



# CAMBODIA DEVELOPMENT REVIEW

A Publication of the  
Cambodia Development Resource Institute

VOLUME 6, ISSUE 2

APRIL-JUNE 2002

\$4.00

## Land Transactions in Cambodia

Chan Sophal and Sarthi Acharya, of CDRI's research programme, examine data to decipher trends and patterns in land transactions in Cambodia.\*

Large-scale land transfers and sub-divisions have occurred during the decade of the 1990s in response to demographic pressures and a variety of other reasons. The resulting agricultural landlessness and land inequality have become problematic in recent years.

Land privatisation in 1989 was also accompanied by a general introduction of a market economy in 1991. There was a subsequent influx of foreign capital in the forestry and garments sectors, among others, and the population also grew very rapidly. Urban and foreign buyers and/or monied entrepreneurs began to acquire land for commercial farming, non-agricultural activities, as well as for speculation. In effect, therefore, land has become the object of demand from *multiple* stakeholders for different purposes. Some stakeholders have begun to acquire land formally while others have used informal means. In several areas the demand has exceeded supply and prices have risen dramatically. Next, with the emergence of market forces, the notions of economies and returns to scale have also implicitly crept in. Very small plots of land may be too uneconomical under the emerging crop regimes. As a result, many owners of small plots dispose of their lands in order to take up other, more viable vocations (So *et al* 2001). This is increasingly happening with land sub-division during succession and inheritance. The preferred practice is to sell rather than lease or rent land, since there is relatively low security of tenure in the absence of formal ownership rights and a non-partisan governance system.

There are no comprehensive data available so far with which to trace the extent of land transactions and



Almost 80 percent of the formal agricultural land transactions *outside* Phnom Penh were entered into by Phnom Penh residents. Formal purchases peaked in 1996, and have been falling since then.

reasons for this inequality. The General Department of Cadastre and Geography (GDCG), now attached to the Ministry of Land Management, Urban Planning and Construction (MLMUPC), keeps records of official land transactions for all types of land in the country. As on June 30, 2001, there were a total of 15,796 records available with the department, which included residential lands (8,915 records) and agricultural lands (6,881 records), in both rural and urban areas for the period 1995-2001. The purpose of this article is to examine data contained in these records, to decipher trends and patterns in land transactions.

Before proceeding further, it is important to bear in mind that these records belong to a limited set of only

### In This Issue

Land Transactions in Cambodia .....	1
Agrarian Situation in Contemporary Cambodia.....	5
Learning for Transformation.....	9
Economy Watch — External Environment .....	12
— Domestic Performance .....	14
— Economic Indicators .....	17
Glossary .....	19
CDRI Update .....	20

\* This article has been abridged from the report on Land Transactions in Cambodia—An Assessment of Transfer and Transaction Records. The full report will be published as a CDRI Working Paper in May 2002.

about 518,000 plots for which formal titles have been issued, out of a total of about 4.5 million (residential plus agricultural) for which receipts have been issued. This implies that the number of transactions recorded is from a very small and select subset. Since almost 90 percent of the plots are informally held, any transactions involving them are not included here.

### Official Transactions in Agricultural Land

There were a total of 6,881 transactions recorded in agricultural lands and 8,915 in residential lands, after some 50 entries were deleted during data cleaning. In terms of area, more agricultural land was traded than residential land. A total area of 17,146 hectares of agricultural land was *formally* transacted between 1995 and 2001, compared to 1,362 hectares of residential land. For space limitation, the current article hereafter discusses only transactions of agricultural land. Land transactions in Phnom Penh are also not included since they are not maintained by MLMUPC. Agricultural land herein includes land that is cultivated as well as that which is not yet cultivated but earmarked for cultivation in the future.

Table 1 shows trends in agricultural land transactions by provinces classified in two groups (i.e. large-town and small-town provinces), between 1995 and 2001, under the assumption that the two would have different levels of market development. Transfers in agricultural lands were remarkably high in the period 1995-7, which peaked in 1996 when 2,010 transactions involving 5,061 hectares took place. Since then, the activity has slowed. A close association between land markets and economic activities in general has been noted.

Interestingly enough, most of the officially recorded land transactions in the large-town provinces took place in just two provinces, Kandal and Sihanouk Ville. About 2,000 transactions took place in each of the two provinces, covering nearly 10,000 hectares. A sizeable part of Kandal's agricultural land has been converted to factory sites and residential land as urbanisation spills-

over beyond the Phnom Penh area. In addition, a number of large parcels have been bought up and neatly fenced in anticipation of more factories and commercial activities to come up in the future. The case is somewhat different in Sihanouk Ville, a coastal town where activities related to maritime trade have made their own demands on land. In Sihanouk Ville, a large part of the agricultural land sold has also been cleared from the forest, which is now the protected "Kbal Chhay National Park".

Battambang, well known for its high quality rice production, is a province where considerable rice land has changed hands in recent years, according to the small sample studies presented in the next section. However, this is not reflected in the official data presented below. There were only 114 formal transactions in that province, covering an area of 128 hectares, between 1995 and 2001. This accounted for only about 1.6 percent of the total officially recorded transactions of agricultural land in the country. Evidently, the majority of agricultural land transactions there have been informal. The distance of the province from Phnom Penh, the expensive transportation, other expenses involved in formal registration and transaction, and harassment, all inhibit farmers from following the formal channel. This, in all probability, would also hold true for Banteay Meanchey and other similarly distant provinces.

### Location of Buyers and Sellers

Between 1995 and 2001, a substantial number of purchasers of agricultural land resided in large-town provinces. Out of 6,637 agricultural land transactions *outside* Phnom Penh, almost 80 percent were purchased by Phnom Penh residents. Of the 805 transactions made in the distant province of Koh Kong, 418 parcels were purchased by Phnom Penh residents. In this data set, Phnom Penh buyers obtained about 85 percent of the total land area transferred in these transactions. This at one level reinforces the point about the concentration of wealth in the hands of urban dwellers, particularly in Phnom Penh. Even though the overall acreage that exchanged hands is small, such transactions

raise concerns about the disadvantage that the rural poor face regarding their access to natural resources in the regions where these lands are located. The widening gap between the rich and poor is of course also of great concern.

However, this observation has been made based on formal transactions that the data set reports, i.e. lands that have titles and have been formally transferred. Buyers from Phnom Penh, who in all probability would also have been the most educated, may have insisted on having proper papers for land transactions. Also, since they reside at a location different from the purchased land, they may have insisted on having

**Table 1. Official Transactions of Agricultural Land by Province between 1995 and 2001**

Location of land Transacted	Number of transactions							Total (1995-2001)	
	1995	1996	1997	1998	1999	2000	2001*	Number	Percent
Large-town provinces	1,055	1,330	1,154	434	334	119	90	4,516	66%
Kandal	640	791	465	143	159		..	2,204	32%
Siem Reap	9	41	19	8	19	29	10	135	2%
Sihanouk Ville	383	463	569	206	114	68	14	1,817	26%
Battambang	17	29	27	12	29	..	..	114	2%
Kampong Cham	6	6	74	65	13	16	66	246	4%
Small-town provinces	101	680	488	325	443	208	120	2,365	34%
Banteay Meanchey	..	3	5	22	17	20	40	277	2%
Kampong Chhnang	16	188	272	99	52	46	3	676	10%
Kampong Speu	27	84	59	23	34	16	2	245	4%
Kampot	19	66	18	27	49	19	12	210	3%
Koh Kong	34	307	97	77	225	61	4	805	12%
Takeo	..	9	14	41	34	7	12	117	2%
Other provinces	5	24	23	36	23	46	47	204	3%
<b>Total</b>	<b>1,156</b>	<b>2,010</b>	<b>1,642</b>	<b>759</b>	<b>777</b>	<b>327</b>	<b>210</b>	<b>6,881</b>	<b>100%</b>

such papers in order to ensure some tenural security. In contrast, buyers from rural areas, including those from the peasantry, may not have known or made the effort to pursue paperwork while making transactions. Hence, their names are not found in this data set. There is therefore no definitiveness about this observation.

After peaking in 1996, the number of transactions entered into by Phnom Penh inhabitants declined drastically. Formal purchases of agricultural land by Phnom Penh residents numbered only 198 in 2000, a dramatic drop from 1,757 in 1996. This decline may be explained by the slowdown of economic activities, rising land prices, as well as diminishing prospects for favourable profitability from speculation or other land uses.

Of the total buyers, 86 percent belonged to districts other than from where the land was located. Similarly, 48 percent of the sellers belonged to districts other than from where they sold their land. Evidently, some land that has been transacted was earlier purchased or acquired for speculative purposes. Also many may have bought and sold land to relocate themselves to areas of their choice. These data thus indicate that through this period, the relocation and settlement of people was still not complete after their dislocation in the 1970s and 1980s.

Another observation relates to the fact that there are many more urban buyers of land than rural. This partly could be explained by the large numbers buying land belonging to Phnom Penh and partly to the manner in which urban and rural areas are defined in the Cambodian statistical system. However, some part of the truth is that land *is* passing from rural to urban areas.

### Findings from Small Sample Field Inquiries

In an attempt to supplement the findings of the land market situation in Cambodia, a small sample survey using both quantitative and qualitative methods was undertaken in five provinces: Kandal, Kampong Cham, Kampong Speu, Battambang, and Sihanouk Ville. In each province, two communes in each of two districts were selected as interview sites. Thus there were a total of 20 communes from 10 districts selected for the study. The interviewees were the district cadastral office and commune chiefs as well as various other knowledgeable persons. The main purpose of this research was to obtain information on the magnitude, characteristics and trends in informal land transactions. Another objective was to find out whether the tax on land sales inhibits people from registering land transactions.

### Trends in Land Transactions

The interviews revealed that a few, sporadic land transactions were initiated as early as in the mid-1980s, although private ownership of land was not formally promulgated until 1989. The interviewees had *records* only of those lands that were transacted with their con-

sent or knowledge. Since many transactions, both formal and informal, by-passed them, none had records of *all* the land transactions.

The interviewees said that in the recent years, the number of land transactions was highest in 1996 in most communes and districts. This coincides with the findings from the data set of formal land transfers maintained at the GDCG discussed above. The trends suggested by the interviewees here are no different from those indicated by the formal data: both formal and informal land sales sharply rose in the first half of 1990s, with outside buyers beginning to purchase local land around 1993-4. It was reported that purchases of land by outsiders in 1995, mainly Phnom Penh residents and foreign businesses, caused a considerable "multiplier effect" in the land markets, as many people sold their land and bought less expensive land from other people. This process appears to have reached a peak in 1996.

### Kinds of Land Transactions

**After peaking in 1996, the number of transactions entered into by Phnom Penh inhabitants declined drastically. Formal purchases of agricultural land by Phnom Penh residents numbered only 198 in 2000, a dramatic drop from 1,757 in 1996.**

One of the obvious reasons why land transactions are or are not carried out according to the law concerns whether or not the land is registered in the first place. In general, there are two types of official documents used for claiming own-

ership of land: receipts and certificates. As mentioned above, only 518,000 certificates, or a little over 10 percent of the total number of applications made in 1989 have been issued. Accordingly, land transactions involving certificates may constitute only a small proportion of total land transactions in Cambodia. Field interviews revealed that a significant number of households in certain areas do not even possess application receipts for their land. Some landholders have simply lost them, while others have not applied due to a lack of information or confusion about what and where to apply. There has also been failure on the part of authorities to remind landholders to apply. In a few cases the local authorities have not delivered the receipts to the people. Finally, many land plots have now been sub-divided, and as a result the original receipts have been rendered superfluous. Accordingly, many land transactions fell into one of the different forms stated below.

- i) Transactions with or without contractual agreement between the parties, in which the transaction is made without informing any local authority;
- ii) Transactions with agreement of the village level authority;
- iii) Transactions with agreement up to the commune level;
- iv) Transactions with agreement up to the district or provincial level. (This, however, is a rare case, as transactions that reach this level involve lands with certificates and are formally processed up to the GDCG in Phnom Penh);
- v) Formal transactions.

Field inquiries revealed that a significant number of land transactions, especially of small land plots fall into categories i) and ii) above. Such cases take place mostly in rural areas where the land price is low and the expenses for registration/transfer are unaffordable for most people involved. There is also no felt need for land certificates and registration since land markets in such locales have yet to evolve. In one commune for instance, the commune chief estimated that about 200 small parcels of rice land had been sold without a single certificate of proper transfer. Also, most of these transactions were carried out without informing the commune authority.

Among the many informal ways of transferring land ownership, transactions that involve the consent and approval of the commune chiefs are the most common. In certain communes, 90 percent of the total land transactions have followed this practice. The district cadastral authorities insist that the communes report all land transactions to them, despite the fact that only lands with certificates, transacted formally, require formal reporting. However, such reporting does not often take place; instead the commune chiefs routinely sign and put their stamp on a written agreement, which is taken by many to be 'official enough' to certify the ownership transfer. People either do not understand the procedure and simply accept the stamp and signature of the commune chiefs as final, or they feel that there is no other alternative even though such procedures are insufficient. At times, land transactions that have formal certificates are also not always processed up to the GDCG. A significant number of such transactions are settled at the commune level, as buyers want to avoid paying the registration over tax as well as by-pass complicated procedures.

District cadastral officials blame the commune chiefs for granting improper approvals and permitting such practices to perpetuate. On their part, commune chiefs claim that they do not grant approvals but rather merely take note of the transfer and report it to the district. They maintained that it is up to the concerned parties and not them to go to the district or other higher-level officials.

#### ***The Effect of the Registration Tax on the Official Reported Prices***

By law, land transactions are subject to a sales (or registration) tax of 4 percent. One objective of this study is to determine how, if at all, this tax inhibits people from reporting prices correctly and/or not using the formal land transaction channels.

The District Cadastral Office is responsible for evaluating land prices and the Provincial Tax Department calculates the amount to be paid. The money is deposited at the Provincial Treasury and the funds are used for meeting the expenses of provincial administration. In practice, a great deal of tax is evaded.

In the 18 communes covered, all formal transactions were taxed. However, the prices were understated in order to reduce the tax liability on the buyer. The extent of price concealment varies from one province to another, but on average only about 40 percent of the actual price paid is recorded in the official documents, suggesting a tax leakage of about 60 percent. In Kampong Cham and Battambang for instance, only about 20-30 percent of the actual price was recorded on the transfer papers, while in Kandal and Sihanouk Ville, 50-80 percent of the sale prices were recorded. In Kampong Speu the amount of leakage is reported to be 40-60 percent.

Prices are understated with the active collusion of many parties involved. First of all, none of the parties involved in the transaction wants to pay a lot of tax money. It is therefore in their interest to conceal the true price. Cadastral officials also find it beneficial to record lower prices because they are the recipients of an informal fee. A similar fee is paid to tax officials as well. In certain districts the negotiation of the tax between the *buyer* and tax officials takes place in cafe shops or in the Provincial Tax Department itself. When an agreement is reached, the tax official deposits part of the amount in the treasury while the cadastral officials work backwards to *calculate* a price, of which the amount paid into the provincial coffer would be equivalent to 4 percent. The

***Among the many informal ways of transferring land ownership, transactions that involve the consent and approval of the commune chiefs are the most common. In certain communes, 90 percent of the total land transactions have followed this practice.***

taxpayer then pays only a fraction of what s/he would otherwise have to pay according to the actual prevailing prices. In light of this evidence, the prices reported on the official land transfer documents are far from accurate. This is the reason why they are not discussed in this paper.

Some cadastral chiefs expressed resentment over the power of tax officials and claimed that they could provide the government 10 times more revenue if they were given the authority to collect the tax from land transactions. They said that prior to 1975, when the registration tax was collected by the District Cadastral Office, the system worked much better despite the fact that the tax rate was 6 percent. This was because officials at the district level are closer to the field and know the land market and prices better than officials at the Provincial Tax Department. They also said that prior to 1975 the cadastral officials and other district officials had an incentive to collect as much tax as they could because they were each given 1 percent of the total sale value.

Despite the fact that people do not actually pay as much tax as they should, interviewees reported that the registration tax discouraged them from using formal channels to transfer land ownership. It was also widely acknowledged that many people do not want certificates for their lands because the resale of registered lands is difficult as it involves tax liabilities.

*Continued on page 11*

# Agrarian Situation in Contemporary Cambodia: Overview of Case Studies in Cambodian Villages

**Sedara KIM, CDRI researcher, looks into the mechanisms and processes of agrarian change and how Cambodian households are coping with this change.\***

## Introduction

Cambodian villages were not exposed to modernisation until the advent of the colonial era. Much later, in the 1990s, after surviving different ideological regimes and wars, a cash-based economy began to take root. This began to change the socio-economic fabric in rural Cambodia. Until recently, the village was still a basic unit of rural life and it represented the essential basis of identity and organisation within which agriculture and other activities were undertaken. Cambodian villagers stereotype themselves as very different from urban dwellers: they do not leave their paddy fields easily.

Today, agrarian communities in Cambodia exhibit a broad spectrum of change across all ecological zones in the country. Non-farm activities are growing in importance, the number of cash transactions are rising, marketing activities are increasingly visible, people migrate more often, mechanisation is replacing animal draught power, and there is a shift to alternative crops. However, the agrarian situation and rural livelihoods are still far from integrated in the national economy. Moreover, few structural advances have been made at the national level. The agricultural sector still accounts for 85 percent of the total rural employment. The changes nevertheless require an examination of the emerging rural economy. Moreover, to understand the agrarian society in Cambodia, it is important to consider the emerging institutional mechanisms governing access to and control over resources, as well as the link with outside economic and political forces.

The objective of this article is to elaborate the mechanisms and processes of agrarian change and to articulate how households are coping with this change. Due to limited space, only a few key points will be highlighted here. These include a discussion of agriculture and mechanisation, migration and off-farm employment, credit schemes, and social organisation.

## Choice of Study Sites

The selection of villages for the study was based on a number of considerations: ecological variation, extent of rice production, migration, prevalence of small business activities, rice surplus and rice deficit areas, and avail-

ability of and access to natural resources. Rice surplus was found in Prey Veng and Battambang provinces, where villagers are able to obtain the surplus from inundated paddies. In both villages there, fishing also provides significant income. In Kompong Speu, the village chosen is one of the poorest and also has no forest resources. In Kandal the ecosystem is rich in fresh fish in waters along the alluvial areas of Mekong. Villagers also practise receding rice cultivation. Similar patterns of survival are also seen in Prey Veng. In Kampot the study was oriented toward non-rice cultivation. People depend on sea fishing, salt farming and petty businesses in the provincial town. Lastly, the Kompong Thom village is located within the forest. The villagers are experiencing a drastic fall in their living standards due to a decline of forest products and constraints imposed by forest concessionaires.

The different case studies presented here illustrate the diversity within peasant communities in Cambodia; these characteristics uniquely define each area even though rice is the predominant agricultural product. The research and case studies were conducted using anthropological methods in the fieldwork.

## Agriculture and Mechanisation

Rice cultivation is the dominant farming system in Cambodia; *Chamkar* (plantation gardens) is another. As opposed to rice monoculture, the *Chamkar* is a polyculture, composed of vegetables, cash crops and fruits. The emergence of *Chamkar* itself represent a major diversification from rice cultivation.

The availability and quality of land, forest, and water resources determine the levels and types of activities and livelihood pursuits. A number of village studies and surveys conducted in the past provide some historical perspective on food security, agriculture, marketing of rice and mechanisation in agriculture. Recent studies based on empirical evidence describe the condition of agriculture in the village in relation to larger processes. The latter suggest that Cambodia has to an extent plunged into the realm of "quasi-capitalism" since the early 1990s (Kim 2001). Cambodian farmers have not yet fully adapted to capitalism modes of transaction such as deployment of wage labour, adoption of mechanisation, production for the market – mainly the *Chamkar* crop – and utilisation of modern infrastructure.

Agricultural activity is diverse across different regions in the country, depending on the agro-ecological zones. Due to lack of irrigation in the rice deficit villages in Kompong Speu, Kampot and Kampong Thom, rice is grown only in the rainy season and mainly for family consumption. Land preparation begins in April for the expected onset of rains, transplanting usually takes place between July and September, and rice is harvested in December and January. In this type of cultivation the harvest yield is relatively low, about 800-1200 kg per hectare. In order to enhance yields from poor quality lands farmers normally use chemical fertilisers. Long dry spells in these areas are frequent during the rainy season, raising farmers' anxieties.

\* This article forms a part of a larger study on Land and Food Security, being conducted by CDRI.

Many farmers face a rice shortage in the lean months. Some seek employment in cities or elsewhere. In the rice deficit areas mechanisation is not significant because there is lack of sufficient rice-land where machinery can be deployed. The main human labour for rice cultivation in these areas comes from family members and labour reciprocation from the community; draught power is provided through bullocks and buffaloes.

Rice in fertile areas is cultivated with the deployment of wage labour and machines (e.g. in villages of Prey Veng and Battambang). The two villages studied in each of these two provinces produce a rice surplus. In Battambang, villagers practise flood recession rice since the areas are flooded annually from Tonle Sap waters. In addition, farmers can manipulate floodwaters to cultivate dry-season rice cultivation, which normally begins in late-January and is harvested in May. In Prey Veng, farmers cultivate dry-season rice, which begins from December-April. The average yield is 2-3 tonnes per hectare. In Kandal, farmers also cultivate dry-season rice but the village under study is located in a rice-deficit region, hence farmers also rely on fishing. In Kampot too, besides rice cultivation, farmers fish to earn extra income.

Mechanisation, where it has come, has not only enabled large landowners to expand their scale of operations; it has also resulted in restructuring agrarian activities. The effect of the introduction of mechanisation in agriculture (e.g. tractor, two wheel-tiller, water-pump, threshing machine, and transportation means) exemplifies the changes in agriculture. However, such practices are not widely prevalent and exist only in rice surplus areas such as in the villages in Battambang and Prey Veng which were included in this study. The accumulation of production resources is related to land ownership and farm size. Machinery owners face some difficulties because all of the machinery, spare parts, diesel, and technology are imported from Thailand or Vietnam. The cost of maintenance is high because of the use of old machinery. Diesel prices increase almost every year, which also raises the cost of production. In Cambodian villages only few households own machinery; a majority of the farmers are dependent on renting machinery for ploughing and transportation. Consequently, poor farmers often find themselves caught in a desperate cash shortage. Also, some farmers have stopped raising cattle because of disappearing grasslands and lack of time. In Battambang, security of animals is also an issue. In the main rice-producing areas, machinery owners access outside markets and can also make profits by renting agro-equipment. They further earn income by being rice middlemen. However, even better-off farmers sometimes face constraints and lose agriculture profits, such as in times of serious flooding. This has occurred in two consecutive years, 2000-01.

Fluctuations in the price of rice have had serious implications for Prey Veng's rice surplus farmers. For ex-

ample, during harvest time one kg of unhusked rice sells for only 270 Riels, while during the rainy season the price rises to 400 Riels/kg (Sok et al 2001). This problem is less prevalent in Battambang because of a continuous demand from Thailand where the price of rice is more stable. Paddy farmers however, have no control over rice prices which are often determined by the better-off rice millers who export the product to Thailand. In Prey Veng, some wealthy rice dealers export rice to Vietnam. The government appears to have no clear policy to stop this localised rice monopolisation. Thus, farmers are also disadvantaged by existing trade practices, high fuel taxes and high costs of other inputs.

Modernisation of agriculture has emerged mostly in villages in Battambang and Prey Veng, though only in a small segment of better-off households. The cash-economy marginalises many landless peasants, female-headed households, and the indebted. In order to cope with their deteriorating situation many poor farmers have shifted to migrant work, locally as well as abroad.

***Mechanisation, where it has come, has not only enabled large landowners to expand their scale of operations; it has also resulted in restructuring agrarian activities.***

#### ***Migration Work and off-farm Employment***

Those farmers who own small rice land plots or have no farmlands are critically dependent on various kinds of off-farm/off-seasonal jobs. In Cambodia, there are few

jobs available in the village that farmers can fall back upon, though some meagre work could be found in rice cultivation and moving earth for a wage. In some areas in Kandal and Kompong Speu, people move to Phnom Penh where urban employment can be made as *moto* drivers, garment factory workers, and other unskilled jobs. Normally, villagers journey to the capital city for temporary work during the dry season or the period between transplanting and harvesting. The earnings are used for repairing houses, paying for medical expenses, meeting food shortages, repaying debts, and so on.

Landless rural workers are willing to accept all kinds of low-wage jobs because they need the cash and food to survive the lean period, and most of them are unskilled. Many young labourers, especially in Battambang province, cross the border into Thailand seeking employment. The daily wage in Thailand is 80-100 baht/day (US\$ 2-2.5) for clearing land and labouring on fish farms. Migrant workers are however, unable to sustain their families on migrant work alone due to the high brokerage bribes (at least 3000 baht) required to be paid at the border. In order to pay such large amounts, farmers often borrow money from local moneylenders at interest rates of 10-15% per month, using their farmland as collateral. Only some are able to borrow from relatives at lower interest rates. Workers might come to visit their families once every three months. A few send money back via friends in the village. Many villagers complained that it is very difficult being a migrant worker in Thailand: sometimes they are arrested by the Thai police or cheated by employers, or at times they contract fatal diseases such as malaria and dengue. In Kro Sang vil-

lage, Battambang province, three villagers died after returning from Thailand and many were taken ill.

In Kampong Speu and Prey Veng, young women venture out to work in garment factories in Phnom Penh. They earn between US\$ 60/month to US\$ 80 per month if they work over-time. Five young women from Kampong Speu and seven from Prey Veng village work in garment factories in Phnom Penh. They send money back home to alleviate the family food shortage. In Kampot, many people are locally employed in rice cultivation, digging and moving earth, and in salt farms. The average wage is 4000-5000 Riels/day.

The food security of villagers in Kampong Thom is largely dependent on logging and collecting forest products such as rattan and resin. Aside from foraging in the forest, many household members engage in selling labour for rice cultivation and clearing farmland from which they earn 2500-3000 Riels/day. With the declining access to forest products, villagers face a difficult economic situation.

Normally, in addition to wage labour in the village and exploitation of natural resources, people take up other forms of employment as transportation providers, rice middlemen, fish dealers, grocery shop keepers and small scale traders, especially in Kampot and Prey Veng provinces. The prospects of generating enough revenue from local wage labour for family subsistence are limited by the lack of jobs available in the village, low wage rates, and the seasonality of work. A certain amount of initial cash is required in order to accumulate more cash to open small businesses and invest in livestock or cash crops. For this, farmers often borrow and eventually become indebted. Hence, migrating abroad for jobs, per force becomes an important survival strategy.

#### ***Credit Schemes and Money-lending***

Most farm products are picked up and sold by middlemen in the village who travel to and from cities. These middlemen are mostly farmers who have considerable business acumen and possess money to invest. Case studies conducted in the course of the research indicated that these better-off rural dwellers are accumulating money through credits/loans, input supplies, machine services and small trading activities. As money lenders in rural communities they are efficient at collecting repayment and are usually willing to accept usufruct rights on farmlands or family assets as collateral, in the same way as was practised during the 1960s (Ebihara 1968).

In the main rice-producing areas research findings show that there are two types of credit schemes. The first is an institutional credit programme usually organised by NGOs. The second is implemented by private moneylenders who are normally either wealthier villagers or traders in the market places. While the latter lend at higher interest rates, from 15-20 percent per month, this is often the only means available to many farmers.

State-initiated programmes of institutional credit schemes are still scarce while NGO organised credit schemes are few in number (Ovesen 1996).

While many villages do not have access to institutional credit, some institutional credit from ACLEDA and Help Age existed in those villages where the research was conducted, in Kampong Speu, Kampot, and Battambang. In Kompong Speu, one NGO has set up rice banks and credit schemes. In Battambang, another NGO has initiated a rice bank and lends fertilisers. However, few villagers have accessed the programme; many of the poor are reluctant to participate for fear of having no rice or money to pay back. Some NGO-initiated credit programmes charge interest of up to 5 percent a month, which is considered cheap by local standards, but still high in absolute terms.

Indebtedness has long been recognised as a major problem of Cambodian peasants for many generations (Ovesen 1996). The high cost of medical expenses, labour, and agricultural inputs such as fertiliser and diesel means that Cambodian farmers make very little profit from their production. The price of rice and seasonal fluctuation in the rice price, as well as poor marketing facilities and infrastructure also increase farmers' vulnerability.

***The prospects of generating enough revenue from local wage labour for family subsistence are limited by the lack of jobs available in the village, low wage rates, and the seasonality of work.***

In addition to this, periodic shocks in the form of crop failures, drought, and floods such as those which for the last two years have damaged crops in Battambang, Kampong Speu, and Prey Veng, increase the fragility of rural livelihoods and food insecurity among farmers. As a consequence many farmers repeatedly experience food shortages and are obliged to borrow from moneylenders in order to overcome the family food shortage or to meet other critical expenses. This drives many vulnerable families into 'chronic indebtedness'. When peasants are unable to pay back their debts creditors might acquire all or most of their harvest and/or land.

Mortgaging farmland was found to be common everywhere in the study areas, and should be a source of concern as it often leads to disenfranchisement. In many parts of rural Cambodia, living conditions do not appear to have improved much. Increasing landlessness has forced many to migrate to cities in search jobs. These factors may in the future lead to deepen social discontent within Cambodian society.

#### **Social Organisation**

Socio-political forces are critical both in understanding the agrarian situation and in analysing the estrangement of rural society from the national economy. The Cambodian community is intertwined with informal institutions such as kinship networks and friendship. Kinship is still a basic socio-economic unit that binds people together. In anthropological literature, this indigenous mode of structuring the flow of resources so that it is shared by kinship with different families and friends, and other patron-client relations, are referred to as *generalised-*

*reciprocity* (Kim 2001). To date, little attention has been paid to the impact of this on rural society. At present there is no system of rural taxation. The local political elite nevertheless extract resources, mainly by imposing intermittent demands. Many influential people at commune and village levels can access good farmlands and also own large rice lands. Local authorities have strong bargaining power; and although village chiefs are the lowest in government rank they often wield considerable power. People need authorisation from the village or commune chiefs to hold a ceremony, to let their sons be ordained and for marriage. For these, payments are made which the commune and village authorities claim are necessary to supplement their expenses.

Exposure to the market economy since the early 1990s has created unequal wealth distribution among peasants in contemporary Cambodia rural society. Local elite and protectorates have emerged: those who own large rice lands (5 or more hectares) and mechanised equipment, and have access to markets and outside economic forces. Rice lands are also acquired however, by people who have good connections and financial links with relatives outside Cambodia. All of these factors contribute to distortion and social stratification in the village social fabric.

### Recapitulation

This article presents a variety of complex agrarian changes that affect food security and rural livelihoods in Cambodia. The introduction of mechanisation in some

areas, and migration to Thailand, are new phenomena that did not exist in the pre-1970s era. A high rate of indebtedness caused by health related problems, crop failures, lack of institutional credit schemes, depletion of natural resources, fluctuation in the prices of agricultural inputs, and lack of local employment options, are critical factors that have a direct impact on the household economy. Research findings also reveal that traditional social organisations are undergoing changes in the face of modernisation as well. The present situation allows a minority to accumulate wealth while the majority of peasants are becoming increasingly vulnerable. This deterioration of rural livelihoods contributes to social discontent within communities.

### References

- Ebihara, May (1968), *Svay: A Khmer Village in Cambodia*. PhD Dissertation, 705p, Anthropology Department, Columbia University, New York.
- Kim, Sedara (2001), *Reciprocity: Informal Patterns of Social Interaction in a Cambodian Village near Angkor Park*. Master thesis, 117p, Department of Anthropology, Northern Illinois University, USA.
- Ovesen, Jan et al (1996), *When Every Household is an Island: Social Organisation and Power Structures in Rural Cambodia*, (Uppsala Research Reports in Cultural Anthropology, No.15), Uppsala University, Stockholm, Sweden.
- Sok, Hach; C. Huot and S. Boreak (2001), *Cambodia's Annual Economic Review* (Phnom Penh: CDRI).

## Consider an Annual Subscription to all CDRI Publications

For one convenient fee, which includes delivery, it is now possible to receive all the publications CDRI produces in a calendar year. This subscription includes:

1. 4 to 6 **Working Papers**, each of which presents the results of one of CDRI's studies.
2. The collected papers from the annual **Development Analysis Network** (DAN) study which CDRI coordinates with 6 other DAN-member research institutes in Cambodia, Thailand, Laos, and Vietnam.
3. 4 issues of **CDRI's quarterly journal, Cambodia Development Review**, which publishes articles on the latest socio-economic research, key development issues and analysis of the Cambodian and regional economies.
4. **4-6 Policy Briefs which summarise findings** and policy recommendations from important CDRI studies.
5. **Monthly bilingual (English and Khmer) Flash Reports** which provide a snap shot of the Cambodian and regional economies.
6. **The Annual Economic Review**, analyses trends in key sectors of the Cambodian economy and presents comprehensive analysis of economic development and reform policy, plus key indicators of economic performance.

*A subscription to all of CDRI's publications for 2002 can be purchased anytime during the calendar year, and all materials published in 2002 prior to commencement of the subscription, will be shipped immediately.*

For prices and more information, please contact **Publications section** at **CDRI, 56, street 315, Tuol Kork, Phnom Penh, Cambodia, Tel: (023) 880-734 / 883-603, Fax: (023) 366-094, email: pubs@cdri.forum.org.kh**



# Learning for Transformation

**A research study conducted by Meas Nee and Moira O'Leary, under the auspices of Krom Akphiwat Phum, sheds light on why development efforts aimed at capacity building have had limited impact on bringing about genuine change, particularly at the village level.\***

## Research Framework

The following article represents a summary of the findings of an action oriented research project conducted under the auspices of Krom Akphiwat Phum over the period January - August 2001. The research employed a variety of qualitative methodologies and techniques, including structured reflections, in-depth interviews and case studies. A total of 35 staff from 4 Cambodian NGOs participated in the research. Forty three advisors, educators or trainers from 31 different organisations were interviewed.

The primary purpose of this research was to develop an understanding of why the development efforts aimed at capacity building, primarily through training, have not been as effective in fostering genuine change (transformation), particularly at the village level, as could have been expected. What practitioners 'see' and do in their practice depends on their understanding of development. The researchers argue that the aim of development practice should be people's increasing capacity to control their circumstances.

Current development practice is examined within the context of Cambodian culture and the more recent influences of conflict and foreign development interventions. The research showed that practitioners are struggling to accommodate what is culturally and socially acceptable and expected, and the demands of their work, which at least in theory, is calling them to behave in a very different way. Much of this tension is not at a conscious level.

## Insights and Conclusions

The research indicated that development is seen primarily in terms of poverty alleviation with current development practice principally aimed at improving economic wellbeing. Resources are provided through projects. This is generally seen to be the purpose of the development intervention. One of the main areas of concern is that the approaches and interventions into situations of injustice are not enabling people to develop their capacities to have greater control over their lives. The ten-

dency to 'do for' rather than 'do with' is more likely to result in creating dependency and maintaining the status quo than in increased confidence and promoting change.

When or if development practitioners are unconscious of the power dynamics in their relationship with villagers, or perceive these to be the norm, they tend to assume that their project activities are participatory and empowering regardless of the actual level of engagement of villagers in decision-making processes and the nature of the relationships formed. Where there is a recognition of the issues of power - that poverty is the result of inequities and unequal distribution of resources and abuses of power - there are strong feelings of apprehension about thinking and moving in this direction.

The social order of Cambodian society, reinforced by some Cambodian understandings of Buddhism, depends upon everyone respecting the social hierarchy and keeping her or his place in it. From childhood, people are taught to obey and respect those with authority. Challenging, questioning, and holding dissenting views are discouraged, conflict is seen as bad and loss of face is to be avoided at all costs. The Cambodian education system has been based on students learning by heart what the teacher taught them, with very little attention being paid to understanding and analysis. Students are given little, if any, opportunity to think independently, to question or use their own initiative. Beliefs about education (and the teaching methods adopted by society) are formative in the development of learning processes, and of attitudes towards learning and knowledge.

The combination of the hierarchical culture, patronage, and the education system has resulted in a widespread reluctance to openly oppose, disagree with or even to question those who have power. This has been exacerbated by people's experience of trauma and authoritarian leadership during war and conflict situations. Living with uncertainty for a prolonged period of time can result in loss of confidence and feelings of powerlessness, lack of trust, fear, passivity and lack of initiative.

Traditional expectations of people who have knowledge, resources and power (high status) is that they should give advice, manage and control. This militates strongly against the handing over of control and decision-making to the less powerful persons, thereby constraining their participation in any meaningful way. On the one hand the powerful assume their right to control, and on the other, the subordinates internalise and accept their powerlessness. This is evident both within organisations and in the way development practitioners conceive of their practice and intervene in the field. The habit of some practitioners to be passive and subservient - which is the expression of lack of power within themselves - has discouraged their efforts and commitment to promote change.

Personal attitudes to the existing power relations between men and women, and traditional gender roles influence how development workers perceive their work in addressing strategic gender issues. Within themselves, development practitioners are grappling with contradic-

\* This article is an executive summary of a study of the relationship between culture, values, experience, and development practice in Cambodia titled, *Learning for Transformation*. It is reproduced here with the permission of the authors. The full report can be obtained from Krom Akphiwat Phum and VBNK.

tory views of what is considered 'acceptable'. For example, many are not sure that it is always wrong for a man to hit a woman. Many practitioners are struggling to understand what is meant by gender in the Cambodian context. In addition, 'gender and development' has been distorted to mean virtually anything to do with women.

'Foreign' development influences (capacity building, organisational culture and the expectations of donors) are being laid over the underlying formative influences of culture and trauma and are also impinging on development practitioners' attitudes, beliefs and perceptions of their work. Certain values in Cambodian society such as conformity, respect and obedience, harmony and social stability are important in themselves and for the society. The research explores how newer concepts such as empowerment, participation, gender equity and social justice are understood.

There is apparent tension within NGOs between empowering people so they dare to speak and protest injustice and wanting them not to be so poor and powerless but also not wanting to create conflict or tension and disrupt the social order. Some of the characteristics of patron-client relationships are replicated within development work. Patronage encourages dependence, gratitude and maintenance of unequal relations, whereas participation assumes interdependence and equality. Respectful, trusting relationships between people who are not equals in the social order are difficult for many practitioners to envision.

In discussions with development practitioners regarding acting on or implementing the development values of participation, social justice, empowerment and gender equity - even though all of these values were shown to be encouraging behaviours which are against the cultural norms - it was only gender equity which was widely regarded as being 'against' Cambodian culture and tradition.

Non-governmental organisations (NGOs) as such are foreign to Cambodia. Formal training is but one approach to the building of capacity but it has been a central focus of the efforts of many NGOs in Cambodia. This is reinforced by the expectations of the development practitioners who believe that they need training (inputs) to develop their knowledge and skills. The development of knowledge and skills has been important in building practitioners' understanding and confidence in beginning their development practice. However, training seems to have shied away from paying due attention to the processes and changes in people's lives because (i) these are largely invisible and less tangible (ii) the focus has been on providing the goods and services and helping to meet the recipients' basic needs (outputs) rather than outcomes.

Training courses have focused on the transmission of information, particularly the technical content and have not really challenged the development practitioner to

discern their own values and to clarify how they fit in relation to development values. If the training is mainly technical it is not aimed at changing attitudes and perceptions. The 'problem' is particularly apparent in the application of knowledge about gender. Most practitioners have attended training on the theory of gender but the degree of internalisation and commitment varies from no discernible change in attitude or belief, to those who had embraced the concept to some degree.

The common reality in NGOs is hierarchical, autocratic environments with much of the decision-making power resting with the director. Hierarchy, whether in the organisation or in the field, is not conducive to participation or empowerment. It tends to diminish the sense of personal responsibility and self-discipline of staff. For many NGOs there is lack of clarity regarding their core values and these are not then evident in their organisational structures and behaviour.

The power imbalance in the donor-partner relationships is an immediate and direct consequence of the donor having the funds and the right to decide whether or not the 'partner' receives funding, and whether they will continue to receive funding. The imbalance inherent in donor/grantee relationships makes them particularly difficult relationships, even when the donor or support organisation is trying to be supportive and is sensitive to this.

The question of how we, as development practitioners, can facilitate the development process with others if we do not understand how we ourselves have developed and are developing is

crucial. It is suggested that if we ignore the need to change ourselves it is unlikely that we will be able to stimulate change in others. Practitioners tend to regard their own development process as something quite separate to that which they are attempting in the village. However, there is an inseparable link between personal change and social change. If practitioners are not striving to be caring and compassionate in their personal behaviour they are unlikely to work effectively for a caring and compassionate society. Personal development requires a disciplined process of self-reflection and contemplation about the values and purposes of our lives, and the desire and willingness to change ourselves.

The orientation of the practitioner is of primary importance for development practice. What a development practitioner brings to the situation is herself or himself. The skilled practitioner is the instrument of the development process. A practitioner, acting out of a body of knowledge, and self-knowledge - who is conscious and self-confident and takes responsibility for his/her own prejudices and preconceptions - is more likely to be effective in facilitating social change. To listen well to others, to have the capacity to be empathetic, to be focused on creating and maintaining empowering relationships, requires a well-balanced human being.

Development practitioners need to be conscious and

***Training courses have focused on the transmission of information, particularly the technical content and have not really challenged the development practitioner to discern their own values and to clarify how they fit in relation to development values.***

clear about what change is desired, confident and free to respond to situations, open to possibilities, and able 'see' what is there. What is needed is a conscious practice. Practitioners need to work on developing their own theory of practice that is organic and not a set of rules, steps or tools that are to be mechanically followed. Much more discussion and debate is needed among Cambodian development practitioners to achieve clarity about the goal of their interventions and overall efforts.

The necessity to integrate the cultural dimension into development work is apparent. The case studies undertaken by this research demonstrate how culture permeates all aspects of the development practitioner's life. Practitioners need to understand the dynamics and structures of social relationships in rural society and be alert to cultural forces and the reality that hierarchical and patron-client relationships are replicated between development practitioners and villagers, and between the director and the staff in many organisations.

Unless practitioners are liberated from their own fears they will be unlikely to be able to work in liberating ways with others. As the development practitioners themselves become free of fear and dependency and increase in confidence, they become more able to hand over the power and responsibility to the people. In development practice it is constructive if mistakes are seen as opportunities for learning. In order for this to happen, the practitioner must feel free to try new things or to ex-

plore new strategies that could respond to the real situation. This is unlikely if the culture of the organisation is such that practitioners feel they will be accused or blamed if they take initiative or if they dare to reveal their mistakes. 'Learning organisations' can only be created when the environment appears safe. A safe environment of trust and cooperation has to be consciously built within an organisation - it does not happen automatically. The value of each person's contribution needs to be acknowledged and celebrated if a team spirit is to develop, along with a shared value that the organisation's efforts can always be improved upon.

Practitioners can use their own experience, through the principles of action-learning to improve their effectiveness. However, this requires that they have the confidence to trust that they can learn from their experience and not from outside experts.

Capacity building practitioners and trainers need to understand more explicitly what the people whose capacity they are endeavouring to strengthen are facing regarding the dilemmas of development practice in Cambodia. They also need to understand the situation of the practitioner in relation to their organisation, otherwise their capacity building efforts may be of very limited value. Capacity builders need to be conscious of the factors - within themselves and within participants - which inhibit the facilitation of learning.

*Continued from page 4*

## Land Transaction...

### Conclusion

Despite a number of shortcomings in the data and information analysed here, some tentative conclusions are still permissible. First, land governance has been weak; as a result the number of land plots registered and officially transacted is a small proportion of the total land plots in the country. This has contributed to a lack of regulation over land markets, which is a necessary condition for markets to function efficiently in a free enterprise regime. Second, land markets are very unevenly developed, and there are several forms of land control and transaction that co-exist. This lack of uniformity in the land markets has resulted in more than one 'legal order', and there is a lack of clarity about the correct procedures, rules and jurisdictions. Third, the formal procedures for registering land transactions are more complicated and expensive than informal procedures, thereby excluding the poor and under-privileged from the formal system.

Land transactions, like registrations, are concentrated in the provinces that are more commercially developed. Most buyers are from Phnom Penh. Land transactions rose rapidly in the early 1990s and peaked in 1996 and then began to decline. One reason for this trend is the economic slowdown that began in 1997 in the wake of political instability.

The principal reason for transactions not to involve

the cadastral authorities is that the bulk of land parcels are not yet registered. There are also other reasons why land transactions have officially not involved the government. The fact that all *official* transactions require a tax payment is an impeding factor. Some people simply avoid the formal system because they do not have enough disposable cash to meet all the financial expenditures associated with formal land transactions.

Finally, the prices as reported in the official records appear to be significantly under-estimated in order to reduce the tax liability. The collusion between cadastral and tax officials on the one hand, and buyers and sellers on the other, to report incorrect prices in return for informal fees and reduced tax payments is an important concern in this regard.

### References

- Chan S., S. Tep, and S. Acharya (2001), *Land Tenure in Cambodia: a Data Update*, Working Paper No. 19, (Phnom Penh: CDRI)
- Sik Boreak (2000), *Land Ownership, Sales and Concentration in Cambodia*, Working Paper No. 16, (Phnom Penh: Cambodia Development Resource Institute)
- So, S., S. Real, U. Uch, R. Sy, B. Ballard and S. Acharya (2001), *Social Assessment of Land in Cambodia*, Working Paper No. 20, (Phnom Penh: CDRI)
- Williams, S. (1999), *Where has all the land gone? Review of Secondary Sources Relating to Land Tenure and Access Issues in Cambodia*, (Phnom Penh: Oxfam GB)

## Economy Watch—External Environment

Recent information suggests that the US might already be coming out of economic recession. Consumer confidence has rebounded and the unemployment rate has declined. Repeated interest rate reductions have been stopped and the inflation rate has stabilised. In Asia as well, there are signs of recovery. Commodity prices in the world markets have again begun to look up.

### World Economic Growth

To help the US economy recover from recession, the Fed has cut its interest rate eleven times in 2001, a record in a calendar year. This brought the US Central Bank's interests on federal funds rate to 1.75 percent; the lowest in 40 years. The latest economic indicators appear to suggest that this aggressive monetary policy has begun to produce some positive results: consumer confidence is improving, business inventories are increasing, the labour market is stabilising and recession in the manufacturing sector is easing.

However, for a sustained recovery, consumer spending and business investment need to grow. The problem is that both consumers and companies in the US are in deep debt. The excessive expenditures incurred during the boom period in the 1990s, which are the cause of high household and corporate debt, still inhibit further expenditures. The Fed typically cuts short-term interest rates during periods of depression in a bid to spur spending and bolster the economy, and raises them when it wants to make money more expensive and ward off possible inflation. That process has a huge reverberation on the world economy, which is still overly dependent upon the health of the American economy. Japan appears to be sinking deeper into deflation. Except for Germany, Europe has avoided recession, but it is not as powerful an engine of global growth as is the US.

In Asia, economic trouble was more serious in 2001 than expected. According to IMF's projections updated in December, world output is likely to have expanded by just 2.4 percent in 2001, compared to a growth of 4.7 percent in 2000. For the Southeast Asian economies, that include Indonesia, Malaysia, the Philippines and Thailand, IMF expects a growth of 2.3 percent in 2001 compared to 5 percent in the previous year. For the region's newly industrialised economies, that include Hong Kong, Singapore, Taiwan and South Korea, the IMF is forecasting a growth of just 0.4 percent in 2001, in contrast to 8.2 percent in 2000. Even China, whose export share constitutes a smaller proportion of GDP, and who has greatly benefited from the investment boom so far, is expected to experience a 7.3 percent growth against 8 percent in 2000.

Nevertheless, with growing indications that the global slump might soon be over, Asia's economies are preparing for an economic turnaround. Data suggest that there are improvements in key variables, and soon the region may once again be exporting its way out of trouble. According to the *Far Eastern Economic Review*, signs of a revival in the demand of electronic products are already visible, with the prices of advanced chips

doubling from their November-2001 lows. After the sharp decline in 2001, the Semi-Conductor Industry Association is predicting a better year in 2002, with global key products forecast to rise by 6 percent in 2002. They are expected to reach a growth rate of around 20 percent in 2003. With the US dollar widely forecast to retain its strength in 2002, and the Asian currencies generally expected to weaken in line with the Japanese yen, the Asian producers are likely to be the chief beneficiaries of any revival in the demand of technology products. One closely-watched leading economic indicator is the shipment-to-inventory ratio, which in the last quarter of 2001 began to rise in both South Korea and Taiwan. Cambodia will obviously benefit from this worldwide economic recovery: primarily in garment exports and expansion of tourism. However, Foreign Direct Investment (FDI) will take time to rebound because of a tight competition for FDIs from other countries.

### World Inflation and Exchange Rates in the International Markets

Prospects of worldwide economic recovery have resulted in mixed trends in inflation rates around the world. In the US, the inflation rate declined to 1.1 percent in January 2002 from 2.1 percent in October 2001. In Japan, the inflation rate declined to -1.4 percent in January 2002 from -0.8 percent in October 2001. In the Euro area, however, the inflation rate increased slightly to 2.5 percent in January 2002 from 2.4 percent in October 2001. In Asia, most economies experienced similar changes; in China and Taiwan, inflation rates increased slightly between October 2001 and January 2002, while in Hong Kong, Singapore and South Korea, inflation rates continued to decline.

In the exchange rate markets, between December 2001 and mid-March 2002, the US dollar remained stable against the euro and the Japanese yen, trading respectively at 1.12 euro and 132 yen per US dollar. However, on a day to day basis, fluctuations have been relatively strong, ranging from 1.10 to 1.15 euro per US dollar, and from 127 to 133 yen per US dollar. During the same period, the US dollar depreciated slightly against most Asian currencies. For example, the Singapore dollar traded at about 1.82 to a US dollar in mid-March 2002, down from 1.84 at the end of December 2001.

### Commodity Prices in the World Markets

Commodity prices in the world markets seem to have reacted quickly to the prospects of worldwide economic recovery. Prices of almost all strategic commodities increased during the first quarter of 2002. The price of first quality rice in Bangkok recovered significantly, trading at \$190 per tonne in January 2002, up from \$170 per tonne in November 2001. The price of rubber followed the same trend, trading at \$610 per tonne in January 2002, up from \$560 in November 2001. The prices of soybean and palm oil have, however, essentially remained stable. Moreover, it is noted that prospects of a worldwide economic recovery have had a significant

## Economy Watch—External Environment

upward impact on the prices of crude oil. Crude oil in Dubai traded at \$23 per barrel in mid-March compared to about \$17 per barrel in December.

*By Sok Hach*

**Table 1. Real GDP Growth of Selected Trading Partners, 2000–2001 (percentage increase over the previous year)**

	2000				2001				2000	2001*
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1-Q4	Q1-Q4
Selected ASEAN countries										
Cambodia	-	-	-	-	-	-	-	-	4.0	4.5
Indonesia	3.2	4.1	5.1	5.2	4.0	3.5	3.5	4.1	4.8	4.0
Malaysia	11.9	8.7	7.7	6.6	3.2	0.5	-1.3	-0.5	8.6	0.8
Singapore	9.1	8.0	10.4	10.5	4.5	-0.9	-5.6	-7.0	9.9	-3.0
Thailand	5.2	6.6	2.6	3.1	1.8	1.9	1.5	2.1	4.3	1.5
Vietnam	-	-	-	-	-	-	-	-	6.8	5.0
Selected other Asian countries										
China	8.1	8.3	8.2	7.3	8.1	7.8	7.0	6.6	8.0	7.5
Hong Kong	14.1	10.8	10.8	6.8	2.5	0.5	-0.3	-1.6	10.5	-0.4
South Korea	12.7	9.7	9.3	4.6	3.7	2.7	1.8	-	8.8	2.0
Taiwan	7.9	5.4	6.6	4.1	1.1	-2.4	-4.2	-2.7	6.0	2.5
Selected industrial countries										
Euro-11	3.8	3.9	3.3	3.0	2.5	0.2	1.3	0.6	3.4	1.5
Japan	2.4	1.1	0.5	2.5	0.2	-2.9	-0.5	-1.9	1.7	0.0
United States	5.3	6.1	5.2	3.4	2.7	1.2	0.6	0.4	4.9	1.0

Source: the International Monetary Fund, The Economist, \* CDRI Estimates based on the IMF, ADB and World Bank Projections

**Table 2. Inflation Rate of Selected Trading Partners, 2000–2001 (percentage increase over the previous year)**

	2000				2001				2000	2001*
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1-Q4	Q1-Q4
Selected ASEAN countries										
Cambodia	0.1	-2.3	-1.4	0.5	-0.8	0.1	-0.4	-0.6	-0.8	0.0
Indonesia	-0.6	6.1	5.7	5.7	9.1	11.1	12.1	12.7	3.7	8.0
Malaysia	1.5	1.4	1.5	1.7	1.5	1.6	1.4	1.2	1.5	1.6
Singapore	1.1	0.8	1.5	2.0	1.7	1.7	0.8	-0.2	1.4	1.7
Thailand	0.8	1.6	2.2	1.6	1.8	2.6	1.7	1.1	1.5	2.5
Vietnam	-1.7	-2.4	-2.2	-0.4	-1.4	-0.8	-	-	-1.7	0.0
Selected other Asian countries										
China	0.1	0.1	0.3	0.6	1.3	1.6	0.8	-0.1	0.3	1.0
Hong Kong	-5.1	-4.4	-2.9	-2.2	-1.8	-1.3	-1.1	-1.3	-3.7	-1.5
South Korea	1.5	1.4	3.2	2.9	4.3	5.3	4.3	3.4	2.3	4.5
Taiwan	1.1	1.4	1.0	2.0	-1.0	-0.0	-0.5	-0.6	1.4	0.0
Selected industrial countries										
Euro-11	2.0	2.1	2.5	2.7	2.5	3.1	2.7	2.2	2.3	2.5
Japan	-0.7	-0.7	-0.7	-0.5	-0.1	-0.5	-0.8	-1.0	-0.6	-0.5
United States	3.2	3.3	3.5	3.4	3.4	3.4	2.7	1.9	3.4	3.5

Source: the International Monetary Fund, The Economist, \* CDRI Estimates based on the IMF, ADB and World Bank Projections

**Table 3. Exchange Rates of Selected Trading Partners Against the US Dollar, 2000–2001 (period averages)**

	2000				2001				2000	2001*
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1-Q4	Q1-Q4
Selected ASEAN countries										
Cambodia (riel)	3,822	3,845	3,912	3,906	3,925	3,932	3,953	3,932	3,871	3,935
Indonesia (rupiah)	7,391	8,287	8,712	9,297	9,780	11,242	9,558	10,365	8,422	10,236
Malaysia (ringgit)	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80
Singapore (\$)	1.69	1.72	1.73	1.74	1.75	1.81	1.77	1.83	1.72	1.79
Thailand (baht)	37.4	38.6	40.9	43.3	43.2	45.4	44.8	44.3	40.1	44.4
Vietnam (dong)	14,053	14,075	14,120		14,556	14,670	14,999	15,084	14,168	14,827
Selected other Asian countries										
China (yuan)	8.28	8.28	8.28	8.28	8.28	8.28	8.27	8.28	8.28	8.28
Hong Kong (HK\$)	7.78	7.78	7.79	7.79	7.80	7.80	7.79	7.80	7.79	7.80
South Korea (won)	1,125	1,116	1,115	1,167	1,272	1,306	1,295	1,290	1,131	1,901
Taiwan (NT\$)	30.7	31.7	32.8	32.1	32.4	34.6	34.6	34.7	31.8	34.1
Selected industrial countries										
Euro-11 (euro)	1.01	1.07	1.10	1.15	1.08	1.15	1.11	1.12	1.09	1.12
Japan (yen)	107	107	108	110	118	123	121	125.5	108	122

Source: the International Monetary Fund, The Economist, \* CDRI Estimates based on the IMF, ADB and World Bank Projections

**Table 4. Selected Commodity Prices on the World Market, 2000–2001 (period averages)**

	2000				2001				2000	2001*
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1-Q4	Q1-Q4
Hardwood (logs) - Malaysia (\$/m3)	189.4	192.7	192.1	186.0	171.0	163.8	159.4	146.2	190.1	160
Hardwood (sawn) -Malaysia (\$/m3)	641.0	633.2	592.7	529.8	507.0	492.2	482.0	471.8	599.2	488
Rubber - Malaysia (\$/ton)	729.9	744.4	712.2	696.6	632.0	628.9	597.7	549.4	720.7	602
Rice - Bangkok (\$/ton)	239.8	204.5	185.4	185.1	182.0	164.7	170.4	173.3	203.7	173
Soybeans - USA (\$/ton)	212.3	223.0	200.7	209.0	202.0	186.7	205.6	188.0	211.3	195
Crude oil - Dubai (\$/barrel)	24.3	25.0	27.6	27.5	24.0	25.1	23.9	18.2	26.1	23
Gold - London (\$/fine ounce)	290.2	280.2	276.5	269.2	264.0	267.7	274.7	278.4	279.0	271

Source: the International Monetary Fund, The Economist, \* CDRI Estimates based on the IMF, ADB and World Bank Projections

## Economy Watch—Domestic Performance

Cambodia's economic performance in 2001 was not particularly affected by the sluggish global economy or the terrorist attacks on September 11, 2001. Real GDP growth for 2001 is projected to be in the range of 4-5 percent, and total economic output at US\$3.2 billion. The prime movers behind this momentum have been the growth registered in exports, mainly apparel products, and tourism. Rice production, in spite of disruption by floods, reached 4.1 million tonnes in 2001 and there was a surplus of 0.36 million tonnes in 2001. The long awaited recovery in the construction sector, meanwhile, did not materialise, and foreign direct investment too continued to contract for the third-consecutive year in 2001. Even though there was increased money supply (in riels) in the market during 2001 to meet the expenses of the Commune Council Elections, the average inflation rate in Phnom Penh city continued to be negative for the second consecutive year in 2001. A price deflation thus prevailed, both in Phnom Penh (-0.6 percent) and the provinces (-1.6 percent), during 2001. The riel depreciated slightly against the US dollar but appreciated against the Thai baht and Vietnamese dong. In the meantime, foreign trade increased 5.1 percent to US\$3.3 billion; exports rose by 4.1 percent to US\$1.4 billion while imports increased by 5.8 percent to US\$1.9 billion. Gross foreign reserves with Cambodia's Central Bank reached US\$550 million at the end of 2001 (equivalent to 3.2 months of imports of goods and services), increasing from US\$484 million at the end of 2000. Gross investment, in contrast, declined to 17.6 percent of the GDP (down from 19.2 percent in 2000).

### Economic Activity

The share of Cambodia's GNP from services and industry sectors has been rising continuously, while from agriculture, it is proportionately falling. The services sector in 2001, representing 46 percent of GDP and employing 17 percent of workers, was the strongest, with a growth of nearly 7 percent. The industrial and agricultural sectors rose by only 5 percent and 1 percent, respectively. The industry sector, representing 24 percent of GDP in 2001, employed about 7.6 percent of total workers; in contrast, agriculture contributed only 30 percent of the GDP though it absorbed up to 77 percent of the total workers. The industrial growth experienced a robust expansion due to export in the garment industry, while the services sector has been buoyant due to tourism accelerated by an open-sky policy.

The apparel industry, Cambodia's largest employer in the industry sector, has continued to grow despite apprehensions about possible adverse effects the event of September 11<sup>th</sup>, 2001, and the decline in the number of garment factories in Cambodia – they fell from 220 in 2000 to 186 in 2001. Although there was a reduction in the number of producers and the stock of capital, exports continued to surge ahead in 2001, with total exports reaching US\$1.1 billion (a 13 percent rise over 2000). This increase has mainly been achieved through an increase in productivity of capital (about 35 per-

cent) – many factories now operate two shifts. Of the total garment exports, US\$793 million (71 percent) worth were shipped to the United States, and US\$305 million (27 percent) worth to the European Union, while exports to other markets reached US\$14 million. In 2001, apparel exports to the US rose by 6 percent over 2000, while to the EU they rose by 38 percent over this period. There was no significant growth to other markets. Exports to EU markets have been rapidly rising in recent years; this growth may have resulted from Cambodian exporters increasingly recognising the depth of the EU markets, in addition to a three-year special preferential trading status that EU granted Cambodia in April 1999. For maintaining and expanding export capacity, however, Cambodia needs to think about reaching out to other apparel markets outside the US and EU. Fortunately, as of now, the US government has extended the garment-trading agreement with Cambodia for another three years, to be effective from January 1, 2002 through till December 31, 2004. The agreement allows Cambodia's garment products to enter the US under MFN status, though it limits apparel products to 12 categories. However, questions regarding the long term sustainability of the industry remain unanswered.

The garment industry has made a huge contribution hugely to Cambodian society; among its benefits are incomes from quota auction and employment of a large number of workers. The competition for export to the US and Europe, however, will soon intensify, as the number of garment producing countries, including China, join the WTO. Moreover, the Multifibre Agreement (MFA) terminates in 2005. The competition will thus become stiff even though that China will not be permitted full access to developed countries' markets immediately. Cambodia has so far not been able to take full advantage of having preferential access to the US and EU markets. This has been a shortcoming in itself. Next, high costs and low quality standards have remained impediments. Thus, it will be a daunting task to maintain this emerging industry in the future.

Tourism, the country's second foreign exchange earner, continued to grow in spite of the global economic downturn, the September 11, 2001 events, and the military response in Afghanistan that is likely to continue. Cambodia's tourism sector managed to maintain a moderate growth in 2001. The total foreign visitor arrivals to the country (by air, sea and land) reached 0.66 million persons (a nearly 30 percent rise over 2000). Of the total visitor arrivals, about 465,000 entered Cambodia by air, 29 percent of whom flew in via direct international flights to Siem Reap. Compared to 2000, the total visitor arrivals by air rose by 16 percent, while those flying directly to Siem Reap, by 54 percent. Other holiday-makers, who arrived by sea and land, rose by 71 percent, to 197,000 persons. Poipet (at the Cambodia-Thailand border) was gateway to the largest number of tourists not travelling by air.

CDRI's recent surveys in Siem Reap showed that most hotel owners and tour operators envision an opti-

## Economy Watch—Domestic Performance

mistic and profitable time ahead with regard to tourist arrival and hotel occupancy. In Siem Reap, there were 47 hotels and 112 guesthouses at the end of 2001 - they rose from 36 hotels and 70 guesthouses in 2000. Hotel occupancy rates have also risen by about ten percentage points over 2000, but because of the growing number of hotels and guesthouses and the consequent competition, many hotel owners have reduced their tariff rates by between 5-15 percent. Despite rising the number of tourist volumes rising, the proportion of revenue accruing to Cambodians is not quite as high as that being accumulated to foreign investors. CDRI's preliminary estimates point at that only about 35-45 percent of the money spent by tourists remains in Cambodia. However, despite this disproportion between local and foreign investors, many Siem Reap inhabitants are enjoying the growing influx of tourists, as well as the advantages of the improving infrastructure.

### Inflation and Foreign Exchange Rates

Deflation slows down economic performance. According to the National Institute of Statistics, Cambodia experienced deflation for the second consecutive year in 2001. The average consumer prices in Phnom Penh fell to -0.6 percent in 2001 (they fell -0.8 percent in 2000). The declining prices primarily resulted from a drastic drop in the core CPI, mainly food (-2.7 percent) and energy (-1.1 percent). The CPI in the provinces also declined; the average deflation rate hit a record low in the fourth quarter of 2001, reaching -1.6 percent. Declining prices of oil and rice have deepened the deflation in the provinces. Deflation could adversely affect producers' profits and employment.

The value of the riel continued to lose ground slightly against the US dollar through 2001, trading at an average of 3,935 riels per one dollar: it depreciated from 3,879 riels/US\$ in 2000. As stated earlier, the riel was generally strong against the Thai baht and the Vietnamese dong, which may have resulted from the dollar-pegged exchange rate policy being followed, and the large-scale dollarisation of the economy. Dollarisation could help reduce the risk premium, and avoid currency and balance of payments crises.

Prices of oil declined slightly in 2001; the average trading price of gasoline was 2,083 riels per litre and of diesel, it was 1,521 riels per litre. However, the oil price in Cambodia has remained higher than that in Thailand and Vietnam. High oil prices in Cambodia could have adverse effects on its economic growth.

### Poverty Situation – Earnings of Workers

CDRI's survey of vulnerable workers conducted in February 2002 showed that there was a significant rise in their daily incomes compared to November 2001 in the city of Phnom Penh. However, only five out of the ten vulnerable groups surveyed, earned more daily income compared to February 2001.

The average income of motorcycle-taxi drivers in Phnom Penh increased by about 43 percent compared to

what it was in the same period last year; also it is higher now than at anytime in 2001. Likewise, restaurant workers earned about 36 percent more than they did a year ago. Possible reasons are the Chinese New Year in February 2002 and an increase in tourism. About 40 percent of motorcycle-taxi drivers interviewed reported that their income was enough to support their families. CDRI also conducted an income survey of motorcycle-taxi drivers and restaurant workers in Siem Reap town. The survey found that the daily income of the motorcycle-taxi drivers in Siem Reap was about 50 percent higher than that in Phnom Penh: earning approximately 23,400 riels (US \$6) per day. Also, the restaurant workers in Siem Reap earned twice as much (almost 6,000 riels per day) as those in Phnom Penh.

The Chinese New Year appears to have brought more business to Phnom Penh in 2002. The income of skilled construction workers, porters and cyclo-drivers increased by 2.9 percent, 11.5 percent and 15.2 percent, respectively, in February 2002 compared to February 2001. However, up to 40 percent of the porters and cyclo drivers interviewed reported being indebted; hence they had to work harder to both payback loans as well as feed their families. The incomes of unskilled workers, scavengers and small vegetable sellers rose somewhat since November 2001. However, they were lower than those in February 2001, partly due to excessive crowding of workers in this segment of the market.

Even though garment industry workers are still earning reasonable wages, CDRI's survey in February 2002 showed that wages of these workers declined by 6.4 percent between February 2001 and now, and dropped 13.3 percent between November 2001 and now. Two reasons were reported. First, overtime work has been reduced for the existing workers, and new workers are employed for the night shift. About 79 percent of the workers interviewed reported a decrease in overtime work compared to November 2001. Second, according to the workers, a number of factories have recently employed a new cost-reduction strategy. They recruit temporary workers and pay them lower wages. While the minimum monthly wage for a regular worker is \$45, the wage given to a temporary, floating worker is \$30. Temporary workers could easily be laid off. Nonetheless, 62 percent of the garment workers were optimistic about their future prospects. The expenditure of each worker for living was approximately US\$20/month, which was spent on food, accommodation, transportation, clothing and personal care. Eighty six percent of the garment workers reported that they saved some small amount to support their families. Each worker spent around 2,000 riels on food per day, which is just enough for low quality food.

In a survey of five markets, 48 percent of the vendors interviewed reported an increase in their sales in February 2002 compared to November 2001. Food sellers enjoyed the highest increase (64 percent), followed by clothes sellers (40 percent). Sales of luxury items and cosmetic goods, however, increased marginally.

## Economy Watch—Domestic Performance

### Monetary Developments

According to the National Bank of Cambodia (NBC), extra Cambodian riels were injected into the market through 2001, reaching 577.8 billion riels in December 2001, up from 494.6 billion riels in December 2000. Although the number of riels in circulation increased by 50 billion, the value of the riel against the dollar remained steady. Foreign currency deposits in Cambodia's commercial banks continued to increase gradually – the total deposits reached 1,545.8 billion riels in December 2001, up from 1,245 billion riels in December 2000. In contrast, the riel deposits with the commercial banks fell by 32 percent, to 30.9 billion riels, down from 45.0 billion at the end of 2000. The slump in deposits in riels could represent a sliding confidence in the riel. In sum, the total liquidity of the banking system (as of the end of 2001) rose by 20.6 percent compared to 2000.

Meanwhile, government deposits in NBC continued to rise, reaching 75 billion riels by the end of 2001. In 2000, in contrast, the government owed 3 billion riels to the bank. Credits extended to private sector, by the commercial banks, rose 4 percent, to 933 billion riels. This increase represented the growing activities of private sector companies in the recent years. Private sector development has recently become an important agenda of the Cambodian government. Development of private sectors is a key factor to boost economic activities.

### Public Finance

Cambodia's budgetary policy has continued to aim at expanding revenue mobilisation, mainly through raising taxes and limiting expenditure on non-priority activities. According to revised figures of the Ministry of Economy and Finance, the total revenue receipts in 2001 reached 12.2 percent of GDP (1529.3 billion riels). They, however, represented only 93 percent of the planned-target of 2001, in spite of growing garment exports and tourism. This shortfall has apparently been caused by a drastic decline in custom duties on imports. Nevertheless, the 2001 total revenue receipt was 7.5 percent higher than that of 2000. Duty rates from imports would further decline in the future due to proposed reductions in tariff rates, which is a requirement of ASEAN/AFTA. According to Cambodia's 2002 *Finance Law*, the country's 2002 revenue is expected to rise to 13 percent of its GDP. A number of fiscal reforms introduced in mid-2001, it is believed, will help to achieve the target. The reforms include introducing a 10 percent tax to be levied on entertainment services, expanding VAT coverage to another 150 additional firms, improving visa-fee mobilisation through introducing a sticker system while stamping the Cambodian visa, reviewing the contract of ticket sales to Angkor Wat, and taking measures to tackle smuggling and tax evasion.

The government's total spending, including foreign financed spending, reached 2,332 billion riels in 2001. Of the total expenditure, social administration outlay amounted to 455 billion riels, military spending 405 billion riels, general administration 254 billion riels, and

economic administration 151 billion riels. The rest was spent on capital expenditure. Military spending continued to dwindle, amounting to only 3.2 percent of the GDP in 2001, down from 3.8 percent in 2000. The *Finance Law* plans to spend only 3 percent of the GDP on military in 2002.

### Private Investment and Employment

Foreign and private investors, who are the key contributors to Cambodia's economic activities, suffered from a continuing slump for a third-consecutive year in 2001. According to the Council for Development of Cambodia (CDC), only 48 new investment and expansion projects were approved, worth US\$218 million, in 2001. Compared to 2000, new investment projects declined by nearly 50 percent and new fixed assets invested fell by 18 percent. New investment in garment factories, has reduced considerably. As per the CDC records, only 19 garment factory projects were approved, worth US\$26 million in fixed assets in 2001. Compared to 2000, the number of new garment making projects dropped by 62 percent, and incremental fixed assets declined by 66 percent in 2001. Sliding foreign direct investment has continued to put downward pressure on the expansion of garment factories, and hence industrialisation, in Cambodia. There may be more than one deterrent to investments in Cambodia. Many investors and domestic entrepreneurs alike have complained about smuggling, high cost of utilities, costs associated with the bureaucracy and unfair competition due to weak commercial laws or weak law enforcement: these are important impediments. Local producers demand that the government should nurture domestic industries and restrict imports of particular products. These issues have recently been acknowledged by the government, and the concerned governmental bodies have vowed to tackle the constraints. Despite this, the slowdown of foreign investments has continued to cast a dark shadow over the country's ability to provide productive employment to its emerging labour force. According to CDRI's estimates, Cambodia needs between US\$0.5 to US\$1.0 billion in productive investment annually to provide jobs for its rapidly growing domestic labour force – and only part is forthcoming.

### Foreign Aid and External Debt

The World Bank and Asian Development Bank (combined) disbursed US\$89.3 million in the form of loans to Cambodia in 2001. Of this amount, US\$52.4 million are to be used for infrastructure rehabilitation (project aid), US\$31.4 million for social funds (project aid), US\$4.6 million for budget support and US\$0.9 million for technical assistance. Since 1993, Cambodia has borrowed continuously from the World Bank and ADB, and by the end of 2001, Cambodia's total official debt reached about US\$490 million.

*By Chea Huot and Pon Dorina*



## Economy Watch—Indicators

**Table 1. Cambodia: Main Macro-economic Indicators, 1994-2001**

	1994	1995	1996	1997	1998	1999	2000	2001*
GDP at current prices (billions of riels)	6,220	7,200	8,330	9,150	10,600	11,640	12,036	12,625
GDP at current prices (millions of dollars)	2,420	2,925	3,155	3,050	2,790	3,050	3,119	3,208
GDP per capita (dollars)	245	284	295	276	244	259	244	245
Growth rate of real GDP (1993 prices)	4.0	6.7	8.0	0.6	1.7	6.6	5.0	4.3
Agriculture	5.2	10.3	2.0	2.8	0.9	1.3	-2.4	1.0
Industry	4.8	9.0	19.3	0.4	14.0	8.9	14.6	6.9
Service	2.6	2.4	10.5	-1.5	-2.1	11.0	7.5	5.8
Inflation (in riels, final quarter basis)	17.8	3.5	9.0	9.1	12.6	0.0	0.5	-0.6
Riel/dollar parity (annual average)	2,569	2,462	2,641	3,000	3,800	3,820	3,859	3,935
Budget revenue (percentage of GDP)	9.5	8.9	9.0	9.6	8.9	11.3	11.8	12.1
Budget expenditure (percentage of GDP)	16.2	16.7	17.3	13.8	14.7	16.6	17.4	18.5
Current public deficit (percentage of GDP)	-1.4	-0.8	-1.2	0.7	-0.2	1.6	1.6	1.3
Overall public deficit (percentage of GDP)	-6.7	-7.7	-8.3	-4.1	-5.8	-5.3	-5.6	-6.4
Exports of goods (percentage of GDP)	10.6	10.8	11.4	17.9	21.8	24.8	36.1	38.3
Imports of goods (percentage of GDP)	22.6	24.4	29.3	31.8	41.4	41.2	48.4	50.6
Trade balance (percentage of GDP)	-11.9	-13.6	-17.8	-13.9	-19.6	-16.4	-12.3	-12.3
Current account balance (percentage of GDP)	-10.6	-14.0	-16.8	-12.1	-17.8	-13.6	-9.2	-8.3
External contribution to the economy (percentage of GDP)	16.9	21.0	21.2	14.5	18.3	16.4	14.5	13.4
Total savings (percentage of GDP)	19.2	22.1	27.6	22.3	26.3	23.6	19.3	18.3
Gross foreign reserves (months of imports)	1.4	1.7	2.0	2.3	3.1	3.1	3.1	3.3
Population (million)	9.9	10.3	10.7	11.1	11.4	11.8	12.8	13.1
Labour force (percentage of population)	41.1	41.2	41.4	41.6	41.9	42.2	42.5	42.9

Sources: Government data and CDRI. \* Estimated by CDRI

**Table 2. Destination of Garment Exports, 1994-2001**

	1994	1995	1996	1997	1998	1999	2000	2000	2001			
	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q4	Q1	Q2	Q3	Q4
	Millions of dollars											
United States	0.0	0.02	0.1	26.8	74.1	121.5	187.5	187.9	189.3	192.9	198.0	212.9
Rest of the world	1.0	6.6	19.6	30.0	20.5	17.0	58.8	77.3	62.8	68.8	102.7	89.0
Total	1.0	6.6	19.7	56.8	94.5	138.5	246.3	265.2	252.1	261.7	300.7	301.9
	Percentage change over previous year											
Total	-	560	200	187	66	47	78	100	29	16	0.5	13.8

Source: Ministry of Commerce, Department of Trade Preferences Systems (1994-2000, quarterly average)

**Table 3. Passenger Arrivals by International Flights at Pochentong and Siem Reap Airports, 1994-2001**

	1994	1995	1996	1997	1998	1999	2000	2000	2001			
	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q4	Q1	Q2	Q3	Q4
	Thousands of passengers											
Tourist visas	27.9	38.7	55.3	46.3	38.1	44.9	57.4	66.6	64.6	53.2	53.5	58.1
Business visas	7.1	10.6	15.8	13.9	10.7	16.0	20.6	14.7	20.0	23.2	20.9	18.3
Official visas	3.3	3.9	3.2	3.6	4.4	8.8	4.8	5.0	3.8	4.7	4.6	5.9
Total Pochentong	38.3	53.2	74.3	63.8	53.2	69.7	82.7	86.3	88.4	81.1	79.0	82.3
Total Siem Reap	-	-	-	-	2.6	7.15	33.4	32.2	41.9	23.6	30.5	36.6
	Percentage change over previous year											
Total Pochentong	29.7	38.9	39.7	-14.1	-16.6	31.0	18.7	9.1	8.2	12.2	8.2	-4.6
Total Siem Reap	-	-	-	-	-	175	367	166	111	59	52	13.7

Sources: Ministry of Economy and Finance and Ministry of Tourism (1994-2000, quarterly average)

**Table 4. Consumer Price Index (CPI), Exchange Rates and Gold Prices, 1994-2001 (period averages)**

	1994	1995	1996	1997	1998	1999	2000	2000	2001			
	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q4	Q1	Q2	Q3	Q4
	Consumer price index (percentage change over previous year)											
Provinces	-	-	-	6.1	16.3	6.2	5.4	10.4	4.8	1.3	-1.1	-1.6
Phnom Penh - All Items	-0.5	7.8	7.1	8.0	14.8	4.0	-0.8	0.5	-0.8	0.1	-0.4	-1.3
- Foods	-13.4	4.9	7.6	6.7	14.1	7.6	-3.3	-1.3	-2.6	-2.2	-2.4	-3.8
- Energy	-1.2	19.4	20.7	20.0	15.1	3.5	6.6	6.7	0.5	1.5	-3.0	-3.4
	Exchange rates, Gold and Oil prices (Phnom Penh market rates)											
Riel per US dollar	2,582	2,479	2,666	3,029	3824	3832	3,879	3,906	3,925	3,931	3,953	3,932
Riel per Thai baht	102	99	105	98	88	101	96.3	90.3	88.5	86.6	88.2	88.7
Riel per 100 Vietnamese dong	23.5	22.3	24.0	25.6	28.6	27.8	27.4	27.3	26.9	26.8	26.4	26.1
Gold prices (US dollar per chi)	45.8	45.9	46.3	40.4	36.0	34.0	33.3	32.6	32.0	32.0	33.6	33.0
Price of Diesel (Riels/litre)	750	716	779	883	1,065	1,105	1,329	1,483	1,483	1,533	1,550	1,517
Price of Gasoline (Riels/litre)	698	847	1,118	1,378	1,613	1,760	2,113	2,233	2,100	2,100	2,100	2,033

Sources: CDRI, IMF, NIS, Ministry of Planning, Ministry of Economy and Finance

## Economy Watch—Indicators

**Table 5. Average Daily Earnings of Workers, 1997–2001**

	Daily earnings (riels)									Change from last year (%)		
	1997 Pre-Jul	2000 May	2001			2002			2001 Aug	2001 Nov	2002 Feb	
			Aug	Nov	Feb	May	Aug	Nov	Feb			
Cyclo drivers	12,250	9,691	9,511	8,398	8,200	9,568	9,057	6,262	9,450	-4.8	-25.4	15.2
Porters	9,675	8,002	8,068	6,893	7,300	7,058	7,189	5,000	8,137	-10.9	-27.5	11.5
Small vegetable sellers	7,050	7,267	6,611	5,813	6,400	7,386	6,670	5,096	6,062	0.9	-12.3	-5.3
Scavengers	4,155	4,969	4,186	3,006	3,900	2,670	2,686	3,393	3,350	-35.8	12.9	-14.1
Waitresses*	–	2,030	2,250	2,335	2,600	2,600	2,683	2,358	3,543	19.2	1.0	36.3
Rice-field workers	–	4,000	4,443	4,184	4,100	3,613	4,500	3,618	3,916	1.3	-13.5	-4.5
Garment workers	–	8,272	8,500	7,410	8,300	7,500	9,165	8,968	7,772	7.8	21.0	-6.4
Motorcycle-taxi drivers	–	12,100	11,044	9,522	10,000	12,050	10,559	9,791	14,327	-4.4	2.8	43.3
Unskilled construction workers	–	6,900	8,220	5,970	7,500	8,261	5,625	4,841	7,025	-31.6	-18.9	-6.3
Skilled construction workers	–	15,600	14,891	14,517	11,200	10,306	12,375	9,866	11,530	-16.9	-32.0	2.9

Notes: Surveys on the revenue of waitresses, rice-field workers, garment workers, unskilled workers, motorcycle 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, 1994–2001 (end of period)**

	1994	1995	1996	1997	1998	1999	2000	2000	2001			
	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q4	Q1	Q2	Q3	Q4
	Billions of riels											
Net foreign assets	391	550	881	1,172	1,550	1,961	2,589	2,589	2,733	2,807	2,951	3,077
Net domestic assets	59	99	31	-109	-435	-591	-759	-759	-834	-821	-827	-868
Net claims on government	143	148	128	54	141	111	3	3	-69	-82	-73	-75
Credit to private sector	237	293	435	637	682	731	898	898	905	947	992	933
Total liquidity	450	650	912	1,063	1,116	1,370	1,831	1,831	1,899	1,985	2,124	2,209
Money	200	279	329	385	466	515	540	540	548	544	569	609
Quasi-money	250	371	583	678	655	855	1,291	1,291	1,351	1,441	1,555	1,600
	Percentage change from previous year											
Total liquidity	35.1	44.3	40.3	16.6	4.9	22.7	33.6	26.8	9.6	8.4	18.5	20.6
Money	-1.9	39.5	17.9	17	21	10.5	4.9	1.5	-0.4	-0.4	5.4	12.8
Quasi-money	93.2	48.1	57.2	16.4	-3.4	30.5	51.0	41.7	14.2	12.1	24.2	23.9

Source: National Bank of Cambodia.

**Table 7. National Budget Operations on Cash Basis, 1994–2001 (billions of riels)**

	1994	1995	1996	1997	1998	1999	2000	2000	2001			
	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q4	Q1	Q2	Q3	Q4
Total revenue	148	161	187	220	230	329	382	377	366	400	360	403
Tax revenue	91	111	134	149	169	239	274	268	263	291	261	281
Customs duties	70	80	86	87	94	108	94	104	98	105	83	90
Non-tax revenue	56	47	44	68	51	87	106	85	100	107	97	120
Forest exploitation	22	13	7	9	5	9	7	13	10	9	8	2
Post & Telecommunications	15	14	16	21	22	27	31	25	23	28	30	41
Capital revenue	0	2	10	3	9	3	2	23	3	2	2	2
Total expenditure	252	300	360	315	324	448	583	653	472	547	578	735
Capital expenditure	84	128	157	113	92	156	244	223	217	239	253	268
Current expenditure	168	172	203	202	245	291	339	430	255	308	325	467
Education and Health	23	25	31	32	33	70	86	150	27	47	52	217
Defence and Security	98	106	102	105	110	116	101	164	63	88	89	165
Other Ministries	48	41	71	65	83	103	159	116	59	139	167	272
Overall deficit	-105	-139	-173	-95	-95	-119	-201	-276	-106	-147	-218	-332
Foreign financing	108	140	170	111	67	104	192	164	184	189	205	188
Domestic financing	-3	-1	3	-16	28	15	9	112	-77	-43	-13	144

Source: Ministry of Economy and Finance: Quarterly average (1994–2000, quarterly average)

**Table 8. Investment Projects Approved, 1994–2001\***

	1994	1995	1996	1997	1998	1999	2000	2000	2001			
	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q4	Q1	Q2	Q3	Q4
	Number of investment projects											
Total	46	51	75	34	35	24	24	13	11	13	12	12
Garment	27	30	36	12	21	11	13	7	4	7	6	2
	Registered capital (millions of dollars)											
Total	116.0	89.0	97.8	69.5	104.1	61.7	25.6	24.5	5.1	15.2	15.2	93.4
Garment	26.8	28.0	39.2	8.6	22.9	13.9	6.4	4.0	1.0	6.0	8.8	2.0
	Fixed assets (millions of dollars)											
Total	303.0	76.2	186.7	190.4	212.3	118.5	66.6	56.0	10.1	29.1	16.5	161.7
Garment	25.1	25.4	39.6	9.7	30.2	19.9	19.2	7.5	5.7	8.2	10.0	2.0

Source: Cambodian Investment Board (1994–2000, quarterly average) \* Including existing investment expansion projects

## Glossary Terms Used in This Issue

**Land Transaction**

Exchange of ownership and control over land, between two or more entities, for a price.

**Land Title**

Ownership paper relating to land, appropriately authenticated by the Cadastral Authority.

**Land Receipt**

A receipt issued by the government to a person controlling a land parcel, acknowledging the claim made by that person who own the land parcel.

**Land Tenure**

A condition, form of right or title, under which land is held by its owner (s).

**Agrarian Society**

A society that lives mainly by subsistence agriculture, using traditional means of cultivation.

**Cash Economy**

Economy in which transactions take place by means of cash rather than barter or reciprocity.

**Agro-equipment**

Machinery used for farming and related activities.

**Monoculture**

Sowing and harvesting the same crop across farms, and in one season after another.

**Polyculture**

Co-existence of a multiplicity of crops, e.g. fruits and vegetables.

**Generalised Reciprocity**

Behaviour between individuals or groups, in which each gives and concedes labour, material goods or even goodwill, to the other.



### Cambodia Development Review – 2002 Subscription Rates

**Domestic Subscription (Individual)**

English edition (\$14)     Khmer edition (5,000r)    Payment by  cash or  local cheque (please add \$2 to cover bank charges for processing local cheques). Total payment enclosed.....

**Domestic Subscription (Discount Price for Bulk Orders—Five Copies)**

English edition (\$60 for five copies)     Khmer edition (20,000r for five copies)    Payment by  cash or  local cheque (please add \$2 to cover bank charges). Total payment enclosed.....

**International Subscription (Individual)**

- Thailand, Laos, Vietnam     English edition (\$25)\*     Khmer edition (\$15)\*
- Asia and Europe     English edition (\$30)\*     Khmer edition (\$20)\*
- Americas and Africa     English edition (\$35)\*     Khmer edition (\$25)\*

\* Subscription includes postage. Payment by  cash (in Phnom Penh) or  cheque (please add \$25 to cover bank charges for processing US dollar cheques). At present CDRI can accept payment from overseas only by US-dollar denominated cheque or bankers draft. Total payment enclosed

Title:     Mr     Ms     Dr     Other \_\_\_\_\_

First name: \_\_\_\_\_ Last name: \_\_\_\_\_ Position: \_\_\_\_\_

Organisation / Company: \_\_\_\_\_

Address (CCC Box if applicable): \_\_\_\_\_

City / Province: \_\_\_\_\_ Country: \_\_\_\_\_

Telephone: \_\_\_\_\_ Fax: \_\_\_\_\_

e-mail: \_\_\_\_\_  Tick to receive regular information about CDRI publications via e-mail

To subscribe simply fill in this form and return it to CDRI with your payment. Please make cheques payable to the Cambodia Development Resource Institute. Do not send cash through the post.  
Please inform the Publications Section at CDRI if your contact details change.

## CDRI Update

### CDRI

In January 2002, CDRI hosted a delegation from the US House of Representatives, Ways and Means Committee. The purpose of their visit was to seek a better understanding of trade and labour issues in Cambodia. The delegation met with various stakeholders from government, the private sector, and labour unions, and visited a number of garment factories. The annual CDRI consultation with donors and partners, held in February, provided CDRI an opportunity to report on progress made in 2001, in implementing the 2001-2005 strategic plan, and to present the Institute's programme priorities for 2002. In March 2002, CDRI in collaboration with VBNK and the Canada-Cambodia Legislative Support project, began work on a baseline survey of current practice in the National Assembly and Senate. The study is to be completed in May.

### Research

The Research Section completed a report on Land Transactions in Cambodia, which forms a part of CDRI's larger commitment to conduct policy-oriented studies on Land and Food Security. The Poverty Monitoring and Analysis Project was formally initiated in January 2002, with the joining of a National Project Director and a Deputy Director. The CDRI Research Director is providing part-time technical assistance to the PMA project until a full-time Senior Economist is recruited. A National Seminar of the Poverty Forum was also held under the aegis of this project. Meanwhile, CDRI has begun to prepare a proposal and framework for a long-term monitoring and research programme in support of decentralisation. Its aim is to strengthen local governance.

### Centre for Peace and Development

Following the Commune Elections, the monthly COP-

CEL meetings will continue as "Conflict Prevention in Cambodian Elections" in preparation for the national election in 2003. In February, CPD facilitated a meeting of media stakeholders to discuss the role of provincial media in strengthening decentralisation through commune councils. Thirteen leaders from women's NGOs and national institutions completed a course on conflict management and peacebuilding. A second Training for Peace course was also initiated. Mr Meas Savath joined the CPD team in February, thus further enhancing CPD's training and management capacity. Plans are under way for the dissemination of Mindful Mediation, a Buddhist guide to conflict management and peacebuilding, and for the revision of a Khmer-English lexicon of peace and conflict terms. CPD networking activities during this period focused largely around the Commune Elections. The CPD also facilitated a dialogue between a US House of Representatives delegation and garment sector trade unions.

### Publications

New publications include the Khmer editions of Working Paper (WP) 19 on Land Tenure in Cambodia, WP20 on Social Assessment of Land in Cambodia, and WP21, Cambodia 1999-2000, which presents an overview of the economy. Three issues of the monthly Flash report on the Cambodian Economy were also published in the first quarter.

### Library

The CDRI library was recently designated by the World Bank to be a Regional Depository Library. The library currently holds over 6900 titles on economic and social development issues, and is open to the public from 7:30-12:00 and from 2:00-5:30, Monday through Friday.

*Cambodia Development Review* is also available in Khmer

តើស្ថាប័នប្រឹក្សាភិបាលកម្ពុជា ក្រសួងសេដ្ឋកិច្ច និងហិរញ្ញវត្ថុ  
ត្រូវបានប្រើប្រាស់សម្រាប់បោះពុម្ពផ្សាយ។



**CAMBODIA**  
A Publication of the  
Cambodia Development Resource Institute  
**DEVELOPMENT REVIEW**

Volume 6, Issue 2 (April - June 2002)

*Cambodia Development Review* is published four times a year in simultaneous English- and Khmer-language editions by the Cambodia Development Resource Institute in Phnom Penh.

*Cambodia Development Review* provides a forum for the discussion of development issues affecting Cambodia. *Economy Watch* offers an independent assessment of Cambodia's economic performance.

*Cambodia Development Review* welcomes correspondence and submissions. Letters must be signed and verifiable and must include a return address and telephone number. Prospective authors are advised to contact CDRI before submitting articles, though unsolicited material will be considered. All submissions are subject to editing. CDRI reserves the right to refuse publication without explanation.

### CAMBODIA DEVELOPMENT RESOURCE INSTITUTE

PO Box 622, Phnom Penh, Cambodia

Tel: (+855-23) 368-053 / 880-734 / 883-603; Fax: (+855-23) 366-094

e-mail: [cdri@camnet.com.kh](mailto:cdri@camnet.com.kh) / [pubs@cdri.forum.org.kh](mailto:pubs@cdri.forum.org.kh)

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

Publisher: Cambodia Development Resource Institute

Acting Managing Editor: Em Sorany

Production Editor: Oum Chantha

Translator: You Sethirith

Cover Photograph: Heng Siniith

Printing: Japan Printing House, Phnom Penh

Copyright © 2002 Cambodia Development Resource Institute

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without written permission from the Cambodia Development Resource Institute.

ISSN 1560-7607

Responsibility for the ideas, facts and opinions presented in the *Cambodia Development Review* rests solely with the authors. Their opinions and interpretations do not necessarily reflect the views of the Cambodia Development Resource Institute.