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## Local Service Delivery and Commune Councils

Horng Vuthy and Ann Sovatha analyse the potential for  
Commune Councils to help improve service delivery at the local level. \*

The improvement of rural livelihoods is one of the priority actions of the National Poverty Reduction Strategy (NPRS) of the Royal Government of Cambodia (RGC). Effective service delivery at the local level is seen as crucial to the success of this initiative. The Law on Administration and Management of Commune/Sangkat (LAMC) envisions local councils having a lead role in service provision and local development. This is vital to the development of the accountability system at the local level because only when the Commune Councils (CCs) are given clear service delivery responsibility (and adequate resources) can they be justly held accountable

for their performance. The law, however, remains broad in terms of mandates for specific responsibilities. It is, therefore, important to better understand how local services are currently delivered and how Commune Councils can intervene to improve the flow of these services.

Any effective local public service delivery process involves a number of related activities, including planning and budgeting, financing, production, regulation, monitoring and evaluation. There are both “demanders” and “suppliers” for the delivery of public services. Rather than each individual expressing his or her own “demand” for a public service, there must be an arrangement whereby the demands of a variety of consumers are determined collectively. One role that local governments can play in the process is to aggregate the demands for local public services by local residents. Since local governments are closer to the people than provincial or central government officials, they are likely to be more effective in replying to local needs than more distant organisations.

\* This article is based on CDRI’s final report to the United Nations Capital Development Fund (UNCDF), *Study of Local Service Delivery* (Eng, Horng, Ann, and Ngo 2005, forthcoming).



Commune councillors working on birth certificates.

Four locally-provided services<sup>1</sup> are chosen for discussion: maintenance of rural tertiary roads, solid waste disposal, primary healthcare, and education (i.e. formal education at primary level, non-formal education, and early childhood education). Our research shows that the CCs can play a useful role in the delivery of these services.

The discussion below covers the factors/circumstances of the services that allow CCs to have a useful role and recommendations of service delivery functions that CCs could assume and the problems that need to be solved.

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### Local Service Delivery and Commune Councils

In this section, we discuss the “windows of opportunity” for the CCs to play a useful service provision role. The first two services – maintenance of rural tertiary roads and solid waste disposal – can be considered “hard” services, while the other two – primary health and primary education – can be deemed “soft” services. The hard services are those in which CCs can play a more *direct* and *hands-on* role in the delivery (e.g. construction of rural roads, trash collection). The soft services involve CCs only *indirectly* in service provision (e.g. monitoring of teachers absence, working hours of a health centre).

This distinction combined with factors such as service organisation and ‘technology’ needed for effective service delivery, enables us to evaluate what services are appropriate for CCs to manage. Since CCs have the skills to both organise the service and manage the technology, it is appropriate to ask CCs to deliver the hard services. But for soft services, the technicality of the service organisation and the level of technology are not commensurate with the CCs’ capabilities. It is therefore more proper to expect CCs to be involved in the provision of non-technical services such as simple monitoring and evaluation (M&E) of health centre and school working hours.

### Maintenance of Rural Tertiary Roads

The provision and maintenance of tertiary roads is the responsibility of the Ministry of Rural Development (MRD). The National Policy on Rural Roads (2002) identifies tertiary road services as potential commune level responsibilities. However, it is not yet clear what categories (i.e. surface types and traffic volume) and lengths of rural roads have been identified and inventoried.

Rural roads mean road connections from district to district, district to commune, commune to commune, commune to village, and village to village. Under current arrangements, the Provincial Department of Rural Development (PDRD) is responsible for district-to-district roads, and CCs are responsible for district to commune, commune to commune, and commune to village roads.

### Useful Involvement of Commune Councils

Experience and existing institutional arrangements suggest that assigning *periodic and routine maintenance* responsibilities for sub-tertiary roads to CCs is a promising option. The supportive factors include:

- Legislation already envisions these as commune responsibilities;<sup>2</sup>
- Many CCs already have extensive experience managing periodic road maintenance by employing contractors with the Commune Sangkat Fund (CSF);
- Demand for this as a priority service has already been expressed through choices that have been made regarding CSF training;
- Construction and maintenance of tertiary rural roads of certain basic standards (eg 15 cm thickness of laterite surface) is technically feasible for CCs to understand, manage, and monitor;
- There is already good understanding of the cost of this service – a necessary step in the process of en-

suring that the mandate is funded;

- Commune implementation appears to be at least as efficient as any of the alternatives currently being practised;
- CCs can exercise their rights to enforce regulations over road uses within their jurisdiction.

### Constraints

Before CCs can effectively assume the responsibilities for maintaining tertiary roads, the following issues must be dealt with:

- Would the government be prepared to fund periodic and routine maintenance of commune roads? If added to the CSF, it would roughly double the amount of money transferred to communes each year. The Ministry of Rural Development (MRD) and Ministry of Economy and Finance (MEF) would then have to develop a national formula to allocate rural road funds for all the communes in the country.
- If allocation were to be carried out nationally according to a formula based on the number of kilometres of road per commune, is it possible that this could be adjusted at the district or provincial level in order to ensure that communes where roads deteriorate quicker (due to heavier traffic or flooding) receive higher allocations?
- How can CC performance in monitoring road construction be strengthened so that quality is not compromised?
- How can supervision and support from the provincial level be re-configured in order to make the provisions more efficient?
- What are the best available models for conducting routine maintenance?
- To assign rural road responsibility to the Commune Councils, an inventory of the rural roads is needed.

### Solid Waste Disposal

The Joint Inter-ministerial Prakas between the Ministry of Interior (MoI) and Ministry of Environment (MoE) on Solid Waste Management states that the local authority in cooperation with the Department of Environment shall be in charge of the management of solid waste disposal in its locality. Japan International Cooperation Agency (JICA) assists the Municipality of Phnom Penh (MPP) in the piloting of solid waste management projects, which attempts to involve the less urbanised *Sangkats* in the outskirts of Phnom Penh in the actual management of disposal. The pilot is managed by Phnom Penh Waste Management (PPWM), a semi-autonomous authority under MPP. The pilot is arranged to have *Sangkats* assist PPWM in the collection of trash from narrow pathways where dump trucks cannot gain access. They also collect service fees and get paid a percentage of the collected fees.<sup>3</sup>

### Useful Involvement of Commune Councils

The pilots involving the *Sangkat* Councils in the management of solid waste have illuminated circumstances where the Councils can substantially make an impact on service delivery. These circumstances encompass, but are not limited to, the following:

- Pilots involving CCs in managing solid waste dis-

posal in the four *Sangkats* in the outskirts of Phnom Penh have proven successful. The trash from narrow pathways is picked up and brought to the main pick-up areas by trash collectors employed by the *Sangkats* and paid for by the commission received;

- Constant migration of people in and out of the locality calls for particular intervention from the CCs to determine the customer base. The local CC is an authority that can provide the most accurate number of potential customers of the solid waste disposal service
- Involvement of CCs appears crucial in getting waste off the narrow pathways where dump trucks cannot gain access, as manifested by the pilot experience mentioned above;
- CCs are more effective in resolving disputes over fee collection.

Given the proven success of the pilot, it is strongly recommended that *Sangkat* councils be given the tasks of updating the population registry, collecting trash from small pathways that dump trucks cannot access, collecting service fees, and resolving disputes over the amounts of fees.

In a more rural setting where most solid waste generated is from the small local markets, there are strong reasons favouring CCs to assume the *monitoring* function. The current arrangement in which the province manages markets of medium size<sup>4</sup> has not translated into sanitary conditions for these markets. A Commune Council could be allowed to manage the local market<sup>5</sup> within its jurisdiction and be mandated to keep it sanitary. Commune Councils are believed to have greater incentive than the provincial authorities to monitor the service provided by the CCs-approved contractors and see the area they live in as cleaner and more sanitary.

### *Constraints*

Despite the favorable factors cited above, a range of constraints can be identified and need to be tackled. In urban or peri-urban areas, the arrangement could be viable if (1) the areas are populated and the surrounding areas do not contain open waterways or abandoned/unused lands that people could use as an alternative dumping site, (2) the urban communes or *Sangkats* are willing to cooperate with an approved contractor to facilitate all necessary activities, and (3) main trash collection responsibility is under an approved contractor or a semi-autonomous public agency. In a rural setting, there needs to be a transfer of authority (ownership) to manage the local markets from the provinces to the communes. In addition, the communes need to be given the power to sign the garbage collection agreement with the private contractor so that they can hold the contractor accountable.

### *Primary Health and Education*

As a signatory to the Millennium Development Goals (MDGs), Cambodia has committed to improving its public services, such as education and health, improvement of which has a strong potential to achieving most of the MDGs (goals 1 to 6). Evidence of this commitment can be seen in the government policies, namely National Policy on Primary Health Care, and Education for All Plan which ensure that education and health be

equally accessible by all citizens (RGC 2000, RGC 2003). These policies consider community involvement an essential element as can be seen by the presence of local bodies such as Health Centre Management Committee (HCMC), Commune Education For All Committee (EFAC) and Cluster School Supporting Committee (SSC). Each of these committees has participation and/or representation from the elected Commune Council.

Local level primary health services examined by the study refer to the 14 services of Minimum Package of Activities (MPA) and other services (i.e. outreach activities) provided at the health centre, which covers between 8,000 and 12,000 inhabitants. Education services include formal education at the primary level (grade 1 to 6), non-formal education (literacy classes), and early childhood education (community pre-school).

### *Useful Involvement of Commune Councils*

The main factors that enable local government to have substantial impact on service delivery include, though are not limited to, the policy environment, current pilot initiatives and practice.

First, as mentioned above, both education and health policies envisage that local government has a role in relation to the provision of these services. Second, the current pilot initiative by UNICEF has empowered the Commune Council to play more substantial roles in both education and health. These initiatives include supporting the commune's advisory bodies such as Commune Committee for Women and Children and identifying poor households for the exemption from fees for services at the health centre. Initial observations of this initiative have indicated that the involvement of the CCs in the service provision has contributed to improved service flows. Lastly, a large number of CCs have already provided social services to their constituents. Examples include the construction of schools, latrines, and wells and a number of outreach services (mobile immunisation in health) through the use of CSF.

Still, evidence from the study suggests that there is considerable room for CCs to assume additional meaningful roles in service delivery. One simple and practical recommendation is to have CCs conduct regular, non-technical monitoring and evaluation of the services<sup>6</sup> to complement the more technical ones done by the central inspecting agencies. Collating the results of this work from many communes and presenting them in a provincial forum is a possible measure to give the councils a more influential voice in demanding accountability.

### *Constraints*

Despite the presence of these promising factors, service delivery in education and health has yet to reach a satisfactory level. The constraints include the expectation of service users, capacity of and support for the CCs, the current workload, and the overall governance system.

*Expectations of service users:* Evidence from the case studies shows that people do not view the CCs as the key agent in solving problems related to education and health. People do not go to the CCs to voice their complaints or dissatisfactions over the quality of such services. The coun-

cils are, thus, perceived to play little role in demanding accountability for better services from the service providers. It is likely that if CCs were perceived by users as a forum to demand accountability, two things might occur. First, it might put pressure on CCs to do something about the services. Another is that the directors of the health centres or primary school principals may feel pressure and begin to address the issues because the voices complaining about poor quality are getting more organised or visible even though CCs do not have jurisdiction over primary schools and health centres.

*Capacity and support:* Commune councillors are only required to be able to read and write. Very frequently, the issue of inadequate knowledge and capacity is a problem for the CCs (Rusten et al., 2004). The Commune Councils are not sufficiently knowledgeable to demand accountability from providers of health and education services by consistently and meaningfully taking part in meetings of Health Centre Management Committee (HCMC) and Cluster School Supporting Committee (SSC). In addition, the support the CCs enjoy from the provincial and district facilitator team is oriented towards infrastructure projects, rendering advice and support mostly relevant to the infrastructure services, not social services (ibid.).

*Workload:* Currently the mandated role of the CCs is to do civil and election registration. The other major and more routine roles the councils have assumed concern local development activities, which range from formulating local priorities, implementing some of the priorities (by means of contracting using its CSF), and monitoring and evaluation (with assistance from provincial technical support staff) of the projects. Considering the average number of councillors, their workload and the administrative support from only one commune clerk, one should take a very cautious approach towards giving more tasks to the CCs which could overload the system.

*Overall governance system:* There is no mechanism currently in place for the CCs to express satisfaction or dissatisfaction of these two services to the provincial departments. Nor do the central ministries have mechanisms to incorporate external evaluation into its monitoring and evaluation (M&E) work. This problem has to some extent hindered the accountability of service providers towards consumers.

### Summary and Way Forward

From the discussion above, two observations can be made. First, the *organisation* of 'hard' services of maintaining rural tertiary roads and solid waste disposal and the *technology* involved in providing these services are fairly simple (not highly technical) for the CCs to manage, and therefore enable them to play 'useful' and more *hands-on* delivery roles. In other words, the current capacity of the CCs is commensurate with the skills required to manage the delivery of the two services. The match between the available capacity of CCs and the skills requirement is critical to the success of the service provision and determines whether other services can be successfully assigned and assumed by CCs.

The second observation is related to the provision of

'soft' services of primary health and education. The highly technical nature of these soft services naturally prohibits CCs from having *direct* provision roles. However, given their existing capacity, they still can play soft yet useful roles such as assistance in mobilising children for vaccinations and registering children for schools as well as awareness raising campaigns (e.g. sanitation, reproductive health care and HIV/AIDS).

The two observations illustrate that before beginning to assign a service provision responsibility to CCs and holding them accountable, care must be taken to examine the nature of services (hard vs. soft) and the organisation and technology required for the delivery of such services.

### Endnotes

1. Due to space limitation, only four of the seven studied sectors were chosen for discussion in this article.
2. For a more detailed review of current policies and legislations related to sectoral service delivery, see the final report of '*Study of Local Service Delivery*' (Eng, Horng, Ann, and Ngo 2005, forthcoming).
3. See the full report on local service delivery (forthcoming 2005) for more details regarding the pilot.
4. These are large markets that attract a wide range of customers and suppliers and serve multiple Communes/*Sangkats* (MEF 2005).
5. Local market is small with low turnover and attracts primarily local suppliers (ibid.).
6. By non-technical, we mean the Commune Councils will use a simple form in which information can be entered by simply ticking "Yes" or "No", for example. This simplicity is vital because it allows the Council to do it quickly.

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# Decentralisation: Can Civil Society Enhance Local Government's Accountability in Cambodia?

Kim Sedara and Ann Sovatha examine the role of an organic group, School Support Committee (SSC) and a mandated group, Fishery Community (FC) in enhancing the accountability between elected commune councils to electorates.\*

Cambodian post-conflict society has only recently taken steps towards thorough democratisation. With the first commune election in 2002, the country embarked on decentralisation reform with the aim to promote democratisation and cultivate a culture of participation and trust between state and society. The presence of civil society groups and associations at the local level is very significant in terms of strengthening and supporting the commune councils (CCs) (Mansfield and Macleod 2004, Rusten et al 2004, Ojendal 2005, Blunt and Turner 2005, Hughes 2005). One of the key challenges for the success or failure of decentralisation reform concerns the level of partnership and collaboration between civil society and local government. Decentralisation in Cam-

\* This article is drawn from the study of Governance and Decentralization program of CDRI. The full report of this work, funded by SIDA and DFID, will be published as a CDRI working paper, co-written by Sedara Kim and Joakim Ojendal. Fieldwork for this study was conducted in four communes in four provinces during Oct-Nov 2004 and included interviews with commune councilors, government officials, local committee members, and villagers.

bodia faces a number of obstacles, such as insufficient interaction between civil society groups and commune councils, and lack of devolution of resources and power from the central government (Ninh and Henke 2005, CCC Special Research Report 2004, Rusten et al 2004, Hughes 2005). Such factors hamper the elected commune councils from being fully accountable and responsive to the demands from the electorate.

One important question concerns *the degree to which the existing civil society organisations can enhance the level of accountability of local government towards the electorate*. Although there are many local associations in rural Cambodia, this article will limit its scope to two committees which were established under the *subdecree* and *Prakas* of the government. The centrepiece of analysis is to compare two local groups, aiming to understand the concept of sustainability and participation. The School Support Committee (SSC) is an “organic group” which is commonly found in most of rural Cambodia. The Fishery Community (FC) is a “state mandated group” which exists only in the areas where there are fishing zones. There are differences between the two committees. The SSC has strong sustainability, good participation from parents and teachers as all members and parents are committed. However, the fishing community (FC) has little strength because the people's participation is low, the members do not have enough decision making power and lack support from the technical line department. All this reflects problems of sustainability and maintaining trust from the electorate.

## Existing local groups/committees

Several local civil society groups can be identified in rural communities of Cambodia. These groups can be categorised into two main groups: i) the organic groups refer to the indigenous associations/committees that have existed in communities for a long period of time and are collectively initiated by local citizens. They exist in all communes (e.g, Wat committees and the School Support Committees SSC) and ii) the mandated groups refer to associations or organisations that are es-

Organic groups	Mandated groups
<i>Wat or Pagoda Committee</i> , usually representing more than one village, consists of old, respected volunteers and other who help and represent the Pagoda. Normally there is no election involved.	Water Association is created with the responsibility to share water among farmers and maintain and construct irrigation systems in the community.
School Support Committee (SSC) is usually a group of respected people, teachers, school directors, local authority representatives, and parents. The main task is to safeguard and ensure the ongoing operation of the school.	Community Forestry is set up to safeguard the forest, to protect the forest from illegal logging, and to re-plant the forest. This committee mostly receives technical support from international NGOs but it is not part of commune jurisdiction.
Traditional music group: normally is part of the Wat committee and helps teach young children traditional music, helps poor families and communities in cases of funerals and performs during rituals and various occasions of ritual ceremonies.	Fishing Community, located near or on the fishing zone, is a watchdog group, the establishment of which was enabled by the government in 2001 when the government released 52% of private fishing lots to communities. The main duty of this community is to protect the fishing zones from illegal fishing and cooperate with fishery offices and local authorities. Often this fishing community receives technical support from various international NGOs.
Funeral Committee, not a permanent group, is formed to help poor families who cannot afford proper funeral ceremonies.	Women's Association: the purpose of this association is to encourage women to take part in development in the communities and to help them promote gender awareness. Normally this association is created with financial and technical support from NGOs.

established by international NGOs or initiated by the government's regulations. These types of groups occur in some specific communes where there are suitable geographical conditions (e.g. community forestry and fishing community) (Kim 2004). The table below presents these two categories.

Besides the groups mentioned above there are various types of local associations such as saving associations, mid-wife associations, youth associations, traditional music groups, help the ageing associations, and dry season rice cultivation associations. Two committees, the planning and budgeting committee (PBC), the maintenance and procurement committee (PC) are not included in the list above since they were established within the Commune/Sangkat law.

### **School Support Committee (SSC)**

Although the SSC is not as old as the Wat committee, it has been present at the local level for long time. It usually consists of a group of respected elders, teachers, village chiefs, the members of development committees, commune councillors and parents (Kim 2004). The SSC's head and members are elected by villagers. Each SSC consists of 8-15 permanent members, mostly two or three from each village. The common members are parents who have their children in school. The recruitment process is based on the consensus of the villagers. The village chiefs and commune councillors usually identify individuals directly and ask whether she or he is willing to be part of the SSC. Each individual must meet certain criteria such as being educated, popular, and respected by the majority of villagers. The charismatic people are preferred since the SSC members need to do fund-raising. In the past and also the present, many primary schools were located in the Wat compound. Often the local people do not understand the SSC and Parent Association (PA). It should be noted that in some rare cases, PA is a separate body from SSC.

### **Strengths of SSC**

A number of factors contributing to the success of the SSC can be identified. Firstly, as SSC is traditionally embedded within the local community, it has good interaction with commune authorities and parents. This means that SSC has fewer problems fund-raising. Furthermore, with these good relations, information sharing between SSC and commune councils can be made on a regular basis in the form of meetings through which advice from the community can also be sought. CC is interested in seeing that SSC works effectively to help the community. Both SSCs and CCs are able to build trust with one another. Secondly, operation of SSCs has not been interrupted by other agencies. The technical line department, though supporting the SSC, does not interfere with SSC decision-making, meaning that there is no problem for abuse of power from authorities on SSC. Lastly, since its vision is to support and promote education, which benefits the whole community, SSC has succeeded in attracting people's participation and ensuring members' commitment. This is an important factor contributing to sustainability of the group.

### **Challenges faced by SSC**

Although SSC is arguably successful in implementing its roles, it still faces a number of challenges. Firstly, as SSC is a volunteer group, it is hard to maintain lasting and sincere commitments from the members. Due to low living standards, not all of the members are able to work regularly. Only the leader and deputy are active and knowledgeable. Secondly, weak social capital such as networking, trust, and institutional linkages in rural Cambodia contributes to other obstacles to the SSC. It is rare that the SSC is able to build relationships with other committees in the same communes or outside of commune (social capital or inter-committee interaction is weak). Inter-organisation relationships happen only with NGOs. Lastly, inadequate or opaque information flow between school, SSC, and the government is also a concern. With this lack of communication, SSC and school are often not well informed about government policies. A lack of information sharing between school and SSC has also caused occasional misunderstandings. Therefore, although SSC has a number of strengths, it still faces problems such as lack of financial incentives, absence of inter-group collaboration, and insufficient information sharing.

### **Inter-organisation interactions**

Inter-organisational interactions serve as a key to success of local civil society groups. The interactions should be among local groups and between local groups and local authorities (CCs). This leads SSC to be successful because it has good relations with commune councils. Limited interactions between CCs and local organisations is a sign of lack of social capital in rural society in Cambodia. Local organisations do not have willingness to work together within institutional linkages. This aspect is reflected within the SSC. All of the people affiliated with SSC that we talked to, said that they were neither interested in working with or willing to learn about the activities of other organisations, even though each commune has similar organisations and associations. The reason of the lack of such interaction is because they do not want to be accused of interfering in the business of other organisations. Relationships occur only with the NGOs or relevant authorities that serve as the partners with SSC, such as the district education office and the commune council. This gap of inter-community interaction might be caused by a lack of self-confidence, the culture of listening to authoritarian rule, and a desire for non-interference.

In sum, the reason of a successful SSC depends on people's participation, sharing information within the group, getting technical support from the line departments, establishing a good relationship with commune councils. However, this success does not fully contribute to a long term, sustainable development due to some problems such as lack of information sharing from relevant actors and weak institutional collaboration to help the community develop.

### **Fishery Community (FC)**

The subdecree of Royal Government of Cambodia

(RGC, 27/5/2003) states that community fisheries must be created with technical and administrative support from the Ministry of Agriculture, Forestry and Fishery (MAFF) along with local initiatives. Most of the FCs were created in collaboration with international NGOs, getting technical support from relevant line departments, and closely supported by local authorities. Many of these FCs were established during of 2001-2002 but some were started in 2004.

Only those villages bordering the fishing zone are on the FC. Normally, all households in those villages are eligible to be members of FC. The size of the FC committee depends on the number of households, and the average number of committee members ranges from 5-14. All members are volunteers and must be elected by other members. The committee members are selected from each village. Once the committee members are elected, they will select deputies, a treasurer, and a secretary. Usually, the chiefs and deputies are invited for management and technical training, which is offered with support from international NGOs. The effectiveness of FC members depends on the level of awareness about the situation of fishing in the community. Many committee members interviewed expressed concerns about the degradation of the fish stock in the lakes and streams. Many people revealed that the decline of fish is caused by illegal fishing and by non-functioning management by relevant authorities.

Information from the focus group discussion shows that many members of community are having similar objective of safeguarding natural resources and environment in community. Findings have suggested that with this objective, FC has played a number of roles. It has been a watchdog to curb illegal fishing in the community and reporting/providing information to relevant authorities, and a liaison body for fishery department and commune councils. FC has also cooperated with local authorities in order to play this role more effectively in combating illegal fishing. It has also played a role in educating and disseminating information to people not to conduct anything destructive to the resources in the community. However, there is a long list of responsibilities for FC to implement as mentioned in the sub-decree. The actual role of FC is being an information provider to relevant authorities and disseminating information to local villagers.

### **Challenges faced by FC**

The FCs face a number of challenges. First, they are not financially independent. The problem of slow implementation is a result of the lack of resources and equipment to combat fishery crimes. The lack of genuine support from the technical authority has also contributed to this problem. Second, the ineffectiveness of FC is further complicated by the shortage of full and sincere participation from the members, some of whom fear revenge from perpetrators should they be involved in cracking down on fishery crimes. The absence of any mechanism to protect group members from such retaliation puts FC in a very awkward position. Such obstacles have made the FC's sustainability uncertain. Without genuine participation and whole-hearted support from

the authorities, the future of the FCs in playing its role effectively remains a concern.

### **Inter-organisation interactions**

Both the FC and the SSC lack institutional support. The only institution that FC normally seeks support from is the commune council but FC puts little hope in CCs because CCs do not have enough power to solve problems. Meetings between FC and CC seldom occur. From interviews with CC members, CC is still curious and eager to learn about the performance of all other local associations. But Cambodian villagers are traditionally reluctant about seeking assistance or exchanging information with authorities unless they have a serious problem. This is a downside of civil society in rural Cambodia because each association works separately.

Although the establishment of FC was combined with local initiative, it is also a requirement by the government. From the civil society standpoint, FC does not gradually emerge out of a society with densely formed social capital. The authors observed that most of the FC members feel that they are affiliated with or are the staff of a local authority. FC members claim to have real power on decision making which is correct, but they also are accountable to those authorities rather than to the villagers. They are too dependent on the agencies above that created them and forget that they are elected by the people. This is upward accountability (*amnach tak leu*). FC tries very hard to solve complaints from villagers, reporting and seeking intervention from the technical line department, but none of these complaints have been articulated. Thus the FC faces the problem of losing trust with villagers.

The strength of the FC is limited due to people's lack of trust and participation; little sustainability prevails because FC does not function properly; there is weak inter-organisational collaboration; power on decision making is weak. From outward appearances, FC is a civil society group which was born from a local initiative. However, most FCs were established by NGOs with a legal framework from the government, though local initiative is also part of the formation. There is real confusion among the members of FC because of blurred loyalties, how to be accountable to the local people in spite of being affiliated with NGOs and other institutions. Also there is confusion as to who is the boss of the FC. FC view that they are beholden to whomever established the organisation. This makes them rely on outside institutions rather than on their own people.

### **Conclusion**

Some general conclusions can be drawn from comparisons between SSC, an organic group, and FC, a mandated group. Participation in SSC is strong since most of the members are well aware of their empowerment from being part of this group. And as very little money is available within this group, there is no competition for individual benefits. The mandated group, FC, is usually established by outsiders namely NGOs and the government. Some advantages are seen as available from this

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# Traditional Forms of Social Capital in Cambodia and Their Linkage with Local Development Processes

**Arnaldo Pellini describes the main characteristics of traditional pagoda associations in rural areas and their potential to play an active role in local governance and uses social capital theory to assess the associations that have developed in the Botum pagoda, in Kampong Thom province.\***

Participation and community are terms that have been part of development vocabulary since the 1960s. The Royal Government of Cambodia is implementing institutional reforms that recognise participation as one of the main objectives. However, participation is often limited in Cambodia due to the hierarchical character of the society and the destruction to trust and social relations caused by the war and Khmer Rouge regime (Ovesen et al 1996). As a result, development initiatives at village level during the last ten years have focused on the creation of village level committees and formal groups without paying sufficient attention to traditional forms of community organisations that have survived the years of conflict.

A growing body of literature (e.g. Krishnamurthy 1999; Kim 2001; Ledgerwood and Vijghen 2002) has recently focused on social interaction and community dynamics and suggest that social capital in Cambodia was damaged, but not destroyed by the war and Khmer Rouge regime. It is around traditional forms of community mobilisation that development projects and local government initiatives can establish partnerships to achieve more sustainable community based development. This article is a sequel of an article that appeared earlier in the Cambodian Development Review (Pellini 2004) that described the main characteristics of traditional pagoda associations in rural areas and their potential to play an active role in local governance. This article focuses more on social capital theory to assess the case of the associations that have developed in the Botum pagoda, in Kampong Thom province.

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## Elements of Social Capital in Cambodia

Development theories in the 1950s put a strong emphasis on economic growth. However by the mid 1950s, Solow<sup>1</sup> introduced *technology* as a missing variable in economic growth models. Singer (1961) introduced an additional element: the *capacity* of producing wealth. Schultz (1963) defined it *human capital* and described how knowledge and education contributed to achieve higher economic growth rates. In the late 1980s the concept of *social capital* was coined to describe the positive effect for development and democratisation of the interaction and exchange between individuals, voluntary groups and often institutions (Putnam 1993). In this section I will present some elements that characterise social capital in Cambodia.

### Society

Social capital has been defined by Putnam (1993: 36) as “the features of social organisations, such as networks, norms, and trust that facilitate coordination and cooperation for mutual benefit”. According to Krishna (2000), Putnam’s definition focuses on the horizontal dimension of social capital, the one constituted by shared values, norms and beliefs. Krishna defines this as *relational social capital*. But social capital has also a vertical dimension characterised by hierarchical and unequal distribution of power. Krishna defines this second dimension as *institutional social capital*. It is important to note that these two dimensions are interlinked and, as pointed out by Uphoff (2000), *relational social capital* predisposes the individuals for collective action, while *institutional social capital* creates the necessary conditions and spaces that facilitate it.

Today’s Cambodian society is characterised by loose vertical linkages between heterogeneous groups and strong links between members at the same social level. This has created elements of exclusion in the society and has made social mobility, based on merits and skills, extremely difficult. In addition, the traditionalism that permeates the Cambodian society is reflected in a general discouragement to try anything new and in the belief that things have to be done in the way they have always been done (Chandler 1998; O’Leary and Meas 2001). According to Gyallay-Pap (2004: 35), this limited solidarity is a consequence of the French *mission civilisatrice*. While in the pre-colonial period, villages and settlements were highly decentralised and life was based on “shared cultural symbolism, religious and moral norms, and communal activities”. The colonisation by a centralised administration and the monetised economy have emphasised individualism and have reduced the sense of solidarity among individuals.

Trust is considered the central element of social capital. Uphoff (2000: 227) defines it as “the essential glue for society”. Trust depends on the availability of information as well as the existence of formal and informal rules that reinforce expectations between individuals. Formal rules relate to the judicial systems and the functioning of public institutions. Informal rules are linked to the reward that comes with trustworthy behavior and the social sanctions such as shame to those

who violate these norms (Pye 1999). Due to the war and the Khmer Rouge regime, trust is considered a missing element in Cambodian society (UNICEF 1996). The Khmer Rouge regime systematically undermined traditional social values such as family and religion but I argue that trust has not been completely shattered and has survived through traditional forms of collective actions.

Religion and pagodas as spaces for participation  
Religious precepts such as trust and networking are considered by Putnam as an important source of social capital. However religion can also play a dual role. Theravada Buddhism in Cambodia, for example, on the one hand stresses the principle of karma (*action*) which justifies the present individual differences and the social hierarchy (Coletta and Cullen 2000). On the other hand, pagodas represent the actual centre of communal life and community initiatives (Aschmoneit 1996). A pagoda is in fact normally linked to six - eight villages and it is in the pagoda and not in the individual villages where most community meetings take place. The *Pagoda Committee*, a social and non-political administrative institution formed by elected or appointed *achars* (laymen) from the nearby villages is formed to see to the needs of the monks and novices, maintain the pagoda buildings, and organise ceremonies. *Achars* enjoy the trust of the community and have a leadership role (Aschmoneit *et al.* 1995). When the Pagoda Committee starts a specific community development activity, an ad hoc *Pagoda Association* is created with an *Association Committee* elected to manage its activities. The initial financial capital of this association is created through cash contributions during religious ceremonies. Subsequently, the payment of interest to the association on loans to others becomes the main source of income. At the end of the year, the Association Committee meets to decide the contribution to local development initiatives.

### The Associations of Botum Pagoda

Botum pagoda is located in the village of Botum Lech in Kampong Thom province.<sup>2</sup> The pagoda of Botum has six supporting villages.<sup>3</sup> The origin of community development activities of the Pagoda of Botum goes back to 1952 when the abbot of that time, Venerable Theng Gna, and twelve *achars* set up a Cash Association. In 1959 the Cash Association had sufficient capital to support the construction of a primary school near the pagoda compound. In 1972, when the village of Botum Lech came under Khmer Rouge control, the association had to suspend its activities. The *achars* of Botum Pagoda took the important documents and statues and hid them in sealed bamboo sticks that they buried under their houses. They dug them out only after the fall of the Khmer Rouge regime, when Theng Gna went back to Botum Pagoda as *achar*. During the 1980s it proved difficult to restart the association because the government decided to establish solidarity groups (*krom samaki*) in charge of community activities and reconstruction in every village. People had no money so that payments were often done with rice. But Theng Gna

and the other *achars* resumed the Cash Association at the end of 1988, while the School Association of Botum Pagoda was officially inaugurated in January 1989. A second School Association linked to the pagoda of Botum, was created in the nearby village of Kantong Rong in January 1992. External support to the associations has been provided by GTZ<sup>4</sup> since 1995 and has taken the form of training on management, administration, and, today, on local governance.

### Discussion

Three main themes appear from the experience of Botum pagoda: the importance of leadership for collective action, strong relational social capital and horizontal links in the community, and weak institutional social capital and vertical links between community and authorities.

#### *Leadership*

The leadership of Venerable Theng Gna has been the driving force behind the establishment of associations in the pagoda of Botum and the nearby villages. He is remembered as “a strong leader who used to visit villagers, enquire about their needs, and try to find ways to help them with small credits from the cash association” (personal interview 1). This suggests that the respect and trust that villagers feel for monks and *achars* is linked not only to their leadership position but also to their activism in the community and the ability to mobilise local contributions. The authority of *achars* is rarely questioned and they tend to keep their positions and responsibilities for a long time. Elections of the association’s committees, for example, are held sporadically as in the case of the School Association of Botum where they took place only twice. The inherent risk is that the leadership’s perception of the importance of transparency and accountability towards the association’s members, is lower. Moreover *achars* are more likely to receive training and education, thus accumulating knowledge and strengthening further their leadership. Aschmoneit (1996), however, has noted that *achars* are normally careful not to threaten the trust and consensus accumulated in the community with unpopular decisions.

#### *Strong relational social capital*

Rural areas in Cambodia have traditionally been distant from the central authority of Phnom Penh. This has provided the conditions for the creation of patron-client relationships at the local level as well as indigenous coping systems that helped individuals during periods of crisis.<sup>5</sup> These mechanisms were shattered by the war and the Khmer Rouge regime but they were not destroyed (Coletta and Cullen 2000). Extended family networks were the main coping mechanism during the Khmer Rouge regime while pagodas have represented important points of reference for community action after the Khmer Rouge period. Solidarity underlines the credit activities of pagoda associations and the School Association of Botum Pagoda, for example, has tried in recent years to provide more loans to the poorest (*neak kro*). Religion also motivates

participation. "Villagers make contributions because they believe in Buddhism and that by doing something good they will gain merits" (personal interview 2). Association's members seem to feel a close connection with groups and institutions that are directly linked to them, like Pacoco.<sup>6</sup> This suggests the strength of relational social capital and of the linkages based on solidarity, respect for leadership and trust that are described by Putnam (1993).

### ***Weak institutional social capital***

"We do not trust the teacher, the association member trust more Pacoco and the committee members" (personal interview 1). This sentence describes the mistrust that divides citizens and government representatives. The gap is particularly large in rural areas due to the traditional isolation in which these areas have been as well as the damage produced by the Khmer Rouge to the idea of government and state. In the case of Botum, the dialogue between teacher and School Association members is limited and does not go beyond the issue of financial contributions. The main reason for tension between association and teacher seems to be the transparency in the use of funds: "the use of local contributions is normally monitored by the teacher and the association's members. Last year [2004] the teacher requested support to buy material to build a fence around the school, but until today no fence has been built. Therefore we will now involve the Commune chief to ask the teacher to clarify about the use of the money we provided" (personal interview 1). A promising link with the Commune Council is starting to emerge but there aren't any links between association and district or provincial authorities. This may be due to the pressure on provincial and district education offices to promote participation by setting up ad hoc committees and the reluctance by association's members to take part in public meetings unless they have received an official invitation.

### **Conclusion**

In this article I have argued that pagoda associations represent a traditional channel for community action. These associations represent indigenous forms of social capital that "are not only a part of Cambodian civil society, but perhaps its largest and most solid" (Gyallay-Pap 2004: 36). The case of the pagoda of Botum shows the positive side as well as the limitations of relationships between community, public institutions and pagoda. We have seen that trust and religious norms characterize the relational social capital between villagers and pagoda while the vertical links with institutions are still weak. Equitable and democratic development in Cambodia requires a balance between the two dimensions of social capital. Strong horizontal links based on trust at the grassroots level are important and necessary as they have the potential to mobilise resources and organise collective action. At the same time stronger vertical links between civil society and government can help to strengthen public institutions and the development process. To achieve this, there is

the need for a change in attitudes. Members of traditional associations may start a dialogue with local authorities by linking, for example, with Commune Councils and discussing needs as well as their contributions to local development. Government institutions, on the other hand, will have to help to create the conditions for the emergence of spaces of participation where dialogue results in a greater citizens' involvement in decision making and development processes. The example presented in this paper suggests that, at the local level, the potential is present.

### **Endnotes**

1. See Arndt, Heinz W. (1987). *Economic Development. The History of an Idea*, Chicago University Press, London.
2. Rong Reung commune, Stoung district
3. Botum Kaeut, Botum Lech, Kantong Rong, Prum Srei, Bos Ta Saum and Kantaueb
4. Gesellschaft für Technische Zusammenarbeit – German Technical Cooperation Agency.
5. For more details see Scott, James C., 1972; "Patron-Client Politics and Political Change in Southeast Asia," in *The American Political Science Review*, 66: 91-113.
6. As the number of credit associations, because of GTZ support, grew rapidly in the district of Stoung, in 1997 it was decided to elect a district level Pagoda Coordination Committee (Pacoco) to represent pagoda associations with external donors and line agencies.

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## Decentralisation...

(Continued from page 7)

group, thus making it popular with other agencies and people who want to extract benefits from it. The fact that it is mostly externally driven, insufficiently empowered and without clear responsibility makes it difficult to attract and sustain people's participation. These are the main factors causing loss of trust and support.

SSC and FC have little in common concerning the concepts of participation and sustainability. To compare the case of the two groups within the concept networking between local groups is the backbone to understanding social capital. Local community groups are willing and are able to talk with the local government regarding policy issues and decision-making. This clearly leads to mutual benefit with both local community and local government. Nevertheless, social interaction frequently occurs only informally with a strong individualistic interest. Commune councillors and many officials complain that it is hard to promote awareness among people about commitment to the community because they perceive it as common task (*ro-bos roum*). But everyone is very keen to gain benefit for her/his own individual interest. Another prevailing sentiment is weak inter-institutional collaboration (bridging social capital). For most Cambodians, contact with representatives of the state at any level, except on the basis of kinship and friendship relations, is perceived as threatening and to be avoided if possible (Hughes 2005). This is consistent with the findings of this study on rural society in Cambodia. Local villagers do know exactly that lack of this interaction or engagement with the state leaves them powerless. But they are still very reluctant to establish this line of interaction with authorities. Nevertheless, SSC may be an exception. Both CCs and parents are very committed to improving SSC.

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## Economy Watch—External Environment

### World Economic Growth

During the First Quarter of 2005, the global economy showed a mixed performance. While the US continued its economic growth, the Euro area and Japan's economy remained at moderate levels.

US real GDP grew 3.5 percent in the year to first quarter. The major contributors to the increase in real GDP in the first quarter were personal consumption expenditures (PCE), private inventory investment, exports, residential fixed investment, and equipment and software. The growth declined from 3.8 percent growth in the fourth quarter in 2004, primarily due to decelerations in PCE, equipment and software expenditures. But these were partly offset by accelerations in exports, in private inventory investment, and in residential fixed investment and a deceleration in imports.

Real GDP of the euro zone in the first quarter 2005 grew by 1.4 percent on an annual basis and by 0.5 percent compared to the fourth quarter 2004. This moderate growth was due to weak development of domestic demand, the strong rise of crude oil prices, and the strength of the Euro against the US dollar, which dampens the activities of the European exporting industries. Japanese real GDP grew by 1.3 percent on an annual basis and by 0.8 percent compared to the fourth quarter 2004. GDP expansion was brought about by strong consumer spending, which grew by 1.2 percent quarter to quarter and business capital investment, which rose 2.0 percent.

China's GDP in first quarter 2005 was 9.5 percent higher than a year earlier. The high growth was driven by rapid growth in industrial production, investment and exports. The real GDP of South Korea in the first quarter 2005 grew at an annual rate of 2.7 percent compared with 3.3 percent growth in the fourth quarter 2004. The weak growth was attributable to static growth in exports and private consumption and a decline in construction investment. The real GDP of Hong Kong grew 6.0 percent in the first quarter 2005, compared with 7.2 percent growth in the fourth quarter 2004.

The real GDP of Malaysia in the year to first quarter 2005 grew 5.7 percent compared to 5.6 percent to fourth quarter 2004. The broad-based growth was driven by all major sectors of the economy except construction. Real GDP of Singapore and Thailand in the year to first quarter 2005 increased 2.5 percent and 3.4 percent respectively, a deceleration from 6.5 and 5 percent in the year to fourth quarter 2004. In Thailand, the impacts of the tsunami, the drought and high oil prices is expected to cause growth to fall.

### World Inflation and Exchange Rates in International Markets

The softening in the world crude oil markets was the common factor that helped to keep inflation in check in the world's largest economies during the first quarter of 2005. The consumer price increases were at 3 percent in the US, -0.2 percent in Japan, and 2.1 percent in the EU area, decelerating from 3.2 percent, 0.5 percent and 2.3 percent respectively from the last quarter of 2004. Inflation was also basically stable in Asian economies. In South Korea and Singapore, inflation was 3.2 percent and 0.4 percent respectively in the first quarter of 2005. This decelerated from 3.4 percent and 1.7 percent in the quarter earlier.

In the exchange rate markets, the US dollar weakened against most currencies in the first quarter of 2005. The dollar depreciation could be attributed largely to the expansion of the US trade deficit and the concern that many central banks may diversify their foreign-exchange reserves. Against the Japanese yen, the dollar traded at 104.7, falling from 105.9 in the fourth quarter of 2004. Versus the euro, it traded at 0.76 depreciated slightly from 0.77 in the quarter earlier.

### Commodity Prices in World Markets

The prices of selected major commodities in international markets in the first quarter of 2005 rose significantly. The price of white rice, Thai 100% B second grade in the Bangkok market in the first quarter of

Table 1. Real GDP Growth of Selected Trading Partners, 2000–2005 (percentage increase over the previous year)

	2000	2001	2002	2003 Q4	2004 Q1	Q2	Q3	Q4	2005 Q1	2004
Selected ASEAN countries										
Cambodia	7.3	6.7	4.8	-	-	-	-	-	-	-
Indonesia	4.4	3.8	3.8	4.3	4.5	4.3	5.0	6.6	6.4	5.1
Malaysia	8.7	0.5	5.6	6.4	7.6	8.0	6.8	5.6	5.7	7
Singapore	9.5	-2.3	2.6	3.7	7.5	12.5	7.5	6.5	2.5	8.5
Thailand	4.4	1.9	6.1	7.8	6.5	6.3	6.0	5.0	3.3	6
Vietnam		6.0	6.7	-	-	-	-	-	-	-
Selected other Asian countries										
China	8.0	7.5	8.1	9.9	9.7	9.6	9.1	9.5	9.5	9.5
Hong Kong	10.2	0.5	5.0	4.9	6.8	12.1	7.2	7.1	6	8.3
South Korea	9.1	3.0	6.1	3.9	5.3	5.5	4.6	3.3	2.7	4.7
Taiwan	5.8	-2.2	4.2	5.4	6.3	7.7	5.3	3.3	2.5	5.7
Selected industrial countries										
Euro-12	3.5	1.4	0.7	0.6	1.5	2.2	1.9	1.6	1.4	1.8
Japan	2.8	0.4	0.4	3.1	5.6	4.4	2.6	0.8	1.3	3.4
United States	5.0	1.2	2.4	4.3	5.0	4.7	3.9	3.8	3.5	4.4

Source: *The Economist*, Country's National Statistics offices and Central Banks, and ADB's Asia Regional Information Center

## Economy Watch—External Environment

2005 was at \$ 295.60/ton, an 11 percent increase from the previous quarter and a 28 percent increase over the same quarter last year. The price of maize in the first quarter 2005 rose slightly to \$97/ ton, but declined sharply at around 21 percent from the same quarter last year. Soybeans sold at \$229.9/ton, a 6 percent increase from the fourth quarter of 2004, but a 31 percent decline from the same quarter last year.

The prices of crude oil and gasoline in the first quarter 2005 increased significantly at 20 percent and 8 percent respectively from the fourth quarter 2004. In the first quarter 2005, crude oil sold at \$ 42.60/ barrel and gasoline sold at 34.4 cents/ liter.

Prepared by *Hing Vutha*  
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**Table 2. Inflation Rate of Selected Trading Partners, 2000–2005 (percentage increase over the previous year – period average)**

	2000	2001	2002	2003	2004			2005	2004	
					Q1	Q2	Q3			
Selected ASEAN countries										
Cambodia	-0.8	-0.6	3.2	1.2	0.7	2.2	6.5	6.1	5.8	4.0
Indonesia	3.6	11.5	13.2	8.3	6.6	8.8	9.2	8.6	10.7	8.3
Malaysia	1.5	1.4	1.8	1.1	1.0	1.2	1.5	2.4	2.5	1.6
Singapore	1.4	1.0	-0.4	0.5	1.4	1.9	1.7	1.7	0.4	1.7
Thailand	1.5	1.7	0.6	1.8	1.9	2.6	3.3	3.1	2.8	2.7
Vietnam	-1.7	-0.4	3.8	3.2	4.6	7.6	10.3	10.7	-	8.3
Selected other Asian countries										
China	0.3	0.9	-0.7	1.2	2.8	4.4	5.2	3.2	2.8	3.9
Hong Kong	-3.6	-1.3	-3.0	-2.6	-1.9	-0.8	0.8	0.2	0.4	-0.4
South Korea	2.3	4.4	2.7	3.5	2.7	3.3	4.4	3.4	3.2	3.5
Taiwan	1.3	-0.01	-0.2	-0.3	0.5	1.2	2.9	1.9	1.6	1.6
Selected industrial countries										
Euro-12	2.3	2.6	2.2	2.1	1.8	2.3	2.3	2.3	2.1	2.2
Japan	-0.7	-0.6	-0.9	-0.3	-0.1	-0.3	-0.1	0.5	-0.2	Nil
United States	3.3	2.8	1.6	2.3	1.8	2.9	2.7	3.3	3.0	2.7

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, 2000–2005 (period averages)**

	2000	2001	2002	2003	2004			2005	2004	
					Q1	Q2	Q3			
Selected ASEAN countries										
Cambodia (riel)	3,840.8	3,916.3	3,912.1	3,973	3,990.3	4,005.3	4,034.7	4,034.7	4,027.0	4,016.3
Indonesia (rupiah)	8,421	10,261	9,311	8,577	8,469	9,001	9,156	9,128	9,274	8,938
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	1.74	1.69	1.70	1.70	1.65	1.63	1.69
Thailand (baht)	40.1	44.4	42.9	41.5	39.1	40.2	41.3	40.3	38.6	40.2
Vietnam (dong)	14,168	14,725	15,280	15,510	15,717	15,735	16,262	-	-	-
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	7.78	7.77	7.80	7.80	7.78	7.80	7.79
South Korea (won)	1,131	1,291	1,251	1,192	1,171	1,162	1,155	1,093	1,022	1,145
Taiwan (NT\$)	31.2	33.8	34.5	34.4	33.3	33.3	33.9	32.9	31.5	33.6
Selected industrial countries										
Euro-12 (euro)	1.09	1.12	1.06	0.89	0.80	0.83	0.82	0.77	0.76	0.80
Japan (yen)	107.8	121.5	125.4	115.9	107.2	109.7	109.9	105.9	104.7	108.2

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

**Table 4. Selected Commodity Prices on the World Market, 2000–2005 (period averages)**

	2000	2001	2002	2003	2004				2005	2004
					Q4	Q4	Q1	Q2		
Hardwood (logs)—Malaysia (\$/m <sup>3</sup> )	88.4	89.5	108.3	108.3	122.6	128.8	102.3	94.4	97	122
Hardwood (sawn)—Malaysia (\$/m <sup>3</sup> )	310.2	285.7	428.3	199.3	527	497	432.3	429	413.3	471.3
Rubber—Malaysia (\$/ton)	720.8	602.0	834.1	1,261.4	1,246.4	1,333.4	1,190.6	1238.2	-	1252.2
Rice—Bangkok (\$/ton)	206.7	177.3	192.2	198.7	231.4	240.7	240.5	264.9	295.6	244.4
Soybeans—USA (\$/ton)	193	180.7	220	290.2	331.7	356.4	251.1	216.5	229.9	288.9
Crude oil—Dubai (\$/barrel)	26.1	22.8	26.2	27	29.3	33.3	36.09	35.5	42.6	33.5
Gold—London (\$/troy ounce)	21.1	19.5	19	22.2	27.4	32.1	32.1	31.8	34.4	30.9

Source: *Food and Agriculture Organization (FAO) and Energy Information Administration*

## Economy Watch—Domestic Performance

With strong support from donors, the Cambodian government is attempting to stimulate new sources of growth to ensure continued economic growth and poverty reduction after the removal of garment quotas. In early June 2005, the WB provided a grant of \$10 million, adding to \$0.33 million of the Cambodian government's resources, to implement "The Cambodia Trade Facilitation and Competitiveness Project". *According to the new release by the WB, this project aims to introduce transparency in investment processes, including infrastructure concessions, and facilitate access of enterprises to export markets, focusing on four specific areas: 1) Trade Facilitation; 2) Export Market Access Fund (EMAF); 3) Private Participation in Infrastructure and Investment Promotion; and 4) The Legal Transparency Component.*

In addition, on 21 June 2005, the European Commission pledged nearly \$66 million in aid to Cambodia to improve water resources and promote higher living standards among the people in the rural areas of Banteay Meanchey, Battambang and Siem Reap provinces and to support social development, and to improve governance.

### Main Economic Activities

The performance of the Cambodian economy in the first quarter of 2005 showed some positive signs in terms of private investment, a large amount of which went to the industrial sector, construction and tourism. However, Cambodia's external trade posted a higher deficit than in the preceding quarter.

The registered fixed assets of private investment project approvals by the CDC increased sharply in the first quarter of 2005, amounting to \$475.3 million, up from \$16.4 million in the last quarter of 2004. Investment in industry made up 88 percent of the total (\$418.8 million) in the first quarter, of which China's investments in an oil refinery, in iron mine research and in a steel factory accounted for \$200.9 million and about \$154 million, respectively. Meanwhile, investment in garments went up to \$45 million in the first quarter, compared to \$12.7 million in the previous quarter. If these industrial investment project approvals are implemented, they will provide 41,218 jobs according to the CDC.

On the other hand, private investment in services and agriculture rose from nil in the fourth quarter of 2004 to \$53.3 million and \$3.2 million, respectively, in the first quarter of 2005. Compared to the January-March quarter of 2004, total private investment approvals rose from \$63.3 million to \$475.3 million. However, investment in the garment sector declined by 10 percent from \$50 million to \$45 million, while investments in other sectors rose simultaneously.

The value of construction project approvals in Phnom Penh also grew sharply between the fourth quarter of 2004 and the first quarter of 2005. It rose by 65.5 percent to \$106.1 million in the first quarter.

Construction of villas and houses during this period rose from \$5.5 million to \$14.3 million, while construction of flats increased from \$46.3 million to \$48.6 million. Moreover, other construction such as factory and warehouse constructions increased markedly from \$12.4 million in the fourth quarter last year to \$43.1 million in the first quarter 2005. Compared to the first quarter 2004, total value of construction project approvals in Phnom Penh was 45.5 percent up, from \$72.9 million.

Cambodia's tourism sector has continued to thrive in the third consecutive quarter. However, the number of foreign visitor arrivals in the first quarter 2005 rose more slowly at 0.5 percent (to 380,599 persons), compared to a 66 percent rise in the fourth quarter 2004 and 17.7 percent rise in the third quarter 2004. Between the October-December quarter of 2004 and the January-March quarter of 2005, the number of arrivals by air surged by 15 percent (to 231,736 persons), offset by a decline of 16 percent (to 148,863 persons) in visitor arrivals by land and boats, which took into account visitors to Preah Vihear (26,263 persons). Korea continued to account for the largest number of arrivals to Cambodia, reaching 58,384 persons in the first quarter 2005, followed by Japan (37,622 persons), USA (31,138 persons), United Kingdom (21,418 persons), and France (20,753 persons).

Compared to the first quarter of last year, total arrivals went up 49.6 percent from 254,437 persons. There were increases in arrivals by both air (46.7 percent from 157,938 persons) and by land and boat (by 54.3 percent from 96,499 persons) during this period.

The deficit in Cambodia's external trade has been increasing between the fourth quarter 2004 and the first quarter 2005. The deficit was recorded at 58 billion riels in the first quarter, up from 3.4 billion riels in the fourth quarter 2004. Although imports declined during this period, exports dropped even more. Exports fell by 15 percent to \$463 million in the first quarter, from \$545 million in the fourth quarter. Garment exports, which continue to make up more than 90 percent of total exports, dropped by 14.5 percent, similar to the same period a year ago. In addition, rubber exports, having the second highest share of total exports, declined by 39 percent to \$7.3 million, while fish exports diminished by 66 percent to \$1.5 million. However, Cambodia's total exports were 16 percent higher than in the first quarter of last year.

In the first quarter of 2005, total imports reached \$520.9 million, 5 percent lower than in the preceding quarter. Of this, the value of food, beverages and tobacco declined by 26 percent to \$36.8 million, clothes and footwear (including fabric) imports fell by 23.5 percent to \$150.1 million, and diesel engine/generator imports decreased by 8 percent to \$21.6 million. According to the Custom and Excise Department, Cambodia's total imports increased by 13.5 percent compared to the same quarter in 2004.

## Economy Watch—Domestic Performance

### Public Finance

In the first quarter 2005, the overall budget deficit, on a cash basis, (including expenditure adjustments) registered 133.4 billion riels, down 46 percent from 247.1 billion riels in the preceding quarter and down 7.5 percent from 144.2 billion riels in the same quarter last year. Total domestic revenues amounted to 551.4 billion riels in the January-March quarter of 2005, a 5.2 percent increase as compared to the same quarter 2004. The increase in budget revenues was mainly linked to a rise in tax revenues (by 11 percent to about 455 billion riels), counterbalanced by a drop in non-tax revenues (by 15.6 percent to 96.2 billion riels) and capital revenues (by 46 percent to 0.3 billion riels).

In the meantime, total budget expenditures rose to 684.8 billion riels in the first quarter of 2005, 2.5 percent more than in the same quarter one year earlier. Of this, expenditures of four priority ministries accounted for only 8.1 percent (55.5 billion riels), an increase of 60.7 percent. Of total spending of priority ministries in the first quarter 2005, about 37.7 percent were for expenditures of the Ministry of Public Health (about 4 times more than the same quarter last year), 56.9 percent for expenditures of Ministry of Education, Youth and Sport (a 20.6 percent increase), 2 percent for expenditures of the Ministry of Rural Development (a 16.7 percent rise), and 3.4 percent for expenditures of the Ministry of Agriculture, Forestry and Fishery (a 15.5 percent decrease).

### Inflation and Foreign Exchange Rates

Consumer prices in Phnom Penh rose slightly by 0.25 percent in the first quarter 2005, after declining by 0.8 percent in the preceding quarter. This resulted from increasing prices of clothing and footwear, equipment for house maintenance and repairs, and books and other school supplies. However, consumer prices in Phnom Penh in the first quarter 2005 increased by 5.6 percent from the same quarter last year. Most prices of consumer goods and services rose for that period.

The riel slightly appreciated against the US dollar and Vietnamese dong, while continued to depreciate against the Thai baht in the first quarter 2005, compared to the preceding quarter. The riel traded at 4,027 riels/dollar and 25.1 riels per 100 dongs in the first quarter, from 4,034.7 riels/dollar and 25.3 riels per 100 dongs in the preceding quarter. The exchange rate between the riel and the Thai baht was 104.4 riels/baht in the first quarter, a depreciation of 4.3 percent from the preceding quarter. Compared to the first quarter 2004, the riel lost value against the dollar by 0.9 percent, against the Thai baht by 2.4 percent, but gained value marginally against the Vietnamese dong by 1.2 percent.

### Monetary Developments

In 2005, the National Bank of Cambodia plans to increase total liquidity by 10 percent and the riel outside

banks by 18 percent, according to the annual report of the NBC.

Liquidity rose by about 4 percent to 4,498 billion riels at the end of the first quarter 2005, from the end of the fourth quarter 2004. Of this, 1,307.4 billion riels were in riel (both inside and outside banks) and the remaining 3,190.8 billion riels (\$791.6 million) were in foreign currency deposits. The riel rose by 4.6 percent, of which the riel outside banks increased by 4.4 percent to 1,163.8 billion and the riel deposits in banks grew by 6 percent to 143.6 billion riels. In addition, foreign currency deposits rose by 3.6 percent.

In terms of net assets of the banking system, net foreign assets rose by 86.5 billion riels (a 1.8 percent increase) between the end of the fourth quarter last year and the end of the first quarter 2005. At the same time, net domestic assets also increased by 82.5 billion riels (a 17.6 percent rise), mainly led by an increase of 9.2 percent in domestic credit to the private sector, while net claims on the government decreased by 20.9 percent.

Compared to the first quarter of 2004, liquidity grew by 23 percent. During this period, net foreign assets rose by 14.5 percent and net domestic assets increased by 36.5 percent.

### Poverty Situation—Real Daily Earnings of Vulnerable Workers (Survey 2–20 May 2005)

A survey of vulnerable workers conducted by CDRI during 2–20 May 2005 showed a decline in real daily earnings of cyclo drivers, porters, rice field workers and garment workers compared to the same period last year. Garment workers were the biggest losers, followed by porters and rice field workers. In the meantime, motorcycle taxi drivers were the biggest winners, despite the fact that oil prices hit a record level.

According to the survey, the real daily earnings of garment workers fell by 22% to 7,200 riel in May 2005, reaching the lowest level since CDRI started collecting data in this sector. This may reflect both temporary and permanent closure of some garment factories. In addition, factory owners shifted from hiring permanent to more temporary workers. This contributed to a decline of the garment workers' real daily earnings because most of workers were hired on the same terms as temporary workers who got lower wages (approximately 33 percent less) than permanent workers. A study by CDRI in 2001 revealed that about 50% of garment workers paid a fee to obtain their jobs, while the percentages in 2004 and 2005 were 11 and 6.7 percent respectively. Furthermore, a decline in working hours (including overtime) was also part of the reason for the decline in real daily earnings. According to the survey data, average working hours of garment workers dropped from 60 hours per week in 2003 to 57 hours per week in 2004 and to 55 hours per week during the survey period.

In May 2005, the real daily earnings of motorcycle taxi drivers rose by 34% over the previous year, to 11,400 riels in the midst of the gasoline price hike.

## Economy Watch—Domestic Performance

However, it decreased slightly by 3% from the previous survey. This might be attributed to the increasing number of visitors in Phnom Penh. Despite the fact that their real daily earnings reached 11,400 riels, 95% of motor taxi drivers insisted that this was not sufficient to support their whole families because prices of consumption goods increased.

In May 2005, the real daily earnings of cyclo drivers, and porters declined by 3.4 percent and 5.3 percent, respectively compared to May 2004. The real daily earnings of cyclo drivers amounted to 7,700 riels, down from 8,000 riels from the previous year. Furthermore, it fell by 9% compared to February 2005. According to the survey, 85% of cyclo drivers complained that the number of drivers increased following these earnings. The real daily earnings of porters slid to 7,100 riels, down from 7,500 riels a year earlier. Conversely, it rose by 2 percent from February 2005 even though 77 percent of porters reported that the number of workers has increased in the previous 3 months. This indicated that a sudden increase of workers had worsened their daily earnings. Generally, the cyclo drivers and porters spend 7 months per year working in Phnom Penh and worked around 20 days per month according to the survey conducted in May 2005.

The real daily earnings of scavengers rose to 5,300 riels in May 2005, the second largest earnings rise since 1998, an increase of 20 percent from the same period last year. This increase largely reflected a rise in rubbish prices as the number of scavengers decreased. More than eighty percent of the interviewed scavengers re-

ported that price of scrap increased compared to the previous three months. During the survey period, scavengers spent an average of 2,100 riels per day which was slightly higher than the “redefined” poverty line of 1,712 riels for urban areas as published by the World Food Program and Ministry of Planning in 2002.<sup>1</sup> However, scavengers’ daily average spending in May 2005 was the smallest amount amongst all vulnerable workers in Phnom Penh.<sup>2</sup>

In May 2005, the real daily earnings of unskilled workers rose by 24 percent to 8,750 riel, up from 6,095 riel in May 2003. During the same period, the real daily earnings of skilled construction workers increased slightly by 4 percent over the same period last year. This maybe linked to increasing demand for both unskilled and skilled workers as construction sector expands. Responding to our survey question, they mentioned that they were able to earn more compared to last year because there were more job available for them.

### Endnotes

1. In Phnom Penh, the poverty line published by World Food Program and Ministry of Planning in 2002 was 1,629 riels, and was redefined to 1,712 riels as inflation increased by 5.04% between 2002 and 2004.
2. Waitresses’ average spending amounted to only 900 riels per day in May 2005. However, this figure did not represent the entire income as food was mostly provided by restaurant owners.

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**Table 1. Private Investment Projects Approved, 1997–2005**

	1997*	1998	1999	2000	2001	2002	2003	2004				2005
								Q1	Q2	Q3	Q4	Q1
	Fixed Assets (million of dollars)											
Agriculture	65.6	51.6	63.9	9.8	5.6	38.9	3.7	0.0	9.4	2.9	0.0	3.2
Industry	512.4	650.5	162.6	109.4	99.8	57.4	142.6	53.8	28.0	72.7	16.4	418.8
. <i>Garment</i>	97.0	126.5	67.7	35.2	23.0	18.0	74.8	49.9	10.1	44.0	12.7	44.9
Services	166.5	154.7	222.6	150.0	111.4	143.3	167.7	9.5	75.9	6.4	0.0	53.3
. <i>Hotel and Tourism</i>	41.5	112.0	171.8	79.8	71.9	45.1	118.6	0.0	49.5	6.4	0.0	46.4
Total	744.5	856.8	449.1	269.2	216.8	239.6	314.1	63.3	113.3	82.0	16.4	475.3
	Percentage change over previous quarter											
Total	-	-	-	-	-	-	-	1.9	79.0	-27.6	-80.0	-
	Percentage change over previous year											
Total	-	15.0	-47.6	-40.0	-19.5	10.5	31.1	-41.6	134.6	-13.8	-73.6	-

Source: Cambodian Investment Board. \*1997 exclude expansion project approvals.

**Table 2. Value of Construction Project Approvals in Phnom Penh, 1997-2005**

	1997	1998	1999	2000	2001	2002	2003	2004				2005
								Q1	Q2	Q3	Q4	Q1
	Millions of dollars											
Villa and House	17.2	21.2	20.0	16.4	15.9	23.4	20.0	8.1	9.3	7.5	5.5	14.3
Flat	19.3	227.3	290.5	174.8	167.8	179.9	91.6	48.5	28.5	44.3	46.3	48.6
Other	221.2	27.0	16.4	14.2	12.6	16.6	87.3	16.3	10.8	26.1	12.4	43.1
Total	257.7	275.4	326.8	205.4	196.2	219.8	198.9	72.9	48.6	77.9	64.1	106.1
	Percentage change over previous quarter											
Total	-	-	-	-	-	-	-	46.3	-33.4	60.3	-17.7	65.5
	Percentage change over previous year											
Total	-	6.9	18.7	-37.2	-4.5	12.0	-9.5	103.4	-23.4	56.4	28.6	45.5

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

**Table 3. Exports and Imports, 1997-2005**

	1997	1998	1999	2000	2001	2002	2003	2004				2005
								Q1	Q2	Q3	Q4	Q1
	Millions of dollars											
Total exports	493.4	784.4	941.1	1,056.2	1,268.2	1,453.2	1,708.1	399.5	494.7	668.8	545.1	463.0
Of which: - <i>Garment</i>	227.2	378.0	554.0	962.1	1,202.2	1,355.8	1,628.4	383.6	479.4	643.7	520.3	444.9
. <i>To US</i>	107.2	74.1	486.0	714.1	840.9	943.4	1,099.8	255.8	306.3	387.6	321.2	312.5
. <i>To EU</i>	-	-	-	228.1	323.3	356.3	414.7	95.0	135.7	200.9	159.1	89.2
. <i>To rest of the world</i>	120.0	82.0	68.0	19.9	38.0	56.1	113.8	32.7	37.3	55.2	40.0	43.1
- <i>Agriculture</i>	-	-	-	94.2	66.0	97.3	79.7	16.0	15.3	25.1	24.8	18.1
. <i>Rubber</i>	-	-	-	29.6	25.9	29.7	35.1	8.0	6.6	11.6	12.0	7.3
. <i>Wood</i>	-	-	-	32.9	22.3	16.0	10.2	1.8	2.8	4.2	2.4	3.3
. <i>Fisheries</i>	-	-	-	5.4	6.0	4.3	2.8	0.8	1.2	4.3	4.4	1.5
. <i>Other</i>	-	-	-	26.2	11.8	47.4	31.6	5.4	4.8	5.0	6.0	6.0
Total Imports	1,094.5	1,112.2	1,237.4	1,417.7	1,501.4	1,674.1	1,824.9	458.8	607.0	528.2	548.5	520.9
Of which: - <i>Gasoline</i>	-	-	-	-	-	26.0	33.2	7.1	8.6	6.6	7.8	10.3
- <i>Diesel</i>	-	-	-	-	-	102.0	109.6	30.4	27.7	27.4	23.6	21.6
- <i>Construction materials</i>	-	-	-	-	-	97.4	80.8	20.2	27.0	21.3	26.5	32.3
- <i>Others</i>	-	-	-	-	-	1,448.7	1,601.3	401.1	543.6	472.9	490.6	456.7
Trade Balance	-601.2	-327.8	-296.3	-361.5	-233.2	-220.9	-116.8	-59.3	-112.3	140.6	-3.4	-58.0
	Percentage change over previous quarter											
Total Garment Exports	-	-	-	-	-	-	-	-14.5	25.0	34.3	-19.2	-14.5
Total Exports	-	-	-	-	-	-	-	-16.0	23.8	35.2	-18.5	-15.1
Total Imports	-	-	-	-	-	-	-	-5.9	32.3	-13.0	3.8	-5.0
	Percentage change over previous year											
Total Garment Exports	188.0	66.4	47.0	74.0	24.9	12.8	20.1	21.9	22.9	35.4	16.0	16.0
Total Exports	27.5	59.0	20.0	12.2	20.1	14.6	17.5	20.5	21.1	35.9	14.6	15.9
Total Imports	-1.8	1.6	11.3	14.6	5.9	11.5	9.0	16.5	19.6	21.1	12.5	13.5

Source: Department of Trade Preferences Systems, MOC and Customs and Excise Department, MEF: including tax exemption

**Table 4. Foreign Visitor Arrivals in Cambodia, 1997-2005**

	1997	1998	1999	2000	2001	2002	2003	2004				2005
								Q1	Q2	Q3	Q4	Q1
	Thousands of passengers											
Total by Air	-	186.3	262.9	351.7	408.4	523.0	456.0	157.9	122.8	143.9	201.5	231.7
Total by Land and boat	-	100.2	104.8	114.7	196.5	263.5	245.0	96.5	71.0	84.2	177.3	148.9
Grand total	218.8	286.5	367.7	466.4	604.9	786.5	701.0	254.4	193.8	228.1	378.8	380.6
	Percentage change over previous quarter											
Grand total	-	-	-	-	-	-	-	14.2	-23.8	17.7	66.1	0.5
	Percentage change over previous year											
Grand total	-16.0	30.9	28.3	26.8	29.7	30.0	-10.9	21.8	74.5	44.0	70.1	49.6

Sources: Ministry of Tourism

**Table 5. Consumer Price Index (CPI), Exchange Rates and Gold Prices, 1997-2005 (period averages)**

	1997	1998	1999	2000	2001	2002	2003	2004		2005		
								Q1	Q2	Q3	Q4	Q1
	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	20.7
Phnom Penh - All Items	8.0	14.8	4.0	-0.8	-0.6	3.3	1.2	0.8	2.2	6.7	5.8	5.6
- Foods	6.7	14.1	7.6	-3.3	-2.8	1.8	1.5	0.6	3.4	12.2	9.1	7.9
- Energy	20.0	15.1	3.5	6.6	-1.1	0.3	4.9	4.8	8.1	11.5	14.5	12.3
	Exchange rates, Gold and Oil prices (Phnom Penh market rates)											
Riel per US dollar	-	-	-	3,840.8	3,916.3	3,912.1	3,973.3	3,990.3	4,005.3	4,034.7	4,034.7	4,027
Riel per Thai baht	-	-	-	95.8	88.2	91.1	95.8	102.0	99.6	97.7	100.1	104.4
Riel per 100 Vietnamese dong	-	-	-	27.1	26.6	25.6	25.6	25.4	25.4	24.8	25.3	25.1
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

Sources: CDRI, IMF, NIS, Ministry of Planning, Ministry of Economy and Finance. Exchange rate revised.

**Table 6. Monetary Survey, 1997-2005 (end of period)**

	1997	1998	1999	2000	2001	2002	2003	2004		2005		
								Q1	Q2	Q3	Q4	Q1
	Billions of riels											
Net foreign assets	1,177	1,726	2,019	2,589	3,080	3,737	4,027	4,265	4,337	4,524	4,797	4,883
Net domestic assets	-114	-496	-576	-759	-876	-849	-698	-606	-493	-354	-467	-385
Net claims on government	54	178	103	3	-75	-119	-128	-133	-130	-96	-209	-252
Credit to private sector	637	655	763	898	936	1,059	1,337	1,389	1,499	1,673	1,817	1,983
Total liquidity	1,063	1,230	1,443	1,831	2,204	2,888	3,328	3,659	3,844	4,169	4,329	4,498
Money	385	543	531	540	609	813	937	1,007	1,040	1,078	1,153	1,198
Quasi-money	678	687	911	1,291	1,594	2,075	2,391	2,652	2,804	3,091	3,176	3,300
	Percentage change from previous year											
Total liquidity	16.6	15.7	17.3	26.9	20.4	31.0	15.2	21.8	30.2	38.7	30.0	22.9
Money	17	41	-2.2	1.7	12.8	33.5	15.3	21.5	17.4	21.7	23.0	19.0
Quasi-money	16.3	1.3	32.6	41.7	23.5	30.2	15.2	21.9	36.7	45.8	32.8	20.3

Source: National Bank of Cambodia, \* Q4 2003 revised.

**Table 7. National Budget Operations on Cash Basis, 1997-2005 (billion riels)**

	1997	1998	1999	2000	2001	2002	2003	2004		2005		
								Q1	Q2	Q3	Q4	Q1
Total revenue	880	920	1,326	1,528	1,529	1,744	1,765	523.9	488.5	452.1	662.2	551.4
Current revenue	-	-	-	-	1,521	1,728	1,733	523.3	475.5	450.8	657.7	551.0
Tax revenue	596	676	956	1,096	1,096	1,227	1,220	409.3	348.4	334.1	485.7	454.9
Customs duties	348	376	432	376	376	424	395	137.0	108.4	99.9	168.0	129.1
Non-tax revenue	272	204	348	424	424	501	513	113.9	127.1	116.7	172.1	96.2
Forest exploitation	36	20	36	28	29	15	7.0	0.9	0.3	0.2	0.5	1.3
Post & Telecommunications	84	88	108	124	122	123	120	16.1	23.1	28.8	26.3	21.9
Capital revenue	12	36	12	8	9	16	31	0.6	13.0	1.3	4.5	0.3
Total expenditure	1,260	1,296	1,792	2,332	2,332	2,948	2,757	668.1	710.6	703.4	909.3	684.8
Capital expenditure	452	368	624	976	977	1,388	1,171	316.6	337.1	277.3	293.5	205.3
Current expenditure	808	980	1,164	1,356	1,355	1,560	1,586	351.5	373.4	426.0	615.8	479.5
Education and Health	128	132	280	344	343	454	473	31.4	80.6	116.0	290.0	52.5
Defense and Security	420	448	464	404	405	438	411	67.6	66.0	91.5	197.8	74.9
Other Ministries	260	332	412	636	637	668	702	252.6	226.8	218.6	130.6	352.1
Overall deficit	-380	-380	-476	-804	-803	-1,204	-992	-144.2	-222.0	-251.2	-247.1	-133.4
Foreign financing	444	268	416	768	766	1,249	886	231.2	238.5	216.6	238.7	28.0
Domestic financing	-64	112	60	36	37	-45	106	-87.0	-16.5	34.6	8.4	105.4

Source: Ministry of Economy and Finance. Q1-Q4 2004 revised. Q1-Q4 2004 & Q1 2005 provisional

**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	4-Feb	4-May	Aug	Nov	Feb	May	Nov	Feb	May	
Cyclo drivers	10,063	7,594	9,494	9,153	8,000	7,631	5,670	8,529	7,722	-40.30%	-6.80%	-3.4	
Porters	7,636	6,233	6,286	8,383	7,451	6,625	5,121	6,933	7,056	-18.50%	-17.30%	-5.3	
Small vegetable sellers	5,695	5,256	6,480	7,130	7,240	6,650	6,767	6,385	8,574	4.40%	-10.40%	18.4	
Scavengers	3,776	2,718	3,772	4,625	4,368	4,769	4,024	5,382	5,270	6.70%	16.40%	20.6	
Waitresses*	-	2,111	4,289	4,721	4,273	4,591	4,207	4,470	4,287	-1.90%	-5.30%	0.3	
Rice-field workers	-	4,198	4,947	5,190	4,038	3,628	3,788	3,997	3,822	-23.40%	-23.00%	-5.3	
Garment workers	-	6,701	9,671	9,322	9,249	9,211	9,328	9,213	7,235	-3.50%	-1.20%	-21.8	
Motorcycle-taxi drivers	-	8,610	9,671	10,791	8,546	8,791	8,688	11,767	11,433	-10.20%	9.00%	33.8	
Unskilled construction workers	-	5,399	5,996	6,937	6,552	6,095	5,944	5,747	8,130	-0.90%	-17.20%	24.1	
Skilled construction workers	-	13,127	16,344	13,297	11,822	13,527	12,071	14,367	12,326	-26.10%	8.00%	4.3	

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.

## COPCEL II—Conflict Prevention in Cambodian Elections

In the lead up to three forthcoming Cambodian elections, The Cambodia Development Resource Institute (CDRI) has launched Conflict Prevention in Cambodian Elections (COPCEL Phase II) to provide open and neutral forums for the discussion of election related issues. Its main objective is to prevent conflict, violence and misunderstanding in elections by building trust and encouraging a culture of dialogue through its safe and neutral space which are fundamental for building peace and mature democracy.

COPCEL Phase II, with financial support from United Nations Development Programme (UNDP), will run for three years following its launching conference in Phnom Penh on 14 July 2005 dealing with 2006 senate election, 2007 commune council election and 2008 national election and has been divided into six structures with the aims to reach down to the provincial level through COPCEL Provincial Meetings (COPCELPROM) and to general public through COPCEL Media Meeting (COPCELMED), components expanded from last COPCEL Phase I.

COPCEL Phase II is an important expression of CDRI's commitment to working in partnership with other Cambodian institutions and organizations to deepen and strengthen democratic governance in Cambodia and is an expression of UNDP's continued commitment to improve electoral process and promote democracy for Cambodians through its long term assistance to this programme. Through the COPCEL forum, all stakeholders and elections actors will have an opportunity to raise questions relevant to the conduct of credible, transparent and accountable elections and find out ways to address those issues, improve cooperation and share experience and information.

COPCEL Phase I, a unique Cambodian-initiated and owned mechanism that lasted from August 1999 until September 2003, dealt with the 2002 commune council election and 2003 national election. It convened 50 consecutive monthly meetings with support from the USAID and The Asia Foundation. More than 100 representatives from government, the National Election Committee (NEC), major political parties, election-monitoring NGOs participated the meetings and the minutes of each meeting had been distributed to the king, all members of Senate and National Assembly, Constitutional Council, Prime Minister, deputies prime ministers, all ministers involved in conduct of elections, all provincial governors and deputies, foreign embassies and other international and national civil society organizations. CDRI's independence research and survey in 2003 and consultation in late 2004 and early 2005 with participants of COPCEL phase I confirmed the effectiveness and its constructive roles to significant contri-

bution to improvement of the election process and strongly recommended its renewal.

During the launching conference of COPCEL Phase II on 14 July 2005 in Phnom Penh, all guest speakers and panel speakers as well as participants had expressed strong support for the resumption of COPCEL Phase II.

*"COPCEL Phase I had fulfilled its missions to find ways to prevent election-related conflict to promote free and democratic election process in Cambodia. COPCEL also contributed to 2002 commune council election and 2003 national election to proceed successfully. Through monthly consecutive COPCEL Meetings all election-involved stakeholders had showed joint commitment to cooperatively end the conflicts during the election"*

*H.E Mr. IM Sousdei,  
Chair of National Election Committee*

*"COPCEL is a unique Cambodian-initiated and owned mechanism, which aims at preventing conflict, violence and misunderstanding in elections by building trust and encouraging a culture of dialogue".*

*"COPCEL is important for Cambodia, and important for CDRI, as an expression of its commitment to working with other Cambodian institutions and organisations to deepen democratic governance in Cambodia. I wish to express my respect, on behalf of CDRI, for the stakeholders in the COPCEL process, and their commitment to utilising the process responsibly to work together, building trust and dialogue, for the prevention of conflict in Cambodian elections over the next three years".*

*Larry Strange  
CDRI's Executive Director*

*"COPCEL provides open and neutral forums for the discussion of election-related issues. Election participants can work together in a friendly, open and neutral environment to address their election concerns and find common grounds for settling differences. Trust building is the utmost importance in this process and in elections.*

*"In Cambodia, where it is very difficult to find spirit of independence and neutrality, COPCEL has provided a true non-partisanship forum that generates trust from and among all the stakeholders. It is a unique Cambodian experience about face-saving facilitation approach where players feel confident to talk about sensitive political issues without fear of losing face for themselves or for the parties they represent"*

*OK SEREI Sopheak,  
COPCEL Facilitator*

## COPCEL II Launch

**Closing Remarks by H.E. Prum Sokha, Secretary of State of the Cambodian Ministry of the Interior at the Launching Conference for "Conflict Prevention in the Cambodian Elections" (COPCEL II) at Phnom Penh Hotel on 14 July 2005**

This conference has been convened by CDRI with the support of UNDP to launch COPCEL II. It is an honour and a privilege for me to represent the Royal Government of Cambodia at such an important event and to make some closing remarks.

I have personally been involved in all four post-Paris peace agreement elections in Cambodia. These were the election for a constituent assembly in May 1993, the election for the National Assembly five years later in July 1998, the nationwide commune/sangkat council elections in February 2002 and the latest election for the National Assembly in 2003.

Probably the most outstanding feature of these past 12 years is that the electoral process has not merely survived times of great political tension, but that on each occasion it has improved and become more firmly entrenched in the socio-political culture of Cambodia, even extending to the commune, or grassroots, level.

The greatest triumph of the elections is the enthusiasm for democracy that Cambodians have shown by their overwhelming registration as voters and their strong participation in the polls, sometimes in spite of possible danger from groups that opposed the elections.

Thus, for example, in the election of members of the National Assembly in 2003, about 6.75 million Cambodians were eligible to register, out of a total population of some 12.25 million. Ninety-four percent<sup>1</sup> of these eligible voters in fact registered<sup>2</sup>. On voting day, 83.22 percent<sup>3</sup> of these registered voters cast their votes in 12,826 polling stations.

The Cambodian people now regard properly elected democratic government as an entitlement and a way of life.

### Electoral Highlights 1993–2003

It is appropriate at this stage to refer briefly to some of the electoral highlights of the past 12 years, but with special emphasis on the advances made in 2002 and 2003.

#### 1993 UNTAC Elections

The 1993 election was conducted by the United Nations Transitional Authority in Cambodia (UNTAC) as part of the initial peace settlement. The end result was to have three of the four Cambodian factions working together. The fourth faction, the Khmer Rouge, withdrew from the democratic institutions, to its own great loss.

#### 1998 National Assembly Elections

Much of the initiative and motivation for free and fair elections in 1998 also came from the international community as a way of creating peace among the factions

that were engaged in struggle in July 1997. The outcome of this reconciliation election was the coalition government.

Importantly, in 1998 Cambodian election authorities demonstrated that they could conduct elections to a high technical standard.

#### 2002 Commune/Sangkat Council Elections

In February 2002, elections were used to expand democracy to the local level of Cambodian society, and to trench it. The international community did not enforce or impose decentralisation or the local democratic elections of commune/sangkat councils. This was a Cambodian initiative to further consolidate democracy and promote development. Indeed, in the early stages this initiative was sometimes regarded with suspicion and scepticism by some components of the international community.

The commune/sangkat council elections of 2002 breathed life into an enormous experiment in democratic decentralisation and development. This endeavour still has far to go, but it has started well and will not be stopped.

#### Election Reform 2002

The Law on the Election of Members of the National Assembly (or LEMNA) was substantially amended in 2002 in preparation for the following year. This reform was intended both to improve the electoral machinery and to reduce costs. It achieved both of these objectives through a substantial review and amendment of all of the previous election regulations, resulting in considerable improvements to the content and processes of the 2003 election. LEMNA and the regulations and procedures can be further simplified and clarified.

#### 2003 National Assembly Elections

The 2003 election for members of the National Assembly<sup>4</sup> was better than all previous elections. The reasons for this included:

- strong citizen participation in voter registration and voting;
- a more competent legal framework and regulations;
- an effective, efficient and politically independent NEC;
- greater electoral knowledge and experience from the NEC and its electoral officials;
- better election structures and management;
- substantial technical and procedural improvements, including the creation of a permanent register of voters;
- greater economies and financial savings;
- more effective and knowledgeable monitoring and observation;
- widespread respect for the secrecy of the ballot;
- more effective consultation within COPCEL, resulting in better conflict prevention and better regulations;
- a new media strategy aimed at providing equal access for all political stakeholders to state media;<sup>5</sup>
- more open and balanced access to the media by all political parties;
- extraordinary electoral support from NGOs, CSOs and other civic groups;
- reduced violence.

Some of these features warrant special comment.

### The New NEC

The creation of a smaller NEC without political affiliations resulted in a considerable enhancement in the performance and status of the NEC as an effective and impartial election authority.

### Consultation and Inclusivity

Importantly, the NEC operated in a more transparent and participatory way that contributed substantially to conflict prevention and improvements to the election process. It actively sought to involve political parties, NGOs and international organisations as its partners in the electoral process.

The NEC also encouraged and participated in COPCEL from late 2002 and scheduled regular meetings with political parties, NGOs and media representatives. The NEC provided stakeholders with texts of draft regulations for comment before approving them. In this way, the NEC both improved the quality of its regulations and showed an admirable responsiveness and sensitivity to the electoral concerns of Cambodian society as a whole.

In general, there was also a greater mutual respect between stakeholders. However, the political parties should strive to become more aware of their role and obligations during the campaign period and establish a more open relationship of mutual confidence with the NEC.

### Voter Registration

In 2003 the NEC created a permanent voter registry based on the voters list used for the 2002 commune elections. Registration responsibilities were delegated to commune administrations supervised by the NEC. An objective and less discretionary registration process was also established.

As of 2004, there was a permanent registry of voters that entails an annual voter registration and revision of the list. In 2004, more than 290,000 new voters were registered.

The costs of the new registration system<sup>6</sup> are lower than those of periodic registration. The quality of the process will also improve as the procedure becomes a routine part of commune administration. Initiatives by the NEC to improve the software platform and decentralise computer equipment should also improve the quality of the lists and reduce the costs of technical maintenance.

The registration process and the computerised voter registration list can still be improved. Also, each voter should be notified in advance of the location of his/her voting station and how to find his/her name on the list, which will now be in alphabetical order.

### Media

The role of the media emerged as a key indicator of the credibility of the 2003 elections. One of the main improvements of the election was opening substantial media access to parties and voters. This enabled parties to run campaigns more effectively and also enabled voters to be more informed. The overall free media coverage given to all political parties in terms of hours of airtime was one of the highest in Asia. There is no doubt that the campaign benefited from an unprecedented level of debate and open discussion on state and private media

and at the grassroots. Further efforts should be made to support this.

### Observers

The presence of observers has a primary impact in promoting an atmosphere of openness and transparency and enhancing public confidence in the election process and its outcome. Some 30,000 national and international election observers were in regular contact with provincial election committees, commune election committees, party officials and NGOs.

### Costs

Even with the greatest financial moderation, economy and restraint, elections are costly. This is an inevitable and essential price that must be paid for democracy. However, the reasons for apparently high costs must be constantly reviewed and evaluated, and economies must be developed.

Internationally, some elections are substantially more expensive than others. One very significant and encouraging factor affecting cost appears to be the amount of previous experience with multi-party elections. Significant cost differences exist between routine elections in stable democracies, elections in transitional democracies and elections during special peacekeeping operations.<sup>7</sup> Cost comparisons are difficult and must be treated with caution, but some observations may be pertinent.

In countries with long multi-party democratic experience, it seems that elections are consistently less costly than in countries where elections are a new undertaking. Electoral costs of approximately \$1 to \$3 per elector tend to be manifest in countries with longer electoral experience.<sup>8</sup> Cambodia now seems to be joining this latter category.

In most countries that have less multi-party electoral experience, costs tend to be higher,<sup>9</sup> ranging roughly from \$3.70 to an extreme high of \$11.00. Elections that have taken place as part of peacekeeping operations have the highest cost.<sup>10</sup> For example, the Cambodian elections of 1993 cost around \$45 per elector.

In Cambodia, every election since 1993 has cost substantially less. The cost of the 1998 national election was US\$24.343 million. The cost of the 2002 commune council elections (which were logistically more complex and expensive) was \$15.062 million. The cost of the 2003 national election was \$11.162 (or about \$1.76 per registered voter).<sup>11</sup> These reductions in costs have been accompanied by higher standards and quality.

Experience of elections clearly seems to be a significant factor in reducing costs. Cambodian elections can now be expected to stabilise financially and realise the fruits of investing in experience.

Indirect costs are difficult to evaluate. For example, it is estimated that support to NGO activities was nearly equal to the overall NEC election budget.<sup>12</sup> More than 30,000 national and international observers attended, including 1,156 international observers from 26 countries.

### International Financial Assistance

No review of any of the four elections would be complete without recognising the important role of the international community in providing technical assistance

and funding. Different countries had different agendas in supporting the Cambodian elections, but the combined effect was a positive one, and the Royal Government is grateful.

It is important to note that in 1998 international electoral donor assistance funded almost 80 percent of the total cost of the Cambodian election. This went down to about 60 percent for the commune/sangkat elections in 2002, and to less than 50 percent for the 2003 national election.

There is a strong incentive for the NEC and the Royal Government to reduce election expenditures generally and to reduce dependence on international assistance for elections.

### Overall Assessment

Despite various problems, the four elections were increasingly conducted with internationally recognised technical skill, integrity, impartiality and honesty. Elections in Cambodia now have a degree of reliability, safety, credibility, legitimacy and acceptability that could not have been envisioned a few short years ago.

In the words of the ambassador of Singapore to Cambodia: “[Cambodian] elections are getting progressively better each time. The 2002 commune election was better run than the 1998 one. These [2003 elections] have been the best elections yet”.

The prospects for continued democratisation in Cambodia are excellent.

### Conflict Resolution

Elections in Cambodia, as in many other countries, have regulated and channelled differences of opinion and competing political forces. These elections kept the competition for power within voting booths and kept the exercise of power within recognised institutions.

These elections legitimised political differences and competition, and were crucial for the peaceful resolution of national and local conflicts. However, the fundamental precondition for successful conflict resolution of this kind is that the outcome of the election must be seen to reflect the choices of the population. The election outcome must be credible and acceptable. And a credible and acceptable election outcome in turn depends upon credible and acceptable election processes.<sup>13</sup>

In essence, these processes set out specific constraints and provide specific outlets for electoral behaviour. Election processes set the “rules of the game”. These rules impose or facilitate a particular kind of human and social interaction that must be generally understood and commonly accepted by all participants in an election. However, in order to be commonly accepted, these processes must, at a minimum, firstly satisfy basic human needs (including comprehension, equity, equality and consensus) and secondly promote and protect vital human interests (including peace and the proper distribution of political power).

In short, it is essential to ensure election processes in which all the multiple social and political groups can participate to their satisfaction .

It follows that processes that are incomprehensible, inequitable, unequal or otherwise unacceptable, or that

bias or distort (or even appear to bias or distort) the proper outcome of the election, will themselves cause conflict during the election, quite apart from wrongly affecting the result.

Mechanisms, arrangements and provisions for prevention and resolution of conflict over election processes are therefore essential, important and legitimate. COPCEL II, by facilitating these mechanisms, arrangements and provisions, can clearly make an invaluable contribution to democracy, peace and development in Cambodia.

In considering conflict prevention and conflict resolution against a much wider socio-political background, it is perhaps necessary to note that social conflict or disagreement (as distinct from violence or crime) is not inherently wrong or evil. Nor is conflict of this kind necessarily undesirable. Conflict can arise from, or even promote and stimulate, the highest motives, interests and good intentions.

Conflict in society often arises out of unmet human needs and unmet aspirations. However, human needs and aspirations are not static. They grow and change over time, and they will influence and be influenced by social, political and economic circumstances. Thus the human needs and aspirations of yesterday may be quite inappropriate or inadequate for the needs and aspirations of today or tomorrow.

Consequently, from this perspective, social conflict can be viewed as a precondition or catalyst for human progress and development—whether in elections, democratic development, science, medicine or other social activity. In this event, it is productive to identify and satisfy these unmet needs and aspirations, rather than to try to subdue or eliminate them. In other words, conflict prevention should seek to prevent conflict by removing its underlying causes rather than merely dealing with the symptoms of conflict.

Especially in rapidly developing societies, therefore, an ongoing review of socio-political structures and systems is not a matter for distress and alarm, but rather an essential and necessary part of development, growth and change. Socio-political changes of this kind can reduce the distress that causes conflict; correctly reconstruct social interactions that are inadequate or that have collapsed and simultaneously promote a transition to peace and further development. Conflict can be a catalyst for positive change.

This truth of this lesson is abundantly evident in Cambodia, where a succession of changes to the election mechanisms and processes over the past 12 years have increased the quality of each election, reduced dissatisfaction (and violence) and promoted a new culture of participatory democracy and development. COPCEL II will be able to build on this foundation and provide a vital ongoing forum for this kind of constructive debate and discussion.

### COPCEL

The Forum for Conflict Prevention for Cambodian Elections, which was established in 1999, played a key role in creating an impartial arena for civil society organisations and the NEC to discuss matters relating to elec-

tions and to prevent conflicts. These meetings gradually increased in importance and continued until just after the National Assembly elections in 2003. Bringing a diverse set of stakeholders together was a significant and positive step.

In general, COPCEL has been indispensable as a neutral venue for open dialogue between the NEC, government representatives and representatives of civil society regarding proposed procedural and other electoral changes and events.

One noteworthy development was that prior to the 2003 elections, the NEC began to present its draft regulations to COPCEL for a response. This encouraged a culture of open discussion and dialogue among key election participants, established more common understanding and agreement on electoral needs and objectives and enhanced the technical quality of the electoral processes. The cumulative effect was significant conflict prevention and resolution.

These meetings underlined the common advantages of inclusion, transparency and collaboration. They also provided a clear illustration that elections and democracy are not the sole or exclusive responsibility of any one institution such as the NEC—however competent it may be. Civil society organisations, NGOs, parties, donors, the state and individuals all have a role and duty to ensure the success of the election and to maintain a democratic culture. There are common overall objectives and certain core values that can and must be shared and supported by all Cambodians, irrespective of party affiliation.

I hope that COPCEL II will play an invaluable role as a vehicle for open dialogue in contributing to the success of the next three elections: for the Senate in 2006, commune councils in 2007 and the National Assembly around 2008.

May I therefore offer my congratulations and support on the launching of COPCEL phase II officially today, 14 July 2005. Please be assured that your efforts also have the wholehearted good will and support of the Royal Government.

#### Endnotes

1. Around 6.34 million people.

2. Fifty-four percent of registered voters were women.
3. Some 5.277 million people.
4. In reviewing this election, it is appropriate to distinguish between issues that are contained in the election process, and issues that arose after the election had been concluded.
5. In 2003, on both TV and radio, each party had a slot of five minutes' free airtime each day for the duration of the election campaign (30 days). The program was repeated in the morning for a total of four broadcast hours per day. Overall, the state provided 120 hours of free airtime during the campaign.
6. Estimated in 2004 at 3,672 million riels or US\$919,000.
7. *Electoral Management Bodies as Institutions of Governance*, Bureau for Development Policy, UNDP, September 2000.
8. United States, most western European countries; Chile \$1.20, Costa Rica \$1.80, Brazil \$2.30; Benin \$1.60, Botswana \$2.70, Ghana \$0.70 and Senegal \$1.20 in Africa; India \$1 and Pakistan \$0.50 in Asia; and Australia \$3.20.
9. Mexico \$5.90, El Salvador \$4.10 and Paraguay \$3.70 in Latin America; South Africa \$11.00, Lesotho \$6.90, Liberia \$6.10 and Uganda \$3.70 in Africa; and Russia \$7.50. El Salvador dropped to \$3.10 in 1997.
10. Nicaragua in 1990 \$11.80, Angola in 1992 \$22, Mozambique in 1994 \$10.20, Palestine in 1996 \$9.00. Subsequent elections in Nicaragua dropped to \$7.50 in 1996.
11. These savings include one-time purchases and expenditures that were not repeated in 2002 or 2003. For example, in 1998 the EU alone contributed \$7 million for training and stationery. In 2003 the figure was \$661,000. There were also substantial savings through more efficient operations. For example, CECs were appointed five weeks before election day in 2003 and seven months before in 2002 to oversee registration. This saved \$2.5 million.
12. UNDP Report on National Assembly Election in Cambodia, 27 July 2003, p5.
13. Including the electoral formula, voter registration, secret voting, counting of votes, campaigning, media access and safety and security.

#### (Continued from page 24) Update

Two other major poverty studies have already been reported in previous editions of the CDR. These are the Moving Out of Poverty Study and the Participatory Poverty Assessment (PPA) of the Tonle Sap. In the case of the former, analysis is proceeding well and initial results are being shared with stakeholders. In the case of the PPA, the field-work phase is now being wrapped up after completing the PPA in 23 villages.

The NRE unit of CDRI has been re-invigorated with the arrival of a new Technical Advisor. A number of major initiatives are currently underway:

- Study on NTFP uses and values

- Drawing up a five-year strategic plan of research for NRE
- Developing a proposal for a study on Water Resources, conflicts and Governance
- CDRI and EEPSEA are developing a series of seminars and workshops on issues related to NR economics.
- A study on Land Tenure Database Assessment started -field work completed and draft report submitted to FAO
- Land Titling Baseline Survey (urban phase) is underway.

Important institutional partnerships are being progressed with the University of Sydney, the Royal University of Phnom Penh and the Danish Centre for Forests and Landscape.

## CDRI Update

### Management

CDRI's mid-year Board of Directors meeting was held on 16 July. The Board welcomed news of the addition of two new international members who will be formally endorsed at the full Board meeting in December 2005. They are Mr Noritada Morita, a former senior official of the Asian Development Bank, with a long close relationship with Cambodia, now based in Bangkok, and Professor Lawrence Haddad, Director of the Institute of Development Studies at the University of Sussex in the United Kingdom. Both bring a wealth of development expertise and a deep knowledge of Cambodia and its development challenges to the Board.

The Board meeting also endorsed a Directions Paper to guide the preparation of CDRI's 2006-10 Strategic Plan to be presented to the December 2005 Board meeting. The Board has agreed that the five year plan should explore three broad strategic objectives - Institutional and staff capacity development; the deepening of research and policy outputs, and associated communications and impact enhancement; and the transformation of CDRI, structurally and operationally, into a multi-faceted Development Knowledge Centre, in partnership with others.

In July 2005 CDRI's Executive Director was invited to speak at the 3rd Asian Economic Summit in Kuala Lumpur hosted by Malaysia's Asian Strategic Leadership Institute, on the topic *Shaping a New Asia: Future Challenges and Prospects - A Perspective from Cambodia*. In September he participated in the inaugural East Asian Research Institutes Forum hosted by the Korean Institute of Economic Policy in Seoul, on the theme *East Asian Economic Integration: Reality and Vision*, as a commentator in a session on *East Asian Free Trade Associations*.

In mid-2005 CDRI was invited by the Royal Government of Cambodia (RGC) to be a member of the RGC's Technical Working Group on Poverty Reduction and

Planning which will oversee the preparation of Cambodia's 2006-10 National Strategic Development Plan (NSDP). CDRI's two current major poverty studies, the Moving Out of Poverty Study with the World Bank, and the Tonle Sap Participatory Poverty Assessment with the Asian Development Bank, will feed in to the development of a new Poverty Assessment for Cambodia, which will in turn provide input to the poverty reduction aspects of the NSDP.

In August 2005 CDRI completed its latest Annual Report for the period 2004-5, the reporting period from now on from each Khmer New Year, which falls in April, to the next. The new Annual Report will be available in Khmer and English on CDRI's website.

### Research

Research at CDRI is continuing to expand, diversify and deepen. The Governance and Decentralisation team has finalized a draft concept paper focusing on accountability at the provincial level planned for implementation over the next year. Another study on responsiveness at the commune level has already been launched and field work initiated.

The Economics Team is engaged in developing the concept note for DAN 5 which is expected to focus on the economic impact of China on the partner countries represented by the DAN network. The first consultative meeting of DAN 5 will be held in mid-October, with the addition of a research institute from Kunming as a new partner. Meanwhile a study on the trade capacity building needs of research institutes in the Asia-Pacific Region has been completed, while a new study on the implications of the ASEAN-China FTA for Cambodian agriculture has been initiated. CDRI is also participating in another regional study looking at the poverty impact of regional economic integration.

(Continued on page 23)

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Cambodia Development Review is also available in Khmer



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

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