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Cambodia's donors risk disaster with blind eye to poor governance of country's oil and minerals

Cambodia's international donors must insist on improved governance and transparency of Cambodia's oil and mining sectors at the upcoming Cambodia Development Cooperation Forum, anti-graft watchdog Global Witness said today. Governance of the sector is so poor that the donors risk losing the best chance in a generation to lift Cambodia out of poverty as well as wasting taxpayers' money from donor countries.

Ambassadors from donor countries – which provide the equivalent of half of Cambodia's annual budget – are scheduled to meet in Phnom Penh next week for a yearly review of the government's progress in meeting reform targets set at their last meeting. Hardly any of the commitments made by the Cambodian government for improving governance and human rights in the past five years have been met, yet development aid has continued to flow (see attached chart).

“Cambodia is on the verge of a petroleum and minerals windfall, but both sectors are already exhibiting early warning signs of the corruption, nepotism and state capture which plagued Cambodia's forest sector,” said Global Witness Campaigns Director Gavin Hayman. “With the imminent arrival of significant revenue from oil and mining, 2008 could be the donors' last chance to use their leverage to put conditions in place to improve the lot of the average Cambodian.”

Global Witness has surveyed Cambodia's oil and mining sectors and found that the small number of elite powerbrokers who run the state have sold off potentially valuable concessions to foreign companies in a manner that is non-transparent and highly dubious. So far, at least 60 mineral exploration licenses have been allocated to private companies, many of which are owned or beneficially controlled by members of Cambodia's political and military elite. All of the offshore oil concessions in Cambodian territory have been allocated and at least one of Cambodia's onshore oil blocks in the Tonle Sap basin has been granted for exploration.

To date, basic transparency or anti-corruption provisions in the allocation of the state's public assets have not been met. The government has not held any public open-bidding rounds for oil or mining rights, has failed to publish information on which companies have been awarded access to the resources, and has backtracked on endorsement of the Extractive Industries Transparency Initiative (EITI).

“Decisions are being made now about the allocation of the country's oil and mineral resource wealth, which will determine whether the revenue generated moves the country out of poverty or headlong into the resource curse. It's crunch time for the donors,” added Hayman.

Global Witness is calling for donors to insist on a moratorium on the granting of any new concessions in the oil and mining sectors until the government has the basic legal, social and environmental framework in place to manage them and the revenues

produced. Also, given the complete lack of transparency in the industry to date, a review of all existing concessions is needed to ensure Cambodia is getting a fair deal.

Global Witness plans to publish a report on Cambodia's extractive industries in early 2009.

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Notes to Editors

(1) [Global Witness](#) exposes the corrupt exploitation of natural resources and international trade systems, to drive campaigns that end impunity, resource-linked conflict, and human rights and environmental abuses. Global Witness was co-nominated for the 2003 Nobel Peace Prize for its leading work on 'conflict diamonds' and awarded the 2007 Commitment to Development Ideas in Action Award, sponsored jointly by Washington DC based Center for Global Development and Foreign Policy magazine.

(2) Global Witness' last report on Cambodia, *Cambodia's Family Trees*, showed how a small group of individuals surrounding the prime minister and other senior public officials have exploited the country's forests for their personal profit. The report can be downloaded from http://www.globalwitness.org/media_library_detail.php/546/en/cambodias_family_trees

(3) The Extractive Industries Transparency Initiative (EITI) is a coalition made up of governments, companies, civil society groups, investors and international organizations. The initiative supports improved governance in resource-rich countries through the verification and full publication of company payments and government revenues from oil, gas and mining. Information on the Extractive Industries Transparency Initiative is available at: www.eitransparency.org