

Cambodia's Rural-Urban Poverty Linkages

Summary Note¹

Facts about Poverty in Cambodia

Urban and rural poverty rates in Cambodia as of 2012 were 14.45% and 20%, respectively while the national poverty rate was 18.9%, a one-percentage point reduction from 2011. Factors behind this achievement include annual average GDP growth rate of 6% to 7%, sustained growth in the agricultural sector of about 3%-4% per annum², expansion of land area under paddy cultivation (7% growth)³, rapid labor absorption in non-farm sectors⁴, and reduction in consumption inequality⁵.

Cambodia's current food poverty line, that is associated with a kilocalorie count of 2,200, is derived by calculating the level of per capita food consumption expenditure per day. The nutritional norm of 2,200 kilocalories is the basis to determine how much people typically need to spend to consume enough food to meet minimum 2,200 kilocalories. Although the 2,200 kilocalorie-intake per day is the national threshold which is applied to all, individual kilocalorie for urban dwellers and rural dwellers are different to reflect difference of livelihood and type of labor. Therefore, per capita kilocalorie-intakes per day for urban and rural dwellers in 2012 were 2,451 and 1,972, or equivalent to USD1.27 and USD1, respectively.

The latest poverty estimates showed significant improvement, more than halving poverty from 47.8% (2007) to 18.9% (2012), but the challenges to further reduce expenditure poverty and **deprivation** of access remain worrisome. Continued reducing of poverty, regardless of urban or rural areas, has been the ultimate goal of the government's policy agenda reflected in the **Rectangular Strategy and National Strategic Development Plan**. To this end, a shift from a low-income country to a lower-middle income status by 2015 and to an upper-middle income country by 2030 is a government's primary objective.

Urban-Rural Population, Poverty, and Inequality

Considering that more than 50% and 30% of the population lived in urban China and urban India respectively, Cambodia's urbanization pace is fast with already 21% of its population

¹ This is a note on rural-urban poverty linkages in Cambodia. The note was produced by the Cambodian delegation to the "Rural-Urban Poverty Linkages" conference, held on 2-4 Sept 2014 in Zhejiang, People's Republic of China. The views expressed in this note are those of the authors, and do not necessarily reflect the views and policies of the organizers (Asian Development Bank [ADB] and International Poverty Reduction Center in China [IPRCC]), or ADB's Board of Governors, or the governments they represent. ADB and IPRCC do not guarantee the accuracy of the data and information in this paper.

² The data is extracted from the Macroeconomic Framework, Ministry of Economy and Finance, Cambodia.

³ The data is retrieved online from the website of Ministry of Agriculture, Forestry, and Fisheries, Cambodia.

⁴ Together, service and industry sector absorbed about 49% of total labor force, an increase of 4 percentage point between 2010 and 2012. There had an acceleration urban non-agricultural sector in the recent past and the process seems to be on-going due to demographic bonus and change in structural economy. Cambodia Socio-Economic Survey datasets have been used to generate the estimates of statistical indicators (employment by industrial sector and by region using current status). Working-age population in the estimates is between 15-64 years old. The secondary data is available through the website of national Institute of Statistics, Ministry of planning, Cambodia.

⁵ The estimate of consumption inequality employs Cambodia Socio-Economic Survey datasets. The main drivers of poverty reduction could be also better prices of paddy, increasing wages of employment in non-agricultural sector, and increasing remittances.

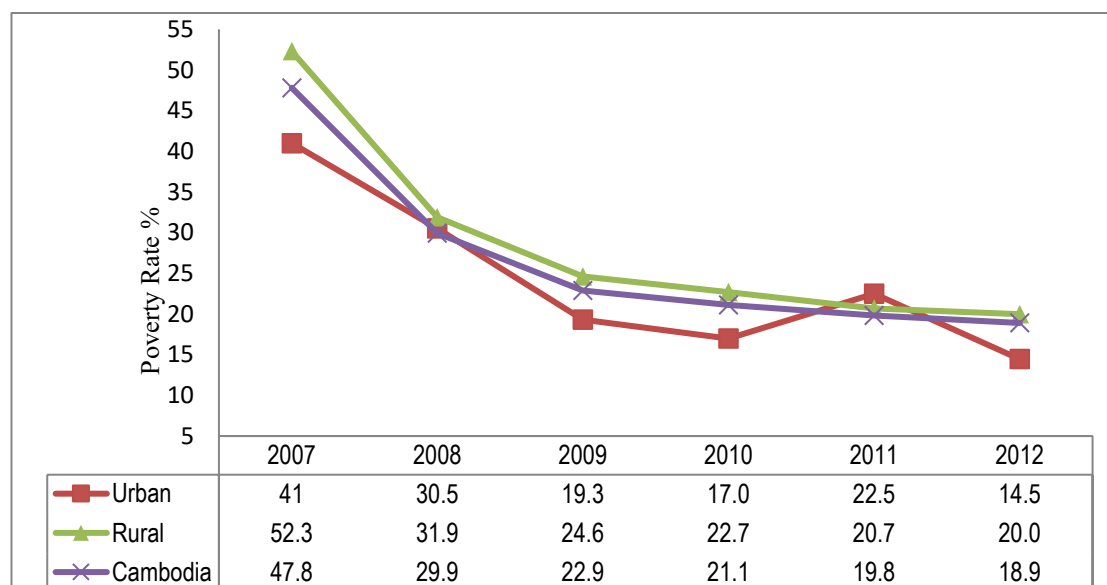
living in urban and rapidly urbanizing areas in 2012⁶. It is estimated that by 2015, the share of urban population to total population would increase incrementally by 2 percentage points. Urban population growth rate has been on average 5 times higher than its rural counterpart and it is rapidly rising⁷. However, as urban population is congested, several questions have been posed about the sustainability of poverty reduction, inequality lessening, living quality, and access to social services in receiving migrant areas.

Of the total number of the poor measured by monetary poverty in the overall distribution of consumption, about 81% lived in rural areas in 2012, a decrease from 86% in 2009. In spite of the decreasing trend of poverty in rural areas, it implies that Cambodia's poverty was mainly concentrated in its large agricultural sector (33.5% share of GDP), which had low productivity, value-added, and growth (on average 4%) in 2012. From the non-monetary dimensions of poverty, the poor in rural areas most likely had limited access to high levels of education attainment, health care, infrastructure, land and other productive assets, improved water and sanitation, and social protection programs.

Table 1: Trends in Poverty Rates in Cambodia 2007-2012 by Urban and Rural

Of the 14.3 million Cambodians (2012), less than 260,000 or 14.5% lived under the poverty line in urban areas and about 2.2 million or 20% lived in poverty in rural areas⁸ (Table 1). Thus, poverty in Cambodia is overwhelmingly a rural phenomenon.

The rise in household consumption is reported to be both apparent and statistically



significant in the two poorest quintiles. Consumption among the poorest and next poorest quintiles marginally increased in real terms, which led to a smaller inequality in general over the last few years. However, small share of total consumption mainly skewed towards rural areas. Urban households consumed on average 1.5 times more than their rural

⁶ An update of population projection data of General Population Census 2008. The urban population using Cambodia Socio-Economic Surveys yield different estimate by 2 percentage point in 2012.

⁷ The population growth rate in urban areas has annually increased on average of 3.9% from 2010 to 2012.

⁸ The estimates employ Cambodia Socio-Economic Survey (CSES) 2012.

counterparts⁹ even if price difference was controlled (price differences do not affect consumption level).

Rural-Urban Poverty linkages

Poverty-related linkages between urban and rural areas in Cambodia lie in migration (through urban-to-rural remittances) and reclassification of rural areas into urban zones. Over the past 15 years, migration to the city and other urban areas has increased rapidly. In the meantime, urbanization growth accelerated in recent years in response to population growth.

Growing physical transfer of people, goods, capital, and information between rural and urban areas are increasingly interconnected. Economically, rural-urban migration increased households incomes in the form of remittances (an increase in total transfers received), thereby, contributing to a reduction of rural poverty incidence.

As urbanization, land management and urban planning, sustainable rural-urban development, and urban-rural poverty linkages are under-researched and especially in response to the challenges of rapid migration and the recent return of hundred thousands of unregistered Cambodian migrant workers from Thailand, the following points may be of interest:

- There is a need to formulate a holistic urban-rural poverty research agenda that will enable the Royal Government of Cambodia to promote sustainable and inclusive urban-rural growth.
- It is necessary to have a closer look at and understand how rural-urban linkages beyond migration (through urban-to-rural remittances) and reclassification may contribute to the sustainability of urban-rural poverty reduction. Perhaps deconcentration and decentralization reform is another determinant for rural-urban poverty alleviation in Cambodia.
- In the short- and medium term, there is a need to investigate whether the city and other urban areas can absorb the increasing employment-seekers¹⁰ in addition to growing urban population and whether the rapid pace of urbanization will not result in an increase in the number of urban poor or a deterioration of the urban poor's livelihood.
- There is a need to carefully examine rural areas from where migrants originated from so that rural-to-urban migration can be reduced.

In short, household access to public services/goods and pro-poor programs in urban and rural areas is one of the core elements of poverty reduction. However, rural-urban linkages for poverty reduction may be more challenging when it comes to ASEAN Economic Community 2015 and beyond 2015 given the current level of socioeconomic development of each country in general and Cambodia in particular. Therefore the roles of ASEAN Economic Community in 2015 and beyond 2015 for rural-urban linkages for poverty reduction will be important for discussion in addition to other discussion topics.

⁹ The estimates of household consumption expenditure can be obtained online from the website of National Institute of Statistics, Ministry of Planning, Cambodia

¹⁰ Employment seekers including new arrivals whether or not with high skills from the neighbouring country