I. Introduction

Cambodia is a country in transition. It had experienced almost three decades of civil war from 1970 to 1998, which shattered its economy in all fields. And it had isolated from regional and international associations more than two decades in both, economic and political issues. Unlike other transitional economies, Cambodia is a country not only in transition from the centrally-planned economy to the free market orientation but also from the rehabilitation and reconstruction to the development.

About 85 percent of the population live in the rural areas and some 90 percent of them are still found poor although the incidence of poverty had reduced from 43 to 40 percent in the rural areas. It should be noted that those who are not considered as poor (living above the poverty line) are living just above the poverty line and they are susceptible to any shocks both natural and/or man-made disasters.

The purpose of this paper is to evaluate the access to health service and schooling using data from Cambodia Socio-economic Survey of 1997 and especially 1999. The paper also looks into the effects of poverty on the health and education services.

The paper is outlined as follows. Part I provides an overview of the poverty status based on the socio-economic data of 1993-94, 1997, and 1999, and the outline of the paper. Part II provides a brief economic situation of Cambodia before and after the financial crisis in 1997. Part III provides a succinct poverty profile of Cambodia focusing on health and education status. Part IV provides the situation of health services and education and school enrollment of the poor. Part V analyzes the government policy in reducing poverty and in improving the status of health and education services. Part VI focuses on the proposed policy recommendations for poverty reduction and for the improvement of health and education situation.

II. Economic Background

Cambodia's economy is mainly dependent on agriculture. In 1997, Agricultural sector accounts for 42.7 percent of GDP, followed by Service sector, 39.9 percent, and Industrial sector, 17.4 percent.

Real GDP growth rate was quite high in 1995 and 1996, at 7.6 and 7.0 percent respectively and then it declined to 1 percent in 1997 and remained the same in 1998. The declined in the real GDP in 1997 and 1998 was due to the financial crisis in the region coupled with the internal political instability as well as severe weather, leading to the internal political crisis of 5 and 6 July 1997. Cambodia was supposed to enter into ASEAN in July 1997 but due to the internal political crisis Cambodia had been rejected as a member of ASEAN until early 1999 when the internal political situation was stabilized.
the aftermath of the crisis, some foreign investors withdrew their investments leading to an increase in unemployment. 1998 was the year during which Cambodia held the second general election. The politics was very uncertain at that time and caused the investors to hesitate to come back continuing their business and as a result the real GDP did not increase.

Inflation, in terms of CPI has been increasing year on year basis from 1995 until 1998. It is projected that in 1999 the inflation declines to around 5 percent measured by CPI and 6.7 percent measured by GDP deflator.

The budget performance is poor. The government run budget deficit every year (see table below). The revenue stream year on year basis was slightly erratic. Revenue comes from two sources namely tax revenue and non-tax revenue. The non-tax revenue constitutes around 70 percent of the total revenue. The revenue has been much lower than the expenditure, even the current expenditure.

Import and export of goods has been increased overtime. However, the Country has experienced trade deficit every year. The production base in Cambodia is in its infancy with backward technologies. As mentioned above, the output produced response to domestic demand. However, the quality of products could not compete with the foreign products. On top of this, the prices of local products are more expensive than its foreign counterparts. Therefore, people tend to use foreign goods with high qualities and cheaper prices.

Table I: GDP Composition and Annual Growth

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP in current prices (in Billion Riel)</td>
<td>7,200</td>
<td>8,250</td>
<td>9,100</td>
<td>10,900</td>
<td>11,900</td>
<td>13,000</td>
<td>14,300</td>
<td>15,760</td>
</tr>
<tr>
<td>Exchange Rate (Riel to USD)</td>
<td>2575</td>
<td>2638</td>
<td>2991</td>
<td>3770</td>
<td>3800</td>
<td>3881</td>
<td></td>
<td></td>
</tr>
<tr>
<td>As a percentage of GDP</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture</td>
<td>43.5</td>
<td>42.3</td>
<td>42.7</td>
<td>41.9</td>
<td>40.9</td>
<td>40.0</td>
<td>39.4</td>
<td>38.7</td>
</tr>
<tr>
<td>Industry</td>
<td>16.6</td>
<td>18.3</td>
<td>17.4</td>
<td>18.0</td>
<td>18.2</td>
<td>19.4</td>
<td>19.8</td>
<td>20.3</td>
</tr>
<tr>
<td>Services</td>
<td>39.9</td>
<td>39.4</td>
<td>39.9</td>
<td>40.1</td>
<td>40.9</td>
<td>40.6</td>
<td>40.8</td>
<td>41.0</td>
</tr>
<tr>
<td>Annual Growth Rates (Constant 1993 Prices)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real GDP</td>
<td>7.6</td>
<td>7.0</td>
<td>1.0</td>
<td>1.0</td>
<td>4.0</td>
<td>5.5</td>
<td>6.1</td>
<td>6.3</td>
</tr>
<tr>
<td>Agriculture</td>
<td>6.4</td>
<td>2.4</td>
<td>1.2</td>
<td>0.4</td>
<td>2.5</td>
<td>3.3</td>
<td>4.6</td>
<td>4.7</td>
</tr>
<tr>
<td>Industry</td>
<td>10.1</td>
<td>18.2</td>
<td>-2.9</td>
<td>4.0</td>
<td>5.3</td>
<td>12.0</td>
<td>8.7</td>
<td>8.9</td>
</tr>
<tr>
<td>Services</td>
<td>8.0</td>
<td>7.3</td>
<td>2.5</td>
<td>0.3</td>
<td>4.9</td>
<td>4.8</td>
<td>6.2</td>
<td>6.6</td>
</tr>
</tbody>
</table>

Sources: Public Investment Program 2000-2002, and the Ministry of Economy and Finance
2.1. Economic Structures

Cambodia is one of the poorest countries in the world with GDP per capita at less than 300 USD. Cambodia’s economy is structured into three major sectors namely Agriculture, Industry, and Services.

**Agricultural sector**

The mainstay of Cambodian economy is agriculture. Around 85 percent of the total population is living in the rural areas. Between 85 to 90 percent of cultivated area (2,107,600 ha) is under the production of rice\(^1\). This sector employs almost 70 percent of the working population. The major agricultural products include rice, rubber, maize, sugar cane, cassava, bananas and marine products. The second most important crop after rice is rubber, which accounts for about 3 percent of the cultivated area. The agricultural output is very erratic depending largely on natural environmental surrounding.

**Industrial sector**

Cambodia’s industrial sector is relatively small. The industrial output has been produced mostly for domestic consumption. This sector is mainly based on light industries like textiles, food processing, tires, jute, and other light consumer goods.

The mechanical industrial goods have been produced just for domestic consumption, which include rice bowls, nails, aluminum cooking pots, agricultural tools and spare parts, bicycle spare parts, etc... Food processing industry has catered mainly for local demand. Its products include sweetened condensed milk, soda water, carbonated beverages, ice, cigarettes, liquor, flour and sugar. The main source of energy in Cambodia is firewood. The fuel supplies have been imported from outside.

**Service sector**

The services industry is the second largest contribution to the country’s GDP after agriculture. Tourism industry is the greatest potential for the future economic development. The major sub-sectors of the services industry are Transport and Communications, Wholesale and Retail Trade, Hotels and Restaurants, Administration and Defense, Home Ownership, and Other Services including Banking and Finance.

**Regionalization and Globalization**

The reintegration of Cambodia's economy into the region and globalization has positive and negative impacts on its economic development due to the fact that the country is weak

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\(^1\) Cambodia’s first socio-economic development plan, 1996-2000
in terms of human resource to carry out the reintegration process. The reintegration of Cambodia's economy into the region and world economy would have a negative effect on the country's economy, aggravating the incidence of poverty, if the country is not well prepared and strong enough to capitalize on the reintegration process. This paper does not investigate the impacts of regionalization and globalization of Cambodia's economy, on the poverty alleviation efforts.

III. Poverty profile on health and education status

Poverty is a rural phenomenon in Cambodia. Using socio-economic survey of 1993-94 data, for Cambodia as a whole, there was 39 percent of the population living below the poverty line. To break down into regions—Phnom Penh, Other urban area, and Rural area—the poverty was relatively low in Phnom Penh (11 percent poor), considerably higher in Other urban area (37 percent poor), and highest in Rural area (43 percent poor)². However, by using the 1997 socio-economic survey data, the incidence of poverty had declined modestly from 39 to 36 percent for Cambodia as a whole. Breaking down into regions, the incidence of poverty declined significantly in Other Urban areas from 37 to 30 percent, modestly in Rural areas from 43 to 40 percent, but not at all in Phnom Penh, remaining at 11 percent. The poverty profile of Cambodia 1999 has found that the incidence of poverty for Cambodia as a whole was 35.9 percent, with being a very small or ignored reduction from the headcount poverty rate of 36 percent. It should not be surprised that the incidence of poverty did not fall during 1997 and 1999 is that Cambodia experienced both internal political crisis, in 1997, which had an adverse impact on the poverty, and external or Asia financial crisis.

Poverty Line

The first poverty line (food poverty line + non-food allowance) for Cambodia is based on standard methods used by the World Bank in poverty estimate for neighboring countries. The food poverty line is based on a benchmark per capita calorie requirement of 2,100 calories per person per day, with the composition of the underlying food bundle chosen to be representative of typical consumption patterns in Cambodia and they take into account geographic price variations in the cost of the same food basket.

In reality, this requirement varies according to age group, weight, and working activities. It varies from 1915 calories for a 10 year-old girl in developing country to 2780 calories for subsistence farmer. To convert into money expenditure on food to get 2,100 calories, in 1993-94, the people in Phnom Penh need to spend 1,185 riels per day, the people in Other urban areas need to spend 995 riels per day, and the rural people need to spend 881 riels a day.³

The food poverty line in 1999 is 1,761 Riels for Phnom Penh per person a day, 1,592 Riels for Other urban areas per person a day, and 1,404 Riels for Rural areas per person a day.

³ A Poverty profile of Cambodia, World Bank discussion paper No. 373
Table II: Comparison of Food Poverty Line by Food Group (in riels per person per day)

<table>
<thead>
<tr>
<th>Food items</th>
<th>Phnom Penh</th>
<th>Other Urban</th>
<th>Rural</th>
<th>Calories</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beverages</td>
<td>51.3</td>
<td>37.1</td>
<td>31.2</td>
<td>122.3</td>
</tr>
<tr>
<td>Cereal</td>
<td>289.0</td>
<td>247.3</td>
<td>246.8</td>
<td>1440.2</td>
</tr>
<tr>
<td>Dairy products</td>
<td>7.6</td>
<td>2.7</td>
<td>5.7</td>
<td>1.5</td>
</tr>
<tr>
<td>Eggs</td>
<td>20.6</td>
<td>20.8</td>
<td>20.7</td>
<td>7.8</td>
</tr>
<tr>
<td>Fruit</td>
<td>104.5</td>
<td>78.2</td>
<td>62.5</td>
<td>55.6</td>
</tr>
<tr>
<td>Meat</td>
<td>433.7</td>
<td>368.3</td>
<td>311.7</td>
<td>202.8</td>
</tr>
<tr>
<td>Oils and fat</td>
<td>13.1</td>
<td>12.8</td>
<td>12.5</td>
<td>50.3</td>
</tr>
<tr>
<td>Other food products</td>
<td>54.4</td>
<td>35.4</td>
<td>26.2</td>
<td>55.7</td>
</tr>
<tr>
<td>Sugar, salt, spices and seasoning</td>
<td>92.3</td>
<td>84.2</td>
<td>81.0</td>
<td>121.5</td>
</tr>
<tr>
<td>Vegetables</td>
<td>118.3</td>
<td>108.5</td>
<td>83.1</td>
<td>42.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1184.9</strong></td>
<td><strong>995.3</strong></td>
<td><strong>881.4</strong></td>
<td><strong>2100</strong></td>
</tr>
</tbody>
</table>

Another part of poverty line is none-food allowance, i.e. the amount of non-food items consumed by those with per capita total expenditure just equals to the food poverty line. In terms of money expenditure, the estimated non-food allowance is 393 riels per day in Phnom Penh, 269 in Other Urban areas and 236 in Rural areas.

Therefore, the poverty lines for Cambodia in 1993-94 were 1,578 riels per person per day in Phnom Penh, 1,264 riels for Other Urban areas, and 1,117 riels for Rural areas.

The updated poverty lines for the year 1997 using the retail price changed during the period July-September 1994 (the baseline period) to June 1997 (the time of the 1997 CSES) were 1,819 riels per day per person in Phnom Penh, 1,407 riels in Other Urban areas, and 1,210 riels in Rural areas. These poverty lines increased 15 percent for Phnom Penh, 11 percent for Other Urban areas, and 8 percent in Rural areas, from the baseline period. However, at the same period, the real per capita consumption increased by 8 percent, 16 percent, and 7 percent in Phnom Penh, Other Urban areas, and Rural areas respectively.

The reason for the almost insignificant decline in poverty between 1993-94 and 1997 was that the rapid growth of the Cambodian economy was associated with a significant increase in consumption inequality. While the poorest 20 percent of the population increased their real consumption expenditure per capita by 1.7 percent between 1993-94 and 1997, the corresponding increase for the richest 20 percent of Cambodian population was 17.9 percent. The poor were unable to participate and benefit in a balanced manner from the growth of the economy.

**Characteristics of the Poor**

**Education:**
The poor in Cambodia are more likely to live in household in which the head of household is illiterate and has significantly fewer years of schooling. Poverty rates are higher for households in which head of the household has had either no formal education (38 percent) or only some primary schooling (39 percent). The prevalence of poverty among
households in which the head has completed lower secondary schooling and higher secondary education falls to 32 percent and 24 percent, respectively. In households where the head is a university graduate, the poverty incidence is only 7 percent.

In the rural areas, the poorest quintile has net primary school enrolment of 50 percent, significantly below the 75 percent of the richest quintile. Less than 5 percent of rural children ages 12-14 in the poorest quintile are enrolled in lower secondary schools, but 25 percent in the richest quintile are. Enrolment rate of the male population aged 5-19 is 55.6 percent while the female population is 45.7 percent. The percentage of 5 years and over in the rural area with no grade completed is 28.1 percent for the male and 41.5 percent for the female.

The costs of education services are also disproportionately borne by the poor. The cost of one child in primary school takes up a quarter of all non-food spending per capita in the poorest quintile, while a child in lower secondary school takes 57 percent of non-food spending. The highest out-of-pocket costs are experienced by poor households, while wealthier households are more likely to benefit from fee exemptions at public facilities.

The CSES 1999 data show that adult literacy rate was 71.2 percent nationally. The rates for males and females were 82.9 percent and 61.1 percent respectively. The literacy rates were 87.29 percent in Phnom Penh, 72.04 percent in other urban areas and 69.18 percent in rural areas. However, the CSES 1999 literacy surveys relied on people’s own evaluation of their ability to read and write. A reading and writing test done by Ministry of Education, Youth and Sport (MEYS)/UNESCO reported that functionally literate people make up only 37 percent of Cambodia’s adult population. The survey also showed strong connections between illiteracy and poverty. Farmers, fishers, housewives, laborers and highland minorities are groups with high level of illiteracy. It was concluded that the poor and the illiterate are largely the same people. The Survey done by MEYS/UNESCO also indicated that gender imbalances in the literate population are severe. The survey shows that 47.6 percent of men are literate, while only about 22 percent of women can read and write. In general, people aged 25 to 40 had a higher illiteracy rate than other age groups, thus suggesting that they were deprived of education during the protracted wars.

Health:
Poorer households have less access to basic social services than the better off. Only 4 percent of people in the poorest consumption quintile have access to piped water compared to 17 percent in the richest consumption quintile. About 21 percent of the people in the poorest quintile have to travel more than 5 kilometers to reach a health clinic; only 14 percent in the richest quintile have to travel that far.

The costs of health services are also disproportionately borne by the poor. Households finance 82 percent of all health expenditures, while donors and NGOs contribute 14 percent each and the government 4 percent (see Cambodia public expenditure review). Like the expenditure on education by the poor, the highest out-of-pocket costs are experienced by poor households, while wealthier households are more likely to benefit from fee exemptions at public facilities.
The nature of the impoverishment is the lack of opportunities, vulnerability, low capability and social exclusion.

Lack of Opportunities
The poor lack access to education leaving them with few marketable skills and an inability to participate in modern production process and obtain access to credit. Rural people in Cambodia have less access to social services such as health, education and safe water. In addition, knowledge of their rights as well as the protection of their rights and information about how government works is also not knowledgeable among themselves. Inadequate public services, underdeveloped markets, weak communications and infrastructure, insufficient health and education and insecurity are dominant features of rural life that contribute to poverty.

Vulnerability
The poor people living in the rural areas face food insecurity due to their low purchasing power and their remoteness. Food insecurity is still a major aspect of poverty in rural areas. It is estimated that 20 percent of rural people is unable to secure adequate food to meet the nutritional standard of 2100 calories per day. The consequence of food insecurity is that one in every two children in Cambodia is malnourished (UNDP 1997). In rural areas, anemia in children is estimated at 80 percent. Food insecurity results from the low incomes and high levels of indebtedness, high variation in food production over time and across regions, inadequate distribution and marketing infrastructure linking food deficit and surplus areas. Moreover, the high variability in agricultural production, resulting from extreme vulnerability to flood, drought, and insect infestation and regional differences in performance. Land of poor quality, insufficient household labor (especially households headed by women), mono-crop system and lack of water are also the sources of household food insecurity.

In some provinces, there are rice surplus, while in other provinces there are food deficits. However, some communes in the rice surplus provinces, experience food deficits. Due to poor transportation and marketing facilities, it is difficult for households in food deficit regions to get access to the supplies of food in food surplus ones. Due to harvesting of rice depends on weather conditions, floods and droughts can have adverse impacts on food security.

Some 47 percent of the population do not have adequate access to health care services, with the nearest public health clinic to villages being on average 3 km away. The cost of medical care represents approximately 30 percent of family expenditure. The cost of health services has been cited as one of the main causes of indebtedness for the poor and vulnerable. Thus many people may become unable to work because they cannot afford the expenditure related to purchasing treatment for illness. Often, the poor are compelled to sell their land and other assets to meet health costs thus losing future income as a result of landlessness.

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4 Cambodia Poverty Assessment
Low capabilities
The poor are more likely to have a head of household who is less educated than the average.

About 6 percent of the poorest two quintiles live more than 5 kilometers from the nearest road; only 1.4 percent in the richest quintile does. While almost 20 percent of the richest rural quintile have access to publicly provided electric lighting less than 1 percent in the poorest quintile received the same service.

To address this problem the RGC has committed to increasing spending on health and education, improving sector performance and reducing parental contribution to education from the current level of 50 percent to 18 percent during the next five years.

Social exclusion
Social exclusion can be defined as the barriers preventing the poor from fully participating in the social mainstream of the society, due to such factors as illiteracy, lack of access to decision making, corruption, and also discrimination on the basis of sex and ethnicity.

The lack of access to decision making has prevented the poor from actively participating in community activities, created the gaps between government policies and the status of its implementation, and resulted in the conflicts between the local authorities and local population. Many existing laws and regulations were adopted without consultation with the local communities. Therefore, the interests of the poor are not always protected. new problems are emerging as Cambodia moves upward on the scale of economic development, such as land disputes.

Corruption has been identified as Cambodia’s leading problem ahead of other major problems that include weak governance, problems with safety and crime, the cost of living, unemployment, the high cost of health care, political instability, the high cost of education, and drug abuse and trafficking. Pervasive corruption is associated with other indications of weak governance. As elaborated below, at the CG Meeting in Paris in May 2000, Prime Minister has committed to fighting corruption, by eradicating its causes rather than plucking only its manifestations.

IV. Health and Education Background

Health Background:

Cambodia’s health status is among the poorest in the Southeast Asia. A heavy burden of communicable diseases results in high mortality rates among children and adults. Progress has been made in seeking to revitalize the health system and to break the vicious cycle of ill health, debt, and poverty that economically cripples Cambodia families and retards the country’s development. However, considerable further effort is needed to improve access to health services of improved quality. To this end, the Ministry of Health (MOH) is formulating a sector master plan linking health sector reform with the broader fiscal and administrative reforms.
Overall health sector expenditure in Cambodia was equivalent to about 12 percent of GDP in 1996-97. Out-of-pocket household expenditures accounted for 85 percent of this expenditure; the government for 4 percent; and official donor assistance and direct funding by NGOs for 14 percent. Approximately 90 international and national NGOs are currently working in the health sector, some are on contract to aid donors and some financing their own activities.

Currently, around 60 percent of the total 929 health centers are providing minimum package of activities. Out of 67 referral hospitals, including provincial hospitals, 65 are in different stages of development towards fully offering complementary package of activities. Better services are also being provided by national hospitals. Although physical accessibility is increasing, utilization of public health facilities remains low. The number of new visit per inhabitant per year is around 0.3. Hospital occupancy rate fall between 45-50 percent. There are 0.3 physician and medical assistants per 1,000 inhabitants and 0.7 secondary and primary nurses per 1,000 inhabitants. Qualified staff still concentrates in urban area, though in recent years there has been an overall increase in health personnel employed at district level as compared with that at the provincial level. At present about one eighth of the public health facility are officially charging user fees, although many have put in place exemption criteria. Invariably, 50 percent of the revenues thus collected cover recurrent costs, 49 percent are distributed among staff, and 1 percent is sent to the central government.

### Table III: Health Indicators for Asian Countries, 1997

<table>
<thead>
<tr>
<th>Country</th>
<th>Average life Expectancy</th>
<th>Under 5 Mortality rate</th>
<th>% of children with low birth weight</th>
<th>% children under 5 with moderate stunting</th>
<th>TB Prevalence</th>
<th>HIV/AIDS Prevalence (% of adult pop.)</th>
<th>Total Health Expen. Per Head</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lao P.D.R</td>
<td>53</td>
<td>122</td>
<td>18.0</td>
<td>47.0</td>
<td>167.0</td>
<td>0.04</td>
<td>n/a</td>
</tr>
<tr>
<td>Cambodia</td>
<td>54</td>
<td>115</td>
<td>18.0</td>
<td>56.0</td>
<td>539.0</td>
<td>2.40</td>
<td>$18</td>
</tr>
<tr>
<td>Indonesia</td>
<td>65</td>
<td>60</td>
<td>11.0</td>
<td>42.0</td>
<td>285.0</td>
<td>0.05</td>
<td>$17</td>
</tr>
<tr>
<td>Vietnam</td>
<td>68</td>
<td>40</td>
<td>17.0</td>
<td>44.0</td>
<td>189.0</td>
<td>0.22</td>
<td>$9</td>
</tr>
<tr>
<td>Philippines</td>
<td>68</td>
<td>41</td>
<td>11.0</td>
<td>30.0</td>
<td>310.0</td>
<td>0.06</td>
<td>n/a</td>
</tr>
<tr>
<td>China</td>
<td>70</td>
<td>47</td>
<td>9.0</td>
<td>16.0</td>
<td>33.7</td>
<td>0.06</td>
<td>$19</td>
</tr>
</tbody>
</table>

Source: UNDP 1999

The survey 1997 and 1999 showed that the major illness contacted by the people during the interview are fever, cold, diarrhea. The survey 1999 showed that people contacted fever around 30 percent, cold and cough around 27 percent, and diarrhea 6 percent. The survey 1997 showed that people contacted fever around 31 percent, cold around 14 percent, and diarrhea around 10 percent.
Health Infrastructures:

Medical infrastructure and trained personnel were decimated by the Khmer Rouge: of the 1,000 doctors trained prior to 1975, less than 50 survived the regime. In 1979, the restoration of a functioning health care system became one of the highest priorities of the new government of the People Republic of Kampuchea (PRK). The period 1980 to 1989 was one of reconstruction and rehabilitation, with many health workers being trained through accelerated training courses. The health service delivery system was designed as a publicly financed, staffed and managed service, based on a socialist model of health service delivery. But the quality of the services provided was poor. At that time, only UNICEF and a few international NGOs were active in Cambodia.

The period 1989 to 1995 was a time of strengthening and development, with substantial government and donor investment. In 1993, authority and responsibility for program development and budgetary control for local health units were transferred from the local governors to the Ministry of health. Also starting in 1993, preparation started on the basic legislation on key organizations in the sector and regulations for the management of pharmaceuticals. These various provisions were past into law between 1995 and 1998. Also during the 1990s, medical staff needing to complement their government pay of US$10 to 20 began opening private practices.

In 1999, the Government allocated 6.6 percent of its total expenditure to public health services, or just 0.63 percent of GDP. This presents half of the Southeast Asia and Pacific regional countries average of 1.3 percent. Although MOH expenditure has risen in recent years, its contribution per capita remains low at US$ 1.17 per person, slightly lower than the US$ 1.80 per capita expended in the mid-1990s. In addition, there are wide inter-provincial variations in government budget access, and budget releases by the reforms. The cost for a provider to deliver services from an already established health facility, estimated at US$ 2.40 per capita per year, is 30 percent higher than what the MOH is currently allocating.

According to the CSES 1999, medical costs constitute the third largest item of the households' budget after food and housing/utilities. On average, Cambodian households spent 5.9 percent of their total consumption on medical care. But the households in the better-off decline spent 2.4 percent of the household budget on medical care, whereas those in the poorest decline spent 8.8 percent. The rapid uncontrolled growth of private sector over the last ten years has frequently diverted patients from public facilities to the staff's own private practices. The government sector is currently utilized in less than one-fourth of all illness or injury cases.

Health utilization by the poor:

The main problems of the health sector in Cambodia are the low rates of utilization of health services by the poor and large disparities in the utilization, especially inpatient services across economic groups. There are many reasons why the poor have lower rates of health service utilization than the non-poor do. One important reason is the economic
burden of health expenses. The poor have much greater expenses in relation to their incomes, than for the non-poor, particularly in public health facilities. A single out patient visit to a commune clinic or district health centre take up one half of all non-food monthly expenditure for a typical person in the poorest quintile. There are no formal and transparent mechanisms for exempting the poor from user fees at public health. This makes health care unaffordable for the poor.

The evidence from the CSES indicates that the rich has much greater local availability (i.e. availability within the village of residence) than the poor. CSES 1999 data show that the poor face significantly longer distances to all types of health facilities than the non-poor when no health providers is available within the village.

The low utilization rates of health services among the poor have also to do with their educational status. The CSES 1999 clearly indicates that individuals with more schooling are more likely to treat their illness than those with no schooling are. In addition, women with primary and post primary schooling are much more likely than women with no schooling to utilize preventive services, such as immunization for their children. The relatively high costs of health, poor geographical access to health facilities, low quality of health services, and low levels of schooling all contribute to the problem of the poor in Cambodia having significantly lower rates of utilization of health services than the better off.

**Education Background:**

The education sector in Cambodia has had a tumultuous history. The period 1975-79 saw destruction of much of the educational and intellectual infrastructure of the country. The achievements made by the education sector in 1960s and 1970s were systematically decimated as the Khmer Rouge destroyed schools, equipment and books and effectively abolished schooling. It is estimated that 75-80 percent of teachers and secondary students fled or died during these year.

While there was a concerted effort in the post-Khmer Rouge period to rebuild the education sector, this had to be accomplished under very tight budgetary constrains. This posed a great challenge in the face of a rapidly expanding primary school-age population. As a result, Cambodia has a much smaller stocks and school teachers, especially at the secondary level, than most other countries in the Asia-Pacific region.

**Adult Literacy:**

According to the CSES 1997, only about two-thirds of all Cambodian adults (aged 15 yeas and above) are literate. There are, however disparities in the literacy rate across and women as across poor and better-off villages. While the male literacy rate is nearly 80 percent, the female literacy rate is only 60 percent. This suggests that, with income growth, female schooling expands at faster rate than male schooling, so that the gap between male and female adult literacy narrows.
Geographical Access to Schools in Village:

Only about 46 percent of villages in Cambodia have a primary school. The number of villages having a secondary school is significantly lower—only 5.4 percent and 2 percent. This means that in more than one-half of the villages, children have to commute outside their villages to attend even primary school.

Average distances to the nearest primary school do not appear to unduly long. In a typical village, the nearest primary school is only about 0.6 km away. However, distance to the nearest primary school is significantly greater. On average, the nearest lower secondary school is 4.1 km away, while the nearest upper secondary school is 8.3 km away. In the absence of widely available public transportation across villages, these distances are too far for a student to commute on a daily basis. This may help explain the usually low enrolment rates at the secondary level in the country.

Interestingly, geographical access to schools is not randomly distributed across villages. The CSES 1997 data clearly show that access to schools is significantly worse in poor villages. For instance, average distance to the nearest primary school is 0.76 km in the poorest 20 percent of villages, but it is only 0.52 in the richest 20 percent of the villages. The disparities are even more glaring at the secondary level. While the nearest upper secondary school is as far as 11.7 km away among the poorest 20 percent of the villages, it is only 3.9 km away among the richest 20 percent of villages.

School Enrolment Rates by Gender and by Economic Status of Villages:

There are large gender disparities in school enrolment rates in Cambodia. The CSES 1997 data indicate that while boys enjoy a gross primary enrolment ratio of 102 percent, the corresponding ratio for girls is only 86 percent. The gender differences widen at higher schooling levels. Male have a gross lower secondary enrolment ratio that is 68 percent greater than that of females, while the male-female enrolment difference widens to 88 percent at the upper secondary level.

The fact that access to schooling is significantly worse in poor in rich villages means that enrolment rates are likely to be lower in the poor villages. The disparity in enrolment rates across poor and the rich villages is relatively small at the primary level, but increases sharply at the secondary level. For instance, the upper secondary level is only 2.1 percent for the poorest villages; however, it is as high as 55.4 percent for the richest 20 percent of villages.

There are several possible reasons for the gender disparity in school enrolment rates. First, there may be a perception among parents that the schooling of boys offer greater future rewards in terms of career opportunities and market wages. This would be the case if boys are significantly more likely than girls to take up wage or salaried employment in adulthood. The latter are work activities, which typically offer large pecuniary rewards for higher levels of schooling. Parents may perceive (incorrectly) that since girls are likely to
stay home to take care of their families, or likely to work on family farms, their schooling would offer few tangible benefits.

Second, its is possible that parents pull girls out of school much earlier than boys because the opportunity cost of staying in school is greater for girls than boys. In a country such as Cambodia, girls are often responsible for household chores and for care of their younger sibling. Thus, the time of a 12-year old girl is much more valuable to a family than that of a 12-year old boy. This difference in opportunity cost, coupled with the parental perceptions that the schooling of girls will not produce substantial market returns, might prompt parents to pull girls out of school as soon as they reach the age of 11 or 12 years.

A third reason for the lower enrollment rate of girls might have to do with physical access to schools, while primary schools are generally available widely in most Cambodian villages, lower and upper secondary schools are not. A typical rural household lives about 40 minutes away from the lowest secondary school and 53 minutes away from the nearest upper secondary school (CSES, 1997). Most students have to walk to these schools, as public transport is either not readily available or is too expensive for most families. For safety reasons, parents may be reluctant to send their daughters to study in distant schools. One fear that many rural parents have is that their daughters might be abducted for prostitution at school or on the way or from school.

Closely related to access is the issue of school infrastructure. There is a tradition in Cambodia of boys who attend schools away from their homes living in wats or monasteries. There is no such traditional accommodation available to girls. Since few Cambodian schools have separate dormitory accommodation for girls, it is very difficult, if not impossible, for girls to attend schools (typically secondary schools) that are not within commuting distance of their homes. Likewise, the absence of toilets in most Cambodia schools imposes a much greater burden on girls than on boys, especially in the years after puberty. Parents may be facilities for girls.

Fourth and finally, marriage may also account for the lower enrollment rates of girls. If girls get married in their early or mid-teenage years, their schooling gets interrupted, and this would explain the higher drop-out rates of in lower and upper secondary school.

**Differences in schooling quality across villages:**

The disparity across poor and riche villages in geographical across to schooling only tell a part of the story. Even the schools that are available in the poor villages tend to be of lower quality, with the result that is enormous disparity between better-off and worse of villages in quality-adjusted schooling opportunities.

The CSEC 1997 data provide some information on two measures of quality: (i) the pupil/teacher ratio, and (ii) the adequacy books in the school. Pupil/teacher ratios are frequently used in the educational literature as a proxy for schooling quality, since fewer pupil per teacher typical means that the teacher is able to pay greater attention to the learning needs of each pupil, and this presumably improves cognitive performance of the
students. In addition, the availability of textbooks is also regarded as an importance factor improving the effectiveness of teachers. In the absence of adequate supplies of the textbook, the teacher have to spend their time in copying material verbatim from their copy of the textbook to the blackboard, and students waste their time in recopying the material from the blackboard to their exercise books. This reduces the amount of time allocated to teaching and learning.

As noted earlier, Cambodia has among the highest pupil/teacher ratios in Asia-Pacific region. On average, the pupil/teacher ratio at the level is 55, while that at the lower and upper secondary level are 42 and 16, respectively. It is possible to calculate pupil/teacher ratios for villages of differing economic status only at the primary level, because there are a few villages in the CSES 1997 sample having a lower or upper secondary school. These data clearly indicate that pupil/teacher ratios are inversely correlated with the economic status of a village. In the poorest 20 per cent of villages, for instance, the average pupil/teacher ratio at the primary level is 88, while it is only 35 for the richest 20 per cent of schools. When pupil/teacher ratios exceed 50-60, the quality of instruction deteriorates considerably. It is not clear what type of teaching or learning, can take place in a classroom where a single teacher has to manage 88 students!

The CSES 1997 also asked village heads if the primary school in their village had “no books, some but not enough books, or enough books” in relating to number of students in the school. Overall only 22 per cent of villages primary schools appear to have adequate books for their students. About 15 per cent have no books at all, while 63 per cent have some but not enough books. Among the poorest 29 per cent of villages, only 25 per cent of villages heads through their primary school had enough books br all students, but in richest 20 per cent of the villages, this ratio was as high as 48 per cent. This provides additional evidence of lower-quality schooling in poor villages relative to more prosperous villages.

The major problem in the large majority of cases was, of course, the absence of a school in the village. This was particularly the case for secondary schools. This was followed, in the case of primary schools, by four other factors: poor quality of school buildings, very low budget for school, poorly- paid teachers, and inadequate number of places and desks in schools.

*Causes of low enrolment rates:*

The main problems faced by the education sector in Cambodia are the limited access to schooling opportunity by the poor. Generally, low levels of enrollment at the secondary and post-secondary levels, and in the quality of schools across regions, economic groups, and gender. Many children never attend schools and many children drop out of schools before the school cycle, are the main causes of low enrolment rates in Cambodia. The reasons for this is that the burden on the household expenditure is high. Measured by per student schooling expenditures in relation to household non-food expenditure per capita, is much greater for the poor than for the non-poor, even in public schools. There are neither
any formal and transparent mechanisms for exempting poor students from user fees, nor any means-tested scholarships in Cambodia.

Physical or geographical access to schools is not the problem in Cambodia. Economic access is perhaps as important in limiting enrolments as physical access. While primary schooling is officially free in Cambodia, parents typically have to pay significant amounts for their children’s primary schooling. In addition to expenditure on school uniforms and textbooks, there are admission charges and various kinds of miscellaneous supplements. Private tutoring is a major expense as well. Private tutoring, often by the same teacher at school, is frequent and somewhat obligatory, both because it is seen as providing a favor to teachers, who have to supplement their extremely low salaries through private tutoring, but also because the quality of teaching in schools is poor. Finally, students and their families have to contribute almost entirely toward the construction costs of school buildings, equipment and furniture and their maintenance.

The CSES 1999 data clearly show that the poor face significantly longer distances to secondary school than the better off when no secondary school is available within the village. Some of these distances are long by any students (e.g. 14.2 km to the nearest upper secondary school) that it would be impossible for poor-day-students in the rural areas without access to private transport to attend an upper secondary school if one is not located within their village. Since more than 99% of the poorest quintile of students do not have a secondary school within their village, this effectively results in virtually no students from this group attending upper secondary schools.

In Cambodia, the poor attend schools that have pupil/teacher ratios that are as large as 80, more than two times as large as in schools attended by the richest quintile. The evidence also shows that the poor are concentrated in villages where the primary schools do not have enough books for all the students. The CSES 1999 data confirms this. The enrolment rates, particularly at the secondary and post-secondary levels of children whose mothers have primary and post-primary education are significantly greater than those of children whose mothers have no schooling.

Long distances to school, low quality of school, high schooling costs in relation to discretionary income and low levels of maternal education all contribute to the problem of the poor in Cambodia having significantly lower rates of enrolment than the non-poor. Evidence shows that poor children who attend schools have significantly worst schooling outcome than better-off students.

Access to education of the poor remained inadequate. Only three-quarters of the country’s schools were located in the rural areas where 85 percent of the population live. According to the data of 1997 survey
V. Government policy in poverty reduction through the improvement in the status of health and education services

The Royal Government of Cambodia, since assumed its office after 1993 first ever-democratic election, has committed itself to the poverty eradication. Its commitment was articulated in the first five-year socio-economic development plan, 1996-2000.

The Royal Government, through the second socio-economic development plan, adopts the following three development objectives in order to alleviate poverty:

1. Promote broad-based, sustainable economic growth with equity
2. Promote social and cultural development
3. Ensure the sustainable management and utilization of natural resources and the environment

The second five-year socio-economic development plan, in which poverty reduction is the main objective, is under the preparation process of its finalization. Planning is not worthwhile unless it is effectively implemented. A prerequisite condition for effective implementation of the plan is to devise a system of monitoring. However, the monitoring system of the policy implementation has not so far been fully developed and put in place as a prerequisite condition for effective evaluation of the poverty-reduction policy implementation.

The Royal Government recognises that sustainable economic growth is an essential condition for poverty alleviation but it is not a necessary condition if the benefits from the growth are not equitably distributed to all Cambodians. In the other way around, the Royal Government realises that the sustainable economic growth will not be achieved if the income gap between the rich and the poor widens as a result of growth benefits not being equally redistributed.

Health Policies

The goal of the Ministry of Health is to promote the health of the people, so as to enable them to participate in the socio-economic development of the country and to reduce poverty. The supporting objectives are to improve equity and accessibility of basic health services; to ensure improved efficiency, affordable costs, and high quality services; to ensure the sustainability of the Ministry of Health functions; and to protect the poor.

Greater investment in health services to reduce diseases would mean not only less poverty, as fewer people become ill or unable to work, but also that society would benefit from lower rates of communicable diseases. The Ministry of Health has proposed the following health strategies:

1. Promote women and child health through basic care service delivery for all women;
2. Reduce the incidence of communicable disease such as malaria, dengue fever, TB, diarrhea, acute respiratory infection, and STDs, HIV/AIDS;
3. Improve the coverage of good quality service;
4. Upgrade the skills of health staff;
5. Provide drugs, equipment and materials;
6. Strengthen the capacity of the referral hospitals through the use of improved technology and management techniques;
7. Facilitate the development of the private health sector;
8. Promote public awareness about sanitation and hygiene.

Priority pro-poor health actions being put in place or proposed include providing integrated basic health services to the entire population with an emphasis on under-served areas and mothers and children. Better targeting of public health spending for the benefit of the poor and official establishment of cost recovery systems that include an exemption system for the poor. Development of a sustainable essential drugs program to ensure access of the population particularly the poor to essential drugs. Within the framework of the introduction of the Priority Action Program (PAP) from July 2000, the MEF in conjunction with the MOH has introduced the decentralization of budget management by providing budget managers at the provincial and district levels greater flexibility in procurement. The cost center budgeting of PAP budget and the new budget procedure were aimed to channel funds to grassroots levels, speed up fund release and enable budget managers to plan their activities in advance.

The spread of HIV/AIDS in Cambodia is alarming and to the extent that could threaten sustainable development in the country. An estimated 180,000 people or 3.7 percent of the adult population (15-49 years old) are HIV infected. The burden of AIDS-related illness and death has led to the aggravation of poverty and indebtedness. To respond to the rapid spread of HIV/AIDS, the RGC has adopted a National Strategic Plan on AIDS prevention and control. The strategy focuses on improving prevention and public education, with a strong emphasis on the use of contraception. The plan calls for an increasing role of community authorities and religious leaders in raising public awareness of this epidemic. NGOs and international organizations have played a key role in providing a range of services including education on transmission modes and social support, especially in reaching out to the rural population, particularly women and other vulnerable groups. There is an urgent need to upgrade and expand HIV/AIDS programs, especially in rural areas, and for women-headed households and children affected by HIV/AIDS.

Education Policies:

Government’s policy priority for education is to ensure equitable access and quality improvement for 9 years of basic Education for All, particularly among girls, by around 2010. It is essential to promote gender equality and inculcate equal value to the girl-child. For post basic education Government's priority is to enable more equitable access for the poorest, alongside a growing public/private partnership in financing and management. A cross cutting priority is to strengthen legislative and regulatory frameworks for quality assurance and sector performance monitoring across all sub sectors. It is recognized that
total public expenditure has been below what is necessary to achieve these policy objectives. However, the RGC plans to more than double the education recurrent budget over the next 3 years as an initial step in securing policy implementation.

Increased public spending on education will adopt clearly defined pro-poor policies and strategies. For example, the key strategic priority is to reduce direct and indirect costs to parents (major access barrier) through a significant increase in performance based teacher salaries, thereby eliminating the need for informal parental payments to teachers. An associated strategy will be to significantly increase school-operating budgets, increasingly managed at provincial/district and school levels. These strategies will help secure teacher and pupil attendance, and alongside better availability of instructional materials, assure quality improvement.

Revenue mobilization:
Poverty reduction efforts are severely constrained by weak revenue mobilization efforts. Since the Department of Customs and Excise accounts for the collection of a lion share of budget revenue, the RGC has taken steps toward the establishment of a custom administration based on international standards and procedures. The Government is also committed to further upgrading legislation, streamlining customs control, combating smuggling, developing infrastructure for trade and statistics and information reporting, and developing a modern custom tax administration.

Actions have already been taken to enhance the revenue system by introducing a VAT for 1500 large taxpayers. The RGC is firmly committed to deepening revenue mobilization improvements through: rigorous implementation of the VAT; strict limitations on tax incentives; increased efforts to recover arrears from the private sector; and the enhancement and full transfer to the Treasury of non tax revenues. Moreover, the RGC is seeking to develop a regulatory framework for tax on profits and promote information exchange among tax-related agencies.

**Conclusion**

Priority action that needs to be taken by the RGC over the short to medium term are:

1. To establish priority groups of government officials to improve service delivery and increase productivity.
2. To expand decentralization and introduce deconcentration of the system of administration in order to increase accessibility of essential services to the people.
3. To accelerate the reform of the state by implementing action plans in demobilization, administrative and fiscal reforms with a view to strengthening the rule of law and consolidating the foundation of the market economy.
4. To deepen the judicial reform and establish a national program for judicial reform.
5. To implement the measures outlined in the Governance Action Plan (GAP).
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