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Approaches to Measurement and Analysis of Poverty: The Case of Cambodia

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1. Introduction

Over the last few years, CDRI has produced a number of research reports and working papers on poverty and inequality in Cambodia. Latest among them was the Moving Out of Poverty Study (MOPS).¹ The approach adopted by the MOPS was different from traditional approaches although the findings were broadly similar. The MOPS, along with other studies conducted at CDRI and elsewhere,² provided ample evidence that the poor in Cambodia have not benefited as much as other income groups from the exceptional growth that the country has experienced over the last decade. The study, in conformity with other CDRI findings, particularly two land titling studies just completed,³ also found evidence of increased inequality.

There are areas, however, where the MOPS does not seem to support the general understanding about the factors that affect poverty. For example, in some villages studied, the MOPS found increased hardship among some households despite a general improvement in village life and economic activity. The study also did not find any strong link between landownership and poverty status. These and similar findings that do not seem to support the general literature need to be verified with further research, and the contradiction between the micro and macro views needs to be resolved.

The purpose of this brief is to make a case for applying different approaches to the study of poverty and argue that different approaches will to a large extent be complementary. In particular, the insights generated by approaches such as the MOPS will help to fine-tune macro policy. Conflicts between macro and micro findings about the interaction between poverty and possible determinants, once verified, will assist us to look into the interactions



Farmers unloading firewood in rural Cambodia, Kompong Chnang province

more carefully and explain the differences. In addition, for some specific causes of poverty, approaches such as the MOPS and IDPoor⁴ will help to identify and address them more effectively.

The rest of the paper is organised as follows. Section 2 briefly looks into the determinants of poverty. Section 3 considers the role that growth could play in fighting poverty. Section 4 presents the approach adopted in the MOPS and the summary of findings from this study, while section 5 looks into the significance of such approaches. Section 6 briefly discusses the usefulness of combining different approaches.

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2. Determinants of Poverty

Although the causes of poverty are generally multiple, they can be categorised. The poor, as Weiss and Khan⁵ point out, suffer from multiple disadvantages:

- personal factors, including low skills, poor literacy, large family size, lack of assets and possibly ethnical and gender factors;
- locational factors, including poor access to physical and social infrastructure such as roads, utilities, health and education;
- structural factors, including poorly developed market information, finance and credit.

The disadvantages of the poor are such that many are unable to cater for their own sustenance and therefore fall into absolute poverty. In the absence of any intervention or improvement, poverty becomes a vicious circle; those born into a poor family will most likely end up being poor as well. In Cambodia, the standard of living of the country as a whole is too low to be able to assist the large proportion of the population that suffer from poverty. It is important that economic activities in the country increase to generate the resources required for tackling poverty.

3. Importance of Growth for Poverty Reduction

Cross-country analysis points to the importance of economic growth in order to be able to make a dent in poverty. Sustained economic growth is necessary to push the poor above the poverty line by generating the resources required. In general, factors that lead to growth are similar to those that are likely to push the poor above the poverty line.

The emphasis on growth, and now increasingly on “getting the growth right”, is due to the fact that poverty is more serious and acute in countries with a low per capita GDP. In Cambodia, for example, the latest estimate of GDP per capita stands around USD450.⁶ Even if income were divided equally, this is a low figure. Income distribution, however, is far from being equal, pushing a large proportion of the population, estimated at around 35 percent,⁷ below an income that would enable them to satisfy their daily nutritional requirements. To remedy the problem, it is argued, Cambodia should follow a more broadly based development path; economic activities have to be intensified so that the poor can join the non-poor in benefiting from increased economic opportunities. Through a higher sustained level of growth, personal, locational and structural factors that disadvantage the poor are expected to be mitigated and eventually remedied.

Starting from a very low level, GDP growth in Cambodia over the recent past has been impressive, over 7 percent per annum since 1994. Over the same period, however, the poverty rate, although reduced considerably, should have been reduced even further given the sustained growth and comparisons with some other countries in the region. The reason for this relatively poor performance

lies in the nature of growth and the fact that Cambodia has not yet got it “right”. A closer look at the sectoral composition of growth and particularly the performance of agriculture, where the majority of the poor earn their living, reveals some of the retarding factors.⁸

Macro factors that have inhibited poverty reduction in Cambodia are many; the major limitation is the condition and slow progress of agriculture. To move forward on poverty reduction, it is important that the growth and productivity of agriculture be substantially improved; agricultural growth has generally been rather erratic and lagging behind other sectors.

One important condition for putting agriculture on a sustainable high growth path is dealing with land. The CDRI studies on land titling cited above provide strong support for titling and evidence of increasing inequality in landownership. To invigorate agriculture, it is important that land titling move ahead more speedily and that inequality in landownership be addressed. Evidence from many developing countries suggests that countries that have experienced sustained growth and rapid development have had a more equitable land distribution; this has a large number of obvious attributes that are well reported. Widespread landownership in a country in the initial stages of development, such as Cambodia, provides a badly needed incentive to improve land productivity. However, this is likely to happen only if other incentives and institutional supports are provided as well. For example, clear and well-defined property rights, strengthening the rule of law to increase security of tenure among farmers, would encourage them to improve their land and make more effective use of it. So would provision of irrigation, education on the use of improved seeds and techniques, access to finance, schools and health centres. All of these are expected to encourage the rural population to take a more active role in production and development. In this process, income, including that of the rural poor, will go up.

Though necessary, growth on its own may not be sufficient to reduce poverty. The extent to which growth affects poverty depends on the type of growth. In “inclusive” growth, in which all agents benefit equally, poverty reduction is likely to be at its maximum. Where growth is not “inclusive” or “pro-poor”, its poverty effect is likely to be limited. In such conditions, growth may increase inequality. Increased inequality in turn would impact poverty reduction efforts and, more importantly, potentially political economy and the institutional and governance structure, thereby likely adversely affecting long-term development potential. Whether growth is inclusive or otherwise depends to a large extent on the institutional and governance structure. Growth alone may not be sufficient to remedy locational and structural causes of poverty. To address poverty in this case, a more focussed and localised approach may be required. For poverty reduction strategies to be effective, it is important

that the diversified nature of poverty and its causes are fully understood and identified. The MOPS and similar methods of poverty analysis, such as the IDPoor project, are designed to tackle these problems.

4. MOPS Approach and Its Findings

The MOPS was the first of its kind in Cambodia, one of 18 studies commissioned by the World Bank to examine poverty dynamics and trends. Conducted in 2004/05, the study revisited nine rural villages in which CDRI had conducted research in 2001, using quantitative and qualitative methods to investigate the extent to which villages and individual households had been able to move out of poverty or improve prosperity, or had experienced downward mobility and decline.

The study examined which communities or groups moved out of poverty and which remained trapped and why; whether people experience mobility differently in different economic conditions; how and why governance and social networks matter in mobility; what factors explain household and community progress and mobility or decline and stagnation; and the interaction between household and community factors, as well as any variations between villages and types of households.

The study was *longitudinal*, revisiting households that had previously been included in the 2001 study. It was *contextual*, exploring local history, geography and trends and their impact on communities and households. It employed *mixed methods*, including a household panel survey and in-depth focus group discussions and semi-structured interviews. The nine villages selected for the original study represented all four of Cambodia's main agro-ecological regions—the Tonle Sap plains, Mekong plains, plateau/mountain region and coast. The 890 panel households represent a significant data set, from which statistically valid claims can be made about aggregate and village trends. The panel survey was supplemented by qualitative data from interviews and focus groups with 477 participants, including formal and informal village leaders, mobility groups (with participants who moved into or out of poverty or remained static) and young men and women.

The analysis involved an examination of the main changes and trends that had affected the study villages, including changes in consumption, incomes and poverty rates, together with the factors contributing to or constraining community development, prosperity and household mobility. The analysis included community factors such as the underlying conditions, development and governance that had shaped the experience of each village, and household factors such as strategies for income generation and specific vulnerabilities that households experienced.

The study found that well-being trends varied significantly between villages and households. In the

aggregate, income and consumption rose, and poverty fell slightly. However, as Fitzgerald and So point out, income rose in all study villages while consumption fell in three and rose in six. The poverty headcount fell in six villages and rose in the villages experiencing declining consumption.

The study also found that among panel households, just over half did not change their status between 2001 and 2004/05. Of the remaining 48 percent, 26 percent moved up and 22 percent moved down, a net gain of 4 percent in upward mobility over the 3.5 years between surveys. Among non-moving households, 24 percent (of the total sample) remained well off (the comfortably rich), 14 percent remained moderately poor (the static middle) and 14 percent stayed trapped in poverty (the chronically poor). Of households that changed status, 14 percent of the total were very poor who became either moderately poor or well off by 2004/05 (escaping poverty), 7 percent were moderately poor who became very poor (deepening poverty) and 12 percent became well off. Fifteen percent were initially well-off households that became moderately or very poor.

Taking into account measures other than consumption, including income, assets and access to networks, resources and decision making, the study found that inequality had risen between 2001 and 2004/05. While consumption inequality was static, and landholding inequality fell, income inequality rose, as did the ratio between the value of assets held by the comfortably rich and the chronically poor. Poor households were falling behind, their consumption falling further below the poverty line. Rising inequality was a concern in all study villages, focus group participants suggesting that the intersection of economic wealth and socio-political power and influence was responsible for this trend, as resources, opportunities and services were increasingly concentrated in the hands of better off households.

Although the end of armed conflict in the late 1990s was an important milestone in village development, the location, accessibility and geographic endowment of study villages were more significant in determining community well-being. Strongly performing villages were located close to national roads and provincial towns and had good roads, productive soil and irrigation, while moderately performing villages were more isolated, with poorer soil, less arable land and no irrigation. Furthermore, household mobility within villages was compatible with village development trends. Strongly performing villages had more rich and upwardly mobile households, whereas the poorly performing villages had more poor and downwardly mobile households. Productivity was highest in strongly performing villages and those with natural irrigation, while food insecurity was more common in moderately and poorly performing villages. Strongly performing villages also received more development interventions,

including agricultural extension, and were more likely to have clean water and sanitation. The availability of health and education had improved in all study villages, but more isolated communities experienced poorer health outcomes, and the quality of health services was variable, while children in the poorest households, girls in particular, missed out on education.

These broad findings at one level suggest that growth in Cambodia has not been inclusive, and at another raise issues that need to be tackled more locally. Although generally confirming our understanding about the interaction between poverty and some of its determinants, the study also raises issues that need to be assessed more carefully. To be more precise and prescriptive, however, we need to make sure that the findings are not affected by short-term movements into and out of poverty; hence the new round of study. The information generated will assist researchers to analyse the poverty dynamics more carefully and propose more concrete macro and micro policy options. The new round of the MOPS, referred to as the Poverty Dynamics Study, is under way at CDRI. This will generate new data that will enable CDRI researchers to investigate fully the dynamics of poverty in Cambodia over the last 15 years.

5. Significance of MOPS Approach

The MOPS is a relatively new way of looking at poverty worldwide. Although seemingly a change in the direction of research and to some extent a move away from the more traditional course, it is in fact complementary. The MOPS and similar approaches go deeper into the micro-level causes of poverty, providing badly needed information that will be useful for macro policy adjustment.

Aside from China and India, poverty reduction in developing countries has been rather slow over the last couple of decades, suggesting that policies worldwide need to be adjusted. The MOPS and studies of this nature that look more deeply into the causes of poverty provide information for this. Certain disadvantages of the poor may also call for a closer micro management of poverty. These include disadvantages related to ethnicity and gender, locational disadvantages and structural factors. Macro policies to reduce poverty in such cases need to be combined with a more focussed targeting of impoverished groups. Insights generated from such research should feed into macro policies to make them more effective, not only in expanding economic opportunities for everyone but also in addressing poverty.

6. Combining Different Approaches

Determinants of poverty are many and their interaction with poverty and with each other complex, making analysis within a location challenging. To get a clear picture of poverty in a location and come up with workable and effective policies to tackle it, varied approaches must

be applied. The information and data generated will enable researchers to come up with more appropriate aggregate and local policies. This is particularly relevant in addressing chronic poverty or where locational and structural factors play a role in poverty status.

Another relevant issue relates to techniques of analysis applied to the information and data generated by different approaches. Most macro studies on poverty use a quantitative technique in analysing the data, whereas micro studies are generally qualitative in their approach. This is another area where there is considerable scope for combining the two techniques in order to come up with richer and more effective policy responses. The Poverty Dynamics Study under way at CDRI has already generated large sets of qualitative and quantitative information and data. Researchers are expected to make use of mixed methodology in this study, the so called Q-Squared,⁹ combining quantitative and qualitative techniques.

The next two articles in this issue of CDR discuss different approaches to poverty measurement and monitoring in Cambodia. One raises issues related to the next round of the MOPS and the other goes over the approach adopted in the IDPoor project, which is implemented by the Ministry of Planning.

Endnotes

1. I. Fitzgerald & So S. (2007), *Moving out of poverty: Trends in the community well-being and household mobility in nine Cambodian villages* (Phnom Penh: CDRI).
2. See, for example, B. Ballard (ed.) (2007), *We are living with worry all the time: A participatory poverty assessment of the Tonle Sap* (Phnom Penh: CDRI); World Bank (2007), *Sharing prosperity* (Phnom Penh: World Bank).
3. CDRI (2007a), *Cambodia Rural Land Titling Baseline Survey Report* (Phnom Penh: CDRI); CDRI (2007b), *Cambodia Urban Land Titling Baseline Survey Report* (Phnom Penh: CDRI).
4. Details about this project appear in this issue of CDR.
5. J. Weiss & H.A. Khan (eds.) (2006), *Poverty strategies in Asia: A Growth Plus Approach* (Cheltenham and Northampton, MA: Edward Elgar).
6. It is important to note that the purchasing power parity figures, which are more relevant in this context, are much higher.
7. For this and other relevant figures see World Bank (2007).
8. For more details on some of these issues, see Hossein Jalilian (2008), "Introduction", in *Annual Development Review 2007-08* (Phnom Penh: CDRI).
9. For more on this approach see R. Kanbur (ed.), *Q-Squared: Qualitative and Quantitative Methods of Poverty Appraisal* (Washington, DC: Permanent Black).