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Youth Situation Analysis in Cambodia: Challenges, Perceptions and Opportunities for Youth

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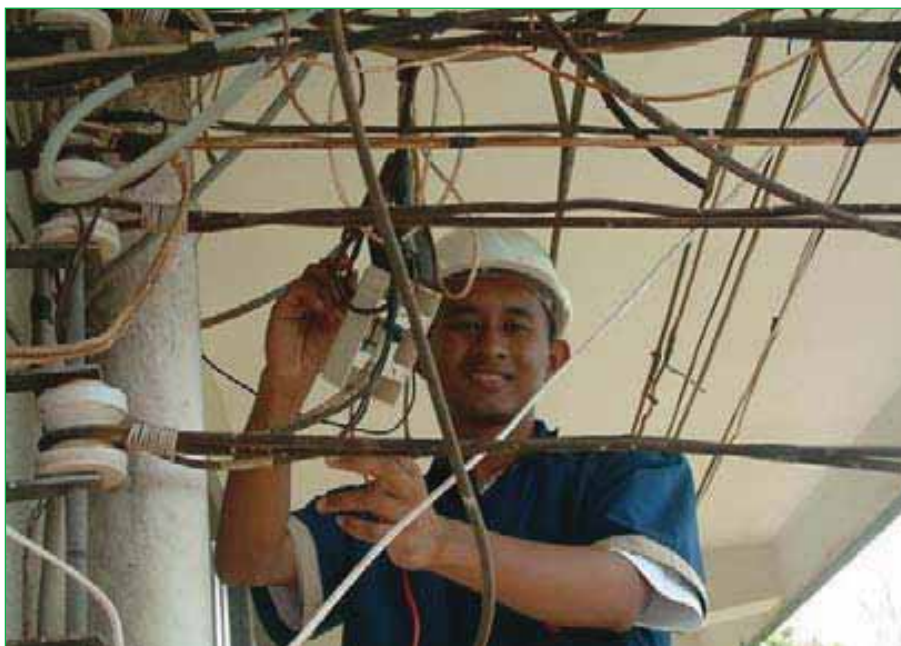
Introduction

Cambodia has the youngest population in south-east Asia, people of 10–24 years making up 36 percent of the population. Unlike many countries in the region, Cambodia has not yet reaped the demographic bonus of a large working population and small dependent populations of elderly and children. Despite recent rapid economic growth, young people will face increasing competition for employment and other economic opportunities, resulting in continued pressure on public services and resources in education and health.

The issues confronting Cambodian youth today are deeply interrelated. For example, youth employment is inextricably linked to education and skills training. Youth from better off households tend to have access to better quality schooling and health care than children of poor households. Such patterns tend to be self-perpetuating in the absence of policies designed to break the intergenerational transmission of poverty.

There is a need for a comprehensive multi-sectoral national youth policy to guide long-term strategic planning that will target investments in education and vocational training and health care and awareness.

The Youth Situation Analysis aims to inform policy makers and partners in the development of a national



A young student from Don Bosco vocational training school working as an electrician in Preah Sihanouk province.

youth policy and of sectoral policies and programmes that serve young Cambodians. The analysis identifies human, financial and organisational barriers to the fulfilment of young people's rights, with special focus on the most vulnerable and excluded. It also defines and distinguishes between different groups and the challenges they face. The analysis drew upon data from the Cambodia Socio-Economic Survey 2004 and other secondary materials. Researchers also conducted focus group discussions with youth and parents and

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interviewed key informants from a small sample in six purposively selected villages in Phnom Penh and five provinces to provide qualitative texture to the statistical analysis and desk exercise.

Youth's Position in Economic and Social Context

The challenges and opportunities that young men and women in Cambodia face must be understood in terms of rapid economic growth characterised by modest reductions in poverty and increasing inequality. Economic development has also brought significant demographic shifts, as the population is increasingly young and highly mobile. The discussions below provide empirical analysis of youth-related issues with reference to socio-economic development trends.

Employment

The single most important issue confronting young Cambodian men and women is employment. The labour force is growing by as many as 300,000 per year, a figure that may increase to 400,000 in the near future. Most new employment is in the garment, tourism and construction industries. These sectors are not growing fast enough to absorb so many labour market entrants. As a result, the government's Rectangular Strategy, as outlined in the *National Strategic Development Plan 2006–2010*, outlines steps to develop agriculture as a "third engine" of growth, after garments and tourism, to generate both on-farm and off-farm employment. However, on-farm employment is constrained by insecure land tenure, lack of affordable credit, fragmented inputs and services, a lack of infrastructure and poorly functioning markets. Off-farm employment seems to have great potential, but more efforts are needed to stimulate SME and agribusiness investment.

In addition to investing in specific sectors to absorb the growing labour force, it is also important to prepare young men and women with the skills needed in non-traditional jobs, which increasingly characterise Cambodia's labour market. Because the economy is changing in a context of regional and global competition, young workers need the right kind of education, skills and capacity to compete in a regionally integrated economy. Current vocational training is not sufficient to meet the increasing demand for services and manufacturing. For example, as agriculture intensifies and diversifies, there

will be a greater reliance on machinery and transport, which will require skilled mechanics for maintenance and repair. These opportunities should be matched with affordable credit to support SME start-ups.

Comprehensive long-term assessment of the likely trajectory and composition of Cambodia's growth and development through 2025 and beyond, including geographical distribution, and of the likely employment requirements, would enable planners and policy makers, in consultation and collaboration with development partners and the private sector, to begin discussing what kind of public and private investments are needed in education and vocational training. This requires policies and planning that match education and vocational training programmes with the needs of the economy and society as it evolves.

Education

There is widespread agreement that education promotes economic growth through increased productivity, the acquisition of new skills and attitudes and the accumulation of knowledge. The role of education in reducing poverty and income inequality is also strongly established. Illiteracy is one of the strongest predictors of poverty, while unequal access to education is a correlate of income inequality (World Bank 2006).

Research also shows that investments in girls' education have some of the highest returns of any development investment. With even a few years of formal education, women are more likely to plan their families and have fewer children, seek pre- and post-natal care, provide their children with better nutrition, ensure they are immunised and procure appropriate medical care for them.

The Education Strategic Plan (2006–10) outlines the government's efforts to achieve the millennium development goal of access to nine years of basic education for all young people. There has been significant progress in the number of primary and lower secondary schools, enrolment levels in lower secondary education and adult literacy (ages 15–24). A key indicator is that national expenditure on education has steadily increased since 2000. Funds have been primarily allocated to primary and lower secondary education for schools, materials and training of teachers. Priority Action Plans have also encouraged greater participation of girls and disadvantaged youth in education.

The challenges and opportunities that young men and women face must be understood in terms of rapid economic growth characterised by modest reductions in poverty and increasing inequality.

The ratio of primary to secondary schools climbed to 7.6 in 2005. By 2004, only 14 districts were still without a lower secondary school, while 45 districts lacked an upper secondary school. One of the key indicators of education access is distance to school. This varies considerably according to sector and income quintile. For the poorest families, the average is 7.66 km, while for the top quintile it is 3.09 km, implying time and transportation costs for the poorest families. School infrastructure has also improved. Parents perceive that there are better sanitation facilities and improved quality of classroom materials. Community perceptions also suggest improvements in access, including the availability of schools, free registration and a pro-poor education policy.

Despite these achievements, quality, efficiency and coverage vary across regions. Access to education at all levels continues to be inferior in rural and remote areas, where many of Cambodia's poor and very poor reside. Costs, including informal fees, are still a barrier, and vulnerable youth groups tend to be over-aged or late school entrants. Young men and women from the lowest two quintiles face considerable challenges with regard to secondary education. Although increases in secondary enrolment are evident for disadvantaged gender, location and socio-economic groups, the gaps have increased between urban and rural and the poorest and richest quintiles. Retention is a serious concern since the survival rate is what counts in the long run. The poor are at the greatest risk of dropping out due to a variety of community and individual factors. As a result, overall educational attainment remains low, and it will be difficult to achieve universal basic education by 2015. High rates of illiteracy are still evident in the 15–24 age group, especially among girls.

There are additional challenges. How can the education system impart the values needed to build and participate in modern democratic societies and ensure good governance? How can government planners and others concerned ensure that the quantity and quality of education are linked to and relevant to the labour market? The curriculum needs a review and reformulation to include more science and mathematics that promote problem-solving skills that can help workers to make decisions and work together in teams, as well as more practical courses that build or strengthen agricultural and vocational skills.

Measures to increase the participation of the poor and girls include focusing resources on schools in poor rural communities; targeting subsidies for school attendance

for the very poor and girls; community participation in school decisions; subsidies and incentives for secondary and tertiary education; adapting curricula to local needs; and media and public information campaigns on the inclusion of girls, the disabled and vulnerable young people. Vocational training for out-of-school youth can be most cost effective by improved targeting and ensuring that programmes are complemented with other services and tailored to local labour markets. Such programmes can be more effective when they include on-the-job training and employee sponsorship, as well as access to affordable credit to help young entrepreneurs in SME start-ups.

Non-formal programmes that impart literacy and other basic skills to adults and out-of-school youth can improve family income generation and have strong positive impacts on health. A widely reported outcome among adult learners is a sense of empowerment and an ability to act with a greater sense of confidence in public arenas and to catch up with modern development.

Health

The sweeping social and cultural transformations accompanying Cambodia's rapid economic growth have shaped young people's exposure to and capacity to deal with risk situations. The migration of young people without families for employment and education contributes to reproductive health risks and increased risk-taking behaviours associated with STDs, drug abuse and gender-based violence. However, sexual and reproductive health issues such as unplanned pregnancies and abortion cannot be attributed solely to migration, nor are they only an urban phenomenon. Access to information and communication technology is changing attitudes and introducing new lifestyle possibilities throughout the country.

Some of the most serious health risks involve tobacco use, substance abuse (alcohol, drugs) and HIV/AIDS. According to 2004 data, 7.3 percent of youth aged 15–24 are current smokers. This appears to be primarily a male behaviour, 13.6 percent of males being smokers, but only 0.8 percent of females. Out-of-school youth (9.2 percent) are much more likely to smoke than those in school (0.6 percent). In the 11–18 age group, 14.2 percent have consumed alcohol: 20.9 percent of males and 7.4 percent of females. A higher percentage (15.9) of out-of-school youth has consumed alcohol than those in school (12.1 percent). A worrying indicator is that many youth say they first consumed alcohol as early as 12 years of age. Young people report that they start to drink early due partly

to peer pressure and/or new lifestyle behaviours modelled by adults.

The production, sale and use of drugs are becoming increasingly complex. Although there is some evidence that the number of illicit drug users may be declining, drug use is no longer a purely urban phenomenon but has spread to rural and even remote areas. Most drug users are unemployed, sex workers and workers in labour-intensive industries, including construction, garments and truck/taxi driving, as well as street children. More than 80 percent of known drug users are younger than 26. However, this is a very difficult group to identify, and the number of users is difficult to count accurately.

Cambodia has achieved important success in HIV/AIDS prevention. The prevalence among the 15–49 age group declined from 3.0 percent in 1997 to 1.0 percent in 2003. Those at highest risk of contracting HIV are female sex workers, men who have sex with men and intravenous drug users, many of whom are young people. Estimates in 2006 suggest that HIV/AIDS prevalence among female sex workers attending antenatal centres was 12.6 percent, down from 21.4 percent in 2003. Some 7.2 percent of this more recent estimate consists of persons younger than 25 years. There is some indication that these high rates of infection may be spilling over into other demographic groups. For example, among pregnant women aged 15–24 years, the figure was 0.41 percent in 2006, compared to 0.36 percent in 2003. As many as 43 percent of new infections are now occurring in married women aged 15–49 years, most of whom are infected by their husbands.

Knowledge and awareness of HIV/AIDS are also high. According to the 2004 Cambodian Socio-Economic Survey, about 90 percent have heard about it. Knowledge among 15–24 year olds is also high, 88–98 percent across the country. The 2005 Cambodian Demographic and Health Survey found that 98.3 percent of men and 98.7 percent of women in the 15–24 age group had heard of HIV/AIDS, while the 2006 RHIYA data suggest 100 percent. About 72.4 percent of young males and females are aware of at least one method to avoid contracting AIDS. TV is the most popular source of information, and other sources include radio, friends and school (27.7 percent). Further sources include newspapers or magazines, leaflets, posters, health workers, monks, community meetings, parents, partners, peer educators and neighbours. Other research, however, suggests that upland ethnic groups in remote rural or mountainous regions are less aware than other ethnic groups of the same age.

Knowledge of modern contraception (at least one method) is almost universal, about 99 percent among people between the ages of 15 and 49. However, use among females aged 15–19 years and 20–24 years is 2.5 and 2.4 percent, respectively, for modern methods, while 1.4 percent of the 15–19 age group and 13.4 percent of the 20–24 cohort use traditional methods. Exposing young women to discussions of sexuality appears to be increasingly accepted by parents and others. This makes discussions of reproductive health more open and should help to promote sexual and reproductive health, family planning and safe abortion.

Health knowledge and indicators show strong improvement. However, these promising trends do not appear to apply to marginalised groups, street youth or other disadvantaged youth. It appears that those most at risk are young rural males who are out of school and presumably not working. This suggests a need for better targeting of marginal and at-risk groups, with some attention to geographic location. Government and non-government organisations need to continue to develop advocacy, awareness raising and health education programmes for youth, households and communities. Local authorities, community-based organisations, pagodas, schools and social service providers (medical practitioners) all have important roles to play. Knowledge and awareness of prohibited drugs are quite high.

Vulnerability

A broad definition of vulnerability can be derived from the government's policy statement on alternative care for children (MoSVY 2006). Children exposed to vulnerability have been categorised into those in special need of protection and children at risk. Children in special need of protection include orphans, abandoned children, children infected with or affected by HIV/AIDS, abused children (sexually, physically, emotionally), street children, children in conflict with the law, child victims of exploitation (sexual or any form of harmful labour), children with disabilities, children addicted to drugs and children whose basic physical needs are not being met.

Vulnerability can be a function of poverty and social exclusion, physical and mental health or violence and abuse. Vulnerability can also be considered as a function of migration, in which children of poor households are increasingly exposed to homelessness, violence and abuse.

Poverty and social exclusion

Young people living in poor households are one of the most vulnerable groups in Cambodian society. They

constitute 26 percent of the country's total population, of which about 35 percent live below the poverty line. Because their livelihood is mostly dependent on rain-fed agriculture, these youth often experience food insecurity. They tend to receive less education and have little or no access to vocational training. They live in households that are routinely in debt and have high dependency ratios. These households have dwindling land resources and poor employment prospects. Social exclusion, including because of disabilities, ethnicity and remoteness, exacerbates vulnerability and poverty.

Physical and mental health

Street children are among the most vulnerable groups in Cambodia. They are vulnerable to a wide range of physical and mental health problems, lack of access to basic needs and a multitude of dangers (sexual exploitation, violence, substance abuse). The number of children living on the streets may be increasing by as much as 20 percent each year due to rural-urban migration. Some 10,000–20,000 young people may be working on the streets, half of whom are female.

Loss of parents impacts on household income and education. According to the 2005 Cambodian Demographic and Health Survey, 9 percent of children under 18 have lost one or both parents. The growing number of HIV/AIDS orphans is alarming, about 55,000, or 10.9 percent of all orphans, as of 2001. It has been estimated that by 2005, 20.7 percent of orphans in Cambodia would have lost parents due to AIDS-related illnesses.

Violence and abuse

Young people may be experiencing more violence and abuse than any other group in Cambodia. Poverty, mental illness, alcoholism and gambling are all associated with domestic violence, which has either direct or indirect effects on young people. Young people exposed to violence in the home live with fear, are subject to depression, are prone to misbehave, lose concentration at school and drop out or run away from home. Domestic violence is a contributing factor to household downward mobility due to property damage and the costs associated with injury and productivity losses.

Crime and rape are another aspect of vulnerability. Technology is having a role; for example, access to pornographic films and the internet seems to play a role in some cases of sexual crimes.

Migration

Young men and women leaving rural communities for urban employment are exposed to a wide range of problems, including alcohol and drug abuse, gang violence, crime and rape. Some adopt behaviours that expose them to the risk of HIV/AIDS and other STDs. Young people who migrate across borders are even more vulnerable to being cheated and are subject to arrest and work in jobs that entail health risks with no consequent health care (e.g. spraying insecticide in Thailand). Some are exposed to drug use to induce long hours of work, while some women are subject to sexual exploitation and forced prostitution.

Participation and Rights

When vulnerability is high among young men and women, their prospects for civic participation are low. Education is key to future participation in economic, social and civic affairs. Among poor, very poor and vulnerable youth, however, education represents a trade-off with household economic activities. In many respects, poverty is one of the most important barriers to youth participation.

In rural Cambodia, youth voices are not well incorporated into local development planning. Youth often feel ignored in the early stages of planning, but are expected to contribute labour to development projects. Youth are rarely called to participate in village meetings because elders believe that youth have less experience in decision making. At the same time, many youth indicate that they are not interested in participating because it is the duty of village leaders and elders to make such decisions. In either case, many youth appear not to have much sense of ownership of development planning.

Most local community development decisions concern infrastructure such as schools, roads, canals and irrigation. Little attention has been focused on social aspects of youth development. There is a need to mainstream youth's participation in local development planning. This should be a key feature of a national youth policy.

Youth volunteering is a key component of social capital formation and the strengthening of reciprocity. However, many youth tend to equate volunteering with unpaid work. There is some indication that volunteering can work when there is appropriate support from NGOs and community institutions. When opportunities to volunteer are coupled with vocational or skill development, youth will have better prospects for employment as well as increased civic engagement.

There is also a widespread lack of community

services for youth. Parents and village leaders often view team sports and similar activities as a waste of time and not a good use of scarce resources. Elders and community leaders need to understand and value greater youth participation in social and civic affairs.

Mapping Exercise

The national mapping exercise regarding NGO and IO work in health and education suggests that there may be significant gaps in geographical coverage. Peripheral provinces, including Stung Treng, Oddar Meanchey, Mondolkiri, Ratanakkiri, Preah Sihanouk, Svay Rieng, Preah Vihear and Pursat, receive fewer project interventions than provinces in the central plains and the Mekong and Tonle Sap basin. Despite the recent expansion of transport and communication networks, more distant and remote areas continue to lag behind in health and education services.

One reason for this is that NGOs and IOs may prefer to concentrate their efforts in more accessible areas since it is more efficient on a per unit cost basis to serve densely populated areas. This probably also accounts for government not locating health posts and school facilities in remote areas where population is scattered. However, if the objective is to reduce poverty among youth, then more interventions will have to occur in these regions, where young people are frequently vulnerable, particularly in relation to employment, education and health.

There may be a time lag between infrastructure development and interventions. Once road access is improved to an area, for example, it then takes time to plan a particular intervention and mobilise resources. This suggests a need for more forward-looking interventions that anticipate improved access. This in turn implies better information and coordination of administration. Government may need to take a more pro-active role in encouraging NGOs and IOs to intervene in poorly served areas.

NGOs, IOs and government agencies each have advantages in comparison with one another. For example, NGOs generally have an advantage in flexibility to target hard-to-reach groups, while IOs may have an advantage in resources and technical capacity. Government often has an advantage in scope of information and coverage, access to information and institutional mandates for action. Each actor needs to coordinate and consult with the others in order to provide complementary inputs and services for youth.

This is especially important in poverty reduction because these areas tend to have higher poverty rates than

areas with abundant interventions. Moreover, spending on health subsidies appears to have an important impact on poverty reduction. Education support from NGOs and IOs tends to focus more on primary than on secondary education. At this point, this seems appropriate because there is a need to ensure that more students enrol in and complete primary education, which in turn will stimulate demand for lower secondary education.

Other areas of intervention that appear to be in place include civic engagement and citizenship, democracy, human rights, advocacy and combating child and sexual exploitation. Child rights and juvenile delinquency, domestic violence and gender-based violence appear to be well covered in the central Mekong and Tonle Sap areas, while border areas are less well served. However, Kompong Speu is included in the less well-served area.

Due to time and resource constraints, the mapping was able only to assess the number of provincial interventions. It does not include the scope or scale of outreach or in any way reflect depth of impact. For example, a project serving 50 youth in two communes and a programme serving 500 youth in 20 communes both count as one intervention. A more detailed and comprehensive mapping exercise would identify district or commune interventions.

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Building Community Capacity for Poverty Reduction Initiatives in the Tonle Sap Basin—A Glimpse from a Baseline Survey

by Koy Ra and Em Sorany¹

1. Introduction

CDRI has engaged in two significant studies on poverty in Cambodia. In 2007, the institute completed a poverty assessment in 24 villages of six provinces around the Tonle Sap Basin (Ballard 2007) and CDRI's *Moving Out of Poverty Study* (MOPS) undertook an in-depth study of nine villages in all four of Cambodia's rural agro-ecological regions—Tonle Sap plains, Mekong plains, plateau/mountain region and the coast (Fitzgerald & So 2007). Both studies provided indications of the determinants of and contributing factors to poverty status and suggested policy implications for poverty reduction.

CDRI in January completed another study that explored factors that can build community capacity for poverty reduction initiatives in the Tonle Sap Basin. This study looked at the determinants of poverty associated with the knowledge and capacity of communities in 11 villages of five provinces around the Tonle Sap. The research methods employed were (1) social wealth ranking, (2) focus group discussions of livelihood activities and community assets and (3) questionnaires on household livelihoods, household income and expenditure, household assets, shocks and agricultural land. The study aimed to map the knowledge and livelihood activities and the poverty status of the villages. Furthermore, the study sought to identify the knowledge needed to improve households' livelihood practices.

The study was funded by the Japan Fund for Poverty Reduction and administered by the Asian

Development Bank. The study covered 638 poor and very poor households from among 1590 households in eight villages under two ADB projects: the Tonle Sap Environmental Management Project (TSEMP) and the Tonle Sap Sustainable Livelihoods Project (TSSLP).² The TSEMP was concluded in December 2008 and the TSSLP will finish in June 2010. This study will thus also serve as a baseline on improvements in local livelihoods and poverty resulting from these two projects. The survey also covered three villages not under the TSEMP and TSSLP as controls. This article provides the preliminary findings from the study.

2. Poverty Determinants in Study Villages

Jalilian (2008), citing Weiss and Khan (2006), argues that poverty determinants are based on three broad categories:

- Personal factors: These include low skills, poor literacy, large family size, lack of assets and possibly ethnicity and gender.
- Locational factors: These include poor access to physical and social infrastructure such as roads, utilities, health and education.
- Structural factors: These include poorly developed market information, finance and credit.

Preliminary findings, particularly from focus group discussions, indicate some determinants of poverty among the study households. These include housing condition, agricultural land, transportation, source of agricultural power, sources of energy, access to cash or credit and sources of income. Lack of assets and poor access to credit for livelihood activities, for example, are major contributors to households falling into poverty. While the rich households may own 2–15 ha of agricultural land, the very poor ones own less than 1 ha. In addition, the poor and very poor households are not able to access credit for productive purposes but may obtain small loans for coping with shocks. Unstable income sources such as selling labour in inland villages and small-scale fishing using traditional gear in floating villages also push households into poverty.

3. Poverty Status in Study Villages

Wealth ranking revealed the poverty status in each village. It was found that in the 11 study villages, poor and very poor households were 32 and 20 percent, respectively, of the total.

¹ Koy Ra is a NRE research fellow and Em Sorany is development knowledge manager at CDRI. The full report of the baseline survey will be available in March 2009.

² More information on TSEMP and TSSLP is available at http://www.adb.org/Projects/Tonle_Sap/livelihoods.asp, accessed on 15 January 2009.

It should be noted, however, that the samples of the poor and very poor in each village differed from their actual numbers (Table 1). The study tried to interview all poor and very poor families, but because the data collection coincided with a busy time for villagers or because some had migrated temporarily to the Cambodian-Thai border, some of the target respondents could not be met.

Bangkoul and Ta Daok ranked first and second in numbers of the poor and very poor, with 96 and 94 percent of families falling into those categories. Tnaot Kambot and Daun Tro, which are located in Siem Reap province, had the fewest poor and very poor families, 24 percent.

Prior to the survey, a number of poor and very poor families had migrated to the border or to Thailand. Prek Krouch in Battambang province and Srei Ronget in Kompong Thom had the highest migration of the poor and very poor families at 38 and 33 percent, respectively.

There are at least three main reasons that people migrate: (i) low productivity of agriculture due to natural calamities such as drought and floods, (ii) destruction of crops by insects or animals and (iii) the presence of a village network that facilitates migration.

Most of the households migrating to the border are involved in agricultural activities such as harvesting, while those who migrate to Thailand are engaged in construction work and fruit collection.

It was reported that those who migrate to Thailand as construction workers can earn 20,000 riels (200 baht) per day for men and 16,000 riels for women. Those migrating to Thailand as fruit collectors, on the other hand, get almost the same wage as those who harvest rice, potatoes, corn and beans along the border,

12,000 riels per day. However, migrants have to pay all the expenses that such migration entails.

4. Knowledge, Skills and Capacity in Study Villages

The education of respondents is also useful in explaining the capacity to attain and use livelihood knowledge and skills. Preliminary findings indicate that fewer than 2 percent completed high school (12 grades). And, while 53 percent completed primary school (six grades), 35 percent had never attended school. This suggests that education among the respondents is low. These respondents are household heads and thus will never have a chance to attend school again.

Em (2008) reviews definitions of knowledge and suggests that—in the context of this study—knowledge is useful information for action or livelihood activities. Skills, on the other hand, enable use of knowledge for producing certain output, while capacity creates the ability to produce a different quality and quantity of output. This implies that a knowledgeable person is not always able to produce a determined output but that a skilful and capable person can make things different. Knowledge and skills can usually be ascertained through occupations and sources of income, while capacity can be judged by the ability to cope with problems arising from livelihood activities.

Preliminary findings reveal that villagers around the Tonle Sap make a living from five main occupations and have 16 sources of earnings. These occupations are fishing, livestock raising, growing cash crops, growing rice and selling labour. The 16 sources of income are fishing, selling labour for rice production, growing cash crops, self-employment, rice production, selling labour for construction, selling labour for other non-agricultural work, employment in NGOs, government

Table 1: Total of Poor and Very Poor in Each Village

Village	Total families in the village	Total of poor and very poor families in the village		Total of poor and very poor families absent during survey		Total of poor and very poor families present during survey	Poor and very poor families interviewed	
		No.	Percent	No.	Percent		No.	Percent
Krapeu Pul	107	80	75	25	31	55	54	98
Ta Daok	105	99	94	0	0	99	81	82
Russey Ta Man	214	93	43	0	0	93	80	86
Bangkoul	69	66	96	0	0	66	56	85
Phsar Leu	91	54	59	10	19	44	44	100
Prek Krouch	243	78	72	30	38	48	48	100
Daun Tro	169	40	24	4	10	36	36	100
Phum Bei	107	61	57	7	11	54	54	100
Tnaot Kambot	194	46	24	7	15	39	39	100
Peam Bang	119	76	64	10	13	66	66	100
Srei Ronget	172	119	69	39	33	80	80	100
Total	1590	812	56	132	16	680	638	94

Source: CDRI survey, January 2009

or companies, selling labour in fishing lots, migration work, vegetable and fruit production, raising livestock, dependency, working in garment factories, work in local business and collecting forest products. The occupations or livelihoods are not necessarily sources of earnings alone but may also be sources of the household's food supply. For example, rice production could be a source of income if it provides enough for sale as well as a source of household food supply. These livelihoods and sources of earnings indicate the existence of relevant knowledge and skills.

Hence, improving income sources or food production means enhancing existing knowledge and skills and/or the delivery of appropriate new knowledge and skills. This further signifies that farmers will eventually build the capacity by themselves to improve output. However, enhancing livelihood activities does not end with improving and delivering knowledge and skills. It is important as well to make natural resource management sustainable through other projects and pro-poor policies.

5. Factors Affecting Poverty Status in Study Villages

Additional factors may be involved in alleviating poverty. To improve agricultural productivity, Em (2008), citing Swanson (1985), confirms that each farming household may have a number of supports, including research, extension services, government policy and planning, education, credit, agricultural input and market information. These supports are direct and indirect contributors to poverty reduction.

The MOPS found that village poverty is high among those who rely on common property resources. The baseline study documented the common resources in each village. Community assets include common property resources and five other areas: natural, social, human, physical and economic assets.

- Natural assets comprise agricultural land, forest or flooded forest and water resources. Half of the study villages are in flood areas. People in some of these villages may not have the right to own agricultural land, although they can produce crops during the dry season. Their fishing depends on common fishing areas and flooded forest. Poverty in these villages tends to be higher than in inland villages. In addition to having access to common fishing areas in the Tonle Sap, inland villagers can own agricultural land and have other income sources such as selling labour and collecting non-timber products. However, conflicts over fishing lots, conservation regulations and the fisheries law

are barriers to fishing areas.

- Social assets are the relationships among villagers and outsiders who may support community development, general participation in community development, the health of the village population and development projects. In the study villages, such relationships were observed in the exchange of labour for agricultural activities or housing construction. However, labour exchange is gradually being replaced by hired labour in both floating and inland villages. Development projects, especially credit agencies, also significantly support livelihood activities, even though disadvantaged groups cannot access these services due to the need for collateral. Private moneylenders and agricultural input suppliers provide loans on the basis of trust and the trader-client relationship: villagers can buy agricultural inputs on credit and are expected to sell the harvest to the supplier. This is also true of fishing gear in floating villages.
- Human assets are affected by training, formal education and access to health care and other local services. Generally, literacy is low in disadvantaged groups due to unstable incomes and insufficient school infrastructure. Children in floating villages were found often to drop out of school at grade 6. Beyond primary education, the floating villages do not have schools. Children in inland villages can attend secondary school in other villages if one does not exist in their village; in many cases, however, they drop out at grade 9. The focus groups also noted insufficient medical facilities. For example, some poor villagers still give birth with the help of a traditional midwife; if there is a complication, it can be beyond the capacity of the village or nearby health centre.
- Physical assets in this study include draught animals and infrastructure such as religious places, roads, markets, water supply and transportation. The pagoda is a common resource in both floating and inland villages. In the floating villages a pagoda frequently serves as a shelter during high floods in addition to being a place for ceremonies, meetings and primary school education. Road access was found to have improved in most inland villages. However, access to some floating villages continues to be difficult due to the ban on boating near the boundaries of fishing lots and fish traps in canals, streams and rivers of other fishing lots. For example, gaining access to Peam Bang village through Stung Stoung means going through about 10 fishing lots

with fish traps; access from Phsar Krakor across the Tonle Sap Lake in small boats can be dangerous due to high tides and waves.

- Economic assets in this study are those that villagers can easily convert into cash. These include cattle, poultry, vehicles, jewellery, agricultural land and housing land. Credit agencies and private moneylenders or traders are other important sources of funds in emergencies. The focus groups revealed that most people in inland villages rely on cattle, agricultural land, vehicles and, to some extent, housing lots for urgent cash, while in floating villages they rely on fish stocks, boats and boat motors. Credit agencies extended less support to floating villages than to inland villages due to the lack of variety in collateral. Private moneylenders and traders can provide cash advances, but in return the villagers have to sell their catch at a lower price.

The availability or shortage of community assets directly and indirectly impacts on poverty around the Tonle Sap. Some assets can be improved through the provision of knowledge and capacity, while others can be made more accessible and available for specific geographic areas, characteristics or needs. The TSSLP provides capacity building and infrastructure improvement to communities. Hence, information on village assets from the baseline survey can contribute to poverty reduction approaches.

6. Implications for Further Analysis

The preliminary findings suggest that, besides limited access to basic health care and education, lack of agricultural land and limited access to fish-abundant areas, cash and credit mainly trap households in poverty. Poor knowledge and capacity to cope with challenges such as drought and pests also result in losses of farm production, food shortages and indebtedness in times of shocks.

Agricultural production remains pivotal for households' income and daily consumption. Road access to markets and villages has significantly improved, but access to floating villages still has challenges. Mobile phones provide nationwide coverage, including to floating villages. This means that information on supply and demand, farming inputs and markets is relatively accessible. In this situation, what interventions can help the poor to benefit? What is the implication for extension services and training of rural communities in poverty reduction initiatives? The answers to these questions will be sought from the

full report in March 2009.

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Child Poverty and Disparities in Cambodia

by Neath Net, Han Phoumin and Ker Bopha

1. Introduction

Poverty assessments have been conducted in Cambodia since 1993, but have not specifically targeted child poverty. Recently, CDRI conducted a desk study on child poverty and disparities in Cambodia using secondary and administrative data from relevant documents. This article is a brief summary of the study, which will be published soon.

Children facing poverty lack material resources such as food, shelter, clothing and necessary services. Such deprivation limits children's ability to achieve their full potential. At the macro level, the effects of poverty on children are often assumed to be the same as the effects of poverty on adults, since children are part of society. However, this view is only partly true because children are more susceptible to external shocks than are adults. This study aims to assess child poverty and construct its profile through three approaches proposed by the Global Study on Child Poverty and Disparity of UNICEF. It also briefly highlights policy implications that could be included in a future national strategy.

2. Conceptual Framework

UNICEF (2004) defines child poverty as children experiencing deprivation of the material, spiritual and emotional resources needed to survive, develop and thrive, leaving them unable to enjoy their rights, achieve their full potential or participate as full and equal members of society. Material resources are income, food, education, health services and protection from health risks such as those associated with hard physical work. Spiritual resources are stimuli, meaningfulness, expectations, role

models and peer relationships. Emotional resources are love, trust, acceptance, inclusion and lack of abusive situations. Measuring these, especially spiritual and emotional resources, is not possible since there are no data available in Cambodia.

This paper employs three approaches to analyse child poverty. The first views child poverty as part of the poverty of the nation because children are included in this broad concept. The second approach looks at child poverty as the poverty of the households that raise them, meaning that poverty among families without children is excluded. This approach focuses more on children and captures the income and labour drawbacks of the children's families as they seek a balance between work and family responsibilities. Both approaches view child poverty from a consumption standpoint. The third approach looks at child poverty through their well-being, particularly through five outcomes: children's nutrition, health, education, protection and social protection. This approach appears preferable since it addresses child poverty directly.

The indicators of poor child nutrition are wasting, stunting and being underweight; for child health are the under five mortality rate (U5MR), infant mortality rate (IMR) and proportions of immunisation, diarrhoea and fever; for child education are the net enrolment rate (NER) in primary school and secondary school and survival rate at primary school; for child protection are child labour, childbirth registration, number of orphans and early marriage; for social protection are the proportion of people covered by health insurance, social insurance or cash transfers or in-kind transfers from public authorities. Due to data limitations, child protection and social protection could not be examined in detail. Nevertheless, these are briefly described here.

3. Research Method

Secondary data provided the basis for the analysis. These data included the Cambodian Demographic and Health Survey (CDHS) 2005, Cambodia Socio-Economic Survey (CSES) 2004, Education Management Information System 2007–08, Cambodia Child Labour Survey 2001, Cambodia Inter-Censal Population Survey 2004 and administrative data from various reports and national documents, national programmes related to child health, education, nutrition, protection and social protection. A probit model and other regression techniques were used to determine factors that explain child poverty. Stata software was used to extract and analyse the data from the above data set.

1 Neath Net is a research associate of the Social Development Unit at CDRI. Han Phoumin is a former programme manager of the Human Security, Peace Building and Conflict Transformation unit at CDRI. Ker Bopha is a research consultant. This paper is based on a project on the same topic that was funded by UNICEF. CDRI would like to thank UNICEF for its financial support and constructive comments on this study.

4. Results

National Poverty

Cambodia's poverty declined from 39 percent in 1993 to 34.7 percent in 2004. Poverty in rural areas remained higher than in Phnom Penh and other urban areas. More than 39 percent of people in rural areas were poor, but only 5 percent in Phnom Penh. Rural areas having the highest poverty rates were the plateau/mountain zone and Tonle Sap zone, with 52 percent and 43 percent, respectively.² The national poverty gap index³ is 9 percent. The poverty severity index⁴ is 3.34 percent. Poverty incidences among ethnic groups differed. Lao and other local ethnic groups—Phnong and Kuoy—had the highest poverty incidence, 55.9 percent and 51.6 percent, respectively, followed by Khmers (34.6 percent) and Chams (29.0 percent), while Vietnamese (18.9 percent) and Chinese (8.9 percent) had the lowest. A similar trend was also found for the poverty gap and severe poverty.

Household Poverty and Its Determinants

Estimated from CSES 2004, the proportion of households below the poverty line⁵ with children less than 18 years old was 36.63 percent of the total. Of these poor households, 8723 were in Phnom Penh, 41,586 in other urban and 851,424 in rural areas. Most of these households were in the plains zone, followed by the plateau/mountain and Tonle Sap zones. In households with children less than 18 years old, the poverty gap index was 9.59 percent and poverty severity index 3.56 percent.

From these data, it was estimated that 2 million children less than 18 years old live in poverty and in households with five or six members, compared to 0.5 million children less than 18 years old living in poverty and in households with three or fewer members. The poverty headcount increases with the size of households: 35 percent of households with

five or six members were poor, and 47 percent of households with seven or more members were poor. By contrast, the poverty incidence among households with fewer than three members was only 9 percent. The poverty incidence, poverty gap and amount of severe poverty decrease along with the number of dependents. Households with fewer than three members had 9.3 percent, 1.9 percent and 0.6 percent, respectively, while households with more than seven members had 46.6 percent, 12.5 percent and 5.4 percent, respectively. A similar trend was also found with dependency. Households with 4 children aged 0–14 years old had 59.5 percent, 18 percent, and 7.2 percent, respectively, while households with 4 children aged 0–17 years old had 53.6 percent, 15.7 percent and 6.3 percent, respectively. It was estimated that in poor households throughout the country, 7000 children were disabled and more than 330,000 children were dependent on a single adult (CSES 2004).

The probit model regression analysis showed that additional factors were likely to affect child poverty. These are a child's age, a child's education, early marriage, hours of work, the household's education, per capita household expenditure on health, per capita expenditure on education, health subsidies, access to water, shelter and toilet facilities, ethnicity of children and community characteristics.

Children aged 0–2 years have a higher chance of being poor than older age groups. No sex effect was found. The risk of being poor is lower among those children who complete secondary education than among children who complete only primary education. Working children have a lower chance of being poor because their income improves household well-being, but this is not sustainable unless the working hours are kept optimal. Early married children have a higher chance of being poor than non-married children. Those children in households whose head has completed secondary education or higher have a lower chance of being poor than children whose household head did not complete secondary education. Rich families had significantly higher per capita household expenditure on child education and health care than poor families did. Health subsidies⁶ such as exemption from official user fees and health equity funds are found to be critical to reducing poverty. Other severe deprivations, ethnicity and community characteristics were statistically significantly related to child poverty, but water deprivation was not.

2 The plateau/mountain zone covers Kompong Speu, Pailin, Oddar Meanchey, Preah Vihear, Stung Treng, Ratanakiri, Mondolkiri and Kratie. The Tonle Sap zone covers Kompong Chhnang, Kompong Thom, Siem Reap, Banteay Meanchey and Battambang. The plains zone covers Phnom Penh, Kandal, Kompong Cham, Svay Rieng, Prey Veng and Takeo.

3 This measures how far households are below the poverty line, expressed as a percentage of the poverty line.

4 This measures those in severe poverty as a percentage of the total poor.

5 The poverty line was derived by calculating the costs of basic needs for food and non-food items based on cost of basics method.

6 Public expenditure on health per capita per annum.

The Well-Being of Children

Numerous national policies, plans and programmes explicitly or implicitly address the five child outcomes. The Cambodia Millennium Development Goals and National Strategic Development Plan 2006–10 are the overarching national response to aspects of the child outcomes, aside from social protection.

The draft National Nutrition Strategy, Cambodia Child Survival Strategy 2006 and its programmes, National Nutrition Programme and National Immunisation Programme, are the keys to child nutrition and health. Education Law, Child Friendly School Policy (2007), Education for All National Plan (2003–2015), Education Strategic Plan 2006–2010 and Education Sector Support Programme 2006–2010 directly address child education.

A range of laws, plans and programmes also protect children and indirectly affect their poverty status. These include the Law on Suppression of Human Trafficking and Sexual Exploitation (2008), Labour Law (1997), draft National Plan on Trafficking in Persons and Sexual Exploitation 2006–2010, National Plan of Action on the Worst Forms of Child Labour 2008–2012, National Plan of Action for Orphans, Children Affected by HIV and Other Vulnerable Children in Cambodia 2008–2010. The 2004 Law on Social Security Schemes is also relevant to social protection.

Nutrition

Regardless of sex, stunting, wasting and being underweight were frequently found in children aged 18–23 months. For the poorest children, the rate of stunting was 46.7 percent, of wasting 8.3 percent and of being underweight 42.9 percent. For the richest children these rates were 19.4, 6.7 and 32.1 percent. Among children born to mothers having no or less than secondary education, the rate of stunting was 45.8 percent and of being underweight 43.5 percent, while for children of mothers with secondary education or higher the rates were 22.2 percent and 25.1 percent. Mothers' body mass index was also related to child nutritional status, a BMI of less than 18.5 being associated with increased child stunting, wasting and underweight. In children living in rural areas, the rate of stunting was 30.5 percent, of wasting 8.3 percent and of being underweight 34.7 percent; for urban-based children, these were 30.5, 7.1 and 35.7 percent, respectively. Children in Pursat province had the worst nutritional status in the country, while those in Phnom Penh had the best.

Health

The under-five mortality rate and infant mortality rate were significantly different between boys and girls, but other indicators did not differ significantly by gender. U5MR and IMR were 127 and 101 per 1000 live births among the poorest children, while they were 43 and 34 per 1000 live births among the richest children. The rates of diarrhoea and acute respiratory infection were also significantly different between poor and rich children. U5MR and IMR were much lower in children whose mothers had completed secondary school than in those whose mothers' education was less, but the difference in rates of fever was not statistically significant. Rural children were more likely to have higher rates of respiratory infection, diarrhoea, fever and mortality. Ratanakkiri and Mondolkiri provinces (combined) had the highest U5MR (165 per 1000 live births) and IMR (122 per 1000 live births), while Phnom Penh had the lowest (52 per 1000 and 42 per 1000 respectively).

Education

Children's education varied with geographic location and wealth, but not with gender. The primary school net enrolment rate did not differ significantly between rural and urban areas, but it did between remote areas and urban or rural areas. The highest primary school NER (98.2 percent) was observed in Kandal, while the lowest (77 percent) was in Ratanakkiri. The highest NER (68.7 percent) in lower secondary school was noted in Phnom Penh, while the lowest (11.4 percent) was in Mondolkiri. The highest upper secondary NER (52.9 percent) was again in Phnom Penh, while the lowest (3.1 percent) was in Oddar Meanchey. The highest survival rate for grades 1–6 (75 percent) was in Takeo province, and the lowest (34.4 percent) in Koh Kong. There is a big disparity between rich and poor children in primary and secondary school enrolment rates.

Protection

There were many reasons for parents or guardians to allow their children to work. Only two of nine broad categories of reasons stood out: no suitable education or training programme (7.3 percent) and gaining experience (3.9 percent), while household poverty accounted for only 0.2 percent, and other reasons for 84.6 percent. The result was not very robust, or the main reasons were not captured or inferred appropriately (National Institute of Statistics & International Labour Organisation 2002).

According to the CDHS 2005, the overall median age for first marriage is relatively young, 20.1 years for women and 21.8 for men. In rural areas, the median age at first marriage is 20.0 for women and 21.5 for men; the figures in urban areas are 20.7 for females and 23.9 for males. The median age of first marriage for women in urban and rural areas has decreased over time, from 20.8 and 20.4 years for those now 45-49 years of age to 20.4 and 19.8 for those now aged 25-29. Nationwide, the median age of first marriage for women now aged 45-49 years was 20.4 compared to 20.1 for those now aged 25-29 years.

The National Institute of Public Health *et al.* (2006) showed that the percentage of children whose births are registered varies with age, wealth status of family and the location of residence. The proportion of registered births of children whose age is 2-4 years was 73.9 percent, while the proportion of children whose age is less than 2 years was only 55.7 percent. Children in urban areas had higher rates of birth registration than children in rural areas. Kandal had the highest child birth registration rate, while Pursat had the lowest. Children in the richest families had a higher rate of birth registration than children in the poorest families (76.5 percent vs 59.3 percent).

The Ministry of Social Affairs, Veterans and Youth Rehabilitation and the National AIDS Authority (2008) reports that there was little change in the proportion of orphans between 2000 and 2005 (7.6 percent vs 7.4 percent). Nevertheless, the number of orphans increased from 5751 in 2005 to 6616 in 2006 and 8664 in 2007. The National Institute of Public Health *et al.* (2006) found that Oddar Meanchey had the highest proportion of orphans (13.5 percent), followed by Battambang/Pailin and Siem Reap, while Kratie had the lowest proportion (6.5 percent). The proportion of orphans in rich families was 8.0 percent and in the poorest families 10.6 percent.

Social Protection

Cambodia adopted the Law on Social Security Schemes in 2004 with provisions for old age benefits, survivors' benefits, allowances and employment injury and occupational disease benefits. At present, only a few schemes such as exemption from official user fees, health equity funds, social health insurance and community-based health insurance are being implemented in some parts of the country.

Exemption from official user fees, which were introduced in 1996, is being implemented in 779 health centres, 69 referral hospitals, six national hospitals and

three central health institutions. Access to the schemes varied across income groups, and fees were still a major obstacle for the poor, although 1.3 million cases, 65,013 persons, were exempted from fees in 2007, 89 percent by health centres, 9 percent by referral hospitals and 1 percent by central institutions (Bureau of Health Economics and Financing 2008).

Health equity funds, a recent initiative funded by donors and the government to subsidise health care for the poor, who receive free or discounted treatment at public health facilities, are now decentralised to operational districts and implemented by the Ministry of Health and NGOs. The scheme also covers the costs of transport and meals during treatment (Bureau of Health Economics and Financing 2008). So far, the scheme covers 39 operational districts and six hospitals nationwide.

Community-based health insurance schemes based on risk pooling and pre-payment for health care are being implemented by international and local NGOs in nine operational districts with a total of 42,282 beneficiaries (Bureau of Health Economics and Financing 2008). They sell low-cost insurance covering a list of medical benefits.

5. Conclusion and Policy Implications

Household wealth (indicated by per capita expenditure of households on health and on child education), the household head's education, household size, children's ages, children's education, early marriage, the number of hours a child works, access to water, shelter and toilet, ethnicity, community characteristics, geographic location and health subsidies are determinants of child and household poverty.

Most poor children are living in large households in rural areas, particularly in the plateau/mountain and Tonle Sap zones. Ratanakiri, Mondoliri and Oddar Meanchey appear to be the disadvantaged provinces in education. Kompong Cham, Kandal, Takeo and Banteay Meanchey appear to have a high degree of child labour. The targets for child education and child labour are unlikely to be met.

Policy implications that emerge from this study are many. A summary of some of these follows.

Malnutrition occurs largely among children living in rural areas, particularly in Pursat, Mondoliri and Ratanakiri. It is essential that nutrition programmes put more effort toward children, particularly those aged 12-17 months since the signs of stunting, wasting and underweight begin with this age group. Mothers' education programmes on child and maternal nutrition should be conducted in support of those who live in

rural areas and have less than secondary education. The roles of fathers should also be considered in the National Nutrition Programme.

Health programmes should put more effort into children in rural areas, particularly Mondolkiri and Ratanakkiri provinces, where the U5MR and IMR were highest. Kompong Cham, Kompong Thom and Oddar Meanchey should be given priority as well, because the rates of fever, diarrhoea and acute respiratory infection were highest in these provinces. More effort should target children aged 6–11 months since the rates of acute respiratory infection, fever and diarrhoea are highest among these children. Mothers' education programmes on child health care should target those provinces. Community-based health programmes in rural areas, particularly in Ratanakkiri, Mondolkiri, Oddar Meanchey and Kompong Thom, should be promoted in order to increase the demand for child health care, especially given low household awareness and knowledge. Health workers and midwives need to be trained, distributed, remunerated and supervised.

Education programmes should concentrate more on lower and upper secondary schools since their dropout rate is high, and especially in remote areas since the NERs at all levels in remote areas are significantly lower than in urban and rural areas. Ratanakkiri, Mondolkiri, Oddar Meanchey and Koh Kong have the lowest NERs in the country. More qualified teachers should be recruited and deployed to remote areas, particularly the poorest communities. Special incentives should be given to qualified teachers who are willing to teach in remote areas. Pailin, Siem Reap, Ratanakkiri and Oddar Meanchey have the highest ratio of students to teachers.

Protection programmes should devote more effort to working boys aged 10–14 and 15–17 years, especially the latter since this group is in most demand by employers. Kompong Cham, Kandal, Takeo and Banteay Meanchey have the largest proportions of working children. Child rights advocacy and labour law enforcement should be directed at Phnom Penh since many working children there operate machines in bad environments and experience physical and mental abuse and low payment (National Institute of Statistics & International Labour Organisation 2002). Another child labour survey should be conducted; it is almost eight years since the first was done. Given data suggesting that early marriage of women is organised by the families, it is important that child rights should be advocated and addressed in protection programmes. The data also suggest that the main causes of orphanhood are the high male HIV rate, other diseases, injuries

and violence. Thus, public awareness about causes of injury and law enforcement against domestic violence should be extended to areas where the rates are high.

Health equity funds and community-based health insurance should be expanded nationwide; particular priority should be given to rural areas, where the child poverty rate is high.

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Economy Watch—External Environment

The section highlights the situation in a number of the world's leading developed economies and some east Asian developing economies during the third quarter of 2008.

World Economic Growth

During the third quarter of 2008, the USA's year-on-year real GDP grew by 0.5 percent, which marked a sharp downturn. The slump in real output growth was due primarily to negative contributions from personal consumption and expenditures (3.8 percent), residential fixed asset investment and equipment and software. A slowing economy was also evident in the euro zone as annual real output growth slid to a record low of 0.6 percent during the quarter. A weakening net export and investment spending were key impediments to growth. During the same quarter, year-on-year real output growth in Japan showed a record low of -0.5 percent, indicating a plunge into recession. The prime cause of the deepening slump was the slowdown in overseas demand, which resulted in the curtailed corporate investment and output.

Chinese real GDP growth continued to slow, to 9 percent for the year to the third quarter, the slowest expansion since the second quarter of 2003. A decline in exports, one of the main growth pillars, stemming from global financial turmoil and economic downturn, was the key factor behind the slowing. Total real output in South Korea rose by 3.8 percent from a year earlier, slowed by a contraction in manufacturing industries, namely cars, semiconductors and computers. The 12-month real GDP growth in Hong Kong and Taiwan slid sharply from 4.2 percent and 4.3 percent in the second quarter to 1.7 percent and -1.0 percent respectively in the third quarter. The change in Hong Kong resulted from a slackening net export and domestic demand, while that in Taiwan was caused by a decline in domestic demand and a sharp fall in exports.

During third quarter 2008, annual real GDP growth in Malaysia was moderate at 4.7 percent, lower than the 6.3 percent of the preceding quarter. This could be attributed to slower expansion in agriculture, mining and manufacturing. Singapore's real GDP growth during the previous 12 months contracted for the second consecutive quarter, to -0.6 percent. The downturn was exacerbated by negative growth in manufacturing (-11.4 percent) and slower growth in construction (12.8 percent, lower than the 19.8 percent of the previous

quarter). Real output growth in Thailand remained strong at 3.9 percent, but less than the 5.3 percent in the second quarter. Slower growth stemmed from sluggish production of crops, livestock, raw materials and capital goods such as motor vehicles and office machinery.

World Inflation and Exchange Rates

In the third quarter, US year-on-year overall consumer prices grew by 5.3 percent, a record high since 2003 despite a marked decline in energy prices since mid-July. Inflation in the euro zone remained high at 3.8 percent, higher than the 1.9 percent of the same quarter of the previous year. The increase was driven by a continued rise in food and service prices. Overall consumer prices in Japan jumped 2.2 percent in the 12 months, the highest rate in a decade. A doubled rise in the cost of private transport was the main cause of the hike.

In the third quarter the US dollar depreciated slightly against the Chinese yuan, to 6.8 CNY/USD, but appreciated against the Singapore dollar (4.4 percent) the euro (10.9 percent), South Korean won (18.5 percent) and Taiwanese dollar (2.5 percent). The US dollar was stable against Hong Kong dollar and Japanese yen.

Commodity Prices in World Markets

In the third quarter, the prices of a number of agricultural commodities in international markets indicated a bleak prospect for producers. The price of palm oil (north-west Europe) slumped by 12.7 percent and rice (Thai 100% B) by 21.6 percent from the second quarter, while maize (US No. 2) rose by 7.1 percent and soybeans (US No. 1) by 10.3 percent. Gasoline showed a slight rise to US 81.3 cents/litre, but the price of crude oil shrank by 1.8 percent to USD115.30/barrel and of diesel by 7.2 percent to 88.4 cents/litre.

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Economy Watch—External Environment

Table 1. Real GDP Growth of Selected Trading Partners, 2003–2008 (percentage increase over previous year)

	2003	2004	2005	2006	2007	2007 Q3	Q4	2008 Q1	Q2	Q3
Selected ASEAN countries										
Cambodia	7	7.7	13.4	10.6	10.2	8.1	13.6	-	-	-
Indonesia	4.9	5.1	5.6	5.4	6.3	6.5	6.5	6.3	6.4	6.1
Malaysia	5.4	7	5.2	5.9	6.3	6.7	7.3	7.1	6.3	4.7
Singapore	1.4	8.5	5.7	7.7	7.7	8.9	6.0	7.2	1.9	-0.6
Thailand	6.9	6	4.5	4.8	4.9	4.8	5.7	6.0	5.3	3.9
Vietnam	7	7.5	8.4	8.1	8.5	-	-	-	-	-
Selected other Asian countries										
China	9.9	9.5	9.6	10.5	11.9	11.4	11.2	10.6	10.1	9.0
Hong Kong	3.2	8.3	6.5	6.6	6.4	6.2	6.7	6.8	4.2	1.7
South Korea	3	4.7	4.7	5.0	4.9	5.2	5.7	5.7	4.8	3.8
Taiwan	3.1	5.7	4.1	4.6	5.2	6.9	6.4	6.4	4.3	-1.0
Selected industrial countries										
Euro-12	0.5	1.8	1.5	2.7	2.9	2.7	2.2	2.2	1.4	0.6
Japan	2.6	3.4	2.5	2.1	2.0	1.9	2.0	1.3	1.0	-0.5
United States	3.1	4.4	3.7	3.3	2.2	4.9	2.5	2.5	2.8	0.5

Sources: International Monetary Fund, *Economist* and countries' statistic offices
Table 2. Inflation Rate of Selected Trading Partners, 2003–2008 (percentage increase over previous year—period average)

	2003	2004	2005	2006	2007	2007 Q3	Q4	2008 Q1	Q2	Q3
Selected ASEAN countries										
Cambodia	1.2	4.0	5.8	4.7	10.5	6.0	9.6	16.5	24.9	21.7
Indonesia	8.3	8.3	10.5	13.4	6.4	6.5	6.7	7.6	10.1	11.9
Malaysia	1.1	1.6	3.1	3.7	2.0	1.8	2.2	2.6	4.8	8.4
Singapore	0.5	1.7	0.5	1.0	2.1	2.7	4.1	6.6	7.5	6.5
Thailand	1.8	2.7	4.5	4.7	2.2	1.7	2.9	5.0	7.7	7.2
Vietnam	3.1	7.8	8.2	7.7	8.3	8.6	10.7	16.4	24.4	29.0
Selected other Asian countries										
China	1.2	3.9	1.8	1.5	4.8	6.1	6.6	8.0	7.8	5.3
Hong Kong	-2.6	-0.4	1.1	2.2	2.0	1.6	3.5	4.6	5.7	4.6
South Korea	3.5	3.5	2.8	2.4	2.5	2.3	3.3	3.7	4.8	5.5
Taiwan	-0.3	1.6	2.3	0.6	1.8	1.4	4.5	2.3	4.2	4.5
Selected industrial countries										
Euro-12	2.1	2.2	2.2	2.1	2.1	1.9	2.9	3.4	3.8	3.8
Japan	-0.3	Nil	-0.3	0.5	0.1	-0.1	0.5	1.0	1.4	2.2
United States	2.3	2.7	3.4	3.2	2.9	2.4	3.9	4.1	4.4	5.3

Sources: International Monetary Fund, *Economist* and National Institute of Statistics
Table 3. Exchange Rates of Selected Trading Partners against US Dollar, 2003–2008 (period averages)

	2003	2004	2005	2006	2007	2007 Q3	Q4	2008 Q1	Q2	Q3
Selected ASEAN countries										
Cambodia (riel)	3973	4016.3	4092.5	4103.2	4062.7	4078	4026	3995.3	4030.3	4117.4
Indonesia (rupiah)	8577	8938	9705	9134	9419	9257.8	9246.3	9248.2	9265.3	9216.3
Malaysia (ringgit)	3.80	3.80	3.79	3.67	3.31	3.46	3.35	3.22	3.21	3.37
Singapore (S\$)	1.74	1.69	1.66	1.59	1.51	1.52	1.45	1.41	1.37	1.43
Thailand (baht)	41.5	40.2	40.2	37.9	32.22	31.4	33.87	32.37	32.25	34.0
Vietnam (dong)	15,510	15,777	15,859	15,994	16,030	16,206	16,084	15,896	16,881	16,517
Selected other Asian countries										
China (yuan)	8.28	8.28	8.19	7.97	8.03	7.55	7.43	7.16	6.96	6.82
Hong Kong (HK\$)	7.78	7.79	7.78	7.77	7.8	7.81	7.77	7.79	7.80	7.77
South Korea (won)	1192	1145	1024	955	929.04	927	921.23	955.89	1018.84	1207.0
Taiwan (NT\$)	34.4	33.6	32.1	32.5	32.85	32.9	32.4	31.52	30.45	31.20
Selected industrial countries										
Euro-12 (euro)	0.89	0.80	0.80	0.80	0.7	0.73	0.69	0.7	0.64	0.71
Japan (yen)	115.9	108.2	110.2	116.4	117.8	117.7	113.07	105.2	104.53	104.03

Sources: International Monetary Fund, *Economist* and National Bank of Cambodia
Table 4. Selected Commodity Prices on World Market, 2003–2008 (period averages)

	2003	2004	2005	2006	2007	2007 Q3	Q4	2008 Q1	Q2	Q3
Maize (USNo.2)—USA (USD/tonne)	95.42	110.65	89.19	111.04	149.08	139.81	156.9	198.39	238.03	254.99
Palm oil—north-west Europe (USD/tonne)	402.03	427.47	381.32	433.85	707.68	745.86	841.39	1048.49	1086.89	949.03
Rice (Thai 100% B)—Bangkok (USD/tonne)	182.22	221.67	262.88	282.00	305.36	304.75	323.92	444.43	839.58	657.88
Soybeans (US No.1)—USA (USD/tonne)	218.86	262.03	224.25	213.88	294.59	299.99	366.59	449.64	479.97	529.30
Crude oil—Dubai (USD/barrel)	26.8	33.5	50.14	61.58	69.25	72.48	82.88	93.77	117.48	115.30
Gasoline—US Gulf Coast (cents/litre)	23	30.9	42.19	47.70	53.58	55.49	59.48	64.21	80.90	81.27
Diesel (low sulphur No.2)—US Gulf Coast (cents/litre)	21.63	29.48	44.35	51.35	55.51	56.62	66.54	73.99	95.37	88.46

Sources: Food and Agriculture Organisation and US Energy Information Administration

Economy Watch—Domestic Performance

During the third quarter of 2008, growth was evident in most sectors of the Cambodian economy. The number of investment approvals in construction rose dramatically, while the total of investment approvals in the three main sectors exhibited a slight rise. The trade deficit improved, and there was a small drop in number of visitor arrivals.

Main Economic Activities

There was a minor increase in fixed asset investment approvals in the third quarter. The total value of investment approvals jumped to USD4560.7 m, a 9.2 percent surge from the previous quarter. This expansion was backed by growth in services, which increased by 9.5 percent to USD4450.5 m, and agriculture, where approvals were up by 11 percent to USD18.6 m. Approvals in the tourism sub-sector, including hotels and entertainment centres, were 78 percent of the total approvals for services, while construction service approvals were USD2.3 m and other service approval were USD 976.8 m. The value of industry sector approvals was down by 3.5 percent from the previous quarter, shrinking to USD91.6 m. Approvals in garments fell by 34 percent to USD31.3 m. Approvals in energy, which has long been considered important for national economic growth, were USD46.5 m in this third quarter. It is estimated that if all investment approvals were fully implemented, they would create 43,294 jobs—1944 in agriculture, 18,066 in services and 23,284 in industry.

The value of construction approvals in Phnom Penh in the third quarter was USD486.9 m, an increase of two and a half times compared with that in the preceding quarter. Villa and house approvals tripled in value, rising to USD52.1 m, and the value of flat construction approvals rose by 19 percent to USD65.6 m. Compared to the same period in the previous year, the value of total construction approvals increased by approximately 171 percent while that of villa and house construction approvals more than doubled. Flat construction approvals slumped by 44 percent.

Cambodia's trade deficit improved during the third quarter because of a spike in total exports of 72 percent, reaching USD928.7 m, while total imports dropped by 13 percent to USD1027.1 m. The surge in exports was driven by garment exports, which increased 87 percent. Fish exports rose by 79 percent, reaching USD0.6 m, and rubber exports by 17 percent to USD12.9 m.

The value of cigarette imports was USD28.7 m in the third quarter, lower than the USD41.5 m in the previous quarter. Imports of construction material dropped by 13 percent to USD35.6 m, cement falling by 12 percent to USD11.4 m and steel by 35 percent to USD10.3 m. Imports of construction

equipment rose by 17 percent to USD13.9 m. Most commodity imports showed a marked drop in the quarter, petroleum products declining by 5.8 percent to USD68.3 m and fabrics and clothing shrinking by 20 percent to USD13.2 m.

The number of visitor arrivals was 445,467, higher than the 442,233 in the preceding quarter. Visitor arrivals by air were 259,190, 1.1 percent lower than in the second quarter. During the third quarter, Phnom Penh International Airport received 133,508 foreign visitors, while Siem Reap Airport received 125,682. Arrivals by land decreased by 4.9 percent to 172,051, while visitor arrivals by water rose 28 percent to 14,226 persons. Holiday visitors were 390,663 persons, a 0.9 percent shrinkage from the previous quarter. Figures released by the Ministry of Tourism showed a 6.0 percent decline in the third quarter in the number of foreign visitors to Siem Reap, to 209,005.

Public Finance

The overall government budget deficit deteriorated in the third quarter, reaching KHR365.8 bn compared to KHR281.1 bn in the second quarter. This stemmed from an 11 percent drop in total revenue and a 4.7 percent decrease in total expenditure. Total revenue amounted to KHR1297.0 bn, 83 percent of which was from tax. Total tax collection decreased by 15 percent from the previous quarter. Domestic tax revenue fell by 19 percent to KHR776.7 bn, and taxes on international trade dropped by 1.6 percent to KHR294.5 bn. Non-tax collections, including property income and sale of goods and services, increased by 13 percent to KHR217.1 bn. Capital revenue decreased by 48 percent to KHR8.7 bn.

On the other side, government expenditures slid from KHR1744.7 bn in the second quarter to KHR1662.8 bn in the third quarter. The decline was led by a 66 percent fall in subsidies and social disbursement, which dropped to KHR111.9 bn. Expenditure on wages dropped by 0.9 percent to KHR363.6 bn. There was also a decline in capital expenditure of 1.1 percent, to KHR641.2 bn. Sixty-three percent of total capital spending was funded externally.

Inflation and Foreign Exchange Rates

In the third quarter, Phnom Penh's year-on-year overall consumer prices jumped 21.7 percent, compared with 24.9 percent in the preceding quarter and 6.0 percent in the third quarter of 2007. Prices of food and beverages, which were the main drivers of inflation, increased by 35.2 percent, and transportation costs were up 25.4 percent. Household furniture and household operations jumped by 27.4 percent. Medical care costs rose by 12.9 percent, while clothing and footwear increased 0.6 percent.

The riel depreciated against the US dollar, from 4030 riels in the previous quarter to 4117. The riel appreciated against the Thai baht and the Vietnamese dong. The riel traded at 121.8 riels/baht, an appreciation of 2.8 percent, while 24.7 riels bought 100 dong, a 0.5 percent appreciation.

Monetary Developments

As of September 2008, liquidity (M2) was KHR12,557.2 bn, up from KHR9908.2 bn a year earlier. Riels in circulation rose by 34 percent to KHR2258.9 bn and riel deposits by 46 percent to KHR256.5 bn. Foreign currency deposits increased 25 percent, reaching KHR10,041.7 bn.

Compared to a year earlier, net foreign assets in September rose 11 percent to KHR10,808.7 bn. The rise was backed by a 29 percent increase in foreign assets and a 255 percent rise in foreign liabilities, to KHR2792.5 bn. Net domestic assets rose sharply, to KHR1748.478 bn, from KHR140.2 bn in September 2007. The significant increase in net domestic assets was affected by a rise in domestic credit to KHR7128.1 bn, while other liabilities rose to KHR5379.6 bn. Government deposits, which are an element of domestic credit, increased by 59 percent to KHR2923.0 bn, while its credit account fell by 8.8 percent to KHR270.5 bn. Credit to the private sector went up to KHR9780.7 bn from KHR5376.4 bn in September 2007.

Poverty Situation—Real Daily Earnings of Vulnerable Workers

In November, CDRI surveyed 10 groups of vulnerable workers. Nine of the groups were in Phnom Penh and one group (rice-field workers) in Kandal and Kompong Speu provinces. The survey reports the views of small groups, and so is not representative at the national level.

Most cyclo drivers are originally from the provinces; 72 percent of them have farmland of less than a hectare. Since their land is too small to be cultivated, they have migrated to work in Phnom Penh. In November 2008, the real daily earnings of cyclo drivers increased from 9393 riels in the same period a year earlier to 12,628riels. The increase was an indirect effect of the rise of food prices and other consumer items since early 2008. Although their earnings increased by 34 percent, most of them complained that their earnings were not consistent with consumer prices. They reported that they previously spent about 5000 riels per day on food, but now 8600 riels per day. Although their income had risen, it was not enough to pay for their basic needs. Their families lacked food, which caused them to go into debt.

Real daily earnings of motorcycle taxi drivers reached 15,600 riels, a 36 percent increase from the same period in 2007. Their earnings were only enough to pay for their food consumption, with nothing left over to create new businesses.

Twenty percent of the surveyed motorcycle taxi drivers were not married yet, but had nevertheless quit school to earn money.

The real daily earnings of both skilled and unskilled construction workers had increased 16 percent. The rise was in response to the surge of consumer prices, especially food and transportation costs. Skilled construction workers earned 12,710 riels per day, 45 percent more than unskilled construction workers. Most unskilled workers reported that their earnings were only enough for food; therefore they could not save much to support their families. Both groups added that the reason for coming to work in Phnom Penh was that they did not have enough farmland. However, they spent only seven months per year working in the city.

Ninety-three percent of the small traders were from Svay Rieng, Takeo, Prey Veng and Kandal province. They came to Phnom Penh because they thought they could sell their vegetables at higher prices. In November, their real daily earnings increased by 19 percent to 9893 riels; still, 67 percent of them complained that their income was not enough to live on.

The survey found a marked increase in real daily earnings of rice-field workers, 57 percent over the same period in the previous year. These people spent only one or two months per year selling labour for farm work. Nevertheless, it was reported by the majority of rice-field worker that there were fewer people working on farms since more and more young people have moved out to work in urban areas.

Real daily earnings of scavengers decreased by 16.3 percent from the same period a year earlier, shrinking to 4650 riels per day. This was due to a decline in the price of rubbish stemming from a reduction of rubbish exports to Vietnam and Thailand, middlemen reported. Ninety-five percent of scavengers were from the provinces, and 75 percent of them came to Phnom Penh with their whole family to collect rubbish. Their settlement was near the rubbish tip, and they had to pay a rental of 40,000 riels per month. Because the price of rubbish had decreased, 30 percent of the scavengers were in debt to pay for food or medical care. They added that their living depended completely on the price of rubbish. If this price remains low, their lives will be worse.

In November, the real daily earnings of garment workers declined from 8207 riels a day in the previous year to 7582 riels. The decline was the result of overtime work being reduced, 67.5 percent of garment workers reported. During this time, 20 percent of the interviewees did not have overtime work. Still, 80 percent of them remitted money home to support their families. They also reported that their earnings were not enough to live on in the city because they spent about USD50 a month.

Prepared by Phann Dalis and Pon Dorina

Economy Watch—Domestic Performance

Table 1. Private Investment Projects Approved, 2002–08

	2002	2003	2004	2005	2006	2007				2008		
						Q1	Q2	Q3	Q4	Q1	Q2*	Q3
	Fixed Assets (USD m)											
Agriculture	40.3	3.7	12.3	26.8	498.0	19.1	2.1	12.0	102.4	52.3	16.7	18.6
Industry	67.7	137.2	187.9	914.6	365.3	142.7	51.2	187.2	328.0	52.9	95.0	91.6
<i>Garments</i>	27.2	68.1	132.6	174.4	89.4	36.6	24.3	40.7	69.1	42.3	47.8	31.3
Services	145.3	168.4	91.8	155.5	2939.1	335.7	138.0	957.7	311.1	148.2	4064.9	4450.5
<i>Hotels and tourism</i>	47.1	124.1	55.9	102.6	345.0	140.3	55.0	653.8	199.2	93.7	4015.0	3481.3
Total	253.3	309.3	292.0	1096.9	3802.4	497.5	191.3	1156.9	741.5	253.4	4176.5	4560.7
Total	-	-	-	-	-	-48.8	-61.6	504.7	-35.9	-78.1	1548.2	9.2
Total	13.1	22.1	-5.6	275.6	246.6	118.9	91.8	334.6	-23.7	-49.1	2083.2	294.2

Including expansion project approvals. Source: Cambodian Investment Board, * Revised data.

Table 2. Value of Construction Project Approvals in Phnom Penh, 2002–08

	2002	2003	2004	2005	2006	2007				2008		
						Q1	Q2	Q3	Q4	Q1	Q2	Q3
	USD m											
Villas and houses	23.4	20.0	30.3	45.5	33.1	14.4	22.8	21.7	20.2	45.3	17.6	52.1
Flats	179.9	91.6	167.6	204.2	213.3	88.9	33.2	117.5	57.6	40.9	55.1	65.6
Other	16.6	87.3	65.6	109.1	76.8	35.9	88.8	40.6	94.3	51.2	68.2	369.3
Total	219.9	198.9	263.5	358.8	323.3	139.2	144.7	179.7	172.2	137.3	140.9	486.9
Total	-	-	-	-	-	78.0	3.9	24.2	-4.2	-1.4	2.6	245.6
Total	12.0	-9.5	32.5	36.2	-9.9	106.5	76.0	88.2	120.2	-1.4	-2.6	170.9

Source: Department of Cadastre and Geography of Phnom Penh municipality.

Table 3. Exports and Imports, 2002–08

	2002	2003	2004	2005	2006	2007				2008		
						Q1	Q2	Q3	Q4	Q1	Q2	Q3
	USD m											
Total exports	1453.2	1708.1	2108.1	2352.8	2799.9	707.8	705.0	890.8	793.4	803.1	539.6	928.7
Of which: Garments	1355.8	1628.4	2027	2253.3	2698.9	677.5	688.2	846.1	727.1	773.4	463.8	868.8
Rubber	29.7	35.1	38.3	36.7	41.4	8.4	6.9	11.7	14.6	7.0	11.0	12.9
Wood	16.0	10.2	11.1	10.3	8.6	2.1	2.0	0.0	0.0	0.0	0.0	0.0
Fish	4.3	2.8	10.6	10.1	5.9	0.7	0.4	1.2	0.9	0.7	0.3	0.6
Total imports	1707.8	1824.9	2149.0	2513.0	3057.0	790.9	911.6	924.5	982.7	983.8	1178.5	1027.1
Of which: Petroleum products	157.5	191.6	187.0	184.8	238.5	66.5	68.5	71.0	58.9	60.0	64.6	68.3
Construction materials	12.9	80.8	95.3	134.7	154.4	44.1	31.6	34.9	32.5	39.7	40.7	35.6
Other	1568.2	1601.3	1914.0	2245.0	2731.0	699.2	807.5	818.6	891.3	884.1	1073.2	923.2
Trade balance	-254.6	-116.8	-40.9	-160.1	-257.1	-83.1	-208.1	-30.7	-189.3	-180.7	-638.9	-98.4
Total garment exports	-	-	-	-	-	-5.4	1.6	22.9	-14.1	6.4	-40.0	87.3
Total exports	-	-	-	-	-	-3.9	0.4	26.4	-10.9	1.2	-32.8	72.1
Total imports	-	-	-	-	-	-2.0	15.3	1.4	6.3	0.1	19.8	-12.8
Total garment exports	9.2	-54.1	-64.9	291.4	19.8	19.2	8.8	8.2	1.6	14.2	-32.6	2.7
Total exports	14.6	17.5	23.4	11.6	19.0	17.3	8.0	10.3	7.7	13.5	-23.5	4.3
Total imports	13.7	6.9	17.8	16.9	21.6	14.5	17.6	17.9	21.7	24.4	29.3	11.1

Import data include tax-exempt imports. Source: Customs and Excise Department, cited by NBC

Table 4. Foreign Visitor Arrivals in Cambodia, 2002–08

	2002	2003	2004	2005	2006	2007				2008		
						Q1	Q2	Q3	Q4	Q1	Q2	Q3
	Thousands of passengers											
By air	523.0	456.0	626.1	856.5	1029.0	373.6	275.6	278.5	368.8	402.0	262.0	259.2
By land and water	263.5	245.0	428.9	565.1	672.9	177.2	148.9	153.3	239.2	242.2	192.0	186.3
Total	786.5	701.1	1055.0	1421.6	1701.9	550.8	424.5	431.8	608.0	644.2	454.0	445.5
Total	-	-	-	-	-	6.7	-22.9	1.7	40.8	6.0	-29.5	-1.9
Total	30.0	-10.9	50.5	34.7	19.7	20.4	19.2	16.5	17.8	17.0	6.9	3.2

Source: Ministry of Tourism

Table 5. National Budget Operations on Cash Basis, 2002–08 (billion riels)

	2002	2003	2004	2005	2006	2007				2008		
						Q1	Q2	Q3	Q4	Q1	Q2	Q3
Total revenue	1744	1764	2126	2625	3259.2	824.9	1016.8	1031.4	1146.1	1194.1	1463.6	1297.0
Current revenue	1728	1733	2107	2474	2881.8	824.9	1012.4	1031.4	1141.6	1189.4	1447.0	1288.3
Tax revenue	1227	1220	1577	1911	2270.9	699.9	887.7	844.6	965.2	978.0	1255.0	1071.2
Domestic tax	-	-	-	-	-	487.9	642.1	584.8	661.8	719.9	955.5	776.7
Taxes on international trade	-	-	-	-	-	212.1	245.6	259.8	303.5	258.1	299.5	294.5
Non-tax revenue	501	513	530	563	610.9	125.0	124.7	186.9	176.4	211.4	192.1	217.1
Property income	-	-	-	-	-	27.9	15.5	14.8	13.6	2.9	53.9	11.0
Sale of goods and services	-	-	-	-	-	88.8	93.0	100.1	124.3	118.9	96.3	99.7
Other non-tax revenue	-	-	-	-	-	8.3	16.2	72.0	38.5	89.6	41.9	106.4
Capital revenue	16	31	19	152	377.4	0.0	4.5	0.0	4.5	4.8	16.5	8.7
Total expenditure	2948	2757	2932	3295	4174.7	923.9	1098.7	1126.1	1689.7	1059.1	1744.7	1662.8
Capital expenditure	1388	1171	1163	1328	1638.1	367.1	408.1	355.1	807.4	411.0	648.2	641.2
Current expenditure	1560	1586	1769	1967	2536.8	556.8	681.6	771.0	882.3	648.1	1096.5	918.0
Wages	587	615	640	711	822.0	199.7	242.7	253.4	362.6	250.7	367.0	363.6
Subsidies and social assistance	-	-	-	-	-	61.9	184.0	115.0	194.2	104.3	325.7	111.9
Other current expenditure	-	-	-	-	-	295.2	254.9	402.6	325.5	193.1	403.8	442.6
Overall balance	-1204	-993	-806	-706	-915.6	-99.0	-81.9	-78.7	-543.6	135.0	-281.1	-365.8
Foreign financing	1249	886	864	1127	1360.7	344.0	313.9	290.3	741.5	299.2	615.8	438.0
Domestic financing	-45	106	148	-396	-445.1	-245.0	-213.0	-148.0	-185.8	-294.1	-236.5	35.1

Source: MEF web site

Table 6. Consumer Price Index, Exchange Rates and Gold Prices (period averages), 2002–08

(October-December 2000:100)	2002	2003	2004	2005	2006	2007				2008		
						Q1	Q2	Q3	Q4	Q1	Q2	Q3
Consumer price index (percentage change over previous year)												
Phnom Penh - All Items	3.3	1.1	3.9	5.8	4.7	3.0	4.6	6.0	9.7	16.5	24.9	21.7
- Food & non-alcoholic bev.	1.8	1.5	6.4	8.6	6.4	3.0	7.2	11.3	18.1	27.6	43.5	35.2
- Transportation	0.3	4.9	9.7	11.4	9.1	5.2	5.0	3.1	9.9	18.8	25.3	25.4
Exchange rates, gold and oil prices (Phnom Penh market rates)												
Riels per US dollar	3912.1	3973.3	4016.3	4119.7	4119.0	4063.0	4075.4	4082.3	4030.1	3995.3	4030.2	4117.5
Riels per Thai baht	91.1	95.8	99.9	102.6	108.7	113.7	118.0	130.0	129.3	129.1	125.4	121.9
Riels per 100 Vietnamese dong	25.6	25.6	25.5	25.8	25.1	24.6	24.7	25.3	25.2	25.2	24.9	24.8
Gold (US dollars per chi)	36.8	41.4	46.3	54.0	70.6	77.7	79.8	80.8	94.4	111.6	107.7	106.0
Diesel (riels/litre)	1521	1508	2088	2633	3140	3067	3100	3203	3679	3982	4975	5495
Gasoline (riels/litre)	2084	2150	2833	3442	4004	3750	3900	4002	4368	4580	5171	5391

Sources: NIS, NBC and CDRI

Table 7. Monetary Survey, 2002–08 (end of period)

	2002	2003	2004	2005	2006	2007				2008		
						Q1	Q2	Q3	Q4	Q1	Q2	Q3
Billion riels												
Net foreign assets	3737	4027	4797	5475	7224	8056	9048	9768	10735	10911	11353	10809
Net domestic assets	-849	-698	-467	-450	-282	-263	-172	140	576	1136	1345	1748
Net claims on government	-119	-128	-209	-421	-953	-1176	-1403	-1547	-1816	-2400	-2678	-2653
Credit to private sector	1059	1337	1817	2394	3630	4066	4537	5376	6386	8050	9206	9781
Total liquidity	2888	3329	4330	5025	6942	7793	8876	9908	11311	12047	12698	12557
Money	813	937	1153	1323	1658	1794	1748	1750	2052	2389	2467	2335
Quasi-money	2075	2392	3177	3702	5285	5999	7128	8158	9259	9658	10231	10223
Percentage change from previous year												
Total liquidity	31.0	15.2	30.0	16.1	38.1	36.5	46.8	53.4	62.9	54.5	43.1	26.7
Money	33.5	15.3	23.0	14.7	25.3	23.9	15.7	12.0	23.8	33.2	41.1	33.4
Quasi-money	30.0	15.2	32.8	16.6	42.8	40.7	57.3	66.5	75.2	61.0	43.5	25.3

Source: National Bank of Cambodia

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

	Daily earnings (riels)									Percentage change from previous year		
	2000	2003	2004	2005	2006	2007			2008	2007		2008
	Nov				Nov	May	Aug	Nov	Nov	Aug	Nov	Nov
Cyclo drivers	7594	8572	7614	7469	7393	9245	7126	9393	12,628	18	27	34
Porters	6233	6676	6895	6545	7045	9798	7704	8852	9004	47	26	2
Small vegetable sellers	5256	6532	6947	6000	6125	8951	9116	8303	9893	75	36	19
Scavengers	2718	3944	4446	4416	3903	5533	6038	5560	4651	42	42	-16
Waitresses*	2111	4932	4448	4426	4498	5150	4193	4508	4327	-2	0	-4
Rice-field workers	4198	4177	4139	4365	4653	4531	4561	4790	7541	10	3	57
Garment workers	6701	9577	9277	8816	8957	8347	9033	8207	7582	-2	-8	-8
Motorcycle-taxi drivers	8610	10092	9204	8201	8386	12,886	8979	11,525	15,658	33	37	36
Unskilled construction workers	5399	6558	6382	5918	6028	6075	5901	7550	8779	-2	43	16
Skilled construction workers	13,127	13,111	12,679	10,316	9466	11,892	11,723	10,956	12,710	24	7	16

* 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

Continued from page 24 UPDATE...

Research

The following research and research-related activities took place at CDRI over the period January–March 2009.

The Democratic Governance and Public Sector Reform programme is undertaking four major research and consultancy activities inside and outside CDRI. The first project, Leadership in Local Politics, will finish the first working paper by the end of the first quarter. A policy brief based on the study will be produced. For the second project, on the governance of common resources (water project), different sections of the first working paper, written by two authors, will be integrated by mid-March, and the second paper will be started afterwards. The third project, on money, politics and local development, will start compiling the collected data and writing. Fourth, the consultant team hired to work with the policy team of the Ministry of the Interior in leading nine line ministries to implement deconcentration reform has finished the first two key phases: holding workshops on the devolution of function assignment and financial transfers. In this quarter, the team is working on accountability issues (the third phase); a workshop on accountability will be held on 19 February 2009, and another on staff management on 5 March 2009. The fourth phase, concentrating on capacity building, will commence around the beginning of April, upon the completion of the third phase. A new research associate, Lun Pide, has been recruited to replace Kim Sean Somatra, who took leave for his PhD studies.

The Economy, Trade and Regional Cooperation programme is progressing well with its project, The Political Economy of the Greater Mekong Sub-region. The study has completed most of its in-depth interviews with key government officials, and the team has started to write up the first draft report. The Trade in Services study has completed its fieldwork; the first draft report has been written and sent to the International Trade Centre for comments. The Rubber Competitiveness Study is proceeding to analysis and writing despite the cancellation of planned fieldwork. The Poverty Dynamic Study survey data have been standardised as panel data and submitted to the World Bank. The project team has started analysing the panel data obtained from six surveys on various aspects of poverty, including identifying the poverty incidence, transient and chronic poverty and the factors determining the

two types of poverty. The results of the study will be crucial for policy makers to prioritise poverty reduction strategies for different areas. The team for the Chinese Investment in Cambodia project has been re-formed, and is expected to meet the revised project timeline, which will end in March 2009.

The Natural Resources and the Environment programme completed a core survey for the economic component of the Water Resources Management Research Capacity Development Programme (WRMRCDP). The programme will hold a consultative committee meeting to ensure that the research activities and outputs match the activities and indicators stated in the programme document. A working paper will be published on water resources management identifying research methodologies for governance and economic and physical themes of the WRMRCDP. A mid-term review of the WRMRCDP will be conducted in March. The programme has completed data entry for a joint project on Tropical Forests for Poverty Alleviation—from Household Data to Global Analysis. A dataset for this project was submitted to the Centre for International Forestry Research for cleaning and approval. A draft working paper on the tropical forest project will be prepared. The project Building Community Capacity for Poverty Reduction Initiatives in the Tonle Sap Basin completed a baseline survey in selected areas around the Tonle Sap. A draft baseline report was prepared and submitted to the Asian Development Bank for review. The programme continued discussing with the Stockholm Environment Institute on Sustainable Pathways for Attaining the Millennium Development Goals and the Strategic Environmental Assessment of Proposed Hydropower Development on the Mekong Mainstream in the Lower Mekong Basin.

The Poverty, Agriculture and Rural Development programme has completed the standardised data from 2001 to 2008 for the Poverty Dynamic Study (PDS), and the quantitative panel data were submitted to World Bank. The PDS qualitative data cleaning was also completed, and the cleaned data sets were sent to the World Bank. As part of the PDS results, a research article entitled “The Impact of Increased Food Prices on Poverty Reduction in Cambodia” is being written for publication in the *Annual Development Review*. There will be consultation on the PDS report with World Bank poverty experts. The final draft report of the Youth

Situation Analysis project (in collaboration with the Social Development programme) was accepted by the UNICEF country team, and the final results were disseminated to the UN country team and others. The results of the Youth Situation Analysis were used for a research article entitled “Youth Situation Analysis: Challenges, Perceptions and Opportunities for Youth” in this issue of the Cambodia Development Review. Research instruments were developed for the Enhancing the Effectiveness of Rural Productive Service Delivery Systems project, and field data collections, semi-structured interviews with key informants and focus group discussions with farmers were completed. First draft reports on the six case studies are being written.

The Social Development programme has completed Child Poverty and Disparities in Cambodia as well as the Youth Situation Analysis, and is currently conducting research on Enhancing the Effectiveness of Rural Productive Service Delivery Systems in Cambodia, funded by

International Food and Agricultural Development (IFAD). The latter two projects are in collaboration with the Poverty, Agriculture and Rural Development programme.

The training unit attached to Social Development conducted the following training:

- “Working for Peace” trained government and non-government peace-building practitioners in conflict management and resolution and trained the trainers for peace building at CDRI.
- “Working Together for Peace and Development” to commune and district officials and community leaders in Ban Lung and Ou Chum districts of Ratanakkiri.
- “The Role of Press in Peace Building” to press associations and journalists at CDRI.

The unit also completed Conflict Prevention in Cambodian Elections, which was created to provide open and neutral forums for the discussion of election-related issues and to prevent conflict, violence and misunderstanding in elections.

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CDRI UPDATE

Management

The third annual Cambodia Outlook Conference, a partnership of CDRI and ANZ Royal Bank, will be held in Phnom Penh on 12 March 2009 on the theme “Cambodia and the Global Crisis—Impact, Policy Priorities and Action”. Prime Minister Hun Sen will deliver the opening keynote address to an invited audience of 300 leaders from government, the private sector, international development partners, the research community and civil society. Sessions will focus on the global, regional and national implications of the crisis for Cambodia’s growth, development and poverty reduction, with special attention to key issues for Cambodia such as human resource development; agriculture and rural development; tourism; broadening the manufacturing sector; real estate, property and construction; infrastructure and energy; and minerals exploitation. CDRI’s 2008–09 *Annual Development Review* will be launched concurrently with the conference. The next issue of *Cambodia Development Review*, for April–June, will feature selected presentations and themes from the Outlook Conference, with all conference materials available on CDRI’s web site.

Immediately following the Outlook Conference, CDRI will hold its 2009 full board of directors meeting. This will be the first meeting for the newly elected CDRI staff representative, Ms Ouch Chandarany, who has recently returned from successful completion

of a master’s degree in public policy at the Lee Kuan Yew School of Public Policy in Singapore. The board will consider priorities for the remainder of 2009–10 arising from the recently completed mid-term review of CDRI’s 2006–10 strategic plan. These include improved research management and quality, more accessible Khmer and English language policy research products, more systematic staff capacity development and a process for developing, over the remainder of 2009–10, a CDRI Cambodia 2020 Country Research Strategy, reflecting Cambodia’s priority development needs and issues, which will form the basis of CDRI’s next strategic plan and be used to seek programme-based funding from Cambodia’s development partners.

The CDRI board will also consider the outcomes and recommendations of the mid-term review of Sida-DFID support for CDRI’s core operating costs and its Democratic Governance and Public Sector Reform programme, the current phase of which concludes in 2010. The review was conducted in January 2009 by independent consultants agreed to by Sida, DFID and CDRI. It focused on CDRI’s performance in generating independent policy research and its impact; financial management and administration; human resource management and capacity development; strategic planning, implementation and review; and CDRI’s future institutional strengthening needs.

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