

# Cambodia Development Watch

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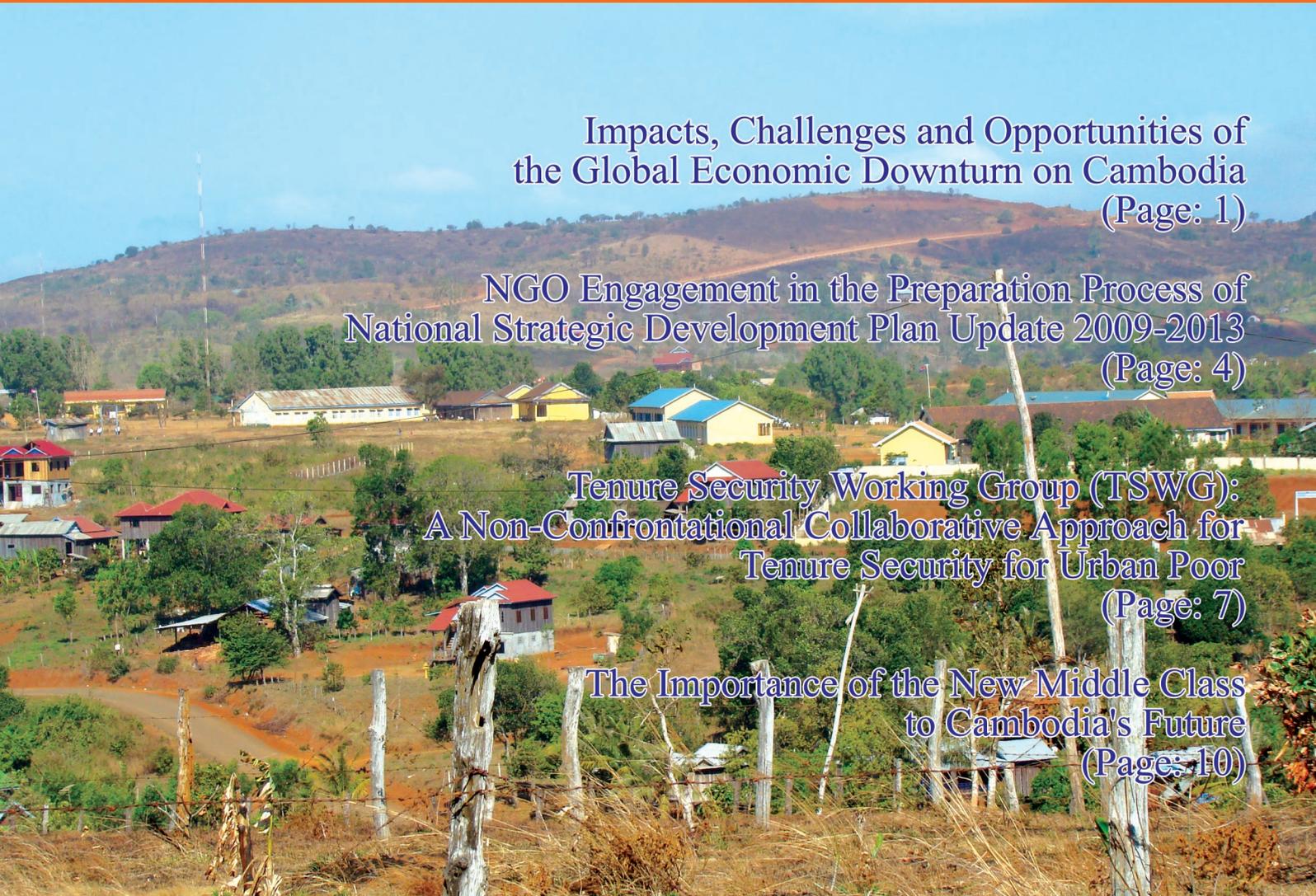


Impacts, Challenges and Opportunities of  
the Global Economic Downturn on Cambodia  
(Page: 1)

NGO Engagement in the Preparation Process of  
National Strategic Development Plan Update 2009-2013  
(Page: 4)

Tenure Security Working Group (TSWG):  
A Non-Confrontational Collaborative Approach for  
Tenure Security for Urban Poor  
(Page: 7)

The Importance of the New Middle Class  
to Cambodia's Future  
(Page: 10)



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*The NGO Forum on Cambodia*

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## **Cambodia Development Watch**

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The views and conclusions raised in this report are those of the authors, and do not necessarily reflect to the views and positions of The NGO Forum on Cambodia.

## FOREWORD

Cambodia Development Watch is produced by the Development Policy Project of The NGO Forum on Cambodia. It aims to highlight Civil Society Organizations (CSOs) perspectives on: i) Government development policies; and its the implementation ii) to share information and iii) stimulate debate among the public, students, civil society organizations, policy makers, and development partners on how the implementation of various development policies and programs contribute to poverty reduction and development in Cambodia.

This issue of the Cambodia Development Watch was made possible with articles contributed by: Mrs. Ly Pichadaroat, Economic Development Policy Project Officer (The NGO Forum on Cambodia); Mr. Kham Vanda, Development Policy Project Officer (The NGO Forum on Cambodia); Mr. Abdul Rashid Khatri, Advisor (Community Managed Development Partner "CMDP" - TSWG member organization); Mr. Bruce Haulley, Management Advisor and Acting Executive Director (Commune Council Support Project "CCSP") and the Land and Livelihoods Programme (The NGO Forum on Cambodia).

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We welcome constructive comments to improve future editions of the Cambodia Development Watch.

Chhith Sam Ath



Executive Director  
The NGO Forum on Cambodia

## Impacts, Challenges and Opportunities of the Global Economic Downturn on Cambodia

The global financial crisis started in early 2008 and has had impact on countries around the world. The phenomenon has slowed down economic growth and has driven millions to unemployment around the world. Like other countries, Cambodia has suffered from the crisis, which not only has undermined its macroeconomic performance, but also has a genuine negative social impact and worsens poverty. The crisis affects the four main pillars of Cambodia's economy (garment, construction, tourism, and agriculture), as they are connected to the global economy via foreign direct investment and the export market. The impact is severe in the labour market, which causes unemployment and underemployment leading to reductions in household income driving people less well-off into deeper poverty. The current economic crisis is an obstacle to achieving Cambodia's Millennium Development Goals by 2015.

### Impacts on Economy and Labour Market are severe

In the last five years, Cambodia enjoyed its high GDP growth rate averaging around 11% per annum<sup>1</sup>. Within the circumstance of the global financial crisis, textile and clothing, construction, and tourism are most fragile due to their high dependency on both foreign investment and export markets<sup>2</sup>. In January 2009, Cambodia's garment exports were approximately 50% lower than in January 2008, according to IMF March 2009. As a result, about 70 factories<sup>3</sup> have closed their operation since the crisis started in early 2008 while some garment factories have cut off their production. Consequently, more than 50,000 garment workers have been laid off<sup>4</sup> and the reduced production results in less working hours and over-time, which has caused the average wage of garment workers to decline. The job losses in the garment sector may have a ripple effect on other jobs as this sector provided 242,000 indirect jobs, in addition to 270,000 jobs it directly created<sup>5</sup>. The investment in construction has also dropped since the second quarter of 2008. Like the garment industry, the slowdown in construction has resulted in 15,000 jobs lost<sup>6</sup>.

### Possible impact on national revenues and Government efforts

Overall, the global economic crisis has an impact on Cambodia's economy as a whole. It has resulted in declined investment and exports/imports, less economic activities, and unemployment and underemployment, which further leads to the loss in national revenues, especially from customs and excise tax, income and profit tax, and VAT. This reduces the ability of the Royal Government to address the negative impact through increased public spending. Fortunately, at the 2nd CDCF (Dec 2008), Cambodia received a significant amount of aid as pledged from its development partners, which is approximately US\$1,000 million for 2009. This will potentially serve to complement the government's efforts to address the issue.

<sup>1</sup> Powerpoint Presentation made by H.E Hang Chuon Naron, Secretary General of Ministry of Economic and Finance, at Oil and Gas Youth Forum: Impact of Global Economic Crisis on Oil and Gas Extraction in Cambodia (28 March 2009, organized by YRDP).

<sup>2</sup> CIDS (Jan 2009). Rapid Assessment on the Impact of the Financial Crisis in Cambodia.

<sup>3</sup> & <sup>4</sup> Powerpoint Presentation made by HE Cham Brasideh, Senior Minister, Minister of Commerce, at the 2009 Cambodia Outlook Conference (12th March 2009, Phnom Penh Hotel).

<sup>5</sup> Vuthy C., and Hach, S. (EIC, Jan 2007). Cambodia's Garment Industry Post-ATC - Human Development Impact Assessment

<sup>6</sup> CIDS, Rapid assessment on the impact of the financial crisis in Cambodia, January 2009

## Job losses are a threat on gains made in poverty reduction

A large majority of workers in garment, construction, and other sectors are migrants from rural Cambodia. They usually send money home to help their families (90% of them). According to a study by CDRI<sup>7</sup>, as supplement to the low incomes of their family in rural areas, the remittances are used to support their families for the whole year and help to buy food and productive assets, pay for children's education, family health services, repayment of debts...etc.

The loss of jobs and lower wages of workers in these sectors means the household has less income to cover their expenditure. Similar to the circumstances of inflation, people are likely to cut off non-essential spending such as education and health or they may choose to eat less or less nutritious food, which leaves them to become more vulnerable to illnesses. This explains that as the income of households reduces, some are pushed below the poverty line or the already poor experience deeper chronic poverty.

## Challenges in rubber and cassava, opportunities in rice

Agricultural crops are less vulnerable to the crisis than other main sectors in the economy, proved by recent research of CIDS (Jan 2009). However, some agricultural commodities, especially ones that are largely dependent on export markets (for example, rubber and cassava), tend to be hit hard by the crisis. CDRI statistics confirmed that, in November 2008, the price of rubber and cassava dropped by half compared to the same month in 2007. This explains some loss in the export value of agriculture products. Nevertheless, the price of paddy rice after the crisis (November 2008) was still more than 10% higher than it was before the crisis (November 2007)<sup>8</sup>. The export value of rice increased from US\$ 634 million before the crisis to US\$ 705 million after the crisis<sup>9</sup>. There is evidence that the price of rice will continue to go up and thus provide high return on investment in agriculture. While FAO predicts that the food crisis will continue over the next ten years, Paul Krugman (a Nobel Laureate) says the food crisis will return when economic crisis fades. This clearly shows the potential for developing an agriculture sector that is labour-intensive and that there is room to increase production and productivity when agriculture infrastructure develops.

However, there again remains challenges. Cambodia's agriculture is rain-fed and very susceptible to floods, droughts, and pests. Farmers can usually harvest one crop per year and the productivity is still low (2.2 tons per hectare<sup>10</sup>) compared to neighbouring countries which share similar agro-climatic conditions. On the other hand, many farmers do not have access to land for their production. Of the rural households, 46% of them are landless and land-poor<sup>11</sup>. Moreover, the level of public investment allocated to MAFF and MoRD has never reached the NSDP allocation (10% each). Despite being under-funded, both ministries have never been able to spend their allocated capital budgets. The MAFF spent 84% in 2006, 50% in 2007, and 25% in 2008 of its respective capital budget<sup>14</sup>. The MoRD, on the other hand, spent 81% in 2006, 74% in 2007, and 32% in 2008 of its respective capital budget.

## WAY FORWARD: Invest in rural infrastructure and social safety nets

We recognize that the global economic crisis has a significant impact on Cambodia's economy and undermines the government's ability to collect its fiscal revenue. Therefore, the intervention to the

<sup>7</sup> CDRI, Cambodia Development Review, Volume12, October-December 2008

<sup>8</sup> Powerpoint Presentation made by Dr.Theng Vuthy, CDRI, at 2009 Cambodia Outlook Conference (12th March 2009, Phnom Penh Hotel)

<sup>9</sup> Powerpoint Presentation made by Dr.Theng Vuthy, CDRI, at 2009 Cambodia Outlook Conference (12th March 2009, Phnom Penh Hotel)

<sup>10</sup> MoP (2008). NSDP 2006-10 MTR report.

<sup>11</sup> WB (2006). Cambodia: Halving poverty by 2015? Poverty Assessment 2006

<sup>12</sup> For more details, see annex 3 of the GDCC statement on the 2009 Budget Law.

crisis requires close collaboration from the donor community under good leadership and coordination from the Royal Government.

Past experience in public expenditure shows that 35% of the capital budget was spent in the infrastructure sector in 2007 while the investment budget for MAFF and MoRD have always been under-funded and even under-spent over past three years. Further, the share of the government's recurrent budget which was not clearly allocated was 13.6% in 2009 compared to 5.6% in 2004<sup>13</sup>.

We believe that the current crisis is the right time to break with the patterns of public spending of the past and prioritize investments that are labour intensive and benefit rural development. With existing Government resources and additional resources available from the 2009 aid pledge this should well be possible. As such, we suggest the Royal Government and donor community to consider as following:

- Direct public investment to rural infrastructure, especially rural roads and small and medium sized irrigation systems. This has two benefits:
  - This labour intensive investment creates employment that can compensate for the loss of jobs in construction, tourism, and garment industry and generates income thereby facilitating economic activities.
  - Over a longer run, rural infrastructure will reduce vulnerability for Cambodia's agriculture as a whole, and increase agricultural outputs and productivity that will eventually enhance domestic food security and boost up export.
- While more public investment resources need to be made available to agriculture and rural development sectors to reach the level that is indicated in the NSDP Mid Term Review, the Royal Government and donor community should manage to solve the issue of under-expenditure that has characterised the two sectors.
- Increasing and improving targeting of the social safety expenditure is of urgent need to protect the poor and vulnerable groups. Therefore, quickly identifying groups that suffer most from the crisis and reviewing the existing social safety net mechanisms and programs would allow more effective intervention.

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<sup>13</sup>Line items "Precautionary expenses" as reported under chapter 99 in the Budget Law.

## NGO Engagement in the Preparation Process of National Strategic Development Plan Update 2009-2013

### Summary

*This article provides an overview of the participation of civil society organisations in the development and monitoring of the current National Strategic Development Plan 2006-2010. The Royal Government clearly recognizes the role of civil society organisations in development planning and monitoring and has been working with civil society organisations since 2005 on the development of the NSDP and involved NGOs in the preparations of the annual progress report (2006) and the Mid-Term Review (2008).*

*This article summarizes the NGO experience in these processes and concludes that the consultations with civil society in its preparations for the NSDP update 2009-2013 should be wider and more in depth. In addition the article calls for the following three improvements that need to be made in the NSDP update 2009-2013: i) a more specific focus on the poorest and most vulnerable groups; ii) a careful costing of the national plan that can better guide allocation of Cambodia's public resources and foreign aid; and iii) a monitoring framework that includes both a policy matrix and a more balanced set of indicators with more indicators that measure inputs and outputs.*

### Introduction

Early 2006, the Royal Government published its first five-year National Strategic Development Plan (NSDP). The NSDP (2006-2010) is generally regarded as having a good analysis of Cambodia's development challenges and it provides useful directions for all development actors to address these challenges. With the official approval of the NSDP in 2006, the Royal Government made a clear decision to move away from having multiple donor-driven national plans (the second Socio-Economic Development Plan 2001-2005 and the National Poverty Reduction Strategy 2003-2005) towards a single overarching plan that outlines RGC's policies and strategies for poverty reduction and incorporates long-term targets from the Cambodian Millennium Development Goals.

Recently, the government has announced its decision to prepare a new NSDP by updating the current NSDP 2006-2010 to the end of 2013. As announced in circular No. 03 SR from the Royal Government, dated 28 May 2009 on the preparation of the National Strategic Development Plan Update, 2009-2013, the title of the renewed NSDP will be "NSDP Update, 2009-2013". The circular further states that: "accordingly the term of the NSDP 2006-2010 will be deemed to have ended in 2008." The reason for renewing the NSDP are provided in paragraph 15 of the Rectangular Strategy, Phase II ... "The Royal Government recognizes the need to ensure consistency in terms of hierarchy, role, substance, coherence and synchronization between the "Rectangular Strategy", the "National Strategic Development Plan", as well as other policy documents, investment programs and the national budget."

### The Need for Civil Society Participation in National Planning

The foremost priority of the Royal Government is "Poverty Reduction in the fastest possible manner"<sup>14</sup> and as a result, the situational-analysis in the plan needs to be focused on the reasons why poverty and hunger have been reducing at only a moderate pace<sup>15</sup>, while the economy has witnessed a decade high

<sup>14</sup> Paragraph 3.09, NSDP 2006-2010

<sup>15</sup> The 2006 World Bank Poverty Assessment (p. 157) points out that whereas poverty in Cambodia was reduced by 1.3 percent per year, Vietnam achieved an annual rate of poverty reduction of 3.2 percent.

economic growth. Furthermore, all policies and strategies that are subsequently outlined to respond to this should be formulated in such a way that they contribute to improving the lives of the poor and vulnerable group in our society.

The challenge of carrying out the analysis and implementing the right strategies is naturally led by the Royal Government, and supported by its development partners that assist with both technical and financial assistance. Besides the Royal Government and its development partners, it is increasingly recognized that civil society actors (such as NGOs, religious organisations, and academia) have an important role in national planning. The role of the non-state actors has also been recognized by the Royal Government in the NSDP 2006-2010 where it states that: *"Ongoing efforts will be continued and strengthened to involve and associate all sections of the civil society in all appropriate aspects of RGC's planning and decision making processes, and to make civil society an effective partner in the development efforts."*<sup>16</sup>

The need for meaningful participation of civil society in national planning is clear as the work of Cambodian NGOs and civil society organizations spans a broad range of development issues and involves close engagement with Cambodians of all walks of life and socio-economic status. As such, civil society is well placed to assist the RGC by sharing its grassroots knowledge, and providing valuable feedback and suggestions regarding development policy, its implementation, and impact. In addition, participation from civil society groups in developing a national plan and monitoring its implementation ensures more ownership outside government circles. This involvement also allows space for a healthy public debate on Cambodia's development on socio-economic developments, government policies and the use of foreign aid, and public resources. The inclusion of civil society in monitoring the NSDP has also been recognized in paragraph 6.12 of the NSDP, which proposes to include participatory approaches to NSDP monitoring.

## **NGO Participation in formulating the NSDP 2006-2010**

In its reflection on the process<sup>17</sup> of designing and monitoring of the NSDP, The NGO Forum on Cambodia concluded that "Despite the government's extremely rushed process of preparation, The NGO Forum made a number of submissions to the draft NSDP, which was completed in late 2005. Input came from NGO sectoral groups/lead agencies and a provincial workshop." An assessment of the results of the NGO participation in the formulation process of the NSDP<sup>18</sup> found that of the total forty NGO comments, fifteen comments have been incorporated into the NSDP. The five comments that NGOs submitted related to governance were among the comments that were not incorporated into the NSDP.

Government officials in Cambodia are still not used to accepting civil society input into planning, and are sometimes dismissive of NGO opinion. Nevertheless, Cambodia generally provides a liberal framework for NGO existence and participation. The main obstacle to better civil society participation in government planning processes is the lack of capacity of both civil society organisations and of the government itself. This has resulted in donor domination of the development agenda. NGOs generally feel, however, that donor influence is needed to ensure that government programs truly benefit the poor.

It can be safely concluded that while the Royal Government has provided some space for CSO input into its planning process, this space needs to be expanded in order to achieve more meaningful participation.

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<sup>16</sup> Paragraph 4.25, NSDP 2006-2010

<sup>17</sup> See NGO Forum (2006), "The PRSP and CSOs' Participation in Cambodia"

<sup>18</sup> See NGO Forum (2006), "Rapid Assessment of the Incorporation of NGO Comments in the National Strategic Development Plan (2006-2010)"

## Suggestion for the NSDP Update 2009-2013

The Royal Government has just started its process for preparing the NSDP update 2009-2013 following a calendar of work that should result in the promulgation of the final draft by His Majesty the King on 30 April 2010. In this calendar of work<sup>19</sup>, there are four stages where the Royal Government will interact with NGOs, other civil society organisations, and development partners. The NGO Forum on Cambodia, MEDiCAM, and the Cooperation Committee for Cambodia (CCC) will work with NGOs in a variety of sectors to coordinate NGO input in this process. NGOs urge the Royal Government to use the planned consultations to have meaningful discussions with representatives from vulnerable and poor communities, NGOs working with these groups and other Civil Society Organisations. In our view, the Ministry of Planning is well-placed to facilitate these discussions from the Government side and can help ensure that senior-level representatives from the relevant line-ministries participate in these discussions.

In addition to the above call for a thorough and *meaningful participatory process* the NGO Forum would like to call on the Royal Government to address issues that were not included in the NSDP 2006-2010. For the NSDP Update 2009-2013 NGOs encourage the Royal Government to:

1. Use as much disaggregated data as possible in order to *keep a specific focus on the poorest and most vulnerable groups* in Cambodian society. For a national plan that has poverty reduction as its foremost priority, these groups need to be made visible in order to develop efficient strategies for national development.
2. Include a careful *costing of the national plan* that can guide allocations of Cambodia's public resources and foreign aid. During the meeting of the Technical Working Group on Public Financial Management Reform, the Ministry of Economy and Finance announced that it was working with the Ministry of Planning, the Council for the Development of Cambodia, and the Supreme National Economic Council on better integrating the National Plan. A well-costed plan that focuses on poverty reduction is a pre-requisite for this and would be the basis for improving the current assessment of donor alignment to the NSDP (as carried out in the Aid Effectiveness Reports).
3. Revise the current monitoring framework to include a policy matrix and better balance the different types of indicators. The M & E framework of the current NSDP lack of input/output indicators (intermediate indicators) to monitor the effectiveness and efficiency of the implementation of the NSDP. Of the 43 indicators in the NSDP M & E framework, approximately 30 are considered final indicators and the rest can be classified as intermediate. A better balance between the two types of indicators would: i) enable tracking efforts of the Royal Government and its development partners toward the longer term objectives specified in the NSDP and ii) assess whether resources are being used effectively and efficiently.

The current NSDP also contains a significant number of policy commitments in several areas that deserve to be reported upon regularly in a structural manner. In order to track the progress on these policy announcements, a policy matrix should be made that includes all policy commitments in the NSDP and describes when these should be achieved.

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<sup>19</sup>See annex 1 of the RGC circular on "Preparation of National Strategic Development Plan Update , 2009-2013" (28 May 2009)

## Tenure Security Working Group (TSWG): A Non-Confrontational Collaborative Approach for Tenure Security for Urban Poor

### Introduction

Tenure Security Working Group (TSWG) is a working group comprised of NGOs focusing on tenure security/land title and housing policy for urban poor communities in Cambodia with a non confrontational collaborative approach. The TWSG was established in January 2009 comprising of Community Managed Development Partners (CMDP), UN Habitat, UN Habitat Safer City Program, World Vision Cambodia (WVI), Habitat for Humanity-Cambodia (HFH - C), Center on Housing Right and Evictions (COHRE), Urban Poor Women Development (UPWD), The NGO Forum on Cambodia (NGO Forum) and the Housing Right Task Force (HRTF).

The criteria that TSWG uses for selecting the communities it works with are that: i) the communities have possession rights, ii) there is no land conflict, and iii) the community is willing to invest in community resources for community development without (or with only a small) subsidy. Relocation sites and communities with land conflicts are not the target of TSWG.

### 1. Activities of the Tenure Security Working Group and Progress Made

A Community Forum of identified 13 communities was organised in February 2009 in which these communities showed willingness for community resource based development to strengthen communities and to improve coordination with authorities to get land titles. In this forum communities themselves prepared the outline of their activities and later TSWG assisted each community to prepare detailed community action plans for community development and tenure security. Since June 2009, regular monthly meetings of these 13 communities have been held.

- COHRE/CMDP are assisting/guiding two Khmer young professionals to prepare Community Mapping Training Manual.
- TSWG has plans for Community Mapping by conducting household surveys of 13 communities. The draft questionnaire has been finalized and a test survey will be conducted in July 2009. For the actual survey, TSWG would like to coordinate with donors, LMAP and Municipality of Phnom Penh (MPP).
- TSWG is also in the process of conducting Case Studies to understand the strength and weaknesses of the systematic land titling process in four communities. For case studies too, TSWG is willing to coordinate with donors, LMAP and MPP.

### 2. Issues of Communities in Relation to Systematic Land Titling

#### a. Tumnu Village, Sangkat Phnom Penh Themai, Khan Sensok

The systematic land titling was processed in Sangkat Phnom Penh Themai, with other households in Sangkat, Tumnu village households also asked to prepare documents for submission for systematic land titling. This village consisted of 5 communities. UPWD is working with 3 of the five communities and these communities are also the target communities for TSWG. The other 2 communities are saving with Urban Poor Development Fund. All households in Tumnu village prepared the document and had it signed by the Sangkat chief. But later, the Tumnu village households were not allowed to submit the document for land titling without mention of reason to the communities. The land title process was continued for the other households in Sangkat.

### **b. Phneat community Sanakgt Stung Meanchey, Khan Meanchey**

The systematic land titling was initiated in Sangkat Stung Meanchey, Khan Meanchey. All households in Sanakgt submitted the document for systematic land titling and authorities issued the receipt of document submission. But later the land title certificate was not issued and the reason provided was that it would be issued after the Sangkat Meanchey bridge and canal improvement project were finalized. The bridge/canal improvement and side roads along the canal were completed in Feb 2009. Land certificates are now being issued to all households in Sangkat Steang Meanchey, including Phneat community, but 125 households living near the canal did not get land certificates. The community leader contacted the authorities a number of times to ask for the land certificate to be issued but no proper response was given and the authorities did not provide any reason why land certificates were not issued to these 125 families.

## **3. Communities meeting with World Bank Mission on LMAP Enhanced Review**

Communication with the World Bank local office was initiated in July 2008 by CMDP long before the establishment of TSWG. During this process, the communication continued through emails and formal/informal meetings. After the establishment of TSWG, a note on TSWG was sent to the World Bank which included the thirteen identified communities. The above mentioned communities was listed in the 13 TSWG target communities.

From 2-10 April 2009, the World Bank undertook an enhanced review of the Land Management and Administration Project (LMAP). The mission team was comprised of Mr. Mohammed Bekhechi, Legal Counsel, Mr. Lars Lund, Senior Social Scientist; and Mr. Bora Nuy, National Consultant.

The World Bank invited TSWG to present cases of Tumnup village and Phneat community. One community representative from Tumnup village and one from Phneat community presented the cases to the World Bank Mission on 2 April 2009. After the meeting, the World Bank visited Tumnup Village and Phneat community.

The World Bank discussed the issue with authorities and after one week a second meeting was held on 10th April 2009 and provided the following feedback:

### **Phneat Community**

According to the World Bank, the LMAP responded that the 125 families were not provided with the land certificates because MPP had asked not to issue land certificates. The World Bank Mission further asked the reason why if it was due to some environment concerns, development project...etc. However, the LMAP did not provide any sufficient reason.

### **Tumnup Village**

According to the World Bank Mission, the authorities showed a map of the area. This map showed only a few houses on the map. Additionally, the authorities explained that they put the map on public display and called for objection through the media and other means, but did not receive any objection from the local residents. A Tumnup village community representative responded that they are not aware of the announcement and display of the map. Mr. Mohammad of the World Bank Mission said that he visited the community and saw many houses. How could someone prepare the map and not see the houses? He asked authorities now what was possible for this village? The authorities replied that there was one option of collective sporadic land titling for the village.

Community further added that they were not there just to complain against anyone but that they came to resolve their issue. TSWG suggested to the World Bank Mission should take these cases as the test cases to improve systematic land titling mechanism. TSWG doesn't aim only to see this in a report but would like to work with donors and authorities on this issue and to select small pilot projects to improve the land titling system by working together.

#### 4. TSWG suggestions for pilot projects-**Small Scale,Realistic,Practical,Achievable**

TSWG approach is not to demand but to engage with authorities, donors and communities to discuss, agree and work together. TSWG is aware that pilot projects on the basis of these suggestions are not simple as this is an engaging and complex relationship of various stakeholders on various levels with management and financial issues. TSWG is willing to forward these suggestions for further discussion with all parties involved. TSWG is suggesting realistic, practical and achievable pilot projects to improve the land titling system with a non-confrontal collaborative approach as follows:

##### **a. Changing Top Down process to Bottom Up process**

Due to top down systematic land titling process, several communities which are willing to get land titles are depending on authorities to start the process in their area. For systematic land titling, it is currently not possible that communities can initiate the process. The TSWG believes that pilot projects with a bottom up process where people can initiate the process by themselves can be successful. A pilot project can provide opportunity to understand and learn the complexity in management in changing the current top down process to bottom up.

##### **b. Mini Scale Land Titling**

In relation to a bottom up process, the current practice of selecting the whole Sangkat needs to change to mini-scale level. TSWG is suggesting pilot projects for systematic land titling at community level.

##### **c. Speeding up Land Titling Process**

There is a real need to speed up the systematic land titling process. This can be possible by finding ways for more community participation and by engaging NGOs in the process. NGOs can play an important role in the dissemination of information, provision of training for systematic land titling and preparation of documents for land titling. One more option is to engage the private sector in various ways. Everyone needs land titles including the rich. If in one area, households (possible for rich and middle-class families) can afford and are willing to pay for private sector companies to prepare the map, plot measurements...etc, they should have the option to do this with a licensed company.

##### **d. Financial Sustainability for Land Titling Institutions**

Currently with systematic land titling the charges are 50 - 100 riels per sqm. On the other hand the LMAP is dependent on donor funding. It is a known fact that financial sustainability is important for every institution. This can be achieved by increasing the current charges. It is common practice in several countries to have an incremental rate related to the land size. Low rates for small plots, medium rates for medium size plots and high charges for large size of plots. Even lower charges in the future can be higher than current charges if there is no special consideration for the poorest of the poor.

This is a short note on the TSWG approach, activities and very basic raw ideas to enhance the land titling process in a realistic and practical way. This requires more discussions with various parties involved to convert these ideas into a concrete practical form.

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## The Importance of the New Middle Class to Cambodia's Future

### Poverty reduction

Cambodia has made dramatic progress since the end of the conflict small letter in the reduction of poverty. There is much to be proud of for government policy, non-governmental organizations, and society in this achievement.

However, what happened to those people, those who are no longer poor? What are their lives like now? What effect do they have on the development of Cambodia? How can we encourage this transformation?

Global economic growth has created a massive wave of middle class population growth. Described as adding a population equal to the city of New York every three months, middle class residents will grow to 1.15 billion by the year 2030, with most of the increase occurring in developing countries<sup>28</sup>. The percentage of middle class in Asia surpassed the number in the West for the first time since the 1700's<sup>29</sup>.

### Effect on society

The middle class has a profound effect on the society around it.

- A set of attitudes: Western middle class built on "the tripod of work, education, and property"<sup>30</sup>. The demand for good education, secure property rights, and the willingness to work for improved living standards can be a powerful influence on the direction of Cambodia over the next generation.
- Discretionary income: the key to sustainable economic growth in Cambodia lies in the ability of households to buy or invest beyond their immediate living expenses. Buying consumer products locally supports local businesses and employment, creating a "multiplier" effect as those individuals spend their earnings.
- Investing in a business or a property development creates more benefit for society. For the first time, recently there was a census of businesses in Cambodia, finding 375,000 enterprises. However, there is much room for growth: Cambodia has 28 businesses per 1,000 residents, whereas Indonesia has 102<sup>31</sup>.
- Democracy and governance: an informed and educated middle class will develop their own ideas about accountability, transparency, and direction, and will be able to vocalize them. Unlike poor, rural residents, urban middle class can speak up, having learned new attitudes through exposure to media, foreigners, and advanced schooling.
- Education and health services: middle class families demand, and can afford better education and health care for their children. This investment in personal capital will strengthen the society for generations to come.
- Urban vs. Rural: middle class growth is an urban experience. Much development attention has been paid to rural areas, overlooking the idea of influencing urban development through infrastructure and social programs.

<sup>28</sup> "The New Global Middle Class", Knowledge@Wharton, July 16, 2008.

<sup>29</sup> "Burgeoning Bourgeoisie", Economist Magazine, Feb 12, 2009.

<sup>30</sup> "Building a Market-Friendly Middle Class", Nancy Birdsall, World Bank, April 18, 2000

<sup>31</sup> "National Enterprise Survey Finds....", Cambodia Daily, June 10, 2009.

- Traffic: Cambodia's roads saw an increase of thirty six percent a year in car and motorbike ownership between 2006 and 2008. Roads became congested, affecting the supply chain for industry, quality of life, and environment<sup>32</sup>.
- A social contract: the middle class is more likely to demand social programs, which then also benefit the poor.
- This class is also vulnerable to macro-economic swings. Can social progress be made more secure? How has the global financial crisis affected the middle class in Cambodia?

## Development policies and programs

There is a school of thought in development theory that international assistance should concentrate on supporting local institutions in a local context, sensitive to history, local consensus, and opportunities . This would suggest supporting a growing class of individuals and families in Cambodia with programs that bring greater leverage on political and governance developments, sustainable economic growth, and an opportunity to reduce the influence of backward-looking, entrenched power elites.

Cambodia may actually be at an ideal point in its development. According to the Brookings Institution, there may be a "sweet spot of growth" for developing countries at the beginning of middle class creation, when its global position still allows it the beneficial pricing of its labor, fast urbanization, and improving productivity.

## Stimulate debate

The purpose of this paper is to encourage discussion, discovery, and efforts toward poverty reduction through understanding the effect of Cambodia's middle class on sustainable economic growth, good governance, and social opportunity. Much research deserves to be done, studying migration, education, investment, and governance. The results may well suggest programs that will further support Cambodia's development into a mature, innovative society with widespread benefits for all.

### Contact Information

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<sup>32</sup> "Statistics of Vehicles Registered in Phnom Penh", Ministry of Transportation.