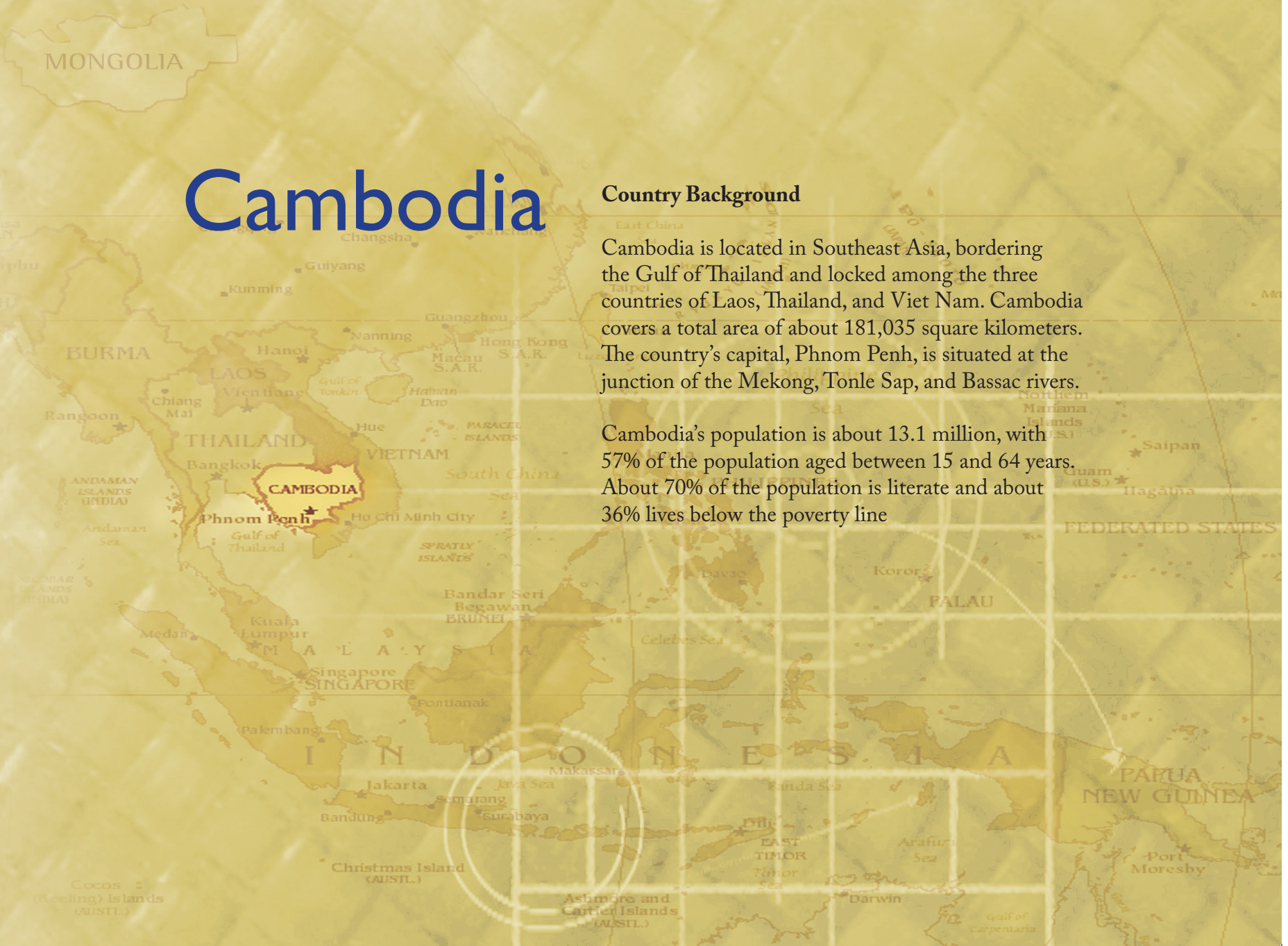


# Cambodia

## Country Background

Cambodia is located in Southeast Asia, bordering the Gulf of Thailand and locked among the three countries of Laos, Thailand, and Viet Nam. Cambodia covers a total area of about 181,035 square kilometers. The country's capital, Phnom Penh, is situated at the junction of the Mekong, Tonle Sap, and Bassac rivers.

Cambodia's population is about 13.1 million, with 57% of the population aged between 15 and 64 years. About 70% of the population is literate and about 36% lives below the poverty line



## A Glimpse of the Present: Economic and Political Conditions

The Cambodian economy is heavily “dollarized” as the dollar and the riel can be used interchangeably. The country is very reliant on foreign assistance, with half of its budget originating from the coffers of international donors.

The garment and tourism sectors contributed to about a 10% of the economy from 2004 to 2007. The garment sector produces most of Cambodia’s exports. The service sector is more focused on trading activities. When the global recession hit in 2008, the country’s growth slowed. There was double-digit inflation on fuel and food prices; over 50,000 workers in the garment sector were laid off; and the tourism industry suffered as well.

Cambodia’s economy still reels from decades of war and internal conflict. Low per capita income and low education levels continue to plague the country. Infrastructure is inadequate. Much of the rural households depend on agriculture.

There are two impediments to economic growth and competitiveness in Cambodia: one is corruption and the other is the lack of legal protections for investors.

Cambodia is a constitutional monarchy with a democratic bicameral legislative system. No party gained the required majority of votes to form a government in the July 2003 elections. After protracted negotiations, a coalition Government was formed in July 2004.

The legal system is primarily a civil law mixture of French-influenced codes from the United Nations Transitional Authority in Cambodia (UNTAC) period, royal decrees, and

acts of the legislature, with influences of customary law. In recent years, the influence of common law has been increasing. Cambodia is a party to six main international human rights instruments.

The 2007 Human Development Index (HDI) for Cambodia was 0.593, which put it in the category of Medium Human Development. As to the country’s Human Poverty Index, UNDP’s Human Development Report 2009 indicates that Cambodia has a HPI-1 value of 27.7% ranking it 87<sup>th</sup> among the 135 countries surveyed.<sup>1</sup> This means that 27.7% of Cambodia’s population is below threshold levels in health, literacy, and standard of living. In 2009, Cambodia ranked 106<sup>th</sup> in the Heritage Foundation and the Wall Street Journal’s economic freedom index, with a score of 56.6. Cambodia placed 21<sup>st</sup> among 41 Asia-Pacific countries in terms of economic freedom.<sup>2</sup> In 2008, the country ranked 166<sup>th</sup> among 180 countries in Transparency International’s Corruption Perception Index, with a score of 1.8 (10 being highly clean and 0 being highly corrupt).<sup>3</sup> This indicates that there is considerable corruption in Cambodia.

## A Peek into the Past: Historical Backdrop

In 1884, Cambodia was a French Colony and part of the Indochina Union. The French left Cambodia in 1945 as the Japanese dissolved the colonial administration and formed an independent anti-colonial Cambodian government that was deposed a few months later. True independence from France occurred in 1953.

1 [http://hdrstats.undp.org/en/countries/country\\_fact\\_sheets/cty\\_fs\\_KHM.html](http://hdrstats.undp.org/en/countries/country_fact_sheets/cty_fs_KHM.html)

2 <http://www.heritage.org/Index/country/Cambodia>

3 [http://www.transparency.org/policy\\_research/surveys\\_indices/cpi/2008](http://www.transparency.org/policy_research/surveys_indices/cpi/2008)

Cambodia practiced neutrality from 1950's until the 1960's. The 1960's marked the insurgency under the Communist Party of Kampuchea (CPK). The Cambodian monarchy was abolished for the next 10 years; there was much disunity among the members. Cambodia was renamed as Khmer Republic.

US and South Vietnamese forces entered Cambodian territory in April 1970 to destroy the North Vietnamese Army/ Viet Cong areas. In response, the CPK launched an offensive in 1975 that destroyed the Khmer Republic. The next three years saw an invasion by the North Vietnamese. Most of the North Vietnamese forces left in 1978 while some troops stayed until 1989.

In 1992, the United Nations got involved through the UNTAC to implement the UN Settlement Plan. In 1993, elections took place, the constitution was amended, and a multiparty liberal democracy was established. Resolution of internal conflicts occurred in 1997 when remaining Khmer Rouge fighters laid down arms and accepted amnesty. This ended a three-decade war.

### A Look into Reforms Towards Good Governance

#### *Anticorruption*

The transition from civil war to peace, from one party rule to multi party democracy, and from economic isolation to integration gave rise to complex and negative forms of state-society relationship and weak accountability for resources. This resulted to weak governance and high levels of corruption.

The World Bank, in partnership with the Asian Development Bank, DFID of the United Kingdom and the United Nations System, developed a new Country Assistance Strategy (2005-2008), based on a two-pronged approach: (1) supporting governance and anti-corruption reforms, particularly reducing the costs of doing business, improving management of natural resources, strengthening public financial management, and supporting decentralization and the demand-side aspects of governance; and (2) risk for World Bank-financed operations in Cambodia and more systematically in government systems.

Support for Governance and Anti-Corruption reforms are focused on assisting the Government the following areas:

- Promoting private sector development by reducing the costs of doing business. The project is intended to improve the business climate and is now under implementation; and regular monitoring of impact through investment climate assessments.
- Improving the management of natural resources, especially land and forests. The program consists of a \$10 million grant for a Land Allocation for Social and Economic Development Project, which aims to provide land and/or greater security of tenure and agricultural services to the poor and landless.
- Strengthening public financial management. A key component in helping improve governance and fight corruption.

- Supporting decentralization and promoting citizen's partnerships for better governance. The program consists of three projects, one for supporting the supply of good governance at local levels and two for creating a stronger demand for good governance amongst the citizens of Cambodia.<sup>4</sup>

As mentioned, the Cambodian national budget is primarily sourced from donors. As such, the drive in ensuring that public funds are not used for private gain is donor-led. The lack of ownership by the Cambodian government explains why reform efforts have had limited impact and corruption remains unabated. Simple anticorruption initiatives implemented by government include the establishment of several councils to oversee good governance, transparency, accountability, and participation when dealing with donors. The Anti-Corruption Council, a Council for Judicial and Legal Reform, a Council on Social Development are some examples. Unfortunately, these countries were alleged to have been created to serve as mouthpiece for what donors want to hear.

Cambodia has a draft anticorruption bill that is yet to be enacted and is already out-of-date with a number of problematic provisions. If the law is to be ratified and implemented, it will not yield the promised results.<sup>5</sup>

<sup>4</sup> Cambodia's Corruption. (Updated 2006) [web.worldbank.org](http://web.worldbank.org)

<sup>5</sup> Briquets, S.D., Calavan, M.M., and O'Brien, J. (May-June 2004). Cambodian corruption assessment. USAID and Casals & Associates, IQC Contract No. DFD-I-00-03-00139-00. Task Order No. 801.

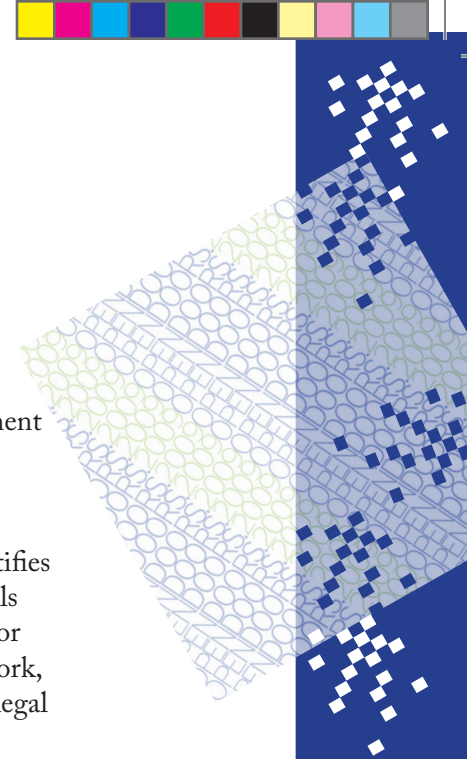
### *Procurement Initiatives*

Cambodia's Regulatory Framework for Public Procurement is comprised of numerous decrees, sub-decrees, and guidelines, but do not cover all relevant aspects of government procurement. The Framework applies to all state level procurement and public enterprises; and identifies government bodies responsible for procurement. Manuals on standard operating procedures have been published for easier comprehension. Despite the scope of the Framework, it is deemed weak as it lacks a clear and comprehensive legal anchor.

Cambodia has a decentralized procurement system. Steps in the process include prequalification, evaluation, and awards committees, within the procuring entities. Procurement methods practiced are competitive bidding, domestic canvassing, direct shopping, and direct contracting. The selection of which procurement method to be used is based on the value of the acquired goods or services.

The essence of good and fair procurement entails greater competition. To attract a considerable number of qualified bidders, there is wide publication of tender. This is thought to curb corruption in the tendering phase. However, since Cambodia has poor information infrastructure, awareness on bid prospects remains low. As a policy, only registered bidders in the department for public procurement are allowed to bid. This serves as a limitation. At the provincial level, prequalification procedures are imposed.

Pre-bid conferences are not mandatory in Cambodia. This inevitably increases the risk of tender failure that often leads to single-source procurement, which is prone to corruption.

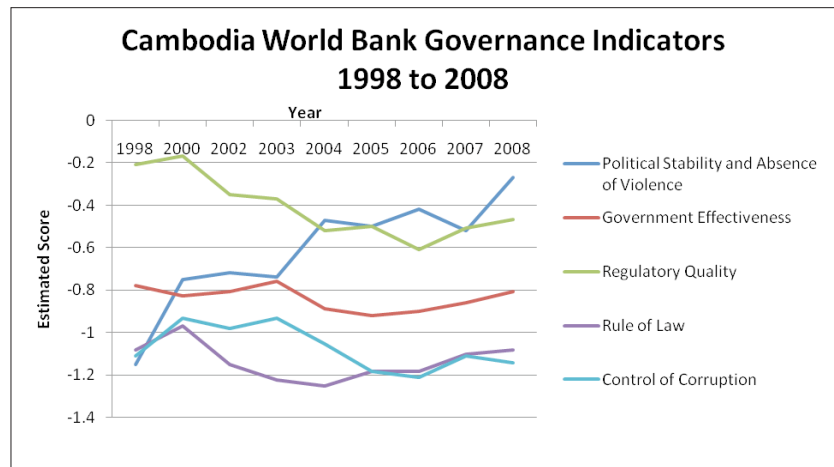


During bid openings, tenders are opened simultaneously at the venue stipulated in the bid documents. This is conducted exactly one hour after the close of tendering. It is believed that delays will result to a risk of manipulation.

Cambodia is faced with a lack of trained procurement personnel, an absence of a comprehensive code of conduct, and weak implementation of the provisions on conflict of interest.<sup>6</sup>

In the 2008 World Bank Governance Indicators Report, Cambodia's Government Effectiveness slightly decreased from -0.78 in 1998 to -0.81 in 2008. Unfortunately, the country's Regulatory Quality also experienced a drop between 1998 and 2008. There was a minute decrease in Cambodia's Control of Corruption from -1.11 in 1998 and -1.14 in 2008.<sup>7</sup>

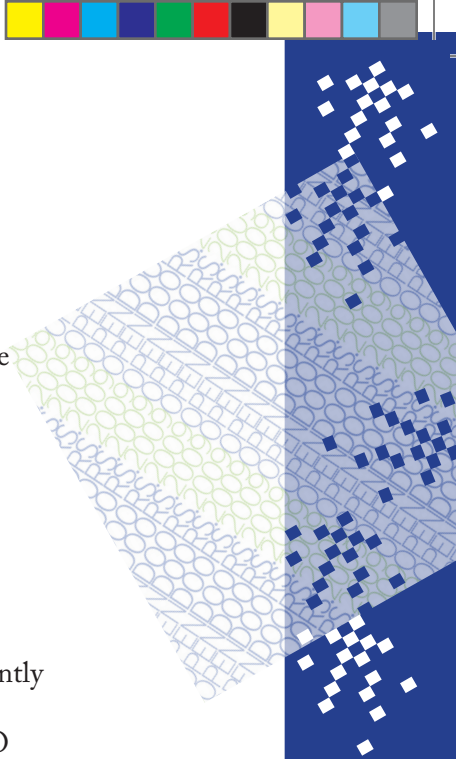

6 ADB/OECD. (n.d.). Cambodia – Country reports: Systems for curbing corruption in public procurement. ADB/OECD Anti-Corruption Initiative for Asia and the Pacific.  
7 Kaufman, D., Kraay, A., and Mastruzzi, M. (June 2009). Governance matters VIII: Aggregate and Individual governance indicators 1996–2008. Policy Research Working Paper 4978. The World Bank Development Research Group Macroeconomics and Growth Team.



### Overview of Civil Society Organizations

During the Kampuchean Emergency following the 1979 ouster of the Khmer Rouge, international non-government organizations (INGOs) grabbed the opportunity to propagate their advocacies by initially providing relief and other humanitarian services, which were then badly needed. Through advocacy campaigns on behalf of the Kampuchean people, INGOs gained the respect of the authorities. In 1993, bilateral and multilateral donors entered the scene. At that point, INGOs shifted their activities to more traditional community development work, leaving the donors to large-scale assistance programs.

Within the environment of a new democracy under the UNTAC period, local civil society organizations were established. The particular timing and context led to the



formation of organizations focused on advocacies on human rights and voter education activities such as, the Cambodian Human Rights and Development Association, Cambodian League for the Promotion and Defense of Human Rights, and Legal Aid of Cambodia. The timing of the creation of domestic CSOs also resulted to their being perceived as independent of the government. This lent credibility to the organizations. The density of their presence added to their perceived autonomy. The organizations easily influenced certain government policies and programs even if they continued to criticize the government. CSOs manifested a strong presence during consultative group meetings initially called for by development partners. As the consultative meeting became an annual affair, CSOs were allowed to convey their statements, thus giving them a louder voice before development partners and the international community. The political environment and the long history of war and internal conflict in Cambodia prevented the newly found initiatives to permeate institutions and transform into strong social movements.

Civil society in Cambodia is large and active, and funded by a range of bilateral, multilateral, and foundation donors. A few dozen activist CSOs perform a key role in calling for governance reforms, often by playing a dual role, directly advocating for improved transparency and accountability, while providing civic education to large numbers of citizens. Indigenous groups that choose to directly challenge the Government know they are at risk, but persist. They expose corruption and human rights abuses, undertake research and analysis, advocate for reforms, and support reforms after they

have been initiated. For example, a CSO coalition is in the early stages of advocating for a Freedom of Information Law<sup>8</sup>.

#### [A Picture of Years Gone by: A Brief History of CSO Involvement](#)

The first local CSO was established in 1991. Since then, the number of local CSOs and associations has surged exponentially. An estimated 1,000 organizations are currently registered with the Government of Cambodia, but only about 300 are operational. In addition, more than 60 CSO working groups organized by sector, issue, or geographic area have been formed by umbrella organizations such as the Cooperation Committee for Cambodia (CCC) and NGO Forum.

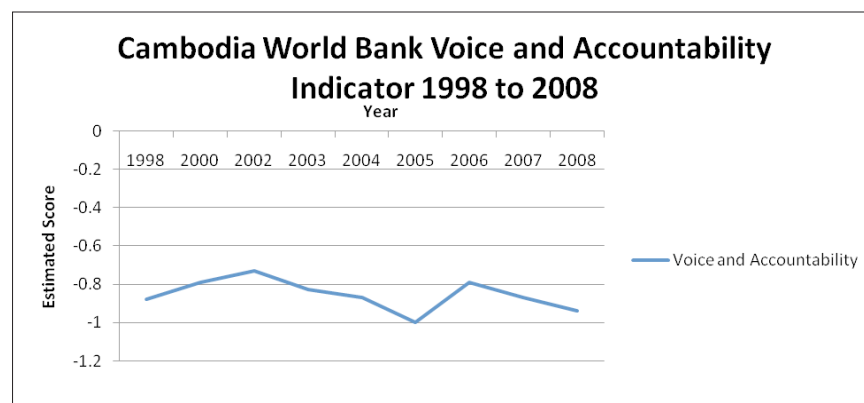
Although the 1993 Constitution recognizes CSOs, a stronger legal framework for civil society members was proposed to enhance their ability to develop a market economy and increase citizen participation in Cambodia's development. In 1996, the Government prepared a draft law regulating CSO activities, which was not passed due to criticism from civil society. It has been under review since. The Government has attempted to increase participation of citizens and civil society in the development process through decentralization. Over 1,600 commune councils were elected in February 2002, although they currently control limited resources.

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<sup>8</sup> Calavan, M. M., and Briquets, S.D. (2004). Cambodian corruption assessment. Prepared for USAID.

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World Bank's Governance Indicators for 2008 gave Cambodia a score of -0.94 in the area of Voice and Accountability. This reflects a weakening in this aspect, since it scored -0.88 a decade earlier.



#### A Glance at CSOs Involvement in Governance Reforms

The Khmer Institute for National Development (KIND) started monitoring procurement of school facilities in their Scout Monitoring on School Facility initiative. This involved a partnership with the National Association of Cambodian Scouts and the Ministry of Education, Youth, and Sports. Training on social accountability and monitoring skills were conducted for the community to monitor school facilities. The results were presented to decision makers in the Ministry of Education, Youth, and Sports and used as a tool to exact social

accountability. Defective school facilities led them to the conclusion that these must be replaced and that the school itself needs renovation. KIND was able to make the community question procurement outcomes and exact accountability.

Private Agencies Collaborating Together or PACT Cambodia is another CSO active in procurement and social accountability initiatives. Its project, Local Administration and Reform Project (LAAR), supports civil society in demanding accountability and transparency from elected council members at the local level and provides training to local officials in meeting those needs.

Other CSOs are also involved in sharing information with the general public, government, and donors; sectoral analysis; policy advocacy; and monitoring and evaluation of large-scale development activities.

CSOs recognize the importance of strengthening their own governance structures and management systems that will in turn increase their accountability and transparency, particularly to the communities and people with whom they work. A CSO-driven Code of Ethics has been developed to promote quality and professional standards within the civil society community, contributing to discussions on models for self-regulation.



## A Snapshot of Civil Society – Government Relations

CSOs in Cambodia play a major role in providing and supporting basic social services, often in remote areas and communities, and are present in every province and major sector in Cambodia. They are perceived as independent from government as they were formed when national administration was under UNTAC and after Cambodia's return to democracy in 1991 to 1993.

Government officials, accustomed to operate in a secretive environment, often resist calls for greater transparency and accountability. This can be partly explained by the culture of mistrust prevailing upon social accountability actors given the long history of war and internal conflict. As such, government's attitude towards CSOs is more of suspicion than cooperation. Emerging grassroots-level CSOs are seen as political agencies in disguise.

Cambodian CSOs are mostly at the grassroots level, with few engaging in training and policy research. This can be an offshoot of the poor state of education and the economy of the country.

As decentralization takes place in Cambodia, the relationship between the government and civil society is likely to witness some dramatic changes. The government is developing and implementing reform initiatives, but is constrained by limited financial resources, human resources, and institutional capacity. It also has to adjust to new demands by external and local stakeholders for greater transparency, accountability, and public participation.

## Issues

Cambodian CSOs that specifically focus on training and capacity building or on facilitating development processes similar to KIND and PACT Cambodia are faced with the challenge of low literacy rates, making training on procurement and social accountability even more difficult.

Mistrust and tension between government and CSOs is also a major issue. The Khmer government believes that the technical assistance given by the international community, and largely implemented by local CSOs is inappropriate. When CSOs introduced issues of human rights and democracy in Cambodia, many in government resisted because they were seen as interference in local affairs.

To this date, only a few domestic CSOs are capable of engaging the government in policy dialogue since most are concerned with human rights or democracy issues. People empowerment and effective dialogue/engagement with local governments remain to be a challenge, given the type of government rule and the low capacity of most of the domestic CSOs.

Lastly, there is also a need to balance advocacy, bargaining and negotiating skills among CSOs.