



Management of Economic Land Concessions

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Development Research Forum

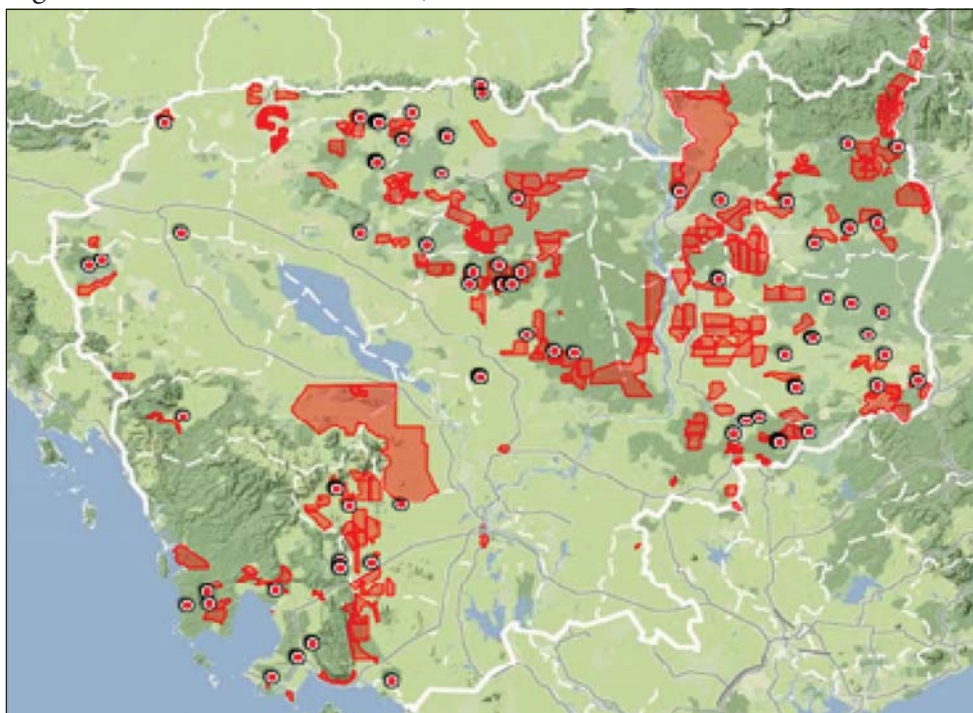
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The Royal Government of Cambodia (RGC) has granted large tracts of land for agricultural investment under the economic land concession (ELC) scheme, set out in the 2001 Land Law. ELCs were seen as a key tool to put sections of state land into more productive economic use and thus create local jobs and incomes. They have commonly been used for agro-industrial plantations and agro-processing for export. As of June 2012, the Ministry of Agriculture, Forestry and Fisheries had granted ELCs covering a total area of 1,204,750 hectares to

118 companies (MAFF 2013). However, as Open Development Cambodia (2015) reports, when concessions issued by other government agencies such as the Ministry of Environment (MOE) are taken into account, the figure is closer to 2 million hectares. ELC areas are shown on Figure 1.

In May 2012, the government announced a moratorium on granting new ELCs. An interministerial committee was subsequently formed to conduct a nationwide review of existing concessions. The aim was to cancel projects that

Figure 1: ELC areas in Cambodia, 2012



Source: Open Development Cambodia 2015

Chan Sophal is a Board Member of the Cambodian Economic Association (CEA). This policy brief draws on a wider CEA study titled *Managing Public Lands for Equitable and Sustainable Development in Cambodia* (Chan forthcoming), which draws on discussions and feedback received at the workshop and during the study visits organised by CEA in Kratie and Monduliri provinces on 13-15 February 2014. Citation: Chan Sophal. 2015. *Management of Economic Land Concessions*. Development Research Forum Policy Brief No. 1. Phnom Penh: CDRI.

did not abide by the law or ELC contracts. Notably, 1.2 million hectares, some revoked from ELCs, were redistributed in 2013 and 2014 to more than 710,000 smallholders as private ownerships (MLMUPC 2014). Through the MOE and MAFF, the government has enforced ELC agreements and cancelled or downsized at least 40 ELCs, releasing another 231,000 hectares between January and March 2015.

Despite the reduction of new ELCs, Cambodia's excessive large-scale state land concessions have adversely affected the livelihoods and land tenure rights of local people, threatening the country's rich biodiversity and restricting access to land especially for new farmer households. Although the suspension on granting new ELCs was initially lauded, there has been a degree of scepticism as to its practical effect and intended scope.

The following sections outline key steps for granting new land concessions (if any) and improving the efficiency of existing ELCs (or similar large-scale state land licences). Also highlighted are other key elements such as state land identification, land use management, law enforcement and taxation.

1. Granting of new land concessions

- Prepare national or regional land use and development master plans, giving high priority to ecosystem sustainability, biodiversity preservation and livelihood needs and land rights of indigenous people and local residents. When areas deemed important for these uses have been designated and demarcated, remaining state land can be used for immediate and long-term economic development such as commercial agriculture, plantations, hydropower, mining, agro-industry and infrastructure projects. This will require a multidisciplinary approach, extensive technical assistance and stakeholder consultation, and thus implementation could take several years.
- Produce a map of cultivable state land by classifying the areas left for agriculture, mining and economic development according to natural endowments such as soil quality, soil moisture, climatic conditions, elevation, water resources, and mineral potential. This activity could also take several years or even longer depending on availability of technical and financial resources.
- Allocate disposable state land suitable for agriculture for (i) land poor or landless households to use and then own free of charge (through social land concession programs), or (ii) for perpetual leasehold by both smallholders and large-scale investors (through competitive solicited proposals for ELCs or other state land development schemes).
- Mark up cultivable state land allocated for leasehold (but not freehold or social land concession) preferably into small plots of a few hundred hectares or less, and then put the plots up for public bidding before granting perpetual lease or ELC. Smallholders' or farming households' access to land (from several to dozens of hectares) for subleasing or contract farming should be unrestricted and convenient. The aim is to increase local investors/farmers' access to land and achieve more equitable land distribution. Non-Cambodians or foreign investors should not be granted any further "technically free" land concessions.
- Simplify the administration and collection of tax revenues from state land by charging a set amount per hectare, payable annually whether or not the land is cultivated. This will encourage lessees/concessionaires to optimise land use and productivity. The annual lease/royalty rate is to be determined at public auctions or set for a predetermined period of five years, adjustable thereafter. The duration of the lease/concession term can be 10 years, 25 years, 35 years, 50 years or longer depending on the life of the crop and according to the provisions of the lease/concession contract or development purpose.

2. Improving the efficiency of existing ELCs

- Majority of ELCs have not been cultivated as planned or agreed in the contract. A strict review should be carried out and contract requirements enforced. Concession lands should be confiscated from those who have breached the contract or broken the law. Unused, underused and misused state land could be allocated for conservation or redistribution as social land concessions.
- Lack of labour especially in remote areas hinders ELC companies' operations. One option is for the Ministry of Labour to set a minimum wage for workers on labour-intensive plantations (e.g. rubber, oil palm and black pepper) that is higher than prevailing market rates. This would encourage adequate numbers of Cambodian workers to take up jobs in remote areas. Alternatively, ELC companies should be required to provide their workers with reasonable living conditions including housing, food, clothing and medical care.
- Management of migrants' employment and settlements. Labour Law compliance should be enforced on plantations and other large farms. Foreign workers must possess a valid work permit and abide by the terms set in immigration and labour laws. Additional regulatory and administrative measures may be needed to safeguard against long-term or permanent settlement of immigrants in remote plantations, especially those in border areas. The Ministry of Labour and the Ministry of Interior should jointly ensure the monitoring and control of settlers in ELCs.

- Taxation to encourage efficient and productive land use. Annual property tax and land tax for underused or unused ELCs need to be reviewed. For transparent, predictable and convenient declaration and collection, these taxes should be based on clear price zoning set by the Ministry of Economy and Finance in consultation with the Ministry of Land Management, Urban Planning and Construction.

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List of Acronyms

ELC	Economic Land Concession
MOE	Ministry of Environment
MAFF	Ministry of Agriculture, Forestry and Fisheries

About the DRF

The Development Research Forum (DRF) of Cambodia was established following the All-Partners Forum organised by the International Development Research Centre (IDRC) of Canada in September 2007.

The DRF vision is of a high capacity, professional and vibrant Cambodian development research community. Its goal is to support and strengthen the capacity of the Cambodian development research community.

The DRF partnership involves the Cambodia Development Resource Institute (CDRI), Cambodian Economic Association (CEA), Learning Institute (LI), National Institute of Public Health (NIPH), Royal University of Agriculture (RUA), Royal University of Phnom Penh (RUPP), Supreme National Economic Council (SNEC) and the International Development Research Centre (IDRC) of Canada.

In DRF Phase II 2012-15, with financial support from IDRC, the partners intend to work together to build research culture and capacity and to share research knowledge through workshops, policy roundtables and symposiums as well as training and online discussion (www.drfcambodia.net) on six research themes: growth and inclusiveness, governance of natural resources, social policy on education, social policy on health, agricultural development, and Cambodia and its region.

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