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## Towards True Reconciliation in Cambodia

Ok Serei Sopheak of the Cambodian Centre for Conflict Resolution reports on a recent fact-finding mission to the former Khmer Rouge zones in northwestern Cambodia, and compares the progress of reintegration and development in three provinces.\*

**F**rom 1–13 November 1999, a joint CDRI-CCCR team undertook a fact-finding mission to selected former Khmer Rouge zones in three provinces: Siem Reap, Banteay Meanchey and Battambang. Four other reconciled areas—Anlong Veng and Trapeang Prasat in Oddar Meanchey, and Samlot and Veal Veng in Pursat—were inaccessible due to unusually heavy rains.

The purpose of the mission was: 1) to seek an understanding of the nature and status of reintegration, reconciliation and conflict in former Khmer Rouge areas recently reintegrated with the government, and 2) to assess the needs and opportunities for conflict resolution activities in the reintegrated areas so as to help design appropriate development interventions that will further support and strengthen the process of reconciliation and peace-building.

The team was able to visit 20 communes in 12 districts, and though the visits were brief, the mission revealed interesting differences between the experiences of the three provinces. In general, the circumstances under which the reintegration took place, the socio-political organisation of the areas concerned, and the availability of local resources and infrastructure, have influenced the degree and pace at which reintegration and reconciliation have progressed. The mission also differentiated between three types of reintegration: military, administrative, and socio-economic.

It is generally agreed that military reintegration has taken place in all three provinces studied, either through formal processes facilitated by the government (as in Pailin and Malai), or as a result of the disintegration of the Khmer Rouge military apparatus, as in Anlong Veng following the death of Pol Pot and the arrest of Ta Mok. In terms of administrative integration, the re-establishment of functioning links with public sector services, and

\* This article is based on the report from the fact-finding mission, which was commissioned by UNDP/CARERE. It is published here with the permission of UNDP/CARERE.



Poor road infrastructure is one of the main constraints to development in the former Khmer Rouge zones, and hinders their reintegration with the rest of Cambodia.

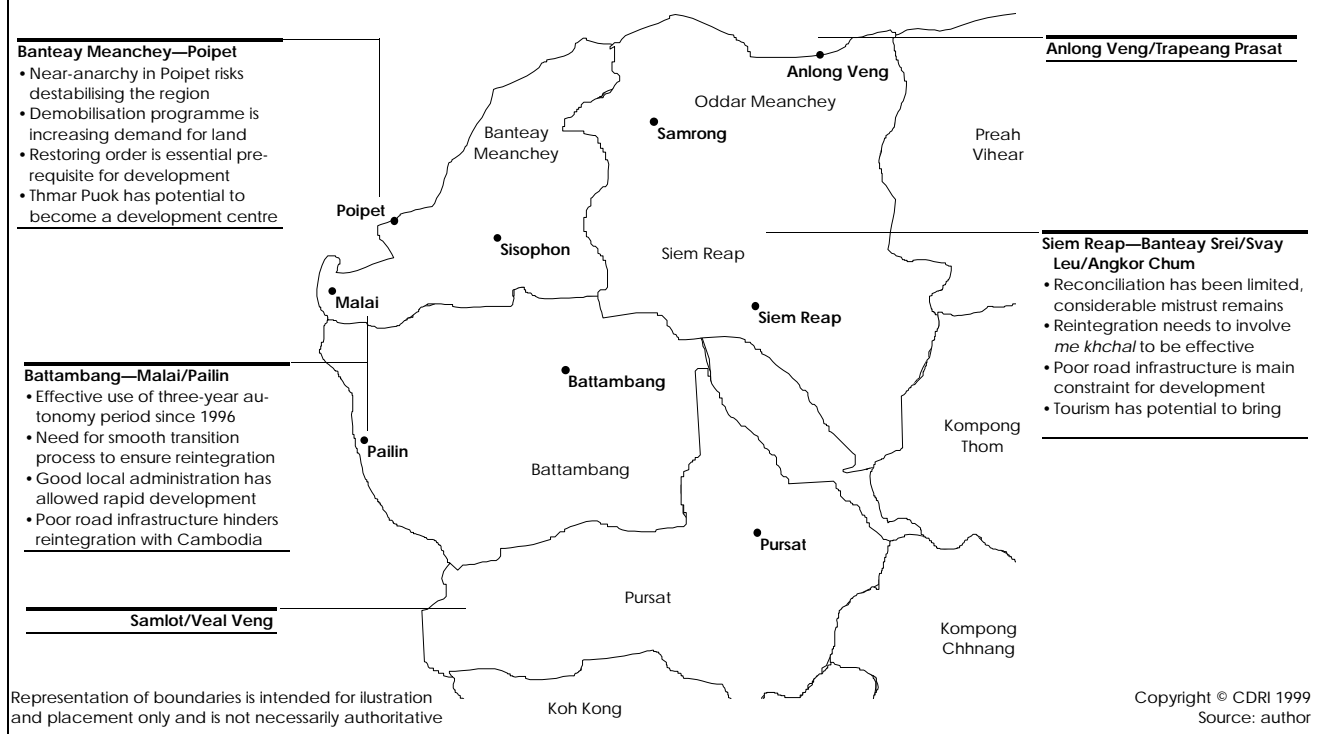
accountability to government structures of authority, there was great variance between the three provinces, and even between communes within the same areas. The same is true of social and economic integration.

The extent of reconciliation between populations that have been fighting for the past three decades was more difficult to evaluate, but the team was able to draw some conclusions from observation and from interviewing a broad range of respondents. In the reintegrated areas of Siem Reap in particular—which tend to be more isolated and poorer than those in Battambang and Banteay Meanchey, and which were not officially recognised and ceremoniously welcomed back to the fold—the process of healing and of building trust has been slow. Many of the institutions or mechanisms which played an important role in rebuilding Cambodian society after the 1970s,

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Figure 1. Progress of Reconciliation and Development in Former Khmer Rouge Zones



such as pagodas, schools, and health centres, do not exist in most of the reintegrated areas in Siem Reap, and though there are more in the other two provinces, they are still few and far between. Even markets, which can facilitate social interaction, were often far from the reintegrated villages. On the other hand, the fact that Cambodia is now at peace is in itself creating the space for genuine reconciliation to take root.

### Siem Reap

The former Khmer Rouge stronghold of Anlong Veng, once part of Siem Reap province, now falls under the administrative jurisdiction of Oddar Meanchey, while southern districts that were once controlled by the Khmer Rouge have remained in Siem Reap. Because road access is difficult, and almost impossible during the rainy season, the southern reconciled areas (now in Banteay Srei, Svay Leu and Angkor Chum districts) have practically no links to Anlong Veng. Instead, their future development is linked to Siem Reap, where tourism—given peace and stability—has the potential to bring rapid progress, provided of course that there is improvement in the road infrastructure. At present, however, the more remote reconciled areas are almost completely isolated, the poor road system being the main constraint to access to schools, health centres and markets.

In Siem Reap, even though the majority of the Khmer Rouge defectors are now established in villages administered by the government, reintegration is not ensured. The reconciled villages are still defensive, and the past is still alive in the people's minds. The healing process here

will take some time. Most people in the former Khmer Rouge zones, for example, were reluctant to say that they had been Khmer Rouge soldiers, and reported few problems in their relations with the government. The local authorities (for the most part CPP), at both the district and commune levels, also claimed that there were no problems and that the former Khmer Rouge were well integrated. Yet at times, the vocabulary used by commune and village chiefs still qualified the former Khmer Rouge as enemies. It was also noted that during village social functions, such as religious ceremonies and weddings, apart from some rare instances, there was no general participation from the former Khmer Rouge villagers.

There are other signs that all is not "fine," as officials suggested. Government services do not reach these areas, and government staff do not want to work there due to the poor living conditions and also, to some extent, to fear. This is again understandable given the history of these areas. Perhaps because the roads are difficult, and resources are limited, visits by commune chiefs or district officials to the reconciled villages do not take place as often as the reintegration process requires. Nor are the procedures used during village and commune development committee meetings sufficient to promote the full participation of the reconciled people, who are often disadvantaged if not discriminated against.

In mixed reintegration areas there is more evidence of fear and mistrust between different groups in the village. In those areas where communities returned as a group and maintained the same leadership, there is greater cohesion.

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These communities tend to be more self-reliant and have fewer security problems. Where communities have resettled or returned to their ancestral villages, there also tends to be a greater sense of reintegration. The village *me khchal* play an important role as spiritual leaders in these communities, and involving them in development processes could hasten reintegration and reconciliation. Regular informal dialogues should be organised between them and the chief monks and members of the pagoda committees. The *me khchal* should also be honoured during social functions.

The basic human needs for health and education in the reintegrated areas of Siem Reap are tremendous. Malaria is the most pressing health problem, and illiteracy rates are higher than the national average (up to 80 percent in some villages). The lack of road infrastructure is the most severe constraint for development, limiting access to markets and links to the rest of Cambodia. The recent government ban on illegal logging has affected people's livelihoods, and alternate sources of income generation are limited due to isolation. Land is available, and though the soil may not be as fertile as in other areas of the northwest, its potential has not been fully tapped.

Despite these problems, there appears to be tremendous potential for development. Judging from the few roads built by some local communities, and the initiatives of others to set up a local school and support their own teachers, it is clear that what is lacking in terms of services is compensated by the people's self-reliance, determination and readiness to invest their own limited resources for the benefit of the community. There are no dependency syndromes here, and development agencies should take care to preserve this situation.

### **Battambang and Pailin**

Administrative, and socio-economic reintegration is more advanced in Battambang, Banteay Meanchey and Pailin, than in Siem Reap. In Battambang and Banteay Meanchey, reintegrated areas which joined the government when an amnesty was in effect, and where military forces were formally and ceremoniously received, there are more functional links with the government administration. Departments for health, education and agriculture, for example, were re-established and are linked to their national counterparts. A budget for these sectors, has been made available by the government.

The special administrative and economic status gained during the negotiations over reintegration, as well as the availability of land and natural resources, and proximity and access to Thailand, have favoured rapid development, though this has not been without cost.

Even though administratively Malai belongs to Banteay Meanchey, it is clear to see that Malai, Sampov Lon, Phnom Preuk, Kumrieng and Pailin (and probably Samlot and Veal Veng) appear to have been organised as one potential political entity. It is perhaps not a coincidence that all the "brains" of the former Khmer Rouge live

either in Malai or Pailin. These regions give the impression of a competent administration that provides basic services to its population, in a way that the national government has not been able to achieve for the Cambodian people nationwide.

The Malai-Pailin region has provided a range of effective solutions to the problems facing its people: land distribution, demobilisation, competent governance by the local administration, industry-oriented agriculture, security—in short, a profitable transition from war to peace. The local authorities have asked international organisations to provide whatever is lacking in terms of social services, such as schools, health centres, roads, clean water, and are prepared to put up substantial counterpart

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funding. The economic development in these areas has been rapid, and has huge potential for the future. Agricultural production is, in many places, as well developed as in Thailand, with relatively high yields and the large surplus of rice, corn and soy beans, though these are all exported to Thailand. There is also great potential for tourism, particularly in Phnom Preuk and Pailin, which offer a climate similar to summer in Europe or Japan. However, the area needs a well-designed plan to ensure sustainable development.

The authorities have used the three-year autonomy period well, but this grace period is now ending. Although the Cambodian government appears to be taking the reintegration process here somewhat for granted, it seems that the Thai government is taking a more pro-active role, and according to some sources has instructed its border provinces to develop cooperation policies with their Cambodian counterparts. With terrible road connections from the border areas to the rest of Cambodia, the danger is that these regions become more integrated with Thailand than with Cambodia.

The negative consequences of rapid development, such as "social diseases," are starting to show in some of the more prosperous areas—Kumrieng being the most obvious case. The spectacular progress here sometimes carries a high price in terms of social costs such as gambling, prostitution, drug abuse, and corruption. There is awareness of these negative developments, but no long-term solutions are in sight. Pailin may have the potential to manage these ill-effects, but in Kumrieng the process is drifting towards becoming irreversible.

Through the limited interviews the team conducted, it appears that the national government and the provincial authorities are not paying enough attention to the former Khmer Rouge zones in Battambang. There are too few working visits, and those that do take place emphasise formal receptions over practical work towards reintegration. This raises some concern in view of the fact that early next year the three-year grace period granted to the reintegrated zones will come to an end, and there appears to be no clear government policy and timetable for total reintegration. Nevertheless, it seems that government appointments to key administrative positions will take

place. Unless there is sufficient preparation, potential conflicts could emerge as such changes disturb what has become a well-established system. From the team observations, it is critical that the government implement a smooth transition mechanism when the autonomous status of these areas ends, putting in place officials who are sensitive to and understand the background and the dynamics of the region, and who will be committed to the interest of the local communities. A handover period of at least six to twelve months may be one way the government could facilitate a smooth transition, so that mutual understanding has a chance to take root.

### Banteay Meanchey

In Banteay Meanchey, the reconciliation process for the most part deals with internal conflicts among former non-communist resistance forces, which have been complicated by the events of July 1997 and their aftermath.

The political dynamics are too complex to describe in this article. It is worth noting, however, that Thmar Puok stands out as one area with positive development experience and potential, where the people participate actively in the development process, and where there is good reintegration of reconciled villages. A well-balanced reconciliation/development plan could take advantage of this strategic point to reach neighbouring districts.

In antithesis is Poipet. The near-anarchy of Poipet, which is fast falling out of the control of any authority, and to a lesser extent of O'Baicharn, could jeopardise the fragile stability that has emerged. Poipet is practically lawless, and this one small border area alone is almost a microcosm of all the issues that challenge the government across the country: land disputes, prostitution, AIDS/HIV, trafficking of women and children, illegal immigration, demobilisation, organised crime, and so forth. To allow such a situation to continue uncontrolled will have a negative impact on neighbouring areas and could undermine stability in the region.

### Conclusion

Overall, the fact-finding mission revealed that in the reconciled areas studied, with only one or two years of peace and stability, and with appropriate forms of assistance, the living conditions of the people have rapidly improved. The sense of solidarity and mutual assistance among community members is also much stronger here than in other areas in Cambodia, with local strong commitment in terms of financial contributions towards infrastructure projects. National programmes, such as that for demobilisation, have started effectively in some communes, with the establishment of new villages for soldiers supported by rural development programmes. Initiative, resourcefulness, discipline, industriousness and determination are evident, and when mobilised in appropriate development interventions will yield promising results. Development strategies should take care not to undermine

these strengths, and should take advantage of traditional leaders such as the *me khchal* in promoting reconciliation.

Some development interventions to consolidate reintegration and reconciliation are offered here:

- Engaging communities in rehabilitation or development projects which they identify as priorities can facilitate reintegration. Care needs to be taken, however, regarding the decision-making processes and participation of the former Khmer Rouge in what are predominantly CPP-controlled mechanisms.
- Schools are important centres of reintegration and reconciliation. It was significant that most interviewees identified schools as the top priority for assistance or development.
- Health centres with medical staff trained in recognising and addressing psycho-social trauma are also important. These can play an important role in the

healing process, which is a precondition for reconciliation.

- The media, as well as theatre and music, are an important tool in furthering the process of reintegration. Cultural programmes which communicate moral values or convey educational messages can make a valuable contribution to and speed up the process of reintegration and reconciliation.

- Having an "identity" as part of the reintegrated national community is critical to reintegration. Providing people with identification cards can be an important symbolic action. Similarly, land titles are another way of formalising reintegration.
- Adult literacy should be another area of priority intervention. Given the strong motivation that exists in the reconciled communities, literacy programmes would probably have a high degree of success.
- CARERE and other development agencies should support the training of teachers and of medical personnel, and provide incentives (or encourage government or the communities to provide incentives) to attract competent people.
- Local leaders and development workers in the reconciled areas could benefit from training in trust building and conflict management skills.
- Provincial and district officials, as well as officials of the Social Fund, should have a clear schedule of visits to the reconciled areas. It is important that the former Khmer Rouge be convinced that the government cares for them.
- Development agencies could facilitate links between the autonomous zones and the government to build trust and mutual understanding.
- The construction of a good road linking Malai, Pailin, Samlot and Battambang along Route 10 is vital. This could be an opportunity for the government to step in with an effective development intervention that could in turn create practical conditions for true reconciliation.

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# How Important is External Assistance To Cambodia?

Martin Godfrey compares the foreign aid given to Cambodia with that to other developing countries, and takes a brief look at some of the problems facing the country's provinces in terms of external assistance.\*

It cannot be denied that the Cambodian economy is highly dependent on foreign aid. Total external assistance in 1998, though below levels of a few years earlier, was worth \$404 million, of which technical assistance accounted for \$231 million. Table 1 shows how these figures relate to other important economic quantities.

The most striking aspects of the table are not so much the scale of aid in relation to Cambodia's population and GDP, as its scale in relation to other sources of foreign exchange and to the government budget. Total assistance is equivalent to more than 70 percent, and technical assistance to 40 percent, of the foreign exchange earnings from domestic exports (mainly garments, for which 1998 was a good year). Both are much bigger than earnings from exports of services (mainly tourism, for which 1998 was a terrible year). In fact, the foreign exchange inflows associated with aid are smaller than this, but it can still be regarded as equivalent to one of the economy's most important exports. In relation to the budget, the dominance of external assistance is even more striking. Expenditure on technical assistance alone exceeds the total tax revenue raised by government, and exceeds non-defence expenditure by almost three-quarters.

## How Does Cambodia Compare?

Many other countries receive more aid per head than Cambodia. In 1996 (the most recent year for which comparable data are available), Cambodia is 67th in a list of 166 countries ranked by the World Bank in order of aid per capita (Table 2). At the top of the table are tiny island economies, with more than \$1,000, and in one case more than \$2,000, in aid for each inhabitant. The \$44 per head received by Cambodia is less than that received by Israel (\$389), Nicaragua (\$212), Bolivia (\$112), Albania (\$68) and Yugoslavia (\$64) and, among Asian countries, Papua

\* This article is based on a presentation made during a seminar for provincial governors on development issues and conflict management, which was held from 18–22 October 1999, and draws on ongoing research work into technical assistance and the development of Cambodian capacity. Martin Godfrey is Research Coordinator at the Cambodia Development Resource Institute.

Table 1. Importance of External Assistance, 1998

As a percentage of	Total external assistance (\$404 million) <sup>a</sup>	Technical assistance (\$231 million) <sup>b</sup>
GDP	14	8
Exports	57	33
Domestic exports	70	40
Exports of services	370	211
Net foreign investment	335	191
Government revenue	167	95
Tax revenue	226	129
Government current expenditure	169	96
Non-defence current expenditure	305	174

a = Total external assistance includes investment project assistance, budgetary and balance-of-payments support, food aid, and emergency and relief assistance as well as technical assistance; b = There are two types of technical assistance—free-standing (\$208 million in 1998) and investment-related (\$23 million). Source: Cambodian Rehabilitation and Development Board; National Bank of Cambodia; Ministry of Economy and Finance.

New Guinea (\$87) and Laos (\$72), among many others.

However, if countries are ranked by aid as a proportion of exports or as a proportion of government revenue, the picture is very different (Table 3 overleaf). Cambodia is near the top of both lists, and is particularly high in the ranking by aid as a percentage of government revenue.

Most of these countries have suffered a collapse in export earnings and/or in government revenue. About two-thirds of the countries in the table are African, and more than half of the countries in the table on one criterion are also in the table on the other.

Countries emerging from conflict of one kind or another are well represented in both columns, while those in transition from planned to market economies have particular problems with government revenue. Cambodia's status as both a post-conflict and a transitional economy puts it in a doubly difficult position. Table 3 suggests that the way to reduce this kind of dependence on aid is not to reduce aid, but instead to increase export earnings and government revenue.

Table 2. Aid Per Head to Developing Countries, 1996

Country	Aid (\$)	Country	Aid (\$)
1 New Caledonia	2,011	60 Haiti	51
2 French Polynesia	1,833	65 Angola	49
3 Marshall Islands	1,279	<b>67 Cambodia</b>	44
4 Micronesia	1,037	70 Estonia	42
5 Netherlands Antilles	600	75 Burkina Faso	39
6 Dominica	582	80 Panama	33
7 Israel	389	85 Cameroon	30
8 Sao Tomé / Principe	347	90 Sri Lanka	27
9 Tonga	329	95 Jamaica	24
10 Cape Verde	309	100 Guatemala	20
15 St Vincent	238	105 Iraq	18
20 Vanuatu	180	110 Uruguay	16
25 Kiribati	161	115 Thailand	14
30 Mauritania	117	120 Philippines	12
35 Rwanda	100	125 Romania	10
40 Comoros	79	130 Moldova	9
45 Senegal	68	135 Belarus	7
50 Honduras	60	140 Turkmenistan	5
55 El Salvador	55	145 United Arab Emirate	3

Source: World Bank (1998).

**Table 3. Comparison of Aid as a Percentage of Export Earnings and Government Revenue, 1996**

Aid as a percentage of export earnings		Aid as a percentage of government revenue	
1 Rwanda	829	1 Rwanda	895
2 Guinea-Bissau	632	2 Chad	267
3 Burundi	406	3 Sierra Leone	258
4 Haiti	213	4 Nicaragua	220
5 Mozambique	195	5 Haiti	171
6 Sierra Leone	176	<b>6 Cambodia</b>	<b>157</b>
7 Burkina Faso	142	7 Burundi	157
8 Cape Verde	119	8 Laos	137
9 Nicaragua	119	9 Tanzania	116
10 Ethiopia	109	10 Uganda	115
11 Malawi	107	11 Mauritania	113
12 Comoros	95	12 Madagascar	105
13 Uganda	94	13 Zambia	100
14 Chad	94	14 Ethiopia	92
15 Mali	91	15 Mongolia	85
16 Central African Rep.	83	16 Kyrgyz Republic	76
17 Niger	83	17 Nepal	75
18 Laos	79	18 Guyana	58
19 Tanzania	71	19 Honduras	52
20 Lesotho	55	20 Bolivia	48
<b>21 Cambodia</b>	<b>55</b>	21 Albania	47

Source: World Bank (1998); IMF (1999).

### Problems Facing the Provinces

It is difficult to determine with any degree of accuracy the distribution of external assistance to particular provinces. Some data are available from the Cambodian Rehabilitation and Development Board for 1994–96. During this period, 56 percent of external assistance was described as being for “country-wide programmes,” with no information available about its provincial distribution.

Comparison of the remaining 44 percent which was linked to specific provinces against provincial population distribution suggests that, overall, a disproportionate amount of aid is received by Phnom Penh. There is also uneven distribution between other provinces, with some (such as Sihanoukville and Kompong Speu) appearing to receive more than their share, while others (Mondolkiri and Kratie, for example) appear to receive much less.

This comparison should be treated with considerable caution. Some provinces in the north and west of the country were insecure during the 1994–96 period as a result of fighting between government and Khmer Rouge forces. It is also impossible to determine whether some of the assistance listed as going to Phnom Penh was not being channelled through the head office of an organisation based in the capital, which was in turn disbursing it to other provinces. Nevertheless, it does seem as though there is a lack of balance in the distribution of assistance across the country.

CDRI is in the middle of a research project on technical assistance and the development of Cambodian capacity. This is not yet finished, but preliminary findings have already revealed several problems. Many of them reflect

the lack of real “ownership” of external assistance, by either central or provincial government.

The selection of development projects tends to be donor-driven. A list of projects is prepared for the Consultative Group meeting, but most of the initial ideas are likely to have come from donors. The provinces could play a greater role in this process by generating ideas for new projects, discussing them in provincial coordinating committees (PCCs), and then sending proposals upwards for consideration by the Consultative Group.

The role of government in the selection of technical assistance personnel in Cambodia is small. Donors and NGOs tend to select their own experts, and at most undertake formal consultation. Provincial government could again use PCCs to promote consultation between government and donors on new appointments, and on the termination of contracts of unsatisfactory experts.

There are also problems with government counterparts in technical assistance projects. At the top, counterparts tend to be overstretched, while at the middle level they are often missing unless salary supplementation is available. PCCs could be the place to discuss such problems and to press for realistic supplementation, at least on a transitional basis.

There tends to be pressure on technical assistance experts to “do the job” themselves rather than to develop local capacity. Experts write letters, speeches and reports, and often “advise” rather than teach others how to do

***Some projects prefer to work outside government structures. Some NGOs bypass government altogether, and give no information to the provincial government. This leaves the provinces at a disadvantage.***

these things. (This is connected with the counterpart problems.) To address this issue, the provinces could use PCCs to develop “codes of conduct” for technical assistance experts, with an emphasis on capacity development.

Some projects prefer to work outside normal government structures. Some NGOs bypass government altogether, and give no information to the provincial government. This leaves the

provinces at a disadvantage. Provincial authorities could press the government for a national policy that would ensure that all projects relate in some way to government structures, and use PCCs to obtain information from all projects in their province.

At the root of most of these problems are inadequate government budgets. This is why government tends to accept all development projects that are offered, and why problems arise with counterparts (due to low salaries) and with lack of ownership. The provinces should continue to press the Ministry of Economy and Finance to raise more revenue and to pay adequate salaries, and use any revenue raised in the provinces for this purpose.

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# Land Ownership, Sales and Concentration

**Sik Boreak conducts a preliminary review of data from four recent surveys<sup>1</sup> to describe the changing nature of land acquisition, exploring the complex link between land concentration and rural poverty.\***

Throughout Cambodian history, land has been viewed not solely as a factor of production, but as a unique social amenity—a secure form of holding wealth, and of gaining social and political advantage and family food security. It has, therefore, been a central focus of government intervention and development policies. To ensure the efficiency and effectiveness of land use and land management, the government undertook major land reform, land redistribution and the reintroduction of land ownership titles in 1989. Land was redistributed to the people who occupied the land, and ownership titles were reintroduced following the abolition of private property rights from 1975. The land redistribution and privatisation were based on Sub-Decree No. 25 (Council of Ministers of the People's Republic of Kampuchea) dated 22 April 1989, and Enforcing Instruction No. 3, "Enforcing Instruction of the Principles for Possession and Use of Land" (Council of Ministers of the State of Cambodia) dated 3 June 1989. The complexity and lack of clarity of these regulations, and the vagueness of the 1992 Land Law, however, have led to land-related conflicts in the current free market economy. Since the 1989 land reform, land-related conflicts have risen alarmingly.

## Land Access and Acquisition

The land ownership situation in Cambodia is unique, since most people acquired their land in the 1980s. In accordance with the 1989 land reform and privatisation, it is reasonable to assume that the majority of Cambodians have access to land and that the redistribution was fairly equitable, at least within the *krom samaki*. Depending upon land availability, land fertility and the number of household members in each *krom*, each household acquired two to three plots of agricultural land, mainly rice fields, in different cropping regime areas. The size of the holdings and plots varied widely according to population density and location. In some areas with a high population

density, each household obtained approximately 1–2 hectares (ha), while in the others households received 2–3 ha of rice land.

However, with increasing demand for access to land and a poor land supply system, in addition to a growing agricultural population, patterns of land acquisition have changed dramatically. People are attempting to obtain more land in other ways, and land allocation by the local authorities and *krom samaki* is no longer the main source of land acquisition in rural areas. The majority of the households in the World Food Programme's "protracted emergency target" (PET) areas commonly reported that their land was acquired as a gift from friends or relatives (43 percent), while 28 percent and 5 percent reported their land as coming from the local authorities and *krom samaki* in 1989. Helmers and Kenefick (1999) argue that the low degree of land acquisition through local authorities and *krom samaki*, which would have been expected to be the main source of land acquisition in the late 1980s, is explained by two reasons: (1) the PET areas,

***The PET survey shows that the land titling system has only reached a fraction of the households. Only 2 percent had full rights of possession for their residential land, and another 1 percent full legal rights of possession for their agricultural land.***

often insecure because of fighting, had few *krom samaki* established before 1989, so that households only began to own land after 1989; and (2) the young average age of sampled household heads, reinforcing the likelihood that many people were given land by relatives or friends.

Unoccupied agricultural land and forest areas still provided marginal land for landless farmers or others to clear. According to the PET survey, 13 percent of people cleared land by themselves, or occupied unused agricultural land, in order to obtain farmland. Another 11 percent of the households reported that they had obtained most of their land through purchase, demonstrating the effective emergence of market forces in land distribution, even though these still had a minor role in rural areas.

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## Land Tenure

Even though the vast majority of the population acquired land in the 1989 redistribution and privatisation, most do not have land certificates to demonstrate their ownership. Large numbers of people had applied for ownership titles (over 4.4 million applicants) by 1995, but only around 10 percent have received official certificates. The PET survey shows that the land titling system has only reached a fraction of the households in the PET areas. Only 2 percent of the PET households had full rights of possession for their residential land, and another 1 percent full legal rights of possession for their agricultural land (but none of these were female-headed households). A further 15–16 percent of the households have received application receipts and/or land investigation forms, yet neither application receipts nor land investigation forms are valid under law.<sup>2</sup> Ninety-eight percent of the land occupiers in PET areas, therefore, do not have enforceable legal tenure rights for their residential and/or agricultural land.

The extensive lack of formal land tenure rights leads

\* This article is based on ongoing research work into land issues. Sik Boreak is a Researcher at the Cambodia Development Resource Institute.

to great insecurity and is a significant constraint for rural development. Insecure land titles, in addition to a substantial increase in land grabbing in almost all provinces, is a great risk to individual land owners. Williams (1999) asserts that "land grabbing is pervasive and is dominated by people with more power than their victims." OXFAM GB's Cambodia Land Study Project reports that a total of 217 large-scale land disputes, which on average affected 50 families and 120 ha of farmland, had occurred in almost all provinces. The PET survey revealed that 3 percent of respondents (none of whom had legal ownership titles) reported illegal forced take-over of their agricultural land in 1998.

With the existing legislation, which allows land expropriation by the public sector for public beneficiaries, farmers are in a great danger of losing land to development processes. The current ill-defined expropriation rules in the Land Law, and the bureaucratic system in Cambodia, create difficulties in the implementation process, and though landowners are supposed to be compensated (albeit at prices that understate the market value of their land), few have been paid.

This situation of tenure insecurity also restricts access to scarce rural credit and reduces the incentive to invest in land-based improvements.

Since both formal credit institutions and informal moneylenders prefer low risk for their credit, farmers with legal titles are likely to have better access to credit. Access to formal or informal credit is much easier for farmers with titles. Access to credit encourages investment in land improvement—many empirical studies show that the higher the degree of tenure security, the higher the demand for investment, especially for goods and services that become attached to land. On the other hand, farmers without secure land title are excluded from access to rural credit, and hence, constrained in investing in land improvement.

### Land Sales

With widespread confusion surrounding ownership titles and land application receipts, land transactions and land speculation have rapidly emerged in the market. Both residential land and agricultural land have been actively transferred. The records of land transactions compiled by the Department of Land Titles and Geography show that over 10,000 land transactions have officially been recorded in 20 provinces (excluding Phnom Penh) since 1995. Actual transactions are believed to be much higher. At the household level, the Baseline and PET surveys, conducted in 1998 among households with at least one child under five years of age and the mother present, reported that approximately 6 percent and 4 percent of respondents sold their farmland in 1997 and 1998 respectively.

Cambodian farmers traditionally strive to own and retain their land. In the case of the Baseline and PET surveys, farmers linked the sale of their most productive

asset—land—to the desperate financial need to cope with shocks or crises, such as large and unexpected food shortages, income and/or family troubles. In other words, distress sales are associated with the rising incidence of landlessness. As many as 30 percent of those who sold land became landless in the following year, according to the Baseline and PET surveys. This rate would likely be much higher if the surveys had detected those who became landless and migrated to urban areas seeking alternative earning opportunities.

Surprisingly, the magnitude of land sale among female-headed households was double that of male-headed households in both surveys. The implication of this is that female-headed households are in a vulnerable position where they have no alternative to deal with shocks/crises except by disposing of their most important productive asset. This has led to a rise in the incidence of landlessness among female-headed households. The PET survey reported that 50 percent of female-headed households who sold land became landless afterwards.

Furthermore, common property resources (CPR), the most important supplementary income source for rural livelihoods, have been privatised and changed hands in recent years. According to the Ministry of Agriculture, Forestry and Fisheries, more than 4.5 million ha of forest and more than 0.6 million ha of agricultural land have been allocated to private companies for long-term exploitation. Over one million ha of open water have been auctioned for fish raising. The transferability of CPR will eventually lead to their overexploitation, reducing their availability and limiting access to them for the majority in society. The vast majority of the respondents in the MRC, Baseline and PET surveys reported collecting fewer products and benefits derived from CPR, due mainly to overexploitation. Moreover, more than 10 percent of respondents in the Baseline and PET surveys reported obtaining fewer products and benefits from CPR due to the conversion of CPR to private use and subsequent restrictions placed on them.

### Land Concentration

The combination of land transfers (legal and illegal), a poor land supply system and a high population growth rate, is increasing land concentration in rural areas. In other words, a considerable percentage of the rural population is either landless or owns very small plots of land, in contrast with a small fraction of the population who own a large quantity of land. This phenomenon is significant in rural areas.

According to recent studies, the average farmland holding per household is small—about 1 ha per household. Across the four surveys, average farmland holdings varied from 0.6 to 1.3 ha per household, most of which is wet-season rice land. The socio-economic survey of freshwater capture fisheries of Cambodia (MRC 1995–96), covering fishing-dependent communities in eight

***Distress sales are associated with the rising incidence of landlessness. As many as 30 percent of those who sold land became landless in the following year, according to the Baseline and PET surveys.***



provinces, reported that the average farm size holding was about 0.8 ha, while the other three large-scale surveys, provided a comparable figure of farmland holdings of just over 1 ha per household. The discrepancy may be due to the difference in the targeted sample population of the surveys and the characteristics of the sample population. The population in fishing communities seemed to have more alternative income opportunities from fishing or forest activities.

The average size of holdings varied significantly between different groups. Female-headed households are still the most vulnerable group, holding a small proportion of farmland. This is probably due to two main reasons. First, going back to the land distribution in the late 1980s, female-headed households were already disadvantaged since they had one less recipient for land. Second, these households lacked the labour needed for heavy work, particularly land preparation. This seems to have been the predominant factor preventing them from farming profitably, and hence they tended to sell their land to do other work, reserving only a small piece that they were able to farm. Consequently, female-headed households hold less land than male-headed households. The NIS surveys, which had better sample distribution across the country, revealed that female-headed households held less farmland, 0.7 ha per household on average, than male-headed households with an average holding of 1.1 ha.

In addition to small land holdings, land is unequally held in rural areas. The recent studies attempting to assess the incidence of landlessness in rural areas reveal large differences in the rate of landlessness. Although adequate data do not exist on landlessness in rural areas as a whole, the MRC survey revealed high landlessness, 25 percent, in fishing-dependent communities. The other three surveys showed lower rates of landlessness, approximately 15 percent. All four surveys except the Baseline survey indicated that the incidence of landlessness among female-headed households was much higher than among male-headed households (Table 1).

In addition to the high incidence of landlessness, land distribution is skewed in rural areas. The surveys showed that farmers who possessed more than 1 ha of farmland controlled larger areas of farmland, and left the rest too little for agricultural production. The NIS survey, covering 20 provinces, reported that 40 percent of the rural population who possessed less than 0.5 ha of land occupied only 10 percent of total farmland, while the 20 percent who had more than 1 ha of land per household held 70 percent of the land. The other three surveys indicated similar patterns of land concentration.

This shows a high degree of inequality of land distribution in the rural areas, which could be a significant determinant of rural poverty and household food insecurity. According to recent studies, almost 40 percent of

**Table 1. Land Distribution in Cambodia, 1995-98**

Size of holdings (ha)	Percentage of total number of land holdings (households)			Percentage of total farmland (households)		
	Male headed	Female headed	Total	Male headed	Female headed	Total
MRC Survey (1995-96)						
Landless	23	30	24	-	-	-
0.0-0.5	34	37	34	12	19	13
0.5-1.0	22	20	21	24	32	22
>1.0	21	13	21	64	49	65
NIS Survey (1997)						
Landless	11	15	12	-	-	-
0.0-0.5	37	48	40	8	18	10
0.5-1.0	26	23	25	19	29	20
>1.0	26	14	23	73	53	70
Baseline Survey (1998)						
Landless	11	11	11	-	-	-
0.0-0.5	34	43	35	14	14	14
0.5-1.0	32	23	31	31	18	30
>1.0	23	23	23	55	68	56
PET Survey (1998)						
Landless	16	30	17	-	-	-
0.0-0.5	19	17	18	7	8	7
0.5-1.0	29	23	29	24	24	24
>1.0	36	30	36	69	68	69

Sources: MRC Survey = Ahmed *et al.* (1998); NIS Survey = NIS (1997); Baseline Survey = Kenefick (1998); PET Survey = Helmers & Kenefick (1999).

Cambodians are living below the poverty line, and malnutrition among children and women is still high. This appears to have a complex link to the size of land holdings. Many empirical studies show a strong correlation

***There is a strong and statistically significant positive correlation between variations in land concentration and rural poverty levels. In most cases, the high incidence of rural poverty is accompanied by a high degree of inequality of land ownership distribution, and vice versa.***

between poverty and size of land holdings. El-Ghonemy's (1999) comprehensive analysis of cross-country data for 20 developing countries suggests that there is a strong and statistically significant positive correlation between variations in land concentration and rural poverty levels. In most cases, the high incidence of rural poverty is accompanied by a high degree of inequality of land ownership distribution, and vice versa. This situation is likely to force the landless or near-landless to leave agriculture in search of a less precarious source of income. Off-farm work, however, is scarce in both rural

and urban areas. This could lead to a situation in which large numbers of migrants crowd the cities—a situation that can be politically, environmentally, and economically unpalatable.

### Conclusion

Even though the majority of population possesses agricultural land, only a small proportion has obtained certificates proving their possession rights. The existing land-related legislation does not prevent land from being transferred in the market. Land and CPR have been actively sold and bought in the market. As a result, access to, and the benefits derived from, CPR are increasingly limited. With the rapid development of land concentration, a minority is coming to occupy large areas, leaving too little for the majority to work on.

(continued on page 17)

This can encourage rural-urban migration and create social, economic and political problems.

### Endnotes

- <sup>1</sup> The four surveys are the Household Socio-Economic Survey in Fishing Communities (MRC 1995–96), the Socio-Economic Survey of Cambodia (NIS 1997), the Baseline Survey of the CASD Project and WFP Target Areas (UNICEF-WFP 1998), and the Protracted Emergency Target Survey (WFP 1998).
- <sup>2</sup> An application receipt is a receipt given to applicants when they apply for an ownership title, while a land investigation form is the form that officials in the Land Title Department complete when conducting their investigation before issuing a certificate.

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# NGO-Government Partnership in Rural Development

**John McAndrew defends the role of the village development committee in Cambodia's rural development process, arguing that the VDC is a symbol of partnership between the state and non-governmental development organisations.\***

Community development activities in Cambodia, once regarded as the exclusive domain of NGOs, have become increasingly influenced by multilateral agencies since 1996. Perhaps no single programme has influenced rural development institutions as much as UNDP's CAREERE/SEILA. Love it or hate it, imitate it or denigrate it, there is no way to ignore it or the ubiquitous village development committees (VDCs) that have sprung up in its wake. The CAREERE experiment in decentralised planning and financing links elected VDCs to appointed commune development committees (CDCs), district development committees (DDCs), and provincial rural development committees (PRDCs).

The rural development structure which emerged from the CAREERE/SEILA programme serves as the model for a national policy on the establishment of the PRDCs adopted in January 1999. As part of the policy, the Ministry of Rural Development (MRD) is responsible for enacting policies on the formation of VDCs and CDCs. The MRD's goal is to establish a VDC in every village, and ministry officials estimate that 3,000 VDCs have been established in the country's 13,000 villages. Although complete coverage remains elusive, foreign-funded programmes have contributed significantly to the rapid emergence of VDCs as a rural institution in Cambodia.

Aside from CAREERE, UNICEF, the European Union and GTZ work through VDCs, in somewhat different ways, to support government programmes. NGOs, too, have embraced the VDC concept as an organising principle for their community development work. Groups as diverse as CIDSE, Partners for Development, PADEK and Krom Akphiwat Phum organise VDCs as a key

strategy of their activities.

While the VDC concept enjoys popular support with the MRD and development agencies, it also has its critics. Long-time Cambodian watcher Serge Thion argues that the "concept originated in organisations that could not adjust to the existing political authorities in Cambodia" (see *Cambodia Development Review*, Vol. 3 No. 3). Thion sees the VDC as a means "to circumvent or to undermine the local village authorities, usually under the control of the state," and "to attract political support inside the village." Since the VDCs "would be subservient to the foreign groups that would spend money through them at the local level" this amounts to "a brisk interference in the political life of the country." He advises NGOs and UN agencies to drop "altogether these ill-formed attempts to subvert the state apparatus in Cambodia" and to cooperate with pagoda committees and other local institutions (Thion 1999).

Thion is right to point out that VDCs were designed to mitigate the influence of state-appointed village chiefs,

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because they were conceived as a substitute for a representative structure that did not exist. He is also right to underscore the advantages of a strategy that respects and relies upon traditional institutions such as pagoda committees. But his insistence on paying homage to a state structure that emerged in another foreign dominated context is less persuasive. A joint MRD-CDRI study entitled *Learning from Rural Development Programmes* found that dissatisfaction with development decisions was highest in the

case of the programmes where there were no VDCs, and where the village chiefs made the decisions (Chim *et al.* 1998). A study entitled *The Search for Community* cautions against the assumption that pagodas are centres of village communal life everywhere in Cambodia. This study reports that the importance of a pagoda depends on the activities of the monks, and that many pagodas do little beyond holding fortnightly prayers and large yearly celebrations (van de Put 1997).

Viewed historically, the VDC is an alien concept that has been inserted into village life. Nevertheless, one may consider it as occupying a place between the state and the pagoda. A review of French literature on the notion of community in Cambodia maintains that though the pagoda structure has been weakened, it remains an important part of the village decision-making process (Brown 1999). A recent CAREERE-sponsored study by the Center for Advanced Study (CAS) argues that "a chasm exists between the two orientations of [Buddha power] and [government power], and that there is an unbridgeable gap between state and wat. But in reality, both institutions are necessary and unavoidably part of Cambodian culture and both orientations are traditionally locked in dynamic tension with one another" (Collins 1999). Within this theoretical orientation, one may assess the contribution of the VDC along a continuum between local government

\* This article is an abridged version of a paper presented at the *Conference on Strengthening Government and NGO Partnership in Development*, held in Phnom Penh from 15-17 September 1999. John McAndrew is currently the Integrated Community Development Adviser for Coopération International pour le Développement et la Solidarité in Cambodia. He worked as a Researcher at the Cambodia Development Resource Institute from 1995 to 1998.

and civil society.

### Defining the Role of the VDC

A 1997 SIDA mission to Cambodia noted that "NGOs, international agencies and government officials all agree that the establishment of VDC is a commendable initiative, but for very different reasons. The question is what functions the VDC should have: state control, party-political mobilization, as an implementing body, as a forum for villagers, as a way to organize communities and peasants, as an embryo for a civil society. The VDC can do all these things, but none is yet fully realized. There is no one in Cambodia today...with enough political clout to control the VDCs" (Antlov 1997)

Although some people in government would no doubt disagree with the concluding statement, the observation of the SIDA mission is instructive. Development actors of almost every persuasion have come to accept the VDC as a defining feature of rural development in Cambodia, but opinions differ as to its proper role and function. NGOs regard the VDC as a representative institution of civil society that should remain autonomous from the state. From this vantage point, NGOs view the VDCs emerging in the CAREERE/SEILA programme as too closely aligned with the state.

Early CAREERE documents envisioned the VDC as a "mechanism by which civil society can interact effectively with government to take an active part in decision-making regarding its own development" (Collins 1999). This understanding of the VDC as a link between local interests and the government is compatible with that held by NGOs. In practice, CAREERE has been unable to realise this vision. Senior CAREERE official Joel Chamy in 1998 acknowledged that "the VDCs to date have been more instruments of government programmes at the village level than independent development organizations."

Part of the difficulty lies in the ambitious nature of the CAREERE programme. As an experiment in both decentralised planning and financing and participatory rural development, CAREERE/SEILA advocates a dual strategy that is often at cross-purposes. The CAS study states the dilemma succinctly: "On one hand the policy stresses village participation and decision-making through democratic procedures, in service to empowerment. On the other hand, the policy stresses close linkage of aid with the existing government power structure at the local level, in service to decentralization" (Collins 1999). Not surprisingly, the goal of decentralisation generally takes precedence over the goal of empowerment. The *Learning from Rural Development Programmes* study notes the virtual exclusion of VDC chiefs from commune decisions about the funding of village projects in CAREERE/SEILA (Chim *et al.* 1998).

If CAREERE VDCs are closely aligned with the state, so too are those of other agencies. A *Learning from Rural Development Programmes* study of UNICEF's Commu-

nity Action for Social Development programme reveals that village chiefs exerted a dominant influence on VDCs and served as the main contact points for the district and commune working groups (Teng *et al.* 1999). And contrary to popular belief, VDCs established by NGOs do not remain completely autonomous from local government authorities. The *Learning from Rural Development Programmes* study reveals that though the voting in VDC elections was generally open and fair, the selection process of candidates allowed existing village leaders to wield considerable influence over the results. This was true in the NGO as well as in the CAREERE and GTZ villages studied (Chim *et al.* 1998).

Operating in the interstices between civil society and the state, the VDC has become an arena of struggle between contending forces in the rural development of Cambodia. Whether VDCs are organised by CAREERE as

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conduits for local development funds or by NGOs as conduits of external development assistance, they become points of contention for village chiefs seeking to control the flow of resources into the village. In general, NGOs have tried too hard to anchor the VDC concept at the civil society end of the continuum. As the link between village interests and the state, the VDC will always be pushed and pulled by contending forces. It is the people's associations of pagoda members and self-help groups that rightly

belong at the civil society end of the continuum. NGOs have unwittingly placed themselves in a trap by building their programmes exclusively around VDCs. NGOs commonly organise VDCs to manage all development activities in a village. They would do better to organise VDCs to *coordinate* development activities, and form self-help groups to *manage* their own projects. By delineating separate roles for VDCs and self-help groups, NGOs would be able to build partnership with government through VDCs, and to realise the potential of civil society representatives through self-help groups.

By and large, both bilateral and multilateral agencies and NGOs rely too much on VDCs for the identification and implementation of projects. This has consequences for the types of activities pursued as well as for the selection of beneficiaries. Too often it is assumed that VDCs are acquainted with, represent the interests of, and speak for the entire community. VDCs normally recruit participants from their own social networks, and these tend to be those who are slightly better off. As a result, the distribution of benefits from development activities often reinforce patterns of inequality among villagers.

The *Learning from Rural Development Programmes* study revealed that with respect to infrastructure improvements, benefits were spread somewhat evenly, if not equitably, as all villagers had access to roads, wells, schools and health care centres. But the construction of irrigation canals primarily benefited better-off villagers with access to large parcels of rice land, draught animals,

and water pumps. With regard to village loan activities, medium and better-off families had better access to the VDC members who provided the loans. In most of the schemes observed, there was a bias to loan to families who had the means to repay. Poor villagers without access to land or their own sources of income generation were often left out (Chim *et al.* 1998).

### Towards Integrated Rural Development

An integrated community development programme has the potential to become more inclusive when the roles of the key development actors are well defined, separate and complementary, and when they are performed interdependently with respect to one another. In general, the most critical roles are those played by people's associations, such as self-help groups, which act as the animators of development, representative bodies such as VDCs, which act as the coordinators of development, and village specialists such as village veterinarians and literacy teachers, who provide services to communities. In this model, self-help groups are formed to manage their own activities and to realise their potential for development. VDCs are organised to coordinate planning and village-wide activities, to mobilise village resources, and to link to outside agencies. Village specialists are trained to provide expertise required by the local residents. Although development actors in these three key areas are present in most development programmes, the relationships are rarely clearly defined. Usually the roles are not seen as interdependent but under the control and management of the VDCs (McAndrew & Bakker 1999).

By delineating separate roles for different actors, one is able to appreciate the autonomy of the nascent civil society groups from the management of the VDC, and by extension of the CDC and PRDC. Much attention has been centred on the capacity development of VDCs, but the ultimate success of rural development programmes will rely more on the institutional capacity of village groups to become self-directing and self-sustaining.

A strong feature of the CAREERE/SEILA approach is that it links villager participation in the planning process directly to the negotiation and allocation of funds at the commune level. Local planning processes work well when links between project identification and funding are clear. By contrast, GTZ, UNICEF and most NGOs miss opportunities for decentralised development by retaining budgetary control and approval of requests at higher levels (Chim *et al.* 1998; Teng *et al.* 1999). Most development agencies are reluctant to channel funds through CDCs and, as a consequence, few CDCs have been organised outside CAREERE/SEILA. But without effective planning and financing institutions at the commune level, the viability of a national rural development structure remains in doubt.

At present, efforts are underway in the Ministry of

Interior to draft commune administration and election laws with support from UNDP. These laws are intended to establish commune councils in rural areas for local development and poverty alleviation. Approval of the laws in their present form will have a major impact on the rural development structure emerging in Cambodia. Within the commune administration and election laws now envisioned, no provisions have been made for VDCs or CDCs. Instead, commune councils, elected through proportional representation, will become the planning authority for all villages in their jurisdiction.

Although the involvement of elected commune councils in rural development is welcome, the participation of villagers in the process is critical. To date, the lessons learned from the numerous experiments in decentralisation and villager representation in rural development have not been adequately assessed or incorporated into the proposed laws. An opportunity thus presents itself for NGOs to strengthen their partnership with government through broad consultation on the draft laws. As a result of extensive discussions among all stakeholders, the new laws could build

on what has already been achieved and contribute to a strong and representative local government committed to participatory rural development and poverty alleviation.

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**Local planning processes work well when links between project identification and funding are clear... Most NGOs miss opportunities for decentralised development by retaining budgetary control and approval of requests at higher levels.**

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## Economy Watch

### Inflation and Foreign Exchange Rates

According to data from the National Institute of Statistics (NIS), the riel-denominated consumer price index (CPI) in Phnom Penh was fairly stable from June to September 1999, despite the depreciation of the riel against the dollar during this period (Table 1). This reflected a seasonal increase in the supply of many food items, such as fruit and vegetables, which offset the effects of the riel depreciation. Moreover, the continuing political stability and improvement in the business environment contributed to price stability. The exchange rate of the riel against the dollar depreciated moderately by 4 percent from July to September, the largest quarterly depreciation of the riel since January 1999, while the spread between the market and official rates remained at less than 1 percent (see Table A in *Economic Indicators* on page 18). Monthly inflation rates were less than 1 percent during the third quarter of 1999, while the year-on-year inflation rates have been at one-digit levels since November 1998, and fell to less than 1 percent in September 1999, the lowest annual inflation rate for more than three years.

Provincial consumer prices, collected by CDRI and a number of NGOs on 12 essential items in 12 provinces, increased steadily from June to September 1999 (see Table A in *Economic Indicators* on page 18). The increase was primarily due to the rise in prices of agricultural products such as rice and vegetables, and a rise in transportation costs. However, the year-on-year

inflation rates of seasonally adjusted provincial CPI have also been at one-digit levels since May 1999.

The dollar-denominated CPI in Phnom Penh (CPI in riels adjusted by the nominal exchange rate of the riel against the dollar) showed a slight decrease in August and September, after increasing from March (Table 1). The decline was mainly caused by the depreciation of the riel against the dollar during the same period. Monthly changes of dollar-denominated CPI have been less than 1 percent since June, while the year-on-year inflation rate fell considerably during the third quarter of 1999, relative to the second quarter of the year.

### Market Surveys

A survey of five major markets in Phnom Penh from 15–19 November 1999 showed a slight increase in consumer spending relative to previous surveys in May and August, though spending was still much lower than pre-July 1997 spending levels (Table 2).

The survey indicated that vendors' average sales in Phnom Penh markets rose by 11 and 6 percent respectively, relative to the previous surveys in August and May. Average sales went up to 66 percent of their pre-July 1997 level, compared to the 51 percent reported in November last year. In addition, many vendors of luxury goods and food items reported that the number of customers, both Cambodians and expatriates, had increased remarkably during the Pchum Ben festival this

**Table 1. Consumer Price Index in Riels and Dollars, October 1998 – September 1999**

	Index (base: July–September 1994 = 100)			Percentage change from previous month			Percentage change from previous year		
	CPI (riels)	CPI (\$)	NER (riel/\$) <sup>a</sup>	CPI (riels)	CPI (\$)	NER (riel/\$) <sup>a</sup>	CPI (riels)	CPI (\$)	NER (riel/\$) <sup>a</sup>
1998 October	144	96	150	0.5	0.8	-0.3	12.4	1.2	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
1999 January	141	96	147	-2.0	-2.0	0.0	9.0	4.7	4.1
February	141	96	148	0.4	-0.1	0.5	8.6	2.4	6.1
March	141	95	148	-0.3	-0.5	0.3	8.0	2.1	5.8
April	141	96	148	0.6	0.6	0.0	7.9	4.5	3.2
May	143	97	148	1.3	1.3	0.0	6.4	11.3	-4.4
June	144	97	148	0.6	0.6	0.0	4.9	11.1	-5.6
July	144	97	148	0.1	-0.1	0.3	1.8	-0.3	2.1
August	144	95	151	-0.5	-2.5	2.1	3.0	2.0	1.0
September	144	95	152	0.3	0.1	0.1	0.7	0.0	0.7

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

**Table 2. Sales and Earnings of Vendors in Five Phnom Penh Markets, August 1998 – November 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?

	Q1: Percentage of vendors who reported selling less						Q2: Average amount of sales as a percentage of those before 5–6 July 1997					
	Aug 98	Nov 98	Feb 99	May 99	Aug 99	Nov 99	Aug 98	Nov 98	Feb 99	May 99	Aug 99	Nov 99
All items	93	92	87	90	86	72	52	51	62	60	55	66
Non-food items	92	92	91	94	86	80	47	50	60	56	54	61
Durable items	93	90	97	94	88	94	46	44	52	54	52	57
Luxury Items <sup>a</sup>	100	100	95	100	82	94	40	38	48	49	49	55
Household and utility items <sup>b</sup>	91	83	100	93	90	94	53	50	50	57	52	57
Clothing, shoes, bags	93	94	97	89	93	93	45	44	59	55	53	60
Non-durable items and services	88	95	85	94	83	67	48	56	69	59	56	64
Food-items	94	93	82	87	86	65	59	52	65	64	56	70

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.

## Economy Watch

**Table 3. Average Daily Earnings of Vulnerable Workers in Phnom Penh, July 1997 – November 1999**

Occupation	Net daily earnings (riels)								Percentage change from previous year		
	pre-Jul 97	May 98	Aug 98	Nov 98	Feb 99	May 99	Aug 99	Nov 99	May 99	Aug 99	Nov 99
Cyclo drivers	12,250	6,975	6,167	6,100	9,407	9,271	8,415	8,226	32.9	36.4	34.9
Porters	9,675	5,415	4,720	4,543	8,543	7,856	7,446	6,143	45.1	57.7	35.2
Small traders	7,050	3,400	4,767	5,913	7,923	6,694	6,402	9,071	96.9	34.3	53.4
Scavengers	4,155	3,040	2,610	2,567	3,697	2,956	3,005	2,600	-2.8	15.1	1.3

year compared to last year. The increase may reflect the significant improvement in political stability and the better business environment following the formation of the coalition government one year ago.

Although average sales were found to have increased during the survey period, only 7 percent of the 138 vendors interviewed reported better sales than during Pchum Ben last year; 51 percent reported the same volume of sales, and the rest reported that their sales had declined. Moreover, only 20 percent of all vendors interviewed reported the same amount of sales as before July 1997, and 72 percent said that their sales were lower.

Sales to provincial vendors also remained weak, reflecting low demand from the farmers. Only four out of 16 wholesalers interviewed reported the same volume of sales to their provincial vendors relative to the same period last year, and another 11 wholesalers reported declining sales. According to the wholesalers, the main reason for declining sales is the slow economic recovery in rural areas. In addition, direct sales from some large companies to provincial vendors has contributed significantly to the declining sales of wholesalers in Phnom Penh's markets.

### Poverty Situation—Vulnerable Workers

A survey of vulnerable workers in Phnom Penh from 8–12 November 1999 revealed a slight decline in earnings of cyclo drivers, porters and scavengers relative to previous surveys in August and May 1999, but a remarkable increase compared to the same period the previous year (Table 3).

The year-on year increase was reportedly the result of improved political stability which led to an increase in consumer demand. However, the survey found that the earnings of porters in Phsar Touch had declined sharply. Most of the porters interviewed said that they found it difficult to make a living from day to day, and that on some days their income was not sufficient to buy enough food. They also reported that the number of porters working had declined by about 60 percent since the national election in July last year. This was mainly due to the slowdown of goods being transported by boats. Some of the porters were reportedly migrating to look for work in other places in Phnom Penh or in Thailand. An interview with the director of the Phsar Touch port revealed that each porter now earns at most 5,000 to 6,000 riels per day, compared to 20,000 to 30,000 riels per day during the period before July 1997.

The daily net earnings of cyclo drivers decreased by about 3 percent in November 1999 relative to the previous survey in August, but was 35 percent higher than

in the same period last year. According to the cyclo owners, the number of cyclo drivers had increased significantly due to the rise in demand for cyclo transportation during the period of the Pchum Ben and Water Festivals. Some cyclo drivers had even been forced to return home because there were not enough cyclos available for rent. On the other hand, the earnings of small traders showed a sharp increase of 41 percent in November 1999 relative to August, and 53 percent relative to the level in the same period last year. It is worth noting that the income of small traders was 29 percent higher than the pre-July 1997 level for the first time, reflecting primarily the high demand for food during the festival period.

The survey also indicated a slight increase in scavengers' earnings over the past year, but these were 14 percent lower than the level in August 1999. Although scavengers reported that the price of recyclable rubbish had increased because of the rise in the number of rubbish buyers exporting to Vietnam, the amount of recyclable rubbish available has continued to fall due to more rapid rubbish clearing by tractors at the dump. In addition, the number of rubbish collectors had increased by about 30 percent compared to last year. This includes many children, aged from 8 to 15, who have either little or no schooling and who mostly come from Prey Veng and Svay Rieng provinces.

### Investment

The inflow of investment into Cambodia continued to decline in 1999 compared to the previous year, despite the significant improvement in political stability. The number of approved investment projects registered at the Cambodian Investment Board (CIB) fell dramatically by 66 percent in the third quarter of 1999 relative to the same period in 1998 (Table 4). Registered capital and fixed assets also dropped sharply, by 77 percent and 88 percent respectively, during the same period. The decline in approvals was significant in the industrial sector, particularly the garment sector. The level of investment in the agricultural and service sectors also remained low. This was mainly due to quota restrictions on exports of textile products that were introduced earlier this year. The Asian financial crisis has continued to affect investment in Cambodia, though signs of stronger economic recovery were reported at the recent ASEAN summit in the Philippines. The increase in the number of land disputes may also be a major obstacle to investment.

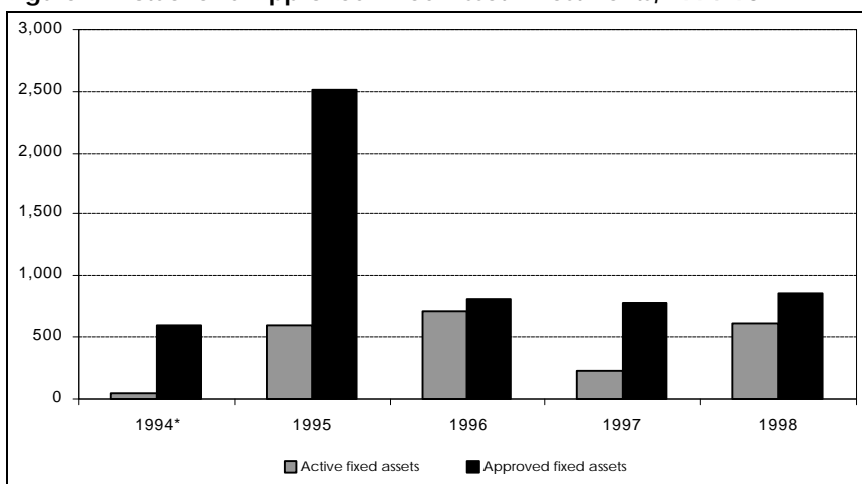
Moreover, the gap between approved investment projects and those actually implemented was huge, according to the Project Monitoring Department at the

## Economy Watch

**Table 4. Investment Projects Approved, 1997 (Q1) – 1999 (Q3)**

	1997			1998				1999			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Number of investment projects											
Agriculture	8	7	14	1	3	1	2	0	2	0	2
Industry	35	42	54	33	40	20	40	21	26	17	11
Garment	27	30	36	12	26	14	26	17	16	11	7
Service	3	2	7	0	7	3	2	1	4	1	2
Total	46	51	75	34	50	24	44	22	32	18	15
Registered capital (millions of dollars)											
Agriculture	3.8	2.1	11.0	3.0	8.0	2.0	8.0	0.0	10.9	0.0	6.0
Industry	105.1	37.3	67.0	66.5	90.2	33.9	186.1	14.3	31.3	23.2	17.4
Garment	26.8	28.0	39.2	8.6	28.6	18.7	33.0	11.2	16.0	12.4	10.9
Service	7.1	50.0	19.9	0.0	28.3	4.5	1.5	40.0	15.9	13.5	22.0
Total	116.0	89.4	97.8	69.5	126.5	40.4	195.6	54.3	58.1	36.7	45.4
Fixed assets (millions of dollars)											
Agriculture	8.3	9.3	18.6	1.5	17.7	1.4	7.2	0.0	18.7	0.0	11.0
Industry	231.7	33.9	98.5	188.9	99.9	152.4	345.4	21.1	65.2	43.0	31.5
Garment	25.1	25.4	39.6	9.7	30.7	28.8	43.1	18.2	25.6	17.4	13.0
Service	63.1	33.0	69.5	0.0	84.8	72.0	14.2	32.9	36.0	10.9	18.4
Total	303.0	76.2	186.7	190.4	202.4	225.8	366.8	54.1	120.0	53.9	60.8

Source: Cambodian Investment Board

**Figure 1. Actual and Approved Fixed Asset Investments, 1994–98**


Note: \* 1994 figures from August to December. Source: CDC Project Monitoring Department

CDC. On average only 44 percent of the total fixed asset investments were implemented between 1994 and 1998 (Figure 1). The data also showed that the actual fixed assets hit a nadir of 24 percent of the approval level in 1995 because one of the major pledged investment projects (worth around \$1.3 billion) did not materialise, and was also low at 25 percent in 1997, due mainly to the political crisis in the middle of the year.

However, the CIB data cover only investments going through the CIB—other small investments, such as shops, restaurants, guesthouses, and so on, which are not channelled through the CIB, could comprise a considerable amount. As a result, total actual investment in Cambodia would be greater if these small-scale investments were included.

### Public Finance

According to data from the Ministry of Economy and Finance, the fiscal deficit in the national budget persisted in the first nine months of 1999. Total monthly revenue

was well above 100 billion riels from March to September 1999 (see Table D in *Economic Indicators* on page 18). Domestic revenue reached 82 percent of the level determined by the 1999 budget law during the first nine months of 1999, and has increased by around 59 percent relative to the same period in 1998. The increase was mainly due to valued-added tax and the revenue gained from companies bidding for garment quota exports (both measures were introduced in early 1999). This reflected the government's efforts to broaden the base of revenue collection. On the expenditure side, total current expenditure was equivalent to 76 percent of the level in the budget law for the first nine months of 1999, and represented a 23-percent increase compared to that in the same period of the previous year.

The allocation of expenditure on defence and security remained high, though more than 12,000 “ghost soldiers” and more than 105,000 “ghost dependants” were removed from the military payrolls in the middle of the year.<sup>1</sup> Expenditure on this sector accounted for about 350 billion riels, equivalent to 77 percent of the proposed budget for these sectors during the first nine months of 1999. Although the 1999 draft budget showed that spending in the social and development sectors had increased moderately compared to the previous

year, actual disbursements for these sectors were relatively slow. Actual expenditure on health, agriculture and rural development together accounted for less than 50 percent of the draft budget level for the first nine months of 1999.

### Garment Exports

Despite concerns about the imposition of quotas on Cambodia's textile exports earlier this year, the total value of such exports to the United States increased moderately in the third quarter of 1999 relative to the previous quarter, and rose sharply when compared to the same quarter last year (Table 5). The value of textile exports to other countries, however, which are not restricted by similar quotas, declined during the same period. The increase of exports to the United States was likely due to the seasonal rise in demand for textiles during the second part of the year. The data seem to suggest that the US quota restrictions have not yet had an impact on existing textile factories.



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**Table 5. Destination of Garment Exports, 1997–99**

	United States	Rest of world	Total
	Millions of dollars		
1997 Q1	4.9	25.4	30.3
1997 Q2	21.7	34.3	56.0
1997 Q3	35.1	28.3	63.4
1997 Q4	45.3	32.1	77.5
1998 Q1	40.3	18.9	59.2
1998 Q2	62.7	18.7	81.4
1998 Q3	88.7	27.1	115.7
1998 Q4	104.5	17.3	121.8
1999 Q1	116.9	15.7	132.6
1999 Q2	120.3	22.6	142.9
1999 Q3	131.0	22.4	153.3
	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
1999 Q1	189.9	-16.9	124.1
1999 Q2	91.9	21.4	75.7
1999 Q3	47.7	-17.3	32.5

Source: Ministry of Commerce, Department of Trade Preference Systems

Interviews revealed that a number of garment factories had already used up their allocated quotas, and almost finished the quotas which they won through competitive bidding at the Ministry of Commerce. However, some factories reported that they had either produced non-quota textile products for export to the United States, or shifted their export production towards markets which are not restricted by quotas, such as the European Union.

Although Cambodia is reportedly not getting an additional quota for garments from the United States next year, seven new garment projects, with a total registered capital and fixed assets worth around \$11 million and \$13 million respectively, were approved by the CIB in the third quarter of 1999.

### Tourism

The tourism sector in Cambodia has been the one that recovered most quickly since July 1997. The development of tourism has not only contributed to increased foreign currency earnings, but also generated employment, raised incomes for those involved in tourist service, and increased revenue for the government.

Although the total number of passenger arrivals has still not reached pre-July 1997 levels, they have showed a remarkable increase in the third quarter of 1999 (Table 6). According to data from the Ministry of Economy and Finance, the total number of passenger arrivals through Pochentong International Airport rose by 7 percent in the

**Table 6. Air Passenger Arrivals in Cambodia, 1997–99**

	Arrivals				Percent change
	Tourists	Business	Official	Total	
	Arrivals at Pochentong International Airport				
1997 Q1	72,240	16,944	3,701	92,885	25.6
1997 Q2	53,967	18,821	3,698	76,486	14.7
1997 Q3	23,102	8,042	3,067	34,211	-51.5
1997 Q4	36,025	11,790	3,727	51,542	-40.1
1998 Q1	41,033	11,411	4,023	56,467	-39.2
1998 Q2	35,995	11,004	4,149	51,148	-33.1
1998 Q3	32,938	9,090	4,239	46,267	35.2
1998 Q4	42,401	11,274	5,378	59,053	14.6
1999 Q1	44,221	15,432	5,387	65,040	15.2
1999 Q2	38,591	16,045	9,194	63,830	24.8
1999 Q3	42,827	15,938	9,772	68,537	48.1

Source: Ministry of Economy and Finance, *Monthly Bulletin of Statistics*

third quarter of 1999 relative to the previous quarter, and was 48 percent higher than a year earlier—the highest number of tourist arrivals since July 1997. The total number of tourist arrivals in the first nine months of 1999 was 30 percent higher than those last year. The increase was mainly due to significant improvements in security and political stability. The recent recovery from the regional financial crisis countries may also have contributed to a boost in tourism from neighbouring countries. The number of tourists is expected to further increase towards the end of the year because of the millennium festival due to be held in Siem Reap.

### Monetary and Financial Development

According to data published by the National Bank of Cambodia (NBC), the year-on-year growth rates of money supply (M2) in the banking system rose slightly and remained high during the third quarter of 1999, after strong fluctuations in the previous quarter (see Table C in *Economic Indicators* on page 18). The slight increase primarily reflected the rise in foreign currency deposits, which accounted for 94 percent of total deposits for most of the period. This reflects improvement in the business environment and the gradual restoration of confidence in the Cambodian banking system following the formation of the coalition government in November 1998. The growth rates of foreign currency deposits with commercial banks, which reached two-digit levels in April, continued to increase until July 1999, before declining slightly in August and September (Table 7).

The growth of foreign currency deposits has also boosted the lending activities of the banking sector. Total credits granted by commercial banks grew by 13 percent between January and September 1999. The year-on-year

**Table 7. Deposits with Commercial Banks, October 1998 – September 1999**

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
	Millions of dollars											
Riels	12	13	13	14	14	15	15	16	16	16	16	16
Foreign currencies	206	211	222	227	227	246	269	267	262	257	262	270
Total deposits	219	224	235	240	242	262	283	283	279	274	278	286
	Percentage change from previous year											
Riels	1.1	-0.4	7.7	13.8	22.8	31.9	16.5	33.9	46.2	54.9	49.8	33.5
Foreign currencies	-4.6	-9.5	-6.1	-7.4	-6.5	9.8	17.9	21.7	27.0	41.7	40.7	38.6
Total deposits	-4.2	-9.0	-5.4	-6.4	-5.1	10.9	17.9	22.3	28.0	42.4	41.2	38.3

Source: National Bank of Cambodia

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Table 8. Credits from Commercial Banks, October 1998 – September 1999

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
	Millions of dollars											
Agriculture	9.0	9.7	10.3	9.7	10.0	9.9	9.5	10.9	8.1	9.2	9.9	8.9
Manufacturing	31.5	32.4	31.8	30.0	33.1	31.2	36.3	35.2	38.1	36.6	38.7	38.4
Service <sup>a</sup>	129.9	134.7	131.6	134.0	135.8	134.3	137.7	137.6	139.5	145.0	145.8	148.3
Total	170.4	176.9	173.7	173.7	178.9	175.4	183.5	183.6	185.8	190.9	194.4	195.5
	Percentage change from previous year											
Agriculture	10.1	32.8	31.9	30.4	22.2	6.8	25.1	44.2	12.3	31.6	21.4	5.2
Manufacturing	-8.9	-1.9	-2.3	-10.4	9.0	-0.6	32.4	28.0	26.8	18.9	29.3	24.2
Service <sup>a</sup>	-4.7	-1.6	-8.8	-8.2	-8.6	-1.9	-2.2	-6.0	-3.2	-2.4	6.2	6.8
Total	-4.9	-0.2	-5.9	-7.1	-4.4	-1.2	4.4	1.2	2.4	2.4	10.8	9.8

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

growth rates increased steadily from January to to August, before falling slightly in September (Table 8). It is worth noting that the growth rate of credits to the agricultural and manufacturing sectors appeared to be higher than those to the service sector. However, the level of credits to the agricultural sector continued to be low, accounting for only 5 percent of total credits in September, even though Cambodia has a potential comparative advantage in agriculture relative to most countries in ASEAN. The manufacturing and service sectors received 20 and 75 percent of total credits during

the same period.

### Endnotes

- <sup>1</sup> Quoted from the Prime Minister's closing speech at the Consultative Group Donor Monitoring Meeting, held in Phnom Penh on 14 June 1999.

*Economy Watch was prepared by Long Vou Piseth and Pon Dorina*

### Land Ownership, Sales and Concentration...

This can encourage rural-urban migration and create social, economic and political problems.

### Endnotes

- <sup>1</sup> The four surveys are the Household Socio-Economic Survey in Fishing Communities (MRC 1995–96), the Socio-Economic Survey of Cambodia (NIS 1997), the Baseline Survey of the CASD Project and WFP Target Areas (UNICEF-WFP 1998), and the Protracted Emergency Target Survey (WFP 1998).
- <sup>2</sup> An application receipt is a receipt given to applicants when they apply for an ownership title, while a land investigation form is the form that officials in the Land Title Department complete when conducting their investigation before issuing a certificate.

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### Research Bibliography

The *Cambodia Development Review* readership survey that was conducted in March–April this year revealed widespread interest from our audience in the inclusion of a research bibliography in the *Development Review*. We aim to introduce this feature from the first issue of 2000. If your institution has published a research report dealing with social and/or economic development in Cambodia within the past six months, please send us one copy of the report for listing in the bibliography.. (All reports received will be added to CDRI's Library collection and made available to the public). Otherwise, please send full details of the report to CDRI. Bibliographic information should include:

- Full title (in English and Khmer) / Full names of author(s) / Publishing institution / Date of publication / Number of pages / Purchase price / Contact details for your institution (address, telephone and fax numbers, e-mail) / ISSN or ISBN

We will endeavour to include all reports received in the forthcoming issue, though space limitations may delay listing.

## Economic Indicators

### A. Consumer Price Index (CPI) in Phnom Penh and the Provinces, October 1998 – September 1999

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
	Monthly CPI											
Phnom Penh	144	143	143	141	141	141	141	143	144	144	144	144
Provinces	165	167	169	168	165	165	165	170	167	170	170	173
	Monthly CPI (seasonally adjusted)											
Phnom Penh	139	140	143	141	143	145	144	146	148	142	143	141
Provinces	157	167	169	168	165	183	170	176	171	163	157	169
	Inflation based on seasonally adjusted monthly CPI (month to month)											
Phnom Penh	-1.0	0.9	2.2	-1.8	1.6	1.5	-0.6	1.5	1.1	-4.2	0.5	-0.8
Provinces	-4.6	6.4	1.7	-1.1	-1.3	10.7	-6.7	3.1	-2.5	-4.9	-3.9	8.2
	Inflation based on seasonally adjusted monthly CPI (year on year)											
Phnom Penh	12.4	12.2	13.6	9.0	8.6	8.0	7.9	6.4	4.9	1.8	3.0	0.7
Provinces	10.9	16.6	15.6	11.3	6.8	22.8	10.5	5.0	0.3	3.3	4.8	3.1

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

### B. Foreign Exchange Rates and Gold Prices, November 1998 – October 1999

	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
	Exchange rate (riel/dollar)											
Market rate	3,772	3,791	3,791	3,811	3,821	3,821	3,823	3,821	3,834	3,910	3,914	3,820
Official rate	3,775	3,770	3,776	3,780	3,790	3,790	3,800	3,800	3,820	3,870	3,895	3,825
(Market rate/official rate)	(100)	(101)	(100)	(101)	(101)	(101)	(101)	(101)	(100)	(101)	(100)	(100)
	Exchange rate (index)											
Market rate	146	147	147	148	148	148	148	148	148	151	152	148
Official rate	146	146	146	146	147	147	147	147	148	150	151	148
	Gold price (riel/chi)											
Value	125,174	123,236	123,253	123,961	123,558	121,328	118,860	113,098	109,581	111,319	113,756	123,558
Index	109	107	107	107	107	105	103	98	95	97	99	107

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

### C. Money Supply, October 1998 – September 1999

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
	Billions of riel											
Broad money (M2)	1,134	1,207	1,230	1,266	1,270	1,315	1,357	1,357	1,316	1,294	1,364	1,406
Money (M1)	479	549	543	544	535	527	510	501	500	490	492	501
Currency outside banks	445	516	509	510	500	490	471	461	454	450	449	461
Demand deposits	33	33	34	34	35	37	39	40	46	40	43	41
Quasi-money	656	658	687	722	734	788	847	857	817	804	872	904
Time and savings deposits	16	20	20	19	19	22	21	23	24	25	25	25
Foreign currency deposits	640	637	667	702	715	765	826	834	793	779	847	879
	Percentage change from previous year											
Broad money (M2)	20.0	16.7	15.7	14.3	16.0	22.2	23.1	19.1	62.2	28.9	29.9	30.1
Money (M1)	30.6	43.9	41.2	41.3	40.6	25.7	17.1	14.4	16.6	6.6	5.3	5.7
Quasi-money	13.2	0.8	1.3	0.0	2.9	20.0	27.1	22.0	113.3	47.8	49.7	49.3

Source: National Bank of Cambodia

### D. National Budget Operations, October 1998 – September 1999

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug*	Sep*
	Billions of riel											
Total revenue	89.9	68.5	118.3	88.5	84.9	127.2	106.6	106.2	160.2	137.3	104.9	100.6
Tax revenue	68.4	53.9	88.0	74.5	66.0	98.7	83.5	92.7	84.2	86.6	77.3	79.9
o/w customs duties	38.2	28.0	50.7	26.9	31.0	46.8	41.4	43.2	40.7	42.2	38.6	35.3
Non-tax revenue	21.5	12.8	21.0	13.3	18.4	28.5	12.5	13.5	75.9	50.6	27.6	20.8
o/w forest exploitation	2.7	1.2	5.5	1.1	1.4	0.2	0.7	1.3	4.5	6.3	4.8	4.0
o/w telecommunications	9.7	7.7	6.3	7.6	9.5	10.2	6.4	5.7	6.9	10.7	9.6	5.6
o/w royalties	0.0	0.1	0.0	0.1	0.4	0.0	0.0	0.1	0.0	0.0	0.0	0.1
Capital revenue	0.0	1.8	9.3	0.7	0.5	0.0	10.6	0.0	0.2	0.0	0.0	0.0
	Billions of riel											
Total expenditure	110.5	93.4	130.6	105.5	107.6	181.0	123.1	114.5	140.7	151.8	123.7	137.1
Capital expenditure	31.8	27.3	34.8	29.9	44.2	57.8	51.4	39.2	39.8	56.1	48.1	46.5
Current expenditure	78.7	66.1	95.8	75.6	63.7	123.2	71.7	75.3	100.9	95.7	75.6	90.6
o/w defence	55.7	25.4	36.6	0.9	27.8	70.8	41.4	32.6	52.9	64.5	23.5	36.1
o/w civil administration	23.0	40.7	59.2	74.7	35.9	52.3	30.2	42.7	49.2	31.2	50.9	53.0
Overall deficit	-20.6	-24.9	-12.3	-1.2	-23.0	-53.8	-16.4	-8.3	19.5	-15.5	-18.8	-36.5
	Percentage change from previous year											
Total revenue	32.0	-27.7	-18.0	45.6	33.3	38.7	31.0	62.1	76.9	95.0	89.1	63.1
Total expenditure	-6.7	-28.3	-34.7	58.6	42.0	16.2	-2.1	3.0	12.1	20.3	42.2	54.6

Note: \*Figures for August and September are provisional. Source: Ministry of Economy and Finance

## Glossary

# Reconciliation and Reintegration Terms

**Demobilisation** (ការរំសាយកងទ័ព)

Demobilisation is the process of disbanding and reducing the size of armed forces, and of transferring soldiers from military to civilian occupations.

**Me khchal** (មេខ្សែលំ)

*Me khchal* is a Khmer term that describes the leaders of a group of people. The *me khchal* are neither administrative nor religious leaders. The literal meaning of the term is “leaders of the wind.”

**Microcosm** (អតិសុខុមលោក)

A microcosm is a small area or community that reflects the characteristics of a much larger area or community.

**Peace-building** (ការកសាងសន្តិភាព)

Peace-building is the long-term process of restoring peace and building a culture of non-violence in a post-conflict society.

**Peripheral** (នៅជ្វាម)

Peripheral describes something that belongs to or is situated on the periphery—the area which surrounds and encloses the main area of a country, for example. In the case of Cambodia, former Khmer Rouge zones in the northwest can be considered peripheral.

**Quasi-military** (ដួងកងទ័ព)

*Quasi* is a Latin term that means “like” or “resembles.” *Quasi-military* discipline is therefore something that resembles military discipline, even though it exists among a group of people who have demobilised.

**Reconciliation** (ការផ្សះផ្សា)

Reconciliation is a process in which two or more sides that were in conflict restore harmonious relations with one another. It can also refer to the process by which a society comes to terms with violence.

**Rehabilitation** (ការស្តារទ្បឹងវិញ)

Rehabilitation is the process of replacing or restoring something to its previous condition or status, and is often used to refer to rebuilding in a post-conflict society.

**Reintegration** (សមាហរណកម្មជាថ្មី)

Reintegration is the process of restoring separate areas or parts into an integrated whole, and again, is often used to refer to post-conflict societies.

**Social Cost** (ការបង់ខាតផ្នែកសង្គម)

Social costs are the negative social consequences of (economic) development, such as rising crime, a widening gap between rich and poor, corruption, etc.



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## CDRI Update

### Research

Members of the Research Section took part in the CDRI seminar for provincial governors from 18–22 October, giving presentations on poverty alleviation, governance and development, Cambodia and ASEAN, the Asian financial crisis, foreign aid and technical assistance in the provinces, and economic policy. Work on a study for the Asian Development Bank entitled *Cambodia: Enhancing Governance for Sustainable Development* began in September. The team, led by Toshi Kato and including Chan Sophal, Jeffrey Kaplan (Consultant) and Real Sopheap (from CCCR), will complete its report after a workshop in January 2000. Sok Hach has been training Researchers in analysis of the Cambodian economy. So Sovannarith joined the Director and CCCR colleagues in a team assessing conflict resolution needs in former Khmer Rouge areas in November. Sik Boreak has completed his review of existing databases on land ownership and transactions. Patricia Alexander, from Manchester University in England, joined CDRI in October as a Visiting Fellow for about six months—she is working on outcomes for women in the Asian transitional economies.

### English Language Programme

The ELT Programme completed the pre-session training for the University of Ateneo de Manila in December, and also in December began a programme of testing for senior officials of the Ministry of Foreign Affairs for EU-funded ASEAN training. The English language component of this training will continue until the end of July 2000, after which the ELT Programme will close. Other plans for early 2000 include a TOEFL preparation course and provision of training for university lecturers to accompany the distribution of ELT training manuals. This three-volume set is now available for sale.

### Library

The Library now holds about 5,550 titles on economic and social development, and has now completed the change to the Dewey Decimal Classification system. Meas Wat Ho began work as a part-time Library Volunteer in September. The Library would like to thank various ministries, NGOs and other organisations for the donation of books and research reports.

### Cambodian Centre for Conflict Resolution

COPCEL (Conflict Prevention for the Commune Election) meetings continue to take place at the end of each month, with active participation from the government, NGOs and donor agencies. The provincial governors seminar in October identified some of the major conflicts facing the provinces, while a fact-finding mission to the former Khmer Rouge zones has provided insights into needs and opportunities for reconciliation. Ok Serei Sopheap spoke on peace-building during the *National Conference on the Culture of Peace*. Cooperation is underway between the Ministry of Commerce, CCCR, the Singaporean Mediation Centre and Uvic-IDR/Canada, with the aim of holding a workshop on commercial disputes in January 2000. Publication of the report on the causes of conflict escalation during the national election and the illustrated version of *Mindful Mediation* are expected for the beginning of 2000.

### Publications

Recent publications include the Khmer edition of *Impact of the Asian Financial Crisis on the SEATEs: The Cambodian Perspective* (Working Paper 12) and the *English Edition of Seasonality in the Cambodian Consumer Price Index* (Working Paper 13). The CDRI website was relaunched in December following a major redesign and upgrade. Access the site at < <http://www.cdri.org.kh> >.

*Cambodia Development Review* is also available in Khmer

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