



Introduction

This bulletin is one of a series produced by the Chronic poverty Advisory Network (CPAN) during the pandemic. It builds on a foundation developed by pre-pandemic qualitative research on poverty dynamics to understand the reasons why people are able to escape poverty, stay out of poverty, become impoverished, or are chronically poor. Additional data was collected during the pandemic, allowing us to map its differential impacts on people's wellbeing.

The pandemic was a crisis of multiple dimensions – a health crisis for some people, an economic and social crisis for many others. It has reversed progress that had been made in reducing poverty in the preceding decades, and has undermined achievement of the Sustainable Development Goals (SDGs). The pandemic was also, in many cases, layered on pre-pandemic crises. The Covid-19 Poverty Monitoring Initiative has explored the effects of these crises on poor and vulnerable people.

Cambodia provides a unique case study in pandemic management. Its strong and relatively balanced policy responses – balancing restrictions imposed to prevent transmission of the virus with measures to mitigate the socioeconomic effects of those restrictions – are unparalleled among countries with a similar level of national income. Although these policy responses did not manage to entirely counter the effects of the global economic slowdown, or the effects of lockdowns and restrictions on poor and vulnerable people, the actions taken illustrate the kinds of balanced policy responses that will be needed in any future pandemic to avoid the impoverishment that unmitigated public health responses can induce.

Economic effects

In Cambodia, income loss during the pandemic was widespread, with many households seeing substantial declines (see Box 1 for an urban example).

Declines were proportionally greater among households in the bottom two income quintiles, who experienced low levels of consumption even before the new declines began to impact. For many households, income declines have not been reversed and, in fact, have continued to deepen. This suggests that there are considerable processes of impoverishment and destitution in Cambodia as a result of Covid-19 and related public health measures that were still becoming apparent in 2022.

Income declines throughout Cambodia have been triggered by long-term employment losses, with the economy failing to simply 'bounce back' now that pandemic-related lockdowns have receded. Looking across the full range of income sources, we see that income from non-farm enterprises, remittances, and incomes from the informal sector have been particularly vulnerable to declines (Box 2). In urban areas, reduced job opportunities during pandemic lockdowns were enough to tip some households into destitution.

Box 1: What drives poverty for a household in an informal settlement in Phnom Penh?

Put Pah's household used to be an average household before the Covid-19 pandemic hit in 2020. Her husband is a dump truck driver. Prior to the pandemic, he was able to earn quite a good income due to the construction sector boom. Since the start of the pandemic, people have paused their construction projects and there has been a decline across the sector. Put Pah's family income has decreased by 70 per cent.

On top of that, they have many children and face high daily expenses. They eat 2 sacks of rice (100kg) in a month. Their daughter's job was suspended during the pandemic and she no longer earns an income. Besides, there was a heavy flood in 2021 that affected their house, adding to the family's worries, as they can't afford to repair the house and are living in it even though it is damaged.

Put Pah's household has adopted various strategies to deal with these problems. They have borrowed money from family to cover daily expenses. These siblings are quite a bit better off than Put Pah's household and they do not expect her to pay interest on any money borrowed. She has also cut the family's food expenditure. Before the pandemic, she spent around 60,000 riels a day (\$14.50) on food, but she now spends just 20,000 riels a day (\$4.80). She has achieved this partly by reducing the quality of the food they eat. Before the pandemic, they ate wild fish but now they eat farmed fish. She and her husband also frequently go to find Golden Apple snails from the rice fields to eat. (These are not a common or preferred food and the fact that the family are eating them indicates that they are resorting to a coping strategy.) They have also reduced the amount of money they give to their children to cover school expenses, from 2,000 to 1,000 riels a day.

Source: Authors' interviews

Widespread income losses occurred alongside an increase in the cost of agricultural inputs and foodstuffs. This squeeze on household budgets contributed to increased borrowing, as families struggled to cope. For farm households, farm-gate prices and market integration declined, alongside reduced national and cross-border trade, and as a result, many households fell into arrears with loan payments. Many other households resorted to adverse coping strategies so that they could meet scheduled repayments, worried that damage to their credit scores would limit their future options. It had become unprofitable to grow rice, as one respondent explained:

Growing rice is not profitable because the price of oil doubled from 50,000 to 100,000 riels and fertiliser prices increased from 60,000 to 80,000 riels to 170,000 to 200,000 riels, while the price of rice has remained around 800–1,000 riels per kg (from 2020 to 2022). Therefore, we have had to pause growing rice for one season and wait until May and October when there will be more rain, which reduces the need for fertiliser. (Pov Houen, Interview 8, Male, Sentinel Household Interview, Temporary Escape, Prey Veng)

Other important shocks at the household level included ill health, accidents, disability, and the stressor of old age. These overlaid the impacts of the pandemic, and overwhelmed traditional safety net systems based on kinship, community relations and friendship.

The pandemic has undermined the resilience that vulnerable households had achieved before its onset; increased indebtedness is widespread, with households taking out loans to repay other loans, and there are increased sales of land and other assets, partly to pay off debts. Increased indebtedness occurred in a context where people did not have confidence in government to protect their economic survival. One respondent explained the impacts on their household income:

In 2020, during the pandemic, my monthly salary was \$192–\$210 but it was not enough to pay for my debts so I continued to borrow (\$50/\$10 interest). My first solution was to borrow more money. I usually borrowed \$50–\$60 at the end of each month until I got my salary. I had to borrow to feed my family. To cope with this situation, I considered borrowing money from the bank to give to these private lenders but I have no property to give to the bank. I am worried about the increasing debts but I cannot do anything... I hold on to hope that I can start my own business when I have some money and pay back all my debts. (Interview 29, Female, Life History Interview, Chronically Poor, Phnom Penh)

Another respondent took loans from work colleagues:

I started borrowing money from my fellow factory workers at very high interest. I have 3 main loans, which include \$1,000 from a bank, which is almost paid off. Another \$1,500 with \$120 monthly payments... This debt has now grown to \$3,000 and continues to grow. My husband used to work as a bodyguard but he had stopped because of Covid-19... The debts continue to grow as we depend on my husband's unreliable salary, my father-in-law's additional help, and borrowing money. (Interview 29, Female, Life History Interview, Chronically Poor, Phnom Penh)

Resilience depends on economic diversification and is linked to small household size (Box 3). Households with savings were able to continue investing – for example, in agricultural inputs. However, saving is not strongly promoted by financial service institutions.

Box 3: Diverse household investments building resilience even during the pandemic

Sar Art, a woman respondent from Prey Veng province, has a four-person household. Her family relies on their businesses, brewing rice wine and pig rearing. Her husband also rears cattle (they have six). Four of her children have been married for a long time. Her other two sons are students.

Sar Art learnt brewing in the 1980s. At that time, many people in the village brewed rice wine, but now she is the only one. She can earn a net income of around 500,000 riels a month (\$120), with another \$2,000 a year from pig rearing.

The two businesses complement each other, with rice brewing providing a daily income and pig rearing providing

Box 2: Chronic poverty in Kampong Thom

Yim Yon, who lives in Kampong Thom province, has a family of five. Their main sources of livelihood are forest logging and casual wage labourer. They have no farmland, as Yim Yon sold their land to cover the cost of his wife's medical treatment three years ago. This has impoverished the family, as it is more difficult for them to earn enough to cover family expenses now.

During the Covid-19 pandemic, Yim Yon struggled to sell firewood. Normally, brokers buy the firewood to sell in other provinces. However, lockdown restrictions prevented people travelling between the provinces, and so his firewood income fell by half (from 1 million riels to 500,000 riels a month, approximately \$240 to \$120). This has made them more dependent on income from collecting cashew nuts. The household is still facing food insecurity and they don't have enough food to eat. Sometimes they need to buy food such as meat and eggs on credit from the vendors in the village.

Yim Yon borrowed money from a microfinance institution to buy a hand tractor to start forest-logging activities three years ago. He explained that his sons were grown up and unemployed. He hoped that a logging enterprise would provide them with employment. He has borrowed about \$3,000 at an interest rate of 1.5 per cent per month. He also borrowed from another microfinance institution to buy a motorcycle two years ago. So, he has repayments of around 1 million riels per month (\$240).

Yim Yon explained that he didn't want to be indebted, and now that his income has dropped, he is under pressure to repay the debt every month. So it is difficult for his family to improve their livelihoods.

Source: Authors' interviews

a lump sum every six months. She uses her earnings to buy food for the family and to meet her sons' educational expenses. She doesn't borrow money from anyone.

She also saw her income decline during the 2021 lockdown but this did not affect her household too much as her businesses still produced enough money to support the family overall. She didn't have debts to service and spends very little on food because they are now a small household (her older children left home years ago). She has some savings to cover emergencies and she was able to draw on these.

Source: Authors' interviews

Before the pandemic, migration was a significant route out of poverty for many Cambodians. However, during the pandemic, it became a distress response, driven by indebtedness, and remittances were greatly reduced, as one young female respondent, a garment worker, explained:

Before Covid-19, my salary was \$300, including an overtime payment. I could send my parents around \$200 but from 2020, there was no overtime, and I had to reduce the amount I sent them to around \$100–\$150 a month. I send it to my parents for my child's milk powder and other daily expenses.

22-year-old female garment worker, from rural Prey Veng (Female Focus Group Discussion, Prey Veng)

Another household that typically received remittances reported that:

During the pandemic, I stopped receiving money from my children every month – and instead just received it on special occasions such as Khmer New Year. My daughters could not earn money like before and that is why they stop sending money. One of them is pregnant and doesn't work. Another one cannot earn as before. She is a garment worker and her income fell. She has to earn money to support her family too.

(Interview 10, Female, Sentinel Household Interview, Chronically Poor, Prey Veng)

The mobile food vendor business also saw incomes fall significantly starting from 2020, as consumers limited their expenditures. One respondent reported that their income from food vending fell by two-thirds, from 150,000 riels a day in 2019 (\$40) to around just 50,000 riels a day in 2023 (\$12) (participant in thematic mixed focus group discussion, Prey Veng province).

Education

Before the pandemic, having a child in education (particularly secondary education) tended to protect households from poverty. During the pandemic, widespread education disruptions affected children from rural and poor households the most. Many children were unable to access learning during school closures, as their parents did not have smartphones or could not afford data so that their children could engage with online learning. Of those who were able to access education via a mobile phone, many children struggled to concentrate on lessons, and their parents were unable to support home schooling as they needed to work. Even after schools reopened, the intensity of engagement among children from poorer households remained low, with many young people (especially in rural areas) deciding to drop out and migrate in search of work. Their engagement with education had been broken by the long periods of school closures.

The negative educational impacts of the pandemic on children in rural areas were illustrated in Kampong Thom province, where parents revealed that their children did not study during the school closures. This was even worse for poor households that did not have smartphones for their children to use. Children usually went with their parents to the farms, and stayed there all day. According to a focus group discussion with primary teachers at a local school in the village, teaching online was not feasible. They had to spend a lot of time trying to teach, as children struggled to pay attention to online content on a phone. The participation rate was very low and this led the teachers to stop teaching online, instead using another study mode – small group study.

Urban children experienced different challenges. Even poor urban households were likely to have a smartphone their children could use to study. However, the quality of education was a key concern for parents and caregivers among our urban respondents. Children were reported to struggle with concentration when studying using a tablet or smartphone, as they were easily distracted by the other (sometimes inappropriate) content available on the internet. Parents also could not spend much time monitoring their children's online learning since they were busy trying to earn a living. A focus group respondent related that her child studied online during school closures, but she observed that the child's quality of learning was substantially reduced.

Coping strategies

Borrowing was a key coping strategy, both to cover current consumption and meet debt repayments; where households fell into arrears, distress migration was commonly employed as a strategy to repay. This was less likely where households gained income from cash crops or other sources. Other widespread forms of coping included reducing the quantity and quality of food consumed, more use of wild foods, dramatically reducing discretionary spending, stopping using electricity and, for poorer households in later survey waves, accessing social protection or support from non-governmental organisations (NGOs) and churches. Reducing food consumption as a form of coping was particularly marked among those households in the bottom two income quintiles – which already had the lowest level of food and general consumption pre-pandemic.

The roll-out of cash transfers eventually reached many of the poorest households, those identified by Cambodia's IDPoor scheme (which uses qualitative measures to identify households living in poverty, with screening completed by the lowest tier of local government). The transfers improved wellbeing but disbursements were inadequate and many households remained food insecure. There were regional variations in social protection coverage, with Tonle Sap being disadvantaged. Targeting problems were also reported, with the identification of IDPoor households by local political leaders reported to be flawed by 'weak objectivity' in some communities. One IDPoor beneficiary household reported that:

I have an IDPoor card and have received a cash transfer of around 200,000 riels (\$48) from the government every month since the beginning of 2020. Besides, we have frequently received food aid such as instant noodles and oil from authorities... My daughter, who is studying at Dong Kda primary school, also once received some support such as rice and fish during this time.

(Interview 19, Male, Sentinel Household Interview, Chronically Poor, Kampong Thom)

As well as reducing food consumption, households also reported that they coped with income loss by changing their diet, introducing wild foods and inferior quality foods, and reducing the number of meals each day:

We ate only twice a day on non-working days and ate three times a day on working days. This practice occurred a long time ago.
(Interview 19, Male, Sentinel Household Interview, Chronically Poor, Kampong Thom)

From 2019 to the beginning of 2021, I had to reduce spending on food and choose cheaper alternatives such as eggs and fish, because I could not afford pork or beef.

(Interview 5, Female, Sentinel Household Interview, Temporary Escape, Prey Veng)

Some poor households reported that family members needed to work daily in order to get by. On days when they had not earned enough, they resorted to buying food on credit from a grocery store where they are well known.

When we don't have enough money to buy meat and stuff, we would go to buy eggs from the nearby grocery store on credit.

(Interview 19, Male, Sentinel Household Interview, Chronically Poor, Kampong Thom)

Many farming families stopped buying fertiliser and stopped hiring casual workers. Only urban average and better-off households could rely on savings. Urban and rural households alike disposed of assets during the pandemic, including land. Two respondents reliant on agriculture reported that:

In 2020, I didn't grow rice. Many people migrated to sell vegetables in Sihanouk Ville. The farm lands nearby were not cultivated and I am afraid of the damage that insects and mice will do to my crops. That's why I decided not to grow rice that year, either.

(Interview 8, Male, Sentinel Household Interview, Temporary Escape, Prey Veng)

If people are better off, they can cope with the crisis well. They have assets and savings to spend on any urgent cases. On the other hand, those who are elderly, widowed, and those who borrow money from private lenders are vulnerable to the shocks and crisis.

(Female participant in thematic focus group discussion, 38 years old, grocery owner, urban site in Phnom Penh)

Government measures

Cambodia balanced health protection measures in the form of selective lockdowns and movement restrictions with economic mitigations. These included a furlough scheme, with payments to laid-off workers in the garments and tourism sectors of \$40 per month from government and \$30 from the employer (though companies did not always pay their contribution). The government also increased the minimum wage, and expanded social protection. An existing cash transfer programme was extended, and a cash-for-work scheme created. Although such payments may not have been substantial, they were appreciated by the recipient households.

The Cambodian government issued three strategic frameworks to respond to the pandemic. These frameworks consist of a set of policies and programme interventions designed to complement each other.

1. The Strategic Framework and Programs for Economic Recovery in the Context of Living with Covid-19 in a New Normal 2021–2023
2. Cambodia Digital Economy and Society Policy Framework 2021–2035, (including Cambodia Digital Government Policy 2022–2035)
3. Cambodia Garment, Footwear and Travel Goods (GFT) Sector Development Strategy 2022–2027

The economic recovery plan set out six policy objectives: (1) continuing to adopt digital technology; (2) continuing to develop small and medium-size enterprises (SMEs); (3) skill development and education; (4) strengthening and expanding social protection and health systems; (5) strengthening the capability to adapt to climate change; and (6) continuing to focus on green and sustainable development.

The government also invested heavily in vaccination during the pandemic (see Box 4), with significant success; it was 2nd in Asia and 7th in the world for vaccination coverage by November 2021, with 85 per cent of the population fully vaccinated by the end of March 2022, rising to 95 per cent by November 2022. It achieved much more rapid progress than other countries by targeting areas rather than categories of individuals, informing people when and where vaccinations would be available at more than 300 centres, and effectively and rapidly countering misinformation on social media. This meant that there was limited vaccine hesitancy in Cambodia and so vaccine uptake was high.

Box 4: The vaccination strategy

On paper, the vaccination programme prioritised health-care workers, front-line government and security actors participating in Covid-19 control measures, older people (above 60 years), and workers living in dense locations. In practice though, while prioritising target populations was still the goal, the vaccine roll-out focused more on locations rather than on complicated categorisation such as age-tiering. The government distributed vaccines based on a concise and clearly broadcasted location, which allowed everyone living within the targeted area to receive the vaccine.

Delivery strategy: More than 300 vaccine delivery points were created to facilitate vaccine distribution, ranging from hospitals to health centres to mobile clinics. Relevant stakeholders and partners also cooperated to deliver vaccines to hard-to-reach locations and to vulnerable groups such as pregnant women and people with disabilities.

Demand generation and communication: The Ministry of Health, in cooperation with the United Nations Children's Fund (UNICEF), developed and implemented a communication strategy using social media, locally and nationally. The government was quick to debunk and address rumours that could have driven vaccine hesitancy. A free hotline was created to provide the public with information about how to get vaccinated and to address any concerns they might have about the vaccine. Health staff, local governments and volunteers were also provided with additional promotional materials such as leaflets, handouts and posters to facilitate communication of information to people.

Source: Authors' interviews

This was a much more protective approach to pandemic management than many countries at Cambodia's level of income were able to achieve. This was enabled by Cambodia's prudent macroeconomic management pre-pandemic, which put the country in a positive fiscal position. It was also based on a multi-stakeholder approach to managing the pandemic through the National Disaster Management Committee, chaired by the Prime Minister, which brought together the interests of different ministries, and balanced health and broader economic and social considerations.

Increased policy attention to agriculture included interventions to boost infrastructure, increase productivity, strengthen competitiveness, promote agro-processing and the seed industry, and maximise the benefits of free trade agreements.

Perhaps the most controversial aspect of policy was on microfinance, where over-indebtedness even led to land sales by some, as reported [here](#). The government requested microfinance institutions to reschedule loans during the pandemic, enabling borrowers to postpone debt repayments. However, for those borrowers who have become over-indebted, this would only increase their problems in the long term, as interest continued to be charged while loan repayments were postponed, increasing the total cost of the loan. Many people had also borrowed informally, particularly the poorest people, who were not eligible to access borrowing through formal financial institutions. They often took loans from money-lenders, at very high interest rates. One respondent explained their situation:

I cannot borrow money from financial institutions as I live along the river stream and have no land title. I instead took loans from private money-lenders, of around \$500. The interest rate is 20 per cent per month.

(Interview 24, Male, Life History Interview, Chronically Poor, Phnom Penh)

Policy recommendations

Our key recommendations to the Cambodian government and other stakeholders focus on financial services and education.

In **financial services**, savings and insurance should have the same importance afforded to them as credit, and providers should be obliged to offer and promote all three services. They should also offer financial literacy training to support people to benefit from financial services. NGOs and local government could also provide financial literacy training.

Regulators need to recognise that credit can impoverish households; they should ensure that borrowers have the capacity to repay, and find ways of limiting clients borrowing to repay other loans.

There is a need to promote public discussion about alternatives to borrowing in a crisis. Should social protection including insurance be expanded to fill the income gaps? This would mean bigger social protection payments and wider coverage.

Continued public investment in **education** for all can reduce poverty in the long term. Ensuring that school-age children finish secondary education or higher will make a major contribution to achieving this aim.

There is also an urgent need to enable children who have missed school and those who have dropped out during the pandemic to recover that missed learning and re-join school.

For future crises, education provision must be made more resilient. Plans for emergency school closures need to be reviewed to limit the learning losses experienced, especially by children from the poorest households.

For many families, online learning is not a solution, or at least not until the population has much higher levels of access to internet-capable devices, and until parents are in a stronger position to help their children with learning should they not be able to attend school. Alternatives to online learning such as small group learning, and much greater support to parents as well as teachers on the alternatives will therefore be required in any future crisis where schools are closed for significant periods.

Methodology

This bulletin is based on the national report on Cambodia Poverty Dynamics and Covid-19. Research methods included primary data collection in three sites where previous qualitative research had been carried out, as well as analysis of household surveys and key informant interviews with policymakers.

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