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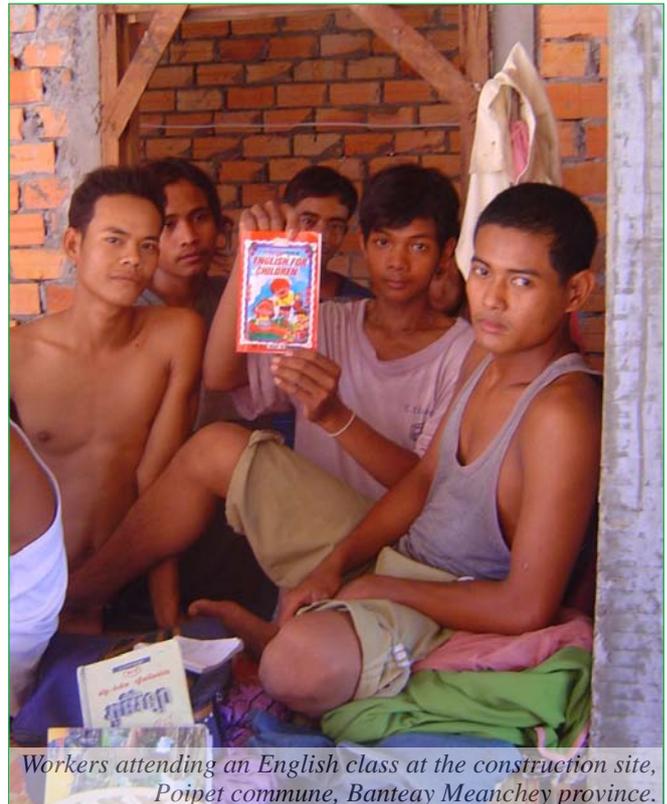
Youth Migration in Cambodia

by Lim Sovannara*

1. Introduction

Since the late 1990s, growing numbers of young adults from rural Cambodia have migrated to urban areas to take up jobs created by the economy's opening to a free market and its subsequent high growth. Moving from one place to another is always risky, especially for young workers, most of whom have never left their home village and are equipped with only very basic education and few or no skills. Their migration process, networks, living and working conditions are not yet well understood, nor are the impact of remittances and migration on sending households and communities. This paper discusses rural-urban youth migration and its impact on poverty reduction in sending communities by looking at: (a) the socio-economic background of young migrants' households; (b) the factors that promote migration from rural areas; (c) the role of social networks in migration; (d) young migrants' integration into urban settings; (e) remittances and their impact on poverty reduction in the sending household and community.

Previous studies have suggested that internal migration can have both negative and positive impacts on development and poverty reduction. Even though its net impact is still open to debate, internal migration can be a crucial livelihood strategy for many poor people and an important contributor to national economic growth (DFID 2004). This argument is supported by Laczo (2005). He points out that internal migration has the potential to contribute to development in a number of ways. By supplementing their earnings through off-farm labour in urban areas, rural households diversify their sources of income and accumulate capital. In the short term, migration may result in the loss of local financial and human capital, but it can also contribute to the long-term development of rural



Workers attending an English class at the construction site, Poipet commune, Banteay Meanchey province.

areas. In particular, internal migrants' remittances can be significant in alleviating rural poverty. Remittances from urban employment supplement rural incomes, boost rural consumption, contribute to household saving and can thus stimulate the local economy. In the long run, sending communities benefit mainly through remittances. The positive impacts of migration, in most cases, outweigh the negative.

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* Lim Sovannara is a former research associate at CDRI. This article is a summary of key findings from Youth Migration and Urbanisation in Cambodia research conducted by CDRI with financial support from the United Nations Population Fund Cambodia.

2. Socio-Economic Background of Young Migrant Households

Ability to earn more money is the most important pull factor, and remittances are seemingly the only benefits for sending households and communities. Migration should be undertaken by the poor and the poorest rather than by the medium and the rich. However, the study suggests that 54 percent of the sending households are in the medium category, another 40 percent are poor, and 6 percent are the poorest families (households are divided into rich, medium, poor and poorest). The poor and medium households combined were 94 percent of the sending households interviewed. The poorest find it difficult to migrate primarily because they lack financial and social capital. In some other cases, the children from the poorest families have to stay to take care of their aged or disabled parents, whose condition is the cause or result of poverty. Adult children from rich families stay in their home village for other reasons. Most of the rich are able to diversify their sources of income by loaning money to other villagers, renting out productive assets such as tractors, hand tractors and mills or creating small businesses in their own villages. These enable them to avoid the risks and challenges of migration.

3. Reasons for Migrating

Youth labour migration is due principally to push factors and facilitated by pull factors. Chronic poverty, landlessness, depletion of natural resources or common property resources, lack of year-round employment, debt and natural disasters compel many young rural Cambodians to migrate. High demand for unskilled labourers in the labour-intensive garment and construction sectors and the prospect of paid employment and a better life constitute the pull factors. In addition, a few young adults migrate along with their families. In some cases, the lure of materialism proves too tempting to resist for some young migrants from medium families, who would normally have enough to eat but want to be independent financially or want more money for entertainment.

From the study, almost half of the young migrants decided to migrate because of the absence of year-round employment in their home village. This push factor corresponds to the desire of young adults to break free from traditional employment, i.e., farming and fishing, to year-round waged employment, lured by the success stories of their migrant relatives, friends or other young adults from their village. Another 17 percent cited lack of food as their reason for migrating,

while insufficient land was the reason of one-tenth of the whole sample. "Forced out by problems in family" came a close fourth. Surprisingly, only 4.2 percent cited natural disasters as the reason for migrating, and debt was the reason of only 3.2 percent.

4. Social Networks and Migration

Sources of Information

Network theory attributes migration to personal, cultural and/or other social ties. Within migrant-sending areas or countries, information about jobs and living standards in receiving areas or countries is most efficiently transmitted through personal networks such as friends and neighbours who have emigrated. Immigrants' relatives often help them find jobs and adjust to the new environment (Oishi Nana 2002, quoted in Kim 2005).

Moving from one place to another, seasonally or permanently, is risky and entails both social and financial costs. Correct and adequate information would greatly reduce migration risks and improve chances of success. The study suggests that most young migrant workers have very limited information, if any, about potential jobs or living and working environments in urban areas. They relied heavily on informal sources of information. The information they did get before deciding to move was primarily on the availability of employment rather than on working or living conditions.

Almost half of them first heard about employment opportunities from relatives, while the rest heard from family members, neighbours or other villagers or friends. Notably, the mass media played almost no role in disseminating information on the availability of employment to rural Cambodia. This also highlights the social networks between migrant workers and sending areas. A construction foreman in one studied village would phone to his home village when he needed more labour; as a result, most of his unskilled workers were young men from this village. In the same vein, the vast majority of waiters and waitresses in a particular restaurant came from the same or a nearby village of the restaurant owner. Cases of siblings or friends from the same village working in the same factory, restaurant or car-wash are very common. The study also indicates the absence of middlemen in internal migration. They play a far more important role in international migration.

Networks can be a determinant of success for a migrant worker because better networks mean better chances of securing a job and fewer possibilities of being cheated. The absence of formal and the presence

of informal networks is one characteristic of labour migration of young adults in Cambodia. The study suggests that one of the most common patterns of youth migration from a village is that first one or two migrate; a year or two later the pioneers return, spreading information about jobs and the benefits of migration. In most cases, the pioneers serve as coordinators for other villagers. In a traditional society like Cambodia, social networks are based in the village and spread out like a spider web, but with the migration of young adults from rural areas, new linear networks, connecting rural and urban areas, have started to take root. These new networks are a catalyst for migration. While traditional networks remain largely intact, albeit weaker, the new linear networks have become stronger and stronger and play a very significant role in rural-urban migration. Those outside such a network find migrating much harder.

Sources of Finance

Migration has long been considered as a type of investment. Typically in rural Cambodia, capital needs to be mobilised to enable family members to migrate. When asked about sources of finance, about one-third cited family savings. Own savings came in second, while loans and selling property were third and fourth respectively. Five percent were paid for by relatives, while 3 percent were financed by their prospective bosses. The fact that 37 percent either took loans or sold property helps explain why some families move down the well-being ranking after a failed attempt at migration.

In rural Cambodia, the poor and the poorest lack funds for even the smallest investment. In most cases, they resort to loans from local moneylenders or micro-finance institutions; the former are the traditional way, while MFIs, having made inroads into rural Cambodia only recently, offer an alternative. Loans are a serious decision for the rural poor. Traditional moneylenders usually require no collateral, but they charge exploitative interest rates, not less than 10 percent per month. MFIs generally charge 3 percent per month but require borrowers to put up assets, in most cases farmland, as collateral.

5. Integration into the Urban Environment

Socialisation

How do young migrants from rural areas integrate themselves into the urban setting? For most of the young migrants interviewed, the journey to find a job in the city was their first. This study shows that their

integration into urban settings is “sorely shallow”. The new friends they make are from other parts of rural Cambodia, rather than from the cities they reside in; these were rural-rural rather than rural-urban connections. The interaction between rural migrant workers and their hosts was still very limited. Young migrants were either too busy or too scared to go out or unwilling to spend money to explore the city. Waiters and waitresses virtually confine themselves in their workplaces and rarely venture out; car washers are similar. Construction workers mostly stay in makeshift huts in or around construction sites. Garment workers know only the road on which they shuttle to work.

Salary and Earnings

On average a young migrant worker earns 307,400 riels per month. This overall mean is rather large due to the salaries of casino workers, who on average earn 621,700 riels. The other occupations are less lucrative. A car washer has a salary a little over 102,200 riels, a waiter or waitress has a monthly salary of 100,000 riels but earns tips from customers, taking him or her to an average 168,900 riels. A garment worker earns 279,300 riels, while a construction worker earns 292,700 riels a month. Petty traders, cart pullers and motorcycle taxi drivers earn over 10,000 riels a day.

Spending

More than half of the spending of young migrant workers is on food. Spending on food occupies first place for all sample groups except car washers, who are provided free meals by garage owners. The young migrants spend only 1900 riels per month on transportation, which reaffirms the above finding that they do not travel much in areas of destination. Spending on “eating out during weekend” averages 7800 riels per month. On average, a young migrant worker spends a total of 145,600 riels a month in “expensive” cities.

6. Remittances

Focus group discussions with parents and relatives of young migrant workers revealed that most decisions to migrate were the family’s rather than the migrant’s. The young migrants move out to earn money for the family rather than for themselves.

Unsurprisingly, an overwhelming 93.4 percent of young migrant workers sent money home. However, because some of those not remitting money were living with their families, the share of young migrant workers providing money to their families was virtually 100 percent.

The household survey showed almost identical results; 90.12 percent of households interviewed reported receiving money from their migrating family members.

Amount

young migrant workers remitted an average 1,012,400 riels per year to their families, a substantial amount of money for rural Cambodians; in some cases, this can totally support a family financially. The amount varied greatly, from 779,200 riels by a waiter/waitress to a whopping 2,739,700 by a casino worker. Data from the household survey suggest that on average a migrant worker sends 918,900 riels to their family in the sending village.

On average, young migrant workers remitted 27.44 percent of their total earnings to their families. The percentage varied greatly according to occupation, from 15.77 percent by motorcycle-taxi drivers to 72.96 percent by car washers. This, once again, highlights the strong linkages between areas of origin and destination and the dependency of sending households on remittances.

Channels

Migrant workers send money home on a regular basis, so choosing a reliable channel is very important to them. The study found that micro-finance institutions played a very modest role in the sending of remittances, only 6.26 percent of workers interviewed using this channel. Informal channels dominated, with one-fourth each sending money through relatives, taking it home themselves during visits or sending it through friends and villagers. Disturbingly, 2.02 percent of young migrant workers have someone from their family travelling to their working destination only to pick up their salaries.

High transaction fees and complex procedures were given as reasons for the unpopularity of MFIs, whereas speed and simplicity were reasons for choosing taxi men and emerging phone shop services.

Use of Remittances

The relationship between poverty and migration is very complex. Undeniably, poverty is one of the main factors stimulating migration, and migration in turn can help reduce poverty. Knowing how sending households use remittances is vital to understanding how migration helps to alleviate poverty and promote the well-being of households and communities. Whether or not remittances are used for productive purposes has

serious long-term implications not only for the well-being of sending households and communities but also for migrant workers when they return. Unsurprisingly, during focus group discussions, some young migrant workers did not have clear ideas about how their families used the money they sent.

The study indicates that remittances were used primarily for buying food. Buying productive assets such as seeds, fertiliser and cattle came in second in both migrant worker and household surveys. Spending on social functions such as weddings and religious rituals came in third in both surveys; in rural Cambodia such functions occur very frequently. Another expense that can be considered productive, albeit in the long term, is siblings' school fees and stationery, which came fourth in the migrant survey and fifth in the household survey. Repaying debt came fourth in the household survey and fifth in the migrant worker survey. Saving was less than 4 percent in the migrant worker survey and less than 2 percent in the household survey. Opening a new business, buying or extending farmland, repairing a house and buying durable goods—still a luxury for the rural population—accounted for less than 1 percent each.

Impact on Sending Households and Communities

The study indicated unmistakably that most sending households gain net benefits from labour migration, but the impact on sustainable livelihood or poverty reduction is still very complex. Since the explosion of rural-urban youth migration in the late 1990s and early 2000s, there has been a substantial flow of remittances from urban to rural areas. Remittances undoubtedly help stabilise rural livelihoods in Cambodia. However, an unwelcome trend is emerging for some rural families to become too reliant on their migrating children. During village household surveys, the researchers observed that some families in sending communities do nothing but wait for remittances. In these cases, migration is the only source of family income, not a supplement. Various studies by CDRI have found that the poor can move out of poverty when they are able to diversify their sources of income, so quitting farm work because migrating children send remittances home may have a reverse impact on the family financial situation. It is also worth recalling that most young migrant workers are unskilled or poorly skilled, and their employment in volatile jobs is not guaranteed. Given this, over-reliance on remittances can be a trap.

Overall, youth migration has had a hugely positive economic impact on sending households. Failure to

land a job or being cheated can adversely affect sending households, but such failed migration does not happen frequently compared with international migration, even in the absence of formal social networks and proper protections. Families with young migrant workers have a more stable financial situation and in some cases have moved up the well-being ladder, but it is not the poorest who have the highest rate of migration. Remittances from migrant workers also clearly have a positive economic impact on sending communities. They help to stimulate the local economy by creating new small trade and business and increasing household consumption. Villages with a large number of young migrant workers enjoyed more robust economic activities than those with a small number of young migrant workers.

7. Conclusion

Labour migration has a big impact and an increasing role in poverty reduction in a country where around 35 percent of the population live under the poverty line, earning less than USD0.50 a day. The remittances from migrants are very substantial, and in some cases can support a rural family the whole year round. Migration was once considered as the second or third source of family income and only a supplement, but for some families it has become the leading source. Migration diversifies sources of income, helps rural people save and puts them in a stronger position to cope with sudden shocks.

One important policy question is whether labour migration can substitute for development in rural Cambodia. Migration is a short- or medium-term rather than long-term solution. Labour export is not an instant solution to the shortage of non-farm occupations in rural Cambodia. Alternative rural jobs need to be created for sustainable rural development. Nonetheless, development is associated with increased urbanisation and shrinkage of the rural population. Migration would have to be permanent for the country to develop, although permanent migration does not necessarily lead to development. Many development scholars believe that the industrial sector needs to become a lot more active and vibrant to be able to absorb migrants.

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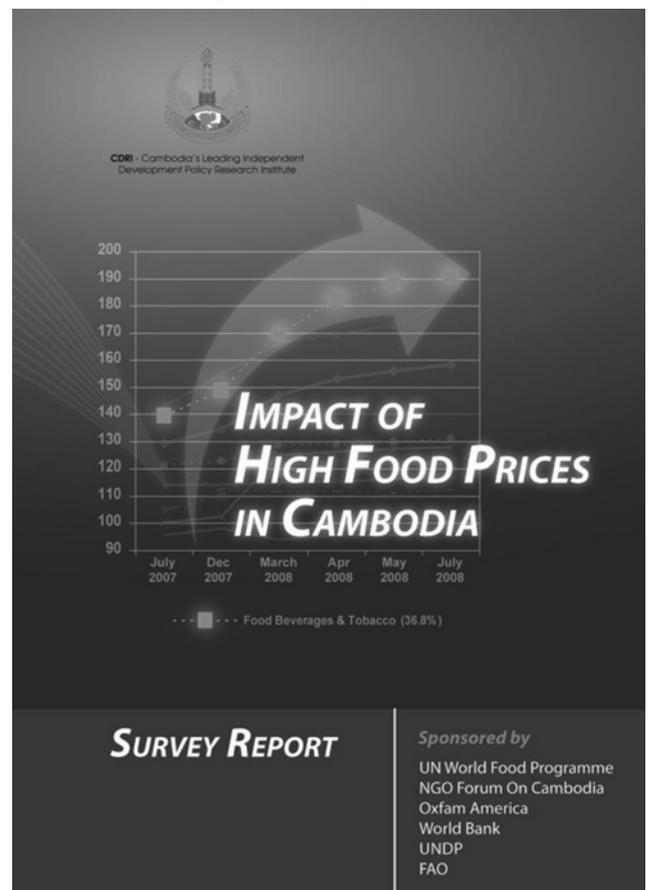
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New release

Cambodia in 2008 has experienced rising prices, especially of fuels and food, pushing year-on-year inflation above 20 percent during March–August. Food prices increased by 36.8 percent and transportation and housing materials by 27 percent each between July 2007 and July 2008. This inflation is mainly caused by rising world and, to some extent, local demand, while supply is contracted or more costly due to increasing fuel costs. In this situation, the Cambodian economy has received both negative impacts on consumers and opportunities for producers to earn more. *It's now available from CDRI and bookshops. It can also be downloaded from the CDRI website free of charge.*



Community Well-being and Household Mobility in Post-Conflict Cambodia¹

by Dr Brett Ballard²

1. Introduction

Social and economic development in countries that experience political upheaval and violent conflict tend to lag behind that of countries that enjoy peace and stability. However, the local linkages between conflict and development are not yet adequately understood. This article aims to contribute to our understanding of these linkages by analysing how conflict and the onset of peace have interacted with multiple variables to affected community well-being and household mobility in nine villages in Cambodia.

The nine villages vary according to location and geophysical endowments. These factors shape livelihood strategies and the capacity of households to diversify income sources and access services, information and markets for trade and employment. The villages also experienced varied levels of armed conflict and realised peace at different times. At first glance, villages in which fighting ceased prior to or early in the study period (1993–2003/04) appear to have performed better than villages in which fighting was more intense and

protracted. Upon closer scrutiny, however, when armed conflict ended is not always a reliable predictor of community well-being and household mobility.

The following section briefly introduces the nine MOPS villages. Section 3 examines how armed conflict or its absence interacted with four key factors to impact on community well-being and household mobility. The four factors are land acquisition and characteristics, the timing of the end of conflict, development assistance and location and access. Section 4 concludes with a discussion about prioritising, targeting and sequencing development assistance in post-conflict communities and how to sustain development once it “takes off”.

2. The MOPS Villages

The nine MOPS villages were originally selected in 2001 according to agro-ecological zones for a study on rural livelihoods. In 2004–05, 890 of the original 1010 households were surveyed, thus creating a panel data set that enabled CDRI researchers to measure changes

in community well-being and household mobility over the three-year interval.

Villages were grouped into three well-being clusters according to consumption, income and poverty rates. Strongly performing villages experienced rising consumption and incomes and falling poverty rates. These villages were characterised by better accessibility, better

Although these villages varied somewhat, they tended to be less accessible, to be more dependent on common property resources and to have less agricultural land. Poorly performing villages were unable to achieve substantial income or consumption growth or poverty reduction.

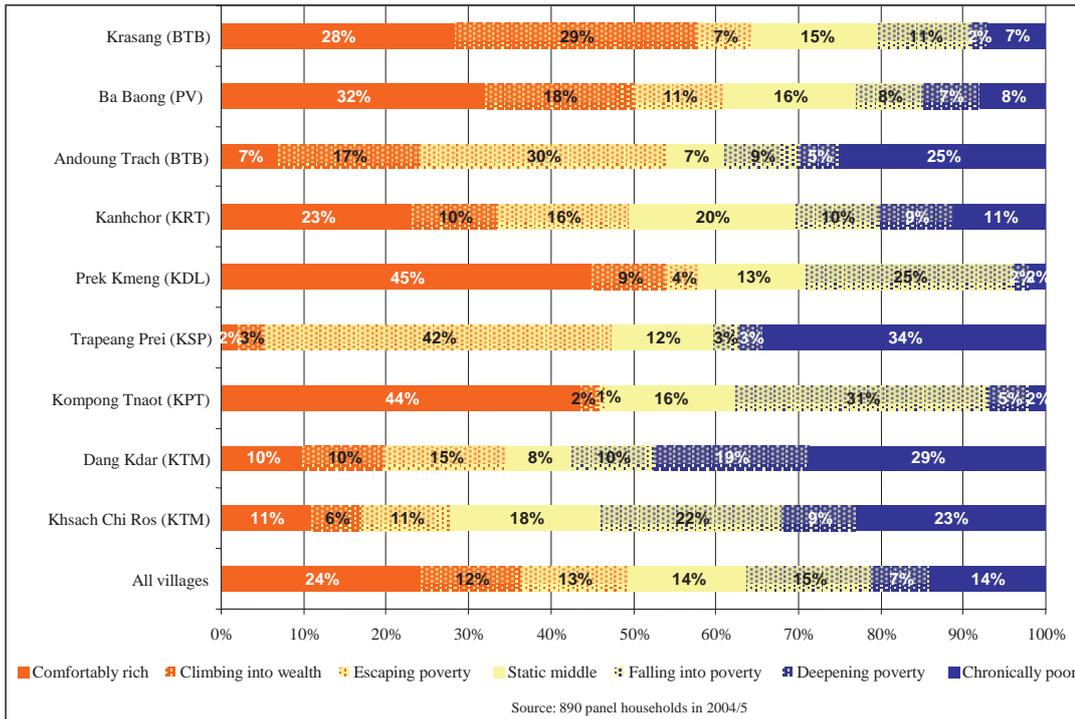
geophysical endowments, access to markets for trade and employment, more development assistance and higher agricultural productivity. Moderately performing villages achieved income and/or consumption growth, or poverty reduction, but not both. Although these villages varied somewhat, they tended to be less accessible, to be more dependent on common property resources and to have less agricultural land. Poorly performing villages were unable to achieve substantial income or consumption growth or poverty reduction. These villages were isolated and natural resource dependent, had limited agricultural land and poor soils and received fewer development interventions.

Figure 1 shows the distribution of mobility groups across the nine study villages. The strongly performing villages of Krasang, Ba Baong and Andoung Trach tend to have more upwardly mobile and better off households, while the poorly performing villages of Kompong Tnaot, Dang Kdar and Khsach Chi Ros have more downwardly

¹ Much of the evidence and analysis in this article is synthesised from the CDRI report *Moving Out of Poverty?: Trends in Community Well-Being and Household Mobility in Nine Cambodian Villages* (FitzGerald, So et al. 2007). This article introduces additional material and analysis concerning the role of conflict in shaping community well-being and household mobility in the nine study villages.

² Brett Ballard is the Agriculture and Rural Development Advisor for AusAID Cambodia. This article is a summary of a chapter for the World Bank’s Global Moving Out of Poverty Study (MOPS) publication concerning conflict and household mobility. Dr. Ballard prepared this chapter while serving as Senior Research Advisor for CDRI. The opinions and interpretations expressed in this article do not necessarily reflect the views of the government of Australia.

Figure 1.0: Distribution of Each Mobility Group in Nine Study Villages



conflict. For example, two of the three poorly performing villages, Khsach Chi Ros and Dang Kdar, were in red areas where fighting was intense and protracted, not ending until 1997 or 1998. Meanwhile, two of the three strong performers, Ba Baong and Andoung Trach, were in green areas where fighting ended well before or very early in the study period.

However, the matrix shows also that Krasang is a red area

mobile and chronically poor households. In the three moderately performing villages of Kanhchor, Prek Kmeng, and Trapeang Prei, households appear to be moving in opposite directions: the number of better-off and upwardly mobile households is more or less offset by a similar number of downwardly mobile and chronically poor households.

3. Conflict and Community Well-being

Table 1 categorises the nine villages according to the community performance typologies and conflict typologies. In green area villages, armed conflict had ceased either well before or at the beginning of the study period. In red area villages, armed conflict extended well into the study period. The matrix suggests some relationship between community well-being and armed

village that performed strongly, while another red area village, Kanhchor, performed moderately. Kompong Tnaot is a poorly performing green area village. These cases suggest that armed conflict and when it ended are not entirely reliable predictors of community well-being. Performance must therefore depend on additional factors. The rest of this section examines four key factors that link conflict, community well-being and household mobility: land acquisition and characteristics, the timing of the end of conflict, development assistance and location and access.

3.1. Land Acquisition and Characteristics

Land acquisition established the foundation upon which households could eventually accumulate assets and diversify income sources, the keys to upward mobility. The local land distributions in the 1980s and early 1990s and the capacity of households to clear new land were both affected by the scope and scale of the armed conflict and by the timing and circumstances of the end of conflict in each area. In all nine villages, the krom samakki (i.e., solidarity group) was followed by a distribution of agricultural land. In two villages, people were allowed to reacquire the land they held prior to the Khmer Rouge regime. In other villages, land was divided according to the number of household members. Although the formula varied, larger households tended to receive more land than smaller households. In other villages, land was divided equally among households regardless of their size. Efforts were also usually made

Table 1: Conflict and Community Performance Matrix (Year Conflict Ended)

	Green	Red
Strong	Ba Baong (1984) Andoung Trach (1994)	Krasang (1998)
Moderate	Prek Kmeng (1984) Trapeang Prei (1993)	Kanhchor (1998)
Poor	Kompong Tnaot (1993)	Khsach Chi Ros (1997) Dang Kdar (1998)

to provide households with similar quality land.

The ability of households to acquire additional land by clearing forest depended on the amount and mobility of available labour. Larger households that may have acquired more land through distribution were also better able to acquire more land through clearing when security conditions permitted. For example, in the red area village of Khsach Chi Ros, people were allowed to clear additional land but were generally unable to do so because of heavy fighting and the presence of land mines. In other villages, local leaders and the military limited people's mobility in areas where they could be harassed by or consort with KR soldiers. In Ba Baong, however, villagers had been able to clear additional land since the early 1980s.

Geophysical endowments such as soil quality and location also influenced the degree to which households were able to accumulate productive assets and diversify income sources. For example, in Khsach Chi Ros the land that was farmed was of poor quality soil, so overall production was limited. This retarded community performance and slowed household mobility. In Krasang, armed conflict also impacted on efforts to farm, but was not as disruptive as in Khsach Chi Ros. Better quality soils enabled people to obtain better yields on the land they could farm. People also had better access to markets, which enabled some degree of trade. Good quality soil and good location therefore offset to a certain extent the impact of armed conflict, promoting better community performance and enabling better endowed households to accumulate more assets (e.g. hand tractors) with which to intensify farming and increase productivity.

The circumstances surrounding the end of conflict also played an important role in land acquisitions in some villages. In Andoung Trach, a strongly performing green area village, around 100 refugee households were resettled in 1992. Nearly all of these returnees were considered poor upon their arrival, because they had no land and very few financial resources. In 1994, flooded forest land that had previously been inaccessible because of the presence of Khmer Rouge forces was distributed to the returnees, each household receiving about one hectare. However, many of them did not have the financial or human resources to clear the land and eventually left the village.

3.2. Timing

When the fighting ended also had important implications for community well-being and household mobility. One aspect of the timing concerns public security. Nearly all the villages reported problems of theft and robbery, particularly during the transition from conflict to peace. Several green area villages reported that theft and robbery seemed to increase in the early to mid-1990s, coinciding with the UNTAC period. In the red area villages, it appears that theft and robbery were widespread during the fighting and then in some cases intensified once the conflict was over.

For example, Khmer Rouge units established themselves in forest areas near Khsach Chi Ros, from which they conducted military operations. As various units began to defect to the government, other units remained in the forests and essentially became bandits. Another case in point is Kanhchor village, where armed conflict had been particularly intense during the early to mid-1990s. Around the middle of the decade, some KR units defected to the government, but others continued fighting and eventually took up banditry. Thus, the pattern of the end of conflict in red area villages was not always a sudden end to fighting and the immediate resumption of peace. Rather, the conflict in particular areas transformed into security issues associated with banditry, which also affected people's capacity to clear new land and conduct trade.

The second factor concerns when the fighting ended relative to external events, including floods and drought and forest concessions. All nine villages experienced severe flood and drought during the second half of the study period. Households in Ba Baong and Andoung Trach, however, had sufficient time after the end of conflict in their areas to accumulate productive assets and diversify income sources that enabled the village to withstand the negative effects of floods or drought. In Khsach Chi Ros and Dang Kdar, the time between the end of the conflict and the onset of drought was by comparison quite brief. Households in these two villages did not have sufficient time to accumulate productive assets, expand land and develop infrastructure before the onslaught of drought. As a result, overall village well-being stagnated or declined, even though some households were able to benefit. In Krasang and Kanhchor, more productive soils to some extent offset the impact of protracted fighting, helping to account for their better performance.

Soil quality and location also influenced the degree to which households were able to accumulate productive assets and diversify income sources.

Table 2: Development Interventions, by Conflict Type, 1992– 2004/05

Sectors	Green Area Villages					Red Area Villages			
	Ba Baong*	Prek Kmeng	Andoung Trach*	Trapeang Prei	Kompong Tnaot	Krasang*	Kanhchor	Dang Kdar	Khsach Chi Ros
Agriculture	6	-	5	-	-	3	-	-	2
Credit	4	-	3	2	4	4	-	-	1
Health care	1	1	1	1	1	3	1	1	-
Clean water	3	1	3	-	-	1	-	-	-
Roads	-	-	2	1	1	3	-	1	-
Education	-	1	2	1	1	-	-	1	1
Total	14	3	16	5	7	14	1	3	4

* denotes strongly performing villages.

Several villages also benefited from improved access to natural resources, which enabled people to expand farmland and/or collect wood and other forest products or fish more openly. In areas such as Dang Kdar, however, forest concessionaires had already established control over nearby forest land by the time peace arrived. As a result, constraints on access to forest areas were already well in place, which limited local people's ability to clear new land or access forest products. In essence, constraints imposed by the fighting were replaced by constraints imposed by concessionaires. Perhaps the most significant difference was that some people were able to obtain wage labour under the concessionaires, while others acted as agents for mobilising labour.

3.3. Development Assistance

At first glance, there appears to be a strong relationship between the level of conflict and the number of development interventions.³ Table 2 shows that three of the four red area villages had few development interventions during the study period, while a green area village had one of the highest numbers of interventions. The level of conflict in a particular area and the timing of its end do not, however, always predict the level and type of development assistance. For example, a red area village, Krasang, had one of the highest numbers of development interventions among all villages, while Kompong Tnaot, a green area village, had one of the lowest.

The scope and scale of armed conflict and the timing of its end certainly had a significant impact on the number and type of development interventions in certain villages. Ba Baong, which has enjoyed peace and stability since the early to mid-1980s, received a number of government and NGO development interventions to support agricultural production and public health. It also appears that some households in Krasang may have indirectly benefited from similar assistance provided to a nearby village in which 80 returnee households were resettled. There, development assistance was provided in the late 1980s by a government programme, and there was some NGO activity as well. This was certainly the case in the third strongly performing village, Andoung Trach, where significant reconstruction and development assistance was provided in support of about 100 households returning from refugee camps along the Thailand-Cambodia border.

The three strongly performing villages, therefore, all benefited from targeted assistance in one way or another. In Ba Baong, the absence of conflict enabled the government to focus early development interventions in that area, while in Andoung Trach and perhaps to a lesser extent in Krasang, development interventions supported people who returned from refugee camps when the peace agreement was signed. In each of these cases, development assistance also appears to have been somewhat more integrated with support for agricultural production and social services. These included road construction, irrigation (except in Andoung Trach), credit services and clean drinking water and especially health care and schools.

The scope and scale of armed conflict, combined with location and accessibility, also help account for

³ The number of development interventions does not reflect the scope and scale of such assistance, and as a result provides only an approximate indication of the overall potential impact of assistance.

the absence of development interventions in the three other red area villages, and probably help explain why two of these, Khsach Chi Ros and Dang Kdar, are poorly performing villages. They received little or no support for agricultural production and virtually no support for infrastructure or public health. The same is true of Kanhchor, where practically no development interventions were provided because of its remote location and heavy fighting.

Several green area villages also did not receive many development interventions. These include the poorly performing village of Kompong Tnaot and the moderately performing villages of Prek Kmeng and Trapeang Prei. In these three villages, location was probably significant in limiting assistance. Another factor may have been that these villages were not located in areas targeted by the development community or for some reason did not meet the criteria for assistance. In Prek Kmeng, development assistance arrived almost by accident when CDRI provided support for drinking water wells after conducting research in the village.

3.4. Location and Access

Location and transportation affect market access and trade, the availability of social services and the amount and type of development assistance. In the green area village of Ba Baong, road conditions were not ideal during the 1990s, but access was not impeded by security problems and farmers were still able to get their produce to nearby markets. Location and favourable agro-economic conditions in addition to peace and stability made this an attractive area for development investments. In other green area villages, poor location and access help to account for inability to take advantage of the absence of conflict. Both Kompong Tnaot and Prek Kmeng were hampered by poor road conditions, which undermined market access and development assistance.

The most direct links between location, access and armed conflict can be observed in the two poorly performing red area villages of Khsach Chi Ros and Dang Kdar and the moderately performing red area village of Kanhchor. In all three, Khmer Rouge forces stationed themselves in less accessible forest areas to avoid government forces. In Khsach Chi Ros, access to distant markets was severely impeded by conflict and related banditry as well as the lack of roads. This was also the case in Dang Kdar and Kanhchor.

The armed conflict also affected travel to and from red area villages by delaying the introduction of roads and other infrastructure, which in turn affected other assistance. In Dang Kdar and Kanhchor, roads

connecting the villages to commercial and administrative centres were not constructed until 2002. Although there has been little assistance even after the roads were built, they have played an important role in connecting the village to local markets and opening the areas for other activities. Once a road is introduced, it takes time to plan and mobilise resources before other development projects can be implemented.

4. Conclusion

Peace and stability are factors that enable some villages to perform well over time under favourable circumstances. Such villages have fertile soils and good market access, and received substantial assistance for agricultural and social development. Households were able to concentrate on asset accumulation, which enabled many of them to cope better with subsequent flood and drought. In other villages, good soils and location, as well as substantial development assistance, offset the effects of protracted conflict. Although ongoing fighting constrained most households' ability to clear and farm additional land, good quality soils and accessible locations enabled them to produce and market more than most other villages during the fighting, which eventually enabled them to withstand subsequent shocks.

When armed conflict is combined with unfavourable circumstances, however, community well-being and household mobility are difficult to achieve and sustain. In such villages, protracted conflict and banditry constrained the capacity to expand landholdings and exacerbated problems of poor soils and a lack of markets, natural resources and development assistance. This constrained agricultural production and the ability to accumulate assets and diversify income sources, weakening the ability to withstand flood and drought shocks that occurred shortly after the fighting ended. Because of their remote locations and poor access, these villages have also lagged behind in development assistance.

Once peace is achieved in such areas, concerted poverty reduction efforts need to target and sequence development interventions in order to promote household mobility and community well-being. The state, civil society, and private sectors will need to play an important role in strengthening productivity and market access. Each sector enjoys certain comparative advantages and so coordination is required to ensure that development interventions are complementary.

Social Security and Social Policies in Cambodia

By Chea Chantum & Dr Hildegard Lingnau¹

1. The Right to Social Security

The Universal Declaration of Human Rights (1948) states in Article 22, “Everyone ... has the right to social security” and in Article 25 “the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control”.

The right to social security was subsequently incorporated in several human rights treaties, especially in the International Covenant on Economic, Social and Cultural Rights (ICESCR). Article 9 of the ICESCR provides “the right of everyone to social security, including social insurance”.

According to the Committee on Economic, Social and Cultural Rights of the UN Economic and Social Council (2008: 2), the right to social security encompasses the right to access and maintain benefits without discrimination in order to secure protection from:

- lack of work-related income caused by sickness, disability, maternity, employment injury, unemployment, old age or death of family member;
- unaffordable health care;
- insufficient family support, particularly for children and adult dependants.

Beyond self-help and privately run schemes, measures that are to be used to provide social security benefits mainly include:

- contributory or insurance-based schemes such as social insurance, which generally involve compulsory contributions from beneficiaries, employers and sometimes the state;
- non-contributory universal or targeted social assistance schemes.

While the elements of the right to social security vary according to circumstances and conditions, nine principal branches should be covered: health care, sickness, old age, unemployment, employment injury,

family and child support, maternity, disability, survivors and orphans (*ibid*: 5).

All states have a core obligation to ensure the satisfaction of minimum essential levels of the right to social security (*ibid*: 16). This requires the state:

- to ensure access to a social security scheme that provides a minimum level of benefits to all individuals and families that will enable them to acquire at least essential health care, basic shelter and housing, water and sanitation, foodstuffs and the most basic forms of education;
- to ensure the rights of access to social security on a non-discriminatory basis, especially for disadvantaged and marginalised individuals and groups;
- to protect existing social security schemes from unreasonable interference;
- to adopt and implement a national social security strategy and action plan;
- to take targeted steps to implement social security schemes, particularly those that protect disadvantaged and marginalised individuals and groups;
- to monitor the extent of the realisation of the right to social security.

According to modern understanding of human rights law, there are three obligations (*ibid*: 13ff).

- The obligation to respect requires that the state refrain from interfering directly or indirectly with the enjoyment of the right to social security.
- The obligation to protect requires that the state prevent third parties from interfering in any way with the enjoyment of the right to social security.
- The obligation to fulfil requires that the state adopt necessary measures, including the implementation of a social security scheme, directed towards the full realisation of the right to social security.

The obligation to fulfil can be subdivided into the obligations to facilitate, promote and provide:

- The obligation to facilitate requires the state to take positive measures to assist individuals and communities to enjoy the right to social security (recognition of the right within the national political and legal systems, adoption of a national social security strategy and a national social security plan of action to realise this right etc).
- The obligation to promote obliges the state to take steps to ensure that there is appropriate education and public awareness concerning access to social security schemes.
- The obligation to provide requires the state to

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establish non-contributory schemes or other social assistance measures to provide support to those individuals who are unable to make sufficient contributions for their own protection.

In reality, however, little progress has been made in terms of realisation of the right to social security: 80 percent of the global population currently lacks access to formal social security (*ibid*: 3).

2. The Cambodian Reality

Cambodia has a population of nearly 14 million people, which is growing by nearly 2 percent per year. Half of the population is under the age of 20. Around 80 percent of the population and 90 percent of the poor live in rural areas. The gross domestic product per capita is about USD594 (2007). In 2007, 30.1 percent of the population lived below the national poverty line (Ministry of Planning 2008). According to a comparative study recently commissioned by the Asian Development Bank, the Cambodian social protection index is 0.18, which ranks Cambodia 25th out of the 31 Asian and Pacific countries for which it has been calculated (ADB & Halcrow Group 2007: 20). This ranking is much lower than the Asian average of 0.36, but comparable to Cambodia's human development index and GDP per capita rankings. In brief, most Cambodians "have no safety net when they fall ill and lack the resources to cover the costs of obtaining appropriate treatment" (*Cambodia Daily*, 22 October 2008).

Very often the only social safety net that most Cambodians can rely on is their families. The Cambodian Demographic and Health Survey (RGC 2006) gives some insights into Cambodian families:

- The average household size is five persons. Rural households are slightly smaller than urban households.
- One quarter of households are headed by women.
- Seventy-nine percent of children under the age of 18 live with both their parents.
- Women do not have a lot of say in decisions on major issues affecting themselves and their families. Even marriages are decided more by the parents than by the future husband and wife (especially in rural areas); 52 percent of women do not participate at all in the choice of their

husband.

There is little formal social protection, and very few and limited social services are provided by the state, and "the formal social security system which in many other countries constitutes the major element of social protection spending ... brings little benefit to the poor" (ADB & Halcrow Group 2007: 20). Much more important for the needy and the poor is targeted social protection expenditure. In this regard, the situation does not look as bad as one might expect: According to the ADB study, out of the total expenditure on social protection (estimated to be around USD78 million, 1.4 percent of GDP), 60 percent (i.e. USD48 million) benefits the poor. Compared to a poverty level of around 30 percent, this indicates a high degree of pro-poor targeting of social expenditure programmes (*ibid*).

Most social protection schemes, however, very much rely on NGOs and international donors. This is even more the case with regard to health care. Those who cannot afford to pay the user fees depend very much on charity hospitals run by NGOs (*Cambodia Daily*, 22 October 2008). Public health care centres and hospitals suffer from low public funding and low salaries and incentives, which negatively impact service delivery (RGC 2008a). Luckily, a number of

different health financing mechanisms are now emerging and expanding. Among them are the health equity fund (HEF) system, which helps poor people to access health services, community-based health insurance (CBHI) for the informal sector and compulsory social health insurance (SHI) for the formal sector. This is of highest importance given that illness is a key reason for falling into poverty (World Bank 2006:xii).

3. Social Policies

Existing Cambodian social policies and schemes are under the authority of several ministries. The table shows that Cambodian social policies not only target the groups mentioned in the "nine principal branches of social security" and the "seven key social protection target groups", but also include the poor in general, youth, victims of natural disasters, veterans, people affected by drug abuse, victims of trafficking, female victims and homeless people. However, there is little evidence that underemployed persons, pregnant women, post-partum women or survivors are taken into consideration.

In recent years, progress has been made in social

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Nine Principal Branches of Social Security (UN Economic and Social Council 2008)	Seven Key Social Protection Target Groups (ADB & Halcrow 2007)	Cambodian Social Policy Priorities
health care		<ul style="list-style-type: none"> • free health care for the poor (HEF) • CBHI for the informal sector • compulsory SHI for the formal sector
sickness	sick people	<ul style="list-style-type: none"> • free health care for the poor (HEF) • CBHI for the informal sector • compulsory SHI for the formal sector
old age	elderly people	National (Civil Servant) Social Security Fund & NSSF
unemployment	unemployed people	National Strategic Development Plan
	underemployed people	
employment injury		National (Civil Servant) Social Security Fund & NSSF
family and child support		<ul style="list-style-type: none"> • female-headed households • child welfare and youth rehabilitation
maternity		
disability	disabled people	disabled people
survivors and orphans		orphans
	poor people	poor people (National Strategic Development Plan, IDPoor ...)
	children with special needs	child welfare and youth rehabilitation
		emergency relief aid for victims of natural disasters and calamities like floods, drought or fire
		retirement pension for public servants
		veterans
		people affected by drug abuse
		victims of trafficking
		female victims
		homeless people

policies. Some major developments are (Ministry of Planning 2008):

- The poverty rate came down from 34.7 percent in 2004 to 30.1 percent in 2007. The ADB study explicitly states that there is “a high degree of pro-poor targeting of social expenditure programmes and it reflects the considerable efforts by the government, NGOs and international donors to target social protection programs at the poor” (ADB & Halcrow 2007: 20).
 - A number of health and social security financing mechanisms are now emerging and expanding.
 - The Identification of Poor Households Programme (IDPoor) has been established.
 - The draft Law on Protection and Enhancement of Amputees’ Rights has been sent to the National Assembly for approval.
 - The Cambodian Veterans Association has been established, aimed at enhancing solidarity and mutual care and improving living conditions of veterans.
 - Thousands of children in conflict with the law, drug addicts and hundreds of homeless people and street children have benefited from health and education services, vocational training and re-integration into communities.
 - Along with the establishment of centres for victims of trafficking, non-discriminatory rehabilitation and health care education services have been provided to workers and victims of sexual trafficking.
 - The number of homeless has been reduced.
- However, big challenges remain.
- The coverage ratios for key target groups are

generally low: “The coverage rate for social assistance programs was 16 percent of the poor population but ratios for other key target groups were all below 10 percent indicating the absence of significant programs for these groups” (ibid).

- The biggest challenge is to provide health care and social security for the many poor.
- An immediate challenge is targeted subsidies or tax exemptions for essential commodities to counterbalance the effects of increasing food prices.

4. Some Initiatives in Detail

Health care is one of the most important features of social security: “State parties have an obligation to guarantee that health systems are established to provide adequate access to health services for all. In cases in which the health system foresees private or mixed plans, such plans should be affordable ...” (UN Economic and Social Council 2008: 5)

Cambodia has encountered difficulties in financing health care and providing social health protection out of the government budget. As initial steps, it adopted the Master Plan for Social Health Insurance in 2005 and the Health Financing Strategic Framework in 2008. It is hoped that a new Master Plan for Social Health Protection (RGC 2008a) will lead to a unified social health protection system and universal health coverage.

Social securities initiatives and policies include HEF, CBHI, SHI and NSSF as well as IDPoor.

4.1. Health Equity Funds

Probably the most important initiative in the provision of social services is the HEF system, which intends to help poor people to access health services by paying providers to deliver health care to those who cannot afford the normal fees. HEFs constitute the primary social health protection scheme for the poor and vulnerable.

There have been experiments with different types of schemes for several years. In 1996, the adoption of the National Charter on Health Financing provided a legal framework for different health financing schemes. Formal user fees were piloted in several government health facilities in 1997. The aim of user fees is to generate regular extra revenues and facilitate good management. An exemption system was part of the schemes to allow access for the poorest. Today almost all public health

facilities charge user fees. The exemption system, however, has not been functioning satisfactorily.

Due to this, HEFs were introduced in 2000 to improve access for the poor. Eligible beneficiaries are identified either at the community level before health care demand (pre-identification) or at the health facilities through interviews (post-identification). Eligible patients get full support for user fees and partial or full support for transport and other costs during hospitalisation. Experience so far shows that HEFs improve access to health services by the poor.

HEFs became an integral component of the Health Sector Strategic Plan (2003–07), the National Poverty Reduction Strategy (2003–05) and later the National Strategic Development Plan (2006–10). In parallel, the Ministry of Health developed the National Equity Fund Implementation and Monitoring Framework (September

Probably the most important initiative in the provision of social services is the HEF system, which intends to help poor people to access health services by paying providers to deliver health care to those who cannot afford the normal fees.

2005). Moreover, the Ministry of Health and the Ministry of Economy and Finance jointly issued a prakas for the allocation of government funds to national hospitals and operational district offices to subsidise health services for the poor (November 2006).

Fee exemptions for poor patients through HEFs are now being provided in 37 operational districts (up from 17 in 2004). The Health Sector Plan 2008–15 aims to expand HEFs to cover the entire country.

HEFs have proved very useful for helping the poor to access health services and for socio-economic development in general. The main challenge now is countrywide scaling-up to provide access to all poor people.

4.2. Community-Based Health Insurance

Another important development is community-based health insurance schemes. CBHI targets the informal sector, which includes 85 percent of the population (Ministry of Economy and Finance 2008). Most people in the informal economy, especially in rural areas, are not covered by any form of social health protection (RGC 2008a). The only exceptions are districts where CBHI schemes exist.

CBHI involves private, non-profit, voluntary pre-payment. It mainly targets people who live just above the poverty line and can afford to pay the premium.

The main challenge is the scaling-up of CBHI to nationwide coverage.

4.3. Social Health Insurance and National Social Security Funds

For the public and the private formal sector, social security will be provided through (compulsory) SHI. There is one plan of the Ministry of Social Affairs, Veterans and Youth Rehabilitation targeting public servants and one plan of the Ministry of Labour and Vocational Training targeting the formal sector. SHI is funded by the government through the National Social Security Funds (NSSF) through deductions from the civil service payroll and through employer contributions (0.8 percent of the payroll tax). There are two funds.

The National (Civil Servant) Social Security fund of the Ministry of Social Affairs, Veterans and Youth Rehabilitation targets civil servants, i.e. the public sector. It was approved in February 2008 and will cover (from 2009) pensions, disability or loss of working capability, maternity, traffic accidents, work injuries and death (RGC 2008b).

The fund of the Ministry of Labour and Vocational Training targets private sector employees. It was approved in March 2007. In a first step, the NSSF will compensate for workplace injuries. From 2010, it will include medical insurance and from 2012, retirement pensions (*Phnom Penh Post*, 19 August 2008).

In order to improve social security for people employed in the formal sector, SHI needs to be further harmonised (especially with regard to benefits) and regulated (especially the legal framework and implementation) (RGC 2008a). The NSSF also needs to expand to cover the informal and self-employed private sectors. This includes rural people, who in most cases are not employed by anyone and therefore have no one to make NSSF contributions on their behalf.

4.4. Identification of Poor Households Programme

The government in 2005 assigned the Ministry of Planning to lead in developing and implementing nationally standardised procedures for identifying poor households. A national working group was established, and in 2006 the Identification of Poor Households Programme (IDPoor) was established with technical support from the German government through GTZ. Prior to this, there had been efforts to conduct poverty-oriented development planning and service provision targeted at the poor, but no coordinated approach for identifying potential beneficiaries and making this data available to service providers. Each institution developed and applied its own procedures and criteria.

The main purposes of IDPoor are:

- to develop and implement standardised procedures for identification of poor households;
- to expand coverage to all rural areas (criteria for urban areas have not yet been developed) as resources permit, through integration into the routine tasks of commune councils and their support structures;
- to provide accurate information on poor households to enable service providers to target the poor more effectively.

Data provided by IDPoor can and are being used for a wide range of services and assistance, including: free or subsidised health services through HEFs or CBHI, scholarships for poor pupils and students, social land concessions, agricultural services and cash transfer programmes.

IDPoor identifies households by location and a unique number, and provides data on each household member, including name, sex, year of birth and relationship to head of household. Photos are taken and equity cards issued to poor households. All data are entered into a national database.

The process consists of several main steps:²

- training of actors (especially commune coordinators and village representative group members elected by villagers);
- interview of households using a standard questionnaire;
- display of a draft list of poor households;
- village consultation and consideration of villager suggestions and complaints relating to the draft list;
- review and approval of the list by the commune council;
- entry of data by the provincial Department of Planning into the database of poor households;
- distribution of equity cards to poor households. These cards help service providers quickly to identify poor households. The cards also help to raise the awareness of the poor that they can claim their rights, i.e. that they can seek out services and assistance and assert their eligibility to receive them.

Poor households can be assigned to poor level 1 (very poor) or poor level 2 (poor). These categories are based on the questionnaire scores and a consideration of special circumstances. The proportions of households falling into the two categories have been calibrated to reflect approximately the 2004 Cambodian Socioeconomic

² For more details see www.mop.gov.kh/ProgramsProjects/IDPoor/tabid/154/Default.aspx.

Survey results (with some allowance for variation over time). Level 1 roughly corresponds to those households under the CSES food poverty line, while level 2 approximately equates to households between the food poverty line and the poverty line. On average, about one-third of households are classified as poor 1 or 2.

As of October 2008, the Ministry of Planning had implemented IDPoor in Oddar Meanchey, Siem Reap and Kratie (whole provinces) and three operational districts in Kompong Cham and two in Prey Veng province. In 2009, it will conduct IDPoor in two more operational districts in Kompong Cham and one each in Banteay Meanchey and Pursat, and in all of Kampot, Kompong Thom and Svay Rieng provinces. In addition, HEF operators and their partners have been implementing the procedures in Kompong Chhnang, Pursat, Battambang, Banteay Meanchey and Kompong Cham and will extend to at least Preah Vihear, Ratanakkiri, Mondolkiri and Koh Kong provinces in 2009. Subject to funding, IDPoor will extend throughout rural areas as a nationwide programme and carry out updates every two years.

5. Conclusions and Recommendations

Social security and social policies in Cambodia are in their infancy. To ensure social protection for the entire population, there is still a long way to go. High GDP growth and projected revenues from oil and gas may allow the government to increase social spending, invest in social development and further develop redistributive policies to ensure health care and social services for all.

One major element will be the establishment of a health insurance system, and preferably the unification of existing schemes under a national umbrella. Fragmented schemes are not very effective. Streamlining under a national umbrella would allow much better risk pooling and cost sharing. Such a system needs appropriate funding mechanisms—a premium paid by employers, with some co-payment by workers and/or by the government through taxes. The Master Plan for Social Health Protection that is being drafted right now will try to tackle many of the challenges. Its goal is “to develop and implement a sustainable national system for social health protection that will ensure social health protection coverage to all, priority for the poor ...”

Other upcoming challenges are:

- to continue and improve pro-poor policies;
- to develop redistributive policies;
- to increase social sector expenditure;
- to scale up HEF systems countrywide;
- to scale up CBHI;
- to implement effectively the SHI and the NSSF;

- to extend coverage of the standardised procedures for identification of poor households and increase the use of this data for targeting of services and assistance;
- to implement the programme on social land concessions;
- to increase the coverage of micro-credit programmes;
- to implement more food for work programmes;
- to continue and broaden targeted social sector interventions for groups that need special attention.

The challenge consists of progressively realising the right to social security without discrimination of any kind.

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Economy Watch—External Environment

The section provides a glimpse of the economies of some of the developed countries of the world and some East Asian developing economies in the second quarter of 2008.

World Economic Growth

US real GDP growth remained strong at 2.8 percent in the year to second quarter 2008. This could be attributed to exports, personal consumption expenditure, nonresidential building and federal, state and local government spending. Slow growth was evident in the euro zone at 1.4 percent from the same quarter last year. The slowing was a result of weakening consumer and investment demand. Japan's real output growth was only 1 percent for the year, because of a sharp drop in demand from North America and Europe and weakening domestic demand.

Chinese year-on-year real GDP growth continued shrinking in the second quarter, the fourth consecutive deceleration. Deteriorating net exports were the key factor behind the slower growth. Total real output in South Korea grew by 4.8 percent from a year earlier, slightly slower than in the previous quarter. This stemmed from negative growth in construction, coupled with sluggish expansion of food products and beverages, textiles and leather products. Year-on-year real GDP of Hong Kong and Taiwan grew by 4.2 percent and 4.3 percent, lower than the 6.8 percent and 6.4 percent of the preceding quarter, respectively. The slowing in Hong Kong was attributed to decreasing private fixed capital formation and the weakening of private consumption.

Real output in Malaysia surged by 6.3 percent from the second quarter of 2007, less than the 7.1 percent of the previous quarter, due to a slump in public and private consumption and a drop in net exports. Singapore's real GDP in the 12 months grew by 1.9 percent, down from 8.2 percent in the previous 12 months. The downturn stemmed from negative growth in manufacturing industry (-4.9 percent). Real GDP growth in Thailand remained robust in the second quarter 2008, albeit slightly less than in the preceding quarter. This reflected continued strong growth in exports, which offset weak domestic demand. Prolonged political turbulence and continuing concerns about rising consumer prices further weakened domestic consumer confidence.

World Inflation and Exchange Rates

US year-on-year inflation in the second quarter of 2008 was 4.4 percent, a slight rise from the preceding quarter. The acceleration was largely confined to energy and food prices. Overall consumer prices in the euro zone rose by 3.8 percent in the year, compared with 1.9 percent to the same quarter of 2007. Consumer inflation was also higher in Japan at 1.4 percent, compared with -0.1 percent a year earlier. High consumer inflation in the two countries was primarily due to surging energy and food prices.

On international foreign exchange markets in second quarter 2008, the US dollar appreciated against the South Korean won, exchanging at 1018.8 KRW/USD. It traded lower against the Chinese yuan, Japanese yen and euro, at 6.9 CNY/USD, 104.5 JPY/USD and 0.6 EUR/USD. Against the Hong Kong dollar and Thai baht, the dollar was stable, compared with the previous quarter.

Commodity Prices in World Markets

Prospects for agricultural producers remained high during the second quarter as prices of maize, palm oil, rice and soybeans continued a rise that began in the third and fourth quarters of 2007. Maize rose by 63 percent, palm oil by 57 percent and soybeans 85 percent, respectively, from a year earlier, while the price of rice tripled from the same quarter last year. Crude oil sold at USD117.5/barrel, surging by almost 80 percent from the same quarter of 2007. Prices of gasoline and diesel increased by 40 percent and 77 percent, respectively, during the previous 12 months. Rising energy prices, coupled with weakening domestic consumer confidence, caused concern in export-dependent countries like the US, Japan, China, India and the EU.

Prepared by Saing Chan Hang

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	
						Q2	Q3	Q4	Q1	Q2
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	6.5	6.3	6.4
Malaysia	5.4	7	5.2	5.9	6.3	5.7	6.7	7.3	7.1	6.3
Singapore	1.4	8.5	5.7	7.7	7.7	8.2	8.9	6.0	7.2	1.9
Thailand	6.9	6	4.5	4.8	4.9	4.4	4.8	5.7	6.0	5.3
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	11.5	11.4	11.2	10.6	10.1
Hong Kong	3.2	8.3	6.5	6.6	6.4	6.9	6.2	6.7	6.8	4.2
South Korea	3	4.7	4.7	5.0	4.9	4.5	5.2	5.7	5.7	4.8
Taiwan	3.1	5.7	4.1	4.6	5.2	5.07	6.9	6.4	6.4	4.3
Selected industrial countries										
Euro-12	0.5	1.8	1.5	2.7	2.9	2.5	2.7	2.2	2.2	1.4
Japan	2.6	3.4	2.5	2.1	2.0	2.3	1.9	2.0	1.3	1.0
United States	3.1	4.4	3.7	3.3	2.2	3.8	4.9	2.5	2.5	2.8

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

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

	2003	2004	2005	2006	2007	2007			2008	
						Q2	Q3	Q4	Q1	Q2
Selected ASEAN countries										
Cambodia	1.2	4.0	5.8	4.7	10.5	4.6	6.0	9.6	16.5	24.9
Indonesia	8.3	8.3	10.5	13.4	6.4	6.0	6.5	6.7	7.6	10.1
Malaysia	1.1	1.6	3.1	3.7	2.0	1.4	1.8	2.2	2.6	4.8
Singapore	0.5	1.7	0.5	1.0	2.1	1.0	2.7	4.1	6.6	7.5
Thailand	1.8	2.7	4.5	4.7	2.2	1.9	1.7	2.9	5.0	7.7
Vietnam	3.1	7.8	8.2	7.7	8.3	7.4	8.6	10.7	16.4	24.4
Selected other Asian countries										
China	1.2	3.9	1.8	1.5	4.8	3.6	6.1	6.6	8.0	7.8
Hong Kong	-2.6	-0.4	1.1	2.2	2.0	1.3	1.6	3.5	4.6	5.7
South Korea	3.5	3.5	2.8	2.4	2.5	2.4	2.3	3.3	3.7	4.8
Taiwan	-0.3	1.6	2.3	0.6	1.8	0.3	1.4	4.5	2.3	4.2
Selected industrial countries										
Euro-12	2.1	2.2	2.2	2.1	2.1	1.9	1.9	2.9	3.4	3.8
Japan	-0.3	Nil	-0.3	0.5	0.1	-0.1	-0.1	0.5	1.0	1.4
United States	2.3	2.7	3.4	3.2	2.9	2.7	2.4	3.9	4.1	4.4

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	
						Q2	Q3	Q4	Q1	Q2
Selected ASEAN countries										
Cambodia (riel)	3973	4016.3	4092.5	4103.2	4062.7	4065.7	4078	4026	3995.3	4030.3
Indonesia (rupiah)	8577	8938	9705	9134	9419	8968.3	9257.8	9246.3	9248.2	9265.3
Malaysia (ringgit)	3.80	3.80	3.79	3.67	3.31	3.43	3.46	3.35	3.22	3.21
Singapore (S\$)	1.74	1.69	1.66	1.59	1.51	1.52	1.52	1.45	1.41	1.37
Thailand (baht)	41.5	40.2	40.2	37.9	32.22	32.5	31.4	33.87	32.37	32.25
Vietnam (dong)	15,510	15,777	15,859	15,994	16,030	16,070	16,206	16,084	15,896	16,881
Selected other Asian countries										
China (yuan)	8.28	8.28	8.19	7.97	8.03	7.68	7.55	7.43	7.16	6.96
Hong Kong (HK\$)	7.78	7.79	7.78	7.77	7.8	7.82	7.81	7.77	7.79	7.80
South Korea (won)	1192	1145	1024	955	929.04	929	927	921.23	955.89	1018.84
Taiwan (NT\$)	34.4	33.6	32.1	32.5	32.85	33.1	32.9	32.4	31.52	30.45
Selected industrial countries										
Euro-12 (euro)	0.89	0.80	0.80	0.80	0.7	0.74	0.73	0.69	0.7	0.64
Japan (yen)	115.9	108.2	110.2	116.4	117.8	120.8	117.7	113.07	105.2	104.53

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	
						Q2	Q3	Q4	Q1	Q2
Maize (USNo.2)—USA (\$/tonne)	95.42	110.65	89.19	111.04	149.08	146.10	139.81	156.9	198.39	238.03
Palm oil—north-west Europe (\$/tonne)	402.03	427.47	381.32	433.85	707.68	691.44	745.86	841.39	1048.49	1086.89
Rice (Thai 100% B)—Bangkok (\$/tonne)	182.22	221.67	262.88	282.00	305.36	283.89	304.75	323.92	444.43	839.58
Soybeans (US No.1)—USA (\$/tonne)	218.86	262.03	224.25	213.88	294.59	259.95	299.99	366.59	449.64	479.97
Crude oil—Dubai (\$/barrel)	26.8	33.5	50.14	61.58	69.25	65.41	72.48	82.88	93.77	117.48
Gasoline—US Gulf Coast (cents/litre)	23	30.9	42.19	47.70	53.58	57.93	55.49	59.48	64.21	80.90
Diesel (low sulphur No.2)—US Gulf Coast (cents/litre)	21.63	29.48	44.35	51.35	55.51	53.90	56.62	66.54	73.99	95.37

Sources: Food and Agriculture Organisation and US Energy Information Administration

Economy Watch—Domestic Performance

Main Economic Activities

Total investment approvals increased dramatically in the second quarter 2008, reaching USD4176.5 m from USD253.4 m in the previous quarter. The huge rise was due to the surge in service sector approvals from USD148.2 m in the earlier quarter to USD4064.9 m. Koh Kong seacoast development, in which Chinese were the only investors, accounted for about 94 percent of total approvals in services. During the same period, investment approvals in industry jumped by 73 percent from the preceding quarter to USD91.3 m, of which approvals for garments rose by 13 percent, reaching USD47.8 m. Approvals in agriculture fell by 61 percent to USD20.4 m. The total number of approved projects in all sectors was 29, of which 24 were in industry, three in services and two in agriculture. If the projects are fully implemented, they will need a workforce of 62,615. Services will absorb 31,254, agriculture 2024 and industry 29,337.

Tall buildings are being constructed in Phnom Penh, indicating the improvement of the construction sector. Large business activities and population growth in Phnom Penh have created the potential for more construction. During the second quarter, total construction approvals in Phnom Penh increased by 2.6 percent from the preceding quarter to USD140.9 m. Flat construction rose approximately 35 percent to USD55.1 m, while villa and house construction was down by 61 percent to USD17.6 m. Compared with the same quarter in 2007; total construction fell by 2.6 percent.

In second quarter 2008, Cambodia's trade deficit worsened from USD180.7 m in the previous quarter to USD638.9 m. Exports dropped by around 24 percent to USD539.6 m. Of these, garments fell by 40 percent from the preceding quarter to USD463.8 m, while exports of three agricultural items rose by 46 percent, reaching USD11.3 m. Rubber exports were up by 57 percent to USD11.0 m, while fish exports dropped by 58 percent to USD0.3 m. As garments are by far the largest share of total exports, their fall resulted in a marked decline of total exports. The slump of apparel exports might be attributed to a shrinkage in international demand and intensified regional competition.

Imports rose by 20 percent from the previous quarter to USD1178.5 m. The value of cigarette imports doubled to USD41.5 m; cement was USD13.0 m, a 12 percent hike; steel imports remained stable at around USD15.8 m. Imports of petroleum product increased by 7.6 percent to USD64.6 m. Imports of fabric and

second-hand clothing increased from the preceding quarter by 13 percent to USD16.6 m; fabric rose by 8.9 percent, reaching USD2.0 m, and second-hand clothing rose by 14 percent to USD14.6 m.

In second quarter 2008 there was a seasonal downward trend in the number of tourist arrivals. Arrivals totalled 454,031 persons, a fall of 30 percent from the preceding quarter. Arrivals by air fell 35 percent to 262,025 persons, 49 percent of whom arrived at Phnom Penh International Airport. Arrivals by land dropped by 16 percent to 180,889 persons, while arrivals by water plummeted 59 percent to 11,117 persons. Holiday visitors tumbled by 32 percent to 394,176 persons, and business arrivals fell 3.4 percent to 36,184 persons. Siem Reap province received 222,404 persons in the quarter. Of arrivals to Cambodia, South Koreans (62,910 persons) topped the list, followed by Vietnamese (51,889) and Thais (32,028).

Public Finance

Government budget operations worsened in the second quarter. The deficit reached KHR281.1 bn, compared with a surplus of KHR135.0 bn in the previous quarter. Total revenue, comprising tax and non-tax collections, rose by 23 percent to KHR1463.6 bn. Domestic tax accounted for KHR955.5 bn, a 33 percent rise, while taxes on international trade were KHR299.5 bn, a 16 percent hike. Total domestic tax collection rose by 28 percent, to KHR1255.0 bn. Non-tax collection declined by 9.1 percent to KHR192.1 bn. Of that, sales of goods and services, including administrative fees from the private sector and from new business establishments, dropped by 19 percent, to KHR96.3 bn. Revenue from property rose greatly, from KHR2.9 bn in the previous quarter to KHR53.9 bn. The increase was mainly due to rental income from land, which amounted to KHR28.4 bn. In the same period, capital revenue from other financial investments increased from KHR4.8 bn to KHR16.5 bn.

In the second quarter, total expenditure increased by 65 percent to KHR1744.7 bn. Current expenditure rose by 69 percent, to KHR1096.5 bn; capital expenditure increased by 58 percent to KHR648.2 bn. Wages costs rose by 46 percent to KHR367.0 bn, and social assistance was up, to KHR325.7 bn. Of the capital expenditure, 31 percent was funded by domestic financing and 69 percent by external funding.

Economy Watch—Domestic Performance

Inflation and Foreign Exchange Rates

Inflation continued the rise that began in the second quarter of 2007. Year-on-year overall prices increased by 24.9 percent, compared to 16.5 percent in the first quarter. Food and non-alcoholic beverages rose by 43.5 percent in the 12 months to the second quarter, 27.6 percent in the previous quarter and 4.6 percent in the same quarter last year. According to the National Institute of Statistic (NIS), food spending constituted approximately 39 percent of total expenditure of Cambodian people, the largest single item. Transportation was an indirect influence on the food price rise. In the year to the second quarter, transportation costs rose by 25.3 percent; the annual rise was 18.8 percent in the previous quarter and 5.0 percent in second quarter last year. The cost of medical care was up by 16.7 percent for the 12 months, while the rate was 16.2 percent in the previous quarter and 1.5 percent in the same quarter of 2007..

During the second quarter, the riel fell by 0.9 percent against the US dollar, trading at 4030.2 riels/USD. Against the Thai baht it exchanged at 125.4 riels/baht, an appreciation of 2.9 percent from the previous quarter. Trading with the Vietnamese dong, the riel appreciated

by 1.2 percent, to 24.9 riels per 100 dong.

Monetary Developments

In June 2008, liquidity (M2) was KHR12,697.9 bn, a rise of 43 percent from the same period in 2007. Riels in circulation increased by 40 percent to KHR2348.7 bn; riel deposits were up by 62 percent to KHR267.8 bn; and dollar deposits rose by 43 percent to KHR10,081.3 bn.

Domestic credit, which is an asset in the central bank, rose from KHR3136.1 bn in June 2007 to KHR6527.3 bn in June 2008. Of that, private sector credits doubled to KHR9205.8 bn, while credits to government fell by 9.1 percent to KHR270.5 bn. Government deposits rose by 73 percent to KHR2948.8 bn. Restricted deposits, capital and “other item” reserves in the central bank increased by 57 percent to KHR5182.1 bn. Domestic credit and “other items” produced a positive sign for net domestic assets of KHR1345.3 bn. Net foreign assets was KHR11,352.6 bn, a 25 percent rise from the same period last year.

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	Q2
	Fixed Assets (USD m)											
Agriculture	40.3	3.7	12.3	26.8	0.0	154.6	19.1	2.1	12.0	102.4	52.3	20.4
Industry	67.7	137.2	187.9	914.6	171.7	76.6	142.7	51.2	187.2	328.0	52.9	91.3
. <i>Garments</i>	27.2	68.1	132.6	174.4	23.2	26.1	36.6	24.3	40.7	69.1	42.3	47.8
Services	145.3	168.4	91.8	155.5	94.5	740.7	335.7	138.0	957.7	311.1	148.2	4064.9
. <i>Hotels and tourism</i>	47.1	124.1	55.9	102.6	3.5	315.3	140.3	55.0	653.8	199.2	93.7	4015
Total	253.3	309.3	292.0	1096.9	266.2	971.9	497.5	191.3	1156.9	741.5	253.4	4176.5
	Percentage change from previous quarter											
Total	-	-	-	-	-88.6	265.1	-48.8	-61.6	504.7	-35.9	-78.1	1548.2
	Percentage change from previous year											
Total	13.1	22.1	-5.6	275.6	-34.1	715.4	118.9	91.8	334.6	-23.7	-49.1	2083.2

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	Q2
	USD m											
Villas and houses	23.4	20.0	30.3	45.5	7.6	9.7	14.4	22.8	21.7	20.2	45.3	17.6
Flats	179.9	91.6	167.6	204.2	67.1	54.5	88.9	33.2	117.5	57.6	40.9	55.1
Other	16.6	87.3	65.6	109.1	20.8	13.9	35.9	88.8	40.6	94.3	51.2	68.2
Total	219.9	198.9	263.5	358.8	95.5	78.2	139.2	144.7	179.7	172.2	137.3	140.9
	Percentage change from previous quarter											
Total	-	-	-	-	16.1	-18.1	78.0	3.9	24.2	-4.2	-1.4	2.6
	Percentage change from previous year											
Total	12.0	-9.5	32.5	36.2	24.8	8.9	106.5	76.0	88.2	120.2	-1.4	-2.6

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	Q2
	USD m											
Total exports	1453.2	1708.1	2108.1	2352.8	807.5	736.7	707.8	705.0	890.8	793.4	803.1	539.6
Of which: Garments	1355.8	1628.4	2027	2253.3	782.0	716.0	677.5	688.2	846.1	727.1	773.4	463.8
. <i>To U S</i>	943.4	1099.8	1270.9	1546.1	522.8	483.2	499.1	451.2	-	-	-	-
. <i>To EU</i>	356.3	414.7	590.8	503.1	188.1	160.1	106.3	163.1	-	-	-	-
. <i>To rest of world</i>	56.1	113.8	165.3	204.1	71.0	72.8	72.0	73.8	-	-	-	-
Agriculture	97.3	79.7	81.2	99.5	25.5	20.7	30.3	16.8	-	-	-	-
. <i>Rubber</i>	29.7	35.1	38.3	36.7	13.6	10.2	8.4	6.9	11.7	14.6	7.0	11.0
. <i>Wood</i>	16.0	10.2	11.1	10.3	2.5	1.7	2.1	2.0	0.0	0.0	0.0	0.0
. <i>Fish</i>	4.3	2.8	10.6	10.1	1.6	1.4	0.7	0.4	1.2	0.9	0.7	0.3
. <i>Other</i>	47.4	31.6	21.3	42.6	7.7	7.5	19.0	7.5	-	-	-	-
Total imports	1707.8	1824.9	2149.0	2513	784.3	807.1	790.9	911.6	924.5	982.7	983.8	1178.5
Of which: Petroleum products	157.5	191.6	187.0	184.8	62.4	58.7	66.5	68.5	71.0	58.9	60.0	64.6
Gasoline	25.9	33.2	30.2	40.2	13.1	13.2	15.7	20.2	-	-	-	-
Diesel	100.8	109.6	109.4	93.1	30.1	27.2	31.9	36.6	-	-	-	-
Construction materials	12.9	80.8	95.3	134.7	42.5	35.8	44.1	31.6	34.9	32.5	39.7	40.7
Other	1568.2	1601.3	1914.0	2245	698.5	731.0	699.2	807.5	818.6	891.3	884.1	1073.2
Trade balance	-254.6	-116.8	-40.9	-160.1	23.2	-70.4	-83.1	-208.1	-30.7	-189.3	-180.7	-638.9
	Percentage change from previous quarter											
Total garment exports	-	-	-	-	23.6	-8.4	-5.4	1.6	22.9	-14.1	6.4	-40.0
Total exports	-	-	-	-	23.7	-8.8	-3.9	0.4	26.4	-10.9	1.2	-32.8
Total imports	-	-	-	-	1.2	2.9	-2.0	15.3	1.4	6.3	0.1	19.8
	Percentage change from previous year											
Total garment exports	9.2	-54.1	-64.9	291.4	10.2	19.1	19.2	8.8	8.2	1.6	14.2	-32.6
Total exports	14.6	17.5	23.4	11.6	10.6	14.3	17.3	8.0	10.3	7.7	13.5	-23.5
Total imports	13.7	6.9	17.8	16.9	24.0	16.8	14.5	17.6	17.9	21.7	24.4	29.3

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

Economy Watch—Domestic Economy

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

	2002	2003	2004	2005	2006		2007		2008			
					Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
	Thousands of passengers											
By air	523.0	456.0	626.1	856.5	224.2	325.0	373.6	275.6	278.5	368.8	402.0	262.0
By land and water	263.5	245.0	428.9	565.1	146.4	191.0	177.2	148.9	153.3	239.2	242.2	192.0
Total	786.5	701.1	1055.0	1421.6	370.6	516.0	550.8	424.5	431.8	608.0	644.2	454.0
	Percentage change from previous quarter											
Total	-	-	-	-	4.1	39.2	6.7	-22.9	1.7	40.8	6.0	-29.5
	Percentage change from previous year											
Total	30.0	-10.9	50.5	34.7	14.7	24.1	20.4	19.2	16.5	17.8	17.0	6.9

Source: Ministry of Tourism

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	Q2
Total revenue	1744	1764	2126	2625	732.2	1199.6	824.9	1016.8	1031.4	1146.1	1194.1	1463.6
Current revenue	1728	1733	2107	2474	716.8	844.9	824.9	1012.4	1031.4	1141.6	1189.4	1447.0
Tax revenue	1227	1220	1577	1911	565.8	661.8	699.9	887.7	844.6	965.2	978.0	1255.0
Domestic tax	-	-	-	-	-	-	487.9	642.1	584.8	661.8	719.9	955.5
Taxes on international trade	-	-	-	-	-	-	212.1	245.6	259.8	303.5	258.1	299.5
Non-tax revenue	501	513	530	563	151.0	183.1	125.0	124.7	186.9	176.4	211.4	192.1
Property income	-	-	-	-	-	-	27.9	15.5	14.8	13.6	2.9	53.9
Sale of goods and services	-	-	-	-	-	-	88.8	93.0	100.1	124.3	118.9	96.3
Other non-tax revenue	-	-	-	-	-	-	8.3	16.2	72.0	38.5	89.6	41.9
Capital revenue	16	31	19	152	15.4	354.7	0.0	4.5	0.0	4.5	4.8	16.5
Total expenditure	2948	2757	2932	3295	1030.6	1191.9	923.9	1098.7	1126.1	1689.7	1059.1	1744.7
Capital expenditure	1388	1171	1163	1328	423.8	429.1	367.1	408.1	355.1	807.4	411.0	648.2
Current expenditure	1560	1586	1769	1967	606.9	762.8	556.8	681.6	771.0	882.3	648.1	1096.5
Wages	587	615	640	711	230.6	240.6	199.7	242.7	253.4	362.6	250.7	367.0
Subsidies and social assistance	-	-	-	-	-	-	61.9	184.0	115.0	194.2	104.3	325.7
Other current expenditure	-	-	-	-	-	-	295.2	254.9	402.6	325.5	193.1	403.8
Overall balance	-1204	-993	-806	-706	-298.5	7.7	-99.0	-81.9	-78.7	-543.6	135.0	-281.1
Foreign financing	1249	886	864	1127	335.2	376.2	344.0	313.9	290.3	741.5	299.2	615.8
Domestic financing	-45	106	148	-396	-36.7	-383.9	-245.0	-213.0	-148.0	-185.8	-294.1	-236.5

Source: MEF web site

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

(October-December 2000:100)	2002	2003	2004	2005	2006		2007		2008			
					Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
	Consumer price index (percentage change over previous year)											
Provinces	0.9	4.4	14.4	16.4	8.5	7.2	4.2	4.6	-	-	-	-
Phnom Penh - All Items	3.3	1.1	3.9	5.8	4.9	3.4	3.0	4.6	6.0	9.7	16.5	24.9
- Food & non-alcoholic bev.	1.8	1.5	6.4	8.6	5.8	3.3	3.0	7.2	11.3	18.1	27.6	43.5
- Transportation	0.3	4.9	9.7	11.4	10.1	6.8	5.2	5.0	3.1	9.9	18.8	25.3
	Exchange rates, gold and oil prices (Phnom Penh market rates)											
Riels per US dollar	3912.1	3973.3	4016.3	4119.7	4145.3	4129.4	4063.0	4075.4	4082.3	4030.1	3995.3	4030.2
Riels per Thai baht	91.1	95.8	99.9	102.6	110.3	113.0	113.7	118.0	130.0	129.3	129.1	125.4
Riels per 100 Vietnamese dong	25.6	25.6	25.5	25.8	24.9	25.0	24.6	24.7	25.3	25.2	25.2	24.9
Gold (US dollars per chi)	36.8	41.4	46.3	54.0	73.0	72.8	77.7	79.8	80.8	94.4	111.6	107.7
Diesel (riels/litre)	1521	1508	2088	2633	3333	3250	3067	3100	3203	3679	3982	4975
Gasoline (riels/litre)	2084	2150	2833	3442	4200	4050	3750	3900	4002	4368	4580	5171

Sources: NIS, NBC & CDRI

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

	2002	2003	2004	2005	2006		2007		2008			
					Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
	Billion riels											
Net foreign assets	3737	4027	4797	5475	6958	7224	8056	9048	9768	10735	10911	11353
Net domestic assets	-849	-698	-467	-450	-497	-282	-263	-172	140	576	1136	1345
Net claims on government	-119	-128	-209	-421	-892	-953	-1176	-1403	-1547	-1816	-2400	-2678
Credit to private sector	1059	1337	1817	2394	3288	3628	4066	4537	5376	6386	8050	9206
Total liquidity	2888	3329	4330	5025	6461	6942	7793	8876	9908	11311	12047	12698
Money	813	937	1153	1323	1563	1658	1794	1748	1750	2052	2389	2467
Quasi-money	2075	2392	3177	3702	4898	5285	5999	7128	8158	9259	9658	10231
	Percentage change from previous year											
Total liquidity	31.0	15.2	30.0	16.1	29.4	38.2	36.5	46.8	53.4	62.9	54.5	43.1
Money	33.5	15.3	23.0	14.7	22.2	25.3	23.9	15.7	12.0	23.8	33.2	41.1
Quasi-money	30.0	15.2	32.8	16.6	31.9	42.7	40.7	57.3	66.5	75.2	61.0	43.5

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		
	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

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on synergizing comments/feedbacks of the previous meetings was conducted. The project on money, politics, and development in the rural Cambodia has principally completed the survey process. One internal presentation was undertaken to present the preliminary findings and collect feedback and comments. The PhD project on Democracy and Decentralization in Post-Conflict Cambodia has entered the finalization stage.

The Economy, Trade and Regional Cooperation unit has completed an executive opinion survey to assess the needs and opportunities of service trade liberalization, and the final report is ready for final submission by early December. Three draft policy briefs on the competitiveness study have been completed and the questionnaire for both quantitative and qualitative data collection has been formulated. A service export study has made progress in terms of data collection, and the research team has started writing certain sections of the report. The fieldwork of another ongoing study, the Political Economy of the Greater Mekong Sub-region Integration Project, will start in December, and analysis and report writing are on schedule. Two research associates have left for Spain and Japan for their Master and Ph.D. degrees.

The Human Security, Peace Building and Conflict Transformation unit provided a core training course, "Working for Peace," which has already been successfully completed. And recently, the training team has been preparing another training course on "The Role of Press for Peace Building," which is a crucial one for journalists in raising their awareness around the related issues of peace and journalism. This is the first time for our training program to conduct such a training course, targeting journalists, press media, radios, and TV. The course is designed basically in response to the media pre-training assessment and to the needs of the press associations and journalists in order to enhance the capacity of journalists on peace building and conflict prevention skills which integrate both conceptual and practical tools of peace education, a culture of peace, and non-violent approaches in areas in which media work. The first module was conducted in April for presidents, chiefs and/or heads of journalist associations. The second module will be provided to reporters.

The training team will also conduct "specific training" in Rattanakiri province for commune councillors who are mostly from ethnic minorities. This training has met the needs of the groups, who have poor capacity in the skills provided, and are facing hot and difficult issues that have arisen within their communities.

The Natural Resources and Environment Programme completed an economic baseline survey for the Water Resources Management Research Capacity Development Programme (WRMRCDP). The survey will be formed by two sets of questionnaires, labelled as the core module and the complementary module. The programme has planned to conduct a core module of the economic survey in December

2008. The programme sent two people to participate in an international seminar on "The Political Ecology of Research on Water Resources Management in the Context of Irrigation Development: The Case of Cambodia" in London, UK. Ms Khiev Daravy has returned from her study at the University of Sydney and joined the WRMRCDP to conduct field surveys for her Masters programme. The programme has completed a fourth field survey of a joint project on tropical forests for poverty alleviation—from household data to global analysis—in five countries. The programme also conducted an international workshop on "Field Data Analysis", in which participants from Ghana, Denmark, Burkina Faso, and Cambodia participated. The main purposes of the workshop were to: (i) introduce participants to Stata (a computer program for statistics and data analysis); (ii) review field work; and (iii) agree on activities for 2009. The 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 conducting a baseline survey in the areas surrounding the Tonle Sap region. The training course on the baseline survey and questionnaire pre-testing were conducted prior to the conducting of the real survey.

The Poverty, Agriculture and Rural Development Programme has completed qualitative data collection in nine targeted villages for Poverty Dynamics Studies, and the qualitative data gleaning is occurring on schedule. One staff member attended a training course on "Overcoming Poverty through a Social Inclusion Approach: The Status quo of Asia and Oceania in a Globalized Economy" hosted by the Japan–East Asia Network of Exchange for Students and Youths (JENESYS), Tokyo, Japan. One staff member attended a 7th PEP (Policy Economic Policy Research Network) Network Conference and General Meeting in Manila on Debating the Impacts of Rising Prices on Poverty and Poverty Analysis. Another staff member participated in a regional meeting on Improving Adolescent Health, Manila, Philippines. The data analysis for the Youth Situation Analysis project, in collaboration with Social Development Programme, was completed. The first draft report was submitted for comments, and the revised second draft has been submitted for finalized comments. The impact of rising food prices on food security, agriculture products and poverty reduction policy briefs is developing.

CDRI has held a bimonthly Research Workshop Series on development issues since 2007. 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 September, outside presenters have included Dr. Alexander C. Chandra from Oxfam, Senior Policy Advisor on ASEAN, Ms Hak Sochanny and a team from Cooperation Committee for Cambodia (CCC). The presenters from CDRI included Dr. Han Phoumin, Mr Net Neath, and Ms. Ouch Chandarany. The topics covered macroeconomic development, poverty, governance, trade and natural resources and agriculture.

CDRI UPDATE

Management

In early October, as part of the final stage of CDRI's mid-term review of its 2006–2010 Strategic Plan, a two-and-a-half day management-staff retreat was held in Sihanoukville to promote the improvement of research quality, effective communication, team and trust-building within CDRI. The retreat focused on the ten priorities agreed with the CDRI Board for the remainder of 2008–2010, responses to an externally commissioned staff satisfaction survey, and a review of human resource management policy and systems. A major priority for the remainder of the current strategic plan, as requested by the CDRI Board, will be the development of an independent CDRI Cambodia Country Research Strategy that will form the basis for the next strategic plan, for 2011–2015, for which CDRI will seek coordinated resource support from Cambodia's major development partners.

On 22–23 October CDRI's Executive Director again participated in the annual East Asian Institutes Forum, hosted by the Korean Institute for International Economic Policy (KIEP), in Seoul. The theme of the forum this year was on the "East Asian Economic Integration: Current Issues and Policy Directions" and brought together the heads of leading research and policy institutes from ASEAN, China, Korea and Japan. The forum, which this year focused on trade, investment and development cooperation, and the implications for East Asia of the global financial crisis, provides an invaluable opportunity for high level networking and the location of CDRI's work in the broader context of East Asian regional developments.

In late 2008, CDRI will participate in the DFID Cambodia Country Programme Evaluation to assess the effectiveness of its programme and improve its development assistance in the future; and in a Sida-DFID mid-term review of support for CDRI's core operating costs, including staff capacity development, and for its Democratic Governance and Public Sector Reform programme. An annual Interim Financial

Audit by Price Waterhouse-Coopers will commence in November 2008 with a final report in February 2009 to be presented to the CDRI Board at its annual full meeting on 27 February.

Planning is now underway for the 2009 Cambodia Outlook Conference, a partnership of CDRI and ANZ Royal, to be held in Phnom Penh on 26 February 2009, on the theme "Agriculture, Infrastructure, Private Sector and Human Resource Development". CDRI has renewed its invitation to Prime Minister Hun Sen to deliver the keynote address. Concurrently with the Outlook Conference, CDRI will launch its 2008–9 Annual Development Review.

Research

The following research and research-related activities took place at CDRI over the period September–December 2008.

Democratic Governance and Public Sector Reform.

The study on Leadership in Local Politics of Cambodia has finalized its first two working papers. The team has produced an article for the Annual Development Review (ADR) based on the full study. The project on Governance of Water has compiled the different sections and come up with the first draft of the paper which will be ready for internal peer review at the beginning of January 2009. The consultant team assigned to assist the design of the Rural Investment and Local Governance Project (RILGP) for the Formulation of the National Program for the Sub-national Democratic Development (NP-SNDD), has delivered two inception reports, one on Organic Law and one on the transfers of functions. A number of (dialogue) workshops have been held on disseminating the objectives of the deconcentration reform, on giving out orientations to the concerned line ministries, on the transfers of functions and on options for the transfers. Importantly, a workshop

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