SET SUPPORTING ECONOMIC TRANSFORMATION

Cambodia's Economic Transformation and Skills for the Digital Economy

Government and Private Sector Engagement Report, July 2019

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A series of engagements with government and the private sector undertaken jointly SET (ODI) and CDRI to inform DFAT supported analysis of the role of skills for the digital economy in Cambodia's broader economic transformation.

ODI   CDRI Cambodia Development Resource Institute

Australian Government

Department of Foreign Affairs and Trade

The Opportunity - Digital Skills for Cambodia's Economic Transformation

Digital technology is advancing rapidly in Cambodia with important implications for the Cambodian economy. The digital economy is currently a key focus of policy development for the Cambodian government. Under the Cambodian Government's Cambodian Vision 2050 document, a key strategic objective toward 2050, is the development of a society built on the sciences, technology, and digitalization and which is well placed to reap benefits of the Industrial Revolution 4.0 (IR 4.0)

Similarly, Cambodia's 'Rectangular Strategy—Phase 4' emphasises the importance of Cambodia's readiness to seize the opportunities and respond to the challenges posed by the Digital Economy and IR 4.0. Importantly, the Rectangular Strategy requests the development of a long-term strategic framework for the digital economy ('the Framework'): 'a forward-looking plan to maximize the potential of digital technology to improve the nation's productivity and competitiveness, while minimizing its negative effects.' The Framework will focus on 'the ways governments, businesses and the community interact in new dimensions and adjust to and seize the benefits of digital transformation.'

Within this context, ODI SET is preparing a study to gain a better understanding of the role of appropriate and good quality education and skills in preparing for a digital economy, in order to both influence and support the Cambodian Government in the development of the Framework and its policy development around the digital economy more generally.

To this end, ODI SET and CDRI team members engaged with a variety of representatives from government and the private sector in Cambodia in July 2019 to discuss the quality of skills for the digital economy, the impact of the digital economy on Cambodia's transformation model and the quality and implementation of government policies.

Engagements revealed useful insights into the development of the Framework, including that the Framework is expected to span 15-20 years, from 2020-2035-40 (still to be decided) with the first 5 years focusing on enabling factors such as the development of appropriate infrastructure, laws and skills, the following 5 years focusing on digital adaptation and the final 5-10 years focusing on transformation. The Framework will cover private sector and government budget and financing for implementation as well the division of responsibilities amongst government agencies.

Engagements revealed that the Framework is being formulated by an overarching committee, made up of a number of sub-committees and working groups, member of which have been drawn from across government. Representatives from the Ministry of Economy and Finance, Supreme National Economic Committee (SNEC) and Ministry of Telecommunications and Post are however playing a central role. The Framework will focus on the development of an enabling environment for the digital economy and consider the role of digital government, digital society and the private sector in doing so.

Progress on Digitalisation: illustrative examples

ODI SET and CDRI also conducted interviews with a series of firms, including PiPay, Ink Animation and BookMeBus, amongst others, providing an informative snapshot of the impact of digital technology on the private sector.

PiPay

PiPay is a cashless payment platform - built around an app that incorporates merchant payment services along with additional features such as chat and maps. It is partnering with a growing

network of retail partners. PiPay's CEO Tomas Pokorny explained that PiPay operates on an open loop system with which banks and other financial institutions can integrate. In this way, PiPay encourages users to send their money from their bank to PiPay and then to the merchant.

Pokorny suggested that such open networks work better than closed networks in Cambodia because the market is so scattered. He did acknowledge that there are challenges with this approach given the low bank account registration in Cambodia but that PiPay is working to attract Cambodia's 'unbanked' by, for example opening its infrastructure to partners in rural areas, such as microfinance institutions such that it will soon be possible do cash out with PiPay.

Pokorny suggested that practical government support such as tax exemptions to the private sector could further strengthen the digital economy in Cambodia.

Whilst PiPay initially outsourced the development of its mobile transaction technology to the Germany company Wirecard, it is now gradually moving operations in house and building the requisite skill set required to service it. PiPay has developed a business tool kit and is planning to train local staff with it over the coming years.

PiPay initially experienced challenges finding developers with the requisite experience and knowledge of financial services applications. Pokorny suggested that Cambodian universities do not teach the digital skills his company requires and often provide instruction in outdated technologies. Relevant skills are therefore generally developed through on the job training.

Pokorny has recently set up the Cambodian Finance and Technology Association which will operate like a business association and work to influence policy makers in the area of finance and technology whilst also focusing on practical implementation support for members.

Ink Animation

Ink Animation is an animation and post production studio based in Phnom Penh. It provides outsourced animation services for both Cambodian and internationally distributed animated television series, including Netflix series and animated feature films.

Caleb Bjorem (HR/ Recruitment Officer, Ink Animation) explained that animation is a higher order skill set and growing industry where demand is outstripping labour supply.

Bjorem mentioned that Cambodian universities generally do not teach the skills required by Ink Animation. There is one animation school in Cambodia, located in Battambang and some graphic design schools in Phnom Penh. Bjorem suggested that it is nonetheless difficult to find students with the requisite skill set. Ink Animation therefore provides in house training to employees and has developed an online curriculum, which is currently being expanded.

Bjorem explained that it is possible for an animation firm to have a dispersed labour force and that the Ink Animation model could theoretically be replicated in the provinces, as the only resources required include digital files, hardware, internet and electricity. He explained that internet coverage is very good across country but access to reliable electricity in the provinces could cause challenges.

Drawing comparisons with his previous experience in the Cambodian garment industry, Bjorem explained that whilst the garment industry is heavily regulated (due largely to international pressure), this is less so the case in the animation industry (apart from requirements to comply with the minimum wage). He also mentioned that he hadn't found any helpful animation industry associations to support Ink Animation's work. This is in contrast to the garment sector where there are strong industry associations which work together to create standards and influence government.

BookMeBus

BookMeBus is an electronic ticket booking system for bus, van, and ferry tickets and private taxi across Cambodia. All tickets can be purchased and generated online through both a web based platform and mobile app. BookMeBus covers 60-70% of the Cambodian electronic bus ticket market, capturing 50 of the around 70 bus operators.

BookMeBus founder Chea Langda explained that he established the start-up in 2015, appreciating that there were significant inefficiencies with bus and taxi booking systems in Cambodia and realising that electronic ticketing was significant a gap in the market. His team has worked to move people from offline to online ticketing, educating them about the functionality of online ticketing and promoting digital literacy.

Langda explained that building trust in the digital platform was crucial to success as Cambodian travellers have traditionally had little trust in online services. Reflecting on Cambodia's new E-Commerce and Consumer Protection laws, he suggested that a law to protect businesses and consumers was needed.

He suggested that BookMeBus has also had to build trust with bus companies and incentivise them to the adopt BookMeBus's systems. He explained that BookMeBus can help small operators and SMEs to increase their occupancy by up to 70% by going digital through the BookMeBus system, which effectively develops an online presence and undertakes online marketing for operators on their behalf.

The BookMeBus system integrates with a wide variety of electronic payment systems including PiPay, Wing and those of major banks like ABA Bank. Langda mentioned that an additional challenge of working with bus operators is that, being family businesses, they have traditionally sought to avoid banks.
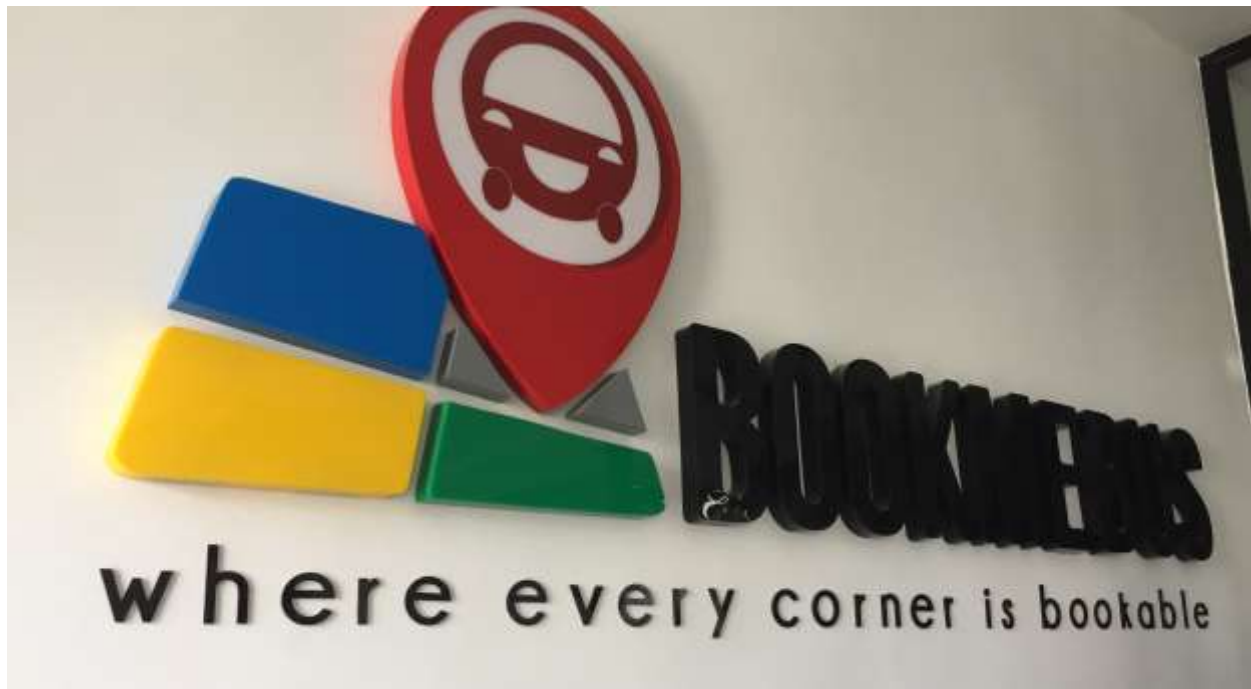
Changda mentioned that 'winners' - those benefiting from the system - include bus operators, government, the tourism industry and the consumer whilst losers include those who have traditionally benefited from inefficiencies in the Cambodian bus ticket market including middlemen ticket sellers. He explained that the platform improves the quality of the service offered for consumers. It allows passengers to provide feedback on operators including in terms of safety, price and quality which is fed directly to the business owner.

BookMeBus requires an extensive team with IT and programming skills for quality assurance of the app, machine learning etc. They have, over time, had to hire more senior programmers.

BookMeBus has focused on attracting Cambodian graduates who have studied abroad and also take international interns, mainly from France, through the Impact Hub.
The company started in a home office, before moving to a private room in the Emerald Co-working Space and then eventually to a series of dedicated office spaces.