

# Cambodia Development Watch

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Opportunities and Constraints of Participating  
in public Consultations to Draft Legislation  
( Page 1 )

Making PRSP Inclusive:  
Situational Analysis in Cambodia  
( Page 5 )

Rising Food Prices:  
Who have been victimized by high food prices?  
( Page 8 )

2009 National Budget Should Favour Farmers  
(Page 12)



**NGO Forum**  
on **CAMBODIA**

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## Opportunities and Constraints of Participating in Public Consultations to Draft Legislation

Civil society organisations have recently undertaken projects aiming to increase the Cambodian public's participation in drafting two sub-decrees that are currently under review: the Sub-decree on State Land and Property Acquisition and Addressing Socio-Economic Impacts caused by State Development Projects (the "Resettlement Sub-decree") and the Sub-decree on Procedures of Registration of Land of Indigenous Communities (the "IP Sub-decree"). The primary purpose of these consultations is to enable people potentially affected by both pieces of legislation, to provide comments and thereby directly influence their content. Although Civil Society Organisation (CSOs) are encouraged by these recent steps from specific Government Agencies to include public consultation in drafting processes, they are sceptical about the possibility of influencing significant change on the content of these drafts, given the current lack of government accountability to its citizens, and peoples' marginal political capacity. In spite of this, as the case studies below show, the consultation processes have resulted in potentially more significant benefits for Cambodian democratic processes as a whole.

### Background

In theory, steps for facilitating public inputs into the development of laws are part of a package of public-sector reforms used by transition countries<sup>1</sup> to improve governance systems which will support and regulate their new market-based economies (2002 Russell – Einhorn et al). Increasing public participation in law-making processes has two primary objectives: firstly it enables citizens to directly influence the content of legislation; secondly it improves government accountability through increasing the public's awareness of the legal framework, their rights and the responsibilities of the government to protect those rights.



Community Consultation on Sub-decree on Land and Property Acquisition  
(Photo by: NGO Forum)

Traditionally, the Cambodian public have not been involved in the development of national legislation, except for three exceptions: the 2001 Land Law, the 2003 Forestry Law and the Sub-decree on Community Fisheries (adopted in 2005). Cambodia's national laws do not give citizens the specific right to be consulted during the drafting of legislation, however, Article 25 of the International Covenant on Civil and Political Rights (to which Cambodia is a signatory) includes the right to participate in the formulation and implementation of policy from the local, to national and international levels.

### Case studies of enabling public consultation in the drafting of legislation

The Resettlement Sub-decree was drafted through an agreement of Technical Assistance between the Asian Development Bank (ADB) and the Ministry of Economics and Finance (MEF), from 2004 to 2006. The process has been delayed and as of July 2008, the goals of the TA have still not been achieved. Because of the lack of current legislation governing the acquisition of land and property by the State, CSOs consider this sub-decree to have the potential to significantly protect and promote the rights of those threatened by forced evictions and have been monitoring its development closely. The IP Sub-decree has been drafted by the General Secretariat of the Council of Land Policy (CLP), under the Ministry of Land Management, Urban Planning and Construction (MLMUPC) during 2007. Indigenous peoples and CSOs supporting them have been calling for its adoption since the passing of the 2001 Land Law. It is seen as

<sup>1</sup> Defined as former communist States where "the state's share of the economy was often all-encompassing, the bureaucracy dominated the lives of individual citizens, and civil society was extraordinarily and purposefully enfeebled" (Russell-Einhorn et al, 2002).

an essential and urgently required piece of legislation and one which can secure a sustainable future for Cambodia's indigenous people, thereby halting further loss of their ancestral lands.

During initial discussions with each Ministry, it became clear to CSOs that without additional financial and technical support, communities potentially affected by these sub-decrees would not be given an op-

	Resettlement Sub-decree	IP Sub-decree
<b>1) Responsible Government Agency</b>	Department of Resettlement, MEF	General Secretariat of the CLP, MLMUPC
<b>2) Donor Support</b>	Technical Assistance Contract from ADB (2004-2006).	No direct support, however, the Donor-Partners of the Technical Working Group - Land provide financial and technical support to the CLP and MLMUPC.
<b>3) Inclusion in national plans and monitoring indicators</b>	Not included, however the issue of forced evictions was included in the NGO Statements to the June 2007 CDCF Meeting and the February 2008 GDCC Meeting.	- Identified as a priority in the National Strategic Development Plan. - Included as a Joint-Monitoring Indicator (JMI) at the CG Meeting (2006) and the CDCF Meeting (2007) <sup>2</sup> . - Selected to be a "trigger" (binding) indicator for the PRGO Programme Round 3 <sup>3</sup> .
<b>4) Civil Society Organisations involved</b>	- Members of the Resettlement Action Network and Housing Rights Task Force (HRTF), facilitated by NGO Forum and HRTF respectively. - Members of the Community Peace Building Network (CPN).	- Members of the Indigenous Peoples NGO Network, facilitated by NGO Forum. - Indigenous representatives from the groups Indigenous Rights Active Members (IRAM) and Cambodian Indigenous Youth Association (CIYA).
<b>5) Communication between CSOs and Government Agencies</b>	- Regular meetings with MEF and ADB to negotiate consultation periods for draft 1 and draft 2, including agreeing upon a clear plan for developing the sub-decree, including deadlines for all stakeholders. - MEF progress according to this plan is nearly 6-months overdue.	- One meeting between CLP and NGOs, other requests from NGOs and community members for meetings have been refused. - Request from NGOs, community members and TWG-Land donors to extend consultation period was refused. No agreement has been reached for plan to develop sub-decree with all stakeholders.

portunity to engage in these public consultation processes. As a result, resources were found by CSOs to enable these communities to provide informed comment through additional activities.

The table below provides a summary of the details of each of these sub-decrees:

The following six steps were taken by CSOs involved in both consultation processes:

- An agreement was reached with each Ministry to undertake additional consultation activities;
- Consultation facilitation guidelines were developed by NGOs with experience in community organising, NGOs with legal experience and community networks;
- Community networks undertook direct consultation with affected communities which asked their comment on the content and recommendations to improve it:
  - For the Resettlement Sub-decree, direct consultations were done in 190 villages, followed by provincial and national workshops to compile the results.
  - For the IP Sub-decree, the short consultation period allowed public consultation only through

<sup>2</sup> CG is the Consultative Group, CDCF is Cambodian Development Cooperation Forum.

<sup>3</sup> PRGO Programme is the Poverty Reduction and Growth Operation Programme.

- a national workshop with 130 IP representatives from 15 provinces.
- d) A legal analysis was completed for both draft sub-decrees by NGOs with legal experience based on national and international laws and standards;
  - e) The results of community and NGO consultations were submitted to the relevant Ministry, and shared with donors and other stakeholders;
  - f) CSOs closely monitored the steps taken by each Ministry following this public consultation period, and lobbied with the Government, donors and international advocacy groups for further consultation to be done on revised drafts.

Despite the potential importance of both of these sub-decrees for improving tenure security of vulnerable people, the public consultations of both concluded that that current drafts fall short of this goal because they undermine provisions in National and International Laws, and international standards. The submissions made therefore included recommended changes which would (from the perspectives of the consulted citizens) bring the sub-decrees inline with existing legislation and ensure minimal protection of their rights. The current status of these consultations is that neither of the revised drafts have yet been released to the public, it is not clear how many of the recommendations made were accepted by the Government or if there will be further opportunities for comment.

### Discussion of the results

It is too early to know if the public consultations will have achieved their primary objective of providing citizens with the chance to influence the content of these draft sub-decrees. Previous experience indicates that the Government may be reluctant to take seriously significant changes recommended by its citizens on such sensitive issues<sup>4</sup>. However, the case studies clearly indicate the importance of the process used to do consultations. For example, the time period and the resources available have an impact on how much people are really empowered to provide informed comment. Additionally, if the Government Agencies undertaking the public consultation are not committed to accepting the results, then the exercise may be being done simply to satisfy donor requirements, or internal administration.

Even if this primary objective has not been achieved, the case studies show that there are three other important results in terms of the secondary objective of improving government accountability. The first is that discussing the formulation of draft sub-decrees such as comparing each article with the existing laws, and people's actual practices, can bring the meaning of the law alive in ways which traditional 'legal training' often fails to do. It enables participants to deeply analyse the legal frameworks not just in terms of rules which they have to follow. Understanding the legal argument behind the sub-decree also helps people monitor if it is being implemented properly or not, and they are therefore in a better position to hold the government accountable. Secondly, because these consultations were done by a coalition of CSOs including NGOs and community-based networks, the consultation process itself strengthened these community networks and built bridges between different community networks. It also strengthened the relationship between NGOs and community networks. Thirdly, the community networks improved their confidence to engage in policy discussions with the government and donors through being involved in every stage of the public consultations, including negotiating directly with the Ministries and donors to discuss the outcomes. As a result, community networks across Cambodia are now using these experiences and increased confidence to look at governance of land and natural resources and hold the government accountable to implement other legislation.

These three results therefore have the potential to be as equally important as changing the content of the sub-decrees, if they enable Cambodian citizens to work together to become better equipped and more confident to demand their rights according to national law. This is an essential step towards achieving

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<sup>4</sup> For example, indigenous peoples' representatives were not satisfied with the results of the Government-initiated consultation on the "Policy on Registration and Use Rights of Indigenous Communal Land" because their recommended changes were not accepted.

the accountability, transparency and good governance which the Cambodian democracy aspires to.

### Conclusion

In conclusion, enabling public input into the development of legislation is recognised internationally to be an essential component of public-sector reforms. The extent to which public consultation leads to direct influence on the substantive content of laws and sub-decrees, depends on the process empowering the people who are being consulted (such as providing sufficient time and resources to enable informed comment) and the willingness of the Government to accept changes recommended. Cooperation between the Government, NGOs and community groups to negotiate a clear plan for undertaking the consultation together ensures that the process is transparent and accountable. The experience of these two case studies indicate that the Cambodian Government is still reluctant to give this much power to its citizens. Nevertheless, these case studies prove that public consultation is not simply about the content of each article. It is about empowering people to have control over the rules of the State which will affect them.

### References

Russell-Einhorn, M., Lubbers, J. and Milor, V. (2002) “Strengthening Access to Information and Public Participation in Transition Countries: Latvia as a Case Study in Administrative Law Reform”, *Administrative Law Review*, Winter, 2002, Global Administrative Law Symposium, American Bar Association.

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## Making PRSP Inclusive: Situation Analysis in Cambodia

*Cambodia has started its national Poverty Reduction Strategy Paper (PRSP) in 2000. It is imperative to note that the majority of Disability People's Organizations (DPOs) in Cambodia are not aware of and well informed about the PRSP processes. Therefore, the inclusion of disabilities issues in PRSP documents is not remarkable, and disability stakeholders are not aware of the few references which are being made.*

The history of Cambodia has left a huge number of people with disabilities. It is recognized that people with disabilities are one of the most vulnerable groups and live in extreme poverty. Until now, many Disabled People's Organizations have been working for people with disabilities in rehabilitation and advocacy while a small number are working on effective poverty reduction aspects.

The PRSP concept, initiated during the 90's, is today applied in many low-income countries. Cambodia is one of those countries, which started its national PRSP process in 2000. It is critical to note that the majority of DPOs in Cambodia are not aware of and well informed about the PRSP processes. The inclusion of disability issues in PRSP documents is definitely not remarkable and disability stakeholders are not aware of the few references which are made.



Children with disability need special attention and care  
(Photo by: DAC)

PRSP process intends to be developed transparently with the broad participation of various stakeholders such as civil society, government, and key donors. The basic principles of PRSP are characterized as country-driven and -owned, results-oriented, comprehensive, partnership-oriented, and with a medium- and long-term perspective. The PRSP is an ongoing learning process, consisting of three main phases such as formulation, implementation, and monitoring and evaluation.

In Cambodia, the first PRSP is known as a "National Poverty Reduction Strategy" (NPRS: 2003-2005). The "National Strategic Development Plan" (NSDP: 2006-2010) is the second policy document. The Government considers the NSDP as the single, overarching development strategy for pursuing prioritized goals and actions for the period 2006-2010. Although there have been some opportunities for participation by civil society groups in both national PRSP processes, a number of issues put critical questions on the quality of these processes.

When comparing the current NSDP with the NPRS it can be said that the poverty analysis in the NSDP is more accurate and ownership within the Ministry of Planning has increased. There are however also a number of aspects that have been recognised on occasions by civil society organisation as well as by individuals of the Ministry of Planning such as: improved linkages to the National Budget, revision of the monitoring framework to enable measuring progress on an annual basis, better cooperation across ministries..

In addition, the PRSP processes indicate the possible entry points for stakeholder's especially civil society organizations throughout the major PRSP phases including formulation, implementation, and monitoring and evaluation. The most critical entry points for the current PRSP situation in Cambodia include participation in Technical Working Groups (NGO Forum on Cambodia is a member), involvement in the monitoring and evaluation system, and demand for inclusion of disability into sectoral and sub-national plans.

People with disabilities in Cambodian societies are one of the most vulnerable group that face social and economic marginalization, and discrimination. They usually find their opportunities for full and equal participation limited. There are a limited number of disability stakeholders in both national and provincial levels.

Disability movement in Cambodia is still weak as it is blocked and challenged by many problems and causes. It is imperative to recognize that Cambodia Disabled People Organization (CDPO), one of the key disability players, has been undergoing an extensive period of restructuring. Most disability organizations cannot represent a unified voice of People With Disabilities (PWDs) and heterogeneity of disabilities due to limited number of DPOs and organizations working for PWDs, and limited capacity and resources. The working process and approaches of most disability organizations are definitely dependent on international organizations, donors and government.

In addition, the empowerment and enforcement of Government on disability sector remain limited. However, the legislation environment on disability seems to have improved since a specific national legislation called "Protection and Promotion of the Rights of People with Disabilities" is almost approved.

The Cambodian PRSP documents generally present a limited number of disability issues across the main contents including key priority goals and targets, strategies and actions, and other national policies/strategies. The insufficient inclusion reflects the insufficient possibility for disability organizations and PWDs to participate in the process countrywide. From the view point of participation, it is important to understand that there is a lack of information and knowledge of PRSP among PWDs and disability organizations, and in this case they themselves haven't claimed for any inclusion and participation. The disappearance of PWDs in most development targets in relation to poverty reduction activities also limits their participation.

However, NSDP, the latest PRSP, offers opportunities for civil society to claim for inclusion, participation, and integration in the implementation, monitoring, and evaluation processes. The elaboration of the situation of disability and PRSP produces many critical aspects of the opportunities, limits, and challenges for the disability sector. These have determined the major factors influencing on the disability movement in the country and towards the PRSP processes.

The most important opportunities and limits are identified through a consideration on legislation and political environment, collaboration with partners and donors, capacity and resources, related issues, and sector involvements within the PRSP processes. In addition, a number of challenges are significantly recognized as priorities for the disability sector that needs to overcome and ensure a success in long term.

According to the results of the situational analysis on PRSP and Disability, the NSDP Inclusive Committee established in 2006 with full participation of the leading disability organizations working in the disability and rehabilitation arena in Cambodia. Members of the NSDP Inclusive Committee comprise of the Disability Action Council (DAC), National Center for Disabled Persons (NCDP), Association of the Blind in Cambodia (ABC), Action on Disability and Development (ADD) and Cambodian Disabled People's Organization (CDPO) to work on the development of the Plan of Action.

This effort is to strengthen the implementation, monitoring, and evaluation of the project, and also to achieve the main objectives.

The main activities of the proposed action plan as well as the specific objectives, results, deadlines, and responsibilities are agreed amongst the members and include:

- Publication and dispatch of the situational analysis on PRSP and Disability;
- Production of a statement titled "Disability and Development" that was included in the NGO Position Papers on Cambodia's Development submitted to the Cambodia Development Cooperation Forum in December 2008 ;
- Presentation and dispatch of the statement to key disability players and donors involved in NSDP;
- Mainstreaming of the Disability issue and PRSP by all committee members in their different activities (workshop, events, meetings);

- Organization of a micro-grant call for DPOs on poverty and disability theme;
- Press, media, advertisements to inform about the effective progresses; and
- Development of projects on DPOs empowerment and mainstreaming disability among development partners

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## Rising Food Prices: Who have been victimized by high food prices?

### Introduction

Since early this year Cambodia has been hard hit by rising inflation whose rate was estimated by National Institute of Statistics (NIS) to be 18.7 per cent<sup>5</sup> which is unusually high. This worrisome high inflation rate has been pushed up by rising food prices and fuel prices<sup>6</sup> which have both made headlines and people worried. While the urban poor, rural poor and people with fixed salaries get most affected, rising food prices, some argue, constitute a real opportunity for local agricultural producers to invest more, produce more and benefit from rising food prices; and in turn promote rural development<sup>7</sup>. Does this conviction hold true in the context of Cambodia? Who've won and who've lost in the context of high food inflation?



Rising in food prices in the market  
(Photo by: NGO Forum)

### Causes of Rising Food Prices

Rising food prices have resulted from a significant change in the demand-supply balance. In the wake of global debate on climate change and efforts in cutting green house gases, vast areas of agricultural land in some countries have been turned into plantations for bio-fuel yielding plants thereby dramatically reducing agricultural land areas to meeting demand in the US and the EU and in turn rapidly decreasing world food stocks<sup>8</sup>. The situation has been aggravated by rising oil prices which has driven up prices of other commodities across the board, by poor harvests in some parts of the world due to flood, droughts and other natural disasters in other part of the world such as in Australia, and by the fact that a large portion of world population especially in China, India and other developing countries are demanding more and more foods as they are stepping up to the middle class adopting high protein diets<sup>9</sup>.

In Cambodia, rising food prices, especially in the case of rice, have been in part driven by world food prices, stronger global demand, cross-border transactions, and depreciated dollars. Price increases in necessary agricultural inputs such as fertilizers, petrol, which Cambodia can not produce, are transmitted through international trades to Cambodia, pushing up food prices and transportation costs. Moreover, food prices may have been driven up in part not only by exports and agricul-

#### Cambodia at a glance

- In 2004, the food poverty line was KHR1,684 (US\$0.42/day);
- 2.6 million Cambodians (20%) are food poor;
- Food poverty incidence in Phnom Penh: 1%; other urban areas: 11.4%; rural areas: 22.2%;
- National average for food expenditure: 60% of available income. In rural areas: 65%. The poorest 20%: 70%;
- 90% of the poor live in rural areas
- 20% of farmers are landless.
- 65% of rural households are landless or land poor\* (20% landless, 45% land-poor)

\* Land-poor means owning one hectare of land or less.

#### References:

1. Ministry of Planning 2006: A Poverty Profile of Cambodia 2004
2. CSES 2004

<sup>5</sup> NIS 2008: Consumer Price Index: January 2008

<sup>6</sup> NIS 2008: Consumer Price Index: January 2008

<sup>7</sup> FAO 2008: Rising Food Prices: causes, consequences and policy responses

<sup>8</sup> FAO 2008: Assessment of the World Food Security Situation

<sup>9</sup> The Cambodia Daily Saturday and Sunday Issue: March 29-30, 2008: Growth and Population Fears. Spread of Prosperity Brings Supply Woes

tural inputs but also by domestic increasing demands due to improvement in living standards of urbanites.

### Impacts of rising food prices on the poor

The poverty line was set in 2004 when the foodstuff, rice, gasoline, fertilizers were much cheaper; therefore, if the poverty line is to be recalculated to allow for inflation, clearly the line will be greatly pushed up (meaning much more than 2100riels)<sup>10</sup>. Living in poverty in Cambodia means a person earning less than 2100riels. Just suppose that the rural poor have access to land which is crucial for agricultural production, will people living in poverty be able to invest more in their land? So it is more than likely that they have suffered from food price hike.

Theoretically, first, those who produce more than they consume will be able to sell their surplus at higher prices and gain more from rising food prices. Second, those who produce less than the amount they consume will have to buy additional food at higher prices to make up their needs; therefore, their living condition is deteriorating in stead of improving.

According to CSES 2004, only 35% of rural households produce rice surplus; whereas the rest of the rural households do not produced surplus either because they are landless or land-poor. Given the fact that one hectare of land produces a bare minimum of rice sufficient for consumption by a one household of five<sup>11</sup>, it is more than likely that the landless or land-poor may have suffered if they are not able to earn more money. On the whole, the affected groups include rural households who are landless or land-poor, urban poor fixed wage workers, government's civil servants since they produce little or are bet buyers of food.

For those who produce surplus, they are likely to face difficulties before the next harvest since they sold rice immediately after the harvest and now they will run out of their paddy rice and have to buy rice and food at a higher prices form the market before the next harvest comes<sup>12</sup>.

If the prices of rice still stay high, it is hoped that farmers with access to land will be encouraged to produce more and benefit more from the price hike. This scenario will not only benefit people with access to land but also the rural poor who are the labour force in the rural areas. So it seems that the price hike is a boon for rural development. According to the upcoming research study on impacts of high food prices in Cambodia by CDRI, generally the labour wages (of both rural and urban poor) have also increased alongside food prices. However important questions are: To what extent can farmers boost their productivity without enough irrigation systems? Whether all rural-poor can get employed in rural setting? And to what extent the pay rise can offset the negative effect of the high food prices?

About 2.6 million people who are living extreme poverty face deprivation. Of the 2.6 million, a large number

Ms. Kong Visan, 25, a garment worker in Phnom Penh said rising prices of food, rent, rice and gas have very much deteriorated her living condition. As a result, she now began to eat less and send home less money (50000 to 80000 riels as apposed to 100000 riels before food stuff rose in prices) as well. Even worse she has to start borrow money when short of money to make ends meet.

When asked whether she would be better off with US\$ 6 pay rise compared to her living condition before high inflation, she said "NO" since the price are rising too much. Some stuff have doubled, some have tripled in price. So 6\$ pay rise can not offset the effect of the rising prices. She added that now her mother wanted her to quit work and go back home since her saving could not justify her living and working in the capital.

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*Interview conducted by Development Issues Program Staff NGO Forum on Cambodia in March 2008*

<sup>10</sup> Ministry of Planning 2006: Poverty Profile of Cambodia 2004.

<sup>11</sup> CSES 2004

<sup>12</sup> CDRI 2008: Upcoming research: Impact of soaring food prices in Cambodia.

of people live in the plains regions; however people with most severe food poverty reside in the plateau region<sup>13</sup>. It is not possible to say how many of them have access to land and rural employment and have been able to benefit from high food price as shown above. However, about half of them have been reported to cut back on food consumption or to buy cheaper food to cope with rising food prices<sup>14</sup>. The situation of female headed households may have become even direr since it was already reported that it was worse than that of the male headed households even before phenomena of rising food pieces<sup>15</sup>.

“However, about half of them have been reported to cut back on food consumption or to buy cheaper food to cope with rising food prices”

With the fact that prices of fish has been 20 % higher than before compared with doubled or tripled prices of other food items, fishing communities are reported to be among the most effected groups. Moreover, their catches have decreased due to a downward trend in catches by fishing households<sup>16</sup>. As a result, the negative impacts of rising food prices on these vulnerable groups may include increasing poverty, worsening nutrition, reducing the utilization of education and health services, and, in a worse case, depleting the productive assets<sup>17</sup> since they may have taken loans and / or sold their assets such as land or livestock at this time of rising prices.

“Fishing communities are reported to be among the most effected groups”

Children of those affected groups are very much likely to suffer large and lasting poverty-causing effects of rising food prices. With reduction in food consumption, early childhood malnutrition results in poorer health, lower cognitive ability, less learning, and lower life time earnings. Children may be pulled out of schools as a way of their parents coping strategies with rising food prices. And it is bad to know from past experiences that children withdrawn from schools in times of hardship rarely return to the classrooms and families can have great difficulty rebuilding the asset upon which their livelihood are based<sup>18</sup>.

## Conclusion

Soaring food price hits different population differently from the urban middle class to rural fishery and agricultural communities. The current situation has pushed vulnerable people further into impoverishment not even mentioned the nutritious defect especially during the months prior to harvest.

Short term actions are badly needed both to reverse negative effects of rising food prices. As can be seen above, fishing, poor-rural communities, and children have suffered most, a crisis that needs immediate attentions by the government. In the short run, the government in cooperation with external development partners and Non Governmental Organization need to deliver food assistance, and health care support to people in need. In the longer run, an inclusive social protection program shall be in place to protect the poor and vulnerable from such crisis in the future.

On the bright side of rising food prices, they also can bring unique opportunities for people, and in turn the country as a whole, to stand benefit from agriculture activities in order to reduce poverty as well vulnerability in the society. In the long run, the following actions are recommended for the government<sup>19</sup>:

- Invest more in rural development, irrigation systems, and rural infrastructure that support agricultural development.

<sup>13</sup> WFP 2007: Cambodia Integrated Food Security and Humanitarian Phase Classification (IPC).

<sup>14</sup> CDRI 2008: Upcoming research: Impact of soaring food prices in Cambodia.

<sup>15</sup> Cambodia Socio-Economic Survey 2005.

<sup>16</sup> CDRI 2008: Upcoming research: Impact of soaring food prices in Cambodia.

<sup>17</sup> WB 2008: Guidance for responses from the Human Development Sectors to Rising Food Prices.

<sup>18</sup> WB 2008: Guidance for responses from the Human Development Sectors to Rising Food Prices.

<sup>19</sup> Please see details recommended actions in NGO Statement on Inflation and Poverty in Cambodia. The statement can be downloaded at: <http://www.ngoforum.org.kh/Development/Docs/doc.htm>

- Support small scale poor farmers with subsidized agricultural inputs to boost their productivities. Along with rural infrastructure development, ensure small scale farmers and fishermen have access to capital to develop their potential farming without impoverishing themselves to repay debt.
- Speed up the social land concession program to make sure that the rural poor have access to land and are, through agricultural production, able to benefit from food price hike instead of suffering from it.
- Implement tax policies on unused land which will turn those idle lands into productive farm lands to increase the country productivity.
- Enforce the legislation of the economic land concessions and cancel any economic land concessions that have not been used for any production and that put people at risks of losing their livelihoods.

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## 2009 National Budget Should Favour Farmers



Rainfall-dependent agriculture  
(Photo by: Neou Vannarin)

Irrigated agriculture  
(Photo by: Neou Vannarin)

### Introduction

Linking our forthcoming National Budget to the policy framework outlined in the National Strategic Development Plan (NSDP) is probably the most challenging task that Government officials in the Ministry of Economy and Finance are facing at the moment. As representatives from line ministries and the Ministry of Economy and Finance are negotiating budget allocations for the draft 2009 Budget Law this budget brief reviews: i) the priority attached to agriculture and rural development in the NSDP; ii) budget allocations to these sectors in the past four years; and iii) actual expenditure in these sectors.

*"Poverty incidence is high in rural areas especially those in remote regions"*

*"85% of the population lives in rural communities"*

*(NSDP 2006-2010)*

This brief ends with a call on the Royal Government, supported by its development partners, to significantly direct more public funds in the 2009 Budget to stimulate agriculture and rural development.

### NSDP policies and their increased relevance since 2007

Our NSDP (2006-2010) is very clear about the importance of agriculture for poverty reduction: *"Enhancement of the agricultural sector is the key to poverty reduction and would also contribute enormously to real GDP and macro-economic growth. Poverty incidence is high in rural areas especially those in remote regions. 85% of the population lives in rural communities and over 60% depend on Agriculture, Forestry and Fisheries for their livelihood. 75% of poor households are farmer-headed households."*

From May 2007 to May 2008, the price of Pkar Knhei rice from Battambang increased by 105 percent from 1,491 Riel to 3,058 Riel per kilogram. As the prices of other rice types also doubled, returns to public investment in agriculture have increased significantly. Although prices for rice fell somewhat in August they are unlikely to return to the level of May 2007.

As a result, investment incentives have shifted permanently in favor of agriculture and increasing public investment in 2009, resulting in improved irrigation, access to quality agricultural inputs, storage facilities, and processing facilities. These investments are good for the economic development of Cambodia.

### Financing public investment in agriculture and rural development

When addressing financing to implement policies, the NSDP follows the logic that with poverty reduction being the objective, 60 percent of the allocations will be used for the benefit of the rural areas. Table 5.2 in the NSDP, which addresses sector allocations identifies rural development and agriculture as crucial for delivering on this commitment. The funding sources for this public expenditure are identified as Government revenues and development aid from external development partners.

*"As the prices of other rice types also doubled, returns to public investment in agriculture have increased significantly."*

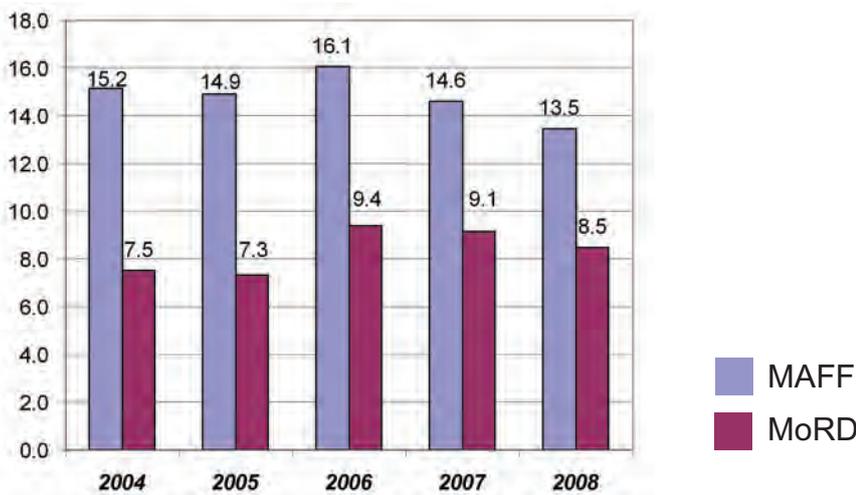
In the Cambodian context, where there is limited public information concerning the management of public resources, the main sources of information are: 1) the National Budget Law, 2) the Public Investment Program, 3) the Budget Settlement Law, 4) the Table of Financial and Economic Operations (TOFE), and 5) the aid database from CDC. The table in annex 2 briefly describes the content of these five sources and assesses their usefulness for monitoring public expenditures.

### The National Budget: recurrent expenditure

Figure 1 shows that, when budget allocations are corrected for inflation, there is no clear trend towards higher budget allocations for both of the Ministry of Agriculture, Forestry and Fisheries (MAFF) and the Ministry of Rural Development (MoRD). It also shows that the recurrent budget for the MAFF has been reduced in the last two years. The main reason for this is the lack of linkage between the NSDP and the National Budget, which remains Government's most important economic policy instrument. Another reason is the unexpected high-level of inflation that picked up in the second half of 2007 and continued into 2008.

*"... lack of linkage between the National Strategic Development Plan and the National Budget... remains Government's most important economic policy instrument"*

**Figure 1: Recurrent budget in million US\$, 2007 prices**

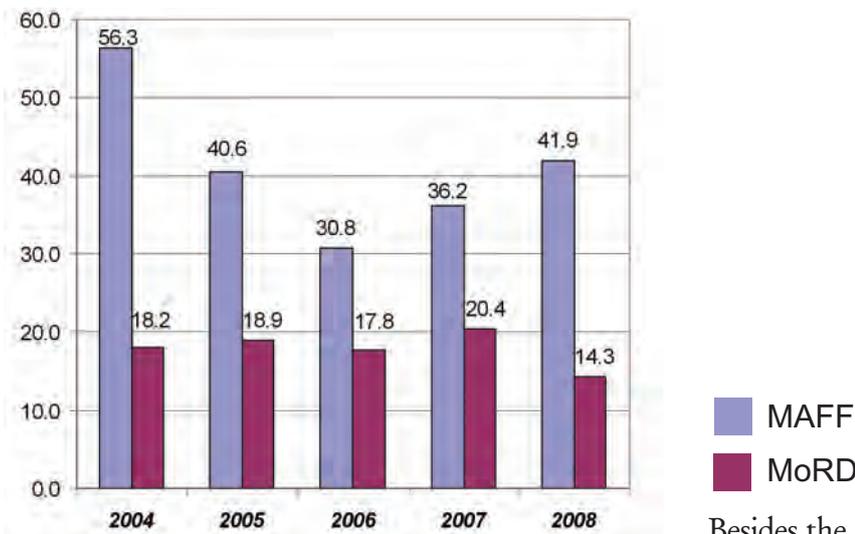


Implementation of the recurrent budget is generally good and has not been below ninety percent in 2005, 2006, and 2007. In 2007, the MAFF spent 97 percent of its recurrent budget while the MoRD spent 93 percent of its recurrent budget. One note that needs to be made is that other Government institutions overspent their recurrent budget each year during the last four years. The Council of Ministers spent 43 percent more than their allocated recurrent budget in 2004 and 91 percent more than budgeted in 2007.

### The National Budget: capital expenditure

Whereas the recurrent budget is mainly financed from domestic revenues, the capital budget is mainly financed with foreign aid. Figure 2 shows that there is no clear trend towards higher capital budget allocations for the MAFF and the MoRD. From this figure, it is clear that, when corrected for inflation, the 2008 capital budget for the MAFF has actually returned to its 2005 level. The allocated capital budget for the Ministry of Rural Development is quite stable for 2004-2007, with a significant drop in its 2008 budget.

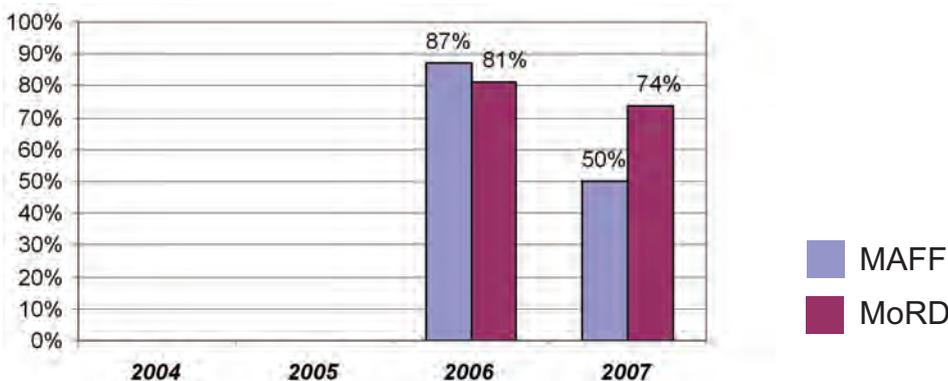
Figure 2: Capital budget in million US\$, 2007 Prices



Besides the lack of increases in their budgets, implementation of the capital projects by these ministries is problematic. As shown in figure 3, the MAFF and the MoRD were only able to spend respectively 50 percent and 74 percent of their capital budget. Because the needs for public investment in rural areas are high, the Royal Government and its development partners should urgently address the causes of the under-expenditure.

It needs to be noted that no data on capital expenditure by the MAFF and MoRD is available for 2004 and 2005. For 2006 and 2007, calculation of execution of the capital budget is based on implementation data published in the 2007 and the 2008 National Budget Law. Although these are preliminary data, the Royal Government has not released any data that shows a different performance than depicted in figure 3.

Figure 3: Execution Capital budget



"...the 2008 capital budget for the MAFF has actually returned to its 2005 level."

"...the MAFF and the MoRD were only able to spend respectively 50 percent and 74 percent of their capital budget"

### Conclusion and recommendation

In the last five years, the Royal Government has not been able to translate its strong policy commitments to rural development into development projects on the ground. Data on allocations in the National Budget law

and the sparse data on budget execution indicate that public investments have not prioritized rural development which, at least partly, explains the moderate pace of poverty reduction in Cambodia.

It is time for the Royal Government, supported by its development partners, to break with this pattern and invest more public funds in developing the rural areas where it benefits the poor most. For policy and decision makers at the Ministry of Economy and Finance, the Council of Ministers, and Government's development partners it should be clear that the high price of rice increases the economic returns on agricultural investments and has the potential to lift many of the rural poor out of poverty. The 2009 Budget Law is an opportunity for the RGC to make a concrete start to change the pattern of under-investment in rural areas and work towards the objective declared by the Minister of Agriculture, Forestry and Fisheries on April 24, 2008 that: "*the country would be able to produce eight million tons of rice for export annually by 2015*"<sup>20</sup>. The recent submission of a proposal for a US\$ 38 million food assistance programme to the ADB<sup>21</sup> that includes a component to boost local food production is a promising start and more programs that improve small scale production need to be initiated.

*The 2009 Budget Law is an opportunity for the RGC to make a concrete start to change the pattern of under-investment in rural areas and work towards the objective declared by the Minister of Agriculture, Forestry and Fisheries on April 24, 2008 that: "the country would be able to produce eight million tons of rice for export annually by 2015"*

The NGO Forum on Cambodia urges all policy and decision makers to change the pattern of the past and work hard to ensure that the 2009 Budget Law clearly favors small scale farmers.

### Summary

- Cambodia's rural areas are not poor, rural Cambodians are
- Public investment in rural development has been low in the past
- High rice price has increased returns to public investment in agriculture
- Time for change: 2009 National Budget should clearly favour farmers

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*In the spirit of encouraging greater transparency, the NGO forum on Cambodia would like you to contact us if you have documents and/or information that should be brought to the attention of the Cambodian people.*

<sup>20</sup> Xinhua news, May 02, 2008

<sup>21</sup> Cambodia DIALY, 4 September 2008

**Annex 1: Data used**

	2003	2004	2005	2006	2007	2008
Consumer Price Index	100.0	105.4	110.6	115.8	134.7	165.7
Inflation by NIS		5.4%	5.0%	4.7%	16.3%	23.0*%
Exchange rate (Riel per US\$)**	3,979	4,019	4,097	4,107	4,073	4,100

\*Forecasted by the Economist Intelligence Unit, Cambodia Country Report, August 08.

\*\* NBC exchange rate (Riels/US\$), For 2008, exchange rate is based on rate used in Budget Law 2008.

**Allocated recurrent budget (US\$ million)**

	2004	2005	2006	2007	2008
MAFF	11.9	12.2	13.8	14.6	16.2
MoRD	5.9	6.0	8.1	9.1	11.7

Calculated from the National Budget Laws, Royal Government of Cambodia

**Actual recurrent expenditure (US\$ million)**

	2004	2005	2006	2007	2008
MAFF	9.6	11.5	13.6	14.2	-
MoRD	4.1	5.4	7.3	8.5	-

Calculated from TOFE reports, Ministry of Economy and Finance

**Allocated capital budget, US\$ million**

	2004	2005	2006	2007	2008
MAFF	44.1	33.3	26.5	36.2	51.5
MoRD	14.2	15.5	15.3	20.4	17.6

Calculated from the National Budget Laws, Royal Government of Cambodia

**Actual capital expenditure (US\$ million)**

	2004	2005	2006	2007	2008
MAFF			23.1	18.1	
MoRD			12.4	15.1	

Calculated from the National Budget Laws, Royal Government of Cambodia<sup>22</sup>

<sup>22</sup> These figures are classified by the Ministry of Economy and Finance as preliminary, however final figures on actual capital expenditure are not available. For 2004 and 2005, there are no figures on capital expenditure in the Budget Law or Budget Settlement Law. For 2006 and 2007, budget settlement laws have not yet been produced.

**Annex 2: Information sources on public expenditure**

Source	Content / Comments
1) The National Budget Law	<ul style="list-style-type: none"> <li>• Allocation of recurrent and capital budgets by Ministry</li> <li>• Estimates of recurrent and capital expenditure by Ministry of the previous year.</li> <li>- <u>Note 1</u>: The RGC does not release final figures on actual expenditures that are timely enough to inform the budget cycle.</li> </ul>
2) The Public Investment Program (PIP)	<ul style="list-style-type: none"> <li>• Allocation of on-going projects (capital and technical assistance) by Ministry, linked to the National Budget since 2007</li> <li>• List of high priority pipe-line projects.</li> </ul>
3) The Budget Settlement Law	<ul style="list-style-type: none"> <li>• Overview of actual recurrent expenditures vs. budgeted recurrent expenditures by line ministry</li> <li>• Overview of actual capital expenditure vs. budgeted capital expenditure.</li> <li>- <u>Note 1</u>: Numbers of budgeted capital expenditure are not always the same as in the Budget Law. Occasionally information on expenditure is missing for certain ministries.</li> <li>- <u>Note 2</u>: Some years there is no breakdown of capital expenditure by line ministry</li> <li>- <u>Note 3</u>: Budget Settlement Laws for 2006 and 2007 are not yet available.</li> </ul>
4) The Table of Financial and Economic Operations (TOFE)	<ul style="list-style-type: none"> <li>• Overview of actual recurrent expenditures vs. budgeted recurrent expenditures by line ministry</li> <li>• Overview of actual capital expenditure vs. budgeted capital expenditure.</li> <li>- <u>Note 1</u>: Numbers of budgeted capital expenditure are not always the same as in the Budget Law, occasionally information on expenditure is missing for certain ministries.</li> </ul>
5) The aid database from CDC	<ul style="list-style-type: none"> <li>• Overview of projects / programs from development partners</li> <li>- <u>Note 1</u>: The CDC database is not useful for monitoring purposes as it is not linked to the National Budget or the Public Investment Program; Although a number of projects included in the CDC database are similar to projects in the PIP, there is no system of linking and they seem to operate as parallel systems.</li> </ul>

**Other publications from NGO Forum's National Budget Project:**

- Analysis of the Implementation of the 2007 Budget and the 2008 Budget Law, January 2008.
- Guide to the National Budget, November 2007 (Khmer and English Version).
- The Cambodian National Budget and Development: Translating the Policies into Action, Prioritize the Priorities!!, Cambodia Development Watch, Year 3, Issue 1, July 2007.
- Costs, Resources and Programming, NGO Position Papers on Cambodia Development in 2006. June, 2007 (Monitoring of Joint Monitoring Indicators and Implementation of the National Strategic Development Plan 2006-2010)
- Challenges in National Budget Law for Poverty Reduction, Cambodia Development Watch, year 2, issue 2, July 2006.