

global witness

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The Honorable Ban Ki-Moon
Secretary General of the United Nations
United Nations - Room DC1 -640
New York
NY 10017

22/10/10

22nd October 2010

RE: Political corruption and natural resources in Cambodia - concerted donor action needed to fight kleptocracy and promote human rights

Your Excellency,

Global Witness has seen announcements that you shall be paying a 2-day visit to Cambodia from 26th to 28th October 2010. We are sending you this letter which outlines a number of serious issues that we hope you are able to raise with senior Cambodian government officials, diplomats and international development partners during this visit.

Global Witness is a UK-based NGO which exposes the links between corruption, conflict and natural resources. The organisation has worked on Cambodia for 14 years and produced 19 reports documenting high-level corruption in the management of the country's natural resources. Traditionally, forests were the primary driver of this patronage and corruption. Over the past five years however, there has been a marked diversification of natural resource exploitation focusing on extractive industries.

Despite receiving billions of dollars in aid over the past 15 years, including from United Nations agencies, Cambodia is still one of the world's poorest countries. The impact of development aid has been severely hampered by weak institutions and rampant, high-level corruption centering on the misappropriation of the country's natural resources. Statements by the Special Representative of the Secretary General in Cambodia for Human Rights reported that the country's economic and political policies and practices "do not accord any particular importance" to the principle values of human rights.¹ Global Witness' most recent reports on the emerging extractive industries in Cambodia – *Country for Sale* and *Shifting Sand*² – highlight the continued gap between donor policy commitments to combat corruption and kleptocracy as an impediment to poverty alleviation, security and human rights, and the actual implementation of this policy at a country level.

Cambodia could soon be earning tens of millions of dollars each year from its oil and mineral sectors, raising the prospect that it can use this money to lift itself out of poverty and away from aid-dependency. However, worrying trends in the governance of these emerging industries suggest the revenue generated may be lost through high level corruption and poor governance. Global Witness investigations in 2008 and 2009 found that the oil and mineral sectors have been captured by a corrupt elite for personal benefit, with rights to the resources awarded behind closed doors in a dubious manner

to private companies, many of which lack the technical expertise to effectively exploit the resource. Meanwhile, millions of dollars in payments from extractive companies to the Cambodian government already appear to be missing. Our most recent report *Shifting Sand* showed how this corruption and patronage had moved to the sale of Cambodia's sea and river sand with devastating consequences on local environment and livelihoods.

Improving the governance of natural resources is a crucial step towards improving governance and democratic freedom in Cambodia. If the centralization of power and control over natural resources and the revenues they generate continues, there is a danger that Cambodia will become an increasingly repressive, inequitable and impoverished state.


In spite of the fact that they are providing year on year funding equivalent to over half of the government's annual budget, the reactions of Cambodia's donors – including the U.S. – towards such kleptocratic behaviour has been inadequate.ⁱⁱⁱ 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. The international donor community has not called the government to account for these failures – instead in 2010 they pledged a record US\$1.1 billion.^{iv} Two examples are pertinent.

In March 2010 the Cambodian Government passed the long awaited Anti-Corruption Law. However it contains serious flaws, such as undue executive influence, which makes prosecution of senior political figures extremely unlikely.^v The following month, Prime Minister Hun Sen announced an US\$8 million payment by the French oil company Total in January 2010 into a Cambodian "social development fund" as part of its agreement to explore for oil offshore, and an additional US\$20 million signature bonus payment to the government.^{vi} Global Witness and others called on the government to make public details of the location of these millions. The only indication from the government that the payment may have reached the national treasury is a government record of non-tax extractive industry revenues for March 2010 of 112.21 billion Riel (equivalent to approximately US\$28.1 million). On both issues, Cambodia's international donors have remained publicly silent on these failings.

We hope that your visit will provide an opportunity for engaging senior Cambodian government officials in dialogue on these very serious governance failures and human rights violations. We also hope you would consider making a public statement during your time in Cambodia which recommending that the Cambodian government urgently take steps to improve governance reforms for natural resource management and addresses human rights violations.

Please do not hesitate to contact us if you require any further information or background details on any of the issues raised in this letter.

Please accept the assurances of our highest regards,



Dr. Gavin Hayman
Director of Campaigns
Global Witness

ⁱ Quote from a statement to the UN Human Rights Council by the Special Representative of the Secretary General in Cambodia for Human Rights, Yah Ghai, 12 June 2007.

ⁱⁱ Both reports are available for download at www.globalwitness.org

ⁱⁱⁱ See p.p. 56 and 57 of Global Witness' 'Country for Sale' report.

^{iv} As announced by the "Development Partners' MYIFF Confirmation 2010-2012" document at the 3rd Cambodian Development Cooperation Forum, in June 2010; Sebastian Strangio and Nguon Sovan "*\$1.1 billion pledged in donor aid*", 4 June 2010, Phnom Penh Post.

^v For further details please see our press release of 12 October 2010, available for download at:

http://www.globalwitness.org/media_library_detail.php/1066/en/new_cambodian_anti_corruption_plan_will_not_stop

^{vi} For further details please see our press release of 29 April 2011, available for download at:

http://www.globalwitness.org/media_library_detail.php/961/en/multi_million_dollar_payments_to_cambodia_by_frenc



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FAX MESSAGE

TO: Honorable Ban Ki-Moon, Secretary General of the United Nations

FAX NO: +1 - 212 - 963 - 4879

DATE: Friday 22nd October 2010

FROM: Dr Gavin Hayman, Director of Campaigns,
Global Witness

NO. OF PAGES (INCLUDING THIS ONE): 4

MESSAGE:

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