The World Bank Group conducted face-to-face interviews with top managers and business owners of 373 enterprises in Cambodia from February 2016 through June 2016. The Enterprise Survey (ES) sample is representative of Cambodia’s formal private sector. The ES covers several aspects of business environment along with measures of firm performance. Below are the main highlights from the survey.

**Firms in Cambodia experienced sluggish annual sales growth but performed well in employment growth**

Between 2013 and 2015, the private sector in Cambodia experienced low annual sales growth of 0.9%, better than the average growth rate for lower middle income economies (0.6%). On the other hand, medium sized firms (20-99 employees) had robust sales growth of 10% annually, compared to negative annual growth (-1.0%) for small firms (5-19 employees) and low 3.9% sales growth for large firms (100 or more employees). During this same period, employment in the average Cambodian firm grew by 5.9% annually, which is higher than the 4.5% average for lower middle income economies.

**Investment financing from banks has deteriorated and is lower than in comparator economies**

Investment financing by banks has decreased since 2013 and is well below the average for comparator economies. In 2016, 1% of investments were financed by banks compared to 4% in 2013. This is remarkably below the average in lower middle income economies (12%). Additionally, the percentage of firms using banks for investment financing has also declined, 2.5% in 2016 compared to 8% in 2013, and is significantly lower than the average of comparator economies (22%).

**Firms face high levels of corruption**

Compared to the average firm in lower middle income economies, firms in Cambodia face higher levels of corruption. In 2016, almost 65% of Cambodian firms experienced at least one bribe request across 6 transactions dealing with access to utilities, permits, licenses, and taxes as compared to 24% in lower middle income economies. Similarly, the bribery depth index -the percentage of public transactions involving a bribe request- is higher in Cambodia, as bribes were requested or expected in 59% of the transactions, compared to 20% of transactions in lower middle income economies.
Female participation in the private sector is high in both ownership and top management

Female participation in the private sector, both as owners and managers, is remarkably high in Cambodia. Women manage 57% of firms, almost three times the average for lower middle income economies (20%). Interestingly, the percentage of firms with a female top manager is higher in large firms, (81%), compared to small and medium firms (57% and 52% respectively). Additionally, the percentage of firms with female participation in ownership is higher in Cambodia than in lower middle income economies on average (46% vs. 34% respectively).

Electricity provision in Cambodia has become more reliable since 2013

The number of electrical outages faced by firms significantly decreased in Cambodia between 2013 and 2016. In 2016, firms experienced approximately 1.4 electrical outages in a typical month, compared to 6 outages per month in 2013. Cambodia also performs better than the average for lower middle income economies (9 outages in a typical month). Also, the percentage of Cambodian firms that indicate they own or share a generator is significantly smaller in 2016 (40%) than in 2013 (62%).

Firms consider informal competitors as the biggest business environment obstacle

Among 15 areas of the business environment, 28% of firms in Cambodia chose informal competitors as the biggest obstacle to their daily operations. Political instability and poorly educated workers are ranked 2nd and 3rd (cited by 16% and 12% of firms respectively). The reduction in the number of electrical outages appears to be reflected in firms’ perceptions because electricity, which was the top-rated business environment obstacle in 2013, is not even mentioned as one of the top five obstacles in the 2016 Cambodia Enterprise Survey. It is also interesting that corruption, which was ranked 2nd in 2013, is now ranked as the 6th biggest obstacle in 2016.