

# CAMBODIAN CORRUPTION ASSESSMENT

Prepared for USAID/Cambodia by

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## **ABBREVIATIONS, ACRONYMS AND DEFINITIONS**

ADB – Asian Development Bank

AusAid – Australian Agency for International Development

Commune – A unit of local government; part of a district, composed of multiple villages.

CPP – Cambodian People’s Party

CSO – Civil society organization (i.e., a politically active NGO)

Funcinpec – Royalist Party

ILO – International Labor Organization

IFI – International Financial Institution

IMF – International Monetary Fund

JICA – Japanese International Cooperation Agency

NAA – National Audit Authority

NGO – Nongovernmental organization

Pact – US NGO specialized in strengthening indigenous NGOs

RGC – Royal Government of Cambodia

Sangkat – An urban commune

SIDA – Swedish International Development Agency

SME – Small or medium enterprise

SME Cambodia – Cambodian NGO that works with small businesses

SRP – Sam Rainsy Party

TAF – The Asia Foundation

UNTAC – United Nations Transitional Authority in Cambodia

USAID – United States Agency for International Development

WTO – World Trade Organization

## I. INTRODUCTION

Early in 2004, USAID/Cambodia began planning an assessment of corruption in Cambodia. The Statement of Work noted the unfortunate reality that corruption has become part of everyday life in Cambodia, that in fact it has reached “pandemic” proportions. USAID/Cambodia requested an assessment focused around several topical areas. For example: What are the prevailing forms of corruption? Is the Royal Government of Cambodia (RGC) taking useful steps? Who are the winners and losers? What are the roles of civil society, the media and private business? The Assessment Team was also invited to recommend activities that offer a reasonable chance of success in increasing Royal Cambodian Government (RGC) transparency and accountability, while beginning to reduce systemic corruption. USAID recruited a three-member team to undertake the assessment.

One key for understanding Cambodia’s current corruption predicament lies in its recent history. Successive political, economic and social upheavals through the last half of the 20th century led to the deaths or emigration of many competent professionals, and profoundly altered the country’s institutional legacy. Military conflicts and political strife isolated Cambodia from global trends that have profoundly reshaped some of its neighbors, and then UNTAC and subsequent events thrust the country abruptly into the modern world. Following the Paris Accord, Cambodia’s former Communist leaders embraced a hybrid system of predatory market economics and authoritarian control. This system, with its resultant impunity, along with widespread poverty and a dearth of institutions, has given rise to an all-encompassing corruption environment. “Survival” corruption is a way of life for the poor, and a succession of medium and large-scale corrupt acts are the ticket to wealth for the politically powerful.

As in other ex-socialist states, political and economic “reforms” of the early transition phase gave way to a wholesale process of state capture. One manifestation was spontaneous privatizations, as the dominant political class assumed de facto control of much of the country’s patrimony. Through shady deals, state-owned enterprises have been taken over by politicians or their cronies. These practices continue through granting of concessions in forestry and other sectors. Since the 1980s, 20-30 percent of the country’s land, the main source of wealth, has passed into the hands of less than one percent of the population.

Complicating matters further are scarce financial resources and the general incompetence of the state. The RGC collects very limited legal revenues, as large sums are lost to smuggling, bribes and other illegal practices. Further losses are experienced once revenues enter the state financial system. Informants estimated annual diversions from government coffers ranging between \$300 and \$500 million. Grand corruption involving illegal grants of logging concessions coexists with the nearly universal practice of small facilitation payments to speed or simply secure service delivery. Police and other officials demand small bribes in numerous guises. Students across the public school system pay unofficial daily fees to supplement salaries of teachers and administrators, and perhaps fill the pockets of high-level ministry officials. The same is true in public health, where access to services is often contingent on supplemental payments to doctors, nurses or other health care personnel.

As national wealth becomes increasingly concentrated, socioeconomic and political recovery sputters. Although the international community is well aware of the situation, it has thus far failed to persuade the RGC to take effective action against corruption. The reasons for donors’ comparative mildness in demanding reforms are varied. The early priority was to pacify the country and reconstruct dilapidated infrastructure. Through most of the 1990s, maintaining political stability and reasonable economic growth seemed a substantial achievement in light of the horrors of the Khmer Rouge years and the two decades of civil war that followed. Geopolitics and regional strategic interests also played a role, allowing the ruling elite to divert international donors.

A bad situation is exacerbated by an extremely weak judiciary and the absence of the rule of law. Commercial and criminal codes and associated procedural codes are being developed with international assistance, but the process is extremely slow. Numerous NGO efforts are under way to develop basic legal services for the weak and poor, and defend the public interest against predatory elites. But this work is barely under way. Some progress is being made in training judges and prosecutors, but the number of competent legal professionals continues to be woefully

inadequate. Court proceedings are simultaneously over-complex and dilatory, with most judges responding to political pressure. Low ranking court personnel profit from cumbersome administrative procedures. Despite scheduled salary increases for judges, their legal income will continue to be well below what they can extract from placing court rulings up for sale. Ordinary Cambodians distrust the legal system, including the formal courts. The police and other enforcement bodies are also seen as corrupt.

Impunity is the norm. No one with the patronage of the state is punished, whether for massive pillaging or petty theft. In fact, those most at risk are individuals and organizations that dare to resist corruption. Most Cambodians regard resistance as a futile act. Corruption is structured more or less as a pyramid; with petty exactions meeting the survival needs of policemen, teachers and health workers, but also shared with officials higher in the system. Patronage and mutual obligations are the center of an all-embracing system. Appointment to public office hinges on political connections or payment of surprisingly large sums, and these payments are recouped through a widely accepted “right” to collect bribes.

A major contributor to this state of affairs is the opaqueness with which public business is conducted. Regardless of existing laws or expectations of donors or media, officials regard virtually all documents as privileged. Crucial information is obtained, if at all, through an inside contact or by bribing a gatekeeper. This lack of transparency even extends to information the RGC is obligated to make available under agreements with international organizations. Impediment upon impediment is piled before those seeking access to public documents. Officials develop ever more intricate, and sometimes threatening, bureaucratic requirements to “apply” for release of documents. What information is appropriate to release is often up to the discretion of functionaries. The sensitivity of the information in question is one obvious criteria as is the value assigned and the petitioner’s willingness to pay. But even when the potential reward is high, potential purveyors of official documents exercise great care. Were they to betray the trust vested in them by political patrons, they would open themselves to retribution.

The situation would be less dire if the press could freely exercise its oversight function. While outwardly, the press enjoys considerable autonomy, in practice few media outlets are willing to criticize, or even report on, government excesses. A few radio programs operated by NGOs and financed by international donors are a promising exception. Foreign language newspapers published in Phnom Penh report more or less freely. But, with a limited circulation, mainly to expatriates, they reach only a minuscule Cambodian elite. The Khmer print media and most radio stations are either controlled by the governing party or exercise a high level of self-censorship. Television, the most powerful medium, is a virtual CPP monopoly.

Rounding out the corruption picture is the general underdevelopment and inefficiency of the Cambodian state. Institutions are weak, and public officials lack management skills. Even if sufficient political will existed to implement reforms, results would not be forthcoming quickly. At least one more generation of leaders and managers needs to be educated to make up for human capital lost during two decades of atrocities and war. Controlling corruption is made even more difficult by Cambodia’s cash economy. Perhaps donor programs aimed at modernizing revenue collection and financial management, and more extensive use of computers, will lessen the opaqueness that cash transactions bring.

Politicians skillful at resisting and diverting the international development community are just as capable of controlling a largely rural population through demagoguery, false promises and intimidation. The raw power of the state, complemented by fear and the distribution of small gifts and favors at critical junctures, will continue to provide a veneer of political legitimacy. Under this cloak of legitimacy, were it to be allowed to persist by the international community, the rapacious exploitation of Cambodia’s economy will continue with unforeseen consequences for the country’s political and socioeconomic development.

## II. A CORRUPTION-RIDDEN STATE APPARATUS

The Team asks readers to envision the Cambodian state as a unified apparatus for: 1) generating revenues, frequently through corrupt and other illegal behavior, 2) redistributing those revenues and other resources within an opaque, impervious system, 3) sanctioning citizens and institutions that threaten, or seem to threaten, the structure, 4) diverting pressures exerted by the international community, and 5) sharing minimal resources with ordinary Cambodians. Inevitably, such a model over-simplifies reality. But the Team believes it will be useful to readers as a kind of litmus test for judging the appropriateness of activities recommended below.

### Generating Revenues

A significant portion of revenues received by the RGC are legal under Cambodian law or in accordance with international agreements. Businesses pay taxes, customs duties and fees, buy licenses and share revenues from natural resource concessions. International donors provide concessionary loans and grants, and offer technical assistance, training, infrastructure and commodities. According to available reports, donor resources provide about half of Cambodia's national budget, and as much as one tenth of gross national product. However, it is important to understand that even "legal" payments to Government can be tainted, diverted and manipulated in numerous ways.

Businesses are routinely assisted in reducing their formal tax burdens or customs duties after paying bribes. Thus, legal import of petroleum has not increased over the past 10 years, while the number of vehicles has increased five-fold. Just for this one product, a large smuggling industry must necessarily be in place, providing significant payments into the illicit system. International firms are forced to take local partners, who provide little more than occasional "fixer" services in return for a significant share of profits. Forestry and mining concessions are signed behind closed doors. No one outside the system knows what proportion of earnings go to pay taxes, what proportion go to international businesses as excessive profits, and what proportion are transferred to foreign bank accounts.

Some observers have argued that such payments are "taxes in another form." While there is some truth in this observation, this form of corruption places businesses in a legally and morally ambiguous position, tainted by their own actions, and readily subject to additional, irregular exactions from officials. The costs to citizens-at-large are even greater. Low formal tax payments lead to poor health and education services and second-rate infrastructure. And because potential foreign and indigenous investors refuse to do business in Cambodia, few jobs are created, and additional legal revenues are foregone.

Donor resources, although formally subject to monitoring and auditing, are routinely diverted or misused in numerous ways. Loans from international financial institutions (IFIs) flow into the national budget, and then the diversion process begins as Treasury and other Ministry of Finance officials routinely extract a percentage of budgeted funds before they are released to line ministries. Employees of ministries that are ostensibly undertaking reforms regularly receive salary supplements from donor projects, but in some cases do not perform any work at all. It appears that virtually all RGC procurements using donor funds elicit bribes from vendors, either in advance of the award, or as payments are released. Donor-provided commodities are subject to diversion, e.g., when donated medications are sold at a large profit in a shop owned by a senior Government leader. Through these diversionary processes, taxpayers in developed countries are taken advantage of; donors lose their credibility and ability to exert significant pressure for reform; and ordinary Cambodians do not receive the quality services and genuine reforms they deserve.

Ordinary Cambodians are subject to a daunting variety of small and medium exactions, some paid virtually on a daily basis. Drivers of trucks, cars and motorcycles are routinely stopped and required to pay specious "fines." Children pay small daily bribes to their teachers. Railway tickets are subject to an informal surcharge. A visit to the commune office to register a birth, death or marriage requires a significant bribe. Side payments are required to build a house or start a small business. And a wide range of examinations can be passed only after payment of a

bribe. Citizens who work hard, exercise entrepreneurial skills and take good care of their families are exploited at every turn.

The Team also heard occasional references and speculative comments regarding participation of senior Government leaders and their family members and cronies, in unregistered mining, illegal export of logs, trafficking of women and children, transporting and selling narcotics, and large-scale smuggling. While informants talked less often and less explicitly about such activities, the strong implication is that significant illegal funds flow from them.

### **Managing Internal Resources**

Overall, there appears to be a rough equivalence between the size of a bribe, and the level of the recipient in the hierarchy. Policemen on the beat and village schoolteachers receive small *riel* payments daily for services rendered. Larger dollar payments presumably go to commune chairmen who approve applications for birth certificates and customs officers who “look the other way.” Major payments to secure a forestry concession or a major construction project are no doubt destined for senior leaders (or their cronies), but may well be funneled through lower-level officials. In any case, it seems clear there are established distribution channels within the government/party apparatus.

Payments go up the system, generally becoming larger as they are passed to a few senior leaders. Informants argued that some individuals at this level transfer funds out of the system, presumably to accounts abroad. Modest payments also flow down, e.g., to functionaries who serve the system loyally, but with few opportunities for corruption, and to party loyalists across the country. Judges and parliamentarians, despite the honors normally attached to their positions, appear as minor players in this apparatus. Thus, payments to judges and parliamentarians are likely to be relatively modest, and we can guess that when judicial decisions are purchased, a significant portion of bribes flows up the system.

There is a hierarchy of ministries from the viewpoint of corruption opportunities. Finance, which signs off on transfer of funds to other ministries, and controls customs and the tax office, and Agriculture, which controls forest and agricultural concessions, are at the top of the list. Health and Education are presumably mid-level, with modest opportunities to manipulate construction contracts and procurements of medications and textbooks. Education also controls a number of examinations, and thus is in a position to sell positive results. Even the Ministry of Planning can manipulate contracts with firms that undertake research projects or surveys.

For discussion purposes, resources controlled within the system have been divided into four categories: the official budget, secretive political party budgets, off-budget funds, and funds transferred to the personal control of senior leaders. For the system to work effectively, circulation of funds among these categories must be subject to substantial internal discipline.

Job buying may be a source of illicit payments from outside the structure, for example when a young person makes an outright purchase, or pays to pass a qualifying exam for an appointment as a policeman or junior civil servant. However, even in these cases, the Team heard of instances in which needed resources – ill-gotten cash, inappropriate influence – come from a parent or other relative already inside the system. In any case, job buying has the effect of redistributing wealth and power within the system.

***Relentless Application of Power and Patronage:*** There has been little actual change in the operation of the regime since the formal end of the Khmer Rouge rule. The government, party and many leaders in power in 1987 remain in control in 2004. They show few signs they are prepared to surrender power. The King, often abroad, can do little to moderate regime excesses.

The RGC manifests many characteristics of a traditional Southeast Asian autocracy: Power is centralized; officials do not live off their salaries, but are ceded control over resources they then exploit; most administrators avoid

blame by passing decisions “up the line;” the state monopolizes trade in some sectors, exploits it in others; ordinary people are “subjects,” expected to pay and remain quiet; and institutions are managed through patron/client ties. Some observers view the Government as a single *kh’sae*, a traditional Cambodian patron-client network in which “resources go up, and come down again,” and power is held tightly at the center. Thus, when there is land grabbing in remote areas, the only recourse poor people have is to travel to Phnom Penh and make a direct appeal for redress to Hun Sen.

From outside, the regime appears monolithic, an efficient mechanism for absorbing resources and maintaining power. Inside, there are factional struggles and constant efforts to build and maintain, or undercut and shift, alliances. Hun Sen must balance the interests and concerns of hard liners and moderates. In any case, members of both factions are involved in corruption, and are dedicated to maintaining CPP power. When under serious threat, the system mobilizes innumerable resources to oppose and neutralize opponents, and for all practical purposes, reacts as a monolith.

**Corrupt Institutions:** Large-scale corruption requires broad and diverse institutional support. The RGC has developed a full array of outside institutions – captive firms, controlled media, party-affiliated NGOs and unions – as well as the police, military, ministries, judiciary and parliament to support a corrupt system. It is alleged that the CPP controls 20 companies that are the “financial pillars of the system,” and that the Prime Minister writes regularly to ministers, ordering that contracts be given to favored firms. Benefits can also accrue to elite leaders’ family members and cronies.

The judiciary, police and customs are all corrupt, but in different ways. Judges buy their jobs and solicit significant bribes by selling judgments when the state is indifferent to a result. However, it is generally accepted that when the regime perceives a threat or opportunity, judicial decisions are dictated by senior regime leaders. The police are well placed for criminal activities, and some informants alleged senior policemen are deeply, and profitably, involved in drug smuggling and distribution. By taxing imports and exports both “formally” and “informally,” the Customs Department perhaps has more direct impact on the Cambodian business environment than any other institution.

Individuals in corrupt institutions build power and wealth through longevity and ruthlessness. An opposition party leader complained that CPP-affiliated officials have been allowed to stay in key positions too long. Such individuals build complex networks for corruption, and amass enormous personal wealth. However, such wealth must, to a degree, be shared with those above and those below.

**Dominance of Local Areas:** The Ministry of Interior appoints provincial governors, district governors, commune clerks and even village headmen, thus achieving effective control of localities across the country. This power is used to support CPP-appointed governors, and to neutralize and frustrate their Funcinpec counterparts. Funcinpec-appointed governors need support of CPP subordinates to undertake any significant action. In effect, deputy governors and department heads are often more powerful than the Funcinpec governors. Furthermore, it is alleged that Ministry of Finance officials tell governors “which contractor to deal with” and “how much to give them.”

Communes and *sangkats* are seen by most foreign observers, including this Team, as promising venues for democratization. But Commune Councils can be manipulated and frustrated easily by government and CPP officials. Thus, one *sangkat* visited by the Team has 16 “unpaid” workers who “stay on the list” of employees, presumably because they are government party members, and because they have opportunities to solicit bribes or other illicit income. Probably to satisfy donor enthusiasm for “citizen participation,” communes have Commune Planning Committees with citizen representatives. However, membership is dominated by CPP-appointed village leaders and deputies, who hold a majority of positions. Phnom Penh’s administration is both loose and tight. Looseness is manifested in the absence of a formal law for city administration; only a *prakas*, an executive order, lays out a few principles and rules. And institutions that should be integral to democratic governance, such as the city’s “inspection” unit, do not function at all. On the other hand, the city is tightly controlled by a CPP-appointed governor and lower level officials.

***Weak Laws and Institutions:*** Instead of playing balance-of-power roles, the judiciary and parliament are firmly under Government and party control. The miniscule size of the legal system is one factor facilitating Government control. There are only 100 judges, 100 prosecutors and 250 private attorneys. The Constitution provides for a Supreme Council of Magistrates, headed by the King, that should, by law, autonomously and impartially select senior judges. In reality, the Council has little power to appoint or terminate; judges are self-selected for all practical purposes, having bought their positions. The Council accedes to appointments decided internally, by CPP leaders.

Parliamentarians, even CPP members, have little legitimate power. They receive a relatively generous salary (\$2,000 per month), but have little scope to criticize or change Government legislation. The national budget is “debated” each year, but MPs don’t “interfere” by questioning specific items or demanding changes. The fact that CPP members of the National Assembly serve at the pleasure of the party, and not the citizens who vote for them, is emphasized, as each candidate is required to sign an undated resignation letter before being added to the party list. Parliament has little control over the military or police. As a result, the military remains under direct CPP control, an important facet of systemic corruption, and invaluable resource in maintaining power.

***Co-opt and Neutralize:*** The Government/party apparatus routinely co-opts, then uses or ignores, institutions and individuals that may threaten its power. Fuctionec appointees as ministers and governors find they have little actual power, and are tempted to accept “opportunities” the system presents. At a lower level, there are young people first entering ministry employment that “want to be good.” But salaries, even for positions with the greatest scope for misbehavior, are extremely low.

Media firms may be owned by CPP-affiliated companies, “bought” by placement of significant advertising or controlled by subjecting managers and editors to varied threats. A “retail” alternative for media control is through direct payment to journalists. Individuals are paid for covering public events or conveying Government propaganda, or for not writing certain stories. A few journalists are found at the Poipet border crossing every day, collecting sums for not reporting on activities of customs officers, police or importers.

***Divert and Distribute:*** In addition to a bewildering range of illegal payments extracted from individuals and businesses, the system uses a remarkable array of techniques to divert funds deposited legally in government coffers. The IMF estimates diversions of financial resources at 5-7 per cent of Cambodia’s GDP. Funds are routinely diverted while being transferred from the Treasury to ministries or provinces. Treasury employees collect a “fee” (ranging from 1-5 per cent) simply for transferring funds, as they are required to do. Ministry of Finance officials who authorize transfers also take a percentage.

Beyond this, some budgeted funds are never transferred. One province had an official 2003 budget of \$300,000 for small infrastructure projects. But, according to the governor: “Actually, we got \$100,000, and 40 per cent of that was ‘deducted’.” While under-payments might reflect overall budgetary shortfalls, this phenomenon is mentioned so frequently, it appears more likely funds simply disappear during transfer. Other legitimate revenues may be diverted “at source.” For example, Phnom Penh revenues are collected mainly in cash, and CPP tax collectors can easily under-report receipts and pocket the cash.

Non-competitive procurement, regularly practiced in the Ministries of Defense, Interior and Health, not only enables officials to solicit bribes from competing firms, but also allows for diversion of funds as contractors are paid, and sometimes for appropriation of procured commodities. For example, there is no competition in procurement of pharmaceuticals, and once drugs are delivered to clinics, they get diverted to private practices or sold in private pharmacies.

Resources under state control, ostensibly managed on behalf of citizens, are routinely appropriated by leaders. Wildlife poaching in the Cardamom Mountains is spearheaded by the military. Prime state land is given to crony companies, sometimes with no payment at all. Housing vacated by Vietnamese administrators in 1989 was

promptly appropriated by CPP leaders. Having accepted a logging ban to placate international critics, the Government is now shifting from forestry concessions to agricultural concessions, enabling foreign firms to proceed with clear cutting “to establish plantations.” Other forms of diversion include significant-in-the-aggregate exactions, such as ministry employees who collect per diem for official travel, but then must pay a portion back to their supervisors.

***Inefficiency is its Own Reward:*** System leaders seem well aware of a basic principle of corrupt governance: “Inefficient, opaque procedures create confusion and impatience, and encourage firms and individuals to pay ‘speed money’ and bribes.” Thus a businessman noted that procedural mistakes are common in the Customs Department, creating clear invitations to bribe. Despite a 2001 law requiring environmental and social impact studies before forest and agricultural concessions are approved, “inefficiency” in the Ministry of Agriculture has essentially waived this requirement.

Inefficiency also helps to limit information resources, maintain Government control and justify shoddy administrative procedures. Inefficient procedures in the judiciary ensure reports of investigating judges and trial court judgments are difficult to access, or are not accessible at all. Inefficiency in passing internal regulations for parliamentary operations hamstrings opposition parties. Inefficiency of the Ministry of Finance in carrying out its duty of reviewing major government contracts means sloppy procedures and over-priced contracts go unquestioned. Inefficiency so extreme that veterans’ pensions aren’t paid for three years enables unscrupulous ministry employees to “buy” pension rights from their rightful owners.

***Control Communication and Hoard Information:*** The two most popular TV stations, most radio stations and the largest-circulation Khmer newspapers are owned or controlled by the CPP. Because they reach a small audience, newspapers are relatively free to choose topics and publish stories and editorials. But Khmer language print media seldom directly criticize and challenge the Government. And editors of the English language papers, who regularly print stories about corruption and human rights abuses, nevertheless admit they practice considerable self-censorship

The Council of Ministers has two official spokesmen, and most ministries have an information officer. There is also a system of monthly, quarterly and semiannual reports to the Prime Minister and King. However, some observers believe these efforts are part of a system to manage and limit information, rather than a good faith effort to share it. Reporters, researchers and civil society activists uniformly report that the RGC is unresponsive, sometimes even threatening, in responding to information requests. Remarkably, the Government’s Official Gazette is not being printed “due to lack of budget allocation.”

***A Petrified System?:*** Several informants argued Cambodian corruption has become more widespread and institutionalized over the past decade, one noting that “Nobody is putting on the brakes.” In one ministry, a senior official noted his subordinates work only one or two hours a day. Cambodia is facing real crises, such as the imminent departure of the garment industry and declining foreign direct investment. But most responses are inadequate. While there is concern in the Ministry of Commerce about loss of garment jobs, recalcitrant elements in the Ministries of Commerce and Labor, and in Customs, continue to solicit bribes that make Cambodian factories non-competitive. In the notoriously corrupt Customs Department, misbehaving agents are “suspended” on the job, and required to sit and write out the professional code of ethics hundreds of times.

## **Managing Outside Forces**

Given the pervasive nature of corruption in Cambodia, it is obvious that the challenge of addressing it is daunting. However, the RGC does receive criticism from international and indigenous sources, and does occasionally experience direct opposition. Examples include:

***Efforts by Civil Society:*** The NGO community in Cambodia is large and active, and funded by a range of bilateral, multilateral, and foundation donors. A few dozen activist CSOs play 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 RGC know they are at risk, but persist. They expose corruption and human rights abuses, undertake research and analysis, advocate reforms, and support reforms after they have been initiated. For example, an NGO coalition is in the early stages of advocating for a Freedom of Information Law.

International NGOs support indigenous groups with funding, expertise, external contacts and a degree of protection against regime violence. They have a range of technical skills that cannot easily be duplicated by indigenous groups. Thus the U.S. party institutes take on the specialized task of strengthening and democratizing political parties, the German party foundations and SIDA's partners support a variety of CSOs, the Solidarity Center works with Cambodia's inexperienced labor unions, and the Asia Foundation mobilizes institutional resources from the U.S. and Asia and supports cutting edge programs of indigenous groups. The presence of numerous international NGOs is potentially a source of pressure on the RGC to address reforms across all sectors. However, that potential is not easily realized. International groups that engage in advocacy, rather than delivering services, are not warmly received.

***Private Sector Efforts:*** The role of the private sector in pressuring for reforms in Cambodia has been limited. Foreign direct investment remains very small. The major business sector, the garment industry, faces looming difficulties in the next year as the Multi-fiber Agreement with the U.S. expires. The Garment Manufacturers Association (GMAC) has engaged positively with counterparts in the Ministry of Commerce, and has enjoyed some success in pursuing a limited agenda of procedural improvements. The International Business Club has also lobbied on behalf of its members, but its successes seem to focus on the specific interests of individual companies, rather than on major systemic reforms. SME Cambodia supports business associations for rice millers, brick makers, electrical enterprises, and fisheries traders and processors that occasionally engage government officials on issues that concern their members.

***Media Efforts:*** Phnom Penh's English language newspapers regularly report on corruption issues, though their stories avoid direct accusations against senior RGC leaders. Various journalist associations make some efforts to protect members from harassment and violence at the hands of the regime.

***Political Party Efforts:*** The Cambodian People's Party (CPP) does not seem to acknowledge the need for anti-corruption reforms at all, and the Team is unaware of efforts that have been taken in this direction. Funcinpec offers the Governance Action Plans I and II as their strategy to address governance and corruption problems, and the Team was assured that, if implemented, these plans would solve the problems facing the country. But, when Funcinpec leaders were probed for more concrete plans, for examples and explanations of how specific departments or programs might be reformed step-by-step, no concrete responses were forthcoming. Sam Rainsy Party leaders (SRP) struck the Team as far more analytical in diagnosing problems, and more concrete in prescribing solutions. Their booklet, 100 Measures to be Implemented by a Sam Rainsy Party Government, offers a far more comprehensive analysis of Cambodia's problems, and more concrete solutions, than are available from the other parties.

***External Pressures:*** There are several external factors, which can be seen as nudging Cambodia toward a reform agenda. If Cambodia does accede to the WTO, this will create obligations to reform in such areas as procurement, commercial law and government transparency. Whether sufficient administrative capacity or political will to implement needed reforms exist is unclear, but the Team anticipates that initially the regime will try to hold off WTO-related reform pressures with attempts at window dressing. Certainly the multinational business community has made clear its intention to stay away from Cambodia for a range of reasons, many linked to corruption. The regime, already under international pressure on such issues as trafficking in women and children and human rights, may be subjected to more explicit political and legal sanctions in the future.

The RGC is unwilling to simply receive criticism and make appropriately democratic responses. Senior leaders and low-level bureaucrats resort to a wide range of tactics to blunt or actively oppose legitimate actions of civil society, media, and opposition parties:

***Bureaucratic Obstacles:*** RGC bureaucrats are masters at placing obstacles in front of perceived opponents. Thus, NGOs and unions that applied for permits for May 1 parades this year were turned down or subjected to strict limitations on numbers of marchers. A local NGO applied for permission to organize a World Anti-Corruption Day rally, but was turned down three or four times. The Government limits licensed radio stations to 10 kilowatts, sufficient to cover only a fraction of the country.

***Dirty Tricks:*** The CPP sponsors civil society “fronts” – NGOs and unions – to compete with their independent counterparts and capture resources. Parties are not allowed to sit together in the National Assembly. Instead, MPs sit by age, effectively limiting informal tactical planning on the floor of the assembly. After a Funcinpec-affiliated radio station agreed to sell airtime to a human rights organization, an ownership dispute was fomented. When the owner went to court to protect his rights, and the judge found in his favor, the judge was summarily removed from his position. On voter registration day, officials deliberately misspell the names of those who support other parties.

***Political Discrimination:*** Discrimination based on party affiliation extends down to the level of village and neighborhood. During natural disasters, observers accuse the Cambodian Red Cross of only helping CPP-affiliated families, not those that support the opposition. People in an opposition-led *sangkat* encounter “problems” when applying for a water or electrical hookup, and end up paying bribes. Residents of CPP-led *sangkats* avoid such problems. CPP parliamentarians regularly receive support in providing constituent services. But CPP-affiliated bureaucrats do not respond to special requests from MPs in other parties.

***Threats, Fear and Violence:*** Control efforts are modulated. They do not invariably involve full-scale violence, and can begin with more-or-less subtle threats. Thus, one day after negotiating an agreement for airtime with a human rights organization, the owner of an independent radio station was arrested, and kept in jail for 10 days, on a charge that he had spread false rumors and incited violence against the Thai embassy. Well-to-do business people in suburban Phnom Penh do not support an opposition-affiliated *sangkat* chief because they fear “this will be seen by the CPP.” In general, employees of NGOs advocating reforms face threats. They are jailed or threatened with death. There is a “culture of fear” throughout the society. The head of an NGO that works on corruption issues is thought to be “very vulnerable.” The head of another NGO avoids “aggressivity” and “sticks with Cambodian culture,” but admits she sometimes fears for her life. A politician noted “I cannot move one meter without protection.”

***Impunity:*** In contrast to the climate of fear affecting most Cambodians, those who live inside or close to the system behave with impunity. A Phnom Penh reporter attended a New Year’s celebration at which a 14-year-old boy stabbed another boy, but was not punished because his uncle is Commune Chief. The nephew of Hun Sen was in a car that ran into flower vendor’s stalls, and his guards shot and killed some vendors when they protested. There was a light sentence of 18 months punishment, and after a few months the young man was moved to comfortable quarters, ostensibly because he needs special medical treatment. Some observers fear the upcoming Khmer Rouge trial will be another exercise in impunity.

### **Diversion of Donor Programs**

Donor efforts to shift the RGC toward greater transparency and accountability, and away from corruption, have been well intentioned and relatively frequent, reflected in formal program conditionality and numerous activities aimed at strengthening officials’ skills and improving administrative procedures. Where Government interests are not unduly affected, or where international pressure has been relatively strong, donors and other international organizations have achieved some modest successes in eliciting reforms. Under the Industrial Arbitration Council, established under ILO sponsorship with USAID funding, arbitrators are independent, and sound decisions are

being reached. Likewise, ILO-sponsored inspections of garment factories work fairly well, encouraging exporters to meet standards for treatment of workers that enhance the “salability” of their garments.

But, given that donors account for half of the annual budget of the RGC, most reform efforts have had limited impact on a persistent, less-than-scrupulous opponent. Small- and large-scale corruption continues virtually unabated. Likewise, troubling reports of human rights abuses and regime-inspired violence continue to flow in. There are several reasons: Donor coordination is always difficult, since each organization operates on a different timetable, with different political pressures from their home countries or boards of directors. Institutional incentives that shape the behavior of professional staff seldom encourage spending significant time on coordination. Holding the Government accountable through conditionality also implies the willingness to withhold or delay funding, often a difficult decision.

There seems to be an emerging conviction among donors that their separate efforts to exert pressure and exact commitments have not worked well. Outside observers have begun to criticize donors for their weak stances and ineffectiveness. Half a dozen informants emphasized that donors have a great opportunity, and corresponding responsibility, to pressure the RGC for much-needed reforms. In some ways, the times are propitious. Cambodia’s imminent entry into the WTO will require a range of substantive reforms, some bringing greater transparency and accountability.

But, the Team assumes the RGC will continue to use a broad array of tactics to divert reform-minded donors: Senior officials are masters of “spin.” Individuals the Team interviewed invariably spoke with well-informed conviction about their commitment to reform. They candidly acknowledged the significant challenges posed by corruption, then emphasized resource limitations they face in addressing it. Cabinet member talk steadily about presumed democratic reforms, while ignoring a quasi-coup in 1993 and a real one in 1997. They readily admit to corruption in ministries and courts during discussions with donors, but never admit personal involvement, and dwell on petty abuses, never on grand scale corruption or on vast personal fortunes that are being built. Despite apparent government “frankness” when speaking English with donors, Cambodian observers note that senior officials do not admit any culpability when speaking in Khmer to the Cambodian people.

Like most recipient governments, the RGC prefers to deal with donors one at a time, or in isolated sectoral working groups. In an apparent effort to convince donors that activity is more important than commitment, the RGC has participated in preparing innumerable plans and has established numerous councils. The plans reflect state-of-the-art thinking in the international donor community, and are rich in rhetoric on such themes as good governance, transparency, accountability and participation. There is an Anti-Corruption Council, a Council for Judicial and Legal Reform, a Council on Social Development and additional councils on land reform and reform of the military.

However, it is the opinion of the Team that, in almost every case, the plans and councils are little more than a studied attempt to tell donors what they want to hear. Unfortunately, the Team found few of the reform efforts we examined to be credible. Even cursory examination of the reality behind the rhetoric reveals neither substance nor political will. For example, solicitation and acceptance of large bribes by customs officials remains a standard feature of doing business in Cambodia. School children continue to make daily payments to their teachers, and clinic patients continue to be pressured to pay illegal fees. However, there are a small number of mid-level officials who do appear committed to reform, and whose efforts might bear fruit over time.

The draft anti-corruption law may yet be enacted. However, as written, it is already out of date, with a number of provisions that are not consistent with the state-of-the-art. If, as Team members anticipate, the law, and new institutions proposed to enforce it, do not yield the results they promise, Cambodians may have additional reasons for cynicism and resignation. Cambodia has not yet signed the UN Anti-Corruption Convention, but an NGO activist noted the Government has “no problem” signing international conventions, suggesting that when there is no commitment, signing is a matter of indifference.

The RGC readily agrees to accept donor projects, particularly when they include such benefits as study trips, equipment, infrastructure and perhaps funds that can be diverted. But, in most cases the jury is still out on whether projects have brought useful reforms. Some projects stretch out over a remarkably long time without observable results. The government has succeeded in persuading donors to pay salary supplements to its employees with remarkable regularity, despite regulations in virtually every donor organization against doing so.

When donors persist in pressing for reform, the government simply stalls. For example, Hun Sen pledged to donors that the Anti-Corruption Law would be passed in June 2003, but this failed due to the absence of a quorum of MPs, set at the extraordinarily high level of seven-eighths of the Assembly's membership. Since then, passing legislation has been impossible, due to ongoing negotiations about forming a new government. The Ministries of Interior and Finance are tasked with defining revenue authorities of Commune Councils. But, two years after Councils were elected, officials have not finished their work. Some CSOs have argued for elected village leaders, but the RGC resists, arguing this would "destabilize" rural areas. Fending off this proposed change allows the CPP to continue appointing the village leaders, thus retaining effective control of rural areas.

### **Expending Resources**

The RGC apparatus expends sufficient resources, many from donors, to keep ordinary citizens reasonably content. Donor funds have flowed into education and health, and some of these are passed on to ordinary citizens. But, there can be little doubt a significant portion of funds earmarked for schools, teachers and textbooks, and for clinics, health workers, and medications are diverted. For the time being, though, it appears services are at a sufficiently high level to meet the modest demands of ordinary Cambodians. At least two factors work in the government's favor: 1) Citizens older than 30 years can remember a period when these services were not offered at all, and furthermore have seen significant service improvements in the past 15 years. 2) Leaders have succeeded in claiming credit for facilities and services financed or provided by donors.

The RGC apparatus also expends resources to gain support directly from citizens, by buying votes during campaign periods, and by enticing them to become party members at other times. During elections, support for CPP candidates is routinely bought with gifts of rice and sarongs. In addition, supporters of opposition parties may be given similar inducements by CPP activists to stay home from the polls. The large number of CPP party offices spread across the country, and recent electoral successes, suggest the CPP has found a successful formula for recruiting and retaining party cadres. Gifts of rice are offered on a regular basis, and another plausible "reward" is allowing loyal cadres and their families to avoid exactions they would otherwise be forced to meet.

### **The Costs of Corruption**

Many analysts have attempted to assess the costs of corruption, in Cambodia and around the world. Generally, the focus is on financial transactions -- those that take place, those that do not, those that shift resources from legal to illicit sectors of the financial system. Team members are convinced such costs—for illicit payments by business and ordinary citizens; for legal tax and customs revenues foregone; for funds diverted from social programs; for "facilitation fees" on government procurements; for earnings from criminal activities; for funds deposited in overseas banks; for investments not made by foreign and indigenous firms – are extremely high in Cambodia. We would not be surprised to learn that losses from each of these sources run to tens or even hundreds of millions of dollars annually.

But, the aspect of Cambodian corruption that concerns us most is not its absolute magnitude, but rather its comprehensiveness and direct impacts on citizens and institutions across the country. The "costs" in misdirected human resources and crippled sociopolitical institutions are more difficult to quantify than financial transactions, but are equally bad for Cambodia. They include:

- Children as young as six or seven who are exposed to corruption daily as they make small payments to their teachers, observe policemen extracting illegal payments from motorists, and listen to adult discussions about coping with or profiting from the system.
- University graduates who are corrupted and made cynical within a few years of entering their professions. If they enter the RGC, corruption is direct. If they work in business, or for NGOs or donors, they witness payments being made and special arrangements being negotiated.
- Unqualified individuals who enter, and highly qualified candidates who are barred from, key professions such as medicine, engineering, accounting and the judiciary because entry exam results are for sale.
- Local entrepreneurs who are energetic and creative, but deliberately keep their businesses small and “under the radar” of comprehensive corruption.
- Schools and health clinics that are made second-rate due to diversion of budgeted funds.
- Roads, bridges and water systems that are under-built and poorly maintained.
- Key institutions, such as the National Assembly, judiciary, police, and audit units that are blocked from essential roles in ensuring justice and pursuing economic growth and political reform.

### **III. RECOMMENDATIONS FOR THE DONOR COMMUNITY -- COOPERATION TO PROMOTE TRANSPARENCY AND ACCOUNTABILITY**

The environment for enhanced donor coordination in Cambodia is improving. For example, at a recent meeting, the World Bank called for the donor community to speak with one voice. There is frustration about the very limited results achieved in government reform over the last several years. Particularly disconcerting is the lack of progress in judicial reform. Several other donors share the World Bank’s perspective. Some suggest that if progress in specific reforms is not forthcoming, they may consider withholding direct support to the RGC. Some believe more exacting conditionality is required. For some donors who feel they must work directly with the RGC, and object to confrontation, the key may be to minimize confrontation by integrating corruption controls within service delivery sectors, and linking grass root reforms to objectives shared by donors and the government. Regardless of donors’ varied perspectives and operational approaches, it is apparent to all that the RGC must be pressured to move the reform agenda forward. Mere rhetoric, and enactment of laws that are not enforced, will no longer suffice.

Coordinated donor approaches have been pursued with some success in other countries that were similarly resistant to reform, and may be applicable in Cambodia. Particularly relevant was the experience in Central America in 1999 following the destruction caused by Hurricane Mitch. Donors agreed to impose several conditions on beneficiary countries in exchange for reconstruction assistance. This strategy was premised on the notion that a unified donor community could exert far greater leverage than the countries and agencies could achieve on their own.

Civil society was invited to sit at the table where donors and the Honduran and Nicaraguan governments met to agree on overall objectives and plan reconstruction efforts. Early in the process, responsibilities for monitoring project implementation were assigned. Through frequent consultations, donors and civil society tracked progress, identified bottlenecks and reasons why they occurred, found solutions, and assigned responsibilities. This process brought numerous improvements in project implementation. An added benefit was that civil society became embedded in governance processes. The development community, in turn, benefited from inputs provided by civil society during joint assessments of government accountability and program effectiveness. Synergies produced by donor-civil society collaboration contributed directly to emergence of an incipient transparency and accountability culture.

While it is clear to the Team that current conditions in Cambodia are not the same as those in Central America after Hurricane Mitch, the most important point is that there is a similar level of urgency. The Cambodian people, already victims of atrocities under the Khmer Rouge, of continuing warfare and insurgency up to 1998, and of day-to-day violence and corruption, deserve better. Furthermore, donor resources are being wasted and diverted, and

opportunities for sustained economic and political development are being forfeited daily. A dramatic change of direction is needed, and the donor community is in the best position to ensure it is achieved.

### **A Tripartite Consultative Group for Project Implementation Monitoring**

The consultative process in Central America, launched by Canada, Germany, Spain, Sweden and the United States, eventually embraced ten other countries and the World Bank and Inter-American Development Bank. Coordination took place at both ambassadorial and technical levels. Similar to current practice in Cambodia, technical coordination was pursued through sector working groups. In contrast to Cambodia, civil society representatives were active partners in all coordination efforts. A unique feature of the coordinating mechanism was a “transparency” working group that focused on public management and accountability. One major innovation in the consultative process was integrating corruption into the Honduran National Poverty Reduction Strategy as a major cross cutting issue.

Participants in sector working groups negotiated general and specific objectives, identified implementation targets and indicators, agreed to implementation timetables and assigned responsibilities for component achievement. At monthly meetings, group participants briefed other members, noting achievements and problems, agreed on potential solutions, and, as necessary, revised project implementation guidelines and timetables. Transparency was assured through oversight provided by the “many eyes” of civil society, and by the controls and ability to report of international donors. Project documentation was transparently shared and openly discussed.

The process was not always tension free. Government officials, accustomed to operate in a secretive environment, often resisted calls for greater transparency and accountability. Conflicts arose when civil society representatives or government officials adopted confrontational postures, or when there were widely varying perspectives on appropriate program approaches. However, overall the process was constructive; the various constituencies interacted closely, came to better appreciate project implementation constraints and, in many instances, managed to bridge deeply ingrained mistrust.

Implementing a similar process in Cambodia will depend on the ability of multiple stakeholders to make a firm commitment to see the process through. At least indirectly, some potential partners have indicated they may be willing to enter into such an initiative. In the view of many thoughtful observers the Team met with, as long as the international development community refrains from exerting unified, sustained pressure on the RGC, the reform process will remain stalled, and corruption will continue to flourish.

CSOs can be expected to react in various ways when presented with an opportunity to participate, some groups rejecting the option out of hand, others concluding something can be gained. With more than 1,500 NGOs officially registered in Cambodia, the issue of representation may also present hurdles to be overcome. However, with patient support, and frequent assurances from the international development community, it should be possible to bring civil society to the table. To the extent possible, CSOs should be encouraged to rein in their confrontational postures. By exercising patience, they may be able to assuage the concerns of some donors who assume any confrontational approach is counterproductive. To encourage development of a constructive environment, and minimize unbalanced power relations between the government and civil society, USAID might usefully provide TA and training to strengthen the capacity of CSOs in advocacy, bargaining and negotiating skills. Pact Cambodia has already undertaken activities along these lines with some degree of success.

Efforts to limit confrontation do not imply that progress should not be demanded from the RGC. It should be negotiated firmly, and measured with realistic yardsticks consistent with each task’s complexity. CSOs should conserve the energy they often expend on confrontation, and demand, in concert with donor partners, achievable but significant short-term reforms from the RGC. By involving both service-oriented and advocacy NGOs in the negotiating and monitoring process, the donors will be planting the seeds for a grand alliance designed to root out corruption at national, regional, and commune levels.

The Government is almost certain to resist participating in unified monitoring processes at the outset, by claiming, for instance, that planned oversight would amount to a foreign intrusion into Cambodia's sovereignty. The combined pressure of the international development community may or may not be sufficient to overcome such resistance. But several stakeholders interviewed by the Team were of the view that if unified pressure is applied, the RGC will acquiesce.

### **An Institutional Mechanism**

USAID could consider supporting the consultative process by funding establishment of a small, independent Transparency Secretariat. This unit, headed by an expatriate and staffed by several Cambodians, could perform a variety of tasks, including:

- Coordinating activities of sector working groups;
- Convening and managing sector working group meetings;
- Providing follow-up support;
- Serving as a public repository for documents relating to donor funded initiatives;
- Acting as a clearinghouse for distributing documents to interested parties, including the media; and
- Producing and distributing, at regular intervals, newsletters and other documents summarizing successes and difficulties in implementing reforms.

A transparency initiative along this line could be a useful development in addressing donors' and Cambodians' concerns. Despite government commitments to respect civil society, RGC officials continue to routinely and arbitrarily interfere with CSO attempts to gain access to "public" documents. Through its clearinghouse function, the Secretariat would ensure a minimum level of transparency by facilitating access to all documents related to donor projects. A website managed by the Secretariat would encourage even greater transparency by making electronic access to documents possible.

The Secretariat would be guided by an international advisory committee, and its activities would be coordinated with other public dissemination efforts conducted under donor auspices. For example, by linking the Secretariat's electronic database with the Community Information Centers established by Asia Foundation partners in 22 provinces, the information reach would be national in scope. The impact of the Secretariat's work can be further enhanced if results of its transparency promotion activities are widely publicized through multimedia campaigns that inform citizens and enlist them in monitoring activities.

Soon after establishment of the Transparency Secretariat, that unit could propose and support an International Transparency Review Panel to visit Cambodia for two or three weeks annually. The Panel's primary purpose would be to probe whether the RGC has sufficient political will to push through on the substance of reforms, or is indulging in its traditional diversionary tactics. The Panel should have four or five prestigious international members, each from a different country. Senior academics, former ambassadors and retired politicians would be excellent candidates. Panel members would conduct interviews, commission small surveys and focus group discussions, preside over public hearings, and issue an annual public report with specific recommendations to donors on whether or not to proceed with planned funding tranches and ongoing programs.

### **An Internationally-Financed Projects Inspectorate**

Many Cambodians, including politicians, business leaders and civil society representatives, feel transparency and accountability will remain unattainable goals until the RGC conducts professional, independent audits of public funds, and makes their results public. The political and administrative difficulties inherent in this process are obvious, as audits will be a direct challenge to the power of the ruling elite. To conduct modern public audits – assuming political will exists -- it will be necessary to first surmount the administrative shortcomings of

Cambodia's civil administration. Ultimately, success will also depend on developing a cohesive legal framework, adequate administrative procedures, effective record keeping and training of a capable public service.

These initiatives, however, will take many years to bear fruit; even basic documentation is woefully inadequate. The national budget was described to the assessment team as non-existent or in even more derisive terms. In line ministries and at lower administrative levels, the situation is no better. The most comprehensive administrative records are undoubtedly kept by the donors themselves, and to some degree by government agencies implementing donor-funded projects. In some cases, donors have instituted mechanisms to minimize corruption in their projects. The World Bank, for example, has established procedures to audit 17 projects. But, under the current regime, questions about the effectiveness of such measures are warranted. Pursuing a more aggressive, unified strategy may pay dividends, but this will depend on the international development community's willingness to work together to implement independent audit procedures, free from RGC interference.

The donor community would be well advised to condition continued assistance on independent audits of all projects. Again, there is a useful model in Central America. USAID, DFID, Swiss Aid, SIDA, CIDA, the World Bank and Inter-American Development Bank jointly funded a specialized, independent Project Inspectorate. Initially established to conduct concurrent audits of post-Hurricane Mitch reconstruction projects, the scope of audits was later revised to focus on compliance with contracting procedures. The executing entity, Price Waterhouse, was chosen through an international bidding process conducted under donor supervision. The firm is accountable for auditing the integrity of procurement processes, using expatriate and local staff. The contract calls for audit reports to be provided to an oversight committee of donors, civil society and government. The committee chooses some reports for close scrutiny, can request clarifications and sometimes demands follow-up to specific audit findings.

Design and implementation took considerable time to negotiate, including defining the scope of work and selecting the contractor. In the two years since it has been in operation, the Inspectorate has completed nearly 1,000 project audits. Delays have been reported in review of audit recommendations, and more particularly, in following up audit findings by the national audit institutions. Despite these difficulties, the Project Inspectorate approach has met its objectives; hundreds of donor-funded projects are being audited for compliance with procurement procedures embodied in a national Procurement Law (itself, an objective of the initiative). The cost for an initiative of this nature is relatively high, USAID contributed \$3.2 million toward the multi-year \$12 million project. But, on a cost-benefit basis, inspectorate expenses are easily justified. Potentially large leakages have been avoided, and the implementation has become far more transparent.

Cambodia's first supreme audit institution, the National Audit Authority, was created just two years ago. Even if it were to conduct its functions independent of political pressure – a widely questioned assumption – it lacks the capacity to adequately audit how donor funds are used. Whether the RGC will agree to an independent, multi-donor inspection mechanism remains to be seen. But from the perspective of transparent use of donor funds, independent audits of government management of donor resources is a reasonable objective, one donors can readily agree on, then pursue vigorously.

Introducing a Project Inspectorate in Cambodia cannot, of course, fully resolve the country's many corruption problems. It will require many additional efforts to overcome the structural, political, economic, social, and administrative determinants of institutionalized malfeasance. Nor will it be able to address fully the fungible nature of donor-provided and state-generated public revenues. What it can do, however, is establish an "accountability floor" and a mechanism whereby civil society can be engaged in public oversight. An inspectorate project could be expanded, with relative ease, to create citizen oversight mechanisms between provincial, district, and commune levels and Phnom Penh, as decentralization initiatives, already heavily funded by multiple donors, gain momentum.