



CAMBODIA DEVELOPMENT REVIEW

A Publication of the
Cambodia Development Resource Institute

VOLUME 10, ISSUE 2

APRIL-JUNE 2006

\$4.00

The World Bank's 2006 Cambodia Poverty Assessment: A CDRI Response

CDRI elaborates on some of the key components of the PA's analysis and policy recommendations concerning agricultural development and natural resource management.*

The World Bank's 2006 Cambodia Poverty Assessment (PA), launched in February 2006, shows that Cambodia has made significant progress in poverty reduction over the past decade, providing much needed optimism for development planners. At the same time, however, the assessment shows that the urban-rural divide is widening, along with the gap between the rich and the poor, with poverty rates highest in remote rural areas with limited access to roads, markets and basic services. Given that the majority of Cambodia's poor live in rural areas, the PA argues for developing agriculture as a third engine of economic growth with a strong poverty reduction capacity.¹



According to CDRI research, the rural poor are increasingly dependent on access to natural resources in order to maintain their livelihoods.

This argument supports the government's emphasis on promoting agricultural development as a key component of its Rectangular Strategy and 2006–10 National Strategic Development Plan (NSDP). As a policy research institute that studies agricultural and rural development, CDRI agrees with and supports this important policy direction.²

In this article, CDRI elaborates on some of the key components of the PA's analysis and policy recommendations concerning agricultural development and natural resource management. We argue that the PA's

policy prescriptions are necessary, but not sufficient, for achieving the desired poverty reduction in the rural sector. We believe that real progress in agricultural development and associated rural poverty reduction requires better targeting and sequencing of programmes and policies to stimulate increased productivity and generate employment. On the related challenge of natural resource management, CDRI argues that the rural poor rely greatly on access

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* In this article, CDRI expands upon the comments it made at the launch of the World Bank's 2006 Cambodia Poverty Assessment. These comments focus on the critical importance of agricultural development and natural resource management in the next stage of Cambodia's development, as well as the need for a new approach to support local capacity building through a Cambodian partnership for poverty monitoring, evaluation and research.

to natural resources, and that improved management of such resources is required to preserve access to and sustain the natural resource base. We conclude the article by proposing a new approach to capacity building for poverty reduction through the creation of a partnership of Cambodian government policy makers and planners, policy research institutions, civil society organisations and the private sector to work together on poverty monitoring, evaluation and research.

Agriculture

The strength of potential linkages between growth in the agricultural sector and poverty reduction will depend on the degree to which the government, its international development partners, civil society and the private sector can collaborate to better target support for small farmers. Such support includes (1) promoting secure land tenure and access to natural resources, (2) providing more effective water management, (3) removing barriers to efficient marketing, (4) making affordable credit more available and (5) establishing better extension services for both crop intensification and diversification, as well as for livestock production.

The PA emphasises the important role that secure land tenure, through land titles, can play in promoting small farmers' investment in land improvements and agricultural inputs. Recent CDRI research on the impact of land titling in the rural sector suggests that because land titles are a scarce resource, the poverty impact of land titling efforts should be optimised by better targeting aimed at areas with higher concentrations of poor, whose land rights may be threatened by stronger interests attracted to increasing land values. This study observes that the impact of land titles, which are a type of social contract, is also a function of good governance, in which the rights of titles holders are enforced neutrally and upheld in courts of law.

The PA also emphasises the critical role that improved infrastructure can play in promoting increased productivity, and argues that more public investments are needed to strengthen water management through more extensive irrigation and better management. Important decisions must be made in the near future concerning the most effective and efficient allocation of scarce resources to support small, medium and large-scale irrigation projects. Small-scale irrigation projects may be easier to implement and more efficiently managed at the local level, where social capital enables neighbouring farmers more easily to collaborate on water management. Large scale projects may also be effective in terms of stimulating increased production, but require large inputs of institutional capital in the form of government organisation and financial investment.

As significant as secure land tenure and better water management may be, CDRI research suggests that these

inputs will reduce poverty most when accompanied by affordable credit, farmer cooperatives, extension services and improved marketing. CDRI research shows that as much as 85–90 percent of investment in agricultural production and micro, small and medium enterprises is made with own resources, while much of the remainder is made with loans from family and friends. Among the poor, such types of financing limit the amount and range of investment, especially when interest rates remain high.

Farmer cooperatives can provide small farmers with good bargaining power over the price of their farm produce and therefore increase net profits. CDRI's Moving Out of Poverty study (MOPS) has shown that a large number of small farmers do not have enough financial capital. As a result, they are often trapped in marketing arrangements that force them to sell their produce to middlemen (traders or merchants) at prices lower than normal farm-gate prices.

More accessible and effective agricultural extension services are also critical, because many farmers lack the know-how to implement better farming strategies. In the absence of sound technical support, for example, many farmers mimic bad practices in the use of fertilisers and pesticides. Many farmers also lack basic information about markets and, as a result, end up producing things that do not sell for good prices. Many farmers do not have access to good quality and affordable preventive and curative veterinary services for their livestock. More locally managed extension services are therefore required to provide farmers with the knowledge and skills to diversify and intensify production.

CDRI's study on improving marketing of maize and soybeans shows that Cambodia has the geography, land fertility and land availability to develop the soybean and maize industries. This has been recognised and prioritised in major national plans such as the Socio-Economic Development Plan II (2001–2005) and the National Poverty Reduction Strategy (2002–2004). It also appears that Cambodia may have a potential cost advantage in soybean and maize production relative to Thailand and Vietnam.

This potential, however, is not being realised because of various production and marketing constraints. Production constraints include lack of quality seeds, technology, information and credit. Marketing constraints include lack of market information, high transportation costs and fees and poor relationships or mistrust between farmers and buyers. Most agricultural exports are raw products because Cambodia has limited agro-processing capacity, and exports are informal and subject to high informal fees at border crossings. In order for Cambodia to realise its potential in the soybean and maize industries, an agricultural development strategy should include (1) setting up cooperatives, (2) reforming road transport regulations, (3) creating special agricultural development

Table 1: Poverty indicators by main income source

| Main income source | Population share (%) | Poverty rate (%) |
|--------------------|----------------------|------------------|
| Crops and animals | 27.0 | 40.4 |
| Self-employment | 17.9 | 31.5 |
| Wage income | 27.4 | 53.4 |
| CPR | 22.7 | 55.2 |
| Others | 5.0 | 26.0 |
| TOTAL | 100.0 | 45.0 |

Source: 2004/05 data from 1005 household interviews in 7 provinces in MOPS. Poverty estimates are based on the national poverty line.

zones and (4) establishing a framework for joint ventures to bridge the technical and financial gaps.

Natural Resources and the Environment

The PA also rightly emphasises the crucial role of natural resources, particularly forest and fishery resources, in the livelihood strategies of many rural Cambodian households. CDRI's past and present work concerning the relationship between poverty and natural resources supports in many ways the findings of the PA.

Recent CDRI research from the MOPS shows that the poverty rate among rural households that depend on common property resources (CPR) as their main income source is higher than those households that are mainly engaged in other activities (see Table 1).

Qualitative research from the PPA also clearly shows that livelihoods of the rural poor are especially dependent on natural resources for income and coping strategies in times of crisis. In this sense, CPR constitute a crucial safety net for the poor. More effective governance and management of natural resources, at all levels, are therefore crucial for poverty alleviation in Cambodia.

Fishery Sector

Millions of Cambodians are fully or partly dependent on fisheries as their source of income and food consumption. The poor are the most vulnerable of all because they are mostly dependent on open access areas and able to employ only small-scale fishing techniques.

Recent policy reforms that have transferred fishery management to local communities have improved many of the communities' possibilities of better managing their resources. The distribution of benefits from such reforms, however, is not always even. In

some of the PPA villages, for example, the extreme poor report that the establishment of community fisheries has actually decreased their access to previously open access areas. Some villages report that some of the poorest households have not been included in the community fishery groups and, as a result, tend to be excluded from control of and access to better fishing areas.

Many villages included in recent CDRI research interviews and community meetings also report decreasing fishing resources per household (Table 2) and a sharp increase in the number of fishers and the intensity of fishing techniques. The trend of converting inundated forests (where fish spawn) around the Tonle Sap to agricultural uses also poses a serious challenge for community fisheries to manage these renewable resources sustainably.

Many poor people who rely on fishing for their livelihoods also rely on expensive private credit arrangements in order to sustain their living. They often borrow money or equipment from middlemen or rich neighbours on the condition that they sell their catch to them at fixed lower-than-average prices. As with poor farmers who sometimes rely on credit from traders or merchants, expensive private credit tends to prevent poor fishing households from making investments and improvements in their livelihoods.

Forestry Sector

Forest resources also play a significant role in the livelihoods of a large part of the population. For example, urban households still mainly use wood as cooking fuel, while rural households utilise forest products for a diverse range of consumption and income-generating activities. Although forests are still relatively widespread in Cambodia, many people included in recent CDRI studies report declines in the spread and quality of forest resources in their areas (Table 2).

Table 2: Local perceptions of trends in availability of selected products from CPR between 1998 and 2004/05 (in per cent)

| CPR products | Dramatically Increased | Slightly increased | Same | Slightly decreased | Dramatically decreased |
|-------------------|------------------------|--------------------|------|--------------------|------------------------|
| Firewood | 0 | 1 | 22 | 26 | 51 |
| Timber | 0 | 1 | 4 | 9 | 86 |
| Fish | 0 | 1 | 1 | 15 | 83 |
| Bamboo/cane | 0 | 0 | 19 | 23 | 58 |
| Fruits/vegetables | 1 | 9 | 27 | 33 | 30 |
| Wild animals | 0 | 0 | 2 | 9 | 89 |
| Resin | 0 | 1 | 2 | 19 | 78 |

Source: 2004/05 data from 1005 household interviews in 7 provinces in MOPS

As mentioned above, recent CDRI research shows that the poor are most reliant on forest resources for sustaining their livelihoods. The poor and destitute, as well as other vulnerable groups, such as widows, often lack resources to farm or fish effectively. As a result, they routinely use forest resources as a last resort for food and other products. Without access to this safety net, these people would have few livelihood alternatives other than migration.

In this context, the question is how forests can contribute to reducing poverty in a sustainable way. At the moment, local forest management seems fairly casual; local people generally use forests as an open access resource, and there is little official management of resource extraction. The forest sector requires effective management and governance that involve local communities, not just large commercial operators. Local people must be directly involved in such decision making. Tenure and access rights to forests must also be clarified and made secure. CDRI research also shows that local people need improved market access and rights to trade in forest products. These issues should be addressed as a priority in implementing the NSDP and associated NRE programmes.

Capacity Building and a Local Partnership for Poverty Monitoring, Evaluation and Research

The PA includes a useful discussion of the importance of improved aid effectiveness and local capacity building for poverty reduction. After more than a decade of Cambodia's experience with international development assistance, CDRI believes that we need to address a fundamental question: What is capacity building, and what does it mean for programme development and the design, management and resourcing of specific projects? There needs to be an urgent rethink of this by the government and its development partners. The PA rightly emphasises the need for more political commitment to and efficiency in development strategies and better donor coordination. But a critical underlying issue is that there is not yet an agreed position on or commitment to what genuine local capacity development really means and how it is achieved. This is particularly so in the design and implementation of poverty reduction strategies.

Based on CDRI's recent poverty research and the experience of the development of the PA, CDRI proposes that a partnership of Cambodian institutions, both government and non-government, work together in an ongoing assessment, analysis and monitoring of poverty in Cambodia. Such a partnership would have direct input into poverty reduction strategies and policy making, while focusing on genuine local capacity development for poverty research and policy making. Among other things, this would require new thinking about the role of technical assistance involving deeper and longer term institutional

capacity building that would selectively utilise experts who have a demonstrated ability and commitment to transfer skills to and foster the talents of Cambodians.

Broad Objectives and Products

A Cambodian partnership for poverty monitoring, evaluation and research could play three important and inter-related roles:

- Monitoring progress in poverty reduction and related policy impacts against the broad strategic objectives and sectoral benchmarks of Cambodia's millennium development goals (CMDG) and the NSDP through the production of regular, reliable socio-economic data;
- Evaluating NSDP strategies, policy responses and impacts;
- Undertaking locally demand-driven policy-relevant research in key sectors and aspects of poverty reduction strategies under the NSDP (e.g., agricultural development, natural resource management, governance and D&D reforms, health and education, macro-economy, trade and private sector development).

Most importantly, within government and independent research institutions, it could be the vehicle for the long-term building of institutional expertise and capacity in poverty monitoring, evaluation and research. This approach could complement the work of government to ensure access to reliable socio-economic data and to design sectoral policy-relevant research to support national poverty reduction strategies.

Roles and Processes

The specific roles and functions of the partnership and its individual institutions would require careful consideration to ensure that they are both appropriate and feasible. Some of these roles, for example those of the Ministry of Planning and its National Institute of Statistics (NIS), are already being filled effectively and are clear through the provisions of the 2005 Statistics Law, the associated Statistics Master Plan (SMP) and the 2004 Cambodia Socio-Economic Survey (CSES) and the NSDP. Even here, however, the PA concludes that if these roles are to be played more effectively, there must be full funding for the development of core statistical capacity and specific key data collection processes as laid out in the SMP to ensure a regular flow of reliable socio-economic data.

The range of partners and their specific roles could, however, be determined only once the priorities for CMDG and NSDP monitoring, evaluation and research have been clearly established. One priority would of course be the ongoing collection and assessment of statistical data, which will largely be determined by the types of meaningful indicators identified. In some sectors, such as health and

education, the identification of meaningful indicators may be more feasible, and potentially well-equipped monitoring agencies already exist.

CDRI could play a more useful role in the analytical aspects of poverty monitoring, one linked to a longer term research agenda with periodic reporting. For example, as a result of its recent work on the MOPS, Tonle Sap PPA and land titling projects, CDRI could identify a number of villages or neighbourhoods in rural and urban areas as the basis for a good household baseline survey. Such a survey could employ quantitative methods and a sound qualitative baseline assessment (e.g. MOPS) using participatory techniques (e.g. PPA). Once the baseline was established, research teams could return periodically, perhaps once every one or two years, to repeat the process. In many respects, this approach would represent a more streamlined and efficient MOPS-style methodology that would be locally designed in concert with the monitoring partnership.

In this scenario, the NIS could do the household survey very well, perhaps with design inputs from CDRI and other institutions, if needed, in ways that promoted useful results, as well as helping to build design and analysis capacity at NIS. CDRI could also work with other institutions on the design, conduct and analysis of the qualitative baseline work. It might be possible, for example, to choose several of the MOPS and PPA villages as a starting point, perhaps with different institutions responsible for the ongoing survey work in different groups of villages but using a shared methodology and appropriate quality controls. An agreed choice of priority indicators would be a fundamental threshold for this approach, and would have the advantage of being a long-term capacity-building exercise for the partner institutions, utilising external expertise only as necessary.

Another issue that should be addressed in designing such a partnership is that of costing poverty reduction, including achievement of the CMDG. Put simply, how much does it cost to achieve a certain level of progress on key poverty indicators? And once costs have been credibly established, are there more efficient ways of reaching these goals, and what are the implications of this for the NSDP in the allocation of scarce resources? This is an area where research institutes like CDRI and others could work together with the partnership for mutual capacity building. The specific roles of other partners, such as the Technical Working Group on Poverty Reduction and Planning (TWGPRP) and other organisations with the capacity to contribute, would require clarification to ensure that they are both accepted and effective as partners.

Management and Resources

The partnership should be accountable to the Ministry of Planning and related government agencies, including the Council for the Development of Cambodia (CDC).

Partnership management and design would be undertaken by the local partners in consultation with development agencies and their poverty specialists, using their expertise as required. The Technical Working Group for Planning and Poverty Reduction (TWGPPR)'s core working group could act as an advisory committee to the partnership. It might also be useful to establish an expert technical advisory group of poverty monitoring, evaluation and research specialists to provide ongoing advice and support.

The partnership should be resourced by a multi-donor resource facility, established specifically for this purpose, perhaps as a trust fund, or through utilisation of an existing trust fund. The management of allocations would then be the responsibility of individual partner institutions, with appropriate financial accountability mechanisms.

Basic Principles for Design and Implementation

The partnership should relate to Cambodian needs and conditions and be designed around principles of local ownership, commitment and accountability. It should be a long-term programme with long-term objectives, short- and medium-term products and the flexibility to respond to changing national priorities. It should be designed as an institutionalised ongoing partnership for the CMDG and the current and future NSDPs. It should have a sufficiently extended inception phase to build genuine partnership and ownership, clarify roles and build trust and collaboration.

The programme should have a strong focus, in both content and human and financial resources, on local institutional capacity building or development. The need for and character of foreign expertise to achieve the programme's objectives should be determined by the local partnership in consultation with providers of such expertise. The partnership, its operation, activities and outputs should be regularly reviewed in a constructive and participatory way by independent evaluators, its advisory committee and major resource providers, with outcomes reported to the government, the TWGPRP and Consultative Group meetings.

Such a partnership would be a long-term investment in Cambodia's capacity to conduct its own high-quality poverty assessments and develop associated poverty reduction strategies.

Endnotes

1. The other two so-called engines of growth are the garment and tourism industries.
2. The World Bank's 2006 Cambodia PA utilised the preliminary findings of two major studies currently being concluded by CDRI—the Moving Out of Poverty Study (MOPS), with the World Bank, and the Tonle Sap Participatory Poverty Assessment (PPA) with the Asian Development Bank.