

The Problem of Corruption in Cambodia

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Venerable monks, Royal Highnesses, Excellencies, Ladies and Gentlemen,

First I would like to do as all other speakers have done this morning and that is to extend my great thanks to the Center for Social Development and the Asian Development Bank for showing the initiative to hold this extremely important conference and discussion on the issues of transparency and corruption. In the spirit of transparency, I am going to speak extremely frankly this morning. I am going to use words and say things that frankly are usually not said by diplomats. I am going to speak more directly and with less circumlocution than diplomats are normally used to do.

First I am going to say that corruption on its most basic level is the diversion of public financial and material resources away from the public use for which they are intended. Corruption is simply the private benefit of a few powerful officials at the expense of the people. Even more basically corruption is simply the theft of the people's money. Money that should go to the treasury that is to the Finance Ministry, in order to provide for the people, through corruption is instead going into the pockets of, often senior, officials.

That is the problem of corruption. It is based on many problems around the country – excuse me: around the world – and Cambodia is certainly not outside that group of countries, indeed. Corruption is a very serious problem in Cambodia. In a poor country like this – Cambodia – where public resources are so scarce, it is not overly dramatic - in my view - to say that the private appropriation of scarce public funds by corrupt officials can cost lives. What I mean to say is, the extent to which public officials divert revenues away from the public treasury; they can be depriving health clinics at the village level of needed funding, resources, medicine and services of doctors and the health care providers that the people need to survive. This is just one example. Certainly the diversion of public funds away from their intended use, servicing the people, erodes the fundamental mission of national reconstruction and development in Cambodia and the alleviation of poverty of the 12 million people of this country and continues to contribute to its efficient health care and educational services to the people.

From the perspective of the United States and the rest of the donor-community - and their tax payers who provide in the aggregate of 500 million dollars a year for Cambodia's reconstruction - corruption undermines and wastes the money of these countries or the ADB or the World Bank or multilateral institutions provide for the reconstruction. In short corruption delays the efforts to accelerate poverty alleviation and development in this country. It is obvious. It is obvious and a very fundamental problem.

It is also obvious that, in time, donors will tire of contributing money that is earned by their citizens and contributed on a humanitarian and moral basis to Cambodia, or any country, that directly or indirectly misappropriates these funds. Donors are not stupid. They know when governments, they seek to help, engage in corrupt practices. It is obvious. And it is an element of bad governance.

Often the government turns to the donors and asks us to provide the necessary funding for some of the most fundamental reforms that this country is seeking to pursue. Reforms for example in the forestry sector, reforms with respect in demobilizing the military, reforms concerning the civil service and its rationalization, so that the civil service is better paid as well to motivate the staff to work better. It is often noted that civil service is underpaid. With salaries of 30 to 50 Dollars a month, they are simply not living wages. And it is pointed out rightly that low salaries, in themselves, contribute to a low level of corruption in the delivery of services in the villages, districts and in towns: that make it more difficult for poor people to send their children to school or to obtain health services.

It is our view as donors, and certainly it is the view of the United States, that the government perhaps relies too much on donors to fund, to provide the money, to implement these reforms. That the government could, if it harbored its own resources better, and if there were no corruption and the monies the government collected through various tax programs, customs, directed the money to its intended purpose, then it would not need the high level of assistance that it gets from the international community. It will always need some; the fact is that Cambodia is a poor country, it cannot develop fully without relying to some extent on foreign savings, on foreign assistance.

External resources must come into Cambodia. The point is, they must be used well. Whether they are from the public sector (from the international donors) or whether they are from the private sector (international investors), those funds must be used well to help the people of Cambodia. Again, if they are diverted to the pockets of high-level officials they are not being used well and they are going to delay both the process of ameliorating Cambodia's social and economic difficulties in the lives of the people, but they are also going to slow down what will in the long run be Cambodia's greatest source of economic growth and that is, foreign direct investment.

Apart from the donors and their views about corruption, let's think for a moment about the people of Cambodia. It is my experience, from the time I have been ambassador here and traveled around the country, that the people of Cambodia are not blind. They are not stupid, either. They know when their leaders cheat them out of what belongs to them. They are aware that their leaders are corrupt. As has been pointed out by previous speakers we can see from other experience around the world – including here in Asia – that, when the people become aware of bad government, including corruption, they have the tendency of throwing their leaders out. They don't like their leaders stealing from them.

No doubt the new Indonesian President Megawati Sokarnoputri had this fact in mind, had this lesson in mind, when she announced last week very decisive new actions of her government to fight corruption. Some of the actions that she announced, I think most effectively addressed the issue of transparency, which is the subject of this conference today. For example, she said as part of her efforts to promote transparency, that no members of her family would be involved in private business deals. She called upon all the officials of her government to make public, as part of the public record for all the people of Indonesia to see, their holdings of wealth and any interest they may have in business.

In short, President Megawati was seeking to send a clear message to the people of Indonesia that, in contrast to the past, they can expect from her and her government a truly transparent use of public resources and she pledged that members in her government would not henceforth be stealing the peoples' money. They will be using it as intended to help develop the Indonesian economy. Indeed, she went further to say that any members of her government who violated the trust, to serve their people in an honest fashion, any such action would not be tolerated. They would lose their jobs; which is appropriate.

Just to point out a couple of examples of what I mean about the costs of corruption in the context of Cambodia. Some of the most important reforms, I have mentioned.

Civil Service Reform

Civil Service Reform, in part, is aimed at not simply rationalizing the structure of government, but to make sure that civil servants are paid a living wage so that they can provide services to the people without needing to also exact from the people extra payment so that they and their families can survive. One of the aims of the Civil Service Reform program is to raise the salaries of civil servants. A simple calculation shows that, given that there are some 160,000 civil servants in Cambodia including teachers, if you were to raise their salaries of let's say around 20 or 30 Dollars a month to a level of about 100 Dollars a month, which some say is a living wage, that would cost probably something less than 15 million dollars. 15 million dollars. Well, it would make a big difference, but it seems very difficult to do and there has been a long delay in carrying out this reform. Let's think about that figure 15 million dollars. That is an amount of money that in any given year, here in Cambodia, is easily lost through the process of corruption; in shortfalls in the collection of customs duty at the border, for example, or in other forms by corruption of officials at various levels.

Similarly, let's look at another reform:

Demobilization of the Military

The first phase of demobilization of 30,000 soldiers has cost 45 million dollars: 15 million of which comes from the World Bank and the rest from bilateral donors. These are not insignificant amounts of money. The overall process of demobilization was scheduled to start a couple of years ago: it has been delayed. It is only now they

are getting started. My argument is that if the government had better used its own resources, if there had been better collection of revenues, and an assurance that those revenues would get to the Finance Ministry and applied to the essential reform of demobilization, instead of being diverted in various ways through corruption, this important reform of demobilization could have started earlier.

The laws – referred to earlier by the Prime Minister and by many other speakers, laws against corruption – are very, very important. The establishment of the National Auditing Authority is also very important. But it is not laws alone that guarantee the end of corruption. In the first instance, it takes political will. Political will by the top government officials to inform those who serve the people, that corruption will not be tolerated. If officials are discovered to be engaged in corruption, that full weight of the judiciary authorities will be brought to bear against them – that if they steal, they will go to jail.

As I said, laws are very important and there has been some discussion this morning that Rome cannot be build in a day and that is true. You cannot expect perfection to be brought about, in resolving issues of corruption, immediately. However, with sufficient political will, very important steps can be taken immediately that would have, I think, a very important immediate impact. Without the need to wait for new laws to be developed through donor assistance and technical expertise and capacity building, and without the need for laws to be passed by the National Assembly.

What I have in mind, what I personally would recommend, is that the Government - the Council of Ministers, on its own - issue necessary instructions (administrative instructions) to officials in the government to make transparent, to publish transparently for the people's inspection, a list of their own personal wealth and the sources of that wealth. I think that this would go a long way towards introducing immediately a notion of accountability of public officials, while we await, the many months and perhaps years it may take to put into place the structure of laws necessary to provide a longer term guarantee against corruption.

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