



Policy Brief

Cambodia's Journey to LDC Graduation: The Roles of NEA, TVET and NSSF

Issue date: 06.02.2025

Key messages:

Cambodia is set to graduate from the Least Developed Country (LDC) category in 2029, marking a significant achievement in its socio-economic development.

This transition brings both opportunities and challenges, requiring strategic planning and execution to ensure a smooth and sustainable graduation process.

The NEA, TVET, and NSSF are crucial in supporting Cambodia's smooth transition by contributing to human capital development, economic diversification, and social protection.

Priority policy should consider these aspects such as:

- ✓ Regular monitor and evaluated of TVET curriculum
- ✓ Labour market information (LMI) is crucial and must be regularly updated to ensure it aligns with market demand
- ✓ Digitalize the NSSF system to increase participation and reduce disparities in access to social security benefits

Cambodia's LDC Graduation: An Overview

Cambodia is on the cusp of a significant milestone: graduating from the United Nations' Least Developed Country (LDC) category in 2029. This achievement reflects years of sustained socio-economic progress and signals Cambodia's increasing integration into the global economy. However, this transition also presents new challenges as the country adapts to a changing global landscape. Cambodia was first included in the list of LDCs in 1991. Since then, the country has made remarkable strides in its socio-economic development. Cambodia met the LDC graduation criteria for the first time in 2021 and has continued to exceed these thresholds in subsequent evaluations.

Criteria	2024 Triennial review	
	Threshold	Cambodia's score
GNI /capita	>= \$1,306	\$1,590
HAI	>= 66	77.8
EVI	<= 32	24.1

Cambodia has not only met the criteria for graduation but also aspires to become an upper-middle-income country by 2030 and a high-income country by 2050. The UN General Assembly officially confirmed Cambodia's graduation in December 2024, granting the country an exceptional extended preparatory period of five years until 2029. This extended timeframe will be crucial for addressing potential challenges and ensuring a smooth transition.

Pros and Cons of Cambodia's LDC Graduation

Cambodia's graduation from Least Developed Country (LDC) status presents a significant opportunity to diversify its export base and reduce over-reliance on traditional markets like the United States (37.7%), ASEAN (20.5%) and Europe (15.5%).

Currently, a considerable portion of Cambodia's exports are concentrated in these regions, leaving the economy vulnerable to potential shifts in global demand or trade policies. This transition also drives enhanced competitiveness, potentially resulting in increased productivity and economic growth. The country's strengths, including political stability and a young workforce, can attract investment. Moreover, graduation offers opportunities for green trade in the garment and agricultural sectors.

On the other hand, loss of trade preferences will increase export tariffs (e.g. EBA, GSP), increase the production cost, and lead to goods being more competitive. Stricter rules of origin, requiring more than 50% local content in exports, pose a challenge for Cambodia's industries, which traditionally rely on imported inputs. Reduced development cooperation means less access to grants and concessional loans. This, combined with the potential for job losses and

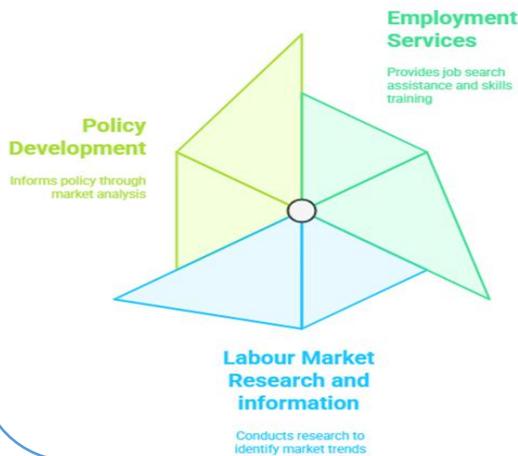
increased poverty highlights the economic vulnerabilities that graduation may exacerbate.

For a smooth transition, Cambodia must consider the following points:

- ✓ Intellectual property and the value of manufactured goods
- ✓ The impact of technological advancements, particularly automation in production processes within sectors like textiles, garments, footwear, and travel goods, on the employment of low-skilled workers, especially women who constitute more than half of the workforce in these industries
- ✓ Maintaining a position in global value chains, productive capacity and adaptability

And the specific institutions like NEA, TVET and NSSF each play a crucial role in facilitating this smooth transition.

The Role of the National Employment Agency



NEA key challenges in effectively connecting job seekers with employers. Limited resources, including funding, infrastructure, and personnel, restrict their capacity to implement programs and gather crucial labor market information. Significant education and skills mismatches exist between job seekers and employer needs, especially as trade patterns and the economy evolve. Geographic barriers prevent rural job seekers from accessing opportunities in urban areas. Furthermore, limited private sector involvement and sharing information hinders the alignment of skills training with actual industry demands. Lastly, gaps in labour market information and data gaps make it difficult to provide accurate information to both job seekers and employers.

The Role of Technical and Vocational Education and Training



Cambodia's TVET sector faces numerous challenges hindering its ability to prepare students for the modern workforce effectively. These include a lack of teacher training on new technologies, outdated training standards misaligned with industry needs, and low enrollment in TVET institutions. Further issues include insufficient private sector support, limited collaboration and resource sharing, and a shortage of skilled professionals in research and innovation. Finally, poor implementation of digital technology and weak governance systems hamper efficient management and hinder progress.

The Role of the National Social Security Fund

“NSSF as Labour Market Institution”

H.E. Khun Channarith, deputy director of NSSF

With 88% of enterprises and workers operating outside the formal system, the majority lack access to crucial social protections like pensions, healthcare, and unemployment benefits. This informality perpetuates low wages, job insecurity, and economic vulnerability. Furthermore, existing social security schemes need further improvement its efficiency and effectiveness. Low awareness and trust in the system among both workers and employers further exacerbate the problem, discouraging participation and hindering the expansion of social security coverage.



Policy Recommendations

- ✓ **Institutional reform involves strengthening the governance system and the management of technical and vocational education and training (TVET) institutions.** This includes aligning the TVET system with labour market demands by directing resources to priority areas and phasing out outdated training programs.
- ✓ **Skill training expansion and upskilling programs** by enhancing skills training, reskilling initiatives, and skill recognition testing programs to promote research, innovation, and practical techniques.
- ✓ **Establishing funding programs for students to encourage acquiring technical and vocational skills.** This will enhance access to skill development opportunities, thereby mitigating unemployment rates and fostering a highly skilled workforce capable of thriving in a competitive regional market.
- ✓ **Enhance digital and geographic inclusivity by optimizing PES digital platforms for greater accessibility in rural and underserved areas.** Simultaneously, design programs specifically tailored to address the unique economic needs of local communities, especially those in remote regions.
- ✓ **Strengthen public private partnership collaboration** to ensure training programs meet industry standards and foster job creation. And expand employer incentives for workforce upskilling and apprenticeships.
- ✓ **Enhance governance and social dialogue by strengthening collaboration among government, industry, and training institutions** to create a more responsive and agile skills system.
- ✓ **Develop robust labour market information (LMI) systems** that provide data-driven insights into labour market dynamics, enabling informed decision-making and efficient allocation of training resources.
- ✓ **Develop targeted programs to support develop policy targeting vulnerable groups** including women and rural populations, in transitioning to higher-quality jobs.
- ✓ **Universal health coverage ensures that everyone, regardless of their socioeconomic status or location, has access to quality healthcare.** Regular monitoring and evaluation of social security schemes are essential to guarantee that everyone can benefit from these programs. This approach helps to reduce health disparities and fosters social equity.