



វេទិកាពិភាក្សាស្តីពី

Consultation Workshop on

ការប្រមើលមើលពីការប្រែក្លាយសេដ្ឋកិច្ចនៃកម្ពុជា៖ ក្របខ័ណ្ឌយុទ្ធសាស្ត្រសម្រាប់សេដ្ឋកិច្ចឌីជីថលនៃកម្ពុជា

Prospects for Cambodia's Economic Transformation: A Strategic Framework for Cambodia's Digital Economy

ថ្ងៃចន្ទ ៨កើត ខែភស្តុភ ឆ្នាំកុរ ឯកស័ក ព.ស ២៥៦៣ រៀននិងថ្ងៃទី៤ ខែវិច្ឆិកា ឆ្នាំ២០១៩

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រៀបចំដោយ

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Evidence.
Ideas.
Change.

Fostering an inclusive digital transformation in Cambodia

Presentation at RCG-CDRI-ODI-DFAT workshop
Phnom Penh, 4th November 2019

Dr Dirk Willem te Velde (ODI)

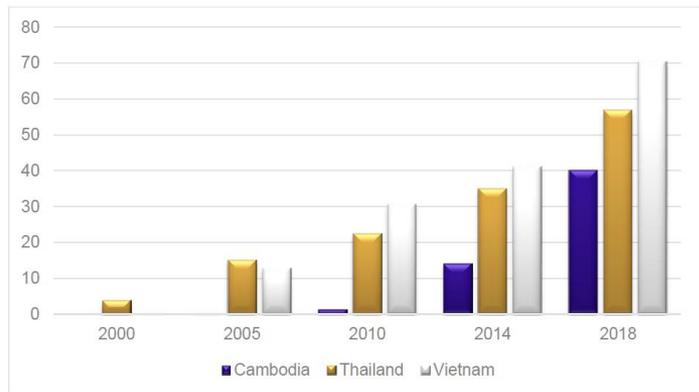
Overview of presentation

1. Digital profile, policies and initiatives – whence?
2. Key areas in the Royal Government of Cambodia's long-term framework for digital economy – whither?
3. Analysis of Cambodia's digital transformation especially its *inclusiveness*
4. Five targeted policy areas for enhanced *inclusiveness* of Cambodia's digital transformation



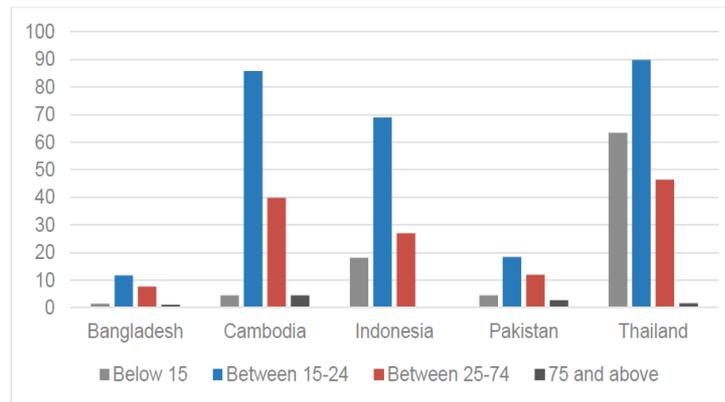
Cambodia's digital profile: Rapid increase of internet users especially amongst 15-24 age group

Figure 2: Individuals using the internet, Cambodia, Thailand and Vietnam, 2000–2016 (% of population)



Source: WDI

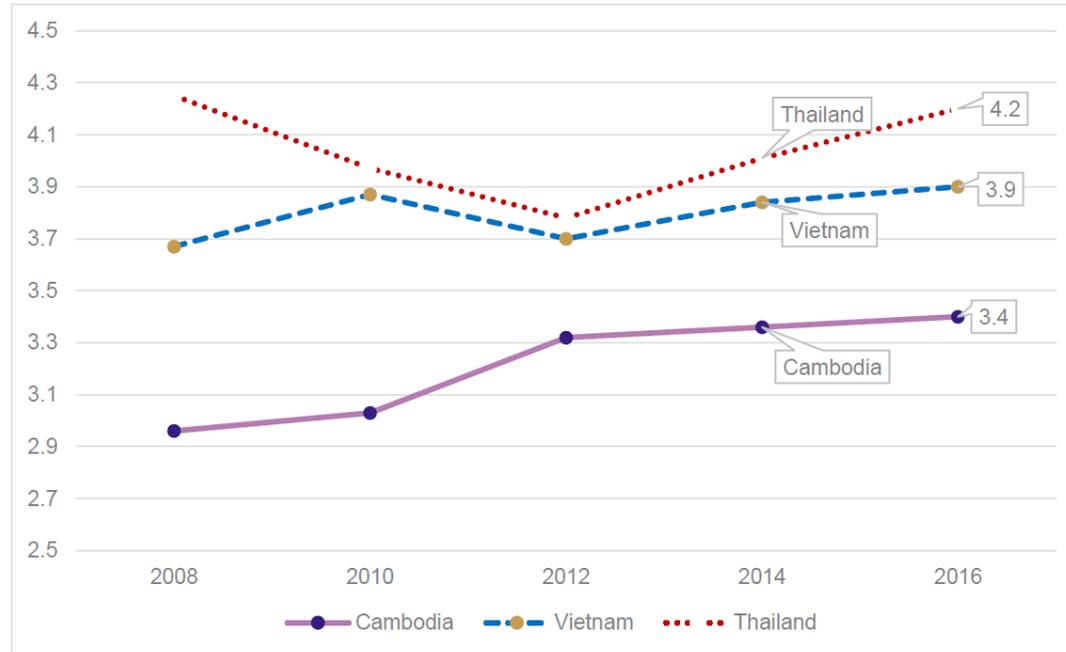
Figure 3: Percentage of individuals using the internet, by age group and country



Source: ITU (2018)

Cambodia's digital profile: Progress in networked readiness but lagging behind other countries

Figure 4: Networked Readiness Index, 2008–2016



Source: WEF (2008–2016)

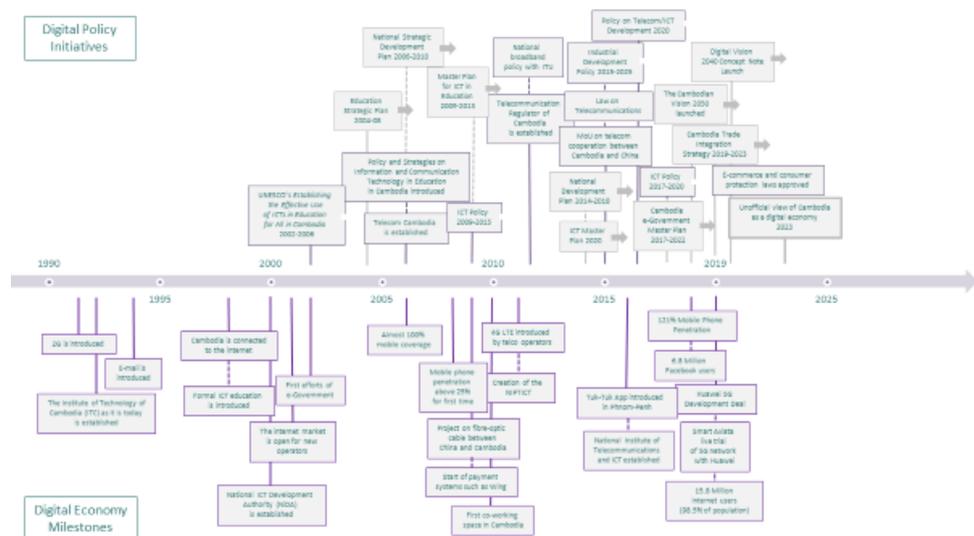
Cambodia's digital related policy initiatives (since 1995)

- Includes a range of policies/strategies

- Rectangular strategy
- Industrial Development Strategy
- Masterplan
- E-commerce law 2019
- Vision 2050

- And several digital initiatives

- E-mail in early 90s
- Wing 2009
- 7 mn facebook users now



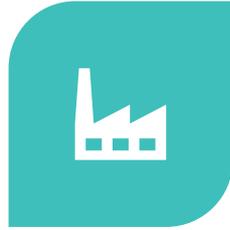
Cambodia's long-term policy framework for the digital economy

- Digital infrastructure (soft and hard)
- Digital human resources including technical, cognitive and soft skills
- Business ecosystems
- E-government
- Digital trustworthiness

Inclusive digital transformation



AGRICULTURE:
A GRADUAL START



MANUFACTURING:
MISSED
OPPORTUNITY?



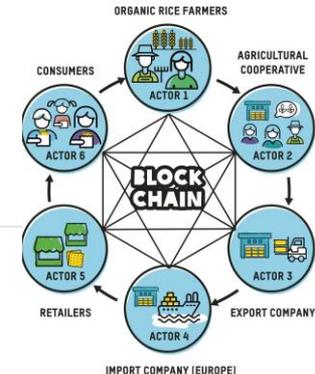
SERVICES:
SIGNIFICANT
ADVANCES



E-GOVERNMENT:
LAGGING BEHIND?

AgTech is being introduced gradually

- Ag-platforms; data connected optimisation; blockchain; robotics, AI and automation
- E.g.: BlocRice and Oxfam (PPT); RIICE and AIFD; e-Agro suite and Intel Grameen Social Business; Intel Connected Logistics Platform; AI/ disease identification: Nuru
- Supports Cambodia's transformation: Connect farmers to markets; improve information; reduce transaction costs; raise agriculture productivity.
- Would everyone gain? Entry costs, displacement?



Manufacturing: digitalisation not well advanced

- Operating costs of robots in developed countries down as labour costs in developing countries are up
- Case studies of garment firms in SSEZ and PP, wire-harnessing in PPSEZ, watches in SSEZ, confirm
 - few/no innovation, rising wages, subsidiaries of MNEs that automate / digitalise; cul-de-sac for Cambodian workforce?
- NEA: 35% garment firms (AV=46%) want to innovate
- WBES data confirm lack of web-use in KH

Fabric cutting machine



Inputs into analog watches



Table 3. Share of firms with own website: Cambodia in comparison (%)

Country	Year of survey	All firms	Exporting firms	Firms with more than 10% foreign ownership	Manufacturing firms
Cambodia	2016	24.2	12.4	22.6	14.3
Myanmar	2016	13.2	22.5	29.7	17
Laos	2018	30.9	69.1	75.6	
Thailand	2016	45.5	88.1	90.5	
Vietnam	2015	48.6	57.5	46.8	
Indonesia	2015	20.5	54.4	74.7	

Source: World Bank Enterprise Surveys.

Digitally enabled services: exciting / promising progress

Type of services	Progress	Opportunities and challenges
Transport services: PassApp, Grab, Wego or TADA	Many TukTuk drivers now use one or these platforms	Excludes less technologically advanced drivers, opportunities depend on ability to adapt
Financial services: Pi Pay	Significant coverage accounting for some \$150 million, compared with Wing, which processed \$2 billion	Targeted initially at urban consumers; how can the poorest also benefit?
Transport services: BookMeBus	More efficient ticketing and greater occupancy	Dealing with those dependent on inefficient ticketing, control over receipts
Telecommunications sector	Competitive sector but dominated by major deals	Will this be rolled out to rural areas; who gains most from large telecomms deals?
Business services: Ink Animation	Initial progress with around 60 staff, exports of services to major companies	Can this sector reach scale in Cambodia? If so, how?
Business services: MangoTango	Founded in 2014, providing offshored (exports of) services e.g. for Google	Much scope for digital labour
Government	Weak implementation of e-government initiatives	Opportunity for progress, but threat it is the weakest link
	Significant telecommunications deals	

Source: Interviews during 2019

- Increased employment (digital labour)
- Increased efficiency (with risks of displacement)



Cambodia ranks low on E-government development index

Table 5. E-Government Development Index rankings

	EGDI score	2018	2008
Thailand	0.6543	73	64
Vietnam	0.5931	88	91
Cambodia	0.3753	145	139
Myanmar	0.3328	157	144
Laos	0.3056	162	156

Source: United Nations E-Government Survey 2018

Five focal areas for an *inclusive* digital transformation

- Radically transforming innovation in the manufacturing sector
- Providing skills for the future
- Nurturing the digital start-up economy for an inclusive economy
- Protecting and enabling the most vulnerable groups to take part in the digital economy
- Promoting a public sector that leads by example.



Policy area 1: Transforming innovation in manufacturing

- Incentives to innovate
 - Ecosystem to attract and nurture digitally / technologically advanced investors
 - Skills Development Fund, targeted TVET places
 - Use DFI investment (eg IFC in VietNam)
- + Make it easier to operate (incl. through e-govt?)
- Digital SME clusters / zones around manufacturing



Policy area 2: Skills for the future

- Technical, cognitive, soft skills, e.g. lack of specific ICT skills, eg less than 30% of KH population can copy a file - 50% Indonesia; less than 3% can connect new devices; less than 1% can configure software; 0.4% of TVET students are in manufacturing.
- Lack of quality skills at schooling levels known, but new initiatives at post-secondary level are important too:
 1. Promote sector skills councils (SSCs), around auto-mechanics, construction, electric, manufacturing, and embrace a digital economy
 2. Promoting links between higher education institutes and the private sector, such as through placements in industry;
 3. Promote use of Skills Development Fund



Policy area 3: Digital start-up for an inclusive economy

1. Rapidly emerging, eg co-working spaces in urban areas, but do these lead to innovation also at the bottom-of-the pyramid?
2. Promote eco-systems and foster collective actions around innovation for the poorest (e.g. impact prizes)

Policy area 4: Protecting the most vulnerable along digitalisation transformation

Table 9. Social protection measures required to complement digitalisation

	Digital literacy and pro-poor digital infrastructure	Support for affected groups	(Re)training and sector support
Drivers or retailers not yet part of digital platforms	X		X
Booking apps		X	
Blockchain in agriculture		X	
Garments and other manufacturing			X

Source: Text.

Policy area 5: A public that leads by example

- E-government considered a challenge; needs further attention
- Can government leave no one behind in digital transformation?
- Regulating telecommunications sector needs further attention
- Examples of big changes, eg. Estonia? → (i) openness to change after independence, including through young leadership; (ii) privatisation and innovation; (iii) low costs of digitalisation; (iv) availability of ICT talent and closeness to digital leaders in Scandinavia; and (v) decentralisation and flexibility
- Needs institutional framework to oversee design and implementation of digital economy framework

Conclusions

1. Cambodia has advanced significantly along the digital transformation path; now is the right time to be consulting on a new long-term policy framework
2. Many excellent ideas, analysis, actions already
3. There should also be enhanced focus on the *inclusiveness* of DT, including the sector/distributional implications of digitalisation and supporting the poorest and most vulnerable
4. We propose five policy areas for further discussions