

## **Chapter 2**

### **Socio-Economic Background**

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### **2.1 Cambodian Socio-economic Situation**

#### **2.1.1 Recent Socio-Economic Reforms**

The transition of the Cambodian economy from a centrally planned system to a free market system began in early 1985. Since the signing of the Paris Peace Accord in 1991, the reform process has widened significantly, providing impetus for more decisive reforms in 1993 with the establishment of a democratic coalition government. Stabilization and structural reform continued to have high priority and the process of rehabilitation and recovery was greatly facilitated with the resumption of official presence in the international society. Reforms have moved the economic system substantially towards a market economy, reduced the size of the public sector, and brought about substantial stabilization, such as:

**Pricing:** Most prices were liberalized except those for utilities

**Exchange Rate:** The exchange rate was liberalized and the spread between the official and the parallel market rates has been narrowed to the minimum level

**Tax Reform:** Increasing emphasis has been put on income, turnover, and excise taxation and improvements in tax administration. The resulting rise in revenues has helped in holding down the current deficits to reasonable levels and virtually eliminating monetary finance by National Bank of Cambodia (NBC).

**Expenditure Policy:** A functional Budget Law has been passed which specifies content, procedures, and responsibilities for the budget. Three-year rolling Public Investment Programs have been prepared.

**Fiscal Policy:** Improved controls over expenditure and improved revenue collections, combined with significant foreign aid inflow, have reduced the need for monetary finance from NBC and contributed significantly to economic stabilization.

**Banking System:** Substantial progress has been made towards a two-tiered banking system. The system opened up entry to foreign and domestic commercial banks

**State Enterprises:** The number of state enterprises was substantially reduced through privatization and long-term leases to the private sector. A Public Enterprise Law was adopted which lays out the responsibilities of enterprises and the state, and puts public enterprises under the same legal framework as the private sector

**Foreign Investment:** A liberalized investment law was passed which has contributed to substantial increases in Foreign Direct Investment (FDI) flows

Trade Regime: Quantitative restrictions on imports have been eliminated and five tariff bands ranging from zero to 50% govern the bulk of import categories. Cambodia has joined ASEAN and is preparing its application for membership to the WTO.

## 2.1.2 Macro-economic Index

### (1) Overview

Despite the recent Asian economic crisis, recent political and economic events in Cambodia have been encouraging, especially the exponential growth of exports and the political and macro-economic stability which the country has experienced for the first time in several decades. With the ensuing political stabilization, the economy started to gain stability as well, achieving growth in GDP of 4.0%, 7.0% and 7.6% in 1994, 1995 and 1996, respectively.

The major factors contributing to this economic recovery are:

- (a) Paddy production, one of the major product items in Cambodia, which increased dramatically in 1995
- (b) Industrialization since 1994, which has been launched through increases in direct external investment, especially in labor intensive industries such as garment factories
- (c) Coordinating programs with both technical and financial assistance from the many international cooperation agencies

The following table shows the economic changes in Cambodia:

Particulars		1994	1995	1996	1997	1998	1999*
Real GDP Growth	%	4.0	7.6	7.0	1.0	1.0	4.0
GDP at Current Price	R. bill.s	6,131	7,200	8,200	9,100	10,900	11,900
GDP at Current Price	\$ mill.s	2,385	2,923	3,113	3,033	2,868	3,116
GDP per Capita	\$	241	284	291	274	251	265
Yearly Inflation Rate	%	26.0	-1.0	10.0	9.2	13.3	-0.5
Exchange Rate (year average)	R. /\$	2,571	2,463	2,634	3,000	3,800	3,819
Population	Mill.s	9.9	10.3	10.7	11.1	11.4	11.7

Note: \* Estimated figures

Data Source: Monthly Bulletin of Statistics, January 2000. Ministry of Economics and Finance

### (2) GDP growth and other economic indicators

After two years of low growth in 1997 and 1998, due mainly to the economic crisis in the Asian countries, economic recovery is under way with fiscal and external conditions continuing to strengthen. The prevailing political stability, favorable weather conditions for increased agricultural production, especially paddy; continued strength in garment exports and a recovery in tourism have boosted economic activities. This was reflected in an estimated GDP growth rate of 4.0 % for 1999. The service sector contributed an estimated 43 % of GDP in 1999, while the

agricultural sector and the industrial sector contributing 37 % and 19 %, respectively.

With an estimated current population of 11 million, GDP per capita grew from US\$241 in 1994 to US\$291 in 1996, with a rather big decline to US\$251 in 1998, and a slight recovery to US\$265 in 1999. Rigorous monetary, budgetary and fiscal policies have rapidly brought down the inflation rate from the soaring rises of previous years to stabilize at a single digit in 1999. The three-month moving average inflation was 3.2 in August 1999, while net foreign exchange reserves reached US\$408 million in October 1999 or 3.5 months of imports, from US\$146 million at the end of 1996.

### **(3) Public finance**

Despite the difficulties encountered over the last two years with regard to revenue collection and expenditure with encumbrance, cautious management of public finance made it possible to confine the budget deficit to about 4% in 1997 and in 1998, even though it was as high as 8% in earlier years. Government revenues were affected by a quasi-stagnation of tax revenues, and in particular a reduction in custom taxes. Domestic revenues were below original targets but still reached 9.68 % of GDP in 1997 and 8% of GDP in 1998. In the first 9 months of 1999 tax revenues increased by 58%, compared to the same period in 1998, accounting for 87% of the annual budgetary target. Customs duties collection increased by 33% for the same period, representing 79% of the annual budgetary targets.

### **(4) Public expenditure**

On the public expenditures side, the Royal Government of Cambodia (RGC) maintained a tight control in order to maintain macroeconomic equilibrium, keeping overall current expenditures at 94% of the planned 1997 Budget. The 1998 fiscal year was more difficult with more pressures on the expenditures side, due to the high level of unavoidable expenses (national elections, integration of the former Khmer Rouge elements, etc), and total current expenditures exceeded by 12% the amounts originally planned. The RGC was compelled for the first time since 1994, to resort to bank financing at a level of 84 billion Riels (or 0.8% of GDP). The overall 1998 level of expenditures and the shortfalls in domestic revenues resulted in an unexpected current deficit of 0.53% of GDP.

### **(5) Fiscal position**

With regard to fiscal matters, the RGC was not able to bring budget revenues up to the anticipated level of 10% of the GDP. However, with the budget mechanisms that it has in place since 1994, public revenues were diversified and increased by half (in absolute value) between 1994 and 1997-1998; this reflected an average yearly growth of 11%. Regarding expenditures, the RGC was able to maintain their levels in relation to the revenue package. Priority was given to the salaries of civil servants, operational expenses critical to the normal functioning of State institutions and the residual

for the social sectors.

#### **(6) Foreign exchange position**

As a result of the July 1997 political events and the financial crisis in the region, development of the real sectors suffered from a deceleration, particularly tourism and construction. While agriculture growth was stagnant as a result of a poor rice harvest, strong growth was recorded in manufacturing (garments in particular), utilities, and transportation and communications. At the end of 1998, the national currency, the Riel, was quite stable with only a gradual, non-destabilizing depreciation of about 11% despite the National Bank's occasional dollar auctions in modest amounts. The exchange rate stabilized at around Rls 3,800/US\$.

#### **(7) Financing of investments**

Although the amount of approved FDI projects did not drop by very much since the 1997 July political events, the impact of the regional financial crisis began to be felt in terms of actual FDI inflows from the last quarter of 1997. Public investment projects, mostly funded by external assistance, were reduced by 32% in 1997. FDI reached its lowest level over the last three years (in terms of real cash inflows): US\$135 million in 1997, US\$120 in 1998 and in 1999 as compared to US\$240 million in 1996. On the other hand, garment exports, which are shipped mainly to the US and Europe, recorded a robust growth of almost 52.7% from US\$74.4 million in 1996 to US\$113.6 million in 1997. Garment exports increased to US\$378 million in 1998 and US\$640 million in 1999, as Cambodia benefited from the Most Favored Nation (MFN) and Generalized System of Preferences (GSP) status. Preparations for implementing ASEAN's various agreements are proceeding on schedule, as well as long-term activities for integration into AFTA.

#### **(8) Agricultural sector performance**

Overall the agriculture, forestry and fisheries sector provides direct employment to nearly 80% of the labor force (82.5%) in rural areas and continues to hold first place in national production with a GDP share maintained at around 37%. In recent years, reforms have focused on moving a state-based responsibility for production to a market-based agricultural sector. This has resulted in the redistribution of land based on private holdings with farmers being given permanent rights to land use and inheritance. For the first time since many years, recent increases in rice production have resulted in a slight surplus for export, with the total rice production reaching 3.6 million tons in 1996. Rice production in 1997 saw a slight decrease to 3.4 million metric tons due to unfavorable weather conditions, but rebounded back to 3.6 million tons in 1998.

### 2.1.3 Socio-economic Indicators

<b>General Indicators</b>			
	Khmer 90%, Vietnamese 5%, Chinese 1%, Other 4%	Area	Total: 181,040 km <sup>2</sup> Land: 176,520 km <sup>2</sup> Water: 4,520 km <sup>2</sup>
		Land boundaries	Total: 2,572 km Laos 541 km, Thailand 803 km, Vietnam 1,228 km
Languages	Khmer (official) 95%, French, English		
Religions	Theravada Buddhist 95%, Other 5%	Coastline	443 km

<b>Socio-economic Indicators</b>			
Population	11.561 million	Compulsory education years	
male	5.590 million	Non attended of primary-education	Rural 56.2%
female	5.971 million		Phnom Penh 32.8%
Rural	9.431 million	Literacy (age 15 and over)	Male: Rural 81.5%
Phnom Penh	0.958 million		Phnom Penh 94.3%
Other urban	1.172 million		Female: Rural 58.7%
			Phnom Penh 81.0%
Labor force:	6 million (1998 est.)	Age structure	0-14 years: 39.7%
			15-64 years: 56.6%
Population density	64 person/ km <sup>2</sup>		65 years and over: 3.8%
Population growth rate	2.49% (1998 est.)	Labor force - by occupation	Agriculture: 76.5%
Life expectancy at birth	56.53 years (2000 est.)		Industry: 6.4%
			Services: 17.1%
Infant mortality rat	66.82 deaths/1,000 live births (2000 est.)	Population below poverty line	36% (1997 est.)
Birth rate	33.48 births/1,000 population (2000 est.)		
Death rate	10.79 deaths/1,000 population (2000 est.)		

<b>Households-economic Indicators</b>		Rural	Phnom Penh
Source of Lighting:	Publicly provided electricity	2.2%	59.7%
	Privately provided electricity	5.4%	25.0%
	Kerosene lamp	83.6%	12.0%
Source of drinking water:	Piped water supply	1.3%	48.3%
	Dug well, pond, etc.	49.9%	5.4%
Fuel for Cooking:	Firewood	97.2%	39.0%
	Charcoal	0.9%	38.8%
Households without toilet facility		83.7%	12.0%
Households owned :	Bicycle	67.1%	42.5%
	Motor cycle/Scooter	16.6%	93.7%
	Radio/Cassette recorder	41.3%	76.1%
	TV set	20.0%	83.3%

Source : Cambodia Socio-Economic Survey 1999, CIA World Fact Book

## 2.2 Economic Development and Market Economy

### 2.2.1 National Plan

#### (1) Second Socio-Economic Development Plan 2001 –2005 (SEDP II)

In the draft SEDP II, the following development objectives are proposed: (a) to attain prolonged and sustainable economic growth of 6 to 7 % per annum; (b) to ensure fair distribution of the benefits of economic development; and (c) to conserve the natural environment and resources. The Royal Government of Cambodia (RGC) is committed to the maintenance of peace, stability and security, and to the reduction of poverty as its primary development goal. Poverty reduction includes both reducing the number of poor people (“poverty eradication”), and lessening the degree of deprivation that the poor suffer (“poverty alleviation”) through objectives of the SEDP II.

(a) Achieving these objectives of broad-based, sustainable economic growth with equity requires the RGC to:

- Maintain a stable macro-economic environment;
- Improve the efficiency and effectiveness of the public sector through civil service reform, reform of the judiciary, and public enterprise reform;
- Enhance private sector development while protecting public interests by improving physical infrastructure, developing the legal and regulatory frameworks within which business enterprises operate, liberalizing trade and investment policies, and supporting financial sector development;
- Promote agricultural development and off-farm employment creation in both rural and urban areas. In particular through manufacturing development and sustainable tourism development that is based on Cambodia’s environmental and cultural assets;
- Empower the poor to participate in, and thus benefit from, the growth process by improving their access to natural assets (especially land), health and education services, appropriate technology, micro-finance, and by removing ‘anti-poor distortions’ in product and factor markets.

(b) Promoting social and cultural development requires the RGC to:

- Increase the quantity and quality of investment in education and health (including reproductive health);
- Improve access to health and education services, especially for females;
- Increase participation and empowerment of the poor;
- Strengthen Cambodian culture; and
- Create and maintain a social safety net for vulnerable groups.

(c) Ensuring the sustainable management and use of natural resources and of the environment requires the RGC to:

- Prevent environmental and resource degradation caused by policy distortions and market failures;
- Establish and implement the legal frameworks for natural resource management;
- Enhance and build human resources capacity and resource management.

A major overhaul, education and improvement in the area of governance are essential to the achievement of these three development objectives. This can be realized through effective implementation of the Governance Action Plan, which encompasses all elements of governance, such as:

**Accountability** : the extent to which officials are answerable for their performance and behavior;

**Predictability** : the extent to which laws and regulations are enforced fairly and consistently;

**Transparency** : the extent to which relevant information on government decision making and performance is available to the private sector and civil society as a whole; and

**Participation** : the extent to which stakeholders are involved in the design and implementation of development strategies, and civil society is strengthened and encouraged in the fight against corruption and poor governance.

## (2) Agricultural Development Plan (2001-2005)

In the SEDP II, the RGC declared itself an "economic government", in that it introduced a development policy for the whole country. For the agricultural sector, it set a very clear development target in conformity with its policy "to assure food security and natural resource conservation". Based on its natural resource potentials, geography, social economy, favorable political situation in the country as well as in the region, which is evolving toward stability and economic cooperation, Cambodia, which is the youngest member of ASEAN, will progress a further step in the agriculture, forestry and fisheries sectors as well as in other fields in 2005.

- Continue to focus attention on food security, especially at community and family levels; and on reducing poverty, as there is a high number of poor people in the agricultural sector. Promote the increase in food production: especially the rice crop and other alternative food crops.
- Help promote national economic growth through the export of agricultural produce, which are surplus to domestic consumption.
- Improve the quality of agricultural produce and increase its 'value-added' component, by promoting the development of agro-processing industries; and create new jobs for rural areas.
- Improve family income and reduce poverty through the production of various crops that have



high yields with low production costs.

- Manage natural resources effectively through responsible legal and technical regulations in order to assure sustainable development.

As mentioned above, the RGC as well as MAFF place the highest priority for food security thorough: stabilizing food security at the national level; improving food security, food supply, and capacity to find food for communities and poor families.

In order to secure food security, MAFF is planning paddy production programs which:

- Promote the growing of a second wet-season crop.
- Promote the use of underground water.
- Promote the use of crop varieties that have high yield and are responsive with market demand.
- Increase both dry and wet season cultivated lands.
- Promote applied research activities at research stations and at development centers.
- Accelerate the full process of CARDI.
- Continue cooperation with CIAP in breeding crops.
- Disseminate knowledge on the use of soil according to the conditions in Cambodia.
- Promote agricultural policies that will help mechanize agricultural farming.

In addition to the above, MAFF plans to introduce integrated crop production and intensive farming to guarantee local consumption needs. The strategies include a cropping system for integrated crops, promotion of family farm production, small/medium business together with private investment, and promotion of agro-industry that focus on:

- Promote and educate on how to use seeds
- Increase cultivation of land for all crops.
- Promote crops research.
- Resolve investors' difficulties, especially land management.
- Promote the dissemination of agricultural technology and transfer of skills to farmers.
- Improve crop growth and production systems in upland areas.
- Increase study tour opportunities for farmers from one region to another.
- Educate farmers to understand market demand and orient their crop productions accordingly.

## **2.2.2 Economic/Financial Policy Matters<sup>1</sup>**

### **(1) Legal system**

In Cambodia, the legal system consists of the following:

- (a) Law under the National Assembly;
- (b) Royal Decree;
- (c) Sub-decree under the Council of Ministers;
- (d) Declarations, decisions and circulars under the respective Ministries; and
- (e) Others (circulars of Ministerial departments and/or Provincial governments)

The Laws of Cambodia are formally established through the following process:

- (a) The concerned Ministry prepares a draft;
- (b) The Law Committee checks the draft;
- (c) An inter-ministerial meeting is held to canvass opinions and comments;
- (d) The Cabinet approves the final draft;
- (e) A Specific Committee in the National Assembly checks the final draft;
- (f) The National Assembly adopts the final draft; and
- (g) The Law is promulgated and enforced.

In the above process, the draft law is prepared without full and careful consideration of the existing law. A general sentence is included in the new law saying: “any part of the past law, which is not consistent with the new law shall be invalid”. In other words, the invalid sentence of the past law is not clearly specified, and it may happen that a part of the existing valid law could be judged ineffective.

### **(2) Financial/Taxation system**

Cambodia has one of the lowest tax revenue/GDP ratios (6.4 % of GDP in 1998) in the world. Its present tax base is extremely narrow: 80 % of tax revenue is collected from imports, a third of which is derived from a handful of excisable imports.

To ensure that adequate budgetary resources are available in the medium term to meet priority expenditure needs without endangering macroeconomic stability, and in view of the prospective reductions in import duty rates required by Cambodia’s PRGF (Poverty Reduction and Growth Facility) program and ASEAN commitments, the collection of tax revenues, especially through expanding the domestic tax base, is essential. The PRGF program sets a tax revenue target of 9.8 % of GDP in 2002.

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<sup>1</sup> Reference: Summary of Technical Assistance Needs in Economic and Financial Management, IMF May 2000

### **(3) Budget management**

The institutional structure and functions of the Ministry of Economy and Finance (MEF) are only gradually adapting to the movement from a predominantly socialist economy to a market economy. The preparation and execution of the budget reflect weakness in governance and the extreme shortage of qualified public finance specialists. The current budgeting system is not an effective instrument of government policy. There is an urgent need to address technical deficiencies in key areas of budget management, and to build capacity in such areas of public finance as program design, treasury management, audit procedures, and information systems.

### **(4) Banking system**

The Cambodian banking system consists of three categories, namely, (a) state-owned banks, (b) private commercial banks and (3) micro-finance institutions, as shown in Figure 2-1. There are three banks in the category of State-owned banks: National Bank of Cambodia (NBC), Foreign Trade Bank of Cambodia (FTBC) and Rural Development Bank (RDB). While the NBC plays the role of the central bank in Cambodia under the National Bank of Cambodia Law (the Law on the organization and functioning of the National Bank of Cambodia) promulgated in January 1996 (See Figure 2-2), the FTBC carries out a commercial banking function as a department within the NBC. It is planned that the FTBC will be independent of the NBC. The RDB has been established by separating a part of the NBC. It carries out banking business as a wholesale bank, under supervision of the MEF, mainly in lending to micro-finance institutions (MFI) and to licensed finance institutions (LFI) (See Figure 2-3).

In the category of the commercial banks, there are seven (7) foreign banks branches and 22 locally incorporated banks of which three (3) are under suspension. In the MFI category, about 80 NGOs (local and international) carry out lending and savings operations in rural areas in a decentralized banking system, of which some institutions are under supervision by the NBC.

The banking system provides only limited services and there is little financial intermediation. Broad money (M1+M2) is estimated to be 12 % of GDP (a level that has remained unchanged over the past four years). At the end of 1999, total loans and deposits amounted to 6.5 % and 10 % of GDP, respectively. This low level of intermediation reflects lack of public confidence in the banking system, following the long civil war, and the limited investment opportunities arising from difficulties in enforcing contracts and evaluating investors' risk.

Most banks are concentrated in the Phnom Penh area and only 7 have branch networks. Not all regions of the country are covered and approximately 80 % of the population has no access to banking services.

The commercial banks are highly dollarized with 98 % of assets and 95 % of liabilities denominated in foreign currency, mainly US dollars. While a payment system in Riels exists, virtually no transactions are conducted in Riels. However, there is no formal clearing and settlement system for dollars.

A strong banking system is a prerequisite for sound economic growth. The development of a banking system operating on modern principles of good practice is important for the development of the Cambodian economy.

#### **(5) Monetary and Foreign exchange policy**

The RGC is committed to preventing the Central Bank financing of the budget deficit with a view to keeping inflation in check and instilling public confidence in the national currency by strengthening the fiscal position and sound base of the banking sector. The improvement in the government's net credit position within the banking system will have favorable impact on inflation. In the short term, Central Bank policy will focus on bank supervision and regulation. The NBC aims to increase broad money (M2) by 30 % in 2000, reflecting further increases in net foreign assets and improved confidence.

The RGC will continue the market-based flexible exchange rate policy and liberal exchange system. The official exchange rate will continue to be set on a daily basis to limit the spread with the parallel market rate to no more than 1 %. The RGC will continue its policy of using any increased demand for money to bolster its international reserve position - but not intervene to resist downward pressure on the exchange rate except in circumstances of disorderly market movements.

Table 2-1 shows the trends of exchange rate since 1993 with comparison of Thai and Viet Nam currencies. During the period 1993 - 1996, the three currencies kept a steady value against the U.S. dollar. But both Cambodian and Thai currencies were badly affected by the 1997 currency crisis in the Southeast Asian Region.

There are two types of markets for foreign exchange, official and parallel. The former is controlled by the authorized banking system under supervision of NBC; the latter are shops who also have authority to transact money exchanges.

#### **(6) Customs administration**

The Customs Department presently suffers from fundamental weaknesses stemming from outdated legislation, inefficient procedures, poor infrastructure, and a lack of human resources and materials. The situation results in highly unwarranted costs to the trade community and the inability to address a serious smuggling problem.

While current pre-shipment inspection (PSI) helps address some of the problems in the short term, there is an urgent need for technical assistance to develop comprehensive strategy to modernize customs administration.

### **2.2.3 Role of Concerned Ministries**

The Cambodian government is headed by the prime minister, and composed of a Council of Ministers and 22 Ministries, of which the Ministry of Commerce and Ministry of Agriculture, Forestry and Fisheries are the main counterpart agencies of the Study (See Figure 2-4).

#### **(1) Ministry of Commerce (MOC)**

The RGC has granted the MOC overall responsibility for leading and managing domestic and overseas missions in the field of commerce. It has functions and duties as listed below:

- Set the local and international commercial policies;
- Determine the strategic stock of goods;
- Control price of goods, to support price of agricultural products and food, and control the marketing process;
- Promote and disseminate product utilization to the customers and promote the selling of foodstuff, raw materials, fuel, instruments and essential consumer goods in the country as well to assist farmers in finding markets and to guarantee the supply of agricultural and agro-industry production inputs;
- Take action to protect the consumers' interests;
- Organize, lead and control oversea business, and to issue licenses for export and import of goods as specified in the list of commodities;
- Balance export and import goods;
- Disseminate and make contact with international market in order to set the development objectives for overseas trades based upon the market economy;
- Study local and international situations and forecast the market trend for the producers and traders so as to make them easier operation of domestic and oversea business;
- Prepare and issue principles for export and import;
- Issue guidelines and enforce the law on business competition, and prevent any special monopoly trades from abroad to illegally cover the domestic markets;
- Control trademarks;
- Control quality, quantity, weight, and specification of imported and exported commodities and crack down on fraud on quality of goods to be sold in the markets except medical products, medical instruments and cosmetics;
- Govern the National Center of Generalized System of Preference (GSP) and serve as the administration of the Chamber of Commerce, the state enterprises, state and private joint

- venture companies which are under the technical administration of the MOC;
- Conduct Cambodia's economic and commercial cooperation with ASEAN and other international organizations such as APEC, ESCAP, WIPO, EU, UNCTAD, UNCED and WTO, etc.
  - Control commercial records and capacity as being stipulated in the law on the commercial measures and records.

The structure of the MOC is as follows:

- I. Central-Level Organizations:
  - A. Cabinet of the Minister
  - B. General Inspectorate
  - C. General Administrative and Financial Departments
    - i. Administrative Department
    - ii. Personnel Department
    - iii. Accounting Department
  - D. Technical General Departments
    - i. Domestic Trade Department
    - ii. Foreign Trades Department
    - iii. Cambodian Import & Export Inspection and Fraud Repression Department
    - iv. Legislative Department
    - v. The National Focal Point for Cambodia (GSP)
    - vi. Intellectual Property Department
    - vii. ASEAN and International Organization Department
    - viii. Export Promotion Department
- II. Provincial-Level Organizations:
  - Commercial Departments in Provinces and Cities (DOCs)
- III. State owned companies are administered by the MOC under the General Public Enterprise Statute.
  - a. Cambodian Foods Company
  - b. Cambodian Import & Export and Distribution Company (Kampexim)
  - c. Agricultural Products and Fruits
  - d. Commercial Company for Transportation (CAMTRAN)
  - e. Equipment Company
  - f. Construction company

The organization chart of the MOC is shown in Figure 2-5.

## **(2) Ministry of Agriculture, Forestry and Fisheries (MAFF)**

The RGC has given the mission for leadership and management of the agriculture sector in the Kingdom of Cambodia, to the MAFF.

The MAFF shall bear the functions and obligations as follows:

- Organize and operate the development of policies in the agricultural sector, aimed at improving the living standards of the population;
- Participate in the preparation of land reform and land utilization policies.
- Direct and establish the sectoral agriculture development plans;
- Co-ordinate, monitor and evaluate the implementation of policies and activities for the development of agriculture;
- Monitor and manage natural resources of the agricultural sector, and facilitate activities in the use of these resources to meet domestic demands, while maintaining and respecting the stability of the ecological system;
- Enact legislation and regulations on the management, maintenance and protection of natural resources in the agricultural sector; and monitor their implementation;
- Evaluate and develop its human resources for participation in the development of the agricultural sector by promoting and training in technical skills and knowledge; and make effective use of these human resources;
- Support and advise farmers on the use of technologies to improve production and increase productivity;
- Set up guidelines, monitor their implementation and encourage the formation of concerned professional organizations associated with the agricultural sector;
- Conduct research, study and extension on agricultural technology, science and economics for all sub-sectors;
- Advise on agricultural land development, soil quality improvement and appropriate utilization of land, seeds, breeds, fertilizer, and chemicals appropriate to the geographic and climatic conditions, to ensure increase and higher yields while maintaining the balancing of the natural environment;
- Co-ordinate and co-operate with internal and external organizations, and non-governmental organizations in the development of the agricultural sector;
- Participate in enhancing and accelerating investment, export of food and agricultural products.
- Participate and implement the activities related to the Mekong Basin in accordance with the rules and functions of the ministry.
- Participate in the establishment of pricing policies and search out markets for agricultural products.
- Collect revenue for the national budget or collaborate with the MEF for revenue collection.
- Implement other activities as decreed by the RGC.

The structure of the MAFF is as follows:

I. Central-Level Organizations:

A. Cabinet of the Minister

B. General Inspection

C. General Direction of MAFF

i. Department of Administrative Affairs

ii. Department of Accounting and Finance

iii. Department of Planning, Statistics and International Co-operation

iv. Department of Personnel and Human Resource Development

v. Department of Agricultural Legislation

vi. Department of Agronomy and Soil Improvement

vii. Department of Agro-Industry

viii. Department of Animal Health and Production

ix. Department of Agricultural Extension

x. Department of Agricultural Machinery

xi. Department of Forestry

xii. Department of Fisheries

D. General Directorate of Rubber Plantation

i. Department of Rubber Development

ii. Department of Marketing and Co-operation

II. Provincial-Level Organizations:

- Provincial Departments of Agriculture, Forestry and Fisheries (DAFFs)

III. Public Institutions:

Institutions that are under the technical management of MAFF:

a Royal University of Agriculture

b Cambodia Agricultural Research and Development Institute (CARDI)

c Prek Leap Agriculture College

d Kampong Cham Agriculture College

e Agricultural Input Company

f Cambodia Rubber Development Company

g Cambodia Rubber Research Institute (CRRI)

h Rubber Import, Export, Transport and Equipment Company

i (7) Rubber Plantation Companies: Chup Rubber Plantation Co., Krek Rubber Plantation Co., Memut Rubber Plantation Co., Snoul Rubber Plantation Co., Chamkar Andong Rubber Plantation Co., Beungket Rubber Plantation Co. and Peam Cheing Rubber Plantation Co.

The organizational chart of the MAFF is shown in Figure 2-6.



**2.2.4 Official Development Assistance of the Japanese Government**

**(1) Direction of the assistance and Priority of the agricultural/rural development**

Japan has contributed enormously to the realization of peace in Cambodia and has conducted cooperation activities for Cambodia, one of its most important countries for assistance.

The under-listed eight (8) areas of cooperation are formulated bearing in mind the need to foster Cambodia’s self-reliance in the Mekong river basin and ASEAN and to support Cambodia’s development plans in line with the new DAC development strategy.

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Areas of Cooperation
1. Good governance
2. Improvement of conditions for economic growth
3. Improvement of social and economic infrastructure
4. Health sector development
5. Education sector development
6. Agricultural and rural development
7. Demining and supports for people with disabilities
8. Environmental resource management

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In the area of Agricultural and Rural Development, following four (4) development issues are set.

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Development Issue
1. Improvement of Agricultural Productivity
2. Improvement of Agricultural Product Distribution and Marketing System
3. Improvement of Animal Husbandry and Fisheries
4. Promotion of Rural Development

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**(2) Performance in the area of Agricultural/rural and Marketing infrastructure development**

Program-wise performances of the assistance actives from 1995 onward in the area of agricultural/rural development and marketing infrastructure (road) development are shown below (as of June 2001). No projects, which aimed to improve the post-harvest processing/marketing system of agricultural produce as a main objective, have yet implemented.

## 1) Development Study

Project title	Period of study
Integrated Agricultural and Rural Development in suburbs of Phnom Penh	Mar. 1993 to Mar. 1995
Prepare a mater plan for integrated agricultural and rural development with components of water resource / rural infrastructure / rural society infrastructure development in Takaev province (TonleVuty) and Kandal province (Kandal Stueng district) and identify model areas and conduct F/S.	
Feasibility Study on Construction of the Mekong Bridge	Mar. 1995 to June 1996
Feasibility study on construction of bridge over the Mekong River at a) Neak Loeung on National Route 1, b) Prek Tamak on Route 6A, and c) Kg. Cham on Route 7.	
Master Planning and Feasibility Study of the Sihanoukville Port	Mar. 1996 to June 1997
Prepare a master plan for Sihanoukville Portdevelopment (target year 2015) and conduct F/S on a short-term rehabilitation plan (target year 2005).	
Agricultural Development Study of the Mekong Flooded Area	Apr. 1996 to Mar. 1998
Prepare a master plan for agricultural development with improvement of colmatage systems in five provinces (Kg. Cham, Prey Veang, Kandal, Takaev, Kracheh / 1.1 million ha) and identify priority area and conduct F/S for model project.	
Study on Groundwater Development in Southern Cambodia	July 1996 to Feb. 2002 (expected)
Detect the groundwater potential in five southern provinces (Kandal, Kg. Spueu, Takaev, Prey Veang, and Svay Rieng) and identify villages which need water supply system most urgently and formulate groundwater development projects.	
Study on Rehabilitation and Reconstruction of Agricultural Production System in the Slakou River Basin	Jan. 2001 to Mar. 2002 (expected)
Prepare a master plan for agricultural reconstruction/development in the upper to middle basin of the Slakou river in Takaev and Kg. Spueu as a model for the reconstruction/development of shallow bounded reservoir irrigation systems and conduct F/S on the priority projects.	
Study on Groundwater Development in Central Cambodia	Dec. 2000 to May 2002 (expected)
Evaluate the groundwater potential in rural areas of two central provinces ( Kg. Cham and Kg. Chhnang) and formulate a overall ground water development plan for rural water supply in the study area.	

## 2) Grant Aid

Project title	Year of B/D
Construction of a Bridge over the Mekong River	1996
Construct a bridge of 1,360 m span and its approach roads of approx. 2.2 km over the Mekong River on the Route 7 at Kg. Cham Town. Completion is expected in Dec. 2001.	
Rehabilitation of National Roads Route 6 and 7	1996
Rehabilitate the part of the Route 6 and the Route 7 (53 km).	
Improvement of Facilities of Colmatage Systems in Kandal Province along the Mekong River	1998
Renovate and upgrade the colmatage canals, low dykes and water gates, and to install movable water pumps at Sanda Pump Irrigation Station. Completion is expected in June 2001.	
Improvement of National Highway Route 6 – Siem Reab Section –	1999
Rehabilitate the road between Siem Reab Town and Roluos (17.5 km) including the sidewalk and drainage facilities. Completion is expected in Mar. 2002.	
Improvement of Bridges on National Highway Route 6	2000
Rehabilitate three bridges of No. 24, 25, 26 on the Route 6, which were heavily damaged by the flood in Sep. 1996. Completion of Phase-1 (No.26) is expected in Mar. 2002.	
Rehabilitation of National Highway Route 7 – Kg. Cham Section -	2000
Rehabilitate the road between the east bank of the Mekong River and the junction with the Route No. 11 (approx. 11.5 km).	

### 3) Project-Type Technical Cooperation

#### Irrigation Engineering Center Project

A five-year technical cooperation on the Technical Service Center Project for Irrigation System started in Jan. 2001. Establish a national technical service center for irrigation system, which aims to rehabilitate and maintain the deteriorated small-medium scale irrigation facilities during domestic warfare, to enhance the capacity of technicians and engineers, and to foster organizing farmers for effective use of irrigation system.

### 4) Rural Development Project (Tripartite Cooperation)

The Rural Development Project is implemented through "Tripartite Cooperation" among Japan, four ASEAN countries (Indonesia, Malaysia, Philippine, Thailand) and Cambodia. It started in 1992 by the name of "the Rural Development & Resettlement Project". It aimed at assisting disadvantaged and vulnerable families including returnees and internally displaced people, demobilized soldiers, as well as the local population, towards the improvement of their present living conditions in the rural areas of Kompong Spueu and Takav provinces. Basic needs addressed by this project include food production education, income generation and health care. This project adopted a new method: the Integrated Village Management Approach, which encourages alleviation of poverty through a democratic participation process and human resources development of the population of target areas. Since this project is to be handed over to Ministry of Rural Development (MRD) on and after March 2004, the ownership of this project has been gradually transferred to the MRD.

### 5) Dispatch of Technical Cooperation Experts

Ministry	Number of Experts	Field / Specialty
MAFF	3	Agricultural advisor, Forestry resources management advisor, Fisheries system improvement
MRD	2	Rural Development Project
MWR	8	Irrigation Engineering Center Project (5), Meteorology & Agro-Meteorology Survey and Forecast System Improvement project (2), Hydrology & agricultural water resource (1)

(as of June 2001)

### (3) Food Aid

As for the food aid, 16,533 tons (1998), 10,859 tons (1999), and 14,772 tons (2000) of rice were provided. Those rice were distributed to disadvantaged and vulnerable people through the WFP and other IOs.

## 2.2.5 Performance of Other Donors and NGOs

### (1) Official Development Assistance

#### 1) Application of Grant aid projects and Technical assistance

Aid from FAO and from South Korea who provide experts, advisors and technicians to conduct studies and develop an agricultural market system.

Aid from the European Community (EC) for launching the Program of Rehabilitation and Support to the Agricultural Sector of Cambodia (PRASAC) in cooperation with the RGC. The PRASAC I with 39 millions ECU focused on irrigation work, clean water, rural credit and micro-enterprise activities. For the PRASAC II with 39 millions ECU will focus on enhancing the activities and results achieved in PRASAC I, aimed at improving food security and reducing poverty

Australian Aid (AusAID): Since 1986, this agency has assisted Cambodia in the agricultural sector, by focusing on 3 objectives: agricultural technology research, dissemination of agricultural techniques and improvement of agricultural production quality.

***Agricultural Technology***: Presently this has been conducted in the 4th phase starting from July 1996 till 2001 with the amount of 10.177 millions Australian dollars, focusing on 3 tasks:

- Agricultural technology development (to improve rice seeds, agricultural machines and the integrated crop protection measures).
- Cultivation system improvements (to reduce damage of agricultural produce and evaluate economic and social impacts).
- Institutional development (workshops and human resources training, which have achieved main results as follows:

***Dissemination of Agricultural Techniques***: (a) The first phase with 14.877 millions Australian dollars has been carried out in 6 provinces from 1995 to 2000, including (i) 685 government staff have been trained on agricultural dissemination skills; (ii) 68,315 farmers have been trained and educated in IPM, fish farming, livestock husbandry, how to plant vegetable, fruit trees, and how to use pesticides and water, etc; and (iii) Documents for disseminating through public media; and (b) The 2nd phase worth 11.143 million Australian dollars is planned for implementation in 13 Provinces, starting in November 2000.

***Agricultural Quality Improvement Project (AQUIP)***: This project with 5 million Australian dollars will be implemented in 4 provinces - Kandal, Takaev, Prey Veang and Svay Rieng - for 6 years, starting from August 2000.

Technical Assistance on Private Sector Development and Public Enterprise Reform: The World Bank (WB) and the Asian Development Bank (ADB) have assisted the RGC to create enabling environments for private sector development as well as to streamline the public enterprise sector, from 1999 to 2002. The technical assistance focuses on (a) adopting a comprehensive Commercial Code, and implementing regulations and required sub-decrees, including provisions for business organization, bankruptcy, product liability, contracts, and intellectual property rights; (b) strengthening the rule of law and transparency, including modernizing the judiciary; (c) corporatizing the eleven utilities and infrastructure of SOEs (State-Owned Enterprises) to remain in the public sector; (d) implementing restructuring plans for seven rubber plantations; and (e) privatizing the first rubber plantation.

## **2) Foreign Credit**

Credit from ADB: This is for supporting the reform of the agricultural sector according to the free market economy that the RGC is now adhering to. The aim of this reform is to use all production potentials in the agricultural sector to assure the national economic growth, increase income of families in rural areas, employment opportunities, assure food security and quality of nourishment, reduce the inflow of countryside people into the city, and maintain the environment. This 30 million US dollar credit is divided into two phases worth 15 million US dollars each. The implementation of phase 1 is in complete, and phase 2 is underway.

Credit from the WB for the Agricultural Productivity Improvement Project (APIP): The goal of this project is to broadly sustain the development of agricultural production according to the RGC policy on the agricultural sector, improve food security and increase income. The project with 35.1 million US dollars began in 1999 and will continue until 2003. It has been divided into 8 sections - agricultural education and training, human resources development, statistical planning, fisheries, production and veterinary practices, agronomy, family rubber research and agricultural irrigation.

Credit from the International Fund for Agricultural Development (IFAD): This credit is for supporting the SEILA program in the development of the agricultural sector. It has a total budget of 11.38 million US dollars, of which 8.46 million US dollars is credit from IFAD, 1.77 million US dollars is from UNDP/USAID, 1.14 million US dollars is RGC counterpart funds, and 16,235 US dollars (in labor) is contribution from the people. The SEILA program will be implemented in 4 provinces, from 2000 to 2005. It consists of 3 subprojects: (a) development of agricultural production (b) rural credit and (c) support and cooperation.

## **(2) NGOs**

NGOs in Cambodia provided about US\$6.1 million in 1998, a 12.5% increase from 1997. For the

period of 1992 - 1998 a total of US\$187.2 million (in “core or own” resources) was disbursed by NGOs, primarily in Health, Rural Development, Social and Community Development, and the Education/Training sectors. NGOs represented an increased 6.8% of total external assistance disbursements for the period 1992 – 1998.

Many bi-lateral donor agencies implement their programs, either in part or entirely, through agencies under the UN system and/or through NGOs. In addition, a significant number of co-financing agreements are found with respect to funding made available by bi-lateral agencies and international financial institutions. NGO disbursements for 1998 are based on “core and/or own resources” only and from sources other than multi-lateral or bi-lateral funds (such as from private donors, religious bodies, philanthropic organizations and so on).

## 2.2.6 Direction of Economic/Financial Policy

On macro-economic development, the MEF notes that the foundation for economic growth has become more and more solid and the projected 4 % growth is attainable, provided that weather conditions are good for the rest of the year. The economic recovery under way in the region, which will experience a positive growth rate in 1999, will establish a favorable environment for economic growth in Cambodia. This is encouraging news for investors and will enhance their confidence in economic growth potentials and economic recovery in Asian and Cambodia. However, it is worth noting that the industrial and manufacturing sector is growing at a slower pace compared to the previous years. Moreover, the RGC has studied the experiences of neighboring countries to consolidate the foundation for the development of agriculture, agri-business and a labor-intensive industry, in which Cambodia has enjoyed comparative advantages.

According to the experience of emerging economies in the region, an annual economic growth of 7 to 8 % can be sustained by a yearly investment of more than 30 % of GDP. In the case of Cambodia, domestic savings have been very low, at 5-6 % of GDP. The bulk of the investments, around 14-15 % of GDP, have been financed by foreign savings through foreign aid and foreign direct investment (FDI). Faced with this situation, economic growth in Cambodia in the short to medium-term will rely mainly on foreign assistance and FDI.

The increase in tax revenue is a positive sign of gradual economic recovery. Construction has surged. Nevertheless, it is unlikely that it will return to the pace experienced prior by the Asian financial crisis, as investors have become more vigilant and cautious. Therefore, the key to ensure sustainable economic growth is to continue to clean up and strengthen governance in the Customs, Taxation and Treasury Departments and implement more vigorously the proposed fiscal reform measures. MEF has put forward the following measures:

**Taxation:** Strengthen the collection of VAT by expanding the list of taxpayers subjected to VAT,

expanding the tax base and improving the collection of all kinds of taxes; enhancing the legal framework and tax collection procedures, and speeding up the recovery of arrears. Introduce the system of companies with variable taxable income (literally the 'real regime' system) in five provinces: Sihanouk Ville, Kaoh Kong, Siem Reap, Kampong Cham and Bat Dambang. Increase the numbers and improve the skills of tax officials. Strengthen the capacity of the Taxation Department's Audit Office by organizing on-the-job training on auditing and continue to clean up the Department of Taxation. Take stringent actions to recover arrears.

**Customs Administration:** Strictly implement measures aimed at strengthening the customs administration notably by widely disseminating the customs code and relevant regulations, streamlining and simplifying clearance procedures and introducing automated customs tariff calculation. It is also of vital importance to strengthen good governance, implement a staff roster system, establish a case-by-case investigation team and upgrade human resources by strengthening discipline, motivating staff and providing training. Take actions to re-institute Pre-shipment Inspection. Implement unified customs and tax rates on imported cigarettes. Ensure good cooperation with relevant government agencies by promoting and publicizing the roles and responsibilities of each agency. Establish a permanent mechanism of on-site audits at the Customs posts. Launch an anti-smuggling campaign and improve the present customs database, computerization operations, and improve communications between customs headquarters and branch offices by upgrading computer hardware and software.

**Revenue Management:** Intensify controls aimed at ensuring strict transfer of revenue by line Ministries to the Treasury and prevent illegal earmarking of revenue for other use. Strengthen the role of the financial controller as a revenue collection officer in monitoring the transfer of revenue to the Treasury. Continue to strictly implement the Prime Ministerial Order No 30 BB dated 25 December 1997 on the Management of State Property and review this order to cover all kinds of state-owned assets, including non-tangible assets and ensure a proper environment for effective and transparent implementation of the order.

**Trade Liberalization:** Further liberalize foreign trade in the light of Cambodia's participation in the AFTA and accession to the WTO. Reduce the maximum import tariffs to 30%, slash the un-weighted average tariff from 17% to 14%, streamline the tariff bands from 12 to 4 and simplify customs procedures.

**Budget Management:** Re-focus public expenditures towards Health, Education, Agriculture and Rural Development, by rationalizing expenditures through the implementation of the military and security personnel demobilization and reintegration program. In the medium term introduce the Priority Action Program (PAP) and the Public Expenditure Program (PEP). To this end, strengthen the technical and financial management capabilities of the spending ministries. The Government will make annual reviews of the three-year rolling Public Investment Program (PIP) and link it

effectively to the budgetary system.

**Public Governance:** Combat corruption and mismanagement; and strengthen public governance and transparency by implementing a set of laws, including the Law on Budgetary Discipline and the Law on Audit. A National Audit Authority will be put in place to carry out ex-post audits of all who benefit directly or indirectly from public finance, such as Government agencies, SOEs; and investors and NGOs under the tax exemption schemes.

**Banking System:** Reinforce macro-economic stability through sound fiscal and monetary policies by avoiding bank financing of the budget. The Government will endeavor to establish a sound banking system through enhanced supervision of commercial banks and ensure that their operations are in accordance with existing laws and regulations. The adoption of the Banking and Financial Institution Law will be instrumental in ensuring the efficient management of the banking sector.

**Enhancing the Private Sector:** Support the development of the private sector, which is regarded as our engine for growth. The Government is committed to completing the overhaul of the legal and institutional framework conducive to private sector development by adopting a comprehensive Commercial Code, strengthening the rule of law, transparency and accountability, tackling governance, reforming the judiciary and creating a level playing field for everyone.

**Civil Services:** Improve the efficiency of the civil service by computerizing, streamlining the payroll system and improving their delivery capacity.



## **2.3 General Conditions of Agriculture**

### **2.3.1 Natural Conditions**

#### **(1) Topography**

Cambodia is located in the southwestern part of the Indo-Chinese peninsular. It has a land area of 181,535 km<sup>2</sup>, of which about 20% is used for agriculture. It lies completely within the tropics, with its southernmost points slightly more than 10 degree above the equator.

Cambodia is surrounded on three sides by mountains with the Central Plains in the center. To the west and southwest are the Cardamom and Elephant mountains; the Dangrek mountains lie along the Thai border in the north, and the lower reaches of the Central Highlands of Vietnam are adjacent in the east. The heights of these mountains range between 1,000 and 1,800 m above the sea level. The Central Plains covers three quarters of the country's area and containing the Tonle Sap Lake, the Bassac River and the Mekong River which crosses the country from north to south.

The country is geophysically divided into four (4) regions: the Plains Region, the Tonle Sap Region, the Plateau and Mountainous Region, and the Coastal Region. The Study area involves the entire Plains Region of six (6) provinces; three (3) out of eight (8) provinces in the Tonle Sap Region; and one (1) out of six (6) provinces in the Plateau and Mountainous Region.

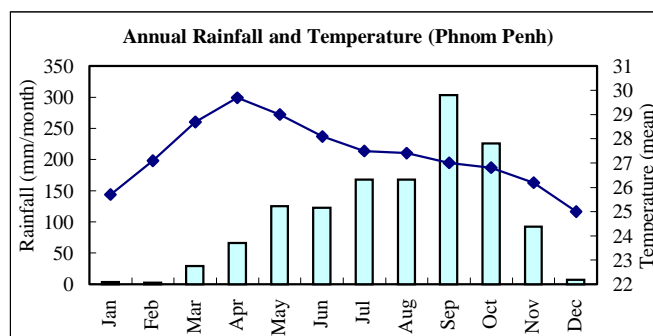
The Central Plains are extremely flat, with an elevation difference of only 5-10 m between the southeastern part of the country and the upper reaches of the lake in the northeast that is more than 300 km away. The plains are a result of long-term deposition originating from the mountains within Cambodia and from sediments carried into the plains by the Mekong River. The Mekong River rises and falls approximately 9 m each year, the height of which is influenced by melting snow in the Himalayas and rainfall in China, Myanmar, Northern Vietnam, Lao PDR and Thailand. In Cambodia, it passes through the provinces of Stung Treang, Kracheh, and Kampong Cham until it converges with the Tonle Sap in Phnom Penh, at which point the water divides to flow down both the Mekong River and Bassac Rivers to Vietnam. As the water level rises, some water also flows back up northwesterly along the Tonle Sap River into the Tonle Sap Lake. The lake can expand tenfold in area to approximately 25,000 km<sup>2</sup> between the months of May and November. Receding water from this large reservoir flows primarily down the Bassac River and feeds many irrigation areas in the provinces of Kandal and Takaev. The agricultural economy is, to a large extent, built around this annual cycle of inundation and recession of these waters.

In the eastern part, a low undulating plateau with a general elevation of between 100 to 300 m, forms the third region of the country. The fourth region is the western coastal zone, and the area southwest of the Dangrek mountains with a general elevation of between 100 to 300 m.

## (2) Meteorology

The climate of Cambodia is tropical monsoon, with a wet season from May to November, caused by the southwest monsoon, and a dry season when the country is under the influence of the northwest monsoon, from December to April.

Rainfall distribution varies among regions. In most of the western region, average annual rainfall is more than 3,000 mm., while to the east of the Mekong River it is generally between 1,800 and 3,000 mm. The central area, comprising the lower Mekong and the basin of the Tonle Sap Lake, is drier with rainfall averaging between 1,200 and 1,500 mm.



### 2.3.2 Land Use

Total of the agricultural land is about 22% of country area. Out of it, paddy field accounts for about 15% and upland field, including rubber plantation and fruit orchard, accounts for about 7%.

#### Land Use

	Area ( km <sup>2</sup> )	Proportion (%)	
Total Country Area	181,535	100.0	-----
Total Agricultural Land	39,144	21.6	100.0
Paddy field	26,097	14.4	66.7
Recession paddy field and Floating rice area	293	0.2	0.7
Upland field on natural banks	5,299	2.9	13.5
Upland field on slopes	4,665	2.6	11.9
Slash-and-burn field	1,856	1.0	4.7
Rubber plantation	746	0.4	1.9
Fruit orchard	188	0.1	0.5

Source : MAFF (World Bank, UNDP and UNFAO, Forest Policy Assessment 1996)

Based on 1993 Landsat data

Paddy field (including recession paddy field and floating rice area) accounts for about 70% of the agricultural land, and most of paddy fields are concentrated on the area with an above sea level of 30 m or less. Subsequently to paddy field, upland field on natural banks along the Mekong River, Tonle Sap River and Bassac River accounts for 13.5% of the agricultural land. Cash crops, such as vegetables, maize, legumes, sugarcane and tobacco are cultivated. Upland field on slopes is mostly located on the outside of the paddy field area, which is not influenced with river flood. Upland paddy, cassava, peanut, jute are grown. Rubber plantation is a little less than 2% of the whole

agricultural land, and most of them are concentrating in Kompong Cham province.

### 2.3.3 Food Crops Production

Rice, the most important crop in Cambodia, accounts for about 17% GDP and 75% of local per capita food intake. In the year 2000 approximately 1,915,600 ha (86% of the total cultivated food crop areas) was cultivated for rice. The total production of paddy in the year amounted to 4,047,900 ton and surplus of milled rice was about 262,700 ton.

Food and cash crops other than rice include maize, soybean, mungbean, peanut, cassava, sweet potato and vegetables.

The role of other food and cash crops in Cambodian daily life and per capita intake is by far less than that of rice. In the past, cultivated areas and production of these crops were presented in annual national food balance statistics. Recently though, they have been deleted from the food balance sheet. However, even though they are insignificant when compared to rice, their role in the rural economy cannot be neglected. These crops provide additional income to many farmers in many provinces, while some crops like sweet potato and cassava may be consumed with rice as a main source of carbohydrate in some rice deficit areas. The Table below summarizes cultivated and harvested areas, production and yield of: maize, cassava, sweet potato, mungbean, peanut, and soybean in the crop year 1999/2000.

**Food Crops Production in 1999/2000**

Crops	Cultivated Area (ha)	Harvested Area (ha)	Production (ton)	Yield (ton/ha)
Maize	59,835	59,739	95,274	1.59
Cassava	14,039	14,003	228,512	16.32
Sweet Potato	9,431	9,322	32,516	3.49
Mungbean	26,812	26,747	15,913	0.59
Peanut	10,587	10,557	9,244	0.88
Soybean	35,085	34,945	35,063	1.00
Rice	2,157,592	2,079,442	4,040,900	1.94

Source: Statistics Office, Department of Planning, Statistics and International Cooperation, MAFF

At present, Cambodia appears to have a competitive advantage over its neighboring countries in the production of maize, mungbean and soybean. With irrigation, the introduction of good varieties and improved production technologies, production of some of these crops can be raised to earn increased foreign revenue. Currently, maize is exported to Thailand and Vietnam; locally it is being used as raw material for feed industry invested by foreign capital.

## 2.3.4 Population of the Agricultural Sector

### (1) National population

Based on the General Population Census of Cambodia in 1998, Cambodia is divided administratively into 24 provinces; and further into 183 districts, 1,609 communes and 13,406 villages. Total population was 11,437,656 with a higher female population of 5,926,248 to a male population of 5,511,408. About 84 % of the population, or 9.6 million reside in rural areas. The average population density of Cambodia is 64 persons per km<sup>2</sup>, with the highest density of 3,448 in Phnom Penh Province and the lowest of 2 in Mondol Kiri Province. The average household size is 5.2 within a range of 4.9 to 5.8.

As clearly illustrated in an attached Figure 2-7, most of the population lives in the Plains Region, along National Roads and along major rivers.

### (2) Population of the Agricultural sector

Out of the total population, 8,425,329 or approximately 74 %, were engaged in agriculture sector. The number of farm households was 1,632,029 families with an average size of 5.2 members per household.

#### Agricultural Population and Households

Province	Region	Population					Farm Household	
		Total (a)	Urban (b)	Rural (c)	Farm Household (d)	(d/a)	Number	Average
1 Phnom Penh	Plain	999,804	570,155	429,649	336,934	34%	59,111	5.7
2 Kandal	Plain	1,075,125	58,264	1,016,861	833,222	78%	160,235	5.2
3 Prey Veang	Plain	946,042	55,054	890,988	733,183	78%	149,629	4.9
4 Kampong Cham	Plain	1,608,914	45,354	1,563,560	1,246,908	77%	244,492	5.1
5 Svay Rieng	Plain	478,252	21,205	457,047	370,645	77%	77,218	4.8
6 Takev	Plain	790,168	39,186	750,982	612,038	77%	120,007	5.1
7 Kampong Spueu	Plt/Mt.	598,882	41,478	557,404	464,136	78%	91,007	5.1
8 Kampong Chhnang	Tonle S.	417,693	41,703	375,990	323,712	77%	64,742	5.0
9 Bat Dambang	Tonle S.	793,129	139,964	653,165	614,675	78%	115,976	5.3
10 Siem Reab	Tonle S.	696,164	119,528	576,636	539,527	77%	99,912	5.4
Sub-total (Study Area)		8,404,173	1,131,891	7,272,282	6,074,980	72%	1,182,329	5.1
11 Kampong Thum	Tonle S.	569,060	66,014	503,046	441,022	78%	83,212	5.3
12 Banteay Mean Chey	Tonle S.	577,772	98,848	478,924	447,773	77%	87,799	5.1
13 Pousat	Tonle S.	360,445	57,523	302,922	279,345	78%	53,720	5.2
14 Otdar Mean Chey	Tonle S.	68,279	22,361	45,918	52,916	77%	9,984	5.3
15 Krong Pailin	Tonle S.	22,906	22,906	0	17,752	77%	3,414	5.2
16 Krong Preah Sihanouk	Coastal	155,690	155,690	0	120,660	78%	21,938	5.5
17 Kampot	Coastal	528,405	33,126	495,279	409,514	78%	81,903	5.0
18 Kaoh Kong	Coastal	132,106	29,329	102,777	102,382	77%	19,689	5.2
19 Krong Kaeb	Coastal	28,660	28,660	0	22,212	78%	4,191	5.3
20 Preah Vihear	Plt/Mt.	119,261	21,580	97,681	92,427	77%	16,805	5.5
21 Stueng Traeng	Plt/Mt.	81,074	24,493	56,581	62,232	77%	11,113	5.6
22 Rotanak Kiri	Plt/Mt.	94,243	16,999	77,244	73,038	77%	13,043	5.6
23 Mondol Kiri	Plt/Mt.	32,407	7,032	25,375	25,115	77%	4,406	5.7
24 Kracheh	Plt/Mt.	263,175	79,123	184,052	203,961	78%	38,483	5.3
Sub-total (Non Study Area)		3,033,483	663,684	2,369,799	2,350,349	77%	449,700	5.2
Total		11,437,656	1,795,575	9,642,081	8,425,329	74%	1,632,029	5.2

Data Source: General Population Census of Cambodia, 1998

The statistics show that the number of farmers in each province (except Phnom Penh), was in direct proportion to the total population, i.e. the provinces having a large percentage of the total population would have a proportionately large number of a farming population. In Phnom Penh Province, however, even though the total population was close to one million, the number of farmers was only 336,934 or about 34 %, which was the smallest percentage of all provinces.

### 2.3.5 Income Level of Farm Households

According to the Socio-Economic Survey carried out in 1999, 76% of employed persons are engaged in agriculture sector activities. It can be said that the income level of farm households shows the income level of large majority people in the country.

#### Employed persons by Sector

	Cambodia	Phnom Penh	Other urban	Rural
Population (million)	11.561	0.958	1.172	9.431
Employed persons rate (%)				
Agriculture-forestry-fishery	76.5	8.3	54.8	84.7
Industry	6.4	21.4	9.2	4.7
Services	17.1	70.3	36.0	10.6

Data Source : Cambodia Socio-Economic Survey 1999, NIS

In this Socio-Economic Survey, all households that reside in village parts are accounted into the “Rural” households. Therefore the survey data of rural household does not show the exact figures of farm households in the strict sense. However, it may be possible to consider that it show the approximate data of farm household, since 85% of rural part employed person is engaged in agriculture-forestry- fishery. The average household income of rural (farm) households has only 28% of household income of Phnom Penh. The proportion of food expenditure at rural (farm) households is high. Moreover, although it is natural, proportion of self-employment income in total income is high.

#### Household Income and Expenditure

	Unit	Cambodia	Phnom Penh	Other urban	Rural
Household size	person	5.3	5.5	5.4	5.3
Average monthly household income	Riel	403,334	1,139,553	515,027	314,247
Self-employment income	%	59.5	29.4	57.4	70.6
Average monthly household expenditure (consumption )	Riel	361,735	1,007,025	453,338	284,444
Food, beverage and tobacco	%	61.6	40.0	58.8	69.9
Others	%	38.4	60.0	41.2	30.1
Expenditure / Income rate	%	89.7	88.4	88.0	90.5

Data Source : Cambodia Socio-Economic Survey 1999, NIS

## **Appended Charts**

Table 2-1 Comparison Table of Exchange Rate Movement

Country	Unit	1993	1994	1995	1996	1997	1998	1999
Cambodian Riel	R/\$	2,470	2,605	2,535	2,686	3,518	3,797	3,775
	(R100/\$)	24.70	26.05	25.35	26.86	35.18	37.97	37.75
Cambodian Riel	(Index)	100.00	105.47	102.63	108.74	142.43	153.72	152.83
Thai Baht	(B/\$)	25.50	25.10	25.20	25.64	45.25	35.75	37.55
	(Index)	100.00	98.43	98.82	100.55	177.45	140.20	147.25
Vietnam Dong	D/\$	10,835	11,080	10,994	11,094	12,292	13,894	14,029
	(D1000/\$)	10.84	11.08	10.99	11.09	12.29	13.89	14.03
Vietnam Dong	(Index)	100.00	102.26	101.47	102.39	113.45	128.23	129.48

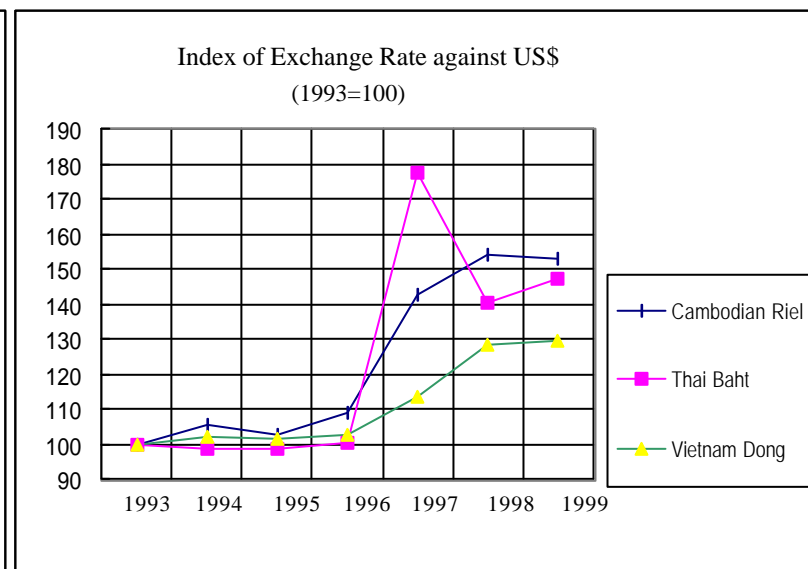
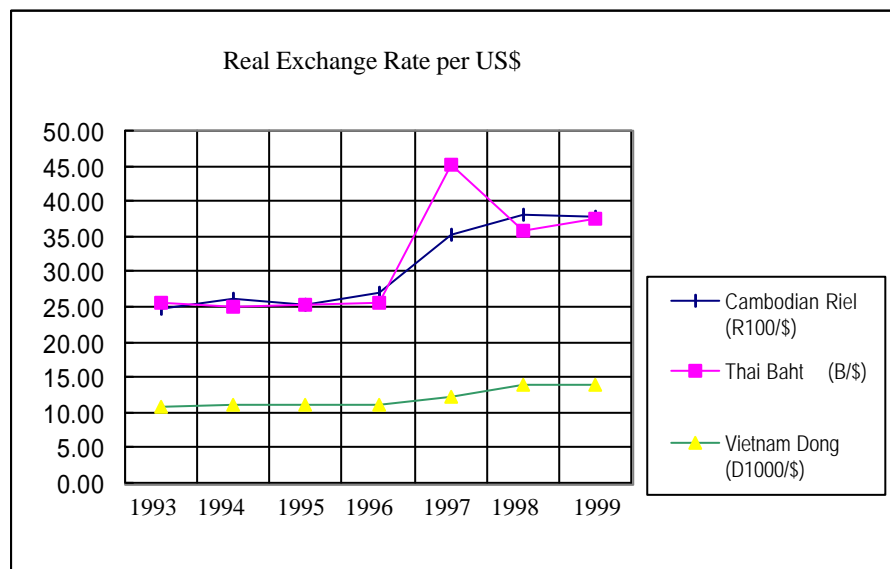
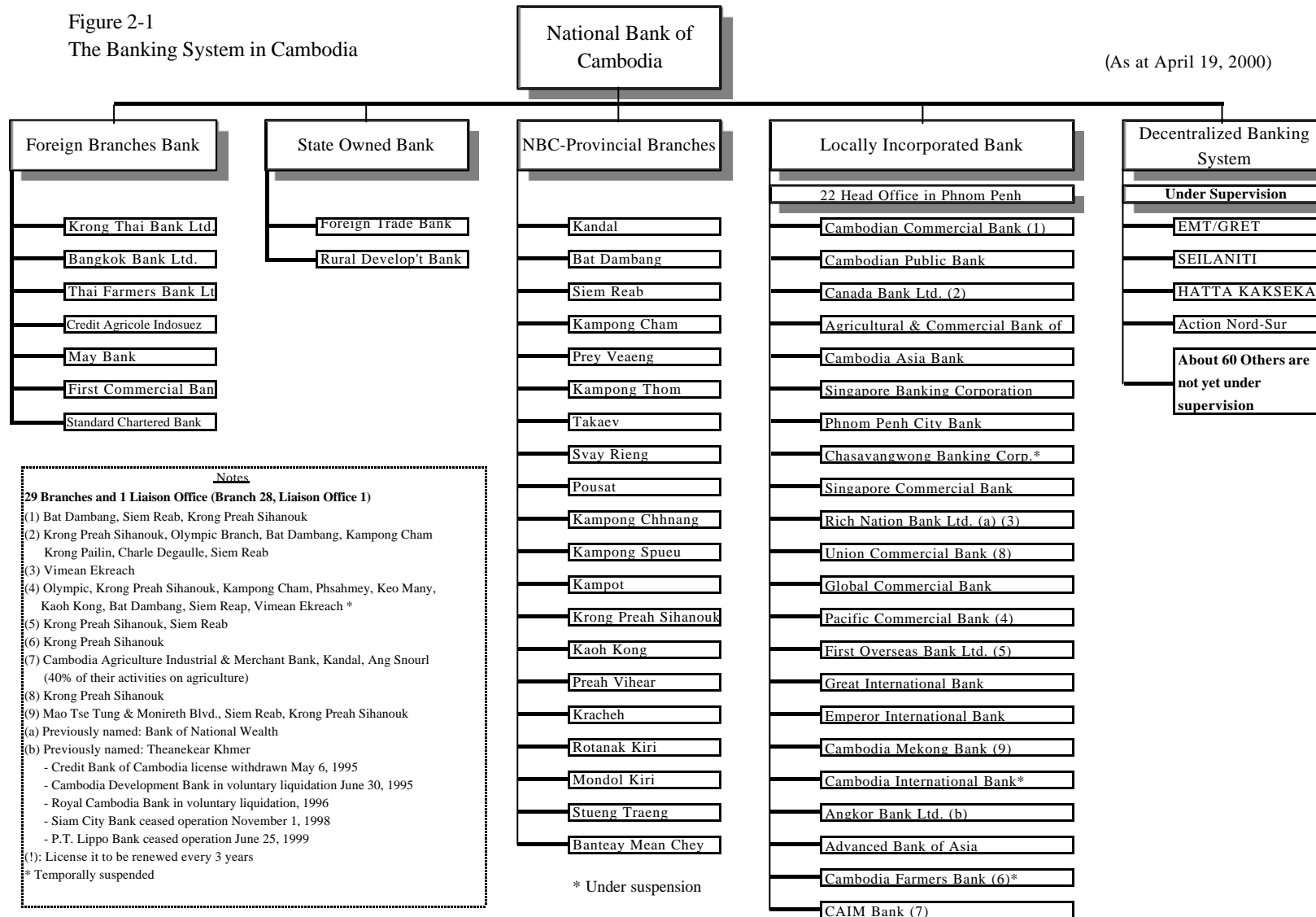


Figure 2-1  
The Banking System in Cambodia

(As at April 19, 2000)





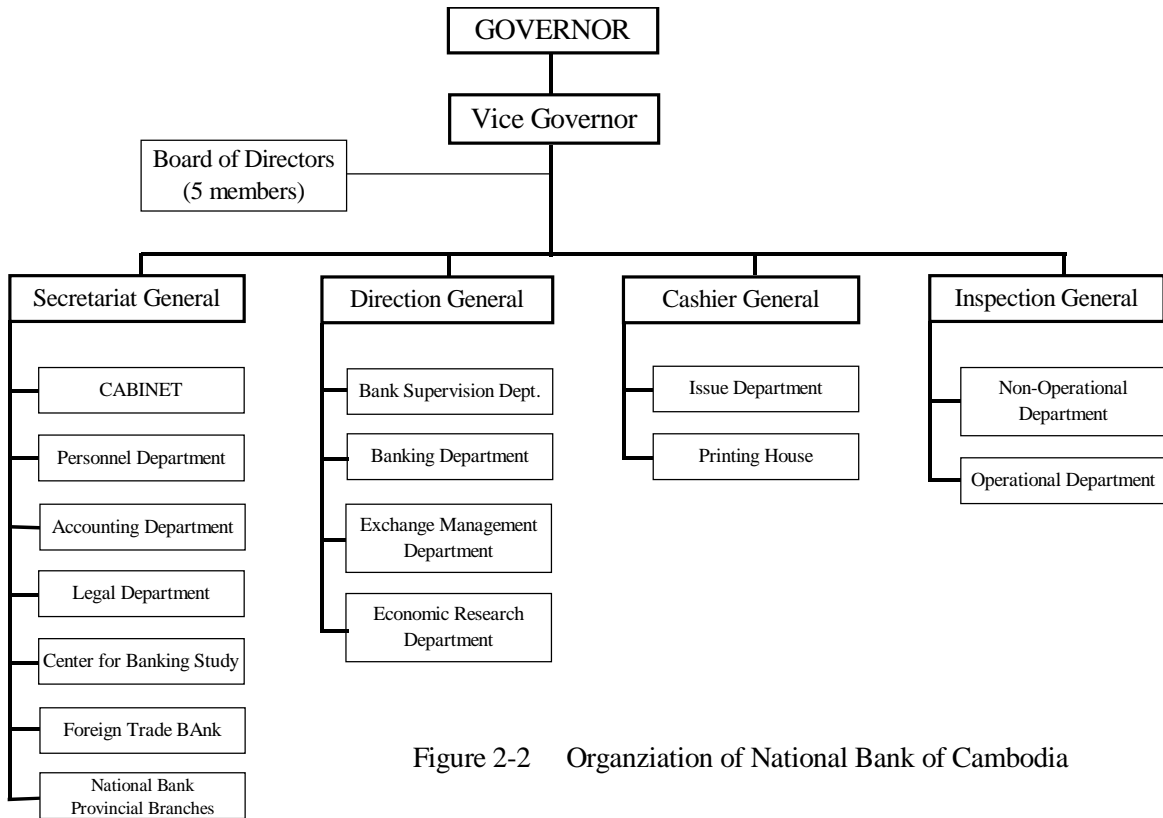


Figure 2-2 Organization of National Bank of Cambodia

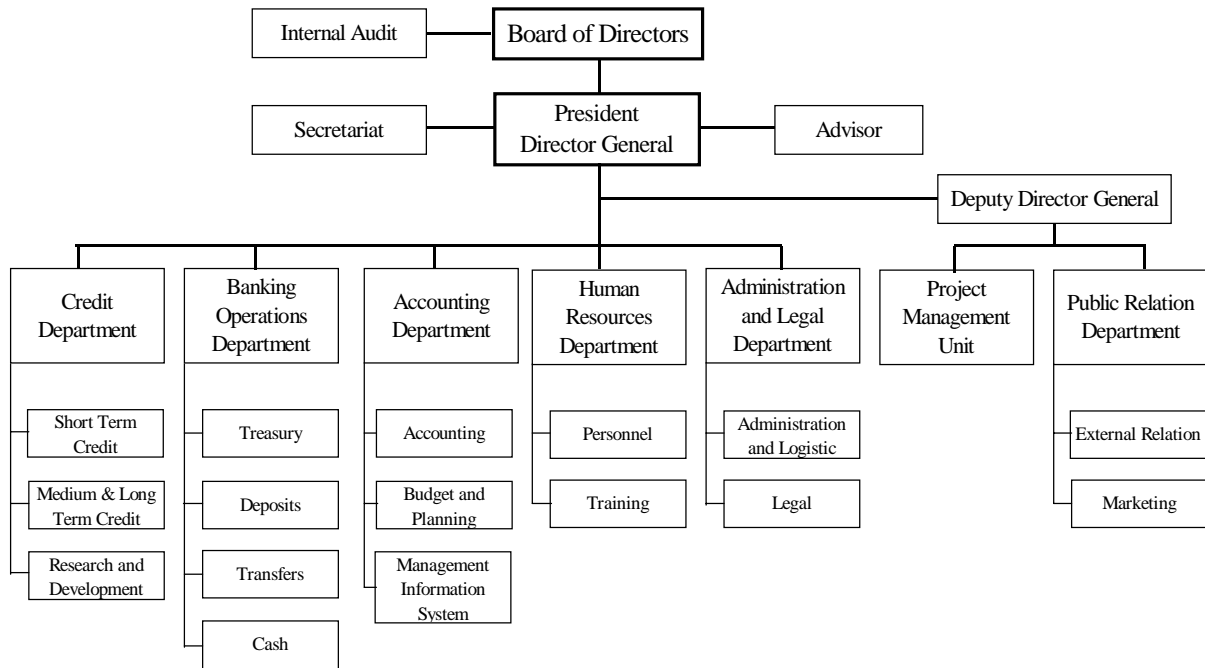
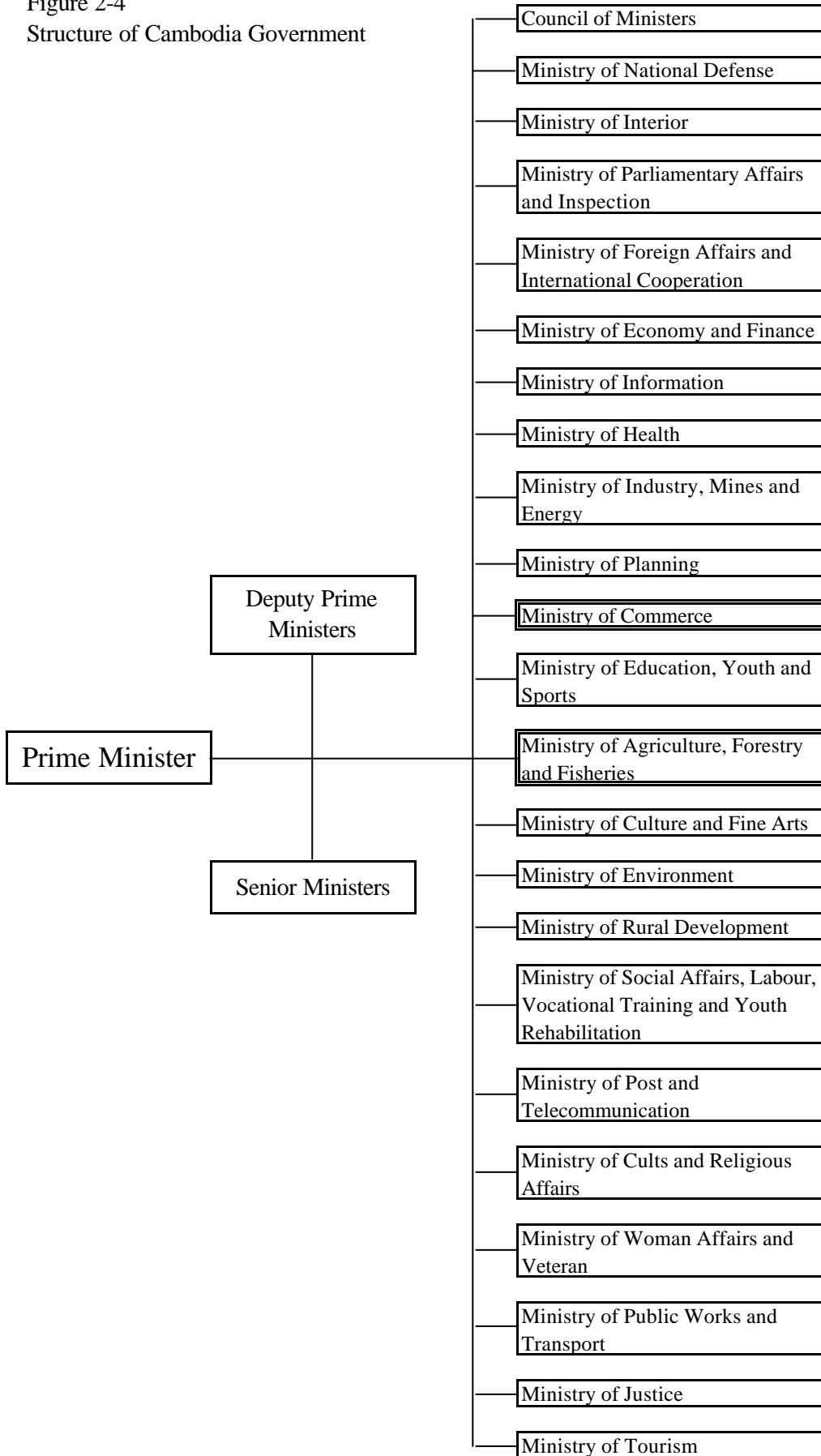


Figure 2-3 Organization Structure of Rural Development Bank

Figure 2-4  
Structure of Cambodia Government



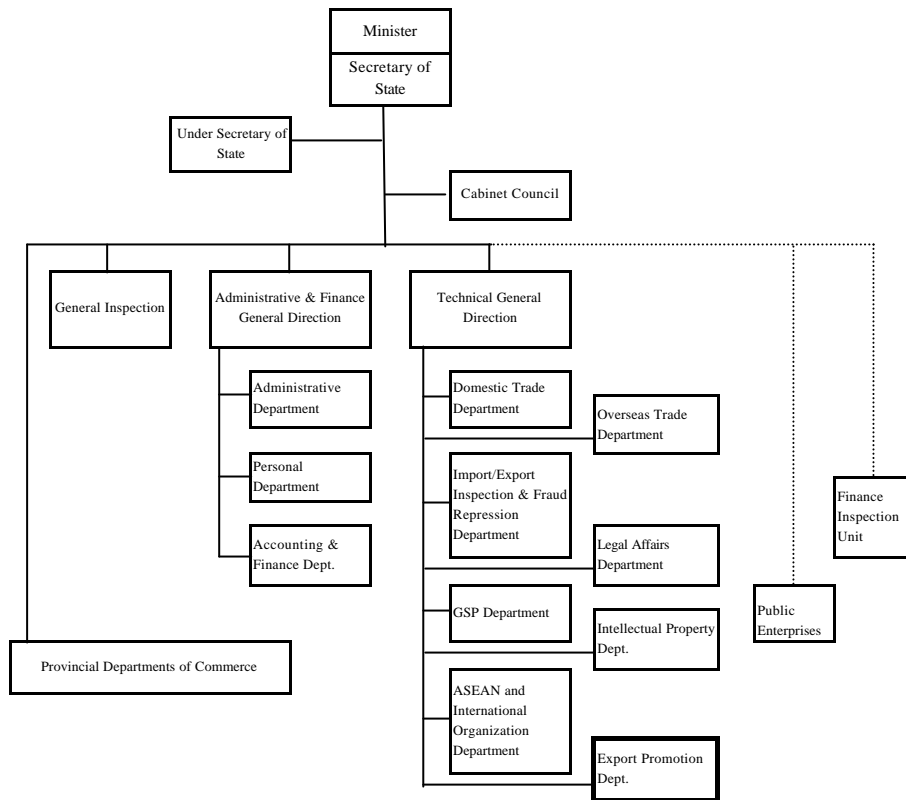


Figure 2-5 Organization Structure of MOC

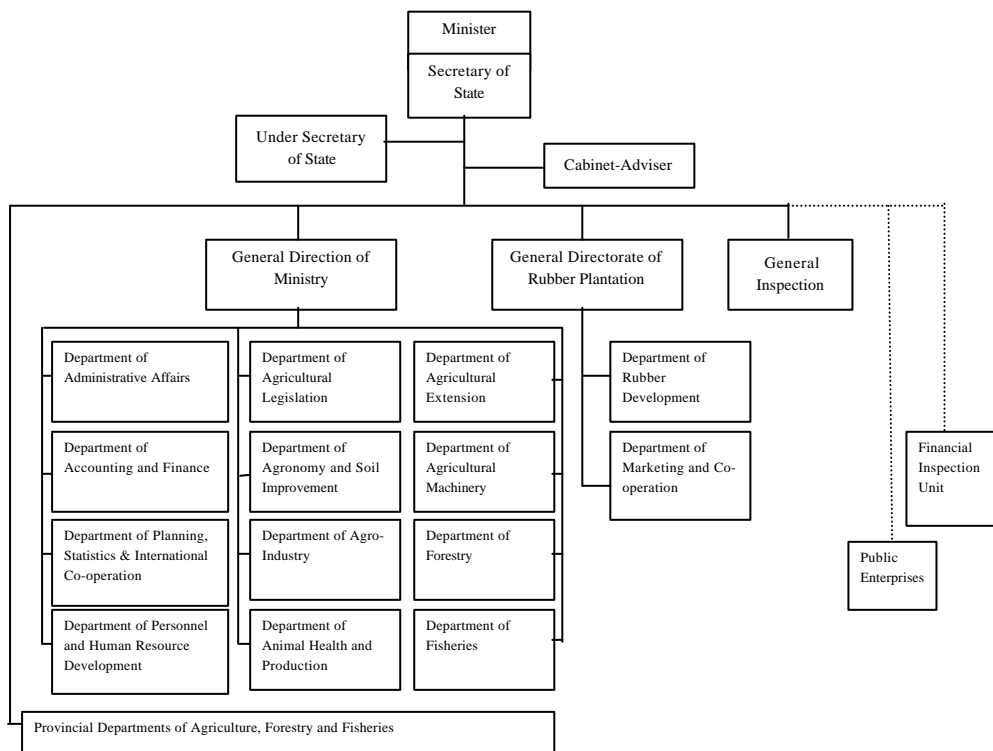


Figure 2-6 Organization Structure of MAFF

