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Cambodia's donors risk disaster with blind eye to poor governance of country's oil and minerals

Cambodia's international donors must insist on improved governance and transparency of Cambodia's oil and mining sectors at the upcoming Cambodia Development Cooperation Forum, anti-graft watchdog Global Witness said today. Governance of the sector is so poor that the donors risk losing the best chance in a generation to lift Cambodia out of poverty as well as wasting taxpayers' money from donor countries.

Ambassadors from donor countries – which provide the equivalent of half of Cambodia's annual budget – are scheduled to meet in Phnom Penh next week for a yearly review of the government's progress in meeting reform targets set at their last meeting. Hardly any of the commitments made by the Cambodian government for improving governance and human rights in the past five years have been met, yet development aid has continued to flow (see attached chart).

“Cambodia is on the verge of a petroleum and minerals windfall, but both sectors are already exhibiting early warning signs of the corruption, nepotism and state capture which plagued Cambodia's forest sector,” said Global Witness Campaigns Director Gavin Hayman. “With the imminent arrival of significant revenue from oil and mining, 2008 could be the donors' last chance to use their leverage to put conditions in place to improve the lot of the average Cambodian.”

Global Witness has surveyed Cambodia's oil and mining sectors and found that the small number of elite powerbrokers who run the state have sold off potentially valuable concessions to foreign companies in a manner that is non-transparent and highly dubious. So far, at least 60 mineral exploration licenses have been allocated to private companies, many of which are owned or beneficially controlled by members of Cambodia's political and military elite. All of the offshore oil concessions in Cambodian territory have been allocated and at least one of Cambodia's onshore oil blocks in the Tonle Sap basin has been granted for exploration.

To date, basic transparency or anti-corruption provisions in the allocation of the state's public assets have not been met. The government has not held any public open-bidding rounds for oil or mining rights, has failed to publish information on which companies have been awarded access to the resources, and has backtracked on endorsement of the Extractive Industries Transparency Initiative (EITI).

“Decisions are being made now about the allocation of the country's oil and mineral resource wealth, which will determine whether the revenue generated moves the country out of poverty or headlong into the resource curse. It's crunch time for the donors,” added Hayman.

Global Witness is calling for donors to insist on a moratorium on the granting of any new concessions in the oil and mining sectors until the government has the basic legal, social and environmental framework in place to manage them and the revenues

produced. Also, given the complete lack of transparency in the industry to date, a review of all existing concessions is needed to ensure Cambodia is getting a fair deal.

Global Witness plans to publish a report on Cambodia's extractive industries in early 2009.

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Notes to Editors

(1) [Global Witness](#) exposes the corrupt exploitation of natural resources and international trade systems, to drive campaigns that end impunity, resource-linked conflict, and human rights and environmental abuses. Global Witness was co-nominated for the 2003 Nobel Peace Prize for its leading work on 'conflict diamonds' and awarded the 2007 Commitment to Development Ideas in Action Award, sponsored jointly by Washington DC based Center for Global Development and Foreign Policy magazine.

(2) Global Witness' last report on Cambodia, *Cambodia's Family Trees*, showed how a small group of individuals surrounding the prime minister and other senior public officials have exploited the country's forests for their personal profit. The report can be downloaded from http://www.globalwitness.org/media_library_detail.php/546/en/cambodias_family_trees

(3) The Extractive Industries Transparency Initiative (EITI) is a coalition made up of governments, companies, civil society groups, investors and international organizations. The initiative supports improved governance in resource-rich countries through the verification and full publication of company payments and government revenues from oil, gas and mining. Information on the Extractive Industries Transparency Initiative is available at: www.eitransparency.org

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Global Witness slams donor complacency over Cambodian corruption

Aid donors to Cambodia, including the EU, US, Japan, China, and the World Bank are failing to act in the face of overwhelming evidence of government corruption and state looting, said international campaign group, Global Witness today.

Three months on from the launch of a [hard-hitting report](#) detailing corruption and nepotism in the nascent extractives industry in Cambodia, Global Witness said that none of the major donors to Cambodia had indicated more than rhetorical willingness to address the issue.

"We approached all the major international donors to present the findings of our report, *Country for Sale*. Some refused to meet with us, others said they shared our concerns, but none made concrete promises to act," said Eleanor Nichol, campaigner at Global Witness. "There is now a large body of evidence which shows that corruption undermines efforts to promote development - and our recent report shows that corruption in Cambodia is rife. Donors must do more to use their influence to help improve governance."

Cambodia is one of the poorest countries in the world and receives significant international aid. Last year donors pledged nearly \$1bn – the equivalent of more than half the national budget. But Global Witness has revealed how government officials at the highest level are allocating the rights to natural resources to themselves and their cronies, with little or no benefit to the majority of the population. In 2006 and 2007 millions of dollars were paid by extractive companies for the right to explore and exploit oil, gas and mineral reserves, yet Global Witness's investigations suggest the money may be missing from the national accounts.

"Managed well, the profits of extractive industries could help lift people out of poverty, but decades of illegal or unsustainable exploitation of natural resources in Cambodia has deprived citizens of their rightful benefits," said Nichol. "Aid is vital and can make a vast difference to poor people's lives - but in Cambodia, international donors are using taxpayers' money to plug a hole made by corrupt politicians. With the country on the brink of yet another exploitation bonanza, turning a blind eye must no longer be an option."

The scale of donor complacency and refusal to engage with the issues raised in *Country for Sale* is best demonstrated by donors that declined to meet with Global Witness. These included France, China and Japan. Others who did agree meet were unhelpful and in some cases obstructive. Even donors who engaged did not agree to push for reforms.

"Some donors are reluctant to demand conditionality, which is understandable, given widespread criticism of inappropriate and damaging loan conditions in the past. However, there is a difference between imposing a set of inflexible rules that are not in a country's interest, and demanding a basic level of transparency and accountability which would help to prevent corruption," said Nichol.

Global Witness is calling for a stop to allocation of concessions until the basic regulatory frameworks are in place and a review of existing concessions to ensure that the companies are fit for purpose.

Global Witness wants donors to:

- Recognise that there is a direct link between governance and development outcomes, and use aid as leverage to improve governance;
- Take immediate steps to integrate and coordinate the donor aid agenda with the urgent need to reform and strengthen the governance of Cambodia's emerging extractive sectors;
- Ensure that anti-corruption efforts are integrated within the core activities of all petroleum and mineral related aid programmes to Cambodia
- Support Cambodian civil society in its efforts to increase transparency and accountability in the management of Cambodia's public assets

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Cambodia's donors are: Australia, Belgium, Canada, China, Denmark, Finland, France, Germany, Ireland, Japan, Sweden, United Kingdom, United States, the United Nations, the European Commission, the Asian Development Bank, the International Monetary Fund, and the World Bank Group