

Policy Options for Vulnerable Groups: Income Growth and Social Protection¹

Introduction

The extensive damage to Cambodia's physical, social and human capital during two decades of war is an important cause of poverty that has led to vulnerability among Cambodian people, especially the rural poor. Other contributing factors include social exclusion, lack of access to public services and limited employment opportunities. In addition, insufficient agriculture sector growth and the narrowly based rural economy make the majority of rural people highly susceptible to risks and shocks that can push them into extreme poverty. For example, recent contraction in Cambodia's main growth sectors – garments, tourism and services – due to the global economic crisis resulted in job losses and diminished remittances. The downturn directly affected workers and their families and exacerbated their vulnerability to income and consumption shocks.

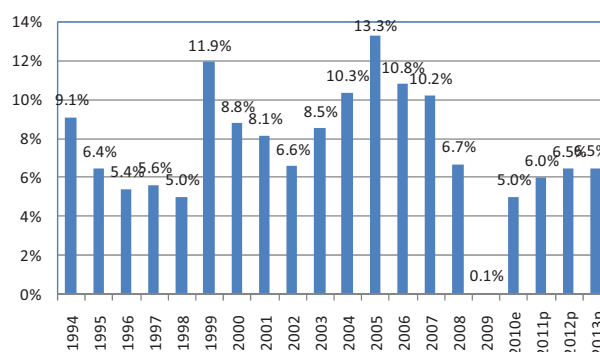
This article aims to provide an overview of the interaction between growth, poverty, vulnerability and social protection, building on existing literature and recent data and statistics. Specifically, this study: (1) identifies vulnerable groups and causes of vulnerability, (2) reviews the existing social protection activities being undertaken by government and its partners, (3) discusses the effectiveness of the existing social protection programme, and (4) sets out policy options for vulnerable groups in terms of income growth and social protection as well as the knowledge gap.

1 This article was prepared by Sothorn Kem, research associate, and Khiev Pirom, research assistant, in the Poverty, Agriculture and Rural Development Programme (PAR), CDRI. The authors thank Miss Gov Kim Hong, intern, and Mr Chhim Chhun, research assistant, at PAR for their substantial assistance with the literature search.

2 Ministry of Economic and Finance

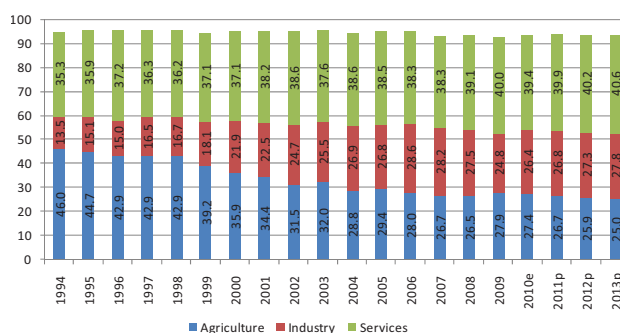
3 GDP per capita increased from USD285 in 1997 to USD593 in 2007 (data from IMF). According to the poverty trends assessment of the World Bank in 2009, the Gini coefficient (a measure of income inequality) for the whole country rose sharply from 0.396 in 2004 to 0.431 in 2007.

Figure 1: GDP Growth (1994-2013 at 2000 price)



Source: Data from MoEF²

Figure 2: Sources of Growth by Sector (1994-2013)

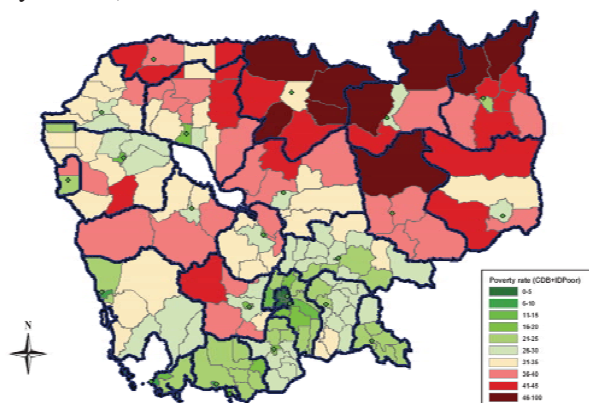


Source: Data from MoEF

Links between Growth, Poverty and Vulnerability

Poverty in Cambodia is characterised by low income and consumption, poor nutritional status, low educational attainment, lack of access to public services and economic opportunities, vulnerability to shocks, and exclusion from economic, social and political processes. Average GDP growth rate of 9.5 percent per annum for the period 1999-2008 (Figure 1) has profoundly transformed the country, enabling society to progress with key national development strategies in poverty reduction, livelihood improvement, higher education level and better health status. However, economic growth is largely urban based and the benefits have been unevenly distributed, driving inequality increasingly higher (World Bank 2007).³

Figure 3: Distribution of Household Poverty Rate (%) by district, 2009



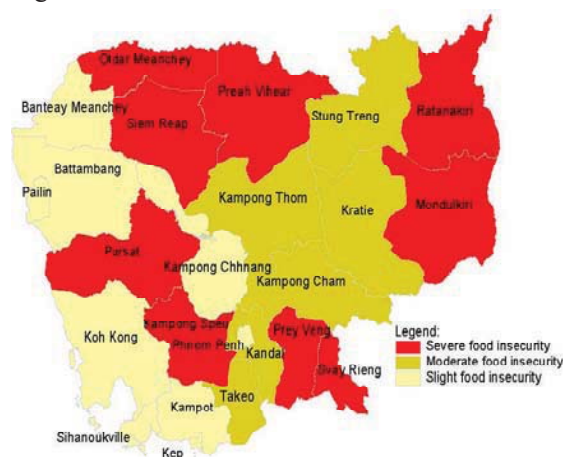
Source: *Commune Database 2003-2008, MoP*
Map by NCDD PST M&E unit, 2009

High inequality constrains sustained economic growth and acts as a brake on poverty reduction efforts, or may even be detrimental to growth itself and lead to social polarisation and instability (World Bank 2006a). Eighty percent of Cambodia's total population of 13.4 million are dependent on the rural economy where growth is particularly low and insufficient (Figure 2).⁴ This pattern of growth has so far brought little in the way of significant benefits to the majority of people, especially in rural areas. This also means that the rural poor remain highly exposed to different vulnerabilities and risks from various sources. Many poverty studies suggest that exposure to risk and shocks is one of the main determinants that make households more vulnerable and keep them trapped or even deeper entrenched in poverty (Fitzgerald *et al.* 2007; Ballard *et al.* 2007; So 2009; Kem *et al.* 2010).

4 Foreign direct investment (FDI) has been concentrated in the industry and services sectors while the agriculture sector is still suffering from under-investment and under-development. MoEF data show that agriculture's share of GDP has declined since 1994 (Figure 2). Cambodian rice productivity of 2.8 tonnes per ha in 2009 was the lowest in the region (MAFF 2010).

5 The MPI is an index of acute multidimensional poverty; it reflects deprivations in very rudimentary services and core human functioning. This index reveals a different pattern of poverty than income poverty as it highlights a different set of deprivations. The MPI has three dimensions—health, education, and standard of living—and uses ten indicators to measure poverty. A household is identified as multidimensionally poor only if it is deprived in a combination of indicators where the weighted sum exceeds 30 percent of deprivation.

Figure 4: Food Insecure Areas



Source: FAO 2007

Who are the Vulnerable? Why are they so Vulnerable?

The forthcoming National Social Protection Strategy (NSPS), defines vulnerable people as (1) those living below the national poverty line, (2) those who cannot cope with shocks and or have a high level of exposure to shocks (people living under or near the poverty line tend to be the most vulnerable), and (3) infants and children, women, girls of reproductive age, food-insecure households, ethnic minorities, the elderly, the chronically ill, people living with HIV/AIDS and people with disabilities. Using this definition, the vulnerable groups and the factors and underlying causes that make them vulnerable were identified.

More than one quarter of the population are living below the poverty line

An estimated 27.4 percent of Cambodian households were still living under the poverty line by the end of 2009 (Ministry of Planning (MoP) 2009). Using the multidimensional poverty index (MPI)⁵, however, the poverty rate in Cambodia stood as high as 54 percent, representing around 7.7 million people (Alkire *et al.* 2010). The 2007 Cambodia Socio-Economic Survey (CSES) poverty headcount index notes that the poverty rate was 0.83 in Phnom Penh and 21.85 in other urban areas, suggesting that 7.8 percent of the poor in Cambodia are living in urban areas (World Bank 2009). In the rural areas, poor households are mainly scattered in remote provinces such as Ratanakiri, Mondulakiri, Kratie,

Steung Treng, Preah Vihear and some provinces around the Tonle Sap Plain (Kampong Thom, Siem Reap, Pursat) (Figure 3). An FAO study in 2007 consistently identified most of these provinces as food insecure areas⁶ (Figure 4), with 2.6 million people likely facing food deprivation (World Food Programme (WFP) 2007). Within this proportion, the 2005 Cambodia Demographic and Health Survey (CDHS) found that 43 percent of children aged 0 to 5 were chronically malnourished (stunted), 28 percent were underweight, and 8 percent were acutely malnourished. This places Cambodia with a Global Hunger Index (GHI)⁷ of 21.2 in 2009, an alarming rate despite the country's record rice sufficiency.

The poor are extremely vulnerable to both idiosyncratic and covariant shocks.⁸ Idiosyncratic shocks that are generally faced include non-epidemic illness, accident, death of family member, loss of livestock, indebtedness, theft, violence, household level crop damage, business failure, income shock in the form of unemployment or falling income. When struck by covariant shocks, such as natural disasters (e.g. flood, drought), widespread (endemic or epidemic) disease, social conflict (land conflict, reduction of natural resources stock), and economic crisis, the poor seem to be the hardest hit

⁶ Food insecurity exists when people are undernourished due to the physical unavailability of food, lack of social or economic access to adequate food, and or inadequate food utilisation (WFP 2005).

⁷ In 2009, the GHI of Cambodia's neighbouring countries such as Vietnam was 11.9, Lao 19.0, and Thailand 8.2; all of them stand at a better rate than Cambodia.

⁸ Idiosyncratic shocks affect some individuals or households but not others; covariant shocks affect many people at the same time.

of all groups in society.

Vulnerable groups in society also include (1) the urban poor, (2) people living with HIV/AIDS, (3) children and youth, (4) old people, (5) people with disability, (6) ethnic minorities, and (7) women headed households and girls of reproductive age. These groups experience different levels of idiosyncratic or covariant shocks, or even a combination of both.

Most vulnerable groups experience different levels of idiosyncratic or covariant shocks, or even a combination of both. The World Bank study on 'Risk and Vulnerability of People in Cambodia'

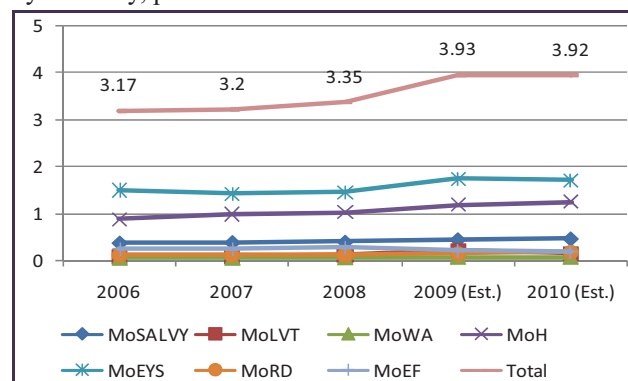
“ Most vulnerable groups experience different levels of idiosyncratic or covariant shocks, or even a combination of both. ”

The World Bank study on 'Risk and Vulnerability of People in Cambodia' (2006b) examines the relative vulnerability of various groups based on exposure to risks and capacity to manage them. ”

(2006b) examines the relative vulnerability of various groups based on exposure to risks and capacity to manage them. Its findings reveal that children and youths, who form the biggest proportion of the total vulnerable population and characteristically have poor nutritional status, are involved in some of the worst kinds of wage labour, are poorly educated and lack the skills and opportunities to get decent jobs. People with disability and the urban poor rank second and third in terms of vulnerability and their

ability to manage risk, followed by the elderly, ethnic minorities, female headed households and garment workers. Studies by So (2009), Kem *et al.* (2010) and Ngo *et al.* (2010) also point out that due to low capacity to cope with shocks from the economic downturn, vulnerable groups and their families, especially women headed households, become more vulnerable to income and consumption shocks, pushing them deeper into poverty. Hence, whatever strategies might help reduce vulnerability and risk of exposure to shocks among the most vulnerable are considered appropriate direct ways

Figure 5: Government Expenditure on Social Protection by Ministry, percent of GDP



Source: MoEF 2010

to fight poverty and boost a more sustainable and equitable pattern of growth.

Social Protection and Vulnerability Reduction

Social protection is sometimes approached as a “system” to address both covariant and idiosyncratic vulnerabilities (Davies *et al.* 2008; Vakis 2006). Putting social protection or social safety nets in place to support vulnerable groups becomes one of the priority options.

The government is mandated by the Constitution and several laws to provide a range of social safety nets to the people. Social protection related objectives are also prioritised in the comprehensive National Strategic Development Plan (NSDP). Under NSDP, a number of policies and action plans have been adopted by related ministries and institutions. The diversity of social protection programmes for the poor aims to address issues of vulnerability and human capital development. The major social protection programmes identified under the NSDP are social security services, National Social Safety Net Fund, vocational training, Scholarship for

the Poor, School Feeding Programme and Take Home Rations, Health Equity Fund, Community-based Health Insurance, Nutrition Programme, Emergency Relief, Public Work Programme, Social Land Concession, Rural Drinking Water Supply and Sanitation and Micro or Area-based Schemes.

Although government expenditure on social protection is increasing, it is still low compared to other countries in the region (Figure 5). At the same time, the government’s development partners’ disbursements for the safety net project reached USD51million in 2010. Of the total 1,500 NGOs, almost half are currently running programmes related to social protection. Despite these massive efforts and pro-poor targeting, social protection still does not reach a large proportion of the population in need of support. The effectiveness and sustainability of social protection programmes have been undermined by limited resources, lack of clear coherent strategy and targeting procedure, or the prioritisation of programmes being based on development partners’ interests.

Conclusion, Policy Options and Potential Research Areas for Effective Social Protection

“ *The effectiveness and sustainability of social protection programmes have been undermined by limited resources, lack of clear coherent strategy and targeting procedure, or the prioritisation of programmes being based on development partners’ interests.* ”

Poverty, growth inequality, social exclusion and lack of access to public services and opportunities are the main causes of vulnerability. Vulnerable people experience different shocks at different levels. It was consistently found

that all groups are highly vulnerable and less able to manage whenever they are struck by shocks. A wide range of social protection interventions to address poverty and reduce vulnerability have been delivered. The set of interventions, despite its diversity, is truly inadequate in scale such that social support has yet to reach large groups of vulnerable people. The limitations of social protection programmes could be a barrier to social

cohesion, human capital development, livelihood improvement and broad based equitable growth and ultimately, poverty reduction. Seeking an approach for effective social protection is almost equal to the search for a comprehensive effective approach to address poverty. To ensure effective social protection, the following areas should be focussed on : (1) addressing poverty and vulnerability in rural areas by diversifying the rural economy, in which case, boosting agriculture sector growth should be prioritised; (2) prioritising the current limited social protection that targets those whose needs are most immediate or the most vulnerable groups, such as young people or the elderly; (3) ensuring better coordination among institutions, for example, through the comprehensive use of a generic targeting procedure such as ID-Poor or other approaches such as the multidimensional poverty index to target beneficiaries; (4) conducting more research to provide updated information and monitor changes and impacts of social protection in the future that could provide critical inputs for effective social protection delivery to reduce risk and vulnerability.

References

- Alkire, Sabina & Maria Emma Santos (2010), *Cambodia Country Briefing*, Oxford Poverty and Human Development Initiative (OPHI) Multidimensional Poverty Index Country Briefing Series,, Oxford Poverty and Human Development Initiative website www.ophi.org.uk/policy/multidimensional-poverty-index/mpi-country-briefings/ (retrieved 27 August 2010)
- Ballard, B. M. Sloth, C. Wharton, D. Fitzgerald, I. Mushid, K.A.S. Hansen, K. K. Phim, R. Lim, S. (2007), *We Are Living with Worry All the Time: A Participatory Poverty Assessment of the Tonle Sap* (Phnom Penh: Cambodia Development Resource Institute)
- Davies, M. Leavy, J. Mitchell, & T. and Tanner (2008), *Social Protection and Climate Change Adaptation* (Brighton: Institute of Development Studies at the University of Sussex)
- FAO (Food Agriculture Organisation) (2007), *Mapping of Food Security and Nutrition Situation and On-going Field Agent Efforts in Cambodia* (Phnom Penh: FAO)
- Fitzgerald, I., So, S., Chan, S., Kem, S., & Tout, S. (2007), *Moving Out of Poverty? Trends in Community Well-being and Household Mobility in Nine Cambodian Villages* (Phnom Penh: Cambodia Development Resource Institute)
- IFPRI (International Food Policy Research Institute) (2009), *Global Hunger Index: The Challenge of Hunger- Focus on Financial Crisis and Gender Inequality* (Washington DC: Dublin)
- Kem, S. Theng, V. & Chhim, C. (forthcoming in 2010), *Rapid Assessment of Impact of Global Financial Crisis on Poor and Vulnerable People: Round 4* (Phnom Penh: Cambodian Development Resource Institute)
- MoP (Ministry of Planning) (2009), *Poverty and Select CMDGs, Maps and Charts 2003-2008, preliminary results of CDB-based Research and Analysis Project* (Phnom Penh: MoP)
- Ngo, S. & Chan, S. (2010), *More Vulnerable: The Implication of the Economic Downturn on Women in Cambodia* (Phnom Penh: Oxfam Research Report)
- So, S. (2009), *Informal Risk Management and Safety Net Practices in Economic Crisis in Cambodia: Experiences of Poor and Vulnerable Workers and Households*, Annual Development Review, (5) (Phnom Penh: Cambodian Development Resources Institute) pp. 83-112
- Vakis, R (2006), *Complementing Natural Disasters Management: The Role of Social Protection*, Discussion Paper No. 0542 (Washington, DC: World Bank)
- WFP (World Food Programme) (2005), *Food Security Atlas of Cambodia* (Cambodia: World Food Programme)
- World Bank (2007), *Sharing the Growth: Equity and Development Report 2007* (Phnom Penh: World Bank for the Cambodia Development Cooperation Forum)
- World Bank (2009), *Poverty Profile and Trend in Cambodia: Findings from the 2007 Cambodia Socio-Economic Survey (CSES)* (Poverty Reduction and Economic Management Sector Unit, East Asia and Pacific Region, World Bank)
- World Bank (2006a), *Cambodia: Halving Poverty by 2015? Poverty Assessment 2006* (Phnom Penh: World Bank)
- World Bank (2006b), *Managing Risk and Vulnerability in Cambodia: An Assessment and Strategy for Social Protection* (Washington DC: World Bank)