



CAMBODIA

*A Publication of the
Cambodia Development Resource Institute*

DEVELOPMENT REVIEW

VOLUME 2, ISSUE 4

DECEMBER 1998

\$3.00

Looking Towards the Millennium

Eva Mysliwiec describes the development challenges facing the new administration in order to promote sustainable economic and human growth, arguing that a fundamental change in social attitude and the fight against poverty are the most urgent concerns.

The development agenda facing the post-election administration which will take Cambodia into the millennium offers daunting challenges as well as opportunities. It will take men and women with long-term vision, moral courage and genius to meet them. This article refers to two challenges in particular, because if they can be tackled successfully, other factors necessary for sustainable development will fall into place.

The first is the battle over hearts and minds—a transformation of those attitudes and values that have repeatedly led Cambodia into a cycle of turbulence, instability and economic decline, and which have undermined the efforts and achievements of Cambodians to rebuild their society and economy since 1979. The second is the battle against poverty. The window of opportunity for halting the process of pauperisation—both human and physical—is narrowing, and difficult decisions and actions need to be taken by the new administration to redirect the process of development onto a path of sustainable growth where the benefits can be shared by all Cambodians.

As Cambodia emerges from its most recent political crisis, and with hope riding on the formation of a new administration, it is worth remembering the country's tremendous development potential.

Unlike a number of developing countries of sub-Saharan Africa which have become totally dependent on foreign aid for their survival, Cambodia has the potential to be self-reliant and to provide all its people a quality of life that is stable and secure and which fosters the fulfilment of human potential. Cambodians need not remain poor. Cambodia has a favourable land to population ratio, with a good percentage of arable land and



In recent years, Cambodia's poor have experienced restricted access to natural resources, such as fish and firewood, that are vital to supplement meagre livelihoods.

considerable water resources. These give the country, in contrast to most of its ASEAN neighbours, a potential comparative advantage in agriculture. Cambodia is protected by its geographical attributes from the devastating natural calamities that each year afflict other countries in the region. Cambodia is well endowed with natural resources and has abundant, but not unlimited, fresh and saltwater fish stocks. Forests constitute over 50 percent of the land cover. However, these resources are increasingly coming under threat from man-made disasters caused by abuse of the environment and over-exploitation and, unless checked, may soon negate any advantages offered by Cambodia's favourable location

In This Issue

Looking Towards the Millennium	1
Is the Economy Bottoming Out?	5
Reforming Health Sector Funding	10
Economy Watch	14
Economic Indicators	18
Glossary	19
CDRI Update	20

and bountiful natural heritage. The problems of urbanisation currently faced by neighbouring countries can still be averted.

The strides that have been made by Cambodians since 1979 towards rebuilding the human and physical infrastructure, the positive economic growth and development in all sectors which followed the 1993 elections, the organisation of the first census since the 1960s in 1998, and the increasing empowerment of people to participate in development programmes, are all evidence of remarkable resourcefulness and human potential. The more recent organisation of national elections, which many international and national analysts said "could not be done," illustrates perhaps better than anything else what Cambodians can achieve when there is commitment and when they put their differences aside to work together in the interests of the nation. All the above give reason for cautious optimism for the future development of the country and attest to the fact that a stable and poverty-free Cambodia is achievable.

At the same time, there are also good reasons to take a more sombre view of development. Cambodia remains among the world's poorest countries. It ranks 140th out of 174 in UNDP's most recent human development index. Based on a recent economic survey conducted by the National Institute of Statistics, 36 percent of the population live below the poverty line—four out of ten rural Cambodians and one out of ten urban dwellers. Poverty in Cambodia is characterised not only by lack of access to money and food, but includes lack of access to jobs, education, health and other productive assets. In recent years, Cambodia's poor have experienced more restricted access to natural resources, particularly fish and forests, on which they could depend in the past to supplement their meagre livelihoods. A projected population increase from 11.4 million people in 1998 to 15.5 million people in the year 2010, against a diminishing natural resource base, will place even greater stress on limited resources. The tragic political developments and socio-economic decline of recent months, with their negative impact on the livelihoods of so many Cambodians, have revived deep historic divisions in society and further eroded trust and confidence. Impunity and double standards in the application of laws between the common person and the powerful and wealthy have revived class enmities and fostered cynicism and contempt for government. The accumulation of wealth by the few at the expense of the weak and the environment has deepened the divisions between the rural and urban population.

Although the picture above tends to tilt on the side of the depressing, I am reminded from 16 years of experience in Cambodia that Cambodians have often risen to the challenges facing them with pragmatism,

ingenuity, compassion and wisdom. However, the solutions have also tended to solve immediate problems without adequately addressing the root causes.

Let us turn to the two great challenges facing Cambodia as it approaches the millennium.

The Battle for Hearts and Minds

Recurring political turbulence in Cambodia is one of the most important obstacles to development. Its causes are numerous (the least of them being political) and some are deeply rooted in the past. The tendency in resolving recurring conflicts has all too often focused on form and physical structures: a peace agreement, arbitration, courts, powers of legislation, administration. Too much attention has been paid to resolving conflicts rather than to preventing them, to changing forms and structures but not the heart. Perhaps it is time to try another way—to return to those values and attitudes which form the basis for peaceful co-existence and which lie at the core of Buddhist teaching.

Bringing about the change of attitude necessary for genuine reconciliation, and necessary if Cambodians are to live with themselves, with each other and with their natural environment, is beyond the scope of the political, administrative and economic realm. The problem is a mental one and it requires the collective wisdom of religion, ethics and the humanities, all of which may have been neglected in the pursuit of material development.

Human development will determine what kind of society and future Cambodia can look forward to. A discernible feature of development is awareness of human potential: the recognition that all people have a potentiality that is capable of development. An enlightened government will try to provide opportunities for its people to fully utilise their potential, each according to his or her abilities, as a factor in social development. When people are provided such opportunities they will tend to think in terms of how they can contribute to the constructive growth of society.

A unique feature of Cambodia's human resource base is its diversity as regards training and experience. Years of turbulence and isolation have sent Cambodians to all parts of the globe in search of learning and experience. Unfortunately, this diversity, instead of being recognised and appreciated for the richness which it brings to Cambodia, has too often been a source of divisiveness and exclusion. The often-cited constraint to development—"shortage of human resources"—may be significantly addressed if space can be created to embrace the diversity and to better utilise and appreciate existing potential.

Perhaps it is not too late to reconsider Cambodia's development priorities and chosen economic model. The

The tragic political developments and socio-economic decline of recent months, with their negative impact on the livelihoods of so many, have revived deep historic divisions and further eroded trust and confidence.

economic crisis affecting the region offers clear evidence that high economic growth alone does not mean economic security. Economic growth at the expense of the environment, of weaker sectors of society, and sometimes of human dignity, will only lead to further conflict and impoverishment. "Savage" capitalist development based on over-exploitation of natural resources, lawless business activities and cheap labour is not development.

The first challenge to Cambodia's new administration and a prerequisite for sustainable development is to restore trust, to eliminate fear and mutual contempt, to inspire Cambodians to unite behind the common goal of peaceful co-existence and development, to provide opportunities for the development of potential, to embrace diversity, to create space for different perspectives and experiences, and to build an environment where individuals take responsibility as stakeholders.

The first challenge to Cambodia's new administration is to restore trust, to eliminate fear, to provide opportunities for the development of potentiality, to create space for different perspectives and experiences...

The Fight Against Poverty

Understanding the causes of poverty in Cambodia is the first step towards combating it. There are three factors, in addition to those mentioned above, which have perhaps most bearing on development: unique demographic features; lack of productive assets, particularly land; and human capital—health and education.¹ A fourth, insecurity arising from the absence of the rule of law, is self-evident and is mentioned here only to acknowledge and draw attention to it.

As a consequence of Cambodia's violent past, the age structure of the population has a strong bearing on poverty. Cambodia has one of the youngest populations in the world, with more than 45 percent of the population under the age of 15. This translates into a high dependency ratio, which means that each income earner has to support a high number of dependants. The youthfulness of the population also suggests a high rate of growth. The population has increased at a rapid pace since 1980 from an estimated 6.5 million people to 9.1 million a decade later, and to 11.4 million in 1998. It is expected to reach 15.5 million in the year 2010 and 19.3 million in 2020 (NIS 1997).

In order to keep one step ahead of population growth and create a basis for sustained growth, agricultural production will need to increase at a rate of at least 4 to 5 percent per year over an extended period of time if Cambodia is to increase standards of living. Although there has been some progress and intensification of agriculture based on double-cropping of rice, improved practices and improved infrastructure, the increase in production is insignificant in the context of requirements and potential. Positive development of rice production has not been matched by similar developments in other

fields such as animal husbandry, inland fishing and agriculture-related industries.

An even more important implication for policy-making is the fact that the labour force will increase at an unprecedented rate in the coming years. The large group of Cambodians born in the 1980s will enter the labour force, while few will be leaving it. If demobilisation and administrative reform are implemented, many more Cambodians will also be entering the labour market, exerting tremendous pressure on the economy, social infrastructure and limited resources. Because 80 percent of Cambodia's population lives in rural areas, priority should be given to raising productivity in rural areas, and particularly in agriculture. Poor infrastructure, high transport costs, poor access to markets, lack of law enforcement and the protection of property rights are main constraints to raising productivity.

Access to Assets and Resources

Another cause of poverty and a major constraint to rural development is rapidly increasing landlessness and pauperisation. Indications that an increasing number of the rural population find themselves with little access to land are alarming. A recent study on food security undertaken by CDRI and UNRISD provides conclusive evidence of the rapid process of land differentiation in Cambodia. Field data revealed that the top 10 percent of households (in terms of income) in the villages studied owned one-third of the land, while the 20 percent at the bottom owned less than 4 percent. The study further revealed that in the five years prior to the survey, 11–13 percent of landholdings had changed hands to the benefit of wealthier households. Sale and loss of land following failure to pay back loans were identified as important factors behind land differentiation. The projected increase in population by the year 2010 will reduce the average amount of cultivable land available to each rural dweller by 30 percent. This is another cause for concern. The presence of land mines has also reduced availability of cultivable land, but as land is being demined and reclaimed, the greater concern centres on the lack of planning for its reallocation and/or misappropriation by powerful individuals.

Reasonably equitable access to land in the wake of land reform in 1989 has been a major development advantage to Cambodia. The loss of this advantage in recent years suggests that an increasing number of Cambodians are deprived of any productive assets except their own labour, and will benefit little from improvements in agriculture. They therefore risk being left outside the mainstream of economic development.

Health and Education—Real Priorities?

The poor state of education and health remain major obstacles to poverty alleviation and economic development. Education and health care are the most basic contributors to human development, and are crucial preconditions for economic progress. They should be a high priority for the government and donors alike. Yet the draft 1999 national budget gives a different view of priorities. Efforts to increase allocations to the education and health sectors by 13 and 47 percent over 1998 estimates are commendable, but do not go far enough. Social sectors continue to compete with defence and security for scarce resources. In all the neighbouring countries that have registered sustained growth over the past decades, increases in the educational level of the population have gone hand in hand with growth.

The legacy of the Khmer Rouge period was particularly devastating for education. Since 1979, the country has made remarkable strides in restoring the education system with broad coverage across the country. The achievements in education and the numbers of young persons who have attended school are impressive, but the quality and quantity of education still leave much room for improvement.

By regional standards, the level of education in Cambodia remains very low. According to the *Second Socio-Economic Survey of Cambodia 1996*, 38 percent of the population have no schooling at all (NIS 1997). The proportion for women is double that for men in both urban and rural areas alike. Seventy-eight percent of the population have had no more than primary schooling; less than 6 percent have graduated from lower secondary school. Other studies point to high drop-out and repetition rates in primary school, mainly due to poverty. The high direct and indirect costs of education place heavy burdens on the family and the community. Three-quarters of the costs of primary schools are estimated to be borne by individual households and communities. The primary effect is to perpetuate poverty from one generation to the next by depriving the children of poor households of the opportunity for adequate education.

The *Second Socio-Economic Survey*, as well as experiences from other countries, clearly demonstrates the favourable impact both on society at large and on the individual of increased secondary education. Secondary education substantially improves life earnings and reduces the risk of poverty for the individual. For society, widespread secondary education is a prerequisite for sustained economic development on a basis other than that of cheap unskilled labour.

Health is linked to poverty in a number of ways. Poor health impairs the ability to work and to earn income. Apart from its negative effect on living conditions in general, poor health is often a cause of huge

expenditure for the household concerned. The exorbitant cost of medical care to the poor in case of illness is a serious problem and a main factor behind indebtedness and subsequent loss of productive assets such as land. Medical expenses often drive people into poverty. The importance of accessible and affordable health care and education extend beyond their intrinsic value, and should be an important part of a strategy for economic development and poverty alleviation.

Challenge for the New Administration

Cambodia's future will depend on how effectively the new Cambodian administration can implement measures to halt the pauperisation of the rural population. Vision, courage and competence will be critical to developing

Time is running out for Cambodia before pauperisation—human and physical—becomes irreversible. The calls from an increasing number of Cambodians for democratisation are in fact nothing more than demands for development.

and implementing creative strategies to generate productive employment for the new entrants into the labour force; to implement a more equitable land reform; to stimulate development in rural areas and diversify development of agriculture; to create more financially realistic and transparent health care and education systems; to improve the quality of education and to give due attention to cultural and moral education. Reform of tax collection and an increase in revenue as a percentage of GDP are

essential for raising productivity and spending more on health and education.

Time is running out for Cambodia to prevent the process of pauperisation—human and physical—from becoming irreversible. The calls from an increasing number of Cambodians for democratisation are in fact nothing more than demands for development. The war on poverty is long and hard but it is an achievable goal. It is a challenge not only to Cambodian leaders but to all Cambodian people. Its success will depend largely on the ability of the Cambodian administration to provide leadership and to regain the trust and confidence of its people.

Endnotes

- ¹ I have drawn on studies conducted by CDRI and have quoted liberally from a joint study conducted by CDRI and the Stockholm School of Economics entitled *Cambodia: The Challenge of Productive Employment Creation*.

References

- NIS 1997, *Second Socio-Economic Survey of Cambodia 1996* (Phnom Penh: National Institute of Statistics/Ministry of Planning)

Is the Economy Bottoming Out?

Chan Sophal and So Sovannarith conduct another survey of market traders and vulnerable workers and detect the first faint stirrings of recovery, though the economy is still languishing far below its performance before the fighting in July 1997.

Introduction

The Cambodian economy in the second half of 1998, despite the post-election crisis, seemed to do better than in the second half of 1997 when the immediate effects of the July 1997 fighting were felt. Market sales in Phnom Penh in November were slightly higher than they had been about 12 months earlier. Garment exports, tourist arrivals at Pochentong and Siem Reap airports, the number of guests in Sihanoukville hotels, and the number of applications for house construction permits in Phnom Penh were all higher in the third quarter of 1998 than they had been a year earlier (see *Economy Watch*, pages 14 to 17).

However, over the whole of 1998, such indicators are likely to be down on 1997 as a whole—market sales in November are below their pre-July 1997 levels by 49 percent in Phnom Penh and 60 percent in Battambang

and Sihanoukville. The steady fall in the earnings of the most vulnerable urban workers (apart from vegetable traders who have enjoyed a seasonal increase in income) has continued, in Battambang as well as in Phnom Penh. There is evidence that, as rural conditions have deteriorated, the influx of people into the towns in search of work has increased. Immediate prospects have been improved by the political settlement reached in November, with beneficial consequences for aid flows, tourism and investment, in particular—but much will also depend on the rice crop.

November Market Surveys

Our most recent market survey from 16 to 22 November of 130 vendors in five major markets in Phnom Penh, 60 vendors in three major markets in Battambang provincial town, and 20 vendors in Sihanoukville, reveals that business transactions have not yet recovered even in a season usually good for business.

Having been unable to survive in the sluggish economic situation since July 1997, some shops have closed down or been sold off to other owners. Vendors have been competing more fiercely to sell off their stock, but are still making only marginal profits or breaking even. Most vendors themselves have reduced their household expenditure, first on consumption of durable goods and non-essential services, and then on food, which has become more expensive (Table 1).

Nonetheless, most vendors expressed some opti-

The Cambodian economy in the second half of 1998, despite the post-election crisis, seemed to do better than in the second half of 1997 when the immediate effects of the July 1997 fighting were felt.

Table 1. Amount of Sales and Earnings of Vendors in Five Major Markets in Phnom Penh, 1-3 December 1997, 2-4 February 1998, 11-13 May 1998, 17-20 August 1998, 16-19 November 1998

Questions to vendors

Q1. Is the amount of your sales [more than, the same as, less than] that before 5-6 July 1997?

Q2. If less, what percentage are current sales relative to those before 5-6 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 5-6 July 1997					Q3: Percentage of vendors who reported earning enough				
	III	IV	V	VI	VII	III	IV	V	VI	VII	III	IV	V	VI	VII
All items	90	87	98	93	92	47	54	48	52	51	52	68	58	57	58
Non-food items	95	92	99	92	92	40	48	45	47	50	44	60	49	47	57
Durable items	96	95	100	93	90	38	46	43	46	44	43	53	45	44	38
Luxury Items ^a	100	100	100	100	100	30	36	45	40	38	30	29	47	38	33
Household and utility items ^b	94	82	100	91	83	43	54	44	53	50	53	75	60	54	50
Clothing, shoes, bags	95	100	100	93	94	40	46	42	45	44	43	57	37	44	56
Non-durable items and services	91	91	93	88	95	46	56	54	48	56	36	81	67	59	77
Food items	81	80	98	94	93	59	61	54	59	52	67	80	76	73	60

III indicates the third market survey (1-3 December), IV the fourth survey (2-4 February); V the fifth survey (11-13 May); VI the sixth survey (17-20 August); and VII the seventh survey (16-19 November). a Luxury items include precious stones, gems, gold, jewellery, televisions, cassette players, watches, video tapes, gifts, etc. b Household and utility items include kitchenware, plastic containers, blankets, mosquito nets, construction materials, electrical appliances, motorcycle spare parts, etc.

mism about future sales after hearing of the recent political settlement, though some were still pessimistic when taking into account the outlook for agricultural production this year.

Consumer Spending

In Phnom Penh, consumer spending during the November survey was as low as that in August, despite this typically being a season of high consumer demand.

Ninety-two percent of the vendors reported lower sales than in the period before July 1997, with the current average sales down 49 percent from a year earlier. However, market sales in November 1998 were higher than those reported in December 1997, reflecting a seasonally adjusted increase (Table 1).

Sales of durable goods, especially luxury items and clothes, remained as low as 40 percent of their pre-July 1997 level, while sales of food items had dropped even further from the August sales level. In the face of reduced consumer spending, only 50 percent of the vendors reported they were earning enough for their daily expenditure.

In Battambang, consumer spending had dropped more drastically than in Phnom Penh, reflecting the province's dependence on agricultural production,

which fell last year. On average, vendors were selling only about 40 percent of the amount they used to sell before July 1997, and sales were lower than in August this year.

In Sihanoukville, the state of consumer spending was similar to that in Battambang. Average sales were also only about 40 percent of the pre-July 1997 level. The vendors cited the reduction in peoples' incomes as the reason for low sales, reflecting the decline in the number of tourists and an increase in competition.

The vendors interviewed in the three areas complained that in the last few months there had been no differences between weekends and weekdays for their business, which was unusual. This year's Pchum Ben and Water Festivals did not bring in as much money as they had been expecting. Sales for these two major

events in all three places was down 50 percent compared to last year.

Vendors unanimously agreed that their low sales were due to the fall in peoples' incomes in general, and farmers' incomes in particular. In addition, they felt that there had been fewer tourists and foreign residents in the markets. Every vendor interviewed said that their customers had reduced their spending, and the vendors themselves in turn had to cut their expenditure.

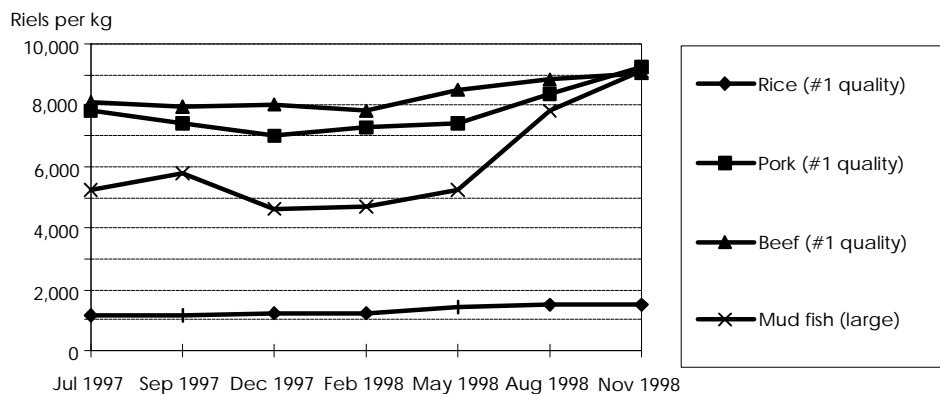
This year's Pchum Ben and Water Festivals did not bring in as much money as vendors had been expecting. Sales for these two major events were down 50 percent compared to last year.

Table 2. Prices of Essential Items, Consumer Price Index and Inflation in Five Major Markets in Phnom Penh, July 1997 - November 1998

Items	Unit	Jul 15-17	Sep 1-3	Dec 1-3	Feb 2-4	May 11-13	Aug 17-19	Nov 16-18
CPI (July-September 1994 = 100)		135.0	134.5	132.0	134.4	144.3	156.2	159.0
Inflation from previous survey			-0.3	-1.9	1.8	7.4	8.2	3.7
year-on-year inflation		16.0	12.2	3.9	9.2	13.0	12.8	17.8
(1) Rice (# 1 quality)	kg	1,172	1,172	1,205	1,210	1,420	1,493	1,465
(2) Pork (without fat)	kg	7,830	7,440	7,000	7,300	7,430	8,395	9,275
(3) Beef (# 1 quality)	kg	8,075	7,975	8,000	7,825	8,475	8,861	9,050
(4) Mud fish (large)	kg	5,214	5,773	4,654	4,714	5,214	7,857	9,100
(5) Chicken egg	egg	172	173	162	186	200	223	229
(6) Duck egg	egg	256	245	224	268	284	321	305
(7) Trakuon	kg	816	1,161	1,195	870	1,150	971	1,070
(8) Cabbage	kg	1,185	1,420	1,335	1,860	1,700	1,170	2,145
(9) Cucumbers	kg	810	1,055	1,190	1,025	1,010	906	1,035
(10) Banana	bunch	818	905	805	772	1,194	1,414	1,000
(11) Brown sugar	kg	1,242	1,339	1,615	1,175	1,379	1,550	1,570
(12) MSG (Thai)	0.5 kg pack	3,220	2,720	2,785	2,945	3,040	2,847	3,150
(13) Soy sauce	bottle	1,270	1,105	1,105	1,100	1,100	1,141	1,130
(14) Fish sauce	bottle	1,415	1,325	1,365	1,355	1,350	1,288	1,310
(15) Sarong (Thai)	piece	6,603	6,700	7,045	7,015	8,750	7,643	8,165
(16) Kerosene	litre	950	1,040	1,150	1,150	1,150	1,000	1,080
(17) Charcoal	kg	413	480	410	388	440	500	510
(18) Gasoline	litre	1,480	1,429	1,592	1,600	1,700	1,567	1,650
(19) Motorcycle fare ^a	passenger	1,500	1,310	1,261	1,388	1,228	1,300	1,250
(20) "Lux" bath soap	cake	1,105	940	850	830	1,005	1,000	1,087

^a Between Phsar Thmei and Phsar Chbar Ampeu

Figure 1. Price Changes for Rice, Beef, Pork and Fish (July 1997 - November 1998)



In this prolonged business slump, vendors reduced their expenditure on both food and non-food items. This seems to have been a common coping strategy for vendors and other low-income groups. For instance, many vendors said that they used to have three dishes for each meal, but now have only one or two and no fruit. A few reported that they had reduced expenditure on their children's education, which is consistent with the report of large reductions in sales of books and stationery.

Future Outlook

Despite the fact that their sales did not recover even during a high consumer spending season, many vendors were quite optimistic about future sales because of the recent political agreement between the rival parties. Vendors hoped that a more stable political situation would bring more tourists, investment and aid, and therefore, more jobs and income.

However, some vendors were cautious in projecting long-term prospects when they took into account their past experiences.

In Battambang, though some vendors were pleased to hear about the political settlement, many said that their future sales were unpredictable because they were dependent on the well-being of the farmers. This year's rice cultivation did appear to be better than last year's, though it was delayed due to the late rainfall. Assessment of the harvest was not possible at the time of the survey.

According to a recent rapid rural appraisal by the World Food Programme (WFP), cash borrowing as a strategy to meet food shortages has increased. Given the high interest rates commonly charged, any increase or surplus in rice production next year is likely to go to moneylenders rather than farmers themselves. The vendors' expectations of increased purchasing power of farmers therefore may not be realistic.

The sharp increase in the price of fish and the reportedly large reduction in the supply of freshwater fish is worrying. Even during the high season for fish, this year's fish supply is surprisingly low.

Price Changes

The November survey found a significant increase in the price of fish, pork, beef and some vegetables since August. Inflation based on 20 basic items stood at 3.7 percent between the two surveys, and the year-on-year rate rose to 17.8 percent (Table 2). The prices of Thai products increased due to the recent strengthening of the baht against the dollar.

According to the vendors interviewed, most people

expressed concern over the increase in food prices. For instance, the price of rice rose by 22 percent, cabbage by 53 percent, pork by 30 percent and beef by 13 percent over the last year. The price of fish rose by an incredible 80 percent in the same period (Table 2 above; Figure 1).

The sharp increase in the price of fish and the reportedly large reduction in the supply of freshwater fish is worrying. Even during the high season for fish, this year's fish supply is surprisingly low, and vendors

selling fishing nets are in a gloomy situation, both in Phnom Penh and Battambang. They reported that sales of fishing nets in this year's season were as low as a third of the amount sold at the same time last year, not to mention the much larger amount sold in earlier years.

According to the vendors, and fishermen and women interviewed both in Phnom Penh and Battambang, there are two major reasons why the

price of fish has risen sharply this year: the low water level of the Mekong River, and over-exploitation through destructive fishing techniques. Vendors selling fish and fishing nets said they had been informed that the use of electric currents to catch/shock fish is being used widely and has even increased. (The electric shock not only kills fish near the equipment, but also destroys the reproductive systems of the fish that are shocked but manage to escape, according to fishery experts.)

Migration of Vulnerable Workers

A third survey of vulnerable workers was conducted from 16 to 18 November in Phnom Penh and from 20 to 23 November in Battambang. An extension of the survey to Battambang was intended to derive a better understanding of these groups' net daily earnings and rural-urban migration. A sample of 120 vulnerable workers in Phnom Penh, 30 from each of the four occupational groups (cyclo drivers, porters, small veg-

etable traders and scavengers) and 30 vulnerable workers in Battambang, 10 from each of three occupational groups (*remorque* drivers¹, porters and small vegetable traders) were interviewed. Interviewees were asked mainly about the number of their working days and daily gross and net earnings² over periods from August to November in Phnom Penh and in November compared to before July 1997 in Battambang. Although the sample was bigger, problems of sampling and geographical coverage still affect interpretation of the results of these surveys.

The influx of rural residents to Phnom Penh in search of work in November was much greater than in November last year, according to the vulnerable workers. Only 3 percent of cyclo drivers (compared to 10 percent in August and 15 percent in May) and 3 percent of porters (compared to 23 percent in August and 25 percent in May) described themselves as permanent residents of Phnom Penh. The cyclo drivers and porters explained that most rural residents who had come to Phnom Penh earlier had remained working in the capital until the forthcoming harvest. The Pchum Ben and Water Festivals had also created good earning opportunities for rural residents.

Remarkably, 43 percent of the small traders (compared to 35 percent in August and 27 percent in May) described themselves as rural residents. Most small traders explained that rice shortages at home, late rains and lack of money for fertilisers and hiring labourers has pushed rural women to Phnom Penh. In contrast, the number of scavengers who are permanent residents of the capital remained the same as during May. Most of the children had gone back to school and now worked part-time after their classes.

In contrast, the number of rural people in Battambang who used to work as porters or *remorque* drivers has declined significantly in recent months. All of the porters and *remorque* drivers and 80 percent of the small traders described themselves as permanent resident of Battambang town. About 50 percent of the porters plus some *remorque* drivers had gone to sell their labour in Poipet or along the Cambodian-Thai border in recent months, though hopes for better earnings there were tempered by the risks involved. Most of

those who tried came back empty-handed and suffering from chronic illness after being robbed, cheated by guides or put in prison; most of them had contracted malaria. Besides migration to the border, *remorque* drivers attributed the drop in the number of drivers to an increase in competition from moto-taxi drivers and to seasonal factors. Most rural residents come to work as *remorque* drivers during the dry season. The case of small traders in Battambang was similar to those in Phnom Penh. Worsening rice shortages and lack of money for investing in rice cultivation pushed rural women towards Battambang town.

Earnings in Phnom Penh

The current survey revealed a continued decline in daily net earnings of vulnerable workers in Phnom Penh compared to the period before July 1997 (Table 3). The sustained decline in their earnings has pushed vulnerable workers, except small traders, to work harder than they were before the fighting in July 1997.

Furthermore, it should be borne in mind that these are nominal earnings. Most vulnerable workers also reduced their consumption as a result of increases in food prices, especially rice. There were also notable changes in the average number of days worked. Cyclo drivers and porters worked for 25 days and 22 days per month respectively in May, 20 and 18 days in August and 21 and 20 days November. Small traders and scavengers worked respectively every day in May and August and 25 days in November.

Market porters were grateful that the market authorities had decided not to demand tax from them since the election in July (they had been required to pay 200 riels to the authorities for using the market gate). Nonetheless, ferry porters still suffered devastating drops of 30 to 50 percent in the value of their labour and of 30 to 40 percent in amount of goods carried compared to the period before July 1997. The decline in amount of goods was caused by the general low level of economic activity, an increase in competition from road transportation, and a recent ban on logging. In order to compete with road transportation and other ferries, the officials often decided to reduce the price of labour.

In contrast, small vegetable traders enjoyed a steady recovery in their earnings after the catastrophic

The current survey revealed a continued decline in daily net earnings of vulnerable workers in Phnom Penh compared to the period before July 1997, except for small traders.

Table 3. Average Net Daily Earnings of Four Groups of Vulnerable Workers in Phnom Penh, July 1997, January 1998, May 1998, August 1998 and November 1998

Occupation	Net daily earnings (riels)					Percentage change		
	Jul 1997	Jan 1998	May 1998	Aug 1998	Nov 1998	Nov 1998 / Jul 1997	Nov 1998 / Jan 1998	Nov 1998 / Aug 1998
Cyclo drivers	12,250	9,100	6,975	6,167	6,100	-50	-33	-1
Porters	9,675	6,905	5,415	4,720	4,543	-53	-34	-4
Small traders	7,050	5,150	3,400	4,767	5,913	-16	15	24
Scavengers	4,155	3,415	3,040	2,610	2,567	-38	-25	-2

fall recorded during the May survey. The steady recovery of small traders' incomes reflected some seasonal factors—agricultural products were plentiful and inexpensive during the wet season. Scavengers at Stung Meanchey rubbish dump are still facing hardship as a result of a fall in the amount of saleable rubbish available and a drop of 40 to 50 percent in the price of rubbish compared to early 1998. The fall in rubbish prices seems to have been due to the regional economic crisis, which has had an adverse impact on local plastic and glass producing plants, and a significant increase in transport cost to export recyclable rubbish to Vietnam since the beginning of the year because of an increase in the number of checkpoints. About 30 to 40 percent of collected plastic and glass was recycled locally.

Income in Battambang

The survey of workers in Battambang revealed the same significant falls in earnings (Table 4). Most *remorque* drivers and porters reportedly have reduced their consumption as a result of increases in food prices. There have been no changes in the average number of days worked per month among the vulnerable workers in Battambang. Porters and *remorque* drivers at Battambang railway station attributed the fall in their earnings to an 80–90-percent decline in goods and

Small vegetable traders enjoyed a steady recovery in their earnings after the catastrophic fall recorded during the May survey. The steady recovery of small traders' income reflected some seasonal factors—agricultural products were plentiful and inexpensive during the wet season.

traders compared to the previous year. Traders are required to pay tax to at least seven checkpoints in the Battambang railway station, and now prefer to use road transport because it is faster and only requires one payment. In addition, the drop in work for *remorque* drivers was due to an increase in competition from moto-taxis.

Harassment

Harassment of vulnerable workers by police and market authorities was reported to have declined, except for ferry porters and small traders. Market porters who sleep on the side of the road at night reported that in the last two months they had not been chased by police or accused of being troublemakers. Small traders still complained about being chased by market authorities especially in the morning, which had an adverse impact on their business. Cyclo drivers reported that market authorities, but

not police, had moved them on.

In contrast, vulnerable workers in Battambang, except the small traders at Phsar Nat, did not experience harassment. However, small traders, especially ones from rural areas, complained about having to pay 1,500 to 2,000 riels to police in order to have a place to run a business outside the market.

Table 4. Average Net Daily Earnings of Three Groups of Vulnerable Workers in Battambang, July 1997 and November 1998

Occupation	Net daily earnings (riels)		Percent change Nov 98 / Jul 97
	Jul 1997	Nov 1998	
Remorque drivers	9,050	4,450	-51
Porters	9,500	4,650	-51
Small traders	7,850	4,800	-39

Endnotes

¹ A *remorque* is a trailer pulled behind a bicycle or motorcycle. Bicycle *remorque* drivers were interviewed in Battambang.

² Net daily earnings are gross earnings minus business expenses (such as the hire of equipment and the purchase of inputs).

If you need to find out what's happening to Cambodia's economy...

You could see what's in the newspaper tomorrow...
Maybe the day after tomorrow...

Perhaps next week...



Or you could visit CDRI-Online and browse through a complete version of the *Cambodia*

Development Review, abstracts of working papers, full details of ongoing research work and more. For expert independent

analysis of Cambodia's socio-economic



<http://www.cdri.org.kh>

Reforming Health Sector Funding

Administrative reform in the funding of provincial health care has brought encouraging results in some provinces. Maurits Van Pelt, head of *Médécins Sans Frontières* (Holland/Belgium/Switzerland) and Sok Hach, economic adviser at the Ministry of Economy and Finance, describe how the reform has worked and discuss possibilities for extending it to other sectors.

Chronic Underfunding

Provision of basic health services to Cambodia's people is far from adequate. Compared to its ASEAN neighbours, Cambodia has one of the poorest standards of health in the region. Government spending on health has accounted for about 0.7 percent of GDP in recent years, one of the lowest proportions in the region (Kato, Sophal & Piseth 1998:17). According to figures from the Ministry of Economy and Finance, the 1998 budget allocated the health sector 62.36 billion riels (\$17.32 million). Planned per capita health spending in Cambodia in 1998 (excluding expenditure on medical drugs and donor-financed health expenditure) is therefore only 5,460

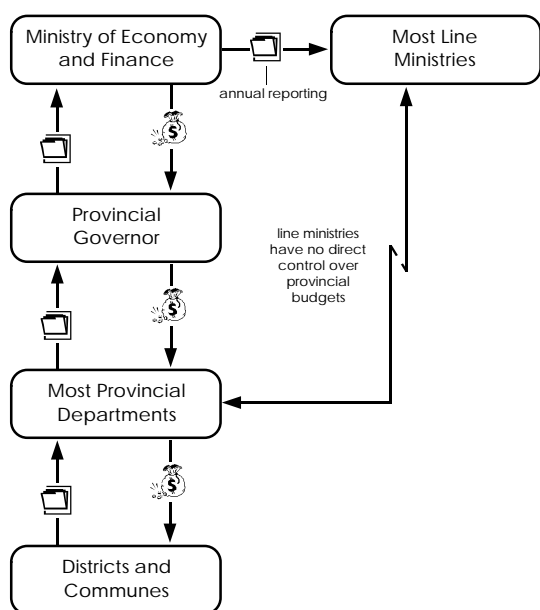
Planned per capita health spending in 1998 (excluding drugs and donor-financed health expenditure) is only 5,460 riels—about \$1.50 per person. Health sector NGOs estimate actual spending amounts to around 60 percent of this.

riels—about \$1.50 per person. Health sector NGOs estimate that actual spending on health amounts to around 60 percent of this target.¹

The inadequacy of public health services shifts the burden to the individual. Private health expenditures have accounted for up to 6.5 percent of GDP in recent years—more than double the regional average of about 2.6 percent during the same period (Sophal *et al.* 1998:17–19). The need for patients to pay for treatment in the public health service and the lack of regulation of private health care leave Cambodians at a distinct disadvantage when illness strikes. For the poor in particular, the cost of medical treatment is one of the fastest routes into indebtedness.

Against this bleak background, recent administrative reforms in the disbursement of health funding to the provinces have been encouraging (see Figures 1 and 2 on this double-page spread) and have helped to improve the provision of government services. Since April 1997, the Ministry of Health has been instructing provincial health directors to report the amount of funds their department receives each month from the provincial government. The introduction of greater transparency into the system has enabled provincial health directors to push for the funding that is due to them. In some cases, such as Takeo province, the provincial health department has been able to access more than 95 percent of the funds allocated to it. More openness has

Figure 1. Before the reforms: the funding cycle for most provincial departments*



At the end of each month, the Ministry of Economy and Finance opens a credit line for the coming month for each province that takes into account the national budget and the state of government finances. The credit line lists specific amounts for each sector and each budget category (salaries, operating costs, etc.). This is an opportunity for the provinces to present invoices to the ministry to secure a cash release.

The Ministry of Economy and Finance deals with provincial governors rather than line ministries or provincial departments. The line ministries do not supervise their provincial departments during the course of the year, but receive a budget summary from the Ministry of Economy and Finance at the end of the year. The provincial governor therefore acts as the direct manager of the provincial departments in terms of funding, and as a result has some freedom to decide where to allocate the funds received from the Ministry of Economy and Finance.

When the director of a provincial department receives information from the provincial governor about the amount of credit that is available for his sector, he prepares and presents invoices to the governor and receives cash with which to make sectoral expenditures for the coming month.

The provincial treasurer gathers invoices from all departments, does the bookkeeping, and goes to the Ministry of Economy and Finance to get the receipts approved and receive cash for them. He then returns to the province with the cash.

When the provincial treasurer returns, the provincial directors have to compete with each other and present their invoices as soon as possible for consideration, in order to secure as much funding as possible for the coming month. In practice, this means that some sectors are able to access more than their allocated share while others have to make do with less. Health was able to access around 70 percent of its credit in 1997, while the special administrative priorities for

* Information summarised from an MSF report entitled *The State Budget's Use at the Provincial Level: Problems and Pitfalls and Some Recommendations*.

also created opportunities for NGO counterparts to ensure that their funding and activities complement rather than substitute for the provision of state health care. Most importantly, the reform has made health care affordable and accessible to more Cambodians, while the introduction of a cost-recovery system has boosted the salaries of health workers and been an incentive to provide better public services.²

Urgent Need for Fundamental Reform

Cambodia Development Review (CDR): How effective have the administrative reforms and the introduction of transparency been?

Sok Hach (Ministry of Economy and Finance—SH): It is good reform is taking place at the provincial level, but the problems will remain until there is a fundamental change at the national level. The situation for health funding, and for that matter all funding, will improve only when there is a genuine rearrangement of budget priorities and reform in budget implementation.

CDR: Does the experience of reform in the health sector provide lessons for other sectors?

SH: The introduction of transparency is vital for all sectors—the social sectors and especially defence and security. But transparency alone is not enough. Even with more openness in the health sector there are still problems. What is needed is reform in budget implementation throughout the system.

Transparency alone is not enough. Even with more openness in the health sector there are still problems. What is needed is reform in budget implementation throughout the system.

—Sok Hach

CDR: Does the success of the reform depend on the active presence of international funding?

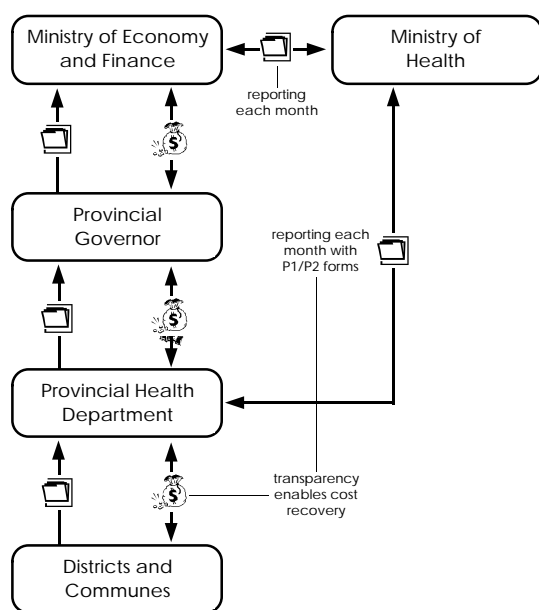
SH: In a sense it does. Kratie provincial hospital is also functioning well, and the staff there are committed and active. The reason is that Médecins Sans Frontières is supporting the hospital, just as it is in Takeo. In a sense these two examples are part of a pilot process. The main

problem is lack of funding, second are structural and personnel problems. Cambodia needs the continued presence of international NGOs.

CDR: What impact has the political deadlock had on the funding situation for health?

SH: It has had an impact on all sectors, of course, but the situation for health is not as severe as in some. The World Bank, for example, distinguishes three kinds of

Figure 2. After the reforms: the funding cycle for provincial health departments*



The funding cycle for provincial health departments is identical to that of other sectors with one important addition—the introduction of transparency and the strengthening of monitoring within the system.

Following administrative reforms in April 1997, the Ministry of Health instructs provincial health departments to report the amount of money they have received from the provincial governor and the amount that they calculate still remains in the credit line. Since October 1997, the Ministry of Economy and Finance has informed the Ministry of Health about the amounts of credit for each provincial health department each month.

The Ministry of Health is therefore in a position to monitor whether the funds allocated by the Ministry of Economy and Finance are reaching the provincial health departments. The Ministry of Health through a reg-

ular working group informs NGOs about each month's funding situation, which allows the NGOs to: 1) raise funding issues with the provincial health department and the provincial governor; and 2) tailor their funding to complement rather than substitute state funding for provincial health care.

The main feature of the reform has been the introduction of transparency into the system, and the enabling of different actors in the provision of health services (the Ministry of Health, provincial health departments, the World Health Organisation, UNICEF, and health-sector NGOs) to monitor funding and push for full receipt of the funding due to them. This in turn has enabled the experimental introduction of a modest fee structure for health care designed to achieve cost recovery and lead to a financially sustainable public health ser-

* Information summarised from an MSF report entitled *The State Budget's Use at the Provincial Level: Problems and Pitfalls and Some Recommendations*.

financing: 1) loans for the social sector, which continue to flow whatever the domestic situation; 2) loans for infrastructure development, such as improving the road network and electricity grid, or developing irrigation systems, which have suffered somewhat; and 3) direct budget support to the government, which depends on significant administrative reform.

Improving the System Step by Step

Cambodia Development Review (CDR): Where did the initiative for reform come from? Was there resistance to the introduction of more openness in the system?

Maurits Van Pelt (Médecins Sans Frontières—MVP): It has been a mutual process. For both the government and the NGOs it has been a case of trying something, seeing whether it works and encouraging each other. The Ministry of Health, provincial health departments and some provincial governors have been enthusiastic to the idea of reform. In some provinces, the provincial health department has been able to access more than 90 percent of its allocated funding, but in others just 20 percent, so there has been some resistance to the transition.

The problem is that provincial departments are not themselves in control of their funding. This is true for all sectors except defence and security, where funds go directly to the provincial police chief or military commander.
—Maurits Van Pelt

CDR: How much transparency has been introduced? Are provincial departments really able to monitor their funding and push for full receipt of the funds allocated to them?

MVP: There is still a strong hierarchy. The provincial governors sign for the money, and are therefore the owners of the disbursement process. Part of the reform has been the placement of provincial health advisers by WHO and UNICEF to maintain momentum at the provincial level. This is the level where the change has to take place. But there are still weaknesses. Within the current hierarchical system, neither the provincial departments, the Ministry of Health, not even the Ministry of Economy and Finance are able to effectively supervise the provincial governor.

CDR: If the Ministry of Economy and Finance specifies the amount in the credit line for each sector and each budget category, why is there competition between provincial departments when the funds reach the provincial governor?

MVP: The problem is that provincial departments are not themselves in control of their funding. This is true for all sectors except defence and security, where funds go directly to the provincial police chief or military commander. For the civil sectors, apart from salaries which are fixed, the budget is quite flexible. Provincial department directors should become budget managers themselves, under the supervision of the provincial governor's office and their line ministry.

The provincial governors are also under some pressure. Some governors argue that sometimes, even though the Ministry of Economy and Finance has decided that the funds are available, in practice they are not. There are still problems at the national level. A second problem is that though there is an official credit line for health, there seems to be a parallel line below the official level. It is not clear how and where this is decided, but provincial governors are best placed to urge reform on this. What we would like to see next year or in 2000 is for the management of provincial budgets to pass directly to provincial health departments instead of the funding coming through the provincial governor.

CDR: What guarantees are there that the funds that are received by the provincial department pass down to lower levels—to district hospitals and commune clinics?

MVP: The example of Takeo is instructive, because it shows that more than 95 percent of the funds allocated can reach the provincial level. The introduction of P1 and P2 forms, which the provincial health departments use to report to the Ministry of Health, has strengthened monitoring. From the beginning of 1999, we will

see the introduction of D1 and D2 forms to extend that transparency down to the district level.

CDR: What are the consequences of this budget system for the users of government service in the reformed health sector and in other sectors?

MVP: The reform has been successful because it is more than just financial reform. Takeo provincial hospital is a good illustration of how this holistic approach has worked. Financial management, human resources, organisation, discipline, communication and decision-making have all improved. With management and decision-making shared by a large, representative group of hospital staff, more people are involved in and therefore committed to the process.

CDR: Does the experience of reform in the health sector provide lessons for other sectors?

MSF: It does, though I do not think other sectors will be able simply to adopt the same system and expect it to work for them. A great deal of effort and capacity building went into the health sector to ensure that people were ready and waiting for this reform. The enthusiasm for change was there, and this provided the impetus for the reform to succeed.

One problem for most sectors is that the decentralisation of authority to the provincial level took place too early, so that the problems of the old system were also decentralised. So now we have to implement reform simultaneously in 24 provinces rather than concentrat-

ing that effort at the national level.

Another important reason for the reform's success has been the creation of a working group for the health sector. Agencies and NGOs working in health such as WHO, UNICEF MEDICAM, Red Cross organisations, meet with each other and the Ministry of Health once a month to share information. This has been a constructive model for other sectors to consider.

CDR: What specific recommendations would you offer the government (ministries, provincial departments, provincial governors) and NGOs and agencies?

MVP: If the government could ensure timely and regular release of 100 percent of the health budget as approved by the National Assembly, hospitals could be 90-percent sustainable. Now we have a situation where it is releasing only 40 to 50 percent, and in some cases just 20 percent. There is hope, but it's a matter of effective management and political will at the highest levels. If action in the right direction is taken now, Cambodia can have a functioning hospital system. If not, it will become difficult for the aid agencies to defend their support for hospitals.

What we need to see is a situation where the amount of funding that the National Assembly approves for health is the amount that then becomes available for health provision in the provinces. At the moment the distance between what is supposed to be available and what is made available is enormous. If we are being serious about planning for cost recovery, the best way forward is to ensure that the actual funding meets the targets set.

CDR: Even with the reform and some provinces receiving 85 to 95 percent of their allocation, the overall level of funding for health is still desperately low. Is it possible to provide even basic health care at current rates of less than \$2 per person per year?

MVP: Well, of course it is not high, but it is so much better than it was before. You must look at the progress that has been made. What the reform has shown is that the system can be cost-effective and deliver preventative health care, outreach programmes, vaccinations... The problem is not so much lack of money—each Cambodian spends about \$20 a year on health—it is the direction of those resources. If people trust the public health system then those funds will flow into it and begin to benefit public health care.

CDR: What impact has the political deadlock had on the funding situation for health?

MSF: It has been a delay. From as far back as 1996 the government has been preoccupied with politics and

security issues, and there has been little time or inclination to focus on other issues. The Ministry of Health is more than ready for attention to focus on improving financial management and administrative reform.

CDR: Does the success of the reform depend on the active presence of international funding?

MVP: Even in Takeo where the reform has gone well, there has been no direct expatriate involvement for more than one year. What the experience shows is that the old, unreformed system, with all its problems, is self-perpetuating. But once you establish a functioning and more open environment, then people at all levels will respond to it.

What the experience shows is that the old, unreformed system, with all its problems, is self-perpetuating. But once you establish a functioning and more open environment, then people at all levels will respond to it.

—Maurits Van Pelt

Endnotes

- ¹ The World Health Organisation recommends \$9.00 per capita as an appropriate level for health spending in developing countries.
- ² Some of this background material and most of that in Figures 1 and 2 is summarised from a Médecins Sans Frontières report entitled *The State Budget's Use at the Provincial Level: Problems and Pitfalls and Some Recommendations*, which was presented at the Cooperation Committee for Cambodia in September. The full report is available from Médecins Sans Frontières (Holland/Belgium/Switzerland) in Phnom Penh.

References

- Kato, Sophal & Piseth (1998), *Regional Economic Integration for Sustainable Development in Cambodia* (Phnom Penh: CDRI, September 1998) Working Paper 5
- MSF (1998), *The State Budget's Use at the Provincial Level: Problems and Pitfalls and Some Recommendations* (Phnom Penh: Médecins Sans Frontières, August 1998)
- NIS (1998), *General Population Census of Cambodia 1998: Provisional Population Totals* (Phnom Penh: National Institute of Statistics/Ministry of Planning, July 1998)
- Sophal *et al.* (1998), *Cambodia: Challenges and Options of Regional Economic Integration* (Phnom Penh: CDRI, October 1998) Conference Papers

Interviews conducted by Michael Wills on 13 and 23 November.

Economy Watch

Overview

Business activities in the industrial and service sectors in the third quarter of 1998 had improved relative to a year earlier, in large part due to a more stable social and political environment. However, the performance in both sectors during the first three quarters of this year relative to the same period last year still shows a decline, apart from the garment industry.

Import-competing industries are facing severe competition with imported substitutes. Domestic cement and plastic producers complained of a decline in their sales in the third quarter this year compared to the previous quarters. For cement, three possible reasons appear to have affected sales—seasonal factors, the uncertain political environment following the election, and severe competition with smuggled cement imports. Reported falls in sales of domestically produced plastic products were caused by a loss of competitiveness, especially compared to imports from Vietnam. Industry sources reported that Vietnamese traders cut their costs by reducing the cost of packaging and by smuggling.

Based on data from the Ministry of Tourism, the number of visitors to Cambodia (through Pochentong and Siem Reap airports) in the third quarter was up about 50 percent relative to the same period last year. However, arrivals were still down around 46 percent compared to the same period of 1996. The total number of visitors during the first three quarters of 1998 was still around 25 percent lower than during the same periods in 1996 and 1997. Hotel occupancy rates in

Phnom Penh seem to confirm that more visitors came to Cambodia in the third quarter than a year earlier, but rates were still low at around 20–60 percent.

Inflation and Exchange Rates

Consumer prices in Phnom Penh showed a slight decrease in August for the first time since January 1998, but the Consumer Price Index (CPI) increased again in September and October (Table 1). The gradual increase in CPI from January to August was due to the depreciation of the riel against the dollar, which led to increases in the prices of goods. The late rains this year may also have contributed to the increase in prices of various food items. Year-on-year inflation rates have gradually declined since July, falling to 12.5 percent in October, the lowest annual inflation rate in 1998. CPI in the provinces also declined in August, but started to increase again in September and October (see *Economic Indicators* on page 18). It appears that inflation rates in the provinces followed a similar pattern to those in Phnom Penh, with a larger magnitude.

In a dollarised economy, a large proportion of economic transactions and wage payments are made in dollars, particularly in the private and NGO sectors. The cost of living of people whose income is paid in dollars should thus be measured by CPI in dollars, because the change in foreign exchange rates affects the purchasing power of their earnings.

Table 1 shows the monthly CPI in dollars.¹ CPI in riels and dollars have diverged since July 1997. CPI in

Table 1. CPI in Riels and Dollars, January 1997 - October 1998 (base: July-September 1994 = 100)

		Index			Percentage change from previous month			Percentage change from previous year		
		CPI		NER ^a	CPI		NER ^a	CPI		NER ^a
		Riels	Dollars	Riel/\$	Riels	Dollars	Riel/\$	Riels	Dollars	Riel/\$
1997	January	112	105	106	-3.5	-4.0	0.5	6.5	-0.2	6.7
	February	112	106	106	0.4	0.2	0.2	4.6	-1.6	6.3
	March	112	105	106	-0.6	-0.2	-0.3	5.6	-0.1	5.7
	April	114	107	107	2.2	1.6	0.6	6.3	0.7	5.6
	May	115	107	107	0.7	0.3	0.3	6.6	0.9	5.6
	June	116	108	107	0.6	0.5	0.2	7.3	3.4	3.8
	July	124	105	118	6.8	-2.9	10.0	10.2	-2.0	12.5
	August	122	103	119	-0.9	-1.6	0.7	8.6	-4.1	13.3
	September	127	99	128	3.4	-4.2	8.0	11.8	-8.1	21.6
	October	128	95	135	1.0	-4.2	5.4	8.9	-14.5	27.4
	November	125	92	135	-2.6	-2.2	-0.4	6.7	-16.2	27.3
	December	126	92	136	1.2	-0.1	1.2	8.7	-15.8	29.0
1998	January	129	91	141	2.4	-1.0	3.5	15.2	-13.2	32.8
	February	130	93	139	0.8	2.1	-1.3	15.7	-11.5	30.7
	March	130	93	140	0.3	-0.3	0.6	16.7	-11.5	31.9
	April	131	91	143	0.7	-1.8	2.5	14.9	-14.5	34.4
	May	135	87	155	2.7	-4.9	8.0	17.2	-19.0	44.6
	June	137	88	157	2.1	0.9	1.2	18.9	-18.6	46.2
	July	142	98	145	3.2	11.2	-7.3	14.8	-6.8	23.2
	August	140	93	150	-1.6	-4.7	3.2	14.0	-9.7	26.2
	September	143	95	151	2.5	2.1	0.4	13.0	-3.7	17.4
	October	144	96	150	0.6	0.8	-0.3	12.5	1.3	11.1

^a NER = nominal exchange rates. Source: NIS, *Consumer Price Index* (various issues); NBC, *Economic and Monetary Statistics Review* (various issues)

Economy Watch

dollars fell by 21 percent between June 1997 and May 1998, and then started to increase slightly from June to October 1998. The decline in CPI in dollars reflects the fact that the depreciation of the riel against the dollar was greater than the increase in riel-denominated CPI.

There is a considerable concern about whether the change in foreign exchange rates has had an impact on Cambodia's competitiveness since the regional financial crisis began last July. Observing nominal exchange rates alone cannot answer this question because these rates do not take price changes into account. The real exchange rate (RER)² is often used as an indicator of competitiveness, since it takes into account the fluctuation of prices in trading countries.

Table 2 illustrates the nominal and real exchange rates of the riel against the Thai baht and the Singapore dollar. (Thailand and Singapore have been the two largest trading partners of Cambodia in recent years). The real exchange rate of the riel against the baht has fallen dramatically since July 1997, reaching its lowest level in January 1998. It bounced back, however, between February and June 1998. This suggests that the competitiveness of Cambodia's goods and services declined until January, then started recovering from February to June. The real exchange rate of the riel against the Singapore dollar increased by 10 percent from January to May 1998, despite the fact that the nominal exchange rate fell. This is because domestic inflation in Cambodia offset the competitiveness gained by the depreciation of the riel against the Singapore dollar. As a result, the competitiveness of Cambodia's goods and services only saw slight gains during this period.

Government Budget Operations

The fiscal deficit in the national budget persisted throughout the first seven months of 1998 with no sign of change (see *Economic Indicators* on page 18). This reflected the weak performance of the government in revenue collection in addition to the suspension of foreign aid and loans since late 1996.

Total monthly government expenditure declined steadily from March to June 1998, but started to increase in July. The high level of expenditure in this month reflected election-related expenses. Revenue started to fall in July despite the efforts of the government to strengthen collection. The decrease was probably caused by a decline in customs duties due to the slowdown of trade during the election period.

Investment

There are also concerns about whether the regional financial crisis has affected flows of foreign investment into Cambodia. Data on approved investment projects from the Cambodia Investment Board (CIB) gives some indications on investment trends, but these data should be read with caution because projects approved may not have been implemented. According to CIB data, the number of approved investment projects declined in the first three quarters of 1998 relative to the same period in 1997, though registered capital and fixed assets increased by 23 percent and 43 percent respectively during this same period (Table 3 overleaf).

Major foreign investors in Cambodia have been the ASEAN countries, China, Hong Kong, Taiwan and Korea. Although it is a little premature to draw conclusions, the regional crisis appears to have had a relatively

Table 2. Index of the Exchange Rate of the Riel Against the Thai Baht and the Singapore Dollar, January 1997 - June 1998 (base: 1995 = 100)

		Index			Exchange rates			
		WPI ^a		CPI	Riels per baht		Riels per Singapore \$	
		Thailand	Singapore	Cambodia	NER ^b	RER ^c	NER ^b	RER ^c
1997	January	105	101	106	105	104	109	103
	February	105	99	107	106	104	108	100
	March	105	99	106	105	104	106	99
	April	105	97	108	105	102	106	96
	May	105	98	109	106	103	108	96
	June	104	97	110	107	101	108	96
	July	105	96	117	90	81	110	91
	August	111	98	116	87	83	110	93
	September	113	99	120	87	82	117	97
	October	114	100	121	86	80	120	99
	November	116	101	121	85	81	120	100
	December	118	101	120	73	71	115	97
1998	January	123	101	122	65	65	115	95
	February	126	101	123	83	84	123	101
	March	126	101	124	92	94	125	102
	April	124	101	125	94	94	129	105
	May	126	101	128	100	98	134	106
	June	126	101	131	94	91	131	101

a WPI = wholesale price index; b NER = nominal exchange rate; c RER = real exchange rate. Source: IMF, *International Financial Statistics* (various issues)

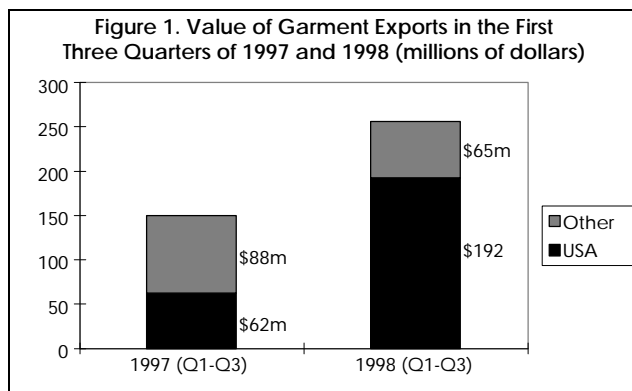
Economy Watch

small impact on inflows of foreign investment in 1998. The amount of registered capital and fixed assets from ASEAN and other Pacific Rim countries in the first nine months of 1998 exceeds the total for the whole of 1997, despite a slight slowdown in the number of investment projects. The decline in total investment projects was due to the slowdown in the agricultural and industrial sectors.

The overall slowdown has to some extent been offset by the expansion of the garment sector since 1996. This reflects the benefits of GSP status granted by the European Union and GSP/MFN status by the United States. The expansion of exports of garments to the United States in first nine months of 1998, particularly in the third quarter (Figure 1) will cause problems for the government and most garment manufacturers, because the US government is considering imposing quotas on some Cambodian textile exports to protect its domestic producers.

Imposition of quotas would seriously affect the development of the garment sector. Total exports of textile products in first three quarters of 1998 were up more than 80 percent compared to one year earlier (from \$63.3 to \$115.7 million), while exports of garments to the United States in the same period increased by 152 percent from \$35.0 million to \$88.7 million).

Despite the growth of garment exports, some factories have seen fewer orders. One representative reported that sales had dropped by 50 percent in the third quarter of 1998 compared to the previous year. Garment pro-



ducers are also concerned about the procedures for allocating quotas. Most foresee tough competition for individual factories.

External Transactions

The National Bank of Cambodia recently released data on Cambodia's balance of payments for the first and second quarters of 1998. The regional economic crisis appears to have affected exports from Cambodia. Domestic exports declined by 9 percent in both the first and second quarters of 1998 relative to the same quarters of 1997 (Table 4). This was mainly due to a sharp decline in some major export items such as wood-related products. Retained imports fell sharply by 21 percent and 17 percent respectively in the first and second quarters of 1998 relative to 1997. This could be due to the recent change of real exchange rates which had made imported

products more expensive than before. In addition, the decline in consumer spending due to the political crisis since July 1997 has reduced the demand for imports.

Both official assistance and loans also decreased in the first and second quarters of 1998. The decline reflected the suspension and withdrawal of some foreign assistance and loans, and the delay of new development projects since July 1997. As a result, the balance of the current account, including official transfers, registered a deficit of around \$12 million and \$26 million in the first and second quarters of 1998.

Monetary and Financial Development

Large amounts of foreign currencies, particularly the US dollar and Thai baht, are freely circulating in the Cambodian economy. Data on money supply published

Table 3. Investment Projects Approved, August 1994 - September 1998

	1994 ^a	1995	1996	1997	1998 ^b	Total	Sectoral
						between	share (%)
						1994-98	1994-98
Number of investment projects							
Agriculture	7	32	33	27	6	105	14
Industry	27	91	135	170	111	534	73
o/w garment	12	27	42	105	75	261	36
Service	5	40	24	9	11	89	12
Total	39	163	192	206	128	728	100
Registered capital (millions of dollars)							
Agriculture	119	70	82	93	18	383	11
Industry	97	357	332	306	322	1,414	40
o/w garment	76	20	40	103	91	329	9
Service	7	1,574	76	22	34	1,712	49
Total	223	2,001	489	421	374	3,509	100
Fixed assets (millions of dollars)							
Agriculture	60	70	96	30	26	275	5
Industry	487	593	551	642	615	2,541	49
o/w garment	29	27	45	110	117	285	6
Service	50	1,859	171	113	170	2,350	45
Total	597	2,521	818	784	811	5,166	100
Manpower (under full production)							
Agriculture	1,709	8,775	8,523	4,187	2,706	25,900	7
Industry	17,222	32,669	57,219	123,545	101,310	331,965	88
o/w garment	12,828	14,557	25,326	82,565	56,914	192,190	51
Service	2,883	6,271	5,769	1,171	2,189	18,283	5
Total	21,814	47,715	71,511	128,903	106,205	376,148	100

^a August to December 1994; ^b January to September 1998. Source: CDRI calculation based on data from the CII

Economy Watch

by the National Bank of Cambodia does not include these foreign currencies.

The money supply consisting of currency outside banks and demand deposits (M1), registered an increase of around 19 percent between January and July 1998 (see *Economic Indicators* on page 18). By contrast, quasi-money, which comprises time and saving deposits and foreign currency deposits, showed a decline of around 25 percent in the same period. Foreign currency deposits, which account for around 95 percent of deposits with commercial banks, contributed significantly to the decline in quasi-money. This could be perhaps due to the slowdown of bank activities before and after the national election. Overall money supply in the broad sense (M2) declined slightly between January and July 1998.

The election had relatively little impact on outstanding credits, which grew by 32 percent in July 1998 compared to the same month in 1997. The year-on-year growth rate of outstanding credits remained high at

between 29 percent and 46 percent from January to May 1998. The service sector continued to be a major recipient of credits in 1998, accounting for 78 percent of total credits in August (compared to 17 percent for industry and only 5 percent for agriculture). Poor farmers have little access to credits.

Endnotes

¹ CPI in dollars is the CPI in riels adjusted by the nominal exchange rate of the riel against the dollar.

² RER is defined as $S \times Pf/Pd$ where S is the nominal exchange rate (domestic currency units per foreign currency unit), Pf is the price of a foreign basket (of goods and services) and Pd is the price of a domestic basket. In theory, a fall in RER would lead to a loss of competitiveness of goods and services.

*Economy Watch was prepared by
Tia Savora and Long Vou Piseth*

Table 4. Balance of Payments, 1996 - 1998 (millions of dollars)

	1996				1997				1998	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Trade (goods) balance	-115.2	-112.9	-107.7	-92.2	-104.8	-77.5	-60.3	-85.4	-78.2	-63.2
Exports, fob	157.5	154.5	158.9	172.7	213.0	211.2	152.6	159.1	148.5	170.3
o/w domestic exports	71.1	67.8	77.1	79.2	86.1	108.7	115.3	106.8	79.0	99.6
re-exports	86.4	86.7	81.8	93.4	126.9	102.5	37.3	52.3	69.4	70.7
Imports, fob	-272.7	-267.4	-266.6	-264.8	-317.8	-288.7	-212.9	-244.5	-226.7	-233.5
o/w retained imports	-186.3	-180.7	-184.8	-171.4	-191.0	-186.3	-175.7	-192.2	-157.2	-162.7
Service balance	-17.4	-13.3	-15.4	-6.1	-5.5	-5.9	-15.4	-1.3	-27.3	-22.3
Receipts	40.6	38.3	39.6	44.2	49.2	45.2	28.6	37.1	29.9	27.4
Payments	-57.9	-51.6	-55.0	-50.4	-54.7	-51.1	-44.0	-38.4	-57.2	-49.6
Balance of goods and services	-132.6	-126.2	-123.1	-98.3	-110.3	-83.4	-75.7	-86.7	-105.4	-85.4
Net income	-19.5	-20.8	-23.7	-21.7	-8.5	-10.0	-9.5	-14.0	1.2	-3.6
Receipts	2.8	3.1	3.3	3.6	3.7	4.0	4.0	4.3	4.4	4.3
Payments	-22.2	-23.9	-27.0	-25.3	-12.2	-14.0	-13.5	-18.3	-3.2	-7.9
Private transfers	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Balance of current accounts ^a	-147.1	-142.1	-141.8	-115.0	-113.8	-88.5	-80.2	-95.7	-99.2	-84.1
Official transfers (net)	129.1	109.1	100.6	97.9	72.9	57.3	54.0	49.2	80.8	58.2
Receipts	129.2	109.1	101.2	99.5	72.9	57.4	54.0	49.5	80.8	58.2
Payments	-0.2	0.0	-0.5	-1.7	0.0	-0.1	0.0	-0.2	-0.1	-0.1
Balance of current accounts ^b	-18.0	-33.0	-41.1	-17.1	-41.0	-31.1	-26.2	-46.5	-18.5	-25.9
Official sector loans (excl. IMF)	27.3	20.8	17.9	16.7	9.6	6.3	12.3	14.1	17.8	6.9
Drawings	28.0	20.9	21.8	18.6	9.8	6.4	12.3	15.8	18.0	7.1
Repayments	-0.7	-0.2	-3.9	-1.9	-0.2	-0.2	0.0	-1.7	-0.2	-0.2
Non-official sector investment	22.4	68.1	28.8	50.2	27.2	77.8	70.3	3.4	64.6	51.0
Direct investment (net)	68.8	99.8	58.0	67.2	53.6	54.6	47.0	48.5	38.4	51.6
Portfolio investment (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other investment (net)	-46.4	-31.7	-29.1	-17.0	-26.4	23.2	23.3	-45.1	26.2	-0.6
Net errors and omissions	-18.5	-35.0	1.5	-19.0	13.3	-45.6	-52.9	42.3	-68.7	-46.6
Overall Balance	13.3	20.9	7.1	30.8	9.1	7.4	3.4	13.3	-4.7	-14.6
Financing	-13.3	-20.9	-7.1	-30.8	-9.1	-7.4	-3.4	-14.0	-1.7	14.6
Net foreign assets of NBC	-14.6	-5.9	-14.3	-34.1	-8.9	-7.4	-3.4	-14.6	-1.7	14.4
Exceptional financing	1.4	-15.0	7.2	3.3	-0.2	0.0	0.0	0.6	0.0	0.2

a Excluding official transfers. b Including official transfers. Source: National Bank of Cambodia

Economic Indicators

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

	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Phnom Penh	128	127	129	130	130	131	135	137	142	140	143	144
Provinces	146	145	147	147	140	150	162	166	165	163	168	165
Monthly CPI (seasonally adjusted)												
Phnom Penh	125	126	135	132	134	134	138	141	136	139	140	158
Provinces	142	147	151	155	149	154	167	171	158	150	164	157
Inflation based on seasonally adjusted monthly CPI (month to month)												
Phnom Penh	0.6	1.2	7.1	-2.3	2.0	-0.5	2.8	2.6	-3.9	-0.6	1.4	-0.9
Provinces	1.5	3.3	2.7	2.8	-3.7	3.5	8.5	2.0	-7.6	-4.8	10.9	-4.3
Inflation based on seasonally adjusted monthly CPI (year on year)												
Phnom Penh	9.3	9.2	18.1	15.7	16.7	14.9	17.2	18.9	11.8	14.0	13.0	11.3
Provinces	7.4	10.9	12.6	15.2	11.0	13.6	20.8	24.6	17.6	15.6	13.9	12.0

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, November 1997– October 1998

	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Market and official exchange rates (riels per dollar)												
Value (1) market rate	3,477	3,519	3,638	3,593	3,613	3,703	3,998	4,047	3,753	3,873	3,888	3,878
(2) official rate	3,402	3,452	3,590	3,555	3,580	3,655	4,015	3,995	3,770	3,730	3,800	3,870
(3) (1) as a % of (2)	102	102	101	101	101	101	100	101	100	104	102	100
Index (1) market	135	136	141	139	140	143	155	157	145	150	151	150
(2) official	132	134	139	138	139	142	155	155	146	144	147	150
Gold price (riels per chi)												
Value	120,304	112,425	117,341	120,610	119,193	126,066	128,809	130,619	130,772	117,665	124,545	124,852
Index	104	98	102	105	103	109	112	113	113	102	108	108

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

3. Money Supply, August 1997– July 1998

	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Billions of riels												
Broad money (M2)	883.4	902.3	945.4	1,034.3	1,062.9	1,107.0	1,096.6	1,076.3	1,102.1	1,140.1	811.3	1003.7
Money (M1)	341.8	348.7	366.4	381.8	384.8	385.2	382.8	419.6	435.5	437.5	428.5	459.7
Currency outside banks	311.3	318.2	334.5	350.2	356.1	356.8	353.0	388.9	399.1	402.2	395.0	429.3
Demand deposits	30.4	30.6	31.9	31.6	28.7	28.4	29.8	30.7	36.4	35.3	33.5	30.4
Quasi-money	541.7	553.5	579.0	652.6	678.1	721.8	713.8	656.7	666.6	702.6	382.8	543.9
Time and saving deposits	10.8	10.3	10.9	12.5	13.2	14.1	11.5	11.1	11.7	13.1	13.7	12.1
Foreign currency deposits	530.9	543.2	568.2	640.1	664.9	707.7	702.2	645.6	654.9	689.6	369.0	531.8
Percentage change from previous year												
Broad money (M2)	10.3	9.5	15.9	22.3	16.6	16.9	12.2	10.0	22.8	26.8	-10.1	17.2
Money (M1)	6.3	10.6	14.7	18.8	17.0	14.0	17.0	26.0	30.7	31.7	29.6	35.7
Quasi-money	13.0	8.8	16.7	24.5	16.4	18.5	9.8	1.7	18.2	23.9	-33.0	5.1

Source: National Bank of Cambodia

4. National Budget Operations, August 1997– July 1998

	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Billions of riels												
Total revenue	67.6	57.0	68.1	94.8	144.2	60.8	63.7	91.7	81.4	65.5	90.6	70.4
Tax revenue	54.9	42.5	48.6	50.3	76.7	48.0	43.5	65.9	61.8	53.9	60.8	43.4
o/w customs duties	31.0	25.1	28.5	27.9	42.7	27.6	22.7	37.2	33.3	29.1	35.5	22.7
Non-tax revenue	12.6	14.5	19.2	44.3	67.2	11.8	13.6	25.7	19.2	8.1	25.0	21.5
o/w forest exploitation	2.5	3.3	4.5	2.1	4.5	0.5	1.3	1.1	2.3	1.1	2.0	3.6
telecommunications	3.6	7.9	10.4	5.5	15.1	5.7	5.7	9.0	7.2	1.9	10.1	9.9
royalties	0.1	0.5	0.1	30.8	0.1	0.4	0.1	0.2	0.2	0.3	0.0	1.8
Capital revenue	0.1	0.0	0.3	0.2	0.3	1.0	6.6	0.1	0.4	3.6	4.8	5.5
Billions of riels												
Total expenditure	105.5	115.3	118.4	130.2	199.9	81.0	100.0	149.4	135.7	127.2	113.5	130.3
Capital expenditure	38.0	51.1	54.7	40.7	79.2	42	50.9	37.6	35.7	39.6	34.5	37.3
Current expenditure	67.5	64.2	63.7	89.5	120.7	39	49.1	111.8	100.0	87.6	79.0	93.0
o/w defence	36.8	41.9	30.0	52.8	79.3	7.6	18.0	66.1	61.0	31.3	56.2	36.4
o/w civil administration	30.7	22.3	33.7	36.7	41.4	31.4	31.1	45.7	39.0	56.2	22.8	56.6
Overall deficit	-37.9	-58.3	-50.3	-35.4	-55.7	-20.2	-36.3	-57.7	-54.3	-61.7	-22.9	-59.9
Percentage change from previous year												
Total revenue	-14.5	-1.7	46.5	51.0	74.6	-11.5	19.3	30.1	16.9	-8.2	43.5	33.8
Total expenditure	-2.5	42.3	41.6	45.6	17.4	-6.8	21.4	52.0	43.9	33.2	1.6	60.7

Source: Ministry of Economy and Finance

glossary

Budget Terms

Allocation (ការបែងចែក)

Allocation of state revenue is a useful indication of the relative importance given to different government sectors. Allocating funds in a budget does not necessarily mean that all those funds will be disbursed to or received by their target destination. In the health sector, provincial departments often only receive around 40 to 50 percent of allocated funds.

Budget Category (ជំពូកថវិកា)

Sectoral budgets are divided into separate budget categories for salaries (category 10), operating costs (category 11), programme activities (category 13) and social welfare (category 31). Salaries are fixed, but other budget categories are more flexible and disbursements can differ from the original allocation.

Cash Release (ការផ្តល់សាច់ប្រាក់)

Each month provinces present invoices to the Ministry of Economy and Finance after the ministry opens credit lines (see below) for them. When the invoices have been approved by the ministry, the provinces receive a cash release. The cash release often falls short of the allocated funding, which leads to competition between provincial departments to secure as much funding as possible for their activities.

Cost Recovery (ការស្តារឡើងវិញ)

The aim of cost recovery is to raise income from the users of a service (such as patients in a health care system) towards the cost of providing the service. Governments worldwide are introducing cost recovery schemes to reduce the burden on state revenue of providing social welfare. Cost recovery schemes usually do not aim to make a profit.

Credit Line (ខ្ទង់ឥណទាន)

Each month the Ministry of Economy and Finance opens a credit line for each province depending on the current situation of state revenues. This is a detailed written decision (*prakas*—see below) which lists how much credit the Ministry of Economy and Finance makes available to each sector and each budget category. The credit is allocated to the provincial governor, who is responsible for the disbursement of funds.

Prakas (ប្រកាស)

A *prakas* is a written government document. At the end of each month, the *prakas* detailing credit lines for provincial expenditures are sent to the Council of Ministers, the Secretariat of the National Assembly, the National Treasury, provincial treasuries, provincial governors and the National Archives.



Subscribe to the *Cambodia Development Review*

Domestic Subscription (save up to 20 percent off the cover price)

English edition (\$10) Khmer edition (4,000r) Payment by cash or cheque (add \$2)

Total payment enclosed _____

International Subscription (save up to 30 percent on 1998 subscription rates)

Thailand, Laos, Vietnam English edition (\$40)* Khmer edition (\$30)*
 Asia and Europe English edition (\$45)* Khmer edition (\$35)*
 Americas and Africa English edition (\$50)* Khmer edition (\$40)*

* Subscription includes postage and \$20 bank charge for processing US dollar cheque

Total payment enclosed _____

At present CDRI can accept payment from overseas *only* by US dollar cheque or by direct bank transfer (which carries an additional

Title: Mr Ms Dr Other _____

Name: _____ Position: _____

Organisation / Company: _____

Address (CCC Box or PO Box): _____

City / Province: _____ Country: _____

Telephone: _____ Fax: _____

e-mail: _____

To subscribe simply fill in this form and return it to CDRI with your payment. Please make cheques payable to the Cambodia Development Resource Institute. Please inform the Publications Programme at CDRI if your contact details change.

CDRI UPDATE

Research

Since September, Research staff have been interviewing donor agencies, NGOs and senior government officials as part of the research on *Technical Assistance and Development of Cambodian Capacity*. Work has also been proceeding on the *Impact of the Asian Financial Crisis* project. A workshop and conference on the topic will be held in Phnom Penh from 19–22 January with the other regional research institutes involved in the project. A workshop on *Monitoring the Cambodian Economy* will be held in early February. Research towards an overview of *Gender and Development in Cambodia* is due to be completed in the new year.

English Language Programme

English Language staff have provided support for the University of Phnom Penh in language teaching development and methodology, culminating in a September workshop at the Institute of Technology. Materials stemming from this will be published in mid-1999. In January, the programme will offer a preparation course for the next TOEFL, due to be held on 27 February at the University. The registration date for the test is 11 January (contact the University careers office at 723-430 for information). For details about the preparation course see the flyer enclosed. A course in research methods is also planned for the beginning of 1999 (see enclosed flyer).

Library

The CDRI Library holds more than 5,150 titles on economic and social development. The Library is open to the public during office hours (Monday to Friday from

7:30am to 12 noon and 2pm to 5:30pm). During the next six months, Library staff will be introducing the Dewey Decimal Classification to replace the current system.

Cambodian Centre for Conflict Resolution

The third module of the Core Training Programme in Conflict Resolution Skills was held at CDRI from 7 to 18 September, and module four from 7 to 18 December. A workshop led by John McConnell (the author of *Mindful Mediation*) on Buddhism and conflict resolution for the Core Training participants will take place in mid-February. The fourth volume of *Mindful Mediation* was published in mid-October, and the final volume (number three) towards the end of December.

Publications

English editions of working papers from a study on rural food security were published in December—*Food Security in an Asian Transitional Economy: The Cambodian Experience* (Working Paper No. 6) and *Interdependence in Household Livelihood Strategies in Two Cambodian Villages* (Working Paper No. 7). Khmer editions will follow in the new year. Cambodia-specific papers from a conference on regional integration were published in October and December under the title *Cambodia: Challenges and Options of Regional Economic Integration*.

Clarification: The situation in the cement industry was misrepresented in the September issue of the *Cambodia Development Review* due to a misprint. The relevant sentence should have read: "In the cement industry a boom in the first quarter was not maintained."

Cambodia Development Review is also available in Khmer

ទស្សនាវដ្តីអភិវឌ្ឍន៍កម្ពុជា ក៏មានជាភាសាខ្មែរផងដែរ



CAMBODIA
DEVELOPMENT REVIEW

A Publication of the
Cambodia Development Resource Institute

Volume 2, Issue 4 (December 1998)

Cambodia Development Review is published four times a year in simultaneous English- and Khmer-language editions by the Cambodia Development Resource Institute in Phnom Penh.

Cambodia Development Review provides a forum for the discussion of development issues affecting Cambodia. *Economy Watch* offers an independent assessment of Cambodia's economic performance.

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.

CAMBODIA DEVELOPMENT RESOURCE INSTITUTE

PO Box 622, Phnom Penh, Cambodia

Tel: (+855-23) 880-734 / 368-053; Fax: (+855-23) 426-103 / 366-094

e-mail: cdri@camnet.com.kh / cdri@forum.org.kh

website: <http://www.cdri.org.kh>

Publisher: Cambodia Development Resource Institute

Managing Editor: Michael Wills

Production Editor: Em Sorany

Cover Photograph: Heng Sinith

Printing: Japan Sotoshu Relief Committee Printing House

Copyright ©1998 Cambodia Development Resource Institute
All rights reserved. No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without written permission from the Cambodia Development Resource Institute.

CDRI gratefully acknowledges the support of the Canada Fund and The Asia Foundation in underwriting the production costs of the print version of the *Cambodia Development Review*