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CAMBODIA 1999–2000

Land, Labour and Rural Livelihood in Focus

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SWEDISH INTERNATIONAL DEVELOPMENT
COOPERATION AGENCY

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CAMBODIA 1999-2000:
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Abstract

Political stability has improved greatly in Cambodia since the instalment of the elected coalition government in November 1998. This is reflected in resumed economic growth and improved macro-economic indicators across the board. The conditions for institutional reform and consolidation, which is much needed for sustained economic and social development, would also seem to have improved considerably.

GDP grew by 4.5 per cent in 1999 after two years of zero growth. The rapid development of the garment industry is an important factor behind the growth, but agricultural production has also improved. Inflation has slowed from 15 per cent in 1998 to a mere 4 per cent in 1999. Foreign trade picked up sharply in 1999, but large deficits in both the trade and the current account balance remain. Garments account for over half of the export revenues. 1999 also saw a much needed improvement in the fiscal base. Government revenue increased by over 30 per cent to 11.2 per cent of GDP. Public expenditures grew at pace with revenue and the budget deficit remained large at 5.2 per cent of GDP. Social sector expenditures increased both in absolute and relative terms (from 22 to 28 per cent of current expenditures), but remain sorely inadequate. Defense expenditures are falling slowly, but still make up more than 40 per cent of total public expenditure.

Following a sharp fall in 1997, external assistance has picked up again, but has yet to attain the pre-crisis peak of over 500 million USD. Still, Cambodia remains highly dependent on external assistance to cover the large deficits in the external accounts and in the government budget as well as a complement to public sector endeavours to provide public services and invest in infrastructure. In 1998 external assistance was equivalent to 14 per cent of GDP, 70 per cent of domestic exports and 167 per cent of government revenue. Slightly more than half of the assistance is bilateral, a third multilateral, while NGOs account for the rest. Approximately four fifths of the assistance is in the form of grants.

As a result of its turbulent past, Cambodia has an extremely young population. Some 55 per cent of the population are below the age of 20, while the 50+ age bracket is exceedingly small. As a consequence the labour force is growing very fast. Very high growth rates of the labour force will remain well beyond the present decade. In the 1998 – 2003 period alone, the labour force is estimated to grown by one million or 20 per cent. At the same time, the dependency ratio will fall as the economically active age groups will make up an increasing share of the population. The ability of the economy to generate productive employment for the large number of new entrants into the labour force is arguably the greatest development challenge facing Cambodia at the present. With 84 per cent of the population living in rural areas, 77 per cent of the labour force in agriculture and no less than 63 per cent of the total labour force in subsistence farming, a dynamic development of agriculture and of the rural economy at large is crucial to enhancing employment opportunities. Agricultural production lags far beyond that of neighbouring countries. As a rule, only one harvest is reaped per year and yields are low. An intensification of agriculture will need to go hand in hand with a shift from subsistence towards market-oriented farming. This will require improved security with regard to property rights, improved physical infrastructure and access to markets and inputs, a concomitant development of the non-farm economy in rural areas and improved rural-urban links. Agricultural production has been encouraging in recent years. After three decades of stagnation, rice production has increased significantly in the past five years. The increase has

partly been achieved through an expansion of the cultivated area, largely as a consequence of cessation of hostilities, but also through increased yields and double cropping, suggesting that an intensification of farming has commenced at least in some parts of the country. However, there is still inadequate information on the extent, nature and sustainability of this development.

The recent positive developments notwithstanding, there are severe constraints to a sustained dynamic development of the rural economy. The level of education remains dismally low. A third of the rural heads of households and half of their spouses are illiterate, suggesting that they will be very handicapped if they venture into commercial farming or non-farm economic activities. The health standards in rural areas also give cause for concern.

Increasing levels of landlessness and near-landlessness also impose a critical constraint on a dynamic rural development. In the absence of comprehensive nation-wide statistics, it is difficult to get an accurate overall picture of the structure of land holdings. However, available evidence clearly suggests that there has been a rapid differentiation with regard to access to land since the decollectivisation in the late 1980s. Some 12-15 per cent of the rural population would appear to be landless. As might be expected, the majority of them do not derive their main source of income from agriculture. Economically they form a very heterogeneous category, including relatively prosperous households as well as impoverished ones. More worrisome is the high incidence of near-landlessness. Close to 40 per cent of the rural households, although not landless, have less than 0.5 hectare of agricultural land. This is clearly too little to subsist on, yet the overwhelming majority of them depend on agriculture for their living. A very rapid population growth, a lack of non-farm employment opportunities and generally depressed economic conditions are main factors behind the economic marginalisation of increasingly large numbers of the rural population. This development puts the challenge of large-scale employment creation in a rather sombre light.

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I An Overview of the Economic Performance of the Cambodian Economy in 1998–99[1]

Cambodia has enjoyed a relative stability in its political and economic environment since November 1998 after the new coalition government consisting of the Cambodian People's Party and the National United Front for an Independent, Neutral, Peaceful and Co-operative Cambodia (FUNCINPEC) came to power. The economy, which had experienced a slow-down from the two major crises in 1997 (an internal political crisis in July 1997 and the Asian financial crisis), has had a chance to improve in 1999 as a result of this stability.

Since coming to power, the government has initiated economic reforms, the introduction of the Value Added Tax in January 1999 being one of the earliest measures to strengthen public finances. The government has also planned to lower tariff barriers on most imports to below 5 per cent by 2010 to be in line with the rest of the Association of South East Asian Nations -ASEAN's fiscal policy.[2] Cambodia also regained its seat in the United Nations in December 1998. The international donor community continues extensive monetary assistance[3], on the assurance of continued reform and stability; the Japanese yen loans have been resumed. Strong regional economic growth has also contributed to increased demand for Cambodian tourism, while the regional recovery from the Asian financial crises has little effects on export demand given the limited relationship between Cambodia and these nations. A stable riel, with little inflation and a tight budgetary policy has also contributed to some economic recovery in 1999.

1.1 Population and Labour Force Data

The Census of 1998 provides the first aggregate numbers on the demographics of present-day Cambodia, and serves as a useful tool for a better understanding of the structure of the national labour force. The total population in 1998 according to the Census is 11.4 million, of which approximately 52 per cent are females (see Figure 1), and 84 per cent live in rural areas. The age distribution reveals that 54.6 per cent of the population is less than 20 years of age.

Table 1.1 gives the distribution of the labour force by gender and region. The figures in parentheses indicate the percentage of population actively employed (labour force participation rates) in each age group. Table 1.1 shows that the labour force participation rates are higher for males (except in the 15–19 years category) and rural population. One of the reasons for the regional differential could be lesser participation in agriculture and the higher proportion of school attendance in urban areas.[4] The number of unemployed persons is 273,183 of which three-fourths are in the rural areas. However, in percentage terms, urban unemployment rates (3.7 per cent) are nearly double their rural counterparts' (2.1 per cent).

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[1] The authors are deeply indebted to Sok Hach for providing a wealth of statistical information, which provides the basis for the present chapter, and in particular for helping us evaluate and analyse this information.

[2] Cambodia joined ASEAN in April 1999.

[3] An IMF Enhanced Structural Adjustment Facility (ESAF) was approved in October 1999 to support reforms in the public sector. (World Bank (2000)).

[4] Census (1998), p.20.

Table 1.1: Age structure of labour force by gender and region.

Age group (yrs)	Total	Male	Female	Urban	Rural
15–19	552.2	226.5	325.8	60.5	491.8
	(41.1)	(34.1)	(47.9)	(25.9)	(44.3)
20–24	561.9	275.7	286.2	75.3	486.6
	(75.4)	(77.8)	(73.1)	(58.8)	(78.9)
25–29	749.5	391.4	358.1	111.7	637.8
	(84.3)	(91.7)	(77.6)	(70.8)	(82.3)
30–34	682.9	353.8	329.1	104.7	578.2
	(87.2)	(95.6)	(79.8)	(76.3)	(89.6)
35–39	616.7	314.3	302.4	96.9	519.8
	(88.6)	(96.6)	(81.6)	(78.6)	(90.8)
40–44	438.8	193.8	244.9	71.9	366.8
	(88.3)	(97.0)	(82.4)	(77.8)	(90.7)
45–49	368.5	169.8	198.7	56.7	311.8
	(88.6)	(97.0)	(82.5)	(78.0)	(90.8)
50–54	269.6	127.1	142.4	37.1	232.6
	(86.3)	(96.0)	(79.1)	(73.4)	(88.8)
55–59	210.4	102.7	107.7	24.1	186.3
	(81.9)	(93.2)	(73.4)	(64.7)	(84.8)
60–64	144.0	74.4	69.6	13.8	130.2
	(70.3)	(85.9)	(58.8)	(48.6)	(73.8)
Total	4,594.5	2,229.5	2,365.1	652.7	3,941.9

Source: Census (1998)
Note: (i) Figures include the employed labour force only.
(ii) Figures in parentheses denote percentage to total population in that age category.

The distribution of the labour force (for all age groups) by region and category of employment is clear from Table 1.2. The table brings out the extent of dependence on agriculture, with 77 per cent of the total population engaged in agriculture, of which an alarming 63 per cent live off subsistence agriculture. A third of the urban population also depends on agriculture for its livelihood. There is thus an urgent need to both increase the non-farm employment base as well as reduce the incidence of subsistence agriculture.

Figure 1: Age distribution of Cambodia's population by gender. 1998.

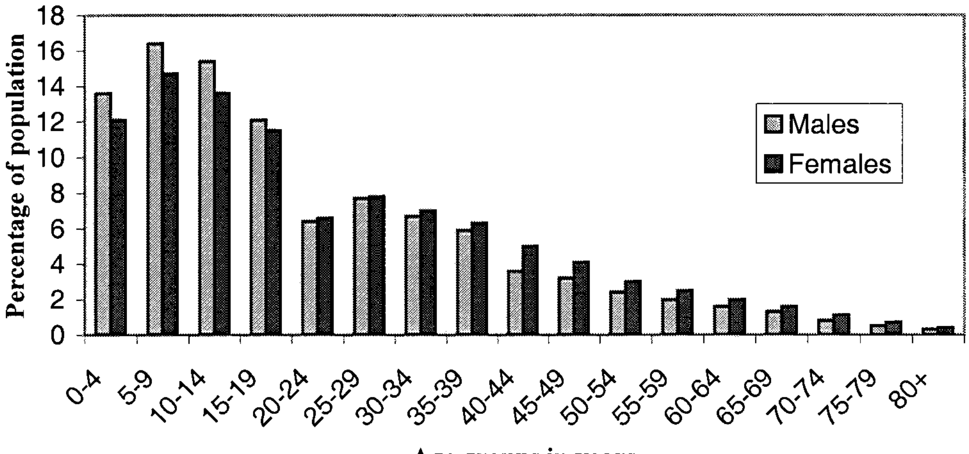

Table 1.2: Employment by region and category for all age groups. 1998.

	Urban	Rural	Total
Agriculture	227,201	3,518,116	3,745,317
Of which subsistence agricultural, fishery and related workers	180,216	2,849,480	3,029,696
Industry*	49,814	100,395	150,209
Other*	396,597	553,639	950,236
Total	673,612	4,172,150	4,845,762
	Percentages to total		
Agriculture	33.7	84.3	77.3
Of which subsistence agricultural, fishery and related workers	26.8	68.3	62.5
Industry	7.4	2.4	3.1
Other	58.8	13.3	19.6
Total	100.0	100.0	100.0

* Sector definitions in the 1998 Census and National Accounts are not the same. The Census includes construction activity in the service sector (in the category "other" above) while the national accounts include it in industry. For the purposes of this report, the analysis follows the national accounts while the above table follows the Census definition with regard to construction activity.

Source: Computed from Census (1998).

Table 1.3 shows the estimated labour force, based on the current age distribution, mortality and labour participation rates, in 1993 and 2003 (The detailed estimations are clear in Table 2.2). The numbers show an estimated 20 per cent increase in the labour force between 1998 and 2003, an average 4 per cent increase per year. With an already over-burdened agricultural sector, this puts enormous pressure on job creation efforts, especially in the non-farm sector.

Table 1.3: Summary of labour force estimations 1993–2003.

Age group (yrs.)	Adjusted Labour Force 1993	Labour Force 1998	Adjusted Labour Force 2003
10–14	61.5	74.9	79.0
15–19	366.0	652.7	796.3
20–24	744.9	615.9	1,093.6
25–29	702.9	785.4	648.5
30–34	643.6	704.2	777.0
35–39	461.7	631.9	694.4
40–44	381.7	448.2	616.2
45–49	292.3	376.4	434.5
50–54	235.4	275.7	351.8
55–59	178.6	215.6	252.3
60–64	130.2	148.5	171.8
65–69	35.9	48.7	54.1
Total	4,235.2	4,979.9	5,969.7

Earlier estimations of labour force and labour productivity were based on the Socio-Economic Surveys and labour force and demographic surveys (from the National Institute of Statistics of the Ministry of Planning) and GDP estimations from the Ministry of Finance, which provided only a rough idea of the situation; there were no generally accepted numbers. The Census of 1998 now provides us with the "only" definite numbers on the population and characteristics of the labour force. However in the absence of similar statistics on GDP and other indices, we are not attempting any analyses on productivity and inter-sector movements of labour, in this report.

1.2 Real Sector Development

The macro-economic performance of Cambodia has been promising in 1999. Although real GDP grew at 1.0 per cent in 1998, the same rate as in 1997, improved economic activity raised the growth rate to 4.5 per cent (estimated) in 1999 (Table 1.4). Although Table 1.4 indicates negative growth rates in agriculture, these figures cannot be justified by the corresponding agricultural production statistics of the Ministry of Agriculture, which post significant increases in both cultivated area and yields (see Table 1.5) of the dominant crops in 1999. The economic recovery of industry owes mainly to the expansion of the garment industry, which, despite quotas by the US, accounted for $598 million of the exports, and increase of construction activity, financed mainly by international bilateral and multilateral assistance. Development in the service sector is accounted for mainly by increased tourism activity, thanks to political stability and security improvement. As a result of these developments, per capita GDP increased to $262 by 1999 after a reduced $251 in 1998.

Table 1.4: Basic macro economic indicators. Cambodia.

	1995	1996	1997	1998	1999^{E}
Growth rate of real GDP	7.6	7.0	1.0	1.0	4.5
Agriculture	10.5	0.8	1.4	-0.1	1.4
Industry	6.8	17.9	2.4	6.1	10.6
Service	4.5	10.7	-10.0	0.3	5.5
GDP per capita US$	284	292	276	251	262
Gross domestic savings (% of GDP)	3.3	3.8	3.5	2.7	2.4
Gross domestic investment (% of GDP)	8.5	9.7	6.9	5.7	5.3
Growth rates of CPI (annual average)	7.8	7.1	8.1	14.7	4.0
Growth rates of money supply (M2)	44.4	40.3	16.6	15.7	17.2
Exchange rates (riels/dollar parity yr. avg.)	2,462	2,641	3,000	3,800	3,820
Government operations (% of GDP)					
Expenditure	16.7	17.5	13.8	14.2	16.4
Revenue	8.9	9.1	9.7	8.6	11.2
Overall budget surplus/deficit	-7.7	-8.4	-4.2	-5.6	-5.2
Balance of payments					
Growth rate of merchandise exports (%)	75.5	-17.5	5.7	-0.1	31.2
Growth rate of merchandise imports (%)	57.4	-2.3	-9.1	-1.3	27.6
Balance of trade ($ million)	-377	-499	-349	-335	-401
Balance of current account ($ million)	-403	-487	-312	-314	-359
Balance of current a/c (% of GDP)	13.8	15.6	10.3	11.0	11.6
Foreign direct investment ($ million)	151	240	150	120	150
Foreign debt					
External debt outstanding ($ million)	131	222	259	308	351
Debt-service ratio (amortization as % of export revenues)	0.45	2.7	-	0.13	0.13

Source: Sok (2000).

^{E} Estimated by Ministry of Economy and Finance

Inflation, which had reached double digits in 1998, as a result of the tumultuous two preceding years, slowed down to 4 per cent reflecting good rice harvests in the region in 1998/99 which put a downward pressure on food prices. During 1999, the riel also depreciated only slightly, (by less than 1 per cent) compared to the high 13 per cent depreciation in 1998, which has also contributed to monetary stability.

The government continues to operate on current and capital account deficits, although the overall deficit reduced in 1999 (Table 1.4). Increased imports in 1999 would also lead to increased trade deficits; however these could be offset by increased FDI, increased garment exports, improved tourism etc. External debt has continued to increase throughout 1998 and 1999; but Cambodia's debt-service ratio is still low and will not be a problem provided economic activity continues to grow steadily in the short run.

1.2.1 Agriculture

Agriculture occupies a very important place in the Cambodian economy. In addition to providing employment to about 77 per cent of its population, it constitutes about 35 per cent of the national GDP (in 1999). Table 1.5 shows the cultivated area and production of the most important crops. Rice heads the list, with over two million hectares and a yield of close to two tons per hectare (Tables 1.5 and 1.6). Table 1.5 also shows that the cultivated area and production of all crops except rice declined in 1998–99 but increased in the harvest year 1999–2000. Increased productivity can be seen in all crops in the 1999–2000 period, reflecting improved economic climate in the nation. Lack of adequate irrigation keeps agricultural production largely rain-fed, thereby causing fluctuations in supply of agricultural products. However, lack of statistics on irrigation limits any further analysis beyond this statement. Surpluses of rice production in 1998/99 and 1999/00 were 30,070 and 260,710 tons in milled rice respectively leaving room for increased export of rice. Rice processing facilities and good road conditions need improvement for maintaining the surplus in rice production. The EIU Country Report 1999 states that many rice processing projects involving foreign investment are being held up by land disputes. Existing rice mills are old and ill equipped to meet the international standards with the result that neighboring Thai and Vietnamese traders often buy unprocessed paddy from Cambodia to process elsewhere, which means a potential revenue loss to Cambodia.

Table 1.5: Cultivated areas and production of main crops, 1995–2000[5].

	1995–96	1996–97	1997–98	1998–99	1999–2000
		Cultivated area (thousand hectares)			
Rice	2,086	2,171	2,076	2,104	2,157
Maize	52	49	52	40	58.8
Vegetables	42	46	44	38	45
Mung beans	26	28	27	25	29
Soybeans	17	29	33	31	35
Sesame	9	12	17	15	16
		Total production (thousand tons)			
Rice	3,448	3,458	3,415	3,510	4,029
Maize	55	64	67	49	69
Vegetables	193	249	250	217	214
Mung beans	20	14	15	9	14
Soybeans	17	28	34	28	33
Sesame	4	5	7	5	8

Source: Agricultural Statistics (various years). Ministry of Agriculture, Forestry and Fisheries.

Table 1.6: Yields of agricultural crops. Tons per hectare. 1995–1999.

	1995–96	1996–97	1997–98	1998–99	1999–2000
Rice	1.79	1.83	1.77	1.79	1.94
Maize	1.22	1.37	1.24	1.22	1.27
Vegetables	4.92	5.96	5.1	5.88	5.91
Mung bean	0.78	0.51	0.56	0.56	0.58
Soya bean	1.07	1.69	1.72	0.89	0.95
Sesame	0.45	0.45	0.20	0.54	0.55

Source: Agricultural Statistics (various years)

[5] Figures based on "harvest years," e.g. June–May.

Livestock and poultry production also displays the same trend as crop production. The year 1998 saw reduced production of heads of cattle, although poultry production was strong. They have all registered quite a dynamic growth in the year 1999; especially the cattle production making up for the 6.7 per cent decline of 1998. Poultry production was highest in the last five years (Table 1.7) and is attributed to increased demand from the tourism sector (restaurants etc.).

Table 1.7: Livestock and poultry production 1995–1999.

	1995	1996	1997	1998	1999
			Thousands of heads		
Cows and oxen	2,778	2,762	2,872	2,680	2,887
Buffalo	765	744	766	694	696
Pigs	2,039	2,151	2,237	2,339	2,362
Poultry	10,067	11,412	11,982	13,117	15,084
			Percentage change from previous year		
Cows and oxen	5.9	-0.6	4.0	-6.7	7.7
Buffalo	-6.0	-2.7	3.0	-9.4	0.3
Pigs	1.8	5.5	4.0	4.6	0.98
Poultry	-0.3	13.4	5.0	9.5	15.0

Source: Agricultural Statistics (various years)

Fishery production statistics also show that the total fish caught in fishing lots has improved in both 1998 and 1999 (Table 1.8), except for freshwater fish. Fishing is an important source of livelihood for many rural Cambodians. Kato's (1999a) study on landlessness in the village of Kompong Reap, located in a fishing lot describes declining fish in the lots in the 1990s, attributable to the loss of flooded forest and use of illegal and destructive fishing methods such as electric shock, fine-mesh nets and off-season fishing. While being a case study, it is probable that similar situations prevail in the rest of the country, which begs serious thoughts to regulation of common property resources in Cambodia. The situation is similar in forestry, which is another important revenue and livelihood source. Processed wood and natural rubber are the two largest agro-exports of Cambodia. Over-exploitation of forests, initiated by large-scale illegal logging, is causing huge potential losses to Cambodian revenue. If left unchecked, it could devastate the commercial potential of Cambodia's forest resource in less than five years.[6]

[6] World Bank (1999:53).

Table 1.8: Total amount of fish caught 1995–1999.

	1995	1996	1997	1998	1999
			Tons		
Total fish caught	112,510	104,310	114,600	120,400	123,450
Freshwater fish caught	72,500	63,510	73,000	75,700	71,000
Maritime fish caught	30,500	31,200	29,800	32,200	38,000
Aquaculture	9,510	9,600	11,800	12,500	14,450
			Percentage change from previous year		
Total fish caught	9.0	-7.3	-1.4	5.0	2.5
Freshwater fish caught	11.0	-12.4	14.9	3.7	-6.2
Maritime fish caught	1.7	-2.3	-4.5	8.1	15.6
Aquaculture	n.a.	1.0	22.9	5.9	15.6

Source: Agricultural Statistics (various years)

Note: The total freshwater fish caught includes those from fishing lots only. Family fishing is not included. For 1999, family fishing amounted to 115,000 tons and fishing in rice fields (wet season) amounted to 45,000 tons.

1.2.2 Industry

Manufacturing industry constituted about 20 per cent of the national GDP and, according to the Census employed 3 per cent of the labor force[7] in 1998. Although industrial growth slowed in 1997 due to the two crises, it has remained positive and on an upward trend since 1995 (see Table 1.4). Domestic and foreign investment in industry has reportedly not recovered fully, as seen in the number of investment projects approved by the Council for the Development of Cambodia (CDC). In 1999, 95 projects worth $474 million were approved, down by 44 per cent year on year.[8] The dominant sector in the national manufacturing scene is the garment and textile industry, established in 1993 mainly to cater to exports. Although the number of garment industry licenses being issued has reduced, production and exports continue to grow at a rapid rate. The imposition of quotas by the US, which is the main market since 1997, have put a ceiling on expansion possibilities; talks with the US continue to go on, with the hopes of raising the ceiling over and above the 6 per cent annual increase that is currently permitted. In the first quarter of 2000, garment exports had risen by 47 per cent, reaching a new record of $195 million.[9]

According to the definitions used in the national accounts, Industry includes mining, manufacturing and construction. While detailed statistics are unavailable, it is reported that "...most manufacturing is conducted on a small-scale, informal basis. The fortunes of manufacturing activities such as brick making and ceramics are linked to the fortunes and performance of the construction sector".[10] The performance of industry in 1998 and 1999 is quite promising for the future of Cambodia. This will also help to transfer the surplus labor in agriculture into more gainful employment. Expansion in the construction sector is reflected in the building of hundreds of new garment factories and in hotel construction. This has resulted from the development of social infrastructure mainly financed by the government under bilateral and multilateral assistance.[11]

[7] As noted earlier, the Census definition of manufacturing industry excludes construction activity.
[8] CDC data.
[9] Cambodia Development Review (2000).
[10] Ministry of Planning (1999a:29).
[11] Sok et al. (2000).

1.2.3 Services

The service sector consisting of wholesale and retail trade, hotels and restaurants, transport and communication, financial, real estate and business and other miscellaneous intermediation activities, accounted for 45 per cent of the GDP and employed about 17 per cent of the Cambodian work force in 1998. This sector was affected terribly by the 1997 crises with the result its growth rate in 1998 was barely in the positive range, although it performed admirably when we look at the decline of 10 per cent in 1997 (See Table 1.4). In 1999, it has grown rapidly at 8.5 per cent, being a major engine for the 4 per cent estimated growth rate of overall real GDP.

The tourism sector has also benefited from restoration of stability in the national environment since 1998. The number of tourists arriving at Pochentong Airport in 1998 declined by 18 per cent over the previous year but increased by the same percentage in 1999. Other infrastructure development projects are on the tables, mainly funded by external assistance. For e.g., upgrading the Sihanoukville port with Japanese assistance and provision of technical assistance to the State-run electricity company by France. The ADB has also provided a 1.45 million USD technical assistance grant to improve the regulation and operation of organizations providing small-scale savings and loan services, known as micro-finance.[12]

During the first quarter of 2000, the number of passengers arriving at Pochentong Airport increased 21 per cent over the same period in 1999 but tourist arrivals declined, which is explained by the increase in the number of passengers arriving directly at Siem Reap-Angkor to visit ancient temples.[13]

1.3 Prices and Exchange Rates

The 1998 statistics on prices reflected the adverse impact of the 1997 crises. The Consumer Price Index (CPI) in 1998 rose rapidly until the election, but slowed down in the aftermath. The year-on-year inflation reached its peak at 17 per cent in June 1998 mainly due to extensive hoarding of food by the population and the depreciation of the riel, which led to higher import prices.[14] Details on the movement of the CPI are given in Table 1.9. The inflation rate for the whole year came close to 15 per cent. In 1999, there has been an excellent recovery, which is attributed to relative economic and political stability, a 10 per cent decrease in the currency held outside the banks and a slight appreciation of the riel.[15] The annual inflation rate for 1999 works out to be a little over 4 per cent, and forecasts for 2000 hold it under 2 per cent. These numbers are to be read with caution, for the CPI is riel-denominated which understates the impact of a dollarized economy like Cambodia. While the extensive dollarization of the economy appears to have helped moderate adverse effects on macroeconomic stability,[16] as noted in the previous Country Study on Cambodia (Chan et al

[12] EIU (1999).
[13] Cambodia Development Review (2000).
[14] Economic and Monetary Statistics Review (1998). No. 62 Dec. 1998.
[15] *Ibid.*
[16] Ministry of Planning (1999a).

(1998)), it reduces the relevance of the standard (riel-denominated) CPI as an indicator of the cost of living of Cambodia.[17]

Table 1.9: Percentage change in Consumer Price Index in Cambodia.

	Index (Base July-Sept 1994=100)	Quarter to Quater Change	Year to Year Change
1995 Annual Average	103.37		
I Quarter	101.31	-2.76	
II Quarter	99.64	-1.65	
III Quarter	105.46	5.84	
IV Quarter	107.06	1.51	2.75
1996	110.76	7.15	7.15
I Quarter	106.05	-0.94	4.68
II Quarter	107.62	1.48	8.01
III Quarter	112.68	4.70	6.85
IV Quarter	116.68	3.54	8.99
1997	119.58	7.96	7.96
I Quarter	111.94	-4.06	5.55
II Quarter	114.88	2.63	6.74
III Quarter	124.17	8.08	10.19
IV Quarter	127.32	2.54	9.12
1998	137.25	14.78	14.78
I Quarter	129.71	1.87	15.88
II Quarter	134.43	3.64	17.02
III Quarter	141.45	5.22	13.92
IV Quarter	143.41	1.39	12.64
1999	142.78	4.03	4.03
I Quarter	140.76	-1.85	8.52
II Quarter	143.00	1.59	6.37
III Quarter	144.01	0.71	1.81
IV Quarter	143.37	-0.45	-0.03
2000			
I Quarter	140.87	-1.74	0.78

Source: Ministry of Planning (2000).

The official exchange rate of the riel, set by the National Bank of Cambodia (NBC), follows a market-based exchange rate policy. In 1998, the riel depreciated by 13 per cent until the elections, but then stabilized and for a short while appreciated too, after the formation of the government. Again, the extensive dollarization of the economy reduced the effectiveness of the monetary policy of the NBC, which therefore had relied on interventions using dollars to smooth the exchange rates, imparting stability to the riel. In 1999, the riel has been depreciating gradually, with a slight appreciation in October reflecting governmental stability, fiscal discipline and the promise of continuing international aid. Overall the riel has been stable, despite the weakening. It also owes to the improved regional economic climate; Table 1 in the Appendix shows the movement of exchange rates of riels and other ASEAN

[17] Chan et al (1998).

currencies vis-à-vis the US Dollar. Most currencies, excluding Myanmar Kyat, have seen stabilizing corrections in 1999.

1.4 Monetary and Financial Sector Development

Monetary statistics exhibited noticeable improvements in 1998, with the supply of both Ml and M2 money increasing by 41 and 16 per cent respectively (Table 1.10). The former was the result of a sharp increase in the currency held outside banks. However, the decline in foreign currency deposits (carried over from the reaction to the 1997 crises) offset the increase in currency held outside banks, leading to an overall slowdown in liquidity[18] growth compared to the previous year. In 1999, the converse - rapid increase in foreign currency deposits resulted in higher growth rates of liquidity.

Table 1.10: Monetary and Financial Sector Development 1995–1999.

	1995	1996	1997	1998	1999
			I. Money Supply Billion riels		
Broad Money (M2)	650	912	1,063	1,230	1,442
Money (Ml)	279	329	385	543	532
Currency outside banks	251	300	356	509	490
Demand deposits	28	29	29	34	42
Quasi-money	371	583	678	687	910
Time and savings deposits	5	8	13	20	31
Foreign currency deposits	366	575	665	667	879
			II. Percentage change from previous year		
Broad Money (M2)	44.4	40.3	16.6	15.7	17.2
Money (Ml)	39.5	17.9	17.0	41.0	-2.0
Currency outside banks	34.9	19.5	18.7	42.9	-3.7
Demand deposits	100.0	3.6	0.0	17.2	23.5
Quasi-money	48.4	57.1	16.3	1.3	32.5
Time and savings deposits	-50.0	60.0	62.5	53.8	55.0
Foreign currency deposits	52.5	57.1	15.7	0.3	31.8

Source: Economic and Monetary Statistics Review (various issues) of National Bank of Cambodia.

The year 1998 also saw a slowdown in the banking activity. Banks' credit to private sector rose by 15 per cent in the first half of the year, but its growth for the whole year declined to only 3 per cent compared with 47 per cent in 1997.[19] Total credits of commercial banks expanded in 1998, although the rate was much higher in 1999. Even by October 1999, total credits had increased by 15 per cent (Table 1.11). The service sector accounted for most of the bank credit in 1998 (and upto October 1999), followed by industry and a very tiny portion to agriculture. "During 1998, some commercial banks closed or down-sized their operations due to the continuing regional crisis. The increase in the growth rate of credits in 1999 was

[18] Liquidity includes currency outside banks and foreign currency deposits.
[19] Economic and Monetary Statistics Review. No. 62-December 1998.

largely due to the improvement in political stability and the continuation of donor assistance".[20]

Table 1.11: Credit Granted by Commercial Banks by type of business (excluding provincial branches of NBC) Million riels.

	As on				
	Dec. 95	**Dec. 96**	**Dec. 97**	**Dec. 98**	**Oct. 99**
Agriculture	15,015	31,685	27,531	39,078	32,521
Industry	44,970	64,006	114,481	120,504	157,293
Other	263,017	342,817	507,750	498,835	570,197
Total	323,002	438,508	649,762	658,417	760,011
			Percentage to total credit		
Agriculture	4.6	7.2	4.2	5.9	4.3
Industry	13.9	14.6	17.6	18.3	20.7
Other	81.5	78.2	78.1	75.8	75.0

Source: Economic and Monetary Statistics Review (various issues) of National Bank of Cambodia.

On the liability side of the banks, deposits with commercial banks have steadily increased since 1995, quite noticeably since 1997 (Table 1.12). The share of deposits in foreign currency has also remained constant, at 94 per cent. However, in dollar terms, foreign currency deposits declined by 8 per cent during 1998, compared with 9 per cent decline in 1997.[21]

Table 1.12: Summary of deposits with commercial banks (excluding provincial branches of NBC). Million riels.

			As on		
	Dec. 95	**Dec. 96**	**Dec. 97**	**Dec. 98**	**Oct. 99**
Deposits in riel	32,294	40,007	42,886	49,769	66,240
Deposits in foreign currency	515,384	731,613	832,063	841,651	1,045884
Total	547,773	771,716	875,046	891,518	1,112,223

Source: Economic and Monetary Statistics Review (various issues) of National Bank of Cambodia.

1.5 Public Finance

Cambodia's fiscal performance, which deteriorated noticeably in 1998, has shown signs of improvement in 1999 in terms of surplus/deficits and the growth of government revenue as a percentage of GDP (Table 1.13).[22] As Tables 1.13 and 1.14 show, the trend before 1998 has generally been one of continuous fiscal and current account deficits, high current expenditure (mainly defense), government revenue constituting 8–9.5 per cent of GDP, a high percentage

[20] Sok et al (2000).

[21] Economic and Monetary Statistics Review, *ibid.*

[22] It is also important to note that there are no generally acceptable figures for the Government Budget and Balance of Payments for the years 1995-1999. Tables 1.13 and 1.14 present the official figures as per the Ministry of Economy and Finance data contained as addenda in the Draft Budget Plan 2000 Report. Further, the macro-data are revised backwards periodically, resulting in multiple data sets for every year. While the trend is more or less the same in all data sets, the magnitude is different. Other sources for the macro-data are the computations by CDRI presented in Tables 2 and 3 in the Appendix. Lack of a single statistical methodology has resulted in plurality of macro-data.

of foreign financing and limited recourse to deficit financing. Fiscal adjustment mainly took the form of cuts in non-wage operating expenditures to limit recourse to bank financing. In 1998, fiscal performance worsened with overruns on budgeted defense expenditure. Bank financing of the budget deficit amounted to 125 billion riels and capital revenues dropped dramatically. All these were the lagged effects of the twin crises of 1997. However, in 1999, government revenues grew (as a result of the VAT introduction, increased revenue from import duties and licensing of garment exporters) much more than expenditure thereby creating a surplus on the current account.

Table 1.13: Summary of government budget 1995–2000. Billion riels.

	1995	1996	1997	1998	1999^E	2000^P
Revenue	794	903	979	944	1417	1611
Current Revenue	**635**	**709**	**868**	**909**	**1354**	**1520**
Tax revenue	445	534	597	679	995	1110
Non-tax revenue	189	175	271	230	359	410
Capital revenue	159	193	110	35	64	91
Expenditure	1248	1419	1268	1557	1795	2335
Current expenditure	**737**	**790**	**816**	**934**	**1125**	**1315**
Capital expenditure	511	629	452	623	670	1,020
Current deficit (accrual)	-102	-81	52	-25	229	205
Overall Deficit (accrual)	-454	-516	-289	-613	-378	-724
Financing	557	693	379	614	465	830
Foreign financing	559	680	446	508	461	845
Domestic financing	-2	13	-67	106	4	-15
o/w bank financing	6	-17	-75	125	-70	n.a.
GDP	7,200	8,250	9,100	10,750	12,130	13,450
			Percentage of GDP			
Revenue	11.0	10.9	10.8	8.8	11.7	12.0
Tax revenue	6.1	6.5	6.6	6.3	8.2	8.3
Non-tax revenue	2.6	2.1	3.0	2.1	3.0	3.0
Expenditure	17.3	17.2	13.9	14.5	14.8	17.4
Current expenditure	10.2	9.6	8.9	8.7	9.3	9.8
Capital expenditure	7.09	7.62	4.97	5.79	5.52	7.58
Current Deficit (accrual)	-1.4	-1.0	0.6	-0.2	1.9	1.5
Overall Deficit (accrual)	-6.3	-6.3	-3.2	-5.7	-3.1	-5.4
Financing	7.7	8.4	4.2	5.7	3.8	6.2
Foreign financing	7.8	8.2	4.9	4.7	3.8	6.3
Domestic financing	-0.02	-0.21	-0.70	0.98	0.03	0.11

^{E} Estimated
^{P} Planned
Source: Working Table. Ministry of Economy and Finance (2000).

However, when we look at the structure of revenues, except for the introduction of VAT, the relative contributions have not changed much over the last five years (Table 1.14). International trade taxes, esp. the import duties accounted for almost 84 per cent of the tax revenue in 1999. The contribution of direct taxes is dismal, owing to the existing economic conditions of Cambodia. In addition to the poor tax base and ad hoc tax and customs exemptions, the government extended the exemption of pre-shipment inspections to garments and cigarettes after the July 1997 events,[23] also resulting in reduced revenues. As an indication that things are improving, the 1999 fiscal performance reflects improved collection performance of revenues; governmental revenues constituted 11.2 per cent of the GDP.

On the expenditure side, defense claimed close to 30 per cent of the total in 1998, but its share reduced to 26 per cent in 1999, the lowest since 1995 (see Table 1.14). Governmental expenditure as a percentage of GDP was almost the same for 1998 and 1999 (Table 1.13), owing again to increased defense expenditures. Expenditures on social sector although increasing are dismally low when compared to the demand for them. Foreign financing mainly funds infrastructure developments, which puts the health sector at serious risk.

Table 1.14: Government revenues and expenditures by source and sector. Billion riels.

	1995	1996	1997	1998	1999^E
Revenue	794	903	979	944	1417
Tax revenue	445	534	597	679	995
Direct Taxes	22	26	46	59	76
Payroll tax	1	3	6	8	10
Profit tax	18	18	35	42	60
Land and Property	2	2	2	3	n.a.
Indirect taxes	26	44	66	94	109
o/w Excise duties	9	7	11	16	19
VAT	-	-	-	-	54
International Trade taxes	397	465	486	527	810
Import duties	300	334	336	372	439
Exports	17	8	10	3	12
Non-tax revenue	190	176	271	230	359
Capital revenue	159	193	110	35	64
Expenditure	1248	1419	1268	1557	1795
Current expenditure	737	790	816	934	1125
Defense	430	406	419	453	470
Social sectors	148	179	189	203	316
Education	74	80	83	102	150
Health	26	42	45	43	80
Capital expenditure	511	629	452	623	670

Source: Ministry of Economy and Finance (2000).

1.6 External Transactions

Cambodia's balance of payments shows a continued trade deficit in 1998 and 1999. The volume of deficit had reduced in 1997 due to increased garment exports and retained imports, reflecting riel and dollar appreciation during that period. In 1998, the fall in forestry export revenues was higher than the expansion of garment exports with the result that the trade deficit increased slightly. In 1999, due to higher retained imports, increased value of oil

[23] World Bank (1999).

imports and falling forestry revenues, the deficit widened further to 401 million USD (Table 1.15).

Coupled with the trade performance, official aid, loans and foreign direct investment (FDI) – all slumped in 1997 due to temporary suspension of foreign aid and the uncertain economic scene. Official transfers and loan disbursements fell further in 1999, although FDI picked up significantly and this caused the overall balance to improve to 24 million dollars, from 14 in 1998. Net foreign reserves have also significantly increased in 1998 and 1999.

Table 1.15: Balance of payments of Cambodia 1995–1999. Million USD.

	1995	1996	1997	1998	1999
Trade (goods) balance	-350	-499	-338	-341	-401
Exports (FOB)	890	712	756	746	756
Of which Domestic exports	350	351	506	616	636
Re-exports	540	361	250	130	120
Service Balance	-29	5	27	6	27
Receipts	107	147	142	126	164
Payments	136	142	115	120	137
Balance of goods and services	-379	-494	-311	-335	-374
Net income	-18	-16	-15	-14	-12
Receipts	25	28	31	35	37
Payments	43	44	46	49	49
Private transfers	20	23	25	30	30
Balance of current accounts (incl. official transfers)	-30	-188	-100	-125	-164
Official sector loans (excl. IMF)	71	56	38	49	43
Gross Loan Disbursements	75	75	38	50	44
Amortization	4	19	0	1	1
Private (net)	151	240	150	120	150
Direct investment, net	151	240	150	120	150
Portfolio investment, net	0.0	0.0	0.0	0.0	0.0
Net errors and omissions	0.0	0.0	0.0	0.0	0.0
Overall Balance	79		34	14	24
IMF Contribution	42	0.0	0.0	0.0	11
Net change in foreign reserves	40	54	33	126	24

Source: Ministry of Economy and Finance (2000).

The ASEAN countries, mainly Thailand, Singapore and Vietnam are Cambodia's largest trading partners. They accounted for 33 per cent of exports and 38 per cent of Cambodia's imports in 1998 (Table 1.16). USA is the largest export partner, mainly by way of garment exports, accounting for 37 per cent of total exports. Table 1.17 shows the pride of place occupied by the garment industry in Cambodia, accounting for close to 60 per cent of the value of exports, followed closely by cigarettes and processed wood in that order.

Table 1.16: Structure of Cambodia's exports, imports and approved_investments by country. Percentages.

	Share of exports 1998*	Share of imports 1998	Share of investment (fixed assets)**
Total value	$795 million	$1,127 million	$2,543 million
ASEAN	32.9	38.2	34.9
Singapore	16.7	8.5	7.8
Thailand	9.7	14.9	6.4
Malaysia	0.8	4.1	20.4
Indonesia	0.1	2.5	1.0
Vietnam	5.3	8.0	0.0
Philippines	0.4	0.2	0.0
Laos	0.0	0.0	0.0
Myanmar	0.0	0.0	0.0
Other Asian countries	16.4	37.0	39.2
Taiwan	2.6	11.2	14.6
Hong Kong	3.4	11.5	8.5
China	5.3	8.5	8.3
South Korea	0.0	5.9	7.8
Selected Industrialized countries	50.7	16.6	20.6
United States	36.8	3.5	8.7
Japan	1.0	6.3	0.3
France	1.5	3.6	7.5
Germany	9.0	0.9	0.0
United Kingdom	3.1	1.3	2.8
Australia	0.1	0.9	1.3
Others	0.0	8.2	5.3

Source: Ministry of Finance and Economy (2000).

Table 1.17: Cambodia's export of goods. 1998.

	US$ million	% share
Total	795	100.0
Manufactured goods	466	58.6
Garments	420	52.8
Cigarettes	36	4.5
Others	10	1.2
Agriculture and allied	135	17.0
Processed wood	102	12.9
Natural rubber	25	3.2
Fishing products	4	0.5
Others	3	0.4
Others	194	24.5

Source: Ministry of Economy and Finance (2000).

1.7 The Place of Official Development Assistance in Cambodian Economy

The Cambodian government and economy are heavily dependent on external assistance in the form of both grants (328 million USD in 1998) and loans (75 million USD in 1998). Comprehensive details of the technical assistance to Cambodia are available only for the year 1998; hence this section will focus on that year.

The magnitude of importance of external assistance is brought out very clearly by Godfrey et al (2000) when they note thus:

> "External technical assistance is one of the Cambodian economy's biggest industries – far outstripping the government's revenue and non-defence current expenditure in recent years and a more important source of foreign exchange than any of the country's major exports."[24]

The scale can be seen in Table 1.18 – the numbers in relation to government revenue and exports are extremely high.

Table 1.18: The scale and relative importance of external assistance (total and technical) to Cambodia. 1998.

	Total external assistance[a]	Technical assistance[b]
Per head of population	$36	$21
As % of		
GDP	14	8
Exports	57	33
domestic exports	70	40
exports of services	370	211
net foreign investment	335	191
government revenue	167	95
tax revenue	226	129
government current expenditure	169	96
non-defence current expenditure	305	174

[a] Total external assistance includes: investment project assistance, budgetary and balance-of-payments support, food aid and emergency and relief assistance as well as technical assistance.
[b] There are two types of technical assistance: free standing (208 million USD in 1998) and investment related (23 million USD).
Source: Godfrey et al (2000), Table 2.1.

Total disbursements of external assistance by bi-lateral, multi-lateral and non-government institutions for 1998 amounted to USD 404 million, an increase of 7.6 per cent from 1997. Development assistance grants amounted to USD 328 million (a 3 per cent decline from 1997) while loans totaled USD 75 million (a 106 per cent increase from 1997).[25] Of these, 33 per cent came from multilateral donors, 53 per cent from bilateral donors and the rest from non-government organizations (Table 1.19). In terms of the sectoral distribution, the largest disbursement of external assistance was to the Rural Development Sector (14%), followed by the Development Administration sector (12.4%), the transport/infrastructure sector (12%), humanitarian aid/relief sector (11%), economic management sector (11%), education/HRD

[24] Godfrey et al (2000).
[25] CDC (1999).

sector (9.4%), health sector (8%), agriculture, forestry and fisheries sector (7%), social development (6%) and energy (5%).

External assistance to Cambodia is divided into the following types: free-standing technical cooperation and investment-related technical cooperation (together termed as technical assistance), investment project assistance, budgetary aid/balance of payments support and food aid/emergency and relief assistance. There were no disbursements on the last two types in 1998; the amounts for technical assistance and investment project assistance totaled 231 million USD (mainly grants) and 168 million USD, respectively. The Development Cooperation Report of the Government of Cambodia also notes that many bilateral donor agencies implement their programs, either in part or entirely through agencies under the UN system and/or through NGOs.

Table 1.19: External assistance to Cambodia 1995–1998 by donor. Million USD.

	1995	1996	1997	1998
Multilateral donors	169.6	198.0	123.1	133.4
UN agencies	31.0	50.3	39.8	40.5
World Bank	29.6	40.4	28.1	29.3
IMF	42.3	0.4	0.0	0.0
ADB	37.9	49.2	18.4	41.3
EU	28.9	57.6	36.8	22.3
Bilateral donors	328.1	284.3	202.5	214.4
Australia	27.5	20.2	27.3	18.2
China	3.1	10.9	9.5	14.3
Denmark	5.1	20.8	5.1	4.5
France	62.2	42.9	26.5	29.5
Germany	13.9	9.6	10.1	9.8
Japan	117.9	111.0	59.8	71.4
Netherlands	3.4	11.5	3.3	5.7
Sweden	25.3	16.1	17.4	13.5
UK	10.7	4.1	2.3	6.0
USA	45.1	28.8	30.5	30.4
Non-governmental organizations	21.1	35.8	49.9	56.1
Total	518.8	518.1	375.4	403.9

Source: Godfrey et al. (2000).

Table 1.20: Composition of external assistance: Grants Vs. Aid percentages.

	1995	1996	1997	1998
Grants	80.0	81.0	90.0	81.0
Loans	20.0	19.0	10.0	19.0

Source: CDC (1999) Chart 3.

Table 1.20 shows that most external assistance to Cambodia is grant-based. While the magnitude of ODA is very high, it is insufficient in terms of the national needs, especially in the social sectors. There is also the issue of uneven regional distribution of assistance. It is found that Phnom Penh received relatively large portions of aid compared to other regions in the nation. There is a need to co-ordinate assistance from all the donors in order that they may serve to correct both these inadequacies.

II. Rural Livelihoods and Access to Land

2.1. Land, Labour and Agricultural Livelihood

Cambodia is a predominantly agricultural economy – in 1998 the agricultural sector accounted for over 35 per cent of the total GDP, employed about 77 per cent of the total labour force and contributed a significant share of export earnings. As 84 per cent of the total population live in the rural areas where the main source of income is from agricultural activities, the development of this sector is of high priority to achieve an improvement in the living standards of the rural and total population as whole. Indeed, agricultural development is probably the single most important issue for economic development and poverty alleviation in Cambodia. Such development, however, could be hindered by inefficient land management, lack of well-defined laws[26], and require competent and appropriate implementation of the existing land-related legislation.

Of the total land area of 181,035 sq. km., nearly 60 per cent is forest cover area and only 4 million ha[27] (21 per cent) is potentially cultivable land of which 2.4 million ha is currently under production of annual crops. Rice, the staple food of Cambodians, dominates agricultural cultivation and has occupied over 90 per cent of the total cropland in the past two decades. It also employs most of the rapidly increasing labour force, especially in the rural areas. According to the Ministry of Agriculture, Forestry and Fisheries approximately 83 per cent of Cambodian households (nearly two million families) are rice growers and 65 per cent of the total labour force directly engages in rice production. Their livelihood is overwhelmingly dependent upon rice as subsistence production, and hence, rice land is the most important productive asset and to a large extent determines their economic and social status.

With 64 inhabitants per square kilometre, Cambodia is one of the more sparsely populated countries in South-East Asia. However, the relatively low population density should be seen in the light of the rather small proportion of land suitable for cultivation. On average Cambodian rural families have only about 1.0 ha of cultivated land, mostly wet-season rice land, for subsistence agricultural production.

Within the past 20 years, agricultural production has increased significantly at an average annual growth rate of 2.5 per cent, mainly derived from rice production. Although predominantly under rain-fed irrigation and traditional practice, rice production has increased remarkably. There has been a surplus since 1995 and in 1998 the total production peaked at 3.5 million tons providing a surplus of 30,000 tons of milled rice for export. As a result, per capita productivity had increased slightly to 0.88 tons in 1998 (Table 2.1). The Table also shows that the recent increase in rice production has resulted from both increased areas under cultivation and land productivity.

Rice cultivated areas increased considerably from 1.4 million ha to 2.1 million ha at an average annual rate of approximately 2.0 per cent between 1980 and 1998 and nearly reached the peak level of the late 1960s, 2.5 million ha. The increase was mainly due to the reclaiming of unused rice land, mine clearance and the security improvement allowing farmers to access land previously under high security risk. Despite the high population growth rate, per capita rice land also increased slightly from 0.51 in 1980 to 0.53 in 1998

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[26] The new Land Law has been drafted and debated within various sectors and was expected to be submitted to the National Assembly by July 2000.

[27] ha – hectare.

(Table 2.1). However, the increase in paddy land will eventually diminish due to limited land availability.

During the same period of time, rice productivity also increased from 1.19 tons/ha to 1.68 tons/ha, much higher than the pre-war level of 1.0 ton/ha. The trend of increasing land productivity has been particularly noteworthy after major economic reforms in the late 1980s including the pricing policy of agricultural products. As asserted by Nesbitt (1997) this increase is due largely to the following reasons: increases in the use of fertilizers and other farm inputs in production, increases in adoption of high-yielding varieties, improved accessibility to the transport system, favourable weather, increases in availability of rural credit, increases in private investment in this sector and increases in the price of rice in the free market as a result of major economic reforms. Rice output per capita increased from 0.72 tons in 1993 to 0.88 tons in 1998. Unlike cultivated areas, there is still room for productivity improvement by increasing the use of fertilizers, irrigation systems, use of high yielding rice varieties.

Table 2.1: Population, labour force and land 1980–1998.

	1980	1993	1998
Total population, '000 persons	6,500	9,900	11,438
Percentage of rural population	88	85	84
Total economically active population, '000 persons(1)	3,100	4,235	5,118
Percentage of economically active population in agriculture	91	81	77
Total cropland, '000 ha (2)	1,619	2,021	2,298
Cropland per agricultural labour force, ha/capita	0.57	0.58	0.61
Rice land, '000 ha	1,441	1,857	2,095
Rice land per agricultural labour force, ha/capita	0.51	0.56	0.53
Rice productivity, t/ha	1.19	1.28	1.68
Rice productivity per capita of agr. labour force, t/capita	0.61	0.72	0.88

Notes: (1) includes those unemployed and never employed before
(2) cropland refers to area allocated to production of rice and other crops

Source: Ministry of Planning (1989), NIS (1994), NIS (1997) and NIS (1999)

Apart from these significant developments, the rapid increase in population will certainly put greater pressure on agricultural production as a whole and rice production in particular. The pressure will be greater on availability of rice land, which might hinder the development of the agricultural sector. According to the 1998 Census results, total population has nearly doubled between 1980 and 1998, from 6.5 million to 11.4 million (Table 2.1). Meanwhile the percentage of rural population decreased only slightly, from 88 per cent to 84 per cent. Thus, a majority of population still lives in the rural areas and engages in agricultural production due to the scarcity of off-farm job opportunities in the urban areas. This implies that the growth of other sectors, industry and services, which employed about 23 percent of total labour force in 1998 was not sufficient to absorb the rapidly increasing labour force.

In addition to the high population growth rate of 2.49 per cent, the problems of land concentration might be accentuated by the skewed age distribution of the population. The 1998 Census found that about 43 per cent of the total population was under the age of fifteen, resulting in a much higher dependency ratio (non-working population supported by the labour force) than in other countries. This may be attributed to a baby boom, reported in the early 1980s as families reunited, and high fertility in the following years of that decade (NIS (1999:14)). This young population will continue to increase the labour force rapidly during the next decade, increasing the pressure on land. As can be seen in Table 2.2, the labour force is expected to increase by nearly one million (19 per cent) by 2003. This implies that an additional 200,000 will enter the labour market annually which will inevitably put an enormous pressure on employment opportunities. If the pattern of employment in agricultural sector remains the same, employing approximately 77 per cent of total labour force, which it is likely to be, about 150,000 of new entrants into the labour force every year will be hunting for land to do farming for their livelihood.

Table 2.2: Projected growth of the labour force 1998-2003.

Age group	Population 1998	Labour force 1998 [(1)]	Participation rate [(2)]	Population 2003	Unadjusted labour force 2003	Adjusted labour force 2003 [(3)]	Change in labour force	% Change
10-14	1,658,196	74,904	4.52	1,772,820	80,082	79,041	4,137	5.52
15 – 19	1,344,258	652,735	48.56	1,658,196	805,175	796,318	143,583	22.00
20 – 24	745,687	615,936	82.60	1,344,258	1,110,354	1,093,699	477,763	77.57
25 – 29	888,540	785,409	88.39	745,687	659,137	648,590	-136,819	-17.42
30 – 34	782,682	704,222	89.98	888,540	799,468	777,083	72,861	10.35
35 – 39	695,868	631,919	90.81	782,682	710,755	694,408	62,489	9.89
40 – 44	497,067	448,200	90.17	695,868	627,457	616,163	167,963	37.47
45 – 49	415,931	376,350	90.48	497,067	449,765	434,473	58,123	15.44
50 – 54	312,463	275,263	88.09	415,931	366,413	351,756	76,493	27.79
55 – 59	256,930	215,638	83.93	312,463	262,246	252,281	36,643	16.99
60 – 64	204,994	148,489	72.44	256,930	186,109	171,779	23,290	15.68
65 – 69	166,928	48,794	29.23	204,994	59,921	54,109	5,315	10.89
Total	7,969,544	4,977,859	62.46	9,575,436	6,116,881	5,969,699	991,840	19.93

Notes: [(1)] includes unemployed and never employed before. NIS includes all population aged over six in labour force.

[(2)] participation rate in the labour force of those who aged under 10 and over 69 are not included due to low rate.

[(3)] figures are adjusted for age specific participation rates in the labour force and for age specific mortality rates.

Source: Authors' calculation based on Huguet (1997:5) and 1998 Census Priority Tables (1999, CDROM #1).

There are also large regional differences in population density and land/labour ratio increasing the pressure on land even further. A majority of the population is concentrated in the central plain areas, which stretches from the south-east (border with Vietnam) to the north-west (border with Thailand) of the country (Table 2.3 and Figure 2.1). According to the Census, in 1998 over 90 per cent of total population resided in the central areas in fifteen provinces (Phnom Penh, Kandal, Takeo, Prey Veng, Kampong Cham, Svay Rieng, Kampot, Kampong Speu, Banteay Meanchey, Kampong Chhnang, Battambang, Siem Reap, Kampong Thom, Pursat and Kratie) in only 60 per cent of total land area. Within this area, land pressure was already high. The average rice land per capita of agricultural labour force ranged from 0.23 ha in Phnom Penh to 0.88 ha in Banteay Meanchey (Table 2.3).

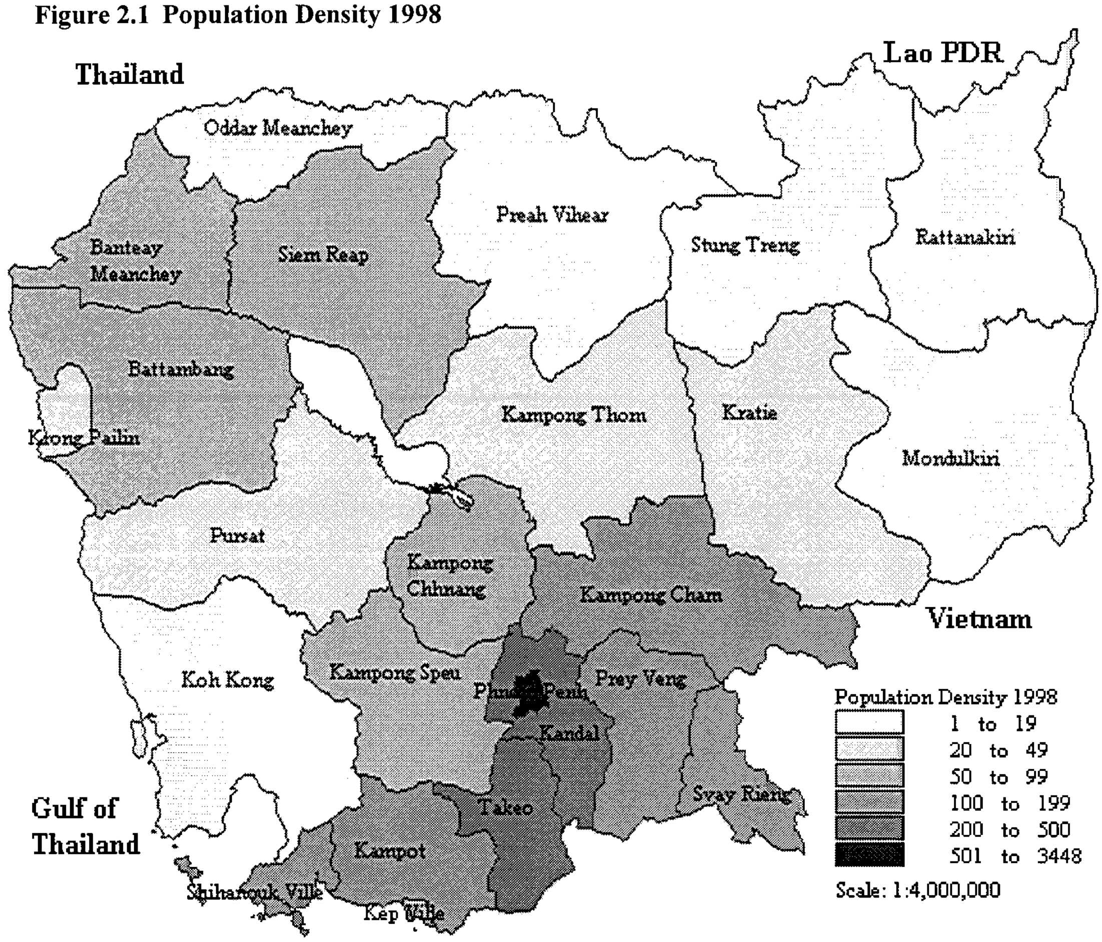
Table 2.3: Population, labour force and rice land by province 1998.

Province	Total pop. '000	Land area, '000 ha	% of rural population.	% of agr. Labour force	Rice land, '000 ha	Rice land/ agr. labour force
Kampong Cham	1,609	942	97	84.77	189	0.32
Kandal	1,075	357	95	76.27	88	0.25
Phnom Penh	1,000	37	43	9.64	9	0.24
Prey Veng	946	482	94	89.97	262	0.65
Battambang	793	1,245	82	70.11	203	0.96
Takeo	790	349	95	89.79	229	0.74
Siem Reap	696	1,196	83	81.93	192	0.76
Kampong Speu	599	682	93	88.92	85	0.36
Banteay Meanchey	578	671	83	74.63	158	0.88
Kampong Thom	569	1,245	88	86.05	123	0.65
Kampot	528	469	94	87.27	132	0.65
Svay Rieng	478	286	96	90.27	164	0.82
Kampong Chhnang	418	529	90	85.19	90	0.55
Pursat	360	1,160	84	82.20	77	0.61
Kratie	263	1,197	70	77.58	30	0.36
Sihanouk Ville	156	139	n.a.	49.81	10	0.33
Koh Kong	132	1,239	78	51.80	7	0.26
Preah Vihear	119	1,402	82	83.21	15	0.33
Rattanakiri	94	1,190	82	88.10	17	0.40
Stung Treng	81	1,190	70	79.17	16	0.51
Oddarmeanchey	68	511	7	78.80	n.a.	n.a.
Mondulkiri	32	1,366	78	74.28	5	0.45
Kep Ville	29	15	n.a.	81.71	3	0.26
Pailin	23	255	n.a.	48.78	n.a.	n.a.
Total Cambodia	**11,438**	**18,153**	**84**	**76.82**	**2,104**	**0.56**

Source: NIS (1999) and Dept. of Planning and Statistics (1999).

At the household level, the situation could be worse than at the aggregate level. The following sections attempt to identify the nature of land issues in Cambodia at the household level. Due to the lack of comprehensive data and surveys on land related issues, it is difficult to assess the magnitude of land problems and their impact on individual households. Fortunately there have been some surveys, which together provide a somewhat sketchy picture.

Figure 2.1 Population Density 1998



Source: Census 1998

2.2 Access to Land

2.2.1 Brief Historical Background

Since land is the most valuable asset for the majority of the population, it has been considered in planning for economic development and sustainable poverty reduction by Cambodian governments. It has often been the central focus of government intervention, as the following review of land policies since the nineteenth century show.

Pre-French Colonisation (Pre-1863): It is believed that all land belonged[28] to the sovereign. Practically, most people were freely tilling their own land and could cultivate as much as they liked. With the small population and the absence of a land market, the cultivating proprietor could move freely from one area to another and assume ownership, They received an exclusive right to possess, use and inherit agricultural land, without having to fulfil any formalities except corveé or other feudal tribute.

[28] The sovereign possessed, theoretically, absolute right over the land (Meijers (1994:3)).

French Colonial Period (1863-1953): After colonising Cambodia in 1863, the French changed the traditional land use system in Cambodia by first promulgating a *Land Act* in 1884, which was not fully implemented before 1912 due to the resistance of Cambodian farmers. By 1930, most of the rice growing fields were registered as private property and people were also free to sell their land. More important, all free areas and unoccupied land became available for customary ownership rights[29] and sale after clearing and occupation. Virgin land was still available leaving opportunities for those who sold their land to move to the forests. By 1930, most of the land was also divided into plots of less than five hectares and large plantation farms were established (Greve (1993)).

Independent Period (1953-1975): After Cambodia gained independence from France in 1953, the Western system of property rights still continued with an increase in land transactions. Meijers (1994) claimed that by 1962 more than 30,000 non-agricultural households had land. He added that even though the 1962 Census showed that out of 800,000 agricultural families 84 percent were "owners only", the agricultural population was not well off.

Since the majority of rice fields had low productivity (about 1 t/ha) with rain-fed cultivation, farmers became indebted (three-quarters in 1952) and some eventually became landless. For both farm and non-farm expenses, farmers borrowed from private moneylenders at very high interest rates - often as high as 30 per cent but sometimes even in the range of 100 to 200 per cent per season (Meijers (1994)). In order to repay debts, farmers had to sell their rice harvest to private moneylenders at less than its market price. As a result they did not have much rice left for family consumption, and hence had to borrow money again which they had to pay back from the next harvest, to buy back rice at a much higher price than they got paid. As this process went on, some poor farmers eventually sold their land to pay debts and became landless (Greve (1993)).

Democratic Kampuchea (1975-79): The Khmer communists, known as Khmer Rouge, seized power from the Lon Nol government and proclaimed 1975 as year zero. Under Khmer Rouge ideology all people were supposedly equal and everybody had to work in the fields. All land belonged to *angkar*, nobody could own even a little piece of land as private property (*troapsambat eckachun*)[30] and private ownership (*kamaset eckachun*)[31] of land was abandoned. Angkar was master of water and master of the earth *"Angkar mchah teuk mchah dei"* (Greve (1993)).

According to Khmer Rouge policies rice production was the highest priority. Rice fields were redesigned into squares of one hectare plots and the production system was collectivised with a tremendously heavy workload, up to eighteen hours a day. In the hope of increasing rice production to the level of 7 t/ha, many poorly designed irrigation systems, dams, canals and reservoirs, were manually but inadequately built. These were mostly ineffective hydrological interventions.

Centrally Planned Economy (1979-1989): After the failure of the Khmer Rouge regime in 1979, the country was devastated and under the threat of a widespread famine. Millions of displaced and starving people returned to their homes. With limited foreign support (mainly

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[29] The rights to clear virgin/unoccupied land for possession, use and inheritance.
[30] A property that does not generally benefit the public interest as a whole and that a private individual can own.
[31] The situation in which private individuals and households are allowed to own a property.

from the former communist bloc), war-torn infrastructure and scarce human resources, the new government decided to set up collective property rights[32] for land and housing. Due to the shortage of labour, draft animals and production equipment, new forms of solidarity groups, *Krom Samaki,* were established to fulfil immediate food requirements.

These solidarity groups consisted of ten to fifteen families sharing land, labour and draft animals. The *Krom Samaki* was allowed to occupy and use agricultural land although all land, including homestead land, was officially the property of the State. Land was redistributed to the *Krom Samaki* based on the labour force, draft animals and land availability in the local areas. It is important to mention that even though all land belonged to the state, occasionally some homestead lands was unofficially transferred by mutual agreement in this period (Greve (1993)).[33]

Post-1989: By 1989 the failure of collectivisation and the planned economic system was obvious and the government realised that these policies could not be adopted in view of Cambodian conditions. Following a massive reduction in support from the former Eastern Bloc countries and the recognition of the failure of planned economy, the government reformed the entire economic system towards a free-market economy in 1989. In addition to the major economic reforms, the government took a further step to reform the existing land management system with the reintroduction of private property rights.[34]

According to the Political Instruction *(prakas)* No. 3, all land in Cambodia belongs to the State: *"the land of the State of Cambodia is the property of the State".* But Cambodians have the right to possess and use land: *"the Cambodian population has the full right to occupy (kankap) and use (praeapras) the land and has the right to sell the land provided by the State for domicile and exploitation".* Moreover, the ownership rights before 1975 were invalidated - *"no one can claim the rights (set) of the ownership (kamaset) prior to 1979 on the lands"* - and the occupation of land and residential buildings from 7 January 1979 onward was recognised: *"the State will not review and make a new division on the land that is already occupied from 7 January 1979 to the date of this instruction which shall be applied until there is a land law".* The instruction also defined land into three categories, as follows:

- *land for domicile:* shall be provided as the ownership *(kamaset)* by the provincial committee or municipality;
- *cultivation land (dey damdos)/agricultural land:* is for production and exploitation. It is state land entitled to the farmers to manage *(krupkrong)* and use *(praeaprass)*; and
- *concession land (deysampatein):* could be greater than 5 ha. Concession is the right to occupy large areas of land (over five hectares) land *(kankup)* for the production of main perennial crops for the benefit of the national economy.

Of these three land categories, private ownership rights could be obtained on housing land whereas on cultivation and concession land respectively only the possession and use rights and the exclusive rights to occupy could be obtained.

[32] The rights given to group of population (collectivisation or *Krom Samaki*) to occupy and use land; the output was shared among all families in the group.

[33] The information was obtained from the interview on 23 June 1999 with Mr. Huy Phab, Vice-Chief of Land Conservation Office, currently Deputy-Director of Conservation Cadastre Department, of the General Department of Cadastre and Geography.

[34] The rights given to private individual/household to have ownership right, for residential land/buildings, and possession right, for agricultural land.

Along with the reintroduction of private property rights, Sub-Decree No. 25 and Instruction No. 3 also redistributed land among private households. It was based on the number of family members and land availability in the area. Generally, the redistribution was implemented by the local authorities with full participation of the local communities. Land was divided according to the number of people in each family. Account was also taken of the soil fertility and location so each family got a few plots of agricultural land. The redistribution seemed to be fair for ordinary people, even returnees, as stated in the instruction that *"Cambodian refugees, overseas returnees, and Khmer Rouge returnees, if return to village, shall be provided land for housing, paddy or farm on the free land or vacant claimable land"* (Meijers (1994)).

The size of land distributed to households varied depending upon the population density in an area. In some provinces with low population density people could get up to three ha/family, e.g. Pursat; whereas in the high density areas they got only 0.5–1.0 ha/family, e.g. Takeo (Huy (1999)).[35] Only residential/housing land and productive land were redistributed to people to be owned and possessed while the remaining lands were kept as state/common land for future development.

In addition to Sub-Decree No. 25 and Political Instruction No. 3, the Land Law 1992 contains significant provisions such as Articles 1 and Article 2:

Article 1: All the land in Cambodia belongs to the State and shall be governed and protected in agreement by the State. The State does not recognise the land property right existing before 1979. The property rights and any other rights related to land shall be governed by this law.

Article 2: Cambodians have full right to possess and to use land and have the right to inheritance of the property provided by the State for living and for doing business.

Again, this means that all land in Cambodia belongs to the State and Cambodians can have the rights to possess, to use, to transfer and to inherit land and that the ownership rights existing before 1979 will not be returned to the prior owners.

2.2.2 Data Description

This section attempts to identify and assess relevant land-issue indicators from four large-scale surveys; one from a Mekong River Commission (MRC) project, another one from National Institute of Statistics (NIS) and two from the World Food Programme (WFP). It is important to bear in mind that these surveys had different characteristics since they focused on different groups of people in the country and were designed to fulfill different purposes.

Household Socio-Economic Survey in Fishing Communities (Socio-Economic Assessment of Freshwater Capture Fisheries of Cambodia), MRC 1995-96 (hereafter MRC Survey)

The main objective of the Socio-Economic Household Survey of Fishing Communities in Cambodia, conducted by the Mekong River Commission (MRC)[36] was to assess the socio-

[35] Huy, P. (1999). Interview on 23 June 1999, Phnom Penh.

[36] The title of the project was *Management of Freshwater Capture Fisheries of Cambodia.* See the report of Ahmed et al (1998).

economic conditions of the households living in the fishing dependent communes in order to provide the necessary information and appropriate perspective for the sustainable management of the freshwater capture fisheries in Cambodia.

The study identified eight provinces, Siem Reap, Battambang, Pursat, Kampong Chhnang, Kandal, Phnom Penh, Kampong Cham and Kampong Thom, with about 4.19 million people (more than 40 per cent of the total population) in freshwater fisheries communities. From those provinces, a total of 5,117 sample households covering 83 sample communes in 51 fishing districts were randomly selected to represent 328 fishing-dependent communes. The selected communes also covered the two major systems of freshwater capture fisheries environment: the Great Lake and Tonle Sap River and the Mekong-Bassac Rivers and adjoining floodlands.

Cambodia Socio-Economic Survey 1997 (hereafter NIS Survey)

The Cambodia Socio-Economic Survey, the first large-scale multi-objective household survey, was conducted by NIS between May and June 1997. The principal objective of the survey was to collect data needed for measurement of living standards, and information required for poverty monitoring and analysis.

The survey was based on a two-stage stratified random sampling design with villages as the primary sampling units and households as secondary sampling units. The truncated frame used for the survey covered all the villages in Phnom Penh, 91.2 per cent of villages in other urban areas and 86.3 per cent of the rural areas. However, due to security reasons, two provinces and a number of communes of fifteen other provinces were excluded from the survey. The proportion of excluded households was lower and amounted to only 4.8 per cent of households in other urban areas and 1.6 per cent of households in the rural areas.

Based on the above criteria, 6,010 households were selected for interview, distributed as follows:

Phnom Penh	120 sample villages and 1,200 sample households;
Other urban	100 sample villages and 1,000 sample households;
Rural	254 sample villages and 3,810 sample households;
Total	474 sample villages and 6,010 sample households.

Cambodian 1998 Baseline Survey of CASD Project and WFP Target Areas, UNICEF-WFP (hereafter Baseline Survey)

The Joint UNICEF-WFPS Baseline Survey was conducted by WFP between May and June 1998. Its main purpose was to provide a comprehensive set of data for use in program development, targeting and evaluation of current CASD programs on health and nutritional status and WFP programs on food security and vulnerability. The survey focused on some provinces in which selected villages had CASD and/or WFP programs. The survey limited the target sample to those households with at least one child under five years of age, randomly selected.

The survey was based on a multi-stage, random sampling procedure, with the village as the sampling unit. A random sample of approximately 50 villages was selected from the six CASD-UNICEF provinces, whereas only thirteen villages of CASD-PFD in Kratie and Stung Treng provinces were randomly selected. Another sample of 62 villages was drawn from five food economy zones of WFP based on the national distribution of villages by zone. A total of 125 villages were selected for the survey.

The number of households selected depended on village size. In some cases there were as many as 300, in others as few as 50. The survey also limited the number of families to be interviewed to eight, ten and twelve if the villages had 80, 80–120 and more than 120 households respectively. Accordingly, 1,230 households were actually selected for interview.

Protracted Emergency Target Survey, UNWFP 1998 (hereafter PET Survey)

The Protracted Emergency Target (PET) Survey was conducted by WFP in late 1998. The main objective of this survey was to provide a benchmark on social conditions and the nutritional status of returnees and internally displaced persons (IDP)[37] against which programme impact could be measured in the year 2000. Similar to the Baseline Survey, the PET survey targeted parts of some provinces where the surveyed villages were randomly selected from PET communes. The targeted population were those who had at least one child under five years of age and presence of its mother.[38]

Within the sampled villages, 26 households were selected from each village in order to produce a total sample of 1,040 households. The households that met the PET criteria, with at least one child below five years of age and its mother in the house, were randomly selected using interval selection methodology. In the few cases where the villages were too small to provide enough mothers and children to reach the target of 26 households, so a third village was randomly selected and the remaining households were selected and included in the survey.

Comparability and Limitations of the Surveys

All four surveys differed in terms of geographical areas covered, time frame and target groups. Since they were separately designed and conducted to fulfil different purposes, some information can be obtained from one or two surveys but not from the others and vice versa (Table 2.4).

Since the MRC and NIS surveys randomly selected the sample population within the surveyed areas, the percentage of female-headed households is high, 19 and 24 per cent respectively. This figure is consistent (although slightly lower) with the results of the 1998 population census – 25.7 per cent (NIS, 1999:4). However, the proportion of female headed households was quite low – 6 per cent in the Baseline survey and 8 per cent in the PET survey – due to the selection of sampled households with at least one child under five years old and the fact that the vast majority of children are born in wedlock. Therefore, these households represent only those who have become female headed during the preceding five or six years, at maximum.

The main limitation of the surveys, from the point of view of this analysis, is the differentiation of sampled groups. The Household Socio-Economic Survey targeted the people who lived in fishing communes. The Socio-Economic Survey of NIS, on the other

[37] WFP-Cambodia defined Internally Displaced Persons as "those persons who have been displaced from their normal place of living by fighting in the period since 1989". (Helmers and Kenefick (1999:13)).

[38] Based on regional grouping and homogeneity of social conditions and IDP origin, the sample was stratified into four zones and a two stage, random sampling methodology was used to select samples. In the first stage five communes from each PET zone were randomly selected. In the second stage two villages per commune eligible on WFP criteria were selected and non-PET villages were eliminated. Then the PET villages were randomly selected for interview by using a random numbers table. However, communes and villages with unacceptable levels of risk from mine hazards, such as mines on the main road into the commune, were eliminated from the sample.

hand, focused on much broader samples but some areas were excluded from the sample frame due to insecurity and the stratification was based on three strata viz. Phnom Penh, other urban and rural areas. The Baseline survey targeted only the people of CASD project and WFP target areas, whereas in the PET survey the groups of people in the PET communes and the sampled household were confined to those who had at least one child under five years of age and the mother present.

Table 2.4: Summary of available information from the surveys.

	Obtainable information	MRC's Survey	NIS's Survey	Baselin e Survey	PET Survey
1.	Sample size	5,117	6,010	1,230	1,040
2.	Coverage province	8	20	14	7 (4
3.	% of female-headed hh	19%	24% [1/]	6%	8%
4.	Household Demography				
	• Age, sex, education, ...	√	√	√	√
	• Displacement	√	×	√	√
	• Employment	√	√	√	√
5.	Land				
	• Acquisition	×	×	×	√
	• Tenure	√	√	√	√
	• Ownership	×	√	×	√
	• Sales	×	×	√	√
6.	Common Property Resources				
	• Access to CPR	√	×	√	√
	• Trend of CPR	√	×	√	√
7.	Asset Ownership				
	• House type	√	√	√	√
	• Valuable asset	√	√	√	√
	• Animals, trees ...	√	√	√	√
8.	Shocks/crises				
	• Debts/loan	√	√	√	√
	• Shocks	√	×	√	√
9.	Income				
	• Agr. production	√	×	√	√
	• Sources of income	√	√	√	√
10.	Expenditure				
	• Food items	×	√	√	√
	• Non-food items	×	√	√	√
11.	Health				
	• Nutrition	×	×	√	√
	• Child & mother nutrition	×	√	√	√

Notes: √ = Yes, the survey contains the corresponding question

× = No, the survey does not contain the corresponding question

1/ percentage of female-headed households in both rural and urban areas, urban-27% and rural-23%.

Sources: Household Socio-Economic Survey, MRC 1995-96, Socio-Economic Survey, NIS 1997, Baseline Survey, UNWFP 1998 and PET, UNWFP 1998

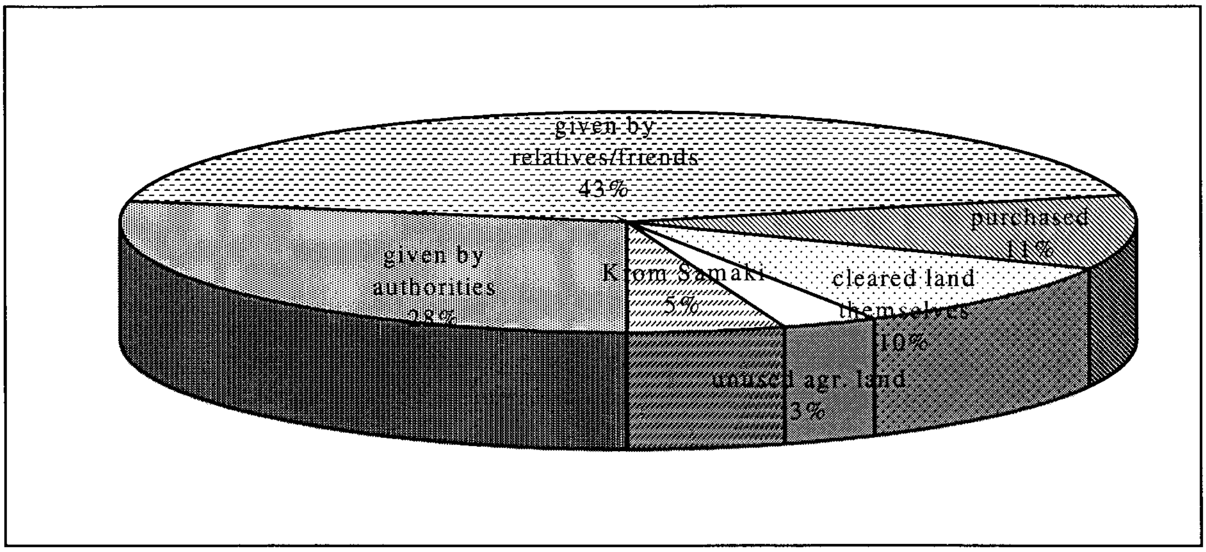
Despite this non-comparability, all four surveys provide valuable data. They contain detailed information on household demographics, land ownership, access to common property resources, other durable asset ownership, household income and expenditures and others. However, it is important to keep in mind that not all four surveys cover the same questions and the way in which the questionnaires were designed and administered are different.

2.3 Land Acquisition

Based on the relevant regulations and land redistribution in the 1980s, it is reasonable to assume that a majority of the Cambodian population had access to land – residential and agricultural, during the 1980s. Furthermore, from the procedure followed in the 1989 distribution (see Section 2.1) it can be assumed that most of the people got land legally and were officially recognised as landowners by the local authorities.

However, the results of the PET survey (the only one with questions on acquisition of land) which focused on internal displaced persons reported that PET households had commonly acquired land through different sources. The survey showed that 43 per cent of the interviewed households got land from their relatives/friends (Figure 2.2). This high figure is suspected to have resulted from the high displacement rate of the sampled population: three quarters of the surveyed households had been displaced since 1989 due to fighting, and hence, were vulnerable to loss of land in their villages of origin. They probably could not acquire land in the new resettlement villages (Table 2.5). The findings of PET survey also show that 28 per cent of the PET respondents were given land by local authorities, whereas only 5 per cent obtained land through the 1989 *Krom Samaki* distribution - a surprisingly low percentage given that it was probably the principal means of acquiring land in Cambodia in the period before 1989. Another reason is for this pattern the young average age of sample household heads, an assumption reinforced by the fact that many were given land by relatives.

Figure 2.2: Methods of land acquisition in Cambodia according to the PET survey. 1998.



Source: PET Survey (Question 601, Appendix A-4), UNWFP 1998.

Table 2.5: Household mobility and settlement.

Household	Percentage
Displaced because of fighting, since 1989	76
Returned from Thai order camps with UN	8
Lived in new village (existed only after 1992)	11
Currently displaced from normal place of living	4
Moved more than 2 times since 1989	36
Lived in more than 2 different settlements since 1989	28

Source: PET Survey, UNWFP 1998.

2.4 Status of Land Holdings

Land Tenure

In the first few months after the 1989 land privatisation large numbers of applications were made for ownership titles but only a small proportion of applicants have so far, a decade later, been issued with ownership titles. According to the Director of the Cadastre Department,[39] only 14 per cent of 4.5 million applications have received certificates of possession rights. However, those who applied for possession rights have presumably still got the application receipts from the local authorities (see Appendix B for details of application process).

The NIS survey showed that a majority of households interviewed had some form of land titles: approximately 80 per cent of the respondents in both urban and rural areas reported that they owned/occupied residential and farmland with titles (Table 2.6). Yet, the property rights referred to were not clearly defined: perhaps respondents were referring to the receipt that the applicant received when s/he applied for possession rights. The questionnaire also asked if respondents retained the application receipts. The high percentage of reported ownership with titles is probably the result of the vagueness of the question (Question 24, Appendix A-2 of NIS's survey). The question consists of only three options, "owned with title", "ownership unsettled/held for free" and "rented/leased", for those people who owned land, either residential or agricultural land. Inevitably the respondents who owned land would report that they owned/possessed land with title if they did not hold land for free and/or leased land. Hence, the level of land ownership titles cannot be reliably estimated from the NIS survey.

Table 2.6: Urban and rural households reported to own land by ownership status. Percentages.

Ownership Status	Residential land		Agricultural land	
	Urban	Rural	Urban	Rural
Owned with title	77	82	79	87
Ownership unsettled/held for free	22	17	19	12
Rented/leased	1	1	2	1
Total	100	100	100	100

Source: Socio-Economic Survey (Question 24.1-24.3), NIS 1997.

[39] Currently the Deputy General Director of the General Department of Cadastre and Geography.

The question about land ownership documentation[40] that the PET survey used to identify the form of entitlement that people hold shows a different picture. Only a small proportion of PET households had application receipts to prove their possession rights, whereas a mere 2 per cent of respondents were issued official certificates for their residential land and 1 per cent had certificates for agricultural land (Table 2.7). More than 70 per cent of the households had nothing to prove their possession rights of either residential or agricultural land.

The survey also reported that the proportion of female-headed households who had applied for title to their land was higher than that of male-headed households. Table 2.7 shows that the proportion of female-headed households who had papers - either receipts, applications for possession or land investigation records - was slightly higher than for male-headed households. However, none of the female-headed families had certificates for the right to possess their residential and agricultural land. This difference might be due to the small proportion of female-headed households, sample size only 72, in the sample population of PET survey, and therefore, might not be statistically significant.

Table 2.7: Households reporting to have land ownership Title according to the PET Survey. Percentages.

Ownership status	Residential land			Agricultural land		
	male-headed	female-headed	Total[1/]	male-headed	female-headed	total[1/]
	n=934	n=72	n=100	n=902	n=69	n=971
No paper	74	60	73	75	62	74
Receipt	14	18	15	13	16	13
Application for possession	2	4	2	2	6	2
Land investigation record	1	3	1	1	1	1
Certificate	2	0	2	1	0	1
No land	7	15	7	8	15	9
Total	100	100	100	100	100	100

Note: [1/] weighted average

Source: PET Survey (Questions 603-604, Appendix A-4), UNWFP 1998.

The PET survey also showed that female-headed households were more than twice as likely to have no residential or agricultural land as male-headed households. To sum up, only 2 per cent of the male-headed households and none of female-headed households who owned land had legal title for their residential or agricultural land.

Possession of Land

With more than 80 per cent of total population living and working in rural areas, issues related to land ownership are clearly crucial to their livelihoods. Most of the rural population strives to own at least a piece of land for subsistence in rice and inheritance. Land is generally classified differently depending upon its use and a distinction made between them.

The MRC's survey classified land in fishing-dependent communities as residential land, agricultural land, orchard land, fishpond and other land. The survey reported that most of the sampled population owned/possessed (*kankab*) residential land (nearly 100%) although they live in fishing communities. Additionally, a markedly lower proportion owned agricultural land, approximately 75 per cent of the respondents owned agricultural land, mainly rice land, and a smaller proportion reported possessing other land such as orchard land and fishponds

[40] Questions 603-604, designed by Shaun Williams (OXFAM), provide multiple options for respondents to give the appropriate answer of land ownership paper they had. However, the interviewers did not ask if the respondents still had those papers - receipts, application forms, land investigation record or certificate.

within and outside homestead areas. The proportion of female-headed families who possessed any kind of land was slightly lower than households headed by males (Table 2.8).

Table 2.8: Households possessing land according to the MRC Survey. Percentages.

Land	male-headed n=3,999	female-headed n=953	total1/ n=4,952
Residential land	99.1	99.2	99.1
Agricultural land	76.9	70.2	75.6
Orchard land	15.4	13.2	15.0
Other area of land	0.5	0.3	0.5
Fishpond in homestead	3.6	2.6	3.4
Fishpond outside homestead	0.5	0.1	0.4

Note: 1/ weighted average

Source: Household Socio-Economic Survey, MRC 1995-96.

The NIS survey, on the other hand, grouped land into residential land and agricultural land and reported a high rate of "own" residential land in the sampled areas. In both urban and rural areas, more than 95 per cent of the population reported "owning" residential land. Meanwhile, over 80 per cent of the rural population possessed agricultural land, while 27 per cent of the urban population possessed 25 per cent of total agricultural land. The urban population in this survey, from the point of view of this study, was not clearly defined because some of the suburban population of Phnom Penh, Sihanoukville or other provincial cities could be classified as rural. Some of these people still lived in the rural areas (although close to the cities), worked in the fields and predominantly relied on farm work. Again a marginally lower rate of possession of both residential and agricultural land can be observed among households headed by women among both urban and rural households (Table 2.9). A significantly lower rate of female-headed households possessing agricultural land can be observed in the rural area and might imply that female-headed households have insufficient labour force for land preparation or claiming some more land.

Table 2.9: Households in urban and rural areas possessing residential and agricultural land according to the NIS Survey. Percentages.

Land	Urban			Rural		
	male-headed	female-headed	total1/	male-headed	female-headed	total1/
Residential land	95.7	94.9	95.4	97.4	97.3	97.4
Agricultural land	27.6	26.5	27.3	87.0	83.7	86.2

Note: 1/ weighted average

Source: Socio-Economic Survey, NIS 1997.

The Baseline and PET surveys, furthermore, divided agricultural land into wet-season rice land, dry-season rice land and *chamkar* land. The majority of households in the WFP target areas held either house plots, or rice lands or *chamkar* lands (land with multi-cropping systems composed of various combinations of tree crops, vegetables and non-rice field crops).[41] Wet-season rice is the most important crop in terms of volume of production and most of the sampled households reported possessing wet-season rice land. Dry-season rice was not common in Baseline and PET communes. Similarly to the results of the NIS survey,

[41] Helmers and Keneflick (1999:26).

the proportion of female-headed households holding land was smaller than in male-headed households (Table 2.10).

Table 2.10: Percentage of households possessing rice and *chamkar* land according to the Baseline and PET Surveys.

Land type	Baseline			PET		
	male-headed	female-headed	total[1/]	male-headed	Female-headed	total[1/]
Any land	..	..	..	93	83	92
Wet-season rice	82	86	82	74	62	73
Dry-season rice	8	8	8	2	4	2
Chamkar	24	19	24	42	31	41
Home garden	32	32	32	61	62	61
House plot	..	..	..	89	78	88
Other land outside this settlement	..	..	..	4	3	4

Note: [1/] weighted average

Source: Baseline and PET Surveys, UNWFP 1998.

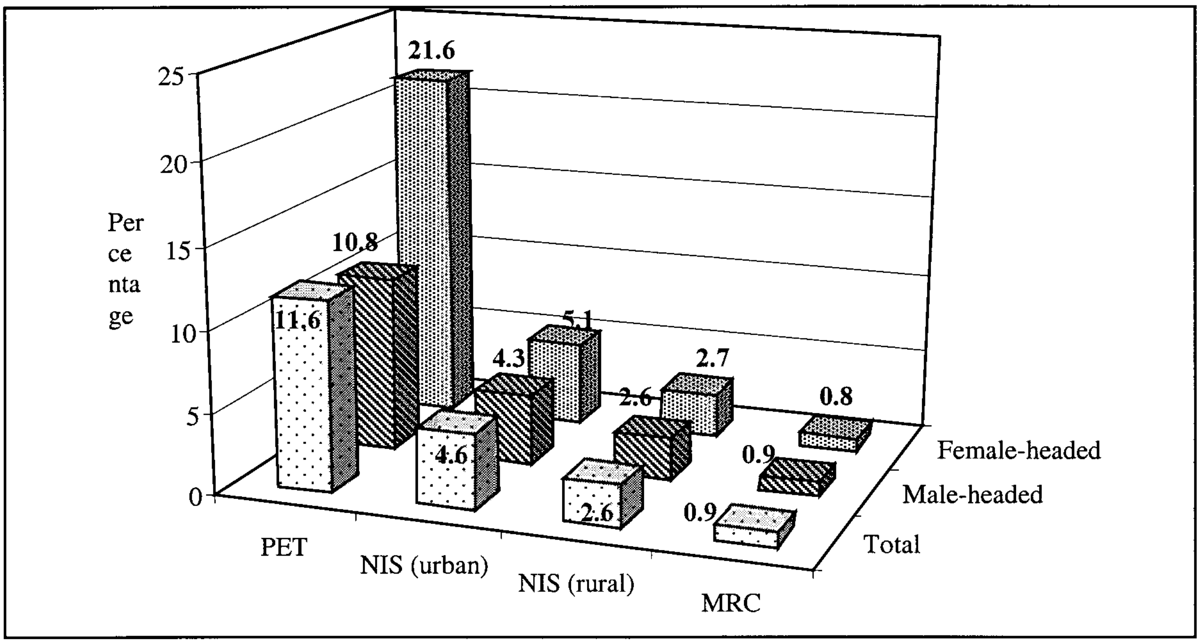
2.5 Land Distribution and Landlessness

Land pressure and concentration are likely to become some of the most challenging problems of Cambodian economic policy. It is believed that the incidence of landlessness affecting both residential and agricultural land has been increasing in many urban and rural areas of the country. This seriously affects the livelihood of many Cambodians since they do not have land to live on and/or do not even have enough land for subsistence.

The proportion of households without housing land varied widely between the surveys. The MRC survey showed that only 0.9 per cent of the population in fishing dependent communities had no homestead land. The NIS survey reported that 2.6 per cent of the rural and 4.6 per cent of the urban population had no residential land. The PET survey, which represents IDPs, shows that in 1998 about 12 per cent of the surveyed population had no residential land (Figure 2.3). The figure took into account only those people who had no residential land or did not own house plots that their houses were built on but still lived in the surveyed areas. Hence the figure would be much higher if we could include those who have no housing land and have moved elsewhere for alternative income earnings. A higher proportion of landlessness can also be observed among female-headed households.

The total supply of agricultural land has increased by 14 per cent between 1993 and 1998. However many farmers complain of not having enough land for self-sufficient agricultural production. This is due to the combined effect of population increases and uncontrolled land concentration.

Figure 2.3: Percentage of households without residential land



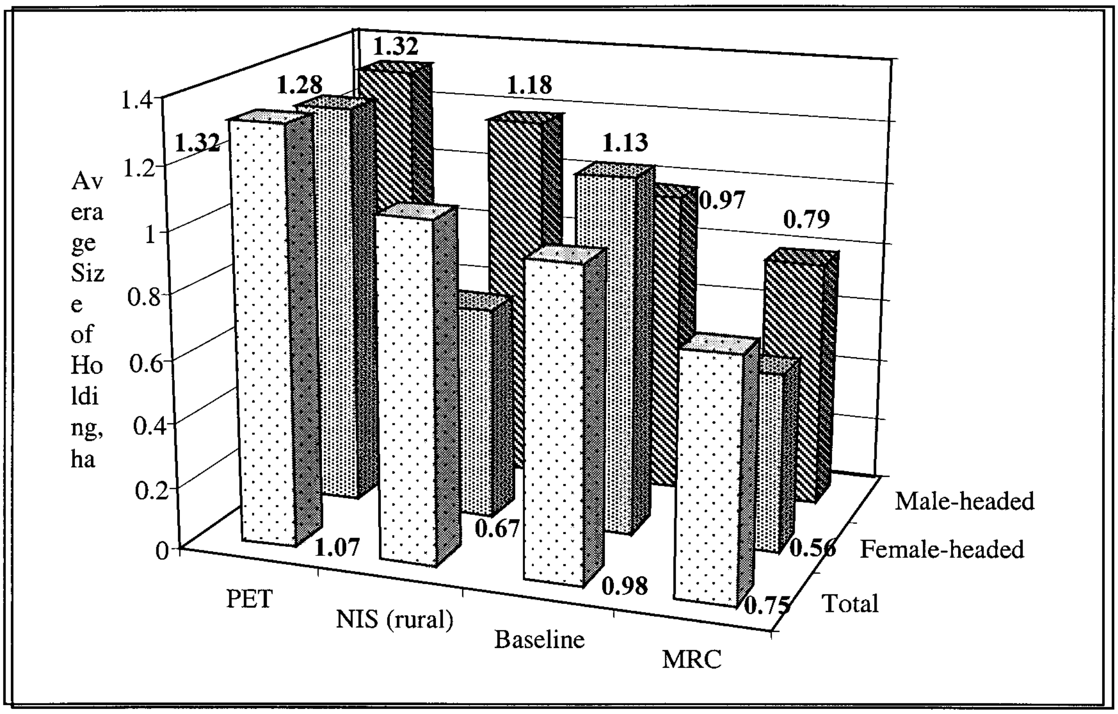
Source: Household Socio-Economic Survey, MRC 1995-96, Socio-Economic Survey, NIS 1997 and PET Survey, UNWFP 1998.

The average land size per household is quite low in Cambodia. According to the surveys the average agricultural land size of the rural population is around 1.0 ha per household (similar to national level estimation of 1.3 ha/household), ranging from 0.75 ha to 1.32 ha per household depending upon the survey and geographical location. The average agricultural land holding size was smallest, 0.75 ha/household, in the fishing communes of MRC survey and about 1 ha/household in other three surveys (Figure 2.4). Not surprisingly, the small average size of holding in the MRC survey seemed to be a consequence of the availability of alternative sources of income, either fishing or forest collection, in the sampled areas.

Furthermore, the gap between average agricultural land holdings between female-headed and male-headed households was significant in the MRC and NIS surveys. The smaller size of holdings of agricultural land among households headed by women was likely to be due to the lack of labour to acquire more agricultural land or lack of labour to farm profitably and hence pressure to sell land. The MRC and NIS surveys reported that female-headed households owned only just over 0.5 ha/household on average, much lower than the overall average in the surveys (Figure 2.4).

The surveys show that the incidence of landlessness (which refers to those people who do not have agricultural land for farming but might have other land, homestead or garden) range from 11 per cent to 30 per cent depending upon the geographical locations of the survey areas and gender differentiation within the surveys. Both the NIS and the Baseline surveys indicated that just over 10 per cent of total households interviewed were landless. The NIS survey, however, was much more comprehensive than the Baseline survey in its coverage since the Baseline survey focused on only population in CASD and WFP Target groups. Although these two surveys represent different groups of population within the country the rate of landless people were alike implying that the landless rate was approximately 10 per cent in the rural areas of Cambodia in general.

Figure 2.4: Average size of agricultural land holding per household.

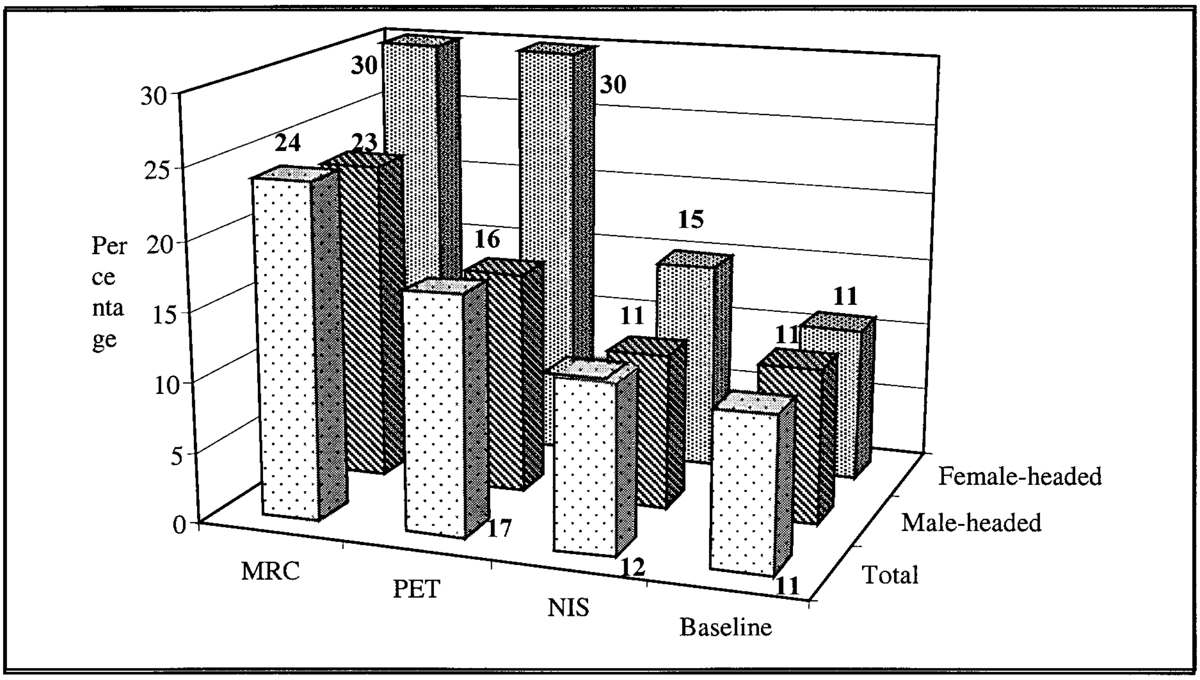


Note: Only agricultural land was calculated from the MRC survey, while in the Baseline and Pet surveys agricultural land was the sum of wet-season rice land, dry-season land and *chamkar* land.
Source: Household Socio-Economic Survey, MRC 1995-96, Socio-Economic Survey, NIS 1997, Baseline Survey, UNWFP 1998 and PET Survey, UNWFP 1998.

The MRC and PET surveys, which targeted specific sampled groups - fishing dependent communities and internally displaced persons under the PET criteria - recorded much higher rates of landlessness, 24 and 17 per cent respectively. These higher figures probably reflect the fact that the MRC survey concentrated on fishing dependent communities which had alternative sources of income from fishing, forest or farming, while the PET survey concentrated on those people who have been internally displaced since 1989 due to fighting and those who returned from Thai border camps. However, these surveys reported that the rate of landlessness in Cambodia generally speaking could be assumed to be more than 10 per cent.

The incidence of landlessness among female-headed households is generally higher than among male-headed households (Figure 2.5) for the same reasons mentioned earlier. It appears that they tend to do other business for their living and sell out their land.

Figure 2.5: Percentage of households without agricultural land.



Source: Household Socio-Economic Survey, MRC 1995-96, Socio-Economic Survey, NIS 1997, Baseline Survey, UNWFP 1998 and PET Survey, UNWFP 1998.

As agricultural land access is very important for the livelihoods of rural population, there has recently been a debate about levels of landlessness in rural areas. Recent studies by WFP and FAO reported that the landlessness rate in the rural of Cambodia is over 20 percent (Ministry of Agriculture, Forestry and Fisheries (1999)).

The average agricultural land size per household and the average incidence of landlessness vary significantly across provinces (Table 2.11)[42] as the surveys focused on different target groups. Table 2.1 illustrates that the major provinces, Battambang, Kampong Cham, Kampong Chhnang and Kandal tended to have relatively high incidence of landlessness. But they do not show any significant relationship between land availability in the province and the incidence of landlessness. For instance, although the population in Battambang province is low the rate of landlessness is still very high, over 25 per cent. This might be due to the fact that the demand for land around those provinces is higher than the other remote provinces and that there are more alternative income opportunities in those provinces than in the more remote provinces. According to the NIS survey, the landlessness in Koh Kong province was as high as 50 percent. This is probably because the people of Koh Kong province are largely fishermen and have more alternative income opportunities, such as businesses with Thai partners and logging activities.

With the high level of landlessness and the small size of average agricultural land holdings, problems might be aggravated when the land is unevenly distributed. The rich minority holds very large areas of agricultural land, leaving the poor majority only a little to live and work on. Farmers have obviously had different starting points in terms of wealth.

Firstly, some might have inherited wealth. Although during the Khmer Rouge period nobody could own anything privately, some people were able to keep valuable assets and use

[42] The way in which the surveys selected the targeted population is different although they chose the samples from the same provinces.

them afterwards. After 1979 some families might have been financially supported by their relatives in other countries. These groups of people are likely to be better off in overcoming large and unexpected shocks or crises.

Secondly, people received lands with different soil qualities in 1989. As mentioned earlier, people in densely populated areas such as Takeo, Prey Veng and Svay Rieng, provinces seemed to get smaller amounts of land than those in north-eastern parts of the country or Battambang and Pursat. In addition, the soil quality in Battambang and Pursat provinces is much better than in Takeo, Prey Veng and Svay Rieng. As a result the people in those parts of the country were likely to be able to produce more, and hence, be able to supply themselves with sufficient food.

Finally, individual households may have faced different constraints to keeping their land. Naturally, some households experienced unexpected shocks such as accidents, illness, death of family member, etc. while others did not.

Table 2.11: Average farm size1/ and landlessness2/ by province.

Province	Pop. density3/	1995-96 MRC		1997 NIS		1998 Baseline	
		Avg Size	Landless	Av. Size	Landless	Av. size	Landless
Bantey MeanChey	86	..	..	2.05	13%	..	..
Battambang	64	1.76	25%	1.15	27%	1.32	29%
Kampong Cham	171	0.51	20%	0.63	19%	0.91	4%
Kampong Chhnang	79	0.81	25%	0.43	16%	0.44	17%
Kampong Speu	88	..	..	0.91	6%	0.71	7%
Kampong Thom	46	0.97	16%	1.31	9%	0.91	1%
Kampot	113	..	..	0.77	2%	0.83	..
Kandal	301	0.45	35%	0.79	17%	0.55	13%
Koh Kong	11	..	..	4.38	50%	..	..
Kartie	22	..	..	1.23	23%	0.48	37%
Phnom Penh	2,680	0.35	..	..	..	..	..
Prey Veng	196	..	..	1.09	7%	1.21	8%
Pursat	31	1.63	7%	1.81	13%	..	..
Rattanakiri	8	..	..	0.42	3%	..	..
Siem Reap	58	1.10	12%	0.97	8%	0.99	4%
Sihanouk Ville	112	..	..	0.40	..	..	..
Stung Treng	7	..	..	1.87	..	1.04	2%
Svay Rieng	167	..	..	1.28	4%	0.57	6%
Takeo	226	..	..	0.83	3%	0.92	8%
Oddar Meanchey	13	..	..	..	..	0.86	6%

Notes: 1/ average farm size is the agricultural land size in hectare per household.
2/ landlessness is the percentage of household without agricultural land.
3/ census results

Source: Household Socio-Economic Survey, MRC 1995-96, Socio-Economic Survey, NIS 1997, Baseline Survey, UNWFP 1998, Population Census, NIS 1999

Consequently, some people have been able to expand their land holdings by buying up more land while others had to sell their land, and as a result, have become landless or near landless. The rate of population growth and poor land distribution system has exacerbated this process. The current land market distortions not only cannot prevent land concentration but will also accelerate the concentration in the rural areas of Cambodia. Unfortunately there are no comprehensive data of land concentration in Cambodia in general.

Based on the survey data, it is possible to construct a Lorenz curve[43] and calculate Gini coefficients[44] to represent the current degree of concentration of land in the hands of households. The surveys showed that farmers who owned farmland larger than one ha controlled large areas of farmland, leaving the rest too little for agricultural production. Table 2.12 and Figure 2.5 provide two illustrations of the inequality in land distribution in Cambodia. The Gini coefficient of overall inequality in land ownership based on the survey data range from 0.47 to 0.66 denoting high degree of inequality. While Lorenz curves of all four surveys represent the degree of inequality in land distribution, Table 2.12 provides more detail about the inequality in land ownership by illustrating the ratio of the percentage of owners to the percentage of land in each size category.

Table 2.12: Land Distribution by survey.

Land size categories	% of Household			% of agricultural land		
	Male-headed	**Femal e-headed**	**Total[1/]**	**male-headed**	**female -headed**	**total[1/]**
MRC Survey (Gini Coefficient of land concentration = 0.6)						
Landless	23	30	24	-	-	-
>0-0.5 ha/hh	34	37	34	12	19	13
>0.5-1.0 ha/hh	22	20	21	24	32	22
> 1.0 ha/hh	21	13	21	64	49	65
NIS Survey (Gini Coefficient of land concentration = 0.66)						
Landless	11	15	12	-	-	-
>0-0.5 ha/hh	37	48	40	8	18	10
>0.5-1.0 ha/hh	26	23	25	19	29	20
> 1.0 ha/hh	26	14	23	73	53	70
Baseline Survey (Gini Coefficient of land concentration = 0.50)						
Landless	11	11	11	-	-	-
>0-0.5 ha/hh	34	43	35	14	14	14
>0.5-1.0 ha/hh	32	23	31	31	18	30
> 1.0 ha/hh	23	23	23	55	68	56
PET Survey (Gini Coefficient of land concentration = 0.47)						
Landless	16	30	17	-	-	-
>0-0.5 ha/hh	19	17	18	7	8	7
>0.5-1.0 ha/hh	29	23	29	24	24	24
> 1.0 ha/hh	36	30	36	69	68	69

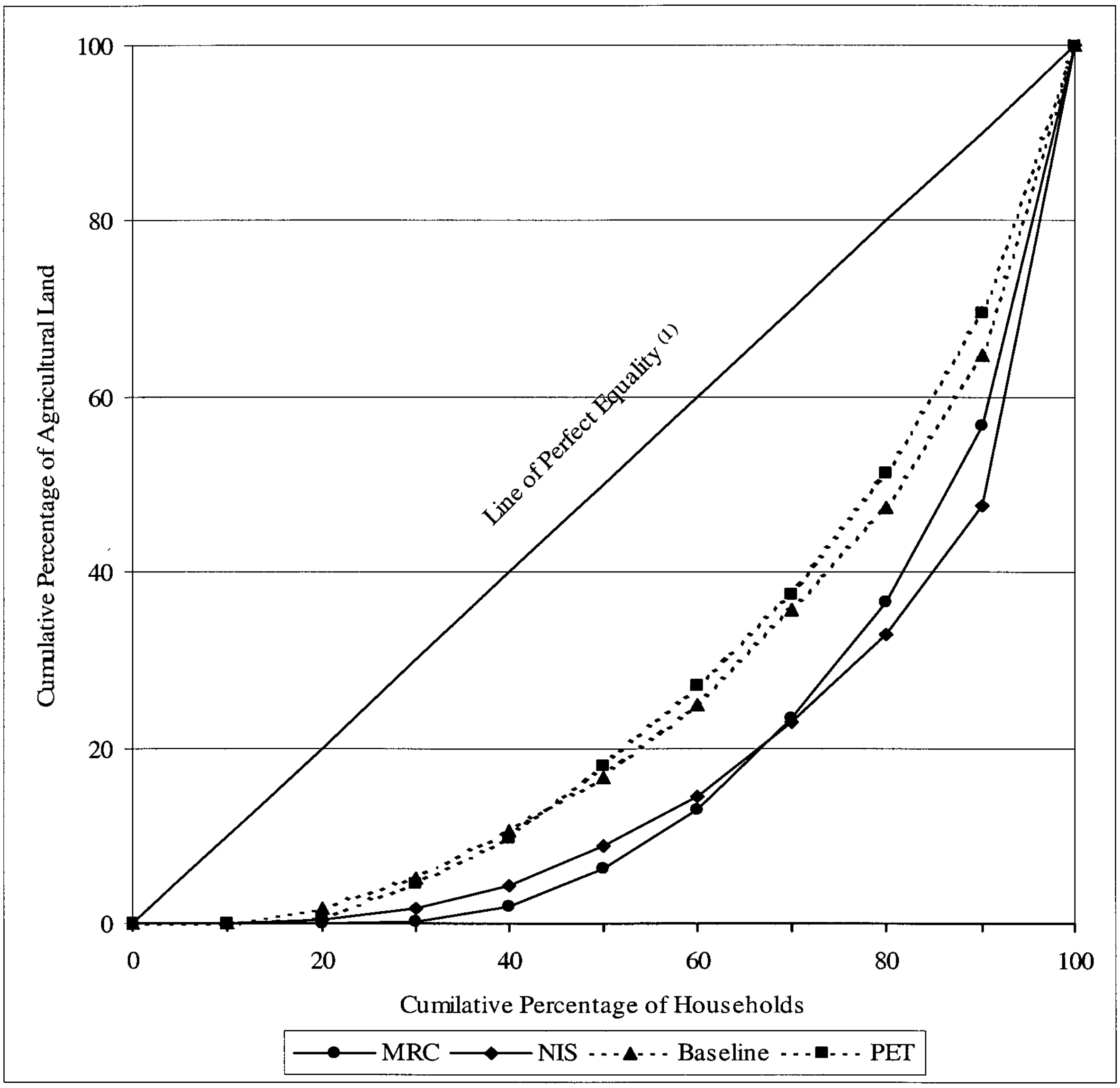
Notes: [1/] weighted average

Source: Household Socio-Economic Survey, MRC 1995-96, Socio-Economic Survey, NIS1997, Baseline Survey, UNWFP 1998 and PET, UNWFP 1998.

[43] It is an indicative of the amount of inequality of land distribution in the society that it represents. The greater the extent of inequality, the further the Lorenz curve will be from the line of perfect equality (45° line).

[44] It is a summary statistic of inequality derived from the Lorenz curve which gives the area between the observed Lorenz curve and the line of perfect equality as a proportion of the total area under the line of perfect equality. This coefficient has a maximum value of 1 (absolute inequality) and a minimum of zero (absolute equality).

Figure 2.6: Lorenz Curve for agricultural land distribution.



Note: [1/] line of perfect equality corresponds to the value of 1 of Gini coefficient denoting the perfect land distribution. It shows that ratio of landholders shares the same percentage of land size. For example, 10 percent of the lowest group shares 10 percent of land size and the 10 percent of the highest group also shares only 10 percent of land size.

Source: Household Socio-Economic Survey, MRC 1995-96, Socio-Economic Survey, NIS1997, Baseline Survey, UNWFP 1998 and PET, UNWFP 1998.

All three surveys, except the 1998 Baseline survey, indicated that the minority, about 20–30 per cent of the total population, who had more land than one ha/household occupied nearly 70 per cent of the total agricultural land, leaving about 10 per cent of farmland for the majority who had less than 0.5 ha/household. Table 2.12 also shows that the farmers who had 0–0.5 ha/household occupied only about 10 per cent of total agricultural land. The table, moreover, illustrates that about 30 per cent of the total population who owned land between 0.5–1.0 ha/household occupied only 20 per cent of the total agricultural land.

It is likely that the more representative and/or larger the sample size, the more reliable are the estimates of inequality in land distribution. The Lorenz curves and Gini coefficients of land distribution of all four surveys show significant differences in degree of land distribution. It seems that the large surveys such as MRC and NIS, which were more representative, are farthest from the line of perfect equality and record greater values of Gini coefficients (over 0.60). This confirms that in general land distribution in Cambodia is very skewed.

2.6 Tenancy

The gap between rich and poor is exacerbated further by the inequalities of land distribution and ownership. The process results in increased tenancy as a common alternative to land ownership. Landless people and small landholders eventually have to rent land either in the form of *fixed*[45] tenancy arrangement or *sharecropping*[46]. Fixed rent tenancy in cash and in kind seems to be the most favoured arrangement in rural areas.

The surveys clearly showed that the land-lease market was relatively active in the surveyed areas. Nearly 10 per cent of population in the MRC survey reported renting land while 3 per cent in the NIS survey did (Table 2.13). It is important to bear in mind that the MRC survey focused on fishing dependent communities while NIS survey was more representative of the whole country covering 22 provinces. The rate of land rental was observed to be higher among male-headed families.

Table 2.13: Tenancy of land.

Percentage of HH who	MRC Survey			NIS Survey		
	male-headed	Femal e-headed	Total[1/]	male-headed	female -headed	total[1/]
Rent land	10.7	5.9	9.8	3.2	2.2	3.0
Rent out land	5.1	6.5	5.4	..	..	..

Note: [1/] weighted average
Source: Household Socio-Economic Survey, MRC 1995-96, Socio-Economic Survey, NIS 1997

Tenancy of agricultural land is common although not predominant relative to owners' cultivation in the Baseline and PET sampled areas. Both the Baseline and the PET surveys reported that the proportion of rented wet-season rice land was much higher than for dry-season rice land and *chamkar* land (Table 2.14). This was obviously due to the smaller areas of dry-season rice land and *chamkar* land in the project areas. The proportion of renting farmers is higher than those who rent-out land, illustrating the inequalities of land distribution. Table 2.14 also provides more detailed tenancy rates across female and male-headed households.

[45] *Fixed rent*-the tenant pays a fixed sum of money or in kind to the landlord in return for the right to cultivate the land (Ray (1998:419)).
[46] *Sharecropping*-the tenant yields to the landlord an agreed-upon share of the crop (Ray (1998:419)).

Table 2.14: Tenancy of rice land and *chamkar* land.

% of households who	Baseline Survey			PET Survey		
	Male-headed	female-headed	total[1/]	male-headed	female-headed	total[1/]
Rent wet-season rice land	9.7%	2.6%	6.7%	7.1%	2.6%	6.7%
Rent-out wet-season rice land	..	..	..	2.9%	1.3%	2.8%
Rent dry-season rice land	0.9%	0%	0.8%	0.4%	0%	0.4%
Rent-out dry-season rice land	..	..	..	0.1%	0%	0.1%
Rent *chamkar* land	1.2%	0%	1.1%	1.3%	0%	1.3%
Rent-out *chamkar* land	..	..	..	0.1%	0%	0.1%
Rent-out land[2/]	4.5%	11.0%	4.9%	2.5%	0%	2.3%

Notes: [1/] weighted average

[2/] Question 148 of Baseline survey and Question 2008 of PET survey did not identify what kind of land was rent-out to other farmers to cope with the large and unexpected shocks/crisis in 1997 and 1998 respectively.

Source: Baseline Survey, UNWFP 1998 and PET, UNWFP 1998

2.7 Common Property Resources

Although common property in Cambodia is not clearly defined by existing regulations, it has been observed to be diverted to private ownership at an alarming rate. Considerable areas of common property resources, such as forests, rivers, lakes and agricultural land (not redistributed in 1989) have become *privately controlled.* Millions of hectares of forests have been granted as concession forests to private companies, many large plantations have been developed, many fishing lots have been created along the main rivers and lakes and a lot of unallocated agricultural land has been illegally encroached, and have *de facto* become private property. As a result, privatised common property is becoming less accessible to other people, and hence its benefit to majority groups in society has been reduced.

Even though it is believed that transactions in common property have occurred in the market, the available information is very scarce. The 1989 redistribution and Land Law 1992 did not clearly identify which land was common property. Moreover, none of the four surveys provided significant information on common property transactions. All we have is the official figure for forest concessions, agricultural land concessions and fishing lots that have been allocated to private use. According to the Ministry of Agriculture, Forestry and Fisheries, nearly five millions hectares of forest area and 0.7 million hectares of agricultural land have already been granted to private companies for long-term investment. Another one million hectares of the fishing lots have also been auctioned off to private companies or individuals for exploitation.

The trends in availability of products and benefits derived from common property are shown by the surveys, except for the NIS survey. In general, the benefits from common property resources have been dramatically decreasing over time. The MRC survey classified them into five categories: inundated forests, big rivers/lakes, flooded rice fields, banks/beds of rivers/lakes and irrigation canals/dikes/small rivers; and critically analysed the trend in availability of products and benefits derived from them. The findings of the survey showed that the trend in availability of products and benefits derived from common property resources have been dramatically decreasing in last ten years. The vast majority (over 80 per cent) of the sampled households reported a decrease in the benefits and products from inundated forest, big rivers/lakes and banks/beds of river/lakes (Table 2.15). A somewhat smaller proportion of respondents reported decreasing trends in the availability of products from flooded rice field and irrigation canals/dikes/ small rivers.

Table 2.15: Percentage of households reporting change in availability of products and benefits derived from common property resources in the past ten years.

CPR	Increasing	Decreasing	Constant
Inundated forests	1.7	95.3	3.0
Big river/lakes	5.6	83.2	11.2
Flooded ricefield	37.2	40.0	22.8
Bank/bed of river/lake	8.6	81.9	9.5
Irrigation canals/dike/small river	15.7	62.3	22.0

Source: Household Socio-Economic Survey, MRC 1995-96.

The Baseline and PET surveys also reported that the availability of products and benefits derived from common property resources, forest and fishing activities has been declining compared to the year before the surveys. About 37 per cent of Baseline respondents and 65 per cent of the PET respondents reported that they got fewer products and benefits from the forest than in the year before the interview. The difference is likely due to the differences in ecological location of the surveyed areas.

Similarly the surveys showed that availability of products and benefits derived from fishing has been declining dramatically compare to the previous year. About 49 per cent of the respondents in the Baseline survey and 77 per cent in the PET survey respectively reported that they had collected fewer products from their fishing activities than in the previous year[47] (Table 2.16).

Table 2.16: Percentage of households reporting change in availability of products derived from common property resources over a one-year period.

Common property resource	1998-Baseline[1/]	1998-PET[2/]
Product derived from forest activities		
- less	37	65
- more	19	15
- same	44	20
Products derived from fishing activities		
- less	49	77
- more	10	4
- same	41	19

Notes: 1/ Baseline survey compared the trend in availability between 1997 and 1996
2/ PET survey compared the trend in availability between 1998 and 1997

Source: Baseline Survey and PET Survey, UNWFP 1998.

The declining trend in products and benefits derived from common property resources has been attributed to some important factors, particularly overexploitation. The MRC survey reported that as high as 77 per cent of the respondents thought that overexploitation was the main cause of reduction in availability (Table 2.17). The MRC survey, which took place in 1995–96, indicated that 5 per cent of the respondents claimed the conversion of common property resources to private use was another important factor.

47 Baseline survey compared the availability of CPR in 1997 and 1996 while PET survey-1998 and 1997.

Table 2.17: The most important factor affecting availability of common property resources as perceived by the households. Percentages.

Overexploitation	77
Change of environment	7
Destruction of habitat	3
Increasing population pressure	7
Use of chemical in the rice fields	1
Conversion of CPR to private use	5
Others	0

Source: Household Socio-Economic Survey, MRC 1995-96.

Meanwhile, the 1998 PET survey showed that over 82 per cent of the interviewed households complained about the declining availability of forest and fisheries resources. Similar to MRC's findings, the majority of the respondents, over 80 per cent, reported collecting fewer products from forest and fishery activities due to a decline in availability of the products. The restriction of access to forest resources was the complaint of over 10 per cent of the respondents, but only 1 per cent for the fisheries resources (Table 2.18). These responses are consistent with an increase in transference of common property to private control.

Table 2.18: Reasons for declining benefits from common property resources.

Reasons	**PET**	
	Forest	**Fishing**
Declining availability of forest/fisheries resources	82	87
Lower prices for forests/fisheries products	2	0
Traders buying fewer forest/fisheries products	1	12
Restricted access imposed by other users	11	1
Forest/fisheries becoming more insecure	4	..

Source: PET Survey, UNWFP 1998.

2.8 Land Transactions

Although a small proportion of the population has got official title to their land and only have small plots of land, land transactions and speculation have emerged and developed in the market. Since the reintroduction of land privatisation, a high level of land sales and land speculation is observed in many areas of Cambodia.

The official figure for the number of land transactions since 1995 given by the General Department of Cadastre and Geography is over 10,000, excluding transactions in Phnom Penh, but the actual figure is believed to be much higher. Transactions have affected all three categories of land: residential land, agricultural land and common property resources/land.

All transactions have to be approved by the relevant local authority. Both buyer and seller have to fill out a Definitive Sale Form.[48] However in practice many transactions do not follow this procedure. The Definitive Sale Form is not necessarily used. Instead an informal transaction letter is mutually agreed and signed with the endorsement of local authorities.

[48] One copy for the Department of Cadastres and another to be kept by the buyer and certified by local authorities.

Residential Land

Since the government reintroduced private ownership of residential land it is changing hands,[49] especially in the urban areas of Phnom Penh, Kampong Cham, Battambang, Sihanoukville, Siem Reap etc. Due to poverty and price incentives, some people who live in the central areas of major cities have sold their houses or land and moved to other areas.

Residential land transactions have also occurred in rural areas, particularly the areas with easy access to Phnom Penh and other main cities. Areas with fertile soil or around recreation areas are also affected by the land speculation. Meijers (1994:10) stated that wealthy urban people like to buy some fertile homeland where they can plant some fruit trees and visit on Sunday. This can be observed on the outskirts of main cities and towns.

According to the two surveys, Baseline and PET, land sales over a twelve-month period were observed to be high. The Baseline survey results shows that as much as 3 per cent of the surveyed households sold their houses in 1997 to cope with large and unexpected shortages of food or income for the household. Meanwhile only about 1 per cent of the respondents in PET survey reported to sell their land in 1998. This discrepancy was probably due to the fact that 94 per cent of Baseline's households had been in the same area since 1989, and hence, seemed to have had more opportunity to get residential land in the 1989 redistribution than those displaced or returned from border camps. The high level of displacement (76%), of household in the PET survey as opposed to only 36 per cent in the baseline survey could logically have resulted in low sales of house plots (Table 2.19).

Table 2.19: Percentage of households reported to have sold house plots.

Percentage of household	Baseline Survey			PET Survey		
	male-headed	female-headed	Total 1/	male-headed	female-headed	total1/
Sold house in '97	2.6	6.8	2.8	..	..	..
Sold house plot since 1989	..	..	..	1.0	2.6	1.2
Sold house plot in '98	..	..	..	0.8	1.3	0.9

Note: 1/ weighted average

Source: Baseline Survey and PET Survey, UNWFP 1998.

The significant difference in the rate of transaction of house plots between female and male-headed households also can be observed in both surveys. Female-headed households in the Baseline respondents reported that they were vulnerable to selling their land when they faced large unexpected shocks or crises. This survey showed that the percentage of house sales among female-headed households was double of those among male-headed households in 1997 (Table 2.19). The PET survey also reported a similar difference in the comparative transaction rate between male and female headed families.

It is not just private properties that have been transferred: state-owned properties such as buildings, lands, cinemas, factories, hotels, etc. have also been sold or leased for long term investment. Many state properties have been privatised. For instance, almost all the cinemas in Phnom Penh have been demolished, many ex-government factories have been closed down or rented to private companies, government facilities have been moved from expensive to less expensive areas, and so forth. All these assets have become privately owned or long-

[49] Renting of accommodation and land plots has also been observed to be high in urban areas, but the extent of transactions is hard to estimate since none of the four surveys provided any information on residential land transactions in urban areas.

term leased, up to 99 years. Commenting on the sale of state properties, Greve (1993: 52) criticised that *"SOC officials have nonetheless sold, and may still sell, just about anything that can be exchanged for money, and pocket the proceeds"*. Unfortunately, the official figure of the transactions of state property has never been made available to the public.

In general, the price of residential land in rural areas, defined by NIS was much lower than in their urban areas. The information on land prices in specific markets in Cambodia is very limited. Fortunately the Socio-Economic Survey of 1997 provides some information on land prices in the surveyed areas covering 20 provinces. Although it is unlikely that it can identify the relationship between price variation and transaction of land in those provinces, some information can be drawn from the data. Question 24 of NIS was, however, poorly designed to estimate land prices. The respondents were directly asked to estimate the price of their land in local currency, Riel, of their total land they owned, and hence, they may have under-valued their land due to the fear of paying tax.

Table 2.20: Prices of residential land by province.

Province	Urban			Rural		
	Ave. price, R/m^2	Median	n	Ave. Price, R/m^2	Median	n
Kandal	921,400	254,600	40	10,300	2,500	454
Phnom Penh	593,800	216,600	1,136	..	..	..
Kampong Cham	258,400	37,600	40	4,000	1,100	663
Kampong Thom	160,500	3,000	58	5,700	2,000	206
Kampot	124,200	40,700	28	1,900	1,000	210
Battambang	101,600	12,600	146	9,200	1,200	224
Sihanouk Ville	65,700	2,700	140	..	..	..
Takeo	60,900	4,700	30	3,200	1,000	331
Rattanakiri	41,400	18,000	8	1,300	500	30
Svay Rieng	38,900	4,600	20	500	300	221
Koh Kong	22,200	6,400	21	5,000	2,000	25
Kampong Chhnang	21,700	11,100	30	13,700	2,000	131
Siem Reap	13,400	6,500	69	3,700	1,000	224
Kampong Speu	9,200	400	39	1,500	500	164
Bantey MeanChey	4,900	2,100	68	3,100	1,300	158
Pursat	3,700	1,800	57	27,000	1,100	103
Prey Veng	2,200	700	60	3,000	960	461
Kep Ville	1,800	800	20	..	..	..
Kratie	1,600	1,100	69	2,100	1,100	73
Stung Treng	400	200	18	300	100	28

Note: n = number of sample. Exchange rate: 2,989 Riel/US$ (World Bank, 1999).
Source: Socio-Economic Survey (Questions 24.1-24.3), NIS 1997.

With this cautionary note in mind one can look at variations in prices among provinces. The price of land differs from one province to another depending upon the location of the provinces and the location of the surveyed areas. Generally, land in the major cities was more expensive than in the remote areas. The price of residential land in urban areas such as Kandal provincial town and Phnom Penh was the highest in the country, ranging from 0.5 to 1 million Riel/sq.m. in 1997, followed by provincial towns of Kampong Cham, Kampong Thom, Kampot and Battambang, about 0.1 - 0.2 million Riel/sq.m. (Table 2.20). The high price of residential land in Kandal provincial town seemed to be brought about by the small sample size, only 40. The high price of land in these urban areas seemed to reflect the high demand for land for development activities and other factors such as location, road access, size, etc.

Table 2.20 also shows that the price of land in other major provinces and towns, Sihanouk Ville and Takeo was about 100,000 Riel/sq.m. differing according to the location and importance of the areas, while in remote provincial towns it was much lower. The high price of residential land, 40,000 Riel/sq.m., in Ratanakiri provincial towns, a remote province in the north-east of Cambodia, seemed to be biased by the small sample size, only 8 households who responded to the relevant question (Question 24.1, Appendix A-2).

The price of residential land in urban areas of Kandal (periphery of Phnom Penh) and Kampong Cham and Battambang (high demand for industrial use) was much higher than in the rural areas of those provinces. The urban-rural differential in other provinces was much smaller, as Table 2.20 shows.

Agricultural Land

Despite the weakness of tenure available for cultivated land, agricultural land has increasingly been transferred. Even though only possession and use rights can be obtained for cultivated land, it has been actively transferred wherever there is a land market and speculation. However, the PET survey reported that only 3.8 percent of PET groups sold rice land and 0.9 sold *chamkar* land since 1989, that is over a ten year period. Among those who reported selling their agricultural land, the percentage of selling households headed by women was more than double the percentage in male-headed households (Table 2.21).

Table 2.21: Relationship between land sales and incidence of landlessness.

% of households who	Baseline Survey			PET Survey		
	Male -headed	female-headed	Total 1/	male-headed	female-headed	total 1/
sold rice land since '89	..	..	..	3.4	7.8	3.8
sold *chamkar* since '89	..	..	..	0.7	2.6	0.9
sold land in previous year 2/	5.2%	12.3%	5.6%	3.2%	5.2%	3.4%
- of which became landless	28.3%	22.2%	27.5%	22.6%	50.0%	25.7%

Notes: 1/ weighted average
2/ Baseline survey referred to 1997 while PET referred to 1998.
Source: Baseline Survey and PET Survey, UNWFP 1998.

Surprisingly, the Baseline and PET surveys observed a high level of land sales in the sampled areas within a one-year interval[50]. They showed that 5.6 per cent and 3.4 per cent of the respondents sold land in 1997 and 1998, respectively, to cope with unexpected shocks or crises. Again the rate of land transactions among female-headed households was observed to be about double that of male-headed families, implying their higher vulnerability to the circumstances.

Questions 149 of Baseline survey and 2009 of PET survey clearly asked, *"did the household sell land because of these problems"* (for the households which had experienced one or more crises or shocks). According to the question, which had the same wording but referred to different years, 1997 and 1998 respectively, all of land sales in the previous year were distress sales. Consequently the distress sales of land assets appear to have a causal relationship with incidence of landlessness in the sampled areas. Both surveys reported that

[50] Questions 149 of Baseline survey and 2009 of PET survey did not clearly identify what kind of land, residential land or agricultural land, was sold in 1998 and 1997 respectively.

over a quarter of the respondents who had sold land in the previous year were landless the next year (Table 2.22). The proportion of female-headed families becoming landless was observed to be twice that of male-headed households in the Baseline survey, but slightly lower in PET survey. The surveys could only identify the relationship between land sales and the incidence of landlessness among those targeted groups who still lived in the sampled areas. The land sales data would probably show a much closer relationship with landlessness if the survey had included those households who had sold land out of desperation and had migrated to urban or other areas.

Table 2.22: Prices of agricultural land.

Province	Price, Riel/sq.m.	Median	n
Kandal	11,140	7,400	378
Phnom Penh	4,750	4,000	140
Kampot	440	130	224
Kampong Cham	240	250	547
Takeo	170	160	349
Battambang	140	150	192
Kampong Speu	110	90	186
Kampong Thom	100	80	224
Svay Rieng	100	60	224
Bantey MeanChey	..	..	..
Kampong Chhnang	..	..	..
Kep Ville	..	..	..
Koh Kong	..	..	..
Kratie	..	..	..
Prey Veng	..	..	..
Pursat	..	..	..
Rattanakiri	..	..	..
Siem Reap	..	..	..
Sihanouk Ville	..	..	..
Stung Treng	..	..	..

Note: n = number of sample
Source: Socio-Economic Survey, NIS 1997

As in the case of residential land, prices of agricultural land in the central provinces were much higher than in remote provinces.[51] In 1997, the price of farmland in Kandal province, which is a periphery of Phnom Penh was the highest, 11,400 Riel/sq.m. on average, followed by Phnom Penh, about 5,000 Riel/sq.m. (Table 2.22). Among the surveyed provinces, farmland in the rural areas of other provinces was as cheap as a few hundred Riels per square meter.[52] Again the reliability of this information seemed to be low due to the poorly designed question. Moreover, respondents normally under-priced their land due to the fear of paying tax.

[51] Question of NIS survey did not identify the location, province or town, of farmland owned by the urban or rural population. Urban population could obviously possess farmland outside the urban areas where they lived.

[52] The high price of farmland owned by the urban Ratanakiri respondent is the exception case due to n=1.

III Characteristics of Landless and Near Landless Households

Various studies have reported different estimates of landlessness in rural Cambodia – from as low as 10 to as high as 20 per cent. Moreover, it is widely believed that those who are landless or near landless, are the worse off in the society while large landholders are the better off. However, landless households are not necessarily poor, as they may derive income from other sources than agriculture. Similarly, landlessness is not always the result of involuntary loss of land.

To provide a better understanding of the welfare of landless and near landless people in the rural areas it is important to identify the differences between groups of households according to the size of landholdings and their characteristics. As the 1997 NIS survey covered most of the provinces in Cambodia with appropriate sampling methodology it is better to use this survey to represent some patterns of land-related issues in Cambodia. The following part identifies the characteristics of household groups by size of landholdings-landless (no agricultural land at all), near landless (agricultural land, >0-0.5 ha), medium landholders (agricultural land, >0.5-1.0) and large landholders (agricultural land, >1.0 ha).

3.1 Household Demographic Characteristics

Overall, it can be observed that the average household size of rural Cambodians interviewed is about five, almost the same as the 1998 Census result (5.1). Large landholders tend to have a larger household size than other groups. Table 3.1 shows that the average household size of landless, near landless medium landholding households was only five whereas the average household size of the large landholders was slightly higher, six.

However, the dependency ratio, which measures the percentage of the population in the younger (0-14) and the older age groups (65+) to the population in the adult working age group 15-64, of landless and near landless households is slightly larger than in the large landholding group although the difference is not statistically significant. The average dependency ratio of the NIS survey was 92 (slightly higher than 1998 Census of rural Cambodia, 89.7), that is there are 92 dependants for every 100 persons of working age in the sampled population. The dependency ratios of landless and near landless households are over 100 and 90 respectively while it is only 89 for large land holding families (Table 3.1).

The above indicators suggest that landless and near landless households often are new families. Although the average age of the heads of household is 44, the average age distribution across the landholding size is significantly different. The proportion of younger heads of household is higher among the landless and the near landless. (Table 3.1). Table 3.1 also shows a higher proportion of landless and near landless households headed by those aged over 60. These seem to reflect the fact that the young families tended to miss out the opportunity to acquire some land during the 1980's land redistribution and the households ages over 60 might give up all their land to their successors so that they do not have land anymore. It is also possible that the younger families might have married after the massive land distribution in the 1980s and their parents did not have enough land to give them. This is consistent with a result of a recent study by the Landlessness and Development Information Tool (LADIT), Oxfam GB, which interviewed nearly 4000 landless families[53] in 20 sampled

[53] Landlessness was defined by the Oxfam Land Study Project as 'not having agricultural land andnot having the means to purchase it'.

villages, reporting that over 50 per cent of the landless households were new families who never had land before.[54]

Table 3.1: Household demographic characteristics by size of landholdings.

	Landless	>0-0.5	>0.5-1.0	>1.0	Average
Household size	5	5	5	6	5
Dependency ratio	106	90	92	89	92
Age distribution of household head					
- under 21	1%	1%	0%	0%	0.4%
- 21 – 30	22%	23%	20%	14%	20%
- 31 – 40	31%	26%	30%	28%	28%
- 41 – 50	21%	17%	21%	24%	20%
- 51 – 60	10%	16%	15%	21%	16%
- over 60	15%	17%	14%	13%	15%
Average age of household head	42	44	43	45	44
Sex of household head					
- Male	73%	72%	79%	86%	77%
- Female	27%	28%	21%	14%	23%

Source: Socio-economic Survey, NIS 1997.

3.2 Education and Literacy

Education levels of family members, especially of the household head and spouse, who traditionally make most of the family decisions, are very important indicators of a household's human resources. Their education levels could have significant effects on the extent of which household are able to meet their requirements and to encounter family difficulties. Some reports, furthermore, suggest that education levels of the household head/spouse might determine the household's ability to keep their land. In a case study of poverty and landlessness in Kampong Reap village of Takeo province, Kato (1999b) reported that:

> *One point which villagers repeatedly suggested as prevention to land loss was education. Their argument was that people who sold land did so because they were not educated and did not have the habit of thinking things through or planning. ... While education will not immediately solve the problem of land loss, at least it will give children more options than their parents have had.*

However, the results of the Cambodia 1997 Socio-Economic Survey in support of this argument are inconclusive. The literacy rates are found to be highest for the landless and for those with more than one hectare of land (Table 3.2). The relatively higher rates among the landless may reflect the inclusion of professionals and the diverse nature in general of this group. However, as education is also correlated with age, the different age structures of the four groups may explain much of the difference in educational levels. One third of the household heads in the rural areas were unable to read and write simple sentences in any language.

[54] Robbin (2000:11).

Table 3.2: Education and literacy of household heads and spouses by size of landholdings. Percentages.

Ability to read and write a simple sentence	landless	>0-0.5	>0.5-1.0	>1.0	average
- household head	68	63	62	69	65
- spouse	54	49	49	48	51
Highest education grade of household heads	6	5	5	5	5

Source: Socio-economic Survey, NIS 1997.

3.3 Household Income

Rural household income is the value of food and services accrued from agricultural and non-agricultural activities and other sources such as wages/salaries and business. Agricultural income is basically derived from crop production and other activities such as livestock raising, fisheries and forestry activities. The 1997 NIS survey further separated income sources into cultivation and other agricultural activities-livestock raising, fisheries and forestry activities.[55] Non-agricultural income includes income from other activities such as wages/salaries, business and other non-agricultural activities.

Generally, agricultural activities provide the main source of rural income. Over 80 per cent of the rural household heads derive most of their income from agricultural activities, including fishing and forestry. Some 74 per cent of household heads obtained their primary income from cultivation while another 7 per cent derived their income from other agricultural activities, such as livestock raising, and from fishing and forestry (Table 3.3).

Table 3.3: Main source of income of household heads in the last twelve months by size of landholdings. Percentages.

Sources of income	landless	>0-0.5	>0.5-1.0	>1.0	Average
Agricultural activities (cultivation)	20	81	82	84	74
Livestock, fisheries and forestry activities	9	6	7	7	7
Non agricultural activities	38	7	5	4	10
Wages/salaries	33	6	6	5	9

Source: Socio-economic Survey, NIS 1997.

There is a significant difference in the sources of income between the landless households on the one hand and those with land no matter how little, on the other hand (Table 3.3). Among the former, cultivation provided the main source of income to only 20 per cent of the heads of households, as against 81 – 84 per cent among those with land. The vast majority of the landless derive their income from non-agricultural activities (38 per cent) or from wages and salaries (33 per cent). Non-land based primary activities, such as animal husbandry, fishing and forestry is the main source of income for some 7 to 9 per cent of the heads of household, irrespective of how much land they possessed.

Two main conclusions may be drawn from Table 3.3. First, access to non-agricultural employment opportunities and to wage employment is of vital importance to those who lack land. This category is likely to be quite diverse. On the one hand there are likely to be relatively prosperous households of professionals and successful entrepreneurs. However, the vast majority is likely to be households, which have been involuntarily pushed into the pursuit of non-farm incomes at very low levels for lack of land. Second, the very high dependence of the near landless, with less than half a hectare of land, on agriculture suggest

[55] Fisheries and forestry products are regarded as products derived from common property resources.

that this is a very vulnerable group indeed. Even under the best of circumstances, half a hectare of land does not suffice to provide an adequate living for a household. The dependence of this group on land-based income also points to a dearth of non-farm employment and income opportunities. It can also be safely assumed that incomes from common property resources are highly important to many of the households with little or no land.

3.4 Housing Condition and Ownership of Durable Assets

Housing conditions and ownership of durable assets are the main determinants reflecting wealth and socio-economic status of rural households. As subsistence farmers, Cambodians tend to satisfy their annual basic needs, especially for foods before satisfying other needs. It is common in rural areas that when people have surpluses they sell the products and keep gold as savings for future use. Whenever they accumulate enough savings they tend to spend it on other assets and necessities, including housing.

The better off households tend to have better houses, made of more durable and reliable materials, than the poor households, but the size of dwelling does not vary much. The floor area of the houses of the surveyed population is small, around 34 square meters, and the difference between the landless and large landholders is marginal, only 4 square meters, but there are large differences in the quality of housing (Table 3.4).

Table 3.4: Housing condition by size of landholdings.

	landless	>0-0.5	>0.5-1.0	>1.0	Average
Floor area of the house, sq. m.	32	33	33	36	34
Primary construction materials of the wall					
- bamboo thatch	49%	64%	59%	56%	59%
- plywood	23%	22%	23%	28%	24%
- other	9%	9%	11%	7%	9%
- Wood or logs	9%	4%	6%	8%	6%
- concrete, brick, stone	10%	1%	1%	1%	2%
Primary construction materials of roof					
- thatch	51%	56%	55%	47%	53%
- tiles	16%	30%	31%	34%	29%
- galvanised iron/aluminium	24%	12%	12%	17%	15%
- fibrous cement	6%	1%	1%	1%	2%
- other	3%	1%	1%	1%	1%
Primary construction materials of floor					
- wood, bamboo planks	57%	76%	74%	76%	73%
- earth, clay	22%	17%	17%	11%	16%
- parquet, polished wood	10%	6%	8%	12%	8%
- cement	10%	1%	1%	1%	2%
- other	1%	0%	0%	0%	1%

Source: Socio-economic Survey, NIS 1997.

Almost three out of five houses in the rural areas are built of bamboo or thatch while only slightly more than one fifth make use of plywood for outer walls. The proportion of houses built of bamboo or thatch and plywood are similar among different groups of landholders. It may be noted that the proportion of landless households having concrete wall houses seemed to be significantly higher than others groups. Table 3.4 shows that 10 per cent of the landless households lived in better houses, built of concrete, brick, stone walls while only 1 per cent of the other of three groups did. This supports the conclusion that the landless category is economically diverse.

The main construction materials used for roofing in the rural areas are thatch, tiles and galvanised iron or aluminium. Over half of all rural dwellings use thatch for roofing while only a third afford to have tiles roof. Among the large land owners the use of tiles is somewhat more common, while galvanised iron/aluminium or fibrous cement is relatively more frequently used by landless households (Table 3.4).

The current ownership of household assets is also useful in identifying the socio-economic status of rural households. In general, the rate of household asset ownership is relatively low in the rural areas of Cambodia. Data presented in Table 3.5 show that only 60 per cent of the rural households owned bicycles, 36 per cent owned radio/cassette recorder, which is not very valuable, and 34 per cent owned oxen carts, which were mostly local or self made.

Table 3.5: Household asset ownership by size of landholding. Percentages.

	landless	>0-0.5	>0.5-1.0	>1.0	Average
Bicycle	53	55	63	70	60
Radio/cassette recorder	32	30	38	47	36
Oxen cart	4	29	41	54	34
Motorcycle/scooter	19	12	14	17	15
Television	17	12	12	16	13
Boat	10	7	9	13	9
Tractor/agricultural equipment	0	3	4	3	3

Source: Socio-economic Survey, NIS 1997.

Asset ownership increased with the size of land owned (Table 3.5). A smaller proportion of landless and near landless households owned bicycles and radio/cassette recorders than larger landholders. Only 4 per cent of the landless households owned oxen carts, which are mainly used in agricultural activities. Possession of draft animals was also less frequent among the near landless than among those with more land, while few households in any category possessed a tractor or other agricultural machinery. Possession of high value consumer goods like motorcycles, scooters or television sets increases, as expected, with the amount of land owned. Is also relatively high among the landless, suggesting that this group does not exclusively consist of poor households. In the case of motorcycles and scooters, it is also quite likely that they are used as a source of income, as motor taxis are common in rural areas. Similarly, the possession of boats among ten per cent of the landless households suggests fishing as a source of income.

3.5 Possession of Animals

Raising animals is an integral part of Cambodia's farming system and they are significant assets for rural households. Traditionally different animals have different degrees of importance to rural livelihood. Normally, cattle and buffaloes are used for draft power, especially in land preparation and transportation, and occasionally sold for family income or used for household consumption when they are no longer used in the agricultural activities. Backyard pig and poultry production is a major source of cash income for most rural households. Pigs are typically raised and bred for selling and rarely used for household consumption while poultry is commonly used for household consumption of meat and eggs and also sold for household income.

However, not all households reported ownership of any animals. Overall, only 86 per cent of the sampled population reported owning animals. The rate of ownership of cattle and buffalo, the main source of draft power, varied significantly across the landholding groups. Again this ownership rate increases with the landholding size. The rate of ownership of cattle increases from 11 per cent among landless household to 66 per cent among large landholding households while the ownership rate of buffalo follows the same pattern from 2 to 22 per cent (Table 3.6). This pattern illustrates that landless and near landless households are either too poor to have cattle and buffalo or they do not see significant importance of cattle and buffalo for their daily life.

Table 3.6: Possession of animals by size of landholdings.

	Landless	>0-0.5	>0.5-1.0	>1.0	Average
Owned any livestock	55%	88%	92%	96%	86%
- owned cattle	11%	54%	65%	66%	54%
- average number of cattle per household	1	2	2	3	2
- owned buffalo	2%	10%	14%	22%	13%
- average number of buffalo per household	0	1	1	2	1
- owned pig	31%	55%	65%	41%	58%
- average number of pig per household	1	1	2	2	2
- owned poultry	41%	67%	74%	76%	67%
- average number of poultry per household	5	7	9	10	8

Source: Socio-economic Survey, NIS 1997.

Not only is the ownership rate of cattle and buffalo low among the landless and near landless households, but the average number of the animals per household is also lower. Table 3.6 reports that landless households owned only one cattle on average while landholding households owned 2-3 cattle. For buffaloes the average numbers were zero and one to two, respectively.

Possession of pig and poultry is rather widespread. On average 58 per cent of the interviewed households owned pigs and 67 per cent owned poultry. The ownership rate of pigs increases from 31 per cent among landless households to 65 and 41 per cent among medium and large landholding households. Possession of poultry ranged from 41 per cent among the landless to 76 per cent among large landholders.

The average number of pigs and poultry owned varies greatly among landholding groups. Landless and near landless households were found to have only one pig on average while other landholding groups averaged two. Similarly the average number of poultry owned by the landless and near landless households was much lower for the large landholders. The positive correlation between possession of land and of animals suggests that the raising of animals is not an answer to shortage of land.

3.6 Credit

Borrowing and lending of money or in kind are common practices, during sever crises or shocks, in rural Cambodia. The survey reported that two out of five rural households had outstanding loans, mostly one loan, either in cash or in kind. Table 3.7 shows that the incidence of borrowing money among landless and near landless households is marginally higher than landholding households. About 40 per cent of the landless and near landless households reported to have outstanding loans while only about 35 per cent of the large landholding households reported to have borrowed.

The average amount of money borrowed varied across the landholding groups, ranging from nearly 0.3 million Riel to just over 0.5 million Riel per loan. The average amount of loan was approximately 0.4 million Riel per household for the first loan and under 0.3 million Riel for any second loan. The average amount borrowed by landless and near landless households was higher than by large landholding households. The average loan of landless households was nearly 0.5 million Riel, as against 0.3 million Riel for large landholders.

Hoping to assist the rural poor, NGOs introduced micro-credit services in 1989 on a small scale, supported by international donors. To broaden the micro-credit services, the Royal Government of Cambodia attempts to promote micro-finance by forming the Credit Committee for Rural Development in 1995 led to the establishment of the Rural Development Bank in 1998. However, the services are yet to reach the targeted needy groups. The informal credit system still actively operates in the rural areas. The NIS survey reported that a majority of the rural poor had never heard of or accessed formal credit, but that six out of ten borrowers obtained the loan from their relatives or friends. Nearly 90 per cent of rural households borrowed from the informal sources, relatives/friends, moneylenders, and traders while formal credit services (NGOs) reached a mere 10 per cent of the rural borrowers (Table 3.7).

A closer look at the sources of credit reveals that the main source of rural loans is relatives/friends. Overall, over 60 per cent of rural households borrowed money from their relatives or friends, probably at low interest rates. A food security study by Murshid of three villages in Cambodia in 1996-1997 reported that: *"there is a lot of lending at zero interest from close relatives"* (Murshid (1998:46)). The other important sources of loan were local moneylenders and traders who provided loan with very high interest rates. Murshid (1998:46) works out the annual interest rate of the rural loan from moneylenders and traders in three sampled villages at over 100 per cent. The interest rate was found to vary considerably across landholding groups. It was much higher for the landless and near landless households than for households with more land.

This might be due to the fact that landless and near landless households were excluded from formal credit, normally from NGOs who provide small amounts of loan at an interest of 4-5 per cent per month to significant proportion of rural borrowers. Even though NGOs provided loan to about 11 per cent of the rural borrowers, only 5 per cent of landless borrowers reported access to such loan. The extent of accessibility to NGOs' loan increases from 5 per cent among landless households to 10 per cent among landholders of under 1 ha and to 17 per cent among over 1 ha landholders.

Other sources of lending are government banks, commercial banks, employers and other. They provided loans to only 2 per cent of the rural borrowers.

The main purposes of borrowing are to meet normal household consumption needs, predominantly for rice purchases, and to invest in agricultural production. On average, nearly 30 per cent of the borrowers borrowed for normal household consumption needs. As agricultural production is entirely determined by climatic condition, the production considerably varies from area to area or from region to region, and hence, food insecurity occurs in many parts of the country every year although surpluses are reported at the national level. To cope with family food shortages, rural households eventually have to borrow, in cash or in kind, to meet the necessary needs during the shortage period and pay back during harvesting season. The situation goes from bad to worse among landless households who have no land to produce food or have too little to produce enough for own consumption.

Table 3.7 shows that about 30 per cent of the landless and near landless borrowers borrowed to cope with consumption needs, as against only 20 per cent of the medium and large landholders.

About 26 percent of the rural borrowers reported borrowing for investment in agricultural production to increase their agricultural productivity. The incidence of this type of borrowing obviously differs between groups of landholdings. The percentage of borrowing for agricultural activities is as high as 38 per cent among large landholding borrowers and diminishes with the size of landholding to only 7 per cent among landless households, Table 3.7.

Table 3.7: Loans by size of landholdings.

	landless	>0-0.5	>0.5-1.0	>1.0	Average
Household with outstanding loans	41%	42%	36%	36%	39%
- one loan	39%	41%	34%	35%	38%
- two loans	2%	1%	1%	1%	1%
Average amount borrowed per loan					
- first loan, Riel	466,000	381,000	324,000	321,000	367,000
- second loan, Riel	324,000	284,000	259,000	183,000	270,000
Source of first loan					
- relatives/friends	54%	62%	65%	57%	61%
- moneylenders	30%	20%	17%	18%	20%
- traders	9%	5%	5%	5%	6%
- NGOs	5%	11%	11%	17%	11%
- other sources, including banks	2%	2%	2%	3%	2%
Primary purpose of the first loan					
- normal household consumption needs	32%	28%	28%	20%	27%
- agricultural production	7%	26%	27%	38%	26%
- emergency needs (death or sickness, ...)	21%	18%	20%	17%	18%
- investment in business	18%	6%	7%	5%	8%
- purchase/improvement of dwelling	5%	10%	10%	7%	8%
- purchase of consumer durable goods	4%	4%	3%	4%	4%
- marriage or other ceremonials	1%	2%	1%	4%	2%
- other	13%	7%	5%	7%	7%

Source: Socio-economic Survey, NIS 1997.

However, landless households tend to borrow to invest in business, as they do not have land for farming. Nearly 20 per cent of the loans of landless households was used for investment in business while only 5 per cent of the loan among large landholding families were used to invest in business.

Borrowing to cope with large and unexpected crises such as death of family member(s) or sicknesses, is also common in the rural areas - nearly 20 per cent of the borrowings was used for this purpose. The incidence of borrowing for this purpose is only marginally different across the landholding groups.

3.7 Causes of Landlessness

Although there are no comprehensive national data on landlessness many studies suggest that landlessness has rapidly increased in the last decade and that it has a great impact on social welfare, economics and political situation in the country. There are many causes of landlessness in rural areas of Cambodia. Different studies classify causes of landlessness differently but there are common causes that regularly lead to landlessness among rural households.

A combination of rapid population growth and the lack of an appropriate land distribution system is undoubtedly a most significant cause of landlessness in Cambodia. As mentioned earlier massive land redistribution was undertaken in the 1980s and most families presumably got access to some land. The amount of land received varied. In some areas where there was much land and a low population density each household could get two to three hectare, while in other areas they received only one.

Given the small size of most land holdings, the rapid increase in population and sharing of land resources as a coping strategy to assist young family members when they marry and set up their own household, rapid fragmentation of holdings resulting into units too small to support a family was inevitable. From there, it is but a small step to landlessness. A case in point is offered by The World Bank (2000:23) of how 61 years old Chhoeun Sophea became landless through this process.

Late in 1982, she received six hectares of land, for a family of six children and herself, from the commune chief. Beginning in 1988 her children were married and set up their own houses. She shared her land each time with her children by the time the last child, a daughter, was married in 1996, she had given up all of her share. She said "with no addition to our land holding, each of my children depend on smaller farms to eke out a livelihood which is very difficult for them."

Kato (1999b:13) showed that the eight out of 26 landless households in the village of Kampong Reap are landless because they have recently married and their parents did not have enough land to give each child a workable amount. Land and Development Information Tools (LADIT) added that 50 per cent of the landless are those people who never get land due to the fact that they are new families, just married, and their parents have not enough land for sharing.

The internal displacement due to insecurity is another prevalent cause of landlessness. As Cambodia has gone through two decades of civil war and international isolation, 1970-1989, most people have been displaced one or several times. After the failure of the Khmer Rouge regime in 1979 most of the people returned home to reunite with their families while others headed to the Thai border looking for settling in other countries. Unfortunately only some of them were able to reach their destination in those countries while others remained in refugee camps until the repatriation in 1993. They apparently missed out the opportunity to get some land in the 1980s redistribution in spite of owning large amounts of land prior to 1979.

Even though these people were given some land when they returned in 1993 they tend to be vulnerable to lose land and become landless due to two main reasons. First, the given land was later on often taken over by others with the alleged complicity of the local authorities. Second, they were also given land that nobody wanted because of disadvantageous location, poor infrastructure, unhealthy environments or low productivity. They sooner or later lost their land through the former way or gave up their land in the latter way.

It is not only those returnees from the refugee camps who are vulnerable to loss of land due to displacement but also the internal displaced persons. Some parts of the north-western province of Battambang, Oddar Meanchey, Banteay Meanchey, Siem Reap and Pursat were insecure until the formation of the coalition government in 1998. Given the almost complete absence of legal ownership papers in the rural areas the displaced people were highly vulnerable to lose their land while they were away from home and fields due to fighting.

Particularly the factional fighting in 1997 forced many people in some parts of Battambang, Oddar Meanchey, Banteay Meanchey and Siemreap provinces to leave their home and their fields. When they came back after the formation of coalition government in 1998, they were unable to claim back their land because other people already occupied the land. The land disputes are still going on.

Land grabbing is also a common reason behind loss of land among rural and powerless households in Cambodia. As only a few landholders have legal land titles, the problems have sky-rocketed in the last decade. It is normally perpetrated by the people with power, who are enjoying a culture of impunity. Land grabbing eventually leads to land disputes that currently represent one of the most pressing governance issues in Cambodia. It is acknowledged by most people and the government that land grabbing is pervasive and has occurred in every province of Cambodia since the reintroduction of private ownership on land and the emergence of an active land market in Cambodia. The Prime Minister also publicly acknowledges the magnitude of the problem and issued an order to halt anarchical land grabbing in September 1999. He also issued sub-decrees to cancel land sales of state land by the provincial officials. However, the problem still exists and the poor keep losing their land. It is expected that the modified version of the new Land Law, which is being reviewed by an inter-ministerial committee, will be approved by the Council of Ministers as early as May 2000. Hopefully it will better protect the limited land owned by the poor.

Distress sales - when households resort to liquidate their assets during periods of severe crises- are another common practice of land loss. Distress sale itself is brought about by many factors such as illness, accident, natural disasters, food shortages and lack of rural credit. Living in poor sanitary condition and lack of public health care, the rural poor are easily exposed to diseases. Murshid (1998) asserted that as many as 40-50 per cent of sampled households in a study of food security in three villages between 1996-1997 reported someone being seriously ill over the past year. Although the cost of ill-health and sickness cannot be assessed merely in terms of household expenditure it normally has two significant impacts on the poor: high and unexpected expenditures on health care and loss of income.

The ability to respond to such crises depends upon on the household resources, irrespective of their origin. Better off households might use their savings or get support (if any) from their friends or relatives. However, with low income and non-savings, poor households often have to resort to borrowing at high interest rates and put up their few assets as collateral. They normally have to pay back during the harvesting season when their agricultural output is sold at very low prices. As they only have little land they are often unable to pay back the loan or have to sell out most of their output and then have to borrow again when they need food at high interest rates. Thus they are caught in a vicious circle and become increasingly heavily indebted. In order to pay back the debts they have to choose the last solution and sell their only productive asset; land.

Agricultural production is predominantly rainfed. Any changes in weather condition, severe drought or floods, heavily affect rural livelihoods. Cambodia had three successive years of severe floods in 1992, 1993 and 1993 and a drought in 1996. These natural phenomena might not have a direct impact on the distress sales of land but within the system of subsistence production the poor might have to borrow, normally in kind at a high price, to cope with family food shortages. They have to pay back in kind when they harvest their product at a low price during harvesting season. Again with the small output left over for family consumption they have to borrow again and the process goes on. Successive years of bad harvest may raise indebtedness to such levels that distress sales of land remain as the only option.

The above mentioned causes do not attempt to exhaust all the causes of landlessness in Cambodia. In a study of landlessness in Kampong Reap village in Takeo province, Kato (1999b) underlined many other causes of landlessness in the rural areas, such as lack of skills, lack of ideas, gender differentiation, land prices, community factors. An absence of solidarity and local leadership can also contribute to landlessness.[56]

The above mentioned factors taken individually no not necessarily lead to increased landlessness. Often, it is the combination of several adverse factors that drive households into landlessness.

[56] A detailed discussion can be obtained from Kato (1999b:14-19).

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APPENDIX

Table 1: Movement of Exchange Rates of Riels and other local currencies vis-à-vis US Dollar. Percentage change in units of currency per USD, from previous year.

	Currency	1996	1997	1998	1999
Cambodia	Riel	45.9	13.6	26.7	1.3
ASEAN					
Singapore	Sing. $	69.8	4.9	12.8	-1.2
Thailand	Baht	99.2	24.1	31.8	-10.3
Malaysia	Ringgitt	90.9	11.5	39.5	-3.1
Indonesia	Rupiah	132.6	24.2	244.2	-14.1
Myanmar	Kyat	91.6	5.4	1.6	4789.5
Philippines	Peso	1000.0	12.6	38.6	-5.1
Laos	Kip	158.7	36.8	161.7	66.8
Vietnam	Dong	n.a.	5.9	13.8	1.8

Source: Table 10 in Sok et al (2000).

Table 2: **Summary of Government Budget 1995–2000 (Billion riels).**

	1995	1996	1997	1998	1999[E]	2000[P]
Revenue	643	749	881	939	1,318	1,505
Current Revenue	635	710	869	905	1,304	1,485
Tax revenue	446	534	597	679	956	1,065
Non-tax revenue	190	176	271	226	348	420
Capital revenue	8	39	12	33	14	20
Expenditure	1,201	1,441	1,260	1,553	1,933	2,385
Current expenditure	690	813	808	930	1,113	1,315
Capital expenditure	511	629	452	623	820	1,070
Current deficit (accrual)	-54	-103	61	-24	192	170
Overall Deficit (accrual)	-558	-692	-379	-614	-615	-880
Financing	558	692	379	614	615	880
Foreign financing	559	680	446	508	611	895
Domestic financing	-2	13	-67	106	4	-15
o/w bank financing	6	-17	-75	125	-70	0
GDP	7,200	8,250	9,100	10,900	11,800	12,700
			Percentage of GDP			
Revenue	8.9	9.1	9.7	8.6	11.2	11.9
Tax revenue	6.2	6.5	6.6	6.2	8.1	8.4
Non-tax revenue	2.6	2.1	3.0	2.1	2.9	3.3
Expenditure	16.7	17.5	13.8	14.2	16.4	18.8
Current expenditure	9.6	9.9	8.9	8.5	9.4	10.4
Capital expenditure	7.1	7.6	5.0	5.7	7.0	8.4
Current Deficit (accrual)	-0.8	-1.2	0.7	-0.2	1.6	1.3
Overall Deficit (accrual)	-7.7	-8.4	-4.2	-5.6	-5.2	-6.9
Financing	7.7	8.4	4.2	5.6	5.2	6.9
Foreign financing	7.8	8.2	4.9	4.7	5.2	7.0
Domestic financing	-0.0	0.2	-0.7	1.0	0.0	-0.1

E Estimated

P Planned

Source: CDRI.

Table 3: Government Revenues and Expenditures by Source and Sector (Billion riels)

	1995	1996	1997	1998	1999
Revenue	**643**	**749**	**881**	**939**	**1,318**
Tax revenue	**446**	**534**	**597**	**679**	**956**
Direct Taxes	**21**	**27**	**46**	**59**	**79**
Payroll tax	1	3	6	9	11
Profit tax	19	19	35	42	58
Land and Property	1	5	5	8	11
Indirect taxes	**104**	**164**	**204**	**244**	**444**
o/w Excise duties	9	57	74	76	92
VAT	77	98	122	156	350
International Trade taxes	**321**	**344**	**347**	**376**	**433**
Import duties	**299**	**331**	**336**	**373**	**415**
Exports	17	8	10	3	17
Non-tax revenue	190	176	271	226	348
Capital revenue	8	39	12	33	14
Expenditure	**1248**	**1419**	**1268**	**1557**	**1795**
Current expenditure	**737**	**790**	**816**	**934**	**1125**
Defense	430	406	419	453	470
Social sectors	148	179	189	203	316
Education	74	80	83	102	150
Health	26	42	45	43	80
Capital expenditure	**511**	**629**	**452**	**623**	**670**

Source: CDRI

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