



global witness

Submission to the European Commission's Mid-Term Review of their 2007-2013 Strategy Paper for Cambodia

Cambodia is on the verge of a minerals and petroleum windfall. Revenues for oil and gas are predicted to come on line in 2011. If managed well, they could provide the Cambodian Government with the opportunity to rebuild state infrastructure and lift its people out of poverty. If mismanaged through corruption or ineptitude, the revenues run the risk of widening the gap between rich and poor and weakening democracy still further by entrenching the positions of the ruling elite.

This submission makes the case that the EC should leverage its significant financial and political influence to improve governance of the emerging extractive industries. Specifically, it should use the Mid-Term Review of Cambodia's Country Strategy Paper to adopt an innovative approach which makes aid disbursement dependent on achieving and maintaining transparency and accountability of these sectors. The objective of such benchmarking is to ensure that EC development aid is not used to underwrite the rampant high-level corruption apparent within the country's extractive industries.

Introduction to Global Witness and its work in Cambodia

Global Witness is a London-based non-governmental organisation that investigates and campaigns to prevent natural resource-related conflict, corruption and associated environmental and human rights abuses. We aim to improve governance, transparency and accountability in the management of the natural resource sector to ensure that revenues from resources are used for peaceful and sustainable development rather than to finance or fuel conflicts, corruption or state looting.

Globally, our investigations and campaigning have been a key catalyst in the creation of the Kimberley Process, to tackle the trade in conflict diamonds, and the Extractive Industries Transparency Initiative (EITI), to encourage transparency over payments and receipts for natural resource revenues. We were co-nominated for a Nobel Peace Prize in 2003 for our work on conflict diamonds, and were awarded the 2007 Commitment to Development *Ideas in Action* Award, sponsored jointly by Washington DC-based American Centre for Global Development and *Foreign Policy* magazine.

The organisation has worked in Cambodia for over 14 years and produced 18 reports documenting high-level corruption and policy failures relating to the exploitation of the country's natural resources.¹ Traditionally, revenue generated from logging was the primary driver of this corruption. Over the past five years however, as the country's timber reserves have diminished, there has been a marked expansion of this natural resource exploitation. In today's Cambodia, rights to the country's land, fisheries, beaches and islands, oil, gas and minerals have been sold to private investors. The same elite

who profited from the sale of the country's forests are the beneficiaries of these deals. Very little of this money has made it into the state's coffers. Instead, revenue which should have been used to kick start a post-conflict economy has been siphoned into private bank accounts. At the same time, Cambodia continues to be one of the world's poorest countries and is heavily dependent on foreign aid. In December 2008, the commitments to development assistance from the European Union and its member states to the Cambodian Government for 2009-2011 represented 24% of the total amount pledged.²

The actual impact of this development aid has been severely hampered by weak government institutions and rampant, high-level corruption. Years of negotiation and dialogue at donor-government meetings have had little impact on the Cambodian Government's misappropriation of state assets. Benchmarks geared towards improving transparency and governance in Cambodia have been consistently eroded or unfulfilled, yet donor aid has continued to flow (see Appendix for further details). Calls from Cambodian civil society and opposition political parties to improve governance of these resources have led to increased repression through a Government crack down on critical voices.

It is in this context that Cambodia appears to be on the verge of an oil, gas and minerals windfall. Since 2006, these emerging extractive industriesⁱ have developed rapidly with new companies exploring the potential for mineral and petroleum wealth under the land and sea. The revenues generated could represent Cambodia's best chance in a generation to escape the poverty trap. While it is still too early to put serious numbers on Cambodia's potential petroleum resources, the small size of Cambodia's economy makes it likely that any commercial production of oil and gas in Block A and the OCA will have a significant impact on the economy.ⁱⁱ According to the IMF, the GDP generated by the mining sector, meanwhile, has increased by 177% between 2002 and 2007.ⁱⁱⁱ

Yet the presence of increased revenue does not automatically translate into developmental gains. In many countries where Global Witness works, resource exploitation has contributed to a deepening, not lessening, of poverty. Given its history of natural resource mismanagement, weak governance, inadequate policy and regulatory frameworks, high-level corruption and the current shrinking democratic space, Cambodia is extremely vulnerable to falling into the *resource curse* trap. There is only a limited window of opportunity – before the revenues come on line – in which Cambodia's international donors can leverage the changes in natural resource management required to mitigate against the risks of this trap. Without coordinated donor intervention and benchmarks to measure reforms, entrenched patterns of exploitation will ensure profits benefit individual officials rather than poverty reduction.

A new approach is needed. As a bellwether for Cambodia's other donors and using its political and financial influence, the European Commission (EC) should take a lead role in coordinating this change. Initiatives must reflect the emergence of developmentally key sectors (such as the extractive industries), address the gaps revealed by previous failures of development aid and assure European tax payers that their money is achieving results.

ⁱ The term "Extractive Industries" will be used throughout this document to refer to oil, gas and mineral resources.

ⁱⁱ The IMF has estimated that, **if Cambodia's oil sector is a moderate size**, there might be 500 million barrels of recoverable reserves in Block A. That suggests (assuming oil prices at \$55 per barrel and an average revenue split of 60 percent over 25 years) an annual revenue of approximately \$660 million per year, roughly equivalent to Cambodia's total budget expenditures in 2003. If, ultimately, there are additional resources found in Cambodia's other blocks as well as in the OCA, annual revenues from oil and gas could be multiples of Cambodia's present annual budget. Cambodia: Selected Issues and Statistical Appendix. IMF Country Report No. 07/291, August 2007.

ⁱⁱⁱ Gross Domestic Product generated by the mining sector increased from 48 billion *riels* in 2002 to 133 billion *riels* in 2007, at current prices. Cambodia: Statistical Appendix. IMF Country Report No. 09/48, February 2009.

This submission makes the case that the EC should use the Mid-Term Review of Cambodia's Country Strategy Paper to adopt an innovative approach to improve governance of the emerging extractive industries.^{iv}

The submission is divided into two parts:

- The first summarises the key findings of our most recent report on Cambodia, *Country for Sale*
- The second makes the case for the EC taking the lead on improving governance of the extractive industries

Summary of findings from *Country for Sale*³

Worrying indications of poor governance in Cambodia's emerging extractive industries prompted Global Witness to undertake an investigation in 2008 into the country's petroleum and mineral sectors. Our investigations found that these sectors have been captured by a corrupt elite for personal benefit, with rights to the resources awarded behind closed doors in a dubious manner. The report concluded that:

1. The same political elite who squandered the country's timber resources are now responsible for managing its mineral and petroleum wealth. These elite powerbrokers have sold concessions to companies in a non-transparent and dubious manner from which they are likely to benefit personally, whilst the Cambodian people are not. They are aided in doing so by a total lack of transparency in both sectors and inadequate policy and regulatory frameworks. The legitimacy and technical capabilities of some of these companies is uncertain, while the risks to the environment and the people who live on the land are enormous.
2. The institution in charge of Cambodia's oil and gas industry – the Cambodian National Petroleum Authority (CNPA) – is a constitutionally dubious body under the direct control of Prime Minister Hun Sen and his deputy. The centralisation and politicisation of power within the CNPA has created a dysfunctional organisation over which the Cambodian parliament has no oversight, and other essential ministries are marginalised.
3. Financial bonuses paid to the CNPA to secure extractive industry concessions (totalling millions of dollars) do not show up, as far as Global Witness can see, in the 2006 or 2007 revenue reports from the Ministry of Economy and Finance (MEF).
4. Allocation of concessions has taken place under a blanket of secrecy by the CNPA. It is known that they have allocated all of Cambodia's undisputed offshore blocks, however little is known about allocation of onshore blocks and re-licensing of offshore blocks in the Overlapping Claims Area.^v
5. The Government has made the decision to prioritise mining over biodiversity conservation. At least six out of Cambodia's 23 protected areas now have some form of mining activity within their boundaries.

^{iv} This submission has been prepared based on the content of the European Commission's Cambodia Country Strategy (2002 to 2013) and the Multi-Annual Indicative Programme (2007 – 2010) for Cambodia. The Concept Note for this Mid-Term Review was not made publicly available.

^v The Overlapping Claims Area is a 27,000km² off-shore area which remains undecided because of an ownership dispute between Thailand and Cambodia.

6. The onshore area known as the Tonle Sap Basin, a UNESCO Biosphere Reserve, is currently being explored. The basin's waters are the breeding grounds for fish stocks constituting 40-70 per cent of the country's annual protein intake and are an essential livelihood source for around two million Cambodians.
7. There is obvious and extensive involvement of the Royal Cambodian Armed Forces in the mining sector.
8. The Government has already backtracked on its commitment to transparency for the extractive industries through announcing that it will not endorse the EITI.⁴

Evidence gathered since *Country for Sale* was published indicates that public financial management reforms – seen by donors as key to improving transparency in the extractive sectors – are not working. Government revenue accounts dated January-June 2009 do not show any income receipts from these resources, despite the aforementioned expansion of these industries.⁵

In this context, it is imperative that the EC uses its leverage to make use of the limited period of time available to influence Cambodia's policy and regulatory framework for managing these emerging sectors, before the revenues come on line.

The case for the EC taking a lead on improving governance of the extractive industries

Global Witness understands the overall approach of the EC is to work towards sustainable poverty reduction through Cambodia's National Strategic Development Plan (NSDP) and direct budget support. This approach not only facilitates donor harmonisation but is in line with the growing consensus that development aid should enable developing countries to mobilise their own resources. However, ongoing government failure in key governance reforms despite jointly agreed annual benchmarks suggests that traditional development assistance mechanisms for Cambodia are failing. This is of particular importance given the increase in importance of the extractive industries since the 2007-2013 Country Strategy Paper was developed. The overhaul of the EC's development assistance in Cambodia therefore requires imaginative adaptation in order for it to be effective and responsibly spent.

Global Witness' submission proposes that the EC uses its political and financial influence with the Cambodian Government to improve governance in the extractive industries through making aid disbursements dependent on measurable progress to key reforms. In December 2008, the pledges of development assistance from the European Union (EU) and its member states to the Cambodian Government for 2009-2011 represented 24% of the total amount: second highest after the international financial institutions and larger than China (21%) and the UN agencies (7%).⁶ Given the limited pool of development funding available in the current economic climate, the EC has a responsibility to demonstrate that development assistance to Cambodia is achieving tangible results towards poverty reduction, in comparison to what it has the potential to achieve in other developing countries.

It is encouraging that the Cambodian Government has chosen to include the management of oil, gas and mineral resources in the Rectangular Strategy Phase II (2008) and the 2008 Mid-Term Review of the NSDP.⁷ These policies now recognise oil, gas and minerals as the common inheritance of all Cambodians and that their economic exploitation must be sustainable for current and future populations.⁸ They also recommend:

- Developing legal, policy and regulatory frameworks to ensure revenues from these resources are maximised and judiciously used;⁹
- Establishing a regulatory body and mechanisms to monitor operations, ensure regulatory oversight, transparency and clear separation of policy, regulatory and operational aspects;¹⁰
- Exploring the potential of the EITI as a platform for good governance of these resources.¹¹

Global Witness welcomes these commitments to revenue transparency and management within the country's overarching development policy. However this aspirational rhetoric must be transformed into specific and measurable targets in order for them to be effectively operationalised and their implementation monitored.

The EC can support this through the Mid-Term Review process by strengthening Focal Sector 1 of the Country Strategy Paper – Support to the NSDP. EC support to Cambodia's NSDP has two components: direct budget support and support to the public financial management reform programme. Global Witness believes that there are significant gaps in how both of these components address governance of Cambodia's emerging extractive industries. Given that the current review is taking place at the mid-point of implementation; Global Witness has focused on recommending changes within the existing strategy, rather than broader programmatic revisions.¹²

This submission covers the following areas:

- A. An analysis of problems and gaps in how current EC development assistance addresses the emerging extractive industries
- B. Recommendations for how the EC can address these gaps through direct budget support
- C. Recommendations for how the EC can address these gaps through public financial management
- D. Recommendations for strengthening Donor-Government coordination
- E. Additional entry points for the EC to improve governance of the extractive industries

A. Analysis of problems and gaps in how current EC development assistance addresses the emerging extractive industries

The EC's guidelines for budget support anticipate benefits to be: increased government ownership; improved public policy and expenditure framework; greater donor harmonisation, coherence and alignment; improved domestic accountability and increased efficiency and sustainability.¹³ Although the EC does not have minimum thresholds to qualify, the country is expected to have made a "credible commitment" to policy reforms for "transparent, reliable and effective" public financial management and to have "properly formulated sectoral or macroeconomic policies positively assessed by its principle donors".¹⁴ Other EC and member state guidelines meanwhile stress the importance for budget support of partner governments having a proven track record of reducing poverty, upholding international human rights and other obligations, promoting good governance and transparency, and fighting corruption. Indicators of bad governance, meanwhile, are viewed to be warning signs for problematic budget support.¹⁵

Global Witness and Cambodian civil society organisations have raised a number of concerns about the design of benchmarks within the budget support programme as a means to improve natural resource governance and the failure of the government to meet even the limited benchmarks which were set:

- 1) Cambodia continues to be ranked as a poor performer in areas such as corruption, transparency, governance, human rights abuses and natural resources management.¹⁶ Repeated failure to

implement reforms in key areas of governance and financial management suggest that Cambodia lacks credible commitment and has not met the eligibility criteria for direct budget support.

- 2) The capacity for the Cambodian Government to manage budget support is dubious. Although the EC's 2007-2010 Multi-Annual Indicative Programme (MIP) states the need for "special fiduciary measures" for monitoring budget support in the absence of a robust financial management system, no details or targets are provided. Global Witness believes there is clear evidence that the public financial management reforms have not yet been implemented. Tens of millions of dollars in financial bonuses and contractual payments from extractive companies to the Cambodian Government are not showing up in the MEF's revenue reports.^{vi}
- 3) The one benchmark set for the extractive industries – the requirement to endorse EITI – was watered down at the discussion phase to a requirement to *consider* endorsing the EITI. The Cambodian Government has now announced that it will not at this time consider endorsing the EITI and is developing an alternative "*Extractives Industries Fiscal Transparency Plan*".¹⁷ Global Witness does not agree that this transparency plan and the inter-ministerial working group established to develop it^{vii} can be considered equivalent replacements to the EITI. One of the added values of the EITI is the formation of a multi-stakeholder platform (representing Government, private sector and civil society) which provides accountability mechanisms and scrutiny during the stringent validation process. Indicative of the lack of accountability of this inter-governmental working group is the fact that civil society groups working on resource transparency have not been invited to join and the draft transparency plan has not been released for public comment.
- 4) The benchmark indicators set for the extractive industries in Cambodia are too limited. While Global Witness supports the endorsement of EITI as a benchmark in the process, it does not believe that on its own it will be sufficient to avoid the *resource curse* in Cambodia. Sustainable development of Cambodia's extractive industries will require attention to the whole process of natural resource utilization, starting with the way in which rights to the resources are awarded and to whom. As *Country for Sale* demonstrates, there are already early-warning signs of state capture in this process. Benchmarks should be geared towards addressing the entire value-chain.

Despite these problems, Global Witness recommends that the EC continue to engage with the Cambodian Government through direct budget support. The design of the budget support Poverty Reduction and Growth Operation (PRGO)¹⁸ programme requires the achievement of "prior actions" before disbursement can occur. This gives donors greater options for leveraging key governance reform agendas than traditional aid disbursement. Through strengthening the benchmark and disbursement mechanism of the PRGO, budget support would be better able to address the problems outlined above.

In addition to budget support, the current EC development assistance package to Cambodia supports Public Financial Management (PFM) reform. However, the Global Witness report *Country for Sale*,

^{vi} Such as the Tableau des Operations Financieres de l'Etat, available from the Ministry of Economics and Finance at <http://www.mef.gov.kh/share.php?cid=7&p=1>.

^{vii} The "*Inter-ministerial Technical Working Group for the Development of Action Plan and Monitoring of Implementation of Mobilization and Management of Oil and Gas Revenue and other Mining Resources*" was established by Prime Ministerial Decree, available online at http://www.mef.gov.kh/documents/laws_regulation/The_Government_decision_to_establish_the_EITI_sub_committee.pdf.

and the problems described in point 2 above, point to evidence that this reform programme has not effectively improved transparency or accountability of revenues from oil, gas and mineral resources.

The EC's financial and political influence provides it with leverage to effect significant changes if targeted appropriately and in coherence with initiatives of EU member states.¹⁹ Global Witness therefore proposes an expansion of the EC's partnership with Cambodia during the new MIP through the following recommendations. Expanding targeted support to these sectors, however, will only be successful if the disbursement of this programme is dependent on the Government attaining and maintaining basic governance and transparency benchmarks for these emerging sectors. The objective of such benchmarking is to ensure that EC development aid is not used to underwrite the rampant high-level corruption apparent within the country's extractive industries.

B. Recommendations for how the EC can address these gaps through direct budget support

- a) To continue to collaborate with other donors to provide direct budget support to the Cambodian Government. To strengthen indicators used to measure reforms in good governance, public financial management and land and natural resource management:
 - I. Indicators for the public financial management component of future disbursements must be targeted and measurable, and include:
 - Endorsement and full implementation of the EITI;
 - Adoption of the Extractive Industries Fiscal Transparency Plan (as an interim to the EITI) through a process which includes meaningful consultation with civil society;
 - Public disclosure of information on company payments and of Government receipts for oil and mineral revenues. Through i) independent auditing (using international standards) of the extractive industry sector to account for all financial transactions made between the Cambodian Government and concessionaires; and ii) monthly publication of the disaggregated Tableau des Operations Financieres de l'Etat by the Government that includes an overview of monthly expenditures by line ministry and specifics the current memorandum item "revenues from extractive industries";
 - Compilation of a list of public offices whose holders are Politically Exposed Persons^{viii}; requiring anyone holding these posts to fill an income and asset declaration, which is publicly available, on entering and leaving office.
 - II. Indicators for the land and natural resources component of future disbursements must be targeted and measurable, cover oil, gas and mineral resources, and include:
 - Formation of the Technical Working Group on Extractive Industries with full membership from interested donors and civil society groups;
 - Adoption of a Petroleum Law which is in line with international best practice and has undergone meaningful public consultation;
 - Revision of existing legal, environmental and social frameworks (including environmental and social impact assessment procedures) to be in line with international best practice;
 - Revision of all existing oil and mineral concessions. Only companies which can provide clear evidence of their capabilities should be allowed to continue or start work;

^{viii} According to the definition of the Financial Action Task Force, available on page 69 of the online document <http://www.fatf-gafi.org/dataoecd/16/54/40339628.pdf>.

- Full and continued disclosure of information concerning management of oil, gas and mineral assets. Disclosure must include: investment agreements, contractual conditions, fiscal terms of contracts and compliance status (completion of satisfactory environmental and social impact assessments, payment of royalties etc); exploration, exploitation, transportation and export permits awarded; and the names and details of the beneficial owners of the companies concerned;
 - A requirement that all companies operating in sectors of Cambodia's natural resource economy publish the same information.
- b) The EC must work with the donor partners of the PRGO to improve governance of extractive industries through the Private Sector Development component of the budget support mechanism.
- c) The EC must work with the donor partners of the PRGO to re-structure how budget support is given to Cambodia. Fiscal measures must be enacted to monitor fund disbursal, effectively audit accounts and ensure allocation is targeted by the MEF in accordance with NSDP priorities.

C. Recommendations for how the EC can address these gaps through public financial management

- a) The EC should use its membership of the Technical Working Group for Public Financial Management and the Multi-Donor Trust Fund to strengthen the PFM reform programme to ensure all oil, gas and mineral revenues are being collected and spent through the national budget, set within a fully-fledged, medium-term fiscal framework that links annual budget plans to longer-term national priorities and policies.
- b) The EC should use its membership of the Technical Working Group for Public Financial Management and the Multi-Donor Trust Fund to lead multi-donor dialogue with the Government to promote the benefits of accountability and need for multi-stakeholder engagement in the extractive industries through the EITI and the IMF Guide on Resource Revenue Transparency.²⁰ Platforms suggested for interim civil society engagement until the EITI is endorsed are: as members of the Inter-ministerial Technical Working Group for the Development of Action Plan and Monitoring of Implementation of Mobilization and Management of Oil and Gas Revenue and other Mining Resources; as members of the proposed Technical Working Group on Extractive Industries; and through a civil society ombudsman process.

D. Recommendations for strengthening Donor-Government coordination

- a) To work with other donors to strengthen the content and implementation of the legal framework for the extractive industries:
- I. Ensure that the Petroleum Law is adopted urgently, is in line with international best practice, includes retroactive application for existing contracts and requires all payments to the Government in relation to revenue gained to be made directly to the MEF to enable budget alignment. Strong signals should be given by the EC and the member states of the EU of the necessity of broad and meaningful inter-ministerial, donor and civil society consultation before this draft law is sent to the Council of Ministers;

- II. Expand assistance to enable the legal framework for the mining sector to be brought in line with international best practice for transparency, accountability and minimising environmental and social impacts;
 - III. Revise the Environmental and Social Impact Assessment frameworks to be in line with international best practice and enable inter-ministerial cooperation.
- b) To work with other donors to strengthen the institutions dealing with the extractive industries:
- I. Provide training for Petroleum and Mining Advisory Boards comprising of a wide cross-departmental government membership to oversee and monitor the allocation of concessions;^{ix}
 - II. Strengthen the CNPA and Ministry of Industry, Mining and Energy (MIME) as institutions in order to be able to adequately control and monitor extractive sectors controlled by large, sophisticated multinational companies, as well as building the capacity of their staff;
 - III. Support the CNPA to take steps to protect its regulatory capacity and independence once State Owned Enterprises are operational;
 - IV. Increase assistance to both institutions to enable coordination with the MEF to centralise the budget.
- c) To send an independent submission from the EC Delegation commenting on the draft revision of the NSDP being undertaken by the Cambodian Government. This submission must suggest measurable targets for the extractive industries that have to be included to ensure transparency and accountability. The terminology and scope of the NSDP must also be clarified to cover on and off-shore oil and gas concessions, as well as mineral resources. To use EC membership of the Technical Working Group for Public Financial Management and Multi-Donor Task Force to work with other donor-government institutions to ensure this specific and measurable content is included in the final version of the revised NSDP.

E. Additional entry points for the EC to improve governance of the extractive industries

- a) To strengthen civil society engagement in the extractive industries sector through expanding the mandate of the EC-Cambodia Co-operation and Dialogue in the field of Governance and Human Rights. Specifically, to use this funding mechanism to foster collaboration, dialogue and platforms for engagement between the Cambodian Government and civil society coalitions working on the extractive industries.
- b) To prioritise governance of the extractive industries in EC regional and thematic programmes, especially Democracy and Human Rights, Non-State Actors in Development and Environment and Sustainable Management of Natural Resources including Energy.
- c) To follow the lead of the US to enact a ban on Cambodian officials involved in natural resource corruption from entering the European Union.^x

^{ix} Provisions for this are already included in the 1991 Petroleum Regulations, which nominally govern the oil sector at this point in time. However, they have not been implemented.

^x The Consolidated Appropriations Act 2008 was signed into law on December 26 2007 by United States President George W. Bush. It can be downloaded from http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=110_cong_bills&docid=f:h2764enr.txt.pdf The provisions relating to Cambodia in the Consolidated Appropriations Act can be found in the accompanying Division J report, which provides additional information on the implementation of the Act. The Division J report endorses the language on Cambodia found within the 2008 State, Foreign

- d) To coordinate joint-donor approaches to the Cambodian Government such as the EU Troika Demarche of 7th August 2009 that raised concerns about freedom of expression, democratic debate and rule of law.

Conclusion

Despite the provision of billions of dollars of aid over the past 15 years, Cambodia is still one of the poorest countries in the world. This is primarily because of governance failures. Cambodia today is led by a politically powerful, kleptocratic elite which operates in its own interests, rather than that of the Cambodian people. This is not a benevolent state and traditional donor aid approaches have failed, and will continue to fail, unless this is taken into account. A new approach is required by the donors and the EC is in a unique position to take the lead on it.

The spectre of an extractive industries boom has raised the stakes. Donors have one last chance to coordinate their efforts to influence the policy and regulatory changes required to ensure that the emerging extractive industry sectors are managed in an accountable and transparent way, for the benefit of all Cambodians.

The mid-term review of the EC's development assistance to Cambodia offers an opportunity to address governance in these emerging sectors. This submission by Global Witness outlines recommendations for steps that the EC can take to achieve this. These recommendations do not require significant additions of technical expertise or financial capacity on behalf of the Government. They do however, require the presence of credible commitment and political will to ensure that revenue from the country's assets is used for poverty reduction and public benefit, rather than personal profit.

If the same old patterns of donor-government non-reciprocity continue once these strengthened benchmarks are applied to the extractive industries, the EC should revisit the policy of continued engagement. The disbursement of non-humanitarian aid should be dependent upon the Cambodian Government attaining and maintaining these basic governance and transparency benchmarks. If these are not met, EC aid to Cambodia as a whole – not just the budget support and public financial management components – is effectively underwriting the corrupt activities of a kleptocratic regime and legitimising the status quo. If this happens, the EC will have failed in its commitment to Cambodian people to reduce poverty and will have failed in its commitment to European taxpayers to use their money effectively.

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Operations, and Related Programs Appropriations Bill. This contained the following text: *“The Committee urges the administration to exercise Presidential Proclamation 7750 [the anti-Kleptocracy Initiative travel ban] to prohibit corrupt Cambodian officials identified in the June 2007 Global Witness report entitled “Cambodia’s Family Trees: Illegal Logging and the Stripping of Public Assets by Cambodia’s Elite” from entering the United States. The Committee encourages other developed countries, particularly in Europe and Asia, to implement similar restrictions.”*

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- ¹ Reports published on our work in Cambodia can be found at: <http://www.globalwitness.org/pages/en/cambodia.html>.
- ² Figures provided on the Cambodian Development Cooperation website for pledges made on 4-5th December 2008 at the Second Cambodian Development Cooperation Forums: http://www.cdc-crdb.gov.kh/cdc/second_cdcf/session9/myiff2009-2011.htm Last downloaded on 1st October 2009.
- ³ This report is available at - http://www.globalwitness.org/media_library_detail.php/713/en/country_for_sale.
- ⁴ Global Witness meeting with DFID, November 2007; Personal communications with NGO workers, 2008.
- ⁵ The revenue report Tableau des Operations Financieres de l'Etat, is available from the Ministry of Economics and Finance at <http://www.mef.gov.kh/share.php?cid=7&p=1> The 2008 Mid-Term Review of the National Strategic Development Plan, November 2008, provides an update of oil and gas concession holdings on page 32, November 2008.
- ⁶ Figures provided on the Cambodian Development Cooperation website for pledges made on 4-5th December 2008 at the Second Cambodian Development Cooperation Forums: http://www.cdc-crdb.gov.kh/cdc/second_cdcf/session9/myiff2009-2011.htm Last downloaded on 1st October 2009.
- ⁷ The Rectangular Strategy Phase II (2008) available online at http://www.cnv.org.kh/2008_releases/26oct08_rectangular_strategy_phase_ii_with_diagram.htm and the National Strategic Development Plan Mid-Term Review from November 2008 which can be provided by Global Witness on request.
- ⁸ National Strategic Development Plan Mid-Term Review, November 2008. Paragraph 1.10, page 4 and Rectangular Strategy Phase II, 2008, paragraph 40.
- ⁹ National Strategic Development Plan Mid-Term Review, November 2008. Paragraph 2.35, page 20, Box 2.4 and Rectangular Strategy Phase II, 2008, paragraph 74.
- ¹⁰ National Strategic Development Plan Mid-Term Review, November 2008. Paragraph 2.65, page 32.
- ¹¹ Ibid. Paragraph 2.65, page 32.
- ¹² Broader recommendations made by Global Witness for how Cambodia's international donors can address the emerging extractive industries within their work can be found in the *Country for Sale* report.
- ¹³ Eurodad (2007) Guidelines on the Programming, Design and Management of General Budget Support. AIDCO, DEV and RELEX. European Commission, January 2007, pages 18 and 19. Available online at http://ec.europa.eu/europeaid/what/economic-support/documents/guidelines_budget_support_en.pdf.
- ¹⁴ Ibid. Pages 28 and 31.
- ¹⁵ Poverty Reduction Budget Support – A DFID Policy Paper, United Kingdom Department for International Development, February 2008. Available online at <http://www.dfid.gov.uk/Documents/publications/pov-red-budget-supp-update-feb08.pdf> “Linking budget analysis with aid advocacy: how civil society groups can monitor donor budget support,” paper published by The International Budget Project and Eurodad, February 2008. Available for online at <http://www.dfid.gov.uk/Documents/publications/pov-red-budget-supp-update-feb08.pdf>.
- ¹⁶ Such as Transparency International's Corruption Perception Index (2008) available online at http://www.transparency.org/news_room/in_focus/2008/cpi2008/cpi_2008_table; Statements by the UN Special Representative of the Secretary General for Human Rights in Cambodia, available online at http://cambodia.ohchr.org/EN/report_srsrg.htm; and “Natural Resource NGO staff targeted for Violence and Intimidation”, Licadho report May 28, 2009, available online at <http://www.licadho-cambodia.org/articles/20090528/93/index.html>.
- ¹⁷ See footnote number 5 for further details.
- ¹⁸ Described as the Poverty Reduction and Support Operation in the EC's Country Strategy Paper for Cambodia, a multi-donor direct budget support initiative lead by the World Bank.
- ¹⁹ Based on the OECD's definition of “policy coherence for development” as outlined in EC Communication from the Commission to the Council, the European Parliament and the European Economic and Social Committee, Policy Coherence for Development: Accelerating progress towards attaining the Millennium Development Goals, April 2005. Available online at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2005:0134:FIN:EN:PDF>.
- ²⁰ Available online at <http://www.imf.org/external/np/pp/2007/eng/051507g.pdf>.