

Cambodia

Country Poverty Analysis



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Currency Equivalents

(as of December 2011)

Currency unit	–	riel (KR)
KR1.00	=	\$0.00025
\$1.00	=	KR4.028

Abbreviations

ADB	–	Asian Development Bank
CMDG	–	Cambodian Millennium Development Goal
CSES	–	Cambodia Socio-Economic Survey
IDPoor	–	Identification of Poor Households Program
PPP	–	purchasing power parity

NOTE

The fiscal year (FY) of the government and its agencies ends on 31 December. FY before a calendar year denotes the year in which the fiscal year ends, e.g., FY2010 ends on 31 December 2010.

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1. A country poverty analysis is a tool used by the Asian Development Bank (ADB) to assess the nature and causes of income and non-income dimensions of poverty and vulnerability in a developing member country. It exposes a set of country-focused strategic options for ADB assistance in reducing poverty. This report draws heavily on (i) the poverty and vulnerability analysis in the 2010 report *Towards a Social Protection Strategy for the Poor and Vulnerable*, prepared by the Council for Agricultural and Rural Development, in close collaboration with development partners, including ADB (CARD 2010);¹ and (ii) the World Bank's *Poverty Profile and Trends in Cambodia* (2009). On non-income aspects, this report draws on an evaluation of gaps in the achievement of Millennium Development Goals by the Ministry of Planning, Royal Government of Cambodia (MOP 2010), the 2008 general population census of Cambodia (NIS and MOP 2009),² and the 2008 country anthropometric survey (NIS and MOP 2008). Two additional valuable resources were *Cambodia 1998–2008: An Episode of Rapid Growth* (Guimbert 2010) and *Cambodia Local Development Outlook* (UNCDF 2010).

2. Cambodia is one of Southeast Asia's least developed countries, and a great deal of quantitative and qualitative analytical work has been done on its poverty statistics. This report highlights the intersection between ADB corporate priorities, outlined in *Strategy 2020* (ADB 2008), and the Government of Cambodia's poverty reduction priorities, underscored in the *Rectangular Strategy* (RGC 2004) and the *National Strategic Development Plan Update, 2009–2013* (RGC 2010).

¹ The background note was prepared under the guidance of the Interim Working Group on Social Safety Nets, which is under the Technical Working Group on Food Security and Nutrition. Technical consultations included ADB, Australian Agency for International Development, GIZ, International Labour Organization, United Nations Children's Fund, United Nations World Food Programme, and the World Bank.

² Final census results were published by the National Institute of Statistics under the Ministry of Planning in August 2009.

II

Demographic Context: Cambodia's Young, Rural Population

3. In March 2008, Cambodia had a population of 13.40 million persons, of whom 51.4% were women and girls. Households numbered 2.8 million, with an average of five people per household. About one-quarter of households (25.6%) were headed by women, a figure virtually unchanged since the last full census in 1998. The population was young, with over one-half (56.1%) under the age of 25 years, a figure that has fallen slightly from 61.1% in 1998. The fertility rate also declined slightly, but remained high at 3.1 children per woman. In the oldest age group, mortality fell, resulting in the percentage of people aged 60 years and over rising from 5.3% in 1998 to 6.4% in 2008. High fertility and falling mortality combined to contribute to rapid population growth over 1998 to 2008 (1.5% per year). This rate was higher than the 1.3% average for population growth in Viet Nam and for Southeast Asia as a whole. However, Cambodia's population growth was still lower than that of the Philippines (2.0%) and the Lao People's Democratic Republic (1.7%).

4. More than four out of five Cambodians (80.5%) lived in rural areas in 2008. Rural households comprised about 2.3 million of Cambodia's 2.8 million total households, which clearly shows that Cambodia is an overwhelmingly rural country. In 1983, about 80% of the work force was engaged in agriculture, forestry, and fishing (Ross 1987), and this percentage declined only to 72% in 2008 (NIS and MOP 2009).

5. The rate of urbanization in Cambodia was low, with 19.5% of the population living in cities in 2008, only a 1.3-percentage-point increase over the previous decade (urbanization was 18.2% in 1998). However, the pace of urbanization is picking up. While annual growth of the rural population was 1.4% from 1998 to 2008, the urban population grew at 2.2% per year. In absolute terms, the urban population grew by about one quarter. If this trend continues, the urban population will grow from 2.6 million in 2008 to about 3.3 million by 2018.

6. In 2008, about 10% of Cambodia's population lived in the capital, Phnom Penh, and another 10% lived in other urban areas. The top five most populous provinces were Kampong Cham (1.68 million), Kandal (1.27 million), Battambang (1.03 million), Prey Veng (0.95 million), and Siem Reap (0.90 million). Most socioeconomic assessments distinguish between five agro-ecological regions that group provinces with broadly similar terrain, accessibility, climate, and economic activity. Listed by total population, these regions are the Plains, Tonle Sap, Plateau/Mountain, Phnom Penh, and Coastal (Table 1).

Table 1 A Regional Poverty Profile of Cambodia, 2004

Region	Provinces	2008 Population (% of total population)	2004 Poverty Incidence (%)	2004 Poverty Magnitude (% of total poor people)
Plains	Kampong Cham, Kandal, Prey Veng, Svay Rieng, Takeo	5.2 million 39%	32	1.7 million 36%
Tonle Sap	Banteay Meanchey, Battambang, Kampong Chhnang, Kampong Thom, Pursat, Siem Reap	4.1 million 31%	43	1.8 million 38%
Plateau/ Mountain	Kampong Speu, Kratie, Mondolkiri, Oddar Meanchey, Pailin, PreahVihear, Rattanakiri, Stung Treng	1.8 million 13%	52	0.9 million 19%
Phnom Penh	Phnom Penh	1.3 million 10%	5	0.1 million 2%
Coastal	Kampot, Kep, Koh Kong, Sihanoukville	1.0 million 7%	27	0.3 million 6%
Cambodia	All provinces	13.4 million 100%	35	4.7 million 100%

Note: The 2004 poverty incidence is applied to the 2008 population figures for illustrative purposes. This table will be updated when the poverty lines based on the 2009 Cambodia Socio-Economic Survey become available in 2012.

Sources: NIS (2005, 2008), NIS and MOP (2009).

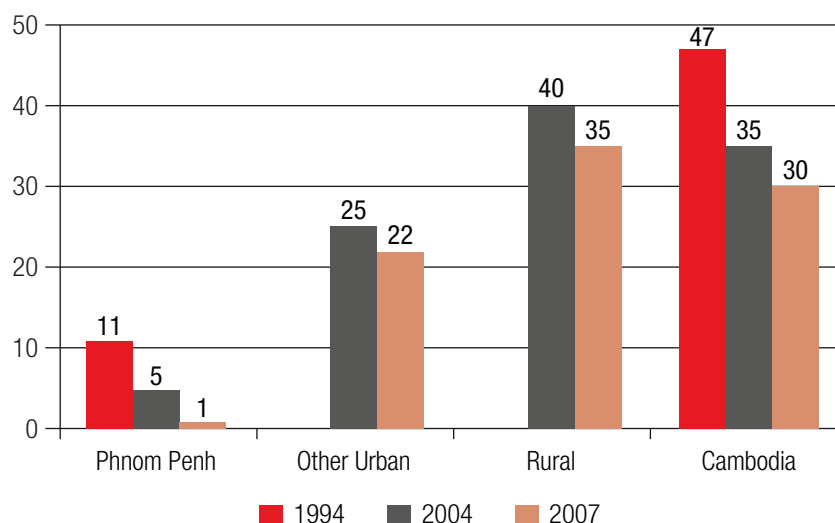
Growth, Consumption, and Inequality: A Poverty Profile

7. **Economic growth.** Cambodia's tragic past is well documented, but since 1998, the country has seen political and macroeconomic stability and a decade of very high and sustained economic growth. Based primarily on four sectors (garments, tourism, construction, and agriculture), Cambodia's growth performance for 1998–2007 ranks sixth highest among all countries in the world, and it is one of 46 countries that achieved 7% average annual growth for 14 years in a row (Guimbert 2010). For the 4 years ending in 2007, annual growth averaged more than 10%.

8. **Poverty reduction.** Against this backdrop of stellar growth, it is no surprise that recent rounds of the Cambodia Socio-Economic Survey (CSES) have measured a rise in real per capita consumption across all consumption quintiles. As a result, the poverty headcount fell from 47% of the population in 1994 to 35% in 2004 and 30% in 2007 (Figure 1). The total number of poor people has also fallen, from about 4.3 million people in 2004, to about 3.9 million in 2007.

9. **National poverty lines.** How poverty lines are constructed is important for understanding exactly what is being measured. The methodology used in Cambodia is conservative; the country's food poverty line is based on the cost of a basket of basic food items sufficient to provide 2,100 calories per person per day. The overall poverty line includes a very small nonfood allowance that is derived from the observed consumption of nonfood items in households whose total consumption is equal to

Figure 1 Poverty Headcount, 1994–2007
(%)



Source: CARD (2010).

the food poverty line. These are the poorest households, and the amount that they are able to divert from food needs to spend on nonfood items is very low and likely insufficient.³ The average national poverty line for Cambodia in 2007 was KR2,473 per capita per day, or about \$0.62. The regional poverty thresholds were KR3,092 per person per day for Phnom Penh (\$0.77), KR2,704 for other urban areas (\$0.68), and KR2,367 in rural areas (\$0.59).⁴

10. **International poverty lines.** Poverty incidence is highly sensitive to the placement of the poverty line. The international poverty lines of \$1.25 and \$2.00 per capita per day (in 2005 purchasing power parity [PPP]) illustrate this fact. According to the World Bank's PovcalNet database,⁵ in 2007, 28.3% of the Cambodia's population lived on less than \$1.25 PPP per day, but 56.4% lived on less than \$2.00 PPP per day.⁶ The difference in the poverty line of \$0.75 PPP results in identifying an additional 28% of the population as poor.

11. **Rural poverty.** According to the national poverty line, poverty incidence was much higher in rural areas (35% of the rural population in 2007) than in urban areas (less than 1% in Phnom Penh and 22% in other urban areas). The majority of Cambodia's poorest and most vulnerable people are therefore rural. According to the 2007 CSES, about 9 out of 10 poor Cambodians live in rural areas (NIS 2008).

12. **Regional differences.** While the limited sample size of the 2007 CSES does not allow for accurate provincial or regional poverty estimates, 2004 data showed striking regional disparities that are unlikely to have changed to a large extent. The Plateau/Mountain Region had a poverty headcount of 52%, while the Tonle Sap Region had one of 43%, both significantly higher than the national average of 35%. The poverty magnitude was the largest in the more densely populated Tonle Sap and Plains regions. When poverty incidence and poverty magnitude are considered together, the Tonle Sap Region is therefore particularly poor. The individual provinces with the highest poverty rates in 2004 were Kampong Speu, Kampong Thom, and Siem Reap.

13. **Urban poverty.** The very low poverty incidence for Phnom Penh in 2007, equivalent to about 2,200 households, points to a need to reconsider the nonfood component of the urban poverty line (para. 9). The figure is based on a poverty line that includes a nonfood allowance of just \$0.16 per person per day (KR647), or less than \$25 per month for a family of five, covering nonfood necessities including housing, utilities, clothing, footwear, transport, health care, and education. The very low 2007 CSES poverty line must also be weighed against other indicators of well-being (e.g., access to services, security of tenure, and characteristics of the urban environment) to arrive at a more accurate picture of urban deprivation. For example, the 2008 census showed that 24% of urban residents do not have access to an improved source of drinking water, 13% of urban children aged 6–14 years are not attending school, and 19% of urban households do not have toilets (NIS 2008). A 2009 survey of settlements of urban poor in Phnom Penh estimated that 40,548 urban poor families in

³ The nonfood component in the poverty line for Phnom Penh—ostensibly meant to cover housing, education, health, transport, and other nonfood essentials—was about \$0.16 per person per day in 2007. See paragraph 13 on urban poverty for further discussion.

⁴ The National Institute of Statistics released data from the 2009 Cambodia Socio-Economic Survey in 2011, but poverty analysis and an update of the poverty measurement methodology were ongoing in November 2011 under the Technical Working Group on Planning and Poverty Reduction.

⁵ Available for public use at <http://iresearch.worldbank.org>

⁶ The PPP conversion factor is the number of units of a country's currency required to buy the same amounts of goods and services in the domestic market as \$1 would buy in the United States. The PPP conversion factor for Cambodia was KR1,660.95 in 2007, rising to KR2,086.55 in 2009. This explains why, in 2007, 28% of the population lived below an international poverty line of \$1.25 PPP per day, while 30% of the population lived below a national poverty line of \$0.62 per day.

410 settlements (Sahmakum Teang Tnaut 2009). This estimate implies a poverty incidence of closer to 15% of Phnom Penh's households.

14. **Increasing inequality.** An assessment of inequality is an essential part of a poverty profile. Between 2004 and 2007, while poverty in Cambodia declined, inequality increased. Although the entire population enjoyed greater consumption from 2004 to 2007, the gap between the rich and the poor widened, as the Gini coefficient of inequality rose from 0.39 to 0.43. In 2007, nearly one-half of Cambodia's total consumption was enjoyed by the richest 20% of the population. Average expenditure per capita in Phnom Penh was more than 3.5 times that of the rural areas; the richest 20% were spending, on average, 8 times more than the poorest 20%, and 2.6 times more than the average Cambodian (NIS 2008). Consumption by the poorest 20% also fell from 8.5% in 1994 to 6.6% in 2007. Cambodia is thus one of the most unequal countries in the region. This is somewhat unusual, as most countries in Southeast and East Asia saw inequality widen only in the later stages of development, when average levels of consumption were higher and poverty headcounts were lower (Rushdy 2009).

15. **Poverty impact of the crises.** This snapshot of poverty, based primarily on the 2007 CSES, predates the food, fuel, and financial crises that hit Cambodia beginning in 2008. These crises highlight the country's vulnerability to poverty, but the social impacts were complex as they affected various groups differently. Comprehensive quantitative data on poverty trends will only be available when the poverty analysis of the 2009 CSES data is released in 2012.⁷ The crises seemed to compromise livelihoods and reduce the well-being of many Cambodians, particularly those living near the poverty line. But the "predictive poverty rates" published by the Ministry of Planning using the Commune Database tell a somewhat different and puzzling story (Section IV).

⁷ Updates to the poverty measurement methodology were under way in November 2011, led by the government's Technical Working Group on Planning and Poverty Reduction with the support of a number of development partners including the World Bank.

IV

Nonmonetary Poverty, Millennium Development Goals, and the Commune Database

16. Income and consumption figures derived from household surveys are one side of a multidimensional poverty story that also includes important nonmonetary indicators, such as those captured by the Millennium Development Goals for hunger, education, gender equality, child mortality, maternal health, diseases, and environmental sustainability. Income alone does not provide enough information, as people at a similar income level can have vastly different qualities of life. The government adapted the Millennium Development Goals to the local context in 2003, resulting in nine Cambodian Millennium Development Goals (CMDGs). Progress on the CMDGs has been mixed.

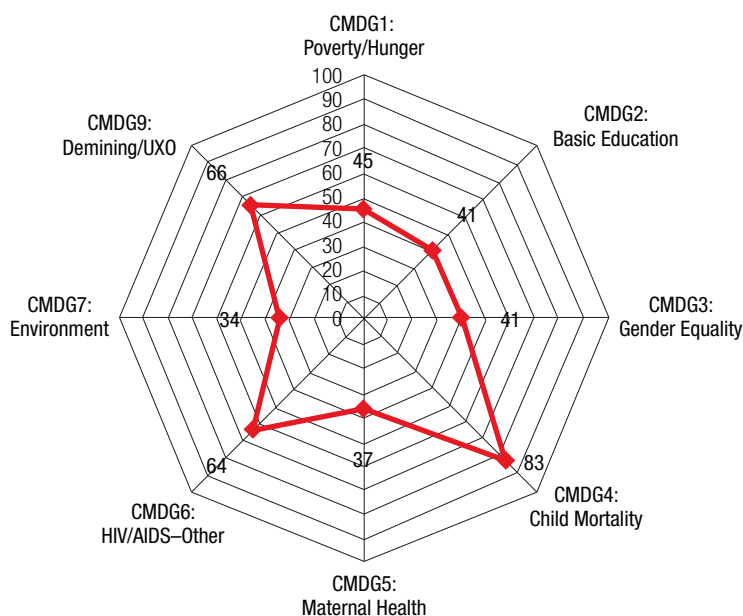
17. **Progress toward the Cambodian Millennium Development Goals.** There has been significant progress toward achieving some CMDGs, most notably in reducing child mortality (CMDG4); de-mining, unexploded ordnances, and mine victim assistance (CMDG9); and combating HIV/AIDS, malaria, and other diseases (CMDG6). These CMDGs are all on track and likely to be achieved by 2015.⁸ With concerted effort, it may be possible to achieve the targets for universal 9-year basic education (CMDG2) and for gender equality (CMDG3). Off-track CMDGs (i.e., those unlikely to be achieved by 2015) include those for poverty and hunger (CMDG1), maternal health (CMDG5), and environmental sustainability (CMDG7). Figure 2 summarizes the progress toward achieving the CMDG targets.

18. Progress in maternal health (CMDG5) is only 37% from the baseline. This is largely attributed to the increase in the maternal mortality ratio from 437 deaths per 100,000 live births in 1997 to 461 deaths in 2008. This increase offsets strong progress in reducing the total fertility rate. In addition, achievement of universal 9-year basic education (CMDG2)—progress stands at 41%—is hampered by (i) low enrollment rates in lower secondary schools, where net enrollment was just 32% in the 2009–2010 school year; (ii) low cohort survival rates at both the primary and lower secondary levels; and (iii) the low literacy rate of those aged 15–24 years.

19. **Commune Database.** Known as the CDB, this database, maintained by the Ministry of Planning, has gathered statistical information to assist in subnational planning and allocation of investment funds since 2002. It is a rich source of data on the demographic, socioeconomic, and physical assets of each village and commune, and a great deal of information is available online.⁹ Village chiefs and commune clerks gather the information using both village- and commune-level questionnaires on more than 330 data points, with data collection taking place at the end of each year. The quality of the database is highly dependent on the capacity of these local officials to collect and report accurate data. It is also important to note that the database does not include a direct measure of household resources, so it cannot be used for direct poverty estimates. However, it does provide useful

⁸ In 2009, 243 were killed by explosive remnants of war, down from 271 in 2008, continuing the steady year-on-year decline from almost 3,000 in 1994. However, Cambodia still has one of the highest disability rates in the world.

⁹ See NCDD. <http://www.ncdd.gov.kh/resources/database/cdb>

Figure 2 Progress toward the Achievement of Cambodian Millennium Development Goal Targets (%)

CMDG = Cambodian Millennium Development Goal, UXO = unexploded ordnance.

Note: Progress measured by the distance traveled from the benchmark to the target, using 2008 data.

Source: Rushdy (2009).

information on observable characteristics that can be compared across communes (e.g., physical and social infrastructure, main occupations of residents, number and types of vehicles, and existence of various types of enterprises).

20 In 2010, with support from the United Nations Development Programme, the Ministry of Planning with the monitoring and evaluation unit of the National Committee for Sub-National Democratic Development published a set of poverty maps based on the Commune Database (MOP and NCDD 2010). Using the Identification of Poor Households Program (IDPoor) data (para. 64) to develop regression coefficients, a statistical model was developed involving proxies for consumption poverty such as household size, literacy levels, housing characteristics, and access to services. The statistical model uses current-year data to estimate a poverty headcount for the following year. The so-called “predictive poverty rates” by province are presented in Table 2.

21. According to this indirect method, “predictive poverty” is shown to have steadily fallen in every province every year from 2004 to 2010, including during the food, fuel, and financial crises, which therefore appear to have had no effect on the welfare of the population. This may be because a large majority of the poor is rural and was therefore not affected as much as expected since agriculture is the only sector that continued growing throughout the crises (MOP and NCDD 2010). An alternative explanation may be that the Commune Database does not capture changes in household consumption; instead, it includes commune characteristics that are unlikely to see a negative change from year to year or in the face of a crisis (e.g., the number of schools, roads, or wells). Although predicted poverty figures are sometimes cited in the media and various development partner reports without providing context, it is crucial to note that they are not based on directly measured poverty and, as such, cannot be compared with a poverty incidence derived from the CSES or the IDPoor targeting mechanism.

Table 2 Commune Database Predictive Poverty Rates by Province, 2004–2010 (%)

Province	Year						
	2004	2005	2006	2007	2008	2009	2010
Banteay Meanchey	39.9	38.7	37.1	34.1	32.5	31.4	29.7
Battambang	37.8	36.5	35.4	33.3	31.7	29.7	28.7
Kampong Cham	33.1	32.1	31.0	29.0	27.6	25.8	24.3
Kampong Chhnang	37.9	37.2	36.7	35.6	34.2	32.3	30.4
Kampong Speu	41.4	40.3	39.5	37.3	35.2	32.2	30.1
Kampong Thom	41.1	40.5	39.3	37.7	36.5	34.4	32.7
Kampot	26.6	25.6	25.0	23.4	22.4	20.5	19.1
Kandal	27.6	26.2	24.1	21.2	19.7	17.6	15.9
Kep	33.6	33.0	31.5	28.6	25.2	22.8	21.4
Koh Kong	34.8	34.7	32.6	30.7	29.0	26.5	25.1
Kratie	43.9	43.3	42.5	41.5	40.2	38.6	37.1
Mondulkiri	47.0	45.1	44.0	42.4	40.3	38.0	37.1
Oddar Meanchey	46.6	45.9	44.0	42.3	40.6	39.1	36.5
Pailin	41.7	40.5	38.9	36.9	35.0	31.0	28.1
Phnom Penh	6.8	6.9	5.8	0.5	0.3	0.2	0.1
Preah Vihear	50.2	48.2	47.2	45.7	44.5	43.1	41.5
Prey Veng	33.2	33.2	32.2	30.2	29.1	27.3	25.5
Pursat	40.7	39.9	39.0	37.5	35.8	34.1	32.0
Rattanakiri	50.7	48.9	46.6	45.0	43.8	41.5	41.2
Siem Reap	42.2	40.7	38.8	36.0	34.4	32.3	31.1
Preah Sihanouk	31.6	30.7	29.4	24.8	22.8	20.5	19.6
Stung Treng	46.1	45.9	46.1	44.3	43.5	42.4	41.1
Svay Rieng	32.5	31.6	30.1	27.8	25.9	23.6	21.5
Takeo	31.6	30.7	29.2	28.1	26.8	25.2	23.4
Cambodia	35.1	34.2	32.9	30.7	29.3	27.4	25.8

Source: MOP and NCDD (2010).

V

Risks, Shocks, and Vulnerability: Causes of Poverty

22. **Poverty and vulnerability.** Households in Cambodia face many risks that can increase their vulnerability and push them into poverty, and a shock can drastically change a household's socioeconomic situation. Shocks can affect a single household (e.g., a serious illness or losing a job); a community or region (e.g., a drought or other natural disaster); or an entire country (e.g., a macroeconomic shock). The degree of change in a household's situation depends on how vulnerable it is to the shock, and the degree of vulnerability is contingent on the extent of exposure to the shock and the susceptibility and sensitivity to adverse consequences (Grosh et al. 2008). Households with inadequate coping strategies are highly vulnerable to negative impacts on well-being. Poverty is a cause of vulnerability, as poor households tend to have fewer coping strategies to protect them from shocks. Yet vulnerability is also a cause of poverty, since shocks are more likely to push vulnerable households into, or deeper into, poverty. Household shocks such as serious illness, death of a main breadwinner, or unemployment, are mostly responsible for households becoming poorer (So 2010).

23. **Assessing vulnerability.** The World Bank estimated that in 2004, 7% of households in Cambodia fell within a 10% band above the poverty line (2006). In other words, if the per capita consumption of these households were to decline by just 10%, the poverty rate would increase by 7%, from 35% to 42%. Another simple indicator of vulnerability is the proportion of households living above the international poverty line of \$1.25 PPP, but below \$2.00 PPP per day. In Cambodia, this is a significant portion of the population (28%) (para. 10). In an August 2009 survey of public opinion, 93% of respondents reported a monthly family income of \$300 or less (CAS 2009), which, at the average family size of five, would allow \$2.00 per person per day in current terms as opposed to PPP.¹⁰

24. Household, community, and national shocks continuously push vulnerable households in and out of poverty. The Council for Agricultural and Rural Development cited research that the 33% increase in food prices in 2008 lifted 8.1% of poor people who were net rice producers out of poverty, but at the same time, drew 8.3% of people who were not poor into poverty (2010). Simply looking at the net effect on overall poverty would not allow for meaningful conclusions.

25. Also called transitory poverty or churning, it is important to note that movements in and out of poverty do not only happen during economic crises or among near-poor households. For example, a panel survey of 890 households in nine villages found that between 2001 and 2004 (a period of solid economic growth), 8% of the households considered well off and 21% of the households considered moderately poor became very poor. At the same time, 36% of households that were very poor became moderately poor, and 13% became well off (Fitzgerald and So 2007).

26. **Breakdown of social capital.** Cambodia still lacks a cohesive formal social safety net system, and informal traditional systems are under threat. The Council for Agricultural and Rural

¹⁰ The Center for Advanced Study (CAS) regularly conducts the Survey of Cambodian Public Opinion, with technical assistance from the International Republican Institute and financing from the United States Agency for International Development. The public opinion surveys are discussed in more detail in Section VI.

Development is concerned that social capital (i.e., networks and relationships of trust and reciprocity that facilitate cooperation and mutual support) is increasingly under pressure from demographic changes, including population growth, migration, divorce, and family breakdown (2010). There is a reported increase in antisocial behaviors such as youth and gang violence; alcohol and substance abuse; and domestic and public violence, in particular rape. The poor are especially vulnerable to all of these (So 2010). Community safety and security are undermined by poor governance, as wealthy and powerful perpetrators are rarely held accountable or punished for crimes such as violence, gang fights, or rape (Fitzgerald and So 2007). Traditional support systems for the poor (e.g., pagodas and extended families), already weakened or destroyed under the Khmer Rouge, also appear to be deteriorating even further.¹¹

27. The National Social Protection Strategy for the Poor and Vulnerable groups the main risks in Cambodia into four categories: (i) crises and emergencies; (ii) low human development; (iii) seasonal unemployment and food insecurity; and (iv) health shocks (CARD 2011).

A. Crises and Emergencies

28. **Macroeconomic crises.** Although a net exporter of rice, Cambodia is a net importer of food and fuel; therefore, the increase in global commodity prices during 2008–2009 led to a serious terms-of-trade shock.¹² Although Cambodia's finance sector was not directly exposed, the country's economy was affected by the global financial crisis through its dependence on external demand and investment. At the same time, the real estate sector bubble burst. The economic shock was transmitted to poor and vulnerable households through loss of jobs, lower remittances, lower wages or hours of work, and lower purchasing power. With Cambodia's integration into the global economy, the impact of external economic shocks is likely to become more frequent.

29. A household's exposure to macroeconomic shocks varies according to its economic status, livelihood, and location. The impact of price fluctuations is complex, and the aggregate poverty impacts of the 2007–2008 price increases (i.e., when the price of rice, the staple food crop of Cambodia, increased by about 100%) are yet to be determined. There were some winners (e.g., rice sellers and agricultural day laborers), but there were serious impacts on food security and nutrition for many of the poor and vulnerable. According to the 2007 CSES, food consumption accounted for nearly three-quarters (73%) of total consumption for households in the poorest 20% of the population (NIS 2008). About 50% of households reported cutting back on food consumption as a way of coping. In the latter part of 2008, prior to the wet-season rice harvest, as many as 2.8 million people faced food insecurity. The crisis may have caused stagnation and possible reversal of the decline in child malnutrition, as there was no change in the percentage of children underweight (29%) or wasted (9%) from 2005 to 2008 (NIS and MOP 2008). Data also showed that the urban poor may have been more affected by rising food prices than the rest of the country. In urban areas, consumption for nearly all food groups

¹¹ According to Ross (1987), the most ubiquitous source of assistance for the average Cambodian in the 1960s and early 1970s was the network of Buddhist *wats* (temples) that extended down to the grassroots level. Relatives, extended family, and business associations (especially Chinese) also provided assistance to needy families. Under the Marxist–Leninist socialism of the People's Republic of Kampuchea, the ability of the *wat* to extend charitable aid was seriously impaired because monks lived in conditions of near poverty following active suppression under the Khmer Rouge. Fragmentary evidence suggests that public welfare in the 1980s was decentralized and received very little central government funding. The care of needy persons was entrusted to local party and government committees and, at the lowest echelon, to *krom samaki* (solidarity groups). Grassroots leaders were able to evaluate need and to extend aid, varying from in-kind assistance to informal job placement. Ross concludes that such decentralization avoided the bureaucratization of welfare but carried its own potential for abuse because aid could be apportioned on the basis of fidelity to regime and to party, or to local leaders.

¹² Adverse terms-of-trade shocks are changes in the relative price of exportable to importable goods, which discourage investment and employment.

(12 of 14) decreased, and mean food group consumption dropped from 5.4 to 4.8. Consumption of meat and fish dropped 14 percentage points. Perhaps the most alarming finding is that the incidence of wasting (i.e., low weight for height) rose from 9.6% in 2005 to nearly 16.0% in 2008.

30. Immediately after the food price shock, the global financial crisis hit three of the four main drivers of Cambodia's economy: garments, construction, and tourism. Estimates of job losses include about 70,000 in garments and 60,000 in construction. A decline in tourism led to temporary hotel closures and reduced working hours. Many firms reported reduced hours or pay for workers. With their incomes reduced, wage earners and self-employed workers not only faced slipping into poverty themselves, but also had to reduce or stop regular remittances sent to rural families.¹³ With less cash in rural areas, local demand for goods and services was also reduced, and off-farm activities became less profitable. More than 18% of households reported receiving remittances from domestic sources during the 12 months preceding the 2007 CSES, while 4% received remittances from foreign sources (NIS 2008).

31. Thus, poor and vulnerable households were likely hit hardest by the global financial crisis and are facing greater poverty and social exclusion. These impacts will become clearer when the 2009 CSES poverty estimates are released in 2012. However, rapid assessments and small-scale surveys have reported constrained circumstances for many. Women may have been disproportionately affected due to loss of employment in the garment industry, increased risk of domestic violence, and greater vulnerability to trafficking and exploitation in the commercial sex industry. Low and unskilled male workers were also vulnerable, particularly in the male-dominated construction industry. The effects on the children of poor and vulnerable households are also likely to have been substantial, with a risk of increased child labor, and poor families switching to less nutritious foods and deferring health treatments.

32. **Climatic, environmental, and natural disasters.** Cambodia's unique hydrologic regime and low coverage of water management infrastructure makes the country vulnerable to climatic and natural disasters. Most rural households rely heavily on subsistence agriculture for their livelihoods, especially rice, which accounts for 90% of total cultivated area and 80% of agricultural labor input. Agricultural production and household food security are heavily dependent upon weather conditions and can fluctuate from year to year. The growth rate of the crop subsector is also highly variable, reflecting reliance on adequate rainfall and susceptibility to the weather (CDRI 2008).

33. Extreme floods and droughts are among the most damaging shocks for rural households, and climate change is expected to heighten their severity. In recent years, unusual floods and droughts severely affected large parts of the countryside, resulting in 3 years of negative agricultural growth. In October 2009, Typhoon Ketsana caused loss of life and severe injuries, and destroyed the homes and livelihoods of some 49,000 families or 180,000 people (equivalent to 1.4% of the population) (National Committee for Disaster Management 2010). From August to November 2011, large areas of Cambodia were once again inundated with the worst flooding in decades, with 18 provinces and about 1.2 million people, 400,000 hectares of rice fields, and 1,300 school buildings affected. The damage to property, livelihoods, and public infrastructure will have a long-term impact on those communities (United Nations 2011). Although many regions in Cambodia are geographically shielded from climate hazards, almost all provinces are considered vulnerable to the impact of climate change due to their low adaptive capacity as a result of financial, technological, infrastructural, and institutional constraints.

34. Poor households rely on natural resources such as water bodies and forests to generate income. Access to common property provides an important safety net for the rural poor in bad

¹³ In a December 2008 survey of 353 garment workers (Chandarot and Dannet 2009), more than three-quarters reported sending home remittances averaging \$15 per month, a significant amount of support for a poor rural household.

harvest years. One-quarter of the poor depended on only fishery and forest products for over one-half of their income in 2004, and on average, fishery and forest products accounted for one-quarter of poor households' income (World Bank 2006). However, access to this common property is becoming increasingly limited. As captured in the participatory poverty assessment of the Tonle Sap Region, many of the extractive activities in the forest are illegal. Rising population numbers have also contributed to overexploitation and a decline in resource availability. In addition, leasing water bodies to business interests and increasing restrictions on access to fisheries are evident in places where the poorest depend on hunting and gathering for their livelihoods.

35. The livelihoods of rural households are especially vulnerable to climate and environmental shocks, and this is exacerbated by the low productivity and diversification of their income-generating activities. Most rural households rely heavily on subsistence agriculture. According to the 2008 census, an estimated 72% of Cambodians depend on fishing and agriculture to survive (NIS and MOP 2009). Agricultural productivity remains low; rice yields, for instance, remain among the lowest in Asia and the Pacific due to the limited use of improved seeds and fertilizers, and poor tilling and water management practices. Because of their low degree of income diversification and agricultural yields, rural households are especially vulnerable to weather and price shocks.

B. Low Human Development

36. **Poor nutrition.** Chronic and acute malnutrition is high in Cambodia. Malnutrition can hinder cognitive development, which, in turn, can bar the young from life opportunities and reduce economic growth. Malnutrition is caused by inadequate infant and young child feeding practices, high levels of infectious diseases, and the inability to access and afford nutritious food. Despite government efforts to address the underlying causes of malnutrition, the proportion of wasted (9%), stunted (40%), and underweight (29%) children is among the highest in Asia and the Pacific. Following improvements from 2000 to 2005, chronic malnutrition rates have stagnated, while acute malnutrition increased between 2007 and 2008, possibly as a result of the food price crisis (NIS and MOP 2009). Preliminary results from the 2010 Cambodia Demographic and Health Survey show no improvements in the nutritional status of children since 2005. In fact, the percentage of wasting increased to 11% in 2010.

37. Children of the poor suffer most from malnutrition. In 2005, the Cambodia Demographic and Health Survey found that nearly one-half of children in the poorest 20% of the population were stunted (NIS 2006). Malnutrition is influenced by a number of health, hygiene, and feeding behaviors. The 2008 Cambodia Anthropometric Survey revealed that children aged 6–35 months eat, on average, fewer than 5 of the 14 recommended food groups, with particularly low consumption of milk products, oils and fats, and legumes and nuts (NIS and MOP 2008). Basic hygiene practices are also severely lacking. Washing hands before feeding children, before preparing food, and after cleaning a child who has defecated are all infrequent (Johnston 2006). According to the 2008 census, only about 23% of rural Cambodians have access to sanitation (NIS and MOP 2009). The rest (8.2 million people) openly defecate in fields, shrubs, and forests. Further, only 40.5% of rural Cambodians have access to an improved source of drinking water, and even safe water is often contaminated at the point of use because of poor hygiene. As a result, many children become ill with diarrhea and other infectious diseases, all of which contribute to malnutrition and infant and child mortality.

38. **Poor access to, and quality of, education.** While some progress has been made in recent years, Cambodia's young population faces serious education gaps. The shortage of basic school facilities, textbooks, and trained teachers makes the provision of a quality public education very difficult. In 2007, the number of students per teacher averaged 51 in primary school and 29 in secondary school, giving Cambodia one of the highest pupil–teacher ratios in Asia and the Pacific. The country also has low educational outcomes, with particular deficiencies in writing and mathematics, and high dropout rates

are a major challenge. The primary net enrollment rate was 94% in 2008–2009, but the dropout and repetition rates of children in grades 1–6 (about 40%) are major concerns. In lower secondary school, the net enrollment rate has doubled over 7 years but still stood at only 34% in 2008–2009, with striking regional disparities (i.e., 54% in urban areas and only 11% in remote, rural areas). In upper secondary schools, net enrollment was just 16%. The main reasons for leaving school early include not wanting to go to school; having to help with household chores; having to contribute to the family's finances; poor school performance; the cost of uniforms, transport, tuition, and pocket money; and distance from school. The average distance to lower secondary school is nearly 8 kilometers for households in the poorest 20% of the population, compared to 3 kilometers for the wealthiest 20% (United Nations Country Team 2009).

39. Adult literacy in Cambodia varies according to gender and location. According to the 2008 census, 78% of the population aged 15 years and above was literate (NIS and MOP 2009). Breaking down this average by gender and location reveals that rural women fare the worst (66% literate) and urban men the best (94% literate). The average literacy rate was 90% in urban areas and 74% in rural areas. Age is a further determinant of literacy; where 87% of young people aged 15–24 years are literate, only 48% of the elderly (ages 65 years and above) can read and write. The gender gap is most pronounced in ages 55–64 years, as 85% of men are literate versus just 56% of women. In 2008, one-half of all adults aged 25 years and above had either no schooling at all or had dropped out before completing primary education. A further 27% had completed primary schooling but did not continue to lower secondary. The gender and location differences in educational attainment are stark as well, as only 10% of rural women aged 25 years and above completed lower secondary schooling versus 35% of urban men.

40. There are clear links between educational attainment and a host of other socioeconomic indicators. The productivity of labor is negatively affected by low levels of poor-quality education and high dropout rates. Cambodia's labor force also remains largely unskilled, and the demographic transition in Cambodia means a large youth cohort enters the labor market every year. In 2008, there were 1.2 million Cambodians aged 15–19 years, the age group for upper secondary education, but only 28% had, in fact, completed lower secondary school (i.e., to grade 9). In 2008, only 4% of those aged 20–24 years had completed secondary schooling. In addition, a mother's educational attainment is strongly correlated with her children's health outcomes. A child whose mother has no education is less likely to survive to the age of 5 years than a child whose mother has completed a full course of primary schooling (ADB, UNDP, and UNESCAP 2009). About 14% of children born to mothers with no primary education will die before the age of 5 years, compared to about 11% for those born to mothers who have completed primary education (ADB, UNDP, and UNESCAP 2009).

C. Seasonal Unemployment and Food Insecurity

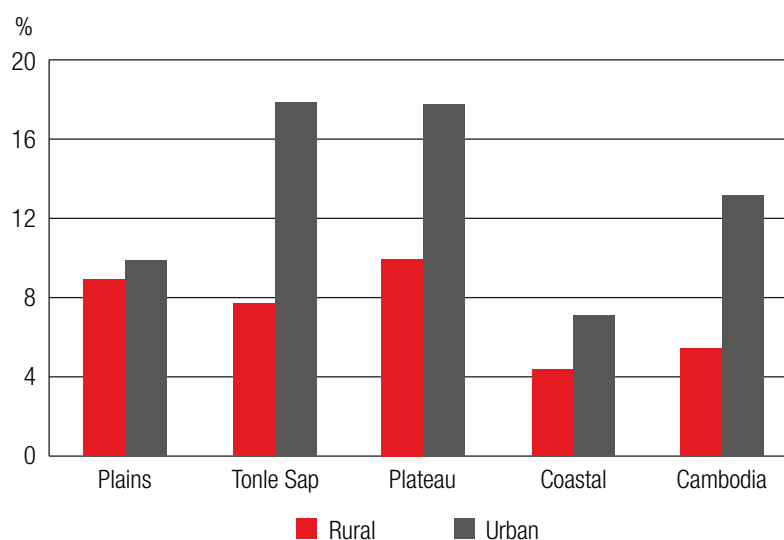
41. By one estimate, Cambodia has more than 350,000 food-insecure households or about 1.7 million individuals with poor and borderline food consumption (CDRI 2008). The largest concentration of food-insecure households is in the Tonle Sap Region, followed by the Plains Region, Mountain/Plateau Region, and Coastal Region. The Tonle Sap and Mountain/Plateau regions also have the highest incidence of food insecurity (Figure 3). Most food-insecure households are rural, landless (20% of the rural population) or land poor (25% of the rural population), and have a higher dependency ratio.¹⁴

¹⁴ Rural households are defined as being land poor if they have less than 0.5 hectare of land. In economics and geography, the dependency ratio is an age–population ratio of household members not in the labor force (the dependent part) and those in the labor force (the productive part). It is used to measure the pressure on the productive population.

42. The 2009 Global Hunger Index ranks Cambodia at 61 out of 84 countries with an alarming level of hunger (IFPRI 2009).¹⁵ The index is a multidimensional approach to measuring hunger, combining three equally weighted indicators: (i) the proportion of undernourished as a percentage of the population, reflecting the share of the population with insufficient dietary energy intake; (ii) the prevalence of underweight children under the age of 5 years, indicating the proportion of children that have failed to gain sufficient weight or have lost weight; and (iii) the mortality rate of children under the age of 5 years, partially reflecting the fatal synergy between inadequate diets and unhealthy environments. In a November 2008 survey of Cambodian public opinion, 26% of respondents said that they did not have enough to eat once a week or more (CAS 2008).

43. The main causes of food insecurity include lack of access to land, livestock, credit, markets, and agricultural inputs. Net food buyers are the least able to cope with fluctuations in staple food prices. In 2007, rural household food consumption made up 65% of their total consumption (NIS 2008). The share of food in total household consumption was 73% for the poorest 20% of the population. In the November 2008 survey of Cambodian public opinion, 76% of respondents said that at least one-half of the money that they spend each month went toward food (CAS 2008). A 2009 survey in the Tonle Sap Region found that poor and very poor families failed to generate sufficient income to meet their needs for most months of the year. The period from August to November is particularly severe for poor households, as rice stocks start running out, and the demand for agricultural labor is low (Koy and Em 2009).

Figure 3 Percentage of Food-Insecure Households, 2008



Source: CDRI (2008).

44. The pronounced seasonality of labor means that farming households, especially the 45% of rural households who are landless or land poor, are obliged to find off-farm employment to supplement family income during the slack agricultural season. Given the limited availability of off-farm employment, households increasingly rely on income from unskilled wage employment in urban areas or migrate to neighboring countries. Labor migration is especially common in provinces near

¹⁵ The index ranks countries on a 100-point scale, with 0 being the best (no hunger) and 100 being the worst, although neither of these extremes is achieved in practice. Values less than 4.9 reflect low hunger, values 5.0–9.9 reflect moderate hunger, values 10.0–19.9 indicate a serious problem, values 20.0–29.9 are alarming, and values of 30.0 or higher are extremely alarming.

the Thailand and Viet Nam borders. The Ministry of Labour, Government of Thailand issued nearly 125,000 work permits to Cambodian citizens in 2009. Of these, 36% were for work in agriculture, livestock, and fisheries, while 26% were issued to construction workers.

D. Health Shocks

45. Health shocks are a major source of vulnerability for the poor. The poor tend to have a higher incidence of injury and illness, as they are involved in physical jobs with greater risk, have poor nutrition, lack access to improved water supply and sanitation, and are often in more remote areas with limited access to health and social services. Illness or injury means not being able to work, having to spend money on health services, and depleting savings or selling assets. Delaying treatment can increase future health spending if the disease or injury worsens.

46. Health expenditure increased for the whole population from 2004 to 2007, except for the richest 20% (NIS 2008). Poor households become trapped in a vicious cycle in paying for health care, including high health care costs; out-of-pocket expenditure for health care; indebtedness at overwhelmingly high interest rates when household resources are insufficient; and selling assets (usually land) when all other resources are depleted, resulting in further destitution. In remote areas, the poor lack physical access to quality health care due to long distances to health facilities and high transport costs, especially during the wet season. Quality of care is also a problem due to lack of qualified health staff members, drugs, and equipment, and limited health facility opening hours.

47. A negative outcome of poor access to quality health care is the persistently high maternal mortality ratio (para. 18). Only 58% of births were attended by trained birth attendants in 2008. While low, this represents a significant increase from 32% in 2000. However, rates vary greatly depending on location and economic class. For the richest 20% of the population, 9 out of 10 births are assisted by skilled personnel, while for the poorest 20%, only 1 in 5 births are assisted by a skilled attendant. The risks to both maternal and child survival are very high when the mother delivers outside of a health facility, and/or without access to qualified personnel and equipment. Poor women often do not have the required antenatal and postnatal health checks. Pregnant women are particularly at risk in rural areas, where three delays contribute to maternal mortality: (i) delay in seeking medical care due to a failure to identify danger signs; (ii) delay in reaching medical care due to distances, road conditions, and means of transport; and (iii) delay in receiving adequate medical attention due to poorly equipped facilities and underskilled personnel.

48. High child mortality is further evidence of health shocks disproportionately affecting the poor. Cambodia's mortality rate for those under the age of 5 of 83 deaths per 1,000 children means that, on average, 1 out of 12 children will die before their fifth birthday (NIS 2006). Further, Cambodian children in the poorest 20% of the population are almost three times more likely to die before age 5 years than those in the wealthiest 20%, a disparity much higher than in Bangladesh, Indonesia, and Nepal, and only slightly lower than in India and the Philippines (ADB, UNDP, and UNESCAP 2009).

49. **Water supply and sanitation.** Poor access to safe water and sanitation in Cambodia increases the vulnerability of poor households to health shocks, and contributes to the high maternal and under-5 mortality rates. For the poorest 20%, one-half of the households lack access to an improved source of drinking water, and 87% live without sanitation. In contrast, 70% of households in the richest 20% have access to improved water and 77% to sanitation (NIS 2008). According to the 2008 census, 77% of all rural households and 19% of urban households did not have a household latrine (NIS and MOP 2009). Less than one-half (47%) of all households had access to an improved source of drinking water in 2008 (40% for rural households and 79% for urban households).

E. Identifying the Poor and Vulnerable

50. Particular population groups are especially vulnerable to shocks. An assessment of poverty levels for groups likely to be vulnerable is in Table 3. CARD (2010) identifies four groups as particularly vulnerable: (i) infants and children, (ii) women of reproductive age, (iii) food-insecure households, and (iv) special vulnerable groups.

Table 3 Poverty Levels of Selected Population Groups, 2007

Group	% Population	Poverty Incidence (%)	Poverty Gap
Elderly (age 65 years or above)	4.3	25.9	5.5
Members of female-headed households	18.2	27.9	7.2
Employed	53.3	28.3	6.6
People with disabilities	1.3	28.6	7.2
Members of male-headed households	81.8	31.2	7.5
Ethnic minorities	2.2	36.1	10.0
Children (age 0–14 years)	33.5	37.4	9.4
Infants (age below 1 year)	4.0	38.9	10.0
Cambodia	100.0	30.5	7.4

Source: NIS (2008).

51. **Infants and children.** Infants and children represent more than one-third of the population and face the highest poverty rates. Poverty assessments by household size and type show that families with children under the age of age 15 experience greater poverty than other families. Schooling is expensive, with indirect costs related to education (e.g., uniforms, materials, food, transport, and informal school fees) and the opportunity cost of keeping children in school rather than having them contribute to the family income. Infants and children are at risk of suffering lifetime consequences from detrimental coping strategies. These strategies include cutting back on food, eating food of lower nutritional quality, sending children to work rather than school, and selling them to human traffickers.

52. **Women of reproductive age.** Girls and women, especially those of reproductive age (i.e., ages 15–49 years), are highly vulnerable, largely as a result of their health needs. Maternal mortality remains unacceptably high, women comprise a larger proportion of HIV-infected adults than they did in the past (52% in 2009 versus 38% in 1997),¹⁶ and women's low nutritional status is a growing concern. Many women also report constraints in accessing health care.¹⁷ Violence against young girls and women is widely prevalent. One-quarter of ever-married women, ages 15–49 years, say they have experienced emotional, physical, or sexual violence since they turned 15 (NIS 2006). Sexual exploitation appears to be entrenched in Cambodia, and sexual harassment is prevalent among commercial and indirect sex workers, beer promotion girls, and karaoke hostesses. Reports of rape and sexual assault are also increasing, especially rapes and assaults involving young girls (Ministry of Women's Affairs 2008).

¹⁶ Of all new infections among women, two thirds will be among non-sex workers or those at low risk (National Aids Authority 2009).

¹⁷ Almost 90% of women reported at least one problem in accessing health care in 2005. Getting money for treatment remains the main problem, followed by lack of a provider for drugs, or of drugs themselves, and women's unwillingness to access health services alone.

53. Although some progress has been made, the low level of education of women and girls compromises their contribution to future economic development. Some success has been achieved in increasing girls' enrollment rates at the primary school level, but the female share of enrollment declines at each level of education, and low levels of literacy and education constrain women's employment and life opportunities. Evidence suggests that a mother's low level of education has a detrimental impact on the education and health of her children (para. 39).

54. **Food-insecure households.** Food-insecure households are highly vulnerable, especially to health shocks. For households that have cut food consumption to cope with adverse economic shocks, few alternatives are left. The majority of food-insecure households are rural, but they are also found in urban areas and also lack adequate access to services and secure housing.

55. **Special vulnerable groups.** Particularly vulnerable groups are identified in the Rectangular Strategy, the national strategic development plan update, and in ministries' sector strategies. These groups include people living with HIV and their families; homeless people; people living with disabilities; orphaned and at-risk children and youth; ethnic minorities; families of migrants; veterans; the elderly; and victims of violence, abuse, and exploitation. These groups are especially challenged due to overlapping vulnerabilities in addition to income poverty. For example, the living standards of ethnic minorities are much lower than the national average due to disadvantages resulting from language, remoteness, and discrimination.

VI

Perceptions of Poverty and Well-Being

56. Subjective views on well-being and vulnerability of those who live in poverty are an important addition to a poverty analysis. In 2007, the Cambodia Development Resource Institute conducted a comprehensive participatory poverty assessment of the Tonle Sap Region (Ballard 2007). This study, which was financed by ADB, interviewed poor and destitute people, with particular attention on women. It concluded that many of the poor in that region were not benefiting from Cambodia's rapid economic growth. Farming productivity remained very low, and opportunities to supplement farm produce with fishing and forest produce were declining due to population pressures and conflicts with local and outside elites. It also found that the poor and destitute lacked access to essential services, including education, health care, and water and sanitation. Personal security was another concern due to a high incidence of both public and domestic violence. Mothers were especially worried about rape when sending their daughters to school.

57. Other sources of perceptions of poverty are the surveys of Cambodian public opinion, carried out since August 2006.¹⁸ With a nationally representative sample, the data allow assessment of subjective poverty, food insecurity, and general well-being through questions on educational level attained, family income, expenditure patterns, and whether the family was better or worse off than 1 year previously. Certain surveys have a special focus (e.g., the Khmer Rouge trials or national elections), but all cover general opinions on whether the country is moving in the right direction. In the August 2009 round, 65% of respondents had only primary education or less, and 20% had no formal education at all. Only 8% of respondents had an upper secondary education, and just 2% had attended university.

58. **Family income and poverty.** In the August 2009 public opinion survey, 59% of respondents self-reported a monthly family income of less than \$100.00. For the average family of five, this is only \$0.67 per person per day (CAS 2009). This is remarkably close to the poverty line for Cambodia, which was \$0.62 per person per day in 2007. In contrast, the poverty incidence measured by the 2007 CSES was far lower at 30% (NIS 2008). Clearly there are limitations with self-reporting, but the stark difference bears noting. A further 34% of respondents reported a monthly family income of \$101.00–\$300.00 (about \$2.00 per person per day). In other words, 9 out of 10 respondents live on \$2.00 per day or less. This remained unchanged from the November 2008 round, although there were slightly fewer households with a monthly income below \$50.00 (31% in November 2008 versus 28% in August 2009).

59. **Food security.** To measure concerns about soaring food prices, the November 2008 public opinion survey included a number of questions about food, including how often the respondent's family lacked enough to eat (CAS 2008). More than one-quarter of rural residents (26%) said that they lacked sufficient food once per week or more, compared to 16% in urban areas. Although 70% of urban respondents answered that they rarely or never lacked enough food, only 55% of rural respondents

¹⁸ The surveys were conducted in August 2006, January 2007, August 2007, February 2008, November 2008, and August 2009, using a three-stage stratified random sample. The sample size of 2,000 is representative for the Cambodian population aged 18 years or older. Respondents in the August 2009 round were 50% men and 50% women, 74% rural and 26% urban, and 95% Khmer and 5% ethnic minority (including Cham [2.4%] and Hill Tribe [2.1%]).

gave the same response. Three-quarters of all respondents reported that 50% or more of what they spent each month went toward food, and 1 out of 5 spent more than 75% of their monthly budget on food.

60. **Well-being and outlook.** The August 2009 public opinion survey asked whether families were richer, the same, or poorer than 1 year before (CAS 2009). Three-quarters of respondents felt things were either the same or worse, while one-quarter felt richer. However, only 1 in 5 of those surveyed expected to be poorer 1 year in the future, and 2 in 5 expected to be richer. There was a difference between urban and rural respondents, as 45% of urban residents were optimistic, compared with 38% of rural residents. A large and increasing majority of respondents consistently believed that Cambodia is moving in the right direction (rising from 60% in August 2006 to 82% in November 2008, with a slight decrease to 79% in August 2009). By far the most common reasons given for a positive response were more roads built (76%) and more schools built (61%). The most common reasons for a negative response were more corruption (38%) and persistent poverty (29%). The question on satisfaction with community services was lowest for water supply and sanitation, irrigation, and electricity, and rural respondents were less satisfied with these services than were urban residents.

VII

National Policies and Strategies for Poverty Reduction

61. **National poverty reduction strategy.** The government's poverty reduction strategy is integrated in the national strategic development plan update, which was approved by parliament in May 2010 (RGC 2010). In Chapter IV, the update presents the goal of "poverty reduction at a rate of over 1 percent per annum and improvement of social indicators, especially in education, health, and gender equity" (para. 318). It states

For the Royal Government, the most formidable development challenge is the reduction of poverty and improving the livelihoods and quality of life of the rapidly growing population. The Royal Government considers poverty to be a waste of a valuable economic resource which is not only morally unacceptable but can also result in social polarization and instability (p. 99).

62. The update recognizes that protecting the gains made to date and staying on the path to future poverty reduction is more challenging in the context of the global financial crisis. To improve resilience of the economy and regional and global competitiveness, the government's long-term priority is to diversify and expand the country's economic base. The update's goal, through a broader and more competitive economy, is sustainable, long-term economic growth at a rate of 7% per annum, while maintaining single-digit inflation (para. 318). The government envisions broad-based development of rural economies that create new jobs and increase incomes by

- (i) enhancing productivity and diversifying the agriculture sector;
- (ii) developing agro-industries;
- (iii) rehabilitating and constructing rural roads to ensure that rural communities have access to markets; and
- (iv) expanding education, technical and vocational training, and health services in rural areas (para. 324).

63. The update recognizes that rural development is central to poverty reduction since the vast majority of the poor live in rural areas (para. 435), and it commits the government to intensifying efforts to improve food security through investments in sectors outlined in the Strategic Framework for Food Security, 2008–2012 (para. 324). The update also calls for greater development cooperation grant resources targeted at the poor and vulnerable in rural communities, and especially at the poor in remote, rural communities (para. 328).

64. **Social protection.** To ensure continued poverty reduction as Cambodia recovers from the global financial crisis, the government plans a "sharper focus on support for social safety net programs delivered by ministries and agencies to mitigate the adverse effects of the crisis on the vulnerable and poor segments of the population" (RGC 2010, Box 3, p. 100). The update commits the government to (i) developing and implementing a comprehensive and sustainable social safety net system to protect the livelihoods of the poor and most vulnerable segments of the population (para. 518), and (ii) improving social protection measures that provide not only immediate relief but also build

beneficiaries' capacity to contribute to the economic development of their communities (para. 519). The Council for Agricultural and Rural Development has responsibility for ensuring effective interministerial coordination among all ministries and agencies that deliver social safety net programs to the poor and vulnerable (Box 3, p. 100). It led the development of the National Social Protection Strategy for the Poor and Vulnerable (CARD 2011). Approved by the Council of Ministers in March 2011, this strategy is built around five core objectives:

- (i) to meet their basic needs in times of emergency and crisis, the poor and vulnerable receive support, including food, sanitation, water, and shelter;
- (ii) to reduce poverty and food insecurity and enhance the development of human capital, poor and vulnerable children and mothers benefit from social safety nets that improve nutrition and health, promote education, and eliminate child labor;
- (iii) to secure income and food, the working-age poor and vulnerable are provided with jobs developing physical and social infrastructure;
- (iv) the poor and vulnerable have effective access to affordable, good-quality health care and financial protection in case of illness; and
- (v) special vulnerable groups (i.e., the elderly, single women with children, people living with disabilities, people living with HIV, and those with tuberculosis and other chronic illnesses) receive income or in-kind support, as well as health care and psycho-social support.

65. **Targeting the poor.** IDPoor, the national poverty targeting mechanism, is led by the Ministry of Planning in collaboration with the Department of Local Administration of the Ministry of Interior. IDPoor is a participatory proxy means test that categorizes households as “poor category 1,” “poor category 2,” or “not poor.” The goal of IDPoor is to ensure that services and development assistance reach the poorest households in a village. Use of the same questionnaire nationwide means that IDPoor data can be reliably used to compare poverty levels at the village, commune, district, or provincial level. The indicators used to identify poverty are ones that are easy to observe and verify (e.g., household floor area, household roofing material, and ownership of durable goods such as a motorcycle or tractor), but they also include other variables such as the dependency ratio, children's school attendance, or recent household-level crises or shocks. Interviews are conducted by members of a village representative group, whose local knowledge makes it easier to verify whether respondents are accurately reporting their situation and to assess any special circumstances of a household. Further, the first draft list of poor households is publicly displayed in the village, giving residents the opportunity to raise grievances, such as errors of exclusion or errors of inclusion. Once the list is final, identification cards with a photograph are issued to all poor households. IDPoor is the principal targeting mechanism for Cambodia's health equity funds, which offer health service fee waivers to poor families. The Ministry of Rural Development is also using IDPoor to target sanitation grants to poor families.

66. A subdecree on identification of poor households (expected in 2011) will mandate the Ministry of Planning as the sole government body responsible for identifying poor households, ensuring that IDPoor procedures are standard nationwide. The subdecree will also stipulate that in areas covered by IDPoor, all service providers should use IDPoor data to identify their beneficiaries. Between 2007 and 2009, IDPoor was implemented in more than 7,100 villages (about 50% of all villages in Cambodia), and IDPoor lists are publicly available. By the end of 2011, all villages nationwide should be enrolled in the IDPoor system. Conducting an initial IDPoor survey in a village costs about \$1.50 per household, with a similar cost for repeating the surveys every 2 years. If several agencies need the same data to target their poverty initiatives, survey costs can be shared.

ADB and Poverty Reduction in Cambodia

67. ADB's last country partnership strategy (ADB 2005) had sustainable poverty reduction as its overarching goal. It recognized Cambodia's binding constraints to poverty reduction as insufficient and too narrowly based economic growth; limited access to, and poor quality of, social services; landlessness; declining access to natural resources that generate cash and increase food security; social exclusion; poor governance; and endemic corruption. To respond to these challenges, ADB focused on supporting broad-based economic growth, inclusive social development, and good governance. To address geographical disparities in economic development, the country partnership strategy targeted the impoverished Tonle Sap Region. Although it did not explicitly highlight social safety nets as a core area, ADB's targeted support to the poor has been extensive, including (i) cash transfers (e.g., scholarships), (ii) labor-intensive public works (e.g., food and cash for work), (iii) in-kind transfers (e.g., targeted rice distribution and school feeding), and (iv) fee waivers (e.g., through financing for health equity funds).

68. The analysis presented in this report suggests a number of points for consideration in formulating ADB's future strategy in Cambodia.

- (i) Sustained double-digit growth leading to poverty reduction of 1% per year and increasing inequality indicates that growth has not been particularly inclusive. This highlights the need for more ex-ante poverty analysis and better-targeted infrastructure and economic and social development initiatives.
- (ii) There is strong justification for continued focus on the Tonle Sap Region, given that the region has a much higher incidence of poverty than the national average, the greatest magnitude of poverty (e.g., the highest number of poor people), and the highest incidence of food insecurity.
- (iii) The country's economic transition requires developing a skilled workforce to meet the needs of industry.
- (iv) Recent experience underscores Cambodia's vulnerability to external crises. Future investments should seek to integrate opportunities for poverty reduction, the climate, and the environment.
- (v) The risk and vulnerability profile calls for a focus on agriculture and rural development, rural water supply and sanitation, girls' education, rural infrastructure (especially rural roads for improved access to services), and social protection for the poor.

69. The poverty reduction outcomes of ADB operations in Cambodia can be strengthened through

- (i) committing all ADB operations to using IDPoor data to better target resources to the poorest;
- (ii) supporting the government's fledgling social protection initiatives through developing knowledge products (such as updating the Social Protection Index) and providing financial support for pilot programs (such as labor-intensive public works);

- (iii) building social protection elements into new projects, as ADB has done in the past, and by designing demand-side interventions to complement supply-side initiatives (i.e., scholarships for lower secondary school girls to complement school construction);
- (iv) ensuring that involuntary resettlement safeguards are well implemented and closely monitored so that the standard of living of the displaced poor and other vulnerable groups is improved; and
- (v) focusing on rural Cambodia and the Tonle Sap Region, in particular, but not losing sight of, the need for local economic development in district and provincial towns and the importance of their links to larger urban areas.

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Cambodia: Country Poverty Analysis

This publication examines trends in growth, consumption, and inequality to construct a poverty profile for Cambodia. Recognizing that poverty is a multidimensional phenomenon, it also explores (i) nonmonetary poverty and the Millennium Development Goals, (ii) predictive poverty rates generated by the Commune Database, and (iii) perceptions of poverty and well-being. An exploration of the risks, shocks, and vulnerability that cause poverty touches on crisis and emergency, low human development, seasonal unemployment and food insecurity, and health shocks. Finally, the report explores Cambodia's national policies and strategies for poverty reduction, including the National Social Protection Strategy and the Identification of Poor Households Programme (IDPoor) targeting mechanism.

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