



CONCEPT NOTE: SMEs GO DIGITAL IN CAMBODIA

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Abbreviations and Acronyms

BNI	Business Network International
BDG	Business Development Grant
B2B2C	Business to Business to Consumer
CBRD	Capacity Building, Research and Development
CTL	Camcontrol Testing Laboratory
CWEA	Cambodia Women Entrepreneurs Association
DE	Digital Economy
EDP	Enterprise Development Program
ERIA	Economic Research Institute for ASEAN and East Asia
FASMEC	Federation of Associations for Small and Medium Enterprises of Cambodia
FDI	Foreign Direct Investment
FRDC	Food Research and Development Center
ICT	Information and Communications Technology
IDP	Industrial Development Policy
IFAD	International Fund for Agricultural Development
ILCC	Industrial Laboratory Center of Cambodia
KAS	Khmer Agriculture Suite
KE	Khmer Enterprise
LCIF	Laboratory Capacities Improvement Fund
MAFF	Ministry of Agriculture, Forestry, and Fisheries
MCFA	Ministry of Culture and Fine Arts
MEF	Ministry of Economy and Finance
MISTI	Ministry of Industry, Science, Technology and Innovation
MLMUPC	Ministry of Land Management, Urban Planning and Construction
MLVT	Ministry of Labor and Vocational Training
MoC	Ministry of Commerce
MoE	Ministry of Environment
MoEYS	Ministry of Education, Youth and Sport
MoH	Ministry of Health
MoI	Ministry of Information
MoT	Ministry of Tourism

MPTC	Ministry of Posts and Telecommunications
MPWT	Ministry of Public Works and Transport
MSMEs	Micro-, Small and Medium Enterprises
NAL	National Agriculture Laboratory
NHQC	National Health Products Quality Control Center
NSDP	National Strategic Development Plan
OBR	Online Business Registration
ODA	Official Development Assistance
PNCA	Prek Leap National College of Agriculture
PPPs	Public-Private Partnerships
P2P	Peer-to-Peer
R&D	Research and Development
RGC	Royal Government of Cambodia
RIC	Research and Innovation Center
RUA	Royal University of Agriculture
SAAMBAT	Sustainable Assets for Agriculture Markets, Business and Trade
SDF	Skill Development Fund
SMEs	Small and Medium Enterprises
SMEs-DSP	SMEs Digital Solution Platform
TNCs	Transactional Corporations
ToR	Terms of Reference
TSC	Techo Startup Center
TSG	Tech Solution Grant
UHS	University of Health Sciences
UNCDF	United Nations Capital Development Fund
UNDP	United Nation Development Programme
USO	Universal Service Obligations
WB	World Bank
WBG	World Bank Group
YEAC	Young Entrepreneurs Association of Cambodia

Executive Summary

To help small and medium enterprises (SMEs) go digital, this concept note proposes four initiatives: 1) Digital platforms for SMEs to go digital, 2) Financial support, 3) Digital skills and product development, and 4) Awareness raising on government policies and support. The first initiative identifies two digital platforms. The first is the centralized platform for pre-approved solutions (hereinafter SMEs-DSP) which provides solutions concerning accounting, human resource management and payroll, digital marketing and transactions, cybersecurity and digital collaboration. The second is the platform for online licenses and certificates whereby SMEs enjoys faster and more convenient administrative procedures during the application. This platform also encourages SMEs to start using technology to engage with government institutions and get government services.

Second, regarding financial support, the concept note proposes the creation of grants and a crowdfunding platform targeting SMEs intending to go digital. Based on the categories of SMEs digitalization, there should be two types of grants: 1) Tech solution grant (TSG) for first- and second-category SMEs keen on adopting digital solutions and/or equipment as well as 2) Business development grant (BDG) for helping the third-category SMEs to upgrade their business, innovate or venture overseas. Aside from grants, the Royal Government of Cambodia (RGC) should operate a crowdfunding platform for SMEs intending to go digital when the digital transformation costs cannot be covered by TSG and BDG.

The third initiative focuses on SMEs digital skills and product development. Regarding the former, this concept note suggests that there should be an establishment of nation-wide SMEs Go Digital Supporting Hubs which should play four key roles: 1) Providing trainings on use of basic and advanced technology, 2) Providing digital technology advice on pre-approved digital solutions, 3) Working as a consultant providing step-by-step advice on the digital solutions and digital skills required for each stage of business growth, and 4) Working as a central point to connect SMEs to any stakeholders to help them overcome any specific challenges throughout the adoption process. With regards to product development, to foster SMEs research and development (R&D), the concept note proposes the public-private partnerships (PPPs) approach of two different partnerships – that of between public research institutions and SMEs in R&D enhancement, building from prototypes to standard products as well as partnerships on technical knowledge transfer and supports from Transactional Corporations (TNCs) through subcontracting activities provided to SMEs. Besides, the capabilities of public laboratories

should also be enhanced and accredited, enabling the provision of test reports and certificates of SMEs' products accepted internationally. This concept note proposes establishment of a laboratory capacities improvement fund which spurs public laboratories' international accreditation and product-testing capacities. These proposed activities leverage the adoption of innovation, standards, and technologies that underpin SMEs' internationalization and SMEs to go digital.

The fourth initiative is to raise SMEs' awareness on government policies and support, enabling SMEs to maximize the benefits they can obtain from the government. In addition to this, the awareness raising will keep SMEs on course with any changes of government regulatory framework and interventions.

Among the initiatives proposed in this concept note, TSC can play a leading role in three initiatives: 1) Centralized digital platform for pre-approved solutions, 2) Alternative finance for SMEs to go digital, and 3) SMEs Go Digital Supporting Hub. TSC deserves the leading role in these three initiatives based on its terms of reference for creating and operating digital platforms for investment and information or awareness raising, and its extensive experiences in creating and operating OBR platform.

1. Background

Digital economy (DE) is a new driver of economic development and inclusive growth. There are various definitions of DE; however, under most definitions, DE encompasses e-commerce, and information and communications technology (ICT). Different countries need different components to achieve DE, depending on socioeconomics and policy priorities of each country. While DE can be perceived as only one of many drivers of economic development and inclusive growth, achieving DE still demands strong commitment and active participation from the government and private sector. Moreover, right frameworks and conditions are a must to realize the potential of DE. One strategic approach leading to the right frameworks and conditions is the need to accelerate digitalization of not only large companies but also small and medium enterprises (SMEs).

According to World Trade Organization (2016), it is estimated that SMEs account for between 80% to 99% of firms in each country and between 60% to 70% of global employment. Moreover, the rate of sales growth of SMEs is higher than that of large firms (Cusolito et al., 2017), meaning that SMEs play a key role supporting any country's economy. Therefore, to translate the promise of DE, economic development and inclusive growth, into reality, SMEs need to be integrated in DE by digitalization. Digitalization of SMEs will ensure that SMEs can remain relevant in the global market including its participation in global value chains and gain a competitive edge in the market.

Cambodia plans to become an upper-middle income country by 2030 and high-income country by 2050. Cambodia has experienced rapid and sustained economic growth with an average of 7% gross domestic product growth over the past 20 years. This impressive achievement has been derived from openness to trade and capital flows and driven by preferential trade treatment and large inflows of official development assistance (ODA) and foreign direct investment (FDI) in garment, tourism, and construction industries. However, ODA and FDI may not be the strategic approach to achieve the long terms goals by 2030 and 2050 (World Bank, 2017). To achieve these goals, the Royal Government of Cambodia (RGC) has strategically planned to seize opportunities of technology evolution by transforming the economy into DE. There are five strategic thrusts that the RGC is going to implement to transform to DE. One among those strategic thrusts is digital business which include the strategies of the RGC to propel SMEs into digital. So far, the RGC has been supporting SMEs in many different forms including fund namely entrepreneurship fund development and

facilitation for business registration, that is, online business registration (OBR). However, it seems that the RGC has not had any solid regulatory framework or any initiatives that dedicatedly aim at fostering SMEs to go digital yet. Generally, SMEs Go Digital is one element of DE; therefore, DE cannot be achieved if SMEs do not go digital. In Cambodia, SMEs Go Digital have not been clearly defined yet. SMEs Go Digital can be an initiative or a policy depending on the role of SMEs in economy or policy priorities of each country. To avoid complication and misunderstanding, in this concept note, SMEs Go Digital will be considered as a policy that the RGC will implement to transform the country into DE. SMEs Go Digital in this concept note refers to digital transformation of SMEs by adapting or overhauling business processes to incorporate technology and digital strategies into the firm.

This paper aims to propose initiatives to help SMEs go digital in Cambodia. All the proposed initiatives are based on: 1) Findings from SME Action Policy's study on SMEs challenges in Cambodia, and additional sources of information related to challenges of SMEs to adopt digital technology, and 2) Lessons learned from some countries that have been successfully transform their SMEs to go digital. It is worth mentioning that the initiatives proposed in the concept note are based on three assumptions. The first assumption is that digital infrastructure is strongly built and available for all over the country. The second assumption is that the government has qualified human resources to implement some initiatives such as establishing and operating a crowdfunding platform and providing digital training for SMEs. The third assumption is that economics has not been affected much by the Covid-19 pandemic, making the RGC has enough budget to implement those initiatives.

2. Overview of SMEs in Cambodia

2.1. Status of SMEs

The RGC Announcement No. 36 S.C.N.HT. issued on 21 January 2021, classifies SMEs into three main sectors: 1) Agricultural, 2) Manufacturing, and 3) Service and commercial industries. The further details of the classification are shown in Table 2.1.

Table 2.1*Sector-Based Definition of SMEs in Cambodia*

Sector	Number of Employees		and	Annual Turnover* (US Dollar)		or	Assets* (US Dollar)	
	Small	Medium		Small	Medium		Small	Medium
Agriculture	5-49	50-199		62,250 – 250,000	250,001 – 1,000,000		50,000 – 250,000	250,001 – 500,000
Manufacture	5-49	50-199		62,500 – 400,000	400,001 – 2,000,000		50,000 – 500,000	500,001 – 1,000,000
Service and Commerce	5-49	50-99		62,500 – 250,000	250,001 – 1,500,000		50,000 – 250,000	250,001 – 500,000
* When using both annual turnover and assets to define whether an enterprise is small or medium, the definition should fall under the highest amount among these two indicators.								

Source: សេចក្តីជូនដំណឹងរបស់រាជរដ្ឋាភិបាលលេខ ៣៦ ស.ជ.ណ.ហធិ (21 January 2021)

In 2014, the National Institute of Statistics showed that there was a total of 510,000 micro, small and medium enterprises (MSMEs) in Cambodia and only 20,000 of them had registered. Most of the total MSMEs were mobile vendors and service providers in the informal economy, resulting the difficulties encountered by the government to provide them legal supports and also to collect taxes. More specifically, in 2020, the Ministry of Industry, Science, Technology and Innovation (MISTI) reported that wholesale and retail covered 62.3% of all MSMEs, followed by manufacture as well as food catering and hospitality, each accounted for 14%. Other sectors include education (2%), administrative and support services (12%), and other types of services (6.5%). It is worth mentioning that there were 22,483 food processing handicraft enterprises (52.5%) of all 42,825 handicraft enterprises in manufacturing sector.

Regarding SMEs internationalization, Cambodia's SMEs have been involving in international trade minimally in spite of the government's increasing liberal trade policies. However, looking at another different angle, there is a huge potential for the small and growing business as well as the Small and High Growth Business to increase their exports (Totten et al., 2019). To enable SMEs to successfully reach this potential, supports from SMEs ecosystem stakeholders are strongly required.

SMEs ecosystem seems to be in a pre-take off stage but there are a number of strengths and opportunities that SMEs can successfully start digital journey. Callebaut (2020) found that Cambodia has created an open economic policy that can ease the skill and knowledge transfer

in the medium and long term, the country's dynamic and adaptive SMEs are also growing in an environment of emerging areas of entrepreneurial culture, and there is a vibrant tech startups ecosystem and rising interest from local private and venture capital in Cambodia. The Cambodian SMEs ecosystem also represents a network of vast opportunities, from untapped sectors and regions to potential markets of new technology used by the young as well as better stakeholders' interventions – that is, more government and donor initiatives for SMEs, expanding road networks and port capacity with lower logistic costs, reformed customs programs as well as improving electricity supply with cheaper costs (Callebaut, 2020). With these SMEs-friendly initiatives, it is believed that SMEs' internationalization will be improved significantly.

Aside from the potential SMEs ecosystem, the enterprises' digital adoption is also essential to help enhance their productivity and standards. In terms of innovation and digitalization readiness, Cambodia lags far behind its regional peers, standing at 98th out of 127 countries in Global Innovation Index and 123th out of 180 countries in Digital Adoption Index. However, the country still possesses some key readiness strengths. Existing initiatives reflect the ecosystem stakeholders' clear intention to strengthen Cambodia's innovation capabilities. Interest in digital technologies has also grown by leaps and bounds, reinforcing educational institutions' curriculum to align with dynamic market demands. Furthermore, with the rising FDI, multiple special economic zones and special access to foreign markets, SMEs in Cambodia is more likely to benefit from technological spillovers. Other strengths include ability to attract then retain talent and an advantageous demographic dividend obtained when there is an increase in higher-skilled jobs in response to rising demand for high-value added goods and cheaper digital technologies (*Adaptation and Adoption of Industry 4.0 in Cambodia*, 2020).

2.2. Challenges of SMEs

In terms of challenges for SMEs in general, a study conducted by SME Action Policy Committee (2020) found that there are six main categories of challenges that SMEs in Cambodia have been facing. Those categories of challenges are: 1) Government support, 2) Access to finance, 3) Access to market, 4) Regulations, 5) Human resources, and 6) Culture. The first type of challenges, that is, government support include: 1) Lack of business support in general and support for compliance with existing regulations, 2) Lack of business network, and 3) Infrastructure. The second category of challenges is access to finance, which includes:

1) Funding gap (USD 7.7 billions), 2) Collateral requirement to get loan, and 3) Lack of alternative financial resources in the market. The third category of challenges is access to market, and the challenges in this category include: 1) Brands and trust of Cambodian products in the market, 2) Dispersed production chains, and 3) State procurement and exportation. Regulation is the fourth category of challenges. Inconsistency of regulations for conducting business, overlap regulations, and limited transparent practices are listed as challenges in this category. Lack of human resources is the fifth category of challenges for SMEs. The challenges in this category include: 1) Lack of sufficient knowledge, 2) Skilled employees, and 3) Product lack of R&D. The last category of challenges for SMEs in Cambodia is culture. Lack of entrepreneurship, risk-aversion mindset, lack of role models and mentors and informal and traditional business models are included in this last category of challenges.

There have been few published and formal studies related to challenges of SMEs to adopt digital technology or go digital in Cambodia. So far, there has been only one formal study about challenges of SMEs in ASEAN including Cambodia to go digital conducted and published by Economic Research Institute for ASEAN and East Asia (ERIA) in 2019. Therefore, this concept notes will use this study as a main reference for challenges of SMEs to go digital in Cambodia.

ERIA (2019) found that there are five categories of challenges for SMEs to go digital. Those five categories of challenges include: 1) Knowledge and awareness of digital technology improvement, 2) Digital technologies acquirement, 3) Operation, maintenance, and upgrading digital technology, 4) Digital platforms cooperation between the government and private sector, and 5) Communication with SMEs. Lack of knowledge and awareness of SMEs about digital technology emerged as a stumbling stone for SMEs in taking their first step to go digital. A study conducted by UNESCAP (2018) also found that many SMEs owners as well as senior managers claimed that digitalization is a buzzword for them, and it sounds too complex and expensive. They also claimed that their business has nothing to do with digitalization. Typically, SMEs do not know very well about where to get useful information on digitalization since the sources are scattered and difficult to access (ERIA, 2019).

The second category of challenges for SMEs to go digital is their reluctance to change their business processes although they realize the benefits of digitalization on their business. This is because many SMEs owners do not know how to adapt their business operation to digital

technology. Another reason is that those SMEs perceive risks and financial burden associated with digitalization (ERIA, 2019).

The third category of challenges is related to the shortage of human resources to operate, maintain, and upgrade digital technology. The shortage of human resources does not only affect those having expertise in programming and digital solution provision, but also those having a good understanding of business context and ICT environment. Without human resources in digital technology, SMEs will find it quite challenging to adopt digital technology in particular when they want to move from the basic technology adoption to advanced adoption levels (ERIA, 2019).

Collaboration between governments and digital platforms is the fourth category of challenges for SMEs to go digital. Digital platforms have an important role to promote SMEs to go digital. Collaboration between government and digital platform will enable government policies or programs to work more effectively and efficiently. Regulations like data localization imposed by government could create difficulty for global platforms to support SMEs effectively (ERIA, 2019). Besides, it can also increase the cost that would be paid by SMEs or users and consequently hinder business operation. Many SMEs as well as digital platforms in the study raised their concerns related to digital safety that one of the reasons holding back SMEs from starting or growing their business in digital (Oxford Economics, 2017).

The fifth category of challenges is the difficulties in engaging SMEs due to awareness of SMEs about government policies or programs. ERIA (2019) found that despite the efforts of government to implement policies and programs to promote SMEs to go digital, there is a low level of awareness among SMEs about those policies and programs as well as a low level of adoption. Only 34% of SMEs in the study claimed that they know about those policies and programs to promote SMEs to go digital.

3. Cambodia Government Policies and Initiatives for SMEs Go Digital

3.1. Existing Government Policies and Initiatives

The RGC has hitherto employed various policy instruments both substantive and procedural, intending to spur technology adoption of SMEs and build a broader digital society for those SMEs. Existing government initiatives for SMEs to go digital are developed based

on cross-cutting policy measures embedded in various core legal frameworks in particular the Rectangular Strategy-Phase IV. This strategy consists of four strategic rectangles, namely (1) human resource development, (2) economic diversification, (3) promotion of private sector development and employment, and (4) inclusive and sustainable development (The RGC, 2018). Looking more specifically at rectangle level, rectangle 2, 3, and 4 stipulates strategic activities for SMEs promotion and technologies. In rectangle 3, there are strategic activities to open up markets through improved service delivery and better accessibility to information and technology, establish financing and advocacy institutions, improve productivity through legal compliance, and expand investment in support infrastructure and cluster creation. These activities will intertwine with other strategic activities in other rectangles in particular the activities to enhance digital connectivity (in rectangle 2-side 1), develop digital entrepreneurship ecosystem and soft infrastructure (rectangle 2-side 3), and further develop technological agriculture (rectangle 4-side 1).

In addition to the Strategy, there are also the National Strategic Development Plan (NSDP) 2019-2023, the Industrial Development Policy (IDP) 2015-2025 and the currently drafted SME Development Policy. NSDP identifies key responsible ministries and agencies in implementing activities of angles that exist in the Rectangular Strategy- Phase IV related to innovation, digital, technology, startups, SMEs in terms of human resource improvement, economic diversification, and promotion of private sector development and employment (The RGC, 2019). IDP, on the other hand, was developed to respond with the long-term vision of the government toward 2030 and to promote the development of Cambodian industry in order to sustainably and inclusively achieve high economic growth. One of the key priorities is to promote SMEs across all sectors (The RGC, 2015). As a part of IDP implementation, the SME Development Policy outlines five priorities which are (1) improve policy and regulatory environment, (2) promote entrepreneurship and human capital development, (3) encourage productivity, technology and innovation, (4) improve cross-country market access and internationalization, as well as (5) increase financial accessibility (Callebaut, 2020). The draft also points out some initiatives, particularly in developing better financial reporting templates for micro-enterprises as well as creating SME Credit Guarantee Scheme and an information center. Besides, the RGC has also drafted the SME Promotion Policy, which was planned to be approved in 2015. The Policy aims to support and mentor SMEs on product development capabilities and enterprise management, improve understanding on international standards of products, and enhance quality of production lines for global exports.

Along with the main strategy and development plan including Rectangular Strategy-Phase IV, NSDP, and IDP, there have also been a number of other laws and regulations concerning such an issue. One of them is the Law on Telecommunications, which was endorsed in 2017, has obliged all telecommunication operators in Cambodia to at least allocate 1% of their annual gross revenue for R&D through the establishment and management of capacity building, research and development (CBRD) fund (Lydet, 2018). Under the Law, the mobile operator companies also need to contribute 2% for the so-called Universal Service Obligation (USO) mainly to promote telecommunication networks development and construction, encourage service provision (i.e. basic, value added and emergency) in faraway areas, and reduce the digital gap. Adding to that is the Telecom-ICT Development Policy 2020 (as cited in Lydet, 2018) that lies three major tasks including: 1) Strengthening the foundation by means of soft and hard infrastructure and R&D, 2) strengthening ICT security and developing the industry through ICT human resource development, and (3) promoting ICT usage, for instance, via e-government and e-commerce.

In addition, government-backed financing institutions and promotion centers have also come into existence (Lydet, 2018). SME Bank is established to provide more accessible, affordable finance to SMEs in innovative startup, wholesaling and retailing, manufacturing, service (i.e. those of supporting manufacture) and post-farm gate agri-business sectors. CBRD fund prompts the creation of the newly established Innovation Center that has just recently completed its construction, situated at the National Institute of Posts, Telecommunications and ICT (NIPTICT). Prioritizing construction, manufacturing, ICT, electronics and tourism, Skill Development Fund (SDF) also boosts involvement from private sector and development of a reliable credit source for companies' staff training projects. Similarly, Entrepreneurship Development Fund aims to mobilize, invest and manage funds directed at developing entrepreneurial ecosystem and promoting entrepreneurial culture needed for SMEs and startups to flourish. SMEs Tax Incentives, at the same time, has also helped in-cluster and cluster-developing SMEs in some priority fields, including ICT-oriented R&D and agro-processing. Apart from that, stage one of the newly developed, integrated platform known as OBR also sees the majority of SMEs outside the system successfully register specifically with the Ministry of Commerce (MoC), the General Department of Taxation, the Ministry of Labor and Vocational Training (MLVT) and the Council for the Development of Cambodia over a vastly shorted period of only eight working days.

Figure 3.1

SMEs Policies in Cambodia



Source: Authors (2021)

3.2. Upcoming Government Initiatives

The draft Policy Framework on Digital Economy and Society 2021-2035 determines SMEs digital transformation as one of important pillars in promoting digital business and outlines a number of key policy measures. While there could be nationwide in-depth studies on SMEs digital readiness, bottlenecks and skill needs for digital adoption, SMEs could also see the emergence of various digital platforms, in particular, related to facilitating effective business management (e.g. accounting, finance and customer communication) as well as supporting domestic and foreign market expansion. Current platforms such as OBR will soon open for SMEs to register with more parties in phase two, including Ministry of Post and Telecommunication (MPTC), the Ministry of Tourism (MoT), and the General Department of Financial Industry of the MEF. Other upcoming public initiatives that help SMEs go digital also touch on the enterprises' digital capacity building. Some initiatives regarding the digital literacy and skills of the workforce – implemented by Institute of Technology of Cambodia (ITC) with support from the United States Agency for International Development – have been just kicked off (World Bank Group [WBG], 2021). More related initiatives will take place, especially on higher-end digital talent development run by MPTC through Cambodia Academy of Digital Technology and CBRD Fund. Existing institutions, particularly the SDF, also plans to restructure its mandate specifically in the area of alignment on demand-driven model of skills provision.

Upcoming initiatives also involve further development of enabling infrastructure. USO fund of MPTC, financed by industry levy in the form of public-private partnerships (PPPs) approach can address the access gap through demand aggregation for government facilities and push for more rollouts of broadband in remote areas (WBG, 2021). The government has also drafted the Digital Government Policy and Roadmap that includes a Smart City proof-of-concept and moves to build foundations, shared services, and other digitalization projects (WBG, 2021). In addition, the development of digital government and data protection is also in the government next to-do list. Some platforms will also be launched soon. The first is Business-to-Business-to-Consumer (B2B2C) platform which is developed by MoC with the cooperation with UNDP under the Go4eCam project and serves to enhance e-commerce in Cambodia. Others include MEF's Khmer Agriculture Suite (KAS) and Digital Platform for Business which, respectively, aims to cope with key issues in productivity and distribution in agricultural value chain as well as functions as an information center for businesses.

4. Proposed Initiatives

Following are the proposed initiatives from this concept notes.

4.1. Digital Platforms for SMEs to Go Digital

4.1.1. Centralized Digital Platform for Pre-Approved Solutions

SMEs with different sizes, types, and business stages may have different purposes to adopt technology. Despite such differences among SMEs, the first and simple step for SMEs to adopt technology is to start using digital solutions for their simple daily business activities on a digital platform since digital platforms often act as the function of “gatekeepers” for SMEs intending to go digital (OECD, 2019). There are many advantages for creating digital platforms for SMEs. The first advantage is that the platforms will allow SMEs to learn by doing while making them feel less overwhelmed when adopting other technologies. The second advantage is that digital platforms will help SMEs set up a digital presence. The third advantage is that the platforms will significantly increase the network capacity of SMEs as well as the number of suppliers and clients at reach. The fourth advantage is that it can make SMEs implement their digital business processes and collect and manage data simpler and more efficiently.

There are eight existing digital platforms in Cambodia, provided by different stakeholders in Cambodia¹. The first platform is OBR developed by MEF to ease business registration. The second platform is an e-commerce platform provided by private companies such as Nham 24, and Muuve, aiming to engage well with existing customers and scale up their business. SHE investment has provided three digital platforms, and those platforms are: 1) The Digital Resource Centre, 2) Ngeay Ngeay, and 3) KOTRA Riel. The Digital Resource Centre aims at providing business information and support for companies. Ngeay Ngeay aims at providing information on how to register a business, and KOTRA Riel is a bookkeeping app for Cambodian micro entrepreneurs to record their sales and expenses of their business. The sixth platform is provided by the Young Entrepreneurs Association of Cambodia (YEAC). This platform is known as Biz (bizinfo.co.kh) aims at providing information such as policy and company registration. The seventh platform operated by Belaws company aims at providing one-stop service solutions for legal, corporate, accounting, and tax-services. The eighth platform is provided by service provider companies. The most well-known ones are Banhji and Kiu. This platform aims at providing accounting solutions enterprise resource planning solutions for SMEs.

Figure 4.1

Existing Platforms for SMEs to Go Digital



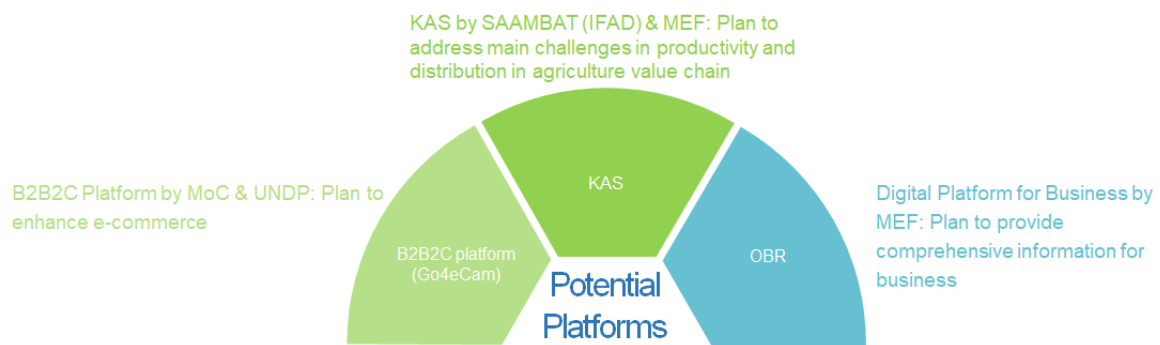
Source: Authors (2021)

¹ Note that the order of names and descriptions of the platforms are not based on the level of their importance or roles in the market.

In terms of the potential platforms that are going to be launched in the market, there are three platforms. The first potential platform that will be soon launched is B2B2C platform by MoC cooperating with UNDP under the project called Go4eCam. The B2B2C platform aims to enhance e-commerce in Cambodia. The second platform which is on the plan to launch is called KAS developed by MEF and Sustainable Assets for Agriculture Markets, Business and Trade (SAAMBAT) under International Fund for Agricultural Development (IFAD). KAS aims to address main challenges in productivity and distribution in agriculture value chain. The third platform is Digital Platform for Business developed by MEF, aiming to provide comprehensive information for business. It is claimed to provide more comprehensive information than the existing platforms such as bizinfo.co.kh and Ngeay Ngeay.

Figure 4.2

Potential Platforms for SMEs to Go Digital



Source: Authors (2021)

Based all the existing and potential platforms mentioned above, there is no platform acting as a central platform helping SMEs to adopt digital solutions in their businesses. The majority of them focus on providing information and how to do online business. Banhji and Kiu have been providing some solutions for SMEs to go digital. However, since they are the private companies, some SMEs may not be able to afford buying their services and products or to some extent hesitate to adopt their services and products. Therefore, this concept note proposes one centralized digital platform called SMEs Digital Solution Platform (SMEs-DSP) providing digital solutions for SMEs to use in their business. SMEs-DSP aims to encourage SMEs in Cambodia to use technologies and build their digital capacities.

According to Kenney and Zysman (2016), there are five types of digital platforms: 1) Platforms for platforms (e.g. Amazon Web Service and Google Cloud Platform), 2) Platforms making digital solutions available online and supporting establishment of other platforms and

marketplaces (e.g. Zenefits, Wonolo and Git Hub), 3) Platforms mediating work (Amazon Mechanical Turk and Upwork), 4) Retail platforms (Amazon, Etsy and eBay), and 5) Service-providing platforms (e.g. Airbnb, Lyft, Kickstarter, Indiegogo and Zopa). Among these five platforms, platforms that make digital solutions available online and supporting the creation of other platforms and marketplaces should be the best fit for Cambodia's context. The reason is this type of platforms will allow the repository of open-source software programs of all kinds, dramatically reducing the cost of software tools and building blocks and make it convenient for SMEs to use. Aside from that, this type of platform may also lead to disintermediation, reducing costs and increasing profits for SMEs. SMEs-DSP should solve problems or challenges in these ten areas: 1) Customer management, 2) Data analytics, 3) Finance management, 4) Human resource management, 5) Inventory management, 6) Machine effectiveness, 7) Marketing and content management, 8) Project management, 9) Quality assurance, and 10) Workflow tracking and management. Considered their usefulness in coping with potential problems occurring in the above-mentioned areas, Cambodia can also provide solutions implemented by Singapore and Malaysia. They are: 1) Accounting solution, 2) Human resource management and payroll solution, 3) Digital marketing solution, 4) Digital transactions solution, 5) Cybersecurity solution, and 6) Digital collaboration solution.

To facilitate SMEs to adopt digital solution, SMEs-DSP should meet the following characteristics:

- **Simplicity and convenience:** SMEs-DSP needs to be simple and convenient. Any platform with such characteristics will help SMEs take full advantage of digital adoption while improving their digital platform capability. Both qualities will not only fasten the learning process, but also encourage SMEs to use the platforms regularly. SMEs-DSP should be able to be used both on mobile phones and computers, which helps closing the gap among SMEs, in particular, those that cannot afford to invest much or those who are reluctant to invest much during trial.
- **Relevance:** Contents in SMEs-DSP should reflect the high degree of necessity and appropriateness for every type of SMEs. Specifically, those contents should be relatable to daily business practices, be multilingual with Khmer as a must, and avoid jargon if not necessary. This characteristic will make SMEs-DSP become an education platform while it can facilitate daily business operation. Furthermore, it is important to note that categorization of digital solutions embedded in SMEs-DSP should not only be by

sectors but also by business types as different businesses in different sectors have different needs and demands.

To ensure the effective establishment and use of SMEs-DSP, there are some mechanisms as follows:

- **Cooperation among government institutions and development partners:** Seeing that digital solutions for SMEs needs to be modified for different types of SMEs, there is no doubt that building a digital platform cannot fall on the shoulders of one institution. It requires inputs and cooperation from concerned government institutions that possess skills and competencies relevant to sectors or types of SMEs in order to ensure that proposed digital solutions in SMEs-DSP will meet SMEs' needs and demands. Simultaneously, cooperation with development partners in the forms of technical and/or financial assistance will foster establishment of SMEs-DSP.
- **Public-Private Partnerships (PPPs):** PPPs also play a major role to build the proposed platform, SMEs-DSP, successfully. The private sector can help through providing digital products and solutions free of charge or at a discounted price for package subscription to SMEs for a certain period.

Callebaut (2020) lists four key SME-relevant stakeholders in Cambodia, including: 1) Government institutions and projects, 2) Development partners, 3) Business associations, and 4) Private service providers. Based on Callebaut (2020) and other scholarly documents, at least 80 institutions and projects have worked on SMEs. In this sense, to ensure timely and effective establishment of the proposed digital platform, SMEs-DSP, this concept note suggests starting by looking for potential partners who are using digital platforms or plan to create ones for SMEs. The number of potential partners for building SMEs-DSP is as follows:

- **Government Institutions:** Go4eCAM MoC, National Trade Repository, SME Bank, SDF, and TSC under MEF, National Institute of Entrepreneurship and Innovation (NIEI) under MLVT, SME Department under MISTI, ICT Innovation Center under MPTC
- **Development Partners and Projects:** Accelerating E-Commerce Regulator Adoption, ASEAN SME Project under GIZ, SAAMBAT under IFAD, United Nations Capital Development Fund (UNCDF), UNDP (Supporting Go4eCAM), United Nations Economic and Social Commission for Asia and the Pacific (UNSCAP), and World Bank (WB)

- **Business Association:** Business Network International (BNI), Woomentum Cambodia, and YEAC
- **Service Providers/Capacity Building Programs:** Banhji, Belaws Cambodia, Facebook, Kiu, and SHE Investment

4.1.2. Digital Platform for Online Licenses and Certificates

On 14 July 2020, the SME Action Policy Committee highlighted that the registration process and applying for license and certification are time-consuming, costly, and complicated for SMEs. In addition to this, there are overlapping roles and authorities of government bodies in certifying products/standards and inspecting production processes and hygiene to SMEs. An initiative to tackle registration for SMEs/companies has already been kicked off with an official launch of a single portal named OBR, which is developed by MEF using the Cambodia Data Exchange system. This platform aims at facilitating the bureaucratic process of SMEs registration resulting in the reduction of time to complete the registration process from three months to eight days.

While the OBR is considered a solution to tackle with the business registration process, other major issues including applying for licenses and certifications have not been solved yet. This concept note suggests that another platform should be created to facilitate and deal with the bureaucratic process in applying for licenses and certifications. Moreover, this platform will act as a motivation for SMEs to use technology to engage with government institutions and get government services.

The platform for applying for licenses and certificates should contain detailed information guiding SMEs to know about what licenses and certificates that they need to apply for their business, necessary documents for applying for licenses and certificates, which government institutions are involved, and step-by-step guides on how to apply for them online. The platform will also have a chat board or hotline for any inquiry that SMEs would like to clarify if they cannot understand the instruction on the website. SMEs can also track the progress of their license and certificate's requests on the website. Once the review of the application form is completed and approved, the license or certificate will be offered online with a unique QR code for each SME and can be printed out for any legal purpose it may serve.

This proposed platform will demand a lot of work and collaboration with different inter-ministries. However, there shall be one ministry taking the lead and working in collaboration with the other ministries. The related ministries for license and certificate issuance are: 1)

MISTI, 2) Ministry of Agriculture, Forestry, and Fisheries (MAFF), 3) MoC, 4) Ministry of Health (MoH), 5) MLVT, 6) MEF, 7) Ministry of Environment (MoE), 8) Ministry of Land Management, Urban Planning and Construction (MLMUPC), 9) MoT, 10) Ministry of Education, Youth and Sport (MoEYS), 11) MPTC, 12) Ministry of Information (MoI), 13) Ministry of Culture and Fine Arts (MCFA) and 14) Ministry of Public Works and Transport (MPWT).

4.2. Financial Support

4.2.1. Grants for SMEs to Go Digital

To encourage SMEs to go digital, besides from making them aware of the benefits of technology adoption in their business, the government as well as other stakeholders should use some mechanisms encouraging those SMEs to adopt technology. Providing grant for SMEs that would like to adopt technology or undertake deeper transformation in business upgrading, innovation, and internationalization can be the most effective mechanism to encourage and increase the rate of digital adoption fast among SMEs. According ERIA (2019), there are three categories of digitalization in ASEAN: 1) Basic digital tools², 2) Online presence³, and 3) Advanced digital tools⁴, or digitalization as a part of the core business model. So far, there have been three types of funding from the RGC to support SMEs. Those are: 1) Support Entrepreneur Program of Khmer Enterprise (KE), 3) SME Bank, and 4) SDF. However, what in common about those funding is they do not specifically target SMEs that are keen on adopting technology in their business, and it seems that the SMEs that they target are those in the late stage of business growth only. This concept note suggests that there should be two types of grants targeting these categories.

The first type of grant that can be called Tech Solution Grant (TSG) will be used to support SMEs that are in the first and second categories of digitalization and keen on adopting digital solutions and/or equipment to enhance business processes. This grant should cover both sector-specific solutions such as retail and manufacturing and general solutions that can be used in all types of industries such as customer management, data analytics, human resource management,

² The digital tools or processes in the first category include Microsoft Office, email, mobile phones, and computers.

³ The digital tools or processes in the second category include social media, website, e-commerce sites, tablets, and printers.

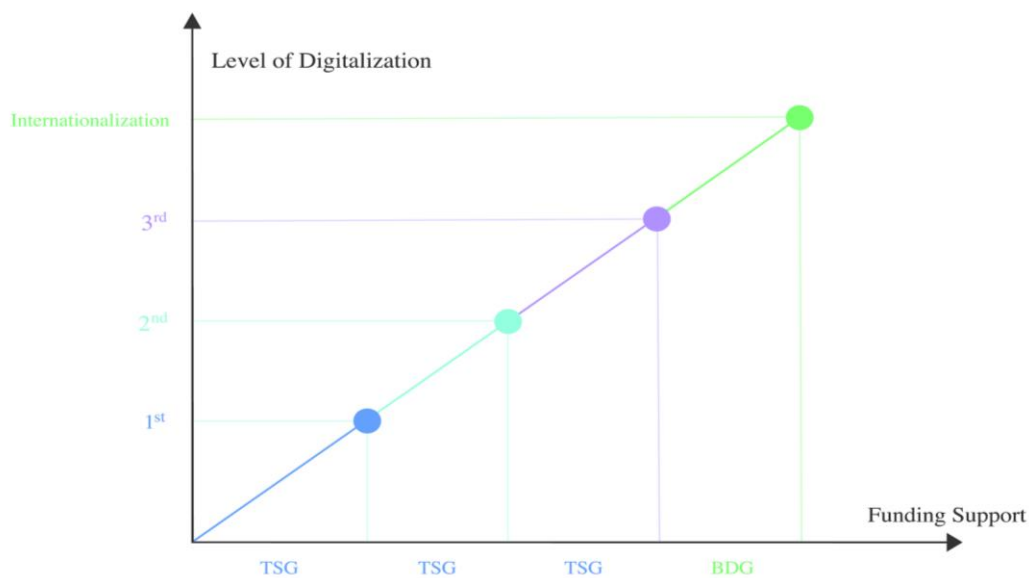
⁴ The digital tools or processes in the third category include enterprise resource planning, customer relation management, big data, analytics, automation, pure online business, scanners, bank card readers, central servers, and imaging devices.

finance management, and inventory management. TSG can only be used for purchasing pre-qualified digital solutions provided by the centralized digital platform of the government and those provided by digital solution companies that are in partnership with the government. SMEs that would like to apply for TSG need to be the local registered companies.

The second type of grant that can be called Business Development Grant (BDG) should be used to support SMEs that are in the third categories of digitalization. It means that this grant aims to help SMEs grow and transform by upgrading their business, innovate or venture overseas. BDG should be used to cover software and equipment and third-party consultancy fees. BDG should cover two pillars: 1) Innovation and productivity and 2) Overseas market access. The first pillar aims to support SMEs that are keen on exploring new areas of business growth or looking for new ways to enhance efficiency by introducing more automation and technologies. The second pillar aims to partly support SMEs that are willing and ready to venture overseas. SMEs that would like to apply for BDG need to be the local registered companies.

Figure 4.3

Intersection between Categories of Digitalization and Funding Support



Source: Authors (2021)

4.2.2. Alternative Finance for SMEs to Go Digital

The growth and vitality of SMEs is often restricted due to a lack of access to entrepreneurial finance. According to the data shown by Ziegler et al. (2020), alternative finance provides an

increasingly vital source for financing SMEs, and alternative finance has popularly become a viable funding source for SMEs as well as startups. Some of SMEs cannot get loans from traditional financial institutions such as banks and microfinance institutions due to some reasons including lack of collaterals. The cost of digital adoption for some SMEs may be very minimal that they can apply for the grants proposed in this concept note, TSG and BDG. However, the cost of digital adoption for some SMEs may be extremely high due to the nature of their business categories and stages of their growth that the amount of money from TSG and BDG may not be enough for them to transform their business into digital. Therefore, alternative financial sources, both financial return, that is, peer-to-peer (P2P) lending and equity crowdfunding, and non-financial return, that is, donation and reward-based crowdfunding should be available in the market to build up a healthier financial ecosystem.

Up until March 2021, there is only one P2P lending platform called Rai Capital available in the market in Cambodia. To some extent, this indicates that the financial ecosystem in Cambodia is not healthy enough for supporting SMEs, startups, and individuals that cannot access to the traditional financial institutions to grow their business. Since it seems that the private sector is not that interested in crowdfunding, the RGC should play a key role to build up the ecosystem for crowdfunding. According to PwC (2020), there are three roles that the government or public sector can play in crowdfunding development as: 1) Facilitator, 2) Supporter, and 3) Participant. In terms of the role as a facilitator, the public sector in particular the institutions that are in charge in crowdfunding can interact with crowdfunding platforms, for example, through regular consultation or through provision of non-financial services or technical assistance. The second type of role, that is, supporter, the public sector can support one of the participants in crowdfunding outside the crowdfunding process by providing grants or other financial instruments. In terms of the third role as a participant, the public sector can participate in the crowdfunding process, for example, by operating its own platform, running a crowdfunding campaign as a project owner, or co-investing in a crowdfunding campaign.

RGC can choose to play a role(s) among these three roles to help develop crowdfunding for SMEs that aim to transform their business into digital. This concept note suggests that the RGC should play a role as a participant by operating a crowdfunding platform by herself targeting SMEs aiming to go digital and their cost of transforming into digital cannot be covered by the grants, TSG and BDG. There are two advantages for the RGC running the crowdfunding platform. The first advantage is that to some extent, a crowdfunding platform operated by the government will help to build trust in the market for all types of backers such as investors and

individuals to pledge their money to help SMEs transform their business into digital. The second advantage is that it will increase the supply side for alternative finance in Cambodia, by increasing the number of funding sources for SMEs and as a result accelerating the process for SMEs to go digital.

4.3. Digital Skills and Product Development

4.3.1. SMEs Go Digital Supporting Hubs

For some SMEs, to adopt technology may be a difficult and risky step for them. Moreover, they may feel overwhelmed with the process of going digital. Grant providing alone is not enough to encourage SMEs to go onboard. Some questions concerning technology adoption will be raised from SMEs that would like to go digital. Some of these questions may include: 1) from where and how they should start adopting technology based on their current level of digital readiness, 2) what kinds of technology are suitable for them to adopt, and 3) how to apply the technology to their businesses. Therefore, the government with other stakeholders need to help SMEs to develop their skills to adopt technology and provide other related support for them to ease their journeys to go digital. It is worth mentioning that there are a few government's initiatives including the Enterprise Development Program (EDP) of MPTC, 2) Support Entrepreneur Program of KE and SDF aiming to build capacities and entrepreneurship skills and mindset of SMEs in Cambodia in some specific sectors such as agriculture, manufacturing, tourism, and trading. However, they do not have any specific aim to provide digital skills for SMEs to go digital. In this regard, this concept note suggests that the government should work with other stakeholders to create a hub for developing skills along with other supports.

This hub, which will be named as SMEs Go Digital Supporting Hub in this concept note, will work as a one-stop shop for all SMEs that intend to go digital and work as a driver for any government's initiative aiming to accelerate digital adoption of SMEs in Cambodia. There are four roles that SMEs Go Digital Supporting Hub will play. Firstly, SMEs Go Digital Supporting Hub will provide training to SMEs on how to use and adopt technology in their businesses. The training will cover from the very basic level of using technology (for example, how to use the Internet on mobile phones and how to open web browsers) to the advanced level (for example, how to use AI, data analytics, and cloud computing). Moreover, SMEs Go Digital Supporting Hub will provide digital technology advice to SMEs on pre-approved digital solutions (for example, what types of pre-approved digital solutions that SMEs should adopt

according to their digital readiness) and what types of grant (TSG and BDG) that they can apply for to get funding support. Thirdly, SMEs Go Digital Supporting Hub will also work as a consultant providing step-by-step advice on the digital solutions and digital skills required for each stage of their business growth. Lastly, SMEs Go Digital Supporting Hub will also work as a central point to connect SMEs to any stakeholders including digital service providers to help them overcome any specific challenge for their business to go digital.

SMEs Go Digital Supporting Hub should not only be present in Phnom Penh. There should be other satellite hubs in different provinces or hot spots of SMEs as well. This will help to close the gap of digital divide among SMEs in terms of geography and ensure that all SMEs can have an equal chance to go digital. SMEs Go Digital Supporting Hub should work in collaboration with other stakeholders including but not limited to stakeholders mentioned below:

- **Government:** EDP, KE SDF, SME Department, and TSC
- **Development Partners and projects:** ASEAN SME Project under GIZ, SAAMBAT under IFAD, and WB
- **Business Associations:** Federation of Associations for Small and Medium Enterprises of Cambodia (FASMEC), YEAC, and Cambodia Women Entrepreneurs Association (CWEA)

4.3.2. Product Development: Research and Development (R&D) and Laboratory

A. Research and Development (R&D)

R&D usually utilizes innovation and modern technology in product design and testing as well as raw material development that enable SMEs to innovate and introduce new products to market. Through R&D⁵, the quality of a product will be enhanced rigorously until the product meets the required standards that enable SMEs to apply for certificates from international standards accredited laboratories. On 14 July 2020, the SME Action Policy Committee highlighted Cambodian SMEs lack R&D to develop products and testing. As a result, SMEs are not able to produce good quality products to meet standards, in particular the international one that consequently hinders SMEs to expand their business domestically and internationally.

⁵ Some R&D activities for new product development do not require a laboratory to test whereas some might need one. A laboratory for R&D is mainly used for basic and applied research and specifically supports a particular production process or production line for new product development. In contrast, an international standard accredited laboratory mainly serves SMEs or companies in quality and standards tests to prove and certify whether a specific product conforms to a set of local or international standards.

The PPPs approach can be a solution to improve R&D for SMEs as this approach forms legal relationships where public and private sectors cooperate in co-investing valuable resources such as fund, human capital, facility, and information to achieve common goals in research and innovation (OECD, 2016). The PPPs approach is recognized as a model to walk SMEs to digitalization as government institutions provide financial support and connect SMEs to corporates or technology companies that have investment funds, technical expertise, and technological products or services that allow SMEs to start their journey in digital adoption (Lim, 2020).

This concept note proposes a PPPs approach that consists of two core activities aim at improving R&D and product standards for Cambodian SMEs. Firstly, the activity is to build a partnership between public research institutions and SMEs to improve their R&D. There is very limited interaction between public R&D institutions and SMEs in Cambodia (JICA, 2015). Through this partnership, SMEs can receive technical support from public research institutions in product design and testing for free particularly in the prototype stage. Secondly, the activity is to build a partnership between government and transnational corporations (TNCs)⁶ in subcontracting local SMEs to develop specific products for TNCs. There are very few backward linkages between TNCs and local SMEs in Cambodia (Callebaut, 2020). With the sub-contracting activities, TNCs can offer technical support in quality control, production process, and inspection process to help local SMEs meet the international standards and open market opportunities. This is one of the SME internationalization forms that Cambodian SMEs can obtain benefits from the linkage between TNCs and SMEs.

The proposed PPPs approach will encourage SMEs to access public R&D assistance and technical support from TNCs in their product development process, leading them to gradually adopt innovation and have a more creative idea for their business. This is a crucial stage to create a diffusion to all SMEs across the country to adapt innovation once there are successful SMEs constructed from the proposed approach. Moreover, being open to accepting knowledge and technology transfer from public research institutions and TNCs in developing quality products, SMEs will be equipped with technological know-how to expand their business. This PPP approach will empower and support SMEs to confidently put their quality products online

⁶ TNCs are enterprises that manage and control assets of other countries' economies other than its home economy and usually TNCs own a certain equity capital stake (United Nations Conference on Trade and Development, 2004).

at least on a website or social media page such as Facebook and make their products reach out to more local and international customers as the quality of their products is good enough to obtain the trust from the public by meeting international standards.

Potential stakeholders that should be involved in implementing the two mentioned above activities are listed below:

Activity 1: Building partnership between public research institutions and SMEs to improve R&D of SMEs

- **Government Research Institutes:** Agriculture and Food Laboratory, Prek Leap National College of Agriculture (PNCA), Research and Innovation Center (RIC), ITC, Innovation Center, NIPTICT, Laboratory of microbiology Rodolph Mérieux and Laboratory of Phytopharmacology, University of Health Sciences (UHS), Food Research and Development Center (FRDC), Royal University of Agriculture (RUA), Building and Public Works Laboratory, MPWT, and Cambodian Agricultural Research and Development Institute (CARDI).
- **SMEs:** Cambodian SMEs in food processing and agricultural products will be selected. This is based on the reasons that SMEs in the food processing sector are more dominated, which is considered the strong catalyst for improvement and growth of the manufacturing industry in Cambodian SMEs. Moreover, agro-industry is considered as one of the priority sectors in export for Cambodia (Japan International Cooperation Agency, 2015). Therefore, the SMEs in these two sectors should strongly encourage strengthening their R&D to improve the quality of products for both domestic and international markets.

Activity 2: Building partnership between government and TNCs

- **Government:** MoC, MISTI, MAFF, and MPTC, MAFF, and MPTC
- **TNCs:** Levi Strauss & Co. (textile), Arvind Mills Ltd (textile), Unilever (consumer goods including food), Nestlé (food and drinks), Kraft Heinz Company (food), and Kent International Inc (Bicycle)
- **SMEs:** Cambodian SMEs in textile, foods, and bicycles will be selected. It is based on the reason that the main export products from Cambodia are more centered on garments or textiles, agro-products, and bicycles (Callebaut, 2020). It is wise to start this initiative with the dominated sector of export products to help local SMEs obtain a high success rate and maximize the greatest benefits from TNCs linkages.

B. Financial and Technical Support for Laboratories Improvement

Laboratories are facilities providing scientific experiments and testing specific subjects. In product testing, laboratories play a crucial role to conduct scientific analysis to assess products' qualities, in particular the contaminants of products' raw materials, products after being produced, and before products are distributed to the market. Products testing at the laboratories certifies that the products are scientifically conformed with standards and complied with regulations to be placed in the market. It is to assure that public health is protected, and product consumers are safe. ISO/IEC 17025 is one of the international standards that set requirements for the competence of testing laboratories. Test reports and certificates from laboratories shall prove that the tested products conform to several international standards including Hazard Analysis Critical Control Point, Good Manufacturing Practices, Good Hygiene Practices, and some ISO standards such as ISO 9001:2015 and ISO 22000. However, only test reports and certificates from ISO/IEC 17025 accredited laboratories are widely accepted internationally that allow SMEs to internationalize in terms of product exports.

In Cambodia, there are four main public laboratories⁷ heavily involved in ensuring quality and standards of products namely Industrial Laboratory Center of Cambodia (ILCC), Camcontrol Testing Laboratory (CTL), National Agriculture Laboratory (NAL), and National Health Products Quality Control Center (NHQC). The capacities of laboratories in Cambodia are still limited as they are not able to test all kinds of products (Chan, 2018). Similarly, Callebaut (2020) found that Cambodian SMEs still be dependent on foreign laboratories in other countries in particular Thailand and Vietnam for product testing to prove that Cambodian products conform to international standards for exports. In Cambodia, there are only two ISO/IEC 17025 accredited public laboratories, and they cover a limited set of parameters. The test reports and certificates from public laboratories that are not accredited by ISO/IEC 17025 prevent Cambodian SMEs from global exports.

To tackle this issue, public laboratories in Cambodia are strongly required to make huge improvement in terms of equipment facilities and technologies, human resources, and ISO/IEC 17025 accreditation. This concept note proposes that the RGC and development partners shall work together to provide tremendous financial and technical support to improve the capabilities of public laboratories. There should be a fund for public laboratories improvement or can be called Laboratory Capacities Improvement Fund (LCIF) in this concept note with technical

⁷ This is not exhaustive as there might possibly be more government laboratories in Cambodia.

support from development partners and related stakeholders to get all public laboratories in Cambodia to get ISO/IEC 17025 accredited and reach full capacities to test all kinds of products in Cambodia with recognized certificates internationally. Consequently, this initiative will not only improve SMEs' internationalization in terms of product exports but also to reduce the cost of production that leverages price-competitiveness of products domestically against the imported products and globally against other countries' products. Sending products to get tested and receive certificates from international laboratories are costly (Khmer Times, 2016; Parsons, 2008). Therefore, when government laboratories reach their full capacities and get internationally accredited, local SMEs will do product testing locally so that the cost is cheaper than international laboratories' price rate.

The potential stakeholders in this initiative are as below:

- **Government:** ILCC, CTL, NAL, and NHQC.
- **Development Partners:** United Nations Industrial Development Organization (UNIDO), WB, GIZ and United Nations Economics and Social Commission for Asia and the Pacific (UNESCAP).

4.4. Awareness Raising on Government Policies and Support

The study of ERIA in 2019 about digital adoption of SMEs in ASEAN including Cambodia found that although government agencies and associations have provided different support programs for SMEs to go digital, awareness about such programs still remains low. On average, only 34% of SMEs in the study claimed that they are aware of the support programs of the government agencies and associations. Moreover, this study also showed that the level of support programs' adoption is even lower than that of awareness about the support programs. It is worth mentioning that the SMEs participating in this study were proposed by the respective governments. Therefore, it can be assumed that the overall awareness and adoption of the support programs can be even lower than what the study found. This is also the case of SME department at MISTI, aiming to provide consultation and information for SMEs. However, it is claimed that not many SMEs know about this department (Callebaut, 2020).

What can be learned from the study of ERIA (2019) is that providing only support programs or policies of the government is not enough and the level of adoption can be lower than that of awareness about the support programs or policies. Therefore, this concept note suggests that besides from providing policies and support SMEs to go digital, the RGC needs to put extra efforts and commitment to raise awareness among SMEs and related stakeholders on social

media to ensure that the majority of target SMEs can be well aware of the support programs or policies. Being aware of those policies and support, SMEs can get the maximum benefits from them. Moreover, it will enable those SMEs to know the intention of the government and keep those SMEs on track on any changes of those policies and support.

The potential stakeholders that the RGC can work with to promote awareness raising related to the support programs or policies are as follows:

- **Government:** Go4eCAM at MoC, KE, SME Bank, SDF, SME department at MISTI, and TSC
- **Business Association:** BNI, Woomentum Cambodia, FASMEC and YEAC
- **Service Providers or Capacity Building Programs:** Banhji, Belaws Cambodia, Facebook, Kiu, and SHE Investment.

Table 4.1

Potential Stakeholders to Promote Awareness Raising on Digital Adoption

Categories	Initiatives	Potential Stakeholders			
		Government Institutions	Development Partners & Projects	Business Associations	Private Service Providers
Platform	Centralized Platform	MoC, National Trade Repository, SME Bank, SDF, TSC under MEF, NIEI under MLVT, SME Department under MISTI, and ICT Innovation Center under MPTC	Accelerating E-Commerce Regulator Adoption, ASEAN SME Project under GIZ, SAAMBAT under IFAD, UNCDF, UNDP (Supporting Go4eCAM), UNESCAP, and WB	BNI, Woomentum Cambodia, and YEAC	Banhji, Belaws Cambodia, Facebook, Kiu, and SHE Investment
	Platform for Online License & Certificate	MISTI, MAFF, MoC, MoH, MLVT, MEF, MoE, MLMUPC, MoT, MoEYS, MPTC, MoI, MCFA and MPWT	N/A	N/A	N/A
Funding	Grants for SMEs to Go Digital	KE, SME Bank, and SDF	N/A	N/A	N/A
	Alternative Finance	N/A	N/A	N/A	N/A
Skill & Product Development	SMEs Go Digital Supporting Hubs	EDP, KE SDF, SME Department under MISTI, and TSC	ASEAN SME Project under GIZ, SAAMBAT under IFAD, and WB	FASMEC, YEAC, and CWEA	N/A
	R&D and Laboratory	Agriculture and Food Laboratory, PNCA, RIC, ITC, Innovation Center, NIPTICT, Laboratory of microbiology Rodolph Mérieux and Laboratory of Phytopharmacology, UHS, FRDC, RUA, Building and Public Works Laboratory, MPWT, CARDI, MoC, MISTI, MAFF, and MPTC, MAFF, and MPTC, ILCC, CTL, NAL, and NHQC	UNIDO, WB, GIZ and UNESCAP	N/A	Levi Strauss & Co., Arvind Mills Ltd., Unilever, Nestlé, Kraft Heinz Company, and Kent International Inc.
Awareness	Awareness Raising on Government Policies and Support	Go4Ecam at MoC, KE, SME Bank, SDF, SME Department at MISTI, and TSC	N/A	BNI, Woomentum Cambodia, YEAC, and FASMEC	Banhji, Belaws Cambodia, Facebook, Kiu, and SHE Investment

Source: Authors (2021)

5. The Roles of Techo Startup Center

All stakeholders mentioned in this concept note have essential roles to play in order to foster SMEs to go digital in Cambodia. However, this concept note would like to highlight the roles of TSC in helping SMEs go digital. TSC can play a leading role in three proposed initiatives: 1) Centralized digital platform for pre-approved solutions, 2) Alternative finance for SMEs to go digital, and 3) SMEs Go Digital Supporting Hub. There are two reasons making TSC deserve the leading roles in these three initiatives.

The first reason is based on terms of reference (ToR) of TSC. According to Prakas on Organization and Functions of the Offices under TSC in 2020⁸, two of the TSC's responsibilities are: 1) To create and operate digital platforms for investment including but not limited to crowdfunding and similar platforms to foster the entrepreneurship ecosystem in Cambodia, and 2) To create and operate digital platforms for providing information or raising awareness to startups and related stakeholders in the ecosystem. Therefore, TSC should have the leading roles for the above-mentioned initiatives. The second reason is based on the experiences of TSC. TSC has been widely known as the one initiated, created, and operated OBR platform. This indicates that TSC has greater experiences in developing digital platforms than some of the other stakeholders and indicates that TSC has sufficiently qualified human resources to work on digital platforms.

6. Summary

To sum up, this concept note proposes four initiatives aiming to help SMEs to go digital. Those initiatives include: 1) Digital platforms for SMEs to go digital 2) Financial support, 3) Digital skills and product development, and 4) Awareness raising on government policies and support. The first initiative, digital platforms for SMEs to go digital, consists of two digital platforms, that is, the centralized digital platform for pre-approved solutions and the digital platform for online licenses and certificates. The centralized digital platform for pre-approved solutions or called SMEs-DSP in this concept note aims to foster SMEs to adopt technology by starting using digital solutions for their simple daily business activities. One of the reasons for creating digital platforms for SMEs to use is that digital platforms often play a role as a “gatekeeper” for SMEs that are keen on adopting technology. SMEs-DSP should provide: 1) Accounting solution, 2) Human resource management and payroll solution, 3) Digital

⁸ Unofficial translation

marketing solution, 4) Digital transactions solution, 5) Cybersecurity solution, and 6) Digital collaboration solution. The digital platform for online licenses and certificates aims to facilitate and deal with the bureaucratic process in applying for licenses and certifications for SMEs, which enables SMEs to spend less time to get licenses and certificates. Moreover, this platform will encourage SMEs to start using technology to engage with government institutions and get government services.

Providing financial support is the second initiative that this concept note suggests to the RGC. This concept note proposes to the RGC that there should be a grant that specifically aims at fostering SMEs to go digital, and there should be a crowdfunding platform for SMEs to raise funds from the public to transform their business to digital. Although the RGC has provided financial support for SMEs through different government programs or initiatives, those programs or initiatives do not aim specifically on fostering SMEs to go digital. Therefore, this concept note suggests that there should be the grants aiming specifically for SMEs intending to adopt technology. Based on the categories of digitalization of SMEs, this concept note suggests that there should be two types of grants: 1) TSG for supporting SMEs in the first and second categories of digitalization and keen on adopting digital solutions and/or equipment to enhance business processes, and 2) BDG for supporting SMEs in the third categories of digitalization by helping them to upgrade their business, innovate or venture overseas. Aside from grants, this concept note suggests that the RGC should operate a crowdfunding platform aiming for SMEs intending to go digital when the cost of transforming into digital of those SMEs cannot be covered by the grants, TSG and BDG.

The third initiative is digital skills and product development. To develop or improve digital skills for SMEs, the RGC should have a dedicated group of people to provide necessary training or advice to all types of SMEs in all stages of growth intending to adopt technology. To do so, this concept note suggests that there should be an establishment of SMEs Go Digital Supporting Hub. This hub should play four key roles: 1) Providing training to SMEs on how to use and adopt technology in their businesses from the very basic level of technology to the advanced level, 2) Providing digital technology advice to SMEs on pre-approved digital solutions, 3) Working as a consultant providing step-by-step advice on the digital solutions and digital skills required for each stage of their business growth, and 4) Working as a central point to connect SMEs to any stakeholders to help them overcome any specific challenge for their business to go digital. SMEs Go Digital Supporting Hub should be available all over the country to ensure that each SMES has an equal chance to go digital. Looking at another part of this third initiative,

innovative product development constantly requires R&D to rigorously experiment and test new products and apply for certificates and recognition of the new products from accredited public laboratories. The PPPs approach of two different partnerships is proposed to help SMEs in their R&D. The first partnership between public research institutions and SMEs technically help SMEs enhance their R&D, building from prototypes to standard products. The second partnership between TNCs and SMEs will transfer technical knowledge and support local SMEs from international corporates through subcontracting activities. Besides R&D at SMEs level, the capabilities of public laboratories should also be enhanced and accredited, enabling the provision of test reports and certificates of SMEs' products that are accepted internationally. This concept note proposes to provide the funds, called LCIF, to support public laboratories so that they can receive international accreditation and strengthen their capacities in all types of products testing. These proposed activities leverage the adoption of innovation, standards, and technologies that underpin the SMEs' internationalization and SMEs digitalization.

The fourth initiative is to raise awareness on government policies and support. SMEs need to be aware of those policies and support to get the maximum benefits from them. Moreover, it will enable those SMEs to know the intention of the government. It will also keep those SMEs on track on any changes of those policies and support.

Based on terms of reference (ToR) and experiences, TSC can play a leading role in three initiatives proposed in this concept note. Those initiatives are: 1) Centralized digital platform for pre-approved solutions, 2) Alternative finance for SMEs to go digital, and 3) SMEs Go Digital Supporting Hub. In terms of ToR, TSC are responsible for creating and operating digital platforms for investment including crowdfunding platforms and digital platforms for information sharing or awareness raising. Moreover, TSC also has greater experiences in creating and operating digital platforms than some of the other stakeholders as can be seen from TSC's achievement in creating and operating OBR platform.

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