POLICY FOR ATTACKING POVERTY
CASE: CAMBODIA

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Abstract

What are the causes of poverty? And why is poverty so widespread in the world? To answer these frequently asked questions, there are several factors to consider when it comes to the aspects that contribute to the causes of poverty. Factors such as economic, political, institutional and cultural aspects can all influence the case. As can be seen in Cambodia, the last decade has seen significant economic growth and poverty reduction, accompanied by numerous structural policy changes. However, a significant wealth and income gap still exists between the country's lower and upper classes, while the sudden onset of the COVID-19 pandemic has devastated Cambodia and pushed many people into poverty. Additionally, rural and low-income families face challenges accessing services and jobs, necessitating the focus on improving public institutions' capacities for effective resource management and responsible service delivery. This article hopes to provide valuable information to future
researchers on poverty alleviation policies in Cambodia and the factors that contribute to urban-rural poverty.

Keywords: poverty, Cambodia, education, healthcare, infrastructure

INTRODUCTION

Nearly a decade ago, Cambodia experienced significant economic growth and poverty reduction, along with numerous structural policy changes (WBG, 2022). The country is now focusing on a complex economic transformation to diversify its industrial base away from low-skilled and low-cost activities, with the aim of achieving comprehensive and inclusive growth (ADB, 2014). This change reflects Cambodia’s efforts to create a more sustainable and balanced economy. Despite progress, poverty remains a concern, with a notable wealth and income gap between the lower and upper classes (JICA, 2010). In terms of political reconstruction, Cambodia has made tremendous progress since the era of conflict and civil war (Gellman, 2010), paving the way for the transition from a planned economy to a market economy, which had a significant impact on the reconstruction and development of the economy that stimulates entrepreneurship and increases economic growth in the country (Ocampo, 2000). Additionally, the Royal Government of Cambodia, with international support, aims to create a prosperous, diverse, dynamic and resilient society and economy in Cambodia, with the aim of achieving upper middle-income status by 2030 and the high-income status by 2050 (RGC, 2013). Although these reforms have led to significant growth and development, Cambodia is only ranked 146th out of 191st on the Human Development Index (HDI, 2023), as the benefits of this growth have been unevenly distributed, leaving behind them many economically weak citizens.

Furthermore, policy implementation has generally prioritized economic growth as the main approach to poverty reduction, which has been found necessary and effective (DFID, 2015). Although growth is undeniably crucial, its actual impact on poverty reduction depends on various factors such as patterns, redistribution policies, safety nets, social benefits and public spending, as well as how these elements interact with each other (Awad, 2012). According to The International Labour Organization (ILO, 2005) emphasizes that creating productive jobs and providing workers with the necessary resources is the most sustainable way to alleviate poverty. This approach to combating poverty involves
improving working conditions and, above all, creating decent jobs that are technologically adapted to the needs of the modern globalized world. Unexpectedly, Cambodia faced major challenges in 2020 due to the COVID-19 pandemic, particularly affecting people in vulnerable financial situations and increasing the risk of poverty. The poverty rate increased by 2.8 percentage points, pushing more than 460,000 people into poverty and reversing nearly two years of progress in poverty reduction (World Bank, 2022). Since future development plans, especially after the last global economic crisis, examine, rural and weak families are faced with challenges when accessing essential services and employment possibilities. Rural areas situated near mountains, plateaus, and Tonle Sap continue to experience a high poverty rate (World Bank, 2022).

Additionally, rural areas often lack the infrastructure and resources necessary for economic development, such as roads, railways, ports, telecommunications and electricity. This lack of infrastructure hinders business growth and limits access to markets (Sum, 2008). With natural disasters such as floods and landslides can have devastating effects on the economies of rural regions, leading to widespread destruction of infrastructure, homes, and businesses (RGC, 2014). This makes it challenging for communities to recover and rebuild, often requiring substantial financial and logistical support. Moreover, the remote and inaccessible nature of rural areas limits economic opportunities, creating poverty traps where residents face barriers in accessing essential services and employment opportunities, further perpetuating economic hardship and inequality (Khan, 2000). Thus, the lack of basic services and economic opportunities exacerbates poverty, especially in remote areas where access to these services is often limited.

The purpose of this article is to provide valuable resources to future researchers who wish to gain a deeper understanding of the importance of implementing appropriate poverty reduction policies, while exploring the various factors that contribute to the urban-rural inequality gap in Cambodia. It is imperative to highlight the crucial role of the capacity of public institutions, especially in terms of skillfully managing public resources and providing public services in an effective, responsible and responsive manner. These aspects are crucial to meeting the changing needs of citizens and the private sector, ultimately promoting sustainable development and reducing disparities within the country.
Literature Review

A Better Understanding of Poverty

Given the complexity of poverty, the term “poverty” encompasses a broad spectrum and results from the complex interaction of economic, political and social dynamics. According to JRF (2012), poverty is broadly defined as “the situation in which an individual's resources, particularly material resources, are insufficient to meet his or her basic needs, including participation in society.” This inadequacy hinders the ability of individuals to achieve their full personal development, impacts families and compromises their role as contributors to society, posing a threat to social cohesion and sustainable development (EAPN, 2020). In general, "insufficiency" and "lack of basic needs" are often used interchangeably to denote poverty. Regardless of the actual standard of living, to be considered poor, a person must have a lower level of wealth than the majority of society (Sarlo, 2019).

There are numerous ways in which poverty can profoundly impact an individual's life. The term “multidimensional poverty” encompasses the multiple impacts and factors that contribute to the loss of basic needs of people living in poverty (EAPN, 2020). According to Walker (2015), poverty is not defined solely by a lack of financial resources, but rather as a set of disadvantages including opportunities, experiences, services and conditions that others consider normal. For example, the United Nations Sustainable Development Goals emphasize the elimination of "poverty in all its forms everywhere", stating that limited financial resources, material deprivation, social exclusion, powerlessness, physical and mental illness are among the various characteristics that can be summarized under the umbrella term “multidimensional poverty” (Saqqa, 2015).

Furthermore, the Cambodian economy is currently grappling with the repercussions of the post-pandemic global financial crisis, primarily due to its reliance on external demand and investment (IMF, 2022). This has led to economic shocks that disproportionately impact low-income and marginalized households, stemming from factors such as job losses, diminished wages, and reduced work hours (Ly et al., 2022). As Cambodia increasingly integrates into the global economy, the country is expected to experience more frequent external economic shocks, increasing inequality and poverty in the country. According to Ravallion (2001), in developing countries, it is often observed that economic growth can lead to similar chances of either increasing or decreasing inequality. Despite economic
growth causing inequality, the impoverished population still benefits from it, although their gains are generally lower than those of other households (Ravallion, 2001). In essence, the effect of growth on poverty and inequality hinges on how the benefits of growth are distributed among the rich and the poor (Cerra et al., 2021). To ensure that all Cambodians can live a life of dignity, have equal access to opportunities for success, and demonstrate resilience in the face of challenges, several factors need to be addressed.

**Approaches to Economic Growth and Development**

Cambodia's current economic landscape has consistently aligned well with the government's development priorities as set out in the National Strategic Development Plan (2018-2023) and detailed in the Pentagonal Strategy for Growth, Employment, Equity, Efficiency and Sustainability (RGC, 2023). Cambodia's current economic landscape is characterized by a growing economy and a focus on key industries such as garment exports, manufacturing, tourism, and agriculture (ADB, 2014). In recent years the country has recorded constant GDP growth of around 7%, driven by the increase in exports and foreign direct investments (WBG, 2023). However, challenges such as income inequality and dependence on external markets for export demand remain important considerations for the government's development priorities. Additionally, this demonstrates ongoing efforts to integrate economic development into key government priorities and strategies. It was adopted by The Royal Government of Cambodia of the Seventh Legislature of the National Assembly to ensure the implementation of measures related to five strategic objectives, including: 1) ensuring economic growth, 2) creating more opportunities employment, 3) reduce poverty, 4) further strengthen the governance of public institutions, improve their capacity and quality and 5) ensure sustainable socio-economic development. (RGC, 2023)

Cambodia's economic growth has also led to significant improvements in the quality of life for its citizens. According to Rodrik (2007), “Historically nothing has worked better than economic growth in enabling societies to improve the life chances of their members, including those at the very bottom”. Economic growth not only aids in poverty eradication but also enhances infrastructure, education, healthcare, employment opportunities, and technological advancements, contributing to societal progress and well-being (DFID, 2015). Technological advancements, such as the expansion of mobile banking services, have also increased financial inclusion and improved access to financial services for
individuals and businesses (Seng et al., 2018). In addition, the expansion of the education sector has improved access to education, particularly in rural areas, while investments in healthcare have led to enhanced facilities and services, reducing unemployment rates and providing stable incomes (WBG, 2023). Thus, promoting economic growth is a vital strategy for improving the quality of life for individuals and communities (DFID, 2021).

Furthermore, economic growth is also significantly linked to human development indicators as it can have a significant impact on people in a variety of sectors beyond material progress, demonstrating the importance of understanding this relationship (DFID, 2015). According to A. Sen (1999), economic growth plays a crucial role in the expansion of material freedoms enjoyed by individuals, which are closely linked to the overall improvement in living standards. Cambodia's economic growth has undoubtedly brought significant benefits, but it must be recognized that it cannot fully address all development challenges. Persistent income inequality remains a pressing issue, with disparities between urban and rural areas and between different socioeconomic groups (Hansen et al., 2019). Besides, the rapid pace of economic growth has placed considerable strain on the environment and natural resources, raising concerns about sustainability. Inadequate human capital development, coupled with insufficient investments in education, skills and health care, can exacerbate these disparities and hinder overall progress (MoEYS, 2018). It is therefore crucial to address these various challenges to promote long-term economic growth that benefits all components of society.

**Inadequate Development of Human Capital (Capacity Building)**

According to The Organization for Economic Cooperation and Development (OECD; 2002) defines capacity building as a method of enhancing knowledge, expertise, technical, and managerial capabilities through the provision of technical assistance, short-term/long-term, and expert training. This enables individuals, organizations and institutions to effectively address existing challenges, develop sustainable solutions and adapt to changing circumstances in their respective contexts (Moallemi, 2020). For instance, the lack of quality education in rural Cambodia, with often insufficient and underqualified teachers and the lack of schools in rural areas, hinders human capital development and social progress (Benveniste et al., 2008). As Cambodia endeavors to transition towards higher value-added activities and adopt new technologies that demand more advanced skills, the necessity for an educated and well-trained workforce becomes increasingly paramount.
Additionally, the Human Capital Index (HCI, 2017) shows that children born in Cambodia today are only half as productive as they would be if they had access to quality education, good health and good nutrition. Thus, human capital development can be seen as a framework for the implementation of education and development policies in general, as it highlights the importance of education and how it increases productivity and work efficiency (Adedeji et al., 2013). According to The Ministry of Labour and Vocational Training (Cambodia), this highlights the need to empower and equip the urban and rural poor with vocational training based on their needs, which is important to provide income-generating skills in a limited work environment, developing focus on job training programs with resources to provide income generating opportunities to citizens in need. This need is consistent with the overall objective of promoting sustainable and inclusive economic growth, as a skilled workforce is essential to promote innovation, productivity and competitiveness in all sectors (Gevena, 2010).

Reduced capacity building in rural areas to innovate and adapt to rapidly changing global markets has led to persistent income inequality, as those without access to quality education and skills development are at a significant disadvantage when competing for better-paying job opportunities (ADB, 2012). The rural poor often face difficulties accessing vocational training programs due to limited resources, lack of awareness and geographic barriers. Many job training programs are concentrated in urban areas, making them difficult for people living in rural areas to access (ADB, 2012). Additionally, the cost of vocational training can be prohibitive for individuals with limited financial means. Addressing these challenges and providing vocational training opportunities tailored to the needs of the urban and rural poor is crucial in bridging the skills gap and promoting economic empowerment (ADB, 2015). Thus, education and training not only promote growth and efficiency, but is also probably the most effective way to enable talented young people from poor families to move up the economic ladder (Becker, 1995).

**Adequate Living Conditions and Employment Rights**

Public institutions significantly improve living standards by offering essential resources like healthcare, education, and infrastructure through policies like affordable housing, healthcare subsidies, and public transportation investments (Kruk, 2018). Higher income levels can improve citizens' living standards, according to the Millennium Development Goals (MDGs), by promoting infrastructure and facilities for economic growth and raising
living standards in rural areas. Adequate social housing is crucial for household health, well-being, social cohesion, and community stability, ensuring healthy living costs and other basic needs. For instance, according to the National Institute of Statistics of Cambodia (NIS, 2018), access to improved water resources is also low, highlighting the need for improved infrastructure to provide communities with basic water services, since only 58% of households in areas where rural populations have access, leaving more than 1.1 million rural families without access to an improved water source (MoEYS, 2019).

Additionally, access to excellent infrastructure and facilities provides opportunities for mid-sized businesses to invest in rural areas and recruit from the region's low- and mid-skilled workforce (OECD, 1997). Since Cambodia's major rural development goal is to encourage industrial relocation into rural areas, the government has shifted its primary economic activity from agriculture to manufacturing (ADB, 2012). Therefore, promoting the development of small and medium-sized enterprises can eliminate poverty, inequality and barriers to job creation, increasing employment rates, and boosting GDP (Gebregizabher & Akeem, 2015). Increased small and medium-sized enterprises growth can also transform rural populations into higher household incomes (Maksimo et al., 2017), as they also help reduce urban migration by providing employment closer to homes, improving the quality of life for individuals and alleviating strain on urban infrastructure and resources. According to Ali (2004) emphasized the importance of diversifying rural economies in helping to reduce poverty and create jobs in rural areas, which will provide an opportunity for people to pursue higher-skilled careers and improve their quality of life.

Reducing Poverty Through a Strategy

A strategy to attack poverty should acknowledge that the issue goes beyond insufficient income or poor human development; it also includes vulnerability, helplessness, and a lack of representation and voice (World Development Report, 2001). By taking into account multiple factors, such as socio-political and cultural influences, the multidimensional approach to poverty increases the complexity of poverty reduction strategies. According to LEEN (2001), overall economic growth and strengthening the potential of the poor through the provision of basic social services were identified as the main elements of poverty reduction strategies. However, growth cannot be accelerated by will, as institutional capabilities of political influence at the local level are believed to significantly influence the effectiveness of social service delivery (DFID, 2010). Without effective political influence
and governance structures, the delivery of social services to the poor may be compromised, hindering the effectiveness of poverty reduction efforts.

Strengthening political participation and local decision-making can improve public administration, legal institutions, and service delivery through changes in governance, while considering economic, sociopolitical, structural, and cultural contexts is crucial for poverty reduction (ADB, 2011). Governments can enhance education by investing in schools and hiring qualified teachers, improving healthcare access by increasing facilities and resources, and creating job opportunities through entrepreneurship, foreign investment, and small and medium-sized enterprise policies. These measures can effectively address poverty and improve citizens' overall well-being, ultimately leading to better education, healthcare access, and improve infrastructure. According to the Royal Government of Cambodia (2023), this includes a combination of economic and social interventions. Economic strategies can include creating jobs, promoting entrepreneurship, and providing financial assistance to needy individuals and families. Social strategies can focus on improving access to education, healthcare and basic services for poor communities. By implementing a comprehensive approach that addresses both the economic and social dimensions of poverty, significant progress can be made in reducing poverty levels and improving the overall well-being of individuals and communities.

METHODS

Currently, Cambodian researchers are studying issues related to social growth and development, as well as governance, policy, and sectoral analysis of growth including garment, infrastructure, agriculture and tourism. This study uses panel data regression model to test the effect of education, healthcare, and infrastructure improvement on poverty in Cambodia. Afterwards, it provides some comments on the analysis on how to attack poverty in Cambodia, then a comprehensive understanding of Cambodia's economic development and a series of policy suggestions are made. For this purpose, the data are collected in the last three years between 2020-2023 period from some selected villages in Chub commune. The data on background of the respondents, their previous and current employments, consumption, and incomes are retrieved from the simple questionnaires. Data was collected and analyzed to gain a better understanding of the challenges and opportunities facing Cambodian current economical state and in the lives of the people for
patterns and trends. The dependent variable in the estimation model is the poverty rate and the independent variables are public spending on education, healthcare, employment, and infrastructure improvement.

RESULTS AND DISCUSSION

Factors Influencing Poverty

The effect of education, healthcare, and infrastructure on poverty could be seen in Table 1. The result suggested that all five different variables have different impact on poverty. Any variation in independent variables would have a variation in poverty. Based on the result, the education and infrastructure factors are believed to have reduce the number of poor people by 2.2 percent and 7.3 percent respectively. Increasing government spending on infrastructure and education has the potential to contribute to a 2.2 percent reduction in poverty, bringing it down to 7.3 percent. This is particularly significant given the prevalence of low education and inadequate infrastructure in many rural areas. Investing in education and infrastructure is crucial for future human capital development, as educated individuals are generally expected to experience higher levels of well-being. When people have access to education, they can increase their opportunities for employment and higher income. Creating more job opportunities can be a key strategy for the government to address poverty by enabling more people to generate income and improve their financial situations.

Moreover, improved infrastructure can significantly enhance the livelihoods and overall well-being of the populace, ultimately contributing to poverty alleviation and sustainable development. Thus, the education sector and infrastructure are one of the main keys to reducing poverty. Additionally, it's worth noting that healthcare spending also has a modest
impact on poverty. The data indicates that an increase in healthcare expenditure is associated with a 0.2 percent increase in poverty. Therefore, augmenting government investment in the healthcare sector could play a pivotal role in alleviating poverty among the populace. By bolstering healthcare infrastructure, improving access to medical services, and enhancing public health initiatives, the government can effectively contribute to poverty reduction and the overall well-being of its citizens.

CONCLUSION

This study investigates the correlation between education, healthcare, infrastructure, and poverty in Cambodia using data from 2020-2023. Panel data analysis was employed to measure the effects of investing in health, education, and infrastructure on poverty reduction. The findings confirm that allocating resources to education, health, and infrastructure improvements is crucial for poverty alleviation.

By increasing investments in healthcare, education, and infrastructure, the government can effectively reduce the poverty rate. Allocating more resources to these sectors would therefore constitute a more impactful poverty reduction strategy and, over time, these investments would improve the overall prosperity and quality of life of the population. Furthermore, poverty reduction in Cambodia is largely due to the growth of non-agricultural income sources such as tourism, textiles, clothing, and construction, which have led to structural changes and increased opportunities of employment. By focusing on these key areas, the government can also create a more conducive environment for private sector growth and investment. This would further contribute to economic development and job creation and ultimately lead to a more sustainable reduction in poverty.

Although the road ahead presents challenges, the Royal Government of Cambodia is confident in its ability to fully implement the National Strategic Development Plan, adjusting it annually to reflect current realities and ensuring the availability of resources required. Furthermore, the implementation of transparent and accountable governance practices will be crucial to ensure that allocated resources are used effectively for the benefit of the people. Indeed, local authorities must be decentralized in order to adapt to specific local circumstances, social structures and cultural norms. The Royal Government of Cambodia (RGC) recognizes this and has developed a pentagonal strategy to promote growth, employment, equality, efficiency and sustainability in the country. The strategy
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aims to move the country towards an upper-middle income economy, ensuring sufficient income to meet basic needs, escape poverty and create stable income security. The government is committed to an inclusive and participatory approach and seeks the full cooperation of all stakeholders, including external development partners, civil society and internal ministries and agencies, to achieve the objectives of the National Strategic Development Plan and significantly reduce poverty for all Cambodians.

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