



CAMBODIA DEVELOPMENT REVIEW

*A Publication of the
Cambodia Development Resource Institute*

VOLUME 7, ISSUE 3

JULY–SEPTEMBER 2003

\$4.00

Great Lake Fish Exports: An Analysis of the Fee System

Mr. Yim Chea and Mr. Bruce McKenney of CDRI's Natural Resources and Environment Programme summarise findings from recent research on fish exports, with a focus on the impacts of the permit, license and fee system.*

Fisheries play a vital role in supporting rural livelihoods throughout Cambodia, but especially around the Tonle Sap area where more than 1.2 million people depend on the fisheries sector for employment, income, and food security. The annual inland fisheries catch has been estimated at more than 400,000 tonnes per year, making Cambodia's inland fisheries the fourth most productive in the world. Fresh and processed fish are traded widely within Cambodia, and are exported in significant quantities to neighbouring countries, and in some instances exported to more distant markets.

While Cambodia's rich inland fisheries have been promoted as a sector where Cambodia holds a 'comparative advantage' over neighbouring countries, little is known about the conditions under which fish trade occurs, and how trade affects rural incomes. CDRI recently completed research on fish exports from five landing sites around the Great Lake to Thailand (via Poipet). Objectives of this research included identifying constraints on fish trade and export, assessing the impact of these constraints on rural incomes, and making policy recommendations that support government objectives to reduce poverty and increase 'pro-poor' trade. Semi-structured interviews were conducted with more than 70 fishers, traders, wholesalers, exporters, and government officials from November 2002 to June 2003.

While a complete account of findings and recommendations from the research will be disseminated in a forthcoming publication, this article focuses on illustrating the difficulties and constraints faced by exporters, as



Sorting fish at a landing site before it is transported for export.

observed directly through travelling with some of them from landing sites to Long Koeur market just across the border in Thailand. Case study findings from a typical fish export trip are described and analysed, after which a number of recommendations are provided.

'Following the Fish': Observations from a Fish Export Trip

At the Landing Site

On the afternoon of 24 January 2003, two exporters were preparing to bring their fish from Chhnok Tru in

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* A complete account of findings and recommendations from fish export research will be published in a forthcoming CDRI Working Paper.

Kompong Chhnang province to Long Koeur market in Thailand. Both exporters described themselves as self-employed, operating independently without a license or formal business establishment. As neither exporter had enough fish to fill a pick-up truck, they had decided to share a truck to reduce trade costs. In total, they had 3,100 kg of fish (one had 2,350 kg and the other had only 750 kg) comprising 12 species that had taken two to three days to accumulate through purchases from traders.

At the floating village of Chhnok Tru, it was 4:00 p.m. when exporters started transferring fish from containers, where the fish had been stored on ice, to a *Balang* (ferry boat). The boat then brought the fish to a pick-up truck waiting at the landing site almost a kilometre away. While fish were transferred and loaded into the pick-up truck, one of the exporters applied for a transport permit issued by the Provincial Fisheries Office and the Provincial Department of Agriculture, Forestry and Fisheries. After some negotiation, only 300 kg of fish (about one-tenth of the actual amount) and three species were accounted for in the permit. According to the exporters, this is the common practice. Official fees were paid in accordance with the quantity written in the permit (300 kg) plus an additional informal fee paid to the officials issuing the permit. Next, the exporter paid fees for a 'sending goods letter' issued by Kamfime agents¹ and paid fees to other institutions as well. With permits in hand and a pick-up truck loaded with 3.1 tonnes of fish, a driver and the exporters' assistant left Chhnok Tru at 8:00 p.m.

Along the Road

The pick-up truck travelled through Kompong Chhnang along National Road No. 5 without incident. But upon reaching Pursat province, the first of many checkpoints was encountered. In all, from Pursat to Poipet in Banteay Meanchey province, a total of 13 checkpoints were observed, manned by people from various institutions such as economic police and provincial fisheries officials. Some checkpoint operators placed temporary barricades across the road to stop all traffic, while others simply emerged from roadside areas to collect fees. Occasionally, the people operating checkpoints were asleep. The driver and assistant viewed this as "lucky"

and quickly passed by without paying. In one instance, however, checkpoint operators appeared to be asleep, but were not and quickly gave chase, catching up on their motorbike. They made the driver stop and pay a fee of 100 baht (payments are typically made in Thai baht at checkpoints and the border).

For most checkpoints, fees were paid quickly without comment. But in a few cases, the shipment was delayed by intense negotiations over the fee amount. In such instances, checkpoint operators argued that the assistant must pay a higher fee due to the large quantity and high quality of fish on the truck. The assistant would counter by claiming that it was a small load of low quality fish, until eventually they would arrive at an agreed fee.

At the Border

The pick-up truck reached a parking lot at the Poipet border area around 6:30 a.m. the next day. Fees were paid to officials from the Provincial Fisheries Office and Department of Fisheries, and then the assistant hired a

The high costs and risks of fish trade depress the prices offered to fishers and traders for their fish, which in turn reduces their income. As most of the fishers supplying exporters are small- or medium-scale, such fish trade constraints can have a significant impact on rural livelihoods.

team of ten labourers to transfer the 3.1 tonnes of fish from the pick-up truck to a large cart, push the cart to Long Koeur market, and unload it. The assistant also hired a 'broker' to facilitate fee payments at the border to Cam-control, and the customs, immigration police, and military police of Cambodia and Thai-

land. The fish arrived at Long Koeur market at 11:00 a.m. and were unloaded by 1:00 p.m., about 21 hours after leaving the floating village of Chhnok Tru.

Analysis of the Challenges to Exporting Fish

Based on analysis of fish exports from five landing sites, the shipment from Chhnok Tru to Long Koeur market can be viewed as 'representative' — it is a typical shipment made under the conditions and constraints common to fish trade and export. As the shipment illustrates, there are great challenges to profitably exporting fish from Cambodia. Profit margins are thin due to the combination of trade costs and fees (Table 1). Indeed, in some cases exporters incur losses on a shipment due to unexpectedly high fees, changes in price levels at the Thai market, and/or spoilage caused by transportation delays. The high costs and risks of fish trade depress the prices offered to fishers and traders for their fish, which in turn reduces their income. As most of the fishers sup-

Table 1. Margin and Cost Analysis: Fish Shipment of 3.1 Tonnes from Chhnok Tru to Long Koeur Market in Thailand (January 2003)

Items	Riel/kg	\$/tonne	\$/shipment
Purchase price (at floating village)	4,755	1,203.8	3,731.8
Selling price (at Thai market)	5,678	1,437.5	4,456.2
Gross margin	923	233.7	724.4
Trade costs	481	121.8	377.5
Fees	301	76.1	235.9
Profit margin	141	35.8	111.0

plying exporters are small- or medium-scale, such fish trade constraints can have a significant impact on rural livelihoods.

Table 1 shows a margin and cost analysis of the 3.1-tonne fish shipment from Chhnok Tru to Long Koeur market in Thailand. The average purchase price for fish at the Chhnok Tru floating village was 4,755 riels per kg, and these fish were sold at Long Koeur market for an average price of 5,678 per kg — a margin of 923 riels per kg (or \$234 per tonne). Trade costs, which include transportation, ice, labour, spoilage/weight loss, and other costs, amounted to \$122 per tonne. Spoilage/weight loss accounts for the largest component of these costs (more than one-third), followed by transportation and ice.

In addition to business-related trade costs, fees paid on the fish shipment amounted to \$76 per tonne, equal to one-third of total costs (trade costs plus fees) and more than double the profit margin on the shipment. In other words, if the shipment could have been made without paying fees, the profit margin on the shipment would have risen from \$111 (or \$36 per tonne) to \$347 (or \$112 per tonne) — an increase of more than 200 percent.

Detailed Summary of Fee Payments

The severe impact that fees can have on the approaches to, and profitability of, exporting fish warrants closer examination of the system. Table 2 presents a detailed summary of fees encountered during the export of the 3.1-tonne fish shipment from Chhnok Tru to Long Koeur market. In addition to fee amounts, Table 2 indicates where fees were collected, the institution collecting them, and the basis (if any) for collection. As shown, the transport permit provides the most common basis for fee collection. But significant fee amounts are also paid for the issuance of a 'sending goods letter' (Kamfimex), road repair and maintenance (investment company), *pheasi*² (Ban Sambath House), and customs taxes. In total, fee payments of \$236 were made to export the 3.1-tonne shipment of fish. This involved 27 different fee payments to 15 institutions in 16 different places.

Total Fees Collected by Different Institutions

Table 3 presents the total fees paid to each fee collecting institution, some of which collect fees in several different places. For example, fisheries officials stationed at

Table 2. Summary of Fee Payments: Fish Shipment of 3.1 Tonnes from Chhnok Tru to Long Koeur Market in Thailand

Area	Items	Fees Collecting Insitution	Basis	Actual Fees	
				\$/tonne	\$/shipment
Kompong Chhnang	Chhnok Tru Landing Site	Provincial Fisheries	Issue Transport Permit	2.4	7.3
		Kamfimex	Issue Sending Goods Letter	4.9	15.2
		Economic Police	Check Transport Permit	1.2	3.8
		Military Police (PM)	No clear basis	0.8	2.5
	Road fee	Investment Company	Agreement with gov't allows for	6.5	20.3
Pursat	Checkpoints #1	Economic Police	Check Transport Permit	0.8	2.3
	2	Economic Police	Check Transport Permit	1.5	4.7
		Customs	No clear basis	0.8	2.3
Battambang	3	Economic Police	Check Transport Permit	N/A	a
	4	Military Police, city bridge	No clear basis	N/A	b
	5	Economic Police	Check Transport Permit	0.8	2.3
		Provincial Fisheries	Check Transport Permit	0.4	1.2
	6	Police (Unidentified)	Undetermined	N/A	c
Banteay Meanchey	7	Economic Police	Check Transport Permit	N/A	d
	8	Traffic Police	No clear basis	0.3	0.9
	9	Provincial Fisheries	Check Transport Permit	2.3	7.0
		Svay Taxi Station	No clear basis	0.4	1.2
	10	Economic Police, Teuk Thlar	Check Transport Permit	1.5	4.7
	11	Economic Police, O-Chrov	Check Transport Permit	1.5	4.7
	12	Ban Sambath House	Agreement with gov't allows for	3.0	9.3
	13	DoF & Provin. Fish., Poipet	Check Transport Permit	5.3	16.3
Border	Khmer side	Camcontrol	0.1% Duty Tax	1.5	4.7
		Customs	10% Export Tax	7.5	23.3
		Immigration Police, PM	No clear basis	4.5	14.0
	Border broker		No clear basis	7.5	23.3
	Thai side	Customs	Undetermined	18.8	58.2
		Immigration Police, PM	Undetermined	1.2	3.7
		Long Koeur Market	Entrance Fees	0.9	2.8
Total fee per shipment				76.1	235.9

Note: Fees at these checkpoints were not paid as checkers were sleeping, but typical fees were B150 at a, B10 at b, B10-B50 at c, and B100 at d.

Chhnok Tru landing site, roadside checkpoints, and the Poipet border area collected a total of five fee payments. Six payments were made to economic police (and two additional payments would have been made had checkpoint operators been awake). Fees paid to fisheries officials (Department and Provincial) accounted for only 20 percent of the total fees collected on the shipment in Cambodia. The remaining 80 percent of fees were collected by institutions that have no direct role in fisheries management (e.g., customs, economic police, and a road investment company).

Fee Payments at Different Stages of Trade and Export

In Table 4, fee payments are grouped by the stage of trade and export, including the landing site, checkpoints, the Cambodian side of border, and the Thai side of border. Notably, over half of the fees paid on the fish shipment from Chhnok Tru to Long Koeur market were collected at the border (23 percent on the Cambodian side and 32 percent on the Thai side). This suggests that any policy interventions aimed at significantly reducing fees need to address fee collection activities on both sides of the border.

Also of note, only about 20 percent of total fees were collected at the landing site — the place where fee revenue can directly support fisheries management activities. Moreover, most of this revenue is collected by institutions that are not directly involved in fisheries management. The provincial fisheries office of Kompong Chhnang — the institution responsible for fisheries

management in the area where the shipment's fish were caught — only collected a very small fraction of the total fees paid on the shipment (\$7.30 or 3 percent). Of this revenue, only about \$2.30 is collected as an official fee (for issuance of the transport permit), the remainder is an informal payment.

Actual Fees Compared to Official Fees (If Enforced)

For all fish export trips observed, including the fish shipment from Chhnok Tru to Long Koeur market, there were no instances in which official fees were paid according to the official rate. All fees were negotiated. Since most official fees are based on the fish quantity and value, the most common method for negotiating informal payments is to vastly underreport fish quantities. Such underreporting (typically from one-quarter to one-tenth of the actual amount) allows fee collectors to negotiate an informal payment on top of the much-reduced official fee. Of course, the practice of underreporting also significantly reduces the amount of fish exports recorded in official statistics.

One response to the lack of enforcement of official fee collection might be to recommend improved enforcement, but as Table 5 makes clear, such enforced compliance with official fees would likely put most (if not all) fish exporters out of business. For example, a profit of \$79 was earned on the fish shipment from Chhnok Tru to Long Koeur market after payment of \$236 in fees. However, if official fees had been enforced according to official rates, the fees collected on

Table 3. Total Fees Collected by Different Institutions: Fish Shipment of 3.1 Tonnes from Chhnok Tru to Long Koeur Market in Thailand (January 2003)

Fees Collecting Institutions	Number of different payments	Total Actual Fees		
		\$/tonne	\$/shipment	% of Fees (Cambodia)
Fisheries	5	10.3	31.8	20%
Customs	2	8.3	25.6	16%
Economic Police	6	7.2	22.4	14%
Investment Company	1	6.5	20.3	13%
Kamfimech	1	4.9	15.2	10%
Ban Sambath House	1	3.0	9.3	6%
Camcontrol	1	1.5	4.7	3%
Others ¹	6	9.8	30.2	19%
Sub Total (Cambodia)	23	51.5	159.5	100%
Thai Side of Border	4	24.6	76.4	
Total Cambodia & Thai	27	76.1	235.9	

Table 4. Fee Payments at Different Stages of Trade and Export: Fish Shipment of 3.1 Tonnes from Chhnok Tru to Long Koeur Market in Thailand (January 2003)

	Fees		Average %
	(\$/tonne)	(\$/shipment)	
Landing site	15.8	49.1	20.8
Checkpoints	18.3	56.8	24.1
Cambodian border	17.3	53.6	22.7
Sub total (Cambodia)	51.5	159.5	67.6
Thai border	24.6	76.4	32.4
Total	76.1	235.9	100.0

the shipment would have amounted to \$681, resulting in a loss of \$366 for the shipment. Moreover, this estimate assumes that all informal fees have been eliminated, such as fees paid to institutions that 'check the transport permit' or have no clear basis for fee collection. If some informal payments continued, the loss would be even greater. Clearly, prior to any efforts to improve compliance with official fees, the fee system itself needs to be revised so that its enforcement does not result in the collapse of fish exports.

Recommendations

As illustrated by the shipment from Chhnok Tru to Long Koeur market, there are great challenges to exporting fish from Cambodia, the foremost being the fee system. Presently, the high costs, uncertainty, and risks associated with the fee system depress fish prices, which in turn reduces the income earned by small- and medium-scale fishers and others working in the fisheries sector. If fee levels decreased, much of the benefit would be passed on to fishers because exporters and traders are intensely competing for fish supply. As one exporter at Kampong Luong landing site put it when asked how he would respond to a reduction in fees,

I would increase the purchasing price I offer to traders and fishers if fees were reduced, of course, because of the high competition among exporters [for fish].

Based on analysis of fish exports from Chhnok Tru, as well as four other landing sites surrounding the Great Lake, the authors recommend a significant overhaul of the permit, license, and fee system for fish trade and export. Key steps to this overhaul include the following:

Remove the in-country transport permit requirement.

Eliminating the need for a transport permit could reduce fees by as much as \$17–\$20/tonne and reduce shipment delays and aggravations. The transport permit, which was established long ago as a control mechanism for trade in a planned economy, appears to serve no useful purpose in Cambodia's free market economy. Due to widespread underreporting of fish quantities, the transport permit is also ineffective as a data collection tool.

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End the contract with Ban Sambath House. Ban Sambath House has received licenses and approvals from the governor's office of Banteay Meanchey and the Ministry of Economy and Finance to collect 0.8–4 baht for every kg of fish exported. In return, Ban Sambath House pays 10 million riels (about \$2,500) annually to the Banteay Meanchey provincial treasury. Ban Sambath House provides no services to fish exporters; it only collects fees, which in practice appear to be about 0.1–0.2 baht per kg. According to the Department of Fisheries, the Ministry of Agriculture, Forestry and Fisheries is in the process of negotiating with the Banteay Meanchey governor's office to terminate the contract. Termination would reduce fees by about \$3 per tonne.

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Eliminate the 4 percent fish distribution centre fees in Battambang province.

A fisheries study by the Ministry of Commerce (2001) noted that "traders who distribute to the domestic market, and who transport fish through a province, pay the provincial distributor a 4 percent fee." Two years later, CDRI research conducted at five landing sites around the Great Lake found no such distribution fees, except in Battambang province. Consistent with actions taken in other provinces, Battambang province should eliminate this fee.

Eliminate fees collected by institutions that have no clear legal basis for collecting fees, including KAM-FIMEX. Implementation of this recommendation will require regular monitoring of checkpoints (to determine if checkpoints have a legal basis for operation and, if so, whether they are operating in accordance with that legal basis). In addition, exporters need to be made aware, through public announcements, that KamfimeX no longer functions as the sole licensed authority for fish export. Some exporters continue to pay KamfimeX agents for a 'sending goods letter' when this is no longer necessary. Successful implementation of this recommendation could reduce fees by as much as \$14–16 per tonne.

Revise the 10 percent export tax charged by the Cambodian Customs Department. In practice, fish exporters currently pay an export tax of about one percent to the Cambodian Customs Department, far less than the offi-

Table 5. Actual Fee Payments Compared to Official Fee Payments (if enforced): Fish Shipment of 3.1 Tonnes from Chhnok Tru to Long Koeur Market in Thailand (January 2003)

	Fees		Profit	
	(\$/Tonne)	(\$/Shipment)	(\$/Tonne)	(\$/Shipment)
Actual Fees	76.1	235.9	25.3	78.6
Official Fees (if fee payments were enforced)	219.6	680.7	(118.2)	(366.3)

cial rate. Compliance with the official rate is impossible for most (if not all) fish exporters. For example, exporters paid \$7.50 per tonne in export tax on the shipment from Chhnok Tru to Long Koeur market, but to be in compliance with the official rate, they should have paid \$70 per tonne. Such a high payment would make most fish export unprofitable. Clearly, the fish export tax needs to be revised sharply downward to better fit exporting realities. Otherwise, continued non-compliance can be expected.

Establish a 'one-stop' fee payment service. For any remaining fees on fish exports, an effort should be made to establish a one-stop fee payment service. As noted above, for the shipment from

Chhnok Tru to Long Koeur market, exporters made 27 different fee payments to 15 institutions in 16 different places. Establishing one-stop fee payment service would help to eliminate the uncertainty and arbitrariness of the current fee collection system and reduce delays.

Foster linkages between fee payment and visible fisheries management services. When asked about fee payments, exporters recognised the need to provide revenue to fisheries authorities to support management activities. Where they can see a direct linkage between their fee payments and fisheries management services, they are more willing to pay fees. In contrast, exporters are not pleased about paying fees to institutions that have no role in fisheries management, operate far from the fisheries on roads or at the border, and provide no services.

For the shipment from Chhnok Tru to Long Koeur market, exporters made 27 different fee payments to 15 institutions in 16 different places. Establishing one-stop fee payment service would help to eliminate the uncertainty and arbitrariness of the current fee collection system and reduce delays.

However, as illustrated by the shipment from Chhnok Tru to Long Koeur market, institutions with no direct role in fisheries management collect about 80 percent of all fish export fees. Fisheries officials responsible for managing the local landing site area and fishing grounds only collect three percent of all fees. This is a striking contrast. Given widespread concern about the sustainability of Cambodia's fisheries, it seems sensible to concentrate fee collection activities at the landing site and fishing grounds where the revenue can more directly and visibly support local fisheries management.

Endnotes

¹ Kamfimech is a state-owned company that held the only license for exporting fish until late in 2001. Since that time, the role of Kamfimech has decreased significantly as other companies have obtained licenses to export fish and unlicensed export activity has increased. According to Department of Fisheries officials, there are presently more than 20 companies licensed to export fish in Cambodia.

² *Pheasi* refers to a fee that a private company is allowed to collect under an agreement with the government.

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