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NAVIGATING UNCERTAINTY:
How Cambodia Can Hedge Against Post-LDC Vulnerabilities

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Table of Contents

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Executive Summary

- Cambodia's upcoming graduation from Least Developed Country (LDC) status in 2029 presents significant opportunities for socio-economic advancement but also introduces critical risks, including the loss of preferential trade agreements, stricter trade rules, reduced Official Development Assistance (ODA), and compliance with TRIPS obligations, potentially increasing medicine prices and impacting public health.

- To mitigate these challenges, Cambodia must prioritize economic diversification by advancing into higher-value sectors such as agro-processing, electronics, automotive manufacturing, renewable energy, and a broader tourism portfolio. Achieving this will require targeted investments in infrastructure, lowering electricity costs, enhancing workforce skills, and improving productivity through comprehensive educational reform and the development of a robust innovative ecosystem.

- Addressing persistent governance and institutional weaknesses, including weak policy coordination, institutional silos, limited decentralization, and a loyalty-based governance culture which undermines public administration efficiency, policy coherence, and the ability to deliver inclusive, high-quality public services. Strengthening good governance, enhancing transparency and accountability, and advancing digitalization and public administration reforms are essential to create a business-ready environment, attract foreign investment, and effectively manage post-LDC transitions.

- Innovative financing mechanisms, particularly public private partnerships (PPPs), blended finance, debt for-education swaps, and social impact bonds, must be adopted to sustain critical investments in healthcare, education, and infrastructure. Additionally, strengthening social security frameworks and regulatory capacities is vital to ensure ongoing affordability of healthcare, protect vulnerable populations, and support long-term sustainable development post-LDC graduation.

Introduction:

Cambodia's graduation from the Least Developed Country (LDC) category, confirmed by the United Nations General Assembly to take effect on December 19, 2029, represents a significant milestone, marking sustained advancements in the country's socio-economic development (United Nations Department of Economic and Social Affairs, 2024). This graduation initiates a crucial five-year preparatory period during which Cambodia must design and implement a comprehensive Smooth Transition Strategy (STS) to secure its development gains and navigate emerging challenges.

The classification of a country as an LDC by the United Nations Economic and Social Council (ECOSOC) is distinct from the World Bank's assessment of Middle-Income status, though these classifications are often mistakenly conflated. Graduation is determined by three core indicators Gross National Income (GNI) per capita, the Human Assets Index (HAI), and the Economic Vulnerability Index (EVI)-and requires a country to surpass at least two of these thresholds in two consecutive triennial reviews. Cambodia has successfully met this requirement, reflecting its significant progress across key development benchmarks (United Nations Department of Economic and Social Affairs, n.d.).

While this achievement highlights Cambodia's developmental successes, it also presents serious challenges. One major concern is the gradual loss of preferential trade arrangements, such as the European Union's Everything But Arms (EBA) initiative and the Generalized System of Preferences (GSP) offered by countries like Canada, Japan, and Australia. To preserve competitiveness in international markets, intensified diplomatic efforts will be essential. Cambodia has already taken some proactive steps, such as negotiating an extension of the United Kingdom's Developing Countries Trade Scheme (DCTS) preferences until 2032 (Chhen, 2025), but further diplomatic engagement remains critical.

Another significant challenge lies in the stricter rules of origin that come with graduation, raising the required domestic value-added share from 30 percent to 60 percent (United Nations Development Programme, 2024). This shift poses substantial difficulties for Cambodia's garment sector, which depends heavily on imported materials such as fabrics (Firn, 2021). Furthermore, compliance with the European Union's double transformation rule will require comprehensive supply chain upgrades and capacity building across the production process, from raw materials to finished products.

Cambodia will also face reductions in Official Development Assistance (ODA) and diminished access to concessional financing, raising the risk of fiscal pressure and economic instability during the transition period. In addition, full compliance with the

Trade Related Aspects of Intellectual Property Rights (TRIPS) could increase pharmaceutical costs, putting public health systems under strain if not properly managed.

Furthermore, Cambodia must also confront its governance and institutional weaknesses-persistent challenges such as weak policy coordination, bureaucratic inefficiencies, limited decentralization, and a loyalty-based governance culture (World Bank, 2024). Without targeted reforms, these bottlenecks risk undermining Cambodia's ability to create a business-ready environment, attract investment, and operate an efficient, adaptive public administration capable of navigating post-LDC uncertainties.

In light of these multifaceted challenges, the Royal Government of Cambodia (RGC) must develop comprehensive, forward-looking strategies to sustain robust economic growth while ensuring a smooth and balanced transition. This policy paper critically analyzes the implications of Cambodia's LDC graduation, highlighting both the opportunities and the risks, and offers actionable recommendations to help the country mitigate vulnerabilities and chart a successful path forward.

Potential Economic Headwinds

The Risks of an Export-Oriented Economy

Since transitioning to a liberalized and open economy in 1993 and further consolidating this stance with its accession to the World Trade Organization (WTO) in 2003 (although Cambodia became an official member of WTO by 2004), Cambodia has strategically positioned itself as an export-oriented economy, heavily dependent on key markets including the United States, European Union (EU), China, Japan, Canada, and the United Kingdom. The nation's primary exports-electrical equipment, bicycles, garments, footwear, and travel goods-have significantly benefited from preferential trade agreements such as the EU's "Everything But Arms" (EBA) initiative, the United States' Generalized System of Preferences (GSP) scheme (which lapsed in 2021), and similar programs offered by Canada and the UK, aimed at boosting trade and market access (United Nations Development Programme Cambodia 2024).

However, this concentrated dependence on a limited range of export commodities and markets exposes Cambodia to considerable vulnerabilities, particularly economic shocks triggered by the potential withdrawal of preferential trade arrangements. For instance, losing EBA privileges from the EU or GSP status from Canada would force Cambodia to revert to standard Most-Favored Nation (MFN) tariffs. Under such a scenario, average tariffs on Cambodian exports to the EU would rise significantly-from 0 percent to 8.8 percent under the standard GSP, or even higher at 11.5 percent under MFN treatment. These increased tariffs would create trade barriers, making Cambodian exports less competitive in international markets. A study by the United Nations Development

Programme (UNDP), utilizing the Global Trade Analysis Project (GTAP) model, forecasts that such trade disruptions could reduce Cambodia's aggregate exports of goods and services by approximately 2.4 percent, equivalent to about USD 771.8 million (United Nations Development Programme Cambodia, 2024).

The implications extend beyond trade volumes. The potential withdrawal of preferential market access could lead to severe socioeconomic impacts, including job losses estimated at 1.8 percent of total employment, translating to roughly 168,000 jobs, with women disproportionately affected (57.8 percent). This would further exacerbate existing economic inequalities, potentially hindering progress in broader socio-economic development.

To mitigate these challenges, Cambodia must prioritize economic diversification by transitioning toward higher-value products and value chains, while actively pursuing additional free trade agreements to enhance its market access and competitiveness.

Can Cambodia Survive Without Foreign Aid?

Official Development Assistance (ODA) has been fundamental to Cambodia's socio-economic recovery and ongoing development since the aftermath of the 1979 war. Contributions from international non-governmental organizations (NGOs) and multilateral institutions, particularly the United Nations, have played a critical role in reconstructing the country's essential infrastructure. The United Nations Transitional Authority in Cambodia (UNTAC), for example, was pivotal in resolving political conflicts, rebuilding Cambodia's political institutions, and promoting economic stability. Even today, Cambodia remains heavily reliant on ODA, especially in essential sectors like healthcare, education, and infrastructure development, which are vital for facilitating trade and logistics.

A recent example of a substantial reduction in ODA, although not directly related to Cambodia's upcoming LDC graduation, was the United States' 90-day freeze on USAID's foreign assistance programs (Bateman, 2025). This freeze posed significant implications, as Cambodia received approximately $118 million in aid from the United States in 2024, predominantly from USAID (CDC, n.d.). This funding has been crucial in promoting economic growth, advancing rural development, and particularly, strengthening healthcare infrastructure, including vaccine distribution, food security initiatives, and emergency COVID-19 relief totaling $4 million (Nov, 2021).

Currently as of the time of this writing (January 2025), Cambodia manages 4,526 ODA-funded projects, with 903 ongoing initiatives, representing a total investment of $1.824 billion (CDC, n.d.). Most of these projects-4,145 in grants and 381 through concessional loans underline the essential role ODA plays in reducing poverty, enhancing social infrastructure, and improving human development indicators. Specifically, ODA

allocations include $444 million in healthcare, notably for hospital services; $185 million in education for human capital enhancement; and approximately $6 million in social protection programs, including targeted welfare support totaling $337,766.

Beyond the social domain, ODA has significantly impacted Cambodia's economic infrastructure. Prominent examples include the improvement of National Road 5, a critical trade route linking Phnom Penh and the Thai border, funded by the Japan International Cooperation Agency with a value of approximately $57.5 million (Japan International Cooperation Agency, 2024). Additionally, the Asian Development Bank's Water, Sanitation, and Hygiene (WASH) project invested $93.6 million to improve rural access to essential services (Asian Development Bank, 2024).

Despite these substantial benefits, Cambodia faces the imminent challenge of a gradual decrease in ODA following its LDC graduation. For instance, the social sector's projected budget is anticipated to decline sharply from $444 million in 2024 to $282 million by 2025. This decrease risks undermining development progress, especially within rural communities, human capital development, and overall socio-economic advancement.

To counteract these impending reductions in ODA, Cambodia must enhance and diversify its financing mechanisms, placing significant emphasis on Public-Private Partnerships (PPPs). Leveraging public resources to attract private sector investment will mobilize additional funds, bring in critical expertise, and foster sustainable long-term economic and social development.

Governance and Institutional Structural Weakness

Cambodia faces significant governance and institutional bottlenecks that must be urgently addressed as it prepares to graduate from LDC status. Strengthening good governance is essential to building a transparent, accountable, and business-ready environment capable of attracting foreign direct investment (FDI) and enabling Cambodia to integrate more effectively into global and regional value chains. Notably, the Cambodia Country Report (BTI, 2024) ranked the country 107 out of 137, underscoring persistent weaknesses in transparency and accountability. Furthermore, state modernization is critically needed to reduce bureaucratic inefficiencies, particularly through digitalization, public administration reform, and broader governance reforms to improve the delivery of efficient, high-quality public services, especially for rural and low-income populations, thereby fostering greater inclusivity. Addressing these institutional gaps is essential, as highlighted by Cambodia's below-average performance across several dimensions of the Worldwide Governance Indicators (World Bank, 2023), particularly in Voice and Accountability, Rule of Law, and Control of Corruption.

Will Healthcare Costs Continue to TRIPS Us?

One significant advantage of Cambodia's current status as a Least Developed Country (LDC) is its exemption from full compliance with the Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement. This exemption grants LDCs until July 1, 2034, or until graduation from LDC status, to fully implement TRIPS (United Nations, n.d.). However, Cambodia's expected graduation in 2029 introduces considerable challenges, particularly in healthcare. Post-graduation, Cambodia must adhere fully to TRIPS, obligating the country to grant pharmaceutical patents. Without strategic management, this shift could significantly increase pharmaceutical costs, potentially exacerbating economic vulnerability and pushing more citizens into poverty. Thus, careful policy measures are vital to safeguard public health and maintain economic stability during this transition.

Healthcare expenses already impose a significant financial burden on Cambodian households. Nearly half of Cambodia's population remains vulnerable to economic shocks, with out-of-pocket (OOP) expenditures representing approximately 60 percent of total healthcare costs. Pharmaceuticals alone account for an overwhelming 77 percent of healthcare expenditures (Ministry of Health, 2016). These high costs, compounded by an underdeveloped social security system, result in considerable economic strain. Research indicates that 28.1 percent of households seeking healthcare must borrow money, with 55 percent resorting to distress financing (Ir et al., 2019).

Despite substantial reforms in Cambodia's social protection infrastructure, significant coverage gaps persist. For instance, the establishment of the Health Insurance Scheme under the National Social Security Fund (NSSF) now covers approximately three million formal workers; however, only 10.3 percent of micro-establishments are enrolled (ILO, 2024). Informal workers and their dependents, constituting roughly 70 percent of the population, largely remain uncovered by existing protections (International Labour Organization 2024). Additionally, the Health Equity Fund (HEF), aimed at reducing financial barriers for impoverished households, has limited reach, with only 20 percent of eligible households accessing public healthcare services, and coverage rates as low as 26 percent among the poorest groups (Jithitikulchai et al, 2020).

Given the impending phase-out of TRIPS flexibilities, the already high OOP healthcare expenses could intensify, particularly pharmaceutical costs, further exacerbating economic vulnerability and threatening public health outcomes. Therefore, proactive and targeted government intervention is crucial to mitigate these risks, prevent healthcare-driven poverty, and secure Cambodia's long-term public health sustainability.

Policy Recommendations

I. Economic Diversification

Cambodia's heavy dependence on agricultural commodities and the garment, footwear, and textile (GFT) sectors poses significant risks as preferential trade benefits diminish following the country's graduation from LDC status in 2029. To mitigate these risks, Cambodia must prioritize diversifying its export portfolio and moving towards higher-value industries. Key areas for development include agro-processing, such as cashew and tire processing, and expanding capabilities in light manufacturing, particularly through integration into global value chains for electronics and automotive assemblies. Strengthening the agro-processing sector can add significant value to Cambodia's agricultural output, reduce post-harvest losses, and create more job opportunities in rural areas. Meanwhile, enhancing light manufacturing capabilities not only supports economic diversification but also positions Cambodia as a competitive player in regional and global markets, contributing to increased export revenues and sustainable economic growth. Achieving these goals will require significant improvements in infrastructure, addressing financing gaps, reducing high electricity costs, and importantly enhancing productivity focusing on innovation-driven growth model and investing in human capital.

Moreover, **diversifying export markets** is essential for Cambodia's economic growth and stability. The country should prioritize negotiating enhanced preferential trade agreements with key partners, such as the European Union (EU) and Canada, focusing on obtaining GSP+ status with the EU. Additionally, joining broader free trade agreements, such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), could unlock significant market opportunities, particularly in Canada, Chile, Mexico, and Peru. These countries represent a combined GDP of $4.4 trillion and a population base of 219 million, offering robust demand for Cambodia's competitive exports, including apparel and food products. Accession to the CPTPP would not only facilitate market diversification but also boost foreign direct investment (FDI) by aligning Cambodia with high-standard trade and investment practices of the agreement (Government of Canada, 2023). Cambodia should deepen its engagement within Regional Comprehensive Economic Partnership (RCEP) frameworks by easing rules-of-origin requirements, thereby attracting further FDI from the existing members into high-value sectors such as electronics and agro-processing. Aligning national trade regulations with international standards such as adopting self-certification of origin and meeting sanitary and phytosanitary standards will further solidify Cambodia's global and regional integration.

In addition to trade and industry diversification, targeted interventions in tourism and energy policy can further strengthen Cambodia's economic resilience. Diversifying the tourism sector beyond Angkor Wat by promoting eco-tourism, cultural heritage trails, and rural homestay experiences in provinces such as Battambang, Pursat, and Kampong Cham

can stimulate regional development and reduce the country's over-reliance on Siem Reap. At the same time, reducing high electricity costs, which remain a barrier to industrial competitiveness, must be a national priority. Investing in renewable energy sources, such as solar and biomass, can enhance energy security, lower production costs, and create green jobs. To support this transition, Cambodia should leverage carbon financing mechanisms like Japan's Joint Credit Mechanism (JCM), which provides subsidies for climate-friendly infrastructure. Together, sustainable tourism and clean energy development can contribute to inclusive growth while aligning with global sustainability commitments.

II. Enhancing Productivity

To build a more resilient and future-ready economy, Cambodia must transition from a labor-intensive growth model to a knowledge-based economy. This shift requires not only a change in the sectoral composition toward higher-value production but also a strong focus on boosting national productivity. Key pillars for this transformation include quality education, innovation capacity, and robust infrastructure to support technology adoption and industry upgrading. The urgency is clear Cambodia currently ranks 103rd out of 132 economies in the Global Innovation Index (World Intellectual Property Organization, 2024), significantly behind regional peers such as Thailan (43rd) and Vietnam (46th). Bridging this gap will be critical to ensuring Cambodia remains competitive in the post-LDC era.

a) Education Reform

The Ministry of Labor and Vocational Training, together with the Ministry of Education, should strengthen collaboration with the private sector to align educational curricula with industry needs. Offering incentives to businesses for **implementing training and apprenticeship programs** such as tax benefits, financial grants, and certification schemes can effectively address existing skill gaps. A science, technology, and innovation (STI)-oriented curriculum must be embedded into the educational system from an early age, starting as early as kindergarten. By introducing foundational STI concepts at a young age, children can develop critical thinking, problem-solving, and digital literacy skills that are essential in today's knowledge-based economy. This approach fosters curiosity, creativity, and innovation, equipping future generations with the competencies needed to thrive in high-tech industries

Furthermore, there is a need to widely disseminate the benefits of STI education to parents and communities to create a supportive learning environment. Public awareness campaigns, workshops, and media engagement should be utilized to educate parents on the long-term advantages of STI education, including increased career opportunities, higher wages, and improved national competitiveness. Encouraging parental involvement ensures that children receive continuous support in pursuing STI-related fields and careers.

To further reinforce Cambodia's human capital development, the government should also invest in teacher training programs to ensure that educators are well-equipped to deliver modern, STI-focused curricula. This includes professional development opportunities, exposure to the latest technological advancements, and collaboration with international education networks to adopt best practices in STEM and technical education.

While the government has initiated efforts through the "TVET 1.5M" program, which aims to deliver vocational training to 1.5 million individuals from disadvantaged backgrounds in critical sectors like automotive repair, electricity, and energy (David, 2024), further strategic measures especially to the official education curriculum are needed to ensure a workforce that meets evolving market needs.

b) Innovation

Innovation remains crucial for long-term economic growth (Romer, 1994). Transitioning Cambodia from a labor-intensive to a knowledge-based economy requires fostering innovation through increased SME awareness, integrating science, technology, and innovation (STI) into the education system, and leveraging multinational corporations (MNCs). Targeted workshops, awareness campaigns, and competitive frameworks for SMEs can significantly enhance innovation capabilities, particularly in rural areas.

Universities and think tanks, leveraging their local expertise, should collaborate with multinational corporations (MNCs) to facilitate the transfer of technology and know-how to domestic firms, bridging knowledge gaps and enhancing industry-academia collaboration. MNCs play a vital role by offering advanced research and development (R&D) expertise and providing domestic companies with access to global markets (Fu and Shi, 2022). Additionally, the competitive salaries and favorable working conditions offered by MNCs can attract local talent to high-value sectors such as electronics, Industry 4.0 technologies, and advanced manufacturing.

Although Cambodia has introduced policies like the Law on Investment, offering incentives such as tax exemptions and R&D support to Qualified Investment Projects (QIPs), significant gaps remain in establishing a robust business climate compared to regional peers. Accelerating infrastructure development—particularly highways linking Phnom Penh with Thailand and Vietnam, enhancing port facilities, and digitalizing business processes—must be prioritized. Participation in international governance frameworks, such as the OECD Anti-Bribery Convention, can further strengthen Cambodia's transparency and investment climate.

Finally, investing in an innovation ecosystem is essential for driving sustainable economic transformation in Cambodia. This involves a strategic focus on infrastructure development, including high-speed internet connectivity, digital platforms, and modernized transport and energy systems that support digital integration. Equally important is providing financial

support for SMEs and startups, which form the backbone of innovation. This can include access to affordable credit, grants for technology adoption, and tailored capacity-building programs.

A key enabler of this transformation is the establishment of innovation hubs and tech parks dedicated spaces that bring together universities, startups, research institutions, and investors to collaborate and co-create solutions. These hubs can act as incubators for emerging technologies, supporting entrepreneurship in priority sectors such as agriculture, manufacturing, fintech, and renewable energy.

Given Cambodia's limited fiscal space, public-private partnerships (PPPs) offer a practical and scalable solution to finance and manage these innovation-focused initiatives. By combining public sector support and long-term vision with private sector capital, technical expertise, and market agility, PPPs can accelerate the rollout of digital infrastructure and innovation ecosystems while sharing risks. These partnerships can be structured around smart cities, digital education platforms, and e-governance systems, ensuring that innovation is inclusive and responsive to Cambodia's development needs.

Through this multi-pronged approach, the government can catalyze a vibrant, future-ready innovation ecosystem that enhances productivity, creates quality jobs, and positions Cambodia competitively in the regional and global digital economy.

III. Hedging Against the Phasing Out of ODA

As Cambodia approaches the phase-out of Official Development Assistance (ODA), it becomes imperative to establish innovative financing mechanisms to sustain essential investments in healthcare, education, social protection, and infrastructure, currently totaling approximately $1.824 billion (CDC, n.d.). To effectively manage this transition, the government must strengthen regulatory frameworks, implement comprehensive risk mitigation strategies, and enhance transparency to ensure efficient allocation of resources and prevent mismanagement or diversion of funds.

Given the government's limited fiscal space constrained by a narrow tax base and rising non-performing loans in both the banking sector (6.8 percent) and the microfinance sector (8.3 percent) (Phnom Penh Post, 2024) blended financing models, particularly public-private partnerships (PPPs), represent a pragmatic solution. PPPs not only mobilize private sector capital but also harness private sector expertise and innovation to deliver infrastructure projects more effectively, thus mitigating bottlenecks. To successfully implement these partnerships, Cambodia's central bank should collaborate closely with commercial banks, development banks, non-governmental organizations (NGOs), and the Credit Guarantee Corporation of Cambodia (CGCC) to integrate them comprehensively into the PPP framework. Additionally, engaging international development institutions such as the International Bank for Reconstruction and Development (IBRD), the Asian

Development Bank (ADB), and the World Bank can further enhance and expand available PPP funding.

In the healthcare sector, Cambodia can partner with specialized financing initiatives such as the Global Financing Facility (GFF), a private-sector arm of the World Bank that supports health and nutrition projects targeting women and children through innovative approaches like loan buy-downs and co-financing grants (GFF, 2019). In education, leveraging platforms such as the International Finance Facility for Education (IFFEd), which provides up to $1.5 billion to support developing countries (IFFEd, n.d.) would be beneficial. Further, Cambodia can explore mechanisms like debt-for-education swaps-where creditors forgive debt in exchange for specific educational investments (United Nations Development Programme, 2015) and social impact bonds, performance-based financial instruments that remunerate investors only upon achieving predefined outcomes (World Bank, 2022). Such innovative mechanisms can attract private investment while simultaneously shifting financial risks away from the government.

For infrastructure, Cambodia has already gained experience through PPPs, notably the Build-Operate-Transfer (BOT) model, supported by the establishment of the General Department of Public Private Partnership (GDPPP). Expanding and diversifying PPP models to align with stakeholder interests, as well as Cambodia's legal, regulatory, and political contexts, will be critical. By adopting innovative financial solutions, particularly PPPs, Cambodia can effectively bridge funding gaps, reduce dependence on foreign aid, and enhance long-term economic resilience as it transitions away from reliance on ODA by 2029.

IV. Governance and Public Reforms

It is widely recognized in both academia and policymaking circles that good governance is strongly correlated with increased economic growth. Notably, Mahran (2022), using econometric analysis, found that a 1% improvement in governance raises economic growth by an average of 1% at significant levels. In light of this evidence, the Cambodian government should place stronger emphasis on building good governance, particularly by reinforcing the accountability of institutions ensuring they are answerable both to the rule of law and to public opinion. Moreover, transparency is essential to sustain accountability, requiring timely public records and reporting, alongside an inclusive approach that incorporates citizen participation in decision-making processes. By strengthening and upholding these core principles of good governance, Cambodia can enhance public trust and institutional credibility, which in turn will attract greater flows of impact investors and social investment.

Despite notable efforts in advancing state modernization, the Royal Government of Cambodia should further expand its e-government initiatives to improve public service

delivery and administrative efficiency. Accelerating the transition from paper-based forms to electronic systems will reduce bureaucratic delays, while the development of secure digital public records will strengthen both transparency and accountability. Additionally, enhancing the facilitation of business registrations and official documentation, and dedicating more resources to digital public services, particularly in rural and underserved populations, will be critical to fostering inclusivity and equitable access.

While public administration reforms, such as the establishment of One-Window Service Offices, have marked important progress, the government must deepen these reforms by further cutting red tape, investing in capacity-building programs for public officials, and strengthening performance-based merit systems to professionalize the civil service and raise its standards. Furthermore, decentralization efforts should be expanded, granting greater autonomy and control over human and financial resources to local and provincial governments, while introducing competitive systems between provinces to incentivize innovation and productivity. Importantly, as highlighted in the World Bank (2024) Cross-Cutting Reforms report, Cambodia continues to face challenges stemming from institutional silos and a loyalty-based governance culture. To address these structural issues, the government must strengthen inter-ministerial coordination, establish clear mandates, and improve information-sharing mechanisms, whether through dedicated committees or integrated digital platforms.

V. Keeping Medicines Affordable Post-LDC Graduation

Cambodia’s graduation from LDC status in 2029 necessitates full compliance with the Trade-Related Aspects of Intellectual Property Rights (TRIPS), including mandatory granting of pharmaceutical patents. This shift poses significant risks by potentially increasing pharmaceutical prices, further straining healthcare affordability. To proactively mitigate these risks (Teni et al., 2024) propose preventive measures such as withdrawing the mailbox facility to prevent unnecessary patent filings and reinforcing patentability criteria to curb low-quality patents and "ever-greening" practices.

Additional remedial measures include the introduction of a "Bolar exemption," which permits generic drug manufacturers to develop affordable alternatives before patent expiration. Moreover, amending national patent laws to facilitate parallel importation of lower-cost medicines and avoiding entering international agreements with stringent TRIPS-plus provisions will further protect public access to affordable medications. Strengthening institutional capacity through the Cambodian Intellectual Property Office is also crucial, enabling thorough due diligence to reject substandard patent applications and reduce dependence on external evaluations, thereby ensuring continuous access to affordable healthcare.

Furthermore, addressing the limited social security coverage requires targeted policy actions from the Ministry of Health to include informal workers and their dependents in the National Social Security Fund (NSSF). Strategies could encompass implementing flexible contribution schemes, providing subsidies for low-income workers, and simplifying enrollment processes. Collaboration with employers, community organizations, and local authorities would enhance the integration of informal sector workers into the social security framework. Additionally, targeted outreach through the Health Equity Fund (HEF) via community engagement, traditional and digital media campaigns, and partnerships with non-governmental organizations can significantly improve healthcare accessibility among marginalized populations.

Furthermore, enhancing the comprehensiveness of healthcare benefit packages is essential to meet evolving population health needs. Regular healthcare assessments should inform expanded coverage of preventive services, chronic disease management, and maternal health care. Encouraging the widespread use of generic medicines can substantially lower healthcare expenses and improve public access to essential treatments. Strengthening healthcare infrastructure, training healthcare providers, and implementing targeted outreach programs are equally vital in ensuring that healthcare services are broadly accessible, particularly in underserved rural areas. These combined efforts will support a resilient, inclusive, and equitable healthcare system post-LDC graduation.

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