

October 2013

POVERTY MONITORING AND ANALYSIS

Where Have All the Poor Gone?

Significance

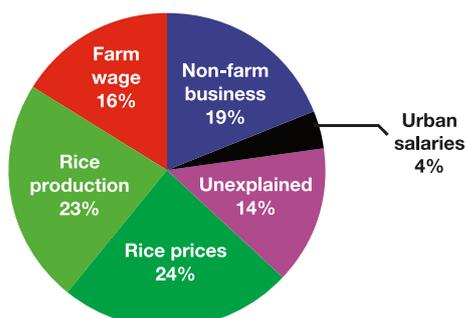
Over the past decade, Cambodia has experienced a phenomenal decline in poverty: the total number of poor fell from 7 million in 2004, to just 3 million in 2011, a decline of more than 50 percent. This performance makes Cambodia one of the best performers in poverty reduction worldwide in recent years. But despite this success, most families have only been lifted out of poverty by a small margin, and instead of being poor are now near-poor. As such, they risk falling back into poverty at the slightest income shock. An average loss of just US\$0.30 in income per day would push 3 million near-poor Cambodians back into poverty, doubling the country's current poverty rate from 20.5 percent to about 40 percent. Going forward, it would be desirable if Cambodia could consider three key priorities: (i) improved access to and quality of basic rural infrastructure and strengthened agricultural diversification; (ii) continued investment in human development; and (iii) implementing an enhanced social protection system.

Background

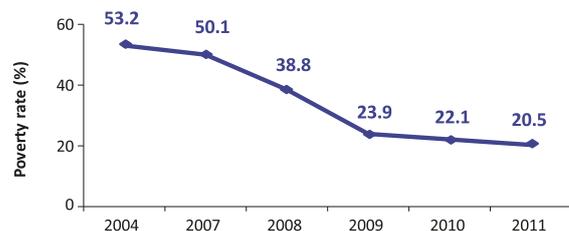
By more than halving poverty from 53.0 percent in 2004 to 20.5 percent in 2011, Cambodia has surpassed all expectations and easily exceeded the MDG poverty target. This achievement was made possible by robust economic growth that has enabled benefits to be shared by a larger number of people. The rapid reduction of poverty was driven by five main factors: (i) high rice prices; (ii) higher rice production; (iii) higher revenue from non-farm businesses; (iv) higher wage rates of rural workers; and (v) growth in salaried jobs in urban areas.

However, the majority of those lifted out of poverty remain near-poor, and highly vulnerable to slipping back into poverty at the slightest shock. Indeed, an average loss of CR 1,200/day (US\$0.30) would return 3 million near-poor into poverty and double Cambodia's poverty rate to 40 percent.

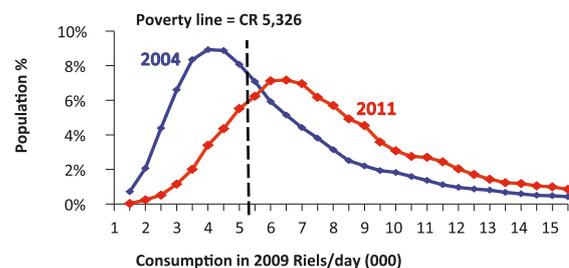
DRIVERS OF POVERTY REDUCTION, CAMBODIA 2004-2011



POVERTY RATE, CAMBODIA 2004-2011



POPULATION SHARES BY CONSUMPTION, CAMBODIA



Important challenges remain to further cuts in poverty

In addition to the risk of the near-poor slipping back into poverty, continued progress in human development outcomes is needed if poverty levels are to fall further. This is especially important given that the key drivers of the rapid poverty reduction over the past decade are unlikely to continue—at least not at their previous pace. In health, for example, although maternal, infant and child mortality rates have all improved dramatically there is still a large gap between rates for the poor

and those for better off families, indicating problems in the coverage and quality of health care. There has also been a distinct lack of progress in reducing child malnutrition: from 2005 to 2010, the percentage of stunted children under five years of age only fell from 42 to 40 percent, while underweight children stalled at 38 percent and children with wasting increased from 8 to 11 percent. Meanwhile, in education low levels of enrollment in primary education, especially from poor and vulnerable families, is a problem and is also producing low enrollment, high repetition and high drop-out rates in secondary education.

Priorities for policies going forward

Proactive policies aimed at helping the remaining poor out of poverty and preventing the near-poor from slipping back into poverty could have a major impact in maintaining the momentum of declining poverty in Cambodia. Such proactive policies are all the more crucial as the aspirations and expectations of Cambodians rise in line with economic growth, and demands for better public services and higher wages grow. Going forward, it would be desirable if Cambodia could consider three key priorities.

Basic Rural Infrastructure and Agriculture Diversification

There is a need to continue investing in rural infrastructure. The poor will benefit from further improvement in access to and upgrading of rural roads, expanding irrigation facilities, electricity, and clean water and sanitation. In terms of agriculture diversification, this could be achieved by rice intensification, and improvements in crop diversification and value-added creation. Rice production needs to be intensified from one crop to two crops annually in areas that currently only rely on rain-fed water and this would require access to improved rice seeds and extension services. Likewise, Cambodia should promote crop diversification—especially in agro-ecological zones that are better suited for crops besides rice. Value-added creation in agricultural products includes all activities from production to packaging in shops or markets. This would include, but not be limited to, marketing, processing (such as rice milling), and commercialization. To achieve this, it is necessary to promote cooperatives, information flows and credit instruments to small- and medium-sized farms.

Although agriculture has lifted many people out of poverty, poverty reduction cannot be sustained by agriculture alone. In the medium term and over the long run, non-agricultural

activities will be the most important factor for sustained economic growth and poverty reduction in Cambodia. The country should be ready to step up efforts to promote industry and the services sector.

Continue Investing in Human Development

It is important to make special provisions to bring rural children into education earlier, and reach out to children from poor and minority families who have never been in school, using a combination of scholarships and school feeding programs. For secondary education, policies are needed to address low enrollment, low retention and high drop-out rates. In rural areas, proximity to schools remains a problem in raising completion rates. In order to raise retention, cash transfer and other targeted programs could be considered. In the health sector, Health Equity Fund coverage and utilization need to be increased for the poor, while maintaining low user fees. Furthermore, oversight mechanisms need to be strengthened to ensure all eligible poor are covered and also aware of their benefits. For health care quality, there is a need for better control to ensure the quality of medicines and providers outside the public health system. Oversight and regulation of private and informal providers is crucial, while accreditation of pharmacists is vital to combat counterfeit drugs. Standards of pre-service training (pharmacist and nurse degrees) need to be evaluated, starting with an independent needs assessment. Child malnutrition is another challenge in the health sector. A multi-sector approach needs to be adopted to reduce child malnutrition with a focus on poor and rural families. Community-based programs need to reduce open defecation, and improve feeding habits, food fortification and micronutrients. The monitoring of child growth by health facilities needs to be strengthened, together with the linking of malnutrition to appropriate response mechanisms.

Implementing an Enhanced Social Protection System

A stronger mandate and increased resources are needed for the central implementing agency in its role as coordinator of several government ministries in implementing the National Social Protection Strategy (NSPS). In particular, some NSPS programs require seed money to attract further resources from government and other stakeholders. In addition, labor compliance standards used in the garment industry could be applied to other industries to better protect workers and encourage them to enrol in the national social security system.

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This note reflects the views of the authors and not necessarily those of the World Bank and the donors.

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Funding from the UK's DFID for the Trust Fund for Poverty Reduction and Governance Analysis and Coordination Support program (PRAGACS) is gratefully acknowledged.

