

Submitted by: UNDP Cambodia

Project Title: Responding to Covid-19 and Building Back Better 2: Accelerating Deployment of E-Commerce solutions in Cambodia

Start Date: April 2020

End Date: December 2020

UNDP has had a TRAC-2 line starting in 1997. From the inception of TRAC-2, the performance element was a key criterion for the use of resources under this line: EB document DP/1995/32, which introduced TRAC-2, stated '[TRAC-2] provides additional incentives for high-priority, high-impact programming; stimulates countries to make greater use of core funding to mobilize additional, non-core resources.

Para 63 of the Strategic Plan states: The TRAC-2 resources will be aligned to effectively support the new directions of the Strategic Plan, 2018-2021 – namely, country-level platforms that support inter-agency collaboration to implement the sustainable development goals. The platforms are intended to facilitate the development of integrated solutions to challenges in implementing the 2030 Agenda. They will respond to growing demand for solutions to complex problems that require collaboration among a wide range of actors (United Nations, international financial institutions, academia, the private sector, civil society, and others), using a combination of partnership modalities such as South-South cooperation and joint programming, and offering better access to diverse sources of funding and financing.

1. PURPOSE AND OBJECTIVES

The submitting CO should outline the purpose and proposed objective(s). First, a clear explanation on how the objective meets the corporate criteria. Second, a clear rationale in support of the regional priority. Third, a total requested amount.

Purpose

Accelerating Deployment of E-Commerce solutions to combat the economic impacts of Covid-19

The ongoing global Covid-19 crisis poses a severe economic threat to the Cambodian economy, and this in addition to the public health dimensions. Indeed, in the absence of any significant domestic outbreaks, the impacts in Cambodia are predominantly as a result of external demand shocks – notably to garments/textiles, tourism and construction/ real estate. However, these shocks also have major spill-over effects on domestic demand for other services and domestic manufactures (especially food processing) and agriculture.

Precautionary social-distancing measures will result in further upheavals. Local markets, which necessarily depend on physical buyer-seller contacts will be particularly affected. This will become still more important should a national outbreak emerge and/ or further precautionary measures are introduced, extending the constraints to producers, specifically in agriculture and food processing.

For many Cambodian SMEs, these pressures pose an existential threat. Nevertheless, it is also the case that (for now), domestic consumer demand is still strong for essential daily provisions, medicine, among others. The objective of this TRAC2 proposal is to ensure these constraints are minimized and the domestically-focused economy is exploited to the fullest, both the head-off disruptions to the physical marketplace and logistics, to maintain domestically-focused production and commerce and hence also, ease the impacts felt elsewhere in the economy. This is in line with the main recommendations contained in Cambodia National E-commerce strategy endorsed by the Ministry of Commerce in January 2020.

Specifically, this project is to operationalizes e-commerce solutions via:

- 1. Diversifying services provided by existing online marketplaces, which will facilitate continuity of business for essential sectors** (retail, pharmacies, grocery stores in particular, but scalable to others) - *shifting the buyer-seller interactions online*. The marketplaces will ensure demand-supply side matching and placement of orders, while order-fulfillment/ delivery logistics
- 2. Enabling effective local retailer local/consumer logistics** - by using idle capacity which now exists within two sectors – the local transportation sector comprising of network of tuk-tuks (and possibly taxis), and hospitality industry staff whose client-facing soft skills can be temporarily deployed for the marketplace.



Caption: COVID-19 creates new positions in e-commerce platforms (taken on March 29 2020 in BKK1, Phnom Penh

- 3. Development of a portal for enabling duty-free access to medical equipment/ supplies/ medicine from China to Cambodia** - this supply side arrangement will use the existing partnership between UNDP Cambodia and the 4PX Cainiao group based in Shenzhen, PRC and their local partners. Using the existing partnership on e-commerce between UNDP Cambodia and 4PX Cainiao, this will enable the rapid supply of medicines and medical equipment across the border and delivery to local outlets.
- 4. Providing smaller farmers with logistics, technical support and trade credit through an online platform** - this would involve working with the on-line agricultural supply, technical support and factoring company, *Agri-buddy*. Currently larger farmers in Cambodia have access to this platform to arrange delivery of supplies and other inputs, obtaining analyses and know-how, and trade credit. Proposals provide for expanding the reach of *Agri-buddy* to a large number of smaller farmers (targeting 1,000 participants). This is done to ease the supply constraint and help cope with virus control measures (social distancing)

The emphasis will be on deploying solutions which are rapidly implementable, with a domestic commerce/ trade and production focus. This can be achieved by partnering with existing marketplaces which have proven expertise and experience in aggregating sellers and buyers, (BookMeBus, Meal Temple,

Kokopon, Nham24), and reaching out to existing logistics providers - for import of medical equipment, supplies and medicines (4PX Cainiao); and domestically for agricultural supplies and inputs (Agri-buddy).

Through the marketplace, it is expected that consumers will be able to maintain access to essential provisions, and small businesses catering to these needs can continue operating and meeting demand. The marketplace will not only cater to Business to Consumer (B2C) but also Business to Business (B2B) segment. This will be essential so as to ensure that the retailers themselves do not run out of supplies. Additionally via the logistics components, B2B commerce is expanded and enhanced for medical supply and provision of agricultural inputs.

The operationalization of the project is considered feasible given the right partnerships can be quickly carved out, with existing e-commerce marketplace/platform operators. The project will seek to collaborate with the International Labor Organization which is working on reskilling of those who lost employment recently due to Covid impact. Key participating stakeholders would of course include the retail firms/ shops, hospitality providers and independent transportation operators (tuk-tuk drivers, taxi services) and smaller framers. The project is part of UNDP's response to Covid impact. As with other Covid related measures supported by UNDP, the project will regularly update and consult with UN Covid Economic Impact Group during the implementation.

The four components are set out in more depth below:

1. Diversifying services provided by existing online marketplaces, which will facilitate continuity of business for essential sectors

Repurposing of existing platforms is key, which would be willing/ incentivized to expand their businesses, or a new custom-made platform developed with government-private sector collaboration. The former would require the partnership of a trusted e-commerce marketplace. In the case of the latter, flexible component-off-the-shelf (COTS) software may be utilized. The core requirement would be ensured that the marketplace is fit-for-purpose, and can be deployed with a short turnaround. Both phone app (smartphone accessible) and computer based versions may be deployed, in addition to a third possibility of phoning in orders.

An expert group comprised of industry leaders (especially within the e-commerce space) would be convened. This advisory group will ensure smooth implementation and swift course corrections where required.

Retailer sign-up and onboarding participating SMEs would be able to securely access a seller site (via an authentication process) and create a catalog of products on offer. The seller-site should be easily customizable for the merchants to update product quantities / prices and provide relevant information for buyers. It must be kept in mind that many of the merchants to be onboarded may have limited digital-literacy levels and user-friendliness of the marketplace would be essential.

Search/order-placement and digital payments: Customers should be able to browse the website/ mobile apps and place orders. The marketplace must be able to accept digital payments, given the overall focus on maintaining the social-distancing (and therefore cash-free nature of transactions).

Order facilitation would need to be conducted by the individual merchants as it may not be feasible from a cost or time perspective to have a centralized warehousing and order-facilitation system. For the actual delivery logistics, a network of tuk-tuk drivers /taxi drivers will be integrated in the system - see 2 (a) below.

Sustainability (exit strategy) activities will help new onboarded merchants to continue offering products and services online, as part of their digitalization strategy. Support and advices will be provided on onboarding on major domestic and international B2B and B2C platforms.

2. Leverage idle capacity to serve merchants/consumers in Phnom Penh (and potentially later in other areas)

Noting that this work would initially be implemented in Phnom Penh, and has two sub-components:

2 (a) Utilize underemployed local transportation services - This sector, particularly tuk-tuk drivers are seeing a significant slowdown. This is due to the much-reduced travel demand as precautions being taken by passengers. This resource can be re-purposed to serve as order-facilitation and logistics-fulfillment.

Once the order is placed via the marketplace, tuk-tuk drivers will be able to accept orders via an existing or similar interface. This would be supported by customer care professionals – see activity (3) below.

Development of supporting apps is vital One option is to involve the existing ride-hail app firms such as Grab to explore if the app can be repurposed to without much re-engineer. Funds utilized for this activity will be used to defray the tuk-tuk delivery costs (partial) as well as be used for onboarding tuk-tuk drivers. This could include logistics facilitation and practicing safe distances for health and safety. Moreover, independent of the marketplace, tuk-tuk drivers could be hired by businesses to conduct delivery as needed to consumers.

Driver training is also key – extensive training on the process flow, procedures to follow, care instructions focusing on health and safety will be provided. Materials would be developed to ensure that drivers have the required knowledge and equipment (including masks, gloves, hand-sanitizers) to conduct their duties.

2 (b) Upskilling and hiring from hospitality industry to staff the e-commerce marketplace:

The marketplace will generate a significant amount of queries from customers, merchants and other stakeholders, on a wide range of topics such as signups, order placements, returns and other aspects. This case management will require a team of trained customer service professionals who can provide remote (via phone, skype, SMS, social media) means. With the drawdown in the hospitality sector, there is significant potential to quickly retrain professionals who were already in client-facing roles and redeploy them to the marketplace. The soft-skills that these professionals already possess can be leveraged to serve the marketplace, resulting in enhanced and smooth service delivery and troubleshooting, as well as mitigation of job losses.

Activities include rapid assessment of the idle hospitality staff (which can be done in collaboration with ILO), selection of a cohort of skilled hospitality staff; development of a training curricula;

conducting training on the marketplace model and the various customer care skill-set. As women workers predominate in these sectors, women's economic empowerment will be a key dimension.

3. Explore and design of a government-led platform for facilitating imports of medical goods from China with duty-free status.

This is the first of two logistical components (i.e. not linked to the marketplace), which extend the use of and e-commerce. Both also rely on adapting the use of existing platforms and leveraging UNDP partnerships. Within this first component, activities will streamline the possible increase demand for flow of medical equipment/ medicine from China. This is dependent on progresses of the outbreak in Cambodia, but will also be important if/ when supply restrictions kick-in.

UNDP's partnership with the 4PX logistics group would be leveraged to facilitate this supply. Support will be provided to facilitate the design of a platform co-managed by the Government and UNDP. This is a major undertaking and would begin with an exploratory review, It will then progress to a number of workstreams including: dealing with technical (referring to systems) issues, building the business model; and addressing procedures (especially viz customs and medicine regulation).

4. Provide smaller farmers with improved logistics and trade credit through and online platform

Farming in Cambodia has become an increasingly complex activity - with farmers transacting with many parties often via one on one processes (for hiring tractors for ploughing, buying seed from distributors, consulting agronomists, and accessing finance). Cambodian tech start up Agri-buddy, has built a business model that enables all activities to be delivered via a single channel. Additionally, it provides trade credit/ factoring, real time information on cash flows and data for yield forecast and risk management.

Clearly, Agri-Buddy's model has huge benefits during the Covid pandemic, as supply channels are further restricted, and social distancing measures are being adopted, and are likely to be intensified in Cambodia. However, thus far, only larger farmers are accessing Agri-Buddy and leveraging these advantages. Active within this component will therefore expanding access and use of the platform for smaller farmers.

There are three key constraints to this: (1) subscription fees (of USD 25-30 per annum); (2) the IT skills-sets needed by farmers; and potentially, (3) IT tools (an enabled smart phone or tablet). It is planned that activities would target 1,000 farmers. Therefore project activities would: negotiate and meet any fees payable; provide initial (remote) training (including mentoring); and provide, where needed, basic equipment to access the system. The project will focus on those most able to benefit from the platform, especially those within vulnerable groups. Consultancy capacity (for set-up and negotiation) will also be required.

Alignment with CPD/COBP priorities

National: UNDAF/ CPD Outcome : Economic opportunities for all
Global: Strategic Plan outcome 1 Outcomes 1 (Poverty eradication) and 3 (Resilience to shocks) of the UNDP Strategic Plan.
UNDP signature solutions: Keeping people out of poverty; Enhancing prevention and recovery for resilient societies
Strategic Plan IRRF 3.1.1 Core government functions and inclusive basic services ⁴ restored post-crisis for stabilisation, durable solutions to displacement and return to sustainable development pathways within the framework of national policies and priorities
Indicator: Number of people benefitting from jobs and improved livelihoods in crisis or post-crisis settings, disaggregated by sex and other characteristics

Alignment with regional priorities

COVID-19 Response X
Innovation in programming of operational areas X
Resource mobilization for country programme X
Private sector engagement X
SDG integration and country platforms; and
Financing for SDGs

Total funding requested

Total requirements - USD 330,000 (final budget of 360,000)
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CO resources (if any)

CO funds of USD 30,000

Source of funding

CO resources possibly of top-up from EIF Go4CAM project (implemented by MoC) and UNDP Cambodia Connect PPP
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2. EXPECTED RESULTS

The submitting CO should list the expected benefits and indicators for success. The CO should enter at least one, up to three.

Technical Results

Result #1

Continuity of local markets and demand-supply matching the deployment of an online marketplace ensured

Result #2

Reduction of unemployment and under-employment in the hospitality, retail and local transportation sectors (for men and women workers).

Result #3

Smaller farmers enabled to access online platforms and maintain/ enhance their production/ supply for domestic and overseas markets.

Financial Results

Result #1

Donor matching contributions of at least USD 300,000 (EU and DFAT have expressed interest).

Result #2

Private sector cash and in-kind contributions of at least USD 50,000

Result #3

N/A

Other Benefits

Indicators for Success

The submitting CO should identify specific indicators for each result area, being as specific as possible. Each indicator should include a baseline (if available), target, source of data, and timeline. The CO should enter at least one, up to three

Indicator #1

Indicator baseline

Emerging and potentially worsening supply disruptions in domestic markets

Indicator target

Numbers of traders included within project reporting effective trading: 100 onboarded, 200 listed
Numbers of platform transactions generated by new sellers /providers: 1000/month

Source of data

Project reports, marketplace/ App data

Timeline for target

December 2020

Indicator #2

Indicator baseline

Number of workers redeployed by the initiative: 0

Indicator target

Number of transport and hospitality workers re-deployed/ engaged in the marketplace.
150 transport, 150 hospitality (with at least 50% women for the hospitality sector)

Source of data

Programmatic data

Timeline for target

December 2020

Indicator #3**Indicator baseline**

Agri-buddy platform in place, but serving larger farmers.

Indicator target

At least 1,000 farmers registered and using the platform.

Source of data

App data.

Timeline for target

December 2020

1. IMPLEMENTATION

Budget Details

The submitting CO should identify the implementation plan. The plan should include description, account code and estimated costs.

#	Component	Budget Account	Amount USD
1	Diversifying services provided by existing online marketplaces, which will facilitate continuity of business for essential sectors		100,000
		International consultant for project duration (TRAC2 project technical team lead, Phnom Penh resident)	40,000
		National consultant (staff shortage inventory, essential services inventory)	6000
		National consultant (onboarding of sellers / providers on platforms)	6000
		Services (company support to sellers and providers for warehousing, pricing, invoicing and marketing)	20000
		Equipment (basic ICT equipment for onboarded sellers/providers)	28000
2 (a)	Utilize underemployed local transportation services		39,500
		National consultant (inventory of idle capacities, business matching with industry needs)	10,000
		Services (company, app development / redeployment)	10000
		Services (company, public campaign / targeted media campaign in Khmer)	12000
		Supplies (protective gears, masks, hand sanitizers)	2500
		Cash advance to cover fixed costs (gasoline, gas, minor upgrades)	5000
2 (b)	Upskilling and hiring from hospitality industry to staff the e-commerce marketplace		52,000
		National consultant (inventory of idle capacities, business matching with industry needs)	6,000
		National consultant (Siem Reap inventory of idle capacities, business matching with industry needs)	5,000
		Workshops (One-to-one consultations with business associations on supporting the transition)	2,500
		Services (company, online training packages for hospitality staff (booking, customer service, customer relations, fleet management)	25000
		Services (company, public campaign / targeted media campaign in Khmer)	12000
		Travel (to Siem Reap)	1,500
3	Explore and design of government-led platform for facilitating imports of medical goods from China with duty-free status		52,500
		National consultant (lead consultations with Government entities and UNDP or other agencies)	7,500
		Workshops (consultations with MoC, MPWT, MoH, GDCE) on import needs and import restrictions	5,000
		Services (portal development, beta version, compatibility with Gov systems)	40,000

4	Provide smaller farmers with improved logistics and trade credit through an online platform	80,000
	Technical consultants	35,000
	Services (remote training/ mentoring)	
	25,000	
	Equipment (subscribing small-holder farmers to the platform)	
	20,000	
5	Miscellaneous (Supplies, admin, ISS)	6,000
	Total	330,000

Key Partners

RGC agencies: Ministry of Commerce, General Department of Customs and Excise, Ministry of Tourism – National Committee for Tourism Professional

UN Agencies: ILO on reskilling of hospitality workers who lost their jobs due to Covid impact and UN Covid Economics Impact Group in which all UN agencies are members

Existing e-commerce marketplaces/platforms: Meal temple, Foodpanda, Delishop, Bookmebus, GroceryDelivery.asia

Local transportation apps including Grab and PassApp as potential partners in the delivery logistics area.

4PX/Worldbridge

Cambodia Tourism Federation, Cambodia Hotel Association

Agri-buddy

Young Entrepreneur Association of Cambodia, Cambodia Women Entrepreneur Association, EUROCHAM, BRITCHAM Digital Transition Committees, French Tech Cambodia

Risks

- Severe worsening of the global Covid crisis and external supply/ demand restrictions
- Emergence of a serious domestic outbreak of disease and hence, district, provincial or national lockdown restricting movements of goods/people
- Limited possibilities of face-to-face interactions with main partners

CO focal point

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Alternate focal point

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