The Political Economy of Pro-Poor Livestock Policy in Cambodia

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PPLPI Working Paper No. 26
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This is the 26th of a series of Working Papers prepared for the Pro-Poor Livestock Policy Initiative (PPLPI). The purpose of these papers is to explore issues related to livestock development in the context of poverty alleviation.

Livestock is vital to the economies of many developing countries. Animals are a source of food, more specifically protein for human diets, income, employment and possibly foreign exchange. For low income producers, livestock can serve as a store of wealth, provide draught power and organic fertiliser for crop production and a means of transport. Consumption of livestock and livestock products in developing countries, though starting from a low base, is growing rapidly.

This paper presents a case study of how livestock policies are made and implemented in a national context, and how they can be improved to better serve the interests of the poor in Cambodia. Opportunities exist for improving rural livelihoods in Cambodia through the export of livestock. While Cambodia claims little of the official export market for cattle, huge demand exists within the region and beyond. Three strategic entry points are recommended that can both improve the performance of the sector and the participation of the poor in productive activities.

We hope this paper will provide useful information to its readers and any feedback is welcome by the author, PPLPI and the Livestock Information, Sector Analysis and Policy Branch (AGAL) of the Food and Agriculture Organization (FAO).

Disclaimer
The designations employed and the presentation of material in this publication do not imply the expression of any opinion whatsoever on the part of the Food and Agriculture Organization of the United Nations concerning the legal status of any country, territory, city or area or its authorities or concerning the delimitations of its frontiers or boundaries. The opinions expressed are solely those of the author(s) and do not constitute in any way the official position of the FAO.

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Keywords
Cambodia, policymaking, livestock, rural development, poverty.

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<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABAP</td>
<td>Agro Business &amp; Agro Processing (Working Group)</td>
</tr>
<tr>
<td>ACIAR</td>
<td>Australian Centre for International Agricultural Research</td>
</tr>
<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
</tr>
<tr>
<td>APIP</td>
<td>Agricultural Productivity Improvement Project</td>
</tr>
<tr>
<td>APS</td>
<td>Animal Production Services</td>
</tr>
<tr>
<td>ASEAN</td>
<td>Association of Southeast Asian Nations</td>
</tr>
<tr>
<td>AusAID</td>
<td>Australian Agency for International Development</td>
</tr>
<tr>
<td>CG</td>
<td>Consultative Group (Meeting)</td>
</tr>
<tr>
<td>CPP</td>
<td>Cambodian People’s Party</td>
</tr>
<tr>
<td>CSD</td>
<td>Center for Social Development</td>
</tr>
<tr>
<td>DAHP</td>
<td>Department of Animal Health and Production</td>
</tr>
<tr>
<td>DK</td>
<td>Democratic Kampuchea</td>
</tr>
<tr>
<td>US DoS</td>
<td>United States Department of State</td>
</tr>
<tr>
<td>EC</td>
<td>European Commission</td>
</tr>
<tr>
<td>EPZs</td>
<td>Export Processing Zones</td>
</tr>
<tr>
<td>FMD</td>
<td>Foot-and-Mouth Disease</td>
</tr>
<tr>
<td>Funcinpec</td>
<td>Front Uni National pour un Cambodge Indépendant, Neutre, Pacifique, et Coopératif (Royalist Party)</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GoC</td>
<td>Government of Canada</td>
</tr>
<tr>
<td>GPSF</td>
<td>Government Private Sector Forum</td>
</tr>
<tr>
<td>GTZ</td>
<td>Deutsche Gesellschaft für Technische Zusammenarbeit (German Technical Cooperation)</td>
</tr>
<tr>
<td>HPAI</td>
<td>Highly Pathogenic Avian Influenza</td>
</tr>
<tr>
<td>IFAD</td>
<td>International Fund for Agricultural Development</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>KR</td>
<td>Khmer Rouge</td>
</tr>
<tr>
<td>MAFF</td>
<td>Ministry of Agriculture, Forestry, and Fisheries, and Agriculture</td>
</tr>
<tr>
<td>MEF</td>
<td>Ministry of Economy and Finance</td>
</tr>
<tr>
<td>MFI</td>
<td>Microfinance Institution</td>
</tr>
<tr>
<td>MoC</td>
<td>Ministry of Commerce</td>
</tr>
<tr>
<td>MPDF</td>
<td>Mekong Project Development Facility</td>
</tr>
<tr>
<td>MSG</td>
<td>Monosodium Glutamate</td>
</tr>
<tr>
<td>NAHPIC</td>
<td>National Animal Health and Production Investigation Centre</td>
</tr>
<tr>
<td>NGOs</td>
<td>Non-Governmental Organizations</td>
</tr>
<tr>
<td>NPRS</td>
<td>National Poverty Reduction Strategy</td>
</tr>
<tr>
<td>NSDP</td>
<td>National Strategic Development Plan</td>
</tr>
<tr>
<td>Abbreviation</td>
<td>Description</td>
</tr>
<tr>
<td>--------------</td>
<td>-------------</td>
</tr>
<tr>
<td>OIE</td>
<td>Office International des Epizooties (World Organization for Animal Health)</td>
</tr>
<tr>
<td>RCAF</td>
<td>Royal Cambodian Armed Forces</td>
</tr>
<tr>
<td>RGC</td>
<td>Royal Government of Cambodia</td>
</tr>
<tr>
<td>RS</td>
<td>Rectangular Strategy</td>
</tr>
<tr>
<td>SEDPII</td>
<td>Socio-Economic Development Plan II</td>
</tr>
<tr>
<td>SPS</td>
<td>Sanitary and Phytosanitary</td>
</tr>
<tr>
<td>SRP</td>
<td>Sam Rainsy Party</td>
</tr>
<tr>
<td>TA</td>
<td>Technical Assistance</td>
</tr>
<tr>
<td>UFNSK</td>
<td>United Front for the National Salvation of Kampuchea</td>
</tr>
<tr>
<td>UNICEF</td>
<td>United Nation Children’s Fund</td>
</tr>
<tr>
<td>UNTAC</td>
<td>United Nations Transitional Authority in Cambodia</td>
</tr>
<tr>
<td>UXOs</td>
<td>Unexploded Ordnances</td>
</tr>
<tr>
<td>VAHWs</td>
<td>Village Animal Health Workers</td>
</tr>
<tr>
<td>VRC</td>
<td>Vétérinaires Ruraux du Cambodge</td>
</tr>
<tr>
<td>VSF</td>
<td>Vétérinaires Sans Frontières</td>
</tr>
<tr>
<td>WFP</td>
<td>World Food Programme</td>
</tr>
<tr>
<td>WTO</td>
<td>World Trade Organization</td>
</tr>
</tbody>
</table>
Agriculture is paramount to the Cambodian economy, accounting for almost half of GDP (1997-2001). Nearly 88% of the poor come from rural areas and 80% of the population is rural, yet the country does not have a medium-term agricultural sector strategy. The livestock sub-sector ranks among the highest “potentials” and priorities for future development in Cambodia according to the Ministry of Agriculture, Forestry, and Fisheries, contributing 14% to the agricultural economy (1997-2001). It materially affects the lives of millions of Cambodians. Agriculture’s primacy is undeniable, given that it is the only sector capable of absorbing the 150,000-250,000 entrants joining the labor force each year. This represents a tremendous opportunity for agriculture in general and livestock in particular. However, the last decade of development action has also shown donors (with the implicit consent of the government) unwilling or unable to contribute to agriculture, with only eight percent of aid going to that sector. Aid coordination, while a stated goal, remains elusive.

The Political Context

A difficult institutional environment manifests itself through a combination of weak state capacity and poor governance that limits the scope for reform. Civil servant salaries are abysmally low (barely above the poverty line) for political economy and patronage reasons. ‘Illegal taxation’ is pervasive with, for example, demands for heavy and frequent informal payments for transport of cattle within the country. There are numerous reasons for this, but three are of particular note: the legacy of the Khmer Rouge causing the death of a quarter of the population and decimating the country’s human resources; patron-client relations with an embedded culture of corruption that prevents pro-poor policies from being implemented; and a donor-government nexus which has produced too many strategies and plans, but too few funded mandates and feasible policies.

Politically, there is no alternative other than to work within the system if donors insist on dealing with the government. Some have refused. The US Congress does not allow any US funds to go directly to the Cambodian government, mandating that funds instead go through NGOs.

The Economic Context

Cambodia’s economic performance has enjoyed some notable successes in the last decade, especially in the area of macroeconomic stability, as the country embraced aspects of the Washington Consensus. Inflation has been low for a number of years, and the exchange rate is stable. These are flippers to the same coin thanks to nearly complete dollarization (accounting for up to 90% of all liquidity). Cambodia became the first Least Developed Country to join the WTO in 2004. Despite the serious impact of corruption on Cambodia’s economy, the Heritage Foundation rates Cambodia as mostly free and ranks it above Thailand, Vietnam, and Laos.

Other economic trends have not been favorable, beyond a veneer of moderate GDP growth of circa 5 percent. Human development outcomes have been poor in the 1990s—this despite more than five billion US dollars in aid. Poverty and inequality have stagnated (and may even have worsened based on projections). Child and infant mortality have all increased since 1990. Expectations from interventions should be limited as observed from recent experience on Highly Pathogenic Avian Influenza (HPAI), where neighboring Vietnam was responsible for detecting Cambodia’s cases of human infection.
Policy Context

The constraints to designing effective rural development programs can be summed up as shortages of key inputs, inaccessibility to markets, human insecurity, limited technical capacity at ministry level, limited skill base at village level, and disinclination towards community or group actions due to low social capital following the Khmer Rouge period (EC, 2001). The challenges suggest that the problems of livestock are much wider than just the sub-sector alone; they are agriculture-wide and economy-wide. Categorized broadly, they concern market problems such as widespread corruption in supply chains, lack of access to water and energy, and insecurity of land tenure.

The government’s “Linear Animal Health Strategy and Policy Development” published in 2001 proposed both a Basic and a Smallholder Strategy. Several of its elements ran into difficulties because of the difficult institutional environment. With the guidance of existing strategies evaluated for political feasibility, three strategic entry points for pro-poor policy making are identified.

Strategic Entry Points

These recommendations are by no means exhaustive, but it is believed that they offer politically feasible opportunities for pro-poor engagement in livestock and livestock-sector related activities:

1. A two-pronged strategic entry point: (a) Take advantage of the increased emphasis on agriculture at the December 2004 Consultative Group meeting to produce a medium term agricultural sector strategy that includes NGO involvement and targets widows or single women heads of household and families that own no draught animals; and (b) Support HPAI interventions that consider training of poultry producers and subsidize microfinance to producers whose birds have been culled (especially if they meet the above criteria of widows or single women heads of households).

2. Cambodia is poised to take advantage of growing regional demand for livestock, and it should not fail to do so because the window of opportunity is narrowing with FMD-free status required for exports by 2006 and SPS Agreement by 1 January 20081. Thus Cambodia should exploit its comparative advantage in livestock exports (especially cattle), regionally and internationally and consider creation of an FMD-free zone. A feasibility study could be funded by the private sector and/or donors such as AusAID.

3. Because development outcomes have been so disappointing in the last decade (poverty reduction appears to have stalled, while human development indicators are markedly worse since 1990), regularizing VAHWs through contractual agreements for preventive services with the government and/or NGOs is one avenue that should be explored. However, if political willingness remains weak, donors may consider by-passing the government altogether to work directly with the poor on their own or through NGOs that have been effective in promoting vaccination and animal health services in rural areas, especially as these relate to HPAI and FMD prevention.

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1 This is per Cambodia’s World Trade Organization working party report, adopted on 22 July 2003.
1. INTRODUCTION

This paper addresses the potential for pro-poor livestock policies in the context of a challenging governance environment. It is a case study of Cambodia where nearly 88% of the poor come from rural areas, 80% of the population is rural, and no medium-term agricultural sector strategy currently exists. Cambodia is one of the least developed countries in the world. Between 1975 and 1979 it suffered the loss of an estimated 1.7 million people or one quarter of its population—and much of its livestock as well.

Agriculture and livestock represent 46% and nearly seven percent of Cambodia’s economy, respectively (1997-2001). There is a consensus that the development of agriculture is Cambodia’s best hope for survival in the global economy (Godfrey, 2003; World Bank, 2004a; IMF, 2004; RGC, 2004a; Sciaroni, 2004; NGO Forum, 2002) following the end of the preferential quotas for the export of garments to the United States and the European Union, which had made that industry Cambodia’s largest foreign exchange earner. The livestock sub-sector has considerable potential if tapped properly, as farming continues to shift from subsistence to commercial agriculture over the next decade.

Donors have only recently realized that agriculture has been inadequately addressed for a decade, acknowledging the embarrassing fact that only eight percent of aid has gone to the sector. Non-Governmental Organizations (NGOs) have tried, with their modest resources, to obtain results from the livestock sub-sector. Accordingly, a major objective of this paper is to recommend feasible pro-poor livestock (and livestock-sector related) policies from the set of options already in existence.

This paper draws on more than fifty interviews conducted over the course of one year with senior policymakers,2 owners, middle managers,3 advisors (both national and international), and staff of public, private, and tertiary (donor and NGO) sectors. These interviews took place without interpreters in the language in which the interviewee felt most comfortable (French, Khmer, or English) and notes were usually typed-up within 24 hours. In addition, this paper presents a literature review of official documents from the government, donor, private sector, and NGO community; local newspapers; and recently published research on the livestock sub-sector. Field visits to six provinces4 were conducted. The interviews were free-flowing, guided initially only by the Terms of Reference provided for this project by FAO, and tended to reflect the subjects’ concerns. The field trips allowed the author to obtain access to villagers, including a number of Village Animal Health Workers and commune officials, as well as simply to examine conditions on the ground—in fields, feedlots, agro-industrial facilities, and even a newly built private port where cattle are exported to Malaysia.

The paper has the following structure: Section 2 provides the political context of the paper. It covers political structure and the influence of the military in modern-day Cambodia. It goes briefly over the country’s modern political history, the electoral system and political base of the three major parties—the Cambodian People’s Party (CPP), Funcinpec (a French acronym for the United National Front for an Independent, Peaceful, and Cooperative Cambodia), and the Sam Rainsy Party. As such it provides the political basis for analysis of pro-poor livestock policy prospects in subsequent sections. Current political and institutional processes do not lend much voice to the poor beyond what is said in speeches and what is written on paper. There are

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2 These were at the level of Secretary of State, Secretary General, and Undersecretary of State.
3 These were at the level of Team Leaders and Deputy Directors.
4 Beyond Phnom Penh, these include Kampong Som (Krong Sihanoukville), Koh Kong, Takeo, Kampong Speu, Kampong Chhnang, and Kandal provinces.
numerous reasons for this, but the paper focuses on three: (2.1) the legacy of the Khmer Rouge; (2.2) patron-client relations and an embedded culture of corruption; and (2.3) the Donor-Government Nexus which has produced too many strategies and plans, but too few funded mandates and feasible policies.

Section 3 delves into the economic context. It examines human development outcomes, livestock, and agriculture. It begins with human development (3.1) and elaboration of estimated increases in poverty and inequality since the late 1990s. It goes on to show that illiteracy and child and infant mortality have all increased since 1990. Section 3.2 discusses agriculture’s contribution to Gross Domestic Product and posits that it is the only sector capable of absorbing the 150,000-250,000 entrants joining the labor force each year (World Bank, 2005b and Berthiaume, 2005). It ends by highlighting the importance of creating a strategic framework for agriculture. Livestock (3.3) is explored for its role and gender divisions, livestock lending practices are discussed together with a case study of Acleda Bank, Cambodia’s largest Microfinance Institution (MFI)-turned commercial bank is examined. The herd is detailed as is current evidence on animal drugs and mortality rates.

Section 4 examines the policy context. It elaborates on sector challenges, the feasibility of existing pro-poor livestock strategies and presents several strategic entry points. The challenges (4.1) surround markets, access, and land. Pro-poor spending leaves much to be desired as will be shown in this section. Current pro-poor livestock policies (4.2) are described following a brief overview of the major policy documents. The focus is on the basic and smallholder livestock sub-sector strategy introduced four years ago. The Strategic Entry Points (4.3) discussed begin with a medium term strategy for agriculture set as a benchmark in the 2004 Consultative Group meeting Joint Monitoring Indicators. It is argued that the December 2005 completion target date offers an important opportunity to emphasize NGO participation and the need for animal health be regularized within this policy. A related Strategic Entry Point is further donor support to combat Highly Pathogenic Avian Influenza (HPAI) by using subsidized micro-credit for HPAI-impacted breeders (especially single-women heads of households or families without draught labor). Other Strategic Entry Points are the export of livestock and the potential for a Foot-and-Mouth Disease Free Zone (4.3), and the continued improvement of veterinary service through VAHWs (4.4) by regularizing them further through contracting of services either by the government or NGOs with donor support. Finally Section 5 concludes the paper by framing the opportunities in pro-poor livestock policies while underscoring the constraints of day-to-day politics in Cambodia. It summarizes the strategic entry points.

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My own calculations based on World Development Indicators 2005 data suggest the figure is closer to 150,000. However, the figure of 250,000 is widely used and repeated. Most recently, outgoing US Ambassador Charles Ray said “Every effort has to be made to create jobs for as many of those 250,000 people as possible... Not only because it will move the country forward if it’s done, it will move the country backwards if it’s not done” (as quoted in Berthiaume, 2005).
2. POLITICAL CONTEXT: KHMER ROUGE LEGACY, CORRUPTION
AND DONOR-GOVERNMENT NEXUS

Political Structure and Modern History

Cambodia is a constitutional monarchy with three branches of government (legislative, executive, and judicial) in which the King “shall reign but shall not govern” (RGC, 1999). In the First Mandate (1993-1998) the legislative branch was unicameral with only a National Assembly but two Prime Ministers serving jointly. By the Second Mandate (1999-2003), it became bicameral, adding a Senate to the already existing National Assembly. The Senate is intended to review legislation, but is too often merely a rubberstamp, as is the National Assembly. With the formation of the Third Mandate in 2004, the Heritage Foundation (2005) called the coalition deal “patronage at its worst” with one Prime Minister, seven Deputy Prime Ministers, 15 Senior Ministers, 28 Ministers, 135 Secretaries of State, and at least 146 Under-Secretaries of State. While the main political parties are discussed in subsequent sections, the army is its own power center and merits a brief examination here.

Since the broad strokes of Cambodian contemporary history are well-known, this paper will not delve into them to any great extent beyond the table below, and in the subsequent pages.

Table 1: Transition of Legal, Political, and Economic Systems in Cambodia.

<table>
<thead>
<tr>
<th>Period</th>
<th>Legal System</th>
<th>Political System</th>
<th>Political Power</th>
<th>Economic System</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before 1953</td>
<td>French-based civil code and judiciary</td>
<td>Under French protectorate</td>
<td>Held by the French</td>
<td>Colonial</td>
</tr>
<tr>
<td>1953-1970 (The Kingdom of Cambodia)</td>
<td>French-based civil code and judiciary</td>
<td>Constitutional monarchy</td>
<td>Held by King Norodom Sihanouk (until he abdicates in 1955) then as Prince Norodom Sihanouk alternately as Prime Minister or Head of State of an elected government known as the Sangkum Reastr Niyum or People’s Socialist Community (1955-1970)</td>
<td>Market and then nationalization</td>
</tr>
<tr>
<td>1975-1979 (Democratic Kampuchea)</td>
<td>Legal system destroyed</td>
<td>All previous systems abolished, extreme Maoist agro-communism</td>
<td>Held by Pol Pot and the Khmer Rouge with Chinese and North Korean support</td>
<td>Agrarian, centrally planned</td>
</tr>
</tbody>
</table>

6 The Senate was created because the head of the National Assembly during the First Mandate had to cede his place to the Former First Prime Minister whose party lost the election.
2. Political Context: Khmer Rouge Legacy, Corruption and Donor-government Nexus

<table>
<thead>
<tr>
<th>Period</th>
<th>Legal System</th>
<th>Political System</th>
<th>Political Power</th>
<th>Economic System</th>
</tr>
</thead>
<tbody>
<tr>
<td>1979-1989 (The People’s Republic of Kampuchea)</td>
<td>Vietnamese communist model</td>
<td>Communist party central committee and local committees</td>
<td>Held by the Kampuchean People’s Revolutionary Party which picks Hun Sen as Prime Minister beginning in 1985 (Vietnamese backed with 100,000 troops; Soviet support)</td>
<td>Soviet-style central planning</td>
</tr>
<tr>
<td>1989-1993 (The State of Cambodia)</td>
<td>Greater economic rights</td>
<td>Communist party central committee and local committees</td>
<td>Held by Cambodian People’s Party (renamed from KPRP) with Hun Sen as P.M. (Vietnamese backed, all troops withdrawn)</td>
<td>Liberalized central planning</td>
</tr>
<tr>
<td>1993-1998 (The Kingdom of Cambodia) First Mandate</td>
<td>French-based civil code combined with common law in certain sectors</td>
<td>Constitutional monarchy in which the King reigns but does not rule</td>
<td>Shared between Ranariddh (Funcinpec) and Hun Sen (CPP) in a unique arrangement of co-Prime Ministers with required 2/3 supermajority for ruling coalition</td>
<td>Transition to a market economy</td>
</tr>
<tr>
<td>1998-present Second and Third Mandates</td>
<td>As above</td>
<td>As above</td>
<td>Held by Hun Sen as Prime Minister in a CPP-Funcinpec coalition government that continues to require a 2/3 supermajority</td>
<td>Market economy without safety net</td>
</tr>
</tbody>
</table>

Source: Adapted from Wescott (2001) based on Chandler (1991) and Mekong Law Group et al. (1999).

Note: The 1993-1998 period is often seen as an Emergency Phase, while the 1998-present period is seen as a Development Phase. 1998 was the year Pol Pot died, and in 1999 the Khmer Rouge totally disbanded.

Electoral System and Political Base

Since 1998, Cambodia has used a party list Proportional Representation system\(^7\) that favors large parties.\(^8\) This was a desire of the Cambodian People’s Party following the “events of 5-6 July 1997” (more on this later) after which it consolidated control over the country. The trend since then has been the steady aggregation of seats by the CPP despite only modest gains in popular vote.\(^9\) Table shows that while the CPP won 47.3% of the vote in 2003, it now holds 73 (or 59%) out of 123 seats in the National Assembly.

\(^{7}\) In Party List PR, a seat is awarded for each \(1/N\) of the vote, in an \(N\)-seat election. Scheir (1998) offers more detailed analysis in the case of Cambodia.

\(^{8}\) That year, following the events of 5-6 July 1997 (of which more later), Cambodia began using the Jefferson/d’Hondt formula which favors the biggest party to the detriment of smaller parties because it rounds down in its allocation formula.

\(^{9}\) The Representative of the Konrad Adenaur Foundation quipped that while Nicaraguan dictator Anastasio Somoza once told the opposition: “You won the elections. But I won the count,” the statement should be re-phrased in Cambodia’s case to “You won the elections, but I won by formula” (Scheir, 1998).
Table 2: Electoral Shifts 1998-2003

<table>
<thead>
<tr>
<th>Party</th>
<th>Votes</th>
<th>%</th>
<th>Change</th>
<th>Seats</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>CPP</td>
<td>2,441,578</td>
<td>47.3</td>
<td>(+05.9)</td>
<td>73</td>
<td>(+10)</td>
</tr>
<tr>
<td>Funcinpec</td>
<td>1,070,601</td>
<td>20.8</td>
<td>(-10.9)</td>
<td>26</td>
<td>(-17)</td>
</tr>
<tr>
<td>SRP</td>
<td>1,129,171</td>
<td>21.9</td>
<td>(+07.6)</td>
<td>24</td>
<td>(+08)</td>
</tr>
<tr>
<td>Others</td>
<td>481,456</td>
<td>09.9</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>5,160,939</td>
<td></td>
<td></td>
<td>123</td>
<td></td>
</tr>
</tbody>
</table>

Source: National Election Committee (undated).

The political base of the three parties elected to the National Assembly since 1998 varies according to the depth of each party’s rural political machine (of which the CPP has the most extensive network) and political legacy.

**Funcinpec**

Funcinpec is the second largest party in the Third Legislature with 26 seats. Its origins are in the resistance movement against the Vietnamese occupation of Cambodia in the 1980s. It was part of the non-communist resistance, but was in a strategic and military alliance with the Khmer Rouge for strategic reasons. Under United Nations Transitional Authority (UNTAC) election rules in 1993, Funcinpec was prohibited from using the image of His Majesty Norodom Sihanouk because the latter was to be an impartial figure above the political fray. Funcinpec however bypassed this small inconvenience by using the image of Norodom Ranariddh, its party leader. Ranariddh has a remarkable likeness to his father, Sihanouk. “Other parties are offering you gifts,” Ranariddh has reportedly said, referring to small donations of scarves and packets of Monosodium Glutamate (MSG) given by the CPP to supporters, “We are not offering you gifts, we are offering you the king.”

Sam Rainsy Party

With 24 seats but more popular votes than Funcinpec, the opposition Sam Rainsy Party which takes its moniker from its leader Sam Rainsy, enjoys popularity among urban dwellers who oppose the ruling coalition. This includes large numbers of Cambodia’s nascent labor union movement. In the First Mandate, Sam Rainsy was a Funcinpec Member of Parliament and Finance Minister until his ouster for being too outspoken against the interests of a particular oligarch. Rainsy questioned why oligarchs were not paying taxes. He introduced 50 auditors in the Ministry of Economy and Finance. He took to the streets with a protest for Olympic Market stallholders because of alleged unfair increases in rents by the owner, that same oligarch. He was warned

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numerous times by his party boss, Prince Ranariddh, but continued. His approach can be caustic in a political environment that values decorum.\footnote{On 30 March 1997, a protest he led against corruption in the Cambodian judicial system was met with several grenades killing 20 and injuring more than 150 (Smith, 1997).}

Expelled from Funcinpec, Sam Rainsy automatically lost his seat in the National Assembly and subsequently founded the Khmer Nation Party (later renamed the Sam Rainsy Party).\footnote{Attempts were made to hijack the Khmer Nation Party (KNP) name by elements inside the KNP allegedly in coordination with external interests. With a name like the Sam Rainsy Party, it has thus far been impossible for anyone other than Sam Rainsy to claim control of the party.} Beyond this, there is an ethnic undertone to Sam Rainsy Party (SRP) supporters, for Sam Rainsy’s speeches have frequently invoked the word Yuon, the xenonym for Vietnamese in Khmer.\footnote{The word took on a negative connotation in the 1970s and was allegedly banned in the 1980s when Cambodia was occupied by Vietnam. Sour Vietnamese soup “samlar machou youn” became “samlar machou Vietnam” but reverted to “samlar machou youn” in the 1990s.} This is a sensitive issue due to Vietnam’s rescue of Cambodia from the Khmer Rouge in 1979 and subsequent decade-long occupation. Due to the CPP’s Vietnamese origins attempts to link the CPP and Hun Sen to his former patron, Vietnam (more on this in Section 2.1 on the KR Legacy) are seen by the International Community as racist (see BBC, 2005). One of his major pledges is to stop illegal immigration from Vietnam, something he insists Hun Sen cannot do (Torode, 1998). Without any positions in the current government, the SRP has no means of financing itself other than by raising money from supporters abroad. Sam Rainsy, along with two SRP fellow Members of Parliament were stripped of their immunity on 3 February 2005 to permit a defamation lawsuit lodged against them by National Assembly President, Norodom Ranariddh, to proceed.

Cambodian People’s Party (CPP)

The CPP’s political base is generally seen as coming from outside Phnom Penh. In 2003, it came in second in the capital with 150,189 votes to the SRP’s 217,663, and Funcinpec’s 65,249. Its strength is at the village level, where it exerts greater influence on the people through its network of village, district, and commune chiefs (the latter were, until 2002, entirely appointed by the CPP). An alleged strategy has been intimidation and fear. Politically related killings, almost always of non-CPP candidates, are common, though their numbers have seen a secular decline from one election to the next.\footnote{In 2002, I calculated the likelihood of random “death” in a Cambodian election based on the likelihood that 18 candidates of SRP and Funcinpec (using an urn model with replacement) would die randomly (assuming authorities were right that there was absolutely nothing politically motivated about each death and that they were all random) as equal to 1 in 1,478 or a 0.06% probability.} In January 1998, just before the elections when Cambodia’s membership in the Association of Southeast Asian Nations (ASEAN) was in limbo, Hun Sen quipped: “In Brunei, power rests with the monarchy. In Indonesia some newspapers that criticized the government were closed. And in Thailand when they have an election, it is corrupt. Other things, like economics, they can teach us, but on the subject of democracy and human rights, they must not teach us.”\footnote{As quoted in PPP (1998-1999).}

The CPP was born of a faction of the Khmer Rouge that defected to Vietnam before the latter invaded Cambodia in 1979. The role and influence of Vietnam in Cambodian politics predates the 1979 invasion. For the past millennium, Vietnam and Cambodia have had land disputes and full-fledged wars because of Vietnamese population pressures. As such, Mosyakov (2000:15) argues that “historically Khmers always disliked Vietnamese, considering them aggressors in relation to their home country.”

Politics in Cambodia is predicated on power and money. The ruling party and Prime Minister Hun Sen have effectively controlled the country for more than two decades, but there is some factionalism. The Prime Minister is not the leader of his own party
2. Political Context: Khmer Rouge Legacy, Corruption and Donor-government Nexus

(a case similar to the Communist Party of Vietnam\textsuperscript{16}), but is vice-chairman of the politburo (Standing Committee) and the Central Committee. Hun Sen faction’s consolidation of power within the CPP is nearly complete, with most military forces near Phnom Penh loyal to him. Most observers infer that the military is the fundamental base of Hun Sen’s power. As we shall see this complicates taking measures against the military when it acts in ways that make trade in livestock products by ordinary Cambodians unprofitable.

The Primacy of the Military

While Cambodia enjoys a democratic electoral political process, the role of the military in Cambodian politics and the economy should not be underestimated. The military has served to integrate various factions’ armies into a national army. Most are old members of the communist armed forces dating from the 1980s. In 2001, there were officially 129,449 Royal Cambodian Armed Forces (RCAF) personnel, of whom 36,052 were commissioned officers including 386 generals (RGC, 2003: 14).\textsuperscript{17} The US Department of State estimates at most 60,000 members of the armed forces (as of 1997, see US DoS, 2000: 40), a figure one US Department of State official admitted “was put at the top end of the possible range to avoid embarrassing the Cambodian government” (as quoted in Adams, 2001). The rest are ghost soldiers or not active, but their salaries are paid (circa $20/month)\textsuperscript{18} and their supplies provided (then resold or never delivered, but invoiced). This suggests that the potential for members of the military’s to be involved in illicit activities is high.

Since 1999, the government has pledged to reduce military spending (officially 20% in 1998 and 14% in 2002) and increase social sector spending, but budget credibility is very weak, and year after year the military exceeds budget allocations while health, education and welfare receive less than their budget allocations (Adams, 2001). Because of non-transparent parallel budgets, no-one really knows how much is spent on defense; one estimate puts it close to $300 million (Richardson, 2005) or almost half the official government budget, while another puts it at $112 million in 2001.\textsuperscript{19} The International Monetary Fund (IMF) pulled-out in 1997 on the pretext of non-transparent forestry revenues that were believed to have financed a parallel budget for military spending. While it was not the official reason for the IMF’s departure, the events of 5-6 July 1997 were an important factor for subsequently poor economic performance that served as a pretext. The events underscore the importance of the military.

On 5-6 July 1997, then First Prime Minister Norodom Ranariddh was ousted from power by Second Prime Minister Hun Sen. This resulted in more than 70 extrajudicial killings of mostly Funcinpec civilian loyalists. Although the precise details may never come to light, the general storyline is that in the lead-up to the events, a power struggle between Funcinpec and the CPP emerged in recruiting senior Khmer Rouge defectors. This led, for all intents and purposes, to a coup d’etat. Forces loyal to the Second Prime Minister launched violent and sustained attacks against forces loyal to the First Prime Minister (claiming that the former was ready to take sole power) in Phnom Penh

\textsuperscript{16} The General Secretary of the Communist Party of Vietnam is Nong Duc Manh, the head of state of Vietnam is President Tran Duc Luong, and the Prime Minister is Phan Van Khai. Tran Duc Luong is a member of the Party Central Committee. Unlike Cambodia, Vietnam is a one-party state in both theory and practice. According to the amended 1992 Constitution, the Communist Party of Vietnam is the “force leading the State and society.”

\textsuperscript{17} Commissioned officers include: 386 one to four star generals; 679 colonels; 1,720 lieutenant colonels; and 2,072 were majors. Other commissioned officers (Captains, First Lieutenants, Second Lieutenants, and Sergeant Majors) totalled 31,195. See RGC (2003: 14).

\textsuperscript{18} This paper uses an exchange rate of 4,000 Riels for US$1.

\textsuperscript{19} According to official government statistics, overall expenditure on defense and security decreased 2.4% from 417 billion Riels ($104 million) or 2.9% of GDP in 2001 to 407 billion Riels ($101.8 million) or 2.6% of GDP. Expenditure by Ministry of National Defense decreased 4.3% from 277 billion Riels ($69 million) in 2001 to 265 billion Riels ($66 million) in 2002 (RGC, 2003).
and the surrounding area (Amnesty International, 1997). To preserve the semblance of normalcy, the Minister of Foreign Affairs and International Cooperation, who belonged to Funcinpec, was named First Prime Minister. In the aftermath of 1997, there was no doubt who called the shots, and the entire military landscape has shifted as a result. The primacy of the military in usurping democratic rule and Hun Sen’s consolidation of military power was complete.

Political Prospects

Politically, there is no alternative other than to work within the system if donors insist on dealing with the government. Some have refused. The US Congress does not allow any US funds to go directly to the Cambodian government, mandating that funds instead go through NGOs. How Cambodia evolved into its current political arrangement is debatable. Certainly, three factors that feature prominently are: (2.1) the legacy of the Khmer Rouge; (2.2) patron-client relations and an embedded culture of corruption; and (2.3) the evolving relationship between donors and the government are crucial factors. Each is elaborated in the following three sections.

2.1 The Legacy of the Khmer Rouge

The political economy of Cambodia has seen tumultuous changes since the country achieved independence in 1953. Among these, the Khmer Rouge period was the most devastating, killing 1.7 million or a quarter of the population. Coined from the French by Cambodia’s then Head of State, Prince Norodom Sihanouk, to describe the maquis (originally only leftists intellectuals) as “Red Khmer” or “Red Cambodians,” the Khmer Rouge ruled Democratic Kampuchea (DK), a totalitarian regime, from 1975 until 1979 (Ear and Ear, forthcoming). As Short (2004: 12) has argued, “Individual rights were not curtailed in favor of the collective, but extinguished altogether. Individual creativity, initiative, and originality were condemned per se. Individual consciousness was systematically demolished.” As will be clear, a large part of this legacy shapes the current regime’s thinking and the manner in which it behaves. Indeed, the current regime credits itself with having vanquished the Khmer Rouge threat and brought stability to Cambodia. It is a shadow from which Cambodia has yet to emerge. While an international tribunal will take place, many have argued that impunity will always prevail as long as the Khmer Rouge leaders escape justice.

In this context, what would become the CPP was a faction of the Khmer Rouge that defected to Vietnam after relentless purges of the Eastern Zone of DK by the Pol Pot faction. In 1978 Hun Sen and Chea Sim (Chairman of the CPP) became founding members of the Vietnamese-sponsored United Front for the National Salvation of Kampuchea (UFNSK) that became the communist Kampuchean People’s Revolutionary Party. Heading the UFNSK was Heng Samrin (now Honorary President of the CPP), formerly the fifth highest ranking Khmer Rouge official in the Eastern Zone and among the 14 original founders of UFNSK, the most senior official in the Khmer Rouge military hierarchy (Jennar, 1995: 203-204). The CPP top leadership thus comes from the lower echelons of the pre-1977 Khmer Rouge movement and has yet to reconcile itself with this chapter of its history. Attempts to frame it in terms of divisions (two types of Khmer Rouge: (1) cruel Pol Potist faction; (2) adherents of humane Vietnamese-style socialism) have met with only moderate success. Post-KR Cambodia was reconstructed against this backdrop, a country some would say is at war with its own legacy.

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20 The Eastern Zone is where many of the original members of the faction first hailed.
After the Khmer Rouge: Livestock and the Failure Collectivization

In the aftermath of the Khmer Rouge when Vietnam invaded Cambodia in 1979, the new government, composed primarily of former Khmer Rouge officers who had defected to Vietnam by 1977, pursued agricultural collectivization. Livestock itself was nearly decimated during the Khmer Rouge period. It is believed to have suffered heavy casualties during the period of US bombings in the early 1970s.21 In the period immediately after the Khmer Rouge, livestock was so scarce for draught power that it is said that no animal less than three years old could be killed for meat according to a livestock professional (52).22 Extreme agro-communism had been an unmitigated disaster under the Khmer Rouge, and this quickly failed in this period as well (Frings, 1993). The authorities soon relaxed implementation (Chandler, 1991).

The experience of the Khmer Rouge period made vigorous pursuit of such policies unpalatable to a traumatized people and has poisoned their view of collectives to this day. François Ponchaud, whose book Cambodia: Year Zero was the first to document Khmer Rouge atrocities, recently remarked “In the early '90s, Cambodians reacted negatively to any collective work, because of the Khmer Rouge.”23 When he attempted to get villagers to rehabilitate old irrigation canals first built by the Khmer Rouge during the 2004 drought, a Village Chief told him “We don’t want them, that’s the work of the Khmer Rouge, the ideology of the past.”24

When explaining the need for farmers’ collective action a senior government official (40) shied away from using the word Sahakum “commune” and even the politically correct term Sahakaw or “cooperative” (which gained popularity during the People’s Socialist Community period of 1955-1970) for fear of their historical connotations. While he agrees that it will be essential to develop cooperatives to aggregate smallholder power,25 he also knows that Cambodia has gone from one extreme—Maoist agro-communism—to another extreme—free-for-all oligarch or “Oknha” capitalism without a safety net of any significance (Chan and Ear, 2004). Collective action, whether through cooperatives or associations, is now more important than ever. It is well-known that grass-roots associations and institutions have been far and few according to a livestock NGO head (33), a livestock professional (35), and a senior government official (40). A livestock project team leader (43) argued that pushing for cooperatives and associations was simply too soon after the Khmer Rouge trauma to be effective: “Farmers are barely able to feed themselves as it is; how can they think of a surplus?”

Cambodia has low social capital as a result of the Vietnam War and the Khmer Rouge period in particular. Colleta and Cullen (2000) argue that the Cambodian genocide destroyed social capital, but that social capital of a familial nature endured during the

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21 Caldwell (1979) wrote that during the Khmer Rouge period “Meat eating was boosted by countering Buddhist reluctance to take life and by encouraging the raising and slaughtering of livestock, particularly pigs (... “pork is allotted on the basis of one pig every two weeks for each production solidarity group of ten people.””) Caldwell was an unabashed supporter of the Khmer Rouge revolution. In 1978, he was invited to visit Democratic Kampuchea and was killed by an unknown assassin in 1978 after interviewing Pol Pot in Phnom Penh.

22 Please see Annex for coded table as well as individuals list.

23 As quoted in AFP (2005b).

24 Ibid.

25 At the 2002 CG, the Government included “Establish Agricultural Cooperatives Donors Sought; Feasibility Study Required; 2002-2004 $105,000 requested” but was not funded. While this paper will not delve into details of the current cooperative situation in Cambodia, there is some encouraging news about their progress. On 21 December 2004, the Cambodian Farmer Assembly (CFA), described by members as a kind of “National Assembly for farmers”, was officially formed in Kampong Cham. The CFA arose out of the System of Rice Intensification “movement”. The CFA has 2,000 farmers in 10 provinces and expects to establish 5,000 associations, each with 15-40 members, by 2010. However Yong (2004) noted: “A call to the relevant ministry gives little confidence in top officials helping poor rural communities. Chan Tong Iv, Secretary of State for the Ministry of Agriculture, said he has not heard about the recent formation of the Cambodian Farmer Assembly. ‘I do not know and I do not understand about their target,’” said Tong Iv.”
conflict, providing a basic survival-oriented safety net. They argue that during the Lon Nol regime “traditional sources of social capital were severely eroded throughout Cambodia. Many villages were forced to relocate or split due to warfare, bombings and Lon Nol recruitment.” (2000: 19). These traditional sources of social capital would have come from associations with professional or developmental objectives, such as rice banks, funeral associations, and water users groups (Grootaert and van Bastelaer, 2002). Following the period of conflict, associations started to increase in number and intensity but they still are not as common as they once were. Senior government officials (40 & 48) and a multilateral donor official (25) widely acknowledged however that these issues of trust and social capital remain. As Martin and McLeod (1994) have argued, Cambodian society was shattered during the Khmer Rouge period. This may partly explain why corruption and patronage is so often described as systematic in Cambodia.

As the World Trade Organization’s newest member, Cambodia has the right to challenge other members if it believes their trade practices violate WTO rules. However, it will need to pick and choose its battles. A WTO Business Guide produced by the Ministry of Commerce and the Mekong Project Development Facility (MPDF) points out “Complaints made by entire manufacturing or farming sectors will carry the most weight in Phnom Penh. This is one reason why the formation of trade associations will be especially important for the private sector to recognize the full potential of WTO membership” (MoC and MPDF, 2005: 8). The process has started, but expectations should be realistic.

Landmines and Low Human Capital

Cambodia remains one of the countries most affected by landmines and unexploded ordnances (UXOs) in the world. It is estimated that one out of every 245 individuals is an amputee (UNPAN, 2003: 26). The consequences to livestock have been severe, though no statistics are available. In 2002, a survey estimated that 2.5% (4,466 square km) of the country’s surface area is contaminated by mines or UXOs, reducing arable land. Twelve percent (1,640) of all villages have to cope with levels of high contamination by landmines, and more than 5,500 villages have UXOs scattered on their land (RGC, 2004b: 56).

The disastrous consequences of the Khmer Rouge period on the human resources of the country are well known (Fujii and Ear, 2002). Wearing glasses was a sign of bourgeois intellectualism, and reason for death (Ngor with Warner, 2003). Illiteracy stands at 63%, and both infant and child mortality are some of the highest in the region (more in 3.1). One of the few veterinarians who survived through the 1970s to return to Cambodia now serves as a livestock professional (46). He was among the lucky ones who did not come back to Cambodia in 1975, like so many others lured by the Khmer Rouge to rebuild the nation, only to be slaughtered. He was in France in 1974, and stayed there until deciding to come work for FAO in 2003. He estimates that

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26 One might posit that a continuing symptom of the survival of “social capital of a familial nature” from the Khmer Rouge period is the very familial nature of patronage and corruption now observed in Cambodia. It is not uncommon to see the insertion of family members at all levels of governments, from the driver to the chief of staff. No job is too high or too low to be above familial patronage.

27 Joining the WTO is only the latest move in a string of moves to integrate Cambodia into the International Community. Cambodia formally joined the WTO in 2004 after an 11 month delay in forming a government following national elections in 2003. Having been denied international recognition as a “pariah state” throughout the 1980s, after Vietnam invaded and occupied the country in 1979, it was in the post-1993 period that Cambodia re-emerged internationally. Until then, Cambodia’s seat at the UN had been held by the Khmer Rouge in a coalition with the non-communist resistance. In 1999, it acceded to the Association of Southeast Asian Nations (ASEAN) which also meant joining the ASEAN Free Trade Area when the latter comes into effect in 2015. Since 2004, the country has aimed for a seat on the United Nations Security Council, arguing that its time had come.

28 The only time Cambodia ever risked not joining an international grouping was during the Asia-Europe Meeting (ASEM) 2004 when it declared that if Europe refused to permit Myanmar to join, it would not participate either as a show of solidarity. In the end, Myanmar was not barred, and Cambodia was not obliged to exercise its threat.
today, competent veterinarians who have received training of an international caliber number less than 10 nationwide.29

2.2 Patron-Client Relations and Embedded Culture of Corruption

Patron-client systems have ruled social relations in peasant societies since time immemorial, and Cambodia is no exception. The Leninist structure of the governing party and the highly hierarchical cultural traditions of the country make Cambodia particularly susceptible to top-down governance. From at least the time of the Sangkum Reastr Niyum period, his Majesty Norodom Sihanouk took on the French nickname “papa” or in Khmer “Samdech Euv” (Father Lord). The population of Cambodia was considered his children. Corruption, which feeds into patron-clientelism, has a long recorded history. Cambodian folktales from the turn-of-the-century published by the Buddhist Institute tell of a “Judge Rabbit” who took bribes to decide cases. Titles are extremely important, as for example the Prime Minister happens to have been given the royal title “Samdech” or “Lord”30 by the King-Father in 1993 and all mid-to-senior level officials are called “Ayadom” or “Excellency” while certain oligarchs who have donated at least $100,000 to public charitable causes may receive the title of “Oknha”, of which there is an elite level that only a few accede to called “Neak Oknha”.

Visualizing politics in Cambodia as a pyramid, in which an all-powerful Prime Minister sits at the top has its allure. As a formal structure, the civil service has been described by a senior member of the government as a “pyramid, with an apex and a base but nothing in between. Because of their low salaries, the crucial middle-level people must work outside in order to survive” (as quoted in Godfrey et al. 2002: 365). A deputy director of a Ministerial department currently receives 150,000 Riels or $37.50 per month according to an MAFF official (44). Naturally, the politics of patronage has itself made corruption the sine qua non of survival in Cambodia. Sath Sophal of government-owned Agence Khmer Press, who admits receiving handouts from his patrons (government officials) at media events, said “I don’t think it is corruption or bribery; it is a case of understanding each other about difficult living conditions.”31 Technocrats who propose policies that fail to take into account systemic corruption are likely to be disappointed by their outcomes.

Fighting Corruption, Fighting Corruption, Fighting Corruption

These are the three problems Cambodia faces according to World Bank President, James Wolfensohn. He visited in February 2005 for an international conference on “Seizing the Global Opportunity”.32 Cambodia’s business environment has also been characterized as unpredictable and arbitrary because of crippling levels of corruption. A study of 800 private sector firms throughout the country by the World Bank (2004b)

29 Desvaux (2004: 16) writes that only four DAHP staff members have Master’s degrees from abroad, of whom two are Deputy Directors. Many however hold the degree of Doctor of Veterinary Medicine which would have been acquired at the Royal University of Agriculture, Chamcar Daung.

30 This appeared to have been an attempt at national reconciliation. Sihanouk also called Hun Sen his “son”. Heng Samrin and Chea Sim, honorary president of the CPP and chairman of the CPP, respectively, were also given Samdech titles.


32 He also said: “If you decide not to move, no one will cry over Cambodia. It is up to you and the world is watching ... If you do not become a credible competitor, it will be because of Cambodians, not because of the international community ... You have confusing bureaucratic practices, you have too many approvals, you have too many steps and every step is an opportunity for corruption ... We need to simplify procedures and we need to make sure there is no illegal payment on the way” (as quoted in Ek, 2005 and BBC, 2005). The cost of shipping a container to the United States from Cambodia, whose major foreign exchange earner by far is garments, was $1,000 more than from China. It was a sentiment that was echoed by all of the speakers, including the former European Union trade commissioner Pascal Lamy (BBC, 2005). This, along with the frequently expressed concerns of other donors like DFID who commissioned the report by Hughes and Conway (2004) and specifically asked them to think outside the box, shows that frustration with Cambodia’s governance situation has hit an all-time high.
revealed that 76% of the firms surveyed identify at least some of the laws and regulations affecting them as “unpredictable”. The report also found that 80% of sampled firms acknowledged having to pay bribes, while 71% of large firms had to make frequent unofficial payments. The report calculated the so-called bribe tax to be 5.2% of total sales revenue, although the term was changed to “unofficial payments” throughout the main text before publication.\(^3\)

No reliable estimates of corruption exist, but the same report (World Bank, 2004b) proffered $120 million. Calavan et al. (2004) writing for the United States Agency for International Development estimated between $300-500 million, which could be as much 12.5%. Their report was entirely descriptive. As a caveat, the World Bank report acknowledges that “Government officials argue that this unofficial payment is likely to include all the costs of intermediaries/facilitators often employed by the private sector to go through regulatory processes.” This in turn raises “the governance issue both within the public and private sectors” and necessitates that both “be addressed simultaneously”.\(^3\) This would seem to present a prisoner’s dilemma for reform. What can help explain this? The loss of human and social capital explored earlier is a major factor.

Indeed, corruption and patronage are important because there is very little in the way of other social organization on which to ground coherent political organization.\(^3\) Thus leaders use “direct material inducements” because the post-Khmer Rouge, post-Vietnam occupation has left them with little or no “normative inducements” on which to call and very little in the way of interest group organization either. These would permit indirect material inducements and service to a larger—even if selfish—conception of the public good. The informal networks of patronage identified in Hughes and Conway (2004) have woven together to form a governing coalition for Cambodia that requires potentially huge sums to operate and remain in power.\(^3\) One former senior government official (8) suggested that donors help the government undertake electoral finance reform to reduce the political party machines’ consumption of cash for elections (gifts of scarves and packets of MSG do add-up). Unfortunately the donors he approached were not interested. According to a bilateral donor official (58), it is well known that donors shy away from all things political, though this is changing.\(^3\)

### Decentralized Corruption

Cambodia’s internationally-acclaimed experiment with local governance, which has been called decentralization, although it is in fact administrative decentralization or deconcentration,\(^3\) bore fruit in 2002, when commune elections were held.\(^3\) While all communes had been controlled by the CPP, now only close to 99% are under its

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\(^3\) The find and replace feature missed (perhaps intentionally) one instance on page 110.

\(^3\) See World Bank (2004b: iv, fn 6).

\(^3\) I am grateful to David Leonard for this particular point.

\(^3\) The politics of gift-giving in Cambodia is explored in Hughes (forthcoming).

\(^3\) The former senior government official (8) also told his superiors that the country would benefit from conflict resolution through a provincial network of Ombudsmen’s offices. Unfortunately, they were not interested in this suggestion either.

\(^3\) According to Ribot (2001: v): “Deconcentration or administrative decentralization concerns transfers of power to local branches of the central state, such as prefects, administrators, or local technical line ministry agents. These upwardly accountable bodies are appointed local administrative extensions of the central state. They may have some downward accountability built into their functions, but their primary responsibility is to central government. Generally, the powers of deconcentrated units are delegated by the supervising ministries. Deconcentration is a ‘weak’ form of decentralization because the downward accountability relations from which many benefits are expected are not as well-established as in democratic or political forms of decentralization.” See also Leonard (1982).

\(^3\) It was the UN project Cambodia Area Rehabilitation and Regeneration (CARERE) that became the Royal Government’s Seila program (massively funded by donors), which ostensibly led to commune elections. Both have enjoyed the same American Chief Technical Advisor for more than a decade.
control, and much less than that if counting the number of seats on the councils won by non-CPP parties.

While one would expect bottom-up forces to reach the nodes, elected commune councils are essentially disempowered, with neither the power to make major decisions nor the purse strings to implement them. Indeed “the goals of the government and the international community are not aligned on this. The international community repeats their good governance mantra, but the government, if you are listening carefully, is talking about peace, stability, and control (emphasis added).” The warning signs were already there. Mark Turner’s “Whatever happened to Deconcentration? Recent Initiatives in Cambodia” warned that:

While it is possible to secure greater participation and partnership with local communities through deconcentration, it will be problematic to make this a reality. Cambodian social structures and history are not conducive to such developments. Relations between government and society have been hierarchical. (Turner, 2002: 363)

Moreover, Cambodian-style decentralization is such that the link between the central government and its local branches is not always clear. Pockets of power, quasi-fiefdoms, exist in which the provincial departments of ministries extract unofficial payments from smallholders and of course pay a share to the provincial governor, police and to their superiors in the central government, according to a private sector manager (1). A team leader (19) who heads an education project called it “decentralized corruption” which he considered more equitable than the centralized variety.

Unofficial Payments in Livestock

Measures that cut into these revenues must be compensated in kind. The only exception is if the Minister or better yet the Prime Minister makes noises, but even this has its limits; his threats can go only so far, since living conditions are very difficult under the political economy of civil wages in Cambodia. Juxtaposed against the grand total of $120-500 million per year, this petty corruption (which likely accounts for only a fraction) pales in comparison.

Moreover, while the army and police may have a monopoly on the legitimate use of force, they are also freelancers when far from the center. Hence, a provincial governor once was asked to stop trucks smuggling cattle out of Cambodia and answered: “What will you give me if I do this? I need to make as much as what I’m getting from that truck.”

According to a private sector manager (1), the unofficial payments breakdown when a cow is sold by the villager which he must then pay as a buyer is reportedly:

- 10,000 Riel ($2.5) for the chief of commune
- 15,000 Riel for the veterinarian (government official who clears)
- 10,000 Riel for governor of the province
- 3,000 Riel for the police
- 3,000 Riel for the military police

With a price of 3,500 Riel per kilo, that cost is 5.8% of a 200kg animal, which is in the upper range of animals purchased, while on the lower range, at 100kg, it would be twice as much or 11.6% per head.

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40 Development professional (18).
41 One is reminded of the African proverb: “Fish rots from the head.”
42 As quoted by a manager (1).
Indeed, the 5.8% figure approximates the 5.2% unofficial payments rate in Cambodia that World Bank (2004b) reported. However, given rural-urban income differences, while the share may be smaller, rural incomes are considerably lower (this is clear from urban-rural poverty figures since most of the poor live in rural areas). Indeed, CSD (2005) finds that urban households spend more than twice as much of their total expenditure on bribery as their rural counterparts while World Bank (2000) found that rural Cambodians spent proportionally more on bribes. How does the process work for the payments? Sellers need a letter (sambot) from the authorities proving the provenance of the cattle, its specifics (age, owned by whom, etc.) and permission for the transport/sale. “One trick favored by thieves, particularly in the north and northwest of the country, is to obtain a letter from provincial authorities permitting the transport of livestock for slaughter in Phnom Penh” (Hunt, 2004). The following box draws from a Draft Survey Report on the Issues and Recommendations of the Government Private Sector Forum (GPSF) Agro Business & Agro Processing (ABAP) Working Group in 2004. It explains the intricacies of how unofficial fees are collected.

**Paying Your Dues**

The number of payments made to the authorities indicates unnecessary levels of bureaucracy that, from an agro business and agro processing working group perspective, are costly to maintain.

The private sector identified different authorities collecting toll fees on National Roads. “Many unofficial fees are charged (please refer to the six points below) for buying and transporting cattle from the provinces to Phnom Penh. In addition there are additional charges in Phnom Penh for transporting cattle. In each province transporting costs and administrative charges are paid to the Governors office, veterinarian, economic police (the economic police have many different levels Ministerial level, provincial level, district level), the Livestock office (i.e. in two provinces in Kampong Thom and Ratnankiri), other police (e.g. military police). The military and economic police stand at many points along the roads that are used to transport cattle to Phnom Penh. All police fees are unofficial. There is no receipt given.” Kratie, Transport sector. On a barge leading from Kratie to Phnom Penh, it was noted that at Chhloung “...five different groups: a) provincial economic police, b) ministerial economic police, c) district police, d) military police, and e) veterinarian extracted a fee” To clear the port when this same vessel arrives in Phnom Penh it was estimated that the company has to pay the following, “…veterinarian - Riel 70,000, municipal economic police - Riel 30,000, military police - Riel 50,000, port authority - Riel 70,000.” On leaving the Port of Phnom Penh it was suggested that a further five payments had to be made before the truck had arrived at the official toll road on Route Number 4. Kratie, Transport sector.


A private sector manager (1) complained about excessive informal payments. For a 330km stretch of road, he reported having to give his truck drivers carrying livestock $100 cash (with five to 10 cattle on board, worth $200 each, the load value would be five to 10%) in order to pass through (mostly) illegal checkpoints manned by military and police authorities. The WTO Business Guide reports that one “consignment of cattle, collected from various locations, was subject to 19 stops by the police and
military and a total fee collection of $250” (MoC and MPDF, 2005: 61). When another consignment had too much trouble traveling by road, the buyer used his barge from Kratie province. Police speedboats chased the barge demanding payments according to a bilateral donor official (58).

While outright confiscation is out of the question, knowing the cargo is livestock, the authorities can cause a delay of a few hours in the searing sun which guarantees its expiration. In contrast, So Vitou, the chief of the local Department of Animal Health and Production (DAHP) office in Kampot Province, reported that “[Cattle rustlers] have opened fire at my officials when they attempted to stop the trucks carrying cattle... When they are stopped, the thieves maintain they are royal military officers and intimidate the police into letting them pass.”

Rustlers wore RCAF uniforms and their vehicles had military license plates (Hunt, 2004). Consignments, unfortunately, cannot be entrusted to police or military protection since these appear to be involved on both sides of the fence: smuggling or illegal checkpoints. One would need to compare the situation prior to decentralization initiatives, but clearly the lack of resources, the low pay, and the inability or unwillingness of Phnom Penh to project its power and influence over provincial offices suggests that the latter has ceded some measure of control over the provincial offices in exchange for payments. These payments do not have to flow from the provincial level to the center physically, they can merely support the absence or reduction of flows from the center back to the provinces (see Section 4 on Policy Context for suggestive evidence). Thus, a volatile mix of patronage and corruption now permeates the Cambodian economy.

2.3 The Donor-Government Nexus in Cambodia

Donors, like governments, have bureaucratic processes which make them behave in less than productive ways, but which make perfect sense in terms of internal organizational logic. And like governments, they also cannot be expected to change their behavior unless it is incentive compatible to do so. While government ownership and commitment is a problem, a multilateral donor official (42) pointed out that donor ownership is itself absent. For a decade, the international community cut Cambodia considerable slack, perhaps feeling sorry for its terrible past. This year, the World Bank and other donors drew the proverbial line. Donors have helped to fund countless government strategies (donors don’t call them their own strategies for obvious reasons, unless it really is their own internal strategy), and government has taken-up donor-initiated strategies and made them their own, at least on paper, creating a mélange of strategies and plans replete with enough flights of rhetoric to last decades.

Too Many Strategies and Plans, Too Few Funded Mandates and Feasible Policies

The result has been a welter of plans and strategies which, one by one, fell to the way-side. In the course of the past three years, three national plans and strategies have been introduced for the country’s development and poverty reduction: (1) the Socio-Economic Development Plan II (SEDPII), (2) the National Poverty Reduction Strategy (NPRS), and (3) the Rectangular Strategy (RS). All can be said to be the government’s but at least one came from donor requirements and another was more or less completed with donor TA. SEDPII was completed with technical assistance from

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43 As quoted in Hunt (2004).
44 If this is to change, the change itself will have to come from within. A government advisor (45) and a senior government official (54) agree that it may take at least the current generation before things improve. The comparison was to late 19th century America (government advisor, 45).
the Asian Development Bank (ADB) and released in 2002. The NPRS was required by the World Bank and IMF for the country to receive concessional lending and was initiated in 2000 as the Poverty Reduction Strategy Paper. Finally, the RS is the government’s own strategic initiative released in 2004. Next is the National Strategic Development Plan (NSDP) which will supersede both SEDP II and NPRS. While the circular announcing its launch calls for “realistic”, “government-led and-owned”, and “feasible” (RGC, 2005: 1-2) policies, one bilateral donor official (49) warned that the NSDP was a donor-driven idea from the beginning. The policy process is opaque, as elsewhere, and one may even wonder what policy means in Cambodia.

In the Realm of Policy: Theory and Practice

There are at least three types of policy pronouncements in Cambodia. (1) The “policy” speech; (2) The Strategy and/or Plan (of which technically there are two sub-types, funded or unfunded), and (3) an actual Prakas (ministerial declaration), Sarachor (circular), Anukret (sub-decree) issued by the Council of Minister, or Chhbab (law) passed by the National Assembly. One would think that the order of importance might be (3), (2), and (1), but this is not entirely clear. The policy speech has the least significance in terms of the long run. It can stop Karaoke bars for a few weeks or months or even make illegal checkpoints disappear temporarily, but they invariably come back. The Strategy/Plan is more significant admittedly, but it is often times more like a wish list, and certainly the unfunded wish list has much less influence than the funded one. Finally, while actual legislation should mean something, it is not necessarily the case. These are regularly violated or ignored the further one moves from Phnom Penh, as earlier explained. If and when these policies become law, their enforcement is an entirely different matter.

In theory, the general policy process originates in the department of a concerned ministry and moves-up via the Under-Secretary of State in charge (policy maker), then the Secretary of State (policy maker), then the Minister (decision maker), whereupon it can become a Prakas (regulation). If the policy is nationwide and/or impacts policies beyond the Ministry’s control, then it must go to the Council of Ministers where it is reviewed and signed by the Prime Minister and countersigned by the relevant line Minister (Oberndorf, 2004: 9).

How livestock policies come about in Cambodia has already been the subject of considerable scrutiny by Sen (2003b). Based on his workflow diagrams, pro-poor livestock policy is highly centralized and top-down. While the conclusion by Sen, who is a Deputy Director in the Department of Animal Health and Production in the Ministry of Agriculture, Fisheries, and Forestry (MAFF), is that pro-poor stakeholders need to interact at a level beyond the DAHP, say at the policymaker level which would start with an Undersecretary of State, this is an indication of the political reality of his own department and the lack of power he exerts beyond it—meaning while he no doubt supports the policies, he cannot make the necessary changes as a technocrat. As such, it speaks to the impotence of the current policy process and, to some extent,

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45 In 2002-2003, I worked with an international consultant in East Timor whose job had been to help Cambodia write the SEDP II. He became so disillusioned by the process that he never finished the work and chose to leave early. He just did not see the point of writing a beautiful document devoid of any political reality, commitment, or acceptance.
46 The 2004 CG produced the following Pipeline-High Priority Projects on Agricultural Productivity: (1) Artificial insemination cattle breeding station (MAFF) Donors Sought; Feasibility Study Required 2005-2006: $91,000 requested; (2) Hemorrhagic septicaemia vaccine production (MAFF) Donors Sought; Feasibility Study Required 2005-2007: $400,000 requested; (3) Reduce Mortality and Morbidity of Livestock through strengthening veterinary services and disease prevention programs (MAFF) Donors Sought; Feasibility Study Required 2005-2007: $480,000 requested. Only (3) is new, while (1) and (2) appeared in the 2002 CG and were left unfunded. The 2002 CG also included Vaccines, Medicines & Equipment Donors Sought; Feasibility Study Required 2002-2003: $221,000 requested.
47 And as we have seen already, even if the changes were made, it would not guarantee any outcomes.
of policies themselves. Despite this sobering assessment, some secular trends have appeared on the horizon, and these may further guide policy options.

**Donor-Government Trends**

There are two discernable domestic trends which tie into the Donor-Government Nexus: (1) The government and donors have recently realized that up to half of all aid has gone to Technical Assistance (TA) in the last decade, but even before this realization, TA that used loan resources became relatively unwelcome (this ties into capacity development and VAHWs). (2) Bureaucratic sprawl within ministries and inter-ministerial turf-wars have led to strange outcomes even when the Ministers are from the same faction of the ruling party. This is a lesson in never underestimating the potential for increasing informal payments no matter how illogical these may be.

**Technical Assistance vs. Capacity Development**

An emerging complaint from the few in government who dare to speak-up has been the “mountain of reports” and the “cut-and-paste” consultants who offer nothing new in terms of high-level policy advice but whose English is “beautiful.” By overly relying on TA, capacity development is sacrificed at the altar of expediency: “The beleaguered people at the top think short-term and use [Technical Assistance] experts to do the job, rather than for capacity development” (Godfrey et al. 2002: 365). As a result, one trend has been the desire of the Ministry of Economy and Finance (MEF) to not borrow for TA, and while capacity building is often a long-term goal of TA, the two are often billed (rightly or wrongly) as flipsides of the same coin. These are things MEF considers soft, unlike a bridge or a road which can effectively be used once built. Thus a livestock professional (21) claimed that the International Fund for Agriculture and Development (IFAD) was dissuaded from further investing in the training of VAHWs as a result of the MEF’s distaste for TA in the form of loans. This contradicted a multilateral donor official’s (57) view that training was not out as an activity for which the government was willing to borrow. TA proper was out, but training of civil servants was not. Indeed, both individuals may have been right, since VAHWs are not civil servants. Alternatively, this could have been a case of throwing the baby out with the bathwater. Training of VAHWs could have been mistaken for yet more TA, something that is not hard to do given that 40-50% of aid is technical cooperation, a codeword for TA. The IMF (2004) sounded the alarm recently:

> Although weak administrative capacity may have required that about 40-50 percent of all aid flows be used for technical cooperation (of which a large part was spent for payments of salaries of expatriates) until now, such allocation may not be appropriate in the period ahead as Cambodia enters a new phase of reconstruction. Moreover, the enormous investment needs of the agricultural sector argue for sharper focus on building simple infrastructure rather than for more studies and reviews, except where there is clearly a need.

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48 The fact that he has chosen to take an advisor position (one of dozens, perhaps even hundreds) with a particularly powerful Deputy Prime Minister, which occupy him outside the department while he concurrently but only nominally holds his job as Deputy Director, shows the constraints (inside) and opportunities (outside) he faces.

49 This is a facsimile of Leonard’s and Marshall’s (1982) concept of the “international aid merchant” updated for the Digital Age.

50 Kate (2004) was quoting Secretary of State for the Ministry of Commerce, Sok Siphana, who has been a champion of Cambodia’s entry into WTO.

51 Indeed, there is precious little now taking place in this realm that is not grant-based. Donors involved with DAHP, from FAO (HPAI project), the French Authorities (who fund Advisors), to the European Commission (Livestock project that is starting-up) are all grant-based now.
Others realize all too well that donors naturally reach for TA in a poor governance environment where the risk of corruption in procurement is significant. It is easier for donors to pay an international consultant (better yet a national of that donor’s country) a large salary that can run up to $15,000 per month in order to further “study and review” than to actually bother to build “simple infrastructure” when such infrastructure is rife with lucrative procurement opportunities. In addition, when it is applied to procurement in project management units and project implementation units, TA promotes “bureaucratic hygiene” and controls corruption by creating a layer of international auditors and public financial management specialists. A shrewder assessment by former UNDP Cambodia Resident Representative, Paul Matthews stated: “There is a triangle: donors, recipients and the development industry. This is a powerful lobby and there is little public scrutiny in donor countries of this.”

Bureaucratic Politics

Another trend over the last decade has been the increase in bureaucratic sprawl which is amplified by power sharing between Funcinpec and the CPP. The increase from two to three deputy directors per department has not produced efficiency gains and has left civil servants baffled and dejected, moonlighting at NGOs according to a livestock NGO official (28). Bureaucratic infighting within the departments has pushed out good talent and caused turf-wars between ministries. The lucrative business of controlling inspections has created oddities like the Ministry of Commerce (at one point) appointing itself in charge of sanitary inspections (by virtue of its Minister being in charge of WTO negotiations) while a draft sub-decree on MAFF’s website calls on the DAHP as the responsible agency. Both Ministries are controlled by Ministers who are members of the same ruling party and, it is believed, the same faction (Hun Sen’s).

The prospect for effective pro-poor policy in livestock is thus marginal as the domestic political and institutional processes are aligned against their favorable implementation. The economic backdrop for pro-poor livestock policy, while rife with challenges, is relatively more promising because of Cambodia’s entry into WTO. Livestock has the potential to be a significant growth sub-sector because of robust regional demand even if agriculture has lagged for a decade due to constraints in markets, access, and land, all of which are discussed next.

52 A bilateral donor official (58) relayed a personal story about a specific loan project of at least $5 million in which the ministerial staff questioned whether $500’s worth of mosquito nets was “really necessary” because one had to “think of our children’s future in having to repay the loan”. Surprisingly there was no such outcry from these same staffers for the hugely bloated cost of rural infrastructure projects in other budget lines. Indeed the thrust was on keeping those costs sky-high.

53 As quoted in Adams (2002).

54 When the Khmer Rouge took power, the cabinet had less than a dozen members. This was intended to fight karyalayniyum or “bureaucratism”.

55 A draft Sub-Decree dated 11 June 2002 on “Sanitary Inspection of Animal and Animal Products” aims to prevent the spread of animal diseases. The draft calls for all checkpoints of sanitary inspection for animal and animal products to be under the direct supervision of the Department of Animal Health and Production, adding “Any person who cheats the duty, penalty fee, regulated misconduct, receives pride [sic], offer pride [sic] or using the authority for own interest, a person shall be subjected to the criminal law.”

56 A multilateral donor official (57) interviewed on 22 February 2005 says the issue, as he understands it, has been settled. Indeed, the same draft Prakas appears on the MoC website, which suggests that the MoC has ceded control to MAFF. However, on that same website, MoC (undated) states: “Camcontrol, a government agency under the authority of the Ministry of Commerce is responsible for SPS. With the assistance of FAO, Camcontrol has set up a testing facility for chemical analysis and is planning to set up one for microbiology testing. The Ministry of Agriculture keeps the list of pests and plant diseases subjected to plant quarantine in Cambodia and ensures phytosanitary controls at the border and issues phytosanitary certificates upon request of importers or exporters. Cambodia recognizes phytosanitary certificates of other countries. Under the WTO, Cambodia will need to set up Inquiry Points for SPS.”
Cambodia’s economic performance has enjoyed some notable successes in the last decade, especially in the area of macroeconomic stability, as it embraced aspects of the Washington Consensus (Ear, 1997). Inflation has been low for a number of years, and the exchange rate is stable. These are flipsides to the same coin thanks to as much as 90% dollarization. These successes are contrasted with a number of shortcomings in key areas of governance in Ear (2005). Cambodia became the first Least Developed Country to join the WTO in 2004. Despite the serious impact of corruption on Cambodia’s economy, the Heritage Foundation rates Cambodia as mostly free in terms of economic freedom with an overall score of 2.89 (ranked 63 just above Mexico), placing it higher than Thailand (71), Vietnam (137), and Laos (150) out of 161 countries. Canada lauds Cambodia’s economy as having a “Liberal investment climate with many incentives” (GoC 2004). From an economic standpoint, Cambodia has made a full transition from command to market economy.57 Unfortunately, none of the negative side-effects were mitigated.

3.1 Human Development

Cambodia’s socio-economic and human development, while good in the early 1990s, has slowed or even slipped since the late 1990s. After more than US$5 billion in aid following the 1993 elections, more Cambodians may be poor in 2004 than were poor in 1997. The country is also more unequal. Across human indicators such as illiteracy, infant and child mortality, Cambodia is worse off than it was in 1990.

Poverty, Inequality, and Illiteracy

Poverty is somewhat of a mystery in Cambodia as data is either missing or admittedly so flawed when collected that a caveat must be made when it is used.59 What is known however is that poverty in Cambodia is inexorably linked with rural areas. Nearly 88% of the poor come from rural areas and 80% of the population is rural (see table).

Table 3: Rural and Urban Poverty in Cambodia*

<table>
<thead>
<tr>
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<th>1994</th>
<th>1997</th>
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</thead>
<tbody>
<tr>
<td>Rural</td>
<td>43.1</td>
<td>40.1</td>
</tr>
<tr>
<td>Urban</td>
<td>24.8</td>
<td>21.1</td>
</tr>
<tr>
<td>National</td>
<td>39</td>
<td>36.1</td>
</tr>
<tr>
<td>Rural Pop (% of total population)</td>
<td>77.6</td>
<td>78.9</td>
</tr>
<tr>
<td>% of total poverty that is rural</td>
<td>85.8</td>
<td>87.7</td>
</tr>
</tbody>
</table>

* (% of population unless otherwise stated)
Source: World Bank (2005b), author’s calculations for rural population and % of total poverty that is rural.

57 A 1994 circular issued by the Ministry of Commerce made the switch official, see RGC (1994).
59 The case is of Round Two of the 1999 Cambodia Socio-Economic Survey, which had problems during the collection process. National poverty (urban and rural) is based on a standard caloric formula and stands at circa 55 cents per person per day.
As can be seen from the above poverty data, there was a modest impact on national poverty reduction from 1994 to 1997. After 1997 however, there may have been an increase due to the dramatic investor loss of confidence following the events of 5-6 July that year.

Since the government has not endorsed more recent poverty figures, the World Bank has had to extrapolate estimates, which show growing poverty and inequality. In a regional update last year, the World Bank’s estimates of $1-a-day poverty in Cambodia, Vietnam, and Laos (1990-2004) show that only Cambodia has observed a steady increase in poverty since 1996, from 36.7% to 45% in 2004. Likewise only Cambodia’s estimated Gini index has increased from 41.4 in 1998 to 48.1 in 2004.\(^{60}\)

### The Paradox of Increasing Infant Mortality and Consumption

Further evidence of slippage can be observed with respect to the mortality rates of both infants and children under-5 years of age in Cambodia in the below table.

<table>
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<tr>
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</thead>
<tbody>
<tr>
<td>Infant</td>
<td>80</td>
<td>83.2</td>
<td>88</td>
<td>90.8</td>
<td>95</td>
<td>97</td>
</tr>
<tr>
<td>Under-5</td>
<td>115</td>
<td>120</td>
<td>135</td>
<td>138</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


In 1990, eight infants out of 100 died at birth. By 2001, that number had increased to nearly 10. While 11.5% of children who were under five years of age died in 1990, by 2001 that figure had increased to 13.8%, making Cambodia the country with the highest child mortality in the region. Stunting in children under five is prevalent, UNICEF (2004: 110) reports that 45% of under-fives suffer from moderate and severe from stunting (1995-2003).\(^{61}\) Malnutrition remains a problem in 2005, as the World Food Programme (WFP) recently announced 1,500 metric tons of rice for distribution to 150,000 people due to drought conditions. According to an MAFF official (44), while rice figures prominently in Cambodian diets, taking 67% of calories, meat does not.

In the pre-war period, meat consumption was not significant, as rice and fish were the main staples of a Cambodian diet according to a senior government official (54). With the Tonle Sap, Southeast Asia’s largest inland lake, protein came in large part from fish. It was believed that beef was an “energetic” food, sapping one’s strength, according to a livestock professional (52). While consumption has grown in the decades that have passed, FAO (2002) reports that Cambodia (along with Laos and Myanmar) had the lowest levels of protein from livestock products, at less than 10g per person per day in 1999. However, the report suggests that as incomes increase, so will consumption. The domestic market offers considerable potential and resourceful entrepreneurs have not lost sight of this (see box).

\(^{60}\) The Gini index is the Gini coefficient expressed in percentage form, and is equal to the Gini coefficient multiplied by 100. A Gini coefficient is an index between 1 (most inequitable outcome possible) and 0 (most equitable outcome possible).

3. Economic Context: Human Development, Livestock and Agriculture

An Entrepreneur’s Perspective

The Domestic Market

“Some back of the envelope calculations. Meat: $1.8 billion spent on food, $1.4 billion on gasoline. For pork: 20% domestic, 80% international. 3000 pigs (this is slightly off from CEDAC interview, but not so off). 30 tons of pork, $12.5 million/month, $150 million per year... look at the importation of vegetables: 800 Rels/kilo vegetable or say 1000 Rels. [Government Advisor (45) estimates 90 tons.] We’re talking millions of dollars. You need only be watching at 9PM the trucks bringing in fish from Vietnam. Clearly there’s money to be made from local production. [The entrepreneur’s wants to be there to provide it, but his main problem is liquidity and credit, he needs millions more to exploit these opportunities, but he can’t borrow it]. At kilometer 9, 12AM, where are the trucks coming from? Vietnam. Each man, woman and child eats 30 kilos of fish, multiply that by 13 million. 50% of this is imported. Bean and corn can be produced, and these can then be used as feed.”

The Role of Government

Regarding government’s role, he believes that only the government can make the needed changes. International agencies can advise, but they are not the government, nor are NGOs. His take on the government is fascinating. He calls ministers “takay” which literally means “boss” and the PM is a “bong thom” or “big brother” which is slang for gangster or gang member. He does not consider what is known as the government in Cambodia to be a government. In fact, he thinks it’s a private corporation out there to extract resources and is absolutely not ready to make the necessary reforms so long as it hurts their personal bottom lines. He considers international actors such as Mekong Project Development Facility and the International Finance Corporation to be important players, they are there to give ideas. Politicians need money for their politics and if they don’t need it they won’t make any changes.

Source: Interview with a private sector entrepreneur (29).

3.2 Agriculture

Macroeconomic Performance

A decade ago, if anyone asked what Cambodia’s main growth sectors would be, the answer likely would have been Agriculture and Tourism (Sciaroni, 2004). While Tourism became Cambodia’s second most important source of foreign exchange, with the famed Angkor Wat temples being an international draw and more than one million tourists arriving in 2004, agriculture failed to deliver on its promise. Instead, garments became Cambodia’s most important foreign exchange earner because of the Multi-
3. Economic Context: Human Development, Livestock and Agriculture

Fiber Agreement which allowed Cambodia to export garments to the US and Europe. Today, Cambodia has one of the narrowest growth bases in the world (World Bank, 2005a) because of its astonishing reliance on garments manufacturing, an industry that employs less than 3% of the labor force. What ended-up happening in agriculture in the last decade?

Agriculture shrunk 9.7% as a relative share of GDP (1993-1997 compared to 1997-2001) and its sub-sectors saw anemic growth (see Table). Much of this can be attributed to the Forestry sub-sector (-25.8%) which collapsed as a direct result of donor pressure for reform, and led to a complete moratorium on log transportation in 2002. Between 1993-97 and 1997-2001, livestock’s share of agriculture grew 5.9%. The Table beneath it shows sub-sector growth between 1994 and 2002.

Table 5: Shared contribution in GDP by Sectors and Sub-sectors (in %)

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<tbody>
<tr>
<td>Agriculture</td>
<td>49.0</td>
<td>44.2</td>
<td>46.4</td>
<td>-9.7</td>
</tr>
<tr>
<td>Industry</td>
<td>13.5</td>
<td>19.2</td>
<td>16.4</td>
<td>42.2</td>
</tr>
<tr>
<td>Service</td>
<td>37.5</td>
<td>36.6</td>
<td>37.2</td>
<td>-2.4</td>
</tr>
<tr>
<td>Crop</td>
<td>44.3</td>
<td>46.5</td>
<td>45.3</td>
<td>5.0</td>
</tr>
<tr>
<td>Livestock</td>
<td>13.6</td>
<td>14.4</td>
<td>14.1</td>
<td>5.9</td>
</tr>
<tr>
<td>Fisheries</td>
<td>29.8</td>
<td>29.8</td>
<td>30.1</td>
<td>No change</td>
</tr>
<tr>
<td>Forestry</td>
<td>12.4</td>
<td>9.2</td>
<td>10.4</td>
<td>-25.8</td>
</tr>
</tbody>
</table>


If nurtured effectively, the livestock sub-sector has the potential to reduce poverty in Cambodia. Its importance in the lives of poor smallholders is recognized by the numerous NGOs that work on livestock and the relatively few donors (French Cooperation, IFAD, World Bank, GTZ, and EC) who have projects or project components that include livestock. And while livestock represents almost seven percent of the economy (GDP is about $4 billion) or circa $250 million, the government allocated only about $200,000 or less than 0.03% of total government expenditures ($734.8 million estimated in 2003) to activities in the sector (non-inclusive of wage bill of department staff) according to a livestock official.

Youth and Rural Unemployment: Unleashing Agriculture’s Potential

While agriculture has not been a growth sector in recent years, there exists an opportunity for development of the sector in the next few years to absorb the rural unemployed joining the labor force each year. With a labor force that grows by

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62 Indeed, in 1996, the phenomenon had only started and one could read stories in the local English-language newspapers of re-exported garments (made in neighboring Vietnam, for example, but exported with a “Made in Cambodia” label).

63 The three-year moratorium on log transportation in Cambodia was lifted in December 2004.

64 Due to Cambodia’s growing reliance during that same period on the garments industry, economy-wide, livestock shrank by 4.5% between these same periods as an overall share of GDP.

65 This is generally regarded as underestimated because of the extent of the informal economy in Cambodia.
150,000-250,000 workers each year, potential for “social unrest” was intimated by a major donor\(^{66}\) and the outgoing US Ambassador. More than half of these are women. No credible statistics exist to estimate unemployment in Cambodia. Demographically, more than half the population is less than 20-years old, 42% is under 15.\(^{68}\)

Only 30,000 to 40,000 jobs have been created annually over the last ten years, mostly in the garment industry which employed 300,000 workers in December 2004.\(^{69}\) With the end of the quota system in the garment industry effective on 31 December 2004, retrenchment in the sector is expected as China swallows most of the world textile market because of its low production costs and economies of scale, despite announcing the implementation of an export tax on its textiles. According to government and industry sources, 70 out of 290 garment factories registered since 1996 have been forced to close down (Prak, 2005), and 47,670 workers have lost their jobs since the end of the quota system.

Even if up to 30,000 jobs were created annually from the anticipated growth of tourism and some other industries such as trade and construction, this is only a small fraction of the 150,000-250,000 entrants. Therefore, joblessness (and the problems it entails) is expected to increase dramatically in the years to come. The government’s first action upon formation of the new government for the Third Mandate was to approve a sub-decree requiring mandatory military service for 18-30 year old males (Mekong Law Group et al., 2004).\(^{70}\) This is widely seen as a pretext to contain members of that age group, believed to support the opposition party, even though no resources exist to fund this policy. The real hope, in fact, as Godfrey (2003) has pointed out, with the end of garments and the unpredictability of tourism (due to Severe Acute Respiratory Syndrome, which caused a 10% drop in Tourism in 2003), is agriculture.

### 3.3 Livestock

**The Herd**

The 2002 animal census published by the DAHP shows a total bovine population of approximately 3.55 million animals (including 625,930 buffalos), pigs numbering 2.1 million, and poultry of approximately 16.65 million animals of which approximately half are ducks. As with much of the data in Cambodia, Desvaux (2004: 7) warns that these figures are only indicative. She also notes that few records are kept and the significant illegal traffic of animals between Cambodia and neighboring countries, in particular Thailand and Vietnam, makes it very difficult to pin down.

Except for buffalos, all other populations of livestock are thought to have risen annually. Milk production from dairy cattle is negligible, and what little was produced by Nestlé’s $2 million dairy project in the outskirts of Phnom Penh was shut down three years ago due to excessive smuggling of counterfeit cans and competitors’ products according to a multilateral donor official (57) and Hayes (2002),

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\(^{66}\) When interviewed, the donor said that press reports blew his “civil unrest” comment out of proportion.

\(^{68}\) This unusually young population can be partly explained by the tragedy of the Democratic Kampuchea period. The need for replacement was strong.

\(^{69}\) The figure is from Reuters (2004) and Jang (2004).

\(^{70}\) During the People’s Republic of Kampuchea (1979-1989) period three years of military service was required (most of which was on the frontlines against the Khmer Rouge and the noncommunist resistance that included Funcinpec) up until 1985. Afterwards, it became five years of mandatory service.
3. Economic Context: Human Development, Livestock and Agriculture

respectively. The following box takes an agribusiness perspective to livestock, suggesting that exports may have major potential. If this involved large numbers of poor people, the impact of exporting cattle, for example, would present itself in higher prices and thus be incentive compatible. The regional market for cattle is explored as a strategic entry in section 4.3, which focuses on the export potential for cattle.

Export of Livestock

Various studies, and experience, suggest that there may be considerable opportunities for Cambodia to export livestock, notably, cattle, buffalo, pigs, and poultry. Currently, the cattle trade is primarily through smuggling. Properly fattened, Cambodian cattle could be sold into regional markets, and perhaps meet increasing demand in the Middle East. Limited exports have been sold to Malaysia. Recently, animal diseases have made global trade in livestock precarious; meeting health standards is vital. This can be achieved by developing veterinary services and access to veterinary medicines.

Trade conditions for livestock are otherwise relatively open. To develop as a significant exporter the Cambodian cattle sector needs (1) organization; (2) to meet local demand for animal feed, at competitive prices, to fatten livestock (the constituents of which all exist in Cambodia); (3) continued improvement of veterinary services and the enhanced availability of veterinary medicines and vaccines without which endemic diseases like foot-and-mouth will not be controlled; and (4) the reduction of informal domestic payments required to transport cattle and move them through the ports.

Source: Adapted from MoC and MPDF (2005).

According to a senior government official (53), total commercial poultry regulated stood at 736,172 birds (in 2005) or only 4.4% of the total poultry population (using the 2002 population which has no doubt grown since then). This is indicative of how underdeveloped commercial operations are in Cambodia. The vast majority of poultry production does not involve any regulation by DAHP and suggests the huge untapped potential in the sector. More than 95% is thus smallholder-owned, a figure confirmed by DAHP (2001). Thus, the potential for development of smallholder livestock is tremendous as commercial operations are still insignificant compared to smallholders.

This also suggests that livestock touches the lives of the poor in so many ways formal institutions like banks and micro-credit institutions cannot (or have not). Livestock is widely recognized as a form of savings. Chickens are sold for small expenses like schooling, while pigs represent bigger ticket items, and cattle and buffalos are sold for major expenses like a funeral or a wedding. Animals constitute an important source of family income. As such, their loss can be disastrous.

71 According to Desvaux (2004: 9), from 1968 to 1972, there was a dairy facility in Stung Meanchey that produced between 500 and 700 litters per day. Some of the milk was sold fresh, while the remainder was used to produce yogurt and cheese. It was supported by the French government with dairy cattle raised by farmers (about 500) in the Kien Svay district, Kandal province near Phnom Penh. This is also where Nestlé began operations in 1998 to introduce dairy breeds by artificial insemination with local breeds. According to Hayes (2002), “It initially began operations in Cambodia in 1970 but shut down its plant due to the civil war prior to 1975.” Today, milk is not produced in any consequential quantities and what is available in Cambodia is imported. Consumption is among the lowest in the world, at an estimated 3kg/year. Thailand is a net importer of at least some milk, but it is the main exporter of milk to Cambodia according to an NGO professional (55).
3. Economic Context: Human Development, Livestock and Agriculture

Animal Mortality

The Rectangular Strategy that became the government’s background document for the 2004 Consultative Group (CG) Meeting includes a request for donors to help fund a project to decrease the morbidity and mortality of livestock, both of which are severe. An estimate of 10,000 cows with FMD and 5,000 with pasteurellosis was offered by MAFF Secretary of State Yim Vanthoeun, who is himself a veterinarian (Wasson and Lor, 2005). Other livestock professionals have estimated overall poultry mortality rates of 30% (livestock professional, 35) and 50-100% for Newcastle (livestock official, 47). For pigs the range was 30-40% (livestock official, 47) and for piglets mortality is 40% (livestock professional, 21, also see Annex A of DAHP, 2000). With such high mortality figures, the returns to preventive veterinary care are significant. Normally it is hard to get farmers to pay for preventive medicine for their animals (as opposed to curative interventions for those already sick). But death rates such as these probably mean that farmers would indeed pay all or much of the price of effective preventive measures, if they were made available to them--and if they could recover the cash paid out through sales on an adequately functioning market.72

Animal mortality and disease are systemically linked to other crises that impact upon rural Cambodians (Murshid, 1998: 54). The loss of livestock due to illness or theft or abnormally high market transaction costs means that many rural households have no way to meet the expenditure necessary for crises associated with natural disasters, and the illness or death of household members. Feed improvements introduced also have ameliorated animal health conditions. Necessary conditions for Cambodia to become a significant exporter of livestock have yet to be met, as the country depends on imported livestock even though it has the raw materials needed for feed but cannot process them (see earlier box). A reason for the failure of livestock to take-off has been that agriculture itself has not been a growth sector in recent years.

Role and Gender Divisions

Livestock has a long and venerated history in Cambodian agriculture. Each year the coming harvest is foretold at the Royal plowing ceremony in which six royal oxen are offered various items to consume, including grain and alcohol placed on gilded trays. If they choose alcohol, it portends inadequate rain and a disastrous harvest. The Royal Oxen’s aversion to alcohol in recent years unfortunately did little to prevent catastrophic floods (2000 and 2001) and drought (2004, which has extended into 2005).

According to UNICEF, during the 1980s, most families kept livestock, their numbers mainly determined by the availability of animal feed and land for foraging. Pigs, chickens and ducks as well as eggs were normally sold for cash to purchase goods rather than being eaten regularly. Larger livestock like cows and buffaloes were rarely consumed for meat, but used as draught animals in the fields.73 Therefore as is true today, a family's stock of animals represented its savings and reserve resources and not its main source of supplementary food (UNICEF, 1990 as cited in FAO, undated).

72 The crucial importance of animal drugs is worth mentioning. While import licenses have been abolished for most items, some remain in effect for pharmaceuticals. Agrovet, a French-Cambodian company and representative for MERIAL which targets medium to large producers, and Medivet a Cambodian company operated by a former school teacher, are both companies that sell pharmaceuticals in Cambodia. A livestock professional (35) tried to legitimately import pharmaceuticals, by bringing in cases through the airport (as luggage) and ended-up paying 2.5 times more in taxes. He then attempted to import legally from Thailand via Sihanoukville port. He was again taxed heavily. He is now importing from Vietnam but with official drug representatives who ensure a deliverable price (so he never sees the actual details of bribes etc). What matters is that he can still make money despite their fees. When prompted with “But aren’t you evading the system?” his response was yes, but he would be more than happy to pay if everyone else was made to pay too (an issue of unfair competition). Animal mortality and morbidity both remain significant problems in Cambodia.

73 Today, when consumed, such animals tend to be slaughtered at a terminal stage (having worked their productive lives in the field).
The gender division of labor in livestock management is quite rigid. Men care for and utilize draught animals, like oxen, cows and buffaloes. Women care for, manage and sell small livestock like pigs, chickens and ducks. Nowadays, women who head their household and lack sufficient male labor utilize draught animals to plough (SAWA, 1995 as cited in FAO, undated). Such animals are costly, and so women will try to raise pigs and poultry. This suggests that pro-poor targeting could encompass women heads of households or families which own only limited pigs and poultry. Interventions that aim to increase pigs and poultry production may make sense. While microfinance has not been exclusively the domain of women, its origins focusing on women’s groups lend important insights into the credit market for livestock and could be a key to at least one strategic entry proposed—subsidized lending for women breeders affected by culling due to HPAI (see Section 4.3).

**Lending for Livestock**

There are few commercial banks in rural areas, and in many areas the only options for credit are either family or the local moneylender. The Economist Intelligence Unit notes that “a well-developed informal credit market...provides an important, if expensive, source of funding for small businesses and farmers.” The local moneylender rates are extremely high, frequently 20% per month (EC, 2002). During the last eight to ten years a number of NGOs and donor projects have provided credit in the rural areas, including the European Commission’s PRASAC program which ended recently according to a multilateral donor official (12). There are more than 70 licensed or registered MFIs in Cambodia, many of which are dependent on donations or subsidies (In, 2004). Despite this, less than 50% of demand is met (Ibid). Because of the prevalence of dollarization in Cambodia (as much as 90% of the economy is not in Riels), and the Riel’s virtual peg to the dollar (stable at around 4000 Riel to the dollar for several years, 3,795 in 1998, 3,831 in 1999, 3,868 in 2000, 3,918 in 2001, and 3,923 in 2002), the real interest follows the nominal interest rate closely (because inflation is low, averaging 4.37% between 1995-2002).

Moreover, to use the language of Scott (1976), the moral economy of the peasant has been replaced by the exchange economy in Cambodia. According to AusAID, the emergency phase of Cambodia which most would agree ended in 1998 still haunts the country. Relief-type assistance has, in some instances, established a handout mentality. “One district leader warned the team against supporting any form of credit that was not solidly entrenched within a bank. If locals thought there was government involvement, this official noted, they would refuse to repay any loans” (AusAID, 2005: 4). This has been true as well for WFP’s Food-for-Work Scheme. According to Aschmoneit (1998: 5), Achar (Abott) Chun Chin of Wat Botum explained with some bitterness that in former times it had not been difficult to mobilize villagers to repair roads and ponds after the rainy season. But since WFP had been remunerating all community work with rice on a food-for-work basis, people had been asking the Achar: “How much rice will you pay for that?” They were no longer willing to perform unpaid labor as before. Many Achars have had similar experiences in their own villages.

In rural areas, delivery costs can be even higher, and this is reflected in the typical interest rates of 3-4% per month (EC, 2002). One senior government official (48) asked why MFI rates were so high and viewed them a usurious. While MFI interest rates are indeed high, they are the prevailing market interest rates and are highly competitive

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74 A senior government official (53) reports that CEDAC funded the purchase of poultry for a community with loans of up to 20,000 Riel ($5) per family. An outbreak of Newcastle disease however destroyed all 900 chickens in that community.
75 Another possible credit delivery mechanism for rapid rural development is the provision of loans to farmers by private companies against a contract to purchase production and fixed prices (EC, 2002).
76 As quoted in Heritage Foundation (2005).
in comparison to informal money lenders. Indeed, a prevalent practice in Cambodia is to work at a Bank and obtain loans from it. Cambodia’s high capitalization ratio and requirement that each Bank keep $13 million with the National Bank of Cambodia have subdued lending. With respect to MFIs, it is reasonable to subsidize their administrative costs, as these are very high. This has been done by Grameen in Bangladesh. The important thing is that the loan should carry an interest rate that is at least as high as what a bank in the capital would charge to a businessman. The literature on this is very well developed and the practice well established (see Peterson, 1982).

The Case of Acleda Bank

Started as a project of the International Labor Organisation and later registered as an NGO, Acleda Bank was until recently Cambodia’s largest MFI until it converted to a full-fledged bank in 2004, with continued emphasis on microfinance. Acleda has argued that lending at artificial or subsidized rates only prevents the determination of ‘fair price’ which in turn leads to unreal expectations, discourages further investment, distorts performance measurement and undermines those it is intended to help by creating ongoing donor dependency. Indeed, Acleda’s distribution network required to reach nearly 110,000 borrowers spans 114 offices spread around rural areas in 21 provinces (In, 2004).

On 20 December 2004, Acleda became Cambodia’s first institution to obtain a credit rating of any kind. Moody’s gave Acleda’s Bank Financial Strength Rating a D with a stable outlook and Deposit and Debt Rating (in local currency loans) of Ba1/B3. It has superior ratings to a weighted average of institutions in Indonesia, India, the Philippines and Morocco (Moody’s, 2004). Animal-related loans accounted for 0.42% of their $50 million portfolio in July 2004. While this constraint can be met effectively with a government policy favoring livestock-related lending, it is politically unrealistic to expect that the government, which has refused compensation for Highly Pathogenic Avian Influenza-impacted producers, to step in with resources. It is however possible that donors interested in helping the government meet its needs in combating HPAI could establish a lending activity in conjunction with Acleda or another MFI (of which there many) to subsidize loans to HPAI-impacted producers (more on this when strategic entries are discussed).

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27 I thank David Leonard for pointing out that it is not unusual for the well-connected to make such comments because they are the ones who can use their influence to get below market rate loans - so they want such loans to exist.
4. POLICY CONTEXT: SECTOR CHALLENGES, PRO-POOR LIVESTOCK POLICIES AND STRATEGIC ENTRIES

4.1 Sector Challenges

According to EC (2002), the constraints to designing effective rural development programs can be summed up as shortages of key inputs, inaccessibility, insecurity, limited technical capacity at ministry level, limited skill base at village level, and disinclination towards community or group actions due to low social capital following the Khmer Rouge period. While these challenges have been discussed in some way or another already, specific challenges have been identified by Woodd (2004) and during interviews (see table). The eight challenges suggest that the problems of livestock are much wider than just the sub-sector alone, they are agriculture-wide and economy-wide. These have been set under three thematic categories: (A) Markets; (B) Access; and (C) Land.

Table 6: Challenges in Agriculture: Markets, Access, and Land

<table>
<thead>
<tr>
<th>A. Markets</th>
<th>Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Widespread corruption in supply chains</td>
<td><strong>Pros:</strong> Donors have recently demanded change to business as usual.</td>
</tr>
<tr>
<td></td>
<td><strong>Cons:</strong> Deeply embedded now, part of the culture itself</td>
</tr>
<tr>
<td></td>
<td>Low probability of success in combating the problem</td>
</tr>
<tr>
<td>2. Lack of confidence in investment</td>
<td><strong>Pros:</strong> WTO membership will mean some guaranteed progress (a kind</td>
</tr>
<tr>
<td></td>
<td><strong>Cons:</strong> “Laws are not important” (Livestock professional, 52)</td>
</tr>
<tr>
<td></td>
<td>Moderate probability of success since legal framework must be developed for WTO</td>
</tr>
<tr>
<td>3. Lack of an established trading infrastructure</td>
<td><strong>Pros:</strong> Rational farmers can be expected to be responsive to better</td>
</tr>
<tr>
<td></td>
<td><strong>Cons:</strong> Pervasive corruption means they won’t produce as much for the market</td>
</tr>
<tr>
<td></td>
<td>Low to moderate probability of success since tied-in with 1 &amp; 2.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>B. Access</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>4. Lack of irrigation/roads</td>
<td><strong>Pros:</strong> Government recognizes these problems</td>
</tr>
<tr>
<td></td>
<td><strong>Cons:</strong> It doesn’t have the political will to commit resources</td>
</tr>
<tr>
<td></td>
<td>Low probability of success without increased donor support</td>
</tr>
</tbody>
</table>
### 4. Policy Context: Sector Challenges, Pro-poor Livestock Policies and Strategic Entries

#### 5. Cost of energy

**Pros:** Private sector has complained loudly, as have urban population (a few protests)

**Cons:** Government relies heavily on fuel excise tax for revenues since it is unwilling or unable to expand tax base for obvious political economy reasons.

Low probability of success, especially since donors want the government to increase tax revenues, but care less about how it does so.

#### 6. Cross-border barriers

**Pros:** Cambodia is well positioned regionally to take advantage of the cattle trade

**Cons:** Foot-and-Mouth Disease and SPS Agreement might lock Cambodia out

Moderate probability of success for same reason as 2, plus private sector interest.

#### 7. Misuse of large-scale land concessions

**Pros:** Donors have demanded change, and increasing protests concern authorities

**Cons:** Powerful interests involved, including senior members of government

Low probability of success.

#### 8. Insecurity of land tenure

**Pros:** Donors have worked to introduce land registration

**Cons:** Authorities see this as yet another opportunity for informal revenues

Low probability of success.

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Source: Challenges adapted from Woodd (2004), analysis is author’s.

Some of these challenges have been touched upon earlier already (A1/Markets and Corruption for example), revealing the government’s lack of political commitment due to a variety of factors including an embedded culture of corruption, the legacy of the Khmer Rouge, and the Donor-Government Nexus. The prospects for significant progress in overcoming these challenges is unlikely.

**The Feasible Set: Investment Confidence, Trading Infrastructure, and Cross-Border Issues**

The factors and forces which might permit some challenges to be overcome in Cambodia requires that powerful vested interests, far from being opposed to them, could actually benefit in some way by their implementation. Such is the case of
4. Policy Context: Sector Challenges, Pro-poor Livestock Policies and Strategic Entries

membership in WTO and the introduction of Export-Processing Zones (EPZs). Many of these challenges to agriculture will not be solved in the short-to-medium term, and may not be solved in the long-term. But let us begin. Areas in which moderate political feasibility exists include A2 (lack of confidence in investment), A3 (lack of an established trading infrastructure), and B6 (cross-border barriers). They hinge on Cambodia’s membership in the WTO and rational price responsiveness by farmers. While the rule of law has not had a distinguished record in Cambodia, and corruption is embedded, it has been argued that Cambodia’s membership in the WTO is the straightjacket the country needs to reform (which speaks volumes of its commitment to reform in the absence of WTO).

With respect to both A2 and A3 specifically, livestock markets are limited or nonexistent because production was for too many years subsistence-based (the meat market is seen as a terminal, at the end of the life of the animal), but if you build it, will they come? The EC plans to build a demonstration abattoir in the north of the country. A senior government official (40) says that checkpoints on rural roads are not prevalent (of course he is defending the roads his Ministry is building), which is probably true, but the Prime Minister felt obliged to announce an end to illegal checkpoints recently, the N-th time he has done so in as many years.

Finally, with respect to B6, the low Sanitary and Phytosanitary Standards in Cambodia make the country ineligible to export legally anywhere with higher standards (which means virtually nowhere). This ties-in with the OIE (World Organization for Animal Health) as the agency designated by the WTO to oversee livestock exports. Cambodia, being a small country, cannot affect world prices. SPS Agreement enforcement is required as of 2008, per Cambodia’s WTO terms of accession. It will mean that Cambodia has until then to establish a production base or else be decimated by imports which are cheaper, of higher standard, and cannot be blocked, unless it proves that its domestic products are of a higher standard. Furthermore, no producer subsidies in agriculture are permitted on the Cambodian side. The political feasibility of an intervention in this area has mostly to do with the confluence of private and public sector interest, which could be a driver for an FMD-free zone, discussed in greater detail later.

Remaining Issues of Accessibility: Lack of Irrigation/Roads and Cost of Energy

With respect to B4, only 19.5% of cultivated land is irrigated (as opposed to rain-fed). The government’s goal is to bring this to 24% by 2007 (RGC, 2002b). Even though the country enjoys the region’s largest inland freshwater lake, the Tonle Sap (Great Lake), the odds are not great that this target will be achieved given that some 30,000 ha/per year of irrigated land would need to be added (NGO Forum, 2003) and the current drought situation is the government’s current pre-occupation. Non-foraging livestock needs water and feed at a minimum (the import of which is costly). The husk and hay that result from rice milling and harvesting is used as feed and cannot be produced without water. Without roads, farmers are unable to bring their products to markets. The supply chain is thus disrupted with the absence of either water or roads as Godfrey (2003) has argued and implored Cambodia to consider as complementary prerequisites to growth.80

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78 During 2005, the Cambodian government is expected to debate a draft Law on Industrial Zones that will lead to the formation of EPZs in Cambodia. These will likely be located in the port city of Sihanoukville and on the Thai-Cambodian border province of Koh Kong.

79 Under standard trade theory, a small country’s best trade policy is to remain open.

With respect to B5, Cambodia’s energy prices are very high compared to international averages. Fuel prices due to Cambodia’s heavy reliance on excise taxes as a source of revenue for the domestic treasury, represent 1/3 of fuel prices and reduce Cambodia’s competitiveness. Both Thailand and Vietnam gasoline prices are 1/3 less than in Cambodia (Vietnam subsidizes its fuel). This is a major factor in smuggling of fuel itself. Fuel costs go into the transport costs of livestock. The situation with electricity is similar. World Bank (2004: 26) states that “Where electricity is available, firms and individual consumers face some of the highest energy costs in the world."

Land Problems
Addressing the issue of large-scale land concessions (C7) and the insecurity of land tenure (C8) was a major donor demand at the December 2004 CG, but this issue has festered since at least 1999 when it was recognized that land disputes caused the biggest backlog of court cases. At that time, Hun Sen told provincial governors that they would lose their jobs if this problem was not resolved. By 2004, the World Bank country manager Nisha Agrawal said that up to 80% of Cambodian court cases involving the poor involve land disputes. She added “If we care about the poor, if we care about rural economic growth, and if we care about justice, we must care greatly about land.”

The strength of interest groups behind the large scale land concessions is so enormous, however, that to address them would have to begin with senior members of the RCAF and oligarch business interests, both of whom are untouchable. Indeed, a major cause of conflicts has been land, especially land grabbing by the rich and powerful. Landlessness is now prevalent in 12-15% of the rural population and landholdings per household appear to be declining (Murray, 2005). Without land, farmers have “little incentive to make long-term plans to improve their family’s livelihood such as investing in infrastructure” (Ibid.). While there have been protests in front of the National Assembly, these have been put down with minimal force until recently. In March 2005, military police and police shot dead five people in order to clear 218 families from an area in Kbal Spean village, Banteay Meanchey province. Human rights activists monitoring the carnage were threatened with arrest.

Pro-Poor Policy, Spending, and Reality
Existing pro-poor policies take a technocratic approach that invariably fails. If these policies do not invite patronage politics, they will be left unimplemented. The political constraints have been enumerated in Section 2. Needless to say, the transaction costs of corruption create negative incentives for producers, but while hopes have risen each year that some action will take place, these have invariably been dashed. Cambodia still has no anti-corruption law, although the idea was first discussed in 1994. The current draft is so watered-down it fails to meet United Nations Convention against Corruption standards. Speaking of the 1998 elections, two UNTAC officials who returned to the country to observe highlighted not only a lack of commitment to good governance, liberal democracy and rule of law “but [the CPP’s] desire to work against those objectives.”

81 As quoted in Leitsinger (2005).
82 See AFP (2005a).
83 They further added: “It is entirely appropriate to make allowances for the unavoidable difficulties faced by developing countries, such as a poor infrastructure, a limited skill base, or random events such as bad weather … The deficiencies of the 1998 election which we have identified, however, were not of that character. They were rather a direct result of conscious political decisions, taken by members of the ruling clique for their own benefit, in full knowledge of what they were doing … The actions in question defied the spirit of the country’s Constitution, and it would be wrong to treat them… as if they are somehow an inevitable feature of life in the third world” (as quoted in Grainger, 1998). In contrast, Margaret Slocombe argues that: “The main problem with politics in Cambodia is having a Lexus Constitution when what is really needed is a secondhand Toyota” (as quoted in PPP, 2004-2005).
Understanding the sectoral challenges outlined above in the context of political reality can aid in framing the scope for pro-poor policy, and pro-poor livestock policy in particular. FAO (2000) defined the most important strength of pro-poor policy as “the allocation of public expenditure to those populations and areas in which the poor predominate” and concluded that “In practice, this almost invariably means devoting greater amounts of public resources to rural areas and leaving more activities to the private sector in the higher-potential areas and sectors.” The constellation of interests preventing the redistribution of wealth is strong. For the sake of profitability, the private sector knows well enough to accommodate power.

Phnom Penh has had limited success in sharing the wealth. In 2003, the Ministry of Economy and Finance confirmed that it had distributed to the provinces only 39% of total MAFF spending, while the central level consumed the remaining 61%. It conceded “This is a serious problem” (MEF, 2004). This inequitable distribution of resources between the central and provincial levels hampers the implementation of pro-poor policies. Given the extent of rural poverty, reversing this resource flow has been strongly advocated by donors.

Current political and institutional processes are profoundly anti-poor. Feasible pro-poor policy has been elusive in the context of Cambodian development. As a bilateral donor official (26) argued, the focus should be on shifting the government from a pro-rich to a neutral policy environment before we can even discuss pro-poor policy. Poverty reduction is an abstraction; repeating it over and over will not make it a reality. To adapt Sadako Ogata’s (2005) notion that there are “no humanitarian solutions to humanitarian problems”—only the convergence of political interest can solve them (Conant, 2005), one could argue that likewise, there are no pro-poor solutions to poverty problems in Cambodia—only political will and the constellation of interests converging can solve them. And while William Easterly rightly argues that “development is too important to leave to the politicians” wishing it were so will not make the problem (i.e., the politicians) go away. Prospects for the short-to-medium term are dim and expectations should be limited.

4.2 Current Pro-Poor Livestock Policies

Current livestock policies are guided somewhat by the three strategy/policy documents earlier described: SEDPII, NPRS, and Rectangular Strategy. The SEDPII contains cursory treatment of livestock. The NPRS was released in 2002 and, unlike the PRSPs of many countries (see Blench et al., 2003), it has more than passing mention of livestock (20 instances). It also includes a section under its financing matrix for livestock activities. Like the Consultative Group Donor Appeals (the government’s wish list) in 2002 and 2004 however, these are unlikely to be funded.

The most recent strategy, the government’s own Rectangular Strategy was released in 2004 following the formation of the government for the Third Mandate. It contains the least coverage of livestock specifically but its overall ideas are similar to SEDPII and NPRS and it has one rectangle dedicated to agriculture. The RS does not contain any performance indicators or benchmarks, only vague commitments to increase expenditures. Beyond this, the MAFF has on its website a prioritization of its sub-sectors and lists livestock as the No. 1 priority in four provinces: Svay Rieng, Preah Vihear, Kampot, and Kampong Thom, while it is No. 2 priority in 10 provinces, and No. 3 in six provinces. The remaining three provinces have it as 4th or 5th or not applicable. Of the 23 provinces and districts, two have multiple first priorities (Svay Rieng has two, Kampong Thom has four).84

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84 A constant complaint of donors has been the Government’s inability to prioritize, leading a French Cooperation representative to demand “priorities of priorities” at a Donor-Government meeting according to a donor official (59).
The main document for livestock policy, “Linear Animal Health Strategy and Policy Development,” was published in 2001 and forms a set of pro-poor livestock policies issued in a Strategy and Policy document for the sub-sector that was adopted by the DAHP under the Agricultural Productivity Improvement Project (APIP) funded by the World Bank and IFAD. Both a Basic Strategy and a Smallholder Strategy were proposed, with a number of cross-cutting policies. Every item under these policies is shown verbatim in the Table below and has been further aggregated under five thematic categories: (D) Income, Investment, and Production; (E) Risk Alleviation, Trade, and Commerce; (F) Promoting Market Access; (G) Production at the Village Level; and (H) Role of Animal Production Services (APS).

### Table 7: Basic Strategy and Strategy for the Smallholder Sector

#### I. Basic Strategy

D. Income, Investment, and Production

1. Use livestock to improve rural incomes and as a means of exiting from poverty.

2. The general strategy however remains to encourage private investment in livestock production in line with government policy and provide the right investment environment for both commercial and small producer levels.

3. Animal Production Services (APS) will be expected to develop strategies and policies that target small and disadvantaged producers who hold the majority of livestock (95%+) to allow them to compete with commercial production and partake equitably in the increasing demand for livestock products.

E. Risk Alleviation, Trade, and Commerce

1. Promote risk alleviation by providing ready access to animal health services, disease control programs that contains endemic disease and access to essential inputs.

2. Support programs that establish quality assurance programs that have the potential to expand domestic and regional markets for livestock and livestock products.

3. Promote sustainable livestock production at the small holder level in order to promote low input and high output production systems to compete with the commercial production.

#### II. Smallholder Strategy

F. Promoting Market Access

1. Promote a free market strategy that widens marketing options and equitable farm gate prices.

2. The strategy will be to establish sustainable livestock production technology at the village level that focuses on limiting cash inputs in the production cycle while maximising production and profitability to enable small producers to compete in a free market environment.

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85 An earlier “National Strategy for Animal Health and Production” had been released in December 2000, see DAHP (2000).
G. Production at the Village Level

1. Reduce production risk by the involvement of the Village Animal Health System (VAHS) in animal health programs for small producers and for Village Animal Health Workers (VAHWs) to provide the ready availability of essential inputs (pharmaceutical and nutritional) at the village level.

2. Use the information and technical support of the National Animal Health and Production Investigation Centre (NAHPIC) and the National Animal Health and Production Diagnostic and Information Storage System (NAHPIS) to identify and target specific production constraints at the village level.

H. Role of Animal Production Services

1. Targeting the smallholder producers will be the main task of the APS. The strategy will be that of assistance and access to inputs on the premise of full cost recovery.

2. APS and AP staff of the OAHP [DAHP] will receive training in Sustainable Livestock Production (SLP) at the University of Tropical Agriculture (UTA) and its assistance in the transference of the technology as SLP demonstrations and feed development programs to the 4 target provinces of APIP.

3. Each APS staff member will compliment the SLP training by a specialist orientation to a specific technical aspect that will provide specialist assistance for small producers to be competitive in a free market environment.

4. The initial specialisation focus of APS will be in the areas of animal breeding, ruminant and monogastric production, animal nutrition, animal feeds production, marketing and economics. A targeted HRD program will build on Specialist skills with further technical training over time.


While the desirability of these policies is not in question, their political feasibility is questionable. It should be noted that for all market (and by extension production)-related policies, such as F1 and F2, to function properly the sine qua non assumption is that prices (which derive from markets) be right. Thus the political difficulties in addressing many of the forces distorting Cambodia’s livestock markets renders many otherwise laudable policy proposals unfeasible by virtue of market distortions. Farmers still respond to better prices, including the presence of significant informal taxes, as they are rational actors (Popkin, 1979). It may therefore be worthwhile to consider interventions that address market constraints notwithstanding a difficult governance environment.

With respect to the remaining strategies, DAHP’s behavior is typical of most departments within the government since informal revenue generation whether for oneself or the party effectively negates the effectiveness of pro-poor policies. A livestock professional (52) noted that to date, there is “no linkage between services and payments,” which contradicts the principle of full cost recovery explained in E1.

Even self-initiated, externally financed training abroad comes at a price, since authorization from superiors is needed reported, as a livestock official (5) reported. Capacity building of department staff had been among the smallholder strategies proposed (H2, H3, H4), but refusal by key players to play by the rules of the game doomed its fate. A livestock professional (7) summed-up the situation: “I think you understand that in the Cambodian context.”
However, while there is a discrepancy between what the government says and what it does, the authorities are not a monolithic predatory block. The experience of NGOs and donors when they collaborate, as in the case of VAHWs, is instructive. It took Vétérinaires Sans Frontières (VSF) five years and the help of the World Bank and IFAD to have a sub-decree recognizing VAHWs done, but it is one example of partnership that led to a desirable outcome and is discussed in detail in the next section.

While the above can characterize donors' (through APIP) and the Ministry's (through DAHP up to the level of the Deputy Director/APIP National Coordinator) view of basic livestock and smallholder strategies, the government’s view (as seen through the actions of the Council of Ministers and the passage of sub-decrees) is much more focused on encouraging “private investment in livestock production” which translates into investment incentives for commercial operations and opportunities for rent-seeking.

Senior government officials’ bias in livestock is towards high technology, large commercial enterprises, and exports. Where Cambodia’s regulatory course of things is allowed to progress, the focus has been on investment and how to promote large-scale operations. While there are certainly ties to smallholders the view seems to be more of a laissez-faire nature.

While the prospect of significant progress is slim, some options discussed above are politically feasible, and have an underlying relation to each other. The hold that corruption has on the country makes it very unlikely that changes needed to reduce the transaction costs in livestock marketing will be made. As such, improving preventive animal health is one avenue to reduce production costs and benefit the poor. Strategic entry points such as HPAI interventions (4.3), the creation of an FMD-free zone (4.3), and gearing up to meet WTO standards all concentrate on aspects of animal health which have high externalities. Doing so could also be made to build on the success of regularizing VAHWs (4.4), for these workers could be given government or NGO contracts funded by donors to carry out the necessary preventive medicine measures while doing curative, fee-for-service work on the side.

**4.3 Strategic Entry Points**

(1) Developing a Strategic Framework for Agriculture

While this paper has argued that the Donor-Government Nexus has produced too many Strategies and Plans, but too few funded mandates and feasible policies, it is surprising that donor and government attention towards agriculture has not been more focused. There does not exist, as yet, a medium-term sector strategy for agriculture nor an overall policy and strategic framework. Donors reached a consensus at the December 2004 CG. In the Joint Monitoring Indicators, they agreed with the Rectangular Strategy’s recommendation that:

*It is necessary to enhance and broaden the base for economic growth by opening and utilizing the potentials in other sectors, especially in the high potential agricultural and agroindustrial sectors, so that the nation will obtain larger positive windfall gains in the improvement of the livelihoods of the rural people.*

Based on the Joint Monitoring Indicators agreed upon at the 2004 Consultative Group meeting between Cambodia and donors, the benchmark stated: “Joint development of

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86 There has been an emphasis on foreign direct investment in agriculture, and livestock in particular, for at least seven years. Sub-Decree 88 on the "Implementation of the Law on Investment of the Kingdom of Cambodia" dated 28 December 1997 suggests such areas of investment as: 2. Livestock Production; 2.1 Livestock more than 1,000 heads; 2.2 Dairy farming more than 100 heads; 2.3 Poultry & eggs 10,000 heads. This was again repeated in Annex 1 to Sub-Decree 88 updated according to Sub-decree No.53 dated 11 June 1999.
4. Policy Context: Sector Challenges, Pro-poor Livestock Policies and Strategic Entries

A medium term sector strategy for agriculture, including irrigated agriculture, has been commenced by March 2005, with an overall policy and strategic framework completed by December 2005.” Recognizing the problem of youth unemployment, the 65 page-long NGO Statement to the 2002 CG Meeting (19-21 June 2002) had already recommended that:

Resources and efforts should go to develop a system of rural education, especially training for the rural youth in agriculture and agriculture related business. This training should be combined with loan program so that they can invest to start-up small enterprises in agriculture and agriculture related sector or other rural enterprises. (NGO Forum, 2002: 12)

While it is not known precisely if any donors took-up this suggestion, it is worth repeating. NGO participation represents an opportunity for livestock and its related sectors to gain support. At the same time, it underscores the crucial need for a clear and focused agricultural policy for the country—as opposed to a wish list of projects for donors. Animal health needs to be regularized within this policy.

(2) Strategic Entry: Highly Pathogenic Avian Influenza

Highly Pathogenic Avian Influenza has been of considerable concern in Cambodia. Frequent articles now appear daily about HPAI in newspapers and other news media. The popularity of poultry plummets invariably when this happens. In response to the report of a potential HPAI outbreak, each province dispatches three taskforce teams: one to investigate and take samples, another to collect information and communicate back to the government, and one more to disinfect the area and control movement of poultry between farms and markets (Hamilton and Vong, 2005). “We only have three people in [the National Animal Health and Production Investigation Centre], not enough people to keep up with [testing] the chickens coming in.”87

There have been 14 outbreaks and one human infection to date (Hamilton and Vong, 2005). Donors gave $1 million last year through FAO’s “Emergency Regional Support for Post Avian Influenza Rehabilitation” Project to help coordinate activities funding for which has nearly been exhausted. “Donors said they were waiting on an official request from the government for more funding” (Hamilton and Vong, 2005). Sorn San, Head of National Animal Health and Production Investigation Centre reported that five thousand VAHWS had been trained in detection and identification of bird flu through the Agricultural Productivity Improvement Project funded by the World Bank and IFAD. The lessons learned from APIP are shown in the following box and are particularly germane to future development of pro-poor livestock policy.

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87 As quoted in Hamilton and Vong (2005).
IFAD’s Lessons Learned from the Agricultural Productivity Improvement Project

The livestock component of the IFAD loan offers four lessons learned which should be heeded for future activities in the sector. It is an excellent opportunity to examine the lessons learned from that multi-year project.

Functional grass-roots associations and institutions capable of delivering veterinary supplies, animal feeds and artificial insemination equipment are crucial to the sustainability of project components.

Farmers will only benefit from the project if the technical knowledge developed reaches them and takes account of their views. This requires mechanisms for transfer and continuous feedback among central and provincial government departments and among districts, communes and farms.

The enthusiasm and commitment of project staff are important factors in successful project implementation, especially when external conditions are difficult.

Privatization of animal health services depends on government commitment and acceptance of a user-pays basis by farmers and animal-health workers.

Source: IFAD (undated).

While the lessons learned are couched in diplomatic language, as was explored earlier, Cambodia’s KR Legacy is primarily responsible for the erosion of the trust needed for grass-roots associations and institutions (cooperatives) to emerge. Overcoming this legacy will take time.

Second, there is essentially no mechanism for transfer and continuous feedback among authorities because of the centralized nature of the system and the hierarchical social relations (Turner, 2002), but NGOs have tried to bridge this gap as best they can, sometimes drawing scorn from authorities according to a livestock professional (21) and a senior government official (40). Finally, as in all development work and previously seen in the section on the Donor-Government Nexus, one of the key lessons is that government commitment and acceptance are needed before embarking on any project.

A study conducted during July and August 2004 by VSF at the request of DAHP and FAO found that the severe losses incurred by smallholders during HPAI were partly compensated by very high prices for poultry following the crisis by consumers whose willingness to pay was high. VSF recommends financial compensation to producers officially HPAI-infected (to recover for their losses and to encourage disease reporting by producers in the future) and urges the design and implementation of a comprehensive national policy to develop and secure poultry production in Cambodia (VSF, 2004: 2). These recommendations are further reinforced by the findings of a Regional Workshop on HPAI which are shown Box.
4. Policy Context: Sector Challenges, Pro-poor Livestock Policies and Strategic Entries

**HPAI Recommendations for Region (Ayutthaya Regional Workshop)**

Smallholders have been the most vulnerable group during the Highly Pathogenic Avian Influenza outbreaks in most countries, and they are hardly recovering; support to this poorest group will help to secure their incomes as well as having them on board for surveillance and reporting systems. The following options will contribute to improve poultry production in this sector:

Improving Animal Health Services at village level needs to include support from Animal Health Workers (paravets), including reporting systems and access to information and training. Government extension staff cannot bring the appropriate support in all villages.

Improving the general farmers’ awareness through appropriate and translated simple biosecurity guidelines on A.I.

Use of credit or microfinance as a tool for rehabilitation and as an alternative to direct compensation for countries that can not afford to compensate.

Access to appropriate long term credit.

Development of farmer groups and associations will help to strengthen the farmers activities and the dissemination of information

Source: Dolberg (2005: 29).

Unfortunately, the government has no financial compensation to owners when animals are culled (VSF, 2004). Certainly, it is not clear how much one would compensate nor how since the government consistently maintains it has no financial means. While continuation of the current FAO HPAI project is important in that it entails recommendations one and two, option five will encounter the aforementioned problems of low social cohesion/social capital earlier discussed.

If donors wished to target the lowest quintile, requiring that the smallholder be a female head of household or those individuals who owned poultry and at most pigs, would certainly be one possibility (although the feasibility of this would need to be studied). Most village chiefs have detailed household records, and family books (bann krousa) clearly show all residents living under the same roof. This information could be related to an MFI with necessary financial controls and auditing. Another idea raised in discussions: training of breeders (in excess of 500 heads) was proffered by a livestock professional (52) and may be feasible within the scope of additional donor resources.
(3) Export of Livestock and FMD-Free Zone

Cambodia’s terms of accession to WTO were not ideal for the country’s level of development (Oxfam, 2003). In 2002, NGO Forum took the opportunity to comment on the NPRS to state that “NGOs are concerned with ... the lack of public consultation and debate about the possible impact on small farmers of WTO membership and the Agreement on Agriculture.” (NGO Forum, 2002). While concessions on agricultural products may have been too harshly negotiated, the livestock sub-sector offers good potential for cross-border trade. Combined with strong and growing regional demand (see table), the export of Cambodian livestock could be a golden opportunity for the country, if properly exploited.

Table 8: In Demand: ASEAN, Rest of Asia and Middle East Cattle Imports in 2002

<table>
<thead>
<tr>
<th>Importer 2002 (head)</th>
<th>Asean</th>
<th>Rest of Asia</th>
<th>Middle East</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brunei Darussalam</td>
<td>23,300</td>
<td>11,500</td>
<td>8,146</td>
</tr>
<tr>
<td>Indonesia</td>
<td>171,100</td>
<td>48,000</td>
<td>52,730</td>
</tr>
<tr>
<td>Malaysia</td>
<td>97,000</td>
<td>14,500</td>
<td>40,200</td>
</tr>
<tr>
<td>Philippines</td>
<td>117,100</td>
<td>5,300</td>
<td>7,400</td>
</tr>
<tr>
<td>Thailand</td>
<td>183,000</td>
<td>12,000</td>
<td>222,680</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Saudi Arabia 39,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>United Arab Emirates 4,600</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Egypt 153,000</td>
</tr>
</tbody>
</table>


Total imports for ASEAN were 591,500 heads of cattle in 2002, while the rest of Asia accounted for only 91,300 and the Middle East took in 527,756.

Trade Regime and Tariffs

While trade in beef meat is dominated by tariff quotas and special access conditions - especially those negotiated in the main Asian markets by the US and Australia - that in livestock is more open. All major importing countries, however, have often complicated and demanding SPS measures in place. ASEAN markets are largely duty-free. That is the case for Malaysia and Indonesia, while the Philippines imposes a three percent duty and Thailand imposes five percent (apart from pure-bred breeding animals which are zero rated). The official duty on the Vietnamese border is five percent. Cambodia enjoys duty-free access to the Chinese market through the “early harvest” arrangement. Cambodia’s own border conditions for the entry of live cattle entail a Most Favorited Nation tariff of 15% with an Asean Free Trade Area Common Effective Preferential Tariff rate of 10% in 2004. Middle Eastern markets are also largely open although several countries have bound high tariffs in the WTO.

88 Oxfam (2003) reports that the country acceded to a maximum tariff on agricultural products of only 60% (see table). In comparison, this rate is half Canada’s (120%) and the USA (121%), and many times less than the European Union (252%). Moreover, Cambodia also agreed not to use export subsidies in agriculture.

89 This section is drawn from MoC and MPDF (2005).
Livestock Exports

Based on earlier detailed animal population statistics (section 3.2, sub-section The Herd) of 3.55 million animals (including 625,930 buffalos), the local market has been met largely from spent draft animals and surplus young animals (MoC and MPDF, 2005). There is a large exportable surplus of cattle. Cambodia has a comparative advantage in production of large ruminants because of its abundance in grazing land; and the country’s livestock production, following traditional raising method and using natural fodders, could be labeled organic should an accredited national organic certification system exist for this purpose (Srey, 2005). This is reportedly why Malaysians desire Cambodian cattle according to a private sector manager (1). 90 Furthermore, if organic certification were implemented, this could produce a premium of 20-50% over current prices (Srey, 2005).

RGC (2005) reports that trade in cattle is already significant for Cambodia’s neighbors though it warns that “Official figures certainly underestimate the true picture.” 91 The reality is that Cambodian animals are taken across the Vietnam and Thai borders in small numbers and on an informal basis primarily because formal imports of Cambodian cattle have been affected in recent years by Foot-and-Mouth disease fears in the two markets (MoC and MPDF, 2005). McNaughton (2004) estimates that Cambodia live cattle export to Vietnam, Thailand, and Malaysia in 2002 was in the range of 80,000-150,000 heads (McNaughton, 2004). 92 Apart from lost revenue to the Cambodian government, cattle producers also lose the value added through fattening, which takes place across the border.

90 Cambodia has been exporting to Malaysia legally through a special arrangement Sen Sovann (DAHP) made with his counterpart in Malaysia. Heavy informal transactions costs ($250, 19 illegal checkpoints, speed-boats chase) and an outbreak of FMD on a 2003 shipment (2 animals tested positive) stopped shipments for three to four months. The firm has ceased livestock operation to Malaysia as of May 2005. A livestock professional (60), asked for reasons why this happened had this to say: “Rent seeking is a singular but not ... overriding if stock is in good quality as it is based on a per head basis. The yield of the stock they were shipping was not good due to age factors etc and there was a cost of feeding even if they owned it and cheap as they back loaded it [the barge returned with palm feed for the feedlot]. The rumor was that as the margin shrank so the arguments started. They lost a lot of money when they had an FMD break-down last year as they had to buy feed locally. The supply of stock is getting smaller and the price is rising. This was not helped by Vietnam seeking cows as part of their demobilization program that put cow prices over $500 for Haryana types and dragged the price for the rest with them. The failure had nothing to do with FMD per see and the concept of the Disease Free Zone remains inviolate.”

91 FAOSTAT reports Myanmar exporting 113,000 head in 2002, China 58,000, Lao PDR 35,300 and Cambodia 10,600.

92 Just as an indication, a 1997 animal movement management Conference estimated 52,000 cattle quarantined in Thailand from Cambodia (since official import from Cambodia is illegal, this number is its proxy) according to a livestock official (47).
Sanitary and Phytosanitary Measures

With respect to SPS measures, Cambodia secured a delay until 2008 as part of its WTO package. A livestock professional (21) with half a decade's worth of experience in Cambodia was critical of the OIE for not showing sufficient flexibility for Cambodia's circumstances. A livestock NGO head (33) said that his organization's headquarters had attempted to mollify OIE with respect to Cambodia (the suggestion was, again that standards were too high for a developing country like Cambodia). Finally another livestock professional (52) argued that the assumption on meeting such requirements by the authorities was that rules had no importance in Cambodia, but that they would be sorely surprised when standards are applied. WTO/OIE will not allow agreements to be violated. For its part, OIE Regional Representation for Asia and the Pacific was more circumspect:

*The OIE has worked together with Cambodia to improve animal health conditions in various fields under OIE mandates. Securing the disease-free status is one of the most critical aspects ... For example, [Cambodia] is one of the active members of the OIE Foot and Mouth Disease Control Campaign in Southeast Asia. The [Royal Government of Cambodia] and the OIE are working together for a purpose of the effective control of FMD. Of course, we have many other important diseases to tackle, such as avian influenza ... (OIE official, 32)*

SPS measures have become the new non-tariff trade barriers that will impact Cambodia for years to come, and the country needs to ready itself for the challenge. The principle of trade in livestock is simple, no country would want to legally import anything it deems of lower sanitary and phytosanitary standards than what it produces (for obvious public health reasons). A livestock professional (35) said that the reality was that Cambodia could not ignore OIE now that it had become a WTO member and so, despite unrealistic demands on the country, it needed to do something to placate their demands. Otherwise, Cambodia could be flooded by livestock products of low SPS standards. His bottom line was that while OIE's demands are unrealistic, they cannot be ignored, and it does not mean they were wrong either.

Foot-and-Mouth Disease Free Zone

Cambodia's active participation in the Southeast Asia Foot and Mouth Disease (SEAFMD) program is welcomed news. It is evident that the influence of international processes such as Cambodia's accession to WTO and SPS Agreement (2008), while difficult now, may prove rewarding in the future as well. Furthermore, the emergence, likely sooner than 2008, of a Foot-and-Mouth Disease Free status for the legal importation of cattle from Cambodia into Malaysia and other regional neighbors means that unless Cambodia takes concrete steps to create an FMD-free zone, the country will never be able to legally export cattle to these countries. This highlights the challenge that an open trade policy has presented to Cambodia. It also presents an opportunity to meet this challenge directly by creating an FMD-free zone.

Within Cambodia, types O and Asia 1 have appeared regularly during FMD outbreaks (ACIAR, 2003). The disease is endemic throughout the country. Suan and Siveth (1993) noted that the disease has been most often observed in ruminants and most cases are seen in May-December. During this time the demand for animals as a source of draught power is greatest, and the resulting inability of buffalo and cattle to assist in preparation of fields for crop establishment inflicts substantial costs on farming communities.

FMD diagnostic capability was established with FAO assistance in 1996-1997 according an FAO professional (23) in Cambodian laboratories using techniques developed in
4. Policy Context: Sector Challenges, Pro-poor Livestock Policies and Strategic Entries

ACIAR-funded projects. At present, there is limited vaccination of livestock in Cambodia, although a feedlot industry in the south is growing and requires appropriate FMD management. Vaccination primarily occurs in the border areas of Vietnam and it is likely that enhanced diagnostic capability has had some impact (ACIAR, 2003).

Political and Economic Feasibility of an FMD-Free Zone

Since it may take numerous years before the entire country can achieve FMD-free status, creating an FMD-free zone in Kampong Som, where the port city of Sihanoukville is located or elsewhere in order to legally export cattle and buffalo and other ruminants in consequential quantities would make sense according to a livestock professional (21). This would align the country’s senior leadership, which has a bias towards agro-business exports, and key players in the private sector, to produce a win-win situation. The Kampong Som/Sihanoukville region has a mountain range separating it from the rest of the country, which OIE regulations require (physical or geographical barriers) and would be ideal.

As the Southeast Asian region moves towards FMD-free status, and Malaysia adopts the standard in 2006, that market too will be closed off to Cambodia, according to a private sector manager (1). While smuggling of Cambodian cattle into neighboring countries will no doubt continue, when those neighboring countries implement higher sanitary standards, the price of Cambodian cattle, traveling by hoof to cross borders, according to a multilateral donor official (57), and losing weight on the way, will be significantly lower. Serious consideration should be given to attract public-private partnership in developing this market potential further in light of Cambodia’s accession to WTO. One of the crucial elements to developing Cambodia’s livestock export market rests on the improvement of veterinary services.

(4) Continued Improvement of Veterinary Services through VAHWs

It was in the absence of animal health services in rural areas that Vétérinaires Sans Frontières introduced Village Animal Health Workers in 1996. VAHWs are trained villagers in animal health and production who are then deployed in their villages and communes.

In 2004, MAFF reported that the development of animal health and production services at commune and village levels had reached 4,449 VAHWs or 75% of a planned 5,906 needed (MAFF, 2004).93 It was not entirely clear how the number 5,906 was arrived at, as there are circa 1,600 communes and tens of thousands of villages. Assuming even spread (which is not the case), this would produce about three to four VAHWs per commune. Of course, this “stock” figure does not take into account drop-outs. AusAID (2005) reports that government-donor sponsored VAHW activities in a specific locality studied have faced resistance for payment of services, with up to 25% of the VAHWs ceasing practice because fellow villagers have balked at payment. The report recommends that “steps toward sustainability will often be difficult but any temptation to continue with unsustainable handouts must be resisted in market-focused activities” (AusAID, 2005: 4). Another issue that is evident is the problematic relationship of VAHWs (who only recently gained any kind of official recognition) with the establishment, namely State veterinarians.94

93 It is not certain how the MAFF is counting VAHWs. These are likely the ones it recognizes. NGOs working on their own are producing hundreds of VAHWs. For example, PADEK, a local NGO, has trained two VAHWs, one man and one woman (for gender equity reasons), in 268 villages since 1996.
94 In the context of Africa, Leonard (2003) discusses the changing markets for health and veterinary services, and argues (1) for the need to retain a central role for paraprofessionals in any new delivery system; (2) the important and problematic relationship between professional veterinarians and VAHWs; (3) the importance of developing state contracting procedures for assisting the private delivery of preventive animal health services with high externalities and to minimize problems of
A livestock professional (51) viewed VAHWs as de-linked from the rest of the official veterinary infrastructure. Indeed, VSF (2004: 2) confirms this:

*Although this is not specific to Cambodia, the poor linkage between poultry producers and service providers is an aspect that should be dealt with more attention: 80% of poultry smallholders do not use any animal health service; links between private veterinarians/companies or Village Animal Health Workers, on one hand, and State Veterinary services, on the other hand are limited.*

Veterinarian and MAFF Secretary of State Yim Vanthoeun claims "We have enough human resources, about 10,000 veterinarians, but we don't have money for vaccines."*95*

**Official Recognition of VAHWs in Theory**

While the privatization of animal health services was a goal of APIP, this was already true in practice (*de facto*) from 1996 onwards, and became *de jure* in 2001. That year, Anukret (sub-decree) No. 26 on the Creation and Regulation of Village Animal Health Workers on 2 March 2001 was adopted by the Council of Ministers and signed by the Prime Minister. Anukret No. 26 states that VAHWs are not government workers, they are chosen among local people or students who are trained and/or provided with technical refresher training by the MAFF. The Anukret is intended to allow for the training of VAHWs in a bid to offer jobs for people and to increase animal productivity and quality in line with the government's policy on the privatization of agricultural and animal health sectors aimed at contributing to poverty reduction in rural areas.*96*

In practice, VAHWs have been allowed to operate in peace for some years. According to an livestock professional (52) one organization, Vétérinaires Ruraux du Cambodge (VRC), has been recognized by the government to provide training (aside from itself). VRC, a local NGO, is a VSF spin-off. The same livestock professional (52) also complained that some NGOs continue to train without knowing the regulatory framework now in place or do not want to know about the rules of the game. An NGO director (55) interviewed that has trained hundreds of VAHWs since 1996 was surprised to learn of the sub-decree's existence, and requested copies of the sub-decree.

**Regularizing VAHWs in Practice Through HPAI and FMD Preventive Campaigns**

VAHWs represent a vast, mostly untapped potential in preventative animal health care. Effective interventions against both HPAI and FMD offer significant externalities. The role of both government and NGOs, to provide public goods, could engage VAHWs in contracts to vaccinate, inform, and train smallholders. The contracts would put them in contact with many more of the poor than they currently reach. In fact, given the high dangers associated with HPAI and the high mortalities in Cambodia with various poultry and swine diseases it is possible that some livestock producers would be prepared to pay a portion of the costs of inoculations themselves.*97* Putting donor money either through the government or NGOs into contracts to private providers to do preventive animal health is consistent with the World Bank's neo-liberal stance and analysis (see Leonard, 2003). This stance, combined with the HPAI emergency, increases the likelihood of successful donor funding.

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95As quoted in Wasson and Lor (2005). MAFF reports 4,449 VAHWs, so Yim Vanthoeun’s number suggests that the remainder must be professional veterinarians or a grossly exaggerated figure. The actual staffers in DAHP cannot be but a fraction of the 9,128 staff of MAFF (of whom 3,633 worked at the central level) in 2001.

96 All legal documents cited in this section were informally translated courtesy of Sok Dara (Vétérinaires Sans Frontières).

97 In fact, one did offer, but was refused access when authorities realized they would receive no direct financial inducements.
5. CONCLUSION

To use the metaphor of the late senior United Nations official Sergio Viera de Mello when speaking about East Timor, governing Cambodia is like “sailing a ship while building it.” This paper has presented some of the constraints and opportunities in implementing feasible pro-poor livestock policies “when external conditions are difficult” to use the language of IFAD. Failures of governance combined with donor apathy towards agriculture and livestock have cost Cambodia dearly. To be fair, it can be said that Cambodia emerged from decades of warfare with, understandably, more important priorities. These priorities, like meeting basic food security through the production of rice, have not produced the results for which so many had hoped either.98 There is no agricultural policy, or rather, as a bilateral donor official (49) pointedly said, there are too many strategies. Every donor has “helped” the government write its own strategy.

The end result has been an uncoordinated ad hoc emergency approach that created more papers and committees than results. Within the legislative context, other priorities also took precedent over livestock—forestry and fisheries being chief among them, which led to the passage of a Forestry Law and work on a new Fisheries Law. However, while the government has done the donors bidding on the legislative front, it remains to be seen whether the letter, not to speak of the spirit, of these laws will be respected. Thanks to momentum built from the December 2004 CG, a Phnom Penh consensus has emerged that agriculture should receive more attention. Many will agree and this paper has argued that it is Cambodia’s best hope for survival in the global economy following the end of garment quotas to the United States. If nothing else, the 150,000-250,000 new entrants into the labor market per year should give the government and donors pause. As such, the agricultural sector and the livestock sub-sector have an important role to play if their considerable potential is tapped properly as farming continues to shift from subsistence to commercial agriculture over the next decade. The prospect for increased donor attention and coordination with the government in this area is better than it has ever been in recent years. This should be cause for optimism in a country where 88% of the poor come from rural areas, and in which 80% of the population is rural. Livestock can and should take its rightful role in the forthcoming medium-term sector strategy on agriculture.

A major objective of this paper has been to recommend feasible pro-poor livestock (and livestock-sector related) policies from the set already in existence. This proved difficult. These policies, four years on, are still collecting dust. After more than fifty interviews with senior policymakers, middle managers, and staff in the public, private, and tertiary sectors, few pro-poor policies for livestock are realizable. Despite this, there have been the occasional successes and there are opportunities ahead.

The Glass is Still Half Full

One of the qualified successes in pro-poor livestock development policy in the past decade has been the acceptance of VAHWs by the authorities. While 80% of poultry breeders have not been exposed to VAHWs in 2004, it is a remarkable feat that 20% have, and that prior to 1996, none would have been serviced. That in eight years two million smallholders have interacted at some point with VAHWs is a remarkable achievement.

98 Adapted from a speech by Jean-Marie Guéhenno, Undersecretary General for the Department of Peacekeeping Operations, United Nations, in a speech to the World Affairs Council’s Asilomar Conference, May 2004 (see Guéhenno, 2004).

99 One senior Government official (54) even argued that the goal of donors is merely to help Cambodia achieve subsistence and nothing more.
VAHWs are allowed to work in relative peace and are indeed even praised. Going forward, it would appear that having built the regulatory foundation, what is still needed is for donors, NGOs, and DAHP/MAFF to keep growing the current “stock” of 4,449 VAHWs so that they can continue to directly intervene in the basic health care of smallholder animals. Donors, together with NGOs and the private sector, should continue to engage the government in a discourse about pro-poor policy development in this context.

Based on the constraints and opportunities detailed in this paper, and from which strategies and resources can be drawn, three sets of suitable entry points for pro-poor livestock policy can be summarized. These recommendations are by no means exhaustive, but it is believed that they offer politically feasible opportunities for pro-poor engagement in livestock and livestock-sector related activities:

5.1 Coat-tailing on the development of an agricultural policy that includes proper emphasis on livestock and Highly Pathogenic Avian Influenza support strategic entry points for donors and the government include:

- **Agricultural Policy**: The Consultative Group meeting in December 2004 called upon the start of a medium-term sector strategy for agriculture in March 2005, with an overall policy and strategic framework completed by December 2005. Donors concluded that “it is necessary to enhance and broaden ... agricultural and agroindustrial sectors, so that the nation will obtain larger positive windfall gains in the improvement of the livelihoods of the rural people” (2004 Priority Monitoring Indicators). In this regard, the role of NGOs has not been defined in the Technical Working Groups even though their representative at the 2004 CG explicitly requested, and the World Bank acknowledged inclusion. Given the ad hoc history of NGO involvement in previous Thematic Working Groups, this role should be formalized. The record of their efforts on VAHWs is an important one, and the pro-poor perspective they will bring to the table is invaluable. Further, the targeting of widows or single women heads of households and families that own no draught animals should be given consideration, as these are likely to be among the poorest.

- **Highly Pathogenic Avian Influenza support**: Donors may be interested in supporting efforts to combat the HPAI regional public health threat. Cambodia’s overextended surveillance system contained in NAHPIC, with funding from donors through FAO, at the time of this writing was slated to run out. Donors awaited a government request for support. While it is likely that the approach taken will be a repeat of the earlier project with continued emphasis on training of VAHWs, it should also consider training of poultry breeders. The government has also made clear, contrary to the recommendations of VSF (2004) that no compensation will be given. This is financially damaging to breeders, and naturally makes them less than willing to declare their problems to the authorities. 100 Another possibility for action would be to provide credit through a Microfinance Institution with wide reach to those individuals whose animals have been culled. As above, pro-poor targeting of livestock smallholders could focus on widows or single women heads of households or families without draught animals. Otherwise the poor will be unwilling to raise significant numbers of poultry, for the risks will be too great. They would revert to a few back-yard animals, if that, where the costs of loss would be manageable. Well-to-do producers can hope to ride out the loss of a flock and make the money

100 Hamilton and Vong (2005) report that one farmer, Ouch You, who unknowingly had AI-infected poultry, said: “I found two or three dead chickens every morning. I buried them and took the healthy looking ones to the markets.”
back with higher prices on a subsequent lot, but the poor would lack the capital - or access to loans - to do this. Finally, since VAHWs are unpaid, they cannot be expected to serve an effective public service function unless government embraces them as full partners by proceeding with provincial-level licensing and training, working in good faith not only with donors but NGOs as well.

5. Conclusion

5.2 Exploit Cambodia’s Comparative Advantage in Livestock Exports and Create an FMD-Free Zone

Cambodia is poised to take advantage of booming demand for livestock, and it should not fail to do so because the window of opportunity is narrowing with FMD-free status required by 2006 and SPS Agreement in 2008. The private sector and/or Donors (AusAID’s follow-up steps on the options paper states that it is willing “to contribute to a range of studies or small value contracts to enhance and inform policy/strategy discussions through the [Thematic Working Group on Agriculture and Water]” 101) may be interested in funding additional research on the impact of WTO on agricultural smallholders with a view to the livestock sub-sector, risks and prospects, and to give serious consideration to the establishment of an FMD-free zone, whether in Sihanoukville or elsewhere, in order to secure a foothold for Cambodian cattle trade regionally. Livestock has been shown to hold vast, mostly untapped potential for the economy (80,000-150,000 heads were exported unofficially) that could be critical to Cambodia’s overall prosperity. Its development can be a major contribution to poverty reduction.

5.3 Regularization of VAHWs through contractual agreements with the government and/or NGOs

While poverty reduction has been the mantra of the government for a number of years, the results have not been encouraging. Poverty and inequality may have increased, based on projections, since the mid-1990s. Illiteracy, and both infant and under-five infant mortality have increased since 1990. This may be linked with underinvestment in agriculture by donors, compounded by issues in markets, access, and land, but it is also a clear failure of governance by the authorities. The official recognition of VAHWs is a relative success story that should be regularized by examining the potential for contractual agreement between VAHWs and the government. However, if the political status quo remains, donors may wish to by-pass the government altogether, as they have clearly voted with their pocket-books to do so in refusing to fund any of the items on the government’s wish list for livestock since 2002, and to work directly with the poor on their own or through NGOs which have been effective in promoting vaccination and animal health services in rural areas, especially as it relates to HPAI and FMD prevention.

101 It further notes: “We also propose to explore the livestock value chain, but as a secondary item and most likely in partnership with another donor (such as the EC). Next step: Begin discussions with other donors and stakeholders with an interest in livestock and give consideration to a joint feasibility/design study in late 2005/early 2006. There may be an opportunity to discuss these options further with Government and donors at the agribusiness workshop planned for late March-early April 2005. AusAID’s past experience and strengths lie more at the production end of the value chain but we are interested in exploring other possible areas for engagement.”


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References


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