

# TKNREPORT

## *Foreign Investment in Agriculture in Cambodia: A survey of recent trends*

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*Hem Sochet*

*December 2012*

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## About TKN

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## Introduction

Cambodia is located in Southeast Asia and has a population of around 15 million, the majority of whom live in rural areas. The agriculture sector benefits from the Mekong River, which flows through the flat lowland plains in the middle of the country, and Tonle Sap Lake, the largest lake in Southeast Asia. While Cambodia is rich in natural resources and has abundant arable land, a history of internal conflict has stunted development. For example, millions of hectares of land remain inaccessible due to land mines.<sup>1</sup>

The agricultural sector is of major importance to the economy, employing 70 per cent of Cambodians. Presently, only 0.9 per cent of total land area is permanent cropland, suggesting that there is significant potential to expand agricultural production. Although Cambodia has a long history of producing rice and other crops, production has been held back due to a lack of investment. Most farmers practice subsistence agriculture with low productivity. In early April 2012, the Minister of Agriculture, Forestry and Fisheries, Chan Sarun, said Cambodia aimed to more than double its milled rice exports to 400,000 tons in 2012, although many rice exporters thought this goal would be difficult to reach (*Phnom Penh Post*, 2012).

Foreign investment in agriculture has expanded since 2005, although the figures remain modest. The Cambodian government has prioritized investment in the sector, and an important part of the government strategy has been its policies on land concessions. A 2005 sub-decree sets out the procedures, mechanisms and institutional arrangements for offering economic land concessions (ELCs), with the objective of improving crop diversity, productivity, and employment, among other benefits. By 2009, just over a third of ELCs had gone to foreign investors.

Preliminary assessments of these land concessions shed light on a range of positive and negative impacts. There is reason to be concerned over the social, environmental and economic impacts of the investments that have been studied so far. The employment opportunities for local residents are not always plentiful, or attractive, and the large projects can encroach on land that is critical to local livelihoods.

This policy brief provides an overview of trends in agricultural investment in Cambodia, discusses the impacts—particularly from investments in agricultural land—and provides some recommendations to policy-makers on how to maximize the benefits of investment in the sector going forward.

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<sup>1</sup> The internal conflict between 1970 and 1998 saw many landmines laid by political opponents. Details of landmine and unexploded ordnance (UXO) history are available at [http://www.cmac.gov.kh/page\\_footer.php?key=1](http://www.cmac.gov.kh/page_footer.php?key=1)

## 1.0 An Overview of Agriculture in Cambodia

### 1.1 The Economy and Employment

More than 70 per cent of Cambodians depend on agriculture for their livelihood. The sector provides the largest source of income for Cambodians, although its share has decreased as industry and services expand.

Prior to its first national election in 1993, Cambodia was a closed economy with heavy restrictions on foreign investment. However, over the last two decades the country has increasingly liberalized its economy, and investment has flowed to the textiles, construction, tourism and agriculture sectors. While the agriculture sector's performance has improved steadily, the industrial sector has seen more significant growth. The agriculture sector's contribution to GDP fell from 45 per cent in 1993 to around 32 per cent in 2011. In contrast, industry's share of GDP rose from just under 13 per cent in 1993 to 21.5 per cent in 2011.

**TABLE 1: CONTRIBUTION BY SECTOR TO CAMBODIA'S ECONOMY (SHARE IN %)**

SHARE OF GDP BY SECTOR (%)	1993	1997	2001	2005	2008	2009	2010	2011
GDP Growth		5.6	8.1	13.3	6.7	0.1	5.0	6.0
Agriculture, Fishery & Forestry	45.3	44.4	34.4	30.7	32.7	33.5	33.2	32.5
Crops	16.9	20.0	14.5	15.7	17.9	18.4	18.3	18.0
Livestock & Poultry	7.3	5.9	5.4	4.7	4.4	4.5	4.6	4.5
Fisheries	16.6	12.1	11.2	7.3	7.4	7.7	7.5	7.3
Forestry & Logging	4.5	6.4	3.3	3.0	3.0	2.9	2.8	2.7
Industry	12.6	16.4	22.3	25.0	22.4	21.7	21.2	21.5
Mining	0.2	0.2	0.3	0.4	0.4	0.5	0.5	0.5
Manufacturing	8.6	11.6	16.8	17.8	15.3	14.4	14.0	14.3
Foods, Beverages & Tobacco	4.1	3.7	3.0	2.4	2.2	2.3	2.3	2.3
Textile, Wearing Apparel & Footwear	1.0	3.7	10.8	12.3	10.3	9.1	8.8	9.0
Wood, Paper & Publishing	1.2	1.6	0.7	0.6	0.6	0.6	0.6	0.6
Rubber Manufacturing	0.3	0.5	0.4	0.5	0.4	0.4	0.4	0.4
Other Manufacturing	1.9	2.1	2.0	2.1	1.9	2.0	2.0	2.0
Electricity, Gas & Water	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.6
Construction	3.5	4.1	4.8	6.3	6.1	6.3	6.2	6.2
Services	39.4	35.1	38.4	39.1	38.8	38.8	38.4	39.0
Trade	14.6	12.1	10.3	9.2	8.9	9.0	8.9	8.9
Hotel & Restaurants	2.3	2.9	4.4	4.3	4.5	4.5	4.4	4.6
Transport & Communications	5.5	5.5	7.0	7.4	7.4	7.5	7.5	7.6
Finance	0.3	1.0	1.0	1.1	1.3	1.4	1.4	1.4
Public Administration	2.1	3.0	2.3	1.8	1.8	1.8	1.8	1.8
Real Estate & Business	9.1	5.9	6.2	6.6	6.4	6.1	6.1	6.2
Other services	5.5	4.6	7.3	8.6	8.5	8.5	8.4	8.5
Taxes on Products less Subsidies	2.9	5.3	5.9	6.2	7.0	7.3	8.3	8.2
Less: Subsidies	0.0	0.1	0.2	0.3	0.1	0.1	0.2	0.2
Less: Finance Service Charge	0.2	1.2	0.9	1.0	1.0	1.1	1.2	1.2

Source: National Institute of Statistics, Ministry of Planning, Cambodia.

## 1.2 Main Crops and Cultivated Areas

The area of land under cultivation has increased significantly in recent years, from 596,000 hectares in 2008 to 930,000 hectares in 2011, and is expected to reach 1,000,000 hectares in 2013 (see Table 2.). In addition to rice, Cambodia also produces maize, peanuts, sesame, cassava, mung bean, soya bean, and sweet potato to supplement rice consumption and supply foreign markets. Rising demand for organic produce has also opened new opportunities for Cambodian farmers.

Cambodia is also a large producer of freshwater fish, thanks to the Tonle Sap Lake and Mekong River. Per capital fish consumption in Cambodia varies from region to region; the national rate is between 25 and 30 kilograms per year. For fishing households, the consumption is up to 80 kilograms per year.<sup>2</sup> The fish catch has increased from 471 tonnes in 2008 to 668 tons in 2011.

**TABLE 2: IRRIGATION AND LAND COVER FOR AGRICULTURE PRODUCTION**

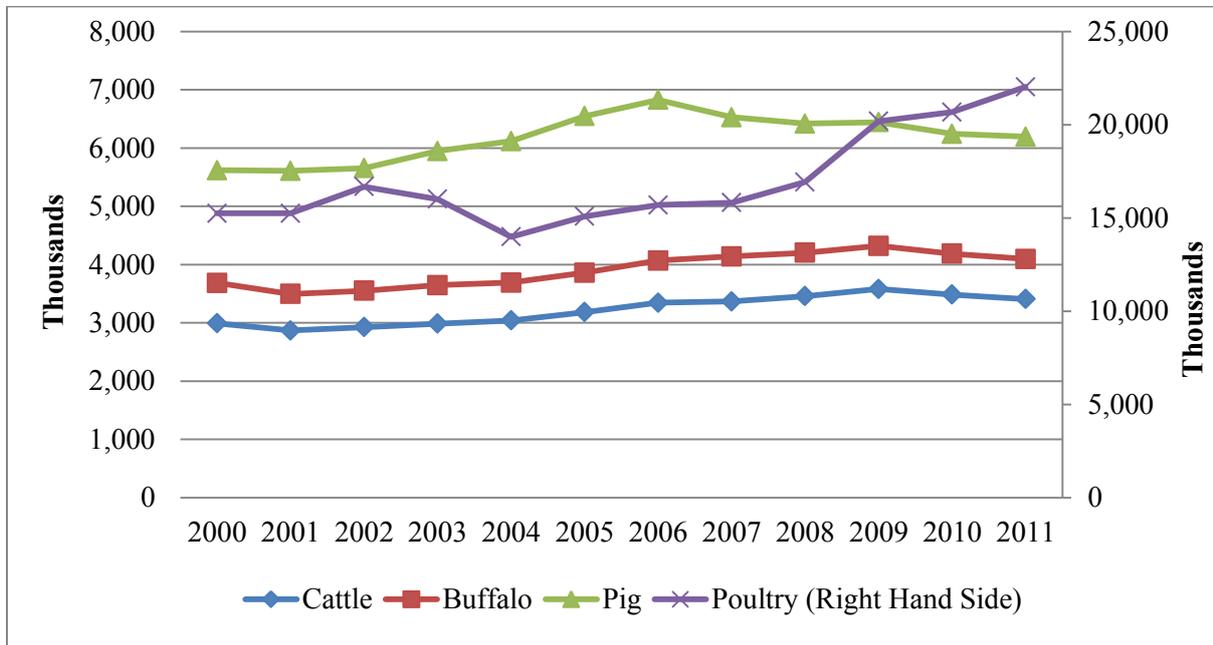
	UNIT	2008	2009	2010	2011	2012*	2013*
Land under crops	(1,000 ha)	596	645	774	930	1,000	1,000
Irrigated land area	(1,000 ha)	1,120	1,145	1,170	1,195	1,220	1,245
Paddy: cultivated area	(1,000,000 ha)	2.61	2.63	2.65	2.65	2.65	2.65
Yield per hectare	Tonnes	2.74	2.77	2.8	2.83	2.87	3
Fishing Lots	km <sup>2</sup>	415	415	415	415	415	415
Released to Community Fishing	%	56.4	56.4	56.4	56.4	56.4	56.4
Fish Catch (from all sources)	Tonnes	471	515	617	668	726	788
Forestry Cover	% of land area	59	57.59	57.99	58.39	58.79	59.19
Reforested (cumulative total from 1985)	ha	10.81	18.92	73	73	73	73
Fuel Wood Dependency	% of households	73	67	61	59	56	54
Forest Demarcation	km	321	228	413	500	500	500
Forestry Communities	#	124	210	350	400	405	450

Source: Ministry of Agriculture, Forestry and Fisheries (\*data for 2012 and 2013 are projections).

Livestock production has been fairly stable for cattle, buffalo and pigs (Figure 1). Poultry production started to rise in 2004, and more rapidly in 2008, reaching a stock of more than 20 million in 2011. In contrast, the practice of raising cows and buffalo has declined as suitable land becomes scarcer,<sup>3</sup> and as farmers increasingly use machinery.

<sup>2</sup> Cited from FAO report, Fishery value chain analysis in Cambodia, 2011, p. 15.

<sup>3</sup> The main difficulties are a reduction in meadows resulting from the increasing amount of land awarded to ELC investment and an increase in construction and real estate development. In addition, foot and mouth disease may have prompted farmers to use machinery instead of animal power.



**FIGURE 1: LIVESTOCK PRODUCTION 2000-2011**

Source: Minister of Agriculture, Forestry and Fisheries (MAFF), 2011.

### 1.3 Purposes of Production

The vast majority of Cambodia’s farmers manage small plots of land to produce rice for subsistence or small-scale commercial purposes, and most lack capital investment for inputs like seeds, fertilizers, and irrigation. The government has encouraged investment by providing various economic incentives, such as tax exemptions on agricultural inputs and equipment. The government also sets targets for rice exports, and has ambitions to make Cambodia one of the leading rice exporters in the region.

As much as 80 per cent of cultivated land is devoted to rice production, which contributes more than 50 per cent of domestic crop value addition.<sup>4</sup> Between 1994 and 2006, rice contributed up to 50 per cent of total crop growth. In recent years, rice has also become one of Cambodia’s most important agricultural export commodities, accounting for more than 10 per cent of the country’s total export value in 2007, surpassing the export of rubber and forestry products (International Monetary Fund (IMF), 2009).

Rice production is still primarily for local consumption. Other crops, however, such as cassava, rubber, and forestry products, are mainly produced for export to markets such as Thailand, Vietnam and China. Cambodia has recently begun promoting organic agriculture, especially crops such as rice and vegetables, to meet growing demand in Europe.

From 2009 to 2012, the Cambodian government allocated 13.19 per cent of public investment to agriculture, 10.15 per cent to rural development, and 21.57 per cent into infrastructure, which includes transportation and water supply.<sup>5</sup> Around 31 per cent of public investment went to public services, such as health and education.

<sup>4</sup> MAFF, Cambodia’s Agricultural Strategy: Future development options for the rice sector, various years.

<sup>5</sup> CICP Working Paper No. 37, Cambodia’s agriculture: Challenges and prospects.

## 1.4 Employment

The agriculture sector is Cambodia's largest source of employment. However, the sector's share of employment is decreasing as other sectors of the economy grow, particularly textiles and tourism.

The textiles and construction sectors experienced serious job losses during the 2008–2009 global economic crisis. However, this burden was mitigated by the absorption of labour into the agriculture and services sector. While job losses in the two sectors totaled 108,100 in 2008/09, the tourism and agriculture sectors absorbed 882,512 jobs, around 97 per cent of which went to agriculture. This suggests significant numbers of the unemployed went back to their home villages to assist their families in cultivation work.

**TABLE 3: NUMBERS OF JOBS LOST/ABSORBED BY SECTORS**

SECTOR	2008	2009
Textile and Clothing	27,000 jobs lost	19,000 jobs lost
Construction	36,500 jobs lost	25,600 jobs lost
Tourism	16,614 jobs absorbed	12,698 jobs absorbed
Agriculture	650,000 jobs absorbed	203,200 jobs absorbed

Source: *International Labour Organization, 2009.*

## 1.5 Exports of Agricultural Products

Cambodia exports a number of agriculture products, including livestock, fish, rice, rubber, wood and vegetables (Table 4). The country's rice exports have increased remarkably quickly, from US\$2.3 million in 2005 to US\$110.63 million in 2011. The Cambodian government has stated its intention to become one of the leading rice exporters in Asia in the near future.

Exports of cassava have also increased to meet demand overseas, especially in China, Vietnam and Thailand. However, the recent border skirmish at the Cambodian–Thai border has complicated trade between these two countries.

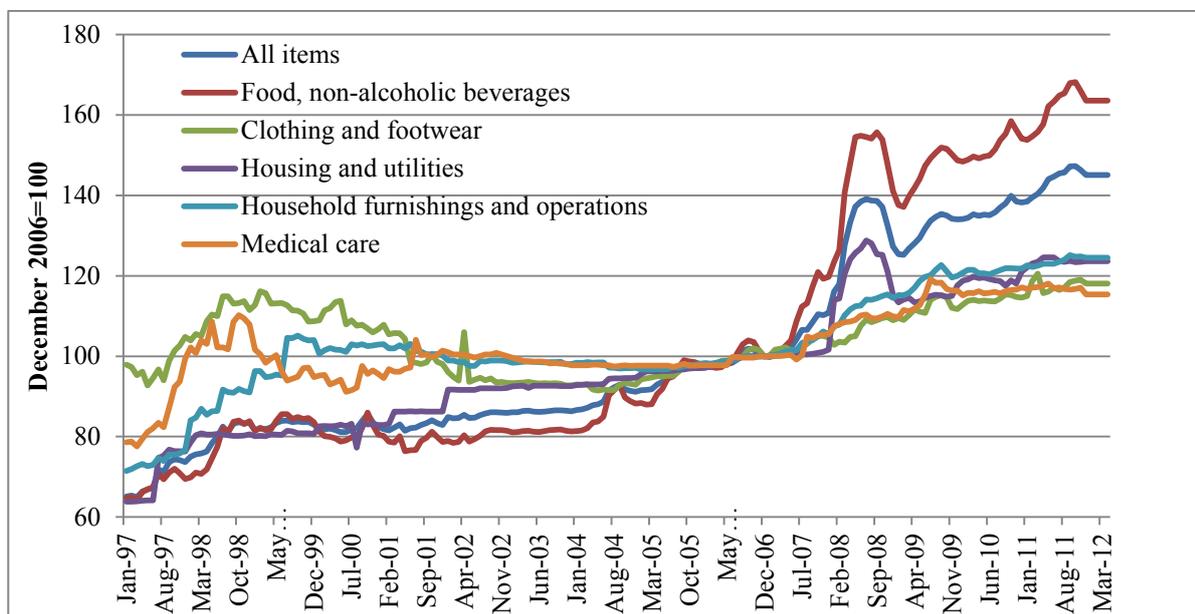
**TABLE 4: MAJOR CAMBODIAN AGRICULTURAL EXPORTS, 2005–2011 (US\$, MILLION)**

HS	PRODUCTS	2005	2006	2007	2008	2009	2010	2011
1	Live animals	0.51	5.51	1.61	6.13	8.94	6.34	12.14
3	Fish and crustaceans	15.38	15.14	10.42	7.91	11.48	7.26	17.37
4	Dairy products; birds' eggs	0.00	0.02	0.05	0.57		0.00	
6	Live trees and other plants	0.01	0.11	0.03	0.05	0.09	0.21	0.01
7	Edible vegetables and roots	0.78	1.16	11.27	22.17	39.04	44.97	31.43
8	Edible fruit and nuts	21.80	19.00	21.73	34.28	27.04	38.02	0.62
9	Coffee, tea and spices	0.18	0.28	0.83	0.85	0.59	0.57	0.15
10	Cereals	3.46	5.23	9.86	36.13	21.82	73.07	114.51
	Of which: Rice	2.30	3.18	2.00	4.10	12.94	39.09	110.63
14	Vegetable plaiting materials	0.37	0.74	0.63	0.26	0.32	0.29	0.27
40	Rubber and articles	72.80	93.98	105.86	91.56	93.75	199.70	129.45
44	Wood and articles	73.37	73.81	105.65	66.94	51.92	71.90	53.96
	Other product exports	3,058.16	3,793.59	4,326.78	4,692.73	4,512.75	5,276.44	6,441.07
	Total exports	3,249.12	4,011.75	4,596.72	4,963.68	4,767.75	5,757.86	6,882.1

Source: *UN Comtrade, 2012.*

## 1.6 Food Security

More than 300,000 Cambodian households (or 1.7 million individuals), are classified as food insecure (Cambodia Development Resource Institute (CDRI), 2008). In response, the Cambodian government has developed the *Strategic Framework for Food Security and Nutrition in Cambodia 2008-2012* (SFFSN). Its objectives include improving food availability and access, stability of supply, and the institutional and policy environment. Food security is recognized as a basic human right under the Universal Declaration on Human Rights and the International Covenant on Economic, Social and Cultural Rights, which have both been ratified by Cambodia, and is also addressed in the government's *Rectangular Strategy for Growth, Employment, Efficiency and Equity, the National Strategic Development Plan Update* (2009-2013).



**FIGURE 2: RELATIVE CHANGE IN CONSUMER PRICES, FOOD PRICES FROM JAN. 1997 TO SEPT. 2011**

Source: National Bank of Cambodia

## 1.7 Value Chains

Cambodia's agricultural sector has not generated significant value addition. This is due in large part to the lack of domestic investment in all stages of the value chain. The government has stressed the need for greater value addition through skills generation, purchasing of local inputs, and investment in processing and infrastructure. In reality, however, the vast majority of Cambodian agricultural products exported are of a primary nature, and most inputs are imported.

## 2.0 Government Policy Framework

The government of Cambodia has encouraged investment in the agricultural sector by providing favourable conditions and tax incentives.<sup>6</sup> The government imposes zero tariffs on imported agriculture materials such as seeds, fertilizers, pesticide and agricultural equipment. Royal Decree NS/RK/0609/009, dated June 20, 2009, states that qualified investment projects in the agriculture and agro-industry sector are eligible for tax holidays of between three and nine years. In addition, the government has planned further incentives for investment in processing facilities, rice milling for exports and investment in irrigation.

The Council for the Development of Cambodia (CDC) is a government agency that has been tasked with classifying the types of investment projects and activities that can be granted incentives, as shown in Table 5.

**TABLE 5: INVESTMENT ACTIVITIES ELIGIBLE FOR INCENTIVES**

AGRICULTURAL PRODUCTION	QUANTITY	TIMBER AND TREE PLANTATION	QUANTITY
Paddy Farming	>1,000 ha	Timber Plantation	>1,000 ha
Cash Crops	>500 ha	Tree Plantation	>200 ha
Vegetables	>50 ha		
<b>Livestock Production</b>		<b>Wild Animal Farm</b>	
Cattle Husbandry	>1,000 ha	Wild Animal Husbandry	>100 head
Dairy Farm	>100 cows	Wild Bird Husbandry	>500 head
Poultry Farm	>10,000 head	Wild Reptile Husbandry	1,000 head
<b>Aquatic Production</b>			
Freshwater Aquaculture Farm	>5 ha	Other agriculture and agro-industry related investment activities as stipulated in the relevant law	
Seawater Aquaculture Farm	>10 ha		

Source: Council for the Development of Cambodia (CDC).

The Cambodian government's Rectangular Strategy sets out a long-term vision for growth, employment and efficiency. With respect to agriculture, the strategy seeks to improve productivity and diversification (including animal husbandry, food security and nutrition, and rural development); (ii) land reform and de-mining; (iii) fisheries reform; and (iv) forestry reform (including environment protection and conservation).

The government developed a policy on "Paddy Rice Production and Promotion of Milled Rice Export" in 2010, aiming to achieve a paddy rice production surplus of 4 million tonnes and milled rice exports of at least 1 million tonnes by 2015 by investing in irrigation facilities, encouraging private sector investment in paddy rice processing and export, and improving procedures for export and transport facilitation.

The National Strategic Development Plan (NSDP) Update 2009–2013 sets forth other policy measures to promote agriculture, including a focus on land reform and clearance of land mines. These measures include strengthening land management, distribution and use; securing land ownership; curbing illegal landholding; and preventing concentration of unused land. Moreover, small farmers have been provided with social land concessions (SLC) in order to foster their production and diversification.

Water resource management is critical to agricultural development. Cambodia's irrigation system is underdeveloped; the vast majority of farming is rain-fed, making it highly vulnerable to variable climatic conditions. The government has formed water user communities across the country, expanding reservoir capacity to meet demand. In addition, MAFF and the Ministry of Water Resources and Meteorology (MoWRAM) have, as required by the NSDP, prepared a Strategy for Agriculture and Water through the newly established Technical Working Group on Agriculture and Water.

<sup>6</sup> Presentation by Soken on "Interaction Between Foreign and Domestic Investment in Agriculture in Cambodia" (2010).

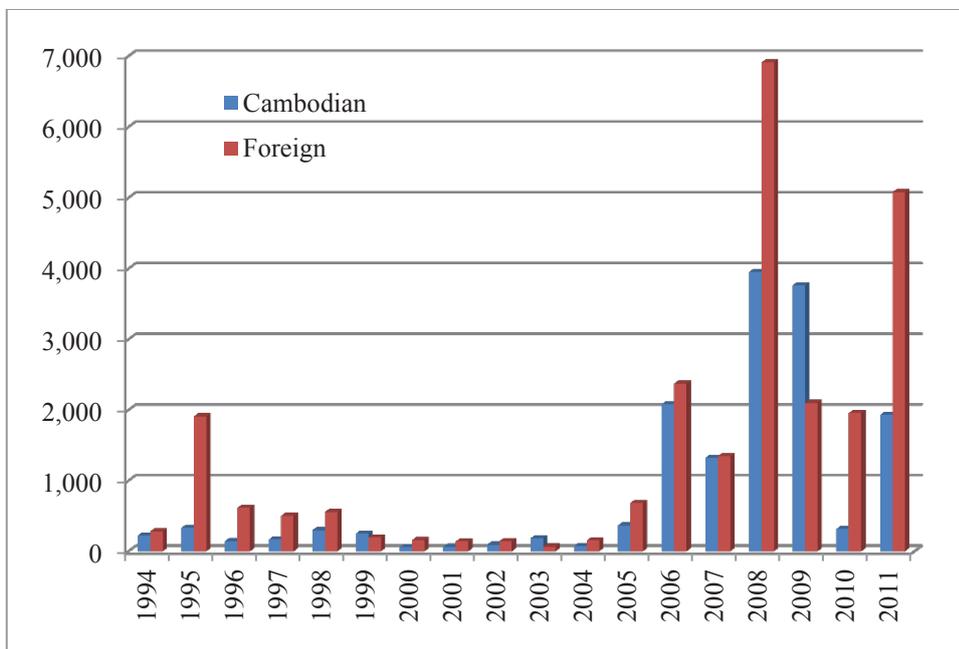
### 3.0 Foreign Direct Investment in Agriculture

#### 3.1 Trends and Actors

##### 3.1.1 Investment by Nationality and Sector

Foreign direct investment (FDI) has played a crucial role in Cambodia’s economy, particularly in the garment sector. Indeed, foreign investment has been a major driver of Cambodia’s exports of garments and textiles to U.S. and European markets since 1994. Tourism, construction and agriculture have also attracted investors from abroad. Figure 4 shows that, following a decade of stagnation, the investment approval figure began to rise in 2005. This may be attributed to increasing world demand for agro-industrial products such as rubber, cassava, timber and rice, along with a generous investment policy. Due to the impact of the 2008 global financial crisis, FDI dropped sharply in 2009, although it rebounded in 2011 and is expected to increase further in 2012.

According to data from the CDC, 10 per cent of foreign investment has gone to agriculture, 59 per cent to services and 31 per cent to industry. In 2007, the amount of approved (not actual) investment increased to US\$272.5 million from around US\$232 million in 2006. During the 2008 global economic recession, approved foreign investment in agriculture dropped to US\$74.26 million; it has climbed back, however, with the approved investment figure reaching US\$674 million in 2011. The increase in foreign investment in agriculture can be attributed at least in part to the success of the Cambodian government’s efforts to promote investment in agriculture, namely in rice, rubber and cassava production.

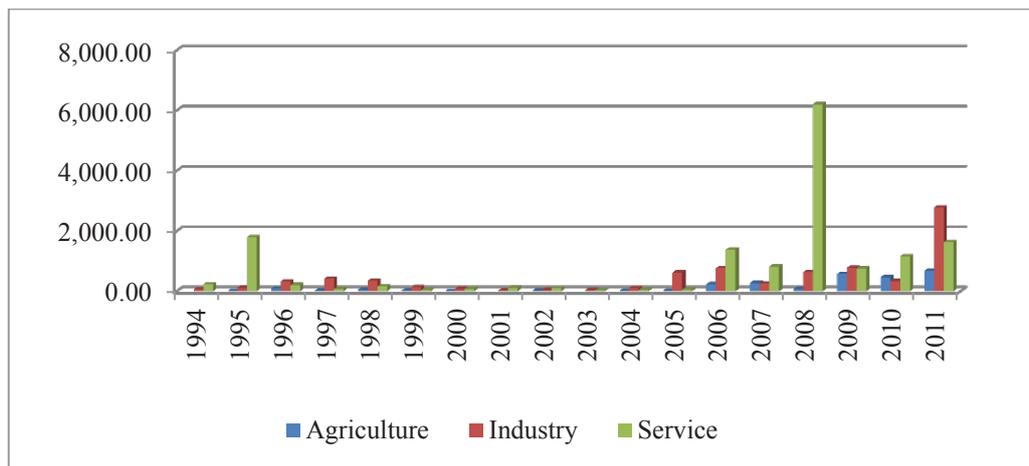


**FIGURE 3: INVESTMENT ASSETS<sup>7</sup> BY CAMBODIAN VS. FOREIGN INVESTORS (APPROVAL IN MILLION US\$)**

Source: Council for the Development of Cambodia (CDC), 2012.

<sup>7</sup> The term *investment assets* refers to investment capital put in investment plan by each company.

Figure 4 illustrates the share of investment made by foreign investors in the three main sectors of the Cambodian economy. It highlights the important contribution of agriculture investment, although it still has a moderate share overall. Of the total amount of FDI approval in agriculture from 1995 to 2011, 92 per cent went to agro-industry, 7 per cent to agriculture and only 1 per cent to animal feeds.



**FIGURE 4: FDI BY SECTOR**

Source: Council for the Development of Cambodia (CDC), 2012.

Foreign investors have a strong interest in rubber, cassava, sugarcane, teak, acacia and pistachio. By number of projects, their engagement is seen mainly in Cambodia’s strategic crop provinces: Kratie (13 projects), Mondolkiri (5), Kompong Speu (5), Ratanakkiri (4), Stung Treng (4), Oddar Meanchey (4) and Kompong Thom (3).

### 3.1.2 FDI in Agricultural Land

#### Land Concessions

Foreigners cannot own land in Cambodia; however, the government offers three types of land concessions, in which State land is leased to domestic and foreign investors:<sup>8</sup> Social Concessions; Economic Land Concessions; and Use, Development or Exploitation Concessions. In the case of Social Concessions, beneficiaries can build residential constructions and cultivate State lands for subsistence. Use, Development or Exploitation Concessions include mining concessions, port concessions, airport concessions, industrial development concessions, and fishing concessions. Economic Land Concessions (ELCs) permit beneficiaries to clear land for industrial or agricultural exploitation.

The legal framework governing ELCs consists primarily of the 2001 Land Law, which distinguishes between state public and state private land, and Sub-Decree (RGC) No. 146 ANK/BK on Economic Land Concessions (SD-ELC), which sets out the criteria, procedures, mechanisms and institutional arrangements for initiating, granting, monitoring and reviewing ELCs. ELCs can be granted by the Ministry of Agriculture, Forestry and Fisheries for a maximum of 10,000 hectares, and no more than 99 years.

<sup>8</sup> According to the Law on Concessions, the “concession” refers to any act attributable to the state whereby a competent institution entrusts to a private third party the total or partial implementation of an Infrastructure Project for which that institution would normally be responsible and for which the third party assumes a major part of the construction and/or operating risks or receives a benefit by way of compensation from government revenue or from fees and charges collected from users or customers. Such acts of the state will henceforth be considered as “concessions” under this Law regardless of the legal name used for the act.

### Objective of ELCs

ELCs may be granted to achieve the following purposes (SD-ELC Article 3):

- To develop intensive agricultural and industrial-agricultural activities that require a high rate of initial capital investment.
- To achieve a specific set of agreements from the investor for developing land in an appropriate and ongoing manner based on a land use plan for the area.
- To increase employment in rural areas within a framework of intensification and diversification of livelihood opportunities and within a framework of natural resource management based on an ecologically appropriate system.
- To generate state, provincial and communal revenues through economic land use fees, taxation and related services charges.

### Conditions for Granting ELCs

An economic land concession may be granted only on land that meets all of the following five criteria (SD-ELC Article 4):

- The land has been registered and classified as state private land in accordance with the Sub-decree on State Land Management; the Sub-decree on Procedures for Establishing Cadastral Maps and Land Register; and the Sub-decree on Sporadic Registration.
- A land use plan has been approved by the Provincial-Municipal State Land Management Committee.
- Environmental and social impact assessments have been completed with respect to the land use and development plan.
- There are solutions for resettlement issues, in accordance with the existing legal frameworks and procedures. The contracting authority shall ensure that there will not be involuntary resettlement by lawful land holders and that access to private land will be respected.
- There have been consultations with territorial authorities and local residents.

### Evaluation

Proposals for economic land concession are evaluated on the following criteria (SD-ELC Article 5):

- Increase in agricultural and industrial-agricultural production using modern technology.
- Employment creation.
- Promotion of living standards.
- Environmental protection and natural resources management.
- Avoidance or minimizing of adverse social impacts.
- Linkages and support between social land concessions and economic land concessions.
- Processing of raw agricultural materials, to be specified in the concession contract.

Table 6 shows the distribution of ELCs by nationality. Based on data published by the MAFF, as of June 8, 2012, 117 ELC's have been awarded to investors, amounting to 1,181,522 hectares in 16 provinces.

**TABLE 6: DISTRIBUTION OF ELCs BY NATIONALITY, 1995-2009**

CATEGORY	SIZE (HA)	% OF TOTAL	MEAN SIZE (HA)	MINIMUM SIZE (HA)	MAXIMUM SIZE (HA)	NO. OF PROJECTS	NO. OF PROJECTS >10,000 HA
<b>Active projects</b>							
Unreported	-	-	-	-	-	9	-
Cambodia	668,725	65	18,576	807	315,028	36	6
China	186,935	18	10,996	5,000	60,200	17	1
India	7635	1	7,635	7,635	7,635	1	0
Korea	27,622	3	5,524	3,000	7,500	5	0
Malaysia	7,955	1	7,955	7,955	7,955	1	0
Taiwan	4,900	0	4,900	4,900	4,900	1	0
Thailand	37,436	4	7,487	6,523	9,700	5	0
U.S.	36,203	4	9,051	7,000	9,820	4	0
Vietnam	47,228	5	6,747	2,361	9,380	7	0
Total	1,024,639	100				86	7
FDI	355,914	35				41*	1
<b>Cancelled projects</b>							
Cambodia	34,711	28	8,678	7,172	10,000	4	0
Chinese	66,800	53	13,360	3,200	28,500	5	2
U.S.	9,214	7	9,214	9,214	9,214	1	0
Vietnam	15,160	12	7,580	7,560	7,600	2	0
Total	125,885	100				12	2
FDI	91,174	72	-	-	-	8	2

\* Number of unreported projects is not included.

Source: Hem & Sang, 2011.

## 3.2 Observations on the Impacts of ELCs

Surveys on the social, economic and environmental impacts of ELC projects have been conducted as part of recent case studies by the Cambodian Economic Association (CEA) (Ngo & Chan, 2010) and Cambodia Development Resource Institute (Hem & Sang, 2011). In addition, the research team for this brief made a field visit to an ELC project in Kratie Province. These surveys provide some initial insights into how ELCs are affecting local livelihoods and the environment

CEA examined two ELC projects for sugarcane plantations covering 20,000 hectares, both under the name of the same representative, Ly Yong Phat. CEA also looked at rubber plantations in two communities in Peach Chinda district (Bousra and Krang The) where eight ELC companies have projects, each covering approximately 3,000–5,000 hectares. CDRI looked at a rubber plantation owned by Vietnamese investors (Tan Bien Investment and Phuek Fa Investment) and another owned by HLH Group Limited, which is 100 per cent Singaporean-owned.

According to the CDRI researchers, the degree to which these projects supported local employment varied significantly, and also changed over time (e.g., if a farm replaced manual labour with machines). A common complaint by local residents was that the ELC companies brought in workers from outside the local area. Working conditions within the ELC companies were often perceived by local residents to be too strict and the pay too low.

Tensions also arose because land was annexed for ELC projects. Local farmers often did not have ownership certificates for land that they farmed. Residents complained that they were prevented from accessing forests that had previously provided important access to vines, wood resin, rattan and bamboo, and hunting territory. While projects had led to road construction, the surveys found that the ELC projects had not supported the construction of other infrastructure that supported the community.

Villagers also complained of environmental problems, as the ELC companies used heavy machines to clear the forest. The sugarcane plantations resulted in water and oil pollution, according to local residents. A key problem identified by the researchers was a lack of communication between companies, local authorities and local communities. For example, in the case of the sugarcane plantations in Koh Kong Province, local residents had not been given prior notice that land would be cleared.

CDRI (2008) concluded that, based on its preliminary examination, the costs of FDI projects seem to outweigh the benefits.

#### FIELD STUDY OF SWIFT RESOURCE COMPANY PLANTATION

To supplement these case studies, the research team for this policy brief conducted a field survey in the Snoul District, Kratie Province. The survey focused on a rubber plantation project owned by Swift Resource Company, a Hong Kong-based company. Established in Cambodia in 2008, Swift Resource Company has invested in over 5,000 hectares of land to plant rubber trees under a 99-year concession contract agreed with the MAFF. Approximately 70–80 per cent of the total land is currently cultivated with rubber trees. In 2010, the company also acquired a long-term lease of 99 years for a rubber plantation covering nearly 4,000 hectares of land in Rattanak Kiri. The company is the third-largest rubber producer in Cambodia in terms of plantation area, and the second largest in terms of revenue and sales volume by end of 2011.

A focus group discussion was organized in Somrong Village, Ksem Commune, Snoul District, Kratie province. Most people in Ksem Commune make their living by growing cassava, rubber, maize, and rice. Their agricultural output is either sold locally or exported to nearby Vietnam. Six participants joined our discussion.

The participants said that no one from the village works on the Swift Resource Company plantation, preferring to work on their own farms. Since the village is located near a major road, livelihoods from farming are reasonably good. Participants felt that the company had not provided benefits to the village, and complained that land had been confiscated without compensation. One participant said he lost 5 hectares of land to the company, and so far had not received compensation. This statement is consistent with the findings of Hem and Sang (2011) and Hem and Tong (2010).

Requests for an interview with company representatives did not receive a response. However, an interview was conducted with a worker for the Swift Resource Company plantation, who supervises a team of 12 workers. The supervisor confirmed that the company hired few people from the local community. Among the 700–800 workers hired by the company, he estimated that about 70 people came from nearby villages, with the rest coming from other provinces such as Kampong Cham and Prey Veng.

## 4.0 Conclusions

As is the case in many developing countries, agriculture is central to the Cambodian economy and a critical source of employment. The government has developed a range of strategies and policies to improve rural livelihoods and agricultural productivity, and is making significant public investments in the sector. The country also has ambitions to become a major rice exporter, and has made impressive gains in recent years, with rice exports increasing from US\$2.3 million in 2005 to US\$110.63 million in 2011.

Foreign investment in agriculture has expanded since 2005, although the figures remain modest. The Cambodian government has prioritized investment in the sector, and an important part of the government strategy has been its policies on land concessions. A 2005 sub-decree on land concessions sets out the procedures, mechanisms and institutional arrangements for offering economic land concessions, with an objective of improving diversity, productivity, employment, and other benefits from the sector. By 2009, just over a third of ELCs had gone to foreign investors.

Preliminary assessments of land concessions shed light on a range of positive and negative impacts. There is reason to be concerned over the social, environmental and economic impacts of the investments that have been studied so far. The employment opportunities for local residents are not always plentiful, or attractive, and the large projects that result from ELCs can encroach on land that is critical to local livelihoods.

In order to maximize benefits from agricultural investment, there is a need for improved monitoring of investment activities by ELC companies to ensure that the awarded land is properly used for cultivation, local jobs are generated and local infrastructure is built. Giving local farmers land title will do much to strengthen their positions when ELCs threaten to encroach on the land they occupy or cultivate. Improving communication between local residents, ELC companies and government authorities would also help avoid disputes from arising. Providing stronger legal rights to rural communities, along with easier access to dispute-settlement mechanisms, would help address the struggles that rural communities have faced as a result of ELCs.

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