

**Cambodia Development Resource Institute (CDRI) and ANZ Royal
2007 Cambodia Outlook Conference:
*Opportunities for Growth, Development and Shared Prosperity***

Welcome & Session 1: Cambodia: A Macro View of 2007 to the medium-term - Key Indicators for Growth, Development and Shared Prosperity

CDRI's Vision for Cambodia's Development

Eng Netra (CDRI), Feb 23, 2007

Excellencies, ladies and gentlemen:

Today I am honour to be speaking in this important conference about future development of Cambodia. In his speech yesterday, Samdech Hun Sen provided a detail account of recent achievements of Cambodia. As an independent policy research institution in Cambodia, CDRI would like to share with you all our view on the current development and challenge based on our research findings of the four research programmes, namely macroeconomic performance, poverty reduction, natural resource management, and governance. I will later pose a few policy questions for further discussions as we are all looking forward to working together as partners for Cambodia's better future.

As we are meeting to discuss about Cambodia future, I would like to first start with CDRI vision for Cambodia:

- Sustainable economic growth and equitable distribution of benefits of growth;
- Achieving the CMDGs in halving poverty by 2015;
- Sustainable use of land management and natural resources;
- Integration into the region and international trade and governance system; and
- Strong and effective governance institutions that are responsive to citizen needs.

As the previous speakers have elaborately discussed, findings from CDRI research programme also shows that Cambodia achieved a remarkable economic growth in the last decade. Major social services have also been improved including health, education, rural infrastructure, and irrigation. CDRI research studies observe that recent growth depends primarily on tourism and garment sectors. However, the growth has not been able to create sufficient (i) employment opportunities, (ii) linkage and impact the rural farmers, and (iii) inducement to improve and develop other key sectors such as agriculture, and finance and banking.

Excellencies, ladies and gentlemen,

Over the past decade Cambodia has achieved about one percent of annual poverty reduction. However, CDRI Poverty Studies suggests that this growth is not equitably distributed and the gap between the rich and poor, and between rural and urban areas have increased. Although women's economic role and contribution is continuing to broaden, as a result of the changing economic base, with more of the poorest women selling labour, migrating for work, and undertaking male responsibilities in addition to their domestic role. Clearly, more and more of the poor and very poor are increasingly dependent on natural resources. Mr Chan Sophal will further elaborate these aspects in the coming session.

Cambodia is rich with abundant natural resources for its people. It is critical that natural resources are sustainably managed for poverty reduction as they are the primary assets for the poor. Land tenure security is one of the most important issues for Cambodian poor. More and more poor people are losing land because of "distress sales", health shock and land grabbing. CDRI strongly support land titling effort but that this effort should be accelerated and targeted to areas where the impact of poverty reduction can be most optimal.

CDRI studies show that the poor and the very poor are increasingly dependent on forestry and fishery products for their livelihood. The PPA study suggests that although community fisheries may benefit local communities, the benefits are not equitably distributed. Fishing areas released for "open-access" have mostly benefited better off households, outsiders. Our research suggests that centrally based of

natural forests without involvement of local people will potentially have significant negative economic impacts on communities. New community based management alternatives for forestry are necessary in order to provide people with more equitable access to former “post-concession management” forest. Challenges faced by the natural resource management are (i) unclear and conflicting mandates and authority are exacerbated by poorly demarcated jurisdictions, and (ii) corruption at the local level to effectively enforcing rules and regulation governing access to and control over natural resource assets.

Excellencies, ladies and gentlemen,

Cambodia has enjoyed relative peace and stability over the past decade. It conducted and managed elections and put in place state institutions; social services are developing and improving; and decentralisation of power has begun with the election of the commune councils. While the technical capacities of government staff are undoubtedly strengthening, the state apparatus remains fragmented; reliance upon directives from the top is high, formal accountability mechanisms are weak, and evidence of effective inter-ministry and vertical/horizontal coordination is minimal. CDRI work on decentralisation reform shows that sub-national administrations remain highly centralised and politicised with widespread corruption. This poses negative impact on the economy and citizens, and particularly disadvantages the poor and small businesses. Although commune councils have demonstrated the ability to deliver small infrastructure projects and addressing local-level small conflicts, they are not capable of defending either democratic politics, effective services, or key natural resources. The capacity of institutions to facilitate the participation of women in decision-making at all levels, and to respond to demands from vulnerable groups such as the poor and women is also inadequate. Finally, major government reform initiatives such as Decentralisation and Deconcentration, Public Finance Management and Public Administrative Reform are slowly progressing or are at standstill.

In wrapping up my presentation, I would like to highlight five major findings and the relevant policy questions. These are:

- Economic growth is remarkable but a medium and long-term strategy is needed, particularly to diversify sources of growth, developing agricultural sector as the third engine of growth. What are the possibilities for shared prosperity of Cambodian growth? How can the private sector play in contribution to economic growth and in influencing policy making?
- Poverty reduction is marginally achieved but inequality and other poverty dynamics are emerging. What will be the modality used to translate economic growth into poverty reduction? How can the reach of public policy programmes and initiatives be extended to reach the poor and vulnerable including women?
- Natural resource management is increasingly degraded and threaten by plausible policy and legal framework and the weak capacity of local actors. How can natural resources be managed and protected to promote sustainable access to the poor?
- Governance and institutional reform have not been making sufficient progress to help accelerate the opportunity for growth and development. It is very critical for the passing of the Anti-corruption Law and Organic Law to speed up reform as well as the political commitment and community support to implement government reforms. How can the institutional reforms be implemented to achieve the RGC objectives? How do members of Cambodian society understand their status as citizens? How do we build national pride and civic responsibility as citizenship in order to promote and sustain civic engagement?

We at CDRI believe that the way to achieve CDRI’s vision for Cambodia is to have all the constituencies today from the government, private sector, civil society and development partners working together for the future of Cambodia.

Excellencies, ladies and gentlemen, I appreciate your attention.