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Learning from Rural Development Programmes

A joint research team from the Ministry of Rural Development and the Cambodia Development Resource Institute assess six development programmes in rural Cambodia and offer a comparative analysis of their findings.

Much discussion about development is influenced by the need for organisations to compete for scarce donor funding. This leads to a degree of positive reporting which distorts reality and gives an exaggerated impression of what development organisations can be expected to achieve. It also contributes to a situation where lessons may be missed because organisations are less willing to share negative experiences and problems with each other. One aim of the Learning from Rural Development Programmes research was to generate lessons from a comparative analysis of six development programmes¹, to inform policy-making within the Ministry of Rural Development and to contribute to the general debate about development in Cambodia.

The research project consisted of a series of six case studies which were undertaken between September 1997 and January 1998. Reporting and analysis were structured around four questions: (1) How are benefits distributed? (2) How much has the community assumed ownership of the programme? (3) How can the programme be sustained? (4) How has the organisational structure and approach of the development organisation affected implementation?

Benefits: Strategies for Reaching the Poor

Of all the infrastructure projects started by the six development agencies, the construction of irrigation

¹ The six development organisations studied were: OXFAM/Chumraen Chiet Khmer (Takeo), Krom Akphiwat Phum (Battambang), UNDP CARERE/SEILA (Siem Reap), Hun Sen Kraingyov Development Centre (Kandal), GTZ/PDP (Kompong Thom), and Partners for Development (PFD—Kratie).



Flooding in Meaneak village in Takeo forces villagers to bring their livestock into the village. Villagers had to take their boats to gather fodder for the animals.

canals has done most to transform the economic livelihoods of village communities. Adequate supplies of irrigation water have in most cases increased rice yields. Road improvements have resulted in higher farm prices and better access to markets, but the benefits obtained are less striking than those derived from irrigation.

In all but one of the development programmes, loan activities were important parts of the organisation's

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strategies for alleviating poverty. Rice banks and credit schemes were more important to villagers as subsistence subsidies than as a means of transforming livelihoods. There are several reasons for this. To some extent, the rice banks were able to provide members with limited access to low-cost rice in seasons affected by flooding or drought. For the most part, though, the amount of rice that families were able to borrow was not sufficient to meet their needs. It was common for members of village rice banks to borrow additional supplies from moneylenders at high interest rates. Perhaps the only rice bank that was able to make a serious difference to the livelihoods of its members was a draught animal scheme supported by Krom Akphiwat Phum in the Battambang village of Spean. This activity allowed several participants to build up enough capital to buy a cow for ploughing and harrowing their own land.

While credit schemes allowed some borrowers to start small income generating projects or to support rice cultivation, the money they were able to borrow was never enough to bring about major economic changes in their lives. Most villagers, even the medium and better-off households who were found to be the main beneficiaries of most credit schemes, had recurrent needs for cash. The schemes took the edge off indebtedness and were a real service to many families because they provided loans at interest rates lower than those of moneylenders. Participants in credit schemes still borrowed from moneylenders, despite the high interest rates, particularly when they needed money for medical expenses or to finance temporary migrant work overseas.

While poverty alleviation was a key objective of almost all the organisations, specific strategies for reaching the poor were rarely articulated. Nevertheless, three main strategies for reaching the poor were discernible: (1) reaching the poor by assisting the entire community; (2) reaching the poor by working in remote and impoverished areas; and (3) reaching the poor through special projects.

The strategy of reaching the poor by assisting the entire community was least effective. The foundation of this strategy was the assumption that overall gains in community productivity would somehow trickle down to the poor. Generally, this was not the case. Projects started by development agencies were not large enough to transform village economies. The strategy of reaching the poor by working in remote and impoverished areas was effective when combined with infrastructure projects that provided direct benefits to the poor. The strategy of reaching the poor through special projects was only successful when participation in activities was limited to the poor.

Ownership of Development Activities

Rice banks and credit schemes were more important to villagers as subsistence subsidies than as a means of transforming livelihoods. For the most part, the amount of rice that families were able to borrow was not sufficient to meet their needs.

Within the villages studied, it seemed that involvement of women in the leadership of development activities improved the quality of leadership. Women only had a strong influence on formal leadership in villages where they were in the majority on village development committees (VDCs). In most villages, women were a small and silent minority within the leadership, but even this was better than no participation by women in village development leadership.

Ten of the twelve villages studied had VDCs. None of the VDCs included the village chief, but in most cases the relationship between village chiefs and VDC chiefs was positive. There had only been conflict between the VDC and the village chief in one village. In most villages, there was good cooperation between the VDC and the village chief. Difficulties were seen when village chiefs were able to act as unelected advisers to the VDC, and thus to dominate its work.

The sorts of decisions made by the VDCs and the village chiefs were similar, but villagers were more satisfied with the decisions of VDCs. The programme where there were no VDCs, and where village chiefs took decisions (Kraingyov), was the one where the people were most dissatisfied with village development decisions. However, one major finding was that all five programmes which work with VDCs gave examples of VDCs and village chiefs cooperating without great difficulties.

Ownership was strongest in cases where there was clear information for all villagers, clear responsibilities for participants, and where there were genuine direct benefits from the development. In programmes supported by PFD, CARERE and GTZ, there were discussions about implementation before it took place, and which required villagers to contribute their own resources. This led to a sense of ownership.

VDCs which had a strong sense of ownership and responsibility for development throughout their villages were all in villages with pagodas, or where the VDC members were either members of the pagoda committee or had close links with it. This was the case in Kompong Kor (Kratie), Beng (Siem Reap), Kompong Ko (Battambang) and in Krochab and Svay Ear (Kompong Thom) villages.

Although some villagers had a sense of ownership of development activities in their village, they did not have a sense of ownership of the development programme as a whole. In the PFD programme in Kratie, SEILA in Siem Reap and the Provincial Development Programme (PDP) in Kompong Thom, there was some sense of ownership among provincial officials, but little awareness and no ownership at village level.

Sustaining Infrastructure and Credit

None of the programmes has been active for more than six years, and some have changed a lot in this short time. The programmes are still "learning to be effective" and it is therefore difficult to assess how they will be sustained. In the three government support programmes (CARERE, GTZ and PFD), there is no provision for funding after the organisation stops providing technical support. The intention is for the government to take over the funding and management of these programmes. While PFD expects to attract further overseas funding and GTZ has allowed ten years to resolve this dilemma, CARERE, with three years remaining, is facing the most difficult challenge.

The commitment of the Overseas Service Bureau (OSB) and OXFAM to Krom Akhiewat Phum and Chumraen Chiet Khmer gives a good chance for these organisations to secure long-term funding, but their failure to seek money from other sources leaves them vulnerable if OSB and OXFAM are unable to continue their assistance.

A number of strategies were seen to be effective in ensuring the maintenance and therefore the sustainability of infrastructure. These included dialogue with villagers *before* implementation of activities to arrange the division of responsibilities between different groups, the drawing up of a written contract for each group, including responsibilities for maintenance, the collection of funds for maintenance from villagers, training for leadership in repair and maintenance, provision of tools and spare parts. These strategies were most obvious in the PFD well-drilling programme, and to a lesser extent where ring wells were drilled under the SEILA programme. The absence of such strategies in the provision of canals, roads and schools led to poor maintenance in all programmes.

Generally, organisations have been successful in finding strategies for continuing credit activities, mainly through arrangements for strong village-level management. However, sustaining a high level of benefits has been less successful. Most credit activities represent a small proportion of a household's total borrowing, and there is a lack of incentive for villagers to continue in programmes when faced with difficulties. Management committees are more accountable to the organisation than to villagers, which sometimes leads them to prioritise the profitability of the credit scheme over the benefits to poorer households.

Different Approaches to Development

An exciting approach to large-scale community development being pursued by several organisations involves supporting local planning processes in joint programmes with government. Among the agencies studied, CARERE, GTZ and PFD work with the government in programmes that stress the importance of

local participatory planning, local contributions to project implementation, and local management of development projects. In each of these programmes, issues of decentralisation, coordination and project selection are paramount.

In CARERE the focus is on decentralisation. Project selection is begun in participatory rural appraisal (PRA) exercises with villagers and negotiated at the commune level. In GTZ the emphasis is on coordination, and provincial government agencies cooperate well with NGO partners. Project selection is discussed with villagers, though approval is made by provincial staff and has suffered from long delays. In PFD the focus is on a two-track approach. Project selection is pre-conditioned by the technical expertise of PFD, though opportunities are provided through the formation of VDCs and the holding of PRA exercises to pursue solutions to needs not addressed by PFD. Coordination with government departments in project implementation is strong.

Reflecting upon the experiences of the six organisations raises questions about the relationship between relief and development. Is it possible to administer relief without creating dependency? The experiences of several organisations illustrate that the provision of emergency assistance can create attitudes of dependency which undermine responsible participation in development activities. But this does not mean that relief work is inimical to development. If development is conceived as a process by which vulnerabilities are reduced and capacities increased, then relief efforts are compatible with development.

Among the six development programmes, some emphasise the importance of output—the direct material benefits to be gained from an intervention. Others insist on the importance of process—the relationships that need to be in place for genuine development to occur. There are potential risks in pursuing either strategy without regard for the other. Total reliance on an output-oriented approach runs the risk of undermining sustainability. Without the capacity to manage benefits that have been attained, there is a real possibility that they will be lost. In contrast, a total preoccupation with process-oriented approaches runs the risk of not generating real economic benefits for impoverished villagers. Development organisations which aim to reduce poverty must contribute to the economic well-being and reduced vulnerability of the villagers with whom they work.

The LRDP team comprised Chim Charya, Srun Pithou, So Sovannarith, John McAndrew, Nguon Sokhunthea, Pon Dorina and Robin Biddulph.

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Case Study: Krom Akphiwat Phum

The Learning from Rural Development Programmes research team spent two and a half weeks in October 1997 studying Krom Akphiwat Phum's development approach and activities in the villages of Spean and Kompong Ko in Battambang province.

Background

Krom Akphiwat Phum is a Cambodian NGO with a team of 12 community development workers. It has no director and no administrative staff. Accounting and administrative duties are carried out in rotation by elected team members. Krom Akphiwat Phum (KAP) was set up in cooperation with the Australian Overseas Service Bureau (OSB), which funded three expatriate volunteers to work with the team as community development trainers. The Australians left the team in July 1995, but OSB continues to provide managerial and funding supervision for KAP.

The KAP approach stresses the importance of development workers staying in villages and building up trust among the villagers. In this way it tries to involve the whole community in helping the poorest people. The approach emphasises the value of learning from the people, and of sharing these lessons with others. The KAP programme focuses on food security and income generation, and on promoting dignity to build the capacity of villagers to organise activities by themselves. KAP selects and trains village workers, helping them to identify the needs of the village and to design appropriate projects in response.

KAP is working in 33 communities in six districts of Battambang province.

Spean community contains 250 of the 286 families in Spean village. (The neighbouring community of Chroy Ampou was not included in the case study.) The village, which is about 40 km from Battambang, has been secure since 1979. It has had a good laterite road since 1993, and is relatively prosperous. Wet season rice farming is the main source of income. On average, families have one to two hectares of land, and produce yields of about two tons per hectare. About 60 households have no land. Many villagers use the abundant streams and canals in the area for fishing during the wet season. More than 100 people from Spean are working in Thailand as migrant labourers, most in the construction industry in Bangkok.

KAP began working with two village workers who were chosen in consultation with the villagers. Both

received a stipend of 10,000 riels per month until the formation of the village development committee (VDC) in Spean in 1996. At that time, both were elected to the VDC by the villagers. KAP activities in the village have included setting up a rice bank, a loan scheme, a fertiliser scheme and a rice cooperative.

Kompong Ko community contains 96 of the 230 families in Wat Kandal village, which is about 40 km southeast of Battambang. (Wat Kandal is made up of three communities—Kompong Ko, Wat Kandal and Boeng Ktom—each about 2 km from one another.) Last year was the first year since 1979 that the village has been secure, and people have not dared to build wooden houses or communal rice stores until recently. Wet season rice farming is the main source of income. An average family has three to four hectares of land, and produces yields of about one ton per hectare. Most villagers fish in the canal and gather firewood in the forests near the village.

KAP likewise began a fertiliser scheme in Kompong Ko and a loan scheme (lending 40,000 riels to more than 70 households in the community for six months). KAP also organised a food for work scheme in which poor villagers dug ponds. In April 1997, KAP gave interest-free loans of 95,000 riels to the 10 poorest households in the village. Each household was supposed to use the

loan to rent one hectare of farmland to grow rice, and to repay the loan with three bags of paddy rice at harvest time.

Distribution of Benefits

The research team looked for the impact of KAP development activities on community members' assets or income, on human resources within the community, and on community cooperation. The team also looked for KAP's strategies for helping the poorest people in the village.

KAP acknowledges that its loan activities in Spean have benefited the better-off households. KAP's draught animal and fertiliser schemes enabled most participants to improve their rice production. The credit scheme was less successful, because interest from the loans was not revolved within the scheme and because new members were not able to join. One unintended benefit of the credit scheme in Spean was that local moneylenders reduced their interest rates from 20 percent to 10 percent per month.

In Kompong Ko, two of the credit schemes were weighted in favour of the 10 poorest families in the community. These families were able to borrow more money than their better-off neighbours (95,000 riels instead of 50,000 riels) and did not have to pay interest like the better-off families. One drawback in Kompong Ko was that the loans given through the credit scheme

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and the fertiliser scheme were too small to cover the cost of all the agricultural inputs needed. Families still had to use local moneylenders for credit.

KAP development activities in Spean have facilitated the emergence of women leaders within the programme, though men still held a strong influence over decisions affecting programme development. Many women in the community have acquired skills in running small businesses as a result of programme activities, though other factors, such as the improved road to the village, also account for this.

In Kompong Ko, the KAP programme has been successful in encouraging local leaders to take responsibility for development activities. The village worker who received extensive training in the KAP programme has developed good relationships with all the people in the community. He has been able to encourage even the poorer families to participate in village meetings and to exchange their ideas with other villagers. Women do not play an active role in leadership.

In Spean, most of KAP's projects have not built up trust between villagers. Most villagers did not have a detailed understanding of project activities. Lack of accountability in some of the credit schemes and mismanagement of the rice cooperative have led to suspicion of the VDC leadership. It was not clear whether the suspicions were well founded, but they have hindered the development of trust within the community.

In Kompong Ko, by contrast, there was a lot of evidence that villagers were willing to help each other. To a large extent this is the result of the KAP programme in the village. The VDC has worked hard to serve the community, and their commitment and enthusiasm has encouraged other volunteers to support them. Regular meetings within the village and the willingness of village leaders to visit villagers at home to talk about their concerns have generated a genuine spirit of cooperation in Kompong Ko.

KAP's strategy of working through the better-off families to reach the poor has not been effective in Spean. The original design of the rice cooperative, enabling poorer families to buy rice at a low price during the lean season between August and November, was abandoned after prices unexpectedly fell during the second half of the year.

In Kompong Ko, the imaginative approach of offering interest-free loans to the poorest families has promise as a way of meeting the real needs of those families, and bodes well for the future.

Participation and Ownership

The research team examined villager participation in development activities, looked at how decisions are made, and tried to determine the sense of ownership that

villagers had of the programme activities.

In Spean, the villagers who took part in the three credit activities mainly came from the 200 better-off households (80 percent of the community) which owned land. The people who did not participate in the loan activities reported that they felt excluded from meetings and decision-making, even though there was no obstacle to them joining the schemes. A similar situation existed in Kompong Ko, where the poorest families were not able to take part in some loan activities because of difficulties getting guarantees for the loans. KAP therefore designed special activities to help these poor families. There was a strong sense of participation in Kompong Ko. Every family voluntarily contributed their labour or money to the repair of the village road.

KAP had widespread discussions with the people when activities were first formulated in Spean. Now the VDC has taken a major role, and the people and KAP have less influence. The VDC does not consult the

people when decisions are made. Instead the decisions are presented to villagers afterwards in meetings.

In Kompong Ko, great efforts have been made by community leaders, supported by the KAP worker, to involve the villagers at all stages of decision-making. All the people attending meetings are encouraged to speak out. The community leaders also have good contact with the villagers and use the pagoda as a forum for informal debate.

Although some activities in Spean were well-managed and have benefited the participants, the participants often understood too little about them to be able to influence decision-making or to develop a sense of ownership. In Kompong Ko there is a stronger sense of ownership of the programme because of the openness of the village leadership. This has led to villagers taking initiatives that are supported by the community as a whole.

Sustainability

The research team examined how activities and benefits of the programme might continue, both within and beyond the time frame of the programme. The team looked at the future plans and intentions of the programme participants, their ability to manage and fund activities, and the external context which could help or hinder the development of the programme.

The leaders of the draught animal and fertiliser schemes in Spean had clear plans for the future, and hoped to contribute resources to canal construction in the village. But the villagers on the whole did not have the same clear ideas, partly because they lacked a sense of ownership. Villagers in Kompong Ko were making plans for the future. The VDC planned to build a rice store in the village, and to convert the chicken bank into

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a pig bank. KAP hoped that the pilot compost scheme would lead all farmers to use organic instead of chemical fertiliser.

Mismanagement of some programme activities in Spean suggested that there might be problems with sustainability. But the women members of the VDC in particular were actively working to resolve the problems and to make management of activities more accountable. This attitude is a source of confidence for the future. There were also management problems in Kompong Ko, but most stemmed from a lack of experience in organising loans. Given the high levels of trust and cooperation in the village, it should be straightforward for KAP to provide effective advice and training.

Participation in the market economy has changed the nature of social organisation and cooperation in Spean. There has been a lot of buying and selling of land in the village, and one large tract of land is now owned by a group of businessmen from outside the village. The increasing reliance on cash, and the influence of temporary labour migration to Thailand, has affected traditional models of social cooperation, and led to greater stratification within the village. The greatest external problem for Kompong Ko was three waves of severe illness afflicting children. Most villagers are now in debt after buying medicine, and this high level of indebtedness may threaten all activities, and even justify a relief intervention. The other major concern for Kompong Ko is if fighting in the west of Battambang spreads, making the area insecure once again. This would increase the danger of houses and rice stores being looted or burned down.

Organisational Structure and Approach

The fourth main question in the research was to analyse how the organisational structure of KAP affects its approach to development activities. The research team examined how KAP's aims and principles took concrete form, and how the nature of KAP's organisation affected the development process.

KAP's organisational structure required community development workers to spend considerable time performing other duties. Functioning without a perma-

nent leadership seemed to suit KAP team members well and to encourage high levels of motivation and responsibility among them.

In Kompong Ko, the KAP development approach had taken root and flourished because the VDC leader had retained and built upon what he learned as a KAP village worker. In Spean, where the KAP staff member has many administrative and liaison responsibilities, and where the VDC had been playing a more dominant role, KAP's community development approach had given way to a management of activities approach, which did not encourage community cooperation and the inclusion of the poor.

KAP's attempt to expand its programme from 21 to 51 communities with the same 12-person structure threatens to undermine the effectiveness of its approach by not allowing team members to spend sufficient time in villages. KAP's stated approach of working closely with the people is most effective in the early stages of

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intervention, when needs are identified and activities formulated. In Kompong Ko, the community leaders were effectively adopting KAP's work as a model and continuing it successfully. This was not the case in Spean. In any case, expansion of the programme will make it more difficult to use this approach well.

KAP hopes to benefit from allowing diversity according to the needs and characters of different communities and team members. It was not clear how the lessons from

successes in communities such as Kompong Ko will be articulated into a coherent implementation strategy. Nevertheless, KAP has done a good job of reflecting on its own experiences and learning from them. The policy of setting aside every Friday for reflection and every Monday for training provides a time and structure within which learning and development of activities can take place.

The KAP Case Study was prepared by Chim Charya, Srun Pithou, So Sovannarith, John McAndrew, Nguon Sokhunthea, Pon Dorina and Robin Biddulph.

Learning from Rural Development Programmes in Cambodia

Case Studies

Final versions of the case studies from the Learning from Rural Development Programmes project will be available from CDRI in May. English versions of the case studies will retail for \$2.50 per case study. A set of all six case studies will be available at a discounted price of \$12.00. Khmer versions of the case studies will retail for 3,000 riels per case study, or all six case studies at a discounted price of 15,000 riels.

Payment can be made at CDRI in cash or by cheque drawn on a local bank (please make cheques payable to CDRI). For payments by cheque, please add \$2.00 to the total amount.

Learning from Field Research

So Sovannarith, Pon Dorina and Srun Pithou, three members of the Learning from Rural Development Programmes team, describe the challenges facing those doing field research in rural Cambodia.

Impressions of the Villages

From August 1997 to January 1998, the Learning from Rural Development Programmes (LRDP) research team visited eight villages in Takeo, Battambang, Siem Reap, Kandal, Kompong Thom and Kratie provinces.

For many of us, this was the second time in our professional lives, other than during the Pol Pot period, that we had come into contact with villagers. Most of us felt it was easier to communicate with the villagers and adapt to life in the rural communities this time.

The majority of villagers depend on agriculture and wage labour to make a living. However, more and more people are losing their land and having to depend only on wage labour and collecting natural resources. If harvests are poor or are affected by flooding, drought or insects, a number of villagers fall into severe debt. Most of them have to sell or mortgage their land to repay debts, to buy food for consumption, or to spend on treating illnesses. Some households lose their land as a result of illegal labour migration to Thailand. Most people migrating to Thailand had to sell their draught animals, borrow money or mortgage their land to get the \$120 needed for guides into Thailand. Many migrants end up in prison, where they are beaten by the Thai police, and they come back empty handed and with chronic health problems.

We found that the most vulnerable people were sometimes excluded from the benefits of development programmes in the village, and even from some emergency relief programmes. Poor landless families benefited less from development programmes, even those specifically designed for them. Sometimes this was because the poor traditionally have been treated as lazy or stupid by the rest of the community. Sometimes it was because the project staff over-emphasised the success of the programme. Furthermore, many poor households live in remote areas of the village where access is difficult.

Our first impressions were that villagers are more open and friendlier than people in the cities. Sometimes we were embarrassed because the villagers treated us as experts who knew more than them. When our research team first arrived in each village, we met with the local

authorities to ask for permission to stay there. Often they were afraid that our team would not be able to stay in such simple accommodation, with poor water supplies and sanitation. Later they were pleased that our team behaved and lived like them.

Many villagers came to talk with us during the evenings, and even though this sometimes disturbed our work, it gave us more time to exchange ideas and to learn from each other.

Research Objectives

As a team we had gone to conduct a series of six case studies as part of a joint project of the Ministry of Rural Development and the Cambodia Development Resource Institute. The research involved six partner organisations: Oxfam/Chumraen Chiet Khmer in Takeo, Krom Akphiwat Phum in Battambang, UNDP CARERE/SEILA in Siem Reap, the Hun Sen Kraingyov Development Centre in Kandal, GTZ/PDP in Kompong Thom, and Partners for Development in Kratie.

In each of the two villages selected by each project partner, we spent five days interviewing the villagers about development to find out which activities worked, which did not work, and why. Before we left the village, we discussed the findings with the village development committee. Before we went to the next

village and/or left the province to return to Phnom Penh, we discussed our findings with the project staff.

Our interviews focused on who received the benefits from the organisation. We also looked at participation, decision-making, ownership, sustainability and organisational structure. In particular, we wanted to know whether the poor families received benefits from each programme, because all the organisations stated that they wanted the poor families to participate in their programme and wanted most of the benefits to reach the poor. In fact, we found that most benefits reached the better-off and medium families.

Research Methods

The team members tried to determine which questions would encourage the villagers to describe the real situation in their village. At first, the team tried to define the sort of people to interview, such as better-off, medium or poor households, widows and widowers, or older men and women. The members of team interviewed different groups of people: some interviewed better-off households, some medium families and some poor families. The team met together in the evening to share the information collected and to decide the direction of further research.

After the first visit to the villages, the team returned from the field work and began writing the case study. At that time we felt that our information was insuffi-

We found that the most vulnerable were sometimes excluded from the benefits of development programmes in the village, and even from some emergency relief programmes.

cient. Reflecting on this problem allowed us to learn from our mistakes. The next time we went to do field work, we decided to establish a system with two note books, one for Khmer and one for English. The intention with these books was to ensure that we got all the information from the village. We interviewed the villagers during the day, and in the evening the team members entered the information into both books. This allowed us to see where the information gaps were so that we could collect more data the following day.

Requests for Assistance

When the research team went to each village, the team members tried to explain the objective of the research to the villagers to avoid confusion. Often the villagers assumed that the research team was an aid or development organisation, particularly because there were expatriate researchers, so they asked for things from the team. In some of the villages studied, the residents were more dependent, especially when the organisation working in the village had offered relief assistance during times of natural disasters. Some organisations were still offering relief assistance to villagers. This contributed to dependency among some residents. We tried to explain to the villagers that we were just collecting information to compile a study that would help the Ministry of Rural Development and local and international development agencies to better understand the needs of rural development in Cambodia.

Some organisations, before beginning their programme in the village, explained their activities step by step and made it clear that all the activities belonged to the residents. They explained that in the future, when the organisation withdraws, the villagers would be responsible for continuing the activities. This attitude, which was most evident in Kompong Ko community in Battambang and Kompong Kor village in Kratie, made the villagers less dependent.

During the field work, members of the research team met families in each village that were suffering. Their situation aroused compassion among the members of the research team. Sometimes team members contributed their own money to alleviate these families' burdens. In some cases this was with funeral costs, in others with basic clothing.

This kind of one-off activity differed from the intervention of the development organisations, which assisted almost all the villagers in times of trouble. Some programme staff and some villagers said that the poor families asked for a lot of help from the organisation, but our evidence was that almost all the medium families asked for things and also tried to gloss over the fact that they were receiving greater benefits from the

development activities. For instance, in cases where irrigation pumps had been installed by the organisation to boost overall rice production, the poor families said that they had to wait until after the better-off and medium families had pumped water.

This was groundbreaking research for Cambodia, and very few of the villagers understood the objectives of the research. When we were interviewing, some people in the village were afraid to describe their real situation to members of the research team because they thought our activities were linked with those of political parties. The villagers tried to give positive answers about what was happening in the village. Often they were reluctant to answer if we asked about social reform or whether they thought the development organisation would continue its activities.

In many cases, interviewees felt threatened or afraid to talk about the negative impact of the programme or about favouritism on the part of their leaders or project staff.

Building Trust

Building good relationships and trust was essential for gathering our research data, but it was sometimes difficult, especially when we had only a short time to note down the interviewees' responses. We learned that we can build good relations with the villagers by getting to know the respected elders on our first day in

the village. We also found that talking to people whenever we met them was useful.

In many cases, the interviewees felt threatened or afraid to talk about the negative impact of the programme or about favouritism on the part of their leaders or project staff. However, they would speak out when we explained the purpose of the research and reassured them that all the information would remain confidential. Overall, we observed in our interviews that trust between us and the villagers broke down when we tried to confirm some information, especially on issues related to mismanagement by the activities' leaders. When we were looking at loan schemes, for example, it was easy to ask about how many people participated in schemes and to examine the records. Sometimes when we spent too much time reading and checking their records, the members of the management committee looked miserable and afraid.

Our field experience has been an effective way of enhancing our research capabilities. Staying in the villages gave us a good opportunity to build relationships and trust with the villagers. Furthermore, though it was exhausting to keep talking and getting to know all the people we were meeting in the village, we were able to build trust and obtain more information. We learned that allowing time for reflection and sharing experiences in the villages gave us ideas about how to get the comprehensive information we needed. Being clear about the purpose of the research was the best way of overcoming villagers' expectations.

Economy Watch

1. Overview¹

- Consumer prices increased moderately in the fourth quarter of 1997. The annual inflation rate in 1997, measured by CPI, was 9.2 percent, despite the large fluctuation of monthly inflation rates in the third quarter (July–September 1997).
- Foreign exchange rates of the riel against the dollar depreciated about 30 percent from June 1997 to January 1998. The riel depreciated much less than the ASEAN-5 currencies, with the exception of the Singapore dollar. The riel appreciated against currencies such as the Thai baht, the Malaysian ringgit, the Philippine peso and the Indonesian rupiah.
- The depreciation of the Thai baht generally reduced the riel- or dollar-denominated prices of Thai products in Phnom Penh markets. The extent of the decline in prices varied between different types of products. Products from other countries, such as Vietnam, lost some market share as they became relatively more expensive than Thai products.
- Cambodia's economy has shown little change since the previous review in December. Various indicators, such as consumer spending, tourism, investment, credits and deposits in commercial banks, and money supply, suggest that, though there are some signs of recovery, they remain weak.

2. Inflation and Exchange Rates

Consumer Prices in Phnom Penh and the Provinces

Consumer prices in Phnom Penh increased moderately in the fourth quarter of 1997 (October to December),

according to the data from the NIS at the Ministry of Planning. Monthly inflation rates measured by seasonally adjusted CPIs were 1.2 percent in November and December. As a result, the annual inflation rate for 1997 was confined to 9.2 percent, despite the large fluctuation of consumer prices from July to September.

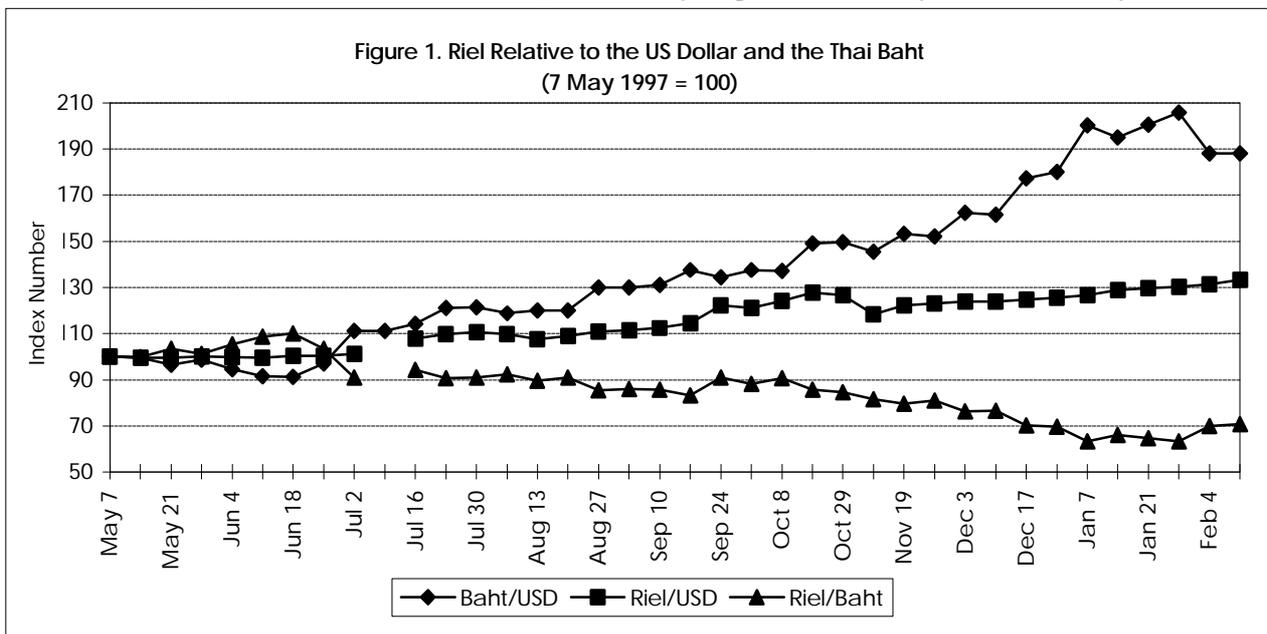
To supplement the lack of official provincial price information, CDRI has been collecting price data from 11 provinces across Cambodia for 12 essential items. According to the provincial data, the monthly provincial inflation rates were on average 2.6 percent in November and 2.7 percent in December 1997, before falling to -1.0 percent in January 1998.

Foreign Exchange Rates

The regional economic crisis since July 1997 has dramatically changed the economic environment surrounding Cambodia. The market exchange rate of the riel against the dollar depreciated about 30 percent from June 1997 to January 1998. The gap between market and official exchange rates, which had held below 1 percent before July 1997, widened to 5 percent in July 1997. The NBC responded by adjusting official exchange rates to match market rates in the second half of 1997. This helped reduce the difference between the two to just 1 percent in January 1998.

Figure 1 illustrates the development of exchange rates for three currencies—the riel, the baht and the dollar—in indices where the exchange rates of 7 May 1997 were set to 100. Both the baht and the riel depreciated against the dollar from July 1997 to February 1998, but the almost 30-percent depreciation of the riel was much smaller than the 90-percent depreciation of the baht. The riel therefore appreciated against the baht by 30 percent from July 1997 to February 1998.

¹ Essential economic data is now given in table form under the heading "Economic Indicators" on page 14.



Source: Economist and National Bank of Cambodia

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There were similar patterns in the exchange rates of other neighbouring currencies such as the rupiah, the ringgit and the peso. These currencies have depreciated against the dollar to a much larger extent than the riel since July 1997. The exception in the region was the Singapore dollar. The riel therefore appreciated against the currencies of all the ASEAN-5 countries except Singapore.

Cambodia is a dollarised economy, one where dollars are widely circulated and used for all monetary purposes—as the unit of accounting, the medium of exchange and the store of value (i.e. holding currency for the accumulation of assets). During the recent economic crisis in the region,

both the riel and dollar appreciated against all other currencies in the ASEAN-5 countries except Singapore. Do Cambodia's consumers now enjoy cheaper goods imported from the region than before July 1997? Have the consumer prices of imported goods declined as much as the extent to which the riel and the dollar have appreciated relative to other regional currencies?

3. Market Surveys

CDRI undertook a fourth market survey from 2 to 4 February 1998, following previous surveys in July, September and December 1997. Vendors in five major Phnom Penh markets were asked about the prices of and expenditures on various consumer goods and services. The fourth survey also asked vendors how, and to what extent, the depreciation of the baht had affected Phnom Penh markets.

The results from the surveys cannot be extrapolated to the national level, because the sample size of the survey was small (around 130 vendors) and the geographical coverage was limited to Phnom Penh. However, with no similar surveys currently available in Cambodia, these provide the most up-to-date information about the situation in Phnom Penh's markets.

Price Changes

The fourth survey of 2–4 February found a slight increase in prices since the previous survey in December (Table 1). The 1.8 percent inflation rate from December 1997 to February 1998 was probably caused by seasonal factors. For instance, the high season for fish

ended in late January, which pushed up the price of fish to a level higher than that in December. This increased the demand for and hence the price of pork, a close substitute for fish. The price of cabbage reportedly rose for the Chinese New Year celebrations in January, and remained high during the interview period. The fall in the prices of *trakuon* (water convolvulus) and palm sugar helped to keep inflation rates low. The price of palm sugar fell from December 1997 to February 1998 because the harvesting and production season began in January.

Consumer Spending

The February survey found that the weakness of consumer spending precipitated by the fighting in July continued, though there was a slight increase in spending from the December survey. Table 2 combines the findings for consumer spending of the last three market surveys. Among the 136 market vendors interviewed in February, 87 percent reported that they were selling less than before the fighting, and 32 percent said that they were not earning enough to cover their daily expenditures. On average, vendors were selling only 54 percent of the amount they used to sell before the fighting. Low consumer spending was confirmed by the sales in the week of the Chinese New Year celebrations. Ninety percent of the vendors interviewed said that they had sold far less for the 1998 celebrations than they had in 1997. Seventy-five percent of vendors reported that they had spent less money themselves this year, citing their lower incomes as the main reason.

Table 1. Prices of Essential Items, Consumer Price Index and Inflation in Five Major Markets, Phnom Penh, July 1997 – February 1998

Items	Unit	July	September	December	February
		15-17	1-3	1-3	2-4
CPI (July–September 1994 = 100)		135.0	134.5	132.0	134.4
Inflation from previous survey			-0.3	-1.9	1.8
Current prices in riels					
(1) Rice (#1 quality)	kg	1,172	1,172	1,205	1,210
(2) Pork (without fat)	kg	7,830	7,440	7,000	7,300
(3) Beef (#1 quality)	kg	8,075	7,975	8,000	7,825
(4) Mud fish (large)	kg	5,214	5,773	4,654	4,714
(5) Chicken egg	egg	172	173	162	186
(6) Duck egg	egg	256	245	224	268
(7) Trakuon	kg	816	1,161	1,195	870
(8) Cabbage	kg	1,185	1,420	1,335	1,860
(9) Cucumbers (medium)	kg	810	1,055	1,190	1,025
(10) Bananas (medium)	bunch	818	905	805	772
(11) Brown sugar	kg	1,242	1,339	1,615	1,175
(12) MSG	0.5 kg pack	3,220	2,720	2,785	2,945
(13) Soy sauce	500 ml bottle	1,270	1,105	1,105	1,100
(14) Fish sauce	750 ml bottle	1,415	1,325	1,365	1,355
(15) Sarong (Thai)	piece	6,603	6,700	7,045	7,015
(16) Kerosene	litre	950	1,040	1,150	1,150
(17) Charcoal	kg	413	480	410	388
(18) Gasoline	litre	1,480	1,429	1,592	1,600
(19) Motorcycle fare*	passenger	1,500	1,310	1,261	1,388
(20) "Lux" bath soap (large)	cake	1,105	940	850	830

* between Phsar Thmei and Phsar Chbar Ampeou

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Table 2. Amount of Sales and Earnings of Vendors in Five Major Markets in Phnom Penh, 1-3 September 1997, 1-3 December 1997 and 2-4 February 1998

Questions to vendors

Q1. Is the amount of your sales [more than, the same as, less than] that before 5 and 6 July?

Q2. If less, what percentage are current sales relative to those before 5 and 6 July?

Q3. Are you earning enough money to cover your daily expenses?

Type of Products	Q1. Percentage of vendors who reported selling less			Q2. Average amount of sales as a percentage of those before 5 and 6 July			Q3. Percentage of vendors who reported earning enough		
	II	III	IV	II	III	IV	II	III	IV
All items	95	90	87	40	47	54	23	52	68
Non-food items	100	95	92	34	40	48	16	44	60
Durable items	100	96	95	33	38	46	6	43	53
Luxury items*	100	100	100	24	30	36	0	30	29
Household and utility items	100	94	82	40	43	54	21	53	75
Clothing, shoes, bags	100	95	100	32	40	46	0	43	57
Non-durable items and services	87	91	91	36	46	56	44	36	81
Food items	92	81	80	44	59	61	33	67	80

II indicates the second market survey (1-3 September); III the third survey (1-3 December) and IV the fourth survey (2-4 February 1998)

* Luxury items include precious stones, gems, gold, jewellery, televisions, cassette players, watches, video tapes, gifts, etc.

Household and utility items include kitchenware, plastic containers, blankets, mosquito nets, construction materials, electrical appliances, motorcycle spare parts, etc.

Impacts of the Depreciation of the Baht

Our survey found that the depreciation of the baht against the dollar and the riel made Thai products cheaper than before July 1997. The survey also found that consumers in Cambodia do not appear to have enjoyed fully the extent of the appreciation of the dollar and riel against the baht. This is because the baht prices of some Thai products increased after July. All the retailers interviewed reported that their wholesalers had charged higher prices in baht for some products. All the wholesalers interviewed in Phnom Penh also said that they had had to pay higher baht prices to Thai distributors. The extent of this increase in prices, however, varied considerably depending on the types of products. For instance, the price of construction materials, fishing nets, bedding and suitcases increased about 5 percent, while the price of shoes, clothes, groceries, kitchenware and stationery increased between 10 and 30 percent.

The depreciation of the baht made Thai products more competitive than products imported from other countries. Interviews were conducted with two motorcycle companies: one selling the Suzuki brand imported from Thailand, and another selling the Yamaha brand imported from Japan. The depreciation of the baht enabled Suzuki to lower the price of its top range motorcycle from \$1,700 to \$1,200, and it tripled the number sold. Sales of Yamaha motorcycles fell by

60 percent, because the dollar-denominated prices remained at their pre-July level due to the stability of the Japanese yen against the dollar.

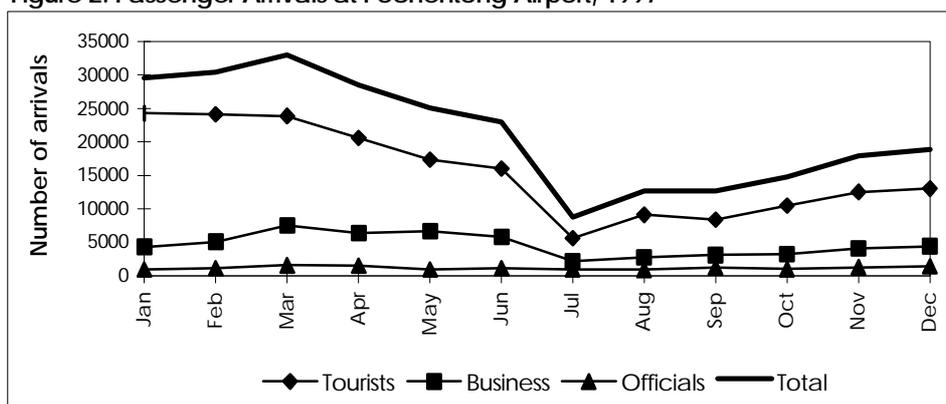
The decline of the dollar- and riel-denominated prices of Thai products has not resulted in a substantial increase in consumer expenditures. Weak consumer demand has prevailed since July. Overall, the influence of weak demand seems to be stronger than that of lower prices of imported goods.

4. Tourism

The tourism sector in Cambodia has been one of the fastest growing in recent years. The development of tourism contributed not only to increasing foreign currency earnings, but also to generating employment, raising the incomes of those who are directly and indirectly involved in tourism services, and increasing tax revenues to the government.

The number of arrivals at Pochentong International

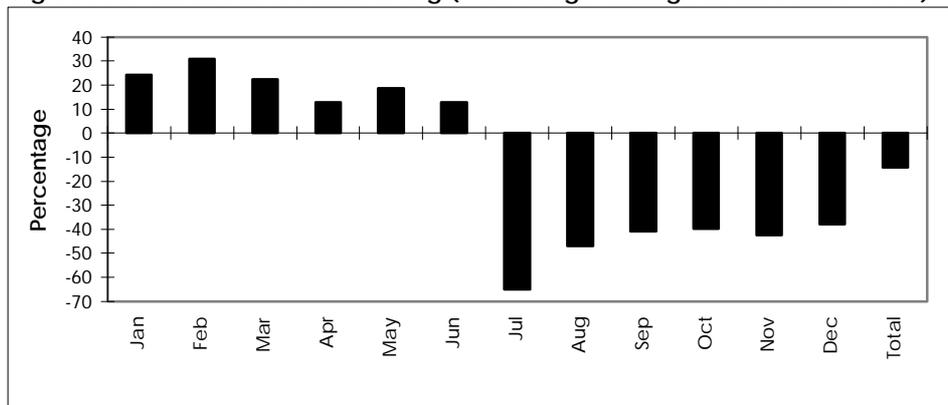
Figure 2. Passenger Arrivals at Pochentong Airport, 1997



Source: Ministry of Economy and Finance

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Figure 3. Total Arrivals at Pochentong (Percentage Change from Previous Year)



Source: Ministry of Economy and Finance

Airport is a good indicator of developments in the tourism sector. According to data from the Ministry of Economy and Finance, the number of passengers identified as tourists accounted for 73 percent of total arrivals in 1997. Total passenger arrivals at Pochentong peaked in March, declined sharply in July, and remained low until December 1997 (Figure 2). A total of 255,000 passengers arrived in 1997, a 14-percent decline from 1996 levels. The extent of the recovery after July was weak. Arrivals in July 1997 were down 65 percent from the previous year's level (Figure 3). The year-on-year percentage decline fell to 38 percent in December, which may indicate a slow recovery. There is no question that the events of July 5 and 6 precipitated the slump in the tourism sector. Other factors, such as the Vietnam Airlines plane crash at Pochentong in September and the regional financial crisis also contributed to the slump.

5. Investment

Although the 1997 national accounts are not yet available, data on investment projects from the Cambodia Investment Board (CIB) provide some indication of investment trends. These data should be read with caution because they only cover projects approved by the government rather than investments actually implemented.

The number of investment projects registered at the CIB increased slightly from 192 in 1996 to 206 in 1997 (Table 3). Both registered capital and fixed assets declined in 1997 compared to 1996. Registered capital declined from \$490 million to \$420 million, and fixed assets from \$820 million to \$780 million.

Contrary to the overall decline in investment in 1997, the garment sector showed a remarkable expansion. Registered capital in the garment sector increased from \$40 million in 1996 to \$103 million in 1997, and fixed assets from \$45 million to \$110 million. The substantial increase in investment in the garment sector may reflect Cambodia's low wages and its GSP status granted by the EU and the United States in 1997.

6. Government Budget Operations

The government's fiscal deficits persisted throughout 1997 (see Economic Indicators on page 14). This is a major concern for the Cambodian government because some foreign assistance was suspended after July. Soon

after the July events, the government adopted austerity measures which cut current expenditures to avoid monetary financing of the budget deficit.

Total monthly government expenditures declined from a high of 112 billion riels in June to 88 billion in July, but started increasing again after July and remained well above 100 billion riels from August to November. This reflected the increase in defence expenditures, which reached a high of 53 billion riels in November. The increase in government expenditures after the sharp decline in July was financed by in-

Table 3. Investment Projects Approved, August 1994 - December 1997

	1994	1995	1996	1997	Total from 1994-97	Sectoral share (%) 1994-97
Number of investment projects						
Agriculture	7	32	33	27	99	17
Industry	27	91	135	170	423	71
o/w: Garment	12	27	42	105	186	31
Service	5	40	24	9	78	13
Total	39	163	192	206	600	100
Registered capital (millions of US\$)						
Agriculture	119	70	82	93	365	12
Industry	97	357	332	306	1,092	35
o/w: Garment	76	20	40	103	238	8
Service	7	1,574	76	22	1,678	54
Total	223	2,001	489	421	3,135	100
Fixed assets (millions of US\$)						
Agriculture	60	70	96	30	256	5
Industry	487	593	551	642	2,272	48
o/w: Garment	29	27	45	110	211	4
Service	50	1,859	171	113	2,193	46
Total	597	2,521	818	784	4,721	100

Source: CDRI calculation based on data provided by the Cambodia Investment Board

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creased national revenues from September to November. During this period, national revenues increased from 57 billion riels to 95 billion riels. A major source for this increase was non-tax revenues, which expanded from 15 billion riels to 44 billion riels. Revenues from post and telecommunications and from royalties (contract fees gained from, among others, the granting of oil and timber concessions) comprised the large increases in revenue during that period.

7. Monetary and Financial Development

Monitoring the indicators of money supply requires caution in Cambodia because a large amount of foreign currency, mainly baht and dollars, is widely circulating in the economy. The official record of money supply published by the NBC does not include the amount of dollars that residents of Cambodia hold at home.

Growth rates in each month of 1997 are calculated relative to the same months in 1996. This eliminates seasonal changes in money supply which create some fluctuation in month-to-month growth rates. The growth of money supply hit a low of 7 percent in July after a gradual slowdown since January, and then started increasing slowly after August 1997. The slowdown of money supply growth was caused by the slow growth of foreign currency deposits, which make up about 95 percent of commercial bank deposits.

In contrast with their impact on consumer prices and foreign exchange rates, the events of July had

relatively little impact on the growth of outstanding credits. Outstanding credits grew by 44 percent in July, compared with July the previous year (Table 4). The year-on-year growth rates also changed, remaining between 40 and 50 percent from August to November.

Credits to the service sector accounted for 77 percent of total commercial bank credits, followed by 19 percent for the manufacturing sector in November 1997. Credits to the agricultural sector continued to be low relative to those to other sectors throughout 1997. The agricultural sector received only 4 percent of total credits in November 1997, despite the fact that 85 percent of Cambodia's population works in agriculture.

Year-on-year growth rates of deposits with commercial banks declined from 36 percent in January to 18 percent in June (Table 5). Growth rates then stayed at single digit levels from July to September, before a moderate recovery in October and November. The temporary suspension of banking operations after July may be reflected in the decline from July to September.

Foreign currency deposits accounted for 95 percent of total deposits with commercial banks in November 1997. The high percentage share of foreign currency deposits changed little throughout 1997. The efforts of the NBC to de-dollarise the Cambodian economy have so far not been successful.

Economy Watch was prepared by Toshiyasu Kato, Long Vou Piseth, Chan Sophal and Be Kalyanna.

Table 4. Outstanding Credits of Commercial Banks by Sector, 1997

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
	Billions of riels										
Agriculture	17.2	21.7	20.8	23.2	24.0	27.1	23.3	23.9	24.8	28.5	25.3
Manufacturing	74.3	73.9	80.0	75.9	86.0	82.1	92.8	101.4	106.4	120.6	114.9
Service*	374.9	380.2	394.4	406.6	407.6	412.5	414.4	425.5	454.3	476.2	476.2
Total	841.4	856.0	889.6	912.3	925.1	934.1	944.9	976.3	1039.7	1101.6	1092.7
	Percentage change from previous year										
Agriculture	52.8	29.9	91.0	47.8	39.1	77.0	34.2	-9.7	13.4	16.6	6.4
Manufacturing	40.5	34.6	64.7	64.5	76.3	74.3	78.3	54.2	92.1	110.1	96.2
Service*	40.3	39.5	45.1	44.4	36.9	41.4	39.1	42.1	42.3	41.0	40.7
Total	40.8	38.3	49.5	47.2	42.2	47.3	44.4	40.6	47.6	49.0	46.4

* Service sector includes construction, wholesale and retail, import and export, finance, real estate and public utilities, service and personal consumption
Source: National Bank of Cambodia

Table 5. Deposits with Commercial Banks by Type of Currencies, 1997

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
	Billions of Riels										
Total Deposits	807	839	823	764	770	776	693	724	733	798	858
Riels	41	40	40	39	41	39	41	43	41	43	45
Foreign Currency	765	799	783	725	729	737	652	680	692	755	812
	Percentage share in total deposits										
Foreign Currency	94.9	95.3	95.2	94.9	94.7	94.9	94.1	94.0	94.4	94.6	94.7
Riels	5.1	4.7	4.8	5.1	5.3	5.1	5.9	6.0	5.6	5.4	5.3
	Percentage change from previous year										
Total Deposits	35.5	41.8	36.6	21.2	25.7	18.2	5.4	7.3	2.1	15.6	20.5
Riels	17.1	10.4	-6.2	5.3	8.7	-7.2	3.0	3.2	-0.4	7.0	21.9
Foreign Currency	36.6	43.9	39.8	22.2	26.8	20.0	5.5	7.6	2.2	16.1	20.4

Source: National Bank of Cambodia

economic indicators

1. Consumer Price Index (CPI) in Phnom Penh and the Provinces, February 1997 – January 1998

	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
	Monthly CPI											
Phnom Penh	112	112	114	115	116	124	122	127	128	128	127	129
Provinces	128	126	132	134	133	144	144	150	153	151	148	147
	Monthly CPI (seasonally adjusted)											
Phnom Penh	114	115	116	117	119	123	121	124	123	125	126	132
Provinces	132	133	134	137	136	144	139	145	143	147	150	149
	Inflation based on seasonally adjusted monthly CPI (month to month)											
Phnom Penh	-0.2	1.2	1.1	0.8	1.1	3.2	-1.3	2.8	-1.0	1.2	1.2	4.5
Provinces	-0.1	0.5	1.3	2.1	-0.9	5.8	-3.2	4.0	-1.3	2.6	2.7	-1.0
	Inflation based on seasonally adjusted monthly CPI (year on year)											
Phnom Penh	4.6	5.6	6.3	6.6	7.3	10.2	8.6	11.8	8.9	9.3	9.2	15.2
Provinces	7.0	6.0	6.8	9.1	5.0	15.3	8.0	15.1	9.7	10.7	13.7	13.0

CPI for Phnom Penh is taken from the *Monthly Bulletin of Consumer Price Index* (National Institute of Statistics at the Ministry of Planning); CPI for the provinces is constructed by CDRI based on the prices of 12 essential items gathered in 11 provinces. (Base year of indices: July-September 1994 = 100)

2. Foreign Exchange Rate and Gold Prices, February 1997 – January 1998

	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
	Market and Official Exchange Rates (Riels per US Dollar)											
Value (1) Market Rate	2,748	2,739	2,755	2,764	2,769	3,046	3,068	3,313	3,492	3,477	3,519	3,564
(2) Official Rate	2,743	2,735	2,744	2,751	2,761	2,900	3,000	3,192	3,409	3,402	3,452	3,537
(3) (1) as a % of (2)	100.2	100.1	100.4	100.5	100.3	105.0	102.3	103.8	102.4	102.2	101.9	100.8
Index (1) Market	106.4	106.1	106.7	107.0	107.2	118.8	118.8	128.3	135.2	134.7	136.3	138.0
(2) Official	106.2	105.9	106.3	106.5	106.9	112.3	116.2	123.6	132.0	131.8	133.7	137.0
	Gold Price (Riels per Chi)											
Value	109,091	109,032	107,398	106,334	106,809	108,187	106,963	108,964	120,518	120,304	112,425	117,341
Index	94.6	94.5	93.1	92.2	92.6	91.2	92.7	94.2	104.5	104.3	97.5	101.7

Source: National Bank of Cambodia and the Cambodia Daily (Base year of indices: July-September 1994 = 100)

3. Money Supply, January – November 1997 (Percentage Change from Previous Year)

Item	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Broad Money (M2)		45.9	42.3	32.1	19.9	25.2	15.8	7.0	10.3	9.5	15.9	22.3
Money (M1)		21.4	11.7	7.5	8.7	12.0	6.2	5.4	6.3	10.6	14.7	18.8
Currency outside banks		22.6	13.4	9.9	9.2	13.0	9.1	6.0	7.3	11.7	15.5	19.6
Demand deposits		10.0	-2.7	-12.6	4.4	3.1	-19.2	-0.7	-3.5	-0.3	7.4	10.3
Quasi-Money		64.3	65.0	49.7	27.7	34.4	22.1	8.1	13.0	8.8	16.7	24.5
Time and saving deposits		67.9	51.3	39.3	23.6	51.6	66.7	68.5	46.5	41.9	52.1	66.8
Foreign currency deposits		64.3	65.1	49.9	27.8	34.1	21.5	7.2	12.5	8.3	16.2	23.8

Source: National Bank of Cambodia (Broad money (M2) equals money (M1) plus quasi-money)

4. National Budget Operations, December 1996 – November 1997

	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
	Billions of Riels											
Total Revenue	79.7	68.7	53.4	70.5	69.6	71.4	63.1	52.6	67.6	57.0	68.1	94.8
Tax revenue	61.0	48.7	37.0	55.4	49.4	52.6	48.2	33.2	54.9	42.5	48.6	50.3
o/w customs duties	42.7	31.2	23.4	35.2	27.3	28.6	28.1	18.5	31.0	25.1	28.5	27.9
Non-tax revenue	16.4	15.4	16.3	15.0	19.2	18.6	14.8	14.2	12.6	14.5	19.2	44.3
o/w forest exploitation	2.4	1.8	0.2	3.5	3.6	5.8	4.7	0.6	2.5	3.3	4.5	2.1
telecommunications	5.4	6.0	6.6	4.1	9.0	5.0	3.6	6.2	3.6	7.9	10.4	5.5
royalties	0.0	1.2	0.0	0.1	0.1	0.4	0.3	0.0	0.1	0.5	0.1	30.8
Capital revenue	2.3	4.6	0.1	0.1	1.0	0.2	0.1	5.2	0.1	0.0	0.3	0.2
	Billions of Riels											
Total Expenditure	158.2	86.4	88.2	98.4	96.1	95.0	111.2	87.5	104.8	119.3	106.7	122.9
Capital expenditure	52.6	31.9	36.6	39.4	33.9	34.6	41.2	43.1	37.3	55.1	43.0	33.4
Current expenditure	105.6	54.5	51.6	59.0	62.2	60.4	70.0	44.4	67.5	64.2	63.7	89.5
o/w defence	47.9	22.0	24.8	49.2	32.5	23.9	28.7	18.6	36.8	41.9	30.0	52.8
o/w civil administration	57.7	32.5	26.8	9.8	29.7	36.5	41.3	25.8	30.7	22.3	33.7	36.7
Overall Deficit	-78.5	-17.7	-34.8	-27.9	-26.5	-23.6	-48.1	-34.9	-37.2	-62.3	-38.6	-28.1
	Percentage change from previous year											
Total Revenue	11.5	17.2	-18.1	23.0	10.0	23.1	5.9	-9.6	-14.5	-1.7	46.5	51.0
Total Expenditure	28.8	-26.1	3.6	-23.4	-7.0	-7.6	21.0	-30.9	-3.1	47.3	27.6	37.5

Source: Ministry of Economy and Finance

glossary

Rural Development Terms

Capacity Building (ការពង្រឹងសមត្ថភាព)

Capacity building refers to improving the abilities of staff (in government or organisations) to do their jobs. It can also refer to local groups such as village development committees. Training and skills transfer focus on specific skills, whereas capacity building addresses the overall ability of a person or organisation to fulfill all the tasks required of them.

Facilitation (ការសម្របសម្រួល)

Facilitation is a skill where a development worker helps people to make their own decisions and solve their own problems, instead of solving problems for them or telling them what to do. The skill of facilitation often includes ensuring that all the people in a group are able to participate in discussions and activities.

Implementation (ការអនុវត្ត)

Implementation is the doing of an activity, such as the building of a school or the vaccination of children. Some international development organisations do not implement activities. Instead they give training and advice to Cambodian organisations which are implementing activities.

Sometimes implementation is a stage in a process, for instance: stage one is planning, stage two is implementation and stage three is evaluation.

Institutionalisation (ស្ថាប័ននៃប្រតិបត្តិការ)

Institutionalisation is the process of new methods being adopted and fully integrated into work routines.

Monitoring and Evaluation (ការត្រួតពិនិត្យនិងវាយតម្លៃ)

Monitoring is the regular measurement of change (e.g. during the course of a project). Evaluation is the measurement of change after a longer period of time (e.g. in the middle and at the end of a project). Most development workers would agree that arrangements for monitoring and evaluation should be designed into a project from the beginning.

Participatory Rural Appraisal (PRA)

Participatory rural appraisal (PRA) is the most common name for a set of methods which are used by facilitators to enable villagers to analyse their situation and identify their own strategies for improving it.

Village Development Committee (គីអិច)

Most ministries and development organisations work with village development committees (VDCs). VDCs are elected by secret ballot in village elections. The roles of the VDC and the village chief are different. The VDC is non-governmental. It facilitates village development work. The village chief is a government representative responsible for security in the village.



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CDRI UPDATE

Research Programme

The Learning from Rural Development Programmes project, a joint study with the Ministry of Rural Development, approached its conclusion in the first three months of 1998. The research team completed the final two case studies in January, before analysing their findings and preparing for a workshop with the project partners at the Ministry of Rural Development in February, and a two-day conference held at the Council for the Development of Cambodia in the middle of March. The team is now finalising the work. An analytical working paper and case studies for each of the six development programmes studied will be available from CDRI from the beginning of May.

The economic research team has continued monitoring Cambodia's macro-economic performance. In February, Toshiyasu Kato gave a presentation on the regional integration of Cambodia at a CACP-organised conference on Cambodia's future in ASEAN, and Long Vou Piseth gave a presentation at a Oxfam UK/I and ADHOC workshop on structural adjustment programmes in Cambodia. In March, Tia Savora and Long Vou Piseth attended a workshop in the Philippines.

English Language Programme

The English Language Programme in February began a series of internal training courses on reading, writing, speaking and listening skills for CDRI staff. Preparation for the training featured a comparative writing test in English and Khmer. The programme meanwhile concluded a TOEFL preparation course, started a part-time course for members of the Tonle Sap Development Strategy Project team, and continued training for employees of the Department of Public Works and Transport. Three courses are scheduled to begin after Khmer New Year: a five-week course for ASEAN officials covering the language of multi-cultural and international meetings and negotiations; a

communicators course for selected individuals from the Ministry of Planning, and a technical English course for two groups from an ADB project in the Ministry of Environment.

Library

CDRI's Library holds almost 4,800 titles on economic and social development, and features a CDS/ISIS database of holdings. The Library is open to the public for both reference and lending (upon presentation of an identity card) during office hours (Monday to Friday from 7:30am to 12 noon and 2pm to 5:30pm). In May, Library staff will organise group sessions for people who wish to use the facilities. The sessions will include an introduction and orientation to the Library. Please contact the Librarian Be Kalyanna for further details and to make appointments.

Cambodian Centre for Conflict Resolution

The Cambodian Centre for Conflict Resolution (CCCR) organised a second core training workshop in conflict resolution in Battambang from 9 to 20 February. Preparation of the first volume of *Mindful Mediation—A Handbook for Buddhist Peacemakers* was completed in March, and the book will be available from CDRI from April.

CCCR will be organising a workshop on policy and conflict management for provincial governors at the beginning of April, and also from April will be collaborating with the National Election Commission in the preparation of a number of workshops aimed at provincial election commissioners. The third module of the core training in conflict resolution will take place in August.

Staff

Ms Mom Sokhayouk joined CDRI in March as Executive Secretary / Protocol Officer.

Cambodia Development Review is also available in Khmer

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

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