

Managing Risk and Vulnerability in Cambodia: An Assessment and Strategy for Social Protection

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CHAPTER ONE:

INTRODUCTION AND OVERVIEW

I. INTRODUCTION

1. ***In post-conflict Cambodia, the problems of risk and vulnerability are pervasive and are compounded by the weakness of available safety nets.*** Over two decades of war and conflict have left Cambodia as one of the world's poorest countries, with extensive damage to its physical, social, and human capital. Despite relatively strong economic growth in recent years, poverty continues to be widespread, particularly in rural areas. In addition, a large proportion of the population is considered to be vulnerable to shocks that can push them into extreme poverty. Formal and informal safety nets which could help the poor and vulnerable manage such risks as well as encourage a degree of productive risk-taking remain weak. The lack of available safety nets is manifested in extreme coping mechanisms, such as trafficking of women and children. Government resources for social protection are channeled mainly toward the small formal sector, so NGOs and donors are attempting to help fill the remaining gaps in the system.

2. ***This report attempts to provide an analytical and strategic basis for addressing these issues,*** taking into account changing country needs as well as the social protection activities being undertaken by the Royal Government of Cambodia (RGC) and its partners. Specifically, this study: (i) takes stock of existing knowledge on risk and vulnerability in Cambodia; (ii) examines coping strategies employed by the poor and vulnerable to deal with risk and dampen the effects of shocks; (iii) reviews existing social protection mechanisms; and (iv) lays out priority areas and a proposed agenda for support by the World Bank and other partners in the social protection sector.

II. OBJECTIVES

3. ***The study aims to inform social protection-related policy and program choices not only of the World Bank but also of the Government, NGOs, and other donors.*** The report serves two main purposes: (i) to improve the understanding of social protection issues and interventions in Cambodia so future efforts can be better targeted and more effective, and (ii) to identify specific areas for engagement in social protection going forward. By identifying problems and gaps in how risk and vulnerability are being addressed in Cambodia, the study can help enrich the dialogue on vulnerability and social protection among all partners and provide a basis for improved coordination of activities in the sector. The report can also serve as an information resource for social protection program beneficiaries and other stakeholders in Cambodia. As a strategic piece, the report develops a prioritization of issues and is selective in the social protection issues it addresses. It therefore should not be viewed as an exhaustive analysis of the many issues on Cambodia's challenging social protection agenda.

4. ***For the World Bank, this study is an effort to develop a systematic approach to its social protection support in Cambodia.*** In terms of direct interventions in the social

protection sector, the Bank's involvement has been limited largely to lending for social fund projects. A number of Bank projects and studies in the health, education, private sector development, rural development, and social development sectors have also addressed specific issues related to vulnerability and safety nets in Cambodia. Despite the cross-cutting nature of these issues, however, few attempts have been made to integrate activities into a more concerted approach. This study attempts to address vulnerability and social protection from a broader perspective in providing analytical underpinnings for future engagement across sectors as well as in identifying areas for further work.

5. *This study is closely linked to the Cambodia Poverty Assessment 2006.* At the time of preparation, the SPSN was constrained by the unavailability of recent data on poverty and vulnerability, as the last Cambodia Socio-Economic Survey (CSES) was conducted in 1999 and suffered from several technical problems.¹ Rather than focusing on in-depth analysis of older data, it was agreed that this social protection study would help inform the analysis of the 2004 CSES data which would be conducted for the Poverty Assessment 2006 (titled "Cambodia: Halving Poverty by 2015?"). The analysis of risk and vulnerability has served as background to the Poverty Assessment, while at the same time, the Poverty Assessment has provided new insights into poverty in Cambodia that have been used in preparation of this report. The focus on social assistance programs also differentiates this social protection study from the Poverty Assessment.

III. SCOPE OF REPORT

6. *This report is comprised of four major components or sections:*

- *Stocktaking of existing knowledge on risk and vulnerability.* As background for the report, this section provides a brief overview of the following issues:
 - What are the sources of vulnerability in Cambodia?
 - What types of shocks and risks do Cambodians face?
 - Who are the vulnerable in Cambodia?
 - What are the relative levels of vulnerability among different groups?
- *Examination of coping strategies.* Beyond anecdotal evidence and feedback in the 2001 Participatory Poverty Assessment (PPA) conducted by the Asian Development Bank (ADB), relatively little information is available on coping strategies employed by the poor and vulnerable. This component uses qualitative household-level research undertaken for the study to answer questions such as:
 - What types of coping mechanisms are being used in Cambodia, and under what circumstances?
 - Which groups are at risk of resorting to negative coping mechanisms?

¹ The 1999 CSES results are regarded to be unreliable, as data collected in the 1999 CSES showed irreconcilably large differences between the two rounds of the surveys. The consensus is that standards of training and supervision for the first round were not adequate, resulting in under-recorded consumption and exaggerated poverty estimates.

- Has reliance on negative coping mechanisms increased or decreased?
- *Review of social protection expenditures and programs.* Although a review of Cambodia's public expenditures has been conducted, limited analysis has been done on social protection expenditures, in particular. Furthermore, while donors and NGOs have directed a large amount of resources toward social protection, no overall analysis of these efforts has been prepared. This section of the report addresses issues such as:
 - What are the Government's priorities for its social protection efforts, as reflected in current and projected expenditures?
 - How much are donors and NGOs (both local and international) spending on social protection-related programs?
 - What types of social protection interventions and delivery mechanisms are being used by the Government and other partners?
 - How effectively are these efforts meeting the needs of the poor and vulnerable?
 - What other mechanisms are in place for diversifying risk?
- *Identification of social protection priorities and implications for future support.* Based on the analysis of the issues outlined above, this section covers the following points:
 - What are the specific objectives for social protection support in Cambodia?
 - What are the major gaps across the existing social protection programs?
 - What are the roles of the Government, the World Bank, and other partners in advancing Cambodia's social protection objectives?
 - What lessons can be derived from past World Bank experience in social protection for Cambodia?
 - For the World Bank, what are the opportunities for advancing the social protection agenda across the program of support to Cambodia?

IV. FRAMEWORK OF ANALYSIS

7. ***This report uses the social risk management framework to discuss poverty and vulnerability and the mechanisms that address them.*** The traditional definition of social protection focuses on public measures for providing income security, including labor markets, social assistance, and social insurance programs. Social risk management builds on this definition and addresses how vulnerable households and individuals can be helped to better manage risks and become less susceptible to damaging welfare losses. It considers the broad range of formal and informal, proactive and reactive risk management strategies used by individuals, communities, and nations, including actions by the public, private, and informal sectors. The aim of social risk management is to provide instruments that allow the poor and vulnerable to minimize the impact of exposure to risk and change their behavior in a way that helps them exit poverty and lower their vulnerability.

8. ***In addition to the risk management framework, another way to consider social protection is through the lens of the lifecycle.*** This approach has been used by the World Bank for social safety net assessments in a number of Latin American countries.² This approach classifies the population by age group and identifies major indicators of risk for each group—for example, illness or school attendance for children, unemployment rates for the working age population, and rate of pension receipt for the elderly. In parallel, information on government social expenditures and policies is compiled to assess public policy priorities. These two pieces are then mapped against each other to identify areas of overlap and gaps, with the aim of helping policymakers improve priority setting and the effectiveness of public expenditures. For example, the analysis might find significant needs in early childhood development but low spending on child health and pre-school programs. The analysis is then used to develop plans for expanding existing programs and reorienting resources.

9. ***This report draws on the frameworks and language of both approaches to assess social protection in Cambodia.*** It addresses the questions: What are the main risks and sources of vulnerability faced in Cambodia? What risk management strategies are available, and how do they respond to the risks? In doing so, the paper attempts to map the range of risks to risk management strategies and identify gaps in existing social protection mechanisms across priority areas and age groups. For the purposes of this study, vulnerability is defined not strictly by income level but more broadly by level of exposure to uninsured risks, which includes not only the population below the poverty line but also a larger population. The study focuses on: i) specific vulnerable groups who have limited resilience to avoid poverty and few opportunities to escape chronic poverty, ii) the poor who have the ability to help themselves and could climb out of poverty if the appropriate opportunities and mechanisms were in place, and iii) the risks which threaten to push the near-poor into poverty and the poor into deeper poverty.

V. BACKGROUND WORK

10. ***Three background papers have informed the preparation of this report:***

- ***Cambodia Social Protection Background Note.*** A background note was prepared to provide an overview of social protection needs in Cambodia. The note brings together information on the characteristics of vulnerability in Cambodia, the groups considered to be vulnerable, and existing mechanisms—including support provided by the Government, NGOs, and other donors—that help families cope with shocks.
- ***Expenditure Analysis and Stocktaking of Social Protection Efforts.*** This background study, conducted by a local Cambodian research team, examines how risk and vulnerability are being addressed through Government, donor, and NGO programs. The study analyzes public expenditures on social protection and takes stock of existing social protection programs over a seven-year period (1996-2002). The paper

² For a summary refer to “The Lifecycle Approach to Social Protection Policy Analysis” by Gillette Hall, in *Spectrum* (Fall 2003), World Bank.

also compares social protection expenditures by the Government, donors, and NGOs and by geographical regions. Over 40 interviews were conducted with stakeholders in the RGC and the donor and NGO community to gain insights into social protection mechanisms and their effectiveness.

- *Study of Coping Mechanisms (Micro-Household and Community-Level)*. A parallel qualitative study was undertaken by a team of local researchers to look at demand for social protection. Field work was carried out in five provinces and involved a combination of structured interviews and/or focus groups with community leaders, teachers, healthcare workers, poor villagers, and others. The study identifies the main risks faced by households; describes their coping strategies; and, to the extent possible, assesses the effectiveness and possible consequences of these strategies. The analysis also helps identify disconnects between groups resorting to negative coping strategies and groups/issues being targeted by the Government, donors, and NGOs.

VI. CONSULTATION PROCESS

11. *This report has benefited greatly from inputs and feedback from the Government, other donors, and NGOs.* Government counterparts in the Ministry of Economy and Finance (MOEF); Ministry of Social Affairs, Veterans, and Youth Rehabilitation (MOSVY); and the Ministry of Labor and Vocational Training (MLV) were interviewed and consulted at various stages of the preparation process and provided inputs. Staff from the Asian Development Bank (ADB) and Department for International Development (DFID) were also consulted, and work on the study was shared with both partners as part of a tripartite collaboration with the World Bank on cross-cutting issues for the three organizations' country assistance strategies. Numerous donors and local and international NGOs were also interviewed to obtain guidance, inputs, and feedback on the overall approach.

12. *A workshop was held to present the findings of the two background studies and generate discussion of social protection issues among partners.* In July 2004, the World Bank held a "Dialogue on Social Protection Issues in Cambodia" workshop to: (i) present the key findings of the expenditure and program review and the coping strategy study; (ii) discuss policy and program implications; and (iii) brainstorm about the roles of government, NGOs, and other partners in reaching vulnerable groups in Cambodia. Participants included national and local government officials, international and local NGOs, donors, and academics.

CHAPTER TWO: POVERTY AND VULNERABILITY IN CAMBODIA

I. POVERTY AND HUMAN DEVELOPMENT

13. *Over two decades of war and conflict have left Cambodia as one of the world's poorest countries.* A full-blown civil war began in 1970 and ended with a victory by the Khmer Rouge, who killed approximately two million Cambodians between 1975 and 1979. The country continued to experience civil conflict throughout the 1980s, leaving Cambodia impoverished with severe damage to its physical infrastructure, human and social capital, and institutions. Cambodia is classified in the lowest country income bracket, with an expected GNI per capita of US\$320 for 2005. In 2004, 35% of the population lived below the poverty line, and 20% lived below the lower food poverty line.³ Poverty is an overwhelmingly rural phenomenon in Cambodia, with 91% of the poor living in rural areas in 2004. The estimated poverty headcount in rural areas in 2004 was 39% in 2004, compared to 5% in Phnom Penh and 25% in other urban areas. The rural areas of the Tonle Sap and Mountain/Plateau regions registered the highest poverty headcounts at 45% and 56%, respectively, and had poverty severity measures of about twice the national average.⁴ The rural poor in the Tonle Sap and Mountain/Plateau regions accounted for about 50% of the country's total poor, while the Plains region accounted for 40%.⁵

14. *Although Cambodia has enjoyed relatively strong growth in recent years, the benefits of growth have not been shared equally.* Thanks in large part to peace and economic liberalization, Cambodia's GDP grew by an average of 7.1% per year between 1993 and 2004. Although all segments of society benefited from this growth, the rise in living standards has been more pronounced in urban areas and among the richest quintile. Poverty in rural areas fell by 22% from 1993 to 2004, compared to 60% in Phnom Penh and 44% in other urban areas. Growth has been concentrated in the urban-centered garment and tourism industries, which employed only 8% of the labor force in 2004. In contrast, agriculture, which accounts for 31% of GDP and employs 71% of the labor force, grew at only 3.3% per year on average during 1993-2004, with high variability. Income inequality has therefore increased significantly. The Gini coefficient, a measure of income inequality, rose sharply from 0.35 to 0.40 in parts of the country that were

³ The food poverty line is based on the estimated cost of a basket of food providing a dietary intake of 2,100 calories per day. The overall poverty line includes the food poverty line plus non-food allowances (derived from non-food consumption of those whose total per capita household consumption is equal to the food poverty line).

⁴ World Bank, "Cambodia: Halving Poverty by 2015?"

⁵ The *Tonle Sap* region is comprised of the western provinces around the Tonle Sap, namely Banteay Meanchey, Battambang, Kompong Thom, Siem Reap, and Kompong Chhnang/Pursat. The *Mountain/Plateau* region is comprised of the northeastern provinces of Kompong Speu, Kratie, Mondol Kiri, Preah Vihear, Ratanakiri, Stung Treng, Oddar Meanchey, and Pailin. The *Plains* region is comprised of the southeastern provinces of Kompong Cham, Kandal, Prey Veng, Svay Rieng, and Takeo.

surveyed in both 1994 and 2004, and the Gini coefficient for the whole country was even higher at 0.42 in 2004.⁶

15. *Although non-income indicators have improved, Cambodia continues lag behind other countries in the region.* The Cambodia Poverty Assessment 2006 found that the fall in consumption poverty has been accompanied by an improvement in non-income indicators such as ownership of consumer durables, housing quality, and schooling have improved. However, some indicators appear to be deteriorating. Cambodia ranked 130th out of 177 countries in the 2005 Human Development Index, which takes into account health and educational outcomes, and it ranked 57th out of 87 medium human development countries in the Human Poverty Index, which reflects educational, health, and nutritional outcomes as well as access to safe water and health care services. Child mortality increased from 115 per 1,000 live births in 1990 to 141 in 2004—the highest rate in Southeast Asia and among the highest in the world.⁷ Data as of 2000 show a maternal mortality rate of 450 per 100,000 live births,⁸ which is the second highest in the region after Lao PDR.

16. *At present, Cambodia appears unlikely to meet most of its Millennium Development Goals (CMDGs) by 2015.* As shown in Table 1 below, Cambodia has made some progress in key MDG-related indicators and is likely to meet its CMDG target for universal primary enrolment. However, meeting its targets for secondary education—including female secondary school enrolment—seems unlikely, and much remains to be done to improve completion rates and the quality and affordability of education. Likewise, although Cambodia has made progress toward health-related goals, the current rates of improvement are probably not sufficient for meeting the CMDGs by 2015. Cambodia is on track to meet the CMDG target of reducing HIV prevalence rates, but transmission patterns are shifting, with most new infections occurring among married women and their children who are difficult to target. Finally, without more rapid, pro-poor economic growth, Cambodia is unlikely to meet the CMDG target of halving the population below the national poverty line by 2015.

Table 1: Cambodian Millennium Development Goals

Goals	Indicators	Benchmarks		Targets by 2015	Latest	
		Value	Year		Value	Year
MDG1: Halve, between 1993 and 2015, the proportion of people whose income is less than the national poverty line	Proportion of people whose income is less than the national poverty line	39	1993	19.5	35	2004
	Proportion of population below the food poverty line	20	1993	10	20	2004
MDG2: Achieve universal nine-year basic education	Net enrolment ratio in primary education	87	2001	100	93.3	2002-03
	Net enrolment ratio in secondary education	19	2001	100	24.4	2002-03
	Literacy rate 15-24 years old	82	1999	100	83.4	2000-04

⁶ World Bank, “Cambodia: Halving Poverty by 2015?”

⁷ UNICEF, “*The State of the World’s Children*” 2006.

⁸ ADB, Poverty and Development Indicators 2005.

Goals	Indicators	Benchmarks		Targets by 2015	Latest	
		Value	Year		Value	Year
MDG3: Promote gender equality and empower women	Ratio of girls to boys in secondary education	48	2001	100	64	2002-03
	Ratio of girls to boys in tertiary education	38	2001	85	40	2002-03
	Ratio of literacy females to males 15-24 years old	87	1998	100	89.7	2000-04
	Female share in wage employment in industry	44	1998	50	84/31	2004
	Female share in wage employment in services	21	1998	50	22/29	2004
	Proportion of seats held by women in national assembly	12	2003	30	12	2003
MDG4: Reduce child mortality	Under-five mortality rate (per 1,000 live births)	124	1998	65	140	2003
	Infant mortality rate (per 1,000 live births)	95	1998	50	97	2003
MDG5: Improve maternal health	Maternal Mortality ratio (per 100,000 live births)	437	1997	140	450	2000
	Total fertility rate	4	1998	3	4.7/3.3/2.9	2003
	Births attended by skilled personnel	32	2000	80	32	2000
MDG6: Combat HIV/AIDS, malaria, and other diseases	HIV prevalence rate among adults aged 15-49	3.3	1997	1.8	1.9	2003
MDG7: Ensure environmental sustainability	Proportion of urban/rural population with access to safe water source	60/24	1998	80/50	58/29	2002
	Proportion of urban/rural population with access to improved sanitation	49/8.6	1998	74/30	53/8	2002

Sources: Cambodia MDG Report 2003, Government of Cambodia; "Cambodia Poverty Assessment 2006," World Bank; "Education for All," UNESCO; "2004 Cambodia Gender Assessment: A Fair Share for Women," World Bank; "The State of the World's Children 2005," UNICEF; 2005 UNICEF/ 2004 CIPS/2004 CSES; NCHADS surveillance data (December 2004), reported in Addendum to UNAIDS 2004.

17. ***Beyond severe poverty and poor human development indicators, the problem of vulnerability is pervasive in Cambodia.*** A large proportion of the population in both rural and urban areas is at risk to various idiosyncratic and covariant shocks.⁹ Even minor shocks to household productivity can push non-poor households into poverty and poor households further into desperate circumstances. This chapter pulls together available evidence to look at the sources of vulnerability and the types of shocks households face. It also identifies some of the major vulnerable groups in Cambodia and the coping mechanisms they employ. In doing so, it helps pinpoint social protection priorities and provides a backdrop for understanding how social protection mechanisms can respond.

II. THE DIMENSIONS OF VULNERABILITY

A. What are the sources of vulnerability in Cambodia?

⁹ Idiosyncratic risks (i.e. illness) affect individuals or households in an unrelated manner, while covariant risks (i.e. natural disasters) can be correlated among individuals or households.

18. ***With the majority of the population engaged in subsistence agriculture, food insecurity is a dominant feature of poverty and vulnerability in Cambodia.*** In the 2001 Participatory Poverty Assessment (PPA), respondents cited “being hungry” as their primary concern. Although overall food and rice availability has improved in recent years, chronic food insecurity is faced by subsistence farmers, the landless or marginal land holders, the urban poor, and other vulnerable groups. A recent World Food Programme (WFP) study shows that even within large rice-producing provinces, 30% of communes face chronic food shortages, and an estimated one in five rural inhabitants is unable to secure enough food to meet the nutritional norm of 2,100 calories per day. As a consequence, malnutrition is widespread. According to the 2000 Cambodia Demographic Health Survey (DHS), 45% of children under the age of five are underweight. A similar proportion of children are stunted, and 21% are severely stunted. Malnutrition is also estimated to affect at least 20% of women, which likely contributes to Cambodia’s high under-five mortality rate.

19. ***Lack of assets is another major source of vulnerability.*** The poor and vulnerable do not have the assets necessary to generate stable incomes and maintain quality of life. The collective system of agriculture, the protracted civil war, and land grabbing have limited the access to land. A 2004 Oxfam study estimates that landlessness, which affected 20% of rural households in 2004, has been rising by 2% per year.¹⁰ Even those households who do have land often do not have enough to sustain themselves; around 25% of households have 0.5 hectares or less of land. The situation has been exacerbated by the problem of ill-defined property rights, which the 2006 Poverty Assessment identifies as a critical binding constraint on agricultural productivity and growth. As many as 80% of rural households who owned land in 2004 did not have land titles. In addition, the poor lack or have very few basic assets such as draft animals or adequate housing. These assets are important not only for ensuring flow of income but also for serving as collateral to gain access to credit. Lack of assets also means that the poor have few instruments to cope with shocks to consumption or income.

20. ***The non-diversification of household economies exacerbates the vulnerability of rural Cambodians.*** Most rural households rely on subsistence agriculture for their livelihood. The heavy reliance on rice cultivation—which accounts for 90% of total cultivated area and 80% of agricultural labor input—increases the vulnerability of the rural population, as rice farming does not provide a stable income. Particularly as a result of Cambodia’s irregular climatic conditions, rice production can fluctuate significantly from year to year. Rice yields remain among the lowest in the region due to limited and poor use of improved seed, fertilizer, tillage, and water management. Because productive off-farm opportunities are virtually nonexistent, rural households lack alternatives that would allow them to maintain stable incomes or cope in times of poor harvest.

21. ***The large majority of Cambodians work in the informal sector, and only a small share of the population is engaged in wage labor.*** According to the 2004 CSES, only 20% of employed Cambodians are paid employees. Around 34.3% are self-employed,

¹⁰ Oxfam GB 2004.

and 43.3% are unpaid family workers. The 2001 Labor Force Survey also showed that 38% of the employed were underemployed, indicating that they would like to have additional hours of work or an additional job. In the informal sector, work is frequently irregular, unpredictable, low-paying, and unsafe, so the vulnerability of informal workers is high. As discussed in Chapter 3, labor legislation is limited to covering the formal sector, which consists mostly of the civil service and garment industry.

Box 1 : A Qualitative Study of Vulnerability and Coping Strategies in Cambodia

A qualitative study was undertaken by local researchers in five provinces of Cambodia to gain an in-depth view of the dimensions of vulnerability and to document the range of coping strategies used by various groups. The study identified the main vulnerable groups in each province, assessed the types of risks and shocks faced by each group and examined the ways in which the groups deal with vulnerability and poverty. Interviews were conducted with individuals, households, and public figures such as teachers, nurses, local government officials, and NGO representatives. Although the survey is not representative and is subject to the limitations of qualitative research such as biases of individual field researchers, the results provide a snapshot of vulnerability in geographically and socio-economically diverse locations.

Provinces were selected specifically to provide a picture of different living conditions in Cambodia, including urban/rural settings, levels of ethnic diversity, proximity to international borders, and shares of returnees. The research provinces, which are home to approximately 28% of the country's population, included:

Banteay Meanchey, with an estimated population of 664,000, in northwestern Cambodia on the border with Thailand. Fieldwork concentrated in *Poipet*, a rapidly growing commune of approximately 80,000 inhabitants which serves as the main commercial bridge between Cambodia and Thailand. It represents a unique combination of issues related to a vibrant private sector, high numbers of migrants, and serious social problems associated with cross-border activity such as trafficking and crime.

Battambang in northwest Cambodia along the Thai border, with an estimated population of 890,000. The province has an average level of socioeconomic development but is unique because of the high number of repatriated refugees. Approximately 117,000 refugees opted to settle in Battambang under the UNHCR repatriation program because of the province's fertile soil and commercial links with Thailand.

Phnom Penh, the capital of Cambodia, with a resident population of about one million and tens of thousands of seasonal migrants. Phnom Penh represents urban Cambodia and is home to the majority of street children, beggars, garment workers, and seasonal workers, including day laborers and cyclo drivers.

Prey Veng, representing the typical lowland zone, located along the Mekong River. It is one of the poorest provinces in Cambodia, with about one million people. About 50% of the province is flooded during the rainy season, and droughts are also common. An estimated 30% of the population migrates for work, most commonly to Phnom Penh and Thailand.

Ratanakiri, located in northeast Cambodia on the border with Vietnam and Lao PDR. Approximately 70% of its 111,000 inhabitants are comprised of nine main groups of ethnic minorities, making Ratanakiri one of the most diverse areas of the country. Population density is low compared to other provinces.

Source: Muny et al., 2004.

22. ***In general, the decades of continuous conflict have undermined social cohesion in Cambodian society.*** The prolonged conflict in Cambodia severely weakened the country's existing social capital, mainly through the dissolution of trust brought about by the social fragmentation imposed during the Lon Nol and Khmer Rouge regimes. Although primary-group relationships of a familial nature somehow survived through the conflict except during the Khmer Rouge rule, bridging social capital is only starting to emerge, primarily in response to market forces. The absence of an adequate social fabric—and therefore of the basic informal networks which could help households manage shocks—contributes to and heightens vulnerabilities. The integration of strong horizontal and vertical social capital to shape a cohesive society remains a challenge to Cambodia in the coming years.¹¹

23. ***Access to formal justice in Cambodia remains unequal and ineffective, thus perpetuating vulnerability.*** Formal systems of justice in Cambodia are often discriminatory, captured by powerful vested interests, or inaccessible. As a consequence, they can contribute to a widening of existing disparities. Survey research conducted in 2003 (CfAS) shows that in spite of the perception that the judicial system has improved in recent years, Cambodians have little or no faith in the courts as institutions of justice. Other research reports also highlight the limitations of the Cambodian judicial system due to endemic corruption, extended delays, enforcement difficulties, and lack of legal aid. As underscored by focus group studies conducted for the 2006 Poverty Assessment, corruption keeps poor people poor as they are dispossessed in conflicts with other groups who can afford to pay more to influence official decisions. The average Cambodian therefore faces numerous obstacles in gaining access to justice, which heightens vulnerabilities.

24. ***For some groups, social exclusion is another source of vulnerability.*** In the more ethnically heterogeneous provinces, geographic and social exclusion of minority groups reduces their economic opportunities and access to services. Other groups experiencing stigmatization are those with HIV/AIDS and single women who have been widowed, divorced, or abandoned by their husbands. While the qualitative study described in Box 1 identified issues of social exclusion, further in-depth analysis is needed to understand the interactions between social exclusion and vulnerability.

B. What types of shocks do Cambodians face?

25. ***At the household level, one of the biggest threats to livelihood is the illness or death of a family member.*** The poor risk losing whatever savings they have accumulated and/or incurring debts they cannot repay to obtain medical services. In the PPA, people in over 40% of villages surveyed cited ill health as being a major reason for their fall into poverty. Surveys conducted in two villages south of Phnom Penh suggest that while crop failure and ill health can both be devastating for households, the consequences of health shocks are more damaging to immediate and long-term livelihoods as they require a lump

¹¹ Survey conducted by Social Services of Cambodia in 2000 as part of a World Bank study on conflict and social capital.

sum of money for urgent treatment.¹² Even wage workers who may not be considered poor or vulnerable *per se* cite fear of illness as a serious concern and potential source of poverty. Missing work due to illness can result in reduced income or job loss which oftentimes has broader repercussions beyond the individual worker, as extended families often depend on remittances from family members working for wages in urban areas or abroad. The death of a family member, especially if the family member is young, can also have a devastating impact as it represents a loss of productive labor.

26. ***Poor living conditions and limited access to health services increase the risk of illness pushing families into poverty.*** Lack of adequate hygiene and sanitation continues to pose a serious problem in many areas of the country, increasing the likelihood of illness. According to the 2005 Human Development Report, only 34% of the population had sustainable access to an improved water source in 2002, and only 16% of the population had sustainable access to improved sanitation. For poor and vulnerable groups in isolated areas, lack of access to health centers exacerbates the problem of health risks. The affordability of health care poses an additional barrier. The bulk of health care spending continues to come from out-of-pocket payments and user fees, which are estimated to account for 75-85% of total funding. Based on the 2004 CSES data, out-of-pocket payments for health care are estimated to be about US\$15.48 per capita per year, although this figure is believed to be an underestimate.¹³ The Health Sector Support Strategy 2002-07 estimates that households pay an average of 12% of their income for health care, but the burden of out-of-pocket expenditures is much higher among the poor given their very low incomes. Just one outpatient visit to a commune clinic or district health center can consume one-third of annual non-food spending for those in the poorest quintile, while an inpatient visit to a public hospital can cost more than twice as much as one year's non-food spending.¹⁴

27. ***Disease of livestock has also been identified as a potentially severe shock for households.*** Animals are in some cases the only assets households have. Losing a draft animal can mean loss of an important food or labor source as well as an asset that can be sold in case of crisis. Animal disease has been rampant in some areas of the country, with Ratanakiri province experiencing an animal death rate of 30% or higher in 43 of its 49 communes during the past five years.

28. ***At the community or national level, natural disasters pose a threat to all households, but especially to poor households with few assets or savings.*** Cambodia experiences extended periods of flooding and drought which lead to low crop and animal production, destruction of infrastructure such as roads and bridges, and contamination of

¹² World Bank, "Cambodia: Halving Poverty by 2015?"

¹³ World Bank, "Cambodia: Halving Poverty by 2015?" Poverty Assessment 2006.

¹⁴ Factors causing high household expenditures for health care include: unofficial fees by public sector facilities and high charges in private sector facilities; inadequate and irregular flow of public funds to health facilities, which shift the burden to consumers to co-finance a large share of service delivery costs; and low access to user fee exemptions among the poor, as policies allowing fee income to supplement health staff salaries distort incentives.

clean water sources. A series of almost consecutive annual disasters in recent years has been particularly devastating. The 2000 floods, which were thought to be the worst in 40 years, caused extensive damage and food shortages. A total of 760,000 families (3.4 million people) were affected, with over 84,000 families (400,000 people) evacuated. Droughts are considered to be even more devastating as they affect larger geographical areas and greater numbers of people. The last major drought occurred in 2002, affecting eight provinces and over two million people. The National Committee for Disaster Management (NCDM) and WFP mapped the areas most vulnerable to natural disasters in Cambodia and identified about 500 communes—representing one-third of all communes—as being vulnerable to natural disasters. The communes are located mainly in the central and southeastern lowlands of the country. Provinces such as Prey Veng may even be hit by both floods and drought in the same year. However, only about 40,000 out of the 310,000 hectares of cultivated land in Prey Veng are estimated to have irrigation systems, meaning that over 80% of cultivation depends completely on seasonal rainfall and weather.¹⁵ Therefore, most farming households bear the full brunt of floods, droughts, and pest infestations.

29. *A number of severe social conditions such as alcoholism and domestic violence may be considered both sources of vulnerability and negative coping strategies.* Households can end up in a vicious spiral of poverty as the outcomes of a shock—for example, alcoholism of the household head following loss of income—can drag the household further into poverty. The low social status of women combined with general weaknesses in the judicial system leave women with little legal protection and make them vulnerable to domestic violence and rape. Domestic violence is exceptionally high in some areas, and according to the 2004 Country Gender Assessment for Cambodia, 23% of Cambodian women suffer domestic physical abuse.¹⁶ Due to stigma against reporting these crimes, actual rates of abuse are likely much higher. Given the dire consequences for household welfare, these issues are mentioned here as sources of vulnerability but could also be regarded as negative coping strategies.

Table 2: Types of Shocks/Risks in Selected Provinces

Study Site	Shock/Risk	
	Idiosyncratic	Covariant
Banteay Meanchey and Battambang	<ul style="list-style-type: none"> • Illness • Death of household head, loss of household head due to migration or abandonment • Landlessness/loss of land • For demobilized soldiers, arrears in government payments 	<ul style="list-style-type: none"> • Crop loss or low yields • Border closings

¹⁵ PRASACII Final Report.

¹⁶ World Bank, “A Fair Share for Women: Country Gender Assessment for Cambodia.”

Study Site	Shock/Risk	
	Idiosyncratic	Covariant
Phnom Penh	<ul style="list-style-type: none"> • Illness • Unemployment • Death of household head, loss of household head due to migration or abandonment • Loss of housing 	<ul style="list-style-type: none"> • Economic/labor market shocks
Prey Veng	<ul style="list-style-type: none"> • Illness (including water-borne diseases) • Death of household head, loss of household head due to migration or abandonment • Landlessness/loss of land 	<ul style="list-style-type: none"> • Floods and drought • Low rice yield • Low demand for agricultural labor
Ratanakiri	<ul style="list-style-type: none"> • Illness (i.e. HIV/AIDS, TB, diarrhea, cholera, malaria) • Malnutrition • Landlessness • Livestock death caused by disease 	<ul style="list-style-type: none"> • Crop loss due to drought, wild animals, insecticide • Wildfires

Source : Muny et al. 2004.

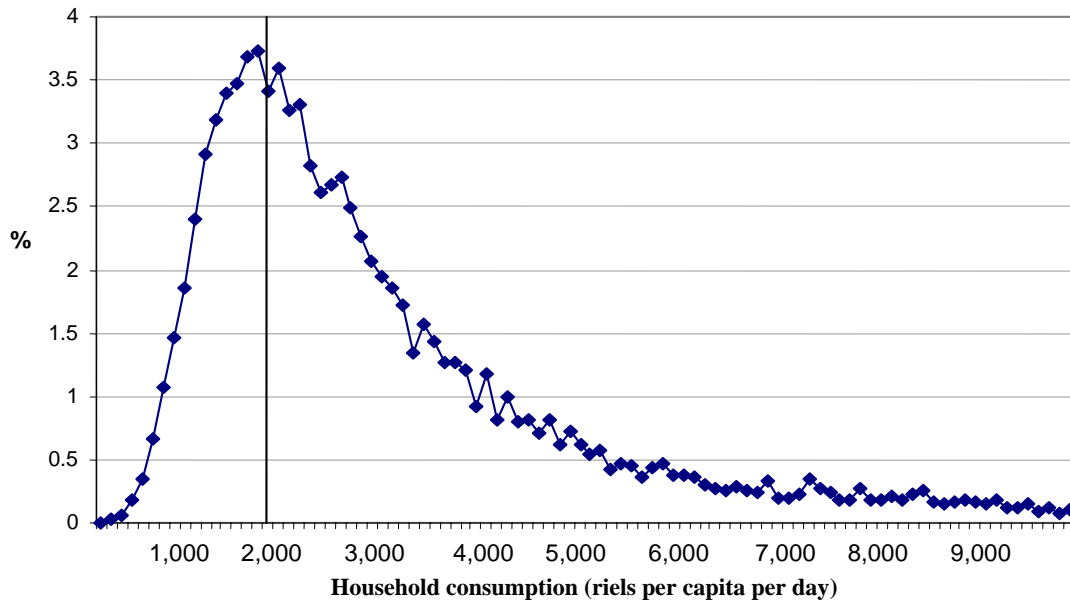
Note: The table summarizes shocks identified during interviews in case study sites. It is not a representative and exhaustive analysis and should be taken as illustrative.

C. Who are the vulnerable in Cambodia?

30. *Widespread poverty and vulnerability in Cambodia, combined with data constraints, make it difficult to measure the extent of vulnerability in Cambodia.* Beyond the 35% of the population classified as poor, identifying which households are vulnerable is difficult given the lack of data. Based on per capita household consumption, a large share of the population is clustered around the poverty line, as illustrated in Figure 1. Nearly 7% of households fall within a band of 10% above the poverty line, so if per capita consumption of these households was to decline by only 10%, the poverty rate would increase from 35% to 42%.¹⁷ However, knowledge on the dynamics of risk and vulnerability in Cambodia, which would help identify vulnerable households currently above the poverty line, is limited. Certain geographic characteristics such as living in remote areas or provinces susceptible to natural disasters provide some indication of vulnerability but are not precise enough to assign specific numbers for gauging the extent of vulnerability. In addition, because one member's vulnerability could affect other members of a household, the number of individuals within a specific group may not capture the full extent of vulnerability. For example, having a head of household who is unemployed or disabled affects not only that individual but also increases the vulnerability of his/her dependents, which is not captured in current statistics. Therefore, only a sense of broad and relative magnitudes of vulnerability in Cambodia can be provided until additional data becomes available.

¹⁷ World Bank, "Cambodia: Halving Poverty by 2015?"

Figure 1: Distribution of Household Consumption and vulnerability, 2004



Source: World Bank 2006 Cambodia Poverty Assessment, from CSES 2004

31. *While a large proportion of the population is vulnerable to impoverishing shocks, poverty and vulnerability are particularly concentrated among specific groups.* Such groups include those who have been affected disproportionately by the legacy of the war and dislocation, who face multiple shocks, or who lack access to resources and coping strategies for dealing with risks. This section identifies some of the major groups—many Cambodians fall into multiple categories—and the sources of their vulnerability. The numbers of people in each category are provided if known. It should be noted that this section highlights only some of the easily identifiable vulnerable groups in Cambodia and is not an exhaustive list, nor does it cover those in the wider population who share similar sources of vulnerability such as landlessness or exposure to natural disasters.

Persons Affected by War and Conflict

32. *Persons affected by the decades of conflict comprise one of the largest vulnerable groups in Cambodia.* Subgroups include:

- *Internally displaced persons and repatriated refugees.* The rise to power of the Khmer Rouge in 1975 resulted in the internal displacement of hundreds of thousands of Cambodians, as the inhabitants of Phnom Penh and other cities were forced into the countryside. After the 1978 Vietnamese invasion which drove the Khmer Rouge from power, thousands of Cambodians fled to Thailand and were eventually settled in camps along the border. By 1991, approximately 360,000 people were living in these camps, and following the 1991 Paris Peace Accord, the UNHCR arranged for the repatriation of these refugees. An estimated 60% of returnees chose to settle in the northwestern provinces, with around 25% choosing to return to Battambang and

Banteay Meanchey alone. The resurgence of fighting and insecurity in 1997 generated a new wave of refugees, displacing about 80,000-100,000 Cambodians internally or to new camps along the Thai border. According to the 2005 Human Development Report, around 31,000 Cambodian refugees were still living outside the country in 2004.

Studies show that returnees—particularly those without family or relatives who could offer support—are more vulnerable economically and have a greater incidence of food poverty than those who had not been displaced. In the WFP’s 1998 Survey of Target Zones, only 12% of respondents had access to land to grow rice or crops upon returning to Cambodia. The survey also found evidence that households in these zones use riskier coping strategies, such as working in forests and on agricultural land where there are land mines.

- *People with disabilities.* Estimates of the disability rate in Cambodia differ significantly, with 1.6% reported in the 2000 DHS and 4.7% in the 2004 CSES. More than one out of every ten disabled persons is believed to have a disability due directly to war, conflict, and/or land mines. The problem of mines and unexploded ordnance will continue to pose a threat until all the land is cleared, which is expected to take another 25 to 30 years given the estimated 4-6 million landmines remaining in the country.¹⁸ According to Handicap International, 146 people were killed and 695 injured by mines or other explosive devices in 2002. Of those injured, 235 people required amputations. The Government has also identified 31,500 disabled soldiers plus their dependents as a specific vulnerable group for attention.

Beyond those injured by war and conflict, Cambodia also has a significant number of people with other types of physical and mental disabilities. Among children, who comprise approximately 20% of the disabled, some of the most common types of disability are polio, hearing and vision problems, and cerebral palsy. Regardless of the cause or type of disability, Cambodians with disabilities have very limited access to education, vocational training, and income generation opportunities. As a result, many of the disabled are extremely poor. Although confidence intervals surrounding the survey estimates were wide, the 1999 CSES found that households headed by persons with disabilities were generally poorer than those whose head was not disabled. The 2004 CSES data analysis does not support the hypothesis that households headed by persons with disabilities tend to be poorer, but this may be due to the relatively small sample size of the disabled.¹⁹

- *Demobilized soldiers.* Under the Governance Action Plan, the Government is supporting the discharge and reintegration of 30,000 soldiers into civilian life to help reallocate military budget resources to the social sectors. The demobilized soldiers receive packages which include a standard cash payment of about US\$250, household

¹⁸ The provinces with the most remaining land mines are thought to be Battambang, Pursat, Banteay Mean Chey, Oddar Mean Chey, Siem Reap, Kampong Thom, and Prey Vihear.

¹⁹ World Bank, “Cambodia: Halving Poverty by 2015?”

kits, health checks, food support, and goods such as motorbikes, water pumps, and sewing machines, as well as some vocational training. In Battambang province, soldiers who have been able to start income-generating activities—mostly as motorbike drivers—are better off than other poor households. However, demobilized soldiers experience difficulty in both economic and social reintegration due to lack of skills for non-military employment and fear of the military among communities.

Children and Youth

33. ***Children are vulnerable to health and developmental problems as well as to becoming victims of negative coping mechanisms.*** Children in Cambodia are vulnerable from an early age, as reflected in high infant and under-five mortality rates. The widespread problem of malnutrition—even among children of the relatively rich—leaves children susceptible to serious health and developmental problems, oftentimes with lifelong consequences. The 2004 CSES data suggest that there has been no improvement in malnutrition rates since the 2000 DHS, and the levels are much higher than in other low-income countries in the region.²⁰ Furthermore, the common practice of pulling children out of school to help with household chores or labor as described below undermines the country’s human capital over the long run. Despite progress in primary school enrolment, one in five children who start primary school drop out before completing it, and only 58% of children complete the basic education cycle of primary plus lower secondary school. In addition, children are particularly vulnerable to being abused and becoming victims of negative coping mechanisms such as trafficking, as they do not have the resources or abilities to defend themselves against such situations.

34. ***Among children, orphans and street children are immediately vulnerable and have been increasing in number.*** Many orphaned children have become homeless and live a hand-to-mouth existence as they cannot rely on family members for support. Friends/Mith Samlanh, a local NGO working with street children, estimated that approximately 1,200 children were living in the streets of Phnom Penh in 2001, and the number appeared to be rising by 20% each year due in part to rural-urban migration. A much larger number of children—between 10,000 to 20,000, half of whom were girls—were working in the streets to earn money through shoeshining, begging, or prostitution. The growing number of AIDS orphans poses a serious challenge; approximately 55,000 children or 10.9% of all orphans were orphaned by AIDS in 2001, and it has been estimated that by 2005, 20.7% of orphans in Cambodia would have lost parents due to AIDS-related illnesses.²¹ Cambodia lacks sufficient care and hospice facilities as well as a support system for HIV/AIDS-affected individuals and families, and the country’s needs going forward are expected to be overwhelming if current rates of infection continue.

35. ***Levels of child involvement in work and child labor, which increase longer-term vulnerability and undermine human capital, are extremely high compared to other countries with similar levels of income.*** Children’s involvement in income-earning or subsistence-oriented activities is common in Cambodia and begins at an early age. An

²⁰ World Bank, “Cambodia: Halving Poverty by 2015?”

²¹ Elliott Marseille and Lisa Garbus, *HIV/AIDS in Cambodia*, 2003.

estimated 52% of 7-14 year-olds or 1.4 million children were economically active in 2001, and about 16% of children were already active by the age of six. By the age of 10 years, over half of all children were economically active.²² Child labor—a term reflecting work that is injurious or negative to children—is also very high. A lower-bound estimate for total 7-17 year-olds engaged in child labor is 1.5 million or 40% of this age group.²³ Moreover, the high incidence of work-related illness and injury among Cambodian working children indicates that their work is often hazardous in nature. Adults interviewed for the 2001 Cambodian Child Labour Survey reported that almost half of working children have suffered from some form of work-related ill health.

36. *At the same time, future employment prospects are a major concern for the current generation of Cambodian youth.* One product of the decades of conflict is a highly distorted age structure. Due to the genocidal period of the Khmer Rouge regime, the age groups born prior to 1980 are relatively small; at the same time, the baby boom which followed the fall of the Khmer Rouge has resulted in Cambodia having over half its population under 20 years of age. This youth group represents a large number of workforce entrants, and further “population momentum” is expected as the cohort born during this high fertility period reaches reproductive age. Population projections suggest that the total population will reach 15 million by 2010 and could reach almost 20 million by 2020.²⁴ Unless employment opportunities can be expanded rapidly to keep pace with the growing number of labor force entrants, Cambodia will face the problem of a large pool of unemployed and underemployed in the coming years which could have negative repercussions on economic development as well as social stability.

Elderly

37. *Vulnerability among the elderly is expected to gain more prominence in the coming years as the current generation of baby boomers ages.* In general, Cambodia’s poor and vulnerable households are characterized as having many small children and a lack of adult wage-earning workers. This problem is magnified by the distorted age structure of the Cambodian population, as described above. The high proportion of children and adolescents implies a high dependency ratio, which generally has a depressing effect on income per head. According to a recent UNDP study, although the birth rate now seems to be declining, the ratio of dependents to income earners in a family is estimated to be 83.2%. In rural areas, where most of the poor are located, the dependency ratio rises to 89.6%, compared with 69.1% in urban areas. As a result, many

²² “Children’s Work in Cambodia: A Challenge for Growth and Poverty Reduction,” draft report of the Understanding Children’s Work project (ILO, UNICEF, World Bank) 2006.

²³ As reported in the “Children’s Work in Cambodia” study, over 750,000 economically active children are below the absolute minimum working age of 12 years, and 500,000 12-14 year-olds engaged in non-light economic activity are below the minimum age for this type of work. Over 250,000 children aged 15-17 years are in 7 of the 16 nationally identified hazardous sectors for which data are available or are working 43 or more hours per week. Notably, the total estimate yielded from these figures—1.5 million 7-17 year-olds in child labor—is an underestimate because it does not include involvement in the remaining nationally identified hazardous sectors nor involvement in unconditional worst forms of work.

²⁴ “First Revision, Population Projections for Cambodia 1998-2020,” National Institute of Statistics, Ministry of Planning and Center for Population Studies (Royal University of Phnom Penh), June 2004.

elderly must work and are still considered the breadwinner in their household. According to the 2004 Cambodia Inter-Censal Population Survey (CIPS), 41.1% of the population over the age of 64 is still employed. Helpage International in Cambodia notes that the burden on the elderly has increased with the spread of HIV/AIDS, as grandparents are sometimes left to care for grandchildren who have been orphaned by the disease.

Women

38. ***Women in Cambodia are arguably more vulnerable to poverty and other risks than men.*** Cambodia has the lowest levels of gender equity in Asia as measured by the gender-related development index ((0.567 in 2005) and the gender empowerment index (0.364 in 2005), as they have relatively less access to health and education services, paid employment, land ownership, and other property rights. Specific groups of women who are particularly at risk include:

- *Female-headed households.* The 2004 CIPS estimated that 29.2% of Cambodia's 2.5 million households are headed by females. Female-headed households comprise a disproportionate share of the population in some areas due to the large number of widows as well as the significant number of women left behind by husbands who have migrated in search of better work opportunities. In Prey Veng, for example, female-headed households comprise an estimated 17% of the population.²⁵

Notably, the 2004 CSES data does not support the contention that female-headed households experience greater poverty than male-headed households. However, evidence from fieldwork and locality studies by UNIFEM and others suggest that differences do exist and that certain types of female-headed households suffer particular economic disadvantages. Households headed by war widows—especially those with young children and no adult labor in the household—are viewed as particularly vulnerable. They tend to suffer from higher food insecurity, as they have been dependent on military food which stops when the soldier-provider dies. After the death of the soldier, financial problems force many military families to move in with relatives or migrate to urban areas. Over half of female household heads are lifetime migrants, the main reasons for migration being natural disasters, insecurity, and search for work. Even when female heads are employed, they are mostly self-employed or own account workers, a type of work that is uncertain and without any social benefits.²⁶

- *Garment workers.* Although garment workers are not a vulnerable group *per se*, they are considered to be a group that could face potential shocks to income in the future. About 230,000 garment workers are employed in over 200 garment factories in Cambodia, representing the vast majority of women in the paid labor market. Although some donors and NGOs hold contrasting views on wages and factory working conditions, they generally agree that trade liberalization could pose a threat to these workers. The phasing out of the Multi-Fiber Arrangement, under which

²⁵ PRASAC II Final Report.

²⁶ JFPR p 18.

Cambodia benefited from garment quotas until the end of 2004, as well as the prospect of increased competition from China contributed to initial fears of a slowdown in Cambodia's garment exports. However, as discussed below, the effects are likely to be milder than anticipated, particularly given the appeal that Cambodia's track record in applying labor standards to the sector holds for foreign investors. Furthermore, as described in the 2006 Poverty Assessment, surveys have confirmed that those employed in garment factories may be poor but are rarely the very poor, reflecting in part the significant costs in terms of transport and bribes that are required to secure a job as a garment worker.

Ethnic Minorities

39. *Ethnic minority groups face particular problems related to language skills, remoteness, and low population density.* Ethnic minority groups comprise 4% of the overall population, making poverty analysis based on the 2004 CSES difficult given the very small sample of ethnic minority households. Although the 2004 CSES data do not show any statistical significance in poverty measures by ethnicity, small surveys have found that ethnic minorities—particularly those in the northeastern upland areas—have very high levels of poverty, very low levels of service provision and uptake, and extremely poor health and educational status. These groups tend to be marginalized in policy dialogue and negotiations on development activities that affect their livelihoods.²⁷ The Vietnamese population, who lacks citizenship or permanent residence in Cambodia, suffers a severe form of social exclusion as they are not considered to have a legitimate right to reside in Cambodia, although the 1993 Constitution recognizes this right. Notably, the PPA found that among ethnic minorities—particularly the lowland Cham and upland groups—considerable kinship and community support continue to exist. Therefore, crises affecting individual households seem to be buffered by support from the rest of the community. Shocks that affect ethnic minority villages tend to be those of a community-wide basis, such as loss of crops due to drought or flooding as well as loss of livestock due to epidemics.

Urban Poor

40. *In urban areas, the homeless and squatter households live in precarious circumstances.* Although poverty in Cambodia continues to be overwhelmingly rural, the 2006 Poverty Assessment notes that the CSES 2004 may have undersampled the urban poor and that urban poverty still merits attention. The overriding threat to the livelihoods and well-being of the urban poor is lack of secure housing tenure. Many of the poorest in urban areas sleep on the streets, and a large number of households—particularly recent arrivals from rural areas—squat illegally in abandoned buildings which are frequently in poor condition. In central Phnom Penh, approximately 3,400 families live informally in “The Building” squatters’ settlement located along the Tonle Sap River. Only 1,900 households in the settlement are registered with the local government, and the others live there illegally without registration papers. Most families are new migrants from Prey

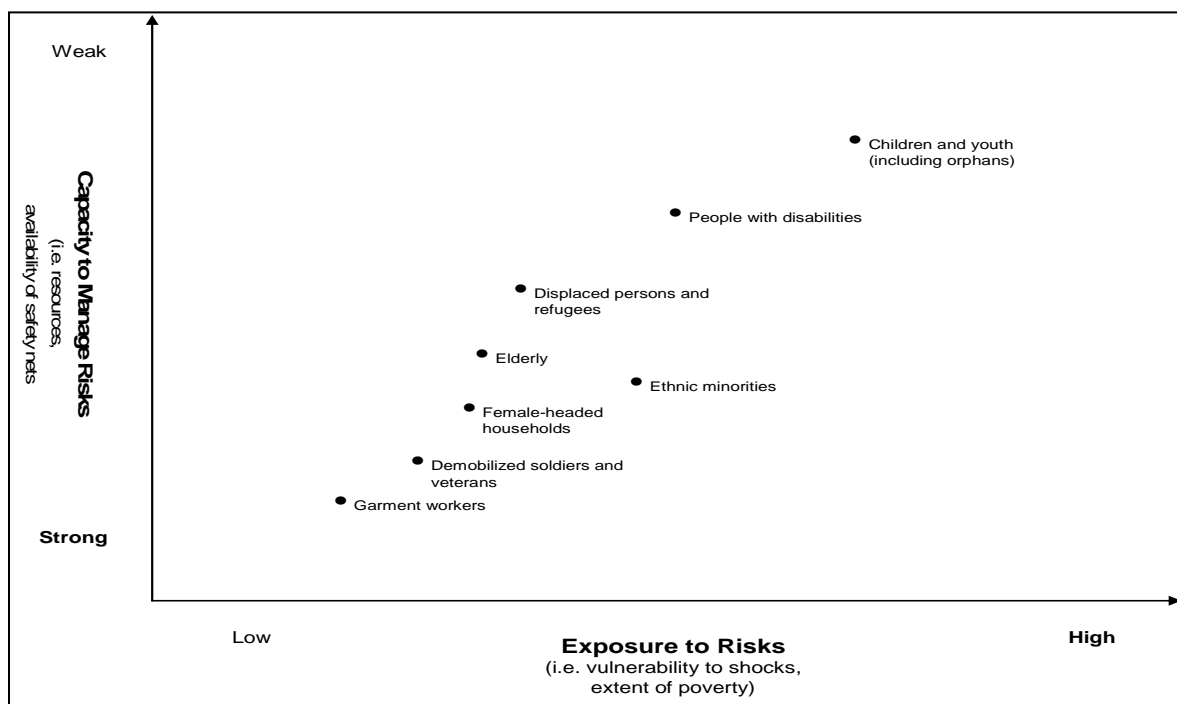
²⁷ World Bank, “Cambodia: Halving Poverty by 2015?”

Veng, Kandal, Svay Rieng, and Kampong Cham provinces. Most households live in small thatch houses of about two square meters for about 30,000 riels (approximately US\$15) per month. Although the community has established a school, some households cannot afford to send their children there. The school itself is poorly equipped, and the contract teachers do not show up regularly.

D. What are the relative levels of vulnerability?

41. *Although prioritization of groups is difficult, factors such as exposure to risks and capacity to manage them suggest relative levels of vulnerability.* Given the lack of data and the extent of needs throughout the population, establishing a definitive ranking of vulnerable groups is difficult. The analysis of sources of vulnerability suggests that rural households should be a general target group for support, particularly given the proportion of poor living in rural areas. For this group, supporting the diversification of household economies would be a priority, particularly given the large proportion of young people entering the workforce with poor employment prospects. In terms of specific groups, Figure 2 provides a schematic representation of the relative vulnerability of various groups based on exposure to risks and capacity to manage them. While this diagram is based on rough estimates of relative degrees of vulnerability, it provides a broad sense of prioritization. Notably, children and youth appear to be particularly vulnerable along these dimensions, as their vulnerability is heightened by a lack of empowerment or control over their circumstances. Interventions for the young may also arguably have the greatest impact, as exposure to risks from an early age may have lifelong consequences.

Figure 2: Relative Degrees of Vulnerability for Specific Sub-Groups



42. *The analysis also shows that groups who have received a great deal of attention in recent years may in fact be relatively less vulnerable compared to other groups.* Garment workers, in particular, have received attention with the phasing out of export quotas. However, the impact of increased competition in the garment industry is now believed to be milder than originally feared, at least for the near future. Garment exports have remained strong, thanks in large part to U.S. safeguards measures imposed on imports from China as well as China's bilateral agreement with the European Union to curb growth in Chinese exports. Given this situation, Cambodian garment workers may not require as much social protection support as other groups which are larger in number, experience a higher degree of vulnerability, and are exposed to more certain or immediate risks. This conclusion does not suggest that the garment industry should not receive any attention; the importance of the industry to the growth of the economy is clear, and maintaining labor standards will be critical to its future beyond the medium term. Rather, the analysis points to the fact that for social protection support, in particular, garment workers may be less of a priority than other groups. It also shows that for all groups—including garment workers—developing other sources of income and employment is critical for mitigating future risks.

43. *Application of the lifecycle approach underscores the vulnerability of children and youth, in particular.* The lifecycle approach highlights some of the major risks and key issues faced by the population at various stages of their lives. It also provides some measure of magnitude by showing what proportion of the population is affected by particular risks. The analysis in Table 3 shows that at least in terms of numbers, the youth and baby boomers may comprise the biggest proportion of the vulnerable population. The analysis also shows the risks that have the potential to affect children and youth for the rest of their lives.

Table 3: Applying the Lifecycle Approach to Cambodia

Age Group	Age Group Size	Main Risk	Key Issues
Infants and Early Childhood (0-4 years)	11.1% of population (1.4 million)	Stunted child development	<ul style="list-style-type: none"> • High under-five mortality rate – 140 per 1,000 live births (2003) • Chronic malnutrition – 45% of children moderately stunted, 21% severely stunted
Primary School Age (5-14 years)	27.5% of population (3.5 million)	Low human capital development (poor education quality); child labor	<ul style="list-style-type: none"> • Pulling children out of school – common coping mechanism • 45% of children ages 5-14 working (2001) • Street children – roughly 20,000 living/working in Phnom Penh • Growing numbers of AIDS orphans
Adolescents and Young Adults	21.8% of population (2.8 million)	Low human capital development;	<ul style="list-style-type: none"> • Low secondary

Age Group	Age Group Size	Main Risk	Key Issues
(15-24 years)		unemployment, inactivity	<ul style="list-style-type: none"> school enrolment, especially among females • Large number of new workforce entrants with insufficient employment opportunities • Concerns over future of garment workers (230,000 individuals)
Adults (25-64 years)	35.8% of population (4.9 million)	Low income (unemployment, underemployment)	<ul style="list-style-type: none"> • High rates of migration for work • Significant and rising degree of underemployment
Elderly (65 years and over)	3.9% of population (0.5 million)	Low income, chronic diseases	<ul style="list-style-type: none"> • Life expectancy – 57 years (2003) • High dependency ratio (large population of children and adolescents)

Sources: NIS, Cambodia Inter-Censal Population Survey 2004; UNICEF, State of the World's Children 2005; NIS, Report on Cambodia Child Labor Survey 2001; Demographic and Health Survey 2000.

III. RISK MITIGATION AND COPING STRATEGIES

44. *In the absence of formal and market-based mechanisms for managing risks, many households rely on informal risk mitigation and coping strategies for survival. Mitigation strategies* are measures undertaken before a shock occurs to lessen the potential impact of a shock. *Coping strategies* include both the common and more extreme ways in which individuals and households deal with minor shocks and more devastating crises. They range from turning to relatives for help and selling assets to prostitution and begging. Many of the negative coping strategies have longer-term consequences and can oftentimes lead to even greater exposure to risk and diminished ability to manage risks.

45. *The types of coping strategies employed in Cambodia differ between urban and rural areas.* As documented in the qualitative study of coping strategies, rural households are more commonly in a position to sell off land or livestock, while begging and small-scale entrepreneurial activity are more common in urban areas. Across provinces, pulling children out of school or delaying school entry for work is a common strategy. Risk mitigation and coping strategies in the qualitative study sites are summarized in Table 4.

Table 4: Types of Informal Risk Mitigation and Coping Strategies in the Study Sites²⁸

Study Site	Risk Mitigation Measures	Coping Strategies	
		Common	Rare/Extreme
Banteay Meanchey and Battambang	<ul style="list-style-type: none"> • Moving to Poipet 	<ul style="list-style-type: none"> • Dropping out of school, delaying school entry • Remarriage • Pawning assets to neighbors • Immigration to Thailand as a day laborer or beggar 	<ul style="list-style-type: none"> • Criminal activity • Prostitution/selling virginity • Alcoholism and drug abuse • Begging
Phnom Penh	<ul style="list-style-type: none"> • Tontine 	<ul style="list-style-type: none"> • Dropping out of school to work (i.e. shining shoes, selling flowers, collecting trash) • Pawning assets • Returning to home villages • Squatting, living on the streets, seeking refuge in temples or other public places • Begging 	<ul style="list-style-type: none"> • Criminal activity • Prostitution/selling virginity • Alcoholism and drug abuse
Prey Veng	<ul style="list-style-type: none"> • Migration to Phnom Penh or other areas • Immigration to Thailand or Vietnam for work 	<ul style="list-style-type: none"> • Dropping out of school, delaying school entry • Visiting private healers/pharmacies • Borrowing from private moneylenders/credit schemes • Pawning assets to neighbors 	<ul style="list-style-type: none"> • Sale of land/livestock • Debt evasion • Criminal activity • Selling virginity • Alcoholism and drug abuse • Begging
Ratanakiri		<ul style="list-style-type: none"> • Not enrolling in/dropping out of school • Sale of land, moving deeper into the forest • Visiting traditional healers 	<ul style="list-style-type: none"> • Criminal activity • Suicide • Deforestation of communal trees • Begging

Source: Munny et al., 2004

A. Risk Mitigation Strategies

46. *Migration to other countries has become an increasingly common strategy for poor rural families seeking better opportunities or additional sources of income.* While data is limited due to high rates of illegal migration, evidence suggests that migration to other countries has been rising in East Asia, including in Cambodia. In 2002, at least 112,000 Cambodian migrants were estimated to be abroad, mostly in Thailand as well as Malaysia.²⁹ During the latest registration of irregular migrants in Thailand, nearly 105,000 migrants from Cambodia were registered. However, actual numbers of migrants are likely much higher given the extent of day labor migration which takes place, particularly to Thailand and Vietnam, and the high frequency of irregular migration that remains unrecorded. The importance of external labor migration is particularly evident in border provinces such as Battambang and Banteay Meanchey, where jobs across the border in Thailand have become the primary source of income for many households.

²⁸ The table summarizes the coping mechanisms identified during interviews in the case study sites. It is not meant to be a representative or exhaustive list and should be taken as illustrative.

²⁹ Data from *Migration: Needs, Issues and Responses in the Greater Mekong Subregion*. Asian Migrant Research Center.

47. ***Because of limited opportunities in rural areas, internal migration to Phnom Penh and other urban areas has also become common.*** The results of a UNDP study comparing the 1996 sample survey with 1998 census data suggest that rural out-migration is increasing. The 1998 census counted 881,400 persons who had moved from a rural area within the five years prior to the census, representing a 39% increase compared to the 1996 demographic survey. Of the total migrants who had left their villages less than one year before the census date, 29% stated that their principal reason for moving was the need to search for employment. Although migration is more common among men, both men and women migrate for work. Men tend to migrate seasonally to search for jobs as construction workers in Phnom Penh and other towns, while young women most commonly migrate to work in the garment industry or to take service sector jobs in restaurants and as “beer promotion” girls.³⁰

Box 2: Labor Migration to Thailand in Poi Pet Commune

Many Cambodian workers cross the border illegally into Thailand in search of short and longer-term jobs. Workers interviewed in the border town of Poipet spoke of opportunities in fishing, construction, agriculture, and even street begging, estimating that they can earn between two and three times what they could in Cambodia for the same work. Daily wages amount to about 200 Thai baht (about US\$5) per day. Migration is most common in the dry season, starting in November.

Banteay Meanchey province has over 20 entry points for migrant workers going into Thailand. Agents, who are mostly Thai, mediate between border police on both sides of the border. Fees to the agents were reportedly 3,000 baht (approximately US\$75) per job and 1,500 baht (US\$38) for a return visit. The agents also provide wire transfer services for workers to send remittances home at a charge of at least 10%.

A large number of workers without work permits are caught and sent back to Cambodia. In 2003, over 32,000 workers were sent back, and the numbers were reportedly increasing in 2004. While the majority of day laborers are men, women and children do cross the border, mostly to beg. In the first quarter of 2004, 4,000 women with small children were arrested and sent back to Cambodia. Aside from expulsion, illegal workers sometimes face other punishments. A worker interviewed in Poipet described his experience being arrested from his job as a chicken farm worker in Thailand, when he was jailed for a week with his arms and legs chained and no sanitation. Nonetheless, the worker claimed he would cross back into Thailand for work in the near future due to the lack of opportunities in Cambodia.

Source: Muny et al., 2004.

48. ***The income of many migrant workers supports not only the workers themselves but also family members in their home villages.*** The 2006 Poverty Assessment found

³⁰ “Beer promotion” girls are hired by beer companies to sell and serve their brands of beer to restaurant patrons. The girls have been classified as “indirect commercial sex workers” since many agree to exchange sex for money from patrons to supplement their low incomes. The 2000 HIV Sentinel Surveillance Survey found that beer promotion girls, with HIV seroprevalence rates of approximately 19%, were the only sentinel group in which national HIV prevalence had not fallen since 1998. Beer companies have been under increasing pressure to ensure safe and healthy working environments for these workers.

that 13% of rural households received remittances from family members working in cities and the value of those remittances represent less than 10% of household consumption on average. However, data on remittances is scarce and considered unreliable due to the challenges of reporting such information. As many remittances are made in-kind, households have difficulty reporting their estimated cash value of the transfer. It may also be difficult to recall the amount of such transfers reliably. Day laborers along the Thai border and garment workers report sending funds back to their families every three to four months on average. Migrant workers in Thailand most commonly send funds home via wire transfer—the cost of which can be quite high—and family members must often pay tips on the receiving end. In case studies for the “Moving out of Poverty” study, having a daughter working in the garment industry was considered to be one of the primary factors allowing families to move out of poverty. Garment workers remit a large proportion of their earnings (about US\$30 a month) on average, oftentimes at the cost of their own current consumption.

49. *Some groups of workers who have income to pool participate in informal savings associations called tontines.*³¹ In tontines, individuals pool their resources and lend to members when needed, for example to cover medical care or costs associated with getting married. Tontines operate on the basis of common practice and without any collateral, relying solely on the trust and goodwill of the participants. Although members have in some cases absconded with the pool of money, tontines continue to be used because they provide a flexible means of accumulating savings and accessing credit which is not available through formal channels. The qualitative study documented the use of tontine as a common risk mitigation instrument among garment workers, beer and cigarette sellers, and day laborers working in the fishery industry in Thailand. Tontines are also used by Cambodian immigrant communities abroad as a risk management instrument and to finance personal or business needs.

B. Coping Strategies

50. *For families with limited assets such as draft animals or land, one of the most common strategies in times of crisis is to sell those assets.* Research by Oxfam and the Cambodia Development Research Institute indicate that around half of farmers who had to sell their land did so to pay for health care expenses, and another study found that illness was the number one reason for land sales. Due to the urgent need to pay medical bills, households forced to sell assets quickly may resort to selling at unfavorable, below-market prices.³² Although such sales of assets provide fast access to cash, they may leave households impoverished for the longer term.

³¹ Tontines, which have been popular financial instruments in Cambodia and elsewhere, are rotating savings and credit associations. Tontine members periodically make fixed contributions to a shared pool of funds which goes to each participant of the association in turn, with the sequence determined by consensus, lot, or bidding. In Cambodia, tontines use monthly bidding, conducted by secret ballot with a discount offered by the highest bidder or borrower who pays the bid as a reduction in the installments of the other participants. The winner or borrower receives the pool and must repay the loan in installments prescribed by the tontine.

³² Muny et al., 2004.

Box 3: Selling Buffaloes in Ratanakiri

Grandmother Khoeu, an elderly and very poor Lao-Khmer widow living in O Kaan Village in Ratanakiri province, explained how she resorted to selling her most valuable asset, a buffalo, to deal with a serious illness in the family. In 2002, Grandmother Khoeu was living with her two adult daughters, both of whom had been abandoned by their husbands. One daughter had four small children, while the other fell seriously ill as a result of a miscarriage.

To afford care for her sick daughter, Khoeu exchanged her buffalo, the offspring of a cow she had received through the Seila Programme,³³ for a female cow. She then pawned the cow for 80,000 riels (about US\$20) to her neighbor to pay for care that would help cure her daughter. Afterwards, she was threatened by the local moneylender who claimed that the buffalo belonged to the Village Development Committee and was not Khoeu's property to sell.

Source: Muny et al., 2004.

51. ***In the absence of such assets, the poor may rely on the use of natural resources such as water bodies and forests to generate income.*** Access to common property provides an important safety net for the rural poor in bad harvest years. The 2006 Poverty Assessment found that one-quarter of the poor depended on only fishery and forest products for over half their income in 2004, and on average, fishery and forest products accounted for 25% of household income among the poor. However, access to this common property is becoming increasingly limited. As captured in the PPA, much of the extractive activities in the forest are “illegal” in nature, requiring the payment of bribes to guards in addition to the risks faced from land mines and malaria. Rising population numbers have also contributed to overexploitation and a decline in resource availability and. In addition, leasing of water bodies to business interests and increasing restrictions on free access to fisheries are already evident in places where the poorest depend on hunting and gathering for their livelihoods.

52. ***Faced with the prospect of starvation, some rural households engage in borrowing as a coping mechanism.*** Households fall into heavy indebtedness as a result of borrowing from rice lenders at very high interest rates—over 100% in some cases—which require large repayments in rice against current crop production. In some cases, this practice has evolved from a short-term coping strategy into longer-term borrowing, perpetuating a cycle of poverty. Illness and injury are one of the most common reasons for taking out a loan, accounting for 13% of all loans, and the relative burden of health-related indebtedness is higher among the poor.

53. ***Pulling children out of school is another common coping mechanism used in times of financial difficulty.*** Extensive child involvement in work is a key factor behind Cambodia's education challenges of late school entry and substantial dropout rates starting in upper primary school. For every three out of four working children, family poverty or the need to supplement family income are given as the primary motives for pulling children out of school to work. Almost 90% of economically active children work

³³ The Government's Seila Programme supports decentralization and deconcentration efforts to contribute to poverty alleviation. In the first phase of Seila, completed in 2000, Local Development Funds (LDF) were used as a vehicle for responding to local needs. Further details are provided in Box 7 of the next chapter.

as unpaid family labor, but for those children who report cash or in-kind earnings, their earnings are significant to their families. Children earn an average amount of \$1 per day, accounting for 28% of total household labor income—a major opportunity cost barrier for the schooling of poor children. The proportion of children studying exclusively, without any work responsibilities, peaks at the age of nine at 49%. School attendance peaks at 91% at age 11, after which attendance declines as children begin leaving school and working exclusively.³⁴ Empirical analysis shows that child work has a detrimental effect on learning achievement and also affects health outcomes, as children are frequently engaged in hazardous work. Extreme examples from the qualitative study include work in the sex industry and waste picking. As described in Box 9 in the following chapter, many children in Phnom Penh work as waste pickers, collecting garbage on the streets or picking through the city dump. A 1997 survey by CSARO found that over half of waste pickers in Phnom Penh were children under 18 years old. About 68% claimed to attend school but worked seven hours each day on average to earn about US\$0.75 per day.³⁵

54. *Girls tend to be pulled out of school earlier than boys*, oftentimes due to concerns about the safety of traveling alone and the lack of female dormitories or even restroom facilities at some schools. According to the Government's 2001 strategic analysis of education reform, the gender gap is narrowing at the primary level. However, the percentage of girls in school falls from 47% in grade 1 to 32% in grade 6, and girls represent only one-third of total net enrollment in secondary schools. Between the ages of 7 and 14, girls' work rates exceed those of their male counterparts at every age, and nearly 52% of females in the 15-17 age group are involved in economic activity only with no school attendance compared to 33% of males.³⁶ These differences arguably limit opportunities for females over the course of their lives and thus heighten their vulnerability.

55. *Reports suggest that when families are poor and have no assets left to sell, a growing number of them sell their daughters to be trafficked within and outside Cambodia.* Victims of trafficking are also lured on false pretenses by agents purporting to recruit workers for the garment industry, construction, or agriculture. Cambodia has become a major sending, receiving, and transit country for trafficking; according to data collected by the Cambodian Women's Crisis Center, 100,000 trafficked women and children—including women trafficked within Cambodia and from neighboring countries such as Vietnam—are in Cambodia at any given time. Cambodian women and children are trafficked primarily to Thailand and Malaysia for labor and commercial sexual exploitation, and children are also trafficked to Vietnam and Thailand to work as street beggars. In the 2005 trafficking report by the U.S. State Department, Cambodia remained in the lowest ranking Tier III group, which represents countries that have "significant problems with regard to human trafficking, have not complied with minimum standards to combat these problems and are not making significant attempts to do so."³⁷ The report

³⁴ "Children's Work in Cambodia: A Challenge for Growth and Poverty Reduction" draft report.

³⁵ CSARO 1997.

³⁶ "Children's Work in Cambodia: A Challenge for Growth and Poverty Reduction" draft report.

³⁷ The *Trafficking in Persons Report* is produced annually as an element of the "Victims of Trafficking and Violence Protection Act of 2000."

notes Cambodia's "lack of progress in combating severe forms of trafficking, particularly its failure to convict traffickers and public officials involved in trafficking" and points to systemic corruption and an ineffective judicial system as hampering Cambodia's anti-trafficking efforts.

56. *Some young women decide to enter the commercial sex industry because it promises immediate food security.* An estimated 100,000 commercial sex workers are in Cambodia, and an estimated 5,000 child prostitutes are working on the streets of Phnom Penh.³⁸ A 1998 ADB study found that 34% of sex workers left home due to extreme poverty and because they felt they had no other way to earn money. The lack of alternate opportunities for women is illustrated by the cases of young women who leave the garment industry and turn to prostitution as a means of maintaining their incomes. Interviews in the qualitative case study sites indicated that in some extreme cases, girls will sell their virginity.

57. *A few key risks or sources of vulnerability appear to be responsible for the use of these common mitigation and coping strategies.* As noted above, health expenses are frequently cited as the main reason households fall into poverty and resort to coping mechanisms such as selling of assets. The analysis also shows that negative coping mechanisms can oftentimes be attributed to lack of opportunities or alternate sources of income, particularly for rural households. Given the heavy reliance on farming and the non-diversification of household economies, if rural households cannot generate enough income from their adult members, they may resort to pulling girls from school or trafficking of women and children. In addition, this analysis underscores again the vulnerability of children, as they are extremely susceptible to being victims of negative coping mechanisms which can have serious negative impacts on those individuals as well as more broadly on Cambodia's human capital. These linkages suggest that helping households manage the potential impoverishing effects of health expenses, diversifying sources of income and improving labor market opportunities in rural areas, and protecting Cambodia's children and youth are priority areas where social protection-related interventions could have a meaningful and longer-term impact.

³⁸ Country Gender Assessment, 2004.

CHAPTER III: SOCIAL PROTECTION EFFORTS AND MECHANISMS TO REDUCE VULNERABILITY

58. *Given the limited informal safety nets in Cambodia, social protection efforts by the Government and other partners play an important role in reducing vulnerability and poverty.* Effective social protection programs could help the poor and vulnerable better manage shocks as well as encourage poor people to engage in beneficial risk-taking, making more productive investments and increasing their incomes to move out of poverty. The Government has allocated some of its limited resources to social protection and safety net programs, amounting to approximately US\$38 million in 2003. Support for civil service pensions and veterans benefits receive the largest allocations of this budget. Beyond these priority areas, budget constraints have made it difficult for the Government to support even minimal direct interventions for the poor and vulnerable, and the Government relies on NGOs and donors to fill the gaps in reaching these groups. For NGO and donor support, the large number and wide range of programs make it difficult to estimate the amount of resources being channeled to social protection and to make a direct comparison with Government budget allocations. An inventory of external assistance shows that resources are channeled mainly toward health, education, infrastructure, and rural development. In terms of “direct” social protection, the areas receiving higher levels of NGO and donor support in terms of funding amount and number of programs include disaster preparedness and relief, food aid, and disability and rehabilitation.

I. GOVERNMENT POLICIES AND PROGRAMS

A. Laws and Policies

59. *The Constitution mandates various forms of social protection for the Cambodian people.* The Constitution contains articles on the rights of citizens and responsibilities of Government that are directly or indirectly related to social protection. For example:

Article 36: “Every Khmer citizen shall have the right to obtain social security and other social benefits as determined by law. Khmer citizens of either sex shall have the right to form and to be member of trade unions. The organization and conduct of trade unions shall be determined by law.”

Article 46: “The commerce of human beings, exploitation by prostitution and obscenity which affect the reputation of women shall be prohibited...The state and society shall provide opportunities to women, especially to those living in rural areas without adequate social support, so they can get employment, medical care, and send their children to school, and to have decent living conditions.”

Article 72: “The health of the people shall be guaranteed...Poor citizens shall receive free medical consultation in public hospitals, infirmaries and maternities. The State shall establish infirmaries and maternities in rural areas.”

Article 75: “The State shall establish a social security system for workers and employees.”

60. ***Several organic laws have been passed to codify some of the social protection-related tenets of the Constitution.*** The most relevant laws which have been adopted or are currently under consideration include:

- The *Labor Law* passed in October 1998. This law provides for a standard legal workweek of 48 hours, not to exceed eight hours per day. It also stipulates time-and-a-half for overtime, and double time if overtime occurs at night, on Sunday, or on a holiday. The minimum allowable age for a salaried position is set at 15 years, or at 18 years for anyone engaged in work which may be hazardous, unhealthy, or unsafe. The Labor Law embodies most of the ILO conventions on core labor standards, all of which Cambodia has ratified.³⁹ The application and enforcement of labor standards in Cambodia is discussed in greater detail below.
- The *Insurance Law* passed in June 2000. The insurance law provides a legal framework for better regulation of insurance market activities. To help develop the insurance sector, the RGC envisages an expansion of the activities of the state-owned Cambodian National Insurance Company (CAMINCO) to include life insurance, pensions, credit, and natural disaster insurance. However, these insurance schemes will benefit only a small proportion of the population in the initial stages and most likely will not be accessible to the poor, who lack the surplus funds necessary to insure their risks.
- The *Law on Social Security Schemes* for Persons Defined by the Provisions of the Labor Law passed in September 2002. This law entitles workers and employees in the private sector to old age, invalid, and survivors’ benefits as well as workmen’s compensation. The law has been promulgated but not implemented since it requires a sub-decree on the National Social Security Fund (NSSF), which will cover employment injury insurance (EII), the pension scheme, and a short-term benefit system. Notably, the EII would cover the formal sector as well as the self-employed based on voluntary participation. However, as in the case of the Insurance Law, only a very small segment of the population is expected to benefit from the Law on Social Security Schemes given the small size of Cambodia’s formal sector.

³⁹ The core labor standards correspond to eight ILO Conventions adopted by representatives of governments, employers, and workers from ILO member countries. These conventions are: Forced Labor (No. 29), Abolition of Forced Labor (No. 105), Minimum Age (No. 138), Worst Forms of Child Labor (No. 182); Equal Remuneration (No. 100), Discrimination in Employment and Occupation (No. 111), Freedom of Association (No. 87), and Right to Organize and Collective Bargaining (No. 98).

- The *Law on Suppression of Human Trafficking and Sexual Exploitation*, which is expected to be sent to the National Assembly for approval shortly. The draft law provides for heavier punishment if victims are below 15 years of age and gives police more power to investigate and arrest suspected traffickers.

61. ***Government commitment to alleviating poverty through social protection is reflected in the new Rectangular Strategy.*** The Rectangular Strategy, introduced after the formation of the new Government in July 2004, outlines the current Government's economic policy agenda during its remaining term in office. The strategy has been conceptualized as a structure of four interlocking rectangles, with the rectangles most closely linked to social protection being: i) enhancement of agricultural sector, ii) private sector growth and employment, and iii) capacity building and human resource development. Within these areas, greater attention to the informal sector, land and family support as social protection mechanisms, health insurance for the poor, and increased rule of law to ensure equity in use of resources have been identified as important priorities. The RGC's policies implicitly recognize that social protection measures need to be commensurate with Cambodia's level of development, which may require greater initial emphasis on establishing basic social safety nets rather than on developing a full-fledged pension system, for example. The Government also views ensuring peace and safety within the country and building trust between civil society and Government as important elements of its role in social protection.⁴⁰

62. ***The Rectangular Strategy is operationalized in the new National Strategic Development Plan (NSDP), which lays out key sectoral strategies for achieving the CMDG poverty reduction targets.*** The new NSDP 2006-2010 recognizes the need to address rural development and identifies improving the livelihoods of the rural poor as a top priority. Key commitments related to social protection include: creating jobs in the formal and informal sectors and ensuring improved working conditions; providing social safety nets for the disadvantaged, including measures to assist victims of natural disasters, targeted programs for vulnerable groups such as poor female-headed households and veterans, and establishment of rehabilitation centers for orphans and the elderly; addressing domestic violence and trafficking; and improving health service delivery, quality, and financing. Although more concrete details are needed on how sectoral strategies will be implemented, the NSDP provides a promising vehicle for improving coordination of efforts aimed at helping Cambodia move toward its CMDGs.

63. ***The most significant progress has been made in applying and enforcing core labor standards in the garment sector.*** The Government has focused a great deal of attention on ensuring compliance with labor standards in the garment sector, which is the primary source of formal employment in Cambodia. A major impetus for these efforts was the U.S.-Cambodia bilateral trade agreement, first signed in 1998 and extended in 2002, which links the expansion of quotas for Cambodia's garment exports to the United States with improvements in working conditions that comply with local law and internationally recognized standards. The standards were incorporated into the improved

⁴⁰ Comments by H.E. Dr. Hang Choun Naron, Secretary General of the Ministry of Economy and Finance at the Dialogue on Social Protection Issues in Cambodia (July 19-20, 2004).

Labor Law, and the Government agreed to schedule monitoring of factories by the International Labour Organization (ILO). Progress has been cited in areas such as lack of discrimination in employment, prohibition of forced or bonded labor, and the prohibition of exploitative child labor. Application of these standards has helped Cambodia gain access to international markets and made the garment sector more competitive. Survey findings indicate that Cambodia's labor standards in the garment industry have positively influenced the decisions of overseas buyers to continue purchasing from Cambodia even after the expiration of trade quotas.⁴¹ However, only a small segment of Cambodia's workforce benefits from these labor standards. The vast majority of workers are employed in the informal sector, including the large number of child laborers. Efforts are still needed in applying and enforcing basic labor standards and ensuring basic occupational health and safety beyond the garment industry.

64. *Implementation of other laws and policies related to social protection has been less successful to date.* A number of the Articles of the Constitution concerning social protection have not been realized. For example, implementation of laws pertaining to social protection has been uneven or has not been undertaken, as in the case of the Law on Social Security Schemes. The quantity and quality of public hospitals, infirmaries, and maternity wards remain far from adequate. Regarding the goals laid out in the NSDP and other strategic documents, concrete plans for implementing reforms are not obvious. Furthermore, most RGC resources for social protection-related activities have been directed at the formal sector, leaving a major gap in assistance to vulnerable groups in the much larger informal sector. A small fraction of resources is channeled toward specific vulnerable groups, and leakage problems persist.

B. Government Expenditures

65. *The Government's budget allocation for social sector interventions has increased in recent years.* The RGC's social protection expenditures as a share of GDP rose from 0.6% in 1997 to 0.7% in 2002.⁴² Most of the RGC's budget for social interventions is allocated to a category known as Chapter 31, "Interventions in Social and Cultural Sectors." Chapter 31 allocations have increased in both absolute and relative terms in recent years; from 1999 to 2003, Chapter 31 grew by an average of 15.8%, while the total budget increased by 10.42%. As a result, its share of the budget increased by 5% over this period. In 2003, the Chapter 31 allocation was US\$31 million, but actual expenditures reached US\$38 million, accounting for 10% of actual current expenditure. Table 5 shows a breakdown of current expenditure by chapter, followed by a more detailed listing of interventions captured within Chapter 31.

⁴¹ "Cambodia Corporate Social Responsibility and the Apparel Sector: Buyer Survey Results," Foreign Investment Advisory Service, World Bank Group (December 2004).

⁴² The "social protection" expenditure category in the Classification of Functions of Government covers a broad range of areas, including unemployment, social exclusion, and disaster relief.

Table 5: Breakdown of Current Expenditure by Chapter (2003)

Chapter	Budget Law (US\$m)	Actual (US\$m)	Actual (% share)
Total Current Expenditure	442	377	100%
Chapter 10: Salaries	155	147	39%
Chapter 11: Operating Costs	145	114	30%
Chapter 12: Subsidies to Provinces and Municipalities	26	25	7%
Chapter 13: Specific Program Activities (PAP)	40	25	7%
Chapter 20: Interest on Loans	7	8	2%
Chapter 30: Economic Interventions	8	14	4%
Chapter 31: Social Interventions*	31	38	10%
Chapter 32: Contributions to International Organizations	2	2	0%
Chapter 40: Other current expenditure	24	4	1%
Chapter 41: Unexpected Expenses	3	-	-

Source: Budget Implementation 2003, Ministry of Economy and Finance

Note: Chapter 31 refers to Interventions in Social and Cultural Sectors, which includes:

- I. Direct Interventions in Social and Cultural Sectors
 - A. Direct expenditures on social affairs
 1. Birth delivery
 2. Allowances for sick civil servants
 3. Accidents at work
 4. Death
 5. Allowances for disabled servants
 6. Allowances for poor people and civil servants in hospital
 7. Medicines for people staying in hospital
 8. Allowances for victims of national disasters
 9. Allowances for servants' orphans
 10. Allowances for retired servants
 11. Allowances for civil servants who voluntarily resigned from work
 12. Allowances for other social affairs
 - B. Expenditure on scholarships
 - C. Awards and other incentives
 - D. Recreation and study
- II. Indirect Interventions in Social and Cultural Sectors (includes support to orphan centers)

66. *Going forward, the Government plans to maintain its budget for social protection and safety net programs.* According to the latest Medium-Term Expenditure Framework (MTEF), the expenditure ceiling for social services (excluding education and health) is expected to remain constant over the next three years at 0.71% of GDP. The National Poverty Reduction Strategy⁴³ made specific provisions for social protection in terms of costing for action plans in the following areas: (i) social protection (US\$14 million), which covers areas such as labor inspections, prevention of substance abuse among juveniles, and vocational training for prisoners; (ii) social safety nets (US\$2 million), which involves the review and piloting of an employment guarantee scheme; and (iii) combating child labor and trafficking and child protection (US\$26 million), which includes support to awareness raising programs in poor areas and promotion of law

⁴³ The National Poverty Reduction Strategy (NPRS), adopted in 2002, elaborated on the poverty reduction agenda by providing a comprehensive set of performance indicators, costing priority policies and programs, and laying out a framework for support by international development partners. The new National Strategy Development Plan (2006-2010) synthesizes the NPRS and other policy documents to create single, overarching framework containing the RGC's poverty reduction goals and strategies.

enforcement.⁴⁴ In terms of specific investment projects related to social protection, particularly rapid growth in dollar terms is expected for projects supporting Women's Enterprise Centers, micro and small businesses for veterans, and school dormitories for girls over the 2004-07 period.

67. *Social protection expenditures are channeled through a number of Ministries and agencies.* The ministries that deal most directly with social protection are the Ministry of Social Affairs, Veterans, and Youth Rehabilitation (MOSVY) and the Ministry of Labor and Vocational Training (MLV). These Ministries were created in 2004 from the previous Ministry of Labor, Vocational Training and Youth (MOSALVY) and the Ministry of Women's and Veterans' Affairs (MOWVA).⁴⁵ The MOSALVY and MOWVA were given total budgets of US\$8 million and US\$16 million, respectively, in 2003, used mostly for wages, pensions, and allowances. As shown in Table 6, other Ministries and institutions such as the Royal Palace also received Chapter 31 budget for activities such as donations to the very poor and victims of natural disasters. Notably, while most ministries underperformed their Chapter 31 allocations in 2003, the Ministry of Economy and Finance and Ministry of Interior (Administration) experienced overruns of 8063% and 438%, respectively. However, sufficient information is not available to determine the nature or reason for this large discrepancy. The biggest RGC social protection programs are discussed below.

Table 6: Chapter 31 by Ministry in 2003 (USD millions)

Ministry	For Central Level		For Provinces		Total	
	Budget Law 2003	Actual 2003	Budget Law 2003	Actual 2003	Budget Law 2003	Actual 2003
I. General Administration	4.519	13.083	0.061	0.040	4.580	13.124
Royal Palace	2.431	1.817	-	-	2.431	1.817
National Assembly	0.574	0.323	-	-	0.574	0.323
Senate	0.489	0.489	-	-	0.489	0.489
Constitutional Council	0.031	0.031	-	-	0.031	0.031
Council of Ministers	0.376	0.309	-	-	0.376	0.309
Civil Service Secretariat	0.001	0.001	-	-	0.001	0.001
CDC	0.004	0.001	-	-	0.004	0.001
NEC	0.001	-	-	-	0.001	-
Interior-Administration	0.451	2.428	-	-	0.451	2.428
Assembly Relation & Inspection	0.005	0.001	0.010	0.002	0.015	0.003
Foreign Affairs	0.063	0.017	-	-	0.063	0.017
Economy and Finance	0.075	7.656	0.019	0.017	0.094	7.673
Planning	0.006	0.006	0.011	0.010	0.018	0.016

⁴⁴ The cost figures cover the 2003-05 period and include donor assistance, which is expected to remain constant at US\$500 million through 2007.

⁴⁵ Because the MOSVY and MLV were created recently, sufficient budget information is not yet available for analysis. Therefore, to enable the analysis of historical trends in budget and expenditures, this study uses data from the MOSALVY and MOWVA.

Ministry	For Central Level		For Provinces		Total	
	Budget Law 2003	Actual 2003	Budget Law 2003	Actual 2003	Budget Law 2003	Actual 2003
Justice	0.009	0.005	0.021	0.011	0.030	0.016
National Audit Authority	0.003	0.001	-	-	0.003	0.001
II. Defense and Security	4.010	2.038	-	-	4.010	2.038
National Defense	2.256	0.858	-	-	2.256	0.858
Interior-Security	1.754	1.179	-	-	1.754	1.179
III. Social Administrative	1.643	1.082	20.553	21.702	22.195	22.784
Information	0.008	0.001	0.013	0.010	0.020	0.010
Public Health	0.088	0.006	0.308	0.106	0.396	0.112
Education Youth and Sport	0.528	0.116	0.940	0.704	1.467	0.819
Culture and Fine-Arts	0.038	0.017	0.018	0.015	0.055	0.032
Environment	0.025	0.012	0.009	0.007	0.034	0.019
Social Affairs, Labor, Vocational Training and Youth Rehabilitation	0.150	0.351	5.972	5.795	6.123	6.147
Public worship and Religion	0.005	0.002	0.010	0.008	0.015	0.010
Women's and Veterans' Affairs	0.802	0.578	13.283	15.059	14.085	15.636
IV. Economy Administrative	0.241	0.190	0.500	0.406	0.741	0.596
Civil Aviation Secretariat	0.004	0.001	-	-	0.004	0.001
Industry, Mine and Energy	0.005	0.003	0.018	0.011	0.023	0.014
Commerce	0.143	0.161	0.016	0.012	0.159	0.172
Agriculture, Forestry and Fishery	0.023	0.010	0.081	0.051	0.104	0.061
Rural Development	0.018	0.002	0.051	0.036	0.069	0.038
Post and Telecommunication	0.014	0.003	0.008	0.006	0.021	0.009
Public Work and Transportation	0.015	0.006	0.060	0.047	0.075	0.053
Tourism	0.011	0.002	0.010	0.007	0.021	0.009
Urbanization and Construction	-	0.002	0.011	0.008	0.011	0.010
Water Resources and Meteorology	0.009	0.001	0.244	0.229	0.253	0.230
TOTAL CHAPTER 31	10.413	16.393	21.114	22.148	31.527	38.542

Source: Budget Implementation 2003, Ministry of Economy and Finance

Civil Service Pensions and Veterans Benefits

68. *The bulk of the Government's social protection-related expenditures continues to go toward civil service pensions and veterans benefits.* All retired and disabled civil servants and veterans are entitled to the benefits of Chapter 31 in the form of pension and compensation. The focus on the civil service and veterans is manifested in variations in social protection outlays by province, as shown in Table 7. In terms of central government expenditures for Chapter 31, the top three provinces/municipalities were the capital of Phnom Penh with nearly 13% of outlays, followed by Battambang with 9% and Kampong Cham with nearly 8%. Regarding Chapter 31 as a proportion of total current expenditures for each province, Prey Veng and Sihanoukville had the lowest shares at

10%, while Uddar Meanchey and Pailin had the highest at 23% and 24%, respectively. This large discrepancy appears to be due to the large presence of veterans in certain provinces, particularly re-integrated former Khmer Rouge in the cases of Pailin and Uddar Meanchey, which are in the northwestern region of the country and closest to the Thai border.

Table 7: Central Government Expenditure by Province in 2003 (USD thousands)

Province	Social Interventions (Chapter 31)			Total Current Expenditure			Social Intervention as % of Total Current Expenditure
	By Provincial Office	by Line Ministries	Total	by Provincial Office	by Line Ministries	Total	
	(1)	(2)	(3)=(1)+(2)	(4)	(5)	(6)=(4)+(5)	
Phnom Penh	73	2,641	2,714	7,644	9,480	17,124	16%
Kandal	11	1,234	1,245	1,246	8,491	9,737	13%
Kampong Cham	7	1,617	1,624	1,128	10,054	11,182	15%
Battambang	5	1,948	1,953	784	8,701	9,485	21%
Prey Veng	8	762	770	744	7,035	7,779	10%
Siem Reap	5	1,229	1,234	896	5,192	6,088	20%
Kampong Thom	7	1,124	1,131	561	4,909	5,470	21%
Takeo	5	996	1,001	630	6,574	7,204	14%
Svay Rieng	5	713	718	639	4,227	4,866	15%
Pursat	6	909	915	561	3,945	4,506	20%
Kampong Chhang	3	911	914	501	4,086	4,587	20%
Kampong Speu	4	1,073	1,077	580	5,113	5,693	19%
Kampot	3	1,037	1,040	524	5,115	5,639	18%
Sihanoukville	4	309	313	852	2,218	3,070	10%
Koh Kong	5	382	387	451	1,637	2,088	19%
Prey Vihear	4	438	442	569	1,710	2,278	19%
Kratie	3	470	473	602	2,812	3,414	14%
Ratanakiri	3	369	372	549	1,672	2,221	17%
Mondolkiri	2	197	199	436	1,105	1,541	13%
Banteay MeanChey	3	1,060	1,062	709	4,701	5,410	20%
Stung Treng	5	290	294	424	1,709	2,132	14%
Kep	2	307	309	431	1,218	1,649	19%
Pailin	3	375	378	378	1,177	1,555	24%
Uddar Meanchey	3	491	494	465	1,654	2,119	23%
Total	175	20,883	21,059	22,306	104,531	126,837	17%

Source: Budget for Provincial Administration for the Year 2003, Ministry of Economy and Finance

Note: These figures exclude Chapter 31 expenditures that are not specifically designated to provincial or municipal areas. For example, spending of Chapter 31 by the Royal Palace, Council of Ministers, the National Assembly and Senate, for instance, are not listed because those institutions do not have departments at the provincial or municipal level. As a result, total Chapter 31 expenditures in this table total US\$21 million compared with US\$38 million of Chapter 31 in Table 4.

69. *Despite the relatively large allocations for civil service pensions, the payments are insufficient to meet the basic livelihood needs of beneficiaries.* Most of the MOSALVY's 2003 expenditures went toward pensions for over 22,000 retired civil servants. While the total amount of funding for pensions may seem substantial relative to the RGC's overall expenditures, the actual amount received by beneficiaries in per capita terms is negligible. Retired civil servants receive an average of 70,000 riels (US\$17.50) per person per month in pensions, although some receive as little as 27,000 riels (US\$7)

per month. Assuming the full amount is transferred with no leakage of benefits, these figures represent an average of US\$0.58 per person per day and a minimum of US\$0.22 per person per day. In the event of death, the surviving dependent of a civil servant receives eight to ten months of the salary, depending on length of service. In addition, a child of the deceased is provided with 3,100-4,000 riels (US\$0.80-US\$1.00) per month or approximately US\$0.03 per day, until adulthood or if certified in school. Spouses of the deceased receive a similar level of benefits.⁴⁶ These amounts stand in stark contrast to the poverty line of 2,351 riels (or US\$0.56) per person per day in Phnom Penh.⁴⁷

70. ***Reforms are needed to move toward an effective and sustainable pension system and expand coverage.*** Not only does the pension system fail to provide adequate income security to the small proportion of the population who is covered, but it also consumes an unsustainable share of public resources. Using the figures above, expenditures for civil service pensions in 2003 were approximately US\$4.65 million, compared to MOSALVY's US\$6.15 million in total expenditures for Chapter 31. Retirement pensions are funded entirely by the Government as salaries are too low to enable civil servants to make pension contributions, so the current system falls completely under the administrative responsibility of the Government. This arrangement is well-recognized as being unsustainable and in need of reform, and a new proposal is under consideration to transfer the task to other institutions or private companies. However, this plan is unlikely to be successful if it is not accompanied by civil service compensation reform. Just as importantly, a longer-term plan for making pensions and old age savings systems available to a wider group of beneficiaries—both within and outside the formal sector—needs to be developed.

71. ***Likewise, veterans, another major beneficiary group for social protection expenditures, do not receive enough support to meet basic needs.*** The recent decades of war have left Cambodia with tens of thousands of deceased and disabled soldiers. The Government has assumed responsibility for providing monthly support to: (i) 253,500 dependents (including spouses and children as well as parents) of deceased soldiers and policemen; (ii) 31,500 disabled soldiers and policemen, plus their 160,183 spouses and children; (iii) 4,712 retired soldiers and their 16,465 spouses and children; and (iv) 1,195 incapacitated soldiers and their 3,697 spouses and children. The total expenditure on these transfers was US\$13.7 million for 2003, accounting for 87% of MOWVA's allocated budget of US\$15.6 million that year. These expenditures are substantial for the Government, but the compensation is not sufficient to meet basic needs. Pensions and allowances for disabled and retired soldiers and policemen are around US\$29 per month per beneficiary on average. Dependents of deceased soldiers are worse off, with each spouse and/or parent of a deceased soldier receiving approximately 3,200 riels (US\$0.80) per month and children under 18 (or adult children if certified still in school) receiving 4,000 riels (US\$1 per month). Even if fully, monthly allowances only support dependents for one or two days to meet their minimum caloric needs.⁴⁸ However, the Government

⁴⁶ Chan et al, 2004.

⁴⁷ World Bank, "Cambodia: Halving Poverty by 2015?"

⁴⁸ Chan et al, 2004.

does not have plans to raise these benefits substantially or to improve the effectiveness of their delivery as it lacks the necessary funds.

Box 4: The Problem of Benefits Leakage – Support to Veterans

The case of veterans benefits illustrates that leakage continues to pose a major challenge for social protection support in Cambodia. Disabled, incompetent, or retired soldiers are provided with nearly US\$0.90 per day, higher than pensions for retired civil servants. If fully transferred, this amount could represent significant support to very poor households. In practice, however, beneficiaries do not receive regular payments, and only about half the intended amount actually reaches them.

To counter this problem, most beneficiaries choose to sell their rights to middlemen, who may happen to work in the provincial office responsible for disbursement of the transfer. The middlemen pick up the payments for several months or the entire year, and in return, beneficiaries receive half of their payment for the year as a lump sum. This practice is common due to a number of factors, such as:

- Payments are irregular, and recipients must often make more than one trip before actually receiving payment;
- Payments are made at the district office or provincial office in some cases, which can be far from the homes of the beneficiaries and require significant travel time and financial cost, posing a particular challenge for disabled recipients;
- Payments are small—some only about US\$10 per month—so it makes more sense to pick up payments three or so months at a time; and
- Officials find it difficult to hold cash in the office premises and wait for recipients if they choose to collect their small payment three or four months at a time.

As a consequence, many veterans, disabled soldiers, and dependants of deceased soldiers agree to a one-time transaction each year. Although these individuals are among the most vulnerable and poor, they accept a deeply discounted rate of payment in order to meet pressing needs. Another explanation given for this behavior is that provincial/district officials handling the fund, serving as middlemen themselves, may intentionally delay releasing payment so they in effect hold the payment hostage. Although the Department of Pensions for Veterans acknowledges hearing of such incidents, no actions have been taken against officials accused of such practices due to lack of concrete evidence.

This problem, well-known to policymakers in the Department and at the Ministry, is significant since a potential leakage of 50% of US\$14 million per year amounts to a non-trivial US\$7 million. The Department of Pensions for Veterans had proposed to resolve the problem by establishing a poverty alleviation fund to advance payments to recipients. Under this scheme, approximately 5% of the payment would be charged for advancing the money for 3, 6, or 12 months. Hypothetically, of this 5% fee, 1% would be used for district level administration, 1% for provincial level administration, and 2-3% for other purposes at the department and ministerial levels. This solution would formalize the discounting fees and keep them under control, benefiting recipients who have in effect been paying 50% until now. The scheme would require a couple million USD up front, representing the advance payments middlemen provide currently. According to the Director of the Department of Pensions for Veterans, the proposal has failed because there is reportedly no advance funding that can be secured from the Ministry of Economy and Finance (MOEF) because the MOEF pays in delayed installments. An alternative might be to use the private sector, for example ACLEDA Bank, to disburse transfers.

Source: Chan et al., 2004.

Other Social Protection Programs

72. *Few Government resources are available for social protection activities that could benefit the wider population of poor and vulnerable.* The RGC's budget allocations are targeted toward the formal/public sector, but as discussed in Chapter 2, most of the Cambodian population is engaged in the informal rather than formal economy. Various Government ministries—most notably the MOSVY, MLV, and Ministry of Women's Affairs (MWA)—are mandated with managing state social services for the wider population and helping to protect specific vulnerable groups against risks. Aside from administering civil service pensions and veterans benefits, these Ministries manage programs such as centers for street children and delinquent youth, activities aimed at controlling and preventing human trafficking, and income generation assistance for poor female heads of household. The RGC also undertakes social interventions on an *ad hoc* basis in times of crisis, with the most common intervention being support for dealing with the effects of natural disasters. In 2001 and 2002, for example, the RGC provided rice seeds to flood and drought victims and supported pumping of water for affected rice fields. However, since the bulk of Government resources for social protection are consumed by civil service pensions and veterans benefits, other programs are extremely limited in scope and in most cases rely on external assistance.

73. *Within the Government's limited social protection support aimed at the general population, vocational training receives a relatively significant share of resources.* As reflected in the National Policy on Vocational Training for Poverty Alleviation, the RGC's objectives in supporting vocational training are to help minimize unemployment and to develop new skills in the population that will meet production process needs in new areas. Toward this end, the MLV is mandated with strengthening existing vocational training centers, establishing five regional vocational centers, and implementing training programs in remote communities. Currently, vocational training appears to be concentrated in the industrial and tourism sectors. Table 8 provides the outputs of various training programs—including those run by NGOs—in terms of number of beneficiaries. Notably, the Department of Vocational Training is drafting National Competency Standards aimed at improving vocational training quality, which will apply to Government-run centers as well as NGO-run centers registered with the Government.

Table 8: Vocational Training Outcomes (1998-2003)

Name of School/Center	Number of Persons						
	1998	1999	2000	2001	2002	2003	Total
<i>State-run Centers</i>	76	120	33	525	321	241	1,316
Rolaing Vocational Training School	76			65	35	35	211
Kampong Kantuot Vocational Training Center							
Prek Phnao Vocational Training Center		120	33	160	80	40	433
Cambodian-Thai Skill Development Center				300	150	131	581
Boeung Nimul Vocational Training Center					24	15	39
Koh Kong Vocational Training Center					24	20	44
Siem Reap Vocational Training Center					8		8
Cambodian-Korea Skill Development Center							
<i>NGO-run Center</i>	590	664	653	791	940	222	3,860
COERR	45	545	545	541	95	157	2,428

Name of School/Center	Number of Persons						
	1998	1999	2000	2001	2002	2003	Total
KMSC	45	45	45	93	197	23	448
JCIA		30		28	29	42	129
HARVEST		44	20	38	39		141
GER			43	91	90		224
COHT					490		490
TOTAL (I+II)	666	784	686	1316	1261	463	5,176

Source: Data provided by Department of Vocational Training, MOSALVY (2004).

74. *However, accessibility of vocational training is expected to become more limited for the poor and vulnerable.* As noted in Box 6, training resources heavily favor Phnom Penh, and provincial centers have very low physical and human resource capacity which limits their impact in terms of number of beneficiaries and quality of training. Furthermore, the adoption of fees for vocational training will preclude the poor and vulnerable from benefiting from such programs. Although RGC budget for vocational training centers is insufficient, the Department of Vocational Training notes that the issue of funding does not seem to pose a problem for staff at training centers as individuals are desperate for vocational skills and therefore willing to pay for training. Training center managers have been encouraged to transform the centers to become “public institutions” that can officially charge fees from trainees.⁴⁹ A number of state-owned tertiary training institutions have gone through this process and are now generating significant income.⁵⁰ While the introduction of fees will help resolve the resource problems faced by vocational training centers, the poor and vulnerable will be crowded out by those who can pay unless centers cross-subsidize their tuition from students who can afford to pay.

Box 5: Vocational Training in Cambodia

The two largest vocational training centers in Cambodia are located in Phnom Penh. The first, the Cambodian-Thai Skills Development Center, has trained 750 people since it was built with Thai assistance in 2001. Students are provided with lunch and do not pay official fees for the training, and some receive accommodation from the center. According to the Department of Vocational Training, about 70% of the graduates found employment with companies, 10% have become self-employed, and 20% are still seeking jobs. The center targets poor students who live nearby as well as females, although gender-disaggregated data is not available.

A second vocational training center meeting international standards, the National Polytechnique Institute of Cambodia (NPIC), is under construction with assistance from the Government of South Korea. It has the capacity to hold 1,200 students on campus, and up to 600 students can be taken in for a two-year course. The center will have high-tech equipment donated by South Korea, but one major concern is that the resulting recurrent costs for the equipment will be too high for NPIC. Recurrent costs are expected to be US\$1 million per year or over US\$800 per student assuming full capacity is achieved, while the cost of a degree course is around

⁴⁹ The term “public institutions” is a misnomer which is meant to convey the quasi-private nature of the institution, versus the Centers’ current status which is akin to State-Owned Enterprises (SOEs). SOEs cannot “officially” charge fees.

⁵⁰ For example, the National Institute of Management has expanded greatly since becoming quasi-private a few years ago, as have the Faculty of Law and Economics and the Royal Agricultural University.

(Continued)

US\$400 per year. Additional cost recovery measures are under consideration. The most likely solution is to use the high-tech equipment to generate income, but this market-oriented spin-off of the center may jeopardize its vocational training efforts, with the risk that too much private consumption of the equipment will leave little for public training purposes. The Department is also concerned that because of better resources at NPIC, graduates of the two-year associate-degree courses offered by NPIC will likely be more qualified than graduates of the four-year Bachelor degree courses in other training institutions. This disparity could result in a conflict between vocational training and tertiary education, the level and value of degrees, and the return on investment in education.

The MLV is in charge of five provincial centers in Kampot, Koh Kong, Siem Reap, Kampong Thom, and Pursat. The provincial centers have existed for only two to five years and have very limited capacity, taking in 15-20 individuals for a few skill areas. They receive limited support from donors and NGOs, who usually wish to target specific beneficiaries or skills.

Source: Department of Vocational Training, MOSALVY (2004)

75. *The Government is also channeling resources to improve performance of the health sector, but the growth in allocations and budget execution has slowed recently.*

As noted above, the burden of out-of-pocket health expenditures threaten to push Cambodia's vulnerable households into extreme poverty. The Government has made a commitment to improving health sector performance, and the RGC's health sector budget allocation increased from US\$1 per capita per year in 1995 to US\$2.94 in 2004. However, growth in the allocation was cut in 2004 and 2005 due in part to the belief that increased spending had not produced a commensurate improvement in performance, although evidence on actual impact is not yet available in survey data. As a result of this perception, budget allocations have not met prior commitments, and the allocation of per capita real public expenditures on health is lower in 2005 compared to 2002. Furthermore, actual budget execution has grown more slowly. In 2004, only 83% of the operating budget was disbursed by the end of the calendar year, and fund flows have been unpredictable and delayed. Increases in the budget have been allocated largely to purchases of essential drugs and supplies, with little allocation for addressing human resource constraints. Chapter 31 health-related expenditures, which cover allowances for poor people and civil servants in hospital, are restricted to a scheme that compensates Calmette Hospital in Phnom Penh for exemptions for the poor and for civil servants.

76. *Further analysis of how the increased health expenditures in 1999-2003 affected health outcomes would help inform future budget allocations.*

Administrative data from the Health Information System suggests improvement in areas such as health infrastructure coverage, indicators for communicable disease programs, and stocking of drugs in primary public health care centers. The new 2005 Demographic and Health Survey data (to be available in 2006) will provide additional evidence on how health spending has affected outcomes.

77. *In terms of health insurance, some small-scale attempts have been made to pool the health risks of the general population.*

Cambodia does not yet have health insurance schemes in place even for the civil service and private sector. The Social Security Law

provides a legal basis for establishing social health insurance (SHI), and the Government has adopted a Master Plan for SHI. The current conception of SHI builds upon a number of community-based health insurance schemes piloted by donors and NGOs in Cambodia. For example, the Research and Technological Exchange Group (GRET) has been implementing an SHI project in Kandal and Takeo provinces since 1998, insuring over 1,000 people. Likewise, the GTZ has decided to implement SHI as a pilot project in Kampong Thom and Kampot, which will be supported by a one million Euro grant from the German government.

78. ***However, coverage of SHI is expected to remain very limited in the near future.*** In a ranking which predicts the feasibility of achieving universal SHI in low- and middle-income countries, Cambodia has been rated in the lowest tier due to factors such as low income overall, low per capita income, low percentage of the labor force in salaried jobs, and low population density.⁵¹ While the intention in Cambodia is to put a voluntary scheme in place for the initial phase, implementation is likely to benefit only a very small segment of the population since SHI requires participants to pay a premium. In the absence of compensation reform, civil servants are unlikely to be able to participate in SHI even if the scheme is made compulsory, since they earn only US\$30 per month. In the garment industry-dominated private sector, health insurance costs would need to be shared between employers and employees to make participation affordable. The SHI scheme is even less likely to benefit the very poor who lack the necessary resources to pay for insurance premiums. Therefore, it may not be an effective targeting mechanism. In addition, SHI does not necessarily focus on the health-related MDGs which are of particular concern, such as infant, child, and maternal mortality rates. Therefore, no more than a small expansion of the micro-scale pilot initiatives is expected in the near future.

79. ***For targeting the poor, equity funds are being used to lower financial barriers to health care.*** Equity funds were introduced to reimburse health providers for services to patients who are below the poverty line, thereby protecting poor patients against out-of-pocket payments while still allowing facilities to receive income. Equity funds serve as an important complement to existing supply-side subsidies, which are aimed at lowering the cost of health care but generally do not reach the poor because of barriers to access such as unofficial demands for payment. It should be noted that given the need to improve service quality, the selection of sites for equity funds in Cambodia has not been based on targeting the poorest provinces or districts. Instead, equity funds to date have been established in sites with contracted NGOs or donor support for raising service quality. Furthermore, equity funds in Cambodia have provided support only for people pre-identified as poor. They do not protect people who are above the poverty line and at risk of falling into poverty due to health care costs. Equity fund pilots in other countries address this issue by covering health care costs above an annual or episode maximum for the non-poor, an option which could be explored for Cambodia to increase the risk reduction impact of equity funds.

⁵¹ Jowett 3-6.

80. ***Although a significant expansion of equity funds has been planned, questions about financing and sustainability remain.*** Equity funds have become an integral part of the Health Sector Strategic Plan 2003-2007, and donors and NGOs have supported 10 pilot schemes in different areas of the country. However, the MOH has found wide variations in the scale, financial volume, and management systems of these schemes. Therefore, the Government has expressed interest in expanding equity funds to allow for more meaningful experimentation on a larger scale. Under the RGC's plan, money from the Government and donors would be pooled to reimburse public facilities for the health care expenses of the poorest, as well as help cover additional costs of access such as transportation. Over the next two to three years, funding from the ADB, DFID, and World Bank will be used to establish another 12-15 equity funds. If the existing equity funds also continue operation, equity funds will then cover around one-third of the country's districts. However, although the Government committed a total budget of US\$20 million for the first three years (2003-05), expansion of the equity funds has not yet been implemented. This delay raises concerns about RGC commitment to financing and sustaining equity funds, which are still being financed mainly by donors. Some existing equity funds have been passed from donor to donor several times because the Government has not provided financial support after donor funds have been exhausted.

81. ***The use of contract arrangements for health care provision shows promise for making health services more affordable for the poor and vulnerable.*** In 1998, the Government started experimenting with different forms of contracting with NGOs to deliver health services in five districts.⁵² The evaluation of this pilot program showed that the contracting arrangements increased the provision of basic health services two- to three-fold, and in contracted-out districts, the out-of-pocket expenditures of poor households fell dramatically by 60-70% (approximately US\$35 per year) within three years. At the same time, the use of health services among the poorest half of the population increased by nearly 30 percentage points in the contracted-out districts. Possible explanations for the pro-poor outcomes of the pilot program include: contracted-out districts did not charge official user fees; the NGOs in contracted-out districts raised the salaries of health care providers to bring them in line with the private sector, thereby discouraging health care workers from collecting unofficial fees; the regular availability of drugs and qualified staff strengthened service provision at village health centers; and the reductions in out-of-pocket costs and a more predictable and transparent fee structure increased demand for health services among the poor.⁵³ The Government plans to expand the program to 11 districts over the 2004-07 period with support from external partners, but the longer-term prospects for contracting with NGOs remain unclear. The MOH is considering a pay reform initiative that would include some elements used in contracting pilots, perhaps with internal contracting within the Government health service.

⁵² In two districts, the RGC "contracted out" for services. Under this arrangement, contractors had complete responsibility for the delivery of specified services in the district, employed staff directly, and had full management control. In the remaining three districts, the RGC piloted a "contracting in" approach, in which contractors provided only management support to civil service health staff, and recurrent operating costs were provided by the RGC through normal government channels.

⁵³ World Bank, *Making Services Work for Poor People*, 2004.

82. *In general, very weak capacity hinders the Government's ability to deliver social services.* Donors and NGOs have noted that the central government lacks sufficient capacity to coordinate—much less implement—measures to reduce vulnerability. The capacity of the MOSVY is regarded as very low, particularly compared to other social sector Ministries. It has been observed that Government agencies have left service delivery to NGOs and donors and that the Government's involvement is largely reduced to serving as an oversight or clearinghouse mechanism for the various efforts. Some agencies, such as the National Committee for Disaster Management, were established with the specific mandate of coordination, but they are in the early stages of development and also have very limited capacity.

II. NGO AND DONOR ASSISTANCE

83. *The active NGO and donor community has been filling the gaps left by the lack of formal social protection mechanisms.* Civil society in Cambodia has flourished in recent years, with over 200 international NGOs and 800 local NGOs and associations now engaged in promoting local development.⁵⁴ The NGOs cover many areas, including advocacy for child labor issues, training schemes for the disabled, disaster relief and mitigation, and health services for HIV/AIDS-affected individuals and families. A multitude of bilateral and multilateral donor organizations are also working on a range of social protection-related issues in Cambodia, such as de-mining, disaster management, aid to refugees, and emergency food aid.

84. *As such, most programs aimed at reducing the vulnerability of the poor are funded by external assistance.* External financing comprises a growing proportion of sector spending for community and social services, which includes social protection and community amenities such as water supply. External financing as a share of sector spending increased significantly from 48.6% in 1997 to 68.6% in 2001, and if other social protection-related sectors are included, the gap between external and domestic financing appears even larger. Table 9 shows the disbursements of development assistance by sector. A number of sectors such as disaster preparedness and humanitarian aid and relief fall squarely within the category of social protection, while other sectors with linkages to social protection might include agriculture, natural resources, education, health, and social development. If such indirect but linked assistance is included using an “SP” factor of 0.25, for example, about 23% of the total external development assistance envelope or nearly US\$110 million was channeled toward social protection-related activities in 2001. This amount far exceeded the social protection expenditures of the Government, whose entire expenditures were less than US\$400 million and whose direct budget for social protection interventions was at most US\$38 million in 2003. However, it should be noted that normally a fraction of donor development assistance reaches targeted beneficiaries since management and other operational and administrative costs can account for more than half of total program costs.⁵⁵

⁵⁴ The NGO/Humanitarian Assistance Directory, produced by the Cambodian NGO network, provides a comprehensive list of organizations.

⁵⁵ Chan et al, 2004.

Table 9: Disbursements of Development Assistance by Sector (1997-2001)

Sector	1997	1998	1999	2000	2001*
Economic Management	10,947	6,926	26,454	38,960	46,359
Development Administration	86,515	88,552	34,205	33,436	38,266
Natural Resources	5,844	3,469	2,842	2,133	979
Education/HRD	48,269	58,251	40,457	40,496	44,983
Agric., Rural Development	18,012	12,428	25,567	44,140	35,381
Area/Rural Development	67,918	63,274	58,087	67,318	61,880
Industry	-	-	-	-	-
Energy	17,335	30,893	28,789	21,364	5,705
International Trade	50	-	-	-	-
Domestic Trade	7,448	5,404	957	90	1,543
Transport	37,236	47,072	33,935	47,140	59,712
Communications	16,761	11,010	5,560	677	1,239
Social Development	18,833	33,106	24,747	36,419	69,615
Health	32,027	62,969	70,864	67,710	66,081
Disaster Preparedness	164	141	4	15	1
Humanitarian Aid and Relief	15,829	9,785	47,242	66,915	40,098
Total Disbursements	383,188	433,280	399,710	466,813	471,842

Source: CDC (2000) and CDC (2001).

85. *A breakdown by Ministry reveals the sectoral emphasis of external support to social protection.* As shown in Table 10, the MOSALVY and MOWVA received relatively little external assistance—US\$6.3 million and US\$2.7 million, respectively—in 2002, particularly from donors compared to NGOs. In contrast, the Social Fund of the Kingdom of Cambodia () alone accounted for US\$7.1 million, or nearly the entire amount of the combined external support envelopes for the MOSALVY and MOWVA (US\$8.9 million). The table also shows that NGOs have been active in supporting the social sectors, namely health (US\$20.8 million in 2002), education (US\$5.2 million), and rural development (US\$5.2 million). Both donors and NGOs have provided substantial support to the Ministry of Rural Development, which received US\$2.8 million from the Government and US\$52.3 million from donors and NGOs. Since the overarching goal of this external assistance is to raise income in rural areas, where over 90% of households living under the poverty line are located, this support is closely related to social protection. While the importance of NGO and donor support to rural development is clear, the fact that the RGC provides only 5% of what NGOs and donors contribute is striking. Arguably, the heavy spending by NGOs and donors for rural development permits Government resources to become fungible.

Table 10: Disbursements by Donors and NGOs by Ministry in 2002 (USD millions)

Ministries	Donors	NGOs	Total
Agriculture, Fisheries & Forestry	15.91	0.96	16.87
Cambodian Mine Action Center/Authority	0.77	0.00	0.77
Commerce	2.13	0.00	2.13
Council for the Development of Cambodia	4.68	0.00	4.68

Ministries	Donors	NGOs	Total
Council of Ministers	9.87	0.00	9.87
Cult & Religious Affairs	0.12	0.22	0.34
Culture & Fine Arts	0.51	0.00	0.51
Economy & Finance	64.13	0.00	64.13
Education, Youth & Sport	27.98	5.15	33.13
Environment	0.57	0.66	1.23
Foreign Affairs & International Cooperation	0.66	0.92	1.58
Health	31.57	20.76	52.33
Industry, Mines & Energy	13.15	0.00	13.15
Information	0.26	0.00	0.26
Interior	3.98	0.00	3.98
Justice	1.86	0.00	1.86
Land Management, Urban Planning & Construction	2.52	0.00	2.52
Mekong River Commission	0.42	0.00	0.42
Municipality of Phnom Penh	19.33	0.00	19.33
National Defense	3.83	0.02	3.85
National Election Committee	0.19	0.00	0.19
NONE	3.50	4.78	8.27
Planning	17.36	0.00	17.36
Posts & Telecommunications	1.36	0.00	1.36
Public Works & Transport	55.50	0.00	55.50
Rural Development	47.01	5.15	52.15
Seila Task Force	0.13	0.00	0.13
Social Affairs, Labor, Vocational Training & Youth Rehabilitation	2.20	4.06	6.26
Social Fund of the Kingdom of Cambodia	7.05	0.00	7.05
Tourism	0.00	0.00	0.00
Water Resources & Meteorology	19.45	0.00	19.45
Women's & Veterans Affairs	2.67	0.00	2.67
Unknown	97.11	0.00	97.11
Total	457.77	42.68	500.46

Source: Compiled from CDC database.

Note: US\$97.11 million did not fall within the 32 specific sectors and is categorized as "Unknown" (line 33), while another US\$8.27 million is listed as NONE.

86. *The nature and focus of external assistance for social protection has shifted over the past decade.* From the late 1980s to early 1990s, public works and labor-based projects were common forms of support. According to the findings of the PPA, food-for-work programs have been the most popular initiatives among beneficiaries. Although the quality and sustainability of the small-scale infrastructure constructed under these projects have been criticized, groups interviewed valued the programs for the provision of food in difficult times more than for the infrastructure created. Recently, most agencies have been phasing out such programs and minimizing support to cash-for-work projects due to mismanagement and consequent non-delivery to target beneficiaries, although in-kind support such as food-for-work projects have been largely maintained.

87. *Many donors and NGOs have chosen to circumvent the central government by working increasingly at the district, village, or commune level*, particularly through Seila, described in Box 7, and the new commune councils. They cite corruption and governance issues, in particular, as major concerns in working with the central government. The geographic focus of some agencies has also shifted from nationwide initiatives to more targeted interventions for particular regions of the country. At the same time, donors have become more interested in providing national level budgetary support and assistance for policy reform, with multilaterals spending 30% and bilaterals spending 44% of their overall resources for nationwide activities as indicated in Table 11 below. However, the effectiveness of this approach in reaching and addressing the needs of the poor and vulnerable has not yet been determined.

Box 6: Decentralization and Implications for Social Protection

In 2001, Cambodia initiated a process of decentralization and deconcentration to strengthen local voice in government and improve public service delivery. Functions, authorities, and resources were devolved to over 1600 Commune/Sangkat Councils, which were elected for the first time in 2002. Donors have supported this reform process since the outset and are now providing assistance for training and capacity development of the Commune Councils. However, the Commune Councils control very limited resources at present, resulting in low levels of implementation of services and investment. Nonetheless, the Councils are viewed by donors and NGOs as a promising channel through which to promote local development. From a social protection perspective, one concern is whether the Commune Councils will be able to reach down to the community level or if other mechanisms will still be needed to reach the poor and vulnerable directly.

The Seila Programme. The Seila Programme, introduced in 1996, is an aid coordination and mobilization framework for support to the Government's decentralization and deconcentration reforms. It promotes rural development through decentralized planning, financing, and management of investments in basic services and infrastructure. The program utilizes a two-pronged approach: i) development and strengthening of local institutions in support of decentralized and deconcentrated rural development and ii) provision of efficient and effective grant financing for investments in locally managed infrastructure and public services, identified as priorities through a participatory process at both the provincial and commune levels. The program started with the creation of commune development committees in six provinces and eventually extended its financial and technical resources to all 24 provinces and 1,621 communes by April 2003. In 2005, with funds from the Bank-supported Rural Investment and Local Governance project, a "Process Audit" was undertaken to investigate the consistency and quality of the planning and implementation processes for projects funded by the Communes/Sangkats Fund. The survey found that the majority of projects were well-implemented—even if they did not always follow the mandated processes—and it drew lessons on processes and procedures to improve future local infrastructure projects.

88. *NGOs and donors have had more success reaching the better-off poor rather than the poorest and most vulnerable.* Although NGOs and donors target their social protection programs toward addressing the needs of very poor, disadvantaged, and vulnerable groups, many acknowledge that reaching these groups has been difficult in practice. Many NGOs are based in Phnom Penh, and oftentimes their clients must come to the city to receive assistance. Because the poorest of the poor cannot afford to make such journeys, the relatively better-off poor are the main beneficiaries of these services.

At the same time, due to limited resources and accessibility problems, NGOs have found it difficult to bring their services to the remote areas of rural Cambodia where many of the poorest and most vulnerable groups live. This problem limits the reach of the NGOs' own initiatives as well as the donor programs that rely on local NGOs as channels for service delivery. In some cases, large donors appear to have been more successful in targeting very remote areas thanks to greater capacity and resources for transport and other costs.

89. *Geographic disparities in support are reflected in the overall disbursement of external assistance.* NGO and donor initiatives tend to be concentrated in more easily accessible areas such as the northwestern part of the country. Fewer NGOs and donors are engaged in the northeastern region—such as Mondol Kiri province, with a population density of two per square kilometer—where the population is more dispersed and difficult to reach. As shown in Table 11, the provinces/municipalities that have been receiving substantial aid are Phnom Penh, Siem Reap, Sihanoukville, Battambang, Kandal, Kampong Cham, and Kampong Thom, which are among the better-off areas of the country. This distribution of funding would have made sense in the 1980s and early 1990s when physical and security constraints prevented access to remote areas controlled by the Khmer Rouge, but not in 2002. It could be argued that less aid is necessary in remote and poorer provinces because the population in those areas is much smaller. In order to help clarify whether the current distribution of resources is appropriate, further information is needed to conduct a per capita analysis of external assistance by province that takes into account income levels.

Table 11: Disbursements by Donors and NGOs by Province in 2002, Planned for 2003 (USD thousands)

Province	Multi-Lateral Agencies	%	Bi-Lateral Donors	%	NGOs	%	Total, 2002	%	Planned 2003	%
Banteay Meanchey	1,911	1.0	1,905	0.7	828	1.9	4,644	0.9	4,227	1.2
Battambang	7,191	3.7	4,203	1.6	3,334	7.8	14,728	2.9	10,714	3.0
Kampong Cham	11,164	5.7	11,926	4.5	2,143	5.0	25,233	5.0	16,013	4.4
Kampong Chhnang	6,988	3.6	2,248	0.9	1,560	3.7	10,796	2.2	8,430	2.3
Kampong Speu	5,246	2.7	1,817	0.7	1,642	3.8	8,705	1.7	6,222	1.7
Kampong Thom	11,356	5.8	3,257	1.2	1,456	3.4	16,069	3.2	13,005	3.6
Kampot	4,350	2.2	1,918	0.7	780	1.8	7,047	1.4	2,552	0.7
Kandal	4,762	2.4	3,038	1.2	2,061	4.8	9,861	2.0	8,765	2.4
Koh Kong	311	0.2	25	0.0	635	1.5	971	0.2	625	0.2
Kratie	1,683	0.9	927	0.4	492	1.2	3,102	0.6	727	0.2
Mondol Kiri	275	0.1	117	0.0	223	0.5	615	0.1	335	0.1
Phnom Penh	30,673	15.8	74,339	28.2	11,626	27.2	116,638	23.3	66,461	18.3

Province	Multi-Lateral Agencies	%	Bi-Lateral Donors	%	NGOs	%	Total, 2002	%	Planned 2003	%
Preah Vihear	391	0.2	1,590	0.6	414	1.0	2,395	0.5	1,058	0.3
Prey Veng	5,969	3.1	3,563	1.4	779	1.8	10,311	2.1	9,638	2.7
Posat	5,661	2.9	1,157	0.4	562	1.3	7,380	1.5	7,595	2.1
Ratanakiri	276	0.1	284	0.1	598	1.4	1,158	0.2	326	0.1
Siem Reap	10,503	5.4	9,539	3.6	9,840	23.1	29,883	6.0	22,531	6.2
Sihanouk Ville	6,983	3.6	10,346	3.9	216	0.5	17,545	3.5	1,956	0.5
Stung Treng	1,240	0.6	97	0.0	337	0.8	1,674	0.3	1,119	0.3
Svay Rieng	6,000	3.1	815	0.3	599	1.4	7,415	1.5	9,921	2.7
Takeo	5,769	3.0	3,235	1.2	2,163	5.1	11,167	2.2	5,637	1.6
Oddar Meanchey	1,063	0.5	1,216	0.5	310	0.7	2,588	0.5	1,847	0.5
Krong Kep	38	0.0	25	0.0	35	0.1	98	0.0	87	0.0
Krong Pailin	128	0.1	211	0.1	51	0.1	390	0.1	114	0.0
Nationwide	58,484	30.1	116,207	44.1	..	0.0	174,690	34.9	143,715	39.6
Unknown	6,120	3.1	9,232	3.5	..	0.0	15,352	3.1	19,004	5.2
Total	194,535	100	263,237	100	42,683	100	500,455	100	362,622	100

Source: Compiled from CD Database

90. *Scale and coordination issues seem to reduce the impact of donor and NGO efforts.* The limited scale of most initiatives and weak coordination have resulted in uneven coverage, duplication of efforts, and lack of sustainability and overall impact. Few NGOs or donors have the resources necessary to scale up or replicate successful projects. In addition, the decision of NGOs and donors to work at the local level—for example, through village committees formed for particular projects—combined with the concentration of efforts in particular areas has placed strain on the resources of some target communities. Lack of coordination among NGOs and donors also pulls the Government in different directions and taxes its already very limited capacity. With over 500—and by some accounts 1,000—NGO and donor programs, coordination of support for social protection as well as other sectors poses a formidable challenge. Box 8 describes lessons learned from the efforts of the SFKC, which used partnership arrangements with other donors and NGOs in an attempt to improve donor coordination, extend its reach, and help strengthen community ownership.

Box 7: Partnerships - Lessons from the Cambodia Social Fund Experience

The Social Fund of the Kingdom of Cambodia (SFKC), in operation since 1995, is an autonomous Government agency engaged in financing the rehabilitation and development of small- to medium-scale physical infrastructure projects. In 1999, based on lessons of experience from the first phase of operations, new efforts were undertaken to transform the strategic direction of the Social Fund. One new mandate was to improve donor coordination and co-financing efforts, which would be done through the development of partnership arrangements with donors and NGOs. A Memorandum of Understanding (MOU) was signed with each partner outlining respective roles. These partner organizations, with their comparative advantage of having field presence, were expected to help ensure local participation that would lead to greater

(Continued)

community ownership of the sub-projects. With an enhanced sense of ownership, it was assumed that communities would take more responsibility in the management and maintenance of sub-projects.

Although quantifying MoU partner contributions is difficult, it appears that MoU sub-projects were better able to facilitate local participation and cooperation from communities, local authorities, and relevant line agencies, particularly during the earlier stages of the sub-project cycle. The MoU scheme provided direct support in allocating the human and financial resources needed to prepare and submit application forms, supervise and monitor construction, and maintain SFII facilities. However, the assumption that the MoU scheme would lead to increased local participation, which would in turn enhance project sustainability, did not hold true in all cases. Half the MoU partners were able to mobilize target communities to join meetings and consultations, but it did not lead to fulfilling the requirements of the technically demanding tasks of procurement, supervision, and monitoring. The degree of success in facilitating local participation and additional support varied by partner.

Lessons for the Future

The SFKC's MoU experience demonstrated the value of partnerships, whether in terms of providing additional support for its work or enhancing community participation in the implementation of sub-projects. The partnership arrangement also generated quality sub-project proposals.

The SFKC experience also pointed to a number of challenges in using such partnership arrangements. In a partnership arrangement between very different organizations such as a government funding institution like SFKC and non-government institutions, the relationship has to be a clearly defined with respective contributions identified, appreciated, understood, and recorded. Otherwise, the incentives for participating in the partnership will be diminished and could lead to deterioration in partner relations. The partnership also needs to be planned well, monitored, and assessed continuously to foster improvement and growth. A feedback mechanism for the partnership itself—not simply the joint activity—should be put in place to provide a basis for adjustments and improvements. In addition, timely communication and coordination, transparency, and basic efficiency measures are essential for developing trust and respect between partners and fostering longer-term collaboration.

Source: SFKC, Partnership Study 2004.

91. *A study of selected NGO and donor activities shows common constraints and difficulties to building a viable and effective social protection system in Cambodia.*⁵⁶

The study examined six local and international NGO and donor programs covering disabilities, women and children, and integrated community development.⁵⁷ Successful programs share a number of features, including an emphasis on local ownership and

⁵⁶ Chan et al., 2004.

⁵⁷ Disability programs were chosen because the disabled are considered to be among the most disadvantaged and vulnerable, and considerable NGO and donor efforts have been directed toward supporting this group. Assistance to women and orphaned or abandoned children was studied given the extreme vulnerability of these groups and because donors and NGOs have been very active in this area. Support for integrated community development was examined for its targeting of remote communities.

participation—with an eye toward communities eventually assuming responsibility for activities—and decentralization of staff and resources to the provincial and village levels. The programs examined also face several common challenges, from need for funding to lack of human and financial resources capacity among partner RGC agencies to administer or take responsibility for programs. In terms of working with beneficiaries, agencies identified stigma against vulnerable groups such as the disabled as a challenge to their operating environment. They stressed that beyond financial support or training, vulnerable groups have little psychological support which is equally critical. In terms of systemic challenges, agencies noted that stronger legal underpinnings and law enforcement—for example to combat abuse and trafficking of women and children—are needed to help reduce vulnerability. As discussed in the next chapter, a more in-depth study of selected programs would be useful to identify successful elements and perhaps even opportunities for scaling up or replicating interventions elsewhere.

Box 8: Working with Waste Pickers in Phnom Penh

Every day hundreds of adults and children in Phnom Penh scour the city streets and the municipal dump for scraps of cardboard, plastic, aluminum, and anything else they can gather and sell. The waste pickers, as they are called, are among the poorest of the poor. Their health status and literacy are well below average. Approximately 73% of waste pickers work over seven hours per day, and over half of them walk more than 10 kilometers to work. As Cambodia lacks a domestic recycling industry, the waste pickers sell their findings to middlemen for an average of US\$0.75 a day, then the middlemen sell the materials across the border in Thailand and Vietnam for higher prices.

The Community Sanitation and Recycling Organization (CSARO) was set up in 1997 to work with Phnom Penh's waste pickers. The NGO runs a number of innovative programs to improve socioeconomic conditions for waste pickers and to increase the safety of their jobs. CSARO programs include awareness campaigns to educate adults and children about hygiene and sanitation, nutrition, clean water, and HIV/AIDS prevention. A mobile outreach team provides night classes to students through sidewalk classrooms. The outreach program also provides first aid and food for participants.

CSARO also runs centers in the city to provide education, shower facilities, and information about recycling to the waste pickers. The centers include art classes for children and adults as well as an information sharing point to allow waste pickers to post going rates for different recycling materials to the local middlemen. Armed with this information, the waste pickers are able to negotiate their prices more effectively. CSARO also runs a waste recycling center where waste pickers make compost which is then sold throughout the city.

Source: "A Socio-Economic Survey of Waste Pickers in Phnom Penh," CSARO, 1997

III. COMPARISON OF RESOURCES VERSUS NEEDS

92. *The wide range of needs in Cambodia makes it difficult to gauge whether resources are being targeted appropriately.* As noted in Chapter 2, determining whether current priority areas for social protection support are the correct ones is difficult in Cambodia, given the large number of poor people, very disadvantaged subgroups with special needs, and a wider population exposed to impoverishing risks. As noted above,

key areas in which social protection support could have a meaningful long-term impact include helping households manage the potential impoverishing effects of health expenses, diversifying sources of income, and protecting Cambodia's children and youth. However, this prioritization does not obviate the need to address other sources of vulnerability or support other vulnerable groups. Given the extent of poverty and vulnerability in Cambodia, support for many different groups or issues can be justified easily. Even in the areas where resources are concentrated, much more could be done to help reduce vulnerability.

93. ***An overall comparison of resource levels and needs by province can provide some indication of whether resources are flowing to the poor and vulnerable.*** Given the extent of vulnerability and the number of partners involved in social protection-related activities in Cambodia, a holistic view across programs—looking at Government, NGO, and donor activities together—should be taken to determine whether coverage is adequate. A definitive analysis of whether resources are being channeled to the groups and areas most in need of support is not possible at this stage due to lack of data and the multitude of social protection-related programs in Cambodia. However, a comparison of resource allocations and poverty levels can yield some preliminary insights.

94. ***An initial analysis suggests that support is not flowing to the areas where need is greatest.*** Table 12 compares total expenditures and resources from Government, donors, and NGOs in 2003 against a ranking of provinces, using poverty levels as a proxy for vulnerability. While this basic comparison is not methodologically rigorous and could be affected by numerous factors,⁵⁸ it suggests that resources are not necessarily going to the areas most in need. For example, Phnom Penh, which has the lowest poverty headcount index, receives by far the highest amount of support. Kampong Speu, which has the highest poverty headcount index, receives much less support relative to other provinces. Similar discrepancies are also found when Government, NGO, and donor support are compared separately. A more detailed analysis is needed when the necessary data on vulnerability and social protection outlays becomes available. Such an analysis should explore the reasons for such large discrepancies and the factors that may justify such differences.

⁵⁸ This table is for preliminary comparison purposes only and must be read with care. A number of factors affect the accuracy of the information presented and the rankings: (i) poverty rankings are used as a proxy for needs, and other factors may apply; (ii) poverty data has been taken from an initial analysis of the CSES 2004 and is subject to change; (iii) comparison is between 2004 poverty rankings, 2003 Government expenditures, and planned 2003 support from NGOs and donors; and (iv) resource amounts do not include NGO and donor national-level support (US\$143.7 million) and support categorized as “Unknown” (US\$19.0 million).

Table 12: Preliminary Comparison of Resource Flow vs. Poverty Levels

Poverty Ranking			Total Resource Ranking (Government, Donor, NGO)**			Comparison	
Rank	Province	Poverty Headcount Index	Rank	Province	Amount (USD Millions)	Province	Differences in Ranking
1	Kampong Speu	57.22	1	Phnom Penh	133.8	Phnom Penh	14 aid high
2	Kampong Thom	52.4	2	Kampong Cham	36.4	Kampong Speu	11 aid low
3	Siem Reap	51.84	3	Siem Reap	36.0	Sihanoukville/Kep/ Koh Kong	7 aid high
4	Other Plateau/mountain*	46.11	4	Kompong Chhnang/Pursat	27.3	Beanteay Meanchey	7 aid low
5	Kompong Chhnang/Pursat	39.57	5	Other Plateau/mountain	25.6	Kampong Thom	6 aid low
6	Kompong Cham	37.4	6	Sihanoukville/Kep/ Koh Kong	25.4	Kandal	5 aid high
7	Prey Veng	37.2	7	Battambang	24.2	Svay Rieng	5 aid low
8	Banteay Meanchey	37.15	8	Kampong Thom	21.5	Kampong Cham	4 aid high
9	Svay Rieng	35.93	9	Kandal	19.6	Prey Veng	4 aid low
10	Battambang	33.69	10	Takeo	18.4	Battambang	3 aid high
11	Kampot	29.96	11	Prey Veng	18.1	Takeo	2 aid high
12	Takeo	27.71	12	Kampong Speu	14.4	Kampot	2 aid low
13	Sihanoukville/Kep/ Koh Kong	23.18	13	Kampot	12.7	Kampong Chhnang/Pursat	1 aid high
14	Kandal	22.24	14	Svay Rieng	12.3	Other Plateau/mountain	1 aid low
15	Phnom Penh	4.6	15	Beanteay Meanchey	10.1	Siem Reap	0 same

Sources: Poverty data is taken from preliminary analysis of 2004 CSES and is subject to change. Resource data is taken from CD database of disbursements by donors and NGOs and represent planned (not actual) support for 2003.

Note: Some provinces (Other plateau/mountain, Kompong Chhnang/Pursat, Sihanoukville/Kep/Koh Kong) are grouped together for comparison because they were grouped together in the analysis of 2004 CSES data. Separate poverty headcount index figures for these provinces are not available.

* Other plateau/mountain includes the following provinces: Kratie, Mondul Kiri, Preah Vihear, Ratanak Kiri, Stung Treng, Oddar Meanchey, and Pailin.

** Does not include national-level donor and NGO support (US\$143.7 million) or support categorized as "Unknown" (US\$19.0 million).

95. *Beyond reviewing allocation levels, the proportion of resources that actually reach beneficiaries should be considered.* Given the limited amount of resources available from the Government and other partners for social protection-related programs, it is important to ensure that such support reaches beneficiaries. The above analysis of RGC support to veterans shows that serious problems of leakage exist, wasting precious resources and undermining program impact. The challenges of tackling corruption in donor-funded projects and of promoting good governance more generally have also been widely acknowledged among development partners. In addition, ensuring accurate identification of beneficiaries so support is not captured by the better-off is critical, but it is a daunting task given information constraints. To maximize the benefits of limited support, it will be important for the Government and other partners to strengthen the targeting of programs, identify any points of leakage, and ensure that appropriate mechanisms are in place to address and prevent them. Within the area of social protection, mechanisms such as greater community participation in planning and implementation of projects could help in this regard.

IV. OTHER ACTORS IN SOCIAL PROTECTION

96. ***Informal assistance through family, kinship, and community networks serve as a primary safety net.*** As in other countries in the region, individuals and households turn to extended family and kinship networks as a first resort when faced with shocks. The extent to which families rely on each other may vary based on regional cultural traditions. For example, in Ratanakiri, ethnic minorities rely to a greater extent on the support of extended family. Among some groups, it is common for a large number of relatives (e.g., parents, grandparents, married children, and grandchildren) to live together in one house, making it convenient for family members to look after each other in times of crisis. However, these informal ties may be insufficient when more broad-based shocks occur, or they may be unavailable as a channel of support for some individuals. Furthermore, as noted in Chapter 2, anecdotal evidence suggests that family and community relationships in Cambodia have been weakened by the years of conflict and displacement as well as by increased migration.

97. ***Religious institutions have also been important providers of social protection in Cambodia.*** Even since the pre-war period, pagodas and temples have been places not just of worship but also of caregiving. The role of Buddhist temples in providing housing for orphans and the elderly is recognized but largely unstudied. Monks frequently assist those individuals who are desperate for help and lack other channels of support, oftentimes due to social exclusion. The qualitative study documented the case of a migrant worker in Phnom Penh who was infected with HIV and sought refuge at a temple. Street children interviewed in Phnom Penh also mentioned that they would turn to temples if they were unable to live with extended family networks.

98. ***The small formal private sector provides benefits to employees as mandated by law.*** The private sector offers pensions to employees in compliance with the Labor Law. These pensions normally take the form of withholding on salary by a percentage that will be paid as a lump sum upon completion of contract or upon retirement. Anecdotal evidence suggests that donors and NGOs tend to practice this more than the private sector. None of the garment factories interviewed for the qualitative study provided any pension benefits. Regarding health insurance, private employers rarely provide health coverage for their workers. In the case of garment workers, employers reportedly provide coverage for workers only during working hours. Some local unions provide benefits and health coverage for their members if they fall ill outside of working hours or on an exceptional basis. The beer promotion girls interviewed in Phnom Penh for the qualitative study described a similar situation; the company covered only health costs related to injuries or illness suffered at work or on the way to and from work. As noted earlier, only a small percentage of the labor force is covered by such schemes, as the majority of the population is engaged in the informal sector.

V. Wage Labor Markets and Other Market Mechanisms for Diversifying Risk

99. ***Most of Cambodia's labor force is engaged in agriculture, with limited alternatives for income generation.*** As noted in Chapter 2, agriculture employs 71% of the total workforce. Agriculture remains generally subsistence-oriented and continues to be characterized by a large number of small farm holdings without secure access to

productive resources. Few farmers have access to high-quality inputs, credit, or information on farming techniques and markets. Furthermore, low productivity and heavy reliance on rice cultivation make them particularly vulnerable to shocks. Opportunities for farm households to supplement their meager agriculture incomes with wages while remaining in rural areas are scarce.

100. ***In this context, opportunities for off-farm employment and/or markets for wage labor would constitute a “natural” mechanism for households to diversify incomes.*** The availability of alternate means of generating income would help households protect themselves against shocks. However, the wage labor markets in both rural and urban areas have remained very small. Agricultural sector employment grew by an average of less than 2% per year between 1997 and 2001, compared to industrial employment which grew by an average of over 43% per year. Of the 250,000 new entrants to the job market each year, only 15,000 to 20,000 people or 6-8% of the total find their way into the formal sector. Since the labor force will increase at an unprecedented rate due to the entry of the “baby boomers” born in the 1980s, large numbers of young people entering the workforce are facing the prospect of unemployment or underemployment, as discussed in Chapter 2. The rapid expansion of the labor force places enormous pressure on the economy as a whole—and on agriculture in particular—to generate productive employment opportunities at the same rate.

101. ***Cambodia could create jobs by broadening its base of growth through new sectors.*** With 90% of the poor living in rural areas, promotion of agriculture is considered to be the best strategy for absorbing a large part of the growing labor force and addressing poverty more directly. However, agricultural production remains far below potential due to low productivity and limited access to arable land and markets. The 2004 Investment Climate Assessment argues that to create jobs in rural areas and raise the productivity of agriculture, Cambodia may wish to focus on developing its post-harvest agro-industry. However, this diversification will depend on the country’s ability to create a conducive domestic business environment, establish trade-supporting institutions outside the garment industry, and build the voice and participation of the private sector.

102. ***The development of credit markets and other financial mechanisms for diversifying risk would also help reduce vulnerability.*** In other countries, credit markets, self-insurance, and/or community insurance mechanisms would provide alternative instruments for coping with shocks. However, such mechanisms are non-existent in Cambodia, and borrowing and credit arrangements tend to be predatory and contribute to greater impoverishment. As noted above, the Insurance Law and the RGC’s planned expansion of CAMINCO’s insurance activities will cover only a small proportion of the population and most likely will not benefit the poor, who do not have access to employer- or state-provided insurance. Informal insurance in the form of reciprocal transfers within the extended family or community does exist but has been weakened by years of war, conflict, and social disruption. Moreover, such mechanisms may be the least effective just when most help is needed, for example when a shock or a disaster hits an entire community.

CHAPTER FOUR: IMPLICATIONS FOR SOCIAL PROTECTION GOING FORWARD

I. THE ROLE OF SOCIAL PROTECTION IN CAMBODIA

103. *Given the extent of poverty and vulnerability in Cambodia, the need for social protection support is immediate and widespread.* As described in Chapter 2, a large proportion of Cambodians live below the poverty line, particularly in rural areas. Subgroups within this population such as children and youth and those affected by the war and conflict have specific needs arising from their different sources of vulnerability. In addition, the overall population is vulnerable to idiosyncratic and covariant risks that could push the non-poor into poverty and the poor into even deeper poverty. The continued use of extreme coping strategies indicates that informal safety nets remain weak. Therefore, formal social protection support is needed to help the poor and disadvantaged and to help the vulnerable better manage risks.

104. *The key question is how to target the very limited resources that are available.* As discussed in Chapter 3, a compelling case can be made for a large social protection sector and support in many different areas. However, the Government and its partners face tight capacity and budget constraints across all sectors. In a country like Cambodia, any spending on social protection interventions has high opportunity costs, as resources are limited and spending for social protection means fewer resources for another sector. Even within the area of social protection, tradeoffs will be involved in determining how to channel resources. Interventions in other sectors that help those who are vulnerable but able to help themselves—for example through improving asset ownership and improving off-farm opportunities—may reach a larger number of people, while interventions that target the poorest and most disadvantaged would address a higher degree of deprivation but benefit fewer people.

105. *The immediate needs of the population and the longer-term objective of reducing vulnerability require a balance among programs.* In a low-income country such as Cambodia, which has specific subgroups who experience severe deprivation, it may be tempting to focus social protection support only on helping the most destitute and vulnerable and addressing the worst forms of coping strategies. However, providing pure transfers alone will have a very limited impact in the longer term and will not address the underlying causes of poverty and vulnerability, nor will it have “springboard” effects in providing the poor and vulnerable with a platform for escaping from poverty. One study described in Box 10 argues that safety net transfers in low-income countries should be used not only to help the poor who are living at unacceptably low consumption levels but also to simultaneously finance investments for longer-run poverty reduction.

Box 9: What Role for Safety Net Transfers in Very Low Income Countries?

Very low income countries (VLICs) are the ones most in need of safety net transfers and at the same time those that can least afford them. Lack of adequate information on beneficiaries, deficient administrative capacity, and particularly limited fiscal resources pose constraints to the establishment of a safety net transfers system in VLICs. However, there are compelling reasons to consider some form of transfers in these countries, mainly the inability of growth alone to help the large numbers of very poor living in unacceptable conditions, and the potential contribution of redistributive transfers to growth. In very poor countries, safety net transfers can help fill in the deepest part of the poverty gap, bring all or many of the poor up to an acceptable consumption level, smooth consumption, protect the poor against major shocks, insure against individual risks, and serve as an investment in human capital.

The challenge in VLICs is to find ways in which the choice of programs can both limit costs and reduce the opportunity costs of other investments foregone. The amount of expenditure that is justified, the types of programs, and how these programs are to be designed will depend on: (a) the degree and types of insured risks faced by the poor; (b) the feasibility of identifying groups that are subjected to high levels of risk; and (c) the depth and severity of poverty. The design and selection of programs require a country-by-country approach, but a number of general principles apply to most very poor countries.

On general design of the system:

- Safety net transfers systems need to be placed in the context of a wider development strategy.
- One or two simple program designs should be selected and adhered to for a sustained period. As long as there is adequate pre-evaluation and program continuity, the source of funds is irrelevant.
- Potential displacement of private transfers by public ones should be assessed carefully.
- Periodic evaluation of programs is absolutely essential.

On choice of programs:

- Safety net expenditures should be used to fund investments that lift longer-run impediments to growth (e.g., public works programs that construct roads and irrigation works).
- Food distribution programs should be restricted to emergency situations and otherwise limited to “food-for-education” or nutritional programs.
- For “agricultural inputs subsidies” programs, free distribution of small amounts of fertilizer and seed may be preferable to subsidies, as they are less distorting of agricultural inputs markets and may not be attractive to larger farms.
- Safety net expenditures that simultaneously contribute to human capital development should be used (e.g., “food-for-education” and nutritional programs for children).
- Transfers that have a multiplier effect should be chosen.

On coverage:

- For pure transfers, it is important to be as selective as possible (i.e. try to identify a sub-group of ultra-poor or select very distinct groups that everyone agrees are deserving of support).
- A policy to fill the entire food poverty gap may be problematic if adopted without careful evaluation of affordability, trade-offs, and adverse incentives.
- It is best to opt for self-targeting interventions, such as public works. Geographical targeting criteria seem to be more suitable for VLICs, particularly rural and community targeting. The latter would especially help in addressing administrative and informational constraints.

(Continued)

- Timing should be considered to optimize the impact of transfers. Counter-cyclical measures that are targeted seasonally can potentially have a major welfare benefit for the poor.

Source: W. James Smith and Kalanidhi Subbarao, January 2003

106. ***Therefore, given the landscape of poverty and risks in Cambodia, social protection could be directed toward three different but complementary purposes:***

Objective 1: to support the poorest and most disadvantaged who cannot help themselves, for example through transfer programs;

Objective 2: to support the poor who are capable of helping themselves move out of poverty, in part by building human capital and expanding opportunities;

Objective 3: to help reduce the potential impact of impoverishing risks that could trigger the use of negative coping strategies among the larger population.

107. ***These objectives for social protection in Cambodia provide a framework within which current support can be assessed.*** The first step is to conduct a macro-level review of whether key vulnerable groups and issues corresponding to these objectives are being covered. In reviewing current programs and activities within these priority areas, one important consideration is whether these programs reinforce and complement rather than displace existing informal safety nets. Given the fragility of social capital in Cambodia, the extent to which programs include mechanisms for strengthening social capital and community-based support should also be considered. After identifying the major remaining gaps across programs, the next step would be to determine which partners are best placed to help fill these gaps and what modes of engagement will be most effective. These issues are discussed in detail below.

II. CONTINUING GAPS AND CRITICAL AREAS FOR SUPPORT

108. ***A review of programs against needs identified in the lifecycle approach suggests that much more can be done to support labor market development and children and youth.*** While it is not possible to cover all issues and groups completely, interventions in certain areas could have a relatively larger and longer-term impact in meeting the needs of the poorest and most vulnerable, supporting the poor to climb out of poverty, and helping the wider population manage impoverishing risks. As shown in Table 13, using the lens of the lifecycle, a juxtaposition of risks and vulnerable groups against current program coverage highlights some key areas in which future support is needed. The analysis indicates that greater support is needed to children and youth in terms of addressing malnutrition, improving education attendance and quality, and discouraging child labor. Labor market development, particularly in the informal sector, is another area that requires increased attention.

Table 13: Social Protection Coverage across Stages of the Lifecycle

Age Group	Main Risk	Current Programs (Government, NGOs, donors)	Areas in Need of Further Support
Infants and Early Childhood (0-4 years)	Stunted child development	<ul style="list-style-type: none"> • Maternal and child health programs 	<ul style="list-style-type: none"> • Nutrition programs
Primary School Age (5-14 years)	Low human capital development (poor education quality); child labor	<ul style="list-style-type: none"> • Support to school infrastructure • School feeding programs • Support to orphans and street children 	<ul style="list-style-type: none"> • Additional incentives to keep children in school (i.e. conditional cash transfer programs), scaling up of current programs • Initiatives to discourage child labor
Adolescents and Young Adults (15-24 years)	Low human capital development; unemployment, inactivity	<ul style="list-style-type: none"> • Support to school infrastructure • Scholarship programs/conditional cash transfers • Vocational training programs • Support for reducing trafficking of women and children 	<ul style="list-style-type: none"> • Additional incentives to keep children in school (i.e. conditional cash transfer programs), scaling up of current programs • Support to informal labor markets • Support to diversification of sources of income
Adults (25-64 years)	Low income (unemployment, underemployment)	<ul style="list-style-type: none"> • Food for Work programs • Public works programs • Equity funds for health care, social health insurance • Land and asset ownership support • Support to veterans • Labor standards enforcement in garment sector • Support to people with disabilities 	<ul style="list-style-type: none"> • Support to informal labor markets • Support to diversification of sources of income • Health care (i.e. improving access to and quality of care, scaling up current programs)
Elderly (65 years and over)	Low income, chronic diseases	<ul style="list-style-type: none"> • Civil service pensions • Support to people with disabilities and elderly 	<ul style="list-style-type: none"> • Health care (i.e. improving access to and quality of care)

109. *Reviewing programs against the three social protection objectives for Cambodia underscores the priorities identified under the lifecycle approach and suggests some additional ones.* Table 14 summarizes program coverage and gaps across the three objectives, drawing from the lifecycle framework analysis and inventory of Government, NGO, and donor programs. Programs addressing the first objective—helping the poorest and most vulnerable—are understandably common, as the needs of these groups are viewed as immediate and the groups are easier to target since their sources of vulnerability (i.e. disability) can be identified easily. As evident in the lifecycle approach, one vulnerable group that is relatively under-covered—particularly given their share of the population, extent of vulnerability, and limited ability to help themselves—is children. Another issue that has received relatively less attention is protection of rights and voice of the poorest. The second objective—providing a springboard for the poor to emerge out of poverty—requires a more cross-sectoral approach. Improving off-farm

opportunities, for example, requires efforts in rural development, private sector development, and other sectors. The third objective of helping households manage impoverishing risks is covered by numerous efforts in natural disaster preparedness and relief and some health programs. Given that illness is one of the most common impoverishing shocks, however, much more effort is needed in this area.

Table 14: Coverage of Programs across Social Protection Objectives

Objective	Current Coverage	Remaining Gaps
1. Help the poorest and most vulnerable	<ul style="list-style-type: none"> • Programs aimed at specific vulnerable groups (particularly the disabled, as well as HIV/AIDS victims, refugees, and the elderly) are common 	<ul style="list-style-type: none"> • Efforts to address the vulnerability of children (i.e. through nutrition, education, prevention and protection efforts for child labor) could be strengthened • Protection of voice and rights of the poor has been relatively neglected
2. Provide the poor with a springboard to escape from poverty	<ul style="list-style-type: none"> • Some rural development projects are in place • Some land ownership and small-scale microcredit schemes are being implemented 	<ul style="list-style-type: none"> • More emphasis is needed on building human capital among the poor • Not enough is being done to improve off-farm opportunities and the informal sector • Asset ownership rights need to be strengthened
3. Lower the impact of impoverishing risks	<ul style="list-style-type: none"> • Most programs in this area focus on natural disaster preparedness and relief • Health care programs cover HIV/AIDS, reproductive health, some health sector reform, equity funds, SHI 	<ul style="list-style-type: none"> • Greater efforts are needed to address the impoverishing impact of health problems, including scaling up of current programs

110. *These analyses point to three priority areas for increased social protection support going forward, plus other areas in which increased efforts are needed to reduce vulnerability:*

Priority Areas for Social Protection Support

- Addressing the vulnerability of children through nutrition and education, as well as efforts to reduce child labor
- Fostering labor market development, particularly in the informal sector
- Reducing the impoverishing impact of health shocks

Other Key Areas to Reduce Vulnerability

- Increasing the voice and protecting the rights of the poorest
- Strengthening asset ownership rights

Again, this prioritization does not imply that other areas are not important for social protection measures, nor is it intended to imply that other areas are covered sufficiently.

Rather, it is intended to highlight key gaps where greater efforts are needed in the future, given the current levels of support.

111. ***For interventions in these priority areas to be effective, information, capacity, and social capital constraints must be addressed.*** The Government and its partners face a number of constraints in designing and implementing social protection programs, including:

Information constraints. The limited availability of data has made it difficult to determine which interventions would have the most impact on poverty and vulnerability. Further efforts are needed to:

- *Understand the dynamics of vulnerability in Cambodia and the linkages between poverty and sources of vulnerability.* Although a large proportion of the population is known to be vulnerable, the dynamics of vulnerability are still not well understood. As improved information and further survey data is becoming available, further work is needed to determine the extent to which vulnerability is chronic, the dynamics of how people move in and out of poverty in Cambodia, and key factors that have proven to decrease the vulnerability of individual households. In addition, more in-depth analysis is needed to understand the linkages between poverty and sources of vulnerability, such as the interactions between vulnerability and social exclusion and between poverty and disability. Improved knowledge of these issues would help identify the poorest and most vulnerable (objective 1) and would inform interventions aimed at helping people move out of poverty by addressing the underlying causes of poverty and vulnerability (objective 2).
- *Develop a better understanding of labor market issues, particularly in the informal sector.* Cambodia's growth has been driven by garment exports, which grew from approximately US\$26 million in 1995 to nearly US\$2 billion in 2004. Therefore, the intense focus on the garment sector—particularly in terms of ensuring adherence to labor standards—has been understandable. However, the cost of the attention to the garment sector, as well as to the civil service and veterans, has been that the much larger workforce in the informal sector has remained relatively neglected by the Government. The fact that most of the population works outside the formal sector merits greater attention to supporting and bolstering the informal sector and to understanding formal-informal sector linkages, particularly in light of the impending demographic bulge of youth who will be seeking employment. In order to determine what policies or interventions are needed, a better understanding of the wider labor market, current labor market policies, application of labor standards outside the garment industry, and potential mechanisms for giving voice to those in the informal sector is critical.

Capacity constraints. As described in Chapter 3, the Government's capacity to provide social services and implement social protection programs remains extremely weak. The MLV and MOSVY lack both the financial and human resources to carry

out their programs, and given Cambodia's substantial financial needs and limited capacity to mobilize domestic revenues, they will continue to depend heavily on external assistance. Capacity building support, coupled with improved expenditure management for Chapter 31 budget across the relevant Ministries, is needed to ensure that public funds and external resources reach the beneficiaries. In formulating programs in the priority areas above, one factor to be considered is the extent to which existing Government mechanisms and processes can be used. As noted earlier, due to governance concerns, NGOs and donors have been trying to use non-Government channels to deliver support. However, bypassing the Government completely does not help develop longer-term capacity nor does it help ensure the sustainability of programs once NGO and donor funding has ended. To the extent possible, working within the Government system and fostering partnerships between the Government and NGOs/communities for implementation should be considered.

Limited social capital. As described in Chapter 2, the years of war and conflict have eroded Cambodia's social capital, increasing the overall vulnerability of the population. The rebuilding of social capital would not only have a long-term impact in strengthening informal safety net mechanisms, which would help the vulnerable cope when shocks occur (objective 3), but it would also help facilitate efforts to identify and reach the poorest and most vulnerable (objective 1). Strengthening social capital would also help ensure greater local ownership of programs and thus improve their sustainability. Direct support could be provided for improving rule of law and access to the justice system for the poor (objective 1), which contributes to increased social capital. Social capital could also be strengthened by building community involvement into the design of projects. Encouraging Government support for locally driven development and devolving responsibilities to communities and local organizations would help foster cooperation, provide a shared sense of purpose within the communities, and give communities the opportunity to shape and manage their own development, thereby strengthening the social fabric over the long term.

III. GOVERNMENT ROLE

112. *Although RGC support to civil servants and veterans does not target groups who are most vulnerable or in need of social protection, a shift in resources may be unrealistic for the near term.* Among civil servants and veterans, some individuals may be particularly poor or vulnerable. However, the 2006 Poverty Assessment found that households headed by an individual working in the public sector enjoy the lowest poverty incidence overall, compared to households with heads engaged in other sectors. Particularly in comparison to rural households, children and youth, and other vulnerable groups who are generally poorer and/or less able to manage risks, civil servants and veterans do not appear to be priority groups for support. Nonetheless, they receive the bulk of the Government's social protection expenditures. While it may seem that the Government's very limited resources could be targeted more effectively at groups in greater need and/or spent on interventions that could lower the vulnerability of a larger population, shifting support away from current programs would be very politically sensitive. The RGC has already assumed responsibility for supporting its own retirees,

and the pensions to some extent supplement low civil service salaries. The legacy of war and conflict has brought a commitment to support those in military service who may otherwise have had other opportunities. In addition, given the Government's limited capacity, it may be easier for the Government to support these groups given the relative ease of identifying and channeling support to the beneficiaries.

113. ***Given the limited scope for shifting the RGC's social protection support in the near term, greater attention should be focused on making current programs more effective.*** As discussed in Chapter 3, even if the benefits of RGC programs are fully transferred, they are still insufficient to meet basic needs. Given the scarcity of resources, a priority for the near term should be to strengthen management of the programs and address the problems of leakage to help ensure that the full amount of benefits reach the target groups as intended. Mechanisms should also be put in place to improve program efficiency, particularly in terms of providing timely and regular payments to beneficiaries. The Government could also focus on making its other programs such as vocational training more accessible to the poor, for example by providing waivers that could be cross-subsidized by tuition from students who are able to afford the training.

114. ***Addressing governance and sustainability issues will be critical to maintaining donor support for social protection and other programs.*** Encouraging partners to work through existing Government channels will help build Government capacity, make coordination of programs easier, and improve the sustainability of programs once donor support has ended. If the Government wants to maintain a degree of ownership over and role in programs, particularly over the long run, it will have to address governance and transparency issues to build trust with donors and other partners. For donor-funded programs which show promise in advancing Cambodia's development goals, the Government could also foster partnership and confidence by providing counterpart resources when possible to demonstrate commitment to sustainability. In the area of equity funds, for example, questions have been raised about the RGC's commitment to expanding the program since it has not provided the planned funding allocation.

115. ***Given its limited capacity, the Government should also consider working in partnership with NGOs who may have a comparative advantage in delivering services.*** Some project experiences suggest that the Government may be reluctant to channel resources directly through NGOs. In light of its capacity and resource constraints, the Government should try to foster partnerships with NGOs to improve the reach and effectiveness of its programs. Channeling support through community-based organizations and local initiatives would also help strengthen social capital to meet longer-term objectives.

116. ***In addition, the Government could strengthen coordination among its partners around key social protection objectives.*** Coordination of the many NGO and donor initiatives in Cambodia remains a major challenge. The Government could use the NSDP to generate a dialogue around how social protection-related objectives will be met going forward and what the implications would be for Government, NGO, and donor programs. A detailed discussion on coverage across and within priority areas could help direct and

shape future support. This report and the 2006 Poverty Assessment could help inform such a review of whether resources are being channeled where they are most needed. Another promising starting point is the GTZ-led initiative aimed at developing a harmonized approach to identifying poor households and possibly moving toward one targeting mechanism for all development partners and sectors. Partners involved in social protection could use this shared platform to look more closely at the distribution of programs to determine whether the resources are being channeled appropriately. This exercise could serve as a basis for better coordination of programs to reduce duplication and ensure sufficient coverage of priority areas and target groups.

IV. WORLD BANK ROLE

117. *Direct World Bank support to social protection has been limited to social fund projects, which offer important lessons for other interventions.* As noted in Chapter 1, the World Bank's main vehicles for direct social protection support were the Social Fund I project and Social Fund II project, which closed in March 2005. The SFKC supported the construction of small-scale infrastructure across the country to help generate short-term employment opportunities. It placed heavy emphasis on community involvement, devolving responsibility for the identification and management of sub-projects to the local level. Notably, the SFKC was established at a time when Cambodia was making the transition to a peace-time economy, when rehabilitation of physical infrastructure was a critical priority, and when no other Government mechanisms for reaching communities existed. The country context has evolved significantly since then, particularly with the increasing degree of decentralization. However, the SFKC experience offers valuable lessons for other projects on what approaches may be effective for reaching communities, how to tackle the challenge of maintaining transparency, whether to work within or outside existing government institutions, and other issues as summarized in Box 11.

Box 10: Reaching Communities and Enhancing Transparency – Lessons Learned from the Social Fund Experience

The Social Fund I and II projects supported the construction of small-scale infrastructure projects such as schools, clinics, water wells, and bridges as a means of generating short-term employment opportunities. The projects also aimed to enable local communities to identify their development needs and manage development projects. Based on lessons from the first phase, the Social Fund II elevated the importance of improving local ownership, participation, and the sustainability of its investments and shifted sectoral allocations into more technically complicated sectors to reflect the Government's shift from emergency relief to longer-term development goals. These adjustments required significant changes to the structure, staff, and procedures of the Social Fund of the Kingdom of Cambodia (SFKC).

Overall, the SFKC was successful in meeting its objective of financing small-scale infrastructure. During 1995-2005, it supported over 2,800 subprojects, with a total value of approximately US\$48.13 million, in all districts of the country. Although its success in strengthening community capacity is more difficult to quantify, the 2004 Independent Technical and Beneficiary Assessment concluded that community involvement—as reflected by time spent in meetings and donations of land, labor, and materials—increased during Social Fund II and resulted in high levels of ownership. The SFKC built community involvement into every stage of

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the subproject cycle and devolved procurement responsibilities to the communities. A majority of Project Support Committee members from the communities stated that they had applied their experience gained through managing Social Fund subprojects to other community development activities.

The SFKC also implemented changes to improve the sustainability of assets created and ensure transparency, which could inform the design of similar programs. For example, the SFKC created a Sustainability Programme Unit which conducted training to improve community understanding of the subproject cycle and procurement processes. In terms of increasing transparency, when allegations of procurement irregularities within SFKC subprojects surfaced in 2000, the SFKC immediately adopted a series of institutional and procedural changes such as the establishment of an Internal Audit Unit to monitor compliance with new procurement guidelines, implementation of regular field-based procurement assessments, and cessation of all direct contracting. These changes helped increase transparency and foster community responsibility.

The SFKC encountered a number of challenges, as well. Targets were not defined for key performance indicators, making it difficult to assess impact. Although the institutional autonomy of the SFKC helped protect it from political pressures and allowed it more flexibility in making changes to increase its effectiveness, it isolated the SFKC from other Government agencies and thus limited its impact on line ministries, local authorities, and government policy, including important decentralization reforms. This experience points to the difficulties with creating new entities to implement projects rather than working within existing Government institutions and systems. Furthermore, the SFKC did not widely disseminate the lessons learned from its experience until the end of the project. The SFKC experience also showed the challenges of devolving responsibilities to communities, which requires more resources to provide the necessary capacity building, implementation support, and continuous monitoring. In terms of partnerships, although the MoU partners did help enhance the reach and effectiveness of Social Fund support, the partnerships were difficult to manage—particularly given differences in processes among partners—and required greater information sharing and communication.

World Bank support to the SFKC ended with the close of Social Fund II in March 2005, and no future funding for the SFKC has been requested. The explicit intent of World Bank support to the Social Fund was to help Cambodia in the initial phase of rebuilding infrastructure at a time when implementation capabilities were weak. The previous CAS noted that “the next generation of Bank projects would be implemented through, and help strengthen the capacity, of line ministries.” With the increasing degree of decentralization, the World Bank and other partners now have the opportunity to help foster development from within the government system. The Social Fund experience provides valuable lessons for the design and implementation of such efforts.

Source: World Bank, Implementation Completion Report for the Cambodia Social Fund II Project, 2005.

118. ***The Bank has also addressed issues of vulnerability through related activities in other sectors.*** In the human development sector, projects with elements of social protection have included the Health Sector Support Project, which aims to develop affordable health services in rural areas and increase utilization by the poor, and the Education Sector Support Project, which includes support for scholarships to poor children. A number of studies related to social protection have also been undertaken recently, including a child labor study; an evaluation of the Japan Fund for Poverty

Reduction (JFPR) scholarship program, which has been implemented as a conditional cash transfer program in giving transfers to families whose daughters are enrolled in lower secondary school and attend classes regularly; and Public Expenditure Tracking Surveys for the education and health sectors. As shown in Table 15, World Bank projects addressing sources of vulnerability such as asset ownership among the poor or targeting particular vulnerable groups such as demobilized soldiers have been undertaken, as well, particularly in the rural development and social development sectors.

Table 15: World Bank Activities Related to Social Protection (current portfolio)

Product Name	Closing Date	Elements Related to Social Protection
<i>Objective 1. Help the poorest and most vulnerable</i>		
Empowerment of the Poor	N/A	Enhancing livelihoods of the poor and addressing their social needs
<i>Objective 2. Provide the poor with a springboard to escape from poverty</i>		
Education Sector Support Project	12/31/10	Scholarships for poor children, provision of lower secondary schools (with priority for poorer communes)
Land Management and Administration	12/31/07	Support to asset ownership (land registration)
Rural Investment and Local Governance	6/30/07	Grants for priority rural infrastructure
<i>Objective 3. Lower the impact of impoverishing risks</i>		
Health Sector Support Project	12/31/07	Support to equity funds

119. *Within the current portfolio, special attention should be paid to how these projects are addressing social protection and risk management objectives.* In terms of the first objective of targeting the poorest and most vulnerable, the targeting mechanisms being used in each project should be reviewed, and the effectiveness of interventions in reaching the most vulnerable groups should be documented to provide lessons for future interventions. An impact evaluation of how the different elements of the Education Sector Support Project have contributed to improved outcomes for children and youth, a priority group for social protection support, would also be useful. In addition, projects across sectors should be assessed for the degree to which they target the sources of poverty and vulnerability and continue to generate benefits which help the poor move out of poverty. In this regard, greater attention to the sustainability of project outcomes—and where relevant, the sustainability of infrastructure created—is critical. Finally, projects should be reviewed for the extent to which they contribute to increased capacity both at the Government level and community level for dealing with shocks.

120. *Going forward, World Bank support to social protection will have to be strategic and selective.* Given the magnitude of issues, support required, and limited availability of World Bank resources, strategic decisions need to be made about how the World Bank will support social protection. Support should: respond to the priorities identified above; build on the World Bank’s comparative advantage in these areas; and be undertaken in consultation and coordination with other partners. It should also be consistent with the

objectives of the Country Assistance Strategy (CAS) for Cambodia, as described in Box 12. Aside from specific activities in support of social protection, the World Bank can leverage activities across its country program to strengthen the focus on vulnerability.

Box 11: World Bank Country Assistance Strategy for Cambodia FY05-07

The FY05-07 Country Assistance Strategy (CAS) for Cambodia aims to tackle some of the critical governance issues that threaten sustainable poverty reduction and the achievement of the Cambodian MDGs (CMDGs). Activities are intended to contribute to six objectives, which are clustered under two overarching themes or pillars:

Pillar 1: Remove the governance constraints to attaining the CMDGs

- Objective 1: Promote private sector development for poverty reduction. World Bank support will tackle those aspects of economic governance that hold back strong, broad-based private sector development.
- Objective 2: Improve natural resources management, ensuring security of access to land for smallholders and supporting improvements in state land management. The World Bank will support policy and institutional reforms which help rural households and communities obtain more say in the sustainable management of natural resources and a greater share of the benefits.
- Objective 3: Improve service delivery and public financial management. The RGC has formulated a comprehensive public financial management reform program, which the World Bank will help implement through a sector-wide partnership with other donors. It will also support the emergence of a meritocratic civil service through reform of pay and human resource management systems.
- Objective 4: Support decentralization and promote citizens' partnerships for better governance. Cambodia's framework of accountability, derived from the Constitution, is based on three key relationships of accountability: (i) between elected officials and those responsible for delivering essential services to citizens; (ii) between citizens and the state; and (iii) between those who deliver services and the citizens who receive these services. The work under this objective is concerned with all three of these relationships.

Pillar 2: Support the strategy and investments needed to attain the CMDGs

- Objective 5: Support formulation and implementation of a Government-led strategy and investment program for achieving the CMDGs. In supporting the preparation of the new five-year National Strategic Development Plan (NSDP 2006-10), the World Bank will help the RGC move toward a medium-term, evidence-based planning model that integrates disparate sectoral systems for analysis, planning, public financial management, and monitoring and evaluation into an overall strategic framework.
- Objective 6: Support those under-funded sectors and sub-sectors critical to achieving the CMDGs. Where there are clear gaps in critical infrastructure and human development sub-sectors, the World Bank Group will support the emergence of a nationally-owned vision and strategy through the provision of analytical and investment services.

121. *No new lending for social protection is envisaged for the next few years, but projects in other sectors offer important entry points for supporting social protection objectives and priority areas.* Within the limited envelope of IDA resources that has been

allocated to Cambodia for the coming years,⁵⁹ the Government has not identified direct support for social protection—for example, through a continuation of Social Fund-type projects—as a priority for financial assistance from the World Bank. However, given the cross-cutting nature of social protection, projects in related areas such as rural development offer valuable opportunities for addressing poverty and vulnerability. Examples of projects in the lending pipeline that are closely linked to social protection objectives include:

Objective 1 – Helping the Poorest and Most Vulnerable

- *Justice for the Poor Program* (FY08). The first phase of the program (FY06) aimed to contribute to an informed policy debate on how disputes and grievance handling systems can serve as a structure for empowerment, promoting increased state responsiveness to the needs of the poor. The program is likely to be extended through 2008. Over the next two years, the World Bank will (i) provide input into the design of the Community Empowerment and Demand for Good Governance projects, which will both include components addressing law and justice themes; (ii) continue the analytical work; and (iii) mainstream issues of access to justice into other World Bank projects (notably those related to land and natural resources management).
- *Community Empowerment* (FY07). The ultimate objective of the Project is to empower the poor to increase their social, economic and political capital. The Project aims to achieve this objective by: (i) strengthening primary groups of the poor and their federations, and organizations that support them; (ii) enhancing livelihoods of the poor and addressing their social needs, with special attention to the inclusion of the poorest and most vulnerable; and (iii) promoting collective action to induce increased responsiveness by the state and market.

Objective 2 – Providing a Springboard to Help the Poor

- *Rural Investment and Local Governance Project II* (FY07). The ongoing RILGP supports improved local governance as a foundation for sustainable development and poverty reduction by strengthening the newly decentralized development process at the commune level. In an approach similar to that of the Social Fund, the RILGP provides grants for priority rural infrastructure and related public goods identified through local planning processes.
- *Land Allocation for Social and Economic Development* (FY07) and *Land Management and Administration Project II* (FY08). The LASED will assist the Government in developing transparent, community-based mechanisms to implement its policy for allocation of land to the poor through Social Concessions. LMAP II,

⁵⁹ The World Bank's overall IDA allocation for Cambodia was reduced due to the country's low ratings for governance in the 2003 Country Policy and Institutional Assessment. Compared to the 2002 Consultative Group (CG) meeting where the World Bank pledge US\$70 million, the World Bank was able to pledge only US\$45 million per year at the 2004 CG meeting. At the latest CG meeting, the World Bank's pledge increased to US\$53 million based on improved country performance.

building on the first LMAP's support to land registration, will aim to strengthen private property rights further, particularly among vulnerable groups. The World Bank is also supporting administrative dispute resolution through Cadastral Commissions under LMAP to reinforce the ability of poor to defend property rights. Given the critical importance of land ownership to reducing vulnerability, both projects are closely linked to social protection.

- *Poverty Reduction Support Credits (FY05-07) and Public Financial Management and Accountability Project (FY06)*. The World Bank will use these projects to support high-level public financial management policy reforms. Specifically, it will support the RGC's program to: make the budget a credible instrument for the strategic and operational management of public resources by ensuring that it delivers resources predictably and reliable to line ministry managers; improve internal control by holding resource managers accountable; and strengthen the linkages that make the budget a reliable instrument of pro-poor policy implementation.

Objective 3 – Reducing the impact of impoverishing shocks

- *Avian and Human Influenza Control and Preparedness (FY07)*. The objective of the project is to minimize the threat to humans and poultry from bird flu and to prepare for, control, and respond to influenza pandemics and other infectious disease emergencies in humans.
- *Health Sector Support Program II (FY09)*. Like the ongoing HSSP, the second HSSP will focus on the goals of increasing equity in access to health services and improving the quality and efficiency of services for the poor. In particular, the World Bank is supporting the Government's commitment to provide affordable health care services to the poor by revising the system of exemptions and using equity funds for services provided to the poor in public health facilities. Notably, the World Bank is working in collaboration with other key donors through a sector-wide approach in this area.

122. ***Key analytical and advisory activities can also fill knowledge gaps on poverty and vulnerability and help inform social protection interventions.*** Much of the World Bank's comparative advantage in the social protection area lies in its capacity to undertake in-depth analytical and advisory activities. Analytical work in some of the priority areas identified above would help inform the interventions of the World Bank and other partners and could also support the development of future analytical work and projects as needed. Analytical work that has been recently completed or is planned in the World Bank's country program includes:

- *Poverty Assessment (FY06)*. As described earlier, the World Bank has carried out a national Poverty Assessment to help update the understanding of poverty and income dynamics in Cambodia and to promote national dialogue around poverty issues. The Poverty Assessment draws together and synthesizes quantitative and qualitative insights into poverty using the 2004 CSES, mixed-methods research into household poverty dynamics, and the Participatory Poverty Assessment. A major contribution of

the report is to present, for the first time, comparable estimates of household consumption and poverty between different years to establish the nature of trends over time. The Poverty Assessment also examines the risk dimension of poverty and the linkages between poverty and sources of vulnerability.

- *Moving out of Poverty Study* (FY07). Using a combination of qualitative and quantitative methods, the study intends to fill the existing information gap on insights into household- and community-level poverty dynamics. The research, which draws heavily on the raw findings of the Poverty Assessment, aims specifically to: (i) measure both the overall change in communities' fortune and the proportion of households moving out of poverty and (ii) identify the factors that have contributed to both the communities' improvements and the increased ability of households in this regard.
- *Child Labor Study* (FY06). The "Children's Work in Cambodia: A Challenge for Growth and Poverty Reduction" paper is an inter-agency report to the Government developed under the Understanding Children's Work project, a research initiative of the ILO, UNICEF, and World Bank. It provides an overview of the child labor phenomenon in Cambodia, examining its extent and nature, its determinants, and its consequences on health and education, using data from the 2001 Cambodian Child Labor Survey. The report also addresses the national response to child labor and policy options for its elimination.
- *Labor Markets and Industrial Relations Strategy* (FY08). As noted above, a better understanding of the Cambodian labor market is needed, particularly for the large informal sector. This strategy note will examine the dynamics of the labor market (both formal and informal sectors) and assess current labor market policies and the application of labor standards beyond the garment sector. Based on this analysis, the study will identify major gaps and propose a strategy for improving labor market-related policies and their implementation, with a special emphasis on extending coverage of core labor standards to workers outside the garment sector, and in a manner that supports labor productivity growth and increased investment in worker skills. The strategy will also assess potential mechanisms, such as arbitration councils and worker organizations, for giving voice to workers and helping improve basic work conditions outside the formal sector. Notably, this study responds to a recent request from the Minister of Labor for World Bank assistance in developing a comprehensive strategy for reform for the MLV around the country's strategic priorities and could serve as a key input to future policy. It also complements the private sector development work that is currently underway.
- *Sources of Growth Study* (FY06) and a second *Investment Climate Assessment* (FY07). These studies aim to support Cambodia in broadening its base of growth to include new sectors and economic activities, particularly those that may create jobs and raise incomes for the rural poor. Currently, diversification is constrained by fragmented markets that limit competition and productivity gains. As noted in "Seizing the Global Opportunity: Investment Climate Assessment and Reform

Strategy for Cambodia,” Cambodia can promote export-led growth by building the voice and participation of rural and urban private sectors. The planned work will therefore focus on strengthening business associations, leveraging private value chains, and continuing the successful Government-Private Sector Forum.

- *Health Strategy Note (FY07)*. The objective of this strategy note will be to contribute to a joint process of stocktaking, policy discussion, and consultation with other development partners in preparation for the next five-year Health Sector Strategy. The policy discussion will focus on recommending changes needed in health sector interventions and in the health system and public institutions in order to improve the impact on CMDG targets for child and maternal mortality. It will distill conclusions and recommendations relevant to deciding on the World Bank’s future support strategy, in the context of wider official development assistance. Within this study, a key issue for examination will be how the proposed sector reforms and strategy would affect the physical and financial accessibility of health care services for the poor and vulnerable.

Table 16: Social Protection Priorities and Planned World Bank Support

Priority Areas	Planned Lending	Planned Analytical Work
<i>Objective 1. Help the poorest and most vulnerable</i>		
Addressing the vulnerability of children*		• Child Labor Study (FY06)
Protecting the voice and rights of the poorest	• Community Empowerment (FY07)	• Justice for the Poor Program (FY07)
<i>Objective 2. Provide the poor with a springboard to escape from poverty</i>		
Improving education attendance and quality*		
Fostering labor market development*	• RILGP II (FY07)	• Sources of Growth Study (FY06) • Investment Climate Assessment II (FY07) • Labor Markets and Industrial Relations Strategy (FY08)
Strengthening asset ownership	• Land Allocation for Social and Economic Development (FY07) • Land Management and Administration Project II (FY08)	
<i>Objective 3. Lower the impact of impoverishing risks</i>		
Addressing health risks*	• Avian and Human Influenza Control and Preparedness (FY07) • Health Sector Support Program II (FY09)	• Health Strategy Note (FY07)
<i>Cross-cutting – Addressing constraints</i>		
Addressing information constraints		• Poverty Assessment (FY06) • Moving out of Poverty Study (FY07)
Building Government capacity	• Poverty Reduction Support Credits (FY05-07) • Public Financial Management and Accountability Project (FY06)	

Priority Areas	Planned Lending	Planned Analytical Work
Strengthening social capital		

* indicates priority areas for *social protection* support, as described earlier in the chapter.

123. ***Although the planned World Bank program covers the main social protection objectives, it could push further in a number of areas.*** As shown in Table 16, the World Bank’s planned program of support covers only some of the priority areas and gives very limited support to the priority areas for social protection, in particular. While it is not necessary, feasible, or desirable for the World Bank to be involved in all areas, it can go further in advancing these objectives in a number of ways:

- **Objective 1 – Helping the Poorest and Most Vulnerable.** The World Bank program includes very limited support for helping the poorest and most vulnerable. Some of its support to Objective 2 may *de facto* reach these groups, but the World Bank does not have direct support—for example, through transfers—targeted specifically at them. As highlighted above, it may not be necessary for the World Bank to focus on specific sub-groups among the poor and vulnerable population since many of these groups are already the focus of other donor and NGO programs. Nor would it necessarily be desirable, as other donors and NGOs have past experience in implementing such programs which gives them a comparative advantage. However, the World Bank can offer more support to addressing the vulnerability of children and youth, which is still not sufficiently covered, by building on its experience in education and the results of the child labor study. If resources allow, the World Bank could support the scaling up of successful initiatives that provide incentives to keep children in school, such as the scholarship program which provides conditional cash transfers for sending girls to school. Because poor nutrition is a major contributor to the vulnerability of children, such activities could go further in linking education to food and nutrition support, particularly for younger children. The scope for providing support to the very young to help improve nutrition and life expectancy should also be explored.

Using information from this study and the 2006 Poverty Assessment, the World Bank should also conduct a review of its projects to determine whether it is channeling resources to where support is needed most. As noted earlier, a geographic review by province or region may be the easiest method for determining if overall resource allocations are appropriate. This type of review should also be conducted for the total resources flowing through Government, donor, and NGO programs, as the World Bank is only one player among many.

- **Objective 2 – Providing a Springboard to Help the Poor.** Under this objective, the World Bank could further strengthen its support to building human capital. Activities targeted at vulnerable children (objective 1) would also help to build longer-term human capital which could serve as a platform for raising incomes and climbing out of poverty. Education support could also be used to continue and scale up activities that promote secondary school enrolment, an area in which Cambodia’s progress has been lagging.

Given the considerable pressures that Cambodia will face with its demographic bulge in young labor force entrants, the World Bank could also do more to increase its support for creating productive off-farm opportunities. While the RILGP and RILGP II are directed at rural areas, these projects are aimed mainly at creating rural infrastructure. Opportunities for using the RILGP II to encourage off-farm employment creation could be explored as the project design takes shape. The World Bank could also consider more direct support to identifying and fostering opportunities in the informal/rural labor markets, using the upcoming Labor Markets Study to develop a better understanding of the key issues to shape future activities.

- Objective 3 – Lower the Impact of Impoverishing Risks. The World Bank has been providing support to the health sector through a number of channels. Given the severe implications of health shocks on the poor and vulnerable, health sector support should remain a priority going forward. The World Bank could continue to work with the Government and other partners to scale up successful initiatives such as equity funds, with a view toward longer-term sustainability.
- Addressing Cross-Cutting Constraints. The World Bank should continue to look for ways to strengthen Government capacity. To the extent possible, future World Bank projects should consider ways to incorporate capacity building into project design, as well as encourage Government-NGO partnerships for implementation. In terms of more direct support, it is not yet clear how the planned Poverty Reduction Support Credits might address social protection objectives. The PRSCs should be reviewed during the early design stages to see if there are opportunities to advance these objectives. For example, it will be critical to address some cross-cutting issues in the health sector under the PRSC umbrella, including public sector financial management and performance and merit-based salary incentive reform. Likewise, the Public Financial Management and Accountability Project (FY06) could be used to help improve the management of Chapter 31 resources across the relevant Ministries. The support to veterans could serve as a case study for improving budget management.

The World Bank could also place greater emphasis on addressing the social capital constraint. Support for this objective would not necessarily require separate stand-alone activities. For example, the World Bank could help build social capital by promoting community involvement in its activities. The Social Fund experience offers lessons on how to strengthen the capacity of communities to plan and implement their own projects. Such lessons would be particularly relevant for the design of similar projects such as the RILGP II.

V. ROLE OF OTHER PARTNERS

124. *A division of responsibility among partners should be developed more rigorously.* Limited coordination among partners has resulted in a multitude of social protection-related activities that have not been reviewed for consistency or duplication. The initial analysis suggests that a reallocation of social protection support and renewed

attention to particular priority groups and areas is needed. Therefore, improved coordination among partners, focused on country needs and social protection objectives, is a critical task. Increased coordination could significantly enhance the impact of current interventions, both in terms of reinforcing and scaling up efforts as well as in eliminating duplication to use resources more effectively. A joint review of Government, NGO, and donor programs against country needs and social protection objectives should be conducted to inform program choices in more detail. Partners can use this review to develop a clear division of responsibility based on comparative advantages, areas of focus, and past experience working with certain groups or in particular provinces. Again, this review could take place around the new NSDP.

125. ***A detailed review of select programs and increased information sharing on implementation experience should be conducted.*** To date, an in-depth comparison of various approaches to social protection in Cambodia has not yet been conducted. Given the breadth of experience among partners, an in-depth study of selected programs would be extremely useful for informing the design of future activities. Oftentimes, NGOs or donors are required to prepare assessment reports upon the completion of specific projects, but these documents are not widely shared, nor have experiences been compared to identify best practice features. The review could identify a few projects that address each of the three social protection objectives and study them for effectiveness in reaching beneficiaries, impact achieved, cost and efficiency of delivery mechanisms, and sustainability.

126. ***For NGOs and donors, scaling up successful interventions and consolidating efforts could bring “quick wins” and be more effective than starting new programs.*** For promising interventions, NGOs and donors should consider mobilizing support to scale up activities. Because those approaches have been piloted, and lessons of experience learned, the probability of achieving impact is much greater than starting with completely new programs. Effective monitoring and evaluation of programs is critical in this regard. NGOs and donors should also look for opportunities to consolidate efforts and find creative ways to collaborate to increase effectiveness in achieving social protection objectives. For example, joint education and food programs can strengthen incentives for schooling and promote dual objectives of building human capital and improving nutrition more effectively. Depending on the mode of collaboration, such partnerships may result in efficiency gains and free up the resources of the individual partners.

127. ***Working within Government systems should be considered in project design.*** While concerns regarding current Government systems and processes are understandable, circumventing the Government system completely will not help build capacity to implement such programs in the future. Donors may find that using NGOs to deliver support or working directly with communities is more effective than working with Government, but they do not have to be mutually exclusive relationships. Donors could provide resources to a Government agency, which would manage the project and channel support to NGOs or communities who would handle implementation. The Social Fund projects used a similar approach—albeit with an autonomous agency—which required intensive management and supervision but proved to be effective, particularly when

partnerships with NGOs were leveraged well. Building trust will be a two-sided process, and the Government will need to improve governance to make such partnerships work. However, the additional investment of time and resources in working with Government will likely pay off in the long run, for example by increasing the likelihood that projects can be handed over to the Government and sustained in the future.

128. *For successful programs, sustainability issues should be addressed early.* One major problem with many NGO and donor initiatives is that despite their success, they are not sustainable due to lack of funding after initial project support ends. While it may not be an issue for projects aimed at providing only short-term emergency support to particular groups—although arguably project resources should serve the dual purpose of promoting longer-term objectives, as well—projects requiring a longer time horizon to realize impact should have a clear plan for ensuring sustainability. In this regard, building partnerships, fostering local ownership, and gaining Government commitment to sustain activities are critical. Partners should also be aware that a more defined and focused set of activities will help resources go further.

VI. NEXT STEPS

129. *A discussion among the Government and key partners should be held to confirm objectives, review support, and determine future actions.* Building on the “Dialogue on Social Protection Issues” held in 2004, a meeting of key partners and stakeholders could be convened to develop a shared view of social protection objectives and priority areas. The meeting would also review Government, NGO, and donor support against these objectives to identify gaps and areas for further collaboration. As noted above, the NSDP could serve as a catalyst for convening this meeting, and the outcomes could be used to inform NSDP implementation.

130. *A similar process of review across sectors should be initiated within the World Bank.* Based on the outcomes of the dialogue and with inputs from the SPSN and Poverty Assessment, the World Bank program—both current and future activities—should be reviewed to determine how interventions can be better targeted to meet agreed social protection objectives. Furthermore, an active effort is needed to foster cross-sectoral collaboration that could increase the impact of social protection-related interventions, particularly for labor market development. As outlined above, the current and planned country program offers a number of promising opportunities for addressing poverty and vulnerability across sectors. Specific measures could include a strategic focus on key vulnerable groups such as children and youth or special attention to how such groups could benefit from particular interventions, targeting of interventions on key sources of vulnerability, and coordinated support aimed at improving the effectiveness of government service delivery.

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