



Revisiting the Pandemic

RAPID SURVEY ON THE IMPACT OF **COVID-19**
ON MSMEs IN THE TOURISM SECTOR AND HOUSEHOLDS
IN **CAMBODIA**



The Asia Foundation

Improving Lives, Expanding Opportunities

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RAPID SURVEY ON THE IMPACT OF COVID-19 ON MSMES IN
THE TOURISM SECTOR AND HOUSEHOLDS IN CAMBODIA

Cambodia Report
Third Round of Surveys (October 2020–April 2021)

Angkor Research and Consulting
Centre for Policy Studies
Future Forum
The Asia Foundation

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Abbreviations

ADB	Asian Development Bank
ARC	Angkor Research and Consulting
CATA	Cambodia Association of Travel Agents
FF	Future Forum
FIES	Food Insecurity Experience Scale
GDP	Gross domestic product
KPP	Kampot Province
KPS	Kampong Speu Province
MSME	Micro, small, and medium enterprise
NSSF	The National Social Security Fund
PNP	Phnom Penh
RGC	Royal Government of Cambodia
SMEs	Small and medium enterprises
SRP	Siem Reap Province
SvRP	Svay Rieng Province
YEAC	Young Entrepreneurs' Association of Cambodia

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This is an independent study, carried out by the Foundation's partners. The findings, interpretations, and conclusions do not necessarily represent the views of the Foundation or of our funders.

Section 1 : Introduction

1.1. Background

Since 2010, Cambodia has achieved remarkable economic growth and poverty reduction (over 7% annually). However, the COVID-19 pandemic has been dramatically disrupting and even reversing this trend. Initially, before the pandemic started to spread around the world, and reached Cambodia in February 2020, both the Royal Government of Cambodia (RGC) and the Asian Development Bank forecast gross domestic product (GDP) growth of about 6.5% for 2020.¹ Although the actual growth in 2020 was an estimated -3.1%, primarily due to the serious decline in Cambodia’s key economic sectors—tourism, garments, and construction—since there were relatively few COVID-19 cases in 2020, and no deaths, the government and its development partners were optimistic that economic growth would jump back to about 4% in 2021.² However, after COVID-19 cases began to rise, rapidly, in February 2021, such a prediction for the year seems far too optimistic.

Tourism (including hospitality) is Cambodia’s hardest-hit sector. Pre-pandemic, tourism was the country’s second-largest growth driver, contributing approximately 18.7% of real GDP growth in 2019. Beginning in 2018, the year-on-year percentage increase for tourism started to go down, although the number of international tourists still went up in 2019.³ In 2020, due to the worldwide spread of COVID-19, international tourist arrivals in Cambodia began to decline steeply, and came to almost a halt in April 2020. During the first two months of 2020, Cambodia’s tourist arrivals, overall fell by 25.1%, while in Siem Reap tourist arrivals in the first quarter of the year declined by 45.6%, and by April 2020, the contraction was 99.6%.⁴ Even though Cambodia’s economy began to stabilize by late July/early August 2020, and the first green shoots of recovery were observed by analysts, tourism-dependent Siem Reap remained an outlier. As discussed below, in Siem Reap, wage employment and household savings continued to decline, and numerous hospitality firms closed permanently.

When the first case of COVID-19 was diagnosed in Cambodia in February 2020, until the end of November 2020, the country only had 323 cases of the virus, and no recorded deaths. As a result, development partners, foreign media, and many local citizens praised Cambodia for its success.⁵ Then on February 20, 2021, four visitors from China, some of whom had COVID-19, bribed their way out of a quarantine hotel, went to a bar, and started a serious round of community spread. At first, the government and the public thought that the virus would be contained within a few weeks, however, case numbers began to increase quickly. By the end of April 2021, cases were averaging 500 per day, and four people had died.⁶ The daily number of deaths increased to over 10 by June 2021.⁷

The 2021 COVID-19 outbreak is likely taking a heavy economic toll on Cambodia’s already struggling economy. Since what is now called the “20 February 2021 Incident”, no assessment of economic impact has been undertaken in Cambodia at the household, or the macroeconomic level. However, it is predicted that in 2021, the pandemic will affect the economy as much as it did in 2020, and likely more so.⁸ The interviews

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1. RGC (Royal Government of Cambodia). 2020. “Circular on the preparation of the 2021–2023 Budget Strategic Plan”; and Thou Vireak. 2021. “ADB forecast: 4% economic growth in 2021.”
 2. MEF (Ministry of Economy and Finance). 2021. “Economic situation and prospects for 2020–2021.”
 3. MOT (Ministry of Tourism). 2021b. “Roadmap for Recovery of Cambodia Tourism, During and Post COVID-19 Period (2021–2025).”
 4. World Bank. 2020. “Cambodia in the time of COVID-19.”
 5. Handley, Erin. 2020. “Cambodia has zero COVID-19 deaths and has just declared its first case of community transmission.”
 6. See Ministry of Health website: <http://moh.gov.kh/>
 7. Khmer Times. 2021d. “Cambodia’s Covid-19 double digit death rate daily raises serious concerns on possibility of mutations.”
 8. Badzmierowski, Brian. 2021. “Lockdown length could alter growth predictions: ADB.”

with representatives of the local banking sector highlighted the rapid “burn rate” of the cash reserves of small and medium enterprises (SMEs). A compliance officer in one of Cambodia’s largest banks estimated that if COVID-19’s spread is not under control by June 2021, by August 2021, there would be a tidal wave of SME bankruptcies.⁹ The seriousness of the situation in the real estate sector was highlighted by a rare Saturday directive from the National Bank of Cambodia (NBC) that required all banks to submit a report within 24 hours on their entire real estate development lending portfolio.¹⁰ Growing public health concerns, and the government’s responses (including lockdowns and travel bans) have directly affected all forms of economic activity, and especially that of medium, small, and micro enterprises (MSMEs)—businesses with fewer than 100 employees. The effect on employment has grown beyond just the tourism sector to include the garment industry, construction, and even agriculture. New COVID-19 restrictions have reduced the available labor, and impacted production schedules, which has raised concerns about failing to fulfill overseas contracts, and exacerbating the impact of the European Union’s 2020 withdrawal of the Everything but Arms (EBA) trade benefits. As events unfold in 2021, the negative situation of women and other vulnerable groups, such as migrant workers, has become even more obvious. This suggests the importance of expanding social protection measures during, as well as after, the pandemic.

The government’s commitment to fighting the pandemic and alleviating its economic impact continues, but this has become much more challenging. Since the “20 February 2021 Incident,” the government has taken various measures to flatten the pandemic’s curve, minimize its negative economic impact, and speed up the vaccination process. The seriousness of the situation has resulted in the lockdown of Phnom Penh, and parts of some provinces.

In the process, using Facebook and other social media, the government has tried to be transparent by disseminating daily updates on the number of cases, deaths, and new measures. The role of local authorities and the police has become critical in enforcing various measures, and people appear to appreciate the government’s efforts. However, many governance challenges have emerged, including differences in how government agencies communicate with the public, and the timeliness of some critical responses, such as food relief. On the economic front, the government’s response could, without external support, be hampered by continuing fiscal challenges. In November of 2020, before the upsurge of cases began in 2021, the World Bank estimated a GDP deficit of 5.6% for 2020, and a 6.1% deficit for 2021.¹¹ This percentage for the deficit is likely to be revised upward for 2021, given the much more serious COVID-19 situation.

As uncertainty increases in 2021, having accurate data on the latest trends has become even more critical for policy responses. Since late 2020, post COVID-19 economic recovery plans have been discussed, but given the 2021 outbreak that began in February, plans need to be developed in greater detail, and adjusted. The government, together with key multilateral donors such as the World Bank, Asian Development Bank (ADB), and International Monetary Fund (IMF), has come up with specific measures for reviving the country’s economy between 2021 to 2025. In January 2021, the government drew up the *Roadmap for Recovery of Cambodia Tourism, During and Post COVID-19 Period (2021–2025)*. In the light of the “20 February 2021 Incident” in Cambodia, and the rise in COVID-19 cases in other Association of Southeast Asian Nations (ASEAN) states, the development of a hoped-for regional “travel bubble” has been pushed back, and some forecasts and plans will need to be revised. For this revision process, having accurate data on the latest situation and trends has become even more critical.

The Asia Foundation (the Foundation) and its partners have sought to help address Cambodia’s COVID-19 data needs, and especially those that concern MSMEs in the tourism sector. As noted above, since early 2020, the Foundation and its partners have been conducting a series of national surveys and case studies in Cambodia, along with five other countries (the Lao Peoples’ Democratic Republic (Lao PDR), Malaysia, Myanmar, Thailand, and Timor-Leste). In Cambodia, three consecutive surveys have been undertaken to track and compare the impact on MSMEs in the tourism sector, as well as on households. The three surveys on MSMEs in the tourism sector were conducted in July 2020, November 2020, and April 2021. The three rounds of household surveys were conducted in May 2020, August 2020, and November 2020.

9. Interviews with staff in major banks in Cambodia, which were conducted in March 2021.

10. Ibid.

11. Amarthalingam, Sangeeta. 2021b. “Cambodia strives to keep its finances together despite rising impacts.”

1.2. Objectives

1.2.1. Survey on MSMEs in the Tourism Sector

This report summarizes the last round of the surveys on the impact of COVID-19 on MSMEs in the tourism sector in Cambodia, which were conducted in April 2021, and it provides an update on the situation described in the July 2020, and November 2020 reports. In all three rounds, the surveys focused on the following issues:

- MSME operations, and the impact on revenues since July 2020;
- Changing perceptions about whether businesses will survive;
- Trends that MSMEs have observed in both international and domestic tourists/travelers;
- MSMEs' staffing situation and layoffs;
- MSMEs' perceptions of government interventions; and
- MSMEs' adaptation to the "New Normal."

Since this is a wrap-up report on MSMEs in the tourism sector, it reflects the situation since July 2020, and provides recommendations for government policy. The report compares the results across the three survey rounds, and draws conclusions regarding how COVID-19 has affected tourism sector MSMEs in different regions of Cambodia. It also analyzes trends in the broader context of Cambodia's public health and economic situation. Based on its analyses, this report offers specific recommendations regarding how the government could explore ways to respond in the short and long term, specific groups requiring greater attention/targeting, and how the governance arrangements of the state's responses could be improved.

1.2.2. Survey of Households

The household survey sought to explore the on-the-ground impacts of the COVID-19 pandemic on a largely representative sample of households across Cambodia. In the first two rounds of data collection (May and August 2020), the primary goal was to determine the impacts of the COVID-19 pandemic on Cambodian families, and the focus was on three key economic activities: farming, wage work, and household businesses. As the project progressed, it expanded, somewhat, in order to provide as accurate a picture as possible of the pandemic's impact on Cambodian households' economic and social conditions in different geographic areas. The household survey covered a wide range of topics, including savings, debt, food insecurity, household enterprise development, agriculture, and the role of non-governmental organizations (NGOs) in supporting vulnerable communities.

In the first round of the household surveys in May 2020, which asked households and village chiefs questions about circumstances in April 2020, the goal was to provide data to support the development of government policies that would mitigate the worst effects of the pandemic. In round two in August 2020, which asked households and commune chiefs about circumstances in June 2020, the goal was to examine the efficacy of the government's interventions.

1.3. Methodology

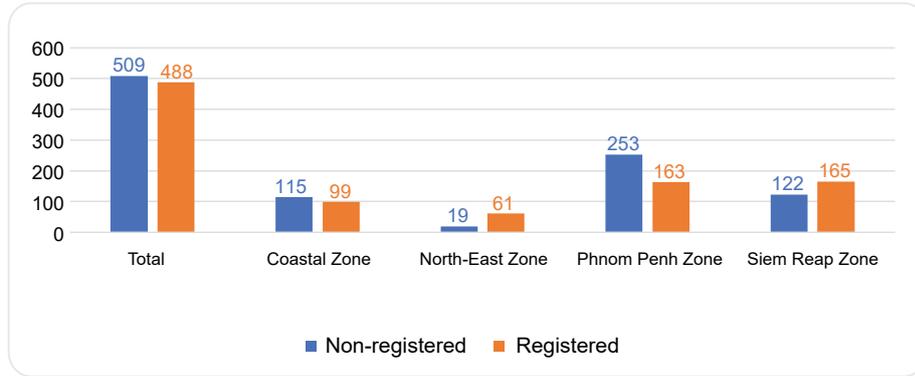
As noted above, this report presents the findings from two types of surveys. The first of these was the survey of MSMEs in the tourism sector, which was developed and carried out by the Foundation, in partnership with the Centre for Policy Studies. The second was the survey of households, which was developed and carried out by Angkor Research and Consulting (ARC) and Future Forum (FF), with contributions and advice from the Foundation.

1.3.1. Methodology for the Survey of MSMEs in the Tourism Sector: Sample size and data collection

The methodology for the survey was developed in close consultation with relevant stakeholders in the government, which included the Committee on Economic and Financial Policy of the Ministry of Economy and Finance (MEF), Ministry of Tourism (MOT), Ministry of Labour and Vocational Training (MOLVT), and National Institute of Statistics (NIS) of the Ministry of Planning (MOP).

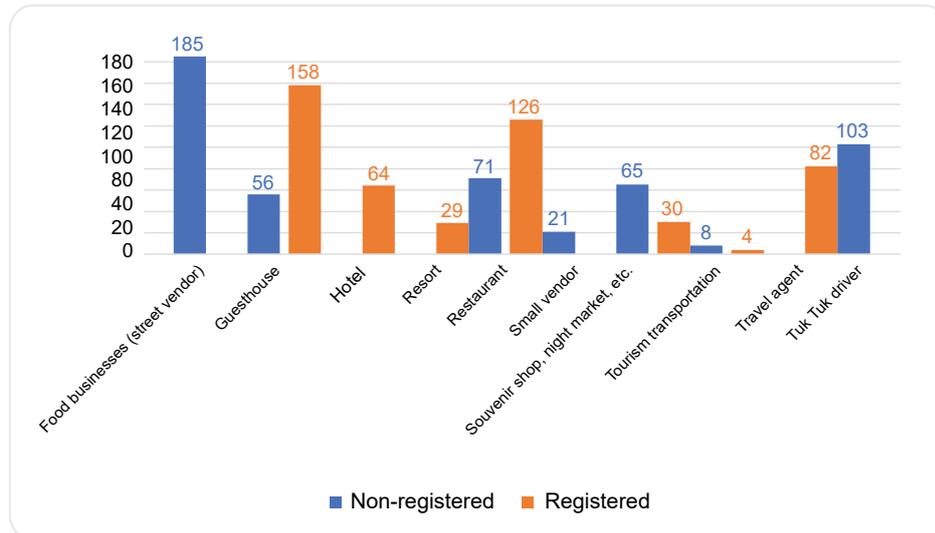
The initial sample size for the survey was around 1,000 MSMEs, both registered and non-registered, and in all four regions of the country. The first round of the survey was carried out in the second and third weeks of July 2020, with 997 registered and non-registered tourism MSMEs in four Cambodian zones: Phnom Penh, Siem Reap, and the Coastal, and North-East zones. For the registered MSMEs, the respondents were selected from several sources that included the official list of registered companies provided by the MOT, Young Entrepreneurs Association of Cambodia (YEAC), Cambodia Association of Travel Agents (CATA), TripAdvisor, and Google Maps. For the non-registered MSMEs, the survey teams selected these from areas that have both international and domestic tourists.

Figure 1: Number of MSMEs surveyed (by zone and registration status)



Using data from the MOT on businesses' registration status, type, and location, sample sizes were selected to reflect respondents' percentage in Cambodia's total population. Hotels, resorts, and travel agents are all registered businesses because the government requires all such businesses to register. However, guesthouses, restaurants, and souvenir shops may or may not be registered, depending on their size. Take-away food businesses (street vendors), small vendors, and tuk-tuk drivers, which are considered microenterprises, are not required to register.

Figure 2: Number of MSMEs surveyed (by type and registration status)



A group of 12 enumerators were recruited and trained to conduct the survey, including learning how to use a Kobo (a digital tablet) to record the survey responses. The enumerators were divided into four groups, each with one leader. From one survey round to the next, the same leaders and most of the members were retained. The teams were trained to conduct interviews, both face-to-face and by telephone. The face-to-face interviews were mainly conducted with the non-registered businesses, while the registered businesses were largely interviewed by phone. In the first round (July 2020), about 60% of the interviews were carried out by

telephone, and the remainder (40%) were conducted face-to-face. In the second round (November 2020), and the third round (April 2021), however, due to cautions regarding the pandemic, and the travel bans and lockdowns, no face-to-face interviews were conducted.

The survey drop-out rate was higher in the second and third rounds of the MSME surveys. More phone numbers were not functioning, and more people who could be reached, said that they did not have time to participate fully, or even partially, in the survey. The Future Forum/Angkor Research and Consulting team (FF/ARC) had the same experience—roughly 20% of respondents dropped out and, as a result, the FF/ARC Team had to conduct its field work over a longer time than planned. The Centre for Policy Studies survey team believes that many respondents refused to participate due to their growing frustration with the COVID-19 restrictions. Refusals, together with communication and travel constraints, led to about a 40% reduction in the sample size in the second and third survey rounds.

Despite the reduction in sample size, to a large extent, the findings across the three rounds of MSME surveys were similar. As indicated in the figures below, while the sample size declined from 997 in the first round to about 570 in both the second and third rounds, the geographic areas, registration status of businesses, and types of businesses largely remained the same. However, to some extent, the smaller sample size in the second and third rounds could have affected comparability, and the team considers this a limitation of the study. The only small change in the types of survey participants occurred in the third round when a larger percentage of registered businesses were surveyed than in the first and second rounds. This was due to the travel ban in April 2021 when the team could only conduct telephone interviews, and it was easier to contact registered businesses, compared to non-registered ones.

Figure 3: Sample size for the three MSME survey rounds (by zone)

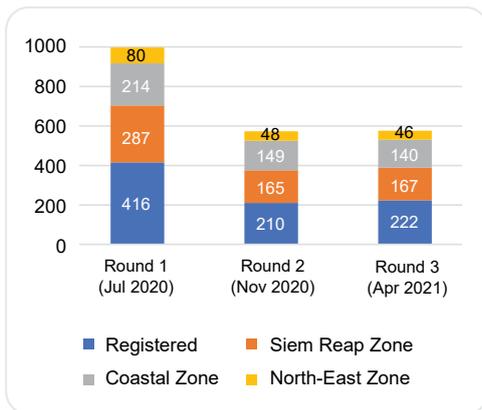
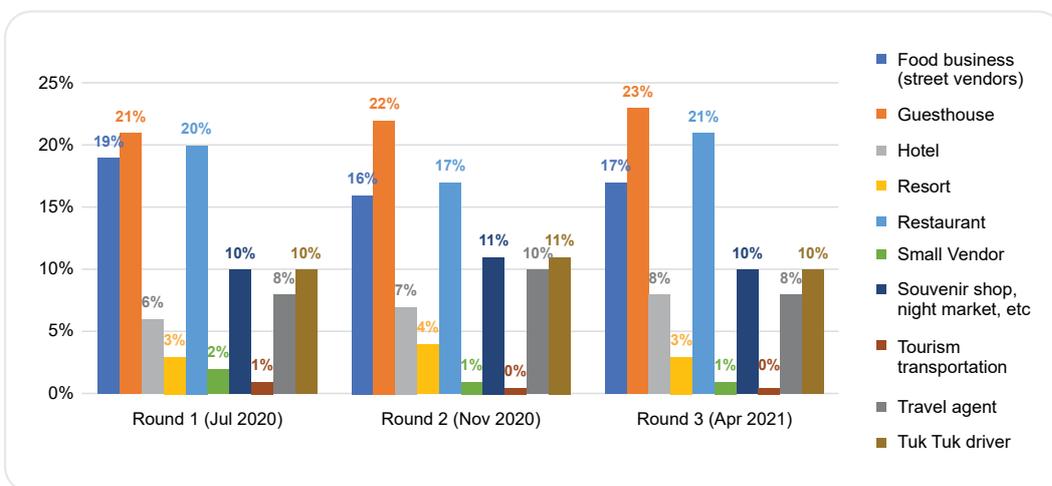


Figure 4: Percentage of businesses over the three survey rounds (by registration status)



Figure 5: Percentage of businesses by type over the three MSME survey rounds



1.3.2. Methodology for the Survey of MSMEs in the Tourism Sector: Data entry, data analysis, and report structure

Kobos and advanced pivot table techniques were used for data entry and data analysis. For the sake of efficiency, the survey team members used paper questionnaires to collect data when conducting both phone and face-to-face interviews. At the end of each day, each team member was required to enter the information from the completed paper questionnaires into their Kobo. The survey team supervisors reviewed all the data entered by the survey teams, and the results were updated, daily. The data were analyzed according to the key themes and templates agreed on with the Foundation's team. Advanced pivot table generation and data visualization were carried out with Advanced Microsoft Excel.

The quantitative data were interpreted within the broader context of the pandemic, and the government's relevant policy responses. In addition to answers to the questions "what, where, who, and how much," which were presented in the survey diagrams and tables, this report also discusses the "why and how" parts of the findings. This was done by contextualizing the quantitative findings in the broader context of how the pandemic has evolved, the government's responses, and observations about the effectiveness of government responses. The team gathered this contextual information from relevant studies, surveys, policy documents, and news reports.

In-depth interviews and observations were written up as qualitative insights to support the quantitative data. The qualitative data are presented in this report as additional information to explain specific quantitative findings and/or provide additional context for readers.

1.3.3 Methodology for the Surveys of Households

The household study used a purposive selection method in its approach to sampling provinces. While the provinces selected for inclusion (see the summary in Table 1), and the size of the sample, overall, were insufficient to draw definitive conclusions about the whole country, they do provide sufficient data to be considered a reasonable representation of the realities for households across most of Cambodia. The districts, villages, and households were chosen randomly, while the interviews with village chiefs were purposive.

Two questionnaires were developed for this evaluation in both Khmer and English. The questionnaire for households differed from the one for village chiefs. To ensure efficacy and fine tune the survey instruments, they were tested three different times with around 100 families in provinces near Phnom Penh that were not part of the final sample. With regard to data analysis, quantitative tools were programmed as CAPI system on WB Survey Solutions.

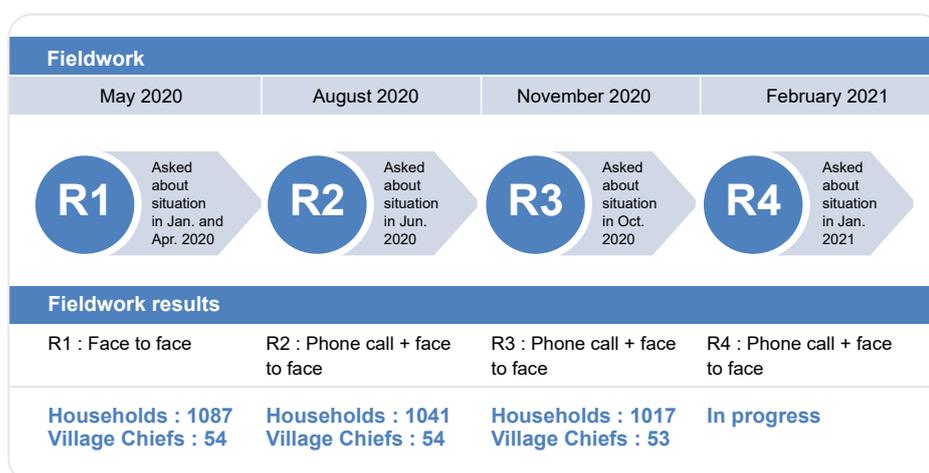
The field teams were trained for four days between May 4 and 7 in 2020. This training included both field staff as well as quality control staff, and a pilot test was carried out on May 6. Data collection in the five provinces began on May 14, 2020. A total of three field teams were used, with each team comprised of one supervisor, one editor, and four enumerators. Four rounds of quality control surveys were undertaken by teams comprised of one field supervisor, one final editor, and one in-office quality control supervisor. A total of 1,134 interviews were conducted over the course of the first round, with a 95% second round response rate, which supports the validity of this longitudinal study. The details and dates for the household surveys are presented in Table 2.

Table 1: Sampling design

Strata	Rate	Size	Selection method
Province		5	Purposive - Phnom Penh, Kampot, Siem Reap, Svay Rieng and Kampong Speu
District	2 / province	10	Random
Village (PSU)	5 / district**	54	Random - PPS
Household	20 / village	1,087	Random (EPI-WALK)
Village Chiefs	1 / village	54	Purposive
Total interviews		1,134	

** Four additional villages were selected in Russey Keo District to mitigate challenges in another district

Table 2: Schedule for the household surveys in 2020



The remainder of this report is comprised of the following sections:

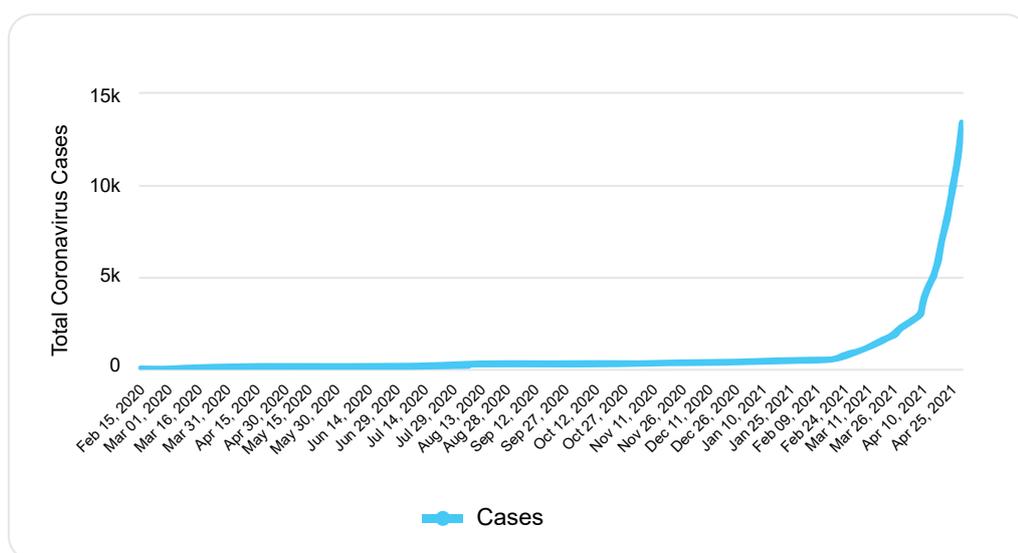
- **Section 2** discusses the overall impact of the COVID-10 pandemic in Cambodia from both the public health and economic recovery perspectives, and then focuses on the situation in the tourism sector and the government’s policy responses.
- **Section 3** begins by briefly discussing the circumstances of both registered and non-registered MSMEs in the tourism sector prior to the beginning of the pandemic. The section then proceeds to discuss, in detail—using a number of diagrams and tables—how the surveyed firms have coped with the pandemic since it began. Information is presented based on registration status, location, and the type of MSME.
- **Section 4** sets out, and then examines the three primary topics covered by the household study: agriculture, debt/savings, and household enterprises. In addition, each section includes a discussion of policy recommendations and highlights; and, when available, data are presented that pertain to the efficacy of the government’s efforts to mitigate the impact of the pandemic in Cambodia.
- **Section 5** draws on the insights presented in Sections 2, 3, and 4 in order to (i) present key conclusions regarding the target groups for policy interventions and (ii) governance areas that need to be improved to ensure more effective delivery of the government’s various initiatives to support MSMEs and affected households.

Section 2: Overall situation and policy responses since July 2020

2.1. COVID-19 public health situation and responses

The third round of the MSME survey was conducted in mid-April 2021, when the circumstances of the pandemic differed significantly from the previous two MSME survey rounds in 2020. From the time the pandemic began in Cambodia in February 2020 until the end of 2020, the country had comparatively few cases and no deaths. But, as Figure 6 shows, circumstances changed dramatically a year later, in February 2021, when the number of people infected by the virus began to rise dramatically, and people began to die. However, in the first quarter of 2021, in comparison to other countries, as this study's surveys with village chiefs show, communities were well supplied with facemasks and hand sanitizer, as well as considerable public education about how to avoid the virus. Thus, Cambodia was in a better position to confront COVID-19 in 2021, than it was in February 2020. This was demonstrated in the second round of the FF/ARC team's data collection. By April 30, 2021, Cambodia's total cases jumped from about 500 on February 20, 2021, to about 13,000, and the number of deaths rose from zero to about 100. In the month of April 2021, the average number of infections per day was around 500, and four people died per day (see Figure 6).

Figure 6: Total COVID-19 cases in Cambodia from February 2020 to May 2021



Source: Worldometer: Cambodia. <https://www.worldometers.info/coronavirus/country/cambodia/>

Both the government and the public's response to the 2021 outbreak have been radically different, in comparison with 2020. With much faster community spread and, more importantly, a rising number of deaths, in general, people have taken much more care in protecting themselves from infection. The measures taken by the government to curb the pandemic have been both cautious and gradual, with the exception of implementing a color-coded zoning system that locked down some areas abruptly, with barricades and police to prevent people from leaving. The government did not ban cross-province travel until mid-April, and only on April 15 were full lockdowns imposed in areas of Phnom Penh and Ta Khmao. As the situation evolved, key government officials and the public both assumed, incorrectly, that COVID-19 infections would decline quickly.

The governance challenges of controlling the pandemic and responding to it have quickly become evident. While, in general, people have appreciated the government's efforts to respond to the challenges of the pandemic, some areas of governance should have been improved. Among other issues, it became clear

during the lockdowns that digital and social media should be a necessary part of pandemic governance. As such, the government could explore ways to monitor the effectiveness of its digital information campaign, and provide regular, timely reporting of data so that misinformation and rumors do not spread, and data leaks do not occur such as those right before the color coding system was implemented. Those leaks resulted in panic buying in markets and grocery stores, and significant price gouging. Moreover, local officials and the police, who enforce prevention and lockdown measures, need to be properly trained so that they carry out their duties, consistently, and conform with Cambodian law, as well as directives from senior government officials.

Box 1: The role of local governments during the pandemic

In a large-scale emergency, such as the COVID-19 pandemic, attention is usually focused on the national government’s role. However, given their presence in the community, local government officials have important roles to play in ensuring and being accountable for an efficient emergency response. In this sense, local officials are “the first line of defense,” in an emergency. However, without clear lines of communication across all levels of government, information flows too slowly, policies are applied inconsistently, and the public’s trust in the state’s capacity to handle the emergency declines, which can result in negative consequences.

To ensure that the role of local government is effective in a pandemic, the following points should be considered: (i) the division of roles across the different levels of government must be based on the country’s unique circumstances; (ii) the national government should have ultimate responsibility for providing assistance, and national policies must be carried out in a fair and transparent manner; (iii) local government officials are often better placed when it comes to allocating benefits to households in need; and (iv) government coordination is critical for an effective response.

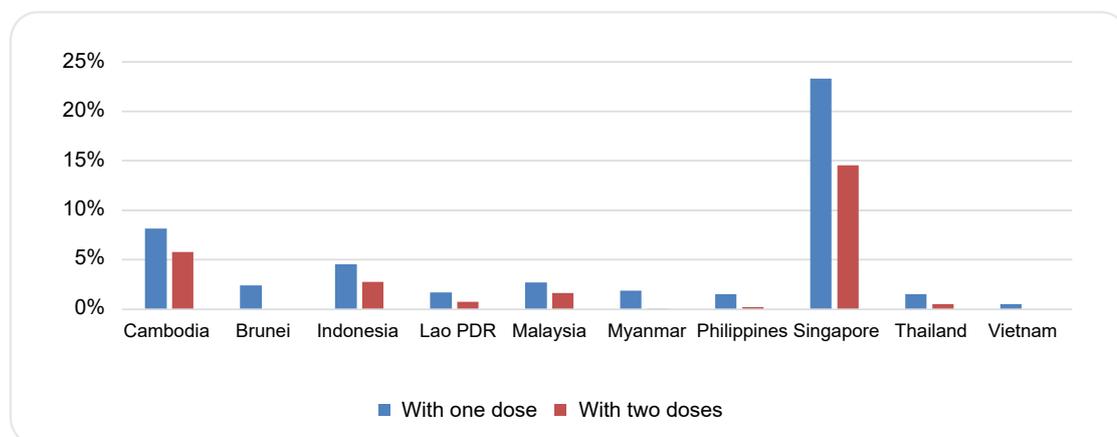
Depending on each country’s situation during a pandemic, the roles of local government generally comprise the following main functions and sub-functions:

Main functions	Sub-functions
Increasing the level of local public health services to treat sick people	<ul style="list-style-type: none"> • Providing emergency treatment • Expanding or supplementing existing health facilities • Increasing the volume of testing • Procuring medical supplies and personal protective equipment
Preventing the transmission of infection, investigating the epidemiology of infections, and tracking the spread of infections	<ul style="list-style-type: none"> • Producing and disseminating awareness-raising information • Enforcing social distancing and other administrative measures • Enforcing suitable environmental and sanitation regulations • Identifying suspected cases • Contact tracing and identification of suspected cases • Quarantining suspected cases and managing quarantine facilities
Reducing the impact of the pandemic on local public services	<ul style="list-style-type: none"> • Ensuring safe water supplies • Mitigating impacts at all levels of the education system
Supporting social and economic relief activities	<ul style="list-style-type: none"> • Establishing centers for distributing food and other essential items • Building and operating shelters for homeless people and implementing direct cash transfer programs when deemed necessary

Cambodia has made notable progress with a crucial aspect of reducing the COVID-19 pandemic—vaccinating people. As of late April 2021, Cambodia ranked second in ASEAN for the number of individuals who had received at least one vaccination (12%); Singapore ranked first, having vaccinated 37% of its population. Vaccinations in the rest of ASEAN were ranked in the following descending order: Indonesia, Malaysia, Lao PDR, Myanmar, Thailand, the Philippines, and Vietnam. Between early February 2021, and the end of April 2021, Cambodia vaccinated nearly 1.3 million people, and received almost 4 million doses of vaccine. These vaccines were 1.3 million doses of Sinopharm donated by the Chinese government, 2 million doses of Sinovac

purchased from China, and 324,000 doses of Astra Zeneca donated by the World Health Organization.¹² At the end of April 2021, the government’s decision to speed up the vaccination process by using fully vaccinated military personnel appears to have been effective in helping the country toward its goal of reaching herd immunity as quickly as possible.¹³

Figure 7: COVID-19 vaccinations in Cambodia and the ASEAN region (% of total population)



Source: Dezan Shira & Associates. 2021. “COVID-19 Vaccine Roll Outs in ASEAN & Asia – Live Updates by Country.”

The COVID-19 pandemic has accelerated the use of digital media and broadcasting. In its effort to control the spread of COVID-19, the government has aggressively used social media (Facebook, especially) to provide daily updates for the public about new cases, public health measures, and other related information. In addition to Facebook and YouTube, people receive their daily COVID-19 news update from some form of online media.¹⁴

COVID-19 has accelerated digital media use in the country. Even before COVID-19 began spreading in Cambodia, internet use was rapidly increasing, as indicated in the table below. As of January 2020, the number of internet users in Cambodia was 9.7 million. According to Cambodia’s Ministry of Posts and Telecommunications (MPT), as of March 2021, internet users had increased to 15.5 million, which was a 60% increase over just 15 months. According to a senior official in the ministry, the significant increase in internet use was due, primarily, to rising online purchasing and online education.¹⁵

Table 3: Internet, mobile phone, and social media use in Cambodia (as of January 2020)

Internet users	<ul style="list-style-type: none"> • 9.70 million internet users • 1.3 million (+15%) increase in users from 2019 to 2020 • internet penetration rate of 58%.
Mobile connections	<ul style="list-style-type: none"> • 21.24 million mobile phone connections (128% of the population) • 765,000 (+3.7%) increase in connections from 2019 to 2020
Social media users	<ul style="list-style-type: none"> • 9.70 million social media users • 1.4 million (+17%) increase in users from 2019 to 2020 • 58% social media penetration rate

Source: Kemp, Simon. 2021. “Digital 2020: Cambodia.”

12. Khmer Times. 2021b. “Cambodia ranks second in ASEAN as the country that vaccinated more people against Covid-19.”

13. While there is no official information on the number of vaccinated people for Cambodia to achieve herd immunity, the government plans to vaccinate at least 10 million people. (Khmer Times. 2021c. “COVID-19 vaccination drives in Cambodia, looking forward to obtaining herd immunity by November”).

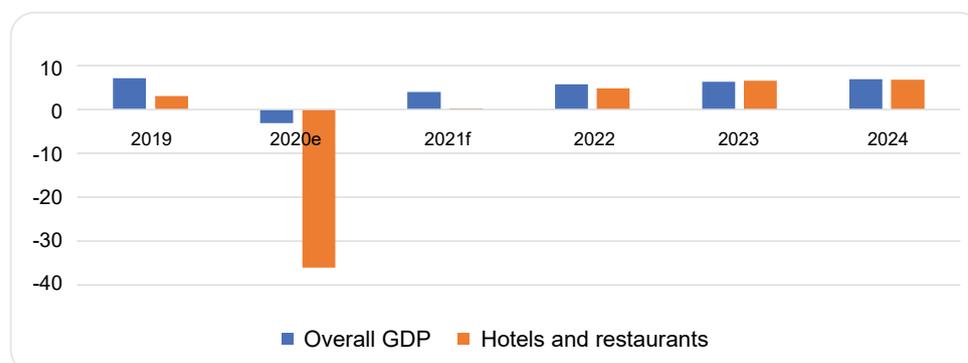
14. As of March 2021, the Ministry of Information had issued licenses for more than 1,610 media institutions and associations to operate in Cambodia, including 8 digital TV stations, 81 online TV channels, 7 OTT TV (Over-the-top TV) operators, 2 satellite TV channels, and 588 websites that are mostly engaged in digital broadcasting (Khmer Times. 2021. “Cambodia’s digital media development progress highlighted”).

15. Nov Sivutha. 2021. “Kingdom’s internet demands up amid Covid-19 restrictions.”

2.2. Economic situation, poverty, and social protection

At the end of 2020, the economic forecast for 2021 was somewhat optimistic. The government and multi-lateral agencies (World Bank, Asian Development Bank, and International Monetary Fund) predicted that the economy would experience negative growth of around -3% in 2020, but GDP would grow back to about 4% in 2021.¹⁶ In these forecasts, the tourism sector was the hardest hit sector, and was likely to take longer to recover. In the case of the hotel and restaurant sector, the government predicted -36% growth in 2020, and only about 0.3% growth in 2021.¹⁷

Figure 8: Forecast for overall GDP, and hotel and restaurant growth (2019 to 2024)



Source: Ministry of Economy and Finance. 2021. “Economic situation and prospects for 2020–2021.”

Table 4: Economic situation and forecast by sectors and sub-sectors (2019 to 2024)

Sectors and sub-sectors	2019	2020e	2021f	2022	2023	2024
Agriculture	-0.5	0.5	1.3	1.1	1.2	1.2
Crops	0.6	0.1	1.6	1.2	1.3	1.4
Other agricultural products	-1.9	0.9	0.9	0.9	1.0	1.0
Industries	11.3	-1.2	5.9	8.2	9.0	9.8
Garments	6.6	-6.4	4.6	6.0	7.0	7.5
Construction	20.8	-2.4	2.9	7.8	8.6	10.6
Others	10.3	13.1	12.5	12.7	12.8	12.6
Services	6.2	-6.7	3.4	5.1	5.7	6.2
Hotels and restaurants	3.1	-36.0	0.3	4.8	6.6	6.8
Retail	6.5	-6.5	3.2	4.6	5.3	5.5
Transport	8.4	-0.5	4.5	5.9	6.3	7.0
Real estate	7.0	-4.9	2.7	4.8	5.3	6.6
Other services	5.5	-0.2	4.0	5.3	5.6	5.9
GDP growth	7.1	-3.1	4.0	5.7	6.3	6.9

Source: Ministry of Economy and Finance. 2021. “Economic situation and prospects for 2020–2021.”

16. MEF (Ministry of Economy and Finance). 2021. “Economic situation and prospects for 2020–2021”; World Bank. 2021. “Cambodia Economic Update: Restrained Recovery”; and ADB (Asian Development Bank). 2021b. “Asian Development Outlook 2021.”

17. EF (Ministry of Economy and Finance). 2021. “Economic situation and prospects for 2020–2021.”

Due to the 20 February 2021 Incident, even the cautious forecasts of the MEF, World Bank, and ADB for 2021 were likely to be overly optimistic. Their forecasts of 4% growth in 2021 were made at the end of 2020, before the rapid rise in COVID-19 cases and deaths.¹⁸ As of the end of April 2021, government lockdowns to stop the spread of COVID-19 had closed, partially or entirely, about 50 markets in Phnom Penh, and about 250 garment factories.¹⁹ Other economic activities such as construction, and export and imports have also likely been adversely affected by the lockdowns.²⁰

Since late 2020, the government has started to develop an economic recovery plan for 2021 to 2023.

The plan targets five main areas: (i) high-value industries, (ii) agriculture, (iii) promoting local SMEs, (iv) digital commerce, and (v) tourism.²¹ While details of the plan were not available at the end of April 2021, given the high COVID-19 case numbers, the plan's strategy and priorities will likely have to be revised.

The pandemic has had pervasive economic and social costs. Even before the 20 February 2021 Incident, the economic and social impact of the pandemic was widely felt, although the impact was moderate. A survey conducted by the World Bank in late 2020 found that the share of people working had declined from 82% before COVID-19, to 71% after the pandemic began, but the percentage of people working remained relatively unchanged in August 2020 and December 2020.²² As of December 2020, the negative impact of the pandemic on the earnings of family farms was substantial, and since then, weak consumer demand has continued to reduce family farm revenues.²³

Since June 2020, roughly 25% more households have been classified as “newly poor”. The pandemic has dragged more people into poverty, which, in turn, has required an expansion of the government's cash transfer program. In early June 2020, due to the impact of the pandemic, the Ministry of Planning announced that 560,000 households (2.3 million people) were eligible for the cash transfer. This number increased to 640,000 households (2.6 million people) in October 2020, and to 694,000 households (2.7 million people) in April 2021.²⁴ Over 10 months, the number of people classified as “newly poor” increased by almost 25%. In the household interviews conducted for the Foundation's study, respondents indicated that although not ideal, the cash transfer was both timely and effective, as it arrived when the first economic decline was at its worst. Although a faster roll out of the cash transfer program would have been more effective, ultimately, the result was positive.

The delivery of emergency assistance has been challenging, especially for migrant workers living in urban areas. As case numbers continued to rise, areas with garment factories and garment workers became COVID-19 hotspots. Most garment workers are female migrants from the provinces who live in rented rooms (three to four people per room). During the lockdown (April 2021), tens of thousands of people were reported to be experiencing food shortages.²⁵ Local administrations were struggling to identify those households in need, and how to reach them. This problem could have been addressed quickly if the current social assistance system had been using more coordinated digital solutions for citizens' registration, beneficiary identification, and benefit delivery.

18. Amarthalingam, Sangeetha. 2021a. “The pandemic so far – Taking stock of economic losses, starting with the garment sector.” Phnom Penh Post, May 7, 2021.

19. RFA (Radio Free Asia) Khmer. 2021. តើអ្វីជាមូលហេតុដែលករណីចម្លងក្នុងសហគមន៍មិនថយចុះ?.

20. Hin Pisei. 2021b. “Lockdown drags down construction”; and Hin Pisei. 2021b. “Cambodian exports to Thailand dip by nearly half in first quarter of 2021.”

21. MEF (Ministry of Economy and Finance). 2021. “Economic situation and prospects for 2020–2021.”

22. World Bank. 2021b. “Cambodia Economic Update: Restrained Recovery”; and World Bank. 2021a. “The socio-economic impacts of COVID-19 on households in Cambodia (December 2020).”

23. World Bank. 2021a. “The socio-economic impacts of COVID-19 on households in Cambodia (December 2020).”

24. World Bank. 2021b. “Cambodia Economic Update: Restrained Recovery”; and National Social Protection Council. Website accessed June 20, 2021. <https://nspc.gov.kh/>

25. Johnson, Sarah and Vutha Srey. 2021. “Thousands of Cambodians go hungry in strict lockdown zones.”

Box 2: Social protection, digital technology, and COVID-19 in Cambodia²⁶

In the years to come, unless there is a rapid V-shaped economic recovery, which is unlikely, as more households are dragged into poverty because of the COVID-19 pandemic, social protection will become even more critical. A slow recovery is likely to exacerbate existing inequalities, and result in a rising Gini coefficient for Cambodia.* In 2017, the government adopted the Social Protection Policy Framework, and it uses the World Bank's IDPoor poverty identification tool as the primary one for identifying and registering poor households for government assistance. The government has implemented various social protection programs, and is planning an expansion of these. However, many challenges threaten the delivery of social benefits, including limited coverage, weak targeting of beneficiaries, and inefficient management of social protection programs. Another core challenge is the lack of effective measures to help vulnerable groups cope with exogenous shocks such as the COVID-19 pandemic and natural disasters, which can reduce the inclusiveness of social and public services.

To better target beneficiaries, the National Social Protection Council (NSPC) plans to develop an integrated information technology (ICT)-based service delivery system to support the various social protection programs. Digitalization also can improve efficiency in administering the programs, including minimizing transaction costs, and providing greater transparency in identifying and managing beneficiaries.

The COVID-19 pandemic has demonstrated the urgent need to develop a more efficient social protection system. In an emergency such as the pandemic, verifying beneficiaries quickly is essential for an effective and timely social protection response. Developing a digital platform with an integrated social beneficiary database linked to each individual's identification will be critical for targeting future support, and minimizing leakages of emergency aid and follow-on programs.

Note: * The Gini coefficient (Gini index or Gini ratio) is a statistical measure of economic inequality in a population. The coefficient measures the dispersion of income or distribution of wealth among the members of a population (Corporate Finance Institute. <https://corporatefinanceinstitute.com/resources/knowledge/economics/gini-coefficient/>).

2.3. Tourism sector performance and policy responses

Cambodia's tourism revenues have declined steeply since early 2020. Although the sector is expected to recover in 2022 (at the earliest), full recovery is not anticipated until at least 2023 or 2024. The sector has experienced impressive growth in the last decade, with an average annual increase of 12% for international tourist arrivals. This has created 16,221 registered tourism establishments and generated approximately 630,000 tourism-related jobs. However, in 2020, because of COVID-19, the number of international tourist arrivals dropped by 80%, compared to 2019. The number of local tourists fell to 7.23 million, a drop of 36.1%, compared to 2019. The sector is expected to continue to experience negative growth in 2021, but there is some optimism that it will begin to recover in 2022. The table below summarizes the government's key statistics and predictions.

26. ADB (Asian Development Bank). 2020. "Technical assistance report: Cambodia – Supporting digital Cambodia for inclusive development project"; and National Social Protection Council. Website accessed June 20, 2021. <https://nspc.gov.kh/>

Table 5: Summary of key tourism statistics and predictions by the Cambodian government

Situation in 2020	Key predictions for 2021 and beyond
<p>International tourists: 1.31 million (80% decrease from 2019)</p> <p>Cambodian outbound tourists: 0.33 million (84% decrease from 2019)</p> <p>International tourism receipts: \$1.023 million (79% decrease from 2019)</p> <p>Internal tourists (Cambodians): 7.23 million (36% decrease, overall, from 2019): down 23% in Phnom Penh, 65% in Siem Reap, 9% on the coast, and 11% in the North-East)</p>	<p>It will take the tourism sector from 3 to 5 years to return to its pre-COVID-19 level, if a V-shape recovery occurs</p> <p>In 2021, the sector will continue to see negative growth of -60% to -70%</p> <p>In 2022, the sector will jump back with a growth rate of 40% to 50%</p> <p>Cambodia's staging of Southeast Asian Games in 2023 will help to attract more international tourists and, thus, generate growth of 50% to 70% Internal tourism, and especially community-based tourism,²⁷ will play a critical role in sustaining the sector.</p>
<p>The number of businesses suspended/ closed: 3,429 (22% of the total number of licensed tourism establishments).</p> <p>Tourism jobs: approximately 300,000 (less than half of pre-COVID-19 number of jobs)</p>	

Source: MOT (Ministry of Tourism). 2021a. "Key statistics on tourism sector and prediction."

Recovery in the tourism sector has been an urgent priority for the government. As mentioned earlier, the tourism sector is one of the five targets in the government's economic recovery plan. In addition, the MoT has prepared the *Roadmap for Recovery of Cambodia Tourism, During and Post COVID-19 Period (2021–2025)*. The Roadmap focuses on how to bring the number of tourists back up to the pre-COVID-19 level, which is roughly 7 million for international tourists, and 11 million for internal tourists.

The Roadmap expects tourism to improve, starting in 2023, but this could be later, given the 2021 COVID-19 outbreak. The government expects that with much of the country vaccinated in 2021, the pandemic will be contained. Then, with no travel bans or lockdowns required, the number of international tourists will rise to 7 million in 2025. The government also expects that the number of internal tourists will go back to 11 million in 2023 because of the Southeast Asia Games. With the travel ban and lockdowns in mid-2021, and gradual progress with the vaccination campaign, the expected timeline for recovery, which was set for 2023 for internal tourism, and 2025 for international tourism, might have to move further out.

Based on the MOT's predictions, the Roadmap lays out a three-phase policy response, with specific strategies. The three phases and specific strategies are provided in the table below. For each phase and strategy, the Roadmap presents detailed activities to be implemented. Based on the document review conducted for this study, two specific points need to be considered when implementing the Roadmap. First, while strategic and thorough, the relevant agencies need to consider the feasibility, implementation arrangements, and funding needed for carrying out each of the listed activities. Second, due to unpredictability, as they unfold, the phases and strategies themselves will need to be reviewed and, perhaps, revised.

27. Community-based tourism is a type of tourism where local communities invite tourists into their communities, giving the tourists insight into local culture and peoples' daily lives. This form of sustainable tourism enables tourists to connect closely with the community they visit.

Table 6: Key phases and strategies for tourism sector recovery in Cambodia (2021–2025)²⁸

Phase	Key strategies
Phase 1 (2020–2021)	Objective: Crisis Management in the “New Normal”, Tourism Resilience, and Restart Strategy 1: Providing economic support for businesses and workers Strategy 2: Promoting internal tourism and preparing for international tourists Strategy 3: Redesigning the governance setup in the tourism sector
Phase 2 (2022–2023)	Objective: Post COVID-19 Crisis Rehabilitation and Recovery Strategy 1: Recovery of businesses and workers in the tourism sector Strategy 2: Recovery of the regional tourism market & further development of domestic tourism Strategy 3: Implementing new governance in the tourism sector
Phase 3 (2024–2025)	Objective: Preparation for the New Future of Cambodia’s Tourism Sector Strategy 1: Promoting economic growth and decent work in the tourism sector Strategy 2: Strengthening internal tourism and expanding international tourism markets Strategy 3: Strengthening tourism sector governance for the future

Since March 2020, the government has been implementing Phase 1 of the Roadmap. The primary strategy in this phase has been the provision of economic support for businesses and workers in the tourism sector. Since February 2020, the government has issued eight rounds of these support measures, the last of which will end in June 2021.²⁹ Each round varied slightly with regard to the types of support, but overall, the rounds included the following:

- Exemption from taxes, license fees, auditing, and social security contributions for registered tourism businesses,
- Facilitation of rent negotiations between registered tourism businesses and their landlords,
- Provision of cash support for tourism workers who have lost their jobs, and
- Provision of reskilling and upskilling training for tourism workers who have lost their jobs.

By the end of November 2020, 20 rounds of payments had been made to tourism workers who had lost their jobs. More recent data could not be obtained, so details on the number of payment recipients were not available either. However, the type of support provided in each round is known. According to the Ministry of Labor and Vocational Training, the following types of payments were made via e-transfer using Wing, a mobile money provider:³⁰

- \$15 for those suspended from 7 to 10 days,
- \$30 for those suspended from 11 to 20 days,
- \$40 for those suspended from 21 days to 1 month, and
- Two payments of \$40 for those suspended for two months.

Other types of progress since February 2020, include: (i) promotion of COVID-19 prevention measures for use in tourism establishments, (ii) online training for tourism-related businesses and workers, (iii) promotion of domestic tourism, (iv) infrastructure development in key tourism areas, (v) promotion of clean, green, and safe tourism, (vi) a feasibility study on new tourism arrangements such as one-way and closed-loop chartered planes, travel bubbles, and a safe travel pass, (vii) implementation of a specific tourist visa, and (viii) identification of new domestic tourism destinations.³¹

28. MOT (Ministry of Tourism). 2021b. “Roadmap for Recovery of Cambodia Tourism, During and Post COVID-19 Period (2021–2025).”

29. RGC (Royal Government of Cambodia). 2021. “Intervention measures for managing the impact of COVID-19 Round #8.”

30. MLVT (Ministry of Labour and Vocational Training). 2020. “Notification on the cash payment for employees of garment sector and tourism sector who are suspended from their jobs.”

31. MOT (Ministry of Tourism). 2021b. “Roadmap for Recovery of Cambodia Tourism, During and Post COVID-19 Period (2021–2025).”

The government's measures to support the tourism sector, its businesses, and workforce are similar to the enterprise policy responses adopted by other countries in the ASEAN region. These measures are divided into short-term and long-term measures, as illustrated in the table below. Based on the document review for this study, Cambodia needs to turn its broad policy objectives and strategies into concrete implementation plans, with clear funding support, monitoring and evaluation, and tracking systems to ensure effectiveness and accountability.

Table 7: ASEAN government policy responses to support SMEs

Responses	Description
Short-term stimulus measures	
Deferral measures	Deferral of taxes, license fees, and social security payments are intended to improve businesses' income and discourage employee layoffs. The deferrals apply to specific sectors (such as tourism and manufacturing) and last from 3 to 12 months.
Direct financial assistance	To help businesses address their working capital requirements, all ASEAN countries have provided loans and loan guarantee schemes. In Cambodia, however, such schemes have only been provided to businesses in the agricultural sector.
Information and guidance	One of the most helpful measures that a government can provide during periods of economic uncertainty, is information and guidance. Some ASEAN countries such as Singapore and Indonesia have rolled out services such as business guides and "hotlines" that advise businesses on how to adjust their operations during the crisis, and raise awareness about available support schemes.
Wage support and temporary redundancy measures	One of the biggest concerns resulting from the COVID-19 crisis is that it will lead to massive layoffs that cut the incomes of large numbers of people, and contribute to rising inequality. The situation in Southeast Asia is particularly delicate given the high levels of informality, meagre social security nets, and dependence on a few labor-intensive sectors such as garment manufacturing and tourism.
Long-term structural measures	
Formalization	Some ASEAN countries are using their support measures to promote business formalization. In Malaysia, for instance, initiatives have been implemented to financially support micro enterprises, while also encouraging them to formally register. A scheme for the self-employed in Singapore has been designed in a similar way.
Workforce training	The COVID-19 crisis has accelerated the adoption of new ways of working and the demand for new skill sets. Many ASEAN countries have run training programs targeted at upskilling and reskilling temporarily displaced workers. Some governments have also provided allowances and scholarship for trainees.
Digitalization	The COVID-19 crisis is accelerating the adoption of digital technologies in many enterprises, and the adaptation of business models to make this possible. The push for this is twofold: first, social distancing measures have obliged many enterprises to consider automation and other digital tools; and, second, the closure of markets and malls has encouraged many enterprises to move online.
New market access	The COVID-19 crisis has underlined the danger of depending too much on any one partner to source and supply goods and services. This is particularly the case for companies that are connected to global supply chains, and even more the case for companies that produce a relatively limited range of goods and services. Therefore, many countries are exploring how they can help their domestic firms to access new markets. In the Philippines, for example, companies are being helped to identify new supply sources and markets for their goods. In a number of countries, efforts are being made to expand MSMEs' access to public procurement contracts.

Source: OECD and ASEAN (Organisation for Economic Co-operation and Development and the Association of Southeast Asian Nations). 2021. "Enterprise policy: Responses to COVID-19 in ASEAN: Measures to Boost MSME Resilience."

Section 3: Findings of the Survey on MSMEs in the Tourism Sector

3.1. MSMEs in the tourism sector in Cambodia before COVID-19

3.1.1. Definition and scope of MSMEs in Cambodia

MSMEs (micro, small, and medium enterprises) in Cambodia are defined by their number of employees and the value of their assets. The four categories are (i) micro, (ii) small, (iii) medium, and (iv) large enterprises. As of 2017, Cambodia had about 140,000 micro-enterprises, 15,700 small and medium enterprises (SMEs), and about 1,500 large enterprises.³²

Table 8: Definition of businesses by size in Cambodia

Classification	Number of employees	Asset values in US dollars
Micro	10	Less than \$50,000
Small	11–50	\$50,000–250,000
Medium	51–100	\$250,000–500,000
Large	Over 100	Over \$500,000

Source: Royal Government of Cambodia. 2005. "SME Development Framework."

As in other countries, with regard to economic development, and job and income creation, MSMEs play a significant role in Cambodia. Cambodia's MSMEs comprise three sectors—manufacturing, services, and trading. Together, these account for 99.8% of Cambodia's companies, 70% of employment, and 58% of GDP.³³ Female employees outnumber male employees in all three categories of MSMEs. Women-owned businesses are concentrated in a small number of categories including restaurants, street food vendors, beauty salons, souvenir shops, and so on.³⁴

The formality of MSMEs in Cambodia is determined by their registration status. SMEs are expected to register with the respective line ministry for their sector, while micro-enterprises are expected to register with the One Window Service Office (OWSO) in their respective sub-national administration (SNA).³⁵ In 2018, the total for registered SMEs was reported to be about 156,000.³⁶ The government seeks to ensure that at least 80% of SMEs are registered by 2025.³⁷ As of April 2021, there were no recent data on the number of micro-enterprises registered with the OWSOs.

32. Open Development Cambodia. 2020. "Small and Medium Enterprises (SME)."

33. Chea Layhy. 2019. "The current situation of SME in Cambodia – MSME Financing."

34. Open Development Cambodia. 2020. "Small and Medium Enterprises (SME)."

35. RGC (Royal Government of Cambodia). 2017. "Sub-decree #18 on OWSO for service delivery at SNA."

36. Phnom Penh Post. 2018. "SMEs set to boost the Kingdom's Economy."

37. RGC (Royal Government of Cambodia). 2015. "Cambodia Industrial Development Policy 2015–2025: Market Orientation and Enabling Environment for Industrial Development."

Box 3: MSME registration in the tourism sector in Cambodia

Article 30 of Cambodia's Tourism Law (2009) lists the different types of tourism businesses. Article 32 of the law states that no person shall operate a tourism business without a license issued by the Ministry of Tourism, the capital (Phnom Penh), or a provincial Municipal Department of Tourism. Article 33 states that the tourism license issued by the Ministry of Tourism, the capital, or a provincial Municipal Department of Tourism, does not preclude any other licensing requirements such as business registration, or the legally-required permits of other line ministries, institutions, and authorities.

Despite the provisions in the Tourism Law, in practice, it is still unclear what size of business needs to register. According to the 1995 Law on Commercial Rules and Regulations (Article 3), family businesses are not required to register. However, according to Sub-decree #18 (2017), when the function of registering micro and small businesses in the tourism sector was delegated to the One Window Service Unit (OWSU) in the capital, and to the One Window Service Office (OWSO) at the provincial, district, municipal, or Khan (sub-district) level, all sizes of businesses such as guest-houses, restaurants, massage parlors, and tourist transporters were required to apply for a license.

To promote tourism registration, the Ministry of Tourism, the OWSU and the OWSOs have adopted online business registration. The website (www.cambodiatourismindustry.org) was launched by the Ministry of Tourism in April 2015 so that businesses and tour guides could register online and speed up their application process. This also reduces the spread of COVID-19 because people are not registering in person. At the OWSU and OWSO levels, the government is promoting the Service Delivery Management Information System (SDMIS) to enable online inquiries, service progress tracking, e-payments, and online application for business registration.

Another government initiative is the business registration website (<https://www.registrationservices.gov.kh/en/home>), which was set up to make business registration easier and more efficient. In line with the government's policy to promote Industry 4.0, the business registration process now takes only eight days to complete. This initiative is intended to encourage the establishment of new businesses, and help formalize the large percentage of informal enterprises.

Note: Cambodia Tourism Industry website: <https://www.cambodiatourismindustry.org/kh>; Cambodia business registration website: <https://www.registrationservices.gov.kh/en/home/>

In general, MSMEs face several structural challenges. For SMEs, these include lack of access to finance, limited technical knowledge and skills, inadequate support and facilitation by relevant government institutions, rising competition in regional and international markets, and the high level of informality.³⁸ Micro-enterprises face these challenges, too, as well as difficulties in accessing government assistance, lack of legal protection, the burden of paying unofficial fees and bribes, lack of affiliation and unionization, and lack of a social safety net.³⁹

3.1.2. Registered SMEs in the tourism sector in Cambodia

Most of the registered businesses in the tourism sector in Cambodia are concentrated in Phnom Penh, followed by Siem Reap. As listed in the table below, there are many types of tourism businesses. With the exception of tour guides (who are usually self-employed), tourism businesses are concentrated in the capital, Phnom Penh. For example, the capital accounts for more than 50% of registered tour agents, 33% of karaoke parlors, 67% of night clubs, 33% of hotels, and 33% of massage parlors. The second ranking province for tourism businesses is Siem Reap. However, these official data for Phnom Penh and Siem Reap are only indicative, as many of the businesses that are supposed to register have not.

38. RGC (Royal Government of Cambodia). 2015. "Cambodia Industrial Development Policy 2015–2025: Market Orientation and Enabling Environment for Industrial Development."

39. API (Advocacy and Policy Institute). 2021. "The informal sector in Cambodia: Rapid assessment study on the challenges of female street vendors toward the socio-economic rights and livelihoods resilience."

Table 9: Types of registered businesses in the tourism sector in 2019 (by type and zone)

Business / zones	Phnom Penh Zone	Coastal Zone	Siem Reap Zone	North-East Zone	Total
Tour agents	411	312	28	1	752
Transporters	27	8	6	-	41
Tour guides	1,099	5,202	51	-	6,352
Tourist attractions	28	39	24	9	100
Karaoke parlors	361	212	167	247	987
Night clubs	72	15	15	5	107
Beer gardens	44	38	8	5	95
Dance clubs	15	3	-	-	18
Hotels	346	353	251	100	1,050
Guest houses	788	737	714	46	2,705
Restaurants	1,284	797	668	468	3,217
Massage parlors	189	162	125	90	566
Total	4,664	7,878	2,057	1,391	15,990

Source: MOT (Ministry of Tourism). 2020. "Statistics on the number and types of tourism sector business in 2019."

3.1.3. Non-registered SMEs in the tourism sector in Cambodia

A number of types of micro and small businesses in Cambodia's tourism sector are not registered.

The most common types observed, and included in this study's surveys, were small restaurants, street food vendors, small vendors, souvenir shops, and tuk-tuk drivers. Some of these businesses employed only the owner or the owner and some family members, while a few also had some employees. No recent nationwide data were available on non-registered enterprises in the tourism sector in Cambodia; however, the following section provides an overview of these.

Street vendors – A street vendor is broadly defined as someone who offers goods for sale to the general public from a small moveable structure on the sidewalk, on the side of the road, or in a public place such as a park or parking lot. Some operate from the same spot, day after day, and some move from place to place. In Cambodia, back in 2011, street vendors accounted for almost 4% of an estimated 1.7 million enterprises.⁴⁰ Ten years later in 2021, this proportion had likely changed a lot, but there were no official data for this.

Tuk-tuk drivers – In 2019, tuk-tuk drivers were estimated to number more than 20,000, and most were operating in Phnom Penh. Most tuk-tuk drivers are migrants from rural areas, which is similar to workers in the garment sector. In 2019 it was also estimated that 98% of all tuk-tuk drivers did not know the traffic laws and did not have a driving license.⁴¹ However, in 2021, because virtually all tuk-tuks are linked to ride-hailing apps, most are digitally savvy and well informed about the city.

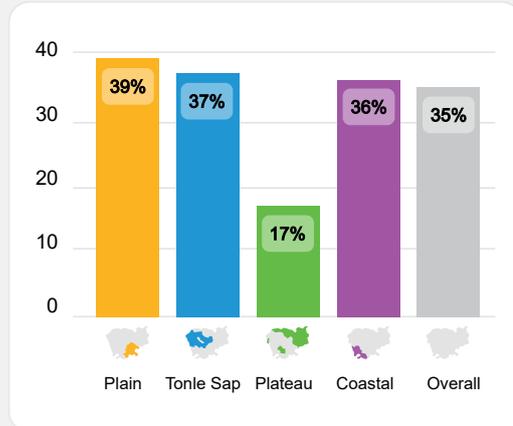
Migration is an important factor in understanding why there are a large number of non-registered micro businesses in the tourism sector in Cambodia. Previously conducted studies and anecdotes strongly suggest that many micro-enterprise owners and workers, and especially those in Phnom Penh and Siem Reap, are migrant workers who moved from their rural homes to earn a better income. Many of them also remit money back to their families. Thus, to understand the owners of microenterprises, migration must be factored in.

40. NIS (National Institute of Statistics). 2011. "Enterprise Survey."

41. Khouth Sophak Chakrya. 2019. "Only 1,000 of Cambodia's 20,000 tuk-tuk drivers legal."

Box 4: Migration trends in Cambodia

Migration is a significant and fast-accelerating phenomenon that affects both poor and non-poor households in Cambodia. Between 2010 to 2016, about 35 percent of the households in rural areas reported having at least one member who had migrated. Rural-rural migration accounts for 13%, rural-urban migration for 57%, and cross-border migration (mainly to Thailand) for 31%. The types of work that migrant workers engage in differ by destination. Those who come to Phnom Penh mostly work in factories and construction. Those who migrate within their province or to another province, but not Phnom Penh, tend to work in agriculture, construction, and the service industries. A small percentage also run a small business. About 78% of migrants reportedly send remittances back to their families in rural areas. The majority of migrants (70%) send their remittances through a microfinance institution/mobile banking service, and 16% of migrants take their money back in person.

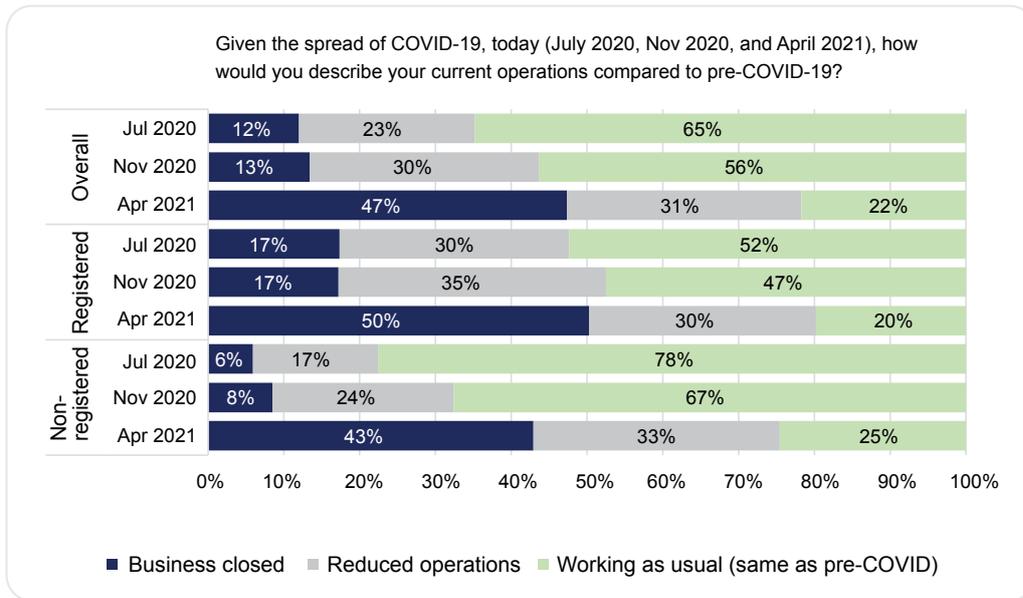


Source: WFP (World Food Programme). 2019. "Vulnerability and migration in Cambodia."

3.2. The reported situation since July 2020

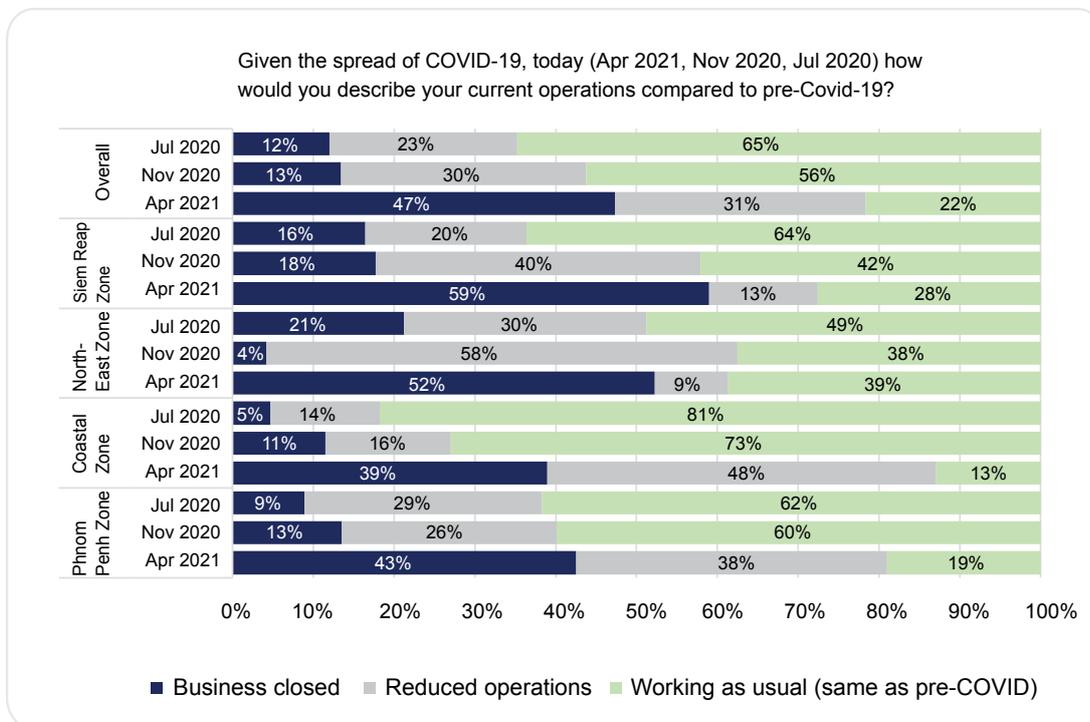
Compared to 2020, since the 20 February 2021 Incident, the negative effect of the pandemic on registered SMEs has been much more severe. In all three rounds of the surveys, respondents were asked to describe the current operation of their business. The answers from each survey round were then compared. As Figure 9 indicates, the percentage of businesses that reported "business closed" in July 2020 and November 2020 did not change much (12% and 13%, respectively), but in April 2021, the number rose substantially to almost 50%. Also, in the July and November 2020 survey rounds, the non-registered businesses reported that the impact on them was relatively mild. However, after the 20 February 2021 Incident, and especially in March 2021, the reported negative impact of the pandemic was equally severe for registered and non-registered businesses.

Figure 9: Reported situation in July 2020, November 2020, and April 2021 (overall, and by registration status)



In April 2021, the changes in the situation by geographic area were similar to the national aggregate. Siem Reap was still the zone where respondents gave the highest percentage of “business closed” answers. However in April 2021, unlike November 2020, in the other three zones, a high percentage of businesses also responded: “business closed.” The change was most noticeable in the North-East zone, where the rate jumped from 4% to 52%, while the Coastal zone reported the smallest change (from 11% to 39%).

Figure 10: Reported situation in July 2020, Nov 2020, and April 2021 (overall, and by geographic zone)



“Few customers” was still the main reason for closing or less activity, although “Government orders” was more frequently mentioned. When asked why their business was not “working as usual,” in November 2020, almost all respondents (91%) said this was because of the low number of customers due to COVID-19. In the April 2021 survey, the percentage not “working as usual” had dropped to 82%, and more respondents reported that this was because the government ordered them to close. This finding suggests that despite the difficult circumstances, most MSME owners understood that the primary cause of their business difficulties was COVID-19, and they did not identify other factors or people.

Figure 11: Perceived reasons for not “working as usual” in April 2021

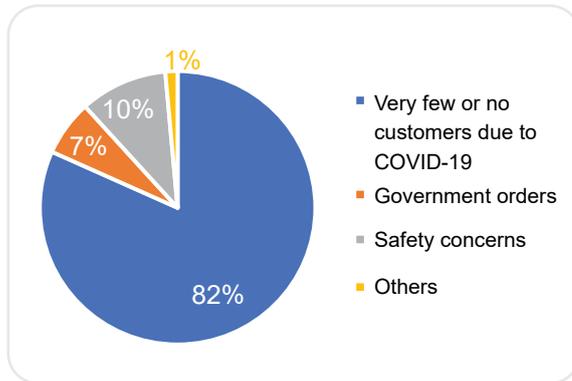
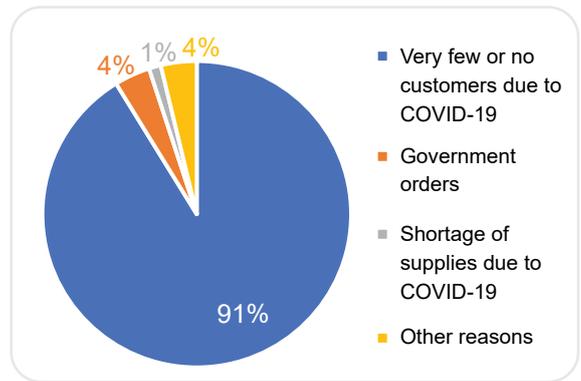


Figure 12: Perceived reasons for not “working as usual” in Nov 2020



3.3. Impact on small businesses’ sales and revenue

Since the steep rise in the virus began in February 2021, the negative impact on businesses’ revenue has been much more severe, and this was similar across all four zones. When respondents were asked to recall and compare their revenue in April 2021, to their revenue in previous rounds of the survey (July and November 2020), roughly 50% of the surveyed businesses said that their revenue had stopped completely, and most of the other respondents said that their revenue had decreased. The situation respondents reported in April 2021 was much more serious compared to the previous survey rounds, when only 10% of respondents said that their revenue had completely stopped, and about 50% reported that their revenue had remained the same or even increased. The April 2021 survey data also show that the revenue of non-registered businesses dropped as much as that of the registered businesses. Across the four zones, the MSME owners in the Siem Reap zone reported the most severe decline in their revenue, with 63% reporting that their revenue had completely stopped.

Figure 13: Impact on revenue in April 2021 versus November 2020 (overall, and by registration status)

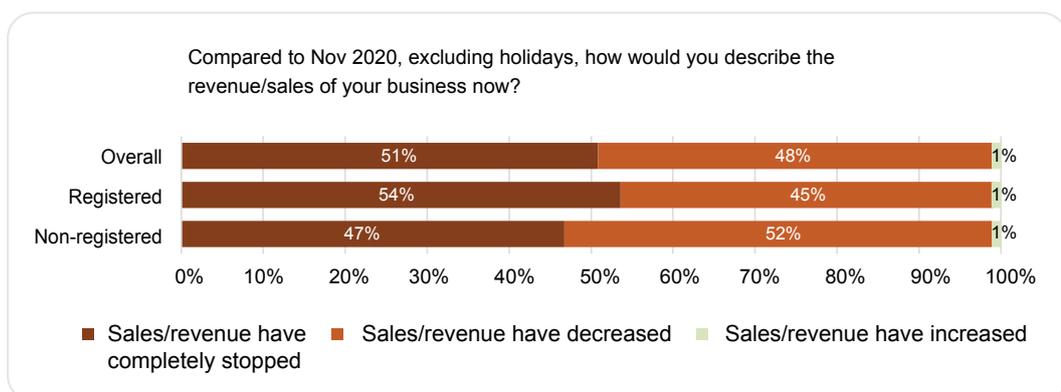


Figure 14: Impact on revenue in November 2020 versus July 2020 (overall, and by registration status)

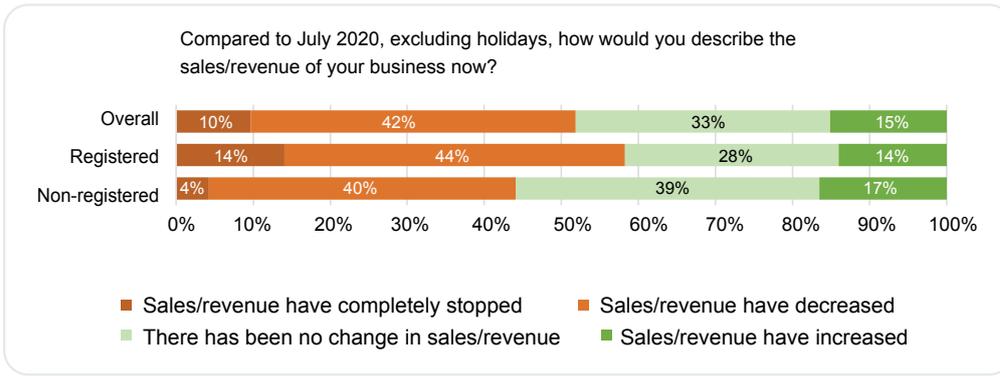
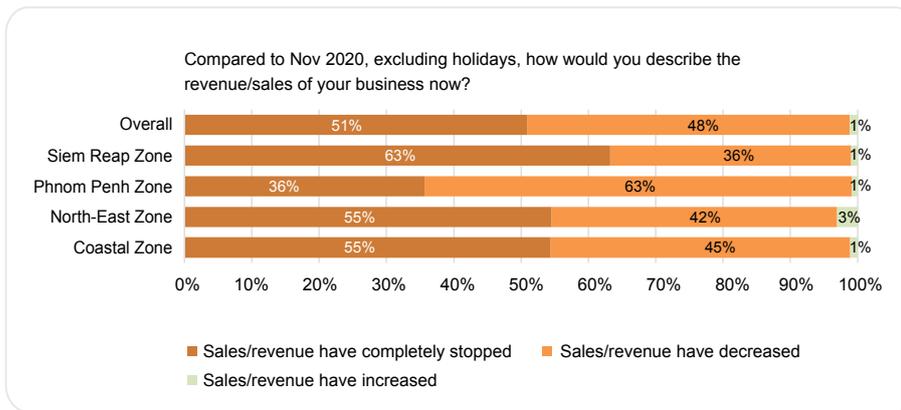


Figure 15: Impact on revenue in April 2021 versus November 2020 (overall, and by geographic zone)



In the final round of the survey in April 2021, partly because of the government travel ban and the curfew imposed to stop the spread of COVID-19, smaller businesses had become the latest victims of the pandemic. A large percentage of street food vendors (40%), small vendors (25%), and tuk-tuk drivers (52%) reported that their revenue had completely stopped, and the rest said that their revenue had decreased. This finding indicates a much more severe impact, compared to November 2020, when fewer than 3% of street food vendors and tuk-tuk drivers reported that their revenue had completely stopped.

Figure 16: Impact on revenue in April 2021 versus Nov 2020 (overall, and by type of business)

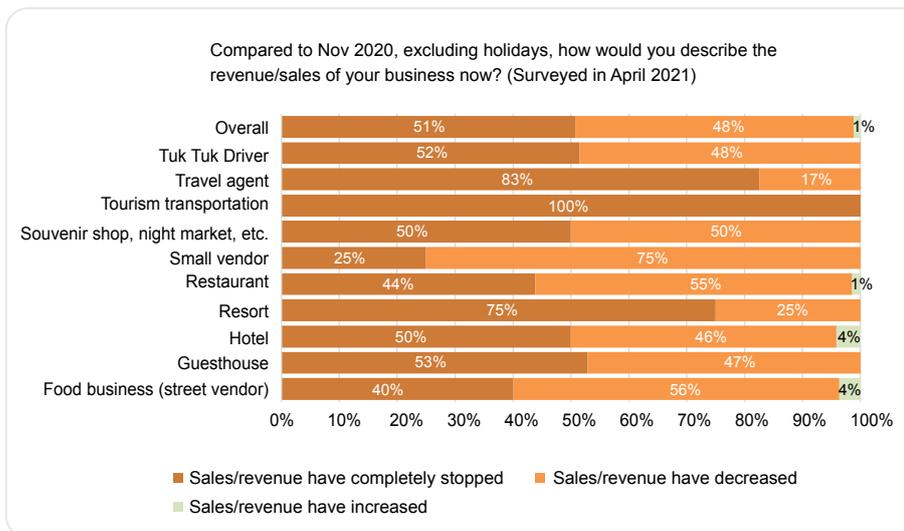
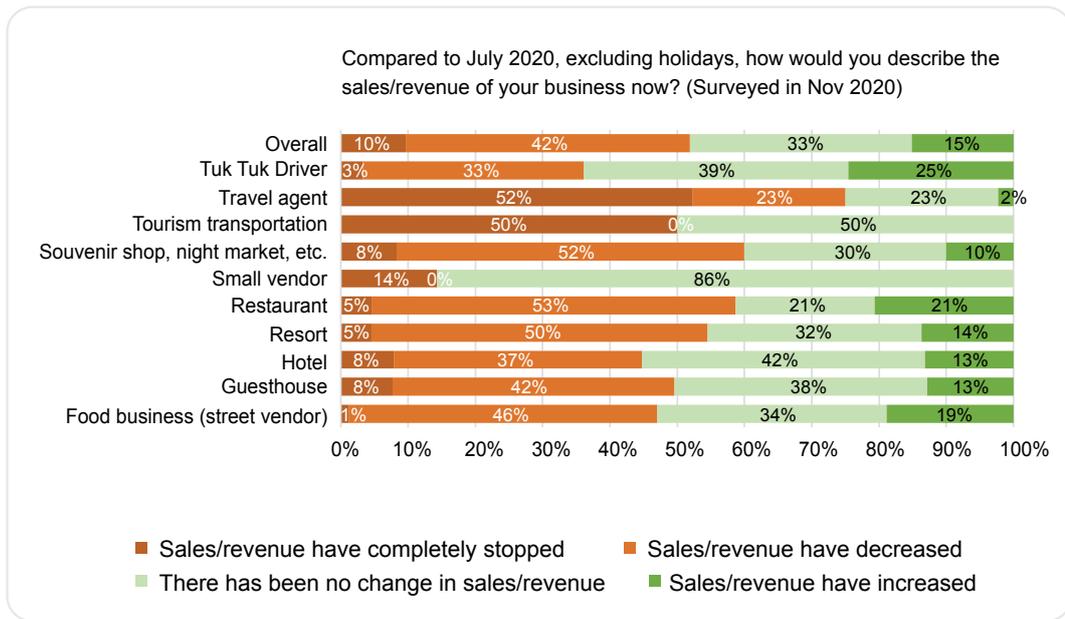


Figure 17: Impact on revenue in November 2020 versus July 2020 (overall, and by geographic zone)



As expected, many more businesses reported experiencing cash flow problems in the last round of the survey in April 2021. When asked about cash flow problems, 83% of respondents said that they had them. This was a stark contrast to the November 2020 survey, when only 54% of respondents said this. More importantly, it seems that in the April 2021 survey, it was the smaller and non-registered businesses that more commonly reported a cash flow challenge (e.g., 95% of tuk-tuk drivers and 92% of street vendors). A large percentage of registered businesses such as restaurants, guesthouses, and hotels also reported cash flow problems, but the change in percentages showed that the trend was less severe.

Figure 18: Cash flow challenges in April 2021 (overall, and by type of business)

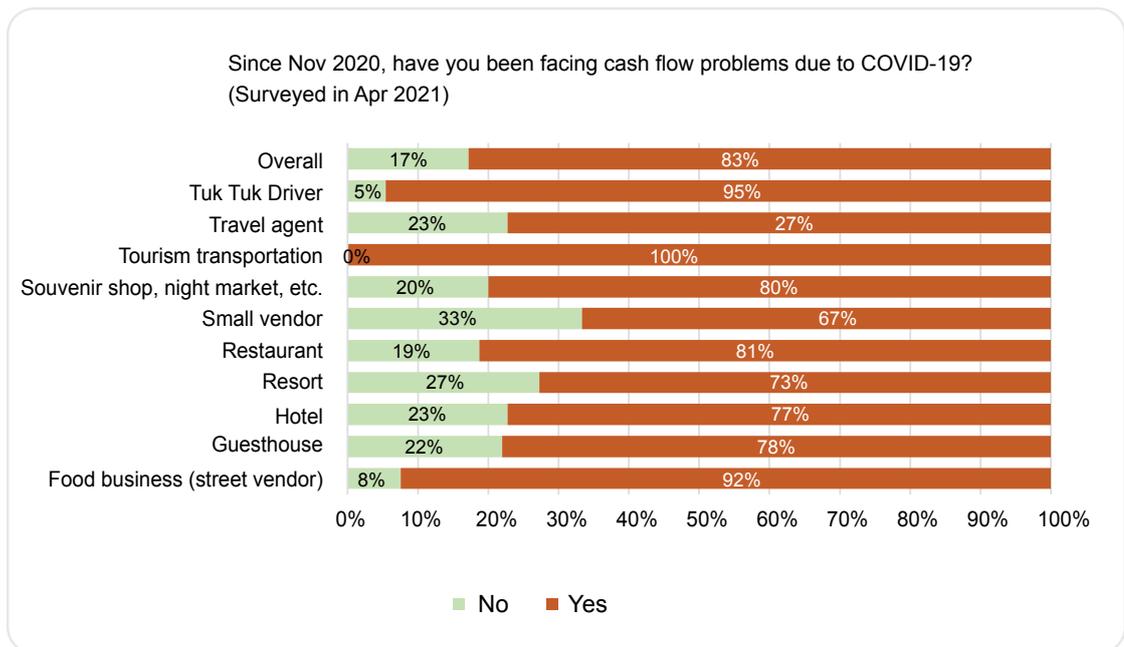
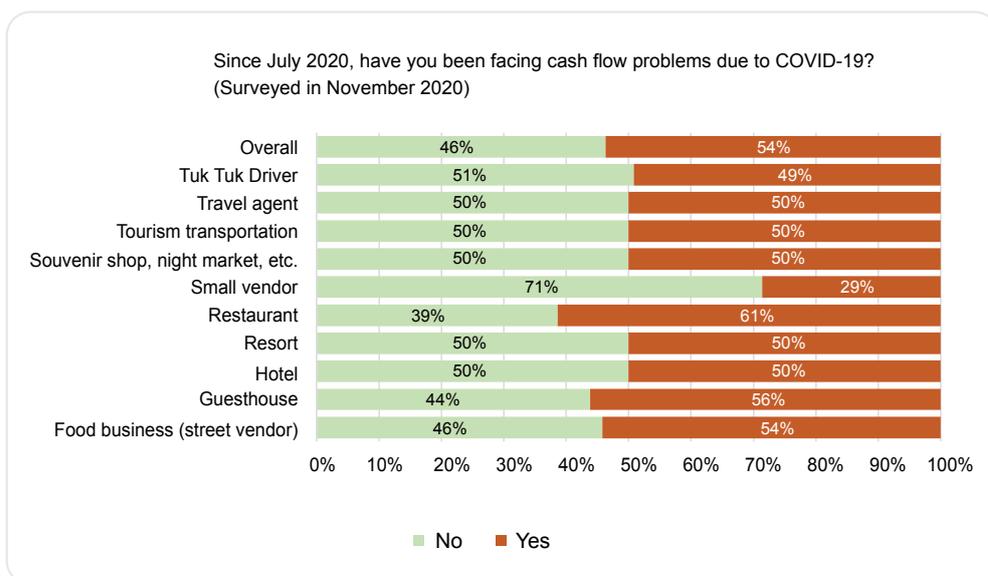


Figure 19: Cash flow challenges in November 2020 (overall, and by type of business)



Of those experiencing cash flow problems, the percentage of respondents who had taken out a loan did not change between November 2020 and April 2021. In fact, the percentage of those who reported taking out a loan had dropped slightly, both for respondents, overall (from 40% to 27%), and by business registration status. Hypothetically, this could mean that as their business and livelihood situation became more dire, MSMEs' willingness and ability to take a loan was lower. In April 2021, for those who said they had taken out a loan since November 2020, the findings on the loan sources were similar to the previous rounds of the survey, i.e., the primary source was an MFI or a bank, followed by family/friends, and informal loans.

Figure 20: Taking loans since November 2020 (overall, and by registration status)

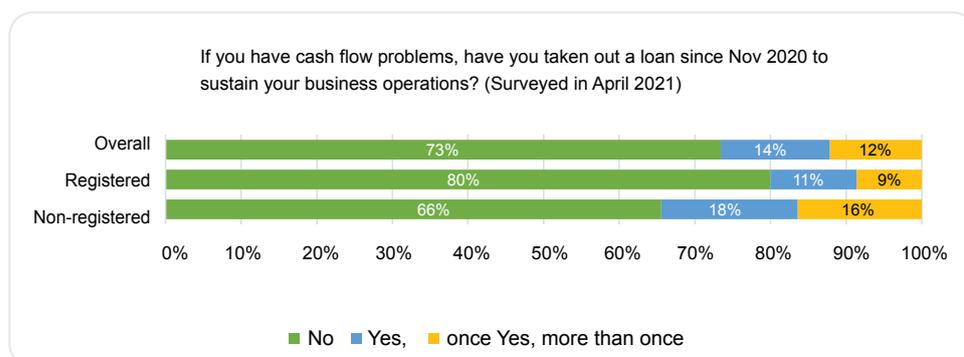


Figure 21: Taking loans since July 2020 (overall, and by registration status)

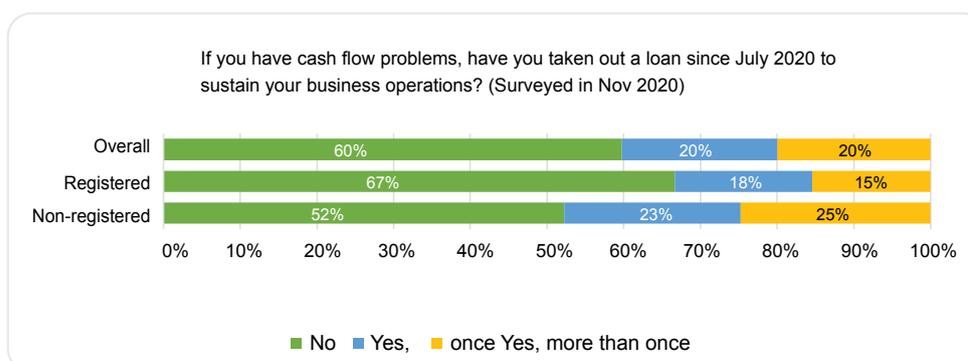
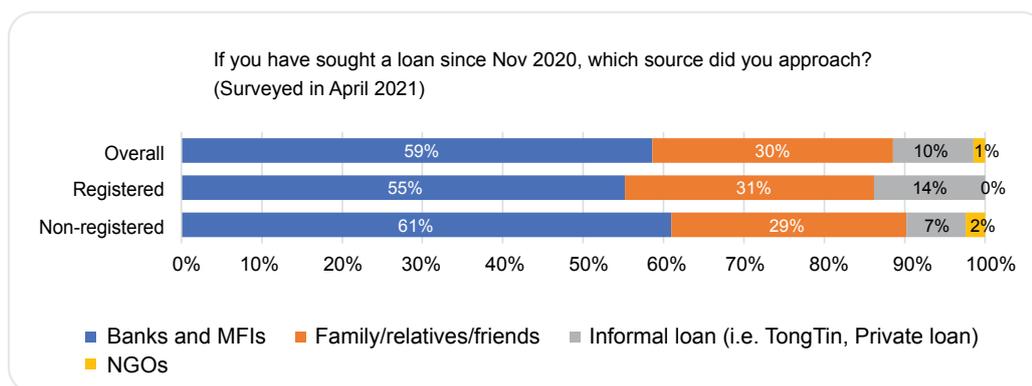


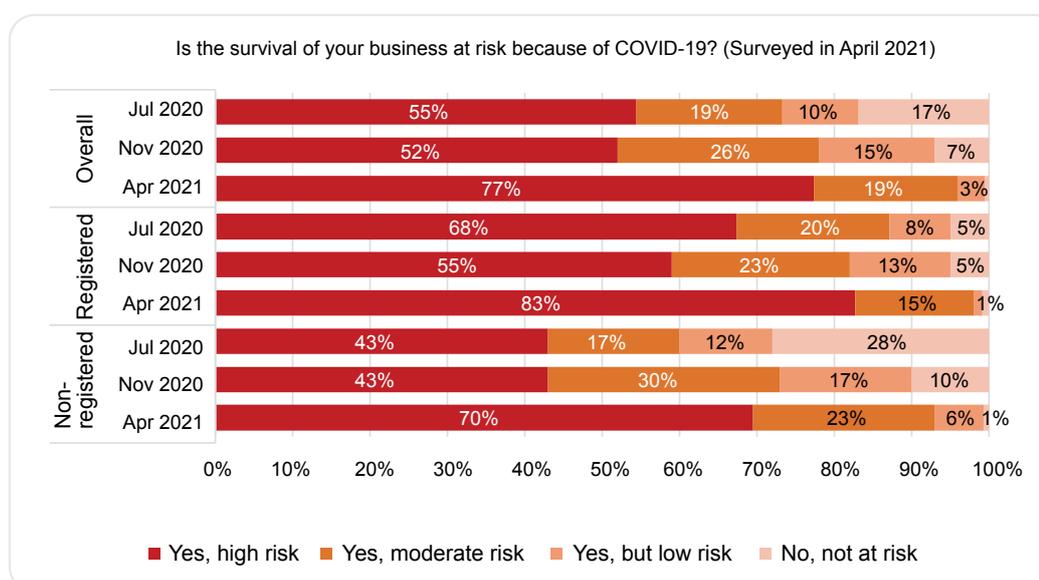
Figure 22: Sources of loans in April 2021 (overall, and by registration status)



3.4. Risk of business failure

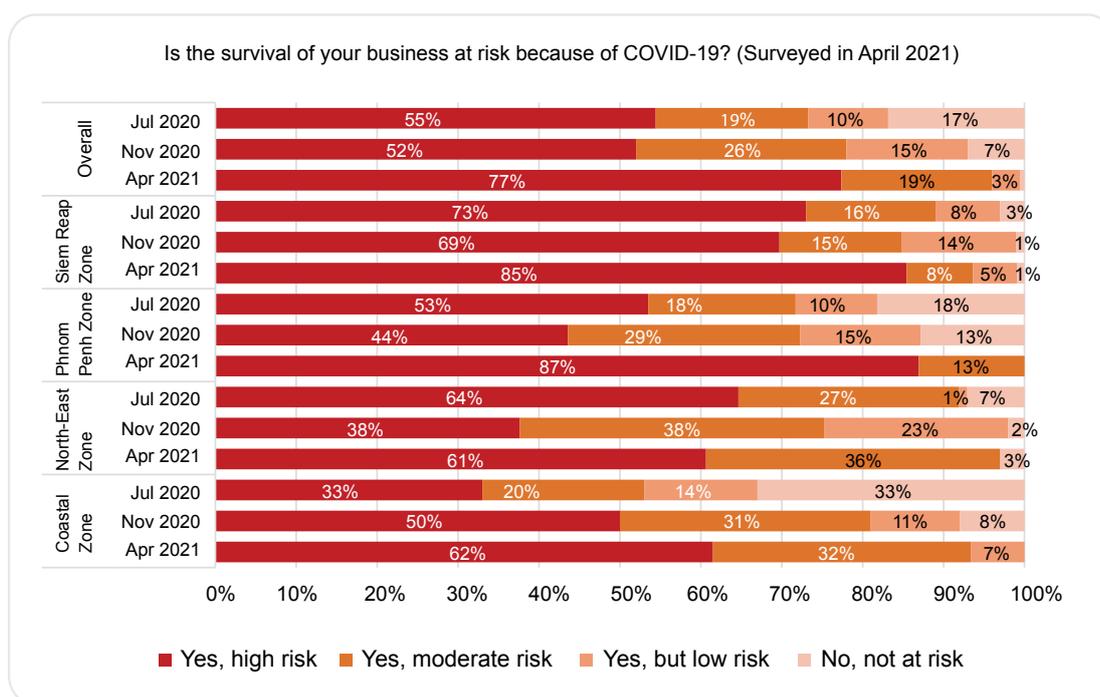
In April 2021, many more business owners perceived the pandemic as a major threat to the survival of their business than they did in November 2020. From July 2020 to November 2020, the level of business owners' concern about the threat of the COVID-19 crisis had somewhat stabilized. In fact, the percentage of those who thought that COVID-19 presented a high risk to the survival of their business had dropped slightly from 55% in July 2020, to 52% in November 2020. However, in April 2021, the percentage of concerned respondents had increased, which was a noticeable jump not only for registered businesses, but also for non-registered ones. This finding indicates that due to the outbreak that began in February 2021, many more business owners had become concerned about the survival of their business.

Figure 23: Perceived survival risk in April 2021, November 2020, and July 2020 (overall, and by registration status)



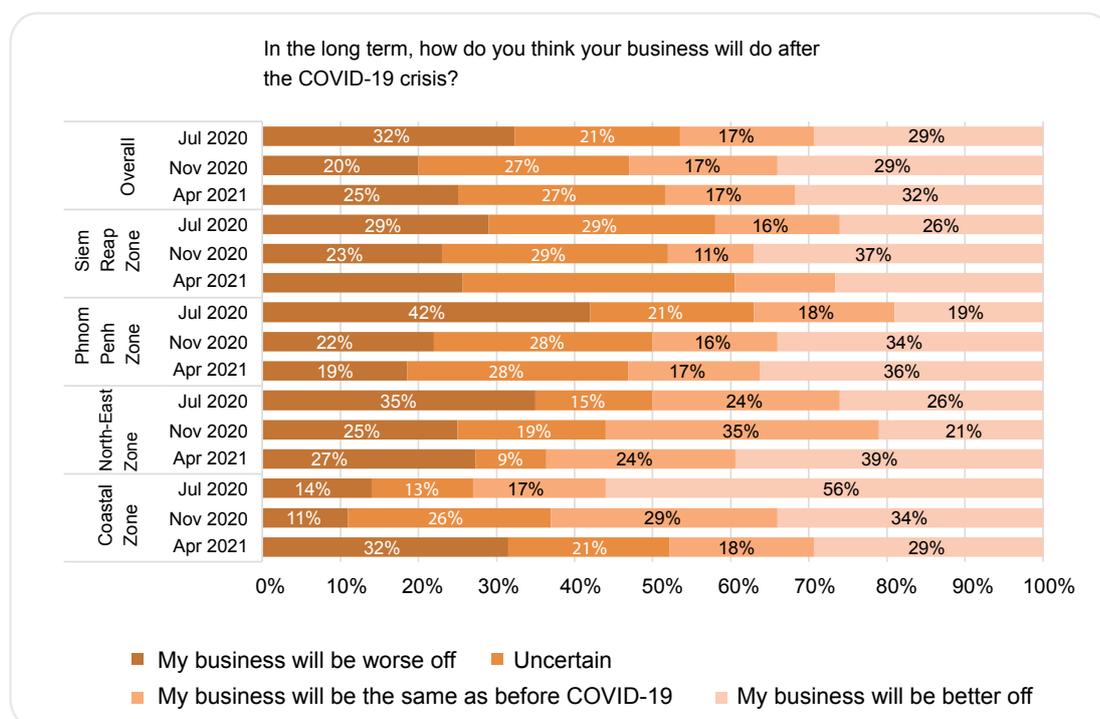
In the last round of the survey in April 2021, Phnom Penh replaced Siem Reap as the zone with the highest percentage of businesses that thought that COVID-19 was a high risk. In Phnom Penh, 87% of respondents considered their business at high risk of closing, compared to 85% in Siem Reap. Even more noticeable was the trend; although the percentage of concerned business owners dropped from 53% in July 2020 to 44% in November 2020, it jumped to 87% in April 2021. This finding was understandable, however, given that the steep rise in COVID-19 cases that followed the 20 February 2021 Incident, the curfew, and the lockdown all hit Phnom Penh, and nearby Kandal Province the hardest.

Figure 24: Perceived survival risk in April 2021, November 2020, and July 2020 (overall, and by geographic zone)



Despite their concerns about the pandemic, people’s perceptions about their business’ long-term prospects for survival changed only slightly across the three rounds of the survey. In July 2020, when asked about their long-term expectations, 46% of those surveyed responded that they expected that their business would go back to the same level it was before COVID-19, or even improve. The percentage with this expectation increased slightly in November 2020 (to 53%) but dropped, somewhat, to 49% in April 2021.

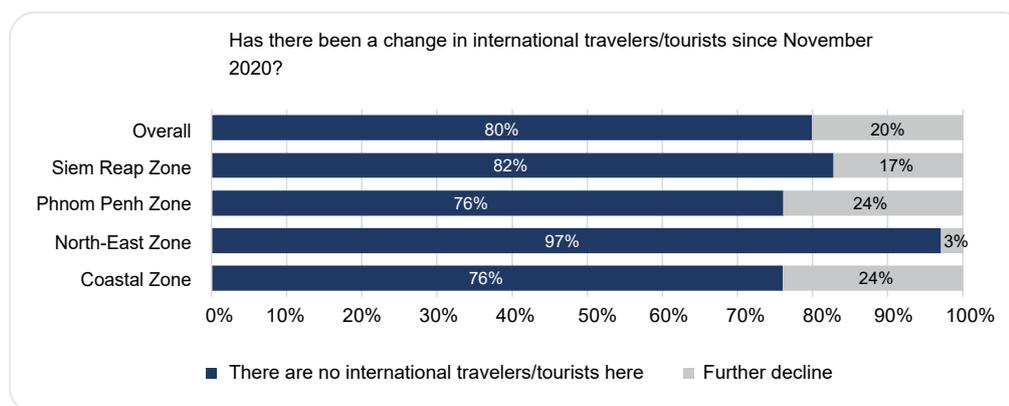
Figure 25: Perception about business’ long-term prospects (overall, and by geographic zone)



3.5. Tourism sector impact

As expected, in April 2021, the majority (80%) of MSME owners reported no international tourists were visiting their enterprise and area. The situation was the least positive in the North-East zone, where 97% of respondents said this. This was not surprising, and was expected by the Ministry of Tourism (MOT), as stated in the MOT Roadmap (2021).

Figure 26: Trend in the number of international travelers/tourists (overall, and by geographic zone)



Concerning domestic travelers/tourists, in the April 2021 survey, the situation reported was much more serious, compared to the previous two rounds. Of all respondents, 35% reported that “there are no domestic travelers/tourists here.” Of the remaining respondents, 60% reported “further decline.” In November 2020, about 40% of MSME owners reported an increasing number of domestic travelers/tourists, compared to July 2020. In April 2021, only 4% reported such an increase compared to November 2020. However, this result was not entirely unexpected. The travel ban, the curfew, and the lockdown should have, by design, resulted in a lower number of all types of travelers/tourists. It remains to be seen how long it will take people to start traveling again after the travel ban, curfew, and lockdown are lifted.

Figure 27: Trend in domestic travelers/tourists in April 2021 (overall, and by geographic zone)

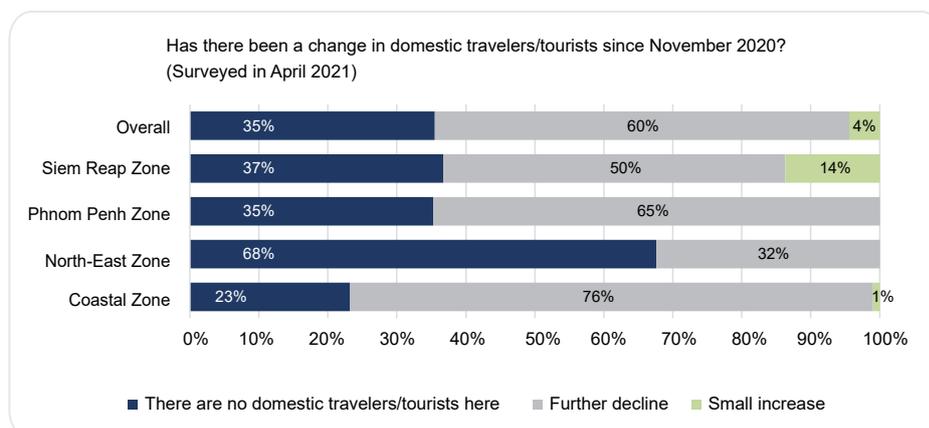
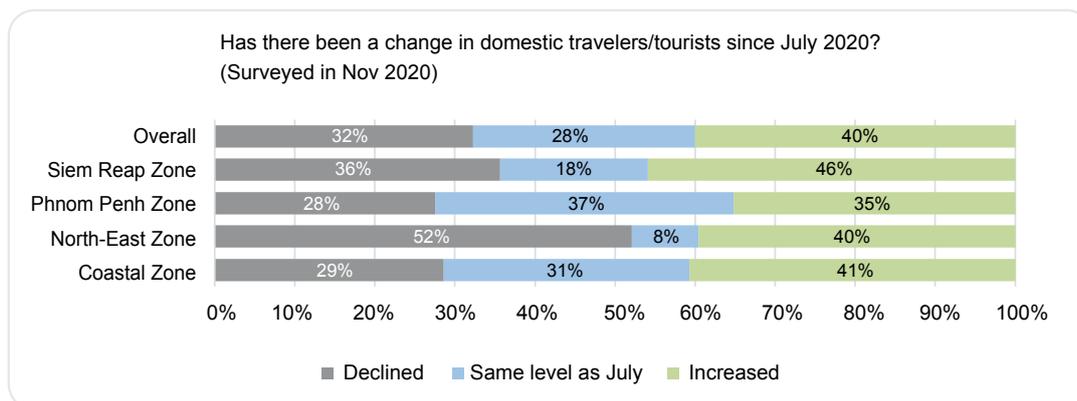


Figure 28: Trend in domestic travelers/tourists in Nov 2020 (overall, and by geographic zone)



The interviewees said that domestic travelers/tourists could still be helpful to their business, but not a great deal. This perception did not change between November 2020 and April 2021. When it was clear that the tourism sector could not rely on international travelers/tourists, key policymakers’ discussions turned to domestic travelers/tourists as an alternative. In both the April 2021 and November 2020 survey rounds, the respondents were asked for their opinion on this matter, and their answers are presented in Figure 29. In November 2020, 63% of respondents said that they could rely on domestic travelers/tourists to support their business, but the other 37% said they could not. The latter percentage went up to 44% in April 2021. For those who did not think that domestic travelers/tourists could be alternative customers, the common reasons given were that their products/services were not meant for domestic travelers/tourists, domestic travelers/tourists do not spend much, and visits by domestic travelers/tourists are only seasonal.

Perceptions about relying on domestic travelers/tourists differed widely, depending on the type of business. Expectedly, small vendors, tuk-tuk drivers, guest houses, and even resorts had more chance of shifting to domestic travelers/tourists. The shift was more challenging for hotels, restaurants, and tourism-specific businesses such as travel agents and souvenir shops.

Figure 29: Perceptions in April 2021 about the potential to serve domestic tourists (overall, and by type of business)

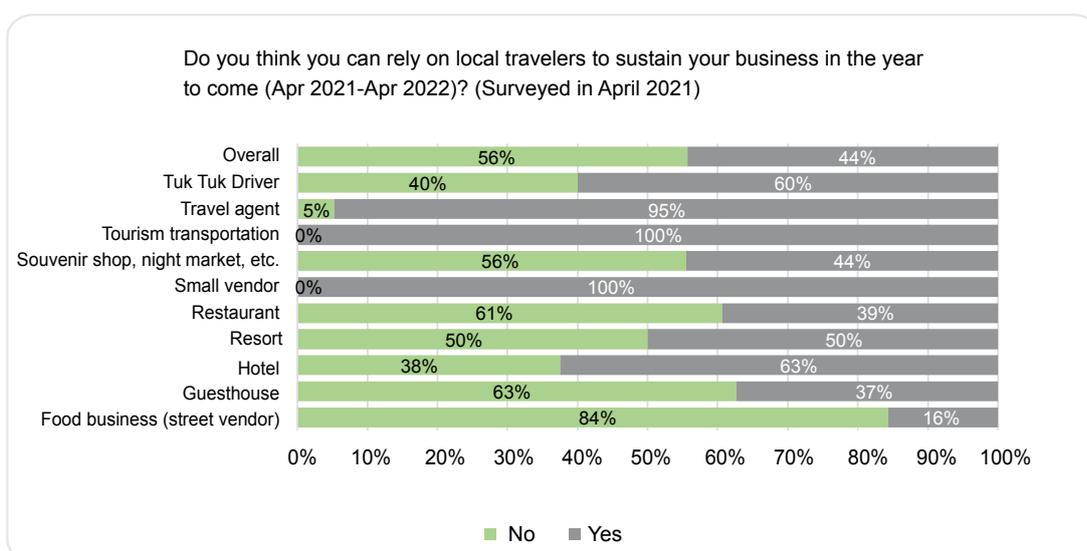
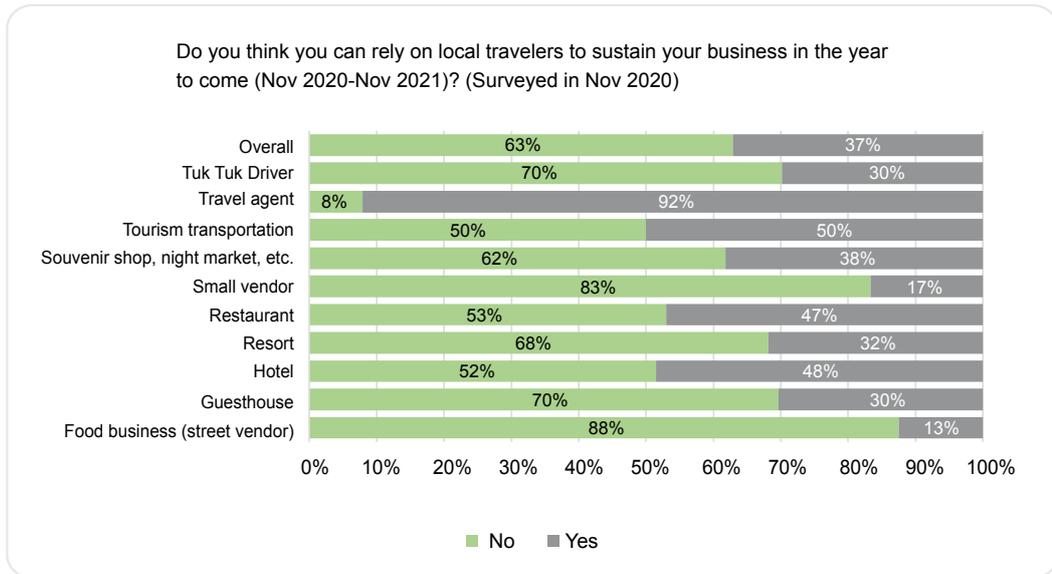


Figure 30: Perceptions in November 2020 about the potential to serve domestic tourists (overall, and by type of business)



Over half of the respondents (almost 60%) said that they believe that conditions will improve when all the businesses and potential travelers/tourists have been vaccinated. However, there were a few people who did not share this optimism, and the rest said that they do not know, or were not sure. More than 80% of respondents said that they would get vaccinated when the COVID-19 vaccines are made available for all citizens.

Figure 31: Expectations regarding tourism once all businesses and tourists have been vaccinated

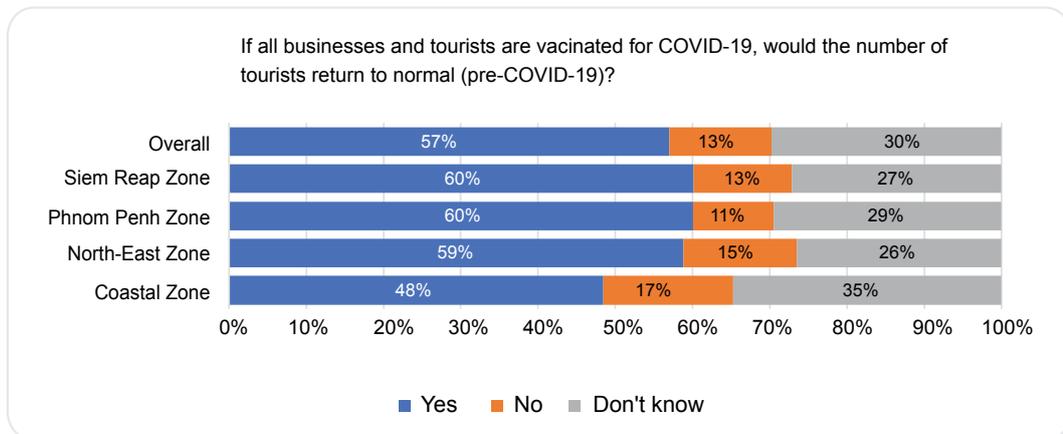
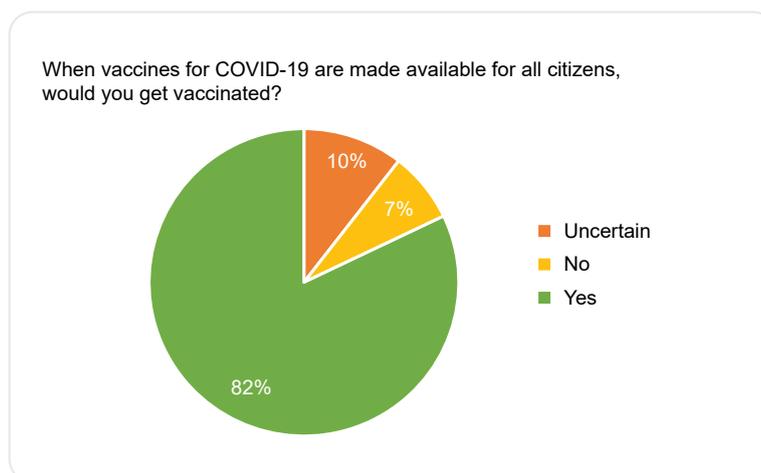


Figure 32: Willingness to get vaccinated for COVID-19



Box 5: COVID-19's impacts on MSMEs in the tourism sector in Cambodia

Hotels, guesthouses, and resorts are trying to hang on: In Siem Reap and Phnom Penh, businesses such as hotels, guesthouses, and resorts that rely heavily on international tourists have been affected since January 2020. This was when COVID-19 began in tourists' home countries. Since then, tourist accommodation providers in Cambodia have been gradually impacted more and more. Those who have sustained their business by reducing their operations hope that after the pandemic ends tourist numbers will return to the pre-pandemic level.

Medium-size businesses are about to close permanently. In major tourist hotspots, some registered travel agents, guesthouses, hotels, and resorts have been able to suspend their business while waiting for the pandemic to end. However, they are now on the verge of having to close, permanently, because the outbreak in 2021 has worsened their situation. Even with government support, the businesses in Phnom Penh, Siem Reap, and the Coastal zone cannot sustain themselves due to lack of income. Even those with other sources of income are reluctant to reopen their tourist-related businesses.

Travel agents are declaring bankruptcy: In Phnom Penh, the Coastal region, and Siem Reap, starting in July 2020, travel agents were severely impacted because they relied mainly on international tourists. They chose to work from home to adapt to the pandemic, and to reduce unnecessary expenses, including their office rent. However, with no online bookings, even from local tourists for three consecutive months, they declared bankruptcy in November 2020.

Restaurants and food businesses during a lockdown: In Phnom Penh, food-related businesses such as restaurants and street vendors without takeout services were adversely affected when faced with a complete or partial lockdown from April 15, 2021 to May 6, 2021. Even though most of the restrictions, including bans on inter-provincial and city travel have been lifted, some are still in place: temporary closure of government-run or unregulated markets, and the zone restriction system (red, orange, and yellow zones). Food vendors in Phnom Penh have been hit hard since the curfew started (20:00 to 05:00); they have no daily income; and this is especially the case with food vendors who do business at night. With no income, they cannot pay their rent, their loan payments, or even meet basic needs for themselves and their family. As a consequence, their mental health is poor.

Street vendors, tuk-tuk drivers, and taxi-drivers are trying to find ways out: Street vendors, taxi drivers, and tuk-tuk drivers were less affected in July 2020 because they could depend on local tourists and customers. However, after July 2020, the impact worsened in Phnom Penh to the point where these individuals had to close their business. To make ends meet, female street vendors chose to work as garment workers, and male tuk-tuk drivers opted for construction work because most construction projects continued to operate, even during the pandemic. In April 2021, construction workers suffered the most, and especially those who lived in a red zone. As a result of receiving only the first half of their month's salary due to the lockdown (April 1–14, 2021), construction workers had no money to buy food.

3.6. Staffing and layoff situation

The majority of MSMEs in the tourism sector in Cambodia have very few employees. Among the 997 enterprises in the sample for the first survey (July 2020), more than 65% of the MSMEs surveyed had no staff or just a few (1 to 5)—which is usually the case for MSMEs in Cambodia. In total, the 997 MSMEs surveyed for this study reported employing 10,238 employees (an average of about 10 employees per business), and the percentage of male and female employees was nearly equal (52% for females and 48% for males).

Figure 33: Number of staff employed by MSMEs

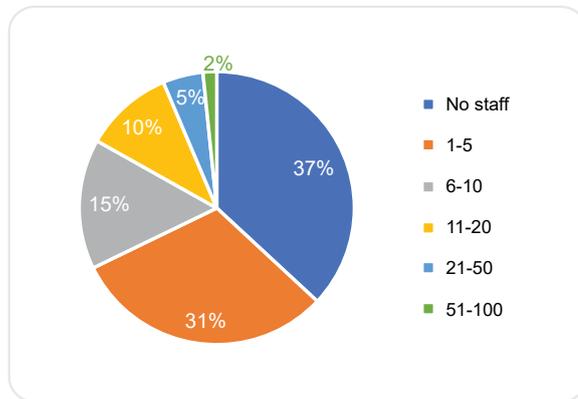
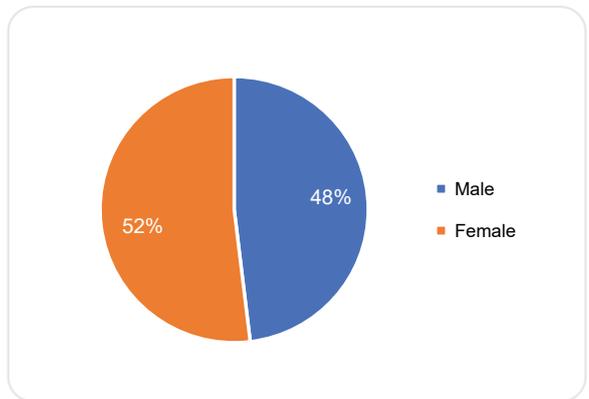
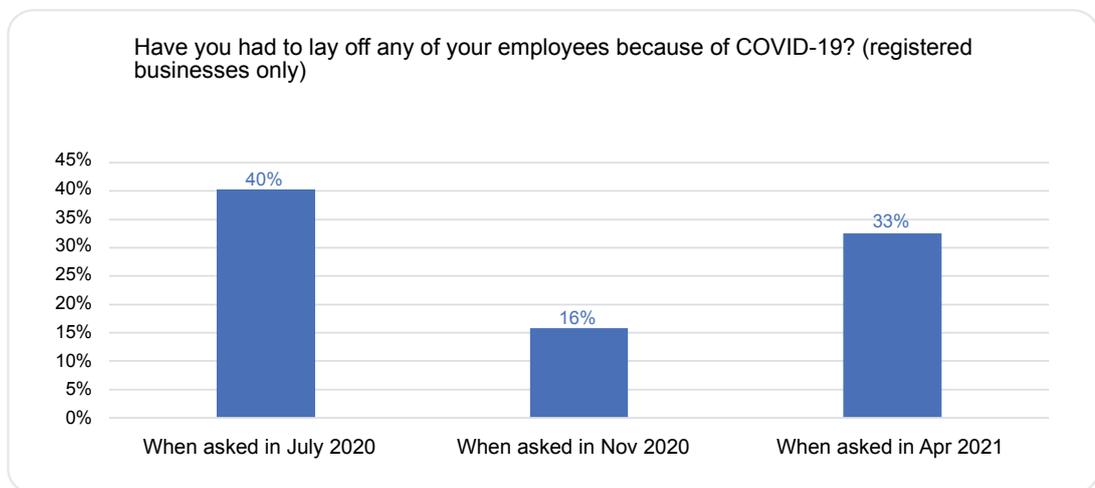


Figure 34: Gender of staff employed by MSMEs



In July 2020, 40% of the registered businesses surveyed reported layoffs. Although the percentage of registered businesses laying off staff went down in November 2020 to 16%, it rose again, sharply, to 33% in April 2021.

Figure 35: Employee layoffs in July 2020, November 2020, and April 2021 (registered businesses only)



Observations from the field offer some interesting insights into how affected businesses have managed their staffing. Many businesses, and even the registered ones, prefer suspending their employees to firing them. For example, to avoid having to lay-off their employees, registered businesses such as resorts, hotels, guesthouses, and souvenir shops started by decreasing employees' work hours or having a two-week rotation. However, by April 2021, some businesses had no choice but to lay off some of their staff. These employers said that most of their former female employees went to work in a garment factory so that they could continue earning an income. Since these women had no other skills besides those gained in the tourism industry, garment factory work was their only choice for a job. Employers stated that they hope they will be able to rehire their laid-off employees as they do not want to bear the cost of training new ones.

Some studies suggest that the COVID-19 pandemic could seriously affect the incomes of laid-off employees and those working in the informal sector. Since this study did not focus on employees, relevant findings from a recent study by ActionAid are presented in the table below. ActionAid’s survey found that as of August 2020, over 90% of workers in the informal sector were affected by COVID-19, and their average income had decreased from \$340 to \$163 per month, for males, and from \$250 to \$106 per month, for females.⁴²

Table 10: Impact of COVID-19 on workers’ incomes in the informal sector (August 2020)

Type of work	Male		Female	
	Pre COVID-19	During COVID-19	Pre COVID-19	During COVID-19
Entertainment	\$269	\$101	\$262	\$105
Transportation	\$340	\$143	\$249	\$38
Construction	\$307	\$243	\$140	\$200
Street vendor	\$444	\$163	\$297	\$143

Source: ActionAid Cambodia. 2021. “Socio-economic impacts of Covid-19 on workers in informal sector of Cambodia.”

3.7. Government support and interventions

3.7.1. MSMEs’ awareness about, and access to government support

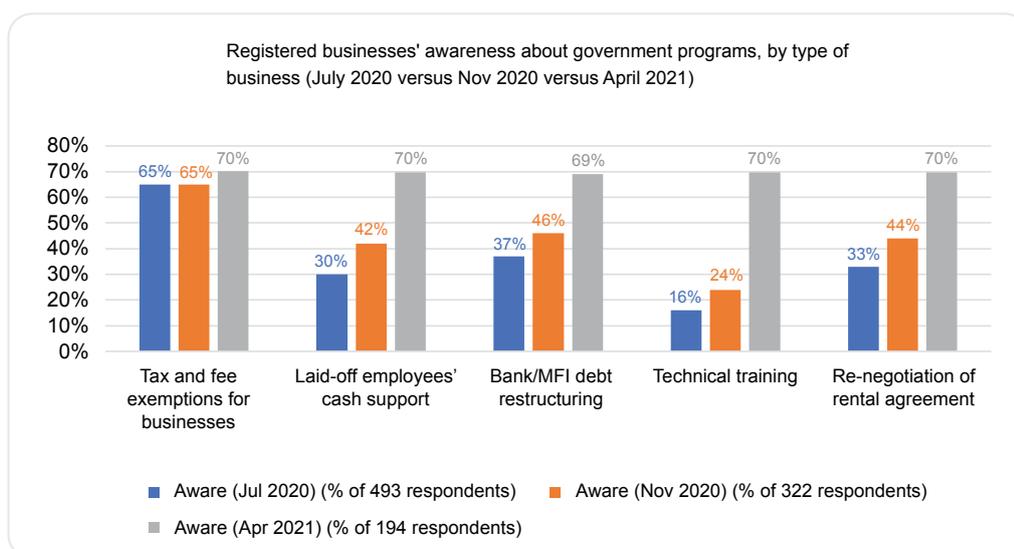
By April 2021, more MSMEs were aware of the government’s various support measures to ease the hardships of businesses, and of the workers who were impacted by the pandemic. Between July 2020 and April 2021, the percentage of registered MSMEs that reported being aware of the government’s support and interventions improved steadily. With regard to awareness about the tax and fee exemptions for businesses, the percentage remained the same, but it increased noticeably for other items.

Table 11. The government’s direct support and indirect interventions for businesses during COVID-19

Government support and interventions	Type of assistance
Direct support	<ul style="list-style-type: none"> • Tax and fee exemptions for businesses • Cash support for laid-off employees • Technical training for employees • Temporary exemption from paying utility bills
Indirect interventions	<ul style="list-style-type: none"> • Restructuring businesses’ bank/MFI debt • Re-negotiation of landlord/tenant rental agreements

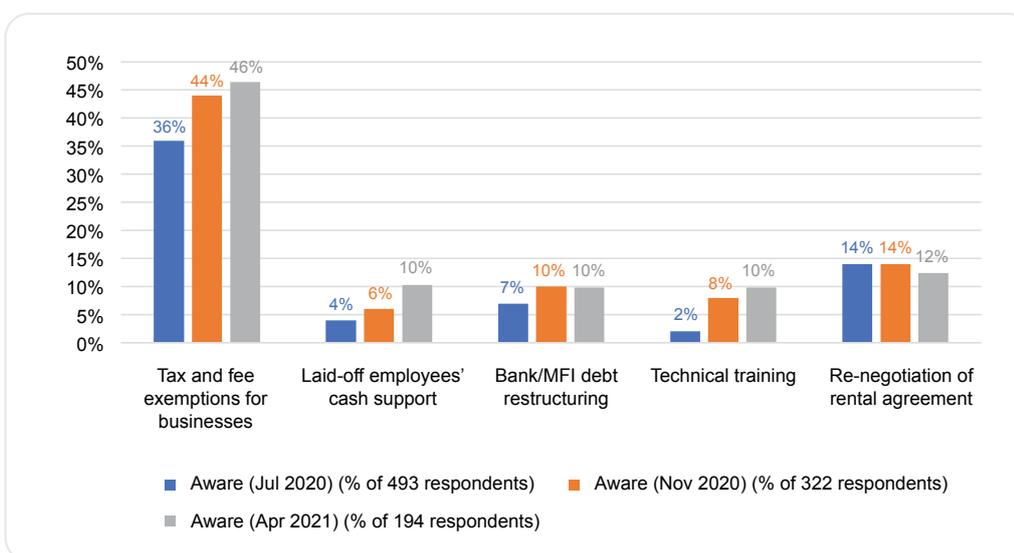
42. ActionAid Cambodia. 2021. “Socio-economic impacts of Covid-19 on workers in informal sector of Cambodia.”

Figure 36: MSMEs' awareness of government programs (July 2020, November 2020, and April 2021)



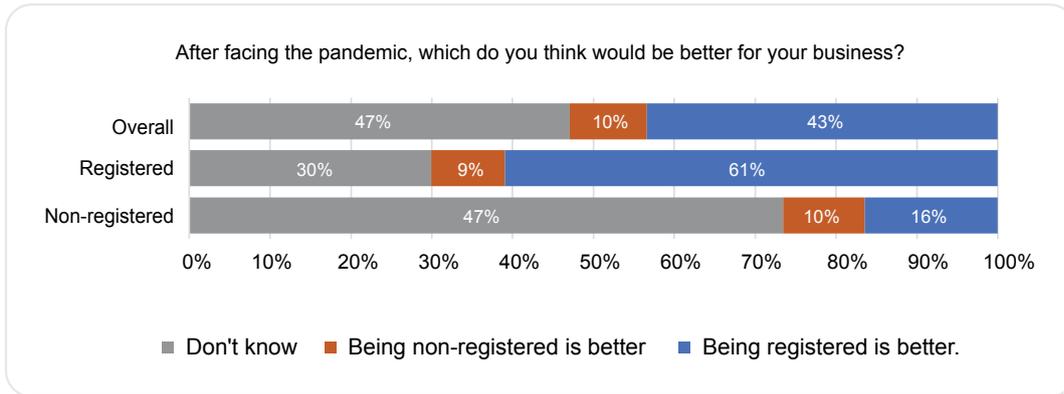
The percentage of registered MSMEs that received and/or used government support increased from July 2020 to April 2021. This was especially true for the tax and fee exemptions for businesses and technical training for employees. However, despite the increase in awareness, the percentage of aware businesses was still very small in April 2021, and especially so for the technical training for employees (10%), cash support for laid-off employees (10%), and restructuring businesses' bank/MFI debt (10%). As indicated by survey respondents, the main reasons for not using the programs were: limited information about the programs; lack of understanding about how to access the programs (and whether they would be eligible); and the perception that the application procedures were confusing and difficult.

Figure 37: Registered MSMEs receiving/using government support programs



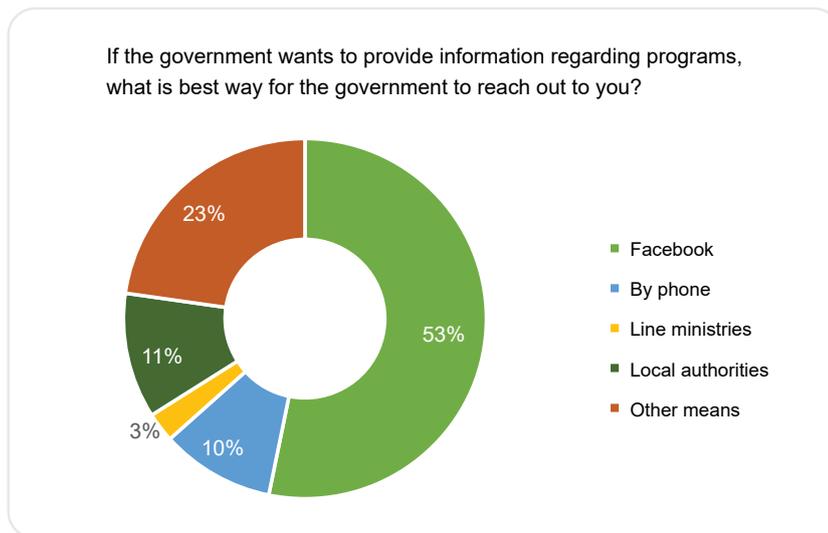
Being a formally registered business was helpful in accessing government assistance, but many non-registered businesses were unaware of why they should be registered, and how to do it. The government has been explicit that a business must be registered to be eligible for financial assistance. But most of the surveyed owners of non-registered businesses (more than 70%) had limited knowledge about the benefits they might get if they were registered, and how to register. Also, a small proportion (almost 10%) of registered businesses said that they would be better off if they were not registered.

Figure 38: Perceptions of the government benefits and the process of business registration



Based on the survey results, if the government has information to communicate on COVID-19 prevention and relief, most survey respondents believe that the government should use Facebook and mobile phones (including pre-recorded messages) to reach people. The survey results also suggest that local authorities could play an important role in communicating key information.

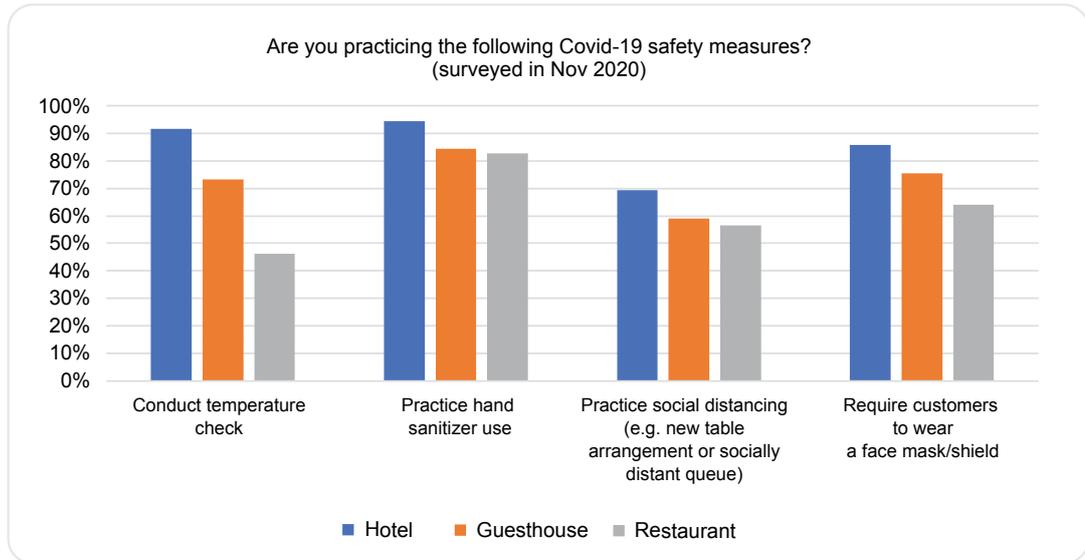
Figure 39: MSMEs’ preferred channels for getting information from the government



3.7.2. MSMEs practicing COVID-19 safety measures

In the July 2020 survey, a high percentage of MSMEs (91%) reported that they were aware of the COVID-19 safety protocols imposed by the government. In November 2020, the survey sought to assess the actual practice of COVID-19 safety measures by focusing on three types of MSMEs: hotels, guesthouses, and restaurants. The survey found that a high percentage (more than 80%) of the hotels, guesthouses, and restaurants reported that they carry out temperature checks, use hand sanitizer, and require customers to wear masks. However, fewer than 60% of the respondents, and especially those with restaurants, reported practicing social distancing (e.g., new table arrangements or social distancing in queues).

Figure 40: Awareness of government COVID-19 safety protocols



3.8. Adapting to the “New Normal”

Few of the surveyed businesses have changed their operating strategy to adapt to the COVID-19 situation. In July 2020, only 12% of the interviewed MSMEs responded that they had changed their business model and strategy to adapt to the “New Normal” imposed by the COVID-19 crisis. This percentage had almost doubled in November 2020 survey to 23%, but fell to only 8% in the April 2021 survey. The rate of change differed across business types. Resorts, restaurants, and hotels reported making some change in their strategy; however, most small vendors, food businesses, and souvenir shops made no change.

Figure 41: Percentage of businesses that adapted their business model to cope with COVID-19 (July 2020, November 2020, and April 2021)

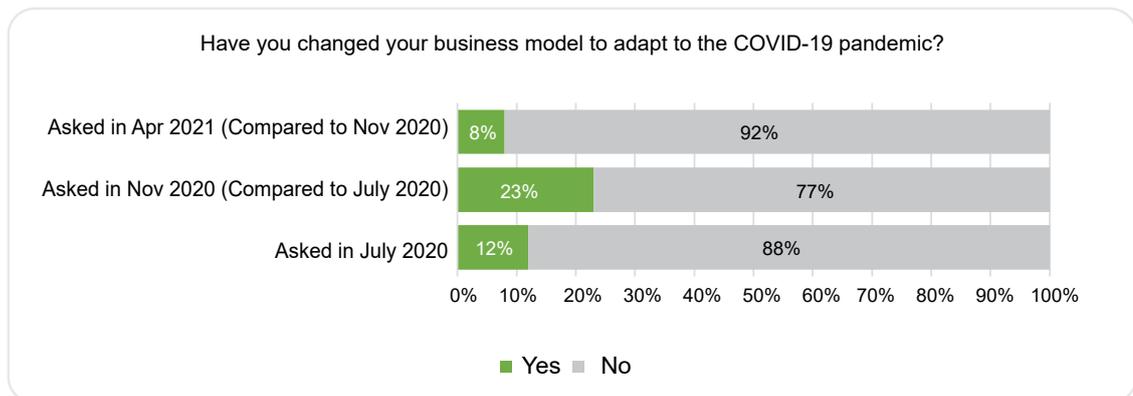
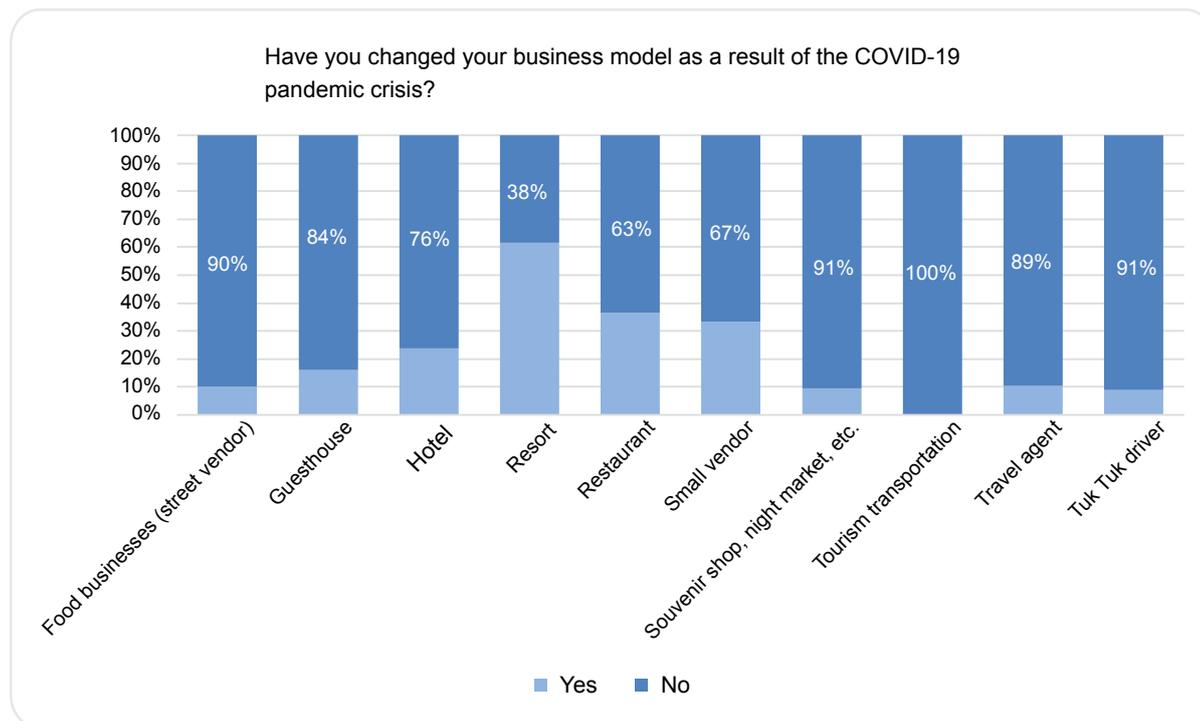


Figure 42: Changes to business model/strategy in November 2020 (overall, and by type of business)



The strategic changes that businesses reported varied by the type of business. As the table below shows, one pattern emerges: in one way or another, all of the interviewed MSMEs considered using online sales or food delivery as a possible strategy.

Table 12: Common strategies used by different types of businesses

Type of business	Adaptive strategies used
Hotel, guesthouse, and resort	<ul style="list-style-type: none"> Changed from short-term stays to long-term stays Discussed an agreement with employees to reduce their salary so that they would not be laid off Found new ways to reach customers through online sales or marketing through social media Provided a discount for services/products to attract more customers
Restaurant	<ul style="list-style-type: none"> Added new products or services Found new ways to reach customers through online sales or marketing through social media Provided a discount for services/products to attract more customers Provided food delivery services e.g. with Food Panda, Nham 24, and others Increased take-out services
Small vendor and street vendor	<ul style="list-style-type: none"> Provided food delivery services e.g. with Food Panda, Nham 24, and others Increased take-out services
Souvenir shop, night market, etc	<ul style="list-style-type: none"> Expanded marketing to reach more customers and customers in other locations Found new ways to reach customers through online sales or marketing through social media Provided a discount for services/products to attract more customers

By November 2020, at least in Phnom Penh, online food sales and delivery services had become popular. The survey then sought opinions about this from MSMEs, and especially from restaurants, small business vendors, and even small food businesses (street food providers). The results showed that the majority of those interviewed found that these new services were especially useful, and they wanted to find ways to collaborate with them.

Figure 43: Perceptions about food delivery services such as Food Panda and Nham 24

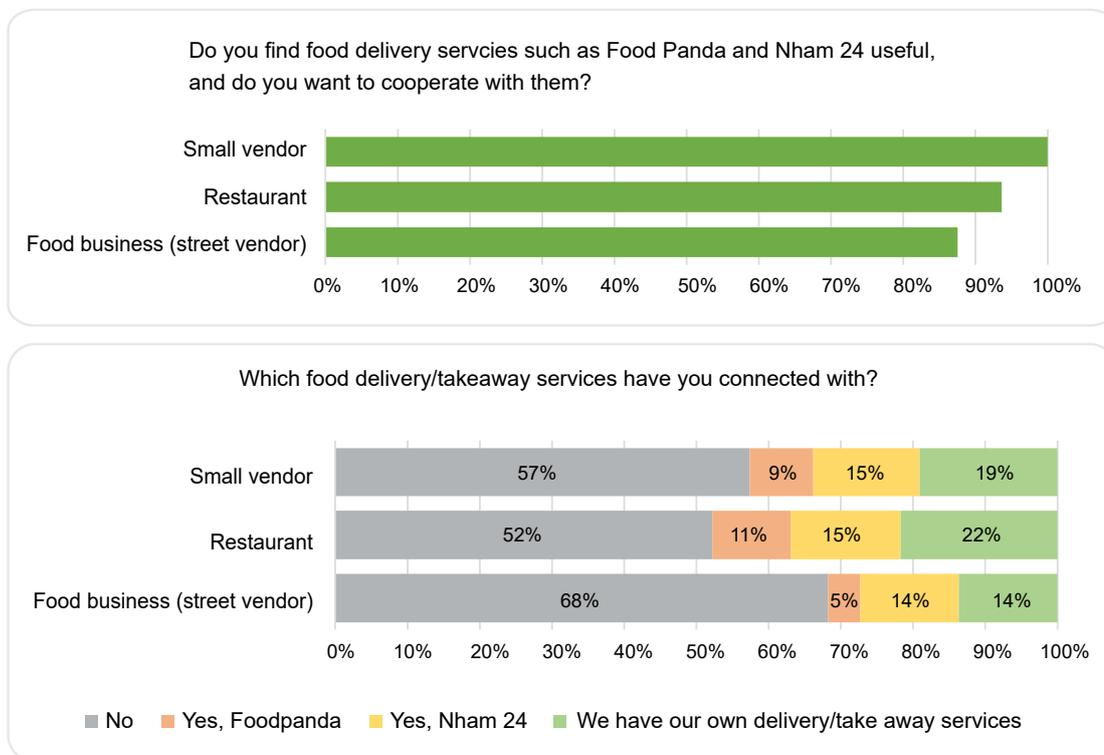
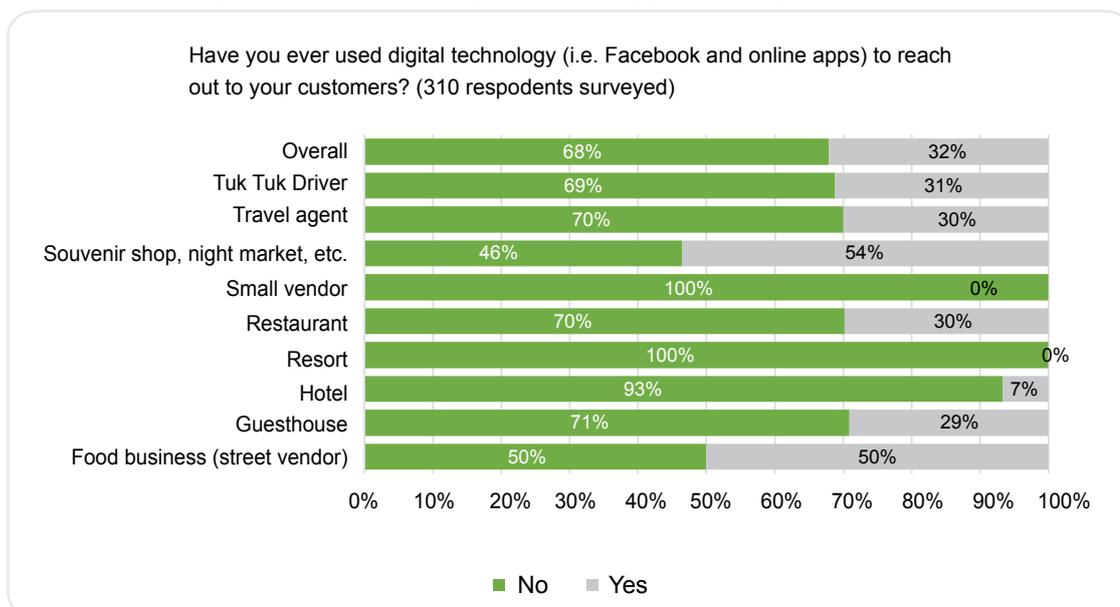


Figure 44: The use of digital technology in running the business



Box 6: MSMEs in the tourism sector trying to adapt to the “New Normal”

Digitalization is still relatively low among informal businesses in Siem Reap because they are unwilling to learn. For example, restaurants either temporarily closed or relocated to a place with more customers. Guesthouses decided to temporarily close because they have other sources of income such as renting rooms for the long-term, they have farmland, or they have non-tourism-related family businesses. However, guesthouses that rent a building faced a complete shutdown because they could not afford to pay the rent, or repay the bank if they were using borrowed money, nor could they otherwise adapt to the pandemic. These businesses were not ready for the “New Normal” of using digital technology because they were unfamiliar with it.

However, in Phnom Penh, those businesses that were willing to adapt, and that were ready to upskill, were not given enough access to those opportunities. For instance, restaurants using food delivery services mentioned that even though they were filling online orders, they were earning less than they did with dine-in customers because they have to pay a delivery fee, and for the cost of packaging the food. With regard to large hotels in Phnom Penh, a few have partly changed their business model to rent on a monthly basis, although there are not many customers willing to rent.

Section 4: Findings from the Survey of Households

4.1. Agriculture

As noted above, the COVID-19 pandemic resulted in Cambodia's economic growth slowing considerably in 2020, and especially in the tourism, construction, and export sectors.⁴³ However, despite the pandemic, the Ministry of Economy and Finance (MEF) reported that the value of exports was 20.07% higher in the first nine months of 2020, compared to the same period in 2019.⁴⁴ Milled rice and other agricultural products were the top exports, which suggests greater resilience in the agricultural sector, despite the pandemic. At least this was the case before the community spread of COVID-19 began in the first quarter of 2021. Due to Cambodia's success with agricultural exports, and Prime Minister Hun Sen praising the agriculture sector for being a key source of economic strength in helping the country to weather the economic pressures of the pandemic, the government has paid greater attention to the sector.⁴⁵

While agriculture is considered to be one of Cambodia's most resilient sectors, monitoring the impact of the pandemic on agricultural output, value chains, and food security is crucial in order to develop and implement appropriate policies and measures. Table 13 presents the number of households engaging in farming activities, by province across all three rounds of this study's surveys. These were conducted in May, August, and November 2020, and asked respondents about their circumstances in April, June, and October 2020, respectively. Surprisingly, the number of households engaged in agricultural production in 2020 (including raising livestock) increased sharply from 209 households in April, to 243 in June, and to 684 in October. Although this increase in households engaged in agricultural production could be due to the seasonality of some farm activities, which require more labor, the unusual rise in farming took place in locations where agriculture was not common, and the activities were not seasonal, which suggests that the pandemic provoked them. Loss of employment, the failure of non-farm household enterprises, and the need to ensure household food security are all possible explanations for the rise in farming.

Table 13: Number of households engaged in farming activities (by province)

	April (N=209)	June (N=243)	October (N=684)
Phnom Penh	4	12	52
Siem Reap	86	78	118
Kampot	53	72	193
Svay Rieng	43	40	149
Kampong Speu	23	41	172
Total	209	243	684

43. Thou Vireak. 2020. "Exports climb 20% on \$14B worth of Cambodian goods."

44. Ibid.

45. Nhim Sokhorn. 2020. "Covid-19 to Help Boost Cambodia's Agricultural Sector, Hun Sen Says."

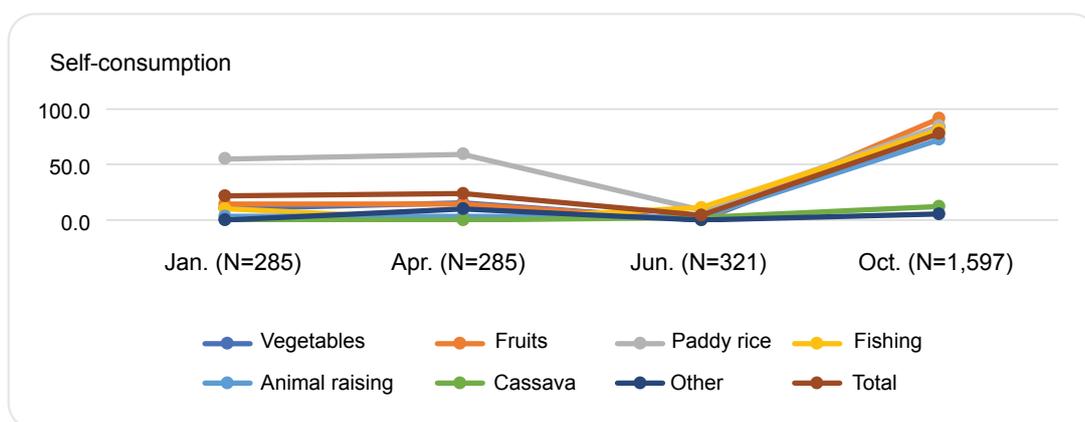
It is also important to note that “returning to the village” is an informal social safety net for migrants who are working in Phnom Penh and other cities. When wage labor declines and savings run out, migrants often return to their respective village, and engage in subsistence agriculture. However, the lockdown in Phnom Penh prevented this option, which potentially increased fear among the poorest people that they would run out of food and other necessities because they were barred from leaving the city, and had no idea how long the restrictions would last. If the pandemic continues, it is crucial for the government to develop effective food and financial aid programs for rural migrants who have lost their jobs, and cannot return to their home village due to the interprovincial travel ban.

Animal husbandry and growing rice, cassava, and vegetables were the main farming activities listed by respondents in the first household survey in April 2020, with only minor changes in round two in July 2020. However, the steep rise in the number of respondents growing rice and engaging in animal husbandry was notable. Between the first and third survey rounds, the number of households growing rice rose by a factor of five (from 98 households in April 2020, to 517 households in October 2020), and the households raising livestock rose by a factor of nine (from 59 households in April, to 538 households in October). Growing fruit and vegetables, and fishing also sharply increased in October 2020, while cassava production declined. As mentioned earlier, the main reason for this upsurge in farm activities was not just due to Cambodia’s growing season, but likely a result of the pandemic, too.

4.2. Production purposes and profits from farm activities

The types of survey households’ farm production for self-consumption are presented in Figure 45. Despite the sudden growth in production, by October 2020, as much as 78% of total farm production was for self-consumption only—an increase from 4.4% in January 2020, to 23.9% in April 2020, and to 21.8% in June 2020. This upsurge was observed in all farming activities, and particularly those that were food-related. Since food production for subsistence surged in 2020, it is not surprising that production for sale consistently fell. This upward trend in surveyed households’ farm production demonstrates the importance of ensuring household food security during an emergency such as COVID-19, and supports the earlier contention in this report that “return to the village” was an informal social safety net, and an unanticipated challenge for migrants in urban areas who could not return home.

Figure 45: Types of farm production for self-consumption (%)

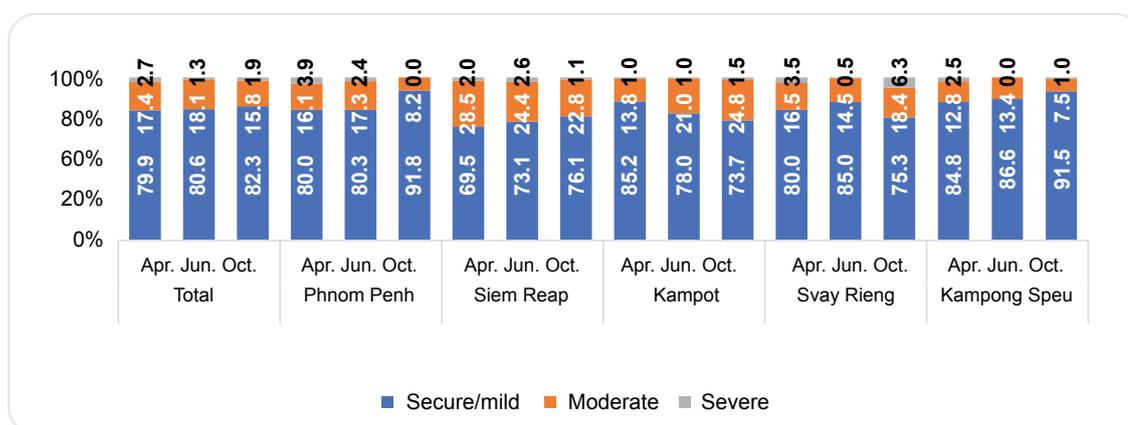


Consistent with earlier outcomes, round three survey results in October 2020 suggest a slight increase in farm income for the households that sold their farm products. More importantly, the data indicate a rise in profits from certain farm activities, and particularly for animal husbandry and fishing. Unlike rice, vegetables, or fruits, which were produced mainly for self-consumption, by the third survey round, more households had begun to raise animals for commercial purposes than was the case in the first two rounds of the survey. Animal husbandry was seen as a new opportunity for generating household income, and this production has also received greater government attention since the import of animal products was restricted during the pandemic to improve local producers’ incomes.

4.3. Food insecurity

This section explores the extent of food insecurity in the sample of households covered by this study. To measure the extent of food insecurity, this study employed the Food Insecurity Experience Scale (FIES), which was developed by the Food and Agriculture Organization of the United Nations. To determine the FIES status of households, survey respondents were asked about their household's food consumption over the previous month, rather than their own, personal, food consumption. As shown in Figure 46, the classification of food insecurity severity was based on the raw score (the total number of affirmative responses to the FIES questions), and the data indicate a positive trend across subsequent rounds of data collection. The percentage of households with moderate to severe food insecurity dropped from 20.1% in April 2020, to 19.4% in June 2020, and it continued to fall to 17.7% in October 2020. As discussed above, this trend was likely a result of the pandemic since almost 70% of the surveyed households were engaged in at least one farming activity in October 2020.

Figure 46: Food insecurity status by province (FIES in April, June, and October 2020)



Despite the overall positive trend for surveyed households' FIES status, the disaggregated survey results suggest that the food security of vulnerable households was more affected by the COVID-19 pandemic. For example, a higher percentage of female-headed households continued to have moderate to severe food insecurity in comparison to male-headed households (a difference of 4.3%). With regard to urban and rural regions, the gap between them regarding moderate to severe food insecurity grew in the third round of data collection, i.e., 21.3% in rural areas (153 out of 720 households) and 9.1% in urban areas (27 out of 297 households). This widening of the gap was caused by greater food security in Phnom Penh and Kampong Speu, which scored only 8.2% and 8.5%, respectively. In Kampot and Svay Rieng Provinces, the percentage of households with moderate to severe food insecurity continued to increase, and remained high in comparison with other provinces (26.3% and 24.7%, respectively in October).

4.4 Wage workers

In the 1,087 households interviewed during rounds one and two of the household surveys, 1,679 household members were earning a wage. On average, these individuals were age 31 (median age 30), with the youngest worker age 15, and the oldest, age 90. Most wage workers were male (57%). As four respondents could not provide information on their household members' employment, calculations were made for 1,675 wage workers. Between January and April 2020, the households had, on average, one wage worker each (37 wage workers had two jobs in the first four months of the year). Table 14 presents the percentages for the main types of wage workers in the surveyed households: factory workers (37.6%), construction workers (16.3%), farmers (6.3%), and hospitality and food service workers (5.6%).

Table 14: Types of wage employment (n=1,675)

	Frequency	Percent
Factory worker	629	37.6
Construction worker	273	16.3
Farm worker	106	6.3
Hospitality and food service worker	93	5.6
Private company staff	73	4.4
Entertainment and sex worker	64	3.8
Teacher	62	3.7
Driver	56	3.3
Army/police	49	2.9
Government staff (i.e. ministry staff, commune or village chief)	41	2.4
Seller	29	1.7
Bank employee	28	1.7
Security guard	26	1.6
Migrant worker	22	1.3
Blacksmith	20	1.2
Motor vehicle mechanic	16	1.0
Cleaner	14	.8
Other	13	.8
Medical staff	11	.7
Electrician	11	.7
NGO staff	9	.5
Retired	6	.4
Beauty salon worker	6	.4
Handicraft worker/artist	5	.3
Childcare worker	4	.2
Goldsmith	2	.1
Small engine mechanic	2	.1
Translator	2	.1
Tour guide	2	.1
Tailor	1	.1

Most wage workers' households were in Kampong Speu and Phnom Penh (23% each), followed by Kampot (19.3%), Svay Rieng (18.7%), and Siem Reap (16%).

Of all wage workers, the largest percentage reported working in the province where they live (27.5%). Wage workers in Phnom Penh, Kampong Speu, and Svay Rieng reported that they work primarily in the district where they live (40.1%, 21.8%, and 41.1%, respectively) or in the province (32.3%, 45.1% and 32.5%, respectively). Half of the wage workers from Kampot (53.4%) worked mainly in another province. As set out in Table 15, the main locations for workers who were not working in the province where their family lives were working in Phnom Penh (36%), Sihanoukville (29%), Kandal (9%), or another country – Thailand (7%).

Table 15: Wage workers' locations

	Phnom Penh		Siem Reap		Kampot		Svay Rieng		Kampong Speu		Total	
	Count	Percent	Count	Percent	Count	Percent	Count	Percent	Count	Percent	Count	Percent
In this village	42	10.9%	92	34.6%	53	16.5%	17	5.4%	32	8.3%	236	14.1%
In this commune	44	11.4%	65	24.4%	27	8.4%	19	6.1%	38	9.8%	193	11.5%
In this district	155	40.1%	41	15.4%	40	12.4%	129	41.1%	84	21.8%	449	26.8%
In this province	125	32.3%	38	14.3%	21	6.5%	102	32.5%	174	45.1%	460	27.5%
In another province	20	5.2%	16	6.0%	172	53.4%	44	14.0%	58	15.0%	310	18.5%
In another country	1	0.3%	14	5.3%	9	2.8%	3	1.0%	0	0.0%	27	1.6%
Total	387	100.0%	266	100.0%	322	100.0%	314	100.0%	386	100.0%	1,675	100.0%

Of the 337 wage workers who did not work in the province where their family lives, 38.9% came back home between January and April 2020. The main reasons mentioned for returning were fear of COVID-19 (37.4%), closure of the factory where they worked (22.1%), or closure of the business where they worked (20.6%) (Table 16).

Table 16: Reasons for returning to the family home (n=131)

	Count	Percent
Afraid of COVID-19	49	37.4%
Factory closed	29	22.1%
Business closed	27	20.6%
Weekend trip	20	15.3%
Come home every day	12	9.2%
Pregnancy/new baby	8	6.1%
Khmer New Year	5	3.8%
Illness	5	3.8%
Other	5	3.8%
Sibling's wedding	4	3.1%
Don't have a job anymore/just retired	2	1.5%
Working from home	2	1.5%
Border closed	1	0.8%

Due to multiple choices, the N for reasons is higher than N for wage workers

As mentioned previously, 37 households reported having two wage workers. The income reported below is the combined salary of both wage workers, if a household had two. Almost half (47%) of the wage workers reported that their wage did not change between January and April 2020, while 44.5% said that their salary decreased. The employment categories reporting the most significant decrease in their income were the entertainment and sex workers (89.1%), craft workers and artists (80%), hospitality and food service workers (64.5%), and construction workers (57.1%). Table 17 presents the income change of wage workers, by province. The total income for wage workers significantly decreased between January 2020 (\$238.6) and April 2020 (\$169.7). This trend was observable in all of the provinces included in this study. The lowest average and median incomes were found in Siem Reap Province, whereas the highest were in Phnom Penh.

Table 17: Wage workers' income change between January and April 2020

	Total income from wage work – January				Total income from wage work – April			
	Mean	Median	Minimum	Maximum	Mean	Median	Minimum	Maximum
Phnom Penh (n=387)	274.7	250.0	0.0	1,200.0	212.3 **	200.0	0.0	1000.0
Siem Reap (n=266)	142.6	120.0	0.0	1,000.0	100.5*	36.0	0.0	640.0
Kampot (n=322)	269.5	250.0	0.0	1,200.0	165.4 **	180.0	0.0	750.0
Svay Rieng (n=314)	235.6	230.0	0.0	1,500.0	165.1 **	190.0	0.0	1,500.0
Kampong Speu (n=386)	245.6	250.0	0.0	1,050.0	181.9 **	200.0	0.0	1,050.0
Total (n=1,675)	238.6	230.0	0.0	1,500.0	169.7 **	180.0	0.0	1,500.0

* Statistically significant difference ($p < 0.05$) between January and April 2020.
** Statistically significant difference ($p < 0.01$) between January and April 2020.

In both January and April 2020, across most provinces, men earned a significantly higher wage compared to women. Also, across all provinces, men generally earned higher average salaries than women. In January 2020, on average, men earned 15% more than women, and this gap increased to 19% in April 2020. The wage gap between men and women was particularly notable in Siem Reap, where, on average, men earned 45% more than women. In addition to the unequal pay between men and women, in terms of wage loss in most provinces (except Svay Rieng), this study shows that women were more affected than men by COVID-19. Table 18 presents the average and median income for men and women in the target provinces in January and April 2020.

Table 18: Change in wage workers' income between January and April 2020 (by province and gender)

Province		Male		Female		Diff. in Mean by Gender
		Mean	Median	Mean	Median	
Phnom Penh	Jan	294.05	250.00	244.14**	220.00	-16.9%
	April	233.16 † †	200.00	179.36** † †	190.00	-23.1%
Siem Reap	Jan	175.27	150.00	94.82**	52.00	-45.9%
	April	123.88 † †	75.00	66.29* †	17.00	-46.5%
Kampot	Jan	284.64	277.50	247.70*	230.00	-12.9%
	April	179.34 † †	200.00	145.31* † †	158.00	-18.9%
Svay Rieng	Jan	241.99	240.00	227.40*	220.00	-6.1%
	April	159.42 † †	180.00	172.32* † †	200.00	+ 8.1%
Kampong Speu	Jan	256.07	250.00	234.98*	250.00	-8.2%
	April	207.49 † †	200.00	156.18** † †	200.00	-24.7%
Total	Jan	255.21	250.00	216.73**	218.00	-15.1%
	April	185.54 † †	190.00	148.59** † †	170.00	-19.9%

Note: * Statistically significant difference ($p < 0.05$) between males and females
** Statistically significant difference ($p < 0.01$) between males and females
† Statistically significant difference ($p < 0.05$) between January and April 2020
† † Statistically significant difference ($p < 0.01$) between January and April 2020
Diff. in Mean by Gender refers to the difference between the means for males and females

The following section focuses on the location of the main wage employment types identified in this study.

4.5 Disaggregation of wage workers' data

The largest percentage of factory workers had their households in Kampong Speu (39.7%). Ninety percent (90.4%) reported working in Kampong Speu, whereas 9.6% said that they were working in another province. Out of the 629 factory workers, two-thirds (66.3%) were female, age 28.7, on average (median age 27). Three quarters of the workers (76.6%) had a written employment contract. Regarding the change in their wage income, almost half of the factory workers (49.6%) reported that their income decreased between January and April 2020. This trend was observable in all the provinces in this study. The main explanations for the decrease in income were: there was no overtime (35%), the factory was temporarily closed (34.1%), or they worked fewer hours or days at that time. Almost 6% reported that their factory had closed, permanently. Female and male factory workers earned a similar average income in January 2020 (\$232.5 versus \$247.4). However, between January and April 2020, women were more impacted by the decrease in salary as they already earned significantly less than men (\$160.4 versus \$183.6).

Most households with construction workers were in Kampot. However, most of the construction workers worked in Phnom Penh and Siem Reap. Most construction workers were male (88.6%), and their average age was 34.6. Most construction workers did not have a written contract (94.5%). More than half of the construction workers (57.1%) said that their salary had decreased since the beginning of 2020. On average, the wage for construction workers declined from \$231.9 in January to \$146.4 in April (the medians were \$240 and \$126, respectively).

Across sectors, both men and women had significantly different wages in both January and April 2020. While men earned, on average, \$242.19 in January, this dropped to \$151.07 in April. Women earned \$151.7 in January and \$104.7 in April.

The category "farmers" includes individuals hired to work on farms that they do not own or lease, and those who rent agricultural land for farming. Almost all of the farmers in this study worked in the same province as their household; more than three-quarters were in Siem Reap Province; half were men (50.9%), and the average age was 31.1. Farm workers earned significantly less than the other categories of wage workers surveyed in this study. Their average salary in January 2020 was \$77.6 (median \$31), and in April 2020, the average salary had declined to \$58.1 (median \$20). A third (34.9%) of farm workers said that their wages had not changed, whereas 43.4% said that their wages had declined. Men working on farms earned twice as much as women. In January 2020, men were earning, on average, \$104.35, whereas women were earning \$49.81. In April 2020, these average earnings decreased to \$79.48 for men and \$35.71 for women.

Hospitality and food service workers comprise those working in restaurants, hotels, and selling food and drinks on the street. Almost half of these workers had households in Siem Reap (43%); more than three-quarters (77.4%) worked in Siem Reap Province; more than half (52.7%) were female; and the average age was 31.8. Most of these workers (80.6%) said that they did not have a written contract with their employer; almost two-thirds (64.5%) said that their total income decreased between January and April 2020; whereas 30.1% said it remained the same. Workers' average total income dropped by more than half from \$228 in January, to \$99.4 in April 2020.⁴⁶ The two main explanations for this decrease in income were that the employer's business had closed temporarily (62.1%), or that the employer had reduced workers' hours/days (22.7%). Men earned, on average, twice as much as women, and there was a significant difference in men's and women's salaries in January and April 2020. In January 2020, men's salaries averaged \$314.43 (median \$290), and in April they earned \$133.48. Women's salary averaged \$151.53 (median \$150) in January, and in April, it dropped to \$68.98.

Almost two-thirds of wage workers (65.8%) in private companies were in Phnom Penh. Most company staff were male (68.5%). The average age was similar to the other wage worker categories: 31.5 years old (median 30). Half of these workers (53.4%) said that they had a written contract with their employer. Three-quarters (76.7%) said that their salary did not change between January and April, while 13 staff (17.8%) said that their salary decreased during the same period (from \$347.6 a month to \$310.7).

46. The median was divided by 6.4, declining from \$160 in January 2020 to \$25 in April 2020.

The entertainment worker category includes singers, musicians, and karaoke, casino, and sex workers. Most entertainment workers said they were working in Svay Rieng (64%). More than half were male (51.6%), and the average age was 28.9. Almost all of the entertainment workers surveyed (89%) said that their salary had declined, with the largest drop in income between January and April 2020—from an average of \$306.9 (median \$250) down to \$47.6 (median \$0). In January, on average, men earned \$286.4, and women earned \$328.71, whereas in April, men earned \$27.3 and women earned \$69.3.

4.6 Household savings

The percentage of households with savings is presented in Figure 47, and Figure 48 displays the average amount of savings. In general, the proportion of households with savings decreased between January and June 2020, and increased about 2.55% between June and October. While the average for household savings decreased from January to June 2020 (by \$633, or 60%), June to October saw a marked increase in savings, with an average increase of \$194 (47% of June’s savings). Despite this rise, however, total savings in October 2020 were still down by 42%, or an average of \$438, from January 2020. This places Cambodia in a much more dangerous position in 2021 than it was in March 2020, when COVID-19 initially began to spread in Cambodia. By the end of 2020, households had fewer resources to draw on in the event of a prolonged economic crisis. Kampong Speu, however, was an exception, as savings increased substantially between June and October 2020—a rise in savings of almost 200%, and a 4% rise over January’s savings.

Figure 47: Percentage of households with savings (2020)

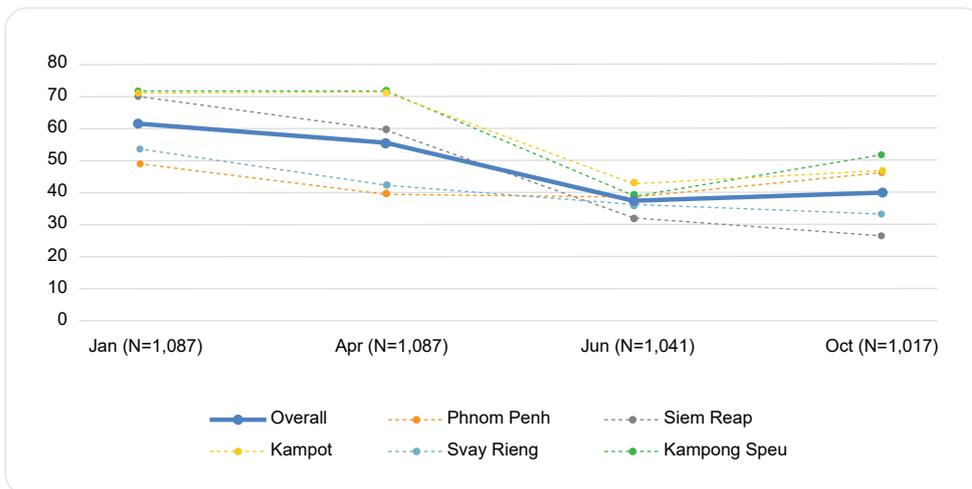
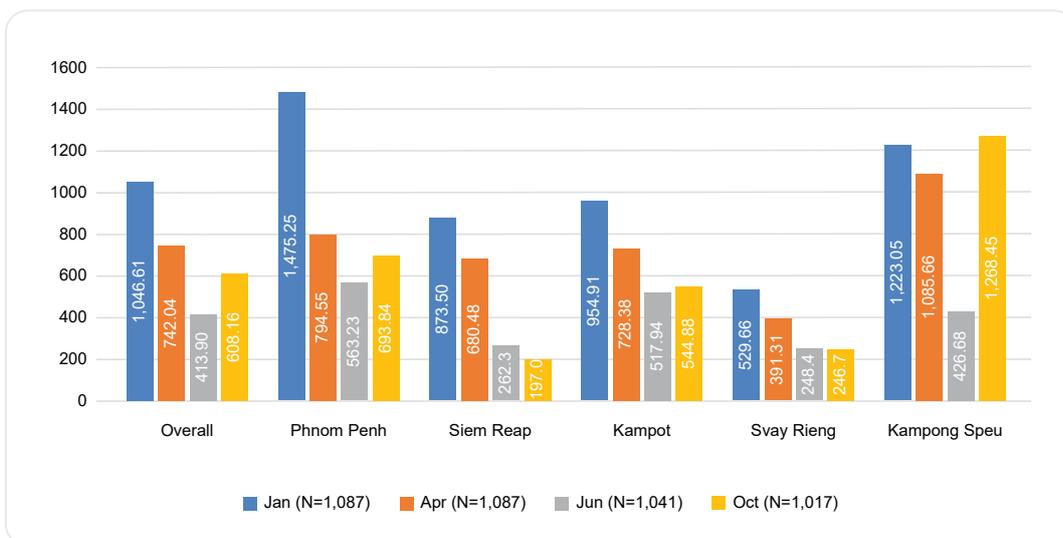


Figure 48: Average for total savings (US dollars, 2020)



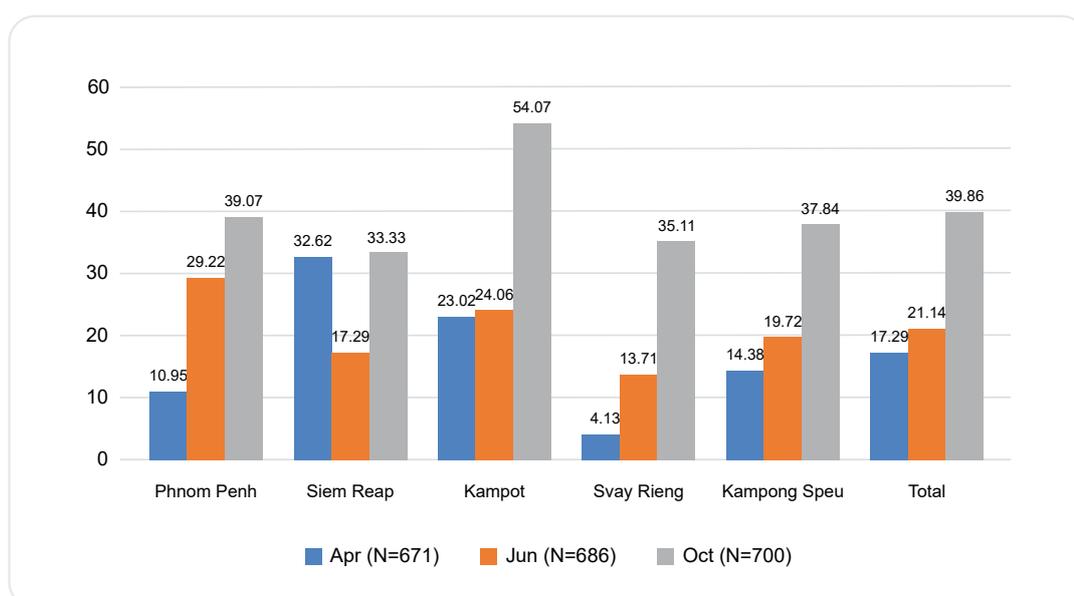
Various aspects of household debt in each province across all three survey rounds are presented in Table 19. Overall, the most significant shift in loans during the pandemic has been their source (see Figure 49). From January to June 2020, informal loans (from friends and family or money lenders) increased rapidly, but then fell in the third quarter of 2020 (from June to October). Conversely, formal loans (from microfinance institutions and banks) surged. The average proportion of households with debt increased from 59% in January 2020 to almost 69% in October. While the first two quarters of 2020 saw a 10.4% (or \$734) decrease in average debt, from June to October average debt increased by 2.26% (or \$142). Thus, despite a slight increase in debt between June and October, the average amount of household debt in October 2020 was down by 8.4% (\$593), in comparison to January 2020. Interestingly, the level of debt in Kampong Speu was the opposite of the four other provinces. In Kompong Speu, between January and June, the average loan amount increased by \$329, and then it significantly decreased between June and October (by \$1,309).

Table 19: Percentage of indebted households and average loan size (by province, January to October 2020)

Province	January		April		June		October	
	(N=1087)	(N=650)	(N=1087)	(N=706)	(N=1032)	(N=680)	(N=1016)	(N=682)
Phnom Penh	47.50%	\$10,051.26	48.93%	\$9,052.86	60.96%	\$7,713.65	62.55%	\$8,692.96
Siem Reap	66.00%	\$5,949.76	70.50%	\$5,619.47	69.95%	\$5,409.05	73.37%	\$5,782.81
Kampot	57.14%	\$3,837.07	62.07%	\$3,708.66	67.34%	\$3,520.24	68.18%	\$4,126.55
Svay Rieng	59.50%	\$5,842.64	60.50%	\$5,227.32	64.40%	\$5,128.69	68.95%	\$5,221.01
Kampong Speu	69.12%	\$8,888.29	71.57%	\$9,174.94	72.22%	\$9,217.10	73.63%	\$7,908.50
Total	58.97%	\$7,032.01	61.73%	\$6,678.82	66.67%	\$6,297.72	69.00%	\$6,439.77

Figure 49 presents new loans taken out during the pandemic from April to October 2020. Overall, around 279 households took out a new loan between June and October 2020. From January to October 2020, a total of 538 households took out a new loan. Kampot accounted for the largest rise in the number of new loans between June and October (an increase of 54.07%), which was followed by Phnom Penh (39.07%), Kampong Speu (37.84%), Svay Rieng (35.11%), and Siem Reap (33.33%).

Figure 49: New loans taken out by households (by province, April to October 2020)



The number of households that were late in repaying a loan increased by 4.4% between June and October 2020. In Kampot, specifically, there was a significant rise in the number households that were late in repaying a loan (increasing from 24% in June to 54% in October 2020). Overall, for all households, the percentage of those that were late in repaying a loan between June and October 2020 increased by 16.77% (Figure 50).

Figure 50: Number of households that were late with loan repayment (January to October 2020)

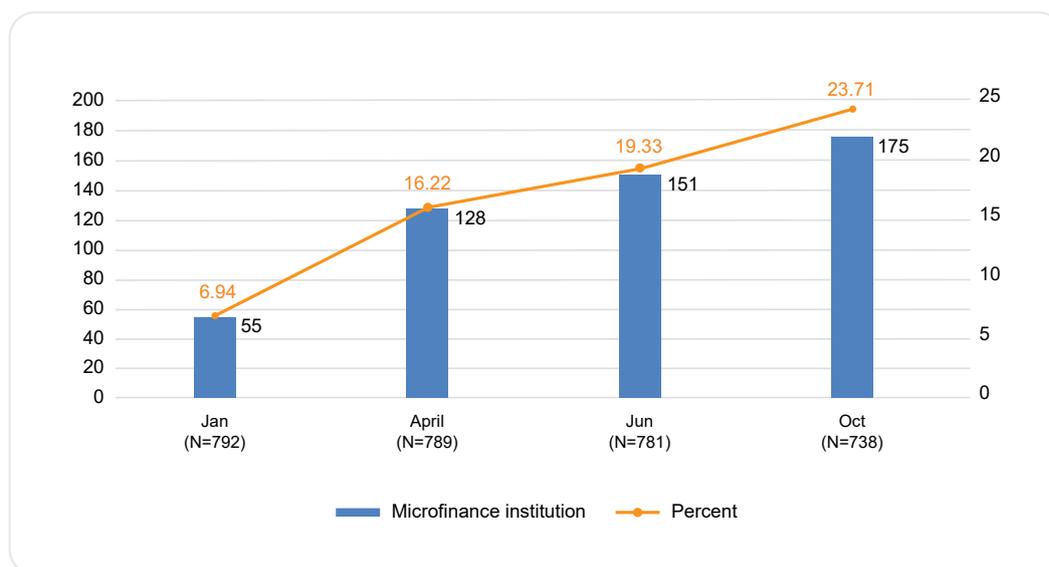


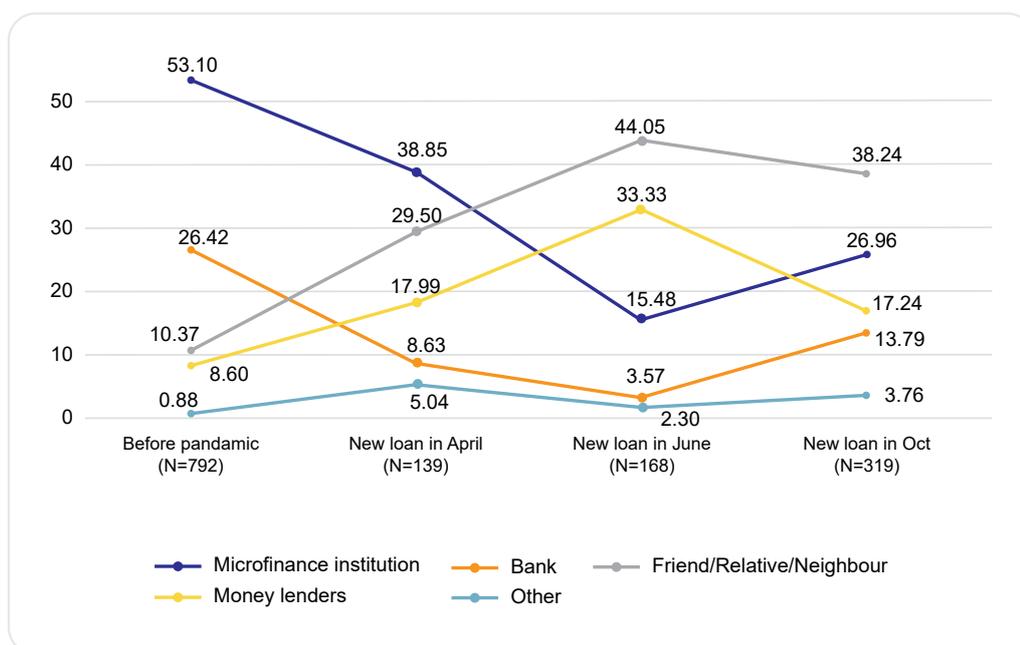
Table 20 illustrates households' declared purposes for taking out new loans. The reasons given in the third round of data collection varied significantly from the first and second rounds of data collection. The results show that in the first two rounds there was a sharp rise in new loans taken out to repay outstanding debt (21.69%). In addition, new loans were taken out for daily expenses and food (39.96%). However, by October 2020, loans for daily expenses and food dropped by 18.29%, and repayment of outstanding loans dropped by 4.44%, when compared to June 2020. Concurrently, household loans to pay for education expenses increased significantly from 0% in June to 3.76% in October 2020. Over the whole period of the surveys from January to October, the percentage of new loans taken out for business ventures consistently dropped, while the percentage taken out for healthcare consistently increased.

Table 20: The purposes for household loans prior to the pandemic, and from April to October 2020

Purpose for loan	Before pandemic	New loan in April	New loan in June	New loan in October
	(N=792)	(N=139)	(N=168)	(N=319)
Daily expenses and food	3.41%	9.35%	43.37%	25.08%
Repay outstanding loans	7.83%	23.74%	29.52%	25.08%
Healthcare	12.75%	17.27%	17.47%	23.51%
Business venture	36.24%	32.37%	24.10%	21.32%
Farming costs	4.80%	7.91%	5.42%	11.60%
Build a house/kitchen	29.04%	20.14%	6.63%	10.03%
Buy motorbike/car	12.12%	10.07%	3.01%	6.90%
Buy land or a house	11.11%	3.60%	2.41%	4.08%
Education	1.01%	0.00%	0.00%	3.76%
Other	0.63%	2.88%	0.00%	2.82%
Repair house/add amenities	1.52%	0.00%	1.20%	2.82%
Wedding/other ceremony	3.66%	7.19%	1.81%	2.19%

The sources for households' new loans varied, as detailed in Figure 51. From January to June 2020, the new loans that came from formal sources (banks and microfinance institutions) declined by 22.85% and 37.62%, respectively. At the same time, new loans from informal sources, i.e., from personal networks (friends, neighbors, or relatives) and from money lenders, increased by 24.73% and 33.68%, respectively. By October 2020, this trend had started to reverse, with new loans acquired from personal networks declining by 5.81%, and new loans from money lenders declining by 16.09%, while borrowing from the formal sector increased, rising by 11.48% for MFIs and 10.22% for banks.

Figure 51: Sources of new loans before the pandemic and in each survey round in 2020



4.7 Lending and household economic impacts

While household savings have recovered to some extent since the pandemic's economic trough in August 2020, the proportion of households with savings increased by only 2.55% between June and October 2020, while households' average amount of savings in dollars increased from \$413 in June to \$608 in October. This illustrates that economic recovery had begun as households were able to rebuild their savings. However, over the same period, the proportion of households with debt increased slightly, by 2.33%, between June and October, while the average amount of debt increased by \$142. Between June and October 2020, new loans taken out for education increased, and loans for daily expenses and loan repayment decreased. Notably, after rising remarkably between January and June 2020, loans from informal sources began to decrease in quarter three (from June to October 2020), while over the same period, borrowing from MFIs and banks rose to take their place.

Despite the economic stabilization beginning in the third quarter of 2020, it is clear that the pandemic has taken a toll on Cambodian households' economic status. The proportion of households holding savings decreased by 22.3% between January and October, while the average amount of savings decreased by 42%, or an average of \$438. Notably, while roughly two-thirds (61.9%) of surveyed households had savings in January 2020, by October 2020 about two-thirds (63.4%) had no savings. Additionally, the proportion of households with debt increased by 10.03% between January and October, and 538 households had taken on new loans. Interestingly, the average for household debt decreased during the pandemic, and especially between January and June 2020—declining from an average of \$7,032 in January to \$6,440 by October.

Finally, COVID-19 has resulted in a substantial rise in households struggling to meet their loan payments. While only 7% of households were late with their loan payments in January 2020, by October, 23% were late making their payments. With regard to loan sources, new borrowing from informal sources increased in 2020.

Section 5: Conclusions and recommendations

5.1. The survey on MSMEs in the tourism sector

The conclusions and recommendations in this section focus on specific aspects of the COVID-19 pandemic's economic impact on MSMEs, and how the government could explore ways to consider responding in the short and long term. Based on the trends since July 2020, and especially those in the first quarter of 2021, this report reflects on what might happen in the second half of 2021, and what the government and relevant stakeholders should consider when responding. The government's experiences in dealing with the pandemic for over a year should provide greater insight into which measures have worked well, and which should be viewed with caution and reconsidered, both in the short and long term.

5.1.1. The impact of the pandemic on tourism MSMEs and trends

The COVID-19 pandemic initially affected the bigger, registered MSMEs in the tourism sector, but since February 2021, the pandemic's effect has been equally severe for the smaller, non-registered MSMEs. The impact of the pandemic was felt primarily by tourism businesses in the areas that rely on international tourists and travelers, and this was especially the case in Siem Reap. Most of the initially-affected businesses were registered. Smaller and non-registered businesses were also affected in 2020, but to a lesser degree, as most of them rely on domestic tourists. Since February 2021, however, with growing public concern about the virus, the government's travel ban, and night-time curfews and lockdowns, smaller businesses such as guesthouses, restaurants, street vendors, and tuk-tuk drivers have been seriously affected.

The situation for the rest of 2021 is still uncertain, especially for smaller and non-registered businesses. At the time this report was written in April 2021, the government had just lifted the lockdown in the capital, as well as the ban on cross-provincial boundary travel. Some provincial tourism businesses were excited about the lifting of restrictions, as they hoped that more domestic tourists will start using their facilities and services.⁴⁷ However, the extent to which their expectations will be realized is uncertain, given that the number of infections and deaths was still increasing in April 2021, and concerns were rising about COVID-19 outbreaks in provincial towns and rural areas, as people rushed to escape the capital. Also, there was uncertainty about progress of the vaccination program, and whether vaccinations will improve Cambodia's circumstances and, if so, when will improvement happen.

The impact of COVID-19 on workers has been felt since the early phases of the pandemic, but the impact became wider and more severe after February 2021. During the early period of the pandemic (from February to July 2020), many people working in registered businesses were laid off, however, the rate of layoffs somewhat flattened between July 2020 and November 2020. Regarding the number of people who have been laid off, this study cannot provide a definitive answer because data on this are not available. The Roadmap of the Ministry of Tourism (MoT) indicates that the number of people laid off in 2020 was at least 50,000. However, MOT's annual statistics show that the number of "direct tourism jobs" was approximately 630,000 in 2019, and only 300,000 in 2020. One of the challenges in calculating the number of tourism jobs lost is that many workers do not have a formal contract.

Women have been more affected by layoffs than men. Official data, as well as this survey, indicate that women tend to play more roles in MSME management, and especially in non-registered MSMEs. Female workers were increasingly more affected as the pandemic dragged on, and this intensified after February 2021. The in-depth interviews and case studies in this study show that, at first, laid-off female employees, and especially those in Siem Reap, left to find jobs in other cities and in other lines of work, including the garment industry in Phnom Penh. However, when the pandemic also started to affect the garment industry, even opportunities in this low-skilled sector become rarer.

47. Mao Chanvireak. 2021. "New hope for tourism sector as people escape 'stuffy capital'."

The government's financial assistance for MSMEs has been helpful, but coverage has been limited and uneven. The eight rounds of financial support have been a concrete commitment by the government to relieve the financial hardships of MSMEs in the tourism sector. However, official data on the number of businesses receiving such assistance has not been publicly available. Even so, based on this study, it appears that coverage has been quite limited. First, the assistance was intended only for registered business. Thus, automatically, thousands of non-registered MSMEs were not provided with this financial assistance. Second, only a small percentage of the registered SMEs that were interviewed for this study reported receiving this financial assistance. Another important fact based on key informant interviews with selected officials in the MOT was that since the implementation of the assistance, systematic follow-up has not occurred to evaluate the effectiveness of the financial support.

The support for laid-off employees has increased, but, again, the coverage and the effectiveness of this has been limited. As mentioned earlier, there were no reliable statistics on the number of laid-off employees, which is partly because the majority of these employees work for non-formal enterprises. Based on the responses of employers in registered and non-registered businesses who were interviewed in this study's three survey rounds, a number of their employees did benefit from the assistance. The initiative on reskilling and upskilling has been a step in the right direction, but the extent of the program's coverage and its effectiveness are unknown. Based on reports in the news media and this study's in-depth case studies, it seems that those programs have not attracted many laid-off employees. Likely, this because after losing their job, laid-off workers have to cope with their immediate need for income, and could not consider developing skills for the future.

Government responses since February 2021 point to several governance-related issues that need more attention. First, in addition to the heroic health workers who are testing and treating infected people, local administrations and the police play important roles in enforcing measures to prevent the virus from spreading, and provide food aid. Second, is the necessity of using information and communications technology to improve the efficiency of operations that include: conducting mass communications campaigns; coordinating government agencies and levels of government; identifying vulnerable and high-risk groups; testing for COVID-19; delivering food aid; and vaccinating people. These two points have been critical in the government's efforts to control and respond to the pandemic and its impacts. However, as discussed in the recommendations below, some aspects of government assistance need to be improved.

5.1.2. Policy areas to consider

5.1.2.1. Support for registered businesses and laid-off employees in the tourism sector

The Roadmap to support MSMEs in the tourism sector is a good framework but, based on the 20 February 2021 Incident, the Roadmap needs revision. As discussed earlier in this report, the Roadmap is a strategic framework divided into three phases. However, the serious consequences of the 20 February 2021 Incident require revision of Roadmap with regard to its timeline for key objectives and strategies. Among others, the timeline for recovery might need to be moved forward by at least a year, as Cambodia's economic situation, overall, and that of the tourism sector, are still dire. Also, in order to generate more thorough and up-to-day inputs for the Roadmap's revision, a post-COVID-19 situation assessment should be conducted with key MSMEs in the tourism sector—perhaps in early 2022.

In the meantime, financial assistance should continue, but the governance of delivery should be improved. Financial assistance in the form of tax and fee deferrals, which helps ease the cash flow constraints of affected businesses should continue, and the support for laid-off employees should be extended, too. However, the delivery of financial assistance should be improved, especially with regard to targeting and efficiency. The issues related to governance are addressed in more detail below.

The government could explore ways to improve the predictability of assistance for MSMEs in the tourism sector, and the provision of information, and guidance on how to adapt to current conditions, including how to digitalize a business. One important measure that the government can provide during a period of economic uncertainty following a sharp economic shock, is information and guidance. Some ASEAN countries such as Singapore and Indonesia have rolled out guides and hotlines that advise businesses on how to adjust their operations during the crisis, and that also raise awareness about government support schemes—and Cambodia can learn from these examples. In providing such support for businesses, the government could explore ways to give more attention to how businesses could adopt digital solutions, and the government could also help find new markets for businesses.

5.1.2.2. The importance of social protection for non-registered businesses

Support for non-registered businesses should be provided through social protection schemes. As in many other ASEAN countries, Cambodia has a high percentage of non-registered businesses, a minimal social safety net, and the country depends on a small number labor-intensive, low-skilled industries—garment manufacturing, construction, and tourism and hospitality. Cambodia’s largely non-formal businesses and their workers have been seriously affected since February 2021, and what they need now, in the short term, is emergency social assistance, including food aid and cash transfers. The government has already taken necessary steps in this direction, but now it should strengthen delivery governance—an area that is further elaborated below.

Non-registered businesses should be encouraged to register but this should occur in ways that are beneficial. Learning from other ASEAN countries, a scheme should be put in place to both encourage SMEs to register, while also providing them with assistance. The process, however, should occur in ways that convince non-registered businesses that formalizing will benefit them. In doing so, a few points should be considered, including: i) the registration process should be simple and convenient, ii) the obligations following registration should be minimal, iii) registered businesses should be convinced that their formal status will help reduce what they currently pay in bribes and unofficial fees. As the next section shows, decentralization of SME registration functions, and greater use of ICT could help achieve these objectives.

Skill upgrading and skill development, especially for women, should be reviewed in consideration of the post-COVID-19 situation. In the short-term, skill upgrading opportunities should be provided to workers in the tourism industry. The MOT has already made some progress with this task; however, this has been an ad-hoc solution in an emergency. In the medium and long term, skill development needs to be considered at a strategic level by asking fundamental questions about which skill sets will be needed, post COVID-19, and whether workers have the capacity to learn these new skills. Industry 4.0 also needs to be factored in as this requires a fundamental change in how skill development programs are designed and delivered, as is briefly explained in the box below.

5.1.3. The importance of governance

Within the broad area of governance, the government should consider two specific areas. The first concerns further strengthening local administrations’ capacity to control a pandemic, implement social protection schemes, and register the MSMEs in their jurisdiction. The second concerns how to push more urgently for adoption and expansion of digital technology in delivering various interventions, including social protection schemes, and registering non-formal businesses.

Box 7: Skill development and Industry 4.0 in Cambodia

According to a 2021 study by the Asian Development Bank (ADB), *Reaping the Benefits of Industry 4.0 Through Skills Development in Cambodia*, the Fourth Industrial Revolution (4IR)—the rise of automation and implementation of smart technology—will eliminate jobs in the garment and tourism industries. However, these job losses will be offset by greater demand arising from higher productivity, which, potentially, will generate an increase in net jobs in both sectors (by 39% and 2%, respectively).

The 2021 ADB study identified several challenges for Cambodia to address in order to reap the benefits from Industry 4.0. First, while the government and industry are keen to promote 4IR skills, employer surveys in the garment and tourism industries reveal that the employers have little understanding of 4IR technologies. Second, unless adequate and timely investments are made in skills development, there is no guarantee that displaced workers will be able to move seamlessly into the newly created jobs. Third, job displacement is more likely to impact women who make up around 81% of Cambodia’s garment workforce.

The ADB study calls for new approaches to strengthen inclusion and social protection for entry-level workers, those at risk of job displacement, and those who need upskilling. The study also recommends developing technical and vocational education and training programs in garment manufacturing and tourism with dedicated 4IR credentials, and flexible and modular skill certification programs that recognize the attainment of skills outside the traditional education channels.

In addition, the ADB study calls for implementing schemes that provide incentives for firms to train their employees in 4IR, which could be led by the Cambodia Skills Development Fund. Regarding tourism, policymakers are urged to leverage Cambodia’s growing number of smart phone application developers to build 4IR readiness, ensure training in communications and social skills, and foster stronger coordination between training institutions and employers.

As the COVID-19 pandemic has been accelerating digital transformation, the ADB study found that companies deploying 4IR technologies are likely to recover faster from the disruptions caused by the pandemic, and be more resilient in future.

Source: ADB (Asian Development Bank). 2021a. “Reaping the Benefits of Industry 4.0 Through Skills Development in Cambodia.”

5.1.3.1. Strengthening the roles of local administrations

Strengthening the roles of local administrations involves two related aspects: (i) transferring national government functions, and (ii) providing more funding and capacity building. Regarding the first point, the government already plans to transfer more national functions to local administrations, but the process has been slow. Hopefully, the COVID-19 crisis has demonstrated the urgency of giving more authority to local administrations, and institutionalizing their roles in the following, if not more, areas:

- Preventing and containing a pandemic,
- Implementing social assistance schemes, including the identification of beneficiaries, the delivery of benefits, and monitoring and evaluating the results,
- Registering all MSMEs operating in the tourism sector by increasing the current thresholds already transferred to the One Window Service Office (OWSO), and
- Facilitating tourism MSME and local economic development such as through the promotion and management of eco-tourism sites.

5.1.3.2. More aggressive adoption of digital technology

The adoption of digital technology and expansion of its use should be regarded as urgent. While many government policy documents mention e-government, actual implementation has been slow, uneven, and largely unfunded. The COVID-19 crisis illustrates that the traditional approach to governance cannot cope with such a public emergency. International experts also warn that the COVID-19 pandemic will not be the last of its kind. As such, as soon as the current pandemic is under control, the government must consider the following urgent matters:

- The use of ICT in coordinating levels of government in the case of emergency, crowd control, and human-tracking,
- The use of ICT by local administrations in the performance of tasks that involve citizens' identification, communications, and certification,
- The use of ICT in implementing social protection schemes, including the identification of beneficiaries, delivering assistance, and monitoring and evaluating the outcomes, and
- The use of ICT in registering and licensing MSMEs at both the national and sub-national levels (such as through the OWSO).

5.2. The Survey of Households

With regard to results of the surveys of Cambodian households in 2020, clearly, there are lessons to be learned regarding the importance of the timely roll out of food aid, as well as cash assistance to pandemic-affected communities. In other words, the development of the social safety net and the IDPoor program.

Most importantly, however, are this study's data on household savings and debt. While Cambodia reached its economic trough in early August of 2020, the decline in household savings was enormous, and not enough time has passed, nor has there been enough economic activity for households to rebuild their savings. To a significant extent, Cambodian households rode out the pandemic in 2020 by spending their savings, and even selling assets so that they could pay for food and other necessities. As households' savings have not recovered yet, the third round of community spread that began in February 2021 is particularly dangerous for those below the poverty line, as well as those above, but close to the poverty line, including wage laborers. Providing these people with direct cash payments will be vital if the pandemic is not brought under control very quickly. In 2021, the impact of the pandemic will likely be much worse than it was in 2020 as many households' savings have now been used up. This reality needs to be recognized and taken into account by government in order to develop effective policies and programs.

At the same time, debt restructuring—which has continued for nearly a year now—cannot go on indefinitely. While the government has rightly called for lenders to be lenient, and allow borrowers to defer repayment of their loans, financial institutions' responses have been inconsistent and haphazard. A clearer set of directives should be issued on this by government, while taking into account the realities of the balance sheets of financial institutions, many of which are already saddled with non-performing, regularly restructured loans.

Finally, the significant out-migration from Phnom Penh observed during the first year of the pandemic demonstrates (on a positive note) people's inherent resilience and ability to hedge against risk. However, in 2021, lockdown policies have made it impossible for migrants to return to their home village and practice subsistence agriculture, and/or open a household enterprises. Unfortunately, lockdowns have eliminated the long-standing informal social safety net that enables the poorest urban migrants to survive. In response, the government could explore ways to permit inter-provincial travel and urban out-migration so that migrants' vital line of defense is preserved.

5.3. Lessons learned

In addition to vital information on the impact of COVID-19 on MSMEs and households, a number of interesting methodological points were discovered during the course of this study. First, is the importance of direct, household visits to ensure consistency in the sample size. Telephone surveys, alone, are insufficient and, as has been observed in other studies, telephone surveys ultimately result in a change in the sample that is so great that the survey cannot be considered to be longitudinal. Second, at the outset of the research, lack of awareness about the risks of COVID-19 transmission was so great that even medical professionals in provincial locations were unwilling to engage with interview teams who had come from Phnom Penh where the community spread was centered. Third, over the course of this study, the field teams found that the government's education campaigns concerning how the virus was spread, and the risks to those who contracted it, were shown to be effective.

A great deal of COVID-19-related research produced over the last year has claimed to be longitudinal in nature, i.e., repeated observation of the same sample over a period of time. However, several have, in fact, been cross-sectional, i.e., observing different sample groups over time, rather than the same one. This reality should be noted in examining differing bodies of research.

On the policy front, the government's roll out of direct relief payments within three months of the initial outbreak has demonstrated the significant positive externalities of the IDPoor program, and the importance of further expanding it, not only as a means of regular, economic assistance, but also to identify the communities most in need of rapid assistance in the event of a natural disaster or some other exogenous shock.

To conclude, on perhaps the most positive note in this report, this study discovered that Cambodia's population has been remarkably resilient in response to an enormous shock. And, as a result, the research team went so far as to discuss expanding the research to develop a new "Resiliency Index" that could be used as a tool for cross-national comparisons. The reasons for Cambodians' resilience are unclear; however, it places the country in a unique category in comparison to other states at similar levels of development, and further research on this could help the government in developing priorities for addressing future emergencies.

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