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The Impact of the Global Financial and Economic Crisis on the Poor and Vulnerable in Cambodia*

The impact of the global financial and economic crisis is still unfolding. Although the initial apocalyptic scenarios did not materialise and are unlikely to do so in the foreseeable future, it nevertheless has had a serious impact on the livelihoods of the poor and vulnerable everywhere, including in Cambodia. In Cambodia the main transmission channels for this have been the adverse effects on core economic activities, including garments, construction and tourism. Agriculture to a large extent seems not to have been affected much, recording healthy growth over the period.



One effect of the economic crisis on livelihoods: fewer customers for cyclos and moto taxis in Phnom Penh

The root causes of the crisis lie in the financial crisis that started in US; there are debates as to when this began. A lax regulatory framework in the US and elsewhere, combined with the complex web of interdependence between large international financial institutions, made this a global financial crisis, which became a serious economic crisis shortly afterwards. The spread of the financial crisis was limited by the extent of countries' participation in international financial markets; those with limited or no links were not much affected. However, after a short spell, the financial crisis generated several economic crises, resulting in a slowdown in international trade and the flow of international resources, including FDI and ODA. Given the extent of exposure and dependence of many developed and developing countries to international trade, FDI and ODA, the impacts on their economies have been severe. For a country such as Cambodia, where over 80 percent of export earnings come from garments, any reduction in trade in garments is likely to have a severe impact on economic activities in general

and particularly on production and employment in this sector. This slowdown in turn directly and indirectly affects the livelihoods of those who are employed or supported by those employed in the industry. Add to this the reduction in tourist arrivals and slowing of construction partly due to a reduction in FDI, and the adverse effects of slower economic activity in major trade partners on the well-being and livelihoods of the vulnerable and poor in Cambodia have been considerable.

The global financial crisis and the Asian financial crisis of 1997 highlight the importance of control

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* Hossein Jalilian, CDRI director of research, introduces this special issue of CDR on impact of the global financial and economic crisis on the poor and vulnerable in Cambodia.

Vulnerable Workers Survey in Phnom Penh, Kandal, Kompong Speu, Siem Reap and Battambang*

1. Introduction

This paper attempts to assess the economic impact of the global financial crisis on vulnerable workers in Cambodia. The study focuses mainly on the effects of the crisis on real daily income, real daily consumption and the perspective for these in the coming year. The data are based on a survey conducted since 2003 in Phnom Penh, Kandal and Kompong Speu and in May 2009 in two additional locations (Siem Reap and Battambang) as well as four focus group discussions.

A few studies have attempted to assess the impacts of the global financial crisis on the Cambodian economy at macro, sectoral (agriculture, garments, tourism and construction), labour market and household levels. Rapid assessment studies (Kang *et al.* 2009; Jalilian *et al.* 2009) released earlier show that the macroeconomic impact will be severe due to the contraction in garments, tourism and construction. The most severe impact is in the garment industry, 14 percent of the total of 350,000 workers having been laid off between September 2008 and mid-March 2009 because of a considerable fall in exports. The number of tourist arrivals slowed, recording a negative annual growth rate for six consecutive months from October 2008. In Siem Reap, Cambodia's tourist hub, many hotels have a low occupancy rate, and some luxury hotels have temporarily shut down. Staff are taking unpaid leave or being temporarily laid off.

The IMF has projected a 5 percent fall in the sector, citing less world demand for travel. Construction is also set to decrease severely as foreign investors in real estate are either scaling back or suspending large projects due to a credit crunch at home. Agriculture is expected to grow significantly in volume, offsetting declines in the rest of the economy. Kang (2009) reported a fall in

household income as migrant workers' remittances decline.

The previous studies have attempted to assess the impact of the global financial crisis on the Cambodian economy by using descriptive analysis and focus group discussions. It is unlikely that these approaches can provide a clear picture given events such as food price increases, a serious border dispute between Cambodia and Thailand and idiosyncratic shocks that occurred in 2008. We will apply a simple quantitative technique that can be used broadly because it relies on common surveys to estimate the impact on individual incomes and consumption.

2. Method and Limitations

CDRI has been conducting a quarterly survey of four selected vulnerable worker groups—cyclo drivers, porters, small vegetable traders and scavengers—in Phnom Penh since 1998. The survey was enlarged in 2000 to cover six other groups: motorcycle taxi drivers, unskilled construction workers, skilled construction workers, waiters/waitresses, garment workers and rice-field workers (Kandal and Kompong Speu province). The total sample is 480—120 garment workers and 40 in each of the nine other groups. In the May 2009 survey, which was partially funded by the World Bank, CDRI included two additional groups: migrant workers (20 interviews in Battambang) and tourism workers (20 interviews in Siem Reap), increasing the total sample size to 520. In addition to the structured survey, four focus group discussions were conducted with tourism workers and migrant workers to examine the impact of the crisis on households in Siem Reap and Battambang province, respectively. The sample was purposively selected at the location, largely in urban areas, and consisted of currently employed or self-employed workers; hence, the results are not representative of each economic activity and unable to determine which economic sector has absorbed laid-off workers e.g. garment workers.

To capture the impact of the crisis on the 10 selected groups, we assume that the survey data

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Table 1: Average Real Daily Earnings (in riels at November 2000 prices)

		Cylo drivers	Porters	Vegetable traders	Scavengers	Skilled construction workers	Unskilled construction workers	Motor taxi drivers	Waitresses	Rice field workers	Tourist sector workers	Migrant workers	Garment workers
2003	Feb	8932	7378	7039	3762	12,135	5983	11,068	4475	4053	NA	NA	8634
	May	9281	7713	6471	3495	12,929	6920	9583	4233	3599	NA	NA	7825
	Aug	9075	7007	6636	4749	12,332	7369	10,592	4374	4498	NA	NA	8692
2004	Nov	9494	6286	6393	3774	16,345	6020	9671	4290	4304	NA	NA	8634
	Feb	9168	8527	7166	4645	13,297	6998	10,864	4723	4582	NA	NA	8045
	May	8000	7452	7241	4387	11,822	6505	8534	4257	4095	NA	NA	8066
2005	Aug	7632	6625	6650	4770	13,527	6095	8950	4591	4310	NA	NA	7986
	Nov	5670	5094	6755	4024	12,117	5967	8688	4185	3944	NA	NA	8098
	Feb	8529	6965	6386	5382	14,367	5712	11,790	4538	4174	NA	NA	7983
2006	May	7726	7067	8575	5315	12,304	8374	11,411	4295	4269	NA	NA	6365
	Aug	7857	6004	5939	4335	10,274	6069	9407	4647	4291	NA	NA	7613
	Nov	8229	6902	10,058	5636	11,253	6692	9774	3893	4746	NA	NA	7475
2007	Feb	7873	6520	6187	4984	11,750	5974	8885	4670	4790	NA	NA	7990
	May	8546	7375	6492	4512	9834	6407	8791	4243	5577	NA	NA	6814
	Aug	6064	5239	5197	4266	9467	6029	6744	4292	5111	NA	NA	8029
2008	Nov	7394	7046	7682	3903	10,215	5263	8386	4443	5747	NA	NA	7762
	Feb	6535	7996	6514	4530	10,355	5094	9144	4078	5011	NA	NA	8211
	May	9246	9798	8949	5533	11,892	6075	12,887	5151	5236	NA	NA	7205
2009	Aug	7128	7705	9116	6063	11,410	5901	8979	4193	5578	NA	NA	7828
	Nov	9393	8853	8303	5560	10,957	7550	11,525	4508	6239	NA	NA	7029
	Feb	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2009	May	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
	Aug	12,628	9005	9926	4652	12,710	8779	15,691	4327	8697	NA	NA	6554
	Nov	8506	10,442	7589	5153	11,732	6095	11,613	4268	7021	NA	NA	6732
2009	May	7884	9144	8652	5881	12,129	8823	10,765	3851	6315	9868	6009	5929
	Aug												
	Nov												

Source: CDRI Survey Data

Continued from page 1

Impact of...

and regulation of the financial sector. At the same time, they also put into question the approach adopted by many developing countries, with encouragement from major players such as the IMF and World Bank, of trying to copy the development of financial and capital markets of much more developed economies without having the necessary prerequisites. Instead of attempting to develop a simple, locally oriented financial sector, for example, many developing countries have relied on highly leveraged international financial institutions. They have tried to set up sophisticated capital markets, including stock exchanges, without fully considering local development needs and associated costs and benefits. Cambodia badly needs locally driven financial institutions that can mediate between savers and borrowers, particularly in rural areas, without getting involved in more sophisticated and complex financial intermediation. It is not clear whether, at its present stage of development, the country would gain anything by setting up a stock exchange as planned. Obviously, in the long run, this and other capital markets are needed, but it is questionable whether they will be at any time in the near future.

Recently CDRI conducted on behalf of the World Bank a rapid assessment of the impact of the crisis on the livelihoods of the vulnerable and poor in Cambodia. The articles that appear in this issue of CDR are based on a number of the research themes of the study, which has been conducted since May 2009. As is to be expected, some of the findings based on quantitative analysis do not confirm those found using qualitative analysis and particularly those derived from focus group discussions. This may highlight some of the limitations of the rapid assessment, given the limitations of time and other resources, and the consequent need for further detailed investigation.

collected in February and May 2007 are reflective of the before-crisis period, and February and May 2009 the after-crisis period. This is mainly due to the unavailability of survey data from February, May and August 2008. We used a simple regression technique (ordinary least squares) to estimate the impact of the crisis on real daily income, consumption and debt. Because this study is interested in knowing the effect of the global financial crisis on the livelihood of vulnerable workers, other factors—such as age, sex, education, household size and working experience—are held fixed. Otherwise, we cannot know the effect of the economic downturn on the living standard of vulnerable workers. For this reason, our method should be able to produce more accurate results than descriptive analysis. Given the various recent events mentioned above, however, our approach could not decompose covariate and idiosyncratic shocks' effect.

To convert daily income or consumption into real terms, we divided nominal daily income or consumption by the consumer price index published by the National Institute of Statistics for February 2003–November 2008 and estimated by CDRI for February and May 2009.¹ We assume that the annual inflation rate was 6.5 percent in February and 6.4 percent in May 2009.

3. Empirical Analysis

The survey for May 2009 found that the real daily income of all nine non-garment worker groups was around 8155 riels, a decline of 1.8 percent from May 2007. However, scavengers, skilled construction workers, unskilled construction workers and rice field workers experienced an increase in real daily earnings.

Quantitative analysis suggests that the real daily income of the nine non-garment groups had increased by 12 percent compared to the pre-crisis period. Of the nine groups, only porters, scavengers, unskilled construction workers and rice field workers had statistically increased their daily income, while other groups' remained unchanged.

During the same period, the real daily consumption of the nine non-garment workers also increased by 26 percent—14 percentage points more than real daily income. The increase was reasonable because the share of consumption in income rose only from 46 percent to 51 percent—leaving room for welfare improvement. Due to both real daily income and consumption increasing, the proportion of vulnerable workers in debt after the crisis was relatively small,² suggesting that the impact of the crisis on the nine groups is not yet substantial.

To obtain the views of vulnerable workers on their daily earnings, the survey asked respondents to state whether their daily earnings in 2010 will be different from what they were in 2008. Twenty-one percent of workers said that their daily income in 2010 would be more than in 2008, while 35 percent said that it would be the same or less; 43 percent did not know.

The real daily income of the two additional groups (tourism workers and migrant workers) amounted to 9868 riels and 6009 riels respectively. Tourism workers spent an average of 5735 riels on daily expenses, while migrant workers spent only 1507 riels—the lowest amount among the 11 groups. Ten out of 20 tourism workers reported that they were in debt, while only four migrant workers reported this. Seven out of 15 returned external migrant workers said that there were no jobs available for them in Thailand. Our FGD in Andoung Trach noted that some villagers have to let their children miss school or drop out completely so that they can look for frogs, snails, crabs and fish in nearby ponds and paddy fields. Forty-two percent of tourism workers and migrant workers expected to have a lower income in the next three months; 37 percent said that their daily income in 2010 would be more than in 2008. As noted, the study sample is relatively small, so generalising from this finding would be misleading.

The real daily earnings of garment workers fell 18 percent to 5929 riels in May 2009—their lowest level since February 2003—down from 7205 riels in May 2007. This largely reflected a decline from 60 working hours per week before the crisis to 52

¹ According to the NIS, CPI in Phnom Penh for December 2008 backward is based upon a December 2000 base of 100 and for January 2009 onward is based upon October–December 2006 base of 100. Due to the inconsistent base year, we have estimated CPI for February and May 2009. All vulnerable workers' nominal value—including rice field worker was deflated by NIS's CPI and estimated CPI.

² A simple t-test confirms that the number of vulnerable workers in debt increased by 8 percent and was statistically significant at the 1 percent level.

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Rapid Assessment of Impacts of Global Economic Crisis on Cambodian Households: Effects and Coping Strategies*

1. Introduction

Cambodia had been growing quite robustly, with GDP growth averaging around 11 percent over the three years before the global financial crisis hit the country in late 2008. The growth was largely driven by the garment industry, tourism, construction and agriculture. However, economic growth had been reduced by a series of shocks over the previous year, including high energy and food prices, followed by border conflict with Thailand. The soaring energy and food prices from late 2007 to mid-2008 had a severe impact on investment profitability and the well-being of households across Cambodia. The border conflict with Thailand has to some extent reduced tourist arrivals and agricultural exports. The global economic crisis impacted severely on Cambodia's economy, which has been heavily dependent on exports to the world market. Economic growth for 2009 is projected to decrease markedly (to around 2 percent by the Ministry of Economy and Finance and ADB, and -0.5 percent by the IMF) owing to the global economic downturn.

A few studies have attempted to assess the impact of the global crisis on the Cambodian economy and to provide appropriate policy options to mitigate its effects. Kang *et al.* (2009) attempted to assess the macro-economic and sectoral levels (garments, construction, tourism and agriculture), and explored deeper the labour market and household economy; Jalilian *et al.* (2009) focused on macro-economic sectors only. The two studies revealed that the crisis severely hit garments (51,000 workers laid off), followed by construction (15,000 workers laid off)

and tourism (growth to be -5 percent for 2009). Agriculture was unlikely to be severely damaged by the global economic downturn alone, but by a combination of all crises—energy and food prices, border conflict and global economic downturn (Theng 2009 a, b; Jalilian *et al.* 2009).

Although the previous studies intended to explore labour markets and household economy in depth, much of their work focused on macro-economic sectors, not looking at how people were experiencing the impact of crises other than the global crisis, or how vulnerable people were seeking to cope through individual, household and collective arrangements. The specific objectives of the current rapid assessment, commissioned by the World Bank and coordinated by CDRI research teams, are to capture different impacts of the global economic downturn on individuals and households in both formal and informal sectors of the Cambodian economy. It also intends to provide policy makers and planners in government, civil society and development partners with useful insights into how the poor and vulnerable currently deal with crises in the absence of government social safety nets.

2. Methodology

To investigate the impacts of the global economic downturn on individuals and households, we used the qualitative methods of key informant or semi-structured interviews (SSIs) and focus group discussions (FGDs). A time-line tool was used to explore in depth the experiences informants had faced in the 12 and six months prior to the assessment in May 2009. SSIs were held with two individuals purposively selected from vulnerable workers¹ (plus

* This article was prepared by Theng Vuthy and Kem Sothorn. Dr Theng Vuthy is the programme coordinator for Poverty, Agriculture and Rural Development (PARD), CDRI, and Mr Kem Sothorn a research associate in the same unit. The article presents a summary of empirical findings of a rapid assessment of the global economic crisis on Cambodian households conducted by CDRI research teams in May 2009, funded by the World Bank.

1 Vulnerable workers: cyclo drivers, moto taxi drivers, porters, unskilled and skilled construction workers, waters/waitresses, garment workers, scavengers and small vegetable traders (in Phnom Penh); rice field workers (Pael Hael, Kompong Speu and Daun Vongs, Kandal); tuk-tuk drivers, restaurant and hotel employees (Siem Reap) and migrant workers (Andoung Trach and Krasang villages, Battambang).

five garment workers) and rural poor households in Poverty Dynamics Study² villages and nine village chiefs, giving a total of 56 SSIs; FGDs were held with 13 different groups of vulnerable workers: cyclo drivers, tuk-tuk drivers and small traders, unskilled and skilled construction workers, garment workers, rice workers in Daun Vongs, and rural poor households in Andoung Trach, Krasang, Trapeang Prey, Kompong Tnaot and Ba Baong. Findings reflect the experiences of these sample groups only; caution should be taken when extrapolating the data to wider groups.

3. Empirical Findings

3.1. Effect of Crises on Individuals and Households

Employment, incomes and remittances

Over the last several years, formal economic growth sectors—garments, construction and tourism—provided employment for several hundred thousand workers who migrated from various rural areas of the country to improve their livelihoods. However, the well-being of vulnerable workers and their families is not resilient in response to unexpected shocks. Informal workers are as vulnerable as those in formal sectors to uncertainty of employment and income.

Information from SSIs and FGDs showed a general trend towards a reduction in job availability in both urban and rural areas of approximately 30–40 percent over the previous six months, or approximately 70 percent in the construction sector. The economic downturn has clearly impacted on the garment, construction and tourism sectors and to some extent on agriculture. For example, garment workers who are still employed reported no more overtime work or reductions of the working day. The reduction of overtime or working days is of major concern since this significantly affects monthly earnings. In the previous six months, they had not been able to remit any money to their homes because their income was barely enough to meet their living expenses.

The amount of work available for construction workers (unskilled and skilled) in Phnom Penh and Battambang had declined substantially within the

previous six months. For unskilled construction workers in Phnom Penh, daily earnings were uncertain; some days they could make money and other days they had no work. As a result, despite the wage rate remaining constant, their earnings were barely enough for their living expenses in the city, and they had not been able to save any money to help their families. The monthly income of skilled construction workers had also declined because of reduced job availability. However, skilled workers are less vulnerable than unskilled workers (general workers employed at active construction sites), because they are still in demand. Their wages are also higher; this group can save more than general workers (KHR100,000–150,000 per month).

Work days for hotel and restaurant employees in Siem Reap have contracted by 30–40 percent due to a 20–30 percent reduction in customers. They work harder than before because many casual staff were laid off. Although there was more work to do than in the previous six months, their monthly earnings remained unchanged, on average USD65–100 including tips. They had no or smaller savings to send their parents or family at home, and not as regularly as in the past.

Migrant workers hired for cassava, corn, peanuts, fruit trees and rubber plantations have experienced declining demand for labour in both Thailand and Cambodia, due to the border conflict and reduced agricultural prices and exports. Their incomes had declined substantially over the previous six months, because of less work being available, wages dropping from 300 baht/day (35,650 riels/day) to 120 baht (14,260 riels) and household remittances being reduced by half.

Job availability for informal workers and small traders also declined substantially. The income of tuk-tuk drivers in Siem Reap was now 10,000–30,000 riels per day, compared with up to 60,000 riels per day previously, because of a dramatic reduction in the number of local and foreign tourists and increased number of tuk-tuk drivers. Earnings per day of cyclo drivers had also decreased, by just under 30 percent, from 7000 riels per day to about 5000 over the previous six months, as a result of fewer customers. Most tuk-tuk or cyclo drivers migrated from rural villages; the reduction of daily income had greatly affected remittances to their homes. Small traders in Siem Reap reported a great reduction of income, more than 50 percent, from 100,000 riels per day to

2 PDS Targeted villages: Andoung Trach and Krasang (Battambang), Khsach Chi Ros and Dang Kdar (Kompong Thom), Kanhchor (Kratie), Prek Kmeng (Kandal), Ba Baong (Prey Veng), Trapeang Prey (Kompong Speu) and Kompong Tnaot (Kampot).

40,000–50,000 riels, due to the decline of tourists and increase of traders because laid-off formal workers were seeking to do the same business. Small-scale vegetable sellers in Phnom Penh also reported a substantial income drop, with fewer customers than before, looking for cheaper items or bargaining harder. Porters in the market had suffered a 20–40 percent drop in income, due to lower demand for their services. Changes in spending behaviour of urban and rural population were leading to changes in scavengers' incomes at the Stung Meanchey dump and elsewhere. The income of these groups barely covers their daily expenses, with no or smaller savings for their rural households.

Rural employment and household incomes

Sale of land across Cambodia during the land boom up to 2007 was a major factor in the reduction of jobs in agriculture, but the crisis also played a part. Since it began in late 2008, the demand for hired agricultural labour (mainly rice workers) in the villages had declined by 30–40 percent, and the daily wage for rice workers had dropped by 30–50 percent. Rice farmers were working on their own land because they had no money to pay labourers due to reduced remittances from household members working in garments and construction who return home temporarily for cultivation during the rice season. Villagers who sold their farming land during the economic boom in 2007–08 changed from rice farming to working as migrants in the city or within their villages. These are mostly landless and land-poor households heavily dependent on family members working in construction and garments; household remittances have declined by 50 percent, and their earnings in the village have also declined greatly due to low job availability and high competition among villagers. They are the most vulnerable group hit by the global economic downturn, for example poor rural households in Trapeang Prey and Pael Hael villages in Kompong Speu and Daun Vongs village in Kandal.

For villagers who have farm land, the global crisis seems to be only one of several factors that significantly affect rural household economy, and may be less important than other shocks, such as drought, pest outbreaks, depletion of natural resources, high input costs and reduction of output prices. Household incomes that come mainly from dry-season rice or wet-season rice and migrant work

had been reduced over the previous six months by an outbreak of insect pests and heavy rain during harvesting, and by the low price of paddy rice, in Ba Baong, Andoung Trach and Krasang. Households whose incomes are from fishing, rice farming and migrant work had been hit hard by depletion of natural marine resources, drought and the economic downturn. For example, in Kompong Tnaot village, fish catches declined greatly due to increased illegal fishing, and rice yield was down 50 percent as a result of the 2008 drought. Households that have farm land and depend on remittances from their children had been affected to some extent by the economic downturn because of a reduction in jobs available in the city.

Job security and competition

There was much concern about employment security and competitiveness among vulnerable workers interviewed. Rice workers in rural households are highly dependent on selling their labour, and job security had become a critical factor since both on- and off-farm employment had declined significantly inside and outside the village in the previous six months. Cyclo drivers showed great concern about recent high levels of competition with tuk-tuks or moto taxis, resulting in a reduction of their incomes. Garment workers expressed high concern about their job security and competition in the workplace. Within the previous six months, garment workers had had no ability to complain about cuts in overtime or working days if they wanted to continue working. This had forced them to accept a lower monthly income. Skilled and unskilled construction workers were concerned that it would be hard to find another job when their current job finished. The number of tuk-tuk drivers and small traders in Siem Reap had increased substantially within the previous six months, because of hotel and restaurant employees taking part after working hours or laid-off workers becoming involved in these self-employment activities. This had created great competition among these groups, due to the significant reduction of local and foreign tourists. As a result, their daily incomes and remittances had contracted substantially.

Outstanding debts

Inability to repay a loan is now a grave concern for the poor and vulnerable. All respondents reported

large outstanding debts to various sources, including private moneylenders, relatives and micro-finance institutions (MFIs). Loans were mostly taken more than six months earlier and had accumulated within the previous six months. They had already been used on health care or funeral expenses, building or renovating houses, offsetting food shortages, farming inputs, repaying old loans or financing migration. Given the decline in income, the poor and vulnerable workers interviewed could not repay their loans. This had led to distress sales of assets such as farm land or houses (severely in Daun Vongs, Trapeang Prey and Kompong Tnaot). According to the chief of Trapeang Prey village, for example, the number of borrowers from MFIs had increased by 50 percent over the previous six months. Only a few households had been able to repay their loans. Some people had disappeared from the village. Similar cases were reported in Ba Baong and Krasang villages, where migration had become an alternative source of employment and income to repay loans.

Fear of crime

Fear of crime and concern for safety remained, threatening the ability of rural people and migrant workers in urban areas to make a living. Crimes include theft, motorbike robbery and cheating, i.e. not paying for work, particularly of unskilled and skilled construction workers. The degree of concern varies across villages, workplaces and workers, but such crimes were often alluded to by village leaders, FGDs and vulnerable workers. Theft and robbery experienced by garment workers had become more frequent since late 2008. Unskilled workers, cyclo drivers and porters tend to stay together in large groups, and construction workers feel safer if they are allowed to stay on the construction sites. Moto taxi and tuk-tuk drivers remain vulnerable and susceptible to such threats.

3.2. Coping strategies

When facing livelihood shocks or insecurity, vulnerable workers and rural households adopt many coping strategies. Common ones reported by SSIs and FGDs are discussed below.

Reduction in consumption

Vulnerable workers who need their strength to work, such as cyclo drivers, migrant workers and unskilled

and skilled construction workers, had not reduced their quantity of food consumption but had reduced the quality, because of high food prices.³ Skilled construction workers did not show a clear reduction in non-food consumption, but had increased their travelling costs: they go home more often when there is little work in the city because they have a bit more money for transport. Unskilled construction workers, migrant workers and cyclo drivers, on the other hand, had reduced their travel costs to save money, not being able to afford transport because of the great reduction in their incomes. These groups had also substantially reduced their consumption of non-food items such as clothes, alcohol and cigarettes. Other vulnerable workers consistently reported reductions in consumption of both food and non-food items as their first income shock mitigation.

Poor rural village households had also reduced their food and non-food consumption because of a significant reduction in household income over the previous six months. Changes in food consumption were evident not only in the amount of money spent but also in the quality or type of food purchased—e.g. changing from pork to small fish or from big fish to small fish. The family members most affected by a reduction in consumption among all vulnerable workers and rural households were parents; the least affected were young children.

Increase of workload

The global economic downturn had severely impacted vulnerable workers and rural households, through a reduction in employment, incomes, remittances and job security. Many respondents reported that they had done informal extra work after formal working hours to earn extra income, or they worked harder to avoid retrenchment. In addition, their household members had to increase their workload and sometimes the number of household members engaged in income generation increased. Every family member increased their workload, through home gardening, searching for food through common property resources or other work, as available.

Migration, child labour and school attendance

The assumption that workers who lose their jobs in the

³ Agricultural commodities and energy prices dropped significantly in Q4 2008 and Q1 and Q2 2009, but daily food prices did not decline in either rural areas or cities.

city are returning in droves to work in agriculture in rural areas seems not yet to have been substantiated. In fact, FGDs and SSIs with rural households showed that increasing numbers of migrants were in fact going to the city to find jobs, even though they understood that the prospects of employment were uncertain. This indicates that job availability is seen to be even worse in the countryside than in the cities. In Kompong Tnaot in particular, migration had increased by 30–40 percent during the previous six months, and was expected to increase again in the next several months. In this case, respondents mainly went to Kompong Som or Koh Kong to earn income and help their families.

In order to survive during this hardship, vulnerable rural households increased the number of school-aged children earning money within the village or even withdrew children from school so that they could find employment outside the village. In the previous six months, an increased number of children 13–18 years old had dropped out of school to find jobs in cities (Phnom Penh, Kompong Som, Koh Kong or Kompong Cham) as domestic workers, food processing workers, agricultural plantation workers or waiters/waitresses. One noteworthy example was that many young girls from Ba Baong, Daun Vongs and Pael Hael were domestic workers, mainly in Phnom Penh, and were sending remittances.

Borrowing

The CDRI research teams found that there had been an increase in borrowing to buy food, due to greatly reduced household incomes and remittances from children. Many households fell heavily into debt as a result of borrowing from moneylenders or in-kind rice lenders at very high interest rates of 5 to 6 percent per month. In addition, loans were more difficult to access in all villages, because moneylenders and MFIs were worried that people would not be able to repay their debts.

4. Conclusion

The samples used for this assessment were relatively small, which makes it very difficult to generate conclusions about the impact of the global economic crisis on Cambodian households in general. However, with regard to these sample groups, we found that the global economic downturn had severe impacts on vulnerable workers, whether in formal or informal sectors of the economy; employment had

declined by 30–40 percent and household incomes and remittances by more than 50 percent over the previous 12 to six months.

The global economic crisis was one of several factors that caused rural households to deteriorate, including the border conflict with Thailand and the plummeting price of agricultural outputs (Hossein, 2009). This rapid assessment complements previous studies by Theng (2009 a, b) that plummeting agricultural prices were a major factor forcing rural households into more indebtedness and deeper into poverty over the previous six to 12 months.

Many coping strategies had been adopted, but of grave concern are school-aged children earning money within their village; they quite often leave school when it is necessary to earn, which will badly affect their education. Worse still, over the previous six months, many young children had been taken from school to look for employment outside the village. More often girls are taken out of school and sent as domestic workers with better off households, mainly in Phnom Penh. This will have a long-term effect on their future livelihoods. They have low education and no skills for better paid employment, which will force them into a poverty trap passed from one generation to the next. Helping them to move out of poverty will be a very substantial challenge.

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Informal Risk Management/Safety Net Practices: Experiences of Poor and Vulnerable Workers and Households*

1. Introduction

Poverty reduction can occur in part through preventing the non-poor from falling into poverty, as well as through lifting those in poverty out of it. Growth is important for lifting people out of poverty, but it needs to be complemented by policies to ensure that, first, the benefits of growth are broadly shared (and in particular that they reach the poor) and second, the non-poor do not slip below the poverty line. Safety nets can help with both of these concerns. They also help enable poor and near-poor households to participate in growth so that they can catch up with their better off neighbours. Society benefits too, because the poor with access to safety nets are better able to contribute to social and economic development, both through higher and more diversified productivity and through consumption and demand.

Risks are a part of everyday life in Cambodia. In many cases, people dip in and out of poverty over the course of their lives as a result of shocks and life cycle events (marriage and setting up home, arrival of children, old age and death in the family). Recent economic growth, development assistance and interventions have improved livelihoods, but the capacity of the poor to cope with unexpected livelihood crises still needs improvement.

A number of formal social protection programmes exist to help the poor, women, the elderly and vulnerable people in rural areas. These include equity funds, school feeding programmes, child or mother vaccination and/or nutrition programmes, social pensions for retired government officials and self-help groups formed by non-governmental

organisations (NGOs) (rice banks and saving schemes). These seem as yet not strong enough to serve as a safety net for the poor. Schemes are applied in a somewhat “patchwork quilt” fashion: they cover certain risk groups or geographical areas, sometimes overlapping and sometimes missing vulnerable groups; some are more efficient than others; they entail multiple and often contradictory targeting systems.

There is a growing debate in Cambodia on development outcomes for the poor and new thinking in policy circles on how to build up a new safety net policy and programme for the country. This assessment is timely, in that it can provide food for thought for policy makers and provide them and development practitioners with useful insights about how the poor currently deal with risks, largely in the absence of a formal government safety net. Hopefully, better understanding of existing informal social safety nets will be able to inform the design of more effective government safety nets, ones that complement rather than contradict informal practices while filling the gaps (types of risk or groups without access to social support) that informal arrangements cannot provide for.

2. Methodology

This assessment by the Cambodia Development Resource Institute (CDRI) was designed as part of a larger rapid assessment of the impacts of the economic crisis on Cambodian households, commissioned by the World Bank in May 2009. It specifically reviews existing informal arrangements for risk management and assistance that are relevant to poor and vulnerable workers and households in Cambodia. The assessment explores a number of questions:

- What are the current informal safety nets? To whom do people turn when they suffer income or consumption shocks? Do different types of household draw on different sources of support?
- Have these practices changed in the past 18 months? If so, how?

* So Sovannarith is a research fellow at Cambodia Development Resource Institute. The article provides a summary of key findings from a rapid assessment of informal safety nets conducted in May 2009. A full version of the article, titled “Impact of Economic Crisis on Cambodian Households and Safety Net Practices for the Poor”, will be available on the CDRI’s web site soon. It would not have been possible to produce this article without inputs from Dr Theng Vuthy, Mr Kem Sothorn, Mr Chhim Chhun, Ms Net Sreya and Ms Peang Phancy.

- How strong is social solidarity now? What forms of support are people drawing on?
- How pervasive are private charitable efforts?
- Have donor-driven NGO charitable efforts undermined or strengthened traditional informal safety nets?
- What interactions exist between informal safety nets and village or commune/sangkat authorities?
- What coping methods are people using in the face of the economic crisis?

Semi-structured interviews were held with 47 individual rural poor and vulnerable workers and with nine village chiefs, in order to explore in depth the experiences they had faced in the 12 and six months prior to the time of data collection in May 2009. Two interviewees were purposively selected from households interviewed by CDRI as part of the Poverty Dynamics Study in 2008 (a follow-up on household surveys conducted in nine villages in 2004-05)¹ and from sites accessed in the vulnerable worker survey conducted in early 2009.² Findings reflect the experiences of these sample groups only: caution should be exercised when extrapolating the data to wider groups.

3. Key Findings

3.1. Risks and Livelihood Outcomes for the Poor

Risks can be defined as economic and social shocks that often result in welfare losses or livelihood insecurity (Devereux 2001). The concepts of risk and of income shocks or threats to livelihoods are

often referred to interchangeably (World Bank 2006). Risks or shocks are caused by internal and external changes to which people find it difficult to adapt. This often results in undesirable livelihood outcomes, from which the poor may recover only in the long term, if at all (*ibid*).

Risks can be conceptualised on a continuum, from “idiosyncratic”—that is, affecting some individuals or households but not others—to “covariant”—affecting many people at the same time. Common examples of idiosyncratic risk are accidents or non-epidemic illnesses; income shocks in the form of unemployment or falling earnings; death of a household member, entailing reduced labour and funeral expenses; household breakdown; household-level crop damage or business failure. Examples of covariant risk are community or regional natural disasters (e.g. flood or drought); war, civil conflict or gang violence; widespread (endemic or epidemic) disease; regional or national economic crises (inflation, recession, falling earnings, unemployment).

Better off and rapidly growing villages, and better off households in poor villages, tend to have greater capacity to cope with shocks (Fitzgerald & So 2007). The poor and other vulnerable groups, such as elderly and disabled people, are more susceptible to risks because they have lower total income, limited savings, fewer assets and less human capital (Devereux 2001); impacts of risks on the poor and vulnerable are more immediate and serious, and far more damaging to their physical and mental well-being and long-term human development. Women and children are likely to suffer the most when the family faces difficulties. A loss in income for the poor may result in their being forced to sell land, livestock or other productive assets, to send their children to work rather than to school or to eat less (CDRI 2008). Such drastic measures may help families survive from day to day but make it much harder for them to escape poverty in the future (Fitzgerald and So 2007). They may also contribute to poor labour relations and social instability (Ballard *et al.* 2007).

Poor and vulnerable people who have limited assets or savings often seek assistance from relatives, friends or better off neighbours in times of need. Otherwise, they may collect edible or saleable products from forests, lakes and common lands or borrow from others. Such practices can

1 The PDS villages were: Andoung Trach and Krasang (Battambang), Khsach Chi Ros and Dang Kdar (Kompong Thom), Kanhchor (Kratie), Prek Kmeng (Kandal), Ba Baong (Prey Veng), Trapeang Prey (Kompong Speu) and Kompong Tnaot (Kampot). The village chief of each village was also interviewed for his observation on changes in economic and safety net practices within the past 12 months.

2 Interviews with vulnerable workers were conducted quarterly: cyclo drivers, moto taxi drivers, small vegetable traders, porters, scavengers, unskilled and skilled construction workers, skilled construction workers, garment workers in Phnom Penh and rice field workers in Daun Vongs village in Kandal province and in Pael Hael village in Kompong Speu province. For this assessment, two workers from restaurant and hotel employees and from tuk-tuk drivers/small vendors in Siem Reap were purposively selected for interviews.

Box: Divorce and Separation as Major Causes of Poverty for Women and Children

Ms Meas Sombou, a 43-year-old rice field worker and head of a household with four children in Pael Hael village, has been divorced for almost six years. She used to be better off but became poor after her husband left her to marry a new wife in another village. Due to a lack of labour and draught animals and with four dependent children (three girls and one boy) to feed and bring up, she decided to sell her one hectare of rice land for about USD3000. She wanted to use this to repay her loans, which resulted from the long conflict with her husband before the divorce and from the limited income from farming, and to buy food for her children. She became landless then, and dependent on selling her labour to transplant and harvest rice, to earn around 8000-10,000 riels per day. Her income in the past six months has decreased by about half due to the decline in local demand for farm labour, which has happened because many farmers' sons and daughters have returned home from Phnom Penh to help their parents in farming after losing their jobs.

In the past seven months, she has received some assistance from neighbours and the Cambodian Red Cross (CRC). A rich neighbour is temporarily allowing her to use a small plot of land free of charge to cultivate vegetables for some extra income and for consumption. She also often receives food and money when she helps her neighbours organise weddings or religious ceremonies. When her house was destroyed by a big storm in January 2009, the village chief allowed her and her children to stay under his house for two months while her house was rebuilt. Several houses were destroyed at that time, and the village chief reported the cases to the TV11 and the CRC. Two of her daughters (8 and 10 years old) and one son (7), were not able to go to school for a few weeks, but returned to school after they received a CRC assistance package (25 kg of milled rice, 50,000 riels, two cotton scarves, two sarongs, one plastic tent, one bottle of dish soap and one packet of powdered soap) in February 2009. Before receiving CRC assistance, she also received 50 kg of milled rice through a village collection. This assistance has helped her and her children at least to survive for a few months. However, her situation remains bad because there is no more work for her to do in Pael Hael or neighbouring villages. Her 13-year-old daughter, who quit school three years ago, joined a construction migrant worker group a month prior to data collection.

be termed informal systems for risk sharing and management: they serve as informal safety nets for the poor and have prevailed in Cambodia for generations.³ They have changed over time but are still commonly practised among extended families and among friends and social networks. These informal safety nets are being damaged by the cash economy, by increasing inequality and by the failure of some development interventions (Devereux 2001).

3.2. Risks and Impacts on Poor and Vulnerable People

Most shocks among respondents were not new or caused by recent adverse economic trends. Shocks were mainly idiosyncratic: ill-health/death of a family member, crop failure or animal death, divorce or separation. However, shocks were exacerbated by the economic crisis, as earning opportunities

declined and vulnerability increased. The case of Ms Meas Sombou (box) shows a common experience of widows, being left in trouble after the loss of the main breadwinner. Widows had found it difficult to earn enough to buy food in the previous six and 12 months. Their hopes rested heavily on their children, and widows with no grown-up children were in an even more vulnerable position.

In the absence of formal social safety nets, most poor people, especially single female-headed households, the elderly, disabled, women and children, had fallen deeper into poverty as a result of the recent impacts of covariant risks, such as the decline in employment opportunities and income produced by high food prices between January and October 2008, followed by the global economic crisis. Those with no close family were particularly at risk, because they have no way to access support in the community in times of wide-scale difficulty. When those with extra issues, such as female household heads, also have no grown-up children or

³ Information about mutual assistance in Cambodia can be found in Murshid (1998) and McAndrew (1998).

close family members, they are put into even more risk of falling (deeper) into poverty.

The impact of shocks on children is immediate and serious. In order to have enough for daily consumption and to repay debts, many poor households had taken their children away from school to enter the labour market at an early age. Several poor children in our assessment (mostly girls) had been forced to stop schooling to help their parents earn money. This drastic measure may help the poor to survive but has adverse long-term consequences for a household's human capital and ability to earn a better income. The household also

remains fragile with regard to its ability to cope with any future shock. This issue is not new but remains a serious concern, one that requires appropriate interventions.

The majority of the poor, affected by one or another social or economic shock, had been pushed further into more severe indebtedness. Signs of this include distress sales of productive assets and increased landlessness and homelessness for those who are not able to repay their loans. This trend is likely to continue if job prospects continue to be uncertain for another six or 12 months.

Table: Coping Strategies and Assistance Received by Households in Difficulty in Three CDRI Surveys⁴

	% of 699 MOPS households, 2004-05*	% of 450 poor and very poor households, 2007 to October 2008**	% of 481 households in difficulty receiving assistance in 6 months prior to survey in June 2008***
Household coping strategies			
Use savings	68	18.4	
Take loan	31	78.9	53
Members migrate to find work	15	1.8	
Sell animals	11	2.2	
Reduce consumption	14	3.3	
Child labour	8	1.6	
Sell agricultural outputs	3	1.1	
Sell agricultural land		0.9	
Work harder		1	
Sell physical assets		1	
Rent out land		1	
Help and support received			
Support from friends/relatives	15	12.2	36
Assistance from NGOs	1	2.4	36
Micro credit			14
Free food ration for households			12
Food for children			9
Food for work			6
Seeds, fertiliser			5
Veterinary services			5
Fodder and animal feed			4
Agricultural tools			3
Food for young/malnourished children or pregnant/lactating women			
Cash transfer from social assistance programme			23
Other	12		

Sources: * Fitzgerald & So (2007); ** Koy & Em (2009); *** CDRI (2008).

4 Although these three surveys were conducted with different purposes and at different times, the same questions were asked about what interviewees did to cope with particular difficulties and shocks they had faced.

3.3. Risk Management and Informal Safety Practices

This assessment supports the assumption that traditional mutual help and support in the form of food and interest-free loans within kinship systems, extended families and informal networks of occupational groups still exist in times of need, and this is also confirmed by other studies summarised in the table. However, these practices are changing and are being reshaped by the cash economy into credit or contractual business arrangements. Where they still exist, they occur mainly between close family members and relatives only, because nobody has enough to share with other families in times of hardship. People had become more individualistic or cautious with regard to offering assistance over the previous 12 months, because of uncertainty of employment and income. Better off relatives may also not be able to save as they have before as a result of recent crises (high prices followed by economic downturn). At particular risk are the elderly and poor people with no relatives, who are not part of existing social networks and relations. They may be excluded from informal assistance and left alone to become more vulnerable.

Some informal forms of risk sharing and management or mutual assistance are still strong within the community, regardless of social grouping, such as helping with the organisation of funerals and weddings or providing assistance to people affected by fires, storms and lightning strikes. These too are becoming less common, however.

Labour exchange and animal exchange are still practised among extended families and informal social networks, using trust and cooperation for mutual benefit. But labour exchange for farming, for example, is being replaced by a hired labour system. This creates jobs for the landless poor but also causes problems for single female household heads who lack draught animals and male labour, and who now receive no help in preparing their land and often end up selling it.

Self-help groups, such as savings groups, rice banks and cow banks, do exist, promoted to build community cooperation and trust by NGO development programmes for the poor. However, members of these groups are not necessarily the poor or very poor, since these groups are not able to pay the membership fees. Single female household heads, the disabled and the elderly (except in

Krasang village, where HelpAge International targets the latter two groups in particular) and very poor respondents have not yet benefited from these initiatives. Self-help activities are also at high risk of collapse at the current time, because many members are unable to repay their loans. Cow banks are still in operation but are slow to reach the poor.

The elderly or very poor are sometimes able to access services at the pagoda or in Christian churches, but availability of such services is limited to a few (those who live close to a pagoda or Christians, for example).

Forms of humanitarian support in recent times include emergency assistance from the CRC and political parties to households affected by natural or other disasters, and gifts in cash or kind from political parties. This assistance is needs-based, and poor and vulnerable workers captured by this assessment had experienced it. However, such assistance is available only as emergency support, is unreliable as a source of security, may come with political strings attached and/or is insufficient to ensure full recovery. Moreover, such assistance had been much rarer in the previous six months (it was more common before the election of July 2008).

4. Conclusion

In summary, all poor groups are at increased risk of falling further into poverty as a result of the current economic crisis. Those without family or close relatives, single female household heads, the elderly, the disabled, those living far from a pagoda and children are particularly vulnerable. Without appropriate pro-poor interventions, the ability of poor people to cope with income shocks and move out of poverty remains very low.

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Continued from page 4 **Vulnerable Workers Survey...**

afterwards. The survey in February and May 2009 found that 47 percent of garment workers had not worked overtime in the past week, while only 11 percent reported that in the same period in 2007. In other words, activity in the garment sector had contracted due to the global economic downturn.

Quantitative analysis indicates that the real daily income of garment workers dropped by 24 percent after the crisis period. During the same period, the real daily savings of garment workers fell 27 percent, while their real daily consumption increased by 7 percent (both figures are statistically significant at the 1 percent level). Both real daily income and savings will continue to decline if the crisis persists. Of 120 garment workers in the May 2009 survey, only 21 percent expected that their income in 2010 would be more than in 2008, while 42 percent reported that their income would be the same or less.

4. Conclusion

This paper aims to assess the economic impact of the global financial crisis on vulnerable workers in Cambodia. Since earlier this year, a few rapid assessment studies [Kang *et al.* 2009; Jalilian *et al.* 2009] on the macroeconomic impact of the crisis

showed that the impact would be severe due to a contraction in garments, tourism and construction. However, we have found that the crisis hit garment workers hardest, because the garment sector relies heavily on US and EU demand, and the other nine groups less substantially. For tourism and migrant workers, qualitative analysis indicated that the two groups' livelihoods had dramatically worsened. In response to the global economic downturn, the government of Cambodia has implemented a number of policies for the garment sector including the suspension of the monthly turnover tax of 1 percent on factory expenditures, the reduction of 10 percent in export management fees and other costs and short-term vocational training for laid-off and unemployed workers (see Jalilian *et al.* 2009 for details). The outlook for daily earnings in 2010 is gloomy.

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Economy Watch—External Environment

This section highlights economic trends in a number of developed economies and some East Asian developing economies during the first quarter of 2009.

World Economic Growth

During the first quarter of 2009, US annual real GDP growth was -2.6 percent, compared with positive 2.5 percent in the same quarter last year. The considerable drop primarily reflected negative contributions from exports, private inventory investment, equipment and software, non-residential structures and residential fixed investment, which were partly offset by a positive contribution from personal consumption expenditure. Data on real output growth of the EU in the first quarter of 2009 indicated an aggravation of the economic crisis. Strong negative forces in demand, particularly export and investment demand, were key to the substantial slump of output growth. During the same period, Japan continued to slide into deeper recession. The downturn in real GDP growth was due primarily to a sharp decline in exports of goods and services and a significant slump in corporate capital expenditure.

China's year-on-year real GDP growth was 6.1 percent, lower than the 6.8 percent of fourth quarter 2008. It was the lowest quarterly growth recorded in almost 20 years. Slow growth resulted from a slightly negative contribution from net exports, which was offset by a significant increase in domestic consumption. A further contraction of total output growth was also evident in South Korea, the result of a fall in demand in most of South Korea's main export markets during the quarter. Economic performance in both Hong Kong and Taiwan continued to deteriorate as the total output growth of both contracted further. The downturn in Hong Kong stemmed from a substantial drop in private consumption expenditure and total exports of goods and services. The quarterly contraction in Taiwan, the largest recorded since 1961, was caused by a tremendous slump in exports of goods and services (27.2 percent year on year) and decline in private consumption and government spending.

Malaysia's year-on-year real output contracted by 6.2 percent in the first quarter of 2009, the worst performance since the fourth quarter of 1998. A

sharp decline in year-on-year external demand (15.2 percent) and a 10.8 percent year-on-year drop in gross fixed capital formation were the factors behind the slowdown. The situation worsened in Singapore as its real GDP contracted by 10.1 percent year-on-year, the sharpest decline since the mid-1970s. The collapse in demand for Singapore's exports in the first quarter was the main reason for the contraction in GDP. Real GDP in Thailand contracted further in the first quarter, reflecting a fall into deeper recession. Year on year, Thai real GDP contracted by 7.1 percent in the first quarter, reflecting both the impact of the global economic downturn on the export-driven economy and the effect of political instability on consumer and investor confidence.

World Inflation and Exchange Rates

Year on year, US overall consumer price inflation turned negative (-0.2 percent) in the first quarter. A large demand shortage resulting from the downturn was key to the downward trend of consumer prices. During the same period, inflation in the euro zone slid further, to 1.0 percent from 2.3 percent in the preceding quarter. Falling oil and other commodity prices were behind the slowing of price rises in Europe. Japan had fallen back into deflation (-0.1 percent) as the recession became more severe during the first quarter of the year. The steep fall in international prices for oil and other commodities in the second half of 2008 and the early months of 2009 led to the sharp drop in consumer prices.

In the first quarter of 2009, the value of the US dollar was stable against the Chinese yuan and Hong Kong and Singapore dollars, but appreciated against the South Korean won (3.3 percent) and Taiwanese dollar (3.0 percent). It traded low against the euro and Japanese yen, buying 0.76 euros and 93.72 yen. The strong euro and yen make European and Japanese products more expensive in dollars.

Commodity Prices in World Markets

Despite widespread recession across the globe, a marked rebound in prices of a number of agricultural commodities was evident in international markets during the first quarter. Prices of palm oil and soybeans jumped by 12.8 percent and 13.5 percent from the previous quarter, while prices of maize (US No.2) and rice (Thai 100% B) increased by 1.0

percent and 0.5 percent, respectively. By contrast, there was significant drop in prices of a number of energy products. The price of crude oil shrank by

23.3 percent, of gasoline by 7.4 percent and of diesel fuel by 27.3 percent, from the previous quarter.

Prepared by Saing Chan Hang

Table 1. Real GDP Growth of Selected Trading Partners, 2004–2009 (percentage increase over previous year)

	2004	2005	2006	2007	2008	2008 Q1	Q2	Q3	Q4	2009 Q1
Selected ASEAN countries										
Cambodia	7.7	13.4	10.6	10.2	6.8	-	-	-	-	-
Indonesia	5.1	5.6	5.4	6.3	6.1	6.3	6.4	6.1	5.2	4.4
Malaysia	7	5.2	5.9	6.3	4.6	7.1	6.3	4.7	0.1	-6.2
Singapore	8.5	5.7	7.7	7.7	1.1	7.2	1.9	-0.6	-4.2	-10.1
Thailand	6	4.5	4.8	4.9	2.6	6.0	5.3	3.9	-4.3	-7.1
Vietnam	7.5	8.4	8.1	8.5	6.2	-	-	-	-	-
Selected other Asian countries										
China	9.5	9.6	10.5	11.9	9.0	10.6	10.1	9.0	6.8	6.1
Hong Kong	8.3	6.5	6.6	6.4	2.4	6.8	4.2	1.7	-2.5	-7.8
South Korea	4.7	4.7	5.0	4.9	2.2	5.7	4.8	3.8	-3.6	-4.4
Taiwan	5.7	4.1	4.6	5.2	0.1	6.4	4.3	-1.0	-8.4	-10.2
Selected industrial countries										
Euro-12	1.8	1.5	2.7	2.9	0.9	2.2	1.4	0.6	-1.3	-2.5
Japan	3.4	2.5	2.1	2.0	-0.7	1.3	1.0	-0.5	-4.6	-9.1
United States	4.4	3.7	3.3	2.2	1.1	2.5	2.8	-0.5	-6.3	-2.6

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

Table 2. Inflation Rate of Selected Trading Partners, 2004–2009 (percentage increase over previous year—period averages)

	2004	2005	2006	2007	2008	2008 Q1	Q2	Q3	Q4	2009 Q1
Selected ASEAN countries										
Cambodia	4.0	5.8	4.7	10.5	19.7	16.5	24.9	21.7	15.7	4.3
Indonesia	8.3	10.5	13.4	6.4	10.1	7.6	10.1	11.9	11.4	8.5
Malaysia	1.6	3.1	3.7	2.0	5.3	2.6	4.8	8.4	5.9	3.7
Singapore	1.7	0.5	1.0	2.1	6.5	6.6	7.5	6.5	5.5	2.1
Thailand	2.7	4.5	4.7	2.2	5.5	5.0	7.7	7.2	2.2	-0.2
Vietnam	7.8	8.2	7.7	8.3	23.3	16.4	24.4	29.0	23.6	-
Selected other Asian countries										
China	3.9	1.8	1.5	4.8	5.9	8.0	7.8	5.3	2.5	-0.6
Hong Kong	-0.4	1.1	2.2	2.0	4.3	4.6	5.7	4.6	2.3	1.7
South Korea	3.5	2.8	2.4	2.5	4.6	3.7	4.8	5.5	4.5	3.9
Taiwan	1.6	2.3	0.6	1.8	3.2	2.3	4.2	4.5	1.9	0.0
Selected industrial countries										
Euro-12	2.2	2.2	2.1	2.1	3.3	3.4	3.8	3.8	2.3	1.0
Japan	Nil	-0.3	0.5	0.1	1.4	1.0	1.4	2.2	1.0	-0.1
United States	2.7	3.4	3.2	2.9	3.8	4.1	4.4	5.3	1.5	-0.2

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

Table 3. Exchange Rates of Selected Trading Partners against US Dollar, 2004–2009 (period averages)

	2004	2005	2006	2007	2008	2008 Q1	Q2	Q3	Q4	2009 Q1
Selected ASEAN countries										
Cambodia (riel)	4016.3	4092.5	4103.2	4062.7	4054.2	3995.3	4030.3	4117.4	4089.8	4108.0
Indonesia (rupiah)	8938	9705	9134	9419	9699.0	9248.2	9265.3	9216.3	11,060	11630.8
Malaysia (ringgit)	3.80	3.79	3.67	3.31	3.34	3.22	3.21	3.37	3.56	3.63
Singapore (S\$)	1.69	1.66	1.59	1.51	4.58	1.41	1.37	1.43	1.49	1.51
Thailand (baht)	40.2	40.2	37.9	32.22	33.36	32.37	32.25	34.0	34.83	35.29
Vietnam (dong)	15,777	15,859	15,994	16,030	16,382	15,896	16,881	16,517	16,537	-
Selected other Asian countries										
China (yuan)	8.28	8.19	7.97	8.03	6.94	7.16	6.96	6.82	6.83	6.84
Hong Kong (HK\$)	7.79	7.78	7.77	7.8	7.78	7.79	7.80	7.77	7.75	7.75
South Korea (won)	1145	1024	955	929.04	1137.23	955.89	1018.84	1207.0	1367.2	1412.5
Taiwan (NT\$)	33.6	32.1	32.5	32.85	31.54	31.52	30.45	31.20	33.0	34.0
Selected industrial countries										
Euro-12 (euro)	0.80	0.80	0.80	0.7	0.84	0.7	0.64	0.71	1.32	0.76
Japan (yen)	108.2	110.2	116.4	117.8	102.46	105.2	104.53	104.03	96.1	93.72

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

Table 4. Selected Commodity Prices on World Market, 2004–2009 (period averages)

	2004	2005	2006	2007	2008	2008 Q1	Q2	Q3	Q4	2009 Q1
Maize (US No.2)—USA (USD/tonne)	110.65	89.19	111.04	149.08	218.15	198.39	238.03	254.99	181.22	183.12
Palm oil—north-west Europe (USD/tonne)	427.47	381.32	433.85	707.68	912.23	1048.49	1086.89	949.03	564.50	636.53
Rice (Thai 100% B)—Bangkok (USD/tonne)	221.67	262.88	282.00	305.36	615.32	444.43	839.58	657.88	519.41	522.13
Soybeans (US No.1)—USA (USD/tonne)	262.03	224.25	213.88	294.59	460.41	449.64	479.97	529.30	382.72	434.40
Crude oil—Dubai (USD/barrel)	33.5	50.14	61.58	69.25	95.44	93.77	117.48	115.30	55.23	42.34
Gasoline—US Gulf Coast (cents/litre)	30.9	42.19	47.70	53.58	62.22	64.21	80.90	81.27	34.52	31.97
Diesel (low sulphur No.2)—US Gulf Coast (cents/litre)	29.48	44.35	51.35	55.51	76.2	73.99	95.37	88.46	46.98	34.17

Sources: Food and Agriculture Organisation and US Energy Information Administration

Economy Watch—Domestic Performance

Main Economic Activities

Investment approvals marked a fall from the preceding quarter, dropping to USD928.6 m in the first quarter of 2009. The value was 41 percent lower than in the last quarter but tripled the figure in the same quarter last year. The change from the preceding quarter was due to a fall in industry and services, while agricultural approvals increased greatly, from USD4.4 m to USD175.3 m. The approvals for industry fell by 47 percent, to USD257.7 m. Of the total fixed asset approvals for industry, garments took 6.4 percent, mining 1.2 percent, energy 46 percent and infrastructure 35 percent. Infrastructure projects and the energy sector attracted particular interest. Approvals of USD118.5 m for electricity transmission lines and distribution projects were sought in the first quarter. Approvals for services decreased by 63 percent to USD254.1 m. Therein, hotel approvals plummeted from USD323.8 m in the previous quarter to nil, and tourism slumped by 70 percent to USD254.1 m. Telecommunications were a large part of services approvals, amounting to USD234.7 m. The approved projects of the three sectors will employ 24,303 people in total; 24 percent in agriculture, 56 percent in industry and 20 percent in services.

The property market in Cambodia has been struggling in the global economic gloom. As a result, some construction was temporarily stopped. In the first quarter, approvals for Phnom Penh construction slid by 49 percent from the preceding quarter, falling to USD181.1 m. Villa and house approvals fell by 19 percent, to USD32.1 m, offsetting a sharp rise in flat construction of 59 percent to USD95.2 m. However, total approvals were 32 percent higher than in the same quarter last year. Although there was a fall in approvals in the first quarter, implementation of past building approvals in Phnom Penh and its suburbs is proceeding according to plan, as shown by the continuing construction of a USD50.0 m mixed-use satellite complex on Phnom Penh's Chroy Chongva peninsula.

There were 622,288 visitors to Cambodia in first quarter 2009. The number increased by 7.7 percent from the previous quarter. Of the total visitors, holiday arrivals were 88 percent, business 5.4 percent and other 6.6 percent. Air transport served 335,213 passengers, a rise of 6.0 percent from the

previous quarter. Forty-three percent of the air arrivals came through Phnom Penh's airport, and 57 percent arrived through Siem Reap. Arrivals by water soared by 72 percent to 19,314; arrivals by land rose 4.9 percent to 242,053. Vietnam (72,324) topped the foreign arrivals during the first quarter, followed by South Korea (63,939) and USA (47,824).

In the quarter, the value of exports decreased slightly, while imports showed a slight rise, compared to the preceding quarter. As a result, the trade deficit improved from USD187.7 m in the previous quarter to USD157.6 m. Total exports dropped 0.9 percent, to USD721.4 m. The decline was due to a fall of 11 percent in garments to USD606.9 m, a doubling of rubber, an increase from nil to USD0.1 m of wood and a 50 percent rise of fish.

Imports rose by 7.8 percent from the previous quarter, reaching USD987.7 m. Imports of construction materials rose by 26 percent to USD2.7 m and petroleum products by 7.0 percent to USD67.3 m. Cement made up 26 percent of the total construction material imports, and steel was 53 percent. Because of an increase in infrastructure construction, the demand for construction materials has increased, causing their import to rise. Textile imports recorded a big increase, from USD14.9 m in the preceding quarter to USD53.5 m.

Public Finance

After a surplus in the first quarter last year, the national budget was in deficit for the subsequent quarters. In first quarter 2009, the deficit worsened to KHR548.9 bn from KHR495.9 bn in the previous quarter. There were both a fall in total revenue collection and a drop in expenditure. Total revenue fell by 18 percent, to KHR1101.7 bn. Of that, tax shrank by 14 percent to KHR947.4 bn and non-tax collections by 17 percent to KHR150.3 bn. Of the tax revenue, domestic tax, including taxes on income, profits, capital gains, turnover and VAT, making up 75 percent, fell by 11 percent, and duties on imports and exports, making up 25 percent of tax revenues, declined 24 percent. Of non-tax revenue, income from sales of goods and services, business establishment fees, administrative fees and airport tax slipped by 15 percent, falling to KHR93.5 bn, while income from land rental and public enterprises

rose by 29 percent to KHR13.1 bn. Capital revenue plummeted by 92 percent to KHR4.0 bn.

Expenditure fell 9.9 percent from the previous quarter, to KHR1650.6 bn. This stemmed from a drop of 34 percent in current spending and of 21 percent in capital expenditure. Wages expenditure, which usually falls in the first quarter of each year, declined by 21 percent to KHR327.4 bn; social assistance slumped by 44 percent to KHR217.3 bn. Government purchases of office supplies, food and agricultural produce, sanitary and health products, water and energy and other material was 5.2 percent of total expenditure, while interest payments took 1.4 percent. Capital expenditure accounted for KHR693.6 bn, of which 30 percent was covered by domestic financing and 70 percent funded externally.

Inflation and Foreign Exchange Rates

The Phnom Penh consumer price index increased 4.3 percent in first quarter 2009 from a year earlier. Price rises of 2.6 percent were recorded for health, 6.0 percent for food and non-alcoholic beverages and 6.1 percent for clothing and footwear. The price increase was 22.6 percent for education, 6.36 percent for household operations and merely 3.0 percent for recreation and culture. However, the index fell 13.0 percent for transport, 9.6 percent for communication and 1.9 percent for housing. The overall consumer price index rise is likely to be lower in the following quarter if the price of petroleum continues to fall along with public expenditure.

In the first quarter, the riel depreciated by 0.5 percent against the US dollar compared to the preceding quarter, trading at an average 4111.6 to the dollar. The riel was high against the Thai baht at 116.6/baht, an appreciation of 0.9 percent. Against the Vietnamese dong, the riel was at KHR23.6 per 100 dong, an improvement of 2.8 percent.

Monetary Developments

As of March 2009, the annual growth rate of liquidity (M2) was 48 percent and money (M1) 52 percent. Liquidity amounted to KHR12,487.6 bn, an increase of 3.7 percent from the same period last year. Riels in circulation rose by 6.1 percent, reaching KHR2464.6 bn; riel deposits climbed by 43 percent to KHR273.6 bn, and foreign currency deposits increased by 2.3 percent to KHR9749.4 bn.

In monetary operations, net foreign assets increased by 2.8 percent from March 2008, to KHR11,221.6 bn in March 2009. Total foreign assets jumped by KHR1162.4 bn, due to an increase of KHR1495.9 bn in foreign assets of the central bank and a decrease of KHR333.5 bn in foreign assets of commercial banks. Foreign liabilities were KHR851.6 bn higher than at the same time last year, due to the same increase in foreign liabilities of commercial banks. Credit to the private sector rose by 22 percent, to KHR9814.3 bn, while claims on government dropped by 8.8 percent to KHR270.4 bn. Government deposits increased by 23 percent to KHR3318.8 bn while other liabilities climbed 22 percent to KHR5499.9 bn.

Poverty Situation

The vulnerable workers survey in May 2009 found average real daily earnings of the 10 groups was unchanged comparing to February 2009; however, it decreased by 14.6 percent from November 2008 (see table 8).

Real daily earnings of cyclo drivers slid from KHR8506 in February to KHR7884 in May. Their income fell by 37.6 percent compared with November 2008. Eighty-five percent of the interviewees reported that their earnings could not support their whole family; 42.5 percent complained of going into debt, because their income was not enough to pay for food.

The income of porters declined by 12.4 percent, from KHR10,442 per day in February to KHR9,144 in May. This was due to an increase in the number of porters and less business activity, according to 87.5 percent of the interviewees. Porters were mostly single and aged 25 and under. Most of them (75 percent) did not expect their earnings to rise in the next few months, because the recent decline in construction activity pushes many construction workers to work as porters.

In May, the real daily earnings of motorcycle taxi drivers decreased by 7.3 percent from February, falling to KHR11,613. The interviewees had the same complaints as other groups that their earnings hardly covered expenditure, and they had gone into debt.

Earnings of garment workers fell 11.9 percent from the last survey, to KHR5929 per day. This stemmed from less overtime work, according to 57

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Economy Watch—Domestic Performance

Table 1. Private Investment Projects Approved, 2003–09

	2003	2004	2005	2006	2007			2008				2009
					Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
	Fixed Assets (USD m)											
Agriculture	3.7	12.3	26.8	498.0	2.1	12.0	102.4	52.3	16.7	18.6	4.4	175.3
Industry	137.2	187.9	914.6	365.3	51.2	187.2	328.0	52.9	95.0	91.6	485.4	257.7
<i>. Garments</i>	68.1	132.6	174.4	89.4	24.3	40.7	69.1	42.3	47.8	31.3	21.4	16.4
Services	168.4	91.8	155.5	2939.1	138.0	957.7	311.1	148.2	4064.9	4450.5	1339.6	495.6
<i>. Hotels and tourism</i>	124.1	55.9	102.6	345.0	55.0	653.8	199.2	93.7	4015.0	3481.3	1168.1	254.1
Total	309.3	292.0	1096.9	3802.4	191.3	1156.9	741.5	253.4	4176.5	4560.7	1580.3	928.6
	Percentage change from previous quarter											
Total	-	-	-	-	-61.6	504.7	-35.9	-78.1	1548.2	9.2	-65.3	-41.2
	Percentage change from previous year											
Total	22.1	-5.6	275.6	246.6	91.8	334.6	-23.7	-49.1	2083.2	294.2	113.1	266.5

Including expansion project approvals. Source: Cambodian Investment Board

Table 2. Value of Construction Project Approvals in Phnom Penh, 2003–09

	2003	2004	2005	2006	2007			2008				2009
					Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
	USD m											
Villas and houses	20.0	30.3	45.5	33.1	22.8	21.7	20.2	45.3	17.6	52.1	39.7	32.1
Flats	91.6	167.6	204.2	213.3	33.2	117.5	57.6	40.9	55.1	65.6	60.0	95.2
Other	87.3	65.6	109.1	76.8	88.8	40.6	94.3	51.2	68.2	369.3	252.2	53.7
Total	198.9	263.5	358.8	323.3	144.7	179.7	172.2	137.3	140.9	486.9	351.9	181.1
	Percentage change from previous quarter											
Total	-	-	-	-	3.9	24.2	-4.2	-1.4	2.6	245.6	-27.7	-48.5
	Percentage change from previous year											
Total	-9.5	32.5	36.2	-9.9	76.0	88.2	120.2	-1.4	-2.6	170.9	104.4	31.9

Source: Department of Cadastre and Geography of Phnom Penh municipality

Table 3. Foreign Visitor Arrivals, 2003–09

	2003	2004	2005	2006	2007			2008				2009
					Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
	Thousands of passengers											
By air	456.0	626.1	856.5	1029.0	275.6	278.5	368.8	402.0	262.0	259.2	316.2	335.2
By land and water	245.0	428.9	565.1	672.9	148.9	153.3	239.2	242.2	192.0	186.3	261.4	287.1
Total	701.1	1055.0	1421.6	1701.9	424.5	431.8	608.0	644.2	454.0	445.5	577.6	622.3
	Percentage change from previous quarter											
Total	-	-	-	-	-22.9	1.7	40.8	6.0	-29.5	-1.9	29.6	7.7
	Percentage change from previous year											
Total	-10.9	50.5	34.7	19.7	19.2	16.5	17.8	17.0	6.9	3.2	-5.0	-3.4

Source: Ministry of Tourism

Table 4. Exports and Imports, 2003–09

	2003	2004	2005	2006	2007			2008				2009
					Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
	USD m											
Total exports	1708.1	2108.1	2352.8	2799.9	705.0	890.8	793.4	803.1	539.6	928.7	728.6	721.4
Of which: Garments	1628.4	2027	2253.3	2698.9	688.2	846.1	727.1	773.4	463.8	868.8	678.8	606.9
Rubber	35.1	38.3	36.7	41.4	6.9	11.7	14.6	7.0	11.0	12.9	5.2	11.8
Wood	10.2	11.1	10.3	8.6	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Fish	2.8	10.6	10.1	5.9	0.4	1.2	0.9	0.7	0.3	0.6	0.6	0.9
Total imports	1824.9	2149.0	2513.0	3057.0	911.6	924.5	982.7	983.8	1178.5	1027.1	916.3	987.7
Of which: Petroleum products	191.6	187.0	184.8	238.5	68.5	71.0	58.9	60.0	64.6	68.3	62.9	67.3
Construction materials	80.8	95.3	134.7	154.4	31.6	34.9	32.5	39.7	40.7	35.6	29.9	41.4
Other	1601.3	1914.0	2245.0	2731.0	807.5	818.6	891.3	884.1	1073.2	923.2	823.5	879.0
Trade balance	-116.8	-40.9	-160.1	-257.1	-208.1	-30.7	-189.3	-180.7	-638.9	-98.4	-187.7	-157.6
	Percentage change from previous quarter											
Total garment exports	-	-	-	-	1.6	22.9	-14.1	6.4	-40.0	87.3	-21.9	-10.5
Total exports	-	-	-	-	0.4	26.4	-10.9	1.2	-32.8	72.1	-21.5	-0.9
Total imports	-	-	-	-	15.3	1.4	6.3	0.1	19.8	-12.8	-10.8	7.8
	Percentage change from previous year											
Total garment exports	-54.1	-64.9	291.4	19.8	8.8	8.2	1.6	14.2	-32.6	2.7	-6.6	-21.5
Total exports	17.5	23.4	11.6	19.0	8.0	10.3	7.7	13.5	-23.5	4.3	-8.2	-10.2
Total imports	6.9	17.8	16.9	21.6	17.6	17.9	21.7	24.4	29.3	11.1	-6.8	0.4

Import data include tax-exempt imports. Source: Customs and Excise Department, cited by National Bank of Cambodia

Table 5. National Budget Operations on Cash Basis, 2003–09 (billion riels)

	2003	2004	2005	2006	2007			2008				2009
					Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Total revenue	1764	2126	2625	3259.2	1016.8	1031.4	1146.1	1194.1	1463.6	1297.0	1335.3	1101.7
Current revenue	1733	2107	2474	2881.8	1012.4	1031.4	1141.6	1189.4	1447.0	1288.3	1286.0	1097.7
Tax revenue	1220	1577	1911	2270.9	887.7	844.6	965.2	978.0	1255.0	1071.2	1105.7	947.4
Domestic tax	-	-	-	-	642.1	584.8	661.8	719.9	955.5	776.7	796.3	712.0
Taxes on international trade	-	-	-	-	245.6	259.8	303.5	258.1	299.5	294.5	309.4	235.4
Non-tax revenue	513	530	563	610.9	124.7	186.9	176.4	211.4	192.1	217.1	180.2	150.3
Property income	-	-	-	-	15.5	14.8	13.6	2.9	53.9	11.0	10.2	13.1
Sale of goods and services	-	-	-	-	93.0	100.1	124.3	118.9	96.3	99.7	109.8	93.5
Other non-tax revenue	-	-	-	-	16.2	72.0	38.5	89.6	41.9	106.4	60.3	43.7
Capital revenue	31	19	152	377.4	4.5	0.0	4.5	4.8	16.5	8.7	49.3	4.0
Total expenditure	2757	2932	3295	4174.7	1098.7	1126.1	1689.7	1059.1	1744.7	1662.8	1831.2	1650.6
Capital expenditure	1171	1163	1328	1638.1	408.1	355.1	807.4	411.0	648.2	641.2	874.0	693.6
Current expenditure	1586	1769	1967	2536.8	681.6	771.0	882.3	648.1	1096.5	918.0	1146.4	752.4
Wages	615	640	711	822.0	242.7	253.4	362.6	250.7	367.0	363.6	415.7	327.4
Subsidies and social assistance	-	-	-	-	184.0	115.0	194.2	104.3	325.7	111.9	385.2	217.3
Other current expenditure	-	-	-	-	254.9	402.6	325.5	193.1	403.8	442.6	345.4	207.7
Overall balance	-993	-806	-706	-915.6	-81.9	-78.7	-543.6	135.0	-281.1	-365.8	-495.9	-548.9
Foreign financing	886	864	1127	1360.7	313.9	290.3	741.5	299.2	615.8	435.0	705.1	533.2
Domestic financing	106	148	-396	-445.1	-213.0	-148.0	-185.8	-294.1	-236.5	234.7	168.9	-335.3

Source: MEF web site

Table 6. Consumer Price Index, Exchange Rates and Gold Prices (period averages), 2003–09

	2004	2005	2006	2007				2008				2009
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
(October–December 2000:100)	Consumer price index (percentage change over previous year)											
PPenh - All Items	3.9	5.8	4.7	3.0	4.6	6.0	9.7	16.5	24.9	21.7	15.7	-
- Food & non-alcoholic bev.	6.4	8.6	6.4	3.0	7.2	11.3	18.1	27.6	43.5	35.2	26.1	-
- Transportation	9.7	11.4	9.1	5.2	5.0	3.1	9.9	18.8	25.3	25.4	8.0	-
(October–December 2006:100)	Consumer price index (percentage change over previous year)											
PPenh - All Items	-	-	-	-	-	-	-	-	-	-	-	4.3
- Food & non-alcoholic bev.	-	-	-	-	-	-	-	-	-	-	-	6.1
- Transportation	-	-	-	-	-	-	-	-	-	-	-	-13.0
Exchange rates, gold and oil prices (Phnom Penh market rates)												
Riels per US dollar	4016.3	4119.7	4119.0	4063.0	4075.4	4082.3	4030.1	3995.3	4030.2	4117.5	4089.8	4111.6
Riels per Thai baht	99.9	102.6	108.7	113.7	118.0	130.0	129.3	129.1	125.4	121.9	117.7	116.6
Riels per 100 Vietnamese dong	25.5	25.8	25.1	24.6	24.7	25.3	25.2	25.2	24.9	24.8	24.3	23.6
Gold (US dollars per chi)	46.3	54.0	70.6	77.7	79.8	80.8	94.4	111.6	107.7	106.0	98.2	105.6
Diesel (riels/litre)	2088	2633	3140	3067	3100	3203	3679	3982	4975	5495	3768.9	2873.7
Gasoline (riels/litre)	2833	3442	4004	3750	3900	4002	4368	4580	5171	5391	3861.3	3112.6

Sources: NIS, NBC and CDRI

Table 7. Monetary Survey, 2003–09 (end of period)

	2003	2004	2005	2006	2007			2008				2009
					Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Billion riels												
Net foreign assets	4,027	4,797	5,475	7,224	9,048	9,768	10,735	10,911	11,353	10,809	10,345	11,222
Net domestic assets	-698	-467	-450	-282	-172	140	576	1,136	1,345	1,748	15,133	1,266
Net claims on government	-128	-209	-421	-953	-1,403	-1,547	-1,816	-2,400	-2,678	-2,653	-2,987	-3,048
Credit to private sector	1,337	1,817	2,394	3,630	4,537	5,376	6,386	8,050	9,206	9,781	9,894	9,814
Total liquidity	3,329	4,330	5,025	6,942	8,876	9,908	11,311	12,047	12,698	12,557	11,858	12,488
Money	937	1,153	1,323	1,658	1,748	1,750	2,052	2,389	2,467	2,335	2,399	2,545
Quasi-money	2,392	3,177	3,702	5,285	7,128	8,158	9,259	9,658	10,231	10,223	9,459	9,942
Percentage change from previous year												
Total liquidity	15.2	30.0	16.1	38.1	46.8	53.4	62.9	54.5	43.1	26.7	4.8	3.7
Money	15.3	23.0	14.7	25.3	15.7	12.0	23.8	33.2	41.1	33.4	16.9	6.5
Quasi-money	15.2	32.8	16.6	42.8	57.3	66.5	75.2	61.0	43.5	25.3	2.2	2.9

Source: National Bank of Cambodia

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

	Daily earnings (riels)									Percentage change from previous year		
	2003	2004	2005	2006	2007	2007	2008	2009	2009	2009	2009	
						Nov	Nov	Feb				May
Cyclo drivers	9,196	7,618	8,085	7,469	8,075	9,675	12,628	8,506	7,884	34.4	-32.6	-7.3
Porters	7,096	6,925	6,734	6,545	8,588	9,119	9,005	10,442	9,144	1.7	16.0	-12.4
Small vegetable sellers	6,634	6,953	7,739	6,390	8,220	8,552	9,926	7,589	8,652	19.5	-23.5	14.0
Scavengers	3,945	4,456	5,167	4,416	5,422	5,727	4,652	5,153	5,881	-16.3	10.8	14.1
Waitresses*	4,343	4,439	4,344	4,412	4,482	4,643	4,327	4,268	3,851	-4.0	-1.4	-9.8
Rice-field workers	4,114	4,233	4,370	5,306	5,516	6,426	8,697	7,021	6,315	39.4	-19.3	-10.0
Garment workers	8,447	8,048	7,359	7,649	7,568	7,240	6,554	6,732	5,929	-6.8	2.7	-11.9
Motorcycle-taxi drivers	10,228	9,259	10,595	8,201	10,634	11,872	15,691	11,613	10,765	36.1	-26.0	-7.3
Unskilled construction workers	6,573	6,391	6,712	5,918	6,155	7,777	8,779	6,095	8,823	16.3	-30.6	44.7
Skilled construction workers	13,435	12,691	12,049	10,316	11,154	11,286	12,710	11,732	12,129	16.0	-7.7	3.4

* 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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give additional comments. “Contextualisation of the Cambodian State: Is It Developmental?” has just been started; researchers from two other units are involved: Economy, Trade and Regional Cooperation and Poverty, Agriculture and Rural Development.

A successful book launch was held in the CDRI library on 24 July for *Beyond Democracy in Cambodia: Political Reconstruction in a Post-Conflict Society*, edited by Joakim Ojendal and Mona Lilja (NIAS Press, 2009). The chapter “Decentralization as a Strategy for State Reconstruction in Cambodia” is by a CDRI researcher. The contributors are a broad mix of Khmer and non-Khmer researchers, and this is the first empirical study to assess, systematically and in depth, post-conflict democratisation in Cambodia. The event attracted 80 guests, including policy makers, civil society, academics, NGOs, donors and development practitioners.

Social Development Programme: The “Key Manager Baseline Study for Health Sector Support Programme” is going well under a contract with DFID. A questionnaire was developed with the support of the Oxford Policy Institute and tested on 30 July in two hospitals and operational districts in Kandal and Phnom Penh. The field survey will be conducted during August–September 2009. The regional conference is ongoing. The second call for papers was circulated through email networks to remind those who are interested in the conference. The dialogue with UN Habitat for the “Diagnosis of Safety for the Urban Poor in Phnom Penh” is ongoing.

During this period, the training team conducted courses for trainers, practitioners and NGOs on “Working for Peace” from 13 to 17 July in Kompong Speu province and specific training from 18 to 31 July in Pursat province

Economy, Trade and Regional Cooperation Programme: The “Poverty Dynamics Study” project team is still analysing the six round panel data on various poverty issues, including identifying poverty incidence, transient and chronic poverty and determinant factors of the two types. The project has been extended for a few months due to the response to the “Rapid Assessment of the Impacts of the Economic Crisis on Cambodian Households”. The “China’s Investment in Cambodia” study has been commented on by the study’s partner,

and the report is being revised, including six case studies. The first draft report on “Maximising the Opportunities of Chinese Investment in Cambodian Natural Resources” has been submitted to the donor and will be finalised upon receipt of comments. The rapid assessment study, a joint research project with PARD, has submitted the final report for component one and the first draft for component four to the World Bank. “Assessing the Socio-Economic Effects of the GMS”, a joint-research project with PARD and Social Development, has started reviewing a wide range of methodologies and case studies in various countries. The project is making good progress. In late July, ETRC agreed with UNESCAP to produce a policy brief on “The Impact of Global Economic Crisis on Garment Workers and Remittances: the Case of Cambodia”.

Natural Resources and the Environment Programme: A training course entitled “Panel Data Econometrics” was conducted for the Water Resources Management Research Capacity Development Programme. The “Tropical Forests for Poverty Alleviation—from Household Data to Global Analysis” programme is cleaning data in collaboration with the Centre for International Forestry Research. “Building Community Capacity for Poverty Reduction Initiatives in the Tonle Sap Basin” conducted a meeting with the Council for Agricultural and Rural Development to discuss results after the project was reviewed by the ADB. The one-year project on “Sustainable Pathways for Attaining the Millennium Development Goals Initiative”, funded by the Stockholm Environment Institute, has conducted data cleaning.

Poverty, Agriculture and Rural Development Programme: The Poverty Dynamics Study is engaged in quantitative data analysis. A wealth index is being defined by PARD and ETRC members using recommendations from Dr. Jose Ramon G. Albert, senior research fellow, Philippines Institute for Development Studies. The final draft on rapid economic impact assessment has been sent to the World Bank. Two research articles were written for *CDR* volume 3. “Building Resilience of Community Fisheries in the Tonle Sap Lake: Collective Action and the Capacity to Manage Resource Competition” is scheduled to start from 1 September. This project is commissioned by WorldFish and funded by the Consultative Group on International Agricultural Research. “Assessing the Socio-Economic Effects

CDRI UPDATE

Management

At its mid-year meeting in August 2009, the CDRI board of directors welcomed three new members: H.E. Neav Chanthana, deputy governor, National Bank of Cambodia, H.E. Dr Tia Phalla, vice-chair, National AIDS Authority, and Dr Huot Pum, economist, Royal University of Law and Economics, and deputy director-general, Securities and Exchange Commission of Cambodia. The board meeting also endorsed a series of events to be held in 2010 to celebrate the 20th anniversary of the establishment of CDRI and its contribution to development policy research and human resources in Cambodia.

CDRI and its partner institutes in the Development Analysis Network (DAN) from Laos, Thailand, Vietnam and Yunnan province of China held a one-day retreat in Luang Prabang on 4 August as part of the DAN 8 research project, the last such project under current Rockefeller Foundation funding, which concludes in June 2010. The retreat was held to review the role, value, achievements, strengths and weaknesses of DAN, and discuss how DAN can be strengthened and sustained as an effective collaborative policy research network in the Greater Mekong Sub-region. A proposal for the future of DAN, and associated financial support partnerships, will be prepared for endorsement by the next DAN network meeting, in Kunming, Yunnan, in January 2010.

CDRI's Annual Report for 2008–09 has been published and posted on the CDRI web site, along

with six Cambodia Outlook Briefs, in Khmer and English, generated from the 2009 Cambodia Outlook Conference on the impact of the global financial and economic crisis on Cambodia.

Research

The following research activities took place at CDRI over the period July–September 2009.

Democratic Governance and Public Sector Reform Programme: The second draft of “Leadership in Local Politics” is awaiting revision and comments. The first draft is finalised and awaiting comments from the research adviser. The first stage of interviews with key informants for “Research Capacity of Cambodia’s Universities” has been completed. The final draft study will be done in August. For “Local Governance of Common Pool Resources: the Case of Irrigation Water in Cambodia”, Ms Chea Chou met with Professor Joakim Ojendal (Goteborg University, Sweden, and research adviser for the programme) to get his comments on the four finished chapters. Chapter 4 is being polished and will be finished by mid-August. The consultancy project at the National Committee for Decentralisation and Deconcentration (Ministry of the Interior), supported by the Urban Institute, has submitted the fourth draft of the national programme. “Understanding Civil Society-Parliamentarian Engagement in Cambodia” was submitted on time to the Overseas Development Institute. Internally, the research adviser is helping to fine-tune and

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