

CAMBODIA COUNTRY POVERTY ANALYSIS 2014

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Currency Equivalents

(as of October 2014)

Currency unit – riel (KR)

\$1.00 = KR4,075

Abbreviations

CARD	–	Council for Agriculture and Rural Development
CDB	–	Commune Database
CDHS	–	Cambodia Demographic and Health Survey
CPS	–	country partnership strategy
CSES	–	Cambodia Socioeconomic Survey
FDI	–	foreign direct investment
GDP	–	gross domestic product
IDPoor	–	Identification of Poor Households
IMR	–	infant mortality rate
Lao PDR	–	Lao People's Democratic Republic
LFS	–	Labor Force Survey
MDG	–	Millennium Development Goal
MMR	–	measles, mumps, and rubella
MOP	–	Ministry of Planning
MPI	–	multidimensional poverty index
NGO	–	nongovernmental organization
NSDP	–	National Strategic Development Plan
NSPS	–	National Social Protection Strategy
OPHI	–	Oxford Poverty and Human Development Initiative
PPP	–	purchasing power parity
RGC	–	Royal Government of Cambodia
RS	–	Rectangular Strategy
SPCU	–	Social Protection Coordination Unit
SPI	–	social protection index

TVET	-	technical and vocational education and training
UNDP	-	United Nations Development Programme
UNESCAP	-	United Nations Economic and Social Commission for Asia and the Pacific
UNFPA	-	United Nations Population Fund
WFP	-	World Food Programme
WHO	-	World Health Organization

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Foreword

A significant amount of new information about poverty in Cambodia has become available since the last ADB country poverty analysis was published in 2011, at which time the most recent official figures dated to 2007. In 2013, Cambodia's Ministry of Planning introduced new poverty lines and published revised poverty estimates for the years 2004 and 2007 and new figures for 2008–2011. Poverty rates for 2012 were released in 2014. The new figures show some surprising results, including a dramatic decline in poverty during the peak years of the food, fuel, and financial crises of 2007–2009. Cambodia now counts among countries with the most rapid poverty reduction in the world. Inequality also appears to have fallen since 2007.

Parallel to the poverty measurement efforts of the Government of Cambodia, the World Bank developed a new set of poverty lines, which differ slightly from the government's but show very similar trends. The World Bank's 2013 poverty assessment emphasizes that despite significantly decreasing poverty rates, due in large part to agriculture and rising rural wages, a large share of the Cambodian population has moved only very slightly above the poverty line, leaving many citizens highly vulnerable. A comparison of the World Bank's poverty lines with those of the government demonstrates that poverty rates are highly sensitive to very small changes in the poverty threshold (see section 2).

Other new sources of data include the Ministry of Interior's updated provincial poverty scorecards, derived from the Commune Database; recent updates regarding the Millennium Development Goals; data on subjective well-being; and working papers from respected local research institutes. This report draws on all of these sources and more. As in previous assessments, we begin by looking at demographic trends and then explore various poverty indicators in detail.

What distinguishes ADB's poverty analysis from other studies is the inclusion of the latest official poverty rates for 2012, which show significantly increased poverty in Phnom Penh. ADB's analysis also provides in-depth coverage of three issues: (i) debt and vulnerability, (ii) the multidimensional nature of poverty, and (iii) tools for targeting the poor. First, our analysis of the very high and possibly growing level of vulnerability shows not only that more families are hovering just above the poverty line than in the past, but also that the growing problem of over-indebtedness among the poor and near-poor exacerbates poverty and vulnerability. Given the lack of a comprehensive social protection system, people often resort to borrowing money at very high interest rates to smooth household consumption in times of need. Second, we explore the multidimensional poverty index (MPI) for Cambodia, as developed by the Oxford Policy and Human Development Initiative. Using data from the Cambodia Demographic and Health Survey, the MPI sheds light on the incidence and intensity of 10 different deprivations that go beyond income or expenditure. Third, we focus on how and where to target development efforts for maximum impact on poverty reduction and inclusive growth. The report presents a range of tools and maps for geographic, categorical, and household targeting. Different methodologies for poverty measurement have various pros and cons, and their own particular limitations. All figures should be interpreted with caution, with an understanding of where they come from and what they measure.

This study belongs to the set of sector and thematic assessments that were prepared to inform the ADB Cambodia Country Partnership Strategy (CPS) 2014–18. Poverty reduction and inclusive growth are ADB’s overarching objectives in Cambodia. Therefore, this report serves as both a baseline for the new CPS and a reference for the poverty and social analysis that lies at the heart of ADB project design. To set the institutional context, this study also examines the government’s new policy framework for poverty reduction, which is found in the Rectangular Strategy Phase III and the National Strategic Development Plan 2014–2018. The report closes by outlining some of the implications of the poverty analysis for ADB’s next 5-year partnership with Cambodia. Although our report was prepared primarily for an audience comprising the ADB Cambodia country team and its counterparts from the government, we hope it will be a useful reference for development partners, civil society, and researchers in Cambodia and beyond.

Executive Summary

A demographic update

The Cambodian population grew to 14.68 million in 2013. Of the total 3.16 million households, 2.5 million households were rural and 0.66 million were urban. These numbers confirm that Cambodia is still overwhelmingly rural, but urbanization is rising: the urban population grew to 21.4% of the total in 2013, up from 19.5% in 2008. Population distribution remains uneven, and most people live in a diagonal band that stretches from the northwest to the southeast. This distribution has implications for targeting the poor, because the areas with the greatest number poor people may not have the highest incidence of poverty. Two clear trends emerge from the latest demographic data: Cambodians are on the move, and they are getting older. The policy implications of aging and population migration will be significant.

A profile of income poverty and vulnerability

Income poverty has fallen dramatically, but many families teeter only just above the poverty line. With a very large share of the population concentrated at the bottom of the income distribution, the poverty rate is highly sensitive to where the line is drawn. Vulnerability to poverty has increased, and urban poverty may be rising. New official poverty lines introduced in 2013 show that the poverty rate fell sharply from 47.8% in 2007 to 22.9% in 2009, 19.8% in 2011, and 18.9% in 2012. Regional differences persist, and about 90% of the poor live in rural areas. In 2011, the poverty incidence was highest in other urban areas before falling below the rural poverty rate again in 2012. The urban poverty rate in 2012 was 16.3% in Phnom Penh and 14.5% in other urban areas. The rural poverty incidence fell from 24.6% in 2009 to 20% in 2012. Inequality rose from 2004 to 2007 but has fallen since 2007. The share of total consumption of the poorest 20% of households increased from 7.5% in 2007 to 9.3% in 2012, whereas the share of total consumption of the richest 20% of households fell from 46% in 2007 to 41% in 2009. However, it is unlikely that the socioeconomic surveys accurately capture the top of the income distribution: average per capita daily consumption was just \$3.75 in the richest quintile in 2009, compared to \$0.70/day in the poorest quintile and \$1.04/day in the next poorest quintile.

Although broadly similar, some of the technical choices in the World Bank's new poverty measurement methodology differ, resulting in different poverty lines. The overall national trends are very similar, particularly from 2009 onward, and both approaches show that the most dramatic poverty reduction occurred between 2007 and 2009. However, the differences in national headcounts for the years 2004 and 2008 are significant at about 10 percentage points. The government's poverty rate was higher in 2004, and the World Bank's was higher in 2008.

The international poverty line of \$1.25 per person per day, expressed in 2005 purchasing power parity (PPP) dollars, also shows a sharp reduction in extreme poverty. In 2011, 10% of the population lived on less than \$1.25 per day, down from 31% in 2007, a drop of 21 percentage points in 4 years. However, in 2011, 41% of the population still lived on less than \$2 per day, and 72% lived on less than \$3 per day. Demonstrating the growing vulnerability in Cambodia, in 2007, 28.5% of

the population fell between the \$1.25 and \$2.00 per day poverty lines. By 2011, this had grown to 31.2% of the population, or about 4 million people. The \$2 per day poverty rate increased from 40.7% in 2009 to 41.2% in 2011.

One of the most important determinants of income poverty is location. Poverty is overwhelmingly concentrated in rural areas, and the gap appears to be growing. Whereas 89% of poor households lived in rural areas in 2004, this increased to 91% by 2011. Poor households are larger, with 5.6 members; the national average is 4.5. Consumption is lower in households whose working-age adults have fewer years of education. Average years of education has changed little among poor households, from 3.1 years in 2004 to 3.3 years in 2011, but increased among average households, from 3.9 years in 2004 to 5.1 years in 2011.

Gender and poverty

In 2012, 22% of all households were headed by women. In 2011, the difference in income poverty rates between households headed by women and those headed by men appear very small. However, once household composition is taken into account, female-headed households with more than two children and no adult males are much more likely to be poor and the girls more likely to be working. Households headed by women are likely to be more vulnerable; they are also likely to experience shocks differently than male-headed households, largely due to social norms and more limited economic opportunities and income. On average, households headed by women have smaller land holdings than men. Women's participation in the labor force is high, but about 70% of employed women, compared to 59% of men, are in vulnerable employment.¹ Although women own 65% of all businesses in Cambodia, the vast majority of women's businesses are microenterprises: 51% employ only one person, and 96% engage four or fewer persons. Importantly, a decline in household income poverty rates does not necessarily translate into improved well-being for women and girls if resources are not shared equally within the household. Evidence of high malnutrition and anemia among women and a high incidence of domestic violence indicate women's inferior position and disadvantaged access to resources.

Explaining poverty reduction

From 2004 to 2011, most of Cambodia's poverty reduction occurred in rural areas and was particularly rapid from 2007 to 2009, at the height of the food, fuel, and financial crises. According to World Bank analysis of data from the Cambodia Socioeconomic Survey (CSES), poverty reduction is largely explained by four factors: (i) increases in the price of rice, (ii) increased rice production, (iii) growth in agricultural wages, and (iv) higher incomes from self-employment in nonagricultural businesses. In the context of high migration rates, cash and in-kind remittances contribute to increased consumption for many rural households, and they also help explain some of the poverty reduction. Income from remittances and transfers increased by 25% between 2004 and 2009, and 43% of households received remittances in 2011.

Debt and vulnerability

Cambodia's poor and vulnerable households have faced an array of recent shocks, from the price hikes and job losses associated with the food, fuel, and financial crises to natural disasters

¹ Unpaid contributing family workers and own account workers are considered to be in vulnerable employment.

including Typhoon Ketsana in 2009 and the devastating floods of 2011 and 2013. In the absence of a national social protection system, borrowing has become a primary mechanism for coping with shocks. According to the 2009 CSES, 46% of households in the poorest consumption quintile, and 42% of households in the next poorest quintile, were in debt, compared to 38% of all households. According to an independent survey in 2009, 58% of all households in three provinces were in debt. After the 2011 floods, 40% of survey respondents reported taking new loans, most commonly to buy food. For poorer segments of the population, debt can easily lead to destitution.

Poorer households are more likely to borrow from informal moneylenders, have a high ratio of outstanding debt to average annual per capita consumption, and borrow for unproductive purposes such as consumption, medical expenses, cultural and religious ceremonies, or to service existing debts. Evidence suggests that, much like remittances, survey respondents are likely to underreport debt levels. Taken together, this high and potentially underreported indebtedness and a significant share of unproductive loans suggest that vulnerability is more significant than existing poverty analyses recognize. Poverty measurement is based on household consumption. If a significant share of household consumption is financed by loans, the resulting poverty reduction might not be as robust and vulnerability could be more pronounced. More research is needed in this area.

Non-income indicators

Cambodia is an early achiever in many Millennium Development Goal areas, particularly in reducing income poverty, increasing primary enrollment, and fighting HIV and tuberculosis. Indicators that are on track and likely achievable by 2015 include the primary completion rate and gender parity at the secondary level. However, progress is slow in reducing child malnutrition and infant and child mortality, and in increasing access to sanitation. Cambodia is unlikely to meet these targets on time, and intensified efforts will be required. Two indicators show no progress: forest cover and CO₂ emissions.²

Cambodia's multidimensional poverty rate fell from 59% in 2005 to 46% in 2010.³ A much higher proportion of Cambodians are multidimensionally poor than are income poor.⁴ When compared with the rapid reduction in income poverty over the same period, this relatively slower progress points to Cambodia's weaker performance in improving people's access to basic services (e.g., drinking water, sanitation, electricity, and modern cooking fuels), all of which play a very important role in promoting well-being. A further 21% of the population was considered vulnerable to multidimensional poverty in 2010.

The regular Survey of Cambodian Public Opinion assesses subjective well-being. In August 2009, the survey asked respondents if their families were richer, the same, or poorer than 1 year earlier. Three of four respondents felt they were the same or poorer, and only one in four felt they were richer. This result is interesting in light of the dramatic decrease in official poverty incidence from 2007 to 2009, perhaps underscoring that families may have moved only very slightly above the poverty line, resulting in minimal differences in their perceived well-being.

² ADB, UNESCAP, and UNDP. 2013. *Asia-Pacific Aspirations: Perspectives for a Post-2015 Development Agenda. Asia-Pacific Regional MDG Report 2012/13*. Manila: Asian Development Bank.

³ Alkire, S. and J. M. Roche. 2013. *How Multidimensional Poverty Went Down: Dynamics and Comparisons*. Oxford Poverty and Human Development Initiative Research Brief March 2013. Oxford University: OPHI.

⁴ The Oxford Poverty and Human Development Initiative's multidimensional poverty index (MPI) combines 10 relatively simple indicators in 3 dimensions: education, health, and standard of living. A person is poor if they are deprived in at least one-third of the weighted indicators.

The new national framework for poverty reduction

In Cambodia, the policy framework for poverty reduction comprises the Rectangular Strategy Phase III (RS III) and the National Strategic Development Plan (NSDP), both for the period 2014–2018. The national target continues to be poverty reduction at 1 percentage point per year. The four rectangles of the RS III address agriculture, infrastructure, private sector development and employment, and human resource development. The country's development strategy has long been to focus on four priority areas: roads, water, electricity, and people. However, the new framework clearly shifts emphasis. The RS III states that the next 5 years will require a greater emphasis on the development of human capital, which is at the core of Cambodia's future competitive advantage. Two cross-cutting multisector strategies focus primarily on poverty reduction: the 2011 National Social Protection Strategy for the Poor and Vulnerable, and the 2014 National Food Security and Nutrition Strategy.

Targeting tools

The official poverty measure cannot be used to calculate poverty at the provincial level, but there are several other sources of subnational data for geographic, categorical, and household targeting. The Ministry of Planning implements the Identification of Poor Households (IDPoor) targeting system on a 3-year rolling basis. The Ministry of Interior publishes predictive poverty rates, which are available down to the commune level, derived from the Commune Database. Poverty rates based on the multidimensional poverty index are available at the provincial level. A ranking of Cambodia's 10 poorest provinces will differ according to which of these three methods is used, but seven provinces appear on all three lists. Thus, Kampong Chhnang, Kampong Thom, Kratie, Preah Vihear, Pursat, Siem Reap and Stung Treng can be considered particularly poor. Most of these provinces are around Tonle Sap Lake.

The World Food Programme's 2013 poverty and malnutrition maps provide another useful targeting tool for program design, with commune-level detail. The general pattern shows that poverty is comparatively low in Phnom Penh; slightly higher in the plains, river valleys, around the shores of Tonle Sap Lake, and on the sea coast; and higher still in the northeast and in interior areas away from the shore to the southwest of Tonle Sap Lake. A comparison of the poverty and malnutrition maps reveals that most of the country exhibits very high rates of stunting, and that areas with the highest rates of stunting are not necessarily the areas with the highest poverty incidence.

Implications for the ADB program in Cambodia

The overarching objective of the ADB program in Cambodia will continue to be poverty reduction, in line with the government's priorities. The official poverty rate has fallen dramatically, but the poor have not made it very far above the poverty line, the rate of poverty reduction has tapered off sharply since 2009, and multidimensional poverty remains high. The country partnership strategy 2014–2018 can help reduce poverty and vulnerability and promote inclusive growth by focusing on rural areas and rural–urban linkages, targeting the areas where most poor people live. Infrastructure improvements remain essential. Promoting connectivity for isolated areas, particularly through improved rural roads, can dramatically expand opportunities, as can last-mile tourism infrastructure that helps distribute the benefits of tourism growth more equitably.

More than half of the working population is still engaged in agriculture on very small plot sizes, so a focus on improving productivity, diversifying production, and promoting competitive farms and agribusiness enterprises can create jobs and higher incomes. However, agriculture alone will

not drive poverty reduction in the medium and longer term. More and better jobs in industry and services will be important, particularly in urban areas where poverty is rising. A more skilled population will be required for those jobs. Government policy and strategy documents for 2014–2018 clearly specify a shift in focus, recognizing that the next 5 years will require a greater emphasis on human capital development because it is at the core of future competitive advantage.

ADB can strengthen human capital by (i) supporting better health through improved access to rural and urban water supply, sanitation, and hygiene; and (ii) supporting better education and skills through improved access to quality general education and technical and vocational education and training. In those areas, it will be particularly important to complement supply-side interventions with demand-side interventions (e.g., poverty-targeted scholarships and stipends) since affordability and opportunity costs are key constraints to education for many young Cambodians. ADB interventions should particularly ensure equal education and training opportunities for girls and women. Given women's overwhelming concentration in vulnerable employment, one of the most surefire ways to achieve more inclusive growth in Cambodia, where gender gaps remain significant, is to promote women's economic empowerment.

I Introduction: A Demographic Update

1. **Population Growth.** In March 2013, the Inter-Censal Population Survey showed 14.68 million Cambodians living in 3.16 million households (MOP 2013). Of these, 2.5 million households are rural and 0.66 million are urban. Cambodia is clearly still overwhelmingly rural, but the urban population rose to 21.4%, up from 19.5% in 2008. With 1.69 million residents, the capital city Phnom Penh is larger than all other urban areas combined, representing 11.5% of the total population and 53.7% of the urban population. The average urban household (4.8 members) is slightly larger than the average rural household (4.6 members). Two very clear trends emerge from the latest demographic data: Cambodians are on the move, and they are getting older. The policy implications of aging and of population migration, particularly to urban areas, will be significant.

2. **Demographic Transition.** Cambodian women are having fewer children and the fertility rate has gradually fallen, as have maternal, child, and infant mortality rates. At the same time, Cambodians are living longer. Today's life expectancy (60.5 years for men and 63.5 years for women) is anticipated to rise to 66.4 years for men and 69.9 years for women by 2030. Although UN projections suggest that the fertility rate will continue to decline, from a current average of 3.1 born to each woman to 2.6, the population will reach nearly 20 million by 2030 (Derveeuw 2013). Government estimates put the population growth rate at about 1.5% per year (MOP 2013).

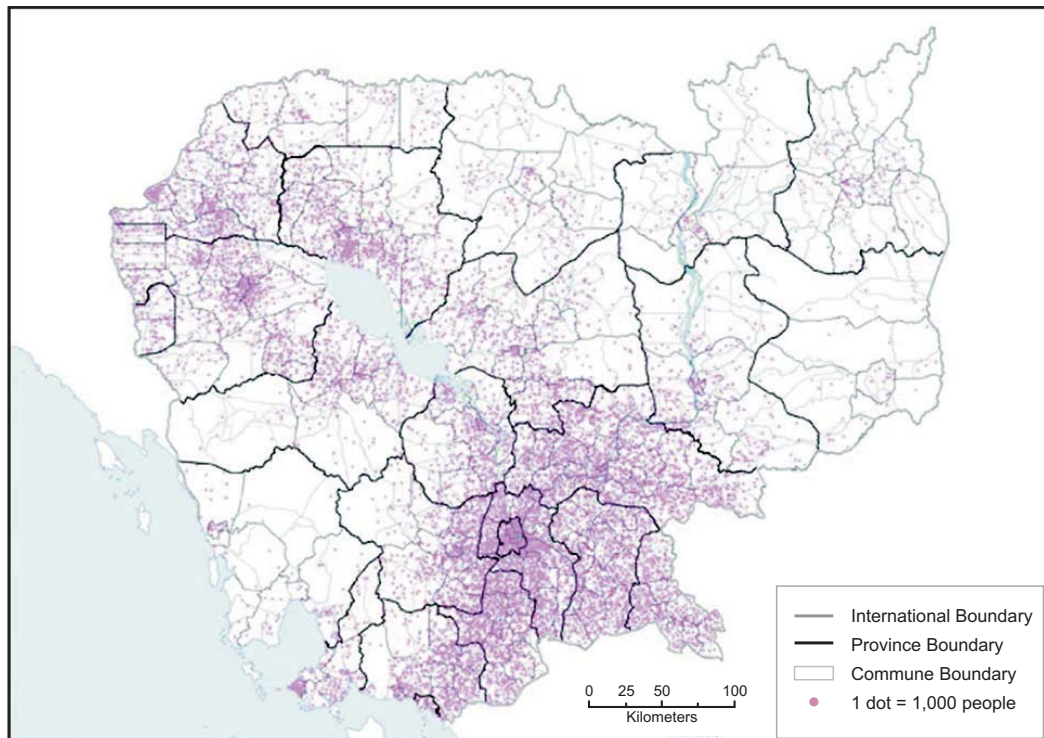
3. **Cambodia's Aging Population.** The post-conflict demographic recovery began in the 1990s, and today's young adults aged 15–29 years comprise 33% of the population. Another 32% are younger than 15 years. This large working-age population represents a significant potential demographic dividend. However, the dependency ratio—the proportion of working-age people to the very young and the elderly non-working population—is changing. The proportion of elderly Cambodians (aged 65+ years) is increasing and will reach about 6%, or about 1.2 million people, by 2030, and will sharply increase after that, according to UN projections (Derveeuw 2013). This will have significant policy implications for health and social protection because the elderly are among the most vulnerable members of society. Given their longer life expectancy, elderly women are particularly vulnerable.

4. **Uneven Population Distribution.** The Cambodian population is concentrated in a diagonal band that stretches from the northwest border with Thailand, down around the Tonle Sap Lake, and to the southeastern plains region and the border with Viet Nam. The greatest density occurs in the southeast, with the lowest density in the northeast (Figure 1). This distribution has implications for poverty targeting because the areas with the most poor people may not have the highest incidence of poverty (see section 5). Kampong Cham is Cambodia's most populous province, with 12% of the population and nearly 404,000 households. Phnom Penh is a close second, with 11.5% and 352,700 households.

5. **Unprecedented Migration.** Cambodia's rural-to-urban migration boom increased Phnom Penh's population by 70%, from just under 1 million to nearly 1.7 million between 1998

and 2013. The proportion of rural households fell from 80.5% in 2008 to 78.6% in 2013, largely due to migration. In a 2012 survey of 1,000 Phnom Penh migrants and 4,500 rural households in 375 villages, the Cambodia Rural Urban Migration Project determined that half of rural out-migration is to Phnom Penh and about one-third is international, with the vast majority of international migration to Thailand (MOP 2012). In 2011, a full 90% of the surveyed villages lost a share of their population, and the average net loss was 4%. Forty-five of the 375 villages lost more than 10% of their population. Importantly, the out-migration rate was lower for villages located closer to national roads and with more facilities and amenities, especially electricity. This suggests that migrants who work and study near their village of origin may not be as likely to move. The out-migration of primarily younger adults is resulting in a slowly “greying” rural population. The phenomenon of children left behind is an emerging social issue: among migrants to Phnom Penh who have children, more than 20% report that their children live elsewhere, overwhelmingly with grandparents (MOP 2012). Although the sample was small, a UNICEF analysis of child poverty determined that poverty is highest among households comprising only children and older persons (Evans and Calderon 2013).

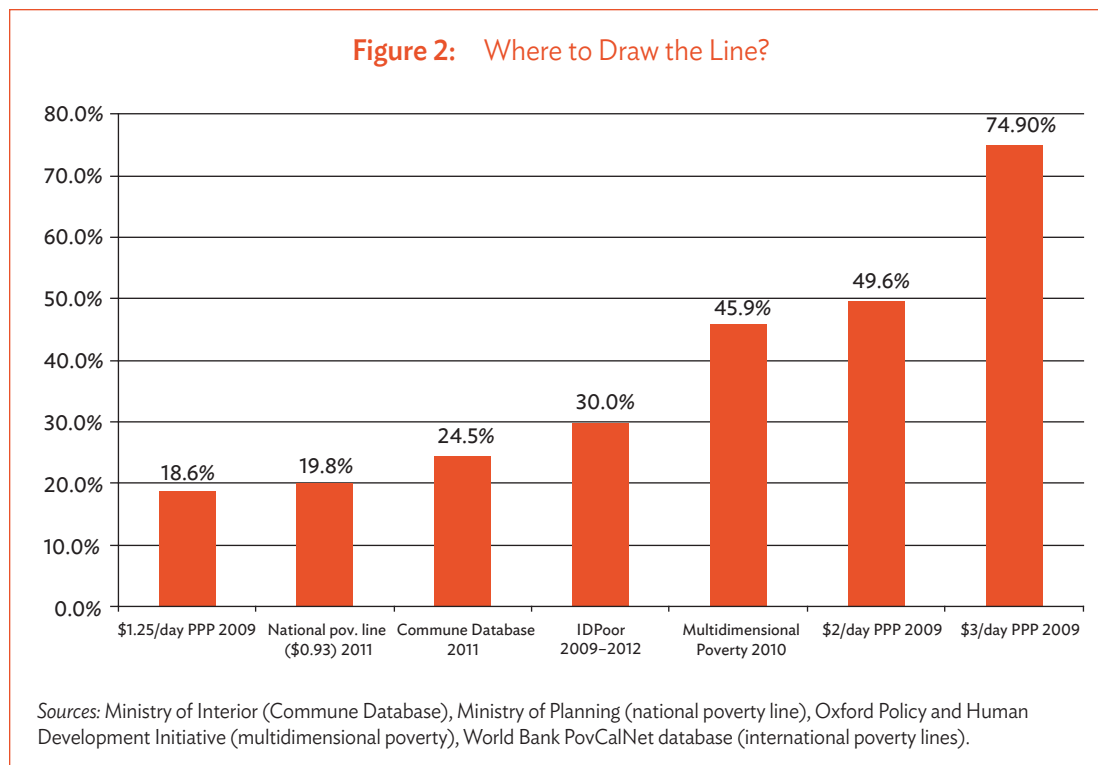
Figure 1: Population Density in Cambodia, 2008



Source: World Food Programme. 2013. *Small-Area Estimation of Poverty and Malnutrition in Cambodia*. Phnom Penh: Ministry of Planning.

A Profile of Income Poverty and Vulnerability

6. **Income Poverty.** Despite dramatically decreasing income poverty since the mid-2000s, many families have moved only very slightly above the poverty line. The annual Cambodia Socioeconomic Survey (CSES)⁵ shows that vulnerability to poverty has increased, and that urban poverty may be rising. Inequality has also fallen since 2007. However, a very large share of the population is concentrated toward the bottom of the income distribution, and the poverty rate is highly sensitive to where the line is drawn. Figure 2 illustrates the significant differences that arise from the use of different poverty thresholds. This section uses government, World Bank, and international poverty lines to explore poverty and inequality, and explains why poverty rates fell. We also examine the high debt levels of poorer households, particularly debt taken to finance household consumption.



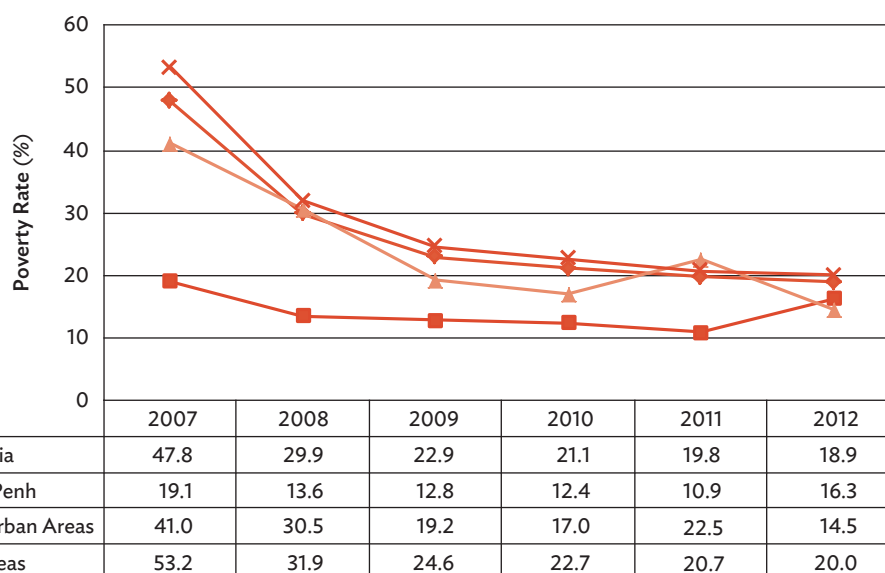
⁵ The CSES has been conducted annually since 2007. The 2004 and 2009 surveys were based on larger and more representative samples of about 12,000 households, compared to smaller samples of about 3,600 respondents in 2007, 2008, and 2011–2012. A large sample is planned for 2014. To correct for seasonal fluctuations, the CSES is enumerated over 12 months.

The New Official Poverty Lines

7. In 2013, the Ministry of Planning (MOP) introduced new poverty lines and published revised, higher poverty estimates for the years 2004 and 2007, as well as new figures for 2008–2011. In April 2014 MOP published new data for 2012 on its website.⁶ According to consumption data from the Cambodia Socioeconomic Survey (CSES), the national incidence of poverty fell sharply from 47.8% in 2007 to 18.9% in 2012. Overall poverty reduction was steepest between 2007 and 2009 and tapered off during 2010–2012, although it increased over some periods in urban areas and in Phnom Penh (Figure 3). Regional differences persist. Although poverty was highest in rural areas in 2012, urban poverty has fluctuated. The poverty rate in urban areas excluding Phnom Penh increased significantly from 2010–2011 and was actually higher than in rural areas, before falling again in 2012. In Phnom Penh, poverty increased sharply from 2011 to 2012 reaching 16.3%, and for the first time it was higher compared to other urban areas at 14.5%. In 2012, the poverty rates for Cambodia, Phnom Penh, and rural and other urban areas converged to a greater extent than previously. Currently, they fall within 5.5 percentage points of each other, between 14.5% and 20%.

8. The government's revisions to the poverty lines (Table 1) include (i) a food poverty line based on 2,200 calories per person per day (up from 2,100); (ii) a nonfood component that is estimated separately for Phnom Penh, other urban, and rural areas; (iii) no imputed expenditures (such as for housing); and (iv) a token allowance for the cost of safe water (MOP 2013). The new method remains conservative as it calculates the poverty line from the observed expenditure

Figure 3: Poverty Trends by Area, 2007–2012



Sources: Ministry of Planning. National Strategic Development Plan 2014–2018. Phnom Penh; Ministry of Planning. 2014. Poverty Estimate in 2012 in Cambodia. General Directorate of Planning, April.

⁶ Available at <http://mop.gov.kh/Projects/tabid/148/Default.aspx>

Table 1: Poverty Lines and Rates by Area, 2009

	Per Capita Daily Poverty Line (KR)	Per Capita Daily Poverty Line (\$)	Per Capita Monthly Poverty Line (\$)	Poverty Rate (%)
Phnom Penh	6,347	1.53	46.55	12.8
Other Urban	4,352	1.05	31.92	19.3
Rural	3,503	0.84	25.69	24.6
Cambodia	3,871	0.93	28.39	22.9

Note: The average exchange rate for 2009 was \$1 = KR4,183.

Sources: Ministry of Planning. 2013. *Poverty in Cambodia: A New Approach*. Phnom Penh: Royal Government of Cambodia; Ministry of Planning. 2009. Cambodia Socioeconomic Survey; and ADB staff calculations.

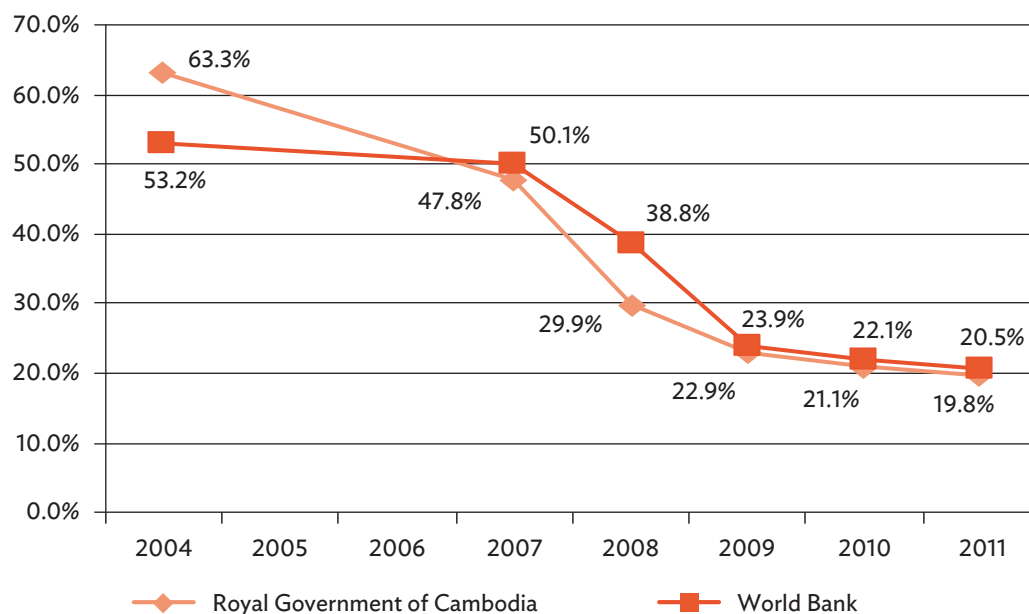
patterns of only the very poorest families. For example, the composition of the food basket is based on the food consumption of households in the bottom 3 deciles of wealth distribution. The reasoning is that poverty lines should consider the food habits of people living at modest levels (MOP 2013). However, the food habits of the poorest are likely inadequate: the 2010 Cambodia Demographic and Health Survey (CDHS) confirmed that 57% of children in the bottom 2 deciles (the bottom quintile) are stunted (i.e., too short for their age) as a result of chronic malnutrition (World Bank 2012). Reflecting this very low food poverty line, the 2012 food poverty rate was 2.3% overall, 2.3% in rural areas, 2.9% in other urban areas, and 0% in Phnom Penh.

9. The nonfood component of the poverty line is also determined by looking only at what the poorer households consume. According to the 2009 CSES, the average total per capita consumption in households at the bottom of the wealth distribution was less than \$1 per day (in 2009 terms). These households are unlikely to spend an adequate amount on education, health care, housing, sanitation and hygiene, clothing and footwear, and other essentials. Consequently, the overall poverty line will be low.

10. Notably, urban poverty is significantly higher under this new methodology. Using the old approach, the poverty rate in 2009 would have been 1.8% in Phnom Penh and 6.9% in other urban areas, largely due to previously imputed values for rent (even if households did not actually pay rent) and depreciation of household items. Both values artificially inflate total household expenditure (consumption) and yield lower poverty estimates. Therefore, the new poverty measurement methodology more accurately reflects urban poverty. CSES data confirm that urban poverty is rising.

The World Bank Poverty Lines

11. In an independent exercise, the World Bank updated its poverty measurement methodology for Cambodia beginning with the 2009 CSES. The overall approach is broadly similar, with poverty based on consumption. However, some of the technical choices differ slightly, resulting in different poverty lines. While the overall national poverty trends are very similar, particularly from 2009 onward, and both approaches show the most dramatic poverty reduction during 2007–2009 (Figure 4), the national headcounts in 2004 and 2008 differ significantly (by about 10 percentage points). The government's poverty rate is significantly higher for 2004, and the World Bank's is significantly higher for 2008.

Figure 4: Comparing Government and World Bank Poverty Estimates, 2004–2011

Source: World Bank. 2013. *Where Have All the Poor Gone? Cambodia Poverty Assessment 2013*. Washington, DC: World Bank.

12. An important difference between the government and World Bank poverty lines is the share of the food component in the overall line. In the official government method, food comprises 49% of the poverty line in Phnom Penh, 60% in other urban areas, and 66% in rural areas, based on expenditure patterns of households in the 3rd decile. In comparison, the World Bank bases the food component on the expenditure patterns of households whose total consumption is within 10% of the food poverty line. Under this approach, food comprises 64% of the poverty line in Phnom Penh and 66% in both rural and other urban areas. In other words, the nonfood component in government poverty lines is larger for Phnom Penh and other urban areas (Table 2).

13. Although the national poverty rates derived from government and World Bank poverty lines are within 1% of each other beginning in 2009, there are important differences in the subnational

Table 2: Average Per Capita Food and Nonfood Consumption by Area, 2009

	Average Monthly Food Consumption (\$)	Average Monthly Nonfood Consumption (\$)	Average Monthly Total Consumption (\$)	Food Share of Total Consumption (%)
Phnom Penh	46.50	45.14	91.64	50.7
Other Urban	36.51	28.99	65.51	55.7
Rural	25.67	16.48	42.15	60.9
Cambodia	28.84	20.59	49.43	58.3

Note: The average exchange rate for 2009 was \$1 = KR4,183.

Sources: Ministry of Planning. 2013. *Poverty in Cambodia: A New Approach*. Phnom Penh: Royal Government of Cambodia; Ministry of Planning. 2009. Cambodia Socioeconomic Survey; and ADB staff calculations.

Table 3: Comparing Poverty Lines and Poverty Rates, 2009

	RGC Poverty Line (KR)	World Bank Poverty Line (KR)	Difference (KR)	RGC Poverty Incidence (%)	World Bank Poverty Incidence (%)	Difference (%)
Phnom Penh	6,347	5,326	(1,021)	12.8	4.3	(8.5)
Other Urban	4,352	4,273	(79)	19.0	12.7	(6.6)
Rural	3,503	3,914	+411	24.6	27.5	+2.9
Cambodia	3,871	4,081	210	22.9	23.9	+1.0

() = negative number, RGC = Royal Government of Cambodia.

Note: The average exchange rate for 2009 was \$1 = KR4,183.

Sources: Ministry of Planning. 2013. *Poverty in Cambodia: A New Approach*. Phnom Penh: Royal Government of Cambodia; World Bank. 2013. *Where Have All the Poor Gone? Cambodia Poverty Assessment 2013*. Washington, DC; ADB staff calculations.

poverty rates. The World Bank's rural poverty line is higher, and its urban poverty lines are lower (Table 3). Perhaps most interestingly, the comparison of government and World Bank poverty lines demonstrates that poverty incidence is highly sensitive to the placement of the poverty line. A difference of just 1,021 riels (about \$0.25) nearly triples the poverty rate for Phnom Penh, from 4.3% to 12.8%, or about 123,000 people. Even more striking is the difference of 79 riels (\$.02) in the poverty line for other urban areas, which changes poverty incidence for other urban areas by 6.6% and strongly supports the case for looking beyond income poverty to more qualitative indicators. A multidimensional approach to poverty measurement is discussed in section 3.

14. Who is income-poor? One of the most important determinants of poverty is location. Rural households' consumption is lower than urban households' (outside Phnom Penh), which in turn is lower than Phnom Penh households'. Poverty is overwhelmingly concentrated in rural areas, and the gap appears to be growing. In 2004, 89% of poor households lived in rural areas. By 2011, this had increased to 91% (World Bank 2013). Poor households are larger than the national average (5.6 and 4.5 members, respectively), and consumption is lower in households whose working-age adults have fewer years of education. Among poor households, the average years of education has changed very little over time (from 3.1 years in 2004 to 3.3 years in 2011), compared to education in average households (from 3.9 years in 2004 to 5.1 years in 2011). The probability of being poor is higher among ethnic minorities (World Bank 2013).

Gender and Poverty

15. Households headed by women comprised 22% of all Cambodian households in 2012. In 2011, the difference in overall income poverty rates in households headed by women versus households headed by men appeared small (22.5% poor vs. 20.1% poor, respectively) (World Bank 2013). The 2014 ADB study of women's economic empowerment in Cambodia (forthcoming) recommends further investigation to determine how similar the poverty gap (or depth of poverty) and the determinants of poverty are. Factors that affect per capita consumption include household size and composition, years of education of the household head, and size of landholdings, but these determinants may differ for female- and male-headed households. On average, households headed by women have smaller land holdings than men. Analysis of the 2004 CSES showed that women-led households with more than two children and no adult males were much more likely to be poor and the girls more likely to be working, compared to male-headed households (MOWA 2008).

16. Importantly, the decline in household income poverty rates does not necessarily translate into improved well-being of women and girls unless resources are shared equally within the household. Evidence of high malnutrition and anemia among women and a high incidence of domestic violence indicate women's inferior position and disadvantaged access to resources.

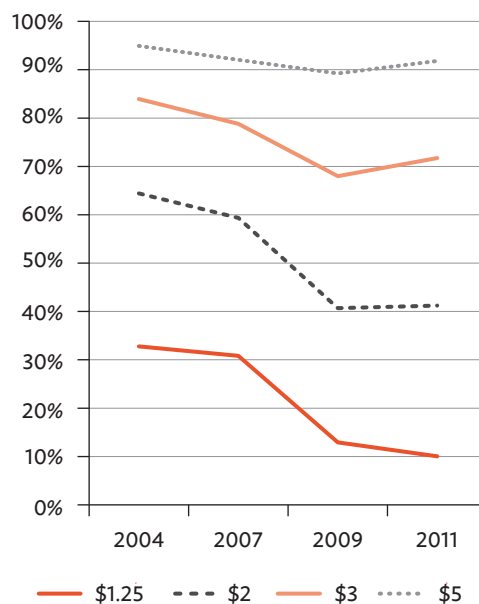
17. Women-led households are also likely to experience shocks differently than male-headed households, mainly due to social norms and more limited economic opportunities and income. Although women's participation in the labor force is higher in Cambodia than in neighboring countries, about 70% of employed women are in vulnerable employment (compared to 59% of men), which is defined as the sum of unpaid contributing family workers and own account workers (CSES 2012). Women own 65% of all businesses in Cambodia, but the vast majority of women's businesses are microenterprises: 51% employ only 1 person, and 96% engage 4 or fewer persons (2013 Economic Census, NIS/MOP).

International Poverty Lines

18. The international poverty line of \$1.25 per person per day, expressed in 2005 purchasing power parity (PPP) dollars, also shows a sharp decline in extreme poverty. In 2011, 10% of the population lived on less than \$1.25 per day, down from 31% in 2007, a drop of 21 percentage points in 4 years. It is important to note that the \$1.25/day poverty line measures only the most extreme poverty. In real terms, this measure is worth less than the national poverty line for the same year. The PPP conversion rate for 2009 was KR2,292 to \$1 PPP, or 55% of the official exchange rate (4,139 KR).⁷ In other words, in 2009 the international poverty line was worth \$0.69 in real terms.

19. Figure 5 shows poverty rates based on various international poverty lines. In 2011, 41% of the population lived on less than \$2 per day PPP, or \$1.11 in real terms, and 72% lived on less than \$3 per day PPP, or \$1.66 in real terms. According to the PovcalNet database, only 8% of the population had more than \$5 per day PPP in 2011. The international poverty lines also demonstrate growing vulnerability to poverty. In 2007, 28% of the population fell between the \$1.25 and \$2 per day poverty lines. In 2009, this had grown to 31% of the population, or about 4 million people. Poverty rates according to the \$2, \$3, and \$5 per day poverty lines all increased from 2009 to 2011.

Figure 5: Poverty Rates Based on International Purchasing Power Parity Poverty Lines, 2004–2011



Source: World Bank PovCalNet database.

⁷ Figures are ADB staff calculations based on data from the World Bank PovCalNet online poverty database and the official exchange rate from the Ministry of Finance. In 2005, \$1 PPP was KR1,615.30. In 2009 the consumer price index was 141.90 (base year 2005 =100).

Inequality

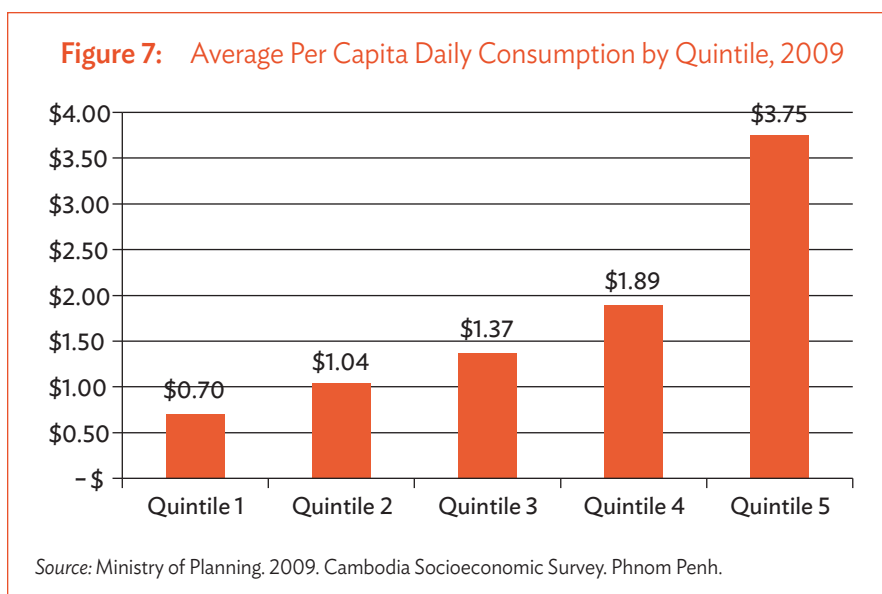
20. Based on CSES consumption data, inequality in Cambodia began to increase between 2004 and 2007, but has declined since then. The share of total consumption of the poorest 20% of households increased slightly from 7.5% in 2007 to 8.5% in 2009 and 9.3% in 2012, whereas the share of total consumption of the richest 20% of households decreased from 46% in 2007 to 41% in 2009 (World Bank 2013). By 2009, the Gini coefficient of inequality was lower than it was in 2004 (Figure 6). However, these figures must be interpreted with caution because it is highly unlikely that the CSES can accurately capture the top of the income distribution in Cambodia. Despite a larger and more representative sample than used previously, the 2009 CSES measured average consumption in the richest quintile at just \$3.75 per person per day.

21. On average, the richest 20% of households consume five times more than the poorest 20% (Figure 7). Households in the bottom 20% of the distribution (Quintile 1) consumed an average of \$0.70 per person per day. Phnom Penh households' average consumption was \$3 per person per day, more than double that of rural households, and where food comprised 51% of the average Phnom Penh family's total consumption, for rural families it was 61% (MOP 2013).

22. Developed by the Center for Global Development, the new Palma measure of income inequality confirms the more equitable distribution in Cambodia.⁸ The Palma is the ratio of the national income or consumption shares of the top 10% of households to the bottom 40%, reflecting economist Gabriel Palma's observation of the stability of the "middle" 50% of households' share of income across countries, so that distribution is largely a question of the tails. Given that they both measure inequality in the same distribution, the Gini and Palma are highly correlated, but the Gini is theoretically more sensitive to the middle of the distribution, whereas the Palma excludes the middle 5 deciles from consideration. Looking at global data sets, Cobham and Sumner (2013) found that the components of the Palma ratio alone are able to explain between 99% and 100% of



⁸ Cobham, A. and A. Sumner. 2013. Is It All About the Tails? The Palma Measure of Income Inequality. *Center for Global Development Working Paper 343*. Washington, DC: CGD. September.



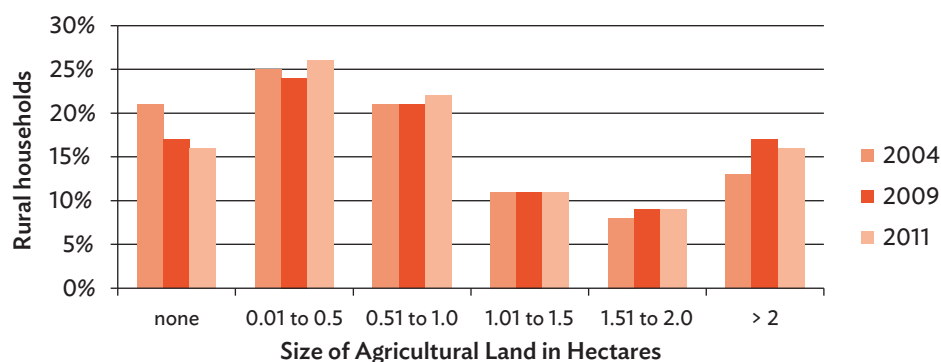
variation in the Gini. They describe the Palma as a more useful and intuitive measure of inequality for policy makers and citizens, and point to its simplicity. A Gini coefficient of 0.4 implies serious inequality, but it cannot be translated into a simple or intuitive statement for a nontechnical audience. In contrast, the equivalent Palma of 3.0 can be simply explained with the statement that the richest 10% earns three times more than the poorest 40%.

23 Based on consumption data for Cambodia during 1994–2009, the Palma declined from 1.7 to 1.5. In other words, consumption by the richest 10% in 2009 was 1.5 greater than consumption by the poorest 40%. In comparison, Thailand’s Palma fell from 2.4 in 1990 to 1.8 in 2010, Viet Nam’s Palma remained constant at 1.5 during 1992–2008, and the Lao PDR’s Palma increased from 1.2 in 1992 to 1.6 in 2008.

Explaining the Reduction in Consumption Poverty and Inequality

24. Over the period 2004–2011, most of the poverty reduction in Cambodia occurred in rural areas between 2007 and 2009. According to World Bank analysis of CSES data, the dramatic poverty reduction is largely explained by four factors: (i) the increase in the price of rice, (ii) increased rice production, (iii) growth in agricultural wages, and (iv) higher incomes from self-employment in nonagricultural businesses. Similarly, the government’s 2012 report on the Millennium Development Goals (MDGs) posits that poverty declined during the crisis years due to the continued growth in the agriculture sector, whereas the other main drivers of growth—construction, garment manufacturing, and tourism—contracted.

25. Based on the assumption that rising food prices hurt the poor, it may seem counterintuitive that a doubling of rice prices would reduce poverty. Higher rice prices would benefit only net sellers of rice. In Cambodia, this encompasses the 36% of all rural households who own more than 1 hectare of land and are able to produce more than they need to feed their family (Figure 8). Such households would gain from selling their surplus at higher prices. However, net sellers of rice would generally not be poor to begin with. Higher prices would also have no major effect on households who produced exactly what they need. These households could be the 22% of rural

Figure 8: Agricultural Land Ownership by Rural Households, 2004–2011 (%)

Source: World Bank. 2013. *Where Have All the Poor Gone? Cambodia Poverty Assessment 2013*. Washington, DC.

households who own between 0.5 and 1 hectares.⁹ But higher rice prices would harm net buyers of rice, namely the landless and those with less than 0.5 hectares of land who face a shortage for a few months each year and must supplement their own production with purchased rice.¹⁰ In 2011, 42% of all rural households were either land poor (with less than 0.5 hectares) or landless (owning no agricultural land at all). This large segment of rural households would have faced a considerable negative effect. How, then, did poverty decline?

26. Households negatively affected by higher rice prices benefited from three countervailing factors. First, the returns to labor increased significantly: daily wages in rural areas more than doubled in 2007–2012, with a particularly sharp increase (57%) in 2007–2008. This helped many workers partly offset the impact of high food prices. Additionally, men and women workers alike benefited from increased wages. Second, rice yields also increased substantially. The average yield for wet season rice increased from 1.7 tons of paddy per hectare in 2004 to 2.9 tons by 2011. Third, income from off-farm self-employment also increased. According to CSES data, one-third of rural households had a nonfarm business in 2009 as either a primary or secondary job. The World Bank’s poverty analysis shows that average per capita income from nonfarm self-employment increased 63% during 2004–2009. A 2009 poverty and social assessment undertaken in four provinces for the ADB Poverty Reduction and Smallholder Development Project found that up to 60% of cash income in many households was derived from market-based activities.¹¹ Further, the same assessment found that women play a more important role in off-farm business activities than rural men.¹²

⁹ In the ADB-financed Tonle Sap Poverty Reduction and Smallholder Development Project (2009), farmers with less than 1 hectare of land are considered “resource-poor smallholders.”

¹⁰ A family of five consumes about 710 kg of milled rice per year, or about 1.4 tons of paddy. The World Bank estimates that a household would have to harvest just over 0.5 hectares, at an average yield of 2.7 tons per hectare, to meet its food needs. This calculation does not account for crop losses, seed needs, or animal consumption (World Bank 2013).

¹¹ ADB. 2009. *Poverty Reduction and Smallholder Development Project. Report and Recommendation of the President*. Manila.

¹² Most of the women interviewed aimed to develop alternative livelihood opportunities. Typical business activities for women include weaving and mat making, food processing, small grocery shops, village restaurants, dressmaking, and beauty services.

27. Cash and in-kind remittances also contribute to increased consumption for many rural households, and they play a role in explaining at least some of the poverty reduction, though not as much as the four factors described above. Section 1 introduced Cambodia's rural–urban and cross-border migration phenomenon, and the 2013 Cambodia Inter-Censal Population Survey (CIPS) confirms rapid population growth in cities like Battambang and Phnom Penh. Most migration is labor-related, and most labor migrants send money back to their household of origin (MOP/UNFPA 2012). The average remittance is about \$20 per month, but this varies by migrants' destination and occupation. Migrants tend to be more educated than non-migrants, and there is a direct relationship between level of education and amount of remittance. Although women migrants generally earn less money, they are more likely than men to remit money to their families, and they remit a larger percent of their total earnings (on average, 20% more than men). Garment workers send an average of \$25 per month. Construction workers, small business owners, and service/entertainment workers remit substantially lower amounts than average (UNFPA 2012). The evidence is clear that women earn less but send more.

28. According to the CSES, 40.6% of poor households received remittances in 2011, compared to 43.4% of households on average (World Bank 2013). Thus, more nonpoor households received remittances. The average amount received by nonpoor households was nearly three times higher than the average received by poor households. The Cambodia Rural Urban Migration Project report concludes that remittances are relatively small and unlikely to alter the well-being of rural households, but this may understate their importance: \$20 can be significant to a poor or vulnerable family. The 2009 rural poverty line was about \$0.84 per person per day, or just under \$26 per month. A regular transfer worth 77% of the monthly poverty line is not insignificant. In 2009, \$20 could buy about 54 kilograms of rice at \$0.37 per kg, the average retail price of the lowest quality rice in rural areas (WFP Cambodia database of rice prices). If the average family of five consumes about 2 kilos of rice per day, \$20 could support a poor family's rice needs for 27 days, or very nearly 4 weeks.¹³

29. Further empirical research is needed to establish whether remittances keep households out of poverty, but it seems likely that they could play a more significant role than recent poverty and migration reports indicate. International evidence suggests that survey respondents tend to underreport remittances received from relatives. Even so, the CSES shows that income from remittances and transfers increased by 25% during 2004–2009.

Is Poverty Reduction Sustainable?

30. Agriculture lifted many rural families out of extreme income poverty over the period 2007–2009, and there are still many ways in which agriculture can further contribute to poverty reduction. However, more recent trends indicate that the rate of poverty reduction has tapered off since 2009. The 2011 CSES confirms that average per capita daily consumption declined in all areas in 2009–2011: 6% in rural areas, 2% in Phnom Penh, and 18% in other urban areas (World Bank 2013). Poverty has increased in urban areas. The rate of poverty reduction is tapering off because the various poverty-reducing factors (e.g., increased production, increased rice prices, higher wages, etc.) benefited the poor who were relatively easy to reach—those people just below the poverty line who have now moved just above it. The remaining poor are likely to be harder to reach because they suffer from more entrenched or chronic poverty.

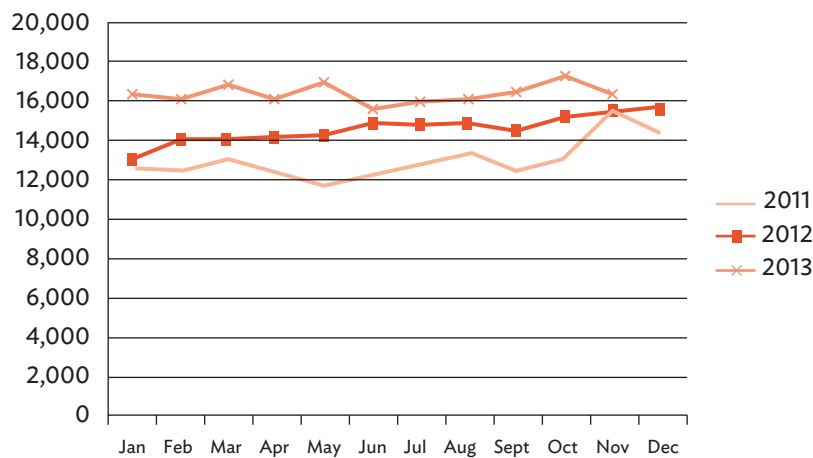
¹³ According to World Bank calculations using the 2009 CSES, a family of five consumes 709 kg of milled rice per year, or 1.94 kg per day.

31. Wages are unlikely to rise as sharply as they did from 2007 to 2008. According to World Food Programme wage data, the average wage of unskilled labor in November 2013 was just over 16,300 riels per day (about \$4) in rural areas and 18,500 riels per day (about \$4.50) in urban areas. Rural wages decreased by 5.5%, and urban wages increased by 4.7% on a month-on-month basis (WFP 2013). Key informant interviews by the World Food Programme (WFP) suggest that the unskilled wage rate decreased in rural areas due to flooding of cultivated areas, which delayed the wet-season rice harvest. In urban areas, unskilled wages surged due to increased labor migration to work in factories, which is seen as more stable employment and independent of seasonal factors. Figures 9 and 10 illustrate the change in wages since 2011 and the seasonal fluctuation.

32. According to the 2012 CSES, the labor force participation rate was 84% for Cambodians aged 15 years and older (78% in urban areas and 86% in rural areas; 89% for men and 80% for women). More than half (51%) of the employed population remains engaged in agriculture, with 30% engaged in services and just 19% in industry.¹⁴ More and better jobs in industry and services—and a more skilled population to take advantage of those jobs—are increasingly important for poverty reduction in the medium and longer term in both urban and rural areas.

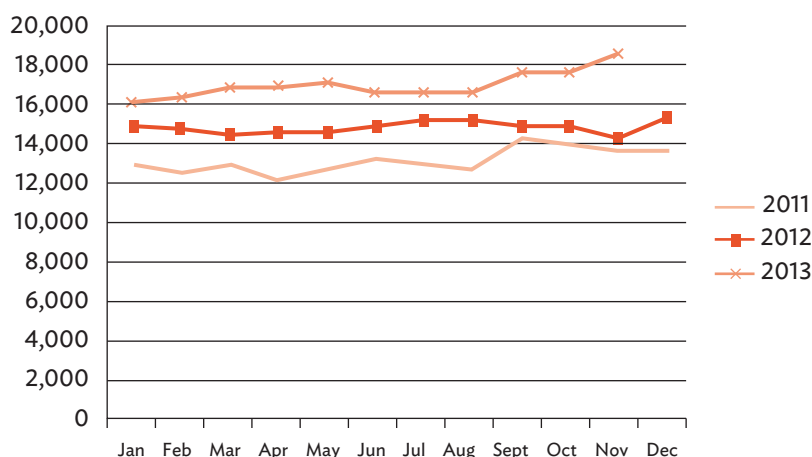
33. Future poverty reduction will also depend on Cambodia's ability to address the issue of vulnerability to poverty. Many of those who escaped extreme poverty have only just cleared the poverty line, and the poverty rate is very sensitive to small changes in the line. In this context, it is important to consider that increased consumption financed by borrowing may be masquerading as poverty reduction, and that poverty and vulnerability may be more significant than previously thought.

Figure 9: Average Daily Wage of Rural Unskilled Labor, 2011–2013



Source: World Food Programme. 2013. *Cambodia Food Price and Wage Bulletin*, November 2013. Phnom Penh.

¹⁴ These figures differ significantly from those in the 2012 Labor Force Survey (LFS) (NIS/ILO 2013), which reported labor force participation at 69%; only 33% of employed people engaged in agriculture, compared to 25% in industry and 42% in services. These figures also illustrate the extreme seasonality of employment in Cambodia: the LFS was enumerated from late February to mid-April 2012, the low season in agriculture; hence, the much lower proportion of employment in agriculture. In contrast, the CSES is enumerated over 12 months, evenly distributing the sample to correct for seasonality.

Figure 10: Average Daily Wage of Urban Unskilled Labor, 2011–2013

Source: World Food Programme. 2013. *Cambodia Food Price and Wage Bulletin*, November 2013. Phnom Penh.

Debt and Vulnerability

34. Borrowing money in times of need is a common coping strategy. Cambodia's poor and vulnerable households have faced an array of shocks in recent years, from the price hikes and job losses associated with the food, fuel, and financial crises of 2007–2009, to natural disasters like Typhoon Ketsana in 2009 and the devastating floods of 2011 and 2013. In the absence of a comprehensive national social protection system, borrowing has become a primary coping mechanism. In 2012, the multidonor Cambodia Post-Flood Relief and Recovery Survey interviewed nearly 2,400 households in 164 villages within 250 meters of the peak flood boundary, to study the impact of one natural disaster on household indebtedness (Wise 2012). At the time of the survey, 60% of all households were in debt, and households in the poorest quintile were considerably more likely to have outstanding loans than those in the richest quintile (69% and 41%, respectively.) Among households with outstanding debt, 66% had borrowed because of the floods. The most common reason for flood-related loans was to buy food (44% of all households, and 60% of the poorest households).

35. A significant share of Cambodia's poor and near-poor are in debt. Evidence from the 2009 CSES indicates that 38% of all households had at least one outstanding loan, but this was significantly higher among the poor: 46% of households in the poorest and 42% of households in the next poorest consumption quintile were in debt, with little change since 2007. Anecdotal evidence suggests that, much like remittances, survey respondents may be likely to underreport debt levels. Indeed, compared to the 2009 CSES, other surveys find considerably higher levels of indebtedness. A survey of 390 households in three provinces found that 63% of households had an outstanding loan *before* the 2011 floods (CARE et al. 2012). A considerably larger survey of 5,275 rural households in Takeo, Kandal, and Kampot provinces, undertaken by Domrei Research in 2009, found that 58% of all households were in debt at the time of the survey (Ramage et al. 2011).

36. Not all debt is necessarily bad, and access to credit is clearly an important part of rural households' livelihood cycle. Many people can manage the cycle of debt and repayment when loans of a manageable size are taken for productive purposes. However, in a setting where people

live in poverty or near-poverty, financial literacy is not widespread, shocks are common, and informal moneylenders can be less than scrupulous, it is not difficult to imagine how easy it is to fall into a vicious cycle of debt and vulnerability. It is clear from the 2009 CSES that poorer households are more likely to borrow from informal moneylenders and at higher interest rates (22.3% of households in quintile 1 vs. 17.5% of households in quintile 5). The same is true of urban households: 26.4% of households in Phnom Penh borrowed from moneylenders vs. 19.8% in other urban areas and 18.8% in rural areas. The Domrei survey found that over 30% of respondents had more than one outstanding loan, and that households with multiple loans had to accept higher interest rates and were more likely to borrow money to pay for food. The survey showed that the high proportion of households with multiple loans might represent a vicious cycle of indebtedness and impoverishment as people struggle to repay their loans (Ramage et al. 2011).

37. A study on the drivers of over-indebtedness among formal microfinance borrowers in Cambodia found that 22% of 1,480 clients were insolvent, or over-indebted, and a further 12% were at risk (Liv 2013). In a subjective measure, 51% of the borrowers admitted they had struggled to make loan repayments. Confirming the Domrei conclusion, clients with multiple loans (56% of borrowers) were far more likely both to be insolvent and to have struggled to repay. Borrowers with low financial literacy were also more likely to struggle. The study also identified a connection between the borrower's main economic activity and over-indebtedness: among borrowers engaged in agriculture, 30% were insolvent, compared to 18% for wage earners.

38. Every indebted household is vulnerable to a certain extent, but debt can lead to destitution for the poorer segments of the population if households are forced to sell productive assets, pushing households further into poverty. The 2009 CSES confirms that households in the lower quintiles have a high ratio of outstanding debt to per capita consumption. The amount they owe their creditors is very high when compared to what they spend in a year. In the poorest quintile, the average outstanding loan amount was \$318, compared to average per capita consumption of \$256 per year. In the next poorest quintile, the average outstanding loan amount was \$401, against an average per capita consumption of \$379 per year (ADB staff calculations).

39. There are significant rural-urban differences in household debt profiles. A larger share of rural families is in debt than urban families, but urban families borrow more. In the 2009 CSES, 42% of rural households reported outstanding debt, compared to 11% of households in Phnom Penh and 28% in other urban areas. Phnom Penh households are less likely to borrow from institutional lenders: 31% of Phnom Penh households had borrowed from a bank or nongovernment organization (NGO), compared to 50% of households in other urban areas and 48% in rural areas.

40. Unproductive loans also increase vulnerability. According to the 2009 CSES, more than half of all loans were taken primarily for food consumption, medical expenses, cultural and religious ceremonies, and to service existing debt.¹⁵ This was higher among the poorest quintile, where 60% of loans were primarily for such unproductive purposes. Having to pay down unproductive debts means having fewer resources to meet the household's basic needs. Taken together, the high and potentially underreported level of indebtedness among the poor and the significant share of loans of an unproductive nature suggest that the issue of vulnerability is more significant than existing poverty analyses recognize. Poverty lines are based on household consumption. If consumption is financed by high interest debt, the resulting poverty reduction will not be as robust, and vulnerability will be more pronounced. More research is needed in this area.

¹⁵ ADB estimates from CSES 2009. Productive reasons for taking loans include agricultural activities, nonagricultural activities, home purchase/improvement, and purchase of durable goods.



Non-Income Indicators: The Millennium Development Goals, the Multidimensional Poverty Index, and Subjective Well-Being

41. Income poverty has declined in Cambodia. This general trend is evident from the household survey data no matter what poverty line is used: government, the World Bank, or international. However, the preceding discussion demonstrates that vulnerability is significant and that household indebtedness is a problem. In other words, poverty lines aren't telling the whole story. No matter how well implemented, an income or expenditure approach to poverty measurement will never capture important aspects of human deprivation. People with a similar level of income can have a very different level of well-being depending on their access to other forms of capital (human, physical, natural, etc.). A multidimensional approach to poverty goes beyond income and expenditure analysis to provide a richer understanding of deprivation by analyzing many more variables. To complement the poverty profile in section 2, this section looks at non-income indicators, summarizes Cambodia's progress toward the Millennium Development Goals (MDGs), and takes a closer look at the multidimensional poverty index (MPI) and its implications.

The Millennium Development Goals

42. Annual national reports prepared by the Ministry of Planning (MOP) and international publications such as the ADB/ESCAP/UNDP *Asia-Pacific Regional MDG Report 2012/13* capture Cambodia's progress toward achieving the MDGs. These reports include a great amount of detail that will not be repeated here. Table 4 presents a snapshot of the progress. Cambodia is an early achiever in many areas, particularly in reducing income poverty, in primary enrollment, and in the fight against HIV and tuberculosis. Indicators that are on track and likely achievable by 2015 include the primary completion rate and gender parity at the secondary level. However, progress is slow in reducing child malnutrition, reducing infant and child mortality, and basic sanitation. These targets are not expected to be met on time, and intensified efforts will be required. Two indicators show no progress: forest cover and CO₂ emissions.

43. Malnutrition is a particular development challenge for Cambodia. A closer look at MDG 1 shows that poverty reduction has improved the nutritional status of children. The Cambodia Demographic and Health Surveys (CDHS) of 2005 and 2010 provide strong evidence that under-5 child malnutrition, which is measured in terms of stunting (height for age), wasting (weight for height), and underweight (weight for age), has not improved in recent years and

Table 4: Progress in Meeting Cambodia’s Millennium Development Goals

Goal	MDG 1	MDG 2	MDG 3	MDG 4	MDG 5	MDG 6	MDG 7
	\$1.25 per day poverty Country line poverty Underweight children	Primary enrollment Reaching last grade Primary completion	Gender primary Gender secondary Gender tertiary	Under-5 mortality Infant mortality	Maternal mortality Skilled birth attendance Antenatal care	HIV prevalence TB incidence TB prevalence	Forest cover Protected area CO ₂ emissions per GDP Safe drinking water Basic sanitation
Cambodia	• • ♦	• ♦ →	• → ♦	♦ ♦	→ ♦ ♦	• • •	← • ← • ♦

GDP = gross domestic product, HIV = human immunodeficiency virus, MDG = Millennium Development Goal, TB = tuberculosis.

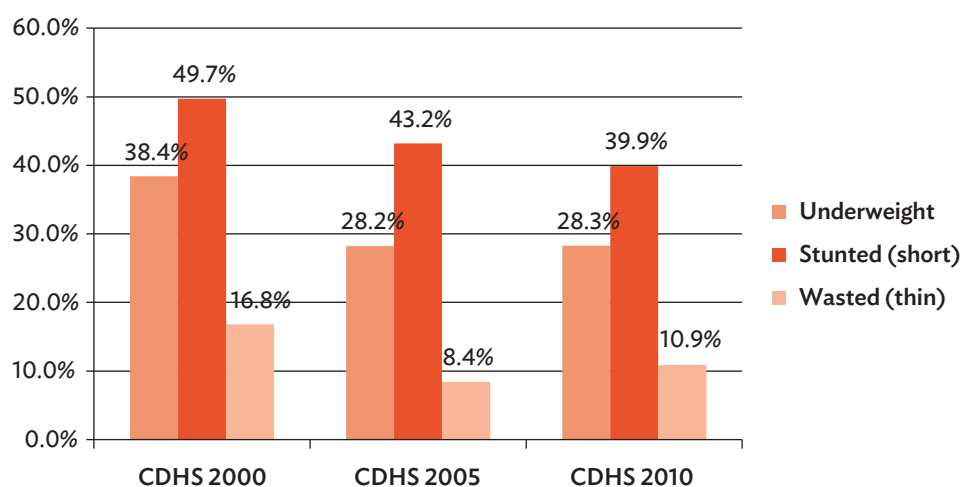
• = early achiever → = on track ♦ = off track/slow ← = regressing/no progress

Source: ADB, UNESCAP, and UNDP. 2013. Asia-Pacific Aspirations: Perspectives for a Post-2015 Development Agenda. *Asia-Pacific Regional MDG Report 2012/13*. Manila: ADB.

may even be worsening. In 2005, 28% of Cambodian children younger than 5 years of age were underweight, and 5 years later there was no change (Figure 11).

44. In Southeast Asia, only the Lao People’s Democratic Republic has a higher prevalence than Cambodia of children who are stunted, or too short for their age (48% and 40%, respectively); the prevalence in East Asia and the Pacific is 19%) (UNICEF State of the World’s Children 2012). This national rate masks considerable variation by wealth quintile: among the poorest 20% of the population, 57% of Cambodian children were stunted in 2010. Stunted growth reflects a process of failure to reach growth potential, resulting from suboptimal health and/or nutritional conditions. High levels of stunting are associated with poor socioeconomic conditions and frequent and early exposure to adverse conditions (e.g., illness or inappropriate feeding practices). Stunting

Figure 11: Trends in Under-5 Child Malnutrition, 2000–2010



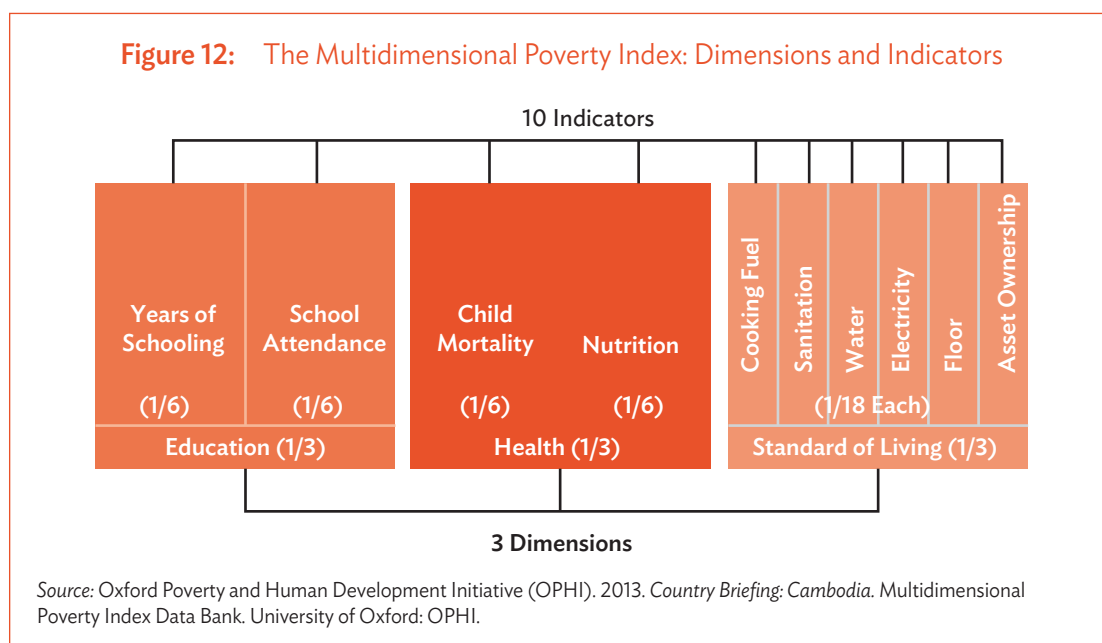
CDHS = Cambodia Demographic and Health Survey.

results directly from chronic poor health and malnutrition. Similarly, a decrease in the national stunting rate usually indicates improvements in a country's overall socioeconomic conditions. Malnutrition is highlighted as a key development challenge in the Cambodia chapter of the 2013 *Asian Development Outlook* due to its significant and irreversible implications for children's cognitive development and, thus, for future labor force productivity and economic growth.¹⁶

45. Explaining why malnutrition persists in the face of dramatically reduced income poverty requires a multisector lens to examine not only the availability of nutritious food but also access to safe water and toilets, hygiene behavior, feeding practices, and so on. The many risk factors for childhood malnutrition include poverty, open defecation, inappropriate feeding practices, not exclusively breastfeeding or inadequate supplementary feeding, mothers' low levels of education, and mothers' own nutritional status. According to the UNICEF/WHO Joint Monitoring Programme, only 33% of Cambodian households had an improved latrine in 2011, 76% in urban areas and 22% in rural areas—58% of households practiced open defecation, representing about 8.5 million people, in 2011. A growing body of international evidence exposes the links between poor sanitation, poor hygiene, and chronic malnutrition. New analysis of Cambodian empirical data shows a strong and statistically significant relationship between open defecation and stunting.¹⁷

The Multidimensional Poverty Index

46. The Oxford Poverty and Human Development Initiative (OPHI) develops multidimensional measures of poverty, well-being, and inequality. These measures exceed traditional one-dimensional income or expenditure approaches, and more fully capture human



¹⁶ ADB. 2013. *Asian Development Outlook 2013*. Manila.

¹⁷ Kov, P., S. Smets, D. Spears, and S. Vyas. 2013. Growing Taller Among Toilets: Evidence from Changes in Sanitation and Child Height in Cambodia, 2005–2010. Draft available at <http://riceinstitute.org/wordpress/wp-content/uploads/downloads/2013/08/Cambodia-paper.pdf>

deprivation. The United Nations Development Programme's (UNDP) *Human Development Report 2013* includes the OPHI multidimensional poverty index (MPI), which focuses on three equally weighted dimensions and 10 weighted indicators (Figure 12). Estimates of poverty incidence (i.e., the proportion of people who are multidimensionally poor) and the average intensity (i.e., the average proportion of indicators in which poor people are deprived) are based on the 2005 and 2010 CDHS. The MPI is calculated by multiplying the incidence of poverty by the average intensity.¹⁸

47. The 10 relatively simple indicators are

- no household member has completed 5 years of schooling;
- at least one school-aged child is not enrolled;
- at least one household member is malnourished;
- one or more children has died;
- no electricity;
- no access to clean water;
- no access to sanitation;
- dirt floor;
- “dirty” cooking fuel (e.g., dung, firewood, or charcoal); and
- no car and at most one of the following: bicycle, motorbike, radio, refrigerator, telephone, or television.

48. A person is identified as poor if he or she is deprived in at least one-third of the weighted indicators. Table 5 shows the multidimensional poverty incidence and average intensity for Cambodia in 2010. At nearly 46%, a much higher proportion of Cambodians are multidimensionally poor than income poor. On average, the poor are deprived in nearly half of the indicators. Moreover, 21% of the population is vulnerable to multidimensional poverty (i.e., deprived in 20%–33% of the weighted indicators). Those identified as being in severe poverty (17% of the population) are deprived in 50% or more.

49. Cambodia's multidimensional poverty rate declined from 59.1% in 2005 to 45.9% in 2010.¹⁹ Compared with the reduction in consumption poverty, this relatively slower progress points to Cambodia's weaker performance in improving people's access to basic services (e.g., drinking

Table 5: Multidimensional Poverty in Cambodia, 2010

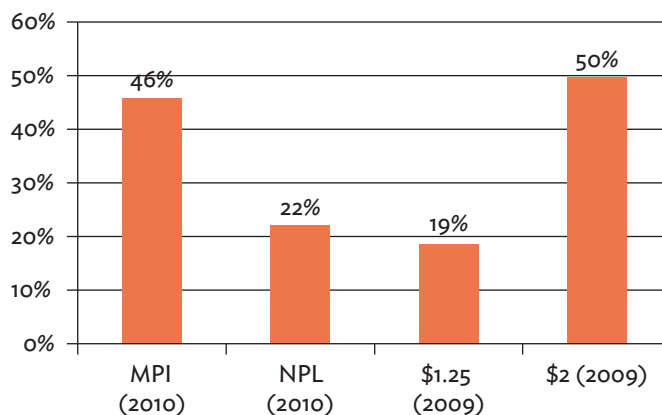
Survey	Year	Multidimensional Poverty Index (MPI = H × A)	Percentage of Poor People (H)	Average Intensity Across the Poor (A)	Percentage of Population Vulnerable to Poverty	Percentage of Population in Severe Poverty
DHS	2010	0.212	45.0%	46.1%	21.4%	17.0%

DHS = Demographic and health survey.

Source: Oxford Poverty and Human Development Initiative (OPHI). 2013. *Country Briefing: Cambodia*. Multidimensional Poverty Index Data Bank. University of Oxford: OPHI.

¹⁸ This section draws largely on OPHI. 2013. *Cambodia Country Briefing, Multidimensional Poverty Index Bank*. OPHI: Oxford University.

¹⁹ Alkire, S. and J. M. Roche. 2013. *How Multidimensional Poverty Went Down: Dynamics and Comparisons*. Oxford Poverty and Human Development Initiative Research Brief March 2013. Oxford University: OPHI.

Figure 13: Comparing Multidimensional and Consumption Poverty, 2009–2010

MPI = multidimensional poverty index, NPL = national poverty line.

Sources: Oxford Poverty and Human Development Initiative (OPHI). 2013. *Country Briefing: Cambodia*. Multidimensional Poverty Index Data Bank. University of Oxford: OPHI; Ministry of Planning. 2013. *Poverty in Cambodia: A New Approach*. Phnom Penh: Royal Government of Cambodia; and World Bank PovCalNet database.

water, sanitation, electricity, and modern cooking fuels), all of which play a very important role in promoting well-being.²⁰

50. The relationship between the MPI and other poverty indicators is interesting. Figure 13 compares Cambodia's most recent MPI poverty rate with three other poverty measures: the national poverty line and international poverty lines, which show that the MPI rate is slightly lower than the \$2 per day poverty rate, but more than double the national poverty rate and the \$1.25 per day rate. It stands to reason that in most countries, multidimensional poverty would be higher than extreme income poverty. But this is not the case everywhere; both Indonesia and the Philippines have a lower proportion of people living in multidimensional poverty than in \$1.25 per day poverty, implying better access to basic services and thus a higher level of well-being. The Lao PDR has a significantly higher incidence of extreme income poverty than Cambodia (33.9% of the population under \$1.25 per day), but its multidimensional poverty rate is very similar (47.2%). The disparity in Cambodia warrants closer attention.

Considering Subjective Well-Being

51. To round out the poverty picture more completely, many policy makers consider people's subjective assessment of their own well-being. This can be done using rigorous social science methodologies. Gallup Analytics regularly conducts a poll in 148 countries, including Cambodia, using the Cantril Self-Anchoring Striving Scale developed in the 1960s.²¹ The poll asks respondents to imagine a ladder, with steps numbered from 0 at the bottom (representing

²⁰ CDRI. 2013. *Cambodia's Development Dynamics: Past Performance and Emerging Priorities*. Phnom Penh: CDRI. September.

²¹ Cantril, H. 1965. *The Pattern of Human Concerns*. New Brunswick, New Jersey: Rutgers University Press.

the worst possible life) to 10 at the top (representing the best possible life). It then asks them to assess their present level and where they think they will be in about 5 years. The poll classifies respondents as thriving, struggling, or suffering according to how they rate their current and future lives on the ladder scale.²² Gallup describes suffering as a self-rating of 4 or lower both presently and 5 years in the future. Importantly, the respondents do not label themselves as suffering; they merely indicate their step on the ladder.

52. In 2012, 34% of Cambodian respondents rated their lives poorly enough to qualify as suffering, 63% were struggling, and only 4% were thriving.²³ This high incidence of suffering represents a significant increase over 2011, when 26% were considered as suffering, possibly indicating high levels of vulnerability in the country. In 2012, Cambodia ranked 3rd from the bottom among 143 countries, compared to 14th from the bottom among 146 countries in 2011. In neighboring countries, only 2% of Thais, 4% of Singaporeans, 7% of Laotians, and 9% of Vietnamese were rated as suffering in 2012. In Asia, the median rate of suffering was 11%.

53. Research shows that measures of subjective well-being relate highly to income, education levels, and reported disease conditions. According to the Gallup results across countries, thriving individuals have fewer disease conditions, fewer sick days, and higher incomes; they are more highly educated and have better work environments. Compared with thriving respondents, struggling respondents are much more likely to worry about money on a daily basis. Suffering respondents are less likely to have basic necessities such as food and shelter.

54. A locally implemented source of data on subjective well-being is the regular Survey of Cambodian Public Opinion, undertaken annually since 2006 by the International Republican Institute with funding from the US Agency for International Development. The randomly selected sample drawn from all 24 provinces and municipalities comprises 2,000 adults and is statistically representative of the Cambodian population 18 years of age or older. In August 2009, the survey asked respondents if their families were richer, the same, or poorer than 1 year earlier, in 2008. Three out of four respondents rated themselves the same or poorer; only one in four felt they were richer (IRI 2009). This result is interesting in light of the dramatic decline in poverty from 2008 to 2009 as measured by the Cambodia Socioeconomic Surveys. This stark difference underscores that families may have moved only very slightly above the poverty line, perhaps financed by taking on more debts, resulting in minimal differences in well-being.²⁴

²² Thriving implies a strong, consistent, and progressing sense of well-being. Such respondents have positive views of their present life situation (7+) and positive views of the next 5 years (8+). They report significantly fewer health problems; fewer sick days; less worry, stress, sadness, and anger; and more happiness, enjoyment, interest, and respect. Struggling implies moderate or inconsistent well-being. These respondents have moderate views of their present life situation or moderate or negative views of their future. They are either struggling in the present or expect to struggle in the future. They report more daily stress and worry about money than thriving respondents, and more than twice as many sick days. They are more likely to smoke and less likely to eat healthily. Suffering is well-being that is at high risk. These respondents rate their current life situation at 4 or less AND view the next 5 years negatively (4 or lower). They are more likely to lack the basics (i.e., food and shelter) and have physical pain, a lot of stress, worry, sadness, and anger. Compared to thriving respondents, they have less access to health insurance and care, and more than double the disease burden than thriving respondents (<http://www.gallup.com/poll/122453/understanding-gallup-uses-cantril-scale.aspx>).

²³ Data from 1,000 respondents was collected from April to May 2012, with the survey enumerated in the Khmer language.

²⁴ In the January–February 2013 survey, this question was revised to ask respondents whether they felt better off, worse off, or the same as 5 years ago as opposed to just 1 year ago; 54% felt better off and 46% felt the same or worse off in 2013 as compared to 2008.

IV

The New National Policy Framework for Poverty Reduction

55. In Cambodia, the policy framework for poverty reduction comprises the Rectangular Strategy Phase III (2014–2018) (RS III) and the National Strategic Development Plan 2014–2018. The national target is 1% poverty reduction per year. Two multisector strategies have poverty reduction at their core: the 2011 National Social Protection Strategy for the Poor and Vulnerable (NSPS) and the 2014 National Food Security and Nutrition Strategy.

The Rectangular Strategy Phase III

56. Cambodia's new RS III sets out four overarching strategic objectives to

- **ensure an average annual economic growth of 7%.** This growth should be sustainable, inclusive, equitable, and resilient to shocks by diversifying the economic base to achieve a more broad-based and competitive structure with low and manageable inflation, stable exchange rate, and steady growth in international reserves;
- **create more jobs for people,** especially youth, by further improving Cambodia's competitive ability to attract and encourage both domestic and foreign investments;
- **achieve more than 1% reduction in poverty incidence annually,** including the realization of Cambodia's MDG targets, while placing higher priority on human resource development, sustainable management, and use of environmental and natural resources; and
- **further strengthen institutional capacity and governance,** both nationally and subnationally, and ensure the effectiveness and efficiency of public services to better serve people.

57. Cambodia's development strategy has long focused on four priority areas: roads, water, electricity, and people. To increase Cambodia's future competitive advantage, RS III shifted that emphasis toward human capital development for the next 5 years, and now commits the government to focusing on the following four priority areas:

- developing human resources to ensure competitiveness in an increasingly open regional labor market;
- investing in transport infrastructure, improving trade facilitation, and expanding low-cost energy;
- developing and increasing value-added agriculture; and
- strengthening governance and capacity in public institutions.

58. RS III then describes the four strategic rectangles in detail, each with four sides (Table 6).

Table 6: The Four Rectangles of the Rectangular Strategy Phase III, 2013

Rectangle 1: Promotion of the Agriculture Sector
<ul style="list-style-type: none"> • Improved productivity, diversification, and commercialization • Promotion of livestock farming and aquaculture • Land reform and clearance of mines and unexploded ordinance • Sustainable management of natural resources
Rectangle 2: Development of Physical Infrastructure
<ul style="list-style-type: none"> • Development of transport and urban infrastructure • Water resources and irrigation system management • Electrical power development • Development of information and communication technology
Rectangle 3: Private Sector Development and Employment
<ul style="list-style-type: none"> • Strengthening the private sector and promoting investment and business • Development of industry and small and medium enterprises • Development of the labor market • Banking and financial sector development
Rectangle 4: Capacity Building and Human Resource Development
<ul style="list-style-type: none"> • Strengthening education, science and technology, and technical training • Promotion of health and nutrition • Development of a social protection system • Implementation of population policy and gender equity

59. Rectangle 4 deserves special attention because, compared to the RS II, it has some notable changes that are particularly relevant to poverty reduction efforts. First, rectangle 4 explicitly mentions nutrition for the first time, given the key development challenge it poses for Cambodia and its impact on future productivity. Development of a social protection system is also new. In the RS II, the creation of social safety nets was a side of the rectangle for private sector development. Safety nets, also known as non-contributory social assistance programs, are just one element of the larger social protection umbrella, which includes social insurance and labor market programs. This new recognition of the importance of an integrated, consistent, and efficient social protection system under the heading of human development shows the evolution of the government's thinking over the years. Challenges include fragmentation, limited coverage, and lack of complementarity in the social protection system. In pursuing social protection reform, the government's stated priorities include²⁵

- improving the social protection policy framework and strategy, and updating the National Social Protection Strategy (NSPS);
- developing a mechanism for institutional coordination that includes harmonizing existing schemes, studying implementation arrangements, and filling gaps in social protection for the poor and vulnerable;
- implementing the national policy on pensions for former soldiers and retired civil servants more efficiently;
- promoting welfare programs for elderly people;
- strengthening disaster response mechanisms, focusing on protecting victims during and after disasters;

²⁵ Royal Government of Cambodia. 2013. *Rectangular Strategy Phase III*. Phnom Penh: RGC. Some of the priorities listed under social protection are not technically part of a social protection system (e.g., microfinance, land reforms, and the delivery of health and sanitation services).

- strengthening food security;
- promoting the well-being of mothers, infants, and children by reducing malnutrition;
- taking further steps to create job opportunities by supporting training and retraining for the poor; and
- introducing a package of flexible measures to protect the vulnerable during future economic crises.

Table 7: National Strategic Development Plan Indicators, 2014–2018

GOAL INDICATORS	<p>(1) Sustainable Growth: real GDP growth rate, per-capita GDP, inclusive growth (index), structure of GDP, paddy yield rate, % forest cover, total cumulative areas cleared of mines/explosive remnants of war</p> <p>(2) Poverty Reduction: poverty rate, Gini coefficient of consumption inequality</p> <p>(3) Stability: investment rate</p> <p>(4) Human Development <i>Education and skills:</i> completion rate grade 6 (by sex), completion rate grade 9 (by sex), skill level (index) <i>Gender:</i> % women holding decision-making positions in the public sector <i>Health:</i> attended births, IMR, % stunted children, MMR <i>Water and sanitation:</i> % population with access to safe water, % population with access to improved sanitation</p>
OUTCOME INDICATORS	<p>(1) Macroeconomic Management: budget revenues and expenditures, inflation rate, FDI, current account balance, two-way trade, international assistance</p> <p>(2) Sectoral Growth and Diversification: sector growth rates, tourist arrivals, distribution of employment by sectors, irrigated area (all crops), land under cultivation, crop diversification index, marketable surplus index, annual victims of mines</p> <p>(3) Management of Natural Resources: surface of 23 protected areas, community protected areas</p> <p>(4) Infrastructure: length of paved roads, railway track rehabilitated and constructed, TV/radio, print media, per-capita electricity use</p> <p>(5) Governance: rate of issuance of land certificates to farmers, conflict on land/property, criminal offenses</p> <p>(6) Human Development: <i>Poverty:</i> poverty (rural), child poverty, food poverty <i>Education:</i> net primary enrollment (boys and girls), gross lower secondary enrollment (boys and girls), proportion of children in schools aged 6–17, proportion of persons graduating from university (age 18–35 years) <i>Gender:</i> proportion of women in the public sector, female share in wage employment (sector-wide), net enrollment of girls in upper secondary and higher education, % girls to total completing TVET, % women visiting antenatal care at least twice, number of families having problems of violence at home <i>Health:</i> U5MR, malaria fatality rates, HIV prevalence, prevalence of all forms of TB, birth registration, children underweight, women 15–49 years with anemia, children (6–59 months) with anemia <i>Water and sanitation:</i> access to safe water, improved sanitation (by rural/urban)</p>

ERW = explosive remnants of war; FDI = foreign direct investment; GDP = gross domestic product; IMR = infant mortality rate; MMR = measles, mumps, and rubella; TB = tuberculosis; TVET = technical and vocational education and training; U5MR = under-5 mortality rate.

Source: Ministry of Planning. 2014. National Strategic Development Plan 2014–2018. Phnom Penh.

The National Strategic Development Plan 2014–2018

60. If RS III is the government’s socioeconomic policy agenda, the NSDP is the implementation plan. The NSDP outlines the actions, programs, and projects that ministries and other implementing agencies will implement with a monitoring and evaluation plan (Table 7). The NDSP 2014–2018 reflects the government’s renewed focus on human development. Its outline closely follows that of the RS III.

The 2011 National Social Protection Strategy

61. Beginning in 2008, social protection issues were coordinated by the Interim Working Group on Social Safety Nets under the Technical Working Group for Food Security and Nutrition, chaired by the Council for Agriculture and Rural Development (CARD). In 2010, CARD established the Social Protection Coordination Unit (SPCU), and in 2011 the Council of Ministers endorsed the National Social Protection Strategy 2011–2015, built around five core objectives and related program options (Table 8). The NSPS envisions that all Cambodians, especially the poor and vulnerable, will benefit from improved social safety nets and social security as an integral part of a sustainable, affordable, and effective national social protection system. In 2013, the Prime Minister endorsed the expansion of the Technical Working Group for Food Security and Nutrition, renaming it the Technical Working Group for Social Protection, Food Security and Nutrition.

Table 8: Objectives of the National Social Protection Strategy for the Poor and Vulnerable

Objectives	Medium-Term Program Options
1. The poor and vulnerable receive support including food, sanitation, water, shelter, etc., to meet their basic needs in times of emergency and crisis.	<ul style="list-style-type: none"> • Targeted food distribution • Distribution of farm inputs • Other emergency support operations
2. Poor and vulnerable children and mothers benefit from social safety nets to reduce poverty and food insecurity and enhance human capital development by improving nutrition, maternal and child health, promoting education, and eliminating child labor.	<ul style="list-style-type: none"> • Cash, vouchers, food, or other in-kind transfers for children and women toward one integrated program (e.g., cash transfers focusing on maternal and child nutrition as well as promoting education and reducing child labor; and transferring fortified foods to pregnant women, lactating mothers, and children) • School feeding, take-home rations • Outreach services, second-chance programs, and social welfare services for out-of-school youth
3. Working-age poor and vulnerable citizens benefit from work opportunities to secure income, food, and livelihoods while contributing to the creation of sustainable physical and social infrastructure assets.	<ul style="list-style-type: none"> • National labor-intensive public works programs • Food for work and cash for work schemes
4. The poor and vulnerable have effective access to affordable quality health care and financial protection in case of illness.	<ul style="list-style-type: none"> • Expansion of health equity funds (for the poor) and community-based health insurance (for the near-poor)
5. Special vulnerable groups, including orphans, the elderly, single women with children, people living with HIV, and patients with tuberculosis and other chronic illnesses, receive income, in-kind [non-cash] and psychosocial support, and adequate social care.	<ul style="list-style-type: none"> • Social welfare services for special vulnerable groups • Social transfers and social pensions for the elderly and people with chronic illness or disabilities

HIV = human immunodeficiency virus.

62. A midterm review of the NSPS was conducted in 2014, with plans for a costed action plan to follow soon after, which will aim to strengthen implementation of the strategy. Given the new directions of the RS III and NSDP 2014–18, CARD has plans to rewrite the NSPS to include a greater focus on social insurance as an element of social protection. While social insurance is an essential element of a social protection system, the original strategy was developed to focus on social assistance for the poor and vulnerable, and implementation remains relatively weak. Government financing for social safety nets is low, and as a consequence coverage remains very low. Only 2% of the poorest quintile of the Cambodian population receives any form of social safety net assistance, compared to an average of 53% in East Asia and 49% among other developing countries.²⁶

63. The ADB social protection index (SPI) for places Cambodia 34th among the 35 countries in Asia and the Pacific for which an SPI was calculated.²⁷ The SPI helps governments monitor progress on social protection and aims to expand coverage to intended beneficiaries (breadth of coverage) and provide adequate benefits (depth of coverage). Cambodia's SPI (0.02) indicates that social protection spending per intended beneficiary equals about 2% of poverty threshold expenditures, or 0.5% of GDP per capita.²⁸ In contrast, Mongolia's SPI is 0.206, indicating that Mongolia's social protection spending per intended beneficiary equals about 20.6% of the poverty line, or about 5% of GDP per capita. At 0.416, Japan has the highest SPI in the region. An updated SPI will be forthcoming in 2015.

²⁶ World Bank. 2011. *Social Protection Atlas*. Washington, DC.

²⁷ ADB. 2013. *The Social Protection Index: Assessing Results for Asia and the Pacific*. Manila.

²⁸ For each of the 35 participating countries, the value of the national poverty line was compared to GDP per capita. On average, national poverty lines were about one-quarter of GDP per capita, which became the standard poverty line for the purposes of the SPI.

V

Tools for Targeting Cambodia's Poor and Vulnerable

64. Where are the poor in Cambodia? According to official poverty rates, the vast majority of the poor live in rural areas. But where, exactly? The official poverty measure cannot be used to calculate poverty at the provincial level, but there are several other sources of subnational poverty data, including the Identification of Poor Households (IDPoor) targeting system implemented by the Ministry of Planning and the predictive poverty rates derived from the Commune Database (CDB) maintained by the Ministry of Interior. Each system measures different things, so care must be taken in drawing conclusions. For example, IDPoor classifies Koh Kong as having the highest poverty rate, but Koh Kong is not even among the 10 poorest provinces using other measures. Table 9 compares the poorest provinces according to IDPoor, the CDB, and the multidimensional poverty index (MPI). Although the ranking differs for each list, seven provinces appear on all three lists and thus may be considered to be particularly poor: Kampong Chhnang, Kampong Thom, Kratie, Preah Vihear, Pursat, Siem Reap, and Stung Treng (highlighted in bold in Table 9). These provinces are around Tonle Sap Lake and in the northeast.

Table 9: The 10 Poorest Provinces in Cambodia, by Data Source

Rank	Province	CDB 2012		IDPoor 2009–2011		MPI 2010*	
		(%)	Province	(%)	Province	(%)	Province
1	Preah Vihear	37	Koh Kong	44	Monduliri	44	
2	Stung Treng	37	Kampong Chhnang	37	Rattanakiri	44	
3	Rattanakiri	36	Kratie	36	Preah Vihear	39	
4	Oddar Meanchey	34	Battambang	34	Stung Treng	39	
5	Monduliri	33	Pursat	34	Kratie	29	
6	Kratie	29	Preah Vihear	32	Pursat	25	
7	Kampong Thom	28	Pailin	32	Kampong Thom	24	
8	Siem Reap	29	Siem Reap	31	Kampong Chhnang	23	
9	Pursat	28	Kampong Thom	31	Kampong Cham	20	
10	Kampong Chhnang	28	Stung Treng	30	Siem Reap	19	

CDB = Commune Database, IDPoor = Identification of Poor Households, MPI = multidimensional poverty index.

* This column reports the MPI's severe poverty rate (deprived in more than 50% of the indicators).

Sources: Ministry of Planning and United Nations Development Programme. 2012. *Poverty Reduction by Capital, Provinces, Municipalities, Districts, Khans, and Communes and Sangkats Based on Commune Database 2004–2012*. Phnom Penh: MOP; Ministry of Planning IDPoor database; and Oxford Poverty and Human Development Initiative (OPHI). 2013. *Country Briefing: Cambodia*. Multidimensional Poverty Index Data Bank. University of Oxford: OPHI.

65. Poverty rates alone provide an incomplete picture, however. Given Cambodia's uneven population distribution (Figure 1), it is important to recognize that high poverty rates do not necessarily translate to large numbers of poor people. The northeast provinces generally have higher poverty rates, but low population density means that the number of poor people is lower than other provinces with lower poverty rates and higher population density (e.g., the provinces around Tonle Sap Lake or in the southeastern plains). For example, Monduliri has just over 15,250 households, compared to the nearly 404,000 households of Kampong Cham. Ranking provinces by the number of poor people would change the lists significantly.

66. This section provides a guide to maximizing the poverty reduction impact of ADB operations. Targeting, a term borrowed from the social protection literature, involves concentrating program resources on the poor and vulnerable to achieve the greatest poverty reduction impact at the lowest cost. In other words, targeting promotes efficient use of poverty reduction resources, directing them toward people who need them most. Although Cambodia's national poverty lines and socioeconomic surveys are important tools for policy making and for measuring progress over time, they do not actually allow direct identification of poor people. However, identifying the poor is possible with different approaches at different levels, including (i) household targeting (identifying poor individuals), (ii) categorical targeting (identifying poor population groups), and (iii) geographic targeting (identifying poor areas). With reasonably current and publicly available data, all approaches are possible in Cambodia. Targeting is never 100% accurate, and each method is associated with different costs. Targeting should aim to minimize both errors of inclusion of the nonpoor and errors of exclusion of the poor. It often makes sense to use several methods together, such as geographic followed by household targeting. Table 10 provides an overview of the targeting tools described in this section.

Table 10: Targeting Tools for Cambodia

Type of Targeting	Tools
Geographic	<ul style="list-style-type: none"> Predictive poverty rates based on the Commune Database (MOP/UNDP) Small area estimation of poverty and malnutrition (WFP) IDPoor Atlas (WFP) Multidimensional poverty (OPHI)
Categorical	<ul style="list-style-type: none"> Special vulnerable groups (National Social Protection Strategy, CARD)
Household	<ul style="list-style-type: none"> IDPoor list of poor households (rural only, urban under development)

CARD = Council for Agriculture and Rural Development, IDPoor = Identification of Poor Households Program, MOP = Ministry of Planning, OPHI = Oxford Poverty and Human Development Initiative, UNDP = United Nations Development Programme, WFP = World Food Programme.

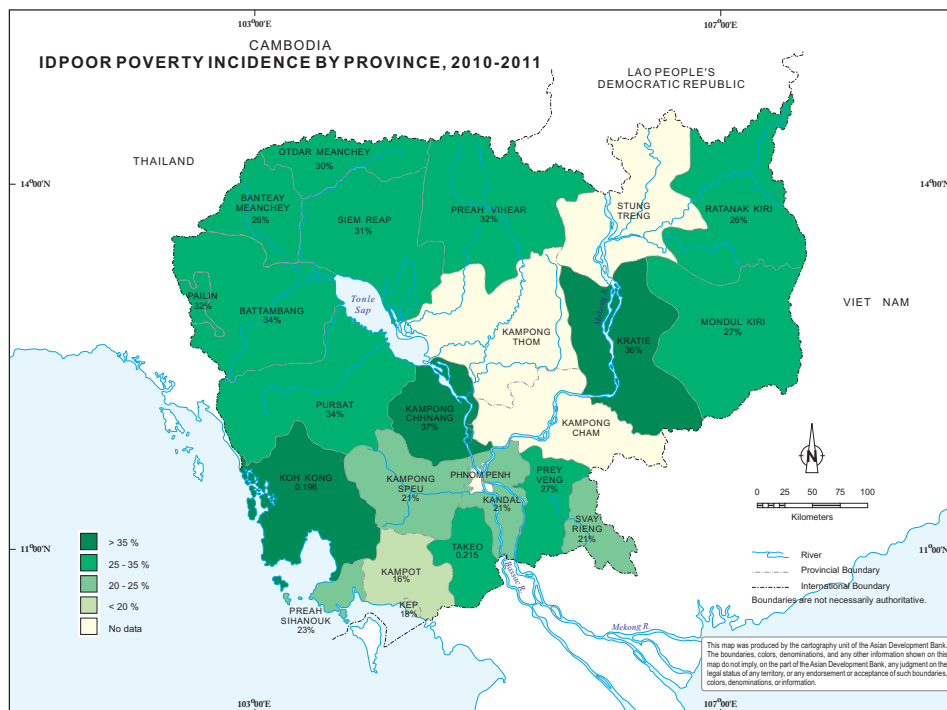
Household Targeting: The Identification of Poor Households Program

67. Led by the Ministry of Planning (MOP) in collaboration with the Department of Local Administration of the Ministry of Interior, the Identification of Poor Households Program (IDPoor) is Cambodia's national targeting mechanism for rural poverty. Sub-decree No. 291 of December 2011 established MOP as the government body responsible for identifying poor households and ensuring standard IDPoor procedures nationwide. The sub-decree also declares that government and nongovernment poverty reduction programs and projects must primarily use IDPoor targeting data for providing services or assistance to poor households. Several ADB-financed projects already use the IDPoor list, including the Second Rural Water Supply and Sanitation Sector Project (to deliver sanitation grants), the Emergency Food Assistance Project (to prioritize participants for the cash for work program), and the Tonle Sap Poverty Reduction and Smallholder Development Project (to select participants to join livelihood improvement groups).

IDPoor is the principal targeting mechanism for Cambodia's health equity funds, which cover health service fees and related costs such as food and transportation for IDPoor families.

68. IDPoor is a proxy means test with participatory elements. It categorizes households as poor category 1 (very poor), poor category 2 (poor), or not poor. A village representative group is established to conduct the interviews. Their local knowledge helps verify whether respondents accurately report their situation and they are able to assess any special circumstances. The first draft list of poor households is publicly displayed in the village, giving people the opportunity to raise grievances. After the list is final, IDPoor identification cards are issued to all poor households; all identification cards include a photograph. The list of poor households is kept at each commune office, and nationwide data are available from MOP. IDPoor can also be used for geographic targeting. The IDPoor Atlas (WFP 2012) presents commune-level data from 2010–2011 in a clear, visual format to facilitate planning for poverty reduction programs. Figure 14 summarizes IDPoor poverty incidence by province, and shows a particularly high incidence of poverty in Koh Kong, Kratie, and Kampong Chhnang provinces.

Figure 14: Identification of Poor Households: Poverty Incidence by Province, 2010–2011



Note: Data for the three missing provinces were collected in 2009 and are therefore not included in the IDPoor Atlas. Household poverty rates in 2009 were 28.4% in Kampong Cham, 31% in Kampong Thom, and 30.4% in Stung Treng.

Source: IDPoor Atlas 2012.

69. IDPoor is implemented on a 3-year rolling basis, covering rural areas in eight provinces each year (Table 11). By Round 5 (2011), all rural villages had implemented IDPoor at least once. The indicators used to identify poverty are relatively easy to observe and verify (e.g., household floor area, household roofing material, and ownership of durable goods), but they also include

Table 11: Planned Coverage of the Identification of Poor Households, 2012–2014

2012 (Round 6)	2013 (Round 7)	2014 (Round 8)
Kampong Thom	Preah Vihear	Monduliri
Kampong Cham	Battambang	Kampong Speu
Stung Treng	Pailin	Prey Veng
Kratie	Pursat	Svay Rieng
Banteay Meanchey	Kampong Chhnang	Kampot
Oddar Meanchey	Takeo	Kep
Siem Reap	Kandal	Preah Sihanouk
Phnom Penh	Rattanakiri	Koh Kong

Source: Ministry of Planning, 2011. Workshop presentation, December 2011.

other variables such as the dependency ratio, children’s school attendance, and recent household-level crises or shocks. IDPoor tends to include more chronically poor households due to its heavy weighting on housing assets, which are relatively slow to change, and consideration of other vulnerabilities by the village representative groups (Hansen 2012). IDPoor can be used to compare poverty levels in villages, communes, districts, or provinces. However, IDPoor incidence cannot be compared with poverty rates derived from the Commune Database, or with the official national poverty incidence derived from the Cambodia Socioeconomic Survey (CSES), because each tool measures very different things.

70. An independent assessment of IDPoor determined that villagers generally perceive coverage levels of the poor as high and leakages to nonpoor as low, concluding overall that IDPoor appears to perform comparably with similar programs in low-income countries (Booth 2012). Nevertheless, IDPoor contains errors of inclusion and exclusion, particularly of poor ethnic minority households, and certain aspects could be improved to achieve better accuracy and long-term sustainability. Recommendations from the assessment include (i) modifying some of the more complex questions to ensure better implementation by village groups, (ii) providing more training for village group members, and (iii) strengthening monitoring and complaint resolution mechanisms, both of which are relatively weak. IDPoor has no major governance issues, and local capture remains relatively confined, but refining its procedures will become more important as more benefits are attached to its status. This could increase the risk of elite capture. An tool is being developed in 2014 to expand IDPoor to urban areas.

Categorical Targeting: Special Vulnerable Groups

71. Under categorical targeting, programs provide benefits to all individuals within a certain group, thus requiring knowledge of the demographic distribution of poverty to enable selection of groups with higher than average poverty rates. The 2011 National Social Protection Strategy identifies special vulnerable groups as including

- people and families living with HIV;
- homeless people;
- people with disabilities;
- orphaned children and at-risk children and youth;

- victims of violence, abuse, and exploitation;
- indigenous people and ethnic minorities;
- families of migrants;
- veterans; and
- the elderly.

72. These groups face particular challenges due to overlapping vulnerabilities often experienced in addition to income poverty. According to the NSPS, they require comprehensive forms of assistance because social transfers alone cannot ensure their well-being, entitling them to special protection from the state. They are considered special vulnerable groups because they warrant priority action. The elderly, the disabled, and people living with chronic illness often depend on informal safety nets (e.g., community assistance and help from relatives) to survive. ADB's Second Rural Water Supply and Sanitation Project, which is implemented by the Ministry of Rural Development, targets special vulnerable groups for sanitation grants.

Geographic Targeting: Predictive Poverty Rates

73. Targeting the poorest provinces can be accomplished with several different tools. Cambodia's Commune Database (CDB) collects socioeconomic and administrative data at the end of December each year. The CDB was established to support development planning and investment, and for the allocation of the Commune-Sangkat Fund. The CDB does not collect household income or expenditure data, so poverty estimation is indirect. UNDP helped develop a statistical model that examines 13 CDB indicators correlated with poverty.²⁹ An index benchmarked to the CSES-based national poverty rate predicts the poverty rate for the following year, down to the commune level.

74. These proxy, or predictive, poverty rates have declined steadily every year in each province (Table 12). Unlike the national poverty rate based on the CSES, predictive poverty rates did not register a particularly steep drop from 2007 to 2009. The poorest provinces are in the Tonle Sap region and in northeastern Cambodia. According to this measure, there is virtually no poverty in Phnom Penh, which raises some questions.

Geographic Targeting: Poverty Maps

75. Based on work done by a team from Massey University, Australia, the World Food Programme (WFP) published new poverty and malnutrition maps in 2013. These maps use small area estimation that combines 2009 CSES data with data from the 2008 population census; they are accurate down to the commune level.³⁰ Poverty maps present visual results. Figure 15 shows

²⁹ Indicators include the proportion of families without latrines; proportion of families with concrete houses, thatched roofs, TVs, motorbikes, and bicycles; family size; proportion of literate adult women; proportion of adult men; proportion of women who give birth with a traditional midwife; proportion of families with access to electricity; proportion of out-of-school children; and proportion of families with a water source within 150 meters of the home (MOP 2012).

³⁰ The statistical technique of small area estimation provides a way to improve survey estimates at small levels of aggregation (e.g., communes), but combines sample survey data with information derived from other sources, typically a population census (WFP 2013).

Table 12: The Commune Database Predictive Poverty by Province, 2004–2012

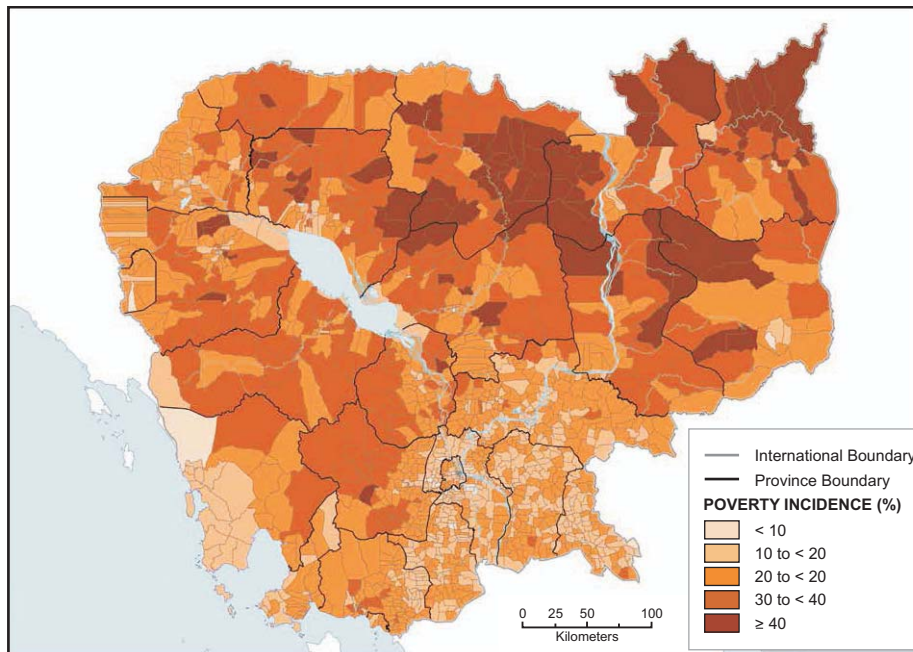
Province	2004 (%)	2007 (%)	2009 (%)	2011 (%)	2012 (%)
Phnom Penh	6.8	0.5	0.2	0.3	0.1
Kandal	27.6	21.2	17.6	16.1	14.6
Preah Sihanouk	31.6	25.2	21.1	18.2	15.6
Kep	33.6	28.6	22.8	18.5	16.5
Svay Rieng	32.5	27.8	23.6	19.3	17.4
Takeo	31.6	28.1	25.2	22.5	19.9
Koh Kong	34.8	31.1	26.7	23.6	20.3
Kampot	26.6	23.4	20.5	22.1	20.4
Kampong Cham	33.1	29.0	25.8	22.3	20.4
Prey Veng	33.2	30.2	27.3	23.7	21.9
Pailin	41.7	36.9	31	26.7	23.9
Battambang	37.8	33.3	29.9	27	24.8
Banteay Meanchey	39.9	34.1	31.3	28.3	25.5
Kampong Speu	41.4	37.3	32.2	28.8	27.7
Kampong Chhnang	37.9	35.6	32.3	29.5	27.7
Pursat	40.7	37.5	34.1	30.3	27.8
Siem Reap	42.2	36.0	32.4	30	28.8
Kampong Thom	41.1	37.7	34.4	31.6	29.1
Kracheh	43.9	41.5	38.6	35.4	32.6
Mondul Kiri	47.0	42.4	38.0	36.8	32.9
Otdor Meanchey	46.6	42.3	38.6	35.0	34.3
Ratanak Kiri	50.7	45.0	41.5	39.0	36.2
Stung Treng	46.1	44.3	42.4	39.3	36.8
Preah Vihear	50.2	45.7	43.1	39.2	37.0

Source: Ministry of Planning and United Nations Development Programme. 2012. *Poverty Reduction by Capital, Provinces, Municipalities, Districts, Khans, and Communes and Sangkats Based on Commune Database 2004–2012*. Phnom Penh: MOP. Based on the Commune Database 2004–2012.

that the general pattern of poverty is comparatively low in Phnom Penh; slightly higher in the plains, river valleys, around the shores of the Tonle Sap, and on the sea coast; but rises to higher levels in the northeast and in the inner areas away from the shore to the southwest of the Tonle Sap region (WFP 2013).

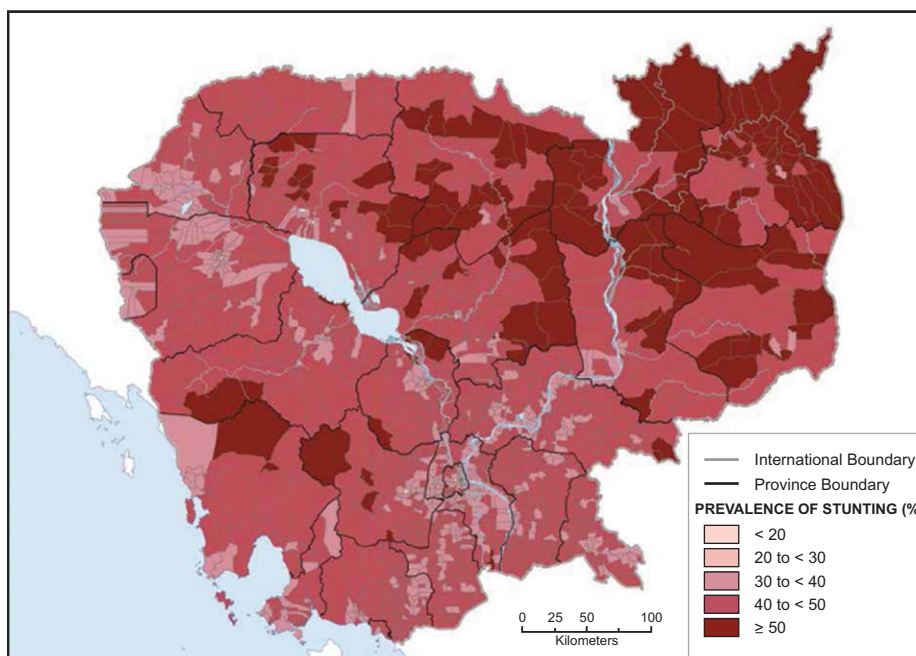
76. The team also produced small area estimates of malnutrition at the commune level by combining data from the CDHS 2010, the UNICEF Country Anthropometric Survey 2008, and the 2008 census. Comparing the malnutrition map in Figure 16 with the poverty map in Figure 15 reveals that most of Cambodia exhibits high rates of stunting, and that many of the areas with the highest rates of stunting are not the areas with the highest poverty incidence.

Figure 15: WFP Small Area Estimates of Poverty, 2009



Source: World Food Programme. 2013. *Small-Area Estimation of Poverty and Malnutrition in Cambodia*. Phnom Penh: Ministry of Planning.

Figure 16: WFP Small Area Estimates of Stunting, 2009



Source: World Food Programme. 2013. *Small-Area Estimation of Poverty and Malnutrition in Cambodia*. Phnom Penh: Ministry of Planning.

Geographic Targeting: The Multidimensional Poverty Index

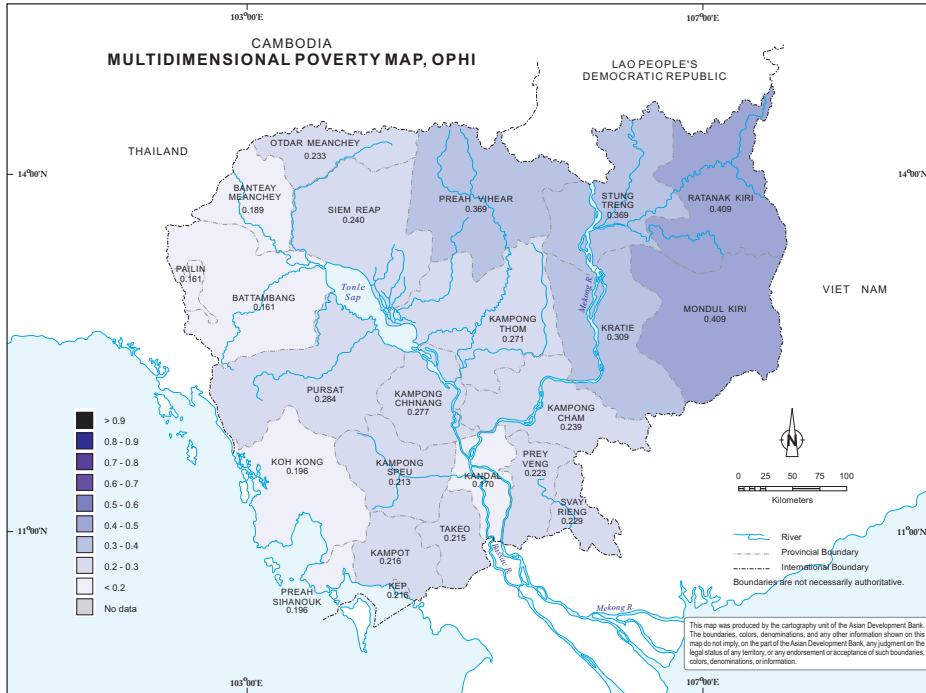
77. The final geographic targeting method is multidimensional and includes poverty rates based on the OPHI multidimensional poverty index that have been calculated for the provinces and groups of provinces in Table 13 and the multidimensional poverty map in Figure 17. Households in the northeast have the highest levels of multidimensional deprivation.

Table 13: The Multidimensional Poverty Index by Province, 2010

Region	Multidimensional Poverty Index (MPI = H × A)	Incidence of Poverty (H)	Average Intensity Across the Poor (A)	Percentage of Population Vulnerable to Poverty	Percentage of Population in Severe Poverty	Population Share
Banteay Mean Chey	0.189	43.3%	43.6%	23.0%	11.6%	4.1%
Battambang/Pailin	0.161	36.9%	43.6%	24.5%	8.7%	7.3%
Kampong Cham	0.239	51.6%	46.4%	17.8%	20.0%	11.7%
Kampong Chhnang	0.277	57.1%	48.5%	26.6%	23.3%	4.1%
Kampong Speu	0.213	47.4%	45.0%	25.9%	13.6%	5.9%
Kampong Thom	0.271	58.0%	46.7%	19.6%	23.8%	5.0%
Kampot/Kep	0.216	47.7%	45.3%	27.7%	15.9%	4.9%
Kandal	0.170	38.9%	43.8%	26.3%	11.9%	9.5%
Kratie	0.309	59.1%	52.3%	22.8%	29.3%	2.6%
Mondol Kiri/Rattanak Kiri	0.409	71.0%	57.6%	12.4%	43.9%	1.5%
Otdar Mean Chey	0.233	49.6%	47.0%	23.1%	18.5%	1.4%
Phom Penh	0.028	6.6%	42.4%	13.0%	1.5%	9.7%
Preah Sihanouk/Koh Kong	0.196	38.8%	50.6%	21.4%	18.3%	2.2%
Preah Vihear/Steung Treng	0.369	71.2%	51.8%	17.3%	39.1%	2.4%
Prey Veng	0.223	52.4%	42.6%	17.0%	19.4%	7.7%
Pursat	0.284	57.9%	49.0%	27.4%	24.5%	3.2%
Siem Reap	0.240	51.8%	46.3%	24.6%	19.4%	6.4%
Svay Rieng	0.229	53.6%	42.7%	18.0%	19.1%	3.7%
Takeo	0.245	54.1%	45.3%	22.2%	18.8%	6.6%

Source: Oxford Poverty and Human Development Initiative (OPHI). 2013. *Country Briefing: Cambodia*. Multidimensional Poverty Index Data Bank. University of Oxford: OPHI.

Figure 17: Multidimensional Poverty Map of the Oxford Poverty and Human Development Initiative



Source: Oxford Poverty and Human Development Initiative (OPHI). 2013. *Country Briefing: Cambodia*. Multidimensional Poverty Index Data Bank. University of Oxford: OPHI.

Implications for the ADB Program in Cambodia

78. The overarching objective of the ADB program in Cambodia should continue to be poverty reduction and inclusive growth, in line with the priorities of the Government of Cambodia. The official poverty rate has declined dramatically, but many of the poor have moved only slightly above the poverty line. The rapid rate of poverty reduction experienced in 2007–2009 has since tapered off significantly. Urban poverty appears to be increasing, but the overwhelming majority of poor people still live in rural areas and are dependent on agriculture. The ADB country partnership strategy 2014–2018 can help reduce poverty and vulnerability and promote inclusive growth by focusing on rural areas and rural–urban linkages, and by targeting areas where the most poor people live.

79. Infrastructure improvements remain essential. Building all-weather rural roads to promote connectivity for isolated areas can dramatically expand opportunities, as can last-mile tourism infrastructure that helps distribute the benefits of tourism growth more equitably.

80. Because more than half of the working population is still engaged in agriculture on very small plots, focusing on improving productivity, diversifying production, and promoting competitive farms and agribusiness enterprises can create jobs and increase incomes. But agriculture alone will not be able to sustain poverty reduction in the medium and longer term. More and better jobs in industry and services will be important—particularly in urban areas where poverty is rising—and will demand a more skilled population. Government strategy and policy documents for 2014–2018 clearly specify a shift in focus, demonstrating recognition that the next 5 years will require greater emphasis on human capital development because this is the core of future competitive advantage.

81. ADB can help strengthen human capital in Cambodia by (i) supporting better health through improved access to rural and urban water supply, sanitation, and hygiene; and (ii) supporting better education and skills through improved access to quality general education, particularly at the secondary level, and better technical and vocational education and training (TVET). Importantly, education and TVET must complement supply-side strengthening (i.e., construction of schools and training centers, curriculum improvements, qualification frameworks, etc.) with demand-side interventions such as poverty-targeted scholarships and stipends. ADB interventions should focus on creating equal opportunities for girls and women in all sectors. Given women’s overwhelming concentration in vulnerable employment, one of the most surefire ways to achieve more inclusive growth in Cambodia is to promote women’s economic empowerment.

82. Table 14 summarizes some of the key findings that emerge from this poverty analysis, along with their implications for ADB’s future program in Cambodia.

Table 14: How the Country Partnership Strategy Can Foster Poverty Reduction and Inclusive Growth

Findings	Implications for ADB Programming
1. There are new official poverty lines (2013) alongside new World Bank poverty lines and multiple other sources of poverty data.	Project poverty and social assessments must be very clear about the figures they cite, and must avoid comparing apples and oranges. Official poverty measures are currently available only to 2004.
2. Extreme poverty has fallen, but a large share of those who escaped poverty moved only slightly above the poverty line. With three-quarters of the population living on less than \$3 per day, a majority of the population remains highly vulnerable.	Future shocks and crises could propel many people back under the poverty line. Cambodia needs a comprehensive social protection system and a renewed emphasis on disaster risk management, particularly to cope with floods.
3. Cambodia's population is concentrated in a diagonal band from the northwest to the southeast.	Because some provinces may have relatively lower poverty rates but still contain a large number of poor people, Asian Development Bank (ADB) investments in these areas will have a large impact on poverty reduction. Provinces in the Tonle Sap region tend to have relatively high poverty rates and large populations, so poverty reduction efforts there will continue to be important.
4. Households with higher levels of education are less poor.	Continued ADB investment in education and TVET, particularly for women, will lay the foundation for a skilled workforce that can access better jobs and be competitive in the region.
5. Debt levels are significant among low-income households, implying that poverty and vulnerability may be more significant than previously thought.	Financial literacy training should be an essential component of livelihood programs and other poverty reduction efforts that aim to increase household income. Targeted social protection interventions and community-based disaster risk management efforts can reduce reliance on borrowing.
6. Many MDGs have already been achieved and others are well on track, but red flags include high levels of child malnutrition and very low access to sanitation in rural areas.	To increase its impact on Cambodia's next generation, ADB should continue to invest in urban and rural water supply and sanitation, coupled with intensified efforts in hygiene behavior change.
7. Despite progress in reducing multidimensional poverty, the incidence remains high.	A continued focus on improving access to basic services is warranted, especially in rural areas. This includes <ul style="list-style-type: none"> • strengthening service delivery, e.g., education, water, sanitation, and energy; • improving physical access to those services by upgrading and paving roads; and • including demand-side interventions for the poor, such as targeted scholarships or subsidized water or energy connections.
8. Migration is occurring at unprecedented rates, and poverty in urban areas started to increase in 2009.	Improving the quality of life in Cambodia's provincial towns warrants a sharper focus on rural-urban linkages.
9. Poverty is still concentrated in rural areas.	Increasing agricultural production, promoting crop diversification, investing in irrigation, diversifying rural livelihoods, and promoting connectivity for access to markets and services will continue to have a significant poverty reduction impact for some time to come.
10. Women's participation in the labor force is high, but women are overwhelmingly concentrated in vulnerable employment.	Promoting women's economic empowerment will enhance inclusive growth. ADB should continue to develop gender action plans with specific gender targets in all sectors, paying particular attention to skills development and access to any jobs that are created by ADB investments.
11. An array of different tools is available for targeting Cambodia's poorest people and areas.	More explicit targeting of ADB resources will enhance inclusive growth. Being more specific about household, categorical, and geographic targeting (possible to the commune level) will strengthen poverty reduction and inclusive growth rationale for proposed operations.

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Cambodia: Country Poverty Analysis 2014

Cambodia's new national poverty lines show higher historical poverty rates and a dramatic decline in poverty during the 2007–2009 global financial crisis. With 18.9% of the population being poor in 2012, Cambodia now counts among the countries with the most rapid poverty reduction in the world. However, many people moved only slightly above the poverty line—remaining highly vulnerable—and poverty is increasing both in urban areas and according to the international poverty line of \$2 per day. This report includes an in-depth look at household debt and vulnerability, the multidimensional nature of poverty, and tools for targeting support to the poor.

About the Asian Development Bank

ADB's vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries reduce poverty and improve the quality of life of their people. Despite the region's many successes, it remains home to approximately two-thirds of the world's poor: 1.6 billion people who live on less than \$2 a day, with 733 million struggling on less than \$1.25 a day. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.

