

**Overseas Fieldwork Report 2014:**

## **Kampong Speu Province, Cambodia**



**Graduate School of International Development  
Nagoya University**



**Overseas Fieldwork Report 2014**

**Kampong Speu Province, Cambodia**

**March 2015**

**Graduate School of International Development**

**Nagoya University**

**Nagoya, Japan**

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## **Introduction**

The twenty-second Overseas Fieldwork (OFW 2014) of the Graduate School of International Development (GSID), Nagoya University, was carried out in Kampong Speu Province, Cambodia, from August 17 to August 31, 2014. The OFW is an important part of GSID's curriculum, designed to provide students with exposure to "real world" development issues in rural areas of a developing country and an opportunity to develop field-based research skills in a group setting. Each year, GSID carries out the OFW in a developing country in Asia in cooperation with a GSID local partner university. This year, the Royal University of Phnom Penh (RUPP) kindly accepted to host the OFW, adding to the past successful collaborations in 2005, 2006, 2007, 2012 and 2013. Building on many years of cherished relationships between the two universities, the OFW 2014 was managed smoothly and it contributed to further strengthening GSID's ties for academic exchange and collaboration with this prestigious university in Cambodia.

Considering the relevance of topics to Kampong Speu's local developmental context, we divided 25 graduate students into four thematic working groups: Microfinance (WG1), Local Governance (WG2), English Education (WG3), and Community Development (WG4), to study and observe various dimensions of rural development in that area in a holistic manner. Students conducted their research in sangkats and villages of Chbar Mon City, Kampong Speu Province. On August 28, the teams of OFW 2014 visited Chbar Mon City government office and shared their preliminary research findings with local governors and officials. On August 29, before the departure from Phnom Penh, they presented their preliminary research findings at RUPP, to share them with, and receive feedback from, faculty and students of RUPP.

Reflecting comments and advice received at the presentation and in the course of their fieldwork, participants tried to elaborate their analysis in the final report. This volume is a collection of the working groups' reports.

## **Acknowledgements**

The committee of OFW 2014 is indebted to many people and institutions both in Cambodia and Japan for the successful completion of this year's program.

Our appreciation must be directed first to the people of the sangkats and villages of Chbar Mon City in Kampong Speu Province. We are especially grateful to local authorities including the deputy provincial governor, H.E. Soeur Soknal, Mayor of Chbar Mon City, Mrs. Pork Setha, village chiefs, staff members of government offices and other relevant organizations for their generous assistance and cordial hospitality. We also would like to express our sincere gratitude to all those who kindly provided us with precious information during interviews. We could not have accomplished the OFW successfully without their kind support.

Next, our appreciation goes to faculty and students of the Royal University of Phnom Penh (RUPP). We would like to express our sincere appreciation to the RUPP faculty, Dr. Heng Naret, Mr. Chap Nimol, Dr. No Fata, Dr. Heng Kreng, and Dr. Sok Serey. Participants of the OFW 2014 received tremendous support from them and their students during the field research. This year's OFW received continuous support from the program on "Training a New Generation of Leaders in International Cooperation for the Development of the ASEAN Region," which GSID has been implementing under "the Re-Inventing Japan Project (Support for the Formation of Collaborative Programs with ASEAN Universities: "Campus ASEAN Program") of Japan's Ministry of Education, Culture, Sports, Science and Technology (MEXT). As part of this "Campus ASEAN" program, we had a courtesy visit to the Royal University of Law and Economics (RULE) to discuss further institutional collaboration between RULE and GSID on August 29, 2014. Moreover, we also invited students of RULE to participate in research presentations in a joint seminar by RUPP and GSID at RUPP on August 29, 2014. Prof. Jinhwan Oh, from Ewha Womans University, with his students, also took part in this seminar. This joint seminar was very successful, presenting and discussing current socio economic challenges that Cambodia faces to promote its sustainable development. Our special thanks goes to the Royal University of Law and Economics, especially Prof. Phalthy Hap, for his superb arrangement and for issuing certificates of completion to the participants of OFW 2014 as part of Campus ASEAN Program.

Last but not least, we are very grateful to those who provided valuable lectures to our participants in the preparatory seminars for the OFW 2014: Dr. Heng Naret, Department of Community Development, Faculty of Development Study, Royal University of Phnom Penh; Koung

Teilee, Associate Professor, the Graduate School of Law, Nagoya University; Dr. Satoru Kobayashi, Associate Professor, Kyoto University; and Ms. Sayaka Akiho, University of Tsukuba. We also would like to thank Ms. Erin Sakakibara for the English editing of this volume.

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Office of OFW

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## List of Participants

### Faculty Members (9)

Working Groups	Advisors from GSID, Nagoya University	Advisors from Cambodia
WG1	Associate Prof. Naoko Shinkai	Mr. Chap Nimol
WG2	Associate Prof. Wataru Kusaka	Dr. Sok Serey
WG3	Associate Prof. Shinji Ido	Dr. Heng Kreng
WG4	Assistant Prof. Sumire Kanda	Dr. Heng Naret
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	22	Jinta Ueno	M	Japanese	DICOS	
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	24	Furuzono Kyoko*	F	Japanese	DID	
	25	Satoh Alice	F	Japanese	DID	

\*\* Group leader, \* Sub-leader,

DID: Department of International Development;

DICOS: Department of International Cooperation;

DICOM: Department of International Communication.

## Program of OFW 2014

### Preparatory Seminar

	Date	Title of the Lecture and the Lecturer
1	May 14 (Wed.) 14:45-16:15	“Introduction to 2014 OFW and Campus ASEAN” By Prof. Kusaka, Prof. Penghuy, Nishimura of GSID.
2	May 21 (Wed.) 14:45-16:15	“Introduction to Cambodian Economy” By Prof. Ngov Penghuy, GSID.
3	May 28 (Wed.) 14:45-16:15	“Introduction of Research Sites in Kompong Speu” By Prof. Heng Naret, Royal University of Phnom Penh, Visiting Researcher to GSID.
3	June 4 (Wed.) 14:45-16:15	“Introduction to Education in Cambodia” By Prof. Takayo Ogisu, GSID
4	June 11 (Wed.) 14:45-16:15	“Introduction to Rural Livelihoods in Cambodia” By Prof. Satoru Kobayashi, Kyoto University.
5	June 18 (Wed.) 14:45-16:15	“Introduction to Village Culture in Cambodia” By Prof. Satoru Kobayashi, Kyoto University.
6	June 25 (Wed.) 14:45-16:15	“Introduction to Contemporary History and Administration System of Cambodia” By Prof. Koung Teilee, Graduate School of Law, Nagoya University
7	July 2 (Wed.) 14:45-16:15	“Community Development in Cambodia: The Case of Farmer Water Users Community ” By Prof. Heng Naret, Royal University of Phnom Penh, Visiting Researcher to GSID.
8	July 9 (Wed.) 14:45-16:15	“The Process of Participatory Development in Rural Cambodia: Focusing on the Relationship Between NGO and Khmer Farmers” By Ms. Sayaka Akiho, University of Tsukuba
9	July 16 (Wed.) 14:45-16:15	Presentation of Research Plans by WGs (15 min presentation by each WG)
10	July 23 (Fri.) 16:30-18:00	“Research Ethics” By Prof. Wataru Kusaka, GSID

### Interim Presentations of Research Findings

The interim presentation of research findings was held at Chbar Mon City Office on Aug. 28<sup>th</sup>, 2014. Based on the comments received in Chbar Mon City, participants made another interim presentation in the Royal

University of Phnom Penh on Aug. 29<sup>th</sup>, 2014. Each WG presented for 20 minutes and followed by Q&A session by the participants.

## Presentation of Research Findings in GSID

The presentation of research findings was held at GSID by each working group to disseminate and to collect feedback from colleagues on Oct. 29<sup>th</sup>, 2014.

## Overall Schedule of Fieldwork in Cambodia

Date	Activities
Aug.12 (Tue.)	13:00-15:00 Pre-survey Orientation on OFW2014 at GSID
Aug. 17 (Sun.)	8:30 Meeting at Chubu International Airport 11:00 Departure from Nagoya (TG645) 15:00 Arrival at Bangkok (transit) 18:15 Departure from Bangkok (TG2584) 19:25 Arrival at Phnom Penh ( <i>Accommodation: Mondulkiri Boutique Hotel</i> )
Aug.18 (Mon.)	9:00 Departure from Phnom Penh 11:30 Arrival at Chbar Mon City, Kampong Speu 14:30 Courtesy Visit to Kampong Speu Governor (All WGs) 18:00 Get-to-know-each-other Gathering (All WGs)
Aug.19 (Tue.)- Aug.22 (Fri.)	Field survey by each WG
Aug.23 (Sat.)- Aug.24 (Sun.)	Free time
Aug.25 (Mon.) - Aug.27 (Wed.)	Field survey by each WG
Aug.28 (Thu.)	Preparation for presentation on site. Presentations of Research Findings in Chbar Mon City Office Move to Phnom Penh
Aug.29 (Fri.)	9:00-10:00 Courtesy Visit to RULE Preparation for Presentations on Research Findings

	Presentations of Research Findings by each WG in RUPP 18:30 Farewell Party hosted by GSID, Nagoya University
Aug.30 (Sat.)	Free Activities 20:25 Departure from Phnom Penh (TG2585) 21:30 Arrival at Bangkok
Aug.31 (Sun.)	00:05 Departure from Bangkok (TG644) 8:00 Arrival at Nagoya

## Detailed Schedule of Fieldwork by Each Working Group

### WG1

Date		Place	Who	What
<b>Tue</b>	<b>Aug.19</b>	Tuol Thnounge	Household	Pilot Survey
<b>Wed</b>	<b>Aug.20</b>	Ang Serei	Household	Survey
<b>Thu</b>	<b>Aug.21</b>	Krang Pol Tep	Household	Survey
<b>Fri</b>	<b>Aug.22</b>	Trapang Loek	Household	Survey
<b>Mon</b>	<b>Aug.25</b>	Tuol Thnounge	Household	Survey
<b>Tue</b>	<b>Aug.26</b>	Khaub	Household	Survey
<b>Wed</b>	<b>Aug.27</b>	Roka Thom	Six MFIs and two Self-Help Savings Groups	Interviews

### WG2

Date		Place	Who	What
<b>Tue</b>	<b>Aug.19</b>	Department of Economy and Finance of Kampong Speu, Department of Rural Development of Kampong Speu, Sangkat Roka Thom Office	Officials, Household	Interview
<b>Wed</b>	<b>Aug.20</b>	Chbar Mon City Hall, Sangkat Roka Thom village	Officials, Household	Interview
<b>Thu</b>	<b>Aug.21</b>	Cambodian Center for Study and Development in Agriculture (NGO), Sao Sary Foundation (NGO)	NGOs	Interview
<b>Fri</b>	<b>Aug.22</b>	Department of Social Affairs, Veterans & Youth Rehabilitation of Kampong Speu, Sangkat Svay Kravan Office	Officials, Household	Interview
<b>Mon</b>	<b>Aug.25</b>	Sangkat Chbar Mon Office, Vision Fund Cambodia (NGO)	Household	Interview
<b>Tue</b>	<b>Aug.26</b>	Sangkat Chbar Mon village	Household	Interview
<b>Wed</b>	<b>Aug.27</b>	Group Work	WG2	Discussion

### WG3

Date		Place	Who	What
<b>Tue</b>	<b>Aug.19</b>	Department of Education, Youth and Sports	Heads of the department	Interviews
<b>Wed</b>	<b>Aug.20</b>	Peanicheakkam Village, Chamkar Doung Village, Newtown International school (Peanicheakkam Village)	Village vice chief, students, parents, principal, teacher	Interviews
<b>Thu</b>	<b>Aug.21</b>	Peanicheakkam Village, Chamkar Doung Village, Newtown International school (Peanicheakkam Village), Private School B	Students, parents, principal, teachers	Interviews
<b>Fri</b>	<b>Aug.22</b>	Borei Kammeakkar Village, NGO: HOPE, Private School B	Village vice chief, students, parents, principal, teacher	Interviews
<b>Mon</b>	<b>Aug.25</b>	Borei Kammeakkar Village	Students	Interviews
<b>Tue</b>	<b>Aug.26</b>	Peanicheakkam Village	Students	Interviews
<b>Wed</b>	<b>Aug.27</b>	Peanicheakkam Village	Students	Interviews

### WG4

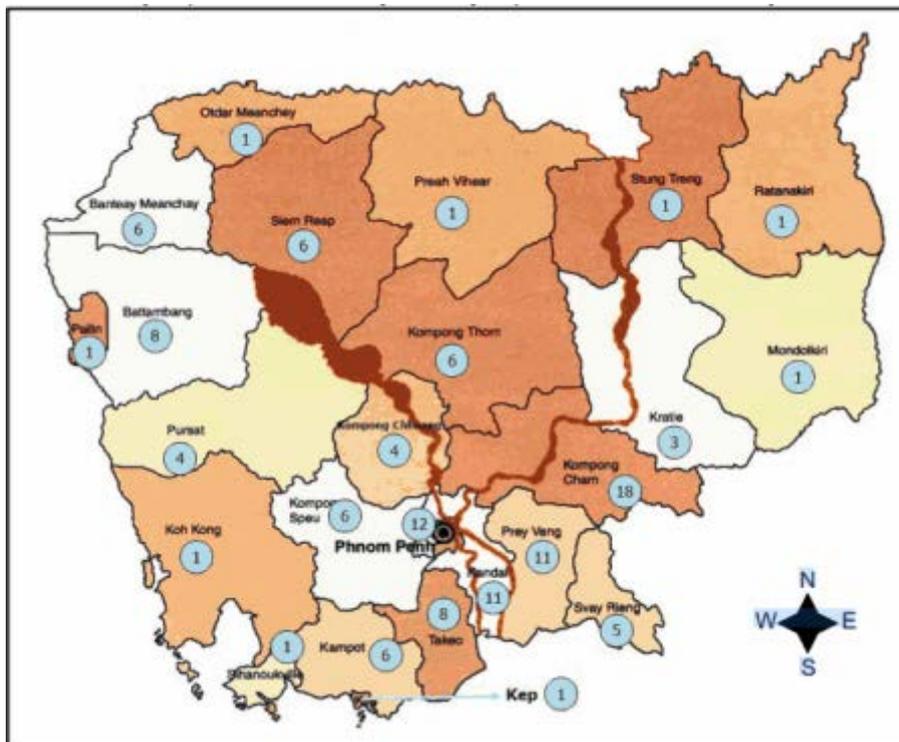
Date		Place	Who	What
<b>Tue</b>	<b>Aug.19</b>	Ministry of Water Resources and Meteorology, Department of Rural Development, Department of Agriculture, Department of Land Management	Officials	Interview
<b>Wed</b>	<b>Aug.20</b>	Kandaol Dom Commune	FWUC Board Members	Interview
<b>Thu</b>	<b>Aug.21</b>	Kandaol Dom Commune	FWUC leaders	Interview
<b>Fri</b>	<b>Aug.22</b>	Kandaol Dom Commune	FWUC leaders	Interview
<b>Mon</b>	<b>Aug.25</b>	Kandaol Dom Commune	Farmer-members of FWUC	Interview
<b>Tue</b>	<b>Aug.26</b>	Kandaol Dom Commune	Farmer-members of FWUC	Interview
<b>Wed</b>	<b>Aug.27</b>	Kandaol Dom Commune	Farmer-members of FWUC	Interview

# Background Information of Kampong Speu Province, Cambodia

Naret Heng<sup>1</sup>

## Introduction

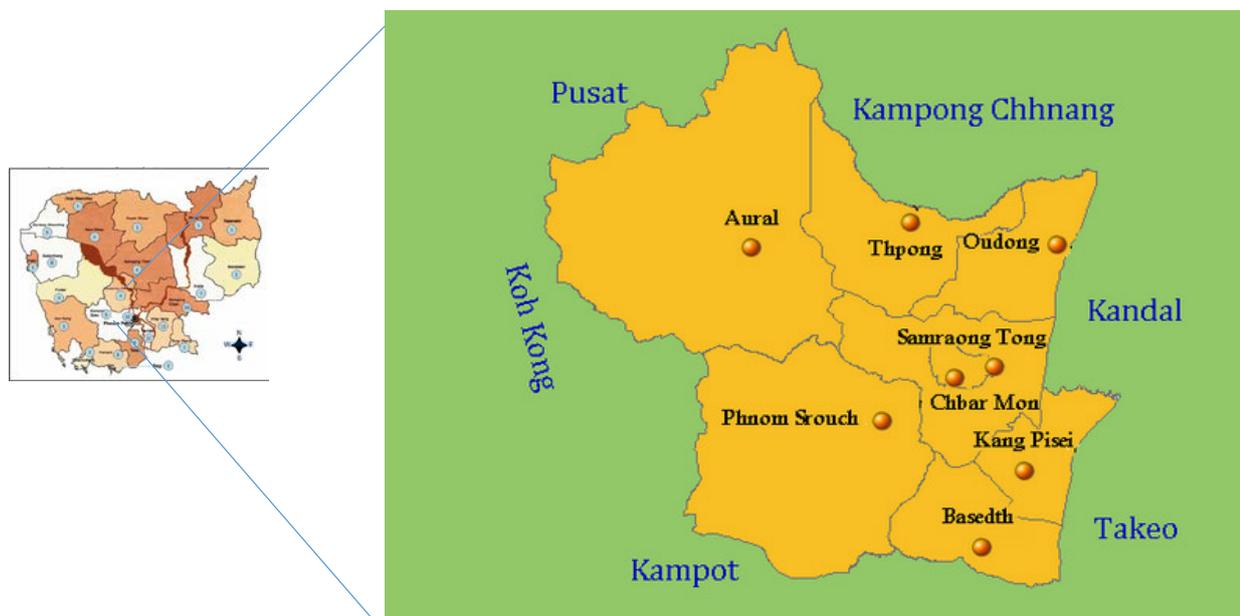
Kampong Speu Province is one of 25 provinces of the Kingdom of Cambodia. Chbar Mon city is the capital of Kampong Speu Province. Speu is the Khmer word for starfruit, but Kampong Speu is actually famous for its palm sugar and wine.



Kampong Speu province is located 48 kilometers to the west of Phnom Penh. It borders Kampong Chhnang and Pursat provinces to the North, Phnom Penh to the East, Kampong Speu and Takeo to the South and Koh Kong to the West. The area of the province is 7017 square kilometers (MAFF [www.maff.gov.kh](http://www.maff.gov.kh)) (Figure 1).

<sup>1</sup> Dr. Naret Heng is Head of Department of Community Development, Royal University of Phnom Penh. He joined OFW2014 Program as a visiting scholar to the Graduate School of International Development, Nagoya University from April 1- July 31, 2014.

**Figure 1 Map of Kampong Speu province**



Source: Cambodia Parliament Seat Distribution, 2013

<https://cambodianelections2013.wordpress.com/2013/07/23/cambodia-parliament-seat-distribution/>&

<http://www.angkorfocus.com/kampong-speu-tourist-attractions/kampong-speu-geography.html>

## **Geography and Climate**

The topography is variable, from a large area of lowland paddy fields in the east to lowland/upland mosaics and upland forested areas in the West. Cambodia's highest mountain, the Phnom Aural, with an altitude of 1813m is located in the very North of this province. Kampong Speu is classified as a rural province.

Climate of Kampong Speu, as well as other provinces in Cambodia is sunny almost all year round. The average temperature is about 27 degrees Celsius; the minimum temperature is about 16 degrees. December and January are the coolest months, whereas the hottest is April. General information about the provincial climate: Rainy season is May - October (26-34c, with humidity up to 90%.); Cool season is November- March (16-26c); and Hot season is March- May (25c -35c).

## **Administrative structure**

Kampong Speu province is divided into seven districts (Aoral, Phnom Srouch, Samraong Tong, Basth, Odongk, and Basedth) and one municipality (Chbar Mon). It is composed of 82 communes and 5 Sangkart. There are a

total of 1358 villages in Kampong Speu Province. Only the commune council is selected through a general election.

## **Population**

In 2013, the total population in Kampong Speu was 812,290 out of a total population of 14,676,591 for all of Cambodia (Cambodia Inter-Censal Population Survey, 2013). The population of women was 415,438 female. There were 488,277 people more than 18 years old, with 254,974 being female. The total number of families was 161,162, with an average of six people per family. The population density of the province in 2013 was approximately 116 persons/km<sup>2</sup> and average birth rate annually is 2%.

## **Tourism**

This province has a natural and cultural resort, which is located at Tang Tonle Village and Ampe Phnom Village, So Por Tep Commune and Svay Kra Van Commune, Chbar Mon District. The resort has natural rivers, notably the large Preaek Thnot River, which has many big trees growing along it. At the mountain foot, there is a rocking bridge linking Tang Tonle Village to Ampe Phnom Village.



Source: Chambok Community-Based Ecotourism Site

## **Education**

Until 2014, total schools in Kampong Speu province are 512 schools (3,782 class room) included 25 model schools. Total students are 166,106 with female students being 79,146 students. There are 4,140 teachers with female teachers numbering 1,588. They teach at all schools in Kampong Speu province (Ministry of Education Youth and Sport 2013).

Until 2013, the total number of schools was 512 schools; including kindergartens (110), primary schools (312), secondary school (68), and high schools (22) (Table 1).

**Table 1: Number of schools, students, and teachers in Kampong Speu Province**

Education Level	Number of Schools	Number of Rooms	Number of Students	Number of Teachers
Kindergarten	110	164	6,087	199
Primary School	312	2098	117,628	2,707
Secondary School	68	363	19,272	1,098
High School	22	375	23,119	1046
Total	<b>512</b>	<b>3000</b>	<b>166,106</b>	<b>5050</b>

## Agriculture

Total land of the province is 696,563 ha with agricultural land covering 113,600 ha. Total farming land is 48,288 ha (Industrial Agricultural land is 8,086 ha), residential land is 11,996 ha, and mountain areas and irrigation land is 522,679 ha. Rice is the major agricultural product in Kampong Speu Province, followed by cassava, sugar (palm tree and sugar cane), green mango (*Say Keo Romeat* –local name) especially.



Source: OFW, 2014

## Industry

Recently, Kampong Speu Province engaged in garment and footwear production, wood products, a cement factory, quarries, and handicrafts. In addition, this province has other small industrial activities such as cassava processing, cashew and eucalyptus enterprises (Table 2).



Source:<http://revolutionaryfrontlines.wordpress.com/2013/05/29/cambodia-garment-workers-protest-at-nike-factory-attacked-by-police/>

**Table 2 Industry Activities in Kampong Speu Province**

Activity	Number of Enterprises	Number of Employees
Cassava, Cashew and Eucalyptus Enterprises	16	12,000
Garment and Footwear	15	13,000
Wood Products	10	Na
Cement Factory	1	100
Quarries	19	Na
Handicrafts	3000	Na

Source: USAID, 2008

## **Mircofinance and Banks**

In 2014 there were 37 microfinance institutions, which include small grants from the banks and 5 NGOs that are providing micro finance and small loans in Kampong Speu Province. They are ACLEDA , Prasac Microfinance Institution, Amret Microfinance Institution, SATAPANA Microfinance Institution, Hattha Kaksekar Limited, Samic Microfinance Institution, AMK Microfinance Institution, Kredit Microfinance Institution, VisionFund Cambodia Microfinance Institution, TPC Microfinance Institution, SEILANITHIH Microfinance Institution, GCMF, CHAMROEUN Microfinance Institution, Malis Microfinance Institution, EAP Microfinance Institution, AEON Microfinance Institution, FUDF Microfinance Institution, BAYON CREDIT Microfinance Institution, KEY Microfinance Institution, and Ly Hour Microfinance Institution.

## **Economy**

Kampong Speu's economy consists basically of agriculture and industry. Rice, sugar cane, palm tree, cassava, and mango fruit are the main agricultural products in the province. On the other hand, garment and footwear factories, wood products, a cement factory, quarries, and handicrafts are the key industrial production in the Kampong Speu Province.

## **References**

Chambok Community-Based Ecotourism. <http://chambok.org/things-to-do/> (October 3, 2014)

Ministry of Education Youth and Sport. 2013. Education Statistics and Indicators 2013-2014. EMIS office, Department of Planning, Phnom Penh

MICROFINANCE, NETWORK INFORMATION EXCHANGE. Data Calculated 35 MFIs, Including ACLEDA Bank (Small Loan), and 5 NGOs (CCSF, VDA, CMK, ASARD and NCD). <http://cma-network.org/drupal/InformationExchange> (October 1, 2014)

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(October 1, 2014)

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# *Working Group 1*

## *Microfinance*

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The Relationship between Microfinance Borrowing and the  
Income and Expenditure of Rural Households in Roka Thom,  
Cambodia

1. Introduction
2. Literature Review
3. Methodology
4. Results and Findings
5. Conclusion and Recommendations
6. References
7. Appendices

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Leap Chenggla

*\*\*Group Leader*  
*\*Sub-Leader*

# 1. Introduction

## 1-1 Background of the Study

Microfinance has been a growing trend in Cambodia for the past two decades. The rise of microfinance services started when the central government implemented reforms in the 1990s as part of the political efforts to move towards a free market economy (Vada, 2010). Nowadays, one can find microfinance services in most of the 24 provinces of the country, which are provided by more than 56 microfinance institutions (MFIs) under the supervision of the National Bank of Cambodia (NBC) (Asia Development Bank, 2012) and an estimated 60 NGOs mainly involved with rural development projects (Idem).

Microfinance is commonly associated with financial inclusion of poor individuals and households, providing access to financial services such as loans, insurance and savings. By acknowledging the role that this kind of tool can have on social development and poverty reduction, the government of Cambodia “has been internationally recognized due to an enabling regulatory and supervisory framework that governs microfinance providers” (Idem, p. 15) contributing to an expressive growth of the sector in the previous years. From 1995, the sector expanded from “US\$ 3 million outstanding loans and 50,000 borrowers to a remarkable US\$ 732 million outstanding loans and 1,197,722 borrowers in 2012” (Liv, 2013, p. 11).

According to the Cambodia Microfinance Association (CMA), 80% of those utilizing microfinance services live in rural areas. This trend may reflect the national demography (which is mainly composed of rural dwellers - 80.5%) (National Institute of Statistics, 2010) and the dependence of the Cambodian economy on the agricultural sector, which comprised 36% of the country’s total GDP in 2013, and has employed more than 55% of the population in the same year (Central Intelligence Agency, 2014). Therefore, the relationship between microfinance services and rural development in Cambodia – including rural poverty alleviation – represents a vast field of research that can contribute to current academic debates regarding the role of microfinance strategies to cope with poverty and attain development at the local, regional and national level. Nonetheless, there is a lack of studies exploring the impact of microfinance services on the Cambodian development experience. It is not without reason that the CMA stated that one of the negative issues concerning microfinance in the country is the existing ambiguity in relation to the actual impact of the services due to lack of assessment (Camodia Microfinance Association, 2012).

In this regard, this research sought to contribute to the body of research and thereby reduce the existing vacuum of knowledge regarding microfinance and development in Cambodia. The research objectives and questions were formulated based on the current challenges discussed earlier. Despite the expansion of the sector in the last few years, structural barriers and other emerging problems limit sectoral growth and better delivery of services. According to the Asian Development Bank (2012), among the problems regarding these services include the following: a) inability to access remote rural areas where the biggest chunk of the population living below the poverty line can be found; b) failure to reach the unbanked and the underbanked with broader options of services that may better fit their necessities, instead of solely relying on deposit and

credit; and c) the apparent overburden of borrowers who engage themselves in multiple lending schemes to pay past loans (Idem)<sup>2</sup>.

Although it is not within the scope of this research to give answers to the above mentioned problems, they were essential when deciding the research framework. Considering the importance of the agricultural sector to the Cambodian economy and the amount of rural dwellers accessing microfinance services, the focus of this analysis is on how rural households involved in rice farming deal with microfinance loans. The assessment on the effect of these loans on income and expenditure is focused on how these households utilize the obtained resources and how loan conditions impact their economic situation.

## **1-2 Statement of the Problem**

Generally, microfinance was conceived as a pro-poor financial inclusion strategy to enable poor people to access finance and take responsibility for their movement out of poverty and deprivations by increasing their engagement in productive activities (Pickens, 2004, Sachs, 2005, Armendáriz de Aghion and Morduch 2005, Fukui and Llanto, 2006). In the case of Cambodia, despite embracing microfinance for the last two decades, only about 25 percent of rural farmers have been reached by microfinance services (Fukui and Llanto, 2006, p. 15) and poverty remains a disturbing phenomenon, affecting 20.5 percent of the population (World Bank-Available at: <http://data.worldbank.org/country/cambodia>).

Cambodia has a population of 14.86 million (World Bank-Available at: <http://data.worldbank.org/country/Cambodia>) and over 10 million of its citizens are living in rural areas. The country has had an undeveloped financial sector during its transition period. Nearly 40 percent of the population has been excluded from formal financial services while 6 percent of the total banking sector provides loans for agriculture and allied industries. In the absence of specialized state owned banks to link farmers and other primary producers to the formal financial market, it is expected that microfinance will address the challenge of providing for rural financial services in Cambodia (Fukui and Llanto, 2006). About 90 percent of the poor reside in rural areas and most of them are dependent on agriculture for their livelihood. Two-thirds of rural households in the country experience food shortages each year and about 12 percent are landless. This induces internal migration in a bid to escape from pressure on land and persistent floods and droughts, especially in

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<sup>2</sup> According to ADB (2012), “Microfinance services are used by the poor, including low-income earners, people with disabilities, and people living in remote areas. The international standard for measuring The ability to offer microfinance services is 20% of the average credit ratio to GDP. For Cambodia, this ratio is 54%, as the average loan is \$430 and GDP per capita is \$795. These data may suggest that either the poor make little use of microfinance services or that borrowers are overburdened by their debts. Because MFIs are not able to reach all rural and remote areas, borrowers must rely mainly on informal sources of finance at substantially higher interest rates, estimated to be as high as 10.0% per month compared with the 1.8%–3.0% per month rates charged by formal MFIs (depending upon the maturity and the risk in lending). There are a number of reasons cited for the low level of rural penetration by MFIs: (i) remote locations are difficult to reach, (ii) hard-to-reach areas pose greater security problems for MFIs, (iii) roads are poor in some areas, (iv) economic activity is limited, (v) income-generating activities and vocational training are lacking, (vi) financial literacy and knowledge of how to start or manage a business are lacking, (vii) formal loans are unavailable, and (viii) credit risks are high. These constraints all contribute to a low level of financial inclusion in hard-to-reach rural areas”.

lowland areas. Subsistence rice farming using unsophisticated methods is prevalent and productivity is low. Hence, rural households augment their farm income with non-permanent and often low paying non-agricultural sources (<http://www.ruralpovertyportal.org/country/home/tags/cambodia>). This is not to underestimate the progress that has been recorded so far as studies indicate that within the last decade, Cambodians numbering over one million have borrowed over US\$500 and invested in their farms and micro businesses. Similarly, between 2005 and 2008, microfinance borrowers in Cambodia rose from 492,000 to 1,015,000 while the gross microfinance portfolio grew from US\$149 million to US\$438 million within the same period (IFC, 2009, p. 26 and p.21). Despite this achievement, a sizeable percentage of the poor, especially those in remote areas in Cambodia, continues to be excluded from access to formal financial services to raise their production levels (Pickens, 2004). This reality has been further exacerbated by the transition of microfinance from donor dependence to commercialization which has shifted services from the extremely poor to those who are perceived to be more favourably disposed to paying interest rates at prevailing market prices (Pickens, 2004, Heng, 2008, p.81-86).

Similarly, a recent study by the IFC observed that the microfinance sector in Cambodia encountered various challenges: absence of a reliable credit bureau to facilitate the domestication and sharing of credit information to forestall over borrowing; restricted financial services offerings (credit); poor financial literacy of consumers; poor infrastructure and financial integration which hinder the smooth mobilization of deposits; over dependence on foreign capital at the expense of local financial intermediation strengthening; excessive competition within small markets; rising rates of risky portfolios to non-performing loans and loan defaults which might be due to financial downturns; and others such as health challenges or natural disasters (IFC, 2009, p. 8 and 26). Many Cambodians also prefer to borrow money from informal rather than formal financial sources because informal sources are thought to be interest-free. Even with high interest rates, the simplicity and flexibility of accessing loans and repayment, as well as restricted access to formal loans, make informal loans more attractive than formal sources. Furthermore, although microfinance institutions in Cambodia grant loans to individuals with group membership status, otherwise called group lending, many prospective customers cannot present the required assets that qualifies them for membership of groups. Even those who have them do not have land title documents that enable them to use such property as collateral (Heng, 2008, p. 35 and 66).

In light of the foregoing realities confronting the microfinance service providers and their respective clients in Cambodia, this research aims to investigate how effective and efficient microfinance has been in pursuit of its primary goal of poverty alleviation, and specifically in bringing positive changes to the incomes and expenditures of rural households in Roka Thom, Cambodia.

### **1-3 Objectives of the Study**

The study seeks to achieve the following objectives:

1. Ascertain the effect of microfinance on the incomes and expenditures of rural households in Roka Thom, Cambodia.
2. Determine how rural households in Roka Thom, Cambodia utilize the loans obtained from Microfinance Institutions (MFIs).
3. Investigate the relationship between gender and the access and utilization of microfinance loans.

### **1-4 Research Questions**

#### *Main Research Question*

- How does microfinance affect the income and expenditure of rural households in Roka Thom, Cambodia?

#### *Sub-Research Questions*

1. How do rural households in Roka Thom, Cambodia utilize microfinance loans?
2. How does gender affect the access and utilization of microfinance loans among rural households in Roka Thom, Cambodia?
3. How do microfinance conditions affect household incomes and expenditures of rural households in Roka Thom, Cambodia?

### **1-5 Hypotheses**

1. H0: Microfinance borrower's income increased after the latest loan.  
H1: Microfinance borrower's income does not increase after the latest loan.
2. H0: Higher amount of borrowing has a strong correlation with increase in income.  
H1: Higher amount of borrowing does not have a strong correlation with increase in income.
3. H0: Female borrowers are more likely to default.  
H1: Female borrowers are not more likely to default.
4. H0: Lower interest rates correlate with increasing income.  
H1: Lower interest rates do not correlate with increasing income.

## **1-6 Significance of the Study**

The study is expected to deepen the dialogue regarding microfinance as a poverty reduction strategy and investigate under what conditions this can be achieved. It seeks to continue the academic debate on whether microfinance serves the interests of the poor and ascertain the conditions under which positive changes could be expected.

## **1-7 Limitations of the Study**

The limited time and resources required for a large scale study compelled the research team to reduce the scope of the study, both in terms of the study area and the issues to be investigated. This obviously has implications on the generalization of the study. Also, the language barrier, respondents' objections, and false information or errors in the reporting of income by respondents are some of the limitations experienced in this study. Although, the research team consists of interviewers who are fluent in the local language, this only minimized, rather than eliminated, the challenges posed by the loss of contextual nuances.

The researchers also acknowledge the limitation of adopting a cross sectional rather than a longitudinal or cohort study geared towards capturing income trends and patterns over specific periods.

## **2. Literature Review**

This section focuses on what the existing literature says about the rationale behind the microfinance movement. It conceptualizes microfinance and describes how microfinance is thought to ameliorate the plight of the poor, leading them to gaining a foothold on the ladder of development, as well as review some raging debates about the effectiveness of microfinance as a pro-poor development strategy. Accordingly, this section addresses the popular thinking around the aforementioned issues.

### **2-1 Microfinance and Poverty Reduction: The hopes and the fears**

The microfinance approach to poverty reduction became popular because it resonated with neo-liberal development policy theory pioneered by the Bretton Woods Institutions. It became especially dominant since the 1970s due to widespread dissatisfaction with the top-down development strategy and the ascendance of the grassroots development approach (Bateman and Chang, 2012). Consequently, discussions focusing on the poor and how to extricate them from poverty soared during the 1990s, culminating in the crafting of the Millennium Development Goals (MDGs) (Morduch and Haley, 2002, p. 1). The increased global recognition accorded to Mohammed Yunus, the founder of the first microfinance bank, called the Grameen Bank in Bangladesh, and the increased policy attention given to it by the World Bank galvanized many developing countries to adopt

microfinance as a route to escape from poverty and a strategy to stimulate the empowerment of marginalized groups (Hermes and Lensink, 2007). Although microfinance was initially dependent on donor support and funding amidst scarce resources with limited reach, many microfinance institutions have since transformed into regulated financial services institutions, attracting private capital to achieve the double goals of financial sustainability and the avoidance of mission drift (Krauss and Walter, 2009).

Against this background, microfinance gained prominence as a strategy which promised to increase access to finance and gainful self-employment for the poor; enhance their credit worthiness and empower them to take responsibility for their movement out of poverty, as well as checking intergenerational poverty through investment in their own and their children's health, nutrition and education (Sachs, 2005, Shastri, 2009, p. 5, Santha, 2009, p. 3). However, a study by Murray in India revealed that although microfinance has helped in improving the cash-flow management potential of the poor; stimulated significant improvements in the nutrition, health and schooling statistics; and has galvanized community spirit through social mobilization and giving voice to the voiceless, as well as inculcating a culture of prudence among marginalized groups and individuals, the evidence from Bangladesh isn't as positive. Bangladesh, with 36.4 percent of its population still living on less than USD1.25 per day and worrisome social development indicators (only 31.7 percent of births are attended by skilled personnel and under 5 mortality rate of 53 per 1000 live births), despite its longer experience with microfinance and acclaimed widespread access of marginalized groups to microfinance services, indicate that the extremely poor continue to be excluded from accessing services and that it has provided an escape route for government to abandon its responsibility for welfare provisions to vulnerable groups and individuals. In addition, the expectation that microfinance beneficiaries will gravitate to formal micro enterprises have been largely elusive, while a shift of focus to microfinance by Civil Society Groups in Kenya, for instance, resulted in the neglect of social sector interventions, culminating in deplorable health and HIV/AIDS related statistics (Murray, 2009, p. 2 and 4).

## **2-2 Lessons from a case study of Microfinance in Bangladesh**

Lessons from a case study of Microfinance in Bangladesh as observed by Zaman (2004):

- The importance of an enabling environment for microfinance cannot be underestimated. A critical part is maintaining a stable macro-economic environment with both interest rates and inflation kept at reasonable levels. The lack of macro-stability has seriously constrained the growth of microfinance in several countries, e.g., Malawi. Government regulations and policies are also crucial in creating the appropriate environment for the growth of the sector. These policies need to strike a balance between protecting the interests of depositors, in microfinance institutions that collect savings, and not regulating the sector excessively (i.e., strangling it with unnecessary bureaucracy).
- Microcredit may be a more effective remedy against poverty and vulnerability if it is complemented with other interventions. These interventions may be particularly appropriate for the poorest households, which

face the greatest risk of income fluctuations and have the greatest need for a range of financial and non-financial services. Moreover, while the provision of microcredit can enhance a woman's status in the eyes of other household members, social mobilization and legal education interventions in conjunction with credit are likely to have a more significant effect than credit alone. However, this does not imply that microfinance institutions ought to provide these services. In many cases, organizations may prefer to specialize in providing microfinance and facilitate linkages to providers of other non-credit interventions.

- There is a role for donor financial assistance in expanding the capital base in emerging microfinance institutions, as well as in developing technical capacity that leads to organizational sustainability. Hence, subsidies can be justified to support “infant” microfinance institutions, as long as there is a viable route to institutional sustainability. The duration of these subsidies would vary according to local conditions and level of poverty of the clients.
- The systems and formal rules that govern the successful microfinance industry in Bangladesh can, to an extent, be replicated. These vary according to the size of the organization, but by and large, these organizations delegate significant decision-making authority away from head offices, are able to monitor individual staff performance, and have linked staff incentives with program targets. Client feedback and program monitoring are also crucial. As organizations grow, the willingness to change products based on this feedback and to tailor or create products for niche markets is critical for success.
- The creation of a microfinance wholesaler, like PKSF in Bangladesh, has the potential to play an important role in expanding access and developing professional standards. However, apex bodies are not a panacea, and a rigorous analysis of the underlying retail capacity and demand for funds needs to be carried out before they are established.

## **2-3 Lessons from a case study of Microfinance in Pakistan**

Another case study showing the impact of microfinance, based on the experience of Pakistan (Fareed, 2014). This case study was conducted to check the impact of microfinance on poverty reduction in the Okara district. This study also demonstrated how MFIs are taking part to reduce poverty. For this purpose, a quantitative approach was used and a questionnaire was utilized as the instrument. Active borrowers of the microfinance banks in Okara were asked to fill out the questionnaires. The sample size was 85 and convenient sampling was used. To analyze the data, both descriptive statistics and inferential statistics were used in this study. Correlation and multiple regressions analysis were tested on the data and used to interpret the results.

All the hypotheses were tested with the help of correlation and multiple regression analysis all research hypotheses were accepted: “There is a positive relationship between availability of microfinance services (AMFS) and poverty reduction”; “there is a positive relationship between use of microfinance services (UMF) and poverty reduction”; “There is a positive relationship between awareness of microfinance (AMF) and poverty reduction”; and “There is positive a relationship between facilitating terms & conditions (FT&C) and

poverty reduction”. This study indicated that microfinance is having a great impact on poverty reduction in the Okara district.

## **2-4 Lessons from a case study of Microfinance in Ghana**

The main objective of this case study was to assess the effect of SAT’s (Sinapi Aba Trust, the number one MFI in Ghana) microfinance program on participants in terms of asset accumulation (Kimos, 2009). By using a distinct survey design that controlled for program placement bias, as well as an empirical model which controls for the bias of self-selection into programs, the paper observed that, through participation in the program, established clients of SAT diversified and accumulated various assets in the form of financial, human and physical capital. Thus, participation in the program significantly improved clients’ living standards through asset accumulation.

Stakeholders in the microfinance sector have important roles to play in the dissemination of microfinance as a strategy for poverty reduction. We have outlined below some lessons learnt from the study and suggested policy directions for future actions in the microfinance sector:

- **Insurance products for the poor**

Practitioners in the microfinance industry must understand that cash flow requirements are not the only burden that clients bear. Funerals for family members, as well as maintaining health status of household members and providing education for children, also place a heavy burden on clients and threaten their ability to fulfill loan repayment obligations. To address this burden, microfinance providers could collaborate with insurance companies to put in place affordable insurance products that will cover funeral costs for clients.

- **Graduation of clients to join formal institutions**

To realize the full effect of their operations on clients, microfinance providers must support and recommend their ‘matured’ clients to join formal institutions, in order to benefit from larger loan amounts. Data on such clients and those who voluntarily exit the program must be kept and used by the institution and researchers for impact studies. Similarly, extremely poor clients – who are being trained under various programs, including beneficiaries of cash transfers, to equip them with skills in entrepreneurship and business management, but who lack access to credit – could be absorbed by MFIs as clients.

- **Financial sustainability and impacts**

It has been observed that programs that have achieved higher levels of financial sustainability make a larger impact on changes in the borrowers’ standards of living. This goes to buttress the argument that pursuing full financial sustainability is the surest way to deliver the most benefits to participants. This strengthens the argument that MFIs must be allowed to charge market interest rates to remain profitable

and sustainable without any governmental interference. Disbursement of micro-loans set up by governments and donors must also be the sole responsibility of the private sector in order to ensure their sustainability and, therefore, outreach.

### **3. Methodology**

This research was conducted using quantitative and qualitative approaches. The data collection method varies for each approach. For the quantitative side, field survey using a questionnaire was used to collect primary data. For the qualitative side, a semi-structured interview was conducted to gather primary data. Both approaches were analyzed separately, and the results were compared to determine the relationship among the variables used in this research. Additionally, secondary data used in this research was gathered from official publications by the government, official statistics from microfinance institutions and published academic articles.

#### **3-1 Population**

The research population of this study includes all rural households in Sangkat Roka Thom who borrowed money from Microfinance Institutions before 2014. The total population is 15,522 people (2,827 families). Statistics showed that rice farmers comprise 46.8% of the total population, which is about 1,300 families. In this survey, five villages were chosen as subject areas, including Ang Serei, Krang Pol Tep, Trapang Loek, Tuol Thnoug and Khaub. Statistics showed that the total population of these five villages is 896 families.

#### **3-2 Unit and sampling**

The research unit is the “household”, primarily because the borrowed money is used for household purposes rather than individual expenses. The research sample was decided through a non-purposive method. The team used snowball sampling of 60 respondents. The total number of respondents was decided based on some limitations which included effective research days, the language barrier and the limited number of surveyors.

With a sample size of 60 respondents there was a 12.23% margin of error (see Table 1), which means that the answers given by respondents have a plus or minus gap of 12.23%. For example, when the total respondent answers were 30%, the actual range for that answer was between 17.77% and 42.23%. This research applied a 95% confidence level.

**Table 1: Sample Size and Margin of Error**

Confidence level	95%	95%	95%
Sample Size	50	60	70
Population	896	896	896
<u>Margin of Error</u>	<u>13.47%</u>	<u>12.23%</u>	<u>11.25%</u>

Source: <http://www.surveysystem.com/sscalc.htm>, Accessed on 24 June, 2014

### 3-3 Informants

Interviews were conducted with a few informants from microfinance stakeholder groups in Sangkat Roka Thom. These informants were representatives of microfinance institutions, village leaders, local microfinance proponents, and the borrowers themselves. The criteria used in selecting respondents was based on their understanding of the latest situation of microfinance in Sangkat Roka Thom, the ability to provide good and necessary data, and experience in managing microfinance money.

### 3-4 Analysis

To measure the relationship between MFI borrowing and the changes in income, paired sample t test analysis was used. This is a method to measure correlation coefficient of variables with numerical values (Levine, Krehbiel, and Berenson, 2012). Once the correlation coefficient was established, the next step was to measure the strength of the sub-variables. Beside statistical measurement, the correlation between all variables were also triangulated with qualitative data.

$$S \sqrt{\frac{X_1 - X_2}{\frac{1}{n_1} + \frac{1}{n_2}}}$$

$X_1$  = Mean of first set of values  
 $X_2$  = Mean of second set of values  
 $S_1$  = Standard deviation of first set of values  
 $S_2$  = Standard deviation of second set of values  
 $n_1$  = Total number of values in first set  
 $n_2$  = Total number of values in second set

The team assumed that there was a strong correlation between borrowing and income, so that coefficient of determination analysis was used. In addition, because this research was based on a sample survey, the method first used the Pearson Correlation Coefficient:

$$r = \frac{\sum_{i=1}^n (X_i - \bar{X})(Y_i - \bar{Y})}{\sqrt{\sum_{i=1}^n (X_i - \bar{X})^2} \sqrt{\sum_{i=1}^n (Y_i - \bar{Y})^2}}$$

This was followed by measuring the coefficient of determination, which is basically the squared value of the correlation above.

$$R^2 \equiv 1 - \frac{SS_{\text{res}}}{SS_{\text{tot}}}$$

To measure whether there was a significant difference between variables, the chi square method was used to analyze the data. The chi squared test was also applied in establishing the coefficient of contingency (C) between variables, namely between male and female heads of household on the tendency to default microfinance borrowing. For both measurements, the analysis followed this formula:

$$X^2 = \sum \frac{(\text{Observed Frequency} - \text{Expected Frequency})^2}{\text{Expected Frequency}}$$

In order to avoid unnecessary mistakes in the measurement, and to fasten the analysis, the team used two available statistical tools: Microsoft Excel and Statistical Package for Social Service (SPSS) 22.

The group wanted to prove that there was a positive relationship between the following correlation (See Table 2): 1) microfinance loan and household income; 2) microfinance loan and production output; 3) female borrower and default rate, 4) interest rate and income; 5) repayment plans and income; and 5) loan duration and income.

**Table 2: Variables that will be Tested**

Variable 1	Variable 2
Higher Microfinance Loan	Household Income
Higher Microfinance Loan	Increasing Output
Female Borrower	Lower Default Rate
Lower Interest Rate	Higher Income and Expenditure
Better Repayment Plans	Higher Income and Expenditure
Longer Loan Duration	Higher Income and Expenditure

### 3-5 Schedule

The field survey took six working days. One day was used to conduct meetings and interviews with microfinance institutions and other informants. In order to collect sufficient quantitative data, the team was divided into three groups. Each sub-group was responsible to administer the survey to 20 respondents. On the first day, the team conducted a pilot survey in Tuol Thnoug, and modified the questionnaire for the actual survey. After that, the actual survey was conducted in five villages. On the last day, the team was divided into two groups and interviewed six MFIs (AMK, CHAMROEUN, HKL, Vision Fund, AMRET, and CMK) and two Self-Help Savings Groups (PWD, Development Association).

**Table 3: Schedule of Activities: Field Survey in Roka Thom, Cambodia**

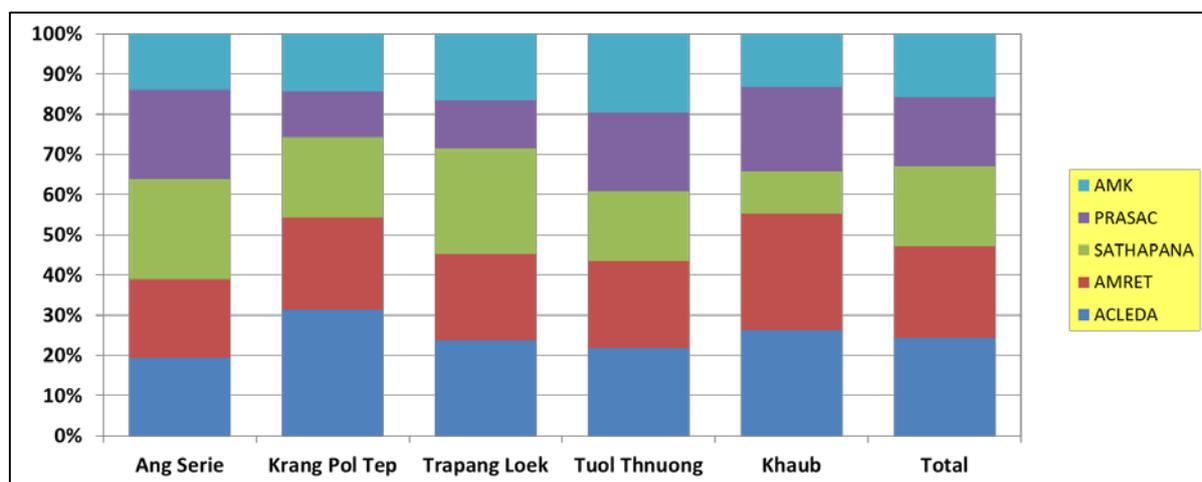
Date	Village	Who	What
Tue Aug.19	Tuol Thnoug	Household	Pilot Survey
Wed Aug.20	Ang Serei	Household	Survey
Thu Aug.21	Krang Pol Tep	Household	Survey
Fri Aug.22	Trapang Loek	Household	Survey
Mon Aug.25	Tuol Thnoug	Household	Survey
Tue Aug.26	Khaub	Household	Survey
Wed Aug.27	Roka Thom	Six MFIs and two Self-Help Savings Groups	Interviews

## 4. Results and Findings

### 4-1 Quantitative Analysis

Rural households in Roka Thom, Kampong Speu revealed that the most recognized microfinance institutions in their area included ACLEDA, AMRET, SATHAPANA, PRASAC, and AMK. At present, ACLEDA is already a commercial bank, however, rural households still recognized it as a microfinance institution. Also, it could be observed that the coverage of each MFI varied for each village (see Fig. 1). ACLEDA was the most recognized MFI in Krang Pol Tep while AMRET and SATHAPANA were the most recognized MFIs in Khaub, and Ang Serie and Trapang Loek, respectively.

**Figure 1: Five most recognized Microfinance Institutions (MFIs) in Roka Thom, Kampong Speu**



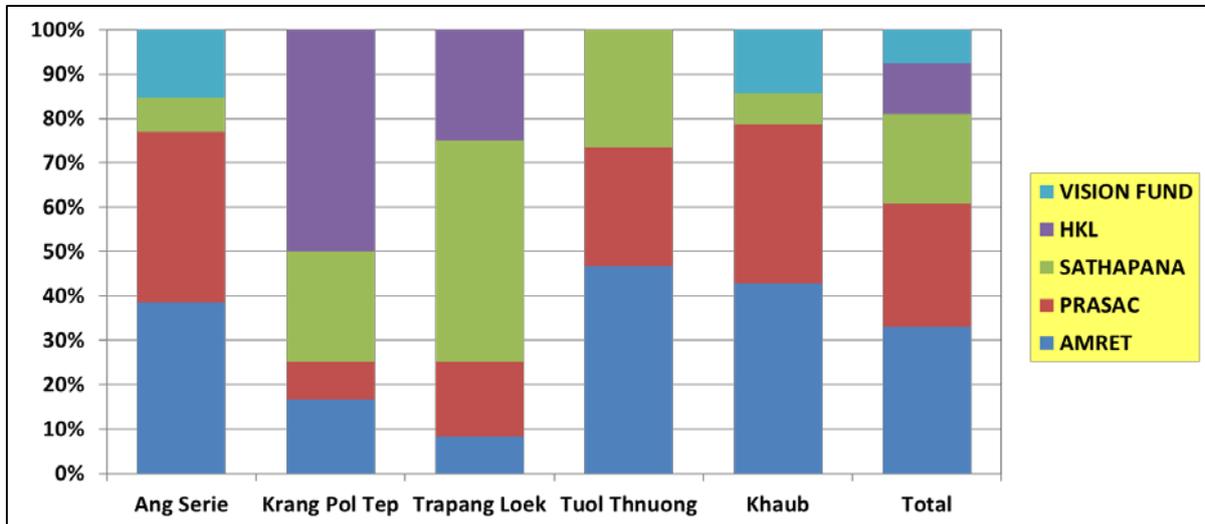
Source: Authors

The majority of rural households in Roka Thom borrowed from AMRET, PRASAC, SATHAPANA, HKL, and Vision Fund (See Figure 2). It could be noted that HKL and Vision Fund were not among the top five most recognized MFIs in the area. By village, the top most MFIs from which respondents borrowed varies noticeably. Households in Krang Pol Tep and Trapang Loek preferred to obtain loans from HKL and SATHAPANA, respectively. In Ang Serie, most borrowers obtained loans from AMRET and PRASAC, while in Thuol Thnuong and Khaub, most rural households borrowed from AMRET.

Borrowers chose to borrow from the abovementioned MFIs because of the following reasons: (1) low interest rates, (2) loans could be obtained easily, (3) MFIs could be reached easily, (4) they offered high amounts to borrow, and (5) friend's recommendation (see Fig. 3). On the other hand, the primary reasons why most respondents did not borrow or stopped borrowing from MFIs were as follows: (1) high interest rates, (2) desired amount of loan was not approved by MFI; (3) inaccessibility to MFI's office, (4) inflexible repayment scheme; and (5) insufficient income to pay back (see Figure 3). Desired amounts of loan were usually not

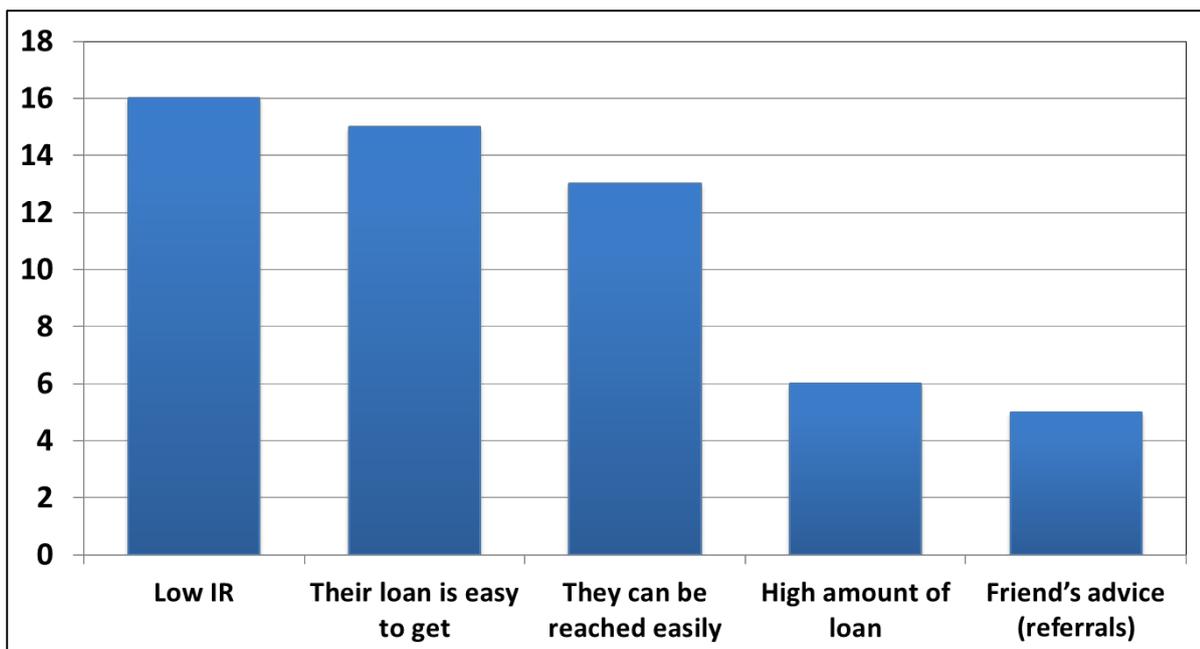
approved by lending institution either because the borrower had insufficient income or did not have the required collateral.

**Figure 2: Top Five Microfinance Institutions (MFIs) from which respondents borrowed in Roka Thom, Kampong Speu**



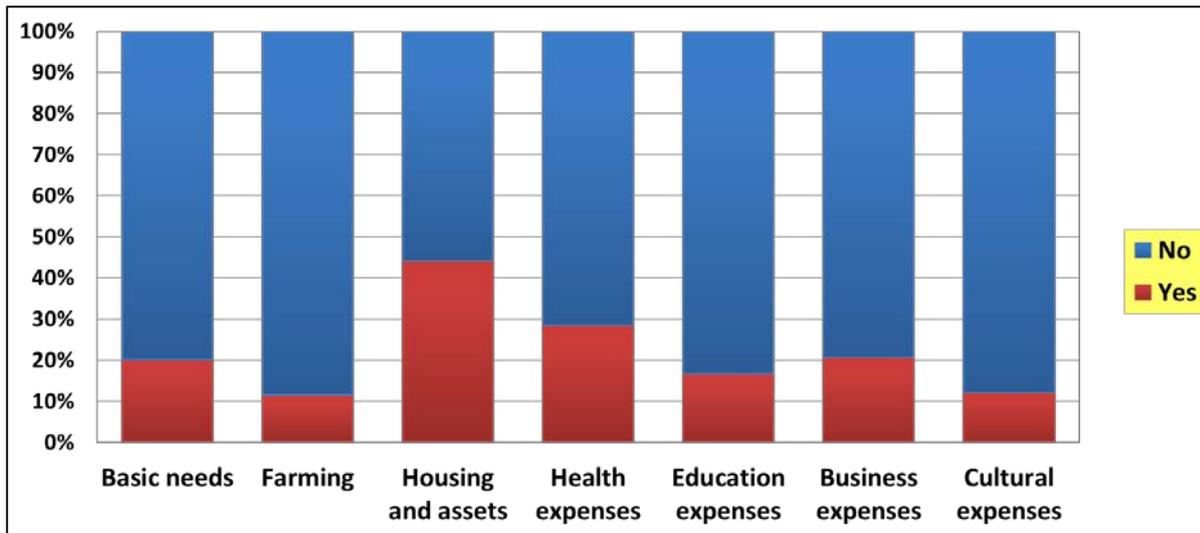
Source: Authors

**Figure 3: Five main reasons why borrowers choose to take loans from Microfinance Institutions (MFIs) in Roka Thom, Kampong Speu**



Source: Authors

**Figure 4: Purpose of Borrowing**



**Source:** Authors

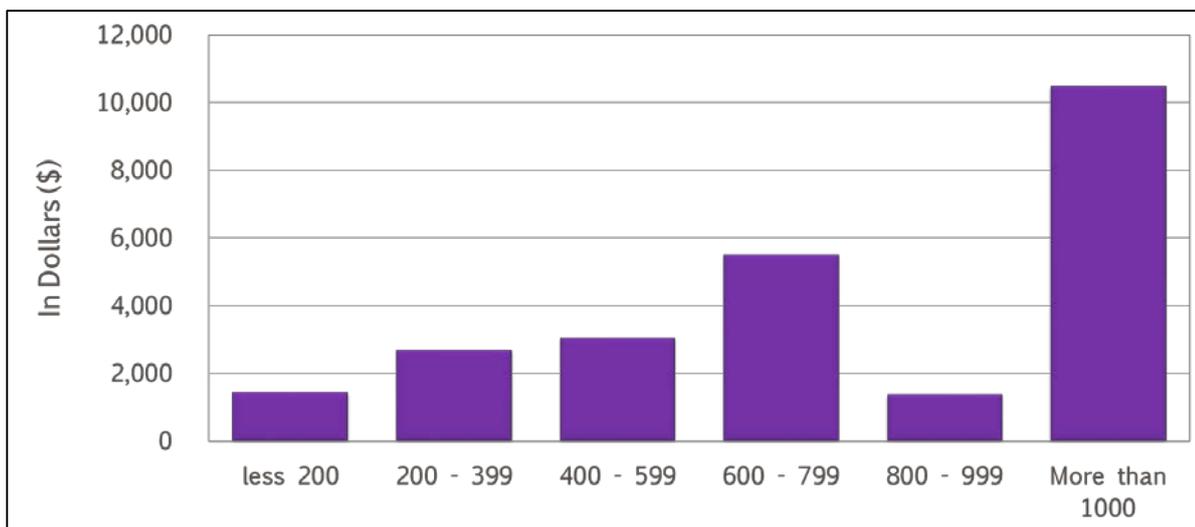
In terms of purpose for borrowing, more than 40% of the respondents used the loans they borrowed for construction, renovation and expansion of houses, as well as buying assets like land and vehicles (see Figure 4). Around 28% of the respondents mentioned that they used the money for health expenses. The researchers found that 20% of the respondents used the money for basic needs and business expenses. At most 17% of the respondents utilized the loans for education expenses while at least 11% used the money for farming and cultural expenses such as weddings. This clearly shows that the bulk of the loans borrowed were not necessary intended for productive purposes like farming and business expenses, but rather used for basic household expenses. Although, some respondents conveyed that they used the money to buy land for investment purposes. Also, it is interesting to note that a number of respondents explained that they used loans for ceremonies like weddings, birthdays and funerals.

Based on the result of the survey, it can be observed that there is a positive relationship between the amount of borrowing and level of income in Roka Thom. As shown in Figure 5, as income increases, the amount of borrowing also increases. This is an indication that as income increases, the potential to obtain higher amount of loan will also increase. Those who borrowed higher amounts usually used the money for weddings and other cultural activities, while those who borrowed less usually used the loans for emergency purposes.

Taking into account the effect of microfinance borrowing to the income of borrowers, it was found that the average monthly income of households significantly increased by 10.27%, from \$499.00 before borrowing to \$551.00 after borrowing. However, it should be noted that the increment was not necessarily because of microfinance borrowing, but rather due to other sources of income like receiving remittances from family members who work abroad or in the larger cities. Other sources of income included working in

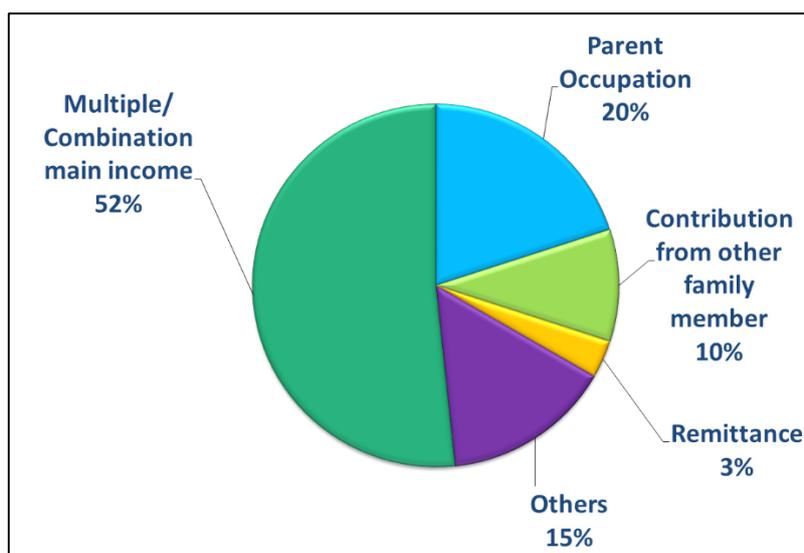
government factories and receiving support from parents or other family members who work in other provinces. Among the respondents, 52% of them had multiple and various sources of income, 20% received income from their parents, 10% obtained their income from contribution of other family members, and 3% received income from remittances (see Figure 6).

**Figure 5: Amount of Borrowing by Income Level in Roka Thom, Kampong Speu (in US\$)**



Source: Authors

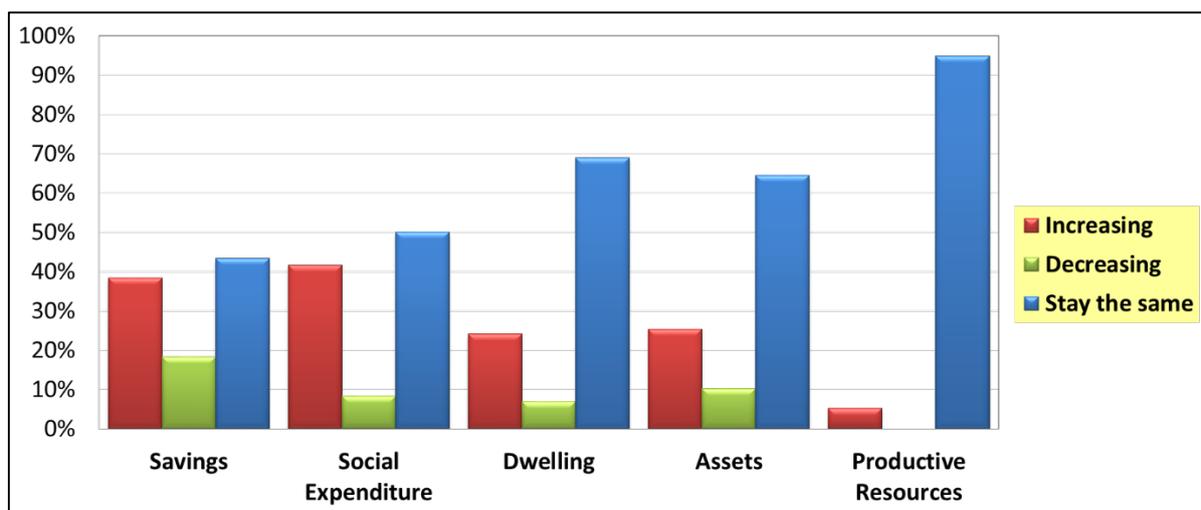
**Figure 6: Main Sources of Income of Households in Roka Thom, Kampong Speu**



Source: Authors

In terms of the effect of microfinance borrowing on the expenditure patterns of households in Roka Thom, most respondents revealed that the majority of their monthly expenditures stayed the same (see Figure 7). Specifically, these included expenditures on productive purposes like purchasing farm inputs, rice farming, trading activities, renting agricultural equipment and hiring labor. Expenditures on dwelling and assets, as well as social expenditures were also observed to have stayed the same. On the other hand, at most 40% of the respondents expressed that they increased their savings to ensure that they have sufficient money to payback their loans. Also, at least 40% of the respondents boosted their social expenditures which included expenses on food, health, transportation, household bills and among others.

**Figure 7: Expenditure Patterns of Households in Roka Thom, Kampong Speu**



Source: Authors

#### 4-1-1 Borrowing and change in income

In measuring the impact of MFI borrowing to the changes in income of rural households in Roka Thom area, the following hypotheses were tested.

H<sub>0</sub>: Microfinance borrower income did not increase after the latest loan

H<sub>1</sub>: Microfinance borrower income increased after the latest loan

Using the paired t test method with 95% of confidence level, the alpha level for our observation is 2.021. Statistical test conducted using SPSS shows that t value is 3.013 (see Table 4). When alpha level is smaller than the t value then hypothesis null is rejected, which means that H<sub>1</sub> is accepted. This indicates that the income of microfinance borrower increased after the latest loan. The low p-value or 2 tailed significance (0.005) with

high t value (3.013) means that there is only very small probability that respondent's income is increased because of chance, or in other word the result is statistically significant.

Furthermore, the test shows that there is a strong positive correlation between the incomes before the latest loan with the income after the latest loan. The correlation is 0.747 (see Table 5). In a few cases, respondents may not have had a latest loan from MFIs, because it is their first time to borrow. These cases are still counted in the test. In addition, it is important to note that change in income data was obtained for only 37 respondents, therefore the n sample for the paired t test was 37 and not 60.

**Table 4: Paired samples T-test**

	Paired Differences					t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Pair 1 After_borrowing - Before_borrowing	92.74324	187.25687	30.78484	30.30870	155.17779	3.013	36	.005

Source: Authors

**Table 5: Paired Samples Correlations**

	N	Correlation	Sig.
Pair 1 Before latest MFI loan & After latest MFI loan	37	.747	.000

Source: Authors

#### 4-1-2 Higher amount borrowing to higher income

For the second hypothesis, it was assumed that higher amount of borrowing had a strong correlation with higher income. The hypothesis is as follows:

H<sub>0</sub>: Borrowing larger amounts did not have a strong correlation with income

H<sub>1</sub>: Borrowing larger amounts did have a strong correlation with higher income

Regression statistics showed that there was no strong correlation between borrowing larger amounts and income. The results showed a weak positive correlation between loan size and income, since adjusted R<sup>2</sup> is only 0.0446 (See Table 6). It is a positive correlation, but the value is negligible. In Table 7, we can see that the slope of the correlation is very low (0.0116), and with P-value higher than 0.05, then there is low presumption that H<sub>0</sub> statement is false. Therefore in this case H<sub>1</sub> is rejected. A scatter plot diagram can better describe the correlation (see Figure 8).

**Table 6: Result of Regression Statistics**

Multiple R	0.246527
R2	0.060775
Adjusted R2	0.044582
Std Error	4839.82
Observations	60

**Source:** Authors

**Table 7: Slope and P-value**

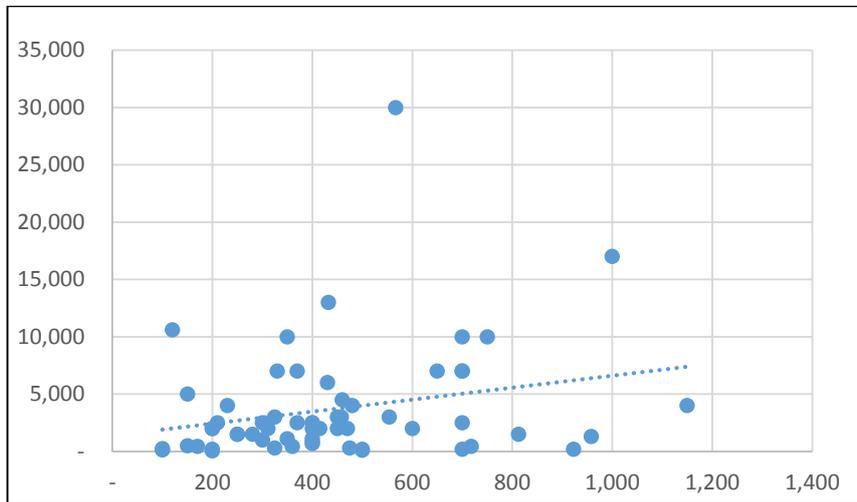
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	400.407578	36.879411	10.8572119	1.3488E-15
Borrowing	0.01162428	0.0060003	1.93728458	0.05758561

**Source:** Authors

In Figure 8, it can be observed that the trendline is close to flat. This is caused by data scattered too wide rather focusing near the trendline. One household with a medium income level borrowed higher amounts

than all other households. It can also be noted that the highest income household did not borrow higher amounts than those with lower incomes. These findings explain why the correlation between the two variables, amount of borrowing and level of income, was weak.

**Figure 8: Scatter Diagram of Microfinance Income and Borrowing**



**Source:** Authors

#### **4-1-3 Female borrower and Loan default**

This research also tried to establish the correlation between female borrowers and default rate. The hypothesis assumed that female borrowers are more likely to default on their loans than men. However, it was hard to determine if the borrower was male or female during the actual survey. The researchers found that all loan contracts must be signed by both the husband and wife, and sometimes includes children. To overcome this problem, the respondents were grouped based on whether the household was led by a female or male. The hypotheses are then as follows:

H<sub>0</sub>: Female-headed households are not more likely to default

H<sub>1</sub>: Female-headed households are more likely to default

**Table 8: Default Rate of Female-Headed Household**

			Default		Total
			Yes	No	
Female Headed Household	Yes	Count	1	7	8
		% within Female Headed Household	12.5%	87.5%	100.0%
		% within Default	7.1%	15.2%	13.3%
		% of Total	1.7%	11.7%	13.3%
	No	Count	13	39	52
		% within Female Headed Household	25.0%	75.0%	100.0%
		% within Default	92.9%	84.8%	86.7%
		% of Total	21.7%	65.0%	86.7%
Total		Count	14	46	60
		% within Female Headed Household	23.3%	76.7%	100.0%
		% within Default	100.0%	100.0%	100.0%
		% of Total	23.3%	76.7%	100.0%

**Source:** Authors

Chi-square test using SPSS tools shows that neither female-headed households nor non-female-headed households tend to default (see Table 8). Obviously, this indicates that  $H_1$  is rejected and  $H_0$  is accepted. There is no statistical difference between male and female headed households in the likelihood of default.

Table 9 shows the Pearson Chi-Square correlation between female-headed households and default rate. The Asymp. Significance value of 0.436 means that there was no statistically significant relationship between female or male headed households in relation to default rate. The association was, however, positive.

**Table 9: Chi-Square Tests Result**

1.	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	.606 <sup>a</sup>	1	.436	.667	.395
Continuity Correction <sup>b</sup>	.108	1	.742		
Likelihood Ratio	.682	1	.409		
Fisher's Exact Test					
Linear-by-Linear Association	.595	1	.440		
N of Valid Cases	60				

Source: Authors

a. 1 cells (25.0%) have expected count less than 5. The minimum expected count is 1.87.

b. Computed only for a 2x2 table

#### **4-1-4 Interest rate and income**

It is a common understanding that interest rate, as part of borrowing conditionality, has a correlation with borrower's income. The lower the interest rate, the higher the borrower's income would be. The researchers surveyed whether respondents income decreased, stayed the same, or increased. To examine the relationship between these two variables, the group proposed the following hypotheses:

H0: Lower interest rate does not correlate with increasing income

H1: Lower interest rate correlates with increasing income

The statistical test showed that interest rate did not correlate with change in income. The adjusted R<sup>2</sup> was -0.016 (see Table10) which is very close to 0, a value which means that there was almost no correlation between the variables tested. The findings confirmed this result. However, the negative value indicates that there was a negative relationship between interest rate and income. The slope between the two variables was also negative (see Table 11). And because the P-value was higher than 0.05, then there was no presumption

against the null hypothesis, which means that statistically there was no correlation between interest rate and income. By this result then the  $H_1$  was rejected.

**Table 10. Correlation between Interest and Income**

<i>Regression Statistics</i>	
Multiple R	0.040261
R2	0.001621
Adjusted R2	-0.01559
Std Error	0.789202
Observations	60

**Source:** Authors

**Table 11. Slope and P-value**

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	500.41	56.81	8.81	0.00
Interest rate	-2296.88	1942.30	-1.18	0.24

**Source:** Authors

## 4-2 Qualitative Analysis

### 4-2-1 Perceptions versus Reality

In the process of this research, some interesting findings were revealed which could not be quantified and were better told as a narrative. Before the field research started, there were some general perceptions but after going to the field, it was found that those perceptions were not actual realities.

In terms of the perception of gender relations in the household, it was thought that males would be more dominant and that most household decision-makers would be men rather than women. However, in the field, it was found that many loans were taken as a family unit and that decisions were not made along gender lines. Rather, they were based on which family member, whether male or female, was working and who earned

the main income for the household. For example, sometimes it was the children working in the city or in garment factories. It was also found that most women managed the loans.

In terms of the perception of the relationship between gender and microfinance, it was thought that female headed households would be more likely to default or pay late. However, in the field, it was found that female headed households depended a lot on social connections or family relationships to manage repayment. It was also found that many females borrowed from friends or neighbors to repay loans. In those cases, no interest payments were required. Furthermore, some of those females chose repayment dates which coincide with the pay day of their children or the time they generally received remittances from family members in the city.

In addition, it was thought that landless women would have less accessibility to loans because of lack of collateral. However, it was found that even though possession of land and other assets are important conditions for accessing loans, the number of household members who were working played a more important role in the approval of the loan and the amount of money available. Also, many females who didn't have collateral borrowed in groups, in which case, collateral was not required.

Another assumption was that female headed households would be more likely to default or pay late. In reality, it was found that many respondents who defaulted did so because they were busy or had forgotten the due date. They indicated that it was not because they did not have the money to pay.

In terms of the perception of "poor people", it was supposed that people who access microfinance are generally desperate or extremely poor. However, the research findings indicated that some people accessed microfinancing to start a money lending business at higher interest rates than the MFIs. Also, the respondents specified that they had multiple sources of income and the money lending business was not their primary source of income.

During the research, gaps in the responses from the respondents and MFIs were also found. It was revealed that even though some respondents had collateral, they still chose to borrow in groups. This was perhaps because of the shared responsibility, community solidarity or because group payment plans were more flexible even though group interest rates were higher. It could also be a combination of these factors. In addition, individual borrowing was still more popular among the respondents than group borrowing. However, MFIs indicated that more than 80% of their portfolios were group loans.

#### **4-2-2 Cultural Aspects**

Marriage in Roka Thom, like in many other societies, seems to hold enormous value. This could be gleaned from the high expenses on wedding and the degree of risk that parents were willing to take; and were actually taking to ensure a befitting wedding ceremony for their children, especially females. Many respondents revealed that they could afford to take risks for their female children because they know that, apart

from their willingness and ability to pay back the loans, it yields higher returns from the female children in the long run in terms of remittances since most of them work in the garment factory with a steady source of income.

The study also revealed that unlike the situation in most fast urbanizing societies, the bond between family members and, indeed the entire community in Roka Thom, is still very strong. Information about microfinance institutions was widely diffused and members could easily pinpoint households which utilize the services of microfinance. Notably, there is also a strong tendency for family members to share the risk associated with taking loans from microfinance institutions. Some respondents took loans, using their land property as collateral, not necessarily for themselves but to either help their brothers or sisters set-up entrepreneurial ventures such as pharmacy, beauty (hair dressing saloon) or tailoring shops or other productive outlets, while some borrowed jointly with their children with the understanding that both the capital and interest would be repaid, either solely or by the loan beneficiaries or jointly with the direct borrower.

Finally, as part of the requirements for granting loans, the consent of the village head is usually sought by microfinance institutions on the loan history/profile of the potential borrower and in the event of a default in repayment, they also play a significant role in compelling the defaulter to repay his/her loan. While such practice is commendable in the sense that, apart from ensuring that potential risks to borrowers and microfinance institutions are prevented, it reinforces traditional authority structures which serve as social control by checking the conduct of community members. However, such practice could also be subject to abuse by village heads. For instance, in-depth interviews with some microfinance institutions revealed that some village heads gave misleading information about the loan profile of potential clients and in a situation where credit bureaus are less efficient, as in Cambodia, or where some MFIs deliberately ignore information about potential clients' loan profiles, we could expect the risk of default in repayment to be heightened. Similarly, the village heads could discriminate against rival individuals or those not favoured by him.

#### **4-2-3 From the perspective of the microfinance institutions and their borrowers**

The microfinance institutions (MFIs) interviewed offer financial services such as loans and savings products but only one revealed that they also offer education scholarships and provide insurance coverage for their clients. It was discovered that MFIs in Kampong Speu practice group and individual lending. Group lending mainly targets those with very low incomes and low asset wielding households, while individual lending targets relatively better off households in terms of possession of collateral, having access to children's remittances and being earners. Those households who borrowed as individuals had relatively higher incomes compared to those who participated in group lending. However, a few households participated in both lending techniques, especially when they could not obtain multiple loans because they had pledged their collateral to other loans. This usually occurred when there were emergency needs to meet.

Regarding the purpose for which loans were usually sought, it was reported that most loans were used for buying motorbikes, cars and building houses, while only a small amount of loans were actually utilized for

main productive activities like community-rice farming and livestock rearing. However, interviews with the borrowers revealed that a significant number of them also took loans to pay for wedding ceremonies for their children, while a fewer number also took loans to buy property, such as land for speculative purposes. The implication of this undertaking is that the immediate effect of microfinance lending might be difficult to assess but given the prevailing inflationary trends in the prices of land in Kampong Speu, one could expect returns on investment from this practice.

With respect to the precautions taken to ward off defaults, most of the MFIs revealed that they usually did not require potential borrowers to present any form of business plans prior to approving their loans and they also did not have an effective mechanism for verifying or monitoring how loans were used by clients so long as there was no default in the payment of interest rates. In view of this, interviews with the borrowers revealed that most of them were able to meet their interest payments, not necessarily from the proceeds of their investments as envisaged by the philosophy of microfinance, but from children's remittances. A few of them paid from income earned from their jobs. Most of the MFIs merely relied on neighbours to find out how their clients used the loans but of course, they assumed that community solidarity might skew responses in favour of the client in question more often than not.

In the area of services rendered to clients, most MFIs disclosed that clients were generally satisfied with their service delivery which also resonated with the assessment shared by the borrowers, except that borrowers wanted lower interest rates, increased proximity and home collection of monthly payments, rather than having to travel long distances to MFI offices and having to endure long queues during peak periods, usually at the end of every month.

On challenges confronting the MFIs, it was noted that there were too many unlicensed operators; unhealthy competition for clients among MFIs, leading to the prevalence of loan recycling amid an ineffective credit bureau system; poor governmental regulation of the microfinance sector; and the activities of informal money lenders. However, interviews with borrowers suggested that money lenders were usually not a preferred choice, except for smoothing out household consumption or to urgently meet income shortfalls, especially when they are threatened by the inability to repay microfinance loans. In principle, all MFIs are required to verify and ascertain the creditworthiness of prospective borrowers prior to lending money to them from the Credit Bureau of Cambodia (CBC), but in practice, they ignore this institutional directive and engage in multiple and simultaneous lending to clients, thus exposing them to higher risks of default.

Most of the MFIs opined that the paucity of funds limits their ability to engage in entrepreneurial and capacity building training for clients and prospective clients, except for pre-loan counselling on financial management practices. Therefore, they solicited government and donor partnerships with MFIs in this area so that clients could get maximum benefits from microfinance services. This is particularly noteworthy because in both interviews with borrowers and MFIs it was revealed that most of the beneficiaries of loans either worked in the dominant garment factory or had children or spouses who worked there. The group view therefore, was that providing such training would help borrowers diversify their income sources beyond rice

farming, livestock rearing and the garment industry. This will help both the MFIs and borrowers to better cope in the event of a shock in the garment industry or during natural disasters such as droughts and floods as happened in the now famous Lehman shock of 2008, which drastically reduced the demand for goods and services, including clothing. With regards to the high interest rates that borrowers complained about, most MFIs disclosed that interest rates charged to clients are determined by the interest rates at which they access loans and that if they could access lower interests, it would automatically trickle down to borrowers. Again, this is another area where donors and the government could collaborate with microfinance banks so that they can expand their reach to underserved and marginalized groups and individuals who find it difficult to cope with the current cut-throat interest rates. One way for the government to address this concern is to access low interest private sector stimulating funds from the International Finance Corporation (IFC) and designate selected MFIs with lower interest rates to be distributed to potential entrepreneurs from poor households.

## **5. Conclusion and Recommendations**

### **5-1 Conclusion**

The examination of microfinance borrowing in five villages in Roka Thom, Cambodia revealed different results than what was expected from the theoretical perspective. These include the following:

- There was a positive indication that the income of microfinance borrower had increased after the latest loan. However, this may have been a coincidence as it was revealed that changes in income and expenditure of households were mostly affected by family dynamics. The incremental change in income could be attributed to having various sources of income like remittances from family members who work abroad or in urban cities, contribution of other family members or other reasons.
- There was no strong correlation between the monetary amount of loans and the income of borrowers. Also, higher microfinance borrowing has no correlation with the change in income.
- In terms of gender and the tendency of the borrower to default, this study showed that there was no statistically significant association between female headed households and male headed households, and their tendency to default on loans. However, qualitative exploration found that female headed households depended a lot on social connections or family relationships to manage repayment, thus making them able to avoid default.
- In terms of microfinance conditions, one of the most important things according to respondents was interest rates. However, this does not necessarily mean that there was a correlation between interest rates and change in income, as the study showed.

- There was a significant difference in the change of income among respondents, which means that there was no close association that caused the change of income of borrowers.
- From a qualitative exploration, this study found out that most MFI loans are taken for consumption purposes rather than for productive purposes. The loans were predominantly used for buying assets such as motorbikes, for building or expanding dwellings, and for wedding expenses. However, the findings of this study also showed that when loans were used for productive purposes, it was more likely that there was a positive impact on household income.

## **5-2 Recommendations**

Based on the results and findings of this research, this study provides some recommendations to the government, microfinance institutions, and borrowers. These include the following:

### **5-2-1 Government**

1. Regulate the informal MFIs operating in Kampong Speu to support formal MFIs. The activity of informal MFIs in the area is increasing, and although there may not yet be problems, the government or local government needs to mitigate potential problems that could be caused by their activity, which may include giving too much credit for non-productive purposes.
2. Limit the number of loans individual clients can take simultaneously, as multiple loans can contribute to default. It should be noted that this research did not find many multiple loan situations and those that were found did not reveal any problems that led to default.
3. Closer monitoring of the operations of informal moneylenders. It is known that informal moneylenders offer quick money but with a very high interest rate. Most people borrow from informal moneylenders during an emergency. It is therefore necessary to closely monitor the activities of informal money lenders to avoid any abuses.
4. Increase household capacity through trainings or workshops. The low correlation between microfinance utilization and increase in income was caused by the low capacity of households to engage in productive activity. Therefore, the government should play a more active role in promoting the use of microfinance loans for productive purposes by promoting training or workshops.

### **5-2-2 Microfinance Institutions (MFIs)**

1. The MFIs can increase financial inclusion of the Roka Thom community by offering lower interest rates. This research showed that interest rates given by MFIs are too high according to respondents, and they are seeking for lower interest rates.
2. Make special arrangements for landless households, especially female headed households. These are the most vulnerable communities when financial hardship occurs in a country or region. Although this research showed that these vulnerable communities already had coping strategies in place when these circumstances occur, they were still excluded from access to financial services. Without adequate access to financial help, they will not be able to improve their living conditions.
3. Microfinance institutions should offer services other than loans and savings. This is important to improve borrowers' capacity to manage their money. Through this strategy, borrowers can get more financial benefits rather than just using the loans for consumption purposes. This is in line with the abovementioned recommendation for the government, however, the MFIs should offer more practical services and profit-oriented trainings.
4. Adopt strategies to ensure that loans are used for the purpose they were intended. Currently, there are very limited strategies in controlling the use of microfinance loans. The frequent use of microfinance money for non-productive purposes might be caused by the absence of monitoring in terms of how the loans were used. MFIs should at least monitor and encourage the borrowers to use the loans obtained for productive purposes.

### **5-2-3 Borrowers/Clients**

1. Utilize the loans more for productive purposes in order to generate greater incomes for the household. This study suggests that borrowers/clients should at least use the loans for productive purposes to obtain higher level of income.
2. Refrain from taking multiple loans simultaneously. To avoid loan defaults in the future, borrowers should refrain from taking multiple loans simultaneously.

## 6. Appendices

### The Relationship between Microfinance and the Income and Expenditure of Rural Households in Roka Thom, Cambodia

#### 1. QUESTIONNAIRE

##### SECTION A: SOCIO-DEMOGRAPHIC DATA

<b>Sex</b>	<b>Code</b>	<b>Villages of Raka Thom</b>	<b>Code</b>
Male	1	Ang Serei	1
Female	2	Krang Pol Tep	2
		Trapang Loek	3
<b>Age</b>		Tuol Thnuong	4
		Khaub	5
<b>Marital Status</b>			
Married	1	<b>Livestock Farming Activity</b>	
Single	2	Yes	1
Widowed	3	Subsistence	
Divorced	4	Commercial	
Separated	5	No	2
<b>Main Source of HH Income</b>			
<b>Family Members</b>		Same as occupation	1
		From other family member/s	2
<b>Education</b>		Remittance	3
No schooling	1	Others (please state)	4
Formal Education	2		
Please specify highest grade completed		<b>Main product (yearly)</b>	
Non-formal education	3	Only rice	1

		Mainly rice with few other	2
<b>Occupation</b>		Agriculture (non-rice)	3
Farming	1	Other	4
Government employee	2	Specify above .....	
Small Business Owner	3		
Factory Workers	4		
Others	5		

## SECTION B: AWARENESS AND PATRONAGE OF MICROFINANCE INSTITUTIONS

**Q1. Which Microfinance Institutions are you aware of? *Multiple codes possible***

**Q2. Which of them have you borrowed money/take loan from? *Multiple codes possible***

**Q3. Which one would you consider borrowing/taking loans from if your regular Microfinance Institution is not available? *Single code***

**Q4. Which MFI (s) have you stopped borrowing/taking loans from? *Multiple codes possible***

	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
<b>Microfinance Institutions (MFIs)</b>	Awareness	Borrowed from	Alternative MFI	Stopped borrowing from
(ACLEDA)	01	01	01	01
AEON Microfinance Ltd (AEON)	02	02	02	02
Angkor Mikroheranhvatho (Kampuchea) Co. Ltd (AMK)	03	03	03	03
AMRET Microfinance Institution (AMRET)	04	04	04	04
Angkor ACE Star Credits Limited (Angkor ACE)	05	05	05	05

Cambodia Community Savings Federation (CCSF)	06	06	06	06
CHAMROEUN Microfinance Limited (CHAMROEUN)	07	07	07	07
Entean Akpevath Pracheachun (EAP)	08	08	08	08
Farmer Finance LTD (FarmerFinance)	09	09	09	09
Farmer Union Development Fund (FUDF)	10	10	10	10
Hattha Kaksekar Limited (HKL)	11	11	11	11
Malis Microfinance Institution (Malis)	12	12	12	12
PRASAC MFI Ltd. (PRASAC)	13	13	13	13
SAMIC Microfinance (SAMIC)	14	13	13	13
SATHAPANA Limited (SATHAPANA)	15	15	15	15
Village Development Association (VDA)	16	16	16	16
VisionFund Cambodia (VisionFund)	17	17	17	17
Entrepreneurship	18	18	18	18
Credit Mutuel Kampuchea (CMK)	19	19	19	19
ABA	20	20	20	20
Other (Specify)	21	21	21	21

**Q5. Why did you choose to borrow money/take loans from above mentioned institution?**

- They're more trusted..... 1
- They can be reached easily..... 2
- Their loan is easy to get..... 3
- It was the only institution available..... 4
- Friend's advice (referrals)..... 5

I see that they have been helping our people... 6

Others (please specify below)..... 7

**Q6. Why did you stop borrowing money/taking loans from (*Stopped MFI mentioned at Q5*)?**

**Q7. Who usually take the decision taking loans from MF in this household?**

A. Head of household

Husband..... 1

Wife..... 2

Husband & wife..... 3

B. Other family members (please specify)

Male..... 1

Female..... 2

**Q8. Who signs for the loan agreement?**

A. Head of household

Husband..... 1

Wife..... 2

Husband & wife..... 3

B. Other family members (please specify)

Male..... 1

Female..... 2

**Q9. Who manages the money borrowed?**

A. Head of household

Husband..... 1

Wife..... 2

Husband & wife..... 3

B. Other family members (please specify)

Male..... 1

Female..... 2

**Q10. Apart from Microfinance Institutions, which other sources have you ever borrowed money from?**

*Multiple choices*

Family/Friends..... 1

Informal Money Lenders..... 2

Others (Please specify)..... 3

None..... 4

**Q11. How frequently do you borrow money from Microfinance Institutions (at least in the last 2 years)?**

Only once..... 1

2 or 3 times..... 2

4 times or more..... 3

**Q12. How much are you borrowing currently, compared to the last time before (if any)?**

Previous Loan .....

.....

Current Loan .....

**Q13. For what purpose do you borrowed from above mentioned institution?**

<b>a) For basic needs</b>	<b>Yes</b>	<b>No</b>
(1) Food consumption	1	2
(2) Clothing	1	2
(3) Payment of alcohol (beer/wine)	1	2
<b>b) For farming</b>		
(1) Farming e.g. buying fertilizer, chemical	1	2
(2) Buying animal/other livestock	1	2
(3) Payment of harrowing/harvesting/hired labor	1	2
(4) Payment of land purchase/rent	1	2
<b>c) For building works and other assets</b>		
(1) Housing (construction/renovation/expansion)	1	2
(2) Buying asset i.e. battery/radio/mobile/TV/Motorbike/Car	1	2
<b>d) For health care expenses</b>		
(1) Payment of medicine and medical expenses	1	2
(2) Payment of critical treatment of members	1	2
<b>e) For education expenses</b>		
(1) Payment of study materials	1	2
(2) Payment of school fee/study part time	1	2
<b>f) For business expenses</b>		
(1) Start-up business	1	2
(2) Expansion business	1	2
(3) Working capital	1	2
<b>g) For cultural expenses</b>		
(1) Payment of travelling	1	2

(2) Ceremony e.g. weddings, birthdays, funerals, <i>Bon Nek Ta</i> etc.	1	2
(3) Donation to pagoda/monks	1	2
(4) Special occasions. i.e. Bon Pchum Ben, Khmer New Year	1	2
<b>h) For other expenses</b>		
(1) Payment of electricity	1	2
(2) Repayment of Tong Tin	1	2
(3) Repayment of daily needs debt	1	2
(4) Repayment of loans i.e. to pay commuting loan/family debt (or debt repayment)	1	2
<b>i) For social expenses</b>		
(1) Donation to community for flood, draught and other charity collection	1	2
(2) Payment for public service i.e. ID, land title	1	2
<b>j) Other expenses (Specify)_____</b>	1	2

**Q14. What kinds of collaterals were you required to provide before borrowing money/taking loans?**

**Q15. Apart from collaterals, which other things are you required to do before borrowing money/taking loans from Microfinance Institutions? Probe for pre-loaning or post loaning training, counseling on financial or business management, etc.**

**Q16. How do you access loans from Microfinance Institutions? (Multiple choices are possible)**

- Individually..... 1
- Group-based..... 2
- Village/Community based..... 3
- Others (Please specify) ..... 4

**Q17. Apart from lending money/giving loans, which other services do Microfinance Institutions provide for you?**

- 1. No.
- 2. Yes, .....

**SECTION C: MICROFINANCE LOAN CONDITIONALITY**

**Q18. At what monthly interest rate do you normally access Microfinance loans?**

.....

**Q19. What is your opinion about the interest rate charged by Microfinance Institutions?**

<b>Very high</b>	<b>High</b>	<b>Moderate</b>	<b>Low</b>	<b>Very low</b>
1	2	3	4	5

**Q20. How long does it take to get loans/money from Microfinance Institutions?**

- Less than one week ..... 1 Please specify in days .....
- A Week..... 2
- 2 Weeks..... 3
- 1 Month..... 4
- Over 1 Month..... 5

**Q21. How do you pay back the loan/money borrowed from Microfinance Institutions/what is the loan repayment schedule of microfinance Institutions like?**

- Weekly Contribution..... 1
- Bi-Weekly Contribution..... 2
- Monthly Contribution..... 3
- Bi-monthly Contribution..... 4
- After harvesting time..... 5
- Others (Please specify)..... 6

**Q22. Did you ever pay late?**

- Yes..... 1
- No..... 2

If yes, please explain why .....

**Q23. Has there been any time when you took a loan/borrowed money to pay off another loan?**

- Yes..... 1-Ask Q24
- No..... 2-Skip Q24

**Q24. Could you please describe what led to that (Q23 Above)?**

**Q25. How satisfied are you with the loan/debt repayment plan/schedule of Microfinance Institutions?**

Very unsatisfied	Unsatisfied	No idea	Satisfied	Very Satisfied
1	2	3	4	5

**Q26. How long does it take you to repay a particular loan?**

- 6 months..... 1
- 1 Year..... 2
- 18 months..... 3
- 2 Years..... 4
- Depends on when I harvest my rice..... 5
- Others (**please specify**)..... 6

**SECTION D: INCOME AND EXPENDITURE**

**Q27. What is your monthly Household income currently? .....**

Increasing	1
Decreasing	2
The same	3

**Q28. Could you please tell us your current expenditure patterns?**

Post –MF loan income	Increasing	Decreasing	The same
<b>A-Cash flows analysis</b>			
Average monthly savings after all expenditures	1	2	3
<b>B-Social expenditures</b>			
Average weekly spending on food	1	2	3
Average weekly spending on health (drugs, hospital bills etc)	1	2	3
Average monthly spending on transport	1	2	3
Average monthly spending on household bills (Electricity, water bills, etc)	1	2	3
Average monthly spending on clothes and shoes	1	2	3

Average monthly spending on children's school (school fees, books, etc)	1	2	3
Average spending on recreation activities (sports, party, socializing etc)	1	2	3
<b>C-Expenditures on dwelling</b>			
Average monthly spending on maintenance of dwelling place	1	2	3
<b>D-Expenditures on Assets</b>			
Average monthly spending on electrical appliances (DVD, TV, Refrigerator etc)	1	2	3
Average monthly spending on beauty goods (jewelleries, etc)	1	2	3
<b>E-Expenditures on Productive Resources</b>			
Average monthly spending on purchasing Seedlings	1	2	3
Average monthly spending on purchasing fertilizers	1	2	3
Average monthly spending on purchasing farm implement/equipments	1	2	3
Average monthly spending on purchasing pest control chemicals	1	2	3
Average monthly spending on livestock raising/rearing	1	2	3
Average monthly spending on rice farming	1	2	3
Average monthly investment in trading activities	1	2	3
Average monthly spending on renting agricultural equipments (Tractors, seeders etc)	1	2	3
Average monthly spending on hiring farm labor	1	2	3

**SECTION E: BENEFICIARIES RELATIONSHIP WITH MICROFINANCE STAFF**

**Q29. How would you describe the attitude and behavior of staff of Microfinance Institutions towards borrowers/clients?**

<b>Very bad</b>	<b>Bad</b>	<b>Good</b>	<b>Very good</b>	<b>Excellent</b>
1	2	3	4	5

**Q30. Have you ever noticed gender discrimination in the granting of loans by Microfinance Institutions?**

- Yes..... 1
- No..... 2

**Q31. Could you describe particular case (s) of gender discrimination (from your own experience or others)?**

**Q32. In your opinion, what are the major challenges encountered in borrowing money/taking loans from Microfinance Institutions?**

**Q33. What do you think could be done to address these challenges?**

**Thank you very much for your time.**

## **2. INTERVIEW QUESTIONS FOR MICROFINANCE INSTITUTIONS**

### **1. Loan Administration Procedures**

- Do you have any standard loan policies which govern your lending activities?
  - If yes, could you explain the procedures?
  - If no, could you explain why you do not have such policies?
    - Probe for more details about interest rates and repayment rates
    - What categories of Loans do you offer?

### **2. Services offered to clients/beneficiaries**

- What kinds of support/assistance do you render to your clients? – cash, services or goods?
  - Probe for further info. or new information.
- For what purpose do clients indicate that they borrow the loans?
  - Probe to find out if clients use the loan for the purpose which they apply for.
- What measures do you adopt to ensure that clients use the loans received for the purpose they were meant for?
- Other than the loan, what services do you provide to your clients?
- Which of these services are clients most satisfied with?
  - Why do you think they are satisfied with these services?
- Which services do they mostly complain about?
  - In your opinion, why do they complain about these services?
- Are there any services that clients currently demand that you do not offer?

- If yes, how do you manage the situation?
- How would you rate your organization on the following indices of Social Performance?
  - a. Serving a larger number of poor and excluded people.
    - 1. Very Low 2. Low 3. Medium 4. High 5. Very High
  - b. Delivering high-quality and appropriate financial services.
    - 1. Very Low 2. Low 3. Medium 4. High 5. Very High
  - c. Creating benefits for clients.
    - 1. Very Low 2. Low 3. Medium 4. High 5. Very High
  - d. Improving the social responsibility of MFIs.
    - 1. Very Low 2. Low 3. Medium 4. High 5. Very High

### 3. Finance

- What are the sources of finance for your organization?
  - (Probe for donor, savings from beneficiaries and sale of bonds etc.)
- Have you been able to meet the demands of your clients based on your current loan portfolio?
- What procedure do you adopt to prevent clients' defaults on their loans?
  - (Probe for joint liability, individual liability, collateral etc.)
- How do you manage default by clients?

### 4. Challenges Encountered

- In your opinion, what are the major challenges of microfinance in Cambodia?
- In your opinion, what are the major challenges preventing the borrowers from accessing microfinance facilities?
  - Probe for general challenges.
  - Probe for more specific challenges.
- How would you react to the view that microfinance institutions are sacrificing their primary mission of poverty alleviation for financial sustainability?
- In your opinion, what are the barriers to low income/landless borrowers' (women and/or men) participation in microfinance institutions?

## 5. Policy Recommendations

- What advice would you suggest to the government on how to strengthen microfinance in Cambodia?
- What advice would you suggest to NGOs on how to strengthen microfinance in Cambodia?
- What advice would you suggest to donor agencies on how to strengthen microfinance in Cambodia?
- What advice would you suggest to investors/shareholders on how to strengthen microfinance in Cambodia?
- What advice would you suggest to prospective borrowers on how to strengthen microfinance in Cambodia?
- What do you think could be done to increase the impact of microfinance on poverty reduction?
- Do you think women are more likely to delay/default on their loan payment?
  - If yes, why?
  - If no, why not?
- What do you think could be done to increase the access of rural poor to microfinance?

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# *Working Group 2*

## *Local Governance*

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### **Decentralization as a Bridge between the State and the People**

-A Case Study of Local Governance by the Commune / Sangkat Council in Chbar Mon City, Cambodia-

1. Introduction
2. Methodology
3. Research findings and analysis [Section 1]
4. Research findings and analysis [Section 2]
5. Research findings and analysis [Section 3]
6. Conclusions
7. Acknowledgements
8. References

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**List of acronyms used:**

CDP Commune Development Process

CEDAC Cambodian Center for Study and Development in Agriculture (Cambodian NGO)

CS Commune/Sangkat

CSC Commune/Sangkat Council

CSF Commune/Sangkat Fund

KHR Khmer Riel

NGO Non-governmental organization

SSF Sao Sary Foundation (Cambodian NGO)

WV World Vision (Cambodian NGO)

# **1. Introduction**

## **1-1 Literature review**

### **1-1-1 Conceptual background**

When looking into local governance issues in Cambodia, one cannot go past the question of decentralization. The system and the workings of decentralization provided the backdrop for this field research. Therefore, in order to introduce or discuss the findings, it is first necessary to have a look at the concept itself and the wider issues of governance that are related to decentralization.

Over 80% of developing countries are estimated to be pursuing decentralization in one way or another (White, 2011: 1). On the other hand, in democratic developed countries, governance is often understood to be decentralized by default. Thus, the process is carried out in vastly different cultural, political and economic settings worldwide, which means there can be no one size fits all policy for success.

The process is widely regarded as essential for achieving good governance and possibly also for attaining economic and socio-political objectives at the same time through increasing democratization, efficiency and accountability. The outcome should be more participatory governance and improved public service delivery, due to local participation and accountability (Green, 2009: 2).

Various scholars and organizations have defined decentralization differently, but the general idea is conveyed by the simple description of the Commonwealth Secretariat as "the transfer of power from central government to lower levels of government (Commonwealth Secretariat, 2011: 5). According to the World Bank, it is "the transfer of authority and responsibility for public functions from the central government to intermediate and local governments or quasi-independent government organizations and/or the private sector" (World Bank, 2001).

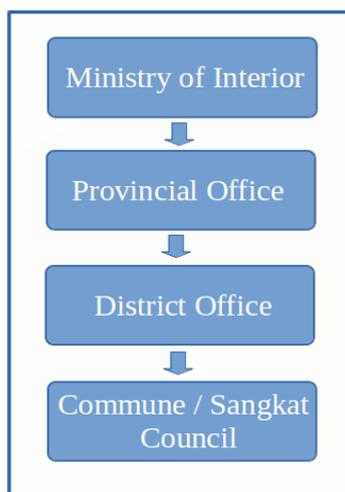
By definition, the World Bank includes non-state actors, accounting for which has been increasingly understood as vital for the success of decentralization. In this view, non-governmental organizations (NGOs) are seen as representing civil society (Asad & Kay, 2012), or even as 'ideal partners' in civil society development (Dagnino 2007: 554). In this sense, NGOs are taken to stand for bottom-up action, which is meant to compliment the top-down action of government (Streeten, 1998). Ultimately, it is NGO support that could provide outreach to remote areas that are inaccessible to, or not part of, government priorities (Tendler, 1982; Caroll, 1992).

Including the NGO sector as part of the decentralization process complicates an already complex picture. The difficulties are not so much theoretical or conceptual in nature, but rather lie in the practical implementation of decentralization, which is often not able to deliver the expected results. Indeed, as has been claimed by experts (White, 2011: 3-5), and as this fieldwork has corroborated, even judging success from failure can be hard, as the process itself is necessarily long-term and fraught with difficulties.

## 1-1-2 Empirical background

The process of decentralization in Cambodia could be said to have started directly in 2002 with the first elections of the representatives of the Commune / Sangkat Council (CSC). This is the smallest official administrative unit in the Kingdom of Cambodia and thus the most direct link between the people and state administration (Sangkat is the urban equivalent of the rural Commune). The administrative structure is depicted in Table 1.

**Table 1: Administrative structure**



Source: Compiled based on the website <http://www.localpublicsector.net/profiles/khm1112.htm> (accessed on February 13, 2015)

Generally, for local authorities to work properly, they need to have sufficient financial resources to perform their function. In the Cambodian case, however, the amount of the Commune / Sangkat Fund (CSF), which is the CSC's only official financial revenue source, is not adequate to cover people's needs (Heng et al. 2011, Chheat et al. 2011). Although the District, or Khan, offices are supposed to collect local tax for their development budget, they have not been able to do so despite being authorized to. In addition, it is not yet clear what taxes Communes will be entitled to collect, as tax collection by the District level may end up overlapping with potential Commune taxes (Rusten et al. 2004: 31).

As well as fiscal limitations, the CSCs also have problems regarding development projects, which are carried out locally in response to people's needs. These projects tend to be overwhelmingly used for road construction/rehabilitation, and Plummer and Tritt (2011) suggest that it is CSCs' lack of capacity that is responsible for this exclusive focus. The end result is that CSCs are dependent on the upper administrative levels, namely District and Provincial Councils, for both funding and technical capacity, which raises questions of coordination and dependence in resource allocation.

Looking at decentralization, not from the administrative perspective but from the people's side, low levels of popular participation have been noted (Plummer & Tritt, 2011; World Bank, 2009). This results from

several factors, such as lack of interest, insufficient incentives, and poor coordination between CSCs, village chiefs, and villagers, as well as lack of information about village meetings. Another issue is that even when people attend the meetings, they hesitate to raise their concerns and speak their opinions to the CSC (Plummer & Tritt, 2011). In this sense, the function of the CSC to promote civil participation in decision-making processes cannot be effective.

As a possible solution to the problem of lack of administrative coordination and lack of popular participation in CSC work, some researchers have suggested NGOs could form the missing link in making decentralization work in Cambodia (Rajasekhar, 1999). The NGO sector tends to be considerably better resourced, paid and educated than official administrative offices, and is often working in tandem with the people at the grassroots level. At the same time, the NGO sector likewise presents a number of difficulties for the decentralization process, such as lack of coordination, corruption and draining of the local talent pool from civil service.

In summary, decentralization in Cambodia faces multiple challenges. This research was focused on the level of the CSC, to determine how administrative, social and NGO elements worked together to realize effective local governance.

## **1-2 Research framework**

### **1-2-1 Problem statement**

Effective decentralization requires meaningful engagement by the people in local decision-making, a capable and well-resourced local administration, and a clear division of duties between state and private sector actors. In the case of Cambodia, numerous studies, as outlined in the literature review, have shown local level decentralization is facing difficulties meeting these criteria.

Consequently, although it is democratic and participatory in appearance, it is doubtful that the decentralization process is truly effective on the local level. In particular, it is not clear whether the decisions made by the CSCs align with the needs of the people, whether the CSC is in a position to meet these needs and, if not, whether there are other actors who can fill the gap.

### **1-2-2 Research objective and questions**

The objective of this research was to study decentralization in Cambodia to see if bridges had been formed between the people and the state, and between the different actors engaged in local governance on the Commune / Sangkat level.

In order to achieve this, the research focused on the views of different actors' in regard to the work of the CSC. These can be summarized in the following three research questions:

- 1) What is the effectiveness of CSCs' role as the bridge between the state and the people?*
- 2) What limitations hinder the effectiveness of CSCs?*
- 3) What are NGOs' contributions to increasing the effectiveness of CSCs?*

The first question looks at the work of the CSC from the perspective of local people, for whose well being the Council is supposed to work. The research observed people's awareness, participation and satisfaction relating to CSC's activities.

The second question deals with issues of state administration and attempts to gauge the structural difficulties and limitations that hinder the work of the CSC, both legally and economically.

The final question looks at NGO involvement in local governance as it relates to the work of the CSC. This research looked at both the extent of the current cooperation, as well as possible ways to make it more effective.

## **2. Methodology**

### **2-1 Interviewee Selection and Questionnaire**

The basic research methodology was to follow an inductive, qualitative approach and use focus group discussions and key informant interviews for most primary data purposes. Quantitative analysis was also used for assessing data in the Commune Investment Plan.

In the process of the field research three groups of actors were interviewed. These three groups had a stake in local governance and decentralization issues: state administrators, NGOs and local villagers. For the first group, interviews were held with the heads and some key figures in four Provincial departments, namely The Department of Economics and Finance, The Department of Rural Development, The Department of Social Affairs and The Administrative Office. In case of the latter, in addition to the Provincial level, officials were also interviewed at the District level Administration Office. Because the focal point of attention was the performance of local CSC units, interviews were also conducted with the CSC head and the Councillors of three Sangkats in the City of Chbar Mon, namely Roka Thum Sangkat, Svay Kravan Sangkat and Chbar Mon City Sangkat.

To study the perception of the people who were directly affected by the work of the local administration, namely the local villagers, interviews were conducted with 22 villagers in Chbar Mon City and Raka Thum Sangkat. Additionally, a small case study was conducted in Char Mon City Sangkat to investigate a road constructed by the CSC in the years 2012 and 2013. The case study was designed to get feedback from villagers who were the direct beneficiaries of the project, as well as those in the near vicinity, to see how their livelihoods were affected through this project. People from 10 different households in the area were interviewed.

To represent the NGO sector, Prof. Sok Serey (local professor who assisted with the research), contacted three NGOs, which are highly regarded and could be considered to represent the most successful cases of NGOs working in Kampong Speu Province. These were Sao Sary Foundation, World Vision and Cambodian Center for Study and Development in Agriculture. These three organizations are involved in various issues, such as agriculture, childcare, and organizing local loans and savings unions. The focus was on the cooperation between the work of the NGOs and that of CSCs.

Officials from the Provincial and District departments were selected for interviews based on their role in the work of CSCs, specifically in the implementation and coordination of development projects, as well as their knowledge that was relevant to the research. NGO selection, in addition to their being active in local development, was determined based on their engagement in social service provision and agricultural activities, both of which were presumed to be matters of concern to rural Cambodians.

To find answers to the research questions, the framework below was used to guide interviews and obtain a comprehensive overview from the different actors engaged in the process (Table 2).

**Table 2: Framework of questions**

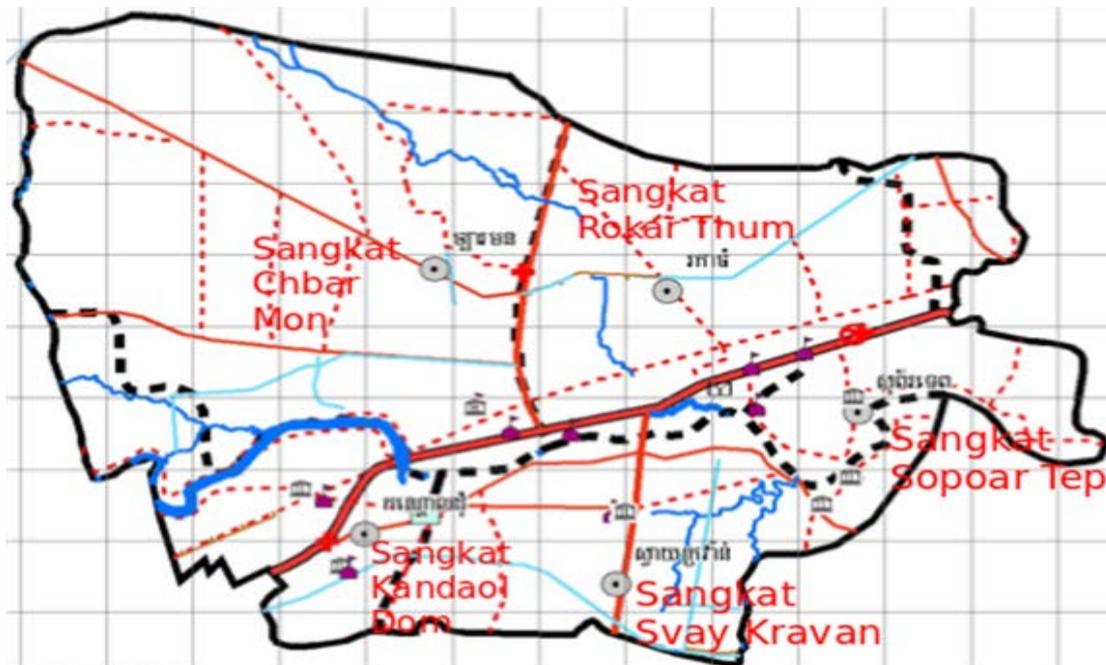
No	Question	Issues to be discussed
1	What is the effectiveness of the CSC's role as the bridge between the state and the people?	CSC's side 1. Received amount of CSF and its allocation 2. Process of prioritizing projects and assessing people's needs 3. Organization of people's participation & contribution to development projects
		People's side: 1. Participation in CSC held meetings 2. Satisfaction with CSC's work 3. Priorities of livelihoods and their relationship to development projects carried out by the CSC
2	What limitations hinder the effectiveness of the CSC?	1. Financial questions 2. Technical questions (e.g. related to project management capacity) 3. Coordination with other institutions
3	What are the NGOs' contributions to increasing the CSCs effectiveness?	1. Cooperation and coordination among the NGOs 2. Cooperation and coordination between NGOs and the CSCs 3. Challenges that hinder closer cooperation, their implications and ways to overcome them

Qualitative assessment of data was based on the criteria of participation and coordination; for quantitative assessment we looked at data from the Commune Investment Plan, particularly regarding project funding and the implementation rate of projects suggested by the CSC in the Plan.

## 2-2 Overview of research site

This research was conducted in the Province of Kampong Speu, located around 50km outside of Phnom Penh. It is one of Cambodia's 23 Provinces and consists of seven Districts and one city. The city, called Chbar Mon City, is composed of 56 villages, which are administratively divided into five Sangkats. As the focus of research was decentralization on the local level, the primary interest was in governance on this level of the Sangkat (the term Commune / Sangkat, or CS, will be used to refer to both administrative units, as legally they are treated equally).

**Figure 1: Map of Chbar Mon City District**



Source: Government of Cambodia official website

<http://www.kamongspeu.cambodia.gov.kh/index.php/component/content/article/255-inuse/737.html>

(accessed February 13, 2015)

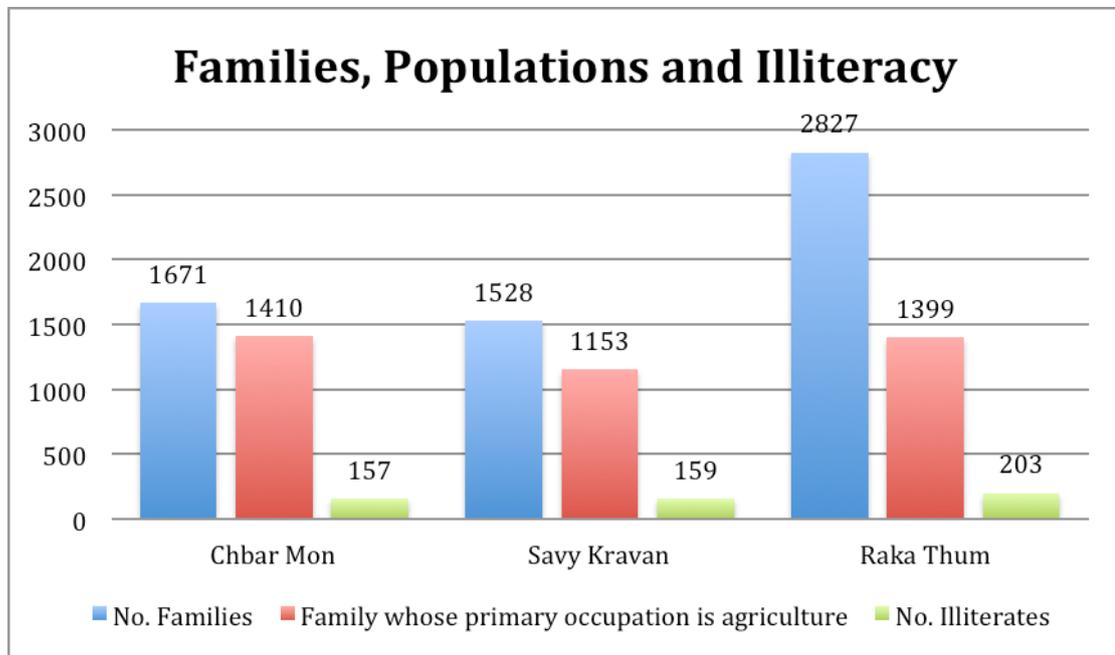
Specifically, three Sangkats were chosen in which to conduct interviews. First, Raka Thum has twelve villages, and it is the most populated and urbanized of the Sangkats. It has comparatively higher levels of education and business activity and is generally the most developed of the five.

Second, Svay Kravan has eleven villages and it is the Sangkat located farthest from the health centers. Agriculture is the predominant industry, although compared to other Sangkats, families have less cultivated land. Another problem is insufficient development of other types of business.

The third Sangkat, called Chbar Mon City, has thirteen villages. It is the second highest populated Sangkat in the district, yet by some measures, such as education and business activity, it is the least developed

of the five. Agriculture is the primary industry and the Sangkat is the highest producer of dry rice in the district. In contrast to other Sangkats, more people are engaged in the keeping of livestock.

**Figure 2: Families, occupations, and illiterate people in the fieldwork Sangkats**



Source: Commune Database Online <https://pccambodiaprojects.wordpress.com/2014/07/21/commune-database-online> (accessed on August 14, 2014)

## 2-3 Scope and limitation

The research was highly constrained in terms of both time and location. Interviews were conducted and relevant primary data was obtained during six days of fieldwork. The time was insufficient to get a statistically relevant representation for the questionnaire questions, particularly in regards to the perception of the villagers. In terms of research site representativeness, interviews were conducted with three CSCs from a total of 1621 CSCs in Cambodia, which is less than 0.2% of the total. Thus, rather than statistical generalizations, the research aimed to capture some of the complexity that can only be attained through case study methods. At the same time, as target CSCs were located in Chbar Mon City, the cases were not representative of most of Cambodia and not even of Kampong Speu Province, as the city is rather urbanized and economically better off than the other districts in the province.

### 3. Research findings and analysis [Section 1]: Effectiveness of the CSC's role

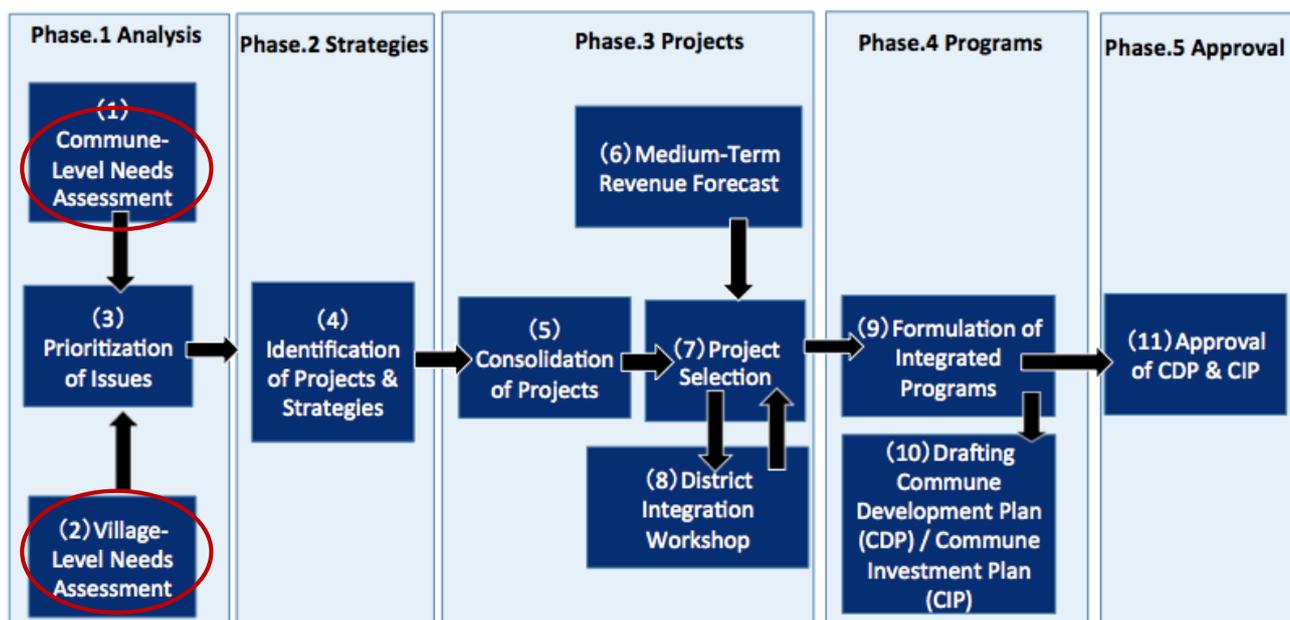
#### 3-1 Background to the findings

##### 3-1-1 Allocation of CSF & project implementation

The research findings fall into three rather distinct categories and for this purpose they are introduced in three separate sections. In this first section, findings relating to the first research question are explained and the role of the CSC as the bridge between the state and the people is examined. The findings are based on interviews with CSC Councillors and the local people.

Before introducing the findings, however, it is necessary to put them into context by looking at the fiscal and administrative side of the Commune Development Planning process by which formal development of the Communes/Sangkats (CS) is carried out. It is important to note that the CSC's main work is allocating the Commune/Sangkat Fund (CSF) to implement local development projects. The CSF is the most reliable source of regular financial transfer from the Royal Cambodian Government to the CSCs. It is allocated to all CSs three times per year, with an average amount of 10,000 US dollars per year (Note: this is around 40 million Khmer Riels at the time of writing; despite the dollarization of the economy, the latter unit is mostly used in this paper). Approximately a third of the Fund is spent for administrative purposes, with the rest allocated for the development component, which is mainly spent for local infrastructure projects. In implementing the projects, the CSC is assigned to take steps along the Commune Development Planning (CDP) process (Figure 3).

Figure 3: "The Commune Development Planning (CDP) Process"



Source: Romeo, 2004: 10.

During the CDP, the CSC tries to include the needs of the people throughout several stages by promoting their participation. In Figure 3, the stages of *Commune-level needs assessment* and *Village-level needs assessment* are the basic stages of civil participation to assess people's needs. These are the stages when their input is encouraged in establishing the development plans.

### **3-1-2 Civil participation**

According to Plummer and Tritt (2011), commune and village levels civil participation is divided into two stages of formal and informal participation. Formal participation is in the form of village meetings, planning and budget committee meetings, regular council meetings, and District Integration Workshops. However, people can also be involved in informal participation, such as meetings with village elders, engagement with local people in implementing the projects, collective action in conflict situations, and participation in using local contributions. For the purposes of this report, village-level civil participation refers to both the participation in formal village meetings, as well as informal contributions of cash to the projects.

Previous research in this field has pointed out low levels of civil participation due to several factors, such as lack of interest, insufficient incentives, poor coordination of the CSC or village chiefs, and lack of information about meetings (Plummer & Tritt, 2011). One significant factor that affects political participation is the difficulty to build a political discourse that addresses public concerns, which can be attributed to the weakness of a multiparty system (COMFREL, 2014). Another characteristic of civil participation in Cambodia is that it tends to be passive, meaning that rather than putting forward proposals or suggestions, citizens just attend to listen. They are also unorganized in the sense that they attend meetings as individuals rather than representing a wider section or group of people (World Bank, 2009). The required attendance rate for the meetings is 60% but most villages cannot achieve it and often end up discussing with fewer people (Plummer & Tritt, 2011). Furthermore, even though people attend meetings, they often hesitate to raise their issues and speak their opinions to the CSC, preferring instead to tell their opinions to village chiefs or village elders informally (Plummer & Tritt, 2011). In this sense, the function of the CSC to promote civil participation in decision-making process cannot be fully effective.

For the above reasons, we decided to explore the effectiveness of the CSC's role from the perspective of civil participation.

## **3-2 Analysis of the Findings**

### **3-2-1 People's participation & contribution**

In the decentralization process carried out in Cambodia, the CSC plays a proactive role as the intermediary institution between the government and the citizens. In order to evaluate the effectiveness of the

CSC related to their performance, the present study considers two qualitative indicators: people's participation and people's contribution.

Based on the results, most people participated in the CSCs' meetings if they had time or if they were invited. Interviewees also showed an active and positive attitude towards the instances in which they could take part, and showed interest in attending the meetings. In order to obtain this information, they were asked about the frequency of their participation in meetings and their degree of involvement. A restaurant owner, for example, said he participated actively and thought it was easy for people to voice their needs. At the same time, as interviews with the Councillors made clear, there are no established incentives to encourage participation in village meetings and attendance is fully voluntary.

Regarding informal contributions, it was found that people voluntarily donate money to local development project implementation by the CSCs, which is consistent with the expectations from the literature review. The conducted interviews reflect an average amount of 1,000-2,000 Khmer Riel (KHR) per household donated to the implementation and maintenance of the projects.

According to many of the respondents, the primary need in their Sangkat was infrastructure. On this subject, people identified as their main needs the construction or improvement of roads, the establishment of electricity infrastructure, water supply and irrigation systems.

A small case study was also conducted to assess how the projects carried out by the CSC with CSF funding impacted the life of the people. The site was Phnon Dey Village, Chbar Mon City Sangkat, where the construction of a concrete road took place for one year (see below for details). Regarding this project, villagers were interviewed to assess how the CSC's perceptions and people's needs matched, how actively people attended the meetings, what people thought about the progress of the project and how much they voluntarily contributed to it. As a result, it can be reported that all locals seemed pleased with the project. As an example, a local rice farmer expressed her satisfaction stating that transportation was getting easier and more convenient.

As the CSC's main outlay is also infrastructure spending, it was found that such spending reflects the peoples' needs. Yet, while people seemed satisfied with the outcome of the project, the CSC could not pave the full length of the road because of fiscal limitations, thus not all villagers were equal beneficiaries of the project. Moreover, information about the project was not sufficiently provided and some people only found out about it long after the decision had been made for the village. Thus, it can be said that information dissemination by the CSC was inadequate. Below is a brief summary of the project and the findings.

**Table 3: Case study project data**

Name	Phnom Dey Village Road
Term	2013-2014
Results	650 meter concrete road
Benefits	1009 beneficiaries
Estimated costs (CSF)	72,540,000 KHR
People's contribution	110,0000 KHR

Source: Chbar Mon 2013 Investment Plan

**Table 4: Results of interviews**

Attributes / Questions	33/F, Housewife	60/F Shop seller	27/F Teacher	50/F Rice farmer
<b>Expressed needs or priorities</b>	1. Agriculture sector 2. Roads	Not sure but especially housing, rice	Concrete roads	1. Water supply 2. Road construction
<b>Progress</b>	Convenience of transportation for businessmen, but not for villagers.	Transportation is getting easier and more convenient, which is good for everyone. No complaints.	Concrete roads built in the project did not reach her house, so no benefits.	Transportation is getting easier, which benefits all villagers.
<b>Participation</b>	Absent	Present		
<b>Contribution</b>	Not sure	Average 5000~10000 KHR per family		

Source: Authors' selective summary of interview responses

## **4. Research findings and analysis [Section 2]: Limitations of CSC's role**

### **4-1 Background to the findings**

In this section, an empirical understanding of the factors that hamper the effective work of CSCs is discussed. Analysis is based primarily on the result of interviews with provincial ministerial representatives (Departments of Economy and Finance, Rural Development, Social Affairs, and the Provincial and District

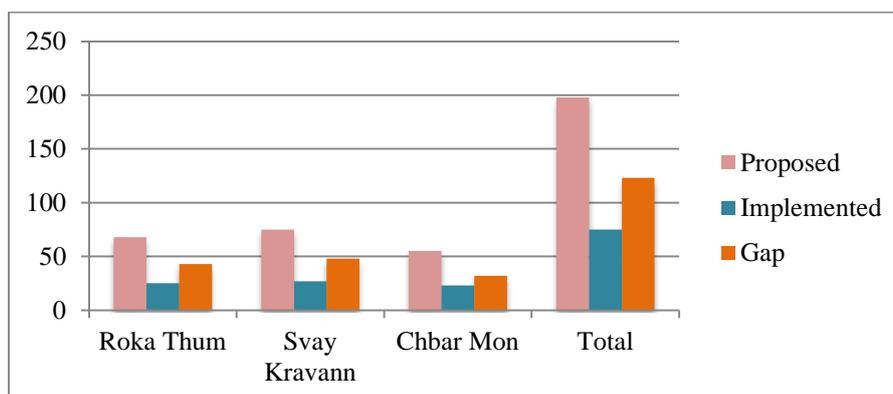
Administration Office) and CSC councillors. Moreover, data from the 2013 Commune Investment Program<sup>3</sup> of each commune was also used to support the key findings in this section.

Literature on the topic of decentralization suggests that for the process to be successful, it is necessary that the local authorities have adequate financial resources to perform their functions and address the need of the people (Neven, 2002). However, adequate financial resources alone are not enough. To effectively ascertain its challenging roles, the local authority has to have competent human resources for handling both the day-to-day administration and technical development issues. Moreover, given the independent characteristic of local authorities under decentralization, the ability of any local authority to channel resources needed for local development is badly needed. To do so requires the local authority to have well-coordinated cooperation with other stakeholders, including upper-level authorities and NGOs.

## 4-2 Analysis of the findings

The fieldwork revealed three main factors that undermine the effectiveness of the CSCs in Chbar Mon City District: financial limitations, technical dependence, and lack of coordination among CSCs and other stakeholders. In the decentralization process, the local government units are supposed to be responsible for development in the communities and address the needs of the people. However, this fieldwork demonstrated that the CSCs visited could only address a small portion of the needs of communities (Figure 4).

**Figure 4: Gap between number of projects proposed by CSCs and those actually implemented**



Source: Compiled from 2013 Commune Investment Programs of the three Sangkats

### 4-2-1 Financial limitations

<sup>3</sup> The Program lists all the development projects each CSC proposed and those actually implemented. It also details all the projects' sources of funding.

In Cambodia, the main source of financial revenue for the CS administrative level is the fund known as the CSF. All the CSCs interviewed in this study agreed the Fund is minimal when compared to actual development needs of the people in their community. For instance, this year the CSF allowed the Roka Thum CSC to construct only 150m of a village road, the total length of which was over 300m. The CSC needs to wait for the next year's CSF resources in order to complete the construction. Though each Sangkat could access other financial resources through the District Integration Workshop hosted by Chbar Mon City authority, those resources were well below the actual need of the CSCs.

According to Article 74 of Law on the Administration of Commune / Sangkat, each CS is entitled to utilize revenue from property tax and rental tax collected by the Ministry of Economy and Finance. However, in practice, this right has not been implemented. Interviews with CSCs in the three Sangkats revealed that, in addition to the CSF, CSCs could collect only a very small amount of money from administrative fees. Therefore, it was impossible for CSCs to be able to adequately address all the development needs in their communities.

**Table 5: Proposed and actually implemented projects**

Sector	Roka Thum			Svay Kravan			Chbar Mon		
	Proposed '000 KHR	Implemented		Proposed '000 KHR	Implemented		Proposed '000 KHR	Implemented	
		'000 KHR	%		'000 KHR	%		'000 KHR	%
Economic	87,109	18,310	21	159,322	17,000	11	48,750	20,385	42
Infrastructure	77,309	18,050	23	100,250	17,000	17	48,750	20,385	42
Training and services	9,800	260	3	59,072		0	138		0
Social	26,100	4,685	18	8,925	5,163	58	34,043	4,851	14
Environment	24,900	260	1	2,145	10,820	504	550	1,540	280
Gender	1,700		0	15,050		0	125		0
Administration	15,100	14100	93	96,350	3,946	4	4,209	2,284	54

Source: Compiled from 2013 Commune Investment Program data of the three Sangkats

#### 4-2-2 Technical dependence

The CSCs' limited knowledge on technical issues associated with development projects also affect the performance. The CSCs need to rely on Provincial departments, especially the Provincial Department of Administration, for technical issues, including the formulation of development proposals. The current law for CS administration has not set minimum education requirements for CSC councillors, so that everyone

regardless of education can stand for election. A recent survey conducted by Chheat et.al (2011) found that only 55% of Commune councillors had completed grade six of primary education.

According to interviews with the representatives of the Provincial Administration Office, it is difficult to set the minimum educational qualifications to be eligible to stand for Commune/Sangkat election, given that Cambodia is a poor country lacking of competent human resources. In some CSs, both the ruling party (Cambodian People's Party) and the current main opposition party (Cambodia National Rescue Party) had difficulties finding representatives for the election. Thus each party simply selected people who were well known in the community to be their candidates, regardless of their educational background. This kind of practice substantially affects the performance of the CSC and technical assistance from upper level authorities is indispensable for the CSC to function well.

#### **4-2-3 Lack of coordination**

On top of the above constrains, it appears that coordination among CSCs and other stakeholders is not functioning well. Given the limited CSF allocated by the central government, it is impossible for the CSCs to complete all the needs of the people in their communities. Support from other key stakeholders such as provincial departments and NGOs to CSCs are thus crucial. However, this study revealed that coordination between CSCs and these key stakeholders was rather limited.

Table 5 above shows that some projects, which were not considered top priorities in the CSCs, such as environmental projects in Sangkats Svay Kravan and Chbar Mon, for example, received overwhelming financial support. Meanwhile the CSCs' top priority projects, such as those focusing on physical infrastructure, lacked financial support from the development stakeholders. Similarly, Figure 5 also indicates that out of 198 projects deemed necessary for the development and livelihood of people in communities, the CSCs could only implement 75 with support from various provincial departments and NGOs.

The main reason for this state of affairs was that relevant stakeholders, both the Provincial departments and local NGOs, had their own development plans, which were developed independently and without consultation with the CSCs. Interviews with representatives of Provincial departments and NGOs revealed that their institutions strictly adhered to the annual development plans or strategic papers produced by their own organization, and would support the CSCs only if the projects the CSCs proposed already aligned with those plans or strategic papers.

The end result is rather awkward in that the plans formulated with popular consultation in the village meetings (as outlined in the previous section) have a chance of being successfully funded only if they align with the development priorities of other development actors.

## 5. Research findings and analysis [Section 3]: NGOs' contribution to increasing CSCs' effectiveness

### 5-1 Background to the findings

In the decentralization process, NGOs have considerable experience of working in local communities and helping local governments with capacity building and planning (Keese & Argudo Freire 2006). The presence of NGOs in Cambodia has also been expected to make such contributions to local development and governance. Therefore, our research in Kampong Speu included NGOs as potentially important development actors and aimed to look into the kind of cooperation and coordination NGOs have with CSCs, as well as among each other. What challenges hinder such cooperation and what could be possible ways to overcome them were also examined.

### 5-2 Analysis of the findings

The interviews conducted with NGOs were intended to elicit a comprehensive understanding of NGOs activities and their impacts on the effectiveness of CSCs in the context of decentralization in Kampong Speu Province. Information obtained through the interviews with NGO staff was expected to show the cooperation and coordination between the NGOs and the CSCs, particularly as it related to local governance and CS development. How the collaboration between the NGOs and the CSCs affected the latter's performance, and whether it could help satisfy or complement the development needs of the local communities was examined. The interviews were conducted with three NGOs, which were among the most reputed and active in the development work in the Province. These were World Vision (WV), Sao Sary Foundation (SSF) and Cambodian Center for Study and Development in Agriculture (CEDAC). The chart below shows their profiles.

**Table 6: Profile of the three NGOs interviewed**

CEDAC (1997)	World Vision (2001)	SAO SARY FOUNDATION (SSF) (2006)
<ul style="list-style-type: none"> <li>• Improved health conditions (food, nutrition, sanitation)</li> <li>• Development of collective action (farmer &amp; stakeholders)</li> <li>• Improved income &amp; saving capital</li> <li>• Improved management of natural resources &amp; environment</li> <li>• Improved participation in local government</li> </ul>	<ul style="list-style-type: none"> <li>• Fighting malnutrition in children under five years</li> <li>• Improving the equality of education for primary school students</li> <li>• Empowering youth to be innovative and the next generation of leaders,</li> <li>• Protecting children from abuse and exploitation</li> </ul>	<ul style="list-style-type: none"> <li>• Child protection</li> <li>• Livelihood, building</li> <li>• Building offices &amp; toilets (for CCs)</li> <li>• Healthcare</li> <li>• Water for life (water filter &amp; hygiene)</li> </ul>

Source: personal interviews and official websites: CEDAC <http://www.cedac.org.kh>;  
World Vision <http://www.wvi.org/cambodia/strategy>; SSF <http://www.ssf.org.kh/what-we-do/> (accessed August 15, 2014)

The following sections some of the main challenges and problems from the perspective of the NGO interviewees, as well as CSCs' and local people's perceptions regarding NGO activities in general are outlined. Quotes are also provided to illustrate the findings.

### **5-2-1 Cooperation and coordination between NGOs and the CSCs**

According to the respondents, NGOs in general do not trust the CSCs. Often being highly educated and experts in their own field of activity, NGO staffs were not optimistic or confident about the capacity and capability of the CSC in terms of transparency and implementation of projects. It seems that, as was the case with financing, in terms of collaboration, the CSCs also depend on the cooperative attitude of the NGOs more than on their own devices or initiative.

Likewise, interviews with CSC members indicated that they mostly do not actively seek NGO cooperation. There exists of a strict hierarchy in their work and no regular institutionalized meetings or consultations are held between NGOs and the CSCs. Such meetings could, however, provide a good atmosphere for exchanging ideas and sharing common problems in search of joint comprehensive solutions. Yet, lacking such meetings, as well as being unclear about their precise roles and responsibilities, NGO-CSC cooperation is difficult and tends to occur on an ad hoc basis (SSF staff). For overcoming this persistent lack coordination and cooperation, one of our interviewees mentioned that passing a NGOs Law might be a key factor in the long term (SSF staff).

Refer again to table 5 (p70) and the difficulties and lack of coordination are illustrated. The chart shows projects proposed by three CSCs (Roka Thum, Svay Kravan, Chbar Mon City) in order to attract NGO or central government funding, but as can be seen, the proposals and the funding do not align. The odds are that all three CSCs will propose different budgets and receive very different support, depending on donor priorities. For instance, in 2013 fiscal year, Roka Thum Sangkat proposed a 281,792,000 KHR budget, but received only 36,000,000, which represents only 13% of the requested sum. Meanwhile, Chbar Mon City Sangkat proposed a 550,000 KHR budget for its environmental project but received nearly three times the amount (1,540,000 KHR) (Source: CSC 2013 fiscal book).

Staff of one of the NGOs stated that CSC members believe that NGOs do not trust or count on CSCs, and also that NGOs underestimate the status of CSCs (WV). Hierarchy and corruption were the two other major challenges that get in the way of cooperation. Joint projects need to receive funding from the central government; that is a very time consuming procedure for which NGOs often cannot wait (WV staff).

In addition, CSCs members are so poorly paid that they lack the motivation to work and may not be in the office when needed. They do not know how to mobilize resources, so that even if offices were built for them (as SSF has done), they would still need money from the NGOs for maintaining them or building fences (SSF staff).

### **5-2-2 Cooperation and coordination among the NGOs**

The situation in terms of cooperation and coordination among NGOs seems to be not much better than that between NGOs and as CSCs. NGOs are competing rather than cooperating with each other and most of them work based on the priorities of their donors, rather the local people. However, still the NGOs interviewed (perhaps because of their reputation and wider reach) mentioned wider cooperation issues, for instance in case of CEDAC and SSF with GIZ, OXFAM, EU, and UNICEF.

However, what greatly complicates matters in the NGO sector, in general, is the question of corruption. Cambodia is known as one of the most corrupt countries in Asia and surely the NGO sector is also affected. We cannot provide numerical information, but this is a serious concern for people working in the sector, as one of our interviewees matter-of-factly stated (SSF staff). For this reason, NGOs don't tend to trust each other, which in the end also has negative consequences for the whole country's development.

### **5-2-3 People and participation**

During an interview, one of the NGO staff stated, "the local people have limited awareness about their rights and responsibilities; they want immediate results, no interest for long-term projects around them; and some of the local elites are another challenge for the NGOs, they seek more interest during the food shortage seasons" (SSF staff).

On the other hand, CEDAC tried to provide training to empower society so they can negotiate their needs. However, even in cases where the training was provided, many people were reluctant to use it. Essentially, it is just difficult to change people's behaviour and perception.

Overcoming all these problems takes long-term committed work, which, if it is to convince people, needs also continuously good results. The NGOs we spoke to all had these results to show, yet even they found it difficult, especially when their activities had to involve the CSC. The end result is that while ad hoc projects may be realized with people's participation, it is hardly related to local governance by the CSC.

## **6. Conclusion**

From the data collected in the fieldwork, it is possible to state that there is a positive correlation between the needs that people voiced and the priorities for development projects that were undertaken by the CSCs. Contrary to expectations derived from the literature review, people actively participated in village meetings, or at least sought to do so. No interviewees felt powerless, uninterested or apathetic towards local governance issues, and based on the observations, CSCs generally seemed willing to answer people's needs. A problem noted, however, was that often people were not aware of village meetings, which suggests a need to improve the channels of communication between CSCs and the people.

However, even if communication was improved, it would still be difficult to talk of the success of local decentralization and real effectiveness of the CSCs, as long as the serious impediments affecting its work are not resolved. Three such impediments were found, which seriously hinder CSCs' effectiveness: 1) the CSC's financial dependence on other institutions; 2) the CSC's technical immaturity to manage the projects from planning to investing; and 3) lack of coordination with upper levels of state councils, as well as NGOs.

The resulting situation could be described as somewhat awkward. The internationally supported decentralization process is designed to give people a voice in local development through the Commune Development Planning process, whereby villagers can collectively express their needs and shape their CSCs' future. However, the fruits of the process, namely the development priorities of the CSCs, are effectively put to auction for wealthier development actors. The end result of what gets financed and what does not will depend to a considerable degree on whether the villagers' needs align with those of the donors. The full relevance of the CSC to the process is somewhat unclear and appears to depend on ad hoc factors. Meanwhile, the CSC's only official revenue source, the CSF, is simply not enough to cover their communities' development needs.

From the above three implications for improving CSCs effectiveness were derived: 1) implementation of CSCs responsibility to collect local tax by themselves, as well as appropriately increasing the amount of the CSF; 2) comprehensive training for personnel of CSC; and 3) coordination not only between CSC and other state institutions, such as District and Provincial councils, but also with NGOs regarding project selection and implementation.

As CSCs often lack the funding and know-how needed to bring about tangible development, NGOs in Cambodia are often expected to support CSCs and expedite the process of decentralization. The fieldwork revealed there are indeed successful NGOs who are active in local development and contribute greatly to their communities. However, a detailed look at NGO involvement in local governance also revealed significant gaps in the actual level of cooperation between NGOs, the society, and state actors, particularly if the CSC is taken as the focal point of analysis. Lack of mutual trust, weak rule of law and the CSCs' lack of technical capacity has effectively resulted in little coordination or cooperation between the activities of NGOs and CSCs. This means effective decentralization with committed NGO partnerships is currently very limited in Cambodia, depending more on specific NGO activities, rather than any concerns for effective local governance.

In this regard, it is recommended that regular meetings be held between the CSCs and NGOs in order to share experiences and common problems. On a limited scale, such interaction is already taking place, but more cooperation and coordination between the state and NGO actors is surely necessary to achieve effective decentralization and local governance in Cambodia.

## 7. Acknowledgements

Producing this report has taken a lot of effort on our part. However, it would have simply been impossible without the tremendous support and collaboration of many individuals and organizations. We would like to extend our sincere thanks to all of them.

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Lastly, we would like to say that before this fieldwork we could not conceive what a phenomenal place Cambodia is. The country has seen a lot of suffering but it endowed us with beautiful memories we will always keep with us — the beauty of its lush greenery, the orderly chaos of its traffic and exquisite taste of its food (and fruit!). We hope our work could be a drop in the sea of development efforts, global and local, that will build Cambodia into a country that's more united and prosperous, but one that will always stay in its visitors' hearts as it stays in ours.

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# *Working Group 3*

## *Language Education*

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### **Motivation towards English Language Learning of Students in Lower Secondary Schools**

-A case study at Chbar Mon City-

1. Introduction
2. Research Methodology
3. Results and discussion
4. Conclusions
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# 1. Introduction

## 1-1 English education in Cambodia

### 1-1-1 History of foreign language education in Cambodia

The history of education in Cambodia is described in Figure 1 above, which shows that the education system has been affected by various political factors. French, the language of the former suzerain was the only foreign language that was taught at secondary schools in Cambodia, but from 1970 to 1975, under the ruling of the Lon Nol government, several Pro-US policies were launched and it was the first time that English was added to Cambodia’s foreign language education. Since more than 75% of teachers were killed and school facilities were used as prisons during the period of the Pol Pot regime, foreign language education was totally vanished in Cambodia at that time.

**Figure 1: Changes in Cambodia’s foreign language education**

#	Period	Years	Foreign Language Education
1	King Sihanouk's Government	1953-1970	French only: French was the only language officially included in schools' curriculum. It was used in all sectors of Cambodia at that time.
2	Lon Nol Republic	1970-1975	French & English: Because of American involvement (politics and military) in the Indochina War, the study of "English" was also encouraged.
3	Pol Pot's Democratic Kampuchea	1976-1979	No use or study of foreign languages: No formal education was implemented. The study and use of FL were severely prohibited.
4	President Heng Samrin and the Age of International Politics	1979-1986	Vietnamese & Russian: Vietnamese and Russian were the languages officially included in schools' curriculum. The study of "English/ French" was prohibited. If one was found to be learning either language, he/she would be severely punished and even imprisoned.
		1989-	English & French
5	The 1993 Elections & Afterwards	1993-	English & French

Source: Igawa (2008)

The turning point of foreign language education appeared as the Pol Pot regime fell apart. In 1979, the Vietnamese People's Army captured Phnom Penh and fostered the establishment of a pro-Soviet puppet regime of the People's Republic of Kampuchea. In other words, the government of Kampuchea had strong relations with Russian and Vietnamese soldiers, who came to rescue Cambodia from the Pol Pot regime. After that, a totally new situation of foreign language education started, with Vietnamese and Russian began part of Cambodia’s foreign languages education, while French and English were still prohibited.

Language education of English and French at secondary schools restarted from 1989, however under the influence of the Cold War, English became more popular. Therefore, English is treated as the first foreign language and French as the second.

Since 1996, students in Cambodia have been able choose to learn English or French. However, French has not been used as often in Cambodia in recent years. Even though the French government promoted actions to enhance the motivation of learning French in Cambodia, and their policy made sure that more than half of



To sum up, English education has two sources of impetus, the government and the common people. Therefore, the necessity for English education has spread all over the country, and quickly became a boom in Cambodia.

## **1-2 Motivation towards English learning**

Motivation is considered as an important factor in second language acquisition (Noels, Clément, & Pelletier, 1999; JACET, 2013). It is influenced by the learners' affective and psychological features, and plays a valuable role, not only on pursuing learning goals, but also on developing language skills (JACET, 2013). For example, Noels, et al., (1999) found that "stronger feelings of intrinsic motivation" contribute to language learning outcomes. Moreover, where there is a lack of motivation, which is called motivation, learners "will be unable to benefit fully from their education" (Motivation, 2014).

### **1-2-1 Motivation types in various areas**

Although Noels, et al. (1999) mentioned that intrinsic motivation strongly influences second language acquisition, Dornyei (2009) stated that the kind of motivation that advances a second language acquisition depends on the learning situation (Dornyei, 2009). Dornyei (2005) concluded that integrativeness could be a big predictor to criterion measures in Hungary. However, Foroutan, Noordin, and Hamzah (2013) doubted that the framework, which was developed in the Western context, could be applied in the Asian context and went on to obtain results with Malaysian students. Their motivation types are external regulations, which is unlike students' in western countries. Taguchi, et al. (2006) investigated the motivation in three Asian countries: Japan, China, and Iran. Japanese students' motivation types are different from Chinese students' and Iranian students. Integrativeness influenced Japanese students' motivation, while both integrativeness and instrumentality influenced Chinese and Iranian students' motivation. Moreover, even in these Asian countries, which seem to have similar cultures, had different types of motivation. There are also many studies supporting the fact that different cultures and learning situations generate different motivation types as well.

### **1-2-2 Factors affecting motivation**

There are various factors affecting motivation. Miura (1993) introduced three factors that influenced learners' motivation: the learning environment, instruction and the student. The learning environment includes family environment, social environment and school environment (classmates' attitudes, school facilities, etc.). Instruction is teaching methods and textbooks used in class. Student means the characteristics of the students, for example whether they are outgoing or introverted and whether or not they have a clear goal.

These three factors influence motivation in different ways. For instance, as mentioned above, motivation may differ from country to country due to their different cultural backgrounds, like religion (Bakar,

Sulaiman, & Razaai, 2010). In addition, the teacher’s communication style is related to intrinsic motivation, which means if the teacher is more “informative” and less controlling, the intrinsic motivation of students rises (Noels, et al, 1999). Besides, as to the factor of the student, it seems quite obvious that motivation is affected by the characteristics of the students, and according to the self-determination theory of Deci and Ryan (1985, 2002), the degree of autonomy of a student is believed to relate to the motivation type.

### 1-3 Research questions

Based on the previous literature, the present study aims to identify the motivation of secondary school students learning English in Kampong Speu and examines the factors that affect their motivation for learning English. Therefore, the main research questions are as follows:

1. What kinds of motivation do students of lower secondary schools in Kampong Speu have for English learning?
2. What factors affect their motivation to learn English?

## 2. Research methodology

### 2-1 Research field

The research interview was conducted in these three villages in two communes: Chamkae Doung Village, Borei Kammeakkar Village in Sangkat Chbar Mon and Peanicheakkam Village in Sangkat Roka Thum. Schools were chosen based on the distance from the villages. Actually, there is no public school in Borei Kammeakkar Village, but one public school is in the nearest village. The interviewees’ details are as follows in table 1.

**Table 1: Data of interviewees collected from Chbar Mon city, Cambodia in August 2014**

<b>Villages</b>	<b>Households</b>	<b>Public schools</b>	<b>Private schools</b>	<b>Students</b>	<b>Main occupation</b>
Borei Kammeakkar	165	0	1	32	Government officer
Chamkar Doung	160	2	1	37	Government officer
Peanicheakkam	700	2	1	211	Businessman

Source: Edited by authors

### **2-1-1 Public school, private school, private class**

A brief explanation of the several differences among public schools, private schools and private classes is necessary. Public school is also called government school in Cambodia, which means it is compulsory and no fees are required. As there is no class during summer vacation in public schools, they were not included in the study. Therefore, private schools and private classes were examined. Private students need to pay tuition and fees. Although public schools, private schools, and private classes have their own textbooks, public school students have to return their textbooks. What is more, private schools and private classes can be divided into full-time and part-time. During the fieldwork, two private schools and one private class were visited. These included Newtown International School, Panhaboth English School and Center of Language Development.

Newtown International School and Panhaboth English School are private schools located in Roka Thom Chbamon, and the Center of Language Development is a private class which locats in Chbar Mon Commune.

### **2-2 Interviewees**

Interviews were conducted in two communes in Chbar Mon. Based on the convenience of the interviewees, 36 students, 20 guardians of the children were interviewed. The 36 students included 13 male students, 22 female students, and one unknown due to missing data. All junior high school students were between grade 7 and 9. Their ages ranged from 11 to 18 years old (mean = 13 years old, SD = 1.33). The length of English learning varied; the range was from two weeks to eight years (mean = 2.66 years, SD = 1.89). In addition, many students (25 students) self-evaluated their English level as “so-so”; four students think their English levels were “good”; and six students thought their English levels were “bad”. Furthermore, among the 36 students, most of them (32 students) studied English at cram schools (see details in appendix C).

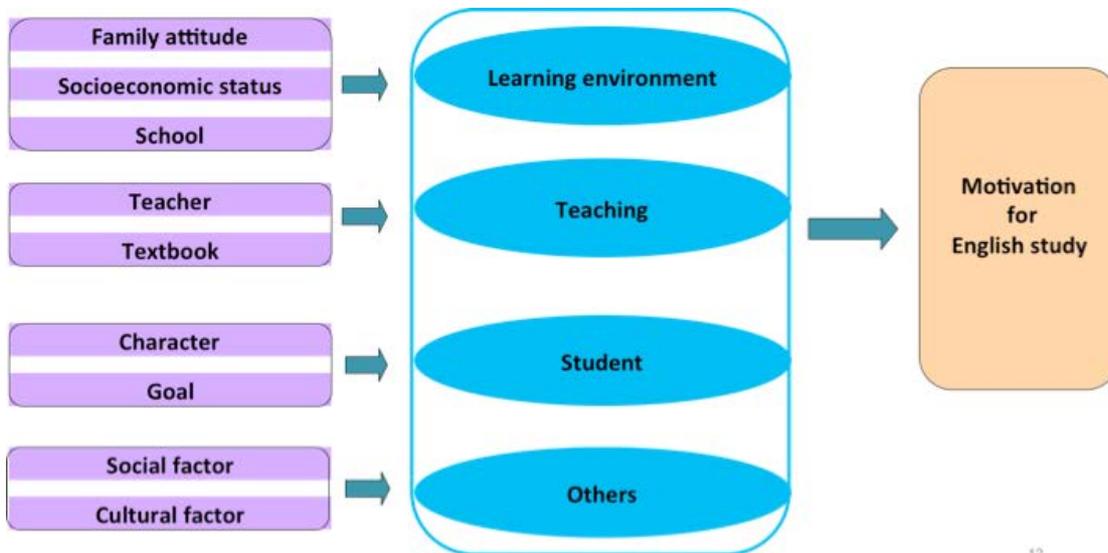
In addition, three village chiefs, four principles and four teachers were also interviewed. They provided the basic information of the local villages and schools.

### **2-3 Materials**

As mentioned before, motivation types and influencing factors vary from country to country, therefore in order to find out what kinds of motivation the Cambodian students have and what factors are affecting these motivations, were considered when developing an original list of questions for the interviews (see appendix A and B). Interview questions for students and their parents were based on Noels, Pelletier, Clément, and Vallerand (2000). In addition, original interview questions were developed with regard to the three factors mentioned in the previous literature (Miura 1993). Specifically, questions were modified to incorporate family attitude towards English learning, family socioeconomic status and school environment into the learning environment. Moreover, social environment was deleted from this part. Instead, it was included as a special

factor, which, together with other factors, formed the culture factor. These factors may especially affect the motivation of English learning among Cambodia students. Eventually, interviews were based on the following conceptual framework in figure 3:

**Figure 3: The conceptual framework for data analysis**



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Source: Edited by authors based on Miura (1993).

## 2-4 Procedures

The research was conducted using a questionnaire and IC recorders were used to collect data. Students from the Royal University of Phnom Penh (RUPP) helped with translation and interpretation. Based on the memos taken in the interviews and the recorded files, data was categorized into motivation types and factors.

## 2-5 Data Analysis

The following three case studies shows the analysis process, defining what kind of motivation the students possess and how certain factors affect their motivation.

### Case 1

A grade-7, 13-year-old boy from Borei Kammeakkar village was interviewed. He had been studying English for six years. From the interview, he expressed two types of motivation: his goal of being an English teacher and his attitude towards English learning.

Regarding the environment, it was found that the learning environment, especially the family, was an important factor that affected motivation. First, he thought that compared to his father's difficult and unstable

job, a job of teaching would be easier. Second, his uncle, who was an English teacher, also influenced him strongly. Third, his father wanted him to be a government officer and English is an asset for that type of job.

Regarding his attitude towards English learning, two factors were found to motivate him. One is the factor of the learning environment, especially that his father encouraged him to learn English, and his friends also went to a private school to learn English. Another factor was the instruction. He liked the teachers from both the public and private school and he thought the textbooks matched his level.

## **Case 2**

The second interviewee was a grade 7 student from Chamkar Doung village and she had been learning English in public school for one year. In the interview, she expressed three types of motivation, which included obligation, an attitude towards English learning, and a goal of being an English teacher.

In regards to obligation, it was found that the learning environment affected this motivation. Her family had no financial difficulty in supporting her English study and her parents encouraged her to study English. Her family planned to send her to a new private school that was being built near her house. In addition, since her friends were all going to go to the new private school to study English, she also wanted to go there.

In addition, she showed a positive attitude towards English learning. There were three factors that influenced this motivation. First, was her environment; she wanted to speak English as fluently as her cousin and she also watched English movies at home. Second, although she was very shy and had no confidence in her English, she wanted to challenge herself because she had a clear goal of being an English teacher. Third, she explained that her English teacher was friendly, although she was unable to give clear explanations and assigned no homework.

Last, her family, especially her mother and grandmother who were English teachers, affected her goal of being an English teacher.

## **Case 3**

The interviewee was a grade 9 girl from Peanicheakkam Village. The interview revealed that she had three types of motivations: obligation, demand for education and a goal of being a nurse.

She started learning English in grade 7 because of the compulsory education. However, she was a serious student and she was never absent from English class. She revealed that she felt angry when she saw some classmates playing with a smartphone in class.

As far as motivation, there were three factors motivating her demand for education. The first was the learning environment. In her family, her mother wanted her to be a nurse and her uncle thought English learning was important. He made it known that he respected people who knew English. In terms of social-

economic status, the financial support from her mother and uncle was unstable. From a social viewpoint, English is necessary in university because in Cambodia all the classes in university are conducted in English. About the student herself, as previously mentioned, she was a serious student and she wanted to be a nurse.

The last was the student's goal of being a nurse. We thought the learning environment, especially her mother's attitude and her uncle affected this goal.

### **3. Results and discussion**

#### **3-1 Motivation types**

Through the analysis, student answers were categorized into four motivations: attitude towards English, their goal, family involvement and demand for education.

Attitude towards English meant whether the students liked learning English or not. Goal meant whether or not the student had a clear goal or career plan. Cases where motivation was defined as family involvement were determined by whether their parents pushed them or they were studying English of their own wills. Finally, the demand for education referred to those cases in which students are learning English to be able to continue on to higher education, such as going on to university.

From the study, it was found that students enjoyed learning English and had a positive attitude towards English language learning. The learning environment, instruction, students, and other factors affected this motivation, as well. For example, their positive relationship with teachers and classmates, and the appropriate English learning materials encouraged the students to keep on studying.

Second, the students learned English to achieve their goals. This motivation was affected by similar factors to the first motivation. Some students had clear goals, such as being a doctor, teacher or working in a bank. However, others did not have clear goals and they only wanted to get good paying jobs. Their families affected some of their ideas about future careers. According to the interviews with them and their parents, some students tended to follow their parents' advice about future career plans.

Third, some students were pushed to learn English by their parents. Mainly their learning environment affected this motivation. For instance, there was one male student from a wealthy family that showed this motivation. He was learning English merely because his parents wanted him to do so and he did not have a clear goal about what he wanted to do using his English skills.

Last, some students learned English in order to continue on to higher education. The learning environment, students and other factors affected this motivation. In Cambodia, English is necessary in university because the classes are taught in English. Therefore, students consider English as a tool to obtain higher education.

In conclusion, students had four motivations to learn English. Moreover, each motivation was affected by a different combination of factors. However, since some other factors were found that significantly affected the students' motivations in different degrees, the next section will discuss these factors in detail.

## **3-2 Factors**

According to the analysis, it is found that these four motivations to learn English are affected by different combinations of factors individually. For instance, during the interviews, a majority of students answered positively towards English and gave having a goal as reasons to learn English. Many students enjoyed learning thanks to the schools' support and support from people around them and they had a clear image of how they wanted to use English in the future. Therefore, in this section, we will first explain the three main factors in detail and then introduce some other interesting factors considered important to students in Cambodia.

### **3-2-1 Findings about the three main factors**

#### **(1) Learning environment**

Family attitude towards English learning, their family socioeconomic status and the school environment (especially peers influence) are all found to influence the motivation of students' English learning. This fact seems fairly reasonable for lower secondary school students. For example, some students were sent to learn English at private school/classes unwillingly and there was even a student from public school B saying that she was forced to learn English and cried often at first. In addition, according to the interviews with parents, they usually strongly support their children's English learning and talk with their children about future career options.

As to the socioeconomic status, it failed to show a strong influence. For some families, expense for English education only accounted for 5% of all living expenses. On the other hand, for some families, it was more like 50%, yet even in these families, the parents still tried hard to send their children to study English. However, it must be reported that the research field was located close to the capital, Phnom Penh, and the overall economic level is relatively high compared to other areas of the country. In addition, the main occupations for people in these three villages were government employees, teachers and businessmen. Another thing to note is that the interviewees were selected by village chiefs, so the randomness of sampling may be affected.

Finally, the school environment, especially the peers' influence, was found to influence the motivation to study. Some students revealed that the reason they started to learn English was because their friends were going to private schools/classes to learn English. Nevertheless, at the same time, it is difficult to say that this

factor really promotes the motivation of learning English, as they reported that they sometimes chatted with their friends, which may have hindered their English learning.

## **(2) Instruction**

Instruction is another factor that affects student motivation towards English learning. This includes teachers' teaching method and textbooks. Teaching method refers to the way teachers teach students in the class and the teacher's attitude towards the students. It also includes what kind of textbooks the students use in class.

The teaching method is found to significantly influence students. There is a gap between public schools and private schools in Cambodia. Some students like learning English in private school because their teachers only speak English and motivate them to use English. Some teachers give students the chance to write English sentences or practice conversation in the class. On the contrary, teachers in public schools do not have enough time to teach students. Every week there are only two or three times for English class and there are often 80 students in one class. Some students feel bored because the teachers use Khmer to explain the grammar and do not give them chance to use English.

In addition, in Cambodian public schools, textbooks can only be borrowed and students have to give the books back during the summer vacation. Some students felt the textbook, "English for Cambodia" used in the public school, is difficult and boring.

## **(3) Student**

The third factor is the students themselves. This refers to their characteristics, for example, whether they are outgoing or introverted and whether or not they have a clear goal, as examples. Although characteristics of students vary, most of them have a clear goal for their future life. Even those students who did not have an idea of what kind of career would fit them best, they still stated that they wanted to use English to find a highly paid job. As it is easier for people to get a job if they have a high level of English ability in Cambodia, it encourages students to pay more attention to their English learning. According to our interview, most answers we got from students showed this tendency.

### **3-2-2 Other factors**

In addition to the three preceding factors, five other factors that are unique in Kampong Speu or Cambodia were found: Cambodian moral values, the parent-child relationship role model, transport facilities and the effects of economic globalization, such as the ASEAN Federation and the English boom. In this section, the focus is on discussing the first four factors. The last factor is omitted since was referred to in the background section of the study.

### **(1) Cambodian Moral value**

Almost all of the informants, especially lower secondary students, were serious students. They thought about their future seriously and considered learning English as something that was important to their families. For this reason, the moral values of the Cambodian culture were thought to have had a great influence on their motivation to study English.

According to Phin (2013), Cambodia's education was formed by religious and moral values. His study demonstrates that religion was integrated in Cambodia. Before the French colonization, priests in temples also played the role of teacher. This system continued through the entire French colonial period. These moral values continue and the education in the temples formed a national culture that is traditional, social and diligent. Therefore, these moral values are considered to influence the students' motivation of English study.

### **(2) Family involvement**

During the fieldwork in Cambodia, family involvement was found to be one of the most important motivations to influence a student's choice to study English. Students showed that sometimes they do not know exactly why they are learning English and usually merely follow their family members' instructions. For example, the study examined a girl in public school B, who lived with her sisters. She explained that her eldest sister, who is a banker, has had a strong influence on her. According to her, she had a dream to be a lawyer. Since that is not necessarily related to English, her sister asked her to give up that goal and study English so she would be able to work in the bank in the future. She liked studying English, was good at speaking and listened to English news at home. And although she showed no offensive attitude towards English learning, it was apparent that it is her sister that keeps motivating her to study English.

### **(3) Role model**

Dornyei (2009) suggests that the image that the students envision for their future strongly promotes their motivation to learn a second language in order to fill the gap between their ideal image and the real situation. For example, the students who wished to work using English in the future, like their family members, had a stronger motivation to learn English than the students that did not. This tendency was confirmed by the later research of Dornyei (2013).

In fact, many students had role models, such as their siblings or other relatives. It was clear that in Kampong Speu, the students observed the people around them, such as their siblings, relatives and neighbors, and imagined their future as successful as their role models, which had a positive affect on their motivation for learning English learning.

#### **(4) Transport facilities**

In addition to the cultural factors, transport facilities also affected their English study. In the research field, National Road 4 ran down in the middle of Kampong Speu District. This road is a very important route as it connects two large cities in Cambodia: Phnom Penh, the capital city, and Sihanoukville, which is the most important port in Cambodia to receive imported goods from overseas (JETRO). Therefore, this road always has heavy traffic, especially big tractors that frequently travel this road, making it dangerous for students to go across. Many parents were afraid that their children might have a traffic accident crossing this road, so they hesitated to send their children to schools far from home.

Among the villages researched, Borei Kammeakkar Village had the national road traversing the village. During the interviews, several interviewees revealed their worry about National Road 4. A mother mentioned she stopped her daughter from going to an English cram school across the road due to this worry. Another mother stated that her daughter started to go to a cram school only from this year because a new school was established near their house, and she would not have to cross the road any more.

#### **4. Conclusions**

Based on the interviews with lower secondary school students and their parents, it was discovered that students had four types of motivations for studying English: their attitude towards English, their goals, their demand for education, and their parents' involvement. These motivations were affected by various factors, including the learning environment, instruction, fellow students and other factors that implied Cambodia's social and cultural characteristics.

Analysis of these factors may help in creating proper policies for English education in Cambodia.

First, from the government it was learned that a restricted pool of human resources is still a big challenge to Cambodia's English education. If there are not enough schools for training English teachers, the government should work with NGOs or private schools.

Second, from the analysis, it was apparent that the family has a big influence on a student's motivation, so parents need to give children the correct guidance. Pushing them to learn English or denying the children's dreams are effective ways to motivate students to study English. Parents should learn how to listen to their children and give them more encouragement.

Third is more economic aid to English education. Public school teachers have low salaries and children are borrowing books from the schools. The government should provide more financial and material aid for English education.

Forth is the NGO aid to English education. During the study a NGO that provides good materials to the poorest children in Chbar Mon City was visited. It was determined that Cambodia needs more NGOs that can help to provide better English education.

Fifth, since the transport facilities are also affecting student motivation, improvement of the transportation facilities is also important. Some students could not go to private school because of the dangerous national road. School buses may be a good solution for giving children a safe ride.

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## 7. Appendices

### Appendix A

#### Interview for students

1. Why did you decide to study English?
  - When did you start to learn English?
  - Why do you learn English?
  - Do you like learning English?
  
2. What do you expect from learning English?
  - What do your parents think about your English learning?
  - What do you want to do with English?
  
3. What factors affect your motivation in learning English?
  - In your opinion, do your friends or classmates like learning English?
  - Do you have other chances to learn English outside your school?
  - What do you think of your English teacher? Why do you think so?
  - What do you think about your English teachers' methodology?
  - Do you have enough textbooks to study?
  - How many hours do you study English after school?
  - Do you live far from your school?

## Appendix B

### Interview for parents

1. Why did your children decide to study English?
  - Do you think it is important to learn English?
  - Have you learned English before?
  - Do your children like learning English?
  
2. What do you expect your children to do with English?
  
3. What affects your motivation to have your children learn English?
  - Why do you send them to learn English?
  - What do you think about your children's English teacher? Why do you think so?
  - Do your children have enough textbooks or materials to study English?
  - How many hours do your children spend in English learning after school?
  - Do you think it is expensive to support your children's English learning?

## Appendix C

### Basic information of student interviewees

		PV	Pri. A	CV	Pri. B	Pub. B	BKV	All
Number of students		7	5	7	5	5	7	36
Grade	Range	7 - 9	7 - 9	7 - 9	7 - 9	7 - 9	7 - 9	7 - 9
	Grade7	1	1	2	1	2	3	10
	Grade8	2	1	3	2	2	2	12
	Grade9	4	3	2	2	1	2	14
Age	Range	13 - 18	11 - 15	11 - 15	13 - 15	12 - 16	13 - 14	11 - 18
	Mean	15.14	13.20	13.43	13.60	13.60	13.57	13.81
	SD	1.46	1.33	1.18	0.80	1.36	0.49	1.33
Sex	Male	2	2	4	1	1	3	13
	Female	5	3	3	4	3	4	22
English level	Good	1	1	1	0	1	0	4
	So-so	4	3	4	4	4	6	25
	Bad	2	0	2	1	0	1	6
	Not sure	0	1	0	0	0	0	1
Years of learning English	Range	0.25 - 3	1 - 7	0 - 3	1 - 3	2 - 8	1 - 6	0 - 8
	Mean	1.55	3.50	1.64	2.20	4.20	3.43	2.66
	SD	1.06	2.24	0.95	0.75	2.40	1.76	1.89
Cram school	Yes	4	5	6	5	5	7	32
	No	2	0	1	0	0	0	3

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# *Working Group 4*

## *Community Development*

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### **Participatory Irrigation Management in Cambodia: The Case of a Farmer Water User Community in Kampong Speu Province**

1. Introduction
2. Problem Statement
3. Significance of the Study
4. Research Objective
5. Research Questions
6. Methodology
7. Results and Discussion
8. Conclusions and Recommendations
9. Acknowledgement
10. References
11. Appendices

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## ABBREVIATIONS

DA	Department of Agriculture
DLM	Department of Land Management
DRD	Department of Rural Development
DWRM	Department of Water Resources and Meteorology
FWUC	Farmer Water User Community
FWUG	Farmer Water User Group
GDP	Gross Domestic Product
FEX	Foreign-introduced Exogenous Institution
ISF	Irrigation Service Fee
JICA	Japan International Cooperation Agency
MOWRAM	Ministry of Water Resources and Meteorology
NGO	Non-governmental Organizations
O&M	Operation and Maintenance
OFW	Overseas Field Work
PDWRM	Provincial Department of Water Resources and Management
PIM	Participatory Irrigation Management

## **1. Introduction**

### **1-1 Agriculture and Irrigation in Cambodia**

Agriculture is traditionally a mainstay of the Cambodian economy, accounting for 27% of GDP in 2012. The sector continues to make a rising contribution to the economy, as it grew 4.3% in 2012 and employed 4.75 million workers out of the 8 million-person labor force in 2011. Cambodia is putting considerable effort into diversifying its agricultural sector aside from rice. Total agricultural production reached almost 9 million tons in 2012, making it a major contribution to output growth. Rice exports increased by around 28% to reach USD 136 million.<sup>4</sup>

Cambodia has two rice crops each year, a monsoon-season crop (long-cycle) and a dry season crop. The per-hectare rice yield in Cambodia is among the lowest in Asia, averaging about 0.95 ton of un-milled rice per hectare for the monsoon-season crop and 1.8 tons of un-milled rice per hectare in the dry-season. Note that output from irrigated farming accounts for 54% of all agricultural products, such that, the impact of a severe decline in productivity during dry season is very serious. This justifies the establishment of irrigation systems in order to secure sufficient water supply for stable rice production all throughout the year.<sup>5</sup>

### **1-2 Irrigation Institutions in Cambodia**

The government built large and small-scale irrigation systems and implemented irrigation management policies, in particular, the Law on Water Resource Management, which was enacted in 2007. The law has four sub-decrees, one of which mandated the creation of the FWUC. A national level agency, the Ministry of Water Resources and Meteorology (with provincial offices at the local level) was mandated to oversee the creation of FWUC. In this regard, the FWUC could be described as an exogenous<sup>6</sup> institution, i.e., imposed and implemented by the government, instead of emerging spontaneously from the community of water users themselves.

Moreover, the law states that all farmers using water from the irrigation system or parts thereof may form a FWUC, on the condition that the FWUC takes part in O&M. This system, where the government delegates the responsibility of managing certain portions of or the whole irrigation system to the FWUC, is the main feature of the internationally accepted practice called PIM. PIM was not an indigenous institution created in Cambodia, rather, it is a foreign-designed concept introduced to Cambodian agriculture by the development

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<sup>4</sup> All statistics from Chem et al. (2010).

<sup>5</sup> Ibid.

<sup>6</sup> Exogenous institutions are constructed and imposed by a higher, formal authority, such as the government. On the other hand, endogenous institutions emerge spontaneously from the initiative of individuals or the community (Boettke, Coyne, & Leeson, 2008).

community. To sum up, the FWUC in Cambodian agriculture is a foreign introduced, exogenous (FEX)<sup>7</sup> institution.

### **1-3 The FWUC and Farmers' Participation**

The FWUC needs the participation of farmers in order to carry out its tasks effectively. This implies that farmers must work together, as well as demonstrate good behavior that is consistent with the formal rules established by the FWUC. As part of the community, farmers must also behave in accordance to informal rules such as norms and traditions.

However, the farmers' participation in the FWUC is not always guaranteed, partly because the FWUC is a FEX. We can assume that adherence to the established formal rules of the FWUC may be weak given that those were exogenously imposed by the government instead of being naturally formed by the individuals in the community. Moreover, in Cambodian rural areas, it is hardly seen that an organization is voluntarily formed and maintained, except when only some organizations are arranged under the instructions of the government. Most organizational activities implemented under the control of a project tend to fail in its sustainability. Accordingly, it implies that social bonds among farmers are weak, and collective action is difficult to find. Embree (1950) explained that this is typical of South East Asian societies, characterized by a "loosely-structured social system." This is unlike the societies in Japan which can be called "tight societies," with strong norms and a sense of unity and group consciousness that excludes outsiders.

## **2. Problem Statement**

Despite its inherent weaknesses, the FWUC was implemented by the government to provide equal and sustainable distribution of irrigation water to all farmer water users.

The combined effects of the FWUC being a FEX and the loose structure of Cambodian societies in rural areas could affect farmers' mindset and behavior of how they participate in the FWUC, and in this context, one of the major deciding factors of the failure of FWUC is low participation of farmers.

Furthermore, low participation of farmers could be linked to the current problems besetting the FWUC program, such as: i) inefficient collection of irrigation service fee, ii) lack of human resources and capacity within the FWUC, iii) low attendance at in meetings, hence, poor participation in decision-making, iv) conflict of water use, and v) poor maintenance of irrigation systems.

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<sup>7</sup> FEX institutions are usually associated with initiatives of the development community, in contrast to indigenously-introduced exogenous (IEX) and indigenously-introduced endogenous (IEN) institutions (Boettke et al., 2008).

### **3. Significance of the Study**

This study explores the interaction between and among the actors in the FWUC and could contribute to the understanding of the FWUC. While there has already been several studies conducted related to this topic, this research offers alternative perspectives on the FWUC in consideration of its nature as an FEX institution and as an organization within a loosely-structured Cambodian rural society. The policy implications arising from the results of this study are useful contributions in finding solutions to make Cambodian FWUCs more sustainable.

### **4. Research Objective**

The objective of this study is to clarify the interaction within the FWUC that is obliged to ensure equal and sustainable distribution of irrigation water for farmers.

### **5. Research Questions**

#### **5-1 Main Research Question**

How does the interaction work between and among the actors within the FWUC to ensure equal and sustainable distribution of irrigation water for farmers?

#### **5-2 Sub Research Questions**

1. How does the FWUC establish itself as a self-support/independent organization through the support from the provincial government?
2. How do farmers participate in the FWUC as a member?
3. How does the FWUC serve the needs of farmers?

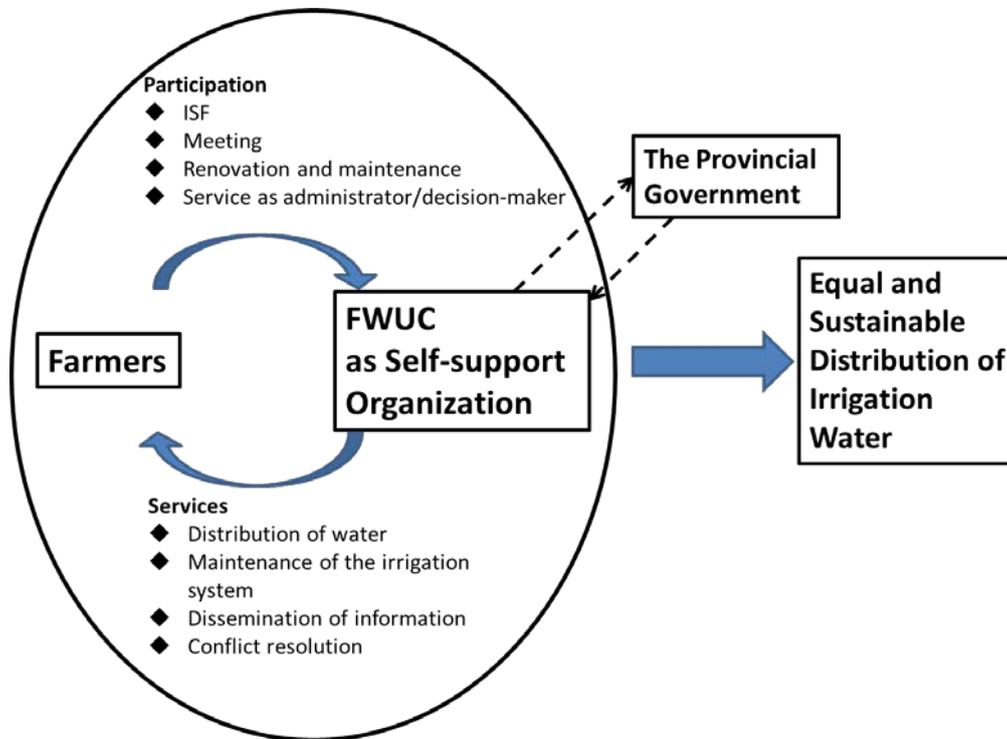
### **6. Methodology**

#### **6-1 Conceptual Framework**

In this study, we focused on farmers, the Farmer Water User Groups, the Farmer Water User Community Board and the Provincial Government as the main actors of the FWUC. First, we looked at the organizational structure of the FWUC, and the relationship between the FWUC and the provincial government. Then, we investigated farmers' participation in the FWUC as a member. Farmers' participation in this study refers to four forms: ISF payment and its use, attendance at meetings, maintenance and renovation activities

and service as an administrator/decision maker. Last, we examined how the FWUC responds to farmers' participation while serving the needs of farmers.

**Figure 1 Conceptual framework of the interaction between farmers and FWUC**



Source: OFW Working Group 4

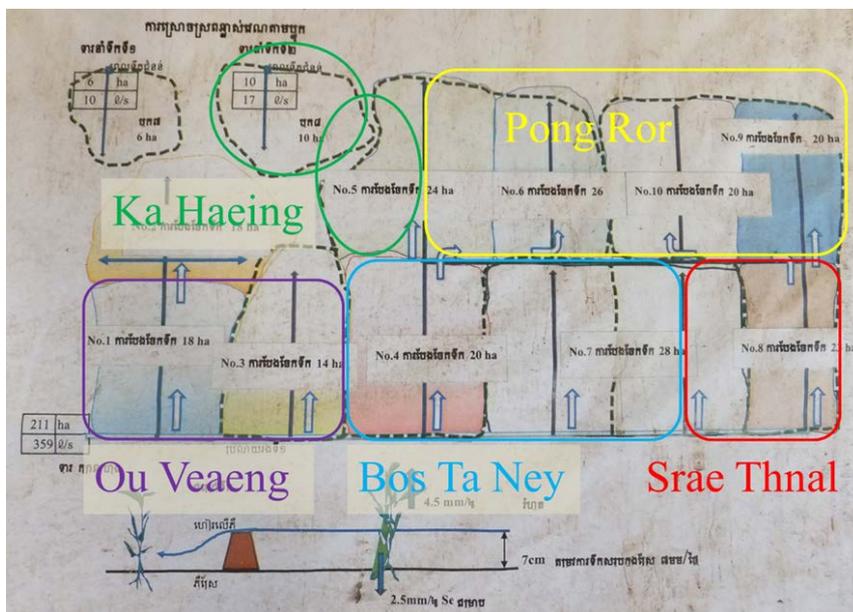
We supposed that farmers' participation in the FWUC would be one of the major deciding factors that determines the success or failure of the FWUC, and active participation of farmers would contribute to the smooth performance and efficient functioning of the FWUC, which aims for equal and sustainable distribution of irrigation water. A successful FWUC can give farmers value for their participation in the forms of services, such as distribution of water, improvement and expansion of the irrigation system, dissemination of information and resolution of conflicts. Through exploring the interaction of the FWUC in details, we assumed that we could see where the FWUC succeeds and fails.

## 6-2 Research Site

In Kampong Speu Province, there have been 37 FWUCs created, but the government has only completed the renovation of the irrigation system for two FWUCs - Ou Veang and Ou Traing. This study focused on the Ou Veang FWUC, as per the recommendation of the PDWRM. The Ou Veang FWUC is located in Kandaol Dom Commune, Chbar Mon City. It covers seven villages, but only five villages have

complete irrigation systems and are managed by the FWUC. These are Ou Veang, Bos Ta Ney, Srae Thnal, Pong Ror and Ka Haeing (see Figure 2). The research team interviewed the FWUG leaders and farmers in these five villages.

**Figure 2 Map of Ou Veang FWUC showing the villages**



Source: FWUG Leader

**Photo 1 Water gate along the main canal in Bos Ta Ney Village**



Source: Overseas Field Work, August 2014

### 6-3 Data Collection

In order to answer the research questions and meet the objective, a qualitative approach was used in the study. This involved conducting a survey to gather primary information via interviews. A purposive sample of 29 respondents, consisting of government officers, FWUC board members, FWUG leaders and farmers was interviewed. A Key Informant Interview (KII) was conducted for government officers, FWUG leaders and farmers. In addition, a Focus Group Discussion (FGD) was conducted for FWUC board members. They represented various perspectives on the FWUC at different levels of administration, i.e., province, commune and village (see Table 1).

In addition, secondary data on: i) information about the research site and issues faced from reports, case studies and other relevant literature and ii) relevant water resource use laws and policies, organizational structure, bureaucratic processes were also collected.

### 6-4 Method of Analysis

For the quantitative analysis, similar responses were counted and grouped together accordingly. In addition, for the qualitative analysis, interview results were summarized into the interview sheet. In the interview sheet, the farmers were coded according to village, interview date and number.

**Table 1. Classification of the interviewees**

<b>Interviews (Total: 29)</b>			
<b>KII</b>	<b>FGD</b>	<b>KII</b>	
<b>(Province level)</b>	<b>(Commune level)</b>	<b>(Village level)</b>	
Department of Water Resources and Meteorology	4 FWUC Board Members	6 FWUG Leaders	15 Farmer Members
Department of Rural Development			
Department of Agriculture			
Department of Land Management			

Source: Survey Results, August 2014

**Photo 2 Members of OFW Working Group 4 interviewing a farmer in Bos Ta Ney Village**



Source: Overseas Field Work, August 2014

## **7. Results and Discussion**

### **7-1 Salient Features of the FWUC**

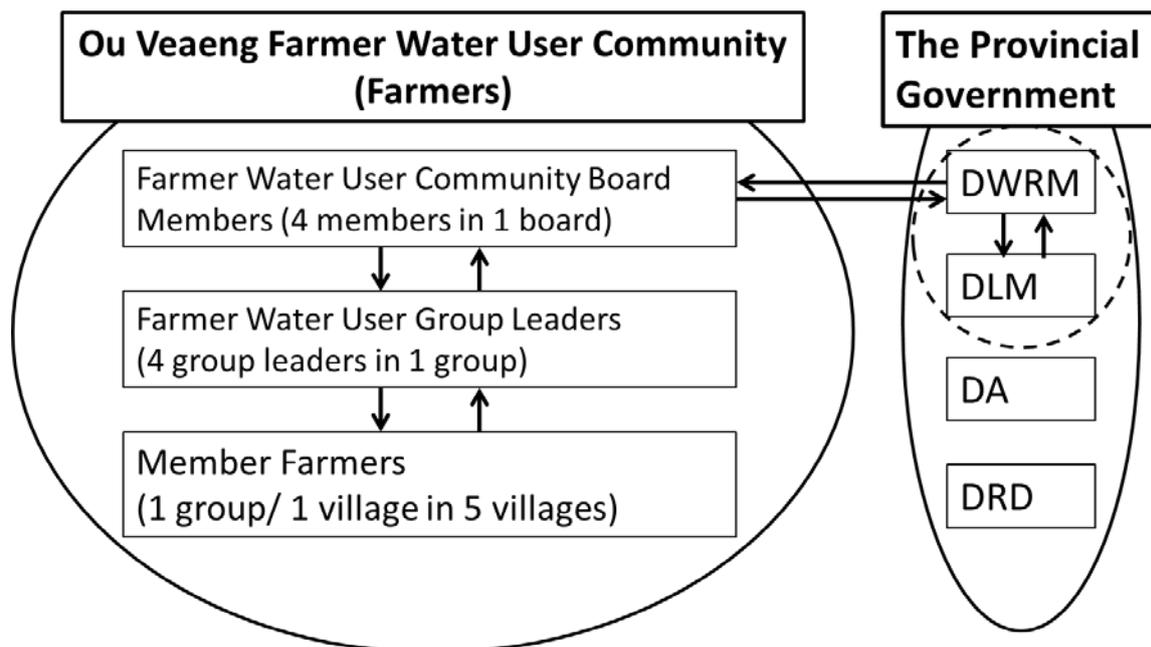
#### ***Ou Veaeng FWUC as an Institution***

As an institution, the FWUC serves as the link between the provincial government and the farmers. The provincial government, led by the DWRM, interacts with the FWUC board members who supervise the FWUG leaders. The FWUG leaders, on the other hand, are the ones who are in direct contact with the farmers. The FWUC, therefore, makes it possible for the provincial government to maintain a close relationship with farmers, albeit indirectly. Thus, it is in the interest of the provincial government to keep on supporting the FWUC - a big factor for making the FWUC program a successful public-private initiative.

The FWUC board takes the lead on the management decisions to ensure equal and sustainable water distribution. Related to this, it is their responsibility to coordinate with farmers and the provincial government agencies such as the DWRM and DLM.

The FWUC is not completely immune to problems. Fortunately, as an institution, the FWUC has the capacity to deal with other entities, such as the government, to lobby for assistance in addressing its irrigation management problems. The FWUC is directly in contact with the DWRM – the provincial arm of the national-level agency MOWRAM. The leadership of FWUC is a major concern for the DWRM since they only deal directly with the FWUC board members. It is crucial to have leaders with managerial and

**Figure 3. Main actors in the Farmer Water User Community**



Source: OFW Working Group 4

technical skills, thus, it is the responsibility of DWRM to train farmers to become leaders. To the DWRM, the FWUC is an important formal institution, especially in soliciting the support of farmers in undertaking new irrigation projects. Their interaction, however, is hampered by their limited budget, which is a perennial concern for the DWRM given the high costs of maintaining major canals and the bureaucracy. Also, the provincial DWRM faces an insufficient legal framework to deal directly with farmers as it operates under a vague (national-level) policy environment. The law should be translated into sub-decrees that define the functions of the DWRM at the provincial level.

Another major institutional concern faced by the FWUC is regarding the rule on ISF (discussed in Section 7-2-1). Fortunately, the FWUC has the legal identity to request, on behalf of the farmers, the DWRM to oblige the DLM to expedite the issuance of maps and land titles. However, the provincial government has problems of its own. For example, the DLM still needs to reach out to far-flung rural areas to enhance appreciation of farmers on the importance of land titles. The DLM also faces inadequate human resources and technical capacities as most staffs are new recruits. Lack of equipment for land titling and commune planning activities are also a big concern. With these problems, the sustainability of the FWUC as a fully functional institution is affected.

Moreover, as a large institution with many members, it is inevitable that there are some farmers who do not fully believe in the leadership of board members. These people are usually the target of interventionist local politicians who advocate for free and open access of water resources without consideration of the

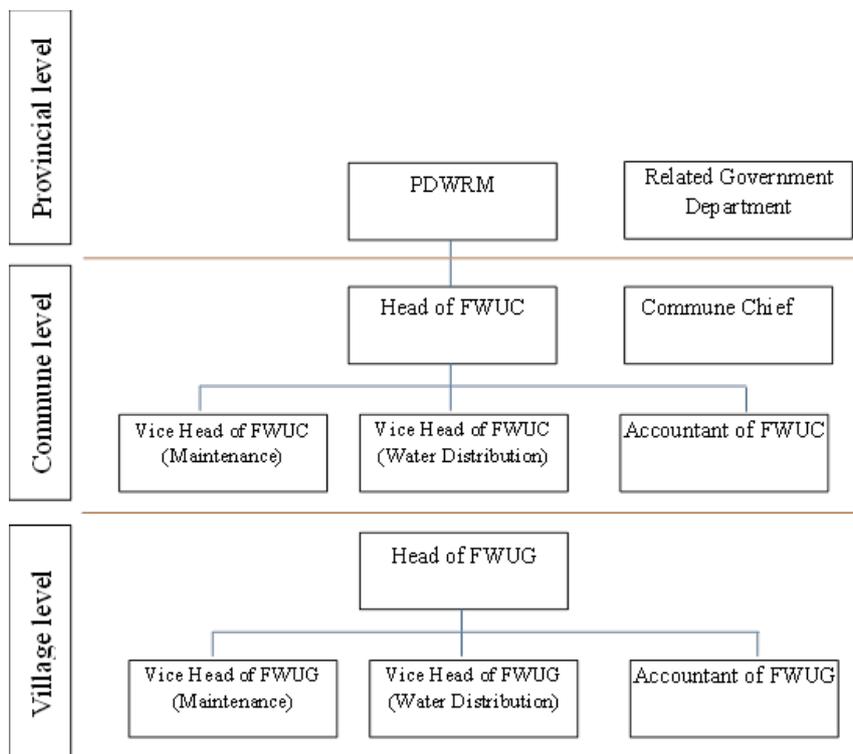
difficulties of managing the irrigation system. The board members have to deal with these kinds of members within their ranks.

***Ou Veang FWUC as a Community Organization***

The FWUC was created with support from JICA and the government. Before that, village organizations were already existent and people related to each other via informal, culturally-accepted rules and norms. With the establishment of the FWUC as a community organization, formal rules on water usage were put into place.

The highest decision-making body of the FWUC is the board. It consists of the Head of the FWUC, Vice Head for Maintenance, Vice Head for Water Distribution, an accountant and the FWUG leaders from each village. The board members elect the Head of the FWUC. Moreover, the FWUG is composed of the Head of FWUG, two Vice Heads and one FWUG accountant. Collectively, they are called the FWUG leaders (see Figure 4).

**Figure 4. Organizational Chart of Ou Veang FWUC**



Source: OFW Working Group 4

Positions in the FWUG are usually on a voluntary basis but in case there is more than one interested volunteer, an election is held by the farmers. Farmers who serve as board members and FWUG leaders sacrifice

their time for the management of the irrigation system. Thus, in exchange for their voluntary services, they receive monetary incentives from the ISF. Their share is 25% of the ISF – 9% to the board members and 16% to the FWUG leaders. All officers in FWUC and FWUG have a 5-year term.

In the same vein, farmers are also voluntary members of the organization. It should be noted, however, that one must be a member first, before he/she can use water from the irrigation system.

As a community organization, the Ou Veang FWUC is relatively successful due to the collaboration between the government, NGOs and farmers. However, there are some problems between their relationships and duties. The proceeding sections will explain what makes them successful and what their challenges are.

## **7-2 Forms of Participation**

In this study, the concept of farmer participation as a member in the FWUC refers to four forms: 1) ISF payment; 2) attendance at meetings; 3) maintenance and renovation activities; and 4) service as an administrator/decision maker.

### **7-2-1 ISF Payment**

ISF payment is one of the four determinants to investigate how farmers contribute to the development of the FWUC as one form of participation. The ISF is collected from member farmers to finance the FWUC as a self-support organization in terms of not only administration but also finances and necessary expenses for renovation, maintenance and management. Therefore, payment of ISF is one of the major obligations that all member farmers are expected to fulfill to maintain the organization and to ensure equal access to water. Looking at the data from the field research, there appears to be several features regarding the ISF.

#### ***ISF Rate***

The legal rate of ISF is set at 30,000 Riel per hectare, and the amount of ISF is calculated based on the land size stated on the land title. Therefore, each member farmer pays a different amount of ISF according to their land size. Among the twelve famers studied, eight possess the land title issued by the Department of Land Management while four farmers have been waiting for the land title which is still in process as shown in Table 2.

**Table 2 Issuance of Land Title**

Land Title	Issued	Not Issued	Still in Process
Number of Farmers	8	0	4

Source: Survey Results, August 2014

In addition, three farmers pay ISF at the legal rate while seven farmers pay ISF below the legal rate as shown in Table 3.

**Table 3 Rate of ISF**

Amount of ISF	At the Legal Rate	Below the Legal Rate	Others
Number of Farmers	3	7	2

Source: Survey Results, August 2014

Accordingly, it is found that all farmers that responded pay ISF. However, most of the farmers pay less than the legal rate, and its collection is not strictly conducted corresponding to the legal rates. In fact, at least two farmers answered that their ISF rate has been discounted because of their financial issues, such as low cash income due to drought damage and poor harvest in recent years, as well as high expenses needed for attending funerals and wedding ceremonies (according to the interviews, these expenses are prioritized over other things such as ISF).

In those cases, farmers and the ISF collectors (usually the FWUG accountant or village chief) can negotiate on the amount they can afford. The collectors do not enforce the required amount but accept the payment at the negotiated amount, which is better than receiving nothing. Indeed, the provincial government, the FWUC board members and the FWUG leaders all agree that the issuance of land titles is a key solution to oblige farmers to pay ISF according to the legal rate.

### ***ISF Collection***

In most of the villages, the ISF is collected when member farmers obtain cash income sufficient enough to pay after the harvest season. Regarding the means of payment, most of the farmers pay ISF through a FWUG accountant or a village chief as shown in Table 4. Therefore, this data shows that village chiefs play a significant role in ISF payment, and implies that collecting the ISF requires the involvement of village chiefs.

**Table 4 Means of ISF Payment**

Terms of Payment	Visit by a FWUG Accountant or Village chief to Farmers	Visit by Farmers to a FWUG Accountant or Village chief
Number of Farmers	13	2

Source: Survey Results, August 2014

Member farmers say that they are willing to continue paying ISF as long as they can have water for their farmland, particularly during the dry season. This motivation leads to the farmers' steady attitude toward membership and ISF payment. About two-thirds of the farmers responded that they have been members of the FWUG for five years or more. Also, they pay ISF regardless of the land location whether their farmland is located close to the canal or far from the canal as shown in Table 5.

**Table 5 Location of the Land**

Location of the Land	At Upper Canal	At Middle Canal	At Lower Canal
Number of Farmers	4	9	2

Source: Survey Results, August 2014

### *Use of ISF*

Most of the farmers think that the ISF collected is used for renovation and maintenance of the irrigation system and canals. Therefore, very few farmers participate in regular maintenance activities such as cleaning the canal and repair of minor damage. In practice, the ISF funds are used for financing all activities of the FWUC, not just for repair and maintenance. Farmers' attitude toward the ISF and the irrigation system could be described as a sense of a customer buying water from the FWUC, rather than a sense of a responsible FWUC member contributing to keep the FWUC and the irrigation system working well to benefit all. Only very few farmers are aware that member farmers, themselves, are the ones who are in charge of administering the FWUC as a self-support organization, and of taking care of the irrigation system and the canals.

Thus, it can be said that the FWUC has been doing well for collecting the ISF since all respondent farmers pay ISF; however, the land title is not effective for deciding the ISF rate, and the amount of ISF in practice depends on the farmers' intentions or financial capacity.

Furthermore, in most cases, farmers' attitude toward the ISF and the irrigation system like a customer suggests that there is a perception gap between the farmers' understanding of the irrigation system and the FWUC's expectation for the farmers.

Thus, regarding farmers' participation in financial activities, the ISF payment and interaction between farmers and the FWUC have been observed to a certain level, in that all respondent farmers pay ISF with a high motivation. Meanwhile, the FWUC needs to put in more effort to promote the proper understanding of the ISF.

### **7-2-2 Meeting Attendance**

Meetings are one of the ways farmers participate, according to our model. Frequency of meeting, the way information is disseminated, contents and the voting system were all examined through interviews with the farmers. In this section, how the FWUG meeting functions is discussed. Finally, suggestions for improving their meeting system are given.

In this study, a meeting is defined as the "gathering between FWUG Leaders and farmers." Sometimes, other participants are included in the meetings, such as the FWUC board members, JICA representatives, or salesmen from private companies. According to the FWUG leaders, meetings are usually held 1-2 times a year in most of the villages. The village chief, not the FWUG leader, informs the members about the times and locations of the FWUG meetings. If the FWUG leader wants to hold a meeting, he requests that the village chief inform the villagers about the meeting.

The contents of the meeting are diverse and farmers can get information, not only related to water usage, but also topics related to agriculture or community development. They can also voice their opinions or requests to the FWUG Leader in the meeting.

Meetings also give farmers the chance to participate in the election of the FWUG leaders. Voting for the FWUG leader is also held irregularly. During the interviews, seven people have had the experience of voting, four said no, and four had no answer. However, most of the elections were held a long time ago, i.e., 2006-2007 or 2011. The frequency of elections is not regular and the time and place of the election depends on the village.

There are three main findings related to meetings: 1) farmers have low motivation to solve issues by themselves; 2) communication problems exist in the community; and 3) the village chief plays an important role.

#### ***Low Motivation to Solve Issues by Themselves***

Even though the FWUC is a community-based organization, farmers think that it is the responsibility of the FWUC management (board members, FWUG leaders) to solve irrigation-related problems. They rely heavily on the decisions and actions of the FWUC officers and the idea to solve their problems by themselves is not shared in the community.

During meetings, contents are mostly information about distribution and few opportunities are given to discuss the problems they have about water usage (Table 6).

**Table 6 Contents of the Meeting (Answer from Farmers)**

Category	Topics
<b>Information</b>  Topics related to water usage	Water using procedure
	How to take care and renovate canal
	How to use water
	Function of the FWUG
	ISF income and expenses
<b>Information</b>  Topic NOT related to water usage	Seed selection
	Rice cultivation techniques
	Schedule and plan for growing rice
	Violence and drug use
<b>Discussion</b>	ISF problems
	Conflict in water using

Source: Survey Results, August 2014

However, most of the farmers are more concerned about getting new information rather than discussing issues. The main motivation for farmers to attend meetings is to get information and ask questions or give requests to the FWUG (Table 7).

**Table 7 Farmer's Benefits in Attending Meeting (Answer from Farmers)**

Topics	Number
Get information	9
Tell opinion or ask question to FWUG leader	2
Get training	2
Requirement	1
No answer	4

Source: Survey Results, August 2014

Furthermore, there are cases where farmers are confused regarding what the meeting is all about. This was reflected in their answers when asked about the frequency of the FWUG meetings, which was different

from what the FWUG leaders reported. According to Tables 8 and 9, the FWUG leader said there are meetings only once in a year, but the farmers answered they were twice a month or three times a year in Srae Thnal.

**Table 8 Frequency of Meetings (Answer from FWUG leaders)**

Srae Thnal	Bos Ta Ney	Ka Haeing	Ou Veang	Pong Ror
1/year	2/year	3-5/year	1/year	2/year

Source: Survey Results, August 2014

**Table 9 Frequency of the Meeting (Answer from Farmers)**

Srae Thnal	Bos Ta Ney	Ka Haeing	Ou Veang	Pong Ror
2/month	3-5/year	2/year	NA	2/year
3/year	held only once	1/year	No meeting	1/month
	Don't know			Never
				2 times since 2012

Source: Survey Results, August 2014

Since the village hosts meetings sponsored by other institutions and that the contents of the FWUG meetings are diverse, farmers seem confused with other agricultural meetings, and pay less attention to what is the main topic in the meeting. Farmers think that meetings are an opportunity to get new ideas and information. Thus, this makes them less interested in irrigation-related issues, thereby, making it difficult for farmers to discuss and solve water-related problems by themselves.

### ***Communication Difficulty***

For farmers, the major obstacles for meeting attendance are the manner in which meeting invitations are disseminated and the irregular schedule.

The village chief has a large influence over when they hold the meeting. Village chiefs inform farmers about the meeting in most of the villages through visiting each household. If the FWUG leader wants to hold a meeting, they ask the village chief to ask to the farmers. The information of the meeting depends on the village chief's invitation, so some farmers are not informed of the time and location if there are some communication problems. The village chiefs have considerable authority in the community, so they are able

to invite people to the meetings. It is difficult for the FWUG leader to hold a meeting and invite people without the village chief's cooperation.

Irregularly timed meetings are also difficult for farmers to make. The meeting time is based on the FWUG leader's decision, so it is difficult for all farmers to clear their schedules to make it.

### ***Authority of the Village Chief***

The village chief has a higher authority than the FWUG leader in a community, and the meeting is not held regularly. Therefore, obstacles such as complicated relationships in the community and inefficient ways to distribute information make it difficult for farmers to obtain the information about the meetings.

When the organization outside the community introduced the FWUC system, they used a new framework that was not related to the existing administrative structure. Therefore, there is confusion related to the authority in the community and this makes it difficult to distribute information and hold meetings.

The leadership and initiative of the village chiefs play a critical role in the decision of whether or not the farmers will attend. If a farmer has a good relationship with the village chief (or vice versa), it could help encourage farmers attend. Also, farmers cannot attend meetings if they do not receive invitation from village chief.

It is important to communicate that the FWUC is a community based organization and the farmers should manage and solve issues by themselves. To encourage farmers to participate in the meetings more actively, the FWUG leader can be a facilitator. Capacity building programs can help both farmers and the FWUG members to enhance their roles in the meetings.

### **7-2-3 Maintenance and Renovation**

Maintenance and renovation of the canals, including cleaning, are supposed to be conducted by the farmers. It is voluntary-based and only refreshments (snacks or lunch) are provided for participants. For big damage and major renovations, experts can be hired.

### ***Frequency of Renovation***

In some FWUGs, frequency of renovation is 1-3 times a year, while in other FWUGs, frequency of renovation depends on the condition of the canal. In that case renovation is conducted when canals are broken. In some FWUGs with newer canals, renovation is never or seldom needed. Some farmers have no idea about the frequency of these activities (Table 10).

There is a gap between the perception of the FWUG leaders and that of the farmers about frequency of maintenance and renovation. The leaders think that there should be more maintenance and farmers think there should be less. Information about how frequently maintenance and renovation is conducted may not be disseminated properly (Tables 10 and 11).

**Table 10 Frequency of Renovation (Answered by FWUG Leaders)**

Frequency	Answer
1-2/year	1
2/year	1
2-3/year	1
Unclear	2

Source: Survey Results, August 2014

**Table 11 Frequency of Renovation (Answered by Farmers)**

Frequency	Answer
1/year	1
1-2/year	1
2-3/year	1
3/year	1
when canals are broken	2
seldom	3
no renovation	1
unclear	5

Source: Survey Results, August 2014

***Number of Participants***

The number of participants varies across FWUGs. In one FWUG, only a few farmers participate and in another FWUG, 20-30 farmers participate. It also depends on the scale of damage. There were cases that some farmers pay money instead of participating in maintenance and renovation. This behavior may be also considered as participation (Tables 12 and 13).

**Table 12 Number of Participants (Answered by FWUG Leaders)**

Number	Answer
8-9 people	1
10 people	1
20 people	1
20-30 people	1
unclear	1

Source: Survey Results, August 2014

While the local government (DWRM) and the FWUC board members assume that maintenance and renovation should be done by farmers, some farmers think they should hire people to maintain canals by using the ISF. It is clear that how the ISF is used is not well understood among farmers. In addition, this may indicate that they lack a sense of ownership of the irrigation system.

**Table 13 Number of Participants (Answered by Farmers)**

Number	Answer
10 people	1
15 people	1
20 people	1
2-3 people for a minor damage and 10 for major one	1
5-10 people for a minor damage and 20-30 for major one	1
Unclear	10

Source: Survey Results, August 2014

### ***Location of Farm Along the Canal***

Location of farm or distance from canals influences who participates in maintenance and renovation. Farmers from downstream tend to participate more than ones from upstream. This is because farmers upstream can easily obtain water, while ones downstream have to secure water by maintenance of canals.

### ***Devolution of O&M Responsibility***

Irrigation bureaucracies in most Asian countries have experienced limitations in managing water resources at the local level and this has driven the implementation of Participatory Irrigation Management. Governments devolved the responsibility of operating and maintaining the irrigation systems to recognized water users groups - FWUC, in Cambodia's case. To this end, it is critical that irrigation systems be completely renovated or rehabilitated before transferring management responsibility to water users groups. In Cambodia's case, if the irrigation system is not fully renovated, turnover to the FWUC and farmers may be less likely or less successful.

The study by Samad & Vermillion (1999) revealed that devolution alone did not improve irrigation quality and productivity. But in systems where there were both management transfer and rehabilitation, agricultural productivity significantly improved. It seems that farmers are well aware of the disadvantages of systems that haven't been rehabilitated, hence their aversion to accept full responsibility. Logically, farmers would want to assume management responsibility if they have a good situation to start with, i.e., that the irrigation system is fully rehabilitated. If accepting the responsibility entails conducting costly rehabilitation work, water users would be reluctant given the huge financial requirement.

In participatory management projects, water users are highly motivated to participate in the design and construction of the system. However, such a level of involvement may no longer be the same for operation and maintenance, especially after system turnover or upon termination of project assistance (Bruns, 2012).

### ***Structural Design of Irrigation Systems***

Another physical aspect we observed is the problematic structural design, i.e., slopes of farms and canals. For example, some fields are higher than the water level in canals, resulting in difficulty to deliver the water from the canal to the farm. In other cases, the farms are too low resulting in difficulty to drain the water. These conditions result in inefficient use of land and water and therefore impact the yield. A simple solution would be land leveling, wherein the slope of the fields are corrected in order to allow the right flow of irrigation water. The rehabilitation process, prior to complete turnover to the FWUC needs to consider this aspect, with the end view of improving agricultural productivity.

Farmers, through the help of technical experts from the government and academia, may be instructed in how to level the land using their own available tools and machines. The optimum yield could be achieved if fields are properly leveled, thereby improving productivity levels. It makes sense to assume that with improved yields, the ISF issues with payments may be minimized. There would be little excuse for farmers to not pay accordingly since their fields would be fully irrigated and would produce better yields.

#### **7-2-4 Serving as an Administrator/Decision Maker**

The mandated organizational structure avoids the high cost of monitoring and managing many farmers, such that the interface between the government and water users is designed via the PDWRM-Board Members linkage. In this regard, the leadership of the FWUC board is a major concern for the provincial DWRM. The PDWRM prefers leaders with good managerial and technical skills, but that decision is beyond their control, as it ultimately relies on who the FWUG leaders elect among themselves. Naturally, if there are more leaders to choose from, there is a higher chance of finding leaders with good managerial and technical skills. However, the real situation is far from this scenario, with the actual number of active FWUG leaders less than the required number. For instance, in Ou Veang and Ka Haeing, there is only one FWUG leader in each village. The sole FWUG Leader serves the four functions of Head, Vice Head, Water Gate Operator and Accountant.

Inadequate human resources and the reluctance of farmers to take on leadership roles could possibly be because of low monetary incentives, among other reasons. Farming is a labor-intensive activity. The perceived monetary benefit of serving as the FWUG Leader is far too insignificant compared to what a farmer could gain by working on his farm or elsewhere. Thus, many farmers are not willing to become leaders. In the case of board members and the FWUG leaders - who are still farming their own land, while they complain of the low monetary incentives, they cannot easily change the incentive scheme because it must go through the approval of the farmers and the PDWRM. Besides, it is important to improve ISF collection first, since the incentives are sourced from the ISF collection.

Notwithstanding, we were able to find farmers who are willing to serve the FWUC. Incidentally, these are the same people that other farmers perceived as honest and trustful - who are worthy to serve leadership roles in the FWUC. The PDWRM is also drawn to these natural leaders, and therefore, are likely to vouch for these people for election to the FWUC Board. This finding is consistent with Meinzen-Dick, et al. (2002) that local social capital in the form of influential persons in the community plays an important role in irrigation management.

### **7-3 Other Findings**

#### **7-3-1 Conflict Resolution**

Allocation of the water resource is the number-one cause of conflict (Phelps, 2007). Thus, the board members and the FWUG leaders serve another important function as mediators to resolve water use conflicts among farmers. In Ou Veang FWUC, farmers who are in conflict negotiate among themselves. If a resolution cannot be reached, they seek help from the FWUG leader, who elevates the matter to the FWUC board if he cannot resolve it.

Based on our observation, water distribution and allocation conflicts arise because farmers do not fully understand the water release calendar/schedule. In this regard, the FWUC management should exert more

effort to make farmers understand the importance of the water release calendar/schedule. The schedule could be arranged by reaching consensus among farmers during regular meetings. Alternatively, the calendar/schedule could be posted at accessible and strategic locations around the village to keep the farmers informed and enhance their understanding of the importance of the schedule.

### **7-3-2 Government Support and Sustainability**

As mandated by the Law on Water Resource Management (2007), the MOWRAM is the lead government agency that would partner with FWUCs in managing water resources. MOWRAM has offices at the provincial level, in this case, the PDWRM in Kampong Speu. Under the same law, it is MOWRAM's responsibility to maintain the main canals, the PDWRM for the secondary canals and the FWUC for tertiary canals. For major repairs, the FWUC counts on the PDWRM, which elevates the concern to the MOWRAM if it requires bigger financial requirements. Agency budgets, therefore, are a perennial concern for the MOWRAM and the PDWRM given the high costs of maintaining major canals and the bureaucracy that is involved.

The FWUC receives support from the government via the five-year cost sharing arrangement. The study noted that this scheme between the government and the FWUC is not very realistic given that more subsidies are given during the 1st and 2nd years of the FWUC operation (80% and 60% respectively) than on later years. Note however, as the irrigation system enters its 3rd to 5th years of operation, the subsidies become less whereas the costs of repair and maintenance becomes higher as the canal wear and tear becomes more frequent. By the 5th year, when major renovation is more likely, the amount of the subsidy is already zero and thus, would need to be completely sourced from the limited ISF funds collected. Thus, we recommend revisiting the Government-FWUC cost sharing agreement, in consideration of this scenario. The FWUC could also be trained on how to handle the funds properly and find innovative ways how to make the ISF funds for generating income in order to finance costly repair and maintenance works after the end of subsidies. Other sources of funds, such as donations from private individuals and businesses, may also be explored.

Aside from the PDWRM, farmers also receive support from the provincial offices of the DA and the DRD. However, these agencies have limited mandates and budgets with regards to the irrigation system. In the case of the DA, despite its major stake in increasing rice production and productivity, there are only a few support activities it can provide and are mostly limited to trainings on rice growing, seed growing, fertilizer and pesticide use, field experiments and demo farms. Furthermore, the PDRD engagement is limited to only road construction in rural areas. A convergence of efforts to support the FWUC from these agencies is worth exploring.

## 8. Conclusions and Recommendations

All respondent farmers pay ISF regularly each year, and based on the amount collected, the FWUC can finance itself sufficiently enough to function and distribute water to farmers on a regular basis so far. It can be observed that there is an interaction between the farmers and the FWUC in terms of ISF payment. However, in the case of Kampong Speu, the rate of ISF many farmers pay is less than the legal one. Less amount of payment has the potential to cause a shortage of financing, making the FWUC difficult to ensure equal and sustainable distribution of water for farmers.

According to the data regarding ISF, farmer's payment of ISF below the legal rate is one of the serious issues in terms of financing the FWUC. Therefore, in order to collect ISF at the legal rate, first, the FWUC board members need to clarify the legal rate of the ISF and inform the farmers of the amount. They may also need to introduce the legal regulations for proper implementation of collecting the ISF. Furthermore, the FWUC is expected to offer multiple payment options such as low interest loans and financing to the farmers who have difficulty to pay ISF at the legal rate because of their financial situation.

In addition, the complete issuance of land title for all farms remains a challenge for the Provincial DLM. The office faces human resource problems - inadequate number of staff and limited technical capabilities, as most staff members are new recruits. New and modern equipment for land titling and commune planning activities are also needed.

It is also important that transparency and accountability regarding the use of the ISF (and government subsidies) are enhanced to improve the perception of farmers on how ISF are managed by the board members. It is not unusual for some farmers to accuse leaders of mishandling the funds. To prevent this conflict, the board members must take steps to improve the FWUC's transparency and financial accountability. It would be beneficial if the government, NGOs, and development partners provide capacity building programs for financial management and accounting. These efforts could also contribute to enhancing farmers' understanding of the importance of ISF.

In addition, in terms of ensuring sustainable financing of the FWUC, it would be helpful for the farmers to establish a mutual support association funded by ISF. For instance, launching subsidiary businesses to sell and export agriculture-related products they produce within and outside of the FWUC could add resources for sustainability.

Farmers are involved with FWUC functions by attending meetings and trying to solve problems by themselves. The FWUC's role is informing the meeting schedules and developing ideas to solve the problems by themselves.

If they do not solve the problems by themselves, it is difficult for the FWUC to know the farmers' needs, thus becoming an obstacle to maintain the system and distribute water equally.

The FWUG leaders announce maintenance and renovation activities and farmers voluntarily participate in those activities. More participation from the farmers leads to a reduction of irrigation system problems and to equal water distribution. However, in terms of the interaction between farmers and the FWUG, it was found to be relatively weak in the field because not so many farmers take part in the activities in the current situation. Therefore, maintenance and renovation activity should be strongly encouraged to realize a more equal and sustainable distribution of water.

This research showed that the FWUC is not yet ready to become a self-support or independent organization. Thus, government support is still needed, especially in building the capacities of the FWUC officials in operating and managing the irrigation system. Thus, we recommend revisiting the Government-FWUC cost sharing agreement, in consideration of the fact that even after 5-year period, the FWUC is not ready yet to assume full management responsibility.

Moreover, farmers should be encouraged to appreciate their roles and responsibilities to improve participation. As shown by the interaction of farmers within the FWUC, participation in the forms of through 1) payment of ISF; 2) attendance at meetings; 3) involvement in renovation and maintenance activities; and 4) service as administrators or decision-makers, is important in ensuring the equal and sustainable access to irrigation water to all farmers. However, there is still room for improvement regarding their participation. For instance, while most farmers pay ISF, it remains a challenge to enforce payment at the legal rate. The motivation of farmers to attend meetings could be further improved by clearly emphasizing its importance. The same is true with participation in maintenance and renovation activities. In all cases, it is the duty of the administrators/decision makers to implement ways to make the improvements happen.

It would be beneficial if the government, NGOs, and development partners provide capacity building programs for the FWUC officials and farmers in order to enhance their appreciation of their roles and responsibilities. For example, financial management and accounting training for the FWUC board members and FWUG leaders would be useful to improve transparency and accountability. The FWUC could also be trained how to handle the funds properly and find innovative ways to make the ISF funds generate income in order to finance costly repair and maintenance works after the end of the subsidies. Other sources of funds, such as donations from private individuals and businesses, may also be explored.

Finally, we suggest that the community revisit the FWUC incentive scheme in order to attract more farmers to serve the FWUC as officials.

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DA Officers and Staff

DRD Officers and Staff

Royal University of Phnom Penh Officials, Staff and Students

Ou Veang FWUC Board Members

FWUG Leaders

Farmers of Ou Veang FWUC

GSID students of OFW 2014

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## 11. Appendices

### Appendix 1. QUESTIONNAIRE for PROVINCIAL GOVERNMENT OFFICERS

1. Please give a background of how the irrigation system works in KS.
  - What/where are the sources of water?
  - What are the on-going or future irrigation projects in KS?
  - What is the scope? How many districts will be covered? How many hectares will be served?
  - Are farmers supportive of the on-going/future irrigation projects?
  - What is the organizational structure of the management of the irrigation system?
  - Are there other organizations such as NGOs that provide support to FWUC?
2. What is your role in managing the irrigation system?
3. What are your responsibilities to make sure that the FWUC functions well?
4. How do you consider the suggestions and opinions of farmers when making management and planning decisions for the irrigation systems?
5. What are the major obstacles in operating and maintaining irrigation systems?
6. Is farmer's participation important in management and planning? Please explain why it is important or not.
7. What kind of participation do you expect from farmers?
  - Payment of ISF,
  - Attendance to meetings (to give their voice and resolve dispute),
  - Voting in the election of FWUC village chiefs, and
  - Participation in maintenance activities such as removal of grass/cleaning of canals and drainage system.
8. Is the ISF rate appropriate/reasonable?
9. Is the FWUC helpful/beneficial for farmers? Please explain.
10. What things must be done in order to make the FWUC more sustainable and effective in carrying out its tasks?
11. How do you coordinate with other government offices that provide services and support to FWUC and farmers?
12. What are the challenges in managing the FWUC from the point of view of the government and what the strengths?

## **Appendix 2. QUESTIONNAIRE for FWUC Board Members and FWUG Leaders**

1. Please give a background of the irrigation scheme in Ou Veang.
  - Where is the source of water?
  - What are on-going or future irrigation projects?
  - How many hectares will be covered, how many farmers will be served?
  - Are farmers supportive of the on-going/future irrigation projects?
  - What is the organizational structure of Ou Veang FWUC?
  - Are there other organizations such as NGOs that provide support to FWUC?
2. What are the functions of the FWUC
  - What is the role of FWUC Board in managing the irrigation scheme?
  - As FWUC Board Member, what are your responsibilities to make sure that the FWUC functions well?
  - How does the FWUC set ISF rate? Is it reasonable/acceptable to farmers?
  - How do you ensure that farmers regularly pay ISF?
  - How do you consider the suggestions and opinions of farmers regarding a) improvement of irrigation scheme and b) the utilization of ISF?
  - How do you settle conflict between farmers regarding water allocation and distribution?
  - How do you coordinate with other government offices that provide services and support to FWUC and farmers?
3. Is farmer's participation important in operation and maintenance irrigation scheme? If yes, what kind of participation do you expect from farmers?
  - Payment of ISF,
  - Attendance at to meetings (to give their voice and resolve dispute),
  - Voting in the election of FWUC village chiefs, and
  - Participate in technical and financial management trainings
  - Participate in maintenance activities such as removal of grass/cleaning of canals and drainage system.
  - How do you motivate the farmers to regularly attend meetings of the FWUC?
  - Based on your experience, what are the reasons for the attendance or non-attendance of farmers at meetings?
  - Among the villages under your supervision, which village has more participation?
4. Is the FWUC helpful/beneficial for farmers? Please explain.
5. What are the challenges and obstacles in managing the FWUC and what are the strengths?

### **Appendix 3. QUESTIONNAIRE for FARMERS**

1. As member of FWUC, what is your role? What are your responsibilities?
2. Are you aware of your rights as a member of FWUC? For example, right to vote and/or right to veto a decision?
3. In your opinion, what is the role of FWUC?
4. Are the following FWUC policies reasonable/acceptable to you:
  - Payment of ISF?
  - Attendance at in meetings?
  - Involvement in renovation activities of canals?
5. What motivates you to:
  - Pay the right amount of ISF?
  - Attend meetings?
  - Be involve in renovation activities of canals?
6. Do you think the FWUC is effective in settling disputes between water users?
7. Are you satisfied with the services provided by FWUC? Is the FWUC fully functional and effective in carrying out its responsibilities and fulfilling your needs? What aspects should be further improved by them?
8. Do you think you have benefited by joining FWUC? If yes, how?
9. Do you receive feedback from FWUC?
10. How do the FWUG leaders implement the rules and plans of the FWUC? Do they consult you before implementing a decision?
11. Do you have the chance to speak up and voice out your concerns to FWUG leaders? Do you think when you voice out your concerns, it would result to better decision of FWUC?
12. What do you think are the major obstacles in operating and maintaining irrigation systems?

### Appendix 4. DETAILED SCHEDULE

Date		Place	Who	What
<b>Mon</b>	Aug.18	Arrival in Chbar Mon City, Kampong Speu Courestesy Visit to Government Office (PM), Get-to-know-each-other Party (PM)		
<b>Tue</b>	Aug.19	Provincial Government of Kampong Speu	Officials of: Ministry of Water Resources and Meteorology, Department of Rural Development, Department of Agriculture, Department of Land Management (4)	Interview
<b>Wed</b>	Aug.20	Kandaol Dom Commune	FWUC Board Members (4)	Interview
<b>Thu</b>	Aug.21	Kandaol Dom Commune	FWUG leaders (3)	Interview
<b>Fri</b>	Aug.22	Kandaol Dom Commune	FWUG leaders (3)	Interview
<b>Sat</b>	Aug.23	Free Time		
<b>Sun</b>	Aug.24	Free Time		
<b>Mon</b>	Aug.25	Kandaol Dom Commune	Farmer-members of FWUC (5)	Interview
<b>Tue</b>	Aug.26	Kandaol Dom Commune	Farmer-members of FWUC (5)	Interview
<b>Wed</b>	Aug.27	Kandaol Dom Commune	Farmer-members of FWUC (5)	Interview
<b>Thu</b>	Aug.28	Preparation & Moving to Phnom Penh (Afternoon)		
<b>Fri</b>	Aug.29	Preparation for Findings Presentation (AM), Findings Presentation (PM), Farewell Party (PM)		
<b>Sat</b>	Aug.30	Free Time (AM + Afternoon); Departure (PM)		
<b>Sun</b>	Aug.31	Arrival in Nagoya		

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