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Governance and Poverty
The Impact of Governance on Poverty Reduction Policy in Cambodia

거버넌스와 빈곤:
캄보디아의 거버넌스가 빈곤감소정책에 미친 영향에 관한 연구

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Abstract

Governance and Poverty
The Impact of Governance on Poverty Reduction Policy in Cambodia

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The objective of this research is to examine the impact of governance on poverty using the case of Cambodia, which focuses on poverty reduction policies and on the importance of governance issues in making them more effective. This will provide a general background for the presentation of some small examples taken from ongoing situation in Cambodia. This study exhibits relationship between governance and poverty elevation by using governance indicators produced by World Bank, WGI, to evaluate governance. Poverty rate trend and GDP per capita are used to compare the trend and relationship. Several characteristics of good governance can be seen in the Rectangular Strategy II such as responsive and transparent in decision making and project are concentrate on the local level and also increase equity and inclusiveness in the strategy.

Noticeably, the implementation of administrative decentralization at the communal level raises great challenges in terms of good governance. Through this explanation and exploration, the research will clarify the appearance of good governance in the efficient-policy making. This study
finds that the economic development is the most important factor for reduction of poverty. It accords with the other finding of economic growth reduces poverty and that it needs at least stable governance to produce economic growth and reduce poverty.

The experience shows key factors for reducing poverty in Cambodia is by improving three important factors of economics such as garments and foot wares, service and tourism, and production of agriculture, these achievement is through the government role to produce and implement policies such as Cambodian Millennium Development Goals, National Strategic Development Plan, and the most important policy is the Rectangular Strategy that focus on people poverty reduction through economic and social development. To eliminate poverty governance is important and must goes with growth, the strong and committed leadership, policies, and institutions are needed, without strengthening governance pro-poor policy cannot be achieved, and as commit by Cambodian Prime Minister (2008) that” The new Royal Government of Cambodia, created by the free will of our people, resumes its duties in the fourth legislature with renewed dynamism and commitment to building' and developing our country. I would like to propose to our first cabinet meeting, compatriots, development partners, public and private sectors, and civil society organizations, that we will continue to implement the " Rectangular Strategy” for growth, employment, equity and efficiency -- Rectangular Strategy Phase II which is the "Socioeconomic Policy Agenda" of the "Political Platform of the Royal Government of the fourth legislature of the National Assembly".

**Keywords:** Governance, Good Governance, Poverty, Poverty Rate, Poverty Reduction Policy

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Chapter 1 INTRODUCTION

1.1. Background

*UN Secretary-General Kofi Annan* noted that “good governance is perhaps the single most important factor in eradicating poverty and promoting development”.

*The Rectangular Strategy 2004 of the Royal Government of Cambodia stated that* “Good Governance is the most important condition to economic development with sustainability, equity and social justice. Good Governance requires that corruption be reduced to minimum, the views of minorities and the voices of the most vulnerable in society be fully heard and considered in the decision-making process”.

This finding is very important because although there are various efforts have been made in most part of the world, more than 2.8 million people live on less than 2 US$ a day. “Despite massive progress in reducing poverty in some parts of the world over the past couple of decades – notably in East Asia – there are still about 1.4 billion people living on less than US$1.25 a day, and close to 1 billion people suffering from hunger. At least 70 per cent of the world’s very poor people are rural, and a large proportion of the poor and hungry are children and young people (IFAD, 2011)”. Why all these efforts to reduce poverty by developing countries not achieve the needed necessary to improve the living standard of the poor? The policies reflect political and social interests and it is very difficult to see a situation where poverty reduction reform is hindered by vested interests. Cambodia has committed to implement state reforms in order to reach its Millennium Development Goals through the Government's Rectangular
Strategy. To date, no study using scientific modeling has yet been conducted in order to assess the impact of better governance in Cambodia (EIC Strategic Plan 2006-2008). As note the important of governance and development professor Yong-duck Jung, 2013 quotes that “National Development is achieved by improving national capacities, the capabilities of the state and public administration can be improved by adopting the ideas of governance. Governance has become a central component in any explanation of economic and social development…Good Governance remains a requisite for many different forms of growth, where the various features of bad governance…corruption, waste, abuse of power and exploitation of public means for private ends…tend to drive unfortunate nations into vicious spirals of decline, disruption and destruction”. Good governance is among other things, participatory, transparent and accountable. It is also effective and equitable; it promotes the rule of law. Good governance ensures that political, social and economic priorities are based on broad consensus in society and that the voices of the poorest and the most vulnerable are heard in decision making through the allocation of development resources. Poverty is a pressing problem of countries all over the world. Government leaders, international organizations, therefore, are actively searching for solutions to contain and eliminate poverty globally. Poverty reduction is the basic element to ensure social justices and sustainable development; and it needs good governance to support and provide opportunity for the poor to get out of poverty situation. It means that problems of poverty and governance are inextricably linked. Weak governance of public institutions imposes direct costs on the poor. Without good governance, the scarce resources available are
generally not put to their best use in combating poverty. Good governance is necessary if all aspects of poverty are to be reduced. It facilitates participatory, pro-poor policies as well as sound macroeconomic management. It ensures that transparent use of public funds, encourages growth of all sectors, helps to establish the role of law, and promotes effective delivery of public services to benefit the poor. This study also aims at providing an overview of Cambodia’s governance and poverty reduction situation as a background for discussion of the relationship between Good Governance and poverty reduction. Over recent years in Cambodia, all the internal and external actors of politics, administration and development are emphasizing on the need for good governance. The actual picture of governance in Cambodia is challenging to be good and satisfactory. Accountability of government and administration is to be improved. Rule of law, a sound judicial system has not yet been guaranteed. Democratization and human right are being disrupted in some ways; corruption is still adversely affecting the country’s social and economic development; all of these issues hurt the poor directly and indirectly. And this study also tries to answer: why does the quality implementation of good governance matter?

1.2 Rationale or purpose of the study

Using the case of Cambodia, the purpose of this study is to examine governance and poverty situation and the impacts of governance has on poverty reduction.

1.3. Research question(s). The research questions are as the following:

Does governance impact on poverty reduction policy in Cambodia?

Supplementary Questions:

- Is good governance related with poverty?
• Are there the characteristics of good governance included in policy making of Poverty Reduction?

• What are the causes of poverty and Poverty reduction Strategies in Cambodia?

• Has the poverty reduction policy of Cambodia something to do with good governance principles?

• What are the challenges and success of good governance and how to improve it?

1.4. The objectives of the study.

1.4.1. To examine the impact of governance on poverty reduction policy in Cambodia.

1.4.2. To identify the relationship between Governance and Poverty

1.4.3. To describe the cause of poverty and Poverty Reduction Strategies in Cambodia

1.4.4. To list and assess the challenges and success of governance which has impact on poverty

1.4.5. To look at the governance performance in Cambodia

1.5. Methodology

The methodology is a plan for collecting, organizing and integrating collected data so that an end result can be reached (Merriam, 1994). Since present investigation is dealing with a phenomenon of good governance in Cambodian poverty context, it has been framed in terms of the corresponding research questions. The study is a qualitative research, exploratory in nature. Concurrently, it tends to explore inherent traits, characteristics, and qualities of the good
governance and policy aimed at poverty alleviation as the objects of inquiry and, thus, it is also interpretive. Generally, the study sits in line with the main trends in the literature, seeking to generate and extend these trends. The value of this study is its emphasis on the connection between governance and policy addressing poverty alleviation in the country. Thus, the study aims to use the **theoretical framework** developed using scientific sources of literature in order to comprehend substantive Cambodian phenomena. The literature is reviewed, analyzed and incorporated as the study progresses. In order to find the answer to the central research question of the thesis concerning a match between good governance and policy addressing poverty alleviation in Cambodia, first of all, the methodological path need to be worked out. The policy addressing poverty alleviation in Cambodia is represented by a set of documents elaborated further in the section on data collection. The good governance principles are operationalized subsequently. Thus, the documents piling up poverty reduction policy of Cambodia is examined for the purpose of good governance principles. Accordingly, the discussion on the choice of an appropriate research method for conducting further investigation follows.

**1.5.1. Research Method**

This paper studies two important issues regarding governance and poverty reduction policy, and explains how governance affects poverty. The documents and papers produced by various organization, government, nongovernment organizations, and World Bank dada are used as a primary source. Operationalization of the good governance principles is worked out in the next subsection, defining key concepts and their meaning for the purpose of facilitating
search of them in the documents. As regards to generality as a basic characteristic of content analysis, the theoretical relevance and comparison according to the theoretical framework is displayed in operationalization subsection as well as in the process of analysis. Current content analysis is confined to manifest as well as latent content of the documents. The levels of content are: key concepts of good governance principles are treated as primary content; context information regarding key concepts as latent content. The analysis of formal aspects of the material belongs to its aims as well. This study specifically examines the World Governance Indicator provided by World Bank Group to analyze the governance in Cambodia.

The paper is organized as follows:

Chapter 1 provides introduction about the governance and poverty, the purpose and objective of the study and how the data is collected and analyzed.

Chapter 2 deals with various scholars and organization finding as well as theoretical and methodological contribution to the study on the governance and poverty and examines the relation between governance and poverty through three models, such as economic growth, aid effectiveness, and human development.

Chapter 3 refers to the illustration of Governance in Cambodia including Aspects of Governance, Governance Structure, and Poverty in Cambodia consists of Poverty Line, The Result found of the new poverty line and the result by World Bank, the main causes of poverty in Cambodia and Poverty
Reduction Policy, and also provides Contextual Analysis of Governance and Poverty.

Chapter 4 describes about Analytical Framework by using World Governance Indicator produced by World Bank which consists of six broad dimensions of governance.

Chapter 5 The link between governance and poverty, and Data Analysis consists of data by World Bank that produces Country Report for Cambodia; This Country Data Report summarizes the data from the Worldwide Governance Indicators (WGI) project for a single country; rule of law is a key indicator for analyzing governance. The WGI reports six aggregate governance indicators for over 200 countries and territories over the period 1996-2012.

Chapter 6 contains Conclusion and Recommendation.
Chapter 2 Literature Reviews and Theoretical Framework

2.1. Literature Review

"Good governance" emerges to be the missing link in the road to development and poverty eradication. Above all else, promoting good governance is part of the deal developing countries have undertaken in the framework of the "global partnership for development" enshrined in the Millennium Declaration and ratified at the Monterey Financing for Development Summit. Currently, the relationship between governance and poverty reduction is practically taken as given. It is so deeply rooted in the discourse of multilateral institutions, bilateral donors and even non-governmental organizations (NGOs) that we need to examine it carefully in order to identify its rationale, coherence and the evidence supporting it. This task is of great importance, since the way that link is understood is shaping the overseas development assistance (ODA) agenda, including its justification, tools, actors and methodologies. “Economic growth will not reduce poverty, improve equality and produce jobs unless it is inclusive and inclusive; growth is also essential for the achievement of the Millennium Development Goals (MDGs), globally the number of extreme poor has dropped by 650 million in the last three decades, a level of progress humankind had never seen. But still there are more than a billion people living in extreme poverty. In the midst of globalized progress and development, human deprivations are still wide spread (UNDP, 2014)”. To ensure sound local development action should be taken to work towards achieving good governance (Ara and Rahman, 2006).
governance is improved, i.e., policy unpredictability, unstable property rights regimes, decentralized corruption, and unaccountable leadership are corrected; utilizing purely technical criteria is more likely in allocating scarce donor resources to development projects (Lakshman, 2003:2-14). So then, however, there is an urgent need to understand the governance quality. As explained about political power in agenda setting, Narayan claimed: In the context of rapid economic development in the “miracle” economies, Stiglitz has argued that “the real miracle of East Asia may be political rather than economic: why did governments undertake these policies? Why did politicians… not subvert them for their own self-interest?” (Stiglitz 1996, 174, emphasis added). Lakshman points out that history teaches us clear lessons about the nature of political regimes that are most conducive to rapid economic development: “The one characteristic common to the political regimes of the miracle economies was their authoritarian nature…. When this experience is juxtaposed against that of India, it appears that whereas democracies have been slow in grappling with poverty the authoritarian regimes in the miracle economies achieved spectacular success” (Quibria 2002, 62-3). Similarly, Deolalikar et al. (2002, 13) posit that “It is simplistic to think that democracy or civil liberties alone can guarantee poverty reduction. After all, only until recently was it believed that a strong and autocratic leadership was an essential factor common to all the Asian Developing Countries that had experienced rapid economic growth and poverty reduction, such as Korea and Taipei, China in the 1960s and 1970s; Thailand in the 1970s and 1980s; and Indonesia in the 1980s and the early 1990s. Some scholars have credited the success of Korea and Taipei, China in implementing far-reaching land reform to
their “enlightened dictatorships.” He continued, of course, mere correlation is not the same as causation, and so we must be careful to understand the mechanisms that might link regime type with effectiveness of poverty alleviation policy. When we do so, we find explanations that tell part of the story but perhaps not all of it. Varshney (1999) explains that authoritarian regimes are more consistent with the indirect method of poverty alleviation, which is basically growth-mediated, whereas democratic regimes are more amenable to direct measures such as asset and income transfers. This, according to Varshney, is because “direct methods... have a clear logic and have effects that can be quite tangible…. [but] in contrast, the utility and value of indirect methods of poverty-removal… [are] not easy to understand in political circles, and even if understood, rather difficult to push in political campaigns” (Varshney 1999, 5-6). The reason for this correlation across two regime types and two poverty alleviation strategies is that democracies are characterized by mass politics whereas authoritarian regimes are characterized by elite politics. So in the former, the poor can pool their weight to push the government’s economic policy toward their interests through political mobilization and/or voting. Political mobilization and regular and periodic elections, which are common to democratic systems, do not exist in authoritarian polities. But it should be recognized that while an inadequate rate of economic growth is indeed part of the reason for underdevelopment, it is not the entire story because it is by no means clear that democratic developing countries have reached their “redistribution frontier.” In other words, it is highly likely that the failure of economic growth is only compounded by a redistribution failure too. The evidence can be directly observed in the lack of infrastructure, social security nets,
and assets like land owned by the poor in developing democracies like India (see World Bank 1997). Recent literature on the politics of poverty alleviation has indicated that the role of elites in facilitating the emergence of a pro-poor agenda is fairly important. Houtzager and Pattenden point out that there is a growing agreement among students of development that the ability of organizations of the poor to influence policy is greatly enhanced by alliances with reformist elements within the state. Indeed much of the literature on civil society, NGOs, and social movement associates movement strength with autonomy from elites, political parties, and the state; yet this focus on autonomy is misguided. Only in instances where broad coalitions of the poor succeed in attracting the support of critical elite and non-elite allies are they likely to gain access to policy making centers. Reform in this area could aim to increase policy-oriented dialogue between the poor on the one hand and NGOs, state and private elites on the other. The recent studies have been showing that good governance is an essential precondition for achieving sustainable economic growth and reducing poverty, such as “The exercise of political, economic and administrative authority in the management of a country’s affairs at all levels, it comprises the mechanisms, processes and institutions through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations and mediate their differences (UNDP 1997:2-3.)” Osmani (2000) has suggested the need for a focus covering “a range of issues involving decentralization, people’s empowerment, and the involvement of community-based organization in local affairs, and the relevance of all theirs for poverty alleviation.” Victor Pestoff explains through new public governance and accountability paper that recently, major changes in the public sector itself
were brought to the fore by various scholars, but little attention has yet been devoted to the implications for accountability. First, Nobel Laureate Elinor Ostrom and her colleagues analyzed the coproduction of public services in order to better understand the changing relationship between citizens and state (Parks et al., 1981 & 1999). Then several other authors joined the discussion. Hartley (2005) identified and analyzed three approaches to the public sector itself in the postwar period and their implications for policy-makers, managers and citizens. These three approaches are traditional public administration, New Public Management and Networked Governance; Osborne viewed New Public Management as a transitory stage in the evolution towards New Public Governance (2006 & 2010); and Bovaird argued for a radical reinterpretation of policy making and service delivery in the public domain, resulting in Public Governance (2007). Common to all four of these newer perspectives on public services is a central role attributed to citizen co-production and third sector provision of public services. However, public administration and management have as yet paid little attention to crucial issues of accountability. Moreover, it is very important to know about the causes of any issues occurring in order to adopt suitable solutions. High economic growth is important and effective for poverty reduction only when the wealth generated from the growth has fairly distributed (Ravallion, 2002). Thus, the more inequality would lead to increase in poverty. The high level of inequality in many developing countries challenged the poverty reduction in which the greater inequality could lead to the lesser poverty reduction and even further eroded the growth in those countries (Birdsall 2005). The richer and powerful people take all economic benefit such as the use of public fund serving their private interest than
public interest (Vandemoortele, 2009). Molita Men (2013) raised that the studies of Ravallion (2003), Birdsell (2005), and Vandemoortele (2009) are parallel with the study of Y Ratanak (2006) which mentions the role of income inequality as a cause on poverty in Cambodia. Discovering the relationship between good governance and poverty reduction, there are various success cases all over the world regarding poverty reduction. “The rural Saemaul Undong of the 1970s in the Republic of Korea shown diverse characteristics of good governance, especially, spontaneous participation by village people, this participation was not only a primary factor in the achievements of the Saemaul Undong, but also made it consensus oriented, responsive, and transparent in terms of decision making and project implementation at the village level; participation in the villages was promoted and supported by government intervention and strategies, which brought not inclusiveness in the Saemaul Undong. The Saemaul Undong embodied a number of characteristics of good governance; in the result of the study suggest two policy implementations for other developing countries that are promoting poverty-reduction and rural-development programs, first, community development and economic and social growth program should strive to produce the diverse characteristics of good governance, and more importantly a balance combination of the good governance characteristics should be considered in the course of formulating and implementing such programs; second, the importance of institutional innovations for achieving a combination of good-governance characteristics should be stressed; based on the analysis of the Saemaul Undong, it is predicted that these innovations will not only be instrumental in stimulating rural change but also become driving forces for promoting good governance in
rural development programs in other developing countries (Eom ,2011).” The Royal Government of Cambodia (RGC) is committed to reducing poverty and inequality, and improving the quality of life of the vast majority of Cambodia's rapidly growing population, so that all Cambodians can enjoy the benefits of economic growth and participate in the development process (Council for Social Development, CSD). While people role as units of society, the study of their life’s condition in the social aspect needed to draw the attention, Cambodian government has been introducing and implementing Rectangular Strategy as guidance for poverty reduction.

2.2. Theoretical Framework

2.2.1. Governance and Good Governance

At the present time the terms “governance” and “Good Governance” are being increasingly used in development literature. A dramatic change has come in public administration and the paradigm shift towards good governance and sustainable developments. From time to time, the intellectuals, bureaucrats and civil society members are accepting the spirit of the concept and conceptualizing it in their own experience and environment.

2.2.1.1. Governance

Definitions can be challenging, subtle, complex and powerful. Let us begin by a definition of what governance is not. Bert A. Rockman and Sung Deuk Hahm (2011) wrote that “examining differences between governance and government helps us to understand features of current governance crises across countries”, they quoted Kettl (1995, p. 27) by arguing that governance involves an understanding of the complexity of the relationships, interrelationships, and
interdependencies (between the state and others) as important determinants of how well the government works. Kaufmann, Kraay, and Mastruzzi (2004, p. 3) define governance as the traditions and institutions by which authority in a country is exercised. Specifically, it includes the process by which governments are selected, monitored, and replaced; the capacity of the government to formulate and implement sound policies effectively; and the respect of citizens and the state for the institutions that govern economic and social interactions among them. However, these definitions of governance are too broad and fail to distinguish between various institutional particulars and basic principles. In this regard, Longo (2008, p. 194) defines governance as a set of institutional arrangements that are used to adopt and implement public decisions. It embraces structures, processes, players and their interrelationships, rules, control, enforcement and accountability mechanisms, incentives, and in general all elements bearing on decisions in the public sphere. Longo (2008, p. 192) further argues that governance is characterized by the relational nature of the public sphere in dealing with difficult emerging issues, which require increasing coordination and collaboration on the part of government. “Therefore, although good government lies at the core of good governance, the two concepts should be clearly distinguished (Bert A. Rockman and Sung Deuk Hahm, 2011)”, each has its distinctive mode of politics and policy formation. The coverage of governance (the so-called public sphere) is much wider than that of government (the so-called state sphere), for it is conterminous with that of the modern state (see Longo, 2008; Power, 2007). In practice, Kettl (1995, p. 31) argues, governance encompasses a far larger view of government and of the other institutions that
government relates to that enable public work to take place. Governance is not synonymous with government. This confusion of terms can have unfortunate consequences. A public policy issue where the heart of the matter is a problem of "governance" becomes defined implicitly as a problem of “government”, with the corollary that the obligation for “fixing”, it necessarily rests with government. “Since governance is not about government, what is it about? Partly it is about how governments and other social organizations interact, how they relate to citizens, and how decisions are taken in a complex world. Thus governance is a process whereby societies or organizations make their important decisions, determine whom they involve in the process and how they render account. Since a process is hard to observe, students of governance tend to focus their attention on the governance system or framework upon which the process rests - that is, the agreements, procedures, conventions or policies that define who gets power, how decisions are taken and how accountability is rendered (John Graham, Bruce Amos and Tim, Plumptre, 2003:1). We notice that the concept of governance has been around in both political and academic discourse for a long time, referring in a generic sense to the task of running a government, or any other appropriate entity for that matter. In this regard the general definition provided by Webster’s third New International Dictionary (1) is of some assistance, indicating only that governance is a synonym for government, or “the act or process of governing, specifically authoritative direction and control”. This interpretation specifically focuses on the effectiveness of the executive branch of government. Goran Hyden (2) to bring greater clarity to the concept of governance needs special attention. He claims governance to an “umbrella concept to define an approach to
comparative politics”; an approach that fills analytical gaps left by others. For a governance approach, he notes “the creative potential of politics, especially with the ability of leaders to rise above the existing structure of the ordinary, to change the rules of the game and to inspire others to partake in efforts to move society forward in new and productive directions”.

Majority of international organizations and bilateral agencies have made their own definitions of governance. Some have adopted a specific strategy and policy (UNDP and ADB); some has limited themselves to give definition of the concept, such as “The traditions and institutions by which authority in a country is exercised” – Kaufman et al. The way “…power is exercised through a country’s economic, political, and social institutions.” – the World Bank’s PRSP Handbook. “The exercise of economic, political, and administrative authority to manage a country’s affairs at all levels. It comprises mechanisms, processes, and institutions, through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations, and mediate their differences.” – UNDP. The Development Assistance Committee (DAC) of the (OECD) has developed guidelines on participatory development and good governance. These guidelines reflect their current thinking on principles and strategy to be applied and act in this area. UNDP has developed a fairly broad strategy and policy linking public-sector management, governance and sustainable development. The development banks have concentrated mainly on the social and economic aspects of the concept of governance. The European Union and the European Bank for Reconstruction and Development (EBRD) have broader visions in which governance includes political dimension: Governance comprises the institutions,
processes and traditions which determine how power is carried out, how decisions are taken and how citizens have their say. The institute of governance defines governance as “Governance determines who has power, who makes decisions, how other players make their voice heard and how account is rendered”. So, governance is not the sole concern of government, but of all those involved in decision making.

To combine, according to UNESCAPE, the concept of “governance” is not new. It is as old as human civilization. Simply put “governance” means the process of decision making and the process by which decisions are implemented (or not implemented). Governance can be used in several contexts such as corporate governance, international governance, national governance and local governance.

Due to governance is the process of decision making and the process by which decisions are implemented, an analysis of governance focuses on the formal and informal actors involved in decision making and implementing the decisions made and the formal and informal structures that have been set in place to arrive at an implementation decision.

2.2.1.2. Good Governance

Many governance theories and models have been proposed from various perspectives, most of them focus on the industrialized countries, some international organizations such as the World Bank have suggested key concepts and elements of good governance especially for developing countries, because good governance has been considered “a requisite for many different forms of growth, whereas the various features of bad governance … corruption, waste,
abuse of power and exploitation of public means for private ends…tend to drive unfortunate nations into vicious spirals of decline, disruption and destruction” (Tarchys, 2001: 28 and 40). Some development Institutions give the meaning of Good Governance to their vision, such as: It is “… among other things participatory, transparent and accountable. It is also effective and equitable. And it promotes the rule of law.” – UNDP. It “… encompasses the role of public authorities in establishing the environment in which economic operators function and in determining the distribution of benefits as well as the relationship between the ruler and the ruled.” – OECD (www.oecd.org/dac/). It is “… epitomized by predictable, open and enlightened policy making; a bureaucracy imbued with a professional ethos; an executive arm of government accountable for its actions; and a strong civil society participating in public affairs; and all behaving under the rule of law.” – World Bank 1994: Governance: The World Bank’s Experience.

“Mechanisms for assuring good governance have three key elements: Internal rules and restraints (for example, internal accounting and auditing systems, independence of the judiciary and the central bank, civil service and budgeting rules); “Voice” and partnership (for example, public-private deliberation councils, and service delivery surveys to solicit client feedback); and Competition (for example, competitive social service delivery, private participation in infrastructure, alternative dispute resolution mechanisms, and outright privatization of certain market-driven activities). – WDR 1997”.

“For developing countries, good governance is a necessary condition for expanding their ability to generate income and reduce poverty in the future (United Nation, 2005:15)”. Good governance is a critical policy requirement for a
successful poverty reduction strategy and human development progress of any country. Where governance is poor it is difficult to imagine how equitable development can take place and where there is inequity the chances that some sections of the society will be left to live in poverty and misery are high. Indeed, evidence from the past three decades since the 1980s show that in exception of a few countries such as China, Malaysia and Singapore where some considerable economic progress was realized under autocratic or semi-dictatorial regimes, in the majority of countries in Africa, Asia and Latin America poor governance has been a cause of continuous poverty and underdevelopment. Many of these countries are endowed with rich resources yet the majority of their citizens live in poor conditions. There are 6 good governance principles widely accepted by researchers and governance stakeholders in developing and transitional societies around the world, namely, participation, fairness, decency, accountability, transparency, efficiency (Hyden, Court, and Mease, 2004, p. 25). Good governance ensures that corruption is minimized, the views of minorities are taken into account and that the voices of the most vulnerable are heard in decision making. It is also responsive to the present and future needs of society. According to UNESCAP (2007: 3-4), good governance has the following eight characteristics: Participation, Rule of Law, Transparency, Responsiveness, Consensus Orientation, Equity, Effectiveness and Efficiency, and Accountability.
Mushtaq, H. Khan (2009) confirms that states have to achieve capabilities for protecting property rights and contracts using the rule of law. These require capabilities for fighting corruption and rent seeking, which, in turn, have to be bolstered by reforms promoting democratization, decentralization and accountability. The final component often added to the package by development agencies is the promotion of pro-poor service delivery as a way of mobilizing the poor who are the majority or close to the majority in poor countries. If this group can be mobilized to hold the state to account by ensuring that the state delivers to them, then the accountability essential in this framework can be kick-started. The importance of pro-poor service delivery in this governance approach is therefore not simply the direct effect on poverty (initially funded mainly by external agencies), but primarily to establish the virtuous cycle of governance which, in theory, will sustain market-led growth., and argued that the expectation that implementing good governance reforms in developing countries will drive growth is unlikely to be met. This is not because the theory is implausible, but because there are structural and fiscal constraints that prevent the achievement of
significant improvements in the good governance capabilities shown in Figure 5 in poor countries.

2.2.1.3. Four Pillars of Good Governance:

Some of multilateral organizations (UNDP, World Bank, OECD…) and bilateral organizations have pointed on the elements of good governance and their relation to development. So according to the World Bank, the instrumental nature of governance, however, implies that the following four governance pillars are usually applicable regardless of the economic orientation the economic orientation, strategic priorities, or policy choices of government. Good governance is a set of “normative principles of administrative law” in which the governments of a state are required to function in a manner that the values of non-corruptibility, responsiveness, and efficiency to civil society are enhanced. In other words, this principle is connected with the skills of governing a country (Chowdhury & Skarsted, 2005, as cited in Rosenau, 1997). According to Te (2007, as cited in World Bank, 1994), the nature of good governance consists of four elements, which are known as pillars. The four pillars of governance are accountability, transparency, predictability, and participation.

Accountability: is the capacity to call officials to account for their actions. Decision-makers in government, the private sector and civil society organizations are accountable to the public, as well as to institutional stakeholders. This accountability differs depending on the organization and whether the decision is internal or external to an organization. Effective Accountability composes of two characteristics: “answerability” and “consequences”. Answerability is the key factor to respond periodically to questions relating one’s official actions. There is
a need for predictable and meaningful consequences, without which accountability is only a time consuming formality. In addition, both internal (administrative) and external accountability are needed.

**Transparency:** relates low cost access to relevant information. Transparency is built on the free flow of information. Timely and reliable economic information is a must for the public (normally) through the filter of responsible media. Processes, institutions and information are directly accessible to those concerned with them and enough information is provided to understand and monitor them.

**Predictability:** The state of knowing what something is like, etc (Cambridge Dictionary). Predictability can be promoted through consistent application of laws, rules, regulations and policies. Predictability is the ability that arises when rule, regulation, law, and policy made by the government are suitably clear, public known in advance, and rightfully and effectively reinforced. Predictability allows Public Servant to plan for their works, and for the people to organize their businesses, lives, and own interests. Above all else, to be predictable, the application of economic regulations must be effective, fair and uniform.

**Participation:** All men and women should have a voice in decision-making, either directly or through legitimate intermediate institutions that represent their interests. Such broad participation is built on freedom of association and speech, as well as capacities to participate constructively.

It should be noted that in order to facilitate good governance - which is a long term goal - there is a need for a good government. This would result in a government that is responsive to the needs of the people.

**2.2.2. Poverty and Poverty Reduction Policy**
2.2.2.1. Poverty

Reham Rizk (2012) confirms that poverty is defined by the unavailability of income and deprivation of other social aspects of life such as long and healthy life, knowledge. Poverty has become a deeply rooted disease that attacks the majority of developing countries. This disease has been compounded by various factors such as conflicts, political instability, high external debt and the rapid spread of HIV/aids (Arimash, 2004). By searching for the root of these factors, the poor performance of governments has been ignored and the consequences are wasting resources and economic rights of citizens, especially the poor (Grindle, 2004). Hence, being poor means become powerless and unable to participate effectively in decision-making regarding expressing their needs.

“I call on the international community at the highest level ... to adopt the target of halving the proportion of people living in extreme poverty, and so lifting more than 1 billion people out of it, by 2015.” Secretary-General Kofi Annan in the Millenium Report.

Poverty is defined as lack of capability to do things and development as ‘freedom’ (Sen, 1999).

World Bank uses reference lines set at $1.25 and $2 per day (2005 Purchasing Power Parity terms). Using improved price data from the latest (2005) round of the International Comparison Program, new poverty estimates released in August 2008 show that about 1.4 billion people in the developing world (one in four) were living on less than $1.25 a day in 2005, down from 1.9 billion (one in two) in 1981. The new international poverty line of $1.25 a day at 2005 prices is the mean of the national poverty lines for the 10-20 poorest countries of the world.
For the World Bank, three elements - deprivation, vulnerability and powerlessness - should be considered when defining poverty (Tostensen and Kessy, 2008:1), they noted “being poor means being deprived of basic needs such as food, shelter, education, and health. Living at the margin also makes the poor particularly vulnerable to adverse shocks, both natural disasters and human-made calamities. A third dimension of being poor is powerlessness: the poor are ill equipped to alter the social relations that made them poor in the first instance”. In this way, development means empowerment of people individually and collectively, and thus helps to take them out of a poverty situation. Development that reduces poverty is likely to go along with a democratic government (Sen, 1999).

2.2.2. Poverty Reduction Policy

Developing Nations are committed about its progress towards Millennium Development Goals (MDGs) adopted by UN member countries in September 2000. These goals emphasis on improving the poor population providing universal education and access to safe drinking water by 2015. Policy interventions have been adopted to cut down the poverty level.

2.3. The Relationship between governance and poverty

The development review by Miguel Gonzalez Martin (2006) examines that "Good governance" appears to be the missing link in the road to development and poverty eradication. He further stress that the promoting good governance is part of the deal developing countries have undertaken in the framework of the "global partnership for development" enshrined in the Millennium Declaration and ratified at the Monterey Financing for Development Summit. At present time,
the relationship between governance and poverty reduction is practically taken as given. It is so deeply rooted in the discourse of multilateral institutions, bilateral donors and even non-governmental organizations (NGOs) that we need to scrutinize it carefully in order to identify its rationale, coherence and the evidence supporting it; It is of great importance, since the way that link is understood is shaping the overseas development assistance (ODA) agenda, including its justification, tools, actors and methodologies. Miguel Gonzalez Martin (2006) raised 3 models as follow:

2.3.1. The model on governance and economic growth

Over the last few years, empirical research intended to show the correlation between quality of governance and economic performance in terms of growth has proliferated. "Good governance spurs economic growth that consequently reduces poverty", could be a simple formulation of the idea. These studies have demonstrated that the higher a country ranks in governance indicators, the higher is its growth ratio or per capita income. However, showing this correlation says nothing about its direction of causality. It can be argued that governance is the factor explaining this economic performance, or that a better economic record produces better institutions. One could even find a third factor conspiring in favor of a positive relationship between them. World Bank Institute researchers, especially Kaufmann and Kraay, have devoted much energy to understanding the causal relationship between governance and economic growth. In their last revision of governance indicators (Kaufmann, Kraay and Mastruzzi, 2005) - for more than 209 countries and based on 352 variables with 32 sources - they maintain the existence of a clear development dividend of good governance.
They have devised a figure for that dividend: a positive deviation of one point in given governance indicator produces an increase in per capita income in the long run. World Bank researchers are not the only ones sustaining the thesis of a positive causal relationship. Although it is not within the scope of this article to develop their ideas, among the most relevant studies are those by knowledgeable economists such as Rodrik (1999) and Acemoglu et al. (2004). Some other prominent researchers have challenged the approach of "governance first" to development, pointing out there is an actual relationship, but its causal arrow runs the other way around. That is, it is good economic performance which leads to better governance. Chang is probably one of the best known proponents of this and through a historical analysis he tries to dismantle the hegemonic discourse of institutional development. His conclusions are important, not only theoretically but for their policy implications. Chang argues that: today's developed countries were less institutionally advanced when they were at the same stage as today's developing countries; in spite of this, developed countries have grown faster during the last two decades than developing countries - a period where institutions in these countries have improved substantially; hence, it took a long time for developed countries to set up a proper set of institutions. Requiring developing countries to create western style institutions in a very short time is thus unrealistic. Sachs also opposes the idea of governance preceding economic growth. That is implicit when he argues that comparing the performance in governance of African countries with other regions or countries is unfair unless a discount is applied to compensate for low African income (Sachs, 2004, p.120). Once this is taken into account, the quality of governance in Africa and other developing countries tends
to be similar. As well as refuting the direction of causality in the relationship between governance and economic growth, it is worth considering at least another two critiques of this theoretical approach. First, such a theoretical position takes for granted the automatic translation of economic growth into poverty reduction. In a well-known piece of research, Growth is good for the Poor, Dollar and Kraay (2000) gather evidence on the benefit economic growth brings for the poor. Based on a sample of 80 countries over four decades, the study shows how the income of the poor increases at the same pace as general growth: one point for one point. In the official discourse it is generally accepted that growth is good for the poor. In fact, growth is currently regarded as the most effective way of pulling people out of poverty and use of the expression "pro-poor growth" is now widespread, although its meaning is disputed. For some, "pro-poorness" will be a feature of growth, provided the poor benefit from it (Dollar and Kraay, 2000). Others point out that growth will be pro-poor only if it benefits poor more than non-poor people. Nonetheless, other researchers (see Dagdeviren, Hoeven and Weeks, 2002) reject the notion that in its own right growth is good for the poor. According to their data, poverty reduction is better explained when growth comes with progressive changes in income distribution. In the absence of equitable distribution, growth will be more effective in reducing poverty where initial inequality is lower. Therefore, a regressive change in distribution of income can offset the positive effects of growth in poverty reduction and reduce the impact of future growth on poverty. Growth alone does not suffice and following the thread of redistribution must lead us to considerations on tax policies: Who makes those policies, whose interests are protected, and so on. The second additional critique
is the underlying idea of poverty that fits into the rationale of this section: income poverty. Whereas nobody will challenge the relevance of income as one of the components of poverty, it has to be put into perspective in relation to the increasing awareness of the multidimensionality of poverty. Income, Sen argues, plays a fundamental role in the access by individuals to different opportunities and capabilities. But the relationship between income and freedoms and achievements is not constant or automatic. Several other factors contribute to systematically alter the conversion of increased income into pro-poor change (Sen, 1999b, p.139). Institutions, of course, are among those factors. There are a number of important policy implications of this approach to governance and poverty reduction. On the one hand, governance interventions will be focused mainly on economic institutions. There will be an attempt to emulate institutions that have worked well in western countries, in the hope that they will spur economic growth. One of the features of these institutions is their independence from politicians. Accordingly, there is a clear risk of a one-size-fits-all approach to institutional development, regardless of the historical, cultural and political background of the country. Aid will be dedicated to improve government financial management through technical assistance. The government will be incentivized through the mechanism of conditionality. This is a market oriented and technocratic governance model, inspired by the idea of reduced but effective market-friendly state institutions.

2.3.2. The model on governance and aid effectiveness

The late 1990s witnessed strong criticism of the usefulness and efficacy of ODA as after four decades of aid, slim results had been achieved between aid
on the one hand and growth and poverty reduction on the other. Concerns around aid fatigue prompted a reaction in the form of research addressed to assess aid effectiveness and under which conditions it could be increased (World Bank, 1998). The approach of these studies has sought to show, on the one hand, the connection between aid and economic growth and, on the other, how that link becomes more robust when recipient countries enjoy an adequate level of institutional quality. Currently this debate is on the rise, since ODA flows are expected to scale up in the coming years as result of MDG commitment. To a great extent, the analysis applied to the second section could be considered as a variant of the previous one, for both shares the common link of economic growth. In essence, foreign aid is regarded as any other foreign investment. Hence, the factors taken into account when investing resources (risks, returns, etc.) will have weight in the decisions about aid allocation. According to the World Development Report 2005 dedicated to Investment Climate, governance quality is among the most relevant factors contributing to an improved investment climate in a country (World Bank, 2005). The literature on aid and economic growth has reached three different conclusions. For some researchers, aid always generates economic growth, regardless of recipient countries' features, yet conversely, others do not find any positive impact of aid on growth, pointing out that aid could even be harmful. Finally, a third position maintains that the effect of aid on growth depends heavily on recipient countries' characteristics, especially those with reference to governance and today this is the most popular among multilateral and bilateral donors. Burnside and Dollar (2000) carried out the most influential research supporting the third conclusion. As suggested, the main
contention is that aid is effective, but in a conditional way as it depends on domestic variables. Further research has tried to find the relationship between aid effectiveness and political stability or aid effectiveness and democracy. The major finding of Burnside and Dollar is that political instability hampers aid effectiveness. Instability (measured against regime changes and coups d'état) also has a direct impact on growth, but this effect is not as strong as aid effectiveness. As far as democracy is concerned, Svensson (1999) argues that democratic institutions implement checks and controls on the government, making it harder for them to waste foreign aid. Measuring democracy with the indicators of Freedom House (civil and political rights), he concludes that democracy makes it easier for aid to have a positive impact on growth. However, he does not find such a sound direct connection between democracy and growth. Alongside the macroeconomic approach outlined so far, a microeconomic approach can help to highlight the importance of institutional quality as a factor contributing decisively to the success of development projects (Dollar and Levin, 2005). These researchers find there is a positive relationship and refer, for example, to projects in China which have worked well regardless of the sector, while most projects failed in Sub-Saharan Africa on grounds of poor governance. Finally, several researchers point to the issue of absorptive capacity of aid in recipient countries as another important factor in governance. This is especially important when it is foreseeable that ODA levels will soon increase so much. There is no doubt that the absorptive capacity of aid has to do with governance and institutional capacity. This analysis has tabled the idea of an aid "saturation point". That is, at some point between 15% and 40% of GDP, aid returns become negative (de Renzio,
At this threshold aid dependence erodes governance quality, as a recipient government is held accountable more by foreign agencies than by its own citizens. At the same time, aid dependence encourages corruption and can unleash the fight for control of resources. It can also produce "brain-draining" from state institutions to the "aid industry". Knack (2000) observes that whereas the impact of aid on growth depends on the institutional gap, the latter widens in line with rising aid levels.

However, a subsequent study by Ear (2002) reaches the opposite conclusion: governance improved where more aid as a percentage of GDP had flowed. As in the first section, the arrow of causality is also challenged here. In terms of policy implications, the reflections on aid effectiveness and governance have given rise to the selectivity approach to aid allocations. According to this, only poor and well-governed countries are suitable for receiving aid (Miguel Gonzalez Martin, 2006). Of course, there are various levels of selectivity. Performance on governance is not only used to determine if a country is included or excluded from aid, it also can shape the instruments, tools, agents, duration and other modalities of aid. Nevertheless, this also gives rise to some questions. First, if as Ear's research shows, aid helps improve governance, excluding poorly governed countries does not seem to be the best way of proceeding. Second, it is no easy task to design criteria and apply them with consistency across different countries. Kaufmann and Kraay (2002), referring to the US Government Millennium Challenge Account, have warned about the risk of using indicators that suffer from a significant margin of error. Third, selectivity leaves unanswered the question about poor countries with bad governance. In these cases, donors tend to
bypass governments, providing assistance to populations through NGOs or promoting an independent service authority that in turn might happen to further erode the institutional capacity. Therefore, this can only be a temporary solution.

2.3.3. The model on governance and human development

The area of human development presents a completely different range of meanings about governance and poverty reduction. Through this section, governance will be accompanied by words such as democracy, rights and participation. In fact, governance is usually characterized as democratic. A good point of departure in our reflection is to recall the three dimensions that, according to Sen, democratic institutions and political rights have in relationship to human development. First, there is an intrinsic value of democratic governance for human development, because of the intrinsic value social and political participation have for human wellbeing- People not allowed to participate suffer from poverty. Second, there is an instrumental value in democratic governance. It allows citizens to voice their demands before decision-makers, so that the latter can provide a consistent response to the former's needs. Third, democratic governance also presents a constructive value by which citizens engage in an open debate about the definition of social needs and priorities. Democratic governance not only favors a response to social needs, but is indispensable to conceptualizing and defining them. In this article there is no scope to develop further intrinsic or constructive values but this paper will focus on the instrumental value of democratic governance, since it represents another popular way of linking governance and poverty reduction. The main thesis can be formulated in either a positive or a negative way. The positive way argues that democratic governance
makes institutions responsive to poor people's needs. The negative formulation states that lack of democratic governance hurts the poor especially. More sophisticated statements with this underlying idea can easily be found in multilateral and bilateral donors' documents and reports. This article indicates in more detail how damaging poor governance is and how democratic governance is healthy for poor people. Addressing the topic of failures in accountability, Goetz and Jenkins (2005) point out four ways that poor governance exacerbates the deprivations of the exuded. First, it weakens their ability to benefit from markets and achieve sustainable livelihoods. Second, it aggravates the institutional obstacles that hamper full access to services such as health and education that enhance their capabilities. Third, poor governance obstructs access to adequate accommodation. Finally, it threatens the physical safety of poor people as they are easy prey for both criminals and the police and never receive redress since access to justice is also often denied. Moreover, when poor people come up against the wall of institutions, it reinforces their sense of inferiority and limits their ability for collective organization. There are, at least, three commonly used arguments to show how democratic governance can help reverse these trends. Firstly, it allows poor people to express their needs and organize themselves politically to defend their interests. In other words, it gives them a voice. Secondly, and related to this, one of the main features of democratic governance is that those in power can be held accountable. Accountability mechanisms allow people to withdraw their support for politicians who do not meet the demands of the people. Given that poor people are usually the majority of the population in developing countries, they are in the position to take full advantage of democracy. Their demands,
needs and priorities will inform policymaking, ensuring policies are more "pro-poor". For their interests, as UNDP (1997) puts it the voices of the poor must be heard in the corridors of power. Despite these general principles, democratic governance does not have an automatic effect on poverty reduction. The mere existence of democratic institutions does not improve the lives of the poor (UNDP, 2002). This is a voluntaristic approach that does not take into account the phenomenon of institutional capture and internalized bias in institutions. The former describes the process by which powerful groups take control of institutions in order to benefit from their policies. They develop undue influence on such institutions - not always unlawful - so that instead of serving the general interest, they are placed at the service of a particular minority group, be they domestic elites or international corporations with excessive influence on the orientation of laws, policies and regulations. If institutional capture is not easy to deal with, internalized bias is an even more deeply rooted factor, since it is not seen as pathological but is normalized. For example, there is a bias when basic services provided by state institutions do not reach the rural poor and instead focus on urban middle classes. There is also gender bias when justice systems do not value women's testimony equally with men's and there is an ethnic bias when indigenous languages are not permitted for communication between citizens and the administration.

These questions lead to what is probably the core issue of governance problems: power distribution in societies. The social distribution of power is reflected in formal institutions. Voice and accountability mechanisms and institutions cannot shift the balance of power on their own. An exclusive focus on those mechanisms
might lead us to forget about the unequal and asymmetric power relationships within a society. That underlying reality may well erode all the efforts devoted to improve democratic institutions. There are similar considerations with the third argument which makes the case for political decentralization on the grounds that proximity to citizens favors participation, accountability and more adequate service provision through better detection of needs. Decentralization appears to be immediately pro-poor. Martin adds nevertheless, several case studies underscore the idea that decentralization sometimes enhances the power of local elites which manage to capture local institutions. The pro-poorness of local institutions, it is argued, will increase where there are pro-poor political groups at national level offering external support to local groups who face those elites. Although at policy level, the human development approach to governance tends to focus on formal institutions such as parliamentary and electoral programs, access to justice initiatives and the capacity building of local authorities, it has helped raise the question of political power as a core issue of governance. In fact, it has opened the space for such concepts as citizenship, rights and empowerment. Through them, the governance agenda is moving from a technocratic towards a political approach to development and poverty reduction. But such a transition is not without its opponents and critics. The controversy over the meaning of concepts and the scope they adopt also impacts on participation, rights and empowerment. Ultimately, an often neglected dimension of poverty is its origin (Oyen, 2005) and the groups and political processes involved in its creation have much to do with the "rules of the game".
Chapter 3 Governance and Poverty in Cambodia

Cambodia is a developing country emerging from decades of civil conflict and economic stagnation and moving towards becoming a dynamic economy in the Association of South-East Asian Nations. Cambodia has achieved impressive economic growth since the mid-1990s and has made significant progress in reducing national poverty. Cambodia is ranked 139 out of 187 countries on the UNDP 2011 Human Development Index. According to the 2007 Cambodia Socio-Economic Survey (CSES), the poverty rate decreased from 35 percent in 2004 to 30 percent in 2007. The government's Commune Database estimates the 2010 poverty rate to be 25.8 percent, and the proportion of the population living under the food poverty line is 18 percent according to data from the CSES. Strong improvement has been reported over the years on most key health indicators, as per the most recent Demographic Health Survey (CDHS, 2010). However, according to World Food Program, malnutrition rates in Cambodia remain stubbornly high; almost 40 percent of children are chronically malnourished and micronutrient deficiencies, especially iron, vitamin A and iodine, are high among children under 5 and pregnant and lactating women, the maternal mortality ratio is 206 per 100,000 live births and life expectancy is low at 58 years for men and 64 years for women.

Having studied and aggregated all the literature on the topic of governance and poverty which constitute the theoretical construct framing the current investigation, it becomes possible to distinguish between several major principles of good governance relevant to the improvement of the positions of
Cambodian people, and especially the poor as a powerful social force being able to promote and boost reforms.

3.1. Governance in Cambodia

Good governance as a concept is applicable to all sections of society – government, legislature, judiciary, media, private sector, corporate sector, etc. The objective of achieving common good in society can be reached only if all these and various other sections of society conduct their affairs in a socially responsible manner. In this study peculiar attention is given to good governance in public policy making and activities referring its strengthening, and how it affects the poverty. Hence, good governance principles are constricted to three of the six, namely, participation, transparency and accountability. Whereas for Cambodia, Good governance is at the core of the strategy focused on four reform areas, such as: (1) Fighting corruption; (2) legal and judicial reform; (3) public administration reform including decentralization and Deconcentration; and (4) reform of the Royal Cambodian armed forces.

3.1.1 Aspects of Governance in Cambodia

Cambodia takes pride in having achieved substantial progress in a very short period after the national reconciliation and restoration of full peace across the country, whereas similarly situated other countries would have spent decades to accomplish the same results. However, the Royal Government of Cambodia recognizes that to achieve the vision for social and economic growth, Cambodia will face many challenges and obstacles that require the whole Cambodian nation to galvanize its best effort and enhance her competitiveness in order to move
forward more rapidly and efficiently so that Cambodia truly establishes a solid foundation to support the optimistic outlook of the economic and social strategy.

3.1.2. Governance Structure of the Public Sector

As state by the Constitution, the Kingdom of Cambodia is an indivisible state and follows a policy of permanent neutrality and non-alignment. The Legislative Power lies with the Assembly while the Executive Power is with the Royal Government. The Judicial is an independent power. The constitution of Cambodia provides the people of Cambodia to exercise their powers through a three separate branches of public sector as follow:

The Legislature: Cambodia adopted a bicameral (two-chamber) parliament which holds legislative power. The more powerful lower house is called the National Assembly and was established since 1993, the assembly consists of 122 members who serve five-year terms. Members are chosen through popular elections in which people over 18 years of age are entitled to vote. It possesses the rights to approve laws, in particular with regard to the national budget, state planning, loans and lending, the creation, change or annulment of taxes, administrative accounts, amnesties, treaty or international conventions, and declaration of war. A political party must secure 62 seats (50%+1) to obtain and preserve a majority. The upper house, or Senate, was created by constitutional amendment in 1999, in accordance with provisions of the 1998 agreement. The 61-member Senate serves as an advisory body to the National Assembly; it has the power to recommend amendments to legislation passed by the assembly, but the lower house can reject the recommendations on a second vote. Although members of the first Senate were appointed based on the 1998 election results,
future senators will be elected. The first Senate term is set at five years, but subsequent terms will be six years. The Constitution states "The Senate is a body that has legislative power and performs its duties as determined in the constitution and law. The Senate consists of members the number of which does not exceed half of all of the members of the Assembly." 2 Senators will be nominated by the King and 2 will be elected by the National Assembly of Cambodia. The Senate is led by a 12-person permanent commission (bureau), which is in turn chaired by the President of the Senate.

The Executive: Cambodia’s executive government is formed by the party who acquires the majority of seats in the National Assembly at legislative election. The Prime Minister, who is a member of the Assembly, is appointed by the King on the recommendation of the President and Vice Presidents of the National Assembly. Upon entry into office, the Prime Minister appoints a Council of Ministers and submits to National Assembly for approval. The current Prime Minister is Cambodia People Party’s (CPP), Samdech Techo Hun Sen. According to the foreign Ministry Website, there are currently 27 ministries, secretariats and institution under the Council of Ministers. Cambodia consists of 24 provinces and 4 municipalities whose governors are appointed by the Government. Province is divided into districts, district is divided into communes, and commune into village. Similarly, each municipality is divided into sections, each section into quarter, and quarter into village.

The Judiciary: The Judicial branch is independent from the rest of the government, as specified by the Cambodian Constitution. There are four distinct components of the judiciary: the Constitutional Council, formed in 1998; the
Supreme council of Magistracy, established in 1994; the Court; and the Prosecutors. The highest court of judicial branch is the Supreme Council of the Majesty. Other, lower courts also exist. Until 1997, Cambodia did not have a judicial branch of government despite the nation's Constitution requiring one. The main duties of the judiciary are to prosecute criminals, settle lawsuits, and, most importantly, protect the freedoms and rights of Cambodian citizens. However, in reality, the judicial branch in Cambodia is highly corrupt and often serves as a tool of the executive branch to silence civil society and its leaders. There are currently 17 justices on the Supreme Council.
3.2. Poverty in Cambodia

Economic poverty is widespread. The lack of secure land tenure, remoteness from markets and services, lack of productive assets, low levels of education, and high dependency ratios are all factors contributing to the poor living conditions of the rural population. Analysis from the 2009 Cambodian Socio-economic Survey, using the National Institute of Statistics calculation of

expenditure per household for the CSES sample, estimated poverty incidence at 22.9 percent (24.6 percent in rural areas) on the basis of an expenditure-based daily poverty line of 6347 Riel (1US$=4000 Riel) in Phnom Penh, 4352 Riel in other urban areas and 3503 Riel in rural areas; The Ultimate purpose of development is raising people’s standards of living. There is more than altruistic motive to it, as excessive and sustained poverty and inequality can threaten both economic and political stability in any society, the world has witnessed this time and again” (Ministry of Planning, Cambodia, 2013). The development record confirms progress toward the realization of RGC’s early aspiration: “By the end of the first decade of the 21st Century, Cambodia is to reclaim a full ownership of its own destiny, while becoming a real partner in regional and global affairs and a nation of genuine freedom and being free from poverty”, Rectangular Strategy III. Poverty has many aspects of deprivation. People are poor if they do not have adequate resources to buy all the commodities that they need. Similarly, people who lack the ability to live and function properly in society or are more vulnerable to shocks and disasters have less well-being and are likely to be poor. Poverty is also associated with insufficient outcomes with respect to many human development indicators, such as health, nutrition, education and literacy. Poverty is also related to social exclusions and deficient social relations, vulnerability and insecurity, and to low voices, power and self-confidence. Poverty is also a lack of opportunity, and an inability to make use of existing opportunities (NIS, 2006). A survey by NIS (National Institute of Statistics) of 15,000 households, the total poverty line in 2004 was estimated at 2351 Riel (US$ 0.59) in Phnom Penh, 1952 Riel (US$ 0.49) in other urban areas and 1753 Riel (US$ 0.44) in rural areas. The
World Bank and Ministry of Planning use different methods from FAO to calculate the food poverty line by translating the food intake into Riel to achieve a level of 2,100 Kcal/person/day; using this method the food poverty line was estimated at 1782 Riel (US$ 0.45) in Phnom Penh, 1568 Riel (US$ 0.39) in other urban areas and 1389 Riel (US$ 0.35) in rural areas (NIS, 2006). According to CSES 2004, 35 percent of Cambodian population was estimated to live below the national poverty line, and 20 percent below the lower food poverty line. The incidence of poverty was highest in rural areas (39%) and considerately lower in urban areas (5% in Phnom Penh and 25% in other urban areas). The incidence of poverty was estimated by five geographical zones (Phnom Penh, Plains, Tonle Sap, Coastal, and Plateau/Mountains). The higher incidence of poverty is observed in Plateau/Mountain zone, while the lower incidence of poverty is observed in Phnom Penh. For the geographical comparable sample, poverty incidence declined from 39 percent in 1993/1994 to 28 percent in 2004. The poverty incidence declined in all three regions, but reduction rate was not uniform. The rural areas still experience much higher poverty rate (NIS, 2006). Compared to other developing countries in the region, the percentage of population below the national poverty line in Cambodia is higher than that of other developing countries, such as Philippines, Indonesia, Vietnam, etc. The World Bank Cambodia Poverty Assessment 2006 found that the fall in consumption poverty has been accompanied by an improvement in non-income indicators such as ownership of consumer durables, housing quality and schooling. However, some indicators appear to be deteriorating. According to UNDP (2014) Cambodia’s HDI value for 2013 is 0.584— which is in the medium human development
category—positioning the country at 136 out of 187 countries and territories, the HDI is a summary measure for assessing long-term progress in three basic dimensions of human development: a long and healthy life, access to knowledge and a decent standard of living; and it ranked 35th out of 42 medium human development countries in the Human Poverty Index, which reflects educational, health, and nutritional outcomes as well as access to safe water and health care services. According to the Ministry of Planning, Cambodia, there were 22.89% people subsisting below the poverty line in 2009, as per computations based on Cambodia Socioeconomic Survey of 2009. Phnom Penh had 12.8% below the poverty line; other urban areas had 19.3%; and rural areas 24.6%. The poverty Gap Index was very low at 5% for the country as a whole (scale is 0 to 100; with 100 implying extreme poverty). There is a high concentration of people whose earnings (actually, consumption) are near the poverty line. Despite progress, poverty remains widespread and multidimensional. According to the 2006 World Bank poverty assessment poverty rates are highest in remote rural areas. The rural population, which represents 85 percent of the total, faces a number of problems, including lack of secure land tenure, remoteness from markets and services, lack of productive assets, low levels of education, and high dependency ratios. Rural poverty probably has declined at a much slower rate than poverty in Phnom Penh or other urban areas (UNDP, 2007). WFP (2014) adds that the significant fall in poverty in the bigger cities has been due to strong urban bias in growth and concentration of public investment. Cambodia’s economic success has been a largely urban phenomenon with the primary drivers – garments, tourism and construction – having few linkages with the majority of the population, who
depend on agriculture as the main source of livelihood and inequality is another concept related to poverty, which focuses on the distribution of an attribute, such as income or consumption across the population. Inequality has risen considerately from 0.35 in 1993/1994 to 0.40 in 2004 for geographical comparable sample. The figures for inequality in 2004 are actually more serious when the full sample is used. In 2004, the Gini coefficient stood at 0.42 (Gini of 0 represents perfect equality, and Gini of 1 represents perfect inequality). The lessons to be drawn from international experience are open to debate, as findings are highly dependent upon the choice of countries, reference periods and analytical technique. Until perhaps the last five years the consensus in international development theory was that: (i) inequality inevitably rose with economic development and the transition from “traditional” or socialist society to a market-based society; (ii) however, changes in inequality, in either direction, occurred only slowly; (iii) growing inequality was of little practical significance so long as absolute deprivation (i.e. poverty) was falling; and (iv) there was little that public policy could do to control growing inequality, certainly not without impeding growth rates and poverty reduction (World Bank, 2006).

3.2.1. Poverty Line

According to the report of the Ministry of Planning on redefining poverty line 2013, The Royal Government of Cambodia set up an Inter-ministerial Working Group, which also co-opted professionals from the civil society and academia, to define a new poverty line for the country in late 2011 as Food/calorific needs, Non-food items, and the price of clean water. The report on redefining poverty line presents the results of the new approach to measuring
poverty and standards of living, which the Royal Government of Cambodia initiated and carried out through 2011-2012.

**The technical use for calculating new poverty line:**

1) The minimum standard of food consumption is fixed at 2,200 K-Calories.

2) The composition of the food from which 2,200 K-Calories are derived is that which the bottom 5th-30th percentile groups of the population (ranked by total consumption: food + non-food) consume (in RIELS). This is to ensure that the food habits of those households and people living at modest levels, alone are accounted for.

3) The non-food component in the poverty line comprises of select 14 items consumed by the bottom 20th-30th percentile groups in the population (in monetary values). These are separately calculated for each of the regions: Phnom Penh, other urban areas, and rural areas.

4) There is a small token amount added to account for clean water.

5) In calculating total expenditure, items on which people do not actually expend, in cash or kind during the reference period, are not included. This is as per the ‘livelihoods approach’, which suits a country where >70% of the population is rural and a majority lives in an agrarian environment.

4.2.2. **The Result found of the new poverty line:**

According to the Ministry of Planning, Cambodia (MOP), there were 22.89% people subsisting below the poverty line in 2009, as per computations based on Cambodia Socioeconomic Survey of 2009. Phnom Penh had 12.8% persons below the poverty line; other urban areas had 19.3%; and rural
areas 24.6%. The Poverty Gap Index was low at 5% for the country as a whole (scale is 0 to 100; with 100 implying extreme poverty). There is a high concentration of people whose earnings (actually, consumption) are near the poverty line.

**Table 1:** Household (Monthly Per Capital) Consumption Expenditure in Current Riels, 2009 (1US$ = 4000 Riels). (Food is based on 20 food groupings and non-food based on 19 items; all items are at 2009 prices)

<table>
<thead>
<tr>
<th>Region</th>
<th>Food</th>
<th>Non-food</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phnom Penh</td>
<td>194,510</td>
<td>188,820</td>
<td>383,330</td>
</tr>
<tr>
<td>Other urban areas</td>
<td>152,730</td>
<td>121,270</td>
<td>274,010</td>
</tr>
<tr>
<td>Rural areas</td>
<td>107,380</td>
<td>68,934</td>
<td>176,314</td>
</tr>
<tr>
<td>Cambodia</td>
<td>120,632</td>
<td>86,141</td>
<td>206,773</td>
</tr>
</tbody>
</table>

**Source:** Poverty in Cambodia- A new approach, Redefining the poverty line, 2013 (MOP)

In Table 1 here, in 2009 for Cambodia as a whole, monthly expense in a family is 206 773 Riels, for Phnom Penh is the highest, consumes 388 330 Riels, other urban areas spends 274 010 Riels, and rural areas spend 176 314 Riels.

Poverty lines are calculated for 3 regions: Phnom Penh, other urban areas, and rural areas from CSES 2009, these are presented in Table 1. Table 2 shows a comparison of the new poverty line with the earlier poverty line (drawn in 1997, based on CSES 1993-1994 data).
Table 2: Comparing poverty lines of 1997 based on CSES 1993-94 data and new poverty line (based on CSES 2009 data, Riels/day at 2009 prices (Daily expense))

Table 2

<table>
<thead>
<tr>
<th>Region</th>
<th>Poverty Rate (%)</th>
<th>Poverty rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phnom Penh</td>
<td>1.6</td>
<td>12.8</td>
</tr>
<tr>
<td>Other urban areas</td>
<td>6.9</td>
<td>19.3</td>
</tr>
<tr>
<td>Rural areas</td>
<td>17.0</td>
<td>24.6</td>
</tr>
<tr>
<td>Cambodia</td>
<td>14.6</td>
<td>22.9</td>
</tr>
</tbody>
</table>

Source: Poverty in Cambodia- A new approach, Redefining the poverty line, 2013 (MOP)

POVERTY RATES, Estimates for 2009, Poverty rates estimated for the 3 regions and the whole country, are given below in Table 3:

Table3: Percentages of Persons below the poverty line according to the New Poverty Line based on CSES 2009 data.

Table 3

<table>
<thead>
<tr>
<th>Region</th>
<th>Food poverty rates (%)</th>
<th>Poverty rates (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phnom Penh</td>
<td>0.3</td>
<td>12.8</td>
</tr>
<tr>
<td>Other urban areas</td>
<td>2.0</td>
<td>19.3</td>
</tr>
<tr>
<td>Rural areas</td>
<td>5.1</td>
<td>24.6</td>
</tr>
<tr>
<td>Cambodia (weighted average)</td>
<td>4.23</td>
<td>22.89</td>
</tr>
</tbody>
</table>

Source: Poverty in Cambodia- A new approach, Redefining the poverty line, 2013 (MOP)
In 2009, Cambodia held 222.89% below the poverty line; Phnom Penh 12.8%, other urban areas 19.3%, and rural areas is the most covered 24.6%.

Poverty rates for different years, using the new poverty line of 2009

As the graph shown above the poverty rate, as a whole, has dropped remarkably every year, from 2007 to 2011, in 2007 the poverty rate was 47.8 in 2009 it dropped to 22.9 and fell further to 19.8 in 2011.

Source: "Where Have All the Poor Gone? Cambodia Poverty Assessment 2013", World Bank.
The report by World Bank (2014) finds that Cambodia’s “near-poor”, those who live on less than $2.30 per day per person, may be free from poverty but remain vulnerable to (even the slightest) economic shocks. “Despite impressive reduction in poverty, these hard won gains are fragile. Many people who have escaped poverty are still at high risk of falling back into poverty,” said Neak Samsen, Poverty Analyst of the World Bank in Cambodia and the co-author of the Poverty Assessment Report. “For example, the loss of just 1,200 Riels (about $0.30) per day in income would throw an estimated three million Cambodians back into poverty, doubling the poverty rate to 40%.”

The population of Cambodia in 2011 is 13.83 million. For the growth distribution, The World Bank (2014) raised the word of Deputy Prime Minister Keat Chhon, chief of Economic and Finance Committee “We might come up with different views on some directions of Cambodia’s socio-economic development, but I firmly believe that we all fundamentally agree that the success of Cambodia’s
next stage of poverty reduction will be determined by continuing high levels of inclusive growth based on economic diversification and increased productivity,”. Cambodia has exceeded the Millennium Development Goal poverty target and is one of the best performers in poverty reduction worldwide, according to a new World Bank Poverty Assessment Report. According to the report, increased rice prices and increased rice production greatly contributed to poverty reduction, along with greater road access for farmers to markets, better access to market information through mobile phones, improved irrigation, and a liberal undistorted agricultural market. "This is good news for Cambodia. The pace of poverty reduction surpassed expectations. When a similar poverty assessment was undertaken in 2006, the aspirational goal was for Cambodia to halve poverty by 2015. Cambodia already reached that goal in 2011,” said Alassane Sow, the World Bank’s Country Manager for Cambodia.

3.2.3. The main causes of poverty in Cambodia

Cambodian poverty is usually characterized by low educational attainment, less access to health care services, saving and investment, corruption and political instability, population growth, and HIV/AIDS is also an additional challenge to the current human development situation.

i. Low educational attainment

Cambodia has had to rebuild its education systems, which were left in ruins by the Khmer Rouge. Financial investment in education and a human resource base has increased but Cambodia is still some way behind neighboring countries in terms of developmental factors such as literacy rate (2way development). While literacy rate has been high, education attainment of the
population in terms of secondary or secondary plus education, technical and professional education have remained low and this pattern is true for rural and urban areas and for male and females, in other words, rural-urban and male-female differentials in literacy are imminent and educational attainment beyond secondary level seems to be an area of concern. According to the UNDP’s Human Development Index Report 2013 showed that Cambodia’s 2012 HDI of 0.543 is below the average of 0.64 for countries in the medium human development group and below the average of 0.683 for countries in East Asia and the Pacific. From East Asia and the Pacific, countries which are close to Cambodia in 2012 HDI rank and population size are Lao People's Democratic Republic and Myanmar, which have HDIs ranked 138 and 149 respectively. The children schooling is a key element, the Child Fund International (2014) shows concern that many children simply cannot attend school because they must work to support their families. This results in a perpetuating cycle of poverty that is difficult to break, because without literacy and other skills, children stand little chance of emerging from poverty later in life. There is an undeniable relationship between increasing levels of education or literacy and decreasing levels of poverty. According to CSES 2004 data, the total literacy rate was 67.1%. However, among those literate populations, 54% of them have not completed even the primary level of education (World Food Program, 2013). It shows that the education in Cambodia still contain low quality which lead to the low quality of human resource that posts as obstacles against Cambodia in developing the service sector especially in high tech sector which require high skilled human resource. On the other hand, Lant Pritchett, in his study in 1996, claimed that there was no significant relation
between education and economic growth. The improvement in human capital did not generate the growth in the productivity (output per capita). However, his study is miss judged while one of his explanation was low quality in education produce no real skill for labor force. In this case his argument might rests on the general education level which provides no specific skill for students, but in the technical school, which targets the specific jobs and skills needed, it could provide necessary skills for the workers which enable them to improve the their productivity. Moreover, his other explanation was on the unnecessary role of education at where there is no demand of educated labor. This is the other false explanation since in globalized world today, there is no a place that do not demand education or educated labor. Even a farmer, he needs skills on how to choose seeds, suitable land condition, and farming as well. The explanation do not fit in the current world context, especially Cambodia who seeking for development and improvement (Molita Men, 2013). So, due to the lower education, poverty remains with Cambodian people. More importantly, it is difficult for the children of the poor to take time off from work for their education (H. Stephen Gardner).

ii. Healthcare Service

Overall the health system remains fragmented in terms of activities, funding, monitoring, coordination between public and private sectors, supervision and administrative lines of authority. As well, difficult geographical access to health services in remote areas is a significant issue (Cambodia Health Service Delivery Profile, 2012. p.6). In June 2011, the United Nations Population
Fund released a report on The state of the World’s Midwifery. It contained new data on the midwifery workforce and policies relating to newborn and maternal mortality for 58 countries. The 2010 maternal mortality rate per 100,000 births for Cambodia is 290. This is compared with 265.8 in 2008 and 409.1 in 1990. The under 5 mortality rate, per 1,000 births is 90 and the neonatal mortality as a percentage of under 5's mortality is 34. The aim of this report is to highlight ways in which the Millennium Development Goals can be achieved, particularly Goal 4 – reduce child mortality and Goal 5 – improve maternal death. In Cambodia the number of midwives per 1,000 live births is 6 and the lifetime risk of death for pregnant women 1 in 110 (Wikipedia, 2014). Cambodia has the highest infant and under-five mortality rates in the region, at 97 and 141 per 1,000 live births, respectively. Vaccine-preventable diseases, diarrhea, and respiratory infections are among the leading causes of childhood death. Maternal mortality is also high. Malnutrition affects most Cambodian children: 45 per cent show moderate or severe stunting. Accidental death, for example as a result of traffic accidents or drowning, is a serious threat to children in Cambodia (Unicef). Since the majority of Cambodian people are destitute, they are not able to access to private health care frequently, therefore, they have to depend on the public healthcare, but the public health service is very limited. For instance, Hospital beds (per 1,000 people) in Cambodia was last measured at 0.72 in 2011, according to the World Bank, and Nurses and midwives (per1 000 people) is 0.90. As has been seen from successive Cambodian Demographic Health Surveys(CDHS), the levels of awareness of HIV and modes of transmission are high among both males and females but multiple-sex partners and unprotected sex seems to be a matter
concern and there is a chance of increase in sexual diseases. In addition, the proportion of elderly is increasing and health care need of the elderly in both urban and rural areas are bound to increase and access to geriatric care seems to be missing. In the absence of proper geriatric care facilities in the public health system, the burden of expenses of health care would fall on other family members and the out-of-pocket expenses is bound to increase despite the health insurance scheme of the government to cover the poor (Integration of demographic perspectives in development, Cambodia, 2013:15).

iii. Employment, Saving, and investment

An increase in income and employment opportunities is crucial for poverty alleviation and reducing unemployment rates in the country. As such, the national poverty levels have been lowered and the disparities reduced, yet disparities in household consumption exist between regions, rural and urban areas, as measured through Gini’s Coefficient household consumption date (CSES, 2012). It is to be noted that the pace of increase of working ages will be around three percent and therefore the new job creation rate will have to exceed this level and sustain for the next two decades or so else there is a likelihood of increased unemployment in general and both unemployment and underemployment in rural areas (Integration of demographic perspectives in development, Cambodia, MOP, 2013:14). Above all, Most of Cambodian people are poor, so it is hard for them to save the money that is needed to finance investment. In general, the investment rate of low-income countries is lower than that of any other group of countries. This low rate of investment, in turn, contributes to the low rate of economic
growth. In other words, less investment leads to less employment opportunities, so poverty continues to exist in Cambodia.

iv. Agriculture, Land, Water and Environment

According to the 2008 Census, 81.7 percent of the households in Cambodia live in rural areas (RGC, NIS 2009). With such a large rural population, most families are highly dependent on agriculture. The agricultural sector provides employment for more than 70 percent of people who are employed (ADB 2011). Most rural household incomes are low, leading to food insecurity. Eleven percent of the population lives in the plateau/mountain region, which previously had limited access and the dependency of rural population on agriculture for livelihood is enormous and employs the largest proportion of the labor force. Majority of farming in the country is rain-fed and only about one-fifth of agriculture land area is under irrigation. However, major infrastructure development since 2003 has improved national roads, and village roads are now better connected to major urban centers; in years ahead, a systematic effort to help more farmers recover will be essential, both in alleviating immediate poverty and in ensuring farmers’ ability to produce in the next growing season. (Cambodian Agriculture, Adaptation to Climate Change Impact, IFPRI Discussion Paper01285, 2013:2-49). Moreover, the Royal Government of Cambodia has prioritized agriculture in all its major development strategies, as the main sector to alleviate poverty in the country. In 2010, the government released a policy on the promotion of rice production and milled rice export, with the goal of exporting one million metric tons of milled rice by 2015. The vision is to bring Cambodia
into the world market as a key milled rice–exporting country (RGC, Prime
Minister 2010). As regards to water, a major constraint on crop production is
substantial seasonal and year - to - year differences in water availability, which
severely limits the ability of rural households to consistently provide for their own
food needs, much less grow crops for sale. This is due to problems in water
management in Cambodia, including the abundance of water in the wet season
and its shortage in the dry season. In the wet season, the main tasks of water
management include additional water for supplementary irrigation, controlling,
regulating, and managing floods to protect human lives, property and crops. In the
dry season, available water resources must be shared, for instance, between
domestic use, irrigation, navigation, fisheries, livestock and forestry. Farmers and
local authorities often do not have the knowledge to improve and repair systems
that are technically unsound. Many structures failed shortly after rehabilitation,
e.g. the system did not perform as expected, and caused inundation problems. As
a result, farmers are still confronted with water management problems and their
energy and resources are unnecessary wasted. Moreover, there is no sound basis
for sustainable management of the systems: it will be very difficult to incorporate
many such existing schemes into further arrangements for water management and
to develop confidence between the system managers and the system users, the
farmers (Investment in land and water in Cambodia - Chann Sinath, Deputy
Director, Irrigated Agriculture Department, Ministry of Water Resources and
Meteorology, Cambodia 2002). In concern to land, in the past decade hundreds of
thousands of Cambodians have been pushed off the land they occupy. Much
recent news spread the information that in the countryside, it is often to make way
for rubber plantations developed by government cronies, including Chinese and Vietnamese ones. In the booming capital of Phnom Penh, the government has seized prime development sites from residents who often have been there since the fall of the Khmer Rouge. Lacking official title, they have been forced to make way for foreign investors and companies connected to the ruling Cambodian People’s Party. The best-known incident was when thousands of families were evicted to make way for an $80-million commercial development at Boeung Kak lake, announced in 2007. Residents decided to fight back (The Economist, 2013). And the Guardian reported about the issue that Cambodia is in the grip of a land-grabbing crisis that has seen more than 2 million hectares (5m acres) of land transferred mostly from subsistence farmers to agribusiness. And as good land becomes scarce, the battle for it is becoming increasingly intense. An estimated 400,000 people have been affected by land disputes since 2003. Cambodia's land title system is in shambles, and poor farmers rarely hold deeds for their land even if they are legally entitled to them, based on possession rights.

v. Political Stability and Corruption

Cambodia after several decades of internal turmoil and conflict embarked on building its political, social, and economic structures. The Royal Government of Cambodia since 1996 has made substantial efforts to integrate right’s based approach in population and development planning. The Socio-Economic Development Plans followed by the Cambodian Millennium Development Goals and the subsequent Rectangular Strategy and Five-Year National Strategic Development Plans are testimony to this fact. Unluckily, the recent conflict
between ruling party and opponent party has been strongly increasing, there were some of protestors had been arrested, injured and killed during the protest, this continuation of political instability discourages investment and many factory owners have curtailed production, and others reportedly are not signing contracts for new orders. Combined with the impact social unrest could have on tourism, which accounts for about 12 percent of Cambodia's gross domestic product, and other industrial activities, this could jeopardize the country's burgeoning economy in the short term. Similarly, less investment means less economic activities and growth. Corruption is also a serious cause of poverty. As Transparency International acclaimed that in 2010, the government passed the Anti-Corruption Law and established the Anti-Corruption Unit. Following this, cases of bribery, extortion and fraud have been prosecuted. The government has also organized multiple educational events to disseminate the Anti-Corruption Law. Islands of change in the public sector demonstrate accountable and transparent governance, while the government continues to pledge its commitment to tackling corruption in its Rectangular Strategy for Growth. In October 2013, the prime minister issued a sub-decree demanding the proper taxation of importers by customs officials, to prevent customs revenue being undercut by bribery. These are welcome transformations, but they are incomplete. According to survey data from the International Republican Institute, the percentage of Cambodians perceiving the country to be headed in the wrong direction doubled throughout 2013 to reach 43 percent, with 30 percent of these respondents highlighting corruption as the top reason why change is needed. There is a danger, the
Cambodian government will settle for the successes of economic development while corrupt practices remain widespread.

vi. **Population Growth:**

Population growth (annual %) in Cambodia was last measured at 1.76 in 2012, according to the World Bank. With a population of more than 14 million people and one third of them live below the poverty line, Cambodia faces many challenges at present and in the future. The lack and unwillingness to understand and practice of birth control lead the birth to grow faster. Too much population creates dependency ratio- that is, the percentage of the population that is not a working age. In other words, it will be a big issue burden for every family to support their members. Rural areas in particular often do not have satisfactory resources necessary to adequately support low-income families, and many children do not receive the start they need in life.

3.2.4. **Poverty Reduction Policy**

Least developed countries should strive for governance systems that are characterized by participation in and transparency of decision-making processes and that embody pro-poor policies, social safety nets, policies for the sustainable use of resources and effective monitoring (United Nation, 2005). Through observing all above issues, the government of Cambodia tries to set up several policies to fight against poverty, those are Cambodian Millennium Development Plan, National Strategic Development Plan, and Rectangular Strategy, but the result does not satisfy, since the majority of people remain poor. ADB (2012)’s study raises that the government’s poverty reduction strategy is
integrated in the national strategic development plan update, which was approved by parliament in May 2010 (RGC 2010), in Chapter IV, the update presents the goal of “poverty reduction at a rate of over 1 percent per annum and improvement of social indicators, especially in education, health, and gender equity” (para. 318). It states “For the Royal Government, the most formidable development challenge is the reduction of poverty and improving the livelihoods and quality of life of the rapidly growing population. The Royal Government considers poverty to be a waste of a valuable economic resource which is not only morally unacceptable but can also result in social polarization and instability (p. 99); the update’s goal, through a broader and more competitive economy, is sustainable, long-term economic growth at a rate of 7% per annum, while maintaining single-digit inflation (para. 318).” The update recognizes that rural development is central to poverty reduction since the vast majority of the poor live in rural areas (para. 435), and it commits the government to intensifying efforts to improve food security through investments in sectors outlined in the Strategic Framework for Food Security, 2008–2012 (para. 324). The update also calls for greater development cooperation grant resources targeted at the poor and vulnerable in rural communities, and especially at the poor in remote, rural communities (para. 328). The current strategy and probably the successor of all previous poverty reduction strategies is the rectangular strategy. As stated by Prime Minister Hun Sen about Rectangular Strategy 3 that “However, the Royal Government recognizes that to achieve the vision as stated in the Rectangular Strategy, Cambodia will face many challenges and obstacles that require the whole Cambodian nation to galvanize its best effort and enhance her competitiveness in order to move
forward more rapidly and efficiently so that Cambodia truly establishes a solid foundation to support the optimistic outlook of the Strategy”.

The report of SAT 2004 affirmed that, the Rectangular Strategy is the government’s description of its key objectives for Cambodia during the Third Legislature of the National Assembly. The government describes this strategy for “growth, employment, equity and efficiency” as a “life and death issue for Cambodia”. Basically, the Rectangular Strategy is a compilation of the main content of previous strategy documents like the Socio-Economic Development Program 2001-2005 (SEDPII) with its “triangular strategy” and the National Poverty Reduction Strategy 2003-2005 (NPRS).

The Four Strategic Rectangles of Rectangular 3:

**Rectangle 1**: Promotion of Agriculture Sector which covers (1) improved productivity, diversification, Diversification and Commercialization (2) Promotion of Livestock Farming and Aquaculture (3) Land Reform and Clearance of Mines and UXO (4) Sustainable Management of National Resources.

**Rectangle 2**: The Development of Physical Infrastructure covers: (1) The Development of Transport and Urban Infrastructure (2) Water Resources and Irrigation System Management (3) Electrical Power Development (4) Development of Information and Communication Technology

**Rectangle 3**: Private Sector Development and Employment which consists of (1) Strengthening the Private Sector and Promoting Investment and Business (2) Development of Industry and Small and Medium Enterprises (SMEs) (3) Development of Labor Market (4) Banking and Financial Sector Development

**Source:** Royal Government of Cambodia, Rectangular Strategy 3

**The Core of the Rectangular Strategy—Good Governance**

Good governance remains at the core of achieving social justice and sustainable and equitable socioeconomic development. In order to further strengthen good governance, the Royal Government has firmly implemented key reform programs, including: (1) the fight against corruption; (2) legal and judicial reform; (3) public administration reform; and (4) reform of armed forces. The
ultimate objective of the reforms, as well as that of other reform programs including public financial management reform, land reform, and forestry and fisheries reform, is to strengthen the capacity, efficiency and quality of public services to raise public confidence in government and respond to the needs and aspirations of the people and business community.

3.3. Governance and Poverty Reduction Policy Contextual Analysis

Governance policy and the strategy are good, but the implementation is challenging because the poverty still exists largely. There are key fundamental points to be stressed and perceived through the following points:

(1) Lack of Independent Accountability Institutions:

The present of well-functioning independent accountability in situations such as courts and audit offices is one important requisite of good governance.

(2) High Level of Corruption:

The issue of corruption is closely linked to the absence of transparency. The major encumbrance to reducing corruption is the incomplete implementation of good governance and transparency in Cambodia. According to global witness said: yet Cambodia is rich in timber, minerals and petroleum and over the past 15 years, the Government has leased 45 percent of the country’s land to private investors. What happened to these natural resources and where has all the money gone? Cambodia campaign exposes the corruption that underpins the country’s land crisis. It seeks to protect the land rights of local communities by challenging the culture of secrecy currently shrouding land investments and pushing for an end to the persecution of those who dare to speak out. The international community must push the Cambodian government to suspend all new land
investments and implement reforms that will ensure that land is managed in a way that finally benefits the Cambodian people rather than small, corrupt elite.

“Transparency International (TI) has released its 2013 findings of the world's most corrupt countries. Cambodia came in as the worst performing country in Southeast Asia, with a score of 20 out of a possible 100 - ranking it 160 of 177 countries. Fellow Asean member Singapore performed among the best at number 5 of 177 countries (the nation May 30, 2014)”. Transparency International Cambodia said in a statement at the launch of the index in Phnom Penh that, “The 2013 ranking confirms that the public sector in Cambodia continues to be perceived as highly corrupt”.

(3) Low Salary Scale and lack of Organization for Service Delivery:

“Cambodia's public servants receive low salaries. Despite fiscal constraints, the Government has attempted to improve matters by applying across-the-board 20 percent annual increases in basic salaries for several years. However, civil service pay remains low and does not adequately support civil servants' daily living requirements. This leads some public servants to shirk work and to seek salary supplements for example through second jobs, fee-charging or rent-seeking (World Bank). The issue of low salaries has a divestig impact on the functioning of the public sector, and spillover effects on other domains such as civil society and media. In other word, it has enormous implications for ongoing public sector reforms since inadequate public salaries affect all sectors. To raise salaries of civil servants, civil administrative needs sound organizational structures and institutional arrangements if its service delivery is to be more effective and efficient. Any reforms without stressing the low salary problem, there is no
further right and good decision be made and it will remain a big blockage to good governance.

(4) **Weak Public Administration and Poor Governance:**

Poor administration, ineffectual policy-making and weak structures of accountability remain significant barriers to effective public service delivery in many places. It is true that success or failure in the implementation of reforms depends on the quality of governance. Poor governance is the constraint for the healthy growth of the economy, especially of private sector. Weak governance also means weak state institutions, which constrain the implementation of laws, leading to loss of credibility and confidence among investors, investors, the international community and also the people in the country itself.

(5) **High Centralized Administration Structure and limited decentralization funds:**

This leads to more complicated-administrative system and dictatorship due to the maintaining a high centralized structure of civil administration by the government. Under the current system, provincial governors are appointed by the government. There is no powerful-local civil administration directly representing the people. The current centralized civil administration has serious deficiencies from a governance point of view. Local authorities are given too little autonomy or flexibility in expenditure disbursements to meet local needs. The system does not meet acceptable standards of fiscal accountability and transparency, as the problem of leakage of public funds in the expenditure process indicates. Also the local administration and citizens have too few opportunities to participate in policy formulation and decision-making that directly affects them. The
constitution says nothing about the power and responsibilities of local government.

(6) Poor Education Institution and budget:
The education is still an issue. Although there is an enormous increasing number of schools and universities in Cambodia, the accreditation of these institutions is to be questioned. The overwhelming issues in education in Cambodia are mostly financial and the Ministry of Education, Youth and Sport (MOEYS) admits that there is little likelihood of providing the opportunity for every child to have nine years of education in the very near future. The education sector's share of the total government budget decreased from 18.5% in 2006 to 17.0% in 2009, although the actual budget amount increased each year. The public-budget expenditure rate was only 50% in 2007 when it was first introduced, but has steadily improved every year to reach 88.7% in 2009 (NGO Education Partnership, 2014).

Cambodia currently has a shortage of trained, qualified teachers. UNESCO advises that a pupil-to-teacher ratio greater than 40:1 can indicate an overstretched workforce (UNESCO Institute of Statistics) and in Cambodia the pupil-to-teacher ratio in primary schools is 48.5:1 (Ministry of Education, Youth and Sports, 2013). This is the 16th highest pupil-to-teacher ratio of 202 countries that UNESCO has information for, and is the highest outside of Africa (UNESCO Institute of Statistics).

(7) Poor Healthcare:
It is still poor. The death rate of young Cambodians under the age of five is remaining the highest in the region. Despite dramatic reductions over the last five years, Cambodia’s maternal mortality ratio remains high at 206 deaths per
100,000 live births. This means an estimated 1,700 mothers die unnecessarily every year, which negatively impacts families, communities and particularly children whose mothers die (UNICEF, Cambodia Maternal Newborn and Child Health and Nutrition:1). According to UNICEF, only 64 percent of the Cambodian population had access to clean drinking water in 2010, forcing millions of people to drink unclean water that can carry preventable diseases caused by waterborne bacteria.
Chapter 4 Governance Analytical Framework

A number of multilateral organizations (e.g. UNDP, World Bank, OECD) and bilateral organizations have reflected on the elements of good governance and on their relation to development. Multilateral organizations generally equate good governance with sound economic management based on: Accountability, participation, predictability, and Transparency, especially the World Bank, the instrumental nature of good governance, however, implies that the four governance” pillar” are universally applicable regardless of the economic orientation, strategic priorities, or policy choices of the government. WGI (2013) stressed that “Governance” can be broadly defined as the set of traditions and institutions by which authority in a country is exercised, this includes (1) the process by which governments are selected, monitored and replaced, (2) the capacity of the government to effectively formulate and implement sound policies, and (3) the respect of citizens and the state for the institutions that govern economic and social interactions among them, the Worldwide Governance Indicators (WGI) are a research dataset summarizing the views on the quality of governance provided by a large number of enterprise, citizen and expert survey respondents in industrial and developing countries. These data are gathered from a number of survey institutes, think tanks, non-governmental organizations, international organizations, and private sector firms. The WGI do not reflect the official views of Revenue Watch, the Brookings Institution, the World Bank, its Executive Directors, or the countries they represent; the WGI are not used by the World Bank Group to allocate resources.
In order to investigate the impact of governance on human poverty the six measures of governance provided by World Bank are adopted (The WGI measure six broad dimensions of governance), these are:

1) **Voice and Accountability (VA)** – capturing perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media.

2) **Political Stability and Absence of Violence (PV)** – capturing perceptions of the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including politically-motivated violence and terrorism.

3) **Government Effectiveness (GE)** – capturing perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies.

4) **Regulatory Quality (RQ)** – capturing perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development.

5) **Rule of Law (RL)** – capturing perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence.
6) **Control of Corruption (CC)** – capturing perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests.

The aggregate indicators combine the views of a large number of enterprise, citizen and expert survey respondents in industrial and developing countries. They are based on 32 individual data sources produced by a variety of survey institutes, think tanks, non-governmental organizations, international organizations, and private sector firms. Financial support from the Knowledge for Change Program of the World Bank is gratefully acknowledged; the Worldwide Governance Indicators (WGI) are a research dataset summarizing the views on the quality of governance provided by a large number of enterprise, citizen and expert survey respondents in industrial and developing countries. These data are gathered from a number of survey institutes, think tanks, non-governmental organizations, international organizations, and private sector firms, the WGI do not reflect the official views of the World Bank, its Executive Directors, or the countries they represent, the WGI are not used by the World Bank Group to allocate resources (WBG 2013).
Chapter 5 The link between Governance and Poverty, and Data Analysis

World Bank Institute produces the Country Data Report for Cambodia; this Country Data Report summarizes the data from the Worldwide Governance Indicators (WGI) project for a single country. The WGI reports six aggregate governance indicators for over 200 countries and territories over the period 1996-2012, and the line graphs on each page show the country's percentile rank (0 to 100) on each of the six governance indicators. Percentile ranks indicate the percentage of countries worldwide that rank lower than the indicated country, so that higher values indicate better governance scores. The WGI are composite measures based on a large number of underlying data sources. The source data for each aggregate indicator are reported in a table on each page.

Score of Governance Indicator in Cambodia from 1996 to 2012

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</thead>
<tbody>
<tr>
<td>Political Stability and Absence of violence</td>
<td>13.94</td>
<td>10.58</td>
<td>19.71</td>
<td>23.08</td>
<td>25.96</td>
<td>30.29</td>
<td>34.62</td>
<td>32.69</td>
<td>30.77</td>
<td>32.06</td>
<td>26.54</td>
<td>26.42</td>
<td>35.85</td>
<td>40.76</td>
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<tr>
<td>Government Effectiveness</td>
<td>18.54</td>
<td>13.17</td>
<td>18.54</td>
<td>21.46</td>
<td>17.56</td>
<td>17.56</td>
<td>16.59</td>
<td>17.56</td>
<td>18.93</td>
<td>16.02</td>
<td>19.14</td>
<td>18.66</td>
<td>19.91</td>
<td>22.01</td>
</tr>
<tr>
<td>Regulatory Quality</td>
<td>50.00</td>
<td>44.61</td>
<td>43.14</td>
<td>41.67</td>
<td>36.76</td>
<td>32.35</td>
<td>35.29</td>
<td>29.41</td>
<td>33.50</td>
<td>37.38</td>
<td>34.93</td>
<td>35.89</td>
<td>31.75</td>
<td>39.23</td>
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<tr>
<td>Rule of Law</td>
<td>13.88</td>
<td>15.31</td>
<td>18.66</td>
<td>14.83</td>
<td>11.00</td>
<td>9.09</td>
<td>11.00</td>
<td>10.53</td>
<td>13.40</td>
<td>12.02</td>
<td>14.69</td>
<td>12.80</td>
<td>15.49</td>
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Control of Corruption

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<tbody>
<tr>
<td>Mean</td>
<td>22.43</td>
<td>19.01</td>
<td>24.18</td>
<td>23.45</td>
<td>21.42</td>
<td>21.01</td>
<td>21.08</td>
<td>20.02</td>
<td>21.32</td>
<td>20.91</td>
<td>20.95</td>
<td>20.45</td>
<td>22.19</td>
</tr>
</tbody>
</table>

Governance Score Trend from 1996 to 2012

Individual Indicators used to construct Voice & Accountability
Individual Indicators used to construct Political Stability and Absence of Violence

Individual Indicators used to construct Government Effectiveness

Individual Indicators used to construct Regulatory Quality
Comparison of governance-indicator scores between developed and developing countries

Year 2012:

<table>
<thead>
<tr>
<th>Indicator/Country</th>
<th>Developed Country</th>
<th></th>
<th>Developing Country (Cambodia’s Neighboring Countries)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Norway</td>
<td>U.S.</td>
<td>Singapore</td>
</tr>
<tr>
<td>Voice and Accountability</td>
<td>100</td>
<td>86.3</td>
<td>54</td>
</tr>
<tr>
<td>Political Stability (PV)</td>
<td>93.8</td>
<td>68.2</td>
<td>96.7</td>
</tr>
<tr>
<td>Government Effectiveness</td>
<td>98</td>
<td>60.8</td>
<td>99.5</td>
</tr>
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5.1. The Link between governance and poverty in Cambodia

<table>
<thead>
<tr>
<th>Variable/Year</th>
<th>2004</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poverty Rate</td>
<td>53.2</td>
<td>50.1</td>
<td>38.8</td>
<td>23.9</td>
<td>22.1</td>
<td>20.5</td>
</tr>
<tr>
<td>Governance Score</td>
<td>21.01</td>
<td>21.32</td>
<td>20.91</td>
<td>20.95</td>
<td>20.45</td>
<td>22.19</td>
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Per Capita GDP from 2004 to 2013

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</thead>
<tbody>
<tr>
<td>Per Capita GDP(US$)</td>
<td>406</td>
<td>471</td>
<td>537</td>
<td>628</td>
<td>743</td>
<td>735</td>
<td>783</td>
<td>878</td>
<td>945</td>
<td>1,008</td>
</tr>
</tbody>
</table>

Data Source: World Governance Indicators, World Bank Group, 2013; Own calculation.
The graph of relationship between governance and poverty rate shows that the governance in Cambodia has slightly changed since 2004 to 2010 but the poverty has dropped dramatically, and after 2011 the governance has improved and poverty rate still continues to decrease, this shows that the poverty drops not because of the governance alone there are other factors affect the poverty rate, more importantly the Triangular Strategy for the sustainable development of Cambodia launched by Prime Minister Hun Sen following the 1998 elections of building of peace, stability and security; the transformation of the country from a post-conflict to a market-oriented economy characterized by steady economic development. Cambodia’s full integration into regional and international relations;
and the promotion of economic and social development through the implementation of various reform programs within the environment created by these policies, and the priority poverty reduction actions such as maintaining macroeconomic stability; improving rural livelihoods; expanding job opportunities; improving capabilities; strengthening institutions and improving governance; reducing vulnerability and strengthening social inclusion; promoting gender equity; and priority focus on population really help large numbers of the poor and vulnerable people escape from poverty as stated in the paper by the Ministry of Planning (April, 2013) on integration of demographic perspectives in development, Cambodia that “An increase in income and unemployment opportunities is crucial for poverty alleviation and reducing unemployment rates in the country” and recognized the disparities in household consumption between regions, rural and urban areas, as measured through Gini’s Coefficient household consumption data. The most important factor for poverty reduction in Cambodia is Economic development, this due to the peace and political stability and the transformation from a post conflict to a market economy and the constitution in 1993 for liberal democracy development and a market economy. Government makes efforts in its work to strengthen governance such as growth, employment, equity, and efficiency. The key e results are the participation of ASEAN in 1999 and WTO member are essential for regional cooperation and international trade that attract investments. Cambodia’s main economic boom period occurred between 2004 and 2008, the average growth being 10.3% (CBRE, 2012), as raised by index mundi that since 2004, garments, construction, agriculture, and tourism have driven Cambodia's growth, milled rice trade increase from 29.7
Million tons in 2009 to 31.3 million tons in 2010. GDP climbed more than 7% per year between 2010 and 2013. The garment industry currently employs more about 400,000 people and accounts for about 70% of Cambodia's total exports. Mining also is attracting some investor interest and the government has touted opportunities for mining bauxite, gold, iron and gems. The tourism industry has continued to grow rapidly with foreign arrivals exceeding 2 million per year since 2007 and reaching over 3 million visitors in 2012. World Bank (2014) also confirmed that “Cambodia’s economy has withstood domestic pressures and managed to sustain its high growth,” said Alassane Sow, the World Bank Country Manager. “This strong growth may help Cambodia to achieve its goal in reducing poverty by one percent per year. As we all know, almost 3 million people remain poor and over 8.1 million are near-poor. They are still at high risk of falling back to poverty.” the sectors of the growth driven by garment, construction, tourist, and agricultural. As reported by World Bank (2014) “Real growth is estimated to reach 7.2 percent, driven by the garment, construction, and services sector…the Royal Government of Cambodia (RGC) has set a very legitimate target of one million tons of milled rice exports that matters tremendously for poverty reduction and shared prosperity... Concerning the investment climate assessment findings, RGC's new five-year Rectangular Strategy III continues to prioritize improving the business environment to help diversify and increase value-added in production”. According to CDC(2014) GDP amount has been steadily grown with 43,057 billion Riels in 2009 and 47,048 billion Riels in 2010 and is projected to be 52,141 billion Riel in 2011 (approximately USD 12.9 billion) and 57, 363 billion Riel in 2012 (approximately
USD 14.2 billion). Furthermore the World Bank data shows that Per capita GDP has also steadily increased since 2004 when the Riel greatly depreciated against the dollar. Per capita GDP in 2011 reached USD 878, an increase of approximately 70% from 406 US dollars in 2004. It reached USD 945 in 2012 and USD 1008 in 2013 respectively. This data illustrates the symmetry and correlation between GDP per Capita and Poverty Rate, it means that when the GDP per Capita increases the poverty rate also decreases. It can be said that when the income increase the poverty decline. So the poverty of Cambodia has decreased due to three key factors of the economic development, such as industry (products of garment, construction), Service (Tourist, restaurants, and supply), and Agriculture (Plantation and Productivity). This plausible data emerges from the government objective to poverty reduction policy as reported by Rural Poverty Portal (2014) that the Rectangular Strategy that pulls together elements of the Millennium Development Goals Strategy, the Socio-economic Development Plan (2001-2005) and the National Poverty Reduction Strategy (2003-2005). These elements are the basis of the National Strategic Development Strategy Plan 2006-2010, which affirms that poverty reduction in the fastest possible manner is the government’s foremost priority. Those priorities are promoting income-earning and employment opportunities, improving the capabilities of poor people, strengthening institutions and promoting good governance, reducing poor people's vulnerability, promoting gender equity. To achieve macroeconomic stability the government is implementing reform programs and providing supporting policies by: addressing the fiscal deficit, overseeing the soundness of the financial system, promoting bank reform, improving revenues, increasing spending for the social
and economic sectors through sound budget management, improving the
investment climate, carrying out civil service, legal and judicial reforms. The
national agenda for improving income opportunities for poor rural people includes
key areas such as land, water, agriculture, forestry, fisheries and transport, as well
as decentralization. In the agricultural sector, the government's aims are to:
improve food security by expanding production of rice and other food crops,
promote exports, improve the incomes of poor farmers by crop diversification,
especially in rural households headed by women, add value to crop and livestock
production by developing agro-processing industries. According to Akrur Barua
(2014) one of the key drivers of the economy is textiles and footwear, whose
exports amount to a third of nominal GDP. Exports from the sector rose 22
percent year over year in the first 11 months of 2013 to $5.1 billion. Tourism also
continued to flourish last year, with the January–November period witnessing a 5
percent rise in tourist arrivals relative to the whole of 2012. Receipts from tourism
currently amount to about 15 percent of GDP, and this could go up as the
government tries to promote unexplored parts of the country. 3) Construction is
yet another prominent sector and is a major recipient of foreign direct investment
(FDI). While the residential and hospitality spaces dominate construction,
infrastructure is fast gaining ground as the government focuses on power
generation, oil and gas, and diversification in manufacturing. This strong
momentum across key sectors is likely to continue into 2014–16, thereby ensuring
growth of 6.5–7.5 percent.

5.2. Analysis
According to the table above, the five developed countries, Norway ranks the first which its total score is 96.9, the voice and accountability, and rule of law is scored 100; and Singapore is second which scores 90.5. Whereas four developing countries, neighboring countries of Cambodia, Thailand rank first which scores 44.3 and Cambodia ranks third after Vietnam. The table also shows that the score of the rule of law in Cambodia is the lowest (17.1) among those eight countries worse than Lao. According to the United Nation publication the Rule of Law is the principle of governance, so the governance in Cambodia needs to be improved. The rule of law in Cambodia is challenging and can be explained as follow:

1) Poor in the implementation and enforcement of laws: all states not only require the presence of laws, but also the respect for and enforcement of such laws. Lack of respect for laws and difficulties in enforcement are not simply matters of ill-motivation, bad practices or political infighting. They are largely connected to the lack of human and financial resources of the people who manage and work within the legal system. As long as the new law regulations legislated this shall lead to the increase of needs of qualified and competent judges and lawyers, so human resource development and legal reform must go together.

2) Lack of Independence in Judicial System:

Judicial branch governs the Court System in each country. In Cambodia, the judicial system is often criticized by the citizens extremely due to the injustice of the result of the decision. There many reasons regarding this issue, such as the strong influence of executive branch to the justice in the court, the lack of rule of law to control corruption that happen in society which affects the court system,
and the limited independence of decision making affects the judicial system in justice in the real practice. Cambodia’s Institution states in Chapter 11 that the judiciary shall be an independent power, which shall guarantee and uphold impartiality and protect the right and freedom of the people. Article 130 states clearly that “judicial power shall not be granted to the legislative or executive branches of government” The constitution states that the King is the guarantee of judicial independence, assisted by a body called the Supreme Council of Magistracy (SCM). Key critical questions remain about this council’s independence. As in many of Cambodia’s institutions, appointees have political affiliations. The SCM has yet to show that it has either the will or the ability to protect the independence of the judiciary. Anyway, it is the only institution which has the power to take the disciplinary actions against judges and prosecutors. The Minister of Justice is also a member of the council, thus violating the constitutional provisions for the separation of executive and judicial powers in Cambodia. So if the decisions of the judiciary are easily intervened by other branches a culture based on the protections of human rights and the rule of law will not be able to develop.

3) Limited Role in the Legislature process and Shortage of Financial and Human Resource:

The power to initiate legislation rests jointly with the Prime Minister and members of the National Assembly and senate. Until now two of the National Assembly and Senate have played a limited role in drafting legislation. Most draft legislation originates with the government of Cambodia. The national Assembly has simply tended to review and enact bills drafted by the Government, often
without being given enough time and lacking the requisite expertise. Also the legislature seldom receives copies of regulations or decisions by the government or ministers related to laws enacted. This contributes to imbalance in the system of checks and balances. This imbalance is partly associated with a shortage of financial and human resources available for the national assembly and senate compared with the government. Such shortages are particularly noticeable with respect to technical and financial expertise. The National Assembly and Senate receive little technical assistance from donors compared with the government. Ultimately, this will adversely affect the quality of good governance.

Chapter 6 Conclusion and Recommendation

First of all this thesis begins with the discussion on the term “Governance and Poverty” and its concepts provided by various international organizations, agencies, research institutions and scholars. Next it briefly provides current governance structure of the public sector to show where Cambodian people can exercise their powers through. Then it tries to present the governance weakness and challenges on poverty reduction. After that World Governance Indicator produced by the World Bank is used to analyze the governance. Finally it examines the current development of governance reforms, and addresses some critical strategies that the government should implement to alleviate the poverty. This thesis finds that economic growth proceed poverty, governance is not a precondition for poverty reduction it opposes the idea of governance preceding growth and reducing poverty; and it accords with the a well-known research, growth is good for the poor as Dollar and Kraay (2000) gather evidence on the benefit of economic growth bring for the poor, based on the sample of 80
countries over four decades, that shows how the income of the poor increases at
the same pace as general growth. Economic growth is the most powerful
instrument for reducing poverty and improving the quality of life in developing
countries (DFID 2008). That is good economic performance which leads to better
governance. For Cambodia as data shown above the increasing per capita GDP
has direct impact on the poverty while per capita GDP increases, the poverty rate
decreases at the same time. This plausible result can be seen through the triangle
strategy which is initiated by the Prime Minister of building peace, stability, and
security; integration to regional and international, and the promotion of economic
and social development that prioritize on poverty reduction actions, such as
maintaining macro-economic stability, improving rural livelihoods, expanding job
opportunity, improving capabilities, strengthening institutions, reducing
vulnerability and strengthening social inclusion through promotion of agriculture
and priority focus on population really help large number of the poor and
vulnerable people escape from poverty. So the role of strong and committed
leadership and policy are important. Cambodia should learns the model of
development of the Republic of South Korea through export-oriented
industrialization, the famous five-year plans, the Miracle on the Han River and
Samaul Undong (New Village Movement) of the Republic of Korea during the
Park Chung-Hee in power from 1961 to 1979 due to similarity of leading style
that increased GDP per Capita from 91.62US$ in 1961 to 1,746.73US$ in 1979
and continuously increase (index mundi, 2014) and the improvement of social
development in that period and the government mobilized all resources for
economic and social development through building infrastructure,
industrialization, and rural and community development,. Anyway Cambodia still facing wide gap between the have and have not, and the benefit of the growth is not equally distributed. For equality, better governance and improving justice the court must be independent from other branch, finance and human capacity must be sufficient and including prosecutor, lawyer, and policeman, the prison must be improved for the safety, health, and right of prisoners. To conclude, while it is clear that the poor suffer most from the adverse effects of a weak rule of law, to date there is little evidence that donors’ rule of law promotion has had an impact on poverty levels. This may be due to a donor focus on institutional and technical fixes which in themselves are unable to address the more problematic issues of ensuring governments and members of the judiciary abide by the rule of law, and that legislative change translates into social change. More recently, donors have given greater consideration to the demand-side of the rule of law, focusing on access to justice. There are a number of positive case studies of alternative dispute resolution that provides more workable systems at the local level, and legal advisory services that promote legal education and rights awareness. The evidence shows that poor people are most affected by corruption. However, there is limited empirical evidence, based on statistical analysis, to support the assumed link between anti-corruption work and poverty reduction. At the local level initiatives to improve accountability and quality of service provision have shown some positive results. Evidence would suggest that anti-corruption reforms must take account of the political context if they are to be successful. The effort has to be done to improve decentralization because decentralization has a positive impact on poverty reduction and development. There is, however, broad
recognition that decentralization can only have pro-poor effects if reforms are implemented in a wider pro-poor political environment. The equality has to be a core concern for the government so it should be focus on rural development because the majority of the poor locate in that area. The urban management should be considered due to the migration of the people from rural to urban area. Ultimately, governance improvements will only impact on poverty if the government’s objectives and policies are themselves pro-poor. ADB (2012) claims that Sustained double-digit growth leading to poverty reduction of 1% per year and increasing inequality indicates that growth has not been particularly inclusive. This highlights the need for more ex-ante poverty analysis and better-targeted infrastructure and economic and social development initiatives. The country’s economic transition requires developing a skilled workforce to meet the needs of industry. Recent experience underscores Cambodia’s vulnerability to external crises. Improve future investments and seek to integrate opportunities for poverty reduction, the climate, and the environment. The risk and vulnerability profile calls for a focus on agriculture and rural development, rural water supply and sanitation, girls’ education, rural infrastructure (especially rural roads for improved access to services), and social protection for the poor. Donor and community must commit to using real-poor data to better target resources to the poor and the vulnerable. The overstaffed of public service, while being inadequately paid, remains Cambodia’s greatest obstacle to proper and consistent progress; this situation contributes to absenteeism, corruption, and poor performance, leading to a lack of confidence in government service provision among the population. Implementation of the rule of law and an anti-corruption
law is still to be strongly criticized. The right policy has to start focusing on who are the poor? Why are they poor? And try to solve their real problems. The best solution for fast poverty elimination has to do with strong commitment and determination of the government, collaboration and cooperation between government, donors, community, and private sector.

- **Limitation:** Due to the limited number of observation (n=5), cause and effect relationship cannot be analyzed. So concise conclusion cannot be made about the relationship among the three variables- governance, GDP per capita and poverty. The indicator and index of governance provided by world bank must be further studied that those may not be applicable for Cambodia.
Reference


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국문초록

거버넌스와 빈곤: 캄보디아의
거버넌스가 빈곤감소정책에 미친 영향에 관한 연구

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본 연구의 목적은 캄보디아를 사례로 거버넌스가 빈곤에 미친 영향에 관해 탐색해보고자 한다. 특히 빈곤감소정책과 이를 효과적으로 만들 수 있는 거버넌스에 주목하여 보고자 한다. 이는 현재 캄보디아에서 벌어지고 있는 상황 중에서 예를 들어 설명함으로써 보다 일반적인 이해를 가능하게 할 것이다. 본 연구는 거버넌스와 빈곤완화의 관계를 살펴보기 위해서 세계은행의 거버넌스 평가지가인 WGI를 사용하였다. 또한 빈곤율과 1인당 GDP 를 사용하여 변화추이와 양자간 관계를 분석하였다. Rectangular Strategy II 에서 바람직한 거버넌스의 특징을 확인할 수 있는데 정책결정에서 반응성을 높이고 투명성을 높이도록 하는 것이 그와 같은 예이다. 또한 형평성을 높이고 보다 통합적으로 정책을 수행해야 한다는 것이 전략에 포함되어 있다.
특별히 지방단위로 행정을 분권화하는 것을 바람직한 거버넌스 차원에서 큰 문제를 야기한다. 이러한 설명과 탐색을 통해서 본 연구는 효율적인 정책 결정에서 바람직한 거버넌스가 나타나는지를 확인해보고자 한다. 본 연구는 경제발전이 빈곤감소에 가장 중요한 요인이라는 것을 발견하였다. 이는 기존에 경제성장이 빈곤을 줄인다는 연구들과 일치한다. 한편 경제성장과 빈곤감소를 위해서는 최소한 안정적인 거버넌스가 필요하다는 것을 발견하였다.

캄보디아의 빈곤을 감소시킬 수 있는 핵심적인 요인은 경제에 중요한 요소들을 발전시키는 것인데, 예를 들어 의류 및 신발 산업, 서비스와 관광 그리고 농업생산을 향상시키는 것들이 중요하다. 이를 달성할 수 있는 것은 정부가 캄보디아 새천년 개발계획, 국가 개발계획 그리고 경제발전과 사회발전을 통해서 빈곤을 감소시키는 것을 골자로 하는 Rectangular Strategy 등을 통해서 정책을 수립하고 집행해야 한다. 빈곤을 근절하기 위해서는 거버넌스가 중요하며, 성장과 함께 이뤄져야 한다. 또한 강력하고 합신적인 리더십과 정책 및 제도들이 필요하다. 거버넌스를 강화하지 않고서는 빈곤정책을 달성할 수가 없다. 캄보디아 총리가 2008년에 선언한 바대로, “국민들의 자유 의지로 탄생한 캄보디아 정부는 우리 나라를 발전시키기 위해서 동력과 헌신을 새롭게 하여 4기 의회를 시작한다. 내각의 위원들과 관료들, 개발원조기구 파트너, 공공 및 민간 분야 그리고 시민사회에 우리가 성장, 고용, 형평성과 효율성을 위해서 Rectangular Strategy를 지속적으로 실시할 것을 약속한다. 2단계 Rectangular Strategy 는
사회경제 정책 아젠다와 캄보디아 4기 의회의 정치적인 약속을 포함하고 있다.

주요어: 거버넌스, 바람직한 거버넌스, 빈곤, 빈곤율, 빈곤감소 정책

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