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Challenges of Election Preparation in Three Western Provinces of Cambodia

Doung Virorth discusses the Cambodian electoral process in three western provinces of Cambodia after the five elections since 1993.*

Cambodia has held five elections since 1993: three national elections, one commune council election and one Senate election. The elections have been critical in Cambodia’s progress to democracy, respect for human rights and improved governance for sustainable development. Moreover, a recent CDRI study and various reports show that since 1998, Cambodian elections have been increasingly seen to be free and fair.¹ More specifically, electoral processes were managed and run by Cambodians with less technical support from foreign experts. Most people perceived that the elections were implemented with technical maturity, electoral preparation expenses were remarkably reduced, and legal frameworks were constantly improving.

Despite such progress, substantial challenges remain. Apart from loopholes and gaps in the legal framework, all elections were to some extent marred by threatened or real violence, intimidation, fraud and other irregularities and inappropriate practices. Political parties have lacked a culture of trust within which to hold discussions on election issues, which compounded their disagreements



COPCEL has helped to make the election preparation and process much more transparent.

and differences. If multi-party democracy in Cambodia was to mature, there was a need to lay a basis upon which all election participants could discuss their differences and work towards their peaceful resolution.

Today, there are still many election-related issues to be discussed and addressed. For example, the 11-month political deadlock following the July 2003

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national elections created further potential for electoral conflicts, bitter confrontations and deep mistrust among political actors. In addition, although the National Election Committee (NEC) was praised for its technical performance, the general public continues to question its independence and political credibility.

COPCEL (Conflict Prevention in Cambodian Elections) is a roundtable forum for open and frank discussion of election-related issues. As a conflict prevention mechanism, it provides a safe and neutral forum for face-to-face dialogue among representatives of political parties, the government and civil society to discuss election issues.² At the national level, COPCEL consists of monthly meetings involving extensive preparation, identification of issues, finding of common ground, building of support and consensus, follow-up and behind-the-scenes dialogue. The mechanism is viewed as a sustainable structure for trust building through open, safe and neutral dialogue. Between August 1999 and the 2003 election, COPCEL convened 50 meetings with more than 100 participants. These included key representatives from the political parties, election monitoring NGOs, the NEC, security services, women's organisations and the Ministry of the Interior. The minutes of each meeting, once approved by the participants, were sent to the king, all members of the Senate, the National Assembly, Constitutional Council, NEC, prime minister, deputy prime ministers, all ministers involved in the conduct of the election, all provincial governors and deputy governors, about 25 foreign embassies and other international and civil society organisations.

In the July 2003 national elections, COPCEL contributed to positive changes in policy and process through discussion of such topics as the extension of registration, more equitable access to media, improved voter education, improved security and organisation, more transparent procedures and selection of election committees, to name a few. As a result, COPCEL is widely respected in Cambodia (and in the region) as a mechanism for conflict prevention and management, and for providing a safe and neutral forum for the promotion of a culture of dialogue and the building of trust. The NEC and some NGOs have adopted this mechanism in their programmes for discussions on particular issues.

Looking ahead to the 2006 Senate election, 2007 commune council election and 2008 national election, CDRI launched COPCEL Phase II at a conference in July 2005 to provide open and neutral forums for the safe discussion of election-related issues. Its main objective is to prevent conflict, violence and misunderstanding arising before and during elections by building trust and encouraging a culture of dialogue, which is fundamental in building peace and mature democracy. This phase will run for three years, with financial support from the United Nations Development Programme (UNDP).

COPCEL provincial meetings (COPCELPROM) were aimed to reach down to provincial levels to increase public involvement. Similarly, COPCEL media meetings (COPCELMED) aim to ensure high levels of civic participation in the elections. Since its launch, COPCEL Phase II has identified election-related issues only at the national level. Province-based challenges remain unidentified. These need to be properly identified and addressed through discussion.

Research Methods

This paper results from a small field study employing guide questions with 30 informants in three provinces of western Cambodia, namely Battambang, Pursat and Kompong Chhnang, 12–14 July 2006. The informants interviewed in each province were the provincial governor or his deputy, the provincial police commissioner or his deputy, the provincial election committee director and provincial representatives from the Cambodian People's Party (CPP), FUNCINPEC and the Sam Rainsy Party (SRP). Also interviewed were the director of the Provincial Local Administrative Unit (PLAU) and the provincial representatives from ADHOC, COMFREL and NCFEC. The study sought to uncover prevailing electoral issues in these provinces to be used as a basis for discussion and solution during the COPCELPROM. The research explored the nature of electoral processes and electoral conflicts in the three provinces with particular emphasis on the challenges related to voter registration, campaigning and election day conduct.

Voter Registration

According to the law on commune elections, voter registration is delegated to commune or sangkat council members, who act on behalf of the NEC to review the list of voters, registration of voters in the list and electoral voter roll for each commune/sangkat. To carry out this function, the councils should assign these tasks to the commune clerk, who will act as reviewing officer and registrar of the voter list and electoral voter roll. The council must instruct its clerk to exercise the tasks properly in accordance with the election law, regulations and procedures prescribed by the NEC.³ The law states that the voter list should be updated on a rolling basis, from October to December each year. Voter lists are also copied to the NEC, which has the responsibility to validate voter lists at least 90 days before the election.

In accordance with the law, voter registration has been carried out by commune clerks with oversight from designated commune council members, resulting in a significant improvement of voter lists.⁴ The lists have been made more accurate through removal of the names of people who died or moved away.

In principle, giving power to the commune authorities to maintain the registry of voters appears to be an

appropriate move. It locates responsibilities for this task at the most appropriate level,⁵ especially at the time the government is implementing the decentralisation and deconcentration policy.⁶

At the same time, however, allocating responsibility to this level was risky in that commune councils had been constituted for only about one year when the task of updating the 2002 electoral rolls had to be carried out. It is widely accepted in initial studies of the functioning of commune councils that they have yet to establish a clear idea of their own procedures and aims and have not yet received the funds to establish a supporting infrastructure for their responsibilities. Moreover, relations of councils with their chiefs and clerks are poor, as are relations between CPP and SRP council members, the latter feeling that they are marginalised from decision making. As a result, delegating voter registration to this level entailed delegating it to agencies that were still poorly organised and coordinated.⁷

The study in the three western provinces also indicated some constraints and difficulties during registration by commune clerks. Busy schedules with other tasks assigned by their superiors from the Ministry of the Interior (MoI) prevented

clerks from actively registering voters during both the nine-month pre-registration period and the 20-day formal registration period. The clerks had prioritised tasks other rather than registration, which sometimes forced people to wait because, when they came to register, they could not find the commune clerk nor any information. At the same time, more programmes for council members and clerks from SEILA and from NGOs, along with the annual planning of the MoI, further delayed members' and clerks' carrying out the tasks of voter registration.

Commune clerks are new to the voter registration procedure, which resulted in mistakes and drew many complaints from party and NGO representatives. According to the interviews, most problems happened with spelling and with date and place of birth due to carelessness of commune clerks, commune council members or voters.

It has been suggested that wider participation is needed to encourage people to register. Political parties, NGOs and local authorities, especially newly selected village chiefs, should raise awareness of villagers about the importance of elections, especially of ensuring their right to vote by registering. Interviewees and participants in COPCEL meetings said that everyone should work closely with the National Election Committee (NEC), provincial election committee (PEC), and commune election committee to avoid misunderstanding, in

particular about the content of educational material.

Voter cards will not be used in the next election as the national identity card will be used instead.⁸ If voters do not have a national ID card, civil servant cards, military service cards or police service cards can be used to vote. Finally, form 1018⁹ with a photo issued by the commune chief can be shown to be allowed to vote. The shift to the ID card has been praised by most politicians and institutions because it will mean that people have one card that can be used for many purposes and the NEC does not have to issue a voting card. However, some politicians have voiced concern over the replacement of voter cards by ID cards because many eligible voters do not have ID cards yet and the process of issuing them is slow and sometimes involves corruption among police.¹⁰ In some cases, ID cards can be another means to intimidate party activists by not issuing the ID cards to those people who supported other parties by local authorities, especially group or village leaders.

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Campaigning Days

Village chiefs play important roles in disseminating election information. However, some village chiefs were also alleged to be engaged in vote buying, intimidation, confiscation of voter cards

and other illegal and threatening acts in large numbers during the election period.¹¹ Cases of intimidation by pro-CPP village chiefs were alleged in the three provinces in the study. Threatening activists with taking land or other property or by destroying the property of those supporting other parties were said to be common forms of intimidation. On "barking night"—the night before the election, which is supposed to be a non-campaign day, village chiefs or group leaders reportedly went around to make gifts to convince voters to vote for their parties. However, while provincial party representatives all commented that other parties did this, there were no official complaints about it lodged with PEC officials by any political party.

Election Day Conduct

Cases of voters who could not find their polling station on voting day were widely reported in the three provinces. According to the procedure, if the number of voters exceeds 700 at one polling station, the surplus is to be diverted to another station to ease the congestion. Changes of polling station had distracted many voters who had registered and expected to vote in a particular station but could not find their names, which sometimes led to them giving up trying to vote. Misspelling of names and wrong dates of birth in voter rolls also happened frequently in those three provinces, preventing people

Summary of the electoral process

9-Month voter pre-registration	20-Day registration	Election campaigning	Voting day and vote counting
Delegated to commune councils and clerks. Steady improvement had been observed.	Technical accuracy needs to be considered more seriously by commune clerks, voters and NEC, especially related to spelling and writing date and place of birth.	Most conflicts arose due to disregarding of agreed schedules and violation of code of conduct for election by party activists. Also barking night is reportedly common in battambang, pursat and kompong chhnang provinces.	The presence of village chiefs, commune chiefs and district governors at polling stations remains a significant concern.

from voting. This had been the subject of complaints by political parties, who said it was intended to prevent their activists from voting.

The presence of local authorities in front of polling stations was reported as influencing voters, especially non-CPP supporters. Village chiefs, commune chiefs or district governors waited at polling stations even after their votes had been cast as a form of intimidation of other political parties, and this had been complained about by political parties and recorded by election monitoring NGOs.¹²

Conclusion

This small-scale assessment indicated electoral improvement at sub-national level in Battambang, Pursat and Kompong Chhnang provinces. The commune clerks, who were in charge of updating the voter rolls and registering voters had increased their understanding of the procedure of voter registration and were more committed to the election process. The numbers of people registering vote had increased remarkably in most communes. Security had been improved by good cooperation among PEC officials, provincial authorities and armed forces. Intimidation or violence against political activists had been reported less often.

Some challenges remain unresolved. An overload of work for commune clerks and council members during the voter registration had delayed it and caused difficulties for both voters and commune clerks. It is recommended that during the 20 days of formal voter registration, 1-20 October, any plans for other commune work be avoided to give time for commune council members and clerks to concentrate on voter registration. On a non-campaign day, "barking night" was reportedly widespread in these three provinces, indicating that political parties were still trying to influence voters by giving gifts.

The presence of village chiefs and commune chiefs at polling stations after they already voted remained a concern for both political parties and national and international NGOs because such presence could be intimidating to voters. Dealing with this requires cooperation among the political parties to avoid a poor image of the electoral process. Technical procedures and voter registration need to receive more attention, especially more accurate and

reliable spelling, dates of birth and places of birth. In the case of changing a polling station, information should be disseminated widely to avoid disruption on voting day.

Endnotes

1. C. Hughes and Kim S. (2004), *The Evolution of Democratic Process and Conflict Management in Cambodia*, CDRI, and UNDP (March 2002), *Report on the Election of the Commune Council*. Speech by SAR Kheng, deputy prime minister and minister of the interior, speech by IM Suosdey, chairperson of the National Election Committee, speech by Douglas Gardner, UNDP representative and UN resident coordinator, all at the Meeting on Calling for Funding for 2007 Commune Election, Cambodiana Hotel, 8 June 2006.
2. The formation of COPCEL was proposed by a 1999 CDRI study entitled *The Nature and Cause of Conflict in the 1998 Election*. For more information on the COPCEL structure and its activities, visit the CDRI web site: www.cdri.org.kh.
3. Election Law on National Assembly, enacted in 2002 (Chapter VI, Article 53).
4. Reports by TEP Nytha, NEC secretary general, during monthly COPCEL meetings in Phnom Penh. (See COPCEL minutes posted on www.cdri.org.kh). Also, the interviews for this study.
5. C. Hughes and Kim S. (2004), *The Evolution of Democratic Process and Conflict Management in Cambodia* (Phnom Penh: CDRI), p. 57.
6. Speech by IM Suosdey, *op. cit.*
7. C. Hughes and Kim S. *op. cit.*, p. 58,
8. Report by Tep Nytha at COPCEL meeting in Phnom Penh at the 4th COPCELEM on 30 June 2006. See COPCELCOM minutes posted on CDRI web site: www.cdri.org.kh.
9. This form is issued by the commune chief to prove that holders are residents of that commune and are eligible to vote if they do not have any other legal supporting document.
10. Interviews for this study.
11. C. Hughes and Kim S. *op. cit.*
12. C. Hughes and Kim S. *op. cit.*, and interviews for this study.

Democratic Governance and the Challenges of 'Hybridity'

*Caroline Hughes, Joakim Öjendal and Kimchoeun Pak discuss the conceptual evolution of democratisation, and the concept of hybridity as a governance system.**

This article introduces the concept of "hybridity", here referred to as a state of governance combining the elements of both authoritarianism and democracy (Karl 1995). The article starts by presenting a conceptual evolution of democratisation, followed by the concept of hybridity as a governance system as discussed in the literature. It then reflects on how hybridity might be applied in the context of Cambodian governance, especially within its emerging decentralisation and deconcentration (D&D) reforms, as an analytical research framework for the Governance and Decentralisation Unit of the Cambodia Development Resource Institute (CDRI) for the new programme phase from 2007 to 2010.

The Third Wave

In the late 1980s and early 1990s, a "third wave" of democratisation supposedly swept the globe (Huntington 1991). Countries in southern Europe, Latin America, eastern Europe, Africa and Asia came to embrace some sort of multi-party system. Two new features of the spread of democracy were notable in this wave. Huntington (1991) suggested that global, rather than local, factors were largely responsible for its force and reach, while O'Donnell and Schmitter's (1986) seminal study of *Transitions from Authoritarianism* turned the study of democratisation upside down by emphasising the importance of "elite pacts" rather than the rise of pro-democratic social forces, in prompting transitions to democracy.

The idea that transitions to democracy could be consciously designed and delivered by the actions of elites in response to international "demonstration effects" represented a new departure in an area of political science that had long been dominated by a focus on structural preconditions and the *longue duree* (di Palma 1990; Lipset 1969; Moore 1968). The focus on elite pacts prompted new research agendas that focused less on the question of the evolution of pro-democratic social forces at the grass roots and more on the ways in which elites

in democratising countries used their power to support or undermine institutions built or reformed in line with international policy prescriptions.

In policy terms, new theories of democratisation backed democracy promotion in the policies of western powers. Democratisation as a foreign and aid policy goal emerged from two related theses. The first held that the creation of democratic institutions at the top would promote democratic politics at the bottom, even if a "democratic political culture" was not already in place. Explaining this position, Luckham, Goertz and Kaldor (2003) draw a distinction between "democratic institutions" and "democratic politics". The former comprise the apparatus of elections, assemblies and parties familiar from democracy promotion policies, while the latter focuses on the political context within which these operate—a context of informal structures of authority, local communal bodies and other non-state and possibly non-national social forces. Transition theorists argued that the design of new institutions would elicit transformed political behaviour from the population, who would increasingly adapt their political strategies to the rules of the democratic "game" (O'Donnell and Schmitter 1986). When political actors were sufficiently "habituated" to these rules so that democracy had become "the only game in town", consolidation was deemed to have taken place (Linz and Stepan 1997). In the wave of optimism surrounding the end of the Cold War, consolidation was considered to be the default outcome of democratic transition, although "reverses" due to renewed military intervention were granted to be possible.

The second thesis that encouraged democracy promotion policies was the democratic peace thesis. This links democracy to peace, drawing upon Kantian arguments that autonomous rational actors will not go to war, because it is not in their interests, and that democracy is the form of government that best preserves rational actors' autonomy. For example, in his 1992 *Agenda for Peace*, then United Nations Secretary-General Boutros Boutros-Ghali drew upon revived versions of Kantian democratic peace theory to assert:

"There is an obvious connection between democratic practices—such as the rule of law and transparency in decision-making—and the achievement of true peace and security in any new and stable political order." (Boutros-Ghali, 1995).

Throughout the 1990s, increasingly complex political settlements sponsored by international organisations to deal with a variety of civil wars incorporated democracy promotion, most prominently multi-party elections, as a means to cement peace. This concern transformed democracy promotion into a declared national security strategy for some western states (Evans 1994).

This attitude encouraged the deployment of democracy advisers to governments around the world, assisting with drafting laws, establishing institutions

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and organising elections. This trend was reinforced by the post-Cold War need to solve many internal conflicts and to re-establish workable governments that respected human rights and strove for democracy. Often this took place through international interventions “inserting” democratic procedures into political systems from outside and from above (e.g. Doyle and Orr 1996). Elections to legitimise new constitutional regimes in the aftermath of civil war became a feature of almost every internationally sponsored peace process in the 1990s.

Defining Democracy

One of the problems of post-Cold War democracy promotion, however, has been defining democracy itself. In the theoretical literature, “democracy” is widely regarded as an “essentially contested concept”—one that can never be satisfactorily defined because it denotes evaluation as well as description (Gallie 1956). However, policy concerns to promote and evaluate democracy around the world prompted the widespread use of simplified definitions in the 1990s. Democratic transition was conceptualised as a process by which institutions of authoritarian or communist rule were replaced or reformed in line with the requirements of a limited polyarchy, incorporating some level of choice over representatives, participation in formulating political agendas and respect for civil and political rights and freedoms. This “minimalist” conception of democracy, drawn from Dahl’s formulation of “polyarchy” as comprising choice, participation and respect for human rights (Dahl 1971) has operated as the core definition for international policy makers, with relatively little discussion.

This emphasis on rules, procedures and institutions, rather than on cultures, values and norms of interaction, renders the study of transitions unproblematic, shifting difficulties in characterising a more widespread democratic *politics* to a later phase of “consolidation” (Luckham *et al.* 2003:15”). However, proceduralist definitions of democracy have been criticised on two counts: first, they de-link issues of formal political participation from issues of substantive social justice; second, these definitions tend to be circulated with little reference to the fact that in established democracies of the North, formal procedures often function poorly in terms of mobilising enthusiastic and informed political participation.

Hybridity as a Divergent Transitional Outcome

Beyond the problem of defining democracy, the empirical record over the course of the 1990s also caused problems for the transition paradigm. The idea that top-down democratic institutions give rise to bottom-up democratic politics was rarely borne out in practice. While a few countries that initiated transitions as part of the “third wave” became fully fledged democracies, many more were observed to get stuck in a “grey zone” variously called “hybrid”, “semi-” or “pseudo-” democracy, combining “elements of both authoritarianism and democracy” (Karl

1995). In such grey zones, forms of political interaction that, from the point of view of democracy promotion, appeared as “profound pathologies”, were apparently durable for sustained periods (Carothers 2002; Inoguchi and Bacon 2003). In hybrid democracies, the democratic nature of institutions did not generate a democratic politics at the bottom. A number of explanations have been put forward for this.

Authoritarian disingenuity: some transitions were subsequently regarded as cosmetic affairs, in which elites offered a degree of liberalisation to assuage the concerns of donors, while ensuring that formal democratic institutions remained marginal to actual politics and consequently could not be used to empower a democratic politics at the grass roots.

Insufficient international political will: other studies blamed international actors for failing to devote sufficient resources and attention to achieving momentum in specific countries.

Inadequate or different political culture: culturally specific variants of democracy, e.g. delegative democracy (O’Donnell 1995) and Asian-style democracy (Neher 1993) were regarded as reflecting the lack of a democratic political culture to complement democratic institutions. Culturally mandated responsiveness to personal charisma prompts Latin electorates to vote for strongmen, in O’Donnell’s formulation, while respect for hierarchy and the prioritisation of community stability over individual opportunity result in patriarchal party systems that limit certain freedoms in Asia, according to Neher.

Inadequate sense of political community: Luckham *et al.* (2003) argue that “the crucial issue in the longer term” is how these non-state forces or “publics” can be forged into the “single political community based on broad consent and inclusive notions of common citizenship” required for democratic governance. In couching the argument in these terms, they suggest that the crucial problem is division within society, due either to ethnic ties or to local political orientations; this causes alienation from formal, national democratic institutions, which are not regarded as particularly relevant to everyday life.

Inadequate type of democracy promoted: Gills and Rocamora (1997) argue that the minimalist conception of democracy widely promoted in the South, based upon Robert Dahl’s 1971 formulation, should be regarded as “low-intensity democracy”—a “formal” democracy of institutions tailored to the needs of global capital and detached from a social justice agenda that would make it appealing in the eyes of the poor. This type of democracy serves to pre-empt and obstruct, rather than facilitate, local demands for broader social reform, and leads to alienation on the part of the public, whose expectations of a better life in conditions of democracy are betrayed. In their view, democracy promotion represents a capture of the “global gold standard” of democracy by the forces of hegemony (see also Robinson 1996; Abrahamsen 2000; Mkandwire 1999).

Insufficient attention to the interaction of state and society: Kohli (1997), however, posits an alternative scenario in “follower democracies”, suggesting that weak and imported democratic institutions may be overwhelmed by social forces based upon different notions of community such as patron-clientism, kinship, tribal affiliation or ethnic identity. Indeed, the promotion of democracy encourages elites to use such notions of community as a means of political mobilisation—this can lead to collision of mobilised identities, undermining of traditional authority structures and erosion of community norms, all of which are disruptive to social order. The response of a variety of groups to this, in a contest where imported political models and indigenous cultural conditions are interacting and adapting to each other, unsurprisingly promotes political turbulence.

This position is echoed in critiques of the democratic peace thesis. In this area too, the immediate post-Cold War orthodoxy was challenged by the end of the 1990s. A comparative literature has emerged linking political transition, including transition towards democracy, to higher levels of violence than are found in either consolidated democracies or consolidated autocracies (Huntington 1991; Bratton and van de Walle 1996). Studies of post-conflict reconstruction have suggested that the introduction of competitive party politics in a situation where neither civil society nor state institutions are sufficiently robust to safeguard against new outbreaks of violence can permit violent groups to grab the initiative (Huntington 1996; Paris 2003; Ottaway 2003). The disastrous effects of elections during the peace processes in Angola and Rwanda, where more people died after the peace accords were signed than before, offset the successful use of elections to legitimise new constitutional regimes in places like Mozambique. Even in the places where elections were used successfully to mobilise legitimacy, they were viewed as achieving far less in the way of facilitating political participation, promoting respect for human rights and limiting the actions of the state in matters such as corruption; all these issues were regarded as leaving in place the conditions for renewed violent conflict in the future.

Applying the Concept of ‘Hybridity’ to Understand Democratic Development in Cambodia

Cambodia’s experience in recent years appears to reflect several features of a hybrid democracy. For example, Cambodia’s political governance system maintains certain forms of liberal democracy in terms of formal procedures and institutions, but state-society relations are not informed by the core values of democracy. Key institutions are also not yet capable of defending democratic politics, effective service delivery or key natural resources. A system operating through personalised chains of patronage is emerging, intertwined with a quasi-legitimate, rent-seeking political economy, transposed onto a new context of free market mass

politics (Hughes 2003; Un 2005). Consequently, the state-society relationship can be corrupted, exploited or even non-existent in some situations. Official attitudes toward citizens and citizens’ attitudes toward officials vary accordingly.

In terms of policy research, this suggests a need for a framework in which not just the nature of Cambodian democratic institutions and their effects on politics at the bottom, but also the nature of politics at the bottom and its effects on those institutions need to be examined and analysed. The interaction between democratic and non-democratic (but not necessarily undemocratic) structures of power and existing practices of political engagement at the grass roots constitute complex state-society relations. In a hybrid system, moreover, in order to analyse such relations, a core research activity should be to identify, unpack, understand and analyse the dynamics and implications of the coexistence of, and relations between, formal and informal institutions, democratic and non-/anti-democratic processes, rationally and culturally informed arrangements and political and technical perspectives. This framework for understanding state-society relations points out three related areas for objective research in Cambodia.

Institutional development

This involves a focus on the institutional composition of the state. The inner workings of the state, distributions of power and the functioning of different sets of actors within would be targeted for study. A special focus would be placed on the implementation and contexts of Cambodia’s major institutional reforms in D&D including the electoral system, service delivery and public finance. Approaching these issues in a hybrid system, the research would first identify and explain the interactions between democratic and non-democratic, formal and informal, technical and political and rational and cultural aspects of politics and administration. It would then seek to evaluate the effects of D&D reform in terms of promoting the state’s capacity to make and enforce rules, extract and redistribute resources, and conceptualise and defend the “public good”.

State-society relations and their intermediaries

The state’s ability to exercise its core functions is determined not only by institutional arrangements but also by the state’s relationship with society. In Cambodia, a large body of literature shows the gap between rulers and ruled as the main historical shortcoming in producing a state-society relationship that facilitates the core functions of the state and produces positive policy outcomes (Chandler 1998; Mabbet and Chandler 1996; Peang-Meth 1991). Research into this area focuses primarily on the ways in which state actors understand their role, how they attempt to overcome problems of the relatively low level of state penetration due to the appointment of intermediaries and how this affects their formulation and execution of policy (formal and informal). This entails

a focus on transparency, accountability, representation of the public and responsiveness, as well as deeper consideration of the relationship of these characteristics to formal regulations and procedures, the informal patterns of interaction between state, society and their intermediaries and the cultural values and norms that govern and determine these.

Civic engagement

Civic engagement is defined as the sphere in which individuals, families, communities and non-state actors interact with one another and with representatives of the state. Once again, this is a sphere which is governed by formal regulations and procedures (e.g. elections), informal relationships and cultural values and norms. It is understood here as the study of a bottom-up process focused on values and attitudes governing political strategies used by civil society to engage the state. Specific research topics might include the issues of perceived meanings of citizenship in Cambodia, the roles of civil society in bridging the gap between the state, and the impacts of low civic engagement in Cambodia on the ability of the state to perform its functions.

Conclusion

The above framework suggests a new research agenda for “hybrid regimes” that focuses not only on the institutional high politics of democratic governance, but also upon the interaction between state and social forces at central and local level, and on whether and how local social change is prompted by, and in turn produces, democratic politics. Within this framework, a research agenda that examine the varied ways that individuals make choices and participate in both formal and informal types of engagement with the state must examine not only the formal rules and procedures, but also the norms and values that constitute the unwritten rules of politics and which contribute to explaining not just what choices individuals made and how they exercised them, but why they hold the preferences they do, and how state influence and community culture shape those preferences.

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Solid Economic Growth and Improved Accounting Methodology: A Review of the Cambodian National Accounts Estimates for 2005

OUCH Chandarany and Keith Carpenter describe some of the key outputs and issues arising from the release of the 2005 national accounts estimates by the National Institute of Statistics in July 2006.*

This article was prepared following the release of the 2005 national accounts estimates by the National Institute of Statistics in July 2006. It describes some of the key outputs of those estimates and comments on a number of issues arising from them. Among those other issues are the interaction of the structure of the economy and the prospects for poverty reduction; revisions to the national accounts; backdating of revisions to the accounts; and ensuring the capacity to maintain the current quality of the national accounts. Further analyses of these national accounts estimates will be forthcoming in other CDRI publications.

Cambodia uses a specific nomenclature for its three economic sectors: agriculture, industry and services, instead of the more usual terminology of primary, secondary and tertiary. This article follows the Cambodian nomenclature but uses the term “subdivision” to refer to the components of each sector to avoid confusion between the industrial sector and the individual industries that each sector comprises.

Overall Growth

The National Institute of Statistics (NIS) released the final preliminary national accounts estimates for 2005 and revised estimates for 2001–2004 in July 2006.¹

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According to the NIS, the Cambodian economy grew significantly in 2005. Real GDP growth at 2000 constant prices was an estimated 13.4 percent in 2005, compared to a revised real growth rate of 10.0 percent in 2004.

*Table 1: GDP Growth by Major Sectors (%)
Constant 2000 prices*

Sector	2004	2005
GDP	10.0	13.4
Agriculture	1.2	16.6
Industry	16.4	12.1
Services	11.7	12.1

The agricultural sector was the most significant contributor to the 2005 growth, increasing by 16.6 percent in 2005, up from revised growth of 1.2 percent in 2004. However, the growth in industry slowed in 2005, recording a 12.1 percent increase, compared to 16.4 percent in 2004. Services grew by 12.1 percent in 2005, up from revised growth of 11.7 percent in 2004.

The preliminary GDP estimates for 2005 are summarised in Table 2.

Table 2: GDP Estimates 2005

	KHR	KHR Growth	USD	USD Growth
Nominal GDP	25,350 bn	19.9%	6195 m	17.7%
Per capita nominal GDP	1.833 m	17.5%	448	15.3%
Real GDP	21,812 bn	13.4%	5,330 m	11.3%
Per capita real GDP	1.577 m	11.1%	385	9.0%

Growth in Agriculture

The most striking aspect of 2005, according to the NIS, was the substantial growth in agriculture, compared to 2004 (Table 3). Crops are the main contributor to the growth in that sector. Paddy, which accounted for 48.9 percent of gross value added for agricultural crops at 2000 constant prices, grew dramatically in 2005, by 43.5 percent, compared to a contraction of 12.2 percent in 2004. This acceleration was the result of a combination of better weather, improved irrigation, expansion of cultivated areas and other factors that included technology changes and agricultural extension, according to the NIS.²

Table 3: GDP Growth in Agriculture Sector (%)
Constant 2000 prices

Subdivision	2004	2005
Crops	1.7	28.0
Paddy	-12.2	43.5
Livestock and Poultry	4.5	5.8
Fisheries	-1.7	5.6
Forestry and Logging	2.2	5.4

Favourable climate in 2005 contributed strongly to the growth in wet season rice, which accounted for 79 percent of total paddy production and increased by 51 percent over the 2004 yield. Rainfall began at the right time during the cultivation period (early part of the wet season) in 2005, although there was drought during the mid-season in some areas.³ Because of this, the NIS estimated that 31.1 percent of overall growth in paddy in 2005 came from weather conditions. Moreover, there has been a significant investment in the rehabilitation and construction of irrigation systems plus the introduction of better water control and management techniques during the past few years, according to the Ministry of Agriculture, Forestry and Fisheries (MAFF).

This improvement partly contributed to a rise of 21 percent in dry season rice output in 2005, according to the MAFF, and contributed 1.3 percent to overall growth in paddy production in 2005, according to the estimates of the NIS. In addition, the cultivated areas for paddy production expanded by 2.7 percent in 2005; overall the total area used for rice production increased because some land that had remained fallow in the previous year was brought back into production in 2005 and some cleared forest land was used for rice production.

Growth in Industry and Services Sectors

The growth rates of key subdivisions in the non-agricultural sectors are shown in Table 4.

Manufacturing growth fell from 17.6 percent in 2004 to 9.7 percent in 2005, a decline largely driven by the garment industry, where the growth rate declined from 24.9 percent to 10.3 percent in real terms. Construction output grew by 20.1 percent in 2005, compared to 13.2 percent in 2004. This increase was largely due to increased construction activity in Phnom Penh, no doubt fuelled by the high growth in the overall economy.

Table 4: Growth in Industry and Services (%)
Constant 2000 prices

Sector/Subdivision	2004	2005
Industry		
Manufacturing	17.6	9.7
<i>Garments</i>	24.9	10.3
Construction	13.2	20.1
Services		
Hotels & restaurants	23.4	17.3
Transport & communications	7.5	13.1
Real estate & business services	12.6	6.9
Indirect taxes	21.4	11.4
Total GDP growth	10.0	13.4

Distribution of Economic Activity

The distribution of economic activity is shown in Table 5.

Table 5: Distribution of Economic Activity by Sector (%)
Constant 2000 prices

Sector	2004	2005
Agriculture	30.6	31.4
Industry	27.3	27.0
Services	36.7	36.2
Indirect taxes	6.5	6.3
Financial services adjustment	-1.0	-1.0
Total	100	100

Services remain the dominant sector but declined marginally due to the resurgence of agriculture in 2005, as shown by the growth figures above. Table 6 shows the more important subdivisions in each sector.

Table 6: Key Industry Shares in each Sector (%)
Constant 2000 prices

Sector/subdivision	2004	2005
Agriculture	30.6	31.4
Crops	15.9	16.9
Fisheries	8.4	7.8
Industry	27.3	27.0
Garments	15.3	14.9
Services	36.7	36.2
Trade	8.8	8.4
Real estate & business services	7.0	6.6
Other services	8.0	8.3

Table 6 does not include “tourism” because tourism is not a recognised subdivision in national accounting terms. Common usage understands “tourism” to refer to foreign tourists visiting Cambodia. Such visitors typically use transport services, patronise hotels and restaurants, buy goods at retail outlets and use other personal services. Such spending is included in the national accounts; however, the national accounts do not separate spending by foreign visitors from spending by Cambodian resident travellers, which has been increasing according to the NIS, nor from spending by Cambodian residents travelling on business-related trips within Cambodia.

The individual subdivisions listed in Table 6 account for about 63 percent of total economic activity; this proportion has remained substantially unchanged over the last two years. This table shows that the economy is dominated by three subdivisions: crops, fisheries and garments, which currently account for almost 40 percent of total economic activity. Crops account for around 50 percent of the gross value added in the broadly defined agricultural sector, and paddy accounts for about half of that value added (i.e., about one-quarter of agricultural value added).

Nearly three-quarters of the value added in the industrial sector comes from manufacturing, and slightly more than half of industrial value added comes from garments. The services sector includes the contribution from tourism, predominantly foreign tourists, but the bulk of this sector’s output is accounted for by activity in the informal sector, (i.e., activity outside the mainstream of the economy). This sector is not a dynamic powerhouse offering the sophisticated services typical of a modern post-industrial society; rather, it is largely comprised of petty traders living on the fringes of the economy.

It could be said, abstracting from the services sector, that the Cambodian economy is dominated by subdivisions that depend either on the weather for productivity or on both favourable access to markets in developed countries and an ability to undercut production costs of other developing countries. This is not a solid base from which to build an economy capable of lifting the large mass of the rural population out of poverty. What such an appropriate base might be is a question that continues to exercise development economists and many others concerned for the future growth and prosperity of Cambodia, among them CDRI. For example, see the issues canvassed by the World Bank in Cambodia: Halving poverty by 2015?⁴

Revisions to the National Accounts

The revisions of national accounts in 2005 have strongly impacted on key measures of economic activity. The revisions are of two main types: improved coverage and

improvements to compilation methodology. The coverage has been expanded by the inclusion of commercial agribusiness, gold mining, petroleum exploration, gas supply, insurance, micro-finance and foreign exchange dealers. Coverage has been improved for gem mining, freight transport, private health care and private health care providers. The NIS now believes that, with the exception of the (illegal) production of and trade in narcotics, the national accounts cover the full range of economic activity in Cambodia. This is in itself a major advance, and the NIS is to be congratulated on reaching this milestone.

The improved compilation methodology included more accurate and appropriate sources for commodity prices, improved price deflators for a number of subdivisions, better estimates for household final consumption expenditure (HFCE) and a revised methodology for including durable equipment expenditures. Some of these improvements are a result of including changes to expenditure and production patterns revealed by the 2004 Cambodian Socio-Economic Survey (CSES). Now that the CSES is to become a continuous survey from 2007 onwards, rather than at approximately five-year intervals, it is to be expected that the compilation methodology will keep pace with the changes in the structure of the economy much more readily than it has to date. The outputs of the CSES 2004 particularly affected the estimation of HFCE and the uses of durable equipment. Previous national accounts estimates have assumed that imports of durable goods were being used in industrial production of various types. The 2004 CSES showed that urban consumers were purchasing far more durable goods for household use than had been previously thought. The latest estimates of HFCE take these findings from the 2004 CSES into account, and they will continue to influence national accounts estimates in the future.

In addition to the revisions due to changes to coverage and compilation, the NIS also introduced changes related to data sources. These included the results of the CSES 2004, noted above. The results from the second special population projection were also included in the estimates. The population projections particularly affect how the results from the CSES sample are translated into estimates for output and expenditure for all Cambodia. Revised data were also obtained from a number of ministries and the National Bank of Cambodia to incorporate into the national accounts. Revised data also included a number of special studies on specific subdivisions, including aquaculture, marine fisheries, abattoirs and casinos. The NIS also conducted surveys to gather data for the national accounts from wholesalers, retailers, guesthouses and transport operators in the informal sector.

A Comment on the Changed Approach to Publishing National Accounts Revisions

In the past, the NIS has incorporated changes in coverage and compilation into revisions of the national accounts estimates back to 1993. Adverse comments from data users, particularly those making use of time series analysis, have led to a change of practice by the NIS. Starting from the current national accounts estimates, the data series will be revised to incorporate revisions only back to 2001.

While the revised approach of the NIS is understandable, the fact that it had to be made at all is rather puzzling. The aim of national accounts reporting should always be accuracy in estimation and truth in reporting; if advances have been made in better understanding the way the economy works, then these advances should be widely disseminated, so that the best available data are always being used. It is hardly valid to suppress or ignore improvements in coverage and methodology because a particular economic model may have to be re-estimated and perhaps even rethought or reconstructed.

National accounts are estimates and will always be estimates, but data users should be able to expect that they are the best estimates available, prepared by professionals who understand the techniques required. National accounts estimates are the “first line” estimates, the first estimates after the collection and compilation of the raw economic data. Models are also estimates, and they depend on data generated by the national accounts estimates; thus they are a further step removed from the original data. By their nature, they are “second line” estimates.

To suggest that model builders, as second line estimators, should have “veto” power over the output of the national accountants, the first line estimators, may indicate that some may have forgotten the purpose of national accounts: to understand better the structure and operation of the economy. In the extreme, it is possible to envisage a situation in which improvements to the national accounts are not published because of possible impacts on previous time series estimates; this situation could then lead to the generation of subsequent model estimations that are misleading. These model outputs could then form

the basis of inappropriate policy advice, with serious consequences for ordinary Cambodians.

Looking Forward

The 2005 national accounts estimates for Cambodia have continued the improvements in estimation techniques that have been evident in recent years. Part of this improvement is due to capacity development in the NIS, the present team having worked together on the estimates for the past five years. This team has been able to improve the quality of its estimates each year by building on the lessons of previous years.

Progress is often an incremental process, building on solid foundations laid by previous work, rather than a process of great leaps. The ongoing improvements to the Cambodian national accounts are a good example of an incremental improvement, one that has benefited Cambodia.

A longer term concern is what might happen when the Cambodian members of the team move on to other roles; it is to be hoped that the NIS has suitable succession and transition plans in place so that the skill and experience built up by the present team are passed on to their successors. The human capital that has been carefully built up in the national accounts team must be transmitted to a new generation of national accounts professionals when necessary.

The present team comprises an IMF multisector statistical adviser and Cambodian counterparts. The period of time the national accounts team has been together augurs well for a smooth transition when the IMF adviser eventually leaves, as would be expected. A longer term concern is what might happen when the Cambodian members of the team move on to other roles.

It is to be hoped that the NIS has suitable succession and transition plans in place so that the skill and experience built up by the present team are passed on to their successors. The human capital that has been carefully built up in the national accounts team must be transmitted to a new generation of national accounts professionals when necessary.

Endnotes

1. The comments in this article are based on mimeographed data provided by NIS at the time the data was released plus comments made by NIS at that time. The national accounts are published by NIS each year and the 2005 issue is presently in the process of being published.
2. Comments made by NIS at a briefing for data users when the 2005 estimates were released.
3. Annual Report of the Ministry of Agriculture, Forestry and Fisheries (March 2006).
4. Phnom Penh (World Bank) February 2006.

The CDRI Library and the Tonle Sap Initiative Learning Resource Centre

Establishment of the Tonle Sap Initiative Learning Resource Centre

The Tonle Sap Lake, with its vast resources, has been described as the lifeblood of Cambodia. Similarly, a well-resourced library can be seen as the lifeblood of an effective research institution. The development of the Tonle Sap Initiative (TSI) Learning Resource Centre within the CDRI library was funded by an Asian Development Bank (ADB) grant. It was set up between early January and the end of June 2006.

The ADB TSI began in 2002 as a partnership of organisations and people working to encourage sustainable economic development of the Tonle Sap basin and the surrounding areas. This 10-year project is also aimed at preserving the unique potential of the Tonle Sap basin and ensuring that Cambodians are made more aware of this valuable resource. CDRI is pleased to be associated with this programme in a way that provides access for researchers and the wider community to information and outcomes of the many development facets of the TSI.

The newly established Tonle Sap Learning Resource Centre, an integral part of the CDRI Library, has been established as the capacity-building component of the TSI programme. The TSI resources complement existing facilities and networks at CDRI and are part of its ongoing activities. The existing valuable CDRI Library resources include a complete collection of all CDRI publications as well as our special collections, namely:

- Asian Development Bank Depository Library
- United Nations Research Institute for Social Development Collection
- UN Inter-Agency Project on Human Trafficking Collection
- World Bank Depository Library

All of these resources are being added to on a regular basis and enable the CDRI Library to remain the



foremost collection of development-related resources in Cambodia.

During the establishment period, CDRI Library staff worked together to develop the collection and to add new resources, particularly relating to the TSI and the Tonle Sap watershed. Staff visited other agencies in a systematic manner to collect additional resources, including books, pamphlets, CD-ROMs and maps. In addition, considerable time was spent identifying materials available on the internet. All these resources have been included in the new CDRI Library Online Public Access Catalogue (OPAC), which provides all library users with improved access to its new and existing resources.

Items of particular importance include the following:

- Database of ADB articles on the TSI
- Tonle Sap biosphere database
- Database on TSI-related project reports
- Books, periodicals and documents relating to the Tonle Sap basin
- ADB TSI brochures and publicity
- Maps
- CD-ROM publications of ADB, Mekong River Commission (MRC) and other organisations
- World Fish Centre publications
- MRC publications
- Online resources
- Research reports and theses

Refurbishing the Library and Upgrading Facilities

The library team, which includes Mr He Hin, Ms Un Sinoch and Ms Sorn Maden, together with a consulting librarian and volunteers, worked together to redesign the

library by incorporating the new equipment, furniture and facilities. The new layout enables the library to provide more streamlined services, while at the same time focussing on the ADB TSI Learning Resource Centre as an integral part of the library.

In addition to the improved layout of the library, new signs have been added to direct users to particular subject areas. Four computers are available for use by visitors wishing to consult the OPAC, two of which provide access to the Internet. There is a reader-adviser available at all times to assist library users to find resources and to explain library systems.

The NewGenLib System

High quality access to information in modern libraries and resource centres is made possible by the use of library management systems (LMS) software. In most cases, this software is very expensive and well beyond the reach of libraries in the developing world. CDRI was able to purchase a modern “cutting edge” LMS, NewGenLib, which is central to the redevelopment of the library and the establishment of the TSI Learning Resource Centre. CDRI staff use NewGenLib to manage all relevant systems, including acquisition, circulation, cataloguing and the OPAC. NewGenLib was developed in India using open source technologies to produce an international standard LMS programme for developing countries. The new system has many useful features that will assist the staff to provide “quality added” service for all library users. NewGenLib makes possible

easy access to all the resources, books on shelves, documents on the internet or digital documents held in other locations as well as providing analytical entries of particular works.

To facilitate the adoption of NewGenLib at the CDRI Library, the library team worked closely with Mr Leng Vanna, CDRI’s IT manager, and the NewGenLib team in India. Prior to the change-over, a digital version of the old WINISIS catalogue was sent to India for conversion of the bibliographic records to the international standard MARC 21 structure in preparation for the installation of NewGenLib. New computers and a server were purchased and installed in late March.

NewGenLib systems engineer Mr Meher Siddhartha visited CDRI for two weeks at the end of March 2006 to install the software and train the CDRI IT manager and library staff in the use and management of the new system. The library was closed for two weeks during the training sessions on NewGenLib.

Following the NewGenLib training, library staff, together with volunteers and temporary staff, have been hard at work on bar-coding books and “fine tuning” the cataloguing records preparation for implementation of the circulation module. Collection development continues, and the staff have a greater awareness of the kinds of materials required to maintain the relevance of the collection. They are continuing to learn new skills, focussing on developing their abilities in cataloguing and classification with guidance by the library consultant.

A New Look Library



The new look CDRI Library incorporating the Tonle Sap Initiative Learning Resource Centre is an attractive and user-friendly place. It provides users with access to vital information concerning the development of Cambodia and in particular the ADB Tonle Sap Initiative. Improved library services include signage based on the Dewey Decimal System, the location of a reader’s adviser in the public area, the new OPAC and a reference collection. Library staff have learned new skills and welcome new visitors and researchers daily.

Economy Watch—External Performance

World Economic Growth

During the first Quarter of 2006, US real GDP grew at an annual rate of 5.6 percent compared to 1.1 percent increase in the fourth quarter 2005. The acceleration in real GDP growth in the first quarter primarily reflected an increase in personal consumption expenditure (PCE), private domestic investment, and federal government spending.

The real GDP of the Euro Zone in the first quarter 2006 grew by 2.0 percent on an annual basis and by 0.6 percent compared to the previous quarter. Japanese real GDP grew by 3.0 percent on an annual basis and by 0.5 percent compared to the previous quarter.

China maintained high economic growth in the first quarter 2006 with real GDP growth at 10.9 percent, a 1.0 percent point increase from the previous quarter.

Secondary industry registered the highest growth at 13.2 percent, while tertiary and primary industry registered more modest growth at 9.4 percent and 5.1 percent, respectively. The real GDP of South Korea in the first quarter 2006 grew at an annual rate of 6.1 percent compared with 5.2 percent growth in the fourth quarter 2005. The real GDP

of Hong Kong and Taiwan in the first quarter 2006 grew at an annual rate of 8.2 and 4.9 percent, respectively.

The Malaysian economy expanded by 5.3 percent in the first quarter of 2006, compared to the 5.2 percent growth in the previous quarter. On the production side, a relatively high growth rate of 8 percent was recorded in the manufacturing sector. On the expenditure side, growth was led by private expenditure, which grew by 7.5 percent. The Singapore economy in the first quarter 2006 continued to record robust growth, increasing by 10.7 percent. Manufacturing grew by 20.2 percent, while the service sector grew by 7 percent. Thai real GDP in the first quarter 2006 grew at 6.0 percent, up from 4.7 percent in the previous quarter. The agriculture sector registered impressive positive growth at 7.1 percent as compared to a 0.2 percent fall in the fourth quarter 2005. The non-agricultural sector grew by 5.9 percent compared to 5.3 percent in the previous quarter.

World Inflation and Exchange Rates in International Markets

In the first quarter of 2006, consumer prices in the US rose at a 3.7 percent annual rate, reflecting largely the higher cost of energy and food. Meanwhile, in the Euro

Zone, the inflation rate eased somewhat to 2.3 percent, compared with 2.4 percent in the fourth quarter of 2005. This resulted mainly from an easing of energy price inflation and the decline in the annual growth rate of unprocessed food prices. During the same period, the year-on-year change in Japan's consumer prices was a 0.4 percent increase, compared to a 0.5 percent decline in the previous quarter with petroleum products being the main source of the price rise. Inflation was relatively stable in other Asian economies. For example, in South Korea and Singapore, inflation ran at 2.4 percent and 1.1 percent, respectively, in the first quarter of 2006.

In the exchange rate market, the US dollar weakened vis-à-vis most major currencies in the first quarter of 2006, following a period of appreciation in the fourth quarter of 2005. Against the Japanese yen and the euro,

The US dollar weakened vis-à-vis most major currencies in the first quarter of 2006, following a period of appreciation in the fourth quarter of 2005. Against the Japanese yen and the euro, the dollar traded at 114.5 JPY/USD and 0.80 EUR/USD depreciated from 117.2 JPY/USD and 0.84 EUR/USD respectively from the fourth quarter of 2005.

the dollar traded at 114.5 JPY/USD and 0.80 EUR/USD, a depreciation from 117.2 JPY/USD and 0.84 EUR/USD, respectively, from the fourth quarter of 2005. Against the South Korean won and Chinese yuan, it exchanged at 976 KRW/USD and 8.05 CNY/USD, dropping from 1036 KRW/USD and 8.08 CNY/USD,

respectively, in the quarter earlier. The weakening of dollar was seemingly influenced by market expectations about the course of monetary policy in the United States and a record high US current account deficit in 2005.

Commodity Prices in World Markets

In the first quarter 2006, the prices of rice, maize, palm oil, and crude oil rose, while the price of gasoline went down. The price of white rice, Thai 100% B second grade, in the Bangkok market in the first quarter of 2006 was at USD275.12/tonne, up from USD259.40/tonne in the fourth quarter 2005. Palm oil was sold at USD395.77/tonne in the first quarter 2006, a 1 percent increase from the previous quarter. The price of maize was stable at USD95.33/tonne, a 5 percent increase from the fourth quarter 2005. The price of soybean in the first quarter 2006 was stable as in the previous quarter at USD210.96/tonne. The price of crude oil in the first quarter 2006 increased by 9 percent, while the price of gasoline decreased by 3 percent from the fourth quarter 2005. In the first quarter 2006, crude oil sold at USD 57.89/ barrel and gasoline sold at US 41.18 cent/ liter.

Prepared by Hing Vutha and Phim Runsinarith

Economy Watch—External Performance

Table 1. Real GDP Growth of Selected Trading Partners, 2000–2005 (percentage increase over previous year)

	2001	2002	2003	2004	2005				2006 Q1	2005
					Q1	Q2	Q3	Q4		
Selected ASEAN countries										
Cambodia	6.7	4.8	7	7.7	-	-	-	-	-	13.4
Indonesia	3.8	3.8	4.9	5.1	6.4	5.5	5.3	4.9	4.6	5.6
Malaysia	0.5	5.6	5.4	7	5.7	4.4	5.3	5.2	5.3	5.2
Singapore	-2.3	2.6	1.4	8.5	2.5	5.4	7	7.7	10.7	5.7
Thailand	1.9	6.1	6.9	6	3.3	4.6	5.3	4.7	6.0	4.5
Vietnam	6.0	6.7	7	7.5	-	-	-	-	-	8.4
Selected other Asian countries										
China	7.5	8.1	9.9	9.5	9.5	9.5	9.4	9.9	10.9	9.6
Hong Kong	0.5	5.0	3.2	8.3	2.7	7.3	8.2	7.6	8.2	6.5
South Korea	3.0	6.1	3	4.7	6	3.3	4.4	5.2	6.1	4.7
Taiwan	-2.2	4.2	3.1	5.7	2.7	-	-	6.0	4.9	-
Selected industrial countries										
Euro-12	1.4	0.7	0.5	1.8	1.3	1.2	1.5	1.8	2.0	1.5
Japan	0.4	0.4	2.6	3.4	1.3	1.4	2.9	4.5	3.0	2.5
United States	1.2	2.4	3.1	4.4	3.5	3.3	4.1	1.1	5.6	3.0

Sources: *Economist*, countries' national statistics offices and central banks and ADB's Asia Regional Information Centre

Table 2. Inflation Rate of Selected Trading Partners, 2000–2005 (percentage increase over previous year—period average)

	2001	2002	2003	2004	2005				2006 Q1	2005
					Q1	Q2	Q3	Q4		
Selected ASEAN countries										
Cambodia	-0.6	3.2	1.2	4.0	5.6	6.4	4.6	6.6	5.9	5.8
Indonesia	11.5	13.2	8.3	8.3	10.7	10.8	12	17.3	-	10.5
Malaysia	1.4	1.8	1.1	1.6	2.5	3.0	3.4	3.4	3.9	3.1
Singapore	1.0	-0.4	0.5	1.7	0.4	0.1	0.5	1.1	1.1	0.5
Thailand	1.7	0.6	1.8	2.7	2.8	3.7	5.6	6.0	5.7	4.5
Vietnam	-0.4	3.8	3.2	8.3	9.0	8.0	7.5	-	-	-
Selected other Asian countries										
China	0.9	-0.7	1.2	3.9	2.8	1.7	1.3	1.4	1.2	1.8
Hong Kong	-1.3	-3.0	-2.6	-0.4	0.4	0.8	1.4	1.8	2.0	1.1
South Korea	4.4	2.7	3.5	3.5	3.2	3.0	2.4	2.5	2.4	2.8
Taiwan	-0.01	-0.2	-0.3	1.6	1.6	2.1	-	2.4	-	-
Selected industrial countries										
Euro-12	2.6	2.2	2.1	2.2	2.1	2.1	2.3	2.4	2.3	2.2
Japan	-0.6	-0.9	-0.3	Nil	-0.2	-0.1	-0.3	-0.5	0.4	-0.3
United States	2.8	1.6	2.3	2.7	3.0	2.9	3.8	3.7	3.7	3.4

Sources: International Monetary Fund, *Economist* and National Institute of Statistics

Table 3. Exchange Rates of Selected Trading Partners against US Dollar, 2000–2005 (period averages)

	2001	2002	2003	2004	2005				2006 Q1	2005
					Q1	Q2	Q3	Q4		
Selected ASEAN countries										
Cambodia (riel)	3,916.3	3,912.1	3,973	4,016.3	4,027.0	4,054.3	4,134.3	4,154.3	-	4,092.5
Indonesia (rupiah)	10,261	9,311	8,577	8,938	9,274	9,550	9,994	9,999	-	9,705
Malaysia (ringgit)	3.80	3.80	3.80	3.80	3.80	3.80	3.77	3.78	3.73	3.79
Singapore (S\$)	1.79	1.79	1.74	1.69	1.63	1.66	1.68	1.69	1.63	1.66
Thailand (baht)	44.4	42.9	41.5	40.2	38.6	40.1	41.3	41.02	39.3	40.2
Vietnam (dong)	14,725	15,280	15,510	-	15,809	15,842	15,878	-	-	-
Selected other Asian countries										
China (yuan)	8.28	8.28	8.28	8.28	8.28	8.28	8.14	8.08	8.05	8.19
Hong Kong (HK\$)	7.80	7.80	7.78	7.79	7.80	7.79	7.77	7.75	7.76	7.78
South Korea (won)	1,291	1,251	1,192	1,145	1,022	1,008	1,029	1,036	976	1,024
Taiwan (NT\$)	33.8	34.5	34.4	33.6	31.5	31.4	32.3	33.4	32.3	32.1
Selected industrial countries										
Euro-12 (euro)	1.12	1.06	0.89	0.80	0.76	0.79	0.81	0.84	0.80	0.80
Japan (yen)	121.5	125.4	115.9	108.2	104.7	107.4	111.2	117.2	114.5	110.2

Sources: International Monetary Fund, *Economist* and National Bank of Cambodia

Table 4. Selected Commodity Prices on World Market, 2000–2005 (period averages)

	2001	2002	2003	2004	2005				2006 Q1	2005
					Q1	Q2	Q3	Q4		
Maize (IUSNo.2)—USA (\$/tonne)	81.18	89.98	95.42	110.65	87.98	87.53	90.61	90.64	95.37	89.19
Palm oil—north-west Europe (\$/tonne)	259.13	353.91	402.03	427.47	374.86	382.48	376.41	391.52	395.75	381.32
Rubber—Malaysia (\$/tonne)	602.0	768.3	1050	1252.2	-	-	-	-	-	-
Rice (Thai 100% B)—Bangkok (\$/tonne)	160.81	178.59	182.22	221.67	268.11	268.20	255.77	259.40	275.12	262.88
Soybeans (US No.1)—USA (\$/tonne)	163.89	182.58	218.86	262.03	208.52	263.66	214.37	210.42	210.96	224.25
Crude oil—Dubai (\$/barrel)	22.8	23.9	26.8	33.5	42.6	47.7	57.27	52.99	57.89	50.14
Gasoline—US Gulf Coast (cents/litre)	19.5	19.1	23	30.9	34.4	39.7	52.37	42.29	41.18	42.19

Sources: Food and Agriculture Organisation and US Energy Information Administration.

Note: All prices have been converted from US\$/ton to US\$/tonne, which 1 ton = 0.907 tonne.

Economy Watch—Domestic Performance

Introduction

The World Bank has classified Cambodia as a lower income country in the East Asia and Pacific region, as a result of its recent economic performance. The average real GDP growth rate during the period of 2001–2005 was 11.2 percent, and per capita growth was 9.3 percent.¹ This was a stronger economic performance compared with the 3.0 percent average real growth during the period 1997–2001.

Main Economic Activities

In the first quarter of 2006, private investment and tourism made a higher contribution to the Cambodian economy, while the construction sector and external trade contribution declined, compared with the previous quarter.

Total private investment expanded during the quarter due to project expansion following the higher growth of GDP in 2005 (19.9 percent nominal and 13.4 percent real), which attracted more investors. However, this investment expansion is not expected to continue in the longer term. Approvals of private investment in fixed assets rose by 91 percent to USD227.3 m in the first quarter. According to data from the Council for the Development of Cambodia, registered fixed asset agricultural investment approvals were USD126.5 m in the quarter, an increase of almost 13 times compared to the previous quarter. Investment in the service sector doubled to USD60.7 m, while industrial investment declined by 51 percent from USD82.0 m to USD40.1 m. Moreover, the total value of fixed asset private investment approvals in the first quarter 2006, including expansion projects, dropped by 52 percent from USD475.3 m in the same period in 2005 (when growth was due to investment in industry). However, increased private investment has benefited the Cambodian economy this quarter.

In the past several years, tourism growth has continued as foreign tourists are being attracted to Cambodia in greater numbers. This is because Siem Reap (Angkor) is becoming better known, there is a stable security situation and the tourism infrastructure in the country is better. In the first quarter of 2006, a total of 457,300 visitors arrived in Cambodia, 9.9 percent more than in the previous quarter and 20 percent more than in the same quarter of 2005. Of the total, 88 percent (400,417 persons) were on holiday and 5.6 percent (25,386 persons) were officials and business people. Phnom Penh International Airport received 103,203 international passengers in the first quarter (compared to 117,516 in the preceding quarter), while visitors arriving at Siem Reap International Airport increased by 29 percent from 133,984 persons in fourth quarter 2005 to 172,188. Visitors by land and water rose by 11 percent to 181,900, of whom 93 percent arrived

in Cambodia by land (compared with 95 percent in the previous quarter). Korea was the largest source of arrivals, accounting for 100,187 persons, or 22 percent of total visitors, followed by Japan (43,617 persons) and the United States (33,404 persons).

People migrating from elsewhere, including foreign countries, have increased the population of Phnom Penh. The population growth, plus high economic growth, has led to increased construction in Phnom Penh over the past several years. However, construction in Phnom Penh in the first quarter continued a decline that began in the second quarter of 2005. It seems that the previous construction approvals are coming to completion, but the expansion momentum has not been subsequently maintained. According to data from the Municipal Department of Cadastre and Geography, construction project approvals amounted to USD67.3 m, a decrease of 6.3 percent from USD71.8 m in the previous quarter and a much larger drop from USD106.1 m in the same quarter of 2005. Flat approvals accounted for USD39.9 m, 12 percent less than in the preceding quarter, and other construction approvals were down 18 percent to USD17.4 m, while villa and house approvals almost doubled, from USD5.4 m to USD10.1 m. However, construction activities in Phnom Penh increased for the year 2005 by 36 percent to USD358.8 m, compared with USD263.4 m in 2004. This increase was led by flat construction valued at USD204.2 m, which continued to dominate during this period.

In this period, construction project approvals in Phnom Penh declined while private investment and tourism increased. Moreover, Cambodia's external trade deficit increased to USD87.5 m, compared with USD46.3 m in the previous quarter, after a surplus of USD97.7 m in third quarter 2005. In the first quarter, although imports fell, total exports also dropped by 6.5 percent to USD603.2 m, in contrast to an increase of 30 percent in the same quarter last year. Of the major export products, garment exports decreased by 5.4 percent, from USD601.0 m to USD568.5 m. Garment exports to the United States and EU dropped by 1.4 percent and 24 percent, respectively. Rubber exports declined by 42 percent to USD7.8 m and fish exports by 71 percent to USD1.9 m, while exports of wood and other products increased by 5.0 percent and 4.6 percent, respectively. Expanding exports can provide more income to Cambodia, but in the first quarter, exports usually drop because of seasonal factors (i.e, a large part of garment production goes to the northern hemisphere and their chief buying period is usually the third and the fourth quarters). Garment exports typically drive export performance. The seasonal factor also drives agriculture exports and another possible cause of the decline is a diversion of exports into 'unofficial' trade (border farms' products traded directly to neighbouring country traders,

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and sometimes people can gain more value for their products by doing that).

The value of total imports reported by the Customs and Excise Department was almost unchanged at USD690.7 m in first quarter 2006, compared to USD691.1 m in the last quarter of 2005. Food and fabric imports declined by 1.0 percent to USD10.0 m and 9.0 percent to USD2.0 m respectively, while gasoline imports rose by 1.9 percent to USD10.9 m and diesel by 54 percent to USD32.5 m. The volumes of gasoline and diesel imports were 34,755 tonnes and 115,820 tonnes in the first quarter 2006, compared to 34,456 tonnes and 76,645 tonnes, respectively, in the preceding quarter in 2005. Imports of construction materials rose by 41 percent to USD37.0 m, compared with USD26.2 m in the preceding quarter.

Public Finance

The overall government deficit worsened during first quarter 2006. According to revised data from the Ministry of Economy and Finance, the overall budget deficit expanded to KHR259.8 bn, compared to KHR171.0 bn in the previous quarter and KHR154.7 bn in the same quarter of 2005. Both government expenditure and budget revenue shrank, but the decline of budget expenditures was not sufficient to improve the government's budget balance. Since second quarter 2005, government revenue and expenditure had increased, but in this quarter both fell.

Import and export values fell, causing tax collections from import and export taxes to also decrease. Total revenue, consisting of tax, non-tax and capital revenues, dropped by 28 percent to KHR595.9 bn in the first quarter, compared with KHR827.8 bn in the preceding quarter. Tax revenue declined by 13 percent to KHR484.7 bn, led by a fall of VAT, excise duties and customs duties. In addition, postal and telecommunications revenue fell by 70 percent from KHR38.0 bn to KHR11.4 bn, and revenue from civil aviation fell by 95 percent to KHR0.4 bn. Domestic capital revenues, made up from privatisation and other sources, fell sharply from KHR126.3 bn in the previous quarter to KHR2.7 bn. From January to March 2006, total budget revenue reached 21 percent of the 2006 budget law target (KHR2812.7 bn), compared with 24 percent in the same period of 2005 (KHR2298.6 bn). Total revenue in 2005 (for 12 months) was 114 percent of the target of KHR2625.3 bn. Revenue is necessary to repay government debt and for public expenditure. In this case, revenues declined, therefore, the ability to repay debt and to fund public spending decreased.

In this period, expenditures on education and health declined, while defense and security spending rose slightly. Government spending, including expenditure adjustment, in first quarter 2006 was 14 percent less than in the previous quarter at KHR855.6 bn. There was

a decrease of 9.2 percent to KHR588.8 bn in current expenditure on a cash basis and of 24 percent in capital expenditure. There was a sharp decline of 65 percent of expenditure on education and health, while spending on defence and security increased by 9.4 percent, compared to the preceding quarter. Other current public service expenditure also increased. Compared to the same quarter of 2005, total budget spending increased by 21 percent from KHR706.3 bn. Reduced foreign financing (a 32 percent fall) was reflected in a decline in capital expenditure.

Inflation and Foreign Exchange Rates

According to monthly data published by the National Institute of Statistics, the overall consumer price index in Phnom Penh in first quarter 2006 was up by 6.1 percent from a year earlier. In the preceding quarter, the annual increase was 6.6 percent. Compared to the last quarter of 2005, the all-items consumer price index fell by 0.2 percent and food prices decreased by 1.0 percent, while the prices of other main consumer items, including transportation and communication, medical care, personal care products, education and entertainment, material for household operation and clothing and footwear, increased very little. Food prices rose by 11 percent, compared with the same quarter of 2005, equal to the increase in the previous quarter and higher than the rise in the first quarter last year (7.9 percent). Transportation rose by 9.7 percent from 2005, less than an increase of 10 percent in the previous quarter. In this quarter, the higher prices of key consumer goods have tended to make the lives of the poor harder. Therefore, higher inflation has particularly affected the livelihood of the poor and those with low incomes.

The riel appreciated 1.5 percent against US dollar, trading at 4094.8, compared to the previous quarter. The riel improved by 2.7 percent against the Vietnamese dong, trading at 25.4 riels per 100 dong, while it lost against the Thai baht, trading at 103.5 riels/baht, down from 101.4 riels/baht in the preceding quarter.

Monetary Development

According to the monetary survey of the National Bank of Cambodia, liquidity (M2) at the end of the first quarter 2006 grew by 14 percent from the previous quarter to KHR5711.0 bn (USD1392.9 m). This resulted from an increase of foreign currency deposits of 16 percent to KHR4146.0 bn (USD1011.0 m) and a rise of 9.5 percent in riels outside banks to KHR1403.5 bn (USD342.3 m). At the same time, riels in bank deposits, including demand deposits and time and saving deposits, rose by 5.1 percent to KHR161.0 bn (USD39.3 m).

Over the 12-month period, total liquidity rose by 72

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percent from KHR3329.0 bn (USD812.0 m). The riel component increased by 54 percent, of which riels outside banks rose by 55 percent. At the same time, foreign currency deposits increased by 80 percent. The risk from a higher money supply is higher inflation, because of the surplus of money over the demand for goods in the market. On the other hand, the rise of foreign currency deposits indicates more confidence in banking sector and the economic policies of Cambodia's government.

US dollar loan interest rates have been steady. Currently they are 16.4 percent per annum and they were 16.7 percent in 2004. US dollar deposit rates were also stable at around 3.9 percent. In this first quarter, private sector credit increased by 16 percent to KHR 2778.0 bn, while net claims on government declined to KHR 456.0 bn (49 percent decline) compared to the last quarter of 2005. This was due to a rise in government deposits in the banking system. No doubt the expansion in private sector credit is due to the robust economic growth and a stable interest rate environment. The bank interest margin (i.e., the difference between lending and deposit rates) remains high at about 12.5 percent. A lower interest margin would encourage more lending and ultimately greater private sector economic activity.

Poverty Situation—Real Daily Earnings of Vulnerable Workers

According to the vulnerable workers survey covering 10 groups, conducted by CDRI in May, the overall average real daily earnings declined by 9.6 percent compared to the same period in 2005. Earnings of small traders, scavengers, waitresses, motorcycle taxi drivers, unskilled workers and skilled construction workers fell, while the earnings of the other four groups—cyclo drivers, porters, rice field workers and garment workers—increased.

Real daily earnings of motorcycle taxi drivers fell by 23.1 percent from 11,400 riels in May 2005 to 8800 riels, but were similar to the survey in February of this year. In this survey, 68 percent of motorcycle taxi drivers reported a fall in their earnings, 18 percent reported no change and 15 percent an earnings increase. The survey reflected the increased price of gasoline, 4100 riels a litre in May, a 19 percent increase from the same time last year. Motorcycle taxi drivers spent about 24 days per month and around 10 hours per day at work, and they spent an average of 4200 riels per day on food. Sixty-three percent of motorcycle taxi drivers needed rental accommodation because they were migrants from the provinces looking for jobs in Phnom Penh.

The average real daily earnings of skilled construction workers decreased by 20.2 percent to 9800 riels in May 2006, compared to 12,300 riels in the same period in 2005. These were the lowest reported earnings for skilled

construction workers since the surveys started in 2000. It was not clear why earnings declined, because the survey design makes it difficult to find the same workers to re-interview. However, 78 percent of skilled construction workers indicated that the number of workers had increased. This applies especially to unskilled workers becoming skilled after they have worked closely with skilled construction workers for a long time. Thirty-five percent of construction interviewees in this survey were single, and most of them were aged less than 25 years. Most skilled workers were temporary migrants from rural areas.

For unskilled workers in May 2006, real daily earnings declined by 21 percent compared to the same period in 2005. However, there was a 7 percent increase since the last survey in February. Most unskilled workers complained that their earnings are not stable; therefore they could not save much to send home. Generally, they worked around 15 days in May 2006 for around seven hours per day. Half of unskilled workers were aged less than 25 years old, and 75 percent of them had attended primary school, while 20 percent had attended secondary school and 5 percent were without schooling.

In May, real daily earnings of small traders fell by 24.3 percent from 8600 riels in the same period of 2005 to 6500 riels. Earnings declined due to the unstable prices of vegetables and an increase in the number of small traders. About 82 percent of traders interviewed reported that the number of traders had increased, especially because of itinerant traders from Kandal and Kompong Speu moving to Phnom Penh due to difficult conditions at home. Most small vegetable traders spent a great deal of time in the market, including getting up at 3 a.m. to buy goods to sell. Eighty-five percent of small traders said that with their earnings they could not save enough to expand their businesses. The survey also revealed that many girls aged 10 to 15 carry fruit and vegetables in small baskets for selling. Informal interviews with the young girls found that they earned 1500–2000 riels per day, but some of them spent half a day and some the full day helping their families. Some girl traders said that normally they work after school, while others leave their home towns with their families early each day, and therefore have to quit school.

Real daily earnings of scavengers dropped by 14.4 percent in May from 5,300 riel to 4500 riels in the same month of 2005. Since early in 2006, the daily earnings of scavengers have continued to decrease. In May, 92 percent of respondents stated that their earnings had declined and the other 8 percent that they had stayed the same. The decrease in earnings was due to low prices for rubbish compared to the last three months, according to the respondents. Sixty-five percent of scavengers

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interviewed were migrants from the countryside, and the other 35 percent are normally resident near the rubbish dumps. Most of the migrants come with their families and most rent accommodation in villages near the dump. It was reported that 58 percent of migrants were landless and another 31 percent had less than one hectare. The scavengers interviewed complained that their daily earnings were not stable and that they lived hand to mouth.

The average real daily earnings of garment workers were 7860 riels in May, an increase of 8.6 percent compared to the same month in 2005. However, their earnings declined by 14.4 percent compared to the last survey in February. Garment workers spending averaged USD36 (148,000 riel), including spending on food, in May. Only 17.5 percent said that could save anything from their earnings. About 60 percent of the workers sent money home to their families. The survey revealed that 75 percent of garment workers had no skills before they went to work in the factories; 21 percent said that they had trained with a private training company and the other

4 percent trained at home. According to the survey, 10 percent of garment workers were temporary workers and 90 percent were permanent.

The average real daily earnings of cyclo drivers and porters rose by 10.6 percent and 4.5 percent, respectively, in May 2006, compared to the same survey in 2005. However, half of cyclo drivers and porters revealed that their earnings were just a small part of what was needed to support their families. Normally, cyclo drivers spent 4400 riels and porters 3700 riels per day for food. Compared to the survey at the same period last year, food expenditure rose by 16 percent and 9 percent, respectively. Both cyclo drivers and porters were migrants from the rural areas. They worked 25 days in May and worked approximately seven months per year.

Endnotes

1. Source: Calculated from NIS data

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Economy Watch—Indicators

Table 1. Private Investment Projects Approved, 1998–2006

	1998	1999	2000*	2001*	2002*	2003*	2004*	2005				2006
								Q1	Q2	Q3	Q4	Q1
	Fixed Assets (USD m)											
Agriculture	51.6	63.9	9.8	0.4	40.3	3.7	12.3	3.2	4.0	10.4	9.1	126.5
Industry	650.5	162.6	109.4	105.2	67.7	137.2	189.2	418.8	62.1	349.7	82.0	40.1
Garments	126.5	67.7	81.5	26.5	27.2	68.1	133.9	44.9	23.2	56.5	27.3	30.5
Services	154.7	222.6	150.1	118.4	145.3	168.4	92.0	53.3	30.0	44.1	28.1	60.7
Hotels and tourism	112.0	171.8	79.8	73.8	47.1	124.1	55.9	46.4	0.0	33.6	22.6	0.0
Total	856.8	449.1	269.2	224.0	253.3	309.3	293.5	475.3	96.1	404.2	119.2	227.3
Total	-	-	-	-	-	-	-	2798.2	79.8	320.6	70.5	90.7
Total	15.0	47.6	40.0	19.5	10.5	31.1	12.4	650.8	15.2	392.9	628.1	52.2

* revised and including expansion project approvals. Source: Cambodian Investment Board.

Table 2. Value of Construction Project Approvals in Phnom Penh, 1998–2006

	1998	1999	2000	2001	2002	2003	2004	2005				2006
								Q1	Q2	Q3	Q4	Q1
	USD m											
Villas and houses	21.2	20.0	16.4	15.9	23.4	20.0	30.3	14.3	6.6	19.2	5.4	10.1
Flats	227.3	290.5	174.8	167.8	179.9	91.6	167.6	48.6	69.1	41.3	45.1	39.9
Other	27.0	16.4	14.2	12.6	16.6	87.3	65.6	43.1	28.6	16.0	21.3	17.4
Total	275.4	326.8	205.4	196.2	219.8	198.9	263.4	106.1	104.4	76.5	71.8	67.3
Total	-	-	-	-	-	-	-	65.5	-1.6	-26.7	-6.1	-6.2
Total	6.9	18.7	-37.2	-4.5	12.0	-9.5	32.5	45.5	114.8	-1.8	12.0	-36.5

Source: Department of Cadastre and Geography of Phnom Penh municipality

Table 3. Exports and Imports, 1998–2006

	1998	1999	2000	2001	2002	2003	2004	2005				2006
								Q1	Q2	Q3	Q4	Q1
	USD m											
Total exports	784.4	941.1	1056.2	1268.2	1453.2	1708.1	2108.1	463.0	515.0	730.0	644.8	603.2
Of which: Garments	378.0	554.0	962.1	1202.2	1355.8	1628.4	2027.0	444.9	497.6	709.8	601.0	568.5
To US	74.1	486.0	714.1	840.9	943.4	1099.8	1270.9	312.5	335.9	489.5	408.1	402.5
To EU	-	-	228.1	323.3	356.3	414.7	590.8	89.2	106.0	162.5	145.3	110.6
To rest of world	82.0	68.0	19.9	38.0	56.1	113.8	165.3	43.1	55.7	57.8	47.5	55.3
Agriculture	-	-	94.2	66.0	97.3	79.7	81.2	18.1	17.3	20.2	43.8	34.7
Rubber	-	-	29.6	25.9	29.7	35.1	38.3	7.3	6.2	9.8	13.4	7.8
Wood	-	-	32.9	22.3	16.0	10.2	11.1	3.3	2.9	2.1	2.0	2.1
Fish	-	-	5.4	6.0	4.3	2.8	10.6	1.5	1.1	0.8	6.6	1.9
Other	-	-	26.2	11.8	47.4	31.6	21.3	6.0	7.1	7.5	21.9	22.9
Total imports	1112.2	1237.4	1417.7	1501.4	1707.8*	1824.9	2149.0	520.7	666.4	632.3	691.1	690.7
Of which: Gasoline	-	-	-	-	25.9	33.2	30.2	10.3	9.3	9.9	10.7	10.9
Diesel	-	-	-	-	100.8	109.6	109.4	21.6	25.8	24.6	21.1	32.5
Construction materials	-	-	-	-	12.9	80.8	95.3	32.3	37.1	38.7	26.2	37.0
Other	-	-	-	-	1568.2	1601.3	1914.0	456.5	594.2	559.1	633.1	610.3
Trade balance	-327.8	-296.3	-361.5	-233.2	-254.6	-116.8	-40.9	-57.7	-151.4	97.7	-46.3	-87.5
Total garment exports	-	-	-	-	-	-	-	-14.5	11.8	42.6	-15.3	-5.4
Total exports	-	-	-	-	-	-	-	-15.1	11.2	41.7	-11.7	-6.4
Total imports	-	-	-	-	-	-	-	-5.0	28.0	-5.1	9.3	-0.03
Total garment exports	66.4	47.0	74.0	24.9	12.8	20.1	24.5	16.0	3.8	10.3	15.5	27.8
Total exports	59.0	20.0	12.2	20.1	14.6	17.5	23.4	15.9	4.1	9.2	18.3	30.3
Total imports	1.6	11.3	14.6	5.9	13.7	6.9	17.8	13.7	9.9	20.5	26.1	32.6

Imports include tax-exempt imports. Sources: Department of Trade Preferences Systems, MOC and Customs and Excise Department, MEF

Table 4. Foreign Visitor Arrivals in Cambodia, 1998–2006

	1998	1999	2000	2001	2002	2003	2004	2005				2006
								Q1	Q2	Q3	Q4	Q1
	Thousands of passengers											
by air	186.3	262.9	351.7	408.4	523.0	456.0	626.1	231.7	169.8	202.8	251.5	275.4
by land and water	100.2	104.8	114.7	196.5	263.5	245.0	428.9	148.9	124.0	120.4	164.5	181.9
Total	286.5	367.7	466.4	604.9	786.5	701.1	1055.0	380.6	293.8	323.2	416.0	457.3
Total	-	-	-	-	-	-	-	0.5	-22.8	10.0	28.7	9.9
Total	30.9	28.3	26.8	29.7	30.0	-10.9	50.5	49.6	51.6	41.8	9.8	20.2

Source: Ministry of Tourism

Economy Watch—Indicators

Table 5. National Budget Operations on Cash Basis, 1998–2006 (Billions of riels)

	1998	1999	2000	2001	2002	2003	2004	2005				2006
								Q1	Q2	Q3	Q4	Q1
Total revenue	920	1326	1528	1529	1744	1765	2127	551.6	621.9	624.0	827.8	595.9
Current revenue	-	-	-	1521	1728	1733	2107	551.3	611.5	609.5	701.6	593.2
Tax revenue	676	956	1096	1096	1227	1220	1577	455.1	466.0	436.2	553.8	484.7
Customs duties	376	432	376	376	424	395	513	129.4	129.7	123.7	189.8	135.5
Non-tax revenue	204	348	424	424	501	513	530	96.2	145.5	173.2	147.8	108.5
Forest exploitation	20	36	28	29	15	7	2	1.3	1.5	0.3	0.1	0.5
Posts & telecommunications	88	108	124	122	123	120	94	21.9	32.0	30.9	38.0	11.4
Capital revenue	36	12	8	9	16	31	19	0.3	10.4	14.6	126.3	2.7
Total expenditure	1296	1792	2332	2332	2948	2757	2932	706.3	713.7	912.9	998.9	855.6
Capital expenditure	368	624	976	977	1388	1171	1163	326.3	315.9	335.4	350.3	266.9
Current expenditure	980	1164	1356	1355	1560	1586	1769	380.0	397.8	577.0	648.6	588.8
Education and Health	132	280	344	343	454	473	518	52.5	92.3	202.1	228.4	80.3
Defence and Security	448	464	404	405	438	411	423	74.9	73.9	116.7	71.4	78.1
Other ministries	332	412	636	637	668	702	828	252.6	231.7	258.2	348.8	430.4
Overall deficit	-380	-476	-804	-803	-1204	-992	-805	-154.7	-91.9	-288.3	-171.0	-259.8
Foreign financing	268	416	768	766	1249	886	864	266.7	255.7	335.8	269.0	184.0
Domestic financing	112	60	36	37	-45	106	148	-111.9	-163.9	-47.5	-97.9	75.8

Provisional for 2004, 2005 and Q1 2006. Source: Ministry of Economy and Finance

Table 6. Consumer Price Index, Exchange Rates and Gold Prices (period averages), 1998–2005

	1998	1999	2000	2001*	2002	2003	2004	2005				2006
								Q1	Q2	Q3	Q4	Q1
	Consumer price index (percentage change over previous year)											
Provinces	-	5.8	5.4	-0.1	0.9	4.4	14.4	20.7	21.5	14.5	16.6	15.8
Phnom Penh - All Items	14.8	4.0	-0.8	0.2	3.3	1.1	3.9	5.6	6.4	4.6	6.6	6.1
- Foods	14.1	7.6	-3.4	-2.5	1.8	1.5	6.4	7.9	9.8	6.0	10.6	10.6
- Transportation	15.1	3.5	6.6	-4.2	0.3	4.9	9.7	12.3	11.1	11.9	10.2	9.7
	Exchange rates, gold and oil prices (Phnom Penh market rates)											
Riels per US dollar	-	-	3840.8	3916.3	3912.1	3973.3	4016.3	4027.0	4054.3	4134.3	4154.3	4094.8
Riels per Thai baht	-	-	95.8	88.2	91.1	95.8	99.9	104.4	101.3	100.2	101.4	103.5
Riels per 100 Vietnamese dong	-	-	27.1	26.6	25.6	25.6	25.5	25.1	25.3	25.9	26.1	25.4
Gold prices (US dollars per chi)	40.4	36.0	33.3	32.8	36.8	41.4	46.3	52.6	52.5	55.4	57.0	64.2
Diesel (riels/litre)	883	1065	1105	1329	1521	1508	3442	2350	2500	2767	2921	2867
Gasoline (riels/litre)	1378	1613	1760	2113	2084	2150	2633	3050	3300	3633	3750	3767

* Revised. Sources: CDRI, IMF, NIS, Ministry of Planning, Ministry of Economy and Finance

Table 7. Monetary Survey, 1998–2005 (end of period)

	1998	1999	2000	2001	2002	2003	2004	2005				2006
								Q1	Q2	Q3	Q4	Q1
	Billions of riels											
Net foreign assets	1726	2019	2589	3080	3737	4027	4797	4883	5084	5391	5475	6410
Net domestic assets	-496	-576	-759	-876	-849	-698	-467	-385	-455	-397	-450	-699
Net claims on government	178	103	3	-75	-119	-128	-209	-252	-343	-404	-421	-755
Credit to private sector	655	763	898	936	1059	1337	1817	1983	2166	2386	2394	2778
Total liquidity	1230	1443	1831	2204	2888	3328	4329	4498	4629	4994	5025	5711
Money	543	531	540	609	813	937	1153	1198	1215	1279	1323	1449
Quasi-money	687	911	1291	1594	2075	2391	3176	3300	3414	3715	3702	4262
	Percentage change over previous year											
Total liquidity	15.7	17.3	26.9	20.4	31.0	15.2	30.0	22.9	20.4	19.8	16.1	27.0
Money	41	-2.2	1.7	12.8	33.5	15.3	23.0	19.0	16.8	18.6	14.7	20.9
Quasi-money	1.3	32.6	41.7	23.5	30.2	15.2	32.8	20.3	21.7	20.2	16.6	33.6

Source: National Bank of Cambodia.

Table 8. Real Average Daily Earnings of Vulnerable Workers (at constant November 2000 prices)

	Daily earnings (riels)								Percentage change over previous year			
	2000	2002	2003	2004	2005	2006	2006					
	Nov	Nov	Nov	May	Aug	Nov	Feb	May	2005	2006	May	
Cyclo drivers	7594	8975	8572	7614	7726	7857	7768	7873	8546	4.7	-7.7	10.6
Porters	6233	7044	6676	6895	7056	6000	6473	6519	7375	-4.0	-6.0	4.5
Small vegetable sellers	5256	6566	6532	6947	8574	5938	8385	6186	6492	5.4	-3.1	-24.3
Scavengers	2718	3685	3944	4446	5270	4335	4801	4984	4512	11.3	-7.4	-14.4
Waitresses*	2111	4365	4932	4448	4287	4648	3893	4670	4243	-2.8	4.5	-1.0
Rice-field workers	4198	4304	4177	4139	3822	4009	4224	4127	4541	-3.0	3.3	18.8
Garment workers	6701	8904	9577	9277	7235	8756	8659	9184	7860	-8.7	-0.3	8.6
Motorcycle-taxi drivers	8,610	12,184	10,092	9204	11,130	9406	9645	8884	8790	14.8	-24.5	-23.1
Unskilled construction workers	5399	6453	6558	6382	8130	6069	6691	5974	6407	4.3	3.9	-21.2
Skilled construction workers	13,127	12,605	13,111	12,679	12,320	10,273	11,253	11,750	9833	-4.9	-18.2	-20.2

Notes: The surveys on the revenue of waitresses, rice-field workers, garment workers, unskilled workers, motorcycle taxi drivers and construction workers began in February 2000. * Waitresses' earnings do not include meals and accommodation provided by shop owners. Source: CDRI.

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sparked an interesting and useful discussion that focused primarily on policies to promote rural and agricultural development and the challenges associated with rising inequality in Cambodian society.

On 28 August, CDRI hosted a roundtable discussion to discuss the findings of its research on the Early Harvest Programme (EHP) component of the ASEAN-China Free Trade Agreement. CDRI researchers observed that the EHP provides important opportunities for Cambodian farmers to produce more for trade, but they face a number of constraints in high production costs and marketing obstacles. Participants from government, civil society and research institutions participated in the lively discussion, which included references to the experiences of Thailand and Vietnam with the EHP. CDRI's research and the workshop were both supported by Oxfam America.

CDRI's Development Analysis Network team participated in a workshop in Danang, Vietnam, in August with other DAN research institutions from Cambodia, Laos, Thailand, Vietnam and Yunnan. The purpose of the meeting was to present preliminary findings from each country's case study concerning pro-poor tourism in the Greater Mekong Sub-region (GMS). The Cambodian case study concerned Siem Reap and involved a household survey of 506 households from eight villages around Siem Reap town. The research shows that some rural poor around Siem Reap benefit from tourism-related activities, but not as much as expected, as they compete with better off villagers and immigrants who can obtain better paying employment. The full report on pro-poor tourism in the GMS will be discussed at a DAN dissemination workshop to be held in Siem Reap in December. This project is supported by the Rockefeller Foundation.

The Economy and Environment Programme of South-East Asia (EEPSEA) currently supports CDRI with three important research capacity-building exercises involving environmental economics. One is a small-scale study on "Irrigation Systems in Cambodia: Institutions, Problems and Possible Solutions to Improve Water Access". A cross-unit team of four CDRI researchers is looking at three small and medium irrigation systems in Takeo province. The second project concerns "Cost-Benefit Analysis of Rubber Plantation Development in Cambodia". This study will assess the costs and benefits of converting land from natural forests to rubber plantations. The third project is entitled "Environmental Valuation: the Value of Bokor National Park for Environmental Recreation". This study aims to examine whether the existing entrance fees accurately reflect the value of the park, factors that affect tourists' willingness to pay and the travel costs to visit the park.

Human Security, Peace Building and Conflict Transformation***1. Peace Building and Conflict Transformation***

In the period June to August, the training team continued to provide Working for Peace Module II and Module III in Phnom Penh, followed by an assessment in Stung Treng province on specific training needs on Working Together for Peace and Development, probably to be held in October 2006.

2. Conflict Prevention in Cambodian Elections (COPCEL Phase II)

A major event for COPCEL during this period was organising COPCELPROM in region V, followed by COPCEL meetings in Phnom Penh. From 14 to 18 August, CDRI organised five COPCEL provincial meetings in Banteay Meanchey, Pailin, Battambang, Pursat and Kompong Chhnang provinces. CDRI received strong support and participation from all provincial authorities and others concerned. From 110 to 120 participants attended the meeting in each province, raised election issues in a frank, open and thoughtful manner and expressed strong interest in COPCEL. A delegation from UNDP and SIDA led by Mr. Douglas Gardner, UNDP representative and UN coordinator, participated in COPCELPROM in Kompong Chhnang on 18 August and expressed support for this meeting. The visit to the five provincial governors made by Larry Strange, executive director of CDRI, has helped build stronger relationships and promising cooperation on COPCEL and other matters between CDRI and the provincial authorities.

Publishing

From June to August, the Publishing Department underwent a major reshuffle following the departure of the publishing manager for two years' study in the Philippines. The reorganisation allows the reduced staff to meet the demand for publishing services. In addition to the periodic publications like the quarterly Cambodia Development Review and the monthly Flash Report on the Cambodian Economy, the Khmer version of the report Linking Tourism to Poverty Reduction—A Siem Reap Case Study was printed and distributed. Another important publication, the revised Economic Lexicon, was finalised and submitted for review. This new edition, which will be printed soon, is in two parts. Part one is a complete revision of the 1995 edition of the English-Khmer economic lexicon. Part two is a new Khmer-English lexicon, which should be very useful in explaining the meaning of Khmer technical terms and will help to standardise the use of Khmer words.

CDRI UPDATE

Management

On 1 July CDRI implemented key elements of the organisational change proposed by a review of our institutional model undertaken in 2005 and endorsed by the board of directors at its December 2005 meeting. As part of our commitment to building a stronger Cambodian management team and improving the structure of the Research Department, five new positions of research or programme manager, and a new position of external relations manager, were created and filled by open competitive recruitment. These middle managers, along with existing managers in areas such as finance, publishing, library, administration and IT, and the senior management team, will now constitute the Management Committee of CDRI. Poverty specialist Chan Sophal will return to CDRI on 1 October as senior manager poverty studies and research networks, after his work with the World Bank's poverty team. See the CDRI web site for further details of current CDRI programmes and senior personnel.

As the next step in this institutional development, CDRI will prepare a capacity development plan based on an institutional and individual staff needs assessment, and linked to the specialist capacity development elements we are now incorporating into all major new programmes and projects. This will be presented at the next board meeting in late January 2007, to be implemented over the life of the 2006–10 Strategic Plan. This will focus on the priority capacity building and professional development needs of Cambodian middle managers and senior staff, but will benefit all staff.

A consultant gender adviser has been appointed to play three important roles at CDRI: to review all major programme and project proposals and plans to ensure that

gender is appropriately integrated as a research theme; to build awareness and skills on gender issues across CDRI; and to assist management in the preparation of a gender strategy to underpin implementation of the 2006–10 Strategic Plan.

CDRI has accepted an invitation to become a member of the East Asian Development Network, the regional network of the World Bank's Global Development Network. This will provide CDRI with more opportunities to network with leading research and policy institutes in East Asia and undertake collaborative research. This will also complement our involvement in the Development Analysis Network (DAN), coordinated by CDRI with support from the Rockefeller Foundation, and in ARTNeT, the Asia-Pacific Research and Training Network on Trade, hosted by UNESCAP with support from International Development Resource Centre, Canada (IDRC).

Research

On 22 June, CDRI and the Institute for Development Studies (IDS) of Sussex University convened a roundtable discussion at CDRI as part of the 40th anniversary of IDS. The topic of the discussion was "Growth, Employment and Poverty Reduction in Cambodia—Short- and Medium-Term Challenges and Development Policy Research Implications". The roundtable was jointly facilitated by Mr Larry Strange, executive director of CDRI, and Professor Lawrence Haddad, director of IDS. Prof. Haddad was in Phnom Penh to attend a meeting of CDRI's board of directors, of which he is a new member. Several panel speakers, including Dr Hang Chuon Naron, who serves as the chairman of CDRI's board of directors,

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