

Appendix II

STUDY METHODOLOGY

The problem of corruption in Cambodia is generally perceived by the public to be widespread and pervasive. As a civil servant mentioned: “corruption is at all levels. High ranking officers take large amounts, whereas low ranking officers take small amounts.”

Though the private sector acknowledges that corruption exists, once it comes to interviewing people who are engaged in corruption, both bribe taker and bribe giver, attempt to conceal their involvement. This makes corruption, if not impossible, difficult to measure.

Due to the delicate nature of the subject, in an attempt to ensure the credibility of the research findings, a wide variety of methodologies have been applied in this study. These methodologies include: Literature review, quantitative and qualitative surveys, modeling system to assess the impact of corruption on the private sector and the economy and an advisory team.

1.1. Literature Review

A review of existing relevant documents and research studies was made. These reviews and Research/studies were conducted by different institutions, such as the World Bank, IMF, ADB, CSD and EIC. Other relevant documents concerning other countries and organizations were also studied.

It is important to note that there is no official definition of the different types of enterprises in Cambodia. This paper, however, refers to the draft SME Development Framework by an ADB technical assistance project that proposes the Government adopts a definition based on full-time employees for statistical purposes as follows¹:

Table A2.1: Definition of Enterprises

Micro-enterprise	Less than 10 employees
Small enterprise	Between 10-50 employees
Medium enterprise	Between 51-100 employees
Large enterprise	Over 100 employees

Source: ADB & MIME: *Draft SME Development Framework, 2004, p.25*

1.2. Field Surveys

1.2.1. Field Locations

Two municipalities and seven provinces were chosen for the surveys. These municipalities/provinces are: Phnom Penh, Battambang, Siem Reap, Sihanouk Ville, Kampong Cham, Banteay Meanchey, Prey Veng and Kampot. These locations were

¹ Monyrath Nuth, *Informal economy profile and suggestions for policy development in Cambodia*, draft final report, 2005, ILO & EIC, p. 13

selected for field surveys given their significant contribution to the country's GDP (table A2.2) and the abundance of economic activities, particularly MSME.

Table A2.2: Provinces for the CAPS Study

	Population (000s)	Nominal GDP (Mn US\$)	GDP/Capita (US\$)
Banteay Meanchey	734	141	192
Battambang	991	259	262
Kampong Cham	1,880	465	247
Kampot	614	186	302
Kandal	1,258	462	367
Phnom Penh	1,237	1,493	1,207
Prey Veng	1,089	223	205
Siem Reap	834	250	300
Sihanoukville	196	159	809
Total Selected Provinces	8,833	3,638	412
<i>% of Total Cambodia</i>	<i>65%</i>	<i>74%</i>	
Other 15 Provinces	4,841	1,250	258
<i>% of Total Cambodia</i>	<i>35%</i>	<i>26%</i>	
Total Cambodia	13,675	4,888	357

Source: EIC, compiled from primary Government data

1.2.2. Quantitative Survey

Questionnaire Design

A research questionnaire was designed by EIC. This questionnaire was revised several times within different phases: internal comments; first pilot test conducted with about 40 enterprises in Phnom Penh and Kandal province; meeting with governance/corruption specialists; and second pilot test with 50 MSMEs in Phnom Penh and Kandal to finalize the questionnaire.

1.2.3. Survey Samples, Source and its Selection

The survey concentrates on MSMEs rather than large enterprises. Preference to smaller enterprises was given because many surveys on corruption by different institutions - including the World Bank and EIC in collaboration with the WEF in its Annual Competitiveness Report - have already focused on large enterprises.

It is important to note that there is no exact official number of enterprises in Cambodia. Because of this, the location for each survey was chosen on the basis of the abundance and significance of its economic activities and contribution to GDP. For instance, the sample size of micro-enterprises in Phnom Penh where economic activities are more diverse, was 18 percent compared to the sample size - ranging from nine to 12 percent - in other provinces/municipality where economic activities are less significant. One hundred percent of the sample size of large enterprises was given to Phnom Penh where the vast majority of large enterprises are concentrated (table A2.3).

Table A2.3: Sample Structure by Provinces

	Micro-enterprises		SMEs		Large enterprises		Total	
Location	Sample	%	Sample	%	Sample	%	Sample	%
Phnom Penh	149	18%	63	26%	45	100%	257	23%
Kandal	87	11%	35	14%	0	0%	122	11%
Siem Reap	85	10%	29	12%	0	0%	114	10%
Sihanoukville	100	12%	13	5%	0	0%	113	10%
Kampong Cham	87	11%	25	10%	0	0%	112	10%
Battambang	78	10%	23	9%	0	0%	101	9%
Banteay Meanchey	73	9%	16	7%	0	0%	89	8%
Prey Veng	77	9%	20	8%	0	0%	97	9%
Kampot	82	10%	20	8%	0	0%	102	9%
Total	818	100%	244	100%	45	100%	1107	100%
%	74%		22%		4%		100%	

Note: Micro-enterprises ($emps < 10$) ; SMEs ($10 \leq emps < 100$) ; Large enterprises ($emps \geq 100$)

The same logics were applied to the selection of different districts in the nine provinces/municipalities. To determine the abundance of economic activity in these districts, the industrial registration at the Ministry of Industry, Mines and Energy (MIME), that of the Ministry of Commerce (MoC) and other pertinent sources as well as the locations of enterprises were used as sources.

By sector, the sample concentrates more on services followed by manufacturing -handicraft and agriculture (Table A2.4).

Table A2.4: Sample Structure by Sectors

	Micro-enterprises		SMEs		Large enterprises	
Sector	Sample	%	Sample	%	Number	%
Agriculture	3	0%	2	1%	0	0%
Manufacturing/Handcraft	157	20%	146	60%	26	58%
Service	658	80%	96	39%	19	42%
Total	818	100%	244	100%	45	100%

Note: Micro-enterprises (*emps*<10) ; SMEs ($10 \leq \text{emps} < 100$) ; Large enterprises (*emps*≥100)

The business activities of respondents are as follows: Micro-enterprise are mostly involved in trade, SMEs activities are mostly concerned in rice-milling, manufacturing brick kilns and trade, and garments for large enterprises (Table A2.5).

Table A2.5: Sample Structure by Activity

	Micro-enterprises		SMEs		Large enterprises	
Location	Sample	%	Sample	%	Sample	%
Rice mill	8	1%	35	14%	0	0%
Brick kiln	1	0%	34	14%	3	7%
Trade	422	52%	31	13%	2	4%
Garment	0	0%	0	0%	19	42%
Hotel/ Guesthouse	52	6%	21	9%	2	4%
Other ²	335	41%	123	50%	19	42%
Total	818	100%	244	100%	45	100%

Note: Micro-enterprises (*emps*<10) ; SMEs ($10 \leq \text{emps} < 100$) ; Large enterprises (*emps*≥100)

Research teams made concerted efforts to ensure a certain level of equality in respondents. More than 40 percent of respondents were women for micro-enterprises and about 30 percent for SMEs and only five percent for large enterprises (Table A2.6).

² Other includes many activities, such as: handicraft, animal raising, training and education services, food and beverage services, entertainment services, wood processing vehicle repair services, etc.

Table A2.6: Sample Structure by Sex of Respondents

	Micro-enterprises		SMEs		Large enterprises	
Location	Sample	%	Sample	%	Sample	%
Male	466	57%	175	72%	40	89%
Female	352	43%	69	28%	5	11%
Total	818	100%	244	100%	45	100%

Note: *Micro-enterprises (emps<10) ; SMEs (10<=emps<100) ; Large enterprises (emps>=100)*

EIC mapped in advance the enterprises of the provinces/municipalities, which are mainly formal enterprises having registered with the relevant ministries. The research teams also identified other informal enterprises (without any registration) once they were on the field.

Once the appropriate areas were identified, enterprises were randomly selected for quantitative surveys in each district of the province/municipality. For the questionnaire to be fully understood, respondents in positions of entrepreneurs/senior managers, who are more aware of the enterprise, were mainly considered.

1.2.4. Qualitative Surveys

For the qualitative surveys two methods were used: focus group discussions (FGD) and personal interviews. While FGDs were used with MSMEs, personal interviews were conducted with public officials.

In general, officials who are found -after scanning through the results of the quantitative surveys with enterprises - frequently involved in the collecting of both official and unofficial fees³ from the MSMEs were interviewed. Many of these include police, local authorities, and commerce, industry, environment and tax department officials.

Two FGDs in each province-municipality and four FGDs in Phnom Penh were conducted. In general, the number of participants in the FGDs ranged from seven to 10 people. The FGDs particularly focused on causes, extents and respondents' views on what would be the best way to fight corruption in Cambodia.

In total, 20 FGDs were conducted, of which half were FGDs of micro-enterprises and another half were FGDs conducted with SMEs. Some people from business associations were also invited to join the discussion.

³ 'Official fees' are fees paid to a government agency that are accompanied with a receipt of payment for the full sum paid. 'Unofficial Fees' are fee paid to a government agency that are not accompanied with a receipt for payment, either in whole or in part of the full sum paid. Unofficial fees also referred to as corruption tax, tea money, incentive, or other euphemism. The definition is extracted from a study report of AAC & ILO entitled '*Study on legal requirements for micro and small businesses, NGOs, and associations and procedures and practices for exporting Cambodian handicrafts*', 2004

While interviewing enterprises quantitatively, participants were invited to join the FGDs. Interviewers cautiously screened the entrepreneurs based on their personal knowledge and observations. Prerequisite for interviewees to be able to join the FGD were: being the owner or manager of an enterprise; being located near where the FGD was to be conducted, and being cooperative, active and motivated⁴.

Qualitative data collected from FGDs and qualitative interviews was classified and inserted into a matrix by different topics of specific questions. Not all information provided by FGDs was admitted. Researchers verified the given facts with the reality and general field observations, especially when answers were contradictory. In case of inconsistency, suspicious information was disregarded.

1.2.5. The Survey's Limitations

The survey covers mainly enterprises located in urban areas. Moreover, given the informal characteristics of many enterprises in Cambodia, there is no clear information about the exact percentage of enterprises in the survey sample compared to the number of enterprises in Cambodia. In addition, when answering the questions related to unofficial fees/payments, respondents had a hard time to make a clear distinction between unofficial and official fees. Many respondents are not aware of what fees and to whom they have to pay the official fees to.

1.3. Data Entry and Cleaning

The data entry template and data entry were made by EIC research teams (researchers and research assistants). The data were cleaned many times: On the field and after the data entry. First, on the field, team supervisors and managers checked the interviewed samples and when the questionnaire was inaccurate and incomplete, the sample was rejected. After the field, the team double-checked the collected data. When there were gaps, team members were sent back to the field.

Second, while entering the data, research assistants checked again for inconsistency of responses from question to question. Third, the data was cleaned by researchers. Some specific questions were used as benchmarks to check if the answers were candid. For example, on the question of revenues, researchers checked if their responded revenues were reliable considering their value-added, number of workers, and business activities.

1.4. Advisory Committee

A team consisting of anti-corruption professionals was established to provide practical recommendations on the research methodology and study process. These professionals who work in the areas of corruption, governance, private sector and gender were invited to join the advisory committee.

⁴ This was determined based on the rapid understanding of respondents of the questions, including the consistency of their responses as well as their awareness of the problems of corruption.

List of Advisory Team

N°	Name	Position	Organization
1	Mr. Ouch Chamroen	Program Officer (Governance)	ADB
2	Mr. Sok Narin	Program Manager	UNDP
3	Ms. Sieng Leakhena	National Consultant	UNDP (Partnership for Gender Equity)
4	Mr. Hor Soneath	Business Development Officer	MPDF
5	Mr. Tia Savora	Consultant	Consultant
6	Mr. Sek Borisoth	Director of Anti-Corruption Program	PACT
7	Mr. Chhay Sarath	Program Officer	PACT
8	Mr. Sok Hach	Director	EIC
9	Mr. Nuth Monyrath	Researcher	EIC
10	Mr. Chan Vuthy	Researcher	EIC
11	Mr. Kov Phyrum	Researcher	EIC
12	Mr. Neou Seiha	Researcher	EIC
13	Mr. Khieng Sochivy	Researcher	EIC
14	Mr. Rin Seyha	Executive Director	SME Cambodia
15	Mr. Prum Visoth	Legal Department Manager	ACLEDA

