

More Vulnerable

*The impact of the economic downturn on
women in Cambodia*

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Executive summary

From the fourth quarter of 2008, the global economic downturn began to affect Cambodia's major economy bases (garments, tourism, and real estate and construction). This was the result of the country's reliance on textile exports to the US and EU markets, international tourist arrivals, and foreign investment property markets. Economic growth in 2009 was at most 0.09%, likely around -2%. Exports and jobs in the export industries declined substantially.

The economic downturn has had disproportionately strong negative impacts on women in Cambodia. Women dominate the workforce in garment factories; 63,000 workers (18% of the workforce) in the industry were laid off and others were underemployed due to the closure of 50 factories between September 2008 and May 2009. This has implications for wages and incomes, remittances, alternative jobs, and working conditions.

The impact of the economic downturn on women is partly due to their job consolidation in the textile industry. Garment workers experienced declines in income/wage, less overtime, longer working hours and deteriorating working conditions. When new jobs were found, less-skilled workers were paid less and were only employed on a temporary basis, while skilled workers were offered long-term contracts with better pay, but with more restrictions placed on working conditions and freedom. For example, the contract limits the employee's ability to complain if the employer decided to dismiss the employee or discontinue their contract. A small sample survey of garment workers found that those still in the workforce earned 18% less in real terms between May 2008 and May 2009, and their remittances to families in rural areas fell by 6%.

The hardships resulting from unemployment forced women in particular to take undesirable jobs such as working in the entertainment industry (direct sex workers or disguised sex workers in massage parlours and karaoke clubs). A small sample survey by CDRI suggests that after being laid off, 30% of the sample were able to find paid work, 46% did unpaid family work, and 24% reported being jobless. The UNIAP's survey confirmed that the majority (58%) of women working in the entertainment sector had entered these jobs during the previous eight months (since September 2008) and the share of entertainment workers previously employed as garment factory workers increased from 13% before the downturn to about 19% during and after the downturn. Further, before the downturn, 36% of entertainment workers borrowed money from their bosses or entertainment establishment owners and the proportion nearly doubled (66%) during and after the downturn. This implies that those who started working in the entertainment sector during and after the economic downturn faced difficulty in their livelihoods and had to incur loans from bosses or entertainment establishment owners.

On top of its impact on employment and income, the economic downturn has extended its effects to the welfare of individuals at the household level through reduced remittances from urban jobs, decreased income resulting from fewer economic activities, limited spending, and the drop in prices of some agricultural commodities such as rice, rubber, cassava and maize.

Women in female-headed households are more likely to have their jobs affected. The evidence from CEA's household survey of 15 villages (Jul, 2009) shows that among other difficulties such as sickness and health expenses, 27% of the households reported that decreased income or job loss had been their primary difficulty in the past six months and 14.4% found repaying the debt was their major constraint. In terms of employment in those villages, 3.7% of the households had at least one member lose their job in the previous nine months, 32.9% reported that household members' jobs had been affected. Overall, the proportion of men and women whose jobs were affected is almost equal,

50.8% and 49.2% respectively. However, the composition of affected jobs relatively shows a difference when disaggregated by sex of household heads. Among female-headed households, 61.5% of those whose jobs were affected are women. In contrast, of the members of male-headed households whose jobs are affected, men's jobs account for 61%.

A higher percentage of female-headed households engaged in migration work, and women of female-headed households migrated more and therefore were relatively more exposed to risk resulting from migration compared with the women of male-headed households. When facing difficulties, increasing migration for work is one of the main coping strategies undertaken by households. The findings from the CEA household survey in 15 villages (Jul, 2009) confirmed that about 30% of female-headed households engaged in migration, a 13% increase from a year earlier; while male-headed households increased by only 7%, up from 15% in June 2008. Overall, the share of male and female migrants is almost equal (50.7% and 49.3% respectively), but it appears dissimilar when disaggregated by sex of household heads. The majority (61%) of migrants from female-headed households are women.

To deal with livelihood difficulties, the affected households undertook coping strategies that are more likely to weaken family wellbeing, especially the wellbeing of women. The survey of 15 villages suggests that two-thirds of the households chose to eat less preferred or less expensive food; others reduced their food consumption and women (mothers in particular) ate less to leave more for their husbands and children. This further weakens the nutritional status that was already threatened by the impact of high food prices in the previous year and that is likely to make people, especially women, more prone to illness or disease, squeezed by the reduction of expenditure on healthcare; which is another common strategy households undertook. Also, while more households reported difficulties repaying debt, more loans (more than half) were taken out for non-productive purposes such as for food consumption, health expenses, and for repaying the debts, while only 34% of the loans were reported as helping to improve their livelihoods. Among female-headed households, only 30.8% of incurred loans improved the living of the borrowers.

In response to the negative effect of the economic downturn, the Royal Government of Cambodia reacted with various measures, generally dealing with monetary and fiscal policy, but lacked measures targeting specific affected groups. One particular measure undertaken by the government was the launching of the skills training programme for laid-off garment workers and a micro-credit scheme for trainees to start up small businesses after their skills training. The intervention was smart in terms of helping to mitigate the pain from the economic downturn while also helping to improve the skills of Cambodian garment workers that would enhance productivity and competitiveness of the industry in the future; however, the coverage of the programme was somewhat limited. While the programme was designed for 41,000 of the 63,000 laid-off workers, only 29,255 trainees participated, and only 60% of them were laid-off garment workers.

1 Introduction: background

About the study

The global financial crisis has unfolded and its dimensions are being felt by many countries, particularly those that are dependent on manufacturing and export such as Cambodia. Women are found to be the most vulnerable and have been disproportionately affected by the global economic crisis. In Cambodia, women are most vulnerable because the sectors in which they are most active – for example, export manufacturing, the garment industry, restaurant and tourism services – were hardest hit by the crisis, causing huge job cuts. On the family front, women tend to be responsible for family welfare; thus, the reduction in earning and remittances is likely to have adverse impacts on women.

Given this situation, Oxfam GB commissioned this research to study the impact of the economic crisis on women in Cambodia. The evidence gathered through this research will be used to influence governments in the host countries and key regional institutions including ASEAN, ADB, donors and UN agencies at the regional level.

Methodology

This paper attempts to assess the impacts of the economic downturn on women in Cambodia. It will first look at Cambodia's economic performance since the time of the crisis, then examine the various impacts of the crisis that affected women employed in the garment and services sectors, the two main sectors in which women represent the majority of the labour force. The main focus of the analysis will be on the relationship between employment security and the welfare of women and their remittance-dependent families. Corresponding to the crisis, the paper will also draw together all government policies implemented in response to the crisis, followed by possible policy recommendations.

The study draws on existing data and literatures that have been considering the impact of the economic downturn in Cambodia. Contacts were made with key relevant institutions through phone calls and e-mails to assess the availability of literature and responses by the government and its development partners. In addition to the macroeconomic data available, the study bases its analysis on the findings from a survey of 1,070 households in 15 villages representing typical characteristics of villages in Cambodia that was conducted by the Cambodian Economic Association (CEA) in July 2009. This survey was conducted with support from Oxfam America's East Asia regional office, Oxfam GB in Cambodia, and the NGO Forum on Cambodia, to examine the impact of the economic downturn on households and communities in Cambodia. The study greatly benefits from the data available from the survey of 991 households in 14 villages (all of them were revisited by CEA's 2009 survey) that was conducted by the Cambodia Development Resource Institute (CDRI) in June 2008, studying the impact of high food prices. The data from the CDRI survey of June 2008 was used as a baseline for the CEA survey in July 2009.

The analysis in this study also benefits from the primary data available from group interviews with women and interviews with individuals whose jobs were affected in terms of income and whose were lost in the sample villages of the CEA's survey in July 2009. Furthermore, field data from a study conducted by the United Nations Country Team (Cambodia) in May 2009 also served the purposes of analysis in this study.

2 Overview of Cambodia's economic performance

The global economic downturn has reduced growth in Cambodia in 2009 to at most 0.09%, as the government claims (Hang, 2010). Growth is likely decline to -2.5% by many estimates. After growing on average at 8.4 % in the past 15 years (or at 9.1% in the past decade, or in double digits from 2004 to 2007), the Cambodian economy slowed to a modest 6.7% growth in 2008 with economic activities decelerating remarkably in the fourth quarter of 2008. This was driven by the very high growth in the industrial sector, which was contributed mainly by the garment sector, and tourism services, which shared highly in the service sector. It is important to note that agriculture, which has been the primary source of livelihood for around 70% of the population in the past decade or so, experienced the least growth and fluctuated quite widely.

In December 2008, the Asian Development Bank (ADB), the International Monetary Fund (IMF), and the World Bank predicted that Cambodia's GDP would grow in 2009 at 4.7%, 4.8 % and 4.9 %, respectively. However, the numbers have since been revised sharply downwards to 2.5 percent, -0.5 percent and -1.0 percent, respectively, by the first quarter of 2009 (Table 1). In light of more evidence, the figures were revised further downwards to the negative one by the three institutions. The Cambodian government projected a 6 % growth rate in December 2008, revised to 3% by the first quarter of 2009, and to 2.1% in the last quarter 2009.

Table 1: Projections of 2009 GDP growth in Cambodia

	Projected in December 2008	Projected in first quarter 2009	Projected in last quarter 2009
ADB	+4.7%	+2.5%	-1.5%
IMF	+4.8%	-0.5%	-2.75%
WB	+4.9%	-1.0%	-2.25%
Cambodian government	+6.0%	+3.0%	+2.10%*

* In January 2010, a senior official from the Ministry of Economy of Finance provided an estimate of +0.09% GDP growth in 2009.

Source: ADB, IMF, World Bank and MEF

Luckily due to the inflow of capital in the development and aid sectors, foreign reserves increased by 25.2% to US\$2.6 billion in 2009, from \$2.07 billion in 2008, according to the central bank annual report 2009 (NBC, 2010). The reserves in January 2010 could fund four months of imports into the country.

The exchange rate between the Riel and the US dollar has been relatively stable for years under the managed floating regime. The past six months have seen the Riel depreciate somewhat against the US dollar. This is largely due to the shrinking of the circulation of the US dollar as a result of the substantial reduction of earnings of the US dollar via tourism, garment exports, and FDI receipts. The depreciation of the local currency is likely to cause higher inflation in Riel, which is still used widely by rural residents, because a large amount of consumer and producer goods are imported and will be more expensive in Riel. However, at the same time it may raise the competitiveness of

Cambodian products, especially agricultural commodities, as these products are mostly traded in Riel. The net effect can not be estimated, though.

Cambodia mainly receives investment from Asian countries including Malaysia, Thailand, Vietnam, China and Korea. These countries occupied the top five spots for inward FDI in 2007 and 2008. The actual FDI in 2009 is expected to decline dramatically as the main investing countries are all experiencing the effects of the credit crunch as the consequence of the global financial crisis. According to the World Bank, actual FDI in 2009 is forecast to be US\$390 million.

Cambodia's exports are overwhelmingly dominated by garments, accounting for 75% in 2002 and 70% in 2007. The global economic downturn means less demand for consumption of goods and services in general. According to recent data from the Ministry of Commerce, garment exports in 2009 dropped by 16% compared to 2008. According to the United Nations Country Team (2009), the Garment Manufacturers Association of Cambodia (GMAC), most garment factories reportedly were running at only 60 to 70% of their capacity in 2009, cutting down subcontracts to smaller factories, and orders were down by almost 40%. Cambodia's garment exports totalled nearly US\$2,977.82 million, growing at a much lower rate from US\$2,866.32 million in 2007, and declined to US\$2,517 million in 2009. The industry experienced a serious contraction in 2009 and it is not clear whether it will recover in 2010.

The tourism services have been affected negatively by the global economic downturn. Cambodia experienced a slowdown in 2008 and 2009 in terms of the number of tourist arrivals. The number of foreign tourists visiting the country dropped slightly year-on-year by about three percent in the first four months of 2009 but then picked up later in the year. However, Cambodia has received less income from tourism because there were less visitors from Korea, Japan and other high-income countries.

3 Impacts of the economic downturn

The global financial crisis has caused considerable economic slowdown or contraction in many developed countries. In this globalised world, the unprecedented dimensions of the financial crisis have created an economic crisis that threatens many countries. As an export-dependent country, Cambodia has not been spared by the crisis, and was unable to withstand the challenge it brought about. The four most important pillars of the Cambodian economy – the garment, construction, tourism and real estate sectors – have been hardest hit by the crisis, causing job losses leading to the increasing vulnerability of those employed in the sectors and in poor remittance-dependent households. While economic contraction translates into falling consumption, few new jobs in manufacturing and servicing countries such as Cambodia are created. Among other things, this affects women, who represent the vast majority of the workforce in the garment sector.

3.1 Impacts on the employment situation

3.1.1 *Garment sector*

About 90% of garment products are exported to US and EU markets. The global financial crunch struck in late 2008, beginning in the United States and spreading to this corner of South East Asia (Jalilian *et al*, 2009). Suddenly, the US market, which accounted for nearly two-thirds of Cambodia's garment exports, began to shrink. This has resulted in a drastic fall in demand and fewer orders from these markets. According to data available from the Ministry of Commerce, garment exports in the whole year 2009 dropped by 16% compared with 2008 exports. Garment exports to the US market, which accounted for 70% of Cambodia's total garment exports in 2009, contracted by 24%.¹ Most garment factories reportedly reduced their production to only 60 to 70% of their capacity by cancelling subcontracts to smaller factories in the country. As a result, about 70 factories shut down their operation between September 2008 and 2009. In contrast, 20 new garment factories commenced operation, bringing the net closures to 50 factories over the period. This partial reversal in the number of closing factories during this critical period of the downturn can be attributed to the tax holiday which motivates a small number of factories to close and reopen, using the tax concession as a tool to cope with the crisis.

Women are the majority of the workforce in the garment sector. By September 2008, the total number of garment factory workers was 352,955 (UN Country Team, 2009), most of them working on a full-time basis. By September 2009, 18% of the work force, or about 63,000 workers, had been laid off, leaving only 290,439 workers employed. Box 1 provides a typical case. Of those whose employment remained intact, there is no definite data on the number of garment workers who have been temporarily suspended or whose overtime work has been discontinued.

¹ Data in spreadsheets provided by the Ministry of Commerce.

Box 1: Laid-off garment workers – case study 1

Sun Channath, an 18 year-old girl from Kompong Cham province, came to Phnom Penh in July 2007 to work at the garment factory. She, with many other girls, was laid off in February 2009. She then returned home to stay with her parents, helping them with rice farming and selling her labour to work the rice fields for other villagers. Channath was paid only US\$50 as a garment factory worker, but with overtime work could add more dollars to her salary, enabling her to send US\$30 home every month to supplement the small income her parents earned from selling their labour to feed 10 mouths at home. Channath, with a cheerless look, said that to gather this amount to send home she made every possible effort to save. Channath claimed she could have stayed in the city to look for a job, but she could not afford to stay unemployed, since her family needed to be fed. 'Agricultural related activities are not suitable for me, but I have no choice,' said Channath. She also complained that seasonal employment in agriculture and the reduced demand for manual labour due to mechanization, drove her to come to Phnom Penh to work for a regular salary; now she needed to go back to that hard work. Channath wants to become a hairdresser, hoping to be self-employed, but her family could not afford to send her to hairdressing school. Channath asked that the government provide training to those willing to be self-employed, and provide seed money to start up their businesses.

Source: Fieldwork 21–30 July 2009 by the Cambodian Economic Association

3.1.2 Service sector

Tourism is another of the major pillars of Cambodia's economy that was badly hurt by the global economic downturn. The sector constitutes about 13% of GDP, with total tourist receipts of US\$1,595 million in 2008 (UN Country Team, 2009). With its heritage of ancient temples such as Angkor Wat, Cambodia has become a major tourist destination, allowing the number of tourist arrivals to increase from 20,000 in 1992 to 2.1 million in 2008. On average a tourist stayed for 6.5 days and spent about US\$106 per day. The majority of tourists, 60%, arrived in Cambodia by air, mainly from South Korea, Vietnam, Japan and the USA. The tourism sector is expected to provide about 300,000 jobs (NSDP Update 2010–13).

In 2008, the tourist arrivals slowed, and for the first time since 2003 experienced a drop of 5.26% in the fourth quarter of 2008. The decline in tourist arrivals continued into the first five months of 2009. The number of tourists dropped about 2.28% during this period. Although the decrease represents a small proportion, it was observed that the sources of foreign tourists visiting Cambodia had changed since the start of the global financial crisis. While there were fewer tourists from Korea and Japan (high-income countries), more tourists arrived from Vietnam, China and Lao PDR, travelling by land. The change of tourist sources determines the decline in tourist receipts. The slowdown of tourist arrivals is not only explained by the impact of the global economic downturn, but also by the political instability in Thailand and the outbreak of influenza (H1N1).

The decline in tourist arrivals has resulted in fewer economic activities among various types of businesses such as hotels and restaurants, souvenir production, and retail and other tourism-related activities. The UN Country Team (2009) reports that according to the hotel association, there was a 40% decrease in hotel room occupancy rates in Siem Reap for the first quarter of 2009. To deal with this circumstance, some hotels decided to temporarily cease operating, while others chose to halve working hours and re-employ their staff in two shifts to maintain full-day operation. Evidence of the impact was also found among retailers in Siem Reap. While a souvenir shop reported a 30% decline in sales compared with the previous year, fruit sellers said their sales had declined by more than 50% compared with the preceding year.

A household survey conducted by the Cambodian Economic Association (CEA 2009) indicates the significant impact of the economic downturn on the livelihoods of people whose jobs are reliant on tourist arrivals and spending. The survey reveals that members

in 5.5% of surveyed households in a tourism-dependent village in Siem Reap province had lost their jobs in the previous nine months, whereas 69% of the households reported that household members' jobs had been affected. About 65% of households in that village are reported to earn their living from self-employed businesses, while 38% rely on income from selling handicrafts and souvenirs.

3.1.3 Construction

Given its dependency on foreign direct investment (FDI), construction, estimated to employ 300,000 workers in 2008, has also been severely shaken by the global economic downturn. FDI was estimated to have a share in about 75% of the total investment in the construction sector. Workers have also been affected, with about 30% of them losing their jobs (Kang *et al.* 2009). As male workers largely dominate construction work, fewer women have been directly affected by the slowdown in construction projects, but reduced household income from this source of income may eventually translate into impact on consumption by women compared with men.

3.2 Impacts on income and working conditions

Given their major representation in the affected sectors, women, especially those from poor rural households, have been hardest hit by the impact of the global economic downturn. The decline of garment exports is correspondingly estimated to have resulted in salary losses for the workforce of US\$6.2 million per month, according to the data from the Ministry of Commerce.

According to interviews with 33 laid-off garment workers in Phnom Penh, Kandal, Kampong Speu, Kampong Thom, Kampong Cham and Prey Veng provinces, the large spectrum of issues they have encountered is daunting. Table 1 shows that their average age was 25 years, that they had completed only primary education, and entered the workforce to support an average of four dependents. They had all been unemployed for between one and seven months, before which they had been employed in the sector for an average of 2.9 years. Earnings from the job varied from US\$60 to US\$120 per month, averaging US\$83.20. This is consistent with a larger survey conducted by CDRI on a quarterly basis. They were able to save US\$34.40 per month on average to support their family. The amount of savings made to support families varied from zero to US\$76.

Table 2. Profile of the 33 laid-off garment workers interviewed

(All female)	Age (years)	Years of schooling	Number of dependants	Months after losing the job	Years spent in job lost	Earnings from the job lost	Savings for supporting family
Mean	24.8	6.2	4.0	3.2	2.9	83.2	34.4
Std. Deviation	4.6	2.3	2.0	1.6	1.7	15.4	15.2
Minimum	18.0	0.0	0.0	1.0	0.5	60.0	0.0
Maximum	37.0	12.0	10.0	7.0	8.0	120.0	76.0

Source: Fieldwork conducted from 12–22 May 2009 for the UN Country Team study

A small sample survey conducted by the Cambodia Development Resource Institute (CDRI, 2009) found that workers who remained in the workforce earned 18% less in real

terms between May 2008 and May 2009 and remittances to their families in rural areas fell by 6%.² Due to family responsibilities, most of the laid-off workers could not afford to be unemployed. After being laid off, 30% of those in the study were able to find paid work, while 46% did unpaid family work and 24% reported being idle.

Even though they are unemployed, the laid-off workers decided to remain at the same rented accommodation and actively looked for new jobs, expecting to resume work at the same factory or in another factory or in other jobs. To do this, they lived on their meagre savings or their partners' (husbands' or boyfriends') incomes, depleting their savings and increasing the burden on their partners' incomes. Of those workers who were laid off, some single rural women chose to live with their boyfriends to save money, instead of paying rent. This practice enabled them to prolong their stay in the city to look for a job but put them at risk of social condemnation and the need to deceive, since Cambodia is still socially and culturally conservative. However, urban poor women face fewer difficulties compared with their rural counterparts in terms of accommodation, since the majority of the laid-off workers interviewed were staying with their parents at the time of interview.

Those with secure employment or who had been reemployed in the sector were also faced with reduced incomes. Evidence from group interviews with women in two poor urban villages (in Phnom Penh in July 2009) reveals that those who got jobs in other factories reported that they were paid less compared with their previous jobs. A skilled worker would be offered a long-term contract and be paid at US\$45–50 per month while less skilled workers were only contracted on a temporary basis with a wage of US\$30–35 per month. Although some still earn additional wages from working overtime, the amount of overtime has substantially decreased. A worker may have access to overtime work only five days a month compared to 20–25 days per month before the economic downturn.

Box 2: Laid-off garment workers – case study 2

Single, twenty-four-year-old Lath Sreyaun from Prey Veng province had been unemployed for the last three months after working as a garment worker for six years. As a garment worker she made US\$80 per month, of which \$30 was allocated to support her family of five, and the balance was spent on her food and transport to work and various personal matters. After tirelessly looking for a job at other factories with no luck, Sreyaun decided to look for a job at a Karaoke club. She was offered a job as a Karaoke entertainer with a base salary of US\$40. Sreyaun made more money from tips from some generous customers. Sreyaun said that her family does not know about the change in her job as she fears that they would not allow her to work in such a place, but the need to keep her brothers at school forced her to work there to make money. Sreyaun informed her parents and other relatives that she was still employed, but at another factory. Sreyaun's greatest fear is that if the fact that she works at a Karaoke club is revealed her virtue will be compromised in such a conservative community.

Source: Fieldwork 21–30 July 2009 by the Cambodian Economic Association

² Presentation of Mr Saing Chan Hang on 14 July 2009 on the Public Forum on the Impact of the Global Economic Downturn and the Need for Policy Responses at CJCC.

Box 3: Self-employed women in a time of crisis

Mrs. Kim Latt, is a villager in Ponley Choeung village, Ponley commune, Angkor Borey district, Takeo province. In addition to her farming, she earns income from producing *hol* (a traditional hand-woven silk fabric used for making dresses). In 2008, she had good sales of *hol* at a higher price, US\$75 per *kben* (a unit of *hol*, which measures 4x1 meters). With high demand, she could produce 2 *kbens* per month. However, she now produces about 1 *kben* per month, but is not sure it will be sold, due to reduced demand. She has to go and sell it at the market by herself, while last year the trader came to buy it at her house. A *kben* of *hol* is about US\$60 this year. She complains that despite the low demand for *hol* and the lower sale price, the cost of silk remains high, with only a slight decrease. With the low demand and price of *hol* this year, she is earning very little for her family. She sought other income sources, but no job opportunities were available in her community.

Source: Fieldwork 21–30 July 2009

The findings from the survey of 1,070 households in 15 villages in Cambodia by CEA suggest that the economic downturn has had an impact on the jobs of both men and women. At least one member of 33% of the surveyed households has a job that was affected in the previous nine months. Of households with jobs affected, relatively more were found among male-headed households (34.2%) compared with 28% of female-headed households. The highest percentage of households whose members' jobs were affected was in poor urban villages, followed by the tourism-dependent village. The households with members who had lost a job in the previous nine months accounted for 3.7% of the surveyed households. There was no difference between male- and female-headed households – members of 3.9% of female-headed households lost their jobs in the previous nine months compared to 3.6% in male-headed households. The percentage of households whose members lost jobs was highest in poor urban villages, followed by poorest rural villages.

Table 3. Percentage of households whose members' jobs were affected or lost in the previous nine months

	Wet season rice	Dry season rice	Cash crops	Fishing	Land abundant	Poor-est rural	Poor Urban	Tourism dependent	Total
Jobs affected in the previous nine months									
Total	28.6	32.0	27.4	15.8	26.9	23.8	76.9	68.9	32.9
Male-headed hhs	29.0	32.4	27.8	14.4	28.5	28.8	80.8	68.5	34.2
Female-headed hhs	27.3	30.5	25.5	19.2	20.0	10.5	53.3	70.4	28.0
Jobs lost in the previous nine months									
Total	7.3	2.4	1.4	1.4	3.4	8.5	9.1	5.5	3.7
Male-headed hhs	6.8	3.0	1.0	-	4.1	7.8	9.2	7.2	3.6
Female-headed hhs	9.0	-	3.0	4.5	-	10.5	8.7	-	3.9

Source: Survey of 1070 households by CEA in 15 target villages (July, 2009)

Disaggregated by the sex of individuals, overall there was no significant effect on men's and women's jobs – 51% of the jobs affected were men's while the remaining 49% were women's jobs. However, relatively more women in female-headed households were

responsible for the affected jobs (61.5%). But in terms of job loss, a higher percentage (61%) of men in male-headed households had lost their jobs in the previous nine months.

Table 4. Proportion of male and female members whose jobs were affected or lost in the previous nine months

Jobs affected	Total	Male headed hhs	Female headed hhs
Male members whose jobs were affected in previous 9 months	50.8	53.5	38.5
Female members whose jobs were affected in previous 9 months	49.2	46.5	61.5
Jobs lost			
Male members whose jobs were lost in previous 9 months	58.9	61.0	50.0
Female members whose jobs were lost in previous 9 months	41.1	39.0	50.0

Source: Survey of 1070 households by CEA in 15 target villages (July, 2009)

3.3 Impacts on remittances

Before discussing Cambodian migrants abroad, a brief profile of domestic migration is provided in order to appreciate the magnitude of overseas migration. Since the mid-1990s, lured by the prospect of higher-paid jobs and better life styles in urban areas, and facilitated by the absence of year-round employment in their home villages, many young Cambodians have flocked to Phnom Penh and other urban areas to work in the ever-growing garment factories, booming construction sites and tourism-related industries. Before the global financial and economic crisis hit Cambodia, about 360,000 mostly young female workers were employed in garment factories around Phnom Penh; about 300,000 mostly young male workers earned their living on construction sites across the country and another 70,000 were engaged in tourism-related industries (Kang, 2009). There is no exact figure for how much these migrant workers sent home each month, but a study by CDRI (2009b) found that 93% of them remitted money home.³ On average, a migrant worker sent about US\$20 home per month. According to these figures, domestic migrants sent home about US\$150 million per year to rural Cambodia, or about 8% of the total income of rural households. As a result of the severe impact of the crisis on the tourism, garment and construction sectors, many have been laid off, resulting in significantly reduced payment of remittances. It is estimated that about 20% to 30% of workers in garment factories, construction sites and the tourism industry have lost their jobs since late 2008, resulting in a loss of between US\$30 million and US\$45 million in the form of remittances.

Beside internal migrants, a large number of Cambodians cross the border to work in Thailand, Malaysia and Korea. Thailand is overwhelmingly the most popular destination for undocumented Cambodians, owing to loose or non-existent border control (Chan, 2010 forthcoming). The number of undocumented Cambodian migrant workers abroad is

³ Sovannara Lim 'Youth Migration and Urbanization in Cambodia,' Cambodia Development Resource Institute (CDRI), (November 2007), Phnom Penh, Cambodia, p.27.

estimated at between 200,000 and 220,000, sending an estimated US\$300 million⁴ annually to Cambodia. It was first feared that most of them would be forced to return home as a direct consequence of the crisis in order to free up jobs for local Thais. However, a high-ranking official at the Ministry of Labour and Vocational Training (MoLVT) revealed that only a small percentage of them returned home as usually they are involved in so-called '3D jobs' (difficult, dirty and dangerous), which are largely shunned by Thai workers. Even though only small numbers are returning, remittances are expected to fall, as those remaining in Thailand are expected to earn less. The section below discusses in greater detail the impact of the global economic crisis on Cambodian migrant workers abroad.

Most Cambodian women working in Malaysia are there as housekeepers or domestic helpers. They are likely to be spared from the impact of the crisis. However, most of the semi-legal workers in Thailand are men. They are typically working in agriculture, picking beans or cutting sugarcane; the others are working at construction sites or on fishing boats. The prospect of them losing jobs is greater than for their female counterparts. Our fieldwork and interviews with representatives of five villages that were selected for case studies on cross-border migration revealed that there had been little impact on the flow of Cambodian migrants to Thailand and Malaysia. This was confirmed by our visit to Poi Pet, a town with an internal gate to Thailand, through which most migrants return or are sent home. Officials in charge of labour migration also reported that demand for Cambodian labour in other countries had not been significantly affected due to the '3Ds' jobs still being available to Cambodians. However, migrants working in Thailand and Malaysia were experiencing a tougher economic environment.

Table 5. Number of Cambodian migrant workers 'officially' sent since 1998

	Malaysia			Korea			Thailand*			TOTAL		
	Total	M	F	Total	M	F	Total	M	F	Total	M	F
1998	120	0	120	..	..	..	..	..	..	120	0	120
1999	86	0	86	..	..	..	..	..	..	86	0	86
2000	502	307	195	..	..	..	..	..	..	502	307	195
2001	846	342	504	..	..	..	..	..	..	846	342	504
2002	1049	246	803	..	..	..	..	..	..	1049	246	803
2003	573	73	500	756	638	118	..	..	..	1329	711	618
2004	809	105	704	675	519	155	..	..	..	1483	624	859
2005	1776	467	1309	468	432	36	..	..	..	2244	899	1345
2006	1690	231	1459	1501	1341	160	445	226	219	3636	1791	1845
2007	3219	174	3045	584	499	85	5670	3935	1735	9473	4608	4865
2008	2654	53	2601				2116	1425	691	4770	1478	3292
Total	13324	1998	11326	3984	3429	554	8231	5586	2645	25538	11013	14525

* It should be noted that 180,000 workers are estimated to have worked in Thailand so far.

Source: Ministry of Labour and Vocational Training (MoLVT)

⁴ 'Migration and Remittances Factbook', compiled by Dilip Ratha and Zhimei Xu, Migration and Remittances Team, Development Prospects Group, World Bank <http://siteresources.worldbank.org/INTPROSPECTS/Resources/334934-1199807908806/Cambodia.pdf> (accessed 1 June 2009)

The global economic downturn has significantly affected both the flow of Cambodian migrant workers and those working overseas, according to experts following this issue. New migration became more restricted limited in 2009 as the host countries were under pressure to create employment for their own workers. In the case of Thailand, a number of Thai migrants have been sent home from the better-off countries where they worked. Fortunately, not many Thai workers want the '3D jobs', so Cambodian migrants can continue to stay and work in Thailand. However, overtime work in factories, which is a primary source of extra income that migrants can save for remittances, had reportedly reduced substantially. Security and the legal environment had also become tougher for migrants entering Thailand illegally. It should be noted that only 8,231 migrant workers had been *formally* sent to Thailand, while about 200,000 workers entered Thailand without legal documents, although some of these were regularised later.

In early 2009, the number of workers who completed their employment contracts or visa duration and had to return to Cambodia from Malaysia, Korea and Thailand was 6,000, 3,500 and 3,000, respectively. Normally, new workers would be sent to these countries, other things being equal, but not in 2009. Thus, remittances in 2009 could not be higher than a year earlier.

The reduction of remittances from urban to rural areas due to the decline of industry, especially the garment, tourism and construction industries, could lead to a reduction in inputs to agriculture in addition to declining levels of consumption in rural areas. Most of the garment workers come from rural areas and each sends about US\$20 to \$40 per month to support their family in their home village. Since 63,000 garment workers, mostly from rural areas working in Phnom Penh have been laid off, along with construction workers, a large number of households in rural areas have been without this financial support for some time unless the laid-off workers have been able to find another job. This remittance is used for consumption, but also for buying agricultural inputs such as fertiliser. Since farmers will likely use little or no fertiliser because of declining remittances, production is likely to fall. There have been reports from NGOs and various microfinance institutions (MFIs) that many households request delays in repayment of their loans and that non-performing loans have increased from a very low level to approximately 3.5%. If the situation does not improve soon, MFIs may face difficulties or have to incur some losses.

The drying up of remittances from urban areas represents a major setback for many rural families. It is an additional hardship for landless households to receive the returning laid-off workers back into their family, as few other jobs are now available. CEDAC, a Cambodian NGO that helped set up about 5,000 farmers' groups, reported that a number of farming households faced shortages of funds to meet their plans to build a bio-digester to produce bio-gas, which costs about US\$200 to US\$300 each, as remittances from their household members working in Phnom Penh had not come through as expected.

The household survey conducted by CEA (July 2009) reveals that while households sent more members to migrate for work, increasing numbers of households were also starting to engage in migration work compared with the previous year. In July 2009, 24% of surveyed households reported members had migrated for work, increased from 15% in June 2008. However, about 30% of female-headed households had started to engage in migration work in 2009, which was a greater proportion than in male-headed households (22%). Compared with the previous year, 13% more female-headed households had engaged in migration work, while the increase in male-headed households active in migration work was only 7%.

Table 6. Percentage of households (hhs) engaged in migration work

	Wet season rice	Dry season rice	Cash crops	Fishing	Land abundant	Poor-est rural	Poor urban	Tourism dependent	Total
July 2009									
Total	39.2	27.5	13.0	10.0	50.4	25.6	6.8	8.1	23.8
Male-headed hhs	37.6	27.6	11.3	10.2	46.6	21.6	7.9	7.0	22.3
Female-headed hhs	44.1	27.3	20.5	9.5	68.0	38.7	-	11.8	29.7
June 2008									
Total	27.1	31.3	7.2	1.7	13.2	16.9	3.0		15.0
Male-headed hhs	27.4	28.6	8.1	2.1	13.3	16.5	2.1		14.9
Female-headed hhs	25.0	41.9	-	-	12.5	19.0	5.6		16.3

Source: Survey of 1070 households by CEA in 15 target villages (July, 2009) and Survey of 991 households by CDRI in 14 target villages (June, 2008)

The destination of these migrant workers remains concentrated in urban areas of Cambodia (38.6%), but the figure has fallen since 2008, when urban Cambodia was the destination for more than half of all migrant workers. The decrease of migrants to this destination was greater among female-headed households. In June 2008, nearly 60% of female-headed households whose members engaged in migration moved to work in urban areas of Cambodia, but decreased to only 34.4% in July 2009. This pattern of migration corresponds to the decline of jobs in garment industries and construction work in urban places affected by the economic downturn.

Table 7. Destinations of and reasons for migration

	2009			2008		
	Total	Male-headed hhs	Female-headed hhs	Total	Male-headed hhs	Female-headed hhs
Destination of migration (% of households)						
Rural areas in Cambodia	37.4	35.6	42.3	31.5	32.6	25.0
Urban areas in Cambodia	38.6	40.1	34.4	49.5	47.8	59.4
Rural areas in Thailand	15.2	15.9	13.4	9.3	9.2	9.4
Urban areas in Thailand	8.0	7.9	8.4	8.3	8.7	6.3
Other countries	0.8	0.6	1.5	1.4	1.6	
Reason for migration (% of households)						
Seasonal migration	7.4	6.1	11.1	19.8	22.2	6.3
To cope with livelihood difficulties	61.6	63.3	56.5	33.2	32.4	37.5
It is time to migrate/ earn income	22.9	21.9	25.9	31.3	30.8	34.4
Other	8.1	8.7	6.5	15.7	14.6	21.9

Source: Survey of 1070 households by CEA in 15 target villages (July, 2009) and Survey of 991 households by CDRI in 14 target villages (June, 2008)

In 2009, migration was observed to have increased in rural areas of both Cambodia and Thailand. About 6% more migrant workers found work in each of these two migration destinations. Migration to urban areas in Thailand remained the same as the previous year, which was about 8%.

In June 2008, the representation of female migrants to male migrants was almost equal – 49.3% and 50.7% respectively. In a period of one year the share of male migrants increased to 52.5%, indicating that more men participated in migration work. However, the situation is the opposite for the pattern of migration among female-headed households – females are majority of the migrants. Of migrants from female-headed households, 60.6% of them are women. This indicates that women from female-headed households were either more pressured by livelihood difficulties or more exposed to migration risk, compared with women in male-headed households.

3.4 Impacts on family welfare

Decreasing family income, especially in poor families, has undoubtedly affected family welfare, in which children become the centre of concern. Despite relatively little available evidence, it is believed that the impact of the financial crisis is extensive, becoming apparent through changed nutrition, falling school attendance and general poverty. The classic coping strategies of families include reduced spending, child labour, sale of productive assets and so on. These are the results of the reduced purchasing power of household incomes, or of reduced incomes due to job losses, especially in the sectors most affected by the economic crisis (garment, construction and tourism), and deteriorating living conditions in families and communities. The situation is exacerbated against an existing background of great income inequality, rapid urbanization, social polarization, poor rural development and the effects of climate change on household livelihoods.

A study of the impact of high food prices in June 2008 found significant adverse effects on children, including a rise in the school dropout rate (CDRI, 2008). The school dropout problem was reported as being highest among the food-insecure households: 13% of them had children dropping out of school in January 2008, rising to 22% by June 2008. The study also reported that 'Poor Food Consumption' households had more children and more elderly experiencing malnourishment compared with the national average. The dropout rate of primary school children was found to be highest among the 'Poor Food Consumption' households. Between January and June 2008 the dropout rate almost doubled, affecting more than one fifth of all children in primary school. However, there was no direct evidence that this increase (for this subcategory of the 'food insecure') was due to rising food prices. This finding is confirmed by two consecutive rapid assessments of food prices and school attendance conducted by the United Nations Children Fund (UNICEF) in 2008 and 2009 to observe patterns in children's attendance during the January–April period. The assessment found that the main reason for children dropping out was chronic poverty rather than increases in food prices per se; however, most families affected by rising food prices in 2008 remained vulnerable, suggesting that the dropout risk was quite high. The risk of child labour also remains high.

A recent Cambodia Anthropometric Study (CAS) conducted in November 2008 by NIS of the Ministry of Planning, with support from UNICEF and UNDP, suggested that high food prices in 2008 had a significant impact on child nutrition. For instance, the CAS points out that wasting among poor urban children is above 'emergency' levels and about 6% higher than it was a couple of years ago. The study reported stagnation in national prevalence for child wasting and underweight between 2005 and 2008. These indicators reflect short-term changes in the nutrition situation of children. Some population groups and areas have recorded significant increases in acute malnutrition. Wasting among poor urban children increased from 9.6% in 2005 to 15.9% in 2008,

exceeding the threshold of a 15% wasting rate for a 'humanitarian emergency' and calling for an emergency response in urban areas.

The differential effects on the various groups of children are also relevant. CAS 2008 and the Rapid Assessment on School Attendance both show that the effects of the food price increases in 2008 were more significant in urban areas. However, children's nutritional status remains worse in rural areas. The socio-economic situation of parents is strongly correlated with a child's nutritional status. Child malnutrition is highest among the self-employed and agricultural labourers. Twice as many children in the poorest quintile suffer from malnutrition compared with the richest quintile.

Although poverty was highlighted as an important risk factor for under-nutrition, and there were variations in the percentage of thin, underweight, and short children by wealth of household, the wealthiest quintiles saw elevated rates of all three indicators of under-nutrition. When compared with expected levels in a healthy population, the wealthiest quintile of Cambodia has over twelve times more short children (28.6%), over eight times more underweight children (19.3%), and four times more thin children (8.9%). This shows that money, or the ability to buy food, is not the only important factor in nutrition. The way children are fed and cared for appears to be just as important as poverty for malnutrition in the country.

The extent of the impact of the economic downturn on peoples' livelihoods can be observed based on the data of the household survey that was conducted by the CEA in July 2009 in 15 villages, 14 of which were also surveyed by CDRI in June 2008. In July 2009, the percentage of households facing difficulties in the previous six months, about 89%, was similar to a year before. Although there is some slight change between male- and female-headed households in terms of facing such difficulties, the burden appears to be greater for male-headed households.

Table 8. Primary difficulties encountered by households in the previous six months

	2009 (%)			2008 (%)		
	Total	Male-headed hhs	Female-headed hhs	Total	Male-headed hhs	Female-headed hhs
Households (hhs) reporting difficulties	88.5	88.3	89.6	89.7	89.4	91.4
	Types of difficulties					
Job lost/ income decreased	27.1	28.7	21.1	0.6	0.5	0.7
Sickness/ health expense	31.7	29.7	39.2	25.6	25.6	26.4
High food prices	6.7	7.0	5.4	53.0	52.3	56.4
Lack of money to repay debt	14.4	14.9	12.8	6.5	7.0	4.3
Bad weather	3.1	3.0	3.1	1.6	1.9	
Other difficulties	17.0	16.7	18.4	12.7	12.7	12.1

Source: Survey of 1070 households by CEA in 15 target villages (July, 2009) and Survey of 991 households by CDRI in 14 target villages (June, 2008)

The three outstanding difficulties reported by households in July 2009 were sickness/health expenses (31.7%), decreased income/ job loss (27%) and lack of money to repay loans (14.4%). More households, especially female-headed households, reported difficulties with sickness/ health expenses compared with the year before. This implies either that people's health status had been getting worse or that their reduced income limited the household's ability to visit health clinics or pay for health expenses. Despite high inflation in 2008, 67% of the households managed to increase their expenditure on

health, while in July 2009 only 39% were able to spend more on health care, 37% found their health expenses had remained unchanged and the remaining 24% reported decreased health expenses.

When facing difficulties, households undertook various ways to cope with changed circumstances. Since Khmer New Year (April 2009), it is observed that the most common strategies that were employed by a majority of the households include reliance on less preferred/ less expensive food, reducing the amount of food consumed, taking out loans and purchasing food on credit. Reducing expenditure on health, although common, is among the most commonly used strategies that poor households opted to survive the crisis. Women, as care providers, bear a greater burden in terms of compromised food consumption. They commonly sacrificed their portion so that other family members, especially children and adult males, could be fed. This option was chosen by 39% of the survey households, in which mothers or elder sisters sacrificed food for other household members. The focus group discussions with women confirmed that when responding to the difficulty of reduced income, a household's immediate response was to spend less on food or to eat less food. Women said that the reduction in food consumption was not shared equally between men and women. When there was less food, women ate less so that more food would be left for their husbands and/or children. The women's group explained that men deserved to eat more food because they were physically stronger, did the hard work on the farm, and earned income for their family, when in reality women work as hard as men, or even harder.

Table 9. Coping strategies that households have undertaken since April 2009

No	Coping strategies undertaken by households since April 2009	Total	Every day	Often	Sometimes	Rarely
	Food-consumption related					
1	Rely on less preferred/ expensive food	75.6	9.9	31.8	29.3	4.7
2	Reduce daily food consumption	51.8	1.8	17.8	28.3	3.9
3	Restrict food consumption for adults in order to leave more for young children	32.0	1.5	9.9	17.0	3.6
4	Mothers/ elder sisters eat less to leave food for other family members	38.6	1.8	12.6	20.4	3.8
	Debt related					
5	Borrow food, or rely on help from friends or relatives	42.7	0.2	10.4	27.9	4.2
6	Purchase food on credit	66.2	0.8	19.0	42.5	3.8
7	Take out loan	68.0	1.7	8.7	46.6	11.0
	Income generating activities					
8	Seek alternative or additional jobs	37.0	2.8	10.7	18.7	4.8
9	More family members migrate to find work and/or food	14.2	0.7	3.8	7.9	1.9
10	Increase fishing activities	19.7	6.1	6.1	6.0	1.6
	Other					
15	Sell jewellery	11.2	0.1	0.5	8.5	2.1
16	Consume seed stocks held for next season	9.1	0.2	2.4	5.3	1.1
18	Reduce expenditure on health care	34.6	0.4	7.2	22.1	5.0

Source: Survey of 1070 households by CEA in 15 target villages (July, 2009)

The coping strategies of families also raise concerns. The most common strategies were food-related. Two out of three households reported relying on less expensive and less preferred food; as noted, other strategies included reducing the number of meals a day, restricting food consumption by adults and purchasing food on credit. Proportionally, more female-headed households managed to eat less preferred or less expensive food, which suggests members of female-headed households were likely to suffer from deteriorating nutrition. After the food-related strategies, the most common non-food related strategies were reducing expenditure on health, looking for alternative jobs and sale of productive assets. The increase in the use of crisis strategies by households, which could have devastating effects on the wellbeing of children through changes in nutrition, dropout and exposure to diseases etc. is worrying.

Table 10. Percentage of households choosing to eat less preferred/ less expensive food in the previous three months

	Wet season rice	Dry season rice	Cash crops	Fishing	Land abundant	Poor-est rural	Poor urban	Tourism depend-ent	Total
July 2009									
Total	80.4	60.0	80.1	78.6	75.2	85.0	72.2	74.3	75.6
Male-headed hhs	77.1	59.1	79.7	75.5	75.0	84.3	71.1	71.9	74.3
Female-headed hhs	91.2	63.6	82.1	85.7	76.0	87.1	78.9	82.4	80.8
June 2008									
Total	68.4	68.7	57.2	64.4	43.7	78.6	63.2		62.8
Male-headed hhs	67.5	64.7	57.5	64.6	44.4	78.9	62.9		62.3
Female-headed hhs	75.0	83.9	54.5	63.6	37.5	76.2	63.9		66.7

Source: Survey of 1070 households by CEA in 15 target villages (July, 2009) and Survey of 991 households by CDRI in 14 target villages (June, 2008)

When incomes fell, families sometimes did not have the cash to pay for food. A common response was to buy food on credit. A majority of surveyed households, 66.2%, confirmed that they had bought food on credit since mid-April 2009, an increase from 57.5% in June 2008. The proportion of households engaged in buying food on credit was 80.4% in wet season rice villages and 81.2% in the poorest rural villages, while the proportion was highest in the fishing village (93%). Women bore the burden, as they were the ones engaged directly with cooking and food, managing this in spite of a lack of money. Although they commented that they sometimes felt ashamed to buy things on credit, they said they had no choice. Women explained that men were either ignorant of the problems, or if they were aware of them, had never experienced or had to manage these problems themselves.

The economic downturn has caused significant losses to household incomes, with many affected households reducing expenditure on essential commodities. The families engaged in informal employment were particularly at risk. Stress-related migration could lead to undesirable outcomes for children in terms of their access to education and health. While it is not conclusive that loss of income affects the education, health and nutrition of children, it is likely that the reduction in consumption adversely affects their wellbeing. The squeezing of health and education expenditure can have long-lasting consequences on child growth and human potential. The effects on mothers and female children, who might be eating last or are otherwise deprived of essential commodities when the whole family is affected by the crisis, deserves special attention.

With more challenging circumstance of livelihoods affected by the economic downturn, in the last six months fewer households have received assistance from external sources such as the government, NGOs, political parties or individuals. In June 2008, almost half (48%) of the surveyed households had received external assistance in the previous six months, but only 30% confirmed receipt of assistance in July 2009. Notably, proportionally fewer female-headed households could access external assistance, although proportionally more reported having encountered livelihood difficulties. This means women have not been sufficiently taken into account in aid distribution by external actors.

Table 11. Percentage of households receiving external assistance in the previous six months

	Wet season rice	Dry season rice	Cash crops	Fishing	Land abundant	Poor-est rural	Poor urban	Tourism dependent	Total
July 2009									
Total	12.6	33.8	18.5	18.6	48.2	72.9	22.6	4.1	30.2
Male-headed hhs	15.6	32.3	20.9	18.4	47.4	74.5	21.9	3.5	30.8
Female-headed hhs	2.9	39.4	7.7	19.0	52.0	67.7	26.3	5.9	27.9
June 2008									
Total	79.7	24.7	69.6	18.6	19.2	72.5	24.2		47.9
Male-headed hhs	80.3	23.5	69.2	20.8	18.5	71.2	21.9		48.1
Female-headed hhs	75.0	29.0	72.7	9.1	25.0	81.0	30.6		45.8

Source: Survey of 1070 households by CEA in 15 target villages (July, 2009) and Survey of 991 households by CDRI in 14 target villages (June, 2008)

NGOs have been a dominant source of assistance to households in the surveyed communities – 93% of the aid recipient households reported having received assistance from NGOs and 37% had received aid from the government, mainly in the form of free health care and veterinary services.

There are no records, and neither have studies been done, that could help reveal the impact of the economic downturn on education of children. However, there have been concerns that children are very likely to become victims of the downturn. The hardship in households would exacerbate the situation for already undernourished children through reduction of households' food and non-food consumption. On the other hand, while some children might leave school and participate in paid work to earn for the family, others might have to quit school to assist the family by, for example, looking after other siblings so that their parents can work. Children in urban areas, where informal school fees are common, are more vulnerable to dropout if the parents earn less income and experience more difficulties in earning a livelihood.

3.5 Impacts on the labour burden for women

The impact of the economic downturn on women is most obvious in the garment industry, where about 63,000 out of 360,000 workers were laid off, while others were underemployed and experienced decreased incomes. Besides cutting off unnecessary

expenditure, this circumstance forced these women to seek additional or alternative jobs, usually in more difficult working conditions, during the economic downturn.

The survey of 357 girls and women currently working in the entertainment industry (direct sex workers, masseuses and karaoke entertainers) conducted by UNIAP in April–May 2009 found that the majority had entered this workforce during the time of the global financial crunch. The survey found that a staggering number of those women, up to 58%, had taken up their current jobs in the previous eight months. These women reported their previous occupations as being unemployed, rural farming subsistent producers and garment factory workers, at 32%, 39% and 13% respectively. This reflects the fact that to cope with the crisis, women were forced to find alternative jobs or to put themselves on the labour market even though this placed them at great risk of falling into disguised sex businesses.

The overwhelming majority did not end up in these risky businesses by deception, suggesting they had chosen the jobs because of limited employment options. The study also confirmed that more workers during and after the financial crisis found their jobs in the entertainment sector by themselves. Among them, 42% of the interviewed massage parlour workers found their jobs independently, while the rest received assistance from friends and relatives or through brokers. It is also worth noticing that 79% of the interviewed direct sex-workers voluntarily entered the industry during the economic crisis.

The study found indebtedness was a major cause of women entering the entertainment sector, which made them vulnerable to social and physical problems such as negative perceptions from society and sexually transmitted diseases. The impact of the economic downturn has resulted in indebtedness among other things. It was observed that of the women who entered the entertainment industry during and after the crisis, 27% of those engaged in the entertainment sector had borrowed before the crisis so that they could send remittances to help their families.

Despite all those livelihood difficulties and debts, women working in the entertainment sector had to bear the burden of longer working hours and reduced wages. Entertainment workers reported their working hours had increased to 15 hours per day. Masseuses experienced the longest working hours. Meanwhile, their earnings fell. Workers in all types of entertainment industries found their wages reduced. The decline was greatest among karaoke girls. They earned about \$92 per month compared with \$117 before the crisis.

Evidence from group interviews with women in 15 villages indicates that as household wives, women worried when their husbands and children earned no income or when their incomes fell. Besides substituting preferred food with the less preferred or cheaper foods, they were forced to consume less. Borrowing rice and purchasing food on credit became increasingly common practices for poor households to get through the most difficult times. The survey of 1,070 households in the same 15 villages suggests that 37% of households sought additional or alternative jobs, in which women were forced to enter the labour markets. This has placed a greater burden on women, who, beside household chores and primary caregiver duty, must also seek paid employment. Furthermore, women are reported to have to bear greater emotional pressure from their partners as a result of unemployment or stress related to reduced earnings.

3.6 Impacts on microcredit and businesses mostly undertaken by women

Cambodia's financial sector is very open, allowing 100% foreign ownership. There is no restriction on branches or on the repatriation of profits. Nonetheless, Cambodia's banking and financial sector is still in its infancy and as a result, is somewhat insulated

from adverse direct impacts from the global financial meltdown. None of the 29 commercial banks has reported liquidity shortage or bankruptcy.⁵ However, the banking system is not completely immune to the global financial crisis. A national newspaper reported 'slower growth' in loans and deposits in most commercial banks.⁶ According to a high ranking government official and senior representative of a commercial bank, the amount of loans and deposits is still expanding but at a slower rate, and no bank has reported a liquidity shortage so far. The absence of a stock market also minimizes the impact of the global financial crisis.

During the boom in 2007 and the first half of 2008, credit to the private sector increased to well above 100%. This was fuelled by the boost in the property markets and confidence in and availability of the banking system. Many used their property or land as collateral to borrow money. Since the price of property and land had been rising rapidly, people could borrow with less difficulty. Credit to the private sector doubled in less than one year in the first half of 2008. MFIs were also lending much more than ever before. As a result of the unfavourable global and domestic economic situations, conditions for loans have been tightened.⁷ After growing so rapidly in the preceding year, credits began to slow in the last quarter of 2008 as a result of the impact of the global economic downturn on Cambodia (Table 12). In another sign that the country's banking system is under stress, the NBC said that its latest supervision report showed non-performing loans rising from US\$58 million in June 2008 to almost US\$88 million by year-end. That was 3.68% of the bank's loan portfolio, which stood at close to US\$2.4 billion by the end of 2008. In the first half of 2009, MFIs reported rising non-performing loans and increasing numbers of borrowers requesting delay in repayment. Even though the amount of non-performing loans has not reached the critical level, it stresses the negative impact of the economic downturn on the banking sector. The situation for banks could deteriorate if economic prospects do not improve in the immediate term.

Money supply in circulation and deposits in banks stopped growing in May 2008, following the introduction of the NBC policy to increase the reserve ratio from 8% to 16% in an attempt to curb rising inflation, which had partly been caused by external factors (the increase in the prices of oil, agricultural inputs and food which essentially drove up inflation). A slight decline in total liquidity was apparent in September 2008, which was followed by a drop over the next two months before it stabilised for the rest of the year. The reserve ratio was decreased from 16% to 12% by the NBC in order to make more loans available, especially for the agricultural sector.

A survey of 1,070 randomly selected households in 15 villages representing the characteristics of different Cambodian agro-economic systems was conducted by the Cambodian Economic Association in July 2009 to comprehensively assess the impact of the global economic downturn on households in the communities. One of the most striking findings is the high level of debt. Across the whole sample, 71% of households reported having outstanding loans from informal moneylenders, ACLEDA, MFIs and relatives. Most (70%) of the debts had been taken out in 2009. Being unable to repay the loan was one the major concerns those households reported. In the previous survey in the same communities in June 2008, only about 50% were indebted. The increase in indebtedness is a strong indicator of the negative impact of the economic downturn.

⁵ The recent openings of two new banks brought the total number of banks to 29.

⁶ The *Phnom Penh Post*, 27 April 2009.

⁷ J. Nelmes (2009) 'Global Crisis—Impact, Outlook and Policy Options for Cambodia', presentation at the Cambodia Outlook Conference organized by CDRI on 12 March 2009 at Phnom Penh Hotel.

Table 12. Percentage of households having outstanding loans

	Wet season rice	Dry season rice	Cash crops	Fishing	Land abundant	Poor-rural	Poor urban	Tourism dependent	Total
July 2009									
Total	66.2	61.4	71.0	91.5	78.5	71.9	64.4	44.7	71.0
Male-headed hhs	69.5	59.3	70.7	89.8	80.0	72.5	63.0	49.2	70.8
Female-headed hhs	55.7	69.5	72.5	95.5	71.4	70.2	73.3	29.6	71.6
June 2008									
Total	71.2	58.4	46.6	82.8	80.8	64.7	47.4		62.0
Male-headed hhs	70.7	55.1	46.8	80.9	81.5	67.4	45.4		62.0
Female-headed hhs	75.0	71.0	45.5	90.9	75.0	47.6	52.8		62.1

Source: Survey of 1070 households by GEA in 15 target villages (July, 2009) and Survey of 991 households by CDRI in 14 target villages (June, 2008).

There was no significant difference between households headed by males and females. However, focus group discussions found that it was the women who had the 'thick skins' needed to take out the loans. Taking out loans is considered embarrassing in Cambodia's culture, especially for men who are culturally regarded as household heads or breadwinners. Taking out a loan means a household has a financial deficit, which implies that the household head is incapable of fulfilling his obligation to earn a living. Therefore, negotiation over loans could result in loss of face for men. The other reason given is that men are not trusted by creditors since they might use the loan for non-productive purposes such as gambling, drinking alcohol and so on, and will be either unable to repay a loan or unaccountable for the debt. As such, women explained that they were the ones on the frontline when taking out loans. On the other hand, men often encouraged women to negotiate with creditors on non-performing loans, since it was explained that women have better communication skills.

Of the loans, 45% were used for agricultural production and business expansion purposes as the first reason. In the cash crop villages, half of the loans were to assist with agricultural production. In the fishing village, 79% of the loans were to expand businesses, mainly to buy fishing gear, which does not last long. They also reported that they had to buy more gear all the time in order to catch the same amount of fish. Other reasons for taking out loans were to cope with household consumption needs, and to repay old debts for non-performing loans rather than for productive purposes. Of the loans entered into, only 34% were reported as loans to improve household livelihoods. The success was less among female-headed households – 30.8% of the loans these households undertook helped improve their living standards.

Table 13. Reason for taking out loans (percentage of loans)

	July 2009			June 2008		
	Total	Male-headed hhs	Female-headed hhs	Total	Male-headed hhs	Female-headed hhs
Primary reason for taking out loans						
Food expense	11.1	9.7	16.4	15.3	12.8	32.7
Health expense	15.6	13.9	22.4	16.4	16.0	20.0
Agricultural production	23.1	24.2	19.2	32.4	36.2	5.5
Business expansion	21.8	22.2	20.1	21.3	20.5	27.3
Repay old debt	6.8	7.0	6.1	0		
Other	21.6	23.1	15.9	14.6	14.6	14.5
Secondary reason for taking out loans						
Food expense	40.9	41.5	39.2	47.6	48.6	40.6
Health expense	18.6	14.7	29.7	17.9	16.8	25.0
Agricultural production	9.3	10.6	5.4	11.5	12.7	3.1
Business expansion	8.6	7.4	12.2	15.9	15.0	21.9
Repay old debt	10.0	11.5	5.4			
Other	12.7	14.3	8.1	7.1	6.8	9.4

Source: Survey of 1070 households by CEA in 15 target villages (July, 2009) and Survey of 991 households by CDRI in 14 target villages (June, 2008)

It is observed that higher percentages of female-headed households were taking out loans for food expenses (16.4%) and health expenses (22.4%) as primary reasons compared with their counterpart male-headed households. This suggests that female-headed households were facing more severe difficulties. In addition, the percentage of loans entered into for food and health expenses rises when they are reported as secondary reasons. All of these partially confirm the reasons for non-performing loans.

3.7 Impacts on public spending

With regard to the impact of the economic downturn, the most important factor is that revenue collection has fallen short of expectations. As Table 14 illustrates, for the first five months of 2009, revenue fell by 11% compared to the same five months in 2008. It remains to be seen whether the RGC will be able to meet its target by the end of 2009. The prospects do not look promising due to the reduction of trade and economic activities and the lack of clear indication about when they are likely to pick up.

Table 14. National Budget in 2008 and 2009 (US\$, million)

	Budget 2008	Budget 2009	Percentage increase from 2008 to 2009	Budget 2009 as percentage of GDP
Total revenue	1,002	1,316	31.3	11.1
Tax revenue	790	1,059	34.0	9.1
Customs	498	585	17.6	4.9
Tax dept.	268	415	54.5	3.5
Non-tax revenue	173	212	22.7	1.5
Capital revenue	38	45	16.6	0.4
Total expenditure	1,385	1,787	29.0	15.8
Current expenditure	870	1,136	30.5	9.5
General administration	119	149	25.5	1.3
Defence and security	133	219	64.1	1.8
Social sector	319	390	22.5	3.3
Health	99	123	24.4	1.0
Education	152	181	19.5	1.5
Economic sector	73	88	21.1	0.7
Agriculture	16	19	16.7	0.2
Rural development	11	16	36.2	0.1
Water resources	6	8	29.2	0.1
Econ. sub. and social protection	36	115	224.0	1.0
Capital expenditure	515	649	26.1	5.3
Locally financed	173	213	23.3	1.8
Externally financed	341	415	21.4	3.5
Current balance	93	135	44.9	1.2
Overall balance (exl. grants)	-383	-470	22.7	-4.8
Financing	383	470	22.7	4.8
Foreign (net)	366	462	26.2	4.7
Domestic (net)	17	8	-52.9	0
Bank financing (net)	29	15	-47.5	0.1

Source: Ministry of Economy and Finance

4 Responses from the government

As the global economic downturn has impacted on Cambodia's real economy, especially its main economic bases – the garment industry, tourism, and the construction and property market – the government has undertaken a number of responses intended to prevent crisis in Cambodia and to mitigate the impact of the downturn on people (Jalilian, *et al.* 2009). The government undertook measures to ensure macroeconomic stability in an attempt to minimize the impact on its economic sectors and vulnerable groups. Those responses include the initiatives below. There have been policy changes and implementation in the most important areas of impact.

4.1 Monetary and fiscal policies

The global financial crisis unfolded itself late 2008 and the dimensions of the impacts were felt by many developed economies around the world, before spreading to many other countries, especially export-dependent countries such as Cambodia. The government was swift to take into account the severity of the likely impacts by implementing fiscal policy when drafting the proposed national budget for 2009, running a high budget deficit of 4.8% of GDP and presenting it as a stimulus package, which is a plausible policy move (Jalilian, *et al.* 2009).

In terms of monetary policy, the National Bank of Cambodia (NBC) has decided to reduce the reserve requirements of commercial banks from 16% to 12% (after raising it from 8% to curb the spiking inflation in the first half of 2008) in order to provide more space for commercial banks to inject more money into the economy. The NBC also lifted the 15% cap on real-estate lending as a condition for opening up some room for monetary easing. At the same time, the RGC took appropriate measures to limit bank exposure to risk by increasing the minimum capital from 50 billion Riels (US\$13 million) to 150 billion Riels (US\$36.5 million) for commercial banks (unless they have an influential shareholder that is a bank or financial institution with an investment rating from a reputable rating agency) and to increase minimum capital to 30 billion Riels (US\$7.3 million) for a specialized bank.⁸ Further, the NBC opened an overdraft facility for inter-bank lending and enhanced prudential monitoring and examination of commercial banks.

Future plans, on the other hand, include improvement of loan classification to limit credit risk, improvement of the valuation of collateral for bank lending, enhancement of prudential supervision through strengthening of on-site and off-site inspections and supervision and building the capacity of relevant staff, strengthening of the Credit Information Sharing (CIS) system, strengthening of the system for implementing reserve requirements, issuance of the necessary *prakas* on internal and external auditing, corporate governance and assets classification, and seeking amendment of the Law on Banking and Financial Institutions to enhance, for instance, the transparency and effectiveness of exit policy. What has not been adequately addressed in terms of monetary policy is how to ensure farmers' access to affordable credit. Currently, they have to pay very high interest rates of 40–60% a year to MFIs or NGO credit schemes if they want to avoid informal moneylenders.

⁸ Commercial banks were given a couple of years to prepare themselves to meet the new requirement of minimum capital.

4.2 Garment industry

To alleviate hardship in the garment industry, the RGC undertook measures including the suspension of the monthly turnover tax of 1% on garment factory expenditure and the extension of the tax holiday on profit, at least for garment factories established prior to 2006. In November 2008, the government announced a reduction of export fees for garments and other related bureaucratic costs of 10% and helped to diversify the market by seeking new markets such as Japan.

4.3 Human resources development

The substantial loss of jobs in the garment industry has alarmed policy makers and all stakeholders. The government has responded with a fund allocation of US\$ 6.5 million to retrain some of the laid-off workers for one to four months, and provided US\$ 1 million in micro-credit for them to start small business ventures after the training. Through the training program, set up by MoLVT, each trainee receives a monthly allowance of USD 30 for food and USD10 for accommodation during the training period.⁹ While the industry reported 63,000 workers being laid-off, the training programme was designed for 41,000. Further, it is interesting to note that only 60% of the 29,255 recruited trainees were laid-off garment workers. Many laid-off workers might have wanted to participate in the training programme but could not afford to survive on a subsidy of one dollar a day. They needed to find other work to earn extra income to support their families or dependants. This explains the reason for the programme failing to achieve its objectives.

4.4 Agriculture

In an attempt to mitigate the impact of the financial crisis on farmers through a drop in the prices of agricultural commodities, the government, through the Rural Development Bank provided a sum of US\$18 million in loans to a number of rice millers in order to increase their capacity to purchase and process paddy (UN Country Team, 2009). Moreover, the Ministry of Agriculture, Forestry and Fisheries (MAFF) took action by suggesting farmers stockpile their rice in face of low prices and hold off selling until prices improved. They further added that in the meantime farmers should plant vegetables and short-term crops to secure some income. The government also pledged to expand investment in the agricultural sector in order to facilitate the absorption of workers back into rural communities. However, the commitment has not materialized given that public spending in the agriculture sector remained low for 2009, as it will for 2010, though there has been a slight increase.

4.5 Social protection

The concept of social safety nets is not new to Cambodia. Before 1992, social safety nets were present mainly in traditional or informal sectors such as the family and the pagoda. In more recent years, development partners and NGOs, both local and international, have predominantly carried out social safety net transfers. However, these provisions of social safety measures have been fragmented and uncoordinated (UN Country Team, 2009).

The experience of food crisis in 2008 evidenced the disastrous impacts of the economic crisis on poor and vulnerable groups. The poor, and more particularly women and children, suffered most from that economic phenomenon, and lacked the necessary capacity to respond to this shock. With the aim of assisting and protecting these

⁹ According to a high-ranking official in charge of this intervention programme.

population groups, the government announced its commitment to develop its own national integrated system of social safety nets through a formal process, which has been under development in 2009, and is based on the Social Security Law that the government enacted in 2002. This integrated strategy is intended to prepare the government to survive the adverse impact of the global economic downturn. It is expected that an integrated system of social safety nets will be potentially an effective method of responding to the crisis and alleviating poverty, as well as contributing to economic recovery and improving human development indicators such as education and health.

5 Conclusion

The global economic downturn, which began unfolding in late 2008, impacted several major pillars of Cambodia's economy, in particular the garment industry, tourism, construction, property market, and to some extent the agriculture sector. The economic downturn severely affected the garment industry, in which women represent the vast majority of the work force. Reduced demand for garments in the US and EU resulted in the closure of 50 garment factories in Cambodia and left 63,000 workers, the majority of them women, unemployed or under-employed. The impacts on real estate and construction have resulted in the loss of about 30% of jobs, while the decline of arrivals and spending of tourists led to underemployment for workers and fewer economic activities in tourism-related businesses such as hotels, restaurants, handcrafts and souvenirs.

The impact of the economic downturn has translated into job insecurity and deteriorating working conditions, leading to lower incomes or in other cases, legally unprotected employment. Dealing with family livelihood difficulties and in the face of limited job opportunities, women and young girls formerly in the production sectors, with the greatest sense of responsibility, were forced to engage in the entertainment industry, putting them at risk of becoming active in disguised sex businesses where HIV and other sexually transmitted diseases are prevalent. Moreover, social and cultural pressures and stigmatisation are likely to undermine the women's virtue.

The implication of the economic downturn is apparent through worsening welfare, especially of poor families. It has led to the deterioration of the nutritional status of poor women and children, which comes on top of the impact of high inflation in the preceding year (2008). The deterioration of nutrition results from the reduced purchasing power of households, characterized by falling incomes from wages, self-employed businesses, and other income sources that resulted from the slowdown of various economic activities. To cope with livelihood difficulty, the large majority of the households chose to eat less preferred/ less expensive food, to reduce the amount of food consumption, and for mothers and older daughters, in particular, to sacrifice food by eating less to leave food for other household members. This makes women more vulnerable to illness and disease.

Even though migration is not a new strategy that households have taken up to sustain their livelihoods, the change in the pattern of migration can be attributed to the impacts of the economic downturn that has impacted the incomes of those in the affected sectors. Other coping strategies undertaken by households include migration and taking out loans. Women and female-headed households suffered most from the impact of the economic downturn. In terms of migration, both more women and more female-headed households engaged in migration work in 2009 compared with the previous year. The burn was even greater for women from female-headed households; 61% of migrants from this type of household were women. The economic downturn has had an impact on the businesses of women in terms of their access to credit, but women also had to take out loans to address their food consumption, health expenses, and so on. Because most loans were for unproductive purposes, only 30.8% of female-headed households taking out loans reported that borrowing helped improve their living, compared to 35% of male-headed households.

Despite such negative impacts on women, the evidence of intervention through external assistance to the households at the community-level had fallen from the previous year and female-headed households were not taken into account sufficiently in the distribution of aid. Only 30% of households in the 15 villages surveyed by the CEA had received assistance in the previous six months, while the share of aid-recipient

households was 50% in 2008. Only 28% of female-headed households benefited from this aid, which was proportionally less compared with male-headed households.

However, the government reacted promptly. The response has dealt mainly with monetary and fiscal policy. Efforts in monetary policy attempted to control the functioning of the financial sector. The Cambodian government did not have any specific stimulus package to boost consumption, except its measure in fiscal policy to run a high budget deficit of 4.8% for 2009. Even though particularly poor and vulnerable groups were not insulated from the impacts, a training programme was designed to provide alternative skills to laid-off workers to improve their employment options. In addition, a micro-credit programme for small businesses that was employed to assist these trainees is expected to help the recipients to run the business of their choice. The effectiveness and prospects of this policy in response to the crisis, however, have yet to be confirmed. Other specific attention was also intended to benefit rice farmers through injecting soft loans to rice millers to increase their capacity to purchase paddy from farmers.

6 Recommendations

To improve the livelihoods and wellbeing of the people, particularly of women and children of affected groups who are victims of the economic downturn, the government should consider implementing the following measures:

- A three-pronged approach is recommended in response to the crisis:
 - a) Scaling-up existing sectoral interventions that have demonstrated success in addressing food insecurity, malnutrition, school dropout, child labour etc. and other human consequences of a crisis situation, e.g. feeding programmes for infants and young children, micronutrient supplementation programmes, etc. (including in-home fortification for young children), school feeding etc.;
 - b) Developing new programmes to prevent and address the effects of the crisis on nutrition, health, school attendance etc., particularly on vulnerable and poor groups, through social protection-related interventions; and
 - c) Reinforcing provision of basic social services (increasing coverage, utilization, quality, and equity), including care services.
- A critical role is played by social protection and child-sensitive policy instruments, including cash transfers to address child survival, food transfers to families, fee waivers for basic services and birthing grants to mothers, etc. Addressing the employment and incomes of families through workfare programs and vocational training is also important in preventing the negative effects on children. Vulnerable and poor groups among these deserve special attention and extra support to help reduce the gaps and risk of inequities. In developing a social protection system in Cambodia, the IDPoor (identification of poor households) methodology would need to be expanded and tested for urban areas and for 'vulnerable' rather than only 'currently poor' groups, as a way of embracing a transformative and preventative approach.
- **The Government's Emergency Food Assistance Project** (US\$40 million), which has been alleviating the negative impact of the high food prices in 2008 as well as the effects of the economic downturn on poor households. The component to provide smallholders with quality rice seed and fertilisers will not only help them to increase yield in the immediate future but also will acquaint them with quality inputs that can have lasting effects on local productivity and livelihood improvement if they continue to demand them from the market. It is important that the assistance is not just one-off. There is already a government institution that is running smoothly. Interviews with the officials in charge suggest they can take on more responsibilities, especially when the current project assistance is complete.
- **Food-for-work programme (led by the World Food Program for decades):** the RGC provides 2,000 tonnes of rice annually to the WFP to be redistributed to vulnerable groups through its food-for-work programme. Expansion of the food and/or cash for work programmes will not only provide essential basic goods to the poor but will also help to build basic infrastructure that provides further benefits. Gender consideration should be taken into account in project formulation and implementation.
- **School feeding and scholarships for poor communities and households** also call for expansion to improve their coverage. The school-feeding programme currently reaches about 500,000 students, while the targeted scholarship programme reached almost 29,000 students in 2008. The food rations programme for these households provides supplementary food and nutrition for mothers and children. Scaling up

these programmes will provide far-reaching benefits for poor households and their children, who are likely to be the female children who tend to drop out first when their families face hardship or simply lack the income to make a living. Gender should be taken into account in project formulations.

- **Scale up projects for training workers:** thus far, 29,552 workers have participated in the project, which aims to retrain 41,000 workers. Only 60% of the trainees have been laid-off workers from the garment industry. For various reasons including the opportunity cost, many laid-off workers cannot participate in the training programme, although the money they would receive would be enough to support them. This suggests that many are also supporting their families. The project was correct in allowing others who were not laid-off garment workers to participate in the training. Building the capacity of workers is a worthwhile investment, while the scholarships offer trainees the basic goods needed to survive during recessionary times. It seems, however, that the project needs to increase its incentives to attract more laid-off workers, who are still hoping to get another job soon to support their families. However, most importantly, this kind of project should be scaled up and expanded to many provinces to offer the opportunities for all people in need of skills training. This would raise the competitiveness of Cambodia and make it a more attractive investment destination for FDI.
- **Increase loans to rice miller associations:** if the first loan of US\$18 million is successful, the RGC should consider increasing funding. Cambodia badly needs to improve and expand its capacity in drying, storing, milling, and exporting rice, most of which goes to Vietnam or Thailand. This deficit represents Cambodia's loss of considerable potential for value adding. While the RGC added US\$18 million for this reason, to dry, store and mill the 3 million tonnes of surplus paddy would require more than US\$600 million. There is considerable space for the RGC to wisely invest in this sector, which could result in a better functioning market for millions of farmers. It is wise to use at least some of the government savings of US\$600 million to invest in agro-processing. It goes without saying that diligent investment appraisal for each project proposed by the private sector should be carried out.
- **Increase funding for the Extension Department of MAFF to hire more extension workers.** This costs only a couple of million dollars per annum, but would benefit smallholders in terms of improved techniques in farming and therefore productivity. The current agricultural extension service can cover only a small number of villages due to lack of staff and means. It is a fiscal space which the RGC could consider expanding. The benefits are for both the short and the long term.
- **Build more roads, bridges, health centres, community markets and schools** using as much labour as possible. More effective spending on infrastructure should be a high priority as it will not only expand economic activities now but also improve the foundations of economic competitiveness and growth. Whenever feasible and viable, techniques that employ more labour should be considered in infrastructure projects.

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