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## EXISTING NON-TARIFF MEASURES IN CAMBODIA

### Introduction

Academics, policymakers and practitioners working in the trade sector have paid much attention to non-tariff measures (NTMs). The reason is that while tariffs have been reduced through regional, multilateral and bilateral trade agreements, the use of NTMs to regulate trade has expanded, supposedly in response to demands for better consumer and environmental protection. However, NTMs are also used as an alternative to tariffs to protect domestic industry, markets and products. Further, NTM compliance increases the cost of exporting and, ultimately, leads to a reduction of trade flows. Tariff trade costs account for only 2 to 3 percent of the total trade cost in Asia-Pacific countries while policy-related and non-tariff trade costs represent 76 to 78 percent (Duval, Saggu and Utoktham 2015, 10–11). For developing countries, NTMs have implications for market access because compliance requires extensive technical capacity and international standard facilities which they often lack, while high compliance costs can put them at a competitive disadvantage. Yet both developing and developed countries are increasing their imposition of NTMs.

NTMs are imposed by countries on specific commodities to protect human, animal and plant life, and the environment. They are complex legal texts and extremely diverse and thus pose a challenge to their classification and definition. The United Nations Conference on Trade and



*The timelines for eliminating non-tariff barriers vary between countries  
Sihanoukville, Oct 2017*

Development (UNCTAD) recently reclassified NTMs into 16 categories coded A to P (Table 1). Despite many proposals to simplify the definition of NTMs, none of them have been comprehensive enough. Although there is no single agreed definition, the World Trade Organization (2012, 72) broadly describes NTMs as:

... policy measures other than ordinary customs tariffs that affect international trade in goods at the border by changing quantities traded, prices or both. NTMs include a wide range of instruments such as quotas, licences, technical barriers to

### In this Issue

Existing Non-Tariff Measures in Cambodia.....	1
What Makes Local Authorities Responsive? Lessons from Two Social Accountability Projects in Cambodia.....	8
Economy Watch – External Environment .....	12
– Domestic Performance .....	14
CDRI Update .....	20

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trade (TBTs), sanitary and phytosanitary (SPS) measures, export restrictions, custom surcharges, financial measures and anti-dumping measures.

This article aims to provide an overview of the existing NTMs Cambodia has imposed on the products it imports and exports so that trading companies can have a better understanding of their magnitude. It also aims to generate practical insights for conducting further research on NTMs in Cambodia. A short review of the empirical literature synthesises the most recent findings. A brief account of the evolution of NTMs in Cambodia and inventory of existing NTMs by Harmonised System (HS) classification follows. Then, NTM coverage ratios for Cambodia's imports and regulatory distance of NTMs within ASEAN are calculated and presented.

### Analytical methods

NTM data was collected from the UNCTAD Trade Analysis Information System (TRAINS) and the World Bank's World Integrated Trade Solution (WITS) database, and trade data from UN Comtrade. To identify the distribution of NTMs and assess their potential effects, the study computed NTM incidence, NTM coverage ratios and NTM regulatory distance.

NTM incidence "accounts only for the presence or absence of an NTM and summarizes the percentage of products to which one or more NTMs are applied" (UNCTAD 2013, 4).

NTM coverage ratio is "the percentage of trade subject to NTMs for the importing country and provides a measure of the importance of NTMs on overall imports" (UNCTAD 2013, 4).

Regulatory distance, introduced by Cadot et al. (2015), determines the differences and similarities between the NTM regimes of different countries. I calculate regulatory distance as follows. First, if two countries apply  $NTM_l$  to six-digit HS commodity  $k$ , then the regulatory difference in  $NTM_l$  on commodity  $k$  of both countries is  $RD_{lk} = 0$ ;  $RD_{lk} = 1$ , otherwise. Then, using the formula

$$D_{ij} = \frac{\text{sum of } RD_{lk} \text{ sum of } RD_{lk}}{\text{count of } RD_{lk} \text{ count of } RD_{lk}},$$

I calculate the overall regulatory distance  $D_{ij}$  between the countries of interest, and convert all the  $D_{ij}$  values into an asymmetric matrix. Multidimensional scaling is performed in Stata and the values plotted on a graph to show the relative similarity of NTM regulations across comparator countries.

Table 1: UNCTAD classification of NTMs

		Code	Description
Import-related measures	Technical measures	A	Sanitary and phytosanitary measures
		B	Technical barriers to trade
		C	Pre-shipment inspection and other formalities
	Non-technical measures	D	Contingent trade-protective measures
		E	Non-automatic licensing, quotas, prohibitions and quantity control measures
		F	Price-control measures, including additional taxes and charges
		G	Finance measures
		H	Measures affecting competition
		I	Trade-related investment measures
		J	Distribution restrictions
		K	Restrictions on post-sales services
		L	Subsidies (excluding export subsidies)
		M	Government procurement restrictions
		N	Intellectual property
		O	Rules of origin
		P	Export-related measures

Source: UNCTAD (2015)

### Some previous studies on Cambodia's NTMs and trade

Empirical research on the trade effects of NTMs in Cambodia is still limited, especially studies that use rigorous analytical tools. A country case study by Dourng and Sok (2005) concluded that the NTMs facing Cambodian export companies mostly concern sanitary and phytosanitary (SPS) measures, followed by government subsidy, customs and administrative procedures, and technical barriers to trade (TBT), and that lack of technical expertise and international standard laboratories are the main NTM-related obstacles to trade. The authors speculated that if the NTMs were eliminated, Cambodian exports would diversify and expand, yielding economic growth and poverty reduction.

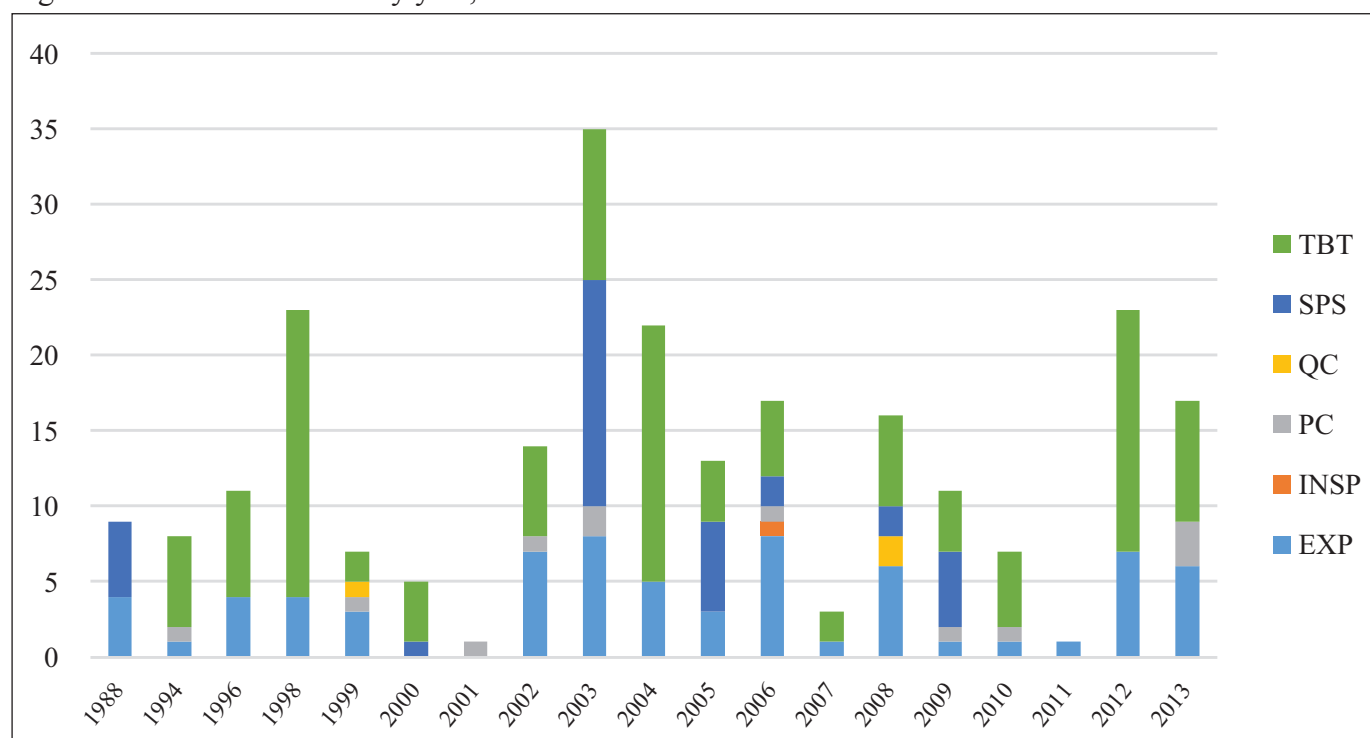
Research by the International Trade Centre (2014) on the company perspective of NTMs found that 69 percent of the firms interviewed in Cambodia face trade barriers. Among ASEAN member states, Cambodia has the highest proportion (82 percent) of firms affected by stringent NTMs. Agro-food commodities are the most affected, with 89 percent of agri-exporters facing burdensome difficulties. Exporters thought that getting the certificate of origin was the most

difficult and meeting conformity assessment requirements the second most difficult.

Sotharith, Tobing and Widiana's (2016) classification of NTMs in Cambodia identifies 243 NTMs affecting 9,558 products (Harmonised System [HS] codes), or 100 percent of the total products traded in Cambodia. The classification draws on 52 NTM regulations, most of which were issued by the Ministry of Agriculture, Forestry and Fisheries. Technical measures is the most frequently applied NTM, accounting for 65.0 percent of the total, of which TBT measures account for 49.8 percent, and B14<sup>1</sup> authorisation requirement for TBT reasons is the most frequently applied. Export measures (EXP) constitute 28.8 percent of total NTMs and affect all products traded in Cambodia. Products affected by three or more NTMs are machinery (21.6 percent), chemicals (12.1 percent), textiles (11.3 percent) and metals (9.5 percent).

1 "Requirement that the importer should receive authorization, permit or approval from a relevant government agency of the destination country, for reasons such as national security reasons, environment protection etc: Example: Imports must be authorized for drugs, waste and scrap, fire arms, etc" (UNCTAD 2015, 16).

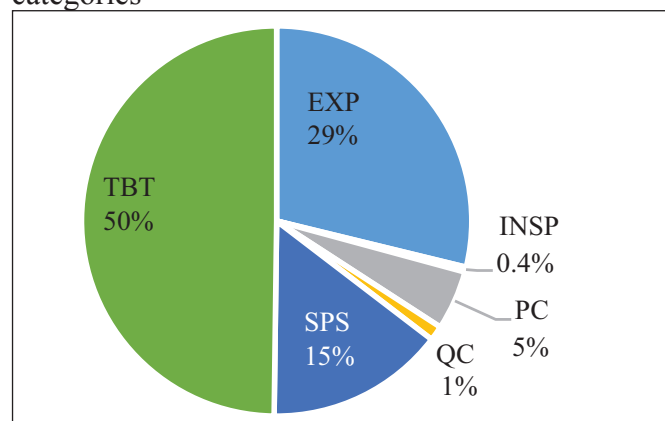
Figure 1: Number of NTMs by year, 1988–2013



Source: UNCTAD TRAINS-NTMs (<http://asean.i-tip.org/>)

Note: CTPM: contingent trade protective measure; EXP: export measure; INSP: pre-shipment inspection; QC: quantity control; PC: price control; SPS: sanitary and phytosanitary; TBT: technical barrier to trade.

Figure 2: Existing NTM distribution over categories



Source: UNCTAD TRAINS-NTMs (<http://asean.i-tip.org/>)

Ven (2017) examines the effect of trade partners' NTMs on Cambodia's agricultural exports. He found that almost all Cambodian agricultural products are subject to NTMs. SPS and TBT have higher coverage ratios than non-technical barriers (NTBs),

while SPS measures are the most prevalent NTMs imposed by the major importers of Cambodia's agricultural products. Cambodia's NTM regime is different from those of its major export partners; however, it is similar to that of Vietnam and Singapore. The author concludes that SPS and TBT are unlikely to constrain agricultural exports because Cambodia's main agricultural products conform with the SPS and TBT requirements adopted by trading partners such as the EU, US, China, Malaysia, Thailand, Singapore and Vietnam. Nonetheless, NTBs are likely to restrain agricultural exports: a 10 percent increase in NTBs could reduce Cambodia's agricultural exports by 2.7 percent.

## NTMs in Cambodia

### *Evolution of NTMs*

Available data indicates that Cambodia first used NTMs in 1988, when it imposed five SPS and four EXP measures (Figure 1). So far, Cambodia has

Table 2. Existing NTM incidence in Cambodia

HS section	TBT	SPS	INSP	CTPM	QC	PC	EXP	Total
<b>Total number of NTMs</b>	<b>121</b>	<b>36</b>	<b>1</b>	<b>0</b>	<b>3</b>	<b>12</b>	<b>70</b>	<b>243</b>
Live animals and products	12	19	0	0	1	5	28	65
Vegetable products	29	19	0	0	1	7	40	96
Animal and vegetable fats, oils and waxes	11	18	0	0	1	3	27	60
Prepared foodstuff, beverages, spirits, vinegar; tobacco	30	34	0	0	1	6	35	106
Wood, cork and articles, basket ware	4	0	1	0	1	2	15	23
Mineral products	17	0	0	0	2	1	14	34
Products of the chemical and allied industries	80	18	1	0	1	6	45	151
Resins, plastics and articles, rubber and articles	16	1	0	0	1	1	13	32
Hides, skins and articles, saddlery and travel goods	5	11	1	0	2	3	19	41
Paper, paperboard and articles	6	0	1	0	1	1	12	21
Textiles and articles	3	11	0	0	2	2	15	33
Footwear, headgear, feathers, artificial flowers, fans	4	11	1	0	2	4	19	41
Articles of stone, plaster, ceramics, glassware	2	0	0	0	1	1	8	12
Pearls, precious stones and metals, coins	18	4	1	0	2	4	25	54
Arms and ammunition	3	11	0	0	1	1	11	27
Base metals and articles	8	0	1	0	1	1	11	22
Machinery and electrical equipment	22	0	0	0	1	1	7	31
Vehicles, aircraft and vessels	6	0	0	0	2	0	7	15
Instruments, clocks, recorders and reproducers	7	11	0	0	2	2	10	32
Miscellaneous manufactured articles	15	11	1	0	2	3	24	56
<b>Works of art and antiques</b>	<b>5</b>	<b>11</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>3</b>	<b>19</b>	<b>40</b>
<b>NTM incidence</b>	<b>303</b>	<b>190</b>	<b>9</b>	<b>0</b>	<b>29</b>	<b>57</b>	<b>404</b>	<b>992</b>

Source: UNCTAD TRAINS-NTMs (<http://asean.i-tip.org/>)

Note: CTPM: contingent trade protective measure; EXP: export measure; INSP: pre-shipment inspection; QC: quantity control; PC: price control; SPS: sanitary and phytosanitary; TBT: technical barrier to trade



Table 3: NTM coverage ratios for Cambodia's imports, 2015

HS section	Imports (USD million)	Coverage ratio (%)				
		Any	SPS	TBT	INSP	NTB
Textiles and articles	4235.6	100	2.2	100.0	0.0	100
Machinery and electrical equipment	1492.5	100	0.0	100.0	0.0	100
Mineral products	1201.1	100	0.0	89.8	0.0	100
Vehicles, aircraft and vessels	1154.7	100	0.0	99.2	0.0	100
Prepared foodstuff, beverages, spirits, vinegar, tobacco	731.6	100	60.2	94.7	0.0	100
Base metals and articles	626.4	100	0.0	0.6	0.0	100
Products of the chemical and allied industries	584.6	100	0.5	84.1	4.8	100
Resins, plastics and articles, rubber and articles	572.9	100	20.3	21.2	0.0	100
Paper, paperboard and articles	328.0	100	0.0	91.2	0.5	100
Hides, skins and articles, saddlery and travel goods	311.6	100	9.2	9.4	0.0	100
Pearls, precious stones and metals, coin	261.6	100	0.0	99.9	0.2	100
Articles of stone, plaster, ceramics, glassware	192.3	100	0.0	0.1	0.0	100
Live animals and products	161.9	98	27.5	81.7	37.7	98
Miscellaneous manufactured articles	145.6	100	0.1	1.1	0.0	100
Footwear, headgear, feathers, artificial flowers, fans	120.8	100	29.5	29.5	13.1	100
Vegetable products	96.1	100	99.9	100.0	0.0	100
Instruments, clocks, recorders and reproducers	74.4	100	3.2	38.5	0.0	100
Wood, cork and articles, basket ware	64.2	100	0.0	100	99.4	100
Animal and vegetable fats, oils and waxes	14.9	100	16.9	100	0.0	100
Works of art and antiques	0.1	100	64.9	100	64.9	100
Arms and ammunition	0.1	100	75.9	100	0.0	100

Source: Author's calculation based on UN Comtrade (<https://comtrade.un.org/>) and WITS (<https://wits.worldbank.org/>)

Note: CTPM: contingent trade protective measure; EXP: export measure; INSP: pre-shipment inspection; QC: quantity control; PC: price control; SPS: sanitary and phytosanitary; TBT: technical barrier to trade

imposed 243 NTMs on imports from and exports to all trading partners: 121 TBT (50 percent of the total), 36 SPS (15 percent), 1 pre-shipment inspection (INSP) (0.4 percent), 3 quality control (QC) (1 percent), 12 price control (PC) (5 percent) and 70 EXP (29 percent) (Figure 2 and Table 2). Between 1988 and 2013, Cambodia imposed around 13 NTMs a year on average. TBT is the most frequently used measure, followed by SPS and EXP. During the same period, on average, Cambodia put in place eight TBT, five SPS and four EXP per year.

#### *NTMs by Harmonised System code*

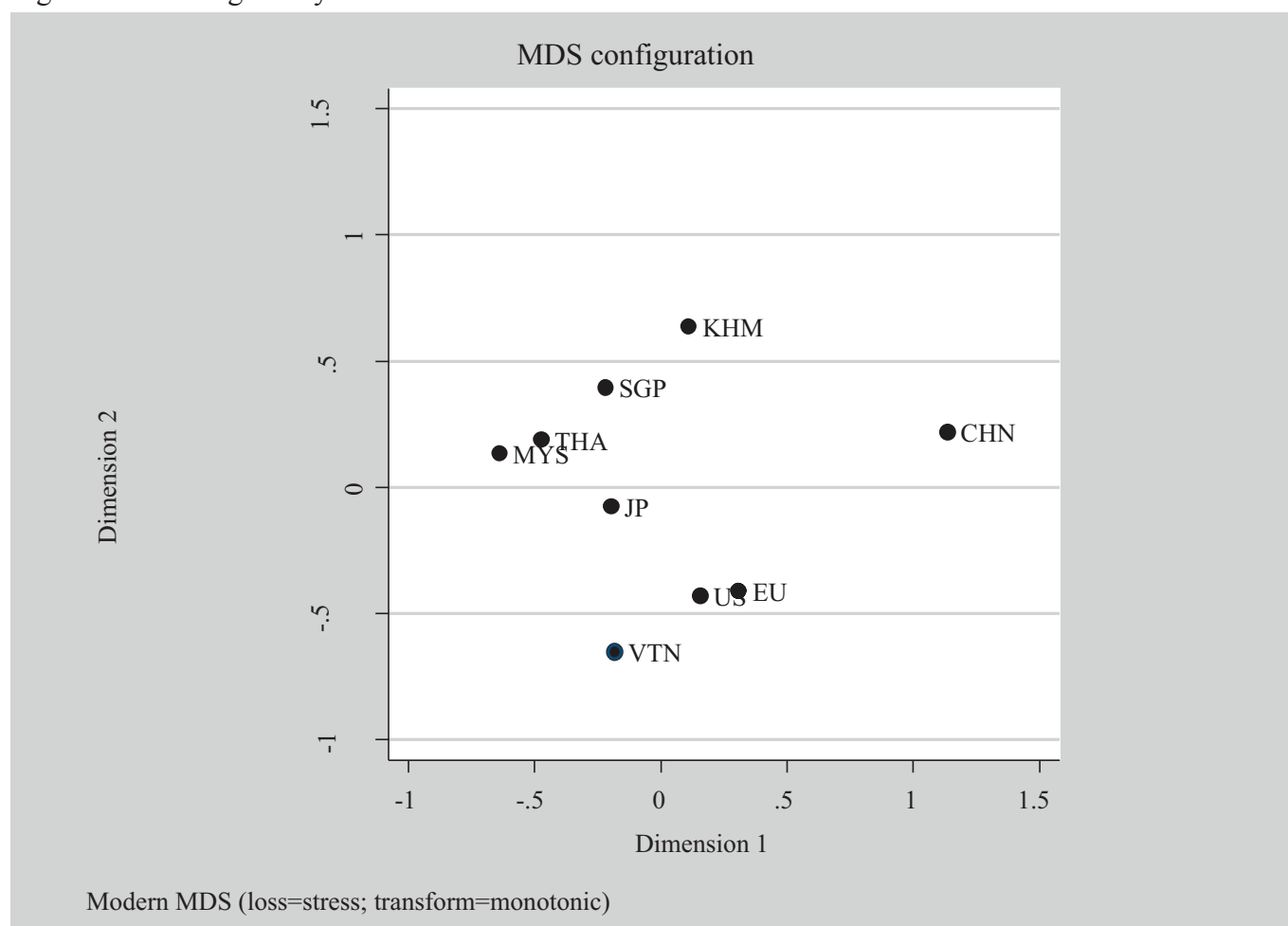
Table 2 presents Cambodia's existing NTM incidence by HS classification. The five HS sections with the most NTMs are, in descending order: (1) products of chemical and allied industries, (2) prepared foodstuff, beverages, spirits, vinegar, tobacco, (3) vegetable products, (4) live animals and products, and (5) animal and vegetable fats, oils and waxes.

By far, products of chemical and allied industries is the most affected section, with 151 NTMs, including 80 TBT, 18 SPS, 1 QC, 6 PC and 45 EXP measures, and 1 INSP. The next four HS sections most affected by NTMs concern agricultural products. These products are more likely to be affected by SPS than by TBT. Notably, prepared foodstuffs has the most SPS measures (34) while products of chemical and allied industries has the most TBT (80).

#### *NTM coverage ratios for Cambodia's imports*

Table 3 shows the NTM coverage ratios for Cambodia's imports in 2015. Most HS sections have high coverage ratios of any NTM, NTB and TBT. The top four imported products (textiles and articles; machinery and electrical equipment; mineral products; and vehicles, aircraft and vessels) have very low SPS coverage ratios, but very high TBT coverage ratios. SPS coverage ratios are very high for most agricultural products, including vegetable products and prepared foodstuff, beverages, spirits,

Figure 3: NTM regulatory distance



Source: Author's calculation based on WITS (<https://wits.worldbank.org/>)

Note: Multidimensional scaling (MDS) (nonmetric), loss criterion = 0.0961

vinegar and tobacco. They are moderately high for live animals and products, and animal and vegetable fats, oils and waxes. Arms and ammunition, and works of art and antiques, also have high SPS coverage ratios.

### ***Regulatory distance of NTMs***

Cadot et al. (2015) introduced regulatory distance to determine the differences between the NTM regimes of different countries. If two countries impose the same NTMs on the same products, they are considered to have identical NTM regimes. The more different the NTMs, the longer the regulatory distance between NTM regimes. The data plotted on Figure 3 show the regulatory distances between the NTM regimes of Cambodia and some other ASEAN member states. Those of other major trading partners are also included as benchmarks. If two countries

are close to each other on the graph, they have similar regulatory distance; and vice versa. This figure shows that Cambodia's NTM regime is close to that of Singapore, but fairly far from Thailand's and Malaysia's. Cambodia's NTM regime is very different from Vietnam's, which seems to be an outlier within ASEAN. This indicates that NTM regimes within ASEAN are far from homogenous, possibly hampering ASEAN member states' ability to harmonise their NTM regimes.

### **Way forward**

The findings show that the NTM data for Cambodia in UNCTAD TRAINS is not up to date; data is only available up to 2013. Accurate NTM data is necessary for trading companies to achieve NTM compliance. Therefore, in 2018, economists at CDRI will implement a research project to update NTM

data in Cambodia. This project is funded by ERIA-UNCTAD and is a part of a bigger project called ERIA-UNCTAD: Updating NTMs in ASEAN.

The findings also indicate that ASEAN countries' NTM regimes are diverse. This suggests the need to standardise NTM regimes and to speed up the process of mutual recognition arrangements within the ASEAN region so that freer flow of goods can be achieved. Although NTMs are put in place to protect people, the environment, and animal and plant life, many of them are simply used as an excuse for protectionism. These non-tariff barriers<sup>2</sup> should be eliminated. The 20<sup>th</sup> meeting of the ASEAN Free Trade Area (AFTA) Council endorsed the adoption of mechanisms to identify and eliminate non-tariff barriers as critical for integrating priority sectors. The timelines for eliminating non-tariff barriers vary between countries. For Cambodia, Myanmar, Laos and Vietnam, non-tariff barriers should be reduced by the end of 2018. Nonetheless, identifying non-tariff barriers among a huge number of NTMs is not an easy task. Future research on NTMs should therefore focus on identifying NTMs that are barriers to trade. Future classification of NTMs should include NTBs as a category. Countries need to design effective mechanisms for identifying and verifying information about NTBs and ensuring their elimination.

<sup>2</sup> Non-tariff barriers are sometimes incorrectly used interchangeably with non-tariff measures, yet not all non-tariff measures are trade barriers. Non-tariff barriers here refer to illegitimate non-tariff measures that are used to protect domestic industry or products.

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# What Makes Local Authorities Responsive? Lessons from Two Social Accountability Projects in Cambodia

Social accountability as a good governance concept and procedure has been introduced in transitional societies to close the gap between state and society. It is a “nonelectoral yet vertical mechanism of control of political authorities that rests on the actions of an array of citizens’ associations and movements and the media” (Peruzzotti and Smulovitz 2006, 10). A stocktaking of social accountability experience in developing countries has generated valuable insights into the impacts of social accountability initiatives by identifying the enabling conditions under which social accountability practices can induce positive result. These include the functioning of democratic institutions, political will and citizen actions (see Arroyo and Sirker 2005; McNeil and Malena 2010).

In Cambodia social accountability was pioneered by the World Bank jointly with the Ministry of Interior (MOI) to ride the successive waves of decentralisation beginning in 2002. Under the banner Demand for Good Governance (DFGG), civil society organisations were trained in relevant concepts and skills followed by piloting and implementation of social accountability initiatives to coordinate citizen demands to improve the quality of basic public services. At the core of DFGG’s approach is the shift in relationship from confrontation to constructivism – from “shouting” to “counting”, in the words of the World Bank – between civil society and government in finding mutually acceptable solutions to local service problems (Rodan and Hughes 2013). This mode of working eclipses the more common approaches of imposing reputational cost or public shaming because of the optimism in the promise of political will or political opening. Further, Cambodia’s political system holds little hope for interventions from independent institutions to improve political

and bureaucratic responsiveness. As the findings show, the political opening approach is not without effectiveness and particularly fits the context where formal systems of accountability are weak or unreliable.

This article assesses two cases of social accountability implementation, one “successful” and the other “unsuccessful”, by focusing on the supply side of social accountability practice to tease out the factors that shape the emergence or the lack thereof of government responsiveness. The discussion is expected to enrich understanding of what makes social accountability initiatives work in Cambodia.

## Community score cards in primary health care

A major plank of DFGG focused on promoting social accountability in social sectors such as health and education. These areas were seen as less politically contentious and thus were more likely to gain cooperation from the state for reform actions. This section examines the case of community scorecards in primary health care implemented by Takeo-based NGO Buddhism for Health (BfH). The Community Scorecards for Health Services Project (CSHSP) was implemented in 2012, targeting 20 health centres in Takeo’s Kirivong operational district (OD). The Chi Khmar health centre, which provides primary health care services for more than 160,000 villagers, was selected for this case study.

Since 2008 the Ministry of Health has instituted an accountability structure to engage citizens in the health sector. For each health centre, this includes the simple institutional procedure of a complaints box and more organised institutions such as the village health support group and the health centre management committee. These institutions were designed to promote accountability from below, but in practice there exist multiple defects. The official view from the OD chief is that these institutional arrangements assume that citizens engage with public officials and service providers. But most of the time villagers do not feel comfortable

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doing so as they are very concerned about the consequences of public criticism, justified or not.<sup>1</sup> Community scorecards, a social accountability tool, are intended to fill this institutional gap. Unlike existing accountability mechanisms, the community scorecard process is led by NGOs. The advantage of this stewardship, according to the OD chief, is that NGOs are generally perceived as impartial and trustworthy, so citizens are more likely to express opinions with their presence.

Designed primarily to enhance the quality of health services through citizen feedback, the CSHSP largely achieved its objective. BfH's monitoring reports show that the health centre's performance deficits, including issues of staff attitude, hygiene, prescribing practice and working hours, were measurably improved upon: a new pump and pipe system to provide water in the health centre toilets was installed; and complaints over attitude, working hours and prescriptions were addressed through internal meetings leading to friendlier behaviour, more regular working hours and more diligent prescribing practice. That this new accountability procedure generated responsiveness is a significant accomplishment that warrants explanation.

A critical explanatory factor concerns state preparedness. The Program to Enhance Capacity in Social Accountability (PECSA), DFGG's predecessor, was formally launched in 2007, five years before the CSHSP was implemented. This afforded government agencies ample time to familiarise themselves with the concept and practice of community scorecards and anticipate possible ramifications. The fact that a joint initiative was ever formed foretold the government's willingness to listen and act.

The government was selective of the NGOs to be engaged in the social accountability program and distinguished between two main categories – advocacy and development NGOs (Rodan and Hughes 2013). Development NGOs are considered supportive of the government's ongoing poverty reduction efforts which makes them preferred partners in social accountability implementation.

BfH is a typical development NGO. Its more than 10-year presence in Kirivong administering

health equity funds and community-based health insurance has culminated in strong reciprocal relationships between BfH, health officials and local politicians, laying the groundwork for new ways of working. Further bureaucratic clearance came with a national workshop held before starting the CSHSP to showcase ministerial commitment to community scorecards as a means to strengthen health systems performance and improve outcomes. The workshop led to the publication of a community scorecard guideline stamped by the Ministry of Health, thereby publicly underpinning social accountability practice in the sector. It was vital because endorsement from the ministry was imperative to form and induce collaboration from its subnational agencies and local politicians.

Finally, a decisive determinant of state action was practicality. Chi Khmar health centre was adequately equipped to address the issues identified by scorecard reporting. The tasks required to address those issues largely fell within the scope of local capacity and discretion. That meant no ministerial actions or substantial funding were needed which would have complicated and delayed the solution process and thus undermined the quality of that responsiveness. Policywise, the standardised list of indicators used to garner collective feedback broadly mirrored existing ministerial policy actions. Put differently, the resultant improvements may have been achieved, with or without DFGG. The OD chief stated the current approach:

Our focus is to ensure that service providers follow provisions in the ministry's guidelines, for example, attitude, 24-hour operation, responsibility and hygiene. This is the leadership's main role. We are not yet in a situation where we spend the energy to find out if people are satisfied with us or not. This has to be done by a third party. (Interview, Takeo, 13 November 2014)

Social accountability's added value, therefore, was in providing administrative support for the chosen policy objectives by complementing the consistency and completeness of information flows in the health sector.

### **Citizen report cards in urban water and sanitation**

This section examines another social accountability project that received a different degree of responsiveness from local government and service

<sup>1</sup> Interviews with health centre chief, commune authorities and project facilitator, Takeo, 9–10 September 2014, OD chief, Takeo, 13 November 2014 and BfH, Phnom Penh, 14 August 2014.

providers.<sup>2</sup> The Deepening Local Democratic Governance through Social Accountability in Asia Project (DLDGP) was implemented by Phnom Penh-based NGO Silaka from 2011 to 2013 with financial support from the United Nations Democracy Fund. The project derived from successful social accountability experience in India and advocated for expanding access to piped drinking water and solid waste collection for the urban poor. Two of the six sangkats in Takmao – a municipality 12 km south of Phnom Penh – that are the poorest and with least access to safe water and basic sanitation were chosen as study sites. DLDGP's strategies combined elements of advocacy and conventional social accountability tactics. Two small and low-profile motorcycle parades were held to restate citizens' rights for water and sanitation. These events were followed by the more innovative citizen report cards, which collected citizens' views on the current status of water and sanitation services. The results were then communicated to the service providers and subnational government at a public meeting.

Final project evaluation shows that more than one year after the project ended, access to the services remains fundamentally unchanged. Several factors can be ascribed to this apparent inertia. First was the project's failure to achieve a political breakthrough by obtaining formal commitment from powerful central state actors. Unlike primary health care in Kirivong, piped water and solid waste collection in Takmao have a more complex institutional setup. The provision of clean water in Phnom Penh and its adjacent areas including Takmao is the responsibility of the Phnom Penh Water Supply Authority (PPWSA). The PPWSA is an autonomous state enterprise, meaning its executive director has the prerogative over all aspects of the firm's operation. To some extent, local governments are involved to evaluate prospective users' income status to determine if they qualify for subsidy, a social program to help low-income households that has been running since 1999.<sup>3</sup> Solid waste collection, on the other hand, is a mandate of the Ministry of Environment (MOE) but is outsourced to a private company who has a contractual agreement with

another ministry – the Ministry of Economy and Finance (MEF).

Water supply and waste collection have not been incorporated into the decentralisation of service delivery.<sup>4</sup> Decisions on service delivery are therefore either highly centralised or determined by private business interests. But in implementing the project, Silaka adopted a demand-side tactic of prompting the sangkat councils to address villagers' demand for services, an approach that frustrated the councils. Although the project was approved by the MOI, which gave the municipal government and sangkat councils the go-ahead to work with Silaka, the apparent lack of power of these state actors and corresponding pressure from the project implementer contributed to an antagonistic relationship and a sense of futility.

Similarly, the nature of public service outsourcing did not incorporate a workable accountability procedure, as the owner of the waste collection firm asserted: "I don't think Silaka has the right to demand that I respond. I hear them but it's up to me and the government whether we can or will respond to their demand."<sup>5</sup>

Silaka's approach had a number of disadvantages compared to DFGG. Unlike DFGG, which cultivated years of habituation before substantive implementation was set in train, the DLDGP was a case of local implantation inspired by a foreign success story. It lacked a patient workaround with the political aspects of social accountability that permit the relaxation of state scepticism and resistance. Organisationally, Silaka lacks the local knowledge and hands-on experience in public services that BfH has. Silaka's work has a thematic focus on capacity building, gender equality and good governance without specific geographic concentrations. Consequently, the organisation could not build a local footprint where it wanted to have an impact. While Silaka's work may categorise it as an advocacy NGO, it was not obvious that the status predetermined the government's attitude towards the DLDGP. Indeed, it was observed that Silaka deliberately took an apolitical stance to avoid affecting MOI's endorsement of the project.

2 This section draws on fieldwork data collected by Eng Netra in Eng, Vong and Hort (2015).

3 In spite of the program, according to Silaka's survey in 2012, only 29 percent of 150 poor households in Takmao have access to piped clean water.

4 At the time of writing, the MOE had begun piloting the decentralisation of waste collection in a number of districts.

5 Interview with owner, Takmao, 20 August 2014.

Last, the lack of service coverage was complicated by the commercial nature of these services. For both services, expansion is possible only if there is adequate capital to finance the needed infrastructure and enough fee-paying users to generate profit. For example, the owner of the waste collection firm explained that the company's current capacity can only serve the city centre and its main roads. Expanding to remote areas with fewer users would mean lower profits. Also the company was not under pressure from the MEF, its contractor, to expand its coverage in rural areas. The only obligation is that the company spends USD20,000 annually to renovate the city's roads. The PPWSA faces similar feasibility considerations. By 2014, PPWSA's supply capacity covered the entire four khans of central Phnom Penh, but just 60 percent of the remaining seven poorer suburban khans spanning new areas annexed from the surrounding provinces in a recent enlargement of the capital. This is a reason why coverage in these places is relatively lower. By including new households, both fee-paying and subsidised, PPWSA faces the challenges of capacity scale-up and resource mobilisation. These factors will have a bearing on the priorities of its expansion plan and subsidy program.

## Conclusion

The case study findings suggest that responsiveness was a product of issue-specific political decision making that has to be continuously negotiated between state and non-state actors. The case of primary health care was considered a responsive one because issues confronting the commune health system were mostly successfully addressed by the responsible health centre chief and staff in a fairly straightforward manner. Crucially, a decisive factor of responsiveness was that the response load was commensurate with the health centre's budget and scope of responsibility. In fact, many problems such as poor behaviour or absenteeism were resolved without needing financial inputs. In contrast, the case of urban water and sanitation was much more resistant. The providers of these two services are an autonomous state enterprise and a private contractor, respectively, who operate on market principles. Broadening service coverage to poor communities would put considerable strain on their existing capacity and consequently be less practical.

Further, these services, unlike primary health care, fall outside the scope of decentralisation, meaning local governments are essentially powerless to be responsive.

DFGG and its subsidiary projects had worked around central ministries and subnational governments to elicit official endorsement of the change to the existing mode of operation. This was aided by Buddhism for Health's long history working in the local health sector allowing it to mesh with bureaucratic ranks and thus quell resistance to the change it had to introduce. The case of Silaka's social accountability project, on the other hand, did not have that advantage. It was primarily inspired by the success of social accountability elsewhere, but a lack of local footprint and relation building limited its potential. In sum, evidence from the case studies indicates that a unique combination of practicality, state preparedness and NGO embeddedness drive local authorities to be responsive in the provision of public goods and services.

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## Economy Watch—External Environment

This section presents economic indicators of major world economies and economies in Southeast Asia during the second quarter of 2017.

In this quarter, Indonesia's real GDP rose by 5.0 percent from a year earlier, less than the expectation; it was the same increase as in the previous quarter. This growth was driven by consumer expenditure and fixed investment, which were offset by slower expansion of exports and government spending.

GDP in Malaysia increased by 5.8 percent year on year, the highest growth since 2015, stimulated by strong household consumption and faster growth in most sectors.

Singaporean growth was 2.9 percent year on year; all sectors had faster growth, except construction, accommodation and food service. The strongest sectors included manufacturing, finance and insurance, and transportation and storage.

Thailand's economy expanded by 3.7 percent over the year, the highest growth since 2013. It was 0.4 percentage points higher than in the preceding quarter, boosted by export growth and better performance of farm, tourism and retail.

Vietnam's growth was 6.2 percent year on year, 1.1 percentage points higher than in the previous quarter. Agriculture, forestry and fisheries recovered from sluggish growth in the first quarter, while extractive industry shrank.

China's economy expanded by 6.9 percent from a year earlier, the same pace as in the previous quarter. While fixed investment stayed robust, industrial production and retail sales accelerated.

The economy of China's Hong Kong SAR was 3.8 percent year on year, 0.5 percentage points lower than in the previous quarter. While external demand negatively affected growth, household expenditure and fixed investment contributed positively.

South Korea's annual growth was 2.7 percent, only 0.1 percentage points lower than a quarter earlier. Manufacturing and construction grew more slowly than in the previous quarter, amid a weak trade sector and better private and public consumption.

GDP in Taiwan expanded by 2.1 percent over the year, 0.5 percentage points less than in the previous quarter. Public expenditure increased at a slower pace.

The eurozone's real growth was 2.1 percent for the year, compared to 1.7 in the previous quarter.

Japan's economy expanded by 2.0 percent, the highest growth rate since 2011, driven by robust private consumption, government expenditure and capital formation.

Growth in the United States was 3.1 percent year on year, revised from the advance estimate of 2.1 percent. It was the highest growth rate since 2010. As employment growth was steady and the stock market was booming, private consumption increased.

### World inflation and exchange rates

Inflation in Cambodia was 2.7 percent, in Indonesia 4.1 percent, in Malaysia 4.0 percent, in Singapore 0.8 percent, in Thailand 0.2 percent, and in Vietnam 0.8 percent. Inflation in China was 1.4 percent, in Hong Kong 2.4 percent, in South Korea 2.0 percent and in Taiwan 0.6 percent. Inflation in the eurozone was 1.2 percent, in Japan 0.3 percent and in the United States 1.9 percent.

In this quarter, the USD-KHR exchange rate was KHR4048.2/USD. The Thai baht appreciated by 2.3 percent from the preceding quarter to THB34.3/USD, and the Vietnamese dong depreciated by 1.2 percent to VND22,704.3/USD. The Chinese yuan appreciated by 0.4 percent to CYN6.9/USD, and the Japanese yen by 2.3 percent from the previous quarter to JPY111.1/USD.

### Commodity prices in world markets

Prices of all major commodities in world markets dropped in this quarter. The price of maize decreased by 1.8 percent to USD157.7/tonne, palm oil by 9.8 percent to USD696.3/tonne, rubber by 27.0 percent to USD1568.1/tonne, rice by 19.7 percent to USD431.0/tonne, and soybeans by 7.9 percent to USD385.7/tonne. The price of crude oil dropped by 7.9 percent to USD47.9/barrel, gasoline by 1.9 percent to US cents 40.3/litre and diesel by 5.9 percent to US cents 39.0/litre.



Table 1: Real GDP growth of selected trading partners, 2010–17 (percentage increase over previous year)

	2010	2011	2012	2013	2014	2015	2016				2017	
							Q1	Q2	Q3	Q4	Q1	Q2
Selected ASEAN countries												
Cambodia	6.0	7.1	7.3	7.4	7.1	-	-	-	-	-	-	-
Indonesia	6.2	6.5	6.3	5.8	5.2	4.8	4.9	5.2	5.0	4.9	5.0	5.0
Malaysia	9.0	4.9	5.4	4.6	6.0	4.9	4.2	4.0	4.3	4.5	5.6	5.8
Singapore	14.7	4.7	1.3	3.8	3.0	2.0	1.8	2.1	1.1	2.9	2.7	2.9
Thailand	7.9	0.0	6.7	2.8	1.6	2.8	3.2	3.5	3.2	3.0	3.3	3.7
Vietnam	6.4	6.2	5.2	5.4	5.9	6.6	5.5	3.5	6.4	6.7	5.1	6.2
Selected other Asian countries												
China	10.4	9.3	7.7	7.7	7.3	7.0	6.7	6.7	6.7	6.8	6.9	6.9
Hong Kong	6.9	4.9	2.9	3.0	2.3	2.3	0.8	1.7	1.3	3.1	4.3	
South Korea	6.1	3.6	2.1	2.8	3.4	2.6	2.7	3.2	2.3	2.3	2.8	2.7
Taiwan	11.1	4.2	1.2	2.2	3.5	0.6	-0.8	0.7	2.0	2.9	2.6	2.1
Selected industrial countries												
Euro-12	1.6	1.6	-0.5	0.1	0.7	1.3	1.5	1.6	1.7	1.7	1.7	2.1
Japan	4.1	-0.8	1.7	1.7	0.6	0.3	0.2	0.8	1.1	1.6	1.6	2.0
United States	2.7	1.8	2.1	1.8	2.4	2.3	2.1	1.2	1.3	1.9	2.1	3.1

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

Table 2: Inflation rate of selected trading partners, 2010–17 (percentage price increase over previous year—period averages)

	2010	2011	2012	2013	2014	2015	2016				2017	
							Q1	Q2	Q3	Q4	Q1	Q2
Selected ASEAN countries												
Cambodia	4.1	5.5	3.0	3.0	3.9	1.2	2.4	3.1	3.0	3.6	4.2	2.7
Indonesia	5.1	5.4	4.3	7.0	6.4	6.4	4.3	3.5	3.0	3.3	3.6	4.1
Malaysia	1.7	3.2	1.7	2.1	3.2	2.1	3.4	1.9	1.4	1.7	4.3	4.0
Singapore	2.9	5.2	4.6	2.3	1.0	-0.5	-0.8	-0.9	-1.5	0.0	0.7	0.8
Thailand	3.1	3.8	3.0	2.2	1.9	-0.9	-0.5	0.3	0.3	0.7	1.1	0.2
Vietnam	9.0	18.6	9.3	6.6	4.8	0.6	1.3	2.2	2.8	4.4	5.0	0.8
Selected other Asian countries												
China	3.2	5.4	2.7	2.6	2.0	1.4	2.1	2.1	1.7	2.2	1.4	1.4
Hong Kong	2.4	5.3	4.1	4.0	4.4	3.1	2.9	2.6	3.1	1.2	1.0	2.4
South Korea	3.0	4.4	2.1	1.1	1.3	0.7	0.2	0.9	0.8	1.3	2.0	2.0
Taiwan	1.0	1.4	1.9	0.8	1.5	0.6	1.7	1.3	0.7	1.8	0.8	0.6
Selected industrial countries												
Euro-12	1.6	2.7	2.5	1.4	0.4	0.0	0.1	0.2	0.3	0.7	1.8	1.2
Japan	-0.7	0.1	-0.03	0.4	2.8	0.9	0.2	-0.4	-0.5	0.3	0.2	0.3
United States	1.7	3.2	2.1	1.5	1.6	0.0	1.1	0.7	1.1	1.9	2.5	1.9

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

Table 3: Exchange rates against US Dollar of selected trading partners, 2010–17 (period averages)

	2010	2011	2012	2013	2014	2015	2016				2017	
							Q1	Q2	Q3	Q4	Q1	Q2
Selected ASEAN countries												
Cambodia (riel)	4187.1	4063.6	4037.8	4027.2	4037.6	4060.4	4022.4	4056.3	4094.1	4041.9	4015.8	4048.2
Indonesia (rupiah)	9089.9	8748.0	9363.0	10419.2	11850.2	13394.8	13627.3	13324.1	13136.6	13265.3	13344.7	13312.8
Malaysia (ringgit)	3.2	3.1	3.1	3.1	3.3	3.9	4.2	4.0	4.0	4.3	4.4	4.3
Singapore (S\$)	1.4	1.3	1.2	1.3	1.3	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Thailand (baht)	31.7	30.5	31.1	30.7	32.5	34.2	35.6	35.3	34.8	35.4	35.1	34.3
Vietnam (dong)	19200.8	20574.3	20856.9	20990.3	21138.2	21917.7	22929.4	22314.5	22292.2	22493.7	22429.1	22704.3
Selected other Asian countries												
China (yuan)	6.8	6.5	6.3	6.1	6.2	6.3	6.5	6.5	6.7	6.8	6.9	6.9
Hong Kong (HK\$)	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8
South Korea (won)	1156.3	1108.6	1126.6	1095.0	1053.6	1131.9	1200.8	1163.4	1120.9	1159.0	1152.4	1129.9
Taiwan (NT\$)	31.5	29.4	29.6	29.7	30.3	31.8	33.1	32.4	31.7	31.8	31.1	30.3
Selected industrial countries												
Euro-12 (euro)	0.8	0.7	0.8	0.8	0.8	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Japan (yen)	87.8	79.9	79.8	97.6	105.9	121.0	115.3	107.9	102.4	109.5	113.7	111.1

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

Table 4: Selected commodity prices on world market, 2010–17 (period averages)

	2010	2011	2012	2013	2014	2015	2016				2017	
							Q1	Q2	Q3	Q4	Q1	Q2
Maize (US No. 2)—USA (USD/tonne)	185.9	291.7	298.4	259.4	192.9	169.8	160.0	171.1	153.5	152.2	160.6	157.7
Palm oil—north-west Europe (USD/tonne)	900.8	1125.4	999.3	856.9	821.4	622.7	586.9	647.8	714.7	753.0	773.0	696.3
Rubber (SMR 5 USD/tonne)	3405.7	4630.6	3200.7	2575.3	1755.6	1392.7	1190.0	1408.1	1349.4	1716.9	2147.7	1568.1
Rice (Thai 100% B)—Bangkok (USD/tonne)	506.6	558.5	594.8	533.8	434.9	395.5	385.3	465.0	430.3	376.0	537.0	431.0
Soybeans (US No.1)—USA (USD/tonne)	449.8	540.7	591.4	538.4	491.8	390.4	328.0	418.7	416.7	411.7	419.1	385.7
Crude oil—OPEC spot (USD/barrel)	76.8	106.2	109.5	105.9	96.2	49.6	31.2	44.7	43.3	47.9	52.0	47.9
Gasoline—US Gulf Coast (cents/litre)	53.3	71.9	74.6	71.2	65.6	41.0	27.9	37.5	36.8	38.5	41.0	40.3
Diesel (low sulphur No.2)—US Gulf Coast (cents/litre)	56.1	75.7	80.7	78.4	71.5	41.7	27.2	35.6	36.3	40.2	41.4	39.0

Sources: Food and Agriculture Organisation and US Energy Information Administration

## Economy Watch—Domestic Performance

### Main economic activities

After two quarters of contraction, total fixed asset investment approvals in the second quarter increased to USD1,652.6 m from USD131.4 m in the previous quarter. Year on year, they grew by 98.8 percent. Investments expanded considerably in all sectors except garments. Agricultural investment accelerated to USD54.9 m from USD8.0 m in the previous quarter. Total industrial investment approvals were USD265.7 m, 129.9 percent higher than in the previous quarter. Investments in garments were USD22.0 m, 59.2 percent lower than in the previous quarter. Investment approvals in services expanded to USD1,332.0 m from USD7.8 m in the previous quarter. Hotel and tourism investment was USD237.2 m, compared to USD3.6 m in the previous quarter.

As the second quarter is the low season, total international tourist arrivals contracted by 22.8 percent to 1,159,783 persons. Nevertheless, they increased by 3.9 percent year on year. Compared to the same quarter last year, arrivals by air increased by 15.3 percent to 684,254 persons, while arrivals by land and water dropped by 9.0 percent to 475,529 persons.

In this quarter, total exports were USD2,626.9 m, an increase of 14.7 percent from the previous quarter. Year on year, they rose 10.2 percent. Garment exports expanded by 1.0 percent to USD1,874.1 m from the previous quarter and rose 9.6 percent year on year. 22.6 percent of garment exports, were directed to the US, 36.8 percent to the EU, 1.5 percent to ASEAN, 7.3 percent to Japan and 31.8 to the rest of the world.

Agricultural exports dropped by 28.3 percent from the previous quarter to USD144.2 m, but increased by 45.7 percent from the same quarter last year. Of total agricultural exports, rubber represented 45.3 percent, wood 20.0 percent, fish 0.1 percent, rice 24.3 percent and other agricultural products 10.4 percent.

Total imports expanded by 86.4 percent from a quarter earlier, but were 3.6 percent lower than the previous year, to USD5,914.4 m. Imports of gasoline were valued at USD57.5 m, diesel fuel USD111.1 m, construction materials USD90.3 m and other imports USD5,655.5 m.

### Public finance

In this quarter, the government budget had a surplus of KHR334.0 bn. Total government revenue in the quarter was KHR4,084.0 bn, 5.3 percent less than a quarter earlier, but 6.1 percent higher than in the same quarter last year. Current revenue was KHR4,061.9 bn, 5.4 percent less than in the last quarter. Tax revenue was KHR3,578.1 bn, 8.6 percent less than in the previous quarter, while non-tax revenue was KHR483.8 bn, 28.4 percent more than the preceding quarter.

Total expenditure was KHR3,750.0 bn, 18.0 percent more than a quarter earlier, and 10.2 percent more than the same quarter last year. Capital expenditure was KHR967.7 bn, 2.7 percent more than the previous quarter. Current expenditure was KHR2,782.4 bn, 24.4 percent more than a quarter earlier.

### Inflation and foreign exchange rates

The overall consumer price index (CPI) year-on-year increase in the second quarter was 2.7 percent, 1.5 percentage points lower than in the previous quarter. The CPI increase was relatively lower because the prices of food and non-alcoholic beverages increased sluggishly, only by 3.1 percent. That of transport rose 4.3 percent.

Compared to the previous quarter, the riel depreciated by 0.8 percent against the dollar, to KHR4,048.2, by 3.3 percent against the Thai baht to KHR118.8 per baht, and by 0.7 percent against the Vietnamese dong to KHR17.9 per 100 dongs.

The price of gold rose 3.7 percent to USD150.9/chi. The price of diesel fuel decreased 2.4 percent to KHR3,310.4/litre. Likewise, the gasoline price dropped by 1.9 percent from the previous quarter, to KHR3,625.2/litre.

### Poverty situation

This section describes the situation of vulnerable workers and garment workers based on a survey of 320 vulnerable workers and 120 garment workers in August 2017. The average real daily earnings of all vulnerable workers increased year on year, except that of cyclo drivers, which decreased.

Since they started their occupations, 69.7 percent of the vulnerable workers reported that their families were better off, 24.4 percent said they remained the same, and 5.9 percent said they were worse off.

Garment workers' daily wages increased by 10.8 percent from a year earlier, to KHR14,299. On average, they were around 29 years old. Their average level of education was fifth grade. Generally, they had worked in the factory for four years. They worked 54.4 hours per week and saved 51.7 percent of their wages. Eighty-four percent of them sent savings to their families, which could partially support them. About 48.3 percent did not want to change their jobs, 27.5 percent did, and 24.1 percent were not sure. Forty-one percent were optimistic about the future of their factory, 19.1 percent said that it would not be so good, 3.3 percent said that it would be the same, and the rest did not know.

Rice-field workers' earnings increased to KHR8,708 per day, a 12.8 percent increase year on year. Seventy-five percent of those interviewed were the main income earners for their families. Their income had decreased compared to the previous quarter, 55.0 percent said. Eighty-seven and a half percent stated that their income during May could partially support their families, while 12.5 percent said that it could not. Forty percent were in debt, and the average interest rate on their borrowing was 2.4 percent per month.

Earnings of small vegetable vendors increased to KHR19,655 per day, 65.1 percent higher year on year. Vegetable vendors came from Svay Rieng (40.0 percent), Kandal (30.0 percent), Prey Veng (10.0 percent), Kompong Speu (7.5 percent), Takeo (7.5 percent), Phnom Penh (2.5 percent), and Kampot (2.5 percent). Ten percent of them had no agricultural land, 5 percent had less than 0.5 hectare, 42.5 percent had between 0.5 and 1 hectare, and another 42.5 percent had between 1 and 2 hectares. Ninety-eight percent of the respondents were the main income earners in their families. Forty-seven and a half percent indicated that their capital was not enough for their business.

Scavengers' earnings increased by 18.1 percent from a year earlier, to KHR11,754 per day. Compared to the previous three months, the number of scavengers rose, but the source of rubbish and its price dropped, the majority of them said. All of the scavengers interviewed were the family breadwinners. On average, scavengers needed to work 10.4 hours per day and 28 days per month. On average, they spent mainly on food (73.0 percent of their total spending), rent (16.4 percent), health care (1.9 percent) and other expenses (8.6 percent).

Daily earnings of unskilled construction workers increased by 26.2 percent from a year earlier to KHR17,533 per day. Compared to three months earlier, the number of unskilled construction workers expanded, amid an increase in construction activities, the majority of the workers said. Eighty percent of these workers migrated alone to Phnom Penh or Siem Reap for work; 20 percent migrated with family. They worked 9.6 hours per day on average. They spent 76.3 percent of their total spending on food, 13.6 percent on rent, 0.2 percent on health and 9.8 percent on other things. Their income could only partially support their families, 95 percent of them said.

Compared to the same month last year, porters' earnings rose by 9.4 percent to KHR15,423 per day. Eighty-three percent of these workers migrated alone to Phnom Penh or Siem Reap for work; 17.5 percent migrated with family. Their income was spent on food (78.3 percent of total spending), rent (14.0 percent), health care (0.5 percent) and other expenses (7.0 percent). Since they started as porters, their families were better off, 67.5 percent reported, while 27.5 percent said that their families' livelihoods remained the same, and 5.0 percent said their families were worse off.

The daily earnings of waiters/waitresses increased by 3.0 percent compared to the same month last year, to KHR8,135 per day. All waiters/waitresses interviewed were provided accommodation by their employers. They worked on average 12 hours per day and 30 days per month. They spent 78.0 percent of their total spending on food, 4.2 percent on health care and 17.7 percent on other expenses.

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*Continued from page 19* CDRI update

### **Health**

After a series of meetings to discuss the study design for the project *Attributes of a Good Doctor*, CDRI and the University of Health Sciences (UHS) agreed to narrow the scope of research by focusing on the perspectives of medical students and lecturers at UHS only. The new project title is *Strengthening Medical Professionalism through Improving Knowledge and Attitudes on Medical Ethics at the University of Health Sciences*. The research objectives are to (1) identify the character strengths of a good doctor, (2) assess medical ethical knowledge and moral attitudes among students and faculty, (3) assess medical students' perceptions of their ethics classes, (4) assess lecturers' perceptions and experiences of teaching medical ethics, and (5) overview professional ethics in the medical curriculum.

Table 1: Private investment projects approved, 2010–17

	2010	2011	2012	2013	2014	2015	2016				2017	
							Q1	Q2	Q3	Q4	Q1	Q2
	Fixed Assets (USD m)											
Agriculture	530.7	725.0	531.6	930.5	56.5	169.8	27.6	0.0	7.4	82.1	8.0	54.9
Industry	403.7	2860.1	829.3	3257.0	1002.5	1014.7	252.4	597.0	266.1	320.8	115.6	265.7
<i>Garments</i>	122.8	393.9	497.0	324.1	393.5	225.2	70.8	239.9	51.1	19.0	54.0	22.0
Services	1337.3	3425.4	916.6	140.7	622.6	2734.4	643.6	234.1	681.9	104.6	7.8	1332.0
<i>Hotels and tourism</i>	1105.1	2850.9	691.5	106.0	446.9	98.6	611.1	19.8	679.8	56.3	3.6	237.2
Total	2271.7	7010.4	2278.0	4328.0	1583.9	3918.9	923.7	831.2	955.5	507.4	131.4	1652.6
	Percentage change from previous quarter											
Total	-	-	-	-	-	-	80.5	-10.0	15.0	-46.9	-74.1	1158.0
	Percentage change from previous year											
Total	-61.3	209.0	-67.5	90.1	63.4	147.4	-67.9	226.4	242.0	-0.8	-85.8	98.8

Including expansion project approvals. Source: Cambodian Investment Board

Table 2: Value of construction project approvals in Phnom Penh, 2009–15

	2009	2010	2011	2012	2013	2014				2015		
						Q1	Q2	Q3	Q4	Q1	Q2	Q3
						USD m						
Villas, houses and flats	213.9	220.1	405.1	547.3	658.9	133.6	84.0	33.1	20.4	122.3	-	637.6
Other	187.8	217.8	199.9	463.6	859.6	190.0	141.7	105.6	11.7	49.8	-	252.6
Total	441.2	489.8	605.0	1010.9	1518.5	323.6	225.7	138.7	32.1	172.0	-	897.4
	Percentage change from previous quarter											
Total	-	-	-	-	-	34.3	-30.2	-38.5	-77.8	437.3	-	-
	Percentage change from previous year											
Total	-60.5	11.0	23.5	67.1	28.1	8.0	-9.2	-64.2	-86.7	-46.8	-	-

Source: Department of Cadastre and Geography of Phnom Penh municipality

Table 3: Foreign visitor arrivals, 2010–17

	2010	2011	2012	2013	2014	2015	2016				2017	
							Q1	Q2	Q3	Q4	Q1	Q3
	Thousands											
By air	1304.3	1480.4	1722.1	2017.7	2273.5	2476.0	785.0	593.5	602.2	797.4	921.4	684.3
By land or water	1094.6	1401.4	1862.2	2192.5	2229.3	2299.2	557.4	522.7	545.3	705.9	581.5	475.5
Total	2398.9	2881.8	3584.3	4210.2	4502.8	4775.2	1342.5	1116.2	1147.5	1503.3	1502.9	1159.8
	Percentage change from previous quarter											
Total	-	-	-	-	-	-	-0.6	-16.9	2.8	47.6	-0.03	-22.8
	Percentage change from previous year											
Total	-	20.1	24.4	17.5	7.0	6.1	-2.4	12.3	9.8	5.2	11.9	3.9

Source: Ministry of Tourism

Table 4: Exports and imports, 2010–17\*

	2010	2011	2012	2013	2014	2015	2016				2017	
							Q1	Q2	Q3	Q4	Q1	Q2
		USD m										
Total exports	3630.2	4929.5	6106.4	6982.4	8106.0	9256.4	2388.3	2383.4	2817.7	2454.0	2290.7	2626.9
Of which: Garments	3223.4	4259.6	5015.4	5386.1	5960.5	6827.0	1759.4	1717.8	2072.5	1758.2	1856.3	1874.1
. To US	1853.9	2055.3	2143.3	2075.2	1963.6	2009.4	423.1	440.4	554.5	413.5	452.3	426.0
. To EU	809.5	1322.2	1716.9	1969.6	2403.7	2903.9	789.6	776.6	733.4	629.2	583.0	693.3
. To ASEAN	9.9	17.6	39.4	60.2	83.3	103.4	25.6	25.7	21.4	25.7	24.2	29.0
. To Japan	86.5	147.0	188.6	278.7	383.1	524.2	176.0	122.5	216	141.0	196.2	136.7
. To rest of the world	463.6	717.5	927.2	1002.9	1126.8	1286.3	345.2	352.7	547.1	548.9	600.6	589.2
Agriculture	164.9	362.1	376.7	554.5	624.4	548.8	137.5	98.9	118.1	179.5	201.0	144.2
. Rubber	89.1	197.6	176.6	175.2	153.9	165.4	30.7	26.8	48.3	59.6	66.1	65.2
. Wood	34.1	48.8	36.8	73.6	132.0	46.3	4.9	12.4	11.6	18.3	11.7	28.9
. Fish	2.8	3.1	2.0	1.2	0.8	0.5	0.2	0.1	0.2	0.2	0.2	0.1
. Rice	34.7	106.6	146.4	262.3	248.5	315.3	91.4	56.1	53.4	99.9	83.1	35.0
. Others	4.0	6.0	14.9	42.4	89.1	21.3	10.3	3.6	4.6	1.6	39.9	15.0
Others	241.9	307.9	714.4	1088.2	1520.1	1880.2	491.3	566.6	627.1	516.2	233.4	608.6
Total imports	5191	6375.9	8593.3	8639.4	10295.4	11494.5	2784.7	6136.6	3017.0	3080.8	3173.5	5914.4
Of which: Gasoline	108.6	294.4	308.0	306.4	334.7	377.3	95.4	99.2	93.3	97.1	75.1	57.5
Diesel	203.8	447.0	559.5	569.1	602.3	607.8	163.1	194.6	173.7	178.0	146.4	111.1
Construction materials	57.6	48.1	66.1	80.8	117.6	164.4	50.8	62.1	83.1	57.4	55.6	90.3
Other	4820.6	5586.4	7659.1	7682.6	9240.7	10345.1	2475.0	5780.8	2667.0	2748.4	2896.4	5655.5
Trade balance	-1560.5	-1446.4	-1341.6	-1610.9	-2184.3	-2238.1	-390.7	-3753.3	-199.4	-626.8	882.8	-3287.6
	Percentage change from previous quarter											
Total garment exports	-	-	-	-	-	-	4.7	-2.4	20.6	-15.2	5.6	1.0
Total exports	-	-	-	-	-	-	3.4	-0.2	18.2	-12.9	-6.7	14.7
Total imports	-	-	-	-	-	-	-5.8	120.8	-50.8	2.1	3.0	86.4
	Percentage change from previous year											
Total garment exports	25.7	32.1	17.7	7.4	10.7	14.5	13.6	7.2	3.9	4.6	5.5	9.1
Total exports	23.9	14.3	16.1			14.2	10.1	9.2	8.6	6.3	-4.1	10.2
Total imports	16.8	15.4	19.7	21.4	19.2	11.7	5.0	2.5	110.1	3.8	14.2	-3.6

\* Import data include tax-exempt imports. Sources: Department of Trade Preference Systems, MOC and Customs and Excise Department, MEF (website)



Table 5: National budget operations on cash basis, 2010–17 (billion riels)

	2010	2011	2012	2013	2014	2015	2016				2017	
							Q1	Q2	Q3	Q4	Q1	Q2
Total revenue	5989.0	6251.4	7691.9	8255.2	10543.4	11879.9	3533.1	3849.7	3413.7	3405.0	4261.9	4084.0
Current revenue	5859.1	6179.3	7443.8	8233.2	10359.4	11759.0	3514.7	3836.3	3375.9	3361.7	3261.9	4061.9
Tax revenue	4693.0	5277.5	6334.8	7198.1	8995.2	10502.4	3255.5	3368.1	2850.5	2722.4	3905.8	3578.1
Domestic tax	3533.6	4071.6	5002.8	5728.1	7226.5	8591.7	2715.3	2854.5	2378.5	2237.4	2450.0	3105.3
Taxes on international trade	1159.4	1205.9	1331.7	1470.0	1822.7	1910.7	540.1	513.6	472.0	485.0	455.8	472.8
Non-tax revenue	1166.1	901.8	1118.2	1035.2	1310.3	1256.6	259.3	468.2	525.4	639.4	356.2	483.8
Property income	291.1	63.8	143.0	84.0	88.5	77.3	8.1	26.1	43.2	38.5	17.4	35.1
Sale of goods and services	460.1	588.7	667.4	750.3	871.2	1047.1	198.5	315.3	294.9	439.5	272.1	355.9
Other non-tax revenue	408.9	249.3	298.8	200.8	350.5	132.2	52.7	126.8	187.3	161.3	66.6	92.7
Capital revenue	129.9	72.1	247.9	73.4	184.0	121.0	18.3	13.4	38.4	43.3	0.0	22.1
Total expenditure	8784.6	9032.4	9660.9	12535.7	13306.5	13849.5	2364.3	3405.3	3460.8	4509.2	3090.9	3750.0
Capital expenditure	2853.2	3546.9	3628.3	5567.5	5590.7	5290.3	620.9	1091.1	811.3	1225.6	859.0	967.7
Current expenditure	4773.1	5341.2	6188.4	6968.3	7715.8	8544.6	1743.4	2314.2	2649.1	3283.6	2231.9	2782.4
Wages	2048.8	2170.6	2486.6	2997.3	3755.5	4271.9	1133.1	1418.3	1403.6	1426.7	1567.6	1515.7
Subsidies and social assistance	1099.4	1518.8	1586.8	1563.0	1627.0	1742.9	259.1	439.7	447.5	628.7	312.9	635.4
Other current expenditure	1624.8	1651.8	2115.1	2408.0	2333.4	2529.8	351.2	456.2	798.1	1228.2	664.3	1284.7
Overall balance	-2795.7	-1271.4	-1969.0	-4280.6	-2763.1	-1969.6	1168.8	444.4	-47.0	-1104.2	1171.1	333.9
Foreign financing	1845.2	-2781.0	2457.8	4326.2	3972.1	3729.4	266.4	775.6	141.0	661.9	598.5	832.5
Domestic financing	938.6	2379.2	-332.9	824.4	-1428.7	-2034.9	-1631.4	-488.5	37.5	342.7	-352.8	-650.9

Source: MEF website

Table 6: Consumer price index, exchange rates and gold prices (period averages), 2010–17

	2010	2011	2012	2013	2014	2015	2016				2017	
							Q1	Q2	Q3	Q4	Q1	Q2
	Consumer price index (percentage change from previous year)											
Phnom Penh - All Items	4.1	5.4	2.3	3.0	3.9	1.2	2.5	3.0	3.0	3.9	4.2	2.7
- Food & non-alcoholic bev.	4.4	6.5	2.5	3.9	4.9	4.0	4.7	6.2	5.5	6.0	6.0	3.1
- Transportation	7.0	6.9	3.3	-0.6	-1.0	-9.2	-6.5	-9.9	-7.9	-3.4	4.1	4.3
	Exchange rates, gold and oil prices (Phnom Penh market rates)											
Riels per US dollar	4187.1	4063.6	4039.2	4036.2	4060.4	4060.4	4022.4	4056.3	4094.1	4041.9	4015.8	4048.2
Riels per Thai baht	133.1	133.2	130.0	124.9	119.4	119.4	113.4	115.7	118.1	114.9	114.9	118.8
Riels per 100 Vietnamese dong	21.7	19.7	19.4	19.1	18.7	18.7	18.1	18.3	18.5	18.1	17.8	17.9
Gold (US dollars per chi)	147.6	184.5	200.9	175.9	152.3	140.6	151.2	151.2	157.1	148.3	145.5	150.9
Diesel (riels/litre)	3859.3	4761.2	4941.2	4852.1	4934.1	3771.3	2903.8	2932.8	3050.2	3129.3	3391.6	3310.4
Gasoline (riels/litre)	4368.1	5044.5	5312.7	5083.3	5155.7	3951.7	3310.6	3318.2	3281.4	3437.1	3697.0	3625.2

Sources: NIS, NBC and CDRI

Table 7: Monetary survey, 2009–17 (end of period)

	2010	2011	2012	2013	2014	2015	2016				2017	
							Q1	Q2	Q3	Q4	Q1	Q2
	Billion riels											
Net foreign assets	16697.9	17893.9	18154.5	21260.1	26699.7	26665.5	29247.8	30138.5	32188.4	32814.5	36490.5	40285.4
Net domestic assets	2778.9	5760.8	10437.4	11508.3	15859.8	22157.6	21643.0	24399.1	24939.2	25802.3	24057.0	24985.6
Net claims on government	-2126.6	-2123.1	-2486.4	-2794.9	-4359.1	-6428.8	-7621.2	-7977.4	-7916.6	-8148.5	-9818.9	-10128.0
Credit to private sector	13331.2	17552.8	23536.6	27608.8	36244.6	46071.1	47627.0	52528.6	54551.1	56458.8	57385.9	61189.9
Total liquidity	19476.8	23654.7	28591.9	32768.4	42559.5	48823.1	50890.9	54537.6	57127.5	57616.8	60547.4	65271.0
Money	3220.9	3956.2	4045.7	4878.2	6308.4	6741.4	6717.8	6872.0	7460.9	7273.0	7524.7	8186.1
Quasi-money	16255.9	17893.9	18154.5	21260.1	26699.7	42081.7	44173.1	47665.6	49666.6	53022.7	53022.7	57084.8
	Percentage change from previous year											
Total liquidity	20.0	17.8	20.9	14.6	29.9	14.7	16.5	18.2	21.7	18.0	19.0	19.7
Money	3.2	16.9	2.3	20.6	29.3	6.9	1.4	9.2	18.7	7.9	12.2	19.1
Quasi-money	24.0	17.9	44.6	13.6	30.0	16.1	19.2	19.6	22.1	19.6	20.0	19.8

Source: National Bank of Cambodia

Table 8: Real average daily earnings of vulnerable workers (base November 2000)

	Daily earnings (riels)						Percentage change from previous year					
	2011	2012	2013	2014	2015	2016	2017			2017		
							Feb	May	Aug	Feb	May	Aug
Cyclo drivers	9532	10303	10438	10774	12405	11516	11092	10916	10804	-6.6	-8.3	-4.4
Porters	10785	12143	13247	13580	15631	14318	15171	14625	15423	1.9	-1.0	9.4
Small vegetable sellers	8337	10771	11366	14751	15867	17177	18411	13980	19655	-9.5	-26.3	65.1
Scavengers	8388	8680	9819	9173	12344	10297	11478	12428	11754	2.9	42.3	18.1
Waitresses*	5986	6111	6697	7789	8436	7989	7905	8141	8135	0.6	-0.6	3.0
Rice-field workers	5695	6151	6599	7514	8745	8088	8332	7049	8708	-1.8	-11.0	12.8
Garment workers	8409	8932	10161	11178	-	13688	14889	12910	14299	0.01	-6.6	10.8
Motorcycle taxi drivers	11,568	12,930	13,450	13,386	14,455	14,509	14,770	13,888	14370	-4.9	-10.0	5.3
Unskilled construction workers	10307	11078	13184	13336	15349	17365	16664	14796	17533	3.1	-26.9	26.2
Skilled construction workers	13159	13743	15442	17420	18624	-	21716	21924	23014	15.2	3.7	20.0

\* Waitresses' earnings do not include meals and accommodation provided by shop owners. Surveys on the revenue of waitresses, rice-field workers, garment workers, motorcycle taxi drivers and construction workers began in February 2000. Source: CDRI. November 2015 data are not available.

## Continued from page 20 CDRI UPDATE

28 August, Phnom Penh

**Draft action plan and implementation policy for STEM (science, technology, engineering and mathematics) teaching.** CDRI researchers participated in a consultative workshop organised by the Department of Higher Education of MOEYS. The aim of the workshop was to review the draft action plan and implementation policy aimed at improving STEM learning so as to improve students pass rates at the 12th grade national examinations and to encourage more students to pursue STEM at university.

2 September, Sihanoukville

**Career structures for the academic profession within Cambodian universities.** CDRI's executive director served as an expert at the consultative meeting of the Rector Council of Cambodia, composed of the rectors from eight public universities. Attendees drafted options for developing career structures that can build a stable, productive and qualified academic profession necessary for the high quality teaching and innovative research needed to underpin Cambodia's competitiveness and sustainable development. The draft will serve as a source document to inform future policy.

9–10 September, Kep

**National Policy on Science Technology and Innovation (NPSTI) policy drafting retreat.** CDRI's Science, Technology and Innovation Task Group provided technical assistance to the NSTC at a retreat held to draft the NPSTI.

29 September, Phnom Penh

**Mid-year meeting of CDRI's Board of Directors.** The Chairman HE Dr Sok Siphana, on behalf of the board, expressed his appreciation to CDRI senior management and staff for their continued hard work, enthusiasm and commitment towards achieving CDRI's mission – to generate high quality, influential and impactful knowledge through policy research and capacity development to contribute to Cambodia's prosperity.

## RESEARCH

### Agriculture

The team is implementing five projects. Data cleaning and entry was completed for the project *Testing*

*Innovative Mechanisms for Agricultural Extension in Cambodia*, which is funded by the International Food Policy Research Institute. At the same time, in collaboration with MAFF, the study team developed three sets of extension messages about rice farming, chicken raising and vegetable growing (specifically, long beans and cucumbers) to send through direct mass calls to selected farmers. The team also prepared a CDRI working paper and a policy brief for the project *Rice Policy Analysis*, a study funded under the Lower Mekong Public Policy Initiative. The final draft report for the *Final Evaluation Study* commissioned by the Arbitration Council Foundation (ACF) was submitted to the ACF for comments. Work got underway for the first Sida-funded project, *On-farm Food Safety in Horticulture in Cambodia: The Case of Vegetable Farming*. Another newly started study is *Scaling Up Home Gardens for Food and Nutrition Security in Cambodia*, a collaborative research project with the Overseas Development Institute, funded under Phase 2 of the International Development Research Centre's Canadian International Food Security Research Fund.

### Economics

The study *Exploring Non-Tariff Measures on Cambodia's Fisheries Export* was completed. Nearing completion is the project on *Vocational Training and Labour Market Transitions: A Randomised Experiment among Cambodian Young Adults*, which was conducted and funded under the Greater Mekong Subregion Research Network (GMS-Net). Also making good progress are two other projects. The first is *Mapping Cambodia's Participation in Electric and Electronic Global Value Chains (GVCs)*, a research study under the Sida-funded five-year program *Industrial Development, Human Capital and SME Development in Cambodia*. The team has completed secondary data analysis on GVC participation and is now preparing to conduct a survey of electronics firms. The second is the project on *Cambodia's Industrial Development Policy and One Belt One Road – Development of Sihanoukville Province as a Multipurpose Special Economic Zone and Utilisation of OBOR Initiative*, which receives funding from the Cambodia 21st Century Maritime Silk Road Research Center. The team has completed the draft report and presented the preliminary findings at the Symposium on Promoting Cooperation: Cambodia and the Region under the Belt and Road Initiative held on 30 October in Phnom Penh.

For the multi-country GMS-Net research program on *Improving Job Prospects for the Young: Labour Markets, Skill Development and Private Sector Development in the Greater Mekong*, the research teams have revised their papers based on feedback from the technical workshop in July. The GMS-Net coordinator is compiling the country papers into a book and organising a final regional dissemination workshop.

The unit received a grant from Oxfam to conduct a study on *Inequality and Fiscal Accountability in Cambodia*. The aim is to identify economic and other inequalities and their trends, drivers, intersections and consequences. The unit also received financial support from the Overseas Development Institute to undertake a poverty analysis, namely *Poverty Dynamics: Cambodia Country Case Study*. The overall objective of this research is to expand our understanding of the drivers of sustained and transitory poverty escapes, in addition to those of chronic poverty, across contexts and to draw out policy and programming implications. The unit also received a grant from the Embassy of the People's Republic of China in Cambodia to establish a China Studies Centre – a centre for research and education on Greater China.

### Education

A major report on *Internalising SDG 4 Education 2030: An Analysis of Linkages and Contributions of Different Sectors in Attaining Education 2030 Targets in Cambodia* for UNESCO was completed in July and the findings presented at a national consultation workshop in August. The report highlights the challenges of low levels of educational attainment among the labour force, especially in the health, information technology and agricultural sectors, and proposes strategic recommendations to address these issues towards achieving the education targets for the Sustainable Development Goals 2015-30. A series of training workshops on advanced statistical analysis using STATA was organised to support junior researchers' analysis and interpretation of data from the national survey on STEM (science, technology, engineering and mathematics).

Two senior researchers were hosted as visiting scholars at the Melbourne Centre for the Study of Higher Education. Several papers and a collaborative agreement on academic leadership training between the Melbourne Centre and CDRI were achieved as part of these research exchanges

### Environment

Fieldwork for two joint studies under *MK20 Project: A Space for Dialogue* was carried out with the Governance Unit. These studies examine key issues arising from dam construction in Cambodia's Sesan River Basin, specifically local people's experiences and perceptions of participatory decision making, and social and gendered impacts related to resettlement planning for dam-affected communities. For the *Political Economy of Civil Society*, another collaborative project with the Governance Unit, the team is drafting the final research report. An inception meeting with NGO partners for *Empowering Women on Climate Resilience in Cambodia*, a participatory action research program funded by the United Nations Democracy Fund, was held in early August. Project partners are designing a train-the-trainer course and a general training course on climate change adaptation, which will be delivered to at least 80 female community leaders and commune councillors in four provinces: Battambang, Preah Vihear, Prey Veng and Kampong. The project on *Situation Analysis of Floating Villages in the Tonle Sap River and Lake*, a commissioned work for Save the Children Cambodia, was terminated at the end of September. Finally, the team is developing the concept note for a study on *Climate Change Adaptation and Disaster Risk Reduction*, funded under the five-year Sida resource partnership.

### Governance

The team took part in a survey design workshop in preparation for the comprehensive survey for the project *Cambodian Youth Participation in Development and Politics*. This nationally representative survey will provide important insights into key dimensions of Cambodia's emerging generations. Specifically, the survey aims to: (1) better understand the characteristics, roles and responsibilities, and contributions to Cambodia's development and politics of young Cambodians aged 15-30 years; (2) examine younger generations' relationship with older generations within family and peer groups and with state actors (both formal and informal institutions) and non-state actors (e.g. youth associations and NGOs); and (3) analyse youth organisation and participation in state institutions at national and subnational levels, political parties, and NGOs in demanding a better future for youth. The Data collection will start in October and is expected to be completed by December.

*Continued on page 15*

## CDRI Update

## MAJOR EVENTS

6 July, Phnom Penh

**CDRI hosts a delegation from the Institute of Southeast Asian Studies-Yusof Ishak Institute**, including Deputy Director Dr Terence Chong, Research Fellow Dr Benjamin Loh and Visiting Fellow Mr Edgar Pang. Senior CDRI researchers briefed the delegates on CDRI's research strategy and current projects, and both sides exchanged ideas on an array of development issues and explored various areas for future research collaboration.

7–10 July, Siem Reap

**Supporting the development of research capacity in Cambodian universities.** CDRI researchers participated in the Ministry of Education's consultative workshop on strengthening mechanisms to support research and development in Cambodian higher education institutions. The workshop was primarily organised to establish consensus around strategy for building and linking individual, organisational and institutional research and development capacity.

17 July, Phnom Penh

**Leveraging the private sector's role in jobs skills training.** CDRI's executive director and Education head participated in a multistakeholder consultation workshop on leveraging private sector technical expertise for skills development. Organised and led by

the Ministry of Economy and Finance, the workshop brought together representatives from government, the private sector and Cambodia's development partners.

19 July, Phnom Penh

**CDRI supports the drafting of National Policy on Science, Technology and Innovation (NPSTI).** CDRI researchers met the General Secretary of the National Science and Technology Council (NSTC) to discuss ideas for establishing an integrated work plan for CDRI's technical assistance to the NSTC.

17 August, Phnom Penh

**"Cambodia has become one of the world's leaders in poverty reduction and shared prosperity ... [with] an average growth rate of 7.6 percent in 1994-2015, ranking it sixth in the world"**, states a newly released World Bank report – the Systematic Country Diagnostic. CDRI's five-year research strategy 2016-21 is well aligned with the four priority areas identified by this report for Cambodia's continued and sustainable growth, namely: improving export competitiveness and economic diversification to create more and better jobs; building human capital by investing in education and protecting households against health and economic shocks; investing in natural capital to build climate resilience while promoting inclusive urban development; and, cutting across these three areas, improving service delivery through public administration and financial management reforms.

*Continued on page 18*



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