

Land, Property, Real Estate, Productive Land Use and Development

*Larry Strange summarises the main issues examined at the special dinner session of the Outlook Conference and points out some major policy questions that require attention in the next phase of Cambodia's development.**

Introduction—Land, Property and Real Estate in Cambodia

In the lead-up to the Cambodia Outlook Conference 2008, land issues had been hotly discussed by politicians and government officials, development partners, civil society organisations and the media. Ownership of land, its use, its economic value, its role in social and economic development and in rural and urban livelihoods, private sector business development and poverty reduction and, very importantly, its role as a source of conflict and resource competition had all featured prominently in public debate. In his opening keynote address to the conference, Prime Minister Hun Sen emphasised the importance of the government's rural and urban land titling programme, and the critical role of state land mapping and forest estate demarcation in managing state assets and reducing conflicts. He also stressed that the government's policy commitment to rural reforms, in particular increasing irrigation and land allocation, would lead to better agricultural performance and increased diversification in the medium term.

The Outlook Conference included a special session on land, "Making the Most of Cambodia's Natural Resources—Land, Property, Real Estate, Productive Land Use and Development", with speakers from government, banking, property development and CDRI. Cambodia's real estate sector has developed very rapidly in recent years, experiencing a property and real estate "boom" with both potential benefits and risks. Land prices have risen sharply for both residential and commercial land, particularly in urban centres. A senior official of the Ministry of Land Management, Urban Planning and Construction, Dr Beng Hong Socheath Khemro, explained to the conference that the government has implemented an ambitious land titling programme and developed a land policy paper with associated urban planning activities that recognise that rural development alone cannot alleviate poverty. Urban centres also have a crucial role to play in poverty alleviation, with small and medium towns acting as urban centres that can provide surrounding communities with access to markets for products and labour.

Rory Hunter of the property developers Brocon Group argued that the rapid pace of land and property development presents Cambodia with both planning and management challenges in ensuring the quality of property development and its contribution to wealth creation and broader community needs. The participants in property development in Cambodia have different interests in ensuring its quality. Company shareholders' interests lie in long-term profit maximisation and value creation, building trust with investors and purchasers, building stronger relationships with government and local communities and building a "brand", a new concept for most Cambodian developers. Purchasers' interests focus on access to properties that are built to last, whether as a home or investment, income generation with capital growth potential, confidence in developers' solvency and vigilance against false promises and misrepresentation. The community has interests in more generalised benefits to the local environment and community services, job creation, certainty and respect for the rule of law in property transactions and a commitment to the sustained quality of properties 30 years from now. The government's interests lie in clear guidelines for property developers to remove uncertainty, particularly for foreign companies coming into Cambodia, protection of purchasers against developer bankruptcies, the imposition of holding costs for not developing prime real estate, adding value to the economy and the community rather than encouraging unproductive property speculation and rational urban planning and zoning to promote investment in quality property development.

Key policy issues in addressing these multiple interests include the need for better regulations, building codes to help mitigate disputes and a way of increasing the holding costs associated with not developing land, for example through a tax on unused land. From a banking and credit perspective, as Charles Vann of Canadia Bank stressed, there is a need for greater protection for purchasers in a high-risk environment where developers can charge 60–80 per cent of the purchase price up front.

Productive Land Use and Cambodia's Development

CDRI focussed on "Productive Land Use and Cambodia's Development", from the perspective of a development policy research institute that is concerned with both wealth generation and poverty reduction. Recent research by CDRI and others shows clearly that productive land use and broader land management, along with security of land tenure, in both rural and urban areas, are fundamental to Cambodia's development and poverty reduction efforts. They affect access to livelihoods, access to credit, agricultural investment and diversification, land markets, housing and urban development and SME investment.

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CDRI's recent poverty studies show that the poor are increasingly dependent on land and water-based natural resources to sustain their fragile livelihoods. While rich and upwardly mobile rural households have larger landholdings and generate higher yields and profits, many poorer households are increasingly unable to make a profit from rice farming, resulting in land sales and reliance on wage labour. A greater investment in and focus on increasing the productivity and the diversification of small farm holdings, as emphasised in current government policy, and a better understanding of the impact that rural-urban linkages have on land policy and its administration will bring dividends for both economic development and poverty reduction.

Natural factors such as droughts and floods, along with poor soils and lack of water management capacity, have in some areas eroded farming productivity, while traditional access to forests and fisheries is increasingly subject to the pressures of a growing population and conflict with elites and powerful actors from outside rural areas. As a result, in some areas, landlessness is increasing, either voluntarily or under pressure, with rising inequality in rural landholdings and a greater number of the poor selling their labour locally or migrating elsewhere within the country, or to Thailand or Malaysia, in search of employment.

Our research supports the view that Cambodia's very successful land titling is an important contribution to strengthening the institutional fabric of Cambodia's increasingly dynamic economic and social development. However, it also shows that land titles alone are not sufficient for promoting more equitable economic growth and reducing poverty. In the rural sector, land titles are only one of the key components of necessary development interventions, which must include access to affordable credit, knowledge and information through extension services and improved infrastructure such as roads and irrigation.

National policies governing land and natural resources are of course designed to promote the sustainable management of these assets, but uneven local implementation and enforcement are promoting the rapid degradation of the natural resource base, increasing landlessness and in some cases undermining community respect for the responsible public institutions. There is an urgent need to consider how land and natural resource-related conflicts, particularly where elite land grabbing and natural resource capture are involved, can be prevented and managed in ways that provide the poor with access to fair and impartial resolution, both within the village and where the conflict involves outside rich and powerful interests.

Our research clearly demonstrates the need for allocation of more resources, better targeting of agricultural and rural development inputs and a stronger and more impartial enforcement of laws and regulations governing access to and control of natural resource assets. There would be a greater impact on agricultural productivity,

poverty reduction and well-being if complementary local inputs included security of land tenure, irrigation and extension services and affordable credit.

Experience in other comparable agriculture-based developing countries shows clearly that where there is not equitable, diverse and productive land use, there will be poor agricultural development, limited agricultural diversification and limited benefits to the majority of small farmers. In some countries this has resulted in a "new feudalism" in which land ownership and use are concentrated in the hands of a small urban elite, and in which elite land and natural resource grabbing is common. In such scenarios, a certain level of development can be achieved but then it plateaus, with limited options for more sustainable development and poverty reduction. When this happens, it is very difficult to rectify. Cambodia can learn from this experience of others and avoid it.

The granting of economic land concessions is a controversial and complex issue in Cambodia, posing serious questions about the impartiality and transparency with which these concessions are granted and whether they are utilised for productive economic purposes. While economic concessions for the cultivation of cash crops and plantations can bring significant immediate economic benefits, they may have a limited impact on longer term agricultural productivity, rural livelihoods and poverty reduction. If poorly administered, they can also mean the acquisition of land for speculation and tax avoidance, the fencing off of large tracts for unproductive purposes and disincentives to badly needed rural and agricultural development by communities themselves. On the other hand, social land concessions have the potential to be an important mechanism for providing land to the landless, as well as providing policy guidance and structures for converting state forested land into productive agricultural uses. However, the implementation of social land concessions has been very slow and needs to be fast-tracked.

There are some major policy questions that require attention in the next phase of Cambodia's development:

- (i) How can Cambodia achieve a carefully balanced approach to land policy and management that promotes the productive use of land, creates wealth, and also ensures that rural land is available for the achievement of broader rural development and poverty reduction?
- (ii) How can agricultural frontiers be expanded by assigning state land to productive agricultural uses? Should the state try to retain land or allow it to be transferred to the private sector for agricultural development? If the latter, how can this be achieved through planned policy interventions rather than through the negative scenario of smallholder displacement and migration, commercial encroachments and corporate and elite land grabbing?
- (iii) How can economic and social land concessions be

Continued on page 17