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A Prescription to Save Our Climate: Act Now, Act Together, and Act Differently

Sitting on a broken water drain, surrounded by a large field of rice paddy destroyed by Typhoon Ketsana last month, farmer Keo Oeun takes a deep breath when asked how the cyclone had affected him. "A whole hectare of my rice paddy was completely ruined," he says, pointing to his damaged paddy field. "I am very worried about our shortage of rice to eat."

Mr. Oeun has nearly two hectares of paddy field. Each year he harvests around 3 tons of rice paddy (*srou*) which can support the seven members of his family. But Ketsana wiped out half of his crop.

Sitting under a blue plastic "tarp" roof by her ruined house, Um Siphon, 39, a mother of four, said the typhoon had destroyed her new wooden house worth

see ACT page 3



Keo Oeun pointing to his paddy field devastated by Typhoon Ketsana.

Slow Economic Recovery Expected From 2010

Charya, 21 years old, in a light blue dress and with her face carefully made up, presses the palms of her hands together in the graceful, prayer-like *sampeah* gesture to greet the customer



Charya in front of her restaurant.

entering the beer garden where she works, then leads him to a table.

Charya has been a client-greeter for just one month. She used to be a worker in a garment factory, but in January 2009 the factory told her it could not extend her contract because there was no more work for her and her friends.

"When my second term of contract ended, *Mekar* [the supervisor] told me the factory could not give me any job," Charya said. "I was worried about my income. I had a very difficult time finding a job."

Within a month, though, Charya found a job as a waitress at a restaurant in Phnom Penh. But in the restaurant her wage is only \$35 a month, half what she was paid as a garment worker.

Another garment worker who was laid off from her job is Sok Sopheap, a widow and the mother of a child. Sopheap found a new job at a different garment factory.

But her new wage is much lower than what her old factory paid her. The new factory pays her a fixed wage of \$50 a month and no overtime; her previous wage was between \$70 and \$100 per month.

"Now, I have difficulty supporting my family," Sopheap says. "But this work is better than nothing."

Charya and Sopheap are two among tens of thousands of workers who lost their jobs when Cambodia was hit by the global economic crisis that began in 2008. Now some of those workers have found new jobs in the service, garment or construction sectors, but others have gone back home to the countryside to work in agriculture.

Recently the World Bank in Cambodia released its half-year update on the country's economy. The report forecasts that Cambodia's economy is likely contracted by 2.2 percent in 2009. Garment

see SLOW page 2

Slow Economic Recovery Expected From 2010

continued from page 1

exports declined by 26 percent in the first six months of 2009 from a year earlier, tourism arrivals also declined, and there was a 25 percent drop in construction project approvals.

In contrast with these three sectors, the report spotlights an improvement in paddy rice production during 2009. And it looks forward to signs of recovery in 2010, with 4 percent growth expected. Key sectors such as construction will bottom out because of new capital inflows; hotel bookings are also expected to improve.

There are, however, signs of corporate stress. Access to finance – from domestic banks or foreign investment – remains subdued. New firm registration has plummeted 40 percent from a year earlier in the first six months of 2009, and 18 percent of garment factories open at the beginning of the year have closed, with a number of others facing severe liquidity problems. Household debt has also increased under the pressure of higher prices in 2008 and lower incomes in 2009. Such corporate and household vulnerability will weaken the pace of recovery, the

report says.

In response to the global economic crisis, the Government of Cambodia is undertaking various policy reforms, including fiscal measures. Externally, a number of trade and investment treaties have been signed, including through ASEAN. Cambodia now enjoys preferential access to “everything but arms” with member countries of the European Union. Internally, a National Arbitration Center will soon be established, and trade facilitation reforms and investment promotion efforts are ongoing. **(For more detail, please read an interview with Stephane Guimbert below).**

Agriculture, Tourism Expected to Drive Growth

The World Bank’s East Asia Economic Half-Yearly Update, which looks at regional economic growth including the Cambodian economy, was released early in November 2009. The World Bank Cambodia Newsletter had the opportunity to interview World Bank Senior Country Economist Stephane Guimbert on Cambodia’s economic outlook.

Please could you tell me, what is the outlook for the Cambodian economy?

After a decade of very rapid growth, Cambodia’s economy is contracting by 2.2 percent in 2009. Our projections suggest a better outlook for 2010, with a slow recovery and 4 percent growth. However this recovery would be slow by the standards of Cambodia’s rapid growth over 1998-2008. Our analysis of the economy suggests that the recovery would be driven by continued growth in agriculture and an expected rebound in tourism. The rebound in construction would be slow, while uncertainties in the garment sector remain high.

Let me also remind you of the uncertainties surrounding economic forecasts. There are a lot of questions in Cambodia because institutions like ours have somewhat different economic forecasts or have made important revisions to their forecasts this year. It is important to understand that this largely reflects the uncertainty in the economy at the moment. Forecasts for the global economy have also been adjusted many times this year and analysts still hold very different views about the strength of the recovery. In addition, the structure of the Cambodian economy has changed drastically over the past ten years (just consider that agriculture used to account for half of GDP and now accounts for less than a third) and that increases the uncertainty



Stephane Guimbert, left: “The structure of the Cambodian economy has changed drastically over the past ten years and that increases the uncertainty about the economy’s reaction to the massive changes in the global economy.”

about the economy’s reaction to the massive changes in the global economy. In addition to traditional unknowns (e.g. because agriculture output depends on weather), there are a number of uncertainties this year: tourism could pick up more slowly because of the H1N1 virus or if the global recovery is slow; or construction could pick up faster since construction material prices have gone down.

Agriculture is one of the key sectors contributing to GDP. Recently Cambo-

dia was severely affected by Typhoon Ketsana and many rice paddy fields and infrastructure were destroyed. How will this affect Cambodia’s economy in 2010?

The Government has requested the World Bank to support a Post Disaster Needs Assessment of the impact of Typhoon Ketsana. The team, a joint team of several government agencies and several development partners including the World Bank, is in the field at the moment. This

see AGRICULTURE page 4

... Act Now, Act Together, and Act Differently



World Bank Country Manager Qimiao Fan delivers a speech at the First National Forum on Climate Change.

financing, new resources, new instruments, and new technology. They also discussed adaptation to climate change and how to turn climate change awareness into action.

At a press conference, Senior Minister Mok Mareth, Minister of Environment, said the Ministry of Environment had asked the Ministry of Economy and Finance to reduce import tax for any goods that could reduce carbon emission, and promote renewable energy. Duty has since been reduced from 35 percent to 7 percent for solar panels, and abolished for wind power and mini-hydro machinery. He also said the two-day discussion provided a great support to Cambodia to develop capacity, mobilize financial resources, and help the country prepare for negotiations at the Climate Conference in Copenhagen in December 2009.

Cambodia is a leader among developing countries in preparing an active adaptation program – the National Adaptation Program of Action (NAPA) – which identifies the urgent priorities. The Government also established the National Committee for Climate Change. These steps place Cambodia in a strong position to take full advantage of its agreement to be one of nine countries to be part of a new Pilot Program for Climate Resilience (PPCR).

Under PPCR Cambodia will receive between \$30 million to \$60 million to enhance its institutional capacity and to support full-scale, on-the-ground investment programs that will enhance national development priorities and make them more resilient to climate change.

At the closing of the Forum, World Bank Country Manager Qimiao Fan said Climate Change is an urgent issue for everyone and every country. But he said the urgency is all the greater for people in developing countries, particularly in the less developed countries like Cambodia: how to cope with a changing climate that will impact on the availability of food, water, energy, shelter, maintenance of human health, and sustainability of livelihoods.

“Climate change can be kept within two degrees centigrade. But for this to happen, all countries must act now, act together, and act differently,” he said.

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continued from page 1

seven million riel [\$1,700], all her family’s clothes, her children’s school materials, and kitchen tools such as plates and pots. And it damaged her livelihood: two-thirds of her rice paddy was destroyed and one of her sons was wounded.

“It’s going to be very hard for my husband and me to find three million riel [\$700] to rebuild our house; now we are living in our small kitchen [2 meters by 3 meters],” she said, and added “Our greatest concern is food, and money to support our children’s schooling.”

Mr Oeun and Mrs Siphon are among thousands victims in Kampong Thom province who were hit by Typhoon

Ketsana in late September 2009.

It is believed that climate change can increase the intensity of extreme events such as Typhoon Ketsana. Just three weeks after the hurricane hit Cambodia (in Kampong Thom, Preah Vihear, Siem Reap, and adjacent provinces 43 Cambodians lost their lives) the first National Forum on Climate Change took place in Phnom Penh to discuss ways of adapting to climate change and mitigating its effects.

At the opening, the Prime Minister, Samdech Hun Sen, urged all countries to take action now to respond to climate change.

“Climate change is a great challenge facing the world; it has strong potential to change the development of human civilization if we do not take serious and timely measures to cope with it,” he said. “This issue does not stop at particular boundaries of one nation, because the world has only one atmosphere. Both rich and poor countries are affected by climate change.”

At a two-day workshop following the National Forum, panelists discussed the impact of climate change on poverty and people, particularly women and children, and on natural resources. The panelists also discussed how to mitigate climate change by responses such as renewable energy, a low-carbon society, carbon



A street of houses unroofed by Typhoon Ketsana in Sandan District Town in Kampong Thom Province.

Agriculture, Tourism Expected to Drive Growth

continued from page 2

will give us a better understanding of the impact and the needs to mitigate such risks in the future.

Our preliminary assessment, based on data collected by the NCDM, is that some 180,000 families have been affected and thousands of hectares of paddy rice have been lost. The macroeconomic effect might not be very large (perhaps in the order of 0.1 to 0.3 percent of GDP), but this masks disparities. First, some provinces have been quite severely affected, especially in Kampong Thom and in the North East. Second, the most vulnerable families – with few assets and little savings – have been disproportionately affected.

The economy in Cambodia seem a lot worse now than in 2008. How have employment and the livelihood of the poor been affected?

Only a fifth of all households have a job in sectors directly affected by the crisis (garments, construction, and tourism). Urban households and richer households are more likely to be affected through these sectors, but the income impact is greatest among poorer and rural households, for whom these jobs, if present, account for a far larger share of income. Projections suggest that the crisis could add 1 to 4 percentage points to the poverty headcount between 2007 and 2010: in other words, compared with the encouraging trajectory of the past decade, when the number of poor was steadily being reduced, the crisis would either mark a slowdown in this trend, or a reversal.

Perhaps equally important is the large number of young Cambodians who enter the labor market every year (around

***“Projections suggest that the crisis could add 1 to 4 percentage points to the poverty headcount between 2007 and 2010,”--
Stephane Guimbert.***



250,000). The challenge is for the economy to create that many jobs every year. This requires a diversification of the economy, to various agriculture products but also to industries that create jobs (as the garment sector has done over the past decade).

Another challenge is that, to respond to the increase in food prices in early 2008 and the loss of jobs and incomes in late 2008 and 2009, many households have

contracted debt or sold assets (including land). This makes these households more vulnerable in the future if they cannot generate the income necessary to maintain their levels of consumption.

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***Mr Guimbert,
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