



Enduring 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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IN CAMBODIA

Cambodia Report
First Round of Surveys (May-July 2020)

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
GDP	Gross domestic product
KPP	Kampot Province
KSP	Kampong Speu Province
MSMEs	Micro, small, and medium enterprises
NSSF	The National Social Security Fund
PNP	Phnom Penh
RGC	The 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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For this report, which presents the research conducted in Cambodia, the Foundation would like to thank its partners, Angkor Research and Consulting, the Centre for Policy Studies, and Future Forum for their important efforts. This study also would not have been possible without the generous support of our funders. In Cambodia, this study was financed by the Foundation's United States Congressional Appropriation; Australia's Department of Foreign Affairs and Trade through Ponlok Chomnes: Data and Dialogue for Development in Cambodia; New Zealand's Ministry of Foreign Affairs and Trade, through the Ambassador Fund; and Angkor Research and Consulting.

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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 our funders.

Section 1: Introduction

The COVID-19 pandemic is leading to a dramatic roll-back of economic progress across Southeast Asia. While the region has managed to contain the spread of the virus better than most others, the economic impact on the region has been devastating. Southeast Asia is highly integrated into the global economy, both with regard to trade and international travel. Since international travel stopped almost entirely in March, the tourism and business travel sectors have experienced unprecedented contraction. Many small businesses have closed permanently as they cannot survive the economic losses brought on by COVID-19 lockdowns and travel restrictions. With each passing month, tens of millions more workers become at risk of sliding into poverty, including many in the middle class. As the pandemic drags on, temporary job losses have become permanent, and household incomes have plummeted.

Governments across Southeast Asia have responded with an array of new programs to help the people and small businesses most affected by the pandemic. Many governments have expanded their social protection schemes or introduced new programs so that they can provide additional income, temporarily reduce expenses, or delay the required payments of people who have lost their work and income. For small businesses, governments have introduced new subsidized loan programs, tax breaks, debt repayment holidays, and incentives for keeping employees on the payroll. These crucial programs will be essential for economic recovery, and the prevention of large-scale increases in poverty and inequality.

One critical challenge for governments, however, is the lack of timely information on the economic and social impacts of the pandemic. Across Asia, governments have had to make major decisions about COVID-19 economic relief measures with little reliable and up-to-date information. As large amounts of public funds are being mobilized to help address the unprecedented crisis, governments urgently need ground-level data on how small businesses and workers are being affected, and how they are coping. This information is essential so that governments can target their programs to achieve maximum benefit.

To address the need for accurate data on how COVID-19 is disrupting micro and small enterprises, vulnerable workers, the informal economy, and heavily affected sectors, The Asia Foundation (the Foundation) and its partners are conducting a series of national surveys and case studies in six Southeast Asian countries: Cambodia, the Lao Peoples' Democratic Republic (Lao PDR), Malaysia, Myanmar, Thailand, and Timor-Leste. These surveys and cases studies, which are being conducted in partnership with the Foundation's local research partners, are largely carried out via telephone calls and Internet platforms, but in some cases, face-to-face.¹ To determine the key survey questions for all six countries, and make them as locally useful as possible, in each country, the Foundation's office and partners consulted with national government officials and policy-makers. The Foundation's local research partners then finalized and conducted the surveys and case studies, analyzed the data, and collaborated with the Foundation in writing up the results.

1. In Cambodia, researchers were permitted by the government to collect face-to-face information in this first round of surveys as they adhered to the safety measures put in place by the Ministry of Health.

1.1. Socio-economic Impact of COVID-19

Since 2010, Cambodia has achieved remarkable economic growth and poverty reduction (over 7%, annually). But the COVID-19 pandemic is dramatically disrupting, and even reversing this trend. Initially, the Royal Government of Cambodia (RGC) forecast growth of about 6.5% for 2020, but as a result of the pandemic, the government is now predicting negative growth of -1.9%. This will be due to serious decline in Cambodia's key economic sectors—tourism, garments, and construction.² And some predict even greater contraction in 2020. The World Bank predicts negative economic growth of -2.9%³, and the Asian Development Bank predicts as much as -5.5%.⁴

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. The sector is also an important foreign exchange earner. However, starting in late 2019, the number of international tourists began to decline, and tourist arrivals came to a complete halt in April 2020. During the first two months of 2020, Cambodia's tourist arrivals fell by 25.1%, while during the first quarter of 2020, Siem Reap's tourist arrivals declined by 45.6%, and in April the contraction was 99.6% (year-on-year).⁵

Figure 1: Cambodia's economic growth (%)⁶

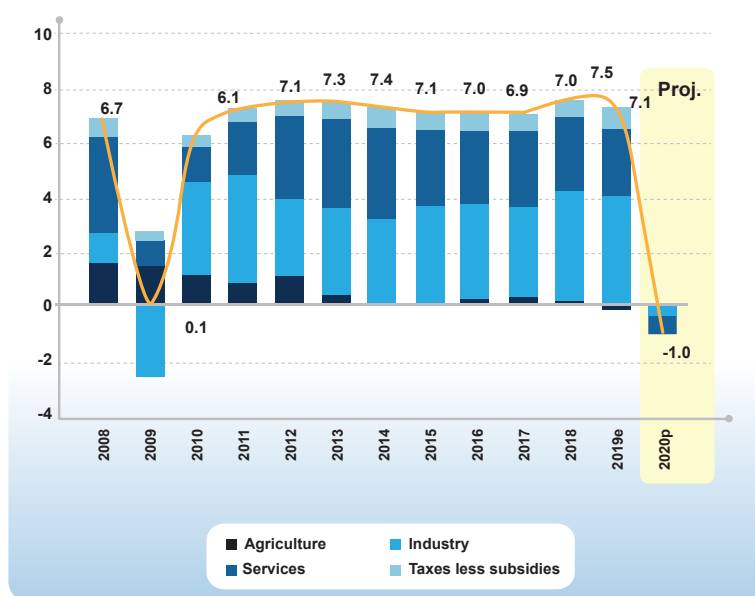
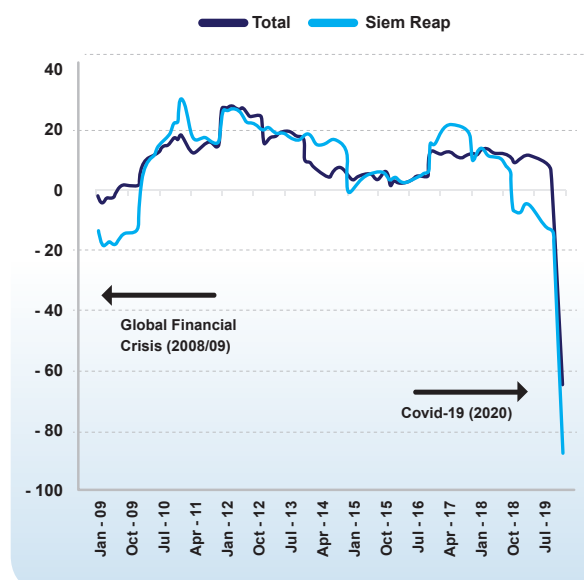


Figure 2: Total international and Siem Reap arrivals (y/y percentage change) s economic growth (%)⁷



Source: World Bank. (2020). "Cambodia in the time of COVID-19," Cambodia Economic Update, May 2020, Phnom Penh: World Bank.

Notes: E = estimates, f = forecast

The COVID-19 pandemic is also expected to have severe impacts on poverty and vulnerability. For households engaged in tourism, the wholesale and retail trade, garments, construction, and manufacturing, a World Bank poverty simulation has projected an income loss of 50% over three months. For a period of six months, the projected loss is expected to rise by another 3 to 11 percentage points.⁸

1.2. Responses to COVID-19 by the Government of Cambodia

Since the start of the pandemic, to tackle both public health concerns and their economic impact, the RGC has assessed the situation and taken cautious measures, one step at a time. The measures put forward so far are summarized in Table 1.

2. RGC (Royal Government of Cambodia). (2020). "Circular on the preparation of the 2021–2023 Budget Strategic Plan", Phnom Penh
3. World Bank. (2020). "Cambodia in the time of COVID-19", *Cambodia Economic Update*, May 2020. <https://www.worldbank.org/en/country/cambodia/publication/cambodia-in-the-time-of-covid-19-coronavirus-economic-update-may-2020>
4. ADB (Asian Development Bank). (2020). *Asian Development Outlook 2020*, Manila: Asian Development Bank.
5. World Bank. (2020). "Cambodia in the time of COVID-19", op cit.
6. ibid
7. ibid
8. Ibid

Table 1: Cambodian government COVID-19 policy responses⁹

Round of Intervention	Date	Objectives	Specific Points on Tourism
1 st Round	24 Feb 2020	<ol style="list-style-type: none"> 1. Assist companies severely affected by COVID-19 to continue operating 2. Assist employees laid off or suspended from their jobs 3. Assist small and medium enterprises 	<ol style="list-style-type: none"> 1. Tax exemption in Siem Reap (Feb–May 2020) 2. Stop annual audits of businesses' tax payments in Siem Reap 3. Promote local tourism 4. Urge government agencies to hold conferences in Siem Reap 5. Organize events to attract national and international tourists (Ministry of Tourism) 6. Reskill and upskill for laid-off employees
2 nd Round	01 Apr 2020	<ol style="list-style-type: none"> 1. Help the private sector to survive the severe effects of COVID-19 2. Assist employees working in relevant sectors 	<ol style="list-style-type: none"> 1. Tax exemption expanded to 7 provinces¹⁰ (March–May) 2. Support suspended or laid off employees with 20% of the minimum wage (\$190) 3. Postpone companies' contributions to the National Social Security Fund (NSSF) 4. Encourage landlords to reduce their tenants' rent 5. Provide a minimum tax exemption for 3 months for the aviation sector (March–May)
3 rd Round	06 Apr 2020	<ol style="list-style-type: none"> 1. Support businesses in the manufacturing and tourism sectors 2. Improve employees' livelihoods 	<ol style="list-style-type: none"> 1. Provide \$40 a month for 2 months for those who have lost their jobs in the tourism sector, but only if they are working for a registered business.
4 th Round	26 May 2020	<ol style="list-style-type: none"> 1. Improve the resilience of businesses and the livelihoods of their employees 2. Provide financing for businesses 3. Increase financing to restore, and help businesses to grow once COVID-19 ends 4. Provide social assistance (Cash for Work) 5. Implement online business registration 	<ol style="list-style-type: none"> 1. Continue tax exemption for 2 months (June–July) 2. Continue to allow the NSSF payment exemption for 2 months (June–July) 3. Continue to provide a tax exemption for 3 months for the aviation sector (June–Aug) 4. Restructure Agriculture and Rural Development Bank loans 5. Allow non-registered SMEs to apply for loans 6. Give loans to SME clusters that use Khmer Enterprise's¹¹ services 7. Restructure other loans 8. To increase the number of registered businesses, the online platform makes it easier for businesses to register and apply for government loans
5 th Round	31 Jul 2020	<ol style="list-style-type: none"> 1. Continue to help restore and promote businesses' growth after COVID-19 ends 2. Continue to help poor and vulnerable people with a daily cash donation 	<ol style="list-style-type: none"> 1. Continue to provide \$40 a month for 2 months (Aug–Sep) for those who have lost their jobs in the tourism sector, but only if they are working for a registered business. 2. Continue to provide a tax exemption for 2 months for the tourism sector (Aug–Sep) 3. Continue to provide a tax exemption for 2 months for the aviation sector (Aug–Sep)

9. MEF (2020) Royal Government of Cambodia intervention measures for managing the impact of COVID-19. Phnom Penh.

10. Phnom Penh, Siem Reap, Preah Sihanouk, Kep, Kampot, Bavet, and Poipet.

11. Khmer Enterprise is the implementation unit of the Entrepreneurship Development Fund (EDF) of Cambodia's Ministry of Economy and Finance. Khmer Enterprise implements support programs and directly work with EDF's partners and beneficiaries. In addition, it mobilizes, invests, and manages resources from all legitimate sources, in order to support the development of a vibrant entrepreneurial ecosystem, and provide financial and non-financial support to related entrepreneurial ecosystem builders.

Section 2: Methodology

This report presents the findings from two surveys. The first was the Survey of MSMEs in the Tourism Sector, which was co-developed by the Foundation, in partnership with Centre for Policy Studies. The second was the Survey on Households, which was developed and carried out by Angkor Research and Consulting, and Future Forum, with contributions and advice from the Foundation.

This report summarizes the findings from the first of three rounds of data collection for each study. For the Survey of MSMEs in the Tourism Sector, data were collected in July 2020, and for the Survey on Households, data were collected in May 2020.

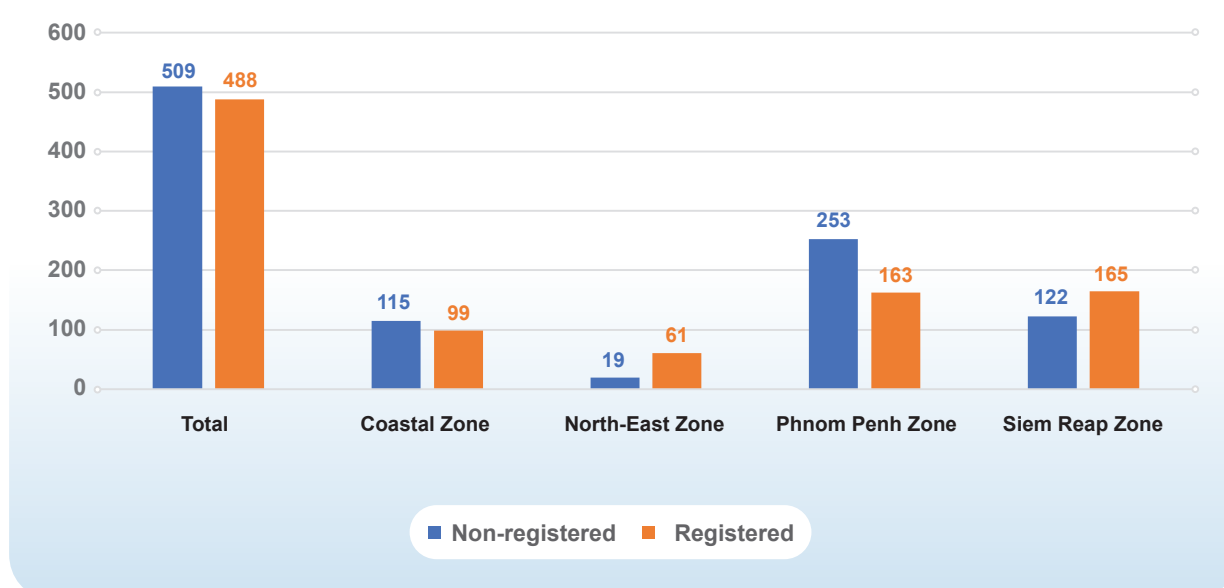
The approach, sampling methodology, and preliminary findings for both surveys were discussed with representatives from the National Committee for Sub-national Democratic Development (Ministry of Interior); Committee on Economic and Financial Policy (Ministry of Economy and Finance); Ministry of Tourism; Ministry of Labour and Vocational Training; and National Institute of Statistics (Ministry of Planning).

Methodology for the Survey of MSMEs in the Tourism Sector¹²

The rapid 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: the Phnom Penh, Siem Reap, Coastal, and North-East Zones. Sixty percent of the interviews were carried out by telephone, and the rest (40%) were face-to-face. The respondents for the telephone interviews were selected from a number of sources, including: the official list of registered companies provided by the Ministry of Tourism, Young Entrepreneurs Association of Cambodia (YEAC), Cambodia Association of Travel Agents (CATA), TripAdvisor, and Google Maps. A total 2,938 potential interviewees were called, and 37% of these could not be reached, 42% refused to participate, and 21% completed the survey.

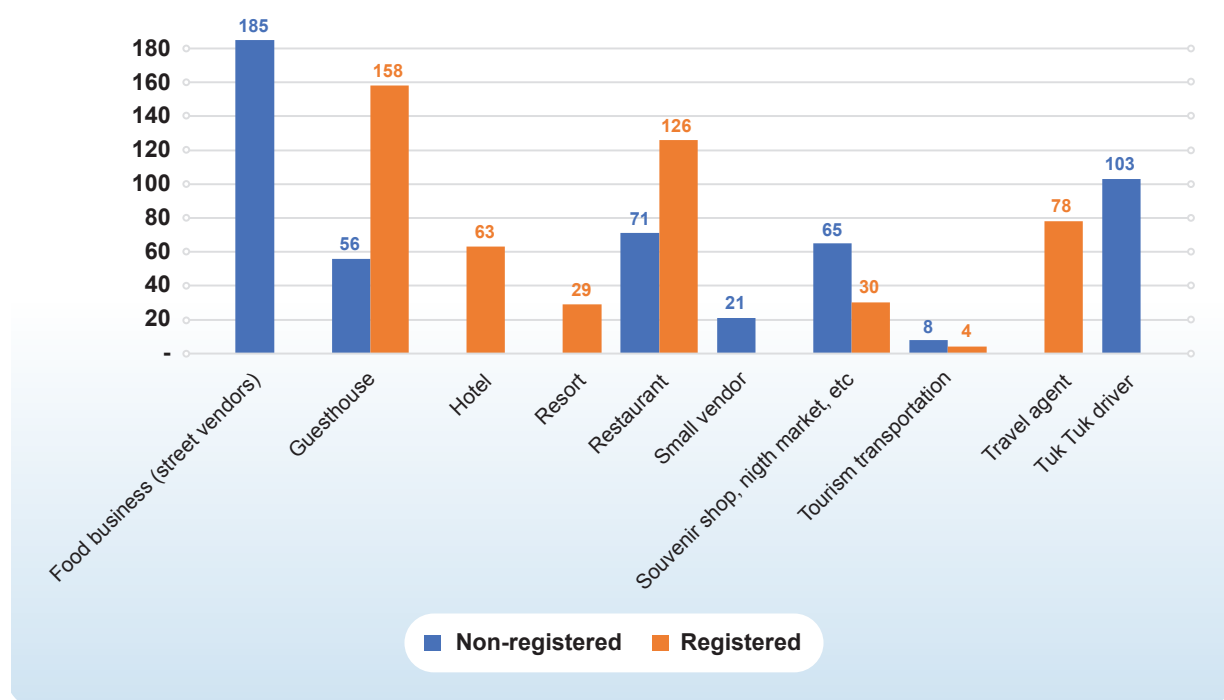
As indicated in Figure 3, of the 997 respondents, slightly more than half had non-registered businesses.

Figure 3: Number of MSMEs surveyed (by zone and registration status)



12. The survey on MSMEs in the Tourism Sector was conducted by the Centre for Policy Studies.

Figure 4: Number of MSMEs surveyed by type and registration status



Hotels, resorts, and travel agents must be formally registered 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. Food businesses (street vendors), small vendors, and Tuk Tuk drivers, which are considered microenterprises, are not required to register.

Methodology for the Survey on Households¹³

Based on the lack of data about the impact of COVID-19 on Cambodian households, Angkor Research and Consulting and Future Forum jointly undertook an economic impact study of a sample of Cambodian households expected to be the hardest hit by the pandemic (farmers, wage workers, and families with microenterprises).

Table 2: Sampling design

Strata	Rate	Size	Selection Method
Province		5	Purposive – Phnom Penh, Kampot, Siem Reap, Svay Rieng, and Kampong Speu
Districts	2/province	10	Random
Villages (PSU)	5/district ¹⁵	54	Random – (PPS)
Households	20/village	1,087	Random (EPI-WALK)
Village Chiefs	1/village	54	Purposive
Total Interviews		1,134	

Note: PSU - primary sampling unit; PPS - population proportional to size

13. The Survey on Households was conducted by Angkor Research and Consulting and Future Forum in May 2020.

14. Kampot, Kampong Speu, Svay Rieng, and Siem Reap Provinces.

15. Four additional villages were selected in Russey Keo District to mitigate the challenges in another district.

Utilizing a cluster-based sample selection methodology, potential survey respondents were selected by province, village, and activity level. This longitudinal study focused on farmers, wage workers, and families with micro/small enterprises in four provinces¹⁴ and Phnom Penh Municipality. The sampling design is presented in Table 2.

This paper presents the key findings from the first round of data collection through a combination of figures and text that provide insight and analysis. The two key types of respondents were households and village chiefs.

Village Chiefs

The primary roles of a village chief are: collecting villagers' required contributions (financial or labor) for local development projects; disseminating information to villagers; and providing administrative support to commune authorities.¹⁶ As a result, village chiefs are a valuable source of knowledge about the economic, health, and social circumstances of villagers. Table 3, below, lists the characteristics of these respondents.

Table 3: Village chief's characteristics

Respondents	
Villages	54
Total Population	136,984
Total No. of Households	32,538
Village Chiefs	
Male	87%
Average Age (years)	59.8
Average Number of years as village chief	15

Households

More than 1,000 households were surveyed for this study to identify changes in their economic circumstances as a result of the COVID-19 pandemic. Table 4 summarizes household respondents' characteristics. Of the 1,087 respondents, 933 operated household enterprises. In total, 310 wage workers worked in another province and 27 worked abroad. Of these wage workers, 42.7% returned due to their workplace's closure and 34.7% said they returned due to their fear of contracting COVID-19.

Table 4. Household characteristics

Respondents	
Households Interviewed	1,087
Average Number of Household Members	4.99
Average Grade Reached (Schooling)	5.5
Khmer	96.6%

16. Rusten et al. 2004, as cited in Vimealea et al. 2009. "Leadership in Local Politics of Cambodia: A Study of Leaders in Three Communes of Three Provinces." CDRI Working Paper #42, Phnom Penh: Cambodia Development Resource Institute.

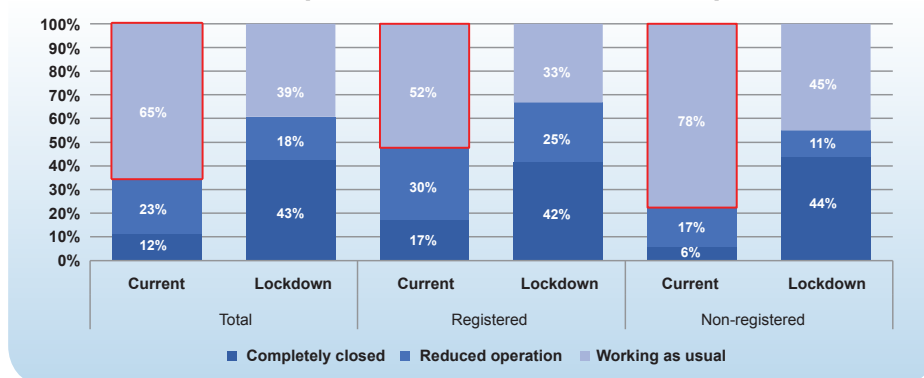
Section 3: Findings of the Survey on MSMEs in the Tourism Sector

3.1. The Situation in July and During the Partial Lockdown (March–April)

As shown in Figure 5, 65% of all the MSMEs surveyed reported “working as usual” in July, which was up from 39% during the partial lock-down in March and April. It is important to note that the term “working as usual” is not the same as “back to the pre-COVID-19 level of operation.” Based on researchers’ observations, “working as usual” only meant that the business was open for customers, with no significant constraints.

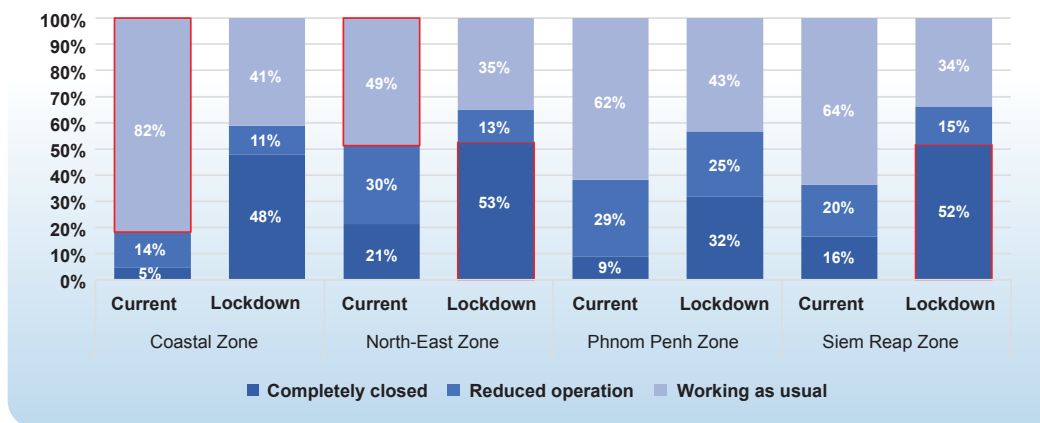
The partial lock-down affected both non-registered and registered businesses. However, in comparison with March and April, the non-registered businesses seemed to have recovered by July (78% of respondents reported “working as usual”; compared to 45% in March and April). While 78% of the unregistered businesses were operating normally in July, that was the case for only 52% of the registered businesses.

Figure 5: Comparison of operations in July with the partial lockdown in March and April



The North-East and Siem Reap Zones were impacted the most, as more than 50% of the MSMEs reported that their business was completely closed during the lockdown (see Figure 6). In July, 82% of respondents in the Coastal Zone reported that their business had returned to normal operation, whereas in the North-East Zone, only 49% said that they were operating.

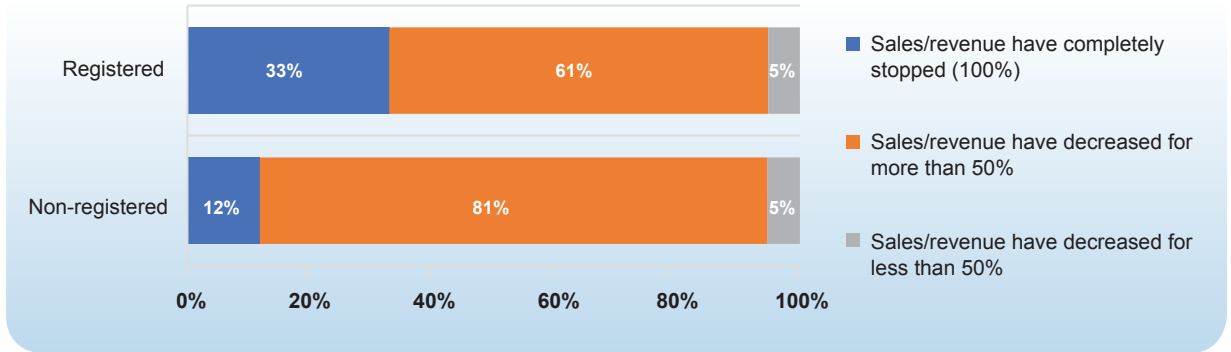
Figure 6: Impact on MSMEs (by geographic zone)



3.2. Impact on Small Businesses' Sales and Revenue

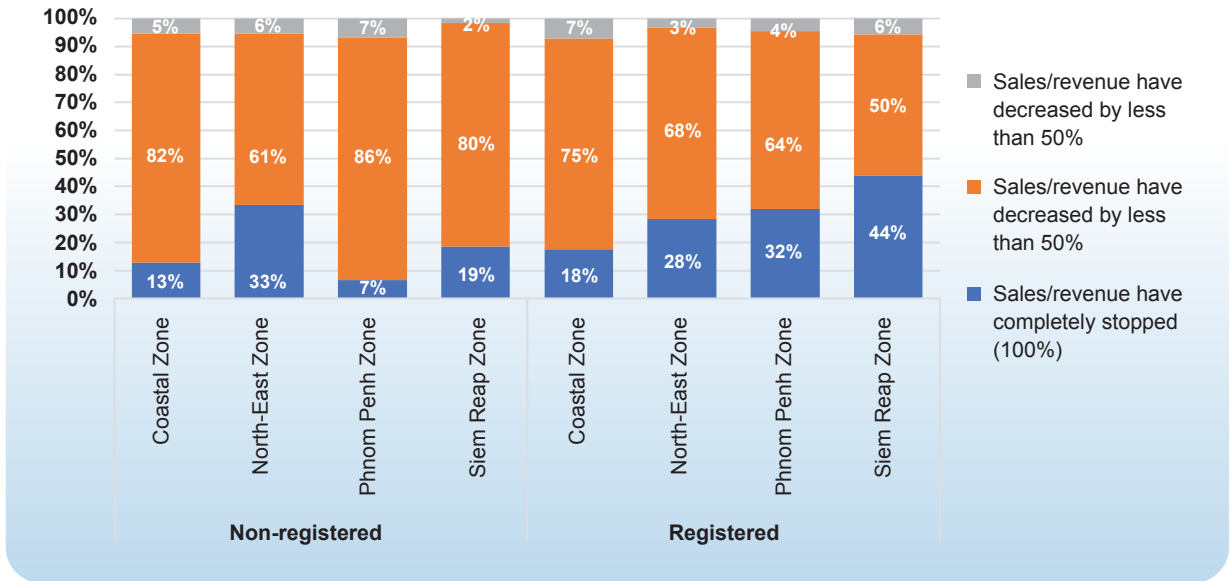
More than 90% of both registered and non-registered MSMEs have experienced a reduction in their sales/revenue because of the COVID-19 pandemic (see Figure 7). However, the registered businesses, which tend to have a higher volume of sales and revenue, have experienced a more severe impact, with more businesses reporting no sales or revenue. The majority of businesses reported that their revenue had declined by more than 50% (81% of non-registered businesses, and 61% of registered businesses), and some claimed that they earned no revenue (33% of registered, and 12% non-registered MSMEs).

Figure 7: Impact on revenue (registered and non-registered MSMEs)



Across the four zones, the registered businesses in the Siem Reap Zone have encountered the most severe impact, with 44% reporting “no sales and revenue” (see Figure 8).

Figure 8: Impact on revenue (by zone)



As shown in Figure 9, travel agents have been the most severely affected type of business, with 72% reporting no sales and revenue in July, followed by 50% of tourist transporters.¹⁷ Regardless of their business registration status, the majority of businesses across the four zones reported that in July their sales and revenue had dropped by more than 50%.

17. Given the small samples by type of business, these disaggregated findings by business type are not necessarily representative.

Figure 9: Impact on revenue (by registration status)



3.3. Reasons for Business Closure or Reduction of Operations

Regardless of whether they are registered or non-registered businesses, and the type of business and zone, the main challenge for MSMEs is the dramatic decrease in their customers, which has left them with no choice but to close or reduce their operations.

Figure 10: Reasons for closing or reducing operations

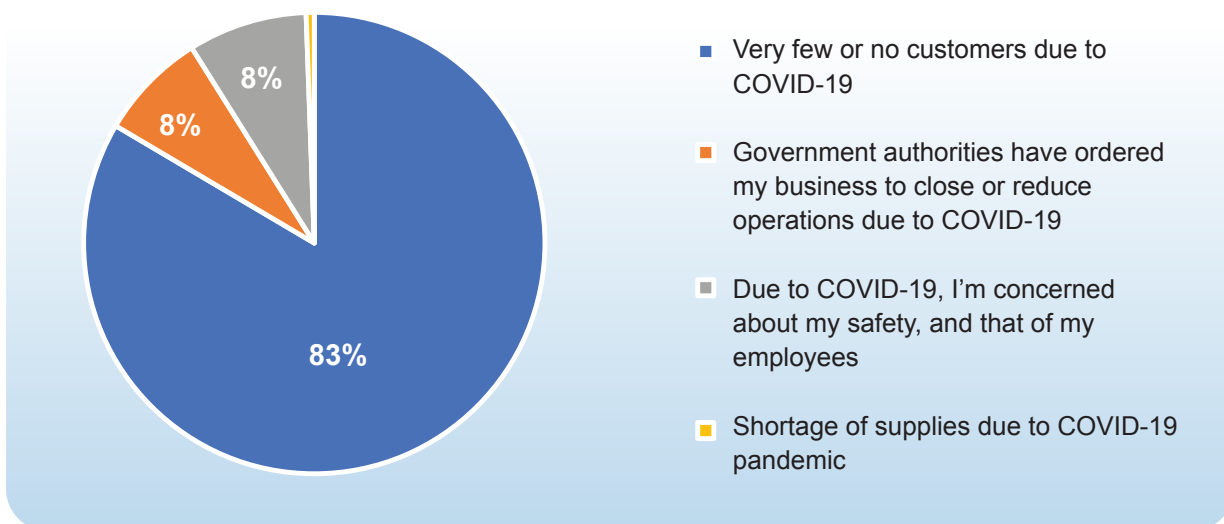


Figure 11: Reasons for closing (by zone)

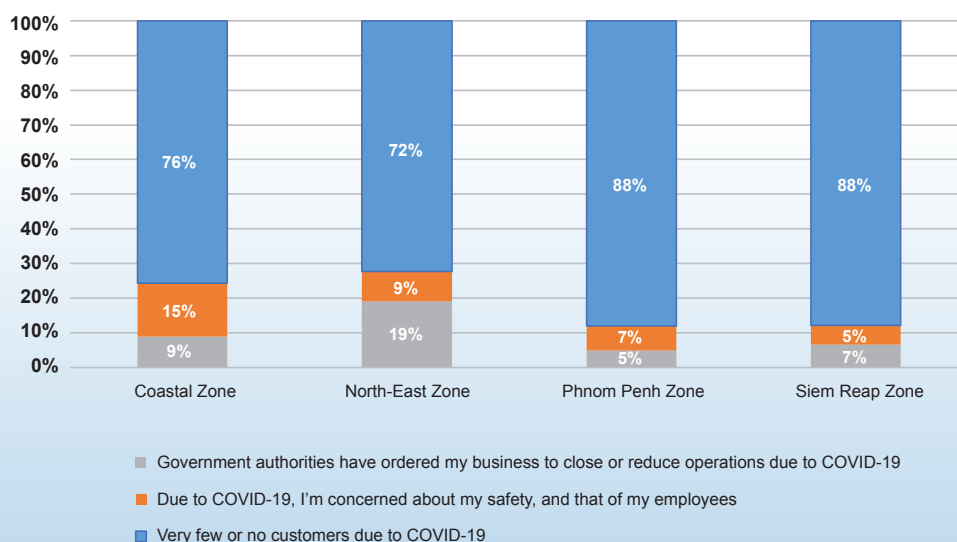
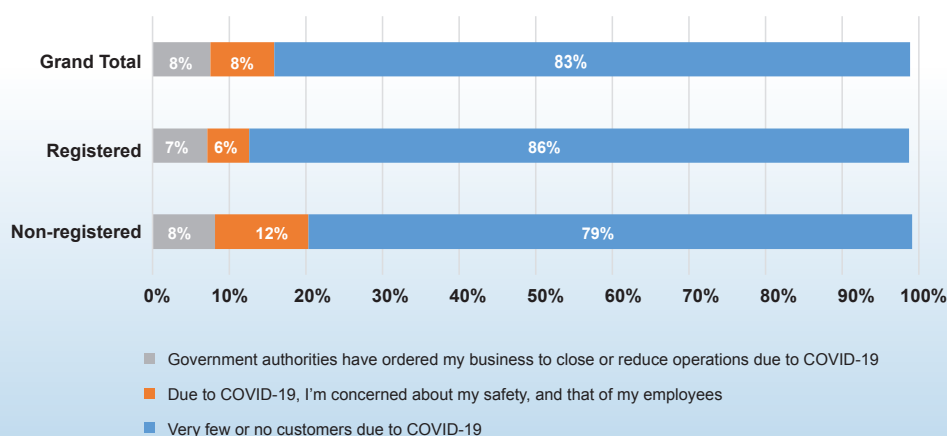
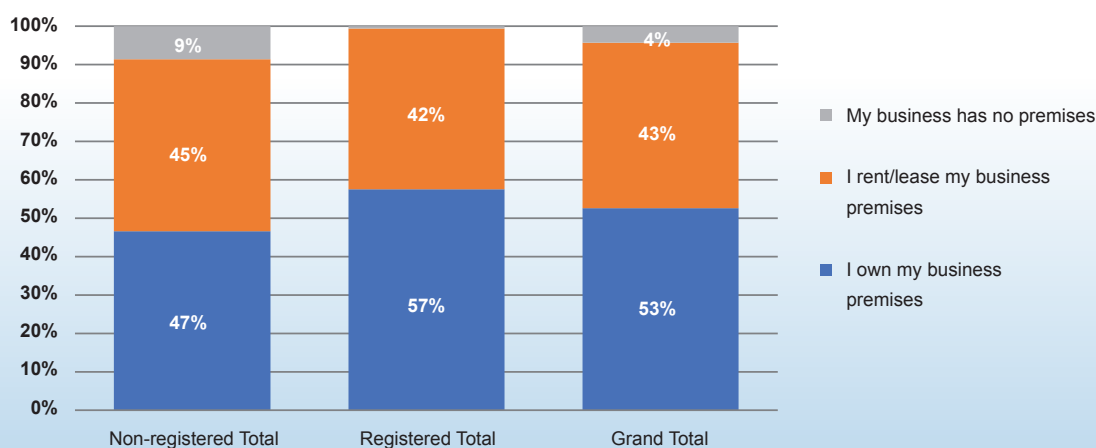


Figure 12: Reasons for closing (by type of business)



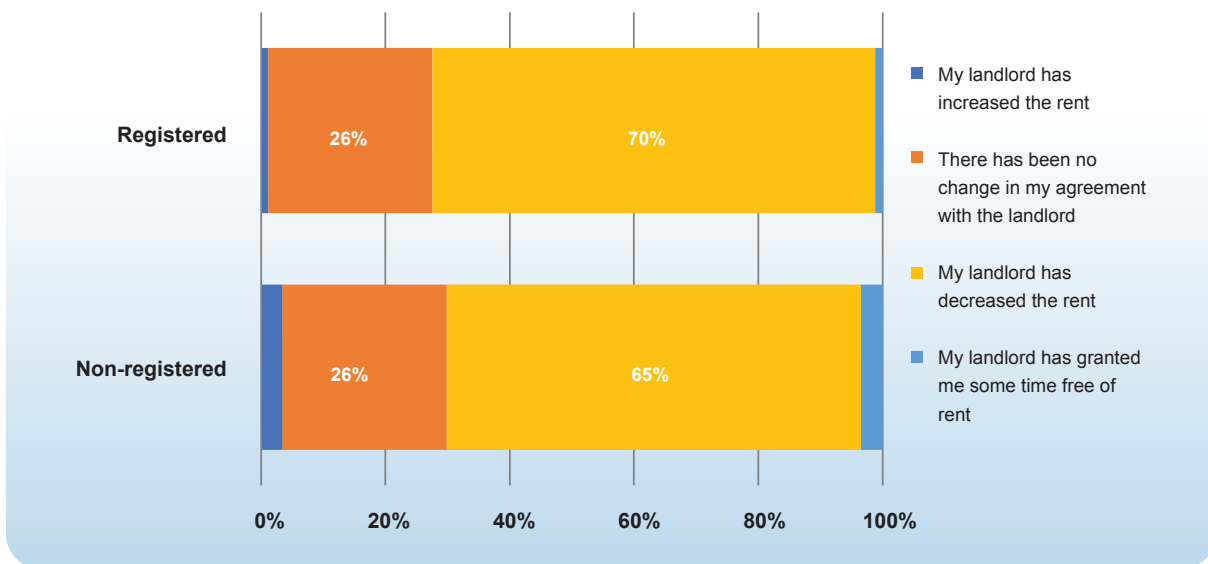
About half of the businesses surveyed own their premises and the other half pay rent. Of those businesses that rent, since COVID-19 began, a high percentage reported having made some arrangement with their landlord, including a lower rent or a delay in paying the rent (see Figure 13).

Figure 13: The status of business premises



As shown in Figure 14, the arrangements made between businesses and their landlords differs. Comparing both registered and non-registered businesses, the majority of businesses that rent reported that their landlord had decreased their rent, as the landlord sympathizes with their situation. However, 26% of the owners of both registered and non-registered businesses said that they were unable to negotiate a lower rental fee with their landlord.

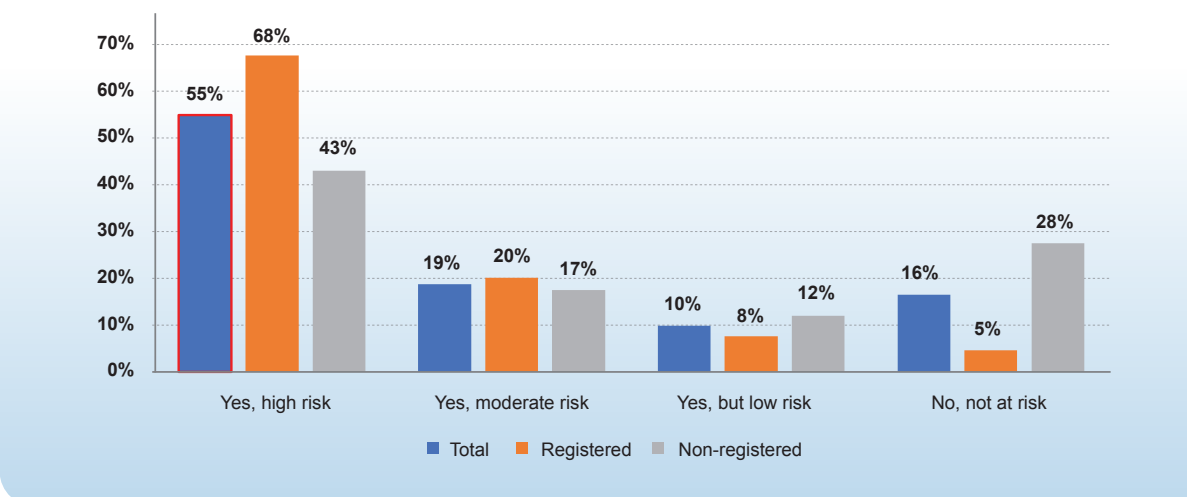
Figure 14: Change in rental agreement with the landlord



3.4. Risk of Business Failure

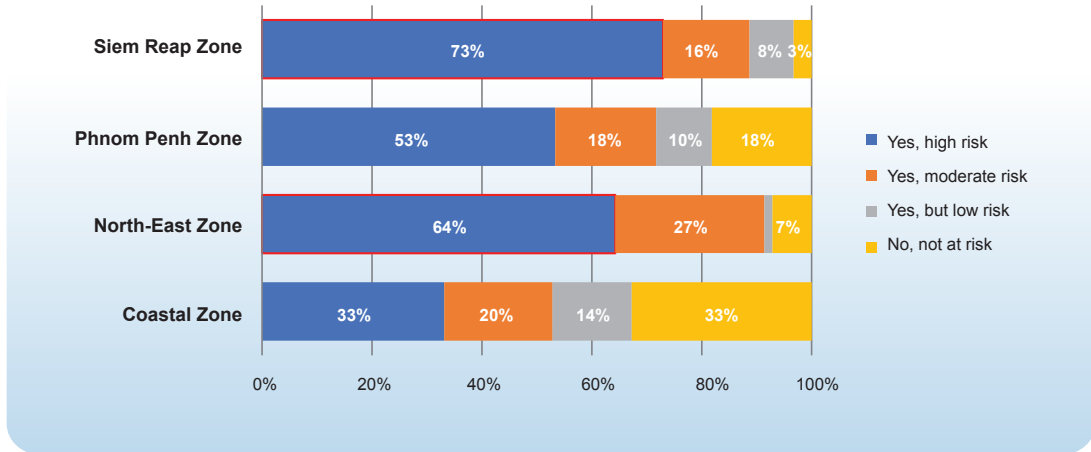
Overall, more than half of MSME owners (55%) reported that their business is at high risk of failure. However, the perceived risk of failure is higher for registered businesses than is the case for non-registered businesses. Conversely, more than a quarter of the owners of non-registered businesses (28%) believe that they are not at risk, compared to only 5% of the owners of registered businesses (see Figure 15).

Figure 15: Risk of business survival (total, registered and non-registered)



As Figure 16 shows, businesses in the Siem Reap and North-East Zones reported a higher level of vulnerability, with 73% and 64% of owners, respectively, perceiving that their business is at high risk of failure. Only 3% of MSME owners in the Siem Reap Zone perceive that their business is “not at risk,” whereas, 33% of MSME owners in the Coastal Zone perceive that their business is “not at risk.”

Figure 16: Risk of business survival (by zone)



As shown in Figure 17, despite the challenges presented to them, 61% of MSME owners believe that they can manage to get through this pandemic, and that is especially the case with owners in the Coastal Zone (75% – as shown in Figure 18). Although the majority of business owners claim that they can survive the pandemic, 11% of all owners are concerned that they cannot survive for more than six months, and this percentage is higher for registered businesses than for non-registered businesses.

Figure 17: Expected length of business survival (by registration status)

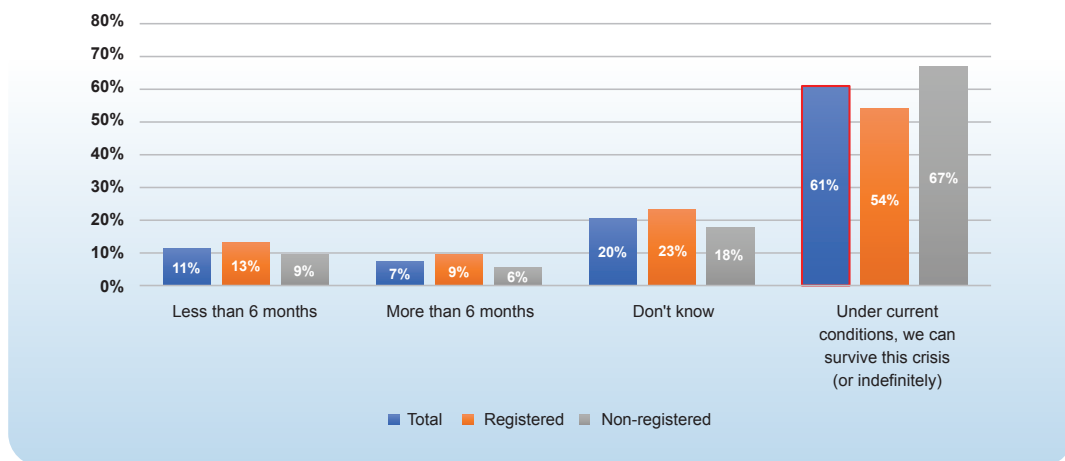
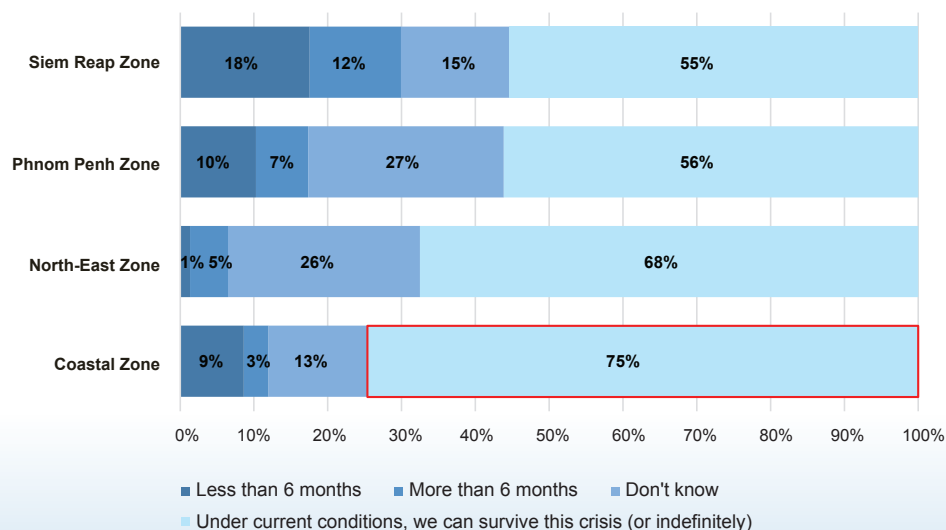
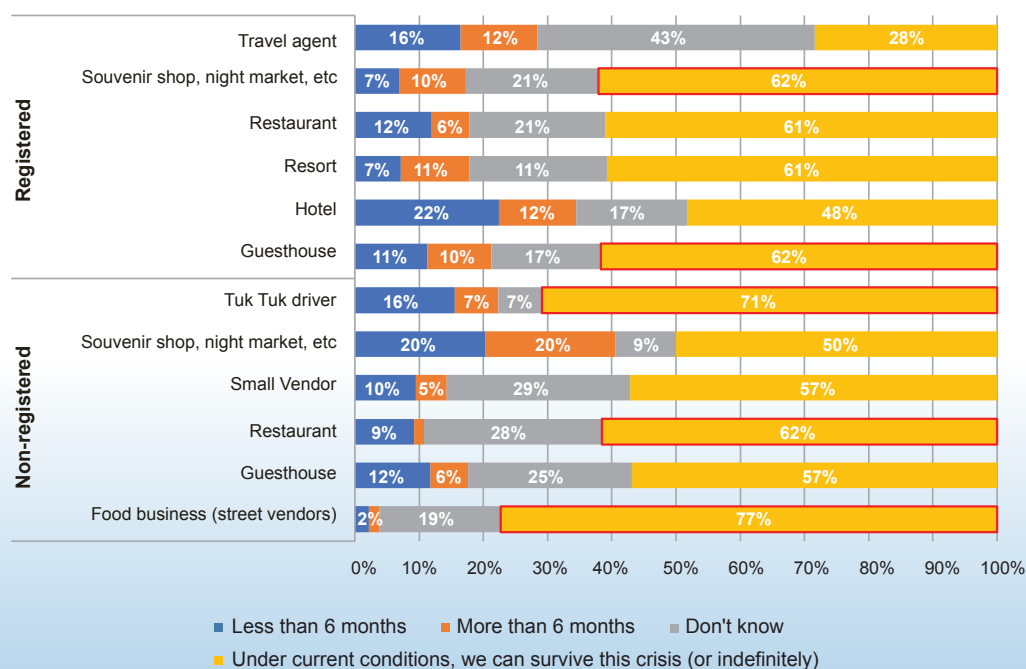


Figure 18: Expected length of business survival (by zone)



Owners of non-registered businesses such as street vendors (77%), Tuk Tuk drivers (71%), and restaurants (62%), together with owners of registered businesses, including guesthouses (62%) and souvenir shops (62%), are confident that they can survive the pandemic (see Figure 19).

Figure 19: Expected length of business survival (by type of business)



3.5. Tourism Sector Impact

As shown in Figure 20, the number of international tourists has declined significantly, in comparison to last year. Respondents also said that the number of domestic tourists had declined too, especially in the Siem Reap Zone (see Figure 21). However, a few businesses, including hotels, guesthouses, and restaurants reported an increase in the number of domestic tourists. This was especially the case in the Coastal and North-East Zones. Domestic tourists or customers are important for small businesses, but especially for guesthouses, restaurants, and, to some extent, hotels (see Figure 22).

Figure 20: Reduction in international tourists (compared to the same time last year)

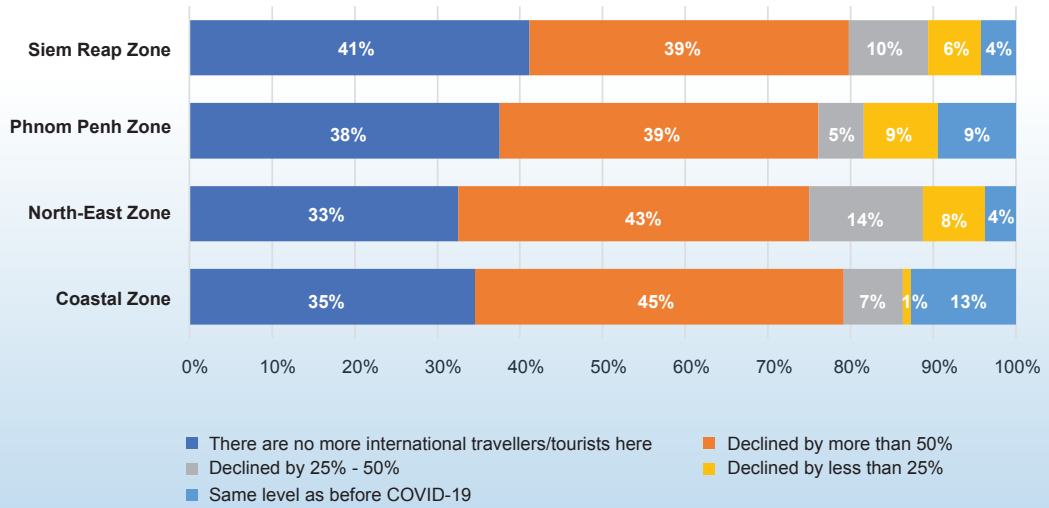


Figure 21: Reduction in domestic tourists (compared to the same time last year)

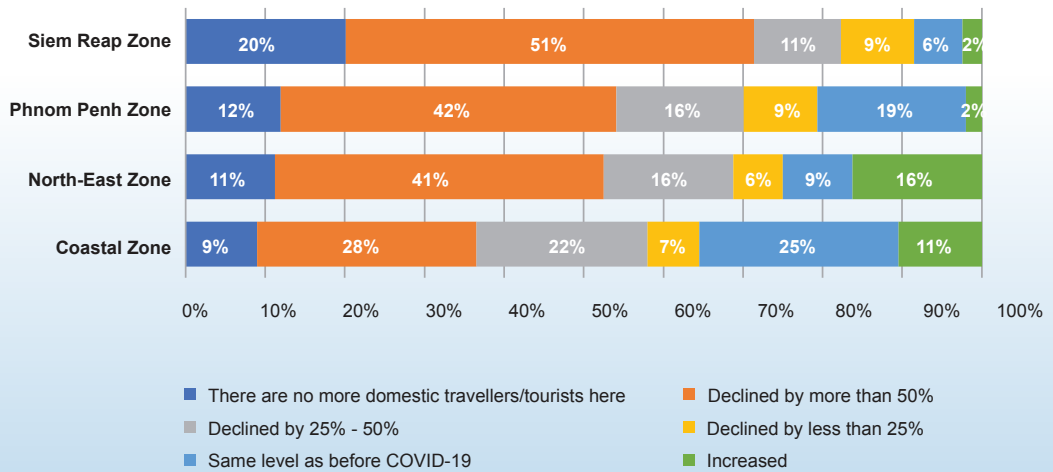
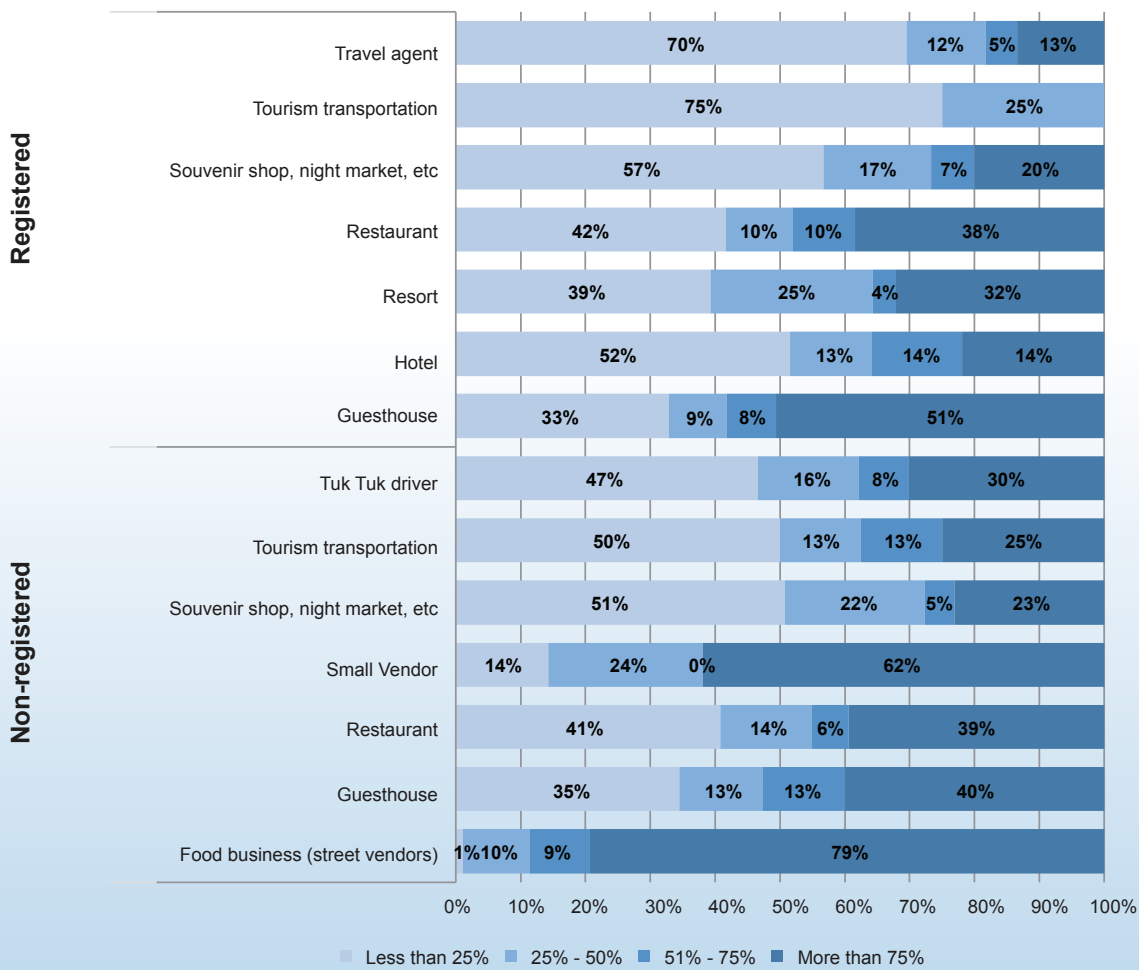


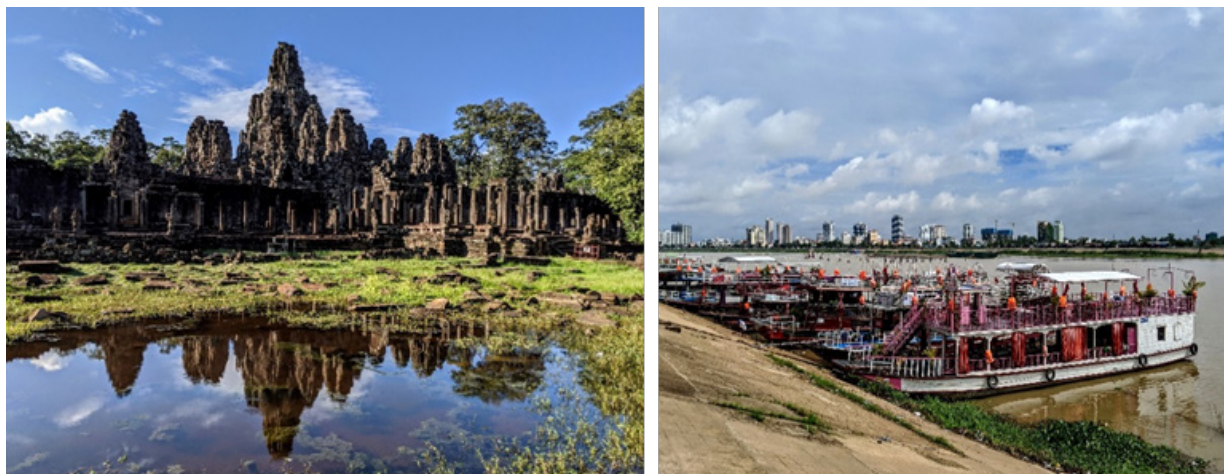
Figure 22: Reliance on domestic tourists



Box 1: The tourism sector in Siem Reap

Due to the small number of COVID-19 cases, and the relaxation of government restrictions, some tourism businesses have started to reopen, and there has been a slight increase in the number of local tourists, as well as a few international tourists who have been stranded in Cambodia. However, many of the reopened enterprises have gone for weeks with no income, and they only continue to operate because, for now, the owners have other sources of income to sustain their business. Regardless of whether they have little or no income, owners are optimistic about their situation and expect that they will have more customers in the near future. Most small businesses would prefer to close down rather than sustain their business by getting a loan. There are two main reasons for this: they are unable to repay the loan, and they are not eligible for a loan.

Figure 23: Images of Siem Reap and Phnom Penh

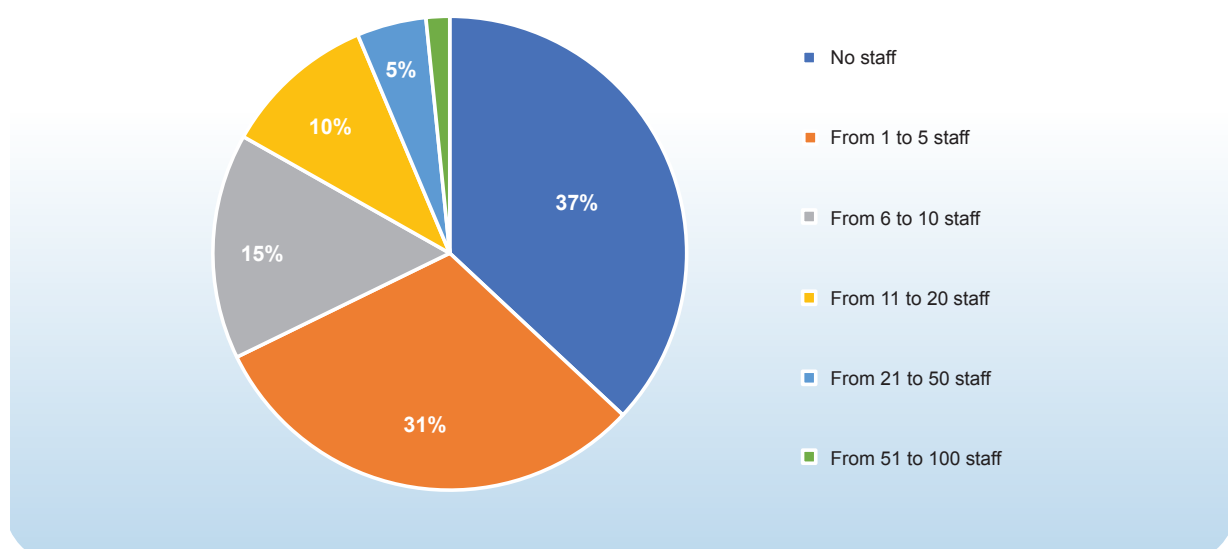


The photo on the left shows Bayon Temple in Siem Reap Province with almost no tourists. The photo on the right shows the empty tourist boats docking along the Chaktumuk River in front of the Royal Palace in Phnom Penh.

3.6. The New Poor and Vulnerable – MSMEs in the Tourism Sector

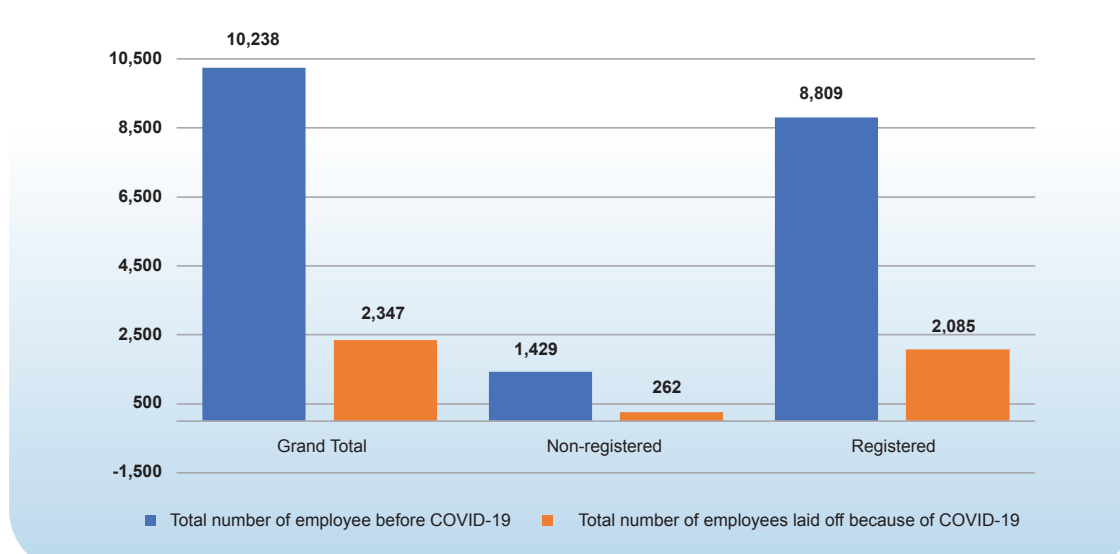
As Figure 24 shows, a large proportion of the businesses surveyed for this study (more than 65%) have few or no staff (1 to 5)—a key characteristic of MSMEs in Cambodia.

Figure 24: Number of staff employed by MSMEs



As Figure 25 shows, the 997 MSMEs surveyed for this study reported employing a total of 10,238 employees (on average, about 10 employees per business). Because of COVID-19, about 2,347 of these employees have been laid-off (including those who asked to leave), which is about 23% of the total. The proportion of laid-off employees is slightly lower for non-registered businesses.

Figure 25: Total number of employees, and the number of those laid off



As shown in Figures 26 and 27, about 52% of the employees are female, although the proportion is higher for food businesses. The proportion of staff laid off is also almost equal for male and female employees.

Figure 26: Gender of total employees

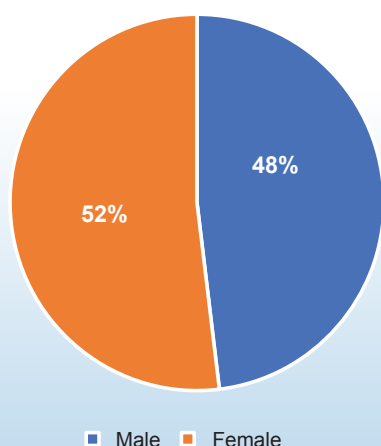
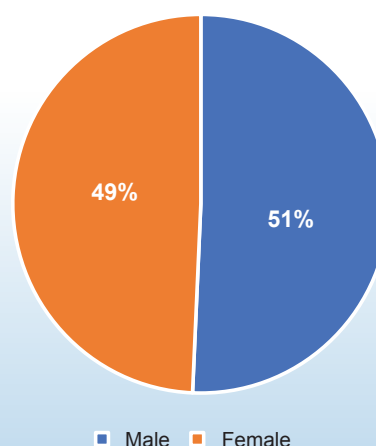


Figure 27: Gender of laid-off employees



3.7. Government Response

3.7.1. Types of Government Support/Interventions

The pandemic has resulted in a critical need for government support.¹⁸ The economic, social, and health consequences of COVID-19 have called for swift, measured, and well-informed policy responses to chart a course for recovery. In the short term, due to the small number of cases in Cambodia, addressing the economic consequences has been of the greatest importance. Worldwide, governments have responded with unprecedented levels of assistance for a multitude of stakeholders. To name a few, these government packages have included unemployment benefits, tax relief, healthcare investment, and social security programs.¹⁹

Table 5, below, shows seven types of support/intervention implemented by the Royal Government of Cambodia to help businesses cope with the consequences of the pandemic. As this survey was conducted in July 2020,

18. OECD (2020) <http://www.oecd.org/coronavirus/policy-responses/government-support-and-the-covid-19-pandemic-cb8ca170/>

19. For a full list of government policy responses, see: <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#A>

Table 5. Cambodian government support/interventions to help businesses cope with the impact of COVID-19

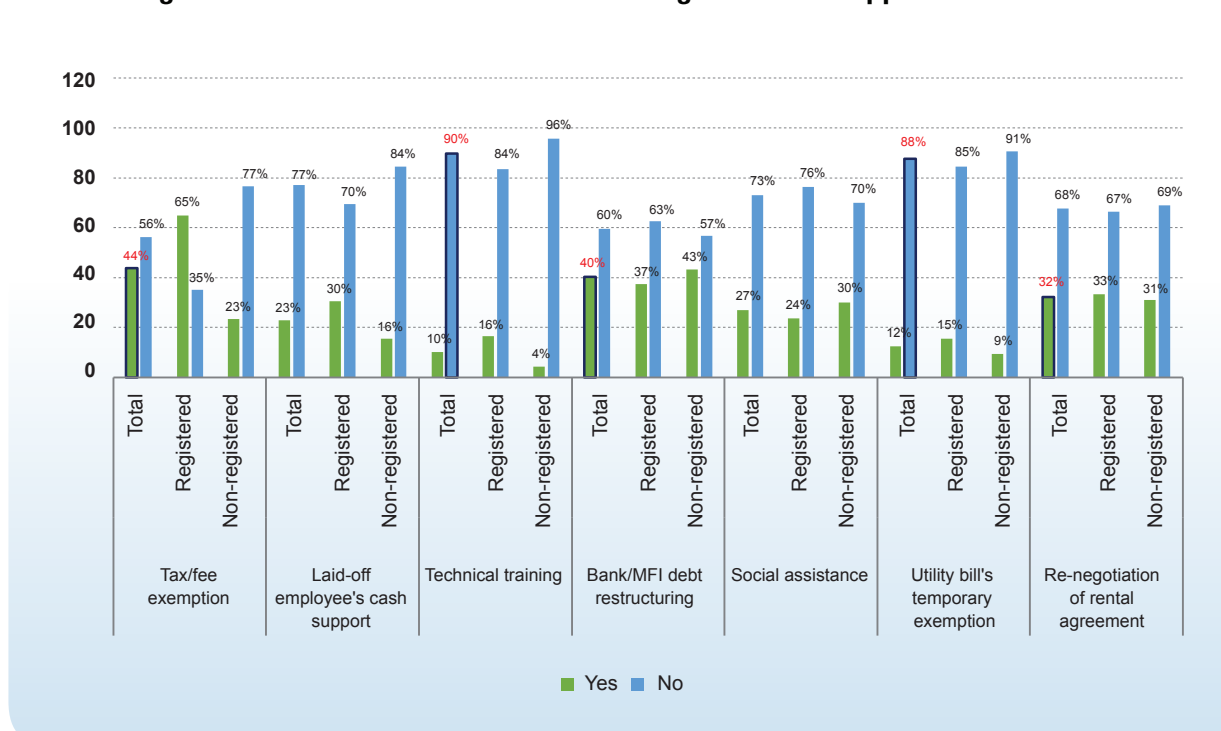
Government interventions	Type of assistance
Intervention 1	Tax and fee exemptions for businesses ²⁰
Intervention 2	Cash support for laid-off employees
Intervention 3	Technical training for employees
Intervention 4	Restructuring businesses' bank/MFI debt
Intervention 5	Social assistance
Intervention 6	Temporary exemption from utility bills
Intervention 7	Re-negotiation of landlord/tenant rental agreements

Table 5 does not include any additional programs introduced after July 31, 2020.

3.7.2. MSMEs' Perceptions of Government Support/Interventions

As shown in Figure 28, MSMEs were relatively aware of three government support interventions: exemption from tax and fees (44%); restructuring of bank and microfinance institution (MFI) loans (40%); and help in negotiating rental terms (32%). However, businesses were much less aware of support for employees' technical training (90% did not know), and few were aware of the temporary exemption from utility bills (88% did not know).

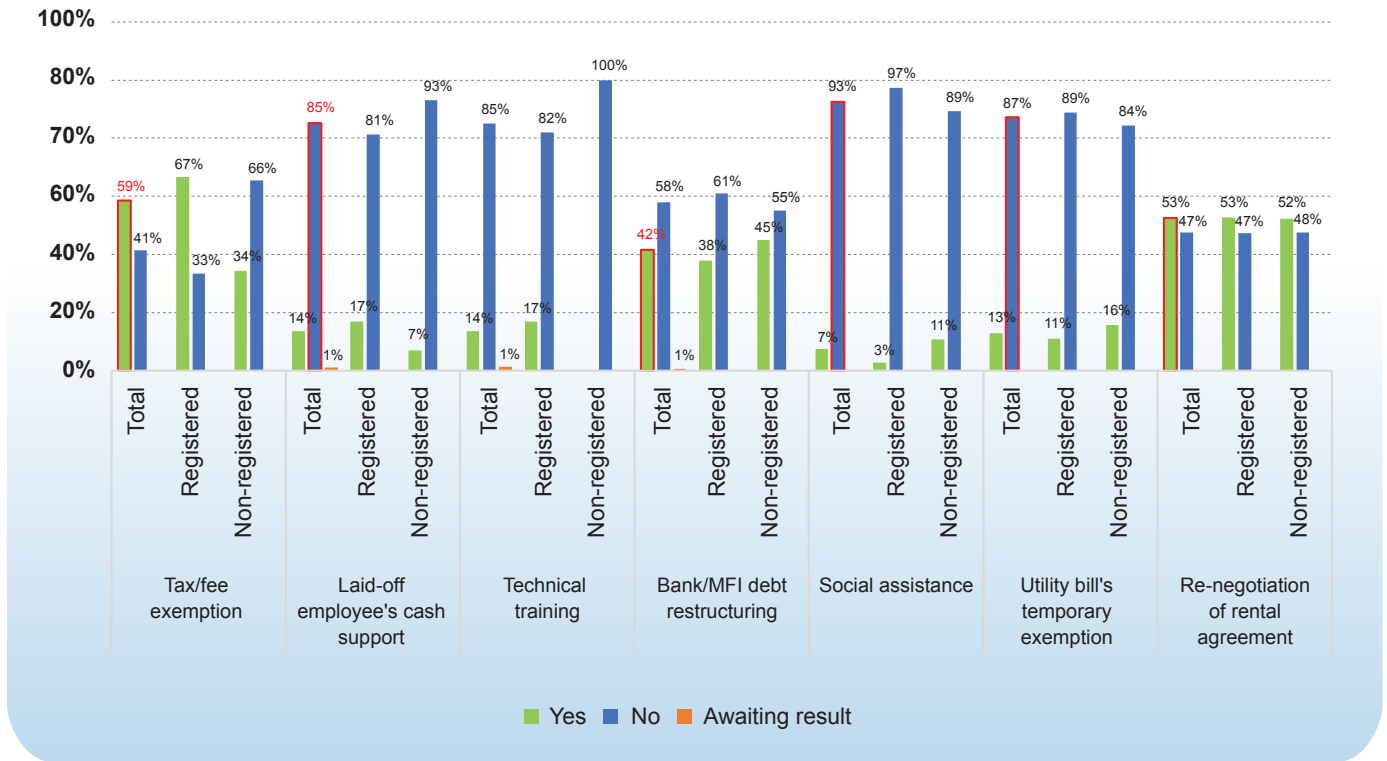
Figure 28: Extent of MSMEs' awareness of government support interventions



20. Tourism businesses have been exempted from paying their business license fee and all types of monthly tax.

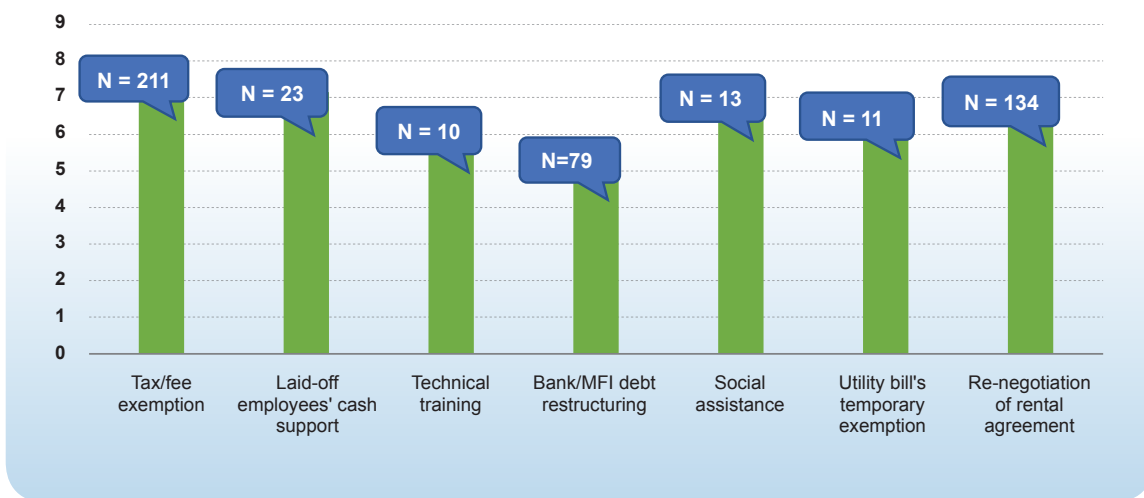
As shown in Figure 29, the three most used support interventions are tax and fee exemptions (59%), re-negotiation of rental agreements (53%), and restructuring of bank and MFI debt (42%). The three least-used interventions are social assistance (93%), temporary exemption from utility bills (87%), and technical training (85%).

Figure 29: Use of government support interventions



The level of MSMEs' satisfaction with government support interventions is quite high. Most of those who have received government support report having a more-than-average level of satisfaction (see Figure 30).

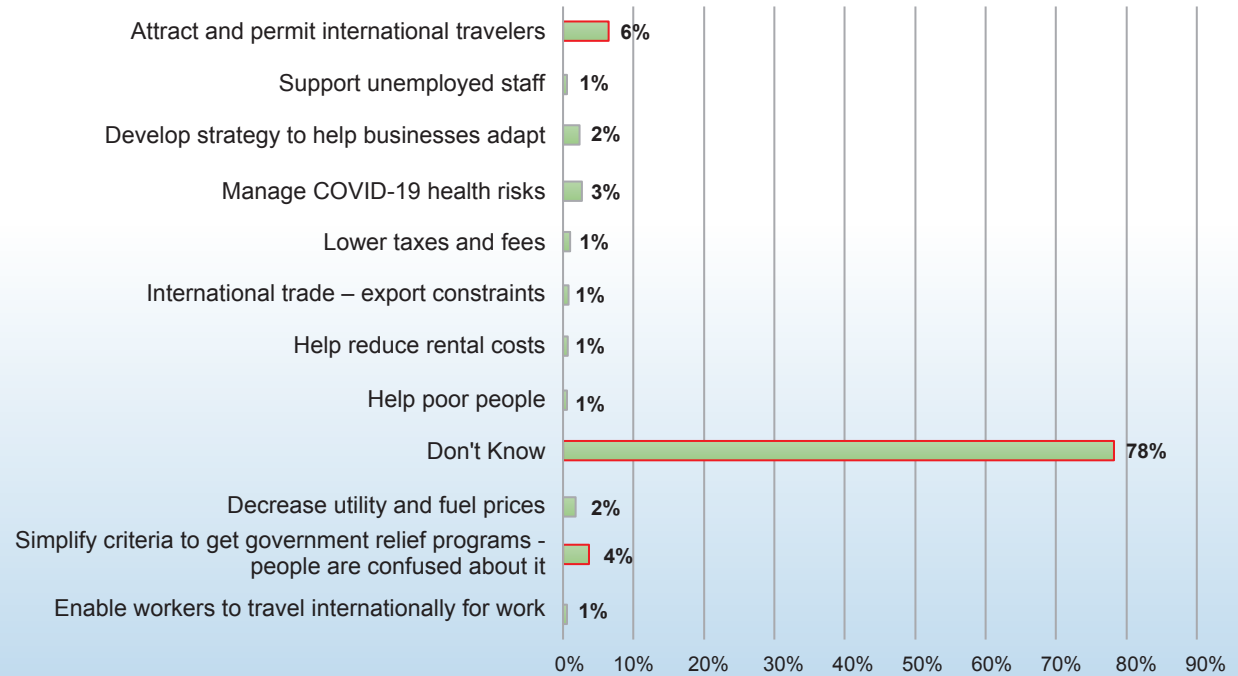
Figure 30: MSMEs' level of satisfaction with government support interventions



3.7.3. MSMEs' Suggestions for Government

As shown in Figure 31, in this first round of the survey, many MSMEs (78%) did not offer suggestions for government interventions. The few suggestions made include: manage COVID-19 health risks (3%), simplify criteria to get government relief programs (4%), and attract and permit international travelers (6%).

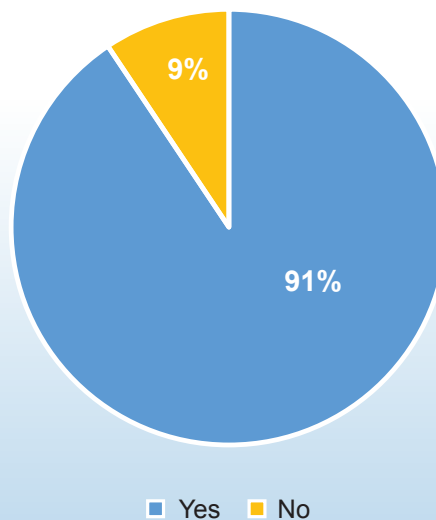
Figure 31: MSMEs' suggestions for government



3.7.4. MSMEs' Awareness of COVID-19 Safety Guidelines

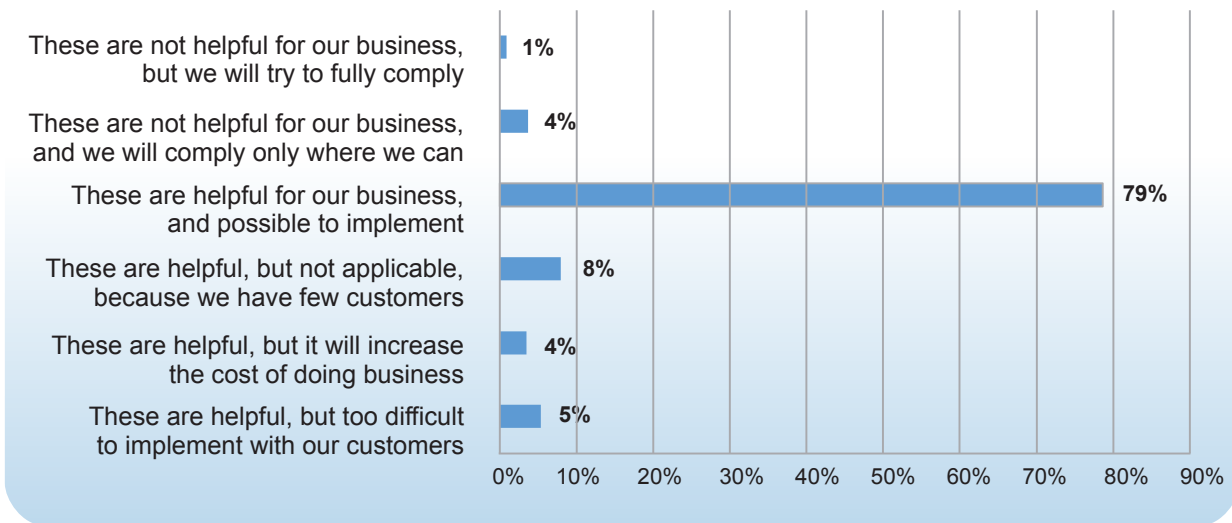
A relatively high percentage of MSMEs (91%) are aware of the COVID-19 safety protocols imposed by the government (see Figure 32).

Figure 32: Aware of government COVID-19 safety protocols



As shown in Figure 33, more than 70% of businesses think that the government’s safety protocols are useful and applicable to their working environment.

Figure 33: Perceptions of the government’s safety protocols



3.8. Adapting to the New Normal

As shown in Figure 34, only 12% of MSMEs have changed their business model in response to the pandemic. The two most-common techniques for adaptation, as shown in Figure 35, are: 1) reaching customers through online markets or social media (44%); and, 2) for 37% of businesses, implementing social distancing (e.g. working from home or providing home delivery services). Only 8% of businesses have been successful in bringing in more revenue than before COVID-19, whereas approximately 33% of businesses are now earning a lower income (see Figure 36).

Figure 34: Change of business model

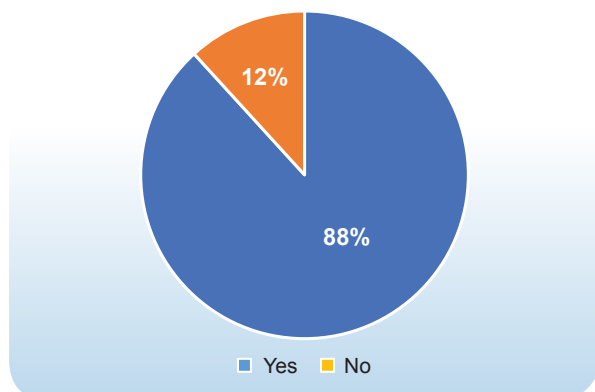


Figure 35: Strategies of adaptation

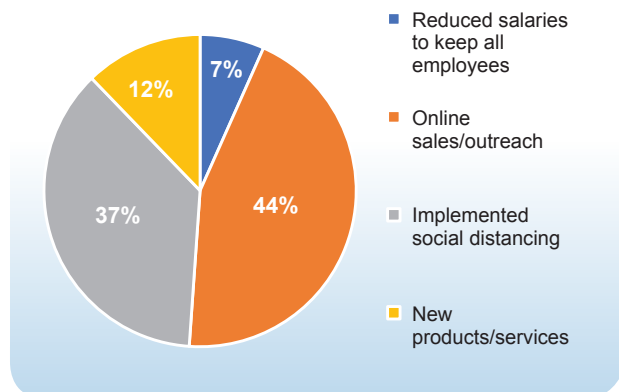
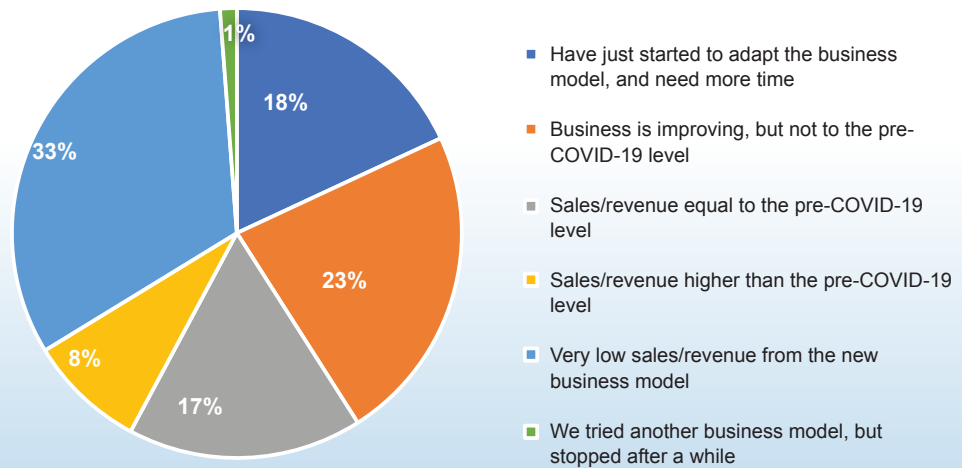


Figure 36: Level of success in adapting business model



Box 2. Develop Domestic Tourism

Cambodia's international tourist market has suffered greatly as a result of the COVID-19 pandemic, and one only has to walk along Siem Reap's famous "Pub Street" to witness the consequences. This previously bustling street, filled with color and sound, has been reduced to largely shuttered shop fronts, with very few tourists. With international travel suffering from travel bans and prohibitively high airline costs, it is clear that, currently, international tourism is not a key pillar of Cambodia's travel industry. As a consequence, the government needs to continue its support for the sector in the form of fee and tax breaks and financing workers' training. The former will help alleviate the cost burden of suffering businesses, while the latter will ensure that the sector's valuable skills are not lost. Of course, these are short-term types of support, based on the hope that the pandemic will end in the relatively near future, and international travel will recover. However, both in short term, as well as the long term, to ensure a sustainable travel sector, the industry as well as the government needs to put much greater emphasis on developing domestic tourism. With an emerging middle-class, the kingdom is in a good position to showcase its sandy beaches, dense forests, historic sites, and picturesque towns to the local population.

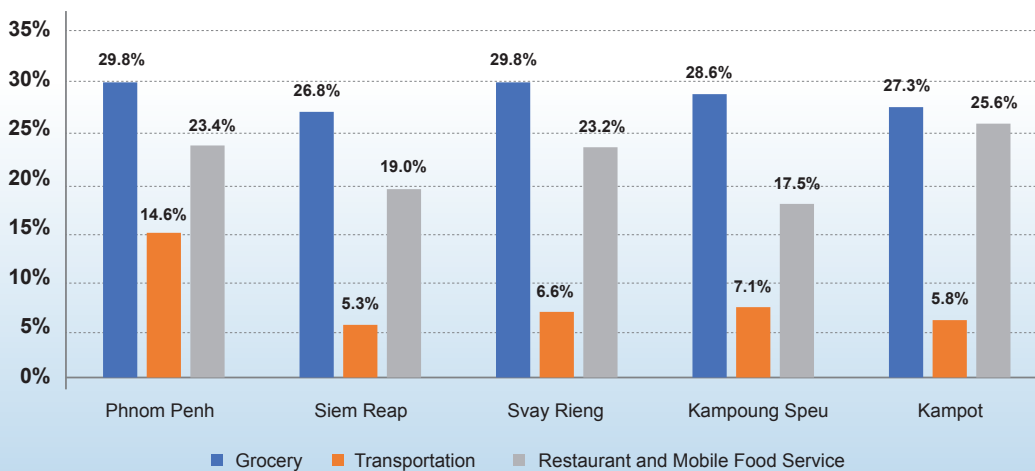
Section 4: Findings of the Survey on Households

4.1. Impact on Small Business

4.1.1. Proportion of Household Enterprises by Type and Zone

Figure 37 shows the percentage of households operating one of three types of businesses: selling groceries, providing transport, or running a restaurant/mobile food service. In each province, these were the most common household enterprises (HHEs). Each of the five zones in this study had a remarkably similar percentage of each type of enterprise, with the slight exception of Phnom Penh, which had more transportation enterprises (14.6%), compared to 7.1% in Kampong Speu, 6.6% in Svay Rieng, 5.8% in Kampot, and 5.3% in Siem Reap.

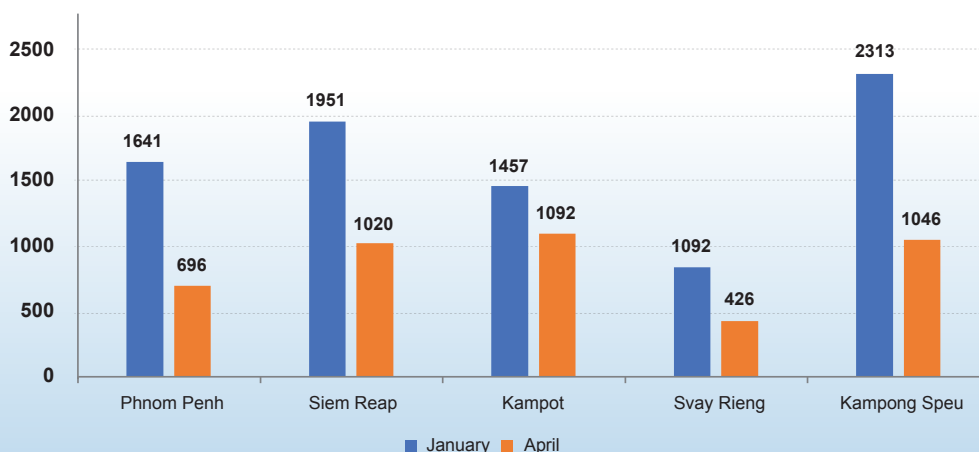
Figure 37: Top three types of household enterprises (HHEs)



4.1.2. Impacts on Household Enterprises (HHEs) by Zone

Figure 38 highlights the change in average HHE income in each of the five zones surveyed. Phnom Penh faced the largest average income reduction (about 58%),²¹ followed by Kampong Speu (about 55%), Svay Rieng (about 49%), Siem Reap (about 48%), and Kampot (about 25%).

Figure 38: Change in HHE income from January to April 2020 (in dollars)

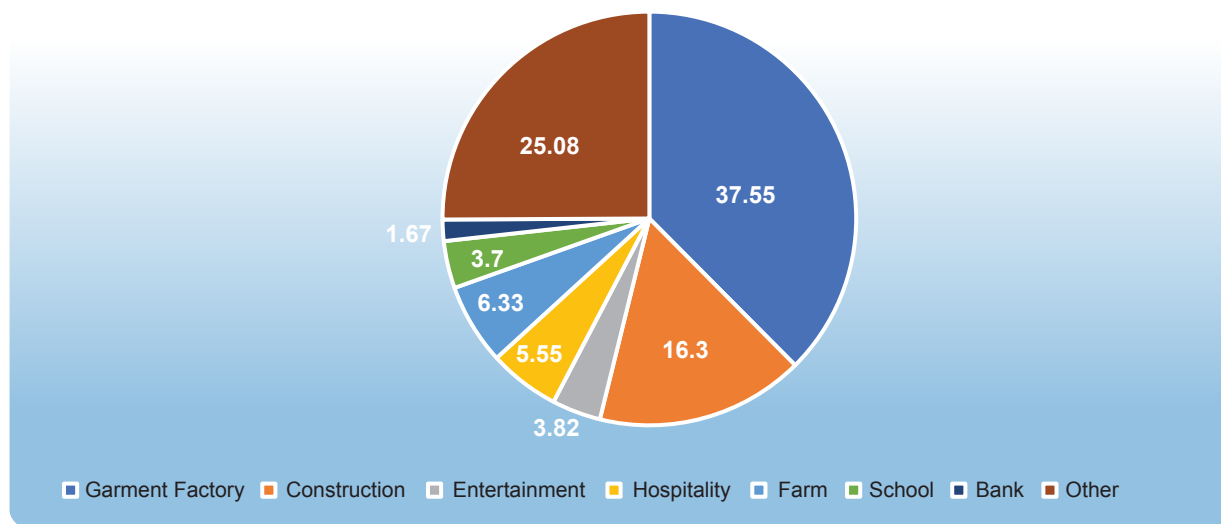


21. $[(1,641-696)/1,641] * 100 = 57.58\%$ rounded to 58%

4.2. The New Poor and Vulnerable – Households

Figure 39 presents the occupational breakdown of household respondents. In line with Cambodia’s key sectors, the top sectors listed by survey respondents were garments (37.55%), construction (16.3%), farming (6.33%), and hospitality (5.55%).

Figure 39: Occupations of respondents (%)²²



At an aggregate level, the average salary of wage workers declined from \$237.4 per month in January 2020 to \$167.2 per month in April 2020.

Figure 40 provides a breakdown of the change in income by income bracket. It is important to note that the percentage of workers who had no salary increased from 4% of sampled wage workers in January 2020, to 25% in April 2020. This can be partly explained by the loss of income in the higher income brackets, which can be attributed to business closures and layoffs. Immediately obvious is the increased concentration of respondents who reported no income for April (425), versus January 2020 (67).

Figure 40: Reported change in wage workers’ average income, January to April 2020 (dollars)

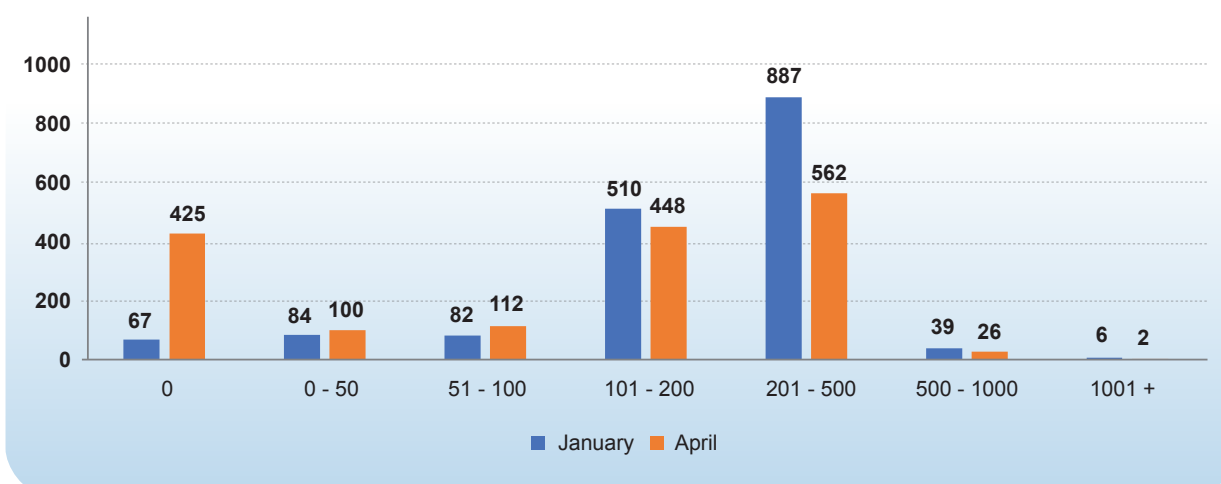
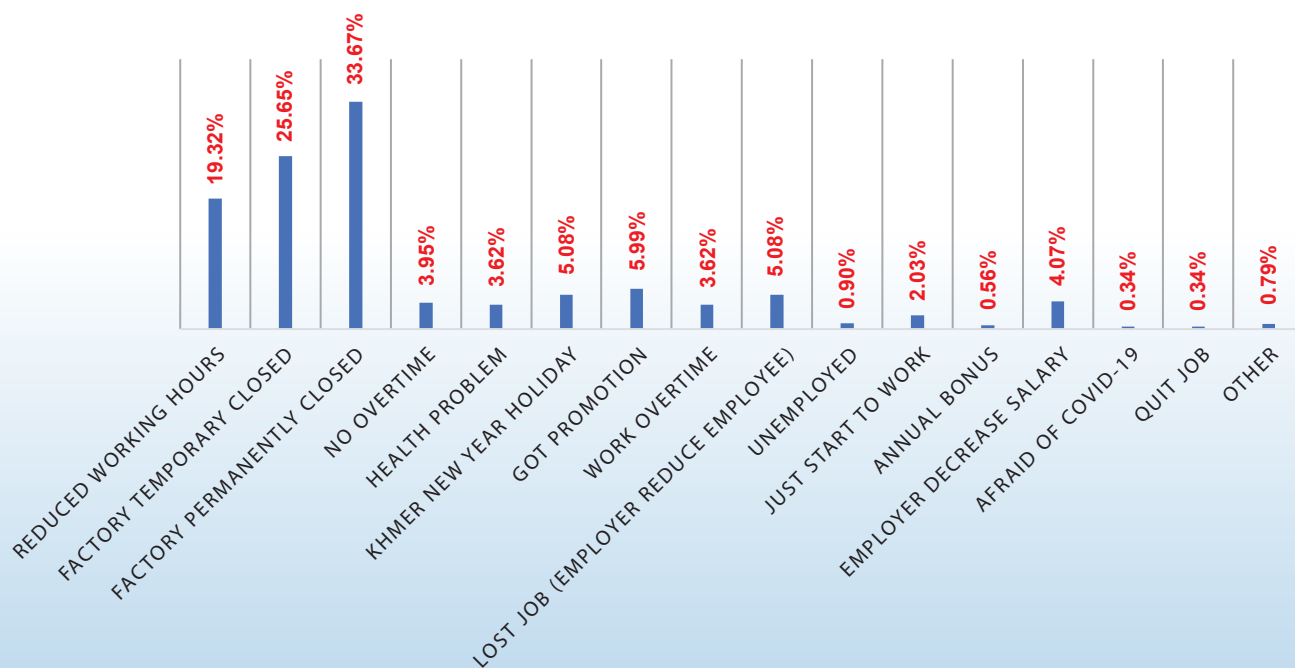


Figure 41 shows the reasons survey respondents gave for any income change. Primarily, respondents identified the temporary closure of a factory (33.67%), fewer working hours (25.65%), and the loss of overtime pay (19.32%) as the main reasons why their income had declined.

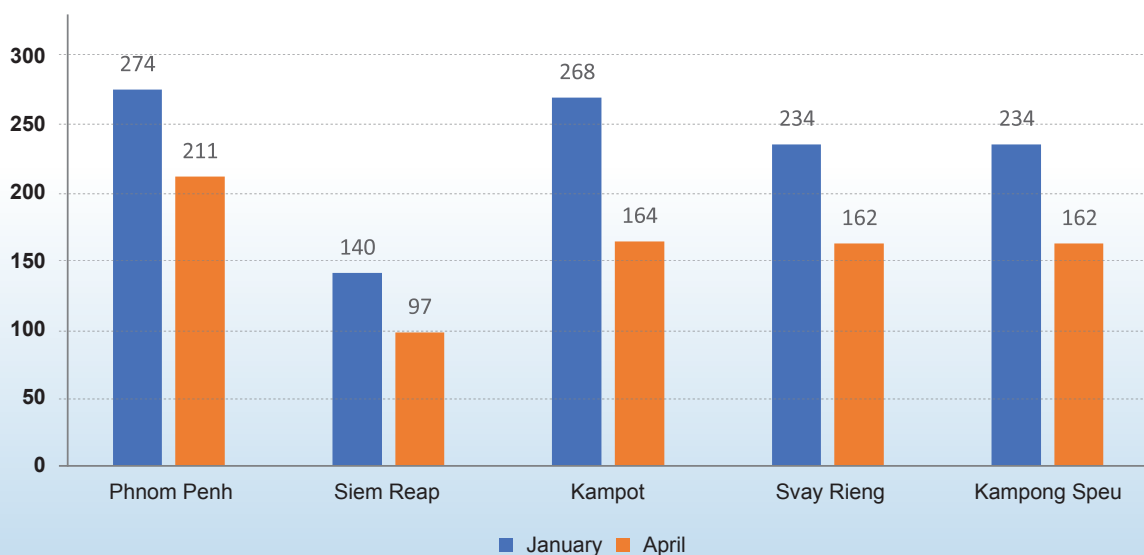
22. The category “Other” comprises the following reported occupations: migrant worker, mechanic, tailor, vendor, soldier/police officer, NGO worker, blacksmith, medical worker, driver, security guard, government worker, electrician, cleaner, handicraft producer/artist, goldsmith, childcare worker, and beauty salon worker.

Figure 41: Reasons for any income change



In addition to showing the reduction of income by income bracket, Figure 42 presents the average reduction of wage workers' income by zone. Kampot Province recorded the largest average income reduction at \$104, while the city of Phnom Penh reported a reduction of \$63. Curiously, the remaining three provinces (Siem Reap, Svay Rieng, and Kampong Speu) all recorded an equal income reduction of 31%.²³

Figure 42: Wage workers' salary reduction by region, January and April 2020 (in dollars)



23. Siem Reap – $[(140-97)/140] * 100 = 30.71\%$ – rounded to 31%; Svay Rieng – $[(234-162)/234] * 100 = 30.76\%$ – rounded to 31%; Kampong Speu – $[(234-162)/234] * 100 = 30.76\%$ – rounded to 31%

4.3. Unequal Impact

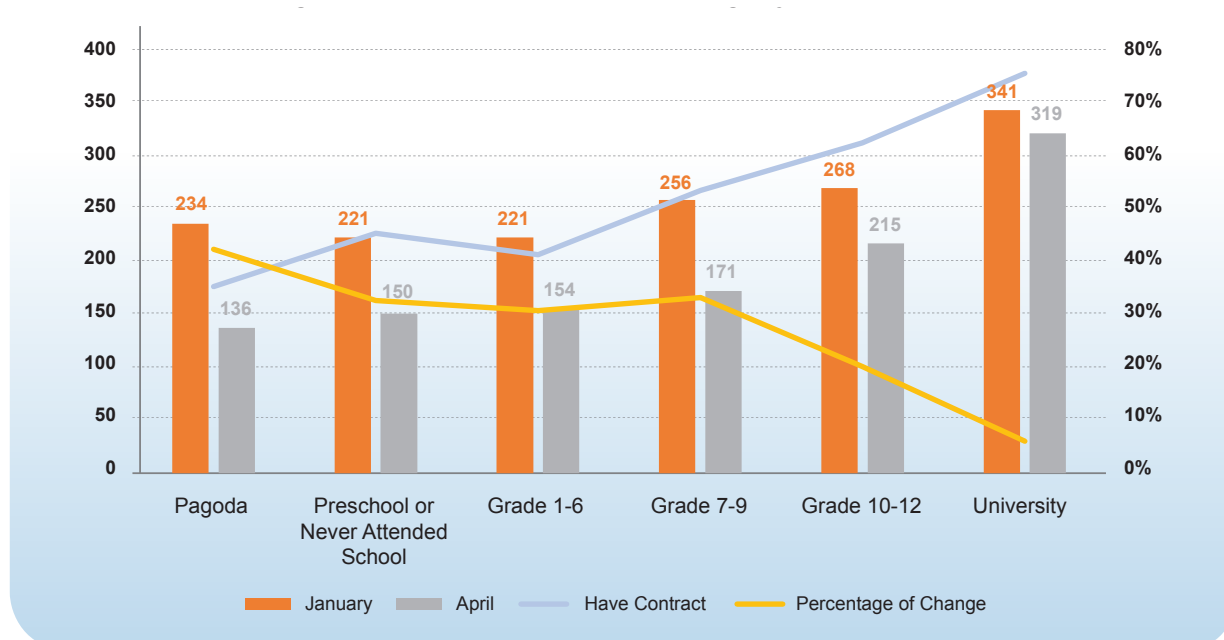
4.3.1. Impact on Individuals in Relation to their Level of Education

As the effects of COVID-19 continue to devastate countries across the world, a common reality has emerged—while the pandemic has brought suffering to people everywhere, its impact is not shared equally.²⁴ With this in mind, the importance of collecting reliable data cannot be overstated.

Figure 43 shows the average income effects of COVID-19, relative to level of education. Immediately apparent is the greater amount of income lost by those with lower levels of education. For those with a university degree, the loss of income was around 6.5%. In comparison, the income loss for those with a high school education was 20%; for those who completed primary school, the loss was 30%; and for those with no formal education at all, the income loss was 32%. Perhaps, most striking, is the 42% reduction in income reported by those who received a pagoda education.²⁵

Perhaps there is a positive correlation between higher levels of education and the likelihood of holding a formal contract. According to the household study's results, workers with a higher education level tend to work in formal jobs (one where a contract is issued). While the rate of formal enterprise employment is 75% for university graduates, it is only 42% for those with a pagoda education.

Figure 43: Comparison of income change by education level



4.3.2. Impact on Household Enterprises

Figure 44 compares the average income of household enterprises versus wage workers (both formal and informal). Household enterprises faced a greater loss of income, in comparison wage workers, as household enterprises' income dropped by about \$258 (56%),²⁶ between January and April 2020. In the case of wage workers, over the same period, the incomes of formal (contracted) workers dropped by \$69 (26%),²⁷ and informal (non-contracted) workers' incomes dropped by \$71 (34%).²⁸ When the incomes of formal wage workers and informal wage workers are compared, the informal workers lost an additional 8% of their income.

24. COVID-19 has brought suffering to people everywhere, but its impact is not shared equality. Medecins Sans Frontiers. (2020). <https://www.msf.org/covid-19-has-brought-suffering-all-impact-not-equal>

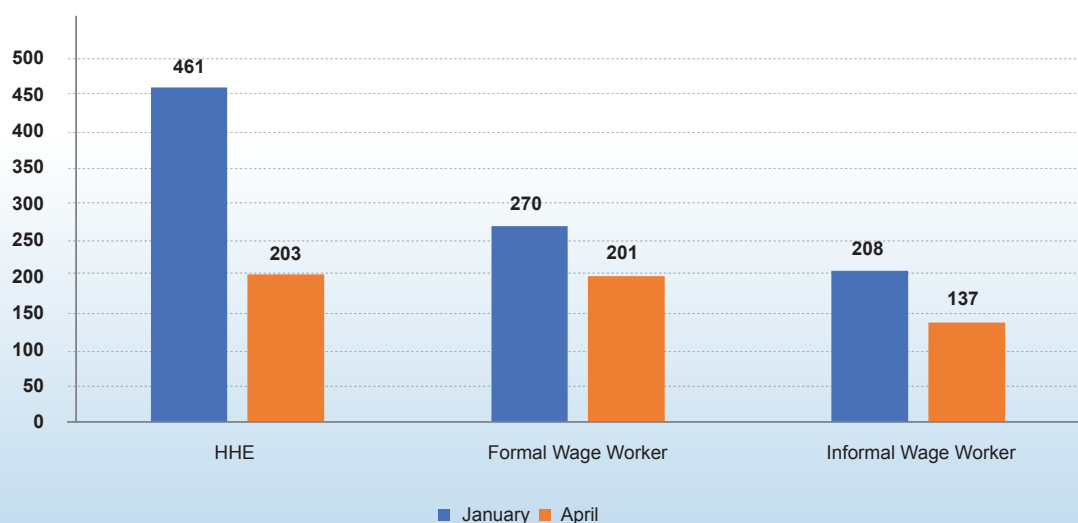
25. Informal education taught by monks in the pagoda.

26. Household enterprises – $[(461-203)/461] * 100 = 55.96\%$ – rounded to 56%

27. Formal workers – $[(270-201)/270] * 100 = 25.56\%$ – rounded to 26%

28. Informal workers – $[(208-137)/208] * 100 = 34.13\%$ – rounded to 34%

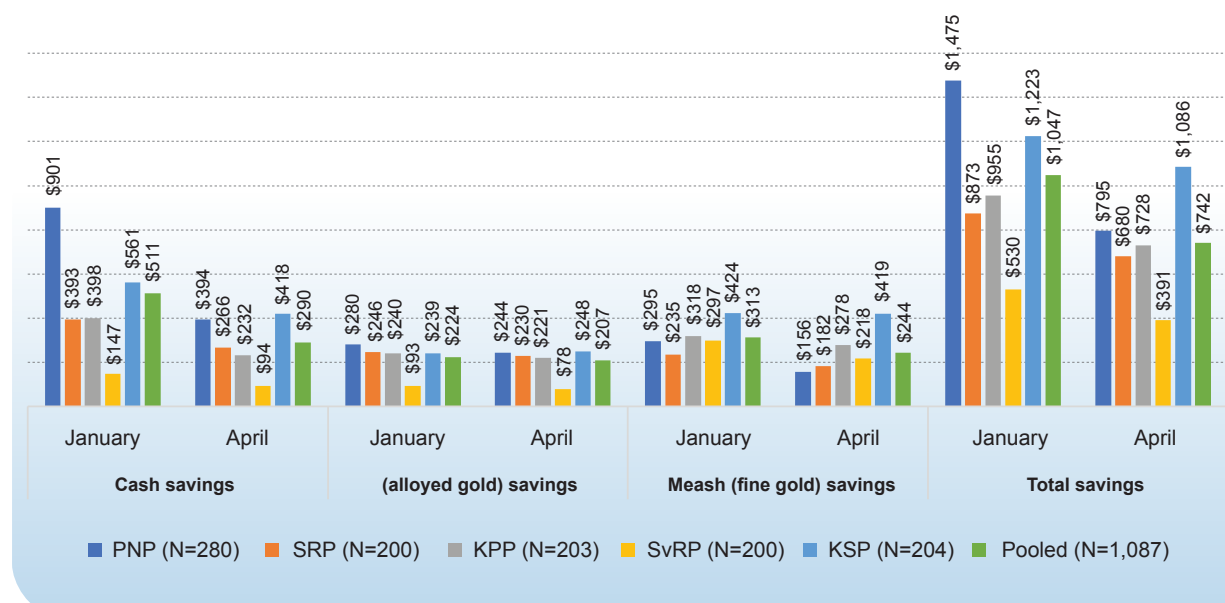
Figure 44: Comparison of income change between household enterprises, and formal and informal workers



4.3.3. Savings and Debt

The mean total for survey respondents' savings in January 2020 was \$1,047, comprised of \$511 in cash, \$224 in Platin (alloyed gold), and \$313 in Meash (pure gold). The mean total for savings in April 2020, however, was only \$742. This means that the amount of savings in cash, Platin, and Meash fell dramatically (by 43%,²⁹ 8%,³⁰ and 22%,³¹ respectively). However, as shown in figure 45, the mean total for savings fell by different amounts across the five geographic areas. In Phnom Penh total savings dropped the most (46%),³² while the total savings in Kampong Speu decreased the least (only 11%).³³

Figure 45: Amount of savings in dollars



29. Cash – $[(511-290)/511]*100 = 43.24\%$ – rounded to 43%
 30. Platin – $[(224-207)/224]*100 = 7.58\%$ – rounded to 8%
 31. Meash – $[(313-244)/313]*100 = 22.04\%$ – rounded to 22%
 32. Phnom Penh – $[(1,475-795)/1,475]*100 = 46.10\%$ – rounded to 46%
 33. Kampong Speu – $[(1,223-1,086)/1,223]*100 = 11.20\%$ – rounded to 11%

Information on household debt in January and in April 2020 reveals that, overall, the proportion of individual households who were in debt increased from 59% in January to 61.7% in April; however, the proportion of households who were in debt across this study's five geographic areas varied. Households in Kampong Speu had the highest proportion in debt in both January and April, and this was followed by Siem Reap. Conversely, households in Phnom Penh had the lowest proportion in debt in both months. The percentage of households taking out a new loan rose the most in Kampot Province, rising 4.9%, from 57.1% in January to 62.1% in April. Siem Reap Province had the second highest rise in new loans (4.5%), with Kampong Speu, Phnom Penh, and Svay Rieng ranked third, fourth, and fifth, respectively. Although fewer households in Phnom Penh took out a loan, the average amount was the highest (\$11,522), followed by Kampong Speu, Svay Rieng, Siem Reap, and Kampot, respectively (see Table 6).

Table 6. Proportion of households who were in debt in January and April 2020

Province	Jan		April		Amount
	Fr	Proportion	Fr	Proportion	
Phnom Penh (N=280)	133	47.50%	137	48.90%	\$11,521.92
Siem Reap (N=200)	132	66%	141	70.50%	\$5,383.27
Kampot (N=203)	116	57.10%	126	62.10%	\$4,397.93
Svay Rieng (N=200)	119	59.50%	121	60.50%	\$6,193.57
Kampong Speu (N=204)	141	69.10%	146	71.60%	\$8,975.92
Pooled (N=1087)	641	59%	671	61.70%	\$7,207.07

In April 2020, 116 households took out a new loan. The average amount was \$2,880. Siem Reap accounted for the highest number of new loans (46), followed by Kampot (29), Kampong Speu (21), Phnom Penh (15), and Svay Rieng (5), respectively. Although more households in Siem Reap took out new loans, households in Phnom Penh and Kampong Speu, respectively, took out the largest loans (see Table 7).

Table 7. New Loans in April 2020

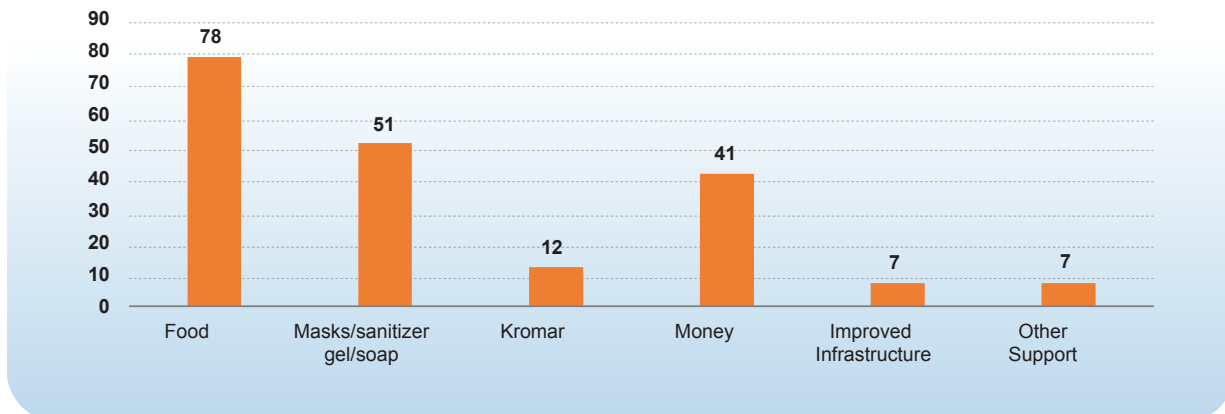
Areas	Fr	Amount
Phnom Penh (N=137)	15	\$634.7
Siem Reap (N=141)	46	\$1,706
Kampot (N=126)	29	\$2,549.3
Svay Rieng (N=121)	5	\$2,445
Kampong Speu (N=146)	21	\$4,088
Pooled (N=671)	116	\$2,880.8

4.4. Government Responses

4.10.1. Government Support

As shown in Figure 46, the primary forms of government support provided at the community level have been food, protective materials (masks/sanitizer gel/soap), money, and infrastructure improvements. According to the 54 village chiefs surveyed for this study, between January and April 2020, 76% of respondents had received some of this government support: food (78%), masks/sanitizer gel/soap (51%), money (41%), a Kromar³⁴ (12%), improved infrastructure (7%), and other support (7%).

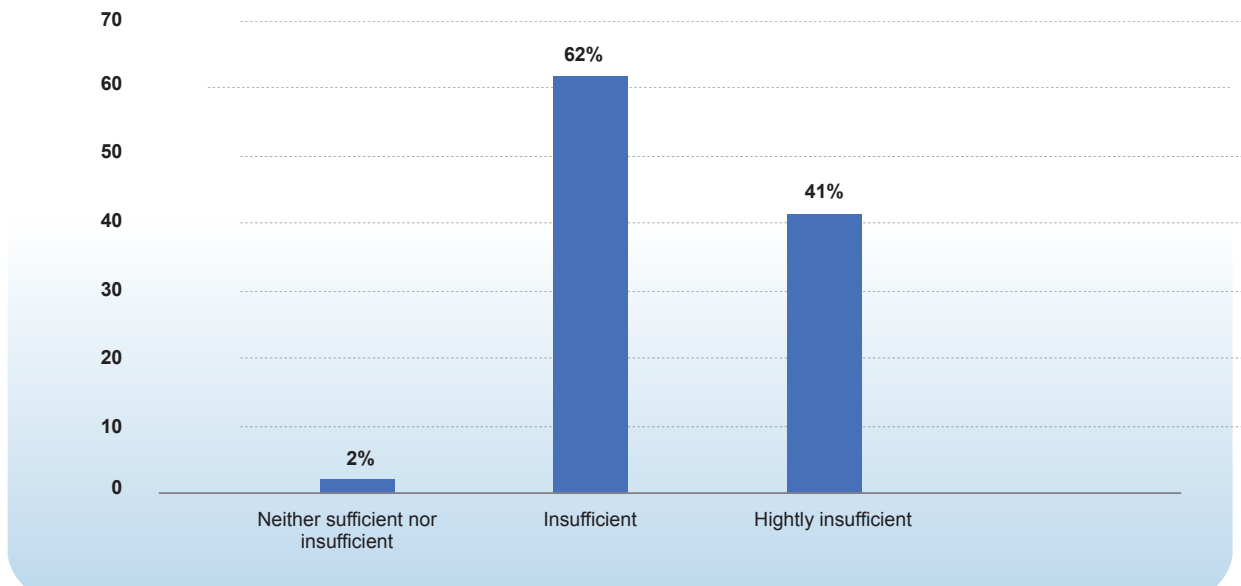
Figure 46: Forms of government support provided to communities (%)



4.10.2. Communities' Perceptions of Government Support

In addition to considering the support that communities received, it is also important to examine the extent to which the support was suitable. When asked whether the government's support was sufficient, 62% of the village chiefs said that the support was insufficient, 41% of village chiefs said that the support was highly insufficient, while 2% said that it was neither sufficient nor insufficient (see Figure 47).

Figure 47: Village chiefs' perceptions of government support



34. A kromar is a Cambodian checked cotton scarf, large enough to cover the head and shoulders.

Section 5: Conclusions

In conclusion, the two studies summarized in this report show that the COVID-19 pandemic has severely impacted businesses in Cambodia's tourism sector as well as Cambodian households. The summary below lists the key findings from the first of three rounds of data collection for each study.

The Survey on MSMEs in the Tourism Sector

- The pandemic has impacted both registered and non-registered business;
- The registered businesses were more negatively impacted than the non-registered ones;
- The pandemic has impacted businesses in the Siem Reap Zone the most because this area relies heavily on tourists. With the government's restrictions, not only has there been a large reduction in international tourists, but domestic tourists have declined as well;
- With the pandemic still continuing, business owners had mixed perceptions about their future prospects, but, overall, there was a high level of uncertainty;
- To minimize the impact of COVID-19, the Royal Government of Cambodia has provided support and other interventions for both businesses and individuals; and
- Business owners had a high level of awareness about government programs and interventions. However, the number of businesses and laid-off employees who received the support was comparatively low.

The Survey on Households

- All forms of household economic activity have been negatively affected by COVID-19;
- The impacts on wage workers' incomes have been severe due to the temporary closure of factories, a reduction in workers' hours, and the loss of their overtime pay;
- There are worrying signs of rising household debt and new loans;
- Formal and informal workers are disproportionately affected by the pandemic—informal workers are more affected than formal workers—as well as those with a low level of education;
- Between January and April 2020, villagers began receiving support from the government in the form of food, masks/sanitizer gel/soap, cash, a kromar, infrastructure improvements, and other support; and
- When asked how sufficient or insufficient support from government has been, 62% of the 54 village chiefs surveyed said that the support received was insufficient; 41% said that the support was highly insufficient.

Section 6: Initial Policy Recommendations

COVID-19 has severely disrupted economic activities around the globe. Although the number of new cases has decreased in many countries, the economic impact will last. The following initial policy recommendations are proposed.

MSMEs in the Tourism Sector

- **Switch the focus from attracting international tourists to domestic tourists:** The survey findings show that the tourism sector has been severely affected because businesses have relied heavily on international tourists. However, with travel restrictions abroad, and the fear of infection discouraging international travelers, tourism businesses should now focus much more on attracting and serving domestic tourists.
- **Expand government interventions to cover businesses in the informal sector:** COVID-19 has affected both registered and non-registered businesses. So far, however, government interventions have supported registered businesses, and have provided little support to non-registered ones. This is despite the fact that the latter have also been severely impacted by the pandemic. Thus, the RGC should consider providing support for businesses in the informal sector.
- **Expand the coverage of government interventions and monitor their effectiveness and efficiency:** Survey findings show that the RGC was on the right track in implementing policy interventions. Businesses were well-informed about the interventions, and they appreciated the support. However, the government should measure the effectiveness and efficiency of its interventions.
- **Invest in local infrastructure to attract more domestic tourists:** The government should invest more in building local infrastructure, such as rural roads, in order to allow better access to, and sustainable management of historic and ecotourism sites. In addition, the government should pay more attention to promoting tourism as part of local development.

Survey on Households

- **Wage Workers:** In line with the findings of the first round of this study's data collection, the government should continue its support to workers who have lost their jobs.
- **The New Poor:** The data show that COVID-19 is pushing hundreds of thousands of people back into poverty. So far, the government's response to this has been positive as it has expanded the ID Poor cash transfer program—something that must continue in order to support the country's most vulnerable people.



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