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Great Lake Fish Exports: An Analysis of the Fee System

Mr. Yim Chea and Mr. Bruce McKenney of CDRI's Natural Resources and Environment Programme summarise findings from recent research on fish exports, with a focus on the impacts of the permit, license and fee system.*

Fisheries play a vital role in supporting rural livelihoods throughout Cambodia, but especially around the Tonle Sap area where more than 1.2 million people depend on the fisheries sector for employment, income, and food security. The annual inland fisheries catch has been estimated at more than 400,000 tonnes per year, making Cambodia's inland fisheries the fourth most productive in the world. Fresh and processed fish are traded widely within Cambodia, and are exported in significant quantities to neighbouring countries, and in some instances exported to more distant markets.

While Cambodia's rich inland fisheries have been promoted as a sector where Cambodia holds a 'comparative advantage' over neighbouring countries, little is known about the conditions under which fish trade occurs, and how trade affects rural incomes. CDRI recently completed research on fish exports from five landing sites around the Great Lake to Thailand (via Poipet). Objectives of this research included identifying constraints on fish trade and export, assessing the impact of these constraints on rural incomes, and making policy recommendations that support government objectives to reduce poverty and increase 'pro-poor' trade. Semi-structured interviews were conducted with more than 70 fishers, traders, wholesalers, exporters, and government officials from November 2002 to June 2003.

While a complete account of findings and recommendations from the research will be disseminated in a forthcoming publication, this article focuses on illustrating the difficulties and constraints faced by exporters, as



Sorting fish at a landing site before it is transported for export.

observed directly through travelling with some of them from landing sites to Long Koeur market just across the border in Thailand. Case study findings from a typical fish export trip are described and analysed, after which a number of recommendations are provided.

'Following the Fish': Observations from a Fish Export Trip

At the Landing Site

On the afternoon of 24 January 2003, two exporters were preparing to bring their fish from Chhnok Tru in

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* A complete account of findings and recommendations from fish export research will be published in a forthcoming CDRI Working Paper.

Kompong Chhnang province to Long Koeur market in Thailand. Both exporters described themselves as self-employed, operating independently without a license or formal business establishment. As neither exporter had enough fish to fill a pick-up truck, they had decided to share a truck to reduce trade costs. In total, they had 3,100 kg of fish (one had 2,350 kg and the other had only 750 kg) comprising 12 species that had taken two to three days to accumulate through purchases from traders.

At the floating village of Chhnok Tru, it was 4:00 p.m. when exporters started transferring fish from containers, where the fish had been stored on ice, to a *Balang* (ferry boat). The boat then brought the fish to a pick-up truck waiting at the landing site almost a kilometre away. While fish were transferred and loaded into the pick-up truck, one of the exporters applied for a transport permit issued by the Provincial Fisheries Office and the Provincial Department of Agriculture, Forestry and Fisheries. After some negotiation, only 300 kg of fish (about one-tenth of the actual amount) and three species were accounted for in the permit. According to the exporters, this is the common practice. Official fees were paid in accordance with the quantity written in the permit (300 kg) plus an additional informal fee paid to the officials issuing the permit. Next, the exporter paid fees for a 'sending goods letter' issued by Kamfime agents¹ and paid fees to other institutions as well. With permits in hand and a pick-up truck loaded with 3.1 tonnes of fish, a driver and the exporters' assistant left Chhnok Tru at 8:00 p.m.

Along the Road

The pick-up truck travelled through Kompong Chhnang along National Road No. 5 without incident. But upon reaching Pursat province, the first of many checkpoints was encountered. In all, from Pursat to Poipet in Banteay Meanchey province, a total of 13 checkpoints were observed, manned by people from various institutions such as economic police and provincial fisheries officials. Some checkpoint operators placed temporary barricades across the road to stop all traffic, while others simply emerged from roadside areas to collect fees. Occasionally, the people operating checkpoints were asleep. The driver and assistant viewed this as "lucky"

and quickly passed by without paying. In one instance, however, checkpoint operators appeared to be asleep, but were not and quickly gave chase, catching up on their motorbike. They made the driver stop and pay a fee of 100 baht (payments are typically made in Thai baht at checkpoints and the border).

For most checkpoints, fees were paid quickly without comment. But in a few cases, the shipment was delayed by intense negotiations over the fee amount. In such instances, checkpoint operators argued that the assistant must pay a higher fee due to the large quantity and high quality of fish on the truck. The assistant would counter by claiming that it was a small load of low quality fish, until eventually they would arrive at an agreed fee.

At the Border

The pick-up truck reached a parking lot at the Poipet border area around 6:30 a.m. the next day. Fees were paid to officials from the Provincial Fisheries Office and Department of Fisheries, and then the assistant hired a team of ten labourers to transfer the 3.1 tonnes of fish from the pick-up truck to a large cart, push the cart to Long Koeur market, and unload it. The assistant also hired a 'broker' to facilitate fee payments at the border to Cam-control, and the customs, immigration police, and military police of Cambodia and Thailand. The fish arrived at Long Koeur market at 11:00 a.m. and were unloaded by 1:00 p.m., about 21 hours after leaving the floating village of Chhnok Tru.

The high costs and risks of fish trade depress the prices offered to fishers and traders for their fish, which in turn reduces their income. As most of the fishers supplying exporters are small- or medium-scale, such fish trade constraints can have a significant impact on rural livelihoods.

Analysis of the Challenges to Exporting Fish

Based on analysis of fish exports from five landing sites, the shipment from Chhnok Tru to Long Koeur market can be viewed as 'representative' — it is a typical shipment made under the conditions and constraints common to fish trade and export. As the shipment illustrates, there are great challenges to profitably exporting fish from Cambodia. Profit margins are thin due to the combination of trade costs and fees (Table 1). Indeed, in some cases exporters incur losses on a shipment due to unexpectedly high fees, changes in price levels at the Thai market, and/or spoilage caused by transportation delays. The high costs and risks of fish trade depress the prices offered to fishers and traders for their fish, which in turn reduces their income. As most of the fishers sup-

Table 1. Margin and Cost Analysis: Fish Shipment of 3.1 Tonnes from Chhnok Tru to Long Koeur Market in Thailand (January 2003)

Items	Riel/kg	\$/tonne	\$/shipment
Purchase price (at floating village)	4,755	1,203.8	3,731.8
Selling price (at Thai market)	5,678	1,437.5	4,456.2
Gross margin	923	233.7	724.4
Trade costs	481	121.8	377.5
Fees	301	76.1	235.9
Profit margin	141	35.8	111.0

plying exporters are small- or medium-scale, such fish trade constraints can have a significant impact on rural livelihoods.

Table 1 shows a margin and cost analysis of the 3.1-tonne fish shipment from Chhnok Tru to Long Koeur market in Thailand. The average purchase price for fish at the Chhnok Tru floating village was 4,755 riels per kg, and these fish were sold at Long Koeur market for an average price of 5,678 per kg — a margin of 923 riels per kg (or \$234 per tonne). Trade costs, which include transportation, ice, labour, spoilage/weight loss, and other costs, amounted to \$122 per tonne. Spoilage/weight loss accounts for the largest component of these costs (more than one-third), followed by transportation and ice.

In addition to business-related trade costs, fees paid on the fish shipment amounted to \$76 per tonne, equal to one-third of total costs (trade costs plus fees) and more than double the profit margin on the shipment. In other words, if the shipment could have been made without paying fees, the profit margin on the shipment would have risen from \$111 (or \$36 per tonne) to \$347 (or \$112 per tonne) — an increase of more than 200 percent.

Detailed Summary of Fee Payments

The severe impact that fees can have on the approaches to, and profitability of, exporting fish warrants closer examination of the system. Table 2 presents a detailed summary of fees encountered during the export of the 3.1-tonne fish shipment from Chhnok Tru to Long Koeur market. In addition to fee amounts, Table 2 indicates where fees were collected, the institution collecting them, and the basis (if any) for collection. As shown, the transport permit provides the most common basis for fee collection. But significant fee amounts are also paid for the issuance of a 'sending goods letter' (Kamfime), road repair and maintenance (investment company), *pheasi*² (Ban Sambath House), and customs taxes. In total, fee payments of \$236 were made to export the 3.1-tonne shipment of fish. This involved 27 different fee payments to 15 institutions in 16 different places.

Total Fees Collected by Different Institutions

Table 3 presents the total fees paid to each fee collecting institution, some of which collect fees in several different places. For example, fisheries officials stationed at

Table 2. Summary of Fee Payments: Fish Shipment of 3.1 Tonnes from Chhnok Tru to Long Koeur Market in Thailand

Area	Items	Fees Collecting Institution	Basis	Actual Fees	
				\$/tonne	\$/shipment
Kompong Chhnang	Chhnok Tru Landing Site	Provincial Fisheries	Issue Transport Permit	2.4	7.3
		Kamfime	Issue Sending Goods Letter	4.9	15.2
		Economic Police	Check Transport Permit	1.2	3.8
		Military Police (PM)	No clear basis	0.8	2.5
	Road fee	Investment Company	Agreement with gov't allows for	6.5	20.3
Pursat	Checkpoints #1	Economic Police	Check Transport Permit	0.8	2.3
	2	Economic Police	Check Transport Permit	1.5	4.7
		Customs	No clear basis	0.8	2.3
Battambang	3	Economic Police	Check Transport Permit	N/A	a
	4	Military Police, city bridge	No clear basis	N/A	b
	5	Economic Police	Check Transport Permit	0.8	2.3
		Provincial Fisheries	Check Transport Permit	0.4	1.2
6	Police (Unidentified)	Undetermined	N/A	c	
Banteay Meanchey	7	Economic Police	Check Transport Permit	N/A	d
	8	Traffic Police	No clear basis	0.3	0.9
	9	Provincial Fisheries	Check Transport Permit	2.3	7.0
		Svay Taxi Station	No clear basis	0.4	1.2
	10	Economic Police, Teuk Thlar	Check Transport Permit	1.5	4.7
	11	Economic Police, O-Chrov	Check Transport Permit	1.5	4.7
	12	Ban Sambath House	Agreement with gov't allows for	3.0	9.3
13	DoF & Provin. Fish., Poipet	Check Transport Permit	5.3	16.3	
Border	Khmer side	Camcontrol	0.1% Duty Tax	1.5	4.7
		Customs	10% Export Tax	7.5	23.3
		Immigration Police, PM	No clear basis	4.5	14.0
	Border broker		No clear basis	7.5	23.3
	Thai side	Customs	Undetermined	18.8	58.2
		Immigration Police, PM	Undetermined	1.2	3.7
Long Koeur Market		Entrance Fees	0.9	2.8	
Total fee per shipment				76.1	235.9

Note: Fees at these checkpoints were not paid as checkers were sleeping, but typical fees were B150 at a, B10 at b, B10-B50 at c, and B100 at d.

Chhnok Tru landing site, roadside checkpoints, and the Poipet border area collected a total of five fee payments. Six payments were made to economic police (and two additional payments would have been made had checkpoint operators been awake). Fees paid to fisheries officials (Department and Provincial) accounted for only 20 percent of the total fees collected on the shipment in Cambodia. The remaining 80 percent of fees were collected by institutions that have no direct role in fisheries management (e.g., customs, economic police, and a road investment company).

Fee Payments at Different Stages of Trade and Export

In Table 4, fee payments are grouped by the stage of trade and export, including the landing site, checkpoints, the Cambodian side of border, and the Thai side of border. Notably, over half of the fees paid on the fish shipment from Chhnok Tru to Long Koeur market were collected at the border (23 percent on the Cambodian side and 32 percent on the Thai side). This suggests that any policy interventions aimed at significantly reducing fees need to address fee collection activities on both sides of the border.

Also of note, only about 20 percent of total fees were collected at the landing site — the place where fee revenue can directly support fisheries management activities. Moreover, most of this revenue is collected by institutions that are not directly involved in fisheries management. The provincial fisheries office of Kompong Chhnang — the institution responsible for fisheries

management in the area where the shipment's fish were caught — only collected a very small fraction of the total fees paid on the shipment (\$7.30 or 3 percent). Of this revenue, only about \$2.30 is collected as an official fee (for issuance of the transport permit), the remainder is an informal payment.

Actual Fees Compared to Official Fees (If Enforced)

For all fish export trips observed, including the fish shipment from Chhnok Tru to Long Koeur market, there were no instances in which official fees were paid according to the official rate. All fees were negotiated. Since most official fees are based on the fish quantity and value, the most common method for negotiating informal payments is to vastly underreport fish quantities. Such underreporting (typically from one-quarter to one-tenth of the actual amount) allows fee collectors to negotiate an informal payment on top of the much-reduced official fee. Of course, the practice of underreporting also significantly reduces the amount of fish exports recorded in official statistics.

One response to the lack of enforcement of official fee collection might be to recommend improved enforcement, but as Table 5 makes clear, such enforced compliance with official fees would likely put most (if not all) fish exporters out of business. For example, a profit of \$79 was earned on the fish shipment from Chhnok Tru to Long Koeur market after payment of \$236 in fees. However, if official fees had been enforced according to official rates, the fees collected on

Table 3. Total Fees Collected by Different Institutions: Fish Shipment of 3.1 Tonnes from Chhnok Tru to Long Koeur Market in Thailand (January 2003)

Fees Collecting Institutions	Number of different payments	Total Actual Fees		
		\$/tonne	\$/shipment	% of Fees (Cambodia)
Fisheries	5	10.3	31.8	20%
Customs	2	8.3	25.6	16%
Economic Police	6	7.2	22.4	14%
Investment Company	1	6.5	20.3	13%
Kamfimax	1	4.9	15.2	10%
Ban Sambath House	1	3.0	9.3	6%
Camcontrol	1	1.5	4.7	3%
Others ¹	6	9.8	30.2	19%
Sub Total (Cambodia)	23	51.5	159.5	100%
Thai Side of Border	4	24.6	76.4	
Total Cambodia & Thai	27	76.1	235.9	

Table 4. Fee Payments at Different Stages of Trade and Export: Fish Shipment of 3.1 Tonnes from Chhnok Tru to Long Koeur Market in Thailand (January 2003)

	Fees		Average %
	(\$/tonne)	(\$/shipment)	
Landing site	15.8	49.1	20.8
Checkpoints	18.3	56.8	24.1
Cambodian border	17.3	53.6	22.7
Sub total (Cambodia)	51.5	159.5	67.6
Thai border	24.6	76.4	32.4
Total	76.1	235.9	100.0

the shipment would have amounted to \$681, resulting in a loss of \$366 for the shipment. Moreover, this estimate assumes that all informal fees have been eliminated, such as fees paid to institutions that 'check the transport permit' or have no clear basis for fee collection. If some informal payments continued, the loss would be even greater. Clearly, prior to any efforts to improve compliance with official fees, the fee system itself needs to be revised so that its enforcement does not result in the collapse of fish exports.

Recommendations

As illustrated by the shipment from Chhnok Tru to Long Koeur market, there are great challenges to exporting fish from Cambodia, the foremost being the fee system. Presently, the high costs, uncertainty, and risks associated with the fee system depress fish prices, which in turn reduces the income earned by small- and medium-scale fishers and others working in the fisheries sector. If fee levels decreased, much of the benefit would be passed on to fishers because exporters and traders are intensely competing for fish supply. As one exporter at Kampong Luong landing site put it when asked how he would respond to a reduction in fees,

I would increase the purchasing price I offer to traders and fishers if fees were reduced, of course, because of the high competition among exporters [for fish].

Based on analysis of fish exports from Chhnok Tru, as well as four other landing sites surrounding the Great Lake, the authors recommend a significant overhaul of the permit, license, and fee system for fish trade and export. Key steps to this overhaul include the following:

Remove the in-country transport permit requirement.

Eliminating the need for a transport permit could reduce fees by as much as \$17–\$20/tonne and reduce shipment delays and aggravations. The transport permit, which was established long ago as a control mechanism for trade in a planned economy, appears to serve no useful purpose in Cambodia's free market economy. Due to widespread underreporting of fish quantities, the transport permit is also ineffective as a data collection tool.

End the contract with Ban Sambath House. Ban Sambath House has received licenses and approvals from the governor's office of Banteay Meanchey and the Ministry of Economy and Finance to collect 0.8–4 baht for every kg of fish exported. In return, Ban Sambath House pays 10 million riels (about \$2,500) annually to the Banteay Meanchey provincial treasury. Ban Sambath House provides no services to fish exporters; it only collects fees, which in practice appear to be about 0.1–0.2 baht per kg. According to the Department of Fisheries, the Ministry of Agriculture, Forestry and

Fisheries is in the process of negotiating with the Banteay Meanchey governor's office to terminate the contract. Termination would reduce fees by about \$3 per tonne.

Eliminate the 4 percent fish distribution centre fees in Battambang province.

A fisheries study by the Ministry of Commerce (2001) noted that "traders who distribute to the domestic market, and who transport fish through a province, pay the provincial distributor a 4 percent fee." Two years later, CDRI research conducted at five landing sites around the Great Lake found no such distribution fees, except in Battambang province. Consistent with actions taken in other provinces, Battambang province should eliminate this fee.

Eliminate fees collected by institutions that have no clear legal basis for collecting fees, including KAM-FIMEX.

Implementation of this recommendation will require regular monitoring of checkpoints (to determine if checkpoints have a legal basis for operation and, if so, whether they are operating in accordance with that legal basis). In addition, exporters need to be made aware, through public announcements, that KamfimeX no longer functions as the sole licensed authority for fish export. Some exporters continue to pay KamfimeX agents for a 'sending goods letter' when this is no longer necessary. Successful implementation of this recommendation could reduce fees by as much as \$14–16 per tonne.

Revise the 10 percent export tax charged by the Cambodian Customs Department.

In practice, fish exporters currently pay an export tax of about one percent to the Cambodian Customs Department, far less than the offi-

Table 5. Actual Fee Payments Compared to Official Fee Payments (if enforced): Fish Shipment of 3.1 Tonnes from Chhnok Tru to Long Koeur Market in Thailand (January 2003)

	Fees		Profit	
	(\$/Tonne)	(\$/Shipment)	(\$/Tonne)	(\$/Shipment)
Actual Fees	76.1	235.9	25.3	78.6
Official Fees (if fee payments were enforced)	219.6	680.7	(118.2)	(366.3)

cial rate. Compliance with the official rate is impossible for most (if not all) fish exporters. For example, exporters paid \$7.50 per tonne in export tax on the shipment from Chhnok Tru to Long Koeur market, but to be in compliance with the official rate, they should have paid \$70 per tonne. Such a high payment would make most fish export unprofitable. Clearly, the fish export tax needs to be revised sharply downward to better fit exporting realities. Otherwise, continued non-compliance can be expected.

Establish a 'one-stop' fee payment service. For any remaining fees on fish exports, an effort should be made to establish a one-stop fee payment service. As noted above, for the shipment from Chhnok Tru to Long Koeur market, exporters made 27 different fee payments to 15 institutions in 16 different places. Establishing one-stop fee payment service would help to eliminate the uncertainty and arbitrariness of the current fee collection system and reduce delays.

Foster linkages between fee payment and visible fisheries management services. When asked about fee payments, exporters recognised the need to provide revenue to fisheries authorities to support management activities. Where they can see a direct linkage between their fee payments and fisheries management services, they are more willing to pay fees. In contrast, exporters are not pleased about paying fees to institutions that have no role in fisheries management, operate far from the fisheries on roads or at the border, and provide no services.

However, as illustrated by the shipment from Chhnok Tru to Long Koeur market, institutions with no direct role in fisheries management collect about 80 percent of all fish export fees. Fisheries officials responsible for managing the local landing site area and fishing grounds only collect three percent of all fees. This is a striking contrast. Given widespread concern about the sustainability of Cambodia's fisheries, it seems sensible to concentrate fee collection activities at the landing site and fishing grounds where the revenue can more directly and visibly support local fisheries management.

Endnotes

¹ Kamfimech is a state-owned company that held the only license for exporting fish until late in 2001. Since that time, the role of Kamfimech has decreased significantly as other companies have obtained licenses to export fish and unlicensed export activity has increased. According to Department of Fisheries officials, there are presently more than 20 companies licensed to export fish in Cambodia.

² *Pheasi* refers to a fee that a private company is allowed to collect under an agreement with the government.

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From Planning to Action: What Can Resource Management Committees Do 'On the Ground'?

M. Marschke, a Ph.D. candidate, highlights the various grassroots activities of two resource management committees working towards community based management in Koh Kong, Cambodia.*

In part as a response to declining access to natural resources, community-based management (also known as community fisheries, community forestry or co-management) has emerged in Cambodia. Although approaches can vary, communities are actively establishing their own management areas and plans often with support from NGOs or government institutions. In 2002, for instance, there were an estimated 162 community fishery sites and 237 community forestry sites in Cambodia (McKenney & Prom 2002). Moreover, a policy environment, albeit disjointed, is being developed to support some forms of community involvement in resource management. Community forestry and community fisheries sub-decrees have been drafted and are currently under review.

Many of the community forestry and fishery sites in Cambodia have an elected resource management committee (also known as a community fisheries or forestry committee) that is responsible for guiding resource management activities. This article, based on preliminary findings from an on-going study (August 2002 – July 2003) of rural livelihoods and community-based management in Koh Sralao, Koh Kong province and Kompong Phluk, Siem Reap province, seeks to bring to light the various 'on the ground' activities of two such resource management committees. The research has involved both qualitative and quantitative research methods, including participatory research tools, in-depth household discussions, and a survey of 148 households.

* This article is drawn from research funded by IDRC and the Social Sciences and Humanities Council of Canada (SSHRC). Melissa Marschke is pursuing her Ph.D. in natural resource management at the Natural Resources Institute, University of Manitoba, Canada. She worked for the International Development Research Center (IDRC) as a Consultant with the Participatory Management of Mangrove Resources project, based in the Ministry of Environment, from 1999 – 2002.

Kompong Phluk is a commune on the Tonle Sap lake that has been practicing community-based management since the 1940s, perhaps one of the oldest examples of resource management (forestry and fisheries) known around the Tonle Sap lake; and, Koh Sralao is a coastal community in Koh Kong province that became actively involved in community-based management once their resources began being depleted. Both field sites have had donor support (more technical support than financial support), and are acknowledged as success stories for community-based management: other communities are not necessarily as well organised, interested or as active (Poffenberger 2002; PMMR 2003).

Although much could be gained from an analysis of how donor support and management planning affects community-based management activities, the focus here is on what villagers are doing 'on the ground' once they are organised and have their management plans approved. This article provides an overview of two resource management committees, highlighting how community-based management can unfold at a local level and why villagers are participating in such activities. Also probed are the strategies undertaken by resource management committees, and their ability to address issues and problems at a local level. Lessons learned include that villagers are most willing to engage in community-based management strategies when they believe that they can improve livelihoods within their community.

Community-based Management — An Overview of Two Resource Management Committees

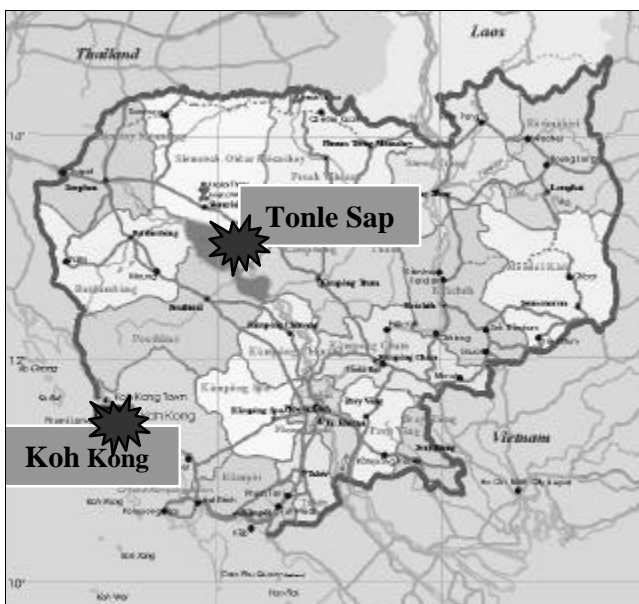
Community-based management approaches in Cambodia tend to have some similar characteristics: rules and regulations, formation of resource management committees to guide community-based management initiatives, thumb prints from villagers indicating their support for such work, demarcated areas for management and approval from some government level (i.e., provincial Governors and/or national level). Although these structures may appear similar, according to management plans and approval mechanisms, experience shows that what is happening 'on the ground' may be quite different. For instance, some resource management committees, although recognised by an appropriate government institution, remain inactive while community-based management is active in some villages even in the absence of formal organisations or official recognition/support.

Composition and operations of resource management committees vary, as illustrated by the two resource management committees discussed here. In Koh Sralao, prior to holding a committee election, villagers developed and accepted rules and regulations pertaining to resource management. Villagers then elected a commit-

I did not really think that resource management would improve our livelihoods. But, we are now able to solve some problems... We feel that our resources are improving a little bit as a result of our work

A resource management committee member and fisher 2003.

Figure 1: Two Field Areas



tee of seven people, including two women, to oversee resource management activities. The committee holds monthly meetings, but additional meetings may be held when problems arise. In contrast, the resource management committee in Kompong Phluk was elected after several meetings, and then worked together to form rules and regulations. This committee consists of nine representatives (including two women) from the three villages that form the commune. The area under management expanded with the release of fishing lot areas to the community in 2001; hence, the committee was expanded and roles and responsibilities were updated. This resource management committee holds meetings whenever something needs to be discussed or when problems arise.

Table 1 highlights key characteristics of the resource management committees in Koh Sralao and Kompong Phluk, including: (a) when resource management com-

mittees were established; (b) legal status; (c) resource management issues addressed; (d) examples of strategies for addressing issues; and (e) reasons for villagers' support of the resource management committee in their village or commune. Although both committees are relatively young, having been established in 1999 and 2000 respectively, they both have been able to experiment with different resource management strategies, thinking about what could work within their context. For example, in Koh Sralao, initial resource management practices emphasised environmental education and patrolling to prevent illegal activities, such as trawling and dynamite fishing, theft of fishing gear and charcoal production. However, over time, the resource management committee decided to enhance this work through facilitating conflict-resolution mechanisms in an attempt to find solutions that more villagers could engage in and could be implemented without donor support. One such mechanism, which will be expanded upon later, addresses conflicts over stolen fishing gear.

Although both resource management committees were initially formed to address community-based resource management issues, they view their mandate more broadly. For example, in Koh Sralao the resource management committee is also finding solutions to other community problems, such as supporting the school-teacher to stay in the village. In Kompong Phluk the resource management committee helps poor families in times of need such as providing support for funeral ceremonies. Initial analysis suggests that most villagers view their resources holistically (i.e., fishery and forestry issues are linked), and see the resource management committee as an organised body that can address issues beyond resource management. In each village, resource management committee members expressed that villagers support their work because of: (a) trust, (b) a belief that their livelihoods are improving as a result of this work, and (c) good leadership.

Table 1. An Overview of Two Resource Management Committees

	Koh Sralao	Kompong Phluk
Year established	2000	1999
Legal status	Informal – supported by agreements with Provincial Governor and Minister of Environment (is within a protected area).	Informal – supported by agreements with Provincial Governor.
Management issues addressed	Illegal fishing, from within and outside their community; charcoal production; stealing of fishing gear; declining resources; waste management; and other community issues.	Flooded forest cutting; illegal fishing, from within and outside their community; declining resources; farmland encroachment; and other community issues.
Examples of management strategies	Solving theft through innovative solutions (painting crab traps, patrolling); supporting local schoolteachers.	Engaging each village in a system of forest protection; supporting poor villagers in times of need (funerals).
Reasons for villagers' support	Key community members are involved in the committee; people trust that this committee is working for the people and see good results; village leaders openly support the committee, delegating responsibilities to it.	Villagers all believe in / trust the work of the committee; small commune so it is easy to communicate and share information; people are long-term residents, so much local wisdom.

In each area there is appropriate political support for community-based management. For example, in Koh Sralao the resource management committee leader is also a member of the Commune Council; in Kompong Phluk a member from the Commune Council acts in an advisory role to the resource management committee. While having informal or formal policy support (legislation remains pending) is one factor that can support successful community-based management, further analysis suggests that it requires motivation and problem-solving skills from the resource management committees themselves to drive this work. For instance, in both Koh Sralao and in Kompong Phluk, multiple strategies are used for dealing with illegal activities and resource declines, including creating local systems of support, getting police and technical departments to engage in patrolling and enforcement activities together with villagers, disseminating rules and regulations, and networking amongst villagers to support the resource management committee's work.

Why Participate in Community-based Management?

Villagers choose to participate in community-based management initiatives for a vast number of reasons including: (a) spiritual (e.g., to protect the forests near their pagodas); (b) political (e.g., for personal benefit or prestige); (c) historical (i.e., a tradition of resource management in the village); (d) environmental (e.g., to stop rampant resource declines); (e) economic (i.e., a belief that protection can lead to income generation for community development) and (f) relationship building (e.g., the donor can help facilitate/negotiate requests on behalf of the village). In Kompong Phluk, for example, villagers engage in resource protection for traditional reasons and as a response to farmland encroachment and resource decline.

Long before the fisheries community was set up, people loved and took care of the forest. It was not perfectly managed, though, especially in recent times. So, it was good timing to work with [NGO], for them to help us. We wanted to stop the mung bean farming near our commune and needed outside support (an Elder 2003).

For this Elder, having lived in Kompong Phluk all his life, flooded forest protection made sense since there is a history of resource management in Kompong Phluk. Elders recall protesting against watermelon farms encroaching their village area to allow for natural regeneration of the flooded forest near their village in the 1940s (Poffenberger 2002).

The experience in Koh Sralao has been quite different. Most villagers migrated to Koh Sralao after the Khmer Rouge era with the hope of cashing in on lucrative resource extraction opportunities. Resources remained relatively abundant until the 1990s, but more recent rapid resource declines have greatly affected local livelihoods, thereby motivating villagers to "do something" (Marschke 2000).

This is not to suggest that all villagers in the two communities are active in supporting the work of the resource management committees: participation does remain an issue. Multiple factors can affect who is active in a community. For example, women tend to have less opportunity to participate in management activities. In other cases, villagers cannot afford to volunteer their time towards resource management or other community activities. Consider the comment of one former resource management committee member:

Right now my livelihood situation is not very good. I need to focus on my family first. When I find a job with a secure income and finish building a house for my family then I can return to working with the resource management committee. It takes up a lot of time, and I am too worried about my family right now (a fisher 2003).

In both Koh Sralao and in Kompong Phluk multiple strategies are used for dealing with illegal activities and resource declines, including creating local systems of support, getting police and technical departments to engage in patrolling and enforcement activities together with villagers, disseminating rules and regulations, and networking amongst villagers to support the resource management committee's work.

Households do not necessarily have the choice of active participation when their immediate livelihood concerns are quite pressing. For these reasons, resource management committee members tend to be villagers that have a decent livelihood within the village context and are more influential in the village. Often, they have strong networks and relationships that they can call

upon to support their work.

Villagers' Resource Management Strategies

Since our commune is small, we work easily together. Each village is responsible for protecting one part of the forest and we are all responsible for protecting the forest near the village. (a fisher 2003).

The resource management committee in Kompong Phluk knows that the forest near their commune protects them from wind and storms. Issues that the committee addresses include: (a) forest protection; (b) illegal fishing activities; (c) resource decline; (d) farmland encroachment; and (e) other community activities. Multiple strategies are used to tackle these issues, some of which are working better than others. For example, while patrolling activities may seem to be the obvious solution to stopping illegal activities near the commu-

nity, patrolling is expensive (i.e., fuel costs; the community cannot generate enough income to support consistent patrols), risky (i.e., can escalate into conflict) and difficult to organise (i.e., lack of consistent technical support). Although resource management committee members do engage in patrolling activities with police and technical staff, they also focus on networking within the village, and outside, to strengthen their own practices and that of neighbouring communes and districts. As elsewhere in the world, peer pressure can work wonders for compliance to rules and regulations! Table 2 highlights some of the issues and the strategies devised by the resource management committee to solve these issues.

Many small-scale Cambodian fishers face similar problems: declining resources and stolen fishing gear. Moreover, stolen or destroyed gear leads to conflict, both among villagers, and with those using the same fishing grounds. In Koh Sralao, for example, crab traps were constantly being stolen, mostly by outside fishers but sometimes by villagers themselves. After several brainstorming sessions, the resource management committee decided to devise a system to enable villagers to recognise their own crab traps more easily. A resource management committee member further explains:

After many discussions we had an idea. Each group [of the eight that the village is divided into] has to mark their crab traps with the same colour. Individual owners then, using this colour, have a specific sign, for example, slash marks in certain directions indicate whose traps these are. So far, painting the crab traps has been a good solution for cutting down the stealing of crab traps. People that are caught with the wrong colour traps are fined. Or, they are asked to give back new traps. We cannot solve all the problems, but this is helping (2003).

In general, villagers are happy with this solution. One fisher commented:

I have had less traps stolen than last year. I now can sleep in the village at night, and am not afraid to leave my traps.

This solution is providing some security for fishers, and villagers are working together to watch out for boats that they do not recognise. Although crab traps do continue to get stolen, villagers felt that there was a decrease in theft and a better chance of recovery of stolen crab traps. This is one example of the type of local problem-solving initiatives engaged in by resource management committees.

Another management strategy, both in Kompong Phluk and in Koh Sralao, is the creation of fish sanctuaries within community management boundaries. A significant fishing area, such as spawning grounds or seedling area, is demarcated for strict protection. As one fisher noted:

Our fish sanctuary is located near our fishing grounds so it is easier for us to protect this area. Plenty of fish can now be found there, and this makes us realise that we need more areas where we protect fish.

Fishers themselves, along with local authorities, can monitor what is going on. Of course, if large-scale fishers decide to not respect local rules, greater technical/outside support is needed to help fishers solve the problem. The resource management committees recognise that they cannot solve all problems but with creative thinking, some issues can be addressed.

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Table 2. An Example of Village Management Strategies in Kompong Phluk

Management Issue	Management Strategy
Flooded forest cutting	Committee directs villagers to manage specific parts of the forest, reporting any illegal activities to the committee, which then investigates and tries to solve the issue (if possible).
Illegal fishing gear (push nets, electro fishing, long bamboo traps) and theft	Patrolling and fining activities for illegal gear; discussions with other communes about Kompong Phluks' rules and regulations; community members working closely with committee to stop illegal activities and to monitor their own fishing practices.
Declining resources	Creation of a 1 km ² fish sanctuary; educating people about the rules of the community; villagers encouraged to collect floating wood for firewood and to collect fuel wood outside of mature-forest areas.
Farmland encroachment	Work with provincial authorities and NGO staff to stabilize encroachment.
Other activities	Supporting poor villagers in times of need

Why are Cambodian Banks Reluctant to Lend to SMEs?*

The Mekong Private Sector Development Facility (MPDF)¹ summarises a study on Financing SMEs in Cambodia: Why do Banks Find it so Difficult?

One of the most frequently mentioned constraints that slows the growth of the private sector in Cambodia is the lack of access to medium- and long-term financing (loans with a repayment period of two to five years). This problem is particularly acute for small and medium-sized enterprises (SMEs), which make up the largest part of the private sector. Only one percent of all loans made to SMEs are for more than two years.

The issue is not that lending to SMEs is unprofitable. On the contrary, lending to SMEs is more profitable for commercial banks than lending to the general credit market. Research by the MPDF, on which this summary is based, shows that banks earn more from lending to SMEs than they do from lending to other types of borrowers such as large enterprises. The weighted average SME lending spread for the 12 banks surveyed out of a total of 17, is 18.9 percent, compared to the general average spread of 15.5 percent.

Despite the potential profits to be made from SME lending, banks are reluctant to provide medium- and long-term loans because they consider the legal and the judicial system inadequate to protect their interests. For example, the absence of a Bankruptcy Law makes it easy for companies to liquidate their assets without paying their creditors. Also, while the current Land Law recognises the legal rights of those with long-term leases, and of those who lend money based on such leases, it does not provide enough guarantee to enable a lender to take over a long-term lease should a borrower default. This means that if a bank finances an investment project based on a long-term lease, its interest in the land is not secured. Consequently, lenders are reluctant to provide financing to SMEs who lease, rather than own, land.

The law that protects borrowers' privacy is another constraint because it means that lenders have no way of checking the credit worthiness of prospective borrow-

ers. In many countries it is normal practice for banks to share information about borrowers and some have established credit bureaus where lenders can check potential borrowers' credit history.

In addition to concerns about the lack of protection offered to them by existing laws, lenders are also constrained from making medium and long-term loans because they lack confidence in the fairness of the judicial system. When banks bring cases to court, they often find themselves having to pay numerous official and unofficial fees, which can cost a bank a significant percentage of the value of its loan. Moreover, because the judicial system is perceived to be 'for sale to the highest bidder,' the outcome of cases is highly unpredictable.

In conjunction with the legal and judicial issues that contribute to the lack of medium- and long-term financing for SMEs, is weakness in the credit market itself. On the supply side, bank staff do not have the skills necessary to analyse, assess and manage the risks associated with medium and long-term loans. For example, they do not know how to price risk appropriately or how to protect the bank from unforeseen risks. All of these uncertainties lead bank staff to compensate by setting high interest rates, making the cost of borrowing too expensive for many SMEs.

On the demand side, SME borrowers often lack expertise in convincing banks to lend them money and this also discourages banks from making medium- and long-term loans. Few SMEs maintain the minimally acceptable financial records that banks need to assess risk, and many SMEs maintain no records at all. This lack of records means that banks often have no way of assessing the viability of businesses. Consequently, they raise interest rates and lend only to borrowers who have adequate collateral. Not only is collateral required, but the only collateral that most banks will accept is land and buildings in major cities — something which many SMEs simply cannot provide.

To help resolve the legal and judicial problems that bar SMEs from securing adequate financing, new commercial laws should be enacted and old ones amended such as the law that protects borrowers' privacy. In order to adjudicate business conflicts as efficiently as possible, a commercial court should also be set up separately from the criminal court system. Because it may take some time to establish a commercial court, it is suggested that an arbitration system could be set up now to allow disputing parties to resolve their differences without going to court.

Market related problems could be reduced by providing training to bank staff that would increase their skills in assessing risk and setting appropriate interest rates. This could be supplemented by encouraging the establishment of local consulting services that would help SMEs prepare effective business plans. The establishment of specialised financial institutions such as leasing

Despite the potential profits to be made from SME lending, banks are reluctant to provide medium- and long-term loans because they consider the legal and the judicial system inadequate to protect their interests.

* This article is based on the MPDF study, *Financing SMEs in Cambodia: Why do Banks Find it so Difficult?* (May 2003). For more information on the study, contact Mr. Hor Soneath, Business Development Officer for Research and Policy Dialogue, Telephone: (855)-023-210 922. Email: shor@ifc.org.

companies, supported by the passing of suitable laws such as Secured Transaction Law, could also help by giving lenders clear rights to any moveable assets they finance should borrowers default.

If recommendations such as these are followed (and MPDF is actively working on some of them with relevant partners), banks would be much more likely to provide medium- and long-term financing to SMEs—financing that they badly need to expand and modernise their operations. As is now beginning to be recognised, SMEs are Cambodia's best hope for economic growth and job creation.

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From Planning to Action...

Lessons Learned

Research undertaken on resource management committees in Kompong Phluk and Koh Sralao highlights how community-based management can evolve at a local level. Villagers are concerned about their forests and fishing areas, along with other community-level problems. Resource management committees see their work as enhancing community livelihoods, and they are willing to experiment with a range of strategies.

Villagers also perceive tangible results from this work: a few less crab traps stolen per year; denser forests; less farmland encroachment; and increased cooperation amongst villagers.

We know that the resource management committee will help us. They have taught us about mangrove replanting and about protecting our resources. There are more crabs this year near the mangroves, and we now understand the relationship between mangroves and a healthier fishery (a fisher 2003).

Although there is no baseline data to supplement villagers' perceptions of increased resources, what is important, at this point, is that villagers believe in this type of work.

Another important factor for the success of these two resource management committees is support from the Commune Council. Leadership, including the willingness to take risks, is also seen as critical to garnering the support of the local community. Both resource management committee leaders are respected within their village, and tend to be more influential within their community. Without such determination, commitment and support, these resource management committees could not be as successful.

Resource management committees have had the flexibility to address issues as they have arisen in the community. Neither committee is strictly bound by their mandate, recognising that they have the ability to problem solve around different community issues, whether this be environmental or social. For example, villagers

Endnote

¹ MPDF is a multi-donor initiative led by the International Finance Corporation (IFC), the private sector arm of the World Bank. MPDF is one of a global network of 9 SME facilities and is funded by the Asian Development Bank (ADB), Australia, Canada, Finland, France, IFC, Japan, Norway, Sweden, Switzerland and the United Kingdom. MPDF supports the establishment and growth of the private sector in Cambodia, Vietnam, and Lao PDR.

recently hauled cement and other materials for the construction of a pagoda hall, used as a meeting place for different community events, up a steep hill in Koh Sralao upon request of the resource management committee. Resource management, in a way, is a vehicle for committees to address and problem-solve a range of community-level issues!

Legislation is being drafted to support community-level initiatives, however, a critical question remains: how can policy best be implemented to serve the interests of villagers, especially for those who do not separate their resources by sector (e.g., forest, fishery)? Further investigation is required to assess how different community-based policies identified in a range of legislation and programmes (e.g., community fisheries sub-decree, community forestry sub-decree, protected areas law, land law, local governance programmes, etc.) can best support village-level work, rather than lead to fragmentation via the creation of multiple committees doing similar work. As has been shown by experiences in Kompong Phluk and Koh Sralao, community-based management can emerge in many ways. Finding flexible approaches that support creative learning and problem-solving opportunities represents an important challenge for local resource management and development.

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ECONOMY WATCH – EXTERNAL ENVIRONMENT

World Economic Growth

In the first quarter of 2003, the US economy grew by 2.1 percent over the same quarter in the preceding year. Compared to the fourth quarter of 2002, the growth rate was slightly lower at 1.9 percent though this marks an improvement on a quarter to quarter basis (the growth rate over the third and fourth quarters of 2002 was 1–1.4 percent). The improved performance was mainly stimulated by two factors: personal consumption expenditures and residential fixed investments. According to the US Bureau of Economic Analysis, consumer spending on nondurable goods, especially on food, clothing and gasoline, rose by 6.4 percent in the first quarter of 2003, compared with 5.1 percent in the last quarter of 2002. During the same period, residential fixed investments jumped by 11 percent, compared with 9.4 percent in the last quarter of 2002. The contribution of these components was reinforced by a decline in the US trade deficit. In the first quarter of 2003, US imports, both of goods and services, dropped by 7.1 percent, while they rose by 7.4 percent in the last quarter of 2002. The trade deficit narrowed by US\$ 25.3 billion adding 0.91 percentage points to growth (Bloomberg News). According to some economists, the growth rate needs to accelerate to 3 percent in order to reduce unemployment, which reached an eight-year high of 6 percent. The 1.9 percent growth in the first quarter of 2003 was constrained by the build-up to the Iraq war, which pushed crude oil prices to US\$ 29.28 per barrel — a 12 year high.

The economy in the Euro zone remained subdued with the growth rate falling from 0.7 percent in the fourth quarter of 2002 to nil in the first quarter of 2003. The economic slowdown was caused by a fall in investments by companies (1.4 percent), and a continuous decline in exports (0.6 percent) due to a stronger Euro. According to *The Economist*, industrial production in the Euro area fell by 0.3 percent in the year ending in March 2003, increasing the unemployment rate to 8.7 percent of the labour force in March, its highest for more than three years. Only a small rise in household consumption kept the region's economy from contraction. France's economy recovered from recession in the fourth quarter of 2002 (0.3 percent fall in GDP) to a growth of 1.0 percent in the first quarter 2003. During the same period, Spain's economy accelerated from 1.4 percent growth to 1.9 percent growth. The main problems especially centred on three countries: the Netherlands sank into recession with two consecutive quarters of negative growth, while Germany's GDP limped at 0.9 percent growth in the first quarter; year-on-year growth rate of the GDP was only 0.2 percent. In the year ending in March 2003, industrial production in Germany fell by 0.4 percent. The third country; Italy's GDP grew by 0.4 percent in the first quarter 2003.

Japan's economy grew by 2.6 percent in the first quarter of 2003, compared to the same quarter in 2002. In comparison with the last quarter of 2002, the Japanese economy stagnated as industrial production slowed down to 3.8 percent in the first quarter, 2003 (from 6.7

percent in the preceding period quarter) while a stronger yen did not help matters, serving to dampen exports.

Unlike other East Asian economies, China's economy accelerated over the year ending in the first quarter of 2003. China's GDP grew at 9.9 percent, its highest growth rate in six years. China's industrial output rose by 16.9 percent in the year to March 2003, resulting in huge profits earned by industrial enterprises (98 billion Yuan or US\$ 11.85 billion). Moreover, fixed asset investment rose by 27 percent annually in the first three months of 2003, while foreign trade was up more than 40 percent. In the 12-month period to March, China's trade balance posted a surplus of US\$ 22.1 billion. According to the Chinese Ministry of Commerce, foreign direct investment reached US\$ 13.09 billion in the first quarter of 2003, 56.7 percent more than 2002.

In the year ending in the third quarter of 2002, most ASEAN countries experienced slower growth in their economies (with the possible exception of Thailand). According to the Thailand Kasikorn Research Center, the Thai economy grew by 6.2 percent in the first quarter. The increasing growth was mainly buoyed by three factors: exports, current account surplus, and spending for private consumption.

World Inflation and Exchange Rates in the International Markets

In the first quarter of 2003, consumer prices in the US rose by 2.9 percent over the same period last year, and 1 percent over the fourth quarter of last year. The main reasons were large public spending on the Iraq war and higher crude oil prices. The higher price of oil caused a jump in cost of transportation, by more than 17 percent during the three-month period ending in March 2003. Also, the weaker dollar contributed to higher prices of imported goods. In the Euro area, the inflation rate was at 2.4 percent in the first quarter, 0.4 percentage point higher than the target set by the European Central Bank. In Japan, consumer prices in the first quarter continued to fall — declining by another 0.3 percent. However, this constitutes a gradual easing of deflationary pressures with the rate of price decline tapering off over the preceding 12 months.

In the first quarter of 2003, the US dollar fell to its lowest level against the Euro (at 0.93 US\$/Euro), since the second quarter of 1999. Also, the US dollar lost value against the Japanese yen by 11 percent and 4 percent compared to the first and fourth quarters of 2002.

Commodity Prices in the World Markets

In the first quarter of 2003, commodity prices rose on the world market. The price of first quality rice in the Bangkok international market and the price of rubber in the Malaysia international market rose to US\$ 198.3/tonne and US\$ 945.5/tonne, from US\$ 189.6/tonne and US\$ 834.1/tonne in the fourth quarter of 2002, respectively. Meanwhile, the price of crude oil rose to US\$ 29.28/barrel. *By Dr. Kang Chandararot, Mr. Tong Kim-sun and Ms. Pon Dorina.*

ECONOMY WATCH—EXTERNAL ENVIRONMENT

Table 1. Real GDP Growth of Selected Trading Partners, 2000—2003 (percentage increase over the previous year)

	2000			2002				2003	2001		2002
	Q1-Q4	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q1-Q4	Q1-Q4	
Selected ASEAN countries											
Cambodia	-	-	-	-	-	-	-	-	6.7	4.18	
Indonesia	4.4	3.5	4.1	2.5	3.5	3.9	3.8	3.4	3.8	3.8	
Malaysia	8.7	-1.3	-0.5	1.1	3.8	5.6	5.4	4.0	0.5	5.6	
Singapore	9.5	-5.6	-7.0	-1.7	3.9	3.7	3.0	1.6	-2.3	2.6	
Thailand	4.4	1.5	2.1	3.9	5.1	5.8	5.6	6.2*	1.9	6.1	
Vietnam		-	-	-	-	-	-	-	6.0	6.7	
Selected other Asian countries											
China	8.0	7.0	6.6	7.6	8.0	8.1	8.1	9.9	7.5	8.1	
Hong Kong	10.6	-0.3	-1.6	-0.9	0.5	3.3	5.0	4.5	0.3	5.0	
South Korea	9.1	1.8	3.7	5.7	6.3	5.8	6.8	3.7	3.0	6.1	
Taiwan	6.0	-4.2	-2.7	0.9	3.0	4.8	4.2	3.2	-2.1	4.2	
Selected industrial countries											
Euro-11	3.5	1.3	0.6	0.1	0.7	0.8	1.3	0.8	1.4	0.7	
Japan	1.6	-0.5	-1.9	-1.6	-0.7	1.3	2.8	2.6	-1.3	0.45	
United States	5.0	0.6	0.4	1.5	2.1	3.2	2.9	2.1	1.2	2.4	

Source: The International Monetary Fund and The Economist. * Project by Kasikorn Research Center

Table 2. Inflation Rate of Selected Trading Partners, 2000—2003 (percentage increase over the previous year—period average)

	2000			2002				2003	2001		2002
	Q1-Q4	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q1-Q4	Q1-Q4	
Selected ASEAN countries											
Cambodia	-0.3	-0.4	-0.6	3.4	3.3	3.5	3.0	1.8	-0.4	3.3	
Indonesia	3.7	12.1	12.7	14.5	12.6	10.2	10.3	7.7	11.3	11.9	
Malaysia	1.5	1.4	1.2	1.5	1.9	2.1	1.9	1.3	1.4	1.9	
Singapore	1.4	0.8	-0.2	-0.9	-0.4	-0.4	0.1	0.7	1.0	-0.4	
Thailand	1.6	1.7	1.1	0.6	0.2	0.3	1.4	2.0	1.8	0.6	
Vietnam	-1.7	-0.7	0.1	2.3	2.7	2.9	3.7	2.2	0.0	2.8	
Selected other Asian countries											
China	0.3	0.8	-0.1	-0.5	-0.7	-0.8	-0.6	0.5	1.0	-0.7	
Hong Kong	-3.7	-1.1	-1.3	-2.7	-3.1	-3.5	-2.9	-2.0	-1.5	-3.1	
South Korea	2.3	4.3	3.4	2.5	2.7	2.5	3.2	4.1	4.3	2.7	
Taiwan	1.4	-0.5	-0.6	-0.1	-0.1	-0.3	-0.5	0.3	0.5	-0.3	
Selected industrial countries											
Euro-11	2.3	2.7	2.2	2.5	2.0	2.0	2.3	2.4	2.6	2.2	
Japan	-0.6	-0.8	-1.0	-1.4	-0.9	-0.8	-0.5	-0.3	-0.5	-0.9	
United States	3.4	2.7	1.9	1.2	1.3	1.6	2.2	2.9	2.9	1.6	

Source: The International Monetary Fund and the Economist.

Table 3. Exchange Rates of Selected Trading Partners Against the US Dollar, 2000—2003 (period averages)

	2000			2002				2003	2001		2002
	Q1	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q1-Q4	Q1-Q4	
Selected ASEAN countries											
Cambodia (riel)	3,871	3,953	3,932	3,910	3,916	3,935	3,948	3,948	3,935	3,927	
Indonesia (rupiah)	8,421	9,558	10,365	10,078	9,076.6	8,940	9,027	8,884	10,236	9,280	
Malaysia (ringgit)	3.80	3.80	3.80	3.80	3.80	3.8	3.8	3.8	3.80	3.80	
Singapore (S\$)	1.72	1.77	1.83	1.83	1.81	1.76	1.77	1.74	1.79	1.79	
Thailand (baht)	40.1	44.8	44.3	43.77	42.78	42.09	43.4	42.7	44.4	43.0	
Vietnam (dong)	14,083	14,999	15,084	15,142	15,231	15,314	15,297	15,427	14,827	15,246	
Selected other Asian countries											
China (yuan)	8.28	8.27	8.28	8.28	8.28	8.28	8.28	8.27	8.28	8.28	
Hong Kong (HK\$)	7.80	7.79	7.80	7.80	7.80	7.80	7.80	7.80	7.80	7.80	
South Korea (won)	1,131	1,295	1,290	1,319	1,273	1,197	1,214	1,199	1,291	1,251	
Taiwan (NT\$)	31.8	34.6	34.7	35.1	33.8	33.8	34.8	34.7	34.1	34.4	
Selected industrial countries											
Euro-11 (euro)	1.08	1.11	1.12	1.15	1.09	1.02	1.00	0.93	1.12	1.07	
Japan (yen)	108	121	125.5	133.3	127.6	119.6	123.0	118	122	126	

Source: The International Monetary Fund and The Economist

Table 4. Selected Commodity Prices on the World Market, 2000—2003 (period averages)

	2000			2002				2003	2001		2002
	Q1-Q4	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q1-Q4	Q1-Q4	
Hardwood (logs) - Malaysia (\$/m3)	190.1	159.4	146.2	137.6	153.0	178.7	181.2	186.3	160.1	162.5	
Hardwood (sawn) -Malaysia (\$/m3)	599.2	482.0	471.8	479.7	493.0	536	565.4	550.4	488.3	518.5	
Rubber - Malaysia (\$/ton)	720.8	597.7	549.4	622.3	754.0	863	834.1	945.5	602.0	768.4	
Rice - Bangkok (\$/ton)	203.7	170.4	173.3	193.7	196.6	192.6	189.6	198.3	172.6	193.1	
Soybeans - USA (\$/ton)	211.3	205.6	188.0	179.9	189.8	219.3	220.0	224.5	195.6	202.3	
Crude oil - Dubai (\$/barrel)	26.1	23.9	18.2	19.9	24.3	25.4	26.2	29.3	22.8	24.0	
Gold - London (\$/fine ounce)	279.0	274.7	278.4	281.0	280.9	313.7	317.8	352.1	279.0	298.3	

Source: The International Monetary Fund and The Economist

ECONOMY WATCH—DOMESTIC PERFORMANCE

In the first quarter of 2003, the Cambodian economy looked like it was getting off to a good start. Cambodia's garment exports, which account for the largest share of total exports, grew by 27 percent over the same quarter in the preceding year. During the same period, both private and public investments appeared to be growing, with the latter increasing by 17 percent.

Due to the increase in domestic tourism, the tourism sector showed little overall sign of being affected by the anti-Thai riots in January and the outbreak of SARS. However, there were some concerns related to other economic activities: the number of construction projects fell by 12 percent; current public revenues declined slightly, while current expenditures rose by 30 percent. Monetary operations indicated a stable policy, resulting in constant rate of liquidity expansion, constant exchange rate, and a lower inflation rate in the first quarter of 2003.

Economic Activity

Cambodia exported apparel products worth US\$ 294 million during the first quarter of 2003 — US\$ 62 million more than it did a year ago. Of this, goods worth US\$ 219 million were destined for the US market (Ministry of Commerce). Compared to the last quarter of 2002, garment exports to the US declined by 7 percent in the first quarter of 2003. In general, garment exports in the beginning of the year are usually less than that of the end of year. It would, therefore, be reasonable to expect exports to increase during the latter half of the year, except that garments manufacturers reported they were rushing through their orders through in the first half of the year, due to concerns about possible disruption during the National Elections scheduled for July.

In the first quarter of 2003, the Council for the Development of Cambodia (CDC) approved six investment projects in the garment sector. In terms of value, investment in the garment sector declined to US\$ 6.5 million in the first quarter of 2003, from US\$ 8.5 million at the same period last year.

Cambodia's tourism sector, which achieved reasonable progress in 2002, appeared to remain stable despite some unexpected shocks. During the first quarter of 2003, the number of international tourists rose to 158,000, up from 146,000 in the same quarter last year. Of this, 89,000 arrived at Phnom Penh Airport, and 69,000 at Siem Reap Airport. Compared to the preceding quarter, however, the total number of international tourists declined slightly, by 2 percent in the first quarter of 2003. International arrivals at Phnom Penh Airport dropped by 7 percent, while numbers at Siem Reap Airport actually increased by 6 percent. The number of international visitors with business visas and those with official visas remained relatively stable between the end of 2002 and the beginning of 2003. According to the Ministry of Tourism the total number of international

arrivals to Cambodia, by air, land and sea, reached 208,832, in the first quarter of 2003, 1.0 percent less than a year ago. The main reason was a big drop (12 percent) in international arrivals by land and sea, owing to closure of the international border checkpoints after the anti-Thai events, earlier in the year.

The construction sector continued to look unfavorable. The Department of Cadastre and Geography of the Municipality of Phnom Penh approved 175 projects in the first quarter of 2003, 4 percent less than in the preceding quarter, and 12 percent less than in the same quarter of last year. The main reason was a sharp drop (35 percent) in house construction. Of the 175 construction projects, 125 projects were for apartment construction, 29 for house construction, and 21 for other construction activities. In terms of US dollars, construction projects in the first quarter of 2003 reached US\$ 51 million, of which US\$ 42.4 million went for apartment construction, and US\$ 4.2 million for house and other construction activities. Compared to a year ago, the value of construction projects in Phnom Penh declined considerably by 7 percent. The largest drop was in house construction, which fell by 34 percent — from US\$ 6.5 million in the first quarter of 2002 to US\$ 4.2 million in the first quarter of 2003.

Inflation and Foreign Exchange Rates

Consumer prices in Phnom Penh rose at an annual rate of 1.8 percent in the first quarter of 2003, the lowest rate since the end of 2001. The main reason was a large drop in prices related to "Housing and Utilities", which rose by 0.95 percent in the first quarter of 2003 compared with 6.8 percent in the fourth quarter of 2002.

The quarterly value of the Cambodian riel has remained stable against the US dollar during the first quarter of 2003, trading at 3,948 riels/US dollar — the same rate as in the fourth quarter of 2003. This was of course, against the backdrop of a generally weakening dollar in the international market. In comparison with the first quarter of 2002, the riel shows some depreciation, at around 1 percent against the dollar. During the same period, the riel lost its value by 3.5 percent against the Thai baht though it made a slight gain against the Vietnamese dong (0.9 percent).

Poverty Situation- Earnings of Workers

CDRI has been conducting regular surveys on vulnerable workers since 1998. The findings suggest that the daily earnings of all groups have changed significantly from year to year.

Surveys conducted in May 2003 indicate that five groups of workers slightly increased their nominal earnings, compared to May 2002.

Daily nominal earnings of cyclo-drivers rose by 2.1 percent in May 2003 compared to the same month last year though they were 4 percent higher than in Febru-

ECONOMY WATCH—DOMESTIC PERFORMANCE

ary 2003. However, 48 percent of cyclo-drivers claimed that their earnings were unchanged, while 64 percent stated that there were some increases. Daily nominal earnings of moto-taxis declined by 12.3 percent and 3.3 percent in February and May 2003 compared to the same periods last year. This decline was mainly due to an increase of gasoline price from 2,300 riels per litre in February to 2,500 riels per litre in May and the growing number of Motorcycle-taxi drivers. It would appear that many people are turning to moto-taxis as a 'readily available' profession in an attempt to make a living.

After declining 6.6 percent in February 2003, daily earnings of porters rose by 19.2 percent in May 2003, compared to the same period last year. In general, newcomers tend to earn less than the more experienced. However, even though the survey data show that daily earnings of porters rose significantly, 37 percent of porters claimed that their daily income actually declined in May 2003.

Earnings of small vegetable traders declined by 0.6 percent in May 2003 compared to May 2002. Sixty seven percent of all small vegetable traders reported that their income was insufficient to support their families because their earnings were highly unstable. They faced particular problems of access to selling areas on the one hand and unfriendly market guards who prevent them from entering the market.

Daily nominal earnings of scavengers and rice field workers fell by 14 percent and 28 percent, respectively in May 2003, compared to May 2002. The strike of the rubbish workers for two to three days in May led to the decline of scavengers' earnings.

Garment worker's daily nominal earnings rose by 3.4 percent in May 2003 compared to the same period last year. However, it fell to 9,123 riels per day from 10,127 riels per day if compared to February 2003. Sixty two percent of garment workers said that their overtime work has been reduced due to increasing competition from casual mobile, workers working on a daily basis.

Monetary Development

In the first quarter of 2003, total liquidity (M2) rose by 24 percent compared to the same period last year, reaching 3,004 billion riels. The rise in liquidity was affected by an increase in the riel-component of the money supply and in quasi-money, by 22.6 percent and 25.6 percent, respectively. However, the pace of growth in total liquidity slowed down to 4 percent in the first quarter of 2003 compared to 5 percent in the previous quarter.

The amount of money (M1), which consists of the currency outside banks and demand deposits, rose to 829 billion riels, up from 813 billion riels in the last quarter of 2002. Nonetheless, money growth rate slowed to 2 percent in the first quarter of 2003, from 5 percent in the last quarter of 2002. Quasi-money com-

pounded by foreign currency deposits and time and savings deposits increased to 2,175 billion riels, up from 1,731 billion riels in the first quarter of 2002. The pace of growth rate of quasi-money was the same as the previous quarter (4.8 percent).

Public Finance

In the first quarter of 2003, Cambodia ran an overall deficit of 260 billion riels in the public budget, up from 100 billion riels in the same period last year. The overall deficit widened due to an increase in total expenditures, which amounted to 660 billion riels—up from 522 billion riels in the same period a year ago. Of this, capital expenditure and current expenditure amounted to 276 billion riels and 384 billion riels, respectively. Of 384 billion riels current expenditure, "education and health" accounted for 36 billion riels, "defense and security" 70 billion riels, and other ministries 279 billion riels. A rise in expenditures under "defense and security" and "other ministry" contributed to the overall deficit in the first quarter of 2003.

Total revenues decreased to 400 billion riels, down from 423 billion riels in the first quarter of 2002. Of total revenue, 273 billion riels were collected from taxes and 127 billion riels from non-tax sources. A significant drop in revenues from "post and telecommunication" (44 percent) led to a decline in non-tax revenues.

Private Investment and Employment

The CDC approved 20 investment proposals worth US\$ 108.5 million in the first quarter of 2003, US\$ 80.7 million more than in the same period last year. Of 20 investment proposals, nine were for the tourism sector and six for the garment sector. The value of proposed investments in tourism accounted for the largest portion (about 76 percent) of total investments with the garment sector accounting for only 5 percent. Investment proposals in the garment sector amounted to US\$ 6.5 million, which is down from US\$ 8.5 million in the same quarter of 2002 last year.

Foreign Aid and External Debt

According to the CDC, the total value of both on-going and new investment projects over three years 2002-2004 is expected to be around US\$ 1,388 million. Of this, the Cambodian government has committed just only US\$ 148 million (around 10 percent) from its own resources. Some of Cambodia's external partners have already committed US\$ 546 million (39 percent). There is a financing shortfall of US\$ 694 million (around 50 percent) for which the Royal Government of Cambodia is seeking additional support.

*Dr. Kang Chandararot
and Pon Dorina*

ECONOMY WATCH—INDICATORS

Table 1. Cambodia: Main Macro-economic Indicators, 1995—2002

	1995	1996	1997	1998	1999	2000	2001	2002
GDP at current prices (billions of riels)	7,176	8,271		10,795		12,149	12,724	14,083
GDP at current prices (millions of dollars)	2,915	3,131		2,841		3,149	3,234	3,594
GDP per capita (dollars)	262	273	258	234	248	247	247	254.8
Growth rate of real GDP (1993 prices)	7.6	6.7	0.7	2.9	6.8	703	6.7	4.18
Agriculture	9.2	2.9	2.2	0.1	1.4	-2.4	-9	-6
Industry	11.8	19.5	0.6	16.8	12.6	16.7	11.2	12
Service	4.7	6.0	-0.6	0.1	9.4	7.5	20	7
Inflation (in riels, final quarter basis)	3.5	9.0	9.1	12.6	0.0	0.5	-1.3	3.3
Riel/dollar parity (annual average)	2,462	2,641		3,800		3,859	3,935	3,918
Budget revenue (percentage of GDP)	9.0	9.1	9.7	8.7	11.2	11.7	12.0	12.3
Budget expenditure (percentage of GDP)	16.7	17.4	13.8	14.4	16.4	17.3	18.4	17.7
Overall public deficit (percentage of GDP)	-7.8	-8.4	-4.2	-5.7	-5.2	-5.6	-6.3	-6.3
Exports of goods (percentage of GDP)	29.1	23.1	28.7	32.1	33.9	44.2	46.4	40.4
Imports of goods (percentage of GDP)	41.4	39.4	40.9	49.3	48.2	54.4	56.9	48.3
Trade balance (percentage of GDP)	-12.3	-16.3	-12.2	-17.2	-14.3	-10.2	-10.5	-7.9
Current account balance (percentage of GDP)	-12.7	-15.3	-10.4	-15.5	-11.6	-7.2	-6.7	0.4
External contribution to the economy (percentage of GDP)	20.9	20.4	13.8	17.5	15.6	14.5	13.2	15.0
Total savings (percentage of GDP)	21.6	26.7	21.6	25.3	22.8	19.3	18.3	22.2
Gross foreign reserves (months of imports)	1.7	2.1	2.4	3.2	3.8	4.7	5.5	3.7
Population (million)	11.1	11.5	11.8	12.1	12.5	12.8	13.1	13.4
Labour force (percentage of population)	41.2	41.4	41.6	41.9	42.2	42.5	43.0	44.0

Sources: CDRI, Compiled from Government data

Table 2. Destination of Garment Exports, 1995—2003

	1995	1996	1997	1998	1999	2000	2001	2002				2003
	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1	Q2	Q3	Q4	Q1
	Millions of dollars											
United States	0.02	0.1	26.8	74.1	121.5	187.5	198.3	158.7	201.7	307.4	299.8	219.0
Rest of the world	6.6	19.6	30.0	20.5	17.0	58.8	80.8	73.7	69.4	124.9	139.7	75.2
Total	6.6	19.7	56.8	94.5	138.5	246.3	279.1	232.4	271.1	432.3	439.4	294.2
	Percentage change over previous year											
Total	560	200	187	66	47	78	14.8	-7.8	3.6	44	46	27

Source: Ministry of Commerce, Department of Trade Preferences Systems [1995-2001 (Q1-Q4), quarterly average]

Table 3. Passenger Arrivals by International Flights at Pochentong and Siem Reap Airports, 1995—2003

	1995	1996	1997	1998	1999	2000	2001	2002				2003
	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1	Q2	Q3	Q4	Q1
	Thousands of passengers											
Tourist visas	38.7	55.3	46.3	38.1	44.9	57.4	57.4	67.3	59.7	55.1	70.2	62.7
Business visas	10.6	15.8	13.9	10.7	16.0	20.6	20.6	18.1	14.4	18.6	18.4	20.3
Official visas	3.9	3.2	3.6	4.4	8.8	4.8	4.8	5.7	6.1	6.9	7.7	6.8
Total Pochentong	53.2	74.3	63.8	53.2	69.7	82.7	82.7	91.1	80.2	80.6	96.3	89.1
Total Siem Reap	-	-	-	2.6	7.15	33.4	33.2	54.7	29.6	39.7	64.9	69.0
	Percentage change over previous year											
Total Pochentong	38.9	39.7	-14.1	-16.6	31.0	18.7	0	3.1	-1.2	2.1	17	-1.4
Total Siem Reap	-	-	-	-	175	367	-1	30.5	25.4	30.0	77	26.2

Sources: Ministry of Economy and Finance and Ministry of Tourism [1995-2001 (Q1-Q4), quarterly average]

Table 4. Consumer Price Index (CPI), Exchange Rates and Gold Prices, 1995—2003 (period averages)

	1995	1996	1997	1998	1999	2000	2001	2002				2003
	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1	Q2	Q3	Q4	Q1
	Consumer price index (percentage change over previous year)											
Provinces	-	-	6.1	16.3	6.2	5.4	0.9	-3.4	0.0	2.0	-0.3	7.4
Phnom Penh - All Items	7.8	7.1	8.0	14.8	4.0	-0.8	-0.6	3.4	3.3	3.5	3.04	1.8
- Foods	4.9	7.6	6.7	14.1	7.6	-3.3	-2.8	-0.6	1.02	2.0	2.00	3.20
- Energy	19.4	20.7	20.0	15.1	3.5	6.6	-1.1	-0.4	-0.02	0.9	2.25	4.75
	Exchange rates, Gold and Oil prices (Phnom Penh market rates)											
Riel per US dollar	2,479	2,666	3,029	3824	3832	3,879	3,935	3,910	3,913	3,935	3,948	3948
Riel per Thai baht	99	105	98	88	101	96.3	88	89.3	91.4	93.5	90.9	92.4
Riel per 100 Vietnamese dong	22.3	24.0	25.6	28.6	27.8	27.4	26.6	25.8	25.7	25.7	25.8	25.6
Gold prices (US dollar per chi)	45.9	46.3	40.4	36.0	34.0	33.3	32.7	34.6	36.2	38.0	38.5	39.8
Price of Diesel (Riels/litre)	716	779	883	1,065	1,105	1,329	1,521	1,480	1,450	1,550	1550	1697
Price of Gasoline (Riels/litre)	847	1,118	1,378	1,613	1,760	2,113	2,084	2,100	2,167	2,200	2200	2433

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

ECONOMY WATCH—INDICATORS

Table 5. Average Daily Earnings of Workers, 1997—2003

	Daily earnings (riels)									Change from last year		
	1997	2001	2002			2003			2002	2003		
	Pre-Jul	Aug	Nov	Feb	May	Aug	Nov	Feb	May	Nov	Feb	May
Cyclo drivers	12,250	9,057	6,262	9,450	9,375	8,900	8878	9200	9572	41.78	-2.65	2.10
Porters	9,675	7,189	5,000	8,137	6,675	7,600	6312	7600	7955	26.24	-6.60	19.18
Small vegetable sellers	7,050	6,670	5,096	6,062	6,712	6,862	7158	7250	6674	40.46	19.60	-0.57
Scavengers	4,155	2,686	3,393	3,350	4,231	3,440	4012	3875	3605	18.25	15.67	-14.80
Waitresses*	-	2,683	2,358	3,543	3,652	4,225	4000	4600	4341	69.64	29.83	18.87
Rice-field workers	-	4,500	3,618	3,916	5,167	3,833	4219	4180	3712	16.63	6.74	-28.15
Garment workers	-	9,165	8,968	7,772	8,775	9,800	10000	10127	9123	12.59	30.30	3.97
Motorcycle-taxi drivers	-	10,559	9,791	14,327	11,978	11,300	12075	11400	7137	23.33	-20.43	3.26
Unskilled construction work-	-	5,625	4,841	7,025	6,912	6,525	5850	6162	9883	20.85	-12.28	-17.49
Skilled construction workers	-	12,375	9,866	11,530	13,850	12,695	13350	12500	13335	35.32	8.41	-3.72

Notes: The 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, 1995—2003 (end of period)

	1995	1996	1997	1998	1999	2000	2001	2002				2003
	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1	Q2	Q3	Q4	Q1
	Billions of riels											
Net foreign assets	550	881	1,177	1,726	2,019	2,589	3,080	3,366	3,614	3,693	3,737	3,741
Net domestic assets	99	31	-114	-496	-576	-759	-876	-959	-965	-943	-849	-737
Net claims on government	148	128	54	178	103	3	-75	-152	-165	-106	-119	-72
Credit to private sector	293	435	637	655	763	898	936	976	928	971	1059	1125
Total liquidity	650	912	1,063	1,230	1,443	1,831	2,204	2,408	2,648	2,751	2,888	3,004
Money	278	329	385	543	531	540	609	676	748	771	813	829
Quasi-money	371	583	678	687	911	1,291	1,594	1,731	1,901	1,979	2,075	2,175
	Percentage change from previous year											
Total liquidity	44.4	40.3	16.6	15.7	17.3	26.9	20.4	26.8	33.4	29.5	24.1	24.6
Money	39.0	18.3	17	41	-2.2	1.7	12.8	23.4	37.5	35.5	33.4	22.6
Quasi-money	48.4	57.1	16.3	1.3	32.6	41.7	23.5	28.1	32.0	27.3	30.2	25.7

Source: National Bank of Cambodia.

Table 7. National Budget Operations on Cash Basis, 1995—2003 (billion riels)

	1995	1996	1997	1998	1999	2000	2001	2002				2003
	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1	Q2	Q3	Q4	Q1
Total revenue	161	187	220	230	329	356	382	423	369	457	481	400
Current revenue							379	407	369	456	481	400
Tax revenue	111	134	149	169	239	260	274	252	302	323	339	273
Customs duties	80	86	87	94	108	98	94	81	104	116	122	92
Non-tax revenue	47	44	68	51	87	89	106	156	66	133	142	127
Forest exploitation	13	7	9	5	9	11	7.3	1	1	9	5	1
Post & Telecommunica-	14	16	21	22	27	23	31	34	13	30.7	44	19
tions												
Capital revenue	2	10	3	9	3	7	2.3	15	0	1	0	0
Total expenditure	300	360	315	324	448	515	583	522	714	704	668	660
Capital expenditure	128	157	113	92	156	220	244	231	272	303	343	276
Current expenditure	172	203	202	245	291	295	339	290.1	442	401	325	384
Education and Health	25	31	32	33	70	62	86	34	108	85	96	36
Defense and Security	106	102	105	110	116	111	101	35.6	117	105	110	70
Other Ministries	41	71	65	83	103	123	159	221	217	212	120	279
Overall deficit	-139	-173	-95	-95	-119	-160	-201	-100	-346	-248	-187	-260
Foreign financing	140	170	111	67	104	167	192	264	237	273	287	176
Domestic financing	-1	3	-16	28	15	-7	9	-164	110	-25	-100	84

Source: Ministry of Economy and Finance: Quarterly average [1995-2001 (Q1-Q4), quarterly average]

Table 8. Private Investment Projects Approved, 1995—2003

	1995	1996	1997	1998	1999	2000	2001	2002				2003
	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1	Q2	Q3	Q4	Q1
	Number of investment projects											
Total	51	75	34	35	24	24	47	9	9	11	8	20
Garment	30	36	12	21	11	13	19	5	4	5	2	6
	Registered capital (millions of dollars)											
Total	89.0	97.8	69.5	104.1	61.7	25.6	32.3	10.9	4.5	12.1	20.3	41.6
Garment	28.0	39.2	8.6	22.9	13.9	6.4	15	6.6	1.0	5	1	5
	Fixed assets (millions of dollars)											
Total	76.2	186.7	190.4	212.3	118.5	66.6	54.3	27.8	23.3	127.6	60.9	108.5
Garment	25.4	39.6	9.7	30.2	19.9	19.2	25.0	8.5	2.4	5.5	1.7	6.5

Source: Cambodian Investment Board [1995-2001 (Q1-Q4), quarterly average]

GLOSSARY

Terms Used in This Issue

Broker

A person who facilitates others in the selling or buying of goods and services in return for a commission. For fish exports from the Great Lake, brokers take responsibility for all fee payments from the landing site to the border in return for 3 baht per kilo of fish. Other brokers take responsibility for all fee payments at the border in return for 2 baht per kilo of fish.

Resource Management Committee

An elected community based committee not necessarily with 'formalised' policy support, which principally addresses community based resource issues.

Community-based Management

Community based management is the management of natural resources under a plan developed, agreed to and implemented by the relevant local and indigenous communities. The communities in question possess the legal

rights, own the local institutions, evolve the rules and regulations, and have the economic incentives to take responsibility for sustainable management of their natural resources. Some form of community authority exists that is capable of enforcing the rules and regulations. Such community-based approaches create opportunities to strengthen social capital and community relations, and to develop effective institutions for the management of natural resources. <http://www.iucn.org/themes/pmns/NewCommunityBasedManagement.html>.

Pro-poor Trade

Generally the need for growth in trade to be: a) labour intensive and create employment as labour is the poor's most plentiful asset; b) concentrated in rural areas, where the majority of poor people tend to live; c) focused on activities/products most vital to the living standards of poor people.



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CDRI UPDATE

Management

The mid-year meeting of CDRI's locally-based Board members was held on 31 May 2003. The meeting focused on and resolved a number of strategic planning and staffing issues and agreed to conduct the full Board meeting for 2003 on 5 and 6 December.

The Annual Development Seminar for Governors and Deputy Governors was held from 12–14 May 2003 at the Cambodiana Hotel in Phnom Penh. The seminar highlighted policy issues and recent CDRI research findings in a number of sectors including economic performance, fishery, forestry and agricultural competitiveness, investment, employment creation in rural sectors, and decentralisation, among others. One day of the seminar was devoted to a dialogue between provincial Governors and NGO leaders resulting in concrete resolutions for enhancing cooperation at the provincial level. This year's seminar was graced by the participation of Prime Minister HUN Sen who presented a Distinguished Lecture on, "The Economic Government and Strategies to Enhance Rural Livelihoods".

In May 2003, CDRI welcomed its new Research Director, Dr. K.A.S. Murshid.

Research

A second seminar entitled 'Macroeconomic Performance and Development of the Rural Economy' was held on 24 June 2003. More than 100 representatives from government institutions, donor agencies, and NGOs participated in the seminar, which included an overview of Cambodia's economic performance in 2002, and presentations on fish, forest, and cash crop marketing and trade. CDRI expects to publish its *Annual Economic Review* and research papers on fish and forest product trade in the coming quarter.

The Decentralisation Programme held its first Decentralisation Advisory Committee meeting and began its implementation phase with field activities in Battambang, Siem Reap, and Kompong Speu. The Programme's Inception report is available on the CDRI website. Project

work for CDRI's joint project with the Institute of Developing Economies (Japan) on the garment and silk-weaving sectors has been completed. Phase one has also been completed for CDRI's research on the competitiveness of Cambodia's agricultural trade, marketing and exports.

Centre for Peace and Development

During the last three months, COPCEL #44, #45 and #46 debated largely on three main issues: Chapter Seven of the NEC Procedures and Regulations relating to the Election Campaign and Media, Chapter Eight relating to Voting, Counting and the Seat Allocation, and security issues. The lists of candidates were also discussed. The first module of the *Working for Peace* training course was launched in May with 25 participants from various government departments, NGOs and union leaders. Module Two of the course followed in June. The Working Group to review the *Peacebuilding Lexicon* met for the second time in early June to examine the second part of the draft.

In July 2003, CDRI will begin a study on, *The Evolution of Democratic Processes and Conflict Resolution Mechanisms as Seen through Cambodian Elections*.

Library

The CDRI Library now holds over 7,400 titles on economic and social development. The CDRI Library is also a depository library for World Bank and UNRISD publications. The CDRI Library hosts an average of 60 users per day, which is slightly increased over the last year. CDRI thanks Ms. So Socheata who has recently finished her term of service as library volunteer, and welcomed Ms Sath Rachna who began her volunteer service in the library in July 2003.

Publications

Recent publications include the Cambodia DAN III country study as Working Paper 26: *Off-farm and Non-farm Employment: A Perspective on Job Creation in Cambodia*.

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