

# POVERTY AND WELLBEING BEFORE AND DURING COVID-19 IN CAMBODIA: AN ASSESSMENT OF TRENDS AND CORRELATES

## EXECUTIVE SUMMARY

**T**his study investigates factors affecting welfare prior to and during Covid-19. It employs analysis of the Cambodia Living Standards Measurement–Plus Survey 2019/20 data, alongside five rounds of the Covid-19 High Frequency Phone Surveys between May 2020 and March 2021 to assess socioeconomic impacts of the pandemic.

The results point to a range of factors which could contribute to explaining poverty incidence prior to the pandemic. **Household resource endowment was an important correlate of welfare, particularly in terms of possession of a mobile phone, ownership of livestock and land and access to electricity. Other factors include access to financial services, education, involvement in non-agriculture businesses, migration and remittances.** The role of remittances was particularly pronounced in rural areas and for female heads of households. On the latter, de facto female headship in households with an adult male and in households with a migrant was associated with a lower probability of poverty.

However, a range of these variables are being constrained during Covid-19. For example, analysis of Covid-19 phone surveys points to the severity of income loss both in terms of breadth (share of households affected) and depth, the latter more pronounced in proportional terms among households in the bottom two quintiles with an already low consumption base, and also severe among IDPoor households. In other words, not only has income loss been deep, but it continues to get deeper over time, starting from a low base. This suggests that **there are considerable processes of impoverishment (breadth), but also destitution (depth) in Cambodia as a result of Covid-19.**

Income loss has also been severe. **Non-farm enterprises (NFEs) were most affected by income loss at the outset of the pandemic. Moreover, by March 2021 when compared to December 2020, a large share particularly of IDPoor households, continued to report income loss where their main income derived from NFEs.** Receipt of remittances has also plummeted during the pandemic. These results are particularly concerning given that NFEs and

remittances were both important correlates of reducing the probability of poverty pre-Covid-19, suggesting that important pathways out of poverty are being constrained.

Education was another correlate of welfare in Cambodia pre-pandemic, offering protection against poverty especially at the secondary levels and above. During Covid-19, however, education disruption was widespread amid repeated school closures. **Even where education activities have resumed, engagement among poorer households remains low.**

**As a result of these shocks, households were forced to rely on a range of coping strategies, especially reducing consumption, taking loans and, for poorer households in later survey waves, accessing social protection.** Reliance on support from friends has been reducing over time, perhaps a result of community networks thinning out. Even though the roll-out of cash transfers has eventually

reached many ID Poor households, levels may not be adequate resulting in reductions in food consumption among poorer households and continued food insecurity. Moreover, there remain regional variations in access to social protection, disadvantaging Tonle Sap, which was already the poorest region in the country pre-pandemic. In this context, household expectations for future months remain bleak.

**The results point to areas for policy and programming focus**, including helping to narrow development gaps by area of residence alongside a regional levelling up focused on the Tonle Sap region. Alternatives to borrowing as a coping strategy are also worth considering, alongside improvements in inclusive access and quality of financial services to help mitigate the adverse consequences of indebtedness. Alongside this is a need to focus attention on children who have missed out on school and learning, particularly from poorer households.

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