

# U4 Expert Answer



## Overview of Corruption in Cambodia

### Query:

*"Can you please give us an overview of the corruption status in Cambodia?"*

### Purpose:

We are preparing an analysis of our development cooperation programs in Cambodia.

### Content:

- Part 1: Forms and Extent of Corruption in Cambodia**
- Part 2: Anti-Corruption Efforts in Cambodia**
- Part 3: Further Reading**

### Summary:

After decades of civil war and political violence, corruption has pervaded almost every sectors of Cambodian public life, with a system of patronage well entrenched in society. Both petty and grand forms of corruption are widespread. Law enforcement agencies are perceived as the most corrupt and inefficient sectors, lacking the independence, resources and capacity to effectively investigate and prosecute

corruption cases. Weak systems of checks and balance, ineffective accountability mechanisms and scarce opportunities for public participation further contribute to the deteriorating situation. The enactment of the long awaited anti-corruption law has been pending for years.

### Part 1: Forms and Extent of Corruption in Cambodia

After decades of civil war and political violence, Cambodia is still struggling to restore peace, consolidate political stability, reduce social inequalities and build democratic institutions. Cambodia is a constitutional democratic monarchy, whose political life is dominated by the Prime Minister and the Cambodian People's Party (CPP). Cambodia is also the third poorest country in South East Asia, with about 80% of the population surviving on a subsistence rural economy. According to Freedom House 2006, Cambodia social fabrics remains driven by traditional hierarchical patron-client relationships based on wealth, status and power inequalities as well as personalised forms of interaction that greatly undermine the establishment of a sound and democratic system of

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governance.

([http://www.freedomhouse.org/template.cfm?page=140&edition=7&ccrpage=31&ccr\\_country=112](http://www.freedomhouse.org/template.cfm?page=140&edition=7&ccrpage=31&ccr_country=112)).

### Extent of Corruption

Against this background, corruption permeates almost every aspect of Cambodia's public life and the country faces major challenges of weak governance, widespread poverty and systemic corruption.

In 2008, Cambodia scored 1,8 on a scale of 0 (highly corrupt) to 10 (highly clean) in TI's Corruption Perceptions Index (CPI), ranking 166 out of the 180 countries assessed, suggesting widespread and endemic forms of corruption. ([http://www.transparency.org/news\\_room/in\\_focus/2008/cpi2008/cpi\\_2008\\_table](http://www.transparency.org/news_room/in_focus/2008/cpi2008/cpi_2008_table)). The World Bank Worldwide Governance Indicators confirm this picture, with Cambodia performing extremely poorly on indicators of voice and accountability (24), political stability (28,8), government effectiveness (20,9), regulatory quality (30,6) and extremely poorly in terms of control of corruption (8,2 compared to 17 in 2003). (<http://info.worldbank.org/governance/wgi/index.asp>)

According to TI's 2007 Global Corruption Barometer, Cambodian citizens also perceive corruption to be on the increase with 43 % of the respondents thinking that corruption will increase in the next three years, while 19 % think it will just remain the same. ([http://www.transparency.org/policy\\_research/surveys\\_indices/gcb](http://www.transparency.org/policy_research/surveys_indices/gcb)).

Freedom House 2006 reports that corruption drains off an estimated 10 percent of Cambodia's gross domestic product. A study conducted in 2006 by the Economic Institute of Cambodia, an independent research group, reports that businesses in Cambodia paid USD 330 million in bribes for government favours in 2005, or about 2,8 % of their total annual revenues. The Institute further estimates the potential loss in annual government revenues due to corruption at USD 400 million. (Please see: [http://www.eicambodia.org/caps/caps\\_english.php](http://www.eicambodia.org/caps/caps_english.php)).

High levels of fraud, corruption and siphoning of aid have also been a major concern for the international community. In 2006, the World Bank suspended USD 64 million in loans after severe abuses and irregularities

were uncovered in 43 contracts and asked the country to repay USD 7 million in aid money<sup>1</sup>.

### Forms of Corruption

#### Bureaucratic Corruption

According to the TI's Global Corruption Barometer 2007, 72% of the respondents reported paying a bribe to obtain services. Citizens routinely have to make informal payments to access public services such as medical care, school grades, court verdicts, alleged traffic violations and birth and marriage certificates. Inefficient government structures, unregulated bureaucracy, red tape and an opaque regulatory environment offer many opportunities of bribery and extortion. Civil servants are underpaid, with salaries typically less than 20 % of the living wage, making corruption a vital survival strategy. ([http://www.freedomhouse.org/template.cfm?page=140&edition=7&ccrpage=31&ccr\\_country=112](http://www.freedomhouse.org/template.cfm?page=140&edition=7&ccrpage=31&ccr_country=112)).

In addition, Cambodia is cash based economy, with only 1 % of working capital transiting through the banking system. Subsequently, the vast majority of business transactions are difficult to track, with weak internal and external accountability mechanisms further contributing to make corruption risks very low.

The World Bank and IFC Doing Business Survey 2009 confirms that the regulatory environment is cumbersome and time consuming: setting up a business requires 9 procedures and 85 days – 40 days longer than in other countries in the region- and costs more than 150% of per capita income compared to 32 % in the region. (<http://www.doingbusiness.org/>). As a result, more than half of the firms interviewed in the 2007 World Bank Enterprise Survey identify corruption as a major constraint to doing business in the country, with 61% of the respondents reporting being expected to make informal payments to get things done. According to 2003 data, facilitation payments can amount up to 4,6 % of sales compared to the 1,8% in the Asia Pacific region. (<http://www.enterprisesurveys.org/>).

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<sup>1</sup> The World Bank resumed lending for development projects in 2007.

## Political Corruption

According to most sources, abuse of power and grand corruption pervade the highest spheres of the political and administrative systems, with the Ministry of Justice, the Ministry of Interior and the Ministry of Economics and Finance perceived as the most corrupt. Appointments, promotions and dismissals of civil servants are opaque and not based on merit, with a large proportion of civil servants recruited within the two main political parties. (Please see: <http://www.business-anti-corruption.com/country-profiles/east-asia-the-pacific/cambodia/background-information/>).

Global Integrity 2008 reports that Cambodia is affected by various forms of political corruption, including vote buying and political finance scandals. (<http://report.globalintegrity.org/Cambodia/2008>). For instance, as a result of the registration process for political parties who wished to participate in the July 2008 National Assembly elections, the United People of Cambodia Party (UCPB) and other three small parties were not registered by the National Election Commission (NEC) on the grounds that some of their candidates were not on the official voter's list. Candidates also had to pay a certain amount to be included in the political party's list of candidates. Global Integrity also reports that from July 2007 to the end of the election campaign, there had been at least 21 cases of murder of political party activists, supporters and a journalist, Mr. Khim Sambo. There have also been at least 56 cases related to physical harassment and intimidation.

The election administration is politically biased and dominated by the CPP. Freedom House 2006 reports that the NEC is controlled by the ruling party, while the NEC's weak capacity undermines the investigation and penalisation of electoral offences or the establishment of an effective complaints mechanism. Democratic processes are undermined by fraud, uneven campaign opportunities, political violence and intimidations as demonstrated in the 2003 Parliamentary elections. In rural areas, party leaders are embedded in patron-client social networks, further hindering the conduct of free and fair elections.

Freedom House 2006 further reports that the ruling party maintains its dominance over the security forces

and state infrastructure though large scale misappropriation of resources.

## Sectors Most Affected by Corruption

### Judicial Corruption

The Judiciary offers little recourse to the victims of corruption. According to the 2007 Global Corruption Barometer, the judiciary is perceived by the citizens as the sector most affected by corruption, with a score of 3,6 on a scale of 1 to 5. Although the constitution guarantees judicial independence, this is not the case in practice. All judges and prosecutors are CPP appointees and there have been many examples of executive interference, open intimidation of judges by the security forces, arbitrary dismissal of judges, charges being dropped after the executive's intervention.

According to the 2006 Bertelsmann Index, practices of political interference affected 30% of the cases filed at the Phnom Penh Municipal courts. Politically related cases – including corruption cases - involving personalities close to the power circles are seldom prosecuted. For example, the Prime Minister's nephew was acquitted from murder charges under suspicious circumstances. (BAC) The Bertelsmann 2008 report further confirms that not a single high ranking official has been prosecuted to date for abuse of power. On the contrary, those abusing power to consolidate the CPP have received favours and promotions. (<http://www.bertelsmann-transformation-index.de/121.0.html?L=1>).

In addition, the court system lacks resources, capacity and an adequate institutional framework. Court officials are severely underpaid and only one in six judges has a law degree, while only one of the nine Supreme Court judge does. (Please see: "[Cambodia at the crossroads](#)" World Bank 2004). As a result, citizens tend to rely on less transparent patronage systems and recourse to the intervention of senior officials to settle disputes.

### Corruption in the Police Forces

After the judiciary, the police forces are perceived as one of the sectors most vulnerable to corruption by the 2007 Global Corruption Barometer's respondents. A 2005 survey indicates that close to 70% of the citizens are likely to pay bribes when encountering police forces. Traffic police are known to extort bribes for

alleged traffic violations. According to several reports, policemen have to pay a percentage of their unofficial income to higher ranking police officers in cash or in goods. It is also apparently routine practice for police officers to pay bribes to secure a promotion. There is also some indications that senior police officers are involved in illegal activities such as drug smuggling.

### **Corruption in Public Finance Management**

Public procurement are notoriously corrupt, non transparent, with inefficient control procedures. According to the 2007 World Bank Enterprise Survey, close to 80 % of the firms report being expected to give a gift to secure government contracts. The value of gifts in order to secure a government contract amounts to an average of 4% of the contract value, which is more than twice the average for the Asia Pacific region. As of 2006, there were no specific legal penalties for procurement related forms of corruption. According to [USAID Cambodia Corruption Assessment 2004](#), the CPP owns about 20 major companies and the Prime Minister allegedly often interferes with procurement processes to ensure that these companies are awarded lucrative government contracts.

Tax and customs are also marred by widespread corruption. 60% of the firms interviewed in the World Bank Enterprise Survey declare being expected to give a gift when meeting tax officials. Customs officials are also known to be notoriously corrupt, reducing payments or turning a blind eye on smuggling activities in exchange of bribes. Allegedly, the Prime Minister protects political allies from investigation, such as Mong Reththy, who runs the Oknha Port as his personal fiefdom, with custom officials answering only to him. Large scale smuggling operations are allegedly carried out from this port. (Please see: <http://www.business-anti-corruption.com/country-profiles/east-asia-the-pacific/cambodia/initiatives/public-anti-corruption-initiatives/>).

### **Corruption in Natural Resource Management**

A report published by Global Witness in 2007 indicates that Cambodia has lost 29% of its forest area in the last five years. There are indications that high level politicians and military officers are heavily involved in this lucrative business. The most powerful illegal logging syndicate is allegedly run by the Prime Minister's relatives. The transport of the illegally logged timber is carried out by Brigade 70, an elite military unit

that also serves as the reserve for the PM's body guard unit. Brigade 70 runs a transportation service smuggling good, mainly through the above mentioned Oknha Mong Port. The illegal timber transportation and smuggling operations earn the Brigade approximately USD 2,5 million per year. (Please see: [http://www.globalwitness.org/media\\_library\\_detail.php/546/en/cambodias\\_family\\_trees](http://www.globalwitness.org/media_library_detail.php/546/en/cambodias_family_trees)).

### **Human Trafficking**

Cambodia is also considered to be a source, transit, and destination country for human trafficking. The traffickers are reportedly organised crime syndicates, parents, relatives, friends, intimate partners, and neighbours. (Please see: <http://www.humantrafficking.org/countries/cambodia>).

Although the UN Inter-Agency Project on Human Trafficking (UNIAP) argues that human trafficking is relatively new to Cambodia, it is believed to be on the increase. According to the 2006 US Department of State Human Rights Report, some law enforcement and government officials are believed to have accepted bribes to facilitate the trafficking and sex trade. (<http://www.state.gov/g/drl/rls/hrrpt/2006/78769.htm>). The Cambodian Ministry of Interior reports 65 arrests for human trafficking and several prosecutions of police officials for trafficking-related corruption charges in 2006. For example, the former Deputy Director of the Police Anti-Human Trafficking and Juvenile Protection Department was convicted for complicity in trafficking and sentenced to five years' imprisonment. Two officials under his supervision were also convicted and sentenced to seven years' imprisonment. The Cambodian Government was placed in the **Tier 2 Watch List in the 2007 U.S. Department of State's Trafficking in Persons Report** for not fully complying with the Trafficking Victims Protection Act's minimum standards for the elimination of trafficking but making significant efforts to do so.

### **Part 2: Anti-Corruption Efforts in Cambodia<sup>2</sup>**

<sup>2</sup> This section is mainly based on Transparency International's **National Integrity System, Cambodia 2006** and **Cambodia's country profile on the Business Anti-Corruption Portal**

The legal and institutional framework in place to combat corruption in Cambodia is extremely rudimentary and Cambodia scores very weak on Global Integrity's 2008 indicators. Anti-corruption institutions lack independence, resources and expertise to effectively prevent and combat corruption. In addition, there is very little evidence of the Cambodian leadership's political will to fight against corruption. According to TI's Global Corruption Barometer, 44% of Cambodians perceive government's efforts against corruption as ineffective.

## Public Initiatives Against Corruption

### The Legal Framework

As of the end of February 2009, the enactment of the long awaited Anti-Corruption Law was still pending in Cambodia in spite of pressures from activists and the international community. The law has been in the works now for more than 10 years, first drafted in 1994 and then again in 2006.

The state does not effectively protect against conflict of interests. Although the constitution prohibits government members from involving in trade and industry, no accountability system is in place to check business interests of members of the National Assembly or government. Public officials commonly abuse their position for commercial privileges. Some sources estimate that the business interests of the Prime Minister and his cronies amount no less than USD 400 million per year. It is further alleged that the very signature of one senior minister is worth USD 5,000. (<http://news.bbc.co.uk/1/low/world/asia-pacific/3097393.stm>). No legislation covers the declaration of assets nor are there processes in place for the verification of public officials' financial assets.

Public procurement laws have not yet been passed and the procurement legal framework consists of a set of piecemeal decrees and guidelines. Tender processes are complicated by a weak information system and the fact that bidders are required to register with the Department of Public Procurement in order to participate.

There is no freedom of information law to guarantee access to information and increase transparencies within government agencies. Public access to information is limited to documents that are not harmful to national security by the Archive Law. In practice, the

government keep strict control over what is open to public scrutiny.

Cambodian law doesn't provide for the protection of whistle blowers, making it risky to expose cases of corruption both within the public and the private sectors.

Cambodia became a party of the UNCAC in September 2007. The Government has adopted the Anti-Corruption Action Plan for Asia and the Pacific, which has little practical value as long as no anti-corruption laws have been implemented in the country.

### The Institutional Framework

Although no formal anti-corruption body exists, there are a number of mechanisms that have been put in place to introduce a system of check and balances in the country. However, none of these mechanisms operate in a fully independent manner.

The **Ministry of National Assembly – Senate Relations and Inspections (MoNASRI)** was created in 1999 to investigate allegations of corruption. Later the same year, the **Anti-Corruption Unit in the Council of Ministers** was also established, with the mandate of developing anti-corruption measures and supervising/following up on corrupt activities. These two bodies lack independence, resources and capacity to effectively fulfil their mandate.

The **National Audit Authority (NAA)** was established in 2002, reporting directly to the National Assembly. However, its effectiveness is compromised by the lack of legal infrastructure, resources and expertise. While set up as an independent body, it is in practice closely linked to the Ministry of Finance and senior NAA positions are politicised. None of the NAA's reports have been made public, although it is stipulated by law.

Although the establishment of an **Ombudsman** was mooted in the Government's 2002 National Poverty Reduction Strategy, little progress has been made in this regard to date.

The **National Assembly Commission for the Protection of Human Rights and the Reception of Complaints** was established in 2006 as a mechanism allowing citizens to voice their concerns and complaints with regard to human right violations. It is also intended to be an advisory body to the government on relevant laws and has an education/awareness raising mandate.



## Other Anti-Corruption Initiatives

### Civil Society

Civil society is relatively weak in Cambodia, in spite of the international community's efforts to support the development of a vibrant civil society. CSOs frequently experience government restrictions and are not free to criticise the government and its policies. Yet, in spite of these limitations, a number of Cambodian organisations are actively advocating for transparency and anti-corruption reforms:

The **Centre for Social Development (CSD)** aims at promoting transparency and accountability in the public sphere. It has taken an active approach to monitoring government activities, including parliamentary and Senate sessions. It also runs the "Court Watch Project" that monitors more than 900 court cases and publishes quarterly and annual reports that are sent to the relevant authorities. From 1999 to 2003, the organisation facilitated the training for 6000 teachers on transparency, good governance and anti-corruption tools.

The **Cambodian Human Rights Action Committee (CHRAC)** is a coalition of 21 CSOs fighting against corruption and human right abuses. It has been heavily involved in advising government on the draft anti-corruption law.

The **Cambodia League for the Promotion and Defence of Human Rights (LICADHO)** is one of the largest CSO operating in Cambodia. It focuses on human right abuses and are relatively outspoken about the flaws in the system that allow human rights violations, including corruption and impunity. It documents human right abuses and publishes reports on its website.

**Pact Cambodia** cooperates with USAID to issue a web based monthly publication, *Corruption Monitor*, to document the state of corruption in Cambodia. All articles are collected from the local media.

Considerable efforts have been made by these organisations (CSOs) to fight corruption and promote good governance. At the beginning of 2008 for example, a coalition of NGOs launched a campaign to collect signatures to call for the adoption of an anti-corruption law.

## The Media

The CPP exert tight control over the broadcast media. The Press Law stipulate that the media should not publish anything that may harm political stability and national security, leaving room for abuse. Journalists have been harassed, threatened, suspended and detained for challenging the status quo. As the licensing of TV and radio frequencies is politically biased, CPP coverage overwhelmingly dominates the media landscape. State censorship as well as self censorship are common practices. State censorship for example has prohibits rebroadcasts of Voice of America and Radio Free Asia reports, censored live telecast of National Assembly sessions and banned the sales of some publications. Cambodia is ranked 85 out of 169 countries on the 2007 Press Freedom Index by Reporters without Borders.

## Part 3: Further Sources of Information on Cambodia

World Bank & IFC: **Doing Business Survey - Cambodia 2008 and 2009.**

Global Integrity: **Global Integrity 2008 report .**

Freedom House: **Freedom in the World - Cambodia 2007.**

Global Witness: **Cambodia' Family Trees - Illegal Logging and Stripping of Public Assets 2007.**

Transparency International: **Global Corruption Report 2007.**

Freedom House: **Countries at the Crossroads - Cambodia 2006.**

The Bertelsmann Foundation: **Transformation Index - Cambodia Country Report 2006 and 2008.**

Transparency International: **National Integrity System, Cambodia 2006.**

ADB/OECD Anti-Corruption Initiative for Asia-Pacific: **Curbing Corruption in Public Procurement in Asia and the Pacific 2006.**

The Economic Institute of Cambodia: **Assessment of Corruption in Cambodia's Private Sector 2006.**

World Bank & IFC: Enterprise Surveys 2006 and 2003.

USAID/Cambodia: Cambodia Corruption Assessment 2004.

World Bank 2004: Cambodia at the Crossroads.