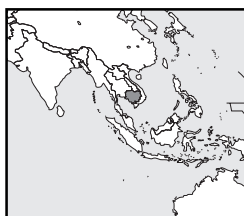


Towards assimilation into the world economy

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Under the national reconciliation programme initiated after the election of 1993, Cambodia set out to reconstruct her ruined economy, transform the central economy to a free market economy, and create a liberal democracy and multi-party system. The journey over the past decade has not been smooth, as the nation strives to build stability for economic growth and social development.

The Paris Peace Accord in late 1991 put an end to Cambodia's conflict of over twenty years. The internal turmoil had destroyed the entire social and economic infrastructure of the country and resulted in a complete isolation from the world economy since 1975.

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Cambodian recovery has been bumpy since the armed conflict in July 1997 and was further slowed by the 1997 Asian economic crisis.

Since the second election in 1998, Cambodia has taken pride in its integration into the world community and the regional economic community, the Association of South East Asian Nations (ASEAN). Loans to Cambodia have increased, and Official Development Assistance (ODA) has decreased. Cambodia has signed most international treaties, showing the leadership's willingness to conform to international standards. Implementation of those standards has proven difficult, however, because of weak government institutions and the lack of human resources.

The status of the economy

After the turbulence of civil war and long years of neglect, GDP growth has not caught up with population growth. The population growth rate in urban areas has increased, indicating that development growth is concentrated in urban areas and is pulling workers from rural areas, as shown on Tables 1 and 2.

TABLE 1

GDP growth in the last decade											
YEAR	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
% OF GDP GROWTH RATE	1.2	7.7	7	4	3.9	7.8	6	2	3.5	5.1	4.8

Source: Ministry of Finance.

TABLE 2

GDP, population and labour force 1999-2000			
	UNIT	1999	2000
Population	millions	11.70	12.23
Population growth rate	%	3	2.36
GDP growth rate	%	5	4.5
GDP <i>per capita</i>	USD	268	300
Urban/total population	%	10	12
Labour force	millions	5	5.4

Source: 1998 Census data.

Finance

Government tax collection has improved in the last year. National government operations nevertheless rely increasingly on foreign grants and loans.

Tax collection increased by 11% in 2001, but is less than 6% of the planned budget.² The government has faced many difficulties raising revenue, because of the inefficiency of government institutions. Furthermore, the general population does not cooperate because of its distrust of government handling of state funds and the abuse of power by government employees. The government often does not adhere to the budget approved by the National Assembly. The Office of the Prime Minister and the Ministry of Defence and National Security often overdraw their budget at the expense of social and educational programmes. The government is attempting to raise revenue by increasing the gasoline tax and by other unconventional means such as encouraging the opening of more casinos and lotteries, and by reliance on foreign donors and loans. At this time, Cambodia is not yet considered a heavily indebted country, but it will become one in the near future if the current mode of government operation continues without major reforms.

¹ With the contribution of Mr. In Suon Savann.

² Flash Report of The Cambodian Economy, The Cambodia Development Resource Institute (CDRI), December 2001.

Government institutions are corrupt and function mainly along political party lines. Government employees are low paid and expected to find other sources of income to support their families. Those with the opportunity take advantage of their positions to fundraise for themselves and their political patrons. The practice has spread even to teachers, who are forced to extort money from students for their basic education.

Most development bank loans go to building infrastructure and strengthening the capacity of government institutions to handle and manage state contracts. There is a current trend of government employees rushing to form companies or to collide with companies to bid on government contracts. This situation has led to many conflicts of interest in the management and monitoring of contracts.

National saving is minimal, because the general population lacks confidence in the banking system. The situation has got worse because in the last two years the government closed down eleven banks. As a result, many depositors, including several development NGOs and community groups, lost their funds and savings. The recovery of the banking sector will take a long time. The lack of a functional legal system makes matters worse. This situation is a disincentive for overseas investors.

A national debt of over USD one billion was incurred before 1991 during the cold war. USD 800 million alone is owed to Russia.³ Between 1993 and 2000, the total borrowed from the French development agency (ADF) was USD 461.8 million;⁴ of this, USD 375 million came from the International Development Agencies (IDA), USD 87 million from The International Fund for Agriculture Development (IFAD), the Organisation of Petroleum Exporting Countries (OPEC) and others, and USD 81.9 million from International Monetary Fund (IMF).

Status of the population below regional averages

The poverty index of Cambodia is the lowest among the ASEAN countries,⁵ trailing behind Laos and Myanmar.

TABLE 3

Human Poverty Index (HPI) ranking with ASEAN neighbours	
COUNTRIES	HPI VALUE %
Vietnam	26.2
Myanmar	31.2
Lao P.D.R.	40.1
Cambodia	52.5

Despite the impact of war on its human resources, education was a low priority for the government until recently. The literacy rate is next to the lowest, just above the Lao People's Democratic Republic. The government is now awaiting donor funding to make operational their five-year strategic plan.

TABLE 4

Literacy rates among ASEAN neighbours			
COUNTRIES	BOTH SEXES	MALE	FEMALE
Vietnam	93.7	96.5	91.2
Myanmar	83.1	88.7	77.7
Cambodia	65.9	77.2	55.2
Lao P.D.R.	56.6	69.4	44.4

Source: UNESCO, World Education Report 1998; Adult literacy rate 1996-EFA The Year 2000 Assessment, MoEYS.

The future of the country depends on the good health of its population. General health trends are encouraging, although more work is needed. Polio has been eliminated (last case in 1997). The child mortality rate has decreased from 242 per 1000 births in 1977 to 125 in 2000.⁶ Health costs are the major cause of landlessness (46%),⁷ with the people spending about USD 20 *per capita per annum*.

The government has responded by reforming the health sector. The result is increased use of health care centres and a doubling of the national budget allocation from USD one million to USD 2.1 million in 2000. The success of the reform is still questionable, however, as it will depend on the effects of other factors such as low salaries of civil servants and corruption.

In the past year, expenditures for defence and security have decreased vis-à-vis priority sectors such as education, health, agriculture and rural development. Defence and security spending decreased from 62% of the national budget in 1994 to 32% in 2001, whereas spending in social priority sectors increased from 17% to 37%.

Gender issues: the heaviest burden, of course

As in most developing countries, Cambodian women and children carry most of the burden without much support from government. Women make up 51.8% of the total population, but do not have proportional representation in decision-making at any social stratum. Of 122 National Assembly members, only 14 are female, and among 24 government ministers, only two are female. Among the 169,000 civil servants, only 8% is female, and it is concentrated in non-decision making positions.⁸ More women are represented in civil society organisations and agencies.

Access to basic services such as health care and education shows discrepancies between women and men in rural areas.⁹ Only 19.5% of men had access to health care vs. 34% of women in rural areas. The infant mortality rate is 86 per 1000 births in 1999, whereas the maternal mortality rate is 473 for 100,000 births, compared with the regional average of 160, one of the highest rates in the world. Over 50% of children under five are undernourished, making prospects for work force recovery bleak.

The numbers of girls and boys is equal in primary education, but girls are only 28% of students in 10th grade. Despite efforts of advocates, the government has refused to take political measures to remedy the situation. For example, they have refused to set a quota for women in the election law. ■

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4 Ministry of Planning and Ministry of Economy and Finance.

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6 Health Rights Development 1991-2000, Presentation at The Cambodian Association for Development and Human Rights (ADHOC) 10th Anniversary, 5 December 2001.

7 Shawn William. Cambodian Land Research Report, 1999, Oxfam Research.

8 Cambodian Social-Economic Survey 1999.

9 Cambodian Human Development Report 2000, UNDP.