

Cambodian Economic Association and The NGO Forum on Cambodia

Public Forum on Impact of Global Economic Downturn and Need for Policy Responses

**Cambodia-Japan Cooperation Centre
Phnom Penh**

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Opening Remarks

**Larry Strange
Executive Director CDRI**

Mr Chhith Sam Ath, Executive Director of The NGO Forum on Cambodia, Mr Chan Sophal, President of the Cambodian Economic Association, distinguished guests, colleagues and friends, it is a great honour and pleasure for me this morning, as Executive Director of CDRI, to make some brief opening remarks to this Public Forum on Impact of Global Economic Downturn and Need for Policy Responses. I would like to congratulate the NGO Forum and the CEA for taking the initiative in co-organising this important forum.

CDRI, as Cambodia's leading independent development policy research institute, the NGO Forum and the Cambodian Economic Association, share a deep commitment to the broader sharing of knowledge on the impact of the global and regional economic crisis on Cambodia; the need for careful monitoring of its impact on particular sectors of the Cambodian economy, and on Cambodian society, particularly on the poor and most vulnerable in our community; and of course the need for effective policy responses and action by government working closely with the private sector, research and policy institutions, civil society and international development agencies. Today's public forum is a timely expression of that shared commitment.

All of us present here today understand that the impact of the global economic downturn, a downturn that has not been of Cambodia's own making, has had a very significant negative impact on the Cambodian economy, and there is no indication of an immediate or early recovery. We can also see that there have been particularly negative impacts on key areas of Cambodia's economy activity and strengths – garment manufacturing, agriculture, tourism, construction and property development, and trade and foreign investment, with related serious impacts of the businesses that operate in these economic fields, their employees and the Cambodian families and communities that rely on them for their livelihoods and well being. I understand that today's discussion will focus in particular on the garment industry and the agricultural sector.

The impact on garment exports, and related local employment in the garment industry has been substantial. For the first four months of the year, garment exports fell by 27%, compared to the same four months in 2008. 50 factories have been closed and as many as 60,000 workers, mostly young women, have been laid off since September 2008. This means no income for not only the many laid-off workers (who have not found other jobs) but also no remittances to help support their families and households, mostly in rural areas. The Royal Government of Cambodia has responded with a smart project to retrain some 30,000 workers, 50% the laid-off workers in the garment industry by providing them with necessary subsistence allowances (\$40 per month). However, the training is only for one to four months and the trainees will need jobs beyond this time. There is however still a much deeper need for effective vocational education and retraining for the garment and broader manufacturing industry, both in short term response to the crisis and its impact, but also for the longer term strengthening and diversification of the manufacturing sector in Cambodia.

The impact on agriculture has been felt mainly in the form of lower prices and revenues for farmers. CDRI's survey of the impact of high food prices in June 2008 found that production costs rose remarkably due to the sky-rocketing prices of fertilizer, fuels and labour. As the prices of some commodities fell, a large number of farmers incurred losses. The CDRI survey also found as many as 50% of the rural households had taken loans from their relatives or moneylenders or MFIs with the hope that agricultural prices continue to be high and to have enough revenues to repay the debts. This turned out not be the case for the farmers of cassava, dry season rice, rubber, cashew and maize, with very negative impacts on household incomes and livelihoods. At CDRI we hope that the severity of this crisis, and the clear potential role the agricultural sector can and should play in Cambodia's future sustainable development and prosperity, will make development of the agricultural sector and broader rural development an even more urgent major strategic priority for the government and its development partners.

At CDRI, as an independent development policy research institute we believe that, as the impact of the crisis continues to unfold, it is important to carefully monitor its negative effects on people, on the real Cambodians who are most affected - the laid-off garment workers, the affected farmers, the poor and near poor in both rural and urban areas. This will help inform government policymakers and development partners with accurate credible objective data, both quantitative and qualitative, to support timely interventions to mitigate the negative impact.

CDRI plays a substantial role in this regard by conducting vulnerable workers surveys in Phnom Penh and other provinces on a quarterly basis as well as an expanded one in May 2009 (with support from the World Bank) and another likely to follow. We hope this research data will also be useful to Cambodian

civil society organisations across Cambodia who have such an important role to play at the community level in working with communities to alleviate poverty and protect livelihoods and well being. I hope today's forum and the new objective research-based evidence of the impacts of the crisis that are becoming available will help civil society organisations play this role in a more coordinated, targeted and even more effective way.

I am also pleased to advise this forum that this week CDRI will release a series of Cambodia Outlook Briefs, arising from our 2009 Cambodia Outlook Conference held in March this year on the impact of the crisis and proposal for policy responses and action in the key areas of agriculture and rural development, garments and manufacturing, tourism, property and construction, and human resource development. These easy to read briefs will be available in both Khmer and English, and will be accessible free of charge from CDRI's website. We hope they will be another useful resource for participants in today's Forum and others.

Today's Forum is an important opportunity to share knowledge and experience, and to develop a common understanding of the unfolding impact of the global economic downturn, which is of course not of Cambodia's making, but has already so seriously affected the lives of many Cambodians. Only with a sound understanding and analysis of this quite complex situation will we be able to work together to ensure effective policy responses from government that are practical and realistic, that are targeted to alleviate the impact of the crisis on the poor and vulnerable in particular with the design of appropriate short and long term social safety net initiatives, and to take action for the longer term strengthening of the Cambodian economy and its institutional governance.

May I again express my gratitude to the organisers for the opportunity to be with you this morning, and to wish a very productive and enjoyable day of knowledge sharing and discussion on these very important issues for the future well being of all Cambodians. Thank you.