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Policy brief

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Economic Reintegration of Returnees and Border-Province Development Strategies in the Post-Conflict Period

This policy brief is derived from the National Consultation on Economic Reintegration of Returnees and Border Province Development Strategies in the Post-Conflict Period, which was jointly organised by CDRI and ERIA on 10–11 February 2026 in Phnom Penh. The consultation convened senior government officials, development partners, private sector representatives, research institutions, and relevant stakeholders to discuss immediate and medium-term policy responses to large-scale return migration and to formulate strategic pathways for border-province economic transformation.

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Key messages

- **Reintegration must move beyond employment numbers towards productivity and income recovery:**

Large-scale job matching initiatives have absorbed many returnees, but employment alone does not ensure durable reintegration. Income has declined, vulnerability remains high, and skills mismatch persists. Policy must shift toward job quality, productivity upgrading, employment certification, and income stability.

- **Border provinces represent a strategic opportunity for economic diversification:**

Return migration exposes spatial imbalances but creates an opportunity to transform border areas into productive economic corridors. Investment in agro-processing, SME upgrading, SEZ reform, logistics, and regional integration can drive reintegration and long-term diversification.

- **Strengthen governance systems and household resilience to sustain reintegration outcomes:**

High debt, weak social protection coverage, fragmented data, and coordination gaps limit sustainability. Reintegration requires integrated digital systems, stronger institutional coordination, SME support, and expanded financial and social protection frameworks as part of a broader structural reform agenda.

Strategic context and rationale

Cambodia is undergoing one of the most significant labour-market adjustments in its modern economic history. Following the border disruptions of 2025, more than 910,000 Cambodian migrant workers returned within a short period, equivalent to roughly 10 percent of the national workforce. This sudden reversal of cross-border labour mobility disrupted remittance flows, household income stability, and local labour markets, particularly in border provinces.

The initial response has been substantial. According to the governmental authorities, more

than 600,000 returnees have secured employment through large-scale job matching initiatives, factory placements, employment forums, and expanded technical and vocational education and training (TVET) programmes. These efforts demonstrate significant progress in labour market reintegration and reflect strong institutional mobilisation in response to an unprecedented labour shock. However, a considerable share of returnees remain unemployed or economically vulnerable, and many of the jobs obtained are temporary, informal, or not aligned with workers' prior skills and experience. This raises concerns regarding employment quality,

productivity gains, and the long-term sustainability of reintegration outcomes.

Survey evidence from the Cambodia Development Resource Institute (CDRI), entitled *Reintegrating Cambodia's Returnee Workforce: Economic Impact Assessment and Strategic Pathways for Inclusive Growth*, indicates that labour absorption has not yet translated into durable economic reintegration. A substantial share of returnees have transitioned into low-productivity or informal activities, limiting income recovery and long-term stability. The primary constraint to successful reintegration is economic in nature. Securing stable and adequately paid employment remains a major challenge. Average monthly income declined significantly following the return, from USD431 in Thailand to USD269 in Cambodia. Only 43 percent of employed returnees reported earning USD210 or more per month. Financial vulnerability is widespread: around 70 percent of surveyed households carry outstanding debt, and 83 percent of indebted respondents reported difficulty repaying loans on time. Moreover, 78 percent of households reported having no savings. These findings suggest that while employment placements have progressed, economic security, income adequacy, and financial resilience remain critical policy gaps. Moving forward, policy attention must extend beyond employment numbers to prioritise job quality, income stability, skills alignment with market demand, and structural transformation. Such measures are essential to ensure that reintegration meaningfully contributes to inclusive, resilient, and productivity-led growth.

The consultation underscored that this situation represents not only a labour-market shock but also a structural turning point. Cambodia's past growth model relied heavily on cross-border employment opportunities, export-driven manufacturing, and spatially concentrated industrialisation. The sudden return of workers has exposed structural constraints, including limited agro-industrial capacity, weak provincial job ecosystems, fragmented small and medium-sized enterprises (SMEs) development, and geographic imbalances in economic opportunities.

At the same time, the return migration wave presents an opportunity. Many returnees are of working age and bring skills, industrial experience, and familiarity with regional production systems. If strategically integrated, this labour supply can support economic diversification, productivity upgrading, and deeper regional integration.

Key policy insights

1. Labour absorption is progressing, but reintegration quality remains uneven.

Employment initiatives have delivered substantial short-term results, with large-scale job matching and the TVET expansion supporting rapid labour absorption. However, survey evidence from CDRI indicates only moderate reintegration outcomes, reflected in a Reintegration Index of 0.638 (in total). While social acceptance is strong, financial resilience and institutional support remain weak. A number of returnees are employed in roles that do not align with their previous skills and experience, indicating potential productivity losses and occupational downgrading. Women face disproportionately higher barriers to re-employment. Sustainable reintegration therefore requires institutional depth, skills certification, and gender-responsive labour-market strategies beyond headline employment figures.

2. Household vulnerability extends beyond employment metrics.

Employment status alone does not guarantee economic stability. Income shocks following return migration have been substantial, with many households experiencing sharp declines in earnings alongside rising debt burdens. CDRI's Reintegration Index in access to training, social protection, and institutional support services stands at 0.381, reflecting limited access to these services. Complementary evidence from UNDP's Socio-Economic Impact Assessment of the Cambodia–Thailand Border Conflict indicates that a large majority of returnee households lack IDPoor social protection coverage. Many families have shifted into informal self-employment or subsistence activities despite constrained land access; average landholding is about 2.2 hectares, and a significant share of landholders are not actively cultivating. Without stronger financial resilience and expanded safety nets, labour absorption risks remaining fragile and economically unsustainable.

3. Spatial mismatch remains a critical constraint.

Return migration has concentrated labour supply in border provinces, yet job growth continues to cluster in the capital city and surrounding industrial corridors. This geographic imbalance constrains effective reintegration. In the absence of localised job creation, workers either migrate internally in search of employment or remain economically inactive. The persistence of border provinces

as labour-export regions reinforces structural vulnerability. Repositioning these provinces as productive economic corridors, through agro-processing clusters, light manufacturing, logistics development, and special economic zones (SEZ) upgrading, is therefore essential. Spatial rebalancing is not only a reintegration priority but also a long-term economic diversification strategy.

4. Medium-term labour absorption depends on agro-processing, SME upgrading, and regional integration.

Agro-processing and SME ecosystems emerged as central pathways for job creation. Modern Agricultural Communities (MACs) demonstrate scalable models combining contract farming, cooperative production, and integrated management. Existing initiatives encompass dozens of communities across multiple provinces, involving thousands of households and generating significant annual output and employment opportunities. However, scaling remains constrained by infrastructure gaps, financing limitations, standards compliance challenges, and fragmented supply chains. Regional production reconfiguration, particularly Vietnam +1 dynamics, presents strategic openings. Cambodia can integrate into electronics sub-assembly, garment value chains, agro-processing, and logistics networks as a complementary node. Diversification across multiple regional supply chains reduces concentration risk while supporting medium-term GDP growth.

5. Governance and data gaps limit effectiveness.

Despite significant service provision, fragmented data systems and coordination gaps reduce policy effectiveness. The absence of unified, real-time returnee databases hampers targeting, monitoring, and follow-up support. Skills acquired abroad frequently remain uncertified, limiting productivity and wage potential. Financial literacy gaps further constrain entrepreneurship and household resilience. Moreover, coordination across ministries and between national and subnational authorities remains uneven. Reintegration therefore requires system-wide governance reform, including integrated digital registration platforms, inter-ministerial coordination mechanisms, and performance monitoring frameworks that measure job quality, income recovery, and enterprise development, not merely placement numbers.

Priority policy directions

The consultation converged around four strategic policy priorities.

1. Accelerate labour absorption through productivity-oriented skills alignment.

The next phase must shift from job placement towards productivity upgrading. Expanding Recognition of Prior Learning (RPL) certification can formally acknowledge overseas-acquired skills and reduce occupational downgrading. TVET programmes should align with provincial economic clusters, including agro-processing, construction, light manufacturing, and logistics. End-to-end employment services linking employers, workers, and training institutions are essential for improving job-skills matching. Skills strategies must anticipate regional investment trends, particularly Vietnam +1 supply-chain integration, rather than react to short-term labour demand. A forward-looking, cluster-based skills policy will enhance competitiveness and wage growth.

2. Reposition border provinces as emerging engines of national growth and regional dynamics.

Border provinces should be repositioned as emerging engines of national growth and regional integration rather than viewed as peripheral or labour-exporting areas. The return migration shock has exposed structural imbalances but also created an opportunity to shift towards a more geographically balanced development model. Located along key cross-border corridors, these provinces possess strategic advantages, including proximity to regional production hubs, access to logistics networks, available labour with cross-border industrial experience, and potential for agro-industrial expansion. As regional supply chains diversify, particularly under Vietnam +1 dynamics, Cambodia's border regions can integrate into manufacturing, agro-processing, and logistics networks as complementary production nodes. Developing border provinces as economic corridors can simultaneously address labour reintegration, economic diversification, and productivity upgrading by creating local employment opportunities aligned with regional demand. Achieving this transformation requires coordinated investment in infrastructure, trade facilitation, SEZ reform, skills development, and SME upgrading to ensure that border areas evolve into competitive, resilient, and inclusive growth platforms within ASEAN's regional economic landscape.

3. Strengthen SME ecosystems and innovation capacity.

Micro, small, and medium enterprises (MSMEs) remain central to economic diversification but face structural barriers, including high financing costs, regulatory complexity, limited technology adoption, and weak compliance capacity. Policy reforms should simplify business registration, expand innovation centres, and strengthen testing and standards facilities to improve product quality and market access. The financing instruments can reduce investment risk and support enterprise upgrading. Digital adoption is particularly critical for integration into regional value chains. A dedicated returnee enterprise support mechanism, potentially through a targeted enterprise fund, can stimulate local economic activity while absorbing labour into productive entrepreneurship.

4. Enhance financial and social resilience.

High household indebtedness poses risks to both livelihoods and macro-financial stability. Reintegration policies should therefore incorporate financial protection mechanisms. Expanding social protection coverage, including IDPoor and the National Social Security Fund (NSSF) enrolment, can stabilise vulnerable households. Targeted debt-relief or restructuring schemes linked to employment participation may reduce default risks while preserving financial-sector stability. Financial literacy programmes are necessary to strengthen savings behaviour and enterprise sustainability. Graduation-based social protection models, combining training, mentorship, access to finance, and market linkage, offer a structured pathway from vulnerability to self-reliance, reinforcing long-term reintegration outcomes.

Implementation pathways and institutional coordination

Effective reintegration depends on strong institutional coordination and integrated delivery systems. A unified digital registration and monitoring platform should track returnees from entry to employment, training, enterprise development, and social protection enrolment. This would improve targeting, reduce duplication, and measure outcomes beyond placement numbers, including job quality and income recovery. Policy alignment across labour, agriculture, industry,

infrastructure, and finance is essential, particularly within border economic corridors. Operational mechanisms, such as an integrated returnee dashboard, corridor-based investment facilitation, and structured inter-ministerial coordination, should be institutionalised. Reintegration must be treated as a cross-cutting national priority with shared mandates and joint monitoring frameworks.

Forward-looking partnerships and next steps

Sustained multi-stakeholder collaboration is critical to translate consultation outcomes into tangible results. A sequenced reintegration and border-economy roadmap should align short- and medium-term actions with national strategies. Monitoring regional production shifts, particularly under Vietnam +1 dynamics, will help position Cambodia within evolving supply chains. Pilot area-based programmes in selected border provinces can integrate agro-processing expansion, SME upgrading, skills certification, and targeted social protection. Financing mechanisms should address household debt while supporting productive investment. Stronger private sector engagement, especially in skills alignment and supplier development, will be essential to ensure that reintegration contributes to competitiveness and long-term structural transformation.

Conclusion

Cambodia's response to the return migration shock reflects strong institutional mobilisation. However, durable reintegration requires moving beyond short-term labour absorption towards structural transformation. The focus must shift to productivity upgrading, SME development, agro-processing expansion, and regional supply-chain integration. Border provinces should be repositioned as emerging growth engines, supported by infrastructure, skills development, and coordinated governance. Reintegration is not only a labour-market issue but a strategic opportunity to diversify the economy and strengthen resilience. By aligning employment recovery with long-term competitiveness and inclusive growth, Cambodia can transform post-conflict disruption into a foundation for sustainable, regionally integrated development.