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CAMBODIA COMMON COUNTRY ANALYSIS

Towards an Inclusive, Equitable and Sustainable Recovery



May 2021

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ACRONYMS AND ABBREVIATIONS

CCA	Common Country Analysis
CDC	Council for the Development of Cambodia
CSDGs	Cambodia Sustainable Development Goals
DESA	United Nations Department of Economic and Social Affairs
EBA	Everything but Arms
EU	European Union
FAO	Food and Agriculture Organization
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GNI	Gross National Income
HDI	Human Development Index
ILO	International Labour Organization
IOM	International Organization for Migration
LANGO	Law on Non-Governmental Organizations and Associations
MAFF	Ministry of Agriculture, Forestry and Fisheries
MEF	Ministry of Economy and Finance
MoE	Ministry of Environment
MoEYS	Ministry of Education, Youth and Sport
MoH	Ministry of Health
NCCC	National Climate Change Committee
NCSD	National Council for Sustainable Development
NDC	Nationally Determined Contributions
NIS	National Institute of Statistics
NSSF	National Social Security Fund
ODA	Official Development Assistance
OHCHR	Office of the United Nations High Commissioner for Human Rights
RGC	Royal Government of Cambodia
SERF	Socio-Economic Response Framework
SMEs	Small and Medium Enterprises
SDGs	Sustainable Development Goals
UNCT	United Nations Country Team
UNCTAD	United Nations Conference on Trade and Development
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
UNRCO	United Nations Resident Coordinator Office
UNSDCF	United Nations Sustainable Development Cooperation Framework
UPR	Universal Periodic Review
WASH	Water, Sanitation and Hygiene
WDI	World Development Indicators
WHO	World Health Organization

EXECUTIVE SUMMARY

The ongoing outbreak of the COVID-19 pandemic underscores the growing importance of re-thinking existing development models and looking ahead together towards realizing the 2030 Agenda for Sustainable Development. This has elevated a critical need for a forward-looking, sound and systematic analysis of the development conditions in Cambodia.

The Common Country Analysis (CCA) provides an up-to-date, systematic analysis and description of situational developments in Cambodia. The CCA aims to analyse and identify the underlying factors of development challenges and opportunities, as well as risk and vulnerability in terms of progressing towards Sustainable Development Goal (SDG) achievement.

The different chapters of the CCA examine Cambodia's economic performance, social and human development, political and human rights situation, and environment and climate change aspects. Based on the risks and vulnerabilities identified, the 'looking ahead' chapter delves into prospects and strategic priorities for the UN when supporting the Royal Government of Cambodia towards an inclusive, equitable and sustainable COVID-19 recovery.

The COVID-19 pandemic has inflicted severe socio-economic damage on Cambodia. It wiped out significant development gains of the past years, and its adverse impacts on the economy and society may be long lasting. As the economy contracted in 2020, the country is projected to achieve low growth in the coming years, depending on the success of suppressing the pandemic and global and regional economic conditions.

The impact on people's livelihoods and access to basic services, particularly for vulnerable and marginalized groups, could threaten progress in human capital development and socio-political cohesion, which would in turn cause social, economic and political consequences. Overall, there is a rising risk to Cambodia's progress towards the achievement of the Cambodia SDGs (CSDGs) in 2030 and high-income country status in 2050.

Affordable and quality health care remains far from being universally accessible for the Cambodian people. Although public health expenditure has increased in past years, it remains relatively low by global standards as a share of GDP (i.e., 6 percent of GDP in 2018) and total health expenditure. The combined effects of COVID-19, including escalating demand for health care services and adverse socio-economic fallout, have amplified the fragility of the existing healthcare system, and ultimately, people's wellbeing.

Together with household income shocks, disrupted learning caused by extended school closures in 2020 due to COVID-19 have increased school dropout rates and resulted in poor academic performance for many children, mostly from poor and vulnerable households, especially in rural areas. Inequality has been exacerbated. This is particularly true for children, especially girls from poor households who are expected to carry the burden of housework and domestic care. They have faced greater difficulty in accessing online and digital learning programmes. As a result, the human development index (HDI) in 2020 dropped by an estimated 3.93 percent, or the equivalent of four years of progress.

The COVID-19 outbreak occurred against a backdrop of a climate crisis and the growing exploitation of natural resources that push against the limit of natural systems and ecology. The pandemic exposed the vulnerability of the current development model to economic, social or climate shocks. This calls for strengthening of the resilience of the country to weather future shocks. It is essential to re-calibrate a more sustainable development model that takes into account economic, social and environmental aspects that are crucial for realizing the CSDGs.

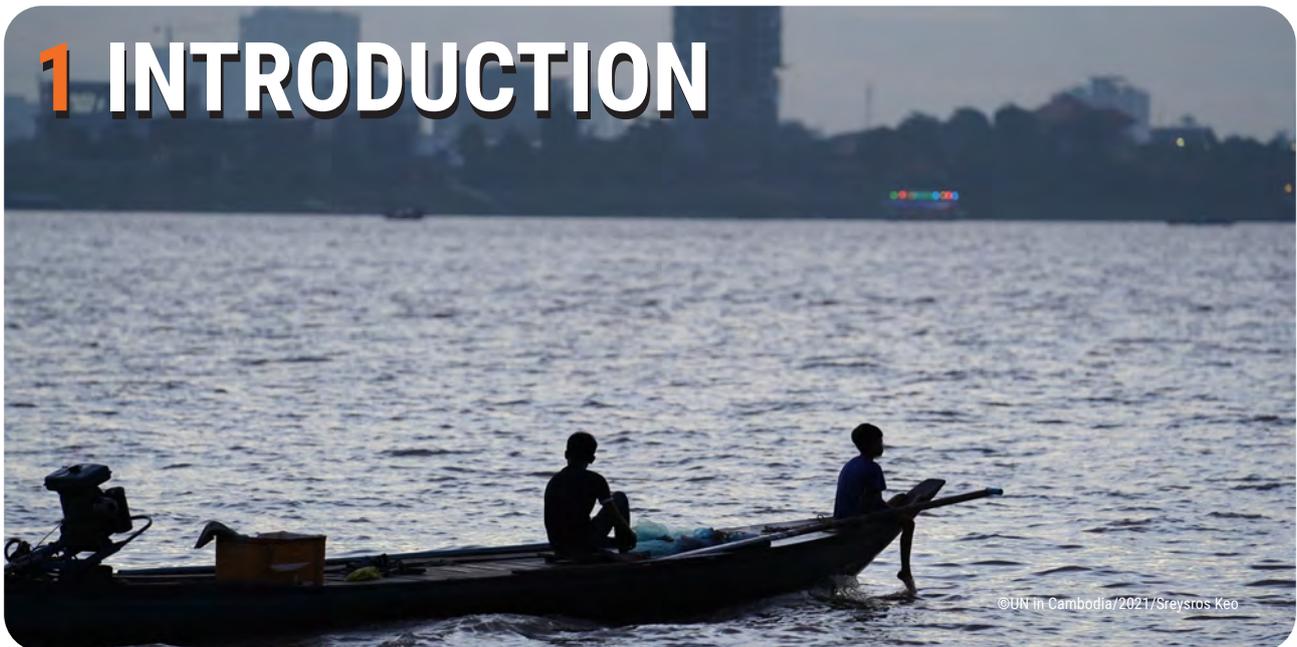
The human rights situation in Cambodia has deteriorated, especially in the last few years. The UN Secretary-General, in his 2020 annual report on the roles and the achievement of the Office of the United Nations High Commissioner for Human Rights (OHCHR) in Cambodia, highlighted intimidation against civil society and human rights organizations, which impedes their capacity to monitor and report. He called on the government to strengthen civic and democratic space, including through guarantees for the unhindered work of human rights and other civil society organizations and community groups by broadening their space to operate. The report also outlines excessive restrictions of the rights to freedom of expression and peaceful assembly, including the arrest of individuals for COVID-19 related public comments and social media posts.

The current crisis can be turned into an opportunity to transform Cambodia's socio-economic development model, while remaining steadfast in its long-term vision of realizing the CSDGs by 2030 and achieving high-income country status by 2050. The COVID-19 response and socio-economic recovery policies can address inequality, narrow vulnerability gaps, and increase resilience to ensure that the country can achieve inclusive, equitable and sustainable recovery and prosperity. To this end, the UN will focus on key strategic priorities underpinned by an over-arching commitment to gender-transformative recovery from the pandemic and promoting and protecting human rights:

- 1** Strengthening pandemic health response and vaccination;
- 2** Elevating human capital development;
- 3** Green growth and the digital economy

To reaffirm the UN's commitment to these strategic priorities, the Socio-Economic Response Framework to COVID-19 will be converged with the UN Cooperation Framework 2019-2023 and supported by a partnership and resource mobilization strategy and joint action plan for the remaining planning cycle. An inclusive, equitable and sustainable recovery must be grounded in human rights and be gender transformative. Together with partners, the UN system in Cambodia will support the Royal Government to fulfil its human rights obligations and commitments to benefit all Cambodians.

1 INTRODUCTION



1.1 Background and Objectives

The Common Country Analysis (CCA) is integral to the preparation of the United Nations Sustainable Development Cooperation Framework, formerly named the United Nations Development Assistance Framework (UNDAF). This guides the UN system's development activities at country level in support of the achievement of the 2030 Agenda for Sustainable Development. The CCA is no longer simply a document prepared at the beginning of the Cooperation Framework cycle. From 2020, the CCA needs to be updated regularly as deemed appropriate by the UN Country Team, but at least once per year.¹

The CCA "is part of a strategic pivot for the UN towards becoming the top source for independent, trusted analysis and policy advisory support on sustainable development in the 21st century."² It is also an up-to-date source of information on the country context for the UN development system, informed by and feeding into discussions on emerging issues, blind spots, early warning, risk reduction and prevention. The CCA is an integrated, forward-looking and evidence-based analysis of the country context for sustainable development.

The ongoing outbreak of the COVID-19 pandemic, which took the world by surprise in late 2019, underscores the growing importance of re-thinking existing development models and looking ahead together towards realizing the 2030 Agenda. This has elevated a critical need for a forward-looking, sound and systematic analysis of the development conditions in Cambodia.

¹UNSDG (2020) 'Cooperation Framework Companion Package'. New York: UN Sustainable Development Group.

²Ibid.

The purpose of this CCA is to provide an up-to-date, systematic analysis and description of situational developments in Cambodia. The CCA aims to analyse and identify the underlying factors of development challenges and opportunities, as well as risk and vulnerability in terms of progressing towards SDG achievement. The analysis was conducted to examine critical, inter-related themes: socio-economic situation; institutional and political situation; peace, human rights and gender equality; climate and environment; and their nexuses.

The current CCA is expected to make several contributions. First, the CCA is to inform not only the UN system but also wider development actors and stakeholders of the underlying causes of development trends, challenges and opportunities in the country. Second, with forward-looking perspectives, the CCA contributes to the collective effort of the UN system in the planning and implementation of development programming, policy advocacy, and other interventions towards actualizing the SDGs in 2030.

1.2 Methodology

This CCA was prepared amid rising demands for the UN system to respond rapidly to the COVID-19 pandemic that has severely affected Cambodia, ranging from health emergencies to socio-economic impacts. This CCA was therefore prepared with one key principle, which was to keep the preparation process as light and efficient as possible. Hence, preparation was led by a team from the Office of the United Nations Resident Coordinator, with inputs from UN agencies and consultations with relevant stakeholders.

The analytical process, which is built into this CCA for annual iterations and updates is guided by four principles:

- It should be **change-focused** by capturing what is on the horizon and what risks and opportunities this might bring.
- It is **social** by involving a wide array of colleagues.
- It is **lightweight** and accumulates evidence over time rather than all at once.
- It has a **wider sensitivity** by making use of alternative sources of information.

Following these guiding principles and the need for a light updating process, the preparation is based on quantitative and qualitative data analysis of a wide array of issues, a review and synthesis of literature, and a future-looking discovery infused by a foresight methodology. In short, the preparation of this CCA followed a two-track approach:

1/ The first track focused on the drafting of this CCA document. The drafting was based on the analysis of quantitative and qualitative data on a wide range of issues, including economic, social, political, human rights, and climate change and environment. The data was gathered from many sources, including national and global statistical databases (e.g., National Institute of Statistics, UNCTAD, DESA, World Development Indicators, World Economic Outlook databases, and other sources). Qualitative information and insights were gathered from focus group discussions and case studies. Relevant literature and information, particularly existing and ongoing research and assessments that were carried out by various agencies, are also reviewed for insights and evidence.

The undertaking was to create an analytical foundation that could be accumulatively worked on to enhance and deepen the analysis of the yearly iterations. This analytical process aims to build an up-to-date evidence base that is part of the UN's larger efforts of taking the system up to the challenges of tomorrow and delivering services and support to the needs of the people.

2/ The second track aimed to set up an update process, which is infused by future-thinking and foresight methodologies. The foresight exercise was conducted in November 2020 for nearly 40 participants, including the heads and deputy heads of agencies, and technical staff from all UN agencies in Cambodia. This was where a wide spectrum of expertise and knowledge within the UN Country Team could be tapped. The foresight exercise provided a strategic opportunity to rethink and look ahead together as a collective UN System at what was on the horizon for Cambodia, including challenges, risks and opportunities.

This track created a platform for regular internal capacity development for the UN system in future-thinking and strategic thinking, in addition to an information sharing component. This process is essential for the UN system to proactively examine existing and emerging issues on the horizon, develop scenarios of the likely futures, and thus move away from reactively engaging and responding to new developments. By improving the capacity to look ahead, the UN system will better anticipate changes, act proactively, and thus meet challenges in the future.

Numerous consultations with relevant stakeholders were conducted through the UN75 Conversations campaign and the UN Cambodia Framework for Immediate Socio-Economic Response to COVID-19 (SERF) to solicit insights, evidence and feedback. Through the UN75 Conversations, consultations were carried out with various local communities, including factory workers and LGBTI groups in Phnom Penh, female farmers and youth in Kampong Thom province, and indigenous youth and children in Rattanakiri province. Through the SERF, consultations were conducted with the diplomatic corps, international financial institutions, development partners, civil society organizations and relevant government line ministries such as the Ministry of Economy and Finance (MEF), and the Council for the Development of Cambodia (CDC).

2 ECONOMIC PERFORMANCE



This section analyses the progress and challenges facing economic development in Cambodia in the past decades, with a focus on the economic impact of COVID-19 in 2020. It aims to gain a better understanding of the underlying causes, vulnerabilities and opportunities associated with the country's economic performance.

2.1 Demographic Dividend

Cambodia's total population is estimated at 15.6 million according to the 2019 General Population Census of Cambodia. The female population is 7.98 million, which is slightly higher than the male population (7.57 million). The capital city of Phnom Penh is home to 2.28 million people, or 14.7 percent of the total population, which is the highest among the country's 25 provinces and municipalities. Kandal province has the second largest population (7.7 percent), followed by Prey Veng (6.8 percent), Siem Reap (6.5 percent), Battambang (6.4 percent) and Takeo (5.8 percent).

Cambodia remains a country with a relatively young and dynamic population, as presented in Figure 1. The median age of the population was 27 years in 2019, increasing from 22 years in 2008.³ People aged under 35 years comprise 64.2 percent of the total population according to the 2019 General Population Census of Cambodia.⁴ On one hand, the young population can be a forceful catalyst for driving economic activity and innovation, resulting in economic growth and prosperity. On the other hand, the young population puts additional pressure on the economy because of their higher demands for better employment, education, skills development, health-care and other social services.

³UNSDG (2020) 'Cooperation Framework Companion Package'. New York: UN Sustainable Development Group.

⁴Ibid.

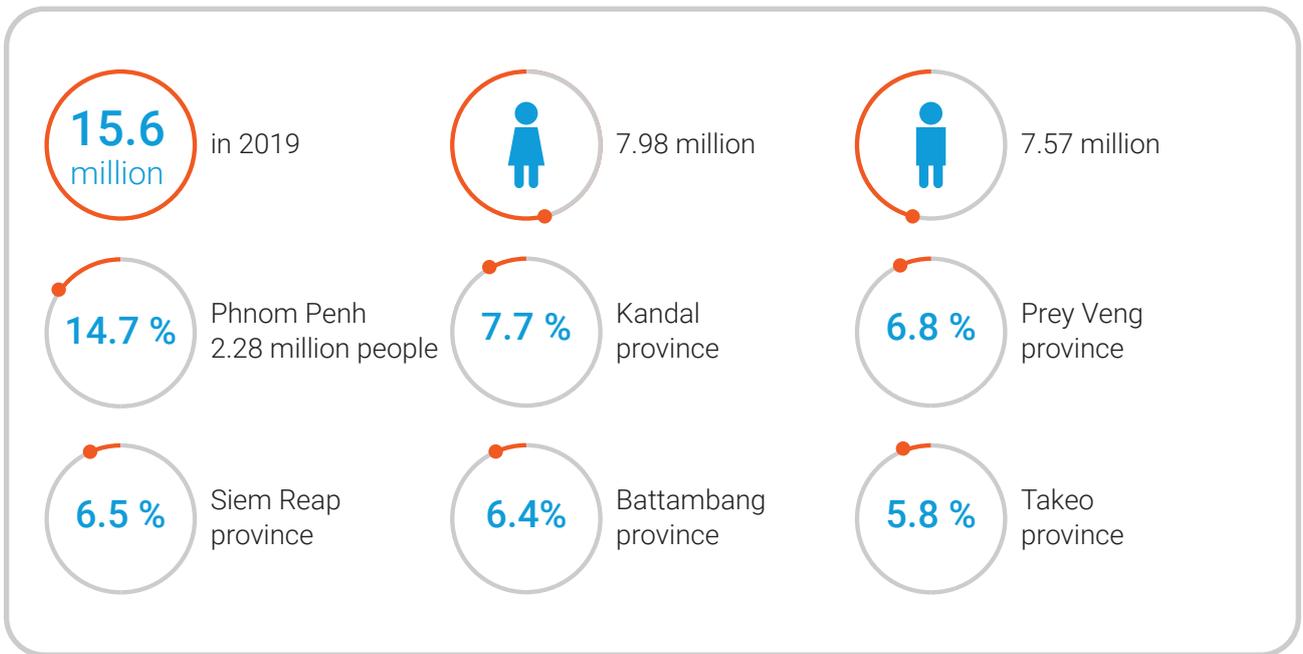
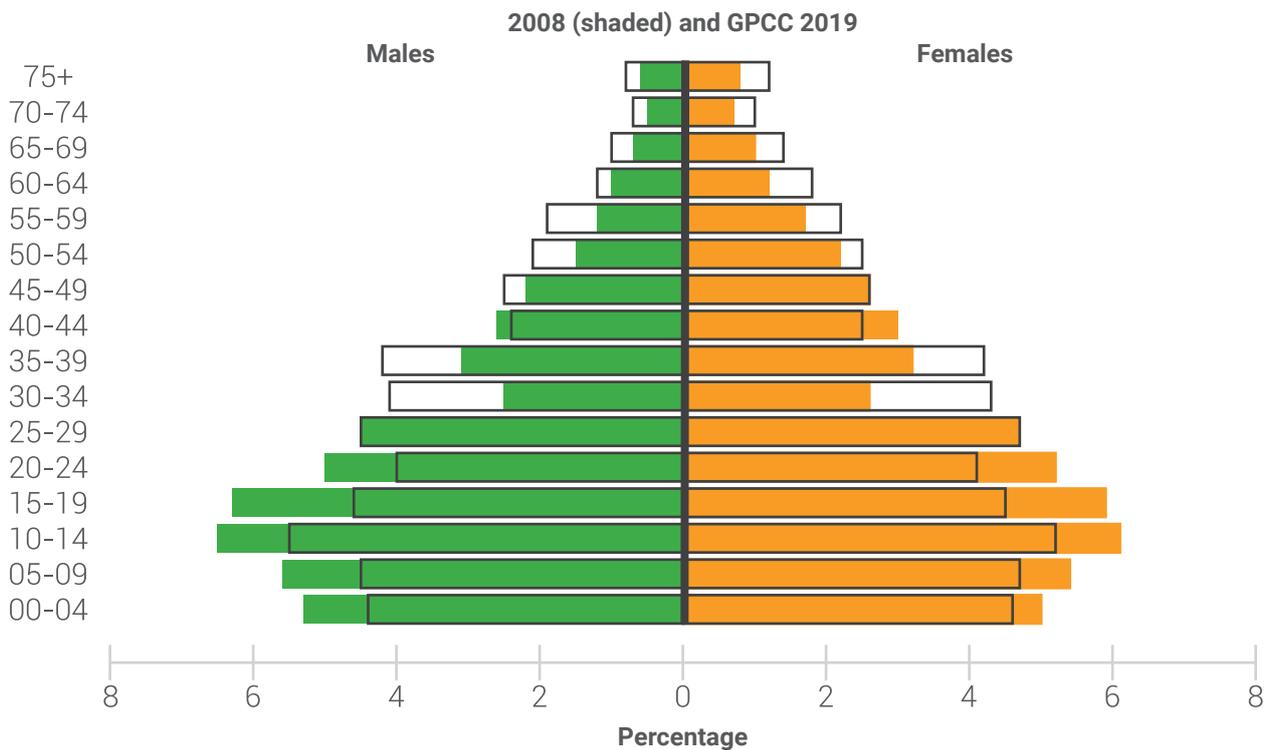


Figure 1. Cambodia's population pyramid by age group (unit: percentage)



Source: National Institute of Statistics, 2020.

Based on the latest 2019 General Population Census of Cambodia data, the child dependency ratio, which is the proportion of children under 14 years old to working age population, or potentially productive population, has decreased since 1995 due to lower fertility rates and migration. It decreased from 33.7 percent in 2008 to 29.4 percent in 2019. The old-age dependency ratio – the proportion of people aged above 60 years old to the working age population – slowly increased from 6.3 percent in 2008 to 8.9 percent in 2019. Thus, the total dependency ratio – a sum of the child dependency ratio and the old-age dependency ratio – decreased slightly from 66.8 percent in 2008 to 62.0 percent in 2019, while the working age population increased slightly from 60 percent in 2008 to 61.7 percent in 2019.

There are two important emerging features. First, there remains a window of opportunity for Cambodia to generate a demographic bonus because the potentially productive component of the population remains high, with a lower dependency rate. If the increase in the number of working age individuals can be fully employed in productive activities, other things being equal, the level of average income per capita should increase as a result. Second, the country is shifting away slowly from a young age structure to a more intermediate age structure. The population is slowly aging, with a steady increase in the age group of 60-plus, reflecting a pattern of steady decline in adult mortality. Based on these trends, the window of demographic dividend is likely to narrow around the year 2040 when the dependency ratio starts to rise sharply because of an increase in the old-age population.

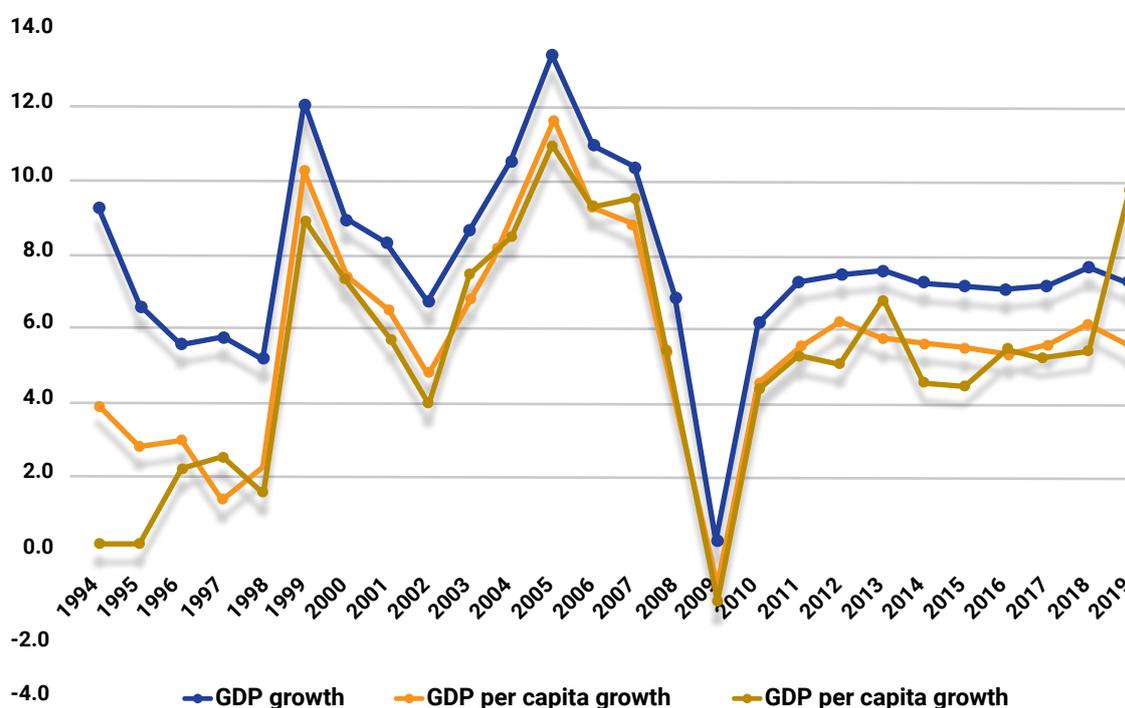
There are implications for two sets of policies. The first set of policies is to optimize the benefits of the demographic bonus before the window of opportunity passes. It is essential to put in place the right enabling conditions and policies where the young population is nurtured, educated and empowered. The second set of policies is to support the old aged population with institutionalized care and social protection measures.

2.2 The Economy Prior to COVID-19: High but Fragile Growth

2.2.1 Growth Performance

Cambodia achieved impressive economic progress in the last decade. The Cambodian economy expanded with an annual growth rate of 7 percent between 2010 and 2019.⁵ GDP per capita grew at an annual rate of 5.4 percent given the steady growth of the population. As a result, GDP per capita doubled from US\$830 in 2010 to US\$1,683 in 2019.⁶ Similarly, gross national income (GNI) per capita grew at a rate of 5.5 percent from 2010-2019, doubling to US\$1,480 in 2019. Thanks to robust economic performance, Cambodia reached lower middle-income country status in 2015 (World Bank, 2017).⁷

Figure 2. GDP and GNI growth performance



Source: World Development Indicators

The high economic growth in the last decade has been underpinned by political stability, macroeconomic stability, and the country's economic openness. The country has maintained a relatively stable environment for business and economic activity, although strengthening the rule of law, greater transparency and increasing political plurality could improve the economic environment. The inflation rate was maintained at a low rate of 3.1 percent on average within the last decade thanks to the high dollarization of the economy and stable prices of consumption goods and services.⁸ Likewise, benefiting from the dollarization, the nominal exchange rate from 2010-2019 was also stable, moving between KHR4,000 and KHR4,200, or at a maximum variation rate of 2.3 percent.⁹

⁵World Development Indicators, 2020.

⁶ibid.

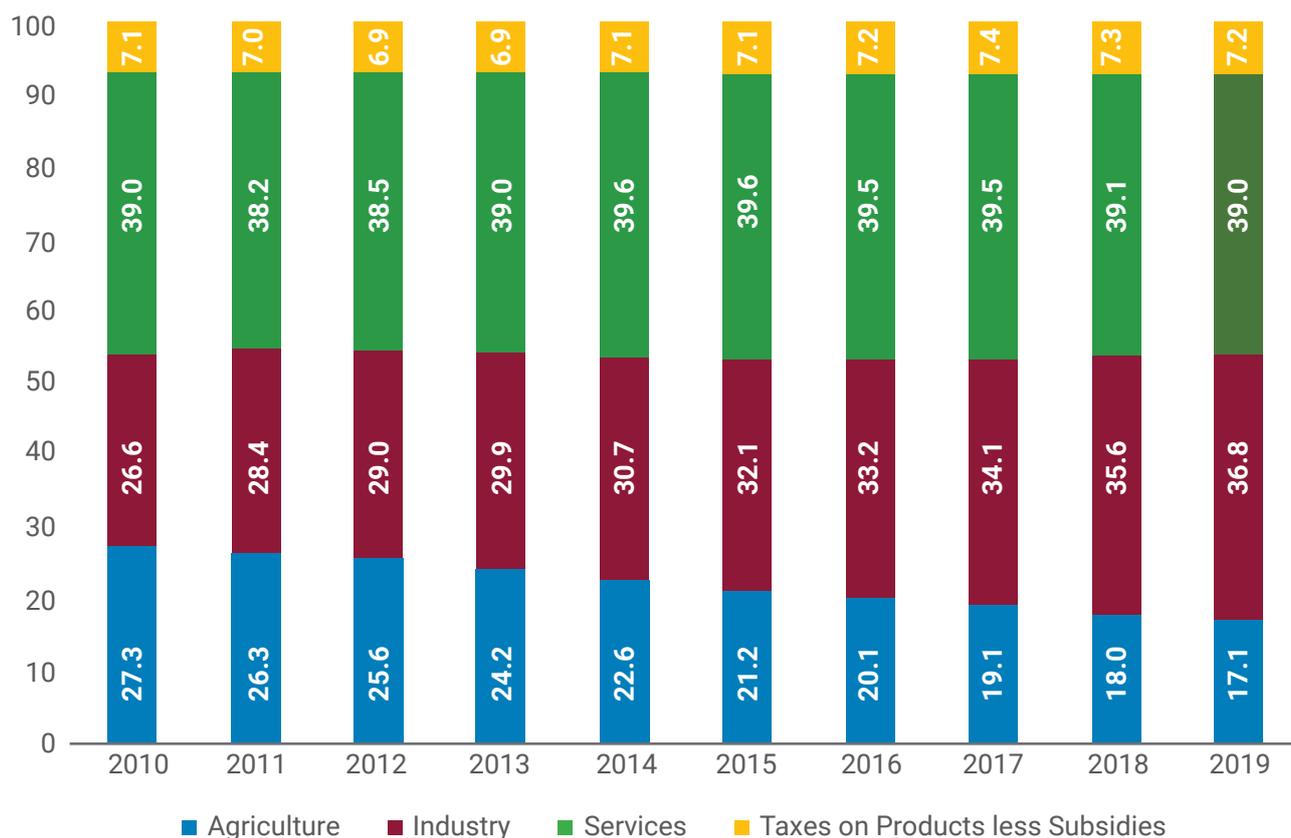
⁷World Bank (2017) 'Cambodia: Sustaining Strong Growth for the Benefit of All. Systematic country diagnostic'. Phnom Penh: World Bank, 2017.

⁸Ministry of Economy and Finance (2020) 'Macroeconomic Framework', May 2020.

⁹Ministry of Economy and Finance (2020) 'Macroeconomic Framework', May 2020.

The rapidly expanding growth has a substantial bearing on the structure of the economy. The country moved away from an agrarian economy to an industrial economy. The industrial sector markedly expanded from 26.6 percent in 2010 to 36.8 percent in 2019 at the expense of the agricultural sector.¹⁰ The industrial sector's expansion was propelled by rapid growth of the garment, manufacturing and construction sub-sectors. The agricultural sector's share in the economy subsequently shrank from 27.3 percent in 2010 to approximately 17 percent in 2019. In this regard, the country has increasingly relied on the industrial sector, dominated by the garment and construction sub-sectors, to drive economic growth.

Figure 3. The composition of the Cambodian economy by sector



Source: Ministry of Economy and Finance.

2.2.2 Narrowly Based but Open Economy

The last decade's high economic growth has been boosted by constantly rising external demands and capital inflows that concentrate on a few economic sectors. The economy has been fuelled by the country's garment exports and tourism receipts and the rapidly expanding construction and real estate activity financed by foreign capital inflows.

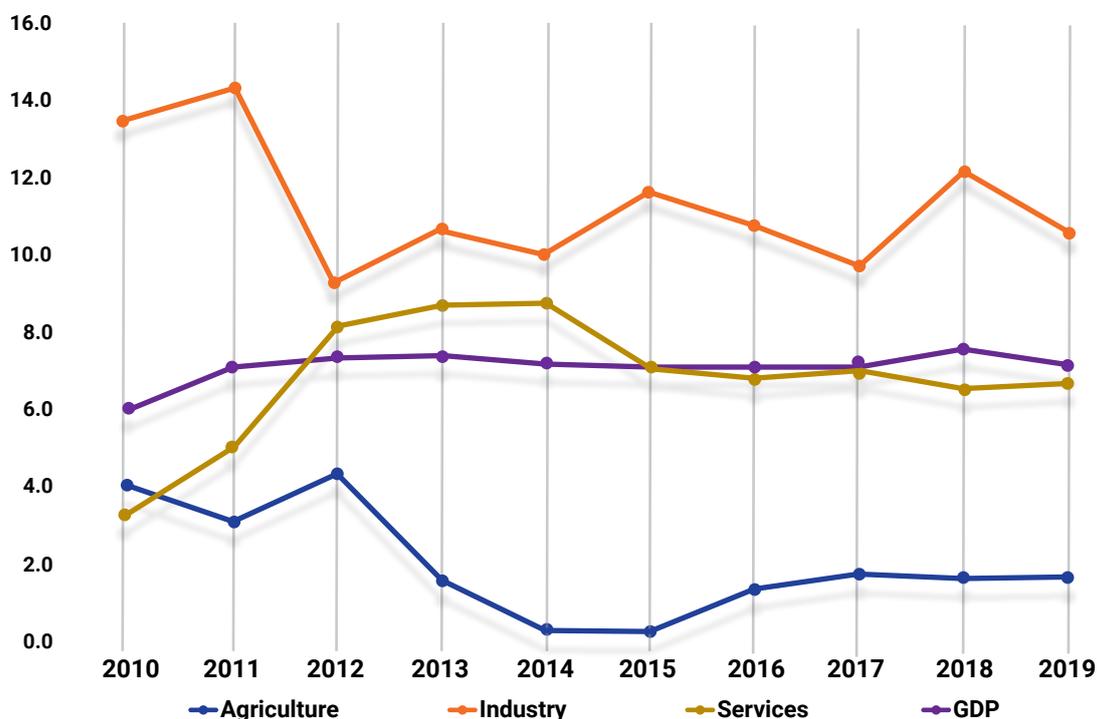
¹⁰Ibid.

Garment manufacturing accounted for 18.2 percent of GDP in 2019, expanding steadily from 15.4 percent of GDP in 2010.¹¹ The garment sector was the largest formal sector over that period, creating substantial employment for approximately 750,000 workers. This sector was the biggest source of foreign exchange earnings for the country. Garment exports constituted about 70 percent of total merchandise exports, which were highly dependent on two major markets: the United States and the European Union (EU). The garment industry has a dominant presence as the country's leading exporting industry, yet it has untapped export potential, especially high-end products, of more than US\$5.1 billion.¹²

The tourism sector, which is a semi-formal sector, comprises roughly 12.1 percent of GDP and generates direct employment for about 630,000 people.¹³ International tourism receipts grew constantly to US\$4.9 billion in 2019, or 18.1 percent of GDP, thanks to a total of 6.6 million international tourist visits. The largest sources of international visitors are China, Vietnam, Thailand and other neighbouring countries.

The agriculture sector, which is a major source of livelihoods for more than 70 percent of the population,¹⁴ performed poorly over the last decade. The sector grew at an average rate of 2 percent annually from 2010 to 2019.¹⁵ Since 2013, however, the sector's growth rate has declined to less than 2 percent annually. As a result, the sector contributed only 0.5 percentage points to a high annual GDP growth rate of 7.1 percent between 2010 and 2019. Noticeably, given its stagnated performance, the agriculture sector contributed minimally to annual GDP growth in the last five years, at only 0.2 percentage points. The stumbling prices of agricultural commodities, together with low productivity, have hurt the sector's growth performance.

Figure 4. Growth performance of economic sectors in Cambodia 2010-2019



Source: Ministry of Economy and Finance.

¹¹Ibid.

¹²<https://exportpotential.intracen.org/en/products/tree-map?fromMarker=i&exporter=116&toMarker=w&market=w&whatMarker=k>

¹³Ministry of Tourism (2020) Tourism Prediction, June 2020. Phnom Penh: World Bank, 2017.

¹⁴World Development Indicators, 2020.

¹⁵Ministry of Economy and Finance (2020) 'Macroeconomic Framework', May 2020.

The construction sector became the largest driver of GDP growth in the five years to 2019. Of the annual GDP growth rate of 7.1 percent from 2015 to 2019, the construction sector constituted the highest share, at 1.7 percentage points. This surpassed the garment manufacturing sector (1.4 percentage points) and the tourism sector (0.8 percentage points).¹⁶ Construction and real estate are strongly reliant on capital inflows, which are subject to high volatility. As such, while the economy is increasingly dependent on construction and real estate activity for growth, it becomes more vulnerable to changes in external economic conditions.

The growth decomposition reveals several features of the Cambodian economy. First, GDP growth in recent years was quite imbalanced across economic sectors. While the industrial sector, including construction, garments and other light manufacturing, made steady growth, the agriculture sector that provides livelihoods for millions of people in rural areas experienced poor performance. This has significant implications for women's livelihoods, as women account for the largest share of employment in the sector.

Second, Cambodia's relatively strong industrial sector was solidified by labour-intensive garment manufacturing in which women account for nearly 80 percent of workers. However, the garment sector is under tremendous pressure and uncertainty due to rising labour costs and the partial loss of preferential access to EU markets under the Everything but Arms initiative in August 2020. It is also vulnerable to industrial disputes, automation, competition with other countries with lower labour costs, and onshoring. As such, the sector has limited potential for large-scale expansion. The continuing consolidation and reliance on this sector, without diversifying to higher value-added products and markets could constrict opportunities to improve skills development, increase income and expand productive capacity. The agricultural sector, which is very labour intensive, has lost its labour force to the garment, light manufacturing and other service sectors due to low yields and prices of agricultural commodities and rising wages in the latter sectors. This has led to migration from rural to urban areas and rapid urbanization.

Third, the economic base remains narrow and dependent on a few low value-added sectors and export markets (the US and EU), making the economy highly vulnerable to external shocks. Given the nature of economic growth in the past years, the distribution of growth benefits is quite uneven. It seemed to benefit people living in urban areas more than those in rural areas, especially the lower-income quintiles including the poor and near-poor. This is exacerbated by the low growth or stagnation of the agricultural sector.

2.2.3 Foreign Direct Investment (FDI) Inflows

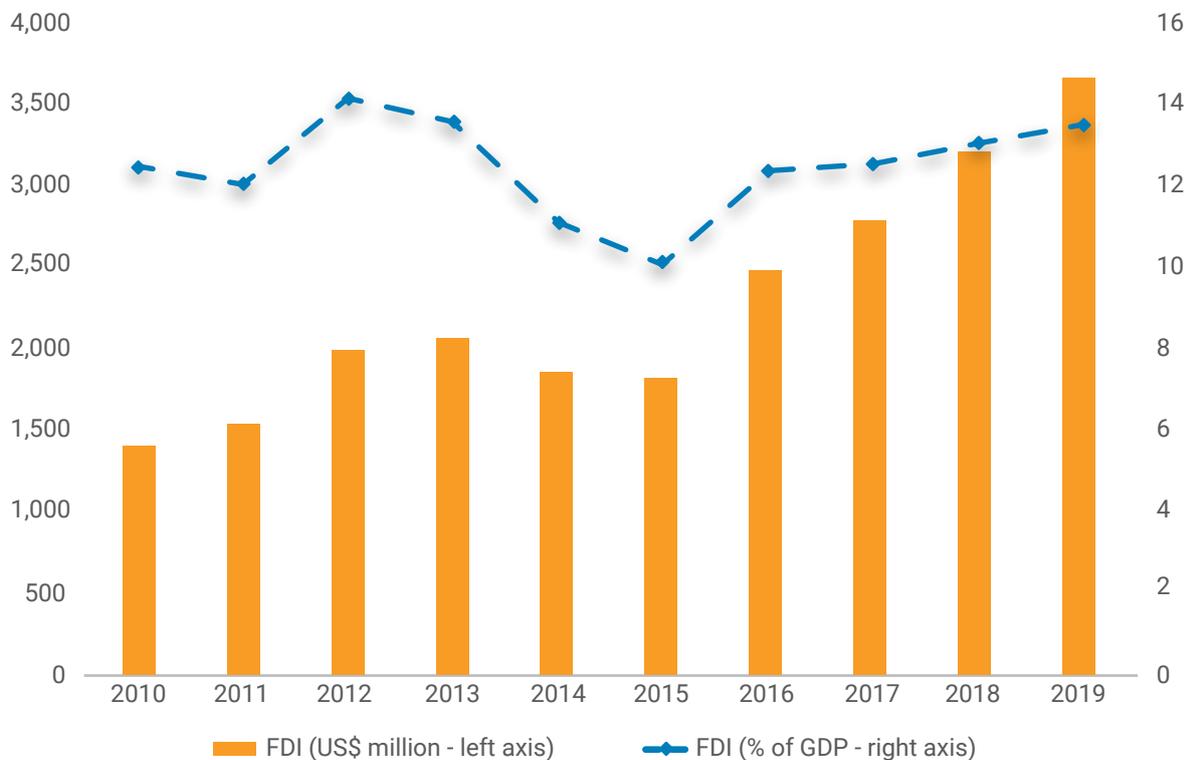
Cambodia was the top FDI recipient among least-developed countries in 2019. FDI inflows in the last decade have increased significantly despite a small drop in 2014 and 2015 due to political uncertainty after the general election in 2013.¹⁷ As shown in Figure 5, total FDI inflows nearly tripled from US\$1,404 million in 2010 to approximately US\$3,663 million in 2019, or 13.5 percent of GDP. FDI inflows increased substantially in the last several years. The rising inflows were fuelled mainly by regional investors such as China, Hong Kong (China), Japan, Taiwan (China) and South Korea. In 2019, China accounted for nearly 43.9 percent of the total FDI, followed by British Virgin Islands (UK) (23.6 percent), Hong Kong (20.4 percent) and Japan (8.5 percent)

¹⁶Ministry of Economy and Finance (2020) 'Macroeconomic Framework', May 2020.

¹⁷NBC (2020) Balance of payments database.

FDI inflows remain concentrated on a few economic sectors, including garments, tourism, construction and real estate. In 2019, the construction and real estate sector obtained the largest share of 51 percent of total FDI inflows, followed by tourism (24 percent), garments (16 percent) and other manufacturing sectors (6 percent). The agricultural and food processing sector, which plays an essential role in economic self-sufficiency, received only 1 percent of total FDI inflows in 2019.

Figure 5. Trends of FDI inflows into Cambodia 2010-2019



Source: National Bank of Cambodia, 2020.

The construction and real estate sectors were driven largely by a surge in capital inflows, especially from China and other neighbouring countries. Low wages and least-developed country related preferential access to OECD markets such as the EU and US are the major features of FDI attraction in the garment and textile sector. Special economic zones have played a crucial role in attracting FDI due to streamlined and reduced procedures for export-oriented manufacturing sectors. However, FDI links with domestic small and medium-sized enterprises (SMEs) are very limited, constraining local development of SMEs.



2.3 The Economy in 2020: The Devastating Impact of COVID-19

2.3.1 Growth and Sectoral Economic Impacts

Like many other countries around the world, Cambodia has not been spared from the COVID-19 pandemic that continues to inflict devastating economic and social impacts. Cambodia has implemented strict containment measures since the first wave of COVID-19 cases in mid-March 2020, including the closure of educational institutions and entertainment establishments. However, because there was no major local outbreak, the impacts of COVID-19 largely worked through the demand side of the economy.¹⁸ The decreased demand for garment exports and international tourist visits took a serious toll on the economy, and garments and tourism are the two main economic sectors hit hardest by the pandemic. As the tourism sector is strongly affected by the pandemic, the cultural and creative sector also experienced significant impacts, leaving many people out of work or at risk of slipping into poverty. The construction sector was affected mainly due to decelerating capital inflows.

The negative impacts spilled over to other sectors of the economy, including transportation and retail and wholesale trade. The spill-over effects that resulted from weakening domestic aggregate demand have been sizable. Prolonged economic distress has become an especially onerous burden for micro, small and medium-sized enterprises (MSMEs), one third of which reported being strongly affected by the crisis.¹⁹ These companies employ about 70 percent of the country's work force²⁰ and are faced with decreasing incomes and increasing operational costs as a result of COVID-19.

¹⁸ Poch, K. and Marshall, R. (2020) 'Potential Impacts of the COVID-19 Outbreak on the Cambodian Economy', Policy Note, 16 March 2020.

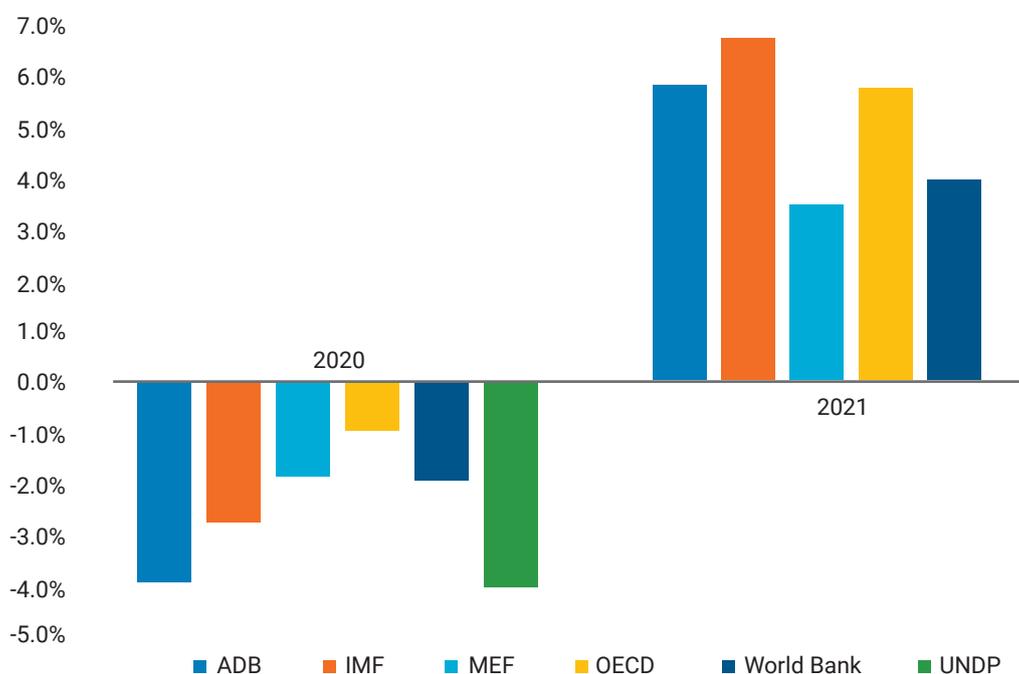
¹⁹ International Trade Centre (2021, forthcoming) 'Promoting SME Competitiveness in Cambodia: Enhanced resilience through inclusiveness'.

²⁰ Phurik-Callebaut, R. (2020) 'SME Internationalization in Cambodia: Study on Barriers and Mapping of Supporting Service Providers'. Phnom Penh: GIZ Arise Plus Cambodia and ASEAN SME Projects.

The Cambodian economy has been badly hit, as the COVID-19 shock has caused a serious blow to the major drivers of growth, including garments, tourism and construction. These three sectors combined account for around half of the country's GDP, but nearly all GDP growth. Major economic poles such as Phnom Penh, Siem Reap and Preah Sihanouk that are the centre of the three economic sectors are disproportionately hit compared to other provinces that are dominated by the less affected agricultural sector.

The economy contracted in 2020, even though there was a variation in growth forecasts. According to United Nations Development Programme (UNDP) modelling exercises, the economy could drop by 11 percentage points, from a rate of 7.1 percent in 2019 to minus 4.1 percent in 2020 in the absence of interventions.²¹ However, the same exercises showed that the economic stimulus package, with a strong focus on social protection measures, could limit the impact on GDP growth to minus 3.3 percent.

Figure 6. Projections of GDP growth for Cambodia in 2020 and 2021



Source: Compiled by authors

The garment sector, which is the largest formal economic sector and a major driver of growth, experienced a significant contraction in 2020. Due to decreasing demands in major markets, such as the US and EU, which were grappling with the COVID-19 pandemic, Cambodia's garment exports dropped by 9.9 percent, from US\$10.8 billion in 2019 to US\$9.8 billion in 2020.

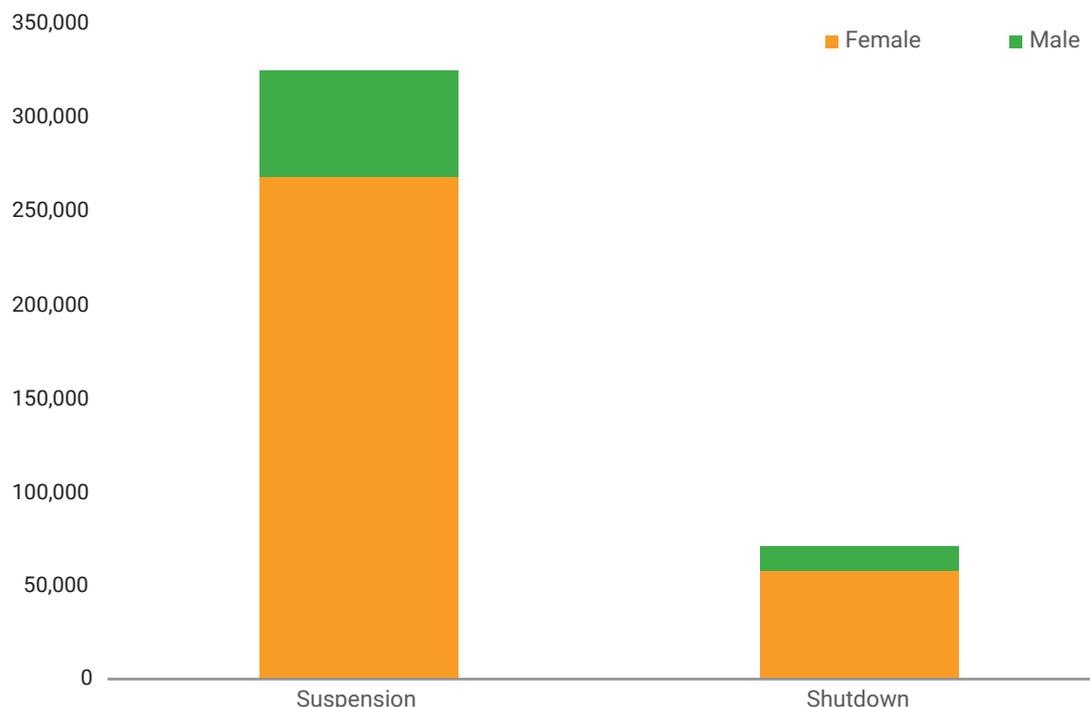
In 2020, nearly half of all garment factories (506 of the total 1,087) suspended their operations partially or fully, affecting an accumulated total of 323,674 workers, representing 34 percent of total employment in the sector.²² The loss of employment has fallen heavily on women because of their dominance in this sector of the workforce. Of the 323,674 workers affected, there were 267,330 women, or 82.6 percent.

²¹ UNDP (2020) 'COVID-19 Economic and Social Impact Assessment in Cambodia', CGE and GTAP simulation exercises, October 2020.

²² Based on data from the International Labour Organization Better Factories Cambodia.

Noticeably, 129 factories completely shut down and 71,202 workers, of which 57,794 were women, were laid off.²³ The garment industry's job losses not only affected the livelihoods of the workers themselves but also their secondary beneficiaries, which stand at nearly 3 million people. The laid-off workers have put additional pressures on their households, mainly in rural areas, which have also experienced reduced incomes due to falling economic activity. It is of note that women and girls are worse affected because of their predominance in the sector and their roles in households in terms of domestic chores and care.

Figure 7. Number of workers in the garment industry affected by COVID-19 in 2020



Source: Ministry of Labour and Vocational Training

The tourism sector, another key driver of growth, experienced a drastic drop of 80.2 percent of international tourists, from 6.6 million in 2019 to 1.3 million in 2020. This had devastating effects on tourism-related businesses, including travel agencies, tour guides, hotels and restaurants, resulting in a substantial loss of business earnings and employment. It also caused knock-on effects to other related sectors such as transportation and agricultural produce and food.²⁴ The sector recorded a suspension of 3,135 enterprises, causing a loss of 110,000 jobs of the total 630,000.²⁵ Siem Reap province, home to the magnificent world heritage Angkor Wat temple, and relying predominantly on international tourist visits, was hit hardest. A significant number of workers in the entertainment sector (KTV parlours, night clubs, massage parlours) also lost their jobs. Tourism receipts are estimated to lose around US\$4 billion, which is approximately 15 percent of GDP. As such, the sector accounted for the largest fraction of the GDP contraction in 2020.

²³ Mom, K. (2021) '112 Garment Factories Open in 2020', The Phnom Penh Post, 11 January 2021, accessed at: <https://www.phnompenhpost.com/national/112-garment-factories-open-2020>

²⁴ Food and Agriculture Organization (2020) 'Rapid Assessment of COVID-19 Outbreak on Agriculture and Food Security in Cambodia: Policy Responses'.

²⁵ United Nations (2020) 'Assessment of the Economic and Social Impacts of the COVID-19 Pandemic in Cambodia'.

Construction activity slowed significantly during 2020. The importation of construction materials, including steel, cement and construction equipment, declined by 18.2 percent, from US\$1.7 billion in 2019 to US\$1.4 billion in 2020. The weakening construction sector had a direct impact on workers' jobs and earnings, as well as spill-over effects for people who work in the informal sector, such as food vendors and transporters. Importantly, the sector was financed mainly by foreign capital inflows from China and other neighbouring countries, which were also hit severely by the pandemic.

The FDI inflows decreased substantially, by 20.1 percent, from US\$3.7 billion in 2019 to US\$2.9 billion in 2020. The FDI contraction was driven by a large reduction in investment in the tourism, agriculture and manufacturing sectors. FDI in the tourism sector dropped by 36.9 percent, from US\$470 million in 2019 to US\$297 million in 2020. The agriculture sector saw a reduction of FDI inflows by 34 percent, from US\$213 million in 2019 to US\$140 million in 2020.²⁶ The manufacturing sector, dominated by the garment, footwear and travel goods sub-sectors, also experienced a large drop in FDI inflows of 24.9 percent to US\$475 million in 2020. Given the high uncertainty of global and regional economic conditions, the ongoing global pandemic and the country's fight against the pandemic domestically, the FDI inflows into the country are unlikely to make a swift recovery. This is likely to have considerable repercussions on economic growth which has been driven by capital inflows, not only in the immediate term but also the medium term.

2.3.2 Rising Unemployment Rate

The COVID-19 crisis has resulted in substantial job losses in various economic sectors, particularly the garment and tourism sectors, which are the major drivers of growth. The garment industry has seen a loss of 150,000 jobs. The tourism sector has also lost more than 110,000 jobs, especially workers in hotels, restaurants and entertainment establishments.

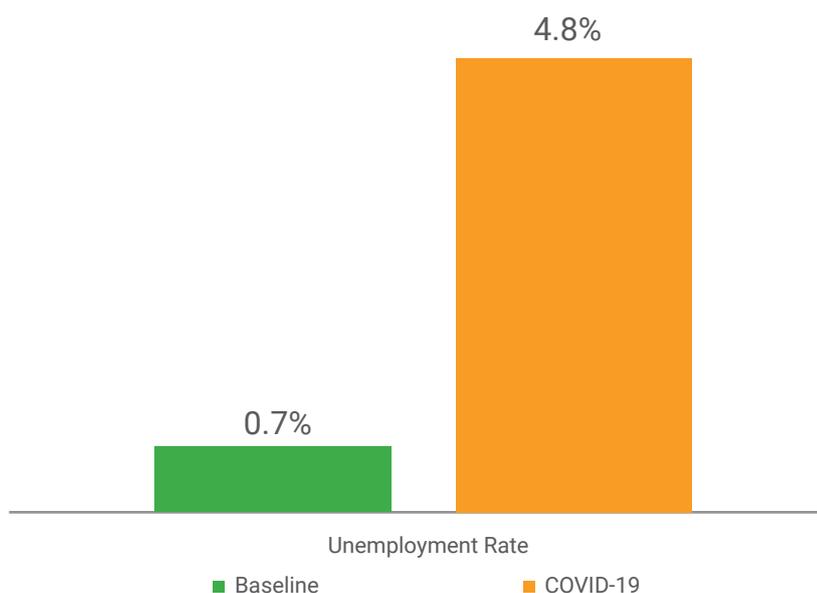
Based on the computable general equilibrium (CGE) modelling, as the economy was projected to contract significantly to minus 4.1 percent the unemployment rate could rise sharply from a very low base of 0.7 percent to 4.8 percent in the absence of interventions.²⁷ Still, given a stimulus package with a strong focus on social protection measures, the unemployment rate could be lessened to 4.4 percent. The reduction of FDI inflows and domestic investment, together with the decline in garment exports and tourist arrivals have resulted not only in workers being laid off in these key economic sectors, but also in knock-on effects on other sectors, such as transportation, trade and MSMEs. While 86 percent of Cambodian MSMEs felt they would not need to shut down their business, the most commonly reported COVID-19 adaptation strategies were permanent or temporary reductions in employment.²⁸

²⁶ Data obtained from MEF in March 2021.

²⁷ UNDP (2020) 'COVID-19 Economic and Social Impact Assessment in Cambodia', CGE and GTAP simulation exercises, October 2020.

²⁸ International Trade Centre (2021, forthcoming) 'Promoting SME Competitiveness in Cambodia: Enhanced resilience through inclusiveness'.

Figure 8. Unemployment effects based on the UNDP CGE simulation



Source: UNDP 2020.

Note: Unemployment rate is estimated by UNDP's CGE simulation without stimulus (based on CSES 2014).

2.3.3 Subdued Inflation

The inflation rate, as measured by the consumer price index in the first nine months of 2020 was quite low and stable. The average inflation rate from January-September 2020 was 2.8 percent, with a variance of less than 0.3 percent.²⁹ In September 2020, the inflation rate was recorded at 2.9 percent year-on-year, but it was registered at 2.0 percent compared to the end of 2019. Among the consumer price index 12 sub-indices, food and non-alcoholic beverages edged up most, recording 4.6 percent year-on-year in September 2020. Upward pressure on the prices of food and non-alcoholic beverages was mainly observed from March to June 2020 because of a short supply disruption. This happened because of COVID-19 containment measures, including restrictive border measures, which were undertaken to curb confirmed COVID-19 cases that began to increase in March 2020. This finding is supported by a separate market monitoring study covering 45 urban and rural markets across the country. It shows that the spike in food prices began from late March and stabilized after May 2020.³⁰

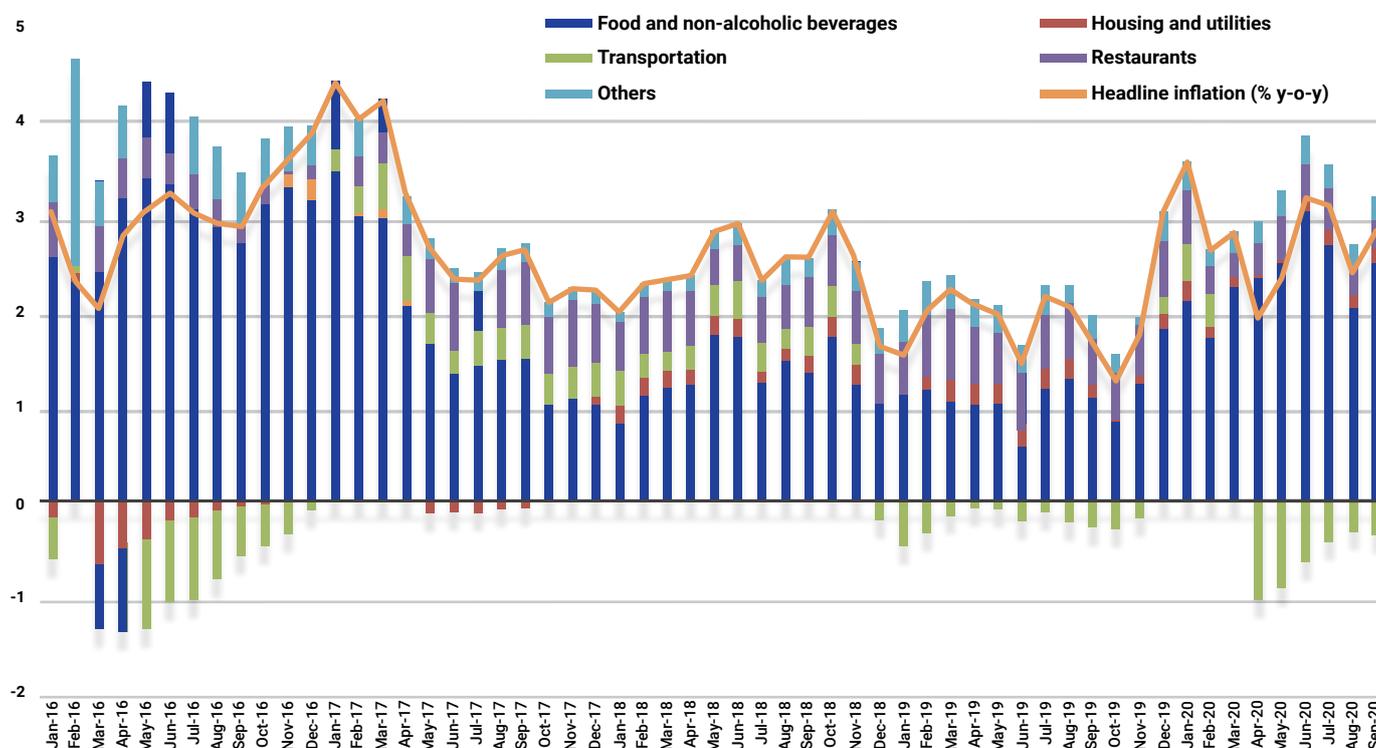
In contrast, transportation and communication sub-indices dropped significantly in September 2020, by 4.5 percent and 1.1 percent year-on-year, respectively. Due to COVID-19 disruption, the demand for transportation and fuel dropped, thus placing a downward pressure on prices. The drop in transportation and communication sub-indices helped offset to some extent the increase in food prices. Consequently, inflation was maintained at a low rate throughout the year.

²⁹ Ministry of Economy and Finance (2020) 'Macroeconomic Framework', May 2020.

³⁰ World Food Programme (2020) 'Cambodia: Food Price Update May 2020'.

As a highly dollarized economy, inflation in Cambodia is influenced by the inflation conditions of its trading partners. Cambodia's subdued inflation rate throughout the year was attributable to low inflation in the country's major trading partners, including China, Thailand and Vietnam. The inflation rates in 2020 averaged 2.6 percent, 2.9 percent, and minus 1.0 percent (Jan-Aug) in China, Vietnam and Thailand, respectively. In 2020, the stability of the nominal exchange rates of the Khmer Riel against the US Dollar also contributed to the low inflation rate.

Figure 9. Inflation rates from 2016 - 2020



Source: National Institute of Statistics and MEF

2.4 Poverty Reduction: A Reversal by COVID-19

Sustained high economic growth over the past decades has resulted in higher household incomes, leading to substantial progress in poverty reduction and improvements in household consumption. Consumption disparity between different strata of households was maintained at a low level. Consumption inequality as measured by the Gini Coefficient is quite low, at around 0.3 (Figure 10) on a range from zero (perfect equality) to one (perfect inequality).³¹

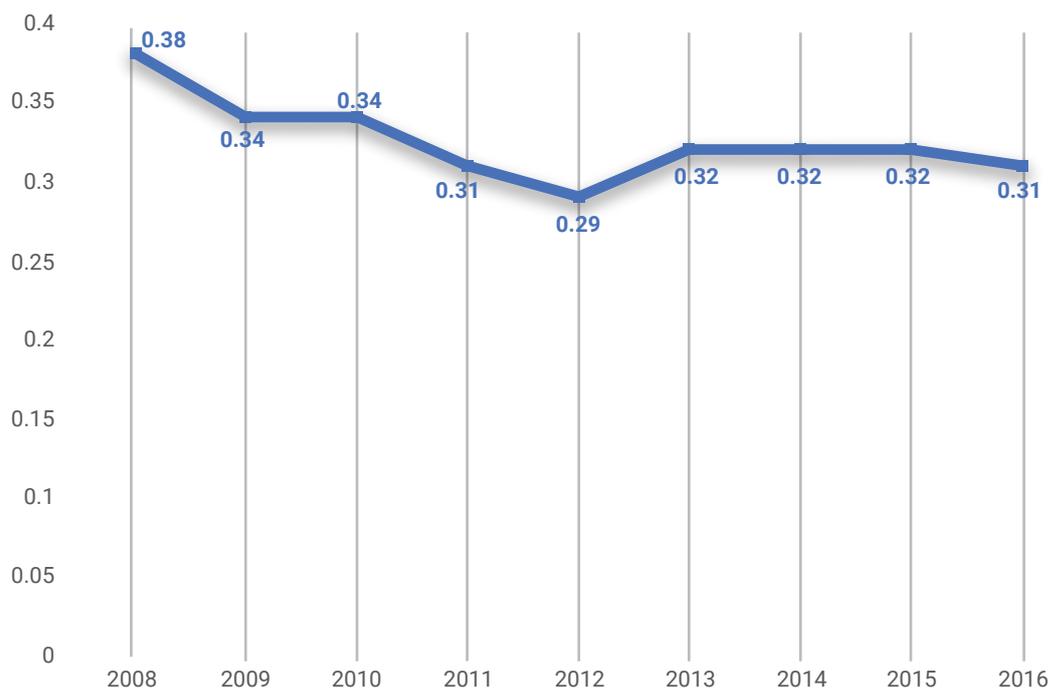
The income poverty headcount declined from more than 60 percent in 2004 to less than 10 percent in 2019 before the country was struck by the global pandemic (Figure 11).³² According to the World Bank (2017), the gain in poverty reduction prior to 2007 was mainly supported by the expansion of low-skilled employment in non-farm sectors, particularly the rapidly growing textile and garment sector.³³ Between 2007 and 2012, poverty further reduced thanks to the rising prices of agricultural commodities such as rice. Since 2012, poverty decreased steadily due to the sustained growth of the garment and other manufacturing sectors (see Figure 4 above). Increasing remittance inflows from Cambodian migrants working overseas (e.g., Thailand, South Korea and Malaysia) are also believed to have supported the reduction in poverty.

³¹ Data from the National Institute of Statistics, 2020.

³² Ibid.

³³ World Bank (2017) 'Cambodia: Sustaining Strong Growth for the Benefit of All', A Systematic Country Diagnostic. Phnom Penh: World Bank.

Figure 10. Trends of consumption inequality in Cambodia, measured by the Gini coefficient



Source: National Institute of Statistics

COVID-19 caused a serious blow to poverty reduction. According to UNDP's projections, the poverty rate is estimated to nearly double, from less than 10 percent before the COVID-19 outbreak to 17.8 percent in the absence of intervention.³⁴ However, with a substantial stimulus package focusing on social protection, the poverty rate could still increase to 14.2 percent. The combined effects of job losses and contracting economic activity have driven a disproportionate increase in the poverty rate. Cambodia's income distribution is very sensitive, with a large proportion of the population clustering around the poverty line. With limited social safety nets, a small shock to their income can easily push them back into poverty.

Rising poverty is captured by the registration of newly poor households via the government's on-demand IDPoor system, which was rolled out nationwide from May 2020 onwards. According to the Ministry of Social Affairs, Veterans and Youth Rehabilitation, there were 496,771 households registered in the IDPoor system before the COVID-19 pandemic. From May 2020 to March 2021, the system registered 195,321 new poor households, which was a significant increase.

The loss of income is already evident across different strata of households, especially the poor and near-poor. Job losses in the three economic sectors that are the main engines of growth have led to a substantial loss of income and reduced wellbeing. The likelihood is even higher for the informal sector (estimated at 1.5 million) and the self-employed, who together formed over 90 percent of the country's workforce in 2018. The impact is exacerbated by a mass return of migrant workers from Thailand and neighbouring countries due to the pandemic. By the end of 2020, over 120,000 migrant workers had returned from abroad. A recent assessment confirmed that migrant-sending communities rely heavily on remittances from abroad.³⁵

³⁴ UNDP (2020) 'COVID-19 Economic and Social Impact Assessment in Cambodia', CGE and GTAP simulation exercises, October 2020.

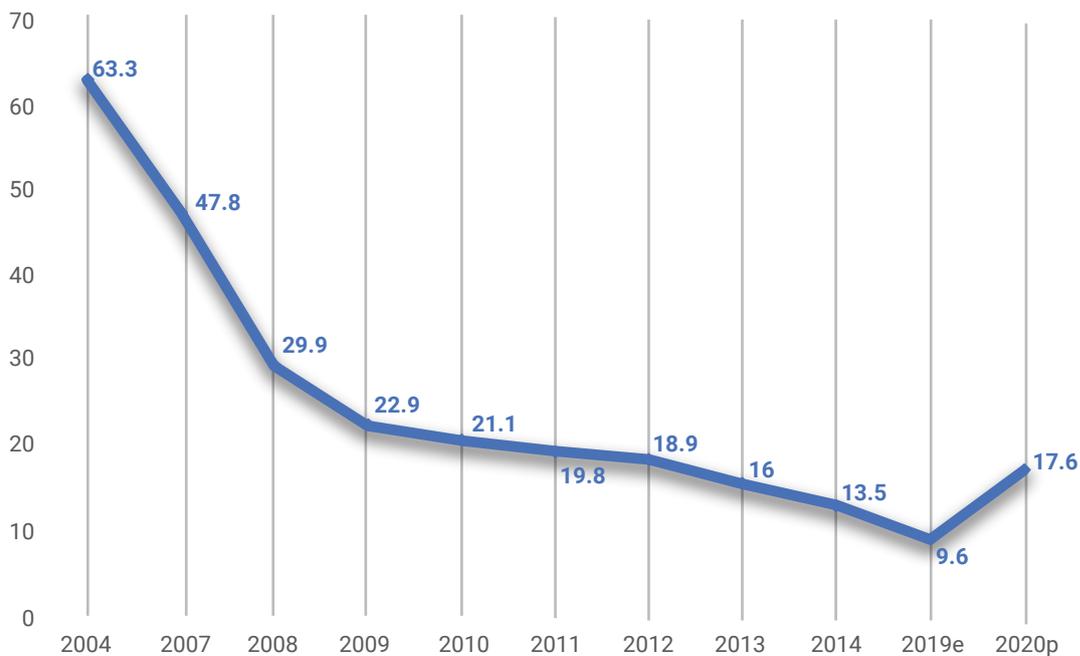
³⁵ International Organization for Migration (2020) 'Cambodia Returning Migrants Survey', July 2020, available at: <https://dtm.iom.int/reports/cambodia-returning-migrants-survey-2020>.

A recent assessment confirmed that migrant-sending communities rely heavily on remittances from abroad. The survey reported that over 74 percent of the migrant workers who returned from Thailand due to COVID-19 regularly sent their money home; 57 percent of them sent between US\$101 and US\$300 per month.³⁶

The spiral into poverty can generate dramatic and long-term consequences, such as reversing health and educational outcomes, increasing malnutrition, worsening debt and risky credit, among other issues, which pose significant longer-term risks to human capital, growth and development.³⁷

The unprecedented pandemic crisis exposed the fragility of Cambodia's progress in poverty reduction, which relies on an export-led growth model. Workers in the main growth driver sectors and particularly those in informal employment primarily bear the cost of economic contraction. Labour informality and uneven access to social protection constitute a significant source of vulnerability for most Cambodians. The lack of access to health care and at least a basic level of income security keeps many of them in a vicious cycle of vulnerability, poverty and social exclusion.³⁸

Figure 11. The gain in poverty reduction is reversed in 2020



Source: National Institute of Statistics

Note: The poverty rate in 2019 and 2020 was estimated by UNDP's CGE simulation without stimulus.

³⁶ Ibid.

³⁷ UNDP (2020) 'The Social and Economic Impact of COVID-19 in the Asia-Pacific Region', UNDP Regional Bureau for Asia and the Pacific.

³⁸ International Labour Organization (2021) 'Extending Social Security to Workers in the Informal Economy: Information and awareness', Social Protection Spotlight, March 2021, available at: https://www.ilo.org/wcmsp5/groups/public/---ed_protect/---soc_sec/documents/publication/wcms_749491.pdf



2.5 Vulnerable Groups to the COVID-19 Pandemic

While the COVID-19 crisis has affected the whole population, analytical evidence shows that some groups have been affected far more than others. The loss of income was evident across different strata of households, especially the poor and near-poor. **Box 1** discusses the groups most vulnerable to the social and economic impacts of the pandemic.

Box 1. Who Is Most Vulnerable to Fallout from COVID-19?³⁹

“Let’s not forget this is essentially a human crisis. Most fundamentally, we need to focus on people – the most vulnerable.” –**UN Secretary-General’s Call for Solidarity**



Children: Cambodia has one of the youngest populations in South-East Asia. The socioeconomic consequences of the COVID-19 pandemic are already having disproportionate effects on children, especially from poor and vulnerable households. School closures in 2020, which were in place for around six months, disrupted learning for approximately 3.2 million students. While continuous distance learning programmes using a variety of platforms (online, TV and radio) are being implemented, the most vulnerable children are not able to access them, leading to growing disparities in learning outcomes. Boys and girls also face increased risk of dropping out of school, and are more vulnerable to child marriage, trafficking, and domestic violence and abuse. The significant loss of income, especially for poor households, means families are reverting to negative coping strategies, further compromising children’s access to health, nutrition, education and clean water. With 32 percent of children under 5 years of age stunted and 9.6 percent wasted,⁴⁰ the crisis will amplify the socioeconomic burden from malnutrition.

³⁹ United Nations (2020) ‘Assessment of the Economic and Social Impacts of COVID-19 Pandemic in Cambodia’, United Nations Cambodia.

⁴⁰ National Institute of Statistics, Directorate General for Health (DGH) and ICF International (2015) ‘Cambodia Demographic and Health Survey 2014’, September 2015.

Factory workers face a higher risk of virus transmission due to the difficulty in practising social distancing. They are vulnerable to losing their jobs and wages, and are unable to access factory-based education and literacy development due to shutdowns. Since the COVID-19 outbreak, the partial or full suspension of garment factories have affected an accumulated total of 323,674 workers, representing 34 percent of total employment in the sector. Some of the informal sector workers, an estimated 6.1 million in total, have lost or face the loss of jobs and cannot benefit from the government's cash support due to their unregistered status. With the loss of income, poor households face a high risk of falling deeper into poverty. The number of poor households is estimated at around 700,000, equivalent to approximately 2.8 million people.



Women and girls are overconcentrated in key economic sectors such as tourism and the garment industry, which are the most severely affected by the economic reversal. Women own 60 per cent of MSMEs, and many are not formally registered and cannot obtain government support. Despite border closures, people still illegally cross the border to work in Thailand. Women and children are at a higher risk of being trafficked while doing so. Greater burdens of care for women and girls have come from school closures and distance learning. Risks of gender-based violence in some cases are associated with job losses and confinement. Despite the absence of solid data in Cambodia on violence against women and girls during COVID-19, anecdotal evidence from service providers suggests an increase, particularly physical and sexual violence, including rape.

Access to health and rehabilitation services has declined due to mobility restrictions and the fear of COVID-19 transmission. This could have potentially negative impacts on those who need these services the most, including the elderly, children, pregnant women, people with disabilities and people living with HIV. The **elderly** (estimated at 1.2 million) and **people with pre-existing medical conditions**, including HIV (estimated at around 73,000), face higher risks of virus transmission and mortality. Access to and the status of sexual and reproductive and maternal health services for sexual and gender minorities is already below the national average, as reported before the pandemic. The present situation could potentially worsen vulnerability in this population.



People with disabilities, numbering around 310,000, may be more severely affected by the pandemic due to their health conditions. Their access to rehabilitation centres has decreased, and they are often excluded from communication and decision-making due to inaccessibility of information. They have less access to social insurance based on employment than others. The lack or reduction of income puts a disproportionate burden on people with disabilities, as their households typically face extra costs and expenditure related to disability. Women and girls with disabilities face higher rates of abuse.

People living in informal settlements or slum areas, who are homeless or who are deprived of liberty are at high risk due to crowded conditions, limited access to health care, lack of clean facilities, an inability to practise social distancing and self-isolation, and a lack of personal protective equipment, such as masks or hand sanitizer. The overcrowding situation in prisons presents significant risks of COVID-19 infection as prisons remain on average two to three times over capacity. Of 39,211 prisoners in detention, 9,444 are pre-trial detainees, which constitutes 24 percent of the total prison population.



Indigenous people and ethnic and religious minorities are at risk of discrimination and stigmatization and face more difficulties accessing essential services, such as health care and other preventive measures that would mitigate their vulnerabilities.

Over 120,000 **migrants** have returned from abroad, particularly Thailand, due to the pandemic. They face challenges in getting hired during the economic contraction, while adding burdens to families who may already be struggling.

2.6 Additional Development Financing Constraints

Since Cambodia achieved lower middle-income country status in 2015, its development financing needs have changed as much as the sources of finance have altered. Some external forms of development financing, such as official development assistance (ODA), have played a less important role in the country's development. Importantly, grant-funded ODA has fallen dramatically in the last decade. On the contrary, domestic resources (tax and non-tax revenues), remittances and FDI continue to increase to finance rising investment demands for development.

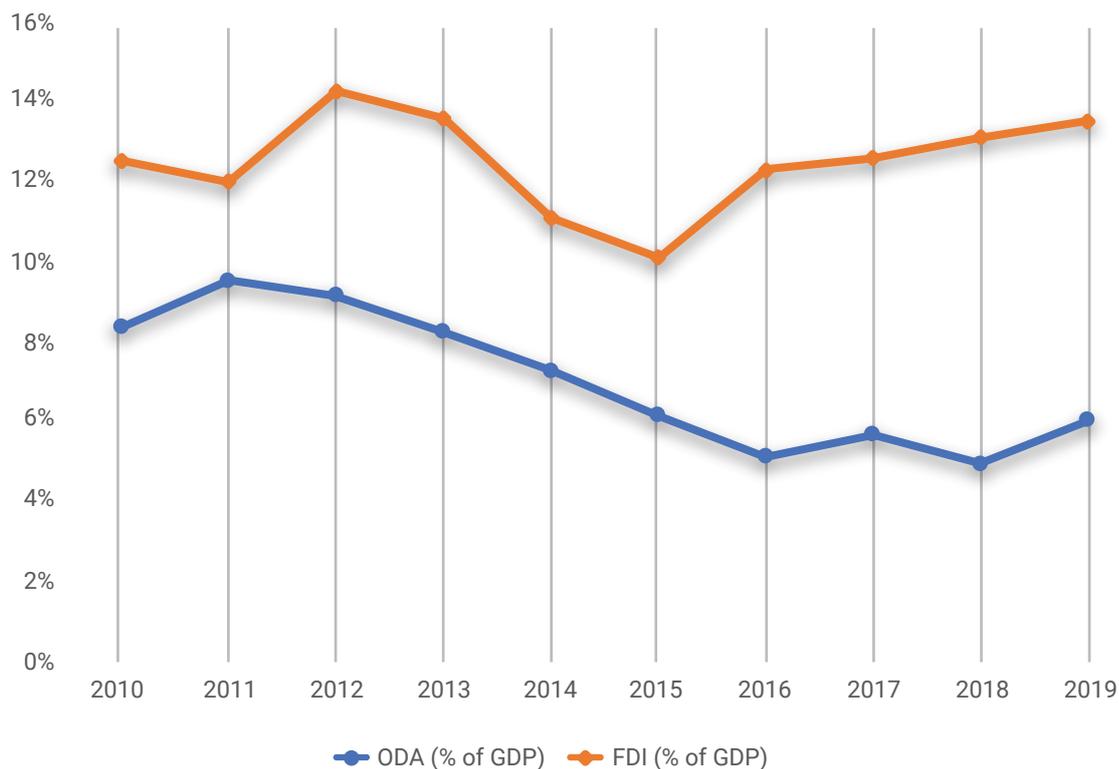
Public financing is expected to play an increasing role in filling the rapidly rising demand for development investments. Tax and non-tax revenues have increased steadily over the past years, thanks to enhanced tax collection and management driven by subsequently updated domestic resource mobilization strategies. Tax revenue currently accounts for 20 percent of GDP, and is likely to increase as the tax administration is further enhanced. Currently, Cambodia has not borrowed domestically. The public finance gap (e.g., capital investments) is financed by concessional loans from international financial institutions and bilateral partners (e.g., China, Japan, South Korea and other partner countries).

FDI has contributed substantially to the past decade of high economic growth and the creation of employment and income for the country's young population, especially low-skilled workers. However, the quality of FDI remains a critical challenge, which needs to be addressed to promote economic diversification and environmental sustainability, and to ensure that the benefits are proportionally shared across the population groups.

Although lower middle-income country status has been achieved, Cambodia will continue to be classified as a least-developed country tentatively for another decade. This means that even though ODA is likely to decrease, it will remain a crucial source for catalysing and complementing other financing sources for key development programmes. It is imperative for Cambodia to leverage concessional development finance to meet its current and emerging development needs. In this connection, the country's continued least-developed country-related privileges, such as trade financing and preferential access, need to be optimized to meet rising demand for development financing and to keep the country on a sustainable financing path.

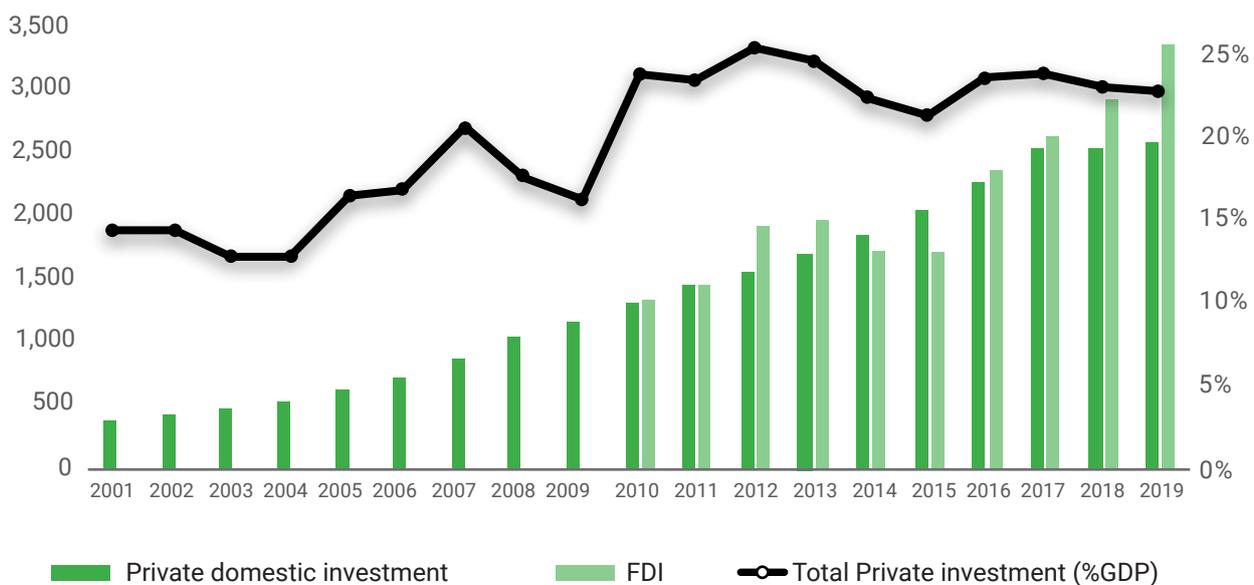
COVID-19 caused a serious toll on the inflows of development financing into the country. COVID-19 is expected to reduce FDI inflows at least in the immediate term. The government's revenue dropped significantly due to a decrease in customs revenue, the result of falling economic activity and imports. While tax revenue is estimated to hit the 2020 target, customs revenue may fall short of about 14 percent. The country may need to rely more on borrowing from bilateral partners or international financial institutions to meet the near-term development financing needs. Moving forward, Cambodia needs to rely more on domestic resource mobilization, FDI inflows, concessional loans and external capital markets. Issuance of sovereign bonds in national currency is one of the options to expand the government's policy instruments to create fiscal space.

Figure 12. Declining role of ODA in Cambodia's development finance



Source: Council for the Development of Cambodia and World Development Indicators

Figure 13. Private sector investment 2001-2019 (US\$ million)



Source: MEF's Macroeconomic Framework May 2020

3 SOCIAL AND HUMAN DEVELOPMENT



This section analyses the progress and risks of Cambodia's social and human development in the past decades, with a focus on recent developments in 2020. It aims to gain a better understanding of the underlying causes, challenges, vulnerabilities and opportunities for the country's social and human development.

3.1 Human Development at Risk of Reversal

3.1.1 Health

With a total of 366 cases and no fatalities by the end of 2020, Cambodia had performed relatively well in managing the COVID-19 pandemic, including containing incidents of community transmission (referred to as the 3 November and 28 November events) that were the first cases of local transmission in the country. However, Cambodia needs to remain vigilant in managing risk and vulnerability stemming from the pandemic and the strained healthcare system. Simultaneously, it needs to address enormous social and economic impacts associated with the economic shocks caused by the pandemic. The health system has experienced increasing demand for care services due to border restriction measures.

Cambodia has made significant progress in the last decade on various fronts in health care, including reductions in maternal and child mortality and HIV/AIDS transmission. The mortality rate for children under 5 years dropped from 54 deaths per 1,000 live births in 2010 to 35 in 2014; in the same period, infant mortality rates declined from 45 deaths per 1,000 live births to 28; and neonatal mortality rates dropped from 27 deaths per 1,000 live births to 18.⁴¹ However, more than half of child deaths for children aged under 5 years are attributable to neonatal conditions, including sepsis, prematurity, asphyxia and congenital anomalies.⁴² Child health inequities still exist, where under-5 and neo-natal mortality rates are higher in some provinces, especially those in the north eastern part of the country.

⁴¹National Institute of Statistics, DGH and ICF International (2015) 'Cambodia Demographic and Health Survey 2014', September 2015.

⁴²WHO (2017) available at: <https://www.who.int/data/gho/data/themes/topics/indicator-groups/indicator-group-details/GHO/causes-of-child-death>

Maternal mortality rates declined from 488 deaths per 100,000 live births in 2000 to 170 in 2014.⁴³ The rate was estimated to decrease further to 160 in 2017.⁴⁴ The reduction in maternal mortality could be associated with expanded coverage of key services, including antenatal care visits (e.g., more than four times during pregnancy), facility-based delivery, and delivery with a skilled birth attendant. Maternal mortality is still caused by post-partum haemorrhage and hypertension disorders.⁴⁵

HIV prevalence for the population aged 15-49 years dropped to only 0.5 percent in 2019.⁴⁶ Health care services have been expanded from big cities to rural areas throughout the country, and public healthcare expenditure has constantly increased to support the provision of essential health services to people at community level.

The Ministry of Health and the World Health Organization (WHO) surveillance data indicates that despite the country's measles elimination status in 2015, the measles and rubella virus was circulating, with periodic outbreaks occurring since 2018. The age distribution of all these cases revealed that cases were common in children under the age of 5, from both rural and urban areas. Administrative coverage data reveal that immunization coverage of the first and second dose of the measles-rubella vaccine are persistently low in some high-risk communities. Coverage of essential child services, including immunization, has increased in past years, where according to the Health Management Information System around 80 percent of children under 1 year were fully immunized. However, coverage remains low in high-risk and remote communities, and reductions in drop-out of measles-rubella and Penta 1-3 vaccinations have been limited. While in previous years the national budget for routine vaccines was increasing to around 10 percent more each year, the national budget for 2021 (following the onset of the pandemic) did not change from the budget in 2020.

While the country intends to have universal health coverage, it still has a long way to go. Access to affordable and quality health care remains far from being universally accessible for the people, especially for the near-poor and vulnerable groups living on the margin of poverty. Public health expenditure has fluctuated over the years. It dropped from 6.43 percent of the total national budget in 2020 to an estimated 4.8 percent in 2021 (excluding extraordinary allocations for fighting against COVID-19) as the total 2021 national budget was scaled down due to concerns over the expanding fiscal deficit. As such, public health expenditure remains relatively low by global standards as a share of GDP (6 percent of GDP in 2018) and total health expenditure. Patients' out-of-pocket expenditure remains exceedingly high, at nearly 60 percent of total health expenditure.⁴⁷

Health expenditure continues to be a burden for Cambodians, and it can push many households back into poverty. The loss of income and livelihoods due to COVID-19 has amplified the risk and vulnerability of the current healthcare system. A recent study found that over 52 percent of migrant workers who returned from abroad due to COVID-19 faced obstacles accessing healthcare services, with the cost of the services being the main reason.⁴⁸ Although the Health Equity Fund (HEF) allows poor households with Equity or IDPoor cards to access healthcare services free of charge, a vast proportion of the population – especially people clustering around the poverty line, which is about 40 percent of the total population – are not covered. Hence, the healthcare system can play only a limited role as a social safety net in preventing people from slipping into poverty. This has significant implications for human capital development because of poor health.

⁴³ National Institute of Statistics, DGH and ICF International (2015) 'Cambodia Demographic and Health Survey 2014', September 2015.

⁴⁴ WHO (2017) available at: <https://www.who.int/data/gho/data/themes/topics/indicator-groups/indicator-group-details/GHO/causes-of-child-death>

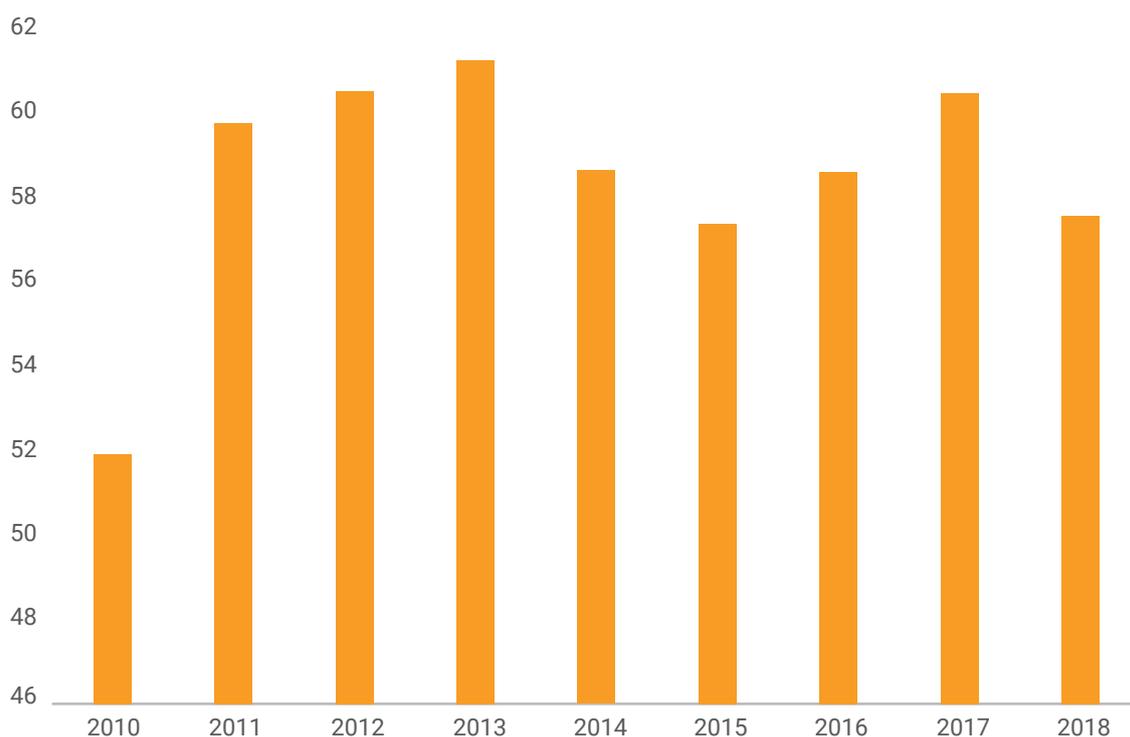
⁴⁵ Ibid.

⁴⁶ World Development Indicators, 2020.

⁴⁷ World Development Indicators, 2020.

⁴⁸ International Organization for Migration (2020) 'Rapid Assessment on Social and Health Impacts of COVID-19 Among Returning Migrant Workers in Cambodia'.

Figure 14. Out-of-pocket expenditure as a share of total health expenditure (%) in Cambodia



Source: World Development Indicator

3.1.2 Education

Access to primary school education is nearly universal. The gross enrollment rate for primary schooling, which is the ratio of total children enrolled in primary schools to primary school aged children, was on average 116 percent from 2010-2019, while the net enrollment rate was consistently above 90 percent.⁴⁹ Students generally progress relatively well to complete primary schooling. The primary school completion rate was more than 90 percent and the percentage completion rate of female students was consistently better than male students in the past decade. However, even though students can finish primary education, their ability to read and write remains a concern.

In the period 2010-2019, about 884,900 students entered secondary education annually. The number of students increased significantly in the last few years to nearly 1 million, and female students account for half of these. However, the completion rate in lower secondary education is extremely low. It was on average 53.2 percent from 2015-2019; the percentage of female students (56.1 percent) was a little higher than male students (50.4 percent). About half of the students who progress from primary school drop out in Grades 7–9 in lower secondary school. The prevalence of student drop-out is extremely high in rural and remote areas, especially for provinces far from the capital city. For those students who drop out with barely the ability to read and write, the lack of basic schooling has severe negative consequences for their whole life cycles. This is very likely to have severe repercussions on human capital development and long-term economic growth and development. The immediate effects, including lack of skilled workers and skills mismatch, are already visible today. Firms are experiencing a skills mismatch in the labour market. A recent study showed that 87 percent of MSMEs

⁴⁹ MoEYS (2020) 'Education Sector Performance Annual Report 2019'.

reported only a modest presence of skilled workers for hire and only moderate matching of workers' skills to the firm's needs. This issue is even more pronounced in regions with lower levels of educational attainment.⁵⁰

The COVID-19 outbreak in January 2020 has continued to worsen the learning outcomes for many children across the country. From March to December 2020, nationwide school closures, with a brief school re-opening from September to November, were one of the main measures put in place to contain the virus. School closures have a negative impact on students' learning and capability, especially among students in rural areas.

Despite the efforts of the Ministry of Education, Youth and Sport (MoEYS) and development partners to mitigate the negative consequences through distance or online learning and other measures, school closures will generate a substantial loss in the development of human capital, with significant long-term economic and social implications.⁵¹ The disruptions, combined with household economic shocks, may increase student dropout and trigger poor academic performance for many children, many of whom belong to poor and vulnerable households.

A jointly commissioned nationwide rapid assessment of the education sector⁵² with some 15,000 respondents, found signs of learning loss due to the circumstances brought by COVID-19. While 77 percent of students reported having access to at least one type of basic learning material at home (such as reading materials, textbooks, basic writing materials and stationery), 23 percent of students did not have access to these essentials. Similarly, a digital divide was evident relating to connectivity for learning. While 70 percent of students from all educational levels were able to access distance learning programmes, the other 30 percent were not. The assessment found that 45 percent of students engaged in distance learning for less than one hour per week, 25 percent between one and three hours per week, 12 percent between three and five hours per week, and only 16 percent reported spending more than five hours per week. Weak parental support was found to be compounding the issue, as only 14 percent of children reported that someone in their family was teaching them in the context of distance learning. Similarly, the latest round (Round 5) of the COVID-19 Socio-Economic Impact Study, conducted in February 2021, found that 43 percent of parents reported not helping their children with school work, while 23 percent reported supporting their children once or twice per week, 22 percent for less than one hour most days and only 7 percent for one hour or more every day.

Student dropout rates are projected to be quite high, especially for rural students and for children from poor households. A rapid assessment conducted by World Vision International showed that 86 percent of respondents believed that the current situation would lead to an increase in the number of children dropping out of school in future. Another survey conducted among children aged 10-17 years by the Joining Forces and Child Rights Coalition-Cambodia revealed that while 80 percent of the children and young people interviewed reported some sort of continued learning, half studied for less than 10 hours per week at home, which was less than half of the normal 20 study hours per week at school.⁵³ Only about half of children (54 percent) had access to learning materials while at home and only 38 percent reported receiving support from their parents while learning at home. The joint assessment found that students from the IDPoor households were 19 percent more at risk of dropping out of school than students from non-IDPoor households (15 percent).⁵⁴

⁵⁰ International Trade Centre (2021, forthcoming) 'Promoting SME Competitiveness in Cambodia: Enhanced resilience through inclusiveness'.

⁵¹ Organisation for Economic Co-operation and Development (2020) 'Education Responses to COVID-19: Embracing digital learning and online collaboration'.

⁵² MoEYS and Education Sector Working Group (2021) 'Cambodia COVID-19 Joint Education Needs Assessment', available at: <https://www.unicef.org/cambodia/media/4296/file/Cambodia%20COVID-19%20Joint%20Education%20Needs%20Assessment.pdf>

⁵³ Joining Forces Alliance (2020) 'Joint Public Statement: Donors and the Government Must Put Children's Rights at the Heart of the COVID-19 Response', 1 June 2020.

⁵⁴ MoEYS and Education Sector Working Group (2021) 'Cambodia COVID-19 Joint Education Needs Assessment'.

The pandemic has created a situation in which inequality is likely to be multiplied. The situation has caused an increasing divide between the non-poor and the poor, as the latter face greater difficulty accessing and benefiting from online and distance learning programmes.

3.1.3 Water, Sanitation and Hygiene

The importance of hygiene and water supply in preventing and controlling COVID-19 infections has highlighted the importance of water, sanitation and hygiene (WASH) efforts, and the need to address gaps and inequities in access to and use of WASH services between urban and rural, and rich and poor Cambodians, in homes, schools and health care facilities. Extreme weather events, including flooding in 2020, highlighted Cambodia's vulnerability to seasonal climate variations, which climate change is projected to exacerbate in the coming years, and the need to ensure that WASH systems are adapted to support increased climate resilience.

Despite progress in recent years, Cambodians' living in rural areas and poorer households remain more exposed to WASH deprivations than those living in urban areas and richer households: 40 percent of rural Cambodians do not have basic hand hygiene facilities with soap and water – an essential part of COVID-19 and other pathogen control – compared to 12 percent of urban Cambodians.⁵⁵ Further vulnerabilities can be seen in the lack of seasonal climate resilience in water supply, with rural households experiencing a 22 percent wet-to-dry season decrease in those using improved water sources protected from contamination, compared to a 2 percent decrease in urban areas.⁵⁶ In the area of sanitation, 79 percent of the poorest rural Cambodians practice open defecation, with associated risks for faecal-oral disease transmission, compared to 8 percent of richest rural Cambodians.

A similar situation exists in schools, where 53 percent of rural schools and 45 percent of urban schools do not have basic handwashing facilities with soap and water,⁵⁷ and in health care facilities, where 51 percent of health centres' water sources do not provide enough water for the whole year for all purposes.⁵⁸

While the COVID-19 pandemic and the impacts of extreme weather events have highlighted the importance of addressing these gaps and inequities, these phenomena have exacerbated challenges in financing improvements to WASH services. The economic impacts of the pandemic have constrained public finances and disposable household incomes, and climate-adapted WASH services can have higher up-front costs. This situation has created increased need to find efficiencies in WASH expenditure to advocate for the protection of WASH budgets and reduce future negative socio-economic costs. It has also highlighted the need to explore innovative financing mechanisms for WASH, including by mobilizing private capital and new public funding sources, including from climate green sources.

⁵⁵ WHO and UNICEF (2020) 'Joint Monitoring Programme'.

⁵⁶ National Institute of Statistics, DGH and ICF International (2015) 'Cambodia Demographic and Health Survey 2014', September 2015.

⁵⁷ WHO and UNICEF (2020) 'Joint Monitoring Programme'.

⁵⁸ Ir, P. (2017) 'Public Healthcare Facilities Assessment on Water, Sanitation and Hygiene of Five Provinces in Cambodia', Phnom Penh: National Institute of Public Health.

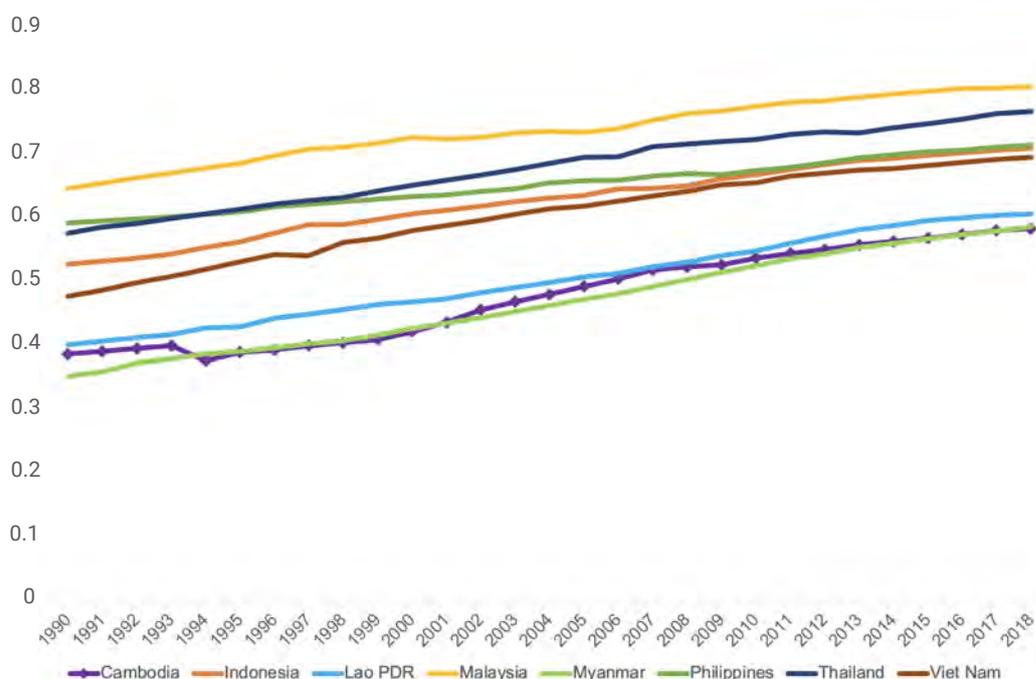
3.1.4 Potential Reversals in Human Development

Cambodia has realized a significant gain during the past decade in human development based on the Human Development Index (HDI), which has a value range from zero to one. With HDI values passing the threshold of 0.55, Cambodia has been categorized as a country showing medium human development since 2013. Nonetheless, with an HDI value of 0.581 in 2018, Cambodia is ranked 146th out of 189 countries and territories, which is the lowest within the ASEAN region.⁵⁹

Notably, HDI progress decelerated from 2010, after the country was struck by the 2008-2009 global financial crisis. Between 2010 and 2018, Cambodia's HDI edged up by 8.6 percent compared to 10.6 percent and 11.7 percent for Lao PDR and Myanmar, respectively.⁶⁰ From 2010-2018, Cambodia achieved an annual HDI growth rate of 1.1 percent, which was less than half the growth rate of 2.5 percent between 2000-2009 (UNDP, 2019). During this period, rising national income made the largest contribution to the HDI gain (12.5 percent), followed by education (7.2 percent) and health (6.6 percent).

Although Cambodia has achieved consistently high economic growth rates in the last decade, pushing the GNI per capita to increase significantly, the other critical dimensions of human development, including education, health and nutrition, progressed sluggishly. While income growth is important for increasing people's living standards, education, health and nutrition are fundamental for increasing their income earning capability and living a good life, and at national level, enhancing human capital for the country's long-term development and helping facilitate inter-generational mobility.

Figure 15. HDI progress in Cambodia and selected neighbours 1990-2018



Source: UNDP Human Development Report 2019

⁵⁹ UNDP (2020) 'Human Development Report Cambodia 2019', January 2020.

⁶⁰ Ibid.

Human development progress is likely to fall in 2020 due to the devastating impact of COVID-19. At least two of the HDI's three dimensions are strongly affected. Based on the UNDP projection, GDP growth is expected to contract by 4.1 percent in the absence of intervention. Thus, accounting for the population growth rate, the GNI is expected to drop further if incomes from abroad (e.g., remittances and official transfers) decrease. School closures have caused a negative effect on educational attainment and academic performance. Secondary school completion rates are likely to decrease significantly, and the academic performance across educational levels has also dropped markedly.



3.2 Food Security and Nutrition

Significant progress has been made in terms of food security and nutrition in the last decade. The prevalence of severe food insecurity in the total population declined from 16.9 percent in 2014-2016 to 13.6 percent in 2017-2019.⁶¹ Similarly, the prevalence of under-nourishment in the total population decreased from 17.1 percent in 2004-2006 to 14.5 percent in the 2017-2019 period.⁶²

Malnutrition, however, remains at a high level, slowing progress in social and human development as well as threatening long-term economic growth and prosperity. The prevalence of wasting in children under 5 years stands at 9.7 percent, while the prevalence of stunting in children under 5 years is 32.4 percent.⁶³ The prevalence of anaemia in children under 5 years and women of reproductive age is 55 percent and 45 percent, respectively. The prevalence of overweight/obesity among women of reproductive age is also high, at 18 percent, indicating a double burden of malnutrition among women.⁶⁴ The cost of an adequate nutritious diet is US\$2.49, representing about 64.3 percent of the total expenditure per household. This is out of the reach of many households across the country.⁶⁵ Consequently, the proportion of households that cannot afford an adequately nutritious diet varies dramatically across geographical areas, with a range between 12 percent and 66 percent. An average of 21 percent of households across the country are unable to afford a nutritious diet⁶⁶ In 2014, malnutrition was estimated to cause an economic loss of 1.5 percent to 2.5 percent of GDP.⁶⁷

⁶¹ FAO, IFAD, UNICEF, WFP and WHO (2020) 'The State of Food Security and Nutrition in the World 2020: Transforming food systems for affordable healthy diets'. Rome: FAO, 2020, available at: <https://doi.org/10.4060/ca9692en>

⁶² Ibid.

⁶³ National Institute of Statistics, DGH and ICF International (2015) 'Cambodia Demographic and Health Survey 2014', September 2015.

⁶⁴ Ibid.

⁶⁵ CARD and WFP (2017) 'Fill the Nutrient Gap Cambodia', Council for Agricultural and Rural Development and World Food Programme, March 2017, available at: <https://reliefweb.int/report/cambodia/fill-nutrient-gap-cambodia-summary-report-march-2017>

⁶⁶ CARD and WFP (2017) 'Fill the Nutrient Gap Cambodia', Council for Agricultural and Rural Development and World Food Programme, March 2017.

⁶⁷ Moench-Pfanner et al. (2016) 'The Economic Burden of Malnutrition in Pregnant Women and Children Under 5 Years of Age in Cambodia', *Nutrients*, 2016, Vol. 8, No. 292.

Before the outbreak of COVID-19, it was estimated that around 13.5 percent of the population were living below the national poverty line, with another 40 percent just above the poverty line, and highly vulnerable to shocks.⁶⁸ Child poverty, particularly, remains very high and is estimated at 16 percent. While child poverty affects individual children, without adequate intervention it is likely to be passed down to future generations, obstructing inter-generational mobility, entrenching inequality, and thus decelerating the country's development.

As the malnutrition rate was already high before the COVID-19 pandemic, it could be further compounded by the economic fallout of the pandemic. Although access to food has not been affected greatly, the loss of livelihoods and income has led to some households adopting negative coping strategies to access food, such as borrowing from MFIs or other sources, selling productive assets, resorting to reduced food consumption or relying greatly on cheaper, less nutritious food options.⁶⁹ The effects could fall disproportionately on women and girls, due to their role of taking care of the family's food consumption. Similar findings were revealed by a longitudinal study from August 2020 to March 2021. Due to difficulties accessing nutritious food options, some households decreased their food intake and diet diversity in important food categories such as products rich in protein, vitamin A and iron.⁷⁰ The impacts are most worrying for vulnerable household members, including pregnant women and children. Although the prices for many food items in a typical Cambodian diet remained stable throughout 2020, there were spikes in some items, such as fresh vegetables, in April due to the increasing cases of COVID-19, and in October due to large-scale floods.⁷¹ Negative coping strategies place those households at risk and may result in increased incidence of malnutrition among children. The prolonged periods of food insecurity and the reduced quality of the diet may reverse progress made over the last decade and place the growth and development of many children at risk. Due to losses of income and employment, the issue of access to adequate nutritious food is pronounced for certain groups of the population, especially marginalized groups such as female-headed households, workers in informal sectors, people with disability and returning migrants.

With regular monsoon floods along the Mekong and Tonle Sap rivers and localized droughts in the plain regions, Cambodia is very vulnerable to natural disasters and climate-related hazards that have a significant bearing on food security and nutritional status. Flash floods have also become more frequent in the past decade. Pre-existing vulnerability is further deepened by the increasing intensity of climate change and bio-diversity degradation, which are increasingly threatening people's livelihoods. Nearly 70 percent of the population living in rural areas depends on agricultural activities for their livelihoods. This dependence on agriculture and natural resources, combined with limited educational completion beyond primary school and limited access to health services, poor hygiene and sanitation, sub-optimal feeding and childcare practices for the poor and near-poor, have further precipitated food insecurity and malnutrition.

⁶⁸ UNICEF (2019) 'UNICEF in Cambodia Country Programme 2019-2023', available at: https://www.unicef.org/cambodia/media/2361/file/CountryProgramme_OVERVIEW_25x25_2019_Final.pdf%20.pdf

⁶⁹ International Organization for Migration (2020) 'Rapid Assessment on Social and Health Impacts of COVID-19 Among Returning Migrant Workers in Cambodia'

⁷⁰ UNICEF, WFP, UNAIDS, UNFPA and UNWOMEN (2021) COVID-19 Social Impact Assessment: Six waves of longitudinal surveys from August 2020 to March 2021.

⁷¹ WFP (2021) Food Security and Markets Update: Monthly food prices and market functioning surveys, April 2020–April 2021.

In 2020, Cambodia was affected by severe floods, which caused significant crop destruction in 14 provinces. This was in addition to the devastating impacts of COVID-19, which could further deepen food insecurity and malnutrition. The impacts of floods, together with continued socio-economic fallout of the pandemic, can affect food security, health and the nutritional status of the population, including increasing child malnutrition rates, particularly among the most vulnerable. Children suffering from severe acute malnutrition need specialized lifesaving medical treatment, which is extremely limited. According to the Ministry of Health, funding and delivery capacity for nutrition programmes, especially to manage acute malnutrition, is limited, reaching only 10 percent of children with total severe acute malnutrition in the country. It is of note that the need for treatment services increases during emergencies, such as droughts and floods, indicating that the country needs to build resilience to emergencies.

3.3 Social Protection

Cambodia has made significant progress in building a social protection system to protect people's lives and rights, although it was highly fragmented before the COVID-19 pandemic. The IDPoor system, which was largely a system of poor identification, was solely used for issuing 'Equity' or 'IDPoor Cards' to poor households to enable them to access subsidized healthcare services through the Health Equity Fund. Before the COVID-19 pandemic, it was estimated that approximately 2 million people had benefited from the Health Equity Fund. Additional social protection programmes have been implemented: the cash transfer programme for pregnant women and children aged 0-2 years; the scholarship programme for children in primary and secondary schools; and the national social security fund (NSSF) for workers in formal private sectors such as garments, hotels, and finance and banking.

Before the pandemic, the Royal Government of Cambodia (RGC) had in place a comprehensive National Social Protection Policy Framework 2016-2025, but this would have been difficult to implement due to the fragmented system and substantial investment required. The RGC considered Cambodia as a "poor" country, being unable to sustain a welfare model that was perceived as providing handouts to its people. With the introduction of the National Social Protection Policy Framework 2016-2025, these programmes have formed the basis for scaling up and expanding the social protection system to protect wider segments of the population, especially existing poor and vulnerable people.

The COVID-19 pandemic has caused dramatic socio-economic impacts, however it has also presented an opportunity for the RGC to expand its social protection system at unprecedented speed and scale to protect people and save lives. With technical assistance from the UN through the UN Socio-Economic Response Framework and other development partners, the RGC has rapidly deployed emergency social protection measures through cash transfers to mitigate the devastating socio-economic fallout and protect the poor and vulnerable. The existing IDPoor system was rapidly transformed as a means of implementing the cash transfer programme for poor and vulnerable households. The IDPoor system was also modified to add an On-Demand IDPoor function to register new poor households who had become poor due to the negative impacts of COVID-19.

As a result, from May 2020 to March 2021, the IDPoor system registered an additional 195,321 new poor households. By March 2021, some 692,092 poor households comprising nearly 2.8 million people had received cash assistance from the programme. Without the cash transfer programme, which comprises a significant package of benefits following household structures and categorical vulnerabilities, the nearly 2.8 million people would have fallen deeper into poverty and other deprivations, while the economy was still ravaged by the pandemic shock.

Beyond protecting people from spiralling into poverty, the cash transfer programme also averted an abruptly sharper economic contraction. The UN's economic simulation showed that the social protection programmes helped save economic growth by nearly 1 percentage point.⁷²

The swift implementation of the cash transfer programme opened a space for accelerating the development of a shock-responsive social protection framework, which is now being prepared. Therefore, the cash transfer programme has shaped the scaling up of the social protection system to cover other vulnerable groups, including workers in informal sectors, and to pave a way for universal coverage.

Building on this significant progress, the social protection system needs to be further developed into a fully integrated system with strong links between social assistance, social security and social health protection, towards universal coverage. Social protection development impacts, such as links between social protection and nutrition, need to be further strengthened.

⁷² UNDP (2020) 'COVID-19 Economic and Social Impact Assessment in Cambodia', CGE and GTAP simulation exercises.

4 POLITICAL AND HUMAN RIGHTS SITUATION



4.1 Political Development

Cambodia's political situation has changed overtime. Its current pluralistic and democratic regime is a result of Peace Agreements made in Paris in 1991, which brought in the first general elections held in 1993 under the supervision of the United Nations Transitional Authority (UNTAC). This has changed significantly over the last decade. Since the dissolution of the opposition Cambodia National Rescue Party (CNRP) in 2017, Cambodia has turned into a one-party system, without a parliament and local communes that reflect democratic values and mores. Cambodia's Constitution in 1993 brought in principles of liberal pluralism, democracy and human rights, however in recent years Cambodia has introduced a number of laws and policy measures which are inconsistent with its international human rights obligations and human rights treaties that it voluntarily ratified.

The past decade has witnessed a diminishing civic and democratic space.⁷³ After its merger in 2012, the CNRP, led by Sam Rainsy and Kem Sokha, was the main challenging opposition to the ruling CPP, absorbing surprisingly popular support with 45 percent of the votes in the July 2013 parliamentary elections and 44 percent in the June 2017 commune elections. This led to a deadlock over the election results. The CPP and CNRP reached a 'political dialogue'⁷⁴ to end the political tension and deadlock over the 2013 election results, but this proved temporary as public authorities unexpectedly decided to arrest and detain Kem Sokha on treason charges in September 2017. The Supreme Court dissolved the CNRP through a judicial decision in November 2017, using a recently introduced amendment to the Law on Political Parties. It banned 117 CNRP lawmakers and senior leaders from conducting political activities for five years. The commune seats held by the CNRP were re-distributed mostly to the CPP. This political development transformed the country from a multi-party to one-party

⁷³ The Cambodian Parliament passed restrictive laws such as the NGO Law (2015) and the Trade Union Law (2016). Further, amendments to the Law on National Assembly, Senate and Commune Elections (2017), the Law on Political Parties (2018) and the Constitution (2018) are prima facie inconsistent with international human rights obligations. Political tension may exist as long as there is another party challenging or posing a threat to the ruling party to secure its power and patronage system.

⁷⁴ "Political dialogue or culture of dialogue" was introduced by both party leaders to end the political deadlock in 2013, as the opposition boycotted its participation in the parliament and claimed electoral irregularities.

system, as the main opposition party was dissolved and no other parties could credibly challenge the ruling party in the subsequent elections. In the 2018 national election, the CPP received all 125 seats. This is exacerbated by impunity and a weak rule of law, facilitated by a lack of independence of the judiciary.⁷⁵

Despite repeated calls by the international community and the UN to restore the multi-party political system, the CNRP remains dissolved and many vital members are banned from engaging in political activity. Twenty-one former CNRP members have been granted political rehabilitation by the King and some have formed new political parties. Since then CNRP members, human rights defenders, including journalists, and individuals critical of the government have been targeted by the government. Mass trials against more than 130 CNRP leaders and activists began in November 2020. Defendants who are senior leaders in exile have been tried in absentia. On 1 March 2021, the Phnom Penh Municipal Court handed a 25-year prison term to Sam Rainsy, the leader of the CNRP, and revoked his right to stand as a candidate in elections. Eight senior leaders were also sentenced to 20–22 years imprisonment, thus closing the door for political reconciliation and meaningful elections. The government claimed that the courts sentenced these individuals based on Cambodian procedural laws pursuant to the acts they had committed.⁷⁶ By December 2020, at least 172 individuals associated with the CNRP, human rights defenders and individuals critical of the government had been charged with plotting or incitement, and at least 33 are currently in pre-trial detention.⁷⁷ The UN in Cambodia recorded 20 cases of arbitrary detention of political actors, involving 49 people, of which 14 were verified. It also recorded 11 instances of harmful acts against political actors, involving 29 individuals, of which it verified⁷⁸ four.

Regarding the mass trials, the UN Special Rapporteur on the situation of human rights in Cambodia expressed serious concerns.⁷⁹ In a statement following the 1 March decision of the Phnom Penh municipal court, she deplored the disproportionate prison terms, which breached international human rights law.⁸⁰ The 2020 report by the UN Secretary General on human rights in Cambodia outlines the heightened political crackdown in the country, with at least 140 people associated with the former CNRP arrested.⁸¹ Given these developments, political tension is likely to continue, as the government does not want to hold any political negotiations with the court-dissolved CNRP.⁸² This could potentially cause social tension in the lead-up to the 2022 local and 2023 national elections.

⁷⁵ Cambodia ranks 127th of 128 countries on the 2020 WJP Rule of Law Index. It ranks 98th out of 102 on the WJP Open Government Index. The Kingdom ranks 162nd out of 180 on the Transparency International Corruption Perceptions Index.

⁷⁶ Cambodia Human Rights Committee (6 March 2021) Press Release on the Situation of Human Rights and the Enforcement of the Law in Cambodia, 2020.

⁷⁷ UN Secretary General (2018) 'Report on the Role and Achievement of OHCHR in Assisting the Government and People of Cambodia in Promoting and Protecting Human Rights', available at: <https://cambodia.ohchr.org/sites/default/files/Ohchr-report/G1802262.pdf>

⁷⁸ OHCHR applies a rigorous method of verification before declaring a human rights incident a human rights violation.

⁷⁹ OHCHR (25 November 2020) 'Cambodia: UN Expert Alarmed by Mass Trial of Activists', available at: OHCHR | Cambodia: UN expert alarmed by reports of mass trial of activists

⁸⁰ OHCHR (5 March 2021) 'Cambodia: Long Prison Terms for Former Opposition Leaders Appalling, Say UN Experts', available at: Long prison terms for former opposition leaders appalling, say UN experts | OHCHR

⁸¹ UN Secretary General's report on human rights situation in Cambodia presented at the Human Rights Council (5 October 2020) available at: SG's report on Cambodia - 2 Pager-V2.pdf (ohchr.org)

⁸² Khmer Times (26 October 2020) 'PM Says He Will Not Negotiate with Those Facing Court Cases', available at: Khmer Times (khmertimeskh.com); (17 December 2020) 'No Room for Negotiation with Former Opposition', available at: Khmer Times (khmertimeskh.com)



4.2 Youth Political Participation

Cambodia is a vibrantly young and growing nation. Youth aged 15-30 years represent 34.8 percent of the country's population, which continues to grow every year.⁸³ The young population, coupled with recent societal changes including the modernization of social norms, substantial economic improvements, and better access to education and information including through social media, have uncovered social injustices and thereby increased the demand for change. Youth present a large proportion of the country's labour force. Recent government policies and development partner programmes have laid the framework for skills development, diversification of job sources and promotion of rights at work. A study on Cambodia's youth political participation⁸⁴ found that the 2013 national elections were a surprise to many citizens, not only because of the results, but the increased role of social media in shaping youth political participation. There was high young voter turnout in the 2017 local elections. Despite their will to critically engage in influencing the government's policies directly or indirectly, youth face numerous obstacles such as a limited enabling political environment, cultural norms (obedience to authorities or hierarchy), economic factors, limited education, and a shrinking civic space that curtails youth participation. However, the study suggests that youth political engagement will continue to grow alongside technological advances and against social and political constraints, which will have an impact on the future of Cambodia's political development.

Efforts in this direction have been evidenced by the increased engagement of adolescent and youth networks such as the Adolescent and Youth Reference Group (AYRG) in policy dialogues related to ending violence against children, preventing child marriage (through community discussions with their peers), protection of children deprived of liberty, and the promotion of youth employability through social media. Participation of adolescents and youth increased in data collection. Adolescents of the AYRG were engaged in developing a module for adolescents as part of the socio-economic study on the impacts of COVID-19.

⁸³ National Institute of Statistics (2020) General Population Census of Cambodia. According to the Cambodia National Youth Policy, "Youth is referred to as people of both sexes aged between 15 and 30 years and with Khmer nationality regardless of their marital status" (2011).

⁸⁴ Bong Chansambath and Sen Chantarasingh (2017) 'Youth Political Participation in Cambodia', Politikoffee and Konrad-Adenauer-Stiftung.

4.3 Shifting International Alignment

Cambodia's growing economic independence, acquired through two decades of sustained economic growth⁸⁵ and a strategic political-economic alliance with China, have produced a radical shift in its international position. Chinese ambitions in Cambodia have primarily been channelled through economic and financial cooperation. When the United States decided to suspend aid in the aftermath of the 1997 political disruption, China increased its financial support to the government. Yet, it was not until the mid-2000s that Chinese aid started to gain significance in comparison to Western development assistance. China and Cambodia signed a Comprehensive Partnership for Cooperation deal in April 2006 and raised it to a Comprehensive Strategic Partnership of Cooperation in 2010. Upgraded bilateral cooperation, along with the World Bank's suspension of lending to Cambodia in 2011, explain in part the surge in Chinese financial flows to Cambodia. A comprehensive dataset released in 2017 showed the extent of Chinese aid in the past 15 years.⁸⁶ Comparative figures reveal the strategic importance of Cambodia for the Chinese Government. Of the approximately 100 countries worldwide that benefit from development assistance issued by Beijing, Cambodia is the 7th largest recipient. Over the past few years, China has been top in terms of ODA to Cambodia, followed by Japan, the EU (combined with its member states) and the United States.⁸⁷ Cambodia needs the development cooperation and aid from these major countries, and losing anyone would seriously affect its economy, development and national priorities.

In October 2020, Cambodia and China signed a free trade agreement. Both Cambodia and China praised their political, economic and diplomatic relations. According to Xinhua 'China' state media agency, the Chinese foreign ministry said when the agreement was signed: "China firmly supports Cambodia in taking a development path suited to its own national conditions, safeguarding national sovereignty and dignity, and pursuing its own domestic and external policies."⁸⁸ The Cambodian Government expects that this new free trade deal will likely help offset the losses caused by the COVID-19 pandemic and the EU's partial withdrawal of the Everything but Arms trade preferential system on the grounds of violations of human rights. The EU's decision to partially withdraw preferential access to the EU market amounted to Euro 1 billion annually, although no real estimate of economic loss was calculated.⁸⁹ This has impacted Cambodia's economy, which has been exacerbated by the pandemic.

With regard to the new free trade deal with China, the Cambodian Prime Minister stressed in the agreement that: "Cambodia is firmly committed to strengthening the Cambodia-China comprehensive strategic cooperative partnership, will continue to firmly support China on issues involving China's core interests, and will work with China to deepen mutually beneficial cooperation in various fields."⁹⁰

⁸⁵ Cambodia's total GDP has quadrupled since 2005 and increased tax collection has created new liquidity.

⁸⁶ AidData (2017), 'Global Chinese Official Finance Dataset, Version 1.0.'

⁸⁷ CDC, 'Cambodia ODA Database List,' available at: Council for the Development of Cambodia (www.odacambodia.com)

⁸⁸ Xinhua (2020) 'China, Cambodia Vow to Deepen Cooperation in All Areas', 12 October 2020, available at: http://www.xinhuanet.com/english/2020-10/12/c_139435023.htm

⁸⁹ EU (2020) 'Trade/Human Rights: Cambodia's Preferential Access to the EU Market', 12 February 2020, available at: Cambodia's preferential access to the EU market (europa.eu)

⁹⁰ Khmer Times (2020) 'Cambodia, China Sign Trade Deal', 13 October 2020, available at: <https://www.khmer-timeskh.com/50772642/cambodia-china-sign-trade-deal/>

As a result of developments in international alignment, the influence of Western countries and multilateral organizations has steadily decreased. The vehement dismissal by the Cambodian Government of the Everything but Arms requirements set forth by the EU is emblematic of the loss of influence of Western countries. The bilateral relationship between Cambodia and the United States has fluctuated for several reasons, including to some degree the arrest of Kem Sokha, in which the government accused the United States of colluding with the former CNRP.⁹¹ Efforts have been made by both sides to restore this relationship.

It is in this context that the UN in Cambodia has played a more proactive and critical role by engaging with all development partners and the diplomatic community to advocate for the promotion and protection of human rights and fundamental freedoms, and to encourage Cambodia's compliance with its international human rights obligations through the UN Human Rights Council sessions and the Universal Periodic Review (UPR) mechanism. The UN has played a role in coordinating with development partners to ensure coherence and synergies in their respective support of national priorities.

4.4 Human Rights Concerns

The human rights situation in Cambodia has deteriorated significantly, especially in the last few years. The Cambodian Government narrative of "Human Rights in the Cambodian Way"⁹² embodies the country's move away from the rule of law to rule by law (see the ranking above). This narrative is evoked to justify and defend actions that are prima facie incompatible with Cambodia's international human rights obligations. The Cambodian Government has arrested and used force against peaceful protesters, including those who have raised concerns regarding the government's response to COVID-19. Civic and political space is shrinking, and the government uses restrictive administrative and legal measures to impose limitations and restrictions on lawful activities of civil society organizations and human rights defenders, attempting to justify this as legitimate and/or necessary.

Participation in public life is challenged, while demand remains strong. The UN Secretary-General, in his 2020 annual report on the roles and achievements of the Office of the United Nations High Commissioner for Human Rights (OHCHR) in Cambodia, highlights intimidation⁹³ against civil society and human rights organizations, which impedes their capacity to monitor and report. His report outlines 46 instances where the activities of human rights and civil society organizations were subjected to interference, intimidation or harassment by authorities. He calls on the government to strengthen civic and democratic space, including through guarantees for the unhindered work of human rights and other civil society organizations and community groups, by broadening their space to operate. The report also outlines excessive restrictions on the rights to freedom of expression and peaceful assembly, including the arrest of individuals for COVID-19 related public comments and social media posts. The Secretary-General calls on the government to ensure that any extraordinary measures introduced to protect the health and wellbeing of the population during the COVID-19 pandemic are temporary, proportionate, strictly necessary for the prevention of the spread and treatment of the disease, non-discriminatory, and aligned with Cambodia's international human rights obligations.

⁹¹ East Asia Forum (14 December 2019) 'Making US-Cambodia Relations Great Again', <https://www.eastasiaforum.org/2019/12/14/making-us-cambodia-relations-great-again/>

⁹² Ministry of Foreign Affairs and International Cooperation (February 2018) 'Cambodia Stability and Development First: To Tell the Truth', version 2, available at: <https://www.mfaic.gov.kh/to-tell-the-truth>

⁹³ Regarding the issues relating to intimidation against civil society organization activists and journalists, the limited rights to freedom of expression and to freedom of peaceful assembly, refer to the Human Rights Committee's concluding observations (CCPR/C/KHM/CO/2, 2015) and its list of issues (CCPR/C/KHM/Q/3, 2020, paras. 18-21).

The arbitrary arrest and detention of union leader Rong Chhun in late July 2020 resulted in a number of protests and gatherings to support the demand for his release.⁹⁴ Since then, the UN has noted that over 30 peaceful protests undertaken by civil society, youth activists, environmentalists and family members of jailed opposition activists have been dispersed by the authorities. This includes seven violent incidents carried out by security forces against female protestors. In some cases, the authorities have invoked health measures to stop the transmission of the COVID-19 virus as the reason for putting a halt to the protests. Protestors, on the other hand, claim to have followed these measures. Civil society organizations and human rights defenders have reported experiencing interference and intimidation by the authorities. In connection with the protest for Rong Chhun's release, there were at least 25 civil society organizations, environmental and youth activists arrested on charges of "incitement to commit felony" and put in pre-trial detention. Their trials are scheduled to take place in 2021.

Social media has quickly gained traction as a platform for expressing, sharing and following both news and views. It is also increasingly used as a source of evidence in cases of "incitement to commit felony", when authorities consider a post as "fake news". There have been several individuals, including politicians and journalists, who have been arrested and charged with incitement, allegedly spreading fake news via their Facebook posts.⁹⁵ For instance, two rappers were convicted after posting songs criticizing the government. In April 2020, the Director of the TV FB news outlet was sentenced and sent to prison for "incitement to commit a felony" after he accurately quoted the Prime Minister's public remark on the government's inability to support moto-taxi drivers due to COVID-19. Many argue that the government's legal measures are causing self-censorship among Facebook users and bloggers writing about what may be considered sensitive issues.

It should be noted that the majority of the UPR recommendations accepted by Cambodia remain outstanding. In the three cycles of UPR examinations, Cambodia accepted 427 human rights recommendations from UN member states; 300 of them are linked to SDGs and 162 are linked to SDG 16, which focuses on promoting just, peaceful and inclusive society. In 2020, the government reversed its pledge to adopt an action plan to implement the UPR recommendations accepted in the last review.

⁹⁴ OHCHR (16 November 2020) 'Cambodia: UN Experts Alarmed by Civil Society Crackdown and Attacks on Defenders', available at: [OHCHR | Cambodia](#).

⁹⁵ OHCHR (2020) Report on Role and Achievements of the Office of the United Nations High Commissioner for Human Rights in assisting the Government and People of Cambodia in the Promotion and Protection of Human Rights.

4.5 Legislative Development and Human Rights Implications

Recently, national authorities have adopted more sophisticated methods to suppress dissent, using legislation and the courts to enforce a more discreet political strategy. Among strategic changes and legislative developments, certain new measures have been applied. These include travel bans and increased judicial actions, as well as increased criminal laws, ranging from incitement to more serious crimes like plotting, treason and conspiracy with foreign powers against opposition figures and their supporters, especially through social media.

According to the UN Special Rapporteur on the situation of human rights in Cambodia, laws in Cambodia are not only used to target political opponents but also a broad range of civil society figures, such as NGO leaders, human rights defenders, trade unionists, environmental activists and community leaders, as well as journalists and independent opinion leaders. Recent arrests and detentions can be viewed as a sign of the government's stricter stance against political opposition and against ordinary citizens who are critical of the government. The government justifies its actions by tabling them as the enforcement of the rule of law. Therefore, it does not target any specific group in society. The government argues that the exercise of rights and freedoms, which is recognized and stipulated in its Constitution, shall be within the scope of Cambodian laws, and thus any acts that violate the laws may lead to legal liability.⁹⁶

The UN and civil society have expressed similar concerns about recent legislative developments made under the pretext of strengthening the rule of law. The implementation of these laws risks having a negative impact on human rights and freedoms guaranteed by Cambodia's Constitution. For example, the Law on the Management of the Nation in a State of Emergency, which was adopted and promulgated in April 2020 in a rushed manner, using the COVID-19 pandemic as justification, grants excessive authority to the government to impose restrictions and limitations to fundamental human rights, including the right to freedom of association, expression, assembly, privacy and freedom of movement. Although deemed unlikely to be invoked in the near future, it can be invoked in any situation of disturbance or perceived threat to national security or social unrest. Some political observers argue that this could be the case in the period leading up to the elections.

The Law on Preventive Measures Against the Spread of COVID-19 and Other Severe, Dangerous, Contagious Diseases (COVID-19 Law), which was promulgated on 11 March 2021, provides power to restrict or prohibit travel, meetings and gatherings, prohibit or restrict certain occupations or employment activities and businesses, and the authority to block or restrict certain areas. The punishment provisions of the COVID-19 Law are excessive and disproportionate, including imprisonment of between six months and 20 years, with fines of up to US\$2,500.

Concerns from a human rights perspective have been voiced in reference to draft laws on Public Order and Cybercrimes.⁹⁷ For example, the current draft Public Order Law has a broad scope of the definition of "public order", which does not comply with international norms and standards. It contains provisions which risk further marginalizing already vulnerable groups, as well as infringing the right to peaceful assembly and freedom of expression, particularly the provision of prohibited dress codes for women. This entrenches social stereotypes

⁹⁶ Cambodian Human Rights Committee (2020) Press release: 'Update of Human Rights and Law Enforcement in Promotion of Democracy and Rule of Law in Cambodia', 7 October 2020.

⁹⁷ The Ministry of Interior is in the process of drafting these legislations. Concerns and recommendations on these two drafts, together with the State of Emergency Law and LANGO, were included in the UN Country Team legal analysis, primarily prepared by OHCHR. The communication was shared with the Ministry of Interior.

of female behaviour. The February 2021 Sub-Decree on Internet Gateway aims to control internet operations and restrict online freedoms, and the right to access information.⁹⁸ The Lese Majeste provisions,⁹⁹ the Law on Non-Governmental Organizations and Associations (LANGO), the Political Party Law Amendments and the Trade Union Law are also troublesome, as they can be used to restrict political and civic space.

The government has expressed its commitment since 1990 to establishing a national human rights institution, but no concrete progress has been made since. In 2006, civil society organizations initiated a draft law, but the process was stalled by the government. Civil society organizations who engaged with the government and the UN until 2006 disengaged from the process in 2010, largely due to shrinking democratic and civic space. There has been progress in the past year. In 2019, Cambodia underwent its third UPR, where numerous states recommended it establish a National Human Rights Institution in accordance with the Paris-Principles,¹⁰⁰ which Cambodia accepted. In 2020, the Cambodian Human Rights Committee (CHRC), a governmental body in charge of human rights affairs, made some progress in elaborating a Draft Law on the Establishment of a National Human Rights Commission, with technical advice provided by OHCHR. The CHRC planned to engage in consultations with relevant stakeholders in 2021, followed by the adoption of the law by the end of 2022, but several independent NGOs have indicated that they have no intention of engaging, given the current human rights situation.

Cambodia consistently ranks low globally and regionally, particularly concerning justice and the rule of law, freedom of expression, and corruption. There has been little evidence to date of the necessary political will to strengthen judicial independence and the rule of law, although there have been some reform efforts. Political and external influence has always been a serious problem for the courts to function. Some judges, prosecutors and court personnel are openly members of the ruling party, often in leadership positions. Most problematic are statements made by the executive, which in at least three instances in late 2019 and early 2020 led to coordinated actions by prosecutors and courts, giving at least the impression that they were following orders from the executive. The lack of independence makes it possible for the judiciary to be used by the executive as a legal tool to suppress those voicing their dissatisfaction towards the government, rather than protecting the individual against abuse, including by the authorities. As previously highlighted by UN special procedures, there is a history in Cambodia of opposition politicians, human rights defenders, journalists, trade union leaders, community representatives, and others exercising their legitimate fundamental freedoms being subjected to judicial harassment.¹⁰¹ There has been a sharp deterioration in this regard since 2017.

At the same time, cases perpetrated against human rights defenders and journalists rarely end up in genuine accountability. An emblematic case of impunity is the murder of Kem Ley, a political analyst who was assassinated in broad daylight in July 2016 after commenting on the radio about a controversial Global Witness report alleging corruption at the highest levels in Cambodia. Although one man was convicted for the murder following a speedy trial, no progress has been made in the investigation into this case.

⁹⁸ Joint Statement: CSOs Call on the Royal Government of Cambodia to Repeal the Sub-Decree on the Establishment of the National Internet Gateway, 19 February 2021, available at: https://docs.google.com/viewerng/viewer?url=https://cchrcambodia.org/media/files/press_release/801_jscne_en.pdf

⁹⁹ It is not a separate law, but it is a provision amended in the Criminal Code.

¹⁰⁰ Principles Relating to the Status of National Institutions (The Paris Principles), available at: OHCHR | Principles relating to the Status of National Institutions

¹⁰¹ OHCHR (2014) Press release: 'Judicial Harassment for Political Purposes Must Stop', 18 November, available at: OHCHR | Cambodia: "Judicial harassment for political purposes must stop" – UN Special Rapporteur

The lack of independence of the judiciary is closely intertwined with rampant corruption. The judiciary is perceived as one of the most corrupt institutions in Cambodia. There are credible reports that access to judicial positions, such as judges or prosecutors, requires significant payments ahead of the appointment, which are later recouped through bribes.¹⁰² With corruption affecting the judicial process at all stages, impunity tends to affect the cases brought by the poorer and more vulnerable populations. This means that trust in the justice system is low, thereby undermining the important role that the rule of law in general, and the justice system in particular, can play in sustaining peace, preventing conflict and supporting a system of accountability, underlying the achievement of all SDGs. This has repercussions for the development prospects of Cambodia, as the rule of law is an essential condition for the full realization of human rights, sustainable development and sustaining peace in Cambodia, as illustrated by SDG 16.

The COVID-19 situation represents a huge challenge for Cambodia, but there have already been disturbing signs that the authorities are capitalizing on the very real threat to public health to further entrench their power and move the country further away from a pluralistic democracy enshrined in its constitution. As the authorities grapple with the challenge of COVID-19, there are concerns that individual freedoms, for example freedom of expression, freedom of peaceful assembly, the right to privacy and the right to a fair trial, will continue to be eroded, and that the recent years' measures against those expressing dissenting views will gain momentum as authorities seek to suppress the sharing of information on violations arising in the context of COVID-19. Further arrests and convictions of media, social media users, civil society and others are expected, and violence against these actors is foreseeable during the pandemic period. There is reason for concern that the impact on Cambodia's democracy and civil society will far outlast the virus.

¹⁰² International Bar Association (2015) 'Justice Versus Corruption: Challenges to the Independence of the Judiciary in Cambodia', September 2015, available at: <https://www.ibanet.org/Article/NewDetail.aspx?ArticleUid=fb11e885-5f1d-4c03-9c55-86ff42157ae1>

5 THE ENVIRONMENT AND CLIMATE CHANGE



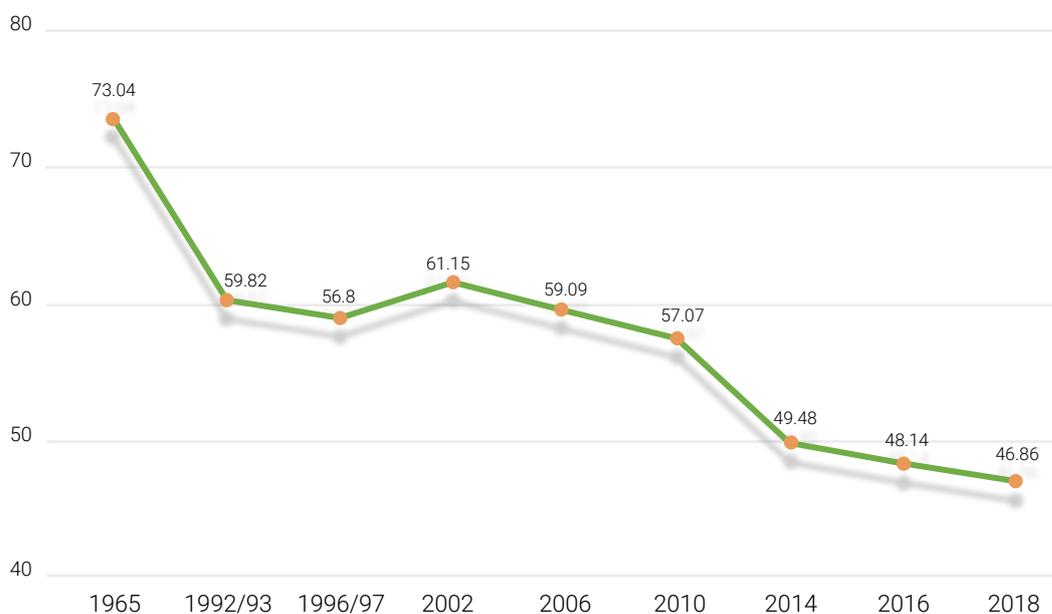
5.1 State of Ecosystems and Biodiversity

Despite the value and key roles of Cambodia's ecosystems, there has been growing pressure on terrestrial and aquatic ecosystems, and on biodiversity. Forest coverage has been declining for decades. From 2010 to 2016, forest coverage shrank from 57.07 percent to 46.86 percent of national territory (see **Figure 16**).^{103,104} These losses occurred in the context of rapid economic growth and a transition to a market-oriented economy. This trend poses a great challenge to Cambodia's target set in its Nationally Determined Contributions (NDC) to the Paris Agreement to increase forest cover by up to 60 percent by 2030.

¹⁰³RGC (2019) 'National Strategic Development Plan 2019-2023'.

¹⁰⁴Ministry of Environment (2018) 'Cambodia Forest Cover', March 2018, available at: https://redd.unfccc.int/uploads/54_3_cambodia_forest_cover_resource__2016_english.pdf

Figure 16. Cambodia's forest coverage has declined for decades



Source: RGC 2019.

Similar to terrestrial ecosystems, river ecosystems and fisheries are also under growing threat, mainly due to the construction of dams on the Mekong River and its tributaries.¹⁰⁵ It is of note that links between the Mekong and Tonle Sap rivers create a large ecosystem of immense importance to Cambodia, especially biodiversity and people's livelihoods. The dams cause environmental and social harm by submerging agricultural land and blocking nutrient-rich sediment flows, causing habitat changes and reducing productivity as far downstream as the Mekong Delta. In particular, the Lower Sesan II (LS2) Dam is anticipated to have the most severe environmental impacts of any dam built on a tributary of the Mekong River, including a 9.3 percent reduction in fish biomass throughout the Mekong River Basin.¹⁰⁶ The LS2 Dam blocks both the Sesan and the Srepok rivers, preventing migratory fish species (40 percent of all fish in the Mekong) from reaching these important breeding grounds and causing over 50 species of fish to become critically endangered.¹⁰⁷ The construction of the proposed Sambor Dam and Stung Treng Dam on the Mekong mainstream is predicted to reduce yields of fish and other aquatic animals by 16 percent to 30 percent compared to 2011 baseline levels, causing a reduction in per capita fish consumption of 6 percent to 34 percent.¹⁰⁸ This reduction of fish supply for consumption will exacerbate existing malnutrition problems by reducing the amount of people who are able to meet recommended allowances of energy and nutrients.¹⁰⁹

¹⁰⁵ Harris et al. (2015) 'Hydropower Dam Development in Cambodia: Lower Sesan 2 and Stung Cheay Areng Hydropower Projects'. Submission to UN Special Rapporteur on the situation of human rights in Cambodia, 13 January 2015, available at: https://earth-rights.org/wp-content/uploads/documents/submission_to_special_rapporteur_on_hydropower.pdf

¹⁰⁶ Ibid.

¹⁰⁷ Ibid.

¹⁰⁸ IFREDI (2012) 'Food and Nutrition Security Vulnerability To Mainstream Hydropower Dam Development in Cambodia', Inland Fisheries Research and Development Institute (IFREDI), December 2012, available at: <https://media.business-humanrights.org/media/documents/files/media/cambodia-dams-and-food-security-2013.pdf>

¹⁰⁹ IFREDI (2012) 'Food and Nutrition Security Vulnerability To Mainstream Hydropower Dam Development in Cambodia', Inland Fisheries Research and Development Institute (IFREDI), December 2012.

As for biodiversity, since the 4th National Report to the Convention on Biological Diversity,¹¹⁰ Cambodia's list of known species has steadily increased for a number of taxa (Table 1). However, the populations of some species are declining, particularly with respect to marine mammals, such as the Dugong (*Dugong dugong*) and the River dolphin (*Orcaella brevirostris*) and fish. Some larger mammals such as the Tiger (*Panthera tigris*) and the Kouprey (*Bos sauveli*) have largely disappeared from Cambodia.¹¹¹

Table 1. Status of Cambodian species recorded (2009-2016)

Taxon	2009¹	2014²	2016³
Mammals	123	135	162
Birds	545	599	601
Reptiles	88	173	173
Fish species	874	955	1,357
Amphibians	63	72	72
Vascular	2,308	4,500	3,113
Hard coral	24	24	-
Soft coral	14	14	-

Sources: MoE (2010),¹¹² RGC (2014),¹¹³ RGC (2016)¹¹⁴

Based on the IUCN Red List, a number of known species in Cambodia are considered to be at risk (**Table 2**). This includes about 10 percent of all plant species assessed, 8 percent of all vertebrate species and 11 percent of all invertebrate species assessed. Of particular concern is that five out of 13 endemic species of vertebrates are currently threatened. At the global scale, Cambodia is a sanctuary for about 1.6 percent of all globally threatened species on the IUCN Red List, including 2.5 percent of globally threatened mammals, 2 percent of globally threatened birds, 5 percent of globally threatened reptiles, 1.6 percent of globally threatened fish, and just less than 1 percent of globally threatened amphibians.¹¹⁵

¹¹⁰ Ministry of Environment (2010) 'The Fourth National Report to the Convention on Biological Diversity', October 2010, available at: <https://www.cbd.int/doc/world/kh/kh-nr-04-en.pdf>.

¹¹¹ RGC (2019) 'National Strategic Development Plan 2019-2023'.

¹¹² Ministry of Environment (2010) 'The Fourth National Report to the Convention on Biological Diversity', October 2010, available at: <https://www.cbd.int/doc/world/kh/kh-nr-04-en.pdf>.

¹¹³ RGC (2014) 'The Fifth National Report to the Convention on Biological Diversity', August 2014, available at: <https://www.cbd.int/doc/world/kh/kh-nr-05-en.pdf>

¹¹⁴ RGC (2016) 'National Biodiversity Strategy and Action Plan', February 2016, available at: <https://www.cbd.int/doc/world/kh/kh-nbsap-v2-en.pdf>

¹¹⁵ RGC (2019) 'National Strategic Development Plan 2019-2023'.

There is a lack of data and knowledge on ecosystem services and biodiversity values in Cambodia, which limits the integration of environmental considerations into mainstream economic policy and planning processes. Furthermore, there is a lack of credible mechanisms at scale for sustainable financing to ensure that protected areas can be managed effectively, through a results-based approach. This is a major gap that puts at risk the environmental goods and services of Cambodia, and its biodiversity. Appropriate mapping and valuation of the wide array of ecosystem goods and services provided by Cambodia's natural sites is an important step in promoting conservation and sustainable financing.

Table 2. Number of threatened species in three taxonomic groups with information on the number of threatened endemic species¹¹⁶

Taxonomic group	Total number of assessed species	Critically endangered species (CR)	Endangered species (EN)	Vulnerable species (VU)	Total Known threatened species (CR, EN & VU)	Total endemic species assessed	Total known threatened endemicspecies
Vertebrates	1712	24	42	77	143	13	5
Invertebrates	697	0	7	72	79	9	1
Plants	367	1	17	19	37	1	0

¹¹⁶IUCN (2018) 'IUCN Red List of Threatened Species', Version 2018-2, available at: <https://www.iucnredlist.org/>

There are a number of reasons for the ongoing degradation of ecosystems and biodiversity, which are summarized in **Box 2**.

Box 2. Drivers of degradation of ecosystems and biodiversity loss in Cambodia¹¹⁷



1. Direct drivers

- **Land-use changes leading to loss of natural habitats:**
 - Rapid expansion of agriculture into forest lands, granting of large-scale agro-industrial economic land concessions, and distribution of land titles under social land concessions. According to statistics from the Cambodian Ministry of Agriculture, land expansion contributed to 42 percent of the increase in rice production between 2003 and 2012.
 - Large-scale infrastructure development, such as the construction of roads and dams;
 - Improvements in access to remote forested areas as a result of infrastructure development and increased land clearance for settlements;
 - Limited land use management plans leading to issues of land tenure, land speculation and encroachment of forests in some parts of protected areas;
 - Limited law enforcement and monitoring of forest and land use sectors
- **Increasing regional and global demand for raw materials, such as rubber and sugar;**
- **Unsustainable agricultural practices that have affected soil fertility and crop productivity, including the use of chemicals (pesticides and inorganic fertilizers);**
- **Sand dredging, issues of illegal extraction of sand.**
- **Natural resource over-exploitation (over-fishing, over-harvesting, unsustainable use):**
 - Small-scale logging and unsustainable harvesting of forests and non-timber products;
 - Illegal hunting and trade of wildlife species of high commercial value, commonly targeted for international trade (such as turtles and tortoises, pangolins, bears, deer and wild cattle);
 - Widespread collection of eggs and chicks of migratory birds and use of destructive harvesting methods that eliminate non-target fish or plant species.
- **Pollution: increasing levels of pesticides or chemical waste from agricultural and industrial developments affecting water quality and resulting in loss of ecosystem functions.**
- **Climate change and land degradation: increased intensity and frequency of floods and droughts have affected climate-sensitive sectors (such as agriculture, water resources, forestry, fisheries and tourism) and resulted in significant economic losses.**

¹¹⁷ Maplecroft, 'Climate Change Vulnerability Index 2014', available at: https://reliefweb.int/sites/reliefweb.int/files/resources/Climate_Change_Vulnerability_Index_%202014_Map_0.pdf



2. Indirect drivers

- Rapidly growing population with increasing demands for natural resources and challenges to harmonize economic development with forest and biodiversity conservation goals.
- Limited institutional capacity and collaboration to address pressures on biodiversity and natural resources

5.2 Climate Change and Resilience

Cambodia's heavy reliance on ecosystem goods and services makes it particularly vulnerable to environmental shocks and changes. The global 2014 Climate Change Vulnerability Index ranked Cambodia among the countries most vulnerable to climate change, in part due to its high dependence on agriculture and a large proportion of people living in flood-prone areas.¹¹⁸ Recent floods and droughts have highlighted this extreme vulnerability, while climate change forecasts predict even more dire weather events in the future.¹¹⁹

It has been recorded that, since 1960, average annual temperatures have increased in Cambodia by 0.8 degrees, and this trend is projected to continue.¹²⁰ Climate change is also expected to cause changes to rainfall patterns in Cambodia. Overall, rainfall is predicted to increase, especially in the rice-producing lowland regions of the country.¹²¹ This increase in rainfall is expected to result in increased frequency and severity of flooding events, especially in the central plains.¹²² Rainfall is also expected to become less predictable, and seasonal variations more extreme, with more rain occurring in a shorter time during the wet season, and longer, more arid conditions during the dry season.¹²³ These climatic changes can lead to increased incidences of extreme weather events such as flooding and drought.¹²⁴ Frequent occurrences of extreme weather events and the variability of precipitation in the region may further result in economic losses and loss of life due to water-related disasters.

Cambodia has 435km of coastline, and these coastal areas are vulnerable to the impacts of sea level rises (NCCC 2013). In addition to the inundation of coastal lands, sea level rises are expected to exacerbate the frequency and intensity of coastal typhoons.¹²⁵

¹¹⁸ Maplecroft, 'Climate Change Vulnerability Index 2014', available at: https://reliefweb.int/sites/reliefweb.int/files/resources/Climate_Change_Vulnerability_Index_%202014_Map_0.pdf

¹¹⁹ Crothers, L. (2016) 'Animals Die as Cambodia is Gripped by Worst Drought in Decades', *The Guardian*, Thursday 5 May 2016, available at: <https://www.theguardian.com/global-development/2016/may/05/animals-die-cambodia-worst-drought-decades>

¹²⁰ Heng, C. (2015) 'Observed and Projected Changes in Temperature and Rainfall in Cambodia', *Weather and Climate Extremes*, Vol. 7, March 2015.

¹²¹ Bylander, M. (2016) 'Cambodian Migration to Thailand: The role of environmental shocks and stress', *Global Knowledge Partnership on Migration and Development (KNOMAD)*, KNOMAD Working Paper 7, January 2016.

¹²² NCCC (2013) 'Cambodia Climate Change Strategic Plan 2014-2023', National Climate Change Committee.

¹²³ Bylander, M. (2016) 'Cambodian Migration to Thailand: The role of environmental shocks and stress', *Global Knowledge Partnership on Migration and Development (KNOMAD)*, KNOMAD Working Paper 7, January 2016.

¹²⁴ Ibid.

¹²⁵ NCCC (2013) 'Cambodia Climate Change Strategic Plan 2014-2023', National Climate Change Committee.

Agriculture, infrastructure, forestry, human health, and coastal zones are the most vulnerable sectors to the impacts of climate change in Cambodia (Cambodia NDC 2015).¹²⁶ Climate variability is imposing a significant challenge on Cambodian local communities by **affecting water and food security**.

Salinity intrusion impacts on drinking water, and causes crop damage. It also leads to decreasing fresh-water fish stocks, which has already been identified as a problem in Cambodia's coastal provinces. Increasing climate-induced salinity will adversely impact small-scale fishers, as fresh-water species could decrease by 40 percent to 50 percent in highly saline regions. This dramatic loss in biodiversity is a serious threat to the local ecosystem and the national food supply. **Limited access to year-round safe drinking water presents a water security challenge, resulting in the increased use of less safe water and higher recurrent water costs. This is due to the purchase of bottled and trucked water,¹²⁷ with associated risks to health outcomes.** One of the most significant impacts of increasing temperatures is on agricultural production. Increasing annual average temperatures will likely negatively impact the health of crops, livestock and fish, which is detrimental to people's livelihoods.¹²⁸ Crop yields for agricultural products such as rice decrease with increasing temperatures.¹²⁹

Changing rainfall patterns and increasing instances of drought and floods are also likely to have negative impacts on agricultural livelihoods. Because most rice agriculture in Cambodia is rain-fed and grown during the wet season, with only 7 percent to 8 percent of total land under full irrigation, changes in rainfall and the timing of seasons are expected to heavily impact rural populations who are highly dependent on these patterns. These changes in temperature and rainfall are expected to most heavily impact poorer households, compounding problems of rural poverty and vulnerability.¹³⁰

Increases in flooding and weather events, such as storms, can also have negative impacts on Cambodians' livelihoods, as these events result in economic losses by causing damage to natural resources and people's property.¹³¹ Around 80 percent of the population depend **on rain-fed subsistence agriculture** for their survival. Currently, less than 30 percent of the arable land is cultivated and only a fraction of it is irrigated. Additionally, the increase in frequency and intensity of extreme events, such as droughts and floods, pose increasingly significant risks to existing irrigation infrastructure and management systems. **Therefore, less irrigated land with diminishing water availability and irrigation infrastructure poses a challenge to the food security of the country.**

Due to gender inequalities and women's limited access to alternative income sources, education, credits, etc., women are more vulnerable to the effects of climate change and scarcity of natural resources. For example, women account for 60 percent to 90 percent of wholesale and retail traders of agricultural products in Cambodia,¹³² a sector highly impacted by climate change.

¹²⁶RGC (2015) 'Cambodia's Intended Nationally Determined Contribution', submitted to the UNFCCC.

¹²⁷National Institute of Statistics, DGH and ICF International (2015) 'Cambodia Demographic and Health Survey 2014', September 2015.

¹²⁸Bylander, M. (2016) 'Cambodian Migration to Thailand: The role of environmental shocks and stress', Global Knowledge Partnership on Migration and Development (KNOMAD), KNOMAD Working Paper 7, January 2016.

¹²⁹NCCC (2013) 'Cambodia Climate Change Strategic Plan 2014-2023', National Climate Change Committee.

¹³⁰Bylander, M. (2016) 'Cambodian Migration to Thailand: The role of environmental shocks and stress', Global Knowledge Partnership on Migration and Development (KNOMAD), KNOMAD Working Paper 7, January 2016.

¹³¹NCCC (2013) 'Cambodia Climate Change Strategic Plan 2014-2023', National Climate Change Committee.

¹³²ESCAP (2017) 'Gender, the Environment and Sustainable Development in Asia and the Pacific', 8 September 2017.

Climate change also poses challenges to the protection of children's rights. In rural areas, for example, adaptation strategies, such as the allocation of additional time in sourcing water or pasture, can affect women's labour allocation, in turn influencing the time available for childcare and feeding (e.g. breastfeeding and preparing healthy meals). The climate change-induced impacts on agriculture and food security also create a risk of impacting child growth through nutritional deficiencies. The projected temperature increases will negatively affect the most vulnerable populations, especially children and the elderly, particularly through heatwaves¹³³ and climate-related disasters such as floods, thus impeding children's access to education, health and WASH services.

One key way for Cambodia to successfully adapt to climate change risks and other stressors is to maintain healthy ecosystems, which mitigate against environmental and other stressors, and increase resilience.¹³⁴ The latest global agenda on climate and development places resilience at its core, noting that it must be achieved through social and ecological diversity on all levels.¹³⁵

¹³³ RGC (2020) 'Cambodia's Updated Nationally Determined Contribution', 31 December 2020.

¹³⁴ Millennium Ecosystem Assessment 2015.

¹³⁵ Center for International Forestry Research (CIFOR) (2016) 'CIFOR Strategy 2016-2025: Stepping Up to the New Climate and Development Agenda'.



5.3 Community Rights and Participation in Conservation and Sustainable Development

5.3.1. Access to Natural Resources and Land

The widespread practice of leasing land to private companies causes many local communities to lose access to natural resources. This process is exacerbated by flaws in Cambodia's land registration system, which leaves many people without secure land tenure.¹³⁶ Even efforts to systematically grant land titles have failed to improve land security for the most vulnerable people by excluding areas of 'disputed' or 'unclear' ownership, leaving a means for government authorities to exclude land highly sought after by powerful individuals and corporations from the land titling process. As a result of widespread land insecurity, conflicts over land are common.¹³⁷ It is estimated that between 2000 and 2014, over 400,000 people in Cambodia were adversely impacted by land grabbing, such as through decreased food security or loss of land.^{138,139}

Victims of land grabbing or forced evictions do not have the option of using the courts to seek redress, because the judiciary is highly politicized and works in favour of the executive government rather than in the interests of affected citizens.¹⁴⁰ Thus, violations of people's rights to land and natural resources are compounded, as those who take the only option available to protect one's land through public protest become targets of harassment, intimidation, threats, unlawful arrests and convictions, and sometimes even death.^{141,142} According to figures from ADHOC, 121 people were charged and arrested due to involvement in land disputes in 2014.

¹³⁶ADHOC (2014) Report: 'Land Situation in Cambodia in 2013'.

¹³⁷Ibid.

¹³⁸MacInnes, M. (2015) 'Land is Life: An analysis of the role 'grand' corruption plays in enabling elite grabbing of land in Cambodia', Global Witness.

¹³⁹LICHADO (2014) '2014 Brings a New Wave of Cambodian Land Conflicts', Statement, 1 April 2014, available at: <https://www.licadho-cambodia.org/press/files/342LICADHOPRLandConflictd2014-English.pdf>

¹⁴⁰MacInnes, M. (2015) 'Land is Life: An analysis of the role 'grand' corruption plays in enabling elite grabbing of land in Cambodia', Global Witness.

¹⁴¹MacInnes, M. (2015) 'Land is Life: An analysis of the role 'grand' corruption plays in enabling elite grabbing of land in Cambodia', Global Witness.

¹⁴²ADHOC (2014) Report: Land Situation in Cambodia in 2013', available at: <https://www.adhoccambodia.org/report-land-situation-in-cambodia-in-2013-2/>

5.3.2. Indigenous Rights to Land and Management of Natural Resource

Indigenous communities in Cambodia are especially vulnerable to loss of access and ownership of natural resources through land grabbing and privatization. One reason for the heightened vulnerability of indigenous communities is that their traditional livelihoods are dependent on land and forest resources. In addition to practicing animal husbandry and shifting cultivation, indigenous groups collect non-timber forest products and practice weaving as their main sources of income.¹⁴³ The land and forests also have a spiritual significance, and their traditional cultural identity is dependent on the land to maintain their customary way of life and society.^{144,145} Indigenous communities are also more vulnerable because they have been historically marginalized as minority ethnic groups. They often lack access to justice through formal legal institutions and hold less political and financial power compared to other citizens.¹⁴⁶

A key reason for indigenous communities' heightened vulnerability is that in many cases indigenous communities lack a legal title to their traditional land that serves as proof of ownership. The Cambodian Land Law of 2001 established the basis for legal recognition of collective land ownership in the form of communal land titles.^{147,148} However, despite the official legal acknowledgment of indigenous people's rights to access, use and own land and natural resources, there are many challenges that prevent indigenous communities from exercising these rights. Poor law enforcement and a lack of knowledge or commitment from local authorities often leads to land alienation among indigenous peoples, including cases of land being granted as economic land concessions without consultation, or free, prior and informed consent of the local communities.^{149,150}

When indigenous communities do follow the legal process to secure land tenure by obtaining a communal land title, they are faced with many difficulties due to the complexity of the process: acquiring a communal land title requires multiple steps, the cooperation of multiple ministries, extensive financial costs, and often takes many years to complete.¹⁵¹ Current research in this area will seek to document and understand the experiences of indigenous communities at various stages of the communal land title process, and examine the threats and challenges they face in securing their land rights. This will enable policy development that will enhance indigenous communities' capacity to protect their traditional lands and access natural resources.

¹⁴³ Moul, P. and Sovathana Seng (2012) 'Country Technical Notes on Indigenous Peoples' Issues'.

¹⁴⁴ Chea, P. and Ratana Pen (2015) 'Large-Scale Land Grabbing in Cambodia: Failure of international and national policies to secure the indigenous people rights to access land and resources'. Paper presented at a World Bank Conference on Land and Poverty, 2015, available at: <https://www.oicrf.org/-/large-scale-land-grabbing-in-cambodia-failure-of-international-and-national-policies-to-secure-the-indigenous-people-rights-to-access-land-and-resources>

¹⁴⁵ Cambodian Centre for Human Rights (2016) 'Access to Collective Land Titles for Indigenous Communities in Cambodia', available at: https://cchrcambodia.org/index_old.php?url=media/media.php&p=report_detail.php&reid=111&id=5

¹⁴⁶ Chea, P. and Ratana Pen (2015) 'Large-Scale Land Grabbing in Cambodia: Failure of international and national policies to secure the indigenous people rights to access land and resources'.

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¹⁴⁹ ADHOC (2014) Report: 'Land Situation in Cambodia in 2013',

¹⁵⁰ Chea, P. and Ratana Pen (2015) 'Large-Scale Land Grabbing in Cambodia: Failure of international and national policies to secure the indigenous people rights to access land and resources'.

¹⁵¹ Chea, P. and Ratana Pen (2015) 'Large-Scale Land Grabbing in Cambodia: Failure of international and national policies to secure the indigenous people rights to access land and resources'.

5.4 Environmental Governance

Good environmental governance is founded on two critical components, strong legal frameworks and effective institutions. Legal and institutional frameworks provide the structure to set environmental standards and mandate specific institutions to implement, monitor and ensure compliance with the standards. Typically, good governance requires a process whereby institutions conduct their environmental mandate in a manner that is consistent with, and promotes, the rule of law and the realization of human rights (including environmental rights) in the environmental decision-making process. Institutional set up and mechanisms on environmental monitoring, data, statistics and sharing are integral parts of the overall institutional framework, and fundamental for evidence-based and informed decision making.

This informed decision-making process demands a multilevel, whole of society, whole of government and multisectoral approach to identifying challenges, designing appropriate solutions, and implementing, monitoring and evaluating solutions. This approach necessitates the involvement of relevant stakeholders from the grass-roots to the national level, including public actors, the private sector, women, youth and indigenous communities in environmental decision making, the promotion of policy coherence and enhanced coordination and synergies in implementing solutions. Fundamentally, good governance will ensure that environmental decision making is consultative and representative, giving diverse stakeholders a sense of ownership and thereby making conservation and sustainable development goals easier to achieve.

Cambodia continues to have environmental governance challenges. There remain hurdles to full and effective public participation in decision making with, in particular, recent pressure on environmental activists and environmental defenders. Local communities, civil society and the private sector do not have adequate access to information or opportunities to participate within environmental governance. There are some ongoing conflicts between local communities and other stakeholders in the protection of natural resources and the role of communities in conservation and recognition of land rights.

To sustain Cambodia's vital ecosystems and environment, the government has implemented environmental governance reforms. These include new policies and legal frameworks, jurisdictional reforms for ecosystem and protected area management, a new draft Environment and Natural Resources Code, decentralization of natural resource management functions and a moratorium on new economic land concessions (Box 3). These measures are intended to transform the current mode of economic development into one that is more sustainable and better equipped to simultaneously ensure the needs of people and ecosystems, recognizing the two are not mutually exclusive. However, the country still faces several challenges in fully attaining this ambition.

Box 3. Recent reforms and policies aim for sustainability

Cambodia is a party to the Convention on Biological Diversity, the United Nations Convention to Combat Desertification, and the United Nations Framework Convention on Climate Change. It is also a signatory to the Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization, which was adopted by the Conference of the Parties to the Convention on Biological Diversity in 2010.

Besides these global commitments, new and emerging national policies reflect a strong commitment to the conservation of ecosystems, biodiversity and the environment. They include:

- Cambodia Climate Change Strategy Plan (2014-2023)
- Cambodia's First (2002) and Second (2015) National Communication to the UNFCCC
- Cambodia's First NDC and Second NDC (2020)
- Cambodia National Strategic Plan on Green Growth (2013-2030)
- Cambodia National REDD+ Strategy (2017-2026)
- National Circular Economy Strategy and Action Plan (draft)
- National Environmental Strategy and Action Plan (2018)
- National Protected Area Strategic Management Plan (2017-2031)
- National Forest Programme (2009-2029)
- Production Forest Strategic Plan (draft)
- National Biodiversity Strategy and Action Plan (2016)
- Cambodia Industrial Development Policy (2015-2025)
- National Sustainable Consumption and Production Roadmap (in preparation)
- National Energy Efficiency Policy (draft)
- The Intermodal Transport Master Plan (2021-2030) (draft)
- The National Waste Management Strategy and Action Plan (draft).

Ministry of Environment (MoE) modernization

In May 2015, the RGC issued a sub-decree on the new structure of MoE to improve its effectiveness in managing natural resources and the environment. The ministry developed the National Environmental Strategy and Action Plan (2016-2023) to mainstream environmental concerns into line ministry policies and planning.

The National Council for Sustainable Development (NCSD)

In May 2015, the RGC issued a royal decree to establish the NCSD. The NCSD is to facilitate high-level political decisions on issues relating to sustainable development that concern more than one ministry.

Jurisdictional reforms in natural resource management

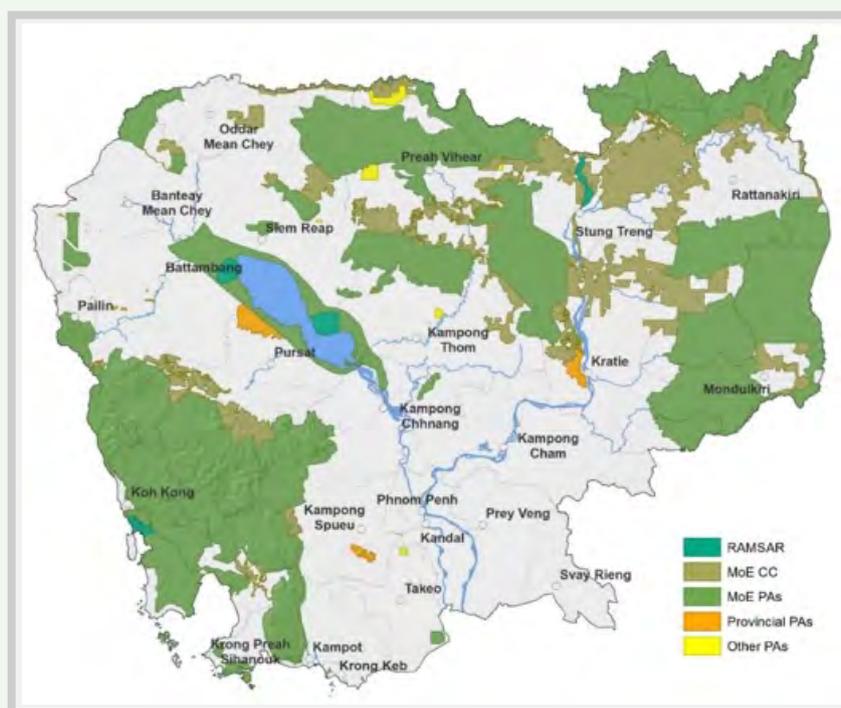
Since February 2016, the government has implemented a major reform of natural resource management. This reform refined the roles and mandates of MoE and the Ministry of Agriculture, Forestry and Fisheries (MAFF).

Prior to the reform, jurisdiction over forests and natural resources was divided between MAFF and MoE, with overlapping duties of development and conservation. MoE oversees a total of 3.3 million ha of protected areas and manages economic land concessions within these protected areas. The Forestry Administration (MAFF) jurisdiction includes the “permanent forest reserve”, which consists of a mix of production, protection and conversion forests, as well as economic land concessions within these areas. The Fishery Administration (MAFF) currently has jurisdictional control over most issues relating to fisheries, including flooded and mangrove forests. MoE now takes on the primary responsibility for the protection and conservation of forests and ecosystems, while MAFF focuses on the development aspects of natural resource management, including economic land concessions.

This reform resulted in the creation of protected landscapes that cover 7.4 million ha of land, 41 percent of the country (see map). The RGC transferred the management jurisdiction for protected forests and landscapes from MAFF to MoE. These areas are now protected under the 2008 Protected Areas Law, so MoE has sole responsibility for all of Cambodia’s terrestrial protected areas (RGC Sub-Decree 69, 2016).

All economic land concessions have been transferred under the management of MAFF. Community forests remain under the jurisdiction of MAFF, as do conservation areas and community fisheries, which are managed by the Fisheries Administration within MAFF.

As of 2017, Cambodia’s protected area system covers 40 percent of the country



Source: Ministry of Environment. Map created by the Wildlife Conservation Society (WCS) of Cambodia, 2017.

Development of an environment and natural resources code

A proposed environment and natural resources code outlines overarching principles and provides guidance on implementing laws on natural resource management and biodiversity conservation, aimed at sustainable management. Important new stipulations include conducting strategic environmental and social assessments to avoid, mitigate and minimize adverse impacts on the environment and development. A proposal for collaborative management would support the rights and interests of communities in natural resource management.

Decentralization of natural resource management

Government Circular no. 5 on decentralizing authority to sub-national governments enables district and provincial authorities to play more prominent roles in natural resource management, particularly law enforcement. Other resource management responsibilities may be devolved to sub-national entities in line with MoE regulations (prakas). These delegate key functions of protected area management to local government, such as community engagement, environmental education and the mainstreaming of climate resilience measures in development planning.

Decentralization has strong potential to enhance human development through improved ecosystem management, particularly in Cambodia's remote forested provinces. Yet it comes with potential risks that need to be managed. Indonesia, for example, decentralized power and authority to manage natural resources to the local level, but this initially resulted in significant confusion among stakeholders and a notable increase in deforestation.¹⁵²

The first challenge relates to the low productivity of natural resources. While Cambodia has dramatically advanced its national agenda for conservation, areas zoned for production have decreased from 6 million to 1.4 million hectares. Current levels of production are unlikely to meet rapidly growing demands for fuel and construction timber. This will likely increase pressure on other forests, leading to a spiral of degradation. There is thus a critical need to boost the productivity of forests reserved for production.

Improved productivity of natural resources is also important to secure the support of rural communities for resource management measures by increasing the benefits they receive. People's commitment to sustainable management will be largely shaped by what they can draw out of it.¹⁵³ Currently, however, the economic potential of sustainably managed products has yet to be fully realized.

The second challenge relates to limited human resources for conserving ecosystems and community involvement. According to MoE, more than 7 million hectares of protected landscape are managed by just 1,260 rangers. This means that each ranger is responsible for more than 5,000 hectares of land, an area too large for effective management. While Cambodia has made some progress towards engaging communities in managing natural resources, less than 10 percent of its forests and protected areas are under community management (See box 4).

¹⁵² Saito-Jensen et al. (2015) 'Policy Options for Effective REDD+ Implementation in Indonesia: The significance of forest tenure reform', *International Forestry Review* 17(1): 86–97.

¹⁵³ Saito-Jensen, M. and Nathan, I. (2015) 'Exploring the Potentials of Community Based Natural Resource Management for Benefiting Local Communities: The case of joint forest management in Andhra Pradesh', *Society and Natural Resources* 24(11): 1142–1156.

A third challenge concerns limited financial resources for managing the large area of protected landscapes. The current budget allocation for MoE is minimal, comprising less than 0.4 percent of the annual government budget in 2017.¹⁵⁴ This is insufficient for governing 40 percent of the total land of Cambodia.

The fourth challenge is a lack of sufficient data and information for evidence-based and informed decision making and policy enforcement towards national development priorities and CSDG implementation. A related challenge concerns market failures, where under-valuation of ecosystem goods and services leads to overexploitation or loss. Under the global REDD+ initiative, for example, the environmental values of forests to store and sequester carbon has not been fully considered by users of forests because storage and sequestration have had no market value. Therefore, forests are exploited or cleared for agriculture and other purposes that they see as generating tangible economic benefits. In order to prevent such market failures and promote conservation, payments may be needed to compensate people for preserving the forests.

A final challenge concerns unclear and overlapping land uses. MoE has the challenging task of sustainably managing a very large protected area system, which requires recognizing the needs of communities living within it. According to the Protected Area Law, all areas must be categorized into four zones (core, conservation, sustainable use and community zones) depending on conservation priorities. Yet, only a handful of protected areas have actually been categorized. Accordingly, it is uncertain which areas are prioritized for conservation and which for human development.

Box 4. National provisions for community-based natural resource management

The Government has initiated the following measures to foster community management of natural resources and strengthen resource rights for indigenous communities. Each measure is intended to improve livelihoods while safeguarding ecosystems.

- Community forestry: 604 sites established by 2018, comprising 470,970 hectares.¹⁵⁵
- Community protected areas: 168 areas with 39,452 households, comprising 272,110 hectares.
- Community fisheries: 516 sites established, concentrated mostly around Tonle Sap.¹⁵⁶
- Indigenous communal land titles: 11 indigenous communities have received legal recognition of communal land titles.¹⁵⁷

Customary user rights: Stipulated in the Forestry Law and applying to forests managed by MAFF, these rights allow communities to maintain traditional livelihood practices, although they have been hard for communities to establish and defend.

¹⁵⁴ RGC, (2017) 'National Protected Area Strategic Management Plan', Royal Government of Cambodia, available at: http://www.cambodia-redd.org/wp-content/uploads/2017/10/Final_NPASMP-Eng_27_Jul_2017.pdf.

¹⁵⁵ RGC (2019) 'National Strategic Development Plan 2019-2023'.

¹⁵⁶ National Climate Change Committee (2013) 'Cambodia Climate Change Strategic Plan 2014-2023'.

¹⁵⁷ Cambodian Centre for Human Rights (2016) 'Access to Collective Land Titles for Indigenous Communities in Cambodia'.



The COVID-19 pandemic has inflicted severe socio-economic damage on Cambodia. It has wiped out significant development gains of the past years, and its adverse impact on the economy and society may be long lasting. As the economy contracted in 2020, the country is projected to achieve low growth in the coming years, depending on the success of suppressing the pandemic and global and regional economic conditions. The impact on people's livelihoods and access to basic services, particularly for vulnerable and marginalized groups, could threaten progress in human capital development and socio-political cohesion, which would in turn cause social, economic and political consequences. Overall, there is rising risk to Cambodia's progress towards achieving the CSDGs in 2030 and high-income country status in 2050.

6.1 Risk and Vulnerability

The severe economic contraction in 2020 led to a substantial loss of employment and a reduction in income, especially for vulnerable and marginalized groups. The economic contraction casts a long shadow of repercussions and can create the risk of a long-term spiral of unemployment and/or underemployment. The prolonged economic crisis induced by the pandemic caused under-utilization of productive capacity and a reduction in potential growth, which may have a negative impact on economic growth in the medium term. In turn, this would slow down efforts in poverty alleviation and progress in other development dimensions.

The pandemic has further threatened core sectors of the Cambodian economy, which has a narrow base to begin with. Severely affected economic sectors include garments, tourism and construction, accounting for nearly the entirety of the GDP growth. These are the main sources of employment, foreign earnings and tax revenues. Strong links between these three industries with other sectors imply that a job lost in either the garment, tourism or construction sectors can lead to a loss of more jobs or a reduction in income in other sectors, especially in MSMEs and/or informal sectors (e.g., street food vendors, hairdressers, transportation providers, etc.).

Recovery prospects in these three economic sectors are dimmed by high uncertainty of global and regional economies. In particular, the US and EU, which are the largest markets for Cambodia's exports, continue to struggle with the pandemic. Economic recovery remains tenuous if virus transmission is not well contained and vaccination is not widely available to Cambodia and its trading partners. In addition, the recovery of garment and other manufacturing exports remains at risk of rapidly shifting global and regional production networks

Hence, creating new jobs and maintaining current jobs and income for the people, particularly in sectors most affected by the pandemic is critically important. Evidence shows that protection of workers' existing jobs and people's livelihoods can support macroeconomic stability and growth. Women and girls should be front and centre of the response and recovery policies, as they have been disproportionately affected by the pandemic.

In charting the path to recovery, however, new economic opportunities must be forged. For the same reasons of prevailing uncertainty and shifting supply chains in global and regional economic markets, inherent challenges to the country's competitiveness, and the vulnerability of key economic sectors suggest that new sources of growth must be identified and promoted.

The pandemic has also strained the public sector budget, on one hand due to a decrease in revenues, and on the other an increase in public spending to mitigate adverse socio-economic impacts. While the prospect of economic recovery remains highly uncertain, there is a need to keep public spending high to provide essential services, protect people's livelihoods and stimulate the economy. Hence, fiscal space will further narrow, constraining capital investments in key economic and social sectors.

Affordable and quality health care remains far from being universally accessible. Although public health expenditure has increased in the past years, it remains relatively low by global standards as a share of GDP (6 percent of GDP in 2018) and total health expenditure. The combined effects of COVID-19, including escalating demand for health care services and adverse socio-economic fallout, have amplified the fragility of the existing health-care system and ultimately, people's wellbeing.

Together with household income shocks, disrupted learning caused by school closures for extended periods in 2020 due to COVID-19 have increased school dropout rates and resulted in poor academic performance for many children, who mostly belong to poor and vulnerable households, especially in rural areas. Inequality has been exacerbated. This is particularly true for children, especially girls from poor households who are expected to carry the burden of housework and domestic care. They have faced greater difficulty in accessing online and digital learning programmes. As a result, the HDI in 2020 dropped by an estimated 3.93 percent, or the equivalent of four years' progress. These developments are likely to exacerbate pre-existing issues, including lack of skilled labour and skills mismatch, that can already be observed in the labour market.

The COVID-19 outbreak has occurred against the backdrop of a climate crisis and the growing exploitation of natural resources that push against the limits of natural systems and ecology. The pandemic has exposed the vulnerability of the current development model to economic, social or climate shocks. This calls for a strengthening of the country's resilience to future weather shocks. It is essential to re-calibrate a more sustainable development model that takes into account economic, social and environmental aspects that are crucial for realizing the CSDGs

The pandemic further exposed inherent vulnerabilities and existing inadequacies for protecting people that underlie the current economic development model. The loss of jobs and incomes, combined with deteriorating social indicators may erode social cohesion and trust in public institutions, and may lead to social and political instability. Economic hardships may spur waves of social unrest, mass migration (either from rural to urban areas or overseas) and in turn trigger further restrictions on human rights, given ongoing concerns about the deterioration of democratic and civic space in the country. Political participation has become more challenging as the former opposition party, the CNRP, was arbitrarily dissolved in 2017 and approximately 100 of the opposition's leadership have been banned from participating in national politics for five years. In the absence of genuine opposition political parties, and with a democratic space and political climate that do not allow dissenting voices, the outlook for free and fair elections is complex and non-conducive. Furthermore, over 100 members of the opposition have been subjected to mass trials. There are also concerns about the activities of civil society organizations being interfered with or intimidated by authorities in addition to restrictions on the right to freedom of expression and peaceful assembly. This includes the arrest of individuals for COVID-19 related public comments and social media posts.¹⁵⁸

6.2 Strategic Priorities

The current crisis can be turned into an opportunity to transform Cambodia's socio-economic development model, while remaining steadfast in its long-term vision of realizing the CSDGs by 2030 and achieving high-income country status by 2050. The COVID-19 response and socio-economic recovery policies can address inequality, narrow vulnerability gaps, and increase resilience to ensure that the country can achieve inclusive, equitable, sustainable recovery and prosperity. To this end, the UN will focus on key strategic priorities: 1) strengthening pandemic health response and vaccination; 2) elevating human capital development; and 3) green growth and the digital economy, underpinned by an overarching commitment to gender-transformative recovery from the pandemic and promoting and protecting human rights. To reaffirm the UN's commitment towards these strategic priorities, the Socio-Economic Response Framework to COVID-19 will converge with the UN Cooperation Framework 2019-2023 and be supported by a partnership and resource mobilization strategy and joint action plan for the remaining planning cycle.

¹⁵⁸ UNSG (2020) Report on Human Rights Situation in Cambodia, presented at the Human Rights Council 2020.

An inclusive, equitable and sustainable recovery must stand up for human rights and be gender-transformative. Together with partners, the UN system in Cambodia will support the government to fulfil its human rights obligations and commitments to benefit all Cambodians. Guided by the Secretary General's Call to Action on Human Rights, the UN Country Team will formulate and implement a human rights response strategy that dedicates attention to protecting and promoting civic space (political and civil rights), and integrates human rights in UN system-wide action on building back better and accelerating progress towards the SDGs.

Making progress on gender equality and women's empowerment in Cambodia will be a critical component of pandemic recovery. Ensuring the implementation of existing commitments, such as the Policy on Gender Equality and the National Action Plan on Violence against Women, recently adopted by the government, as well as the Action Plan to Prevent and Respond to Violence Against Children 2017-2021 will provide an important entry point. The UN will leverage opportunities in women's leadership and political participation, as well as in economic empowerment, including expanding social protection and counting women's unpaid work. Equally important is leveraging gender equality to promote economic stability and growth. Inclusive green growth pathways can generate the political will to undertake climate action that integrates gender equality and pro-poor approaches. A focus on gender can increase access to green finance from development banks and other multilateral investors, which have adopted gender policies and criteria in investment decision making.

1/ Strengthening pandemic response, preparedness and vaccination

To ensure that Cambodia can recover better from the pandemic, the first priority is to focus on stopping virus transmission and saving lives. Building on WHO technical leadership on the health response, efforts will centre on health system strengthening in the response, and in preparedness for larger scale outbreaks and future pandemics. The focus will also be on protecting and accelerating vaccine deployment to the most vulnerable Cambodians. The investment in COVID-19 vaccine deployment presents an opportunity to contribute to longer-term health system strengthening and improvement in overall immunization programmes. Importantly, the responses to the pandemic should be guided by human rights based approaches encompassing civil, political, economic, social and cultural rights, as well as the principles of accountability, participation and transparency.

2/ Elevating human capital development

Hand-in-hand with the critical health response, the UN will prioritize human capital development and the fulfilment of human rights for all, while ensuring that no one is left behind in the response and recovery efforts. The UN will continue and renew efforts to upgrade and scale up the health and social protection systems towards universal coverage and sustained investments in education, skills development, nutrition, food security, WASH, child protection, sexual reproductive health and rights, and prevention of gender-based violence.

As exposed by the pandemic, human capital development is fundamentally important for the country to weather future shocks. Investing in people will ensure that Cambodia can reap the benefits of demographic dividends in future, as the window of opportunity is closing within the next two decades. As a foundational investment in human development, improving the connectivity of children and teachers to support teaching and learning processes will be essential in the coming years to reduce learning loss and improve educational outcomes. Making serious in-roads into reducing the digital divide in education is a long-term but necessary investment for the country.

3/ Promoting green growth and digital transformation

Green growth is imperative for building forward better from the pandemic. Efforts will need to focus on co-designing transitions towards renewable energy, energy efficiency, climate-resilient infrastructure, and sustainable natural resource management with dedicated attention to creating green jobs and skills for women and youth. Digital transformation is a critical priority to ensure that Cambodia optimizes the opportunity of pandemic recovery to diversify its economy, to put in place the infrastructure, enabling policies, capabilities and mind set for innovation and entrepreneurship to thrive in the 21st century global economy.

Green growth is either a means or an end to achieve long-term, healthy growth and prosperity. The post-pandemic economic recovery is a real opportunity to optimize the untapped potential to increase the resilience of the economy and to improve economic competitiveness, as Cambodia is well positioned with a low-carbon profile and rich natural capital assets. This is even more important because Cambodia is one of the countries highly vulnerable to climate change and environmental degradation. The economic modelling work by MEF and the NCSD, with support from the UN, estimates that climate change could reduce Cambodia's GDP in 2050 by almost 10 percent, and GDP in 2030 by 2.5 percent.

Key priorities for promoting green growth include: promoting the expansion of clean and renewable energy; setting minimum efficiency standards for household appliances and equipment and energy labelling; re-imagining the tourism sector and re-calibrating the sector's strategy to promote the value of Cambodia's rich natural and cultural heritage, including natural biodiversity sites, religious sites and historic temples, while preserving environmental resources and exploiting tourism opportunities.

During the pandemic, businesses that are able to adapt to 'new normal' situations by adopting digital technologies are more likely to survive and thrive in a competitive environment. With the unprecedented pace of technological development, supporting a favourable environment for growing digital and innovative businesses is very important to keep the economy competitive and to promote new sources of growth. Digital transformation is key to attaining Cambodia's high-income country vision and the UN must provide evidence and policy options, and build capabilities to support this aspiration.

4/ Financing Pandemic Recovery and SDGs

The decline in capital inflows, including FDI and remittances, will weaken the economy's ability to recover from the pandemic. This is exacerbated by a strain on the public sector budget, while there is a need to maintain high public spending to support the rebound of economic activity and protect people's livelihoods. Hence, supporting the government to expand fiscal space is a critical priority.

Adapting the principles of the Integrated National Financing Framework to the Cambodian context will allow the government to build a demand-driven financing framework, enable the expansion of development resources, and implement a sound financing strategy. The credit guarantee scheme, as part of the innovative financing system, will further provide low-cost and reliable financing to MSMEs in Cambodia. The ongoing joint efforts to develop a coherent and integrated SDG Financing Strategy should be sustained to support the government in responding to systemic challenges in socio-economic recovery and building long-term resilience.

The UN must engage more substantively in developing new financing instruments, including climate financing and impact investments, to ease the public sector financing constraints and stimulate growth. Leveraging the UN's ongoing support to the RGC on issuing Khmer Riel bonds through the Joint SDG Fund is a critical contribution. The Khmer Riel bond issuance would help mobilize financial resources, develop the domestic capital market, and establish a monetary instrument vital for navigating macroeconomic management via interest rate targeting, and thus ameliorate the reduction in costs of borrowing. This would move the economy gradually towards de-dollarization.

Other policy options could include increasing taxes and enhancing the efficiency of tax administration, which could support the public sector budget, particularly during this challenging time. This policy measure also contributes to improving public health, averting a wide range of non-communicable diseases, and thus reducing both public sector and out-of-pocket health expenditure.

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United Nations Resident Coordinator Office in Cambodia

53 Pasteur Street, Boeung Keng Kang I, Phnom Penh,
Cambodia. P.O Box: 877

 +855 (0) 23 216 167, Ext. 1335

 <https://cambodia.un.org>