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Enhancing Good Governance in Cambodia

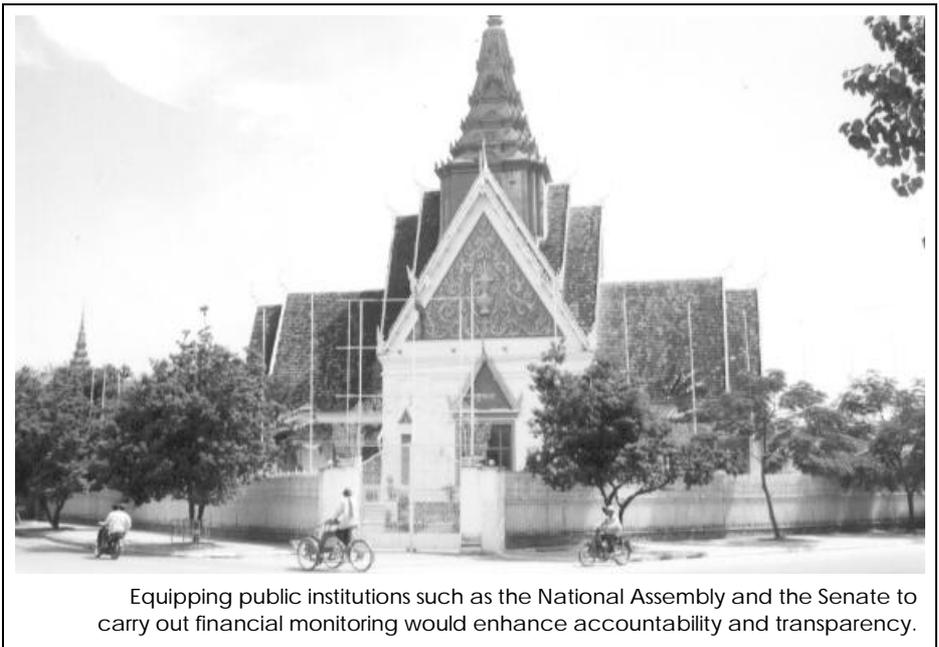
Toshiyasu Kato, Jeffrey Kaplan, Chan Sophal and Real Sopheap outline three main challenges facing good governance in Cambodia and recommend strategies for promoting good governance for sustainable development.*

Good governance is an increasingly important development issue in Cambodia. During the transition towards liberal democracy and a market economy over the past decade, policy-makers, donor agencies, and civil society leaders have recognised that the governance system needs to be improved to match the changing role of the state. Good governance is emerging as one of key strategies to sustain social and economic development in Cambodia.

This article addresses how to promote good governance for sustainable development. It aims to provide insights for government policy-making on good governance, and also to provide information for the programming of assistance by donor agencies, and in particular the Asian Development Bank (ADB). The study examines key issues and challenges related to governance structures, then reviews and analyses recent reforms from the perspective of good governance. It also assesses the long-term impact of those reforms on Cambodia's economy. Based on those findings, the authors offer policy recommendations for the government and possible entry points for donor assistance.

The study defines "governance" as "the manner in which power is exercised in the management of a country's economic and social resources for development." States with good governance exercise powers through state institutions and organisations that are accountable and transparent to the general public. They also exercise powers based on the rule of law, which are therefore predictable to the public. Furthermore, states with good governance promote people's participation in the development process and policy-making. Throughout the study, governance issues are examined with emphasis on those

* This article is based on the executive summary of a report entitled *Cambodia: Enhancing Governance for Sustainable Development*, which was prepared by a CDRI research team in collaboration with the Asian Development Bank and the government from September 1999 to February 2000.



Equipping public institutions such as the National Assembly and the Senate to carry out financial monitoring would enhance accountability and transparency.

four elements in governance—accountability, transparency, predictability, and participation. The study covers three domains of governance structure: 1) the public sector—the legislature, the executive and the judiciary; 2) civil society, particularly the private sector and NGOs; and 3) the media.

Three Governance Challenges

Cambodia's governance structure has been evolving since the promulgation of a new Constitution in 1993. The dynamic change gained further momentum following the formation of a new government in late 1998. The newly gained peace and stability provide a more solid foundation for sustainable development in Cambodia. The government has committed itself to major reforms in an effort

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to revive Cambodia's economy and reinvigorate its engagement with the donor community. As a demonstration of the government's political will to pursue reforms, the prime minister has called them a "life-and-death" issue for Cambodia.

The study examined the governance structure and the following sectors of reform that relate to issues of governance: 1) public finance reform; 2) public administration reform and armed forces reform; 3) decentralisation; and 4) legal and judicial reforms. Because of the importance of Cambodia's participation in the Association of South-east Asian Nations (ASEAN), the study also drew lessons on governance relating to regional integration.

Three major challenges facing Cambodia to enhance good governance emerge from the study:

1—Strengthening accountability institutions in the public sector. Too little attention, respect and resources have been given to accountability institutions in Cambodia. Accountability institutions need to be strengthened to hold public officials accountable and to operate in a transparent manner.

On-going judicial reforms are critical to developing a more independent and competent judiciary. This will re-enforce the idea that paper (laws) has real power and restore confidence in the rule of law. The Supreme Council of Magistracy is a crucial focal point for such reforms.

Cambodia's public sector needs to strengthen financial integrity as well. Equipping the National Assembly and Senate to carry out active financial monitoring can enhance accountability and transparency. A neutral National Audit Authority, which is to be created under an Audit Law recently passed by the National Assembly, can also play a critical role as an independent, external audit agency, to enhance good governance.

Such reforms will replace suspicion of independent accountability institutions with a respect for the value of such institutions. This will narrow the scope for corruption in the public sector and increase confidence in the government's commitment to reforms and the rule of law. It will also create an environment more conducive to long-term private sector growth.

2—Building more partnerships between government and non-government sectors. At present, productive interaction between the government and non-government sectors is limited. It is vital that the government builds more partnerships with non-government sectors, in particular the private sector and civil society, to broaden ownership of reforms. Promoting stakeholders' participation and building broad-based partnerships will take time, but will add great strength to the government's reform efforts. They will also ensure that political support will not weaken once implementation begins and unpopular consequences of reform become more visible.

The government has recently demonstrated political will to build partnerships with non-government sectors and a more open process in the drafting of a new land law.

It deserves great credit for this. Continuing this partnership during the implementation process for a new land law will be critical. In this respect, land reform is a good example that could and should be replicated with other reforms.

The development of the private sector framework will also benefit from a greater partnership between the government and the private sector. Increasing transparency in existing laws and regulations provides a level playing field for all businesses, and facilitates private sector development. More formal consultations on draft laws with business prior to enactment will increase the effectiveness of laws and support private sector growth. Organising forums with the private sector—large meetings, sector-specific dialogues, joint promotional events or research—can increase the effectiveness of reforms by drawing on the considerable experience and skills of the private sector. A start has already been made on this by a government-business meeting in December 1999. The creation of specialised courts, such as a commercial court, will address the increasing volume of commercial cases, in addition to strengthening the judiciary's capacity to handle commercial disputes.

It is vital that the government builds more partnerships with non-government sectors, in particular the private sector and civil society, to broaden ownership of reforms.

3—Building government capacity for local governance. Public expenditure reform envisages financial devolution to provincial administration. Plans for demobilisation stress the role of to-be-created provincial veterans' offices in the reintegration of demobilised soldiers. The government's efforts toward decentralisation through commune elections will establish the

first representative bodies at the local level. Local government will thus be expected to bear heavy responsibilities to implement these reform initiatives.

The success of these reforms hinges on the managerial capacity of local government. A few key issues need to be addressed. First, greater legal clarity regarding the status and scope of authority of the provinces, municipalities, districts and to-be-created commune councils is needed. Second, use of existing institutions and mechanisms at the local level should be maximised rather than creating new entities. Demobilisation is a case in point. Third, building the managerial capacity of local officials, both financial and administrative, is critical to enhancing the financial integrity of local government and ensuring effective and efficient service delivery.

Encouraging Good Governance

Capacity building for good governance should include both human resource development and institution building. Building human resources is the most pressing issue in Cambodia and applies to all sectors of reform. Planning for massive, long-term training is needed to ensure that the development of human resources keeps pace with the implementation of governance reforms. Given the early stage of institutional reforms, the need for institution building is pressing as well. Developing sound management systems is critical to improving the performance and

the specific tasks and functions of public institutions in Cambodia.

Reforms for good governance would be most effective when the government demonstrates commitment to reform through concrete actions and donors respond with financial and technical support. This dynamic ensures that the government is driving the process by setting its own priorities for reforms, building political support for policies, and demonstrating political will by taking initial, tangible steps for reforms.

The effectiveness of governance reforms depends also on the extent to which the participation of all concerned institutions is ensured from the outset of the programme. It is essential that both the policy-making of the government and the programming of assistance by donors are undertaken in a multi-institutional setting.

Both officials within the government and donors recognise the need for greater government-donor coordination. In the area of governance, one useful strategy may be for the donors present in Cambodia to jointly develop a set of specific governance-related criteria and performance indicators for programme planning and monitoring. This might expedite donor coordination and the mainstreaming of governance into programmes of assistance.

In addition to major reforms that require long-term efforts and substantial resources, the government is recommended to vigorously pursue specific, low-cost reforms that can have a tangible impact on good governance. For instance, Cambodia's leaders have occasionally issued declarations to halt the non-transparent, illegal sale and leasing of public property. Actions by the government such as the publication of a list of state assets and the requirement of an open tendering system for sale/lease of state property could reduce such practices.

The absence of advance notice before the enforcement of new legislation was stressed as a key issue by the private sector. The government could require, by law, an official notice period before new laws or regulations are enforced by the Council of Ministers or ministries. The government is also recommended to consider more public consultation in the drafting process, providing more opportunity for businesses to voice their opinion and provide input before or during the drafting of new laws or regulations. These measures would have a tangible positive impact on private sector development.

The reform of the judiciary requires a step-by-step process to institutionalise the separation of powers and independence. The Supreme Council of Magistracy could be empowered by the withdrawal of its members from other branches of power, a requirement of full-time work, and a separation of the council's budget from the Ministry of Justice.

Donors are recommended to continue and increase their support for major state reforms—public finance

reform, public administrative reform, reform of the armed forces, and forestry management. In addition, they might wish to consider the following specific areas and institutions as entry points to promote good governance in Cambodia. The design of a specific programme of support for each area or institution will require a more detailed evaluation of needs and current capacity.

Policy Recommendations

1—*Strengthening public accountability institutions:*

- Supreme Council of Magistracy and Courts—Encourage dialogue on reform; build the capacity of judges and prosecutors.
- Commercial court—Draft a law to establish a commercial court; provide intensive training to judges.
- National Audit Authority—Build the institution, including training, provision of equipment, and creation of procedures and accountability rules.
- Finance and Banking Commissions at the National Assembly and Senate—Provide advice and formal training on finance, audit, banking and economic policy to enhance their monitoring capabilities.

2—*Building partnership between government and non-government sectors:*

- Land reform—Ensure partnerships with the government and civil society organisations; strengthen the institutional capacity of provincial and municipal offices of the Ministry of Land Management, Urbanisation and Construction for implementation of the new law; support for the mapping and classification of Cambodia's land stock.

- Public sector-private sector forums—Play a catalytic role for increasing contacts between the public and private sectors; incorporate the private sector more explicitly as partners in studies and missions.

3—*Building capacity for local governance:*

- Provincial finance administration—Assess financial management skills among current provincial officials; provide training for provincial finance officers.
- Commune councils—Examine the proposed Law on Commune Administrative Management; evaluate the potential needs of the councils once the law is enacted; assess the possibility of financing projects developed by commune councils.

The current article has highlighted some of the critical issues of governance which can positively or negatively affect the process of development in Cambodia. It also underlines the fact that reform is a long-term process that requires the setting of achievable goals and consistent support. Although many challenges of good governance still lie ahead, the commitment to the reform process demonstrated by the government and the achievements made to date are heartening and inspire optimism for the

Reforms for good governance would be most effective when the government demonstrates commitment to reform through concrete actions and donors respond with financial and technical support.

The Project Dilemma in Technical Cooperation

Martin Godfrey, So Sovannarith and Tep Saravy (of CDRI) and Chea Sokhim (of the Ministry of Health) review the project approach to technical cooperation, on the basis of a case study of the malaria and HIV/AIDS sub-sectors in Battambang province.*

In Cambodia as in other developing countries, most external assistance comes in the form of projects. Each project is separately identified, designed, appraised, negotiated and implemented. Our research team set out, in August–September 1999, to investigate whether this is an efficient way to organise such assistance, using evidence from the Cambodian health-care sector in general and the malaria and HIV/AIDS sub-sectors in particular, with a geographical focus on Battambang province. The implicit alternative to the project approach, obviously, is the sector-wide approach, already partially implemented in a number of countries and being actively promoted in Cambodia by the Health Sector Reform Project and the SWAp Working Group within the Ministry of Health (see MoH 1999). This article will not discuss the sector-wide approach, which is widely reviewed elsewhere, but will concentrate on testing various hypotheses about the project approach, derived from experience with projects in health-care around the world (Cassels & Janovsky 1998). The hypotheses are that the projects:

- May lead to fragmentation and duplication of effort;
 - Compete for (and waste) the time of a small group of busy, senior government officials;
 - Set up parallel, donor-specific management units and attract the best people away from government service to staff them;
 - Take a long time to prepare, with as many as two years between identification and implementation; and
 - Reflect the priorities of donors, making it more difficult for governments to prepare policies that reflect national priorities.
- In short, the project approach to external assistance in general, and technical cooperation in particular, is wasteful and inefficient, adversely affecting policy development, capacity building, performance, owner-

ship and sustainability.

In its management of external assistance, the Ministry of Health is, relative to other government institutions in Cambodia, generally agreed to be a success story. As a senior official pointed out, at least at central level, it generates ideas for projects, takes part in the selection of expatriate personnel, and prepares terms of reference for experts to work with assigned counterparts with emphasis on capacity development and training. However, not all agencies work through existing government structures: the World Bank and the Asian Development Bank (ADB) projects have set up project implementation units (PIUs), and there are other quasi-PIUs. Moreover, the chronic underfunding of health-care means that the ministry often has to accept the project that is offered, and the system that goes with it, rather than refuse the offer or negotiate changes.

Donors admit that, even though there is a Health Coverage Plan which provides a management framework for handling the massive inflow of funds, they have tended to pick out projects that they like most, so that some areas are left out. For instance, separate vertical programmes, such as polio immunisation and reproduc-

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tive health as well as malaria control and HIV/AIDS, in some cases with global targets or a regional dimension, are relatively popular with donors. But strengthening the public health services, particularly at its lower levels, tends to get left out. Governments have to face electorates and NGOs have to appeal to those who contribute to them, so “difficult” subjects such as mental health tend to be ignored in favour of more fundable programmes. Some donors, also, are unwilling to work with government—they try to fill gaps in coverage directly or through NGOs. Donors agree that government ownership of projects in the health-care sector is growing. The Ministry of Health’s way of working has to be followed. Documents have to be in Khmer. In some projects, hiring of consultants has to be discussed with the ministry. However, there are other projects that are less owned by government. Supplementation of salaries linked to projects may be a factor in encouraging an uncritical attitude by government towards donors’ proposals. Project counterparts also often regard themselves as belonging to the project rather than to a government institution. As for post-project financial sustainability, donors feel that administrative reform and hence health sector reform are prerequisites. The formalised user-fee system, which was supposed to be the short-term answer to underfunding, is thought to be becoming too much of a preoccupation: the cost of health-care in rural areas remains high and its quality low. Many donors do not think much about post-project sustainability, regarding during-project sustainability as enough to aim for.¹

* This article is a summarised version of a report prepared for the Ministry of Health and the World Health Organisation, and falls within the framework of ongoing CDRI research into technical assistance. It is published here with the permission of the Ministry of Health and WHO.

Projects in the Health Sector in Battambang

In trying to achieve its objectives, the provincial health department in Battambang has the assistance of a large

number of international agencies and NGOs. Efforts to coordinate the health-care activities of these agencies and government in the province are impressive. A coordinating committee (PROCOCOM) meets monthly. A typical meeting is attended by about 12 government officials and about 20 representatives of international agencies and NGOs. Donors and government staff regard PROCOCOM as an effective mechanism for exchange of information.

The provincial health department also collects information about assistance for health activities from international and non-government organisations. The provision of this information to the provincial health department falls far short of full transparency on the part of the organisations concerned. It covers only resources made available for jointly funded activities, and excludes projects implemented separately or nationally from Phnom Penh. It excludes salary costs of project staff and other overhead costs (although the department collects but does not publish information on the number of expatriate and local staff working in health projects). Also, there are many organisations which do not send any reports to the department.

Although the coordination mechanisms of the Battambang provincial health department probably surpass those in any other province, it cannot be said that they amount to full government ownership of project activities. Proposals for small projects often emanate from the provincial health department, but only two donors transfer funds to the department to run projects. In most cases selection of staff and project evaluation remain the responsibility of the agencies. Projects are often implemented outside normal government structures. The resulting array of projects has several gaps: for instance, tuberculosis is a neglected area, in contrast to HIV/AIDS which attracts a lot of donors.

The biggest complaint about projects raised by government health officials in Battambang concerned salary supplementation. No supplementation is paid by projects, only per diems. One of the projects which encourages ownership by transferring funds to the department pays such a low rate of per diem that the department's programme officers have problems in organising meetings and training sessions: they have been advised to transfer responsibility for organising these events back to the project. This is an example of the difficulties faced by an underfunded government department trying to achieve ownership of projects.

Another aspect of underfunding is the contrast in equipment and resources available to government offices and to projects. Svay Pao operational district office, with 20 staff, has four motorcycles and one typewriter (no computer): the office has produced a model supervision report but has no money to photocopy it for distribution to other operational district offices. In contrast, a project in the same district has nine staff, two four-wheel-drive vehicles, seven motorcycles and two computers.

Projects in the Malaria Sub-Sector

International and non-governmental organisations active in malaria control in Battambang province include World Vision International (WVI), Médecins Sans Frontières (MSF), Catholic Relief Services (CRS), Lutheran World Service (LWS), UNICEF, the European Union, the Italian NGO EMERGENCY, the World Bank and MOVIMONDO. Most projects visited by the research team are fairly small, with few expatriates, but they are relatively well endowed with vehicles and computers in relation to the number of their staff.

The manager of the Battambang Malaria Centre organises a regular meeting with agencies active in the sub-sector (Sub-PROCOCOM), many of whom also attend the PROCOCOM. The location of responsibility for negotiation with donors (national programme? provincial health department? provincial programme?) is not always clear. The larger agencies develop their project proposals in consultation with the National Centre for Parasitology, Entomology and Malaria Control (NCPMEC). NGOs such as LWS, CRS and WVI identify needs for new project activities as they emerge, and keep the provincial programme informed. Some agencies (such as the Red Cross and UNHCR) collaborate in distribution of mosquito nets with national-level authorities, without reference to the provincial programme or department. In general, coordination of malaria control activities in the province is good, with little duplication, but it does not amount to government ownership.

[Salary] supplementation only in the form of per diem sets up perverse incentives, favouring field work and attendance at meetings and workshops over essential management.

The usual problems arise from low salaries. Per diem only is available, ranging from \$2 to \$5 depending on work place and qualification. Travel to infected areas is risky and deserves higher supplementation (compared with HIV/AIDS specialists, who work mainly in urban areas), in the view of some officials. On the other hand, supplementation only in the form of per

diem sets up perverse incentives, favouring field work and attendance at meetings and workshops over essential management. As for financial sustainability, the assumption appears to be that donor funding for malaria control will be available for as long as it takes for government finances to be reformed.

Projects in the HIV/AIDS Sub-Sector

Battambang is one of the best organised provinces as far as its HIV/AIDS programme is concerned, and is nominated to become the first province outside Phnom Penh to provide AIDS care. It also has a high rate of HIV prevalence, ranging from 3 percent among married women in rural areas to 53 percent among sex workers.

Activities carried out during 1998 and 1999 include: HIV/AIDS education (in collaboration with UNICEF, CRS, WVI and LWS); peer education (with UNDP/CARERE); STD treatment, education and condom use (with MSF); pre- and post-test counselling; training of health staff in STDs (with MSF and UNDP/CARERE); social marketing of STD packages (with MSF); World

AIDS day, planning of home-based care, blood safety, and counselling (with UNICEF). As a result of these activities, awareness of HIV/AIDS is growing.

Most international and non-governmental organisations tend to integrate HIV/AIDS activities into wider health-care programmes: an exception is the Battambang Women's AIDS Project (BWAP), a single-issue NGO, which provides training for sex workers, the police, army and CMAC, as well as AIDS home care. Budgets for HIV/AIDS activities are relatively small: for instance, \$5,000 annually for WVI in Ratanak Mondol district, \$15,000 for UNDP/CARERE, \$2,000 for LWS. Again, agencies are well endowed with equipment in relation to their staff numbers: even BWAP (which is less well endowed than most international NGOs) has one vehicle, four motorcycles and two computers for 13 staff.

Coordination is good but does not add up to government ownership of HIV/AIDS projects. The Provincial AIDS Office (PAO) which is in charge of the programme, normally designs projects, which are then approved by the provincial health department and discussed with donors. Some NGOs discuss the geographical location of their activities with the PAO. Coordination takes place through regular meetings and consultations (donor missions and appointments are estimated to take up about 30 percent of the PAO manager's time). Few NGOs send reports to the PAO, which does not know how much budget agencies have, nor how they spend it. Some agencies seem to prefer to sub-contract activities to NGOs rather than organise them through the PAO: the sub-contracted NGO then has to hire government staff to implement these activities. In spite of attempts at coordination, the programme suffers from duplication and gaps in coverage, exacerbated by NGOs' tendency to integrate HIV/AIDS education into their existing programmes in an *ad hoc* way. Agencies tend to concentrate on urban areas where coverage is already high, at the expense of more remote rural areas. There is also more enthusiasm for working with sex workers rather than with the police and the army.

The PAO is short of money. The government only funds (inadequate) salaries and fuel. The rest has to come from projects. The office has only four motorcycles for 16 staff, of whom seven are supposed to be field staff. As a result of low salaries, in the absence of adequate supplementation, several experienced staff have left the PAO to work for NGOs. One MSF project deals with the salary problem indirectly by paying the fees of all AIDS patients in a hospital: this enables staff salaries to be raised and encourages them to treat people suffering from HIV/AIDS. Pending financial reform, the World Bank loan is regarded as a source of hope for future sustainability: in fact, donor funding should be available for a long time.

Some Issues for Consideration

A one-month investigation is too short to provide a full

test of the hypothesis that the project approach is wasteful and inefficient, adversely affecting policy development, capacity building, performance, ownership and sustainability. It does, however, raise some interesting issues for consideration:

- Although each individual project, staffed by dedicated and well-qualified people, is making an admirable contribution, the overall impression is of inefficiency. There are so many small and separate units, dedicated to particular purposes, each making its demands on the time of senior government officials. The contrast between the affluence of even the most modest project and the poverty of the average government office at the same level is embarrassingly striking. Enormous economies of scale in the use of experts, vehicles, office space and computers are being lost. If there are 20 expatriate advisers too many in the HIV/AIDS sub-sector as a whole, the situation in other sub-sectors with many projects is probably comparable. Meanwhile, some fields, such as tuberculosis and strengthening the lower levels of the public health service are relatively neglected by projects. And, within the HIV/AIDS sub-sector, some specialisations (blood safety, care of patients, care of uninfected babies of HIV-positive mothers, education of the police and army) and certain geographical areas (Koh Kong,

Pailin, Banteay Mancheay, and rural areas in general) receive less coverage than others. In many ways all the work is tremendously impressive, but a plan for rational provision of health-care which had access to the same resources would not use them in this way.

- Coordination between government and international and non-governmental organisations is probably better in the health sector than in any other sector in Cambodia. It is particularly good in the malaria and HIV/AIDS sub-sectors and in Battambang province, where the PROCOCOM provides a model for the rest of the country. But government (in this case the Ministry of Health, the national malaria and HIV/AIDS centres, the provincial health department and the provincial malaria and HIV/AIDS offices) should have access to more information. In particular, transparency should be demanded from international and non-governmental organisations about their budgets. Budgets reported to government should cover all expenditures, including salaries of expatriates and local staff: the total cost of an intervention is what is of interest to a government which is comparing more and less costly ways of achieving given objectives.
- The reasons why some donors prefer to do it themselves should be understood. Donors who are aiming at efficiency, impact, innovation, experimentation, speed of implementation or control, may see a conflict between these aims and conceding ownership to government and developing its capacity. For all these reasons, donors may prefer, for instance: to

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produce their own materials rather than develop the capacity of the national authorities to produce materials; to sub-contract projects to NGOs rather than implement them through government; to create special project implementation units rather than work through existing structures. It is up to government to convince them that there is no such conflict. Otherwise, improved coordination between donors, while desirable, is not necessarily helpful to government ownership and capacity development. It may result in better coordinated but still donor-driven and donor-implemented projects.

- The suggestion that the project approach is particularly prone to delays in implementation does not look completely convincing. Some such delays in project preparation were identified, but (even though there would be greater scope for flexible redeployment of funds between activities) approval and transfer of funds for a sector-wide approach could also be subject to delays on the donors' side. The greatest delays in disbursement, affecting government-owned loan projects, seem to be due to internal procedures.
- The benefits of moving away from the project approach could be made clearer to donors if these procedures for transferring funds between different parts of government were reformed and accelerated. Officials at different levels also referred to the problems arising from the top-down administrative tradition and lack of clarity about the location of responsibility for relations with international and non-government organisations.
- Low government salaries are an obstacle to efficient implementation, capacity development, and post-project sustainability of activities. Ultimately, this is the responsibility of government, which urgently needs to increase revenue collection and allocate more of it to the health sector, while reforming administrative structures, processes and salaries. Meanwhile, projects have got themselves into a complete mess over this. Their refusal to pay salary supplementation and their reliance on per diems sets up perverse incentives to attend meetings and training rather than to get on with normal work. In general, more ingenuity could

be used to devise supplementation that gives the right incentives (like MSF's ingenious subsidy to the fees of AIDS patients). Coordination between donors could solve the problem, for instance by agreeing on a donor-financed fund (reducing over time as administrative and fiscal reform becomes effective) to top up salaries of key officials, but this may only be solvable outside the framework of the project approach.

- In the end we have to confront the project dilemma.

Low government salaries are an obstacle to efficient implementation, capacity development, and post-project sustainability of activities. Ultimately, this is the responsibility of government, which urgently needs to increase revenue collection and allocate more of it to the health sector.

Inspiring and visible projects, with a clear label, help to raise funds or persuade voters that their taxes are well spent. Would a move away from the project approach mean that less money would be available? Even if this were so, would this be more than offset by a more efficient and less wasteful use of resources under national ownership? This is what the debate about the sector-wide approach is all about.

Endnotes

¹ This paragraph is based on a "group interview" with 16 members of MEDiCAM, the membership organisation for aid agencies and NGOs active in the health sector, in May 1999. See also MEDiCAM 1999.

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Prospects for the Cambodian Economy in the Year 2000

Sok Hach presents a forecast for Cambodia's economic performance in the coming year, predicting a growth rate of 5-percent provided the government successfully carries out its reform programme.*

With the end of three decades of war and civil strife, Cambodia is again able to devote its resources to sustainable and equitable development. From independence in 1953 until 1969, Cambodia was one of the most prosperous countries in the region, but the challenge now facing the country cannot be regarded as simply a case of picking up again from where the 1960s left off. Too much has changed: assets have been destroyed, human resources reduced, institutions debilitated and national revenue distribution distorted. The agenda for reconstruction and development of Cambodia must reflect the new realities.

A number of efforts have been made at economic reform during the past 15 years. The transition to a market-oriented economy began in 1985, and gathered pace in 1989, with the restoration of private property ownership. With strong assistance from the international community, the government in 1993 adopted a new economic policy that was deliberately liberal in nature. Reforms, particularly on fiscal matters, have been implemented. Although the initial reform results have been relatively positive, these reforms have not yet yielded their full benefits, nor equitable distribution of those benefits. The successful transition from a command economy to an open-market system requires the implementation of clearer government policies on the management of natural resources, demobilisation, and a trained civil service with a recognised tradition of public service and an established code of conduct. Equally essential to the transition is a fully functioning and effective legal framework that is attuned to the needs of private enterprise.

Cambodia's macro-economic situation is still characterised by major imbalances: fiscal and current account deficits and high under-employment. In the various production and infrastructure sectors, most of the difficulties are a combination of structural deficiencies and the ef-

fects of budgetary problems. Moreover, the Cambodian economy is still sensitive to the external environment and to internal political unrest. Tension between the two main political parties within the coalition government over power sharing, which led to the July 1997 fighting, and the Asian financial crisis which broke out in Thailand at about the same time, have severely affected the economy.

For these reasons, forecasting the future is a difficult task. Economic forecasting fundamentally depends on assumptions about policies and strategies, and the behaviour of economic agents, in accordance with the external environment and internal political developments. But Cambodia has seen so many abrupt changes during the past 50 years that it is difficult to make the necessary assumptions. We should instead consider this forecast a tool to situate economic agent actions into a consistent framework, assuring fundamental economic equilibrium and enlightening interactions between various economic sectors.

Since Cambodia embarked on economic liberalisation, its economy has largely been driven by the neighbouring and world economies... In 1999, foreign aid financed more than 90 percent of the public infrastructure rehabilitation programme, and Asian economies contributed about 80 percent of foreign investment.

Main Assumptions

Since Cambodia embarked on economic liberalisation, its economy has largely been driven by the neighbouring and world economies through foreign trade and investment. In 1999, foreign aid financed more than 90 percent of the public infrastructure rehabilitation programme, and Asian economies contributed about 80 percent of Cambodia's foreign private investment. The Asian economic crisis caused a significant decline in foreign investment and export prices in Cambodia. However, the Asian economies began to recover from early 1999, and are expected to continue recovering in

2000. Commodity prices such as rice, rubber and timber prices will also increase. Cambodia will benefit from this recovery, though the negative impact of the 1997-98 crises is likely to continue, particularly on investment.

Political stability was the main factor behind economic recovery in 1999. After the formation of a new coalition government in November 1998, significant progress was made to enforce political stability in Cambodia. In December 1998, the last of the remaining senior Khmer Rouge political leaders decided to end their armed struggle, followed three months later by the capture of former Khmer Rouge army chief Ta Mok. On the international stage, Cambodia regained its seat at the United Nations, and became a full member of the Association of Southeast Asian Nations (ASEAN).

Despite these achievements, many sensitive political issues remain, and these potentially could lead to political instability. The arrest of Ta Mok intensified international debate over a Khmer Rouge war crimes tribunal. Discussions with the United Nations on the appropriate form of the tribunal have not been resolved. Despite strong willingness on the part of the government, the process of organising the forthcoming commune election is also still

* This article is a summarised version of a paper presented at a workshop on economic forecasting and prospects for the Cambodian economy in 2000, which was held on 16 February 2000. Sok Hach is Economic Adviser to the Research Section at the Cambodia Development Resource Institute.

not clear. This election was supposed to take place prior to the 1998 national election, but was put back to the end of 1999 and then to March 2000. The latest official date suggested for holding it was the end of 2000 or early 2001. Land disputes and extreme poverty have become more and more visible and could cause serious social unrest if appropriate solutions cannot be found. A seminar for provincial governors organised by CDRI in October 1999 showed that this is a concern across the country. Good governance reform is essential to solve this problem.

Although these issues could intensify, the risk of major political and social shocks is low in the short term, and should not affect economic or social development. It is harder, however, to foresee the prospects for political stability in the longer term, as the rule of law and governance reform have not yet been well implemented.

The government continues to pledge its strong commitment to economic reforms in fiscal and monetary matters, forestry, the civil service, demobilisation, the judiciary and good governance. Poverty alleviation is the core target. This policy received strong support from the international community during the Consultative Group meeting held in Tokyo in February 1999. However, some scepticism regarding its implementation remains.

Lessons learned from the CDRI seminar for provincial governors showed that solutions to two main problems have to be found in order to alleviate poverty: land conflicts and weak governance. Rural infrastructure and economic development in rural areas are the key factors to reducing poverty, and to helping solve social problems in urban areas, such as over-population in Phnom Penh.

To attract private investment in the provinces, basic public infrastructure (mainly roads and telecommunications), an adequate land management system and personal security are needed. However, government funds to address such needs are limited.

Despite these difficulties, we assume that the government will make substantial efforts to move Cambodia forward with respect for the rule of law and consistent economic development strategies. The rule of law means real reforms in the judicial system, the police and the armed forces. Consistent economic development strategies mean that fiscal reform will be enhanced (including revision of the investment law and enhanced management of forest and other natural resources) and that good governance (civil administrative reform and decentralisation) will

be implemented.

With government efforts to enhance the rule of law, we assume that the personal security of both Cambodians and expatriates will improve. This and the improvement of Cambodia's image abroad will increase private foreign investment from \$150 million in 1999 to \$180 million in 2000. The number of foreign tourists will boom (with a 30-percent increase from 1999), and their length of stay also will increase by 10 percent (from 5.5 to 6.0 days).

Success in implementing reforms will lead to a sharp increase in foreign aid. We assume that the amount of foreign project aid disbursed (excluding technical assistance) will grow by 37 percent, from \$205 million in 1999 to \$280 million in 2000, though this is still far below the peak of 1995 (\$370 million). Assuming the government successfully implements reforms on forestry, civil administration and demobilisation, we expect the national budget for 2000 to be fully implemented, though the government's projected non-tax revenue seems optimistic.

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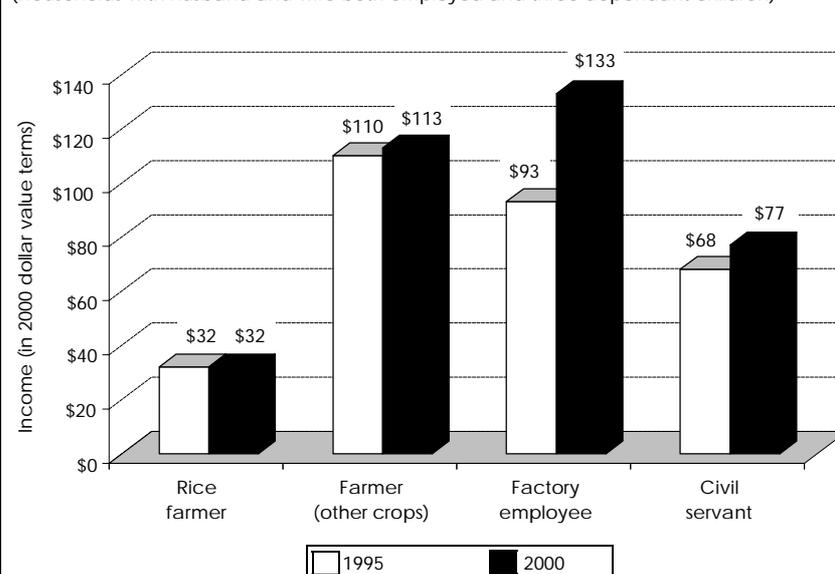
Forecast Results

Based on these assumptions, Cambodia's economy will continue to recover, with a growth rate of 5 percent in 2000. Construction, transportation and tourism will be the main engines of this growth. Agriculture is expected to remain flat, but manufacturing should be relatively dynamic, though its growth will slow down because of a lack of new investment from 1997 to 1999 and the impact of the introduction of garment quotas.

Thanks to the expected substantial increase in foreign aid and private investment, construction activity is expected to rebound with a growth rate of 18 percent in

Figure 1. Monthly Household Income, 1995–2000

(Households with husband and wife both employed and three dependant children)



Rice farmers and farmers together account for about 80 percent of the labour force, while factory employees and civil servants together account for almost 10 percent.

2000. Residential construction is also expected to recover (albeit more slowly) thanks to increased confidence in political stability. This recovery will accelerate if the government's policy against illegal logging is enforced more efficiently and puts a downward pressure on timber prices in the local market. Since its establishment in Cambodia in 1993, the garment industry experienced rapid growth from 1993 to 1999. Its production is mainly oriented to export, which increased about 150 times from 1993 (\$4 million) to 1999 (\$600 million). However, this pace of expansion should slow down due to the introduction of quotas by the US government. In sum, industrial activity is expected to grow about 10 percent in 2000.

With the expected improvement in security, particularly in the countryside, domestic tourism and transportation activities are expected to grow at an annual rate of almost 10 percent. Revenue from foreign tourist visits is expected to increase more than 40 percent. Recovery in these sectors will also boost activities in trade and some informal sectors. Overall, service sectors should increase about 7 percent in 2000.

Growth in the agricultural sector, however, is expected to remain weak (0.5 percent), though there are some signs of recovery in vegetable and livestock production because of the boom in the tourism sector. Rice production cannot grow as fast as other sub-sectors because of lack of investment. Crop and livestock production are expected to increase about 3.4 percent in 2000, reflecting long-term trends, while other agricultural sub-sector production, mainly fish and forestry, should continue to decline because of previous over-exploitation and the campaign against illegal logging.

Given success in the implementation of the national budget, and an increase in foreign aid and foreign investment flows, foreign reserves at the National Bank are expected to grow steadily, preventing volatility in the exchange rate. The riel is expected to remain stable at about 3,800 riels to the dollar. The inflation rate should be about 4 percent.

In 2000, Cambodia's population should reach 12 million, with a labour force of 5.5 million (assuming about 140,000 new entrants per year). With the expected 5-percent economic growth, employment will increase, but not as much as Cambodia needs. Only about 30,000 new jobs will be created in the modern sectors; the other 110,000 new entrants into the labour market will have to work in agriculture in the countryside or accept informal jobs in urban areas.

Risks of the Forecast

The CDRI assumptions are relatively optimistic. The

upside risks of the forecast are low. Cambodian crop production depends largely on the weather. The CDRI forecast on rice production growth is conservative (a 2.7-percent increase), reflecting long-term trends. However, if the weather is exceptionally good, rice production will increase more substantially. In this case, real GDP growth may be higher and could reach the level of the government forecast of 5.5 percent in 2000. However, the price of rice in the Cambodian market will certainly go down because of limited domestic demand and lack of an export market. The incomes of rice farmers will not change significantly.

The downside risks however are relatively high, as we assume in our baseline forecast that the weather will be good for agricultural production and that political stability will be maintained throughout 2000. We also assume that personal security will be significantly improved and that key reforms will be fully implemented. It should be noted that the security improvement depends largely on the success of the police and judicial reforms, which need a strong political commitment.

Moreover, the experience from implementation of the IMF's ESAF programme, whether in Cambodia or in other countries, show that compliance is often easier in the first year of implementation, but that developments become much more complicated from the second year of the programme. For Cambodia, the first ESAF programme was due to be implemented from mid-1994 to mid-1997, but disbursements from the IMF stopped at the end of 1995, representing just half of the amount expected for the whole programme.

The first ESAF programme finally collapsed in the second half of 1997. The reason of this collapse was not only political instability, but mainly because compliance with conditions in the second and third year of the programme was difficult.

For the current ESAF programme, the same problems may resurface. Administrative reform, demobilisation and good governance are the main problematic issues. For this reason, it cannot be ruled out that there will be some delay in aid disbursements sometime this year, due to delays in the implementation of some reforms. In that case, the economic growth rate would be reduced to only 4 percent, the same rate as in 1999.

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Economy Watch—External Environment

The introduction of a market-oriented economy has allowed Cambodia to link to the outside world through external trade and investment. In 1999, Cambodia's trade volume represented around 60 percent of the country's GDP. Asian countries were Cambodia's main suppliers, providing about 75 percent of imports, while Europe and the United States were Cambodia's main customers. Foreign direct investment inflows from Asian countries (about 80 percent of total inflows) have been a significant component of foreign capital invested in Cambodia. Moreover, more than 90 percent of the country's rehabilitation and reconstruction of public infrastructure programme is financed by foreign aid.

Given that Cambodia's private investment is dominated by Asian economies, the Asian financial crisis has contributed to a slowdown of investment in Cambodia since the second half of 1997. There has been a significant recovery in the Asian economies in 1999, however, and prospects for 2000 are encouraging, with many Asian countries expecting higher economic growth and stable inflation and exchange rates. Commodity prices in Asian markets have also started to rebound.

Regional Economic Growth

The prosperous members of ASEAN have enjoyed high growth for a long period of time. Since 1985, Singapore, Thailand, Malaysia and Indonesia sustained average growth rates between 7 and 10 percent, until the financial crisis hit Thailand in mid-1997. Due to the "contagion effect," the financial crisis spread to neighbouring countries, particularly Malaysia, Indonesia, South Korea and Japan. In 1998, these economies were either stagnant or recorded negative growth.

Recent data suggests that all of Cambodia's main economic partners are on the road to recovery, with predicted strong growth in 1999 and 2000 (Table 1). Apart from Indonesia, the rest of the ASEAN economies are estimated to have grown between 4 and 5 percent in 1999. Domestic confidence was the main reason behind this recovery. In Malaysia, concerns about capital controls seem to have subsided. The South Korean recovery seems to be the most rapid among Asian countries. South Korean GDP growth was estimated to be almost 10 percent in 1999. China has experienced the strongest economic growth in the region during the past 20 years (averaging about 10 percent growth per year), and its economy was not significantly affected by the Asian financial crisis.

Economic recovery in the region will increase the confidence of investors to invest outside their own countries. This could lead Cambodia to be optimistic about its future economic growth. Success in economic reform and good governance in Cambodia are key factors to ensure that this optimism materialises.

Regional Inflation

Lessons learned from the recent Asian crisis showed that the Asian economies are now strong enough to keep

inflation under control. Although their currencies depreciated against the dollar, and despite the decline in economic growth during the financial crisis, most of the crisis-hit economies managed to keep their inflation rates at single-digit levels during the slowdown. Some countries, such as Laos, Indonesia, Myanmar and Cambodia, however, experienced high inflation (91, 58, 51 and 15 percent respectively), because of their internal structural problems.

Inflationary trends in Asian countries continued to slow down in 1999. Inflation in Thailand, Singapore and South Korea was close to 0 percent (in annual average terms), and was negative in Hong Kong, Taiwan and China. Budgetary discipline in these countries were the main factors behind this performance. For 2000, apart from Laos and Indonesia, inflation prospects in Asia's economies are good.

Exchange Rates in the International Markets

The depreciation of the regional currencies in 1998 seems to have contributed to the decrease in Cambodia's foreign investment from elsewhere in the region. Investors from countries such as Thailand, Malaysia and South Korea were unable to invest in Cambodia as their own currencies lost value against the dollar; the depreciation also increased Cambodian labour costs in terms of investors' currencies. Foreign exchange rate developments in 1999 have been diverse. Some currencies such as the baht, Singaporean dollar and dong depreciated further compared to the end of 1998, while others remained stable or appreciated slightly.

Commodity Prices in the World Markets

Processed wood is Cambodia's single largest officially recorded agriculture-related export. The price of sawn hardwood in Malaysia dropped steadily during the Asian financial crisis, but rose again in 1999. The year-end prices of \$200 per cubic metre for logs and \$650 per cubic metre for sawnwood represent a 23-percent increase relative to the end of 1998, but were still 20 percent lower than the pre-financial crisis price.

Natural rubber is the second largest commodity in Cambodia's primary exports, though its value in 1999 was only one-quarter of that of processed wood. The price of rubber fell drastically in Malaysia between 1996 (\$1,400 per metric ton) and the third quarter of 1999 (\$570 per metric ton), and this appears to have severely affected the rubber business in Cambodia. Nonetheless, the price of rubber increased in the fourth quarter of 1999, returning to its 1998 year-end value. This trend is expected to continue thanks to growing demand in the European and Chinese markets.

The annual average prices of rice and soybeans in world markets have been relatively stable since the early 1980s, but fell to their lowest levels in 1999, due to the exceptional crops in Vietnam and Thailand in 1998, compounded by the depreciation of the Asian currencies. At the end of 1999, top quality rice in Bangkok was

Economy Watch–External Environment

trading at \$230 per ton. In 2000, the prices of crops are expected to increase slightly because of severe flooding in central Vietnam last year, and the appreciation of some Asian currencies.

In 1999, Cambodia's oil imports recorded by the customs department amounted to about \$120 million (13 percent of retained imports) and contributed to about one-third of government domestic revenue. Currently, prices of petrol in Cambodia are reported to be highest in

the region. After being stable between 1985 and 1997, the world price of crude oil decreased considerably from 1998 to mid-1999, but rose again with an increase of more than 100 percent in February 2000. This high price is expected to continue throughout this year and will likely have negative impact on petrol users.

Prepared by Chan Sophal, Tia Savora and Sok Hach

Table 1. Economic Growth and Inflation Rates of Selected Trading Partners, 1996–2000

	Real economic growth (percentage increase)					Inflation rates (percentage increase)				
	1996	1997	1998	1999e	2000f	1996	1997	1998	1999e	2000f
Selected ASEAN countries										
Singapore	7.8	6.8	0.2	5.0	5.6	1.4	2.0	-1.5	0.5	1.0
Thailand	5.5	-0.4	-10.2	3.7	4.0	5.9	5.6	8.1	0.5	4.0
Malaysia	8.6	7.7	-7.5	5.2	5.0	3.5	4.0	5.3	3.4	3.6
Indonesia	7.8	4.9	-13.7	-0.4	2.4	7.9	6.7	57.6	20.5	10.0
Vietnam	9.3	9.2	4.0	3.7	4.5	4.5	3.6	9.2	6.0	6.5
Laos	6.9	6.9	4.0	5.0	6.5	13.0	27.5	91.0	128.4	30.0
Cambodia	7.0	1.0	1.0	4.0	5.0	7.1	8.1	14.7	4.0	1.9
Selected Asian countries										
China	9.5	8.8	7.8	7.3	7.6	8.3	2.8	-0.8	-2.0	2.0
Taiwan	5.7	6.8	4.7	5.3	5.5	3.1	0.9	1.7	-0.8	1.0
Selected industrial countries										
United States	3.4	3.9	3.9	4.0	3.7	2.9	2.3	1.6	2.2	2.7
Japan	3.9	0.9	-2.1	0.9	1.2	0.1	1.7	0.7	-0.3	-0.1
Euro-11	-	-	-	2.1	3.1	-	-	-	1.1	1.5

Sources: Data for 1996–98 from the World Bank and the International Monetary Fund; data for 1999–2000 compiled by CDRI from the Asian Development Bank, The Economist and the Far Eastern Economic Review; data for Cambodia for 1996–98 from the Ministry of Economy and Finance; data for Cambodia for 1999–2000 from CDRI; e = estimate; f = forecast.

Table 2. Exchange Rates against the Dollar of Selected Trading Partners, 1996–99 (period averages)

	1996	1997	1998			1999				
	Q1–4	Q1–4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Selected ASEAN countries										
Singapore (S\$)	1.41	1.48	1.68	1.64	1.73	1.64	1.70	1.71	1.69	1.67
Thailand (baht)	25.3	31.4	47.1	40.3	41.1	37.0	37.1	37.2	38.3	38.8
Malaysia (ringgit)	2.52	2.81	4.00	3.85	4.06	3.80	3.80	3.80	3.80	3.80
Indonesia (rupiah)	2,342	2,909	9,433	10,461	12,252	7,908	8,776	7,921	7,531	7,193
Vietnam (dong)	11,032	11,683	12,747	12,984	13,907	13,893	13,901	13,931	13,960	14,009
Laos (kip)	921	1,260	2,428	2,846	3,709	4,211	4,487	7,271	8,909	7,741
Cambodia (riel)	2,641	3,000	3,579	3,787	3,796	3,816	3,778	3,794	3,844	3,815
Selected Asian countries										
China (yuan)	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3
Taiwan (NT\$)	27.5	28.7	-	-	26.5	27.5	28.7	33.4	32.2	32.0
Selected industrial countries										
Japan (yen)	109	121	141	58	62	109	121	131	114	106
Euro-11 (euro)	-	-	-	-	-	-	0.89	0.95	0.95	0.96

Sources: International Financial Statistics Yearbook (International Monetary Fund).

Table 3. Commodity Prices on World Market, 1996–99 (period averages)

Market	1997	1998				1999				
	Q1–4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Hardwood logs (\$/m ³)	Malaysia	238	198	150	141	162	175	178	196	199
Hardwood (sawn)(\$/m ³)	Malaysia	662	475	477	466	520	544	585	632	643
Rubber (\$/ton)	Malaysia	1,017	746	751	678	705	678	596	573	689
Rice (\$/ton)	Thailand	302	295	320	323	284	279	245	247	225
Soybeans (\$/ton)	US	295	210	162	149	161	146	139	152	171
Crude oil (\$/barrel)	Dubai	18	12	12	12	12	11	15	20	23
Gold (\$/fine ounce)	UK (London)	331	294	300	289	294	287	274	259	296

Sources: International Financial Statistics Yearbook (International Monetary Fund).

Economy Watch – Domestic Performance

Cambodia's economic data for the fourth quarter of 1999 confirm the trend towards economic recovery observed since the end of 1998. The rice harvest set a new record, according to the Ministry of Agriculture, garment exports continued to expand, and number of foreign tourists visiting Cambodia almost reached the pre-July 1997 levels. Overall, Cambodia's economic performance in 1999 was relatively favourable. Real GDP growth in 1999 is estimated to be 4 percent, and the inflation rate was brought down to 0 percent. The economic upturn was mainly due to significant improvements in internal security and political stability.

Economic Activity

The agricultural sector, which contributes 35 percent of the country's GDP and employs almost 80 percent of the labour force, is significantly influenced by the weather. Despite the adverse impact of floods in some parts of the country at the end of the wet season, abundant rainfall last year contributed to an exceptional crop of paddy rice. According to provisional figures from the Ministry of Agriculture, production reached about 4 million tons in 1999, versus about 3.5 million tons in 1998. However, agricultural activity on the whole was still flat because of insufficient investment to improve productivity in the sector, as well as over-exploitation of natural resources such as forests and fish stocks.

Industry, which represents about 20 percent of GDP and employs about 5 percent of the labour force, grew more rapidly. The garment industry and utilities such as electricity and water were the most dynamic sub-sectors, while activities in the rest of industry were generally flat.

The garment industry is mainly geared towards export to the US market, with some products going to Europe. Exports to the United States almost tripled in 1998 relative to 1997. This pace of expansion, along with complaints about working conditions, led to restrictions through the introduction of quotas on 12 garment products effective from January 1999. Each year, the US government allows an automatic increase of 6 percent, and an additional 14-percent increase if there has been "substantial compliance" on demands for better working conditions.

Because of the quotas, exports to the US declined about 30 percent in the fourth quarter of 1999 compared with the previous quarter, with the surplus production going to Europe. For the entire year, however, the total value of textile exports to the United States went up by 59 percent relative to 1998. The increase was mainly due to the rise in exports of non-quota textile products. The quotas appear to have significantly affected the garment industry, because some factories received limited quota allocations while others were able to get more than their production capacity. As a result, temporary production stoppages and the discharge of workers have been common. At the same time, the quotas have created an opportunity for the government to generate an additional \$30 million in budget revenues from bidding.

The service sector, which represents about 45 percent of GDP and employs about 15 percent of the labour force, is sensitive to political developments. This sector grew quickly between 1992 and 1996, thanks particularly to the expansion of transportation, telecommunications and tourism. However, the service sector was severely affected by the political crisis of 1997. The return to political stability in 1999 contributed to recovery in this sector.

In the fourth quarter of 1999, the tourism sub-sector continued to be the fastest developing industry in Cambodia. According to the Ministry of Economy and Finance, the number of passengers arriving in Cambodia through Pochentong Airport has increased dramatically (about 34 percent) from fourth quarter of 1998, almost reaching the peak of pre-July 1997. The significant decline in the number of visitors to Cambodia in 1997 pushed the government to initiate an open-skies policy, allowing direct flights from overseas to land in Siem Reap. Many tour and hotel operators in Phnom Penh opposed this policy, arguing that it would directly affect their business and other businesses in the capital. The number of foreign visitors arriving on the direct flights to Siem Reap almost tripled in 1999 relative to 1998, and represented 11 percent of the total number of arrivals by air to Cambodia, a sharp increase from 1998. Despite this, the tourists tend to stay for short periods, usually no more than two days. It is not yet clear whether the open-skies policy will benefit the entire economy.

Inflation and Foreign Exchange Rates

The riel-denominated consumer price index (CPI) in Phnom Penh slightly declined during the last quarter of 1999, reflecting the seasonal decline in the price of some food items, such as fish, vegetables and fruit, and the appreciation of the riel against the dollar. The riel was valued at around 3,800 riels to the dollar early 1999 and depreciated slightly to 3,900 riels to the dollar in the third quarter of 1999, before recovering to the earlier level in the last quarter of 1999. Exchange rate movements in Cambodia contribute substantially to CPI, as Cambodia's economy is strongly dominated by the dollar. As a result, the inflation rate for 1999 (final quarter basis) was estimated at 0 percent.

Provincial consumer prices, which are collected by CDRI on 12 essential items in 11 provinces, showed a similar pattern to the CPI in Phnom Penh in the second half of 1999, but remained at a higher level (Table 4). A slight rise in provincial CPI in the first half of 1999 was due primarily to seasonal price increases and a rise in transportation costs. However, the year-on-year inflation rate decreased slightly during the fourth quarter of 1999.

Poverty Situation—Earnings of Workers

To better understand the poverty situation in Cambodia, CDRI has recently extended its regular survey on vulnerable workers to include garment workers, construction workers, unskilled workers, moto-taxi drivers, waitresses

Economy Watch – Domestic Performance

and rice-field workers in two provinces close to Phnom Penh. (The quarterly market survey which began in July 1997 has been discontinued.) The survey on workers' earnings revealed that the average earnings of Cambodian workers remained low at around \$2 per day.

The daily earnings of scavengers showed a remarkable increase relative to the survey during the previous Chinese New Year, reaching a level higher than the period before July 1997 for the first time (Table 5). The year-on-year increase of scavengers' earnings was the result of improved political stability, which brought higher trading activities and consumer demand. Despite this, respondents reported that the number of rubbish collectors had also increased relative to the previous year, and that they had to work both day and night. An interview with rubbish traders indicated that the rise in scavengers' earnings was mainly due to the rise in consumption and the price of recyclable rubbish. It was reported that around 50 percent of the rubbish was being exported to Thailand.

The daily income of porters at Phsar Touch port remained as low as the level in November 1999, while the market porters interviewed reported higher incomes than in November 1999, though the level was still the same as during the previous Chinese New Year.

The survey also showed that small traders experienced little change in their earnings compared to February last year, but a substantial decline relative to November 1999. This was reportedly due to the seasonal increase in the price of vegetables. On the other hand, the daily net earnings of cyclo drivers showed a remarkable increase compared to the level in November 1999. The increase in earnings of cyclo drivers was generally reported to be the result of the rise in demand for cyclos during the Chinese New Year.

The recent expansion of the survey on workers' revenue revealed that the wages of garment workers (including overtime work) were twice as much as that of rice-field workers, though garment workers have no time to earn other extra income. Interviews with garment workers at nine factories confirmed that each has to spend in average of 1,500 riels per day on food, in addition to the amount spent on housing and transportation and remittances sent to support their family in rural areas. The low spending on food resulted in insufficient energy for the required working hours, which range from 10 to 12 hours per day (including overtime), and this could have a negative impact on their health.

The earnings of rice-field workers were relatively low, but were still much higher than that of waitresses at noodle shops in Phnom Penh. Thirty-three rice-field workers at four villages in Kandal and Kompong Speu indicated that half of their income goes to repay debts borrowed from better-off villagers. As a result, the net earning from selling their labour each year comes to almost nothing. Moreover, rice-field workers' spending on food was low at around 800 riels per person per day. By contrast, the earnings of waitresses at noodle shops

were low, but they were able to get three meals and accommodation from the shop owners, which represents about 2,000 riels per day.

An interview with 45 moto-taxi drivers in Phnom Penh revealed that their earnings were relatively high. Nevertheless, many moto-taxi drivers reported that their income is still not enough to support their family. In addition, moto-taxi drivers face the risk of robbery in the course of their work.

Skilled construction workers' earnings appear to be the highest relative to the other groups. Nevertheless, Cambodian construction workers seem to be less competitive than Vietnamese migrant workers. Of the four villas under construction that were randomly selected for the interviews, three were being managed by Vietnamese contractors, and most of workers were Vietnamese. Cambodian contractors were only able to manage smaller construction projects, and most of Cambodian workers are only able to get unskilled jobs.

Monetary Development

The monetary system in Cambodia is characterised by a high degree of dollarisation and cash transactions, restricting the government's scope for running an effective monetary policy. Figures for the fourth quarter of 1999 showed that total liquidity recorded by the National Bank of Cambodia (NBC) was about 12 percent of GDP, a slight increase from the end of the previous year (about 11 percent). This increase was due only to a rapid increase in foreign currency deposits, as a result of the significant improvement in the business environment and economic recovery. Liquidity in riel declined to about 4 percent of GDP (down from 5 percent at the end of 1998), while the amount of dollars circulating through the banking system rose to about 8 percent of GDP (up from 6 percent at the end of 1998). According to CDRI estimates, foreign currencies circulating outside the banking system are at least four times higher than the total liquidity recorded by the NBC. The use of riels is confined to small transactions and low-wage payments, while large transactions are conducted in foreign currencies such as the dollar and baht.

On the demand side, the growth of foreign currency deposits has boosted the lending activities of the banking sector. Total credits granted by commercial banks grew by 14 percent in the fourth quarter of 1999 relative to 1998. This increase was largely due to the restoration of political stability and the continuation of donor assistance. In addition, net claims on government declined from 179 billion riels at the end of 1998 to 103 billion riels at the end of 1999, reflecting a sharp increase of government cash deposits to the NBC during this period. Despite this improvement, Cambodian bankers still do not appear to be confident in domestic developments. The monetary survey in the fourth quarter of 1999 shows that net domestic credit is still largely negative, suggesting that Cambodian bankers prefer to place money outside the country rather than lending it to local investors.

Economy Watch – Domestic Performance

Public Finance

National budget operation figures recently compiled by the Ministry of Economy and Finance showed a significant improvement in revenue collection for 1999 relative to 1998, though revenue declined during the third and fourth quarters from its peak in the second quarter. Total government revenue amounted to 11 percent of GDP in 1999, compared with a budget target of 10 percent, and represented a sharp increase relative to the previous year. The total revenue to GDP ratio has been hovering at around 9 percent for the past five years. The increase in revenue in 1999 was mainly due to the introduction of valued-added tax and the revenue gained from bidding for garment quota exports, reflecting the government's efforts to broaden the revenue collection base.

Despite these efforts, the tax structure remains weak. Cambodian tax revenue still relies heavily on international trade taxes, which amounted to 34 percent of total domestic revenue in 1999. The revenue from direct tax, which is the main source of revenue for neighbouring countries such as Thailand, accounted for a small amount, representing only 6 percent of total domestic revenue. Payroll tax and other direct taxes (such as tax on unused land) have not been properly implemented. Furthermore, there were also shortfalls in the collection of non-tax revenue, in part because the Ministry of Economy and Finance does not have sole responsibility for and control over contracts relating to the use of the state assets.

On the expenditure side, total government expenditure in 1999 was estimated at 15 percent of GDP, compared to the budget target of 14 percent, representing a significant increase relative to the previous year. Although more than 12,000 ghost soldiers and 105,000 ghost dependants were removed from the military payroll in the middle of the year, the allocation of expenditure on defence and security remained slightly above the budget target. Expenditure on this sector accounted for 43 percent of total current expenditure. The 1999 budget also showed a significant increase in the social and development sectors relative to the previous year, thanks to efforts made during the fourth quarter. Despite this, public expenditure on education, health, agriculture and rural development together still accounted for only about 2 percent of GDP, about the half of expenditure going to defence and security.

Private Investment and Employment

After a sharp drop since the fourth quarter of 1998, investment projects approved by the Cambodian Investment Board (CIB) seemed to recover in the fourth quarter of 1999. This slight recovery came from three medium size projects totalling about \$80 million in registered capital, specialising on textile production, road construction and duty-free zone. For the entire year, however, the inflow of investment projects into Cambodia slowed dramatically (Table 8). The dramatic decline was most

significant in the industrial sector, particularly in the garment sector. This was primarily due to the quota restrictions which were imposed in early 1999. However, the balance of payments figures, which reflect the actual implementation of investment, showed some recovery during the year.

The low level of investment raises concerns for the government in terms of placing new entrants into the labour market. According to the National Institute of Statistics (NIS), the Cambodian population was estimated at about 12 million in 2000, with a labour force of 5.5 million. This represents about 140,000 new entrants into the labour market each year. The growth rates of population and investment are therefore pulling in different directions, which reflects the inadequate opportunities to absorb the new labour force, and could become a burden for the economy.

Foreign Aid and External Debt

The international community has pledged at every Consultative Group (or ICORC) meeting to provide Cambodia about \$500 million of foreign aid per year. The balance of payments figures, however, show that actual aid disbursements in Cambodia (as opposed to disbursements in donor countries) only reached about 60 percent of the pledged amount from 1994 to 1999, of which loans from the World Bank and the Asian Development Bank (ADB) represented about one-third of the disbursed amount.

With regard to Cambodia's external debt, the outstanding amount is not clear. According to the World Bank statistics, Cambodia's total foreign debt amounted to more than \$2 billion by the end of 1999, most of which was owed to Russia. To understand this, it makes sense to divide this debt into four different periods. At the end of the 1960s, Cambodia's external debt was about \$50 million. This debt was rescheduled or partly written off in 1995 according to Paris Club procedures, and has now been reduced to about \$35 million. Moreover, it seems that Cambodia owed about \$300 million to the United States during the 1970–75 period, and about 800 million convertible roubles (equivalent to \$1.4 billion) to Russia during the 1980–91 period. The current Cambodian government does not recognise these two debts, but discussions are underway with the United States and Russia. After 1993, the Cambodian government began to borrow again from the World Bank and the ADB to rehabilitate the country's public infrastructure. At the end of 1999, this new debt is estimated to have reached \$315 million. In sum, the outstanding external debt recognised by the Cambodian government amounted to \$350 million at the end of 1999, while the pending debt is estimated at \$1.7 billion.

Prepared by Long Piseth, Pon Dorina and Sok Hach

Economy Watch – Economic Indicators

Table 1. Cambodia: Main Macro-Economic Indicators, 1993–2000

	1993	1994	1995	1996	1997	1998	1999e	2000f
GDP at current prices (billions of riels)	5,414	6,131	7,200	8,250	9,100	10,900	11,800	12,700
GDP at current prices (millions of dollars)	1,924	2,386	2,925	3,123	3,033	2,868	3,089	3,342
GDP per capita (dollars)	200	241	284	292	276	252	264	278
Growth rate of real GDP (1993 prices)	6.1	5.7	7.6	7.0	1.0	1.0	4.0	5.0
Agriculture	4.5	3.3	10.5	0.8	1.4	-0.7	-0.7	0.5
Industry	13.6	3.8	6.8	17.9	2.4	7.7	6.2	10.5
Service	5.5	9.4	4.5	10.7	-0.1	0.3	8.5	7.3
Inflation (in riels, final quarter basis)	41.0	17.8	3.5	9.0	9.1	12.6	0.0	4.0
Riel/dollar parity (annual average)	2,814	2,569	2,462	2,641	3,000	3,800	3,820	3,800
Budget revenue (percentage of GDP)	5.4	9.6	8.9	9.1	9.7	8.6	11.2	11.9
Budget expenditure (percentage of GDP)	11.2	16.5	16.7	17.5	13.8	14.2	15.1	18.4
Current public deficit (percentage of GDP)	-1.5	-1.4	-0.8	-1.2	0.7	-0.2	1.6	1.3
Overall public deficit (percentage of GDP)	-5.9	-6.8	-7.7	-8.4	-4.2	-5.6	-3.9	-6.5
Domestic exports of goods (percentage of GDP)	8.2	11.1	12.0	11.2	16.7	21.5	20.6	19.9
Retained imports of goods (percentage of GDP)	18.9	22.6	23.9	27.2	27.8	33.4	33.6	35.3
Trade balance (percentage of GDP)	-10.7	-11.6	-12.0	-16.0	-11.1	-11.9	-13.0	-15.4
Current account balance (percentage of GDP)	-10.5	-12.1	-12.9	-15.6	-9.9	-11.1	-11.5	-13.2
External contribution to the economy (percentage of GDP)	11.7	17.1	21.0	19.7	12.8	12.7	12.8	15.2
Total savings (percentage of GDP)	15.7	18.0	21.0	25.6	20.6	21.3	20.8	23.2
Gross foreign reserves (months of imports)	1.5	1.5	1.7	2.2	2.7	4.0	4.0	4.1
Population (million)	9.6	9.9	10.3	10.7	11.0	11.4	11.7	12.0
Labour force (percentage of population)	49.1	48.5	48.0	47.4	47.1	46.7	46.3	45.9

Source: Ministry of Economy and Finance; data for 1999–2000 estimated and forecast by CDRI.

Table 2. Destination of Garment Exports, 1997–99

	1997				1998				1999			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	Millions of dollars											
United States	4.9	21.7	35.1	45.3	40.3	62.7	88.7	104.5	116.9	120.3	131.0	103.4
Rest of the world	25.4	34.2	28.3	32.1	18.8	18.6	27.0	17.3	15.7	22.6	22.4	65.6
Total	30.3	56.0	63.4	77.5	59.2	81.4	115.7	121.8	132.6	142.9	153.3	169.0
	Percentage change over previous year											
Total	-	-	-	-	95.1	45.4	82.6	57.2	124.1	75.7	32.5	38.8

Source: Ministry of Commerce, Department of Trade Preferences Systems.

Table 3. Passenger Arrivals at Pochentong Airport, 1997–99

	1997				1998				1999			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	Thousands of passengers											
Tourist visas	72.2	54.0	23.1	36.0	41.0	36.0	32.9	42.4	44.5	38.6	42.8	53.6
Business visas	16.9	18.8	8.0	11.8	11.4	11.0	9.1	11.3	16.3	16.0	15.9	15.7
Official visas	3.7	3.7	3.1	3.7	4.0	4.1	4.2	5.4	6.6	9.2	9.8	9.8
Total	92.9	76.5	34.2	51.5	56.5	51.1	46.3	59.1	67.4	63.8	68.5	79.1
	Percentage change over previous year											
Total	25.6	14.7	-51.5	-40.1	-39.2	-33.1	35.2	14.6	19.3	24.8	48.1	33.9

Source: Ministry of Economy and Finance.

Table 4. Consumer Price Index (CPI), Exchange Rates and Gold Prices, 1997–99

	1997				1998				1999			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	Consumer price index											
Phnom Penh	112	115	124	127	130	134	141	143	141	143	144	143
Provinces	128	133	143	147	145	159	165	167	166	167	171	169
	Percentage change over previous year											
Phnom Penh	5.5	6.7	10.2	9.1	15.9	17.0	13.9	12.6	8.5	6.4	1.8	0.0
Provinces	7.1	6.9	1.1	8.3	13.0	19.7	15.5	13.9	14.4	5.1	3.7	1.5
	Exchange rate (riels per dollar)											
Market rate	2,743	2,763	3,142	3,496	3,615	3,916	3,838	3,814	3,808	3,822	3,885	3,808
Change from previous year	6.2	5.0	15.8	27.9	31.8	41.7	22.1	9.1	5.3	-2.4	1.2	-0.1
	Gold price (thousand riels per chi)											
Market rate	125.2	123.2	123.3	124.0	123.6	121.3	118.9	113.1	109.6	111.3	113.8	123.6

Sources: CPI for the provinces is constructed by CDRI based on the prices of 12 essential items gathered in 12 provinces (base year of indices: July–September 1994 = 100); National Institute of Statistics, National Bank of Cambodia and the Cambodia Daily.

Economy Watch – Economic Indicators

Table 5. Average Daily Earnings of Workers, 1997–2000

	Net daily earnings (riels)								Change from previous year (%)			
	1997		1998		1999		2000		May 1999	Aug 1999	Nov 1999	Feb 2000
	Pre-Jul	Feb	Aug	Nov	Feb	Aug	Nov	Feb				
Cyclo drivers	12,250	9,100	6,167	6,100	9,407	8,415	8,226	9,682	32.9	36.4	34.9	2.9
Porters	9,675	6,905	4,720	4,543	8,543	7,446	6,143	8,275	45.1	57.7	35.2	-3.1
Small traders	7,050	5,150	4,767	5,913	7,923	6,402	9,071	7,864	96.9	34.3	53.4	-0.7
Scavengers	4,155	3,415	2,610	2,567	3,697	3,005	2,600	4,750	-2.8	15.1	1.3	28.5
Waitresses*	-	-	-	-	-	-	-	1,873	-	-	-	-
Rice-field workers	-	-	-	-	-	-	-	3,600	-	-	-	-
Garment workers	-	-	-	-	-	-	-	7,283	-	-	-	-
Unskilled workers	-	-	-	-	-	-	-	9,193	-	-	-	-
Moto-taxi drivers	-	-	-	-	-	-	-	9,200	-	-	-	-
Construction workers	-	-	-	-	-	-	-	15,873	-	-	-	-

Notes: Surveys on the revenue of waitresses, rice-field workers, garment workers, unskilled workers, moto-taxi drivers and construction workers began in February 2000; * Waitresses earnings do not include meals and accommodation provided by shop owners. Source: CDRI.

Table 6. Monetary Survey, 1997–99 (end of period figures)

	1997				1998				1999			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	Billions of riels											
Net foreign assets	961	891	933	1,172	1,146	1,646	1,684	1,726	1,874	1,909	2,043	2,019
Net domestic assets	18	11	-31	-109	-75	-565	-604	-496	-559	-593	-637	-577
Net claims on government	496	523	588	643	80	741	175	660	686	80	94	103
Total liquidity	979	902	902	1,063	1,076	811	1,080	1,230	1,315	1,316	1,406	1,442
Money	333	331	349	385	420	429	474	543	527	500	501	532
Quasi-money	646	571	554	678	657	383	606	687	788	817	904	910
	Percentage change from previous year											
Total liquidity	32.1	15.8	9.5	16.6	10.0	-10.1	19.7	15.7	22.2	62.2	30.1	17.2
Money	7.5	6.2	10.6	17.0	26.0	29.6	36.0	41.2	25.7	16.6	5.7	-2.1
Quasi-money	49.7	22.1	8.8	16.4	1.7	-33.0	9.5	1.3	20.0	113.3	49.3	32.5

Source: National Bank of Cambodia.

Table 7. National Budget Operations, 1997–99 (billions of riels)

	1997				1998				1999			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Total revenue	193	204	177	307	216	237	188	277	301	373	343	301
Tax revenue	141	150	131	176	157	176	135	210	239	260	244	213
Customs duties	90	84	75	99	88	98	74	117	105	125	116	87
Non-tax revenue	47	53	41	131	51	52	47	55	60	102	99	87
Forest exploitation	6	14	6	11	3	5	5	9	3	6	15	12
Telecommunications	17	18	18	31	20	19	24	24	27	19	26	36
Capital revenue	5	1	5	1	8	9	6	11	1	11	0	2
Total expenditure	268	302	302	449	298	362	302	335	394	378	428	591
Capital expenditure	103	109	126	175	98	96	80	94	132	130	151	213
Current expenditure	165	193	176	274	200	267	222	241	262	248	278	378
Defence	96	85	97	162	92	149	82	118	100	127	124	113
Civil administration	69	108	79	112	108	118	140	123	163	122	152	257
Overall deficit	-75	-97	-125	-141	-82	-125	-114	-58	-94	-5	-86	-290
Foreign financing	159	102	139	89	91	58	70	50	107	107	101	103
Domestic financing	-81	-4	-2	32	-7	67	47	16	-14	-101	-12	130

Source: Ministry of Economy and Finance.

Table 8. Investment Projects Approved, 1997–99

	1997				1998				1999			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	Number of investment projects											
Total	46	51	75.0	34.0	50	24	44	22	32	18	15	30
Garment	27	30	36	12	26	14	26	17	16	11	7	11
	Registered capital (millions of dollars)											
Total	116.0	89.0	97.8	69.5	127.0	40.0	196.0	54.0	58.0	37.0	45.0	107.0
Garment	26.8	28.0	39.2	8.6	28.6	18.7	33.0	11.2	16.0	12.4	10.9	16.4
	Fixed assets (millions of dollars)											
Total	303.0	76.2	186.7	190.4	202.4	225.8	366.8	54.1	120.0	53.9	60.8	239.4
Garment	25.1	25.4	39.6	9.7	30.7	28.8	43.1	18.2	25.6	17.4	13.0	23.6

Source: Cambodian Investment Board.

Research Bibliography

Overview of Cambodia's NGO Sector

Country Study: Non-Governmental Organizations in Cambodia, by Thida C. Khus (Phnom Penh: SILAKA, November 1999). English edition 55 pp (plus annexes).

A study of the development of the NGO sector in Cambodia and its contribution to the emergence of civil society. Explores the role of Cambodian NGOs in the provision of basic services such as health, education and training. Assesses the challenges facing Cambodian NGOs in terms of financial sustainability, transparency and accountability, and problems of weak organisational structure and individual capacity.

Contents: 1) Introduction; 2) The NGO Community in Cambodia; 3) NGO Capacity Building; 4) Government's Official Policy Toward NGOs; 5) Government-NGO Relations; 6) NGO-Donor Relations; 7) Conclusion; 8) General Recommendations; plus four annexes.

Gender Equity in the Workplace

Gender Equality and Equity: Viewing Women Civil Servants' Access to Mid-Level Positions in a Socio-Economic Mutation Context of Cambodia, by Thida C. Khus (Phnom Penh: Cambodian Researchers for Development & Khmer Womens Voice Centre, November 1999). English edition 31 pp (plus appendices).

A study of gender differences in recruitment procedures, promotion opportunities and salaries within the Ministries of Education, Health and Justice that assesses the causes, mechanisms and consequences of the lack of gender equality in the middle levels of the civil service.

Contents: 1) Introduction; 2) Objectives of the Study; 3) Human Resources Involved; 4) Tools and Methodology; 5) Limitations of the Study; 6) Findings; 7) Conclusion; 8) Recommendations; plus seven appendices.

Investment in Cambodia

Investment in Cambodia, by Hing Thoraxy (Phnom Penh: Cambodian Institute for Cooperation and Peace 1999). Khmer edition 50 pp (plus appendices).

A study of investment in Cambodia and opportunities for employment creation that discusses ways of increasing export-oriented economic production during Cambodia's integration into ASEAN.

Contents: 1) Overall Situation; 2) Economic Situation; 3) Current Investment Situation; 4) Strategies for Increasing Investment during the Regional Economic Cri-

sis; 5) Problems with Investment and Solutions; 6) The Concept of Investment; 7) Conclusion; plus tables and appendices.

Recent CDRI/CCCR Publications

Cambodian Labour Migration to Thailand: A Preliminary Assessment, by Chan Sophal & So Sovannarith (Phnom Penh: Cambodia Development Resource Institute, August/September 1999). English edition 17 pp, Khmer edition 24 pp.

Impact of the Asian Financial Crisis on the SEATEs: The Cambodian Perspective, by Chan Sophal, Toshiyasu Kato, Long Vou Piseth, So Sovannarith, Tia Savora, Hang Chuon Naron, Kao Kim Hourn & Chea Vuthna (Phnom Penh: Cambodia Development Resource Institute, September/October 1999). English edition 48 pp, Khmer edition 68 pp.

Nature and Causes of Conflict Escalation in the 1998 National Election, by Caroline Hughes (Phnom Penh: Cambodian Centre for Conflict Resolution). English edition 99 pp., Khmer edition forthcoming

Seasonality in the Cambodian Consumer Price Index, by Ung Bunleng (Phnom Penh: Cambodia Development Resource Institute, January 2000). English edition 21 pp, Khmer edition forthcoming.

Other Recent Reports and Publications

Cambodia Human Development Report 1999: Village Economy and Development (Phnom Penh: Ministry of Planning, October 1999). English edition 75 pp.

General Population Census of Cambodia: Final Census Results (Phnom Penh: National Institute of Statistics/Ministry of Planning, July 1999). English edition 299 pp, Khmer edition 408 pp.

Looking Back, Moving Forward: Proceedings of the First National Conference on Gender and Development in Cambodia, September 7-9, 1999 (Phnom Penh: Gender and Development Programme/Cooperation Committee for Cambodia, September 1999). English edition 227 pp.

Survey of Household Livelihoods and Nutrition in Cambodian Communes Affected by Civil Conflict since 1989: The UN World Food Programme Protracted Emergency Target (PET) Survey, by Kent Helmers and Eric Kenefick (Phnom Penh: World Food Programme, September 1999). English edition 107 pp.

Research Bibliography

The *Research Bibliography* is a new addition to the *Cambodia Development Review*, and is intended to be a reference for researchers working on socio-economic development issues. If your institution has published a report dealing with social and/or economic development in Cambodia within the past six months, please send us one copy for listing in the research bibliography. (All reports received will be added to CDRI's Library and made available to the public). If it is not possible to send a copy of the report, please send full bibliographic details instead:

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We will endeavour to include all reports received, though space limitations may delay listing to subsequent issues.

Glossary

Governance Terms

Accountability (គណនេយ្យភាព)

Accountability (or being accountable) means that individuals or institutions are liable to give an account of or answer for their actions.

Civil Society (សង្គមស៊ីវិល)

Civil society is made up of (formal and informal) organisations which are not part of the government, such as non-governmental organisations, religious and community groups, business and professional associations, etc.

Entry Point (ចំណុចចូល)

After analysing and outlining a situation or problem in terms of a framework or matrix, an entry point is an area where it will be most effective to begin reform.

Executive (នីតិប្រតិបត្តិ)

The executive is the branch of government which is responsible for carrying out (*i.e.* the execution of) laws, decrees and judicial sentences.

Governance (អភិបាលកិច្ច)

Governance is the manner in which power is exercised within a country, and includes methods of management and systems of regulations. Good governance sometimes implies good order and smooth functioning.

Judiciary (អង្គចៅក្រម)

The judiciary is the branch of government pertaining to the court system, which is responsible for the application of the law in particular circumstances.

Legislature (នីតិបញ្ញត្តិ)

The legislature is the branch of government which is responsible for making (drafting) and approving laws.

Participation (ការចូលរួម)

Participation (taking part) is the active involvement of members of a society or community in the decisions which affect their lives and work. Genuine participation is vital to good governance because it contributes to a sense of ownership over the law.

Predictability (ភាពអាចទាយទុក្ខដំណើរ)

In terms of governance, predictability allows individuals and institutions to plan future activities with the expectation that their interaction with government will not change in an arbitrary manner.

Transparency (តំលាភាព)

Transparency (or being transparent) means that an individual's or institution's activities and/or procedures are clear and easy to understand.



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CDRI Update

Research

A meeting of the Development Analysis Network was held in November to inaugurate a project on *Labour Markets in Thailand and the Southeast Asian Transitional Economies: Growth, Poverty Reduction and Adjustment to Crisis*. A draft report on *Cambodia: Enhancing Governance for Sustainable Development* was discussed at a workshop in the Council of Ministers and with donors in February and at a national symposium in March. A CDRI workshop on *Forecasting the Cambodian Economy* was held in February. Per Ronnas and Bhargavi Ramamurthy from the Nordic Institute of Asian Studies visited CDRI in March for joint work on a report on the Cambodian economy. A CDRI workshop on *Technical Assistance and Cambodian Capacity Development* was held on 30 March. Tep Saravy attended an environmental economics course in February–March, and Chan Sophal went to Wye College (London University) in February to study for an MSc in agricultural economics. Toshiyasu Kato left CDRI at the end of February after three years as a Research Fellow. Martin Godfrey is due to leave at the end of March after two years as Research Coordinator, to be succeeded by Charles Myers. Long Vou Piseth will join the Asian Development Bank in April after five years with CDRI.

English Language Programme

This year the programme has provided a TOEFL preparation course and a course in health-care financing terminology for the Ministry of Health. CDRI's participation in the EU-supported training of senior officials from the Ministry of Foreign Affairs is continuing until the end of July 2000, after which the English Language Training Programme at CDRI will close. ELT Coordinator Ruth Humphreys will leave at the end of March after three years at CDRI.

Library

The Library now holds 5,750 titles and subscribes to 25 journals. Recent subscriptions include *International Financial Statistics* (IMF) and *Monthly Bulletin of Laws and Regulations* (Legal Reform Unit at the Council of Ministers). Towards the end of 1999, the Library was selected to be the depository library for UNRISD, and receives 15 to 20 UNRISD publications per year. Preparation of library catalogues for the Cambodiana collection and the general collection has begun, and are due to be published in the second half of the year.

Cambodian Centre for Conflict Resolution

The CCCR Steering Committee reviewed the centre's mandate in December. COPCEL meetings have continued to take place each month. A report on the CCCR/CDRI fact-finding mission to the former Khmer Rouge zones was finalised in February, and will be published as a CCCR research paper later this year. A joint workshop with the Ministry of Commerce on commercial dispute resolution took place in February, with facilitators from Canada and Singapore. The CCCR Policy Framework, a working draft of the Training Manual on Conflict Resolution, and a four-volume illustrated version of *Mindful Mediation* were completed in March–April. Ok Serei Sopheak attended a leadership training seminar at Georgetown University in Washington DC in March.

Publications

Recent CDRI and CCCR publications are now listed in the *Research Bibliography* on page 18. A long-term Publications Framework was completed in January. You Sethirith returned to CDRI as a Translator at the beginning of March. Michael Wills will leave the institute at the end March after two years as Publications Coordinator, to be succeeded by Ann Bishop.

Cambodia Development Review is also available in Khmer

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CAMBODIA DEVELOPMENT RESOURCE INSTITUTE

PO Box 622, Phnom Penh, Cambodia

Tel: (+855-23) 368-053 / 366-094 / 880-734; Fax: (+855-23) 426-103

e-mail: cdri@camnet.com.kh / pubs@cdri.forum.org.kh

website: <http://www.cdri.org.kh>

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