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The NGO Forum on Cambodia

ធ្វើការរួមគ្នាដើម្បីការប្រសើរឡើង

Working Together for Positive Change

Economic Land Concessions and Local Communities



Phnom Penh, Cambodia
February 2012

Economic Land Concessions and Local Communities

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LIST OF ACRONYMS

Art.	Article
Danida	Danish International Development Agency
ELC	Economic Land Concession
ESIA	Environmental and Social Impact Assessment
FOB	Free On Board
HH	Household
IP	Indigenous People
IRR	Internal Rate of Return
m ²	Square metre
MAFF	Ministry of Agriculture, Forestry, and Fisheries
MoE	Ministry of Environment
NGO	Non-Governmental Organisation
NTFP	Non-Timber Forest Product
OCOM	Office of the Council of Ministers
RGC	Royal Government of Cambodia
SLC	Social Land Concession
US\$	United States Dollars
WB	World Bank

EXECUTIVE SUMMARY

Evidences from all the four case studies suggest that the granting of ELCs usually overlapped the land local people claimed. The scope of overlapping ranges from farmland to homestead land. Indigenous People communities in particular are prone to such overlapping due to their conventional land use such as practice of shifting cultivation and their livelihoods are also vulnerable since they are more reliant on common resources such as forest.

The overlap between the ELCs and the community people's lands leads to land conflicts between the company and the villagers. These conflicts mainly result from the way in which the ELCs are granted. In general, the granting process of the ELCs does not comply with the procedure outlined in the Sub-decree on ELCs. The evidence reveals that the site identification of the ELCs is usually not participatory, or in other words, public consultation with territorial authorities and the local people were not conducted. On the other hand, while the Sub-decree requires the ESIA be completed before the granting of the ELCs, in many cases the ESIA were only conducted following the ELC lease agreement. Moreover, the quality of the ESIA is not good though it was studied prior to the contract. However, the study also finds that land conflicts in some cases are also due to encroachment from the local residents and the immigrant settlers.

The case studies also suggest that in all cases the company realised the issues only after the reaction from the community people upon the start of the ELC development. With coordination from the local government, the company tries to solve the problem with the local people although violent conflicts arose in some cases.

Major options that the company agrees to solve the land conflicts with the local people are (i) cash payment to local people for their land used by the company, (ii) reallocation of other land to local people, and (iii) cooperation farm, meaning the company develops the land claimed by people and share divide the land for different possession. The consequences of these solutions can lead into two scenarios of results and impacts. The first option, on the other hand,

requires the local people to surrender their lands and thus become at best land-poor, if not landless, because they were compensated by cash payment in return for their lands. The land alienation tends to have negative impacts on the household income and food security of the local community people. The second and third options mean the local people can still have access to land if their lands are swapped or if their lands are developed into cooperation farm. These solutions may likely improve the local livelihoods in the long run.

The land alienation is explained by unjust treatment in the conflict solution process. Such treatment can be observed in two main areas. Firstly, the local people are severely limited by the option. For instance, the affected people are only offered a single option of cash payment for compensation of their affected lands in the case of HLH Agriculture (Cambodia) Co., Ltd. Secondly, despite more options are made available for local people to choose from, their ability to maintain their access to land seems restricted by either unreal will of the company or the people's ability to choose among other options due to their low education.

Compensation in cash payment is not an ideal option for local villagers. This is because the Sub-decree on ELCs protects the land holders by stating that “access to private land shall be respected and there will not be involuntary resettlement by lawful land possessors” (Art. 4 of Sub-decree on ELCs). Moreover, in the ELC lease agreement with the company, the RGC also protects the interest of the local people by stating that “the lands that are lawfully possessed and lands that are being used for family agricultural production must be deducted from the granted ELC or the company can cooperate with farmers to do joint development/production on the land if mutually agreed. In this regard, offering cash payment as solution for the land conflicts is contradictory to the lease agreement and thus should be avoided or prohibited.

Based on the evidences drawn from the case studies, there are ways that ELCs can provide benefits to the local people. For instance, the cooperation farms implemented through partnership between the villagers and the Dak Lak Company in Mondulkiri are an example of a win-win strategy for both farmers and investors. Beside such partnership, the local farmers could also stand to

benefit from the ELCs by growing crops on their own effort and supply them to the company. However, in any case (either in partnership or no partnership with the company), the local people are required to: i) have adequate lands, and ii) have favourable marketing arrangements.

Land is crucially important for rural livelihoods in agriculture-based economy and it is pre-condition for farmers to either grow crop on their effort and at their own choice or participate in partnership with the company through a number of arrangement such as cooperation farms. To ensure that local community people have access to land, there are at least three ways: i) avoid overlapping of ELC with people's lands; ii) the ELC company must not get hold of people's land if overlapped; iii) distribution of lands to the landless and land-poor households. While the first two ways could simply be done by adhering to the procedure in Sub-decree on ELCs and the lease agreement, the third option is achievable by granting smaller ELCs to company so that some land could be reserved for social land concession to local residents.

CHAPTER I: INTRODUCTION

1.1. Rationale and Objectives

The CEA research and publication on “Does large-scale agriculture investment benefit the poor?,” (Ngo and Chan, 2010) suggests that ELCs yield both positive and negative impacts on the local livelihoods and that the ability of the local communities to maintain their current livelihood and the means of livelihood for future generations is undermined by reduced access to farmlands, forests, and other common pool resources due to continued granting of the economic land concessions. As such, in order to see positive change or livelihood improvement among the affected people, there should be a choice for villagers to retain land and co-exist with the ELCs in terms of farming.

Furthermore, as ELCs are granted for economic purposes, which is not just for the sake of intensive agricultural or industrial-agricultural activities and other purposes, ELCs are also meant to improve rural livelihoods through increased employment in rural areas within a framework of intensification and diversification of livelihood opportunities (Art. 3 of Sub-decree on ELCs, Dec. 2005). Therefore, this research attempts to explore the **opportunities for the local people to benefit from ELCs**. With this intention, the research seeks to address the following questions:

- What are the mechanisms for a peaceful coexistence of companies and villagers, which benefits both (a “win-win” situation)?
- What practical proposals can be given to the companies, the state, and other stakeholders in order to enhance their will to help improve the situation of the affected households?
- What are the ways forward for all stakeholders to consider?

In this regard, the study aims to:

- Bring communities' concerns, suggestions, and recommendations to the policy makers;
- Give further practical recommendations to the policy makers and concessionaires and other related stakeholders on how to improve the situation of the affected households and on how to improve the legal framework guiding ELC, if necessary; and
- Promote a greater understanding of the needs of the communities, and continuing dialogue between Royal Government of Cambodia to improve their livelihoods.

1.2. Methodology

Article 29 of the Sub-decree on ELCs (2005), MAFF is authorized and responsible for granting economic land concessions with a total investment value of more than 10,000,000 (ten million) riels or more; or a total concession land area of 1,000 (one thousand) hectares or more – so-called large-scale ELCs. As of April 2010, 87 large-scale ELCs on about 1 million hectares were granted to companies (Ngo and Chan, 2010).

To generate evidence for this research purpose, four large-scale ELC companies were purposively selected as case studies for in-depth review and analysis. To ensure proper selection of the large-scale ELCs, which number at least 87 and have very different degrees of operations, so that they serve the study objectives, a number of criteria were preset. The key criteria include: i) the size of the ELC should be under the legal permit which is 10,000 hectares or less; ii) the ELC overlaps existing communities (indigenous people communities and/or Khmer communities); iii) the ELC was granted between 2006 and 2009 and are currently operational; iv) the ELC tries to solve the land conflict peacefully with the affected people; and v) some of the selected ELCs provide solutions that can contribute to improved livelihoods of the affected households.

Based on these criteria, four case studies that are selected include: i) Dak Lak Rubber Company in Mondulkiri; ii) SOCFIN-KCD Company in Mondulkiri; iii) Horizon Agriculture Development Co., Ltd. in Kratie; and iv) HLH

Agriculture (Cambodia) Co., Ltd. in Kampong Speu. Table 1.1 below provides the summary characteristics of the selected ELCs Case studies.

Table 1.1. Overview of ELC companies selected as case studies

	Case 1	Case 2	Case 3	Case 4
1) Name of Company	Dak Lak Rubber Company	SOCFIN-KCD Co., Ltd.	HLH Agriculture (Cambodia) Co., Ltd.	Horizon Agriculture Development Co., Ltd
2) Nationality of company owner	Vietnamese	Luxembourgian/ Cambodian	Singaporean	Korean
3) Main crop	Rubber	Rubber	Corn	Rubber
4) Location	Mondulkiri	Mondulkiri	Kampong Speu	Kratie, Snuol
5) ELC size	4,162 ha	6,978 ha	9,985ha	9,996 ha
6) Affected local communities	25% of ELC	20% of ELC (550 hectares, 255 HHs)	8% of ELC (800 hectares, 400 HHs)	20% (1,974 hectares, 321 HHs)
7) Relationship with IP people	Pnong and Khmer communities	Pnong and Khmer communities	Suoy and Khmer communities	Stieng and Khmer communities
8) Year of award	July 2008	October 2008	March 2009	July 2008
9) Operational status	36% developed	50% developed	60% developed	5.5% developed
10) Solutions for local people	mutual agreement between company and villagers	against the interests of local residents	shift ELC site and cash payment to villagers	no agreed solution between company and villagers

Source: Field study from 19 October to 2 November 2010

By qualitative nature of the study, checklists were developed and used for personal interviews with a range of stakeholders, which include ministry officials, provincial authorities, district authorities, commune councils, village chiefs, key informants, villagers, companies, and NGOs. The embracement of all these information sources helps triangulate the data/information and thus ensure good quality of collected data/information. Beside the personal interviews, the quality of data at the village level is also backed up by group interviews with key informants and villagers. A team of 6 members were employed to implement the data collection over 15 days between October and November 2010.

CHAPTER II: OVERVIEW OF ELCs IN CAMBODIA

2.1. Overview of ELCs Investment in Cambodia

The granting of the economic land concessions in Cambodia started in 1995, which is way before the Land Law 2001 and the Sub-decree on ELCs (Dec., 2005). The CEA Report (Ngo and Chan, 2010), which analyses the official ELC data obtained from the MAFF website as of April 2010, indicates that more than 60 percent of all the ELCs under the authority of MAFF were granted prior to issuance of the Sub-decree on ELCs in December 2005.

Ngo and Chan (2010) suggests that two government bodies, namely MAFF and MoE, have granted ELCs, although the sub-decree mandates only MAFF to do so. In practice, the granting of ELC above 1,000 hectares has to receive endorsement by OCOM. With approval from the Office of the Council of Ministers (OCOM), MoE has granted ELCs inside the protected area¹, which totals 3 million hectares and is under its management authority. It was estimated that in total about 1.5 million hectares of ELCs were granted to investors as of April 2010. Of the total size, about 1 million hectares was granted by MAFF to 87 companies. The other half million hectares was granted inside the protected areas by MoE. On the other hand, the ELC database² of the NGO Forum on Cambodia suggests that 252 ELC extending on about 1.8 million ha were granted as of December 2010 – 1.74 million ha of 169 large-

¹ The protected area is the area under the authority of the MoE and governed by the Law on Protected Area 2008. The protected area in this law (art. 7) include national parks, wildlife sanctuaries, protected landscapes, multiple use management areas, RAMSA areas, bio-reserve areas, natural heritage areas, and maritime national parks.

² Through its Research Information Centre (RIC), the NGO Forum on Cambodia collected the ELC data in Cambodia since 2007 and maintained in a database system. The data were collected from various sources including MAFF website, www.sithi.org website, relevant RGC's provincial departments, field investigation, reports from provincial NGO networks, and media reports. The collected data were triangulated among all above sources so as to avoid multiple counted as well as to ensure reliability of the data.

scale ELCs (1,000 ha or greater each) and 42,000 ha of 57 small-scale ELCs (less than 1,000 ha each) while other 26 ELCs are unclassifiable to due unknown size.

A large proportion of lands was granted to both local and foreign companies but many ELCs are inactive or their implementation progress has been minimal. According to interviews with competent authorities at the provincial level in Kratie and Mondulkiri, about 15-20 percent of the total ELCs granted in respective provinces had any operation. Some have not started developing the land yet while others made progress but behind their master plan. The competent authorities further elaborated that the slow progress of ELC implementation are likely due to: i) conflicts between the company and the community people; ii) geographic remoteness of the ELC and poor road conditions also limit the implementation progress; iii) the global economic downturn reduced the availability of investment capital; and iv) some concessionaires may not be real investors, but prefer to get hold of the land for speculative purposes.

MAFF, in 2010, has conducted an assessment of the progress of ELC implementation, but the report is not for public consumption. According to MAFF officials, the assessment was under the lead by the Department of Agro Industry. It took place rapidly from one province to another due to the numerous and remote nature of the ELCs. In one day, the assessment team, which is participated by the provincial level authorities as well, can visit a few ELCs and talk to the site manager. The team write reports for the MAFF leadership.

2.2. Rationale for and Purpose of ELCs in Cambodia

Two key legal documents that govern the ELCs in Cambodia are the Land Law 2001 and the Sub-decree on ELCs that was issued by the RGC in December 2005. Major aspects of both legal documents that relate this particular study are highlighted as follow.

According to the Sub-decree on Economic Land Concessions (Dec., 2005), the Economic Land Concession (ELCs) refers to a mechanism to grant state private land through a specific contract to a concessionaire to utilise for agricultural and industrial-agricultural exploitation, which includes cultivation of food crops or industrial crops, raising animals and aquaculture, construction such as a plant or factory and facilities for the processing of domestic agricultural raw materials, or a combination of some or all of the above activities (Art. 2 of Sub-decree on ELCs, 2005).

Although the Land Law 2001 permits the granting of land concessions to any natural person or legal entity or group of persons to occupy and develop the land for economic purpose, the sub-decree to operationalise such granting of ELCs only came into effect in December 2005. Among other purposes, the ELC is meant to develop intensive agricultural and industrial-agricultural activities and 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 appropriate ecological system (Art. 3 of Sub-decree on ELCs, 2005).

Not all lands are under the subject of ELCs. To ensure proper land use and management, the Sub-decree on ELCs (Dec., 2005) only permits the granting of any land that meets the following five criteria: i) the land has been registered and classified as state private land³; ii) land use plan for the land has been adopted by the Provincial-Municipal State Land Management Committee and the land use is consistent with the plan; iii) Environmental and Social Impact Assessment (ESIA) has been conducted for the land use; iv) land that has solutions for resettlement issues, in accordance with the existing legal framework and procedures; and v) land for which there have been public consultations, with regard to economic land concession projects or proposals, with territorial authorities and residents of the locality. The sub-decree further affirms that access to private land shall be respected and there will not be involuntary resettlement by lawful land holders.

³ in accordance with the Sub decree on State Land Management and the Sub decree on Procedures for Establishing Cadastral Maps and Land Register or the Sub decree on Sporadic Registration

As the ELC initiative is intended to encourage small- as well as large-scale investments in agriculture and agro-industry projects to harness the underutilised land for economic development, the Land Law 2001 allows an investor to be granted up to 10,000 hectares for leasehold up to 99 years (Art. 59 and Art. 61 of Land Law 2001). In practice ELCs are usually granted by MAFF for 70 years, but renewable upon justifiable request. Moreover, while MAFF is designated as Contract Authority to grant an ELC of 1,000 hectares or more, the Sub-decree on ELCs (Art. 29) also allows provincial governors to approve an ELC of less than 1,000 hectare per each company. However, this authority was null in September 2008 and given to the central level (MAFF) as in the case of ELCs of larger sizes.

CHAPTER III: DAK LAK RUBBER COMPANY - RUBBER PLANTATION IN MONDULKIRI PROVINCE

3.1. Overview of the Locality

In Mondulkiri, the government started to offer the land concessions to private companies for investment in agriculture and agro-industry in 2005. As of November 2010, 13 ELCs had been granted under MAFF authority and two concessions locating in the protected areas had been granted under MoE. All these 15 concessions extend on the total area of nearly 100,000 hectares. According the relevant authorities at the provincial level, about 15-20 percent of the total size of ELCs in the province has been developed. The authorities admit that this scale of development is slow if compared to the master plan and explain that such slow development were due to prolonged conflicts with the local communities, remoteness and poor road conditions in the province, especially in the wet season, the impact of the global economic downturn, and unreal investors who get hold of the land for speculation purpose.

Among five districts of Mondulkiri province, Pechrada has been the destination for 6 ELCs extending on the total area of about 25,000 hectares or 25 percent of total concession size in the province. Of these 6 ELCs, three locate in Bousra commune, consists of seven villages that are home to 914 households or 4,036 residents. The commune is predominantly characterised by indigenous people of Pnong ethnic. About 83 percent of the total households in the commune are members of Pnong indigenous ethnic. This implies that the presence of Khmer and other non-indigenous ethnics in the locality is not substantial and they mainly engage in self-employed activities such as repairing, trading, small businesses, and labouring for their livelihoods. The commune councils also reported that not many households have immigrated to settle in the commune in the past years.

Table 3.1. Summary of population statistics in Bousra commune

No	Village Name	# Total HHs	# HHs belong to IP ethnics	IP HHs as % of total HHs
1	Pouteuth	141	127	90%
2	Pouraing	109	99	91%
3	Bousra	118	95	81%
4	Poutil	116	102	88%
5	Lameh	136	93	68%
6	Pouchar	107	83	78%
7	Poulu	187	155	83%
	TOTAL	914	754	82%

Source: Commune statistics 2009

Because the locale is predominantly home of indigenous ethnics, the people still manage their livelihoods in conventional mode despite some transformation. They spent much time in the forests and practice slash-and-burn cultivation, raise cattle and other animals, go hunting and collecting other NTFPs such as resins, beehives/honey, vines, leaves, and herbs. Before the presence of the ELCs, a typical local household owns a herd of cattle left freely in the grazing field. But the number of households raising cattle as well as the number of cattle per household declined following the presence of the ELCs due to narrowing grazing land and risks of paying fine to the company if their cattle go inside the plantation.

3.2. Profile of the Concession

Dak Lak Rubber Company is a Vietnamese state-owned company specializing in rubber plantations, rubber latex processing, and the manufacturing of rubber-related furniture. Lately, the company extended its investment in rubber in Laos and Cambodia. In Cambodia, the company was granted an ELC of 4,162 hectares in Bousra commune in July 2008 for 70 years. Rubber is the main crop for this concession and processing plants will be installed inside the concession. According to interview with the company representative, the investment required for this concession is US\$ 35 million.

According to its master plan, the whole concession will be developed in 4 years' time (1st year = 500 hectares; 2nd year = 1,000 hectares; 3rd year = 1,500 hectares; and 4th year = 1,162 hectares). By the time of fieldwork of this study (October 2010), 1,500 hectares of the concession was cleared and planted with rubber trees. This means about 36 percent of the concession is developed and suggests the speed of concession development complies with the company's master plan.

3.3. Scale of Conflicts

No complete figure on the scale of affect could be reported, but about 15 percent of on the current scale of ELC developed size are affected. The commune councils reported that the concession of Dak Lak Company primarily overlaps local people's lands in two villages (Pouchar and Poutil). Households in other three villages (Bousra, Laméh, and Poulu) are also affected by the concession, but at much smaller scale. The company as well as the local authorities could not yet report the total number of the community's households or the land size affected by Dak Lak Company. This implies that the ESIA has not been done or conducted properly or shared with local authorities yet by the time of the study (October 2010). However, within 1,500 hectares or 36 percent of the concession that the company has developed in the past 2 years, cropland of about 75 households were affected. The households are mostly residents in Pouchar village and together possessed about 250 hectares, which is about 15 percent of the developed area.

By rationale, the company took a strategic position in dealing with conflicts. The company thus started developing its ELC in areas most prone to controversy with the local communities. In practice, the company started developing its ELC in location involving lands under possession of people in Pouchar village which is in line with reports from the commune councils referring that people in Pouchar and Poutils are most affected by the ELC of Dak Lak Company. By this fact, about 15 percent of the current scale of development (1,500 hectares or 36 percent of the total ELC) are reported as the people's shares. Because the people's shares are only half of their full

possession in cooperation farm engagement, the total affected lands should be double, but discounting the less scale of affect in the rest of the ELC locations, the ELC of Dak Lak Company could overlap about 25 percent of the total ELC.

Besides the cropland of shifting cultivation, the ELC also affected the cultural lands of the local people. These lands include the spirit forests and the burial grounds. The scale of conflicts with such cultural lands could not be tracked from reliable sources during the field study.

3.4. Source of Conflicts

The conflict between the local communities and company in the case of Dak Lak Company in particular, the following are the two major sources of conflicts in the case of Dak Lak Company:

- **Site identification:** interviews with key informants and local authorities suggest that the concession site was identified by the national government. None of key informants and sub-national territorial authorities were consulted; instead they got to realise the presence of the company only after the lease agreement was approved. This implies that no consultation with local authorities was held before the grant of the ELC. Moreover, the public consultation was also missing. The general local people reported that it was shock when their lands and crops were at the first time cleared by the company's machineries. Having realised the overlapping of the ELC with the people's lands, Dak Lak later negotiate to get agreement from the villagers before clearing the land.
- **Site assessment:** the absence of proper site identification results in an overlap of the ELC over the community's lands. However, the overlapping issue could still be avoided if site assessment was properly conducted and taken into account. None of the sources covered by this study could confirm that ESIA was conducted. On the other hand, neither the local authorities nor the company could report the scale of lands as well as the number of households affected by the whole concession. This implies that the ESIA was not commissioned or completed before the

lease agreement of the ELC or even later. Interviews with the company, local authorities, and key informants show that the scale of affected land and households could only be reported within developed part of the ELC.

The facts from the site identification and assessment indicate that the ELC was not granted in a way adhering to the procedure guided by the Sub-decree on ELCs. Clearly it violates the principle laid out in article 4 of the Sub-decree⁴ and the conflict obviously results from the absence of the public consultation and ESIA before granting the ELC.

3.5. Conflict Solution

Having the concession granted by the RGC, the company did foresee the existence of the community people's lands inside the concession though the scale of overlapping could not be estimated. "It's not something new and unexpected, the company experienced such overlap also in Vietnam and Laos," said the Dak Lak Company representative. Moreover, the company was guided by the lease agreement with the RGC. The people are protected by lease agreement (point 1.2 of Art. 1) as follow: "the lands that are lawfully possessed by the people and lands that are under family agricultural production must be deducted from the granted ELC or the company can cooperate with farmers to do joint development/production on the land if mutually agreed."

⁴ an ELC may be granted only on a land that Environmental and social impact assessments have been completed with respect to the land use and development plan for economic land concession projects, and land for which there have been public consultations, with regard to economic land concession projects or proposals, with territorial authorities and residents of the locality.

With expectation of overlapping with the community people's lands, the company prepared itself to solve the problem with the people, said the company representative. As such, the company negotiates with the people on the solution before developing any specific location of its concession. In addressing the dispute as well as accommodating the preference of the local people, Dak Lak Company provides the following three measures to peacefully resolve the conflict:

- **Cooperation Farm:** it is a mode of engagement between the company and local farmers whose farmlands overlapped by the concession. The engagement requires farmers to give up half of their land to the company while the remaining half will be developed as cooperation farm that are possessed by the farmers. The company then developed the cooperation farm into rubber plantation. All costs of developing the cooperation farm are financed by the company, but recorded as loan to the farmers. The cooperation farm is governed by a contract between the farmers and the company with recognition from the commune and district authorities, and a copy of the contract is kept as archive at the provincial court.

The cooperation farm contract obliges the farmers to repay the loan principal and interest from year 11 to year 20. This means the farmer will enjoy the benefit of latex from their rubber trees for four years (from year 7 to year 10) before starting to repay their debt to the company. With the loan interest of 5 percent per annum, the farmer will repay proportion of their debt over 10-year period: 2% in year 11, then 4%, 8%, 10%, 12%, 14%, 16%, 17%, 13% in the following respective years and 4% in year 20. The farmer is obliged to sell their latex to the company while the company guarantees to purchase at 80 percent of the international price in Bangkok. Then, when the rubber trees are out-mature or no longer yield the latex (between year 25 and year 30), the rubber trees in the cooperation farm will be shared equally between the company and the farmers. By standard, there are 555 rubber trees per hectare.

Looking after the cooperation farm is the obligation of the farmers. Because local farmers do not have technical knowledge on rubber farm maintenance in particular, the company provide them trainings

accordingly. However, the farmers could also have other option if they cannot or don't want to look after the farmers by themselves for other reasons. The company offers management contract. In management contract, the company is responsible for the maintenance of the cooperation farm while the farmers will pay the management fees to the company. This management fee is also included in the loan package.

For convenience to both the company and the farmers, all cooperation farms are placed in some locations of the concession which are close to the farmers' communities. While the farmers have easy access to their farms in this regard, it allows the company to more easily manage its plantation and coordinate with all farmers in the cooperation farm.

Cost and Benefit of Cooperation Farm

The following are the assumptions that are based on interviews with stakeholders and the terms and conditions of the cooperation farm agreement. Moreover, these assumptions are also made on the basis that farmers could not afford both the development cost and as well the maintenance costs. Therefore, these costs are paid by the company and recorded as the farmer's debt with annual interest rate of 5 percent.

Cost factors

- Development cost of rubber plantation: US\$ 2,000 per hectare
- Maintenance cost of rubber plantation: US\$ 550 per year from year 2 to year 4; and US\$ 300 per year from year 5 to year 20.

Benefit factors

- Period of benefit from latex: 19 years commencing from year 7 to year 25.
- Yield of latex: 1.5 tons of dried rubber per hectare. This is conservative estimate. Interview with representative of Dak Lak Rubber Company proves that the average yield of latex is 1.7 tons per hectare.
- Price of latex: US\$ 2,300 per ton (FOB Price in Bangkok) held constant from year 7 to year 25. The price is based on the average of the FOB price in Bangkok in the last 5 years (2005-2010).
- Farm gate price: 80% of FOB price in Bangkok.

- Revenue from sale of rubber trees when they no longer yield latex in year 25: US\$ 5,000 per hectare (555 rubber trees per hectare at US\$ 18 per tree and share equally with the company).

Based on the above assumption of both costs and benefits of the cooperation farm, the cash flow of the US\$ 2,000 investment plus maintenance costs in the subsequent years suggests an IRR of 25 percent. Discounting the interest rate of the investment capital at 5 percent per annum, the net benefit from a one-hectare cooperation farm should remain about 20 percent annum. This indicates that although the farmers is entitled to pay a total debt of about US\$ 10,900 of future value in the next 20 years, the farmer is still expected to earn a net benefit of about US\$ 2,400 per annum in absolute term from a one-hectare cooperation farm of rubber. This suggests that the return of the cooperation farm is very good in both rate and real terms.

Taking into account the poverty line in Cambodia at US\$ 0.56 per person per day (WB, Jun. 2009), the minimum income of US\$ 1,022 per year is needed to retain a household of 5 members at the poverty line⁵. This means the absolute return from just a one-hectare cooperation farm can allow the household to not only fulfill their basic needs at ease but accumulate savings over time which will enable the household to well prosper without difficulty. The ease of prosperity is even more obvious if a household possesses 2 or 3 hectares of cooperation farm.

Source: 20 Oct – 3 Nov 2010

- **Reallocation:** in case villagers wish to farm crops of their own choice (either rubber or other crops), they can choose reallocation option. Under this solution option, the company prepares part of its concession, which is near to the farmers' villages, for exchange with villagers' affected lands.
- **Cash payment:** this is meant to pay cash to villagers who do not prefer any of the other two options. The company affirms that cash payment was not an option at all at the beginning of the solution effort. As bound by the contract, the company intended to address the problem with the people only through cooperation farm and reallocation. Later, cash payment option was adopted upon the villagers' protest to demand for the

⁵ Average household size in Cambodia is 4.7 (GPC 2008, NIS)

option as they wanted cash for immediate needs. The compensation is offered at \$200 per hectare and \$2.5 per fruit tree on the land.

The conflict solution on the current scale of ELC development (1,500 hectares or 36 percent of the ELC size) shows that about 200 hectares (about 60 households) are solved under cooperation farm measure. About other 30 hectares (9 households) and 20 hectares are respectively sorted out by reallocation and cash payment measures. This suggests that a farm household possesses 3-4 hectares on average and the solution outcome clearly indicates that cooperation farm measure is most preferred by the local people (about 80 percent of the affected households) while very few choose to get cash payment.

Cooperation Farm: Half versus Full

Are the villagers fairly treated?

Given the villagers are required to give up half of their lands to the company in order for them to engage with the company through cooperation farm, the argument was that the deal should not involve the sacrifice of half of the land by the people. Because the lands are possessed by the people, they should have full access to their lands, thus implementing cooperation farm on full land should be a fair deal.

In line with the Sub-decree on ELCs (Art. 4)⁶, article 1 of the concession contract protect the interest of the local people by stating that, “the lands that are lawfully possessed by the people and lands that are under family agricultural production must be deducted from the granted ELC or the company can cooperate with farmers to do joint development/production on the land if mutually agreed.” On the other hand, the indigenous people are particularly protected by the Land Law 2001. Article 25 of the Land Law 2001 recognises that “the lands of indigenous communities include not only lands actually cultivated but also includes reserved necessary for the shifting of cultivation which is required by the agricultural methods they currently practice and which are recognized by the administrative authorities.”

All above legal frameworks clearly indicate that all lands that have been identified and recognized as possessed by the villagers are under exclusive possession of the

⁶ access to private land must be respect

villagers. Thus, the villagers are not fairly treated when they are required to give up half of their affected lands to the company. However, the argument lends itself to some rationale. On one extreme, arguably the company should develop the cooperation farm on full rather than half of the farmer's land. However, this would give no incentive for the company to finance the cooperation farm and thus use its funds for other investment options. As such, the other extreme, the company would leave all the affected to the villagers, but no cooperation farm. Given such complication, and the agreed method of cooperation farm seems a compromise between both extremes though the question can remain whether sacrifice half of the land is an ideal or fair treatment for the affected villagers.

3.6. Shortfalls

Because peaceful resolution does not necessarily mean parties of conflict are being fairly treated, the study observes a couple of shortfalls as follow:

- **Land measurement:** when identifying and measuring the land, the participants include farmers who are possessor of the land, the company representative, and the commune authority. However, when asked the farmers whether they think the measurement of the land was correct to the true size, they said they don't know. And when further asked whether they know how to use and read the GPS, none of them said they can. This indicates the farmers are possibly subject to cheating by other parties.
- **Contract terms:** local people have limited knowledge, especially in relation to legal affairs. Thus, it is hard for them to comprehend the detailed/technical terms and conditions in the contract of cooperation farm. Interviews in the locality show that the villagers do not know the details of the terms and conditions in the cooperation farm contract. For example, the villagers had their thumb printed on the contract, but they don't know how much they owe the company and how much the interest is charged on the loan. Based on draft version in Khmer language obtained during the fieldwork, the terms and conditions in the cooperation farm contract were hardly readable. It was reported that the original contract was in Vietnamese language and was translated into Khmer by translator in Saigon, Vietnam. The interviews with key informants and

villagers show that some farmers refused to print their thumbs due to unclear terms and conditions in the contract.

Given the reported shortfalls, it deserves attention and proper assistance from relevant stakeholders due to limited knowledge of the community people. Having said that does not particularly mean the villagers have been treated unfairly by the company and/or the authorities, but assuring appropriate solution process would help avoid unpleasant solution outcomes. In this regard, besides attention and enforcement from the statement institutions, assistance from credible non-state actors/NGOs could also be invited or accepted if requested in order to facilitate as well as ensure full freedom of choice and decision-making undertaken by the local people.

3.7. Conclusion

Dak Lak Company's effort in trying to peacefully solve the land conflicts with the people demonstrates a good example of a win-win business model that allows the company and farmers to co-exist together and share the benefits from ELC development through cooperation farm in particular. The cooperation farm appears as a solution option that is enjoyed by most of the affected households. It is also foreseen to a lot improve the local livelihoods through a steady income source from rubber plantation. The company particularly deserves appreciation for its willingness to finance the cooperation farm and work with smallholding farmers.

CHAPTER IV: SOCFIN-KCD COMPANY - RUBBER PLANTATION IN MONDULKIRI PROVINCE

4.1. Profile of the Concession

SOCFIN-KCD is joint-venture business between SOCFINAL Group (a Belgian company) and Kaou Chouly Development Group (Cambodia). SOCFINAL holds 70 percent of the investment ownership and the rest 30 percent belongs to KCD Group. SOCFIN-KCD is developing two ELCs: Vanarasy (2,705 hectares) and Sethikula (4,273 hectares). Both locate in Bousra commune, Pechrada district. Because the development of the Sethikula (granted by the MoE in Nam Lyr Wildlife Sanctuary) only started in 2010 and the scale of social impact of ELC on the local people could not be identified yet due to partial development and the absence of the ESIA report, concrete analysis of the case is not possible. Thus, the study will only analyse the Vanarasy ELC in particular.

Vanarasy is an ELC that was granted by the RGC in October 2008 on the area of 2,705 ha. The concession is a 70-year lease agreement for rubber plantation development. The whole ELC was fully developed by 2009 with rubber plantation on the area of 1,733, which is about 65 percent of the total concession area.

Currently, SOCFIN-KCD employs 1,633 people, 182 of them are permanent staff (129 Khmers and 48 Pnongs) and other 1,451 are daily workers. Of these daily workers, 586 are local Pnong ethnic. This implies that about half of the commune's households have their members working for the company. The employment from the ELC also benefits migrant people mainly from provinces in the lowland of Cambodia such as Kampong Cham and Kampong Thom. These migrant people are usually skilled workers. About 60 percent of the jobs are available to these workers while the rest 40 percent are beneficial to Pnong indigenous ethnic in the Bousra commune.

4.2. Scale of Conflicts

By 2009, full ELC of Vanarasy had been developed by SOCFIN-KCD, the social impact on local people in Bousra commune is well pronounced in the case of Vanarasy site development. The concession affected the farmlands of the people across the commune, but primarily in three villages (Pouteuth, Pouraing, and Bousra). In total, it affected about 550 hectares of farmlands under the possession of 255 households. This means the affected farmland accounts for about 20 percent of the total concession site or in other words, about 28 percent of the commune's households involve in land dispute with the concession. It shows that on average a household has 2 hectares of their farmland affected by the concession. The data also suggests that most of the affected farmlands were reported to have crop trees on. Not only the farmland got affected, the concession also has dispute with the local people about the spirit forests and burial grounds. However, the scale of affect could be revealed from the field visit.

4.3. Source of Conflicts

Similar to the case of Dak Lak Company, the couple of sources explain the land dispute between the local people and SOCFIN-KCD Company.

- **Site identification:** territorial authorities reported that they were not consulted before the granting the ELC. Local authorities complain that they only got to realise the ELC when the dispute with the people arose. Furthermore, interviews with villagers and key informants also confirmed that no public consultation held to discuss with them in relation to the granting of the ELC. The presence of the concession came to their attention as shock since development of the ELC started without any notification to them. As a result, the concession overlaps the people's farmlands with grown crops. The company representative also echoes that there is no community's land spotted out in the concession map.
- **Site assessment:** there is no evidence that ESIA was conducted before the lease agreement of the Vanarasy ELC. In the letter dated January

2010 that SOCFIN-KCD responded to a legal consultation requested by a group of NGOs confirms that the ESIA was commissioned but hadn't been completed yet by then. The letter specifies that the ESIA was commissioned in September 2009, which is one year after the lease agreement (Oct. 2008).

The above explanation clearly shows that the overlap of the ELC over the people's land is attributed to two major reasons: i) the local people and the territorial authorities were not consulted; and ii) there was no ESIA conducted. Both reasons suggest the granting of the ELC does not comply with the Sub-decree on ELCs. This implies that the ELC would have not been creating disputes with the local people if the procedures of the Sub-decree on ELCs are properly implemented.

4.4. Conflict Solution

Having received the ELC granted from the RGC in October 2008, the company soon started clearing the lands. Since then the conflict with the local people in Bousra commune arose as the ELC overlapped their lands, especially farmlands with crops. The then ELC development led by Kaou Chouly Development Group was reported as cruel treatment to the villagers. The company continued to clear the farmlands and crops although villagers asked the company to stop. The tension later led people protest into to a violent confrontation, burning down the machineries of the company in November 2008.

Following the striking protest by villagers, the company was later represented by SOCFIN-KCD to try and solve the problem with the community people. SOCFIN-KCD recognised the fact that its concession overlaps the people's lands and promise to get it solved peacefully. As means to solve the dispute, a resolution committee was established called 'Tripartite Consultative Committee' which is headed by the deputy provincial governor. To assist the resolution process, 'Village Consultative Committee' is also established whose members comprise three community representatives from each affected village. In problem solving process, the villagers strongly expressed their preference to have their lands deducted from the granted ELC. While the company and authorities in the resolution committee tries to introduce different options in

negotiation, the community representatives continued to express their eager to shorten the solution by leaving all the affected back to the community people. The company offered three options for solution with affected farmlands: cash payment, reallocation, and family rubber. The results of the each option are as follow:

- **Cash payment:** the company agreed to pay a standard rate of US\$ 200 per hectare and US\$ 2.5 per fruit tree on the affected lands. According the company report dated July 2010, large majority of the affected cases were solved by this solution options. About 70 percent of the affected households (181 out of 255 households) or about 350 hectares (65 percent) out of total affected lands of about 550 hectares were compensated by a standard cash compensation of US\$ 200 per hectare and US\$ 2.5 per crop tree if any on the farmland. Resolving the conflict through this measure costs the company about US\$ 100,000 in total in cash, or nearly US\$ 300 per hectare on average.
- **Reallocation:** the company prepares a reserved location, which is part of its concession for exchange with the people. In case the people do not want to have access to land for their own management and use, the company agrees to exchange the land by reallocate the people to the reserved location, which is close to their villages, and offers the same size of lands to the people. According to reports from the company, about 25 households which involve about 50 hectares have their lands reallocated.
- **Family rubber:** this option is similar to “cooperation farm” implemented by Dak Lak Company. It requires the villagers to give up part of their affected land to the company while the company develop the remaining share of land to be rubber plantation to be owned by the people, called ‘family rubber.’ However, there is no clear rule for land division between the company and the villagers, according to the commune councils. Unlike the case of Dak Lak Company, the villagers get smaller share of the land in relation to the company. The deal varies from one villager to another. Similar to cooperation farm in the case implemented by Dak Lak Company, the costs of developing family rubber is financed by SOCFIN-KCD, but recorded as loan to be repaid by the people from year 9 to year 20. The company also provides training to the villagers. However, the villagers are not obliged to sell

their rubber latex to SOCFIN-KCD. They have full freedom to sell it to either buyer.

According the company report dated July 2010, 50 households of 145 hectares affected lands are classified as ones choosing solution of family rubber. Based on interviews with villagers and key informants, some households got their family rubber planted, but don't know how much cost they owe the company while others still await the rubber to be developed. The study could not obtain credible information from any source to confirm whether how many hectares out of the affected lands will be developed into family rubber.

The outcome of the solution reveals that cash payment is opted by majority of the affected households. About 65 percent of them have chosen this option and only about 10 percent favours family rubber. This outcome appears the opposite to what the people have demanded for during the course of conflict negotiation with the company. While people tend to express their preference for continued access to their lands, not many of them choose 'reallocation' or 'family rubber', which is close alternates. In the interviews, the villagers explain that many people could not choose 'reallocation' because the lands that the company reserved for exchange are not good lands for cropping. 'Family rubber' was not also chosen by many villagers because there was no clear and reliable method applied and the process is very tedious. As time prolonged, they felt fed-up and also needed to work out their subsistent livelihoods, thus they could not wait any more but chose 'cash payment'. Moreover, although some villagers were offered with 'family rubber' option, many of them haven't received the farm yet by the time of the study (Nov, 2010).

The spirit forests and burial grounds that are affected by the concession are also subject to clearance for development. The company thus negotiates for solution with the local people. As compromise, the people allows the company to develop their affected spirit forests and burial grounds provided that the company pays costs for traditional event/ceremony to virtually inform and apologize their respectful spirits and ancestors, plus additional cash compensation to affected families.

4.5. Shortfalls

The land dispute between the villagers in Bousra commune and the SOCFIN-KCD has been resolved peacefully but unpleasantly due to several reasons. The solution result alienates the farmers from their farmlands. Below are some shortfalls observed in the solution process:

- **Lack of protection:** with regard to the villager's choice over the solution options, it's also doubtful whether they are well informed about the consequences of each option. While on one hand the people's choice could be restricted by their limited freedom over available options, their decision on the other hand could also be much influenced by their limited knowledge due to remoteness and lack of exposure to civilisation. While the state lacks such assistance and protection for the villagers, the anecdote also suggests that no institutions particularly assist villagers in this regard, except some intervention from legal NGOs who care about human right violation and legitimacy of the concession.
- **Breach of contract:** in the concession lease agreement, the state actually manages to protect the interest of the people by not allowing the company to get hold of the land that are legally possessed by the local residents, except joint development if mutually agreed. By the lease agreement, cash payment is only applicable for compensation to illegal settlers. In this regard, cash compensation is not at all ideal solution option for the local villagers.
- **Cultural respect:** reallocation is not bad for affected farmlands, but critically inappropriate for affected spirit forests and burial grounds. Given their tradition, such places are very much emotionally felt and respected by the indigenous ethnic communities. Their beliefs have culturally been attached to such places through generations; thus, removal of their access must very much hurt their emotion and violates their rights as indigenous people. They must find it radical shift of tradition, rather than evolution or transformation process.

4.6. Conclusion

In general, SOCFIN-KCD recognised the claim from the affected community people and tried to solve the problem peacefully. The company offered solution options that people could choose an alternate that best serves their preference. However, despite such available options, the solution outcome turned out if compared to the people's expressed demand during the protest and negotiation. While people demanded to get back their lands, large majority of the affected households got compensated by cash payment, rather than 'reallocation' and 'family rubber' through which they could still have access to land. The turnout alienated people from their lands, thus have become landless. Such solution outcome raises doubt whether the people's freedom of choice over the solution options have been ideally respected and exercised or the people's decisions have been restricted by some reasons, which deserves further investigation.

While villagers alleged the SOCFIN-KCD's solution process to have been restricted, the scepticism about the solution process is also confirmed contradictory to the people's decision in the case of Dak Lak Company. The solution options provided to the affected households in the case of SOCFIN-KCD is similar to those in the case of Dak Lak Company although there is some slight differentiation between 'family rubber' option in the case of SOCFIN-KCD and 'cooperation farm' option in the case of Dak Lak Company. However, the outcome of the solution appears the opposite though the affected households of both companies are mainly indigenous people of the same ethnic 'Pnong' and residing in the same locality. Very few chose 'cash payment' and 80 percent of the affected households opted 'cooperation farm' in the case of Dak Lak Company, but 65 percent of the affected households got compensated by 'cash payment' and about 20 percent chose 'family rubber' in the case of SOCFIN-KCD.

CHAPTER V: HLH AGRICULTURE (CAMBODIA) CO., LTD. - CORN PRODUCTION IN KAMPONG SPEU PROVINCE

5.1. Overview of the Locality

Aoral is a district of Kampong Speu province with 6,216 households of 29,883 inhabitants. In total, there are eight ELCs in the district extending on the area of about 60,000 ha. Aoral district consists of five communes, two of which (Sangke Satorb and Trapaing Chour) are affected by the land concession granted to HLH Agriculture (Cambodia) Co., Ltd., which is one of the ELCs in the district.

Sangkae Satorb commune comprises 15 villages with 1,296 households while Trapaing Chour commune consists of 23 villages with 2,298 households. Thus, in total both communes are home to 3,594 households. Suoy is the main indigenous ethnic in both communes. However, the evolution of ethnicity in these two communes transforms over time and the proportion of Suoy indigenous ethnic has become smaller due to more arrival of Khmer ethnic and cross-ethnicity marriage. These days, many villages are found both households of pure indigenous ethnic Suoy and non-indigenous ones settling together. In Sangke Satorb, only about 15 percent of its total households are ones of pure indigenous Suoy, compared to about 20 percent in Trapaing Chour commune. Nevertheless, in Trapaing Chour commune, there are five villages whose most households are pure indigenous Suoy. These villagers are Chambak, Trang, Putrea, Tanil, and Kor Dauntei. These five villages are home to about 300 households.

Table 5.1. Population statistics in Trapaing Chour and Sangke Satorb communes

Trapaing Chour			Sangke Satorb		
No	commune	# HHs	No	commune	# HHs
1	Prey Phdau	88	1	Chumnoab**	*84
2	Phlov Kou	104	2	Peam	56
3	Chrakteak**	*286	3	Pring Kaong	66
4	Peam Lvea	67	4	Yang Pis	81

The livelihoods of Indigenous People
in Kampong Speu Province

5	Svay Teap	91	5	Tang Sroeng Tuol Chheu	116
6	Cheur Toilchrum	107	6	Neang	119
7	O'toang	87	7	Ta Minh	75
8	Krang Tbaeng	116	8	Kantuot**	*67
9	Chan Ping	103	9	Ta Daes**	100
10	Purmeas**	125	10	Dambang Venh**	*103
11	Phlaoch	198	11	Kraing Pongro**	*64
12	Kraviek**	59	12	Phsar Kantuot**	96
13	Samraong**	57	13	Kouk	121
14	Kbal Damrei**	64	14	Trapaeng Korng	66
15	Kor Dauntei**	*49	15	Sre Vean	82
16	Chambak**	*77	<i>Total</i>		<i>1,296</i>
<i>HHs in Affected</i>					
17	Trang**	*46	<i>villages</i>		<i>514</i>
18	Putrea**	*77			
19	Leak Tan	23			
20	Tanil**	*56			
21	Lnguem	98			
22	Srae Ken	158			
	Trapaeng				
23	Angkrong**	162			
<i>Total</i>		<i>2,298</i>			
<i>HHs in Affected</i>					
<i>villages</i>		<i>1081</i>			

* Indicates presence of IP; **Indicates affected villages

Source: Commune statistics 2009

Rice is the main crop that people farm and mainly it is for subsistence only. Paddy land in Sangke Satorb is about 1,300 ha, which is about 1 hectare per household on average. People possess smaller paddy in Trapaing Chour commune – a household on average possess only 0.8 hectares out of about 1,900 hectares of total paddy land in the commune. Characterised by less fertile soil, the paddy production yields about 1.2 tons per hectare on average in these two communes and many farmers could not even produce sufficient rice for their own consumption. They have to earn other incomes to secure their consumption including purchase of milled rice.

Besides paddy production, the major income sources for people in both communes are firewood harvest, charcoal production, and cash-crop farming. Firewood harvest is most prevalent among households. It is estimated⁷ that about 70 percent of the households in villages that are inside or adjacent to the forests depends on firewood harvest, compared to 40 percent of households in villages which locate some distance from the forests. Households that could not engage in this livelihood source are usually poor ones due to lack of labours (old-age and women) and capital (hand-tractor and draught animals). These people usually earn income from cash-crop farming, fishing, petty trading, small businesses, and labouring, and collection of non-forest products such as resin, mushroom, and vine.

Activities of firewood harvest in wet season are not as busy as in the dry season. More firewood harvest activities during the dry season (January-June) are due to two main reasons. Firstly, people are free from their farm activities and secondly the climate is drier, thus better condition of pathway into the forest.

Local people earn decent income from the forest. On average, a household engaged in firewood production harvest about 15 days per month between January and June, and about 8 days per months between July and December⁸. On average, one day is dedicated for a harvest of about one cube meter of firewood, which is about US\$ 11. Thus, a household can earn about US\$ 120

⁷ Interviews with district and commune authorities

⁸ Average estimation by district authorities, commune councils, village chiefs, and key informants

per month on average (US\$ 165 per month in the dry season and US\$ 77 per month in the wet season). Taking into account that about half of the households in both communes depend on firewood production, this suggests people benefit more than US\$ 2.5 million per year from firewood collection. In other word, the forest, through firewood, provides the total benefit of about US\$ 1.3 million per year to 70 percent of the households in villages inside and adjacent to the concession and that are affected by the concession granted to HLH Agriculture (Cambodia) Co., Ltd.

5.2. Profile of the Concession

HLH Agriculture (Cambodia) Co., Ltd. is a subsidiary of the HLH Group Limited in Singapore. Its vision is to become one of the largest and most trusted corn producers in Asia. HLH Agriculture (Cambodia) Co., Ltd. was granted a 70-year lease agreement of 9,985 hectares land concession by the RGC in March 2009⁹ for production of corn and other crops within the sustainable development zone of the Aoral wildlife sanctuary.

Interviews with the company representative and staff shows that 60 percent of the concession is cleared or about 5,000 hectares are covered by corn plantation by October 2010. The corn yields about six tons per hectare over four months' time; thus, three crops could be harvested per year. However, due to availability of water supply, most areas are possible only for two crops per year. This creates seasonal employment. While half of the land is currently exploited, about 350 daily workers are employed on the farm during high season employment between April and September and about 150 daily workers during the rest of the year. The volume of employment generated by the concession is expected to be double when the land is fully developed, which means the plantation will employ about 700 workers during high season and 300 workers during low season.

HLH's corn production is not quite a labour intensive one. Only one worker is needed for every 11-hectare corn production. This is because most of the

⁹ Environmental and social impact assessment of HLH Agriculture (Cambodia) Co., Ltd (Dec. 2009), by Green Consultancy Firm

plantation is performed by sophisticated machineries. For example, a grower (growing machine) could grow 25 hectares of corn per day and a harvester (harvesting machine) could harvest 80 hectares per day. The company estimates that production on 80 percent of its arable land could be performed by machineries while manpower is needed for other 20 percent. Besides, manpower is also hired to perform fertiliser application and weeding on the whole plantation as machinery performance is not possible. Man labour is paid at \$3 per day. This means daily workers in total may earn about US\$ 0.5 million per annum from labour work on the farm when the concession is fully developed. On the basis that local workers shares about 70 percent of the employed labour, it means about US\$ 0.35 million will be beneficial to local people.

To respond to the demand of corn in the region, the company needs 50,000 hectares of land. This means despite the corn production on the current concession size plus another 420 hectares that the company owns in Thpong district, Kampong Speu, much more corns are needed to supply the market. In supply the market demand, the company also purchases corns from smallholding farmers in other provinces but seems challenging with competitive market. The company managed to purchase about 800 tons of corns from smallholding farmers in 2008 due to then cheap price, but was able to purchase only about 100 tons in 2010 from smallholding farmers in Thpong district, which is nearby the company. Little purchase of corn in 2010 was said as due to high price of corn. This implies that corn market is very competitive.

5.3. Scale of Conflicts

The concession was granted in March 2009, the company started setting up its facilities since then and later started developing the land and demarcation in June 2009¹⁰ and there were protest from the local community people claiming that the concession overlap their lands. Following the community's reaction and with intervention from MoE, the Governor of Kampong Speu Province, and NGOs, a working group comprising competent provincial and district officials

¹⁰ Investigation report (May 2010) by NGO Forum on Cambodia

was established in July 2009 in order to study the impacts. As a result, the ESIA was commissioned and the ESIA report was done in December 2009.

The concession substantially affected both indigenous and non-indigenous people in 15 villages (10 in Trapaing Chour commune¹¹ and 5 in Sangke Satorb commune¹²). The total affected land is about 6,500 hectares¹³, which is approximately 65 percent of the granted ELC. The affected lands involve two Community Protected Areas: Trang-Chambak Community Protected Area (2,451 hectares) and Kor Dauntey-Tanil-Putrea Community Protected Area (3,082 hectares). Both Community Protected Areas were formally registered with approval from MoE since 18 September 2007¹⁴. Besides these two Community Protected Areas, the ELC also affected homestead lands, paddy lands, cash-crop lands, spirit forests, reserved lands, and pathways.

With strong protest from the community people and intervention from MoE and competent authorities, the concession was shifted. The shift left both Community Protected Areas and other lands no longer affected, but there remain overlapping with the community people's lands. Following the shift, the concession still affects about 400 households in 12 villages of Sangke Satorb and Trapaing Chour communes. The total affected area is nearly 800 hectares, including paddy and cash-crop lands, some homestead lands, and also spirit forests.

The concession also overlaps land possessed by outsiders, but no conflicts erupted. Reports from people and local authorities suggest that the granted concession also covers land possessed by people in Phnom Penh and Kampong Speu town that got hold of the lands through purchase during 2007-08. However, no conflicts with these possessors were taking root since their possession were said as illegal because the lands locate inside the Protected Areas and they possessed the lands only after the land law 2001.

¹¹ Kor Dauntey, Putrea, Tanil, Samroang, Leaktan, Kbal Damrei, Kraviek, and Chrakteak vilalges

¹² Dambang Venh, Kantuot, Chumnoib, Tadaes, and Kraing Pongro villages

¹³ Interviews with district authorities and community representatives

¹⁴ Approval of community protected areas in Trapaing Chour commune, Aoaral district (18 September 2007) by MoE's declaration

5.4. Source of Conflicts

During the demarcation of the ELC in June 2009, there was protest by more than 300 community people claiming the concession overlaps the community's lands. Such overlapping caused conflicts with the community people and is analysed to have caused by the following factors:

Site identification: the evidence clearly indicates that the granting of ELC was not properly studied and there was no proper consultation with local authorities held before the lease agreement. Interviews with key informants in the affected communes also confirmed that there were no public consultations to discuss the ELC granting. Although there is claim asserting that MoE ordered technical officials at the ministry level to cooperate with technical officials at the provincial and district levels to visit the proposed ELC site (ESIA report, Dec. 2009), the ELC clearly overlaps two Community Protected Areas that were formally registered with approval by the MoE. Furthermore, the ELC also overlap the existing villages. This suggests that the public consultation could have been neglected or improperly conducted.

- **Site assessment:** despite improper site identification, the overlap or conflict could still have been avoided if the ESIA was conducted to inform decision-making in relation to the granting of the ELC. However, while the ELC was granted in March 2009, the ESIA was only commissioned in July 2009, which is well after the lease agreement and following the outburst of protest from the community people.
- **Illegal encroachment:** interviews with local authorities and key informants illustrates that the conflict due to overlap of ELC over the people's lands also comes from encroachment committed by both local residents and immigrants. The encroachment was prominent during 2006-08. The encroachment is regarded as illegal for two reasons. On one hand, the encroached/settled area is inside the protected area, the encroachment/settlement was well after the effect of the land law 2001. For example, local authorities and key informants agreed that settlers in Krohamkor area (which is a satellite village of of Dambang Venh village

in Sangke Satorb commune) and in O'khsear area (a satellite village of Purmeas village in Trapaing Chour commune) are obviously illegal.

The illegal encroachment by the local villagers and immigrants are explained to have more or less driven by the following:

- economic opportunity: harvest of timber and firewood from the forest is major income source for local communities. This economic opportunity further expanded following the collapse of the Khmer Rouge in 1997.
- high price of land: the boom of global real estate market during 2006-08 led to busy land transaction in the areas with buyers from Kampong Speu and Phnom Penh. The demand from land market had respectively encouraged land encroachment.
- poverty and growing population: the encroachment of new land is also explained by landlessness and extended families.
- weak prohibition/control: it is illustrated by land encroachment is also explained by weak prohibition and law enforcement. With strict prohibition and law enforcement, land encroachment would somehow be limited.

**Family-scale production of corns
in Thpong District, Kampong Speu Province**

Mr. Sum Samphos is the head of a farming household engaging in corn production. He has a family of three members. Due to prohibition by the environmental authority, he could not clear his two hectare farmlands with machinery, thus chose to do it manually. He grew corns on the land and yielded about 6 tons in total. He sold all the corn outputs to the HLH Agriculture (Cambodia) Co., Ltd. at US\$ 138 per ton and got the total revenue of US\$ 830. Because he didn't prepared the land by ploughing and apply fertilisers on the farm, his total production cost was about US\$ 360. The incurred production costs include seeds, weeding, harvest, and crop transport. This suggests that the farmer earns gross profit of about US\$ 470. In other words, the corn production yields a gross profit margin of 57 percent, which is about US\$ 235 per hectare in four months' time of production period.

According to MAFF's statistic, the average yield of corn production is about 4 tons per hectare in 2009 (MAFF, April 2010). Furthermore, HLH Agriculture (Cambodia) Co., Ltd. reported that the average yield of its corn production is about 6 tons per hectare. This implies that there is potential for smallholder farmers to improve their corn production, though not necessarily increase the profit margin due to additional costs. The crop budget could not be obtained from HLH Agriculture (Cambodia) Co., Ltd. However, it is assumed that the average yield could increase to 6 tons per hectare at additional costs on land preparation, improved seeds, and fertilisers, a hectare of corn production would cost approximately US\$ 830. The increased cost of more intensive production lends itself to lower gross profit margin of only about 40 percent, but the gross profit in absolute term increases to about US\$ 335 per hectare.

Source: Field study (19 November 2010)

5.5. Conflict Solution

With reaction from the community, the ESIA was commissioned in July 2010. By accepting the fact of overlapping the community's lands, the company together with the government authorities tried to solve the problem peacefully with the community. The solutions have been as follow:

- **Concession shift:** because about 65 percent of the ELC covered the community's lands, the company agreed to shift the concession away from the overlapped areas while the government introduced other adjacent land to the company for compensation. The company thus still remains access to 9,985 hectares. Local authorities reported that more than 6,000 hectares of affected lands which include two Community Protected Areas, reserved lands and other lands were released. As a result, the ELC no longer overlap with community's lands in Kor Dauntey, Tanil, Putrea, Kbal Damrey, Leaktan, and Samroang.

The concession shift solved much of the problem but does not free the whole overlapping area. Some lands remains in conflicts and the shifted ELC also affected people's land in other communities. In order to solve the problem peacefully, a conflict resolution committee was established

at the district level, chaired by the Deputy District Governor with members from the district Office of Agriculture, the district Cadastral Office, commune councilors, and village chiefs. The solutions to the affected land are as follow:

- **Land exchange:** the shifted concession affects half of 400 hectares Community Protected Areas (Udom Sraepuos) in Purmeas village, Trapaing Chour commune. The affected half was granted to the company, but the MoE managed to offer 200 hectares on the other side so that the Community Protected Area remains 400 hectares.
- **Cash compensation:** The shifted concession is reported to still have affected six villages¹⁵ of Sangke Satorb commune and 6 villages¹⁶ of Trapaing Chour commune. It affects about 800 hectares of lands (over 400 hectares are paddy lands, more than 300 hectares are cash-crop lands, and some 50 hectares are homestead lands), which accounts for only about 8 percent of the total ELC size. In terms of number of households, the affected lands matter nearly 400 households (about 160 households in Sangke Satorb and nearly 250 households in Trapaing Chour). These affected households include both inhabitants (Khmer and Suoy indigenous minority) and illegal settlers who migrated from elsewhere in Cambodia after 2001. The affected Suoy indigenous minority shared about half of the total affected households and about 10 percent are illegal settlers.

Under coordination and facilitation by the resolution committee, the company agreed to compensate the affected lands in two types of cash payment. The land under lawful possession (possessed prior to the land law 2001 with recognition from local authority) is compensated at US\$230 per hectare while US\$130 per hectare is paid to illegal settlers who possessed the land only after the effect of the land law 2001. The latter option has led to resettlement of about 80 households. By the time of the field study (October 2010), more than 500 hectares have been

¹⁵ Dambang Venh, Kraing Pongror, Kantuot, Chumnoib, Tadaes, and Phsa Kantuot,

¹⁶ Chambak, Trang, Kraviek, Chrakteak, Purmeas, and Trapaing Angkrang

solved; the remaining 30 percent (about 230 hectares) locates in Trapaing Chour commune.

- **Co-existence:** the study found that there are also spirit forests overlapped by the shifted concession. The case was dealt by keeping the spirit forests inside the concession and allowing community people to have access to their tradition. Such case was referred to a case of two hectares of spirit forests of Suoy indigenous people in Chrakteak village.

To smooth the solution process with the affected households, villagers and key informants reported that the company announced that the company will provide benefits to the people through employment and promised to engage with farmers through contract farming that people could grow corns and sell them to the company. Under contract farming, besides providing free training to people on how to cultivate corns, the company will pre-supply the seeds and fertilisers to farmers while farmers are obliged to sell their corns and repay the cost of seeds and fertilisers to the company. However, the contract farming has never been in practice. On one hand, villagers find the company ignores its promise and on the other hand they are constrained by no land titles while clearing degraded forest for agricultural production is prohibited by the Law on Protected Areas unless there is approval from the RGC through request by MoE (Art.36).

However, implementing contract farming is viable if there is real will from the company pre-supply seeds, fertilisers, and techniques to farmers. Although farmers could not clear degraded forests in the Protected Area for agricultural production due to no land titles, the Law on Protected Area does not prohibit the issue of land titles by the competent government authority (Art. 11). It even indicates that granting additional land to local communities and indigenous people for cropping is possible if determined by the sub-decree (Art. 26).

5.6. Shortfalls

With the remaining conflict lands that are overlapped by shifted ELC, the company tries to solve the problems with the affected households. However, the solution lacks the following:

- Avoid conflicts by shifting the concession away from the community's lands was great solution, but cash compensation may yield negative impacts on livelihoods of the local communities, especially on food security due to loss of farmland. Rather than alienate the people from their lands through cash payment compensation, the solution should have been better if the deal could be managed in other better ways, especially for lawful possessors of lands. Simply providing the people a single solution option of cash payment means the access to private land is not really respected by the concessionaire. This indicates that the concessionaire does not follow the article 4 of the Sub-decree on ELCs. The company would still have access to more than 9,000 hectares of ELC even if the affected 800 hectares are deducted from the granted ELC. 800 hectares accounts for only 8 percent of the total granted ELC.
- While offering single solution option of cash payment to lawfully possessed land is not appropriate, the pay rate of \$230 per hectare of lawful affected lands is no-base offer. Villagers and key informants reported that US\$ 230 per hectare is so cheap compared to the market price of about US\$ 1,000 per hectare in 2008.

5.7. Conclusion

The evidence clearly indicates that the granting the ELC in Aoral district to HLH Agriculture (Cambodia) Co., Ltd for corn plantation did not comply with the procedure guided by the Sub-decree on ELCs. Nevertheless, it is of appreciation for the RGC's effort in coordination with the company trying to solve the conflict peacefully by shifting the concession away from the people's lands. However, the company's position to solve the problem through paying compensation in cash to the affected people is violating the people's access to private lands as protected by article 4 of the Sub-decree on ELCs. The violation is more pronounced when the pay rate is no-base and far below the market

price. While the affected land of about 800 hectares matter lives in hundreds of households, deduction of the affected land from the concession should have done no harm to the company given its small share in relation to the total concession size.

The ELC seems yield negative impacts on the affected households. Because the affected lands have been sorted out by cash payment, the affected households lost their lands and thus their income and food security will be threatened due to loss of paddy lands, other cash-crop lands as well as homestead lands. However, the opportunity for local communities to benefit from the ELC is promising through implementing contract farming for corn production with local farmers although there are some constraints. While the government should be able to work out the land tittles for local villagers in accordance with the Land Law 2001 and the Law on Protected Area, the company should at no constraints implement the contract farm scheme if taking into account its social responsibility and regional demand for corn.

CHAPTER VI: HORIZON AGRICULTURE DEVELOPMENT CO., LTD. - RUBBER PLANTATION IN KRATIE PROVINCE

6.1. Overview of the Locality

Kratie province locates in the northeast part of Cambodia and is one of the least populated provinces in the country¹⁷ (29 persons per km²). This suggests that the province is characterised by land abundance and thus it become one of the destination for ELC investment. According the statistic obtained from the provincial authorities, in total 51 ELCs(as of April 2010) were granted to companies extending on the total area of about 255,000 hectares¹⁸. Of these ELCs, 33 are large-scale ones with more than 1,000 hectares in size per ELC, which in total cover about 240,000 hectares¹⁹.

Snuol is a district of Kratie province with 9,217 households of residents. The district comprises five communes. In total, there are 20 ELCs in the district that were granted to private companies covering on the total area of about 85,000 hectares. Of these 20 ELCs, 11 are large-scale ones, each of which is over 1,000 hectares. All these large-scale ELCs cover on about 77,500 hectares, but 9ELCs locate inside the Snuol Wildlife Sanctuary and were granted by the MoE, extending on about 60,000 hectares in total. Other three were granted by MAFF, one of which is the Growest Building Trading Co., Ltd. granted in July 2008, and which is now renamed as Horizon Agriculture Development Co., Ltd. The location of the company is within the administration boundaries of Sraechar, Snuol, and Khsoem communes.

¹⁷ NIS (2009), General Population Census 2008

¹⁸ Statistics from provincial authority, dated 12 August 2010

¹⁹ Provincial statistics, dated 12 January 2010

Table 6.1. Population statistics in Snuol and Sraechar communes

Snuol Commune				Sraechar Commune			
No	Villages	# HHs	Population	No	Villages	# HHs	Population
1	Krong*	402	2,149	1	Rohar	571	2,671
2	Praek Kdei	304	1,307	2	Kbal Trach	339	1,517
3	Kat Dai	289	1,451	3	Mean Chey	1,140	5,337
4	Snoul Keut	219	1,129	4	Meak Kandal	472	2,871
5	Snoul Lech	205	1,119	5	Treak Village	369	1,709
6	Thpong*	330	1,669	6	Saat	682	3,138
7	Kbal Snoul	1,269	5,823				
Total		3,018	14,647	Total		3,573	17,243

* Villages affected by the ELC

Source: Commune statistics 2009

Snuol commune comprises seven administrative villages, some of which consist of more satellite villages. The commune is home to 14,647 residents of 3,018 households. The main indigenous ethnic in the locality is Stieng. These indigenous people are residing in four villages²⁰ and share about 20 percent of the commune's households. Particularly, 70 percent and 30 percent respectively of households in Krong and Thpong villages (two villages are affected by the investment of the Horizon Agriculture Development Co., Ltd.) are indigenous Stieng. With huge influx of immigrants from other parts of Cambodia during 2005-07, the proportion of migrant households since 1998 is estimated to share about 35% of the commune's total households²¹.

Sraechar commune, on the other hand, comprises six administrative villages with twenty satellite villages. In total, there are 3,645 households that are home to 16,735 people. Of these people, it is estimated that nearly half of them are indigenous Stieng²². The composition of the population in the commune is very much characterised by immigrants. The commune authority asserts that the inflow of migration to the commune has been obvious since 2000, but majority of them arrive during 2005-07. Overall, the commune councils reported that immigrant households account for nearly 50 percent of the commune's total households.

²⁰ Thpong, Krong, Kbal Snuol, and Praek Kdei vilalges

²¹ Interviews with commune councils and key informants in Snuol commune

²² Interviews with commune councils in Sraechar commune

Cash-crop farming is the major income source for large majority of households in both communes while rice production appears second important source. Besides, the people also depend their livelihoods on forest products and non-forest products which include wildlife hunting to serve their subsistent consumption.

6.2. Profile of the Concession

Horizon Agriculture Development Co., Ltd. is a Korean company, which formally received the grant of an ELC in Snuol district from the RGC in July 2008. The company proposed the concession on 14,151 hectares, but was granted 9,996 hectares following the evaluation conducted by a working group comprising competent officials from both national and provincial levels.

The implementation of the ELC was delayed and slow though started recently. The concession was granted since July 2008, but the development activities only started in 2009. Excuses to the delay were referred to the impact of the global economic downturn and other obligation with the RGC²³. The company managed to clear the land and plant rubber on 550 hectares in 2010, which is only approximately 5.5 percent of the total ELC compared to its plan to develop 1,996 hectares or 20 percent in the first year. At this scale of development, 150 daily workers are employed and about one third (or 50) workers are ones from nearby local villages. Others are migrant workers. On daily basis, a worker is paid about US\$ 3.75 (15,000 riels) per working day. The local people also benefit from rehabilitation of road connecting to the concession.

6.3. Assessment of Proposed Site

Late December 2007, a working group comprising 6 members from ministry level and 16 members from Kratie provincial working group was formed and tasked to conduct the ESIA of the 14,151 hectares ELC site proposed by the

²³ Interviews with the company representatives

then Growest Building Trading Co., Ltd. The assessment lasted from 28 December 2007 to 2 January 2008 and was studying three main areas: i) types of soil; ii) impact on people living inside and nearby the ELC proposed site; and iii) evaluation of forestry resources. Based on the assessment report that was complete on 14 January 2008, the results of the impact on the people are as follow:

Sraechar commune

The proposed ELC site affects both the people's lands and the commune's reserved lands in Sraechar commune. In total, the affected lands are 2,444 hectares, which is about 17 percent of the proposed site.

- The people's affected lands involve 403 households in six villages²⁴, which is about 1,634 hectares in total. 1,322 hectares of these affected lands are cash-crop lands, which is about 80 percent. Other 300 hectares are paddy land, which is about 18% of the affected land in the commune. The rest 12 hectares are residential lands.
- As reported by the commune chief in the meeting to discuss the assessment result²⁵, The proposed concession site overlapped 810 hectares of the reserved lands, which includes 210 hectares of social land concession in Anhchanh village, 100 hectares of eco-tourism site in Spean Taprum, and 500 hectares of the community forest in Steap.

Snuol commune

Similar to Sraechar commune, the proposed ELC site affected both the people's lands and the commune's reserved lands. In total, 6,956 hectares were affected.

- 2,024 hectares of the people's lands are affected that involve 369 households in three villages²⁶. 1,974 hectares of these lands possessed

²⁴ Ota-nhien, Tongtaek, Chipé, Anhchanh, Sraethom, and Triek.

²⁵ Minutes of the discussion meeting (5 January 2008)

²⁶ Thpong, Krong, and Krasaing villages

by 321 households in Krong and Thpong villages²⁷ and other 50 hectares are under claimed possession of 48 households in Krasaing village. By its use, most of these people's lands are cash-crop lands (about 94 percent or 1,911 hectares) and the rest are paddy lands.

- Based on reports from the commune chief in the meeting discussing the assessment result on 5 January 2008²⁸, the commune's reserved lands that are overlapped by the proposed ELC site on the total area of 4,932 hectares, which include 2,000 hectares of social concession lands and 2,932 hectares that was reserved for the community forest.

Unlike Sraechar commune, only 50 hectares of the affected lands possessed by 48 households in Krasaing village are considered as lawful possession by the assessment working group, thus were removed from the proposed ELC site. Other 1,974 hectares were regarded as illegally encroached lands that involved 321 households from Thpong and Krong villages. As a result, the assessment working group suggested the lands be eligible for granting the ELC and be subject to compensation policy by the company²⁹. As reflected by the commune councils, there were land encroachment, but the decision by the assessment working group was too simplest to conclude that all affected lands were illegally encroached. The rationale was based on judgement referring that land possession by affected people in both villages is too large (20 hectares per household), which was a miscalculation³⁰.

With regard to the commune's reserved lands that were overlapped by the proposed ELC site, only 500 hectares of the reserved social land concession were deducted. The rest were subject to ELC granting.

²⁷ 154 in Krong and 167 in Thpong

²⁸ Minutes of the discussion meeting (5 January 2008)

²⁹ Assessment report of the proposed ELC (January 2008)

³⁰ Ibid

6.4. Scale of Conflicts

Instead of the proposed site of 14,151 ha, only 8,525 hectares was eligible for granting as ELC based on the result of the site assessment. However, with other 1,471 hectares later requested in June 2008, MAFF granted the ELC to the company in July 2008 on the total size of 9,996 hectares. Within this ELC size, the scale of conflicts with the local people is as follow:

- The affect of the concession concentrates in Snuol commune. 1,974 hectares of lands possessed by 321 households in Thpong and Krong villages are overlapped by the ELC. The affected lands accounts for about 20 percent of the total ELC size. However, there is disagreement between the RGC and the affected people. The RGC regards all of these lands as illegally encroached by the local people and the immigrants after the effect of the land law 2001, but the people claimed they worked on the lands way before the land law 2001 became effective. Of the affected lands, 94 percent are cash-crop lands and the rest are paddy lands.
- The scale of land conflict keeps increasing over time. From the assessment result, the affected lands involve 167 households in Thpong village and 154 households in Krong village, but the commune council and key informants during the fieldwork of this study reported that the affected households increase to more than 500 involving about 4,000 hectares of lands, which is about 40 percent of the ELC. These lands are mainly covered by rubber plantation, cassava, and cashew nut trees. It is reported that the encroachment expands in areas of fertile soils while the company delayed its development.
- The concession also overlaps only the reserved lands in Snuol commune, particularly the reserved social land concession under Communal Land Use Plan (CLUP) supported by DANIDA and 2,932 hectares reserved for the community forest. But only 500 hectares are kept for community forest while the rest were granted to the company. This means 4,432 hectares of the reserved lands in Snuol in particularly was lost into the concession.

6.5. Source of Conflicts

According to the existing documents and interviews with relevant stakeholders obviously confirm that the site assessment was conducted before the granting of the ELC and the granting of the ELC was based on the result and suggestion of the assessment. However, there remained conflict between the ELC Company and the local people. The analysis shows that the conflicts were due to the followings:

- Poor assessment quality: the conflict is mainly between the company and the illegally encroached lands that were judged by the assessment working group, which involve 1,974 hectares. However, the judgement is not credible. As explained in section 6.3 of this chapter, the working group simply judged all the affected lands in Sraechar commune as lawfully possessed based on low average possession of 4 hectares per household, which is somehow misleading. Such unsound judgement is echoed by the commune councils' report confirming nearly 50% of the commune's residents are immigrants, especially with huge influx during 2005-07. Similar judgement was also observed in the case of Snuol commune. The affected lands in the commune were simply rejected due to high average possession of about 20 hectares per household, which was misled by miscalculation.
- The inconsistency between decision of the competent authorities and the legal document is attributed to the conflict. The evidence from the field visit in the conflicted area prove that the age of the cashew nut trees in the people's plantation is between 5-10 years old while the rubber trees are mostly 4-5 years old. These indicate that the lands have been used by the people way before the granting of the ELC. Given such facts, the company should have no rights to withdraw the land possession from the people if adhere to the ELC lease agreement. Article 1 of the lease agreement states that "... and lands that are being used for family agricultural production must be deducted from the granted ELC or the company can cooperate with farmers to do joint evelopment/production on the land if mutually agreed." This means compensation by cash payment is not an applicable measure to deal with the conflict. By what is meant in the lease agreement, people's lands with crops should have been deducted from the proposed site of the ELC regardless they are

lawful or not. On the other hand, there should be no conflict if the company has no attempt to take hold of the people's lands.

- Encroachment by the people is inseparable to have been attributed to conflict. According to interviews with local authorities and key informants, the participants in the conflict are mostly immigrant households. Reports by local key informants suggest that more than half of the total households in Thpong village are immigrant compared to about 30 percent in Krong village. And among 321 households officially regarded as affected households in both villages, about 70 percent are referred to as immigrant households and the rest 30 percent are local residents. The proportion of immigrant households shares larger in Thpong village. Of all affected households in Thpong village, about 90 percent are immigrant households. In Krong, about 45 percent of the affected households are immigrants. All these suggest that the encroachment must have contributed to the conflict.

However, whether the encroachment has been illegal is complicated by non-existence of firm legitimacy proofs due to weak governance. While people claim themselves as lawful possessors, they don't have land titles. Furthermore, while accusing immigrants as illegal settlers, the authorities do not have proper records to show the background of each family. On the other hand, the granted ELC was not registered as state private land yet. The ELC was granted in July 2008, but the order from the Director General of Cadastral and Geography to the Provincial Department of Land Planning, Urbanisation, Construction, and Cadastral was only issued in September 2008³¹ asking the provincial authority to work out the registration of the ELC as state private land. Despite so, the registration of the ELC as state private land had not been done till August 2009 according to a letter³² issued by the Provincial Department of Land Planning, Urbanisation, Construction, and Cadastral in Kratie addressed to then Growest Building Trading Co., Ltd.

- Understanding encroachment as a source of conflict is more obvious, especially with the expansion of conflicted lands in the last two years. By the time of the study (October 2010), which is about 2 years

³¹ Letter #216, issued by General Department of Cadastral and Geography, dated 5 September 2008

³² Letter #342, issued by the Provincial Department of Land Planning, Urbanisation, Construction, and Cadastral in Kratie, dated 11 August 2009

following the ELC lease agreement, the number of households involved with plantation inside the concession has doubled, which is now reported to be about 4,000 hectares. The escalated conflict is said to have partly explained by delayed and slow development of the ELC.

6.6. Conflict Solution

The conflict between the people and the company erupted since 2008 when the company started demarcating its ELC upon the approval from the RGC. The conflict became more obvious early 2010 and remains unresolved till late 2010 despite coordination and facilitation from the national and provincial governments. In trying to solve the problem peacefully, two meetings were held between the affected households and the company under facilitation from the provincial working group.

Only compensation in cash payment was offered by the company, but seems impossible. People seem to have strong consent among themselves and they are not likely to accept any pay rate within will of the company. In conflict negotiation, the company regarded the affected lands under its possession thus offered to purchase perennial crops on the lands. For the case of rubber, the company agreed to pay between US\$ 3,000 and US\$ 6,000 per hectare. In the case of cashew nut, the company offered between US\$ 1,500 and US\$ 3,000 per hectare. These offers were not considered by the affected people. On one hand the people find it cheap. On the other hand they find accepting cash payment won't help their livelihoods better in the long-run³³.

The people do not trust the coordination by the resolution committee. When resolution committee tries to facilitate the conflict negotiation and explain the rationale, the people said they have no will to accept the explanation since they feel the committee may have been hired by the company and thus just work in favour for the company's interests.

The conflict is alleged to have been complicated by hidden players and political forces. Reports from all sources during the interviews suggest that the affected

³³ Interviews with groups of affected villagers

lands have had association with some powerful and rich people in Phnom Penh. It is reported that some powerful and rich people in Phnom Penh possess hundreds of hectares of rubber plantation inside the ELC, but none of them are visible as land possessors in this conflicts as their lands are divided into small plots of 5-10 hectares and represented by their followers as proxy possessors. On the other hand, it was reported that local politics also play a role. While party with minority seats³⁴ in the commune council hints its favour to the affected people with expectation to gain their support in the next commune/sangkat councilor election, the party of majority seats³⁵ also tries to protect the affected people who are in conflict with the ELC company although they realise that some of these affected people are wrong – illegally encroached the land.

Solution to the conflict seems possible if parties of conflict are better coordinated. The company expresses frustration with prolonged conflict with people, especially with ongoing expansion of encroachment. The company is thus considering requesting the government to amend the contract so that the company is obliged to only about 6,000 hectares rather than 9,996 hectares³⁶. The people on the other hand express their will to fulfill rental and tax obligation for the state like the company does, but ask the government to issue them land titles. Moreover, the people also express their will to cooperate with the company through obligation to sell the latex and other produces to the company at some reasonable price.

6.7. Shortfalls

There were limited options developed to solve the problem; thus, agreement between parties of conflicts could not be reached despite conflict reconciliation effort. The people seem have incentive to consider cash payment even at a bit over the market rate. They are much more in favour for the coming benefit from their rubber plantation while the company only offered to pay for the costs of developing the land and crops.

³⁴ Sam Raingsy Party

³⁵ Cambodian People's Party

³⁶ Interviews with the company

Absence of credible third party undermines the resolution effort. In attempt to solve the conflict, the working group that is led by the deputy provincial governor was established with members from provincial, district, and commune levels. However, the community people expressed their concerns over the facilitation by the working group. People expressed doubt that the working group would have worked in favour for the company since they are financed by the company to undertake the job. Therefore, if not complicated by hidden players, the presence of the third party like NGOs and donors that are credible to the people may help build confidence among affected people, thus help facilitate negotiation process.

6.8. Conclusion

The findings reveal that although there was assessment of the proposed site before granting the ELC to the company, there remained conflicts between the community people and the ELC Company due to poor assessment quality and the inconsistency between the decision of the competent authorities and the ELC lease agreement. The latter is obvious by the contradiction between the decision of the competent authorities to reject the legitimacy of the affected lands and the article 1 of the lease agreement stating that “... and lands that are being used for family agricultural production must be deducted from the granted ELC or the company can cooperate with farmers to do joint development/production on the land if mutually agreed.” This means the people’s lands that have been used for cropping should have been deducted from the proposed site of the ELC regardless they are lawfully possessed or not.

CHAPTER VII: SYNTHESIS, CONCLUSION AND WAY FORWARD

7.1. Scale and Source of Conflicts

The evidence from all four case studies suggests that the ELCs in common overlap the community's lands which include the farmland, homestead land, and cultural lands. Such overlap leads to conflicts between the company and the community people. In all cases, the communities of indigenous people are always part of the conflict.

The indigenous ethnics are generally vulnerable to dispute with the ELC companies due to their custom and conventional land use. Culturally, the indigenous people settle in more remote areas which are land-abundant in nature and much dependent on common pool resources such as forests for subsistence livelihoods. Such land-abundant and degraded forest areas have lately become subject and target for large-scale agricultural investment. Furthermore, their vulnerability also comes from their conventional land use. The traditional practice of slash-and-burn agriculture by shifting from one place to another and only return in years illustrates the fact that the people's lands are freely disbursed in a scattered mode all over the place. Therefore, local people's lands are inevitably overlapped by the concession and can't be trouble-free.

Despite inevitable conflict, the scale of overlap between the ELCs and the local people's lands appears negligible in some cases and should be dispensable by the concessionaire. In general, the proportion of the local resident that got affected by the concession accounts for about 10-15 percent to the total concession size. This should be very insignificant to investor, for example, if 800 hectares (which is 8 percent) is deducted, the HLH Agriculture (Cambodia) Co., Ltd. could still access to more than 9,000 hectares out of its 9,985 hectares for 70 years. However, the 800 hectares matters the lives in hundreds of poor households for now and over the long-run.

In all cases, the conflicts come from a few main sources including incompliance with existing legal frameworks such as the Sub-decree on ELCs, the ELC lease agreement, poor assessment quality, and encroachment by the people.

The study reveals that the practice of granting ELCs to private companies do not necessarily adheres to the Sub-decree on ELCs. The case studies shows that public consultations with territorial authorities and the local residents were neglected in all cases covered by this study, and except the case of Horizon Agriculture Development Co., Ltd., there were no ESIA conducted before granting the ELC. The ESIA was apparently commissioned only after the approval of ELC in the cases of HLH Agriculture (Cambodia) Co., Ltd. and SOCFIN-KCD (Vanarasy) while there is no clue that the ESIA has been conducted in the case of Dak Lak Company.

The conflict between the ELC Company and the community people is also attributed to poor quality assessment and inconsistency between the decision by the competent authorities and the lease agreement. From all case studies, only the case of Horizon Agriculture Development Co., Ltd that the site assessment was conducted before the approval of ELC. However, the assessment was of poor quality and the decision of the assessment working group as well as the competent authorities was not consistent with the provision in the lease agreement. While the agreement states “... and lands that are being used for family agricultural production must be deducted from the granted ELC,” it should not have been conflict if the people’s lands that have been used for cropping were deducted from the proposed ELC site during the assessment.

Usually the company breaches the provision of the lease agreement. Such breach has in all cases led to controversial position between the company and the local community people. For instance, in the lease agreement, it seems the RGC consistently protect the interests of the local people by not allowing the company to get hold of the lands that are lawfully possessed by the people and lands that are under family agricultural production and encouraging joint land development between the people and the company if mutually agreed. However, in practice the people’s lands that are both lawfully possessed or under cropping are subject to compensation by cash payment offered by the company.

The land encroachment by local residents and immigrants has also been one of the factors explaining the conflict with the ELC companies. The land encroachment could have encouraged by high price of lands and agricultural products, and poverty and growing population. The encroachment is obvious in cases of Horizontal Agriculture Development Co., Ltd. (in Kratie) and HLH Agriculture (Cambodia) Co., Ltd. (in Kampong Speu). However, the judgement whether encroachment is illegal seems complicated due to no land titles were issued in the past and the registration of land as state private land has been lagged behind.

7.2. Conflict Solution and Impacts

In all cases, the companies got to realise and accept the overlap of their concessions over the people's lands and in most cases, the realisation came only following reaction from the community. Nevertheless, in all cases the efforts were coordinated by the government authorities to solve the conflicts and the outcome of the conflict solution can be described in two main scenarios that are likely to yield dissimilar impacts on the livelihoods of the local people.

The suggestion of the RGC in the lease agreement deems win-win solution between the local people and the investors. This is reflected by the scenario of solution outcome that the affected famers are not alienated from their lands. From the case studies, Dak Lak Company is one implementing the article 1 of the lease contract by offering partnership with the affected villagers through 'cooperation farm' model. The model does not require the farmers to invest their own capitals at the present, except sacrificing half of their lands to the company, while the company is responsible for the financing and developing the plantation. Although farmers are bound by debt obligation in relation to the company, the cost-benefit analysis suggests they will enjoy prosperity together with company in the long-run through immense benefits to be generated by their cooperation farms. In the case of ELC granted to Horizon Agriculture Development Co., Ltd., the local people also stand to enjoy wealthy livelihoods in the foreseeable future if the ELC companies adhere to the lease agreement by freeing their crop lands that are overlapped by the ELC. In contrast, lives in

hundreds of households will be worse off if the company violates the lease contract without proper enforcement.

The local livelihood is weakening declining in another scenario of solution outcome where the affected farmers are alienated from their lands. Such scenario of solution outcome was due to breach of the lease contract committed by the company and is well reflected by the case of HLH Agriculture (Cambodia) Co., Ltd. and the SOCFIN-KCD. While the granting of ELCs to both companies was not compliant with the Sub-decree on ELCs, the affected people were not respected and treated as obliged by the lease contract. In the case of HLH Agriculture (Cambodia) Co., Ltd., the affected people were offered single option of cash payment. Such solution option does not respect access to private lands and discredits the RGC. According to the provision in the lease agreement, cash payment is not at all an appropriate solution option with affected lands that have been lawfully possessed or cropped.

The local livelihood is threatened in the cases where the affected are alienated from their lands because land is the main asset of the rural households in an agrarian society. Losing lands means the rural household loses their own food production and thus threatens their food security. Furthermore, their livelihood is threatened by the loss of grazing fields for their animals. Loss of forests also yields great negative impacts on their livelihoods given their dependence on forest products and NTFP for subsistent livelihoods.

7.3. Conclusion and Way Forward

The case studies reveal that granting ELCs hardly avoid overlapping the local community people's lands given their scattered land use in vast areas, but is not necessarily bad for the local livelihood if the ELC implementation adheres to the existing legal framework. The study shows that the implementation of ELCs provides both positive and negative impacts on the local livelihoods. Both impacts are depending on how the affected community people are treated by the ELC companies. The positive impacts are very promising in cases where the companies comply with their obligation stated in the lease contract, especially in relation to solving the problems with the affected community people. In the cases where the company adheres to its contractual obligation in solving the

land conflicts, the community people stand to see their livelihoods prosper together with the ELC companies. In opposite, the livelihood of the local community people is deteriorating if the RGC's will to protect the people is discredited by the companies without proper enforcement.

The case studies suggest that the people's access to land can be guaranteed and their benefits from the ELCs can be a lot if the ELCs are implemented in accordance with existing legal frameworks. The evidence from the case studies indicates that a good model of ELCs is one does not alienate the affected people from their lands by working in partnership with farmers, for instance, the farm-investor relationship through "cooperation farm" model implemented by Dak Lak Rubber Company and through "family rubber" implemented by SOCFIN-KCD Company. In the case of Horizon Agriculture Development Co., Ltd., the affected farmers are also entitled to improved livelihoods if the company releases the lands that are being cultivated or lawfully possessed by the villagers as stated in the ELC lease agreement. In other circumstance, the livelihoods of the local villagers are weakening if the farmers were compensated with cash payment for their affected lands as in the cases of HLH Agriculture (Cambodia) Co., Ltd. and the SOCFIN-KCD Company.

The evidence confirms that the existing legal framework for ELC granting and implementation (Sub-decree on ELCs and ELC lease contract) should do no harm to the local people, but the implication rests with the enforcement of the legal framework itself. Therefore, in order for the local community people to co-exist in the locality and meanwhile benefit from the ELCs, it requires the following:

1. The granting of ELCs must adhere to the existing legal framework including the Sub-decree on ELCs, the ELC lease contract, and other legal documents. Proper compliance with the legal framework site identification and ESIA will at best minimise the extent of overlapping with the people's lands, if not completely be avoided. This will enable local people to retain their lands and pursue their livelihood as usual.
2. In case the ELC inevitably overlaps the community's lands due to the people's scattered land use in land-abundant areas, current provision in

the ELC lease agreement orders the company to deduct the people's lands that are legally possessed or under family-scale cropping from the granted ELCs. This means local people can still use their lands inside the ELC, but none of the studied ELC cases implement so. However, such provision would cause inconvenience for both farmers and the company if implemented. The company would be difficult to manage its farm as the villagers' farms are scattered all over the place inside the ELC. The villagers on the other would be difficult to access and manage their lands too as the company would impose some restriction on access and land use. Therefore, reallocation of the community's lands to be concentrated in parts of the ELC with appropriate soil quality and which are close to their villages should address a win-win situation for the affected people and the company. For this reason, the company must allocated part of the ELC as reserved land for this reallocation purpose.

Because the concessionaire is offered considerable preferential treatment from the including no-cost access to ELC, cheap rental fees, and long-term contract, the company, in some return, should be required to offer the following two options in the reallocation measure and the affected people are entitled to freely choose either one of them:

- i. Full Reallocation: In this option, the people are entitled to get the same size of their affected lands in the reallocation areas that are near to their villages. Moreover, the people will decide with regard to the land use at their choice, for example, what crop to grow.
- ii. Farmer-Investor Partnership: This is possible through implementing "cooperation farm" scheme like the one pioneered by Dak Lak Company. In this option, the local people are required to give up half of the affected land to the company and get other half as their possession in reallocation areas that are near to their villages. Also, the option obliges the company to finance and develop the people's half lands into plantation of the same crop grown in the ELC. The company also agrees to buy the farm outputs at a pre-determined floating price like the case in Dak Lak Company. For example, Dak Lak agrees to buy the rubber latex at 80 percent of the FOB price in

Bangkok. This mode of partnership is not unpromising since it has been suggested by the RGC in its ELC lease contract with the companies and also been implemented by Dak Lak Rubber Company in Mondulkiri.

Compensation in cash payment is not an ideal option for the affected people and should be prohibited. This is because the Sub-decree on ELCs protects the land holders by stating that “access to private land shall be respected and there will not be involuntary resettlement by lawful land possessors” (Art. 4 of Sub-decree on ELCs). Moreover, in the ELC lease agreement with the company, the RGC also protects the interest of the local people by stating that “the lands that are lawfully possessed and lands that are being used for family agricultural production must be deducted from the granted ELC or the company can cooperate with farmers to do joint development/production on the land if mutually agreed. In this regard, offering cash payment as solution for the land conflicts is contradictory to the lease agreement and thus should be prohibited.

3. While adhering to the existing legal framework for ELC granting is necessary to avoid or minimise the extent of overlapping with the people’s lands, quality of the ESIA is critically important to it. Poor ESIA would come up with wrong findings that would have implication on decision making and land conflict as evidenced by the case in Snuol district (Kampong Cham province). As such, credible ESIA must be conducted by independent and credible institutions.
4. The involvement of independent and credible third party (such as NGOs, donor agencies, or individuals) in ELC granting and implementing processes is needed. On one hand, the third party can assist the local people through: i) providing consultation or information that is worth for their decision making; and ii) protecting the local people from foreseeable deceit in the deal with the company such as improper measurement of affected lands and tricky/disguised terms and conditions in the agreement. On the other hand, the third party could play significant role to mediate parties of the conflicts – affected people

and the company. Where there is conflict, the government should ideally undertake the role to mediate parties of the conflict. However, in some circumstances, the affected people expressed suspicion on independence of the government institutions/representatives, thus they opt for extreme position and simply reject the deal though appears fair to them. In such cases, the third party should come in and fill in the gap.

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ANNEXES

Annex 1.1. List of Large-scale ELCs in Mondulkiri Province

No.	Company Name	Crop	Size (Ha)	Location	Status
1	MUHIBBAH MASTERON CAMBODIA JV co.,Ltd	Jatropha	7,800	Keo Seima	Active
2	Agro-Forestry Research	Rubber	7,000	Keo Seima	N/A
3	Sienglong Greenland Investment	Rubber	7,000	Keo Seima	N/A
4	Land Developing	Rubber	7,000	Keo Seima	N/A
5	Rithy Kiri Seima**	Rubber	5,000	Keo Seima	Not active
6	Mondol Agri-Resource Co.,Ltd	Rubber	9,100	Koh Nhek	Not active
7	UniGreen Resource Co.,Ltd	Rubber	8,000	Koh Nhek	Active
8	Kovy Phama	Rubber	5,345	Pichreada	Active
9	DakLak	Rubber	5,108	Pichreada	Active
10	Seithey Kola**	Rubber	4,273	Pichreada	Active
11	D.C.T	Rubber	4,000	Pichreada	Active
12	Heng Heang Siv Chanthou	Rubber	4,000	Pichreada	Not active
13	Varanasy (Khouv Jili)	Rubber	2,705	Pichreada	Active
14	WUZHISHAN	Pine Tree	10,000	Sen Monorom and Oraing	Active
15	Huo Ling	Pine Tree	8,400	Sen Monorom and Oraing	Active
	Total		94,731		

Source: Provincial authorities in Mondulkiri province (as of 12 July 2010)

Annex 1.2. List of Large-scale ELCs in Kratie Province

No.	Company Name	Crop	Size (Ha)	Location	Status
1	Muhibbah Engineering	Rubber	7,800	ChetrBorey	Active
2	Tong Ming Group	Acacia, Tectona	7,465	ChetrBorey	Active
3	Dautu Saigon Binhphouc	Rubber	6,436	ChetrBorey	Active
4	Kasotim	Rubber	15,165	Chloang and Snoul	Active
5	C.H.B.P Development	Rubber	6,686	Prek Prasap and Sambor	Active
6	Kama Deno Venture	Sugarcane	7,635	Sambo	Active
7	Asia World Agriculture Development	Tectona	10,000	Sambor	Active
8	Green Island Agriculture Development	Tectona	9,583	Sambor	Active
9	Great Wonder Agricultural Development	Tectona	9,231	Sambor	N/A
10	Plantation Agriculture Development	Tectona	9,214	Sambor	Not active
11	Chhun Hong Rubber Better	Rubber	8,202	Sambor	Active
12	Megasta Produce Import&Export	Rubber	8,000	Sambor	Not active
13	Megasta Investment	Rubber	8,000	Sambor	Not active
14	Global Agriculture Development	Tectona	7,368	Sambor	Active
15	Crops and Land Development Cambodia	Rubber and Tectona	7,200	Sambor	N/A
16	Agri-Industrial Group	Rubber	7,000	Sambor	Active
17	C&V Group	Rubber, Tectona	7,000	Sambor	Active
18	Cemtral First Co.,Ltd.	Rubber, Jatropha	7,000	Sambor	Not active
19	China Dynamic Investment	Agri-industry crops	6,600	Sambor	Active

20	Great Asset Agriculture Development	Tectona, Others	2,528	Sambor	Active
21	Dong Nay	Rubber	2,502	Sambor	Active
22	Dong Phou	Rubber	2,349	Sambor	Active
23	Growest Building Trading	Rubber	9,996	Snuol	Active
24	Memot Rubber Plantation	Rubber	9,855	Snuol	N/A
25	T.T.Y	Rubber	9,780	Snuol	Active
26	Sovanm Vuthy Co.,Ltd	Agri-industry crops	7,251	Snuol	N/A
27	Sovann Reachsey	Rubber, Aloe Wood	6,525	Snuol	N/A
28	E-Investment (Cambodia) Ltd	Agri-industry crops	6,450	Snuol	N/A
29	Phou Reang	Rubber	6,436	Snuol	Active
30	Hout Sambath	Rubber	6,432	Snuol	N/A
31	PDA	Rubber, Tectona, Casava	5,256	Snuol	Active
32	Vietnam Kampuchea Economy	Rubber	5,059	Snuol	N/A
33	Trach Nhiem Hu Han Dov Ty	Rubber, Aloe Wood	4,468	Snuol	N/A
	Total		240,472		

Source: Provincial authorities in Kratie province (as of 12 April 2010)

Annex 1.3. List of Small-scale ELCs in Kratie Province

No.	Company Name	Crop	Size (Ha)	Location	Status
1	T Vin Cambodia Ltd	Rubber	768	ChetrBorey	N/A
2	P.S.Y Co.,Ltd	Rubber	680	ChetrBorey	N/A
3	Co K S Lin Limited	Rubber	671	ChetrBorey	N/A
4	Hamony Plantation	Rubber, Tectona	623	ChetrBorey	Active
5	Gho Methon	Rubber, Tectona	952	ChetrBorey	N/A
6	Mekong A.C Development	Rubber	760	ChetrBorey	Not active
7	Sun Kuy Ty	Rubber, Tectona	999	Sambor	Active
8	Kratie City Power	Rubber, Tectona	800	Sambor	Active
9	Sil Development	Rubber, Tectona	1,000	Sambor	Active
10	Hay Yong	Rubber	710	Snoul	Active
11	JPE Co.,Ltd	Rubber	678	Snoul	Active
12	Heng Heng Sambat	Rubber	609	Snoul	Active
13	Thev Investment	Rubber	520	Snoul	Active
14	Rattanak Stound Cambodia Development	Rubber	479	Snoul	Active
15	Phou Reang	Rubber	915	Snoul	Active
16	C.I.V	Rubber	769	Snoul	Active
17	Heng Heng Sambat	Rubber	994	Snoul	Active
18	T.T.Y Corper	Rubber, Tectona, Jatropha	940	Snoul	N/A
	Total		13,867		

Source: Provincial authorities in Kratie province (as of 12 April 2010)

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