

# COVID-19 Fallout and Building Forward Better in Cambodia

Alissar Chaker

---

## 1. INTRODUCTION AND BACKGROUND

The United Nations declared the COVID-19 pandemic a public health emergency and a socio-economic crisis quickly turning into a human rights crisis. The impacts of the pandemic were not limited to public health; it has also caused severe social and economic effects by increasing poverty, amplifying vulnerabilities and inequalities, and entrenching structural discrimination and exclusion. This was reflected in the unequal access to information and vaccination and the collateral impacts of measures taken to combat the propagation of the virus, including food insecurity, rising unemployment and poverty, increasing domestic and gender-based violence during confinement periods, and loss of schooling.

Like in other parts of the world, strict measures were implemented nationwide in Cambodia to contain the spread of the virus, including mobility restrictions, curfews, lockdowns, and closure of schools and businesses. The measures effectively limited the spread of the virus, kept the caseload under control, and kept the death toll at a relatively low level. However, on the other hand, they also posed a multifold challenge to Cambodian households, businesses, and the national economy. Informal workers, vulnerable households, and Micro, Small, and Medium enterprises (MSMEs) have struggled to survive and are still struggling to recover. The pandemic and the restrictive measures have had cumulative impacts on Cambodian society and the economy.

This chapter is based on studies and research undertaken by the United Nations Development Programme (UNDP), the Royal Government of Cambodia (RGC), and development partners. It presents key findings on the impacts of COVID-19 in Cambodia from four perspectives: 1) COVID-19 socio-economic impacts in 2020<sup>1</sup> and 2021<sup>2</sup>, 2) Impacts of lockdown and curfew<sup>3</sup>, 3) Impacts of COVID-19 on the Human Development Index<sup>4</sup>, and 4) Impacts of COVID-19 on informal workers and MSMEs.<sup>5</sup> The prime aim of this chapter is to identify alternative and accelerated recovery pathways through simulations and socioeconomic scenario analysis. It is intended to contribute to policy discussions about options for accelerating a sustainable, inclusive, and resilient post-COVID recovery in the Kingdom.

## 2. COVID-19 SOCIO-ECONOMIC IMPACTS – 2020 AND 2021

In 2020, the health impact of COVID-19 in Cambodia was limited compared to other countries. The effect was more pronounced on the social and economic fronts. In 2021, the general situation was reversed; the health situation deteriorated with increasing community outbreaks, but economic growth was recovering, showing positive numbers. The socio-economic impacts were assessed under different scenarios.<sup>6</sup> The following sections summarize the key findings.

### 2.1 Impacts on the Gross Domestic Product (GDP)

The simulation model and the projected sectoral GDP information presented in the 2021 Macro-economic Framework of the Ministry of Economy and Finance (May 2021) were used to estimate the 2020 GDP values and other critical socio-economic data. The values capture the demand shock or COVID-19 shock. According to the estimation, the economy contracted by 3.1 percent, and poverty increased to 14.7 percent in 2020.

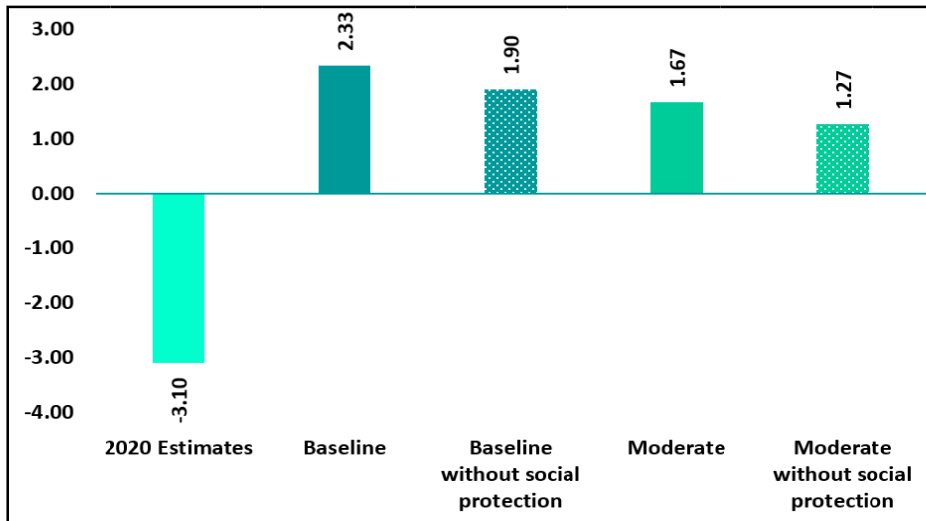


**Figure 1.1:** Simulated GDP, Employment, and Poverty in 2020 (COVID-19 Case)

*Source:* Based on data from the Ministry of Economy and Finance, Royal Government of Cambodia, and estimations by the authors.

Under the baseline scenario, the simulation shows GDP growing at 2.3 percent in 2021, including the social protection stimulus. The rate drops to 1.9 percent when

the social protection stimulus is excluded. The rate may decline to 1.7 percent under the moderate scenario or 1.3 percent under this scenario without the social protection stimulus.

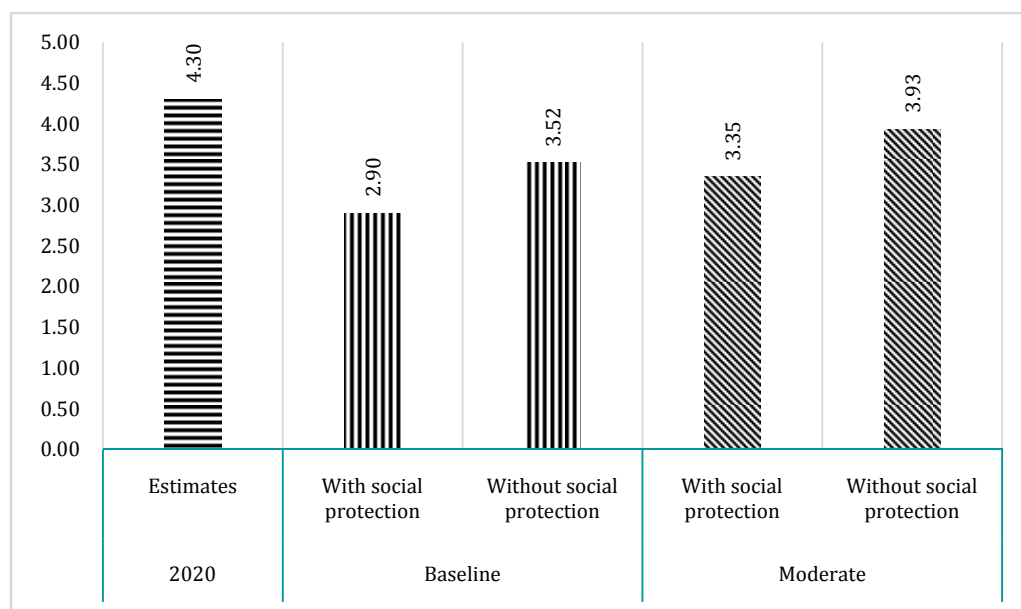


**Figure 1.2:** Simulated GDP Growth Rate under Recovery Scenarios in 2021 (Percentage)  
*Source:* Cambodia Static Computable General Equilibrium Model (CGE) and Employment Module

## 2.2 Unemployment Key Findings

Unemployment increased substantially due to COVID-19 shocks. The 2020 estimated unemployment rate was 4.3 percent. In 2021, simulations showed that unemployment has improved with the economy’s expansion. Under the recovery scenarios, including the social protection stimulus, unemployment rates may range from 2.9 percent under the baseline scenario to 3.3 percent under the moderate scenario. Without the stimulus, unemployment is expected to increase to 3.5 percent and 3.9 percent under the baseline and moderate scenarios, respectively.

Another important finding is that female workers have been disproportionately affected by the COVID-19 crisis due to their higher participation in industries such as garments/textiles and tourism. As shown in Table 1.1, in both the moderate and baseline scenarios, with and without social protection and other economic stimuli, the unemployment rate is higher for women than for men. Considering social protection and other forms of economic stimuli in place, the unemployment rate in 2021 is estimated at 2.6 percent for men and 3.2 percent for women in the baseline scenario, which is a 0.6 percentage point gender gap. In the moderate scenario, the gender gap in unemployment increases to 0.7, with an estimated rate of 3 percent for men and 3.7 percent for women. Slower economic recovery would thus widen the gender gap.



**Figure 1.3:** Simulated Employment Effects under the Recovery Scenarios (Percentage)

Source: Cambodia Static Computable General Equilibrium Model (CGE) and Employment Module

**Table 1.1:** 2021 Unemployment Rates by Gender (Percentage of Labour Force)

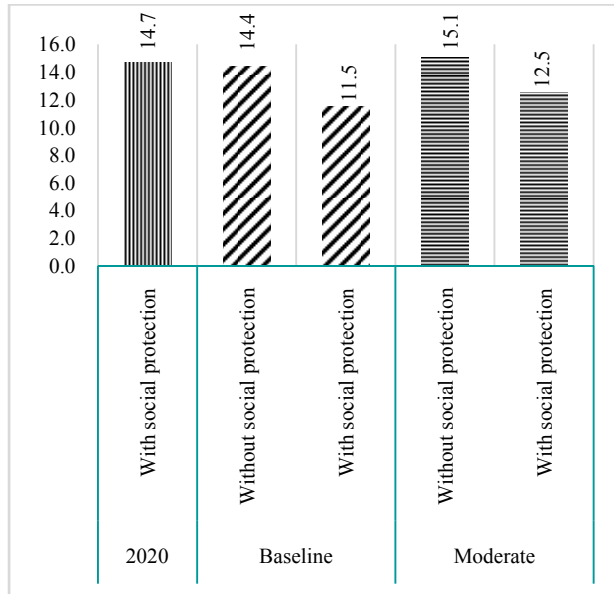
Country/ Gender	Baseline		Moderate	
	With Social Protection	Without Social Protection	With Social Protection	Without Social Protection
Cambodia	2.90	3.52	3.53	3.93
Men	2.63	3.29	3.00	3.60
Women	3.18	3.75	3.71	4.23

Source: Cambodia Static Computable General Equilibrium Model (CGE) and Employment Module

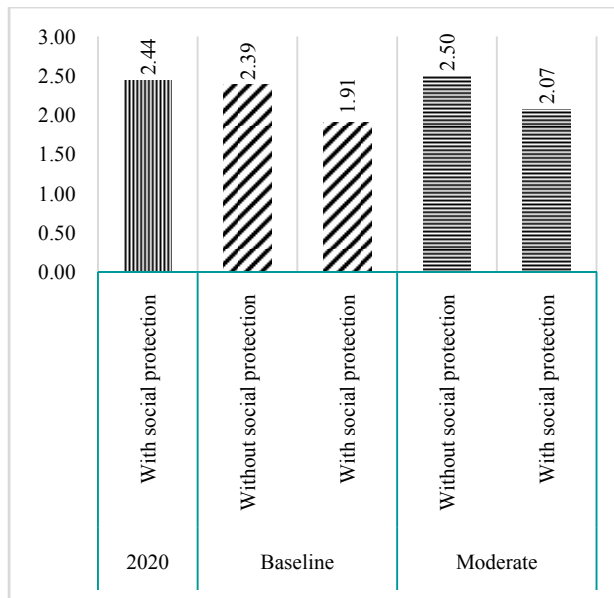
### 2.3 Poverty Key Findings

Sustained economic growth before the pandemic had significantly reduced poverty. A poverty module based on the 2019 Cambodia Socio-Economic Survey was used to assess poverty impacts in 2020 (pre-COVID-19) because of COVID-19 shocks and under the recovery scenarios. Projections based on the Social Accounting Matrix (SAM) 2020 household consumption data suggest a pre-pandemic simulated head-count poverty rate of 9.6 percent for 2020. While the poverty rate could have been higher, social protection and other economic stimuli have limited the negative fallout. The model estimates a poverty rate of 14.7 percent in 2020.

**Panel A: Poverty Rate**  
(percentage of the total population)



**Panel B: Number of Poor Persons (millions)**



**Figure 1.4: Simulated Poverty Impacts under the Baseline and Moderate Scenarios**  
*Source: Cambodia Static Computable General Equilibrium Model (CGE) and Employment Module*

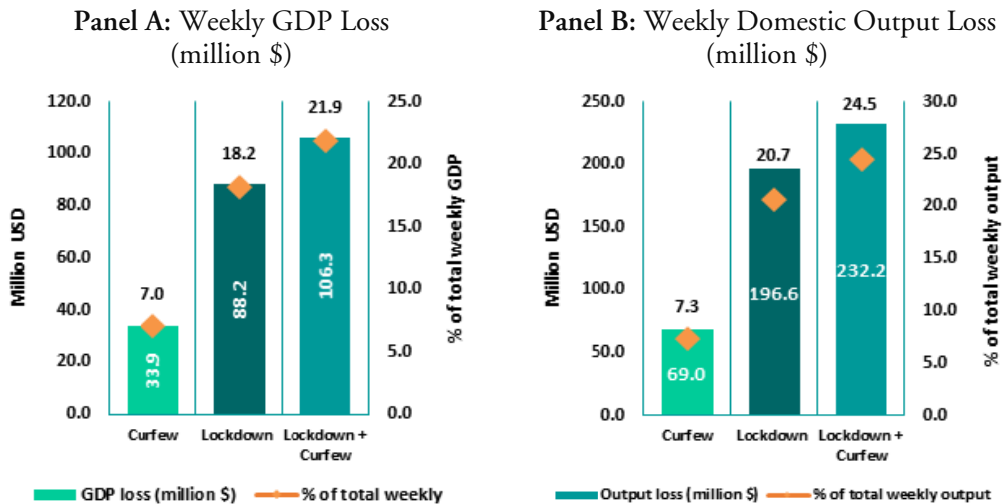
Enhanced household consumption is expected to reduce poverty in Cambodia. Accordingly, under the baseline scenario, the poverty rate would decline from 14.7 percent in 2020 to 11.5 percent in 2021 due mainly to the social protection stimulus. Without social protection, the poverty rate may remain stubbornly high at 14.4 percent. Similarly, the poverty rate may decline from 14.7 percent in the baseline scenario to 12.5 percent under the moderate scenario with the social protection stimulus. If social protection is not considered, the poverty rate may increase to 15.1 percent.

### 3. IMPACTS OF COVID-19 LOCKDOWN AND CURFEW

To halt the spread of COVID-19, Cambodia imposed restrictions on movement. To offer data and analysis that can help find optimal measures of restrictions, UNDP Cambodia conducted some analysis to estimate the economic and social costs of lockdowns and curfews in Cambodia. The following summarizes the key findings of assessing the impacts of the COVID-19 lockdown and curfew.<sup>7</sup>

#### 3.1 GDP Loss and Domestic Output Loss

As shown in Figure 1.5, the total weekly curfew cost for Phnom Penh, Siem Reap, and Preah Sihanouk added up to USD 33.9 million (weekly GDP loss), accounting for 7 percent of the weekly GDP. The lockdown measure amounted to USD



**Figure 1.5:** Curfew and Lockdown Cost (Economy-wide Modelling Approach)

*Source:* Based on data from the Ministry of Economy and Finance, Royal Government of Cambodia, and estimations by the authors.

88.2 million per week or 18.2 percent of the total weekly GDP for Phnom Penh alone. Simulations on the combined lockdown measure in Phnom Penh and curfew in the other two provinces estimated a loss of USD 106.3 million per week, or 21.9 percent of the total weekly GDP.

### 3.2 Households Reporting Income Reduction, Food Insecurity and Nutrition Deprivation

Based on the survey results, curfews and lockdowns impact different groups of people. The curfew measure, which has banned night-time businesses, affects most wage earners with an estimated reduction of wages from 30 percent to 50 percent. In comparison, the lockdown would cause the reduction of income of some wage-earners living in Phnom Penh by almost 100 percent. In addition to reducing income, the second biggest challenge is maintaining food security. In a survey assessing the impacts of the Cash Transfer Programme, UNDP Cambodia surveyed the main challenges faced by households during restrictions. The results showed that treatment households receiving the cash transfer and control households not included in the cash transfer group reported similar challenges. As shown in the figure below, 77.6 percent of the

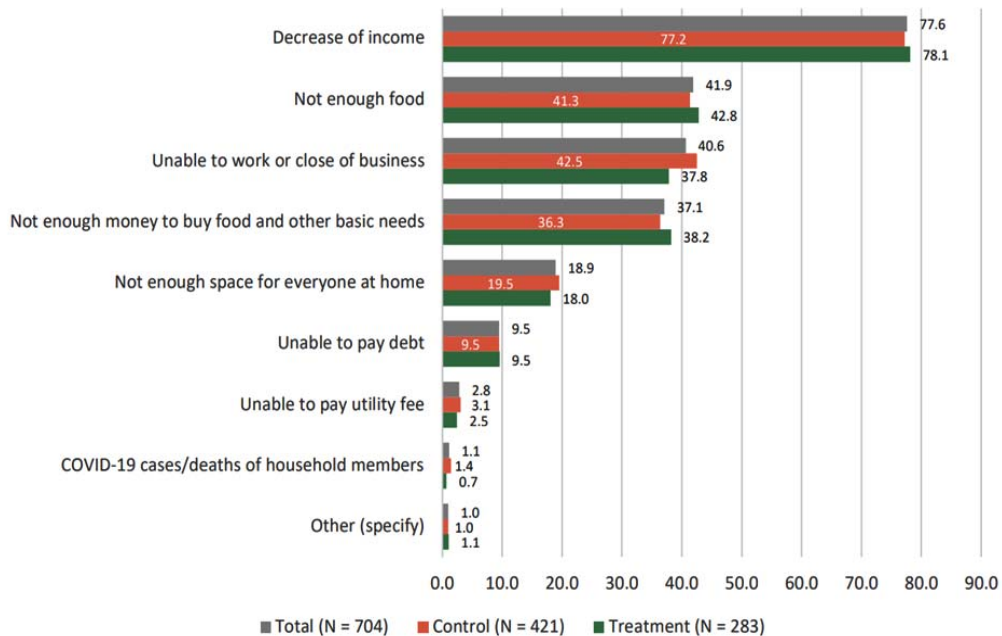


Figure 1.6: Challenges Faced by Surveyed Households during Lockdown/Curfew

Source: Socio-economic Impacts of the COVID-19 Cash Transfer Programme in Cambodia: Micro and Macro-level Evaluations, UNDP, Ministry of Economy and Finance, and National Social Protection Council

respondents reported a decreased income. 40.6 percent of the respondents mentioned they did not have enough food to eat, and 37 percent of all households did not have enough money to buy food and other basic needs for their members.

### 3.3 Temporary Job Loss

The estimated GDP losses under lockdown and curfew scenarios were linked with the employment module to simulate the number of temporary job losses. The number varies from 0.542 million under curfew to 1.12 million under lockdown scenario and 1.35 million under lockdown plus curfew scenario. Female workers are disproportionately affected by restrictions. They accounted for 53 percent of temporary job loss under the curfew scenario, 59 percent under the lockdown scenario, and 58.4 percent under the lockdown plus curfew scenario.

**Table 1.2:** Number of Temporary Job Loss (Million Persons)

<i>Weekly Job Loss by Gender</i>	<i>Curfew</i>	<i>Lockdown</i>	<i>Lockdown + Curfew</i>
Number of jobs lost (million persons)	0.542	1.120	1.350
Number of jobs lost for men (million persons)	0.254	0.558	0.561
Number of jobs lost for women (million persons)	0.288	0.662	0.789

*Source:* Economy-wide estimates and Employment Module

### 3.4 Schools Closure and School Dropout

In a study by UNDP Cambodia during the 2020–2021 academic school year, school closure amounted to 97 days or 33.5 percent of the public school calendar. During school closure, the Ministry of Education, Youth, and Sports introduced palliative measures such as television and radio education programmes for students without Internet access and remote digital education. However, due to limited Internet penetration in Cambodia, 30 percent of students could not access distance learning (MoEYS, 2021). Hence, the school dropout rate is expected to rise.

**Table 1.3:** Duration of School Closure and Household Internet Coverage in 2020

<i>Country</i>	<i>School Closure Date</i>	<i>School Reopening Date</i>	<i>Duration</i>	<i>Internet Coverage</i>
Cambodia	16 March 2020	2 November	97 days	47.9%

*Source:* Phnom Penh Post, 2020; Agence France-Presse, 2020; UNICEF, 2020; Bangkok Post, 2020; World Internet Statistics, 2020

## 4. COVID-19 IMPACT ON HUMAN DEVELOPMENT INDEX IN CAMBODIA

This analysis<sup>8</sup> employs the COVID-19-adjusted Human Development Index (HDI) framework to examine the possible effects of COVID-19 on human development progress across three main dimensions—income, health, and education—in Cambodia as well as in the three neighboring countries, namely, Lao PDR, Thailand, and Vietnam.

### 4.1 Projection of HDI under the Impacts of COVID-19

Simulations showed that COVID-19 is set to cause a drastic decline in HDI in all four countries. Cambodia is set to be hit hardest, with aggregate adjusted HDI declining by 3.93 percent from 0.594 in 2019 to 0.571 in 2020 (Table 1.4). For Cambodia, this is equivalent to the loss of progress made in human development over the past four years, back in 2016 (0.572).

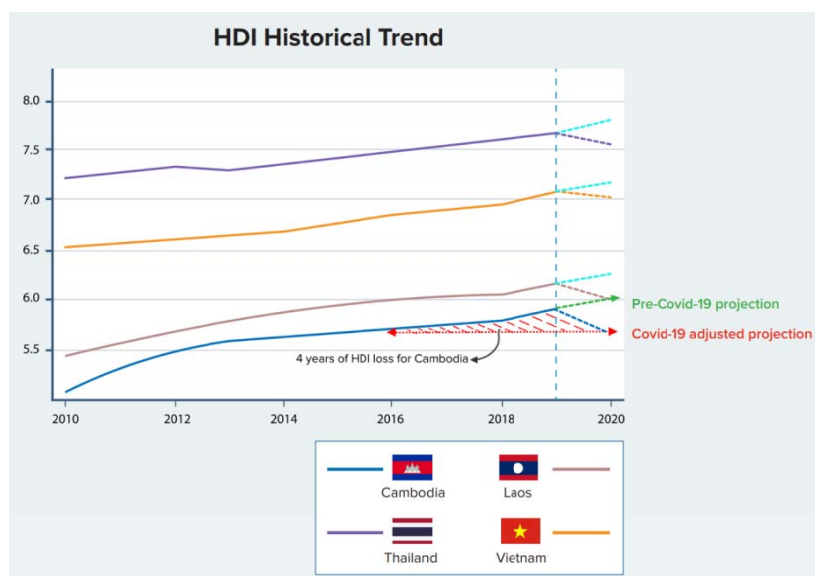
Table 1.4: The Percentage Change in Projected 2020 HDI vs. 2019 HDI

<i>Country</i>	<i>2019 HDI</i>	<i>2020 pre-Covid est.</i>	<i>2020 HDI (Covid-adjusted)</i>	<i>Value Changes (at 2019 base)</i>	<i>Percentage Changes</i>
Cambodia	0.594	0.602	0.571	-0.0233	-3.93%
Lao PDR	0.613	0.620	0.597	-0.0159	-2.59%
Thailand	0.777	0.788	0.764	-0.0132	-1.69%
Vietnam	0.704	0.711	0.701	-0.0027	-0.39%

Source: UNDP Human Development Reports and the author’s calculations

### 4.2 Reasons Behind

Cambodia’s HDI contraction is attributable to two main factors. First, there was a drastic decline in the education index, equivalent to 11.11 percent, due to prolonged school closure (approximately 97 school calendar days) and aggravated by a low Internet base of 47.9 percent coverage (Table 1.3). Second, the income index dropped by 0.9 percent, primarily due to the global demand shocks of its key exports, especially in the garment, construction, and tourism sectors. In comparison, Lao PDR, Vietnam, and Thailand had shorter school closure times, although all countries, excluding Lao PDR, have had more cases of COVID-19 compared to Cambodia.



**Figure 1.7:** HDI Historical Trend in Cambodia, Lao PDR, Thailand, and Vietnam

Source: UNDP Cambodia, Projected impacts of COVID-19 on the 2020 Human Development Index in Cambodia and its neighbors.

**Table 1.5:** Projected Changes in the Education, Income, and Life Expectancy Indexes

Country	2019	2020	Value Changes	Percentage Changes
<i>Education Index</i>				
Cambodia	0.484	0.430	-0.054	-11.11%
Lao PDR	0.481	0.444	-0.037	-7.77%
Thailand	0.682	0.656	-0.026	-3.86%
Vietnam	0.630	0.618	-0.012	-1.90%
<i>Income Index</i>				
Cambodia	0.566	0.561	-0.005	-0.90%
Lao PDR	0.650	0.647	-0.003	-0.42%
Thailand	0.783	0.769	-0.014	-1.82%
Vietnam	0.651	0.653	0.002	0.38%
<i>Life Expectancy Index</i>				
Cambodia	0.766	0.770	0.004	0.52%
Lao PDR	0.737	0.742	0.005	0.62%
Thailand	0.879	0.884	0.005	0.52%
Vietnam	0.852	0.854	0.002	0.27%

## 5. COVID-19 IMPACTS ON SMEs AND MSMEs

When COVID-19 hit the country in February 2020, UNDP Cambodia rolled out tracking surveys to assess the current and future socio-economic impacts of the COVID-19 pandemic on 500 MSMEs<sup>9</sup> across the country. The study employed a telephone interviewing panel (with replacement) involving four rounds of data collection. Below is the detailed sample size and date of each phase.

	Wave 1	Wave 2	Wave 3	Wave 4
Sample size	514	504	482	509
Date	Jul./Aug. 2020	Oct./Nov. 2020	Jan./Feb. 2021	Oct./Nov. 2021

Below are some key findings on the economic impacts of COVID-19 on formal and informal<sup>10</sup> MSMEs based on the survey:

### 5.1 Decreasing Demand and Profit

A large majority of formal and informal MSMEs across the four waves reported a decrease in demand for their products and services (with statistical significance, chi-square of 99 percent confidence level), especially in July/August 2020 and in September/October 2021 just after the country implemented strict lockdowns, curfews, and travel restrictions because of the 20 February 2021 community event (Figure 1.8).

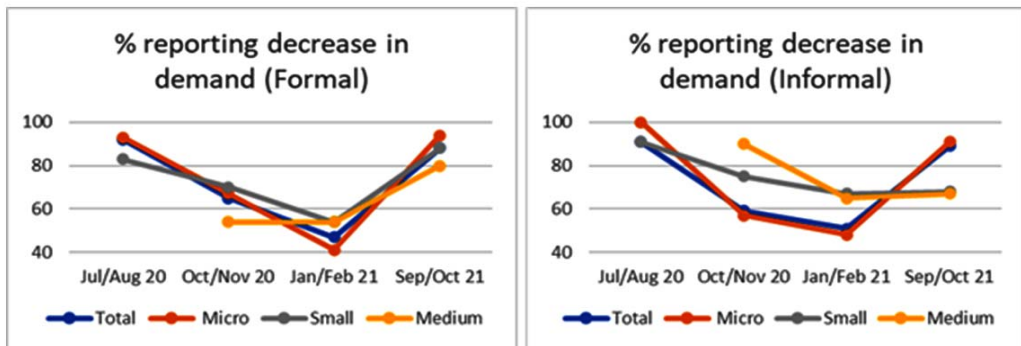


Figure 1.8: COVID-19 Impacts on Demand over Time

Statistically, there is no significant difference between formal and informal enterprises in reporting a profit reduction from Wave 1 to Wave 4 ( $p > 0.05$ ). Over 90 percent of the men and women-owned enterprises, both formal and informal, reportedly had a decline in profit in Wave 1. In contrast, the profit margin improved in Waves 2 and 3 before deteriorating again in Wave 4 (Figure 1.9).

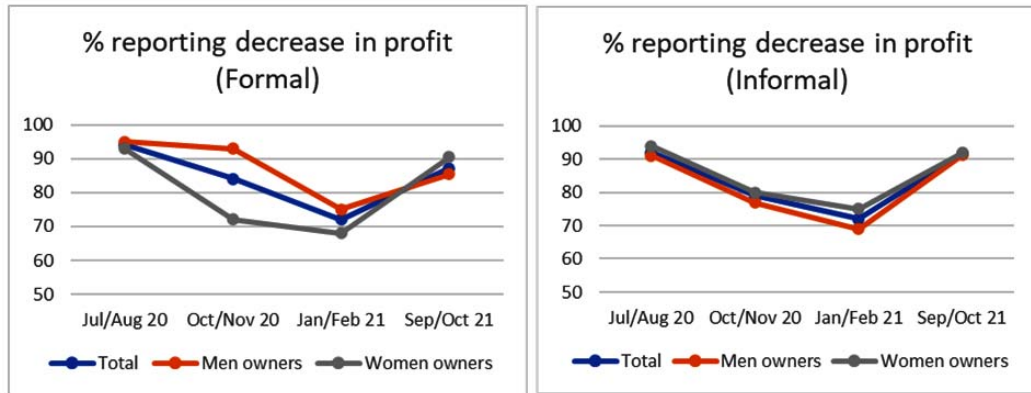


Figure 1.9: COVID-19 Impact on Profit over Time and by MSME Ownership (Gender)

## 5.2 Supply Chains

Statistically, there is no significant difference between formal and informal enterprises reporting supply issues over the observed periods ( $p > 0.05$ ). Between 42 percent and 64 percent of formal MSMEs reported having problems with supply (inputs and raw materials) in October/November 2020, when stricter travel restrictions were imposed after the country registered its first community outbreak. They also started suffering the impacts of supply chain disruptions from major economies such as China (Figure 1.10).

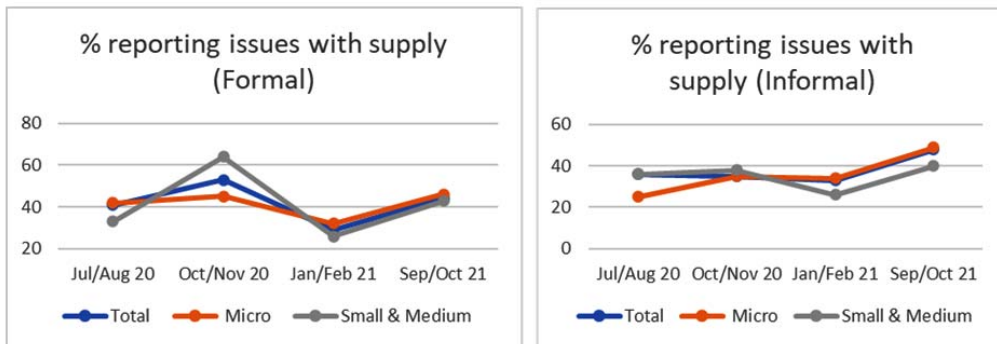


Figure 1.10: COVID-19 Impacts on Supply over Time

## 5.3 Debt Effects

The pandemic also affected the financial condition of firms by putting disproportionate pressure on their indebtedness. According to the survey, there is a significant difference between formal and informal enterprises when reporting debt (at a 99 percent confidence level) across the four waves. By September/October

2021, the level of debt among MSMEs increased. Approximately five in 10 formal MSMEs and four in 10 informal MSMEs were in debt. Meanwhile, formal MSMEs, especially micro-enterprises, were more likely to report an increase in debt between July/August 2020 and September/October 2021 than informal enterprises (Figure 1.11).

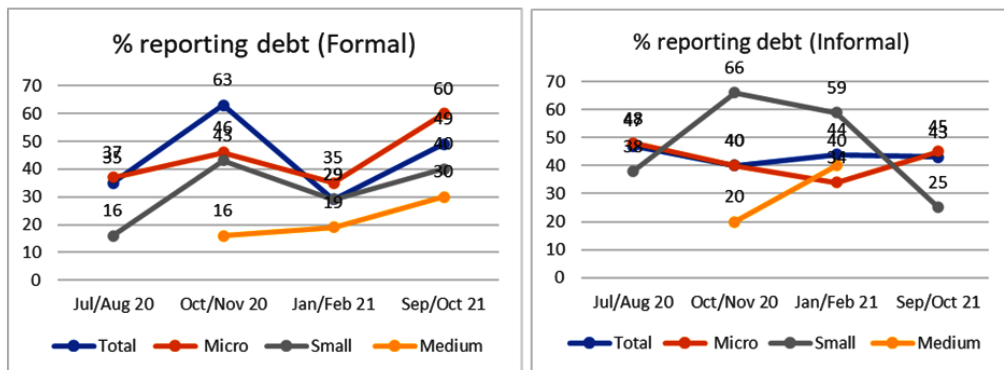


Figure 1.11: COVID-19 Impact on MSME Debt by MSME Size and Formality Status

#### 5.4 Government Support and Coping Strategies of SMEs

Although no statistically significant differences exist in the nature and scale of impacts (demand, supply, and profit) between formal and informal enterprises, formal MSMEs are better positioned to respond to shocks. They did not have to adopt informal enterprises’ widely applied negative coping strategies, such as taking additional loans, selling assets, negotiating with landlords on rental deferral, or temporarily closing businesses. Informal enterprises also reported challenges accessing new loans. While only five percent of formal enterprises reported receiving support from the government during the COVID-19 pandemic, mainly through partial/total salary subsidy, tax exemption, and utility and rental subsidy, none of the informal enterprises reported receiving any support over the same period. Overall, formal MSMEs appeared more resilient to COVID-19, with less debt uptake, more access to loans, and a higher likelihood of receiving government support, although the percentage is still low.

### 6. POLICY RECOMMENDATIONS

Macroeconomic simulations (scenarios with and without social protection) showed that social protection can reduce the speed of development gains and losses during COVID-19. As such, it is an effective way of mitigating the impact of COVID-19 on the poorest and preventing vulnerable households from sliding back into poverty. With national economies seeking to re-establish themselves, more comprehensive

and shock-responsive social protection system policies will be more critical than ever for future preparedness. The social dimension is an integral component of economic recovery, a component of fiscal stimulus that can boost aggregate demand and support the economy to bounce back.

Financial measures to support MSMEs could mitigate the impact of COVID-19 in the short run and promote greener, more inclusive, resilient, and diversified economic development in the medium to long run. MSMEs and workers in informal sectors are the most hit groups. Seventy percent of the population works in MSMEs; thus, there is a considerable demand for support to build resilience and capacity to survive in the disrupted business environment.

Based on the insights generated by the studies, the following recommendations are set forth:

1. Strengthen, adapt, and expand policies toward achieving universal access to social protection and promoting a more inclusive, resilient, and sustainable society. This would require balancing fiscal space and macroeconomic stability, efficiently using resources, harmonizing interventions, innovating, creating synergies, and accelerating digitalization.
2. Since women have been affected disproportionately during the pandemic, compounded by pre-existing inequalities and deprivations, a targeted effort is needed to establish a gender-sensitive social protection system, mainstreaming gender across existing programmes, and adopting specific policies for women and girls.
3. The simplification of business registration procedures would accelerate the formalization of MSMEs. Formal businesses showed greater resilience during the pandemic and had better chances to access funds and government support. In June 2020, the Cambodian government launched a business e-registration platform to reduce costs and expedite the registration of new businesses and enterprises. Currently, the registration takes an average of eight days instead of three to six months previously (Thou, 2020). However, after review, the platform targets well-operated and structured businesses rather than micro-small or informal business units. In this direction, a simplification of the registration platform is recommended.

## ENDNOTES

1. UNDP Cambodia (2020). COVID-19 economic and social impact assessment in Cambodia policy brief CGE and GTAP simulation exercises, October 2020.
2. UNDP, Australian Aid, Ministry of Economy and Finance (2021). COVID-19 economic and social impact assessment in Cambodia: An Integrated Modelling Approach, September 2021.

3. UNDP Cambodia (2021). Discussion paper on the economic and social impact of lockdown and curfew in Cambodia, Partial and General Equilibrium Approach, May 2021.
4. Khoun Theara (2021). Projected impacts of COVID-19 on the 2020 Human Development Index in Cambodia and its neighbors.
5. Ivan Gonzalez de Alba, Vinh Dany, & Khoun Theara (2021). Tracking surveys on the impacts of COVID-19 on formal and informal MSMEs in Cambodia.
6. UNDP Cambodia (2020). COVID-19 economic and social impact assessment in Cambodia, Policy Brief - CGE and GTAP Simulation, October 2020.
7. UNDP Cambodia (2021). Discussion paper on the economic and social impact of lockdown and curfew in Cambodia, Partial and General Equilibrium Approach, May 2021.
8. UNDP Cambodia (2020). Projected impacts of COVID-19 on the 2020 Human Development Index in Cambodia and neighboring countries.
9. MSMEs in this study are identified as per the definition of the Royal Government of Cambodia's Sub-committee on SME Secretariat, as follows: 1) Micro-enterprises with fewer than 11 employees, 2) Small-enterprises with 11–50 employees, 3) Medium-enterprises with 51–100 employees, 4) Large-enterprises with >100 employees.
10. Formal enterprises are defined in this study as those that are (1) registered and (2) pay tax. Otherwise, they are considered as informal enterprises.

## REFERENCES

- de Alba, Ivan G., Dany, V., & Theara, K. (2021). *Tracking surveys on the impacts of COVID-19 on formal and informal MSMEs in Cambodia*. [https://www.nbc.gov.kh/download\\_files/macro\\_conference/english/Understanding\\_the\\_Impacts\\_of\\_COVID\\_19\\_on\\_MSMEs\\_in\\_Cambodia\\_AFedit.pdf](https://www.nbc.gov.kh/download_files/macro_conference/english/Understanding_the_Impacts_of_COVID_19_on_MSMEs_in_Cambodia_AFedit.pdf)
- Theara, K. (2021). *Projected impacts of COVID-19 on the 2020 Human Development Index in Cambodia and its neighbors* [Policy Brief]. UNDP. <https://www.undp.org/cambodia/publications/projected-impacts-covid-19-2020-human-development-index-cambodia-and-its-neighbors>
- Thou, V. (2020, August 4). Registration of firms soars to 1,687 with online process. *The Phnom Penh Post*. <https://www.phnompenhpost.com/business/registration-firms-soars-1687-online-process>
- UNDP Cambodia. (2020). *COVID-19 economic and social impact assessment in Cambodia: CGE and GTAP simulation exercises* [Policy Brief 01]. UNDP. <https://www.undp.org/cambodia/publications/covid-19-economic-and-social-impact-assessment-cambodia>
- UNDP Cambodia. (2021). *Economic and social impact of lockdown and curfew in Cambodia: Partial and general equilibrium approach* [Discussion paper]. UNDP.
- UNDP Cambodia, Australian Aid, Ministry of Economy and Finance. (2021). *2021 COVID-19 economic and social impact assessment in Cambodia: An integrated modelling approach*. [Policy Brief 02]. UNDP. <https://www.undp.org/sites/g/files/zskgke326/files/migration/kh/UNDP-Recovery-Scenarios-in-Cambodia.pdf>

