

BTI 2014 | Cambodia Country Report

Status Index	1-10	4.12	# 105 of 129	
Political Transformation	1-10	3.77	# 103 of 129	➔
Economic Transformation	1-10	4.46	# 96 of 129	➔
Management Index	1-10	3.50	# 113 of 129	
	scale	score	rank	trend

This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2014. It covers the period from 31 January 2011 to 31 January 2013. The BTI assesses the transformation toward democracy and a market economy as well as the quality of political management in 129 countries. More on the BTI at <http://www.bti-project.org>.

Please cite as follows: Bertelsmann Stiftung, BTI 2014 – Cambodia Country Report. Gütersloh: Bertelsmann Stiftung, 2014.

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Key Indicators

Population	M	14.9	HDI	0.543	GDP p.c.	\$	2494.4
Pop. growth ¹	% p.a.	1.8	HDI rank of 187	138	Gini Index		36.0
Life expectancy	years	71.1	UN Education Index	0.520	Poverty ³	%	49.5
Urban population	%	20.2	Gender inequality ²	0.473	Aid per capita	\$	37.3

Sources: The World Bank, World Development Indicators 2013 | UNDP, Human Development Report 2013. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$2 a day.

Executive Summary

Several key events in 2011 and 2012 were indicative of larger developments in Cambodia.

The death of King Father Norodom Sihanouk in October 2012 marked the end of an era, as well as the loss of the country's most unifying symbolic public figure. His son, King Sihamoni, who took over in 2004, has a different and far less prominent standing, making societal reconciliation and trust-building no easy task.

The severe floods of September 2011, which had an impact on the lives of more than a million people, once more evidenced the vulnerability of the Cambodian agricultural sector, which is largely dependent on (wet) rice production. Most Cambodians still work in agriculture, but many have been robbed of their livelihoods by land grabs. A symptom of lawlessness as well as a cause of hunger, poverty and social exclusion, land grabbing has already affected several hundred thousand people. The problem worsened during the period under review, despite domestic and foreign protest.

In both 2011 and 2012, protests against forced evictions and large infrastructure projects, both in rural areas and in cities, were countered by state violence and arrests. The legal process against Yorm Bopha, a prominent activist involved in the Boeung Kak Lake protests in Phnom Penh in December 2012, resulted in a prison sentence, although charges were apparently far-fetched. Well-known government critics and activists sentenced to jail include the editor of the *Rasmei Kampuchea* daily newspaper, Pen Samithy, and journalist and activist Mam Sonando of Beehive radio station. Newspaper journalist Hang Serei Odum and environmental activist Chut Wutty were killed under suspicious circumstances. Political authorities' influence on judges and court processes was very visible in 2011 and 2012, and observers noted intimidation and even violence directed against politically outspoken activists.

In part due to the fact that Sam Rainsy, the country's most successful opposition politician, has been in exile in France for some years, the most recent local and senate elections (both in 2012) brought further clear victories for the long-governing Cambodian People's Party. Prime Minister Hun Sen and his cabinet experienced no serious challenge to their dominance on any level. The political opposition remains in a process of reorganization. With an eye to the National Assembly elections in 2013, the Sam Rainsy Party and the Human Rights Party formed a coalition in an attempt to take votes away from the government. However, as of the time of writing, it remained unclear whether Sam Rainsy would be allowed to return to stand for the elections.

A return to stronger economic growth rates after slowdowns in 2008 and 2009 signaled Cambodia's recovery. The launch of the Cambodian Stock Exchange in July 2011, the introduction of the first Cambodian life insurance program in 2012 and the growth of the microfinance sector all supported the ambitious goal of building a capital market in Cambodia. The country's economy continued to rely for growth on established sectors including agriculture, tourism, garment production and construction in 2011 and 2012.

The ASEAN summit hosted by Cambodia in Phnom Penh in fall 2012, as well as the state visit by U.S. President Barack Obama, signaled Cambodia's deepening integration into the international community. Both events demonstrated the country's ongoing balancing act, in which it must respond to Western donors' demands to improve the rule of law and the human rights situation, while at the same time catering to Chinese interests. Cambodia remains heavily dependent on foreign aid and investment, both from Western countries and China.

History and Characteristics of Transformation

The democratization process started under the guidance of the United Nations has failed. The former multiparty system is now a de facto one-party state. Political stability is guaranteed at the expense of political participation and civil liberties. Economic liberalization measures tentatively begun in the mid-1980s were consolidated after 1997 (after the breakup of the Khmer Rouge and the coup of 1997, which led to a cut in aid, the introduction of a value-added tax and other reforms). This resulted in impressive levels of growth over the last decade, a trend that continued even after the economic crisis.

Following the 1991 Paris Peace Accords, the United Nations Transitional Authority in Cambodia (UNTAC) cleared the way for the country's first national elections. Elections for the National Assembly were held in 1993 under the eyes of international observers. This first phase of the political transition (1992 – 1997) was characterized by instability, massive political conflict, pre-electoral violence and the repression of opposition forces. Officially, the first elections were declared free and fair by election observers and gave reason to hope that a new democratic tradition of electoral politics had been established. In reality, many voters had been hindered from participating by the remnants of the Khmer Rouge movement and the administrative structure of

the Cambodian People's Party (CPP), which had not been dismantled by UNTAC. Yet despite this, the party that won the elections was the National United Front for an Independent, Neutral, Peaceful and Cooperative Cambodia (FUNCINPEC), while the Cambodian People's Party (CPP) came in second. The CPP strong-armed its way into a coalition government under two prime ministers, Prince Norodom Ranariddh (FUNCINPEC) and Hun Sen (CPP) following credible threats of violence, and when elements of the CPP attempted to lead three provinces to secede from Cambodia following the election. King Sihanouk orchestrated a deal in which there would be no winners and no losers, subsuming the will of the Cambodian people for the purpose of national reconciliation.

Political violence and fights with the Khmer Rouge, who had withdrawn from the election process, ensued. Opposition members and journalists became frequent victims of violence. The coalition government was unstable from the beginning. The CPP and FUNCINPEC were deeply divided, and changing factions within the parties further eroded the stability of the coalition. Relations between Ranariddh and Hun Sen worsened considerably. In 1997, Ranariddh was ousted by CPP leader Hun Sen in a bloody military coup. Cambodia's accession to ASEAN was postponed following massive international criticism of Cambodian politics and external donors put pressure on the government to ensure the return to liberalization.

Parliamentary elections in 1998, the country's second, resulted in another CPP and FUNCINPEC coalition government. Some stability was achieved after that year's official dissolution of the Khmer Rouge, but the elections were again preceded by systematic and widespread political intimidation and violence by the CPP. The Sam Rainsy Party, led by the eponymous former finance minister, emerged as a new opposition force despite attempts to keep them from participating equally in the balloting. With Hun Sen as sole prime minister following the elections, the CPP developed into the country's strongest political force, a trend that continued through the first communal election of 2002 and the following round of parliamentary elections in 2003. Since that time, Hun Sen has taken broad control over the security apparatus, civil service, all TV stations, almost all radio stations, major newspapers, electoral administration and the judiciary. His CPP remains the largest party with a firmly established patronage network.

It is thus clear that the democratization process stalled after 1997, and has been reversed by the CPP's noticeable autocratic tendencies. Hun Sen's hold on Cambodian politics has strengthened, with the CPP emerging as the dominant party in the most recent parliamentary, senate and commune elections. The 2012 Senate election, the third commune elections of 2012 and the national elections of 2008 all resulted in landslide wins for the CPP. FUNCINPEC was weakened by internal fighting, and a final split came when Prince Ranariddh was dismissed from party leadership in 2006. In the latest elections, this party no longer played a significant role. Rainsy and some of his party members were stripped of parliamentary immunity in 2005 for alleged defamation of Hun Sen and Prince Ranariddh, and fled the country until he was pardoned after publicly apologizing. In 2009, Rainsy again lost immunity and is now in exile in France after being sentenced to 12 years in prison. Left as the only opposition force, the Sam Rainsy Party has become even more isolated and recently joined forces with the Human Rights Party. The CPP under Hun Sen has now established a de facto one party system that has no serious competitors in the electoral

process. It is unlikely that the 2013 elections for the National Assembly will result in any significant changes.

The process of economic liberalization that has been underway since before the political transformation accelerated in the late 1990s. In the aftermath of the 1997 financial and economic crisis, Cambodia suffered from a decline in foreign assistance, but nevertheless managed to implement important steps in the transition to a market economy. It has since made significant progress in liberalizing its economy. Growth rates averaging 9.4% over the last 10 years, including double-digit growth rates between 2002 and 2006, testify to the stabilization of the macroeconomic process. As a consequence of the global financial crisis, 2009 saw negative growth rates for the first time since the 1990s. However, the economy picked up again despite the ongoing global financial crises, with growth rates of more than 5% or even 7% expected in coming years. The most positive development was the successful implementation of reform measures in the fiscal and monetary sector. However, massive social inequalities and a large number of poor people pose a serious challenge to the sustainability of economic growth. While important reforms such as welfare system improvements and poverty reduction need to be implemented in order to increase the efficiency and sustainability of economic development, prospects for success in such measures are dim under the current political constellation.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

Question
Score

The state of Cambodia has consolidated its monopoly on the use of force across its territory over the course of the last 20 years. The last remnants of Khmer Rouge groups challenging state authority, active in the border region around Pailin, were dissolved several years ago.

Monopoly on the
use of force
8

Border spats with Thailand over the area surrounding the temple of Preah Vihear in the Dangrek mountains continued throughout 2011, but troops withdrew in 2012 and a demilitarized zone has been established. The border area is now monitored by Indonesian observers with the aim of maintaining the status quo until the conflict has been resolved.

Unresolved border demarcations dating to the end of French colonial rule continued to influence relations with Vietnam. Despite signing a border treaty in 1985, later amended in 2005, the two countries have retained opposing claims to disputed territory. Facing strong criticism by the opposition, the Cambodian administration announced an agreement with the Vietnamese government in June 2012 that would finalize border demarcations, potentially ceding ground to Vietnam. Both countries celebrated the symbolic last border marker. However, as of the time of writing, it remained unclear whether the Cambodian state would have to return two villages to Vietnam according to the treaty.

As a consequence of the Khmer Rouge purges and civil war, Cambodia today is an ethnically homogenous country to an extreme degree. With ethnic Khmers making up nearly 90% of the population, neither language nor identity issues are particularly contested. Formally, all Cambodian citizens enjoy the same rights, although citizenship law does disadvantage members of ethnic minorities as well as Cambodians with foreign or dual citizenship.

State identity
8

Minority groups such as the Cham, Khmer Kampuchea Krom and Khmer Loeu have continually faced discrimination, as have citizens of Vietnamese origin. A number of Khmer Krom individuals from Vietnam who sought asylum in Cambodia have faced problems attaining residence rights.

Anti-minority prejudice and discrimination against foreigners, particularly with regard to Vietnam and, more recently, Thailand, are characteristically instrumentalized in election campaigns, with nationalist sentiments used to disguise massive social inequalities.

According to the Cambodian constitution, religious freedom is guaranteed for all faiths. An estimated 93% of Cambodians are Theravada Buddhists, and Buddhism is the state religion. The small Muslim Cham minorities and other religious groups largely enjoy religious freedom. While some government supervision of religious holidays and temples exists, the state itself can be seen as secular, with no interference from religious groups. Rather, the state controls religious groups for political purposes.

In spite of urgent calls for reforms, the administrative situation in Cambodia remained largely static throughout the years under review. A notable divide between urban and rural areas still characterizes the overall infrastructure of the country. Access to sanitation and clean water remains limited to about half of the rural population. In urban areas, about three-quarters of the people have access to basic public services, yet only a third of the population is provided with access to sanitation. This lack of basic infrastructure is a major cause of massive health problems and infant deaths. Although donors have focused investment in these public service sectors, the situation has been very slow to improve.

While there have been promises to reform the bureaucratic apparatus, it remains the key obstacle to guaranteeing a functional administration. Understaffed and in need of better training facilities, national-level and provincial administrative structures alike have very limited capabilities and are highly politicized. Corruption, lack of public information, unqualified personnel and interest-driven politics continue to hamper law enforcement and the tax collection process.

2 | Political Participation

Since the first elections of 1993, the electoral process has become less open rather than more free and fair. Formally, general elections for the National Assembly, the Senate and commune councils are held at regular intervals. Universal suffrage is ensured, but many informal mechanisms have rendered elections faulty and unfair. While the incidence of pre-electoral violence has declined, vote-buying practices, opaque campaign financing and manipulated voter lists still exist as key obstacles to

No interference of religious dogmas

10

Basic administration

5

Free and fair elections

4

fair elections. In addition, reliable information about the competing parties is difficult to access, since large parts of the media are controlled by the ruling CPP. The CPP has made active efforts to undermine competition, but nearly all opposition parties have also demonstrated an inability to establish themselves as viable alternatives to the ruling party.

The CPP's control over all important political and societal sectors, including the military, administration and to some extent even the Buddhist clergy, has for many years prevented elections from being substantively free. Senate elections in early 2012 resulted in another victory for the CPP (taking 78% of the seats), with the Sam Rainsy Party being the only opposition group to win seats despite party leader Rainsy's continued exile in France.

The most recent commune council election of 3 June 2012, which was regarded as a test run for the 2013 national elections, again demonstrated the lack of electoral freedom. Members of the opposition parties were intimidated and slandered during the pre-election campaigns, while Rainsy, the best-known opposition politician, remained unable to campaign for his party.

Acknowledging pre-election conflicts for the first time, King Norodom Sihamoni publicly urged the Cambodian electorate to make use of their votes and to resist intimidation campaigns. This public statement of March 2012 is indicative of the massive interference of the ruling party in the freedom of elections. The prime minister has announced his intention to rule for the rest of his life (or until he is 90), thus signaling his disrespect for democratic procedures and undermining the credibility of the electoral process further.

In a United Nations Human Rights Council report on Cambodia, Special Rapporteur Surya Subedi explicitly recommended the institution of electoral reforms, particularly with regard to the independence and capacity of the National Election Committee, in order to ensure free and fair elections. The Committee is staffed by many public servants and has been criticized for influencing the elections in favor of the current government.

The autocratic rule of Prime Minister Hun Sen has become nearly uncontested. No major political or other veto powers exist that could seriously challenge the CPP and its widespread influence over all civilian and military sectors of the state.

Effective power to govern

2

Since clientelist-based politics, corruption, irregular promotions and interest group co-optation are an integral part of the CPP's system of rule, the administration has grown out of proportion to functional needs. The huge, ineffective bureaucratic apparatus has not managed to implement necessary reforms or overcome massive structural constraints. The bureaucracy, police apparatus and military are highly politicized and involved with the CPP on nearly all levels.

While economic growth has given the government some international credit and legitimized its centralized rule in the eyes of many Cambodians, the effectiveness of the political process remains limited.

As in previous years, the government has sought to regulate non-governmental organizations (NGOs) and civil society organizations, interfering with the freedom of assembly. Consultations with NGOs over a draft Law of Associations and Non-Governmental Organizations (LANGO), introduced in late 2010 and opened to public discussion in early 2011, continued throughout 2011. The government issued four drafts before December 2011, all of which were rejected by national NGO representatives and criticized by international observers. Debate focused on complicated registration procedures and a lack of clarity as to what would be regarded as a non-governmental organization under the law.

Association /
assembly rights
3

Due to this massive criticism, the government announced it would put the law on hold, possibly until as late as 2014. This and other more recent initiatives have made the situation for civil society activists in Cambodia difficult. While the Cambodian constitution (Articles 41 and 42) guarantees basic civil rights, including the freedom of association and the freedom of speech, these rights have effectively been curtailed. The LANGO initiative is only the latest attempt by the government to broaden its control over civil society, including the several hundred international NGOs that have operated in Cambodia since the mid-1990s.

In November 2012, the International Labor Organization rated Cambodia as among the worst countries worldwide in terms of limiting association rights, criticizing the government for failing to investigate the murders of three prominent trade union activists in 2004 and 2007 more systematically. A climate of impunity resulting from the evident disinterest in identifying the murderers of Chea Vichea and the other union leaders has de facto undermined the freedom of assembly further. Two men convicted of the crime have been called scapegoats by observers. Lawsuits against activists and frequent court cases introduced on the basis of the reformed penal code have made it difficult for opposition groups to operate.

Continuing the trend of previous years, the gap between the constitutionally guaranteed freedom of expression and citizens' de facto rights remains wide. Several laws have been introduced since the passage of the 1993 constitution that effectively limit the freedom of the press and enable critical voices to be silenced. In particular, revisions to the penal code made in late 2010 have made possible court cases that seriously undermine the freedom of expression.

Freedom of
expression
4

Defamation charges against civil society activists, newspaper editors and reporters have become a widely used instrument by which to intimidate government critics. Court cases against several journalists are part of a systematic interference in media affairs. Incidents have included a lawsuit against Rasmei Kampuchea, editor in chief

of the largest Khmer-language daily newspaper, for publishing articles about illegal logging in October 2011; the withdrawal of two papers' operating licenses in retaliation for critical comments by the owner; and physical attacks against newspaper photographers and journalists. In a highly controversial court case, journalist and democracy activist Mam Sonando, who owned the independent radio station Beehive Radio, was arrested (for the third time since 2003) and sentenced to 20 years in jail on charges of inciting rebellion.

In late 2012, newspaper journalist Hang Serei Odum was murdered. Investigations into the crime were ongoing as of the time of writing. Previous murders of journalists, including that of Khim Sambo in 2008, have not been solved.

Instead of open violence or murder, however, the focus of strategies against journalists now seems to have shifted mainly to lawsuits, intimidation and censorship. The country's rank in Reporters Without Borders' 2011 – 2012 Press Freedom Index rose as compared to 2010, but Cambodia's press is in fact far from free. Particularly after the end of the country's ASEAN chairmanship and the 2012 summit meetings, the government tightened measures against critics again.

Hun Sen's family and the ruling CPP have a virtual monopoly on information. Television channels and many radio channels are owned by the party itself or associated families. Since Internet use is still limited to a minority of Cambodians and print media is traditionally also restricted, most Cambodians depend on the broadcast media for their information, and are thus subject at least indirectly to censored information flows. The government has made a move to block critical websites and has announced a draft law to regulate Internet use, indicating new attacks on the freedom of expression in Cambodia.

3 | Rule of Law

Under the provisions of the Cambodian constitution, a clear separation between the legislative, judicial and executive branches of government exists. With the monopolization of power by the Cambodian People's Party, however, genuine checks and balances were eroded before ever beginning to function effectively.

Parliamentary decisions have been overruled by the executive, and interference in judicial processes by members of the government has become a common practice. For instance, Prime Minister Hun Sen's open opposition to the Khmer Rouge trial ongoing in the Extraordinary Chambers in the Courts of Cambodia (ECCC) has risked the success of the process.

Since the remaining opposition parties have little influence alone, and have not formed alliances enabling them to play a significant role in the parliament or Senate,

Separation of
powers
2

the legislature does not serve as a constraint on the decision-making powers of the CPP or the government. The judiciary is effectively controlled by the executive.

The judiciary has increasingly become the handmaiden of the executive. The courts' recent activities have been deeply subject to political influence, especially on the basis of the revised penal code that has been used to restrict civil liberties.

Independent
judiciary
3

The independence of individual judges cannot be guaranteed. High ranking positions such as that of chief judge of the Cambodian Supreme Court or Supreme Court deputy president are awarded on the basis of close ties to the government. Currently, both figures are CCP committee members.

International and Cambodian human rights organizations have repeatedly criticized the government for abusing the justice system to mute the opposition and other forces of social protest. In December 2012, Yorm Bopha (along with husband Tim Sakmony), who advocated on behalf of the 13 women who led protests against mass evictions in the Boeung Kak Lake area in Phnom Penh, was convicted and sentenced to three years in prison on assault charges. According to observers, the witnesses and evidence in the case were insufficient and contradictory. The two have been acknowledged as prisoners of conscience by Amnesty International.

In a similarly controversial case, an appeal by the two alleged murderers of labor union leader Chea Vichea, who was killed in 2004, was turned down. After four years out of prison, Born Samnang and Sok Sam Oeun will now have to serve the remainder of their 20-year sentence. The original conviction of both men was judged by observers as highly irregular, as there was massive political interference and pressure on the courts to ignore false evidence. Both men are generally described as scapegoats.

There are no institutional safeguards that ensure any level of transparency in legal processes. Bribery, corruption, a lack of sufficiently trained personnel and intentional delays in the proceedings of key cases have rendered the judiciary far from independent. Indeed, court proceedings often seem to be guided by direct executive intervention, especially in cases dealing with human rights or union activists and journalists.

The administration, from the national level down to local offices, is opaque and understaffed. Public servants are not sufficiently trained to fulfill their roles, and recruitment and promotions are not necessarily indicative of performance. The responsibilities of individual office holders are difficult to identify, as formal denominations and structures do not always reflect actual tasks and accountabilities. The use of offices for personal ends has become an accepted prerogative of the administrative system rather than an exceptional circumstance. Land grabbing, illegal logging and mining remain central practices connected to office abuse.

Prosecution of
office abuse
2

While blatant office abuse, when publicly discussed, can lead to prosecution, no general procedure for the removal of corrupt public servants or politicians has been established. An anti-corruption law passed in 2010 and criticized by opposition groups and international observers has already led to legal charges against several office-holders. For instance, former prosecutor Top Chan Sereyvuth was found guilty of bribery and other charges and sentenced to 19 years in prison. Moek Dara, police chief of Banteay Meanchey province, was also arrested under the new anti-graft law. Critics have claimed that some of the corruption-related arrests may have been politically motivated and related to internal divisions within the CPP, driven in particular by Prime Minister Hun Sen and Senate President Chea Sim.

The persistence of grave social inequalities is reflected in the lack of guaranteed civil rights accorded to certain groups. The situation of women, children and ethnic minorities in particular has not improved, especially with regard to equal treatment before the law.

Civil rights
3

Minority groups both in the northern mountains and in the lowlands are very vulnerable to land grabbing efforts, and have little means by which to ensure compensation. They are thus vulnerable to the loss of their land to large private agricultural projects supported by the central government. As few communal land titles have been given to minority groups, the problem of land loss for these communities continues. Forced evictions and attacks against demonstrators remain a cause for concern. Protests against mass evictions have been met with police violence and mass arrests. The verdict against activist Yorm Bopha in the Boeung Kak Lake case is one of several cases in which public protest has resulted in arrests and custodial sentences. Violence by authorities was also reported throughout 2011 and 2012. When villagers protested their forced eviction in Broma in Kratie province in May 2012, a teenage girl was killed, shot during clashes between the police and the villagers.

In other cases, protesters have been wounded, arbitrarily detained or intimidated. Charges are rarely filed against the officials responsible, or are often dropped during the process.

Arbitrary detention, abuse and police violence are disproportionately experienced by vulnerable groups. Sex workers, street children, beggars and drug users, as well as people with mental disabilities and homeless people, have been known to disappear and reappear in detention or so-called rehabilitation centers. Beatings, rape and sometimes torture have been reported (for instance in a 2012 report by Human Rights Watch).

According to a 2012 report by Cambodian human rights organization Licadho, prisons are overflowing, with capacities stretched to more than 170% of the number of inmates they were originally meant to accommodate. Due to excessively long

custodial sentences, bribery and the excessive use of pre-trial detention, prisons are not only overcrowded but also affected by food scarcity and health issues. With the number of women and children in prison rising, the situation has worsened.

Human rights activists face intimidation and the prospect of being charged under the new penal code. Moreover, with the murder of human rights and environmental activist Chut Wutty in Koh Kong province in April 2012 under unclear circumstances, the threat of violence against government critics has again become very real.

4 | Stability of Democratic Institutions

After five National Assembly, two Senate and three communal council elections, decentralization and democratic procedures have been formally established. However, the substance of these democratic institutions has been eroded with the expansion of influence and power wielded by Hun Sen, the cabinet and the Cambodian People's Party since the first elections of 1993. Only the fiction of a democracy has been kept up through the retention of these hollowed-out democratic institutions.

Performance of democratic institutions

2

The executive has now a firm and uncontested monopoly on power. The parliament, Senate and judiciary have little independence and are subject to ongoing influence by the executive. While formal democratic processes are kept up to some extent – for instance, the parliament still has to approve the budget – decisions are frequently overruled or changed. Laws are passed with little advance notice, and pressure on judges to mute opposition voices has effectively disempowered the judiciary.

Hun Sen's family and other patronage networks have come to substitute for accountable institutions. With no real opponents left, Hun Sen has been free to set the agenda and direct politics in spite of power conflicts within his own party. The prime minister has publicly belittled democratic processes and institutions, apparently feeling no need to keep up the democratic facade.

Since democratic institutions have more form than substance, little commitment by relevant actors can be expected. With the Cambodian People's Party, the prime minister and his cabinet in place to stay, democratic institutions matter little. CPP rule has been stabilized in the course of all recent elections, and arbitrary and opaque government decisions have met with no serious opposition.

Commitment to democratic institutions

2

5 | Political and Social Integration

The party system has not fundamentally changed in recent years, but has seen some reorganization. The Cambodian People's Party is the largest association by far,

Party system

3

followed by the oppositional Sam Rainsy Party (SRP), the Human Rights Party and the royalist FUNCINPEC and Norodom Ranariddh parties. Smaller parties exist but play little role in national politics. Generally, the party system is fragmented and changeable, largely due to internal conflict rather than broader societal processes.

The opposition has been seriously weakened, particularly with Sam Rainsy and Mu Sochua of the SRP stripped of parliamentary immunity and the main opposition parties in the process of reshuffling. In mid-2012, the SRP and the Human Rights Party announced the formation of an alliance for the 2013 National Assembly elections, merging to form the National Rescue (sometimes translated as Salvation or Sustaining) Party. While it remains unclear whether party leader Sam Rainsy will be eligible to stand for office in the coming elections, the opposition remains active in trying to combine forces.

Parties and party coalitions have stabilized around a few well-known individuals and mostly lack a clear political profile. Patronage networks keep levels of support within the parties high, though internal party fighting is blatant, especially in the CPP. Societal interests have not been translated into durable structures represented by parties.

Cambodia is well-known for its active and lively civil society, which ranges from grassroots activities to state-level organizations. Formalized non-governmental organizations, both local and international, are complemented by ad-hoc movements. Large interest groups and NGOs as well as grassroots groups are generally supportive of civil rights and democracy.

Interest groups
3

Human rights advocacy is among the highest-profile activities, with Cambodian organizations such as Licadho and Adhoc attracting international attention. While they have repeatedly come under pressure by authorities, they continue to monitor and document human rights violations. International NGOs fear a deterioration in working conditions related to the proposed NGO law, and for small groups the extensive and nontransparent registration procedures might be too difficult to manage.

Notably, a number of loosely organized groups have evolved over the last years. For instance, protesters against forced evictions and land grabbing or illegal logging have drawn public attention and support. The case of 13 women who demonstrated against community evictions in the Boeung Kak Lake area was debated widely in 2012. In a country that is still far from achieving gender equality, the political activism of women (which has extended beyond this case) can be seen as important signal of social protest.

Against the background of past civil war and sustained conflict, many Cambodians are now both supportive of democracy and afraid of instability. This has worked in favor of the governing CPP and particularly Prime Minister Hun Sen, who has guaranteed stability and economic growth while undermining democratic procedures and institutions.

Approval of
democracy
n/a

Voters are not particularly well-informed about the goals of individual parties, though the CPP, thanks to its control of large parts of the national media, is an exception. Opaque election procedures, voter intimidation, vote-buying, last-minute defections by party members (almost exclusively to the CPP) and misinformation campaigns have undermined election credibility and reinforced the impression that democratic procedures are faulty. Voter turnout for the 2012 communal council elections, which were meant to bring representation closer to the people through a process of decentralization, was extremely low at an officially estimated 63% (with other sources indicating little more than 50%). This represented a decline from 87% in 2005. These were only the third such local elections following their introduction in 2002.

With the civil war and the mass killings perpetrated by the Khmer Rouge still comparatively fresh in people's memories, Cambodian society remains afflicted by a lack of trust. Societal reorganization after the arbitrary violence suffered under the Khmer Rouge and the culture of impunity that has in many cases prevented justice from being realized is by no means complete. A lack of public debate and frequent outbursts of exaggerated nationalist rhetoric have structured societal discourse, but have not furthered the cause of mutual assurance.

Social capital
4

With the clear separation of Cambodians into those who survived the genocidal regime and those too young to have been immediately affected by it, mutual trust is low. A culture of impunity resulting from Cambodia's historical legacy and perpetuated through a corrupt and politicized legal system has rendered the rebuilding of social life even more difficult. Social capital was basically destroyed when the Khmer Rouge killed large numbers of the educated elite and annihilated the formal education system, religious life and traditional family relations.

There is little general solidarity with the most vulnerable citizens, among them women, ethnic minority groups and the extremely poor. Ethnic minority groups are in grave danger of losing not only their land but also their traditional lifestyles as their living areas are turned into private economic and agricultural zones. Social networks in all regions of Cambodia have been destroyed as whole communities have been relocated or left homeless. Women remain underrepresented in all realms of social life, including in the parliament, civil service, and secondary and tertiary education; they thus lack the social capital to improve their own situation.

Several grassroots-organizations and local NGOs have formed around specific policy issues such as health, the environment or women's rights. Organizations that deal with trafficking in women and children and with violence against women have sought to support groups that are almost unprotected by society, among them sex workers, women that suffer from marital violence and children. Organizations such as Somaly Mam's Acting for Women in Distressing Situations (AFESIP) group or the Women's Crisis Center offer psychological support and practical help to women, and try to generate publicity for women's problems.

With many societal divides firmly entrenched, activities aimed at generating trust can only address the worst problems. Their ability to have any long-term effect will be dependent on support by broader segments of Cambodian society.

II. Economic Transformation

6 | Level of Socioeconomic Development

In the UNDP's latest Human Development Report, Cambodia was ranked 139th worldwide. The change in the country's Human Development Index (HDI) score reflects a rise in life expectancy and average years of schooling on the one hand, and a decrease in per capita GDP between 1980 and 2011 on the other. With an HDI value of 0.523, the country is situated below the regional average (0.671), but has improved in comparison with 2009 data.

On the basis of the new inequality-adjusted HDI (IHDI), Cambodia falls even further to the lower end of the list of countries at a medium level of human development, with a value of 0.380, again below the regional average. This is indicative of severe social inequalities in areas such as access to health care or education, which continue to structure living conditions in the country.

More than 50% of the population lives in a condition of absolute poverty, defined as less than \$2 in purchasing power per day. This figure has declined slightly compared to previous levels. However, if a poverty line of \$5 a day is postulated, poverty has increased marginally. Per capita gross national income is \$820, which is an improvement compared to 2010 but remains the second-lowest in the region. More than 90% of the country's poorest citizens live in rural areas.

At least an additional 20% of Cambodians are in danger of becoming poor, and lack proper access to health care, education and other resources. Furthermore, more than 10% of Cambodian households face food insecurity, mostly due to high food prices.

Question
Score

Socioeconomic
barriers
4

According to the World Food Program, about 40% of Cambodian children are malnourished. Social exclusion of certain groups, including women, persists.

Economic indicators		2009	2010	2011	2012
GDP	\$ M	10401.9	11242.3	12829.5	14061.8
GDP growth	%	0.1	6.0	7.1	7.3
Inflation (CPI)	%	-0.7	4.0	5.5	2.9
Unemployment	%	0.1	0.4	0.2	-
Foreign direct investment	% of GDP	5.2	7.0	7.0	-
Export growth	%	-9.9	20.6	18.9	-
Import growth	%	-10.2	16.8	16.3	-
Current account balance	\$ M	-784.6	-771.7	-711.8	-1207.5
Public debt	% of GDP	28.9	29.1	28.5	28.5
External debt	\$ M	3523.4	3833.2	4336.1	-
Total debt service	\$ M	49.8	62.6	76.8	-
Cash surplus or deficit	% of GDP	-2.3	-3.7	-4.2	-
Tax revenue	% of GDP	9.7	10.1	10.0	-
Government consumption	% of GDP	6.2	6.3	6.0	-
Public expnd. on edu.	% of GDP	-	2.6	-	-
Public expnd. on health	% of GDP	1.3	1.3	1.3	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	2.3	1.6	1.5	1.5

Sources: The World Bank, World Development Indicators 2013 | International Monetary Fund (IMF), World Economic Outlook 2013 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2013.

7 | Organization of the Market and Competition

Cambodia is still in the process of building a market economy. The country ranks poorly in terms of legal certainty, with a 15.5 percentile rank globally (as of 2011) according to the World Bank's rule of law indicator, indicating a weak formal legal setting for economic activities. The Cambodia Investment Law (Art. 10) ostensibly

Market-based
competition

5

guarantees that the government will refrain from any price controls over previously approved services and products. Disputes are to be heard by the Ministry of Commerce or the Cambodia Chamber of Commerce. Some significant steps have already been taken with respect to improving the investment environment, for instance with regard to legal security and property rights. However, registration procedures for new businesses remain a core weakness both for national and international business, with lengthy application periods and corrupt and nontransparent procedures. Discrimination against foreign investors has not been reported systematically, although domestic investment is highly encouraged.

The formalization of the informal sector remains in its very early stages. Just 17% of Cambodians hold formal employment, with the ratio even lower for women in the workforce. Women's vocational choices are limited in the informal and formal sectors, with most jobs in agriculture, the garments industry or in retail. The private formal sector does not produce a sufficient volume of jobs, a problem that will probably worsen as more young people enter the job market. This is a potential serious medium-term concern, as a large percentage of Cambodians are under 15 years of age.

The World Bank's most recent Doing Business report saw Cambodia rise by 12 ranks worldwide (to 133rd from 145th place in 2011) due to improvements in the availability of credit and the ability to resolve insolvencies.

As of the time of writing, Cambodia had drafted a competition law but not yet passed it. In the absence of the competition law, no credible antitrust regulations were in place. The law represents one element of Cambodia's WTO accession obligations, others of which include the creation of the Cambodian Competition Commission to enforce the law. Previously, single sectors or industries have been regulated by special agencies such as the National Information Communications Technology Development Authority and the National Bank of Cambodia. Several state-owned companies hold quasi-monopolies in key sectors such as insurance/reinsurance, telecommunications and electricity.

Cambodia has several state-owned enterprises and two joint-venture enterprises in which the state holds a majority share, with areas of operation encompassing agriculture, telecommunications and infrastructure, among others. While private and public companies compete under the same conditions, the domination of key industries by state companies remains critical, as for instance in the fishery sector. The largest fishery company is Kampuchea Fish Import and Export Company (KAMFIMEX). Even though private fishing companies exist in Cambodia, KAMFIMEX is the only company that exports fish. The export of rice no longer requires a government license.

Anti-monopoly
policy
3

Cambodia has made tangible progress toward the liberalization of foreign trade. With its accession to the WTO in 2004, Cambodia introduced a number of regulations aimed at deregulating tariffs and committed itself to adhering to WTO obligations.

Liberalization of
foreign trade
6

According to the World Bank's 2012 Doing Business report, the only measures Cambodia has taken in the last year to improve foreign trade were the elimination of pre-shipment inspections, which reduced the time and number of documents required for importing and exporting, a reform introduced in 2011.

Few non-tariff barriers exist. The Cambodian custom tariff system includes different rates that range from 50% to no tariffs. The highest tariffs are placed on luxury goods such as cars or wine.

Cambodia's main trading partners remain the United States and Europe, although the ASEAN region is becoming more important as barriers between the region's countries are gradually removed. Accelerated tariff removal and integration in sectors such as tourism and electronics has already been implemented to a great extent.

The establishment of a banking sector and capital market are core elements in the efforts to reorganize Cambodia's economy. With the banking system having undergone significant changes in recent years due to the amended Law on Banking and Financial Institutions, there are currently 29 commercial banks, seven specialized banks and 27 licensed microfinance institutions active in Cambodia. This reflects a reduction in numbers but also a revival of the overall finance sector. All banks are expected to become members of the Association of Banks in Cambodia. The National Bank of Cambodia (NBC) is tasked with the regulation, oversight and licensing of the banking industry. It is still in the process of building capacities enabling it to comply with the principles of the Basel Committee on Banking Supervision, but has made some progress toward achieving this end. Its regulatory capital standards, for instance, include elements of Basel I, II and III. Furthermore, the NBC has changed its supervisory policies to a more sector-specific approach, aiming to focus more on potential risk areas. According to NBC data, deposits with microfinance institutions and loan volume continued to grow dramatically throughout 2012. The Credit Bureau Cambodia (CBC) was also established in 2012, with the goal of monitoring the transparency and stability of the banking sector. All banks will have to report to the CBC.

Banking system
5

In July 2011, the Cambodia Stock Exchange (CSX) was finally launched. The exchange is a joint venture between the Cambodian government and the Korean Exchange. The Ministry of Economics and Finance and the Securities and Exchange Commission of Cambodia are responsible for regulating listings and granting licenses. In April 2012, the Phnom Penh Water Supply company became the first Cambodian enterprise to be listed on the stock exchange. Two additional state-owned

companies (the Sihanoukville Autonomous Port and Telecom Cambodia) will follow. Some private companies have signaled interest but have not yet announced a listing.

8 | Currency and Price Stability

After extremely high inflation rates in 2008 and 2009 (as high as 25%, in part due to the financial crisis), the consumer-price inflation rate fell to about 4% in 2010, and increased to 5.5% in 2011. An average of between 3% and 3.5% was forecast by the Asian Development Bank (ADB) and the IMF for 2012. Compared to 2011, consumer prices increased by 1.6%, mainly because of higher prices for food, nonalcoholic beverages, clothes and gasoline (gasoline prices alone rose by roughly 5%). According to World Bank Food Price Watch data, prices for rice increased by 16% between mid-2011 and mid-2012; this put significant pressure on inflation rates, as food accounts for nearly half of the consumption basket.

Anti-inflation /
forex policy

6

Due to higher tax revenues, for instance through the introduction of a property tax, the state's fiscal deficit declined. The fiscal deficit totaled 7.6% of GDP in 2011, but the government aimed to lower this to 5.7% of GDP in 2012. The current account deficit was projected to rise by 0.5 percentage points due to weak external demand, but was expected to decline again in 2013 with the recovery of the global economy.

The riel remained stable, with a nominal exchange rate of KHR 4000 per U.S. dollar (with little fluctuation in 2011 and 2012). Price stability is a primary objective, and the riel remains tied closely to the dollar. Because of this, the National Bank of Cambodia (NBC), Cambodia's autonomous central bank, faces constraints on its anti-inflation policies, due both to the continuing dollarization and the absence of an interbank market that would allow it to expand its monetary policy instruments.

The global financial crisis and serious flooding in 2011 posed challenges to Cambodia's macroeconomic stability in recent years. The fiscal deficit remains a source of concern. The deficit has been high since 2009, when a more flexible fiscal policy was introduced. While tax collection has been expected to increase due in part to a newly introduced property tax, revenues during the period under review remained lower than projected (12.7% of GDP in 2011). Relying on the continued inflow of donor money, the government has not systematically pursued fiscal sustainability.

Macrostability

6

Public debt totaled more than 28% of GDP in 2011, and was projected to remain stable despite a rise in absolute levels (thanks to parallel increases in GDP).

A recent World Bank report offers recommendations for improving the efficiency of government spending, particularly with regard to reducing tax exemptions and spending within key sectors. In 2010, government consumption totaled 6.3 % of GDP. With total reserves totaling \$3.4 billion in 2011, up from \$3.3 billion in 2010 (or alternately, 4% of GDP in 2011 compared to 7.1% in 2008), the Cambodian

government has been able to take measures against crises such as the 2011 flood, mitigating resulting rises in food prices and investing in reconstruction measures. Short-term difficulties, such as the reduced demand for garment exports in Europe and the United States due to the financial crisis, have also been partially absorbed.

9 | Private Property

Property rights remain a highly politicized issue. Problems associated with the lack of land titles have resulted in massive public protest and violence by the authorities. Land titles are difficult to get, particularly in rural areas. While some (externally funded) projects have started to survey and register rural areas, a majority of people in the countryside are still without official land titles. According to recent overviews, nearly two-thirds of all arable land is now in the hands either of foreign investors or landowners with good government connections.

Under the 2001 Land Law and the constitution, land titles and compensation payments for land taken by the state are regulated in principle, but the reality has been very different. Poor people have little opportunity to realize their property rights. Although the introduction of the law has enabled groups of villagers, often ethnic minorities, to apply for communal titles, this is a complicated procedure and very few communities have made use of this offer in practice.

With several hundred thousand people affected by land grabbing and forced eviction over the past 10 years, property rights violations are now among the country's most serious human rights violations. Land grabbing happens both in rural areas and in the cities. Large agricultural projects, initiated under the so-called economic land concession (ELC), have made land a contested resource and have threatened the livelihood of many rural communities. Land is also often used to host large-scale projects such as plantations, mine operations or factories. In many cases, international investors benefit from these unlawful practices.

In the cities, new commercial development projects are responsible for the forced removal of people from homes and neighborhoods. Since building ground is scarce, high-ranking officials simply clear whole areas for commercial construction projects. As a recent example, the Phnom Penh Boeung Kak Lake area has been cleared, and the lake filled with sand. More than 10,000 people have been evicted in order to turn the area into a new city quarter with office buildings and luxury apartments. The World Bank threatened to put its financial support on hold should violence against protesters continue.

Compensation and legal assistance are almost completely denied to those affected by land grabs and forced evictions because of loopholes in the land law and the ELC. Despite pressure from the donor community, the government has not reformed the

Property rights
3

laws. Since officials and their families have been systematically involved in land grabbing, perpetrators of property rights violations are better protected than their victims.

As part of the economic liberalization process, private and state-owned enterprises have in principle been put on equal footing. The privatization of the comparatively small number of state-owned enterprises (e.g., by leasing out or selling) has lacked transparency, clearly benefiting a small, well-connected elite along with foreign companies. More than a dozen state-owned companies today remain entrenched in key areas such as the telecommunications, ports, insurance/reinsurance and electric power sectors. Some of these key sectors have been protected by special laws, as is the case in the electricity sector. Important public infrastructure projects such as highway construction and the improvement of the country's electricity supply remain underdeveloped.

Private enterprise
6

Most businesses in Cambodia's key growth sectors – primarily industry, garments, tourism and agriculture – are now private. The private sector consists primarily (about 90%) of small businesses with less than four employees, according to Asian Development Bank data.

In early 2012, Cambodia's first life insurance plan was introduced. Cambodian Life is a joint venture between the Ministry of Economy and Finance and four private partners from Indonesia, Hong Kong and Thailand. The state holds a 51% stake in the joint venture.

Since 2005, more than 20 special economic zones (SEZ) involving foreign investors have been established close to land borders and on the coast, mainly focused on infrastructure activities. The zones are characterized by a considerable reduction of regulations and legal obstacles. Efforts to open and close businesses in Cambodia are marked by complicated and lengthy procedures (the World Bank's Ease of Doing Business Index cites nine procedures, taking an average of 85 days to complete). Deregulation remains a goal as the business sector develops further.

10 | Welfare Regime

Rising income inequality and poverty are among Cambodia's most pressing concerns. No systematic social safety nets exist. Although the state has intervened at intervals following natural disasters, as in the wake of the 2011 floods, no long-term provisions exist. Poverty mostly affects people in rural areas and in Phnom Penh, who suffer from chronic malnourishment, disabilities (often due to exploded landmines), homelessness and chronic diseases.

Social safety nets
3

The state remains dependent on donor money for high-priority programs such as the provision of food in schools or the fight against HIV/AIDS. Many NGOs are active

in this field, but cannot serve as an adequate substitute for state welfare. When U.S. President Obama and Secretary of State Clinton visited Cambodia in late 2012, Clinton told reporters in Phnom Penh that U.S. aid to Cambodia had reached \$75 million, a level that had increased sharply over the last 10 years. The money has mainly been used to support anti-HIV/AIDS and food distribution efforts, as well as child-and-mother support programs. Although recent increases in the budget indicate a growing awareness that social security programs need to be improved (in 2010, 6.3% of the budget was allocated to the health sector), donors have said that insufficient funds are allocated to critical sectors such as health and agriculture.

Indeed, health remains a serious problem in Cambodia, with particular problems related to insufficient nutrition, HIV/AIDS and other infectious diseases. Child mortality has decreased and the majority of people infected with HIV/AIDS today have access to treatment, according to U.N. agencies. But life expectancy remains low, even compared to other countries in the region. It currently stands at an average of 62 years (57 years for men and 65 for women). With many people being forced off their land, the number of Cambodians with health risks and in danger of poverty has increased rather than declined.

The role of women in Cambodian society has not substantively improved. Gender-based discrimination, rising very often to the point of violence against women, remains prevalent. Although maternal mortality rates have declined in recent years, they are still high (at 250 women per 100,000 live births). While gender ratios in primary schools are nearly even, the share of females is significantly lower than that of males in secondary schools, and is only half that of men in tertiary education. Despite comparatively strong primary enrollment levels, a third of adult Cambodian women are illiterate, according to the Ministry of Women's Affairs.

Women make up only about 15% of the formal-sector labor force (and just 5% of public sector workers). A majority of women who work do so in the informal sector. Women are primarily employed in agriculture, handicrafts, in the garments industry and in unpaid family labor. They are often unskilled and illiterate, and their wages are on average about 30% lower than men's.

Vocational training is closed to a large segment of society beyond just women. Although education has long been identified as a key sector that needs to be improved, progress is slow.

Groups facing systematic discrimination include people with physical and mental disabilities, youth, children, women and migrant workers.

These groups are disadvantaged when it comes to health care, education and employment. Many are not well integrated into society, and are denied equal access to education and jobs that would help them to improve their lives. In December 2012, Cambodia ratified the Convention on the Rights of Persons with Disabilities, but little

progress has been made with regard to disabled people. Malnutrition and poverty remain serious problems for the weakest members of society, especially children, and for girls even more than for boys. There is little advocacy on behalf of this population, and little opportunity for such individuals to better their situation.

11 | Economic Performance

In spite of the global economic crisis and floods in both 2011 (the worst in many years, affecting the livelihoods of about 1.4 million people) and 2012, the Cambodian economy continued to grow during the period under review. Real GDP growth in 2011 was 6.9% and an estimated 6.6% to 7% in 2012. The main growth sectors remained the same as in previous years, including milled rice exports, tourism, the garment industry and construction. Despite the floods, the agricultural sector expanded in 2011 with a growth rate of about 3.3%, mostly due to increased production of dry rice and fish.

The textile industry, particularly garments and footwear, accounts for two-thirds of manufacturing and 80% of export revenues. Exported goods go mainly to the United States and Europe, but also to Canada, Japan, South Korea, China and other Asian countries. Exports in 2011 amounted to \$4.24 billion (up more than 25% compared to 2001) and around \$4.6 billion in 2012. The trade deficit in 2011 was almost 2% lower than in 2010 (12.4% of GDP) and was expected to decrease even more in 2012, mainly due to strong exports within the garment industry.

Tourism also grew in 2011. The absolute number of arrivals rose to nearly 3 million people, up 15% from the previous year. The tourism sector as a whole grew by 5%, with new tourists coming mostly from Asia. Following a period of lower demand spurred by the financial crisis, the construction and real estate markets have started to recover. Real estate was up by 4.3% in 2011, while construction, another sector with growth potential, rose by 6.1%.

Tax revenues have risen over the last few years and now total 10% to 11% of GDP (projected to rise further to 13% in 2012). However, as the IMF and others have noted, they remain far too low (and account for a much smaller part of GDP than does overseas development assistance (ODA)). The current account deficit is 10% of GDP, while external debt totals 28% of GDP. However, FDI inflows rose by 11% in 2011 (compared to 5.4% in 2010). The main investors are China, Malaysia, Vietnam, the United States and South Korea. Government reserves amounted to \$526 million (4% of GDP) at the end of 2011.

The growth of the agricultural sector, the garment industry and the private sector in general are seen as the main forces driving Cambodia's recovery and continued strong economic performance. However, if economic growth is to be sustainable, the

Output strength
6

country must show investment in key sectors, better fiscal management and improvements in worker skills.

12 | Sustainability

Environmental degradation is a threat to livelihoods throughout Cambodia. Some well-known problems include deforestation, soil degradation and poor management of surface water, particularly in the Mekong Delta. Overexploitation of agricultural land and natural resources also threatens the ecological system. All these problems already have and will continue to have an impact on living conditions in rural areas, for example on the productivity of the country's agriculture. Food security and living spaces are at risk.

However, awareness of the need to protect the environment instead of seeking short-term economic gains is low. Risks such as floods and soil erosion that increase with climate change are largely ignored.

Reforestation is proceeding slowly; illegal logging and official deforestation for the sake of construction projects annually cause the loss of 1.3% of the country's forest cover.

Water pollution, high levels of garbage production and the use of unclean energy (such as charcoal, kerosene or car batteries) also pose health risks to people who lack access to clean water and sanitation.

Conditions are favorable for meeting the increased demand for energy by tapping renewable energy sources. However, this has not been systematically considered, and plans for energy production continue to focus on traditional sources such as fossil fuels or wood. In addition, reforestation and health-related environmental issues leave ample room for improvement.

Finally, recent plans for dam projects in cooperation with China are a cause for concern. One joint project approved in November 2012 involves the construction of a hydroelectric dam on a tributary of the Mekong River, and will most likely force the resettlement of people in the region and endanger the Mekong region ecosystem. Another similar project is in the planning stage, and has been met by protests in Cambodia and some neighboring states. Fishing will be endangered by both projects, a fact that will aggravate food security issues in the area.

Providing adequate education and vocational training for Cambodians, thus increasing the number of skilled workers, will be critical in order to ensure economic success. In 2010, 2.6% of GDP was allocated to the education sector. Net primary education enrollment has increased in recent years, helping to improve literacy rates. The literacy rate in Cambodia overall is now at 77.6%, but is possibly higher among

Environmental
policy
3

Education policy /
R&D
3

youths. The secondary enrollment ratio is less than half that of the primary level, while less than 10% of primary students ultimately go on to the tertiary level.

Actual school attendance is generally lower than enrollment, as many children cannot attend school for health reasons or due to family situations. Child labor also continues to keep children out of schools. According to the ILO, thousands of children in Cambodia are forced to work for their living, often in mines or the construction business. They are increasingly hired for domestic work, which exposes them to abuse and violence.

Structural constraints continue to have a negative impact on education, since there is a lack of qualified personnel, schools and classrooms, with a particularly keenly felt lack of secondary schools in rural areas. Teachers are paid low wages and often collect unofficial fees from their students. Although primary education is officially free, unofficial costs can put a burden on families, particularly if there are several children.

Higher education is mostly unattainable for the poor, though several scholarship programs are in place. Since all universities are based in Cambodian cities, additional costs and barriers exist for people from rural areas who cannot afford accommodation and transportation.

While the number of students in schools and universities may have increased, the quality of education often remains tied to available financial means, and is generally low.

Transformation Management

I. Level of Difficulty

While overall levels of poverty have declined, a huge number of people still live in extreme poverty or are at risk of falling into poverty. With the forced evictions of tens of thousands of people in rural areas and in cities, and their land used for large-scale construction projects, mining enterprises or agriculture projects, these problems have increased during the period under review. No provisions exist to mitigate the effects of land grabbing, and thus for the people concerned, living conditions are likely to worsen. Health risks rise, food security is endangered, already-difficult access to education is exacerbated, and participation in the labor market under decent working conditions is restricted. Growing social inequalities are thus having a negative impact on Cambodia's economy (and society), and reflect systematic shortcomings in the labor market and social security environment.

Structural
constraints

8

Effective governance is limited by several factors; there are not enough trained and skilled workers to meet the demands of the growing formal labor market, particularly if the service sector (e.g., tourism) expands and industries are diversified. Today, economic growth is driven by only a few key sectors, including the garment industry and agriculture. To ensure stable economic growth and employment opportunities, investments in other strategic sectors are badly needed. The lack of trained workers has been criticized by external donors, but progress toward improving human resources management has been slow.

Recurring floods threaten fisheries and the production of rice; floods in 2011 and 2012 hampered wet rice production massively. However, dry rice production has increased and may mitigate damages to wet rice harvests in the future. Fisheries, one of the main nutritional sources for the majority of Cambodians, are threatened by natural disasters and by large dam projects. Food security is at risk because few affordable alternatives exist.

Many problems that are part of Cambodia's Millennium Development Goals (MDGs) agreements continue to affect the lives of Cambodians and the government's ability to govern effectively. A lack of expertise, pervasive corruption, and insufficient

efforts by the administration to overcome social inequalities have become structural constraints.

Civil society in Cambodia is comparatively young. Many international NGOs came to Cambodia with the United Nations missions in 1991 – 1993, and continue to operate there. A variety of national NGOs monitor government activities, promote democracy and human rights, advocate on behalf of the interests of vulnerable groups (such as women, children, migrant workers or sex workers), or have taken over social security tasks such as the provision of health care or the distribution of food to school children.

Civil society
traditions
9

The aftereffects of the Khmer Rouge era remain visible in the organization of public life. With the clear separation of Cambodians into those who survived the genocidal regime and those too young to have been immediately affected by it, mutual trust is low. A culture of impunity resulting from Cambodia's historical legacy and perpetuated by a corrupt and politicized legal system has made the rebuilding of social life even more difficult. Social capital was basically destroyed when the Khmer Rouge killed large numbers of the educated elite and annihilated the formal education system, religious life and traditional family relations. The reconstruction of infrastructure, as well as of cultural and religious life, is a slow and difficult process.

Some hope can be drawn from the numerous grassroots groups that cooperate to protect the environment, improve the life of children and women, or protest against forced evictions, as in the case of the inhabitants of the Boeung Kak Lake area. However, too many NGOs and associations still rely on support by foundations and donors. Only few self-sustaining civic associations exist today.

Hardly any ethnic or religious conflicts exist in Cambodia. Some minority groups, such as the Khmer Kampuchea Krom or Cham, face discrimination and some level of harassment by authorities, but do not actively oppose it. Minority groups are denied certain rights such as citizenship or the ability to own land, but these issues are not reflected in the political process or in demonstrations and protests.

Conflict intensity
5

However, social conflict is blatant if not always visible. Social inequalities are rigid to the point that certain groups of people, particularly the landless poor, are almost completely excluded from social life. Protests against forced eviction and illegal logging turned violent in 2011 and 2012, resulting in the death of a 14-year-old girl and the arrests and beatings of many others. Severe sentences, often ordered from above, indicate the government's willingness to deal with protest in a way that discourages others. The potential for further polarization is certainly high.

II. Management Performance

14 | Steering Capability

Key challenges to macroeconomic stability and further growth have been identified, and strategies to achieve these goals are constantly updated. The influence of external donors, often formulated as clear conditionalities, remains undiminished; goals such as improving worker skills, diversifying core economic activity and increasing fiscal revenues have been made very clear and have been acknowledged by the Cambodian government. Other goals that require investment in areas such as public health, education and the agricultural sector have been reflected in national budget allocations, but investment in the military and other sectors remains proportionately higher.

Few strategic priorities have been implemented. Moreover, while various reforms aimed at liberalizing the Cambodian economy have been undertaken in recent years, they have not been accompanied by reforms supporting democratization. On the contrary, the reform of the penal code and the passage of several new laws has made it clear that the government is seeking to limit civil liberties and expand its influence. The prioritization of economic growth, low inflation and stable exchange rates over any other policy goals has been evident for many years, and demonstrates a preference for short-term benefits.

The ability of the government to implement its own policies is facilitated by its monopoly on power. The cabinet has no de facto opposition, whether on the part of the parliament or any other group. There is no lack of commitment to goals identified by external donors like the World Bank, the IMF or various U.N. agencies. However, implementation is consistently inadequate.

Corruption, opaque decision-making processes and the failure to implement new legislation (e.g., registering land titles) make it difficult to expect government policies to have any systematic long-term effects. Key problems such as badly trained and corrupt public servants and a politicized judiciary are unlikely to be addressed, since they have benefited the government for a long time. The prime minister's reluctance to continue the Khmer Rouge tribunal, for instance, demonstrates the executive's general disinclination to commit itself to the rule of law.

Meeting the Millennium Development Goals for Cambodia will be another test of the government's ability to implement reforms and prioritize key issues. Implementation remains slow, particularly because wealth is not being redistributed in ways that

Question
Score

Prioritization
4

Implementation
3

would help to meet goals such as the reduction of poverty or the achievement of gender equality.

Experts associated with international organizations are the prime sources of innovation in Cambodian policy development. The progress made by market reforms and compliance with demands made by the IMF and other organizations are closely monitored. Regular donor conferences, multilateral meetings and state visits such as that by U.S. President Obama in 2012 serve to communicate Western donors' expectations. Accordingly, protecting the inflow of donor money and avoiding confrontation with foreign aid donors seem to be the main incentives to engage in or announce reforms.

Policy learning
3

Due to the deficient education and professional training system there is little expertise available to decision-makers. Within the political leadership, policy learning has focused on safeguarding personal benefits rather than innovation. With the prime minister and many cabinet ministers in office since 1985, the potential for innovative policies is low. Since offices and promotions are based on personal ties and patronage rather than performance, there is little flexibility or room for new ideas and a break in routines.

15 | Resource Efficiency

It is difficult to judge the efficiency of the government in using its resources, since the policy process is extremely opaque and the human resources available offer little potential for efficiency. Promotions are mostly based on personal ties or services rendered, not on skills and performance. Appointments and dismissals follow no clear criteria, and recruiting is rarely competitive. Corrupt public servants and badly trained personnel render the administration nontransparent, slow and often ineffective. Actual output is difficult to measure, since capacities for monitoring are underdeveloped. Reforms could only succeed if long-identified problems were systematically tackled at many levels, particularly with regard to adequate payment, the recruiting process, and clear job descriptions that were well understood by the public and officeholders themselves.

Efficient use of
assets
3

The 2012 national budget entailed an increase in overall expenditure of 9% compared to 2011, and spending will be even higher in 2013 (by more than \$3 billion, an increase of 16.2%). The budget was financed by the borrowing of \$1.09 billion from other countries. Although the lion's share of the budget was devoted to social affairs (broadly encompassing health, education, women's affairs, social affairs, labor, culture, information, religion and environment, across nine ministries), the defense budget was expanded in 2012 and will be again in 2013, by roughly 17%. The

budgetary process is not transparent to the public, as only a nontechnical version is published. All other drafts are circulated internally.

The decentralization process has stalled, particularly because almost all relevant administrative levels are controlled by the CPP.

The CPP government basically stands united in its goals and policies. While party infighting has led to some interruptions in coordination, the political course seems generally clear and uncontested.

Policy
coordination
4

The administrative apparatus, the military and all political institutions, including the judiciary, are effectively controlled by the executive. Patronage networks pervade all departments, while political control is manifested through nontransparent procedures (e.g., personal pressure). Since the actual tasks of many public offices are unclear and many officeholders have not been trained for their specific job, interagency coordination is unsystematic. There is no accountability within the highly personalized and corrupt bureaucracy, and the level of professionalization is so low that law enforcement and policy implementation are often too difficult to manage for the responsible agencies.

Corruption is widespread, including within the public administration, the political system and the security forces. In 2010, the long-awaited anti-corruption law came into effect, establishing Cambodia's Anti-Corruption Unit (ACU). The law itself has been criticized as flawed because it fails to protect informants adequately and gives control over the ACU to the government. It also envisages jail sentences for people who make accusations of corruption that cannot be later substantiated.

Anti-corruption
policy
2

The ACU started work in 2010, handling about 700 cases in 2011 and more than 900 cases in 2012. Since the law came into effect, several officials in ministries and the armed forces as well as court judges and prosecutors have been brought to court under its terms. The case of Moek Dara, a former head of the National Authority for Combating Drugs, is now in prison on charges of drug trafficking and bribery. According to the law, corrupt officials can be jailed between five and 15 years.

However, Cambodian NGOs have already voiced concern over the selection of officials for arrest, seeing political motives behind some of the more spectacular cases.

The 1997 Law on Political Parties and the Election of the National Assembly regulates party financing. The law requires every party to submit an annual financial report to the ministries of Economy and Finance and the Ministry of the Interior. However, parties do not have to publicly declare party assets. While all parties are officially guaranteed equal access to the state media, the effective control that the CPP exercises over the state media has made this impossible.

According to NGO reports, the largest party expenses are routinely made for vote-buying and the provision of gifts to potential voters. Bribes to opposition party members to defect have been reported in all elections.

Party finances come from various sources, including donations by private Cambodian businesses. With the CPP involved with many big companies, it receives the majority of private donations, and repays them by granting favors. Contracts for land or concessions are known to have been made following the provision of generous financial gifts to the CPP.

16 | Consensus-Building

Key political actors in Cambodia have shown the highest level of consensus around the goal of market reforms. The government has embarked on a strategy of liberalization and economic reforms, supported by businesses. Establishing a democracy has neither been formulated as a goal nor enabled by any of the government's policies over the last 10 or more years. The opposition has been effectively disempowered, with main lines of political conflict today running through the ruling CPP itself. Neither the government nor the main economic actors have formulated long-term goals for economic transformation, and there is no institutionalized process for negotiations. Even if consensus exists among various interest groups, it can easily be overruled by the government if short-term goals make such a course seem expedient. Consensus on goals is needed only to a small extent, since the government has the effective power to make decisions without interference by any other group.

Consensus on goals

4

Risks for and hurdles to democratization arise from within the government more so than from any other actors. Anti-democratic veto actors can be found inside the executive, the legislative and the judiciary. Pro-democratic actors have mostly been pushed to small political parties and the extraparliamentary realm of NGOs.

Anti-democratic actors

3

All levels of decision-making are controlled by the CPP, including commune-level councils and the Senate. The most recent elections resulted in landslide victories for the governing party. Since criticism of the central and local governments has been met by threats and increasingly by violence, people are discouraged from challenging the anti-democratic stance of their rulers. Some opposition parties have tried to join forces to present a viable alternative to the CPP, but the election process has made it even more difficult for them to succeed. Since patronage networks exist in almost all important institutions and on all levels, key actors are frequently co-opted.

In recent years, conflict in the form of demonstrations and social protest has become more visible, particularly against land grabbing, forced evictions and (illegal) deforestation. Shortly before U.S. President Obama came to visit Cambodia in November 2012, for instance, a demonstration took place in Phnom Penh to call attention to human rights violations, including violations of land rights and the rights of vulnerable groups. The protest against forced evictions in Phnom Penh's Boeung Kak Lake is another case in point. Large-scale building projects in the area have caused the eviction of thousands of inhabitants (20,000 people, according to reports by Amnesty International). Thirteen women, known as the Boeung Kak 13, were arrested and sentenced to jail, but were released after public outcry that included protests by the U.S. government. In 2012, about 200 people were arrested for protesting against evictions, a number nearly double that of 2011. Officials' reactions to public protest seem to have become more severe during the period under review. Furthermore, there have been reports that the police and armed forces have used violence against protesters. Even monks demonstrating against land grabbing have reportedly been harassed.

Cleavage /
conflict
management
4

The practice of land grabbing has spread massively in recent years. Initially targeting the very poor in rural areas, it today also affects the urban population, and is not only limited to the poorest segment. With social (income) inequalities on the rise despite economic growth, and civil liberties in decline, the potential for conflict may be rising. Rather than working to mitigate this situation, political leaders seem to condone it.

Many members of human rights advocacy groups, other NGOs and independent trade unions today constitute a pro-democracy coalition in Cambodia. That makes them part of the opposition. While some consultations with interest groups do take place, they are unsystematic and have little or no influence on decision-making. There is no tradition of public deliberation within the political system

Civil society
participation
3

The Cambodian leadership has repeatedly demonstrated its willingness to ignore civil society interests in its policy formulation and has cracked down on public protests. The new draft NGO law as well as recent applications of the penal code, arrests and even the murder of activists collectively show that civil society participation is seen as an impediment to politics rather than an active part of it. Even members of the clergy have been targeted. When taking pictures of demonstrations against the Boeung Kak Lake project, Venerable Luon Sovath, a Buddhist monk and human rights advocate, was arrested in May 2012 and threatened with defrocking unless he abstained from further activities. He and his family had already faced threats for his support of human rights groups.

The political leadership has closely observed and undermined the activities of public figures, obstructing civil society involvement in the political process.

A society torn apart by civil war and a genocidal regime, Cambodia is in desperate need of reconciliation. The Khmer Rouge (KR) era lasted for more than three years, from April 1975 to early 1979, when Vietnamese forces took over power. Under the Khmer Rouge regime, an official 1.7 million Cambodians were killed or died from hunger or disease. Until the late 1990s, many of the old Khmer Rouge elite continued to live in the country unmolested, most of them in the Pailin area. Other former KR members, not of the leadership, have today been reintegrated into rural and urban communities.

Many social cleavages have resulted: between those Cambodians who experienced the KR era and those born after its end; between the victims and the perpetrators, although these lines are often blurred; and between those in favor of and those opposed to the legal process being mounted against the still-living top KR cadres.

A culture of impunity has characterized the practices of courts and people themselves for decades. Accused individuals can pay money instead of going to jail, even for capital offenses. The government's routine interference in court processes for political ends has intensified a general distrust of the legal system. Against this background, the apparent difficulties of the ongoing Khmer Rouge tribunal can be accounted for. After years marked by at times undignified attempts to postpone (or even prevent) the tribunal's work, the Extraordinary Chambers in the Courts of Cambodia for the Prosecution of Crimes Committed During the Period of Democratic Kampuchea (ECCC) finally started work in 2007. Since that time, just one case has been concluded. Kank Kek Iev, better known as "Duch," was convicted in 2010 and sentenced to 35 years in jail on charges of crimes against humanity, murder and torture. He will likely not live long enough to serve the remaining years of his sentence.

Trials against three additional high-ranking cadres – Khieu Samphan, Ieng Sary and Nuon Chea – were begun in 2011. Proceedings against Ieng Tirth were suspended for health reasons.

During the short course of this process, several of the foreign judges of the mixed national-international tribunal have resigned. Controversies arose over the premature close of cases against mid-level Khmer Rouge (Cases 003 and 004), with critics arguing that political pressure had been brought to bear. The judges' resignations, public statements by the prime minister that made his opposition to the tribunal evident, and the persistent lack of funding have damaged the credibility of the whole process. External donors have closely monitored the proceedings of the trial, which is one of the main reasons the Cambodian government continues to pursue it.

Education about the country's past has become more systematic over the last years, and there is now even a textbook that deals with the Khmer Rouge era. However, there has been little public discussion about the legacies of Democratic Kampuchea,

which include traumatized men and women, mental and physical illnesses, an absence of infrastructure and years of suppressing memories.

The death of King Father Norodom Sihanouk deprives the country of a symbolic figure that was able to exert a positive influence on societal reconciliation.

17 | International Cooperation

In September 2012, the government's most recent meeting with about 80 foreign aid donors and stakeholders took place in Phnom Penh. This was the 19th meeting of the Government-Development Partner Coordinating Committee (GDCC), and was chaired by Deputy Prime Minister Keat Chhon and included representatives of three NGOs. Some of the former development goals were readjusted and new priorities set for the coming years.

Effective use of
support
4

In the first decade of the 21st century, net development assistance to Cambodia totaled between \$5.5 and \$6.24 billion (depending on the sources), 10% of which was given to NGOs. Since this aid is conditional, it has focused on a few priority sectors, including health care, transportation, administration, education and rural development. Foreign aid accounts for an average 50% of the country's budget. In recent years, private donors and particularly China have become more important, mainly for concessional loans.

Before the visit of the U.S. president, Cambodian NGOs urged him to reconsider his aid policy and demand that the government respect human rights. Generally, Cambodia's use of foreign aid has not met all conditionalities agreed on with donors such as the European Union, the United States and major international organizations. In a recent book, the Cambodian-American Sophal Ear criticized the fact that the continuous influx of aid money has made the government less dependent on tax revenues, which remain low.

Key demands for reforms have focused on anti-corruption measures, improvement of the rule of law and investments in the health and agriculture sectors. Recently, stronger emphasis has also been placed on education. Progress in these areas has been slow, however. The government has promised to implement the joint monitoring indicators (JMI) in 2013, a practice that will improve transparency in the distribution of aid and help ascertain whether conditionalities are being met.

As a country that offers good conditions for foreign direct investment, Cambodia has established itself as a predictable if not necessarily reliable partner. With the CPP government and the prime minister having held power for decades, political change and instabilities have been all but eliminated. This means that private investors need not fear political turmoil, and have clearly identifiable contacts. Economic growth rates have been comparatively high in spite of external crises. A manageable external

Credibility
5

debt, stable exchange rates and low inflation rates have characterized the Cambodian economy for several years, making the government's priorities clear.

The high level of corruption and opaque administrative structures and procedures continue to worry both private investors and foreign aid donors. Good governance reforms have been demanded for years, but few have as yet had any effect. While the government has been very accommodating toward foreign investors, the dependent judiciary remains a concern for all cooperation partners. Cambodia's ASEAN chairmanship in 2012 proved disastrous, as the country angered both Vietnam and the Philippines over its handling of the South China Sea dispute with China. Cambodia proved to be far too accommodating to China, even though the latter is not a member of ASEAN.

In 2012, Cambodia held the chairmanship of ASEAN and hosted two summits, the second of which took place in late 2012. Since its accession to ASEAN in 1999, Cambodia has not played a central role in the regional organization, but has mainly sought to cooperate on common integration goals. It is still struggling to meet the goals of the ASEAN Economic Community, which are meant to be achieved by 2015. In comparison with the other Southeast Asian states, Cambodia lags both in terms of domestic productive capacity and demand, and has a shortage of skilled workers. Since the recently adopted Human Rights Declaration (following from the ratification of the ASEAN Charter) leaves ample room for interpretation, the Cambodian government need not fear too much criticism for its human rights policies from neighboring countries.

Bilateral tensions with Thailand over the Preah Vhear area have been managed but not solved. Fellow ASEAN member Indonesia will monitor the demilitarized zone to ensure the cease-fire is upheld.

Further subregional cooperation efforts include the Mekong river development projects with Myanmar, Vietnam, Laos and China.

Beyond Southeast Asia, Cambodia has become more firmly integrated into the larger East Asian region, with China, South Korea and Japan among its primary investors today. Indeed, Cambodia has become heavily dependent on Chinese aid and investment flows in many vital infrastructure projects, and increasingly in trade relations as well.

Within ASEAN, Cambodia has been criticized by several countries for its perceived soft stance toward China in the question of the code of conduct in the Spratly Islands conflict. Risking splits within ASEAN, Cambodia needed to accommodate opposing Southeast Asian and Chinese interests. The incident was one of several demonstrating just how much Chinese influence has grown in recent years.

Balancing good relations with all its regional neighbors has brought many benefits, but might become more difficult as Chinese and ASEAN (or parts of ASEAN's) interests clash.

Strategic Outlook

With the democratic process stalled and political stability guaranteed, the main tasks ahead involve improving the rule of law and ensuring macroeconomic stability so as to benefit more than just a small segment of society. Although economic growth rates have weathered external crises, Cambodia is dependent almost exclusively on its rice exports, its garment industry, construction and tourism as the main sources of economic productivity. A diversification of industries and of the service sector would probably sustain growth rates and create decent jobs on a larger scale. Furthermore, working conditions need to be improved and the pay gap between men and women needs to be reduced. Balancing the interests of investors and the domestic population should be a central task for a government that has to date catered to foreign investors' demands without considering the consequences for the people.

Major challenges are posed by the high number of people living in poverty, malnutrition among children, health risks, the absence of social security programs and the lack of measures able to redistribute wealth through broader societal groups. Access to basic infrastructure such as clean water and sanitation needs to be improved, and a basic social protection system established. Giving more children – especially girls – access to secondary education will be necessary to enhance their chances for a better life. Tertiary education needs to be opened to Cambodians regardless of financial background. Also, offering more professional training and improving job-related skills in general would foster economic growth and help meet the demands of growth sectors such as tourism. The current mismatches between educational opportunities and the demands of the labor market will continue to pose a serious challenge, particularly against the background of unemployment and vulnerable jobs.

The increasing number of landless people, both in the cities and in rural areas, is a pressing problem. Land reform measures need to be implemented, and the administration needs to speed up the process of awarding land titles. Financial compensation and alternative living spaces for people who have been evicted need to be offered without delay. Since much of the country's arable land is now in the hands of private companies, food security and reasonable prices for staple foods may ultimately be undermined. Ensuring the economic survival and well-being of the rural population should be a priority for the administration. As external donors have repeatedly demanded, increasing investment in the agriculture sector needs to be made a top budgetary priority. Since a majority of Cambodians work in agriculture, enabling them to sustain themselves should be a key goal. Further measures include protecting the environment and putting a stop to practices that endanger the livelihoods of farmers and fishers.

Guaranteeing the rule of law needs to be addressed at many levels. As corruption and a lack of transparency are endemic in the judicial system, the administration and almost all sectors of public service, the government needs to ensure better pay, clear accountability and adequate training for public servants. Political interference in legal processes should be denounced. Shielding the

judiciary from political control will be vital in this regard. For instance, the success of the Khmer Rouge tribunal will be an important signal to foreign donors and the international community that the prevailing culture of impunity can be disrupted. Support by the political leadership would increase the legitimacy of the process. Finally, abuses of the penal code to silence political activists should not be tolerated.

Hopes that the democratization process can be revived have become very muted. Only minor reforms to curb the CPP's quasi-monopoly seem possible. As the opposition is divided, there seems to be little chance of establishing an effective challenge to the dominant CPP government in the medium term. Reforms of the electoral process, as recommended by the U.N. Human Rights Council's Special Rapporteur Surya Subedi, would possibly decrease the ruling party's influence on the electoral process. Support for critical and independent media sources that help to break the CPP's effective information monopoly is needed. Any return to the use of violence against government critics, as the slight increase in cases during the review period threatens, needs to be closely monitored. Furthermore, any attempts by the government to limit access to the Internet should be closely observed.

The most urgent tasks in the years to come should be improving living conditions for the most vulnerable groups and combating growing social inequalities.