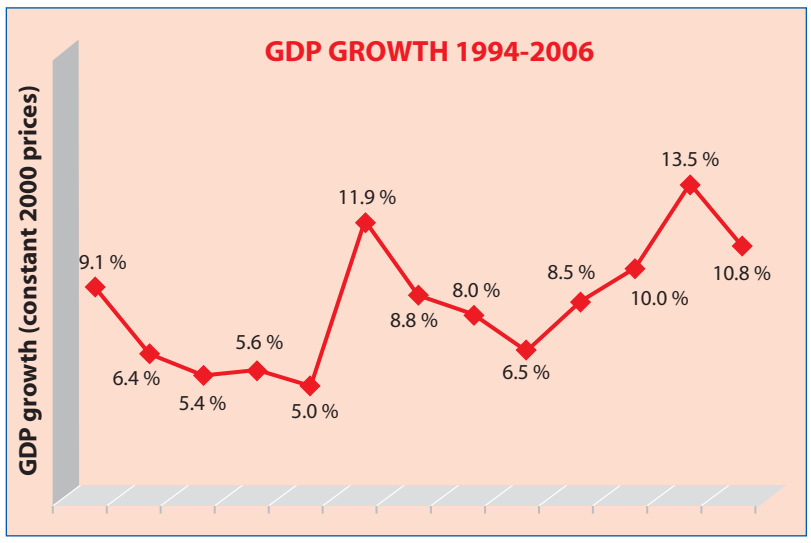
HOW TO SHARE GROWTH?



Source: NIS 2007

Representatives from the World Bank, government, and civil society considered that question at a June 12 workshop

BY ALANNA JORDE

Despite high rates of economic growth and a significant reduction in overall poverty over the past decade and a half, the benefits of recent robust growth continue to spread unevenly in Cambodia, the World Bank said last week.

A report, "Sharing Growth: Equity and Development in Cambodia," released Tuesday (June 12) by the World Bank found that the rise in inequality occurred from 1994 to 1997 and only in rural areas, but then stabilized between 1997 and 2004.

The pattern of growth "is not structurally destabilizing" and is consistent with the process of transition from a planned to an open economy, the report said. "While a radical shift of development strategy is not necessary, improvements in public spending and selected interventions" can further promote equality and public policies can promote an expansion of private investment opportunities, the report added.

The good news for poor people in Cambodia was that non-consumption measures of living standards such as school enrolment and mortality rates have fallen. Disparities in access to infrastructure, amenities like clean water and electricity, and basic services such as schooling and health care also narrowed from 1997 to 2004, as did gender gaps in literacy and education.

Finance Minister Keat Chhon said the widening gap between the rich and poor in rural areas was of particular concern to the government, but pointed out that an increase in inequality is "unavoidable" during the initial stages of economic liberalization.

He added that the government recognizes that its budget is an important tool to narrow the gap. From 1998 to 2007, spending on health jumped from 45 billion riels to 337 billion riels and expenditure on education rose from 102 billion riels to 546 billion riels, said Keat Chhon.

Prime Minister Hun Sen said the government is exploring several different measures to improve how growth is shared in Cambodia. Many of them echoed recommendations outlined in the World Bank report. *(See list on page 6).*

The government is also actively researching the possibility of launching a social security and health insurance program for the poorest members of Cambodian society, said Hun Sen.

To curb an alarming increase in land concentration, Hun Sen said the government would consider imposing a land tax as well as withdrawing land concessions and redistributing the land to the poor. He said the government had revoked five such concessions June 11.

According to World Bank lead operations officer Steven Schonberger, about 20 percent of rural households are now landless. The rise in landlessness has occurred "strikingly fast" given that land was evenly distributed as recently as 1989, said Schonberger. Land distribution in Cambodia today is among the most unequal in Asia. *(See table on page 6).*

A baby boom after the fall of the Khmer Rouge, which created in a bulge in Cambodia's working-age population, makes the rapid rise in landlessness especially worrisome. To sustain themselves, the rural landless need either jobs or land and the rate of job creation is unlikely to meet the demand, said Schonberger, adding that research "shows definitively" that small farms can be engines for growth in rural areas.

Boua Chanthou, director of Partnership for Development in Kampuchea, said 70 percent of Cambodian farmers own less than one hectare of land when "a family of five needs at least two hectares of land to produce and maintain family food security."

"Employment and business opportunities in rural areas are nearly non-existent," said Sok Hach, director of the Economic Institute of Cambodia, adding that increasing private sector development in rural areas would also accelerate growth and reduce the migration of workers from rural to urban centers.

Land concentration is particularly important for developing countries like Cambodia that are emerging from conflict. Research conducted worldwide confirms that countries with more equitable land distribution have higher rates of growth and lower levels of conflict and war, Schonberger pointed out.

World Bank senior country economist Rob Taliercio said the civil service continues to be a major constraint to growth. He recommended strategic civil service reform through a merit based pay intiative to spearhead much-needed institutional capacity.

He also singled out the police and judicary as weak institutions that are impeding Cambodia's progress. Surveys *(see table below)* suggest confidence and trust in these institutions is low.

Post-conflict Cambodia faces significant difficulties in implementing regulatory functions in a context of legal pluralism, said Taliercio.

"State law is often only one among competing normative reference points," he said, adding that utilizing interim institutions to gradually bring practice into line with law has shown benefits in labor law, local governance and land titling. Put another way, Cambodia ought to "learn by doing."

TRUST AND CONFIDENCE IN SOME PUBLIC INSTITUTIONS IS EXTREMELY LOW

INSTITUTION / ACTOR	HONEST	EFFECTIVE	TREAT POOR AND RICH EQUALLY	TREAT POOR AND WOMEN EQUALLY
NGOs	73	78	71	86
Banks	69	80	58	81
Media (TV, Radio)	50	64	63	82
National government	47	60	40	80
Commune / Sangkat officials	44	55	46	79
Teachers	59	68	60	82
Health care professionals	48	66	40	79
Money lenders	41	57	36	75
Police	29	50	31	75
Judge	18	46	20	70
Middlemen	10	44	29	67

Source: IRL 2007

KEY RECOMMENDATIONS

1. Continue economic reform and improving the investment climate. Maintaining the economy's openness and global outlook is the best strategy for continued growth and sustained poverty reduction.

2. Accelerate land policy and intensify systemic titling to extend it throughout the country, including to remote, more conflict-prone areas. Land policies within the agricultural strategy should give priority consideration to household farming by (among other things) redistributing idle plantation land to landless poor households.

3. Invest more in building and maintaining basic infrastructure to link remoter parts of the country with economic opportunities and social services. Rural roads have a significant impact on equalizing geographical inequalities. Address the extremely wide rural-urban gap by increasing investment in improved water supply and sanitation in rural areas.

4. Improve the quantity, quality and affordability of basic education and tackle the causes of late enrolment and drop out. Establish a comprehensive nationwide adult literacy program a s first step to replenish and equalize the human capital of the adult generation.

5. Improve physical access to and the affordability of preventative and primary health care services and, in particular, address persistently high maternal mortality rates by targeting maternal health programs. Improving water supply and sanitation would reduce disease and the costs associated with it.

6. Continue public financial management reforms with an emphasis on improving civil service pay and management and making arrangements for the transparent and effective use of future oil revenues.

LAND CONCESSIONS STUNT GROWTH

Land concessions totaling nearly a million hectares are doing little to stimulate Cambodia's economy, benefiting the elite at the expense of small farmers, a UN rights envoy said Tuesday.

Yash Ghai, the UN rights representative to Cambodia, also said concessions have been particularly damaging to Cambodia's ethnic minorities, whose spiritual lands have been destroyed, along with their livelihoods.

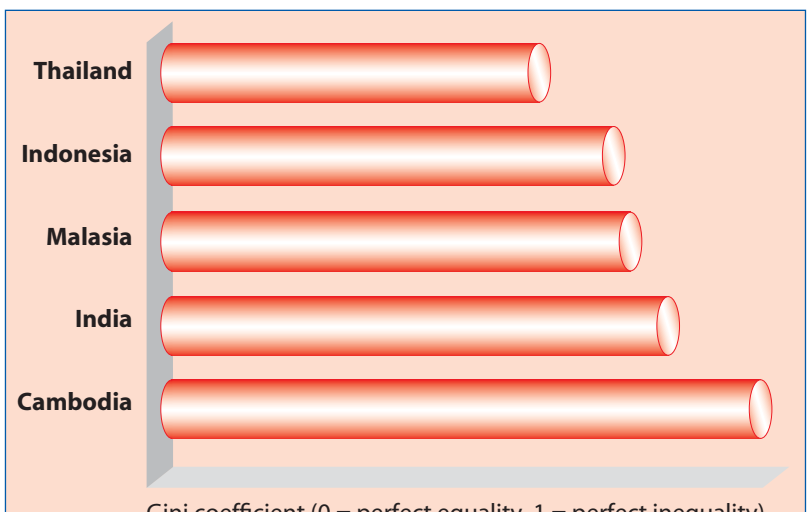
"Economic land concessions have not led to increased agricultural productivity or economic growth in Cambodia," Ghai said in a report.

"Instead, they are compromising the livelihoods of rural communities in favor of the enrichment of the few, as well as foreign business interests."

Some 59 land concessions covering an estimated 943,069 hectares in rural Cambodia have been granted to private companies, often without fulfilling legal requirements such as impact studies or size restrictions.

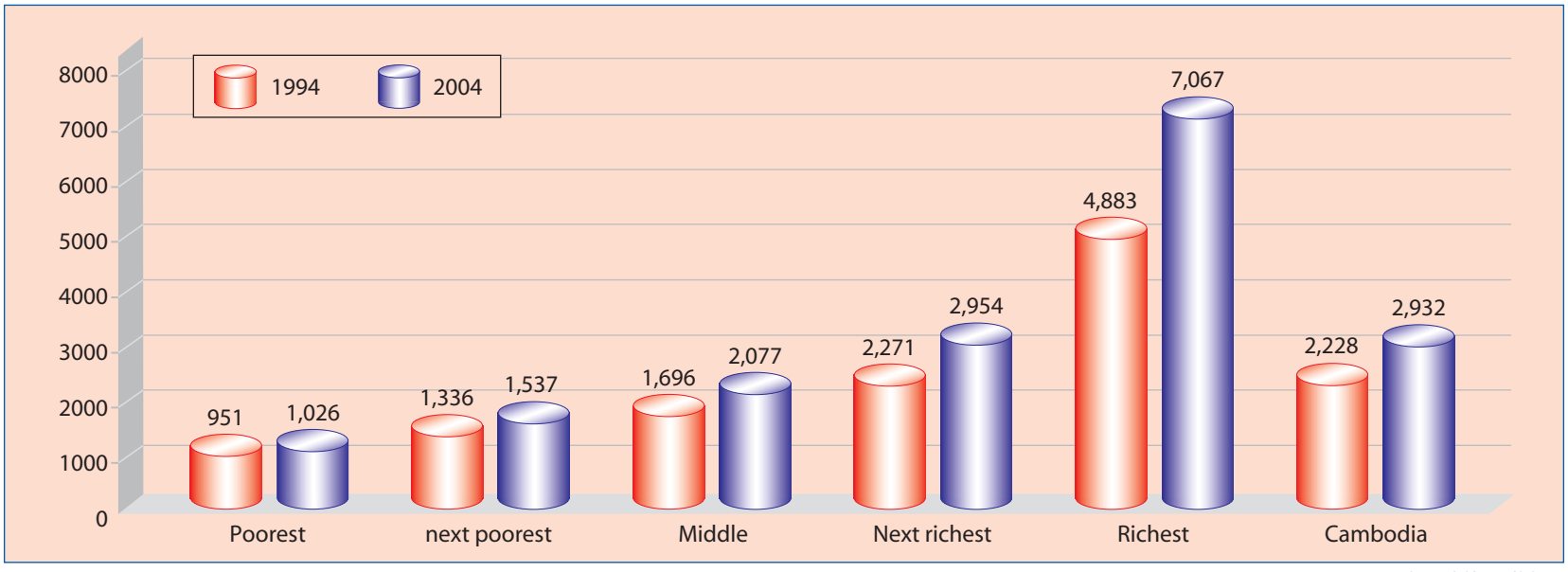
"There has been no systematic review of concessions as required (by law)," Ghai said. "Further, the judicial system has failed to uphold the rights of affected communities and respect for the law, and to hold companies accountable for their actions," he added. *(AFP)*

LAND OWNERSHIP IS HIGHLY UNEQUAL



Source: WDR, IFAD

PER CAPITA CONSUMPTION 1994-2004



Source: SESC 1994, CSES 2004