

Workshop on “SMEs go to Digital”

*Session I: Government’s Roles, Coordination and
Ease of Regulations to
Support SMEs and Tech Start-ups*

This presentation is loosely based on preliminary findings from the #ClosingTheGap Mekong study, supplemented by the authors' research.

- Introduction
- SME landscape in Cambodia
- Registration / Formalization
- Support Services for (Digital) SMEs
- Concluding Thoughts

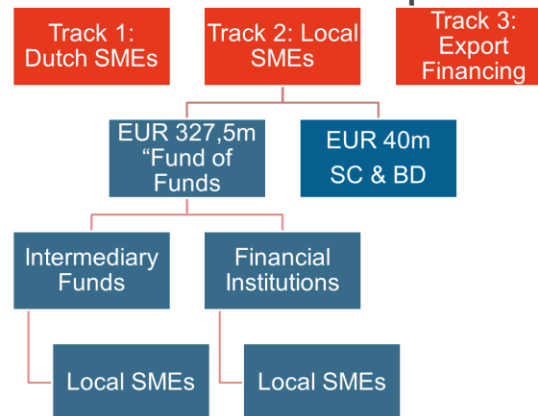
The #ClosingTheGap Mekong study is being carried out by EMC for the Dutch Good Growth Fund.

DGGF in general

- DGGF is a EUR700 m government program launched in July 2014
- Initiative under the Ministry of foreign affairs
 - Goal is to support investments into SMEs in 68 developing countries
 - Initiative with 3 “tracks”:
- (1) Direct Investments by Dutch SMEs
 - (2) Investments into funds or financial intermediaries that invest in local SMEs
 - (3) Export financing

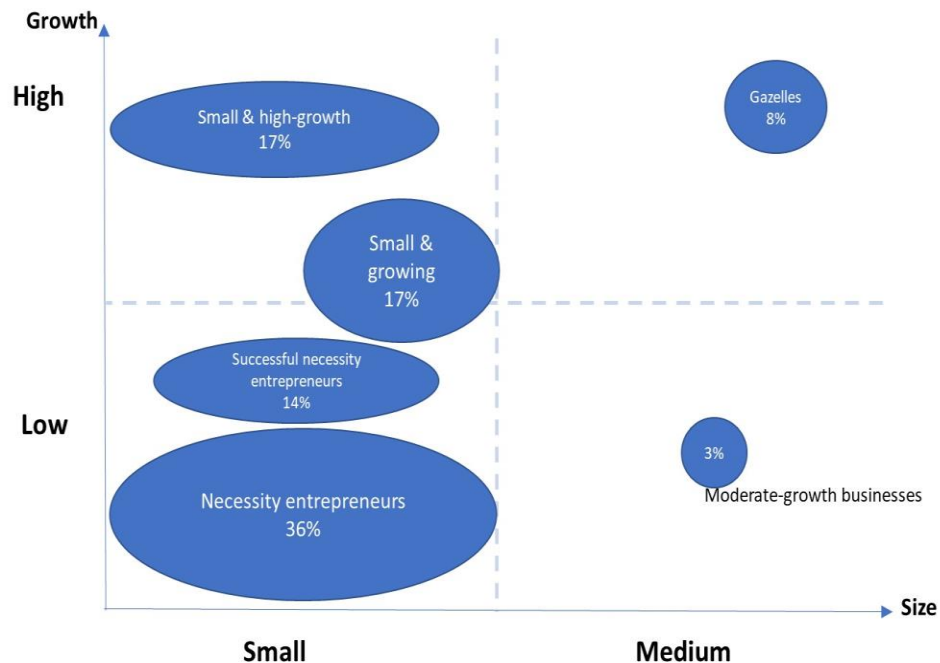
“Track 2” Financing local SMEs

“Track 2” awarded to Consortium of Triple Jump and PWC



The number of SMEs in the digital space is still small, but encouraging tech startups are attracting media attention and investment.

Overall SME landscape



Tech / digital SMEs

- Represent very small number
- But experience high growth
- Phnom Penh has a vibrant digital start-up ecosystem:
 - Business plan competitions, mentoring support, HUBs, networking events, co-working spaces, accelerators, seed funding, angel investors, fintech, crowdfunding, peer-to-peer lending
 - Regional recognition of Cambodian digital startups

We analyzed the entrepreneurial ecosystem in Cambodia using a modified ANDE framework and toolkit.

Perceived SME challenges

1. Practices of competitors in the informal sector
2. Inadequately educated workforce
3. Transport
4. Access to finance
5. Tax rates and administration



It's not enough to make business registration easy for SMEs; in order to encourage formalization, they require real support and benefits.

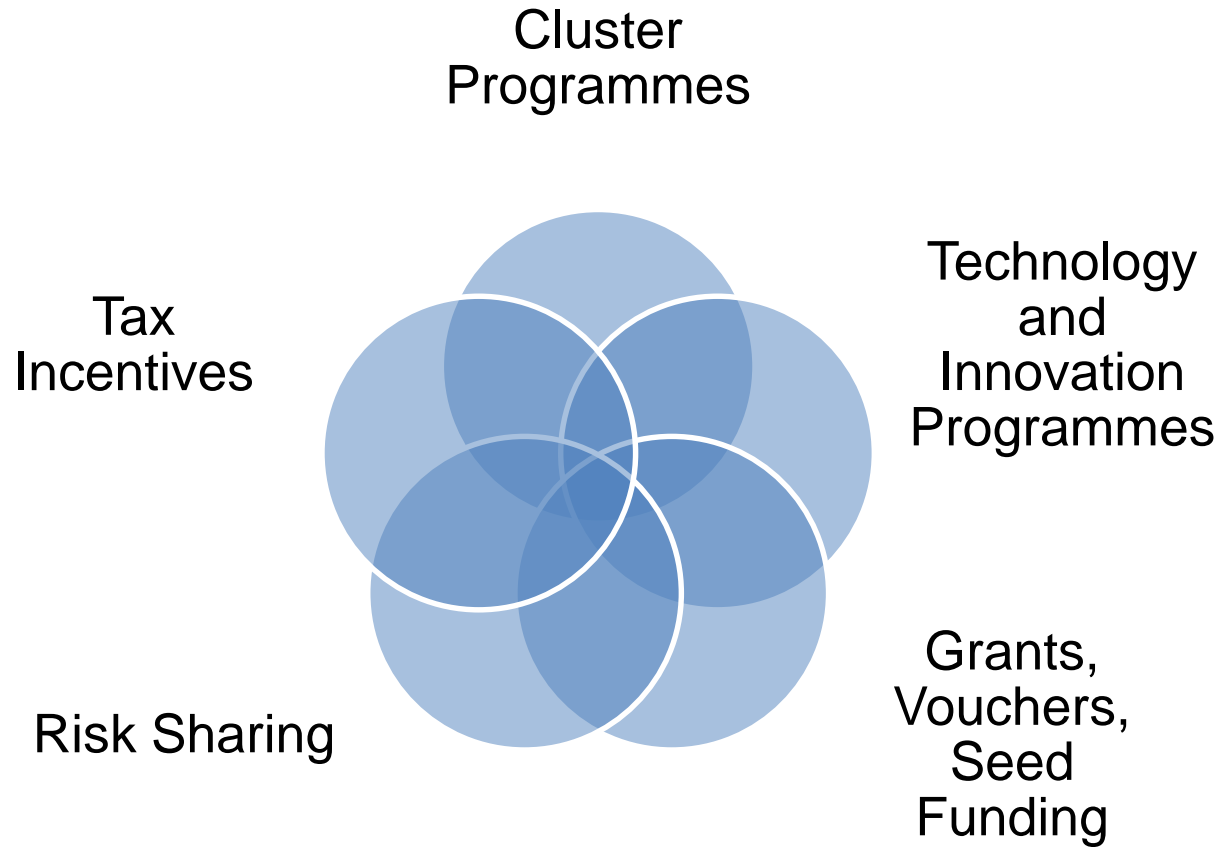
Why SMEs would formalize...

- Take advantage of government (or other) support programs made available to them.
- Better integrated into the economy; easier to find partners and investors.
- Embracing digital technologies implies opening to the world; e-commerce, digital payments, transnational platforms, etc.

... despite perceived obstacles.

- Unfamiliarity with registration and tax requirements.
 - Unclear responsibilities of different agencies.
 - “Fear” of paperwork and financial statements.
 - More difficult to compete with the informal sector.
- *No perceived benefit; prefer to stay “under the radar”.*

The following are typical examples of business support services in which governments have a major role to play.



Examples of such programs can be found close to home in ASEAN, as well as in Europe.

The Netherlands

- Netherlands Enterprise Agency (RVO)
 - R&D Tax Credits, Innovation Tax Relief
 - Cross-regional SME Innovation
 - Innovation Fund for SMEs
 - Seed Capital
 - Fund-of-funds
 - Innovation Loans
 - Growth Finance Guarantees
 - Small Business Innovation Competition
 - Finance for International Business

Singapore

- National Framework for Innovation and Enterprise (NFIE)
 - Innovation Cluster Programme
 - Early Stage Venture Fund
 - Proof-of-Concept Grants
 - Technology Incubation Scheme
- SPRING
 - Capability Development Grants
 - Productivity and Innovation Credit
 - Government-backed SME Loans
 - Innovation & Capability Voucher

Digital underlies all initiatives; to enable commerce across key industrial sectors as a solid economic development strategy.

- **Provide SMEs with Support that Works**
 - Easy to access and beneficial
 - Digital initiatives “raise all the boats”?
 - How to create “champions”?

- **Develop Clusters and Linkages**
 - Build on sectors with existing comparative advantage
 - Agriculture, textiles, hospitality
 - Build and double down on nascent sectors
 - Light manufacturing, digital services

- **Formalized Digital Economy**
 - Clear benefits for SMEs to register and formalize
 - Increased fiscal space
 - Targeted SME support programs
 - IP protection and R&D in digital technologies

THANK YOU!

PANEL DISCUSSION – Q&A