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## Approaches to Measurement and Analysis of Poverty: The Case of Cambodia

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### 1. Introduction

Over the last few years, CDRI has produced a number of research reports and working papers on poverty and inequality in Cambodia. Latest among them was the Moving Out of Poverty Study (MOPS).<sup>1</sup> The approach adopted by the MOPS was different from traditional approaches although the findings were broadly similar. The MOPS, along with other studies conducted at CDRI and elsewhere,<sup>2</sup> provided ample evidence that the poor in Cambodia have not benefited as much as other income groups from the exceptional growth that the country has experienced over the last decade. The study, in conformity with other CDRI findings, particularly two land titling studies just completed,<sup>3</sup> also found evidence of increased inequality.

There are areas, however, where the MOPS does not seem to support the general understanding about the factors that affect poverty. For example, in some villages studied, the MOPS found increased hardship among some households despite a general improvement in village life and economic activity. The study also did not find any strong link between landownership and poverty status. These and similar findings that do not seem to support the general literature need to be verified with further research, and the contradiction between the micro and macro views needs to be resolved.

The purpose of this brief is to make a case for applying different approaches to the study of poverty and argue that different approaches will to a large extent be complementary. In particular, the insights generated by approaches such as the MOPS will help to fine-tune macro policy. Conflicts between macro and micro findings about the interaction between poverty and possible determinants, once verified, will assist us to look into the interactions



Farmers unloading firewood in rural Cambodia, Kompong Chnang province

more carefully and explain the differences. In addition, for some specific causes of poverty, approaches such as the MOPS and IDPoor<sup>4</sup> will help to identify and address them more effectively.

The rest of the paper is organised as follows. Section 2 briefly looks into the determinants of poverty. Section 3 considers the role that growth could play in fighting poverty. Section 4 presents the approach adopted in the MOPS and the summary of findings from this study, while section 5 looks into the significance of such approaches. Section 6 briefly discusses the usefulness of combining different approaches.

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## 2. Determinants of Poverty

Although the causes of poverty are generally multiple, they can be categorised. The poor, as Weiss and Khan<sup>5</sup> point out, suffer from multiple disadvantages:

- personal factors, including low skills, poor literacy, large family size, lack of assets and possibly ethnical and gender factors;
- locational factors, including poor access to physical and social infrastructure such as roads, utilities, health and education;
- structural factors, including poorly developed market information, finance and credit.

The disadvantages of the poor are such that many are unable to cater for their own sustenance and therefore fall into absolute poverty. In the absence of any intervention or improvement, poverty becomes a vicious circle; those born into a poor family will most likely end up being poor as well. In Cambodia, the standard of living of the country as a whole is too low to be able to assist the large proportion of the population that suffer from poverty. It is important that economic activities in the country increase to generate the resources required for tackling poverty.

## 3. Importance of Growth for Poverty Reduction

Cross-country analysis points to the importance of economic growth in order to be able to make a dent in poverty. Sustained economic growth is necessary to push the poor above the poverty line by generating the resources required. In general, factors that lead to growth are similar to those that are likely to push the poor above the poverty line.

The emphasis on growth, and now increasingly on “getting the growth right”, is due to the fact that poverty is more serious and acute in countries with a low per capita GDP. In Cambodia, for example, the latest estimate of GDP per capita stands around USD450.<sup>6</sup> Even if income were divided equally, this is a low figure. Income distribution, however, is far from being equal, pushing a large proportion of the population, estimated at around 35 percent,<sup>7</sup> below an income that would enable them to satisfy their daily nutritional requirements. To remedy the problem, it is argued, Cambodia should follow a more broadly based development path; economic activities have to be intensified so that the poor can join the non-poor in benefiting from increased economic opportunities. Through a higher sustained level of growth, personal, locational and structural factors that disadvantage the poor are expected to be mitigated and eventually remedied.

Starting from a very low level, GDP growth in Cambodia over the recent past has been impressive, over 7 percent per annum since 1994. Over the same period, however, the poverty rate, although reduced considerably, should have been reduced even further given the sustained growth and comparisons with some other countries in the region. The reason for this relatively poor performance

lies in the nature of growth and the fact that Cambodia has not yet got it “right”. A closer look at the sectoral composition of growth and particularly the performance of agriculture, where the majority of the poor earn their living, reveals some of the retarding factors.<sup>8</sup>

Macro factors that have inhibited poverty reduction in Cambodia are many; the major limitation is the condition and slow progress of agriculture. To move forward on poverty reduction, it is important that the growth and productivity of agriculture be substantially improved; agricultural growth has generally been rather erratic and lagging behind other sectors.

One important condition for putting agriculture on a sustainable high growth path is dealing with land. The CDRI studies on land titling cited above provide strong support for titling and evidence of increasing inequality in landownership. To invigorate agriculture, it is important that land titling move ahead more speedily and that inequality in landownership be addressed. Evidence from many developing countries suggests that countries that have experienced sustained growth and rapid development have had a more equitable land distribution; this has a large number of obvious attributes that are well reported. Widespread landownership in a country in the initial stages of development, such as Cambodia, provides a badly needed incentive to improve land productivity. However, this is likely to happen only if other incentives and institutional supports are provided as well. For example, clear and well-defined property rights, strengthening the rule of law to increase security of tenure among farmers, would encourage them to improve their land and make more effective use of it. So would provision of irrigation, education on the use of improved seeds and techniques, access to finance, schools and health centres. All of these are expected to encourage the rural population to take a more active role in production and development. In this process, income, including that of the rural poor, will go up.

Though necessary, growth on its own may not be sufficient to reduce poverty. The extent to which growth affects poverty depends on the type of growth. In “inclusive” growth, in which all agents benefit equally, poverty reduction is likely to be at its maximum. Where growth is not “inclusive” or “pro-poor”, its poverty effect is likely to be limited. In such conditions, growth may increase inequality. Increased inequality in turn would impact poverty reduction efforts and, more importantly, potentially political economy and the institutional and governance structure, thereby likely adversely affecting long-term development potential. Whether growth is inclusive or otherwise depends to a large extent on the institutional and governance structure. Growth alone may not be sufficient to remedy locational and structural causes of poverty. To address poverty in this case, a more focussed and localised approach may be required. For poverty reduction strategies to be effective, it is important

that the diversified nature of poverty and its causes are fully understood and identified. The MOPS and similar methods of poverty analysis, such as the IDPoor project, are designed to tackle these problems.

#### 4. MOPS Approach and Its Findings

The MOPS was the first of its kind in Cambodia, one of 18 studies commissioned by the World Bank to examine poverty dynamics and trends. Conducted in 2004/05, the study revisited nine rural villages in which CDRI had conducted research in 2001, using quantitative and qualitative methods to investigate the extent to which villages and individual households had been able to move out of poverty or improve prosperity, or had experienced downward mobility and decline.

The study examined which communities or groups moved out of poverty and which remained trapped and why; whether people experience mobility differently in different economic conditions; how and why governance and social networks matter in mobility; what factors explain household and community progress and mobility or decline and stagnation; and the interaction between household and community factors, as well as any variations between villages and types of households.

The study was *longitudinal*, revisiting households that had previously been included in the 2001 study. It was *contextual*, exploring local history, geography and trends and their impact on communities and households. It employed *mixed methods*, including a household panel survey and in-depth focus group discussions and semi-structured interviews. The nine villages selected for the original study represented all four of Cambodia's main agro-ecological regions—the Tonle Sap plains, Mekong plains, plateau/mountain region and coast. The 890 panel households represent a significant data set, from which statistically valid claims can be made about aggregate and village trends. The panel survey was supplemented by qualitative data from interviews and focus groups with 477 participants, including formal and informal village leaders, mobility groups (with participants who moved into or out of poverty or remained static) and young men and women.

The analysis involved an examination of the main changes and trends that had affected the study villages, including changes in consumption, incomes and poverty rates, together with the factors contributing to or constraining community development, prosperity and household mobility. The analysis included community factors such as the underlying conditions, development and governance that had shaped the experience of each village, and household factors such as strategies for income generation and specific vulnerabilities that households experienced.

The study found that well-being trends varied significantly between villages and households. In the

aggregate, income and consumption rose, and poverty fell slightly. However, as Fitzgerald and So point out, income rose in all study villages while consumption fell in three and rose in six. The poverty headcount fell in six villages and rose in the villages experiencing declining consumption.

The study also found that among panel households, just over half did not change their status between 2001 and 2004/05. Of the remaining 48 percent, 26 percent moved up and 22 percent moved down, a net gain of 4 percent in upward mobility over the 3.5 years between surveys. Among non-moving households, 24 percent (of the total sample) remained well off (the comfortably rich), 14 percent remained moderately poor (the static middle) and 14 percent stayed trapped in poverty (the chronically poor). Of households that changed status, 14 percent of the total were very poor who became either moderately poor or well off by 2004/05 (escaping poverty), 7 percent were moderately poor who became very poor (deepening poverty) and 12 percent became well off. Fifteen percent were initially well-off households that became moderately or very poor.

Taking into account measures other than consumption, including income, assets and access to networks, resources and decision making, the study found that inequality had risen between 2001 and 2004/05. While consumption inequality was static, and landholding inequality fell, income inequality rose, as did the ratio between the value of assets held by the comfortably rich and the chronically poor. Poor households were falling behind, their consumption falling further below the poverty line. Rising inequality was a concern in all study villages, focus group participants suggesting that the intersection of economic wealth and socio-political power and influence was responsible for this trend, as resources, opportunities and services were increasingly concentrated in the hands of better off households.

Although the end of armed conflict in the late 1990s was an important milestone in village development, the location, accessibility and geographic endowment of study villages were more significant in determining community well-being. Strongly performing villages were located close to national roads and provincial towns and had good roads, productive soil and irrigation, while moderately performing villages were more isolated, with poorer soil, less arable land and no irrigation. Furthermore, household mobility within villages was compatible with village development trends. Strongly performing villages had more rich and upwardly mobile households, whereas the poorly performing villages had more poor and downwardly mobile households. Productivity was highest in strongly performing villages and those with natural irrigation, while food insecurity was more common in moderately and poorly performing villages. Strongly performing villages also received more development interventions,

including agricultural extension, and were more likely to have clean water and sanitation. The availability of health and education had improved in all study villages, but more isolated communities experienced poorer health outcomes, and the quality of health services was variable, while children in the poorest households, girls in particular, missed out on education.

These broad findings at one level suggest that growth in Cambodia has not been inclusive, and at another raise issues that need to be tackled more locally. Although generally confirming our understanding about the interaction between poverty and some of its determinants, the study also raises issues that need to be assessed more carefully. To be more precise and prescriptive, however, we need to make sure that the findings are not affected by short-term movements into and out of poverty; hence the new round of study. The information generated will assist researchers to analyse the poverty dynamics more carefully and propose more concrete macro and micro policy options. The new round of the MOPS, referred to as the Poverty Dynamics Study, is under way at CDRI. This will generate new data that will enable CDRI researchers to investigate fully the dynamics of poverty in Cambodia over the last 15 years.

### 5. Significance of MOPS Approach

The MOPS is a relatively new way of looking at poverty worldwide. Although seemingly a change in the direction of research and to some extent a move away from the more traditional course, it is in fact complementary. The MOPS and similar approaches go deeper into the micro-level causes of poverty, providing badly needed information that will be useful for macro policy adjustment.

Aside from China and India, poverty reduction in developing countries has been rather slow over the last couple of decades, suggesting that policies worldwide need to be adjusted. The MOPS and studies of this nature that look more deeply into the causes of poverty provide information for this. Certain disadvantages of the poor may also call for a closer micro management of poverty. These include disadvantages related to ethnicity and gender, locational disadvantages and structural factors. Macro policies to reduce poverty in such cases need to be combined with a more focussed targeting of impoverished groups. Insights generated from such research should feed into macro policies to make them more effective, not only in expanding economic opportunities for everyone but also in addressing poverty.

### 6. Combining Different Approaches

Determinants of poverty are many and their interaction with poverty and with each other complex, making analysis within a location challenging. To get a clear picture of poverty in a location and come up with workable and effective policies to tackle it, varied approaches must

be applied. The information and data generated will enable researchers to come up with more appropriate aggregate and local policies. This is particularly relevant in addressing chronic poverty or where locational and structural factors play a role in poverty status.

Another relevant issue relates to techniques of analysis applied to the information and data generated by different approaches. Most macro studies on poverty use a quantitative technique in analysing the data, whereas micro studies are generally qualitative in their approach. This is another area where there is considerable scope for combining the two techniques in order to come up with richer and more effective policy responses. The Poverty Dynamics Study under way at CDRI has already generated large sets of qualitative and quantitative information and data. Researchers are expected to make use of mixed methodology in this study, the so called Q-Squared,<sup>9</sup> combining quantitative and qualitative techniques.

The next two articles in this issue of CDR discuss different approaches to poverty measurement and monitoring in Cambodia. One raises issues related to the next round of the MOPS and the other goes over the approach adopted in the IDPoor project, which is implemented by the Ministry of Planning.

### Endnotes

1. I. Fitzgerald & So S. (2007), *Moving out of poverty: Trends in the community well-being and household mobility in nine Cambodian villages* (Phnom Penh: CDRI).
2. See, for example, B. Ballard (ed.) (2007), *We are living with worry all the time: A participatory poverty assessment of the Tonle Sap* (Phnom Penh: CDRI); World Bank (2007), *Sharing prosperity* (Phnom Penh: World Bank).
3. CDRI (2007a), *Cambodia Rural Land Titling Baseline Survey Report* (Phnom Penh: CDRI); CDRI (2007b), *Cambodia Urban Land Titling Baseline Survey Report* (Phnom Penh: CDRI).
4. Details about this project appear in this issue of CDR.
5. J. Weiss & H.A. Khan (eds.) (2006), *Poverty strategies in Asia: A Growth Plus Approach* (Cheltenham and Northampton, MA: Edward Elgar).
6. It is important to note that the purchasing power parity figures, which are more relevant in this context, are much higher.
7. For this and other relevant figures see World Bank (2007).
8. For more details on some of these issues, see Hossein Jalilian (2008), "Introduction", in *Annual Development Review 2007-08* (Phnom Penh: CDRI).
9. For more on this approach see R. Kanbur (ed.), *Q-Squared: Qualitative and Quantitative Methods of Poverty Appraisal* (Washington, DC: Permanent Black).

# Poverty Dynamics Study: A Tool for Monitoring Poverty Reduction

by *So Sovannarith\**

## Introduction

CDRI is engaged in a two-year Poverty Dynamics Study (PDS) in 2008 and 2009.<sup>1</sup> The PDS is a follow-up to the Moving Out of Poverty Study (MOPS) conducted as part of a World Bank study in 18 countries between 2004 and 2005. Cambodia is the only country in the study that continues to build up its longitudinal and panel data for national policy analysis and monitoring.

The PDS is an important tool for poverty monitoring, including the implementation of the National Strategic Development Plan, and the formulation of the next national poverty reduction strategy in 2010. It is specifically designed to provide a local and longitudinal perspective on national poverty trends. These trends are illustrated in the national socio-economic surveys (the 1993/94, 1997 and 2004 CSES), the national poverty profiles produced by the National Institute of Statistics (1993, 1997 and 2004), and the two Cambodia Demographic and Health Surveys conducted in 2000 and 2005 (NIPH et al. 2006; NIS et al. 2001). Further analysis of poverty and inequality trends has been done by World Bank (2006) and World Bank (2007). Other studies include Ballard (2007), CDRI (2007a & 2007b) and IRL (2007).

The PDS is designed to use both quantitative and qualitative longitudinal data to investigate how to promote inclusive growth for poverty reduction and reduced inequality. It will test and explain local experience, validate or question national trends based on people's experience of moving in and out of poverty.

The 2004/05 study was able to track causes of and movement into and out of poverty with two surveys conducted in 2001 and 2004/05. However, it was not possible to assess whether movements were transient, whether some households that had become better off would fall back into poverty, or those that had become poor would remain in poverty or move upward again. In addition, it was not possible to assess whether poverty dynamics observed during 2001–2004/05, when Cambodia experienced successive years of flooding and drought, were atypical or consistent with longer trends.

The PDS will seek answers to these questions.

Tentative key research questions to be addressed in this two-year project therefore include the following:

- To what extent is movement out of poverty transient? How much movement is attributable to “churning” (households moving up and down again) as opposed to more sustainable movement?
- Are community trends (growth versus decline) the result of short-term factors such as floods and droughts, or are they longer term?
- Are the key household and village factors identified in the 2004/05 study still the most salient? Are new factors emerging which were not identified in 2004/05?
- How are macroeconomic trends and policies impacting communities and households? To what extent are different villages and mobility groups able to access economic opportunities and benefit from growth? Is rural inequality rising or falling?
- What village and household strategies for income diversification are proving to be most effective in supporting upward mobility (e.g. improving productivity, multiplying income sources, migration)? What is the impact of common property resource decline and forests and fisheries policies on livelihoods and poverty trends?
- To what extent do women's and men's experiences of poverty, economic growth and mobility differ? What are the different contributions that women and men make to household income and productivity? How do their relative contributions measure up against the benefits they receive?

Discussion and analysis of the data generated by this follow-up to MOPS can offer useful insights into poverty dynamics. The results of the research will help Cambodian policy makers to understand, target and intervene better.

## 1. Conceptual Framework

The following are the research hypotheses to which we will seek answers. Enhancing growth to reduce inequality and poverty is the research framework to explore key research and policy questions. This framework is designed to provide a basis for empirically testing propositions put forward in the government's Rectangular Strategy and the National Strategic Development Plan 2006–2010 and to generate theoretical literature on the topic. Efforts to increase involvement in international trade and globalisation should have direct and indirect impacts on poverty by increasing economic activity, job creation and well-being. The demand for productive factors including land, labour and financial capital is likely to rise with increased economic activity. Hence, this is likely to benefit the poor directly. In addition, the poor are also more likely to benefit directly and indirectly from investment in physical and social

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infrastructure. Contemporary national and international literature, however, points out that growth is not enough for poverty reduction if there is no improvement in governance and creation of appropriate institutions, particularly to ensure property rights and enhance the rule of law. Economic, political and social stability is viewed as critical in order to create an environment that encourages investment and risk taking, which are necessary for sustained high growth.

The study includes the broader objective of building the analytical knowledge and skills of CDRI researchers engaged in the project. Unlike in the 2004/05 study, the speciality of each researcher will be used in and strengthened by monitoring the effectiveness of government policy of accelerated growth for poverty reduction.

The findings of MOPS, which provided substantial inputs to the World Bank's *Poverty Assessment and Equity Report*, will be adjusted and verified with empirical evidence from PDS's longitudinal records and analysis. This research, combined with the panel data generated in 2001 and 2004/05, should enable a better understanding of the in-depth relationship between growth, inequality and poverty reduction. CDRI researchers should be able to determine more fully whether the driving forces for growth are present in our case studies. The important factors for growth include investment in physical and human capital; investment in physical and social infrastructure; financial market development; governance and institutional set-up; and economic, political and social stability. The PDS will focus not only on identification of the poor and determinants of poverty dynamics but also on policy insights into how to make growth inclusive. The findings will also throw light on recent government policy reforms and the role of the private sector in rural development and poverty reduction, so as to indicate policy directions to reach the goal of halving poverty by 2015. Cambodia has not yet experienced strong linkage between macroeconomic achievement and poverty reduction (Fitzgerald & So 2007; Ballard 2007; CDRI 2007b).

## 2. Research Objective

The objective of the PDS is to inform policy makers by deepening understanding of poverty dynamics, causes and trends through analysis of panel data from the nine study villages. The study will continue using both quantitative and qualitative methods. In order to preserve the panel data set, the same households will be re-surveyed in 2008, and many of the household questions that were not captured in the 2004/05 MOPS will be included in this round to provide comparable data. The MOPS used descriptive statistics to analyse community trends and factors that influence household mobility. For this study, more advanced statistical measures will be employed to analyse the experience of poverty and to explore

community and household trends and poverty dynamics. The focus of this round is to break down the key factors in mobility into a number of concise policy briefs and topics for dissemination.

Qualitative methods will include focus groups and semi-structured interviews, in order to triangulate quantitative data gathered in the household survey and to explore dimensions and issues that cannot be addressed effectively using quantitative methods, such as governance, trust in public institutions and safety and security. In addition, the 2008 round will provide the opportunity to deepen the analysis of emerging issues by comparing the 2004/05 and other CDRI poverty and livelihood studies. This includes further exploration of inequalities between rural villages and households, the role of credit and migration in movement out of poverty and equity issues such as the contribution women and young people make to household incomes and the benefits they receive.

In addition to synthesising the findings into a final report, researchers will break down the findings to produce a number of policy papers, in response to the need for timely information of policy and decision makers. Five important topics have been identified for in-depth investigation to produce policy briefs:

1. Impacts of rising food prices on food security, agricultural production and poverty reduction
2. Land ownership, tenure security and productive use of land
3. Micro-financial development, growth and poverty reduction
4. Infrastructure investment: improved road access, agricultural production, marketing and income diversification
5. Labour market: migration, growth and poverty reduction

These topics were selected based on the priorities identified when visiting the nine study villages between 22 January and 6 February 2008 to identify community issues and trends and verify sampling procedures, data collection, measurement and the analytical framework. The topics were approved in an internal consultative meeting on 16 May 2008. The detailed discussions on theoretical grounds and empirical experiences elsewhere that form hypotheses and research questions related to Cambodia can be found at <http://www.cdri.org.kh/> under "Major Research Projects". Drawing on the experience of the MOPS, there is a need to conduct a good literature review before further investigation of the five main topics.

On the first topic, for example, rising food prices are likely to increase the extent and severity of poverty. In the long term, however, for a country with a potentially large surplus of agricultural products, the impact is likely to be positive, provided that steps are taken to ensure that resources, particularly land, are utilised efficiently.

Rising food prices had become a critical concern among local leaders during the preliminary visit in February 2008 and among policy and decision makers. It is important to study the factors that contribute to increased food prices and, if food prices remain high, the possible impacts on growth, inequality and poverty reduction. According to the national and international mass media, the main causes of soaring food prices are (1) an increase in consumption by growing middle classes in China and India, (2) human-made and natural disasters and (3) the rising price of oil and devaluation of the US dollar. The critical question is whether Cambodia can take advantage of such global phenomena to increase agricultural productivity and diversification.

There are both positive and negative views about these global phenomena, which can be explored and explained using the CDRI data generated in 2001, 2004/05 and 2008. First, if food prices stay high, it may provide Cambodia two golden opportunities: (1) to manage and use land more effectively to increase agricultural production and diversification and (2) to gain high profits from sustainable demand for agricultural commodities. If this holds true, it may also attract investments in agricultural innovation and technology that can generate employment for the rural poor, leading to a better distribution of income. The gains from increased agricultural production and marketing may help Cambodia to achieve faster growth, better income distribution and reduced poverty.

On the negative side, in the short and medium terms, high oil and food prices can slow poverty reduction and possibly increase the extent and depth of poverty. The benefits for agricultural production may be minimal, with less favourable conditions for agricultural businesses. In particular, the situation may not favour improving agricultural technology in an environment of poor infrastructure, weak institutional support and high transaction costs for agricultural trade. This hypothesis tends to apply for Cambodia, where farm inputs such as fertilisers and high-yield seeds are mostly imported. While infrastructure is being developed, it is still far behind that in other countries with potential for agriculture-led growth. High oil prices may lift the price of agricultural inputs and reduce the profit margin on commodities if the latter's price rise is slower. A high price of oil can also increase the prices of consumption goods and hence raise the cost of living in rural areas in ways that cannot be offset by small marginal gains from production and the returns from agricultural wage labour. The combination of these effects may worsen food security and the incidence of poverty and accelerate the increase of landlessness. The landless poor, who must buy food, may face food insecurity. Increased spending on food would mean that they have less money to invest in their children's education, so that they cannot benefit from opportunities to move out of poverty. How can Cambodia overcome

these hypothetical challenges and take advantage of the driving forces behind rising food prices?

These questions can be explored and explained using data from the earlier household surveys and price surveys. The household surveys contain data on (i) land ownership, land use patterns and productivity and sales; (ii) net buyers and sellers of rice; (iii) the price of agricultural produce in village markets; (iv) income and expenditure; (v) choices of employment; and (vi) development interventions and access to information. The price surveys capture the prices of 106 commonly consumed food and non-food items in village, district and provincial markets.

### 3. Monitoring Impacts and Assessment Methods

Along with panel data from households interviewed in 1996, 2001, 2004/05 and 2008, the five research topics will be thoroughly explored in semi-structured and focus group discussions with various groups in September–October 2008. The MOPS suggests that rural populations have different capacities to seize benefits from the opportunities generated by development and growth. Single policy interventions will by no means help all poor, non-poor, men and women if the interventions do not address their constraints and build their strengths to allow them to participate in growth and development.

There are hot debates on the appropriate monitoring and evaluation methods to measure the impacts of interventions. Impact evaluation often focusses on final well-being outcomes, rather than only on project outputs, or on the conceptual framework and implementation. Taking such arguments into account, the PDS will take advantage of its existing quantitative cross-sectoral and panel household data surveyed at different times to identify the beneficiaries and non-beneficiaries of interventions (or the five main research topics) and the changes in well-being and poverty reduction in the study villages. The key measurable variables for this are the changes in consumption, income, productive and non-productive assets, land productivity and access to other social services. In addition, consumption variables will be used to identify the poor and non-poor and household mobility in relation to community trends.

Combined with the longitudinal data, the focus group discussions and semi-structured interviews should be able to provide in-depth analysis of how and why the poor, non-poor, different mobility groups, men and women benefit from current interventions or community trends. The major challenge of the impact evaluation is to identify what actually happened and what would not have happened in the absence of interventions. This will also be a limitation of the PDS due to its inherited original design, objective and sampling structure.<sup>2</sup>

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# The National Identification of Poor Households Programme—a Key Tool to Support Equitable Development

by *Julian Hansen\**

## Background

In Cambodia until recently, poverty-oriented development planning and service provision have not focussed enough attention on targeting assistance to poor people. Where household targeting has been used, each institution has developed and applied its own procedures and criteria for identifying beneficiaries. This means that results are not comparable and are generally also not shared with other organisations or institutions.

At a national forum organised by the Ministry of Planning (MOP) in February 2005, there was broad consensus on the need to develop standardised national procedures for identification of poor households, in order to reduce the overall administrative costs of selecting target groups and to allow more efficient distribution of scarce development resources to those who need them most. A Working Group on Identification of Poor Households, chaired by the MOP and with technical support from German Technical Cooperation (GTZ), was established in June 2005 as a sub-group of the Technical Working Group on Planning & Poverty Reduction. Working group members include representatives of line ministries, donors and international and non-government organisations. A smaller core group worked in 2005 and 2006 in a consultative process to develop initial procedures and a standard questionnaire for conducting poor household identification in rural areas (urban areas were not yet considered a priority).

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In order to secure mid-term assistance to introduce a standardised tool, the MOP approached the German government for additional financial and technical support. This was granted, and the German government in early 2006 commissioned GTZ Cambodia to assist the MOP through the “Support to Identification of Poor Households Programme” (IDPoor). This support began in April 2006, and the current phase will be completed at the end of 2009.

## Objectives

The overall objective of the MOP programme is to mandate official standardised procedures for identification of poor households and to achieve their increasing use throughout Cambodia. A key component of this will be to integrate identification of poor households as a routine task of commune councils and their support structures (e.g. the provincial local administration unit and provincial and district facilitation teams).

Another key objective of the programme is to promote widespread use of the collected data by government institutions, non-government organisations and sector programmes and projects, as well as commune councils, as a tool for targeting services and assistance to poor households.

## What Is Identification of Poor Households? Why Do We Need it?

The procedures used by the MOP and partner organisations seek to determine which households are poor and the poverty level of these individual households in rural villages. These households and their members are identified by name as well as location. The purpose of identifying individual households is to target services and development assistance to the poorest households in a village in order to help lift them out of poverty and protect them from shocks (e.g. serious illness, crop failure) that may deepen their poverty.

The Identification of Poor Households data can also be used for calculating comparative poverty levels of villages, based on the percentage of households in each poverty category in each village. Service providers can use this data to target poorer communes or villages and the poor households within those areas.

In Cambodia there are many potential uses for data on poor households, such as the provision of free or discounted medical services (e.g. through health equity funds or social health insurance), scholarships or other financial support to poor pupils and students, rural development and agricultural services, allocation of social concession land and many others. There is also potential for developing conditional or unconditional cash transfer programmes.

### Where Is Identification of Poor Households Being Conducted?

In 2007, the MOP, in cooperation with the Ministry of the Interior, tested on a small scale the first version of the procedures and questionnaire, then modified and implemented them on a large scale in Kratie (whole province) and Siem Reap (Sotr Nikom and Kralanh operational districts [OD]s). In 2008, implementation was expanded into the whole of Oddar Meanchey, three ODs in Kompong Cham (Cheung Prey/Batheay, Chamkar Leu/Stung Trang and Prey Chhor/Kang Meas), and two ODs in Prey Veng (Pea Reang and Preah Sdach). Thus, as of July 2008, identification of poor households using the national procedures implemented by the MOP had been conducted in a total of five provinces (partial or full coverage) and a total of 2128 villages.

In early 2009, the MOP plans to conduct updates in the previous areas, as well as covering two additional ODs in Kompong Cham (Memut and Ponhea Kraek). Kompong Thom and Kampot provinces may also be covered (subject to sufficient funds being available).

Feedback from implementers and stakeholders has been collected during operations in order to improve the procedures and their implementation. Consultation with the national core group and working group is ongoing to guide strategy and further policy development.

In addition to the five provinces partially or fully covered by the MOP, health equity fund operators and their partners have been using the procedures in a number of other areas. In 2007 and 2008, University Research Company's HSSC (Health Systems Strengthening in Cambodia) has been implementing the national procedures in five ODs in the provinces of Banteay Meanchey, Battambang and Pursat. In the same period, the NGO Reproductive Health Association of Cambodia has been implementing the procedures in five ODs in Sihanoukville, Kompong Chhnang and Kompong Cham. HSSC plans to cover Ratanakkiri, Mondolkiri and Koh Kong (Srae Ambel and Smach Meanchey ODs) in late 2008–early 2009.

All areas covered by the MOP and partner organisations are areas in which health equity funds are operating. Many areas also have substantial numbers of other types of service providers. The MOP considered it important to select areas in which there are sufficient services available to justify the effort and cost of the research and to maximise the likelihood that the benefits of identifying poor households will be recognised by local communities and authorities.

### How Is Identification of Poor Households Conducted?

The identification process in each village is carried out by a village representative group (VRG), with the support and supervision of a planning and budgeting committee representative group, the commune council and representatives from the district facilitation team.

The process is coordinated by the provincial Department of Planning, in cooperation with the provincial local administration unit. The MOP provides provincial training, monitors implementation and gives ongoing technical support.

Implementation depends on a cascade training approach. National ministry staff train provincial facilitation team and district facilitation team members as trainers and provide support to enable them to train commune councils, planning and budgeting committee representative groups, VRGs and others involved to carry out the identification.

The identification consists of seven steps. These are described in detail in the document *Procedures for Identification of Poor Households in Cambodia* (available from [www.mop.gov.kh/ProgramsProjects/IDPoor/tabid/154/Default.aspx](http://www.mop.gov.kh/ProgramsProjects/IDPoor/tabid/154/Default.aspx)). These steps are summarised in the box.

Step 1: Establish and train the planning and budgeting committee representative group

- Hold meeting of commune planning and budgeting committee to select representatives
- Train representative group members
- Train commune trainers

Step 2: Establish and train village representative groups

- Conduct first village meeting to select members of VRG
- Commune trainers train VRGs, conduct interview practice

Step 3: VRG compiles list of households in the village, conducts household interviews and compiles first draft list of poor households

- Compile list of households in the village
- Conduct household interviews
- Count scores, prepare draft household poverty list
- Discuss special household circumstances in VRG and modify classifications of some households as required
- Hold commune review meeting to check draft household poverty list
- Prepare first draft list of poor households

Step 4: Conduct village consultation meeting on first draft list of poor households, receive villager complaints and prepare final draft list of poor households

- Display first draft list of poor households in public place in village
- Conduct village consultation meeting
- Receive villager complaints
- Prepare the final draft list of poor households, submit to commune council

Step 5: Commune council reviews and approves final list of poor households

- Commune council reviews final draft lists of poor households for each village, resolves any outstanding complaints
- Commune council approves final list of poor households

- Commune council sends list of households in the village, final list of poor households, questionnaires and approval form to provincial Department of Planning
- Commune council chairperson stamps and signs equity cards, and VRGs distribute them to poor households (after data entry and photography in steps 6 and 7)

Step 6: Provincial Department of Planning enters list of households in the village, final list of poor households, questionnaires, household photographs and photography tracking sheets for each village into provincial database of poor households

Step 7: Photography

- Photography teams photograph poor households
- Provincial Department of Planning enters photos into provincial database
- Equity cards are printed, and provincial Department of Planning distributes them to commune councils

The above process involves substantial villager participation and consultation: they elect the village representative group, some villagers become members of the village representative group, they are respondents in interviews, they take part in a village consultation meeting to discuss the first draft list of poor households, and they can make suggestions or objections relating to the composition of the first and final draft list of poor households.

The key output in the commune and village is a final list of poor households in each village.

In addition, depending on requirements, all households identified as poor can be issued with equity cards, which include the following information: name of village, commune, district and province; name, sex and year of birth of household head; poverty level; household photo. These cards 1) raise the awareness of poor households that they can seek out services and assistance and assert their eligibility to receive them, and 2) help service providers to verify quickly the identity of poor household members in order to provide services to them.

Lists of poor households are updated annually in order to maintain their accuracy, using the same procedures and questionnaire.

### Questionnaire

Currently, a standard questionnaire is used in all areas, regardless of whether the process is carried out by the MOP or by partner organisations, in order to optimise comparability of the results among households and among geographical regions. The questionnaire consists of a set of common-sense proxy indicators for poverty, agreed by the national Working Group on Identification of Poor Households, which are mainly based on easily observable and verifiable assets but also include a number of other considerations, such as dependency ratio, school attendance, crises or shocks and household composition. Interviews are conducted by VRG members, whose local

knowledge makes it easier to verify whether respondents are accurately reporting their situation, as well as to assess the special circumstances of households.

The questionnaire contains scoring and non-scoring questions. The scoring questions are the primary basis for assigning households to poverty categories or for excluding them from the list. The questions have different weights, based on their perceived contribution to or reflection of poverty. These weights are not scientifically calculated, but were decided on by the national working group based on field experience. These questions cover the following:

- housing—roof, wall, floor area, general condition
- productive land area (land-based villages) or fishing equipment (floating villages) or other sources of income such as wage labour, salary or business
- borrowing rice or buying rice on credit (indicates capacity to meet own food needs)
- animal raising (including fish raising for sale)
- ratio of dependent members to productive household members
- electronic and other assets
- means of transportation (including boats for floating villages)

Non-scoring questions relate to issues that are difficult to assign a simple score to. The VRG discusses and considers the responses to these in terms of their impact on a household. It also takes into account any information, suggestions or complaints made by villagers during the public consultation. The VRG may use this information to modify the poverty category of a household. The non-scoring questions cover the following:

- unexpected problems or crises in the last 12 months that caused the household to lose income, produce less food, sell assets or borrow money
- the number of children aged 6–11 years who missed school for at least one month in the last 12 months
- special household situations (disabled, sick, elderly, divorced/widowed, no adults etc)

For more detail, please see the detailed questionnaire on the web page: [www.mop.gov.kh/ProgramsProjects/IDPoor/tabid/154/Default.aspx](http://www.mop.gov.kh/ProgramsProjects/IDPoor/tabid/154/Default.aspx).

### Poverty Categories

There are two categories to which poor households can be assigned: poor level 1 (very poor) or poor level 2 (poor). These categories are assigned based on the questionnaire scores (according to specific cut-off points) and a consideration of any special circumstances. The proportions of households falling into the two categories have been calibrated to reflect approximately the 2004 Cambodian Socio-Economic Survey results (with some allowance for variation over time). Poor level 1 roughly corresponds to those households under the CSES food poverty line, while poor level 2 approximately equates to the households between the CSES food poverty line and

the poverty line. On average, a total of about one-third of households are classified as poor 1 or 2 and included in the list of poor households.

### **Strengths and Limitations of the Approach**

A key emphasis of the IDPoor programme has been to use identification procedures that maximise implementation by government structures and village representatives, in order to build local capacity and enhance sustainability. However, this emphasis requires a significant amount of training, which is relatively costly. It is anticipated that training costs will decline in future years as commune and village representatives become more experienced in the process (assuming that turnover of implementers is not too high).

The identification procedures also involve a high degree of participation by and consultation with villagers. This increases the transparency of the process and the accuracy of the results, and therefore the acceptability to local people and data users. However, it also makes the process more complex and time-consuming.

A likely positive side-effect is the strengthening of democratic values in communities, such as increasing local leaders' concern about the welfare of their constituents and their degree of accountability to them; public involvement in community affairs; and enhancing consultation and transparency in decision making.

While the use of the standardised questionnaire makes results more comparable from one location to another, it may be that not all questions will be fully applicable in all areas and among all ethnic groups and livelihood types, which may make it necessary to modify the questionnaire as experience is gained.

The use of the questionnaire by VRG members introduces a challenging degree of complexity, but with training and guidance, VRGs have proven capable of using it. Due to strong community pressures to include people on the list, the questionnaire is important to promote objectivity and fairness in determining poverty.

### **Database of Poor Households**

A database of poor households has been developed to support identification and to generate data for dissemination to service providers. The database was developed in Cambodia and is bilingual (Khmer and English). It is designed so that data can be entered in different locations and then consolidated nationally. In areas covered by the MOP, the provincial departments enter the data. The MOP also makes the database freely available to partner organisations to enable them to enter data in their own coverage areas. The intention is to consolidate data from areas covered by the MOP and by partner organisations, and make this data available to all interested service providers, in order to maximise the cost-effectiveness of data collection.

### **What Kind of Data Are Available?**

The programme can provide different types of data for use by government, non-government organisations and sector programmes and projects to target services and development assistance to the poor. These include:

- The original handwritten list of poor households on paper, a copy of which remains in the village and at the commune office, which is available as soon as communes have approved the list (before data entry).
- Database-generated reports, including:
  - List of poor households, which includes the name and sex of household head, spouse name, poverty level.
  - Profile of household members, with sex, age, year of birth, relationship to head of household; poverty level.
  - Poverty rate comparison report: the percentage of poor level 1, poor level 2 and all poor households in each village in the coverage area. This report can also analyse poverty rates in terms of the number of people.
  - Summary statistics for coverage area: median percentage of poor level 1, poor level 2 and total poor households in villages covered; median percentage of poor level 1, poor level 2 and total poor persons in villages covered; percentage of male- and female-headed households in each poverty category.
  - List of names and photos of poor household members: thumbnail household photos; poverty level; names, sex and year of birth of all household members, printed in a handy format for reference. This is particularly useful for local service providers who do not have easy access to computers.
- Full database of poor households, including photos of poor households and details of all household members, with the ability to generate reports based on user selection of parameters.

### **For Which Areas Are Data Available?**

Data from round 1 of identification of poor households, conducted in the second half of 2007, are now available for the whole of Kratie province (Kratie and Chhloung operational districts) and Siem Reap (Soutr Nikom and Kralanh ODs).

Data from round 2, in the first half of 2008, will be available about September-October 2008. These data include Angkor Chum and Siem Reap ODs of Siem Reap province; the whole of Oddar Meanchey; Cheung Prey/Batheay, Chamkar Leu/Stung Trang and Prey Chhor/Kang Meas ODs in Kompong Cham; and Pea Reang and Preah Sdach ODs in Prey Veng.

*Continued on page 18*

## Economy Watch—External Environment

The section provides a snapshot of the economies of some of the world's advanced economies and east Asian developing economies in the first quarter of 2008.

### World Economic Growth

In the first quarter of 2008, US real GDP grew by 2.5 percent from the same quarter last year. This primarily reflected the positive contributions from personal consumption and expenditures for services, exports of goods and services and federal government spending, which were partly offset by negative contributions from residential fixed investment and personal consumption and expenditure of durable goods. Real GDP growth in the euro zone was 2.2 percent for the year, lower than the 3.0 percent growth to the first quarter of 2007. Annual growth in Japan was 1.3 percent, down from 2.0 percent in the fourth quarter and 2.2 percent in the first quarter of 2007.

Chinese real GDP grew by 10.6 percent from the same period a year earlier, slightly less than the 11.2 percent of the previous quarter. The slight deceleration was driven by deterioration of China's net export performance. Real growth in South Korea was up by 5.7 percent, the same as growth in the fourth quarter, but higher than in the first quarter of 2007. The growth was mainly attributable to persistent strong growth in manufacturing and robust growth of goods exports. Taiwan and South Korea's real growth rates were 6.1 and 6.8 percent, respectively compared to first quarter 2007. There were slight changes in growth rates from the earlier quarter.

Year-on-year growth in Malaysia was 7.1 percent, a slight change from the previous quarter. Growth was primarily bolstered by double-digit growth of final consumption expenditure (11.8 percent) and significant growth in manufacturing (6.9 percent) and services (8.0 percent). Singapore's real growth in the 12 months was 7.2 percent, higher than in the first and fourth quarters last year. The rise was boosted by strong surges in manufacturing (12.2 percent), construction (14.7 percent) and financial services (13.4 percent). Real GDP in Thailand, albeit higher than in the first quarter of the previous year, showed an insignificant

increase from the preceding quarter. Growth was mainly driven by a pick-up in investment and consumption after sharp slowdowns in 2007. Growth of fixed investment was up by 5.4 percent, private consumption by 2.6 percent and exports of goods and services by 8.7 percent.

### World Inflation and Exchange Rates

US consumer prices in the first quarter of 2008 were up by 4.1 percent year on year, higher than the 2.4 percent of the same period last year. This resulted primarily from increasing charges for food and beverages, housing, medical care, education and communications. The 12-month inflation in the euro zone was 4.1 percent, higher than in the previous quarter and the first quarter of 2007. The acceleration was due mainly to the hike in prices of energy, processed food and services. During the same quarter, inflation in Japan rose to 1.0 percent, higher than in the previous quarter and the same quarter of 2007. A dramatic spike in core energy and food costs was apparently the key push.

In foreign exchange markets in the first quarter of 2008, the US dollar appreciated against the Chinese yuan and South Korean won, but depreciated against the Japanese yen and Thai baht. The dollar traded low at 105.3 JPY/USD and 30.9 THB/USD, but rose to 8.1 CNY/USD and 955.9 KRW/USD. Against the euro, the dollar remained unchanged during the first three months of 2008.

### Commodity Prices in World Markets

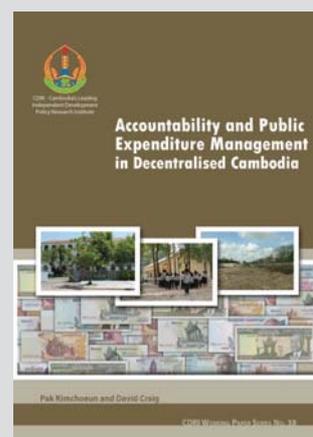
Prices of energy and several agricultural products—maize, palm oil, rice and soybeans—in the international market continued to rise during the first quarter of 2008. The price of maize rose by 26 percent, reaching USD198.4/tonne and soybeans by 22 percent, to USD449.6/tonne. Palm oil sold higher at USD1048.5 /tonne and rice (Thai 100% B) at USD444.4/tonne. Prices of crude oil, gasoline and diesel rose by 13 percent, 18 percent and 11 percent respectively. Crude oil was USD93.8/barrel, while gasoline and diesel were at 64.2 and 74.0 cents/litre respectively.

*Prepared by Saing Chan Hang*

## New Publications Released

Working Paper 38: *Accountability and Public Expenditure Management in Decentralised Cambodia* by Pak Kimchoeun and David Craig, July 2008, 86 pages.

This paper draws on research conducted over three years, as part of a wider study of sub-national accountability, which includes analysis of planning and human resources. This part of the study considers current provincial public expenditure management (PEM), using accountability as its analytical lens. The objective of all these studies is to provide a more comprehensive picture of the current system and from this to draw implications for the decentralisation & deconcentration (D&D) reforms. The paper looks at two accountability relations: central-provincial and horizontal.



## Economy Watch—External Performance

**Table 1. Real GDP Growth of Selected Trading Partners, 2003–2008 (percentage increase over previous year)**

	2003	2004	2005	2006	2007	2007				2008
						Q1	Q2	Q3	Q4	Q1
Selected ASEAN countries										
Cambodia	7	7.7	13.4	10.6	10.2	-	10.1	8.1	13.6	-
Indonesia	4.9	5.1	5.6	5.4	6.3	-	6.4	6.5	6.3	6.3
Malaysia	5.4	7	5.2	5.9	6.3	5.3	5.7	6.7	7.3	7.1
Singapore	1.4	8.5	5.7	7.7	7.7	6.0	8.2	8.9	6.0	7.2
Thailand	6.9	6	4.5	4.8	4.9	4.3	4.4	4.8	5.7	6.0
Vietnam	7	7.5	8.4	8.1	8.5	-	-	-	-	-
Selected other Asian countries										
China	9.9	9.5	9.6	10.5	11.9	11.1	11.5	11.4	11.2	10.6
Hong Kong	3.2	8.3	6.5	6.6	6.4	5.6	6.9	6.2	6.7	6.8
South Korea	3	4.7	4.7	5.0	4.9	4.0	4.5	5.2	5.7	5.7
Taiwan	3.1	5.7	4.1	4.6	5.2	4.1	5.07	6.9	6.4	6.1
Selected industrial countries										
Euro-12	0.5	1.8	1.5	2.7	2.9	3.0	2.5	2.7	2.2	2.2
Japan	2.6	3.4	2.5	2.1	2.0	2.2	2.3	1.9	2.0	1.3
United States	3.1	4.4	3.7	3.3	2.2	1.5	3.8	4.9	2.5	2.5

Sources: International Monetary Fund, Economist and countries' statistic offices

**Table 2. Inflation Rate of Selected Trading Partners, 2003–2008 (percentage price increase over previous year—period average)**

	2003	2004	2005	2006	2007	2007				2008
						Q1	Q2	Q3	Q4	Q1
Selected ASEAN countries										
Cambodia	1.2	4.0	5.8	4.7	10.5	3.0	4.6	6.0	9.6	-
Indonesia	8.3	8.3	10.5	13.4	6.4	6.4	6.0	6.5	6.7	7.6
Malaysia	1.1	1.6	3.1	3.7	2.0	2.6	1.4	1.8	2.2	2.6
Singapore	0.5	1.7	0.5	1.0	2.1	0.5	1.0	2.7	4.1	6.6
Thailand	1.8	2.7	4.5	4.7	2.2	2.4	1.9	1.7	2.9	5.0
Vietnam	3.1	7.8	8.2	7.7	8.3	6.6	7.4	8.6	10.7	16.4
Selected other Asian countries										
China	1.2	3.9	1.8	1.5	4.8	2.6	3.6	6.1	6.6	8.0
Hong Kong	-2.6	-0.4	1.1	2.2	2.0	1.7	1.3	1.6	3.5	4.6
South Korea	3.5	3.5	2.8	2.4	2.5	2.0	2.4	2.3	3.3	3.7
Taiwan	-0.3	1.6	2.3	0.6	1.8	1.0	0.3	1.4	4.5	2.3
Selected industrial countries										
Euro-12	2.1	2.2	2.2	2.1	2.1	1.9	1.9	1.9	2.9	3.4
Japan	-0.3	Nil	-0.3	0.5	0.1	-0.1	-0.1	-0.1	0.5	1.0
United States	2.3	2.7	3.4	3.2	2.9	2.4	2.7	2.4	3.9	4.1

Sources: International Monetary Fund, Economist and National Institute of Statistics

**Table 3. Exchange Rates of Selected Trading Partners against US Dollar, 2003–2008 (period averages)**

	2003	2004	2005	2006	2007	2007				2008
						Q1	Q2	Q3	Q4	Q1
Selected ASEAN countries										
Cambodia (riel)	3973	4016.3	4092.5	4103.2	4062.7	4046.7	4065.7	4078	4026	3995.3
Indonesia (rupiah)	8577	8938	9705	9134	9419	9107	8968.3	9257.8	9240.2	9217
Malaysia (ringgit)	3.80	3.80	3.79	3.67	3.31	3.50	3.43	3.46	3.35	3.18
Singapore (S\$)	1.74	1.69	1.66	1.59	1.51	1.53	1.52	1.52	1.45	1.41
Thailand (baht)	41.5	40.2	40.2	37.9	32.22	33.9	32.5	31.4	33.87	30.95
Vietnam (dong)	15,510	15,777	15,859	15,994	16,030	16,356	16,125	16,105	16,030	16,125
Selected other Asian countries										
China (yuan)	8.28	8.28	8.19	7.97	8.03	7.76	7.68	7.55	7.43	8.01
Hong Kong (HK\$)	7.78	7.79	7.78	7.77	7.8	7.81	7.82	7.81	7.77	7.79
South Korea (won)	1192	1145	1024	955	929.04	939	929	927	921.23	955.89
Taiwan (NT\$)	34.4	33.6	32.1	32.5	32.85	32.9	33.1	32.9	32.4	31.52
Selected industrial countries										
Euro-12 (euro)	0.89	0.80	0.80	0.80	0.7	0.76	0.74	0.73	0.69	0.7
Japan (yen)	115.9	108.2	110.2	116.4	117.8	119.4	120.8	117.7	113.07	105.3

Sources: International Monetary Fund, Economist and National Bank of Cambodia

**Table 4. Selected Commodity Prices on World Market, 2003–2008 (period averages)**

	2003	2004	2005	2006	2007	2007				2008
						Q1	Q2	Q3	Q4	Q1
Maize (US No. 2)—USA (\$/tonne)	95.42	110.65	89.19	111.04	149.08	154.33	146.10	139.81	156.9	198.39
Palm oil—north-west Europe (\$/tonne)	402.03	427.47	381.32	433.85	707.68	552.06	691.44	745.86	841.39	1048.49
Rice (Thai 100% B)—Bangkok (\$/tonne)	182.22	221.67	262.88	282.00	305.36	294.17	283.89	304.75	323.92	444.43
Soybeans (US No. 1)—USA (\$/tonne)	218.86	262.03	224.25	213.88	294.59	255.33	259.95	299.99	366.59	449.64
Crude oil—Dubai (\$/barrel)	26.8	33.5	50.14	61.58	69.25	54.21	65.41	72.48	82.88	93.77
Gasoline—US Gulf Coast (cents/litre)	23	30.9	42.19	47.70	53.58	41.71	57.93	55.49	59.48	64.21
Diesel (low sulphur No. 2)—US Gulf Coast (cents/litre)	21.63	29.48	44.35	51.35	55.51	45.61	53.90	56.62	66.54	73.99

Sources: Food and Agriculture Organisation and US Energy Information Administration

## Economy Watch—Domestic Performance

Cambodia's economic performance improved slowly in the first quarter of 2008. Compared to the previous quarter, investment and construction approvals fell markedly, while overall trade increased. The number of visitor arrivals increased slightly, while prices of consumer goods experienced a continuing increase.

### Main Economic Activities

In the first quarter, total investment approvals decreased by 66 percent from the preceding quarter to USD253.4 m. All three sectors fell considerably. Agricultural investment decreased by 49 percent to USD52.3 m, services dropped by 52 percent to USD148.2 m, and industry plunged 84 percent to USD52.9 m. Usually, the first quarter is a period of increasing investment approvals. The decelerating of the US economy had a major impact on the fall in investment. Apparently, political uncertainty due to the approaching national election also contributed to the slowdown. In the first quarter, fixed asset investment by China (USD21.1 m) topped the list in industry, followed by South Korea (USD11.5 m). Of industrial approvals, those for garments were USD42.3 m, a 39 percent decrease from the preceding quarter. Investments in services were mainly in construction of resorts, shopping malls and telecommunications infrastructure. Approvals for telecommunications were 24 percent of the total in services. The proposed projects of the three sectors will employ a total of 31,971 persons if fully implemented.

The value of construction approvals in Phnom Penh dropped by 20 percent from the previous quarter, amounting to USD137.3 m. Approvals for flat construction fell by 9.4 percent to USD52.2 m, while villa and house approvals doubled to USD44.2 m. The total value of construction approvals was for 150 projects. Compared with the same quarter in 2007, total construction approvals dropped by 1.4 percent. Approvals for flat construction were down by 41 percent, while villa and house construction tripled.

In first quarter 2008, trade was slightly higher than in the previous quarter. The trade deficit improved, declining from USD189.3 m to USD180.7 m. Cambodia's exports, almost entirely garment products, increased by 1.2 percent, reaching USD803.1 m. Exports of the industrial sector increased by 6.4 percent to USD773.4 m, while agricultural exports fell. Rubber dropped by 52 percent to USD7.0 m and fish exports by 22 percent to USD0.7 m.

The value of Cambodia's imports remained stable from the preceding quarter, amounting to USD983.8 m. The value of petroleum imports increased slightly to USD60.0 m, while imports of vehicle and other spare parts increased 32 percent to USD102.5 m. Construction

material imports were USD39.7 m, an increase of 22 percent from the previous quarter. Steel imports were up by 69 percent, reaching USD15.8 m, while cement imports fell by 4.5 percent to USD11.6 m. Imports of fabric were stable at USD1.8 m, while second-hand clothing fell 14 percent to USD12.9 m. Sugar imports increased by 23 percent to USD2.4 m and beer imports by 8.6 percent to USD5.2 m.

Visitor arrivals increased by 6.0 percent from the previous quarter to 644,205 in first quarter 2008. Arrivals by air were up by 9.0 percent to 402,023, of which Phnom Penh airport received 41 percent. Arrivals by water increased sharply by 92 percent from the previous quarter to 27,232; the figure indicates popularity of water travel. Arrivals by land decreased slightly, by 4.5 percent, to 214,950. Holiday arrivals rose by 21 percent to 580,169, while business arrivals fell 11 percent to 37,444. Arrivals to Siem Reap destination were 55 percent of the total visitors to Cambodia; there was an increase of 12 percent comparing with the preceding quarter. Of total arrivals, South Korea (97,536) topped the list, followed by Japan (54,149) and Vietnam (53,386).

### Public Finance

In first quarter 2008, the government had a budget surplus of KHR135.0 bn. Compared with the same period in the previous year, revenue increased by 45 percent to KHR1194.1 bn. Tax collection went up by 40 percent, reaching KHR978.0 bn, of which domestic tax was KHR719.9 bn, an increase of 48 percent; and taxes on international trade were KHR258.1 bn, a rise of 22 percent. Non-tax collection rose considerably, 69 percent, to KHR211.4 bn. Property income, including rental of government land and public enterprises, plummeted 90 percent to KHR2.9 bn. Revenue from goods and services, comprising market and non-market licensing, administrative fees, rental fees and airport tax, rose by 34 percent to KHR118.9 bn. Capital income, which is an unstable revenue source, increased from nil in first quarter 2007 to KHR4.8 bn in first quarter 2008.

Government expenditure increased by 15 percent from the same quarter of 2007 to KHR1059.1 bn in first quarter 2008. Current expenditure, which is usually largest at the account closing date (the last quarter of the year), rose by 16 percent to KHR648.1 bn. Wages expenditure rose by 26 percent to KHR250.7 bn and non-wage expenditure by 56 percent to KHR262.8 bn. Of non-wage expenditure, purchases of office and other supplies rose by 93 percent to KHR64.5 bn, and spending on subsidies and social assistance was up 68 percent to KHR104.3 bn. Capital expenditure was KHR411.0 bn, a 12 percent increase from the same quarter last year.

## Economy Watch—Domestic Performance

Of total capital expenditure, 76 percent was funded by external sources.

### Inflation and Foreign Exchange Rates

Consumer prices moved up dramatically in January 2008. Increased international goods prices had a strong impact because Cambodia depends greatly on imports. In January 2008, overall prices were 18.7 percent higher than a year earlier; the comparable change was 16.3 percent in December 2007. Food and non-alcoholic beverages rose by 24.2 percent. Transport fees increased by 10.2 percent and education costs were up by 9.2 percent, while costs of communication fell by 12.9 percent. At the same time, the price of clothing and footwear rose by 8.3 percent. Changes in prices of goods and services were strongly influenced by world petroleum prices. In first quarter 2008, gasoline sold at an average 4580 riels/ℓ, an increase of 4.8 percent from the previous quarter. Diesel rose by 8.2 percent, selling at 3982 riels/ℓ.

The riel appreciated against the US dollar by 0.9 percent from the previous quarter, trading at 3995. Against the Thai baht and Vietnamese dong, the riel was stable, trading at 129.1 riels/baht and 25.2 riels per 100 dong.

### Monetary Developments

As of March 2008, liquidity (M2), which consists of riels in circulation and in deposits with the banking system, rose by 55 percent from the same quarter last year to KHR12,047.2 bn. At the same time, riels in circulation escalated by 34 percent to KHR2324.0 bn, riel deposits were up by 23 percent to KHR191.0 bn, and foreign currency deposits rose by 61 percent to KHR9532.3 bn.

Ongoing increases in net domestic assets and net foreign assets have accelerated the amount of total liquidity (M2). In March, net domestic assets in the banking sector were KHR1136.4 bn. This was due mainly to a sharp rise in domestic credit of 95 percent, amounting to KHR5646.9 bn, while other liabilities also rose by 43 percent, reaching KHR4513.6 bn. The component of domestic credits which is government credits remained stable, at a value of KHR296.6 bn, while government deposits rose by 83 percent to KHR2697.0 bn. Credit to the private sector rose by 98 percent from the same period last year, reaching KHR8439.0 bn. Net foreign assets rose by 35 percent to KHR1091.9 bn. Recycling money for the economic activity of small and medium enterprises helps growth by providing potential to employ more labour.

*Prepared by*

*Phann Dalis and Pon Dorina*

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## Economy Watch—Domestic Economy

**Table 1. Private Investment Projects Approved, 2002–08**

	2002	2003	2004	2005	2006	2007		2008				
						Q3	Q4	Q1	Q2	Q3	Q4	Q1
	Fixed Assets (USD m)											
Agriculture	40.3	3.7	12.3	26.8	498.0	0.0	154.6	19.1	2.1	12.0	102.4	52.3
Industry	67.7	137.2	187.9	914.6	365.3	171.7	76.6	142.7	51.2	187.2	328.0	52.9
. <i>Garments</i>	27.2	68.1	132.6	174.4	89.4	23.2	26.1	36.6	24.3	40.7	69.1	42.3
Services	145.3	168.4	91.8	155.5	2939.1	94.5	740.7	335.7	138.0	957.7	311.1	148.2
. <i>Hotels and tourism</i>	47.1	124.1	55.9	102.6	345.0	3.5	315.3	140.3	55.0	653.8	199.2	93.75
Total	253.3	309.3	292.0	1096.9	3802.4	266.2	971.9	497.5	191.3	1156.9	741.5	253.4
Total	-	-	-	-	-	-88.6	265.1	-48.8	-61.6	504.7	-35.9	-65.8
Total	13.1	22.1	-5.6	275.6	246.6	-34.1	715.4	118.9	91.8	334.6	-23.7	-49.1

Including expansion project approvals. Source: Cambodian Investment Board

**Table 2. Value of Construction Project Approvals in Phnom Penh, 2002–08**

	2002	2003	2004	2005	2006	2007		2008				
						Q3	Q4	Q1	Q2	Q3	Q4	Q1
	USD m											
Villas and houses	23.4	20.0	30.3	45.5	33.1	7.6	9.7	14.4	22.8	21.7	20.2	44.2
Flats	179.9	91.6	167.6	204.2	213.3	67.1	54.5	88.9	33.2	117.5	57.6	52.2
Other	16.6	87.3	65.6	109.1	76.8	20.8	13.9	35.9	88.8	40.6	94.3	40.9
Total	219.9	198.9	263.5	358.8	323.3	95.5	78.2	139.2	144.7	179.7	172.2	137.3
Total	-	-	-	-	-	16.1	-18.1	78.0	3.9	24.2	-4.2	-20.2
Total	12.0	-9.5	32.5	36.2	-9.9	24.8	8.9	106.5	76.0	88.2	120.2	-1.4

Source: Department of Cadastre and Geography of Phnom Penh municipality

**Table 3. Exports and Imports, 2002–08**

	2002	2003	2004	2005	2006	2007		2008				
						Q3	Q4	Q1	Q2	Q3	Q4	Q1
	USD m											
Total exports	1453.2	1708.1	2108.1	2352.8	2799.9	807.5	736.7	707.8	705.0	890.8	793.4	803.1
Of which: Garments	1355.8	1628.4	2027	2253.3	2698.9	782.0	716.0	677.5	688.2	846.1	727.1	773.4
. <i>To US</i>	943.4	1099.8	1270.9	1546.1	1847.1	522.8	483.2	499.1	451.2	-	-	-
. <i>To EU</i>	356.3	414.7	590.8	503.1	601.0	188.1	160.1	106.3	163.1	-	-	-
. <i>To rest of world</i>	56.1	113.8	165.3	204.1	250.7	71.0	72.8	72.0	73.8	-	-	-
Agriculture	97.3	79.7	81.2	99.5	101.1	25.5	20.7	30.3	16.8	-	-	-
. <i>Rubber</i>	29.7	35.1	38.3	36.7	41.4	13.6	10.2	8.4	6.9	11.7	14.6	7.0
. <i>Wood</i>	16.0	10.2	11.1	10.3	8.6	2.5	1.7	2.1	2.0	0.0	0.0	0.0
. <i>Fish</i>	4.3	2.8	10.6	10.1	5.9	1.6	1.4	0.7	0.4	1.2	0.9	0.7
. <i>Other</i>	47.4	31.6	21.3	42.6	45.1	7.7	7.5	19.0	7.5	-	-	-
Total imports	1707.8	1824.9	2149.0	2513.0	3057.0	784.3	807.1	790.9	911.6	924.5	982.7	983.8
Of which: Petroleum products	157.5	191.6	187.0	184.8	238.5	62.4	58.7	66.5	68.5	71.0	58.9	60.0
Gasoline	25.9	33.2	30.2	40.2	49.6	13.1	13.2	15.7	20.2	-	-	-
Diesel	100.8	109.6	109.4	93.1	122.0	30.1	27.2	31.9	36.6	-	-	-
Construction materials	12.9	80.8	95.3	134.7	154.4	42.5	35.8	44.1	31.6	34.9	32.5	39.7
Other	1568.2	1601.3	1914.0	2245	2731.0	698.5	731.0	699.2	807.5	818.6	891.3	884.1
Trade balance	-254.6	-116.8	-40.9	-160.1	-257.1	23.2	-70.4	-83.1	-208.1	-30.7	-189.3	-180.7
Total garment exports	-	-	-	-	-	-118.9	-403.4	18.0	150.4	-85.2	-14.1	6.4
Total exports	-	-	-	-	-	23.7	-8.8	-3.9	0.4	26.4	-10.9	1.2
Total imports	-	-	-	-	-	1.2	2.9	-2.0	15.3	1.4	6.3	0.1
Total garment exports	9.2	-54.1	-64.9	291.4	19.8	-76.2	52.0	-5.0	70.0	-232.3	1.6	14.2
Total exports	14.6	17.5	23.4	11.6	19.0	10.6	14.3	17.3	8.0	10.3	7.7	13.5
Total imports	13.7	6.9	17.8	16.9	21.6	24.0	16.8	14.5	17.6	17.9	21.7	24.4

Import data include tax-exempt imports. Sources: Customs and Excise Department, cited by NBC

**Table 4. Foreign Visitor Arrivals in Cambodia, 2002–08**

	2002	2003	2004	2005	2006	2007		2008				
						Q3	Q4	Q1	Q2	Q3	Q4	Q1
	Thousands of passengers											
By air	523.0	456.0	626.1	856.5	1029.0	224.2	325.0	373.6	275.6	278.5	368.8	402.0
By land and water	263.5	245.0	428.9	565.1	672.9	146.4	191.0	177.2	148.9	153.3	239.2	242.2
Total	786.5	701.1	1055.0	1421.6	1701.9	370.6	516.0	550.8	424.5	431.8	608.0	644.2
Total	-	-	-	-	-	4.1	39.2	6.7	-22.9	1.7	40.8	6.0
Total	30.0	-10.9	50.5	34.7	19.7	14.7	24.1	20.4	19.2	16.5	17.8	17.0

Source: Ministry of Tourism

## Economy Watch—Domestic Economy

**Table 5. National Budget Operations on Cash Basis, 2002–08 (billion riels)**

	2002	2003	2004	2005	2006	2007		2008				
						Q3	Q4	Q1	Q2	Q3	Q4*	Q1
Total revenue	1744	1764	2126	2625	3259.2	732.2	1199.6	824.9	1016.8	1031.4	1146.1	1194.1
Current revenue	1728	1733	2107	2474	2881.8	716.8	844.9	824.9	1012.4	1031.4	1141.6	1189.4
Tax revenue	1227	1220	1577	1911	2270.9	565.8	661.8	699.9	887.7	844.6	965.2	978.0
Customs duties	424	395	513	573	644.4	157.2	200.0	-	-	-	-	-
Domestic tax	-	-	-	-	-	-	-	487.9	642.1	584.8	661.8	719.9
Taxes on international trade	-	-	-	-	-	-	-	212.1	245.6	259.8	303.5	258.1
Non-tax revenue	501	513	530	563	610.9	151.0	183.1	125.0	124.7	186.9	176.4	211.4
Forest exploitation	15	7	2	3	2	0.3	0.9	-	-	-	-	-
Posts & telecommunications	123	120	94	123	83.1	11.7	30.0	-	-	-	-	-
Property income	-	-	-	-	-	-	-	27.9	15.5	14.8	13.6	2.9
Sale of goods and services	-	-	-	-	-	-	-	88.8	93.0	100.1	124.3	118.9
Capital revenue	16	31	19	152	377.4	15.4	354.7	0.0	4.5	0.0	4.5	4.8
Total expenditure	2948	2757	2932	3295	4174.7	1030.6	1191.9	923.9	1098.7	1126.1	1689.7	1059.1
Capital expenditure	1388	1171	1163	1328	1638.1	423.8	429.1	367.1	408.1	355.1	807.4	411.0
Current expenditure	1560	1586	1769	1967	2536.8	606.9	762.8	556.8	681.6	771.0	882.3	648.1
Education and health	454	473	518	351	714.0	150.1	281.3	-	-	-	-	-
Defence and security	438	411	423	451	520.2	155.3	170.1	-	-	-	-	-
Other ministries	668	702	828	1165	1302.5	301.5	311.4	-	-	-	-	-
Wages	587	615	640	711	822.0	230.6	240.6	199.7	242.7	253.4	362.6	250.7
Subsidies and social assistance	-	-	-	-	-	-	-	61.9	184.0	115.0	194.2	104.3
Overall balance	-1204	-993	-806	-706	-915.6	-298.5	7.7	-99.0	-81.9	-78.7	-543.6	135.0
Foreign financing	1249	886	864	1127	1360.7	335.2	376.2	344.0	313.9	290.3	741.5	299.2
Domestic financing	-45	106	148	-396	-445.1	-36.7	-383.9	-245.0	-213.0	-148.0	-185.8	-294.1

Provisional for 2007. Source: MEF web site. \* revised data

**Table 6. Consumer Price Index, Exchange Rates and Gold Prices (period averages), 2002–08**

	2002	2003	2004	2005	2006	2007		2008				
						Q3	Q4	Q1	Q2	Q3	Q4	Q1*
Consumer price index (percentage change over previous year)												
Provinces	-	-	-	-	-	-	-	5.9	9.0	14.4	16.6	19.1
Phnom Penh	-	-	-	-	-	-	-	4.7	5.8	7.7	12.4	16.8
Cambodia - All Items	-	-	-	-	-	-	-	5.7	8.5	11.9	15.9	18.7
- Food & non-alcoholic bev.	-	-	-	-	-	-	-	8.3	12.0	16.9	21.7	24.2
- Transportation	-	-	-	-	-	-	-	-3.4	1.1	2.0	5.3	10.2
Exchange rates, gold and oil prices (Phnom Penh market rates)												
Riels per US dollar	3912.1	3973.3	4016.3	4119.7	4119.0	4145.3	4129.4	4063.0	4075.4	4082.3	4030.1	3995.3
Riels per Thai baht	91.1	95.8	99.9	102.6	108.7	110.3	113.0	113.7	118.0	130.0	129.3	129.1
Riels per 100 Vietnamese dong	25.6	25.6	25.5	25.8	25.1	24.9	25.0	24.6	24.7	25.3	25.2	25.2
Gold (US dollars per chi)	36.8	41.4	46.3	54.0	70.6	73.0	72.8	77.7	79.8	80.8	94.4	111.6
Diesel (riels/litre)	1521	1508	2088	2633	3140.0	3333	3250	3067	3100	3203	3679	3982
Gasoline (riels/litre)	2084	2150	2833	3442	4004.3	4200	4050	3750	3900	4002	4368	4580

Sources: NIS, NBC & CDRI. \*The data for consumer price index are available to January 2008.

**Table 7. Monetary Survey, 2002–08 (end of period)**

	2002	2003	2004	2005	2006	2007		2008				
						Q3	Q4	Q1	Q2	Q3	Q4	Q1
Billion riels												
Net foreign assets	3737	4027	4797	5475	6682	6958	7224	8056	9048	9768	10735	10911
Net domestic assets	-849	-698	-467	-450	-637	-497	-282	-263	-172	140	576	1136
Net claims on government	-119	-128	-209	-421	-831	-892	-953	-1176	-1403	-1547	-1816	-2400
Credit to private sector	1059	1337	1817	2394	2997	3288	3628	4066	4537	5376	6386	8050
Total liquidity	2888	3329	4330	5025	6045	6461	6942	7793	8876	9908	11311	12047
Money	813	937	1153	1323	1512	1563	1658	1794	1748	1750	2052	2389
Quasi-money	2075	2392	3177	3702	4533	4898	5285	5999	7128	8158	9259	9658
Percentage change from previous year												
Total liquidity	31.0	15.2	30.0	16.1	30.6	29.4	38.2	36.5	46.8	53.4	62.9	54.5
Money	33.5	15.3	23.0	14.7	24.4	22.2	25.3	23.9	15.7	12.0	23.8	33.2
Quasi-money	30.0	15.2	32.8	16.6	32.8	31.9	42.7	40.7	57.3	66.5	75.2	61.0

Source: National Bank of Cambodia

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

	Daily earnings (riels)										Percentage change from previous year		
	2000	2003	2004	2005	2006	2007		2007			2007		
	Nov				Nov	Feb	May	Aug	Nov	May	Aug	Nov	
Cyclo drivers	7594	8572	7614	7469	7393	6534	9245	7126	9393	8	18	27	
Porters	6233	6676	6895	6545	7045	6010	9798	7704	8852	33	47	26	
Small vegetable sellers	5256	6532	6947	6000	6125	6125	8951	9116	8303	38	75	36	
Scavengers	2718	3944	4446	4416	3903	4530	5533	6038	5560	23	42	42	
Waitresses*	2111	4932	4448	4426	4498	4078	5150	4193	4508	21	-2	0	
Rice-field workers	4198	4177	4139	4365	4653	4126	4531	4561	4790	0	10	3	
Garment workers	6701	9577	9277	8816	8957	11146	8347	9033	8207	6	-2	-8	
Motorcycle-taxi drivers	8610	10092	9204	8201	8386	9144	12,886	8979	13,060	47	33	37	
Unskilled construction workers	5399	6558	6382	5918	6028	5263	6075	5901	7550	-5	-2	43	
Skilled construction workers	13,127	13,111	12,679	10,316	9466	10,215	11,892	11,723	10,956	21	24	7	

\* Waitresses' earnings do not include meals and accommodation provided by shop owners. Surveys on the revenue of waitresses, rice-field workers, garment workers, unskilled workers, motorcycle taxi drivers and construction workers began in February 2000. Source: CDRI

Continued from page 7 **Poverty Dynamics...**

#### Endnotes

1. In addition to capacity building in quantitative and qualitative data collection and analysis, financial support from the World Bank Poverty Office covers major research activities such as designing research methods, quantitative and qualitative data collection, entry and cleaning and production of a policy paper on the impacts of rising food prices on food security, agricultural production and poverty reduction. CDRI and the bank have yet to find financial support for more comprehensive data processing and analysis to produce four further policy papers, a synthesis report in Khmer and English, policy dissemination and dialogues that will be useful for policy makers.
2. More detailed discussions can be found in the forthcoming CDRI technical paper "What are the lessons learned from the Cambodian Moving Out of Poverty Study (MOPS)?".

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Continued from page 11 **The National Identification...**

The MOP Identification of Poor Households Programme will also endeavour to consolidate data collected by partner organisations during 2008 in Kompong Chhnang, Pursat, Battambang, Banteay Meanchey and Kompong Cham (selected ODs), and will disseminate these data when they become available. It is also expected that in 2009, data will be available for the provinces of Ratanakkiri and Mondolkiri, and Srae Ambel and Smach Meanchey ODs in Koh Kong.

#### Looking Ahead

The MOP has limited resources and can conduct identification of poor households only in selected areas of the country. Therefore, the MOP is cooperating with partner organisations in order to cover as many areas as possible, with a focus on areas in which health equity funds are operating. The MOP provides some training and guidance for these organisations

The MOP has the medium-term aim of being able to conduct identification of poor rural households nationwide and to carry out annual updates. However, in order to do this, the MOP will require additional resources. In 2009, it is planned to create a pooled fund to enable the government and various development partners to contribute to the costs of identification. This will

help to ensure the ongoing viability of the programme and the sharing of data with all governmental and non-governmental service providers, in order to provide the maximum benefit to poor households.

Another key objective of the MOP is to work closely with the Ministry of the Interior to integrate the identification of poor households as a routine task of commune councils and their support structures. Institutionalising the programme within these structures will promote its long-term sustainability and the widespread use of the data as a planning tool by commune councils. Efforts will be made to identify funding sources for support of commune and village identification activities, preferably through the Commune/Sangkat Fund.

Another key task is to promote widespread use of the collected data by government institutions, NGOs and sector programmes and projects, as well as by commune councils, for targeting services and assistance to poor households. The MOP programme, in addition to conducting district and provincial workshops to disseminate poor households data, will be stepping up national promotion to raise awareness about the programme and dissemination of data. In addition to presentations to technical working groups and other forums, a national workshop to launch the national procedures officially is planned in the fourth quarter of 2008.

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hopes to complete the report by the end of September. Two research associates are being funded by UNICEF to join the Global Child Poverty Study in the UK from 16 to 28 September. The unit is gradually being transformed into a Social Development unit covering areas such as health, education and human security. The unit is looking for more funding from various sources and is reviewing a project proposal on health in discussion with the Health Planning Department, WHO and the Oxford Health Policy Institute.

The Natural Resources and the Environment unit prepared a second annual progress report and work plan for the Water Resources Management Research Capacity Development Programme. The report and work plan were sent to AusAID for comments; they are now ready for final submission to AusAID. Concept notes on the economic and physical themes among the three themes (economic, physical and governance) are being finalised. The unit is finalising a social assessment of water resources management in Cambodia. Also, it has completed a third field survey of a joint project on tropical forests for poverty alleviation—from household data to global analysis—in five countries. Since July, a project on Building Community Capacity for Poverty Reduction Initiatives in the Tonle Sap Basin, which is funded by the Japan Fund for Poverty Reduction, has been transferred to the unit. The project is in its inception phase until September. It is a joint project among CDRI, Community Based National Resource Management Learning Institute (CBNRM LI) and Council for Agriculture and Rural Development (CARD). An inception work plan has been revised. Unit researchers attended a baseline training course organised by CBNRM-LI. The unit is working on a concept note on baseline survey. It is expected to be finalised in late August. A field survey is expected to be conducted in September.

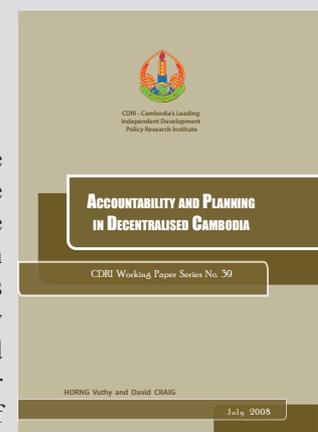
The Poverty, Agriculture and Rural Development unit accomplished a number of activities in the ongoing project, Poverty Dynamics Studies, 2008–09. Two staff attended the World Bank Advanced Training Course on Quantitative Poverty Analysis. The unit conducted a qualitative refresher course for 12 researchers and research assistants from different CDRI research units. The design and preparation of the second round of the household survey and qualitative data collection in September–October are on track. The unit also submitted a proposal to International Development Resource Centre (IDRC) for possible top-up funding for the remaining Poverty Dynamics Study activities. In ongoing collaboration with the Human Security, Peace Building and Conflict Transformation unit in the Youth Situation Analysis project, the fieldwork was completed, and the data analysis and report writing are on schedule. The unit hosts another one-month-internship for a graduate student from the University of Tokyo who is studying the role of social capital in community development.

Since 2007, CDRI has been holding a bimonthly Research Workshop Series on development issues. The purpose is to share research findings and strengthen research quality by discussing findings, improving methodology and conceptualising and analysing research themes. The presenters in these workshops are both from CDRI and from different institutions and NGOs in Phnom Penh. Since June, outside presenters have included Mr Steve Gniel, an MBA student from the Australian National University, and Ms Ogasawara Rie, PhD student, Kyoto University, Japan. The presenters from CDRI included Mr Nou Keosothea, Mr Pak Kimchoeun, Mr Chan Sophal and Mr Phim Runsinarith. The topics covered macroeconomic development, poverty, governance, trade and natural resources and agriculture.

## New Publications Released

Working Paper 39: *Accountability and Planning in Decentralised Cambodia* by HORNG Vuthy and David CRAIG, July 2008, 136 pages.

This paper is about sub-national accountability and planning, where accountability is the central focus and planning is considered an instrument for achieving accountability. The paper aims to understand major issues that affect sub-national planning's ability to advance accountability and then to draw key lessons for the decentralisation and deconcentration (D&D) reform, whose main objective is to promote sub-national accountability so as to achieve and sustain democratic development. The findings suggest that the ability of sub-national planning to promote accountability has been continuously improved by the introduction and implementation of reform initiatives, most notably the former SEILA programme. Yet, planning's ability to advance accountability faces a number of constraints. They include: (i) a high degree of centralisation in governance, reinforced by factors including centralised control of major resources; (ii) overriding strengths of neo-patrimonial networks, (iii) lack of consistent progress of major related reforms and (iv) complexity in and fragmentation of external aid delivery.



## CDRI UPDATE

### Management

CDRI's 2007–08 Annual Report has been published and posted on the web site. As part of action arising from the mid-term review of its 2006–10 Strategic Plan, and in response to strong local demand for CDRI research products, CDRI now provides free of charge access to all its major research reports and findings, where possible in both English and Khmer, as easily accessible downloads from the web site. CDRI will also to continue to publish quality hard copy versions of major research studies, its *Annual Development Review* and quarterly *Cambodia Development Review*. The outcomes of the 2008 Cambodia Outlook Conference are also now available in Khmer and English through the web site.

On 15 August CDRI held its mid-year board of directors meeting, attended by all local members. The board considered an interim report on directions arising from the mid-term review of the Strategic Plan, including outcomes of an internal review of performance compared to the plan's goals, an externally administered staff satisfaction survey, a review of the roles and development needs of middle management and salary and related human resource management issues. The board endorsed CDRI's focus in the remainder of the plan period on improved research quality and management, including some proposed adjustments to the structure of the Research Department, the development of a CDRI Cambodia 2020 country research strategy, more effective production and dissemination of accessible Khmer and English research products, streamlined internal policies and procedures, improved remuneration and retention policies and a more systematic approach to staff professional development.

### Research

Following are research and research-related activities that took place at CDRI over the period June–August 2008.

Democratic Governance and Public Sector Reform. The team has been invited to be part of the design consulting team for the National Committee for Managing Decentralisation and Deconcentration, formulating the National Programme for Decentralisation and Deconcentration following adoption of the Law on Administration and Management of the Capital, Provinces and Districts. The Leadership in Local Politics study is analysing and writing the first of its three working papers. The Governance of Resources study is progressing well, writing and conducting some additional fieldwork.

The Economy, Trade and Regional Cooperation unit conducted a national household survey to assess the effects of rising food prices and concluded it successfully despite the short time frame. A national workshop to disseminate the findings is planned for September. Ongoing work includes studies on service and growth, competitiveness, the political economy of Greater Mekong Sub-region integration, service exports, labour migration in the GMS and agricultural trade in the GMS. Ms Ouch Chandarany returned after completing her master degree in public policy from the Lee Kuan Yew School of Public Policy, National University of Singapore.

The Human Security, Peace Building and Conflict Transformation unit has completed field work in six provinces for a youth situation analysis, and the research team has begun the analysis and writing of the report. We also plan to submit one of the chapters of this report for the ADR. The research team of the child poverty and disparities study has made progress in its analysis and

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