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**DRIVING HIGH GROWTH AND SUSTAINABLE
DEVELOPMENT FOR CAMBODIA: PERSPECTIVES AND
POLICY PRIORITIES FROM THE 2011 CAMBODIA
OUTLOOK CONFERENCE¹**

The 5th annual Cambodia Outlook Conference, took place on 16 March 2011 in Phnom Penh. Senior representatives of government, the private sector, development partners, the research community and civil society came together to discuss the theme *Driving High Growth and Sustainable Development for Cambodia – Opportunities and Challenges*. In his keynote opening address, Prime Minister Hun Sen congratulated CDRI and ANZ Royal Bank, partners in the Outlook Conference, “on their initiative in hosting this important annual conference” and welcomed the theme as “both timely and relevant”. This paper provides an overview of the key points from the conference, including Cambodia’s institutional and regulatory environment, labour force profile and infrastructure development, focusing on major policy priorities and perspectives identified by speakers and participants. Presentations from the outlook conference are accessible on CDRI’s website at www.cdri.org.kh.



Prime Minister Hun Sen presenting the keynote opening address at the 2011 Cambodia Outlook Conference, 16 March 2011

pre-crisis levels, creating over 55,000 jobs – almost recovering the amount lost in the crisis. While the statistics are encouraging, the economy’s structure remains a concern: dependent on garments and tourism, it remains vulnerable to external shocks. Over-reliance on external demand for a narrow product base can have devastating consequences if demand slows or terms of trade change – a lesson

With growth set to increase from 5.9 percent in 2010 to 6-7 percent this year, Cambodia continues its robust recovery from the global economic crisis. Its traditional growth sectors – and those hardest hit in the downturn – are staging a remarkable resurgence and underpin current growth. The strongest performer has been industry, which posted 13.5 percent growth in 2010, compared to -9.5 percent in 2009. Garment production is soon expected to reach

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¹ This article, by Benjamin C. R. Flower, CDRI research intern, is based on the presentations made at the 2011 Cambodia Outlook Conference.

Cambodia learnt to its cost in the recent crash. To mitigate such risks and build strong foundations for the future, it must seize this opportunity to diversify its economy between sectors, within sectors, up the value-added chain and into new markets.

Building on past achievements and identifying appropriate policies for the future, the 2011 Outlook Conference focused on three key areas where government action is needed to ensure high, sustainable and equitable growth. These areas include: first, policy that strengthens the institutional and regulatory environment for trade and investment, encouraging equitable, diversified growth in new export sectors; second, policy that positions Cambodia's human capital to drive and benefit from a diversified economy; and, third, policy that develops the physical infrastructure necessary to support its desired development trajectory.

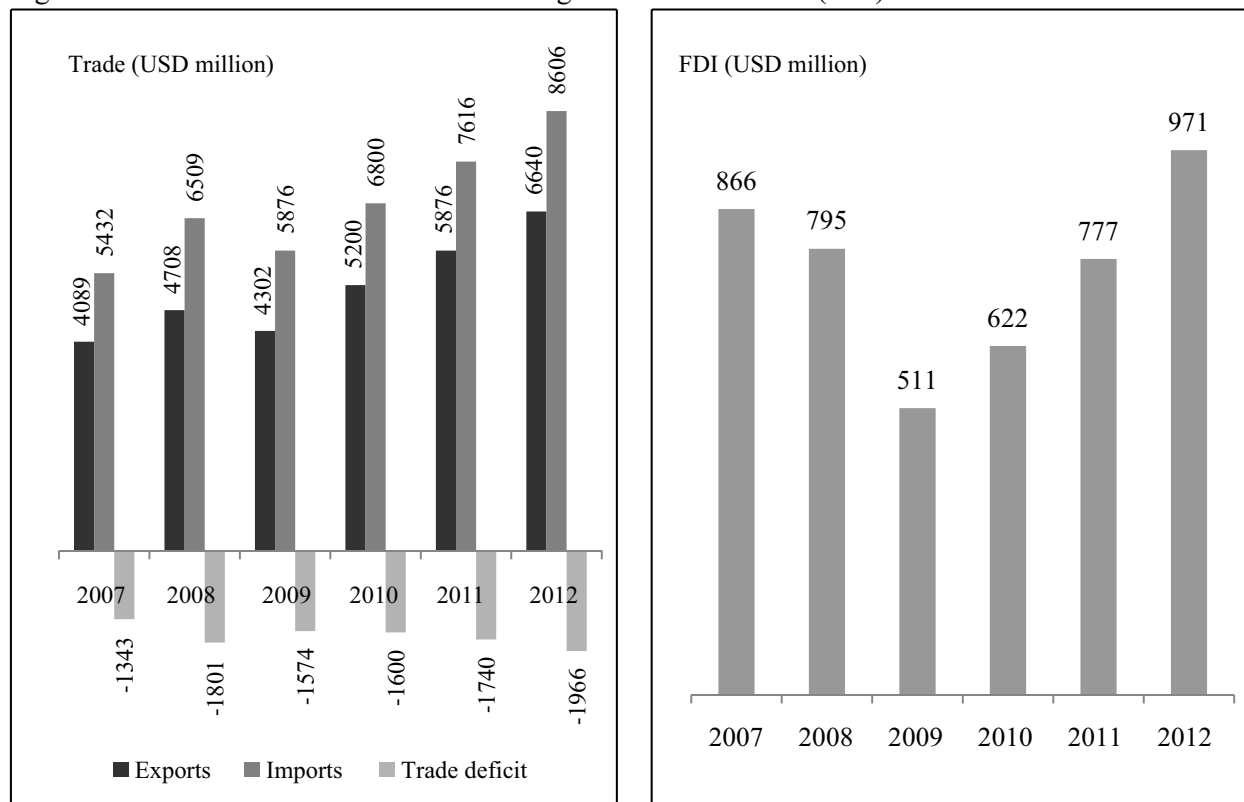
Constructing an Enabling Institutional and Regulatory Environment

Trade and investment are expected to increase in the medium term (Figure 1). Appropriate policy implemented by transparent institutions will strengthen this growth and ensure it is sustainable

and equitable. An enabling institutional, policy and regulatory environment has a huge part to play in moving Cambodia into new export products and services, new geographical markets, and up the value chain. Moreover, enabling emergent sectors such as agriculture to benefit from increased trade and investment has the potential to pay high dividends in poverty reduction; targeted policy can help optimise such outcomes.

Trade policy constitutes a core component of the government's diversification strategy. The overarching Sector Wide Approach (SWAp) framework seeks to 'mainstream' trade policy, coordinating government and development partner resources in order to achieve maximum policy impact. The framework targets the binding constraints to diversification, both sector-specific and systemic. Regarding the latter, there has been a concerted push to build the capacity of institutions to adequately implement trade policy. For example, a UNDP TRADE project focused on building the capacity of and coordination between selected departments in the Ministry of Commerce. Innovative, sector-specific policy frameworks have also been deployed: the Promotion of Paddy

Figure 1: Cambodia's Trade Profile and Foreign Direct investment (FDI)



Source: Presentations from the 2011 Outlook Conference.

Production and Rice Export policy issued by the prime minister in July 2010 is the first effort to formulate a deliberate response to the needs of an individual export sector, while working within the overarching SWAp framework.

Policy can only be effective if constraints have been correctly identified and if policy represents Cambodia's diverse socioeconomic and demographic profile. The Government-Private Sector Forum facilitates dialogue between government and the private sector at the national level to ensure that trade policy represents the changing economic realities of Cambodia. But effectively engaging private sector stakeholders is proving to be a challenge: entrepreneurs tend to think short-term, while diversification is a long-term strategy. To align these positions, the government should give incentives to the private sector to think more long-term and aid diversification. There must also be in-depth policy

research and analysis to enable trade policy to represent the needs of the most vulnerable in society. To this end, the 2007 Diagnostic Trade Integration Strategy helped identify 19 export sectors with the potential to effect significant reduction in poverty. The government must increase the policy research capacity in Cambodia's network of research institutions to deepen understanding of the relationship between export sector development and sustainable human development. Research resources also need to be mobilised to monitor and evaluate policy outcomes, which can also contribute to equitable growth by making sure policies are appropriately implemented and their aims fully realised.

The key issue in regard to Cambodia's investment climate is institutional capacity. The Special Economic Zone (SEZ) is an example of how successful Cambodia's current policy and regulatory frameworks would be in attracting increased private investment if institutional constraints were adequately addressed. While Cambodia and the SEZ share very similar laws and regulatory frameworks, there are faster and more predictable implementation

procedures in the SEZ. The increasing volume of investments seen in the SEZ is testament to the fact that this transparent process of implementation is highly valued by investors. The challenge is to learn from what works in the SEZ and extrapolate this to the Cambodian economy in general.

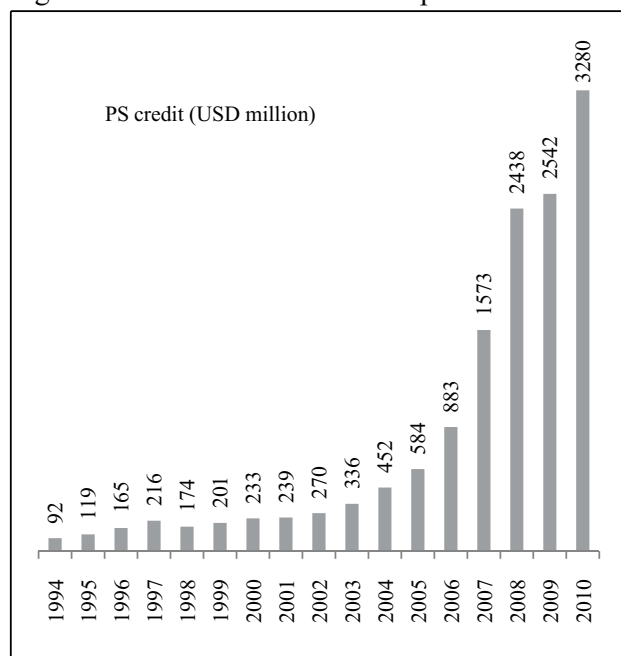
A weak judiciary is a major institutional constraint to investment, particularly in sectors where dividends are long-term (e.g. agriculture). As the economy expands and diversifies, the implications of its limitations will become more acute. A pragmatic response is to build the capacity of conflict resolution mechanisms distinct from the judiciary, for example arbitration councils for settling industrial disputes, or cadastral commissions for settling land conflicts. Creating institutions independent from the judiciary means that investment is not constrained by its lack of capacity and that the judiciary is not overwhelmed by the number and complexity of cases. Moreover, transparent specialist institutions have the potential

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to reduce uneven distributions of market information, increase efficiency and reduce risks and uncertainties for investors.

Stability is the overriding factor in determining a country's long-term economic health, and is a crucial precondition for investment. Cambodia's macroeconomic policy has been shrewd: the climate remains stable and conducive to investment, inflation has remained very low, foreign exchange reserves had increased to USD2.7 billion by the end of 2010 and public debt is manageable. Due to this stability, foreign direct investment (FDI), though not back to pre-downturn levels, still managed an increase of USD42 million from 2010-11. So far a proactive response from the National Bank of Cambodia – appreciating the riel and increasing reserves of foreign currency – has kept inflation at bay. But as rates rise regionally and pressures stemming from growth, capital inflows and increased public spending grow, the onus is on government to keep inflation manageable through appropriate policy. Another potential destabilising factor is credit supply to the private sector, which expanded by 30 percent between 2009 and 2010

Figure 2: Private Sector Credit Expansion



Source: Presentations from the 2011 Outlook Conference.

(Figure 2), and which requires regulation to mitigate risks and control inflationary tendencies. Sources of political instability such as land grabbing, urban redevelopment and rising food prices should also be addressed.

Labour Force Development

Cambodia has a young, mobile and dynamic population. With appropriate policy, this “demographic windfall” has the potential to be a huge asset in driving and diversifying growth. Traditionally, low cost labour has been an important factor in attracting foreign investment, particularly to the manufacturing sector. This investment has provided thousands of jobs as well as a firm foothold on the industrial ladder. Consolidating these gains and realising a diversified economy will require a concerted policy push on the part of government. Key is the government’s ability to provide the labour force with the skills necessary to drive diversification, as well as strengthen traditional sectors such as tourism and garments.

A prerequisite to diversified growth is increased labour productivity in the agricultural sector. Presently the per capita contribution per unit of GDP growth is unevenly distributed between sectors: a worker in agriculture is proportionally much less productive than one in industry (the most

productive) or in the service sector. The government has correspondingly focused on increasing labour productivity in agriculture, disseminating new skills, technology and training to the rural labour force. The National Budget has provided significant support to provincial agricultural training centres to provide training programmes in cultivation methodology, fertiliser production, post-harvest storage, multi-cropping and basic entrepreneurship. Increasing labour productivity in the sector will have the effect of driving agricultural output, but also of releasing excess agricultural labour into the more productive industrial and service sectors.

At present the Cambodian labour force lacks the skills necessary to diversify within the industrial and service sectors. It is essential that the standard of higher education in general is improved and that access to it is broadened to address this “skills gap”. Many higher education institutions (HEIs) in Cambodia fall short of international standards in core areas such as research, governance and teaching. Compounding limitations in institutional capacity are lack of teaching and research materials, such as books, up-to-date ICT, laboratories etc. There are also huge disparities in rates of enrolment between rural and urban populations, which are heavily weighted in favour of the urban elite. In response, the 2009-2013 Strategic Development Plan Update has targeted both the capacity and reach of HEIs, broadening access through scholarship programmes and facilitating higher standards of teaching and research through capacity building programmes. Appropriate regulation also has an important part to play: codes of conduct, standards and systems of accreditation will give incentives for HEIs to improve and offer more information to employers and potential students about the content and quality of their degrees.

Another core issue regarding labour market efficiency is the mismatch between labour market skills that the private sector requires and skills that HEIs provide. This is particularly the case with specific vocational and occupational skills required for certain types of industry. Technical, Vocational and Educational Training (TVET) is the government’s overarching labour-policy framework to provide Cambodia’s labour market the skills that are desired by employers. Initiatives include the reform agenda of the National Training

Board (NTB), the establishment of the National Employment Agency (NEA) and the ADB funded Strengthening Technical and Vocational Education and Training programme (STVET). There are significant challenges to TVET: foremost is society's perception that TVET courses are for workers and not professionals. Policy needs to focus on changing these perceptions through appropriate regulation and accreditation.

Developing Physical Infrastructure

There have been numerous developments in transport and electricity infrastructure in the country over the last decade. These are largely a result of increased regional cooperation through ADB-GMS sponsored initiatives; by the end of 2008, there were a total of nine projects supported by USD418 million of ADB funding. ADB-GMS initiatives have been instrumental in developing the Southern Economic Corridor (SEC), upgrading physical infrastructure linking Cambodia to Thailand, Vietnam and Laos. Cambodia is currently rehabilitating its ailing railway network, with support from the ADB and private sector investment. This USD148 million project will connect the country to Thailand and Vietnam, forming a key section of the Singapore – Kunming rail link. Road and rail infrastructure will enable Cambodia to better integrate into regional supply chains, moving up the value-added ladder and accessing new markets.

Logistical capacity at present is a binding constraint to the rapidly developing infrastructure from realising its potential. Issues such as outdated vehicles and customs procedure add time, and by extension, cost to Cambodia's exports. This is a particular hindrance to the development of SMEs, which need affordable, dynamic and reliable access to global markets that modern logistical infrastructure provides. Streamlining customs procedures, implementing clear rules and regulations, and developing infrastructure to clear goods before they get to borders (for example inland clearing depots), would enhance the country's competitiveness in global markets. The limited

capacity of its out-dated cross-border transport sector also negates the competitiveness of its exports. Low vehicle standards and underinvestment have resulted in high costs per kilogramme, unpredictable transit times and uncertainties over the safety of freight. Regulation is required to foster greater competition in this sector, giving operators incentives to drive up standards.

Manufacturing output has increased and consumption patterns have changed with economic growth. This has driven significant increases in the demand for electricity. Very high growth in consumption of electricity – 19 percent in Cambodia as a whole and as high as 25 percent in Phnom Penh – will mean that a significantly upgraded capacity is needed to keep up with future demand. In order to fill this demand and secure future power needs, the government has identified three crucial points where policy will be focused. First, given that 42 percent of Cambodia's power is imported,

“ *Another core issue regarding labour market efficiency is the mismatch between labour market skills that the private sector requires and skills that HEIs provide. This is particularly the case with specific vocational and occupational skills required for certain types of industry.* ”

there is need to pursue policy, regulatory and institutional frameworks – as well as upgrading physical infrastructure – to secure cheap and reliable imported power in the short-term.

Second, there needs to be active investment in hydropower to release the vast potential reserves of electricity locked in the country's waterways. Its medium to long-term strategy is developing the infrastructure to tap into these significant natural endowments. The potential of hydropower is huge – estimated at around 10,000 MW. However, at present only 3 percent of electricity comes from indigenously sourced hydropower. A massive increase in capacity is planned for the future, and in the long-term Cambodia hopes to derive revenue from exporting this power to its GMS neighbours.

Third, electricity supplies need to be extended outside population hubs and into rural Cambodia. This will improve standards of living and drive up agricultural productivity. The government has set some ambitious targets in addressing the issue of rural electrification: by 2030 it is hoped that 70 percent of rural households will have

access to reliable electricity, with 100 percent of villages acquiring electricity services by 2020. To achieve this, the government needs to increase the length of transmission lines to more than 2,100 km by 2020, and plans to spend USD500 million towards realising this in the next five years alone (Figure 3).

There are cross-cutting themes that the government is also addressing as part of a holistic energy policy framework. Foremost is taking measures to ensure that future energy supplies and sources are not only economically sustainable, but also environmentally and socially sustainable. The government will seek to encourage as well the efficient use of energy and to minimise the detrimental environmental affects resulting from energy consumption. To these ends, there needs to be increased research on the socioeconomic and environmental impacts of energy supply, consumption and policy effectiveness; the findings should be fed back to government and integrated into future policy.

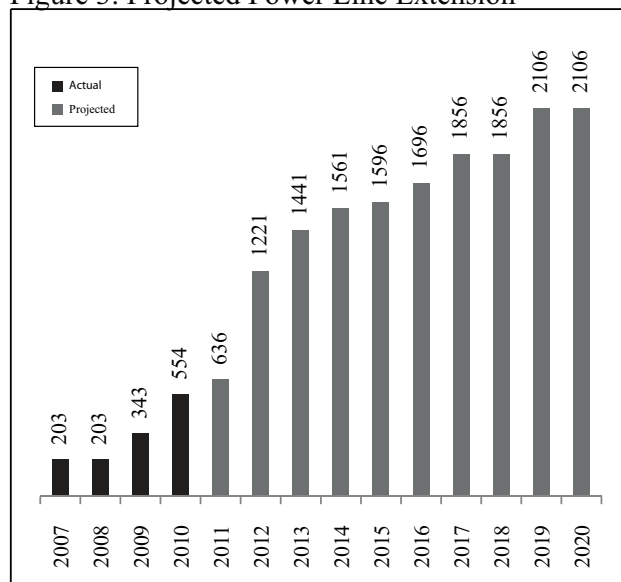
Prospects and Priorities

Cambodia's economy has recovered remarkably well from the shock of the financial crisis: growth is strong and is expected to remain strong in the next few years. But there is now a pressing need to prepare for the medium to long-term, to build on strong foundations, to diversify the economy

and position the country for high, sustainable and equitable growth. The government has a clear idea of the challenges it faces in this endeavour, and is intent on meeting them, removing constraints through targeted and coordinated policy. Impeding these policies from realising their intended outcomes is a lack of institutional capacity – a constraint that was highlighted on numerous occasions in the 2011 Outlook Conference. The government's focus on drafting laws, regulation and developing innovative policy frameworks has opened up the country and catalysed a period of growth and prosperity unparalleled in Cambodia's recent history. However, to make sure these gains are consolidated and transparent, effective institutions built on the principles of good governance must implement policies that are designed to promote diversified, equitable and sustainable growth. Whether regulating credit markets or effectively implementing TVET programmes, institutional capacity is important in ensuring that government's policies are implemented, enforced and monitored.

Strengthening Cambodia's institutions requires long-term capacity building and coordination between government and development partners around set objectives. Typically, however, it is hindered by a disparity between the expectations of development partners and the reality of institutional capacity. Development partners generally expect quick results, but in reality the systemic deficiencies in Cambodian institutions will take time to address; institutional capacity is not just a socioeconomic problem, it also has important cultural and political aspects, which by their nature cannot be changed overnight. To be effective, expectation and reality must be reconciled in appropriate policy interventions. The government sees capacity building as realistically taking between 5-10 years to achieve global standard institutions, and this is the timeframe development partners should also work within, developing and coordinating policy responses accordingly.

Figure 3: Projected Power Line Extension



Source: Presentations from the 2011 Outlook Conference.

Decentralisation at the Municipal, District and Khan Level: A Quick Review of Progress¹

The government's Three Year Implementation Plan (IP3) states that district and municipal administration (D/M) is the key to decentralisation in the next three years and beyond (NCDD 2010d, 2010e). It is expected to be the key tier in service delivery and working closely and supporting the commune/sangkat (C/S). This is a high expectation for the D/M, whose role before 2009 was largely to be an administrative arm of the province. To move D/Ms closer to their expected roles, a lot of capacity building is needed.

Based on recent policy documents and brief fieldwork in four districts, this article reviews progress since the D/M councils were elected in May 2009. It argues that: (1) while tasks of building D/M capacity are huge, they do not start from scratch, but can build on the experience of D/M pilot projects, and (2) in addition to the technical/administrative challenges, political factors and lack of collaboration of non-state actors also need to be understood.

1. Policy Directions

1.1. Organisational Structure

There are now two general types of sub-national administration (SNA): regional (provinces) and local (capital, D/M, C/S). D/M councils are indirectly elected and a board of governors centrally appointed.² By law (RGC 2008), the board is accountable to both the central government and the council.³ However, that the board is appointed raises concerns about horizontal accountability.⁴ In rural areas, the district council is accountable to the C/S, while in urban areas, the municipality,

while still downwardly accountable, supervises and delegate functions and resources to the C/S.⁵

D/M councils are to establish at least a technical facilitation committee, women's and children's affairs committee and procurement committee. These committees, with some variations, are chaired by the district governor; its members include the deputy governor, administrative staff, selected district councillors, heads of line offices and C/S chiefs. The technical facilitation committee is important in the preparation of D/M development plans and budgets, liaison with line offices and C/S and other work (RGC 2009b; MoI 2010b). The council may assign the board of governors to assist the council or assign the board of governors to take the lead in preparation of documents and conducting studies of local needs. The board also has the duty of guiding, supporting and coordinating line offices and ensuring that they play their roles properly (RGC 2009a).

It is expected that in the next 10 years the D/M will become key to service delivery. For this, the capacity will need to be built, a mission that dominates the agenda of the IP3. The plan states that the development of D/M capacity is the responsibility of the "whole of government" but particularly and initially of the ministries of Interior, Economy and Finance and Planning and the State Secretariat for Civil Servants (SSCS), under the umbrella and policy leadership of NCDD (NCDD 2010d, 2010e).

The priority need is the development of human resources, followed by organisational systems and skills, management and effective allocation of financial resources, service delivery, strategic development planning, understanding of and compliance with the concept of legal control (NCDD 2010e). It is expected that by the end of IP3, D/Ms will be fully staffed to perform development

1 This article is prepared by PAK Kimchoeun, senior research fellow, THON Vimealea, research associate, and KRUY Virak, research associate, at CDRI.

2 Articles 14 and 141 of the Organic Law.

3 Article 154 of the Organic Law.

4 Although the council may submit a written request to the minister of the Interior to terminate a governor or deputy governor (Article 152).

5 Articles 106-113, Section 8 and 9 and Article 98, Section 7, Chapter 2, Organic Law.

activities and support the C/S; they will have discretionary funds and project funding mechanisms and the capacity to use administrative and financial systems to provide services, build infrastructure, promote economic development and manage local natural resources (NCDD 2010e).

1.2. Functional Assignment, Planning and Budgeting

The Organic Law requires SNAs to move beyond their general mandate to service delivery. This implies functional identification and assignment among ministries. The IP3 sets out a roadmap for identifying service delivery functions that can be deconcentrated, delegated or assigned to regional and local SNA. It is expected that within the lifetime of the IP3, functional reassignment can start with the piloting and countrywide replication of provincial deconcentration arrangements and D/M and C/S contractual delegation (NCDD 2010e).

In parallel with functional assignment, a SNA planning and budgeting system needs to be developed, especially for D/Ms (NCDD 2010c; MoI 2010b). First the D/M needs to develop a five year development and three year rolling program (3YRP). To do that, it needs a strategic framework reflecting the priorities of the C/S while also representing medium- and long-term policies of D/M councils. As functional reassignments proceed, the D/M will move beyond coordination of outside service deliverers, so the capacity for internal programming and planning needs to be enhanced (NCDD 2010b, 2010e).

The five-year plan and 3YRP are prerequisites for SNAs to receive their funds (RGC 2009c). According to the law, SNAs have the right to appropriate financial resources, from own-source revenues and state transfers, to fulfil their studies and perform their functions.⁶ More detailed provisions of SNA finance are stipulated in the draft Law on Financial Regime and Asset Management of Sub-National Administrations, which has been passed by the National Assembly and is expected to be promulgated soon.⁷

D/Ms are expected to receive a discretionary D/M Fund (NCDD 2010e). When transferred, it will be placed under the control of the D/M to manage in

accordance with public financial management rules and regulations. SNA financial management capacity, the capacity of the MEF to monitor SNA financial management and the capacity of the National Audit Authority will need to be strengthened.

2. Previous Pilot Projects

Without downplaying the work that lies ahead, D/M capacity building does not start from scratch. Since prior to May 2009, some district capacity has been built through pilot projects, including district initiatives (DI), the Project on Improvement of Local Administration in Cambodia (PILAC) and One Window Service Office and District Ombudsman (OWSO-DO)⁸.

2.1. District Initiatives

The DI project to support districts was established by the MoI in 2006 with support from the Project to Support Democratic Development through Decentralisation and Deconcentration and the Natural Resource Management and Livelihood Project (NCDD 2009). Each district receives USD20,000–30,000 a year for local and inter-communal development.⁹ DI were established to strengthen district structure, develop officials' capacity, transfer roles and responsibilities, transfer discretionary use and management of DI funds and provide district a role in alleviating poverty through support of district investment projects (NCDD 2007; Mekong Think Tank 2010).

So far 106 districts have been chosen for 2339 inter-communal projects worth USD10.3 million, mainly in water resources, agriculture, rural infrastructure and natural resources management. District technical committees have established a focal person to conduct monitoring and evaluation and to gather information on progress and challenges (MoI 2010a).

DI built the organisational capacity through the District Development Committees, which taught districts to cooperate with C/S in choosing, planning

⁸ Other projects that helped build capacity of the districts include Inter-communal Cooperation (ICC) under the Democratic and Decentralized Local Governance Project (DDLG) (2006-2010) funded by European Commission and UNDP, and Cambodia Criminal Justice Assistance Project (CCJAP III) (2007-2012) funded by the Australian Government.

⁹ Interview with NCDD official (18 May 2011).

⁶ Article 247-249 of the Organic Law.

⁷ Interview with NCDD official (18 May 2011).

and implementing inter-communal projects. DI also brought involvement from line offices in planning and implementation.¹⁰ DI clearly informed local agencies of their responsibilities and encouraged horizontal coordination.

DI got district officials to design inter-communal development plans and use and manage their funds to support C/S, which increased their knowledge and understanding of their localities, planning, budget management, project implementation and related activities.¹¹ DI contributed to formulating law and regulations for districts, promoting local understanding of democratic development and reflecting what is still needed in functional reassignment and the transfer of resources and decision-making power.

2.2. Project for Improvement of Local Administration in Cambodia

PILAC, implemented since early 2007, aims to enhance the capacity of provincial and district officials on D&D policy and has a long-term goal to establish human resources development (HRD) systems for local administration.

PILAC has provided individuals at the national level with knowledge and skills to train their peers. So far, PILAC has trained MoI trainers, who later trained nationwide sub-national officials in preparation for the IP3. PILAC has identified key areas for improvement of MoI's HRD system (MoI 2008a, 2008b). It also provides inputs from studies to a plan to improve local administration HRD. It suggests 3 options¹² to clearly distinguish the roles and responsibilities of Department of Personnel and Vocational Training and Department of Local Administration regarding capacity building for sub-national officials.

PILAC has prepared some ground for SNA through its national training for sub-national officials, its studies of HRD improvement in the

context of D&D and its review of institutional barriers to capacity development.

2.3. One Window Service Office and District Ombudsman

The OWSO-DO project is smaller than the other two. Launched in 2005 in Battambang and Siem Reap municipalities, it was supported by the Konrad Adenauer Foundation and European Commission and was later part of a World Bank project called Demand for Good Governance. The objective is to address the slow progress of D&D, while giving municipalities a role in providing their constituents with services in simplified procedures with transparent fees (NCDD 2010a).

As of late 2010, OWSO-DO had expanded to seven other municipalities. The project has adopted regulations for the functioning of OWSO-DO, equipped physical infrastructure for target municipalities and recruited officials for training in technical aspects of delegated functions (NCDD 2010a).

OWSO-DO's role in service delivery has provided municipalities a platform to absorb service provision functions delegated from six line ministries (RGC 2001). The project has established a pioneering mechanism for D/M service delivery that is client-friendly, transparent, accountable and efficient (NCDD 2010a). OWSO-DO reduces graft through transparent and accountable service delivery (Thon *et al.* 2011).

OWSO-DO has changed local government's attitude from ruler to server. In addition, the project familiarises citizens with seeking services from the state while restoring trust in authority. The project offered opportunity for local governments to broaden their understanding of local democratic development while strengthening their capacity in service delivery.

Overall, OWSO-DO prepared municipalities officials regarding capacity in service delivery, got central administration to adopt necessary laws and regulations, speeded up deconcentration, changed the attitude of local government and established an improved mechanism for service delivery.

3. Field Findings

Brief fieldwork in four districts gave an overview of progress since May 2009.

¹⁰ *ibid.*

¹¹ *ibid.*

¹² Clarify the roles and responsibilities of DPV and DoLA on training of local administration officials by amending current regulations or issuing a new regulation; Create a new Department responsible for training of civil servants at all sub-national levels; and Establish a national institute for local administration.

3.1. Organisational Building and Functioning

Partly because of the absence of a proper development plan and budget, councils had had little activity, except for the monthly meeting with the board of governors. When development plans are prepared and funds are transferred, it is expected that councils will be more active and more able to hold the board accountable for D/M operation and development.

However, early findings suggest some less obvious factors that also determine the activity and influence of a D/M council, including the profiles of the chiefs, their relationship with the governor within the party hierarchy and how they were nominated for the 2009 election. Among the 72 councillors of four districts, about 65 percent of them were older than 55 years when elected. Some interviewees see age as bringing experience into councils; others see it as a cause of lack of vigour in the performance of council tasks.

In three of the four districts, the chiefs were former district governors of the same or other districts, and their nominations were initiated by the provincial party and governor. In these cases, the chiefs of the council seem more influential and respected, because their nomination was less influenced by the district party branch headed by the governor. In the other district, the chief was a former district senior staff, whose nomination, while also approved by the province, was initiated by the district party. In this case, he was seen as less influential than the governor.

Field interviews suggest that party seniority and loyalty are the key criteria for nominating D/M councillor candidates. First, seniority is seen by the party as “experience”, which is expected to be helpful. Second, candidacy is a form of reward for many retiring activists. The latter rationale was strongly appreciated by all the D/M councillors interviewed. Parties besides the ruling party are said to use a similar rationale, although to a lesser extent.

Although the council is said to be the representative of the D/M, the board of governors, especially the governor, oversees the operation of a D/M. Interestingly, there are now more young faces in governor or deputy governor positions. In one province, more than 80 percent of district governors are younger than 40 and are graduates from the Royal School of Public Administration. By the next term of office, it is expected that most

district governors who served before 2009 will have reached retirement age.¹³

D/M councils have so far established the women and children committees (MoI 2009) and technical facilitation committees (RGC 2009b). Procurement committees have not been established because there have not been funds transfers and management. The two established committees had not had any major activity. In the districts visited, the established committees have two to four councillors, the other members coming from the board of governors and line offices. Three of the four districts have one councillor from the opposition.

Other organisational developments since 2009 include some personnel and administrative restructuring, first started with the change to Chief of Administration, which consists of a chief administrator and two deputy chiefs. Another is the establishment of the Administration and Finance, Planning and C/S Support and Inter-sectoral offices. Another change is the appointment of district advisers and, possibly in the near future, district facilitators and technical support officers under the district administration.¹⁴

Challenges for the boards at this early stage are the lack of capable staff and of collaboration from line offices. For instance, in the preparation of the Five Year Development Plan and 3YRP, the district has to call on assistance from planning officials, a district facilitation team or an experienced member of the council.

Line offices still tend to listen to their vertical line of command. However, district officials expressed understanding for their line offices’ lack of activity and cooperation, pointing to their low salary and lack of clear functional transfers and funds. The involvement of line offices requires not just changing ways of working at the D/M, but functional and revenue assignment, which needs to come from the national level.

3.2. Development Planning and Budgeting

The districts are now finalising their first Five Year Development Plan and 3YRP, a key step in the preparation for the transfer from the D/M Fund. The government in the last two years has drafted regulations, guidelines and manuals and conducted

¹³ Field interviews with a district governor (3 May 2011).

¹⁴ *ibid.*

training on plan preparation (NCDD 2011). Two or three district staff were sent for training in how to prepare and coordinate planning.

The Five Year Plan provides direction for what the D/M administration plans to do in its term, whereas the 3YRP is its operationalisation, which needs to be reviewed annually (RGC 2009c). The plans need to be prepared and approved by the council no later than the second year of the council and be sent to the province for review and comments (MoI 2010c). The plan as approved by the council is to be made publicly available. A working group composed of the D/M governor, deputy governor, chief administrator, heads of planning and technical offices prepares the plans. It submits the plans to the board of governors and technical facilitation committee to review and advise the council before approval.

The D/M plans are based on inputs from the C/S, line offices, NGOs and the private sector. The D/M needs to summarise, synthesise and prioritise activities based on the sub-plans proposed by these actors (NCDD 2010c). Officials preparing the D/M plans indicated that their previous experience made the collecting and synthesising of commune proposals familiar. However, line offices are still catching up, for they have never prepared plans for district consolidation; they still see planning through sectoral lenses.

Officials also indicated that experience in DI projects helped familiarise them with identifying inter-communal local needs and to reflect those needs as district priorities. They also find the commune planning databases generated since 2002 very useful, especially in analysing social and economic situations. However, they still find it hard to get inputs from NGOs, and even more difficult from private enterprises that have been acting as service providers.

4. Conclusions

It seems that not much has been happening if one compares what has been achieved with what is expected of the D/M. However, the key achievements are the fruits of a longer, complicated and sensitive process of political and technical discussion.

Building D/M capacity is time-consuming, but it is important not to belittle the development experiences accumulated through pilot projects. D/Ms have learned to reflect C/S voices and needs, while familiarising themselves with participatory

development, standard public financial management and technical supervision of projects.

Lastly, a lot has happened since the council election to bring the D/M reforms forward. Good research is needed to feed new evidence and ideas into the reform. It should of course touch on the specific technical issues, but a number of informal political factors are also critical and need to be explored.

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Survey on Commune Capacity and Readiness in Managing Local Development Projects: Preliminary Findings¹

1. Introduction

A critical aspect of decentralisation reform is to provide a framework for commune/sangkat councils to manage and coordinate development projects and other local initiatives. Analysis of projects funded by the Asian Development Bank (ADB) from 2009 to 2012 reveals that 77 percent of project implementation is the shared responsibility of sub-national authorities and national government. The ADB Cambodia Country Partnership Strategy 2011–13 mostly focuses on communities in the Tonle Sap Basin (ADB 2009; Tariq 2011).

It follows then that the commune council, a key institution of sub-national government, has been and will continue to be responsible for implementing development projects to improve the livelihoods of local communities within its administrative boundaries. Therefore, a deeper understanding of commune councils' capacity and experience in implementing development projects and initiatives could aid better targeting of grassroots development projects.

This article presents a practical methodology for ranking a commune's capacity to manage and implement local development projects. The term "commune capacity" refers to not only the availability of commune infrastructure and facilities but also to the capacity and performance of commune councillors.

2. Factors for Ranking Commune Capacity

Many studies on decentralisation and deconcentration provide generic knowledge of sub-national government, especially commune councils' administrative procedures, functions, capacities and contributions in relation to democratic governance and development. A number of challenges and strategic responses have also been highlighted in the literature, as outlined below.

Natural resources such as water, fisheries and forests provide critical livelihood and income sources for people in geographical areas like the Tonle Sap Basin. Yet, commune councils' capacity and experience in managing and allocating these natural resources in a sustainable and equitable manner is still limited. Rusten et al. (2004) contend that commune councils lack knowledge and understanding of how natural resources could be managed, while Kim & Henke (2005) report that the protection of natural resources is one of the most critical contemporary challenges that commune councils face. In a more recent study, Vimealea et al. (2009) conclude that commune councils' natural resources management capacity requires strengthening, and that natural resources management at local level should be better linked with central government.

The participatory design of local development projects, including budgeting and planning, is supposed to engender and involve community decision-making. However, planning and budget committees are weak, and it is likely that only a few members are active (Kim & Henke 2005). Limited funding and specific timeframes may push commune councillors to establish priorities before consulting villagers or to impose activities that suit funders' rather than villagers' priorities. Furthermore, the quality of consultation depends not only on the capacity of the committee, but also on the capacity of individual committee members.

Local development projects are financed by the Commune/Sangkat Fund (CSF) and other external

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sources, including individuals and political parties (Vimealea et al. 2009). Thus commune councils often have to respond to the targets agreed with the donors, and this is a challenge.

To summarise, multiple factors determine commune councils' capacity, which in turn conditions their performance of tasks and responsibilities and the quality and quantity of outputs. Capacity is defined as the ability to carry out functions effectively, efficiently and sustainably and to achieve development objectives over time (Blagescu & Young 2006; Em 2008). Hence, commune council capacity involves both commune management systems and resources, including councillors' abilities. Ten determining factors of commune councils' and individual councillors' capacities were identified:

Poverty: The poverty rate indicates the challenges to development, especially in order to achieve the annual 1 percent poverty reduction set in Rectangular Strategy Phase II (RGC 2008). The non-poverty figure is defined as 100 minus the poverty rate; a low non-poverty rate indicates that poverty and vulnerability remain high, indicating that income, livelihood sources and food security, among others, need to be enhanced and diversified.

Geographic Location: Remoteness of the commune from main roads makes transportation of farm products to market and coordination of externally supported activities challenging and expensive.

Commune Office: Commune councils are supposed to be the focus of public services, local initiatives and discussion, the administration of which requires proper office space.

Facilities: Basic office furniture and equipment are necessary to support commune coordinating services and activities. For instance, having enough filing cabinets for proper documentation and record keeping could provide quicker services.

Meetings: Commune councillors make participatory decisions at the council meetings, which are usually held monthly. These and other ad hoc meetings and consultations are organised at the commune office. Meeting records are shared with higher offices. Frequent systematic consultation with active participation and well-recorded minutes provide a strong sense of inclusive decision making.

Financial Systems: Commune councillors have access to a number of funding sources. A commune's financial management system reflects its accountability to funders. At least two financial mechanisms – that of the Department of Local Administration (DoLA) and that of funding agencies – have been adopted at commune level. It should be noted that different funding agencies have different financial and accounting systems.

Project Design and Funding: Participatory project design for local development initiatives evolves through consultation with villagers in order to respond to local needs. The prioritisation of activities in the commune investment plan is the result of local consultation.

Environment and Community: It is important that councillors know about and understand environmental impacts and climate change. This will help them design environmentally-friendly local initiatives and identify priorities. The commune investment plan is also expected to include social factors such as conflict resolution gender equity, and participation of marginalised groups such as ethnic minorities and people affected by HIV.

Support Staff: Although the numbers of elected councillors are assumed to represent the whole commune population, practical service delivery and consultation on development projects varies. Qualified and experienced staff to undertake supporting roles can be recruited through hiring, volunteerism and secondment.

Human Resources and Training: It is expected that the management of service delivery will improve through consultation and participation in knowledge-sharing events and training courses. It is expected that councillors' confidence to exercise their roles and responsibilities will increase through working together.

3. Ranking Method

Scoring Procedure: A sub-set of questions was devised for each factor. Each factor is scored from 0 to 100. The presence of significant factors gets a high score. For example, a brick built commune office is scored higher than a wooden one. The scoring method can be applied for comparing specific aspects of commune capacity, i.e. certain factors, or the Commune Capacity Index (CCI), i.e. all 10 factors, can be used to obtain a broader overview.

Table 1: Scoring System for the 10 Factors

Factor		Actual score (after survey)
A.	Non-poverty rate in the commune (100 - poverty rate)	= 100 – 58.2 = 41.8
B.	Geographic Location	75
C.	Commune Office	95
D.	Commune Facility	35
E.	Meetings	95
F.	Financial System	90
G.	Project Design and Funding	90
H.	Environment and Community	100
I.	Commune Support Staff	47
J.	Human Resources and Training	44
CCI = 712.8/1000		0.7128

Table 2: Commune Selection Based on Previous Projects

Projects	Total project communes	Selection quota (15%)	Selected project communes	Single project communes	Multiple project communes
TSSLP (concluded)	37	6	10	1	9
TSEMP (concluded)	92	14	19	1	18
TSLRDP (recently begun)	40	6	31	20	11
TSSDHP (about to start)	193	30	36	19	17
TSRWSS (about to start)	40	6	19	3	16
Non-ADB project communes	230	35	20	0	0
Total	632	97			

Maximum sampling error: 9.35 percent

Index Calculation: The Commune Capacity Index (CCI) is the total score of all 10 factors divided by 1,000, which is the total possible score (100 for each factor). The CCI is therefore between 0 and 1, where 0 represents the lowest capacity and 1 the highest. An example of CCI calculation for a commune is given in Table 1.

Commune Selection: This ranking method can be used to compare communes in terms of the 10 selected factors, but it is worth observing the interaction of related factors. Therefore, communes targeted by five ADB projects in seven provinces were selected for survey. The ADB projects are the Tonle Sap Environment Management Project (TSEMP), Tonle Sap Sustainable Livelihood Project (TSSLP), Tonle Sap Rural Lowland Development Project (TSLRDP), Tonle Sap Rural Water Supply and Sanitation (TSRWSS) and Tonle Sap Smallholder Development Project (TSSHDP). The TSEMP and TSSLP have already been concluded, TSLRDP began recently, while TSSHDP and TSRWSS will begin soon. The provinces are Banteay Meanchey,

Battambang, Kompong Cham, Kompong Chhnang, Kompong Thom, Pursat and Siem Reap. Communes in the same provinces but not targeted by these ADB projects were also selected for comparative purposes.

Of the 632 communes in the seven provinces bordering the Tonle Sap Lake and the Mekong River, 402 are targeted by ADB projects and 230 are not. A random selection of 15 percent of the total population provides a good normal distribution with a sampling error of about 10 percent, possibly caused by the purposeful selection of communes that were targeted by ADB projects from 2008 to 2010.²

Data Collection: The study garnered information through focus group discussions (FGDs), using a multiple choice questionnaire based on the 10 selected factors, with commune officers. For information quality, it was ensured that at least fifty percent of the councillors in each selected commune

² Random sampling generator of $n = N/(1+Ne^2)$ (Zulueta & Costales 2006)

Table 3: Top 10 Surveyed Communes with Scores on 10 Selected Factors

Province	District	Commune	Factors										CCI
			A	B	C	D	E	F	G	H	I	J	
Battambang	Sangkae	Kompong Preah	69.2	90	95	69	90	95	95	85	61	56	0.81
Banteay Meanchey	Krong Serei Saophoan	Preah Ponlea	86.9	90	70	49	95	100	100	100	42	64	0.80
Pursat	Bakan	Snam Preah	64.2	90	95	69	100	100	90	100	45	49	0.80
Battambang	Thma Koul	Ou Ta Ki	74.4	90	95	65	100	100	95	95	19	61	0.79
Kompong Cham	Stung Trang	Prek Bak	74.6	90	95	42	100	95	95	100	39	55	0.79
Pursat	Bakan	Trapeang Chong	68.2	90	85	61	95	100	95	80	59	56	0.79
Pursat	Krakor	Chheu Tom	65.5	80	95	59	100	100	95	100	42	55	0.79
Kompong Cham	Batheay	Sambour	74.3	85	95	47	95	95	95	95	41	54	0.78
Banteay Meanchey	Mongkol Borei	Banteay Neang	70.8	90	95	54	95	95	95	85	62	31	0.77
Kompong Thom	Stoung	Pralay	61.6	90	95	32	95	95	95	90	57	63	0.77

A: non-poverty rate, B: Geographic location, C: office, D: Facilities, E: meetings, F: Financial system, G: Project design and funding, H: Environment and community, I: Support staff, J: Human resources and training

Table 4: Factor Comparison of Two Surveyed Communes

Factor		Kompong Preah Kokir*	Kompong Preah**
A	Non-poverty rate	59.7	69.2
B	Geographical location	75	90
C	Commune office	70	95
D	Commune facilities	9	69
E	Meetings	90	90
F	Financial system	90	95
G	Project design and funding	75	95
H	Environment and community	65	85
I	Commune support staff	36	61
J	Human resources and training	35	56
	CCI	0.6	0.81

* Kompong Preah Kokir commune is in Baribour district, Kampong Chhnang province.

** Kompong Preah commune is in Sangkae District, Battambang province.

participated in the FGDs. The information was then recorded and scored for analysis.³

4. Key Findings

The main output from the survey is the Commune Capacity Index (CCI), a key indicator for general measurement of commune capacity. Another significant output is the set of 10 determining factors for identifying particular aspects of commune capacity. Table 3 shows the results for the 10

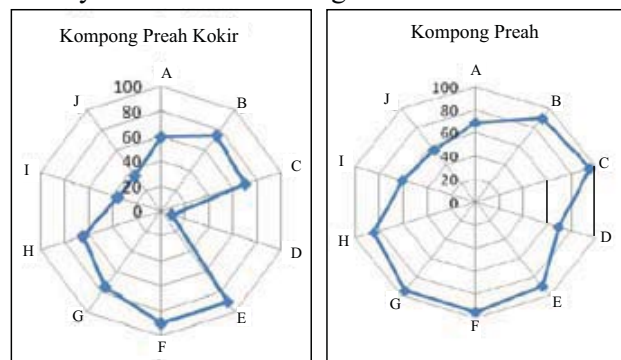
communes with the highest scores. The complete CCI is available in Em & Kim (2011).

To illustrate the use of the CCI, the scores of two communes are compared in Table 4. Kompong Preah Kokir has a CCI of 0.6 and Kompong Preah 0.81. Kompong Preah commune has a higher combined score (all 10 factors) than Kompong Preah Kokir, which means that Kompong Preah has higher capacity for managing development projects.

Plotting the 10 factor scores on a radar chart (Figure 1) makes it easier to see and compare the capacity of the two communes.

³ For further information on ranking methods and data collection tools, please contact Em Sorany and Kim Sour at CDRI.

Figure 1: Comparing the Capacity of the Two Surveyed Communes Using the 10 Factors



A: non-poverty rate, B: Geographic location, C: office, D: Facilities, E: meetings, F: Financial system, G: Project design and funding, H: Environment and community, I: Support staff, J: Human resources and training

The CCIs of the 97 surveyed communes were categorised into three levels based on frequency analysis: high, medium and low. High CCI was classed as greater than 0.74, medium in the range of 0.70 to 0.74, and low less than 0.70. Almost 29 percent of the surveyed communes were found to have a high CCI, around 45 percent medium and nearly 26 percent low.

Mapping the communes using the above categories, it can be seen that communes located near main roads (National Roads 5 or 6) are in the mainly high and medium capacity categories. The communes located far from the main roads fall into the low capacity category.

In this case, it can be surmised that communes that are distant or difficult to access are in a disadvantageous position with regards to being selected for projects and thus may tend to be overlooked for funding or support from government or development agencies. As a result, councillors/activists in the more remote communes may be excluded from gaining experience through implementing local projects, which could effectively bar them from the opportunity of strengthening local capacity and building local resources. If the capacity and resources of difficult-to-access communes remain weak, especially when compared to the growing capacity and resources of easier-to-access communes, they could be even less likely to attract small-scale grassroots initiatives let alone externally funded development projects, and hence may be at risk of being increasingly marginalised. It is not surprising then that with the exception of a few communes, geographic location appears to be

correlated with poverty: communes that are hard to access tend to have a high poverty rate.

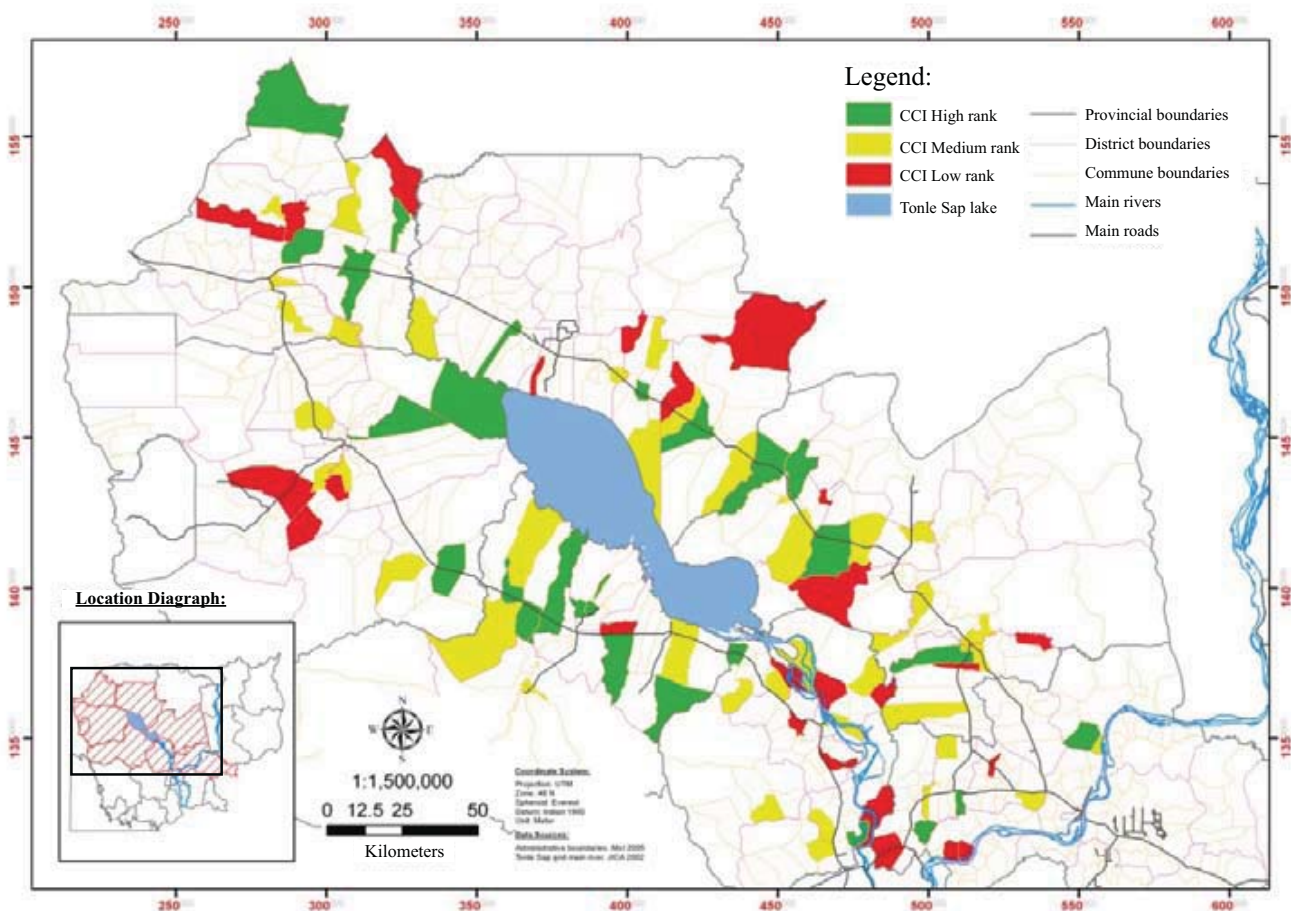
The surveyed communes generally have financial systems in place. Although a commune's total funding from 2008 to 2010 tends to correlate with poverty level, some of the communes that received higher funding during 2008–10 still had high poverty rates. The communes that had ADB support seem to have better capacity than those that had none because most of the 10 factors have been improved through the assistance.

The *Commune/Sangkat* Fund accounted for nearly 50 percent of the total funds available to the surveyed communes from 2008 to 2010. The next largest source was the ADB, providing nearly 39 percent, followed by the Danish International Development Agency (DANIDA), which contributed just over 7 percent. A number of other donors also funded other small projects.

Approximately 60 percent of the surveyed communes' total funding went on local infrastructure projects, such as building and rehabilitating roads, bridges, canals and irrigation schemes, among others. The second largest proportion of funding, around 36 percent, was for livelihood improvement activities and improving natural resource management. The remainder was directed towards social activities, such as basic healthcare education, including care for those affected by HIV, and the protection of children's rights. This suggests that only the two largest project trusts – infrastructure and livelihood improvement – have been implemented by commune councillors. Therefore, commune councillors' experiences have been largely gained through their involvement in coordinating and implementing infrastructure projects under the *Commune/Sangkat* Fund and coordinating livelihood initiatives implemented by other agencies.

The design of infrastructure development projects is facilitated by higher level local administrators and procurement officers with guidelines, procedures and other technical support. However, commune councillors made significant inputs at some stages. For example, their ideas, knowledge and observations regarding traffic movement, water flow, fish and wild animals are important for infrastructure design. Furthermore, commune councillors have a wealth of local experience, such as gathering information from villagers and resolving property conflicts for

Figure 2: Map of Communes Showing CCI Ranks



households affected by projects, which are also critical inputs for project design. With regards to livelihood improvement projects and other social activities, the councillors help decide on project targets while technical matters and financial aspects are managed by project assistants or facilitators.

Generally, understanding of climate change and environmental impacts was limited among the surveyed communes. Implementation of ongoing natural disaster prevention, natural resource management and environmental protection was found to be uneven, depending on geographic location, funding limitations and different coping strategies.

Work on social issues, mainly promoting the participation of women, indigenous groups and those affected by HIV in social and development activities, was undertaken unevenly. These activities are organised under the Commune/Sangkat Fund and are frequently promoted in communes with extra funding from NGOs. Mediation of conflicts over livelihood activities and domestic violence

was well performed, though conflicts still occurred frequently.

5. Conclusion

The CCI is a simple method, based on FGD data collection, of assessing both the capacity of local authorities involved in the implementation of local development projects and the infrastructure and facilities available to them.

Findings of the survey indicate that:

- The communes that received ADB support seem to have better capacity and have performed better than those that did not, yet the communes with higher funding do not necessarily have lower poverty rates.
- Less accessible communes seem to have high poverty rates, and the combined capacity of their commune management systems and human resources may not be adequate for effective project implementation.

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Economy Watch—External Environment¹

This section describes economic indicators of major world economies and economies in South-east and East Asia.

World Economic Growth

After the historic first-quarter contraction in GDP, the global economy began to pick up in the second quarter of 2009 and thereafter. With immediate fiscal policy measures, South-east and East Asia have weathered the crisis quite well, growing on average by 0.7 percent and 8.8 percent 2009 and 2010 respectively. In the fourth quarter of 2010, real GDP growth in Indonesia was 6.9 percent year on year, the highest rate since 2006. Malaysia's GDP growth was down to 4.8 percent, whereas Singapore's growth rebounded to 12 percent. In the same quarter, Thailand's GDP growth contracted by 3.8 percent due mainly to political turmoil and security instability. Real GDP in Vietnam grew by 7.3 percent year on year, up from 5.8 percent in the first quarter of 2010, due to emergency policy measures and government efforts to expand garment exports, services, agriculture and energy and to attract more foreign direct investment.

In 2010, China's GDP grew an average 10 percent year on year, up from 8.4 percent in 2009. In the fourth quarter of 2010, real GDP growth slightly increased to 9.8 percent compared with the previous quarter. In the same period, GDP growth in Hong Kong dropped to 6.2 percent and Taiwan to 6.9 percent, while South Korea GDP was slightly up to 4.8 percent.

With significant GDP contractions averaging 2.7 percent in 2009, developed economies rebounded in 2010, growing by 2.8 percent. In the fourth quarter of 2010, Japanese GDP growth was 2.2 percent, while the United States GDP increased to 2.8 percent compared to the third quarter. The growth rate of the euro-12 was 2.2 percent, a 3.3 percentage point decrease from the first quarter.

World Inflation and Exchange Rates

Inflation in South-east and East Asia was subdued at 1.4 percent in 2009 due largely to the depression in economic activity and lower international commodity prices. In the same period, inflation rate

in some economies even declined during the year as deflation continued. However, inflation increased, on average, to 3.5 percent year on year in 2010, mainly as a result of expansionary policies. Cambodia experienced an increase in inflation to 3.3 percent in the fourth quarter of 2010 from 1.8 percent of the previous quarter. While inflation in Malaysia, Singapore and Thailand increased by an average of 2.7 percent; inflation in Indonesia went up by 6.3 percent and in Vietnam 11 percent. In China, Hong Kong, South Korea and Taiwan, inflation increased on average by 3.0 percent. During the same period, US inflation was 1.3 percent while in the euro-12 it was 2.0 percent. Japan emerged from deflation at 0.1 percent inflation.

Exchange rates in ASEAN countries appreciated on average by 4.0 percent year on year against the US dollar while those of East Asian countries appreciated by 3.6 percent against the US dollar. The appreciations were likely caused by the expansionary policy of the US to stimulate the economy, doubts in economic growth prospects, weak equity market, and current account deficit. In the fourth quarter of 2010, the riels appreciated by 2.7 percent, rupiah by 0.3 percent, ringgit by 1.3 percent, S\$ by 4.4 percent, baht by 5.2 percent compared to the preceding quarter. Vietnamese dong depreciated by 0.1 percent.

In the same period, the China yuan and Hong Kong dollar appreciated on average by 0.8 percent and the South Korea won and Taiwan dollar by 4.5 percent. The euro and Japan yen also appreciated on average by 3.8 percent.

Commodity Prices in World Markets

In 2010, prices of maize increased on average by 9.9 percent year on year to USD183.8/tonne, from USD167.3/tonne in 2009. In the fourth quarter of the year, prices of maize went up by 35.6 percent to USD238.8/tonne compared with the third quarter. Prices of rubber SMR 5 were up by 34.0 percent to USD4257.3/tonne, of soybeans by 13.4 percent to USD480.2/tonne, and of rice by 13.4 percent to USD531/tonne. In the same period, the prices of crude oil increased by 12.4 percent to USD84.2/barrel, of gasoline by 11.0 percent to USD0.5723/litre, and of diesel by 15.0 percent to USD0.6168/litre.

¹ Prepared by Roth Vathana

Economy Watch—External Environment

Table 1. Real GDP Growth of Selected Trading Partners, 2006–10 (percentage increase over previous year)

	2006	2007	2008	2009				2010			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Selected ASEAN countries											
Cambodia	10.6	10.2	6.8	-	-	-	-	-	-	-	-
Indonesia	5.4	6.3	6.1	4.4	3.9	4.2	5.4	5.7	6.2	5.8	6.9
Malaysia	5.9	6.3	4.6	-6.2	-3.9	-1.2	4.5	16.9	8.9	5.3	4.8
Singapore	7.7	7.7	1.1	-10.1	-3.5	0.8	4.0	17.4	18.7	10.5	12.0
Thailand	4.8	4.9	2.6	-7.1	-4.9	-2.8	5.8	12.0	9.2	6.7	3.8
Vietnam	8.1	8.5	6.2	3.1	4.5	5.8	6.9	5.8	6.4	7.2	7.3
Selected other Asian countries											
China	10.5	11.9	9.0	6.1	7.9	9.1	10.7	11.9	10.3	9.7	9.8
Hong Kong	6.6	6.4	2.4	-7.8	-3.8	-2.2	2.6	8.0	6.5	6.8	6.2
South Korea	5.0	4.9	2.2	-4.4	-2.2	0.4	6.1	8.1	7.1	4.5	4.8
Taiwan	4.6	5.2	0.1	-10.2	-7.5	-1.3	8.4	14.6	12.9	9.8	6.9
Selected industrial countries											
Euro-12	2.7	2.9	0.9	-2.5	-4.8	-4.7	0.1	0.6	1.7	1.9	2.0
Japan	2.1	2.0	-0.7	-9.1	0.6	-4.7	-1.4	5.5	3.5	5.0	2.2
United States	3.3	2.2	1.1	-2.6	-3.9	-2.5	2.6	2.8	2.9	2.3	2.8

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

Table 2. Inflation Rate of Selected Trading Partners, 2006–10 (percentage price increase over previous year—period averages)

	2006	2007	2008	2009				2010			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Selected ASEAN countries											
Cambodia	4.7	10.5	19.7	4.3	-4.8	-3.0	1.7	7.0	4.1	1.8	3.3
Indonesia	13.4	6.4	10.1	8.5	5.6	2.78	2.6	3.6	4.4	6.2	6.3
Malaysia	3.7	2.0	5.3	3.7	1.3	-2.23	-0.2	1.3	1.6	1.9	2.1
Singapore	1.0	2.1	6.5	2.1	-0.5	-0.4	-0.3	0.9	3.1	3.4	4.0
Thailand	4.7	2.2	5.5	-0.2	-2.8	-2.1	1.9	3.7	3.3	3.3	2.0
Vietnam	7.7	8.3	23.3	15.1	6.2	2.6	4.6	7.5	9.0	8.4	10.9
Selected other Asian countries											
China	1.5	4.8	5.9	-0.6	1.5	-1.26	0.7	2.1	2.7	3.3	4.7
Hong Kong	2.2	2.0	4.3	1.7	-0.1	-0.9	1.3	1.9	2.6	2.3	2.9
South Korea	2.4	2.5	4.6	3.9	2.8	2.0	2.4	2.7	2.6	2.9	3.6
Taiwan	0.6	1.8	3.2	0.0	-0.8	-1.3	-1.3	1.3	1.1	0.4	1.1
Selected industrial countries											
Euro-12	2.1	2.1	3.3	1.0	0.9	-0.34	0.4	1.1	1.5	1.7	2.0
Japan	0.5	0.1	1.4	-0.1	-1.0	-2.2	-2.0	-1.2	-0.9	-0.9	0.1
United States	3.2	2.9	3.8	-0.2	-0.9	-1.6	1.4	2.3	1.8	1.2	1.3

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

Table 3. Exchange Rates against US Dollar of Selected Trading Partners, 2006–10 (period averages)

	2006	2007	2008	2009				2010			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Selected ASEAN countries											
Cambodia (riel)	4103.20	4062.70	4054.20	4108.00	4128.60	4164.40	4163.10	4180.11	4209.02	4236.69	4122.58
Indonesia (rupiah)	9134.00	9419.00	9699.00	11,630.80	10,225.00	9887.00	9472.44	9266.93	9132.00	8995.11	8965.70
Malaysia (ringgit)	3.70	3.30	3.30	3.60	3.50	3.50	3.40	3.37	3.24	3.15	3.11
Singapore (S\$)	1.59	1.51	4.58	1.51	1.45	1.44	1.39	1.40	1.36	1.36	1.30
Thailand (baht)	37.90	32.22	33.36	35.29	33.98	33.96	33.30	32.90	32.33	31.63	29.99
Vietnam (dong)	15,994.00	16,030.00	16,382.00	16,954.00	17,801.00	17,841.00	18,472.00	18,825.67	18,993.00	19,485.00	19,499.48
Selected other Asian countries											
China (yuan)	7.97	8.03	6.94	6.84	6.83	6.83	6.83	6.83	6.77	6.77	6.66
Hong Kong (HK\$)	7.77	7.80	7.78	7.75	7.75	7.75	7.75	7.76	7.78	7.77	7.76
South Korea (won)	955.00	929.04	1137.23	1412.50	1273.90	1239.04	1167.77	1143.97	1166.04	1182.41	1132.85
Taiwan (NT\$)	32.50	32.85	31.54	34.00	33.10	32.77	32.29	31.93	31.90	31.90	30.36
Selected industrial countries											
Euro-12 (euro)	0.80	0.70	0.84	0.76	0.71	0.70	0.68	0.72	0.79	0.77	0.74
Japan (yen)	116.40	117.80	102.46	93.72	95.95	93.58	89.78	90.73	92.20	85.74	82.53

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

Table 4. Selected Commodity Prices on World Market, 2006–10 (period averages)

	2006	2007	2008	2009				2010			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Maize (USNo.2)—USA (USD/tonne)	111.04	149.08	218.15	183.12	171.16	146.85	168.13	162.88	157.41	176.13	238.81
Palm oil—north-west Europe (USD/tonne)	433.85	707.68	912.23	636.53	719.35	659.16	732.33	N/A	N/A	N/A	N/A
Rubber SMR 5	1996.30	2202.30	2586.30	1439.77	1638.77	1924.80	2536.03	3105.90	3083.73	3175.97	4257.27
Rice (Thai 100% B)—Bangkok (USD/tonne)	282.00	305.36	615.32	522.13	499.45	307.31	569.00	565.67	461.33	468.33	531.00
Soybeans (US No.1)—USA (USD/tonne)	213.88	294.59	460.41	434.40	420.10	411.18	390.43	372.68	370.95	406.88	480.24
Crude oil—OPEC spot (USD/barrel)	61.58	69.25	95.44	42.34	57.46	68.32	73.86	75.73	77.00	74.91	84.17
Gasoline—US Gulf Coast (cents/litre)	47.70	53.58	62.22	31.97	43.11	46.92	49.64	53.87	54.43	51.54	57.23
Diesel (low sulphur No.2)—US Gulf Coast (cents/litre)	51.35	55.51	76.20	34.17	40.51	46.46	51.03	53.87	55.13	53.64	61.68

Sources: Food and Agriculture Organisation and US Energy Information Administration

Economy Watch—Domestic Performance¹

Main Economic Activities

Private investment projects approved decreased by 60 percent for all of 2010, to USD2.3 bn from USD5.6 bn in 2009. In the fourth quarter of 2010, approved projects related to agriculture dropped to USD36.7 m, by 87 percent compared to the previous quarter, while industry went up by 98 percent to USD87.7 m. Service approvals increased to USD1096.2 m from null, having hotels and tourism as the main driving forces.

In the same period, the construction value of houses and villas went down by 32.4 percent to USD9.5 m, the value of flats by 20 percent to USD20.3 m and the value of other construction by 96 percent to USD76.2 m.

Visitor arrivals went up by 21 percent in the fourth quarter of 2010 to 705,100 from 582,000 in the third quarter. Arrivals by air increased by 33 percent to 384,000 and arrivals by land and water by 9.4 percent to 231,000. In 2010, total arrivals for the year increased 16 percent to 2.5 million, from 2.2 million.

Total exports for 2010 increased by half, to USD3.6 bn from USD2.4 bn. Garment exports went up by 56 percent to USD3.2 bn, while agricultural exports increased by 6.6 percent to USD346.7 m. In the fourth quarter of 2010, exports of garments increased 0.5 percent compared to the previous quarter, to USD942.7 m. This was due to orders from the US decreasing by 1.3 percent, while orders from the EU, ASEAN, Japan and rest of the world increased on average by 3.2 percent. During the same period, agricultural exports went up by 19 percent to USD116.0 m; rubber increased by 50 percent to USD38.1 m, wood by 113 percent to USD18.7 m and fish by 64 percent to USD0.8 m.

Total imports in 2010 were up by 12 percent to USD677.1 m. In the fourth quarter, gasoline imports increased by 10 percent to USD30.5 m and diesel by 5.1 percent to USD50.5 m. However, construction materials went down by 17 percent to USD13.8 m and other imports by 8.9 percent to USD582.3 m.

Public Finance

In the fourth quarter of 2010 total revenue increased 17 percent compared to the preceding quarter, to KHR1675.0 bn. Current revenue went up by 9.7 percent, tax revenue by 0.3 percent, non-tax

revenue by 66 percent and capital revenue by 2077 percent. During the same period, total expenditure declined by 19 percent to KHR1945.0 bn, capital expenditure by 24 percent to KHR676.0 bn and current expenditure by 16 percent to KHR1270.0 bn. Wages increased by 0.9 percent while subsidies and social assistance decreased by 42.4 percent and other current expenditure by 13 percent. The budget deficit was KHR208.6 bn.

Inflation and Foreign Exchange Rates

In the fourth quarter of 2010, inflation in Phnom Penh was 3.3 percent from 1.8 percent of the previous quarter, of which the CPI of food and non-alcoholic beverages was 4.1 percent and that of transportation was 3.1 percent. During the same period, the riel appreciated against the US dollar by 2.7 percent, against the Thai baht by 0.7 percent and against the Vietnamese dong by 1.4 percent. The prices of gasoline increased by 2.7 percent to KHR4535 riels/litre and diesel fuel by 3.3 percent to KHR4066 riels/litre.

Monetary Developments

In 2010, total liquidity (M2) increased on average by 18 percent to KHR18,466.0 bn from KHR14,372.0 bn. In the fourth quarter, net foreign assets decreased by 1.2 percent to KHR16,698.0 bn, while net domestic assets were up by 40 percent to KHR2779.0 bn. During the same period, money in circulation increased by 5.2 percent to KHR3221.0 bn; quasi-money went up by 2.7 percent to KHR16,256.0 bn.

Poverty Situation

According to the CDRI vulnerable workers survey in February 2011, real daily earnings of nine of 10 vulnerable worker groups went up significantly compared with the same month in the previous year, while the daily earnings of rice-field workers decreased.

Daily earnings of unskilled construction workers increased by 47 percent from the same month in 2010 to KHR11,339. In addition, their overall real daily spending declined by 8.7 percent to KHR 4081. Of the unskilled construction workers interviewed, 95 percent said that they cannot save for their future despite the increase in their earning and decrease

¹ Prepared by Roth Vattana, Ourn Vimoil and Pon Dorina

in their expenses; 90 percent of them reported that their income is just enough to support their families, which on average number four people. While there was significant increase in the daily earnings of unskilled construction workers, skilled construction workers, who earned more than unskilled people, came across little rise by 5.2 percent to KHR12,540. The majority of them have been working in this occupation around five to six years.

Waitresses' earnings rose by 20 percent from 2010, reaching KHR6180/day. This amount of money is enough to support their families. Waitresses normally do not spend much because their meals and accommodation are provided by the owner, but they also experienced an increase in their daily expenses of 12 percent from KHR1394/day.

Small vegetable traders' earnings expanded by 17 percent to KHR9188/day. Their average capital to run their business is KHR57,250; however, 53 percent of them said that this is not enough. Of the small vegetable traders interviewed, 83 percent migrated from the provinces, mainly Kandal, Prey Veng, Svay Rieng and Takeo. The majority of small vegetable traders were women, of whom 83 percent are married, 15 percent single and 2 percent widows.

The real earnings of cyclo drivers went up by

13 percent to KHR10,678/day. Moreover, their daily expenses shrank by 5.2 percent to KHR4586/day. The 40 cyclo drivers surveyed were all the breadwinner of their families. Only 28 percent owned their cyclo, the others renting it.

Scavengers' daily incomes rose by 12 percent to KHR6960 because of an increase in rubbish prices. Nevertheless, 65 percent of them said that the sources of rubbish declined. Forty-two percent of interviewees reported that their family situation had become worse since they took up this work; 28 percent were the same and 30 percent better off.

The average daily earnings of garment workers increased by 11 percent to KHR8347. Of 120 garment workers interviewed, 41 percent said that they had no skill before taking the job. Because they cannot save for their future, 60 percent wished to change to a new job.

The earnings of rice-field workers, who always have the lowest income among the 10 groups, decreased by 9.9 percent to KHR4826/day. Of the rice-field workers interviewed, 55 percent are landless and 40 percent have agricultural land of less than a hectare. The majority attended primary school but none reached a high school diploma.

Continued from page 11 **Decentralisation.....**

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Economy Watch—Domestic Performance

Table 1. Private Investment Projects Approved, 2005–10

	2005	2006	2007	2008	2009				2010			
					Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	Fixed Assets (USD m)											
Agriculture	26.8	498.0	135.6	92	175.3	0.0	176.1	94.4	165.7	41.4	278.0	36.7
Industry	914.6	365.3	709.1	724.9	257.7	39.4	60.6	685.5	247.7	54.5	44.3	87.7
. <i>Garments</i>	174.4	89.4	170.7	142.8	16.4	35.0	21.9	14.2	13.1	21.3	29.3	50.0
Services	155.5	2939.1	1742.5	10,003.2	495.6	0.0	150.2	3475.8	89.5	121.6	0	1096.2
. <i>Hotels and tourism</i>	102.6	345.0	1048.3	8758.1	254.1	0.0	150.2	0.0	3.78	14.0	0	1087.4
Total	1096.9	3802.4	2587.2	10,570.9	928.6	39.4	386.3	4255.7	502.9	217.5	322.3	1220.6
	Percentage change from previous quarter											
Total	-	-	-	-	-41.2	-95.7	882.0	1001.7	-91.2	-56.8	48.2	278.8
	Percentage change from previous year											
Total	275.6	246.6	-32.0	308.6	266.5	-99.0	-91.5	169.3	-59.8	452.0	-16.6	-71.3

Including expansion project approvals. Source: Cambodian Investment Board

Table 2. Value of Construction Project Approvals in Phnom Penh, 2005–10

	2005	2006	2007	2008	2009				2010			
					Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	USD m											
Villas and houses	45.5	33.1	79.1	154.7	32.1	6.7	15.6	9.8	5.1	7.5	14.1	9.5
Flats	204.2	213.3	297.2	221.6	95.2	18.9	7.4	28.0	11.1	127.2	25.3	20.3
Other	109.1	76.8	259.6	740.9	53.7	36.7	68.4	29.0	35.2	67.4	38.9	76.2
Total	358.8	323.3	635.8	1117.0	181.1	62.3	91.4	66.8	51.4	202.1	78.4	106.0
	Percentage change from previous quarter											
Total	-	-	-	-	-48.5	-65.6	46.6	-26.9	-23.1	293.2	-61.2	35.3
	Percentage change from previous year											
Total	36.2	-9.9	96.7	75.7	31.9	-55.8	-81.2	-81.0	-71.6	224.4	278.5	58.7

Source: Department of Cadastre and Geography of Phnom Penh municipality

Table 3. Foreign Visitor Arrivals, 2005–10

	2005	2006	2007	2008	2009				2010			
					Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	Thousands											
By air	856.5	1029.0	1296.5	1239.4	335.2	221.2	247.2	308.1	371.5	260.9	288.3	383.7
By land and water	565.1	672.9	718.6	881.9	287.1	243.0	240.2	279.5	312.2	276.6	293.8	321.4
Total	1421.6	1701.9	2015.1	2121.3	622.3	464.2	487.4	587.6	683.7	537.5	582.0	705.1
	Percentage change from previous quarter											
Total	-	-	-	-	7.7	-25.4	5.0	20.6	16.4	-21.4	8.3	21.2
	Percentage change from previous year											
Total	34.7	19.7	28.4	5.3	-3.4	2.2	9.4	1.7	9.9	15.8	19.4	20.0

Source: Ministry of Tourism

Table 4. Exports and Imports, 2005–10

	2005	2006	2007	2008	2009	2010							
					Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
	USD m												
Total exports	2452.5	2920.4	3160.1	3206.9	568.94	558.11	618.84	648.87	688.24	786.29	1036.17	1058.79	
Of which: Garments	2352.8	2810.8	3050.2	3097.8	462.2	492.4	535.5	579.3	625.48	716.85	938.28	942.74	
. To U S	1555.6	1851.7	1959.9	1913.0	88.0	88.1	89.3	80.1	380.54	416.71	531.85	524.75	
. To EU	506.9	603.0	660.9	693.4	108.6	128.3	125.7	113.8	137.22	184.83	239.40	248.03	
. To ASEAN	70.7	80.4	90.3	99.6	51.0	55.1	62.1	152.1	2.20	1.87	2.85	2.99	
. To Japan	25.0	40.6	30.1	26.5	110.9	112.8	149.3	128.3	19.82	14.86	25.53	26.25	
. To rest of the world	194.6	235.1	309.0	365.3	103.7	108.1	109.1	105.0	85.70	98.58	138.64	140.72	
Agriculture	99.7	109.6	109.9	109.1	106.74	65.71	83.34	69.57	62.76	70.00	97.9	116.05	
. Rubber	36.7	41.5	41.0	35.8	11.79	8.27	15.08	16.49	11.94	13.81	25.4	38.07	
. Wood	10.3	8.6	8.7	3.4	0.55	0.5	0.64	1.83	2.75	4.48	8.8	18.70	
. Fish	10.1	5.9	3.2	2.3	0.83	0.85	1.11	1.2	0.81	0.66	0.5	0.82	
. Other	42.6	53.6	57.0	67.6	93.57	56.09	66.51	50.05	47.26	51.15	63.2	58.46	
Total imports	2513	512.2	554.8	1010.9	585.3	608.1	484.4	532.8	505.6	563.2	731.3	677.1	
Of which: Gasoline	40.2	38.8	58.7	70.1	16.8	15.6	19.3	19.4	28.81	22.37	27.63	30.50	
Diesel	93.1	113.0	122.8	113.5	34.2	40.0	46.0	43.1	49.81	55.44	48.04	50.48	
Construction materials	134.7	56.5	69.0	77.8	13.8	14.8	15.7	13.3	13.7	13.2	16.7	13.8	
Other	2245	303.9	304.3	749.5	520.5	537.7	403.4	457.0	413.3	472.2	638.9	582.3	
Trade balance	-60.5	2408.2	2605.3	2196	-16.36	-49.99	134.44	116.07	182.64	223.09	304.87	381.69	
	Percentage change from previous quarter												
Total garment exports	-	-	-	-	-21.9	-1.9	10.9	4.9	6.1	14.2	31.8	2.2	
Total exports	-	-	-	-	-36.1	3.9	-20.3	10.0	-5.1	11.4	29.8	-7.4	
Total imports	-	-	-	-	-91.3	205.6	-368.9	-13.7	57.4	22.1	36.7	25.2	
	Percentage change from previous year												
Total garment exports	11.6	19.5	8.5	1.6	-29.2	3.4	-33.4	-10.9	21.0	40.9	67.4	63.2	
Total exports	12.0	19.1	8.2	1.5	-40.5	-48.4	-52.8	-41.9	-13.6	-7.4	51.0	27.1	
Total imports	16.9	-79.6	8.3	82.2	-90.9	-92.2	-236.6	-161.8	-1216.4	-546.3	126.8	228.8	

Import data include tax-exempt imports. Sources: Department of Trade Preferences Systems, MOC and Customs and Excise Department, MEF (web site). *Updated data

Table 5. National Budget Operations on Cash Basis, 2005–10 (billion riels)

	2005	2006	2007	2008	2009	2010							
					Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Total revenue	2625.0	3259.2	1146.1	5290.0	1101.7	1252.7	1184.7	1346.1	1536.8	1341.1	1436.0	1675.0	
Current revenue	2474.0	2881.8	1141.6	5210.7	1097.7	1245.7	1174.9	1337.7	1526.4	1330.9	1431.2	1570.5	
Tax revenue	1911.0	2270.9	965.2	4409.9	947.4	1096.5	999.5	1224.1	1094.1	1143.8	1225.5	1229.6	
Domestic tax	-	-	661.8	3248.4	712.0	838.7	731.8	808.5	820.3	890.9	916.9	905.5	
Taxes on international trade	-	-	303.5	1161.5	235.4	257.8	268.0	303.4	273.7	253.0	308.6	324.1	
Non-tax revenue	563.0	610.9	176.4	800.8	150.3	149.2	176.1	225.7	432.4	187.1	205.7	340.9	
Property income	-	-	13.6	78.0	13.1	9.7	27.5	14.3	237.0	20.2	19.5	14.5	
Sale of goods and services	-	-	124.3	424.7	93.5	100.9	91.7	121.9	108.4	102.9	127.0	121.7	
Other non-tax revenue	-	-	38.5	298.2	43.7	38.6	56.5	89.5	84.0	61.0	59.2	204.8	
Capital revenue	152.0	377.4	4.5	79.3	4.0	7.0	9.8	8.4	10.4	10.2	4.8	104.5	
Total expenditure	3295.0	4174.7	1689.7	6297.8	1650.6	1766.1	2089.5	1877.1	2129.4	2154.8	2390.3	1945.4	
Capital expenditure	1328.0	1638.1	807.4	2574.4	693.6	607.1	759.2	634.9	-	913.0	887.0	675.6	
Current expenditure	1967.0	2536.8	882.3	3809.0	752.4	1064.7	1290.4	1332.3	831.8	1168.1	1503.3	1269.8	
Wages	711.0	822.0	362.6	1397.0	327.4	515.5	526.6	642.5	-	545.6	562.4	567.4	
Subsidies and social assistance	-	-	194.2	927.1	217.3	185.9	272.6	195.6	213.3	253.2	401.5	231.4	
Other current expenditure	-	-	325.5	1384.9	207.7	363.2	491.2	494.3	449.6	369.3	539.4	471.0	
Overall balance	-706.0	-915.6	-543.6	-1007.8	-548.9	-513.4	-904.8	90.2	-592.6	-813.7	-954.2	-207.3	
Foreign financing	1127.0	1360.7	741.5	2055.1	507.8	326.7	484.5	-531.0	270.8	746.0	409.1	419.3	
Domestic financing	-396.0	-445.1	-185.8	-127	-310.3	236.5	316.4	406.4	422.8	194.1	343.3	-21.6	

Source: MEF web site.

Table 6. Consumer Price Index, Exchange Rates and Gold Prices (period averages), 2005–10

	2005	2006	2007	2008	2009				2010			
					Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
(October-December 2006:100)	Consumer price index (percentage change over previous year)											
Phnom Penh - All Items	5.8	4.7	5.8	19.7	4.3	-4.8	-3.0	1.7	7.0	4.1	1.8	3.3
- Food & non-alcoholic bev.	8.6	6.4	9.9	33.1	6.1	-5.2	-2.7	1.8	7.8	3.6	1.9	4.1
- Transportation	11.4	9.1	5.8	19.4	-13.0	-16.5	-13.8	2.4	12.9	8.7	3.2	3.1
	Exchange rates, gold and oil prices (Phnom Penh market rates)											
Riels per US dollar	4119.7	4119.0	4062.7	4058.2	4111.6	4128.6	4164.4	4157.3	4180.1	4209.0	4236.7	4122.6
Riels per Thai baht	102.6	108.7	122.8	123.5	116.6	119.2	122.9	126.0	127.0	129.9	138.3	137.3
Riels per 100 Vietnamese dong	25.8	25.1	25.0	24.8	23.6	23.3	23.5	23.0	22.3	22.1	21.4	21.1
Gold (US dollars per chi)	54.0	70.6	83.2	105.9	105.6	110.7	123.2	133.8	133.9	142.9	143.5	165.7
Diesel (riels/litre)	2633.0	3140.0	3262.3	4555.2	2873.7	3056.9	3867.0	3381.9	3599.5	3835.1	3936.6	4066.1
Gasoline (riels/litre)	3442.0	4004.0	4005.0	4750.8	3112.6	3452.4	3371.1	3940.2	4163.0	4358.7	4415.5	4535.2

Sources: NIS, NBC and CDRI

Table 7. Monetary Survey, 2005–10 (end of period)

	2005	2006	2007	2008	2009				2010			
					Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	Billion riels											
Net foreign assets	5475.0	7224.0	10,735.0	10,345.0	11,222.0	12,611.0	13,869.0	14,655.0	15,514.6	12,610.9	16,903.0	16,697.9
Net domestic assets	-450.0	-282.0	576.0	1513.3	1266.0	1249.0	1042.0	1573.0	1720.0	1785.3	1984.8	2778.9
Net claims on government	-421.0	-953.0	-1816.0	-2987.0	-3048.0	-2889.0	-2463.0	-2252.0	-2484.8	-2362.7	-2,120.4	-2126.6
Credit to private sector	2394.0	3630.0	6386.0	9894.0	9814.0	10,129.0	10,127.0	10,532.0	11,146.7	11,859.1	12,479.8	13,331.2
Total liquidity	5025.0	6942.0	11,311.0	11,858.0	12,488.0	13,859.0	14,912.0	16,228.0	17,234.5	18,267.1	18,887.8	19,476.8
Money	1323.0	1658.0	2052.0	2399.0	2545.0	2695.0	2773.0	3120.0	3148.5	3115.1	3061.7	3220.9
Quasi-money	3702.0	5285.0	9259.0	9459.0	9942.0	11,164.0	12,139.0	13,108.0	14,086.0	15,152.0	15,826.1	16,255.9
	Percentage change from previous year											
Total liquidity	16.1	38.1	62.9	4.8	3.7	9.1	18.7	36.9	38.0	31.8	26.7	20.0
Money	14.7	25.3	23.8	16.9	6.5	9.2	18.7	30.1	23.7	15.6	10.4	3.2
Quasi-money	16.6	42.8	75.2	2.2	2.9	9.1	18.7	38.6	41.7	35.7	30.4	24.0

Source: National Bank of Cambodia

Table 8. Real Average Daily Earnings of Vulnerable Workers (base November 2000)

	Daily earnings (riels)									Percentage change from previous year		
	2006	2007	2008	2009	2010				2010	2010	2011	
					Feb	May	Aug	Nov				Aug
Cyclo drivers	7469	8081	12,628	8091	9413	9570	8404	8759	10,678	8.6	21.7	13.4
Porters	6545	8588	9005	9549	9953	9340	10,525	9965	11,232	29.0	7.8	12.9
Small vegetable sellers	6390	8220	9926	8273	7826	8062	8291	8821	9188	-0.4	19.4	17.4
Scavengers	4416	5426	4652	5857	6238	7407	6461	6628	6960	-8.8	46.1	11.6
Waitresses*	4412	4482	4327	4646	5131	5380	6427	5448	6180	40.5	1.3	20.4
Rice-field workers	5306	5516	8697	6197	5358	6260	6186	4912	4826	6.9	1.6	-9.9
Garment workers	7649	7568	6554	7085	7557	7491	8470	7944	8347	14.3	6.2	10.5
Motorcycle-taxi drivers	8201	10,634	15,691	10,685	11,302	10,274	10,558	10,278	11,493	10.3	9.7	1.7
Unskilled construction workers	5918	6155	8779	8343	7699	9013	8744	9636	11,339	-7.4	22.6	47.3
Skilled construction workers	10,316	11,154	12,710	12,487	11,924	11,928	11,738	12,122	12,540	-1.5	-3.6	5.2

* 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 28 **CDRI Update**

the Republic of Korea, led by Professor Yang Jae-sung of the Education Center for Reunification.

Research Updates

Economy, Trade and Regional Cooperation Programme

The *Vulnerable Workers' Survey*, the *Provincial Price Survey* and the *Growth Diagnostics* project are continuing and progressing well. The concept note for *People's Republic of China's Poverty Reduction Success: Implications for Cambodia and People's Republic of China's Official Development Assistance*, the third component of the Poverty Network Project, has been drafted and was sent to the ADB for comments in late May. The final report for *Different Streams, Different Needs and Impact: Managing International Labour Migration in ASEAN*, which attempts to address the issue of the regularisation of irregular immigrant workers in Cambodia, has been submitted to the project coordinator, the Philippine Institute for Development Studies (PIDS). The national and regional dissemination workshop is scheduled for late June. The second draft report on the *Analysis of International Investment in the Agricultural Sector of Cambodia* has been submitted to the FAO. In addition to preparing the manuscript on *Assessing China's Impact on Poverty Reduction in the Greater Mekong Sub-region: Cambodia Country Case Study* for international publication by the Institute of South East Asian Studies (ISEAS), the paper is being translated into Khmer for publishing as a CDRI working paper.

In June, the Development Analysis Network (DAN) country members will convene in Laos to discuss the continuity of research activities. The preliminary findings of *Analysing Chronic Poverty in Rural Cambodia—Evidence from Panel Data* were presented at the 2010-11 East Asian Development Network Annual Forum on 24-25 May in Manila, the Philippines. The fourth annual *Development Research Forum* on the theme “*Achieving Inclusive Growth, Social Equity and Sustainable Development for Cambodia*”, scheduled for 8-9 September 2011, is now calling for papers. For the *Global Financial Crisis and Vulnerability in Cambodia* project,

household survey and data processing have been successfully completed. The research team has started to utilise both 2011 cross-sectional household survey data and the balanced 793 household panel data to examine a number of research themes, such as the impact of the global financial crisis on rural labour market/ poverty, the role of credit (micro-credit) and income diversification during the crisis, and ex-post and ex-ante household risk coping strategies.

Democratic Governance and Public Sector Reform Programme

The programme is working on six projects. The *Cambodian Economic Transformation: A Look into State Capacity* project seeks to debate, define and evaluate the state's current capacity and status, identify factors affecting state capacity and suggest ways to improve it; the zero draft was finished by mid-May and the team held a consultative meeting. The *Decentralisation and Deconcentration Analysis* identifies the trend and future of D&D reforms in the context of Cambodia's hybrid state and seeks answers to whether D&D enhances democracy in Cambodia; the team consulted research unit peers in early May and is finalising the zero draft of the working paper. The *Baseline Survey of Sub-national Governments* explores commune councillors' perceptions and understanding of district and provincial administration (councils and boards of governors); the team is drafting the survey report which is expected to be finished by the end of June. The *Catchment Governance and Cooperation Dilemmas* project explores the cooperation between players in the context of D&D reform; the team has finished the zero draft. The research on *Irrigation Governance Performance in Cambodia* investigates the degree of match between the governance arrangements and requirements imposed by the physical configuration of these schemes; the first full draft of the paper has been completed and sent to the advisor for comment. *Reviewing the IP3 and building networks with the NCDD* is a part of the project to update the D&D and IP3 implementation and is progressing well. A brief paper from this mapping study was prepared for publication in early June. A few studies are being conceptualised: the impact of D&D on poverty reduction; the transformation of citizenship in light of D&D

reforms; tax administration capacity; D&D follow-up qualitative study; district capacity and follow-up state capacity/institution study.

Poverty, Agriculture and Rural Development Programme

Two projects have been completed and four projects are in progress. The report for the *Policy Coherence for Agriculture and Rural Development* project was successfully concluded in April and is being prepared for publication as a CDRI working paper. The *Poverty Dynamics Study (PDS)*, a joint project between PARD and ETRC, was finalised and concluded in April. For the *Impact Assessment of Farmers' Organisations on Food Security for Rural Poor* project, the team has completed the interim phase and primary field data collection (both qualitative and quantitative), and data cleaning, coding and analysis are in progress. The research design for the *Development of Impact Assessment Methodology for Mine Action Sector in Cambodia* project was completed, the technical report has been accepted by UNDP and the Cambodian Mine Action Authority (CMAA), and the project extended for three months to field test the proposed impact assessment tool. A three year project on *Agricultural Policies for Rice-based Farming Systems in Cambodia and Laos*, funded by the Australian Centre for International Agricultural Research (ACIAR), is set to start in June. The initial workshop to develop the research plan and activities will be held in Laos, August 2011. The project *Promoting Gender Equality for the Labour Market for more Inclusive Growth*, funded by ADB, started in May. This 15 month project consists of two sub-projects: *Gender Equity and Labour Economics*.

Natural Resources and the Environment Programme

The project on *Building Community Capacity for Poverty Reduction Initiatives in the Tonle Sap Basin* has been completed. The Learning Resource Centre (LRC), a key output of the project based in the CDRI library, continues to run smoothly. Four other research projects are in progress. The *Water Resources Management Research Capacity Development Programme* team organised a field trip for farmers and local authority representatives from Kampong Thom, Kampong Chhnang and

Pursat provinces to visit an irrigation management scheme in Takeo province to share and learn good practice from each other. Two policy briefs have been published, one working paper has been sent for publishing and two working papers are being finalised. The team is now preparing for the consultative workshops to be held in the three target provinces, as well as a national workshop to disseminate the research outputs in the form of working papers, policy briefs, and the five degree level courses developed by the WRMRCDP as part of RUPP's Department of Environmental Science curriculum.

The working paper has been finalised for the *Tropical Forest for Poverty Alleviation-from Household Data to Global Analysis*, which seeks to advance understanding on the role of tropical forests in reducing poverty. The results will be presented at a workshop in Cambodia and the Technical Workshop and Policy Conference in the UK, both to be held in June. For the *Social Impact Monitoring and Vulnerability Assessment Baseline Survey* that seeks to understand the socioeconomic conditions and the extent of people's dependence on water resources along the Mekong Corridor, data collection and data entry have been completed and analysis of the preliminary results and the draft report are in progress. The team conducted focus group discussions in four main ecological zones for the *Agriculture and Climate Change* project, a collaborative project with PARD funded by IFPRI. This study seeks to analyse agriculture and food security in the context of a changing climate in the broad sense by identifying constraints to improved yields and adaptation to climate change currently faced by farmers.

Social Development Programme

The team is working on three projects. The copy-edited draft and book cover for *Improving Health Sector Performance: Institutions, Motivations and Incentives* were received from the publisher, ISEAS, for final review. Funded by the University Research Co., LLC (URC), the aim of the book is to document and disseminate the research papers presented at CDRI's International Health Sector Conference in April 2010. For the *EQUITAP¹* initiative, the team has sent the results of the analyses (except the benefit incidence analysis which could not be conducted due

to limited availability of data) to the coordinators, the Institute for Health Policy, Sri Lanka. The project, scheduled to conclude at the end of May and funded by AusAID, aims to analyse available household survey data to estimate the impoverishing and catastrophic impacts, progressivity, differentials in healthcare utilisation and benefit incidence of government spending. Work has started on a new six-year project *Building Pro-poor Health Systems during Recovery from Conflict "REBUILD"*, funded by DFID-UK and led by the Liverpool School of Tropical Medicine, UK, which aims to produce high quality evidence that contributes to improving the health of the poorest in developing countries. In this inception year, the team will work on developing three research protocols: i) Analysis of Poor Household Expenditures for Health Care, ii) Health Worker Incentives, and iii) Contracting

Management and Performance. A workshop to brief key stakeholders is planned for late June.

The Peace-Building Training Programme's activities have been completed and the annual report sent to the donor, Oxfam Novib. The training team has moved to the Development Knowledge Management Unit.

Footnote

- 1 EQUITAP stands for Equity in Asia-Pacific Health Systems and is the collaborative effort of more than fifteen research teams in Asia and Europe engaged in examining equity in national health systems in the Asia-Pacific region. The collaboration involves the development of methodological tools, and actual assessment of the performance of national health systems.

Continued from page 17 **Survey on Commune...**

- Although commune councillors have been significantly involved in building and rehabilitating infrastructure, they have been unevenly involved in designing livelihood and social development activities. Hence, they have gained more capacity in managing infrastructure projects than in improving local livelihoods which is a key challenge for diversifying rural incomes.
- There is a general lack of knowledge and understanding among councillors with regards to climate change, natural disaster prevention and natural resource management. Their awareness and coping strategies should be enhanced through the delivery of climate change adaptation training.

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CDRI UPDATE

Management

CDRI has over the past 20 years enjoyed productive partnerships with a broad range of multilateral and bilateral development partners of Cambodia. Its strongest partnership, especially over the past decade, has been with the Swedish International Development Agency (Sida), which has provided invaluable long-term support for CDRI's research programme, especially its Democratic Governance and Public Sector Reform programme, and operations, including its library, publishing in Khmer and English languages, ITC, and, most importantly, the capacity building of researchers. Sida has made a commitment of further support over the period of CDRI's 2011-15 Strategic Plan.

On 21 June CDRI and Sida co-hosted a consultation with major development partners in Cambodia on the theme *Towards a More Coordinated Development Partner Support for CDRI*, chaired by Dr Sok Siphana, Chair of CDRI's Board of Directors. Given the commitment of Cambodia's development partners to harmonization and alignment, CDRI and Sida felt it was timely to explore options for more coordinated support for CDRI's research and operations as CDRI implements its new Cambodia 2020 Research Strategy and associated five year strategic plan. Potential opportunities for more coordinated partnership support will be followed up over the remainder of 2011.

Over the period May - June 2011, CDRI's Executive Director moderated a session of

ISEAS Singapore's *ASEAN Roundtable 2011: Enhancing ASEAN's Connectivity* in Singapore on 5 May; presented CDRI's draft Cambodia Country Background Paper to the ADB-ADBI's *ASEAN 2030: Growing Together for Shared Prosperity* study at a workshop at the ADB office in Bangkok on 9-10 May; and presented a paper on *The Political Economy of Progress Towards ASEAN Economic Community 2015 and Broader ASEAN Integration*, focusing on issues for the least developed countries (LDCs) of ASEAN, at the Chung-Hua Institution for Economic Research's *International Conference on ASEAN Vision 2015: Moving Towards One Community* in Taipei on 24 May, followed by a public lecture on *Cambodia, Its Development and Regional Integration in the GMS and ASEAN – A Work in Progress* on 25 May.

In May CDRI held a workshop on *Examining the Factors Behind East Asian Economic Successes: Lessons for Cambodia* as part of its *Contextualising State Capacity* research project. Special guest, Dato' Dr Mahani Zainal Abidin, CEO of ISIS Malaysia, contributed a presentation on *How Malaysia Achieved its Development Successes: Examining the State's Role and the Leadership of Former Prime Minister Mahathir Mohammad*. In June CDRI provided a briefing on Cambodia's economy, its development challenges and strategies, to a visiting delegation of the Ministry of Unification of

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