“The impacts of COVID-19 on Cambodia's progress towards the SDGs and on graduation from the category of LDCs”

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<td>Council for the Development of Cambodia</td>
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<td>COVID-19</td>
<td>Coronavirus Disease 2019</td>
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<td>EBA</td>
<td>Everything but Arms</td>
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<td>EU</td>
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<td>EVI</td>
<td>Economic Vulnerability Index</td>
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Executive Summary

The COVID-19 pandemic has a devastating impact on humankind. Cambodia as a Least Developed Country (LDC) is not different from other LDCs that are typically characterized by undeveloped healthcare systems and high vulnerability to external shocks. Fortunately, Cambodia is among countries having low transmission without any dead cases have not been reported.

The pandemic has impacted Cambodia socially and economically. While the Pre-COVID-19 projection of the 2020 growth by various institutions ranges from 6.5 to 7.1 per cent, the projection has been significantly revised downwards based on COVID-19 scenario, ranging from -0.5 to -4 per cent. Poverty rate has been estimated to rise from under 10 per cent to high ten per cent because poor households are predominantly living in the rural areas, and most of households that left poverty line stay just on the poverty line. They have felt back to the poverty. Unemployment rate has also been increased at least for the medium term. It is estimated that about 500,000 workers are out of work jobs have been lost. Moreover, about 100,000 Cambodian migrant workers have returned home.

To response to the pandemic crisis, the government has issued several measures to help businesses, especially SMEs and those in tourism. To support laid-off workers the government has provided partial cash assistance, and to help poor households cope up with the crisis the government has rolled out cash transfers for poor households. Skill training is being provided to laid off workers.

Consequently, the progress that the country had made towards achieving the Sustainable Development Goals (SDGs) will be slowed down. Cambodia is committed to the delivery of the SDGs and has made a good progress toward 2030 Agenda. However, COVID-19 pandemic has impacted or slowed down the progress—SDGs on related to social dimension has been assessed on how they have been impacted. Those goals are SDG1, SDG2, SDG3, SDG4, SDG5, SDG6, SDG8 and SDG10. As there are interlinkages among some goals, impact on a goal could lead to the regression of another.

Cambodia has made a gradual progress toward LDC graduation. HAI as met in 2018 triennial reviews, but the other two criteria were not met. GNI per capita was almost met, but EVI was
lagged. COVID-19 tends to have slight impact on LDC graduation prospect. However, it is very likely that Cambodia will pass the 2021 triennial review due robust GDP growth before COVID-19 breakout. High prospect for economic rebound has been projected. Cambodia may opt for graduating or staying as and LDC for another several depending political decision.

The challenge for SDG implementation and progress toward LDC graduation is identified as a lack of financial resources amid the server impacts by COVID-19. However, prospect for economic rebound and improved export performance of some goods could be an opportunity.

Strategies to put SDG implementation back on track are short-term, medium term and long-term. Ending COVID-19 is what the government is focusing. Medium-term strategy would focus on reinforcing the bridge to economic recovery such as assisting SMEs, attracting investments, and improving skills for workers. Long-term strategy would focus on building a good healthcare system, social protection and building institutions that support long-term growth.
1. Introduction

Cambodia has had success in implementing MDGs and has continued its commitment to the achievement of the SDGs. The country has made a stride in making a rapid economic growth and poverty reduction. The country has achieved a sustained 7 percent of growth for the last two decades. Poverty rate was down from 47.5 percent in 2007 to 13.5 percent in 2014 (Ministry of Planning 2014), with an estimated 1.5 percent point reduction per year, the poverty rate is now under 10 percent. While being a Least Developed Country (LDC), the country moved in to a lower-middle income country in 2018.

Following the endorsement of the SDGs at the UN General Assembly in late 2015, the Royal Government of Cambodia (RGC) has worked to adapt the goals to the national context and has crafted a fully localized framework – the Cambodian SDGs (CSDGs). In addition to the global 17 goals, an 18th goal requiring the clearance of landmines and unexploded ordinance was added. The process of adopting SDGs into the national framework centrally involved the proposal from the ministries/government agencies, under the support from UN bodies and other development agencies.

The final framework comprises 18 CSDGs, 88 nationally relevant targets, and 148 globally and locally defined indicators. This underlines the level of translation of the SDGs into national policies and commitment of the RGC. The CSDGs fully reflect Cambodia’s longer-term Visions, which seeks progression to Upper Middle-Income by 2030 and then High-Income Country by 2050, while leaving no one behind, and preserving Cambodia’s natural resource endowment. The CSDGs have been fully integrated within planning and policymaking via the National Strategic Development Plan 2019-24, and most innovatively within Budget Strategic Plans, where the CSDG targets provide key performance measures (RGC, 2019).

To review the progress of SDGs implementation, Cambodia conducted VNRs in 2019. The RGC recognizes that despite strong initial progress, much remains to be done if the country is

2 https://www.unescap.org/sites/default/files/7.%20Cambodia_ICC-24_Alignment%20of%20Cambodia%20Voluntary%20National%20Review%20of%20Implementation%20of%202030%20Agenda.pdf
to realize the ambitions of the CSDGs. In coming years, the country will seek to sharpen the focus on implementation, through prioritization of actions, enhancing governance, effective resourcing, and strengthening partnerships. Therefore, the implementation issues could be explored further. There is almost a complete absence of data on environmental targets, and this may imply that the government tends to focus more on social and economic indicators such as poverty reduction, per capita GDP growth, education and public health care improvement.

Least developed countries has been severely impacted by the COVID-19 pandemic as they are characterized by low income and underdeveloped public health systems. There is also a large informal sectors in which workers do not have adequate social protection and limited policy space or institutional capacity to respond to shocks. The disruption of supply chains and international travel restrictions have impacted the economy severely. Consequently, the pandemic could undo years of development progress made by LDCs to achieve sustainable development goals (SDGs). Cambodia has similar impacts from the COVID-19. Textile industry, once a driver of the nation's rapid economic growth, is faltering as orders from big apparent companies disappear. Meanwhile international tourist arrivals become a rare sight. The ongoing COVID-19 outbreak seems to have been affecting the economy through narrowing domestic demand, reducing tourism and business travel, trade, and production linkages, and triggering negative health effects. Employment-wise, garment sector is estimated to lose three quarters of its 750,000 workforce which is equal to around 500,000 jobs.3

Responding to the pandemic crisis, the Royal Government has released six rounds of measures, aiming at stabilizing productions and businesses that supply both domestic and overseas markets, and especially sustaining the livelihoods of those who have been severely affected. The intervention measures include tax relief schemes, exemption of social security fund contributions, credit relief schemes, liquidity expansion, wage subsidies for workers and employees working in the garment and tourism sectors, special financing schemes to help rehabilitate and promote SMEs, skills training for affected workers and employees, and working capital financing program that helps meet the demands of factories, enterprises, and businesses within the country.4

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1.1 Objectives
This study aims at documenting the pandemic situation of Cambodia and explain how it has or will affect Cambodia’s socio-economic development and environmental sustainability. It also provides an overview of the possible impacts of the pandemic on the progress towards achieving CSDGs and graduation from LDC status, with an identification of channels through which the pandemic affects them. In addition, it tries to identify possible resource mobilization for financing SDG implementation and LDC graduation. It will summarize the current plans and strategies to improve the SDGs implementation and LDC graduation. And, eventually, it discusses any other challenges and opportunities that Cambodia may face to achieve CSDGs or progress towards graduation and propose specific national policy measures to address them.

1.2 Methodology
The discussion and analysis of the paper is based on a mixed-methods research approach which consists of stocktaking of the current position using desk reviews related to the impacts of COVID-19 on sectors and specific groups of people. Existing documentations can be found in development agency reports such as those from the World Bank, ADB, and UN families as well as from the Royal Government of Cambodia, and research institutions.

To supplement desk reviews of relevant reports, this study collects information on perspectives through informal talks, meetings and workshops with government officials, experts and other relevant authorities. Respondents are high-level government officials and other experts working on SDGs and LDC graduation in Cambodia. In addition, this study explores and uses all available secondary data, especially quantitative data on socio-economic impacts on each of the SDGs to generate a comprehensive picture on impacts of COVID-19 on some of the SDGs and the LDC graduation prospect. The report synthesizes desk reviews and key informant interviews.

2. Pandemic situation in Cambodia and Its Socio-Economic Impacts

2.1 COVID-19 Situation in Cambodia
Cambodia’s COVID-19 cases have been predominantly imported ones. Fortunately, the country has rarely experienced community transmission cases and never reached a stage requiring a partial or complete lockdown of the country (PM’s speech on restoring prosperity in a post
The first case had been confirmed in Sihanoukville on a 60-year-old Chinese man who arrived from Wuhan, Hubei, with his family on January 27, 2020. The second case, which was a local case, was confirmed only more than a month later with a Cambodian man in Siem Reap who had direct contact with a Japanese man who tested positive upon arrival in Japan.

The government took a swift action to detect and prevent outbreak. Overseas travel bans were imposed on several countries. International visitors have dropped to the lowest. Siem Reap received 396,241 international visitors during the January-September period of this year, down 76 percent over the same period last year.6

Figure 1: COVID-19 Cases Until 30 November 2020

Source: Author’s compilation based on data from Cases have been added.

There have been two waves of cases since March 2020. The first wave happened around April that led the government to restrict movements within the country in mid-April. The second wave occurred around July and August of 2020. After that a few more imported cases have been added up. As of 1 December 2020, there have been 326 confirmed cases, and 304

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6 http://www.xinhuanet.com/english/2020-10/19/c_139451361.htm
recovered cases. A community transmission broke on 28 November 2020, resulting in the government strict measures. Up to now, there have been zero dead case.\footnote{https://covid19-map.edemoh.gov.kh/}

To contain the spread of the COVID-19 pandemic, the Royal Government of Cambodia in March 2020 launched a Master Plan for COVID-19, and the National COVID-19 Committee was established to monitor and implement the plan. The Ministry of Health has been trying to provide information about the cases and risk of the pandemic. It also established hotline for reporting the cases. Information on preventive measures as conducted through media and social media. From 8 April, all individuals, including migrant workers, entering Cambodia were required to go into a mandatory 14-day quarantine. For migrant workers, quarantine in designated facilities with state supervision was made mandatory.\footnote{https://docplayer.net/194147957-Covid-19-impact-on-cambodian-migrant-workers.html}

After several initial cases, the government started to restrict movement of people, and school and business were closed. In mid-April, the government closed the movement within the country for over a week, and then gradually relaxed the restriction. From mid-June local businesses, restaurants, hotels, government ministries, NGOs and other entities opened and restarted business activities. Interprovincial travel is now possible throughout the country. Cambodian Government set up a National Committee for Crisis and Emergency Response on COVID-19 on 24 June 2020, and the government announced the rolling out of cash transfer program to poor households, with the initial plan for a period of two months. The plan did not end after two months and now the cash transfer program has been in the fourth months, with possible a few more months extension.

2.2 Socio-Economic Impacts of COVID-19

2.2.1 GDP Growth Prospects

Several public, private and development institutions have made the growth forecast for the Cambodia’s growth scenario for 2020. Results from across the predictors show that Cambodia is experiencing minus growth for the 2020 (Table 1). Informal employees and agricultural workers are more vulnerable to the impacts of the shock, as they lack employment protection and health insurance. The Ministry of Economy and Finance (MEF) predicted that economic growth could go down from an original 6.5 percent for 2020 to –1.9 percent.
COVID-19 pandemic decelerates the growth of the 3 main drivers, which accounts together for 71 percent of the country growth and almost 40 percent of paid employment.\textsuperscript{14} Being an important foreign exchange earner, tourism accounts for more than three-quarters of Cambodia’s services exports, and about one-fifth of its total goods and services exports. The prolonged international travel restrictions for the first two month the tourist arrivals have decreased 25 percent compare to the same period last year. Siem Reap, Cambodia’s most popular tourist destination, experienced a 45 percent decline in tourist arrivals during the first quarter and a 99.6 percent reduction compare to the same period in 2019 in April 2020.

The pandemic has also triggered export demand shock due to supply chain disruption. A large part of garment, footwear, and travel goods orders from the two main destinations, namely the United States and EU, have either been frozen or cancelled, and this could have been affected by the partial withdrawal of Everything But Arms (EBAs). This occurred after Cambodia’s

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\begin{tabular}{|l|c|c|c|}
\hline
\textbf{Institution} & \textbf{GDP growth rate in 2020} & \textbf{Date} \\
\hline
 & Initial projection before COVID-19 & Latest projection after COVID-19 & \\
\hline
Asian Development Bank & 6.8 percent & -4 percent & September 2020\footnote{\url{https://www.adb.org/news/adb-revises-cambodias-2020-economic-forecast-upward#:~:text=The percent20Asian percent20Development percent20Outlook percent20ADO,forecast percent20of percent205.5 percent25 percent20contraction.\%text%3D%COVID%2D19%percent20has%percent20frozen%percent20or%cancel\textsuperscript{10}} \\
IMF & 6.8 percent & -2.8 percent & October 2020\footnote{\url{https://www.imf.org/en/Countries/KHM}} \\
World Bank & 7.0 percent & -2.0 percent & October 2020\footnote{\url{https://worldbank.org/en/country/cambodia/overview}} \\
\hline
\end{tabular}
\caption{A Summary of Prediction Based on Different Agencies}
\label{tab:prediction}
\end{table}

Source: Author’s compilation based on various sources

manufacturing export industries experienced supply chain disruptions causing some garment
factory closures in early March 2020. The World Bank’s Cambodia Economic Update June
2020 reports that in 2019, the garment and footwear industry contributed to almost one-fifth of
GDP growth. Most factories will have only limited orders after the first half of 2020. About
130 garment and footwear factories (12 percent of total) have suspended operations either
partially or fully since mid-April 2020, laying off close to 100,000 workers.

However, recently due to duty-free access to the US markets through General System of
Preference Cambodia’s export value of $4.8 billion, up 21 percent from the same period last
year. Travel goods such as luggage, handbags and backpacks are among the fastest growing
export products. The export of bicycles has also been strong. From January to September this
year, Cambodia exported more than 1.5 million bicycles to foreign markets, generating nearly
$400 million. Half a million bicycles were sent to the US market. 360,000 others to Germany,
while 270,000 units and 150,000 units were shipped to the UK and Belgium, respectively. Other
main markets for Cambodian bicycles were the Netherlands and Australia with 90,000 and
100,000 units, respectively. Garment sector to the international markets dropped more than 5
percent to around $3.78 billion in the first half of the year.15

There has also been a strong performance in rice export. Cambodia earned in total $366.44
million from rice exports, in the January-October period. The country exported 536,305 tons of
milled rice in the first ten months of 2020, a year-on-year increase of 17.11 percent. China is
the main destination of Cambodia’s rice. Within the 10-month period, China and other
Autonomous territories, such as Hong Kong, Macau, and Taiwan Province of China, take 36
percent of overall export, 27 countries in Europe 32 percent, and the rest to ASEAN members,
Africa and the rest of the world.16

Recently, the construction industry has been increasingly financed by FDI inflows. It is
estimated that Cambodia received 40 percent of total FDI inflows from China, with most
inflows channeled to the construction sector. During the first two months of 2020, both
construction activity and (approved) FDI inflows significantly weakened. Imports of steel,
which is largely used for construction, dipped by 47.4 percent in the first two months of 2020.
Likewise, approved FDI projects for the construction sector contracted by 40.2 percent during
the same period. This will greatly diminish economic growth, although its effect on

15 https://www.khmertimeskh.com/50780195/bilateral-trade-with-the-us-stays-
16 https://www.khmertimeskh.com/50779917/rice-export-revenue-reaches-over-366-million-in-first-10-
months/?bclid=IwAR1GsiJDNPRLjnhQq0Zr80QeZbKYwRAhl0RSOny4iV3n834PpEL
employment is relatively muted, given that the latest construction boom is in large part of luxury high-rise buildings and is relatively capital intensive.17

2.2.3 COVID-19 Impacts on Poverty and Employment

The COVID-19 pandemic is a crisis like no others. It has taken lives and disrupted livelihoods in every corner of the globe by severely disrupting the global economy and pushing up to 140 million people into extreme poverty18. Cambodia has not been insulated from this crisis. The country has been experiencing a serious drop in tourism. In addition, the garment industry has faced two waves of disruption: diminished supply of raw materials, and reduced demand. Growth performance and socio-economic development prospect look grim. The pandemic impacts on poverty and employment are unavoidable.

The tourism industry has been collapsed after the COVID-19 outbreak occurred. The travels restriction from abroad and internal restriction cause a sharp drop in the tourism and hospitality sector. The impose on $3000 deposit on each of the visitor coming to Cambodia has also impacted the number of arrivals.19

The COVID-19 has clearly posed serious consequences for livelihoods and poverty causing the greatest threat to Cambodia’s development in its 30 years of modern history.

Figure 2: UN Poverty and Unemployment Projection

Source: UN Cambodia Framework for Immediate Socio-Economic Response to COVID-19 August 2020

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17 Cambodia Economic Update June 2020
According to the World Bank, at least 1.76 million jobs are currently at risk due to the COVID-19 outbreak. In addition, the ILO’s August report estimates that around 100,000 Cambodian migrant workers have returned home which reduced remittances, and they have also contributed to the unemployment. UNDP estimates that the poverty rate could nearly double to 17.6 percent and unemployment could rise to 4.8 percent (Figure 2).

Similar to UN’s estimation, World Bank estimates the unemployment to rise to 20 percent because of the collapse of the Cambodia’s three main growth drivers. In the absence of significant mitigation measures, the COVID-19 pandemic could lead to a sharp increase in poverty. Poverty simulations by UNDP show that poverty would increase between 1 and 5 percentage points from a 50 percent income loss that lasts for three months for households engaged in tourism, wholesale and retail trade, garment, construction, or manufacturing, or between 3 and 11 percentage points from an income loss that lasts for six months.

To mitigate adverse effects inflicted by the pandemic, the Royal Government of Cambodia has prepared to provide relief to the garment factory workers with an emergency unemployment benefit compensating 60 percent of salary. It is also providing an emergency unconditional cash transfer program to mitigate the economic effects of the pandemic among the poor as identified in the ID Poor system. The cash transfer program was launched to provide to about 550,000 poor households throughout Cambodia.

2.2.4 COVID-19 Impact on Government Fiscal Position
The government has allocated package worth USD 60 million for virus testing, containment, and treatment. About $400 million has pledged to social assistance, including $300 million for a new monthly cash transfer program for poor and vulnerable households from a period of 5 to 7 months, starting from June 2020, and $100 million has been allocated for cash for a work program. There has $64 million been allocated for wage subsidies and skill training program for suspended workers/employees in the garments and tourism industries. Because other spending has been carefully executed, savings of roughly $900 million, of which around $500 million will be saved from capital spending. The government has also introduced several tax measures, worth $200 million. In addition, the government has allocated $600 million as special low-interest loans to specialized banks, in which $200 million has been provided to Credit Guarantee Fund and $300 million Additional Financing Facility. The government issued $50 million to SMEs in manufacturing and $50 million SMEs in agricultural sector. In September,
the government extended until the end of this year: i) allowance subsidy for garment and tourism sectors; ii) tax exemption for tourism and aviation sector; and iii) cash relief program for poor and vulnerable families.

Based on the UN Framework for the immediate socio-economic response to COVID-19 August 2020, the Government has simultaneously enacted budget reductions of around 3.5 per cent of GDP in response to large falls in revenues. The effect is a net cut of 1.2 per cent of GDP versus the base budget. The fiscal deficit rises, and the budget therefore still qualifies as expansionary. Despite this there is also an advantage as additional spending is largely on social protection and employment support, at around 1.6 per cent of GDP, and tax relief for businesses at 0.7 per cent of GDP. This assistance would help the poor, amounting to a substantial $300 million per year. It is not clear that this will be enough to fully protect and build the resilience of the most affected and disadvantaged groups, however, including those in precarious positions who are already seeking risky sources of relief such as borrowing and asset sales.

With very large falls in taxes and other revenues, the deficit is still set to rise, including an overall stimulus, as illustrated below. Data are as of June 2020 and are subject to change as the fiscal position evolves. The International Monetary Fund (IMF) and others have stressed that deficit spending is expected in the face of the crisis, while the UN Secretary-General has encouraged expansionary spending to meet immediate needs. A key gap is the lack of domestic borrowing instruments, given that Cambodia does not issue its own debt.

3. COVID-19’s effect on the progress of the implementation of SDGs and LDC graduation

3.1 COVID-19 Impacts on SDG Implementation
The growth contraction prospect of the GDP caused by COVID-19 coupled up with a large expenditure in containing the pandemic results in the reduction of the government budget. The government budget cut will affect the delivery of the SDGs. According to the budget law 2021, the government has approved a draft annual budget of approximately $7.62 billion for the year 2021. Compared to 2020 annual budget, which was approved at more than $8.2 billion, there is a 7 percent drop. The reduction in public expenditure will somehow affect the implementing
ministries/agencies to fully perform a wide range of activities that lead to the progress of SDG implementation.

The recent Progress Report of CSDG implementation 2019 categorizes the findings into four types – data not available, ahead of track, on track, and below track. Out of 88 CSDG targets, 18 or 20.45 percent lack of available data. Twenty-eight targets or 31.81 percent of the targets are ahead of track, and or 28 targets or 31.1 percent are on track. There are only 14 targets or 15.91 percent of the targets are below track.

<table>
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<th>Progress</th>
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<tr>
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<td>18</td>
<td>20.45%</td>
</tr>
<tr>
<td>Ahead of track</td>
<td>28</td>
<td>31.82%</td>
</tr>
<tr>
<td>On track</td>
<td>28</td>
<td>31.82%</td>
</tr>
<tr>
<td>Below track</td>
<td>14</td>
<td>15.91%</td>
</tr>
<tr>
<td>Total</td>
<td>88</td>
<td>100.00%</td>
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Source: Ministry of Planning

**COVID-19 Impacts on SDG 1: No Poverty**

Households are vulnerable to poverty. The achievement of SDG 1 aiming at zero poverty by 2030 could be affected. Cambodia’s effort to reduce poverty result in a dramatic reduction from 53.3 percent in 2004 to 13.5 percent in 2014, making it one of the most impressive poverty reductions observed anywhere in the world. On average, poverty reduction has been more than 1.5 percentage points per year. Without any shock, the country would be able to achieve the Goal 1 by the 2030. However, about 80 percent of Cambodians live in rural areas; it is therefore not surprising that rural poverty has evolved at the same pace as the national trend. Poverty is overwhelmingly concentrated in rural areas, and the gap appears to be growing as economic opportunity is concentrated in the urban sector, which is associated with migration from the rural areas. Pre-pandemic official figures showed around 10 per cent of Cambodians were below the poverty line and thirty per cent near poor. The pandemic could see many of these near poor fall back below the official poverty line. Intergeneration microfinance indebtedness could drag rural households into poverty again. COVID-19’s impact on CSDG1

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20 A high-ranking government official is concerned that the reduction of 2020 public recurrent expenditure in 2020 and the continued reduction 2021 will affect his operation regarding the delivery of SDGs.

is also seen through the households that came out of poverty, would fall back into poverty again. Sharpest decline in Cambodia’s recent history, with adverse impacts on household welfare and increased poverty likely.\textsuperscript{22}

Future poverty reduction will also depend on Cambodia’s ability to address the issue of vulnerability to poverty. Many of those who escaped extreme poverty have only just cleared the poverty line, and the poverty rate is very sensitive to small changes in the line. In this context, it is important to consider that increased consumption financed by borrowing may be masquerading as poverty reduction, and that poverty and vulnerability may be more significant than previously thought.

\textit{COVID-19 Impacts on SDG2: Zero Hunger}

Rising food prices, supply chain disruption and loss of income for laid-off urban workers, returned migrants and the informal sector have reduced food consumption which slow down the progress of the Goal 2. The pandemic is also exacerbating pre-existing food security and nutrition issues (Goal 2 and 3). As 100,000 migrant workers have returned home, household welfare are likely to be affected as the household income is reduced due to no remittance, which could cause further challenges to the progress of Goal 2 and Goal 1 as children in the households do not have enough, and if happens for a long time those family will fall back to poverty again. Similarly, the ambition under CSDG2 to end hunger was faltering before COVID-19. The population affected by food insecurity had risen between 2014 and 2018, and COVID-19 crisis has added to pressure on production, supply chains, and household incomes, with the poorest being most affected.

\textit{COVID-19 Impacts on SDG3: Good Health and Well-Being}

First of all, mental health is in critical condition for all Cambodia as they are scared of the virus. Some people feel very insecure, but they need to go out for work or earn income. The reduction in food consumption due to households’ job loss or loss of income earning opportunity also poses challenges for the progress of the CSDG3 as children will be suffered from malnutrition. Therefore, Cambodia is not different from other countries will experienced on achieving zero poverty by 2030.

COVID-19 threatens to reverse the progress of SDG3, which aims to ensure healthy lives and wellbeing for all during this crisis. While Cambodia has made a good progress on achieving the

\textsuperscript{22} World Bank report
Goal, more work will need to be accelerated as reported that in 2014, 32 percent of Cambodian children under 5 were stunted, and it is still considered very high based on WHO/UNICEF prevalence thresholds. Children in rural areas are more likely to be stunted than children in urban areas. Prevalence of overweight or obesity among women of reproductive age increased substantially from only 6 percent in 2000, to 11 percent in 2010 and 18 percent in 2014 (CDHS 2014).

Currently, health system in Cambodia is struck by COVID-19 in various fronts, which may lead to the delay in the progress of the implementation of CSDG3. The MOH has changed the focus from improving general health care of Cambodia, to mainly on the prevention of the pandemic and the setting up team for taking care of COVID-19 patients. There are three challenges that poses the constraint on the progress of SDG and LDC graduation. This requires personnel and resources. Fighting with COVID-19 also requires financial resources for tracing and screening for virus. Moreover, as Cambodia lacks skilled personnel in dealing with the pandemic, there is a need for training. Therefore, other activities related to the general improvement of people’s health have been delayed, less focused.23 Health status of the people has improved through expansion and increased coverage of medical facilities together with increased social health protection system and measures to improve financing of the sector. Coping up strategy for poor families is the reduction of food consumption which has adverse effects on the family members health especially on children which is linked to CSDG2 and 3.

COVID-19 Impacts on SDG 4: Quality Education

Cambodia has successfully achieved Education for All. However, it has been struggling to improve the quality, which falls on CSDG 4 (Quality of Education). COVID-19 forced the government to close schools in April and now allows for the reopening to all schools in stage 3. During the closure of the schools, most of the world's children have been deprived of formal education during the COVID-19 outbreak—a legacy that could threaten the SDGs' underlying ambition to leave no one behind. Available data suggest Cambodia’s significant progress on many fronts in the education sector. The completion rate at primary and secondary levels, and the proportion of grade 1 students who passed through all ECE programs has increased from 80.0 percent, 39.0 percent, and 62.0 percent in 2015 to 86.1 percent, 47.6 percent and 72 percent, respectively, in 2018. 24 Despite good progress based on quantitative measurement

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23 Interviews with High Level Officials from the Ministry of Health  
24 Cambodia’s National Voluntary Review 2019
such as the enrolment rate, COVID-19 has affected the goal 4 in delivering quality education and at the same time widening the inequality gap for the access of education.

After the closure of the school, students were placed on e-Learning mode, and as the teachers and the students were not prepared for the new method of learning, the delivery of education service were disrupted or provided poorly. Based on an interview with a high school teacher at a private school in Phnom Penh, online teaching and learning proves to be less effective than physical classroom as students are teachers new to the teaching and learning methods. And the facilities such as the internet access and devices do not support. Half of the students who are able to access e-learning or self-learning at home spend less than 10 hour a week to study, which equates to only around half of their normal time studying in the classroom.25 Economic hardship means families must make choices between sending their children to school or paid work; all of these will affect the CSDG4. Projected dropout rates are high particularly among children from ID-Poor households.

**COVID-19 Impacts on SDG5: Gender Equity**

Routine services, including some essential services for women affected by gender-based violence (GBV) and persons with disabilities, have been disrupted. This could have affected the Goal 5 on gender equality. COVID-19 has also brought about inequality for access to education between children from rich and poor family and boys and girls due to device and internet access. To get access to online education, students need access to a stable internet connection and technological devices. These requirements have broadened inequality gaps among students in rural and urban areas.26 Domestic violence has also been increased. It happened especially in rural households.27

With jobs lost, women are at increased risk of GBV and exploitation. One-third of Cambodia’s garment factories have been closed and most of the workers are females. In the face of ongoing school closures, women are more likely to undertake unpaid caring responsibilities, potentially leaving paid employment. People with disabilities are among the most vulnerable in Cambodia and experience challenges accessing basic services and employment. They are at higher risk of contracting COVID-19 due to barriers to accessing preventative information and hygiene, and reliance on physical contact with the environment and caregivers. Cambodia achieved gender equality.

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27 Interviews with Officials from Four Provinces; Kampong Chhnange; Ratanakiri; Preah Sihanouk and Kratie
parity in education sector, and is beginning to tilt in the favor of girls in recent years. The gender parity index of gross enrollment rate at both lower secondary education and upper secondary education increased from 1.1 in 2015 to 1.2 in 2018.

**COVID-19 Impacts on SDG6: Clean Water and Sanitation**

UNDP reported that the low access to water and sanitation in the rural area could be more vulnerable to COVID-19. Then it poses a challenge to Goal 6 (Clean Water and Sanitation). Environmental challenges such as drought are compounding these risks and highlighting the importance of climate-resilient recovery efforts which would affect Goal 13 (Climate Action).

Prior to COVID-19, lack of access to water and sanitation, including handwashing with soap and water, was a challenge for some 3 million Cambodians. This disparity now compromises prevention of the spread of COVID-19, even as it also continues to encourage the spread of gastrointestinal diseases and contribute to childhood mortality. A recent survey found that 25 per cent of respondents did not wash their hands frequently, mainly due to the lack of clean water and soap. Poor hygiene leading to poor health systematically undercuts the resilience needed to negotiate and recover from the pandemic.

**COVID-19 Impacts on SDG8: Decent Work and Economic Growth**

Economic growth has been projected to be contraction for 2020. The estimated 500,000 workers having loss job affect their quality of working lives. Some other workers are feeling insecurity in terms of jobs. One of the largest drivers of economy is tourism sector. About 3000 businesses related to tourism have been closed, and 45,000 of workers in the sector were out of work.28 This could link to the CSDG 8 (decent work).29 They keep some employees and workers who mostly work part-time. It is a concern that those business will be closed. In addition, skilled workers in the tourism and hospitality will change their jobs and when the tourism recovers, there will be a lack of skilled personnel.

Findings from the interviews with a representative from the private sector confirm several reports that in general found that employment in other sectors such as construction has dropped due to demand shocks and footwear have seen a drop due to cut in orders from the US and EU.

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29 Interview with Secretary General of Cambodia Association of Travel and Tourism.
Workers in the informal sector have ended up in working in the informal sector or run their micro-businesses such as street vendors.

**SDG 10: Reduced Inequality**

Amid there is a disparity of children in access to education during the pandemic, the achievement of CSDG10 will also be impacted as the poor are hit hard by pandemic crisis because of the job loss. Most informal workers have been out of jobs and did not have enough savings for supporting their daily needs. Informal workers have been predominantly found in the tourism sector. Cambodian women are disproportionately impacted by COVID-19. CARE, and international organization working in Cambodia, estimates that women represent 83 per cent of garment workers and a large proportion of tourism and entertainment industry workers. Disruptions to services, challenges to accessing assistance, higher poverty rates and vulnerability to economic shock predispose Cambodians with disabilities to being further left behind.30 Similarly, the ambition under CSDG2 to end hunger was faltering before COVID-19. The population affected by food insecurity had risen between 2014 and 2018, and COVID-19 crisis has added to pressure on production, supply chains, and household incomes, with the poorest being most affected.

Relevance to CSDG10, it is more likely that those in urban areas will receive and have better access to online education than those in rural areas. Private schools seem to have better online education programs and materials compared to the no-cost public ones.31 This pandemic has also affected students with disabilities in getting equal access to education due to the lack of disability support programs and facilities at home.32 Indigenous people, one among the most vulnerable social group also face great challenges during the COVID-19 pandemic.33

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3.2 COVID-19 Impact on Graduation for LDC

Around 2030, Cambodia is expected to graduate for LDC category, and this would impact the economy. The declining trend in ODA would be one of the challenges for Cambodia’s financing gap. Other international assistance for example in the form of trade preference policy would also be another concern. Currently, Cambodia is on the verge of losing Everything But Arms (EBAs) status, and this would affect revelry on jobs. Cambodia has done quite well in term of health, but not education. Moreover, this country is vulnerable to disasters, which makes the economy more vulnerable.
LDCs are identified based on three criteria: (a) per capita gross national income (GNI), as an indicator of income-generating capacity; (b) the human assets index (HAI) as an indicator of level of human capital; and (c) the economic and environmental vulnerability index (EVI) as an indicator of structural vulnerability to exogenous shocks. For a country to be included in the category, all three identification criteria must be satisfied at specific inclusion threshold values. Eligibility for graduation requires a country to meet the graduation threshold for at least two of the three criteria. Alternatively, if the per capita GNI of the country is at least twice the graduation threshold (the income-only criterion) the country is also eligible for graduation. To be recommended for graduation, a country must be found eligible at two consecutive triennial reviews of the Committee for Development Policy (CDP), a subsidiary body of the United Nations Economic and Social Council based in New York. Recommendations are not automatic, but the CDP takes additional country-specific information and the views of the country concerned into account.

According to the 2018 Triennial Review, Cambodia meets the human assets threshold but not the income per capita or economic vulnerability thresholds, as shown in the diagrams below. To be recommended for graduation, Cambodia must meet two of the three graduation criteria at two successive reviews.

Table 3: Triennial Review 2006 - 2018

<table>
<thead>
<tr>
<th>Triennial Review Year</th>
<th>2006</th>
<th>2009</th>
<th>2012</th>
<th>2015</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 GNI Graduation Threshold (US$)</td>
<td>900</td>
<td>1,086</td>
<td>1,190</td>
<td>1,242</td>
<td>1,230</td>
</tr>
<tr>
<td>GNI Cambodia (US$)</td>
<td>303</td>
<td>490</td>
<td>707</td>
<td>852</td>
<td>1,075</td>
</tr>
<tr>
<td>as compared to threshold</td>
<td>-597</td>
<td>-596</td>
<td>-483</td>
<td>-390</td>
<td>-155</td>
</tr>
<tr>
<td></td>
<td>Not met</td>
<td>Not met</td>
<td>Not met</td>
<td>Not met</td>
<td>Not met</td>
</tr>
<tr>
<td>2 HAI threshold for graduation</td>
<td>64</td>
<td>66</td>
<td>66</td>
<td>66</td>
<td>66</td>
</tr>
<tr>
<td>Cambodia’s HAI</td>
<td>46</td>
<td>58</td>
<td>58</td>
<td>67</td>
<td>69</td>
</tr>
<tr>
<td>as compared to threshold</td>
<td>-18</td>
<td>-8</td>
<td>-8</td>
<td>+1</td>
<td>+3</td>
</tr>
<tr>
<td></td>
<td>Not met</td>
<td>Not met</td>
<td>Not met</td>
<td>Met</td>
<td>Met</td>
</tr>
<tr>
<td>3 EVI threshold for graduation</td>
<td>38</td>
<td>38</td>
<td>32</td>
<td>32</td>
<td>32</td>
</tr>
<tr>
<td>Cambodia's EVI</td>
<td>52</td>
<td>56</td>
<td>50</td>
<td>38</td>
<td>35</td>
</tr>
<tr>
<td>as compared to threshold</td>
<td>-14</td>
<td>-18</td>
<td>-18</td>
<td>-6</td>
<td>-3</td>
</tr>
<tr>
<td></td>
<td>Not met</td>
<td>Not met</td>
<td>Not met</td>
<td>Not met</td>
<td>Not met</td>
</tr>
</tbody>
</table>

Source: Author’s compilation based on data from CDC

Cambodia moved into lower-middle income country in 2018. Regarding LDC graduation, the country has made a good progress in Human Assets Index threshold in 2018 triennial review. It scored 68.9, higher than the graduation threshold of 66, but fell short in the other two criteria.
National Income (GNI) per capita was $1,075, 2014–2016 average, as compared with the graduation threshold of $1,230. Economic Vulnerability Index (EVI) was fairly close to meeting the threshold, score of 34.8 as compared with graduation threshold of 32 or lower.

Cambodia expects to be placed on the LDC graduation list in 2021 but the process is extensive and full graduation will not occur for a further 6 years or more. A high-level government official gave a perspective that, considering the COVID-19, Cambodia will not be able to graduate in 2027. Cambodia needs to make sure that our graduation will not affect growth and development of the country.

Based on predictions from various agencies including the Ministry of Economy and Finance, GDP growth in 2020 would fall on average to minus 3 percent but would come back to around 6 percent in 2021. For GNI could growth prospect would be similar to that of GDP’s. This could mean that GNI per capita criteria could still be met for at 2021 triennial review. Cambodia has surpassed the graduation threshold for HAI in the 2018 triennial reviews, and although COVID-19 may have impacted life expectancy and education, the HAI criteria would be met as the government has invested in health and education as well as social protection. Using the data on the objective goals of the National Strategy Development Plan 2019-2023, the HAI is projected to be 78 or 12 points above the graduation threshold. This index might be slightly affected by the pandemic which unlikely to reduce life expectancy and school enrolment rate.

External shocks make the country difficult to meet the EVI. The recent pandemic crisis has certain impacts on graduation. However, Cambodia managed to narrow down EVI as percentage of threshold for graduation from 57.7 percent in 2012 to 8.6 percent in 2018. The lower share of agriculture, forestry and fisheries in GDP from 28 percent in 2018 triennial review to around 22 percent, assuming no major change in other indices, would lead to a reduction of Economic Structure Sub-index from 35.4 to 30 and thus Exposure Index from 32.2 to 30.8 from the 2018 to 2021 triennial review. Based on recent export figures, Cambodian total export increased 11.7 percent in the first five months of 2020. Altogether, EVI would drop from 35 to 29 or 8.1 percent from the graduation threshold. As LDC graduation requires that 2 of the 3 criteria need to be met, Cambodia is very likely to pass the 2021 triennial review. However, due to the recent COVID-19 pandemic crisis, the country may opts for the delay in graduating from LDC as the crisis has hit Cambodia main drivers – tourism, garment and

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34 https://www.khmertimeskh.com/30749966/exports-rise-in-value-lower-imports/?fbclid=IwAR0xcatCyanIQkS3ML_lhZahitcOLPzLVu88v9EF7a4yYsGLUpoFvtxUJasQ
construction – hard, which results in about 500,000 job loss. Cambodia will also continue to make full use of the International Special Measures made available to LDCs, including reviewing their current or potential future use. The Committee for Development Policy has adjusted the component of HAI and EVI, but it will slightly affect the score.35

4. Challenges and opportunities for Cambodia to achieve SDGs and progress towards LDC graduation

4.1 Challenges

Progress across the SDGs was slow even before COVID-19. Now, it is even more likely that many of the global 169 targets will not be met by 2030. Worse, some could even be counterproductive. Two-thirds of the 169 targets are either under threat because of this pandemic or not well-placed to mitigate its impacts. Some might even amplify problems. Ten per cent of the SDG targets could worsen the impacts of future pandemics.36 And Cambodia, is not an exception.

Developing countries are highly vulnerable to COVID-19 due to the lack of international support for ensuring progress toward SDG 17 and Cambodia is among them as there has been reduction in ODA for the last several years. In addition, internally, pre-COVID-19 challenge for SDG implementation were identified by the Cambodia Voluntary National Review 2019. The resourcing and economic underpinning of the CSDGs is one of the major challenges Cambodia’s economy remains buoyant – growth, investment and public revenues are strong, and provides a solid basis. Driving these trends are deeper changes in the economy towards high value-added, and the emergence of a young and dynamic population. Yet, maintaining this path also presents challenges – including how to finance the ambitious CSDG agenda and growing public expectations, alongside declining overseas aid. Second is the overarching threat posed by climate change, which has implications for many CSDGs.

While RGC has sought to both mitigate and adapt to climate change, Cambodia remains highly exposed to the severe weather events and ongoing global warming. This and the need to combat environmental degradation in a rapidly developing country, is a key priority. Finally, there are

36 Nature 583, 198-201 (2020) https://www.nature.com/articles/d41586-020-01999-x
several governance dimensions to be addressed. Cambodia has made significant investments in public management reform and systems strengthening. Through various instruments, RGC is building effective tools for oversight and delivery, but it is acknowledged that gaps remain, particularly in relation to data and M&E. Moreover, given that CSDG delivery must be the business of all actors, RGC will seek to reach out to civil society, enterprises, and citizens, to inform, educate and engage meaningfully.

The current trends suggest that the process of the implementation of the SDGs might be delayed: the many socio-economic pressures and setbacks are lowering the level of priority given to the SDGs. Further, the potentials and opportunities offered by the SDGs, such as fighting poverty or eradicating hunger, may be at least partly undermined by COVID-19. It is thus wise to issue a note of caution, warning about the need to continue to put an emphasis on the implementation of the SDGs, so that the progress achieved to date is not endangered.

4.2 Opportunities

Many recent studies consistently show that the growth performance in 2020 and growth prospects in the medium term are being checked by the COVID-19 crisis which caused slowdown in the global economy and which posed the greatest threat to Cambodia’s socio-economic development. GDP growth was projected to be a contraction between -1.0 to -5.6 percent in 2020. Job loss has been estimated to be more than 150,000 garment, footwear, and travel goods factory workers, around 100,000 migrant workers who returned from Thailand without work, more than 17,000 tourism-sector workers, and an unknown but significant number of informal-sector entertainment workers. However, major organization working in Cambodia has projected that the economy will rebound in 2021. In September 2020, Asian Development Bank predicted that Cambodia’s economic growth in 2021 will be 5.9 percent, due to supportive government policies, social assistance for the poor and financing support to Small and Medium Enterprises (SMEs). Similarly, the World Bank estimated that the growth will rebound in 2021. The growth rate will be 4.3 percent and 5.2 percent in 2021 and 2022, respectively. The improved competitiveness in the export of some good such as travel goods and bicycles and rice could provide a strong prospects for employment and poverty reduction.

38 https://www.adb.org/news/adb-revises-cambodias-2020-economic-forecast-upward#:~:text=We expect percent growth percent to percent rebound for percent Cambodia percent Suniya percent Durrani percent Jamal.&text=COVID percent D19 has percent had percent a severe percent impact percent on percent Cambodia’s percent tourism percent sector.
5. Possible resource mobilization to finance SDG implementation and LDC graduation

5.1 Official Development Assistance

Although data shows that there has been gradual reduction in ODA flow into Cambodia and increased in revenue collection, primarily from taxes, ODA still plays a very important role for SDG implementation and LDC graduation. Building on development effectiveness principles and a solid track record of progress, the RGC will continue to guide the Rectangular Strategy IV (RS-IV) towards the attainment of the 2030 development agenda. While there has been downward trend in grants, loans tend to have creased and continue to an important source of financing.

Figure 4: Total ODA disbursement and ODA per capita 2010-2021

Source: CDC/CRDB 2020

Figure 5 shows that the overall volume of ODA in 2019 increased to USD 1.9 billion, but it is projected to decrease to under $1.8 billion in 2021. Grant levels have remained relatively stable while the loan share of ODA has increased to 53 percent. The aid/GDP ratio in 2019 has declined to around 7 percent and is expected to further decline to 5.3 percent in 2021. This reflects the RGC commitment to transform the economy based on a new growth model while meeting more of its development expenditures from the national budget. The new growth model focuses on long-term growth based on trade development and cooperation. Significant ODA disbursement growth is seen in the infrastructure and economic sectors. This is in line

40 World Bank’s Cambodia Economic Update June 2020
with RS-IV priorities that, through the Industrial Development Policy 2015-2025 (IDP), focus increasingly on managing the economic transformation and modernization programme.

5.2 Domestic Revenue

Domestic revenue in the form of Tax and Non-Tax is the key strategy for financing development, there has been a gradual decline in ODA. Although domestic revenue is seen to be reducing due to COVID-19, it still plays a vital role in providing source of revenue for Cambodia SDG implementation and progress of LDC graduation. The Resource Mobilization Strategy 2019-2023 has set an ambitious goal of increasing the domestic revenue by 0.5 percent point of GDP annually. Based on RMS 2019-2023, Cambodia has made a good stride in domestic revenue collection, which the current revenue saw the increases of 1.4 percentage point of annual GDP in average, higher than the target of 0.5 percentage point of GDP; increasing from 15.1% of GDP in 2013 to 22.0% of GDP in 2018. This resulted from the reforms in three components, including reform in General Department of Taxation, Reform in General Department of Customs and Excise, and administrative reform for Non-Tax Revenue collection.

Figure 5: Sources of Revenue

Source: World Bank’s Cambodia Economic Update June 2020
The modernization of the national revenue system is key Revenue Mobilizing Strategy 2019-2023. Revenue Mobilizing Strategy is an essential policy instrument for effective and efficient national revenue mobilizing by setting out the objectives and target as well as the measures for implementation for five year period of 2019-2023, with the objectives to modernize the tax and non-tax revenue administration and policies to ensure effective and efficient revenue collection, improve investment climate and orient investment, strengthen competitiveness and promote the national economic diversification. The RMS 2019-2023 has the target to: (1) Increase the current revenues by at least 0.3 percentage points of GDP on average per year and (2) Improve service quality and productivity in providing all kinds of services of the tax and non-tax revenue administration. This strategy is formulated by withholding the four approaches such as (1) ensure sustainable economic growth, (2) maintain revenue sustainability at optimal level, (3) ensure fairness in the implementation of tax and non-tax policies as well as the revenue collection and (4) ensure social equity to contribute to easing tax burden for low-income people, enhancing people’s welfare and protecting the environment.

Domestic revenue performance was strong since the introduction of the law on Taxation and expanded due to an increase in the vehicle road tax rate and the introduction of a 0.1 per cent tax on properties which includes land, houses, buildings, and other construction projects. The share of total revenue and tax revenue in GDP significantly increased but, according to statistics released by ADB’s key indicator 2018, the ratio of revenue to GDP is among the lowest in ASEAN countries. This could be an opportunity to improve the revenue collection. Most of the revenues of the National Budget have currently been raised domestically, coming from the Value Added Tax and other taxes, fees, and fines paid by consumers, and companies. On the other hand, the expenditure also increased significantly by 10 folds since early 1990s. The overall expansion in government expenditure has reflected an increase in both current and capital expenditure.

5.3 The Private Sector

Trade preferences such General System of Preference (GSP) and Everything But Arms (EBAs) provide an opportunity to promote attract more investments, especially foreign direct investments, into Cambodia. Future provision of development finance is also expected to draw increasingly from the private sector. The private sector has been the key driver of Cambodia’s GDP growth in the last decade, accounting for approximately 22.7 percent of GDP in 2017, of
which private domestic investment accounted for 11.8 percent. Foreign Direct Investment (FDI) equalled 11 percent of GDP. Promoting investment will contribute to revenue mobilization through taxes, and poverty reduction through employment. According to CDC/CRDB (2020), the investment approval has reached $85.88 billion as of 2019. In 2008, approved investment has remarkably been increased to $10.89 billion in which agriculture sector is attracting up to $106.73 million US dollar, while tourism and services sector are reaching up to $8.77 billion and $1.29 respectively. In 2019, investment approval recorded $9.40 billion among which China invested $2.75 billion follow by Hong Kong $912.55 million and Japan $298.84 million.

**Figure 6: FDIs and Sectors**

![Figure 6: FDIs and Sectors](source)

Source: World Bank’s Cambodia Economic Update June 2020

Of the cumulative FDI approved in the period of 1994-2019, the largest share was from China (21.81 percent), which in the early years was the source of extensive investment in the field of infrastructure, resource development including rubber, and tourism. China is followed by Korea at 6.16 percent and UK at 5.01 percent. The other major sources are Malaysia (3.59 percent), Japan (3.13 percent), Hong Kong (3.05 percent), Taiwan (1.77 percent), Vietnam (2.31 percent), Singapore (1.64 percent) and Thailand (1.54 percent), whose investment comes mainly from garment industry companies.

Currently, the government is working on the draft law on Public-Private Partnership (PPP). The public private partnership will one of the future sources of financing. First, it offers access to private capital to supplement public fund, which gives the government an opportunity to reallocate resources. The government can actually use that budget to focus on healthcare needs and outcomes rather than on building maintenance. Second, it benefits the public sector in terms
of access to more efficient technology, management, and skills from the private sector, especially from multinational companies. Third, the benefit that PPP offers to the private sector is the opportunities to work on mega infrastructure projects, helping them to develop knowledge, experience and skills, which they can then constructively reapply back into the private sector. When projects are well executed, the monetary rewards for companies involved in PPPs are significant and long-lasting.

### 5.4 Concessional Loans

While internal borrowing will not be possible soon, Cambodia should look for the opportunity to borrow from other countries and development partners. The preliminary result of Debt Sustainability Analysis (DSA) showed that for 2020 all the 5 key debt indicators are well below the respective indicative thresholds in which (1) PV of Total Public Debt to GDP is 23 percent (threshold 55 percent), (2) PV of Public and Publicly Guaranteed External Debt to GDP is 23 percent (threshold 40 percent), (3) PV of Public and Publicly Guaranteed External Debt to Exports is 34.1 percent (threshold 180 percent), (4) Public and Publicly Guaranteed External Debt Service to Exports is 1.9 percent (threshold 15 percent), and (5) Public and Publicly Guaranteed External Debt Service to Revenue is 7.6 percent (threshold 18 percent). Based on the international best practice, therefore, the Cambodia’s public debt remains “sustainable” and “low risk” of debt distress. Cambodia could be able to borrow more money to finance its development from international agencies and bilateral agreement.

#### Table 4: Debt Sustainability Indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Threshold</th>
<th>2018</th>
<th>2019</th>
<th>2020e</th>
</tr>
</thead>
<tbody>
<tr>
<td>PV of Total Public Debt /to GDP</td>
<td>55</td>
<td>21.48</td>
<td>20.78</td>
<td>23.03</td>
</tr>
<tr>
<td>PV of Public and Publicly Guaranteed External Debt /to GDP</td>
<td>40</td>
<td>21.46</td>
<td>20.78</td>
<td>23.03</td>
</tr>
<tr>
<td>/to Exports</td>
<td>180</td>
<td>28.4</td>
<td>26.7</td>
<td>34.1</td>
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<tr>
<td>Public and Publicly Guaranteed External Debt Service /to Exports</td>
<td>15</td>
<td>1.4</td>
<td>1.5</td>
<td>1.9</td>
</tr>
<tr>
<td>/to Revenue</td>
<td>18</td>
<td>4.9</td>
<td>4.5</td>
<td>7.6</td>
</tr>
</tbody>
</table>


China has been Cambodia’s largest development partner accounting for more than one third of the ODA in 2019. China’s generous ODA has been a significant source of support for
Cambodia’s development agenda. China’s aids do not come with stringent requirements and conditions, usually with little, if any, fusses over transparency and modality. Grant aid and loan from China were directed to the development projects in various fields including physical infrastructure, agriculture, health, education, and social security. Mostly, China’s assistance comes in the form of concessional loans for the development and restoration of transport infrastructure. It is worth noting that China’s loans are not the type of recipient friendly loans that DAC members give. Borrowing from non-DAC would be an opportunity to mobilize resources. Cambodia has been able to increase rice export to China through bilateral agreement. According to Xinhua, for the first ten months, China has imported 194,451 tons milled rice out of the 536,305 tons total export.

In the Financial Sector Development Strategy (FSDS) for the period 2011–2020 Among the long-term development objectives, there has been a focus on developing the government securities market and the issuance of government bonds by the Government Debt Management Office of the National Treasury. The Cambodia Securities Exchange (CSX) had previously been established in 2010. The National Bank of Cambodia began issuing negotiable certificates of deposit in 2013, effectively creating an interbank money market. Fundamental legislation and key legislation for the securities market came into effect in 2007 with the adoption of the Law on Government Securities and the Law on the Issuance and Trading of Non-Government Securities. However, the government sovereign bonds have not existed yet, but the government has a plan to roll out bonds in 2025. This could be an opportunity for mobilizing resource from the public.

6. Strategies, priorities and plans to put SDG implementation back on track after COVID-19 pandemic (Short-term preventive measures)

6.1 Ending Health Crisis
Ending the crisis will be the first thing. Since the availability of the COVID-19 vaccination is expected to be rolled out in the near future, at the meant time social distancing is still one of the most important measures to reduce the risk of pandemic transmission in the community. In addition, basic health care such as hand wash and clean-living habit should be promoted to the public. The pandemic has exposed the multiple determinants of vulnerability: apart from the basic deprivations indicated above, these now also encompass lack of access to water, sanitation, clean energy, and the Internet. Taken together, these constitute a suite of services which, if accessible to all, would help secure well-being, develop resilience, and combat inequalities. Guaranteed universal access to services that provide quality healthcare, education
and basic income security; as well as to water, sanitation, clean energy and the Internet must therefore become an integral part of the recovery from the COVID-19 crisis.

It could be a challenge for Cambodia to get access to COVID-19 vaccine, when first available as richer countries have booked almost all the available doses. According to Oxfarm, A group of wealthy nations representing 13 percent of the global population has already bought up more than half of the promised doses of future Covid-19 vaccines. This requires development partners and world leading organization such the World Health Organization (WHO) to facilitate the access to the pandemic vaccines. Currently, Australia promises to donate vaccines to Cambodia when available.

6.2 Reinforce the Bridge to Economic Recovery

The RGC has set up strategies and plan for post-COVID-19 recovery which positively affect the implementation of the CSDGs. Not directly relevant to SDG implantation and LDC graduation.

In the Post-COVID-19 recovery plan, the government promote tourism through local tourism, developing travel bubble, creating recreational events, investing in infrastructure for ecotourism, and issuing cash for work for tourism-related activities. For social recovery, the government is preparing $100 million and $125 million for cash for work and short-term cash assistance, respectively. The government will review investment law, law on SEZs, attract easy-to move in facility factors to create more employment. Agro-processing and food processing factories; Cool Storage; Facilities; Medical equipment and supply factories; animal feed production; creating SME clusters; Business Process Outsourcing; digital payment and online business will be another strategy. For economic recovery plan, the government work on fiscal policy through increase expenditure; investment for economic growth.

Micro, Small and Medium Enterprises (MSMEs) play a vital role in job Cambodia’s economy. Empowering MSMEs will help accelerate the progress of SDG implementation and LDC graduation through poverty employment and job creation. The MSMEs accounted for 99.8 percent of all enterprises in the country and employed 71.8 percent of the total labor force. COVID-19 has impacted SMEs by decreased demand and supply chains. The Ministry of

41 https://medicircle.in/half-covid19-vaccine-supply-booked-rich-nations
42 https://www.khmertimeskh.com/50785075/vaccine-relief-promised-australia-to-provide-assistance-under-covax-initiative/?fbclid=IwAR0FLGghiCvZgkNl_f2H_xSSPliCGXcXHzw6SfZ10-ZcUb-SeY_vQ1R4GvK
43 Presentation slides by MEF’s high-level official
44 Economic Census of Cambodia 2014
Economy and Finance in it press release on 30 April 2020, one of the interventions is that the Royal Government of Cambodia will support economic growth through assisting SMEs as they are the backbone of the economy.\textsuperscript{45} According to the MEF, the newly planned financial package of $500 million would be divided into two: $200 million in credit guarantee scheme and $300 million in additional loan for small and medium enterprises.\textsuperscript{46}

The government has increased healthcare and social protection funding and is securing medical supplies for health facilities and workers. Over 2 million workers from government and private enterprise, including approximately 50,000 informal workers who have been covered for health expenses by the National Social Security Fund are still able to access free health care. A three rounds of Cash Transfer was commenced in June 2020 to ease living expenses for more than 550,000 poor households.

6.3 Build Foundation for Sustainable Development/Growth

For post COVID-19 recovery plan, the Royal Government of Cambodia will be focusing improving public health insurance, social security, improving health care system. Virtually all countries have gaps of one kind or another that need addressing in this regard, but it is especially important for multilateral efforts to support the deployment of systems to provide such services in poorer countries.

The government will strengthen institutions for example, turning informal businesses to formal ones; improving social securities; establishing SOEs for strategic products and other necessities. Public health insurance, social security, improving healthcare system will be one the priorities for post-COVID-19 recovery plan. In addition, it set to improve value addition in the garment and footwear. Ease in trade, cross border trade facilitation, promoting investment through Thailand + 1 and Vietnam + 1 and trade facilitation through reducing trade barriers will be another target. Last, the government also aims for sectoral reform in tourism, agriculture, SMEs and digital economy.

Effective social protection systems continue to be the long-term government focus, which are crucial to safeguarding the poor and vulnerable when crisis hits will link to the putting of SDG implementation and LDC graduation back on track. The Royal Government of Cambodia published a new Social Protection Policy Framework (SPPF), providing an ambitious vision

\textsuperscript{45} http://auschamcambodia.com/wp-content/uploads/2020/05/Final-MEF-Press-Release-EN.pdf
\textsuperscript{46} https://cambodianess.com/article/cambodia-to-launch-a-second-loan-assistance-program-for-smallmedium-sized-businesses
for a social protection system in which a comprehensive set of policies and institutions operate in sync with each other to sustainably reduce poverty and vulnerability. UNDP’s report examining the effectiveness and costs of providing social protection for all poor households in Cambodia – an approach referred to as a Social Protection Floor found that by spending less than 1.5 percent of GDP, Cambodia can make a bold step towards ending extreme poverty in the Kingdom, taking the number of poor people below 3 percent of the population.47

### 6.4 Accelerating SDG 17: Partnership for the Goals

The SDGs can only be realized with strong global partnerships and cooperation. A successful development agenda requires inclusive partnerships — at the global, regional, national and local levels — built upon principles and values, and upon a shared vision and shared goals placing people and the planet at the center. Many countries require Official Development Assistance to encourage growth and trade. Yet, aid levels are falling and donor countries have not lived up to their pledge to ramp up development finance. Strong international cooperation is needed now more than ever to ensure that countries have the means to recover from the pandemic, build back better and achieve the Sustainable Development Goals. Partnership for the could be done as follows:

- The international community must support developing countries in mobilizing adequate resources to allow their health systems to cope with the emergency, while effectively assisting vulnerable segments of the population and small businesses.
- Containing the social costs of the pandemic requires averting further damage, be it as a result of balance of payment crises, of food price hikes in net-importing countries, or of debt vulnerabilities. This calls for concerted action to provide adequate international liquidity, adopt a comprehensive debts standstill arrangement, and, where appropriate, extend renewed debt relief.
- It is crucial to avoid major disruptions to domestic and regional food and agricultural value chains, which would further strain vulnerable households. With the immediate socio-economic impact of the pandemic mainly affecting the urban population, the viability of agriculture is fundamental to preserve livelihoods in rural areas, contain price spikes for staple foods, and limit food import bills at a time when foreign exchange is scarce.
- National and international efforts to revitalize the economy should be directed into viable investments to foster structural transformation and spur the transition towards a

low-carbon economy, as a key avenue to build resilience, generate employment, and establish/strengthen social protection.

The World Bank, ADB, UN agencies and other development agencies have pledged to post-COVID-19 recovery assistance. For example, Australia is working with Cambodia to address the social and economic impacts of the pandemic and support Cambodia’s recovery and progress toward a more resilient and inclusive middle-income country. Improve access to public services and help build social protection systems, particularly for women and people with disabilities will be the main focuses. In which, the $9.5 million Australia-UNDP Resilience Fund (‘the Fund’) for Cambodia is supporting economic modelling of COVID-19 impacts on growth, employment, and poverty, and helping RGC assess policy responses. Through the Fund, the ACCC will support Cambodia’s Ministry of Commerce to implement the new Consumer Protection Law, protecting consumers from unfair or misleading trade practices, on the rise since COVID-19. The Fund will also boost the uptake of e-commerce, with a focus on female-run businesses. It will help to establish hygiene protocols at Cambodia’s border crossings, to reduce disruptions to regional trade.

7. Conclusion and Recommendations

Based on VNR 2019, Cambodia has made a good stride in delivering SDGs. The country has moved in a lower-middle income country. It did not meet the graduation criteria at the 2018 triennial review and will be reviewed again in 2021. If the 2021 review is successful, it is expected to graduate in 2027. Cambodia has made a huge improvement over the last two decades in terms of economic growth and poverty reduction. Cambodia’s growth strategy focuses on building human resources and skills, development, diversifying the economy, building infrastructure to support growth and to upgrade agriculture and agro-industry. However, like other LDCs, the growth and development of the country has been hindered by the COVID-19 pandemic.

Like other LDCs, COVID-19 has an adverse effect on economic growth and poverty. It has disrupted our life completely and caused so many deaths worldwide, although zero death case has been reported for Cambodia. The growth prospect predicted by various institutions including the MEF is minus for 2020. Cambodia has made a good stride in reducing poverty, and it is estimated that the poverty rate hangs below 10 percent, which make the country one of the best poverty reduction performers in the world. However, predominantly of poor
households live the rural areas, and they most of them hover just above the poverty line. It is estimated that the pandemic has brought near poor households back to poverty.

This study assess the impact of COVID-19 on progress of SDG and LDC graduation. Regarding the SDGs, several of the goals will be slowed down by the pandemic. Goal 1 on zero poverty by 2030 may be delayed although previously poverty was focused to be reduced at 1.5 percent point per year. Considering the prolonged presence of the COVID-19 pandemic, more and more people who came out of poverty will fall back due to lack of job and income generation opportunity. The quality of education could be impacted by COVID-19 due to school closure and online classroom. The impact could be seen on inequality and gender. COVID-19 has impacted the Goal 6 on Water and Sanitation.

COVID-19 could have little impact on Cambodia from graduating for LDC due to two main reasons. Economic downturn which could slow the GNI per capita, but strong economic recovery is forecast for 2021. The pandemic has impacted Human Asset Index as progress in healthcare and education, but since the country has passed HAI, and the government effort to put back health care, there is a strong prospect that the country continues to meet HAI for the 2021 triennial review. Cambodia has been identified as vulnerable to disaster and external shocks. The high vulnerability exposure will also affect the progress toward the graduation. Since it requires two of the three criteria for the graduation, it is very likely that Cambodia could pass the 2021 triennial review. However, it depends the will of the government, whether the LCD graduation prioritized or not.

Although there are some challenges, it has presented an opportunity for policymakers to reassess our relationship with nature, health system, economies with our priorities spelled out. There must be new ways of doing business and living with innovations that will be more inclusive and prosperous culminating in a sustainable and peaceful society. Governments should increase budgetary expenditures on education in addition to tax holidays and tax waivers supporting the findings.

References


