CBI or 3rd party)	No		
Actor to whom risk applies	Exporter		
Third-party solution			

3. Violation of human rights (political rights, civil liberties)		Comments risk level	CBI intervention
PITCH Value from index or ranking	32	There is no incidence of violation of human rights issues in the handicraft sector in Cambodia. Consequently, the awareness on human rights issues in companies is low. Half of the companies assessed don't have a written policy.	
PITCH Index score translated in risk level			
VC analysis/BC risk level sector			
Progress reports ECP companies STATUS Risk level			
Anticipated risk level ECP companies end of the programme			
CBI contribution to anticipated risk level	None		
Social Responsibility Index	0,00		
Inclusion in M&E	No		
Possibility for solution (CBI or 3rd party)	No		
Actor to whom risk applies	Supplier		
Third-party solution			

4. Unfair employment terms (wages below minimum, excessive working hours)		Comments risk level	CBI intervention
PITCH Value from index or ranking		Most companies assessed provide reasonable employment terms and have measures implemented. The companies particularly offer part-time self-employed income earning opportunities for the rural poor, though in rural areas not always according to industrial minimum wages like in the garment industry.	
PITCH Index score translated in risk level			
VC analysis/BC risk level sector			
Progress reports ECP companies STATUS Risk level			
Anticipated risk level ECP companies end of the programme			
CBI contribution to anticipated risk level	None		
Social Responsibility Index	0,00		
Inclusion in M&E	No		
Possibility for solution (CBI or 3rd party)	No		
Actor to whom risk applies	Exporter & Supplier		
Third-party solution			

5. Discrimination of workers (disadvantageous treatment of a person or group of people)		Comments risk level	CBI intervention
PITCH Value from index or ranking		There is no particular issue, though many companies do not have specific policies or measures in place.	
PITCH Index score translated in risk level			
VC analysis/BC risk level sector			
Progress reports ECP companies STATUS Risk level			
Anticipated risk level ECP companies end of the programme			
CBI contribution to anticipated risk level	None		
Social Responsibility Index	0,00		
Inclusion in M&E	No		
Possibility for solution (CBI or 3rd party)	No		
Actor to whom risk applies	Exporter		
Third-party solution			

6. Lack of freedom of association (trade unions)		Comments risk level	CBI intervention
PITCH Value from index or ranking		Companies allow their workers to join workers' unions. However, as companies are mostly quite small, this is not very popular among the workers, except for one company (Artisans d'Angkor) that has a labour union within its company.	
PITCH Index score translated in risk level			
VC analysis/BC risk level sector			
Progress reports ECP companies STATUS Risk level			
Anticipated risk level ECP companies end of the programme			
CBI contribution to anticipated risk level	None		
Social Responsibility Index	0,00		
Inclusion in M&E	No		
Possibility for solution (CBI or 3rd party)	No		
Actor to whom risk applies	Exporter		
Third-party solution			

7. Unequal opportunities for women (salary inequality, limited promotion opportunities, no maternity leave)		Comments risk level	CBI intervention
PITCH Value from index or ranking	143	Most companies provide specific opportunities for women employment, both within the company and at supplier level. Many companies are managed by women.	
PITCH Index score translated in risk level			
VC analysis/BC risk level sector			
Progress reports ECP companies STATUS Risk level			
Anticipated risk level ECP companies end of the programme			
CBI contribution to anticipated risk level	None		
Social Responsibility Index	0,00		
Inclusion in M&E	No		
Possibility for solution (CBI or 3rd party)	No		
Actor to whom risk applies	Exporter & Supplier		
Third-party solution			

8. Occupational health and safety dangers for workers		Comments risk level	CBI intervention
PITCH Value from index or ranking		Many companies don't have emergency procedures, fire extinguishers, protective equipment, appropriate management of hazardous substances, or health and safety trainings.	Raise awareness, provide trainings on occupational safety and health and monitor implementation.
PITCH Index score translated in risk level			
VC analysis/BC risk level sector			
Progress reports ECP companies STATUS Risk level			
Anticipated risk level ECP companies end of the programme			
CBI contribution to anticipated risk level	Moderate		
Social Responsibility Index	0,50		
Inclusion in M&E	Yes		
Possibility for solution (CBI or 3rd party)	Yes		
Actor to whom risk applies	Exporter & Supplier		
Third-party solution			

9. Non-compliance with local and/or international environmental regulations		Comments risk level	CBI intervention
PITCH Value from index or ranking		Most companies are not aware of environmental requirements and have no special policies in place. The management of environmental issues needs to be improved, e.g. with regard to chemical dyes used for textiles and lacquerware as well as other chemical substances used for fumigation.	Raise awareness, provide trainings on environmental regulations and monitor implementation.
PITCH Index score translated in risk level			
VC analysis/BC risk level sector			
Progress reports ECP companies STATUS Risk level			
Anticipated risk level ECP companies end of the programme			
CBI contribution to anticipated risk level	Moderate		
Social Responsibility Index	0,50		
Inclusion in M&E	Yes		
Possibility for solution (CBI or 3rd party)	Yes		
Actor to whom risk applies	Exporter & Supplier		
Third-party solution			

10. Excessive use of natural resources		Comments risk level	CBI intervention
PITCH Value from index or ranking	146	There is no particular excessive use of natural resources. For rattan & bamboo, handicraft production is regarded as a means to contribute to the conservation of natural forests. Sustainable harvesting is promoted by WWF and other actors.	
PITCH Index score translated in risk level			
VC analysis/BC risk level sector			
Progress reports ECP companies STATUS Risk level			
Anticipated risk level ECP companies end of the programme			
CBI contribution to anticipated risk level	None		
Social Responsibility Index	0,00		
Inclusion in M&E	No		
Possibility for solution (CBI or 3rd party)	No		
Actor to whom risk applies	Exporter & Supplier		
Third-party solution			

11. Environmental harm by polluted water, harmful gases and/or other waste		Comments risk level	CBI intervention
PITCH Value from index or ranking	n.a	Minor risk, as not many chemicals are used. Low emissions and not much waste creation. Some companies have a specific recycling focus. Minor risk for the use of chemical dyes.	Train on correct disposal of chemical dyes.
PITCH Index score translated in risk level			
VC analysis/BC risk level sector			
Progress reports ECP companies STATUS Risk level			
Anticipated risk level ECP companies end of the programme			
CBI contribution to anticipated risk level	None		
Social Responsibility Index	0,00		
Inclusion in M&E	No		
Possibility for solution (CBI or 3rd party)	Yes		
Actor to whom risk applies	Exporter & Supplier		
Third-party solution			

12. Corruption in the sector (the abuse of entrusted power for private gain)		Comments risk level	CBI intervention
PITCH Value from index or ranking	156	The companies in the value chain are no drivers of corruption, but are affected by corruption, as they have to make unofficial payments in order to be able to do their business.	Awareness raising on corruption problems at political level.
PITCH Index score translated in risk level			
VC analysis/BC risk level sector			
Progress reports ECP companies STATUS Risk level			
Anticipated risk level ECP companies end of the programme			
CBI contribution to anticipated risk level	Moderate		
Social Responsibility Index	0,00		
Inclusion in M&E	Yes		
Possibility for solution (CBI or 3rd party)	Yes		
Actor to whom risk applies	Exporter		
Third-party solution			

13. Lack of traceability on the origin of raw materials used for production		Comments risk level	CBI intervention
PITCH Value from index or ranking		Most companies lack the possibility to trace the origin of inputs. Better control over the supply chain is a key improvement suggested for the value chain and should be part of the project activities.	Promote reliable sourcing.
PITCH Index score translated in risk level			
VC analysis/BC risk level sector			
Progress reports ECP companies STATUS Risk level			
Anticipated risk level ECP companies end of the programme			
CBI contribution to anticipated risk level	Moderate		
Social Responsibility Index	0,50		
Inclusion in M&E	Yes		
Possibility for solution (CBI or 3rd party)	Yes		
Actor to whom risk applies	Exporter & Supplier		
Third-party solution			