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Towards a Community-Based Poverty Monitoring System in Cambodia

Nou Keosothea and Chan Sophal highlight the importance of the Community-Based Poverty Monitoring System in monitoring local poverty reduction, emphasizing institution and capacity building at the local level.*

Cambodia is committed to a long process of decentralisation. The importance of local governance is well recognised, and many people are working to enhance the success of this reform. Commune councils need systematic and reliable information in order to effectively assess needs, plan, monitor and evaluate development projects. The Community-Based Poverty Monitoring System (CBPMS), which has been piloted in Cambodia, aims to provide commune councils with practical data for these needs. It also aims in the long term to create a sustainable system to monitor local poverty reduction over time. Therefore, the project emphasised institution and capacity building at the local level.

A total of 11,937 households in six communes of Battambang and Kratie provinces were surveyed from October 2003 to November 2004. These households represented two districts of contrasting socio-economic conditions. For a census at the commune level, knowledgeable villagers were recruited and trained to undertake the household interviews based on a five-page questionnaire. Data were processed manually under the management of the commune councils and under the technical supervision of the project supervisory team. As a result, the six communes were able to produce their own books of poverty statistics for planning and monitoring. The study examined the different CBPMS indicators reflecting the multidimensional nature of poverty: demography, education, housing and land, health, income and expenditure, assets, violence and security and order. However in this paper, we report mainly on the



Fishing is an income source for rural people. Income is a CBPMS indicator for monitoring poverty.

methodology for replication or expanding the project and the poverty rate result.

The Research Issues

A CBPMS will complement decentralisation and contribute to the successful functioning of the newly decentralised state apparatus. Cambodia lacks a community-based poverty monitoring system, although there is a village database, collected through administrative reports under the Seila/PLG programme. For needs assess-

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* This article is based on a technical report which was presented to a seminar on a CBPMS for Cambodia held in Phnom Penh on 18 November 2004. The seminar was funded by the International Development Resource Centre of Canada.

ments, planning, monitoring and evaluation of development projects, there is a need to establish a system and have it operated in a consistent manner by commune councils, with technical support from the provincial statistics office and other agencies.

Clearly, when there is local capacity to take over the CBPMS, it will be much more cost effective than sending enumerators from the capital, as is currently done in national and community-based surveys. Local involvement in and responsibility for the survey will contribute to local ownership and ensure local use of data.

The specific objectives of the pilot CBPMS were:

- to select appropriate indicators for community-based poverty monitoring and analysis;
- to provide practical, scientifically generated data to commune councils for their planning, monitoring and evaluation of development projects;
- to produce commune poverty monitoring reports based on the CBPMS results;
- to build the selected commune councils' capacities in survey methods and data processing, analysis and use;
- to promote links between commune and provincial/national level planning.

Methodology

2.1 A Plan for Establishing a CBPMS

The project consisted of two phases over 17 months. Phase 1 lasted five months, from 1 August to 31 December 2003, and phase 2, a pilot CBPMS, lasted 12 months, from 1 January to 31 December 2004. The CBPMS comprises the following elements:

Identification of the area where the system is to be introduced

Six communes with about 12,000 households in two provinces were selected as the pilot CBPMS sites. Three communes (Prek Norint, Samraong Knong and Prek Luong) were chosen from Aek Phnom district of Battambang to represent a better off area, and three others (Snuol, Khsuem and Srae Char) from Snuol district of Kratie to represent a relatively poor area. Battambang is a province that has received relatively more financial support and capacity building from external sources in the past 10 years. Kratie is one of the more remote and poorer provinces. Such differences would provide insights into how the CBPMS could be conducted in areas of poor and better socio-economic conditions. As expected, the communes in Battambang carried out the tasks more smoothly than those in Kratie. It was easier to hire enumerators with a reasonable capacity in Battambang, while it was hard in Kratie to find enumerators with adequate literacy and willingness to take up the job. The communes in Kratie are isolated and poorly connected by roads, so it cost more for the enumerators

to travel. There were more errors in completed questionnaires in Kratie than in Battambang.

Contact: meeting with relevant institutions

The planning offices in the two provinces expressed interest in incorporating the CBPMS into their regular structures and programmes and provided a provincial office for computerised data processing because the project is in line with the national plan to strengthen local statistical systems. The National Institute of Statistics (NIS) has expressed interest in taking the pilot forward and gradually spreading it nationally. Importantly, this will increase the likelihood of an eventual nation-wide CBPMS. It is hoped that more resources from other agencies can be mobilised to expand the system.

Development of poverty-monitoring indicators

A set of core indicators for the pilot related to demography, education, housing, land, water, health, household expenditure, occupation and income, assets, livestock and domestic violence. It was drawn up through consultations with partners and the study of their working documents. A number of variables may duplicate those already contained in the Seila Village Data Book, which is filled out by the village chief. Since the CBPMS employed a census approach, and because of the critical importance of these variables, they were retained in the core set. The two sets of data can be compared and verified against each other for quality improvement. From this core set of indicators, a household questionnaire was designed. The number and complexity of the questions were severely constrained by the fact that data were to be processed manually and that local enumerators' capacities and experience were limited.

When there is local capacity to take over the CBPMS, it will be much more cost effective than sending enumerators from the capital. Local involvement in and responsibility for the survey will contribute to local ownership and ensure local use of data.

2.2 Development of Data Collection and Processing Tools

Designing household, village and commune questionnaires

A participatory approach was used to develop the data collection and processing tools. A questionnaire was developed, pre-tested and revised, in continuous consultation with the commune councils.

Pre-test

Following discussions with the CBPMS network leader in November 2003, the research instruments were pre-tested, although this was not planned initially. As a test, the household questionnaire and the tally sheets were developed and implemented in one village per commune. All the responsible commune council members, village chiefs and enumerators for the pre-tested village were trained to conduct interviews with all the households in the village.

The training took three days. The first day dealt with the purpose of the CBPMS and all the questions in the questionnaire. The second day was spent on

testing the questionnaire in the village. Each enumerator had to interview two households, one small and one large, to gain experience with households of different sizes. The third day was spent collecting feedback from the enumerators and clarifying or rectifying questions that were unclear or not applicable. The pre-test helped to improve training methods, questionnaires, interviews and data analysis.

Designing data processing tools

Data processing tools were developed for both manual and computerised processing. Manual processing was divided into three parts: (i) filling out of spreadsheet frames by the enumerators, (ii) tabulation of data to produce a village statistics base and (iii) aggregation of village data to produce a commune statistics book. The commune statistics book was to be further analysed by council members for the production of a commune poverty report, which constitutes a major CBPMS output.

In addition, a data entry frame in SPSS was developed for computerised processing by the provincial statistics office. This was used to verify the accuracy of manual processing.

2.3 Selection and Training of Enumerators and Data Processors

Selection of enumerators and data processors

When possible, members of the village development committee, which had become part of the voluntary commune planning and budgeting committee, and knowledgeable villagers were recruited jointly by the commune councils and the supervisory team. They were trained to become enumerators. Those with a good command of quantitative skills were also trained as data processors. Initially, the village chief was not considered for any substantial role in the survey. However, after consultations with the commune councils, it was clear that the village chiefs had much to offer and could play a more helpful role than as interviewers. The village chief guided the enumerators to every house to conduct a household census. He could be asked to guide enumerators to the right households, and if necessary would make appointments for the enumerators. He received a minimal allowance as part of the honorarium for commune council members.

Training of enumerators

A total of 122 people were trained by the CBPMS supervisory team. The questionnaire was delivered to all the enumerators before the training, and they were asked to study it in advance. During the training, the trainers discussed the questions one by one and made sure every enumerator understood them. A participatory training approach allowed all enumerators to express their concerns and share experiences, especially those who had participated in the pre-test. The most difficult parts of the questionnaire were the questions on household income and expenditure, which required a high level of analysis and people's willingness to respond. An additional training day was held in Kratie due to the weaker

educational background in this relatively poor province. The purpose of the training was to make sure that all enumerators could do their jobs effectively.

Training of data processors

In each province, data processor training was in two parts: manual processing at the village and commune level, and computerised processing at the provincial level.

About 60 participants were trained in manual processing, roughly two or three persons per village. They used calculators for addition and to calculate percentages. The problem in this step was errors caused by inexperience in dealing with too many large numbers, especially regarding farmland, income, assets and expenditure.

Ten officials at the provincial statistics offices were selected and trained to do the computerised data entry. An application frame in SPSS was developed and installed for them. It was useful to have the statistics officials involved in this work because some already had experience in data entry. Unfortunately, there were not enough computers with sufficient capacity to run the SPSS software.

2.4 Conduct of Surveys

Information was collected through two instruments: the household questionnaire and the village and commune questionnaire. A total of 84 enumerators conducted the interviews with direct assistance and supervision from 43 heads of village, 21 commune council members and two provincial partners. The enumerators interviewed 11,937 households.

All the enumerators reported difficulty in obtaining information about household income and expenditure and about domestic violence. Most interviewees tried to disguise their income or could not recall how much they earned monthly and annually. This occurred in all villages. As a result, income and expenditure in a household did not always match.

Some enumerators reported difficulty finding the head of the household for the interview because they were working far from home. Moreover, in some villages houses were located far from the village centre and were difficult to reach by road.

The village and commune questionnaires were completed by chiefs of villages and heads of communes. The village questionnaires contained questions about the village as a whole. The chiefs filled them out under the supervision of the commune councils. The commune questionnaires were completed by a commune council member.

In addition, the provincial partner as well as the commune council members took part in supervising the enumerators. Members of the supervisory team carried out spot checks to ensure the quality and smooth conduct of the survey.

2.5 Consolidation and Processing of Data

The 11,937 completed questionnaires were checked and verified by 20 council members from the six communes.

Less than two percent contained errors that required the responsible enumerators to re-interview households. Errors were mostly related to household income, expenditure and assets.

After data cleaning, the enumerators for each village performed manual data entry and tallying. In some communes where enumerators lacked numeric skills, council members assumed responsibility for processing the data. The council members responsible for the project also checked and validated the data processing.

The councils were responsible for processing, aggregating and tabulating commune-level statistics, which would be used for the writing the commune poverty report. Meanwhile, the provincial statistics offices undertook computerised data entry.

2.6 Analysis and Validation of Survey Results

The biggest challenge was to determine the poverty line for each commune and the proportion of poor households in the village and commune. This was done on the basis of per capita consumption expenditure, in line with the national definition. However, based on the preliminary results, the poverty line of 1,200 riels per person per day, adopted from the commune poverty report of the government, seemed too low, mainly because of the inflation that has occurred since 1998, when the commune poverty line was established. After consultations with the enumerators and commune councils, this line was raised to 1,500 riels (US\$0.38). The main argument here was that the intent of the CBPMS is primarily to measure poverty over time. If the poverty line is adjusted for inflation, it can serve to measure any changes in the number of households below the poverty line.

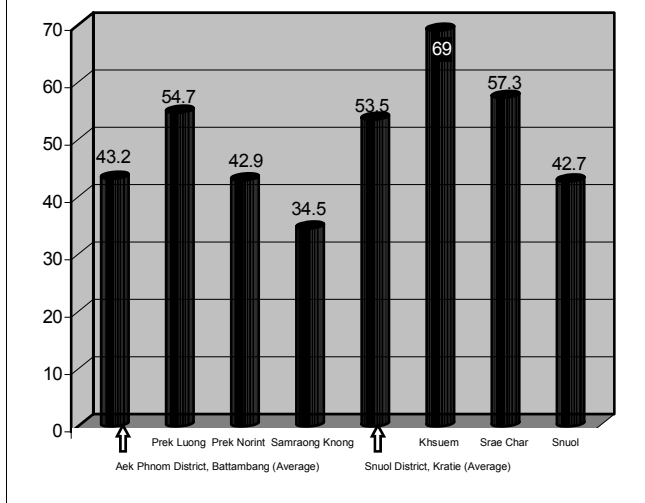
2.7 Dissemination of Results

The CBPMS results were disseminated at national and local levels: through a national workshop for all partners and relevant government and non-government institutions, and through two workshops for all communes in the two districts. All commune heads who participated in a workshop expressed keen interest in developing the poverty monitoring report in their communes, and they began to ask questions of the council members who had experience from the pilot CBPMS. The CBPMS results should be presented also to other districts or provinces if funds are available. However, it is expected that provincial authorities will disseminate the pilot experience to other communes through their regular meetings.

Poverty Rate Results

The study examined the different CBPMS indicators reflecting the multidimensional nature of poverty: demography, education, housing and land, health, income and expenditure, assets, violence and security and order. However, in this paper, we report only the poverty rate result. The poverty rate was assessed through household expenditure. The poverty line was set at US\$ 0.38 per person per day in rural areas. Household expenditure represented the value of the following items: rice, other food, sweets and similar items (noodles, cakes, desserts,

Figure 1. Percent below poverty line in three communes in Aek Phnom and three in Snuol



drinks, refreshments), alcohol, cigarettes, education, health care, other expenses (ceremonies, clothing, soap, water, electricity). Productive expenditures were excluded.

Figure 1 shows the poverty rates by commune in the study areas. In Aek Phnom district, the average poverty rate in three communes was 43.2 percent and in Snuol district 53.5 percent. Thus Snuol is poorer than Aek Phnom. Characteristics of the poorest villages include remoteness, poor roads, no school, no hospital, no market, no irrigation system, no formal credit, flooding and little agricultural land.

Local Capacity Development and Linkages

The CBPMS has helped to develop the capacity of local authorities to plan, manage and mobilise and allocate resources. The six communes in the study areas can now have commune poverty monitoring reports broken down by village, and the local authorities have the capacity to conduct the CBPMS in their communes. Commune council leaders in the study areas requested continuation of the CBPMS in their presentations to the district and national workshops. They declared that they would use CBPMS data for their commune three-year rolling plan as part of the decentralisation facilitated by Seila programme. They also shared the information from CBPMS regarding health, education and agriculture with the NGOs in their districts.

CBPMS data from the pilot project have built a link between commune, provincial and national planning. As part of successful advocacy work for the pilot CBPMS, the Ministry of Planning hosted a National Forum on Pre-Identification of Poor Households on 28 February 2005, which was a worthwhile effort to discuss approaches for identification of poor households.

Conclusion

The pilot CBPMS has been tested. It provided valuable results, describing the different facets of poverty in six

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From Peace Building to Human Security?

Heang Path and Larry Strange rethink approaches to community-based peace building and conflict resolution training. *

Despite major achievements in the maintenance of peace and stability and macro-economic and infrastructure development, Cambodia remains a post-conflict, aid-dependent, least developed country (LDC). The legacies of prolonged and devastating armed conflict, which came to an end as recently as 1998, have impaired Cambodia's capacity for social and economic development, and for the maturation of democracy. In recent years, new sources of conflict have arisen over access to natural resources, human rights, social and economic inequalities, ethno-cultural relations, political affiliation, unequal access to development resources and labour disputes. With at least a third of its people still living below the poverty line, Cambodia is struggling to meet its specific United Nations Millennium Development Goals.

For the past decade, the Cambodia Resource Development Institute (CDRI)'s Centre for Peace and Development (CPD) has played a significant role in community peace building and conflict resolution, with a mission to build a culture of peace and enhance human security in Cambodia through training in peace building and conflict management. CDRI, CPD's parent institution, undertakes policy-relevant development research on the macro-economy and trade, poverty, agriculture and rural livelihoods, natural resources and the environment, governance and decentralisation. This article considers how these two activities might be better integrated, moving from targeted community peace building and conflict prevention and resolution to community-based training designed from a human security perspective, which locates the causes of conflict and prospects for conflict prevention, management and resolution within a development paradigm. This would mean designing community-based training that is more deeply rooted in local communities' specific development needs and challenges, on the basis of human security assessments and research-based issue-rich case studies in development.

* This article is based on a paper presented at the Conference on Justice, Peace and Reconciliation in the Asia-Pacific Region, hosted by the University of Queensland's Centre for Peace and Conflict Studies, in Brisbane on 1-3 April 2005. The paper was written with the advice and input of the CPD's training team, Huy Rumduol, Touch Varine, Meas Savath and Doung Viroth.

An Illustration—CPD's Recent Experience in Veal Veng

Veal Veng in Pursat province is an isolated and very poor district located in the Cardamom Mountains close to the Cambodia-Thailand border. About 25 percent of the district land area is covered by conservation zones. Although the road from Pursat town to the district centre is currently in good condition, two of the district's five communes are accessible only by motorcycle during the dry season. Because the district was one of the longest lasting and most recent Khmer Rouge strongholds, the vast majority of the population are former Khmer Rouge who remain isolated physically, socially and psychologically from the rest of Cambodia.

Veal Veng's main livelihoods are based on subsistence or *chamkar* farming—growing rice and crops such as maize, beans, peanuts, sesame, potatoes—and reliance on the district's forests for firewood, hunting, resin, rattan, edible leaves, fruit and roots. Although the district is conducive to cultivation, production is badly limited by a lack of tools and cattle and the seasonal impassability of roads for getting *chamkar* products to markets. Their crop land is constrained by protected areas, and access to forest products to supplement agricultural income is restricted by conservation agencies, land mines and a lack of basic infrastructure. Unlike other areas of Cambodia, only a few civil society organisations have carried out community development activities in the district.

Traditionally, the local community has relied almost entirely on natural resources for survival. However, in recent years, a number of Veal Veng's people have been arrested and fined and had their equipment confiscated for entering protected areas to access forest products. In a very unusual arrangement, two international conservation organisations were mandated by the government to oversee the protected areas, with the authority to take punitive measures, often acting independently of local authorities. This was identified by local community leaders as a major source of potentially serious conflict during CDRI's CPD peace building training activities in the district. The denial of local people's access to forest products has caused protracted tension and confrontation between the community and government-designated conservation agencies, provincial and district officials often playing a difficult intermediary role.

Peace Building and Conflict Resolution Training

Veal Veng is but one example of conflicts occurring in Cambodia over unequal distribution of natural resources and limited community and individual rights to security and development. There are real and immediate threats of conflict over land ownership, access to agricultural land and forest and land concessions, as well as other natural resources, with associated loss of life and serious injury, displacement of people and destruction of homes

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and livelihoods. For example, on 25 March 2005, five people were killed and three seriously injured when military police and police in Poipet, in north-western Cambodia, opened fire on hundreds of villagers who were protesting their forced eviction from a disputed plot of land. The enforcing of a court order related to a land dispute between a village chief and more than 200 poor families had turned into a human tragedy. This was only the most recent in a series of tense and often violent confrontations between local communities and the authorities over land and forest concessions, forced evictions and elite grabbing of natural resources. Such conflicts have real potential for causing serious unrest in rural and remote areas, and are a major challenge to the government in maintaining stability and security and in addressing the underlying causes of these grievances.

Against this backdrop, CPD has conducted peace building and conflict resolution training in various remote locations¹ in former Khmer Rouge strongholds or reconciliation zones, some reconciled to the national government only as recently as 1998. Training in those areas has targeted local commune council members, district officials, local NGO staff, temple and women's associations, village chiefs, heads of local police, military police and soldiers who are in a position to resolve conflicts at their respective institutions. The training provides skills and approaches that can be used in response to conflict situations but does not pretend to address their root causes. Trainees are carefully selected, with particular attention paid to those who are in a position to apply the learning in community life. They include local government officials, police and security officials, NGO staff, community leaders, commune council members, peace workers and activists and monks.

What do we know about the effectiveness and impact of the training and, importantly, what don't we know? To go back to the Veal Veng experience, we know from participant feedback and course evaluations that the training is highly valued as a community capacity-building exercise that provides awareness and skills. The courses, by bringing community leaders together to work with a trusted neutral external organisation, also serve as a community-building catalyst. We know of many cases in which the skills acquired in the training have been practically useful in helping community actors to counsel caution and engender calm in tense community situations, or to think twice before resorting to conflict. We know that the training in the reconciliation zones had a positive role in promoting understanding and acceptance between former Khmer Rouge and non-Khmer Rouge living in close proximity and daily interaction. We also know that the training is perceived as being of value to the community by both Pursat province and Veal Veng district officials, through their responses in interviews and through their repeated re-

quests for more training programmes with similar objectives but deeper scope. What we do not know, however, is also very important. We do not know if the training has any impact on addressing the root causes of conflicts or helps communities to deal better with or negotiate the development challenges that often cause them.

From Peace Building to Human Security?

The Veal Veng training example suggests that, although some in the community now have the knowledge, skills and capacity to discourage and constrain violent action, they cannot yet address the root causes of conflict. This is particularly so regarding food insecurity and livelihoods and access to natural resources, because these issues are rooted within deeper development challenges and still beyond the control of community actors. This is where the concept of human security within a development paradigm may be useful for Cambodia and for the design of case study and research-based community training programmes.

The 1992 UN Agenda for Peace defined peace building as actions to identify and support structures that will tend to strengthen and solidify peace in order to avoid a relapse into conflict. This definition encompasses preventing recurrence of conflict, developing structures that would consolidate peace and advancing a sense of confidence and well-being. It involves the removal of underlying economic, social, cultural and humanitarian problems, and the transformation of deficient national structures and capabilities. Typically, peace building includes activities like disarmament, troop cantonment and demobilisation, weapons collection and destruction, election monitoring, deployment of civilian police, repatriation of refugees and the restoration of order. It also addresses systemic issues like the protection of human rights, reforming or strengthening government institutions, promotion of formal and informal political participation and the creation of structures for the institutionalisation of peace, all of which have been experienced by Cambodia as it moved from conflict to post-conflict reconstruction and development.

The 2003 Commission on Human Security's definition of human security is:

*"to protect the vital core of all human lives in ways that enhance human freedoms and human fulfilment ... It means protecting people from critical (severe) and pervasive (widespread) threats and situations. It means using processes that build on people's strengths and aspirations. It means creating political, social, economic, military and cultural systems that together give people the building blocks of survival, livelihood and dignity."*²

Human security encompasses the security of individuals and their communities rather than the state and

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its national population. It embraces seven dimensions: economic security, food security, health security, environmental security, personal security, community security and political security.

Human security is people-centred and integrative rather than defensive. It differs from peace building in that it addresses both conflict and development issues, including displacement, discrimination and persecution of vulnerable communities, as well as insecurities related to poverty, health, education and gender disparities. It also responds to other types of inequality through ensuring safety from chronic threats of hunger, disease and repression, and the protection of people from sudden and negative disruptions in the patterns of daily life—whether in homes, jobs or communities.

Human Security Assessments & Training—A Useful Approach?

The United Nations Centre for Regional Development (UNCRD) characterises human security as the removal or reduction of vulnerability to economic, environmental, social and cultural threats that undermine sustainable development. UNCRD has recently undertaken human security assessments in the Lao PDR, utilising community vulnerability and coping strategies analysis, and capacity assessments at village and district levels, focusing on issues such as household perceptions of risk and coping strategies, access to credit, health, women's concerns and decentralised planning. For CDRI and CPD, this human security assessment and training approach raises some interesting questions about the possible linkages between policy-relevant development research and policy work, and community peace building and conflict transformation training.

Is human security a useful and relevant concept for Cambodia, and how do we establish and validate this? Or is there a risk of simply “importing” yet another international development concept that will further divert attention and capacity from making progress on critical development outcomes? If it is a useful concept, how do we ensure that it is “Cambodianised”, with ownership

and participation by Cambodians at all levels of government, in civil society and in local communities? And what does this mean for the long-term development of the capacity of Cambodians to use the concept effectively in programme design and implementation? How do we design more effective and participatory instruments to assess community human security needs, and particularly key threats, on the basis of which effective capacity development and training programmes on human security, delivered at all levels, can also be designed and evaluated?

At this early stage, we believe human security has potential as both a useful concept and a methodology, but requires further exploration. There is still an important role in Cambodia for specific community-based training on peace building and on conflict prevention, management and resolution, and for such approaches in building community-based reconciliation in relation to the unresolved issues surrounding the Khmer Rouge regime and the prospects for and impact of a Khmer Rouge tribunal. However, it may be that in the future such community-based training would be more effective when designed and delivered in the context of a human security framework linked to key aspects of the social, political and economic development needs of Cambodia and specific local communities. This could have major implications for CDRI's work and for community development in Cambodia.

Endnotes

1. CPD has conducted Working Together for Peace and Development training: three courses in Veal Veng, two courses in Srei Snam of Siem Reap province, four courses in Trapeang Prasat and Anlong Veng of Oddar Meanchey province, two courses in Samlot of Battambang province and two courses in Phnom Vor of Kamptot province.
2. *Human Security Now: Final Report of the Commission on Human Security 2003*, p. 4.

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communes in two socio-economically different provinces. The CBPMS data have promoted links between commune, provincial and national planning. The project has developed the capacity of local authorities to implement and take responsibility to update CBPMS in their localities. Six communes in the pilot were able produce their own poverty statistics books, which they can use for planning and monitoring. In addition to poverty rates at the village level, the exercise provided scientifically generated statistics regarding demography, education, housing, land, water, health, household expenditure, occupation and income, assets, livestock and domestic violence. The results have been widely shared for consideration of repeating CBPMS in other areas. As a result of the national workshop, a technical working group on

pre-identification of poor households was set up and led by the Ministry of Planning.

NIS expressed a keen interest in adapting the CBPMS exercise and gradually nationalising it. However, the lower administrative systems capable of handling the data management and processing are not yet in place because of resource and capacity constraints. NIS has support from various donors and can take up this initiative if there is more seed money from the international Community-Based Monitoring System network. With the valuable experience of this project, CDRI can be an active member of the network, promoting CBPMS replication and expansion. Thus external technical and financial assistance for NIS will be critically important in taking this initiative forward.

ECONOMY WATCH – EXTERNAL ENVIRONMENT

World Economic Growth

Global economic growth slowed in the fourth quarter of 2004 from the previous quarter mainly due to the declining growth of major economies such as the United States, the euro zone, Japan and some others in east Asia. However, growth for the whole year was the highest for over 20 years, at 5 percent.

US real GDP increased at an annual rate of 3.8 percent in fourth quarter 2004, a deceleration from 3.9 percent in the third quarter. This primarily reflected an acceleration in imports of goods and services and deceleration in personal consumption expenditures (PCE) for durable goods and in exports of goods and services. According to the Bureau of Economic Analysis, real PCE increased 4.2 percent in the fourth quarter, compared with 5.1 percent in the third. Real exports of goods and services increased 3.2 percent in the fourth quarter, compared with an increase of 6.0 percent in the third.

Real GDP of the euro zone in the fourth quarter grew by 1.6 percent on an annual basis and by 0.2 percent compared to the previous quarter. This weak growth was due to sluggish growth in household final consumption expenditures, investments and exports at 0.5 percent, 0.6 percent and 0.5 percent respectively.

Japanese real GDP growth increased by 0.8 percent in the fourth quarter compared to the same quarter of the previous year, but fell at an annual rate of 0.5 percent relative to the previous quarter. The slowdown was largely attributed to a decline in real consumption expenditures at an annual rate of 1.3 percent, compared to the 0.8 percent decline in the third quarter of 2004. In addition, imports rose faster than exports, which also had a depressing effect on real GDP growth.

China's GDP in the fourth quarter of 2004 registered strong growth at an annual rate of 9.5 percent. This unexpectedly high outcome was driven by strong export performance, offset by a decline in domestic demand and investment. For South Korea and Taiwan, real GDP in fourth quarter 2004 grew at the same annual rate of 3.3 percent, decreasing from 4.6 percent and 5.3 percent respectively in the previous quarter. The weak GDP growth in South Korea was mainly attributable to the slowdown in export growth as well as a downward tendency in construction investment. The decelerating growth in Taiwan was largely due to slower export growth and rising prices of crude oil and raw materials.

For the ASEAN 4—Singapore, Malaysia, Thailand and Indonesia—real GDP growth in the fourth quarter of 2004 remained high at 6.5 percent, 5.6 percent, 5.0 percent and 6.6 percent. Except for Indonesia, their growth rates in the fourth quarter were slightly lower than in the third quarter. For Malaysia, the declining

growth was triggered by a sharp slowdown in the manufacturing sector as global demand for semiconductors and electronics faltered. For Thailand, the slowdown was caused by drought, the return of avian flu and the continually rising oil price.

World Inflation and Exchange Rates in International Markets

In the fourth quarter of 2004, consumer prices in the US rose at a 3.3 percent annual rate, faster than in the third quarter (2.7 percent), due to the soaring oil price and higher health care costs. The Federal Reserve is expected to raise further key interest rates to keep inflation at bay. In the euro area, inflation ran at 2.3 percent, above the ECB's ceiling of 2 percent, reflecting increases in tobacco taxes in Germany and Italy. In Japan, consumer prices rose 0.5 percent in the year to the fourth quarter, up from -0.1 percent in the third quarter. The main reasons for this upward trend were a temporary spike in fresh food prices and the rise in crude oil prices. Inflation in China ran at an annual rate of 3.2 percent, slowing from 5.2 percent in the previous quarter.

The US dollar lost value against most major currencies in the fourth quarter of 2004. The US dollar bought 0.77 euros, down from 0.82 in the third quarter. The dollar traded at 105.9 yen, falling from 109.9 in the previous quarter. The main factor behind the fall in the dollar was the continued focus by market participants on the size and persistence of the US current account deficit and its financing needs.

Commodity Prices in World Markets

The prices of selected major commodities in international markets in the fourth quarter of 2004 did not fluctuate much. The price of white rice, Thai 100% B second grade, in the Bangkok market in the fourth quarter of 2004 increased by 10 percent from the previous quarter and by 33 percent, over the same quarter of the previous year. The price of rubber in the fourth quarter also increased slightly from the previous quarter, by 4 percent, to \$1238.2/ton. Maize and soybeans sold at lower prices in the fourth quarter than in the previous quarter. Maize sold at \$94.4/ton, an 8 percent decline from the third quarter of 2004 and 13 percent decline from the fourth quarter of 2003. Soybeans sold at \$216.5/ton, a 14 percent decline from the third quarter of 2004 and 25 percent decline from the fourth quarter of 2003. The prices of crude oil and gasoline in the fourth quarter fell slightly, by 2 percent and 1 percent respectively, from the previous quarter, but increased considerably from the same quarter of 2003, by 31 percent and 43 percent respectively.

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Phim Runsinarith

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	
			Q4	Q3	Q4	Q1	Q2	Q3	Q4	
Selected ASEAN countries										
Cambodia	7.3	6.7	-	-	-	-	-	-	-	5.0
Indonesia	4.4	3.8	3.8	3.9	4.3	4.5	4.3	5.0	6.6	4.1
Malaysia	8.7	0.5	5.4	3.5	6.4	7.6	8.0	6.8	5.6	5.3
Singapore	9.5	-2.3	3.0	1.7	3.7	7.5	12.5	7.5	6.5	1.1
Thailand	4.4	1.9	6.0	6.6	7.8	6.5	6.3	6.0	5.0	6.7
Vietnam		6.0	-	-	-	-	-	-	-	7.0
Selected other Asian countries										
China	8.0	7.5	8.1	9.1	9.9	9.7	9.6	9.1	9.5	9.1
Hong Kong	10.2	0.5	4.8	4.0	4.9	6.8	12.1	7.2	7.1	3.2
South Korea	9.1	3.0	6.8	2.3	3.9	5.3	5.5	4.6	3.3	3.1
Taiwan	5.8	-2.2	4.2	4.2	5.4	6.3	7.7	5.3	3.3	3.2
Selected industrial countries										
Euro-12	3.5	1.4	1.3	0.3	0.6	1.5	2.2	1.9	1.6	0.6
Japan	2.8	0.4	1.7	1.9	3.1	5.6	4.4	2.6	0.8	2.5
United States	5.0	1.2	2.8	3.6	4.3	5.0	4.7	3.9	3.8	3.1

Sources: *The Economist*, countries' national statistics offices and central banks, and ADB's Asia Regional Information Centre

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	
Selected ASEAN countries										
Cambodia	-0.8	-0.6	3.2	0.7	0.5	0.7	2.2	6.5	-	1.2
Indonesia	3.7	11.5	11.9	5.6	3.7	4.9	6.7	7	-	6.7
Malaysia	1.5	1.4	1.8	1.0	1.2	1.0	1.2	1.4	2.1	1.1
Singapore	1.4	1.0	-0.4	0.5	0.6	1.4	1.9	1.7	1.7	0.5
Thailand	1.5	1.7	0.6	1.9	1.6	1.9	2.6	3.3	3.1	1.8
Vietnam	-1.7	-0.4	3.8	3.5	2.2	-	-	-	-	3.1
Selected other Asian countries										
China	0.3	0.9	-0.7	0.8	2.7	2.8	4.4	5.2	3.2	1.2
Hong Kong	-3.6	-1.3	-3.0	-3.7	-2.3	-1.9	-0.8	0.8	0.2	-2.6
South Korea	2.3	4.4	2.7	3.2	3.5	2.7	3.3	4.4	3.4	3.5
Taiwan	1.3	-0.01	-0.2	-	-	-	-	-	-	-0.3
Selected industrial countries										
Euro-12	2.3	2.6	2.2	2.0	2.1	1.8	2.3	2.3	2.3	2.1
Japan	-0.7	-0.6	-0.9	-0.2	-0.3	-0.1	-0.3	-0.1	0.5	-0.3
United States	3.3	2.8	1.6	2.2	1.9	1.8	2.9	2.7	3.3	2.3

Source: 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 average)

	2000	2001	2002	2003	2004				2003	
				Q3	Q4	Q1	Q2	Q3	Q4	
Selected ASEAN countries										
Cambodia (riel)	3,840.8	3,916.3	3,912.1	3,998.3	3,987.0	3,990.3	4,005.3	4,034.7	4,034.7	3,973
Indonesia (rupiah)	8,421	10,261	9,311	8,441	8,482	8,469	9,001	9,156	9,128	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	1.79	1.75	1.72	1.69	1.70	1.70	1.65	1.74
Thailand (baht)	40.1	44.4	42.9	41.3	39.7	39.1	40.2	41.3	40.3	41.5
Vietnam (dong)	14,168	14,725	15,280	15,522	15,618	15,717	15,735	16,262	-	15,510
Selected other Asian countries										
China (yuan)	8.28	8.28	8.28	8.28	8.28	8.28	8.28	8.28	8.28	8.28
Hong Kong (HK\$)	7.80	7.80	7.80	7.79	7.75	7.77	7.80	7.80	7.78	7.78
South Korea (won)	1,131	1,291	1,251	1,174	1,182	1,171	1,162	1,155	1,093	1,192
Taiwan (NT\$)	31.2	33.8	34.5	34.2	33.9	33.3	33.3	33.9	32.9	34.4
Selected industrial countries										
Euro-12 (euro)	1.09	1.12	1.06	0.89	0.84	0.80	0.83	0.82	0.77	0.89
Japan (yen)	107.8	121.5	125.4	117.6	108.9	107.2	109.7	109.9	105.9	115.9

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

Table 4. Selected Commodity Prices on the World Market, 2000-2004 (period average)

	2000	2001	2002	2003	2004				2003	
			Q4	Q3	Q4	Q1	Q2	Q3	Q4	
Hardwood (logs)—Malaysia (\$/m ³)	88.4	89.5	108.3	100.4	108.3	122.6	128.8	102.3	94.4	105.2
Hardwood (sawn)—Malaysia (\$/m ³)	310.2	285.7	428.3	408.7	199.3	527	497	432.3	429	443.2
Rubber—Malaysia (\$/ton)	720.8	602.0	834.1	1,017.4	1,261.4	1,246.4	1,333.4	1,190.6	1238.2	1,050
Rice—Bangkok (\$/ton)	206.7	177.3	192.2	200.3	198.7	231.4	240.7	240.5	264.9	200.8
Soybeans—USA (\$/ton)	193	180.7	220	212.4	290.2	331.7	356.4	251.1	216.5	241.3
Crude oil—Dubai (\$/barrel)	26.1	22.8	26.2	26.5	27	29.3	33.3	36.09	35.5	26.8
Gold—London (\$/troy ounce)	21.1	19.5	19	23.6	22.2	27.4	32.1	32.1	31.8	23

Source: Food and Agriculture Organisation (FAO) and US Energy Information Administration

ECONOMY WATCH—DOMESTIC PERFORMANCE

Main Economic Activities

In the fourth quarter of 2004, the tourism sector made a relatively stronger contribution to the Cambodian economy, compared to the construction sector, over the third quarter. Exports of garments in the fourth quarter of 2004 peaked as exporters tried to maximise quota utilisation in the face of the imminent end of the MFA.

In fourth quarter 2004, Cambodia attracted 311,000 foreign visitors, a 36 percent rise compared to the third quarter. The number of foreign visitors entering Cambodia by air grew by 40 percent to 201,500 persons. Siem Reap international airport welcomed 110,219 visitors, a rise of 58 percent. This exceeded visitor arrivals at Phnom Penh international airport, which increased 23 percent to 91,285 persons. Visitors crossing international border checkpoints into Cambodia rose by 30 percent to 109,500 persons, of whom 65.5 percent crossed at the Poipet international border gate (bordering Thailand) and 15 percent passed through the Bavet international border gate (bordering Vietnam).

According to the Ministry of Tourism, the total number of foreign tourists, which includes count visitors to Preah Vihear, amounted to 1,055,202 persons in 2004, rising by 51 percent from 701,014 persons in 2003. In 2004, there were three new direct flights to Siem Reap, from Japan (Narita), China and Yangoon, Myanmar. Moreover, the average length of stay of visitors rose to 6.3 days in 2004 from 5.5 days in 2003, while the estimated expenditure per day per visitor declined to \$87 in 2004 from \$90 in 2003. Consequently, total expenditures by foreign visitors increased to \$578 million in 2004 from \$347 million in 2003.

Construction, the second main industrial sub-sector, appears to be declining, registering an 18 percent decrease in the value of construction project approvals by the municipality of Phnom Penh compared to third quarter 2004. However, apartment construction, which is the largest component, continued to increase during this period (to \$46.3 million in the fourth quarter from \$44.3 million in the third quarter). Compared to fourth quarter 2003, the construction sector rose by 29 percent.

According to the National Bank of Cambodia, credit provided by commercial banks for construction activities was \$24.2 million in the fourth quarter 2004, 16 percent lower than in the preceding quarter but 17 percent more than in the same quarter 2003.

Approvals of private investment in fixed assets dropped dramatically, by 80 percent to \$16.4 million, in the last quarter of 2004, from \$82 million in the preceding quarter. This drop was mainly led by a sharp decline in private investment in agriculture and the services sector (reaching zero in the fourth quarter from \$3 million and \$6.4 million, respectively, in the third quarter). In addition, private investment in industry, which was \$16.4 million in the fourth quarter, fell by 78 percent. Of this, \$12.7 million was invested in the garment sector, down from \$44 million in the third quarter.

In 2004, approvals for investment in fixed assets reached \$275 million, a 14 percent decrease compared to 2003. New investment project approvals accounted for \$217 million, down from \$250 million in 2003. However, new investment in garments more than doubled reaching about \$72 million in 2004, compared with \$27.6 million in 2003, while investments in expansion of existing capacity in that sector registered a decline of 5.4 percent.

Cambodia's trade balance deficit was \$3.4 million in the last quarter 2004, compared to a trade surplus of \$140.8 million in the third quarter. However, the deficit was 71 percent lower than in the last quarter one year earlier.

According to the Customs and Excise Department, the value of exports declined by 18.5 percent to \$545.1 million in the fourth quarter 2004 compared to the previous quarter. The decline was largely accounted for by a drop in garment exports, which decreased by 19 percent to \$520.3 million. In 2004, the total value of exports was \$2,108 million, up 23 percent from \$1,708 million in 2003. The value of garment products exported amounted to \$2,027 million, 24.5 percent more than one year earlier. Of this, 63 percent was exported to the US (a 16 percent increase) and 29 percent to EU (a 42 percent increase).

The value of imports rose slightly, by 4 percent to \$548.5 million, over third quarter 2004. Among the major imported items, vehicle imports jumped by 27.6 percent to \$34.7 million, construction materials by 24.3 percent to \$26.5 million and food, beverage and tobacco products by 19.6 percent to \$79.8 million. These increases were mainly offset by a decrease in imports of electronic and energy products, which declined by 44.4 percent to \$2.4 million and by 14.6 percent to \$42.2 million, respectively. The total value of imported goods rose to \$2,142.5 million in 2004, from \$1,825 million in the preceding year (an increase of 17.4%). Car and bus imports nearly doubled in 2004.

ECONOMY WATCH—DOMESTIC PERFORMANCE

Public Finance

The government in the fourth quarter 2004 recorded a deficit of 247 billion riels, from 251 billion in the preceding quarter. The government revenue reached 662 billion riels, an increase of 46 percent during this period. Tax revenues rose by 45 percent to 485.7 billion riels, of which revenues from customs duties, excise duties and VAT, accounted for about 91 percent of the total, rising by 68 percent to 168 billion riels, 45 percent to 90.7 billion riels and 37 percent to 184 billion riels respectively. Meanwhile, non-tax revenues also rose, by 47 percent to 172 billion riels. From January to December 2004, total budget revenues achieved 100 percent of the target, reaching 2,126.7 billion riels from 1,764.6 billion riels in 2003, which met only 88 percent of the target.

Government spending (with expenditure adjustment) amounted to 909 billion riels in the last quarter of 2004, 29 percent higher than in the preceding quarter. Current expenditure rose by 45 percent to 615.8 billion riels, while capital expenditure also increased by 6 percent to 293.5 billion riels. In 2004, total budget cash expenditures (including expenditure adjustment) reached 2,991 billion riels, 9 percent more than in 2003.

Inflation and Foreign Exchange Rates

Data compiled monthly by the National Institute of Statistics showed that consumer prices in Phnom Penh fell by 0.8 percent from October to December 2004, after a 4.5 percent increase in the preceding quarter. The decline was led by a drop of 3 percent in food prices despite the rise in the cost of transportation and communication services. Based on the year-over-year change, the inflation rate in Phnom Penh stood at 5.8 percent in the fourth quarter 2004, down from 6.7 percent in the third quarter. On an annual basis, the inflation rate (in riels) in Phnom Penh rose to about 4 percent in 2004, compared to 1.2 percent in 2003 due to an increase in the prices of food and energy.

According to the National Bank of Cambodia, the official exchange rate between the riel and the US dollar in the fourth quarter of 2004 remained unchanged over the third quarter, while the riel depreciated both against the Thai baht and the Vietnamese dong. The riel traded at 4,034.7 riels/dollar in the third and fourth quarters. However, the riel fell against the Thai baht by 2.5 percent compared to third quarter 2004, trading at 100.1 riels/baht in the fourth quarter. At the same time, the riel slid against the Vietnamese dong by 2 percent, to 25.3 riels per 100 dongs in the fourth quarter.

Monetary Developments

Total liquidity of the banking sector (M2) has followed an upward trend since the end of third quarter 2003. Liquidity widened by 3.8 percent to 4,329 billion riels (\$1,074 million) at the end of fourth quarter 2004, slower than in the preceding quarter, when it rose by 8.5 percent. This reflected a slower increase in foreign currency deposits, which rose by 3.5 percent to \$763.8 million in the fourth quarter, compared to a 10 percent increase in the third quarter.

Over the 12-month period, total liquidity rose significantly, by 30 percent. The riel component increased by 23 percent, of which riels outside banks rose by 23 percent, reflecting an increase in currency issue of about 18.5 percent. At the same time, foreign currency deposits also rose, by 33 percent.

Poverty Situation—Real Daily Earnings of Vulnerable Workers (Survey 1–15 February 2005)

The serious drought in the second half of 2004, which affected more than 500,000 hectares of paddy land or 10 percent of the country's rice crop (Reuters, 25 November 2004), has significantly worsened the living conditions of the poor, especially in the rural areas. A survey of 10 groups of vulnerable workers conducted by CDRI during 1–15 February 2005 showed that real daily earnings of rice field workers in Kandal and Kompong Speu province dropped sharply, by 30 percent, from the same period last year. In addition, the past data also indicate that the number of vulnerable workers in Phnom Penh with permanent residence in other provinces rose from 85 percent of the total in August 2004 to 88 percent in February 2005. The real daily earnings of most other vulnerable groups also deteriorated, the exception being scavengers, moto taxi drivers and construction workers.

In February 2005, the real daily earnings of garment workers amounted to 9,213 riels, a fall of 1.2 percent from February 2004—the smallest decline amongst the worse off group, even though 80 percent of the interviewees mentioned that overtime work had been reduced as factories' activities slowed. The real daily earnings of garment workers have fluctuated between 6,701 riels and 9,962 riels from 2000 to 2003, and finally held steady at around 9,300 riels in 2004.

Although most respondents claimed that the number of moto taxi drivers had increased compared to a year ago, the real daily earnings of moto taxi drivers rose by 9 percent to 11,767 riels in February 2005, from 10,791 riels in February 2004. A sudden rise in tourist visitors in Phnom Penh (the number of interna-

ECONOMY WATCH—DOMESTIC PERFORMANCE

tional arrivals in both Phnom Penh and Siem Reap international airports reached 80,820 people in January 2005, the largest number in 13 years) and strong demand during the Chinese New Year may responsible for this. Compared to November 2004, moto taxi drivers' real daily earnings jumped by 35 percent. This is strongly supported by the survey data, in which 57 percent of the respondents reported that their real daily earnings had definitely increased.

Rice field workers have faced a sharp fall in their real daily earnings since August 2004. In February, the real daily earnings of rice field workers dropped sharply, by 30 percent to 3,578 riels, down from 5,124 riels in February 2004. The serious drought across the country during the second half of 2004 was possibly responsible for this decline. Meanwhile, the real daily earnings of porters, small traders and unskilled workers also fell sharply, by 17.3 percent, 10.4 percent and 17.2 percent, respectively, from a year earlier. Curiously, the real daily earnings of scavengers rose by 16.4 percent from a year earlier.

After declining to a seven-year low in November 2004, the real daily earnings of cyclo drivers edged up to 8,529 riels in February 2005. However, they de-

creased by 6.8 percent compared to February 2004, largely reflecting an increase in the number of cyclo drivers. In February 2005, the real daily earnings of waitresses also decreased, by 5.3 percent over the previous year. Nevertheless, it is worth noting that the real daily earnings of waitresses have doubled over the past five years, from 1,914 riels in February 2000 to 4,470 riels in February 2005, which suggests that Cambodian restaurant industry has grown significantly.

Serious drought across the country since the second half of 2004 has reduced the average real daily earnings of rice field workers by 30 percent, or 1,546 riels, from the same period last year.

The real daily earnings of skilled construction workers rose to 14,367 riels in February 2005, an increase of 8 percent from the same period last year, reflecting continued demand from a growing construction sector. Fifty percent of construction workers completed primary school, and the rest went up to junior high school, according to a survey conducted in February 2005. Education appears to play an important role in the choice of their livelihoods. Better educated (up to junior high) construction workers earned an average of 15,314 riels per day, 16 percent more than those who completed primary school (13,181 riels per day).

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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
Number of investment projects*													
Total	300	136	140	96	96	188	37	15	15	19	20	11	
Garment	144	48	84	44	52	76	15	6	11	9	11	9	
Registered capital (millions of dollars)													
Total	391.2	278.0	416.4	246.8	102.4	129.2	48.9	15.4	11.9	10.0	23.0	10.0	
Garment	156.8	34.4	91.6	55.6	25.6	60.0	12.6	5.8	8.4	1.0	13.5	8.0	
Fixed assets (millions of dollars)													
Total	746.8	761.6	849.2	474.0	266.4	217.2	239.6	62.1	63.3	113.3	82.0	16.4	
Garment	158.4	38.8	120.8	79.6	76.8	100.0	18.0	14.5	49.9	10.1	44.0	12.7	

* Including investment expansion projects. Source: Cambodian Investment Board (1996-2004).

Table 2. Construction Projects Approved in Phnom Penh, 1996-2004

	1996	1997	1998	1999	2000	2001	2002	2003	2004				
									Q4	Q1	Q2	Q3	Q4
Mansions	205	179	143	136	111	108	159	48	52	47	57	37	
Apartments	537	528	678	864	520	499	535	116	157	161	186	125	
Other	116	117	132	74	64	57	75	22	20	29	33	27	
Total	858	824	953	1074	695	664	769	186	229	237	276	189	

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
Millions of dollars													
Total exports	387.1	493.4	784.4	941.1	1055.5	1267.0	1453.7	475.7	399.5	494.7	668.8	545.1	
Of which: Garments	78.8	227.2	378.0	554.0	962.1	1201.0	1356.2	448.5	383.6	479.4	643.7	520.3	
To US	0.4	107.2	74.1	486.0	714.1	840.9	943.8	298.2	255.8	306.3	387.6	321.2	
To rest of the world	78.4	120.0	82.0	68.0	248.0	360.1	412.4	150.3	127.8	173.1	256.1	199.1	
Agriculture	-	-	-	-	90.5	66.0	97.5	27.2	16.0	15.3	25.1	24.8	
Rubber	-	-	-	-	29.6	25.9	29.7	12.1	8.0	6.6	11.6	12.0	
Wood	-	-	-	-	32.5	22.3	16.0	2.4	1.8	2.8	4.2	2.4	
Fisheries	-	-	-	-	5.4	6.0	4.3	0.7	0.8	1.2	4.3	4.4	
Other	-	-	-	-	26.0	11.8	47.5	12.0	5.4	4.8	5.0	6.0	
Total Imports	1114.4	1094.5	1112.2	1237.4	1417.7	1501.4	1674.1	487.6	458.8	607.0	528.0	548.5	
Of which: Gasoline	-	-	-	-	-	-	26.0	9.0	7.1	8.6	6.6	7.8	
Diesel	-	-	-	-	-	-	102.0	24.5	30.4	27.7	27.4	23.6	
Construction materials	-	-	-	-	-	-	97.4	21.6	20.2	27.0	21.3	26.5	
Other	-	-	-	-	-	-	1448.7	432.5	401.1	543.6	472.7	490.6	
Trade Balance	-727.3	-601.2	-327.8	-296.3	-362.2	-234.0	-220.4	-11.9	-59.3	-112.2	140.8	-3.4	
Percentage change over previous year													
Total Exports Garments	198.0	188.0	66.0	47.0	74.0	24.8	12.9	16.4	21.9	23.0	35.4	16.0	
Total Exports	2.1	27.5	58.9	12.4	19.7	20.0	14.7	15.2	20.5	21.1	35.8	14.6	
Total Imports	1.2	-1.8	1.6	11.3	14.5	5.9	11.5	19.6	16.5	19.6	21.0	12.5	

Sources: Department of Trade Preferences Systems, Ministry of Commerce and Customs and Excise Department, Ministry of Economy and Finance: 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
Thousands of passengers													
Tourist visas	194.4	163.0	141.9	199.6	209.6	335.4	447.4	201.8	230.7	165.3	203.1	281.5	
by air	194.4	163.0	141.9	199.6	209.6	335.4	447.4	129.4	139.6	99.6	125.1	179.3	
land and boat	-	-	-	-	-	-	-	72.4	91.1	65.8	78.0	102.2	
Business visas	58.4	48.6	37.6	55.4	46.9	62.4	58.3	15.2	15.8	20.8	17.2	19.0	
by air	58.4	48.6	37.6	55.4	46.9	62.4	58.3	10.5	11.5	16.9	12.4	13.5	
land and boat	-	-	-	-	-	-	-	4.6	4.3	3.9	4.8	5.5	
Official visas	7.6	7.2	6.8	7.9	95.2	10.6	17.3	5.7	7.9	7.6	7.8	10.5	
by air	7.6	7.2	6.8	7.9	95.2	10.6	17.3	5.0	6.8	6.3	6.4	8.7	
land and boat	-	-	-	-	-	-	-	0.7	1.1	1.3	1.4	1.7	
Total by air	-	-	186.3	262.9	351.7	408.4	523.0	145.0	157.9	122.8	143.9	201.5	
Total Land and boat	-	-	100.2	104.8	114.7	196.5	263.5	77.7	96.5	71.0	84.2	109.5	
Grand total	260.4	218.8	286.5	367.7	466.4	604.9	786.5	222.7	254.4	193.8	228.1	311.0	
Percentage change over previous year													
Grand total	18.5	-15.9	30.9	28.3	26.8	29.7	30.0	-2.6	21.8	74.5	44.0	39.6	

Q4 2003 and Q1-Q4 2004 revised. Source: 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
Consumer price index (percentage change over previous year)													
Provinces*	-	-	-	5.8	5.4	-0.1	0.9	4.4	4.6	7.9	22.1	23.0	
Phnom Penh - All Items	7.1	8.0	14.8	4.0	-0.8	-0.6	3.3	0.5	0.8	2.2	6.7	5.8	
- Foods	7.6	6.7	14.1	7.6	-3.3	-2.8	1.8	-0.04	0.6	3.4	12.2	9.1	
- Energy	20.7	20.0	15.1	3.5	6.6	-1.1	0.3	5.1	4.8	8.1	11.5	14.5	
Exchange rates, gold and oil prices (Phnom Penh market rates)													
Riels per US dollar*	-	-	-	-	3,840.8	3,916.3	3,912.1	3,987.0	3,990.3	4,005.3	4,034.7	4,034.7	
Riels per Thai baht*	-	-	-	-	95.8	88.2	91.2	100.4	102.0	99.6	97.7	100.1	
Riels per 100 Vietnamese dong*	-	-	-	-	27.1	26.6	25.6	25.5	25.4	25.4	24.8	25.3	
Gold prices (US dollar per chi)	46.3	40.4	36.0	34.0	33.3	32.7	36.8	44.4	46.0	46.0	46.3	47.0	
Price of diesel (Riels/litre)	779	883	1,065	1,105	1,329	1,521	1,508	1,700	1,867	1,983	2,150	2,350	
Price of gasoline (riels/litre)	1,118	1,378	1,613	1,760	2,113	2,084	2,150	2,400	2,567	2,767	2,950	3,050	

* Exchange rate and provincial CPI (to base December 2000=100) revised. Sources: CDRI, IMF, NBC, NIS, MOP, and MEF.

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

	1996	1997	1998	1999	2000	2001	2002	2003	2004				
										Q4	Q1	Q2	Q3
Billions of riels													
Net foreign assets	881	1,177	1,726	2,019	2,589	3,080	3,737	4,027	4,265	4,337	4,524	4,797	
Net domestic assets	31	-114	-496	-576	-759	-876	-849	-698	-606	-493	-354	-467	
Net claims on government	128	54	178	103	3	-75	-119	-128	-133	-130	-96	-209	
Credit to private sector	435	637	655	763	898	936	1,059	1,337	1,389	1,499	1,673	1,817	
Total liquidity	912	1,063	1,230	1,443	1,831	2,204	2,888	3,328	3,659	3,844	4,169	4,329	
Money	329	385	543	531	540	609	813	937	1,007	1,040	1,078	1,153	
Quasi-money	583	678	687	911	1,291	1,594	2,075	2,391	2,652	2,804	3,091	3,176	
Percentage change from previous year													
Total liquidity	40.3	16.6	15.7	17.3	26.9	20.4	31.0	15.2	21.8	30.2	38.7	30.0	
Money	18.3	17	41	-2.2	1.7	12.8	33.5	15.3	21.5	17.4	21.7	23.0	
Quasi-money	57.1	16.3	1.3	32.6	41.7	23.5	30.2	15.2	21.9	36.7	45.8	32.8	

Q4 2003 revised. Source: National Bank of Cambodia.

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
Total revenue	748	880	920	1326	1528	1529	1744	557	523.9	488.5	452.1	662.2	
Current revenue	-	-	-	-	-	1521	1728	557	523.3	475.5	450.8	657.7	
Tax revenue	536	596	676	956	1096	1096	1227	387	409.3	348.4	334.1	485.7	
Customs duties	344	348	376	432	376	376	424	117	137.0	108.4	99.9	168.0	
Non-tax revenue	176	272	204	348	424	424	501	170	113.9	127.1	116.7	172.1	
Forest exploitation	28	36	20	36	28	29	15	1	0.9	0.3	0.2	0.5	
Post & telecommunications	64	84	88	108	124	122	123	50	16.1	23.1	28.8	26.3	
Capital revenue	40	12	36	12	8	9	16	0	0.6	13.0	1.3	4.5	
Total expenditure	1440	1260	1296	1792	2332	2332	2948	746	668.1	710.6	703.4	909.3	
Capital expenditure	628	452	368	624	976	977	1388	306	316.6	337.1	277.3	293.5	
Current expenditure	812	808	980	1164	1356	1355	1560	440	351.5	373.4	426.0	615.8	
Education and health	124	128	132	280	344	343	454	227	31.4	80.6	116.0	290.0	
Defense and security	408	420	448	464	404	405	438	147	67.6	66.0	91.5	197.8	
Other ministries	284	260	332	412	636	637	668	65	77.4	140.8	183.2	403.4	
Overall deficit	-692	-380	-380	-476	-804	-803	-1204	-189	-144.2	-222.1	-251.2	-247.1	
Foreign financing	680	444	268	416	768	766	1249	295	231.2	238.5	216.6	238.7	
Domestic financing	12	-64	112	60	36	37	-45	-106	-87.0	-16.5	34.6	8.4	

Provisional data for Q1-Q4 2004. Q1-Q4 2004 revised. Source: Ministry of Economy and Finance.

Table 8. Real Terms of Daily Average Earnings of Vulnerable Workers (at constant Nov 2000 prices)

	Daily earnings (riels)									Change from last year (%)		
	1998		2000	2003	2004			2005	2004		2005	
	Feb	Nov	Nov	Nov	Feb	May	Aug	Nov	Feb	Aug	Nov	Feb
Cyclo drivers	10,063	7,594	9,074	9,494	9,153	8,000	7,631	5,670	8,529	-15.9%	-40.3%	-6.8%
Porters	7,636	6,233	7,006	6,286	8,383	7,451	6,625	5,121	6,933	-5.4%	-18.5%	-17.3%
Small vegetable sellers	5,695	5,256	6,635	6,480	7,130	7,240	6,650	7,767	6,385	0.2%	4.4%	-10.4%
Scavengers	3,776	2,718	4,749	3,772	4,625	4,368	4,769	4,024	5,382	0.4%	6.7%	16.4%
Waitresses	-	2,111	4,374	4,289	4,721	4,273	4,591	4,207	4,470	5.0%	-1.9%	16.3%
Rice-field workers	-	4,184	5,347	4,801	5,124	4,002	3,689	3,740	3,578	-10.8%	-8.6%	30.3%
Garment workers	-	6,701	9,962	9,671	9,322	9,249	9,211	9,328	9,213	-7.5%	-3.5%	-1.2%
Motorcycle-taxi drivers	-	8,610	10,542	9,671	10,791	8,546	8,791	8,688	11,767	-16.6%	-10.2%	9.0%
Unskilled construction workers	-	5,399	7,369	5,996	6,937	6,552	6,095	5,944	5,747	-17.3%	-0.9%	-17.2%
Skilled construction workers	-	13,127	12,283	16,344	13,297	11,822	13,527	12,071	14,367	10.1%	-26.1%	8.0%

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.

Continued from page 16 *Update*

The governance and decentralisation team has produced several high quality reports that make a significant contribution to the public sector reform process under way in Cambodia. These include the Public Expenditure Tracking Survey and Local Services Delivery. The team is now designing two ambitious new research initiatives. One focuses on public sector accountability at the provincial level, while the other concerns public sector responsiveness.

The natural resource and environment (NRE) team is now at full strength with a technical advisor and two full-time Cambodian researchers. The NRE team has just completed its initial round of field work in Monduliri and Kratie concerning the valuation of forest resources. The NRE team has recently hosted a visit by two scholars from the Danish Centre for Forest, Landscape and Planning, looking at potential collaboration on a project on governance and conflict resolution in the forest sector. A team from the University of Sydney visited CDRI in early July to explore the potential for research and capacity building collaboration in water resources policy research.

CDRI is collaborating with the Asia-Pacific Research and Training Network on Trade and the UN/ESCAP to conduct a survey to identify the capacity-building needs in international trade research of research institutions in least developed and low-income developing countries in the Asia-Pacific region. CDRI is also collaborating with the National Institute of Statistics of the Ministry of Planning on two research projects, the above-mentioned PPA and the Poverty Impact of Regional Economic Integration in the GMS. Meanwhile, CDRI is planning to expand the land titling baseline survey to urban areas in collaboration with the Ministry of Land Management, Urban Planning, and Construction. CDRI has also further diversified its institutional collaboration. For example, CDRI is engaged in small-scale research projects with the Food and Agriculture Organisation (land tenure database assessment) and has submitted a research proposal to Oxfam America (China-ASEAN FTA impacts on Cambodian agriculture).

Centre for Peace and Development

In January–June 2005, CPD activities focused mainly on training, particularly contract training for GTZ and terre des hommes. The four modules of five days each contractual training entitled “Working Together for Peace and Development and Training of Trainers,” designed for GTZ’s 32 partners in Kompong Thom province, were completed in February. “Conflict Transformation and Peace Building,” designed for 25 partners of terre des hommes in Phnom Penh, was conducted in May. Training for Peace 2005, provided only to 10 Working for Peace graduates, was completed in April 2005, and practicum follow-up will take place in the next half of the year. A training needs assessment for Bavel district, Battam-

bang province, was conducted in April followed by two specially designed six-day courses entitled “Working Together for Peace and Development” conducted in May and June for 52 participants from six commune councils and authorities of Bavel district, Battambang. Also, Working for Peace 2005, module 1, a five-day course of four modules in the CDRI office, was delivered to 25 participants.

Publications

After consultation with staff and researchers and interested parties from outside the organisation, a communication strategy was developed and recommended for inclusion in the CDRI strategic plan for 2006–2010. The strategy is intended to increase CDRI’s impact on policy development; it focuses on the effective dissemination of CDRI’s key research and policy outputs, and on its strategic priorities and future positioning.

New publications include:

- an English edition of Monograph No 1: *The Challenges of Decentralisation Design in Cambodia*
- Khmer and English editions of *Cambodia’s Annual Economic Review*, issue 4
- Development Analysis Network 4: *The Cross Border Economies of Cambodia, Laos, Thailand and Vietnam*
- Khmer and English editions of *The Cross Border Economy of Cambodia* (Working Paper 32)
- Special Report No. 3, *Focusing on Cambodia’s High Value Forests: Livelihoods and Management*

All new CDRI publications receive an ISBN provided by the National Library of Cambodia.

Library

The CDRI library uses WINISIS software to manage its collection. The database contains more than 9,000 records. Library users can search the catalogue by title, author, publisher or key word. Moreover, users can refine their search by country and year of publication to get the most current and relevant document in the library.

The CDRI library has invited heads of major libraries in Phnom Penh to discuss how to develop librarianship in Cambodia, especially the question of forming a school of librarianship to improve the qualifications of Cambodian librarians.

The CDRI library now has more extensive access to research in agriculture through Global Online Research in Agriculture (AGORA). Training in accessing this database was given to Ms. Sok Sethea on 14 March at the Royal University of Agriculture.

WINISIS training for some people working at the Learning Resource Centre of the Asian Development Bank was provided by Mr. He Hin, CDRI library manager, from 28 March to 1 April.

A group of students from Hawaii in the United States visited on 20 June.

CDRI UPDATE



CDRI's new building at Tuol Kork, Phnom Penh.

Management

In March–April 2005 CDRI management undertook a strategic partnership building trip to Australia and Singapore to explore and deepen partnerships in collaborative research and in postgraduate education and professional development opportunities for CDRI staff. Institutions with which CDRI will work more closely in the future include the University of Sydney, the Asia Pacific School of Economics and Government at the Australian National University, the Institute of Southeast Asian Studies and the Lee Kuan Yew School of Public Policy, both in Singapore.

In April 2005, just before the Khmer New Year holidays, CDRI's additional new building was opened by H.E. Chea Chanto, governor of Cambodia's National Bank, and honorary chair of the CDRI board of directors. The new building, which also houses a spacious conference and training room, allows CDRI's research teams on poverty, rural livelihoods and agricultural development, and natural resources and the environment,

two closely related areas of work, to be located together.

In May 2005, CDRI signed a funding agreement with the United Nations Development Programme (UNDP) to support a new three-year stage of the Conflict Prevention in Cambodian Elections process (COPCEL), to be launched in July 2005, and to operate through the forthcoming Senate, commune council and national elections to mid-2008.

Research

The two research teams working on the Moving Out of Poverty Study (MOPS) and the Tonle Sap Participatory Poverty Assessment (PPA) have made considerable progress. The MOPS team is currently writing its results after completing three rounds of extensive field work, while the PPA has completed work in the first three of six provinces studied around the Great Lake. Both research teams are working hard to get findings out in time to be incorporated into the poverty assessment coordinated by the World Bank. The poverty assessment will inform the Royal Government's National Strategic Development Plan for 2006 to 2010.

The economy and trade group published an important study concerning cross border economies in the region as part of its ongoing involvement with the Development Analysis Network (DAN). The Rockefeller Foundation has recently agreed to extend its support for two additional studies in this area. There are also several new initiatives involving research in the regional trade sector that are currently in the design stage. These are developments evidence of CDRI is increased trade-related research in the region. The economy and trade group continues to produce regular reports concerning the performance of the Cambodian economy.

Continued on page 15

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