



KINGDOM OF CAMBODIA

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Royal Government of Cambodia

Ministry of Planning

POVERTY IN CAMBODIA – A NEW APPROACH

Redefining the poverty line

Phnom Penh

April, 2013

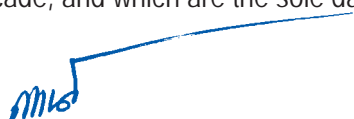
Preface

The Royal Government of Cambodia set up an Inter-ministerial Working Group, which also co-opted professionals from the civil society and academia, to define a new poverty line for the country in late 2011. It is the first time that the government staff has taken up such a task and completed it successfully. The technical capacity that the government staff-members have acquired through external assistance in the last several years, and also the effort that they have made on their own, have helped in completing this exercise almost entirely within the government.

1. The process has been fully consultative, in the sense that all the analysis has been discussed threadbare among the members of the Working Group. There were four formal meetings and other discussions held over three months entailing deliberations of almost 40 hours.
2. Effort has been made to develop an approach that is simple, since the purpose is to keep the concepts, definitions and computations robust and easy to understand.
3. All computations have been done in the Ministry of Planning, under the direction of the General Department of Planning and the National Institute of Statistics.

The Working Group will be a Standing Committee, to review this and such issues in the times to come.

Special thanks are to, HE Toun Thavarak and HE San Sy Than for providing leadership, and all members of the committee for their active participation. The Ministry of Planning also expresses its gratitude to the UNDP, UNFPA and UNICEF for providing the necessary technical and financial resources to support this exercise. Thanks are also due to the World Bank for having initiated poverty measurement exercises in the 1990s and carried on until 2008, which became the foundation for professionals here acquiring capacities to initiate this exercise. I also express our gratitude to Statistics Sweden for assisting the government in conducting large-scale socioeconomic surveys since over a decade, and which are the sole database on which the method and estimates of poverty are based. 🙏



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Phnom Penh, Dt. April 18, 2013

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ABSTRACT

This report presents the results of the new approach to measuring poverty and standards of living, which the Royal Government of Cambodia initiated and carried out through 2011-2012.

Technical details

- 1) The minimum standard of food consumption is fixed at 2,200 K-Calories.
- 2) The composition of the food from which 2,200 K-Calories are derived is that which the bottom 5th-30th percentile groups of the population (ranked by total consumption: food + non-food) consume (in Riels). This is to ensure that the food habits of those households and people living at modest levels, alone are accounted for.
- 3) The non-food component in the poverty line comprises of select 14 items consumed by the bottom 20th-30th percentile groups in the population (in monetary values). These are separately calculated for each of the regions: Phnom Penh, other urban areas, and rural areas.
- 4) There is a small token amount added to account for clean water.
- 5) In calculating total expenditure, items on which people do not actually expend, in cash or kind during the reference period, are not included. This is as per the 'livelihoods approach', which suits a country where >70% of the population is rural and a majority lives in an agrarian environment.

Results

There were 22.89% people subsisting below the poverty line in 2009, as per computations based on Cambodia Socioeconomic Survey of 2009. Phnom Penh had 12.8% persons below the poverty line; other urban areas had 19.3%; and rural areas 24.6%. The Poverty Gap Index was low at 5% for the country as a whole (scale is 0 to 100; with 100 implying extreme poverty). There is a high concentration of people whose earnings (actually, consumption) are near the poverty line.

This approach to measure poverty differs from the approach developed in 1997 (with World Bank assistance, based on the CSES of 1993-1994) in at least five ways:

1. The food poverty threshold is pegged at 2,200 K-Calories, against 2,100 K-Calories earlier
2. The non-food component in the poverty line is not statistically estimated, but substantively determined
3. Separate estimates have been made for non-food in the three geographical regions – Phnom Penh, Other Urban Areas, and Rural Areas
4. There are no imputed expenditures: Only the actually incurred expenses (in cash or kind) are counted while calculating total consumption expenditure
5. There is a token allowance for clean water.

For reasons (2), (3) and (4), the non-food component of expenditure in the poverty line in urban areas, especially in Phnom Penh, is high. Consequently, the poverty rate as well is higher there. However, it is believed to be more realistic because estimates of the poor, made from another survey (the ID-Poor) are closer to this.

POVERTY IN CAMBODIA – A NEW APPROACH

1. INTRODUCTION

The ultimate purpose of development is raising people's standards of living. There is more than just altruistic motive to it, as excessive and sustained poverty and inequality can threaten both economic and political stability in any society. The world has witnessed this time and again.

A pre-requisite to launching poverty alleviation policies is getting a realistic measure and estimate of poverty. The earlier poverty line drawn in 1997, based on data from the Cambodia Socioeconomic Survey (CSES) of 1993-1994, served the purpose until about the first decade of the present century. With changing realities over time, however, there is need to define a new poverty line. Most developing countries review their poverty lines every decade or two: E.g. both Vietnam and India have recently redefined their poverty lines. As the Royal Government of Cambodia is about to embark on the formulation of the new National Strategic Economic Development Plan, it is timely to redefine the poverty line.

The government set up a National Working Group in November 2011 to examine options in redefining the poverty line. The Working Group comprised of members from different institutions: The Supreme National Economic Council (SNEC), government ministries, academia, civil society, and development specialists hailing from different disciplines. The Ministry of Planning (MOP) was the lead agency. The whole process was nationally driven, thereby ensuring greater ownership by the people and government and also improving national capacities. The MOP staff carried out the statistical work under the oversight of the Working Group.

2. STATUS UNTIL 2008

2.1 Brief background: As stated above, the first poverty line in the recent era was drawn with assistance from the World Bank in 1997, based on data from CSES 1993-1994. According to it, if a person was unable to get nutrition equivalent to 2,100 Kilocalories (K-Calories) and a stipulated quantity of non-food items, s/he was considered *poor*. The figure of 2,100 K-calories was averaged over persons of all ages, locations, and sexes. The government accepted the poverty estimates based on this poverty line up to 2007. It decided to revisit the issue in 2011 as after 2008, there were no estimates made.

Box 1: Database

Government regulations require that data for measuring the poverty rate are drawn from the Cambodia Socio-economic Surveys. In the 1990s, the CSES databases were not comparable to each other: in coverage, definitions of variables, or data collection methods. Only the CSES of 2004 and the surveys conducted thereafter covered the whole country and have been reasonably comparable to each other. The 2004 and 2009 surveys were full sample surveys (about 12,000 households) while the ones of 2007, 2008, 2010 and 2011 were 'thin sample' surveys (i.e. the number of observations was about a third of the 2004 or 2009). Nevertheless, they are representative of the country.

Effectively, the poverty rates based on the poverty line of 1997 were considered comparable and officially accepted for 1993-1994, 2004 and 2007 only.

2.2 Household consumption expenditure was the sum of all the food items consumed (measured in Riels), current non-food items expended upon (clothing, education, travel, communication, health, energy and other utilities), depreciation values of consumer durables owned, and imputed rent of a

house even if the household owned (and not paid for) the house. This was divided by the number of persons in the household to obtain per-capita figures.

2.3 The food poverty line of 1997, based on data from CSES 1993-1994, was defined as the cost of purchasing food equivalent to 2,100 K-Calories per person/day. However, as 2,100 K-calories could be fetched through many combinations of food-items, a *Reference Food Basket* (RFB) that would reflect the food consumption of people living at modest levels was defined. This was the consumption basket of the *lower-end deciles households after ordering households by household per-capita expenditure* (as seen from the CSES 1993-1994). Procedure:

First, the cost of the RFB was obtained through adding the monetary value of each food item, irrespective of whether it was purchased or home grown (using price data).

Second, the quantities of items were adjusted for the food bundle to provide 2,100 K-Calories.

2.4 The non-food component in the poverty line: Everyone, however poor, requires some non-food items. In the poverty line developed in 1997 (based on data from CSES 1993-1994), this was the consumption of non-food items by households having total household (per capita) consumption equivalent to the food poverty line expenditure. The logic was that despite being on the verge of facing hunger if people choose these (non-food) items, these items must be critical for sustenance.

2.5 Poverty line was the sum of the cost of food (as per the bundle defined in RFB that would be equivalent to 2,100 K-Calories – let be X Riels) and the cost of non-food items as consumed by those households whose total consumption was equivalent to the food poverty line (let this be Y Riels).

Poverty line = X + Y (in Riels)

All figures are calculated on a 'per-capita' basis.

3. KEY ISSUES

3.1 On food needs: The poverty line of 1997 (based on CSES 1993-1994 data) pegged the minimum food requirement at 2,100 K-Calories per person/day. This was in conjunction with the prevailing practice in Southeast Asian countries at that time. However, there is no strict scientific norm on what the actual intake should be. There are wastages; some people digest food more efficiently than others; some work-patterns require different food inputs; and so on, which could bring in several variations. The RFB could also change over time.

3.2 On Non-food: The non-food component in the poverty line of 1997 (based on CSES 1993-1994 data) was the value of non-food items consumed by those households whose total consumption was

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