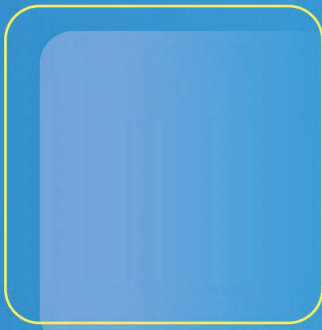


# E-COMMERCE STRATEGY



**EIF** Enhanced  
Integrated  
Framework

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## Forward



In the context of 4<sup>th</sup> Industrial Revolution (IR 4.0), digital technology is a key driving force of industrial competitiveness and business operation, significantly contributing to high productivity, increased export, job creation and economic growth. With the view to long-term opportunities of IR 4.0, the Royal Government of Cambodia (RGC) of the Sixth Legislature of the National Assembly identified the need for **“Preparation for Digital Economy and Forth Industrial Revolution”** in the 3<sup>rd</sup> side of the 2<sup>nd</sup> rectangle of the Rectangular Strategy Phase 4. Development of digital technology also responds to the National Strategic Development Plan (NSDP) 2019-2023 and the Industrial Development Policy 2015-2025 which aim for economic diversification by leveraging technologies to promote capacity building of domestic SMEs in order that they are able to join regional and global value chains.

To realize the above mentioned vision of the RGC, the Ministry of Commerce (MoC) with financial support from the **Enhanced Integrated Framework (EIF)** undertakes an initiative to formulate a National E-commerce Strategy as a guiding map for e-commerce sector development under a harmonized and well-coordinated framework since this sector is a new, yet potential source of Cambodia’s economic growth. Formulation of the E-commerce Strategy is consistent and responsive to recommendations in other trade-related strategy documents, such as (i) Cambodia Trade Integration Strategy 2019-2023 which focuses on Trade in Service, E-commerce, and Digital Economy and IR 4.0 under Chapter 10, 11 and 12 respectively; (ii) Cambodia ICT Master Plan 2020 and (iii) Cambodia eTrade Readiness Assessment by UNCTAD in 2017. As trade is a cross-cutting sector, the E-commerce Strategy is critically formulated in accordance with related strategies/policies of relevant line ministries.

Besides responding to context of digital economy and IR 4.0, the E-commerce Strategy formulation is being conducted at the right time while the Law on E-commerce was promulgated on 02 November 2019. The Law on E-commerce will serve as an important legal foundation for e-commerce sector development, especially for protecting and building trust among e-commerce users as well as attracting foreign investors in e-commerce sector. In addition, e-commerce is also one of the major topics in trade negotiations at regional and global levels. For instance, Cambodia has signed and endorsed the ASEAN Agreement on E-commerce which is an integral part of legal and regulation framework accelerating e-commerce growth in ASEAN. E-commerce is also included in RCEP and on-going negotiations at WTO to be included as a part of the WTO agreements.

Hence, this E-commerce Strategy best fits into the context of modern technology, country development, and regional and global trend. However, transformation from traditional to modern commerce will bring both challenges and opportunities which require critical study



in order to provide in depth recommendations for the purpose of developing e-commerce sector to gain maximum and fruitful interest for Cambodia. The Ministry of Commerce has involved many relevant stakeholders in private sector, public sector, and development partners in the study of the 10 components of e-commerce ecosystem to make this E-commerce Strategy harmonized and consistent with other related areas. Furthermore, the E-commerce Strategy also provides Plan of Actions (PoA) determining actions to be implemented to develop e-commerce sector for interests of Cambodian people. Implementation of this strategy as well as its PoA requires attention and active participation from all relevant stakeholders in private sector, public sector and development partners.

I am confident that effective implementation of this E-commerce Strategy will bring rapid development of e-commerce sector and prosperities as well as harmony to Cambodian people. I also strongly hope that this strategy will serve as a key document contributing to country's economic development, especially transforming Cambodia into a digital economy in the future as well as realizing Cambodia's vision of becoming a high-middle-income country in 2030 and high-income country in 2050.



PAN Sorasak

Minister of Commerce



## Acknowledgment

Sincerely thanks to **H.E Mr. PAN Sorasak**, Minister of Commerce for providing guidance, supports and policy recommendations as well as encouragement to the task team in the formulation process of this significant document. Special thanks to **H.E Mrs. TEKRETH Kamrang**, Secretary of States, Ministry of Commerce and EIF Focal Point for Cambodia, **H.E Mr. SAMHENG Bora**, Undersecretary of State, and the task team of Department of International Cooperation (DICO) of the Ministry of Commerce for leading, coordinating and publishing this strategy document.

Thanks also to representatives from line-ministries, chambers of commerce, business associations, companies, enterprises, educational institutes and development partners for active participation in providing constructive feedbacks and recommendations to make this E-commerce Strategy more accurate and consistent with the sector context. The E-commerce Strategy has been formulated with participation from 18 public institutions and 60 private institutions and development partners together with 220 participants, showing that this strategy possesses high level of inclusiveness covering the whole e-commerce ecosystem.

The successful formulation of this strategy is made possible by the assistance from the Enhanced Integrated Framework (EIF) which provides financial support in the formulation process. EIF is also a donor of other development projects aiming to promote competitiveness, diversification and productivity in Cambodia.

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## Abbreviations and Acronyms

Acronym	Definition
3PL	Third-Party Logistics
ADB	Asian Development Bank
AI	Artificial Intelligence
ATISA	ASEAN Trade in Services Agreement
ATM	Automated Teller Machine
B2B	Business-to-Business
B2C	Business-to-Consumer
C2C	Consumer-to-Customer
CBRD	Capacity Building Research and Development
CCC	Cambodia Chamber of Commerce
CDC	The Council for the Development of Cambodia
CICO	Cash-in, Cash-out
CO	Certificate of Origin
COD	Cash on Delivery
CRVS	Civil Registration and Vital Statistics
CSS	Cambodian Shared Switch
CTIS	Cambodia Trade Integration Strategy
ECOSOCC	Economic, Social & Cultural Council
EIF	Enhanced Integrated Framework
ERP	Enterprise Resource Planning
FASMEC	Federation of Associations for SMEs of Cambodia
FDI	Foreign Direct Investment
FinTech	Financial Technology
FSDS	Financial Services Development Strategy
FTA	Free Trade Agreement
GATS	General Agreement on Trade in Services
GDCE	General Department of Customs and Excise of Cambodia
GDP	Gross Domestic Product
GDT	General Department of Taxation
ICT	Information and Communications Technology
IFC	International Finance Corporation
IOT	Internet of Things
IPIS	Integrated Population Identification System
IPR	Intellectual Property Rights
IQAU	Internal Quality Assurance Unit
IT	Information Technology
IXPs	Internet Exchange Points
KYC	Know Your Customer
LMP	Link Management Protocol
MAFF	Ministry of Agriculture Forestry and Fisheries
MDI	Microfinance Deposit-Taking Institution
MEF	Ministry of Economy and Finance
MEF/GDT	Ministry of Economy and Finance / General Department of Taxation
MFI	Microfinance Institutions



MISTI	Ministry of Industry, Science, Technology and Innovation <sup>1</sup>
MNO	Mobile Network Operator
MOC	Ministry of Commerce
MOEYS	Ministry of Education, Youth and Sport
MOH	Ministry of Health
MPTC	Ministry of Posts and Telecommunications
SME	Small & Medium Enterprises <sup>2</sup>
NACC	National Anti-Cybercrime Committee
NBC	National Bank of Cambodia
NCPC	National Consumer Protection Committee
NIPTICT	National Institute of Posts, Telecoms & ICT
NSW	National Single Window
O2O	Online to Offline
OECD	Organization for Economic Co-operation and Development
OTC	Over the Counter
OTJ	On-the-Job
POS	Point of Sale
PSI	Payment Service Institutions
PSP	Payment Service Providers
RCEP	Regional Comprehensive Economic Partnership
RCIs	Reserve Capital Instruments
RTA	Regional Trade Agreements
RTGS	Real Time Gross Settlement
S.E Asia	Southeast Asia
SEZ	Special Economic Zone
SME	Small & Medium Enterprises
STEM	Science, Technology, Engineering, and Mathematics
TFA	Trade Facilitation Agreement
TTPs	Third Party Processor
TTRI	Trade Training and Research Institute
TVET	Technical and Vocational Education and Training
UK	United Kingdom
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
US	United States
USD	United States Dollar
USOF	Universal Service Obligation Fund
VAT	Value-Added Tax
VC	Venture Capital
WB	World Bank
WTO	World Trade Organization

<sup>1</sup> Formerly, Ministry of Industry and Handicraft

<sup>2</sup> For the purpose of this Strategy, SME shall also cover Micro Enterprises

## Executive Summary

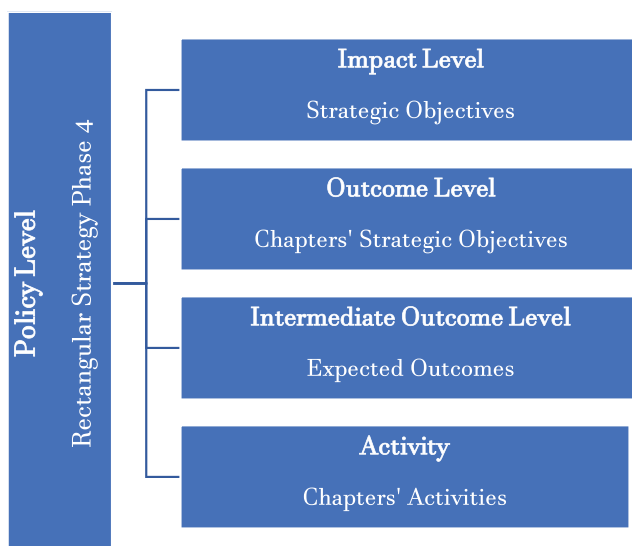
Cambodia's digital economy, in particular the e-commerce segment, has experienced rapid growth within the past decade. Internet access, affordability, and uptake have ramped up significantly, and the consumer base is becoming increasingly sophisticated in terms of absorbing social media, local content, and increasingly smart-phone based value-added services.

On the policy side, the Royal Government of Cambodia has undertaken a series of broad-based reforms aimed at strengthening/diversifying the productive sector base and achieving economic/trade related competitiveness growth. These strategic objectives are enshrined in the national development agenda, articulated by the Rectangular strategy IV, National Strategic Development Plan 2019-2023, Industrial Development Policy 2015-2025, Cambodia National ICT Masterplan 2020, and the recently published Cambodia Trade Integration Strategy 2019-2023. Moreover, the recently adopted e-commerce law has ushered in a new era where a rapidly improving institutional and regulatory framework will support the e-commerce sector growth.

On the private sector side, tech start-up activity is ramping up, accompanied by increasing venture capital activity, which reflects the growing confidence within the investor community in Cambodian entrepreneurs as well as the untapped market potential. E-commerce firms across a range of segments have emerged including both international and national firms. The rapid rise in the adoption of mobile-money solutions by consumers and companies alike has shown that there is a willing to experiment with mobile-money payments, and businesses have been happy to oblige. The role of social media has also been important and social-commerce activity has promoted the rise of micro-entrepreneurs active on C2C channels, and has also helped traditional retail companies to internalize the message that an online-presence at the very least is essential in this digital era.

Base on the initiative and policy that put great impetus on the e-commerce and to respond to the increasing growth of e-commerce ecosystem activities by the private sector, the E-Commerce Strategy looks to promote the sustainable growth of e-commerce through effective public sector facilitation with the objective to improve e-commerce business environment and through the implementation of the comprehensive action plan that pragmatically respond to the actual needs of the sector in Cambodia. In this regard, the E-Commerce Strategy takes a detailed examination of the following components: 1) Strategy/policy focus and institutional coordination; 2) Legal and Regulatory Framework, and Data Policy; 3) SME regulations; 4) ICT Infrastructure; 5) Digital skills infrastructure (digital literacy, IT skills and digital entrepreneurship); 6) Payment systems; 7) Domestic Trade Logistics; 8) Cross-Border Trade; 9) Access to Financing for e-commerce firms; 10) Trade information and in-market support.

In order to leverage the considerable opportunities as well as challenges facing the Cambodian e-commerce sector, the following strategic framework containing five strategic objectives is proposed. These strategic objectives will encapsulate the individual strategic objectives of the e-commerce ecosystem components through a theory of change below:



### **Strategic Objective 1: Enhance Business Environment, Regulatory Framework and Institutional Coordination**

This strategic objective aims to improve the overall business environment and regulatory landscape for e-commerce firms given that the strategy process has uncovered significant deficits in terms of SME registration and licensing, access to information, access to finance, among other areas. The SME development framework will be reviewed to identify areas where regulations, processes and incentives for e-commerce firms need to be improved. At the institutional level, the awareness and understanding of the e-commerce sector will be developed so that this can translate into tangible institutional improvements for e-commerce SMEs.

### **Strategic Objective 2: Raise SME capabilities and improve VC coordination**

This strategic objective is aimed at improving the demand-side capabilities for E-commerce firms and private sector representations such as chambers of commerce to keep abreast of opportunities and trends in the sector, and on a regular basis share recommendation with policy makers based on a common position. The chambers of commerce/sector associations are very important in term of developing a sector wide position for e-commerce and the digital economy (for example via a whitepaper, or regular participation in public-private consultations).

### **Strategic Objective 3: Enhance domestic and cross-border logistics**

The logistics component is one of the weaker areas of the e-commerce ecosystem, and will constitute a twin focus as part of this strategy. The first dimension will focus on domestic logistics, in terms of helping e-commerce firms develop in-house capabilities and also reducing the fragmentation of the 3<sup>rd</sup> party logistics services providers (3PL), by improving their capabilities and collaboration with each other. Recognizing the severe physical addressing concerns, alternate models such as virtual addressing could be introduced. Additionally, capability development for Cambodia Post will be a priority, in addition to boosting competitiveness for domestic package delivery service providers.

Cambodia's longer-term e-commerce growth prospects reside in cross-border trade, and there is significant work to be done in terms of developing capacity in terms of TFA commitments implementation, especially in paperless cross border trade, human-capital (of customs and other agencies), and commitments agreed as part of the ASEAN agreement on e-commerce. Of critical importance is the implementation of the single-window initiative which will improve the entire cross-border trade value chain, by facilitating submission and processing of standardized information and



documents with a single-entry point to fulfil all import, export, and transit-related regulatory requirements.

#### **Strategic Objective 4: Strengthen ICT infrastructure, financial inclusion and digital literacy in order for e-commerce to grow in the hinterland**

This strategic objective focuses on galvanizing the entire e-commerce ecosystem to seek outward expansion into the rural areas. The overall goal will be to improve the digital literacy rate across the country in tandem with initiatives aimed at ICT infrastructure upgrades and financial inclusion and education in the under-developed areas. This is keeping in mind that the strong rural-urban divide extends to financial inclusion, digital literacy and ICT penetration, and is one of the biggest barriers to e-commerce growth beyond the capital. Concerted multi-pronged efforts by fintech, MFIs, commercial banks, MNOs and other actors is required to ensure that the rural consumer base has access to a reliable communications infrastructure at reasonable rate and mobile financial solutions.

#### **Strategic Objective 5: Develop responsive skills-infrastructure for e-commerce**

This strategic objective is comprised of a two-pronged front in aid of developing a robust skills-development base for e-commerce in Cambodia. First, it will aim to reduce the skills-mismatch issues existing in the sector by establishing a feedback loop between skills-providers, policy-makers, and the private sector. Second, efforts will be undertaken to improve digital-entrepreneurship support for e-commerce startups, especially youth and women. Support to entities who are actively involved in working with digital youth entrepreneurship, involving them in policy development, and anchoring development initiatives in such entities is essential, in terms of financial and technical support. This will also involve expanding the network outside the capital to key second tier cities like Siem Reap and Battambang, as well as rural areas based on due-diligence conducted by the innovation ecosystem builders.

#### **Conclusion**

The overall analyses and insights gained through the strategy development process points definitely to the immense potential for e-commerce to contribute to Cambodia's economic and socio-economic bottom line. At the very least, e-commerce offers a medium for SMEs to be discovered and reach a broader customer base, while an innovative e-commerce sector can propel growth to the national level trade competitiveness, while advancing private sector growth and socio-economic priorities such as job-creation, meaningful integration of youth/women in productive economic activities.

The Plan of Action developed as part of this e-commerce strategy is aimed at resolving the entrenched root-cause weaknesses in the ecosystem, and on the other hand, realize the full extent of opportunities for Cambodian-e-commerce. This will require a concerted collaboration between the public sector, private sector, and the wide support base including financial institutions, skills providers, fintech players, investor, the telecommunications and financial regulators, and development partners. Indeed, just like the communications sector has experienced a leapfrogging effect in terms of internet connectivity, the time is opportune to affect improvements in other ecosystem areas as well. In sum, Cambodia is on the cusp of an e-commerce revolution, which will help the country progress in the realization of its long-term vision stated in the RS IV, NSDP and other strategies outlining the national development mission.

Strategy and Policy Focus and Institutional Coordination



1

Legal and Regulatory Framework



2

SME Regulations



3

ICT Infrastructure



4

Digital Skills Infrastructure



5

E-COM  
STR







## Chapter 1

# Strategy and Policy Focus and Institutional Coordination

### 1. Introduction

Public sector Interest in e-commerce picked up in 2017 following the sharp ramp-up of e-commerce activity (albeit from a small base). This has now evolved into a number of initiatives aimed at developing various parts of the ecosystem, and e-commerce has gradually been integrated into the national development agenda. Going forward, it would be important to ensure that development efforts are not fragmented, and policy, infrastructure and regulatory updates are all synchronized. For the e-commerce law, compliance requirements will need to be developed. The capacity of both public institutions and private sector associations and other stakeholders will also need an upgrade.

Government interest in e-commerce has been driven by a variety of factors including the following:

1. The growth in digitally driven commerce activity has originated in large part by social-commerce. This informal and unregulated activity has led to challenges for government related to taxation and rise in informality, as well as consumer protection. Formal e-commerce businesses have echoed these perspectives stemming from their concerns about unfair competition stemming from informal businesses.
2. The private sector has increasingly become vocal about the need to develop 'e-commerce specificity' in the SME business environment as well as the legal and regulatory framework.

3. Increased investment interest, and rise in venture-capital activity in the e-commerce segment has stimulated the government's interest to promote more investments.
4. The e-commerce law has actually been in development since 2012, proactively led by MOC and finally was promulgated in November 2019. The rise in e-commerce activity and initiatives such as the national single window, and discussions within regional and multilateral fora (including ASEAN and RCEP) involving active participation by Cambodia has reinforced the importance of e-commerce in Cambodia. The ASEAN framework has been particularly relevant, with Cambodia being a signatory to the ASEAN agreement on e-commerce. At the WTO, Cambodia supported the MC11 statement on e-commerce and is actively involved in current discussions.

## 2. Current Status

The last five years have witnessed an increase of activity within the public sector relating to the digital economy. A number of ministries prominently MEF, MPTC, NBC, MoC, CDC have been working on projects and policies aimed at the broader digital economy ecosystem including:

- Cambodia has announced a vision for transforming into a digital economy by 2023. In order to reach this objective, Cambodia has put out a number of initiatives such as the Rectangular Strategy Phase IV, National Strategic Development Plan (NSDP) 2019-2023, and the Industrial Development Policy (IDP) 2015-2025, all underline the role of digital technologies for business, the importance for Cambodia to invest in these areas and the importance of increasing readiness to benefit from Industry 4.0
- The ICT Masterplan examines the role of ICT in a wide spectrum of areas such as education, health, business, and underlines the importance of expanding the telecommunications infrastructure network across the country. In addition, the Government has recently established the Digital Economy Policy Framework Working Group and the Digital Government Policy Framework Working group to accelerate the digital economy transformation and digitalization of government functions, including internal processes and public services, respectively. Relating to those tasks, the Working Group will explore digital government trends in the region and around the world, assess opportunities and impacts of digital economy on Cambodia, as well as analyzing needs for infrastructure, human resource and policy support development.
- The CTIS 2019-2023 contains a specific chapter on e-commerce, and additional chapters on the digital economy and industry 4.0, marking the growing importance of these areas within the country's development agenda. In line with those needs for digital transformation and to leverage benefits from industry 4.0, the digital economy policy formulation is being led by the MEF, and a working group has been established for this purpose. Moreover, a fintech strategy and a payment services development strategy being formulated by the NBC, with ADB and WB support respectively.
- The e-commerce law has been promulgated alongside the consumer protection law. Both of these legislations are critical pieces of the legal framework for e-commerce.

### 3. Challenges

E-commerce and digital economy are emerging fields in Cambodia, and a broad understanding of the overall ecosystem has been mainstreamed gradually in policy circles. Therefore, it is imperative to establish an effective coordination body in order to steer all the development activities and initiative in a single direction. Such arrangement has been established for the broader digital economy context in which an important development of the establishment of policy framework for digital economy is the establish of the working group chaired by the MEF and comprised of 25 government ministries and technical agencies. Specifically, for e-commerce, overall ecosystem representation within a working group/committee has not yet emerged, and there is no coordinating agency for e-commerce development.

In the private sector sphere too, the chambers of commerce and business associations including CCC, FASMEC, EUROCHAM, BRITCHAM, AMCHAM are gradually building their understanding and position, but, similar to the public sector, the private sector has not yet prepared themselves to coordinate the e-commerce sector. Such cooperation could be done via inter-chamber and business association coordination. In the meantime, services offered by the chambers/business association in the e-commerce space to their membership are still limited. These institutions can play an important role in terms of developing a common private sector position and provide comments to the government on policy-making.

### 4. Strategic Objectives

#### **(1) Further Integrate E-Commerce and Digital Economy Considerations in the National Development Agenda**

This strategic objective is focused on ensuring that a strong all-round understanding of e-commerce concepts is developed across key ministries, technical agencies and the various components of the ecosystem (including skills providers, private sector associations, chambers of commerce, commercial banks and other partners). This will require a forum (physical and/or virtual) where stakeholders from all components of the ecosystem can discuss their perspective and ideas related to e-commerce. For the e-commerce law, the benefits and compliance requirements will need to be developed. To ensure a comprehensive integration of e-commerce within the trade competitiveness agenda, all sector development plans with a market-side component should include a focus on e-commerce given its role in enterprise competitiveness and market promotion, and this will require active collaboration with development partners.

#### **(2) Improve Institutional Coordination in Support of the E-Commerce Sector**

The strategy recommends for the formation of a working group under the chairmanship of MOC, and involvement from key line Ministries to lead the coordination for e-commerce development in the country. The creation of this mechanism is important for overall coordination to ensure information sharing, alignment of all activities and initiatives and avoid duplication and fragmentation by ministries and technical agencies in the ecosystem of e-commerce. Additionally, this working group should be linked various existing coordination arrangements including the working Group of Digital Economy, and coordination mechanisms for components including fintech/payment systems, skills development and the national single window.



On the private sector end, the national and international chambers of commerce, business association and key e-commerce players stand to gain by ramping up their understanding of e-commerce, industry 4.0, digital economy, cross-border trade originating from e-commerce, which are the emerging topics, in two ways. First, it will help the private sector to develop a private sector position and solutions which can be offered to policy makers as input, and second, it will help to develop suites of services which they can offer to their membership. In addition, a formal consultation and operational body such as an e-commerce association could also be formed to act as the main consultation partner with the government in the area of e-commerce. The key thrusts of this strategic objective would also be to improve the level of coordination between the private sector.

## 5. Theory of Change

Current situation		Desired impact of strategy	
Improving institutional understanding of e-commerce and the broader digital economy bodies well for the sectors, but significant risk remains due to fragmented efforts.		<ul style="list-style-type: none"><li>• A robust institutional coordination mechanism to support the implementation of initiatives and e-commerce policies to ensure alignment and avoid duplication and fragmentation.</li><li>• Clarity for e-commerce firms, institutions, investors and consumers, related to policy direction in the sector</li></ul>	
Challenges and opportunities	Strategic objectives	POA actions	
1. Coordination mechanism could be created to improve coordination related to e-commerce.	1. Further integrate e-commerce and digital economy considerations in the national development agenda  2. Improve institutional coordination in support of Cambodia's emerging e-commerce sector.	1.1.1, 1.1.2, 1.1.5	
2. Need for an institutional lead for e-commerce.		1.2.1, 3.2.1, 3.2.2, 3.2.3, 3.3.1, 8.2.1, 8.2.2, 8.2.3 8.2.4, 8.2.5, 1.2.2, 1.2.3	
3. Lack of clarity for e-commerce firms, institutions, investors and consumers related to policy direction for the sector.			
Principal stakeholders involved			
MoC, MEF, MPTC, NBC, MEF/GDT			

# CHAPTER 1: Strategy and Policy Focus and Institutional Coordination

## Strategic objectives

01

Further integrate e-commerce and digital economy considerations in the national development agenda



02

Improve institutional coordination in support of Cambodia's emerging e-commerce sector.



## Challenges and opportunities



Coordination mechanism could be created to improve coordination related to e-commerce.



Need for an institutional lead for e-commerce.



Lack of clarity for firms, institutions, consumers related direction for the s



## Desired impact of strategy



A robust institutional coordination mechanism to support the implementation of initiatives and e-commerce policies to ensure alignment and avoid duplication and fragmentation.



Clarity for e-commerce firms, institutions, investors and consumers, related to policy direction in the sector



e-commerce  
investors and  
policy  
sector.

*Improving institutional understanding of e-commerce and the broader digital economy bodes well for the sectors, but significant risk remains due to fragmented efforts.*





## Chapter 2 Legal and Regulatory Framework

### 1. Introduction

The absence of a legal framework specific to e-commerce has actually assisted the e-commerce sector to set roots and grow. However, as the scale of e-commerce in Cambodia increases, consumers and companies require a guiding legal framework which articulates the rights and responsibilities of all relevant stakeholders in the areas of electronic transactions, cybercrime, consumer protection, data protection, competition and others. The promulgation of E-Commerce Law supports coverage of the most important legislative gaps governing e-commerce in Cambodia. Other legislations include the consumer protection law, cybercrime law and the competition law, which will mark important milestones for a comprehensive e-commerce legal framework. The passage of those legislations will clarify provisions relating with tax obligations, electronic payments, and incentives for SME e-merchants to have the single legal base compatibility with and being supportive to the robust growth of e-commerce. In the regional and global context, Cambodia is a signatory to the ASEAN Agreement on E-commerce, and is an active participant in the regional and multilateral negotiations on e-commerce.



## 2. Current Status

### (1) Summary of Relevant Laws and Draft Laws

Legislation	Current Status	Details
Law on E-commerce	The law was promulgated by Royal Code No. NS/RKM/1119/017, dated on 02-11-2019.	The law is comprised of 12 chapters and 67 articles.
Law on Consumer Protection	The law was promulgated by Royal Code No. NS/RKM/1119/016, dated on 02-11-2019.	The law is comprised of 11 chapters and 51 articles and will be applied on the 2 <sup>nd</sup> Day of May 2020.
Competition	Draft Competition law, currently under review by the Council of Ministers	The law is comprised of 7 chapters and 47 articles.
Civil Code	The Civil Code was promulgated by Royal Decree No. NS/RKM/1207/030, dated on 08-12-2007	The Civil Code was applied from the 21st Day of December 2011 by the MOJ's Notification No. 10/11, dated on 20-12-2011 pursuant to Law on Application of Civil Code promulgated by Royal Decree No. NS/RKM/0511/007.
Digital Signature	Sub-Decree No. 246, dated on 29/12/2017	Seeks to manage and use of digital signatures in a safe and efficient manner.
Data protection	Elements of data protection may constitute part of Law on E-commerce	Included in the Law on E-commerce in Chapter 6: "Consumer Protection".
Cybercrime	Draft law, currently under review and led by Ministry of Interior and Ministry of Justice	The draft is comprised of 6 chapters and 40 articles with objectives: ensure the implementation of law, anti-cybercrime and combating all kinds of offenses committed through computer system; ensure safety and protection of all legitimate interest in using and developing technology.
Digital Identification	Framework and associated laws are being drafted	MOI is working on a framework for implementing the Cambodian National ID program which has a strong digital identify component.

**(2) The Law on E-commerce has been recently promulgated by the Royal Kram, and is expected to usher in a new era for e-commerce development, establish the legal basis for all current and potentially scaled up future activity, in addition to spurring investments in the area.**

The enactment of Law on E-commerce will mark an important milestone in the country's e-commerce growth trajectory. The legislation aims to create a shared vision as well as a formal regulatory environment for e-commerce in Cambodia. The recent passage of the long-awaited bill into law will be followed by the drafting of sub-decree and prakas of the law. The law has a wide-ranging scope and include the following areas of focus:

- Validity of electronic communication (requirements, term of condition, privacy policy, signature, agreement, admissibility of evidence, communication process);
- Rules for secure electronic records and e-signature, including designating MPTC as the authority to manage specified security procedures and specified security procedure providers;
- Responsibility of e-commerce company, codes of conduct, license or accreditation, taxes, incentive;
- Online consumer protection (requirement for minimum information in electronic commerce, unwanted communications/spam and privacy of data);
- Acceptance of electronic communication by governmental ministries or institutions;
- Rules for electronic evidence;
- E-payments and fund transfers (requirement for license from NBC, responsibility of e-payment service provider, obligation of consumer);
- Authority (issuing regulation, license, certificate or accreditation);
- Administrative and fine procedure;
- Offences against information systems and computer data and penalties.

It is expected that the enactment of Law on E-commerce will be followed by increased investment and private sector activity in e-commerce, in addition to introduction of innovations in terms of payment systems, sophisticated platform-based systems and ramp-up of cross-border trade activity.

**(3) Sub-Decree No. 246 on Digital Signature in 2017 seeks to determine the principles of digital signature, and to manage and use digital signatures in a safe and efficient manner**

Sub-Decree No. 246 relates to Digital Signature. Article 4 defines digital signature as data linked to electronic message for identifying the signatory and verifying the original status of electronic message to which digital electronic is created. Article 9 sets the conditions that digital signature shall be capable to identify the signatory, verifying the original status of electronic message, verifying the date and time of digital signature. It also states that MPTC may set other conditions

as necessary. Sub-Decree No. 246 also recognizes validity of electronic message linked by digital signature verified by Certification Authority recognized by MPTC.<sup>3</sup>

The certificate of digital signature will be potential for use in business registration, utilizing various applications affiliated with forthcoming single window, paying taxes, along with potential use in e-commerce transactions. Article 11 of Sub-Decree No. 246 states that all online financial transactions shall employ digital signature in accordance with this Sub-Decree, except otherwise agreed by MPTC, MEF and NBC.

**(4) Law on Consumer Protection, along with Law on E-commerce, was recently promulgated as law by the Royal Decree.**

The Law on Consumer Protection provides a provision in article 27 that directly regulates the consumer protection in e-commerce. That is to suggest that minimum disclosure standard for e-commerce in Cambodia needs to be prepared as well. In non-e-commerce environment, this legislation imposed the requirement that all persons carrying out the business in Cambodia must disclose minimum information to consumers.<sup>4</sup> The competent regulatory ministries (e.g., MOC or MPTC) have authority to prepare Consumer Information Standard in the field of their competency, and it may be consulted with the National Consumer Protection Committee (NCPC) as necessary.<sup>5</sup> The Consumer Information Standards as approved by Prakas and published by the competent regulatory ministries or the NCPC will have legal effect as the regulation that implements Law on Consumer Protection.

The application of the Consumer Information Standard as stated in article 27 of Law on Consumer Protection will come into play with e-commerce firms by several provisions. It is stated so by the provision in article 33 of Law on E-commerce which requires persons using electronic communications for commercial activities with consumers to comply with other applicable provisions related to consumer protection.

Also as required in article 27 of Law on E-commerce, MPTC and MOC will prepare the code of conducts and regulation for intermediaries and electronic-commerce service providers. The code of conducts, which also needs participation by associations representing intermediaries, e-commerce service providers or consumers, will be adopted by inter-ministerial Prakas of MPTC and MOC. The code of conducts should include data protection and introduce security and transparency obligations of data controllers and processors and set a legal basis for processing personal data and grant certain rights to the owner of information (e.g. access, rectification, or erasure).

<sup>3</sup> Any person may apply for a Certification Authority License with MPTC which has a 10-year renewable validity period. MPTC is required to issue a technical guideline which sets common rules on issuing certificate of digital signature to user and Certification Authority has duty to comply with the technical guideline. Article 23 of Law on E-commerce confers MPTC the authority, by its regulation, to manage specified security procedures relative to specified security procedures for secured electronic records and secured electronic signature.

<sup>4</sup> See Articles 23 and 24

<sup>5</sup> Law on Consumer Protection calls for the establishment of the NCPC chaired by Minister of Commerce.

### (5) Import duties and VAT collection for exported and imported goods

The General Department of Customs and Excise (GDCE) is responsible for any legal action pertaining to duty levied by the government on any imported and exported goods. Under this mandate, the GDCE undertakes the following roles and responsibilities:

- Customs Law Article 1:
  - provide the right for the administration, control and collection of duties, taxes and fees on imported and exported goods (including Physical Goods and Digital Goods),
  - provide for the control and regulation of the movement, storage and transit of such goods,
  - promote the prevention and suppression of fraud and smuggling,
  - participate in implementing the international trade policy of the Royal Government of Cambodia,
  - promote the application of international standards and best practices regarding customs control and trade facilitation.
- Customs Law Article 5:
  - All imported and exported goods are subject to the provisions of Customs law. Goods entering or leaving the customs territory are subject, as applicable, to import duties and taxes or export duties and taxes as specified in the Customs Tariff

## 3. Challenges

### (1) A draft cybercrime law is under review by the Ministry of Interior and the Ministry of Justice

The purpose of the draft cybercrime law is to manage cyber security, outline preventive measure, combat cybercrime offenses committed by using computer technology. The bill is also directed at resolving the government's pressing concern related to misuse of social media, amidst the so-called fake news phenomenon which can result in political and social disharmony as well as providing protection of security and lawful rights of private persons in usage and development of technology. The draft law will also complement Press Law 1995 and incorporating updates for the information age. The draft law calls for the establishment of a National Anti-Cybercrime Committee (NACC), responsible for ensuring monitoring and enforcement.

The draft cybercrime law states punishable offences which include illegal access, data espionage, illegal interception of non-public transmissions of computer data, data interference, unauthorized data transfer, system interference (of computer system by inputting, transmitting, altering, deleting or deteriorating computer data or restricting access to such data), child pornography, contents and websites, IPR, computer related fraud and forgery, misuse of devices, accessory to cybercrime offences. In addition, it makes reference to the Criminal Code provided provisions for Offenses Related to Information Technology in articles 427 (unauthorized access to



or remaining in automated data processing system), 428 (obstructing the functioning of automated data processing system), 429 (fraudulent introduction, deletion or modification of data), 430 (participation in a group or conspiracy to commit offences).

**(2) Concerns among SMEs and Investors related to e-commerce law compliance will need to be addressed via sensitization and awareness raising initiatives**

Cambodian companies and potential investors are eagerly waiting for this development, before making decisions to establish or expand operations in the country. For SMEs and investors, there is some concern with uncertainty related to the costs of compliance associated with the law. The government however has sought to assure sector stakeholders that the tenets of the law will expand rather than curtail the growth of the sector.

E-commerce firms have also raised concern that the complete transparency via on-books transactions may place e-commerce firms in less competitive position than traditional retailers given the non-standardized accounting practices and culture of hiding transactions among the latter. The cost of compliance in terms of cyber-security and other aspects is also a raised concern.

Since the law has passed, there will be an important need to conduct sensitization and awareness-raising sessions with a wide range of stakeholders so that their rights and obligations are clearly understood or clarified. This would need to take place via in-person consultations, as well as via information posted on official websites.

#### 4. Strategic Objectives

**(1) Complete Cambodia's cyber law framework by including e-commerce-related provisions in the draft law and bridging knowledge gaps.**

With the recent passage of Law on E-commerce and Law on Consumer Protection, existing draft cybercrime law must be improved and expedited in terms of review and passage into law while ensuring that e-commerce aspects are covered in the draft legislation. It will also be necessary to bridge the gap in terms of missing legislations including data-protection and address any gaps via sub-decrees.

Additionally, through discussions and negotiations that Cambodia is taking part in in regional and global for a, there are technical areas where further public and private sector consultations may be required, to further the understanding. These areas include the likes of data localization (including backup or disaster recovery centers, or global cloud-based solution), cross-border data flow, data classification, data privacy, data and cyber security, de minimis etc. The strategic objective therefore would focus on, for example through a modality such as a white paper, a study on data policy appropriate for Cambodia in the actual context of the country's development goals and national interests.

**(2) Sensitize the consumer base and the private sector including investors on the e-commerce law and related legal and regulatory framework.**

The recent passage of Law on E-commerce is expected to usher in investment activity from investors including regional e-commerce firms seeking to diversify into the Cambodian market and also leverage Cambodia as a base for launching e-commerce operations. The broad perception within the private sector is that investors have been waiting for the passage of the draft to law in order to better understand the legal commitments and implications, before entering the market and/or introduce new services. Cambodian e-commerce firms are also keenly watching to understand the implementation of the law. Therefore, there is an important need to sensitize both investors (data controllers and processors, intermediaries and electronic-commerce service providers, payment service providers, online e-business merchants) and Cambodian firms, including consumer protection associations, as well as relevant ministries and institutions via workshops, website-updates and other means.

### 5. Theory of Change

Current situation:		Desired impact of strategy:	
Legal framework for e-commerce is not yet complete that leads to the need to strengthen before existing firms can scale up, consumer adoption can increase, and investments can flow in.		<ul style="list-style-type: none"> <li>Strengthened legal framework serving as the fundamental basis for safeguarding the e-commerce ecosystem including consumers, e-commerce SMEs and investors.</li> <li>Improved awareness among SMEs, investors on the specific compliance requirements related to the legal and regulated framework.</li> <li>A well-established and understood position for the government in terms of data-policy related to the digital economy.</li> </ul>	
Challenges and opportunities	Strategic objectives	POA actions	
1. E-commerce law is being implemented through the Royal Kram.	1. Complete Cambodia's cyber law framework by including e-commerce related provision in the existing draft laws and bridging knowledge gaps.	2.1.1, 2.1.2, 2.1.3, 2.1.4, 2.1.5, 2.1.6, 2.1.7, 2.1.8, 2.1.9, 8.1.1, 8.1.2, 8.1.3, 8.1.4, 8.1.5, 8.1.6, 8.1.7, 8.4.3, 8.4.4, 8.4.5	
2. Consumers', private sector's and investors' understanding of the legal and regulatory framework for e-commerce is still weak.	2. Undertake an assessment of data policy needs appropriate for Cambodia in the actual context of the country's development goals and national interests.	2.1.4	

	3. Sensitize the consumer base and the private sector including investors on the e-commerce law and related legal and regulatory framework.	
<b>Key stakeholders involved</b>		
MOC, MEF, MPTC, MOI, MOJ, MEF/GDT, CCC		

# CHAPTER 2: Legal and Regulatory Framework

## Strategic objectives

01

Complete Cambodia's cyber law framework by including e-commerce related provision in the existing draft laws and bridging knowledge gaps.



02

Undertake an assessment of data policy needs appropriate for Cambodia in the actual context of the country's development goals and national interests.



03

Sensitize the consumer base and the private sector including investors on the e-commerce law and related legal and regulatory framework.



## Challenges and opportunities



E-commerce law is being implemented through the Royal Kram.



Taxation is expected to be an important consideration for the e-commerce sector in the future.



Consumers' private understanding of the framework for e-commerce.





## Desired impact of strategy



Strengthened legal framework serving as the fundamental basis for safeguarding the e-commerce ecosystem including consumers, e-commerce SMEs and investors.



Improved awareness among SMEs, investors on the specific compliance requirements related to the legal and regulated framework.

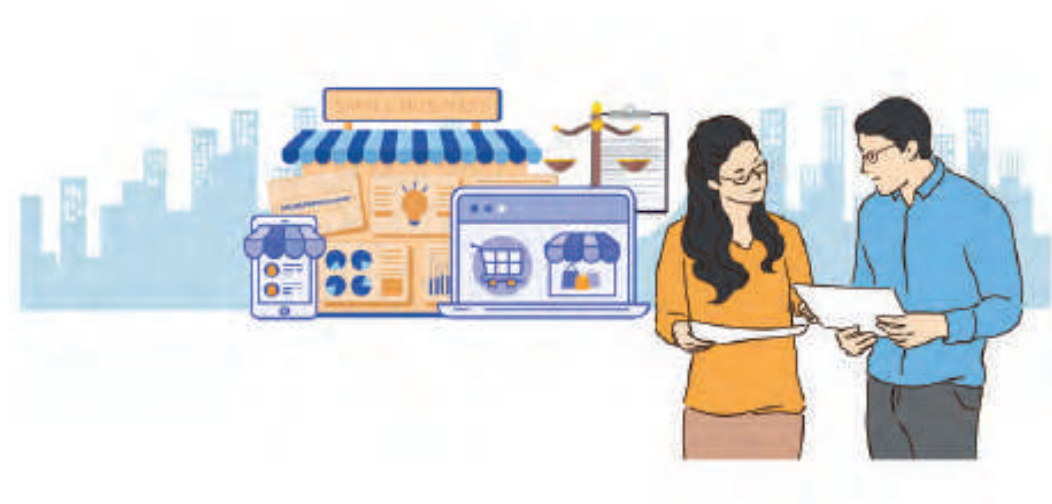


A well-established and understood position for the government in terms of data-policy related to the digital economy.



sector's and investors' legal and regulatory framework is still weak.

*Legal framework for e-commerce is not yet complete that leads to the need to strengthen before existing firms can scale up, consumer adoption can increase, and investments can flow in.*



## Chapter 3 SME Regulations

### 1. Introduction

The SME regulatory landscape is one of the main areas in the e-commerce value chain where attention is required. SMEs face a range of challenges with regulatory support such as institutional and policy alignment, lack of specificities related to tax, registration & licensing and other areas. Even with new support mechanisms such as the SME Incentives, uptake is low because of awareness gaps, lack of formalization (itself deriving from taxation-based challenges), and administrative burden. The challenge is even more prominent for the emerging e-commerce segment, where firms are not sure how to classify themselves, how to manage issues such as VAT supplier taxation treatment, and cope with low levels of institutional awareness related to the e-commerce sector. Since the Sub-Decree No.124 and the Directive No.20515, GDT has been providing dissemination workshops to taxpayers across sectors and across the country about the contents, benefits and procedures. Still, the general awareness and engagement is limited due to lack of attention. Recently, to facilitate and speed up the request procedures, ensuring transparency and accountability in monitoring and providing tax incentives, GDT issued Circular No. 17083 on the request application and certificate on tax incentives for SME taxpayers in priority sectors.

## 2. Current Status

The SME incentives scheme launched recently are a promising policy step forward in improving the business environment for SMEs. The government has stipulated specific measures to improve the business environment and improve the supply and market-side dimensions for SMEs operating in defined priority sectors in Cambodia under Sub-decree 124<sup>6</sup>.

At the same time, the adoption of E-commerce Law will make social commerce and other informal SMEs environment changes. Therefore, following issues that must be considered:

1. MSMEs, albeit informal, are benefiting from a source of livelihood made possible via their own initiative and the availability of technology (social-media platforms). There is no conclusive enumeration on how many such MSMEs exist and what were their sources of income prior to engaging in the current social-commerce activity. It is entirely possible that without this business activity, the majority of the individuals would be unemployed, derived of sources of income, and therefore a source of pressure on the national welfare system.
2. The adoption of the e-commerce law is expected to inward FDI in the form of international e-commerce players who will seek to establish a distribution network of suppliers in addition to workers. This may offer a conduit for MSMEs engaging in social-commerce to transition to the investors as suppliers or employees. This is however an unpredictable proposition in terms of whether and how it will materialize and depends on the willingness of investors and hand-holding support provided to these firms.
3. The driving factors behind the adoption of social-commerce goes beyond just considerations of taxation (although it is an important one for MSMEs). Social-media platforms served to bring suppliers closer to the consumer, even if it was through electronic communication, and helped with branding and bringing the products 'to market'. The Royal Government would do well to review these driving factors and attempt to replicate the core drivers in a formal environment (via a national-scope e-commerce platform for example).
4. It must also be kept in mind that despite improvements in the overall business environment, this segment faces tremendous challenges ranging from business licensing (with other Ministries post-registration at MOC), access to finance, and especially taxation. GDT has significantly modernized the tax administration and provided quality service including systems related to E-registration, E-VAT Refund, E-DTA, E-Payment, E-Filing (launching in 2020), calling center (Call Center 1277 and GDT Live Chat), Facebook live, GDT Live Show, workshop programs for taxpayers especially SME taxpayers etc.
5. To facilitate and resolve issues faced by SMEs when being supplied by individual and legal entity not registered tax, the Ministry of Economy and Finance has issued Prakas No. 098 on the tax on income. This Prakas stipulates that payment in cash or commodity for any supply less than 50,000 riel is exempted from obligation of paying 15% withholding tax.

<sup>6</sup> Sub-Decree No. 124 R.N.Cr.BK ("SD 124") in effect as of 2/10/2018. See <https://www.dfdl.com/resources/legal-and-tax-updates/cambodia-tax-update-sme-tax-incentives-announced/>



### 3. Challenges

SMEs face several protracted challenges in Cambodia, which are constraining the productivity and competitiveness levels of the SME base. The following are the prominent challenges faced by Cambodian e-commerce SMEs-

1. SME tax incentives: Since the Sub-Decree No.124 and the Directive No. 20515, GDT has been providing dissemination workshops to taxpayers across sectors and across the country about the contents, benefits and procedures. Still, the general awareness and engagement is limited due to lack of attention.
2. The absence of a common SME development framework is slowing down SME support mechanisms and increasing the risk for policy misalignment. There is currently no coherent SME development framework in Cambodia, due to which a fair degree of siloed policy activity is occurring within the policymaking framework. An overdue SME development policy is in development, led by the Ministry of Industry and Handicraft, and constitutes a gap in the policy framework. Enterprises are largely unclear regarding the responsibilities of different agencies as there is a gap in the terms of clear information provided on a single portal. This is also leading to weaknesses in effective implementation and coordination among different policies and measures.
3. SMEs constitute the missing middle in Cambodia. Micro-enterprises constitute 97% of the Cambodian private sector base (accounting for only 30 percent of employment and 12 percent of the turnover) while large enterprises (mainly export-oriented factories) constitute 0.6 percent of all enterprises (accounting for 63 percent of jobs and 76 percent of turnover). The SME base is just recently emerging and while some activity has taken place in the Garments sector has been recognized, SME operating in e-commerce and the tech-sector are largely underserved and less-understood than other segments. The need to develop a SME development framework has never been stronger, especially with the emergence of the digital economy which is forecasted to involve significant SME activity.
4. The SME challenges are further exacerbated by the fact that there is no common accepted definitions or criteria for SMEs within key public sector entities such as MISTI, GDT<sup>7</sup> and MOC. No common criteria or definition of SMEs exists within the public sector, leading to further fragmentation of SME related services. Different criteria exist between various institutions, and as example, GDT employs a criterion based on staff and revenues, which it uses for tax collection purposes. A standard definition is an essential starting point for policy development and measurement of data related to SMEs.
5. Taxation has emerged as an important challenge consistently cited by e-commerce SMEs. However, in terms of recent improvements, GDT has posted and updated tax laws and regulations including tax rates on the GDT website, GDT Facebook, YouTube and GDT News App. More often GDT has organized dissemination seminars and workshops on tax law and regulations as well as through social and public media. Additionally, the following taxation-based issues exist:

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<sup>7</sup> Based on the sub-decree, small enterprises as those firms having an annual turnover of between \$62,500 and \$175,000, and that have 10 to 50 employees; Medium enterprises are defined as those with an annual turnover ranging from \$175,000 to \$1 million, and from 51 to 100 employees.



- a. Two key issues are related to VAT.
  - i. The first one relates to informal suppliers which is a typical case for most e-commerce firms and indeed most SMEs. VAT is indirect tax imposed on end consumer while withholding tax is the direct tax imposed only on service income provided by individual or unregistered supplier. Since a VAT can only be issued by a supplier firm registered with tax ID number, for informal suppliers (e.g. informal service delivery men or freelancers), there is no VAT invoice issued. So, the e-commerce firm is required to make an extra payment of 15% as withholding tax to the GDT as withholding tax 15% rate applies to unregistered service provider due to this individual service provider earns income but has no obligation to file income tax return and the income is withheld by withholding tax agent. This is more than the typical 10% rate required if a formal supplier had issued a proper VAT invoice.
  - ii. Second issue is of tax treatment for platforms. Although the MEF has issued Prakas 597 MEF.PK dated 27 June 2018 on the recognition and tax obligation of goods and services supply agent in the name of principle enterprise which stipulated the criteria to be eligible for service agent and pay tax on the commission basis, this regulation may not be applicable for current e-commerce environment. One standout condition, among others, is the need for the agent to be a medium or large tax payer, which may not be applicable as the current platform operators are mostly small startup companies. Moreover, large number of those platforms offer products and services from mostly informal suppliers and thus may be not be applicable for the current tax regulation.
- b. Additionally, given that a significant percentage of the suppliers can be informal, the e-commerce firms are in practice forced to declare the product as their own, and hire the suppliers as staff instead of being able to contract them as freelancers. **Firms are unsure about the hiring modalities and tax-implications related to freelancers in general.** This is a challenge because e-commerce firms are actually serving as an important market for suppliers who tend to be MSMEs (in terms of size and revenue) so the added tax burden is a form of disincentive.
- c. Uncertainty related to taxation is also one reason why e-commerce companies are unwilling to connect to exist PSP and Bank payment gateways, due to uncertainties about how electronic transactions will be treated. This is still a topic under discussion at the public sector level.
- d. Interviewed e-commerce firms also note that the understanding of the field is limited across the public sector. The perception that there is lack of standardized and specific treatment of e-commerce firms may mean that they are unfairly treated in both the case of tax filings obligation as well as tax audits. GDT has noted that all taxpayers are treated equally in tax obligation either e-commerce or non-e-commerce business when they have economic activities, and this should be better communicated to, and understood by companies. The recently launched E-Tax filings system may also assist with the standardization.

6. Online registration is alone not enough to improve the e-commerce SME conditions. The private sector notes that the company registration process has improved significantly over the past years, and MOC must be applauded for this enhanced functionality. However, there are certain lingering and linked challenges post registration.

For companies who are straddling more than one sector, for example in the case of an e-commerce firm which is working in the area of e-healthcare, the SME registration at MOC is not enough. There is therefore a need to clarify the licensing formalities that occur after registration for companies in emerging areas such as ecommerce and the digital economy. In the meantime, the RGC has formed a working group to streamline the registration process through a common platform for business registration, tax registration, labor compliance notification, license applications etc. with shared data and interoperability. This platform will act as the single portal for complete registration process.

Additionally, the key challenge for smaller SMEs – especially in emerging sectors such as e-commerce – is not the company opening (registration) requirements but the closing requirements. For tech startups already facing significant existential risks on a daily basis, the highly burdensome closing requirements disincentivizes registration and formalization. Nonetheless, under the existing law, the enterprises can file a closing form successfully upon MEF/GDT reviews whether the enterprises have any tax arrears and they are legally obliged to pay taxes and any penalties. The enterprise has obligation to keep proper book records with the sufficient supporting documents and abide by the business closing procedure of tax laws and regulations. Small enterprises are not subject to tax audit review before closing the business.

## 4. Strategic Objectives

### (1) Strengthen the Regulatory Framework and Add Specificity for E-Commerce Firms

At the first instance, it must be clarified whether and how e-commerce SMEs can make use of the SME incentives scheme. The long overdue SME development policy must be finalized and the scope must be extended to e-commerce firms and the digital economy. The various obligations and incentives that pertain to SMEs must be assessed specifically for e-commerce firms where needed and communicated to the e-commerce sector. Should prepare a system of classifying e-commerce firms and specific licensing requirements is needed, through the development of regulations required in the e-commerce law.

The persistent challenge of the lack of a common SME definition which can be applied on a national basis must also be resolved, preferably as part of the SME policy development process. The issue of taxation, most prominently stated as a challenge by e-commerce firms should be tackled. Uncertainties related to taxation for electronic transactions, specific (if any different from regular SMEs) obligations for e-commerce firms in terms of tax documentation, tax treatment for e-commerce firms with informal suppliers should be tackled urgently. In response, MEF is preparing regulations to address this issue.

### (2) Strengthen Coordination between the Private Sector and Advocate for Sector Growth

The e-commerce sector and indeed the digital economy sector needs the private sector to coordinate and collaborate on developing ideas, positions and counsel that can be fed to the public sector. This is especially relevant given the gaps at the policy level and the vulnerable state of the sector requiring significant and multi-dimensional support.

### (3) Improve enterprise-level capacities to keep abreast of policy and regulatory changes

This strategic objective aims at improving the capacity of e-commerce SMEs to conduct their own due-diligence for finding information related to regulatory and taxation requirements. This is in recognition of the fact that frequently the information related to regulations, incentives etc. is available, but the private sector either does not know how to access it or lacks the know-how. To further assist them, focal point information (points of enquiry) at key public institutions as well as updated websites will be required.

#### (4) Develop focused and specialized SME support tools

The e-commerce segment will certainly require support in terms of incentives, which can be separated into three main areas: registration and post-registration assistance, tax-incentives, entrepreneurship development<sup>8</sup> (including access to grants, seed funding and access to mentoring and expertise). This strategic objective focuses on facilitating access to relevant and up-to-date information as related to the specific registration and post-registration and licensing requirements for e-commerce firms. Checklists must be made available to companies so that they can self-assess which ministries and technical agencies they need to liaise with, along with the type of information needed. In parallel, awareness among ministry officials related to e-commerce operations must be strengthened. Capacity development for sector and industry associations/chambers of commerce to proactively engage in advocacy and policy consultations related to e-commerce will constitute a focus area. Business support services through which the government can actively support sector growth will also be an area of focus.

## 5. Theory of Change

Current situation:		Desired impact of strategy:			
SMEs - regardless of sector - constitute missing middle in Cambodia, and the regulatory and institutional support structure for e-commerce SMEs is significantly weak.		<ul style="list-style-type: none"><li>• A conducive regulatory and business climate for SMEs, in general and e-commerce SMEs in particular, and enhanced institutional support across the ecosystem.</li><li>• Enhanced SME capacities for adapting to market opportunities.</li></ul>			
Challenges and opportunities		Strategic objectives		POA actions	
1. SME focus in terms of development support is gradually improving, however there is scope for significant improvement in supply-side and business environment.		1. Strengthen the regulatory framework and add specificity for e-commerce firms		3.1.1, 3.1.6, 3.1.7	
2. The absence of a common SME development framework is slowing down SME support mechanisms and increasing the risk for policy misalignment.		2. Sensitize the consumer base and the private sector including investors		3.1.5, 3.4.1, 3.4.2, 3.4.3, 3.4.4, 3.4.5	
3. Taxation is expected to be an important consideration for the e-commerce sector in the future		3. Strengthen coordination between the private sector and advocate for sector growth		3.1.2, 3.1.3, 3.1.4, 3.1.8	
		4. Improve enterprise-level capacities to keep abreast of policy and regulatory changes			
		5. Develop focused and specialized SME support tools			
Key stakeholders involved					
MOC, MISTI, GDT, CCC					

<sup>8</sup> See chapter on skills development and entrepreneurship for more details.

# CHAPTER 3: SME Regulations

## Strategic objectives

01

Strengthen the regulatory framework and add specificity for e-commerce firms



02

Sensitize the consumer base and the private sector including investors



03

Strengthen coordination between the private sector and advocate for sector growth



04

Improve enterprise-level capacities to keep abreast of policy and regulatory changes



05

Develop focused and specialized SME support tools



## Challenges and opportunities



SME focus in terms of development support is gradually improving, however there is scope for significant supply-side and business-environment improvement.



The absence of a common SME development framework is slowing down SME support mechanisms and increasing the risk for policy misalignment.

Taxation  
import  
e-com





## Desired impact of strategy



A conducive regulatory and business climate for SMEs, in general and e-commerce SMEs in particular, and enhanced institutional support across the ecosystem.



Enhanced SME capacities for adapting to market opportunities.



on is expected to be an  
tant consideration for the  
merce sector in the future

*SMEs - regardless of sector - constitute the missing middle in Cambodia, and the regulatory and institutional support structure for e-commerce SMEs is significantly weak.*



## Chapter 4 ICT Infrastructure

### 1. Introduction

Cambodia is on the cusp of a potential ICT revolution with significant activity ranging from 4G network expansion to the impending 5G rollout, to the continued growth adoption rate of mobile services by the population. Certainly, a mobile-first nation, Cambodia has experienced an exceptional growth in the utilization of mobile technology for personal, and increasingly business usage. Important challenges remain however, including the rural-urban technology divide accompanied by increasing saturation of urban markets, made worse by the uncertain business case for MNOs for expanding in rural areas. Meanwhile, e-government remains a promise area of opportunity for building trust and confidence among consumers on government services as well as online transactions, but the high degree of fragmentation among key public entities imparts a significant risk for duplication and misalignment.

The opportunity space created for e-commerce growth via the country's improving ICT infrastructure is immense, and will rise multifold if 5G rollout and adoption becomes a reality. Along with 5G, improved penetration and adoption of broadband outside urban areas will also create space for rural firms and consumers to participate in the e-commerce value chain, while allowing network operators the profitability much required to justify investments in network expansion.

## 2. Current Status

The Cambodian mobile services market has developed considerably over the past ten years from a small base. Mobile cellular subscriptions (116 percent)<sup>9</sup> exceed the regional (104 percent) and global (103.6 percent) averages, and 2G/3G coverage by population is 99 percent and 83.4 percent respectively, while broadband coverage (including 3G and 4G connections) stand at 60 percent.

The overall telecommunications market in Cambodia is marked by high competition with six mobile network operators (MNOs) and 36 ISPs. The mobile network operator (MNO) base is significantly competitive, and voice/broadband costs have been driven down in favor of consumers, with a number of on-air promotions and incentives ongoing at any given time. The average cost of 10 GB mobile internet per month is low at USD 10. Indeed, combined with the relatively affordable internet and smartphone access, Cambodia is a mobile first nation given that the bulk of the internet usage takes place via mobile phones. This is especially important from an e-commerce sector development perspective.

In response to the need to bridge the urban-rural divide in terms of ICT infrastructure as well as a forward-thinking approach on bridging the digital economy divide, the government has established the Universal Service Obligations (USO) fund managed by MTPC (although there is no specific USO policy). Telecommunications operators (including MNOs) are expected to contribute 2 percent of their gross revenue to the USO, which they can also use for investing in rural network enhancement. The government also utilizes the fund to fund core ICT infrastructure development projects in rural areas. As of late 2018, operators have contributed \$9 million to the USO fund. 27 telecom operators have fulfilled their obligations and contributed money to the fund.

International connectivity is facilitated through two submarine cable landings in Sihanoukville on the Gulf of Thailand, and cross border terrestrial fiber optic routes to Thailand and Vietnam. The two submarine cables are Malaysia-Cambodia-Thailand (MCT) and the consortium cable Asia-Africa-Europe-1 (AAE-1) linking Cambodia to Hong Kong and onwards to France.

Telecom Cambodia provides the backbone network infrastructure of the country, with two private companies: (i) Cambodia Fiber Optic Network (CFOCN), to provide backbone of the network infrastructure of 13,031km; and (ii) Viettel (Metfone-Cambodia) to provide backbone of the network infrastructure of 22,000km and the Telecom Cambodia provides 1,600km of network infrastructure. Therefore, Cambodia has high-speed fiber optic cables of 36,631km throughout the country, coverage for almost 100% of population (or about 90% of geographical land area).

## 3. Challenges

Despite improved internet connectivity, there are still significant gaps between major cities, provincial cities and rural areas. Rural population comprises 77 percent of the national population,

<sup>9</sup> ITU. Although GSMA estimates this figure at 153 percent

and yet the bulk of the ICT infrastructure growth has taken place in urban areas. Until recently, MNOs were hesitant to make investments in the rural base due to uncertainty about the market profitability. With increasing GNI per capita (currently at USD 1,230), and an increasingly saturated urban market, a race to capture market share in the rural areas has resulted in steadily improving rural penetration figures.

The leapfrogging to mobile services has occurred to some extent at the extent of fixed internet services, while other factors including high cost of laying fiber across the breadth of the country. The fixed broadband subscriptions (0.8 subscriptions per 100 inhabitants) is much lower than the regional average (13 subscriptions per 100 inhabitants). While mobile broadband undoubtedly will remain the preferred connectivity option for consumers, it must be noted that high speed fixed broadband is inevitably going to be necessary for applications requiring high-bandwidth within the private sector, education and research, government workflows, as well as for the fundamental infrastructure related to IOT.

There are two Internet Exchange Points (IXPs) operational in the country, the more prominent one being the Cambodian Network Exchange (CNX) which was deployed in 2008, and includes 30+ members including the leading telecom operators and IXPs. Managed by Sabay, a digital entertainment company, CNX provides significant operational redundancy for local traffic and savings in transfer fees (stemming from data not having to be routed overseas and then routed back to Cambodia) for its members. The other IXP is HTN Cambodia Internet Exchange, established in 2013.

Cambodia is a hotbed of investment activity related to the rollout of fifth-generation network services. Activity has progressed to the extent that Smart and Cellcard are aiming to go-live with commercial 5G services by end-2019, while other major MNOs such as Metfone are progressing with tests. Companies expect returns on investment to occur in the midterm (3-5+ years), and the business case for rural expansion is still uncertain. Price and cost implications for consumers is a question mark as well, as this will dictate adoption in the rural areas.

The implications of 5G on further leapfrogging the fixed line internet (which is already quite weak), as well as LTE must be assessed in detail. This is especially the case given that 5G networks can transmit data up to 100 times faster than 4G, and reduce transmission lags to about one-tenth from current figures.

From a digital economy perspective, 5G can open the door to a wealth of opportunities to develop complex applications, and finally giving legs to the IoT and Industry 4.0 technical area. The E-commerce sector will certainly benefit from the high speeds and bandwidth, especially for users already plugged into mobile phones.

## 4. Strategic Objectives

### (1) Speed up the implementation of the national digital-government agenda



Digital-government will be an essential factor in not only improving G2C, G2B services delivery, but also encouraging consumer and business adoption of online transactions, which in turn paves the way for increasing consumer side confidence and trust related bottlenecks for e-commerce adoption. An end-to-end e-government network can also be utilized to piggy-back e-commerce and other themes.

This strategic objective will focus on the development of robust e-government applications and digitalized workflows within and between public sector institutions. Digitizing services for citizens will serve to reduce the need for citizens to travel from rural areas to the capital for prioritized services, and help businesses reduce costs and administrative burden. Development of an integrated digital platform for the government will first connect various ministries and technical agencies, and help them secure access to key shared databases for population data, land registries, digital identification etc.

By its very nature, the interconnected government architecture will require development of standards, templates and a broad framework for ensuring uniformity, interoperability and security for any e-government related application – ranging from information-based websites to transaction-based cloud-applications.

Finally, e-government is a space where there are a multitude of key ministries involved thereby reducing risks for siloes forming and misalignment to occur. Coordination between these stakeholders will be improved to ensure there is broad coherence and understanding of various ongoing initiatives, and fragmentation is reduced. The role of the various working-groups in this regard will be crucial.

## **(2) Expand fixed line infrastructure as well as continue expansion of the mobile-broadband network to bridge the urban-rural connectivity divide**

The sharp growth in mobile penetration notwithstanding, there is an important need to continue the expansion of LTE penetration in the rural areas as well as improve the very low fixed line connectivity (at least in urban areas). The government aims to reach total broadband coverage in urban areas by 2020 with at least 70 percent coverage in rural areas. 80 percent of Cambodians should have internet access within the next two years. These lofty goals are achievable with concerted effort.

Fixed or mobile broadband coverage expansion in relatively less densely populated rural areas with limited access to peripherals such as computers needing fixed connections, requires enhanced cooperation between network operators and good stewardship by the government. Passive sharing of infrastructure for MNOs will help in cost-sharing, an important consideration given that operators are wary of making investments that may take a longer time to recoup especially in the case of fixed line infrastructure.

Judicious utilization of the USO Fund by both MNOs and the government to expand rural telecom infrastructure will be important, as is ensuring that all internet providers will contribute to the fund to fulfill their obligations. Co-location of fiber with electricity, road and other infrastructure

development projects will help to expand fixed access in line with broader infrastructure growth in a region.

Spectrum reallocation has also been noted as an important strategy to promote mobile broadband rollout. Specifically, this involves reassigning the 700 MHz band, which is currently used for broadcasting, and managing the reallocation of already assigned spectrum on a technology neutral basis.<sup>10</sup>

**(3) Prepare the regulatory and physical infrastructure in aid of 5G rollout**

The imminent rollout of 5G in Cambodia is expected to impart a significant boost to the digital economy, and position Cambodia in a leading position vis-à-vis 5G roll-out in SE Asia. Due diligence (leading to decisions related to Government approval) must be exercised to improve the readiness of Cambodia for 5G rollout in the future. This includes developing the regulatory framework, shepherding (and monitoring) private sector investment efforts to test and deploy 5G technology, assessing the effect of 5G on existing 4G and fixed line connectivity expansion. Care must also be taken to ensure that security considerations remain high among other aspects. Due-diligence related to the implications of 5G adoption with fiber and 4G rollout must be conducted both at the government and network operator level, which may lead to some adjustments in strategic direction by operators.

**5. Theory of Change**

Current situation		Desired impact of strategy	
Impressive growth in ICT network and quality of services (especially mobile services) across the country bodes well for e-commerce growth, and further infrastructure growth, especially in 4G and fixed line infrastructure will enhance consumer readiness for digital products.		<ul style="list-style-type: none"><li>Enhanced network and consumer readiness to absorb e-commerce offerings based on improvements in ICT infrastructure.</li><li>A robust e-government rollout with nationwide coverage, contributing to increased consumer adoption and possibilities for e-commerce firms to expand geographical scope of their services.</li></ul>	
Challenges and opportunities	Strategic objectives	POA actions	
1. Small national market with significant competition, along with uncertain business case in	1. Speed up the implementation of the national e-government agenda	4.2.2, 4.2.4, 5.3.2,	

<sup>10</sup> WB, Benefiting from the digital economy – Cambodia policy note, 2018

rural areas is limiting MNO investments.	2. Expand fixed line infrastructure as well as continue expansion of the mobile-broadband network to bridge the urban-rural connectivity divide  3. Prepare the regulatory and physical infrastructure in aid of 5G rollout	
2. Fixed internet penetration is much less prevalent than mobile services.		4.2.5
3. Limited expansion of 4G vs 2G/3G services limits internet connectivity in rural areas.		4.2.1, 4.2.3, 4.3.1, 4.3.2, 4.3.3
4. Digital adoption in government as well as businesses and people remain relatively low.		4.1.1, 4.1.2, 4.1.3, 4.1.4, 4.1.5, 4.1.6
Key stakeholders involved		
MOC, MISTI, GDT, CCC		

# CHAPTER 4: ICT Infrastructure

## Strategic objectives

01

Speed up the implementation of the national e-government agenda



02

Expand fixed line infrastructure as well as continue expansion of the mobile-broadband network to bridge the urban-rural connectivity divide



03

Prepare the regulatory and physical infrastructure in aid of 5G rollout



## Challenges and opportunities



Small national market with significant competition, along with uncertain business case in rural areas is limiting MNO investments.



Fixed internet penetration is much less prevalent than mobile services.



Limited expansion of 4G v 2G/3G services limits inter connectivity in rural areas





## Desired impact of strategy



Enhanced network and consumer readiness to absorb e-commerce offerings based on improvements in ICT infrastructure.



A robust e-government rollout with nationwide coverage, contributing to increased consumer adoption and possibilities for e-commerce firms to expand geographical scope of their services.



Digital adoption in government as well as businesses and people remains relatively low.

*Impressive growth in ICT network and quality of services (especially mobile services) across the country bodes well for e-commerce growth, and further infrastructure growth, especially in 4G and fixed line infrastructure will enhance consumer readiness for digital products.*



## Chapter 5

# Digital Skills Infrastructure

### 1. Introduction

The digital skills infrastructure in Cambodia has demonstrated steady growth in recent years. Degree programs at the intersection of IT, entrepreneurship and e-commerce have emerged, and course offerings have gradually diversified, in response to high demand from students seeking a career in IT and entrepreneurship. Premier institutions such as NIPTICT and NUM have introduced new degrees focused directly at e-commerce and the digital economy.

A number of program- and innovation-supporting entities are spurring entrepreneurship and a startup culture is starting to emerge. Despite the growth, there are signs of misalignment between private sector needs and the supply by skills providers. The skills-mismatch is both a function of the quality of education as well as the adaptability of tertiary education to changing market dimensions. Digital literacy, especially in the rural areas presents a stark barrier to scale up e-commerce, due to consumer reticence and inability to utilize technology and peripherals.

## 2. Current Status

Cambodia's tech talent is estimated at 50,000 workers, with 2000-3000 new entrants on an annual basis. The vast majority of the talent is employed in the traditional sectors such as retail, banking, manufacturing, and a smaller proportion involved in providing IT services to various sectors. In recent years, there is a growing proportion of IT professions stepping into the entrepreneurship role, spurred on by the first wave of mainly foreign firms whose success in the IT and more-recently the e-commerce segment is well known. There is an ongoing trend of fresh-graduates establishing or joining startups directly after graduation. There are currently 300 tech startups currently operating in Cambodia and this base is expected to double in the next 2-3 years. Tech-startups have emerged in Fintech, Digital media and advertising, e-commerce, digital marketplaces among other areas.

The entrepreneurship ecosystem is an important success story in Cambodia, driving innovation and helping to bridge the institutional gaps to some extent. Over the past five years, the tech skills ecosystem has evolved beyond universities and technical training institutes, to also include startup incubators and accelerators, venture capital firms, innovation labs, co-working spaces, pitching competitions and bootcamps, among other activities. Significant developments include:

- A hybrid model at the intersection of digital skills and entrepreneurship has started to emerge within the skills infrastructure ecosystem, in response to the market needs as well as robust activity by entrepreneurship support actors, case in point the recently launched bachelor's degree programs at some institutes and universities focusing on the digital economy and e-commerce, respectively.
- The wider ecosystem has developed in tandem. Incubation facilities have taken the lead in fostering growth among startups via ideation programs and a variety of events via which startups can gain exposure, technical and business mentoring support as well as seed funding.
- An interesting factor in the startup growth has been the active involvement of the public sector across a number of Ministries, in collaboration with community actors already involved in encouraging startup-growth. MPTC has been active in supporting activities such as the Women in Tech and annual Cambodia ICT awards. A promising initiative led by MPTC is the establishment of the Capacity Building Research and Development Fund (CBRD)<sup>11</sup> via which tech startups as well as digital literacy initiatives are supported. Funding is secured primarily by MNOs injecting 1 percent of gross revenues. Ministries including the MOEYS are actively supporting programs such as SmartStart, Technovation Cambodia, the Business Model Competition and Mekong Business Plan Competition. MPTC is also expected to shortly

<sup>11</sup> The Capacity Building Research and Development fund is an important instrument that is expected to continue supporting the digital economy in the future. The fund requires ISPs to contribute 1 percent of their gross revenue to the fund, which are used for capacity building, research and innovation-based activities in support of the digital economy. CBRD funds have been used to fund ICT scholarships for promising students in national as well as international universities, build and maintain laboratories in 20 high schools across the country, and also fund research projects in areas such as IOT, Khmer natural language processing. Through its focus on entrepreneurship development, the CBRD does fund initiatives via pitching competitions, ideation programs, and in the near future, through the NIPTICT innovation center.



release the country's first startup policy. MOC and MISTI<sup>12</sup> are involved with supporting the Cambodian Young Entrepreneur of the Year Awards in association with Young Entrepreneurs Association of Cambodia (YEAC) and Junior Chamber International (JCI). The National Skills Development Fund (under the management of MEF) with a capitalization of USD 5 Million is aimed squarely at overcoming the skills mismatch challenge in the tech sector and other sectors. Another fund called the Entrepreneurship Development Fund is in the process of being established, with the goal of encouraging entrepreneurship growth in non-traditional sectors, including within the e-commerce sector.

- Run as an innovation arm under the Ministry of Economy and Finance, Techo Startup Center (TSC)<sup>13</sup> is a startup ecosystem enabler created to streamline tech startups in Cambodia. It is founded on the objective of nurturing startups to grow into successful businesses by minimizing risks for them through structured supporting programs. With this objective in mind, TSC connects startups to a pool of resources, such as mentors, investors, skilled laborers, talents and related stakeholders, and help make their business idea come into commercialization. The core program of TSC is an acceleration program called Techo Startup Accelerator Program (TAP), which aims to help early-stage tech startups gear up their business model and build their minimum viable product. TAP mainstreams the vertical accelerating approach by grounding on concrete research, enabling through digital platform catalysts, and promoting on the portal of Startup Cambodia.

### 3. Challenges

Demand for ICT skills outpaces supply, and a prominent skills-mismatch issue is starting to emerge between private sector labor requirements and the quality/volume of available skilled professionals. Key root-causes for this skills-mismatch issue are evident as below:

- (1) A reasonable degree of demand-supply lag is normal in a developing economy where the ICT sector has grown as sharply as it has in the past few years. Any skills-infrastructure base, regardless of development context, will need some time to catch-up with the relatively sudden demand. Therefore, some of the labor gap can be attributed to expected impact from the growth trajectory of the ICT sector.
- (2) The capacity of tertiary level institutions to respond swiftly to changing market conditions and demand is still low, although growing in quality and scale. Degree programs at universities have recently improved their adaptiveness to market demand, notably via degree programs offered universities and institutions (Bachelors in e-Commerce and Bachelors in Digital Economy respectively). Still, these programs will only start showing results after 3-4 years after the first cohort graduates. E-commerce in particular requires a strong blend of entrepreneurship, supply-

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<sup>12</sup> Previously, MIH

<sup>13</sup> For more information, please visit [www.techostartup.center](http://www.techostartup.center).



chain, digital marketing skills with core-ICT skills, and resulting courses/degrees (for example in digital entrepreneurship) have been slow to emerge, and likely will take time to take root.

- (3) The relatively weak network of a private sector-based certificate level training provider network means that one of the most effective mechanisms for ensuring skills-adaptiveness towards markets is a gap in the Cambodian market. Certificate level providers in the form of private training institutes are relatively proactive than universities in terms of maintaining close watch on market dynamics, and are quicker able to adapt due to business-motivations.
- (4) The TVET focus on ICT/e-commerce/digital economy has only partially emerged, owing to the traditional focus on manufacturing and other vocational areas. Discussions between MLVT (the line ministry responsible for TVET), and other line ministries and relevant stakeholders remain at an initial and high-level and there is an important need to bring the ICT focus within the TVET area expeditiously. Even within the limited ICT related TVET offering, interest among skills-seekers is low due to weak marketing of TVET, and a perception that TVET education is not valuable. In fact, technicians and associated professionals (the most viable entry points for TVET graduates) are one of the key areas where ICT firms have cited hiring challenges.
- (5) There is no sector skills council for the ICT sector (or any of the digital economy areas), which means that there is no dedicated fora for policy-makers, skills-providers, and the private-sector to constructively discuss private sector requirements for the present and for the future. This lack of feedback loop is a significant challenge that can limit the broader digital economy going forward. The recently launched TVET Sector Strategy 2017-2025 recognizes this existing gap and stresses closer collaboration between educational institutions and private businesses, although the implications for the ICT sector and actual implementation status need to be reviewed.
- (6) It is not only technical but also soft-skills which are in short supply. The NEA survey identifies foreign languages (reference to English language capabilities), written communication, customer handling, oral communications among the top 5 skills shortages, with the fifth being advanced IT/software development skills. Basic computer literacy came out as a challenge in most of the other sectors reviewed for the survey reflecting the cross-cutting ICT requirements for sectors such as financial and business services, manufacturing, commerce and public services.
- (7) Digital literacy challenges impact a large spectrum of stakeholders and restricts absorption of new products and technologies in Cambodia. Coverage, speeds and reliability of mobile voice and internet services are uneven in the rural areas, but even in areas where the infrastructure is adequate, challenges of illiteracy, trust-gap, and cultural aspects have constrained uptake. At the heart of the digital literacy challenge is the weak integration of IT and English skills at the primary and secondary school levels. An important focus area for driving digital literacy from the school level onwards is the need to develop ICT infrastructure including via computer labs. Currently, only 70 of 400 high schools across the country have computer labs, and the CBRD will be utilized to develop 20 labs annually.

#### 4. Strategic Objectives

Skills development in the e-commerce sector hinge on the development and maturity of the national skills infrastructure related to ICT skills, digital entrepreneurship, and supply chain management. Soft skills and national digital literacy and general literacy are the other skills-based considerations. Enhancements or regression in any of these linked areas will impact Cambodian e-commerce skills development, in no small degree.

The following three strategic objectives have been identified in support of developing the skill development component of:

**(1) Upgrade the national e-commerce skills infrastructure**

This is to resolve existing and future skills-mismatch challenge and is critical to ensure that the overall skills-infrastructure at the tertiary level (universities, certificate level training, and TVET) develops deep competence in e-commerce through the establishment of programs including blended, ICT, e-commerce and entrepreneurship to churn out industry-ready graduate with broad flexibility for adapting to changing market conditions. Moreover, the systematic improvement of skill infrastructure will strengthen institutional coordination between skills providers so as to maintain a cohesive feedback loop between policy, skills-providers and the private sector.

**(2) Improve digital-entrepreneurship support for e-commerce startups, especially youth and women**

While the digital-entrepreneurship support landscape has undoubtedly improved in the past few years, there is significant room to expand the scale as well as geographic scope of such activities. The coverage and network outside key cities such as Phnom Penh, Siem Reap, and Battam Bang is extremely limited, and there is an important need to expand this network. Support to entities who are actively involved in working with digital youth entrepreneurship, involving them in policy development, and anchoring development initiatives in such entities is essential, in terms of financial and technical support. At the same time, coordination between programs and institutions involved in entrepreneurship development needs to be strengthened to benefit from synergies and enhance the support coverage.

**(3) Improve digital literacy involving a broad spectrum of stakeholders and geographical scope**

Recognized as potentially the most critical barrier to e-commerce scale-up beyond select cities, digital literacy is a pervasive and medium-long term challenge, which requires a ramp-up of action on multiple fronts. This includes working with primary and secondary schools to upgrade IT infrastructure, improve teacher quality and retention (and hiring) rate, upgrade curricula, introduce blended-learning tools, and spur interest in students to pursue careers in IT. Community based IT literacy and education is also an important focus area. The overall

goal will be to improve the digital literacy rate across the country in tandem with initiatives aimed at ICT infrastructure upgrades and financial inclusion and education in the rural areas.

#### (4) Skill Requirements

The following skills have been identified as relevant and critical to the growth of the e-commerce ecosystem in Cambodia.

ICT Specific <sup>14</sup>	E-commerce supply chain <sup>15</sup>	Soft skills
<ul style="list-style-type: none"> <li>• IT Project managers</li> <li>• IT Directors</li> <li>• Software architects</li> <li>• Scrum masters</li> <li>• Web and multimedia developers,</li> <li>• Database and network professionals,</li> <li>• Computer network and systems technicians,</li> <li>• ICT operations technicians,</li> <li>• Graphic and multimedia designers,</li> <li>• System analysts and IT architects,</li> <li>• Software and system developers,</li> <li>• ICT user support technicians,</li> <li>• Web technicians.</li> <li>• Network security, program development security and cyber security</li> </ul>	<ul style="list-style-type: none"> <li>• Sourcing Management,</li> <li>• Merchandising Management,</li> <li>• Warehousing &amp; Operations (including domestic and cross-border logistics),</li> <li>• Marketplace Management,</li> <li>• Customer Service Operations Management and after-sales support (including returns)</li> <li>• Supply Chain Planning &amp; Forecasting.</li> </ul>	<ul style="list-style-type: none"> <li>• Higher order cognitive skills</li> <li>• Self-control</li> <li>• Client-facing and coordination</li> <li>• Sensitization to computers, peripherals, internet (Digital literacy perspective among students and population)</li> </ul>
Hybrid		
<ul style="list-style-type: none"> <li>• Digital entrepreneurship</li> </ul>		

<sup>14</sup> Derived from NEA survey, CTISU E-commerce chapter and E-commerce strategy consultations

<sup>15</sup> E-commerce strategy consultations

## 5. Theory of Change

Current situation		Desired impact of strategy	
Professionals with relevant and qualified skills are hard to find, a sharp urban-rural divide threatens further e-commerce growth, and digital entrepreneurship, remains limited in scope and geography.		<ul style="list-style-type: none"> <li>Improved options for Higher education vs. certificate level and TVET provision of ICT education</li> <li>Strong alignment between policy, skills providers and private sector in terms of skills-availability related to ecommerce and digital economy.</li> <li>Enhanced entrepreneurship support for e-commerce firms in terms of geographical scope, diversity of services provided and inclusion of youth and women entrepreneurs.</li> <li>Digital literacy growth in rural areas at par with urban areas, along with empowered local institutions (community centers, schools etc.) for promoting digital literacy.</li> <li>Robust integration of ICT and TVET skills-provision within the primary/secondary education base, as well as the community based education.</li> <li>Increased incentivizing to the private sector for investing in OTJ training.</li> </ul>	
Challenges and opportunities	Strategic objectives	POA actions	
1. Strong skills-mismatch challenge within ICT (and the e-commerce area)	1. Upgrade the national e-commerce skills infrastructure to resolve existing and future skills-mismatch challenge. 2. Improve entrepreneurship support for e-commerce startups, especially for youth and women. 3. Improve digital literacy among a broad spectrum of stakeholders and geographical scope.	5.1.1, 5.1.3, 5.1.4, 5.1.5, 5.1.6, 5.1.7	
2. Inter-institutional coordination and collaboration within technology skills-providers is uneven, although pockets of excellence exist.		5.1.2, 5.1.8	
3. Digital literacy challenges impact a large spectrum of stakeholders and restricts absorption of new products and technologies; A prominent rural-urban divide exists.		5.2.6, 5.3.1, 5.3.3, 5.3.4, 5.3.5, 5.3.6, 5.3.7	
4. Entrepreneurship ecosystem is maturing in key cities, but limited in		5.2.X (all activities)	



rural areas.		
5. Slow growth of cohesive SME policy framework is restricting entrepreneurship.		5.2.1, 5.2.2, 5.2.7
<b>Key stakeholders involved</b>		
MPTC, MOE, Industry (broader economic sectors), Skills-providers (primary/secondary schools, and community education centers, universities and technical skills-providers), innovation ecosystem builders.		

# CHAPTER 5: Digital Skills Infrastructure

## Strategic objectives

01

Upgrade the national e-commerce skills infrastructure to resolve existing skills-mismatch challenge and future proof the private sector.



02

Improve entrepreneurship support for e-commerce startups.



03

Improve digital literacy among a broad spectrum of stakeholders and geographical scope.



*Professionals with relevant and qualified skills, the urban-rural divide threatens further e-commerce entrepreneurship, remains limited in scope*

## Challenges and opportunities



Strong skills-mismatch challenge within ICT (and the e-commerce area)



Inter-institutional coordination and collaboration within technology skills-providers is uneven.



Digital literacy challenge across a large spectrum of stakeholders and restricts absorption of products and technologies, prominent rural-urban divide



## Desired impact of strategy



Improved options for Higher education vs. certificate level and TVET provision of ICT education



Strong alignment between policy, skills providers and private sector in terms of skills-availability related to ecommerce and digital economy.



Enhanced entrepreneurship support for e-commerce firms in terms of geographical scope, diversity of services provided and inclusion of youth and women entrepreneurs.



Digital literacy growth in hinterland at par with urban areas, along with empowered local institutions for promoting digital literacy.



Robust integration of ICT and TVET skills-provision within the primary/secondary education base, as well as the community based education.



Increased incentivizing to the private sector for investing in OTJ training.

skills are hard to find, a sharp  
commerce growth, and digital  
e and geography.



Challenges impact  
of stakeholders  
ception of new  
nnologies; A  
urban divide exists.

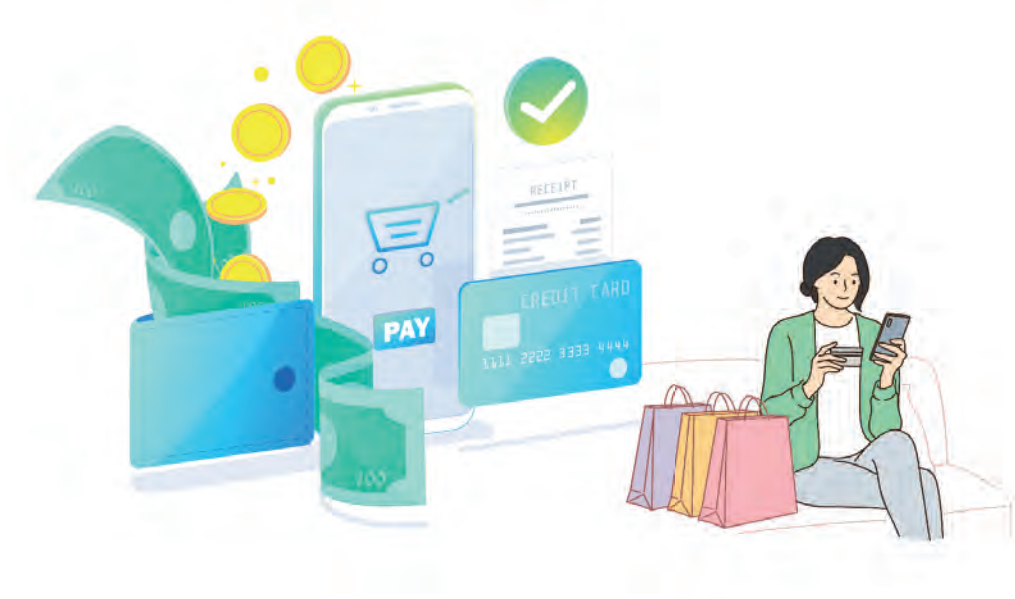


Entrepreneurship ecosystem is  
maturing in key cities, but  
limited in hinterland.



Slow growth of cohesive SME  
policy framework is restricting  
entrepreneurship.





## Chapter 6 Payment Systems

### 1. Introduction

Payment systems is one of the most important components of the e-commerce ecosystem in Cambodia. Even though the use of cash in the economy remains high, much progress has been made to developing payment system ecosystem in Cambodia. Major achievements include development of payment system infrastructures and introduction of various payment services and instruments. Despite such progresses, additional efforts is needed to further promote penetration of payment services especially within the rural area. Ecommerce activities can also be bolstered once individuals, households and enterprises based in rural areas start participating in digital financial transactions. In this context, increased financial literacy on digital payment and financial inclusion among the population will open the market further for e-commerce.

### 2. Current Status

In line with the vision toward a digital economy, NBC commits to further advance payment system development as indicated in Financial Sector Development Strategy (FSDS) 2016-2025, National Financial Inclusion Strategy (NFIS) 2019-2025, Payment System Development Roadmap (PSDR) 2020-



2025, and FinTech Roadmap 2020-2025. Progress alongside these strategic objectives are highlighted below:

### **(1) Payment System Infrastructures**

Payment system facilitate safe and secure transactions across the whole economy. Hence, the development and modernization of payment system infrastructures are the most essential factors which greatly promote interoperability between banking and financial institutions and ultimately accelerate efficiency of the inter-bank payment. Recognizing this necessity as well as taking into account technological advancement, the NBC introduces and operates a number of retail payment, large value payment, and most recently Bakong payment systems.

### **(2) Retail Payment Systems**

In late 2012, the National Clearing System (NCS) was officially launched to facilitate the clearing and settlement of inter-bank transactions. The system is capable of processing the centralized clearing of interbank payment using checks and electronic payment orders such as direct credit, direct debit, and credit remittance in Riel and USD. Currently, there are 47 institutions participating within the system of which 43 institutions are direct members and 14 are indirect members.

In order to promote electronic payment and local currency usage, NBC introduced Fast Payment system in 2016. The system processes interbank fund transfer in KHR through credit remittance with maximum amount of 40 million KHR and allows customer to receive fund immediately. Currently, there are 52 institutions participating within the system including 45 commercial banks, 1 specialized banks and 6 microfinance-deposit taking institutions (MDI). NBC encourages the members to expand Fast Payment channel in their Mobile and internet banking as well as other electronic channels to increase the convenience of using Fast Payment. Currently, 7 institutions integrated the system into online platform.

Fast Payment, however did not address card payment connectivity. To this end, in 2017 the NBC introduced CSS, a nationwide infrastructure for payment card switch. CSS allows participating institutions to save investment cost of deployment while expanding the access of their services. Currently, CSS system has 51 institutions as member including 43 commercial banks, 6 microfinance deposit taking institutions and 1 payment service institution.

### **(3) Large Value Payment System**

The NBC introduced Online Banking System (OBS) in 2016 to enable banking and financial Institutions and treasury department to directly carry out inter-bank and intra-bank fund transfer transactions online. The system helps remove paperwork which is time consuming and complicated. The OBS has the participation of 51 financial institutions including the

treasury department, which is in line with the government's efforts to digitize its revenue collection and budget expenditures. Settlement between members is made in real-time using their current accounts held at the NBC.

In order to promote interbank market transaction, the NBC introduced the NBC-Platform in 2017, supporting the growth of central bank security trading, foreign exchange dealing, and discount window. Introduction of the system helps participants to better manage their treasury position with repo transaction and facilitate the conduct of the monetary policy, while settlement of funds between participants is carried out in real-time.

### **(4) Bakong System**

With the intention to harness the rapid advancement of new technological innovations, the National Bank of Cambodia (NBC) have cautiously and prudently explored the degree to which blockchain technology can be adopted, via research and experimentation. Aiming to benefit from such technological innovation, the NBC implements Bakong project to embrace blockchain technology to modernizing its national payment system to address the issue of interconnectivity and interoperability across platforms of payment operators in order to attain efficiency (lower cost, faster speed and more secure) in payment systems, promote financial inclusion and reduceKHR (Khmer Riel) cash payment.

Bakong is a backbone for payment system, it features as a wallet based electronic currency operated on DLT with mobile application (eliminating the need for banks and PSIs to develop their own while allowing those with existing mobile application to easily integrate through open API). The adoption of Bakong will allow the public to enjoy value-added benefits at reduced costs, it enables real-time fund transfer and instant payment transaction using QR code across different payment service providers. In addition, with the possibility to link with bank accounts, customers are able to make fund transfer from Bakong accounts to their bank accounts and vice versa. The Bakong system was piloted in July 2019 with participation from many banks and payment service institutions.

Detail functionality and use case of Bakong is discussed in the project Bakong white paper. As Bakong promotes interoperability among bank and payment service institutions, it has potential to become common payment gateway to support the development of e-commerce. In addition, the NBC is also exploring the feasibility of using Bakong to facilitate large value payment system.

### **(5) Payment Services**

As can be noticed in recent year, the number of banking and financial institutions and payment service institutions in the payment market has remarkably increased. In June 2020, there are 3 banking and financial institutions and 23 payment service institutions licensed to provide diverse e-wallet based mobile payment services which can be categorized as fund transfer, cash in/out, retail payment, utilities payment, remittance, International scheme

acquirer, and online payment (E-commerce). In addition, electronic banking such as internet and mobile banking services offered by banks and microfinance deposit taking institutions (MDI) is also on the rise. As of June 2020, there are 27 banking and financial institutions providing internet banking service and 23 banking and financial institutions offering mobile banking services. The mobile payment and electronic banking services mentioned above are a key enabler to promote e-commerce. According to data compiled by the NBC, mobile payment and fund transfer by banks and PSIs in the first semester of 2020 accounted for 11.99% and 143.40% of GDP respectively.

## **(6) Standardization**

The adoption of common standard will promote the efficiency and safety in the payment system with regard to customer protection against financial fraud and interoperability among banking and financial institutions. In addition, it also provides a lot of possibilities for the payment systems to be integrated with that of other countries in the region. To date, the NBC issued Prakas on Check Standard and Prakas on Introduction of Payment Order Format for Credit Remittance that define the common format of check and credit remittance used in the banking system. In addition, EMV chip standard for local debit card to be processed in Cambodian Shared Switch (CSS) system is also being implemented by banking industry in order to enhance security and interoperability in the payment card instrument. Given the increasing popularity of QR code payment, the NBC recently introduced KHQR code as the standard QR code to support interoperability of QR code payment in Cambodia.

## **(7) Cross-border Payment and Remittances**

Regional cooperation in the payment system interlinkage especially in ASEAN region plays a very important role in supporting the cross-border payment and remittance. In this regard, the National Bank of Cambodia and the Bank of Thailand signed MOU to develop the payment system interlinkages and to promote the usage of local currency between two countries in line with the ASEAN's objective. Under this MOU, the project for cross-border payment and remittance using QR code between the two countries was initiated. Three commercial banks were selected to participate in this project as sponsoring bank. It is expected that the project will contribute to expanding the trade activity between the two countries. The cross-border QR code payment between Cambodia and Thailand was officially launched in February 2020.

In addition, there are also a numbers of remittance service providers offering inward and outward remittances services in partnership with Banks and Payment service institutions. As of 2019 the amount of the inward remittance and outward remittance accounted for 0.97% and 0.13 % of the gross domestic products ("GDP") respectively.

## **(8) FinTech Development**

FinTech has played significant role in promoting financial inclusion and digital transactions. Recognizing that the NBC has been focusing its effort on developing FinTech ecosystem especially FinTech payment. In cooperation with international development partners such as the ADB, the NBC evaluated FinTech mapping in 2017 to have a better understanding of FinTech operation in Cambodia. The mapping concluded that FinTech operates largely in the payment space. In that same year, the NBC issued a regulation on the Management of Payment Service Institutions to ease operation of FinTech payment on a standalone basis as well as to give a framework for mitigating risks posed by the operators. The first Annual FinTech Day was also launched in 2017 to raise awareness among all stakeholders and the publics on the importance of FinTech development and to give a platform for FinTech players and financial institutions to interact and cooperate. The NBC acknowledges on the need to further promote conducive environment for FinTech in both scale and scope. With technical assistance from the ADB, the NBC is working on introducing FinTech roadmap which focuses on three main pillars namely, FinTech activities, enabling technologies, and policy enablers. In addition to credit information, the NBC aims to promote the growth of FinTech activities in credit space where additional innovative products and services can be offered. Enabling policies in relation to innovation facilitators, digital ID, open banking and more could also be considered in the roadmap.

### 3. Challenges

The royal government of Cambodia has designated financial inclusion as a key priority and this is reflected in the Financial Sector Development Strategy (2016-2025). From a financial inclusion perspective, the strategy focuses on initiatives to reduce level of financial exclusion, promote sustainable and inclusive growth, enable the development of a comprehensive ecosystem to support financial inclusion, and allow benefits of financial inclusion.

The NBC has also joined the Alliance for Financial Inclusion (AFI) as a principle member in January 2015, to promote greater financial inclusion in the country. On its own initiatives, the NBC moves toward adoption of Payment System Roadmap and FinTech Roadmap as complement to the above strategies.

In line with these strategic objectives, payment and FinTech related banking sector, in particular, has achieved remarkable milestones with the introduction of modern payment system infrastructures, different types of innovative payment products and instruments, and comprehensive regulatory environment. However, pursuing to the need to participate in the development of e-commerce ecosystem in the country, the NBC acknowledges the need to further deepen the role of both payment system and FinTech.

### 4. Strategic Objectives

#### (1) Enhance Participation into Payment System Infrastructures



The payment systems are important in promoting electronic payment, reducing cash usage in economy, and improving financial inclusion. Given this importance, the NBC has put in place various infrastructures and encourage the growth of innovative payment instruments as well as payment services. However, participation and adoption of those infrastructures, instruments, and services are expected to pick up slowly. This strategic objective is aimed at promoting participation into the central infrastructures to enhance interoperability among different stakeholders in the payment system ecosystem which in turn would ease clearing and settlement for e-commerce transactions. To achieve that, the NBC would consider key activities as the following:

- Adopt and implement payment system roadmap
- Further promote interoperability in retail payment system to facilitate inter-bank real time processing
- Promote standardization and reduce cost in payment industry
- Promote access, usage, and quality of payment system and services.

## **(2) Strengthen Regulatory Framework to support Fintech Sector**

The FinTech sector has shown immense potential even in its early stage of maturity. The benefits of a thriving FinTech sector are clear for both soci-economic and business consideration. It is anticipated that conducive environment for FinTech ecosystem would bring investment in FinTech from the region while local players would ramp up activities in FinTech as well. Among those factors, improvement in the regulatory space related to FinTech allows FinTech players to introduce more innovative products addressing a diversity of use-cases including e-commerce transaction. This strategic objective is aimed at strengthening the regulatory and business environment for FinTech to deepen and diversify FinTech activities. Toward this end, the following activities can be considered:

- Finalize and adopt the FinTech roadmap
- Review and formulate necessary regulations to support innovative products and services
- Formulate regulatory sandbox to facilitate further FinTech based innovation

## **(3) Expanding the Scope and Quality of Financial Literacy with Concerted Effort**

Financial illiteracy is a pervasive demand-side challenge that is prominently within the policy focus of the government. It is directly contributing to financial exclusion and lower living standards in rural-households. There is still untapped potential of digital market due to limited digital financial literacy. The National Financial Inclusion Strategy also aims to address the issues. Various initiatives and programs for financial literacy have been undertaken so far. For instance, the NBC has initiated financial literacy campaign at institutional level to promote financial literacy among general public and bilateral cooperation with Ministry of Education, Youth, and Sport alongside with Ministry of Women Affair to integrate financial literacy into national general school curriculum as well as disseminate them to women entrepreneurs. In addition, the Association of Bank in Cambodia (ABC), Cambodia Microfinance Association (CMA),

International Card Schemes, and financial institution individually and/or on collective basis, run program on financial literacy via various means such as public events, TV, Radios, newspapers, and social media.

To ensure effectiveness and result, concerted efforts is needed. This strategic objective recommends expanding the scope and quality of financial literacy initiatives. The combined effort shall address clear responsibilities and engagement of all relevant stakeholders. It will identify effective communication channel to be developed and ranges of topics to be covered including digital payment, digital literacy, and e-commerce. Therefore, key activities in relation to this strategic objective should focus on the following:

- Expand the scope of financial literacy to include digital literacy on collective basis among stakeholders
- Coordinate with relevant parties to streamline all financial literacy programs.

**(4) Promote Awareness on Diversity and Availability of Payment Options to E-commerce Firms**

Smaller sized E-commerce firms are mainly operating solely on a cash on delivery basis even though there are many payment options available to facilitate e-commerce transaction. This practice is not cost-effective and sustainable once operations start scaling up. These firms require consulting support in terms of payment options that can be used to support e-commerce operation. Furthermore, promoting adoption of electronic payment at customer levels is also another key support for the growth of e-commerce. Thus, it is necessary to increase public awareness of payment system infrastructure and services via various public media such as newspaper, TV, or social media. This strategic objective focuses on promoting awareness of diversity and availability of payment option to e-commerce firms with the following activities:

- Provide consultation on payment options to interested e-commerce firms
- Publicize payment system infrastructures and services via various public media.

**5. Theory of change**

Current situation:	Desired impact of strategy:
Significant progress has been made in payment systems and services but there is still room for improvement in terms of access, usage, and quality.	<ul style="list-style-type: none"><li>• Promote adoption and penetration of payment systems and payment services.</li><li>• Implement Payment System Roadmap and FinTech Roadmap including consideration on policy measure for regulatory sandbox.</li><li>• Address digital literacy via concerted efforts from all relevant parties.</li><li>• Enhanced collaboration between various stakeholders involved in the payments system</li></ul>

		space to identify challenges and step forward.
Challenges and opportunities	Strategic objectives	POA actions
1. Limited awareness on the importance of multilateral connectivity.	1. Enhancing participation into payment system infrastructures to promote interoperability.	6.1.1, 6.1.2, 6.1.3, 6.1.4
2. Balancing between regulatory space to spur innovation and FinTech expansion.	2. Strengthening the regulatory framework to support FinTech ecosystem.	6.2.1, 6.2.2, 6.2.3,
3. Fragmentation of financial literacy initiatives.	3. Expanding the scope and quality of financial literacy with concerted effort to delegate clear responsibilities and increase engagement	6.3.1, 6.3.2
4. Reticence of e-commerce firms in utilizing e-payment options.	4. Promoting awareness on diversity and availability of payment options to e-commerce firms.	6.4.1, 6.4.2
<b>Key stakeholders involved</b>		
NBC, Financial Institutions (Commercial Banks, Specialized Banks, MFIs), PSIs		

# CHAPTER 6: Payment Systems

## Strategic objectives

01

Enhancing participation into payment system infrastructures to promote interoperability.



02

Strengthening the regulatory framework to support FinTech ecosystem.



03

Expanding the scope and quality of financial literacy with concerted effort to delegate clear responsibilities and increase engagement



04

Promoting awareness on diversity and availability of payment options to e-commerce firms.



## Challenges and opportunities



Limited awareness on the importance of multilateral connectivity.



Balancing between regulatory space to spur innovation and FinTech expansion.



Fragmentation of financial literacy initiatives.





**EIF** Enhanced  
Integrated  
Framework

## Desired impact of strategy



Promote adoption and penetration of payment systems and payment services



Implement Payment System Roadmap and FinTech Roadmap including consideration on policy measure for regulatory sandbox.



Address digital literacy via concerted efforts from all relevant parties.



Enhanced collaboration between various stakeholders involved in the payments system space to identify challenges and step forward.



Reticence of e-commerce firms in utilizing e-payment options.



*Significant progress has been made in payment systems and services but there is still room for improvement in terms of access, usage, and quality.*



## Chapter 7

### Domestic Trade Logistics

#### 1. Introduction

Domestic trade logistics are still dominated by fragmented logistics provision, and the focus especially for e-commerce firms has only just started to emerge. Recent developments have included some startup activity related to third party logistics providers, but overall, last mile delivery, efficient track and trace capability, dependency on informal delivery suppliers, physical addressing, last-mile delivery, postal network reform as well as institutional capacity development are all identified as challenging areas requiring reform. As the scale and complexity of e-commerce grows, the strain on the existing logistics infrastructure (ranging from road infrastructure to logistics supplier base, to the environment) will increase as well. This necessitates urgent implementation of the National logistics Master Plan that has already been developed via a thorough due diligence. E-commerce will both be a growth driver for incentivizing improvements in the logistics area, and also benefit from ongoing and planned reforms.

## 2. Current Status

### 1) Domestic trade logistics infrastructure base

The Domestic logistics function is primarily fulfilled by four sets of stakeholders: Postal services (Cambodia Post, discussed below), small/medium/large delivery companies, freight forwarders, and warehousing facilities (the latter two discussed more in next chapter on cross-border trade).

In terms of postal services, the operators are Cambodia Post, which has sole designated authority for delivery services within Phnom Penh. For delivery services, there are several logistics firms, ranging from medium-large sized national and international operators such as DHL and Kerry logistics, as well as local delivery services who comprise of a range of transportation such as tuk-tuk, buses, and informal delivery personnel utilizing their own transport.

In Phnom Penh, most packages are delivered by motorcycles or taxis. Packages can be sent to the provinces by bus for only 5,000 Riel. The sender writes the province where the package is going and the phone number of the person to receive the package. When the package arrives, someone at the bus station calls the person to come and pick it up. The sender typically sends a photo of the package to the recipient, so that they recognize it when they go to pick it up.

Both international and local delivery services are mostly present only in big cities such as Phnom Penh, Siem Reap and Sihanoukville. They rely on private bus and taxi to reach the customer in other provinces.

Cambodia Post has also mentioned the idea of implementing the smart locker system for parcels delivery inside the supermarket, malls and gas stations. But this is still in the pipeline.

In line with observed trends in the region, logistics services are mainly outsourced in Cambodia, and the ratio of logistics outsourcing can be as high as 68<sup>16</sup> percent. This is the case for the broader private sector but not yet for the e-commerce sector which is marked by a relatively small firm size and high<sup>17</sup> vertical integration. The key reasons cited by companies is the preference to focus on the core business processes in-house and to outsource the burden of dealing with administrative procedures to specialized operators.

### 2) National Logistics Masterplan

The logistics masterplan is being developed by the Ministry of Public Works and Transportation with JICA assistance. This is the single most important development initiative for improving the country's trade logistics infrastructure and will include focus on the following areas<sup>18</sup>:

- Standardization of addresses and the improvement in the postal code system:
  - Development of the new address and postal code system

<sup>16</sup> National Logistics Masterplan

<sup>17</sup> The vertical integration also stems from the reason that the Cambodian business framework does not allow companies to hire freelance logistics suppliers (for example delivery personnel for restaurant food), who would be mostly informal vendors and thus not be able to provide invoices for VAT treatment up the chain. Firms therefore have no choice but to hire the suppliers as staff, rather than manage complexities of accounting for VAT and withholding tax matters.

<sup>18</sup> Appendix, National Logistics Masterplan

- Testing the new system on a pilot basis
  - Official approval of the new system
  - Introduction of the new postal codes
- Liberalization of the domestic parcel delivery market and enhancement of domestic postal services:
  - Taking stock of the existing regulations regarding the domestic services
  - Taking stock of potential services for domestic parcel delivery (e.g. making use of local petrol stations as focal points to receive parcels)
  - Modifications of the related legislation
  - Changes in the legislation
- Improvements of the financial settlement system and clearing house:
  - Taking stock of the potential issues and make improvements to enable last miles logistics
  - Consideration of the guarantee and dispute settlement mechanisms by the clearing house
  - Improvements of the financial transactions via credit cards and e-transactions
  - Improvements of financial transactions via mobile phones
  - Introduction/implementation of new legislation including the recently adopted e-Commerce law
- Capacity enhancement of logistics service providers by supporting the use of GPS devices and improving the convenience and usability of tracking and tracing system.
- Enhancement of road safety and security
- Improvement of reliability of logistics service.

Additionally, the following innovative areas will be explored via the Masterplan.

- Continue to put important functionalities online such as QR code based information on vehicle registration, driver license, vehicle technical checks etc.
- Preparation to have a shared transportation policy such as with Grab, PassApp.
- Preparation of the data exchange system about port information
- Deployment of Road Care mobile application.
- Study the feasibility of building an automatic train in Phnom Penh

### 3) National Logistics Council

The constitution of the National Logistics Council, aimed at resolving logistical impediments and to tackle the high costs of the Kingdom's logistics sector to promote the efficient flow of exports, is another positive development. There was previously no clear division of responsibilities among government ministries and agencies regarding logistics development, given the broad and cross-cutting nature of the segment, necessitating the development of a national logistics council.



As per the Logistics masterplan, the National Logistics Council (NLC) will act as the national coordinating body and is responsible for final review of the Logistics Master Plan prior to submission to the Government for approval. The NLC is composed of the representatives of the Ministry of Public Works and Transport (MPWT), Ministry of Economy and Finance (MEF), Ministry of Planning (MoP), Ministry of Commerce (MOC), Council for Development of Cambodia (CDC), Supreme National Economic Council (SNEC) and chaired by the Deputy Prime Minister.<sup>19</sup>

### 3. Challenges

#### 1) Last mile delivery

Last mile delivery has been consistently cited as a challenge for logistics suppliers and e-commerce firms of all sizes. This is due to a mix of physical addressing issues and fragmentation of logistics suppliers.

Finding an address, and “last mile” delivery of purchased goods, present significant costs and challenges– especially for smaller merchants. Addresses are not in general use and neither are they consistent. Post codes do exist but are not well known or used, which prevents findability for both consumers and businesses. Cambodian postal addresses are not specific enough to identify the exact locations. Delivery personnel often have to confirm the delivery location by phone before dispatch, and while in-transit, delivery services have to call customers to get directions on where to find them.

Customers will often have a package sent to an address of a relative that is easy to find. They use local landmarks to direct the delivery to the general vicinity, then provide detailed directions in another phone call, once the deliverer is nearby.

Business verification is another key business process affected by the lack of physical addressing. When companies attempt to verify their business location with google, they face significant delays because the verification process depends on postal codes. Firms have to wait as long as one month for receiving codes<sup>20</sup> via post (as a normal letter) and thereafter resubmitting the request to the search engine in order for the business to be registered and ‘found’. Companies are able to track status of goods until the point that they leave the warehouses, but after this stage, there is no track and trace functionality available.

The fragmentation among logistics services providers is another contributing factor. In the absence of reliable local post services, e-commerce firms have to frequently rely on local transport such as tuk-tuk drivers for delivering orders. Even larger logistics firms rely on local MSMEs for “last mile” delivery. This presents some constraints for reliable track and trace or even a guarantee that the goods will reach the recipient.

#### 2) Enhancing capacity of Cambodia Post

<sup>19</sup> National Logistics Masterplan

<sup>20</sup> In the absence of post codes, businesses have to send their complete address with description to google who then posts a letter with codes. These codes have to be verified with Google online, proving that the ‘long’ address entered by the business is in fact accurate.

In the past decade, the capacities of Cambodia Post have risen significantly, and the autonomous role has allowed it to test and expand new services. Revenue has since increased from USD 2 million to USD 10 million. Despite the growth there are challenges to be addressed. The letter delivery services routinely take as much as a month to be delivered. Budgetary and technical support has been assessed by Cambodia Post's leadership as an important requirement for expanding services to the provinces and especially rural areas. Infrastructure requirements include procurement of delivery vans, and enhancing warehousing network across the country. Training of personnel is an important issue, for example on the existing IPS and CDS systems.

The Universal Postal Union (UPU) is assisting Cambodia Post with implementing the International Postal System (IPS), the software application developed by the UPU's Postal Technology Centre for the management and monitoring of mail processes.

### **3) Liberalization of domestic parcels delivery is necessary for enhancing consumer experience and improving overall competency levels among service providers**

The parcel delivery segment has not been liberalized yet and is managed by Cambodia Post as per the official mandate. While an informal network of delivery services does exist, the absence of competition involving formal service providers is preventing the emergence of a strong supplier base with good quality of service for consumers, both individuals and businesses. With the increase demand forecasted both via digital economy and traditional private sector growth, the timing is good for considering allowing competition to emerge via private sector-based parcel delivery service.

### **4) Green logistics is an emerging area of focus**

Transportation related emissions are the second largest source of greenhouse gas emissions in Cambodia, and this will only rise as the economy grows. Relevant issues include the predominance of aged second-hand trucks with high pollution emissions, inefficient utilization of transportation equipment and route planning, inadequate information/database at the public sector or at the firm level related to existing fleet performance or trucking information. With this in mind, the focus on green logistics has increased in policy terms and it is included as a key priority within the national development plan.

## **4. Strategic Objectives**

### **1) Improve physical addressing and pilot alternate forms of addressing solutions.**

Improved findability for individuals and businesses will directly result in improved efficiency levels for logistics firms in terms of last mile delivery. Therefore, improved physical addressing across the country is a core imperative. This will involve speeding up current reform efforts for developing street addressing in addition to the postal code system, and increasing awareness among the demand-side on utilizing them. This is key given that consumer awareness has been identified as a contributing factor for the physical addressing challenge.

The strategic objective also advocates for the utilization of alternate/virtual addressing systems available (most prominently what3words, or perhaps a Khmer based version developed locally expanding to further functionalities such as a dynamic virtual address assigned to an individual). This will ensure that postal and delivery service operators, individuals and enterprises do not have to wait for the relatively longer-term physical addressing challenges to be resolved as a prerequisite.

## **2) Improve capabilities of Cambodia Post**

This strategic objective is focused on enhancement of Cambodia Post's capabilities as well as exploring avenues for liberalization of the domestic parcel delivery segment. Cambodia Post occupies a critical role as the sole designated supplier of postal services in Cambodia, however the organization faces technical, financial constraints which may prevent it from enhancing the efficiency and reliability of its operations. With the ongoing diversification in e-commerce (through Tinh Tinh and other initiatives), the capabilities of the organization require improvements so that it is able to satisfy its mandate, expand into digital economy operations, and at the same time coexist with other service providers with benefits to end-consumers and the private sector. Specific to the latter, liberalization of the Domestic Parcel Delivery Market is also another area of introspection. As the logistics masterplan notes, 'market activation is necessary to realize new logistics services through deregulation and fair competition market to encourage private logistics providers.

## **3) Professionalize the transportation providers segment and bridge the knowledge gap of e-commerce firms in logistics management**

Logistics management is a relatively new area for e-commerce firms, who are currently not employing significant use of technology for tracking their delivery processes. GPS based tracking services and the provision of on-time information is an area of investment which would raise efficiency levels as well as customer satisfaction. This will become indispensable as the scale of operations of individual firms rise, requiring them to optimize the delivery routes, enhance training of delivery personnel, maintain real-time situational awareness, and also deal with more complex use-cases such as returns which do not exist yet in Cambodia.

Fleet management will be another area where e-commerce companies and logistics suppliers both will have to make investments and raise the expertise levels. The current fragmentation among logistics companies will need to be reduced via better coordination between contractors and suppliers and trainings.

## **4) Invest in Green Logistics**

Cambodia is moving towards green- and eco-logistics, as indicated in the National Logistics Masterplan which notes the scope to include 'cleaner and energy-efficient freight transport to lower greenhouse gas (GHG) emissions, by promoting technologies, policies and practices which help to minimize environmental cost and impact.' The high development partner interest in supporting this area is promising, and Cambodia stands to gain by incentivizing green logistics and instituting regulations, but also improving the awareness levels among companies on how to

integrate green logistics – ranging from introducing new or/and eco trucks for fleet to utilizing technology for realizing efficiency (and environmental) gains via optimal route planning etc.

## 5. Theory of Change

Current situation		Desired impact of strategy	
The domestic logistics infrastructure is one of the weakest components of the Cambodian e-commerce ecosystem, posing significant risks for the current growth as well as the scalability of the sector.		<ul style="list-style-type: none"> <li>• A flexible and competent 3PL base that can adapt to the e-commerce sector's future logistics requirements; enhanced in-house capability of enterprises to manage order facilitation, tracking and delivery.</li> <li>• Alleviation of physical addressing challenges via increased utilization of technology/alternate addressing solutions.</li> <li>• An improved environmental and enterprise bottom line via adoption of green-logistics practices.</li> <li>• Increased competition and competence within the domestic parcel delivery logistics segment.</li> </ul>	
Challenges and opportunities	Strategic objectives	POA actions	
1. Last mile delivery is an across the board challenge for all e-commerce firms and even the larger logistics firms, especially felt at the rural level, stemming from physical addressing and fragmentation among logistics providers.	1. Improve physical addressing and pilot alternate forms of addressing solutions.	7.1.1, 7.1.2	
2. Liberalization of domestic parcels delivery is necessary for enhancing consumer experience and improving overall competency levels among service providers.	2. Improve the transportation infrastructure including roads, warehouse, delivery vehicle infrastructure (trucking in particular) keeping in mind the increased domestic logistics demand in the future	7.3.2	
3. Complex logistical use-cases such as 'returns' and real time traceability of packages have not yet emerged.	3. Improve capabilities of Cambodia Post	7.5.3, 7.5.4	
4. Capacity challenges of Cambodia	4. Professionalize the transportation providers segment and bridge the knowledge gap of e-commerce firms in logistics management.	7.3.1, 7.3.3	



Post accompanied by a non-competitive domestic parcels' provider base poses challenges for e-commerce scalability.	5. Invest in Green Logistics	
5. Limited innovation occurring in the sector, both at the 3PL supplier base as well as within enterprises.		7.5.1, 7.5.2,
6. E-commerce firms and logistics suppliers both have weak competencies in managing logistics, and expertise for managing complex use-cases such as returns has not yet emerged.		7.4.1, 7.4.2, 7.4.3
7. The Cambodian road infrastructure is still underdeveloped.		7.2.1,
Key stakeholders involved		
MPWT, MPTC, MOC, Cambodia Post, Domestic logistics providers		

# CHAPTER 7: Domestic Trade Logistics

## Strategic objectives

01

Improve physical addressing and pilot alternate forms of addressing solutions.



02

Improve the transportation infrastructure including roads, warehouse, delivery vehicle infrastructure



03

Improve capabilities of Cambodia Post



04

Professionalize the transportation providers segment and bridge the knowledge gap of e-commerce firms in logistics management.



05

Invest in Green Logistics



*The domestic logistics infrastructure of the Cambodian e-commerce sector is not yet ready to support the current growth as well as the future growth.*

## Challenges and opportunities



Last mile delivery is an across the board challenge for all e-commerce firms, especially felt at the rural level.



Liberalization of domestic parcels delivery is necessary for enhancing consumer experience and improving overall competency levels among service providers.



Complex logistical use cases such as 'returns' and retraceability of packages have not yet emerged.



## Desired impact of strategy



A flexible and competent 3PL base that can adapt to the e-commerce sector's future logistics requirements; enhanced in-house capability of enterprises to manage order facilitation, tracking and delivery.



Alleviation of physical addressing challenges via increased utilization of technology/alternate addressing solutions.



An improved environmental and enterprise bottom line via adoption of green-logistics practices.



Increased competition and competence within the domestic parcel delivery logistics segment.



Limited innovation occurring in the sector, both at the 3PL supplier base as well as within enterprises.

...ture is one of the challenging components  
ecosystem, posing significant risks for  
scalability of the sector.



Capacity challenges of Cambodia Post poses challenges for e-commerce scalability



Cambodian road infrastructure is relatively underdeveloped



E-commerce firms and logistics suppliers both have limited competencies in managing logistics, and expertise for managing complex use-cases such as returns has not yet emerged.





## Chapter 8

### Cross-Border Trade

#### 1. Introduction

Considerable efforts are being expended to improve the trade-facilitation landscape and to match Cambodia's commitments in ASEAN, and the improvements are reflected in Cambodia's improved performance in the latest UN Global Survey on Digital and Sustainable Trade Facilitation. The National Single Window (NSW) is the most prominent initiative which when fully implemented will enhance efficiency, reduce transaction costs and increase transparency related to cross-border trade. However, before these gains can be realized, e-commerce firms face a number of issues before, at and after the border which need to be addressed and require attention from institutional, trade negotiations, and enterprise level perspective.

#### 2. Current Status

##### 1) Progress in Implementing Trade Facilitation Measures

To drive the paperless trade agenda forward, a national single window initiative is underway, and a Trade Facilitation Committee (NTFC) has been initiated and chaired by the Deputy Prime Minister and the Minister of Economy and Finance. The UN Global Survey on Digital and Sustainable Trade Facilitation conducted by UNESCAP assesses Cambodia as one of the strongest reformers in the region in terms of implementing trade facilitation measures.



- Within the five areas assessed by the survey, Cambodia's implementation of "Institutional arrangement and cooperation", "transparency" and "formalities" are slightly over the Asia-Pacific regional average. Progress has been made in all five assessed areas.
- Most progress has been made in implementing measures for "cross-border paperless trade" and "paperless trade". Cambodia has achieved higher levels of transit facilitation than the regional average.
- Within paperless trade, fully implemented reforms include automated customs system, internet connection available to customs and other trade control agencies, electronic submission of customs declarations and application and issuance of preferential certificate of origin.
- Partially implemented reforms include electronic application and issuance of import and export permit and e-payment of customs duties and fees.
- Measures such as electronic submission of air cargo manifests, and electronic application for customs refunds, have not been implemented in Cambodia.
- The electronic single window is an ongoing initiative in Cambodia and is assessed as a partially implemented measure.

## 2) E-Commerce Logistics

A number of strategic partnerships have taken place in the private sector in the areas of logistics management to offset this challenge.

- The UNDP has signed a PPP with 4PX (the logistics arm of the Alibaba group), and the Royal Government of Cambodia, represented by the Ministry of Public Work and Transportation (MPWT). The cost-sharing agreement aims to develop the e-commerce ecosystem via improvements in cross-border logistics and building capacity within the Cambodian SME sector on e-commerce. The PPP will involve a B2B marketplace which will link Chinese suppliers to the Cambodian market wholesalers and retailers and vice versa.
- Currently, the retail offer in Cambodian market for overseas products is very limited given the high costs and logistical constraints in importing the goods. The arrangement is expected to ease the pickup, delivery and returns capabilities for e-commerce with full track and trace capabilities. The initial geographical scope will be on Cambodia and the Mekong river locations. As part of the partnership, fulfilment centres and warehouses will be established for foreign and local sellers to stock their products and ship to regional markets.
- Kerry Logistics Network has tied up with ESG to facilitate e-commerce fulfilment in Asia. The partnership aims to combine Kerry Logistics' global supply chain capabilities with ESG's technology platform, global marketplace networks, and e-commerce expertise.

### 3) National Single Window (NSW)

On 11 March 2015, the Royal Government of Cambodia issued a Sub-decree on the Establishment of the Cambodia National Single Window Steering Committee (NSWSC)<sup>21</sup> to develop and deploy a NSW, led by the General Department of Customs Excise (GDCE).

The NSW Phase 1 has already been completed for Customs on customs declarations and for Ministry of Commerce on the issuance of Certificate of Origin. NSW Phase 2 has also been deployed in July 2019 with: (1) Ministry of Commerce; (2) Ministry of Health; (3). Ministry of Agriculture, Fisheries and Forestry (within this Ministry, there are 4 departments involved the issuance of license/permits); (4) Ministry of Industry and Handicraft; and (5) Council for the Development of Cambodia. Phase 3 will involve a rollout to all ministries and relevant agencies.

### 3. Challenges

For e-commerce imports to Cambodia, the followings are the challenges:

- The de-minimis regime needs to be strictly and uniformly enforced based on the Prakas which has been issued. The current de-minimis value of USD 50 (invoice costs, excluding transportation costs) indicates the value below which duties and taxes should not be applied. This will ensure that low value e-commerce packages entering the Cambodian market are speedily and cost-effectively cleared. For export, a reasonably high de-minimis value adopted by markets that wants Cambodian products will help with the streamlined flow of low value, low risk shipments, especially since these will predominantly originate by SMEs. Due to the low base of e-commerce based cross-border trade, it is currently difficult to quantitatively estimate the potential gains/losses, but it can be safely assumed that a higher de minimis value spread relatively uniformly among Cambodia's key target markets would help to increase the country's comparative advantage.
- Immediate release guidelines with simplified procedure should be adopted for certain shipments falling within a particular value range above the de-minimis value and especially those arriving via post or express. This would involve the creation of a product category which falls above the threshold of de-minimis and a defined upper limit, and involves simplified clearance procedures. The application of a simplified clearance for these shipments would greatly enhance the on-time receipt as well as accurate estimation of duties and taxes for e-commerce firms. This recommendation is aligned with the guidelines of the WCO, and based on coherent industry-led advocacy originating from the ASEAN, EU, and US.
- 'Returns' shipments functionality needs to be developed in order to facilitate trust and convenience for consumers, especially in the case of cross-border goods flows. It is currently quite cumbersome to get a refund on an e-commerce shipment entering Cambodia, primarily due to the requirement for customs to link the return shipment to the imports declaration, which may not be feasible in all cases (especially in the case of paper-based declarations). In addition to the legal basis for returns which has been established via the e-commerce law, the

<sup>21</sup> Comprised of NSWSC consists of the Minister of the Ministry of Economy and Finance (Chief); Secretary of State of the Ministry of Economy and Finance (Deputy Chief); Secretary of State of the Ministry of Commerce (Deputy Chief); and Director General of the General Department of Customs and Excise (Permanent Deputy Chief). Representatives of the principal OGAs of the NSW are also members of the NSWSC. There is also private stakeholder representation, including from the Cambodia Chamber of Commerce, Freight Forwarders Association of Cambodia, and the Customs Brokers Association of Cambodia.

technical implementation for enabling returns functionality has to be developed. Return shipments in general should be released without formal declarations so as to ensure that claims for consumers can be processed expeditiously.

For outbound transactions, there are a number of concerns.

- Every export requires one declaration. There is no low value category for exports which would require a simplified declaration currently.
- To get an export declaration approved from Cambodia, part of the supporting documentation is an import declaration (for certain products), which may not apply to e-commerce outbound shipments.
- A common issue faced by many authorities across the world across two areas - falsification of receiver or sender details, and undervalued shipments. In response, customs organizations tend to see e-commerce as a high-risk category, so they either increase inspections, or require additional data such as registration of consumers as importers, rejection from simplified clearance thereby mandatorily requiring formal clearance even for low value shipments, and refusal from licensing requirements.

#### 4. Strategic Objectives

##### 1) Develop the legal and regulatory framework relating to cross-border trade

It will be important to ensure implementation of the cross-border trade tenets of the Logistics Master Plan- The capacity of the General Department of Logistics will need to be bolstered to be able to manage, administer, coordinate and monitor the implementation of the Logistics Master Plan.

Ensuring coherence with international agreements will also be an important area. It is recommended that Cambodia considers ratifying the Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific. Furthermore, acceleration of the trade and cross border agreements and strengthening of the related regulatory framework are necessary to enhance Cambodia's presence within the ASEAN and GMS countries, and are especially important considering the expected loss in preferences as Cambodia graduates from its LDC status in the mid-term. Efforts must include continuing discussions to harmonize/unify standards among partner countries and also to reduce the significant tariff and non-tariff barriers across Cambodian borders.

##### 2) Continue development and rollout of single window and other paperless trade systems

NSW development and deployment by all relevant ministries and agencies is crucial for Cambodia's cross-border trade agenda. With this in mind, it will be important to maintain the timelines set for the Phase 2 and Phase 3 rollouts of the NSW pilots. The NSW is a complex system with multi-entity workflows, involving a range of use-cases and business flows, and will require significant testing. Simplification of cross-border procedures including the deployment of NSW will be effective to reduce overall transport time. In addition to the NSW, other paperless systems such as the Port EDI system, the Port Management System will also need to be deployed.

In addition to the NSW system itself, institutional mechanisms coordinating stakeholders of (cross-border) paperless trade and related capacities will need to be strengthened as well.

Institutions will require training and awareness of the overall workflow. The NTFC and sub-committees and working groups are especially important given the NTFC's role in coordinating trade facilitation efforts.

**3) Develop the network of hard infrastructure and services required for cross-border trade**

As the scale and volume of cross-border trade increases, companies will require the access to warehousing (including bonded warehouses) located at strategic points along the borders. The infrastructure would need to be improved to achieve the following core goals as stated in the LMP - lower cost and stable time of cross-border transport to maintain investment value of Cambodia (to maintain expected production cost); More choices of transport modes; More choices and sophisticated logistics services like less than container load (LCL) and Vendor Managed Inventory (VMI) etc.

**4) Raise capacities and efficiency levels on the enterprise side for conducting cross-border trade**

In order to enhance cross-border trade, enterprise level improvements are also needed. This involves raising the knowledge levels among enterprises/traders, logistics services providers, customs brokers<sup>22</sup> and other entities on the regulations as well as best practices to follow regarding administrative paperwork and customs clearance processes. The Best Traders Incentive initiative should be continued and promoted in order to motivate good practices, but a review is required to ensure that SMEs are able to meet the eligibility criteria and incentives are substantial to motivate enterprises. The establishment of a Logistics Technical Training Centre, as well as Training of Trainer (TOT) initiatives via which access to trainings for both public and private sector entities can be expanded, are good ideas to implement.

Government's initiative may be warranted to ensure trust and confidence in cross-border e-commerce transactions with Cambodian SMEs acting as suppliers. This initiative could be in the form of a government-own and operate B2B platform as an outlet for Cambodian SMEs to market their products to the world and reach wider clients.

Another area is informal cross-border trade. It should be explored whether the micro-entrepreneurs involved in cross-border trade can be absorbed meaningfully into the cross-border-related e-commerce activity as an intermediate step towards formalization.

**5. Theory of Change**

Current situation:	Desired impact of strategy:
Cross-border trade participation via e-commerce constitutes a significantly limited contribution due to the weak maturity as well as quality of services provided.	<ul style="list-style-type: none"><li>• A responsive 3P Logistics supplier base competent in cross-border logistics services, accompanied by a robust hard and soft border infrastructure.</li><li>• A responsive 3P Logistics supplier base</li></ul>

<sup>22</sup> The LMP notes, 'the quality of the customs brokers' services remains relatively poor. There are complaints claiming that their service quality is not good due to many mistakes in the documentation needed for the clearance of the goods. Traders and manufacturers often suffer from time losses resulting in unnecessary financial costs. Additional training of customs brokers should be provided to professionalize and improve their service skills serving the trade supply chains'



		<p>competent in cross-border logistics services, allowing e-commerce firms to offer increasingly complex services.</p> <ul style="list-style-type: none"> <li>• A robust hard (physical border-point infrastructure) and soft (institutional support and documentary compliance) cross-border trade infrastructure.</li> </ul>
Challenges and opportunities	Strategic objectives	POA actions
1. Hard infrastructure at border crossings/border areas including roads and network bonded warehousing facilities etc. is weak.	1. Envisioning cross-border growth trajectory, as per the LMP	8.3.1, 8.1.2,
2. The customs processes are significantly time-consuming and incur a lot of burden for importers and exporters, in terms of time expended and documentary requirements.	2. Develop the legal and regulatory framework relating to cross-border trade	8.1.8, 8.1.9, 8.4.3, 8.1.4, 8.2.1, 8.2.2, 8.2.3, 8.2.4, 8.2.5
3. Borderless Transportation is limited, although constitutes an area of ongoing reform.	3. Continue development and rollout of single window, full implementation of TFA and other paperless trade systems that will be interoperable both within and across borders, and ensure compatibility with the forthcoming legal framework, especially the e-commerce law	8.1.1, 8.4.3
4. Cross-border trade is an evolving area of international negotiations	4. Develop the network of hard infrastructure and services required for cross-border trade	8.1.2, 8.1.4, 8.1.5, 8.1.6, 8.1.7
5. The options for cross-border shipping are quite limited in terms of 3P logistics service providers.	5. Raise capacities and efficiency levels on the enterprise side for conducting cross-border trade	8.4.2
6. Complex logistical use-cases such as 'returns' has not yet emerged, leading to lack of confidence among international customers.	6. Taxes are accounted for in formal e-commerce transactions.	7.5.3, 7.5.4
7. An important need to raise enterprise capacities for cross-border trade.		8.4.1, 8.4.2, 8.4.3, 8.4.4, 8.4.5
<b>Key stakeholders involved</b>		
MPWT, MOC, Cambodia Post, GDCE		

# CHAPTER 8: Cross-Border Trade




## Strategic objectives

- 01 Envisioning cross-border growth trajectory, as per the Link Management Protocol 
- 02 Develop the legal and regulatory framework relating to cross-border trade 
- 03 Continue development and rollout of single window, full implementation of Trade Facilitation Agreement and other paperless trade systems that will be interoperable both within and across borders, and ensure compatibility with the forthcoming legal framework, especially the e-commerce law 
- 04 Develop the network of hard infrastructure and services required for cross-border trade 
- 05 Raise capacities and efficiency levels on the enterprise side for conducting cross-border trade 
- 06 Taxes are accounted for in formal e-commerce transactions. 



Cross-border trade participation significantly limited contribution as well as quality of services provided

## Challenges and opportunities

			
Weak hard infrastructure	Time-consuming custom process	Limited borderless transportation	L



## Desired impact of strategy



A responsive 3rd party logistics supplier base competent in cross-border logistic services



A robust hard and soft cross-border trade infrastructure



...n via e-commerce constitutes a  
...n due to the weak maturity as  
...ded.



Limited options for  
cross-border shipping



Lack of return policy



Limited enterprise  
capacity for cross-  
border trade



An important need to  
raise enterprise capacities  
for cross-border trade.





## Chapter 9

### Access to Financing

#### 1. Introduction

Despite the growth of the banking system in Cambodia, SMEs do not have reliable mechanisms for access to working-capital and investment financing (at reasonable terms) in place. The ‘missing middle’ challenge especially impacts digital economy SMEs including E-commerce firms. As e-commerce SMEs scale, the prevailing high interest rate, working capital based, low value model is not sustainable. Additionally, Startups and smaller firms will be unable to cope without loans, especially as international competition gears up in Cambodia. Alternate financing models such as venture funding, angel investments and equity funding are gradually finding root based on an attractive value proposition for the Cambodian market and the digital economy, but these are still in early stages. Enterprise level creditworthiness needs significant capacity development. Furthermore, the National Financial Inclusion Strategy (NFIS) 2019-2025 adopted by the Council of Ministers on July 12, 2019 has encouraged banking and financial institutions to increase access to credit for SMEs and agricultural and rural development community through various means of activities and products development.



## 2. Current Status

The Cambodia's banking system is relatively diverse with commercial banks, specialized banks, Microfinance Deposit-taking Institutions (MDIs), Microfinance Institutions (MFIs), Rural Credit Institutions (RCIs), Financial Leasing Companies, and Payment Service Institutions (PSIs), offering services to retail clients. Banking institutions have been steadily expanding their scope of services and operational networks in provinces and cities through branches.

According to the NBC Annual Report 2019, the Cambodia's banking and financial institutions experienced healthy growth in 2019, with total assets expanding by 20 percent year-on-year to reach about USD 51 billion. In the case of banks, the key recipients are wholesale and retail (25.4 percent), construction and real estate (17.9 percent), agriculture, and forestry and fisheries (7.3 percent). Key recipients for MFIs by sector include the agriculture sector (19.4 percent), households (34.1 percent), trade (18.3 percent) and service (14.4 percent). Agriculture remains the key priority for the government due to food-security and rural-employment considerations.

The Credit Bureau Cambodia (CBC) is developing criteria for conducting due diligence on companies. The CBC is the central repository of credit information in Cambodia. It allows financial institutions access to check credit histories of individuals and enterprises and allows recourse mechanisms for individuals who believe their information is misreported or incorrect. Even still, awareness on the consumer side needs to be boosted as many individuals and enterprises do not realize the importance of this database.

The SME Bank was licensed in early 2020. The banks would like the Government to get involved so as to build confidence regarding the viability of the e-commerce segment. In this context, the SME Bank will serve an important role. The SME bank is being established to assist SMEs seeking to engage/diversify operations in intermediate and finished goods. The bank is government backed with an initial capitalization of USD 100 million, equally co-financed by Ministry of Economy and Finance and financial institutions. The capitalization is expected to grow in the future based on the performance of the bank and its loan-portfolio. Although access is available for all SME sectors, a degree of prioritization is expected to be applied towards SMEs that are linked to local processing, foreign direct investments, and tourism and tech start-ups. It is expected that the Bank will directly serve loans to companies and there is also the possibility of the bank providing liquidity to select banking and financial institutions so as to promote enhanced lending to SME customers of selected banks.

## 3. Challenges

The lending activity - especially by local banks and MFIs - is intended to working capital requirements for SMEs, collateralized by land, and overdraft, payroll management, financial leasing, and foreign exchange type services. Despite liquidity in the financial system, and commonplace dollar-based lending, the high interest rates are largely not affordable for SMEs and from their perspective, does not correlate with risks of financial institutions. The recent interest rate cap of 18 percent imposed by the NBC on MDIs, MFIs and RCIs is to protect consumers from excessive charges.

There are no specific lending instruments for the startup, tech and/or e-commerce sector. According to the private sector, there is a bias against land-less, cash-less, outward processing firms, which includes e-commerce firms, exporting SMEs, and tech-startups.

Collateral requirements, for majority of SME tech firms, remains a challenge and an ‘awareness fog’ among banks related to emerging sector operations remains high.

Finally, there are significant demand side challenges as well. Cambodia has very low saving rates which means that lending institutions find it hard to assess the creditworthiness of individual loan seekers.

Alternative financing mechanisms have started to gradually emerge. For digital economy firms in the early/ seed stage, alternative financing models include ideation programs, incubators (more prominent) and accelerator programs, awards and pitching events, angel investors. The scale of investing stemming from these sources are still relatively low, although there is expectation that this will ramp up based on success of the lead firms and scaling up of the sector. For non-seed stage firms, the options are relatively more limited and primarily involve venture capital investors and private equity. Active venture capital investors include Smart Axiata Digital Innovation Fund (SADIF), the recently launched Ooctane Fund, and 500 Startups.

### 4. Strategic Objectives

The e-commerce sector has access to financing requirements which can be segmented into three types: 1) seed capital for very early-stage startups; 2) working capital requirements similar to other SMEs; and 3) access to trade-finance instruments for cross-border trade activity. The particularities of the e-commerce sector – in that firms are straddling more than one area such as IT, supply-chain, and in some cases, cross-border trade – contribute to a strong business case for developing specific financing instruments for this sector, and making the best targeted use of available instruments. At the same time, enterprise-level weaknesses both in terms of proper operational management, book-keeping and accounting, as well as maintaining an awareness of the various financing options need improvement.

The following strategic objectives will align the access to financing supply function with e-commerce sector requirements:

#### **1) Develop and promote utilization of dedicated financing instruments for e-commerce firms and/or adapt existing instruments to the specific needs of e-commerce firms**

This strategic objective is aimed at ensuring that e-commerce firms have a diverse set of financing options available to them via commercial banks and MFIs. Keeping in mind that financial institutions will remain relatively risk averse until a critical mass of loan-issuance and debt-repayment cycles have been completed, the activities under this strategic objective aim to first bridge the trust gap and build confidence between e-commerce enterprises and financial institutions, inform financial institutions of the potential profitability from supporting the e-commerce sector, and in parallel mitigate risk for the financial institutions via the SME bank channels i.e. the value proposition for the e-commerce sector should be made clearer to financial institutions, and the specific limitations and areas of assistance required by the firms should be conveyed to the institutions. At the same time, the SME bank could potentially provide liquidity to specific financial institutions for introducing specific lines of financing for e-commerce firms, with a degree of assurance and risk-sharing.

The operationalization of the SME bank is a critical requirement given the concerted opinion of financial institutions on the need for the government to remain involved for confidence building and risk-sharing (via credit guarantee schemes or similar), given the emerging state of

the e-commerce sector. Expanding the role of the SME bank to include EX-IM bank type activities could also be explored via an assessment in the future, given that cross-border trading e-commerce firms, and trading activity by SMEs is expected to pick up in the near future.

Additionally, options for introducing flexibility in terms of collateral requirements (movable assets such as invoices, account-receivables, inventory) as well as trade-financing instruments such as letters of credit, supply chain financing, factoring, and credit insurance will be assessed.

All of this should occur within the parameters of a sandbox approach or pilots to test and adapt the solutions.

## **2) Promote alternate financing mechanisms and improve enterprise investment readiness to secure and absorb investments**

Alternative financing arrangements including venture capital, private equity, angel investing, peer-to-peer investing, crowd funding etc. will gain increasing importance for digital economy firms including e-commerce companies. The organic reason is that Cambodia's overall tech-landscape investment value proposition is improving. Foreign and especially regional investors are seeking to diversify their offerings, and the Cambodian market, trainable and large tech workforce, and the liberal business climate is an attractive value proposition. When considered in tandem with the recent sharp rise of the e-commerce segment (which demonstrated consumer uptake readiness), and the relatively untapped use-cases for e-commerce in Cambodia, the business case for investing in Cambodia is strong. This strategic objective is therefore focused on developing a conducive climate for investors (specific to e-commerce) and bridge information and confidence gaps where they may exist. The P2P, crowd funding models will be explored in detail as well, given that they have a small footprint, and the potential or modalities have not been reviewed. Moreover, the activities under this strategic objective will also focus on helping e-commerce firms become more investable, by a range of training, coaching, mentoring initiatives so that they are well prepared for assisting interested investors with their due diligence processes.

## **3) Improve creditworthiness levels of e-commerce enterprises**

The challenges faced by Cambodian e-commerce firms cannot be solely attributed to risk-aversion or lack of flexibility on the supply side. The enterprise base needs significant reforms if they are to present a compelling proposition to lending institutions. At the first instance, firms should be registered and all administrative paperwork should be in order. A high level of operational discipline must be exercised for managing financial flows, inventory management and end of year administration. These basic yet essential fundamentals including a detailed business plan among other requirements set out by lending institutions are necessary elements for banks to be able to accurately gauge the creditworthiness of loan-seeking enterprises.

This strategic objective will focus on efforts to sensitize and coach e-commerce firms on how to internalize good practice models of operations and financial management, which can help them to demonstrate a compelling track record and creditworthiness.

At the institutional end, enhancing data quality of CBC on commercial credit reports, which was launched in the mid-2019, in addition to individual credit reports will provide a first point of review and due-diligence for lending institutions who will also need to enhance their awareness on the segmentation of e-commerce firms, since some firms will be in the form of IT startups,

others with a retail and online presence, and still others who will transact cross-border with high volumes.

## 5. Theory of Change

Current situation:		Desired impact of strategy:	
SMEs in general, and digital economy firms including e-commerce companies in particular, face significant challenges in accessing working capital and investment financing at reasonable terms, and are thereby restricted in terms of starting, maintaining, and scaling up operations, domestically as well as cross-border.		<ul style="list-style-type: none"> <li>Improved confidence with financial institutions for lending to e-commerce firms.</li> <li>Improved access to financing options due to deployment of SME Bank, and risk-sharing funding partnerships in collaboration with development partners and financial institutions.</li> <li>Increased variety of loan types and options for e-commerce firms to select based on their specific requirements, and flexible collateral requirements.</li> <li>Improved enterprise level creditworthiness levels and avenues to develop track record (debt repayment) for previously financially excluded digital economy SMEs.</li> <li>Enhanced access and hand-holding for investors to conduct due-diligence on e-commerce firms who are candidates for investment.</li> </ul>	
Challenges and opportunities	Strategic objectives	POA actions	
1. Working-capital loans with high interest rates constitute the predominant lending model, however this is not ideal for e-commerce firms.	1. Develop and promote utilization of dedicated financing instruments for e-commerce firms and/or adapt existing instruments to the specific needs of e-commerce firms.	9.1.1, 9.1.2	
2. Trade-finance instruments such as letters of credit, supply chain financing, factoring, credit insurance exists but rarely approved for SMEs; an awareness gap also exists at the demand-side.	2. Promote alternate financing mechanisms and improve enterprise investment readiness to secure and absorb investments.	9.1.1, 9.1.2	
3. Majority of E-commerce firms cannot satisfy the collateral requirements for conventional lending instruments, and there are no specific loans for SMEs or	3. Improve creditworthiness levels of e-commerce	9.2.3	



digital economy firms.	enterprises.	
4. Financial institutions do not understand the particularities of the e-commerce sector in terms of operations as well as financing needs.		9.2.1
5. The commercial credit report has just been established, and CBC should enhance capacity in improving the data quality of the report.		9.3.1
6. Alternate financing instruments such as venture capital and equity financing are gradually growing but still quite limited, while others such as crowd funding, peer to peer funding are nascent.		9.2.2
7. Vicious cycle of E-commerce SMEs rejected for loans due to lack of track record of successful debt repayment, while options for developing the track record are limited.		
8. Enterprise level challenges in terms of demonstrating creditworthiness further compound the supply side access to financing challenges.		9.3.2
<b>Key stakeholders involved</b>		
MEF, NBC, Banking and Financial Institutions, Credit Bureau Cambodia, Venture Capital and Private Equity Firms, Innovation ecosystem builders involved with tech incubation (specific partners may include Techo Startup Center under MEF, innovation center under MPTC, and Impact Hub)		

# CHAPTER 9: Access to Financing

## Strategic objectives

01

Develop and promote utilization of dedicated financing instruments for e-commerce firms and/or adapt existing instruments to the specific needs of e-commerce firms.



02

Promote alternate financing mechanisms and improve enterprise investment readiness to secure and absorb investments.



03

Improve creditworthiness levels of e-commerce enterprises.



MICROFINANCE



## Challenges and opportunities



High interest rate



Limited trade-finance instrument for SMEs



Lack of specific collateral requirements and loan for SMEs or digital economy firms



Lack of awareness of e-commerce financial instruments



## Desired impact of strategy



Improved confidence with financial institutions for lending to e-commerce firms



Improved access to financing options



Increased variety of loan types and options for e-commerce firms



Improved enterprise level creditworthiness levels and avenues to develop track record



Enhance access and hand-holding for investors to conduct due-diligence



Lack of credit-worthiness



Challenges in accessing working capital and investment financing at reasonable terms



Awareness of e-commerce of the sector among financial institutions



Limited capability of CBC to conduct due diligence



Limited alternate financing instruments



Lack of track record of successful debt repayment





## Chapter 10

### Trade Information and In-Market Support

#### 1. Introduction

The importance of the trade information and in-market support function cannot be underestimated. No matter how many improvements take place within the sector value chain, if SMEs (e-commerce or otherwise) cannot access and penetrate markets based on robust market opportunities, they will be unable to capitalize on the value chain improvements in a sustainable manner. Markets drive the entire value chain, and therefore access to relevant and timely trade information accompanied by in market support will be an integral part of the Cambodian e-commerce success story.

#### 2. Current Status

Enterprise capacities for market promotion are quite weak except for certain lead-firms, and overall capacities in terms of international markets is extremely low. In the areas of trade information and market intelligence as well as branding and digital marketing, awareness is just starting to emerge, and that too is limited to domestic markets. The World Bank estimates that less than a quarter of all formal businesses had a web-presence in 2017, which falls well below the global median of 46 percent. The Digital Adoption Index (developed by the World Bank) assesses the usage of digital technologies by businesses within the bottom end (just above Myanmar and Laos) of the EAP region. In the area of trade promotion and in-market support which typically falls within the mandate of a



TPO, e-commerce is not an integrated area of focus. Even if in-market support was available, it is likely that the current absorptive potential by e-commerce firms would have resulted in strong uptake (except for some lead firms). The overall readiness of enterprises to engage in market research, branding and digital marketing for international markets is significantly low.

### 3. Challenges

The traditional policy focus on SEZ firms has meant a relatively lower focus on SME development for those who wish to or participate in international trade, especially factoring in the very recent emergence of the e-commerce segment.

There is currently no official trade promotion organization (TPO) existing in Cambodia, which focuses on provision of trade information and in-market support for SMEs. MOC's General Directorate of Trade Promotion serves as the de-factor TPO, however the scope of services is mainly geared towards SEZ based firms. This may be to avoid mandate overlaps with MISTI which is responsible for SME development matters, however there is no corresponding department at MISTI related to export promotion either. For SMEs and e-commerce firms in particular seeking to promote themselves overseas and understand buyer and market entry requirements in international markets, much hand-holding will be required.

One challenge is the increased interactions with international buyers. As the Cambodian e-commerce ecosystem gradually builds readiness levels for cross-border trade, businesses can still take the initial steps to develop an online presence and initiate market-research activities to develop a better understanding of the market entry and preference requirements. These interactions may in turn help to convince businesses on the need to adopt online-payment options, as well as invest in capabilities to overcome language and cultural-barriers that may be involved in cross-border trade. In this regard, handholding via B2B missions and international trade exhibitions is extremely important.

Presence in international markets is also important. As e-commerce firms ramp up operations in the mid-long-term timeframe in international markets, the ability to manage demand volumes in key markets with on-time delivery and improved after-sales support will be extremely important. In this context, establishing in-market presence via warehouses and satellite offices may be necessary for the larger firms. To facilitate this, the identification of local logistics partners as well as other fulfilment facilities will underline the importance of both enterprise level capacities and in-market institutional support to help e-commerce firms develop these relationships.

### 4. Strategic Objectives

#### 1) **Formalize the SME trade promotion function by expanding the mandate of MOC's General Directorate of Trade Promotion, and integrate e-commerce and digital economy within the scope**

Enterprises wishing to access trade information must currently rely upon a variety of government agencies and institutions. Although much of the data that they require may in fact be available, it is difficult to track down and is likely to be outdated. MOC's General Directorate of Trade Promotion, which is mandated with export promotion, is not well-geared to cater to SME export promotion while MISTI does not currently provide TPO related functions. The resulting services

gap affects all SMEs in general in addition to e-commerce firms. To bridge the gap, the mandate and capacity of MOC's General Directorate of Trade Promotion would need to be expanded to include an administrative structure to provide trade information and support SMEs, in particular e-commerce firms, with the means and competences to collect, analyse and disseminate up-to-date targeted information and related advisory services.

Additionally, e-commerce specific elements will need to be integrated into trade promotion services, accompanied by the relevant in-market support, via Cambodia's commercial attaches and commercial representations in key markets. The latter is an important aspect given that officers within the commercial representations would need to be advised upon the type of information and services that e-commerce firms would require and benefit from.

**2) Improve enterprise side capabilities for market intelligence and trade promotion as well as branding and digital marketing**

This strategic objective will aim to develop the capacities of e-commerce firms as well as private sector associations and chambers of commerce to conduct due-diligence related to markets for their products and forge relationships in international markets. The scope also extends to strengthening the capabilities of a private entity or a public institution to provide on-demand guidance to e-commerce firms, conduct research, and advocating on behalf of the sector firms. Activities within this strategic objective will also focus on incentivizing and assisting companies to develop an e-presence even at the basic level. Activities will ultimately lead to enterprise level capacity enhancements to improve practices/operations and business decision-making process through accurate, timely and targeted intelligence.

The focus of this strategic objective is not only on international markets, but also in aid of developing awareness within the domestic market, which will be the main focus in any case for the majority of Cambodian e-commerce firms.

Finally, in order to leverage Cambodia's market access preferences in aid of e-commerce growth, information on Cambodia's trade preferences via the bilateral and multilateral agreements to which it is a signatory should be made available to e-commerce firms so that they can capitalize on duty free access for certain products, and understand how to leverage the trade policy dimension to their advantage.

**5. Theory of Change**

Current situation		Desired impact of strategy	
The overall SME segment is not well-g geared for leveraging market preferences and access.		<ul style="list-style-type: none"><li>Improved capabilities of SMEs and sector associations/chambers of commerce for bridging the trade information gap.</li><li>Enhanced institutional support for e-commerce firms enabling them to make inroads in international markets.</li></ul>	
Challenges and opportunities	Strategic objectives	POA actions	
1. Significant scope for improvement exists in terms of enterprise-capacities	1. Formalize the SME trade promotion function by	10.1.1	

related to the overall trade information and export promotion function so that SMEs can capitalize e-commerce led trade opportunities.	expanding the mandate of MOC’s department of export promotion, and integrate e-commerce and digital economy within the scope.	
2. National-level Institutional support for SMEs, including TPO related functions (trade-information and in-market support) can be further improved, specifically, for the e-commerce segment.	2. Improve enterprise side capabilities for market intelligence and trade promotion as well as branding and digital marketing	10.2.2, 10.2.3
3. Leverage presence of Cambodian commercial and diplomatic representations in international markets, by building capacities of officers n e-commerce issues and needs of Cambodian e-commerce SMEs.		10.1.2, 10.2.1
Key stakeholders involved		
MOC, MISTI, CCC, MFAIC		

## CHAPTER 10: Trade Information and In-Market Support

## Strategic objectives

01

## Formalize the SME trade promotion function



02

Improve enterprise side capabilities for market intelligence and trade promotion as well as branding and digital marketing



## Challenges and opportunities



Limited enterprise-capacities related to overall trade information and export promotion function



Limited national-level institutional support for SMEs

Limited ca  
in e-comm





## Desired impact of strategy



Improved capabilities of SMEs and sector associations/chambers of commerce for bridging the trade information gap.



Enhanced institutional support for e-commerce firms enabling them to make inroads in international markets.



capacities of officers  
commerce issues

*The overall SME segment is not well-g geared for leveraging market preferences and access.*

## Plan of Actions

Chapter	Strategic Objective	Activity	Anticipated Impact	Priority (H/M/L)	Entry point of activity	Lead Institution	Supporting institutions
1. Strategy and Policy Focus and Institutional Coordination	1.1. Further integrate e-commerce and digital economy considerations in the national development agenda	1.1.1. Designate the MOC as the lead Ministry for e-commerce development in Cambodia. Establish a working group on e-commerce led by the MOC, and involving relevant line ministries and technical agencies to ensure coordination and development of the e-commerce sector. Ensure close coordination of this working group with the Inter-ministerial Committee on Digital Economy.	Greater integration of E-commerce within the overall national development agenda, which will ensure that the e-commerce growth from a policy and technical perspective is synchronized with overall developments in the digital economy ecosystem	High	Immediate-term	MOC	MEF, MPTC, MISTI
		1.1.2. Ensure that all sector development strategies with a market-side dimension include a component on market and enterprise development via e-commerce. Coordinate with development partners to sensitize them on the need to integrate e-commerce in relevant aid projects.	Adequate institutional and development-partner support exists for e-commerce SME growth. E-commerce and private sector development activities take place in tandem.	Medium	Immediate-term	MOC	MEF, Development partners

	1.1.3. Develop an e-commerce marketplace/platform (B2B and B2C) which will serve as an aggregator for a wide variety of e-commerce vendors and service providers with integration with full payment and logistics services.	Established channel for vendors to participate in e-commerce activities, with reduced barriers to entry due to provision of support services	Medium	Medium-term	MOC	MPTC, MEF
	1.1.4. As a government led initiative, adapt the one-village, one-product theme to Cambodia through the use of e-commerce as a mean to connect to the market.	Increased channel access for traditional Cambodian products to local and international markets.	Low	Medium-term	MOC	MISTI
	1.1.5. Conduct detailed value chain studies for the e-commerce sector at regular intervals (every two years) to assess the state of the overall ecosystem and identify key challenges and opportunities facing the sector.	Situational awareness of the e-commerce sector is improved allowing for technical and policy track adjustment as required.	Low	Long-term	MOC	MPTC, MEF
	1.1.6 The recently instituted digital government working group should be utilized to ensure that digital government services are developed in coordination with other relevant entities and based	Standardization of government websites and digital services, resulting in an overall improved service delivery for citizens and businesses.	Medium	Immediate-term	MPTC	All members of the WG

		on a standard framework with set of rules followed by all.						
		1.2.1. Ensure active coordination takes place between various public sector entities responsible for development of various strategies and policies in the digital economy space, either via the Digital Economy working group or another platform.	Mitigation of fragmented development activity within the digital economy ecosystem.	High	Immediate-term	MEF	All members of the WG	
1.2. Improve institutional coordination for e-commerce		1.2.2. Develop a mobile application which will serve as a convenient, user-friendly online guide for businesses to access information related to business registration, Certificate of Origin issuance, e-commerce law (and related regulations) etc. Integrate chatbot options if possible. Pilot the app as an MOC initiative and scale to other institutions as needed.	Improved access of information for SMEs related to policy, regulations, administrative paperwork etc., related to MOC specific information.	Low	Medium-term	MOC		



2. Legal and Regulatory Framework	2.1. Complete Cambodia's cyber law framework by including e-commerce related provision in the existing draft laws and bridging knowledge gaps.	2.1.1. Following the passage of the e-commerce law, conduct a comprehensive review of the legal and regulatory framework for e-commerce, resulting in recommendations for addressing regulatory gaps (i.e. regulations which are missing and need to be developed via sub-decrees), and amendments, as necessary.	Comprehensive legal and regulatory framework established in aid of the e-commerce sector.	High	Immediate-term	MOC	MPTC, MEF, MOI
		2.1.2. Expedite the passage of the draft cyber-crime legislation. <sup>23</sup>	An effective cybercrime legislation safeguarding Cambodia's digital economy.	High	Medium-term	MOI, MOJ	MOC
		2.1.3. Develop a code of ethics and good consumer behavior to inform consumers on (a) the compliance tenets of the cyber-crime law, and (b) the dangers of propaganda via social media mal-information channels, and (c) how to recognize and avoid mal-information on social media channels which can	Improved awareness among consumers, businesses on the best practices related to cybercrime prevention, and ensuring adherence to the country's laws.	Medium	Immediate-term	MOI, MOJ	MOC

<sup>23</sup> Draft law is in the process of final discussion in order to assess the risks and impacts on the commercial sector before it is further deliberate and adopt by the RGC.

	affect communal and social harmony. <sup>24</sup>						
	2.1.4. Review the consumer protection legislation for relevance to electronic transactions, and address any gaps via sub-decrees. In particular, the treatment of 'damaged or incorrect goods' and 'returns' needs to be clarified.	Comprehensive coverage of e-commerce within the consumer protection legal framework is established.	High	Medium-term	MOC		
	2.1.5. To overcome the lack of comprehensive legislation regulating the protection of data, adopt a regulation for data protection stemming from electronic transactions.	Comprehensive regulation exists on data protection for citizens and firms involved in digital transactions.	Medium	Medium-term	MOC		
	2.1.6. Review Law on Copyright and Related Rights (2003), Law on Marks, Trade Names and Acts of Unfair Competition (2002), Law on Geographical Indications of Goods (2014), Laws on trade secrets and undisclosed information (under development) among relevant	An IP protection framework that encourages innovation and is well-aligned with e-commerce sector growth	Medium	Medium-term	MOC	MISTI, GDCE, MOI, MOJ	

<sup>24</sup> At the present time, other than drafting law and amending the law to align with the technology development the Ministry is proactive in mainstreaming knowledge to combat technology crimes.

	other laws to assess alignment with e-commerce related aspects.						
	2.1.7. Conduct research to comprehensively enumerate the involvement of MSMEs in 'social-commerce' and assess the economics related to the activities.	Better understanding of the extent, dependency and contribution of MSMEs in the social-media led e-commerce segment.	Medium	Immediate-term	MOC	MPTC, MISTI	
	2.1.8. Based on the insights gained through the above-mentioned enumeration study, issue guidelines for regulating transactions originating from social commerce platforms, specifically focusing on the licensing requirements for microentrepreneurs. Any regulation must take in account the balance between potential loss of employment that may result, versus increased formalization.	Development of effective policy to eventually formalize microentrepreneurs, either through entrepreneurship, or through employment/supplier-based linkages with larger e-commerce firms.	Medium	Medium-term	MOC, MPTC	MISTI, MEF	
	2.2. Undertake an assessment of data policy needs appropriate for Cambodia in the	National data policy has been communicated by the government, and understood by all relevant stakeholders.	Medium	Immediate-term	MOC	MPTC, NBC	
	2.2.1. Develop a whitepaper which examines and proposes appropriate data policy for Cambodia. The research paper will review global cases and related lessons learned, overall						

	actual context of the country's development goals and national interests.	implications for Cambodia in areas such as data localization, cross-border data flow, data classification, data privacy, data and cyber security, de minimis, among others.					
	2.3. Sensitize the consumer base and the private sector including investors on the e-commerce law and related legal and regulatory framework.	2.2.1. Conduct a series of sensitization workshops and 'townhall meetings' aimed at informing all relevant stakeholders on the tenets, benefits and compliance-requirements associated with the e-commerce law. Ensure that information related to the e-commerce law is kept UpToDate on MOC's with a timestamp.	Improved stakeholder sensitization on the changing legal framework to ensure compliance with the legal framework on e-commerce.	High	Immediate-term	MOC	Chambers of Commerce/Business Association
		2.2.2. Develop and launch an outreach campaign to key stakeholder groups (M/SMEs, Investors) to inform them on the provisions and obligations that will come into place as a result of the e-commerce law as well as other legislations. Designate (either informal focal points or a dedicated team) tasked with	Improved stakeholder sensitization on the changing legal framework to ensure compliance with the legal framework on e-commerce.	High	Immediate-term	MOC	MISTI, Chambers of Commerce/Business Association



		answering questions from M/SMEs and investors related to the e-commerce law and SME registration process as well as questions on e-commerce processes.						
3. SME Regulations	3.1. Strengthen the regulatory framework and add specificity for e-commerce firms	3.1.1. Clarify overall understanding within the private sector related to the scope and implementation timeline related to the SME incentive measures, and also to what extent e-commerce firms can benefit from them, i.e. what are the eligibility guidelines for e-commerce firms to benefit from the incentives. In case the incentives are assessed to not be applicable to e-commerce SMEs, further policy deliberation should take place to review incentive measures for e-commerce SMEs.	Increased awareness of, and utilization of SME incentives scheme leading to reduced tax burden for eligible SMEs, including within the e-commerce sector.	High	Immediate-term	MEF	MOC, MISTI	
		3.1.2. Conduct the feasibility study of providing tax incentive to promote e-commerce	Reduced tax burden and increase flexibility for e-commerce firms	High	Immediate-term	MEF	MISTI, MOC	
		3.1.3. Define clear taxation rules for e-commerce firms (whether	Clarity in taxation rules for e-commerce firms,	High	Immediate-term	MEF/GDT	MISTI, MOC	





			to potential tax audits, leading to increased formalization levels.					
			<p>3.1.6. Leverage the working group established by the RGC to further expand MOC's registration platform and transform it into a single portal for facilitating a complete registration process. The platform should streamline the business registration, tax registration, labor compliance notification, license applications especially in cases where e-commerce SMEs straddle multiple sectors, and further licensing is required beyond MOC online registration. Ensure shared data and interoperability with portals from other ministries.</p> <p>Sensitize relevant ministry officers to understand the specificities of the E-commerce sector better so as to reduce bottlenecks in the company registration process. In parallel, Checklists must be made available to companies so that</p>	<p>Increased clarity in terms of registration requirements for e-commerce firms, especially those straddling multiple sectors.</p>	Medium	Immediate-term	MOC	MPTC, MEF, MISTI



	they can self-assess which ministries and technical agencies they need to liaise with, along with the type of information needed.	3.1.7. Grant a medium-term tax-holiday to e-commerce firms who are formalized and UpToDate on their licensing and tax obligations, and can demonstrate that the e-commerce operations will generate employment and/or other economic and socio-economic contributions.	Reduced tax burden, and Increased incentivization within SME base to enter/scale-up within the e-commerce sector.	High	Immediate-term	MEF	MoC, and related Line Ministries
	3.2. Strengthen coordination between the private sector and advocate for sector growth	3.2.1. Develop an information feedback loop (via involvement in a working group or regular discussions) between industry associations / chambers of commerce with policy makers to provide guidance and advocate for e-commerce development.	Private sector advocacy on a rolling basis, feeding into government decisions in terms of policies and institutional support for e-commerce firms.	Medium	Immediate-term	MOC	MISTI Chambers of Commerce
		3.2.2. Strengthen the role of sector associations and chambers of commerce to serve as anchors for e-commerce related research, advocacy position development,	Strengthened capabilities of private sector associations/chambers to work on e-commerce issues, and develop	Medium	Medium-term	MOC	Chambers of Commerce

	sector intelligence collection (b) development of services which can be offered to their membership, with the common goal of e-commerce sector growth	services in support of their membership.							
	3.2.3. With joint ownership of selected chambers of commerce, develop a comprehensive 1-stop shop website aimed at the broader SME base, which will serve as a deep and up-to-date information database on topics ranging from registration procedure (including cases when the business requires licenses from multiple ministries), tax and VAT treatment (including when dealing with informal suppliers), updated information on SME incentives and other areas where typically the private sector is unable to find information easily . A special e-commerce portion can be developed.	Improved access for e-commerce firms to useful and relevant information for their membership related to E-commerce regulations, trends, and opportunities.	Medium	Medium-term	MOC	MISTI, MEF/GDT, Chambers of Commerce			
	3.2.4 As part of the Go4eCam initiative, establish an e-commerce association for Cambodia. This would involve 1) a review of	A dedicated e-commerce association which can represent the interests of the sector, and drive	High	Immediate-term	MOC	MEF			

		existing chambers and business associations committees, 2) legal formation of association coordinated by MOC during project lifetime, 3) training programmes for members, 4) and a transfer of management responsibility to the private sector	private sector led development for the e-commerce sector.				
3.3. Improve enterprise-level capacities to keep abreast of policy and regulatory changes	3.3.1. Conduct workshop with 30-40 firms, designed as a course on 'fundamentals of operating online business and conducting business online'.	This will serve as an effective mechanism to gather feedback about the awareness gaps on the enterprise side, while building capacities of enterprises in terms of maintain awareness of regulatory updates.	Medium	Medium-term	MOC/MISTI	Chambers of Commerce	
3.4. Develop focused and specialized SME support tools	3.4.1. Develop a simple guide which can serve as an end-to-end information source on frequently asked questions by e-commerce SMEs (can be scaled to all SMEs) and make available online. Specific areas covered will be Registration and post-registration assistance, tax-incentives, Entrepreneurship development. It will be essential to	Up-to-date resource for e-commerce SMEs, to help bridge awareness gaps related to policies and regulations.	Medium	Immediate-term	MOC	MISTI	

					ensure that the guide is kept UpToDate (with timestamps) so that enterprises can reliably depend on the information.					
					3.4.2. Develop and operationalize a 'sandbox' concept for e-commerce firms - such that they have freedom to develop and bring to market new e-commerce-based services in a flexible regulatory environment. The sandbox would provide benefits in the form of Tax incentive (tax holiday or ex-post tax), easier trade facilitation for both import and export through e-commerce transaction, digital signature etc.	Creation of a liberal business environment to help e-commerce firms innovate and diversify their service offerings.	Medium	Immediate-term	MOC	Innovation-ecosystem builders such as incubation hubs
					3.4.3. Consider developing monthly communications bulletin shared via e-mail-based subscriptions which would feature key SME related updates, and serve to inform SMEs.	Establishment of a regular mode of engagement between the MOC (or any other relevant ministry) and e-commerce SMEs	Low	Medium-term	MOC	MISTI and relevant ministries and technical agencies
					3.4.4. Designate focal points (points of enquiry) at key public institutions to which e-commerce	Clarity among companies on contact information within key focal	Medium	Immediate-term	MOC	



	firms can direct their queries related to registration or other requirements.	institutions for questions related to registrations and other queries.				
	<p>3.4.5. Develop a government grant Scheme is aimed at encouraging and supporting SMEs to increase their competitiveness by addressing this gap by adopting e-commerce through online sales in their daily operations.</p> <p>Reimbursable costs could include (among others):</p> <ul style="list-style-type: none"> <li>- Domain name registration and hosting fees</li> <li>- Content Management System (CMS) software</li> <li>- E-commerce Website and/or Mobile Application</li> <li>- Shopping Cart integration</li> <li>- Digital marketing fees</li> <li>- Other Set-up fees.</li> </ul>	<p>Establishment of a facility to provision technical expertise and financial support, along with incentives for companies so that they can build an online presence.</p>	High	Medium-term	MPTC	MEF, MOC, MISTI
	3.4.6. Analyse technology for e-commerce to observe		Medium	Medium-term	MISTI	MOC, MPTC

		development of technology used in e-Commerce sector						
4. ICT Infrastructure	4.1. Speed up the implementation of the national e-government agenda	4.1.1. Restart the review process for the draft e-government policy leading to adoption. Ensure that coordination is maintained via the working group on digital government. The masterplan should include a long-term approach for digitalizing intra- and inter-ministry/technical agency workflows.	An e-government policy is adopted and implemented.	Medium	Medium-term	MPTC	MEF, MOC, MIH	
		4.1.2. Develop standards, templates and a broad framework for ensuring uniformity, interoperability and security for any e-government related application in Cambodia, regardless of the ministry or agency developing it. Study framework in advanced economies such as Singapore for best practice models.	Adoption of harmonized standards and templates, and unified e-government application framework across ministries and technical agencies	High	Immediate-term	MEF, MPTC	Line Ministries	
		4.1.3. Develop a unified government portal which will link to the 60+ public sector websites	A unified government portal and guiding	Medium	Medium-term	MPTC	Line Ministries	

		currently active and ensure that both current and future websites conform to the above developed standards. Clearly delineate the role between MPTC's Innovation lab which is expected to lead on standards development and public sector website-design and maintenance.	framework for security and uniform look and feel.			
		4.1.4. Establish a certificate of authority related to PKIs so as to operationalize the use of digital signatures in both public sector and e-commerce transactions	Efficient and secure utilization of digital signatures	High	Immediate-term	MPTC  MEF, MOC
		4.1.5. Implement the key activities related to the National Strategic Plan for Identification (NSPI 2017-2026) , particularly the interlinked Civil Registration and Vital Statistics (CRVS) system and Integrated Population Management System (IPIS), leading to an e-enabled framework for recording Births, deaths, civil status, Khmer ID, Passport, Residential and Nationality systems.	A comprehensive national identification system framework comprised of the CRVS and IPIS, with wide-ranging applications across sectors.	Medium	Immediate-term	MOI, MOJ  MOC, MEF, MPTC

		Additionally, develop the integrated law for CRVS and Identification Management and accompanying sub-decrees that will govern the systems. These will be critical for enhanced adoption of banking and saving products (as KYC enablers), as well as e-commerce.					
		4.1.6. Give the current fragmentation in terms of various Data Centers. Hence, develop a long-term strategy to centralize the data storage systems.	A centralized secure data center for government wide usage.	Medium	Long-term	MEF, MOC, MPTC	Line Ministries
	4.2. Expand fixed line infrastructure as well as continue expansion of the mobile-broadband network to bridge the urban-rural connectivity divide	4.2.1. Continue the expansion of 4G penetration in the hinterland as well as improve the very low fixed line connectivity (starting with urban areas). Leverage the fund from USOF for incentivizing operators, and promote passive sharing of infrastructure for MNOs to enable cost-sharing with a long-term goal to achieve national broadband connectivity for all 14,000 villages in the country.	Expanded coverage of LTE with strong applications for e-commerce in second-tier cities and rural areas.	High	Immediate-term	MPTC	



		4.2.2. In aid of mobile broadband rollout, re-assign the 700 MHz band, which is currently used for broadcasting, and managing the reallocation of already assigned spectrum on a technology neutral basis.	Widened network covered by low frequency spectrum which has a wider coverage area than higher frequency and would result in lower investments costs by MNOs	Medium	Medium-term	MPTC	MEF, MOI
		4.2.3. Conduct regular assessments on the state of IXPs and additional requirements for coping with increasing local content and traffic.	Improved volumes and quality of local content and traffic, indirectly supporting e-commerce.	High	Medium-term	MPTC	MOI, MOFA
		4.2.4. Where feasible, deploy co-located fiber and electricity, road and other infrastructure to help to expand fixed line access in line with broader infrastructure growth.	Improved coverage for internet infrastructure expansion, with shared costs for investments in other infrastructure areas.	high	Medium-term	MPTC, MPWT	MME
		4.2.5. Given Cambodia's status as a mobile-first nation, conduct a brief study of the current market for smartphones in Cambodia, examining the organization of used/refurbished products and leasing markets, consumer behavior for personal and business	Increased affordability for consumers from increased devices in circulation, reduced environmental impact from disposed devices.	Low	Medium-term	NGO such as Open Institute, or a research institution	MPTC

		usage, and environmental considerations stemming from disposal of non-working handsets. Study would identify driving factors as well as constraints in the segment, and provide recommendations for improving access to smartphones (especially considering the 4G expansion and imminent 5G introduction). Study would be similar in scope to the 2016 study on mobile phones and internet use in Cambodia, but focusing mainly on smartphones.					
		4.2.6 Consider developing a formal, long term USO policy which will guide investments made through the USOF keeping in mind the emerging requirements, including those related to the e-commerce sector.	USOF resources are utilized with the best economic/social return on investment possible, based on high priority needs.	Medium	Medium-term	MPTC	
	4.3. Prepare the regulatory and physical infrastructure in aid of 5G rollout	4.3.1. Conduct due-diligence related to the implications (in terms of operators investment decisions) of 5G adoption vis-à-vis fibre and LTE rollout, and assessing	Continued progress on investment in 4G for nationwide rollout, while making space for 5G investments.	High	Medium-term	MPTC	

		the effect of 5G on existing 4G and fixed line connectivity expansion.					
		4.3.2. Identify changes related to the existing regulatory framework required for test and deploy 5G in Cambodia.	A conducive regulatory environment for operating 5G services in Cambodia	High	Immediate-term	MPTC	
		4.3.3. Develop an assessment of the requirements, applications, and risks associated with utilization of 5G in the various facets of the digital economy, including e-commerce, e-government, IOT, digital-transformation.	Strengthened e-commerce capabilities leveraging 5G capabilities.	medium	Immediate-term	Chambers of Commerce, MPTC	

5. Digital Skills Infrastructure	5.1. Upgrade the national e-commerce skills infrastructure to resolve existing and future skills-mismatch challenge.	5.1.1. Support and scale up capacities of certificate level providers to provide advanced courses in digital economy concepts in specific terms, and also to better cope with the expected rise of demand in the market. Greater utilization of technology, by course providers, for course delivery via e-learning tools. Additionally, facilitate development of a training supplier base for entrepreneurship skill via training of trainers.	Expanded certificate level provider base in Cambodia, matching private sector demand for digital economy skills.	Medium	Medium-term	MOEYS	MPTC, MOLVT
		5.1.2. Develop an interconnected and scalable network between universities/technical training institutes, in order to enhance collaboration and research throughout the higher learning skills infrastructure. The network will also facilitate regular participation from the private sector in the development process of university curricula.	Strengthened inter-institutional coordination between skills-providers leads to reduction of skills-mismatch issues.	Low	Medium-term	MOEYS	MPTC, MOLVT



		<p>5.1.3. Undertake a systematic assessment of the digital skills gap and develop a Digital Skills Readiness Strategy. The assessment should consider some factors: gender, area (urban vs rural), demands according to different sectors. Involve private research companies as well as Cambodian research institutions/academia to help with the assessment design.</p>	<p>Comprehensive enumeration and skills gap analysis for digital skills which can adequately provide a quantitative assessment of the digital skills gap in the country.</p>	Medium	Medium-term	MPTC	MOEYS, MOLVT
		<p>5.1.4. Conduct an assessment of the availability of IT skills in non-IT sectors to anticipate needs and opportunities beyond the core IT sector, and enhance capacities of skills institutions to meet overall market demand. The assessment would provide a segmentation based on different categories related to corresponding sectors. The rationale for this activity is that firms in the IT sector would benefit from increased cooperation and cost sharing for training and professional development courses.</p>	<p>Development of the IT sector in accordance to the broader needs of other productive sectors of the economy, thereby also resulting in a market expansion for the IT sector, as well as efficiency gains for the non-IT sector</p>	Medium	Medium-term	MOEYS	MPTC, MOLVT

					Short and mid-term IT workforce audit needs within non-IT sectors to be conducted.				
					5.1.5. Provide incentives (potentially in the form of tax-breaks or cost-sharing) for companies who invest in on-the-job training and internships-based trainings and in the process meaningfully develop a culture of internships. The national skills development fund could be a mechanism to fund this initiative.	Companies are incentivized to invest in their talent base, thereby contributing to the development of the talent pipeline for digital skills.	Medium	Medium-term	MOLVT  MPTC, MOEYS
					5.1.6. Develop sector skills council for the ICT/e-commerce /digital-economy areas, to provide a dedicated forum for policy-makers, skills-providers, and the private-sector to constructively discuss private sector requirements for the present, and equally important for the future.	Establishment of a dedicated platform for policy-makers, skills-providers, and the private-sector to constructively discuss private sector skills requirements vis-à-vis e-commerce and the digital	High	Immediate-term	MOLVT  MPTC, MOEYS

		economy. Reduced skills mismatch challenges.				
	5.1.7. Improve rollout of Institutional Planning and Quality Assurance (IPQA) within Cambodian skills institutions.	Enhanced capacity of educational institutions providing IT courses to ensure that they are aligned and in compliance with the national educational quality standards.	High	Immediate-term	MOEYS	
	5.1.8. Expedite collaboration between MOLVT (the line ministry responsible for TVET), and other Line-Ministries to integrate a more robust ICT focus within the TVET area. In parallel, improve the marketing and sensitizing among job-seekers related to TVET, considering that technicians and associated professionals job functions have been identified as some of the most high-demand areas for the private sector. Reimagine vocational training for	Improved provision of ICT education via the TVET channel, leading to increase in qualified professionals in the sector.	Medium	Immediate-term	MOLVT	MPTC, MOEYS

		the digital economy by broadening its appeal beyond the traditional low and medium skilled occupations					
5.2. Improve digital-entrepreneurship support for e-commerce startups, especially youth and women.	5.2.1. Conduct an e-readiness enhancement bootcamp for selected digital startups and related MSMEs who have a relatively high level of absorptive capacity and willingness to extend their operations to e-commerce. <sup>25</sup>	Development of a critical mass of offline/non-e-commerce based SMEs who will develop capabilities to expand to the e-commerce space. Over time, this will lead to a significant increase in digitally-enabled SMEs.	High	Immediate-term	MPTC	MOC, TSC	
	5.2.2. Support cross-incentivized programs to promote Cambodian tech startups in regional forums, trade shows, and events. This includes creating incentives, initiatives, and campaigns to encourage strategic international and regional investment,	Enhanced capabilities of SMEs to promote themselves in regional and international events.	Medium	Medium-term	MPTC	MEF, MOC, TSC	

<sup>25</sup> Program could include: (1) Bootcamp will be a week-long exercise featuring progressively complex activities, and companies will ramp up from basic fundamental understanding of e-commerce principles on day 1 to a functioning e-commerce website by end of bootcamp; (2) Specific industries to target will include tourism, agro-industry and other CTIS 2019-2023 priority sectors; (3) SMEs will be selected through a competitive exercise; (4) At the end of the workshop, successful SMEs will also have a detailed understanding of the other operations that will need to be improved/integrated such as integration with payment gateways and PSP APIs, logistics, digital marketing, warehousing, returns and aftercare. For these operations, at least a good understanding should be developed; (5) Follow-on support could be offered to companies after 6 months as a refresher; (6) The program could be anchored in one of the incubators in a way that these institutions can carry on the facilitation for the program in future iterations.



		ultimately “branding” the nation’s tech sector.						
		5.2.3. Build up capacities of universities and training institutes to develop hybrid 'digital entrepreneurship' curricula focusing on e-commerce, including a strong blend of entrepreneurship, supply-chain, digital marketing skills blended with core-ICT skills. These courses should be integrated within degree and certificate level programs.	Robust digital entrepreneurship curricula and degree offerings are provided by various skills-provider institutions in the country.	High	Immediate-term	MPTC	MOEYS	
		5.2.4. In a bid to improve entrepreneurship (including digital entrepreneurship) in non-capital areas, there is a need for expanding the same type of incubation/shared workspace/ entrepreneurship-based events that are occurring in the capital.	Enhanced digital-entrepreneurship/incubation facilities in second-tier cities and rural areas, resulting in e-commerce activities taking root beyond the capital.	Medium	Medium-term	Innovation-ecosystem builders	MPTC, MOEYS	



		motivation/main drivers for choosing a career in IT sector.						
		5.3.1. Establish a nationwide campaign to enhance digital literacy in rural areas, involving community centers to boost community IT literacy levels. Improve Tech Awareness by Targeting Parents and Elders, Especially in Rural Areas.	Increased digital literacy within the community in rural areas, which will in turn lead to increased adoption of digital content.	High	Immediate-term	MOEYS	MPTC	
5.3. Improve digital literacy involving a broad spectrum of stakeholders and geographical scope.	5.3.2. Consider bringing in some innovative products such as the MIT backed dotLearn, which allows users at low internet speeds to view videos and teaching material. This could especially be used in geographical areas where the internet speeds (both fixed and via broadband) are low. The benefit would be increased online activity and habit formation for consumers, as well as a tool for enhancing digital literacy. A portfolio of such products could be developed, bundled and deployed in community centers.	Access to video-based teaching material (with strong e-learning potential) in rural areas where internet speeds and coverage may fluctuate.	Medium	Medium-term	MPTC	MOEYS		

		<p>5.3.3. JICA recommendations: (1) the training of educators with the capabilities to focus on the actual education field shall be undertaken in order to achieve an “ICT education for Cambodian people by Cambodian people”; (2) provide facilities to expand and develop the teaching of ICT at all levels of formal and informal education and training in the national system; (3) promote and support ICT training for political decision makers, community and civil society leaders, as well as private and public sector officials; (4) give special attention to facilitating new learning systems and ICT access opportunities for women and youth, the disabled and disadvantaged, and illiterate people, in order to address social imbalances.</p>	Enhanced capability of ICT institutions, educators and facilities.	Medium	Immediate-Term	MTPC	MOEYS
		<p>5.3.4. An intervention to improve digital literacy in the hinterland should be piloted anchored in community development centers</p>	Increased digital literacy within the community in rural areas, which will in turn lead to increased	Medium	Medium-term	MOEYS	MPTC



		via digital literacy classes, where regular classes on the basics of the internet, and using existing payment solutions, mobile money solutions could be taught. This would be a pilot initiative to see whether such initiatives can work.	adoption of digital content.					
		5.3.5. Scale up mandatory digital literacy /awareness sessions for the public sector as part of onboarding and continuous learning for public sector staff.	Improved digital literacy within the public sector, which bodes well for overall digital economy development and government digital services development.	High	Immediate-term	MOEYS	MPTC	
		5.3.6. Promote the development of local content (Khmer language and/or focusing on local news or other types of content) as a means of promoting the demand for digitally available information among consumers (especially in rural areas).	Increased availability and adoption of Khmer language local content which will drive consumer confidence in absorbing online content.	Low	Medium-term	MPTC	Ministry of Information	
		5.3.7. Promote continued professional development (CPD), with non-formal education and lifelong learning opportunities	Increased opportunities for continuing and lifelong learning for adult and older population.	High	Immediate-term	MOEYS		

		within the IT sector. Due to the rapid growth of the industry, the low educational attainment and low skills level of the current workforce, it is important to provide opportunities for continuing education for those who are already working in the industry.					
6. Payment Systems	6.1. Enhancing participation into payment system infrastructures to promote interoperability.	6.1.1. Adopt and implement payment system development roadmap.	Long term policy roadmap established guiding development in the payment sector.	High	Medium-term	NBC	
		6.1.2. Further promote interoperability in retail payment systems to facilitate inter-bank real time processing.	A centralized mechanism via which banks, MFIs, PSPs, and peripherals such as ATMs, POS, mobile-wallets and other mobile money solutions can cross-operate and settle between each other on a real-time basis.	High	Medium-term	NBC	
		6.1.3. Promote standardization and reduce related cost in payment industry.	Achieve efficiency and interoperability across different platforms and	High	Medium-term	NBC	

			players in payment industry.				
			6.1.4. Promote access, usage, and quality of payment systems and services.		Medium-term	NBC	
			6.2.1. Finalize and adopt the FinTech roadmap.		High	NBC	
			6.2.2. review and formulate necessary regulations to support innovative products and services i.e. online banking services, mobile banking services, automated saving programs, spending and budgeting programs, peer-to-peer lending, invoice financing, smart credit decision tools, credit management, accounting, and book keeping digital payment and e-invoicing.		Medium	NBC	
	6.2. Strengthening the regulatory framework to support FinTech ecosystem.						

		6.2.3. Consider formulating regulatory sandbox to facilitate further FinTech based innovation.	Increased innovation in the FinTech space, which results in support for the e-commerce sector.	High	Medium-term	NBC	
	6.3. Expand the scope and quality of financial literacy with concerted effort to delegate clear responsibilities and increase engagement.	6.3.1. Expand the scope of financial literacy to include digital literacy on collective basis among stakeholders.	Increase awareness on digital literacy among target groups.	Medium	Medium-term	NBC	
		6.3.2. Coordinate with relevant parties to streamline all financial literacy programs	Promote the effectiveness of financial literacy by having a clear direction and action plan to be implemented.	High	Long Term	NBC	
	6.4. Promoting awareness on diversity and availability of payment options to e-commerce firms.	6.4.1. Provide consultation on payment options to interested e-commerce firms.	Promote adoption of various payment service as part of the e-commerce operation.	High	Medium-term	NBC	
		6.4.2. Publicize payment system infrastructures and services via various public media.	Deepening the understanding on the importance of payment systems and services and the adoption of electronic payment in e-commerce.	Medium	Medium-term	NBC	



7. Domestic Trade Logistics	7.1. Improve physical addressing and pilot alternate forms of addressing solutions.	7.1.1. Explore possibility for a pilot program with What-3- Words and Cambodia Post (and or DHL) for local mail/order delivery in PP and one rural area. The main goal of any such pilot would be to quantify the efficiency gains in terms of time burden for delivering packages, and will help build the business case for a larger project later. As an additional challenge, offer W3W the opportunity to use Cambodia as a testing ground for personal identifiers (i.e. each person having an address which can be geolocated, rather than the current static model)	Alternate mechanisms for coping with the long-term physical addressing challenge, leading to potential gains in on-time delivery and scaling up of e-commerce order facilitation.	Medium	Medium-term	MEF	CP, MPWWT, MLMUPC
		7.1.2. Continue efforts to further develop the national addressing system (post codes + street addressing). Consider the use of virtual addressing/digitalized address based on satellite coordinates as an interim or alternate solution for locating addresses.	Improved physical addressing and national addressing infrastructure.	High	Immediate-term	MEF	CP, MPWWT, MLMUPC

7.2. Improve the transportation infrastructure including roads, warehouse, delivery vehicle infrastructure (trucking in particular) keeping in mind the increased domestic logistics demand in the future.	7.2.1. Prioritize the adoption and implementation of the Logistics Master Plan in aid of transportation infrastructure development.  - Ensure that the capacity of the General Directorate of Logistics is raised to allow it to manage, administer, coordinate and monitor the implementation of the LMP.	Implementation of the LMP leading to improved hard and soft logistics infrastructure benefiting e-commerce domestic and cross-border trade.	Medium	Immediate-term	MPWT	
	7.3. Improve capabilities of Cambodia Post	7.3.1. Develop a comprehensive strategy to enhance capacity of Cambodia Post. Continue efforts to build capacity of Cambodia Post to improve service delivery, especially in rural areas. Assess technical requirements such as delivery vans, and warehousing network across the country, training of personnel or example on the existing IPS and CDS systems.	Enhanced capacity of Cambodia post to respond to sector needs.	Medium	Immediate-term	CP

		7.3.2. Explore options for liberalization of the domestic parcel delivery market and enhancement of domestic postal service by assessing the existing regulations regarding the domestic services, with the goal that the liberalization in the sector will help raise competency levels across the board for both Cambodia Post and private sector players.	A liberalized domestic services delivery segment with diversity of services available to consumers at reasonable costs.	Medium	Medium-term	CP	
		7.3.3. Assess the performance of the Tinh-Tinh initiative at regular intervals and take stock of challenges and lessons learned that can be addressed in aid of the project. Additionally, assess further options for Cambodia Post to get involved with digital-economy related services.	Robust involvement of Cambodia post within the digital services area.	Medium	Long-term	CP	
	7.4. Professionalize the transportation providers segment and	7.4.1. To improve competency and professionalism within the last mile delivery segment, provide sensitization and training to MSMEs involved in logistics on	Improved professionalization of MSMEs in terms of the order facilitation activities ranging from packaging to logistics	Medium	immediate-term	MPWT	

	bridge the knowledge gap of e-commerce firms in logistics management.	good practices related to logistics and package handling.						
		7.4.2. Assist SME e-commerce firms in developing /procuring access to logistics management software which can be used to track their logistics, ranging from warehouse management to GPS based tracking services and the provision of on-time information.	Increased professionalization within enterprise base related to logistics management.	Medium	Medium-term	MPWT	Chambers of Commerce	
		7.4.3. As part of broader e-commerce firm's trainings/incubation support on operations, include best practices related to logistics management from an SME perspective, so that firms have the basic fundamental knowledge and access to expertise related to managing their firm's logistics requirements.	Increased professionalization within enterprise base related to logistics management.	High	immediate-term	MPWT		
	7.5. Invest in Green Logistics	7.5.1. Develop conducive 'green logistics' policies which will realistically consider the increasing demand for logistics from	Positive environmental impact translating down to reduced costs and increased efficiencies for	High	Medium-term	MPWT	Development Partners	





		7.5.4. Develop a database of trucks in Cambodia to serve as a baseline for assessing emissions, age and quality of the trucking infrastructure in the country.	Improved understanding of the trucking infrastructure in Cambodia helping to develop appropriate future policies.	Medium	Medium-term	MPWT	
8. Cross-Border Trade	8.1. Develop the legal and regulatory framework relating to cross-border trade	8.1.1. Conduct an analysis on the extent of cross-border trade occurring between Cambodia and its neighbours. The analysis would review the type, volumes, dollar-values, stakeholder types and motivations, as well as the constraints and opportunities (for linking with the formal cross-border trade area)	Baseline established for the type and volume of cross-border trade occurring between Cambodia and its neighbours.	Medium	Immediate-term	MOC	
		8.1.2. Maintain a close review of multilateral discussions related to the current moratorium on customs duties for electronic transmissions.		Medium	Long-term	GDCE	
		8.1.3. Expedite the adoption of the national logistics masterplan, in particular the cross-border trade tenets. Additionally, ensure that the component for air cargo needs	Cross-border trade function is enhanced/improved as a result of the	High	Medium-term	MOC	MPWT

		to take into account e-commerce requirements, via industry consultations.	implementation of the LMP.			
		8.1.4. Review the possibility to ratify the Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific was adopted as a UN treaty	Alignment and harmonization of Cambodia with the internationally agreed tenets of the agreement.	Medium	Medium-term	MOC
		8.1.5. Review the WCO Framework of Standards on Cross-Border E-Commerce adopted in June 2018 and well as instruments and tools associated with the framework, and integrate the framework in the processes In Cambodia. Relevant topics include: <ul style="list-style-type: none"> <li>- Advance Electronic Data and Risk Management,</li> <li>- Facilitation and Simplification of Procedures,</li> <li>- Safety and Security,</li> <li>- Revenue Collection,</li> <li>- Measurement and Analysis,</li> <li>- Partnerships,</li> </ul>	Enhanced capabilities of Cambodia's custom authorities, with a direct impact on cross-border e-commerce growth.	Medium	Long-term	MOC  GDCE





		8.1.9. In order to improve the Import clearance of B2C, a Low Value Declaration (LVD) category (in addition to the current deminimis low value non-declared category needs to be created. ASEAN is considering the creation of this region-wide and may benefit Cambodia.	Simplified clearance for SMEs and E-Commerce shipments.			
	8.2. Continue development and rollout of single window and other paperless trade systems that will be interoperable both within and across borders, and ensure compatibility with the forthcoming legal	8.2.1. As a high priority, continue the progress on the National Single Window in Cambodia and accomplishing successful deployment for Phase 2 and Phase 3 of the rollout. Ensure strong inter-agency coordination related to the workflow of the NSW.  8.2.2. Clearly define the mandate and separation of responsibilities between all participated ministries/agencies to further enhance the availability and transparency of NSW implementation	Establishment of a single-entry point to fulfill all import, export, and transit-related regulatory requirements.  Improved institutional coordination vis-à-vis the NSW leading to efficiency gains across the exportation and importation process.	High	Immediate-term	MEF/GDCE  MOC, MISTI
				High	Medium-term	Cabinet  MEF, MOC, MISTI

framework, especially the e-commerce law.	8.2.3. Ensure the operationalization of the NTFC and sub-committees and working groups in support of coordinating trade facilitation efforts.	A coordinated institutional support for trade facilitation efforts exists in the country.	High	Immediate-term	MEF	
	8.2.4. Ensure that development of trade-facilitation systems such as the NSW and other paperless trade systems are aligned with regional commitments, for instance via the ASEAN Single window and the ASEAN agreement on E-Commerce. Participate in the ASEAN Single Window data exchange for cross border paperless trade especially in the ATIGA-Form D.	Harmonization of Cambodian trade facilitation systems with regional standards, which will facilitate relatively seamless growth.	High	Immediate-term	MOC	GDCE, MISTI
	8.2.5. Continue progress on the Cross-border QR code initiative aimed at facilitating cross border seamless payments in local currency settlements between Cambodia and Thailand. Expand the pilot to other countries as feasible.	Enhanced interoperability and ease of doing business for cross border traders.	High	Immediate-term	NBC	





		8.4.5. Expand the Best Traders Incentive after reviewing the eligibility criteria to ensure that the SME segment can engage with the initiative.	Greater involvement of e-commerce firms in the best traders initiative.	High	Immediate-term	MOC	
9. Access to Financing	9.1. Develop and promote utilization of dedicated financing instruments for e-commerce firms and/or adapt existing instruments to the specific needs of e-commerce firms.	9.1.1. Operationalize the SME bank and provide clarity regarding the lending model which will be followed i.e. whether the bank will directly support SME lending or as a liquidity and risk sharing mechanism aimed at Financial Institutions. Additionally, clarify -as part of a broader awareness campaign - the eligibility criteria for e-commerce SMEs to benefit from lending options via the SME bank's operations.	Enhanced access to financing for e-commerce firms via a dedicated funding channel for SMEs.	High	Immediate-term	MEF	NBC
		9.1.2. Consider adding additional functionalities similar to EX-IM banks as part of the SME Bank's overall mandate (in the medium/long term), considering (a) the ramp-up of cross-border trade expected by Cambodian	A specific channel of funding exists for e-commerce firms to expand operations in international markets.	Low	Long-term	MEF	NBC



		firms in the future and therefore requirements for Ex-Im bank type services, and (b) the utilization rate for trade-finance instruments (such as supply chain financing, letters of credits) in Cambodia remains limited.					
	9.2. Promote alternate financing mechanisms and improve enterprise investment readiness to secure and absorb investments.	9.2.1. To encourage the commercial banks to participate in the still-emerging e-commerce area perceived as a relatively high-risk segment, develop joint-funding mechanisms (banks-development partners, banks-private sector investors). Expand risk sharing mechanisms such as the PPC bank-IFC venture financing model, in aid of SME financing.	Enhanced access to financing for e-commerce firms.	Medium	Medium-term	NBC	
		9.2.2. Develop a conducive climate for investors (specific to e-commerce) and bridge information and confidence gaps where they may exist. Provide policy and regulatory support to enhance access to venture capital, private equity, angel investing, peer-to-	Increased involvement of alternative financing mechanisms within the e-commerce sector.	High	Medium-term	MOC	

		peer investing, crowdfunding, as alternate forms of investment.							
		9.2.3. Advocate with banks for introducing flexibility in terms of collateral requirements (movable assets such as invoices, accounts receivables, inventory) as well as trade-financing instruments such as letters of credit, supply chain financing, factoring, credit insurance.	Enhanced access to financing for e-commerce firms.	Medium	Medium-term	NBC	MOC, MEF/GDT		
		9.3.1. To enhance data quality on commercial credit reports in addition to individuals, which will provide a first point of review and due-diligence for lending institutions.	Credit monitoring for enterprises, which helps to improve the ability of lending institutions on the creditworthiness of firms.	High	Immediate-term	NBC			
	9.3. Improve creditworthiness levels of e-commerce enterprises	9.3.2. Develop Capacity building initiatives for SMEs (including digital economy startups) to bridge awareness gap as well as enhance financial management and transparency. sensitize and coach e-commerce firms on how to internalize good practice models of	Improved enterprise-level capabilities for demonstrating creditworthiness to lending institutions.	High	Immediate-term	MEF	Chambers of Commerce		

		operations and financial management (business plan development, managing financial flows, inventory management and end of year administration, among other areas), which can help them to demonstrate a compelling track record and creditworthiness.					
10. Trade Information and In-Market Support	10.1. Formalize the SME trade promotion function by expanding the mandate of department of export promotion, and integrate e-commerce and digital economy within the scope.	10.1.1. the mandate and capacity of MOC's export-promotion department would need to be expanded, and /or a joint-initiative with MISTI (to develop a one stop shop for trade information) would be required to designate a specific office that can support SMEs, with the means and competences to collect, analyze and disseminate up-to-date targeted information and related advisory services.  10.1.2. Leverage Cambodia's commercial attaches and commercial representations in key markets to be able to provide information regarding the market (buyer requirements and market preferences) relevant for e-	Robust support - as typically provided by TPO type entities - for e-commerce SMEs.	Medium	Medium-term	MOC	
			Improved in-market support for e-commerce SMEs in the international markets.	Medium	Medium-term	MOFA, MOC	

		commerce firms as well as assist sector firms in networking and forging alliances, setting up distribution networks/ physical presence among other areas of assistance.	Enhanced and expanded knowledge and awareness levels of the sector associations related to e-commerce, and improved service delivery for e-commerce firms.	Medium	Immediate-term	Chambers of Commerce and sector associations	
	10.2. Improve enterprise side capabilities for market intelligence and trade promotion as well as branding and digital marketing.	10.2.1. Strengthen the capabilities of chambers of commerce to provide on-demand guidance to e-commerce firms, conduct research, and advocating with the government on behalf of the sector firms.  10.2.2 Identify products which are in high demand within key target markets, and where Cambodia has a good market preference. For these products, match market demand with suppliers in Cambodia including e-commerce firms, and assist them to match the demand in terms of B2C and B2B demand.	Improved access to international market opportunities for e-commerce firms.	Medium	Medium-term	MOC	Chambers of Commerce

		10.2.3. Provide a series of trainings for interested e-commerce firms (possibly via professional trainers on a consultancy basis) on various topics related to accessing relevant and UpToDate trade information. including market research and segmentation, best practices in distribution channels, cross-border shipping and order fulfillment.	Improved enterprise-level capabilities to collect, analyze and utilize trade information and market intelligence.	Medium	Medium-term	MOC	Chambers of Commerce
		<p>a. Leverage E-commerce Tier 2 initiative in support of implementation for select pilot activities. Develop 5-10 pilot proposals based on activities elaborated from the strategy plan of action.</p> <p>b. Develop a 'pitchbook' which can be shared with Tier 2 team and key development partners providing the business base for each proposal and details including estimated budget, implementation modalities.</p>		High	Immediate-term	MOC	Relevant line ministries and technical agencies, private sector associations



11. Implementation	11.1 E-commerce Strategy is implemented effectively with active participation from relevant ministries and technical agencies, the private sector and the development partners.	<p>11.1.1.1. Collaborate with private companies to see how e-commerce could be plugged into their agro-industry cluster projects. This is an excellent opportunity for three reasons:</p> <ul style="list-style-type: none"> <li>a. Backing of a solid private sector firm.</li> <li>b. The project ultimately wants to export, so they will be open to integrating e-commerce into their market component which may help with further export promotion.</li> <li>c. This can serve as a test case for successfully integrating e-commerce into an anchor sector, which can be further expanded to other sectors.</li> </ul> <p>11.1.1.2. Regularly monitor the implementation of the E-commerce Strategy in order to understand progress, efficiency, and impacts of this strategy on e-commerce ecology and business operation of e-commerce firms</p>	<p>Growth of e-commerce sector is sustainable through effective public sector facilitation with the objective to improve e-commerce business environment and through the implementation of the comprehensive action plan that pragmatically respond to the actual needs of the sector in Cambodia.</p>	Medium	Immediate-term	MoC	MISTI, MAFF, MOC
				High	Immediate-term	MoC	Relevant line ministries

## List of Private Sector and Development Partners Participating in FGDs

### Private Sector

- ABA Bank
- AEON MALL (Cambodia) Co., LTD
- AngkorHUB
- Belt Road Capital
- BongLuy
- BritCham Cambodia
- Cambodia Freight Forwarders Association (CAMFFA)
- CAMFRA
- Canada Bank
- Confluences
- Dara Pay
- Development Innovation
- European Chamber of Commerce in Cambodia (EuroCham)
- Geekho Cambodia
- HBS Law
- Impact Hub Phnom Penh
- Instinct Institute
- Kerry Express
- Kokopon
- Last2Ticket
- Little Fashion
- MyPhsar
- National Technical Training Institute
- PassApp
- Paygo
- PPC Bank
- Prince Bank
- Royal University of Phnom Penh
- Senteurs Angkor
- ShopRunBack
- American Chamber of Commerce in Cambodia (AmCham)
- Wing Specialized Bank
- Aceleda Bank
- AMK Microfinance Institution
- Artisans Angkor
- Bodia Spa
- Bookmebus
- Cambodia Chamber of Commerce (CCC)
- Cambodian Public Bank
- CamboTicket
- Campu Bank
- Codinggate
- DAI
- Decathlon Cambodia
- DHL Cambodia
- Federation of Associations for SMEs of Cambodia (FASMEC)
- Getluy
- Hope Association
- IT Step Academy
- KAF
- Khmer24
- La Rue
- Linex
- Meal Temple Cambodia
- Nham24
- National University of Management
- Passerelles Numériques Cambodia (PNC)
- PiPay
- PRASAC Microfinance Institution
- Raintree
- R&T Sok & Heng
- SHE Investments
- Smartluy
- TrueMoney

### Development Partners

- Asian Development Bank in Cambodia (ADB)
- Australian Agency for International Development (AusAID)
- Cambodia Agricultural Value Chain Program (CAVAC)
- Japan International Cooperation Agency (JICA)
- Korea International Cooperation Agency (KOICA)
- United Nation Development Program (UNDP) Cambodia
- United States Agency for International Development (USAID)

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