



2014 ANNUAL SYMPOSIUM: REFLECTIONS ON PRIORITIES FOR DEVELOPMENT POLICY RESEARCH IN CAMBODIA

By Srinivasa Madhur

The 2014 Annual Symposium of the Cambodia Development Research Forum (DRF) was held in Phnom Penh on 11-12 September 2014. It brought together 250 professionals from government agencies, research institutions, academia, the private sector, non-government organisations and civil society to share and critically reflect upon collaborative research around themes that are of critical importance to Cambodia's development. This report summarises the key messages of the 30 presentations made and the implications for research policy and practice under six key themes: economy, agriculture, natural resources, health, education and the ASEAN Economic Community (AEC). The report does not intend to provide the detailed minutes of the Symposium but is a brief recapitulation of the rich presentations and the lively discussions that followed.

Economy: Financial inclusion, foreign direct investment, oil and gas industry

Demand for bank credit in Cambodia continues to grow not only in urban centres but also in the countryside. Although the supply of credit is keeping pace with growing demand in urban areas, the rural economy remains credit-constrained. A key challenge for the country therefore is how to promote financial inclusion for rural areas and agriculture, and at the same time maintain financial stability and protect financial institutions. Striking this trade-off is a difficult task because improving

financial inclusion will inevitably bring into the fold of the financial system potentially risky marginal borrowers with lower creditworthiness and hence higher loan default rate. The promotion of financial literacy among rural borrowers will be crucial to help mitigate the potentially higher risk of financial instability expected to accompany the move towards greater financial inclusion. The new Cambodia Credit Bureau could also play an important role in mitigating the higher risk to the financial system, as it has the potential to track and monitor borrowers' credit history and financial capacity.

As external aid to Cambodia is likely to diminish in coming years, there is a critical need for the country to attract more foreign direct investment (FDI). Cambodia's geographic location in the middle of the dynamic Greater Mekong Subregion (GMS) makes the country very attractive for FDI, as does its low labour cost advantage. However, poor infrastructure (including poor connectivity with major ports in the region), cumbersome business processes and procedures including lax trade logistics, and the emerging skill gap for even low-to-medium skill-intensive industries and services constrain FDI. Many of these constraints persist even in special economic zones (SEZs). The imminent launch of the country's new Industrial Development Policy 2014-24 provides a timely opportunity for policymakers to incorporate measures to address some of these constraints on FDI, including in SEZs.

Cambodia has been exploring the potential opportunities from using the country's oil and gas reserves to foster economic growth and industrial

Srinivasa Madhur is Director of Research at CDRI. This publication may be cited as: Srinivasa Madhur. 2015. *2014 Annual Symposium: Reflections on Priorities for Development Policy Research in Cambodia*. Development Research Forum Synthesis Report No. 01. Phnom Penh: CDRI.

diversification. It comes with a caution though: in realising its wealth of oil and gas, the country would risk being afflicted by the “resource curse”—also known as the paradox of plenty—which can do more harm than good. This underscores the need for regulatory frameworks to minimise the resource curse effects that often accompany commercial exploitation of oil and gas. Political commitment to develop credible institutions and ensure transparent and accountable management of the oil and gas industry is crucial for that. As a first step in that direction, there might be some merit in the country joining the Extractive Industries Transparency Initiative (EITI).

Agriculture: Rice production, agro-industry and animal health

Boosting rice production through higher yield rather than area expansion is critical for Cambodia to step up agricultural and hence overall economic growth and to ensure food security for poor and vulnerable populations. While greater use of high-yielding seed varieties and fertilisers can help increase rice yields, there is also urgent need to improve rural infrastructure—farm to market roads, for example. Lack of robust rural infrastructure not only constrains agricultural yield but also more importantly limits the growth of agro-industries and other non-farm rural industries in Cambodia—sectors that play a much more significant role in rural development and poverty reduction in many other countries at a similar stage of economic development.

Poor connectivity in rural areas leads to higher transport costs, pushing up the production and distribution costs of simple agro-industries. Although Cambodia’s agricultural crops are internationally competitive, its agro-industries are not because poor connectivity pushes up production costs. Poor connectivity through cost-effective land and water/river transport pushes up the cost of even simple agro-processing such as rice milling, not to speak of other more complex, export-oriented agro-processing activities.

Livestock production has huge potential to contribute to agricultural growth in Cambodia. Beef cattle production is of special significance and is mostly undertaken by small-scale farmers. These farmers face many challenges to stepping up their productivity. A major constraint across the country is the lack of robust animal healthcare services. Various serious livestock diseases affect a large proportion of the national beef cattle herd. That, in turn, adversely affects the production and productivity of small-scale farmers engaged in cattle rearing. This then underscores the need for better provision of effective animal healthcare facilities in rural areas.

Natural resources, climate change and rural Cambodia: Adaptive capacity and climate change resilience

Cambodia is not a major contributor to global warming but its geographic location makes it highly vulnerable to the adverse impacts of climate change. Rural communities are particularly vulnerable, especially those dependent on fishing and other aquatic resources for their livelihoods. The Tonle Sap Lake and the surrounding wetlands and river plains form one of the potential hot spots of climate change in Asia and the Pacific. Frequent and rapid-onset floods are one of the key symptoms of the effects of climate change in Cambodia.

Building reliance to extreme climatic events requires effort on many fronts, but the first step is keeping those most likely to be affected well informed about the potential risks and impacts. Knowledge and awareness helps people to understand the nature of the threats posed by unusual, severe or unseasonable weather. That, in turn, enables them to prepare for and withstand the impact of natural hazards. Coping mechanisms, of course, need to be adapted as people learn from a series of events. That helps to develop and maintain adaptive capabilities. New technologies and ways of adapting to climate change then are taken up over time, ultimately strengthening resilience.

Strategies aimed at building resilience should thus incorporate these elements—generating and disseminating information, knowledge sharing and adaptive learning.

Health: Medical education, implications of the AEC for the country's medical system, and road accident-related mortality

Cambodia has made significant progress in reconstructing its health system, including the development of a cadre of health personnel. Even so, the number of health personnel per capita is one of the lowest among ASEAN countries; it is also lower than the minimum threshold suggested by the World Health Organisation. In addition, the quality of Cambodian health professionals, especially medical doctors, seems to be inadequate, both in comparison to their ASEAN peers and to what is demanded by the people of a country rapidly transitioning to middle-income status. This growing medical skill gap could place the country's health personnel under substantial pressure once health professionals, under the aegis of the AEC, are allowed to move more freely across national borders within the ASEAN region.

The medical skill gap is made worse by the uncoordinated institutional arrangements to issue practice permits to health personnel. Indeed, under the current medical accreditation and licensing system, it is difficult to judge who is a qualified medical practitioner and who is not. Such lax arrangements will have to be tightened by consolidating licensing powers under the jurisdiction of a single institution, say, the Medical Association of Cambodia. Encouragingly, the country is already moving in that direction. In addition, the medical curriculum is in transition from content-based education to competency-based learning, and the new curriculum will be better aligned with those in the ASEAN region. These reforms, if implemented effectively, should not only gradually close the country's medical skill gap but also enable it to adjust to the AEC. To maximise these potential benefits, there is also an urgent need to switch the medium of instruction

in medical schools from French to English. That said, private medical education institutions in the country now increasingly use English as the medium of instruction.

Even as the country closes its medical skill gap, other important regulatory measures are needed to strengthen the national scorecard on healthcare. One area that needs special attention to reduce road traffic injuries and deaths is road safety. That necessitates putting in place better regulatory frameworks and tighter implementation of those regulatory measures. With the rapid growth of the economy and gradual spread of prosperity, vehicle ownership has grown apace and traffic levels have continually risen, outstripping the capacity of road infrastructure especially in urban centres. The number of people killed or injured in road accidents has increased almost exponentially. Indeed, the number of deaths due to road accidents is now second only to that from respiratory health problems. To address this growing health threat there needs to be better education for road users, an increasing number of whom are young drivers, about the importance of safe driving practices. On the part of government, stricter enforcement of road safety regulations is crucial.

Education: Skill gaps and mismatches, quality education and interventions to narrow skill gaps

As in the area of health, Cambodia has taken significant strides in reconstructing its education sector over the last two decades. Both the hardware and the software of the education system today are better than in the past. Despite these impressive achievements, the education system is unable to provide adequate numbers of educated youth with the kinds of skills that are increasingly demanded by the labour market of a modernising economy. The reasons behind this emerging skill gap are many, but the shortage of well-qualified and trained teachers at almost all levels of the education system but especially at the primary level is the single most important limiting factor requiring urgent attention. Against this backdrop, there is a merit in the country considering the implementation

of a teacher development strategy that has three interconnected components—prepare teachers well (better training, both pre-service and in-service), pay them well (better remuneration package) and expect them to perform (objective, results-based performance assessment).

Laying the foundation for learning through robust primary education is a major requirement of education reforms in the country. To maximise the benefits from a much improved primary education system, there would be huge merit in the country following up with a set of complementary measures: better prepare children for schooling through effective early childhood programmes and learning-oriented preschools; continuously review and update the curriculum and teaching pedagogy to align the education system with the needs of 21st century learning; strengthen education governance by better coordination among the many ministries and departments responsible for managing the system and greater involvement of local communities and parents in school management; shape up and scale up the country's fragmented TVET system; and forge better public-private partnerships in higher education including TVET.

In short, far-reaching education reforms are crucial for narrowing the country's skill gap. Reforms should aim at both getting the education system right and getting the right education to youth, and that would require systemic change in education. The overall objective should be to enable educational institutions to impart 21st century job-relevant skills to youth and engage the private sector to hone youth's job-relevant skills into job-specific skills for particular industries, services and firms. Such a broad public-private partnership should form the basis of skill development and educational reforms in the future.

Cambodia and the region: AEC and implications for Cambodia, especially its education system

The emerging development priorities in Cambodia—whether macroeconomic, sectoral such as agriculture and rural development, climate change

and natural resource management, or health and education—need to be addressed in the context of changing regional dynamics. One looming regional change is the launch of the AEC next year. Although Cambodia is reasonably AEC-ready in areas such as trade and tariffs, it is less ready to be AEC-compliant in other areas such as freer movement of skilled labour. Indeed, there is very little awareness of what a freer migration policy among the ten ASEAN countries would imply for the country. This is not surprising, as many other ASEAN countries are also facing a similar lack of knowledge and understanding of the actual domestic implications of the AEC. The AEC is thus not only a milestone; it is a work in progress that will involve substantial learning-by-doing by all member countries.

That said, in adjusting to the AEC Cambodia will have to begin thinking more systematically and strategically in several areas, especially in eight broad areas of skills and expertise—medical doctors, dentists, nurses, engineers, architects, accountants, surveyors and tourism industry professionals. Cambodia could benefit from the freer movement of professionals in those areas where it now has a shortage of skilled personnel. But if it is to avoid long-term dependency on overseas skilled personnel, Cambodia needs to be committed to reforming and resourcing its education system so that it can build a skilled and capable domestic workforce, in particular to compensate for the mobility of the eight categories of skilled labour under the AEC. That, in turn, would require changes in the entire education system ranging from preschooling to higher education, as sustainable skill building needs to be grounded in strong foundational skills provided to children in their early years.

Developing a capable cadre of committed teachers, reorienting the country's curriculum from content-based teaching towards competency-based learning, shifting from rote learning to critical, creative thinking at all levels of the education system, integrating the TVET system within the general education system, reforming

the governance of both public and private education providers and, above all, harnessing strong and sustained political commitment to skills development and education reforms are all key for Cambodia's successful adjustment to the AEC. Further, young people would benefit from greater English language proficiency, as that would not only enhance their professional development and accomplishments but also enable them to compete with professionals from other ASEAN countries.

Adjusting well to the AEC will be the immediate challenge for Cambodia and its education system. Over the longer term it is also important for Cambodia to take a global, as well as a national or regional (ASEAN), perspective in reforming its education system. Indeed, almost all countries in the world, rich or poor, are contemplating education reform as a top priority. Education experts around the world are recognising that the old education system that served us well in the 20th century is in need of a major overhaul if it is to serve us, especially our youth, well in the 21st century. Some experts even go to the extent of arguing that it will take nothing short of a global education revolution to tackle the skill gaps and mismatches emerging in global labour markets.

Cambodia has some difficult choices to make. While drawing on lessons from the rest of the world, it should also ensure that its own education reforms are grounded in local realities. Striking this balance between globalising its education system and at the same time grounding it firmly in the nation's social and cultural traditions is a challenging task.

Conclusion

Many of these development policy issues need to be addressed by policymakers if Cambodia is to graduate from a low-income to a middle-income country and then sustain its momentum and prosperity en route to higher income status. In the immediate future Cambodia also needs to adjust smoothly to the forthcoming AEC. Among the many themes that were covered at the Symposium, the challenges of getting Cambodia's education system right is perhaps one of the most daunting. Not only is developing a robust education system a long drawn-out process but also a great many actors and institutions are involved in reforming the system—government agencies, educational institutions, the private sector, parents, students and civil society more generally. The problems of education reforms are that much more difficult because of the long lags before they deliver results: the sooner the country begins the reforms the better.

Cambodia has a demographic window of opportunity with more than 50 percent of its population less than 24 years old. More than ever, education reforms must ensure that education institutions provide the right kind of education and training so that young people are able to get productive employment and decent jobs. This demographic window of opportunity will close once the population begins to age. This emphasises the need for almost immediate policy actions and reforms in the educational and skill development of Cambodia's youth. These and other issues will be the focus of further policy-relevant research by the DRF in coming years.

List of Abbreviations

AEC	ASEAN Economic Community
ASEAN	Association of Southeast Asian Nations
DRF	Development Research Forum
EITI	Extractive Industries Transparency Initiative
FDI	Foreign Direct Investment
GMS	Greater Mekong Subregion
SEZs	Special Economic Zones
TVET	Technical Vocational Education and Training

About DRF

The Development Research Forum (DRF) of Cambodia was established following the All-Partners Forum organised by the International Development Research Centre (IDRC) of Canada in September 2007.

The DRF vision is of a high capacity, professional and vibrant Cambodian development research community. Its goal is to support and strengthen the capacity of the Cambodian development research community.

The DRF partnership involves the Cambodia Development Resource Institute (CDRI), Cambodian Economic Association (CEA), The Learning Institute (LI), National Institute of Public Health (NIPH), Royal University of Agriculture (RUA), Royal University of Phnom Penh (RUPP), Supreme National Economic Council (SNEC) and the International Development Research Centre (IDRC) of Canada.

In DRF Phase II 2012-15, with financial support from IDRC, the partners intend to work together to build research culture and capacity and to share research knowledge through workshops, policy roundtables and symposiums as well as training and online discussion (www.drfcambodia.net) on six research themes: growth and inclusiveness, governance of natural resources, social policy – education, social policy – health, agricultural development, and Cambodia and its region.

A Partnership of



ឧត្តមក្រុមប្រឹក្សាសេដ្ឋកិច្ចជាតិ
Supreme National Economic Council



CDRI – Cambodia’s leading independent development policy research institute

☎ 56 Street 315, Tuol Kork ✉ PO Box 622, Phnom Penh, Cambodia

☎ (855-23) 881384/881701/881916/883603 ☎ (855-23) 880734

Email: cdri@cdri.org.kh, Website: www.cdri.org.kh