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## Can Land Titles Help Reduce Rural Poverty in Cambodia?

The Royal Government of Cambodia will issue one million land titles over the next fifteen years. In this article, Brett Ballard and So Sovannarith discuss how land titles can benefit rural households and contribute to poverty reduction.\*

The Ministry of Land Management, Urban Construction and Planning (MLMUPC) is implementing a Land Management and Administration Project (LMAP) with support from international donors in order to strengthen land tenure security and land administration systems. Among other activities, LMAP is managing a systematic land-titling programme under which one million titles will be issued over 15 years. In the rural sector, the expected benefits include increased agricultural investment and productivity and the development of more efficient land markets. These and other benefits are expected to play important roles in reducing rural poverty.

Earlier this year, CDRI collaborated with MLMUPC to conduct a baseline survey of 1,232 rural households. The data will be used to assess the economic and social impact of land titles after three years. This article reports on key data from 33 villages in four LMAP provinces (Kompong Cham, Kompong Thom, Sihanoukville and Takeo) covering 916 households, including 225 households headed by females. About 25-30 households per village were randomly selected according to landholding sizes and gender of household head. The article also discusses some of the expected benefits of land titles, and concludes with policy and programme recommendations.

### Land Titling in Theory and Practice

The rationale for land titling programmes rests on property rights theories and research that link secure land tenure to investment incentives and the development of efficient financial and land markets. According to these



Prey Veng, Ba Phnom District, Rak Chey Commune, December 30, 2003. The land titling work begins at the village level as local people provide information about their land parcel(s) to the LMAP adjudication officer. Photo: Courtesy of LMAP.

theories (Feder and Feeney, 1996), land titles provide people with confidence that they or their heirs will enjoy the benefits of investment. People can also use land titles as collateral to obtain credit to improve agricultural production or start up new businesses. As land values increase, land markets will direct land use toward more productive and economically efficient uses. Increased land values and expectations of security will in turn promote more use of the official registry to record land transfers.

Countries investing in more efficient and equitable land tenure administration tend to develop faster than those that do not make such investments. Moreover, a lack of equitable access to land and secure tenure contribute to extreme poverty, dependence and unsustain-

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\* This article is based on data from the Baseline Survey Project carried out by CDRI in collaboration with MLMUPC and funding support from the World Bank. A full report of the study will be available in August 2004. Brett Ballard is the Technical Advisor for the Baseline Survey Project. So Sovannarith is a Research Fellow at CDRI.

able patterns of rural migration (Munro-Faure, 2002). Land titling studies in Thailand and other countries also suggest that the observed impacts on social and economic development and growth can be significant (Onchan and Aungsumalin, 2002).

The distribution of land titling benefits, however, is not likely to be equitable between different social and economic groups in the absence of complementary policies and supporting institutions that enforce land rights and make development services more easily available to small landholders and other vulnerable groups.

### Land Distribution in the Survey Group

Households with smaller landholdings have fewer agricultural plots, which are also smaller in size, compared to households with larger landholdings. The number and size of plots steadily increases from one landholding interval to another (Table 1).

The most often cited explanation for this pattern begins with the land distribution of 1989, when efforts were made to divide available land equally according to the number of working age household members. Households with more working members received more land, which created an initial degree of structural variation in the distribution.

The legacy of the 1989 land distribution is reflected in the fact that more than 55 percent of the survey households acquired their agricultural land from the State (Table 2). The survey also sheds light on how households with larger initial landholdings have been able to acquire additional land since 1989. For example, households with larger landholdings, which also have more capital assets, labour and incomes than smaller landholders, have a higher percentage of plot acquisitions through both purchase and clearing than do smaller households. It seems that the more land one has, the more land one can acquire.

Another explanation for the distribution pattern concerns the atomization of land through sales and/or inheritance (So, Sophal and Acharya, 2001; Biddulph, 2004). Among households with smaller landholdings, the size and number of plots tends to decrease at a faster rate as families subdivide their land to pass on to children. This proposition is also supported by the survey, which shows a greater frequency of land acquisitions through inheritance among households with smaller landholdings.

The impact of titling on land size is an important consideration. Evidence from Thailand suggests that the number and size of plots per family tends to decrease along with titling, though there are of course other inter-

Table 1: Household Agricultural Landholding Summary

Landholding (ha)	HH	Total Plots	Total Area	Area /HH	Plots /HH	Area /Plot
< 0.5	201	465	55.37	0.27	2.31	0.11
0.5 – 0.9	223	843	156.11	0.70	3.78	0.18
1.0 – 1.9	229	1,092	322.66	1.41	4.76	0.29
2.0 – 2.9	122	653	294.25	2.41	5.35	0.45
> 3.0	132	826	634.50	4.80	6.25	0.76
Total	916	3,879	1,462.89	1.59	4.23	0.37

Table 2: Agricultural Land, Mode of Acquisition

Land Size	State	Inherit	Purchase	Cleared
< 0.5	53.1	33.2	11.8	2.0
0.5 – 0.99	57.9	23.1	15.7	3.1
1.0 – 1.9	62.1	18.8	13.8	5.3
2.0 – 2.9	55.3	17.5	16.3	10.8
> 3.0	46.6	20.8	17.6	15.0
Total	55.6	21.7	15.2	7.4

vening factors. This observation is especially relevant for Cambodia, given concerns about the increasing rate of near landlessness (less than one half hectare) and landlessness in the rural sector (Biddulph, 2004). As smallholders sell land plot by plot (e.g., distress sales), or subdivide plots to sell a certain portion, they reduce their potential production capacity and move toward possible landlessness at an accelerating rate.

**Gender** The land distribution pattern discussed above holds for both male- and female-headed households. However, male-headed households average 4.4 plots per household and 0.39 hectares per plot, while female-headed households average 3.8 plots and 0.30 hectares per plot. Moreover, 34 percent of the female-headed households compared to 18 percent of households headed by males own less than 0.50 hectare of agricultural land. Conversely, 17 percent of the female-headed households compared to 31 percent of the male-headed households own more than two hectares.

The mode of land acquisition also varies according to gender of household head. Female-headed households have a higher proportion (71.1 percent) of plot acquisitions from the State than do male-headed households (51.1 percent). The proportion of plots acquired through inheritance is much lower for female-headed households (11.2 percent) than male-headed households (24.6 percent). This is not surprising given traditional customs in rural Cambodia.

The percentage of plot acquisitions by purchase and clearing is also lower for female-headed than for male-headed households. The lower percentages for inheritance, purchase and clearing suggest that female-headed households are less able to acquire additional plots than male-headed households. Female-headed households at each landholding interval also have fewer assets, less labour, and less income than do male-headed households. Fewer farming assets and less labour suggest a constraint on the amount of land than can be farmed, while less income suggests a constraint on buying more land.

### Access to and Use of Credit

The survey group reported a total of 743 loans during the six months prior to the survey. About 60 percent were obtained in the informal sector, which includes relatives and friends (43.7 percent) as well as money-lenders (16.0 percent). Another 31 percent were obtained in the formal sector, either from ACLEDA (6.1 percent) or a Micro Finance Institute (MFI) (24.9 percent). About 9 percent of the loans were obtained in the "semi-formal" NGO sector.

Productive investments were the purpose of 36 percent of loans, including agricultural production (14.4 percent), small businesses (12 percent), and animal rais-

ing (9.6 percent). Male-headed households borrowed more for agriculture and business activities, female-headed households more for animal raising. Health care (21.7 percent) and food shortages (17.9 percent) accounted for almost 40 percent of all loans. A similar percentage of male- and female-headed households borrowed for health care, while a greater percentage of female-headed households borrowed to cover food shortages. The remaining loans (24.5 percent) were for other activities, including social ceremonies, home construction and transportation.

Planners expect that land titles will stimulate an increase in the number and amount of loans for agricultural investment and other income-generating activities. This assumes that interest rates and transaction costs associated with borrowing in the formal sector are competitive with the informal sector and that people have the propensity and capacity to borrow. This being said, we expect to see an increase in the volume of credit activity in areas where formal institutions are more accessible. We also expect to see some variation in the frequency, size and use of loans according to landholding size and gender of household head.

### Agricultural Investments, Productivity, and Land Use

The average expenditure for rice production per household tends to increase along with landholding size. For example, the lowest two landholding intervals have average household expenditures of 13.03 and 21.57 ten thousand riels respectively, while the upper two intervals have 31.6 and 51.98 ten thousand riels respectively. Male-headed households expended about 50 percent more than female-headed households. Moreover, male-headed households in each interval consistently spent more than female-headed households for nearly every input.

Nearly 90 percent of expenditures for rice production<sup>1</sup> are financed by “own sources,” followed by loans from relatives and friends (8.3 percent) and then credit from “programmes,” including savings and loan groups, MFIs and commercial banks (2.3 percent). The sources of financing for various inputs vary across landholding size. For example, for labour inputs the upper two intervals borrowed more from family and friends and credit programmes than did the lower intervals. This suggests that the shift away from “own sources” in the direction of formal credit for agricultural investments may begin with larger landholders borrowing from family and friends. If so, we may expect some delays before smallholders reap any credit benefits from land titles because

they may not be prepared to make an immediate leap into the formal sector.

**Productivity** The survey data (Table 3) affirms the inverse relationship between farm size and productivity observed elsewhere in Asia and Cambodia (Sophal and Acharya, 2002): small farms tend to be more productive in terms of rice yield per hectare than large farms, regardless of the gender of the household head. One often cited reason for this pattern is that small plots are often subdivisions of more fertile land. Other reasons are that small farmers may use better techniques and exercise better management, and that family labour and other owned inputs are applied more intensively on small farms.

According to the survey data, small farmers also apply purchased inputs more intensively than do larger farmers. For example, the two smallest intervals expended 51.3 and 32.4 ten thousand riels per hectare for all inputs, while the two largest intervals expended 18.5 and 19.5 ten thousand riels per hectare.

Although small farms may be more productive per hectare than larger farms, small farms are not as productive in terms of investment. The survey shows that farms with less than 0.5 hectares obtain 39.98 kg per ten thousand riels of expenditure, while farms with 2.0–2.99 ha and more than 3.0 ha get 61.89 kg and 52.1 kg of rice respectively. This suggests that investment efficiency is just as important, if not more so, than the level of investment. In terms of land titling impacts, then, increased access to formal credit for agricultural investments needs to be complemented by extension services and infrastructure development that can improve the productivity of capital.

The higher land productivity of small farms also does not translate into higher levels of total production per household. Households with less than 0.5 ha of land produced only 640.3 kg of rice, despite their productivity advantage. The largest farms produced a total of 3,272 kg per household, even though they were only half as productive as the smallest farms. As a result, smaller farms are at a comparative disadvantage because they must continue to use remaining household resources (after farm expenditures) to make up for food shortages rather than to invest in other activities. Moreover, if small farmers borrow to invest in farming that does not produce at least enough rice for home consumption, they will sink deeper into debt over time. This again highlights the need for affordable credit, better extension services and infrastructure development in order to optimise land-titling benefits.

**Land Use** The percentage of plots allocated for wet season rice production decreases as land size increases, while the percentage for dry-season rice steadily increases with land size. The percentage of plots allocated for *chamcar* (non-rice crop land) production is fairly constant across all landholdings, while the percentage of idle plots increases with land size. The percentage of plots allocated for plantation (trees crops) and mixed crops is quite low across all landholdings. Thus there is considerable scope for future crop diversification in

Table 3: Productivity and Expenditures (ten thousand riels)

Landholding (ha)	Yield (kg/ha)	10,000 riels/ha	Kg/10,000 riels	10,000 riels/hh	Kg/hh
< 0.5	2,051	51.3	39.98	160.1	640.3
0.5 – 0.99	1,676	32.4	51.72	228.1	1,180.0
1.0 – 1.99	1,464	29.4	49.80	343.1	1,708.5
2.0 – 2.99	1,145	18.5	61.89	333.7	2,065.2
> 3.0	1,016	19.5	52.10	628.1	3,272.3



many of the survey areas.

About 90 percent of all plots are cultivated, although the percentage decreases with increasing land size. The percentage of cultivated plots among female- and male-headed households is similar across all landholdings. Not surprisingly, the percentage of idle plots (7.6 percent overall) increases with land size, while the percentage of leased-out plots (1.6 percent) is fairly uniform. Female-headed households have a slightly higher percentage of idle land, and also lease out a higher percentage of their plots than do male-headed households. The most often cited reasons for leaving land idle include a lack of labour (34 percent), no profit (16 percent) and insufficient capital (9 percent).

Research in Thailand suggests that land titles stimulate some farmers to shift from low cost/low return crops toward commercial crops that require more investment but have potentially higher returns over time (Ongchan and Aungsumalin, 2002). Although agricultural and market conditions are different in Cambodia, we expect farmers also to begin diversifying, even though the full impact may require more than three years to observe. We also expect that the scope and scale of diversification will increase more rapidly on larger landholdings. The rate of land utilization may also increase as farmers invest more in agricultural production, though perhaps slowly in the absence of policy measures that promote higher land utilization rates (e.g., taxes on larger idle plots). The impact of titles on land use will vary with factors such as the availability of credit and extension services, infrastructure investments (e.g., irrigation) and market prices.

### Land Values and Land Sales

The survey shows that estimated land values per hectare decrease as landholding size increases for both male- and female-headed households. This may be explained by a greater concentration of better quality land on small farms, as reflected in their higher productivity. Land values, however, may also vary according to location, (e.g., access to main road, distance from home).

Despite the higher land values per hectare, the average value of each plot is lower for smaller farms than for larger farms. This is a direct function of plot size. One implication of this observation concerns access to credit. If the size of a loan depends in part on the amount of collateral available, larger landholders may be able to obtain larger loans than smaller landholders. This would give them an investment advantage over small holders.

**Land Sales** There were 252 land sales reported since 1989, representing about 6.4 percent of all the plots in the sample. A disproportionate number of sales occurred in the two lowest land size intervals. The two lowest intervals own 33.7 percent of all the plots in the sample, yet account for 50.8 percent of plots sold. The two upper intervals own 38 percent of the plots, but account for

only 29 percent of plots sold. Somewhat surprisingly, female-headed households own about 46 percent of the plots in the bottom two intervals, but accounted for only one third of the sales among them.

The most often cited reason for land sales is health care (24.9 percent), followed by business investments (18.6 percent) and plot characteristics, including "too small, not profitable," "poor soil" or "too far away" (9.7 percent). Another 8.5 percent involved sales to offset food shortages. Other reasons include loan repayments, funerals, migration costs and climate-related shocks.

Titles alone, however, will neither slow nor accelerate the rate of land sales among any of the intervals. For example, we expect land sales for the above reasons to continue at a similar, if not higher, rate in areas where affordable health care, extension and credit services are lacking. This is of particular concern for smaller landholders on the verge of landlessness. On the other hand, if people use land titles to secure loans to invest in business or other activities, we may expect to see a decrease in land sales for this reason, unless of course investments fail and people sell land to repay loans. In such cases, titles may enable people to obtain a better price for their land, although this may be small consolation for those who have no viable employment alternatives after farming.

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*The benefits from land titles also depend on household characteristics. Landholding size and the gender of the household head are good indicators of a household's potential to benefit from the titling programme.*

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**Land Transfers** At least 65 percent of reported land sales in the LMAP survey area are documented by changing names on land certificate application receipts. The number of reported sales that go unrecorded at the official registry is certainly higher, since people also use other informal methods to document transfers. Planners expect an increase in the percentage of land trans-

fers that are facilitated through the official registry system, particularly in active land markets where values are increasing. Such expectations assume (1) transaction costs associated with official registration will be lower than current costs, (2) people will have increased confidence in land tenure security and (3) people will have sufficient knowledge of the procedures and capacity to access the system.

### Conclusion

The degree to which secure land tenure rights can contribute to socioeconomic growth and poverty reduction in the rural sector depends largely on the capacity of public administration to govern and enforce property rights. The impact of titles is likely to be strongest when people believe in the government's capacity and commitment to enforcing land rights in a fair and transparent manner. People in the baseline survey areas expressed a great deal of initial faith in the land titles that LMAP is currently issuing.

The benefits from land titles also depend on local circumstances, including (a) the level of land market activ-

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# Traditional Pagoda Associations and the Emergence of Civil Society in Cambodia

**Arnaldo Pellini looks at the experience from pagoda associations and their contribution to the emergence of Cambodian civil society and improved local governance\***

*This article analyses civil society associations in terms of traditional social capital, by looking at their potential to contribute to the emergence of a Cambodian civil society and improved local governance. The article looks at the experiences of the GTZ Rural Development Programme (GTZ RDP) with pagoda associations in the district of Stoung, Kompong Thom province. It argues that pagoda associations in the form of cash and rice associations have the potential to grow through their credit activities and are less dependent on external funding to implement community development activities. Moreover, their potential to represent community interests in local development and establish cooperation with commune councils can be enhanced through capacity building that focuses on learning by doing rather than theory and definitions of local governance.*

## Introduction

Development is a process of change. Whether it comes from within a society or is introduced through external support, the change is confronted with traditional values of the local culture. According to Pye (1999), three elements are fundamental to pluralistic democracy: civility, social capital and civil society.

*Civility* is defined by the norms of personal interaction that ensure social order and form and that integrate society. Pye argues that civility cannot be created by state policies but depends upon social pressure and the shame that comes from a sense of wrongdoing. In the Cambodian context, one may argue that interpersonal relationships are hierarchical and norms based on superior-inferior or patron-client relationships. Ovansen et al. (1996:34) therefore write that, in Cambodia, "the all-pervasive principle of Khmer social life is the notion of hierarchy. All social relationships are hierarchical ... the social order is felt to depend upon everybody observing this status hierarchy and keeping his/her place in it."

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*Social capital* is the critical level of trust among the members of a society that makes collective action possible. Social progress implies "accumulation of binding sentiments of trust and reciprocity that can provide the basis for effective collective action. When social capital is positive the elite work for the common good. When social capital is negative corruption and mafia rule" (Pye 1999: 770). According to Ovansen et al. a sense of solidarity has never been strong in Khmer communities, always being overshadowed by individualism and the close personal link with families rather than the community. These patterns have been amplified by the trauma produced by decades of civil war and the Khmer Rouge regime. In Cambodian communities, trust is "a missing element of social cohesion and active participation in local decision-making processes" (UNICEF 1996: 33).

According to Pye (1999:764), civil society "is critical for the effective performance of democracy" and "the only way to manage the growth of interest is to permit a strong civil society" (*ibid*: 780). Therefore, *civil society* is defined as the diverse and autonomous interest groups that can exert pressure on the state. In this definition, it is possible to say that the idea of civil society in Cambodia is rather new and is emerging from the governance reform being implemented by the government. It is a social process slowly evolving alongside development, modernisation and the institutional reforms of the government. Since independence, Cambodian civil society has not been strong enough to exert pressure on the state.

At the village level, however, there is evidence of collective action organised mainly around pagodas. Traditionally, villages were linked with the pagoda considered as the social, cultural and religious centre (Aschmoneit et al. 1997). The accumulation of social capital has taken place around the pagoda, resulting in the creation of associations and committees. These groups suffered the consequences of war and political turmoil, but seem to be re-emerging now that peace has returned. This article looks at the experiences of the GTZ RDP with traditional pagoda associations in the district of Stoung, Kompong Thom province, and analyses their role.

## Characteristics of Pagoda Associations in Stoung District

GTZ has been working in Stoung since 1995, when the project decided to concentrate on four types of associations considered relevant to community development and poverty reduction. These were cash associations, rice associations, rice banks and funeral associations.

Pagoda associations are a traditional feature of local life throughout Cambodia. A study conducted in Stoung by Narak (1998) identified 29 different kinds of associations linked to pagodas. According to Aschmoneit et al. (1998: 7), these grassroots organisations are formed by villagers for mutual self-help activities, thus putting into practice the Buddha's teaching, "People must save themselves, by their own effort."

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Table 1: Associations in 2003 in Stoung District

Cash association in Pagoda	29
Cash association in Village	25
<b>Total</b>	<b>54</b>
Rice association in Pagoda	14
Rice association in Village	24
<b>Total</b>	<b>38</b>
School associations	2

Narak also discovered that these groups were active at the community level before 1970, when the civil war started.

Most of them closed during the Khmer Rouge regime, but returned, although controlled by the state, during the People's Republic of Kampuchea from 1979 to 1989. Today they are no longer under state control and represent the traditional self-help activities that Khmer communities organize around pagodas. The size of the associations varies from 50 to 200 members, with an average of 120. Each association has a management committee of five to seven elected members.

The main task of the associations is to provide small loans in the form of rice and cash to the members. Credits average \$10–15 or 50 kg of rice. The interest paid by the end of the credit cycle (six months for cash and 12 months for rice) is 5 percent per month for cash and 30 percent per month for rice. Sixty percent of the clients are poor, and most loans are used for small income-generating activities. When a person is not able to repay the credit fully, the amount that has not been paid is transferred to the next cycle as a new credit. An association committee can cancel the debt of a person who is not able to pay back due to exceptional circumstances such as accident, illness or natural disaster.

In 1997, a Pagoda Coordination Committee (Pacoco) was formed to coordinate among associations and to be an intermediary between associations and donors. The members are in principle elected, although this seems not always to be the case. (During the first election in 1997, two women candidates received the highest number of votes, but one of the male candidates was chosen as president because this was culturally more acceptable.) The main task of Pacoco is “to provide opportunities to the poor people to make them more and more capable to help themselves to fight against poverty; [and] encourage member associations to improve and rehabilitate the appropriate infrastructure for the benefit of both civil society and religion in their own areas” (Pacoco 1999).

Pacoco members meet monthly and provide ongoing informal advice to the associations and their committees. They are responsible for a number of associations/committees throughout a *development area* determined by the distribution of associations rather than by communal boundaries. While all the cash and rice associations were originally in pagodas, many are now also based in villages and schools. The number of associations increased substantially between 1997 and 2003, from 42 to 54 cash associations and from 34 to 38 rice associations.

The increased number of associations reflects external support. In 1997 the project contributed to the start-up capital of 22 new associations in 10 pagodas with approximately \$9,200 and 81,300 kg of rice. After this initial period, the support of GTZ to pagoda associations was reduced due to the expansion of RDP activities in 1998 to

include agriculture, rural infrastructure development and community development. Staff previously responsible for pagoda associations were assigned to community development tasks such as the establishment of road maintenance committees and water user groups. One staff member was left to follow the pagoda associations in Stoung. Until 2002, project support consisted mainly of training in simple accounting and in the use of monitoring forms for loan disbursements/repayments.

In 2002 the election of commune councils provided a new scenario for pagoda associations. The GTZ project brought pagoda associations under the responsibility of the newly established civil society component staffed by a DED (Deutscher Entwicklungs Dienst—German Development Service) international adviser and a local employee, in addition to the community development staff of the district Rural Development Office in Stoung. Project support since then has focussed more on capacity building of commune councils and the role that associations can play in local governance. Financial support in 2003 was

limited to \$1,315 and covered mainly travel costs for training in pagodas and a study visit to Kandal for Pacoco members to meet and observe village/pagoda associations supported by an international NGO. After the study visit, Pacoco members developed new ideas: associations to rent threshing machines in

the harvest season at a lower cost (funded by the embassy of Japan), associations similar to cooperatives to buy bulk rice seed and fertilisers to sell to association members at lower prices and pig associations. Project proposals have been prepared and presented to donor representatives who visited Stoung.

Despite reduced financial support (compared to 1997), new associations have been set up, and the total and average capital of the associations has also grown (Table 2). According to Sasse (1998:104), this shows that “the value of the project lies in its achievement to alleviate poverty by strengthening these traditional grassroots organisations.” She adds that “existing self-help groups are very sustainable, because they have their own purpose, management and funding base in the community ... the management of these groups is often more trusted and more reliable than newly created groups due to the fact that committee members work primarily for merit and not for

Table 2: Capital of Associations

	Rice (Kg)	Rice Avg (Kg)
1997	98,140	7,346
2001	308,516	na
2002	231,980	6,105
2003	343,148	9,030
	Cash (riels)	Cash Avg.
1997	43,700,000	4,537,353
2001	204,180,900	na
2002	432,129,127	8,002,391
2003	377,281,030	6,796,715

1 USD = 3.900 riels

Table 3: Cash and Rice Association Beneficiaries 2003

Rice	Capital (Kg)	Households	People	Women	Poor families
38	343,148	2,154	10,797	5,875	1,241
Avg. capital	9,030				
Cash	Capital	Households	People	Women	Poor families
54	367,022,631	4,766	6,159	7,833	2,080
Avg. capital	6,796,715				

Source: Pacoco 2003

1 US\$ = 3.900 Riels



profit" (*ibid*). Moreover, the associations represent a large part of the population (Table 3) and therefore have the potential to exert pressure on local government if they are given the opportunity to do so.

Once the associations are provided with an initial capital and capacity to manage the credits and community contributions, the capital can grow together with the number of households reached. At this point, external financial support can be reduced and concentrated on different kinds of capacity building.

### **The Role of Pagoda Associations in Civil Society**

Pagoda associations in Cambodia have survived political and social turmoil. This shows that social capital exists and that there is a potential to strengthen collective actions starting from traditional institutions. Therefore it is useful to analyse pagoda associations in terms of civility, social capital and civil society to understand what role they can play.

#### ***Civility: Leadership and Individual Relationships within Associations***

The hierarchy that characterises the civility of Khmer society is reflected in the organisational structure of the associations. Leadership seems to be the one element that makes the difference between dynamic and static associations. *Achars* (laymen) with stronger personalities are the ones who know better how to mobilise communities. The problem is that *achars* may not always be up to the tasks they are supposed to manage or may lack the skills to participate actively in planning meetings. Stronger *achars* are likely to receive training from NGOs and donors, thus making their positions in associations even stronger. An additional problem observed in Kompong Thom is that community leaders tend to be nominated for a range of committees set up by various projects or international organisations, thus overburdening them.

***Social Capital: Diversification of Associations and Collective Action*** Sustainability also means reduction of risks. For associations, a diversification of traditional credit activities into new areas would diversify risks and therefore reduce dependence on external support. Experience from Pacoco indicates that one of the best ways to strengthen knowledge and develop new ideas is to give people the opportunity to meet others involved in similar activities. Study visits to other provinces have proven to be the best way for Pacoco members to come up with ideas for new associations. This approach can lead to more collective action and strengthen local social capital.

***Civil Society: Role of Pagoda Associations*** The structure of pagoda associations reflects the hierarchical norms of Khmer society, and the trust that links the associations' members represents the social capital of traditional institutions. The 2002 commune council elections and the decentralisation reform being implemented by the government are now providing an opportunity for traditional associations to exert some pressure on local government and act as civil society representatives. Pagoda associations enjoy trust from their members and therefore can be considered legitimate spokespersons for community needs to commune councils, can be involved in local planning or

can contribute their capital to the funding of small projects. To do this, they have to become more familiar with the new decentralised environment and the opportunities linked to their new role.

***Capacity Building*** The support from the GTZ civil society component for pagoda associations in Stoung now concentrates on strengthening the associations' role as community representatives in local governance, for example by explaining the importance of participating in the monthly commune council meetings, presenting the results of their credit activities and inviting councillors to visit and observe associations. During 2003 Pacoco members received training to clarify definitions and concepts of decentralisation, to provide them with theoretical understanding that was then to be translated into their daily work. An evaluation conducted in 2003 concluded that Pacoco members are increasingly involved in aspects of development work outside of traditional cash and rice associations, some as councillors and others as "focal points" of community development. According to the study, the "widespread network of rice and cash associations and committees means that Pacoco members are in a position to promote grassroots participation in local governance and community development in Stoung district" (Warthon 2003: 3). However, the study found that there has been almost no formal transfer of knowledge between Pacoco, associations and commune council members. The experience of Stoung suggests that project support needed to change from training to focus on learning by doing, facilitating cooperation between associations and commune councils in planning and implementing small-scale projects. This is now being complemented by capacity building in advocacy and dissemination of information, by development of simple educational posters and leaflets and by supporting meetings in pagodas at which association members can exchange experiences among themselves and with commune councils.

### **Conclusions**

Bonnal has written of the relationship between social capital, traditional community institutions and decentralisation that "past attempts at greater decentralisation have largely failed to take into account the vital dimension of local institutions" (1997:1). In Cambodia at present, there is an extraordinary effort by the government and international donors to improve the capacity and skills of commune council members. Pacoco and the associations represent traditional civil society organisations and have an important role to play in promoting local governance, particularly in the case of credit activities that enable them to fund themselves and to represent the interests of a large number of households. They therefore need to be targeted and involved in specific capacity building organised by donors and government institutions. The experience from Stoung suggests that the support should concentrate on basic issues such as attendance and participation in commune council meetings using simple training materials and, more importantly, on supporting exchange visits inside and outside the province. This will allow traditional pagoda associations

to play an active role in local governance and establish mutual support with commune councils.

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## Can Land Titles Help...

ity, (b) the availability of credit, extension, health care and other social services, (c) infrastructure development and (d) location relative to transport and markets. The benefits for households and society are likely to be greatest in areas with active land markets and easy access to development services. The contribution of land titles to rural development and poverty reduction can be optimised by targeting land titling efforts in areas where government agencies, NGOs and other donors and private investors are active.

The benefits from land titles also depend on household characteristics. Landholding size and the gender of the household head are good indicators of a household's potential to benefit from the titling programme. We expect that households with smaller holdings, including female-headed households, can benefit from more secure land tenure under favourable circumstances. However, households with larger landholdings are in a better initial position to benefit even more. The benefits for disadvantaged and vulnerable households can be enhanced by more specific targeting of areas where social services and development resources are focused on the poor. This is of particular concern for households that subsist on the precipice of landlessness.

The benefits for disadvantaged households can also be increased by policies that link land titling to pro-poor development objectives. Two potential policy areas are credit and public finance. For example, policies and practices that sustain higher interest rates in the formal sector undermine potential benefits from land titles by discouraging people from obtaining credit. Policies aimed at reducing interest rates would improve credit access for small landholders. Meanwhile, large untaxed

idle landholdings encourage land speculation and conflicts, and impede land use diversification and higher utilization rates. A tax on unused land over a certain size would reduce these problems as well as provide revenue for the government.

### Endnote

1. The data covers both wet and dry season rice production. Dry season rice, however, represents only a small proportion of total rice production in the survey sample.

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# Creating Plans Is Only One Step

**Melissa Marschke highlights experiences with community based natural resource management in Cambodia\***

*“We plan and then make more plans. But, while we sit and plan, our forests get cut down and people grab our land. People do dynamite fishing in the Tonle Sap: there are fewer and fewer fish. We want to find a way to solve these problems, not just talk about them.”—villager, Pursat, March 9, 2004.*

For Cambodian villagers interested in dealing with land encroachment, solving conflicts in their fishery or protecting a forest, it is not that easy. Villagers may work through existing conflict resolution mechanisms, which might include enlisting the support of village or commune chiefs and/or working with a pagoda or mosque leader. However, it is more likely (especially if villagers are working with a government institution or NGO) that some type of resource management committee will be formed to deal with the issue. Its name will largely depend on which government institution or NGO is involved. It is entirely possible for a community fisheries committee, a community forestry committee, a land use management committee, or a subcommittee of the commune council, all working on different aspects of natural resource management, to exist in the same village. Such committees may or may not include the village chief, who will also have ideas about natural resource management. This gives insight into why community members express frustration with the number of planning sessions they are involved in.

This is not to suggest that villagers are not interested in addressing natural resource and land management problems. They are, especially when they believe that they can solve issues related to their livelihoods. Rural villagers are connected to the landscape and use local resources in many ways, depending upon their availability. Many villagers do not compartmentalise resources the way government institutions do. For instance, the Department of Fisheries deals only with fisheries issues, the Forest Administration only with forestry issues. Villagers, by contrast, see the connections between land and water, trees and fish (Marschke 2003). Importantly, many villagers recognize that it takes multiple strategies to deal with resource-related problems. Therefore, some critical thought is needed to assess how different community-based policies identified in a range of legislation and programs can best support community needs.

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This paper begins by highlighting early experiences with community-based natural resource management (CBNRM) in Cambodia, followed by a synthesis of three approaches to CBNRM: (a) community fisheries management, (b) participatory land use planning (PLUP) and (c) an emphasis on mainstreaming natural resource and environmental management (NREM) within commune council plans. These approaches will be compared and briefly analysed, before turning to field experiences related to CBNRM practices. I argue that it takes more than a policy context to ensure that villagers can carry out community-based management work. Planning may be meaningless if people do not believe that their plans are supported by a *neak thom* (big person), regardless of the quality of the plan or what the law says.

## Proliferation of CBNRM Processes

While it may make sense to endorse community-based management programs (such processes, theoretically, enable villagers to take action), it is more challenging to understand what it really takes to enhance livelihoods, solve conflicts or increase access to resources for rural Cambodians. Households and village-level institutions practise a variety of resource management strategies: for example, protecting forests to serve as buffers from wind and storms. However, village-level institutions often cannot engage in resource management through patrolling and enforcement without some form of higher level support, because social relations in Cambodia take place within an authoritarian, hierarchical context. Resource management strategies, therefore, may be enhanced when there is appropriate formal (policy) and informal (*neak thom*) support for community involvement.

Several projects have been working on CBNRM in Cambodia since the 1990s (such as those funded by FAO, GTZ and IDRC). Much of this initial work was experimental: community members, NGOs and/or government facilitators worked on understanding just what resource management could look like “on the ground.” In these cases, village-level institutions were created in a policy vacuum, with maps and management plans being recognized informally through appropriate signatures (from village headperson to the provincial governor) and in some cases by technical departments at a provincial or national level. These initial experiences contributed to the proliferation of CBNRM processes (or parts of processes) now found across Cambodia, for example, through government decentralization programs, land management programs and community forestry and fisheries programs. Additionally, environmental NGOs have added “community-based management” to their work (Marschke 2004).

The CBNRM work in Ratanakkiri (supported by IDRC/UNDP/SIDA) has informed much of the approach towards mainstreaming natural resource management within Cambodia's decentralisation program. Efforts to mainstream resource management into com-

commune development plans began in 2003 within 40 communes. Other experiences have fed into policy creation, supporting community forestry and community fisheries; the FAO-Siem Reap project significantly influenced Cambodia's 2001 "fisheries reform." Linking land management and natural resource management, PLUP guidelines emerged from a series of workshops with community forestry and fisheries facilitators and government officials that took place between 1999 and 2001 (a process facilitated by GTZ). However, it is unclear if these processes, as they are currently unfolding, are enhancing local livelihoods or solving resource management problems.

### The 'Formal' Policy Context

*"I know about the law. The high law and local laws are opposite. The local law wants to protect the community, but the top levels do not support this. They say it is illegal for us to stop and catch the thieves. We can monitor and inform technical staff. [But] by the time we do this, it is always too late. I can understand the law some, because of many trainings that I've attended. The government law doesn't allow any rights to local people."*—villager, Siem Reap. 18 March 2004.

Many government departments are mandated some responsibility related to resource management (see Table One). Each government institution is working with its own policy makers to draft legislation. In some cases there is a strongly centralised planning emphasis, such as within the Forest Administration; in other cases there is a strongly decentralised planning emphasis, such as within the Ministry of Interior. Institutions are not always aware of, or connected with, other institutions doing similar things.

A number of legal mechanisms support community involvement in resource management. Within the Law on Management and Administration of Communes, a broad clause allows commune councils to manage and

protect natural resources (articles 41 and 43), although "Commune councils have no authority over forests" (article 45). According to the community forestry sub-decree, community forestry can take place with approval from the Forest Administration. Other legislation, such as the recently drafted community fisheries sub-decree, is awaiting approval.

With this proliferation of legal mechanisms and resource management processes comes an emphasis on planning. Planning is an integral part of working within the commune council structure or, for that matter, of working on resource management. Whether it is preparing the five-year commune development plan and the subsequent annual investment plans or preparing a community fishery or forestry plan, villagers in every commune do have planning experiences. In 2002 there were an estimated 162 community fishery sites in Cambodia (McKenney and Prom 2002); in January 2004, according to the Department of Fisheries, there were 329 community fishery sites.

Unfortunately, many of these plans are driven by outside facilitators (NGO or government) who may or may not understand what it is they are meant to be facilitating. There is often an assumption that local people lack the capacity to carry out such plans on their own; hence the plethora of training and capacity building exercises villagers may be exposed to. A critical question arises whether such elaborate planning mechanisms are appropriate. There are a lot of policies on paper, but in many cases the "doing" appears to lag behind the planning. Blunt (2003: 57) also questions the need for such complicated processes regarding infrastructure development:

*"the question is whether high production costs are adding sufficient value. Do the complex planning procedures that are employed lead to different and better decisions by commune councils concerning development needs and priorities? Or would the*

Table 1: Institutional Responsibilities Related to Natural Resource Management

Institution	Responsibilities related to natural resource management	Legal Instrument / Policy related to CBNRM
Ministry of Agriculture, Forestry & Fishery (MAFF)	Responsible for agricultural development and fishery activities in the fishery domain	Draft Community Fisheries Sub-decree
Forest Administration (FA)	Responsible for all forestry activities in the forest domain	Community Forestry Sub-decree
Ministry of Environment (MoE)	Responsible for protected areas; wildlife and environmental protection	Draft Protected Areas Sub-decree
Ministry of Interior (Moi)	In charge of decentralization and supervising the Commune Councils	Law on Management & Administration of Commune
Ministry of Land Management, Urban Planning Construction (MLMUPC)	Responsible for land use planning, land adjudication (land allocation), land management	Social Land Concession Sub-decree Participatory Land Use Planning (a policy)

Table 2: A Comparison of Three Resource Management Processes

	Community Fisheries	PLUP	NREM Mainstreaming
Objective	To enable villagers, with enforcement support from DoF staff, to protect and manage the fishery.	To solve resource management and land tenure issues (and create maps).	To build an understanding around NREM issues within commune-level planning processes.
How many	329 Community Fisheries sites	11 Communes completed; 9 communes on-going.	40 communes in 2003; expanding in 2004.
Challenges	Villagers cannot do enforcement of regulations without DoF staff (not enough staff).  Fish are very mobile. Limited capacity of DoF staff to facilitate this.	Complex problem-solving approach that requires strong facilitation skills.  "Land grabbing" is complicated. Not easy to map out land issues given the informal nature of much land exchange.	Integrating NREM into a pre-defined, infrastructure focused planning process is challenging as NREM issues require longer-term solutions. NREM mainstreaming not yet driven by local level.

*same roads, bridges and wells have been built in the same places if much simpler and cheaper planning procedures had been employed?"*

Considering that planning infrastructure development is often far simpler than solving resource management issues, and that the complexity of planning for infrastructure is questioned, a lesson can be learned. Planning processes need to be made both simpler and more flexible, to enable villagers and NGOs/government institutions to spend more time on livelihood enhancement projects and in solving resource management issues.

### Comparing Three Resource Management Processes

While there are some initial "bumps" to smooth, a policy context does exist to enable communities the space to plan for and potentially carry out local resource management activities. Closer analysis of community fisheries, PLUP and NREM mainstreaming processes illustrate how these processes overlap; although each process does have a slightly different objective (see Table Two).

Each of these processes emphasizes in-depth planning in the village or commune. For example, the NREM mainstreaming program adds an additional two days of commune-level planning to the already intensive planning process (Marschke 2004). Facilitating a PLUP process at the village level is estimated to take 21 days per village (limited implementation experience to date). Creating a community fisheries management plan can take days or months depending upon whether fisheries or NGO staff are facilitating. In all three processes, outside facilitators are required to help villages or communes in planning, including creating detailed technical maps. Moreover, expectations of the participating villagers are raised, expectations that may be dashed when there is limited follow-through.

What often happens is that villagers are facilitated to make plans and get approvals, and are then left on their own to carry out the plans. There is little time for facilitators to work with villagers on actual problem solving, since they need to go to the next village or commune to continue the planning process. What is important, therefore, is to understand better how villagers can be sup-

ported in carrying out plans and finding solutions. For instance, actually carrying out CBNRM activities often requires continuous facilitation and support as villagers grapple with complex issues. Equally importantly, a "buy-in" is required from local authorities and a few key officials to ensure that villagers feel comfortable in carrying through with their plans.

### What Is Needed on the Ground?

The following example, based on experiences of the Participatory Management of Mangrove Resources (PMMR) in Koh Kong province, illustrates why time and facilitation support are necessary for villagers to carry out some resource management activities.

In Koh Kong province, stopping illegal charcoal production is an ongoing battle, for villagers and provincial officers alike. In the 1990s many villagers migrated into mangrove areas to produce charcoal (mangrove wood produces a high quality charcoal), which was sold to Thailand. Middlepersons reaped most of the benefits, while poor people cut the trees and produced the charcoal. Various government-supported crackdowns began in the mid-1990s, the most significant occurring in 1999. By this point, it was clear to villagers that producing charcoal was not a secure option for them, and most switched to fishing.

When the elected village-level resource management committees in this area began producing their resource management plans, stopping illegal activities, such as charcoal production, was included. Before the establishment of resource management committees, local communities were afraid to stop illegal activities, especially those supported by powerful persons. However, the situation detailed below shows the growing confidence of one committee in its resource management work.

In May 2002 the resource management committee in Koh Sralau seized one boat carrying a large number of mangrove logs. The boat owner did not have permission from the locally elected resource management committee to cut trees: according to its regulations, mangrove trees can be cut only for house construction. However, the boat owner was related to the provincial police commander, and after the committee confiscated his logs, he



called the provincial police. The provincial police called a member of the PMMR project at the provincial level. PMMR reminded the police that the provincial governor had signed the management plans of the committee, and that the committee was stopping illegal activities. PMMR asked the police to work with the committee to resolve this issue; at the same time, PMMR reminded the committee that it had the right to solve the conflict. The committee was able to negotiate with the boat owner to pay a fine and sign an agreement that he would no longer carry out illegal activities in the area—a significant victory for the resource management committee (Nong and Marschke, *in press*).

Although the committee needed the support of PMMR, especially to remind it that it had the right to stop this activity, it was up to the committee to negotiate a solution to the problem. Without the signature of the governor, and the facilitation support from PMMR, it is debatable if this could have worked. CBNRM requires the support of multiple players at local, provincial and national levels. Sometimes including multiple interests can seem exhausting, but generally, the support will prove useful. Successful mangrove protection comes from cooperation among those who support CBNRM both directly and indirectly. As noted by Sick (2002), successful resource management occurs “not because there is an absence of diversity, conflict, and power struggles, but through established mechanisms for negotiation and resolution.”

### Analysis of Trends in NRM

*“I am very sorry that the power men benefit from the destruction of our natural resources. You see, by destroying the resources in the forest and in the Great Lake, they gain more and more money, which brings them more power.”—villager, Siem Reap, 18 March 2004.*

Although CBNRM has expanded across Cambodia, little research exists to indicate if livelihoods are improving with resource management practices. Rock (2004) comments that the community-based management approach of government institutions generally leaves little initiative with a village, undermines the role of the commune council and provides limited management responsibilities and tenure security to communities. The trend in community forestry, for example, is to give degraded or disturbed forests to communities with the aim of protecting and regenerating resources. Valuable forest or fishery resources are rarely allocated: poor resource allocations make it very challenging to enhance local livelihoods

Perhaps it takes a combination of bottom-up and top-down decision making really to tackle natural resource management. Since Cambodia’s cultural context is largely unreceptive to bottom-up forms of decision making or influence, it makes sense to rethink how to approach CBNRM. While villagers should be assigned a voice in resource management, appropriate institutional support must also be fostered to ensure that this approach can work. Blunt (2003: 62) comments, “[T]he

best prospect for improving levels of participation lies in strong and unequivocal (authentic) direction from above that the local government system should engage with communities in this way, combined with incentives that are directly tied to this form of engagement.”

### Conclusion

“I do not see what happens after the plan. There is no implementation, and I feel frustrated as I see no results,” commented one villager when asked about her involvement in creating a commune development plan. Yet another villager complained, “We have made so many plans, but our forests continue to be cleared and our fish are fewer and fewer” (Marschke 2004). Since community fishery or forestry, PLUP and mainstreaming NREM processes are new, both facilitators and villagers are learning. At this point, there is an emphasis on detailed planning, in part because facilitate the creation of a resource management plan is easier than actually solving an issue. Less emphasis needs to be placed on creating plans, so that the “action” part of these processes can happen. Many resource conflicts cannot be anticipated (such as land encroachment or an increase in fishing gear theft); thus, CBNRM processes need to be both pro-active (planning and networking) and reactive.

CBNRM processes overlap. Villagers involved in mainstreaming NREM into commune council plans may or may not be involved in planning a community fisheries project with the Department of Fisheries. Addition

ally, PLUP or other facilitation teams may come into the village without considering the information in a commune data base, therefore repeating participatory rural appraisal exercises with villagers. Greater understanding of current methods and greater coordination between government institutions are required to reduce the time villagers spend planning activities and the number of committees related to CBNRM found in each village or commune.

Finally, community management plans and maps alone will do little to enhance local situations or engage critical provincial and national actors. A shared framework amongst institutions and practitioners, more accountable to local livelihood needs and more culturally appropriate, is required. In addition to having a policy that supports CBNRM, government officials at provincial and national levels need to take leadership in ensuring that such processes really benefit villagers. Implementing CBNRM takes a team committed to problem solving and working consistently on issues with different partners. Most importantly, it takes villagers who are willing to take risks and dedicate their time to resource management.

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## ECONOMY WATCH – EXTERNAL ENVIRONMENT

The world economy continued to perform strongly in the first quarter of 2004, in spite of high-energy prices, leading to upward revision of growth projections for most developed and East Asian economies. The rate of inflation, however, remained low.

### World Economic Growth

The US economy expanded at an annualized rate of 5% in the year to March 2004, the biggest gain in 20 years. According to the Bureau of Economic Analysis, the major contributors to the increase in GDP were personal consumption expenditures, gross private domestic investment, government consumption expenditures, and exports. Personal consumption expenditure rose by 4.3%, year-on-year basis in the first quarter of 2004, 0.3 percentage point faster than in the previous quarter, boosted by increased spending on both durable goods (up 9.8%) and non-durable goods (up 5.1%).

Gross private domestic investment rose by 11.1% over a year earlier in the first three months of 2004, bolstered by a significant increase in investments in equipment and software (by 12.5%). Government consumption expenditures rose by 3% in the first three months of 2004 compared to the same period last year, reflecting a large rise (by 13%) in national defense spending. Exports surged to a 14-quarter high of 8.3% in the first quarter of 2004, with both goods and services exports performing well. Even though policy stimuli are unlikely to be as strong in 2004 as in the previous year, several factors should continue to ensure smooth growth in the US: better business performance, improvements in the corporate sector and the labor market, as well as stronger personal income growth. Consequently, the IMF has raised its latest projections for the US economy in 2004 by 0.6 percentage points to 4.6%, compared to the previous forecast made in September 2003. The forecast for 2005 is 3.9%.

Euro-area economies seemed to be recovering in the first three months of 2004 despite weak consumption growth in some countries (especially Germany). Economic growth is estimated at 1.5%, compared to 0.8% in first quarter of 2003. This was largely due to stronger performance of the German and French economies, led primarily (at least in the case of Germany) by strong export performance. Exports account for a third of the German GDP.

Quarterly growth in the first quarter of 2004 was the fastest in more than three years, in Germany according to Bloomberg News. Even though domestic demand has been weak, analysts are optimistic. The French economy grew by 0.8% quarter-on-quarter basis in the first quarter of 2004, its fastest pace since 2000, driven by both investment and consumer spending, according to the Economist (May 22-28). In the year to the first quarter, France's GDP expanded by 1.7%. However, the high unemployment rate (8.8%) may weaken consumption growth and a further sharp appreciation of the euro against the US dollar could dampen external demand,

and therefore growth.

Japan's economy grew at an annual rate of 5.6% in the first quarter of 2004, indicating that the recovery has continued to substantially exceed expectation. The recovery of the Japanese economy in the first quarter of 2004 primarily reflected improvements in the corporate spending sector, private consumption and exports. Despite the appreciation of the yen, a strong foreign demand for industrial machinery and consumer electronics, particularly from Asian economies such as China, South Korea and Taiwan, accelerated export growth by 15.1% in the first quarter of 2004, according to the government of Japan. The recent data released by the government of Japan also showed that private demand has grown significantly during the first quarter, up by 7% over the same period last year, the fastest pace in 12 years. The unemployment rate dropped to a three year low at 4.7% in March 2004, holding the key to making the recovery more sustainable. According to the Nippon Life Insurance Research Institute, the growth in the first quarter of 2004 was driven by domestic demand, as both corporate capital spending and private consumption remained solid, while exports maintained a rising trend on the back of the strong economic activity in key countries. There are increasing signs of a recovery in the Japanese economy, spreading from export-oriented demand to the domestic oriented sectors. Reflecting these developments, the IMF has revised Japan's 2004 GDP forecast from 2.2% to 3.4%.

China's GDP surged by 9.7% in the first quarter of 2004, raising further concerns over the overheating economy. This was mainly driven by investments in fixed assets. According to the National Bureau of Statistics of China, investments in fixed assets in the first quarter 2004 jumped sharply, by 43% compared to the same period last year. In addition, the growth of domestic market sales was supportive of GDP as well. In the first quarter of 2004, retail sales in China rose by 11% in real terms, led by rapid gains in the sales of automobiles and telecommunication equipment. However, China's economic growth in the following three quarters of 2004 is expected to slowdown, as the government tightens macroeconomic policies further such as raising central bank reserve requirements, and reducing lending to rapidly expanding sectors (i.e. steel, cars and property).

Stronger global economic growth, particularly in China, lifted the demand for exports of the Southeast. Thus, the Malaysian economy expanded at an annual rate of 7.6%, the highest growth recorded since the third quarter of 2000. Similarly, the Singapore economy expanded at a faster pace of 7.5% in the first quarter of 2004, led by a favorable external environment and improvement in wholesale and retail trade sectors, according to the Singapore Ministry of Trade and Industry. The manufacturing sector expanded by 12.2% in the first quarter of 2004. During the same period, the wholesale and retail trade grew by 13.6%, compared to the first quarter of 2003.

## ECONOMY WATCH – EXTERNAL ENVIRONMENT

In contrast, Thailand's economy decelerated by 6.5% year-on-year basis in the first quarter of 2004, down from 7.8% in the fourth quarter of 2003. This was caused by the Avian Influenza epidemic and prolonged drought, according to the Central Bank of Thailand. The contribution of agriculture to GDP contracted by 2.8% in the first quarter 2004, compared to the first quarter 2003 with the crop and livestock sector GDP contributions falling by 3.8% and 20.7%, respectively. The Malaysian and Singapore economies continue to gather momentum in the second quarter, while there are some concerns regarding Thailand's near term outlook, as the recent uncertain situation in southern Thailand could affect tourism, employment, and investor/consumer confidence. In addition, an expected slowdown in China is also some cause for worry for the export sector.

### World Inflation and Exchange Rates

Despite a significant increase in the crude oil price, the inflation rate in many countries remained relatively low. In the first quarter of 2004, consumer prices in the US rose at an annual rate of 1.7%, slightly below the 1.9% recorded in the fourth quarter of 2003, leading the US Federal Reserve Chairman, Alan Greenspan, to comment that *inflation is not likely to be a serious concern in the period ahead* in the US economy, according to the China Daily. In the Euro area, consumer prices rose at a slower pace of 1.6% in the first quarter of 2004 compared with a price increase of 1.9% in the previous quarter, while in Japan, deflationary pressures are still continuing with a price decline of 0.1% in the first quarter of 2004.

In Hong Kong, stronger private consumption has helped to ease the rate of decline in consumer prices to 1.2% in the first quarter of 2004, from a fall of 2.5% in the preceding quarter. Over the same period, consumer prices in Singapore increased by 1.4%, mainly due to an increase in almost all categories of consumer goods and services except clothing and housing costs. Consumer prices in Thailand increased by 1.9% year-on-year basis, largely reflecting rising food prices.

The most recent data shows that the US dollar weakened against both the major currencies and most Asian currencies. The US dollar continued to lose its value to a 19 quarter low against the Euro, trading at 0.79 Euro/US\$ in the first quarter of 2004. During the same period, the US dollar also continued to depreciate against the Japanese yen for the fourth consecutive quarter to 107.2 Yen/US\$. Against the Thai baht and Singapore dollar, the US dollar depreciated by 1.5% and 1.7% over the previous quarter, to 39.1 baht/US\$ and 1.69 S\$/US\$ in the first quarter of 2004. However, the US dollar is expected to rise if the US Federal Reserve raises interest rates in the near future.

### Commodity Prices in World Markets

In the first quarter of 2004, the price of first quality rice in Bangkok international market rose to US\$ 215.3/tonne, an increase of 9.8% from the preceding quarter. The price of rice is expected to continue to rise in 2004, as China, which used to export over 2 million tonnes of rice a year, has started to import rice from Thailand and Vietnam after a series of crop failures, according to VNANET. In contrast, the price of rubber in the Malaysian international market declined slightly by 1.2% to US\$ 1,246.4/tonne in the first three months of 2004, from US\$ 1,261.4/tonne in the last quarter of 2003. In the US market, the price of soybeans increased significantly by 8.5% to US\$ 238.5/tonne in the first quarter of 2004, up from US\$ 219.7/tonne in the fourth quarter of 2003. During the same period, the price of crude oil also rose to US\$ 29.3/barrel, an increase of 8.5% from the previous quarter. This was buoyed by a positive forecast for world economic recovery, despite tight US oil stocks, uncertainty in the Middle East, as well as the OPEC decision to cut official production quotas by 1 million barrels per day from April 1. However, the price of crude oil remained unchanged, compared to the first quarter of 2003.

*Prepared By Mr. Tong Kimsun*

*Continued from page 12*

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## ECONOMY WATCH—EXTERNAL ENVIRONMENT

**Table 1. Real GDP Growth of Selected Trading Partners, 2000–2004 (percentage increase over the previous year)**

	2000	2001	2002		2003				2004	2003
			Q3	Q4	Q1	Q2	Q3	Q4	Q1	
Selected ASEAN countries										
Cambodia	7.3	6.7	-	-	-	-	-	-	-	5.0
Indonesia	4.4	3.8	3.9	3.8	3.4	3.8	3.9	4.3	4.5	4.1
Malaysia	8.7	0.5	5.6	5.4	4.0	4.4	3.5	6.4	7.6	5.3
Singapore	9.5	-2.3	3.7	3.0	1.6	-4.2	1.7	3.7	7.5	1.1
Thailand	4.4	1.9	5.8	6.0	6.7	5.8	6.6	7.8	6.5	6.7
Vietnam		6.0	6.7	-	-	6.9	-	-	-	7.0
Selected other Asian countries										
China	8.0	7.5	8.1	8.1	9.9	6.7	9.1	9.9	9.7	9.1
Hong Kong	10.2	0.5	3.0	4.8	4.4	-0.6	4.0	4.9	6.8	3.2
South Korea	9.1	3.0	5.8	6.8	3.7	1.9	2.3	3.9	5.3	3.1
Taiwan	5.8	-2.2	4.8	4.2	3.2	-0.4	4.2	5.4	6.3	3.2
Selected industrial countries										
Euro-12	3.5	1.4	0.8	1.3	0.8	0.2	0.3	0.6	1.5	0.6
Japan	2.8	0.4	1.0	1.7	2.7	2.1	1.9	3.1	5.6	2.5
United States	5.0	1.2	3.0	2.8	2.1	2.4	3.6	4.3	5.0	3.1

Source: *The Economist, Far Eastern Economic Review and Country's National Statistics offices and Central Banks*

**Table 2. Inflation Rate of Selected Trading Partners, 2000–2004 (percentage increase over the previous year – period average)**

	2000	2001	2002		2003				2004	2003
			Q3	Q4	Q1	Q2	Q3	Q4	Q1	
Selected ASEAN countries										
Cambodia	-0.3	-0.4	3.5	3.0	1.8	1.6	0.7	0.5	0.8	1.5
Indonesia	3.7	11.3	10.2	10.3	7.7	6.5	5.6	3.7	4.8	5.8
Malaysia	1.5	1.4	2.1	1.9	1.3	0.9	1.0	1.1	0.9	1.0
Singapore	1.4	1.0	-0.4	0.1	0.7	0.1	0.5	0.7	1.4	0.5
Thailand	1.6	1.8	0.3	1.4	2.0	1.7	1.8	1.5	1.9	1.8
Vietnam	-1.7	0.0	2.9	3.7	2.2	2.3	3.5	2.2	-	3.1
Selected other Asian countries										
China	0.3	1.0	-0.8	-0.6	0.5	0.6	0.8	-	-	1.2
Hong Kong	-3.7	-1.5	-3.5	-2.9	-2.0	-2.5	-3.7	-2.5	-1.2	-2.5
South Korea	2.3	4.3	2.5	3.2	4.1	3.3	3.1	3.5	3.2	3.5
Taiwan	1.3	-0.01	-0.3	-0.5	0.3	-0.1	-	-	-	-0.3
Selected industrial countries										
Euro-12	2.3	2.6	2.0	2.3	2.4	2.0	2.0	1.9	1.6	2.1
Japan	-0.6	-0.5	-0.8	-0.5	-0.3	-0.2	-0.3	0	-0.1	-0.2
United States	3.4	2.9	1.6	2.2	2.9	2.1	2.2	1.9	1.7	2.3

Source: *The International Monetary Fund, the Economist and the National Institute of Statistics*

**Table 3. Exchange Rates of Selected Trading Partners Against the US Dollar, 2000–2004 (period averages)**

	2000	2001	2002		2003				2004	2003
			Q3	Q4	Q1	Q2	Q3	Q4	Q1	
Selected ASEAN countries										
Cambodia (riel)	3,871	3,935	3,935	3,948	3,948	4,008	4,015	3,999	3,991	3,992
Indonesia (rupiah)	8,421	10,261	8,955	9,054	8,905	8,479	8,441	8,482	8,469	8,577
Malaysia (ringgit)	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80
Singapore (S\$)	1.72	1.79	1.76	1.77	1.74	1.75	1.75	1.72	1.69	1.74
Thailand (baht)	40.1	44.4	42.01	43.4	42.7	42.2	41.3	39.7	39.1	41.5
Vietnam (dong)	14,168	14,725	15,324	15,376	15,426	15,472	15,522	15,618	16,208.6	15,510
Selected other Asian countries										
China (yuan)	8.28	8.28	8.28	8.28	8.27	8.28	8.28	8.28	8.28	8.28
Hong Kong (HK\$)	7.80	7.80	7.80	7.80	7.80	7.80	7.79	7.75	7.77	7.78
South Korea (won)	1,131	1,291	1,197	1,219	1,202	1,207	1,174	1,182	1,171	1,192
Taiwan (NT\$)	31.8	34.1	33.8	34.8	34.7	35.0	34.2	34.0	33.4	34.5
Selected industrial countries										
Euro-12 (euro)	1.08	1.12	1.02	1.00	0.93	0.88	0.88	0.84	0.79	0.88
Japan (yen)	108	122	119.6	123.0	118.8	118.4	117.6	108.9	107.2	115.9

Source: *The International Monetary Fund, The Economist and National Bank of Cambodia*

**Table 4. Selected Commodity Prices on the World Market, 2000–2004 (period averages)**

	2000	2001	2002		2003				2004	2003
			Q3	Q4	Q1	Q2	Q3	Q4	Q1	
Hardwood (logs) – Malaysia (\$/m3)	190.1	160.1	178.7	181.2	186.3	182.1	183.0	197	197.7	187.1
Hardwood (sawn) –Malaysia (\$/m3)	599.2	488.3	536	565.4	550.4	552.4	552.0	545.5	547.8	550.2
Rubber – Malaysia (\$/ton)	720.8	602.0	863	834.1	945.5	975.8	1,017.4	1,261.4	1,246.4	1,050
Rice - Bangkok (\$/ton)	203.7	172.6	192.6	189.6	198.3	197.5	199.6	196	215.3	197.8
Soybeans – USA (\$/ton)	211.3	195.6	219.3	239.0	243.3	245.7	244.3	219.7	238.5	238.3
Crude oil – Dubai (\$/barrel)	26.1	22.8	25.4	26.2	29.3	24.5	26.5	27	29.3	26.8
Gold - London (\$/troy ounce)	279.0	279.0	313.7	317.8	352.1	346.7	363.3	391.9	408.5	363.5

Source: *The International Monetary Fund, and Far Eastern Economic Review*

## ECONOMY WATCH—DOMESTIC PERFORMANCE

### Main Economic Activities

The growth of the Cambodian economy has been mainly led by exports of ready-made garments, tourism and construction sector activity. Cambodia's tourism sector continued to grow for the third consecutive quarter. In the first quarter 2004, the total number of international visitors rose by 22 percent to 254,400 persons, compared to the same quarter 2003. International visitors by land and boat increased by 53 percent to 96,500 persons, of which most entered into Cambodia through Poi Pet and Bavet international border checkpoints. Meanwhile, visitors by air totalled 157,900 persons, 8 percent more than a year earlier. Of this, Siem Reap international airport received 79,693 persons – an increase of 15.5 percent.

The construction sector showed a positive trend in the first three months of 2004. Construction project approvals in Phnom Penh amounted to US\$ 73 million (229 projects), 36 percent more than one year ago. Of this, approvals for construction of 'mansions' reached US\$ 8.1 million (52 projects). This was the largest quarterly amount since 2001. During the same period, apartment and other construction activities accounted for US\$ 48.5 million and US\$ 16.3 million, compared with US\$ 34.7 million and US\$ 15.1 million respectively.

Cambodia's trade balance improved in the first quarter 2004, registering a 4.6 percent reduction in the size of the deficit, compared to a year earlier as exports increased by 20.5 percent (to US\$ 399.5 million), with garment exports rising at a somewhat faster pace (22 percent). Cambodia's imports, on the other hand, rose to US\$ 458.9 million in the first quarter 2004, 16.5 percent higher than in the same quarter last year, led by vehicle imports (92 percent) and diesel imports (by 21 percent). It may be noted that gasoline imports declined sharply by 22.2 percent on a quarterly basis and 32.6 percent on an annual basis.

Total fixed assets approved by the Council for the Development of Cambodia (CDC) amounted to US\$ 63.3 million in the first quarter 2004, down from US\$ 108.5 million in the first quarter 2003. This is related to negligible investments in agriculture and a drop of around 90 percent in service sector, especially an absence of investments in hotels in the first quarter 2004. If approvals and actual investments are closely related, the significant drop noted above, has negative implications for future growth.

### Public Finance

In the first quarter 2004, overall deficit in Cambodia's budget implementation declined by around 44 percent to 123.2 billion riels, over the preceding year. Total revenues rose to 524 billion riels, from 428.1 billion riels in the first quarter 2003, reflecting an increase of 31 percent in current revenues. This appears to be in response to significant tax reforms leading to increases in VAT collection by 42.2 percent, and Customs and Excise duties by 48 percent and 69 percent, respectively. These increases were offset to some extent by a decline in non-tax revenues (by over 10 percent), mainly related to ex-

port and quota license fees, and earnings from posts and telecommunications.

In the case of budget expenditures, including expenditure adjustments, a total of 647.1 billion riels were spent in the first quarter 2004, remaining largely unchanged over the year. There was a significant decline in current expenditures (around 27 percent) with a drop of 61.6 percent in expenditures on General Administration, followed by a decrease of 3 percent in expenditures on Defence and Security. Capital expenditures improved by 8.5 percent over the same period with foreign funding accounting for around 77 percent of the total.

### Inflation and Foreign Exchange Rates

Despite a significant rise in energy costs, consumer prices in Phnom Penh rose marginally by 0.8 percent in the first quarter 2004, compared to the first quarter 2003. Food prices rose by 0.6 percent, while transportation and communication costs climbed by 4.8 percent.

The value of the Cambodian riel remained largely unchanged against the US dollar, trading at 3,991 riels/US dollar in the first quarter 2004, compared to 3,948 riels/US dollar in the first quarter 2003. The riel fell significantly against the baht (by 10.3 percent) over the same period. The exchange rate with the Vietnamese dong was 24.6 riels/100 dongs (a 10-quarter high) in the first quarter 2004, a 4 percent appreciation over the preceding year.

### Monetary Development

According to the National Bank of Cambodia (NBC), total liquidity amounted to 3,659 billion riels (US\$ 917 million) at the end of the first quarter 2004, a 22 percent increase on an annual basis. This reflects a rise in both riel and foreign currency deposits: 21 percent in riel terms (to 1,095 billion riels) and 20.6 percent in foreign currency terms (to US\$ 642.5 million). The increase in the riel-component during the first three months of 2004 means that currency outside banks grew by 24 percent, and time and savings deposits by 18 percent. Liquidity increased by 10 percent in the first quarter 2004 over the previous quarter, led by a rise in foreign currency deposits (by 10.7 percent).

### Private Investment and Employment

The Council for the Development of Cambodia (CDC) has adopted more lenient investment policies in an effort to encourage both domestic and foreign investors. This includes increasing the licensing period from six months to a year – this is the period during which approved projects have to be implemented or otherwise face cancellation. However, actual approvals declined by almost 42 percent over the period first quarter 2003 and first quarter 2004. It is surprising to note that approvals for the garments industry actually increased quite substantially during this time (from \$6.5 million to almost \$50 million), despite the looming threat of Multi-Fibre Agreement (MFA) withdrawal by the end of the year. This is an encouraging sign.

## ECONOMY WATCH—DOMESTIC PERFORMANCE

### Poverty Situation - Earnings of Vulnerable Workers

Poverty reduction is the main priority of the Cambodian government. In order to monitor changes in the daily livelihood of vulnerable people, CDRI has been conducting quarterly surveys, since 1998, mainly in Phnom Penh and the two neighboring provinces of Kandal and Kampong Speu, with a focus on daily earnings.

In May 2004, the average, nominal daily earnings of vulnerable workers of all groups increased by 9 percent compared to the same period last year. Among the 10 groups, the earnings of 8 increased while those of the other two groups declined (table 8). Compared to February 2004, however, the average daily earnings of only two groups (i.e. garment workers and small vegetable traders) improved.

The price of gasoline increased sharply by 12% in May 2004 to 2,850 riels/litre, up from 2,550 riels/litre in February 2004. This had a major impact on vulnerable workers, especially motor taxi drivers, whose earnings took a severe blow. The survey data shows that only 5 percent of motor taxi drivers thought that their average daily earnings had increased, while 72 percent claimed that their earnings declined.

Average daily earnings of unskilled construction workers declined by 3 percent over the year up to May 2004. In addition, 80 percent of unskilled construction workers reported a rise in the number of workers compared to the same period last year. Skilled construction workers on the other hand, recorded the highest earnings amongst the 10 groups examined. Their average daily earnings increased by 3 percent, in response to greater

demand from the construction industry. Ninety percent of the skilled construction workers thought that demand had increased. Fifty-seven percent of skilled construction workers revealed that their daily earnings were the major source of income for their families and that their savings were not enough to start-up a new business. Majority (80 percent) of skilled construction workers in the sample came from the provinces.

Average daily earnings of garment workers rose by 7 percent in May 2004, compared to May 2003, but it remained at the same level as in May 2002. Around 80 percent of garment workers (10 factories) reported increased activity compared to the previous 3 months, with 77 percent reporting more overtime than before. The survey conducted in May 2004 shows that garment workers generally spent around 26 US dollars per month, including meals, accommodation, and transportation.

The average daily earnings of scavengers, waitresses and rice field workers were around 4,400 riels each, in May 2004. Compared to May 2003, their average daily earnings increased by 27 percent, 16 percent, 3 percent, respectively. It was found that, 60 percent of scavengers and rice field workers took loans with a high interest rate. The survey indicates that 92 percent of rice field workers are landless and mainly dependent on their own labor.

The average daily earnings of small vegetable traders rose by 23 percent in May 2004 relative to the same period last year. They reported an increase in prices over the last three months. Around 50 percent reported taking a loan with a high interest rate for starting up their businesses.

*By Ms. Pon Dorina, Ms. Ouch Chandarany  
and Ms. Dannel Liv*

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## ECONOMY WATCH—INDICATORS

**Table 1. Private Investment Projects Approved, 1996–2004**

	1996	1997	1998	1999	2000	2001	2002	2003					2004
								Q4	Q1	Q2	Q3	Q4	Q1
Number of investment projects													
Total	300	136	140	96	96	188	8	20	14	17	15	15	
Garment	144	48	84	44	52	76	2	6	7	12	6	11	
Registered capital (millions of dollars)													
Total	391.2	278	416.4	246.8	102.4	129.2	20.3	41.6	10.4	4.0	15.4	11.9	
Garment	156.8	34.4	91.6	55.6	25.6	60	1	5	4.1	1.0	5.8	8.4	
Fixed assets (millions of dollars)													
Total	746.8	761.6	849.2	474	266.4	217.2	60.9	108.5	48.3	95.1	62.1	63.3	
Garment	158.4	38.8	120.8	79.6	76.8	100	1.7	6.5	10.5	43.3	14.5	49.9	

Source: Cambodian Investment Board (1995-2003) \* Including existing investment expansion projects

**Table 2. Construction Projects Approved in Phnom Penh (1996-2004)**

	1996	1997	1998	1999	2000	2001	2002	2003					2004
								Q4	Q1	Q2	Q3	Q4	Q1
Mansion	205	179	143	136	111	108	40	29	39	25	48	52	
Apartment	537	528	678	864	520	499	123	125	104	148	116	157	
Other	116	117	132	74	64	57	14	21	23	17	22	20	
Total	858	824	953	1074	695	664	177	175	166	190	186	229	

Source: Department of Cadastre and Geography of the Municipality of Phnom Penh

**Table 3. Exports and Imports, 1996-2004**

	1996	1997	1998	1999	2000	2001	2002	2003					2004
								Q4	Q1	Q2	Q3	Q4	Q1
Millions of dollars													
Total exports	387.1	493.4	784.4	941.1	1055.5	1267.0	412.9	331.5	408.5	492.3	475.7	399.5	
Of which: - Garment	78.8	227.2	378	554	962.1	1201.0	385.4	314.7	389.9	475.2	448.5	383.6	
. To U S	0.4	107.2	74.1	486	714.1	840.9	269.2	230.6	267.8	303.2	298.2	255.8	
. To Rest of the world	78.4	120	82	68	248.0	360.1	116.2	84.1	122.1	172.0	150.3	127.8	
- Agriculture	-	-	-	-	90.5	66.0	27.4	16.8	18.7	17.0	27.2	16.0	
. Rubber	-	-	-	-	29.6	25.9	9.1	6.3	6.7	10.0	12.1	8.0	
. Wood	-	-	-	-	32.5	22.3	3.3	2.8	2.8	2.1	2.4	1.8	
. Fisheries	-	-	-	-	5.4	6.0	0.5	0.8	0.7	0.6	0.7	0.8	
. Other	-	-	-	-	26.0	11.8	14.5	6.9	8.5	4.3	12.0	5.4	
Total Imports	1114.4	1094.5	1112.2	1237.4	1417.7	1501.4	438.7	393.8	507.3	436.2	497	458.9	
Of which: - Gasoline	-	-	-	-	-	-	7.6	10.4	8.0	5.6	9.0	7.0	
- Diesel	-	-	-	-	-	-	23.3	25.0	33.4	25.1	24.4	30.2	
- Construction material	-	-	-	-	-	-	2.9	2.8	3.4	2.4	3.5	3.0	
- Others	-	-	-	-	-	-	404.9	355.6	462.5	403.1	460	418.7	
Trade Balance	-727.3	-601.2	-327.8	-296.3	-362.2	-234.0	-25.8	-62.3	-98.8	56.1	-21.3	-59.4	
Percentage change over previous year													
Total Exports Garment	198	188	66	47	74	24.8	33.2	26.3	34.7	10.1	16.4	21.9	
Total Exports	2.1	27.5	58.9	12.4	19.7	20	35.3	20.7	30.0	9.0	15.2	20.5	
Total Imports	1.2	-1.8	1.6	11.3	14.5	5.9	27	22	7.8	-10.0	19.6	16.5	

Source: Ministry of Commerce, Department of Trade Preferences Systems and Customs and Excise Department including tax exemption

**Table 4. Visitor Arrivals in Cambodia, 1996-2004**

	1996	1997	1998	1999	2000	2001	2002	2003					2004
								Q4	Q1	Q2	Q3	Q4	Q1
Thousands of passengers													
Tourist visas	194.4	163.0	141.9	199.6	209.6	335.4	58.7	183.7	83.8	132.0	209.1	230.7	
by Air	194.4	163.0	141.9	199.6	209.6	335.4	58.7	124.6	44.4	76.2	131.3	139.6	
land and boat	-	-	-	-	-	-	-	59.1	39.4	55.8	77.7	91.1	
Business visas	58.4	48.6	37.6	55.4	46.9	62.4	16.1	20.4	14.7	20.3	15.5	15.8	
by Air	58.4	48.6	37.6	55.4	46.9	62.4	16.1	17.2	11.2	16.3	15.5	11.5	
land and boat	-	-	-	-	-	-	-	3.2	3.5	4.0	-	4.3	
Official visas	7.6	7.2	6.8	7.9	95.2	10.6	92.9	4.7	4.6	5.9	6.1	7.9	
by Air	7.6	7.2	6.8	7.9	95.2	10.6	92.9	4.0	4.0	5.1	6.1	6.8	
land and boat	-	-	-	-	-	-	-	0.7	0.6	0.8	-	1.1	
Total by Air	-	-	186.3	262.9	351.7	408.4	167.7	145.8	59.6	97.6	152.9	157.9	
Total Land and boat	-	-	100.2	104.8	114.7	196.5	69.6	63	43.5	60.6	77.7	96.5	
Grand total	260.4	218.8	286.5	367.7	466.4	604.9	237.3	208.8	103.1	158.2	230.6	254.4	
Percentage change over previous year													
Grand total	18.5	-15.9	30.9	28.3	26.8	29.7	41.3	-0.9	-37.4	-8.9	-14.2	21.8	

Sources: Ministry of Tourism

## ECONOMY WATCH—INDICATORS

**Table 5. Consumer Price Index (CPI), Exchange Rates and Gold Prices, 1996-2004 (period averages)**

	1996	1997	1998	1999	2000	2001	2002		2003		2004	
							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	-0.3	7.4	5.9	-1.9	1.8	4.6
Phnom Penh - All Items	7.1	8.0	14.8	4.0	-0.8	-0.6	3.04	1.8	1.6	0.8	0.5	0.8
- Foods	7.6	6.7	14.1	7.6	-3.3	-2.8	2.00	3.20	2.3	1.5	-0.04	0.6
- Energy	20.7	20.0	15.1	3.5	6.6	-1.1	2.25	4.75	5.2	5.1	5.1	4.8
	Exchange rates, Gold and Oil prices (Phnom Penh market rates)											
Riel per US dollar	2,666	3,029	3,824	3,832	3,879	3,935	3,948	3,948	4,008	4,015	3,999	3,991
Riel per Thai baht	105	98	88	101	96.3	88	90.9	92.4	94.9	96.9	100.5	101.9
Riel per 100 Vietnamese dong	24.0	25.6	28.6	27.8	27.4	26.6	25.8	25.6	25.9	24.9	24.8	24.6
Gold prices (US dollar per chi)	46.3	40.4	36.0	34.0	33.3	32.7	38.5	39.8	40.0	41.5	44.4	46.0
Price of Diesel (Riels/litre)	779	883	1,065	1,105	1,329	1,521	1,550	1,697	1,683	1,683	1,700	1,867
Price of Gasoline (Riels/litre)	1,118	1,378	1,613	1,760	2,113	2,084	2,200	2,433	2,383	2,367	2,400	2,567

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

**Table 6. Monetary Survey, 1996-2004 (end of period)**

	1996	1997	1998	1999	2000	2001	2002		2003		2004	
							Q4	Q1	Q2	Q3	Q4	Q1
	Billions of riels											
Net foreign assets	881	1,177	1,726	2,019	2,589	3,080	3,737	3,741	3,594	3,627	4,027	4,265
Net domestic assets	31	-114	-496	-576	-759	-876	-849	-737	-641	-621	-698	-606
Net claims on government	128	54	178	103	3	-75	-119	-72	-19	18	-128	-133
Credit to private sector	435	637	655	763	898	936	1,059	1,125	1,224	1,287	1,337	1,389
Total liquidity	912	1,063	1,230	1,443	1,831	2,204	2,888	3,004	2,953	3,007	3,328	3,659
Money	329	385	543	531	540	609	813	829	871	886	937	1007
Quasi-money	583	678	687	911	1,291	1,594	2,075	2,175	2,082	2,120	2,391	2,652
	Percentage change from previous year											
Total liquidity	40.3	16.6	15.7	17.3	26.9	20.4	24.1	24.6	11.5	9.3	15.2	21.8
Money	18.3	17	41	-2.2	1.7	12.8	33.4	22.6	16.4	14.9	15.3	21.5
Quasi-money	57.1	16.3	1.3	32.6	41.7	23.5	30.2	25.7	9.5	7.1	15.2	21.9

Source: National Bank of Cambodia. \* Q4 2003 Revised.

**Table 7. National Budget Operations on Cash Basis, 1996-2004 (billion riels)**

	1996	1997	1998	1999	2000	2001	2002		2003		2004	
							Q4*	Q1	Q2	Q3	Q4	Q1
Total revenue	748	880	920	1326	1528	1529	495.9	428.1	379	400.5	506	523.9
Current revenue	-	-	-	-	-	1521	495.9	400	377	399.2	506	523.3
Tax revenue	536	596	676	956	1096	1096	350.1	273	287	273.1	349.1	409.3
Customs duties	344	348	376	432	376	376	122.5	92	94	91.6	117.4	137
Non-tax revenue	176	272	204	348	424	424	145.8	127	90	126.2	156.8	113.9
Forest exploitation	28	36	20	36	28	29	4.7	1	1	4.5	0.5	0.9
Post & Telecommunications	64	84	88	108	124	122	44.8	19	18	33.5	44.3	16.1
Capital revenue	40	12	36	12	8	9	0.0	28.4	2	1.3	0.0	0.6
Total expenditure	1440	1260	1296	1792	2332	2332	864.9	647.5	660	661.6	582.4	647.1
Capital expenditure	628	452	368	624	976	977	440.1	272.3	271	279.6	205.1	295.6
Current expenditure	812	808	980	1164	1356	1355	424.8	375.3	388	381.9	377.3	351.5
Education and Health	124	128	132	280	344	343	227.7	36	88	122.4	128.4	31.4
Defense and Security	408	420	448	464	404	405	163.9	70	119	75.4	110.1	67.6
Other Ministries	284	260	332	412	636	637	33.1	279	182	214	138.8	252.6
Overall deficit	-692	-380	-380	-476	-804	-803	-369	-219.4	-281	-261	-76.5	-123.2
Foreign financing	680	444	268	416	768	766	333.3	119	201	230	244.8	-223
Domestic financing	12	-64	112	60	36	37	35.7	100.4	80	31	-168.3	99.8

Source: Ministry of Economy and Finance. Q4\* 2002 revised, 2003 and Q1 2004 provisional

**Table 8. Average Daily Earnings of Vulnerable Workers, 1997-2004**

	Daily earnings (riels)									Change from last year (%)		
	1997		2001	2002	2003			2004		2003	2004	
	Pre-Jul	Nov	Nov	Feb	May	Aug	Nov	Feb-04	May-04	Nov	Feb	May
Cyclo drivers	12,250	6,262	8,878	9,200	7,000	9,380	9,817	9,500	8,425	10.58	3.26	20.36
Porters	9,675	5,000	6,312	7,600	6,225	7,240	6,500	8,700	7,847	2.98	14.47	26.06
Small vegetable sellers	7,050	5,096	7,158	7,250	6,162	6,860	6,700	7,400	7,625	-6.40	2.07	23.74
Scavengers	4,155	3,393	4,012	3,875	3,605	4,900	3,900	4,800	4,600	-2.79	23.87	27.60
Waitresses*	-	2,358	4,000	4,600	4,380	4,520	4,435	4,900	4,500	10.88	6.52	2.74
Rice-field workers	-	3,618	4,219	4,180	3,712	4,600	4,450	4,700	4,300	5.48	12.44	15.84
Garment workers	-	8,968	10,000	10,127	9,123	10,300	10,000	9,675	9,740	0.0	-4.46	6.76
Motorcycle-taxi drivers	-	9,791	12,075	11,400	9,372	10,900	10,000	11,200	9,000	-17.18	-1.75	-3.97
Unskilled construction workers	-	4,841	5,850	6,162	7,100	7,600	6,200	7,200	6,900	5.98	16.85	-3.16
Skilled construction workers	-	9,866	13,350	12,500	12,050	12,700	16,900	13,800	12,450	26.59	10.40	3.32

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.

## CDRI UPDATE

### Management

CDRI's mid-year board meeting was held in Phnom Penh on 3 July. CDRI's 2003 Annual Report was released at the meeting and is now available on the CDRI website. Its format and character have been revised to maximise its usefulness in profile building, the identification of new strategic partners, and networking in the second half of 2004.

The Danish International Development Agency (DANIDA) has extended its support for CDRI's natural resources and environment programme to mid-2006.

In June 2004, CDRI's Executive Director participated in a workshop in Bangkok to establish a network of leading research institutes in the Asia Pacific region working on trade and WTO issues. The Asia-Pacific Research Network on Trade (ARTNET), will be coordinated by UNESCAP and supported by the International Development Resource Centre (IDRC). It will facilitate collaborative research and build participating institute's research and policy capacity on trade and WTO issues.

### Research

CDRI research has expanded greatly in scope and coverage in recent months. There are over a dozen studies currently in progress. Several additional studies are at an advanced stage of negotiation with partners. For CDRI research publications, blind peer review mechanisms have been introduced. CDRI capacity is being expanded through an active and aggressive recruitment policy, targeting both junior as well as more senior Cambodian researchers.

Several studies are currently being finalised, including a study on Small and Medium Enterprises and Baseline Study on Land Titling. Two studies have been completed and are being circulated for comments: (a) a study on fiscal decentralisation, and (b) a study on com-

munity management of high value forest resources. New research projects underway or at an advanced stage of negotiations are:

- Moving Out of Poverty (World Bank)
- Participatory Poverty Assessment of the Tonle Sap (ADB)
- Public Expenditure Tracking Survey – PETS (World Bank)
- Economics of Natural Resources (DANIDA)
- Urban Land Titling (World Bank/Ministry of Land)
- Local Level Service Delivery (UNCDF)

A data management unit has been established to better manage future CDRI survey and offer research data.

### Centre for Peace and Development

During the second quarter of 2004, the CPD training team conducted Module Two of Training for Peace (Training for Trainers) course, two modules of Working for Peace at CDRI, and one course of Specific Training Workshop in Veal Veng district, Pursat province. In early July, CPD team leader, Huy Romduol, participated in a five-day seminars on Trauma Awareness and Recovery at Harrisonburg VA, USA, supported by CWS Cambodia. The CPD team shared experiences on the Reconciliation concept at DED (Deutscher Entwicklungsdienst – German Development Service).

### Library

Since October 2003, the Library has registered 570 users as library members. The Library has expended its overseas subscriptions and received a donation of more than 100 titles from the Asia Foundation. The Library orientation is an ongoing activity for new users and visitors.

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