



# CAMBODIA DEVELOPMENT REVIEW

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## Literacy Rates Much Lower than Estimated

A just-released study<sup>1</sup> conducted by the government, UNESCO and UNDP shows that literacy rates are likely far below estimates from the 1998 Census. So Chunn and Supote Prasertsri summarise the results and list some of the recommendations made to government. \*

Educational policy-makers, planners, administrators, and practitioners have long held the opinion that literacy is a prerequisite for individual as well as societal development. World-wide data on life expectancy, infant mortality and gross national product (GNP) bear this out.

### Poverty and Illiteracy

Here in Cambodia, after 30 years of war and civil unrest, which decimated the population and destroyed the country's infrastructure, including the education system, the country has low levels of literacy and high levels of poverty. With a GNP of only \$285 per person, Cambodia is one of the least developed countries in the region. It is estimated that 38 percent of the country's households live below the poverty line. According to the 1999 *Human Development Report* put out by the United Nations Development Programme (UNDP), Cambodia ranks 137 out of 174 countries in terms of its human development. On average Cambodians only attend school for three and a half years.

Government budgets for education are significantly lower in Cambodia than in other countries. The government allocates only 9 percent of the national budget for education, while other countries in the Association of South East Asian Nations (ASEAN) spend 15 to 25 percent. The government intends to increase the budget for education to 15 percent in 2000, but this is still much lower than the 1960s level of 23 percent. The budget for military spending in Cambodia is as high as 45 percent.



Literacy programmes should be directed towards the most disadvantaged groups — the totally-illiterate and the semi-literate (especially the girls and women among them).

Although a number of small-scale literacy programmes have been implemented in recent years with considerable success, improving literacy rates between 1994 and 1998, the absolute number of adult illiterates has remained constant. It is also believed that many neo-literates relapse into semi-literacy or illiteracy.

This picture is all the more alarming when viewing disparities between males and females and between those living in urban versus rural areas. The vicious circle of low adult literacy, high population growth (2.4 percent per annum), low primary school enrollment, high repetition and dropout rates and low per capita income is far from being broken.

Despite concerted efforts of the Ministry of Education, Youth and Sport (MoEYS) to collect reliable data on

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\* This study was undertaken by the Ministry of Education, Youth and Sports with support from UNDP and UNESCO. So Chunn, former Director of the Non-formal Education Department is Director of the National Literacy Project. Supote Prasertsri is UNESCO's Education Programme Specialist. Responsibility for the ideas, facts and opinions presented in this article are those of the authors and do not necessarily reflect the views of the Cambodia Development Resource Institute.

literacy levels, literacy data are scanty. Past assessments were limited to questions such as “Can you read? Can you write? Can you perform simple mathematical computations”? “Yes” or “No” were the only possible answers. Such responses give no notion of the learner’s level of competence nor any assessment of his or her problem-solving skills.

To plan effective education programmes, decision-makers need more accurate and timely information that links resource inputs to education, teaching-learning conditions and appropriate indicators of the knowledge, skills and values acquired by learners.

Against this backdrop, the Ministry of Education, Youth and Sport, in conjunction with the United Nations Educational, Scientific and Cultural Organisation (UNESCO), carried out a systematic nation-wide survey in 1999 to assess the magnitude and nature of the illiteracy problem in Cambodia and to suggest guidelines for the formulation of policy and the preparation of a national plan of action.

In the course of this study, 6,548 respondents aged 15 and over, were randomly selected from every province in Cambodia, with special effort to reach people in inaccessible areas. These new data give a more-reliable perspective because they are based upon a scientifically-designed test, rather than on a simple yes-no questionnaire.

For the study, literacy was conceived to include life skills, or “functional literacy”. People are functionally literate when they have acquired the essential knowledge and skills in reading, writing, arithmetic and problem-solving to function effectively in all areas of their lives and contribute to their communities.

### Major Findings

On the basis of test scores, respondents were classified into three categories of literacy:

**1. The Completely Illiterate** 36.3 percent of the total number of respondents, or 24.7 percent of the males and 45.1 percent of the females scored zero points on literacy assessment and can be considered totally illiterate.

**2. The Semi-Literate** 26.6 percent of respondents had only rudimentary literacy skills (they could read and write some words and numbers, but nothing more).

**3. The Literate** 37.1 percent of respondents were basically literate — that is they could use their literacy skills in every day life and for income generation.

If the 36.3 percent of illiterates and the 26.6 percent of semi-literates are added together, then some 62.9 percent of the adult population are basically illiterate. Projecting these figures onto the total population, this indicates that four million Cambodian youth and adults (15 years old and older) are basically illiterate.

The respondents tested as literate were again divided into three groups:

**1. Basic literates** 11.3 percent of literate respondents were able to read and write simple words and paragraphs without help;

**2. Medium literates** 64 percent of literate people had the ability to apply basic reading, writing and numeracy skills to solving problems in everyday life;

**3. Self-learning literates** 24.7 percent of literate respondents could study independently and were able to read all kinds of materials, search for new knowledge and apply it to improving their lives and their communities.

When data for all three levels of literacy were combined, the percentage of literate females was significantly lower (29.1 percent) compared to males (47.6 percent). Not surprisingly, the percentage of females who could be classed as self-learners was significantly lower as well (only 20.7 percent).

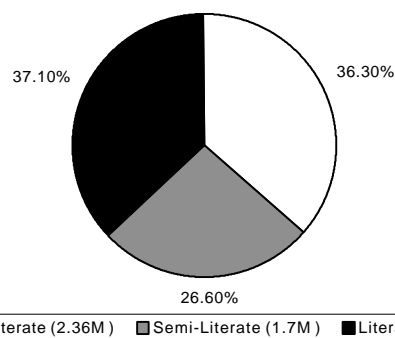
### Literacy and Socio-economic Factors

In addition to testing literacy levels, the study related literacy with socio-economic factors such as gender, age, health, income, ethnicity and geographic location. Basic findings in this regard were as follows:

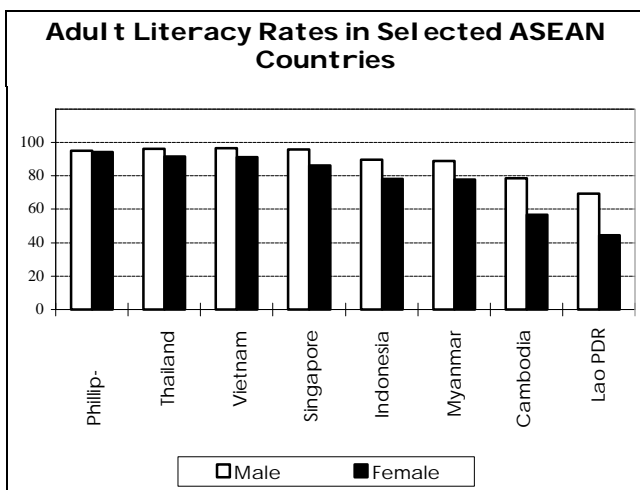
- In every group, women had a higher level of illiteracy than men.
- Of the people surveyed, 80 percent of males and 60 percent of females attended school at some time. Of this group, 10 percent of males and 16.5 percent of females relapsed into illiteracy.
- Farmers, fishers, labourers, housewives and several groups showed high levels of illiteracy. Rates for females in these groups were even higher.
- Two thirds of total illiterates were aged 15 to 45 years, with little variation by gender.
- Those aged 25 to 40 had a higher illiteracy rate than others (most likely because they were deprived of education during the years of armed conflict).
- People who had low literacy rates also had low in-

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**Literacy Levels of the Adult Population of Cambodia**



Source: Ministry of Education, Youth and Sports, The Report on the Assessment of the Functional Literacy Level of the Adult Population in Cambodia, 2000



Source: UNESCO, World Education Report 1998

comes. Literacy levels were especially low among the poor, the vulnerable and the socially-marginalised.

- Illiteracy rates were high for highland minorities and other disadvantaged groups (and especially so for females).
- Certain provinces exhibited higher levels of illiteracy. These were Mondolkiri, Kep, Ratanakiri, Pailin, Preah Vihear, and Siem Reap.
- There was a high correlation between illiteracy and poverty. It was quite evident that illiteracy is a strong barrier to participation in the modern economy. It appears that illiterates and those living below the poverty line are largely the same group of people.
- The percentage of literate and semi-literate respondents who correctly answered written questions about how to prevent HIV/AIDS was low (only 22.8 percent for men and 17.6 percent for women).

Because poverty alleviation is so important to the government and its people, all respondents were asked oral questions about the issues which were most important to them. The concerns they ranked most highly were:

- their education and that of their children
- income-generating skills
- health and hygiene, including pre-natal care, birth spacing, and HIV/AIDS
- gender equity and the empowerment of women
- participation in community development
- larger national as well as local issues such as preserva-

tion of the environment, enhancing democracy, human rights and the free flow of information.

Those who had dropped out of school indicated that poverty of their parents was the major cause. Their parents could not pay school expenses and needed their children's labour at home. Respondents also indicated that although prior literacy training had given them skills in reading, writing and numeracy, the content of the curriculum was not adequately related to life skills in areas such as health, nutrition, family planning, civics, the environment, and major community issues.

One of the lessons of the past decade, which is reinforced by this study, is that literacy programs have an empowering effect, but only when clearly targeted at improving the lives of learners. To ensure that literacy education improves the lives of learners, adult education and literacy training should be:

- considered as an integral part of overall community development, and not provided in isolation.
- built on practical activities such as obtaining credit, taking care of savings, and learning to cooperate.
- aimed at organising and empowering the poor and teaching positive attitudes and values such as self-confidence and cooperation.

### Policy Recommendations

Based on survey results and experiences in Cambodia and other countries, policy recommendations to government, funding agencies and others include the following:

- Government should make a political and financial recommitment to Article 65 under Chapter VI of the *Constitution of the Kingdom of Cambodia* which states, "The State shall protect and upgrade citizens' rights to quality education at all levels and shall take necessary steps for quality education to reach all citizens" and to Article 68 in the same Chapter which stipulates, "The State shall provide free primary and secondary education to all citizens in public schools" and "Citizens shall receive education for at least nine years" (Emphasis added by the authors).
- Regularly launch short, intense literacy campaigns to produce quick and effective results, but follow each with post-literacy activities. Literacy programmes should be publicised through local governments, NGOs, community leaders, pagodas, newspapers, magazines, radio, and television.

### Cambodia: Enhancing Governance for Sustainable Development (Working Paper 14)

Good governance is critical for Cambodia's future. Over the last decade, during transition towards liberal democracy and a market economy, Cambodia's policy makers, donors and civil society have recognised that strengthening good governance is imperative if Cambodia is to sustain socio-economic development.

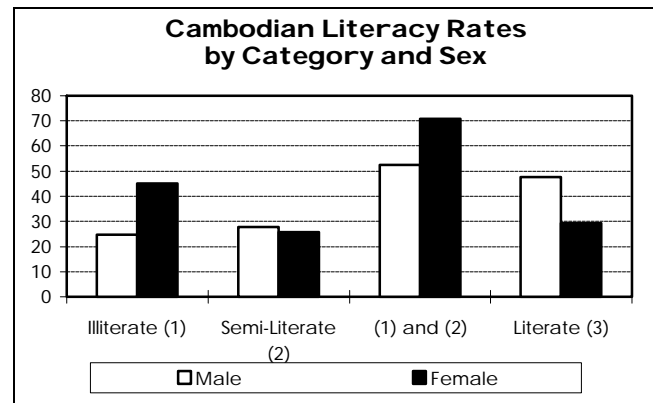
The current study, which was commissioned by the Asian Development Bank (ADB), considers how to promote good governance for sustainable development in Cambodia. The analysis and findings from the study aim to contribute insights for policy-making by the Royal Government of Cambodia and to identify key areas and strategies of assistance for ADB and other donors to consider.

This independent study entailed extensive consultations and interviews with many people from the Royal Government of Cambodia, the National Assembly, the Senate, the Judiciary, the media, businesses, civil society organisations, and international donor agencies.

On sale in English: domestic orders: \$6.00; international orders: \$10.00 (includes cost of postage). Khmer edition forthcoming.

- Set up an independent *National Literacy Council*, working with the soon-to-be-formed *National Education for All Commission*. Appoint dynamic members from other ministries, the private sector and NGOs.
- Formulate national policies and a priority action plan for literacy and non-formal education, basing it on the *National Education for All 2000 Assessment and Recommendations of the National Conference on Education for All*. These should also be linked to the *Dakar Framework for Action*, adopted at the *World Education Forum* in April 2000.
- Make literacy an important part of all national development plans, not only to meet the needs of learners, but also to improve socio-economic conditions, and democratic institutions and to cultivate a culture of peace in the country.
- Within 15 years, beginning from 2000, commit sufficient funds and other resources to literacy in the soon-to-be-formulated second five-year *National Socio-Economic Development Plan (2001-2005)*. The goal of this should be to increase the adult literacy rate (semi-literate and illiterate combined) from the current level of 63.7 percent (according to this 1999 study) to at least 80 percent by 2005, and 98 percent by 2015.
- Promote gender equity by ensuring equal access to literacy programmes and other development and cultural activities.
- Direct the literacy programme towards the most disadvantaged groups, namely the totally-illiterate and the semi-literate (especially minorities, and the girls and women among them).
- Provide bi-lingual literacy programmes to ethnic minorities to protect their linguistic and cultural diversity and help their economic integration.
- Tie any policy on literacy closely to poverty alleviation through encouragement of income-generation skills and extension of credit. Programmes should also be sensitive to cultural diversity, uphold human rights and democracy, protect the environment and encourage participation of the poor in decision-making.
- Promote functional literacy in daily life by providing reading materials and post-literacy programmes at the community level. Establish reading places in community centres, markets, temples and mosques. Use elec-

**Direct the literacy programme towards the most disadvantaged groups, namely the totally-illiterate and the semi-literate (especially minorities, and the girls and women among them).**



Source: Ministry of Education, Youth and Sports, The Report on the Assessment of the Functional Literacy Level of the Adult Population in Cambodia, 2000

tronic media such as radio and television to promote literacy, and include programming in indigenous ethnic languages.

- Consistently mobilise national and local resources for literacy programmes, and in particular, expand formal and non-formal primary education for all under 15 years old in order to prevent future adult illiteracy. To that end, the State should promulgate a compulsory primary education law.

To conclude, the price of raising literacy rates in Cambodia is not high. It only costs \$23 per person for the six months of literacy training necessary to reach a basic level of literacy. If large-scale literacy programmes were provided for approximately 700,000

people per year, a basic level of literacy could be achieved for most of the population within five years. Improving literacy levels in Cambodia is also very feasible because most people speak the same language, the country has a 2000 year tradition of learning, people are positive about education and are easier to reach than those in mountainous countries such as Nepal or Laos.

#### Endnote

- <sup>1</sup> *The Report on the Assessment of the Functional Literacy Level of the Adult Population in Cambodia*, June 2000 (Phnom Penh: Department of Non-formal Education, Ministry of Education, Youth and Sports).

#### Database of Khmer-English Translators and English-Language Editors

Due to the demands of ongoing research projects, CDRI occasionally needs to contract work out to Khmer-English translators and English-language editors on a short-term freelance basis. To facilitate this, the institute maintains a database of translators and editors. Translators should be native speakers of Khmer and fluent speakers of English, with a minimum of five years' professional translation experience. Editors should be native speakers of English, with a minimum of five years' professional editing experience in an academic or research-oriented setting.

If you would like to be considered for inclusion in CDRI's database of translators and editors, send a one-page curriculum vitae to the Publications Section at CDRI, PO Box 622, Phnom Penh, Cambodia, or via e-mail to [pubs@cdri.forum.org.kh](mailto:pubs@cdri.forum.org.kh). Please indicate one or more of the following areas of specialisation: 1) development economics; 2) macro-economics/statistics; 3) rural development/agriculture; 4) human resources/training; 5) conflict resolution.

Please note: Inclusion in the database of translators and editors is no guarantee of receiving work on a freelance basis.

# Technical Assistance: Building Capacity?

**Martin Godfrey summarises the conclusions from a study CDRI conducted in Cambodia in 1998 and 1999 to assess the impact of donor-funded technical assistance on capacity development. \***

The scale of aid in Cambodia is of such magnitude that it distorts the economy in two important ways. First, a high proportion of Cambodia's best-educated people either work for donor agencies or international non-government organisations (NGOs) or have been assigned to donors' projects as counterparts. This raises the price of educated labour and hinders the development of skill-intensive production and exports. Second, donors and NGOs have virtually taken over the funding of education, health care, social welfare, rural development etc., while government spends most of its funds on defence and security. In addition, donor funding eases pressure on government both to increase collection of revenue and to raise the salaries of government employees because so many top- and mid-level officials receive salary supplements for working as project counterparts.

These drawbacks of foreign aid are well known but, in this context, what about the impact of aid on capacity development? In 1998 and 1999, CDRI undertook extensive research to answer this question.

Along with analysing data from the Cambodian Rehabilitation and Development Board, CDRI researchers undertook wide-ranging interviews with senior officials in government and donor agencies, as well as with past and present technical advisers and counterparts. The research also included case studies of the School of Agriculture Prek Leap (SAPL), the National Institute of Management (NIM), the National Institute of Statistics (NIS), and of HIV/AIDS and malaria programmes (in particular, those in Battambang province).

## Positive Aspects of Technical Assistance

Regarding the positive impact of technical assistance (TA) on capacity development, both donors and government officials appear to agree that projects have a good record in developing individual capacity. Technical advisers have often given counterparts considerable responsi-

bility and, overall, advisers have been quite satisfied with counterparts' achievements (although they indicated they would prefer counterparts to have higher levels of education).

Existing and former counterparts are enthusiastic about the benefits they have gained from their involvement with projects. Most acquire management skills and a high proportion acquire other professional skills. In SAPL, for example, TA was found to have greatly benefited teachers' capacity, and improved curriculum, teaching materials and overall management. On-the-job training was given a particularly high score for developing the skills of individuals.

## Problems with Technical Assistance

The provision of technical assistance, however, is not problem-free. Chief technical advisers (CTAs), tend to see themselves as managers, rather than as facilitators, trainers or communicators. They complain about the quality of briefings received from donors and executing agencies and about the lack of briefings from government. They believe there are too many projects and projects

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were uncoordinated, overlapping and/or patchy in their coverage. Projects also pull in different directions as was the case, for example, in SAPL and in the HIV/AIDS sector (where study respondents also thought there were 20 too many expatriate advisers). Too often government asks TA experts to do the job (write letters, speeches, reports, advise the Minister etc.) instead of developing their counterparts' capacity to do these jobs.

There are problems as well with training processes (particularly the selection of those to be trained) and in follow up and dissemination after training. The conceptual gap between TA personnel and their counterparts was frequently described as wide. The functions of government institutions and of individuals within them are often unclear, and coordination between institutions is poor. Both government and local NGOs suffer from a top-down management culture, and one that does not work (for instance, in the case of government, it was difficult to transfer funds from one part or level to another).

## Lack of Ownership

Some donors conceal information about cost, particularly the salaries and benefits paid to international staff. This concealment of personnel costs makes it impossible for the government to monitor a project's cost-effectiveness (e.g. via a recommended indicator such as personnel cost per senior counterpart). Lack of transparency is a symptom of lack of ownership: there are few demand-driven projects. Most are donor-driven in both identification and design. Government has some role in day-to-day operations, but not usually in the selection of foreign advisers or in financial matters. The National Institute of Manage-

\* Martin Godfrey was CDRI's Research Coordinator from January 1998 to April 2000. He is currently working in Moscow. This article is based on the concluding chapter of a forthcoming CDRI Working Paper titled *Technical Assistance and Capacity Development in an Aid-Dependent Economy: the Experience of Cambodia*, which will be published in August 2000.

ment (NIM) is an example of an institution that believes it was forced to divide itself into two separate institutions because of conflicts with a donor. As well it has endured another donor and its executing agencies talking to each other, rather than to NIM management, and a sudden withdrawal of funds for political reasons outside the institute's control.

Many agencies do not implement projects through normal government structures. Multilaterals tend to set up special Project Implementation Units (PIUs), and some NGOs bypass government altogether. Only 58 percent of projects are structurally well-placed for capacity development, i.e. *both* owned by government, among others, *and* implemented through normal government structures or through a local NGO.

### Low Salaries Hinder Implementation

There are wider problems for projects arising from the special nature of Cambodia's aid dependence. The low salaries paid to government staff mean that many take on outside jobs to supplement their incomes. As a result, government staff, whose input is necessary for project success, are often absent when decisions need to be made.

This is also why beleaguered people at the top in government think short-term and use TA experts to undertake tasks which their own staff should be doing.

Most projects try to obtain commitment by supplementing counterparts' salaries in one way or another. But this too causes problems with employees whose salaries are not supplemented or are supplemented at a lower rate. Institutions which try to introduce a more rational approach to supplementation (pooled supplements to be shared with all staff), tend to run into trouble with donors. In the case of SAPL, some donors refused to pay any supplement while some refused to contribute their supplements to the pool, and insisted on paying their counterparts directly and at a higher rate.

### Low Salaries Threaten Sustainability

Low government salaries not only hinder implementation of projects (and in the case of SAPL reduce the external efficiency of the whole institution), they also threaten post-project financial sustainability. Very few projects have a convincing plan for this. Those that do usually rely on cost recovery or on getting more money from donors. Only the few institutions with something to sell can survive through cost recovery (NIM, with its popular management courses, provides a spectacular example of this).

### Need for Sustainability

Reliance on more donor funding is a legitimate strategy in the Cambodian context, but such funding must be available for long enough to achieve self-sufficiency. Even local NGOs should think about the eventual need to raise funds domestically, rather than from abroad.

But cost recovery and more money from donors are not enough. Government underfunding remains the fundamental obstacle. As things stand, most former counterparts (and beneficiaries of scholarship programmes) have either left government, or are only part-time employees and looking for another job. Of course, former counterparts who leave government are not a loss to Cambodia. A social cost/benefit analysis would record their enhanced capacity as a benefit to the economy. But it is presumably not the main intention of TA to prepare government officers for non-government work.

### Policy Implications

The first phase of technical assistance in Cambodia (when foreign skills were substituted for absent local skills) is supposed to have given way to the current phase of capacity-building and institutional development. The next phase is supposed to be the consolidation phase when the inefficient individual project approach gives way to a Sector Wide Approach or (SWAp). The starting point for SWAp is a jointly-agreed statement of policy and priorities for the whole sector, with a detailed annual budget and workplan, disaggregated by sub-sector and province. Initially it involves joint planning and review meetings; meetings for exchange of information and workplan monitoring; regular reporting on performance and expenditure; and, eventually, contributions by donors to a single pool of funds, allocated according to an agreed sector-wide plan.

SWAp is, no doubt, the ideal destination, but it will take time to get there because the conditions for the current capacity-development phase have yet to be met. In particular, these include reform of the administration, staff salaries and the legal/judicial system. A first step in that direction would be an agreement on a "Code of Practice" for technical assistance.

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### Towards a Code of Practice for TA

A Code of Practice would, of course, have to be negotiated between government and donors and its content cannot be precisely predicted. However CDRI's research suggests the following propositions for discussions in such negotiations.

- *Salary supplementation.* The most urgent single priority is to abolish project-related salary supplementation and, instead, ensure that key government officials are paid a living wage for full-time commitment to their work. This involves agreement between government and donors on creation of a Salary Fund into which donors will pay an amount equivalent to what they would otherwise have spent on salary supplementation or other incentives. A timetable is also necessary for transferring responsibility for financing this Fund from donors to government.
- *Two-way transparency.* Donors should recognise that the purpose of technical assistance is ultimately to

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increase the welfare of Cambodians and, accordingly, should seek the most cost-effective way of achieving this. This involves complete transparency about all costs and willingness to consider alternative modes of implementation. Transparency has to be two-way, however. Government should also make available to donors information on the distribution of salary supplementation, etc.

- *Implementation through intermediaries.* From the point of view of capacity development, cost-effectiveness implies that all projects should have counterparts, whether in government or in a local NGO. Direct implementation at the community level by an international organisation, without a local counterpart, should be ruled out as cost-ineffective.
- *Ownership.* The government should play a more active role (in collaboration with donors and executing agencies) in design and transparent selection of projects and personnel. Its concern should extend to ways of reducing the cost of projects without reducing their effectiveness, and to monitoring and evaluating performance. The aim should be for government to achieve at least the same degree of ownership of grant-aided projects as it already has of loan-funded projects.
- *Guidelines.* There should be clear official guidelines for the use of TA personnel by government departments, provision of counterparts, and the selection of staff for training. Similar guidelines should be created for donors, executing agencies, and project team leaders.
- *Project Implementation Units.* The concept of the Project Implementation Unit (PIU) should be re-examined, and alternative ways found of managing assistance through normal government structures, without affecting transparency and efficiency. One suggestion worth considering is that each ministry/organisation should have only **one** unit for managing and monitoring **all** its projects.
- *By-passing government.* No external technical assistance projects should by-pass government structures altogether. For NGOs this would merely mean registering with the relevant Ministry (as most do already) and making sure that they liaise with the relevant branch of local government.
- *Role of government.* The role of government should be that of a facilitator, prudential regulator, and coordinator, rather than that of detailed controller. The aim always should be for Cambodia to get the best possible benefit from TA.

In laying the basis for the transition to the consolidation phase and the SWAp, government should recognise why donors want to go it alone. Usually, it is because they are

aiming at efficiency, impact, innovation, experimentation, speed of implementation, visibility or control. They may also see a conflict between these aims and conceding ownership to government. It is up to government to convince them that there is no such conflict or that, where a conflict exists (as with loss of control or visibility) the benefits of a government-owned process outweighs its costs.

The report from the Council for the Development of Cambodia to the April 2000 pre-consultative group meeting in Phnom Penh, *Building More Effective Partnerships for Development in Cambodia* (CDC 2000)<sup>1</sup>, is a useful step in this direction. This report attributes the lack of genuine progress in capacity-building to: the proliferation of formats/demands by donors with regard to rules and procedures for procurement, disbursement, reporting, accounting and audit; the setting up of parallel systems (PMUs, PIUs, etc.) that put more priority on reporting to donors than to government, while competing with government for qualified personnel; the topping-up of civil

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servants' salaries in donor-funded areas; and the excessive reliance of donors on expensive experts from their own countries, who are given too much say in the implementation of donor-funded activities. The CDC report sees the solution as 'a comprehensive public sector reform programme that would ensure that the public sector focuses on a more limited yet appropriate agenda with a smaller workforce that would be better motivated and paid'.

It looks forward also to cautious implementation of a sector-wide approach on a pilot basis in selected sectors (health, education, rural infrastructure, governance, and private and financial sector development).

Given the vested interests on both sides, progress towards more effective partnerships is unlikely to be smooth. But the effort is worth making. TA, as it has operated so far, has done a reasonably good job in developing individual capacity. The time has come to move into a new phase in which already-developed capacity can be fully utilised within reformed structures.

#### Endnote

- <sup>1</sup> *Building More Effective Partnerships for Development in Cambodia*, Report from the Council for the Development of Cambodia made to the April 5-6, 2000, Third Quarterly Government-Donors Consultation, and to the 2000 Pre-Consultative Group Meeting in Phnom Penh (Phnom Penh: Council for the Development of Cambodia, April 2000).

# Behind the Headlines at the CG Meeting in Paris

**Chanthou Boua was one of three NGO delegates who attended the recent Consultative Group meeting in Paris, along with government and donor representatives. In addition to her own observations, she draws on a summary provided by the World Bank. \***

This year's Consultative Group (CG) meeting, which was organised by the World Bank to facilitate the pledging of aid to Cambodia, differed from previous CG meetings in several important ways. First, was the emphasis placed on good governance. This was the main focus of the meeting and both Prime Minister Hun Sen, and all delegates agreed on the importance of improving governance in Cambodia.

## Good Governance is Crucial

Delegates stressed that solving problems of governance is a crucial and immense task and that Cambodia needs to work hard to strengthen the rule of law, address underlying causes of corruption and make the country's public institutions more efficient. Government must also be more transparent and more accountable to the people. The overriding challenge, however, is how to implement reforms in a timely fashion when the country has such limited human resources.

Delegates commended the government for its draft *Governance Action Plan* and said that they felt it had provided a basis for further dialogue and consultations. As well, they suggested short-term actions government could undertake without budgetary resources and/or external financial assistance. These include regular publication of laws, improving customs administration, and reviewing current arrangements for the management of state assets, public procurement, and contracts for natural resources exploitation and tourism concessions.<sup>1</sup>

## Monitoring Efforts Praised

Generally speaking, delegates commended the monitoring arrangements that the Prime Minister had proposed in the previous Consultative Group meeting. These are the quarterly "stocktaking" meetings and on-going working groups that bring together government, donors and

NGOs. At present, the working groups review progress in designated sectors of reform such as demobilisation, forestry, fiscal reform, administrative reform and the social sector.

Delegates consider the various monitoring meetings very useful for policy dialogue, as well as for exchange of information on projects and programmes. They also provide opportunities for reflecting on lessons learned and new developments. For the coming year, working groups were advised to focus more on specific reforms, and take account of evolving issues and priorities. Above all, they should pay attention to the areas of natural resources management and governance.

Delegates debated how the present arrangements for monitoring the government's reform programme could be strengthened to focus more explicitly on outcomes. They agreed though on the need to develop outcome indicators which can be monitored and clear benchmarks to guide discussions throughout the year.

## New Working Groups

To help facilitate and monitor improvements in governance, a new working group on governance will be created, which may also include the rule of law. This means that there will now be six working groups. Another change in the working group structure this year was the expansion of the mandate for the forestry working group to include land and fisheries, and the renaming of this group as the working group on natural resources management. This change reflects recognition of the urgent need to tackle land issues which greatly impact the lives of the poor.

NGO delegates expressed concern about the ongoing proliferation of land disputes, allegations of land grabbing and increasing numbers of landless people. Transparent and participatory land and natural resources management are considered key elements of good governance.

While acknowledging the government's announcement that the new *Land Law* would be enacted before the end of June 2000, delegates emphasised that much more needs to be done to ensure that enforcement of the law applies to everyone. During this discussion, the government invited donors interested in assisting with land management, mapping, titling and registration to participate in a roundtable discussion that will be convened later this year in Cambodia to move the agenda forward.

## The Prime Minister's Speech

The meeting opened with a speech by Prime Minister Hun Sen highlighting concrete actions his government has taken since the previous CG meeting a year ago. He talked about his government's successes in areas such as fiscal and administrative reform, control of illegal logging, demobilisation, and the improvements made in governance. He also emphasised that political stability had been maintained and freedom of expression and public

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***Government must be more transparent and more accountable to the people. The overriding challenge, however, is how to implement reforms in a timely fashion when the country has such limited human resources.***

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security improved.

The Prime Minister pledged that government would reduce poverty, particularly in rural areas, and improve the quality of basic education and health services throughout the country. Among the serious problems still facing the country, he highlighted the HIV/AIDS epidemic, human trafficking, lack of gender equity and governance issues.

### Donors Praise Government's Progress

Donor representatives commented favourably on Cambodia's improved economic performance and progress in domestic revenue mobilisation, including the introduction of the Value-added Tax (VAT). They praised the government for increased budget allocations and disbursements in the social sector, completion of the forest concession review and crackdown on illegal logging, which has been verified by independent monitors. They also commended the pilot military demobilisation programme and plans for restructuring the civil service.

Donors noted that Cambodia was largely on track with implementing policies concerned with structural adjustment. They observed that domestic revenue has increased from 8.8 percent of GDP in 1998 to 11.4 percent of GDP in 1999, although they said there were worrying signs of declining growth in the first quarter of 2000.<sup>2</sup>

As recommended in previous CG meetings, budgets for defence and security had been reduced, and social sector spending had been somewhat increased. Everyone agreed, however, that the general situation in education and health has declined in the last year.

Surprisingly, for the second year in a row, donors pledged more aid than the government had requested. The government had asked for \$500 million and donors instead pledged \$548 million. This reflects optimism on the part of donors, based on the improvements the government has been making. However donors did not guarantee to provide the \$1 billion Hun Sen has requested for the next two years, and made it clear that disbursement of this year's aid and future levels is contingent on the government making concrete progress in recommended reforms.

### Calls for Further Economic Reforms

Although donors had considerable praise for the government's economic reforms, they called for further improvements in the collection of taxes and transfer of non-tax revenues to the budget, particularly those from tourism and the disposal of state assets. Restructuring tax incentives in the *Law on Investment* was recommended to make them more effective in attracting foreign investment. There were recommendations to ensure the integrity of budget processes, particularly the flow of funds from the Ministry of Economy and Finance to spending agencies. The need for internal budget review was also emphasised. Donors said that Cambodia should work towards implementing a medium-term expenditure framework in-

corporating capital and recurrent budgets.

Delegates spoke strongly of the need for improvement in tackling corruption, mismanagement, the slow pace of administrative and legal reform, human rights violations, lack of accountability and the culture of impunity (the unwillingness of the justice system to investigate and prosecute powerful people when there is evidence of their breaking the law).

To encourage the private sector, delegates stated that government must be held accountable for the funds which flow through its hands, authority should be delegated to the local level and private sector involvement should be promoted in areas such as health. Government also needs to focus more on playing a regulatory role so that the private sector can be more effective in the delivery of services. In addition, infrastructure development was considered crucial in any programme designed to help the poor improve their living standards.

### Poverty Alleviation Focus of NGO Concerns

NGO representatives emphasised that policies to promote economic growth had to consider the needs of the poor and give citizens an opportunity to take part in formulating policies and laws that will affect them. The Cambodian people have welcomed the change from a planned to a market economy and have hoped this would improve their lives. However, after ten years of economic reform, living conditions for many poor people have generally deteriorated, especially for those living in rural areas. Not only are rural Cambodians facing the loss of

commonly-held water, forest and other resources, they also worry about the loss of their own land.

Although technical assistance from international donors has helped rural people to increase their agricultural production, the prices for their production dropped drastically, just when they had begun to earn profits from their efforts. Even though farmers have become more productive, their profits have declined. This has been very confusing and distressing for people.

To help their families survive, the daughters of farming families have had to leave home to work in the garment factories which are springing up around the country. Although they work very long hours, often in very poor conditions, their earnings are barely enough for their own living. This is a problem that should concern everyone in the country because if Cambodian industry is going to succeed, workers must be paid fairly and treated with respect.

Urban migration is fast becoming another formidable challenge for the government and will continue to be so for years to come. The poor living and working conditions that migrant workers face can easily become a source of discontent and a threat to Cambodian society and Cambodia's newly-found stability.

Demobilisation is another serious issue. In the process of demobilisation, efforts need to be made to re-integrate

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***Donor representatives commented favourably on Cambodia's improved economic performance and progress in domestic revenue mobilisation, including the introduction of the Value-added Tax (VAT).***

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soldiers into their communities. At this point very little financial support has been committed to this process and there needs to be more coordination among the donors who are assisting with demobilisation.

### NGO Presence Valuable

NGO representatives felt it was very valuable for them to be able to attend the CG meetings for the last four years, as well as the International Cooperation Meetings which preceded them. NGO delegates were able to contribute knowledge gained from their experiences in the field and learn from the perspectives of donors and the government. Attending the meetings also enabled NGO representatives to witness what was said and promised, by both donors and the government. In the course of the meeting, NGO participants were given time to express their opinions, and when they spoke, they emphasised the need for reform at all levels of government and for citizen participation. When people hear that the government is promising to make reforms, they wonder what this will mean to them. Although donors are demanding that government be accountable to the people, this is still not common practice.

### Private Sector Participation

A new addition to the delegates attending this year's CG meeting were representatives from the private sector in Cambodia. They were included to foster partnerships with donors and NGOs. Delegates generally acknowledged that the private sector can play a key role in poverty alleviation through job creation, and that therefore this role should be underlined in the poverty-reduction strategies that government is developing.

Private sector involvement was important because, as donors noted, high levels of aid to Cambodia cannot be sustained. They urged that increasing attention be paid to mobilising domestic savings which are currently very low, and to adopting measures that would stimulate greater domestic and foreign investment. The government was also advised that the banking system needs further improvement in order to boost private enterprise, and reforms in banking supervision should continue.

### Partnership and Poverty Reduction Strategy

An extra day of informal discussions preceded the usual day and a half of formal meetings. The informal discussions focused on two important issues – partnership and poverty reduction strategies. The morning session on partnership stressed the need to formalise partnerships between government, donors and the people. The government presented a framework for partnership which was appreciated by all. Some donors however found the framework too rigid and raised concerns that it would lead to the imposition of sector-wide planning. From these discussions, it was clear that it will take time to define

"partnership" in a way that is acceptable to all.

The afternoon session of informal discussion focused on the World Bank and the IMF's new poverty reduction strategy that was announced a few weeks before the meeting. This new approach is a response to mounting criticism world-wide that the structural adjustment policies of international lending agencies such as the World Bank, the International Monetary Fund (IMF) and the Asian Development Bank have increased poverty in developing countries.

Under the World Bank and the IMF's new poverty reduction strategy, countries which borrow money from the Bank must first produce a *Poverty Reduction Strategy Paper* (PRSP) which shows what steps the government is taking to reduce poverty. In early May, a World Bank mission came to Cambodia to explain this new policy. The government has until October to prepare an interim PRSP and must complete the final version by the end of 2001.

Some NGOs are cynical about the Bank's new strategy because they believe it was introduced just to stave off criticism, and thus, will have little impact. But the new policy could be very beneficial if, in developing the strategy, government collaborates fully with civil society groups throughout the country.

***Attending the meetings also enabled NGO representatives to witness what was said, and promised, by both donors and the government.***

### The Need to Rebuild Trust

The challenge will be how to involve civil society in preparing the PRSP. NGO delegates reminded donors that after 30 years of war and civil strife, government and citizens have lost the ability to communicate and negotiate

with each other. Rebuilding trust between the two sides is a great challenge. If World Bank and IMF poverty-reduction strategies are going to be successful, trust between the government and the people will have to be strengthened. Without this trust, sustainable development may not take place.

At the end of the meeting it was agreed that the government and stakeholders would review overall progress in the country every six months rather than quarterly, so that greater attention could be devoted to implementation of the reforms in the interim. Next year's CG meeting will be held in Tokyo, Japan and in 2002 the meeting will be held in Phnom Penh.

### Endnotes

- <sup>1</sup> For a detailed discussion of governance issues in Cambodia, see Kato, Toshiyasu, Jeffrey A. Kaplan, Chan Sophal & Real Sopheap (May 2000), *Cambodia: Enhancing Governance for Sustainable Development*, Working Paper No. 14, (Phnom Penh: Cambodia Development Resource Institute).
- <sup>2</sup> For more information on the Cambodian Economy, see page 13 of this issue of CDR.

## Economy Watch—External Environment

According to information obtained up to the end of May, most Asian economies are firmly on track to recovery, despite high oil prices and turbulence in regional stock markets brought on by the fall of the United States (US) NASDAQ index in April. Economic growth was fueled both by exports and by domestic demand. Foreign direct investment sharply rebounded and the unemployment rate steadily declined. In line with western economic trends, inflation rates were very low. Thanks to economic performance, Asian currencies were basically stable versus the US dollar.

### Regional Economic Growth

Recent economic indicators showed that most Asian economies experienced a quicker-than-expected recovery, with two-digit growth in the areas of industrial production and exports. Domestic demand for some durable goods also increased significantly, reflecting consumer confidence in prospects for the economy. In the first quarter of 2000, industrial production in Malaysia, Singapore and South Korea grew by more than 20 percent over the previous year. Thailand, China, Hong Kong and Taiwan experienced slower, but still quite high growth (around 15 percent).

Stronger than expected economic growth in the US and Europe were the main factors contributing to strong growth in Asia. Exports of Asian manufactured goods to these two big economies resulted in growth rates of around 30 percent in the first quarter of 2000, compared with the same period in 1999. Current accounts sharply improved and foreign debt declined. Domestic demand also played an important role in economic recovery. In Thailand, for example, February car sales were up 35 percent (year-on-year), as low interest rates drew in buyers. In Hong Kong, retail sales jumped by 12 percent during the same period. According to a survey conducted by the Federation of Korean Industries (FKI) in March, business prospects for most industries in South Korea are the brightest in eight years. This strong recovery is having a positive impact on employment. According to available statistics, unemployment in Hong Kong, Taiwan and South Korea, has steadily declined.

However, unlike other Asian countries, Vietnam, Cambodia and Laos, experienced much lower economic growth. The trade balance and current accounts deteriorated in the first quarter of 2000. Direct foreign investment also declined dramatically, while it reached record highs in South Korea and Malaysia during the same period. Government officials indicated that falling prices for export commodities, such as rice and coffee, contributed to the economic slowdown. However, according to international analysts, weaknesses in these three transitional economies are due primarily to lack of necessary structural reforms (both economic and institutional). Until these countries improve their image, foreign investment is not likely to increase significantly and prospects for strong economic growth remain low.

### Regional Inflation

A sharp increase in crude oil prices and strong economic growth in the US and Europe raised concerns about inflation. In the first quarter of 2000, the US consumer price index rose 3.2 percent over the same period in the previous year (versus 2.6 percent in the last quarter of 1999), while inflation remained low in Europe and Japan (respectively 2.0 percent and -0.7 percent). Asian countries, including Indonesia, which experienced political unrest, had very low inflation. This is the result of a decline in food prices and the stability of Asian currencies versus the US dollar. On a year-on-year basis, inflation rates in the first quarter of 2000 were negative in Singapore, Hong Kong and Indonesia, and between 0 and 2 percent in China, Cambodia, Malaysia, Taiwan and South Korea. The inflation rate should remain low now that recent stock market turmoil is under control.

### Exchange Rates in International Markets

International exchange rate markets were strongly dominated by US economic indicators in the last few months. Strong economic growth pushed US monetary authorities to raise key interest rates in order to slow inflation. As a result, the interest rate gap between the US, and both Japan and Europe, has widened. Interest rates in the US are about 4.5 percentage points above Japan, and about 1 point higher than in Europe. In addition, forecasts for growth in the US are 3.5 percentage points higher than in Japan, and 1.5 points higher than in Europe. In the last quarter, this fundamental economic difference between the US and both Japan and Europe, pushed the value of the US dollar significantly higher compared with the yen and the Euro. However, with regard to Asian foreign exchange markets, Asian currencies were basically stable versus the dollar. This is the result of strong economic performance and sharp improvements in current accounts in the Asian economy.

### Commodity Prices in World Markets

Overall, commodity prices were stable or slightly higher in the first quarter of 2000, compared with the last quarter of 1999. Thanks to strong world demand, and scrapping of plans to create an OPEC-type rubber cartel, rubber prices increased steadily, reaching a record high over the last two years. The price of rice increased slightly, compared with the fourth quarter of 1999, but this is still relatively low compared with the same period the previous year (US\$279 per ton). With regards to oil, the likelihood of lower prices is small as long as the world economy remains dynamic. Crude oil prices from Dubai rose steadily, reaching a new record of US\$26 per barrel by end of May. Increases in oil prices and decreases in food commodity prices, such as rice and soybeans, have had a very negative impact on the incomes of about 80 percent of people in Vietnam and Cambodia.

*Prepared by Sok Hach*

## Economy Watch–External Environment

**Table 1. Real GDP Growth of Selected Trading Partners, 1998–2000 (percentage increase over the previous year)**

	1998			1999				2000	1999	2000f
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q1-Q4	Q1-Q4
Selected ASEAN countries										
Cambodia									4.5	5.0
Indonesia	-12.4	-18.5	-19.0	-10.3	2.0	0.5	5.8	3.2	-0.4	3.0
Malaysia	-5.2	-10.9	-10.3	-1.3	4.1	8.2	10.6	11.7	5.4	8.0
Singapore	0.1	-2.1	-1.1	0.6	6.7	8.2	7.1	9.1	5.7	6.5
Thailand	-12.3	-12.5	-5.0	0.9	3.5	7.7	6.5		4.7	8.5
Vietnam									4.8	5.0
Selected Asian countries										
China	7.4	7.6	9.6	8.3	7.1	7.0	6.8	8.1	7.3	8.0
Hong Kong	-5.1	-6.9	-5.6	-3.0	1.1	4.4	8.7	14.3	2.9	8.5
South Korea	-7.2	-7.9	-4.6	3.7	9.9	13.4	13.0	12.8	10.7	8.0
Taiwan	5.5	4.7	3.7	4.3	6.5	5.1	6.8	7.9	5.3	6.5
Selected industrial countries										
Euro-11				1.7	1.7	2.2	3.1	3.3	2.1	3.5
Japan	-0.1	-1.2	-1.7	0.1	0.9	1.0	0.0		0.5	1.5
United States	4.0	3.9	4.6	3.9	3.8	4.3	4.6	5.0	4.1	5.0

Sources: Data for 1998Q2–2000Q1 from the International Monetary Fund; data for year 2000 forecast by CDRI

**Table 2. Inflation Rate of Selected Trading Partners, 1998–2000 (percentage increase over the previous year)**

	1998			1999				2000	1999	2000f
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q1-Q4	Q1-Q4
Selected ASEAN countries										
Cambodia	17.0	13.9	12.6	8.6	6.4	1.8	0.0	0.2	4.0	1.9
Indonesia	49.5	74.5	77.5	56.0	30.9	6.6	1.7	-0.6	20.5	8.0
Malaysia	5.7	5.7	5.4	4.0	2.7	2.3	2.1	1.5	2.7	3.0
Singapore	0.3	-0.8	-1.6	-0.6	0.1	0.9	1.5	-1.5	0.5	1.0
Thailand	10.3	8.1	5.0	2.7	-0.4	-1.0	0.1	0.8	0.4	3.0
Vietnam									4.0	3.0
Selected Asian countries										
China	-0.9	-1.4	-1.1	-1.4	-2.1	-1.3	-0.8	0.1	-1.4	2.0
Hong Kong	4.4	2.8	-0.8	-1.8	-4.0	-5.9	-4.1	-5.2	-4.0	0.0
South Korea	8.2	7.0	6.0	0.7	0.6	0.7	1.3	1.5	0.8	3.0
Taiwan	1.5	0.4	2.1	-0.5	-0.8	0.6	0.1	1.1	0.4	1.5
Selected industrial countries										
Euro-11	1.3	1.1	0.8	0.8	1.0	1.1	1.5	2.0	1.1	1.5
Japan	0.3	-0.2	0.5	-0.1	-0.3	0.0	-1.0	-0.7	-0.3	-0.1
United States	1.6	1.6	1.5	1.7	2.1	2.3	2.6	3.2	2.2	2.7

Sources: Data for 1998Q2–2000Q1 from the International Monetary Fund; data for year 2000 forecast by CDRI

**Table 3. Exchange Rates of Selected Trading Partners Against the Dollar, 1998–2000 (period averages)**

	1998			1999				2000	1999	2000f
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q1-Q4	Q1-Q4
Selected ASEAN countries										
Cambodia (riel)	3,968	3,892	3,820	3,813	3,822	3,885	3,808	3,822	3,832	3,830
Indonesia (rupiah)	10,461	12,252	7,908	8,776	7,921	7,531	7,193	7,340	7,855	7,500
Malaysia (ringgit)	3.85	4.06	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80
Singapore (S\$)	1.64	1.73	1.64	1.70	1.71	1.69	1.67	1.71	1.69	1.70
Thailand (baht)	40.3	41.1	37.0	37.1	37.2	38.3	38.8	37.8	37.8	38.0
Vietnam (dong)	12,984	13,907	13,893	13,901	13,931	13,960	14,009	14,060	13,950	14,100
Selected Asian countries										
China (yuan)	8.30	8.31	8.28	8.28	8.28	8.28	8.28	8.28	8.28	8.28
Hong Kong (HK\$)	7.75	7.75	7.75	7.75	7.75	7.76	7.77	7.78	7.76	7.78
South Korea (won)	1395	1326	1279	1,197	1,190	1,195	1,173	1,125	1,189	1,150
Taiwan (NT\$)	34.0	26.5	27.5	28.7	33.4	32.2	32.0	30.8	31.6	31.0
Selected industrial countries										
Euro-11 (euro)	–	–	–	0.89	0.95	0.95	0.96	1.03	0.94	1.08
Japan (yen)	58	62	109	121	131	114	106	109	118	110

Sources: Data for 1998Q2–2000Q1 from the International Monetary Fund; data for year 2000 forecast by CDRI

**Table 4. Selected Commodity Prices on the World Market, 1998–2000 (period averages)**

	1998			1999				2000	1999	2000f
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q1-Q4	Q1-Q4
Hardwood (logs) - Malaysia (\$/m3)	150	141	162	175	178	196	199	189	187	200
Hardwood (sawn) -Malaysia (\$/m3)	477	466	520	544	585	632	643	641	601	650
Rubber - Malaysia (\$/ton)	751	678	705	678	596	573	689	700	634	720
Rice - Bangkok (\$/ton)	320	323	284	279	245	247	225	240	249	250
Soybeans - USA (\$/ton)	251	231	233	202	200	196	200	212	200	200
Crude oil - Dubai (\$/barrel)	12	12	12	11	15	20	23	24	17	24
Gold - London (\$/fine ounce)	300	289	294	287	274	259	296	290	279	280

Sources: Data for 1998Q2–2000Q1 from the International Monetary Fund; data for year 2000 forecast by CDRI

## Economy Watch – Domestic Performance

Cambodian economic indicators for the first quarter of 2000 gave mixed signals. Crop production was quite good, leading to a sharp drop in prices. Garment exports remained dynamic and tourism continued to expand. In addition, despite an oil price increase, the inflation rate was close to 0 percent and the riel was basically stable against the dollar, the Thai baht and the Vietnamese dong. However, statistics on the national budget, monetary movements and investments are worrisome. Shortfalls in state revenues were very significant, capital fled the country and private investments approved by the Council for the Development of Cambodia (CDC) dropped to the lowest level on record.

### Economic Activity

Recent statistics published by the Ministry of Agriculture confirmed an exceptional paddy crop (4 million tons) in 1999/2000. Compared with the previous year, wet-season production increased about 16 percent over last year's crop of 3.3 million tons. The dry season crop increased about 11 percent higher than last year's crop of 0.7 million tons. Food surpluses in 1999/2000 were thus significant, representing about 260,000 tons of rice (equivalent to 420,000 tons of paddy). Production of other crops such as maize, cassava and soybeans also increased, reflecting improvements in productivity and expansion of cultivated land. Nevertheless, due to the lack of roads in the country, as well as lack of a marketing network in rural areas, increased production of paddy led to a sharp fall in prices. Early in 2000, the farm-gate price of paddy during the harvest was very low – at least 25 percent below pre-July 1997 prices.

On the other hand, vegetable production figures recorded by the Ministry of Agriculture have declined steadily since 1997, resulting in increasing imports of vegetables from Vietnam. According to an early-1998 study by the French firm Agrisud International, imports of vegetables and fruits from neighbouring countries (primarily Vietnam) represented about 20 percent of total vegetable and fruit consumption in Phnom Penh.

Trends in livestock production were mixed. The number of cattle and poultry rose steadily in line with long-term natural growth. However, the number of pigs declined slightly. With regard to fish production, the volume of marine-caught fish and aqua-culture fish increased, while inland-caught fish declined. Overall, fish production remained unchanged.

With regard to industrial production, with the exception of the garment industry, statistics are very scarce. Garment production was very dynamic in the first quarter of 2000. When compared with the same period in 1999, exports had risen by 47 percent, reaching a new record of \$195 million. Despite the quota, exports to the United States remained strong (\$154 million), and represented about 80 percent of total garment exports (exactly the same rate as the 1998 and 1999 averages). In terms of quantity, total exports of garments rose 29 percent, with slower growth in the volume exported to the US.

The construction industry was not doing well, although foreign aid is expected to boost this sector. According to CDRI surveys in February and May, construction projects were basically stalled during the first five months of 2000, compared with the same period in 1999. A decline in new private investment is likely the main reason for this.

Regarding service sector developments, tourism was the most dynamic, although its performance in Phnom Penh appears to have slowed. During the first quarter of 2000, the number of passengers arriving at the Pochentong-Phnom Penh airport on international flights increased 21 percent over the same period in 1999, but tourist arrivals growth was significantly lower when compared with the second half of 1999 (when arrivals were up an average of 40 percent). Visitors from Hong Kong, Guangzhou (China) and Vietnam increased more than any other group. The decline in foreign visitors travelling through Phnom Penh can partly be explained by the success of direct flights to Siem Reap-Angkor. The number of passengers travelling directly to see the ancient temples was more than double that for the same period last year (up from 9,100 in the first quarter of 1999 to 19,500 in the first quarter of 2000).

Transportation activities slightly increased thanks to expansion in tourism and better road access to the eastern provinces (primarily Kompong Cham and Kompong Thom). However, according to CDRI's surveys, domestic trade and activities in the informal sector appeared to stagnate. These were booming after the formation of the new government at the end of 1998, however since the end of 1999, domestic trade and activities in the informal sector have stalled or declined.

### Inflation and Foreign Exchange Rates

Statistics published by the National Institute of Statistics showed that the riel-denominated consumer price index (CPI) in Phnom Penh remained flat, despite the sharp increase in oil prices. In the first quarter of 2000, the energy price index rose 13 percent (versus the first quarter of 1999), while the food price index, which represents about 50 percent of total household expenditure in Cambodia, declined about 1 percent. The decline in the food price index was primarily the result of weak paddy and other commodity prices. However, in the provinces, the CPI compiled by CDRI showed that costs of living in rural areas increased more rapidly than in Phnom Penh, reflecting price increases in transportation (the result of high oil prices).

Exchange rates in Phnom Penh markets were basically stable during the first quarter of 2000. The riel was valued at around 3,820 riels per dollar, 102 riels per baht and 365 dong per riel. In May, however, because of the strength of the dollar in international markets, the riel depreciated slightly against the dollar, while it appreciated against the baht (trading at less than 100 riels per baht). Gold prices in Cambodia were also basically stable and in line with international market trends.

## Economy Watch – Domestic Performance

### Poverty Situation – Earnings of Workers

To further investigate the impact of economic conditions on the poor, in February 2000, CDRI expanded its regular survey of vulnerable workers to include garment workers, construction workers, unskilled workers, moto-taxi drivers, waitresses and rice-field workers in two provinces near Phnom Penh. (The quarterly market survey, which began in July 1997, has been discontinued).

In May, in order to understand more about the causes of poverty, questions on the education and geographic origin of workers were added to the survey. Out of 469 workers interviewed in May, 21 percent never attended school, 50 percent went to primary school, and 29 percent attended secondary school. Correlation between educational level and earnings is significant. Rice-field workers and waitresses have the lowest rates of literacy. Almost all of the workers interviewed came from rural areas and most moto-taxi and cyclo drivers were temporary migrants.

The survey also revealed that the average earnings of Cambodian workers increased compared with the same period last year, but were mixed when compared with the February survey. Earnings of cyclo drivers in May were basically stable compared with February, but rose by 4 percent over the previous year. Out of 47 cyclo drivers interviewed, more than 90 percent were peasants who had migrated temporarily to Phnom Penh so they could support their families and purchase agriculture inputs for the next wet crop season (mainly fertiliser). The daily earnings of moto-taxi drivers showed a remarkable increase relative to February (31 percent), reflecting a sharp increase in tourism activity and transportation prices. However, interviewees complained that their net incomes had not really improved because the increase in oil prices had made other costs higher. Similar to the cyclo drivers, out of 42 moto-taxi drivers interviewed, about two-thirds were peasants who had temporarily migrated to Phnom Penh to supplement their income from agricultural activities. The increase in the oil price and the drop in agriculture prices had a very negative impact on peasant incomes.

Garment worker earnings also increased in May, compared with February, reflecting robust expansion in the garment industry. However, despite their relatively-high

earnings compared with other informal workers, garment workers have to work much harder (10 to 12 hours per day). In addition, the money they must spend on food (about 2,000 riels per day) represents half their earnings. Concerning their geographic origin, out of 119 garment workers interviewed, 91 percent come from rural areas and 81 percent had parents who were peasants. The prospect of better wages in the garment sector encouraged young people from the provinces surrounding Phnom Penh to migrate to the capital.

Surveys conducted in Kandal and Kompong Speu provinces showed a sharp increase in the earnings of rice-field workers because the number of workers aged 15 to 25 had dramatically declined. Out of 42 rice-field workers interviewed, only three were under 20 years old.

The daily earnings of scavengers showed a remarkable increase, relative to previous surveys, although exports of rubbish significantly declined (30 percent to Vietnam and 10 percent to Thailand). This increase in earnings could be explained by a decrease in the number of scavengers. The survey also showed that some of the scavengers are seasonal migrants from rural areas.

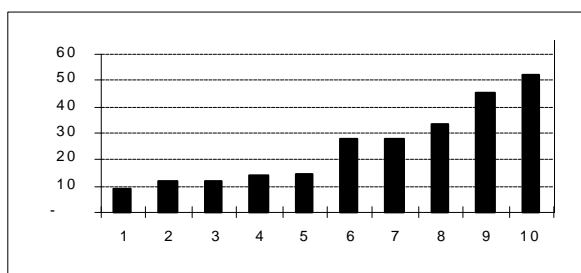
The daily income of porters and small traders slightly declined in May, caused by the slowdown in trade activity at the beginning of the rainy season. However, daily earnings of waitresses significantly increased, as business in restaurants increased. The May survey also showed a sharp decline in construction workers' earnings (skilled and unskilled), which was explained by a slowdown in construction activity. Interviewees also complained about having to compete with Vietnamese workers, as work on projects became scarce.

### Monetary Developments

Monetary developments in Cambodia are drawing increasing attention, as the funding needed to boost the economy becomes top priority. However, statistics published by the National Bank of Cambodia on monetary movements in the first quarter of 2000 sent confused signals. Current political and social stability helped to improve significantly the confidence of consumers and business people vis-à-vis the Cambodian banking system. As a result, foreign currency deposits in commercial banks increased sharply (by 30 percent), compared with the previous quarter. However, this performance did not benefit the country. Net foreign assets (net capital fly) continued to disperse (an 18 percent increase during the same period), while credit to the private sector rose by just 2 percent. The amount of net domestic credit not only remained negative, but worsened. This means that Cambodian bankers are using Cambodian savings to finance the development of foreign economies, while at the same time the government is looking for more foreign aid.

The limited contribution that the Cambodian banking system is making towards the country's development raises concerns. Lessons learned from successes in the first six ASEAN-member countries, show that economic development can only be achieved when the banking

**Percentage of Workers Who Never Attended School**



1-Garment Worker, 2-Porter, 3-Skilled Construction Worker, 4-Moto Taxi Driver, 5-Unskilled Construction Worker, 6-Cyclo Driver,



## Economy Watch – Domestic Performance

system provides strong support to the private sector by extending credit. In the economically-successful ASEAN countries, most of the monetary supply goes directly into the productive system as credit. Economic development in Cambodia will not increase rapidly or be sustainable until the banking system is significantly reformed and strengthened. For this reason, the International Monetary Fund (IMF) is recommending re-licensing commercial banks and liquidating banks that are not viable.

### Public Finance

According to figures compiled by the Ministry of Economy and Finance, national revenues for the first four months of 2000 experienced significant shortfalls (14 percent below targets). Except for revenue from oil imports, there were shortfalls for most of the main tax and non-tax revenues. The surplus in revenue from oil imports occurred because the government had expected to cut tax rates on gasoline in 2000 in order to reduce the gap between Cambodian oil prices and those of neighbouring countries. However, this tax cut did not occur. As a result, revenues from VAT, excise taxes and customs duties on oil imports resulted in a large surplus (50, 33 and 12 percent respectively over budget targets).

Meanwhile, the total direct tax shortfall was about 18 percent. The most significant cause of this shortfall was the low level of tax collected on the profits of private enterprises (32 percent below the budget target). Introduced in early 1999, the VAT was a great success last year, becoming the second most important source of revenue for the government after customs duties. But initial results obtained for this year seem less promising. VAT on imports of non-oil products and on domestic activity presented shortfalls of 7 and 18 percent, respectively. Excise taxes and customs duties were similarly below projections. Customs duties on non-oil products, which represent about two-thirds of total customs' revenues, were 40 percent below projections. If this decline persists or levels remain the same, the shortfall from this tax alone should reach about 120 billion riels for the whole year – as much as the Health Ministry budget.

The situation for non-tax revenues was not any better. Here the shortfall for the first four months of 2000 was about 20 percent on average. Excluding revenue generated from profits of the National Bank, and quotas of garment exports (concentrated mainly in the first half year), the shortfall in non-tax revenues is worrying (35 percent below budget estimates). Revenue from factory leases and royalties experienced the worst performance (a 70 percent shortfall). It should be noted that revenue from post and telecommunications activities, which represent the largest of the non-tax revenues, was again below target, as was the case last year. During the first four months of 2000, shortfalls in this sector were about 47 percent, a significant acceleration in loss compared with the 34 percent shortfall in 1999.

On the expenditure side, budget performance for 2000 is still quite difficult to assess at this point, as some

activities related to the previous budget continued to be implemented in January and February 2000. Interpretations of this data should be made cautiously. Statistics from the Ministry of Economy and Finance showed that current expenditures (on a cash basis) during the first four months of 2000 declined slightly (down 4 percent), compared with the same period last year. Social expenditures increased sharply (up 18 percent), while defence and security spending dropped by 21 percent. Capital expenditure financed by domestic revenue also sharply increased (up 43 percent). However, compared with the planned budget, all those expenditures were far below the target (27 percent on average). This was due to considerable shortfalls on the revenue side.

### Private Investment and Employment

Investment projects approved by CDC dropped dramatically during the first quarter of 2000. Total fixed assets declared to CDC declined to a low of \$28 million (from \$239 million in the fourth quarter of 1999). Surprisingly, there were no tourism projects, while investments in the garment sector remained basically stable, despite quotas imposed on exports to the US. This decline raises concerns about increasing unemployment in the country. Based on population figures from the 1998 Census, and assuming no change in economic participation rate, the number of new entrants to the labour market is likely to increase every year. Between 1993 and 1998, an average of 150,000 persons per year entered the labour market. This figure is projected to increase by 10,000 persons per year so that by 2003, the number of new entrants is expected to reach 200,000, and 250,000 by 2008. In order to provide employment for these new entrants, the country needs private investments of between \$500 million and \$1 billion per year – much more than is currently being invested.

### Foreign Aid and External Debt

Foreign aid levels pledged for Cambodia at the Consultative Group (CG) meeting held in Paris at the end of May totalled \$548 million – an increase of about 10 percent over what the government requested. However, disbursement of this aid and future pledges of aid are contingent on the progress of reforms (for more information on the CG meeting, see page 8 of this issue).

Concerning external debt, statistics compiled by the Ministry of Economy and Finance show that loan disbursements during the first quarter of 2000 amounted to about \$10 million. These were primarily from the Asian Development Bank (ADB). In the second quarter, however, the World Bank disbursed a much larger amount (about \$30 million), which was the first instalment of its *Structural Adjustment Credit* programme.

*Prepared by Sok Hach and Pon Dorina*

## 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	3,124	3,033	2,868	3,089	3,342
GDP per capita (dollars)	200	241	284	292	274	251	262	276
Growth rate of real GDP (1993 prices)	6.1	5.7	7.6	7.0	1.0	1.0	4.5	5.0
Agriculture	4.5	3.3	10.5	0.8	1.4	-0.1	1.4	0.7
Industry	13.6	3.8	6.8	17.9	2.4	6.1	10.6	9.8
Service	5.5	9.4	4.5	10.7	-0.1	0.3	5.5	7.7
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	16.4	18.8
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	-5.2	-6.9
Domestic exports of goods (percentage of GDP)	8.2	11.1	12.0	11.2	16.6	21.7	27.1	28.1
Retained imports of goods (percentage of GDP)	18.9	22.6	23.9	27.2	28.1	33.4	40.0	42.9
Trade balance (percentage of GDP)	-10.7	-11.6	-12.0	-16.0	-11.5	-11.7	-13.0	-14.8
Current account balance (percentage of GDP)	-10.5	-12.1	-12.9	-15.6	-10.3	-11.0	-11.6	-12.6
External contribution to the economy (percentage of GDP)	11.7	17.1	21.0	19.7	12.8	12.7	13.1	14.6
Total savings (percentage of GDP)	15.7	18.0	21.0	25.6	20.6	21.4	22.0	23.1
Gross foreign reserves (months of imports)	1.5	1.5	1.7	2.2	2.7	3.7	3.4	3.5
Population (million)	9.6	9.9	10.3	10.7	11.1	11.4	11.8	12.1
Labour force (percentage of population)	48.0	47.3	46.6	45.9	45.3	44.8	44.6	44.3

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

**Table 2. Destination of Garment Exports, 1994–2000 (quarterly average)**

	1994	1995	1996	1997	1998	1999				2000		
	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
	Millions of dollars											
United States	-	-	-	26.8	62.7	88.7	104.5	116.9	120.3	131.0	103.4	154.0
Rest of the world	-	-	-	30.0	18.6	27.0	17.3	15.7	22.6	22.4	65.6	41.3
Total	1.0	6.6	19.8	56.8	81.4	115.7	121.8	132.6	142.9	153.3	169.0	195.3
	Percentage change over previous year											
Total	-	560	200	187	45.4	82.6	57.2	124.1	75.7	32.5	38.8	47.3

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

**Table 3. Passenger Arrivals at Pochentong Airport, 1994–2000**

	1994	1995	1996	1997	1998	1999				2000		
	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
	Thousands of passengers											
Tourist visas	27.9	38.7	55.3	46.3	36.0	32.9	42.4	44.5	38.6	42.8	53.6	60.3
Business visas	7.1	10.6	15.8	13.9	11.0	9.1	11.3	16.3	16.0	15.9	15.7	13.7
Official visas	3.3	3.9	3.2	3.6	4.1	4.2	5.4	6.6	9.2	9.8	9.8	7.7
Total	38.3	53.2	74.3	63.8	51.1	46.3	59.1	67.4	63.8	68.5	79.1	81.7
	Percentage change over previous year											
Total	29.7	38.9	39.7	-15.2	-33.1	35.2	14.6	19.3	24.8	48.1	33.9	21.2

Source: Ministry of Economy and Finance.

**Table 4. Consumer Price Index (CPI), Exchange Rates and Gold Prices, 1994–2000 (period averages)**

	1994	1995	1996	1997	1998	1999				2000		
	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
	Consumer price index (percentage change over previous year)											
Provinces	-	-	-	6.1	19.7	15.5	13.9	14.4	5.1	3.7	1.5	3.6
Phnom Penh - All Items	-0.5	7.8	7.1	8.1	17.0	13.9	12.6	8.5	6.4	1.8	0.0	0.2
- Foods	-13.4	4.9	7.6	6.7	11.7	16.9	18.1	15.8	12.3	3.2	0.7	-1.2
- Energy	-1.2	19.4	20.7	21.0	28.2	3.6	0.3	0.0	-1.8	11.8	11.9	13.0
	Exchange rates and Gold prices (Phnom Penh market rates)											
Riel per US dollar	2,582	2,479	2,666	3,029	3,968	3,892	3,820	3,813	3,823	3,885	3,808	3,822
Riel per Thai baht	102	99	105	98	91	89	93	98	99	103	103	102
Riel per 100 Vietnamese dong	425	449	415	390	353	346	349	352	361	363	364	365
Gold prices (US dollar per chi)	45.8	45.9	46.3	40.4	36.8	35.8	35.3	35.1	34.6	33.5	32.7	32.8

Sources: CPI for the provinces are compiled by CDRI, CPI for Phnom Penh by NIS and Exchange rates and Gold prices by MEF.

## Economy Watch – Economic Indicators

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

	Net daily earnings (riels)									Change from last year (%)		
	1997		1998		1999		2000			Nov	Feb	May
	Pre-Jul	May	Now	Feb	May	Aug	Nov	Feb	May	1999	1999	2000
Cyclo drivers	12,250	6,167	6,100	9,407	9,271	8,415	8,226	9,682	9,691	34.9	2.9	4.5
Porters	9,675	4,720	4,543	8,543	7,856	7,446	6,143	8,275	8,002	35.2	-3.1	1.9
Small traders	7,050	4,767	5,913	7,923	6,694	6,402	9,071	7,864	7,267	53.4	-0.7	8.6
Scavengers	4,155	2,610	2,567	3,697	2,956	3,005	2,600	4,750	4,969	1.3	28.5	68.1
Waitresses*	-	-	-	-	-	-	-	1,873	2,030	-	-	-
Rice-field workers	-	-	-	-	-	-	-	3,600	4,000	-	-	-
Garment workers	-	-	-	-	-	-	-	7,283	8,272	-	-	-
Moto-taxi drivers	-	-	-	-	-	-	-	9,200	12,100	-	-	-
Unskilled construction	-	-	-	-	-	-	-	9,193	6,900	-	-	-
Skilled construction workers	-	-	-	-	-	-	-	15,873	15,600	-	-	-

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, 1994-2000 (end of period)**

	1994	1995	1996	1997	1998	1999				2000		
	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
	Billions of riels											
Net foreign assets	391	550	881	1,172	1,646	1,684	1,726	1,874	1,909	2,043	2,019	2,373
Net domestic assets	59	99	31	-109	-565	-604	-496	-559	-593	-637	-576	-640
Net claims on government	143	148	128	54	129	175	179	166	80	94	103	94
Credit to private sector	237	293	435	637	735	696	655	681	719	762	763	779
Total liquidity	450	650	912	1,063	1,081	1,080	1,230	1,315	1,316	1,406	1,443	1,733
Money	200	279	329	385	428	474	543	527	500	501	532	550
Quasi-money	250	371	583	678	653	606	687	788	817	904	911	1,183
	Percentage change from previous year											
Total liquidity	35.1	44.3	40.3	16.6	-10.1	19.7	15.7	22.2	21.7	30.1	17.2	31.8
Money	-1.9	39.5	17.9	17	29.6	36.0	41.1	25.7	16.6	5.7	-2.0	4.4
Quasi-money	93.2	48.1	57.2	16.4	-33.0	9.5	1.3	20.0	25.1	49.3	32.5	50.1

Source: National Bank of Cambodia.

**Table 7. National Budget Operations, 1994-2000 (billions of riels)**

	1994	1995	1996	1997	1998	1999				2000		
	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Total revenue	148	161	187	220	237	188	277	301	373	343	301	332
Tax revenue	91	111	134	149	176	135	210	239	260	244	213	244
Customs duties	70	80	86	87	98	74	117	105	125	116	87	98
Non-tax revenue	56	47	44	68	52	47	55	60	102	99	87	88
Forest exploitation	22	13	7	9	5	5	9	3	6	15	12	11
Telecommunications	15	14	16	21	19	24	24	27	19	26	36	20
Capital revenue	0	2	10	3	9	6	11	1	11	0	2	0
Total expenditure	252	300	360	315	362	302	335	394	378	428	591	353
Capital expenditure	84	128	157	113	96	80	94	132	130	151	213	167
Current expenditure	168	172	203	202	267	222	241	262	248	278	378	243
Education and Health	23	25	31	32	31	30	71	25	39	57	159	32
Defence and Security	98	106	102	105	149	82	118	100	127	124	113	86
Other Ministries (*)	48	41	71	65	87	110	52	138	83	95	98	125
Overall deficit	-105	-139	-173	-95	-125	-114	-58	-94	-5	-86	-290	-78
Foreign financing	108	140	170	111	58	70	50	107	107	101	103	122
Domestic financing	-3	-1	3	-16	67	47	16	-14	-101	-12	130	-44

Source: Ministry of Economy and Finance.

**Table 8. Investment Projects Approved, 1997–99**

	1994	1995	1996	1997	1998	1999				2000		
	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
	Number of investment projects											
Total	46	51	75	34	24	44	22	32	18	15	30	22
Garment	27	30	36	12	14	26	17	16	11	7	11	11
	Registered capital (millions of dollars)											
Total	116.0	89.0	97.8	69.5	40.0	196.0	54.0	37.0	45.0	107.0	14.5	
Garment	26.8	28.0	39.2	8.6	18.7	33.0	11.2	16.0	12.4	10.9	16.4	6.5
	Fixed assets (millions of dollars)											
Total	303.0	76.2	186.7	190.4	225.8	366.8	54.1	120.0	53.9	60.8	239.4	28.4
Garment	25.1	25.4	39.6	9.7	28.8	43.1	18.2	25.6	17.4	13.0	23.6	15.5

Source: Cambodian Investment Board: Quarterly average

## Recent Publications on Cambodia

### Higher Education in Cambodia

*The Social and Educational Context for Reconstruction*, Edited by David Sloper (Bangkok: UNESCO PROAP, 1999). English edition 339 pp (plus index).

*Higher Education in Cambodia* presents baseline and previously inaccessible data and information about social and educational developments in Cambodia, notably for the period 1993-1997. Presented in four sections, and researched and written by resident and foreign specialists, this work covers a range of topics including education in the context of socioeconomic development, the education policy-making process, and foreign development assistance to key initiatives in general, technical and higher education.

### Discussion Guide: Truth, Justice, Reconciliation and Peace in Cambodia

*20 Years After the Khmer Rouge*, prepared by Laura McGrew and Heang Path (Phnom Penh: McGrew, February 2000). English edition 60 pp; Khmer edition 89 pp. (plus questionnaire).

This Guide is intended to stimulate discussion about truth, justice, reconciliation and peace in Cambodia. It contains articles on the topic by leaders of NGOs, government officials, and members of Parliament and the Senate. It also summarises the results of a study on conflict resolution issues which was conducted by the authors; it explains the work of a Truth Commission and offers suggestions for further discussion. The Guide concludes with the questionnaire used in the study.

### Land Ownership Disputes in Cambodia

*A Study of the Capacity of Five Provinces to Resolve Conflicts over Land*, by Shaun Williams (Phnom Penh: Oxfam, February 2000). English edition 20 pp; Khmer edition 32 pp (plus tables and a Needs Assessment Report Forms).

This paper resulted from a *National Workshop on Institutional Cooperation to Resolve Land Disputes*. It was prepared as a submission to the government's National Land Dispute Settlement Commission. The objective of the study was to enhance cooperation between civil society organisations and the government of Cambodia. The expected outcomes of this collaborative effort are a reduction in the number of land disputes and a lessening of expropriations of land by abuse of power.

### Good Intentions

*Pledges of Aid for Postconflict Recovery*, Edited by Shepard Forman and Stewart Patrick. (Boulder, Colorado: Lynn Rienner Publishers, Inc.). English edition 432 pp.

This comparative study is concerned with the causes—and consequences—of failures to fulfill pledges of aid to postconflict societies.

In each of six case studies—Bosnia, Cambodia, El Salvador, Mozambique, Palestine, and South Africa—the coauthors (including one scholar from a donor state and one from a recipient) first establish the sources, composition, and objectives of pledged aid and examine aid conditionality, delivery, and coordination. They then trace aid absorption, benefits, and impact on peace building and economic recovery. Finally, they assess the causes, consequences, and lessons of pledge gaps: What explains shortfalls in aid delivery? What social, economic, and political difficulties have ensued? And what does the experience suggest for future multilateral efforts at transition assistance? Good intentions notwithstanding, it is clear that recurrent delays and failures in aid follow-through can threaten vulnerable polities whose collapse would endanger regional peace and security.

### Recent CDRI Publications

*CDRI 1999 Annual Report*, in English and Khmer.

*Cambodia: Enhancing Governance for Sustainable Development*, Working Paper No. 14 by Toshiyasu Kato, Jeffrey A. Kaplan, Chan Sophal and Real Sopheap (Phnom Penh: Cambodia Development Resource Institute, May 2000). English edition, 41 pp.

CDRI Policy Brief : *Technical Assistance and Capacity development in an Aid dependent Economy: the Experience of Cambodia* (Phnom Penh: Cambodia Development Resource Institute, May 2000), English and Khmer editions.

### Forthcoming CDRI Publications

*Technical Assistance and Capacity Development in an Aid-dependent Economy: the Experience of Cambodia* by Martin Godfrey, Chan Sophal, Toshiyasu Kato, Long Vou Piseth, Pon Dorina, Tep Saravy, Tia Savora and So Sovannarith. English edition. *Seasonality in the Cambodian Consumer Price Index*, Working Paper 13 by Ung Bunleng. Khmer edition.

### A Call for Recent Publications on Cambodia

*Recent Publications on Cambodia* 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

# Literacy and Related Terms

### Functional literacy

People are functionally literate when they have acquired the essential knowledge and skills in reading, writing, arithmetic and problem-solving required to function effectively in all areas of their lives and contribute to their communities.

### Life Expectancy

Life expectancy is the average age at which citizens of a particular country die. It is often reported separately for men and women. Citizens of poor countries tend to have lower life expectancies than citizens of rich countries.

### Infant Mortality

Infant mortality is the average rate of death of young children in a particular country. It is often calculated as a rate per 1000 live births. Infants of poor countries tend to have high rates of infant mortality

### Infrastructure

Infrastructure is the support system of a town, city or country. It includes such facilities as transportation systems and electricity generation, as well as health and education services.

### Poverty line

The poverty line is a measurement of the minimum income needed in a particular country to sustain a healthy life. People who live below the poverty line are usually undernourished, poorly housed and in poor health.

### Life skills

Life skills are basic skills involving critical thinking and problem-solving which are needed to function effectively in a society. Examples of life skills are the ability to correctly complete an application form or the ability to handle money effectively.

### Numeracy

Numeracy is the skill and ability to perform basic tasks involving numbers. A numerate person can perform simple addition, subtraction, multiplication and division without the need for a calculator.

### Primary education

Primary education is the first and most basic level of education. It provides a foundation in literacy, numeracy and basic social skills development.



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## CDRI Update

### Research

A series of surveys on international labour migration to and from Cambodia has been completed as part of a larger study on *Labour Markets in Thailand and the Southeast Asian Transitional Economies*. This study is a collaborative research project of the *Development Analysis Network*, which is comprised of research institutes in Cambodia, Laos, Vietnam and Thailand. Work is also continuing on the CDRI Land Study and on the Annual Economic Review. These will be published in September and November respectively. In April, CDRI bid farewell to Research Coordinator, Martin Godfrey, who has moved to Russia. We welcome Jacqueline Desbarats as Interim Director for Research. In June Chea Huot joined CDRI as a new member of the research team. Also in June Sik Boreak attended a three-day conference in Singapore on the topic, "East Asia: From Crisis to Opportunity". This was organised by the Asia Development Forum

### Cambodian Centre for Conflict Resolution

CCCR has finalised training materials for CORE training and for training of trainers in Conflict Resolution skills. Training activity of the Centre will resume in September 2000 and continue throughout the year 2001. A set of four illustrated booklets of Buddhist teaching on conflict resolution was published in June and will be introduced to schools and adult literacy programmes over the next six months. CCCR has also completed a policy framework to guide its work in the next five year plan. CCCR continues to facilitate monthly COPCEL (Conflict Prevention for Commune Elections) meetings. The CCCR Coordinator attended the Georgetown Leadership Seminar in Washington D.C., and the International Symposium on the Role of NGOs in Conflict Prevention in Tokyo.

### Library

With recent additions, the collection in CDRI's library now totals 5,850 books, monographs and journals. Use of CDRI's reading room and lending library, which focuses on poverty alleviation, law, economics and social development, continues to increase. Over the last three months, more than 1500 students and researchers have used the library. In September, the library will publish a new catalogue for its *Cambodiana Collection* and preparations are underway to publish the library's general collection. After 10 years with CDRI, Library Manager, Be Kalyanna, resigned in order to move to New Zealand with her family. He Hin has succeeded her. Tuy Chak Riya and Sok Sethea began work as part-time Library Volunteers in June, following the departure of Meas Wat Ho at the end of May. The library is now recruiting an assistant librarian.

### English Language Programme

EU-sponsored English for specific skills training for senior government officials has continued at the Ministry of Foreign Affairs and International Cooperation. An in-house training programme in English language skills development is also in progress. The English Language Training Programme is in its final phase of operations, and will close at the end of June.

### Publications

The English and Khmer versions of CDRI's 1999 Annual Report were published and distributed in April and May, along with English and Khmer versions of CDRI's quarterly periodical, *Cambodia Development Review (CDR)*. In May CDRI's extensive Web site was revised and updated and the 1999 Annual Report was added, along with the December issue of CDR. For recent and forthcoming CDRI publications, please see page 18.

*Cambodia Development Review* is also available in Khmer

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