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The Political Economy of Managing Labour Migration

Chan Sophal reviews legislations and institutions governing Cambodia's out-labour migration, highlights critical political-economy issues undermining the development of sound labour migration management, and proposes solutions to tackle them.*

Cambodia is a latecomer in the management and administration of labour emigration. Most migrants travel by informal or illegal means, while the legal option is relatively new, costly and inconvenient for most. Government agencies will face an increasing challenge to manage labour emigration, which is expected to rise because of both internal and external factors. Since the creation of productive jobs does not keep pace with the annual labour force addition of some 300,000, emigration pressure is likely to increase. Higher wages in Thailand, Malaysia, South Korea, Singapore and Japan are also a factor.

While it is generally preferable to create jobs and development in the country, it is advisable to have sound management, policies and a legal framework to govern labour emigration because it provides employment and income needed in the short and medium terms. It can contribute significantly to poverty alleviation; remittances to Cambodia were estimated at USD200 million or 3.23 percent of GDP in 2005. Our estimate is that this can go up to USD500 million if labour migration is better governed.

In 2005 Thailand sent 160,000 migrant workers and received remittances of USD1.2 billion, while Vietnam sent 400,000 workers and received USD4 billion, according to the World Bank's World Development Indicators 2007. The Philippines and Bangladesh received USD13.5 billion (13.7 percent of GDP) and USD4.2 billion (7 percent of GDP). A study by the International Fund for Agricultural Development and the Inter-American Development Bank (IFAD 2007) found that there are 150 million migrant workers, who sent home USD300 billion



Cambodian migrant workers fix fishing nets before they cast them again on the coast of Thailand. About 180,000 Cambodian migrants enter Thailand illegally each year.

in 2006, surpassing development aid and foreign direct investment.

Cambodian Emigration through Recruitment Agencies, and Remittances

There are basically two types of migrant workers from Cambodia: legal and illegal, in a strict sense. Between 1998 and the end of 2007, there were 20,630 official worker trips to Malaysia, South Korea and Thailand: 10,532 to Malaysia, 3984 to South Korea and 6114 to Thailand, according to statistics of the Cambodian Ministry of

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Labour and Vocational Training (MLVT). Approximately 180,000 Cambodian workers are in Thailand (IOM 2006). Of these, some 110,000 were granted a working permit by the Thai government in 2004 and about 50,000 were provided with a certificate of identity by the Cambodian government through an inter-ministerial task force led by the director general of labour, MLVT.

The majority of workers sent to Malaysia were female, serving as domestic helpers or housemaids, while most of those to South Korea were male. Although Thailand has received migrant workers from Cambodia since 1994, most workers are undocumented or irregular. Official migration started only in 2006, following the memorandum of understanding (MOU) between Thailand and Cambodia signed in May 2003. Cambodian migrant workers find 3D (dirty, difficult, dangerous) jobs, mostly in fishing, construction and farming.

Legislation and Institutions Governing Labour Emigration

Lack of Legal Framework

Because Cambodia's labour emigration is a relatively recent phenomenon, the country faces a challenge to create policies, legislation and regulations on the outflow of migrant workers. Sub-decree 57 on Sending Khmer Migrants to Work Abroad was issued in 1995. The document was drafted by the then Ministry of Social Affairs, Labour, Vocational Training and Youth Rehabilitation¹ in collaboration with the Ministry of the Interior and Ministry of Foreign Affairs. The sub-decree recognised the lack of domestic employment opportunities and stated the objective of improving standards of living through income generation and skills acquired from working overseas. The sub-decree referred to the ministry in charge (now MLVT) as the "providing party" and a recruitment company or agency as the "receiving party". In addition to Sub-decree 57, there are Prakas 108, May 2006, on "Education on HIV/AIDS, Safe Migration and Labour Rights for Cambodian Workers Abroad" and Sub-decree 70, July 2006, on "The Creation of the Manpower Training and Overseas Sending Board".

Many interviewees pointed out that Cambodia lacks a migration policy or any specific law on migration. In their view, Sub-decree 57, the only binding legal document above prakas, is not up to date and needs review and amendments. Cambodia's Labour Law cannot be applied in the receiving countries for labour migrants.

Lack of Government Institutions

There is a view that there should be an institution specifically in charge of managing labour migration. It makes sense for MLVT to set up a separate department to deal specially with labour migration. There is a consensus among all the interviewees that larger numbers of competent staff are needed to address the acute labour migration issues. This may entail more government funds

to hire capable persons. However, there should also be a way for the department to generate funding from this business since it brings hundreds of millions of dollars into the country.

Because labour migration involves multiple ministries, the Inter-Ministerial Taskforce for Migration (IMTM) was recently set up. It is co-chaired by the minister of Women's Affairs and minister of MLVT. The initiative followed the successful advocacy of UNIFEM, who tries to promote the rights of female migrants. The IMTM comprises members from key ministries but has met only twice since its inception in October 2006. It is still new and driven by the availability of resources provided by UNIFEM. This is a forum in which government agencies meet to discuss labour migration issues and reach consensus before negotiating with the receiving countries and drafting policies to govern labour migration. It is also expected that the IMTM will come up with the policies and regulations needed. It remains to be seen how effectively this new institution will function.

Lack of Private Institutions

Sub-decree 57 rightly points to the problem of unemployment and under-employment and the benefits from labour emigration in improving the living standards of Cambodians. However, a number of aspects suggest that there is incoherence between intentions and policies. These are the requirements for recruitment agencies to make high deposits and advance expenditures.

There should be adequate recruitment agencies to handle the approximately 200,000 emigrant workers (both legal and illegal) if all are to go in legal ways. Both government and private institutions need to be sufficient and strong. Currently, there are both a lack of staff capable of dealing with labour migrant issues and a shortage of private agencies to recruit, train and send workers overseas.

The lack of labour export companies is clearly the result of high requirements set by the sub-decree. Companies are required to deposit USD100,000 with the MLVT and to pay expenses for applicants. This places a great financial burden on them. It is the reason that 26 companies had to close in July 2006, when the deposit requirement was strengthened, leaving only 12 to continue. Recently, four more companies have been created, pushing the total to 16, excluding two agencies trying to have NGO status. Judging by countries with long experience in exporting labour, this is too few companies. Bangladesh has about 800 to recruit and export migrant workers, while the Philippines has more than 1000.²

The NGO Involvement

NGOs are very active in dealing with migration and human trafficking issues.³ The Migration NGO Network was created with the support of UNIFEM and has the

participation of 30 organisations. They meet every two months to pursue their five programmes on (i) advocacy and awareness raising, (ii) investigation, (iii) legal aspects, (iv) research and database and (v) capacity building and public relations. The network is led by a steering committee composed of organisations most active in labour migration and human trafficking issues.³

Critical Issues in Administering Labour Emigration ***The Cost of Sending Migrants***

The cost of sending migrant workers to South Korea decreased from as much as USD3000 per worker, when private companies were processing the migrants, to USD892 from January 2007, when the Cambodian government, through the Manpower Training and Overseas Sending Board (MTOSB), was put in sole charge. This is a massive success, which accrues directly to workers. The main differences lie in the “dispatch fee and expenditure” charge of the private companies. MTOSB did not charge these or the education/orientation fee and government tax. MTOSB has sent about 500 workers since it assumed the task. This is a concrete example proving that cost reductions in sending workers abroad are quite feasible.

The cost of sending migrant workers to Thailand currently is USD700, including USD100 paid by each worker applicant and USD600 (20,000 baht) paid by the employer or recruitment agencies, which deduct 2000 baht a month from workers’ salaries for 10 months. This is very high compared to the monthly salary earned by workers, which averages only about 6000 baht; workers had to work overtime to generate significant savings to send home, which is the main purpose of migration. The informal fee of illegal leaders is only USD100 per person. Also, workers do not have to wait long if they go by illegal means. When this choice is still open, it is understandable that most workers still choose to go illegally and quickly, paying USD100 compared to USD700 to go to Thailand in three to six months. Despite the risk of being arrested and sent back, most migrant workers enter Thailand illegally. The experienced ones re-enter Thailand by themselves and pay only about USD50 in transportation costs.

Because the long border makes it difficult for Cambodian and Thai authorities to stop illegal migration, it is important that legal migration become affordable by workers. It is proposed that the cost of USD700 can be lowered to USD300 and the process speeded up by both governments. Of the USD700, USD480 is spent in Cambodia. The passport cost should be reduced from USD150 to USD50, and the “other expenses” should be decreased from USD220 to USD40. This would reduce the cost incurred in Cambodia from USD480 to USD200. The average income for recruitment agencies of USD70 would be retained.

The Thai government should reduce the fee for a work permit from USD106 (3500baht) to USD30 (1000 baht) and the visa fee from USD59 (2000 baht) to USD15 (500 baht) so that the total costs incurred on the Thai side would decrease from USD220 to USD100. According to the Thai Ministry of Labour, the visa fee should have been reduced to 500 baht but this had not yet happened at the time of writing.⁴ Thus, the major further contribution that should be provided by the Thai government is to reduce the work permit fee. When many more workers switch to legal migration, the Thai government will gain more from issuing work permits in addition to many other benefits.

The Cost of Passports in Cambodia

The official cost of an ordinary passport has been USD120 since 5 March 2007, when USD20 was added for the microchip to make an “e-passport”.⁵ However, an “informal” fee of about USD19 is added, making the total price of a passport of USD139. This is the fee for issuance within two months. If citizens need a passport sooner, they can get it in one week but have to pay USD224. This means that issuance in one week is possible but is delayed by workload or other problems.

In comparison, in Vietnam the passport fee is only USD12, and it is issued in five working days. In Thailand and the Lao PDR, the fee is USD30 and the passport is issued in three to five working days. Moreover, these countries have many offices to process applications, including in the provinces, whereas Cambodia has only one small office in Phnom Penh. This is clearly a constraint on processing applications in a shorter period. It is not clear whether the time is intentionally kept at two months so that people who need a passport sooner will have to pay USD224. It is unclear where the extra charge of USD80 goes.

The government understood that the price of ordinary passports was too high for migrant workers, who are mostly from poor families. Migrant workers are officially charged USD40 for a passport, provided that they are approved by the MLVT in a list sent to the Ministry of the Interior. Before 5 March 2007, the official charge was only USD20. However, in practice, the cost was above USD50, and it took not less than two months for the passport to be issued. This so much prolonged the whole process that it affected the confidence of applicants and employers in Thailand. Most workers cannot hang around for five or six months to wait for employment overseas. Hence, they are forced to buy their passports within one week, for which they have to pay USD150–200 by themselves directly or repay later from their salary; either way they bear a huge cost.

If 200,000 workers are each given a passport, the total cost would be USD10 million, at a rate of USD50 each. The one small office in Phnom Penh would not be able to meet

this demand. It would be more efficient for the Ministry of the Interior to open more than one office in Phnom Penh. More importantly, it should open offices in a few major provinces and provide them with competent staff. This would not only meet the acute need for passports but would also cut travel costs for provincial people. For instance, Banteay Meanchey, Battambang and Prey Veng should have an office for passport applications and issuance.

The Problem of Desertion while Working in Thailand

The requirement for recruitment agencies to bear the cost of sending workers is problematic. The agencies stand to lose if workers run away from the contracted workplace. Desertion, especially in Thailand, is quite high, according to the recruitment agencies. This is understandable because only 6114 workers have been sent legally, while some 180,000 Cambodian workers are in Thailand irregularly. It is likely that legal workers are tempted to flee their debt and join the large number of undocumented workers. This is not a unique problem, however. Dang (2007) reports that the desertion rate of Vietnamese workers in Japan is 27–30 percent, in South Korea 20–25 percent and in Taiwan 9–12 percent.

Some workers find the work too hard, so they return home by any means. This makes the company lose the money that was paid up front to take them to the job. It could be that they were not briefed adequately, or that the promised and actual jobs are different. The recruitment agencies are partly to blame for runaways because they fail to recruit the workers properly. They are not selective enough, but tend to choose anyone. Their aim is to send many so that they can quickly earn the recruitment fees.

It is not easy for recruitment agencies to solve the problem of desertion. In some cases, they ask the Thai embassy to block runaways from receiving visas again. It remains a messy situation without any good solution. Unlike South Korea or Malaysia, where most migrant workers are legal and cannot easily return home without a passport, Thailand is a special case: geography and loose border controls make it easy for workers to run away either to join the undocumented crowd or to return home.

Requirement for Agencies to Advance the Costs of Sending Migrant Workers

Another problem is that the costs of sending workers abroad are borne by recruitment companies or employers overseas. This means a company needs to advance at least USD600,000 in order to send 1000 workers at a time, since the cost of sending each worker is reported as USD600. This is a lot of money to risk, especially for Cambodian companies that are not rich but may be competent. Companies report substantial losses because of workers running away while abroad. This puts their viability seriously at stake. Having recognised this burden,

the government now allows applicants to be required to pay for their own passport and some basic costs such as health checks. Applicants to work in Thailand are required to pay USD100 by some agencies.

If the governments of Cambodia and Thailand want labour migrants to go through recruitment agencies, the number of agencies should be much greater. Currently, half or more of the costs are borne by the Thai employers with the condition that the Cambodian recruitment agencies replace for free workers who run away. This places the agencies at very high risk.

It is understandable that most workers do not have USD600 to pay up front. However, this problem can be dealt with by finding a way for serious workers to obtain a special loan either with or without interest. It could be through banks, micro-finance institutions, NGO credit programmes or community savings schemes. Workers seeking larger benefits from working abroad would have to put up cash or get a loan to pay for the sending costs. The loan would be endorsed by local authorities who knew the applicant well, or other arrangements would help ensure repayment.

Implementation of MOU between Cambodia and Thailand

As part of the implementation of the MOU between Thailand and Cambodia, Cambodian authorities set up an inter-ministerial committee from the MLVT, Ministry of the Interior, Council of Ministers and Ministry of Foreign Affairs to provide certificates of identity to Cambodian migrants who had been working in Thailand illegally. A parallel Thai task force (from the ministries of Labour, Interior and Health) provides work permits. A migrant worker has to pay 1500 baht to the Cambodian committee and about 4000 baht to the Thai committee for the work permit, which requires a health examination for inclusion in the health insurance scheme. The total cost of sending a worker through the MOU system is USD700.

The Cambodian MLVT believes that the MOU has been helping Cambodian workers in Thailand to gain recognition and fair treatment over the past five years. The teams working for the Cambodian and Thai Labour ministries have cooperated very well, according to the Cambodian government officials interviewed. The meeting between the Cambodian and Thai ministries of Labour in Siem Reap in late November 2007 reached an agreement that the inter-ministerial committee to provide identification to Cambodian workers in Thailand can continue its work until the end of June 2008. It has been decided to form a committee in Cambodia to receive irregular migrant workers sent back as their permission to work in Thailand expires. The meeting also decided that

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Water Resource Management in Cambodia: History and Current Challenges

*Phalla Chem and David Craig identify lessons learned through past experience, and a number of the key issues currently facing irrigation management, and reviews the Cambodian societies at different times, perceived water in the development of their civilisation.**

Introduction

Water has long been at the heart of Cambodian life, and of its geography, economy and culture. In a context where there has often been either too much of it or too little, depending on seasons and geography, the governance of water has been a major challenge, which different Cambodian governments have addressed in different ways, and to different extents. When governed well, water has been a source of great prosperity. In the absence of good governance, though, neither wealth nor investment in water management infrastructure has been sustained.

The aim of this article, under the framework of the Water Resources Management Research Capacity Development Programme (WRMRCDP), is to identify lessons learned through past experience, and a number of the key issues currently facing irrigation management. The article commences with a review of how Cambodian societies at different times, perceived water in the development of their civilisation. It then moves on to reveal current key issues in irrigation development and management by conducting a case study of Mlech reservoir in Kampot province. The aim of the case study is to find out what water is used for, how the Farmer Water User Community (FWUC) functions with regard to operation, maintenance and conflict resolution, and the impact irrigation has on rural livelihoods.

Overview of Water Resource Management in the Past

The following overviews are to look at the management of water at different times, from the pre-Angkor, Angkor, post-Angkor, French colonial, Norodom Sihanouk and Pol Pot periods.

Pre-Angkor Period

Cambodia's history becomes clear from the second century, when it was known as "Funan". The Funanese economy was initially built on trade; however, from the seventh century it became an agrarian economy which grew wet season, dry season and root crops, Feeny (1982: 35–38) cited in Vickery (1998); animal husbandry for food production; and crafts including weaving, sewing, and metalwork to produce articles of jewellery (Chandler, 1993: 15–16). According to Chinese reports on Funanese agriculture (Vickery M. 1998: 19; Chandler 1993: 6), Funanese society practised advanced techniques in water management and rice cultivation. Farmers stored water in man-made reservoirs, which they used for bathing and irrigating their crops (Chandler 1993: 6). Rice cultivation during this time produced a surplus, and this surplus was exchanged for cloth and other goods, which were traded along the river.

Angkor Period

The Angkor period, from A.D. 802 to 1431, succeeded in economic development through enhanced water management systems. Rainwater and Mekong floodwater were collected and stored in a manmade reservoir for irrigation and domestic uses. For example, West Barai reservoir is one of a number of good examples of water management infrastructure from the Angkor Wat period that remains in use today. There were year-round multiple rice harvests in the Angkor Wat area. Such high productivity helped to significantly strengthen the country's economy, and thus enhanced its prosperity. Chou Ta-kuan's *Account of Angkor (1296–1297)* noted that three or four rice harvests per year were possible due to the concentration of manpower, rich fertile soil and a perfect water storage system (Chandler 1993: 74).

However, it appeared that by the thirteenth or fourteenth centuries, at the end of the Angkor Wat period, successful water management was in decline. This decline might have resulted from a combination of causes – attacks from Thai and other foreign peoples, and/or internal conflicts would have led to most labourers on the water management system being diverted to war. It appears the water management systems gradually became damaged and fell into disuse. It is also possible that environmental factors played a part in the deterioration of water resources.

Post-Angkor Period

As seen above, at the end of the Angkor Wat period and before the French colonial period, the Cambodian economy was in a state of decline. It was a subsistence economy, in which people spent most of their time growing rice. Rice surpluses were rare during this period, and savings were very low. According to Minh Mang (1834), cited in Chandler (1993), villagers often used

* This article is based on the framework of the Water Resources Management Research Capacity Development Programme (WRMRCDP). Phalla Chem is former team leader for WRMRCDP and now is on study leave for his PhD. at Sydney University and David Craig is an advisor to WRMRCDP.

ponds to store water for irrigating their rice fields, but there were no longer the dam, reservoir or canal systems that had characterized the Angkor-civilization. The population was small and there were no incentives and little technology to assist farmers in diversifying their crops or improving their water management systems during this period.

French Colonial Period

Cambodia was a French colony from 1863 to 1953. In August 1863, King Norodom agreed to make Cambodia a French protectorate. A treaty with France ensured Cambodia was protected by France, and gave France the rights to timber concessions and mineral exploration in Cambodia. The Cambodian population during the 1860s was slightly less than a million (based on tax rolls) and more than 95 percent of this population lived in rural areas. They were subsistence farmers whose lives were based on the cultivation of rice crops. These farmers paid high taxes to the French, and the Cambodian economy was not in a healthy state (Chandler 1993: 100).

Nonetheless, Cambodia's economy slowly began to improve, particularly from the 1920s, by which time transport infrastructure had been developed. Road development facilitated the export of up to 100,000 tons of rice a year and rubber plantation products with French and Chinese entrepreneurs (Chandler 1993: 160, 162). Rice exportation played a significant role in the rural economy by increasing production to meet international demands and generating taxes, which were diverted into public works such as roads, electricity, and education.

Norodom Sihanouk Period

Prince Norodom Sihanouk, crowned in 1941, advocated following the ancient Angkor Wat water management policies and improving water management structures. He also instituted self-help plans involving the younger generation to carry out water development programmes. In 1958 the Prince said: "the people must have enough water to drink and for their fields and rice paddies, even during the dry season" (Than 1982: 24, cited in Öjendal 2000: 180). However, there was little knowledge of how to re-scale traditional water management structures into larger ones.

Pol Pot Period

The Democratic Kampuchea (DK) regime controlled Cambodia from April 1975 to 1978. The DK, who considered rice as their economic mainstay, had an ambitious plan to attain rice yields of more than seven tons per hectare. To achieve this, Pol Pot forced the entire population to labour in rice cultivation and water management facility development, building dams and canal networks, for example. In a speech delivered in Phnom Penh on October 10, 1978, Pol Pot said:

"Democratic Kampuchea must...as the first priority...attain rice yields more than those of Japan...who can attain 7 tons per hectare" (Martin 1983: 1, cited in Öjendal 2000).

Pol Pot focused on irrigation development as the way for Cambodia to become self-sufficient in rice production, and to obtain a rice surplus. He saw the northwestern region as a productive area that could achieve crop surpluses; hence most "new people"¹ were evacuated there to work in the rice fields. According to his four-year plan, Pol Pot proposed to increase rice production throughout the country to an average yield of three metric tons per hectare. To achieve this goal, Pol Pot pushed for extensive irrigation development, double or triple harvests per year, and long working hours. However, his four-year plan was written without any study as to whether these yields were actually possibly under existing water conditions and with existing soil types, nor what type of infrastructure would be appropriate. Instead Pol Pot called for an "all out, storming offensive" by all people (Chandler 1993: 211–216).

As a result, most hydraulic infrastructure built during this period was poorly designed and only partly completed, with no hydrological assessment or topographical surveys undertaken, which resulted in management and maintenance problems. Halcrow concluded that the irrigation schemes built during the Khmer Rouge period could be reused with proper technical rehabilitation designed to improve sustainable management and to maximize the schemes' functionalities (1994, cited in Öjendal, 2000).

Current Challenges of Water Resource Management

After the fall of the DK regime in January 1979, Cambodia set out to rebuild the nation through reshaping the political structure to adopt democratic rules, improving food security by enhancing the agricultural sector, and ensuring sustainable use of water resources by means of improving water resource management policies. However, most water resource management works were in dire straits, lacking both financial and technical capacities. Technical design and financial investment were heavily dependent on support from international organisations (IOs) and from international aid programmes of the United Nations.

Most irrigation works undertaken during this period were constructed as a matter of urgent priority without considering long-term sustainability or an integrated management approach. Large areas of the country were still unsecured during this time and there was a lack of coordination during the design process. As a result, many irrigation schemes rehabilitated during the 1980s and 1990s were never made fully operational, with most of them only partly completed, causing complications for water management today, including changed river flow

conditions, and deterioration of the river system, which affects irrigation.

Over the last decade, some areas of rain-fed rice and dry season rice crops have been enhanced through the provision of supplementary irrigation, a result of financial assistance received from various international organisations and agencies such as the World Bank (WB) and the Asian Development Bank (ADB). In fact 253 irrigation schemes were constructed and/or rehabilitated countrywide from 1999 to 2006. These schemes provide water security for rice cultivation over 716,453 ha (or 32 percent of the total rice cultivation area). Flood-control dikes have provided protection over 130,550 ha from seasonal Mekong flooding, and seawater polders have provided protection over an area of 18,390 ha from seawater intrusions (Sakhon Veng 2007).²

Case Study from Mlech Reservoir in Kampot Province

Methodology

In addition to 18 irrigation schemes studied around the Tonle Sap Lake, Mlech reservoir was chosen as a case study. Mlech reservoir is located in Chres Commune, Chumkiri District of Kampot Province. It was rehabilitated by MOWRAM in 2004 with a financial (loan) and technical support from the World Bank (WB). Mlech reservoir consists of a dam, spillway, irrigation outlets and canals. The reservoir can store 1.1 million cubic meters of water, provides supplementary irrigation for 2,150ha in the wet season and irrigates 750ha dry season rice crops.

The study used participatory rural appraisal techniques (PRA) such as project mapping, cross-transactions and focus group discussion (FGD). The case study is conducted to draw comparative lessons learned through the different irrigation investment models/approaches funded by government/donors and managed by the community. Therefore, this case study was added as a special comparative case of a scheme outside the Tonle Sap area during the social/institutional assessment of the WRMRCDP's irrigated agricultural development in June 2007.

The tentative themes and checklists of questions were used in the FGD exercises with different groups of participants. In this exercise, the participants were purposively selected and formed into various FGD groups, which included: (i) FWUC leaders, (ii) farmers (upstream and down stream) of irrigation canal, and (iii) members of FWUC.

Findings

Certainly irrigation has enabled wider participation in the cash economy, through both a dry season rice crop (which, unlike the wet season crop, is sold) and through increased vegetable growing. The income added to farmers' pockets is significant, though it is likely that middlemen consume much of the commodity chain value. Reported increases in

livestock holdings (cattle, pigs, chickens, and ducks) firstly represent strengthened insurance against other income/crop failures and, secondly, assets that can be easily sold.

Wider political economy aspects of the rural situation are important for the longer-term impact of irrigation on livelihoods. Currently, the real money to be made is in the land itself, which is regularly doubling in value, whether irrigated or not. Irrigation itself only adds relatively marginally to the value of the land; location and other topographical aspects matter much more here. Even in remote communes the research team visited, land prices are reported as having trebled in the past two years, purely, it seemed, on a speculative basis. Clearly, if bigger investors continue to get involved with irrigated farmland, a number of aspects can be expected to change. They may simply sit on the land and not maintain cropping or invest in irrigation infrastructure. Whether they lease it to local farmers, or actively become involved in larger scale cash cropping, the current fine balance of things means the FWUC work may be altered.

Economies of scale are crucial here to cash cropping investment, and this could well mean major pressure on resources in the dry season where larger farmers demand to be able to secure large amounts of dry season water for cropping. Their size and influence may mean they would wield significant power in FWUCs, or at least create conflict within what is now a mostly fairly equitable and locally democratic system of allocation in times of shortage. This imbalance between many small users and larger, wealthy and powerful ones will be especially important if there is conflict. There is a great deal of evidence now that in Cambodia conflicts can be sorted out locally where there are only local people involved. Outside 'big fish', however, are able to act to acquire resource access and rights in ways that mean local organisations like FWUCs are not able to do much about it.

Finally, any current survey of irrigation development in Cambodia must recognise the importance of donor projects and the challenge these individual projects pose for sustainability and the long term capacity of subnational government bodies to manage water resources. Clearly there is no large regional planned or operated 'system' determining what happens in irrigation design across most of Cambodia. Instead, there are many projects, involving specific works (often mainly headworks), instigated and built by donors in cooperation with central agencies.

This pattern means there are high rents to be extracted in and around the project itself, for those actively involved in managing the projects themselves. Conversely, central agencies have little incentive to build for the long term, as they are able to hand operations and management and maintenance over to local actors. As a result, the number of facilities able to be produced with existing donor monies is reduced; as, perhaps, is the quality. The centralised nature of the project planning and implementation has a

number of other effects. Local capacity at PDOWRAM is not much developed: they get to implement FWUCs, sometimes it seems in places where previous FWUCs have already been partially mobilised. On the other hand, if the basic design and implementation is good (as it seems to have been in the cases we saw) then the project approach can build a useful foundation, around which many small or fragmented irrigation support projects from NGOs, and whatever agricultural extension and other supports can be built, through PDAFF for example, without damaging the basic integrity of the system.

Well-formed and working FWUCs can, however, make a difference. In some locales the team visited there was good evidence of control being exercised by local user groups.

- Conflicts were being resolved by the groups themselves, or at village level. We didn't hear of any commune involvement, much less the involvement of anyone from outside.
- Fees were being negotiated in an open, deliberative environment. Requests from users for lower fees when water levels were insufficient to meet demand were met. Fees were waived when crops failed as a result of extreme dry conditions.
- Local systems of measurement were being used to calculate fees. When we asked how much per hectare, they didn't know: instead they used local measures, indicating local control and well grounded local understanding.
- Free rider issues were not a significant factor: some of those outside the hydraulic boundaries did pump water across other people's land, but this created no major grief.
- Some aspects of irrigation management were being proposed in the Seila commune planning process.
- Overall, irrigation contributed a number of new small income opportunities, enhancing local people's security on their land, and increasing their stake in FWUG processes. This, too, enhanced local control.

However, it is also relevant to considering the ways these projects fit with not just local commune, but also wider provincial planning processes. While both lack reach, they can add something to a well-designed and implemented project. But both are powerless if the project is not well realised. The Commune Planning Process can add tertiary improvements and provide some maintenance: but it cannot fix major problems. Provincial planning across departments and within water resources is somewhat disempowered: it has no control over what arrives with the project, or when, and many of the benefits are controlled centrally. A province gains little in capacity building or control from having a large project built in its area, but it is given the responsibility for maintaining many ongoing aspects.

Clearly there is no large regional planned or operated

'system' determining what happens in irrigation design in most of Cambodia. Instead, there are many projects, involving specific works (often mainly headworks), instigated and built by donors in cooperation with central agencies. This pattern means there are high rents to be extracted in and around the project itself. Conversely, central agencies have little incentive to build for the long term, as they are able to hand operations, management and maintenance over to local actors. As a result, the number of facilities able to be produced with existing donor monies is reduced; but perhaps so, too, is the quality.

The centralised nature of the project planning and implementation has a number of other effects. Local capacity at the Provincial Department of Water Resources and Meteorology (PDOWRAM) is not much developed. They get to implement FWUCs, sometimes, it seems, in places where previous FWUCs have already been partially mobilised. On the other hand, if the basic design and implementation is good (as it seems to have been in the cases we saw) then the project approach can build a useful foundation, around which many small or fragmented irrigation support projects from NGOs, and whatever agricultural extension and other supports can be built, through PDAFF for example, without damaging the basic integrity of the system.

Endnotes

1. "New people" were those who lived in a city, outside Khmer Rouge controlled areas, before 1975.
2. His Excellency Sakhon Veng, Co-chair of TWGAW and Secretary of State of MOWRAM, presented his progress report on Irrigation Development and Management on the occasion of the First Cambodian Development Cooperation Forum at CDC, 19th to 20th June 2007 (www.cdc.crdp.gov.kh/cdc/first_cdcf/session1/progress_report_vengsakhon.htm)

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Land Transactions and Emerging Issues Since Land Titling Commenced

*The Analyzing Development Issues (ADI) Project of the Cooperation Committee for Cambodia (CCC) in collaboration with the Land Information Centre (LIC) of the NGO Forum on Cambodia examines land transactions and emerging issues since land titling commenced in two sangkat of Prey Nup District, Sihanoukville Municipality.**

Introduction

Following the passage of the 2001 Land Law, the Ministry of Land Management, Urban Planning and Construction (MLMUPC) initiated a Land Management and Administration Project (LMAP) in 2002. LMAP aims to improve land tenure security, strengthen land administration systems, and promote the development of efficient land markets. Assisted by the World Bank, GTZ (German Agency for Technical Cooperation), and FINNMAP (a private Finnish company contracted by the Finnish Government) LMAP supports a systematic land titling program in Cambodia to contribute to poverty reduction. In September 2007, MLMUPC reported that one million land titles had been issued under LMAP.¹ This article examines land transactions and emerging issues since land titling in two *sangkat*² of Prey Nup District, Sihanoukville Municipality, specifically in the areas of land ownership, land sales, land transfer processes, access to credit, and security of land tenure.

Land titling programs are based on the assumption that improved property rights over land assets have a positive effect on the use and productivity of those assets. The LMAP Baseline Survey Project in rural areas undertaken by the Cambodia Development Resource Institute (CDRI) in 2004 was guided by several key

hypotheses: 1) land markets: as land values increase and transaction costs decrease, land markets will direct land use toward more economically efficient uses; 2) land administration: a greater percentage of transactions such as sales and inheritance will be facilitated through the official registry; 3) access to credit: people will use land titles as collateral with which to obtain credit from formal lending institutions; and 4) disputes: secure land titles will reduce the volume and frequency of land disputes (Ballard and So 2004). The research undertaken for this article was similarly informed by this broad theoretical framework.

Research Methods

The field research for the study was undertaken in May and June 2007 in Prey Nup and Teuk Laak *sangkat* in Prey Nup District, Sihanoukville Municipality. Prey Nup *sangkat* is located along National Road 4, south of Prey Nup district center on the way to Sihanoukville. Teuk Laak *sangkat* is located along National Road 3, east of Prey Nup district center on the way to Kampong Speu province. While Prey Nup *sangkat* was affected by economic growth along National Road 4, Teuk Laak *sangkat* was rather isolated until the improvement of National Road 3 in the new millennium.

The research employed quantitative and qualitative methods. Overall, 130 households were surveyed in the Prey Nup *sangkat* villages of Prey Nup 2 and Bot Se Moan, while 134 households were surveyed in the Teuk Laak *sangkat* villages of Tuol and Kampong Smach Touch.³ The survey was administered purposively to households that currently owned at least one agricultural plot titled under LMAP. In addition to the survey questionnaire, focus group interviews were convened with villagers from the four research sites. Key informant interviews were also undertaken with selected village land sellers and buyers. Key informant interviews were likewise conducted with MLMUPC staff in Phnom Penh and municipal staff in Sihanoukville.

Ownership of Agricultural Plots Titled Under LMAP⁴

In Prey Nup *sangkat* 91 percent of all the agricultural plots owned by the households surveyed were titled under LMAP, while in Teuk Laak *sangkat* 93 percent of all agricultural plots owned by the households surveyed were similarly titled. Since large landholders in both *sangkat* owned a disproportionate share of the agricultural land this meant that they benefited more from land titling than the small landholders.⁵ For example, in Prey Nup *sangkat* households with one hectare or more of LMAP titled agricultural holdings made up 54 percent of the sample but owned 83 percent of the LMAP titled land. Similarly, households in Prey Nup with two or more hectares of LMAP titled agricultural holdings made up

* This article is based on a study conducted in mid-2007 as part of an ADI advance course. The participant researchers are Doung Virorth and Chhay Pidor (CDRI), Sreng Phyrum and Chan Sarin (DPA), Thav Kimsan and Touch Setha (LICADHO), Mech Sokhan and Khan Chantharo (NGO Forum), Nuon Borin (LWF), Luy Bunthan (SCA), Kang Sovanna (Ponleur Kumar), Hort Seila (VI), Seng Vork (HRVC), Lok Vichet (CHED), Nhai Reth (Krom Apkhiwat Phum), and San Chey (KIND). The team researchers are Hep Sokhannaro and Megan MacInnes (LIC/NGO Forum), and Kung Seakly, Oeur II, Chhum Syrom, Khuon Chandore, and John McAndrew (ADI/CCC).

only 20 percent of the sample but owned 54 percent of the LMAP titled land. At the same time, the number and size of LMAP titled plots in Prey Nup increased from one landholding category to another.

In Teuk Laak *sangkat* large landholders who owned a disproportionate share of agricultural land also benefited more from land titling than the small landholders. For instance, in Teuk Laak households with one hectare or more of LMAP titled agricultural holdings made up 38 percent of the sample but owned 69 percent of the LMAP titled land. In like manner, households in Teuk Laak with two or more hectares of LMAP titled agricultural holdings made up only 10 percent of the sample but owned 33 percent of the LMAP titled land. Meanwhile, the number and size of LMAP titled plots in Teuk Laak, in all but one instance, steadily rose from one landholding category to another.

Land Sales From 1989 to Mid-2007

Land sales by respondents in the two *sangkat* were higher in the four and a half years since LMAP implementation than in the previous fourteen years combined. From 1989 (and the years before) through 2002, 56 plots of land were sold by 34 households from Prey Nup and Teuk Laak *sangkat*. By comparison, from the granting of LMAP titles in 2003 to the time of the research in mid-2007, 66 plots of land were sold by 51 households from the two *sangkat*.⁶ The latter included 59 plots with LMAP titles and seven plots without LMAP titles. A sharp increase in land sales by respondents from both *sangkat* was evident in the year 2006, indicating that the land market was robust and expanding (Figure 1).

Overall, land sales in the Prey Nup *sangkat* sample to 2006, with the exception of 1996, were greater than, or equal to, those in the Teuk Laak *sangkat* sample. In the years preceding LMAP from 1989 to 2002, 86 percent of the total plots sold were transacted by respondents from Prey Nup. In the LMAP era from 2003 to the research conducted in mid-2007, respondents from Prey Nup likewise transacted 61 percent of the total plots sold. These data reveal that land sales continued to be higher in the LMAP era among Prey Nup respondents, although proportionately the gap in land sales between respondents from the two *sangkat* had narrowed after LMAP. It is

Figure 1. Plots Sold by Respondents in Prey Nup and Teuk Laak From 1989 to Mid-2007

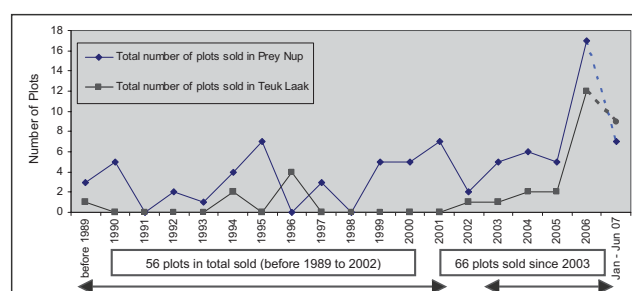


Table 1. Summary LMAP Titled Land Sold (2003 to Mid-2007), Prey Nup and Teuk Laak Sangkat, May–June 2007

	Prey Nup		Teuk Laak		Total
	Number	Percent of total	Number	Percent of total	
LMAP plots sold	37 plots	63	22 plots	37	59 plots
LMAP area sold	12.36 ha	74	4.24 ha	26	16.6 ha
Mean LMAP area sold	0.33 ha		0.19 ha		0.28 ha
Households who sold LMAP plots	24 hhs	55	20 hhs	45	44 hhs

notable that Teuk Laak respondents transacted 60 percent of the total plots sold in the first six months of 2007. This suggested that in 2007 land sales transacted by Teuk Laak respondents could be higher than those transacted by Prey Nup respondents. In the years before and after LMAP the buyers of plots sold by the Prey Nup and Teuk Laak respondents were primarily from the same village.

LMAP Land Sales From 2003 to Mid-2007

Since the awarding of titles in 2003, 17 percent of the LMAP recipient households surveyed sold LMAP titled plots. In Prey Nup *sangkat* 24, or 18 percent, of the household surveyed had sold LMAP titled plots from 2003 to mid 2007. By contrast, in Teuk Laak *sangkat* 20, or 15 percent, of the households interviewed had sold LMAP titled plots during these years.⁷ These rather similar figures with respect to household sellers belie the fact that a much larger area of LMAP titled land and a greater number of LMAP titled plots had been sold by Prey Nup respondents compared to Teuk Laak respondents (Table 1).

Compared to the years 1989 to 2002, land values in the LMAP era (2003 to mid-2007) skyrocketed in three of the four villages sampled. After LMAP average values of plots sold per hectare in the Prey Nup *sangkat* villages of Prey Nup 2 and Bot Se Moan rose by 323 percent and 19 percent respectively. Similarly, after LMAP average values of plots sold per hectare in the Teuk Laak *sangkat* villages of Tuol and Kampong Smach Touch increased by 2,313 percent and 448 percent respectively.⁸ Moreover, buyers from Sihanoukville town and Phnom Penh increased by more than 50 percent in the LMAP era. Anecdotal evidence indicated that buyers from outside the two *sangkat* preferred to buy plots with LMAP titles.

Reasons for Selling Land Before and After LMAP

By far the predominant reason given by households in Prey Nup and Teuk Laak *sangkat* for selling land both before and after LMAP was to pay health costs (Figure 2). In the years before LMAP (1989–2002) 48 percent of the plots sold were liquidated to raise cash for healthcare. Similarly, in the years after LMAP (2003 to mid-2007) 46 percent of the plots sold were disposed of to pay for health treatments.⁹ The frequency of selling land to buy

food, do other business, and for ceremonies was about the same in both time periods. However, in the years before LMAP a higher percentage of respondents sold land to buy other land, while in the years after LMAP a greater percentage sold land to pay off debts.

Land Transfer Processes

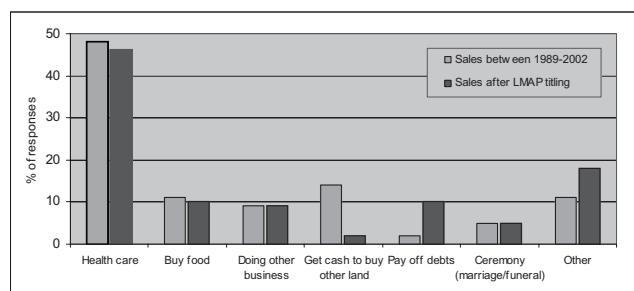
Respondents in Prey Nup and Teuk Laak *sangkat* transferred freehold and possession titles from one owner to another through a number of witnessing and notification procedures common throughout Cambodia. At times no documentation or notification papers were exchanged, with the money agreed upon by the parties, who were often relatives, neighbors, or friends.¹⁰ Not unexpectedly, the majority of sales before LMAP were transacted by making sales contracts with notification at village or commune levels. Less anticipated was the persistence of this practice after LMAP, with the majority of subsequent transfers still completed at local levels. A similar trend was evident with respect to plots purchased (Table 2).

LMAP intended to augment the use of the Land Registry but underestimated the resilience of local custom. The practice of transferring land with notification at village and commune levels was deeply embedded in the two *sangkat* researched. In June 2007 records in the Sihanoukville Municipal LMAP office revealed that subsequent transfers of only nine LMAP plots in the entire district of Prey Nup had been recorded by the Municipal Office and the names of the new owners legally updated on the Land Registry. The reason given by the majority of respondents for making sales contracts at local levels was that they thought it unnecessary to go further since they trusted one another. The avoidance of tax payments was scarcely mentioned as a reason.

Credit

By virtue of inclusion in this study's purposive sample, all 264 household respondents currently held an LMAP title for at least one plot of agricultural land. It was therefore extremely interesting to discover that 93 percent of all households surveyed in Prey Nup *sangkat* and 94 percent of all households surveyed in Teuk Laak *sangkat* had never used an LMAP title as collateral for a loan. This becomes more understandable when one considers that

Figure 2. Reasons Why Respondents Sold Their Land Before and After LMAP



group loans made by the microfinance institution AMRET predominated as the major source of cash loans among respondents in the two *sangkat*. AMRET group loans require group and village guarantees and not the security of individual assets such as land titles as collateral.

Evidently, the cash amounts received through the AMRET group loan program were sufficient for the needs of the households interviewed in the two *sangkat*. Individual loans from AMRET and the Aceda bank, which were usually of larger amounts and required collateral such as LMAP titles, were rare among the households surveyed.¹¹ As long as the AMRET group loan program continued to supply the credit requirements of the village borrowers the land titles they received under LMAP would do little to increase their access to credit or to alter their current credit practices.

Security of Land Tenure

In large measure the households surveyed felt that they had stronger security of tenure on their LMAP titled agricultural lands than they did on these lands before titling. These sentiments were voiced by 91 percent of the respondents in Prey Nup *sangkat* and 90 percent of the respondents in Teuk Laak *sangkat*.¹² Multiple reasons were given for the augmented sense of security. These reasons included having one's own name on the title, the Land Law's recognition of the title, the cadastral officials' signatures on the title, and the disposition of boundary and ownership disputes. Of the respondents in the two *sangkat* that held both LMAP titled agricultural land and non-titled agricultural land, 97 percent stated that their LMAP titled plots were more secure.

Conclusions

In the study areas of Prey Nup and Teuk Laak *sangkat* more than 90 percent of all agricultural plots owned by the households surveyed were titled under LMAP. This is a remarkable achievement. At the same time the inequality of landholdings among the title recipients meant that large landholders in both *sangkat* who owned a disproportionate share of land benefited more from land titling than small landholders. In this sense titling under LMAP reinforced patterns of landholding inequality at the same time that it strengthened property rights for all.

Land sales in the two *sangkat* were higher in the four and a half years since LMAP than in the previous fourteen years combined. This indicated that LMAP titling had indeed contributed to an active land market. While buyers from the same village continued to predominate both before and after LMAP, buyers from Shanoukville town and Phnom Penh doubled in the LMAP era. Land values also increased sharply following LMAP titling in three of the four villages studied. While higher land values benefited village sellers, households were not normally selling land to invest in productive pursuits. Indeed, close

Table 2. Land Transfer Processes on Land Sales and Purchases, Prey Nup and Teuk Laak Sangkat, May–June 2007

Changed name of ownership by:	Sales of plots before LMAP		Sales of LMAP titled plots		Plot purchases	
	#	%	#	%	#	%
Making sales contracts with notification at the village level	13	23	14	24	63	32
Making sales contracts with notification at the commune level	29	52	32	54	100	51
Making sales contracts with notification at the district level	2	4	---	---	---	---
Transfer of title at Sihanoukville Municipal LMAP Office	---	---	1	2	---	---
Making title at the Phnom Penh MLMUPC office	---	---	---	---	2	1
Other	12	21	12	20	29	15
	N=56 plots	N=59 plots	N=194 plots			

to half of the plots sold after LMAP were given up to raise funds for healthcare. Land sales after LMAP served mainly to provide cash in times of crisis, and to support subsistence needs.

After LMAP the majority of sales were still transacted by making sales contracts with notification at village and commune levels without processing the transfers through the Land Registry. Most villagers thought it unnecessary to go further since they trusted one another. To a large extent their experience confirmed this. Buyers from outside the villages did not normally require subsequent transfers to be processed through the Land Registry. Similarly, in Prey Nup district the AMRET microfinance institution and the Aceda bank accepted LMAP land titles with sales contracts and notification as collateral for loans even though they had not passed through the Land Registry. Until requirements became more strictly enforced, which was unlikely, or procedures were changed, the practice of making subsequent transfers “extra legally” would continue and ultimately threaten the viability of the systematic land titling program.

More than 90 percent of all households surveyed in the two *sangkat* had never used an LMAP title as collateral for a loan. As long as the AMRET group loan program continued to meet the credit needs of the village borrowers the land titles they received under LMAP would do little to augment their access to credit or to change their current credit practices.

A major benefit conferred through LMAP, voiced repeatedly by the vast majority of villagers interviewed, was the stronger tenure security on LMAP titled lands. Villagers were well aware of the pressures that could be brought to bear against them by speculators and developers and having ownership titles in their possession was a decided advantage. While LMAP titling did not immediately translate into poverty reduction for most of the recipients it did constitute a key component of a package of development interventions and reforms, including the provision of affordable and effective health care, with potential for moving people out of poverty and allowing them to share more equitably in economic growth.

Endnotes

1. This article makes reference to “LMAP titles” to denote cadastral land titles issued under LMAP.

2. A *sangkat* is the administrative unit in municipalities/cities that is equivalent to the khum or commune in provinces.
3. The survey questionnaire was based on the instrument used in the CDRI Baseline Survey Project (Ballard & So 2004).
4. The data, figures, and tables presented in the following sections are taken from the Cooperation Committee for Cambodia/NGO Forum on Cambodia study: *Land Titling and Poverty Reduction: A Study of Two Sangkat in Prey Nup District, Sihanoukville Municipality*, Analyzing Development Issues Team and Research Participants in collaboration with the Land Information Centre, November 2007.
5. Large landholders who owned a disproportionate share of the agricultural land gained more from land titling than small landholders through added value to property, increased collateral for obtaining formal credit, and security of tenure over larger land areas.
6. While land sales were higher in the LMAP era (2003 to mid-2007) than in the period preceding LMAP (1989–2002), a caveat to keep in mind was that the total area sold in the LMAP era was far smaller (20 hectares) than the total area sold in the years before LMAP (30 hectares).
7. In this and subsequent sections references to plots sold from 2003 to mid-2007 include only the 59 LMAP titled plots sold. The seven non-titled plots sold during the same period are not included.
8. Average values of plots sold per hectare in the years before (1989–2002) and after (2003 to mid-2007) LMAP increased in Prey Nup 2 village from US\$ 419 to US\$ 1,771, in Bot Se Moan village from US\$ 1,631 to US\$ 1,940, in Tuol village from US\$ 292 to US\$ 7,047 and in Kampong Smach Touch village from US\$ 161 to US\$ 883.
9. Ballard and So (2004) report healthcare as the reason given for the sale of 25 percent of the plots sold in the LMAP designated areas from 1989 to 2004.
10. Transfers made without documentation or notification papers account for many of the “other” responses in Table 2.
11. The AMRET microfinance institution and the Aceda bank both had branch offices in the Prey Nup District town.
12. Ballard and So (2004) report that 80 percent of the household respondents in the LMAP designated areas surveyed felt that security of tenure was the most important benefit to be gained from land titling.

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Economy Watch—External Performance

World Economic Growth

This section highlights economic progress of major economies in the world as well as most economies in East Asia on a quarterly basis. The development of these economies is of particular relevance to the Cambodian economy.

US real GDP in the third quarter of 2007 grew by 4.9 percent from the same quarter a year earlier. This primarily reflected positive contributions from exports, personal consumption expenditure, private inventory investment, equipment and software, federal government spending, non-residential structures and state and local government spending. The real GDP of the euro zone in third quarter 2007 grew by 2.7 percent compared to the same period a year earlier and by 0.8 percent compared to the previous quarter. Japanese real GDP grew by 1.9 percent from a year earlier and by 0.3 percent compared to the previous quarter.

The Chinese economy in third quarter 2007 grew by 11.4 percent from the same period last year, a slight slowing from the second quarter. This primarily reflected strong growth in industry, services, exports and investment. The real GDP of South Korea in the third quarter grew by 5.2 percent from a year earlier and by 1.3 percent compared to the previous quarter. The growth of manufacturing and services accelerated while the growth of construction slowed down. On the expenditure side, the rate of increase of goods exports continued high and that of private consumption accelerated while construction and facilities investment both slowed. The real GDP of Taiwan and Hong Kong in third quarter 2007 grew by 6.9 percent and 6.2 percent, respectively, compared to the same period a year earlier.

The Malaysian economy was up by 6.7 percent in third quarter 2007, compared to the same period a year earlier. The robust performance was attributed to an increase in services (10.5 percent) and manufacturing (3.4 percent). The Singapore economy grew by 8.9 percent in the third quarter, compared to the same period a year earlier. The fastest growing sectors were manufacturing (led by biomedicine and transport engineering), financial services and construction. Thai real GDP in the third quarter 2007 was up 4.8 percent compared to the same period in 2006. Agriculture grew by 1.7 percent, down from a 7.5 increase in the previous quarter, while non-agricultural output was

up 5.0, compared to 4.0 percent in the previous quarter.

World Inflation and Exchange Rates

In third quarter 2007, year-on-year consumer prices in the US increased by 2.4 percent. This was due to higher charges for food, medical care, housing, education, communication and energy. In the euro zone, the inflation rate was 1.9 percent, unchanged from a quarter earlier. Available information suggests that the energy component, and in particular a strong base effect from the substantial decrease in energy prices one year earlier, contributed significantly to the estimated increase in third quarter 2007. During the same period, in Japan consumer prices dropped by 0.1 percent from a year earlier for the third consecutive quarter. This largely reflected the drop in costs of overseas package tours and prices of household electronic equipment. However, the rate of change would have been close to zero, if petroleum products and other special factors had been excluded.

In foreign exchange markets, the US dollar lost value against major currencies in the third quarter of 2007. Against the Japanese yen, the dollar traded at 117.7 JPY/USD, a depreciation from 120.8 in the second quarter. The US dollar depreciated against the euro, the Chinese yuan and the South Korean won, exchanging at 0.73 EUR/USD, 7.55 CNY/USD and 927 KRW/USD, from 0.74 EUR/USD, 7.68 CNY/USD and 929 KRW/USD, respectively, in the second quarter. The currency declined as traders increased bets the Federal Reserve would continue to cut interest rates to revive the ailing economy.

Commodity Prices in World Markets

The prices of palm oil, soybeans, rice, crude oil and diesel rose, while the prices of maize and gasoline went down. Palm oil sold at USD745.86/tonne, up from USD691.44 in the second quarter, while maize and soybeans sold at USD139.81 and USD299.99/tonne, respectively. The price of white rice, Thai 100% B second grade, in the Bangkok market was USD283.89/tonne, up from 283.89 in the second quarter. The price of crude oil in the third quarter increased by 11 percent from the previous quarter to USD72.48/barrel. The price of gasoline decreased by 4.2 percent from the previous quarter to US 55.49 cents/litre, while the price of diesel rose by 5.0 percent to US 55.62 cents/litre.

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Continued from page 4 Political Economy...

there would be a new MOU to deal with farm workers near the border.

Generally speaking, there have to be incentives for employers to cooperate or disincentives for not cooperating. There is a belief among some interviewees that some Thai employers prefer hiring undocumented workers because there are benefits from doing so. They can mistreat these

workers if they wish. There are accounts that, shortly before pay-day, employers collaborate with the police to chase away workers and then share their wages with the police. If true, this would suggest that employers in Thailand need incentives to inform their irregular workers to register or to be punished for failing to do so.

Continued on page 16

Economy Watch—External Performance

Table 1. Real GDP Growth of Selected Trading Partners, 2002–2007 (percentage increase over previous year)

	2002	2003	2004	2005	2006	2006		2007		
						Q3	Q4	Q1	Q2	Q3
Selected ASEAN countries										
Cambodia	4.8	7	7.7	13.4	10.6	-	-	-	-	-
Indonesia	3.8	4.9	5.1	5.6	5.4	5.5	6.1	-	-	-
Malaysia	5.6	5.4	7	5.2	5.9	5.8	5.7	5.3	5.7	6.7
Singapore	2.6	1.4	8.5	5.7	7.7	7.1	7.0	6.0	8.2	8.9
Thailand	6.1	6.9	6	4.5	4.8	4.7	4.2	4.3	4.4	4.8
Vietnam	6.7	7	7.5	8.4	8.1	-	-	-	-	-
Selected other Asian countries										
China	8.1	9.9	9.5	9.6	10.5	10.4	10.7	11.1	11.5	11.4
Hong Kong	5.0	3.2	8.3	6.5	6.6	6.8	7.0	5.6	6.9	6.2
South Korea	6.1	3	4.7	4.7	5.0	4.8	5.0	4.0	4.5	5.2
Taiwan	4.2	3.1	5.7	4.1	4.6	5.0	4.0	4.1	5.07	6.9
Selected industrial countries										
Euro-12	0.7	0.5	1.8	1.5	2.7	2.6	3.3	3.0	2.5	2.7
Japan	0.4	2.6	3.4	2.5	2.1	2.7	2.3	2.2	2.3	1.9
United States	2.4	3.1	4.4	3.7	3.3	3.3	3.1	1.5	3.8	4.9

Sources: International Monetary Fund, *Economist* and countries' statistic offices

Table 2. Inflation Rate of Selected Trading Partners, 2002–2007 (percentage increase over previous year—period average)

	2002	2003	2004	2005	2006	2006		2007		
						Q3	Q4	Q1	Q2	Q3
Selected ASEAN countries										
Cambodia	3.2	1.2	4.0	5.8	4.7	4.9	3.4	3.0	4.6	-
Indonesia	13.2	8.3	8.3	10.5	13.4	14.9	6.1	6.4	-	-
Malaysia	1.8	1.1	1.6	3.1	3.7	3.6	3.1	2.6	1.4	1.8
Singapore	-0.4	0.5	1.7	0.5	1.0	0.7	0.6	0.5	1.0	2.7
Thailand	0.6	1.8	2.7	4.5	4.7	3.6	3.3	2.4	1.9	1.7
Vietnam	3.8	3.1	7.8	8.2	-	-	-	-	-	-
Selected other Asian countries										
China	-0.7	1.2	3.9	1.8	1.5	1.4	1.8	2.6	3.6	6.1
Hong Kong	-3.0	-2.6	-0.4	1.1	2.2	2.3	2.2	1.7	1.3	1.6
South Korea	2.7	3.5	3.5	2.8	2.4	2.5	2.4	2.0	2.4	2.3
Taiwan	-0.2	-0.3	1.6	2.3	0.6	-0.3	-0.1	1.0	0.3	1.4
Selected industrial countries										
Euro-12	2.2	2.1	2.2	2.2	2.1	2.1	1.8	1.9	1.9	1.9
Japan	-0.9	-0.3	Nil	-0.3	0.5	0.6	0.3	-0.1	-0.1	-0.1
United States	1.6	2.3	2.7	3.4	3.2	3.3	1.9	2.4	2.7	2.4

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

Table 3. Exchange Rates of Selected Trading Partners against US Dollar, 2002–2007 (period averages)

	2002	2003	2004	2005	2006	2006		2007		
						Q3	Q4	Q1	Q2	Q3
Selected ASEAN countries										
Cambodia (riel)	3912.1	3973	4016.3	4092.5	4103.2	4125.0	4111.3	4046.7	-	-
Indonesia (rupiah)	9311	8577	8938	9705	9134	9122	9125	9107	-	-
Malaysia (ringgit)	3.80	3.80	3.80	3.79	3.67	3.67	3.62	3.50	3.43	3.46
Singapore (S\$)	1.79	1.74	1.69	1.66	1.59	1.58	1.56	1.53	1.52	1.52
Thailand (baht)	42.9	41.5	40.2	40.2	37.9	37.7	36.5	33.9	32.5	31.4
Vietnam (dong)	15,280	15,510	-	15,859	15,994	16,015	16,077	-	-	-
Selected other Asian countries										
China (yuan)	8.28	8.28	8.28	8.19	7.97	7.97	7.86	7.76	7.68	7.55
Hong Kong (HK\$)	7.80	7.78	7.79	7.78	7.77	7.78	7.78	7.81	7.82	7.81
South Korea (won)	1251	1192	1145	1024	955	955	938	939	929	927
Taiwan (NT\$)	34.5	34.4	33.6	32.1	32.5	32.8	32.8	32.9	33.1	32.9
Selected industrial countries										
Euro-12 (euro)	1.06	0.89	0.80	0.80	0.80	0.78	0.78	0.76	0.74	0.73
Japan (yen)	125.4	115.9	108.2	110.2	116.4	116.3	117.8	119.4	120.8	117.7

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

Table 4. Selected Commodity Prices on World Market, 2002–2007 (period averages)

	2002	2003	2004	2005	2006	2006		2007		
						Q3	Q4	Q1	Q2	Q3
Maize (USNo.2)—USA (\$/tonne)	89.98	95.42	110.65	89.19	111.04	108.67	140.18	154.33	146.10	139.81
Palm oil—north-west Europe (\$/tonne)	353.91	402.03	427.47	381.32	433.85	446.85	494.92	552.06	691.44	745.86
Rice (Thai 100% B)—Bangkok (\$/tonne)	178.59	182.22	221.67	262.88	282.00	289.91	279.10	294.17	283.89	304.75
Soybeans (US No.1)—USA (\$/tonne)	182.58	218.86	262.03	224.25	213.88	207.38	230.17	255.33	259.95	299.99
Crude oil—Dubai (\$/barrel)	23.9	26.8	33.5	50.14	61.58	67.00	56.39	54.21	65.41	72.48
Gasoline—US Gulf Coast (cents/litre)	19.1	23	30.9	42.19	47.70	52.70	41.02	41.71	57.93	55.49
Diesel (low sulphur No.2)—US Gulf Coast (cents/litre)	17.85	21.63	29.48	44.35	51.35	55.66	46.11	45.61	53.90	56.62

Sources: Food and Agriculture Organisation and US Energy Information Administration

Economy Watch—Domestic Performance

Main Economic Activities

Investment, construction, tourism and trade were positive in the third quarter of 2007. Investment picked up dramatically from the previous quarter, contributing strong growth to the economy. Construction approvals and visitor arrivals increased slightly, while the trade deficit improved moderately.

Fixed asset investment approvals in the third quarter totalled USD1156.9 m for 37 projects, an increase approximately to fourfold the value in the same quarter in 2006. Approvals in industry rose by 0.9 percent to USD187.2 m (25 projects); the increase was coming in the garment sub-sector. According to seasonal trends of garment approvals indicated that the third quarter was a period of booming of garment approvals for every year. Garment fixed asset investment approvals increased by 76 percent to USD40.7 m (11 projects). Mining investment approvals increased fourfold to USD11.2 m, while energy approvals increased to USD3.1 m from nil in the same quarter of 2006. New jobs if all the industrial approvals are implemented will total 29,208 (73 percent of them in garments). Agricultural investment approvals also increased, from nil a year earlier to USD12.0 m for two agro-industrial projects that will employ 1000 workers. Services approvals rose dramatically to 10 times their value a year earlier, to USD957.7 m (10 projects). Of services investment approvals, tourism was 68 percent and telecommunications 23 percent. The proposals are expected to employ 8767 workers.

Investment occurs in the cities, especially in Phnom Penh. As the numbers of people and businesses keep increasing in the city, building construction is flourishing, both new construction and renovation of existing buildings. Real estate services have grown accordingly. Flat construction in the city and suburbs outpaces other construction. In the third quarter of 2007, total construction approvals in Phnom Penh rose by 24 percent from the previous quarter to USD179.7 m. Flats represented 65 percent, more than three times the value in the preceding quarter. Villas and house approvals accounted for USD21.7 m, a decrease of 4.8 percent and other construction approvals fell by 54 percent to USD40.6 m.

The trade deficit was USD30.3 m, an improvement from USD208.1 m in the preceding quarter and a worsening from the surplus of USD23.2 m in the same quarter of 2006. Over the 12 months, total exports and imports increased moderately.

Cambodia's exports rose by 10 percent from third quarter 2006 to USD890.8 m in third quarter 2007. Garments were the main cause of the increase, accounting for 95 percent of total exports and rising 8.2 percent from a year earlier to USD846.1 m. Wood exports decreased by 99 percent from the same period in 2006 to USD0.01 m;

fish exports fell by 27 percent to USD1.2 m and rubber by 14 percent to USD11.7 m. Agriculture provides a very small part of Cambodia's exports, while garments have been the core of export growth, employing a large labour force. Garment markets, however, have become more competitive, with countries such as China and Vietnam, where having challengeable opportunity costs i.e. labour cost, compared to Cambodia.

Domestic production is insufficient to meet local demand, so imports continue to rise. In third quarter 2007, imports totalled USD924.5 m, a rise of 18 percent from a year earlier. Imports of cement, steel and fabrics were down but petroleum products rose by 14 percent to USD71.0 m. Cement imports fell by 10 percent to USD14.3 m, steel imports by 44 percent to USD9.9 m and fabric imports by 99 percent to USD1.9 m.

Visitor arrivals to Cambodia increased by approximately 17 percent from the third quarter of 2006 to 431,815 in third quarter 2007. Arrivals by air rose by 24 percent to 278,523, of which Phnom Penh airport received 45 percent and Siem Reap 55 percent. Arrivals by land rose 5.2 percent to 144,582, while those by water fell 3.3 percent to 8710. Siem Reap is the most popular destination in Cambodia. In the third quarter, Siem Reap province welcomed 44 percent of the total arrivals. Visitors on holiday were 359,730, a rise of 12 percent from the same period in 2006. South Korea topped the list for number of visitors (58,914), followed by Japan and Vietnam.

Inflation and Foreign Exchange Rates

The Cambodia's overall consumer price index released by the National Institute of Statistics for the third quarter was up 11.9 percent from a year earlier. An increase was 3.4 percent more than a rise in the previous quarter. Food and non-alcoholic beverage prices increased by 16.9 percent from the same quarter in 2006, while transportation fees rose slightly by 2.0 percent.

In Cambodia, food and non-alcoholic beverage represents 58 percent of the consumer price index. Therefore, the rising price of food pushes up overall inflation. Further, world food prices are increasing rapidly, which has a big impact on Cambodia as an importing country. For instance, Cambodia imports foods about 6.6 percent of its total imports from Thailand. Therefore, the price of foods in Thailand which increased by 4.4 percent did rise the price of food stuff which Cambodia imports.

In third quarter 2007, the riel improved against the US dollar by 1.5 percent from the same quarter of 2006, trading at 4082.3. Against the Thai baht, however, the riel depreciated by 18 percent, to 130.0 riels/baht. Against the Vietnamese dong, the riel was down 1.6 percent, trading at 25.3 riels per 100 dong.

Economy Watch—Domestic Performance

Monetary Developments

In third quarter 2007, total liquidity (M2) increased by 53 percent from the same quarter in 2006 to KHR9908.2 bn. Money (M1) rose by 12 percent to KHR1749.7 bn, of which riels outside banks were 96 percent and demand deposits 4 percent. Riels in circulation went up by 11 percent compared to the same quarter in 2006. Quasi-money, which includes time and saving deposits and foreign currency deposits, mounted to KHR8158.5 bn, an increase of 67 percent. Of the quasi-money, foreign currency deposits accounted for 99 percent, a rise of 68 percent from the same period in 2006.

The rising amount of M2 was generated by an operation between domestic assets and foreign assets. In the third quarter, domestic credit, which comprises credit to government and the private sector, government deposits and other liabilities, went up by 60 percent to KHR3829.3 bn. Credit to government increased by 10 percent to KHR296.7 bn and claims on the private sector rose by 63 percent to KHR5376.4 bn. Government deposits rose by 59 percent to KHR1843.8 bn, and other liabilities climbed by 27 percent to KHR3689.1 bn. Net foreign assets increased by 40 percent to KHR9767.9 bn.

Poverty Situation—Real Daily Earnings of Vulnerable Workers

Real daily earnings of most vulnerable workers increased in November 2007, compared to the same month in 2006. However, the earnings of garment workers were down.

Motorcycle taxi drivers increased by 37 percent to 13,060 riels, their highest income since the survey started in 2000. Despite the earnings increase, most motorcycle taxi drivers complained about gasoline price increases. Eighty-five percent of the drivers interviewed could not save money to start a new business; their income was just enough to support their families.

Real daily earnings of small vegetable traders reached 8303 riels, a 36 percent increase compared to November 2006. Forty-eight percent of small traders in Phnom Penh migrated from rural areas. Among the migrants, 90 percent rent housing, spending about 20,000 riels a month on rent.

The other 10 percent stays with relatives in Phnom Penh.

Real daily earnings of scavengers increased by 42 percent from a year earlier to 5560 riels in November 2007. The increase of rubbish prices was the major cause. Despite the increase, however, scavengers still lived hand to mouth. Moreover, 32 percent of those interviewed were in debt after borrowing to buy food or pay medical costs.

In November, cyclo drivers earn a lot more income than in other times in Phnom Penh, due to many people are crowded in the city for that Water Festival. During this period, earning of cyclo drivers rose by 27 percent compared to November 2006.

Real daily earnings of rice field workers improved by 3 percent to 4790 riels. The movement of young people to work in urban areas causes a shortage of field labour, which was the reason for rising wages, 82 percent of these interviewees reported. Nevertheless, 85 percent still complained that they lived hand to mouth.

Earnings of waitresses/waiters remained stable compared to a year earlier. Most waitresses/ waiters migrated from the provinces; 85 percent of the migrants stayed with restaurant owners, and the others rented housing.

In November 2007, the real daily earnings of skilled construction workers rose to 10,956 riels, an increase of 7 percent compared to 2006. Construction in the cities was rapidly increasing, so the demand for workers increased, 97 percent reported. But commodity prices increased more than earnings. This was a reason that 13 percent of construction workers interviewed were in debt.

Garment workers' real earnings declined by 8 percent to 8207 riels. The fall was due to decreased working time, according to 67 percent of the interviewed workers. Twenty-six percent stated that after spending on their own needs, they have a small amount of money left to send home. The increases in industry in urban areas have attracted people from rural areas, especially young people. At least 90 percent of garment workers are from rural areas, and most of them have less than a hectare of agricultural land.

Prepared by

Phann Dalis and Pon Dorina

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Recommendations

In Cambodia, the cost for migrants to enter Thailand legally should be minimised. For this, several actions are needed. Institutional arrangements should be improved. MLVT should have a separate department directly responsible for labour migration and more staff competent in dealing with migration issues. Migration policy and a more appropriate legal framework such as migration law should be considered. Passport fees should be lowered

to at most USD50 for issuance within 10 working days. There should be more offices issuing passports in both Phnom Penh and provinces such as Battambang, Banteay Meanchey and Prey Veng. "One stop" service offices in these provinces should be considered by the government.

There should be more companies and more recruitment offices in the provinces from which there are large numbers of workers migrating to Thailand. Sub-decree

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Economy Watch—Indicators

Table 1. Private Investment Projects Approved, 2001–07

	2001	2002	2003	2004	2005	2006				2007		
						Q1	Q2	Q3	Q4	Q1	Q2	Q3
	Fixed Assets (\$ m)											
Agriculture	0.4	40.3	3.7	12.3	26.8	126.5	216.9	0.0	154.6	19.1	2.1	12.0
Industry	105.2	67.7	137.2	187.9	914.6	40.1	76.9	171.7	76.6	142.7	51.2	187.2
<i>. Garments</i>	26.5	27.2	68.1	132.6	174.4	30.5	9.6	23.2	26.1	36.6	24.3	40.7
Services	118.4	145.3	168.4	91.8	155.5	60.7	2,043.2	94.5	740.7	335.7	138.0	957.7
<i>. Hotels and tourism</i>	73.8	47.1	124.1	55.9	102.6	0.0	26.2	3.5	315.3	140.3	55.0	653.8
Total	224.0	253.3	309.3	292.0	1096.9	227.3	2,337.0	266.2	971.9	497.5	191.3	1156.9
Total	-	-	-	-	-	90.7	928.1	-88.6	265.1	-48.8	-61.6	504.7
Total	-16.8	13.1	22.1	-5.6	275.6	-52.2	2331.2	-34.1	715.4	118.9	91.8	334.6

Including expansion project approvals. Source: Cambodian Investment Board

Table 2. Value of Construction Project Approvals in Phnom Penh, 2001–07

	2001	2002	2003	2004	2005	2006				2007		
						Q1	Q2	Q3	Q4	Q1	Q2*	Q3
	\$D m											
Villas and houses	15.9	23.4	20.0	30.3	45.5	10.1	5.7	7.6	9.7	14.4	22.8	21.7
Flats	167.8	179.9	91.6	167.6	204.2	39.9	51.8	67.1	54.5	88.9	33.2	117.5
Other	12.6	16.6	87.3	65.6	109.1	17.4	24.7	20.8	13.9	35.9	88.8	40.6
Total	196.3	219.9	198.9	263.5	358.8	67.4	82.2	95.5	78.2	139.2	144.7	179.7
Total	-	-	-	-	-	-6.2	22.2	16.1	-18.1	78.0	3.9	24.2
Total	-4.4	12.0	-9.5	32.5	36.2	-36.5	-21.2	24.8	8.9	106.5	76.0	88.2

* Revised data. Source: Department of Cadastre and Geography of Phnom Penh Municipality

Table 3. Exports and Imports, 2001–07

	2001	2002	2003	2004	2005	2006				2007		
						Q1	Q2	Q3	Q4	Q1	Q2	Q3
	\$D m											
Total exports	1268.2	1453.2	1708.1	2108.1	2352.8	603.2	652.5	807.5	736.7	707.8	705.0	890.8
Of which: Garments	1202.2	1355.8	1628.4	2027	2253.3	568.5	632.4	782.0	716.0	677.5	688.2	846.1
<i>. To US</i>	840.9	943.4	1099.8	1270.9	1546.1	402.5	438.6	522.8	483.2	499.1	451.2	-
<i>. To EU</i>	323.3	356.3	414.7	590.8	503.1	110.6	142.2	188.1	160.1	106.3	163.1	-
<i>. To rest of world</i>	38.0	56.1	113.8	165.3	204.1	55.3	51.6	71.0	72.8	72.0	73.8	-
Agriculture	66.0	97.3	79.7	81.2	99.5	34.7	20.2	25.5	20.7	30.3	16.8	-
<i>. Rubber</i>	25.9	29.7	35.1	38.3	36.7	7.8	9.8	13.6	10.2	8.4	6.9	11.7
<i>. Wood</i>	22.3	16.0	10.2	11.1	10.3	2.1	2.3	2.5	1.7	2.1	2.0	0.0
<i>. Fish</i>	6.0	4.3	2.8	10.6	10.1	1.9	1.0	1.6	1.4	0.7	0.4	1.2
<i>. Other</i>	11.8	47.4	31.6	21.3	42.6	22.9	7.0	7.7	7.5	19.0	7.5	-
Total imports	1501.4	1707.8	1824.9	2149.0	2513	690.7	774.9	784.3	807.1	790.9	911.6	924.5
Of which: Petroleum products	154.4	157.5	191.6	187.0	184.8	57.6	59.8	62.4	58.7	66.5	68.5	71.0
Gasoline	-	25.9	33.2	30.2	40.2	10.9	12.4	13.1	13.2	15.7	20.2	-
Diesel	-	100.8	109.6	109.4	93.1	32.5	32.2	30.1	27.2	31.9	36.6	-
Construction materials	-	12.9	80.8	95.3	134.7	37.0	39.1	42.5	35.8	44.1	31.6*	34.9
Other	-	1568.2	1601.3	1914.0	2245	610.3	691.2	698.5	731.0	699.2	807.5	818.6
Trade balance	-233.2	-254.6	-116.8	-40.9	-160.1	-87.5	-122.4	23.2	-70.4	-83.1	-208.1	-30.7
Total garment exports	-	-	-	-	-	-5.4	39.8	-118.9	-403.4	18.0	150.4	-85.2
Total exports	-	-	-	-	-	-6.4	8.2	23.7	-8.8	-3.9	0.4	26.4
Total imports	-	-	-	-	-	-0.03	12.2	1.2	2.9	-2.0	15.3	1.4
Total garment exports	24.9	9.2	-54.1	-64.9	291.4	51.1	-19.5	-76.2	52.0	-5.0	70.0	-232.3
Total exports	20.1	14.6	17.5	23.4	11.6	30.3	26.7	10.6	14.3	17.3	8.0	10.3
Total imports	5.9	13.7	6.9	17.8	16.9	32.6	16.2	24.0	16.8	14.5	17.6	17.9

Import data include tax-exempt imports. * Revision. Sources: Customs and Excise Department, cited by N C

Table 4. Foreign Visitor Arrivals in Cambodia, 2001–07

	2001	2002	2003	2004	2005	2006				2007		
						Q1	Q2	Q3	Q4	Q1	Q2	Q3
	Thousands of passengers											
By air	408.4	523.0	456.0	626.1	856.5	275.4	204.4	224.2	325.0	373.6	275.6	278.5
By land and water	196.5	263.5	245.0	428.9	565.1	181.9	153.6	146.4	191.0	177.2	148.9	153.3
Total	604.9	786.5	701.1	1055.0	1421.6	457.3	358.0	370.6	516.0	550.8	424.5	431.8
Total	-	-	-	-	-	9.9	-21.7	4.1	39.2	6.7	-22.9	1.7
Total	29.7	30.0	-10.9	50.5	34.7	20.2	21.2	14.7	24.1	20.4	19.2	16.5

Source: Ministry of Tourism

Economy Watch—Indicators

Table 5. National Budget Operations on Cash Basis, 2000–07 (Billion riels)

	2000	2001	2002	2003	2004	2005	2006				2007	
							Q1	Q2	Q3	Q4	Q1	Q2
Total revenue	1528	1530	1744	1764	2126	2625	595.9	731.5	732.2	1199.6	824.9	1016.8
Current revenue	-	1521	1728	1733	2107	2474	593.2	726.9	716.8	844.9	824.9	1012.4
Tax revenue	1096	1096	1227	1220	1577	1911	484.7	558.6	565.8	661.8	699.9	887.7
Customs duties	376	376	424	395	513	573	135.5	151.7	157.2	200.0	-	-
Domestic tax	-	-	-	-	-	-	-	-	-	-	487.9	642.1
Taxes on international trade	-	-	-	-	-	-	-	-	-	-	212.1	245.6
Non-tax revenue	424	424	501	513	530	563	108.5	168.3	151.0	183.1	125.0	124.7
Forest exploitation	28	29	15	7	2	3	0.5	0.7	0.3	0.9	-	-
Posts & telecommunications	124	122	123	120	94	123	11.4	30.0	11.7	30.0	-	-
Property income	-	-	-	-	-	-	-	-	-	-	27.9	15.5
Sale of goods and services	-	-	-	-	-	-	-	-	-	-	88.8	93.0
Capital revenue	8	9	16	31	19	152	2.7	4.6	15.4	354.7	0.0	4.5
Total expenditure	2332	2332	2948	2757	2932	3295	932.1	1020.1	1030.6	1191.9	923.9	1098.7
Capital expenditure	976	977	1388	1171	1163	1328	390.5	394.7	423.8	429.1	367.1	408.1
Current expenditure	1356	1355	1560	1586	1769	1967	541.7	625.4	606.9	762.8	556.8	681.6
Education and health	344	343	454	473	518	351	80.3	202.3	150.1	281.3	-	-
Defence and security	404	405	438	411	423	451	78.1	116.7	155.3	170.1	-	-
Other ministries	636	637	668	702	828	1165	383.2	306.4	301.5	311.4	-	-
Wages	517	509	587	615	640	711	140.5	210.3	230.6	240.6	199.7	242.7
Subsidies and social assistance	-	-	-	-	-	-	-	-	-	-	61.9	184.0
Overall balance	-804	-802	-1204	-993	-806	-706	-336.3	-288.5	-298.5	7.7	-99.0	-81.9
Foreign financing	768	766	1249	886	864	1127	308.0	341.3	335.2	376.2	344.0	313.9
Domestic financing	36	37	-45	106	148	-396	28.3	-52.8	-36.7	-383.9	-245.0	-213.0

Provisional for 2007. The third quarter data are not yet available. Source: MF website.

Table 6. Consumer Price Index and Exchange Rates and Oil Prices (period averages), 2001–07

	2001	2002	2003	2004	2005	2006				2007		
						Q1	Q2	Q3	Q4	Q1	Q2	Q3
(October-December 2006:100)												
Consumer price index (percentage change over previous year)												
Provinces	-	-	-	-	-	-	-	-	-	5.9	9.0	14.4
Phnom Penh	-	-	-	-	-	-	-	-	-	4.7	5.8	7.7
Cambodia - All Items	-	-	-	-	-	-	-	-	-	5.7	8.5	11.9
- Food & non-alcoholic bev.	-	-	-	-	-	-	-	-	-	8.3	12.0	16.9
- Transportation	-	-	-	-	-	-	-	-	-	-3.4	1.1	2.0
Exchange rates, gold and oil prices (Phnom Penh market rates)												
Riels per US dollar	3916.3	3912.1	3973.3	4016.3	4119.7	4,094.8	4106.6	4145.3	4129.4	4063.0	4075.4	4082.3
Riels per Thai baht	88.2	91.1	95.8	99.9	102.6	103.5	108.0	110.3	113.0	113.7	118.0	130.0
Riels per 100 Vietnamese dong	26.6	25.6	25.6	25.5	25.8	25.4	25.0	24.9	25.0	24.6	24.7	25.3
Gold (\$/dollars per chi)	32.8	36.8	41.4	46.3	54.0	64.2	72.2	73.0	72.8	77.7	79.8	80.8
Diesel (riels/litre)	1329	1521	1508	2088	2633	2867	3110	3333	3250	3067	3100	3203
Gasoline (riels/litre)	2113	2084	2150	2833	3442	3767	4000	4200	4050	3750	3900	4002

Sources: NIS, NBC & CDRI

Table 7. Monetary Base 2001–07 (end of period)

	2001	2002	2003	2004	2005	2006				2007		
						Q1	Q2	Q3	Q4	Q1	Q2	Q3
Billion riels												
Net foreign assets	3080	3737	4027	4797	5475	6410	6682	6958	7224	8056	9048	9768
Net domestic assets	-876	-849	-698	-467	-450	-699	-637	-497	-282	-263	-172	140
Net claims on government	-75	-119	-128	-209	-421	-755	-831	-892	-953	-1176	-1403	-1547
Credit to private sector	936	1059	1337	1817	2394	2,778	2997	3288	3628	4066	4537	5376
Total liquidity	2204	2888	3329	4330	5025	5711	6045	6461	6942	7793	8876	9908
Money	609	813	937	1153	1323	1449	1512	1563	1658	1794	1748	1750
Quasi-money	1595	2075	2392	3177	3702	4262	4533	4898	5285	5999	7128	8158
Percentage change from previous year												
Total liquidity	20.4	31.0	15.2	30.0	16.1	27.0	30.6	29.4	38.2	36.5	46.8	53.4
Money	12.8	33.5	15.3	23.0	14.7	20.9	24.4	22.2	25.3	23.9	15.7	12.0
Quasi-money	23.6	30.0	15.2	32.8	16.6	33.6	32.8	31.9	42.7	40.7	57.3	66.5

Source: National Bank of Cambodia

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

	Daily earnings (riels)									Percentage change from previous year		
	2000	2003	2004	2005	2006	2007				2007		
	Nov				Nov	Feb	May	Aug	Nov	May	Aug	Nov
Cyclo drivers	7594	8572	7614	7469	7393	6534	9245	7126	9393	8	18	27
Porters	6233	6676	6895	6545	7045	6010	9798	7704	8852	33	47	26
Small vegetable sellers	5256	6532	6947	6000	6125	6125	8951	9116	8303	38	75	36
Scavengers	2718	3944	4446	4416	3903	4530	5533	6038	5560	23	42	42
Waitresses*	2111	4932	4448	4426	4498	4078	5150	4193	4508	21	-2	0
Rice-field workers	4198	4177	4139	4365	4653	4126	4531	4561	4790	0	10	3
Garment workers	6701	9577	9277	8816	8957	11146	8347	9033	8207	6	-2	-8
Motorcycle-taxi drivers	8610	10092	9204	8201	8386	9144	12,886	8979	13,060	47	33	37
Unskilled construction workers	5399	6558	6382	5918	6028	5263	6075	5901	7550	-5	-2	43
Skilled construction workers	13,127	13,111	12,679	10,316	9466	10,215	11,892	11,723	10,956	21	24	7

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

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legal framework and policy to the Ministry of Labour and Vocational Training, labour recruitment agencies and other relevant agencies on 19 February. A fact-finding study on Chinese investment in Cambodia began in February. Early results will be available in one year. A literature review on trade and the environment, part of a one-year project, has been completed. Mr Saing Chan Hang joined the unit as a research associate in late February.

Since early 2008, the Human Security Research unit has started to identify its new research areas. A very promising one is the possible link between human threats and poverty and problems in governance, natural resource use and individual economic well-being. In March, the unit put a proposal to UNICEF on youth situation analysis, leading to an agreement between CDRI and UNICEF. The unit is also awaiting UNICEF's final agreement on the Child Poverty in Cambodia project, which may again need the involvement of CDRI as implementer. Furthermore, the unit has developed a proposal on election research that will be submitted to several interested donors such as CIDA, AusAID and UNDP.

The Water Resource Management Research Capacity Development Programme of the Natural Resources and Environment unit is finalising a literature review and a social assessment of water resources management in Cambodia. The unit is completing the first draft of the final report on cost benefit analysis of rubber plantation development in Cambodia. Also, the unit is working on field surveys of a joint project on tropical forests for poverty alleviation—from household data to global analysis—in five countries. The unit has completed a natural and social environment survey, in partnership with a team from Japan International

Cooperation Agency (JICA), for a master plan study of hydropower development in Cambodia. The survey report has already been submitted by the unit to JICA. A training course on environmental economics funded by the Economy and Environment Programme for South-East Asia was conducted at CDRI from 24 to 28 March with participants from governmental agencies, non-government organisations and public and private universities.

The Poverty, Agriculture and Rural Development unit is continuing with a poverty dynamics study. An agricultural production and trade field survey, as part of a Development Analysis Network project, was completed in early 2008, and the results are now being analysed and written up. The unit is an implementing agency for an ADB-funded project, Building Community Capacity for Poverty Reduction Initiatives in the Tonle Sap Basin. Other partners of the project are the Community Based Natural Resource Management Learning Institute (CBNRM-LI) and Council for Agricultural and Rural Development. The project started in February with an inception period of six months during which all implementing agencies, CDRI and CBRNM-LI in particular, will produce a detailed work plan for the rest of the project with regard to budgeting, conducting a training needs assessment and identifying topics and design method for a baseline survey. CDRI has signed a letter of partnership and management agreement for the management of the Understanding Livestock Movement and the Risk of Spread of Transboundary Animal Diseases project, with funding from the Australian Centre for International Agricultural Research. Particular research activities for this project are to be identified and agreed by both parties during the course of the project.

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57 should be revised to accommodate new developments. The required deposit for setting up a recruitment agency, currently USD100,000, should be reduced in order to increase the number of services. There should be a more careful selection of workers by recruitment agencies to avoid runaway problems. This can perhaps be done through NGOs. Recruitment companies should be allowed to charge workers the fees to go to work in Thailand or elsewhere, to avoid the problem of running away from the workplace.

Thailand stands to benefit from migrant workers and should therefore help to formalise the workers there. Costs of work permits and visas should be lowered. The option of employing migrant workers illegally should be closed. There should be incentives to employ legal workers or disincentives to employ illegal workers. There should be a way to legalise those already working in Thailand without requiring them to acquire passports and visas in Phnom Penh. All costs associated with legalising migrant

workers should be minimised.

Endnotes

1. This ministry in 2005 was divided into MLVT and the Ministry of Social Affairs, Veterans and Youth Rehabilitation (MoSAVY).
2. The number must be much higher in Thailand and Vietnam, where labour export is substantial. According to Dang (2007), there seems to be no deposit required for licensed recruitment enterprises in Vietnam.
3. Information from a meeting of the network members on 16 July 2007.
4. Meeting with Thai officers at the Ministry of Labour on 15 November 2007.
5. Cambodia decided to switch to e-passports quickly—perhaps the first country in the region to do so—without considering this significant cost. A Malaysian team of six was hired to implant the chips and receive the USD20 per passport.

CDRI UPDATE

Management

CDRI, in partnership with ANZ Royal Bank, hosted the second annual Cambodia Outlook Conference on 28 February in Phnom Penh. The conference brought together more than 250 invited leaders from government, business, the development and research communities and civil society to discuss the theme “Mobilising Cambodia’s Resources—Human, Natural, Financial—for Quality Development, Growth and Prosperity”. Cambodian Prime Minister Hun Sen delivered the opening keynote address, followed by sessions on:

- Cambodia: A 2008 Macro View—Key Indicators, Major Development Challenges, Our Region, the Private Sector
- Making the Most of Cambodia’s Natural Resources—Forests, Fisheries and Minerals
- Making the Most of Cambodia’s Natural Resources—Land, Property, Real Estate, Productive Land Use and Development
- Making the Most of Cambodia’s Human Resources
- Cambodia 2008 and Beyond: Public-Private Partnerships as Drivers of Quality Development, Growth and Prosperity.

The programme, presentations and other conference materials are now available on CDRI’s web site at www.cdri.org.kh.

On 29 February, CDRI held its full annual board of directors meeting, welcoming the new staff-elected member, Chan Sophal, CDRI’s senior research manager, and endorsing board membership of Ambassador Borje Ljunggren, PhD, from the Asia Department of the Swedish Ministry for Foreign Affairs, who has had a distinguished international career in development and diplomacy, most recently as Sweden’s ambassador to China. The board reviewed CDRI’s performance in 2007 and endorsed a process and timetable for the mid-term review of CDRI’s 2006-10 Strategic

Plan, to focus on institutional strengthening, including improved research quality and management, human resource management systems and salary policy, Cambodian middle management capacity development and a policy research strategy for Cambodia’s longer term development.

Following a successful performance assessment conducted by the chair of CDRI’s board, Dr Hang Chuon Naron, the board extended the appointment of the CDRI executive director, Larry Strange, until the end of 2010.

Research

During early 2008, many projects that began in late 2007 reached the fieldwork stage. At the same time, CDRI started many new projects, some of them carried out by one unit alone and others implemented as cross-unit projects. The Democratic Governance and Public Sector Reform (DGPSR) unit conducted jointly with Natural Resource and Environment (NRE) unit a fieldwork pilot in January in Kratie and started fieldwork for both the studies on Leadership of Local Politics and on Governance of Common Resources: The Case of Water. The DGPSR has finalised two working papers from the accountability study of provincial governance, while a third paper is awaiting peer review. It has also provided presentations in public forums such as Women Leaders Taking Steps Forward, hosted by the Committee to Promote Women in Politics in early March, and to Senate and National Assembly committee briefings. Two research associates joined the team during the period: Mr Ou Sivhuoch, a graduate from Waseda University, and Ms Chea Chou, a graduate from Michigan State University.

The Economy, Trade and Regional Cooperation unit presented a draft report on labour migration institutions, the

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