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Cross-Border Migration Hit by Asian Crisis

Chan Sophal and So Sovannarith assess the impact of the Asian economic crisis on job opportunities for Cambodian migrant workers in Thailand and the knock-on effect on socio-economic conditions in Cambodia's northwestern border provinces.*

Initial results of ongoing research by institutes in Cambodia, Laos, Vietnam and Thailand on the impact of the Asian financial crisis reveal that the crisis induced a decline in economic growth and a surge in unemployment in all four countries. The recent downturn in the Thai economy also appears to have had an adverse impact on thousands of migrant workers.

Lack of job opportunities pushes many Cambodians to migrate to Thailand in search of work. Crackdowns on illegal migration have forced thousands to return.

Although it is impossible to know the exact number of Cambodian migrant workers in Thailand because of the illegal nature of their migration, a recent conference paper put the number at around 82,000 (Nattapong & Srawooth 1999:24). This is about the same as the number of workers employed in the Cambodian garment industry—the fastest-growing industry in Cambodia and the largest employer in the private sector. This figure also accounts for around 12 percent of the total labour force in Battambang, Banteay Meanchey and Siem Reap provinces, where most of the migrants reportedly come from. The return of large numbers of Cambodian migrants, following measures to protect jobs for Thai workers during the slump, could therefore put great pressure on the economy in Cambodia and on migrants' livelihoods.

Following information gathered from a number of development agencies working in Battambang in November 1998, CDRI conducted a small-scale rapid survey in cooperation with HelpAge International and Krom Akphiwat Phum in the province. This involved interviews in late December 1998 of migrant labourers, village chiefs and village development committees, and field workers in the selected villages.

The current study should be seen as a case study rather than a statistical survey because of the limited size of the sample. Nonetheless, the sample of villagers turned out to be quite varied in terms of work experience, working periods and problems encountered in Thailand. It does, therefore, provide a reasonably broad picture of the impact of the downturn in the Thai economy on the situation of Cambodian migrants.

Why do people migrate for work?

The population of each of the 14 villages studied (which ranged from around 700 to 3,400 people) had increased markedly following the resettlement of returnees from the border camps in the early 1990s. Almost all of the returnee households (more than 90 percent) owned no farmland, however, and overall the number of households with no farmland had been increasing since the sale of land was reintroduced in the late 1980s. Almost 30 percent of the 3,795 households in the 14 villages no longer owned farmland. Landlessness is one of the major reasons that people became migrant workers.

Almost all the villages studied produced only one rice crop per year, with average yields of around two tons per

* This article is a summary based on recent research findings that will be published in April–May 1999.

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hectare. Rice cultivation provides employment for the poor, the landless and migrant labourers for only a few months of the year. People have few livelihood pursuits other than rice—gathering vegetables, hunting animals and gathering insects, and migrating to Thailand in search of work.

Due to increasing landlessness, the poor in many of the villages rely more heavily than in the past on common property resources and selling their labour for survival. Unfortunately, these people have been severely affected by the recent drastic decline in common resources, such as fish, water birds, snakes, crickets and wild vegetables, due to over-exploitation.

In addition to landlessness, there are three main factors prompting migrant labourers to seek work in Thailand. First, they have little opportunity to generate income in their villages or in neighbouring areas. Many said they would prefer to work inside Cambodia, but there were almost no job opportunities except in rice cultivation for a couple of months each year. Second, wages in Thailand are higher than in Cambodia—daily wage rates varied from 80 to 200 baht, twice as much as for comparable work in Cambodia. Third, the poor villagers were inspired by the financial gains made by other migrants in the years before the crisis.

In addition to landlessness, there are three main factors prompting migrant labourers to seek work in Thailand—more job opportunities, higher wages and the success of friends and neighbours.

Short- and long-range labour migration

The Cambodian migrant labourers can be categorised into two groups:

- migrants who go to areas deep inside Thailand (long-range migrants), mainly to Bangkok and other large towns; and
- migrants who go to work in farming areas along the Thai-Cambodian border (short-range migrants).

In general, the long-range migrants (group one) are poor people in the villages, though they do have some access to resources since they need at least 3,000 baht to pay for guides to take them across the border. Although the poor were not likely to have this amount in hand, they often had other assets, such as animals to sell or land to use as collateral for loans, to finance the trips. In contrast, the short-range migrants (group two) are mostly very poor people who cannot afford the 3,000 baht needed to travel deep into Thailand. These labourers do not need guides to find farm work near the border.

Although the number in group one appears to have declined as a result of the downturn in the Thai economy, the number in group two has been less affected. The total number of migrants in group one from the 14 villages fell from 605 in 1997 to 169 in 1998 (Table 1). In contrast, the total number in group two fell from 862 to 804 in the same period. Some of the long-range migrants had become short-range migrants, because it was too difficult to find jobs in areas deep inside Thailand during the slump.

Work available for migrant labourers

The short-range migrants did daily wage work for Thai farmers along the border, such as transplanting and harvesting rice, picking corn, harvesting sugar cane, weeding, etc. The migrants did this seasonal work for shorter periods relative to the long-range migrants, but were at less risk of being caught by the Thai police. They also had to pay no smuggling fees, but their wages were lower. The long-range migrants worked: (1) as construction workers; (2) as ferry porters; (3) on fishing boats off the Thai coast; and (4) in manufacturing or food-processing firms.

The construction industry absorbed most long-range

Table 1. Migration Patterns in 14 Villages in Battambang, 1997-98

Village number	Year villagers started migrating	Year the largest number migrated[a]	Number of villagers working in Thailand at some point during the year						Number who saved money[b]	
			1997			1998			1997	1998
			Group 1	Group 2	Total	Group 1	Group 2	Total	Group 1	Group 1
1	1993	1996	27	50	77	0	10	10	6	0
2	1995	1997	60	50	110	16	70	86	20	20
3	1995	1997	50	30	80	0	15	15	0	0
4	1993	1997	15	15	30	0	15	15	5	5
5	1994	1996	25	20	45	10	20	30	5	2
6	1996	1997	8	10	18	0	0	0	0	0
7	1995	1996	30	0	30	13	0	13	30	0
8	1994	1997	30	17	47	15	5	20	9	4
9	1994	1996	110	60	170	12	60	72	30	2
10	1996	1997	100	150	250	20	150	170	15	2
11	1995	1997	20	250	270	5	250	255	0	0
12	1994	1997	30	200	230	20	200	220	5	5
13	1995	1996	70	10	80	50	9	59	30	0
14	1994	1997	30	0	30	8	0	8	0	0
Total			605	862	1,467	169	804	973	155	40

a In all 14 villages, the largest number of migrant labourers returned home between March and July 1998. b Almost all the villagers working in Thailand close to the border were reported to have saved some money. Group 1 = deep inside Thailand, such as in Bangkok and other towns. Group 2 = farm areas along the Thai-Cambodian border. Source: Interviews with village chiefs, village development committees and NGO workers in the 14 villages.

migrants from Cambodia—76 percent of the migrants interviewed had worked in construction, mainly in Bangkok and other large towns. The number of migrants working as porters was the second largest. Only a few reported working in the fishing industry. Similarly, few migrants did other labour-intensive work in manufacturing or food-processing firms.

Before the crisis, migrants said that they could find jobs easily and that they worked almost every day. However, job prospects have changed drastically since late 1997 (Table 2). Migrant labourers found work easily on only 40 percent of the trips made between July 1997 and December 1998, compared with 88 percent before July 1997. Construction workers were most severely affected, because there was much less construction work available than before July 1997. Availability of other jobs such as farming, fishing and porters reportedly did not decline.

The beginning of 1998 also saw tougher implementation of measures to repatriate illegal migrant labourers. Most of the Cambodian migrants were sent back home in early 1998. Some of them tried to go back to the same employers after the July 1998 election, but their employers would not accept them. In addition, many companies in Thailand started laying off workers—only about 50 percent of workers, mostly the Thais, remained in the companies, according to the respondents.

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Wage rates and wage disbursements

The long-range migrants received higher wages than those who worked along the border. The average wage rate of a construction worker was 140 baht per day (almost $4), whereas that of a farm worker was only 80 baht (a little more than $2). The wage rates of the migrants varied according to the types of work and their skills, but they were 30 to 50 percent lower than those for Thai workers. Other than low disbursements—more than half of all promised payments were not provided—there have been no changes in the wage rates of the migrants in the wake of the crisis.

For construction workers, the daily wage rate for a nine-hour working day was 100 to 180 baht. Overtime work from 7pm to midnight was equal to one full day of work. Porters could earn from 200 to 260 baht per day, depending on the amount of work done. Unlike other workers, the porters received their payments at the end of each day. For fishing jobs, migrant workers were paid 4,000 baht per month plus food. However, they had to work almost 18 hours per day. For jobs in manufacturing and food processing, a migrant worker had to work only eight hours per day to earn from 120 to 240 baht. Farm workers could earn between 80 and 100 baht per day.

These were the rates migrant workers were supposed to receive, but workers did not always receive full disbursements of their earnings, especially after the crisis. Because the migrants were working illegally, they were subject to being cheated by their employers. Fifty-eight percent of long-range migrants received less than half of their due wages in the period after the crisis, compared with 21 percent in the period before (Table 2). Only porters, who received their wages daily, did not experience difficulties.

The respondents cited four main reasons for the significant increase in failure to receive full payment for work. First, many Thai banks were unable to extend credit, which led to cash flow problems in the construction companies. Second, some construction companies went bankrupt and left workers unpaid. Third, some companies reduced their workforce by about 30 percent, and some supervisors took off with the wages of migrant workers. Finally, the Thai government implemented an "immigrant workers replacement policy," which resulted in most illegal workers being sent back to their home countries.

Future prospects for migration

The migration of Cambodian workers to Thailand depends on two factors: the state of the Thai economy and local earning opportunities in rural areas in Cambodia. Of the 54 long-range migrants interviewed, only 15 had decided not to migrate to Thailand again, and 20 were still going to areas deep inside Thailand; the remaining 19 were waiting for better conditions before deciding whether to return. However, many said that they would prefer to stay in their villages if they could earn about 4,000 (just over $1) riels per day.

Nonetheless, the villagers' desire to work in Thailand remains high because of the scarcity of earning opportunities at home. Most migrant workers explained that local farming could employ them only for one or two months

Table 2. Changes in the Likelihood of Finding Work and Getting Paid, 1997-98

	Period 1 before Jul '97	Period 2 Jul '97 - Dec '98	Total
Number of journeys of 54 migrants	33	48	81
- in which jobs were easily found	29	19	48
- in which jobs were not easily found	4	29	33
- in which more than half of payments were not made	7	28	35
Percentage of journeys of 54 migrants	100	100	100
- in which jobs were easily found	88	40	59
- in which jobs were not easily found	12	60	41
- in which more than half of payments were not made	21	58	43

Source: Survey of 54 migrant labourers in 14 villages.

during the transplanting and harvesting season. At the same time, common property resources have been increasingly exploited, and are less accessible and reliable for poor farmers.

Smuggling, fraud and detention

To reach job sites deep inside Thailand each migrant had to pay 3,000 baht or more to smugglers—a significant sum to the rural poor. To be able to afford this, most migrant villagers had to sell major assets such as cows or pigs, or mortgage their land, or take out high-interest loans (at 10 to 30 percent per month). Labour migration was not only expensive, but also illegal and risky. A number of interviewees reported being cheated by their guides. These smugglers sometimes led the migrants to somewhere just over the border and then abandoned them. The migrants were then arrested, and sometimes beaten, before being imprisoned and returned home.

Construction workers often received only 15 days of wages for working 20 days. Their supervisors kept the wages for the other five days and promised to disburse payment when the construction project was completed. However, in practice the supervisors rarely paid these dues. Moreover, in the last two to three months before the completion of a building, the supervisors often paid the workers only 30 baht per day, and then took off with the rest of the workers' wages and accumulated savings.

In spite of the impact of Thailand's economic crisis, many of the interviewees still believe that migrating to Thailand is a risk worth taking.

This kind of fraud by some Thai employers also affected migrants working in the manufacturing industry. It was reported that some Thai employers would call the police to arrest their illegal migrant employees when wages were due to be paid.

Because the migrants were working illegally, they were subject to arrest. Of the 63 short- and long-range migrants, 18 had been arrested by the Thai police and imprisoned for between two weeks and three months. Eleven migrants were arrested near the border when they were returning home, and reported that all their belongings were confiscated. The tougher implementation of measures against illegal migrant workers in 1998 worsened their situation.

Problems at home in Cambodia

In general, the labour migration discussed in this study has a negative impact on villages in Cambodia. Dependants, such as children and the elderly, are left alone when family members are working in Thailand. To a large extent they rely on the migrant labourer's earnings for their livelihoods, but are left in a precarious situation because such labour migration is full of risks.

When migrant workers failed to earn money in Thailand following the crisis, the situation of their household deteriorated further. As mentioned above, the migrant workers come from the poor in the villages. Some had sold all of their limited production assets to become migrant labourers. When they returned with little or no money saved from their trip, the household was often left heavily in debt.

The development programmes of NGOs working in the villages were also disturbed by the large movement of groups targeted for the programmes. From the point of view of the NGOs and village development committees, the migration of villagers seeking work in Thailand reduced participation in the development programmes. Plans had to be changed since some of people in the target groups had left.

Conclusions

This study indicates that labour migration of Cambodians to Thailand has been significant for the Cambodian economy in the past few years. Despite its illegal nature, it has provided employment and earnings for large numbers of the Cambodian poor, especially in the provinces bordering Thailand. The study also reveals that the crisis in the Thai economy has contributed to a deterioration in the livelihoods of Cambodian migrant workers.

The drastic decline of the Thai economy in late 1997 resulted in a large reduction in the number of jobs for migrant workers. In addition, the policy of the Thai government to replace foreign workers led to a huge repatriation of migrants and left migrant workers more vulnerable to harassment and arrest. More than half of those that remained were not paid, either being cheated by their employers or because of the collapse of companies.

The migrants are also faced with constant problems—subject to being cheated by smugglers and employers and facing the threat of arrest. In their home villages, the migrants' families are left without heads of households to provide immediate care.

In spite of these problems and the adverse impact of Thailand's economic crisis, many of the interviewees still believe that migrating to Thailand is a risk worth taking. Only 15 out of 63 interviewees had decided not to seek work in Thailand again. Others were still migrating or waiting for better conditions before doing so. Although they would prefer to stay and work in their villages, the migrant workers were not hopeful that there would be enough earning opportunities in local areas.

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Technical Assistance: Value for Money?

Following donor pledges of $470 million in aid at the Consultative Group meeting in Tokyo, Martin Godfrey examines the impact of technical assistance on the development of Cambodian capacity, and asks whether Cambodia is getting good value for money.*

Introduction

External technical assistance is one of the Cambodian economy's biggest industries—far outstripping the government's non-defence current expenditure in recent years and a more important source of foreign exchange than any of the country's major exports. It is, therefore, extremely important to know whether Cambodians are getting value for money from this huge inflow of funds, and, if not, why not.

This article attempts to address this question on the basis of research now in progress at CDRI.[1] The criterion used in this research is the contribution of technical assistance (TA) to the development of Cambodian capacity, in the special sense of the capacity of a government department or other local organisation to continue with similar work after the donor agency has withdrawn its funding. In other words, this research is assessing the extent to which TA is developing the capacity to replace itself.

External technical assistance is one of Cambodia's biggest industries—outstripping the government's non-defence expenditure and a more important source of foreign exchange than any major exports.

This is not, of course, the only criterion that could be used to assess the impact of TA, which has many purposes. For instance, an immediate objective of some TA (in the eyes of both donors and recipients) is to facilitate resource flows: this includes the preparation of feasibility studies, project proposals, presentations for meetings with donors, evaluations, and the planning and implementation of capital projects. Another objective is to monitor and supervise such resource flows. In a sense, also, the ultimate objective of all TA, as of external assistance in general, is to increase output and incomes in the recipient economy.

Capacity development as defined above is, in this context, an intermediate objective. There may be circumstances in which it has to be sacrificed to the immediate and ultimate objectives. However, if capacity development does not take place, then the resource flows that have been facilitated, monitored and supervised will have no lasting effect on output and incomes, and TA will have failed on all three counts. As World Bank Vice-President Edward Jaycox has put it, "whether or not you are building capacity at the national level is the only way that you can ultimately judge [if] what you are doing in the area of technical assistance makes sense."

Trends in Technical Assistance

An important point concerns the contribution of TA to the circular flow of income in the Cambodian economy—this is not as big as it looks. Almost all TA projects include imported materials and equipment. Moreover, TA personnel with salaries at multilateral or bilateral levels spend a relatively small proportion in Cambodia: to judge from the latest UN place-to-place survey, this may be as low on average as 40 percent. Thus a project with an annual budget of $6.7 million may be injecting less than $3.5 million into the Cambodian economy. This does not mean that there is less need to worry about its impact on capacity development—TA is still huge—but its macro-economic significance may be smaller than it looks at first sight.

Analysis of trends since 1992 is complicated by the impact of the fighting in July 1997. As the official figures show, there was a reduction in all types of external assistance in 1997 and only a partial recovery in 1998. Thus comments on structural trends have to be based mainly on 1992–96 data:

- One trend about which there is no doubt is the increasing importance of TA in relation to other types of external assistance (e.g. investment project assistance, budgetary and balance of payments support, food aid, and emergency and relief assistance).
- A second fairly clear trend is an increase in the importance of multilateral relative to bilateral donors in the provision of TA. Although accurate figures are not available, TA funded by NGOs has almost certainly also been growing in relative importance.
- No clear trends can be detected in the sectoral allocation of TA. The big four recipient sectors remain development administration/economic management, area development, human resource development and agriculture, forestry and fisheries.

Defining capacity development

It may come as no surprise to learn that both donors and government emphasise capacity development as virtually the only aim of TA, and most of them endorse the definition of capacity development adopted in the research. As one ambassador puts it, all TA should be temporary, with a particular timeframe. One of the few exceptions is made in the case of programmes, such as prevention of looting at Angkor or prevention of the spread of HIV/AIDS, when capacity development might take second place to more urgent objectives. Almost equal weight is given, by government as well as donors, to development of individual and of institutional capacity development. Donors recognise the importance of ensuring the financial sustainability, after projects have fin-

* This article is a revised version of a paper commissioned by the United Nations System in Cambodia and presented at the Consultative Group meeting held in Tokyo on 25–26 February 1999. It is reproduced here with the permission of the UN Resident Coordinator.

ished, of activities and institutions that have been built up by TA, but some feel that this is not the responsibility of individual projects and agencies.

Non-governmental organisations occupy a special position among agencies, in relation to capacity development. Some act as sub-contractors, virtual consultancy firms through which bilateral agencies channel funds: in this case, their definition of capacity development is similar to that used by official agencies—development of the capacity of government counterparts and the departments in which they work. At the other end of the spectrum, smaller NGOs are primarily concerned with the development of capacities at the level of the community. In between, many NGOs concentrate on the development of Cambodian NGOs, by Cambodianising their own structures, creating new or helping existing local NGOs (LNGOs). Some create new categories of non-government agents on a nationwide basis, such as the village livestock agents trained by Vétérinaires Sans Frontières. Some NGOs, having started at the community level, are moving along the spectrum and beginning to emphasise the development of LNGO and government capacities: one such organisation will no longer do anything at the village level unless a local organisation exists to take it over. For others, however, the idea of trying to work themselves out of a job is unfamiliar.

One senior government official judges that there has been little gain from technical assistance, which has been used to solve short-term problems rather than build capacity.

Preliminary assessment on TA performance

Definition of the purpose of TA is of course one thing, actual achievement quite another. Although none of those interviewed goes as far as the World Bank Vice-President quoted earlier, who maintained (in the case of Africa) that "the use of expatriate resident technical assistance by aid donors is a systematic destructive force that is undermining the development of capacity," there are some negative verdicts. One senior government official judges that there has been little gain from TA, which has been used to solve short-term problems rather than build capacity. A donor agency head suggests that the reality of TA in Cambodia is capacity substitution rather than development. In general, however, most donors and officials feel that TA's record in developing individual and institutional capacity is quite good. Donors also emphasise that there are wide variations between ministries in this respect, with the Ministry of Health and the Ministry of Economy and Finance getting good ratings.

This verdict may seem complacent, particularly given the problems reviewed below. What respondents, both donors and government officials, seem to be saying is that such problems in the process of TA pale into insignificance compared with the failure to achieve financial sustainability after projects have finished. Because of the inadequacy of government revenue and resulting low salaries, most of the multilateral and bilateral agencies pay supplementation to government counterparts working in their projects (and most of those that do not find some other way of paying counterparts). Even among the NGOs, over half of those who work with government make some payment to counterparts. Some agencies also recruit government staff as full-time experts in their projects.

After a project finishes, counterparts and former project staff revert to their government salaries and look for other projects, not necessarily in the same ministry. The institution or department which has been developed by TA, often including expensive equipment, goes into decline. Lack of government funds affects the capacity to finance running costs as well as to pay salaries. Interviewees tell of hospitals that fail after a donor withdraws, a vocational training centre for the disabled that the government is unable to take over, etc. Similar problems affect local NGOs whose capacity has been developed by international NGOs—without outside funding they are unable to survive, and their staff look for jobs in externally funded organisations. The only projects that leave anything substantial behind are those concerned with institutions which are in some way self-financing. The small-scale credit organisation ACLEDA survives, for instance, because it can finance itself from interest charges. Handicraft workshops have products to sell. One vocational training centre in Phnom Penh has set up a vehicle repair workshop. The National Institute of Management finances its undergraduate courses from fees paid by private students. Health centres are experimenting with cost recovery. Other projects might consider similar strategies. However, the scope is probably limited.

The process of technical assistance

The research will look in detail at the process of TA through its case studies of projects in search of lessons of success and failure. Even the interviews already carried out, however, yield some insights into problems and opportunities.

One senior official compares the typical government department to a pyramid, with an apex and a base but nothing in between. The crucial middle-level people, if they have no project to supplement their meagre salaries, must work outside in order to survive. The beleaguered people at the top think short-term and use TA experts to do the job. Many experts are quite happy with this situation—even those who would prefer to be developing capacity go along with it in the absence of suitable middle-level counterparts.

Not all respondents would accept this picture in its entirety, but they do recognise that there are some significant problems. Many of these reflect the lack of more than formal ownership of projects by government. Government has at least some role in the selection of the projects of all except one of the multilateral and bilateral agencies interviewed and of almost two-thirds of the NGOs. However, initial ideas often come, directly or indirectly, from donors, and some projects are, at least initially, almost completely donor-driven. Projects in which donors have taken the lead (CARERE-1, CMAC, forestry, administrative reform, HIV/AIDS) are usually in areas regarded by them as of emergency importance.

Government apparently has an even smaller role in the selection of personnel for most TA projects. Donors operating in Bangladesh, for instance, are used to having candidates for posts turned down by government, but not in Cambodia. One government official quotes the best-practice example of an expert identified by Cambodian officials at a seminar in a neighbouring country as having the right technical and regional experience, and the equally important social qualities needed for capacity development; a request to an agency for the services of this expert was successful. But such cases are rare.

As for counterparts, the pyramid picture already quoted may not be far from reality. Donor agencies and government officials agree that there are difficulties in this area. Counterparts are generally provided (at least if supplementation is offered) but those at the top are over-stretched (often involved in several projects) and those in the middle may not have the technical knowledge and language and managerial skills needed to work with foreigners. Reallocation of counterparts after training also causes problems, as does the exercise of patronage in the choice of trainees and scholarship holders.

In spite of their emphasis on capacity development as the main aim of TA, less than one-fifth of multilateral and bilateral donors and a quarter of government officials think that it is the main task assigned to TA personnel. Particularly in cases where projects are dealing with the world outside Cambodia or where they are working to fixed deadlines, there is pressure on foreign experts to do the job (write letters, speeches and reports in English or French, draft laws, advise the minister, etc.) rather than to teach others how to do the job.

The nature of the institutional framework for implementation of a project also affects the extent to which it develops capacities. Projects which work through normal government structures will obviously be the most effective in this respect. This is the mode favoured by multilateral donors, with the notable exceptions of the World Bank and the Asian Development Bank, which create Project Implementation Units. They do this for understandable reasons, in the interests of transparency and efficiency in a situation in which government structures are fragile. In effect, they are giving more weight to the immediate objectives of facilitating, monitoring and supervising resource flows than to the intermediate objective of developing capacity. All bilaterals except one work through existing government structures. The majority of NGOs work with or relate to government structures, but a sizeable minority (about a third of those interviewed), some with bilateral funding, bypass such structures and go straight to communities, often without official agreements with relevant ministries.

Many of the problems in the process of TA are also attributable to inadequate budgets. The need for funding, as one top official puts it, means that you often have to accept the TA that is offered, and the system that goes with it, rather than refuse the offer or negotiate changes. It also affects a ministry's ability to provide counterparts in the absence of supplementation, to play a larger role in selection and recruitment of personnel, and to supervise, monitor and evaluate performance.

Many of the problems are attributable to inadequate budgets. The need for funding means that you often have to accept the assistance that is offered rather than refuse the offer or negotiate changes.

Cost issues in technical assistance

Cost is a delicate issue, but one that cannot be ignored. An international expert in a multilateral/bilateral project may cost a project $150,000 or more per year in salary and other expenditures; in a top-paying NGO somewhat less; in a more modest NGO $40,000 or less. A UN Volunteer costs about $35,000 per year. An expert from a low-wage country who is not part of the international market costs less. A national expert, if similarly confined to the local market, costs even less. Clearly, then, the cost of a TA project depends primarily on the mix of staff that it employs. It is important, therefore, to be able to justify the use of a more expensive expert with an international market (which does not depend on nationality) by showing that the extra benefit exceeds the extra cost.

The government is aware of the importance of cost. One top official commented that international experts should be confined to "conceptualising" roles, with field-level posts filled by nationals or experts from Asian countries who are more effective as well as less costly. In practice, however, officials seem to be seriously concerned with reducing personnel costs only in the case of loan projects.

Cost matters in grant-aided as well as loan projects, both to donors and to government. Donors, under pressure to do more with less, are looking for lower-cost and higher-impact interventions (in the case of bilaterals, for instance, maybe working through NGOs, rather than implementing themselves or using high-cost executing agencies). From the point of view of government, also, a given amount of grant aid should be spent to yield the greatest possible benefit to the country (in terms of capacity development) for the smallest possible cost. Government should see cost reduction in grant-aided projects as a way of releasing such funds for other uses.

What do projects leave behind?

One way of finding out what projects leave behind is to try to find former counterparts in the projects that have finished, and this will be part of the research. Already one such project in the Ministry of Agriculture, Forestry and Fisheries (MAFF) illustrates what may be a general problem. Of the 18 counterparts in the project, which finished in 1994, only eight are still working in the ministry; one has dropped out of the labour force, and the other nine are working for donor agencies or NGOs.

The reason for such an outcome is not hard to find. Interviews with 23 former counterparts from various TA projects in MAFF who are still working in government reveal that their monthly earnings from their main job were equivalent to $28 on average before the project. During the project their salaries rose, with supplementation, to $151; now that the project is finished, they are down to $13 (reflecting the devaluation of the riel). Comparable figures for 16 interviewed in the Ministry of Economy and Finance are $27, $161 and $40 per month. In both ministries those interviewed have to find substantial outside earnings in order to survive.

Of course, former counterparts who leave government, or remain but work only part-time, are not a loss to Cambodia. A social cost/benefit analysis would record a benefit to the economy. But it is presumably not the main intention of TA to prepare government officials for non-government work.

Policy implications

The research is at too early a stage to justify detailed policy recommendations, but some broad implications are already fairly clear.

There is little doubt about the ideal system of external technical assistance, from the point of view of most Cambodians. It would involve a lot of changes in the way that donors work, following a programme rather than a project approach. In other words, it would not be disaggregated into projects connected to particular donors, nor would it be regarded as being separate from the government budget. A single, de-projectised, budgetised programme (fully owned and administered by government) would be negotiated at sectoral and national levels, including the changes in government policy needed to make it work. Such changes would include administrative reform, involving a reduction in the role and size of government, improvements in salaries, changes in methods of service delivery, decentralisation, deregulation, improvement in relations between citizens and the state, and the formation of partnerships between the state and civil society.

The issue of post-project financial sustainability should immediately be put at the centre of discussions of the technical assistance programme. No project should be allowed to ignore this, ostrich-style, or to shuffle responsibility on to someone else.

It takes a long time to agree on and to work towards ideal systems. Meanwhile, some immediate measures are worth considering. Codes of practice in relation to TA could be drawn up by donors, external executing agencies and government, in consultation with each other. The following propositions could be among those to be discussed in such consultations.

- All external TA should have the purpose of developing the capacity of counterparts and their organisations (whether government or non-government) not just that of communities.
- The government should play a more active role (in collaboration with donors and executing agencies) in transparent selection of projects and personnel: its concern should extend to ways of reducing the cost of projects without reducing their effectiveness, and to monitoring and evaluating performance.
- There should be clear guidelines for the use of TA personnel by government departments (primarily for capacity development) and provision of counterparts.
- The concept of the Project Implementation Unit should be re-examined, and alternative ways of managing assistance through normal government structures, without affecting transparency and efficiency, should be explored.
- No external technical assistance projects should bypass government structures, whether central or local, altogether.
- In all this the role of government should be that of a facilitator, with the aim of getting the best for Cambodia out of TA, rather than that of controller or regulator.

Above all, however, even before codes of practice are ready, the issue of post-project financial sustainability should immediately be put at the centre of discussions of the TA programme. No project should be allowed to ignore this, ostrich-style, or to shuffle responsibility on to someone else (usually “the government”). At the micro level, every project should contain specific short-term, post-project, coping proposals (cost recovery, bridging funds, etc.) but these have to be linked to urgent action at the macro level. The place to start is probably salary supplementation. The UN has already begun to regularise supplementation, and this progress should be built on. The total amount paid in salary supplementation by all donor agencies should be calculated and this total should be on the table in negotiations about TA. Key staff in each ministry/department could be identified and allowances paid to them to ensure their retention as full-time committed officials, both as counterparts for ongoing projects and as guardians of the benefits of those that have been completed. A clear programme for the progressive transfer of the funding of this supplementation from donors to government could then be negotiated.

Endnotes

[1] The research is still at a relatively early stage. The case studies of about 50 ongoing and completed projects, which will form the bulk of the investigation, have not yet begun, nor have case studies of selected sectors and institutions. This article, therefore, is based on analysis of aggregate expenditure data; interviews with heads of 32 donor agencies (10 multilaterals, eight bilaterals and 14 NGOs), 13 senior government officials in a wide range of ministries, and 48 former counterparts in completed projects in the Ministries of Economy and Finance, and Agriculture, Forestry and Fisheries.

Does Gender Matter in Development?

Siobhan Gorman assesses changing gender identities in Cambodia and highlights key issues affecting women in the fields of education, health and the economy.*

Socio-economic change in Cambodia is bringing new opportunities and influences as technological advances, foreign investment and development organisations link the country to the world. Yet Cambodian society is also struggling to regain a sense of national identity through a return to perceived traditional values and ideals in these post-conflict years. Perceptions of gender identity, especially the female gender identity, are closely linked to notions of "culture" and "tradition," and resistance to changes in gender relations is often strong.

Cambodia is a hierarchically ordered society, with notions of power and status conditioning social relations. In this social order, women are considered to be of lower status relative to men, though the status of an individual is also determined by their age and other characteristics, including wealth. For women, status is additionally determined by marriage and children. What is considered appropriate behaviour for a woman may vary considerably according to her age and a range of factors relating to her socio-economic position and family composition. In general, attitudes towards gender roles place great importance on women's role as household managers and men's role as providers for the family.

Although women are nominally guaranteed equal rights with men under the Cambodian Constitution, the ability to claim these rights is subject to prevailing social ideals and attitudes about power and gender relations.

This article highlights some key gender issues for contemporary Cambodia under the broad headings of education, health, and economy and labour.

Education

Recent statistics have shown significant gender disparities in female educational levels. Self-reported rates of literacy are considerably lower among women than among men. The gender gap is narrower among the younger generation, reflecting increased access to schooling in recent years.

Girls are also under-represented in formal education at all levels. Whereas boys and girls enrol in school in equal numbers, girls tend to drop out in larger numbers than boys, and the gender gap increases as the level of schooling rises.

Reasons for the gender gap in education are related primarily to two areas—first to costs, both direct costs and opportunity costs, and second to social attitudes towards gender roles. Particularly among poor and rural households, the labour of all household members can be crucial for survival. Reasons related to economic costs are the main reasons for the withdrawal of both boys and girls from school. However, stereotypical attitudes about gender roles, revolving around notions of man as bread-winner working outside the home and women as house-wife and mother working within the home, mean that girls' education is not considered as important as boys'. Girls are expected to carry out domestic chores in the home and are more involved in income-generating activities. This means that a girl's labour is more important to the household, and renders the opportunity costs of sending her to school higher than those of boys.

Underlying these economic constraints on girls' education are the prevailing social ideals and attitudes of higher male status, capacity and intelligence. These attitudes persist, not only among parents but also teachers. Thus, the school environment itself is likely to re- inforce perceptions of gender norms. The role of the curriculum and textbooks and other in-school factors in reinforcing stereotypical attitudes towards gender has been insufficiently researched at this stage, and warrants further attention. There was, however, no gender input into the design of most of the recently introduced basic education textbooks.

> ***The gender gap in education has immediate observable ramifications for the employment opportunities open to women, which in turn has wider social significance. Women's lack of skills and qualifications means that they are unable to compete for decision-making positions.***

The gender gap in educational participation has immediate observable ramifications for the employment opportunities open to women, which in turn has wider social significance. Women's lack of skills and qualifications means that they are unable to compete for professional and decision-making positions, which are also the positions that command status and wealth. This means that there is a lack of role models of women in professional positions for girls to aspire to and break the vicious circle. There are also practical implications in various sectors. For example, the absence of female health professionals inhibits women from accessing adequate health care.

By restricting girls' access to education, their life opportunities and choices are also restricted. Literacy and numeracy enable access to information on a range of areas which improve the quality of life of a woman, e.g. contraception, nutrition and sanitation. Education increases access to employment and economic opportunities. Illiteracy limits the choices available to women and restricts participation in many development activities.

Efforts to provide literacy and non-formal education to older adult women have largely been unsuccessful. Participants tend to be youths who have dropped out of school or children whose parents cannot afford school. Adult women, especially in rural areas, are involved in a variety of income-generating and domestic activities

* This article is a summary of recent research findings that will be published in April–May 1999.

which make it difficult for them to access non-formal education and training programmes. Without an income-generation component, the opportunity costs for adult women to attend such courses are perceived as too high.

Economy and labour

Although women form a majority of the current labour force (53 percent), they enter the labour market with fewer educational qualifications and skills then men. A larger proportion of teenage girls are in the labour force than boys, reflecting their lower rates of participation in formal education. Women's lack of formal education directly affects their representation in the labour market.

Men dominate the still small wage labour market. Fifteen percent of the male labour force, compared to less than 6 percent of the female labour force, are paid employees. Men also form the majority in professional occupations and positions with decision-making responsibility. Less than a third of professionals are female, and only 6 percent of legislators, senior government officials and managers. These are also the positions which give status in Cambodian society, even though they do not necessarily command high salaries.

Only eight out of the 122 members of the National Assembly are female. In effect this means that women, who form the majority of the Cambodian population, have very little say in the creation of the rules, regulations and policies which affect their lives.

In the recently elected government, women are for the first time represented at ministerial level, with two female ministers. Although this is very encouraging, the proportion of women in high-ranking and policy-making positions is very low. Only eight out of the 122 members of the National Assembly are female. In effect, this means that women, who form the majority of the Cambodian population (52 percent), have very little say in the creation of the rules, regulations and policies which affect their lives.

Where women form a majority in the labour market it is in insecure positions requiring few formal qualifications and skills. In urban areas, over two-thirds of stall holders and market vendors are female. This sector employs a tenth of the female workforce compared to only 5 percent of the male workforce. With current low public sector salaries and a small wage labour market, the retail sector is crucial to household income and potentially more lucrative than waged employment.

As with other Asian countries the growth of the labour-intensive manufacturing sector has resulted in new waged labour opportunities for a largely unskilled workforce. Although this employs only 3.4 percent of the female workforce, it is significant in that women constitute the majority of the workforce in the garment and tobacco industries. Within the context of few employment opportunities for those with little education, factory work is perceived by many women as a lucrative opportunity. However this work is relatively insecure and provides little opportunity for promotion or transfer into another field. Pay and conditions are extremely varied as the Labour Law is not consistently enforced.

Women are also entering other gender-stereotyped positions which reflect both their lack of qualifications, economic necessity and underlying male bias in social attitudes. In the service sector, women are employed as waitresses and beer girls for a primarily male clientele where they can be subjected to sexual harassment.

Three-quarters of the population is engaged in agricultural production: 78 percent of the female and 71 percent of the male labour force. Men and women work together in most activities in production for the household and for sale. Prevailing ideals about a division of labour by gender dictate that activities which are physically demanding or require tools and technology are designated "male," whereas activities which require less physical strength are designated "female." In practice, many activities are flexible. However, activities which are designated male are also valued more highly than female activities. When the conditions under which these activities are undertaken change, this difference in value is highlighted. Men will carry out female activities for production among the household members, but when production is undertaken outside the household as exchange or waged labour, the division of labour reverts to traditional notions of male and female activities, and rates of remuneration are higher for male than female activities.

Health

No gender differentials were found in statistics on general health and nutrition, though biological differences mean that malnutrition and poor hygiene practices can have a more detrimental effect on women than men. Overall, malnutrition among children, leading to stunting, causes problems for women in childbirth. Poor hy- giene practices can cause frequent gynaecological problems for women.

Expenditure on health care is high, with estimates ranging up to a quarter of total household expenditure. The preference among all individuals in Cambodia is to seek curative care from pharmacists rather than using public health care services.

However not all data is disaggregated by gender and insufficient qualitative research has been conducted on gendered perceptions of health and health-seeking behaviour to draw conclusions.

Cambodian women suffer specifically from reproductive health-related problems. The total fertility rate is 5.2. The lack of access to and use of maternal health facilities has resulted in a high maternal mortality rate of between 473 and 900 per 100,000 live births. Most births take place at home, and only a third are attended by a trained health professional.

Only 7 percent of married couples use a modern method of contraception and the preference is for the injection and the pill. Abortion, which was legalised in 1997, is believed to be a common form of contraception and a major cause of maternal mortality. The condom is not a preferred method of contraception for married couples because of its association with prostitution and HIV/AIDS.

The construction of gender identities and sexuality means that women are generally ignorant and shy about their bodies. This modesty, combined with the lack of female health professionals and preference for treatment by a pharmacist, means that gynaecological problems may go untreated or may be incorrectly treated.

Sex education has until recently been neglected in the school curriculum. Combined with a general lack of openness about sex and a desire to protect girls' virginity for marriage, women's lack of knowledge about sex, sexually transmitted diseases (STDs), HIV and conception has inhibited their ability to protect themselves against pregnancy and STDs.

Women's control over their bodies and reproductive choice is still largely dependent on power relations in the household. Virginity and marital fidelity is crucially linked to perceptions of a virtuous woman, which in part determine a woman's social status. A woman's sexuality is tightly controlled, first by her parents and then by her husband. Men's influence on reproductive decision-making has not been researched, but there is evidence to suggest that women have little power to negotiate sexual relations with their husband. It is likely that men have considerable influence over the type of contraception chosen. The current preferred contraceptive methods show that responsibility lies with the woman. Methods which involve male responsibility, such as the condom, withdrawal or periodic abstinence, are least frequently used. However, female methods of contraception can involve more side effects, especially among poor rural women whose health may not be good. It has been suggested that the injection and the IUD are preferred by women because they can be concealed from their husbands and thus avoid discussion or conflict.

As new resources, skills and information are introduced, the underlying assumptions about gender and power relations dictate the way these are allocated. Women are perceived to be less intelligent. New and modern inputs are generally accepted to be a male domain.

It is socially accepted, and even expected, for men to visit prostitutes, and this phenomenon is becoming part of the growing culture of adolescent males socialising in groups. This issue has come to the fore because of the growth in rates of HIV/AIDS infection since the early 1990s. Recent statistics find that 42.6 percent of sex workers are HIV positive. It appears that men are inconsistent about condom use when visiting prostitutes, and most disturbing is the finding that 2.4 percent of married women are now HIV positive. Women's lack of control in this area is now putting them at risk of contracting STDs and HIV/AIDS, with potentially fatal consequences. Improving male responsibility in sexual relations is a crucial issue for gender in Cambodia.

Features of society such as prostitution, trafficking in women and domestic violence are symptomatic of the unequal power relations between men and women. Poverty constrains the ability of women to resist these forms of male oppression.

Approximately one in six women in Cambodia is a victim of domestic violence, and of these half sustain physical injuries. The incidence diminished among women educated to secondary level or residing with or near their parents. Social and practical reasons combine to prevent women from leaving an abusive spouse. Women who leave their husband lose economic and social security. Social attitudes towards domestic violence spill over into the police and legal systems. Police are reluctant to interfere in a "private" matter. The divorce process emphasises reconciliation and offers no means of protection for a wife against an abusive spouse.

Concluding remarks

As Cambodia develops, the hierarchical structure of social relations and women's lower status relative to men is reflected in most recent research and household survey findings. There are fewer women than men in positions of power, decision-making and status in Cambodian society.

Women face more constraints in accessing the resources of modern society than men. Large gender disparities exist in rates of adult literacy, participation in formal education, and participation in the waged labour market. As new resources, skills and information are introduced, the underlying assumptions about gender and power relations dictate the way these are allocated. Women are perceived to be less intelligent, and there is resistance to women's deviation from their traditional role. New and modern inputs are generally accepted to be a male domain.

In formal education which is the key to many aspects of modern society, women are seriously under-represented. There are varied reasons connected to perceptions of gender roles. Girls are expected to perform more domestic chores than boys, thus opportunity costs are high when girls attend school; a girl's future role is perceived to be that of a wife and mother, not to work to support her family, thus parents may not choose to invest in their daughter's education, particularly when economic resources are scarce; a woman's status is to a great extent determined by her role as wife and mother and not through her work, thus education to higher levels is not necessary. Girls are therefore withdrawn from school around the age of puberty, while boys remain longer. Girls' resulting lack of qualifications and skills severely restricts their opportunities in the labour market. Men dominate all professional fields and decision-making positions.

Improving women's access to educational services is a significant investment for the country's development. Education expands the employment opportunities open to women and improves their productive capacity. Their social status is no longer solely dependent on marriage and family. Education provides information on contraception, nutrition and sanitation, which potentially improves the quality of life for a woman and her family. Literacy and numeracy also enhance the ability to access and exchange ideas and information and to identify and solve problems. This expands the range of choices open to a woman and her ability to improve the quality of her life. In this way, education is necessary to improve women's position in Cambodian society, as well as being of wider benefit to society as a whole.

In rural Cambodia, where the majority of the population lives as subsistence farmers, men and women cooperate in agricultural production. Ideals about the division of labour state that men should carry out the more physical work and work which involves greater skill, intelligence or technical knowledge, whereas women carry out the less physically demanding tasks. In practice, the division of labour is quite flexible, but the ideals remain. Women are additionally responsible for domestic work. Once a value is attached to work, the underlying social attitudes towards gender relations become more visible. The work of women is valued less than men's, and this is reflected in rates of exchange and remuneration.

Domestic work and child care is relatively inflexible, however, and remains a female responsibility in both urban and rural areas. This becomes a key issue where employment opportunities are concerned. Currently women dominate in occupations which allow them to combine their work and domestic responsibilities, such as market trade or informal sector occupations, or those which are short-term and can be completed before marriage and children, such as factory work. Attitudes towards gender roles may mean that for a woman to undertake work outside the home, a daughter must miss out on her education. Until norms concerning the undertaking of domestic responsibility change, and it becomes socially acceptable for men to share this work, women will continue to face additional constraints. The constraints on women's time and mobility need to be taken into consideration in the design of any gender-aware interventions.

Decision-making at the level of the household is complex. There is some evidence to suggest that the man is the overall decision-maker. Although women have considerable say in duties which relate to the day-to-day running of the household, and in certain agricultural tasks, they do not have control in sexual matters, with the result that women are unable to protect themselves from STDs and HIV which their husbands bring back from prostitutes.

Improving women's access to education and employment opportunities is also a foundation for gender and social equity. However mainstream social institutions such as schools also play a significant role in the transmission of dominant ideologies and social identities, and can reinforce existing gender inequalities through curriculum content and classroom practices.

Gender is often dismissed on the grounds that there are other priorities, such as poverty alleviation. However, even though both men and women suffer in conditions of poverty, it must be recognised that gender mediates the experience of poverty. Women in poverty face different constraints and may not benefit equally from poverty alleviation strategies without consideration of gender issues. The high incidence in Cambodia of women forced into prostitution or trafficking is an extreme example of how gender inequalities can differentiate the impact of poverty on men and women. A poor Cambodian girl is less likely to go school than her brother, and will subsequently have fewer employment opportunities open to her. Her social security will then depend on marriage and frequent childbearing, over which she may have little control. She will have less access and choice of contraception, and will be subject to greater health risks than a wealthy wife. Her daughter is likely to follow the same path.

Gender is often dismissed on the grounds that there are other priorities such as poverty alleviation. Even though both men and women suffer conditions of poverty, it must be recognised that gender mediates the experience. Women in poverty face different constraints and may not benefit from poverty alleviation strategies without consideration of gender issues.

There has been little written on gender issues by Cambodian women themselves. This reinforces the beliefs of those who resist the mainstreaming of gender issues that gender is an externally imposed feminist concept with no relevance to the needs of Cambodian society. Until Cambodian women themselves voice their dissatisfaction with existing gender imbalances, there is a risk that gender and development (GAD—including here its social equity agenda) will remain outside the mainstream of development.

However, Cambodian women's relative lack of voiced dissatisfaction with existing gender relations is also symptomatic of the trade-offs women make to cope with oppression in their lives. Women may well be aware of their strategic gender interests, but sacrifice these for other means to secure their well-being.

Cambodian women are far from passive victims of male oppression, but rather active agents operating within a constrained environment. Gender norms are slowly changing and adapting to the demands of a changing society. Cambodian women are renegotiating gender relations, taking up new roles and public positions themselves, as they are exposed to new ideas and information. For example, women working as community development workers gain the respect of villagers by conducting this new role within the boundaries of socially acceptable behaviour for women. In this way, women can take up new positions formerly occupied by men, and also conform to ideals of a "good" woman. In this way, gender relations are challenged in a non-confrontational manner and renegotiated, and the goal of gender equity moves nearer.

Economy Watch

The formation of the new government in November 1998 appears to have brought relative socio-economic stability and created hope for economic development. However, the internal and external crises that started in July 1997 have had a serious effect on Cambodia's economy. The Ministry of Economy and Finance estimated the GDP growth rate for 1998 to be 0 percent, following a 1 percent increase in 1997.

1. Inflation and foreign exchange rates

According to NIS data, consumer price indices in riels in Phnom Penh were fairly stable during the last four months of 1998, after increasing steadily from January (Table 1). The stability in the inflation rate primarily resulted from the slight appreciation of the riel against the dollar. Annual inflation for 1998 was 13 percent.

Provincial consumer price indices collected by CDRI on 12 essential items increased slightly from October to December 1998, reflecting a slight increase in the prices of some food items such as pork, beef and chicken. The seasonally adjusted monthly inflation rates in the provinces were 6 and 2 percent for November and December respectively, while the annual rate was 16 percent for 1998. The inflation rate in the provinces tended to vary more than in Phnom Penh—this appears to be linked to transportation costs.

In the first half of 1998, the riel depreciated substantially against the dollar. This was probably a result of lack of confidence in the riel before the national election in July 1998. The riel went up from 3,600 to over 4,000 to the dollar from February to June. During this period, the NBC spent $6.6 million to curb the depreciation of the riel, though the number of dollars injected by the NBC to stabilise the riel in 1998 was about the same as in 1997 and much lower than in 1994, 1995 and 1996.

In the second half of the year, though there was no intervention by the NBC, the riel appreciated slightly and was fairly stable at around 3,850 to the dollar. The reason for this stability is believed to be the recovery of public confidence and positive expectations about the business environment after the election, especially since November when the new government was formed.

2. Market survey

A market survey on 8–12 February in five major markets in Phnom Penh found that inflation based on 20 essential items had fallen by almost 6 percent since the previous survey in November 1998. This was largely due to the considerable seasonal fall in the prices of rice, fish and cabbage (Table 2 overleaf). However, the year-on-year rate increased by 12 percent, revealing a parallel inflation trend with the NIS data, though at a slightly lower level.

Vendors also reported that, contrary to the previous February when Thai products became cheaper as a result of the depreciation of the baht against both the dollar and the riel, Thai products were more expensive in February 1999 following the recovery of the baht. Prices of certain goods imported from Thailand had risen significantly by the time of the survey, making substitute Vietnamese goods much more competitive.

The February survey, conducted during the week prior

Table 1. CPI in Riels and Dollars, January 1997 - December 1998

		Index (July-September 1994 = 100)			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
	November	143	98	146	-0.4	2.4	-2.7	12.2	3.5	8.5
	December	143	98	147	0.2	-0.3	0.5	13.3	5.2	7.7

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

Economy Watch

Table 2. Prices of Essential Items and Inflation in Five Phnom Penh Markets, July 1997 - February 1999

Items	Unit	Jul 15-17	Sep 1-3	Dec 1-3	Feb 2-4	May 11-13	Aug 17-19	Nov 16-18	Feb 8-12
CPI (July-September 1994 = 100)		135.0	134.5	132.0	134.4	144.3	156.2	159.0	150.6
Inflation from previous survey			-0.3	-1.9	1.8	7.4	8.2	3.7	-5.5
Year-on-year inflation		16.0	12.2	3.9	9.2	13.0	12.8	17.8	12.1
(1) Rice (top quality)	kg	1,172	1,172	1,205	1,210	1,420	1,493	1,465	1,233
(2) Pork (without fat)	kg	7,830	7,440	7,000	7,300	7,430	8,395	9,275	9,375
(3) Beef (top quality)	kg	8,075	7,975	8,000	7,825	8,475	8,861	9,050	8,867
(4) Mud fish (large)	kg	5,214	5,773	4,654	4,714	5,214	7,857	9,100	5,913
(5) Chicken egg	egg	172	173	162	186	200	223	229	275
(6) Duck egg	egg	256	245	224	268	284	321	305	357
(7) Trakuon	kg	816	1,161	1,195	870	1,150	971	1,070	1,353
(8) Cabbage	kg	1,185	1,420	1,335	1,860	1,700	1,170	2,145	1,095
(9) Cucumbers	kg	810	1,055	1,190	1,025	1,010	906	1,035	911
(10) Banana	bunch	818	905	805	772	1,194	1,414	1,000	1,220
(11) Brown sugar	kg	1,242	1,339	1,615	1,175	1,379	1,550	1,570	1,469
(12) MSG (Thai)	0.5 kg pack	3,220	2,720	2,785	2,945	3,040	2,847	3,150	3,147
(13) Soy sauce	bottle	1,270	1,105	1,105	1,100	1,100	1,141	1,130	1,194
(14) Fish sauce	bottle	1,415	1,325	1,365	1,355	1,350	1,288	1,310	1,300
(15) Sarong (Thai)	piece	6,603	6,700	7,045	7,015	8,750	7,643	8,165	7,640
(16) Kerosene	litre	950	1,040	1,150	1,150	1,150	1,000	1,080	1,133
(17) Charcoal	kg	413	480	410	388	440	500	510	497
(18) Gasoline	litre	1,480	1,429	1,592	1,600	1,700	1,567	1,650	1,600
(19) Motorcycle fare[a]	passenger	1,500	1,310	1,261	1,388	1,228	1,300	1,250	1,333
(20) "Lux" bath soap	cake	1,105	940	850	830	1,005	1,000	1,087	1,070

a Between Phsar Thmei and Phsar Chbar Ampeu

to the Chinese/Vietnamese New Year, revealed that consumer spending had increased remarkably since the November survey, in part because of the normal increased spending for the new year celebrations. Although average sales levels, 11 percentage points higher than those reported in November 1998, are the highest of the eight surveys' results, they stand only at 62 percent of the pre-July 1997 level (Table 3).

The 1999 Chinese/Vietnamese New Year did not bring as much money to vendors as the 1998 one. Only 6 percent of the vendors interviewed reported selling more and 16 percent reported selling the same, whereas 78 percent reported selling less. On average, vendors had sold about 30 percent less than their sales during the 1998 new year celebrations.

Although citing an increase in the number of vendors as one reason for sales not recovering to pre-July 1997 levels even during a season of high spending, almost all the interviewees said that the main reason was that their customers had become poorer. The vendors suggested that in early 1998 people had more savings generated from the pre-July 1997 boom period. Moreover, many vendors speculated that the good rice yield in the last wet season had only helped farmers recover from the increased debts they incurred after the 1997/98 shortfall in rice production, rather than improving their overall financial situation.

When asked for predictions of their future sales, 62

Table 3. Sales and Earnings of Vendors in Five Phnom Penh Markets, February 1998 - February 1999

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				
	IV	V	VI	VII	VIII	IV	V	VI	VII	VIII	IV	V	VI	VII	VIII
All items	87	98	93	92	87	54	48	52	51	62	68	58	57	58	79
Non-food items	92	99	92	92	91	48	45	47	50	60	60	49	47	57	85
Durable items	95	100	93	90	97	46	43	46	44	52	53	45	44	38	72
Luxury Items[a]	100	100	100	100	95	36	45	40	38	48	29	47	38	33	79
Household and utility items[b]	82	100	91	83	100	54	44	53	50	50	75	60	54	50	74
Clothing, shoes, bags	100	100	93	94	97	46	42	45	44	59	57	37	44	56	66
Non-durable items and services	91	93	88	95	85	56	54	48	56	69	81	67	59	77	100
Food items	80	98	94	93	82	61	54	59	52	65	80	76	73	60	73

IV indicates the fourth market survey (2-4 February); V the fifth survey (11-13 May); VI the sixth survey (17-20 August); VII the seventh survey (16-19 November); and VIII the eighth survey (8-12 February). 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.

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percent of the 158 respondents either declined to comment or said that it depended on the political situation. Of the 38 percent who responded, two thirds were optimistic about future business, whereas one third were pessimistic. The common reasons given for pessimism were that people had become poorer and that there was more competition.

3. Agriculture

In October during World Food Day, the Ministry of Agriculture, Forestry and Fisheries estimated a shortage of 250,000 tons of rice. However, a revised assessment released by FAO/WFP in mid-February suggested that rice production in 1998/99 would not be as bad as expected. Despite a prolonged drought (from May to September 1998), pest infestation and some flooding, Cambodia was expected to produce 3.52 million tons of paddy rice, 3 percent more than in 1997. The FAO/WFP report predicts that a small surplus of about 30,000 tons of milled rice can be expected in 1999.

The financial crisis in Asia appeared to have affected exports from Cambodia in 1998, especially natural resource-based products such as rubber and wood. Interviews with three rubber factories in Kompong Cham, which represent 60 percent of total rubber production in 1998, seem to suggest that exports of rubber declined around 20 percent in the first three quarters of 1998, relative to 1997. During this period, the average price of rubber fell 30 percent from $755 to $527 per ton.

4. Industry and service sectors

The total value of textile exports to the European Union and the United States grew by 66 percent in 1998 relative to 1997. The share of exports to the US was only around 16 percent of total garment exports in the second quarter of 1997, but increased to nearly 86 percent in the fourth quarter of 1998 (Table 4). Exports of textile products rose more than 57 percent in the fourth quarter of 1998 relative to 1997.

The sharp expansion of exports to the United States forced the US government to protect US manufacturers by imposing garment quotas on Cambodia from January 1999. The introduction of quotas has had an adverse effect on the development of the garment sector. A representative of the Garment Manufacturers' Association reported that about 90 percent of garment factories have been affected. However, the restrictions have allowed the government to generate income through bidding by garment manufacturers for additional quotas on top of their previously allocated quotas.

An enterprise survey in February revealed that quota restrictions had affected garment factories in various ways. Many garment manufacturers want the Ministry of Commerce to be transparent in quota allocations, *i.e.* in how large a quota they are supposed to receive each year, so that they can adjust their production accordingly. Some manufacturers complained that the limited quotas allocated to their factories are far less than the production capacity of the factories.

Table 4. Destination of Garment Exports, 1997-98

	United States	Rest of world	Total
	Millions of dollars		
1997 Q1	4.94	25.39	30.33
1997 Q2	21.72	34.25	55.97
1997 Q3	35.09	28.27	63.36
1997 Q4	45.34	32.11	77.45
1998 Q1	40.34	18.85	59.18
1998 Q2	62.71	18.65	81.35
1998 Q3	88.67	27.05	115.72
1998 Q4	104.47	17.31	121.78
	Percentage change from previous year		
1998 Q1	716.5	-25.8	95.1
1998 Q2	188.7	-45.6	45.4
1998 Q3	152.7	-4.3	82.6
1998 Q4	130.4	-46.1	57.2

Source: Ministry of Commerce

Table 5. Passenger Arrivals at Pochentong, 1995-98

	Tourists	Business	Official	Total	Change
1995	154,686	42,567	15,526	212,779	
1996	221,341	63,213	12,665	297,219	39.7%
1997	185,334	55,597	14,193	255,124	-14.2%
1998	153,941	42,848	15,513	212,302	-16.8%

Source: Ministry of Economy and Finance

The tourism sector in Cambodia showed signs of recovery in the second half of 1998 after declining dramatically after July 1997. The recovery was very much related to the high tourism season, which normally takes place in the fourth quarter of the year, and partly due to post-election stability.

Although the number of passenger arrivals to Cambodia through Pochentong airport increased in the second half of 1998 relative to the previous year, the annual total was still lower than that before July 1997. According to the Ministry of Economy and Finance, a total of 212,302 passengers, of whom 72 percent were counted as tourists and the rest business people and officials, arrived in 1998.[1] The total number of passengers was down 42,822 compared to 1997 and 84,917 compared to 1996 (Table 5). The economic loss incurred by a drop in the number of visitors of this scale is probably considerable.

Visitors from East Asian countries accounted for 32 percent followed by those from Europe at 26 percent and ASEAN at 22 percent in 1998. It is worth noting that in 1996 and 1997, the total number of ASEAN visitors were the second largest after those from East Asia. This decline is believed to be the result of the economic slowdown in the ASEAN countries following the Asian financial crisis since mid-1997.

5. Poverty situation: vulnerable workers

A survey of cyclo drivers, porters, small vegetable traders and scavengers in Phnom Penh from 3–10 February revealed a substantial recovery of their daily net earnings after the catastrophic fall following the fighting in July 1997 (Table 6). This increase was the result of a combination of factors.

The acceleration of trading activities in the run-up to

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Table 6. Average Daily Earnings of Vulnerable Workers in Phnom Penh, July 1997 - February 1999

	Net daily earnings (riels)						Jan 1999 relative to	
	Jul 1997	Jan 1998	May 1998	Aug 1998	Nov 1998	Feb 1999	Nov 1998	Jan 1998
Cyclo drivers	12,250	9,100	6,975	6,167	6,100	9,407	54.2%	3.4%
Porters	9,675	6,905	5,415	4,720	4,543	8,543	88.0%	23.7%
Small traders	7,050	5,150	3,400	4,767	5,913	7,923	34.0%	53.8%
Scavengers	4,155	3,415	3,040	2,610	2,567	3,697	44.0%	8.3%

Chinese/Vietnamese New Year created good earning opportunities for cyclo drivers and market porters. Cheap vegetables early in the dry season allowed small vegetable traders to earn more money due to increase in demand. Scavengers enjoyed a slight rise in prices of saleable rubbish, which stemmed from a recovery in demand due to the re-opening of local factories after their temporary closure following the fighting in 1997.

In contrast, ferry porters still suffered from a continuing decline in incomes. It was reported that transportation by water had become less competitive than by road, as the number of taxis and buses had increased and expanded their services. This has reduced ferry activities, and therefore the earnings of porters.

6. Investment

Although the data on actual implemented investment are not available, data on investment projects approved by the CIB give some indication of investment trends.

The number of investment projects approved by the CIB fell by 28 percent in 1998 relative to 1997, from 206 projects to only 150 projects. This reduction was mainly due to the dramatic decline of projects in agriculture and industry, particularly in the non-garment sector. Both registered capital and fixed assets increased slightly, by 1 percent and 10 percent respectively, in 1998. Manpower under full production, which is viewed as the potential jobs generated by investment projects, saw a similar slight rise.

The slowdown in agriculture and industry to some extent has been offset by expansion in the garment sector. Although the registered fixed assets here marginally increased, the number of garment investment projects fell slightly in 1998 for the first time since 1995, from 105 in 1997 to 92 in 1998. This levelling off took place in the fourth quarter, perhaps as a reaction to the US government urging consultations to be held with Cambodia concerning increasing garment exports to the United States.

7. Exports and imports

The Ministry of Commerce has recently released data on Cambodia's exports and imports from January 1995 to September 1998. It is clear from these data that ASEAN countries are still Cambodia's largest trading partners, but their position has been declining quite markedly. Cambodia's exports to Thailand, Singapore and Vietnam accounted for around 79, 65 and 48 percent of total exports in 1995, 1996 and 1997 respectively (Table 7). The percentage share of exports to other Pacific Rim countries increased substantially during this three-year period.

The total dollar value of Cambodia's exports increased gradually between 1995 and 1997, and peaked at around $411 million in 1997. The year-on-year annual growth rate of exports rose by 1 percent in 1996 and 9 percent in 1997. This was mainly due to the rapid expansion of garment exports to the European Union and the United States under GSP and MFN status.

The level of total exports for the first nine months of 1998 dropped dramatically relative to the same period in 1997. This is consistent with the balance of payments data reported in the previous issue of *Economy Watch* (*Cambodia Development Review*, Vol. 2, No. 4, p.17). This is due to a sharp decline in demand for Cambodia's products and the fall in export prices in the regional crisis countries as a result of their economic slowdown.

Contrary to export performance, total imports declined slightly by 3 percent in 1996 and 6 percent in 1997 compared to previous years. The slowdown of imports in 1997 was mainly caused by the decline in expenditure and income due to the fighting in July 1997. However, the appreciation of the riel and the dollar against the regional currencies during the second half of 1997, which would be expected to lead to an increase in imports, to a certain extent has offset the decline in demand for imports caused by the domestic crisis. The percentage share of total imports shows a similar trend to the share of exports.

8. Monetary and financial sector

Money supply data published by the NBC should be read with care because they do not include a large amount of foreign currencies, particularly dollars, that are circulating in the Cambodian market.

The money supply contracted by 10 percent in June 1998 relative to the level of the previous year, before a gradual increase from July to October (see *Economic Indicators*, p.18). The decline in money supply in June was primary caused by political uncertainty and a loss of confidence before the national election in July 1998, which led to a slowdown in foreign currency deposits. The value of total deposits declined throughout 1998 compared with the previous year—down by 22 percent in June, but recovering slightly from September to October. It is worth noting that foreign currency deposits generally account for around 95 percent of total deposits.

The decline in foreign deposits has put pressure on the lending activities of the banking sector. The year-on-year growth rates of credit became negative for the first time in March, and this trend continued through the rest of 1998. The service sector remained the largest recipient, and accounted for 76 percent of total credits in November,

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Table 7. Destination of Exports and Source of Imports, 1995-98

	Exports (millions of dollars)				Imports (millions of dollars)			
	1995	1996	1997	1998[a]	1995	1996	1997	1998[a]
ASEAN	299.23	249.14	206.83	121.65	388.15	444.58	406.49	207.08
Thailand	172.55	113.90	107.65	73.97	105.44	120.47	162.14	79.17
Singapore	106.63	107.56	60.49	23.14	146.84	150.18	94.02	49.31
Vietnam	13.59	23.83	28.75	19.78	93.27	111.56	88.24	45.13
Malaysia	2.21	3.15	8.94	2.87	25.82	43.41	48.89	22.67
Indonesia	2.77	0.52	0.65	0.01	14.95	17.85	12.05	9.62
Philippines	0.77	0.18	0.35	1.87	1.80	1.03	0.86	1.17
Laos	0.71	0.01	0.01	0.00	0.00	0.06	0.04	0.00
Brunei	0.00	0.00	0.00	0.00	0.00	0.00	0.12	0.01
Myanmar	0.00	0.00	0.00	0.00	0.04	0.01	0.13	0.00
Asia-Pacific	38.89	31.36	72.68	38.02	246.68	342.26	291.38	238.48
Taiwan	7.28	7.49	15.67	7.31	25.82	69.62	64.59	54.06
China	3.47	5.52	37.31	13.80	35.52	48.75	46.32	54.65
Hong Kong	20.99	11.22	10.43	9.99	30.57	37.97	54.87	50.08
Japan	4.21	5.01	5.15	4.36	112.23	91.96	68.50	36.47
South Korea	1.36	1.19	0.92	0.31	16.64	24.93	41.60	34.27
Australia	0.41	0.71	0.83	0.72	19.92	13.31	9.15	6.04
Other	1.17	0.21	2.36	1.53	5.96	55.71	6.34	2.92
Europe	25.85	93.87	60.83	34.33	341.41	147.91	185.89	63.56
France	8.95	40.82	7.96	5.58	48.53	40.26	33.90	23.64
United Kingdom	9.49	29.81	25.57	9.42	4.31	8.00	11.53	10.05
Germany	3.45	12.73	14.68	7.04	9.24	10.78	7.20	6.64
Switzerland	0.06	0.13	0.48	0.25	256.59	36.51	109.11	4.13
Other	3.89	10.39	12.13	12.05	22.73	52.36	24.15	19.09
North America	7.03	2.91	70.65	91.78	22.55	36.74	25.47	11.62
United States	6.57	2.64	70.09	91.22	21.05	34.05	21.95	11.10
Canada	0.46	0.28	0.56	0.57	1.50	2.69	3.53	0.52
Other	2.55	0.24	0.21	0.16	5.75	2.74	2.52	51.21
Total	373.54	377.53	411.21	285.95	1,004.55	974.23	911.75	571.95

a = January-September. Source: Ministry of Commerce

followed by the manufacturing sector at 18 percent and agriculture at 5 percent.

9. Government policy

In order to increase national revenue and prepare the ground for substituting import tariffs, which will need to be reduced and cut when Cambodia joins ASEAN, the government has introduced different forms of taxation. VAT is one measure that has been in effect since January 1999. This places pressure on producers, particularly those who rely on imported inputs, as they are now subject to VAT provisions which affect their moving capital. This new tax will also affect consumers as price rises are passed on. Although the garment sector is subject to VAT, it has been exempted following lobbying from the garment manufacturers.

In order to curb outflows of capital from Cambodia, the NBC issued two *prakas* (regulations) in August 1998 requiring commercial banks to keep domestic dollar deposits for domestic use. The NBC stopped allowing commercial banks to take dollars in cash out of the country, insisting that all transfers go through the NBC.

It is difficult, and seems to be premature, to assess whether these regulations have been successful. Although the value of total deposits generated by commercial banks has gradually increased since September (though at a lower level relative to previous years), this is due not only to the regulations but also to other factors such as the business environment and stability.

Recent interviews with bank managers about the NBC regulations revealed that some appreciated the measures because they would no longer be exposed to the risks of carrying dollars in cash out of Cambodia. However, of the three commercial banks that closed in 1998, one was believed to be affected by the regulations because it could no longer take dollars collected in Cambodia to Bangkok, where its crisis-hit parent bank is located.

Endnotes

1 Data from the Ministry of Tourism on the total number of visitors to Cambodia, excluding Siem Reap direct flights, record 36,992 fewer passengers, even though both ministries use the data of the Ministry of Interior. The data released by the Ministry of Economy and Finance seem to record consistently higher figures than those of the Ministry of Tourism over the 1996–98 period.

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Economic Indicators

1. Consumer Price Index (CPI) in Phnom Penh and the Provinces, January - December 1998

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	Monthly CPI											
Phnom Penh	129	130	130	131	135	137	142	140	143	144	143	143
Provinces	147	147	140	150	162	166	165	162	168	165	167	169
	Monthly CPI (seasonally adjusted)											
Phnom Penh	129	132	134	134	138	141	139	139	140	139	140	143
Provinces	151	155	149	154	167	171	158	150	164	157	167	169
	Inflation based on seasonally adjusted monthly CPI (month to month)											
Phnom Penh	2.4	2.0	2.0	-0.5	2.8	2.6	-1.3	-0.6	1.4	-1.0	0.9	2.2
Provinces	2.7	2.8	-3.7	3.5	8.5	2.0	-7.6	-5.3	9.9	-4.6	6.4	1.7
	Inflation based on seasonally adjusted monthly CPI (year on year)											
Phnom Penh	15.2	15.7	16.7	14.9	17.2	18.9	14.8	14.0	13.0	12.4	12.2	13.6
Provinces	12.6	15.2	11.0	13.6	20.8	24.6	17.6	15.1	13.9	10.9	16.6	15.6

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, January - December 1998

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Exchange rates (riels / $)												
Value (1) market rate	3,638	3,593	3,613	3,703	3,998	4,047	3,753	3,873	3,888	3,878	3,772	3,791
(2) official rate	3,590	3,555	3,580	3,655	4,015	3,995	3,770	3,730	3,800	3,870	3,775	3,770
(3) (1) as a % of (2)	101	101	101	101	100	101	100	104	102	100	100	101
Index (1) market	141	139	140	143	155	157	145	150	151	150	146	147
(2) official	139	138	139	142	155	155	146	144	147	150	146	146
Gold price (riels / chi)												
Value	117,341	120,610	119,193	126,066	128,809	130,619	130,772	117,665	124,545	124,852	125,174	123,236
Index	102	105	103	109	112	113	113	102	108	108	109	107

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

3. Money Supply, December 1997- November 1998

	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
	Billions of riels											
Broad money (M2)	1,063	1,107	1,097	1,076	1,102	1,140	811	1,004	1,050	1,080	1,134	1,207
Money (M1)	385	385	383	420	435	437	429	460	467	474	479	549
Currency outside banks	356	357	353	389	399	402	395	429	436	441	445	516
Demand deposits	29	28	30	31	36	35	33	30	31	33	33	33
Quasi-money	678	722	714	657	667	703	383	544	582	606	656	658
Time and saving deposits	13	14	12	11	12	13	14	12	14	15	16	20
Foreign currency deposits	665	708	702	646	655	690	369	532	568	591	640	637
	Percentage change from previous year											
Broad money (M2)	16.6	16.9	12.2	10.0	22.8	26.8	-10.1	17.2	18.8	19.7	20.0	16.7
Money (M1)	17.0	14.0	17.0	26.0	30.7	31.7	29.6	35.7	36.7	36.0	30.6	43.9
Quasi-money	16.4	18.5	9.8	1.7	18.2	23.9	-33.0	5.1	7.5	9.5	13.2	0.8

Source: National Bank of Cambodia

4. National Budget Operations, December 1997 - November 1998

	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
	Billions of riels											
Total revenue	144.2	60.8	63.7	91.7	81.4	65.5	90.6	70.4	55.5	61.7	89.9	68.5
Tax revenue	76.7	48.0	43.5	65.9	61.8	53.9	60.8	43.4	41.1	50.8	68.4	53.9
o/w customs duties	42.7	27.6	22.7	37.2	33.3	29.1	35.5	22.7	21.4	29.8	38.2	28.0
Non-tax revenue	67.2	11.8	13.6	25.7	19.2	8.1	25.0	21.5	14.3	10.9	21.5	12.8
o/w forest exploitation	4.5	0.5	1.3	1.1	2.3	1.1	2.0	3.6	0.6	0.9	2.7	1.2
telecommunication	15.1	5.7	5.7	9.0	7.2	1.9	10.1	9.9	7.5	6.5	9.7	7.7
royalties	0.1	0.4	0.1	0.2	0.2	0.3	0.0	1.8	0.2	0.1	0.0	0.1
Capital revenue	0.3	1.0	6.6	0.1	0.4	3.6	4.8	5.5	0.1	0.0	0.0	1.8
	Billions of riels											
Total expenditure	199.9	80.4	97.0	150.1	135.7	127.2	113.5	130.3	87.0	88.7	110.5	93.4
Capital expenditure	79.2	41.4	47.9	38.3	35.7	39.6	34.5	37.3	24.9	21.9	31.8	27.3
Current expenditure	120.7	39.0	49.1	111.8	100.0	87.6	79.0	93.0	62.1	66.8	78.7	66.1
o/w defense	79.3	7.6	18.0	66.1	61.0	31.3	56.2	36.4	32.6	13.0	55.7	25.4
civil administration	41.4	31.4	31.1	45.7	39.0	56.2	22.8	56.6	29.5	53.8	23.0	40.7
Overall deficit	-55.7	-19.6	-33.3	-58.4	-54.3	-61.7	-22.9	-59.9	-31.5	-27.0	-20.6	-24.9
	Percentage change from previous year											
Total revenue	74.6	-11.5	19.3	30.1	16.9	-8.2	43.5	33.8	-17.9	8.2	32.0	-27.7
Total expenditure	17.4	-7.5	17.7	52.7	43.9	33.2	1.6	60.7	-17.5	-23.1	-6.7	-28.3

Source: Ministry of Economy and Finance

Glossary

Technical Assistance Terms

Capacity Building (ការកសាងសមត្ថភាព)

Capacity building is the gradual development of an individual's (or an institution's) knowledge, skills and capabilities to do his or her job more effectively. Capacity building may take place through formal education and training courses, or through on-the-job training.

Code of Practice (ក្រមអនុវត្តល្អ)

A code of practice is a set of guidelines to which various parties have agreed to respect and follow. Codes of practice tend to be less formal than legal codes and official rules and regulations.

Counterpart (ជនដៃគូ)

In the context of development work, a counterpart is usually a local employee of an organisation that is going through a process of capacity building. The counterpart works alongside an "expert" to improve his or her skills and experience. The aim of this process is for the counterpart to be able to take over the job and continue the work when the expert leaves.

External Assistance (ជំនួយពីក្រៅប្រទេស)

External assistance is foreign or overseas aid—money given, or lent at low interest rates, by developed countries (donors) to developing countries (recipients) to assist their economic development. There are several distinct categories of external assistance. Emergency and relief assistance follows a disaster such as an earthquake or major flooding. Food aid is given in famine situations. Budgetary or balance of payments support is money given to governments to strengthen their economic situation. Capital assistance finances specific investment projects that create productive capital. Technical assistance is defined below.

Salary Supplementation (ប្រាក់ឧបត្ថម្ភលើបៀវត្សន៍)

Many development programmes in Cambodia offer salary supplementation to counterparts working on their projects. In most cases this is an additional payment given to government officials by the donor funding the project, and is a recognition that government salaries are inadequate. The purpose of salary supplementation is to ensure that counterparts are able to work on a development project, build up their capacity while doing so, and then keep the project going after the donor has left.

Technical Assistance (ជំនួយបច្ចេកទេស)

Technical assistance, or technical cooperation, aims to transfer skills, technology, or ways of doing things, to individuals and organisations in developing countries. Sometimes this is done by sending people ("experts" or consultants) to those countries, and sometimes by training those countries' students in donor countries. Technical assistance can have other objectives besides capacity development. Its immediate objectives can include the facilitation, monitoring and supervision of resource flows. Its ultimate objective is to increase output and incomes in the developing country. Within this context, capacity development is an intermediate objective of technical assistance.

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CDRI Update

Research

The main event of the year so far has been a workshop and conference on the *Impact of the Asian Financial Crisis on the Southeast Asian Transitional Economies* held in Phnom Penh from 17–22 January. This was part of a programme of collaborative research by the regional Development Analysis Network, which includes the Cambodian Institute for Cooperation and Peace, the National Economic Research Institute and the National Statistics Centre in Laos, the Central Institute for Economic Management and the Institute of Economics in Vietnam, and the Thailand Development Research Institute, as well as CDRI. The process of recruiting two more Cambodian researchers, which will increase the number of staff in the section to nine, is under way. A workshop on monitoring the Cambodian economy will take place in Phnom Penh on 31 March.

English Language Programme

The English Language Training programme began 1999 with a part-time TOEFL preparation course for the test which was held at the University of Phnom Penh on 27 February. A practical teacher's resource book is currently in development, and is due to published in mid-1999. The programme has been selected to provide the English language training component for a master's degree in education administration provided by the Ateneo de Manila University in coordination with the Ministry of Education. Five months of English for academic purposes training will precede the master's programme, which is due to commence in November 1999.

Library

The CDRI Library holds about 5,300 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). Library staff are currently introducing the Dewey Decimal Classification system to replace the current system.

Cambodian Centre for Conflict Resolution

CCCR organised a three-day workshop on *Mindful Mediation: A Buddhist Guide for Conflict Resolution and Peace-Building*, held at CDRI from 18–20 February. This was also the official launch of the four-volume *Mindful Mediation* series, which is now complete—all four volumes are available at CDRI for a price of 1,500 riels each. CCCR staff are undertaking a research project looking at different aspects of the conflicts surrounding the July 1998 national election, and findings will be presented at a conference on *Conflict Prevention for the Commune Election*, scheduled to take place in May or June. The CCCR team has now expanded from two to six people with the arrival of Ok Serei Sopheak as CCCR Coordinator, Real Sopheap and Huy Romduol as Programme Officers, and Sen Sina as Administrative Officer. Internal capacity building will be one of the priorities for the coming months.

Publications

The English edition of a collaborative study with the Stockholm School of Economics was published in January as *Cambodia: The Challenge of Productive Employment Creation* (Working Paper No. 8). The Khmer edition of the collection of regional economic integration conference papers was published in February under the title *Cambodia: Challenges and Options of Regional Economic Integration* (Conference Paper No. 3). Forthcoming papers will cover labour migration to Thailand, an overview of gender and development issues, and economic monitoring and survey methods. The website will be enhanced and upgraded in mid-1999.

Cambodia Development Review is also available in Khmer

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