



Review of Agriculture and Rural Development to Poverty Reduction in Cambodia: SWOT Analysis

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Abstract

Agriculture contributes immensely to the Cambodian economy in various ways; namely, in the provision of food for the increasing population; supply of adequate raw materials to a growing industrial sector; a major source of employment; generation of foreign exchange earnings; and, provision of a market for the products of the industrial sector among others. This study aims to review the background of agricultural and rural development in Cambodia to do action in poverty reduction in rural society. This study used a descriptive design to provide SWOT analysis based on secondary data such as kinds of literature, government reports, and NGOs documents.

Keywords: Agriculture, Rural development, Poverty reduction, SWOT, Cambodia.

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1. Introduction

Cambodia is situated in Southeast Asia and is also a low-income country in the region. Over two decades of war and conflict have left Cambodia becomes one of the poorest countries in the world, with extensive damage to its physical, social and human capital. The government has made significant efforts to rehabilitate the nation, with development partners taking an active part in development in various sectors (Farib, 2012).

In Cambodia, approximately 80% of the population is placed in rural areas, and 71% depend primarily on agriculture (largely rice) for their livelihoods (World Bank, 2006). Agriculture accounted for 32% of GDP in 2008 and employed 57% of the labour force in 2006 (Ngin, 2011; Ngo & Chan, 2010). Although the current economy is still contributed to significantly by industry (at 22% of GDP in 2008) and services (45% of GDP in 2007), given that 30% of the populace are living in poverty (in 2007) and most of them are farmers in rural areas, an improvement in agriculture would seem the most effective approach in accelerating poverty reduction in Cambodia (NGOF, 2007; RGC, 2006; World Bank, 2006). Agriculture has also been identified as a key to diversifying the sources of economic growth, with the potential to reduce poverty, if focused on smallholders (CDRI-IDS, 2006). If growth in agricultural productivity can be enhanced by between 3% and 4%, the Cambodian Millennium Development Goal (MDG) on poverty targeted at 19.5% in 2015 could be achieved.

Cambodia's economic performance over the past decade has been impressive, and poverty reduction in the country has made considerable progress. Over the past 10 years, economic growth has averaged 9.7% per annum, while from 2004 to 2007, it averaged nearly 11.0%. At the same time, poverty has been reduced significantly (around 10 percentage points in a decade) and is still fall, from 35.0% in 2004 to 30.1% in 2007. Despite the main sources of growth being in non-agricultural sectors, agriculture still remains a large sector

of the economy, comprising 32.5% of gross domestic product (GDP) and absorbing 59.0% of the total labour force (ADB, 2010). Exports have increased from almost zero to 65.0% of GDP in 2007, slightly falling to 52.7% in 2008 due to the impact of the global financial crisis (ADB, 2010).

However, there is concern that this growth has not benefited from a large proportion of the population and that sustaining this rapid growth and reducing poverty will prove difficult. The policies required to sustain growth are different from those to initiate it, and experience from other countries shows that very few have managed to achieve sustained growth over the longer term (Dani, 2007). While global economic history shows that the process of development usually entails a shift from agriculture to manufacturing and services, the consensus for Cambodia is that in the short to medium term, poverty reduction will require growth in rural areas, most likely through sustained agricultural growth and the ability to capture value added from agro processing (Dani, 2007).

Historically, agricultural diversification has been ineffective in Cambodia, but agro-industrialization and foreign investment appears to be increasing. Exports of raw agricultural products, such as cassava, maize, paddy, and soybeans to Thailand and Vietnam, are significant, although remain unrecorded. However, there are nascent signs of emerging rural enterprises in Cambodia concentrating on agroindustry, with the establishment of private rubber and cashew plantations, cassava starch factories for biofuel, and a rudimentary animal feed industry sponsored by CP Thailand. Further, over 2010–2011, reports of significant agribusiness investment pledges surfaced from Indonesia and Kuwait to develop Cambodia's rice industry (i.e., close to \$1 billion in planned investments in irrigation, contract farming, and modern rice mills), and there are also indications that private equity firms are standing by to invest over \$600 million in agribusiness.

In recent years have made the country somewhat less aid dependent, and increasing levels of domestic savings have further deepened the country's ability to sustain its own growth. For instance, savings have gone from 2.3% of GDP in 1998 to 30.3% in 2008 (ADB, 2010). Despite these generally positive signs, however, there is justifiable concern about Cambodia's ability to seize the opportunities presented. A set of structural and institutional constraints to agricultural and rural development exists, which, unless addressed by appropriate interventions and policies will result in a slowing of economic growth and poverty reduction (ADB, 2012). This review paper aims to study on agricultural and rural development in Cambodia, and how to reduce poverty in rural areas. This study also provides SWOT analysis based on secondary data.

2. Literature Review

2.1. The Concept of Agriculture and Rural Development

Concept of agriculture and rural development has been conceived as a response to the increasing external pressure on rural communities. Therefore, it is necessary to redefine identities, strategies, practices, and networks within the territory to overcome the current model of the organization by single commodity chains and sectors and redefine the territory as a competitive production unit based on economies of scope. Agricultural development, a subset of economic development, implies a sustained increase in the level of production and productivity over a reasonable length of time and the subsequently improved wellbeing of farmers as reflected in their higher per capita income and standard of living.

MacRae, Hill, Henning, & Bentley (1990) defined that the sustainable agriculture is at the same time a philosophy and a system of farming. It is rooted in a set of values that reflect an awareness of both ecological and social realities and a commitment to responding appropriately to that awareness. It emphasizes design and management procedures that work with natural processes to conserve all resources and minimize waste and environmental damage, while maintaining and improving farm profitability (MacRae, Hill, Henning, & Bentley, 1990).

The meaning of rural development has been the subject of much debate and little agreement. The definition of rural development has evolved through time as a result of changes in the perceived mechanisms or goals of development. The rural development as a process whereby concerted efforts are made in order to facilitate the significant increase in rural resources productivity with the central objective of enhancing rural income and creating employment opportunity in rural communities for rural dwellers to remain in the area (Olayide, 1981). According to Ploeg et al., (2000) explained that rural development is reconstructing the eroded economic base of both the rural economy and the farm enterprise, and represents the well-understood self-interest of increasing sections of the rural population (Ploeg et al., 2000).

Rural development can be distinguished from Agricultural Development which it entails and transcends. Efforts by such governments to pump money into agricultural development did not yield the meaningful change desired hence, efforts should be made to include provision of modern infrastructure, primary health care, food and shelter, employment opportunities, recreational facilities, affordable and compulsory primary and secondary education, loans and other incentives, to be part of rural development for the benefits of rural dwellers (Olayiwola & Adeleye, 2005). From the foregoing, it is obvious that rural development is not a one-off thing or an immediate and snap phenomenon.

2.2. Agriculture and Rural Development in Cambodia: An Overview

Cambodia has great potential for agricultural development. In this regard, and faced by a number of extremely difficult challenges, government and development partners have made great efforts in relation to formulating and implementing policy and programming to accelerate development in the sector. This section presents an overview of the progress in agricultural development, the evolution of ARD policy, and the institutional arrangements for coordinating the task in the sector.

Cambodia is a post-conflict country, and still emerging from two decades of war and civil strife (1970s and 1980s) and a decade of internal conflict and unstable politics (1990s). First, the country transformed from a centrally planned to an open market economy in 1989, which resulted in major changes, such as the official recognition of private land ownership and the liberalization of trade, industry and transportation. Second, free market economy policy was officially adopted in 1993, simultaneous to the establishment of the Royal Government of Cambodia's first mandate.

The Cambodian economy has rapidly developed, with an average growth rate of over 9% in the last decade (see Figure 1). The highest growth rate of 13.3% was in 2005 and was thanks to strong growth in garments, tourism and construction, and agriculture due to the blessing weather in the year (Hang, 2010). In 2007, the economy continued to rise at 10.2% even during the critical period of the global economy. Notwithstanding, the GDP growth was contracted to 6.7% in 2008 due to the inflationary pressure from high oil and commodity prices (IMF, 2009; Tong & Hem, 2010) and to 0.1% in 2009 because of impacts from the world economic crisis. Cambodia is gradually recovering from the global economic crisis and the growth rate in 2010 was forecast at 5.5%.

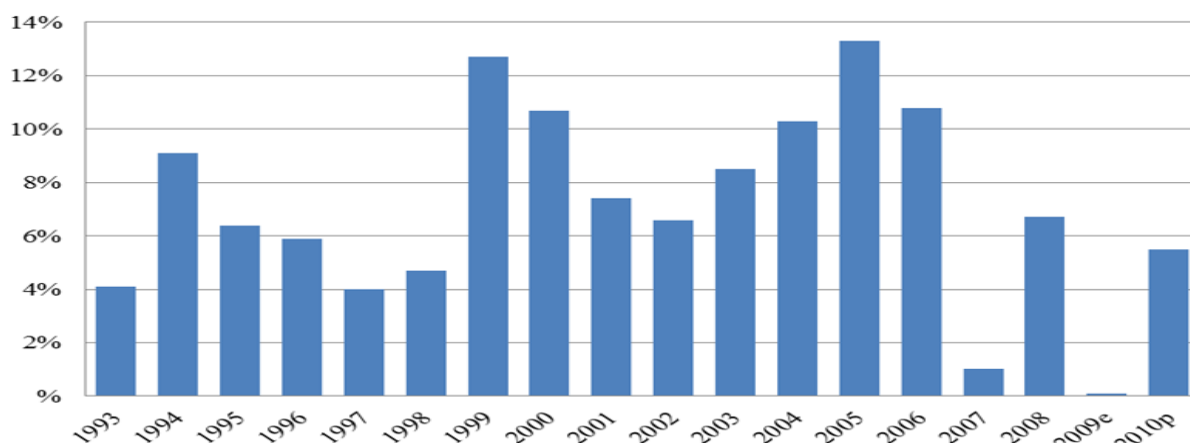


Figure-1. GDP Growth, 1994-2010

Source: Hang (2010); Ngin (2011)

The recovery is chiefly owing to the re-emerging growth in industry (at 5.7% in 2010) and services (at 2.4% in 2010) sectors, while agriculture grew at 2.3% in 2010, a downturn from 5.7% and 5.6% in 2008 and 2009 respectively (see Table 1). Growth in garment exports (over 21% in the first nine months of 2010 and estimated 15% in 2011) significantly attributes to the spur in the industrial sector (Hang, 2010). This pattern of economic growth highlights the central proportions of industry and services sectors in the GDP increase in relation to agriculture sector's in the last decade (see Figure 2).

Table-1. Macroeconomic Indicators: 2008-2010

	2008	2009	2010
GDP (nominal, \$ million)	10,337	10,391	11,304
GDP (per capita, in \$)	738	731	783
GDP (Growth rate)	6.7%	0.1%	5.5%
Agriculture	5.7%	5.6%	2.3%
Industry	4.0%	-2.5%	5.7%
Service	9.0%	4.6%	2.4%
Budget revenue (% GDP)	13.3%	11.8%	12.5%
Budget expenditure (% GDP)	15.9%	20.4%	18.4%
Overall deficit (% GDP)	-2.9%	-6.4%	-5.9%
Inflation (average)	19.7%	-0.6%	4%
Gross Foreign Reserves (\$ million)	2,164	2,367	2,500

Source: Hang (2010); Ngin (2011)