



វិទ្យាស្ថានស្រាវជ្រាវយុវជនកម្ពុជា
Cambodia's Leading Independent Development Policy Research Institute

CDRI – Cambodia's Leading Independent Development Policy Research Institute

The Social Impact of the Global Recession on Cambodia

How the Crisis Impact on Poverty

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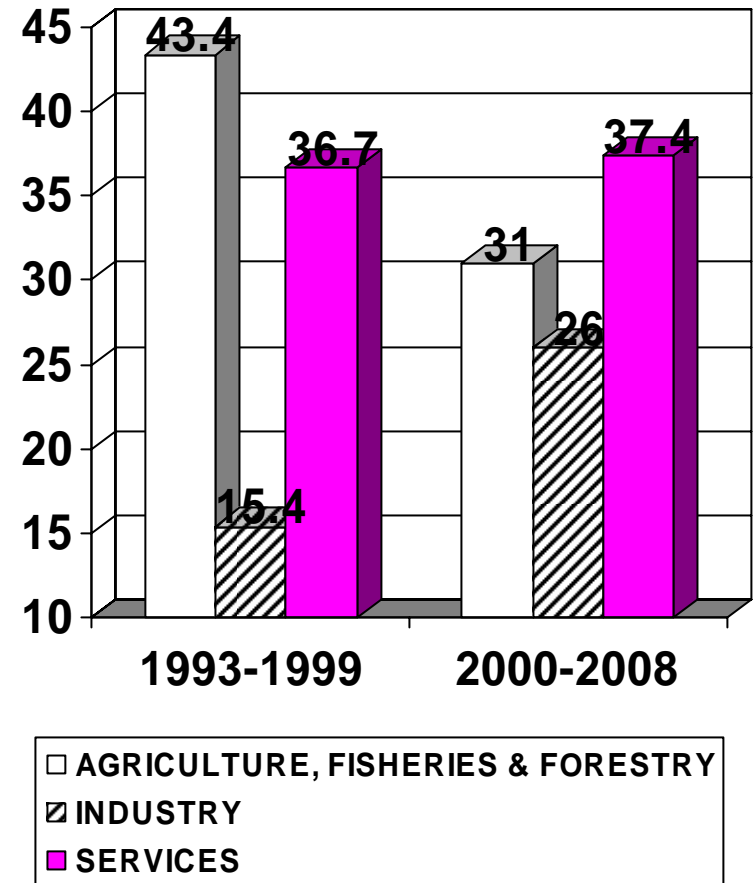
1. Cambodia

- Population: 13.4 million
- Share of employment (2007):
Agriculture: 56%, Service: 29%,
Industry: 15%
- GDP per capita: \$285 in 1997 to
\$593 in 2007
- GDP Growth: 9.8% per annum
over the past decade.
- National poverty rate: 47% in
1994 to 30.1 percent in 2007
(WB)



2. Sources of Growth

- The share of agricultural sector in GDP has fallen, mainly due to a robust growth in industry sector particularly manufacturing.
- The share of labour force in manufacturing sector to total employment account for 8.8% in 2002 and 11.3% in 2007.

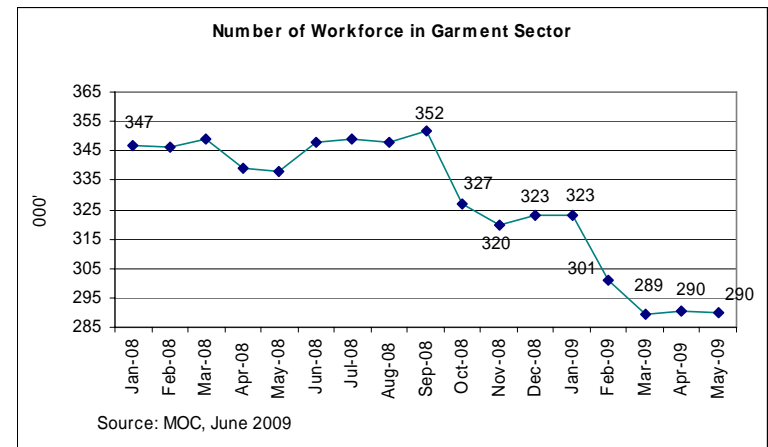
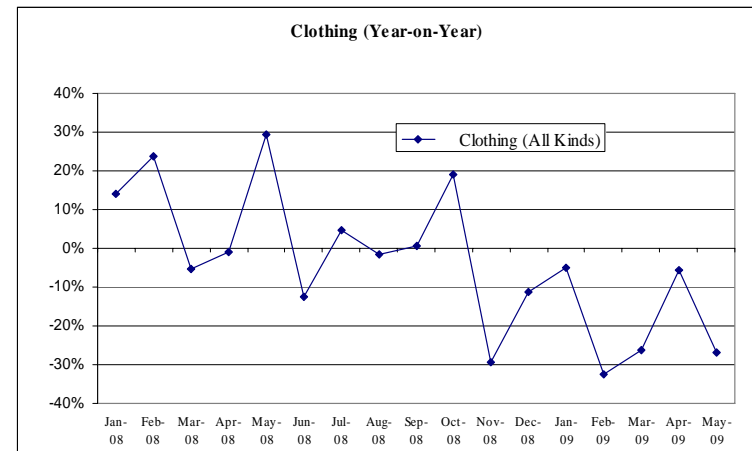


3. The Impact of Global Recession on Cambodia (Macro-level)

- Jalilian *et al.* (May 2009) the impact of global economic downturn on Cambodia's economy is severe mainly due to the contraction in
 - Garment
 - Tourism
 - Construction

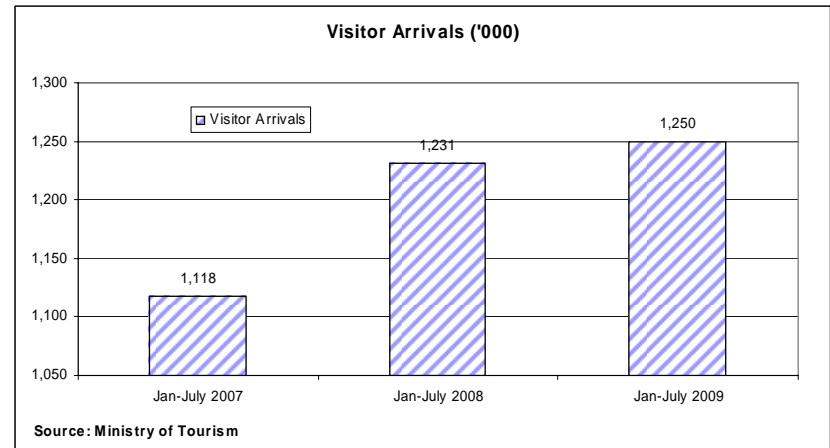
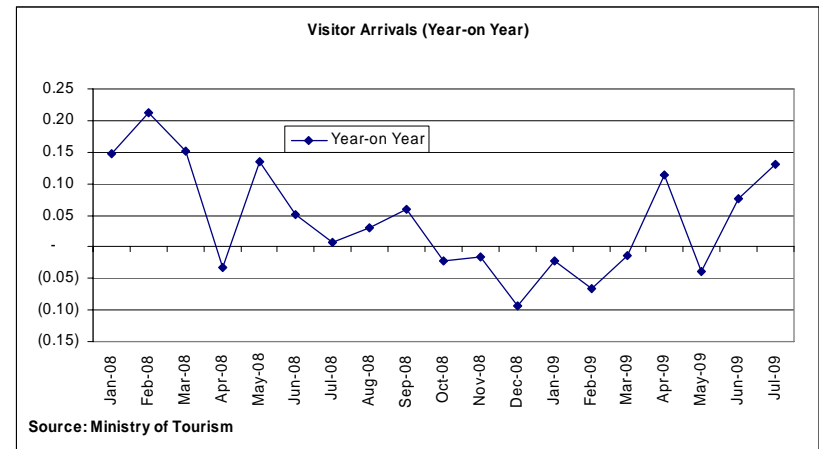
3. The Impact of Global Recession on Cambodia (Macro-level)

- **Garment:**
 - 18 % of the total of 352,000 workers (many of them are women) in the sector having been laid off between September 2008 and May 2009 because of a considerable fall in exports.
 - This sector employs 4 percent of the total workforce and 38% of the total employment in manufacturing in 2007.



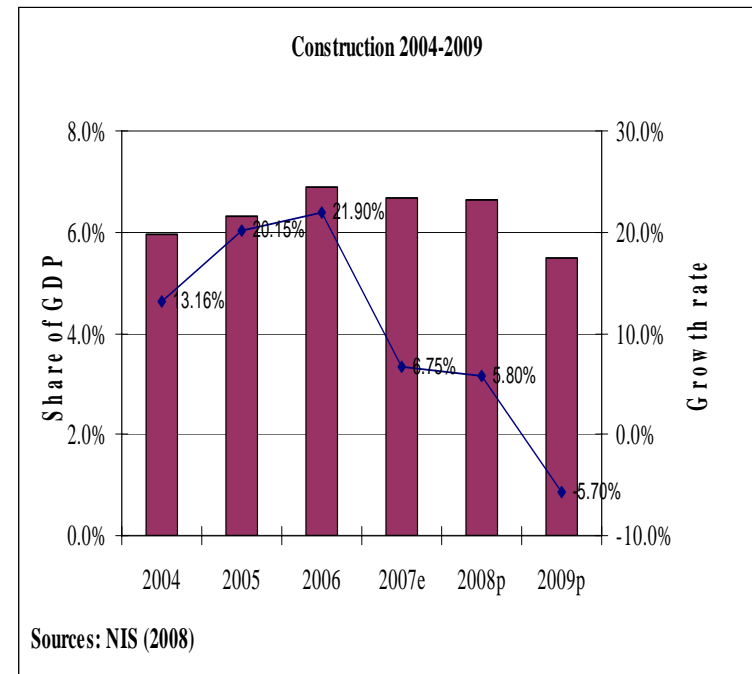
3. The Impact of Global Recession Crisis on Cambodia (Macro-level)

- Tourism:
 - Tourism sector has experienced a negative annual growth rate for six consecutive months from October 2008 to March 2009
 - During January-July of 2009, the number of tourist arrivals in amount to 1,249,518—mostly the same as of 2008, an increase of 12% from January-July 2007.



3. The Impact of Global Recession Crisis on Cambodia (Macro-level)

- Construction:
 - The growth of the construction sector decelerated slightly from 6.7% in 2007 to 5.8% in 2008
 - The slowdown in growth is expected to worsen to -5.7% by end 2009

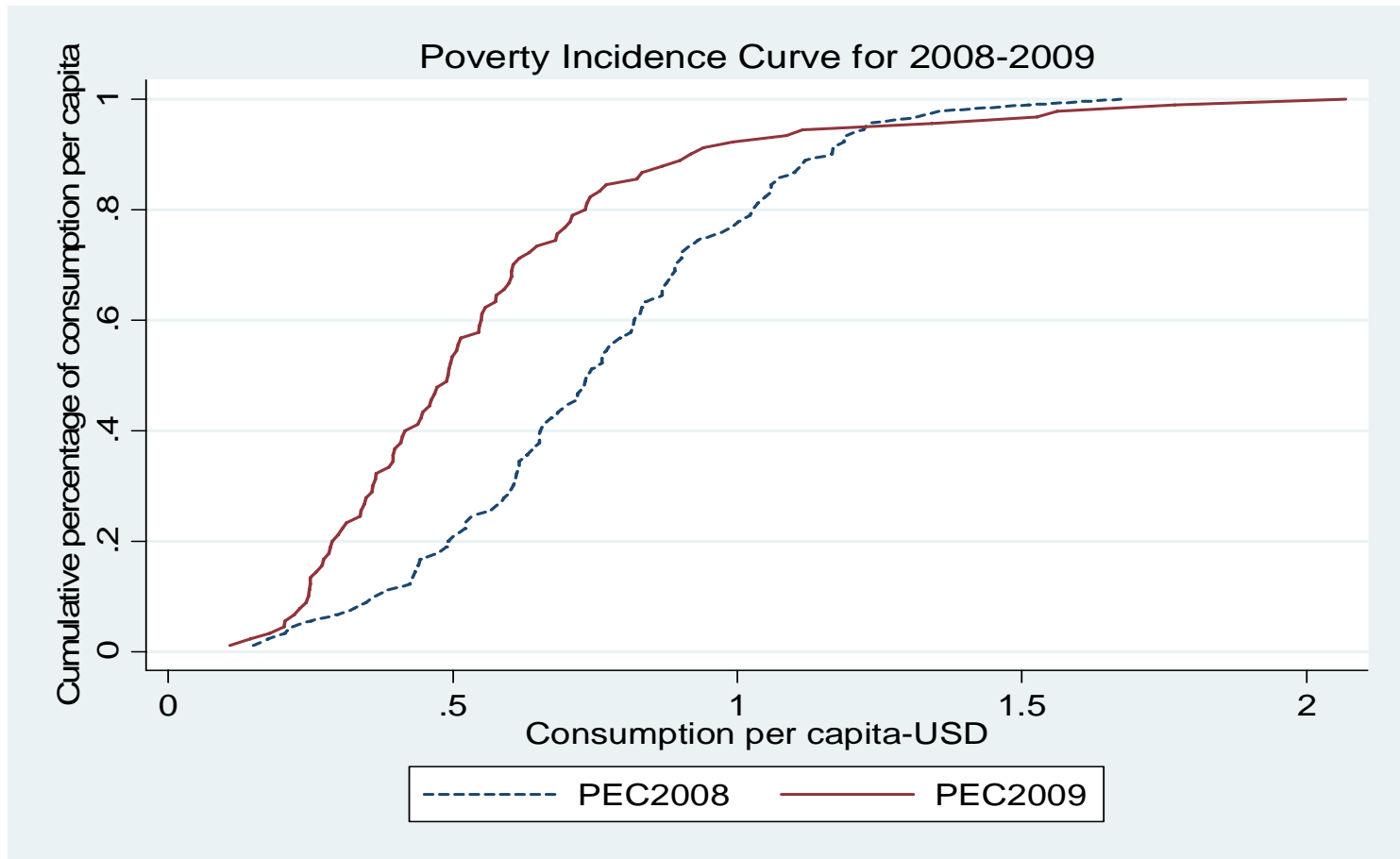


3. The Impact of Global Recession Crisis on Cambodia (Household level-Rural Area)

- The 90 household panel data collected in 9 villages in rural Cambodia during March 2008 and May 2009 has revealed that
 - Per capita income, per capita consumption, and per capita non-land assets shrank significantly.

Variables	2008 [Mean, \$]	2009 [Mean, \$]	% Change
Per capita income	1.07	0.71	-33.43
Per capita consumption	0.90	0.67	-25.54
Per capita non-land assets	228.88	129.27	-43.52
Durable assets	89.07	61.79	-30.61
Livestock	170.18	81.18	-52.30
Sample Households	90	90	

3. The Impact of Global Recession Crisis on Cambodia (Household level-Rural Area)



3. The Impact of Global Recession Crisis on Cambodia (Individual level-Urban Area)

- A survey of vulnerable worker daily earnings in Phnom Penh and other two provinces conducted by CDRI over the past several years shows:
 - The crisis hit garment workers hardest. Their real daily earnings of garment workers fell by **17%** between February-May 2007 and February-May 2009, all else being equal. This largely reflects a fixed wage rate, a **decline of working hours** and a high inflation rate.
 - Real daily savings declined by **21%** between February-May 2007 and February-May 2009, all else being equal.

3. The Impact of Global Recession Crisis on Cambodia (Individual level-Urban Area)

- Average monthly nominal remittance amounted to USD 18.44 in May 2009 down from USD 24.4 in February 2009—a decrease of **32%**.
- The crisis impacts on the other nine groups are less substantially.
- The Focus Group Discussions held in May 2009 in Siem Reap province—Cambodia’s tourist hub—confirmed that tourism workers, particularly hotel and restaurant workers have been affected by the crisis due to the decline in tourist arrivals.

4. Coping Mechanism of the Poor and Vulnerable

- The 90 household panel data shows that about 35% and 40% of survey households were hit by shocks, particularly idiosyncratic shock, in 2008 and 2009, respectively.
- Use of Risk Coping Strategies by Affected Households

	Percentage of Household	
	March 2008	May 2009
Adaptive strategies	3.13	5.56
Active strategies	81.25	94.4
Social network strategies	12.5	13.8

4. Coping Mechanism of the Poor and Vulnerable

- The 948 household panel data collected in 9 villages in rural Cambodia during March 2008 and September 2008 shed some light on ex-post risk coping strategy. Households were more likely to restrict consumption of non-food items to preserve for food.

Quintile of total consumption	Total Consumption		Food		Non-food		Total Consumption	Food	Non-food
	Mar-08	Sep-08	Mar-08	Sep-08	Mar-08	Sep-08	% change March-September 2008	% change March-September 2008	% change March-September 2008
1 (lowest)	0.52	0.47	0.42	0.38	0.10	0.10	-8.9%	-9.0%	-8.8%
2	0.70	0.63	0.54	0.49	0.16	0.14	-10.3%	-9.5%	-12.8%
3	0.83	0.75	0.63	0.57	0.20	0.18	-10.0%	-9.9%	-10.1%
4	1.02	0.89	0.74	0.66	0.29	0.23	-12.7%	-9.8%	-20.0%
5 (highest)	1.47	1.24	0.99	0.83	0.49	0.41	-15.5%	-15.5%	-15.5%
All	0.91	0.80	0.66	0.59	0.25	0.21	-12.3%	-11.4%	-14.7%

4. Government's Policy Responses

- Suspending the monthly turnover tax of 1% tax on garment factory expenditures.
- Announcing a 10% reduction in export management fees and other costs.
- Establishing “Prime Minister’s Special Fund” to provide short-term vocational training to workers who lost their job.
- Setting up “Agriculture Support and Development Fund” to support private sector.
- Negotiating with the World Bank of financing approximately USD 13 million to programs which relevant to social safety net...

5. Conclusion and Policy Implication

- The impact of the global economic downturn on poverty and vulnerable groups is severe in both rural and urban area. The immediate impacts appear to hit the poor through employment, private transfer and the impact is likely to worsen over the medium term as a weak formal ex-ante and ex-post risk coping strategies, informal social insurance and the lack of public response.
- The government should be to promote the insurance to the poor by setting up a regulatory framework for MFI and providing credibility to the social safety net system.