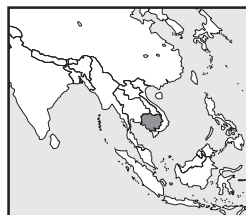


The long road to poverty eradication

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Despite official policy pronouncements and some genuine efforts to reform the health and education sectors, structural obstacles, most particularly low budgetary allocations and disbursement systems that are slow and not always transparent, block progress and have a debilitating effect on the quality and delivery of services. The deep structural macro-economic problems worsen year after year and paralyse the whole public health sector. Access to key natural resources are auctioned off to be commercialised, leading to further impoverishment of the population.

The Paris Peace Agreement of October 1991 ended more than two decades of civil war and international isolation, which had reduced Cambodia to a state of near collapse. The rapid transition to an open-market economy and generous terms for foreign investment during the 1990s took place in a climate of ongoing political instability amidst strong external pressure for political and administrative reform.

The political consequences of almost 30 years of conflict have received much analysis and discussion. The consequences for people's economic, social and cultural rights to development have so far not been comprehensively examined. The present analysis considers the process of privatisation of basic services and access to natural resources, which have long been the sources of subsistence for the rural poor. Currently 36% of the population earn less than USD 1 each day. Halving that poverty level by 2015 appears to be a daunting job.

The forgotten priority

Because of serious budgetary limitations, the Royal Cambodian Government is unable to contribute adequately to social and economic development. The current national budget allocation to the social sector is vastly inadequate for the needs of the population groups most at risk. These groups include the thousands of people disabled by war and landmines, the elderly and elderly widows in particular, the unemployed and large number of under-employed who are struggling to raise their children, and the ever-growing number of widows and orphans left behind by the AIDS epidemic.

Government debt reached USD 558 million, or 17% of GDP, by the end of 2001. Most of the debt is from loans from the World Bank and the Asian Development Bank with a ten-year grace period. Cambodia will begin to pay its first debt service commitment, about USD 500,000, in 2003.

Table 1 shows budgetary allotments to the various sectors in 2000 and 2001. (Actual expenditures were about 80% of the allotment in 2000 and about 82% in 2001.)

TABLE 1

	USD MILLIONS		PERCENTAGE	
	2000	2001	2000	2001
	TOTAL BUDGETED EXPENDITURES	390	413	100
Defence & Security	114	106	29.2	25.7
Education and Health	68	87	17.4	21
Economic Ministry	27	38	6.9	9.2
Other State Institutions	102	110	26.2	26.7
Investment	79	72	20.2	17.4

Source: Sok Hach and Sarthi Acharya, *Cambodia's Annual Economic Review 2002*, Cambodia Development Resource Institute, 2002.

Cambodia's neighbour, Thailand, spends much more on the social sector, as seen in table 2.

TABLE 2

A Comparison of social and economic development investment		
	CAMBODIAN GOVERNMENT	THAILAND
Health care	USD 7 per person	USD 150 per person
Public infrastructure development	USD 6 per person	USD 180 per person

Source: Sok Hach and Sarthi Acharya, *Cambodia's Annual Economic Review 2002*, Cambodia Development Resource Institute, 2002.

In 1999, NGOs and donor nations financed 46% of the total spending on education, while households and the government each financed 27%. For health care, households financed up to 82% of the total cost, while donor countries and NGOs financed up to 14% and government only 4%. These structural problems worsen year after year and paralyse the health sector. Cambodian families often have to sell their land and vital assets to finance their healthcare needs.²

Despite official policy pronouncements and some genuine efforts to reform the health and education sectors, structural obstacles, most particularly low budgetary allocations and disbursement systems, which are slow and not always transparent, block progress and have a debilitating effect on the quality and delivery of services to the people.

Privatisation and management of natural resources

Land and forest concessions have been widespread since 1993. The 1987 Fisheries Law, which auctioned off and commercialised fishing resources, put fishermen around the Great Tonle Sap Lake in extreme poverty. Thirty-eight percent of people in this area live under the poverty line. The commercial fisheries have destroyed fish resources through over-fishing, and this has led to violent conflicts between local communities and fishing lot operators.

Widespread protests by local communities against the commercial fishing operators have led to some reforms being undertaken by the Royal Government. Through these reforms 56% of the fishing grounds were released to local communities to establish community fisheries. However, most of the released sites proved to be unproductive.

The right to self-determination means that people must have access to the means of subsistence. Where 84% of the population still depend on the natural resource base for their livelihood, access to land, forests and fisheries is vital for their very survival. Denial of that access as a result of the concession system has severely affected people's livelihood, especially in relation to food security.

¹ Most of the content of this report was extracted from the 2001 Cambodian NGO Report on the International Covenant on Economic, Social, and Cultural Rights.

² Cambodian Development Resource Institute. *Social Assessment of Land in Cambodia*, 2001.

The incidence of poverty and indigence in rural Cambodia is high, and often spills over into the cities: farmers defeated by flood, drought, debt and increasingly by landlessness, drift to the city and take shelter in one of at least 500 settlements for the urban poor which currently house around 35,000 families.

Governance and socially vulnerable groups

Poor governance and entrenched corruption contribute directly to poverty, and call out for the adoption of legislative measures. There has been a marked increase in official corruption but no real effective action taken to put a stop to it. In particular, the failure of the government to provide adequate salaries to its workers induces them to extort illegal payments from users of public services such as roads, schools and hospitals. Poor people who cannot make illegal payments often go without health care and education. The high cost of public education to families means that the majority of children in Cambodia still fail to complete their basic schooling.

Corruption has put children greatly at risk. Illegal adoption practices, child pornography, and the sexual exploitation of children are matters of serious concern. It is estimated that there are 80,000 to 100,000 commercial sex workers in Cambodia, of whom about 30% are thought to be less than 18 years of age. The sexual exploitation of children, mainly girls, is directly related to prevailing attitudes towards gender roles. Between 400 and 800 Cambodian women and children are trafficked to foreign countries for sex each month.³ This puts the population of child sex workers at about 5,000 in Phnom Penh alone.⁴

The effect of poor governance is also felt in the countryside, where conflicts often erupt into violent armed confrontations without any formal mechanisms to control or stop them. In the city, poor communities are constantly threatened with eviction for the purposes of «development» or for plans for the «beautification» of the urban landscape. At least ten evictions occurred during 2001, displacing thousands of families, many with little notice, and relocating them to areas with inadequate provision for basic infrastructure and services.

Finally, unenforced laws leave workers vulnerable. Although the Cambodian Labour Law of 1997 is judged to be fair and comprehensive, apart from the garment and shoe-making factories, very few employees have benefited from its enactment. Even within the foreign-owned garment and shoe factories, ignorance of the law and abuse of the workers' right to organise is widespread, according to a recent International Labour Organisation report and studies by a local NGO. The main failure lies with the government, which has not provided an efficient monitoring tool for assessing working conditions and protecting employees from employers' intervention with their union.

The bitter outcome for the poor of a decade of open foreign investment

The government adopted a liberal investment regime, embodied in the Investment Law adopted by the National Assembly on 4 August 1994.⁵ Liberalisation and high incentives for foreign investment for over a decade, have increased GDP from USD 2,151 million in 1993 to USD 3,234 million in 2001, and increased employment from four million to five million. However, economic growth has failed to spur economic development in Cambodia, which did not trickle down to the ordinary citizen.

Poverty has increased over the decade. The poverty rate figure for Cambodia is 36%, but the poor are concentrated mainly in remote provinces where poverty can reach as high as 90%.

The 2002 Cambodia Poverty Reduction Strategy Paper measures poverty by using two standards: the «Food poverty line» and the «Overall poverty line».

As defined by this paper, the food poverty line implies «an adequate income for a person to consume a food basket that provides at least 2,100 calories of energy per day and a small allowance for non-food items such as shelter, and clothing.»⁶ In 1993-1994, the food poverty line was 20%; in 1999, it was standing at 28.9%. Poverty has also increased during the decade if measured through the Overall Poverty line—which takes non-food consumption into consideration—from 39% to 51.1%.

Besides the growth of poverty, a wider disparity has been created between a few powerful government officials and the ordinary majority. There is more and more migration of rural young people to the city, mostly of women to work in the garment industries. Large land and forest concessions to foreign companies have disenfranchised many rural farmers. Many of them lost their productive land and natural resources on which they depended for their livelihood. There have been repeated natural disasters of flood and drought, which devastated the farmers' rice production and threatened the food security of many rural communities.

Illegal payments have made the cost of doing business in Cambodia very high. Corruption is the main complaint of all businesses. Porous borders make legitimate businesses unable to compete with contraband products. The main income for the government is tax on gasoline, which has made the cost of production very costly, especially for small and medium-sized businesses and farmers. To make matters worse, the unreliable justice system makes business in Cambodia risky and unpredictable. In addition, the «dollarisation» of the Cambodian economy has made its products expensive and unable to compete with Vietnamese and Thai goods.

The premature opening of the economy to free trade without first going through capacity-building and strengthening the current public administration and education system has attracted foreign companies that are only searching for short term profits. These companies will soon deplete Cambodia of its natural resources and worsen its serious economic and social problems.

In short, the process of change is long and painful. ■

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3 David Kihara, «Enforcement key to stop child trafficking», *The Cambodian Daily*, 3 August 2001.

4 United Nations Development Programme. *Cambodian Human Development Report 2000*.

5 U.S. Department of Commerce, National Trade Data Bank, 3 September 1999. <http://www.tradeport.org/ts/countries/cambodia/climate.html>

6 <http://poverty.worldbank.org/files/Cambodia%20iprsp.pdf>