

AID EFFECTIVENESS
AND
CORRUPTION
IN
CAMBODIA

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ABSTRACT

This thesis reports on desk-based research into the connections between foreign aid and corruption in Cambodia. The aim is to investigate the implications of foreign aid and corruption in developing countries, especially in countries with decades of civil war, such as Cambodia. The thesis provides a literature review related to foreign aid and corruption, showing that aid is considered significant for development, particularly in poor and developing countries, and that corruption hinders aid effectiveness.

Although foreign aid is vital for poverty reduction and promoting good governance as well as democracy, some scholars argue that it creates opportunities for corruption. Furthermore, different types of aid may have different outcomes. Bilateral aid, for example, usually aims to build diplomatic relations and business cooperation, but is often given with conditions attached and may disadvantage the recipient country. Multilateral foreign aid, on the other hand, generally has a more positive impact on poverty reduction, and fewer conditions, because it is given by groups of countries through financial institutions and private development agencies. It generally gives more benefits directly to local people and reduces corruption.

Cambodia has been characterised as the most corrupt country in Southeast Asia, where government officials are involved in manipulating or dominating policy formulation and creating loopholes for corruption to occur. Corruption is an obstacle to development and impairs Cambodia's reputation, as corrupt officials undermine the rule of law by colluding with corrupt business actors for personal gain. This thesis investigates the routes of corruption which have negatively impacted sustainable development and democracy in Cambodia and why this major social issue has not been effectively addressed. Corruption in the forestry sector, in particular, occurs systemically as it operates through firm networks

involving various government sectors. This accelerates illegal logging and violence, and undermines aid effectiveness. Economic Land Concessions are a major cause of deforestation in Cambodia and commonly have an adverse impact on both forest conservation and local people's livelihood. Democratic development and living conditions in Cambodia can only take place if corruption is reduced, and if active public participation in the development process is allowed. This will only happen if the government has the political will to eliminate corruption through implementation of relevant laws and thus ensure aid effectiveness.

DECLARATION

I certify that this thesis does not incorporate without acknowledgment any material previously submitted for a degree or diploma in any university; and that to the best of my knowledge and belief it does not contain any material previously published or written by another person except where due reference is made in the text.

Signed..... 

Date.....October 12, 2017.....

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ACRONYMS

ADB	Asian Development Bank
BBC	British Broadcasting Corporation
CDC	Council for the Development of Cambodia
DAC	Development Assistance Committee
FA	Forest Administration
GDP	Gross Domestic Product
GFATM	The Global Funds to Fight AIDS, Tuberculosis, and Malaria
GNI	Gross National Income
IMF	International Monetary Fund
INGO	International Non-governmental Organisation
INTERPOL	International Police
NGO	Non-governmental Organisation
NSDP	National Strategic Development Plan
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
SDGs	Sustainable Development Goals
TASP	Type, Activity, Sector, Place
TI	Transparency International
UNCAC	United Nations Convention Against Corruption
UNDP	United Nations Development Program
UNODC	United Nations Office for Drugs and Crime
UNTAC	United Nations Transitional Authority in Cambodia
VOA	Voice of America
WB	World Bank
WRM	World Rainforest Movement

CHAPTER I: INTRODUCTION

Cambodia has the reputation of being one of the most corrupt countries in Southeast Asia as well as being aid dependent. This stems from a long period of civil war and internal conflict, when corruption was facilitated by the absence of law and the lack of law enforcement. Corruption in this country takes both 'grand' and 'petty' forms, and systemically involves government officials at various levels, wealthy citizens, and business tycoons (Global Witness, 2007b). Although foreign aid plays an important role in the development process in Cambodia, corruption is an obstacle to development when corrupt officials and illegal business actors ignore democratic development and undermine aid effectiveness. This thesis will review how corruption has an impact on development as well as aid effectiveness, and examine the problem of corruption through a case study of the forestry sector in Cambodia.

1.1 Background of the Problem

Corruption is one of the major problems undermining good governance and impeding the process of democracy (Callister, 2002). It diminishes aid effectiveness, especially hindering the achievement of its development goals. Corruption in the forestry sector affects forest conservation and protection, as well as the local people's livelihood. According to Michinaka et al. (2013), local people rely on the forest for their livelihood and housing, especially those living in remote areas. In this respect, corruption in the forestry sector contributes to the reduction of non-timber forest products which most of the rural population relies on. According to Milne (2015), forestry sector corruption in Cambodia is primarily linked with illegal logging, mining, hydropower dam projects, as well as with Economic Land Concessions (ELCs) for plantations producing palm oil, sugar cane, cashew and rubber. These are driving factors of deforestation in Cambodia, and highlight an important conflict.

Local people want to preserve local resources for their livelihoods, while the government and private companies want to boost economic development by removing forest in favour of agricultural development. Private companies granted concession rights often intrude on community forests, or forest protected areas. In 2012, over 70% of land concessions granted to private companies overlapped with conservation areas, including 277 villages housing approximately 213,000 people (Milne, 2015). Furthermore, hydropower dam projects and economic land concessions across the country have negatively impacted the lives and culture of the local people, as well as animal habitats (Um, 2014). Deforestation activity commonly occurs due to the lack of law enforcement. The government fails to punish illegal loggers, and corruption is unchecked.

1.1.1 Historical Context of Corruption in Cambodia

Cambodia has a long history of colonisation and civil war, which ruined the road to democratic development. Cambodia was colonised by France from the 1860s through to the early 1950s, and occupied by Japan from 1941-45 (British Broadcasting Corporation [BBC], 2017). After gaining independence in 1953, the country developed socially and economically under the leadership of King Norodom Sihanouk in the 1960s, but slipped back into civil war due to the war in Vietnam. In the early 1970s, Cambodia allowed North Vietnamese troops to set up military bases to fight the US-backed government in Southern Vietnam. Sihanouk was ousted shortly after the war by the US-backed regime known as the Khmer Republic, led by Lon Nol. In 1975, however, this new government was overthrown by the genocidal regime led by Pol Pot. Roughly one third of the Cambodian population died in less than three years (British Broadcasting Corporation [BBC], 2017). It was noted that in this regime, the educated class was targeted for execution while others died due to starvation and diseases. Many educated people were killed or migrated to foreign countries.

Although the invasion by the Socialist Republic of Vietnam in January 1979 may have saved the lives of Cambodian people from Pot's regime, the war continued, pushing many Cambodians to flee the country and to settle along the Cambodia-Thai border or in other countries. The result of this extended conflict not only destroyed social structures, infrastructure, and human capital, but also natural resources, which were exploited to fund the civil war and manage the conflict among the Cambodian political factions (Le Billon, 2000). The Paris peace process brought about national reconciliation and fair and free elections, organized by the United Nations Transitional Authority in Cambodia (UNTAC), in the early 1990s. However, there are still lingering internal conflicts that limit the process of development in the country today. This historical context made Cambodian society vulnerable to corruption, as will be shown in the next sections.

1.1.2 Development and Corruption in Cambodia

In the early 1990s, the Paris peace process began in Cambodia. The United Nations coordinated compromises between all fighting factions, and development of the country began. Encouraged by large aid flows, international non-governmental organisations (INGOs) began their development mission to improve social development and the welfare of the local people. Development aid in Cambodia began to increase. According to the World Bank (2015a), Cambodia received an estimated \$700 million in official development assistance (ODA). Cambodia gained lower middle-income status in 2015, with the gross national income (GNI) reaching US\$1,070 per capita (World Bank, 2016), just above the threshold of the income criterion for lower middle-income countries (McGrath & Kimsay, 2016). In addition, Cambodia also achieved its poverty reduction target by reducing absolute poverty by more than half. Compared to about 53% in 2004, poverty had declined to 20.5% by 2011 (Bou, 2014).

Despite this, development still may not be achieved in a sustainable way. Corruption is a lingering factor that poses an obstacle to aid effectiveness, and to sustainable development in particular. As Graycar and Sidebottom (2012, pp. 383-388) observe, good governance will not be achieved because corruption hinders accountability and transparency, and development will not be sustainable if local people cannot participate. Although Cambodia has adopted anti-corruption laws, loopholes still exist (Ear, 2016). One example is corruption in the forestry sector, which is actively encouraged by those who have the authority to protect the forest, such as the Forest Administration (World Rainforest Movement [WRM], 2005). A recent report published by Transparency International identified Cambodia as the most corrupt nation in Southeast Asia, and ranked near the bottom of 176 nations studied for perceptions of corruption, at rank 156 (Kol, 2017).

1.1.3 The Impact of Corruption on Deforestation and Aid

Forest cover in Cambodia decreased primarily due to corrupt government officials illegally trading forestry products. According to the World Bank, as reported by Trading Economics (2015), national forest cover has dropped from 73% in 1969 to 54% in 2011 (Ra et al., 2011, p. 10). Land concessions for agricultural development are a major cause of deforestation. Forest is replaced with crop farms, as well as rubber and palm oil plantations (Callister, 1999; Milne, 2015). Consequences of deforestation include diminishing resources for local people's livelihood; damage to the ecosystem and biodiversity; an increase in soil erosion, with damaging effects on Cambodia's agricultural and fisheries sectors; and increased greenhouse gas emissions (Nadkarni, 2010). In addition, deforestation also causes conflict with military, illegal traders, and the local authorities. The World Bank has pointed out that illegal logging in Cambodia is generally exploited by the rich and powerful (Sunderlin, 2006, p. 389).

Despite the issues of illegal logging raised by development partners, and the demand for the Cambodian government to curb the practice in exchange for aid, there was no notable progress in its control and prevention (Inbaraj, 2004). In 1999, the World Bank and the International Monetary Fund offered the Cambodian government US\$470 million in aid to implement reforms to protect the forest, with Global Witness, a United Kingdom (UK) based NGO, as an independent monitoring agency (De Haan, 2009, p. 51). However, the government terminated Global Witness' role on 22 April 2003, after the organisation reported illegal logging activities (Global Witness, 2003; Inbaraj, 2004). According to Inbaraj (2004) the World Bank also funded \$30 million of Structural Adjustment Credit (SAC) in 2000, which incorporated a range of conditions concerning forest sector management.

Despite these efforts by donor agencies, illegal logging activities in Cambodia remain a major problem for achieving social development and environmental sustainability goals. Corruption in the sector also limits the process of democracy, through policy and legislation to protect corrupt interests which exclude locals. Although the United Nations Development Program (UNDP), Asian Development Bank (ADB), European Commission (EC), United States and France still continue to provide aid funds for the environment and sustainability (Council for the Development of Cambodia [CDC] (2017a), Dickison (2016) argues that total foreign aid has dropped about 14% in 2015, excluding aid given by China. This indicates that Western donors are turning away from Cambodia.

1.2 Objective of the Study

The overall aim of this study is to investigate aid effectiveness in the context of corruption in contemporary Cambodia, and to examine the impacts of corruption in the forestry sector. This thesis seeks to answer several research questions. Firstly, what is the connection between foreign aid and corruption in Cambodia? Secondly, what are the causes of corruption there, who is involved, and how does it take place? The thesis also analyses

corruption in the forestry sector, and finally seeks to explain why corruption has not been addressed effectively in Cambodia.

1.3 The Significance of the Study

Although foreign aid is significant for development in poorer countries, corruption may have a negative impact on aid. This thesis explores connections between aid and corruption and argues that poorer countries often suffer from poor governance and weak law enforcement, especially when government leaders are unwilling to combat corruption. This impacts on the willingness of donors to provide aid and the capacity of the country to develop in ways that benefit its people. This thesis aims to contribute to a better understanding of the causes, processes and impacts of corruption, and how corruption might impact new sustainable development goals (SDGs), particularly Goal 15, 'life on land', and Goal 17, 'partnership for the goals', which aim to end poverty and improve people's well-being through the protection of the environment (United Nations Development Program [UNDP], 2016).

1.4 The Thesis Framework

The overall structure of this thesis takes the form of five chapters. Chapter one gives a brief overview of the history of Cambodia during and after war, foreign aid and corruption, and their impacts. Chapter Two will provide the literature review on aid and corruption, including definitions and the implications of aid and corruption. The third chapter will review the factors of corruption in Cambodia and a brief review of the effects of corruption on foreign aid. Chapter Four will discuss the case of corruption in the forestry sector in Cambodia; this chapter will primarily focus on the causes of corruption, who is actively involved, and corrupt activities. The final chapter will present an overall conclusion relevant to foreign aid and corruption in Cambodia, the importance of aid, and its impact and deforestation and corruption in the Cambodian forestry sector.

The TASP framework (Type, Activity, Sector, Place) will be employed in the case study to analyse corruption in the forestry sector in Cambodia. This framework was introduced by Adam Graycar (Graycar, 2015) for the analysis of corruption. In the context of this thesis, the 'Type' of corruption will focus on what forms of corruption, both grand and petty, take place in the forestry sector. The 'Activity' will be significant acts of corruption that are relevant to illegal logging. The 'Sector' is the forestry sector, and the 'Place' is areas in Cambodia where illegal logging takes place. This framework is similar to other frameworks, such as that used by Transparency International (TI), an international non-governmental organisation based in Germany that works to address corruption. The TI framework focuses on activities of corruption, actors involved in the corruption, the threats of corruption, and corruption practice (Nadkarni, 2010, pp. 25, 58-67). Another similar framework designed by the World Bank concentrates on three key elements such as type of corruption, factors of corruption and scale and impact of corruption (Callister, 2002, p. 6). The TASP framework will be used for analysis of corruption in the forestry sector in Cambodia because it is more specific than others, clearly defining who and what is involved. It is thus more suitable for an analysis of corruption in the context of Cambodia.

CHAPTER II: AID EFFECTIVENESS AND CORRUPTION

2.1 What is Aid?

Aid has its origins in Europe after World War II, when the Marshall Plan was implemented to rebuild war-ravaged countries. Attention then transferred to developing countries emerging from colonial rule in the 1940s–1960s (Bräutigam & Knack, 2004, pp. 256-257). Within half a century, aid disbursements reached over two trillion US dollars (Easterly & Pfutze, 2008, pp. 1-2). Doucouliagos and Paldam (2009, pp. 456-457) argue that in the 1970s, aid for economic growth was not adequate to reduce poverty, since it aimed only to meet basic needs rather than develop sustainable economic systems. In the 1980s, aid was often conditional on neoliberal economic reforms and led to increased foreign debt in recipient countries, accelerated globalisation processes, and increased poverty in many developing countries. Aid often comes with conditions that result in most of the aid being spent in the donor country on goods, technology and expertise (Khieu, 2013, pp. 93-94). By the 1990s, there was a shift towards the bottom-up development approach, and towards sustainable development. Donor agencies increasingly recognised that people should be placed at the centre of development, and adopted participatory development approaches. Although economic development is the main purpose of aid, factors such as environmental protection, rights-based social protections, education, and health are now widely accepted as important contributors to development.

Aid can be financial assistance, technical assistance, or goods that are transferred to a country for development purposes. Although some scholars define aid differently, Morgenthau (1962, pp. 301-304) has classified aid into six categories: 'humanitarian foreign aid, subsistence foreign aid, military foreign aid, bribe, prestige foreign aid, and foreign aid for economic development'. Aid for economic development, through which donors aim to

improve the living conditions of local people in developing countries, is most relevant to this thesis. The Organisation for Economic Co-operation and Development (OECD) defines foreign aid as official development assistance to promote economic development and welfare in developing countries through bi-lateral programs and multilateral programs such as United Nations agencies and institutional funding such as the World Bank. Loans and credit for military purposes are excluded from this definition (Organisation for Economic Co-operation and Development [OECD], 2017a). Presently, the OECD consists of 30 member countries, many of which are based in Europe (Organisation for Economic Co-operation and Development [OECD], n.d) . These countries work in cooperation to identify and discuss economic and developmental problems, and to design strategies and policies to address these (Organisation for Economic Co-operation and Development [OECD], 2017b).

2.2 Why Do Countries Receive Aid?

Aid is generally granted to poor countries that need financial assistance to help meet their people's needs. Most countries reliant on aid experience social problems and economic downturn due to political turmoil and war, which create poverty and lead to a lack of social services such as education, health, infrastructure, and social justice. According to Tarp (2006, pp. 11-14), foreign aid promotes economic growth for sustainable development in developing countries. Collier and Dollar (2004, pp. 11-12,25) also state that the focus of aid is poverty reduction, but it may also assist policy reform, and reduce poverty, political instability, and conflict.

Despite these intentions, foreign aid does not always effectively contribute to development. This is often due to ineffectiveness in its disbursement, which hinders the impact of aid programs. Pilger (2005) argues that despite large aid flows into developing countries, only a small proportion of aid reaches locals or meets their needs. This is because a large proportion of aid goes to technical assistance, and to consultants brought into recipient

countries by donors. Moreover, some donors give aid with conditions attached. For instance, the recipient countries may need to purchase goods or services from donor countries (Easterly & Pfutze, 2008, pp. 3-5). Petřík (2008, pp. 1-5) also contends that foreign aid is used a political tool to promote economic cooperation, while McGillivray and Morrissey (1998, pp. 981-983) argue that some foreign aid is given to build trade relations, diplomatic collaboration, and to reinforce policies with the recipient countries. In this respect, as Doucouliagos and Paldam (2010, pp. 406-407) write, aid can help or harm. The effectiveness of aid depends on its conditions.

To strengthen aid effectiveness, the Development Assistance Committee (DAC) and multilateral development banks have worked with the international development community to provide technical support for aid recipient countries. This helps manage aid more effectively to increase its development impact. This has been done by simplifying and harmonising the donor systems and procedures, and by building on government ownership and leadership, strengthening capacity, and other diverse aid modalities. In addition, governments of recipient countries must produce their own National Strategic Development Plan (NSDP), which is the core document for development (Fukasaku, Kawai, Plummer, & Trzeciak-Duval, 2005). Moreover, Dollar and Levin (2006, p. 2036) state that donors tend to give aid to countries that have their own specific frameworks for poverty reduction, in the belief that these countries may better manage aid funding.

2.3 Defining Corruption

Corruption occurs in both public and private sectors. Corruption is a multifaceted phenomenon and is difficult to define comprehensively. Jain (2001), cited in Aidt (2003, pp. 2-3) states that “corruption is an act using public power for personal gain in contradiction to the rule” and the World Bank (WB) offers a similar definition of corruption as “the abuse of public office for private gain” (Svensson, 2005, pp. 20-21). These definitions identify

corruption as the actions of an individual or group to make personal gains at the expense of public or private interests. This may occur through legal or illegal means (Bac, 1998, p. 1). Corruption often involves public sector actors who misuse their authority (Begovic, 2005, pp. 2-3). Graycar and Sidebottom (2012, pp. 387-389) similarly state that corruption occurs when people use their role for personal advantage, while Lessig (2011, pp.234), cited in Graycar (2015, pp. 87-88), claims that the public sector facilitates corruption by allowing it to take place.

According to Graycar (2015, pp. 87-88), corruption exists in both rich and poor countries. He distinguishes two main kinds of corruption. 'Flies', or petty corruption, is the activity of bribery or extortion for money to secure business activities or other personal economic interests. Petty corruption is widespread in poor or developing countries particularly due to the lack of law enforcement. 'Tiger', or grand corruption, refers to corrupt politicians who manipulate state laws for personal benefit through enabling the private sector to access and exploit resources which are protected by law (Graycar, 2015, pp. 88-89).

Both petty and grand corruption have an impact on social development because they undermine law and law enforcement. If their governments cannot control corruption, developing countries may not be able to promote equitable access to health, education, infrastructure, agriculture, environment, or service delivery. Thus, corruption leads to the failure of the aid program, and thus a reduction of aid effectiveness. In many development programs, foreign aid plays a crucial role in ensuring that all planned activities are implemented to meet the needs or improve the living conditions of the target population, along with stakeholder participation, and to align with the development strategies of the country. If there is a lack of people's participation, there is probably a lack of transparency and accountability and thus the local people's needs are probably not met. Chambers (1994, pp. 1-2) writes that people are key to development, and without their active participation in the process, the development program's objective fails to address their problems. Local

development cannot be sustainably achieved unless people are particularly encouraged to participate in the project from the inception stage (Chambers, 2014, pp. 141-145).

Corruption occurs at all levels in society and is a barrier for sustainable development. M. Davis (2005, pp. 162-163) points out that corruption activities are often linked with friends, patrons, or other networks either in civil, police or military sectors where these officials facilitate to remove barriers in exchange for benefits. Thus, to reduce corruption, good governance should be in place and laws must be enforced by public actors regardless of personal relationships. Nadkarni (2010), identifies five elements of good governance: transparency, accountability, rule of law, participation, and equity. Good governance is also an element of democracy in which the government is accountable to its citizens. Problems should be shared with the government, who should then act to address them in consultation with their citizens.

The United Nations Office on Drugs and Crime [UNODC] (2005) indicated that corruption affects countries with weak governance and public policies. It also undermines democracy and contributes to government instability. Corruption cannot be reduced or eliminated when there is a lack of good governance, which generally depends on transparency and accountability. Gupta and Abed (2002, p. 14) state that if corruption cannot be reduced or eliminated, public institutions need to be reformed or restructured.

2.4 The Implication of Foreign Aid and Corruption

The links between aid and corruption are not clearly defined and it is not clear whether corruption increases aid or aid increases corruption. Menard and Weill (2016, pp. 262-264) argue that there are various links between aid and corruption. They point out that corruption in aid is ambiguous. In post-conflict countries, foreign aid tends to increase corruption, as a

lack of law enforcement allows opportunities for government corruption to thrive. There is also more competition to manage aid, and weakened governments are less able to collect taxes and other revenues. Alesina and Weder (1999, pp. 19-20) indicate that there is no evidence that an increase in aid decreases corruption. Alesina and Weder (1999, pp. 2-3) and De la Croix and Delavallade (2013, pp. 51-53) found that corrupt countries tend to receive more aid than non-corrupt countries, since corrupt countries are poorer, less productive, and less capable, and thus donors consider them to be in greater need of aid for development. Svensson (2000, p. 457) confirms that there is no evidence that donors are more likely to provide aid to less corrupt countries.

It is important to distinguish two types of aid that commonly flow into the developing countries: multilateral and bilateral. According to Okada and Samreth (2012, pp. 4-5), multilateral aid is more effective in reducing corruption because this aid is not linked with a historical background between donor and recipient countries, unlike bilateral aid. Moreover, multilateral aid generally aims to fight corruption and enhance governance systems (Quazi, Alam, & Tandon, 2015). Alesina and Dollar (2000, pp. 1-2) state that the countries that are politically linked and formerly colonised by a donor country tend to receive more aid from this donor compared to other countries in similar conditions. Bilateral aid generally does not have any effect on corruption. This type of aid stems from cultural and historical links, and bilateral aid donors rarely consider the level of corruption in recipient countries (Menard and Weill (2016, pp. 262-264) (see also Okada and Samreth (2012, pp. 4-5)). Weder and Alesina (2002, p. 15) also note that corrupt countries received foreign aid, for instance, from the United States, due to political expediency. In addition, an example of the bilateral aid from China to Cambodia tend to give advantages for Chinese business in the country which lead to increase corruption (Heng, 2012, pp. 57, 76). However, there are other countries, like Australia and the Scandinavian nations that tend to give aid to less corrupt countries.

The impact of corruption on aid effectiveness is well established. Michael Johnston (2005, cited in Graycar 2015, p. 88), states that corruption often occurs in non-democratic countries because their public institutions lack effective mechanisms against corruption. This, and poor law enforcement, gives greater opportunities for corruption to take place and thus hinders development. However, corruption can be reduced through foreign aid, especially multilateral aid (Quazi et al., 2015). Tavares (2003, pp. 100-104) argues that donors commonly have conditions for the recipient countries to abide in implementing the aid programs. When there is a strict rule in place, corruption is thus reduced.

Many donors focus on strengthening public institutions because good governance is positively related to aid effectiveness. This could involve the reinforcement of public policies where donors work directly to support governments to allow them to take a leading role in reformation. In this case, foreign aid also helps to support civil servants through training and other technical assistances so that they can contribute to effective program management. Aid personnel may also be directly involved with program management to ensure that good governance occurs (Bräutigam & Knack, 2004, pp. 255-257). However, these beneficial impacts of aid depend on the capacity of the respective institution. Although donors give aid, some are critical about the governance of the country, and whether this country can guarantee aid effectiveness. Menard and Weill (2016, pp. 262-264) point out that aid does not reduce corruption while there is a lack of law enforcement. In this regard, there are still gaps if the government officials who enforce the law are corrupt. This can cause many problems for local people.

2.5 Conclusion

Aid can comprise financial or technical assistance, or goods to support developing countries, and aid post-war countries in reconstruction and development. Corruption has led to a failure of aid to achieve its intended goals in economic development and poverty reduction. 'Petty'

or 'Grand' corruption both occur widely in the public sector, especially in non-democratic countries that lack law enforcement, or when laws contain loopholes by which government officials may engage in corruption with business actors.

Corruption has negative impacts on aid effectiveness. In addition, it is also ambiguous as to whether corruption makes aid or aid causes corruption. A corrupt country is often poor, suffers from post-war conflict, and lacks law enforcement because it has weak public institutions, and this is where the donor countries tend to grant aid for development, and to promote democracy and the rule of law.

CHAPTER III: FOREIGN AID AND CORRUPTION IN CAMBODIA

Introduction

Corruption in Cambodia is rooted in decades of chronic civil war, whereby political elites played the 'rule of mouth' in the absence of law, especially laws regarding corruption. This is a Cambodian term which means that leaders often talk about what they want to do rather than formulate and implement laws and regulations. While the peace accord of October 1991 brought all Cambodian political parties to the election and brought in a huge amount of aid, the election results left Cambodia with two prime ministers who ignored the interests of the nation in favour of their own political goals. Government officials, and the private business sector, used the opportunity to further personal interests, creating a culture of corruption within the country's governance. Widespread corruption now has a negative impact on aid effectiveness, undermining funded development programs. This long, internal political conflict has never been solved.

3.1 Background

Decades of civil war and internal conflict in Cambodia had a major impact on both social and economic development. War devastated social infrastructure, human capital, and depleted natural resources. It ruined economic infrastructure such as buildings, bridges, and roads, thereby limiting access to economic development. Blunt and Turner (2005, pp. 75-78) state that during Pol Pot's regime, approximately two million people died due to execution, starvation, and disease in less than three years. Many of these were intellectuals and the educated classes. Although the regime collapsed after the Vietnamese invasion of January 1979, civil war continued amongst Cambodian factions. The long lasting internal

crisis has severely depleted Cambodian natural resources, with forests cleared to raise revenue to support their armed forces, especially for exchange with neighbouring countries for military ordinances, supply chain logistics, and food supplies (M. Davis, 2005, pp. 161-165).

This internal conflict built the foundation of corruption in Cambodia. This was intensified in 1993, when differing Cambodian factions were combined into one coalition government, through a general election organised by United Nations Transitional Authority in Cambodia (UNTAC). Although this coalition government was established democratically, the political wrangling continued. The elected political parties, especially the Cambodian People's Party (CPP) and the National United Front for an Independent, Neutral, Peaceful, and Cooperative Cambodia (FUNCINPEC), tried to build their own political alliances and to generate incomes to strengthen their own parties. Members achieved this through corrupt activities made possible by the absence of law. Furthermore, government officials favoured their subordinates, especially where there are no proper laws or effective rules to prevent corruption (Biddulph, 2014, pp. 874-879).

A combination of several factors led to a breeding ground for corruption. The country lacked laws regarding rulership, and had a fragile government after the compromised 1993 general election. This led to the country having two prime ministers who did not trust one another. Each built separate personal alliances, and developed patronage networks that allowed the country to fall into corruption. Bribery became rampant at all social levels, leading to violence and the exploitation of natural resources (Un, 2006, pp. 229-230). The ground roots of war and internal conflict paved the way for corruption, which became the bedrock of the government and the business sector.

Corruption in Cambodia is strongly linked with business activity. Network, nepotism, and patronage systems plagued the reputation of the country in recent decades. Corruption is well-known among the Cambodian people; in 2016, Cambodia was identified as the most corrupt Southeast Asian nation, and ranked near the bottom of 176 countries with regards to perceptions of corruption, at place 156 (Kol, 2017). There had been little progress compared to 2013 when Cambodia was ranked 166 out of 177 countries (Keo, 2013). The Transparency International (TI) Office in Cambodia argued that this was due to a lack of government commitment to reduce corruption. The Cambodian Prime Minister did, however, attempt to curb corruption by passing anti-corruption laws, simplifying the taxing system, and eliminating excessive regulation in the international donor community meeting in Phnom Penh in 2009 (Voice of America [VOA], 2009a). In addition, in 2016, TI listed three key public institutions as the most corrupt actors in Cambodia, namely the judiciary system, the police, and government officials (Kol, 2017). Corruption is a major concern for financial institutions as well as donors, and thus conditions are set before aid is given. Moreover, the United States found that the Cambodian government lost about \$500 million annually due to corruption (Voice of America [VOA], 2009a) . This was estimated by the International Labour Organization (2014, p.59), cited in Jon ST Quah and Ear (2016, p. 159), to amount to roughly 10% of Cambodia's GDP.

3.2 Development and Foreign Aid in Cambodia

In the 1990s, Cambodia turned a new page when many international non-governmental organizations (INGOs) flocked into the country for peace building, rehabilitation, and reconstruction. These INGOs brought not only financial resources, but also human capital to develop and implement various development programs to solve local problems and address local needs. Van de Sande (2010) argues that these INGOs generally collected funds from their own governments and private business to implement the development

projects. Since the peace process, the number of non-governmental organizations working in Cambodia has increased to 3500, including locally established organizations, although some may not have been active in development activities (Domashneva, 2013). Despite much aid granted by development donors supporting the government in various sectors (Table 1), Cambodia still faces problems in ensuring aid effectiveness and combating corruption, which are obstacles for development.

Table 1: Net official development assistance (USD in Million) to Cambodia 2006-2015

2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
531.400	675.900	744.230	721.130	733.980	792.430	807.690	808.210	802.680	677.060

Source: (World Bank, 2015a)

Foreign aid has a significant role for development in the least-developed and developing countries. It helps countries improve local economic development, governance, social equality, and peace. In the 1970s, foreign aid focused on improving living standards through poverty reduction (Thorbecke, 2000, pp. 72-74). However, foreign aid may have different purposes as some donor countries may intend to build and strengthen diplomatic ties, international relations, or business collaboration. In this sense, the outcomes of aid depend on the aim of the donor countries (McGillivray & Morrissey, 1998, pp. 981-989). Many scholars (e.g. Pankaj, 2005; Bauer, 1972; Easterly, 2001; Friedman, 1958 cited in Phy (2009, pp. 17-18) critique foreign aid, using both pro- and anti-aid arguments. Critics argue that aid does not improve economic growth since it creates broadened government bureaucracies, encourages bad government, and supplements the elite classes. Pro-aid perspectives claim that foreign aid is important to boost economic growth in underdeveloped and developing countries. Leading pro-aid scholars, such as Jeffrey Sachs, Joseph Stiglitz,

and Nicholas Stern, argue that this kind of aid contributes to economic growth and good governance (Phy, 2009, pp. 17-19) . On the other hand, bilateral aid from China to Cambodia, for example, seems to give more opportunity for the elite to increase corruption, especially in the absence of strong law enforcement. This may lead to an increase in systemic corruption.

In recent decades, Cambodia has received a large amount foreign aid for peace, social development, and poverty reduction. According to Ear (2017, pp. 69-70) approximately two billion dollars were spent during the peace process organised by the United Nations Transitional Authority in Cambodia (UNTAC) in the early 1990s. Chanboreth and Hach (2008, pp. 14-18) also state that about three billion US dollars were granted for development to Cambodia between 1998 to 2007 by various donors, including the World Bank, the Asian Development Bank, the United Nations agencies, Japan, and the United States, which accounted about two-third of ODA. Cambodia allocated the national budget nearly \$5 billion in 2016, an increase of about 12% compared to 2015's \$4.3 billion budget. This increased the budgets of many government ministries. The Ministry of Agriculture, Forestry, and Fishery, responsible for the management of forest, received an increase of 25% to a total budget of \$46 million in 2016 (Sokheng & Turton, 2015). Despite the increase in financial allocation in some sectors, Cambodia still needs financial support from the donor community. According to Bertelsmann Stiftung (2016, pp. 21-22), Cambodia needs about fifty percent of the national budget in aid for development.

In addition to Western donors, China is also a major donor to Cambodia. Since 1992, China has provided up to three billion dollars in concessional loans and grants to Cambodia, which amounts to roughly \$200 million dollars annually. In addition, Chinese investment reached up to ten billion dollars in 2013. This focused on infrastructure, agriculture, mining, garment production and hydropower dam projects (Var, 2016). However, according to Zafar (2007,

pp. 124-126), the Chinese funding for development assistance is limited as most of its financial support is oriented towards building a trade relationship. Heng (2012, pp. 57, 76), criticised these Chinese investments as increasing corruption and reducing the quality of local governance, adding that China's investment is involved in the destruction of natural resources and the environment. The financial support from China is business oriented, demonstrating that there is no free aid and that donor countries give aid to benefit their own countries (McGillivray and Morrissey, 1998, pp. 981-983).

This is evident in the case of Chinese aid to Cambodia. For example, there were about 3000 Chinese companies operating in Cambodia and some received major investment projects such as infrastructure, agriculture, mining, and hydropower projects as well as garment production. This amounted to \$10 billion between 1994 to 2013 (Var, 2016). The hydropower dam, economic land concession, and infrastructure projects have major impacts on natural resources and environment degradation, and lead to deforestation. Despite such investments improving economic development and poverty reduction, Sato, Shiga, Kobayashi, and Kondoh (2011, pp. 2092-2093) argue that they are associated with risks for poor countries as they may accumulate debt they find difficult to pay back. In addition, governance reform proposed by OECD-DAC donors in exchange for aid may be unduly postponed when the recipient country cannot comply with their policies or conditions. Finally, if there is no appraisal conducted prior to investment, aid can lead to the proliferation of over-ambitious or unproductive capital projects.

3.3 Corruption in Cambodia

Corruption undermines good governance and slows democratic development. It occurs in public institutions due to the lack of the public policy enforcement (David, 2013). It is a risk for people to speak out openly about the factors affecting their daily lives, so corruption also

increases conflict when people voice claims for justice. It is hard to address corruption when there is a firm connection between the corrupt actors and government officials. This connection manifests through bribes in return for business opportunities (Neang, n.d, pp. 81-83).

The United Nations has not resolved the issue of political conflict among the Cambodia factions since its mission during the 1990s. This led to continued internal conflict and built the root cause of partisanship and political networks, thus helping to establish corruption. There has, however, been some improvement in social and economic development. In the period 1994-2015, the gross national income rose by \$1070 per capita with an average growth rate of 7.6%. The poverty rate dropped too, from 47.8% in 2007 to 13.5% in 2014 (World Bank, 2017). Despite these outcomes, the state still has problems with exploitation, corruption, and political violence, which are general obstacles to development. Regarding these issues, Godfrey et al. (2002, p. 8) also state that the current Cambodian government has retained power for over three decades, strengthening the network and patronage systems and thus prolonging exploitation and corruption. A survey conducted by TI in Cambodia found that bribery remains a problem, particularly within the public service sector. It showed that approximately 62% of Cambodian people interviewed in 2013 related to the civil registry paid a bribe. This did not include those who paid bribes in other years (Kol, 2017). According to the Center for Social Development (1998, cited in Neang, n.d, p. 82), about 84% of the Cambodian people say bribery is common in their country.

In the public service sector, government officials can attain benefits through collaboration or collusion with private business or contractors. This situation is similar to what occurred in South India on the infrastructure construction project, where project officials and engineers benefitted financially by using lower quality construction materials (Wade, 1982, pp. 293-310). According to a survey conducted by the World Bank, the majority of private companies

in Cambodia paid bribes to public officials to secure business contracts. This is enabled by a lack of accountability and weak anti-corruption laws, and is furthered by poor pay and training for Cambodia's judges and prosecutors (Voice of America [VOA], 2009b).

US government research found that Cambodia lost about \$500 million annually due to corruption (Voice of America [VOA], 2009a). Despite this, in 1997, the Cambodian government argued that the country lost only around \$100 million due to corruption per year, and that this was primarily in illegal logging, rubber exportation, and fishing (Neang, n.d, p. 82). In Cambodia, corruption occurs through several forms including bribery, embezzlement, and nepotism, which usually involves government officials as their offices grant them the means to take advantage of corrupt activities (World Bank, 1997). Graycar and Sidebottom (2012, pp. 387-389) agree that higher officials are more likely to be corrupt, since their positions afford them more opportunities for illicit profit than those of lower-ranking civil servants.

Case Studies of Aid Ineffectiveness and Corruption

Several cases of systemic corruption have impacted on aid. One example is the 'names of ghosts' (*Chhmous Khmorch* in Khmer) activities, in which public institutions misrepresented the number of civil servants for the benefit of the institutions' heads (Jon ST Quah & Ear, 2016, p. 160). This form of corruption has rarely been addressed, although it has a significant effect on aid, since much aid funding will be directed towards private interests within institutions rather than used for its intended purpose. Other instances of aid ineffectiveness and corruption have been tied to high-ranking Cambodian officials. These include government involvement in illegal logging activities in the Virachey National Park, 'Dragon's Tail', where the World Bank funded about five million dollars to protect the area for conservation in 2004. The World Bank and the Cambodian Government agreed to

implement the project to protect the 332,500 hectare area (Pheap, 2017). However, the World Bank found that illegal logging activities were conducted systemically, involving high-ranking government officials. These included the Provincial Governor, the Forest Administration, and military and police tasked with protecting the forest areas. This corrupt activity reveals a poor governance system affected by systemic corruption that directly causes aid ineffectiveness.

Another major corrupt case involved the two major National Health Programs. The Global Funds to Fight AIDS, Tuberculosis, and Malaria (GFATM) discovered, through an international audit, that senior government officials in the National Center for Parasitology, Entomology, and Malaria Control (CNM) and the National Center for HIV/AIDS, Dermatology, and Sexual Transmitted Diseases Control (NCHADS) were involved in the corruption of aid under the GFATM grants. The evidence emphasised that hundreds of thousands of dollars had been embezzled through procurement arranged by senior officials in the CNM and NCHADS (Hruby, 2013). This is an example of systemic corruption because government officials used their roles and public office to enrich themselves. Another corruption case occurred in the Ministry of Post and Communication, in which the Minister received a monthly payment from a mobile phone company for his advisory role to support the company. Other high ranking government officials have also received bribes from this company for project approval and amendment (Saroeun & Kyne, 2001).

3.4 Cambodian Government Efforts to Increase Aid Effectiveness and Reduce Corruption

Cambodia participates in many forums on aid effectiveness. Representatives from Cambodia participated in the Rome Declaration on Harmonisation in 2003 and endorsed the Paris Declaration on aid effectiveness in 2005, then joined the Accra Agenda for Action in

2008, and participated in the aid effectiveness forum in Busan in 2011. These forums were organised to follow up and ensure aid effectiveness in aid recipient countries. The forums also provided a roadmap for aid quality improvement and development impact, holding both donors and aid recipient countries accountable for their commitment (Organisation for Economic Co-operation and Development [OECD], 2005). There are other principles for the aid recipient countries to comply with, such as the need to apply the ownership approach and develop poverty reduction strategies as key documents to provide the roadmap for development. In addition, in order to tackle corruption, governments should improve the performance of their public institutions, promote stakeholders' participation and capacity building, and measure development impacts (Organisation for Economic Co-operation and Development [OECD], 2011). Cambodia worked with development partners to develop the declaration paper, with many key aspects relating to enhancing aid effectiveness. These include building partnerships and cooperation with donors toward mutual trust, and promoting accountability to improve aid effectiveness (Royal Government of Cambodia, 2006). In addition, Cambodia also developed the Anti-Corruption Law, which was approved by the National Assembly on 11 March 2010 'to promote the effectiveness of all forms of services and strengthen good governance and the rule of law in leadership in which the state government maintains the integrity and justice which is fundamental for social development and poverty reduction' (Council for the Development of Cambodia [CDC], 2010a).

Moreover, Cambodia also participated in the United Nations Convention Against Corruption (UNCAC) held in New York in 2004, and which was ratified on 5 September 2007 (United Nations Office on Drugs and Crime [UNODC], 2016). According to the United Nations, the main purpose of this convention was

to promote and strengthen measures to prevent and combat corruption, facilitate, and support international cooperation and technical assistance in the prevention of and fight against corruption, including in asset recovery and promote integrity, accountability and proper management of public affairs and public property.

This convention also outlined relevant forms of corruption including bribery, trading influence, abuse of functions, and various acts of corruption in the private sector. The convention also highlighted that corruption undermines institutions and the values of democracy as well as jeopardising sustainable development and the rule of law (Annan, 2004, pp. 3-5; Webb, 2005, p. 193).

Despite joining the aid effectiveness forums and ratifying the convention against corruption, as well as adopting corruption legislation, corruption has not been addressed, especially due to a lack of commitment to implementing the law, according to Jon, ST, Quah, & Ear (2016, p. 159) . By way of evidence, the ADB/OECD Anti-Corruption Initiative for Asia and the Pacific (2013, p. 18, cited in Jon, ST, Quah, & Ear, 2016, p. 167), points out that there were 1,193 complaints filed with the government anti-corruption unit between 2012 to mid-2013, but only nine cases reached the court.

3.5 Conclusion

Corruption in Cambodia is an obstacle for social and economic development. It hinders the process of democratic development, especially when good governance is not fully practiced. Corruption is an everyday experience; about two thirds of Cambodians have paid bribes to public offices. Public participation is also hindered because people's voices are limited, and they may lack the confidence to oppose corruption. Many businesses in Cambodia have systemically bribed public offices to obtain relevant business authorisation and to run

business activities. Furthermore, government officials were actively involved in corruption within their institutions.

The Cambodian government has made many efforts to improve aid effectiveness and to curb corruption by adopting agreements with development partners on aid effectiveness as well as promulgating the laws against corruption. There has been no remarkable reduction of corruption, particularly due to the Government's lack of political commitment. The network system, partisanship, and the patronage system continue a legacy of corruption. When corruption cannot be addressed, it indicates the weaknesses of public institutions in helping to improve the rule of law and social economic development. In the next chapter, I will discuss corruption in the forestry sector in Cambodia, which will highlight key actors and the main activities and areas of corruption.

CHAPTER IV: CORRUPTION IN THE FORESTRY SECTOR IN CAMBODIA

Introduction

In 1969, Cambodia's forest covered about 73% (13.2 million hectares) of its land area (Ra, Pichdara, Dararath, Jiao, & Smith-Hall, 2011, p. 10). Voiland (2017) states that about 1.44 million hectares of forest were lost between 2001 and 2014. This may be an underestimation, however, because the third session of the United Nations Forum on Forest in 1997 indicated that the forest already lost about 14% (King, 2003). This is problematic because the forest plays a significant role in improving local livelihood and national economic development. Ra et al. (2011, p. 9) state that, in Cambodia, the forest contributes approximately 7% to the GDP and 35% to the country's agriculture production. Globally, the forest mitigates climate change by absorbing carbon dioxide from the atmosphere. Continued deforestation will increase global carbon emissions by around 17%. This is greater than from all the world's air, road, rail and shipping traffic combined (INTERPOL). In this chapter, I will examine the role of corruption in deforestation. The chapter will provide an overview of deforestation and forestry law, and identify activities and types of corruption in the forestry sector, the impact of forest and deforestation. The chapter concludes with a review the foreign aid and corruption in the forestry sector.

4.1 Deforestation, Corruption, and Forestry Law

Cambodia is ranked fifth worldwide in terms of deforestation (Demetrianova, 2016). The World Bank (2015b) estimated that the average annual deforestation in Cambodia increased from 1.14% between 1990 and 2000, to 1.32% between 2000 and 2015. There are different explanations for this rapid rate of deforestation. Milne (2015, p. 208) argues that it is due to

uncontrolled economic land concessions (ELCs), which are granted by the government to boost economic development. About 24% of rural land has been allocated via ELCs to private companies. Cambodia introduced the concession system to allow commercial exploitation of its timber resources in 1994. As pointed out in Chapter Three, there were no comprehensive policies or laws regarding deforestation in place during the reign of the Khmer Rouge, or during Cambodia's transitional period. According to the International Tropical Timber Organization (ITTO) 2006, and Global Witness 2002 cited in Schloenhardt (2008, p. 63), within less than four years (1994-97), the government had issued 36 concessions, some secretly, applicable to approximately 70 percent of Cambodia's exploitable forests. This suggests that ELCs have enabled deforestation, rather than controlled it. In addition to ELCs, Michinaka et al. (2013, p. 12) argue that population growth also contributed to deforestation. Kishor and Damania (2007, p. 2) estimate that during 1997 only 10% of logging activities were legal. According to the World Rainforest Movement [WRM] (2005), systematic corruption in the forestry sector is a major cause of deforestation (M. Davis, 2005, p. 162). Officials within the forest administration are often corrupt, along with military and police who are responsible for managing and protecting the forest (Global Witness, 2007a, pp. 66-67).

As discussed in Chapter Three, deforestation in Cambodia began during the civil war period. Cambodia's fighting factions exploited forest resources to generate revenue in support of their armies (Le Billon, 2000, pp. 789-791). Even after the peace process, Cambodian political parties continued to use logging activities for revenue, to strengthen political alliances, and to support their individual political parties. In the 1990s, logging played an important role in enriching political elites and maintaining their power (Biddulph, 2014; Milne, 2015, pp. 206-208). Biddulph (2014, pp. 877-878) added that during the late 1990s, the ruling party utilised corruption in the forestry sector to incorporate the Khmer Rouge into the government. On the other hand, when the government lacks effective measures to protect

the forest, the state is left with rampant corruption in the sector. Callister (2002, pp. 13-14) writes that corrupt government involvement in the sector encourages illegal logging throughout the country. Primarily, private businesses who have close relationships with government leaders are involved in deforestation and illegal logging activities through the economic land concessions.

In the 1990s, there was no law in place to crack down on illegal forest business. This enabled the elected government to create allegiances with rival political party members, and to increase their power by allowing exploitation of the forest rather than protecting it. Moreover, an increase in both local and international private companies after the peace process also allowed higher-ranking politicians and government officials to engage in corruption in the forestry sector. Private business actors, allied with governing political bodies, took advantage of illegal logging to enrich themselves, and supported governments that allowed illegal logging activities (Global Witness, 2015, pp. 12, 14, 60).

Corruption in the forestry sector in Cambodia is systemic due to favourable rules and regulations enacted by corrupt actors using their office roles (Svensson, 2005, pp. 20-21). According to Milne (2015, p. 204), higher government officials make use of laws and regulations that allow their alliances with business to generate revenue. She categorised this relationship as 'two sides of the same coin'. Even when laws were enacted, there was still space for corruption to occur, despite illegal logging being classified as a crime (Goncalves, Panjer, Greenberg, and Magrath, 2012, pp. 31-35). In Cambodia, a well-known environmentalist, Chut Wutty, was shot dead in 2012 when he conducted an investigation into illegal logging activity in the Koh Kong province. Hang Serei Oudom, who wrote about the links of elites to illegal logging, was also found dead about six months later in another province (Global Witness, 2015, p. 11). Despite crime and endemic corruption, Un (2006, p. 229) states that only few government officials had been investigated or sent to custody.

Under anti-corruption law, anyone found to be corrupt faces up to 15 years in prison (Council for the Development of Cambodia [CDC], 2010b).

The World Bank advises that corruption is a major factor causing poverty in Cambodia, leading to the depletion of natural resources (Voice of America [VOA], 2009b). Deforestation and illegal logging activities continue, and the government does not have effective measures to address the problem. This is despite Cambodia's Prime Minister expressing his concern over illegal logging as a major problem, and committing to stop illegal activities and to discontinue licensed companies who commit deforestation (Demetrianova, 2016).

The root cause of corruption in the forestry sector in Cambodia commonly occurs through economic land concessions (ELCs) granted to private companies, particularly for agricultural development and hydropower dam projects, which allow these companies to commit illegal logging (Milne, 2015). Most often, private companies who obtain concession rights clear and log trees not only in the concession zones but also in neighbouring community forest (Global Witness, 2007a, pp. 62-66; Schloenhardt, 2008, p. 62). This often involves corrupt government officials, according to Global Witness (2007a, pp. 62-66). On top of this, companies encroaching on community forest causes violence. Goncalves et al. (2012, pp. 17-18) point out that the connection between high-ranking officials and illegal corrupt parties increases the power of logging companies, and affected communities are powerless to protect their own forest. Intimidation and threats are common, and local communities are the losers in this situation. Despite these problems, roughly 70% of ELCs awarded to the private companies overlapped with conservation areas in 2012 (Milne, 2015, p. 202).

There have been attempts to curb illegal logging and deforestation. In 2002, the Forest Law was passed to protect Cambodia's forests. The wording is clear on issues of transparency, although illegal logging continues. The Government of Cambodia state that:

The Forest Law (2002) which was ratified by the Cambodia National Assembly on July 30, 2002 and by the Senate on 15 August 2002 is to ensure the sustainable management of the forests for their social, economic and environmental benefits, including conservation of biological diversity and cultural heritage (Chapter1: Article 1). The law also specified that the FA shall perform its duties in a manner consistent with principles of transparency, thereby ensuring the right of the public to participate in decisions regarding the management, sustainable use, and conservation of the forests (Royal Government of Cambodia, 2002).

Although corruption in the forestry sector was curtailed when all the forest was placed under the state control through the forestry law (2002), Milne (2015, p. 204) argues that the relevant regulations and laws still have gaps for corrupt opportunists. Milne added that this initiative was designed to impede the activities of tiny illegal business groups or local villagers, and that loopholes exist for acts of grand corruption under the Forest Administration (FA), the key government institution with the authority to manage the forest. Durst (2010, p. 4) states that the FA, established in 2003, was replaced by the Department of Forestry and Wildlife and later the Forestry and Environment Technical Working Group was also organised. This Technical Working Group was joined by the Government and development partners, and was established to provide the coordination to support and strengthen development activities within the sectors. A four-year Forestry and Environment Action Plan 2007-2010 was also developed to promote sustainable and equitable forest management.

Despite the forest law and efforts in the management of the forest, corruption in the forestry sector continued and has negatively impacted forest resources and the livelihood of the local people. According to Doig and Theobald (1999, p. 3), corruption is the use of public services

for personal interest, and the attainment of legislative support from a corrupt network. As Milne (2015, pp. 204, 214) points out, the law does not work when high government officials are corrupt. A country with a weak judiciary system, a lack of good governance, and a weakened rule of law is unable to combat corruption. According to Ali and Isse (2003), Tavares (2003), Charron (2011), Okada and Samreth (2012), Asongu (2012), and Asongu (2013), cited in Quazi et al. (2015, p. 22), only countries strong in these areas can diminish corruption, as they can prosecute the rich and powerful involved in corruption.

4.2 Types and Activities of Corruption

There is both grand and petty corruption in the forestry sector in Cambodia. Bribes are common; 'gift' or 'material' corruption is often used to secure business and trading (Global Witness, 2007a). Corruption also occurs through exchanges between high-ranking government officials and tycoons or timber smugglers. Individuals may be 'promoted' to positions within lucrative sites, which are then used for personal advantage (Agoes, 2016). Other types of corruption include payments to accelerate paperwork, such as to gain approval for business transactions (Johnson, Hyde, Rosenfeld, Sokchan, & Pisal, 2014, p. 190; Moktan, Pizarro, Wehrle, & Pohl, 2006, p. 33; Saroeun & Kyne, 2001). On top of this, tiny illegal loggers, as well as local villagers, are forced to sell timber to companies owned by the tycoon or face government crackdowns (Global Witness, 2015, p. 17). These types of corruption are formed through corrupt networks, patronage, and nepotism. Despite varied routes to corruption, the patronage system and kinship are generally found to be the underlying bases (Milne, 2015, pp. 221-224).

In addition, the Forest Administration (FA) commits corruption through the promotion and assignment of its forestry staff. The FA is an institution under the Ministry of Agriculture, Forestry and Fisheries that exists to protect the forest and to ensure that qualified staff are

deployed at checkpoints. However, this institution corruptly sells these positions. As indicated by the Global Witness (2007a, p. 8), up to five hundred positions were sold at no less than USD\$2 million overall. The price of each position depends on where it is based, and the level of forest resources from which the position holders can have opportunity to collect bribe from the smugglers. By bribing their way into such positions, officials can then engage in further corrupt activity and increase corruption.

The activity of corruption in the forestry sector can be called institutionalised, as it involves relevant people who are influential in decision making and have the authority to protect the forest. It was found that high-ranking officials have actively participated in illegal logging activities for personal extra income. According to M. Davis (2005, p. 162); Global Witness (2007a, p. 162); Milne (2015, pp. 222-223); and Svensson (2005, pp. 20-21), higher government officials use their official duties and roles for personal advantages. Higher government officials are not only corrupt, but may favour staff who also engage in corruption. Biddulph (2014) states that political leaders favour lower level officials as part of the earning on their political interest.

Other corrupt activities include direct payment in cash, intimidation, extortion, and paperwork favours to facilitate the working process. These activities are usually committed by those who have more influence in decision-making processes, as well as those who have the authority to protect the forest at local levels. This includes military stationed near the forest, and police that conduct patrols and set checkpoints. Extortion of tiny loggers is common, as are illegal logging activities, particularly to enrich their commanders (Global Witness, 2007a, pp. 12-14). Similarly, Global Witness (2007a) and Milne (2015) indicate that forest rangers who patrol and monitor the forest for deforestation actually receive incentives or materials in exchange for not reporting such activities.

Tycoons who engage in illegal logging activities partly share revenue with corrupt government officials, who in turn pave the route for their activities. Global Witness (2015, p. 17) points out, through interviews with local people, that 'the environmental officials, the park rangers, the military police, the soldiers, and the local authorities, all are seeking and looking for timber for the company'. Agoes (2016); Billon (2002); Global Witness (2007a); and Milne (2015) all point out that various actors are involved in corruption in the forestry sector, as they cooperate with illegal logging actors for personal benefit. They also indicate that tycoons support the ruling party through exchanges to pave roads, build schools and temples, and other local infrastructure. Tycoons also give financial aid to construct offices and supply transportation for the military, police, Forestry Administration and forest rangers in some provinces. Corruption in the forestry sector increases when corrupt officials fail to enforce the law, and is worsened by a lack of community participation in forest management.

4.3 The Impact of Deforestation

According to Michinaka et al. (2013), the forest is a boon to the local people, providing forest products such as wood and housing. The Ministry of Planning (2015, pp. 9-12) indicates that around 60% of about 3.2 million houses in Cambodia are built from wood. In addition, local people collect mushrooms, consumable tree leaves, fruits, cassava as well as resin to support their livelihoods. According to De Lopez (2001, p. 386) forest products can also be used in medicine. Moreover, the forest is used to generate income, such as for raising livestock and other activities (Sunderland et al., 2013, p. 6). Deforestation does not just threaten livelihoods; ecosystems and biodiversity are at risk, and greenhouse gas emissions increase with deforestation. Farming activities such as slash and burn farming, firewood collection, and logging are also types of deforestation (Koyuncu & Yilmaz, 2009, pp. 215-220). According to Um (2014), deforestation impacts local cultures and wildlife habitats. It

also creates obstacles to sustainable forest governance and management (Nadkarni, 2010, pp. iv, 23).

Despite the forest's importance, De Lopez (2001, pp. 385-386) argues that local people are rarely consulted regarding the impact on the forest, notably when the government planned and implemented so-called economic development projects that led to illegal logging and deforestation. Deforestation, as well as illegal logging activities, occurs particularly where private companies are granted the rights to implement the ELCs, and encroach upon community forest beyond the ELC zones. This occurs frequently, since ELCs awarded to private companies often overlap with conservation areas. In 2012, approximately 70% of ELCs did so.

Deforestation and illegal logging also cause problems to local communities. ELC companies' intrusions into forest protected areas lead to increased logging and locals being evicted from their communities. Cambodia's land law states that 'no authority outside the community may acquire any rights to immovable properties belonging to an indigenous community' (Article 27). K. F. Davis, Yu, Rulli, Pichdara, and D'Odorico (2015, p. 774) also state that hundreds of ELCs encroached on indigenous land. On top of these, Demetrianova (2016) writes that, since 2008, approximately two million hectares of land has been transferred to private companies, most of which was taken from farmers and local residents. Regarding economic development, Hughes (2008, pp. 71-73) points out that local communities should be encouraged to participate in local development activities, because it is important for them to know what will happen in their community rather than to force them off their land. However, locals are rarely consulted about large-scale economic development projects. When consultation does occur, affected communities are rarely given proper compensation. Their voices are rarely heard.

4.4 Foreign Aid and Corruption in the Forestry Sector

Foreign aid is vital to development in poor, post-conflict countries. It arrives through development agencies such as non-governmental organizations (NGOs) and multilateral and bilateral aid programs. In Cambodia during the last seven years 2011-17, approximately \$119 million was granted to the Environment and Sustainability Sector by various donors (see Table 4.1) (Council for the Development of Cambodia [CDC] (2017b). The Council for the Development of Cambodia (CDC) is the government institution responsible for coordinating development and aid programs. Although there is no specific data on how much aid was granted to forest protection, in 2016 there were about 33 projects related to sustainability and the environment implemented in Cambodia, which cost over \$27 million (see Table 4.2). Bearing in mind that NGO ODA data were not available for 2017, the table shows that the amount of ODA for the environmental sector declined in the last two years after a significant increase in 2015. According to the World Bank (2015a), overall ODA to Cambodia was about \$3.21 billion in four years (2011-2014), which is approximately about \$800 million annually (see Table 3.1). In 2015, Cambodia received approximately \$680 million, a decline of over about 10% in the overall ODA volume compared to the previous four years.

Table 4.1**Aid Disbursement for Environment and Sustainability (in Thousands of US Dollars) 2011-2017**

Sub Sector	2011	2012	2013	2014	2015	2016	2017
Environment protection	9,155.67	7,491.18	17,122.98	13,994.28	22,746.08	8,758.99	7,337,896
Nature conservation and protection (protected areas)				4,259.82	6,304.09	7,441.13	5,554,100
Environmental knowledge and information			824.03	200.00	450.87	873.28	365,462
Green economy					23.37	23.21	
Biodiversity and biosafety				36.00	64.42	1,218.80	2,835,000
Science and technology for sustainable development					158.32	404.71	470,099
Other	600.43	88.62	59.36	241.57		59.19	
TOTAL	9,756.10	7,579.80	18,006.37	18,731.67	29,747.14	18,779.31	16,562.55

Source: (Council for the Development of Cambodia [CDC], 2016)

Table 4.2**Official Development Assistance (ODA) for Environment and Sustainability 2016**

Environment and Sustainability Sector Profile			
Sub-Sector	# Project	USD	% of Sector ODA
Environment protection	15	8,758,992	46.6%
Nature conservation and protection (protected areas)	6	7,441,132	39.6%
Environmental knowledge and information	5	873,279	4.7%
Green economy	1	23,213	0.1%
Biodiversity and Biosafety	4	1,218,800	6.5%
Science and technology for sustainable development	1	404,710	2.2%
Other	1	59,189	0.3%
ODA:		18,779,315	68.6%
NGO:		8,598,408	31.4%
Total:	33	27,377,723	100%

Source: (Council for the Development of Cambodia [CDC], 2016)

The CDC data shows that around 32 development partners exist in Cambodia. Yet only around five provided aid to the environment and sustainability sector in 2015 and 2016, and only three did in 2017 (Table 4.3). In 2015, the United States provides about 77% of total funds. The Asian Development Bank (ADB) provides over 11%, the United Nations Development Program (UNDP) provides 7%, the European Commission (EC/EU) gives less than 4%, and France less than 1% (Council for the Development of Cambodia [CDC], 2017a). However, among the major three donors in this sector between 2015-17, the US and UNDP reduced their funding while the ADB's increased. The UNDP decreased aid nearly 40% while the US dramatically decreased its funding for Cambodia's forest sector by up to 99.84% (only \$25,000 granted in 2017). The ADB, however, increased its funding by about 48% compared to 2015. However, according to Connor (2017) , the US plans to cut its global foreign aid contributions by approximately 70%. These decreases may be due to donor countries' respective foreign policies, but also due to the Cambodian Government's inability to implement the rule of law. Systemic corruption impedes the protection of the forest, and the effectiveness of aid granted.

Table 4.3

Funding Disbursement by Sector 2015-2017 (in thousands of US Dollars)
Thematic Marker: "Environmental protection (other than climate change-related)"
Thematic Level: "Moderate"

No.	Development Partners	Environment and Sustainability			Total
		2015	2016	2017	
1	FAO				
2	IFAD				
3	ILO				
4	UN Women				
5	UNAIDS				
6	UNDP	1,534.20	1,998.94	930.38	4,463.52
7	UNESCO				
8	UNFPA				
9	UNICEF				

10	UNIDO				
11	UNODC				
12	WFP				
13	WHO				
14	World Bank				
15	ADB	2,356.00	4,500.00	3,500.00	10,356.00
16	Global Fund				
17	GAVI				
18	EU/EC	792.94	578.59		1,371.53
19	Czech Republic				
20	France	23.37	23.21		46.58
21	Germany				
22	Ireland				
23	Sweden				
24	UK				
25	Australia				
26	Canada				
27	China				
28	Japan				
29	New Zealand				
30	The Republic of Korea				
31	Switzerland				
32	USA	16,090.64	85.00	25.00	16,200.64
GRAND TOTAL		20,797.15	7,185.74	4,455.38	32, 438.27

Source: (Council for the Development of Cambodia [CDC], 2017a)

Although there is no specific proof for the cause of foreign aid reduction in this sector, it is alleged that deforestation, as well as illegal logging and corruption, revealed a lack of good governance and eroded trust and confidence in aid effectiveness. Annan (2004, pp. 3-5); J. Callister (2002, pp. 6, 30); and Nadkarni (2010, pp. iv, 23) agree that corruption undermines good governance and the rule of law, but corruption cannot be addressed when the governance system is weak. Corruption is an obstacle to economic development, leaving the country reliant on aid while simultaneously decreasing its effectiveness.

Some donors fund corrupt countries that attempt to combat corruption by improving local governance. For instance, in Cambodia, the Asian Development Bank (ADB) and the World Bank (WB) supported projects to promote sustainable management even though these projects are not immune to charges of corruption (Hays, 2014). Development initiatives still take place because the donor countries want to see that barriers to development are removed. However, some donors may reduce or stop funding, or continue with conditions. Hays (2014) observes that due to corruption, especially in the forestry sector in the 1990s, the International Monetary fund cancelled a \$120 million loan, and the World Bank suspended direct aid to Cambodia. These financial institutions set the conditions for the government to address corruption in its forestry sector, and the government targeted illegal logging and banned export and import of logging equipment. However, these measures only minimally reduced corruption, while illegal logging and corruption still occur. In this respect, Inbaraj (2004) argues that the WB should castigate Cambodia for not doing enough to curb illegal logging activities and the misuse of state resources by the rich and powerful.

Deforestation and illegal logging in the Vireak Chey National Park were significant detriments to the donation of foreign aid. The WB provided funding to protect the forest, but illegal logging took place with the involvement of corrupt government officials (Pheap, 2017). An interview with the commune chief also indicated that corrupt government officials and illegal business actors both logged illegally, and transported the logs which destroyed the road built with the fund granted by the Asian Development Bank.

They come and cut trees without informing the local authorities.

They electrocute the fish, they destroy the forest, the logging trucks destroyed the roads paid for by the Asian Development Bank; our livelihoods are lost (Global Witness, 2015, p. 14) .

Clearly, donors may be reluctant to provide aid knowing that corruption could impact its effectiveness. Quazi et al. (2015) argue that foreign aid, especially multilateral aid, can help curb corruption through the improvement of good governance. Nadkarni (2010, p. 23) states that good governance cannot be in place unless the rule of law is practiced so that everyone is accountable and can participate. Equality plays a strong role in preventing corruption. However, if foreign aid is reduced and corruption is still active then the country will not be alleviated from poverty. For this reason, foreign aid is crucial to improving good governance and the rule of law, and thus to reducing corruption.

4.5 Conclusion

Corruption in the forestry sector in Cambodia undermines good governance and aid effectiveness. The lack of participation and the weakness of law enforcement has a negative impact on the management of the forest. Illegal logging in Cambodia is commonly structured in a network driven by various actors. Government officials, tycoons, concessionaries, police, and military collude to create logging syndicates. Most corruption activities in illegal logging involve bribes, materials, and gifts in exchange, while economic land concessions for agricultural development and hydropower projects provide a route to illegal logging. Illegal logging cannot take place without the consent of relevant government officials who have the authority to protect and manage the forest. This has ruined good governance practice, and devastated natural resources.

The lack of political will is the major threat to good governance. It is an obstacle to combatting corruption, especially when corruption involves high-ranking officials. Corruption in illegal logging has also created a lack of trust among donor communities, which impacts upon aid effectiveness, especially when the Government does not take effective measures to address it. Moreover, local people are not fully participating in the conservation and

management of forest; instead, they are being intimidated by corrupt actors, and are the victims of forestry-related crime that occurs when they claim their right to territories intruded upon by the corrupt syndicate.

To reduce corruption, foreign aid still plays an important role. It is vital to preserve forests' natural resources that will improve the livelihood of local people and thus alleviate poverty. Foreign aid also helps to improve good governance; without aid, developing countries like Cambodia will face further problems with corruption which will, in turn, prevent the proper rule of law.

CHAPTER V: CONCLUSION

5.1 Foreign Aid and Corruption

Foreign aid can be effectively managed for sustainable development if there is no corruption involved. Poor, post-conflict countries primarily depend on foreign aid for social and economic development toward reconstruction and poverty reduction. However, corruption arises due to the destruction of social capital during conflict. Corruption hampers aid effectiveness and is thus an obstacle for development. Sustainable development only works if aid is effectively managed; corruption prevents the realisation of the intended development goals.

Corruption can be distinguished as 'grand' or 'tiger', and 'petty' or 'flies'. 'Grand' corruption involves high government officials who manipulate laws or policies for private gain, while the 'petty' corruption involves minor bribes and individual acts of extortion. Corruption thrives when law enforcement is lacking, and this has a negative impact on sustainable development, deepening existing inequalities.

Corruption emerged widely and systemically in Cambodia due to weak law enforcement and a limited capacity to implement laws, resulting from the long period of civil war. It is also difficult to distinguish between grand (systemic) and petty (small) corruption, because corruption in Cambodia is prevalent throughout public institutions. In addition, complex bureaucracy enables corruption, slowing down application approvals. Business actors thus offer bribes to speed up the process. This private income for officials encourages them to continue this informal approach to application approvals. A significant cause of corruption is civil servants' low income, which cannot meet their basic needs.

Cambodia also suffers from systemic corruption associated with undemocratic politics. Stakeholder participation in development decisions is lacking at local level, which diminishes accountability and transparency. For example, the eviction of local people from their residences, through so-called economic development, is a common tactic employed by land grabbers. This specifically occurs when there is no mutual agreement between parties, mostly due to low compensation offered (Schneider, 2011). This is a result of high-ranking government officials exercising power over local governments for personal gain, in collaboration with business actors. This is a clear undermining of good government, hindering the process of local democratic development. Locals are powerless to prevent this, since they have limited opportunities to engage and voice their perspectives.

Foreign aid flowing into corrupt countries remains a significant barrier for development. According to Menard and Weill (2016, pp. 262-264), it is ambiguous whether corruption causes foreign aid, or vice versa. Corrupt countries are often poor due to post-war conflict where the governance structure and legal system have collapsed. They also suffer from limited human resources to promulgate and enforce laws in their public institutions. It seems clear that such countries should receive more aid, despite corruption. This should allow it to improve its governance for social economic development and reduce poverty. Furthermore, some donors may not consider corruption when providing aid.

Collier and Dollar (2004, p. 21) write that 'even if aid cannot significantly reduce corruption, corruption can significantly impair aid effectiveness'. Foreign aid can, in fact, also instigate corruption. Recipient countries dependent upon aid may not have high levels of accountability and transparency, and may collect taxes inefficiently, or high levels of poverty may reduce revenue. Furthermore, a lack of law enforcement and strict anti-corruption measures in governance and in aid programs enables corruption. This will reduce aid effectiveness in local development programs. Alesina and Weder (1999, pp. 19-20) contend

that there is no evidence that an increase of aid decreases corruption, while Alesina and Weder (1999, pp. 2-3); De la Croix and Delavallade (2013, pp. 51-53) point out that corrupt countries tend to receive more aid than non-corrupt countries.

5.2 Corruption in the Forestry Sector

Corruption in the forestry sector has developed since the 1980s when the Cambodian factions used the forest as their primary source to generate revenue for their armies and operations. Even though national reconciliation began during the decade, all major political parties still used the forest to gain political strength and to keep and mobilise their alliances. This, as well as illegal logging, left the forest cleared. Since then, private businesses were established and logging syndicates were also organised as a network in collusion with relevant corrupt government officials (Global Witness, 2007b; Milne, 2015). In 2002, in spite of the fact that forestry law was adopted, corruption in the forestry sector continued through ELCs for agriculture development and hydropower, which hinder attempts to conserve and protect forests. Corruption in the forestry sector involved high-ranking government officials, as well as tycoons and the wealthy, who had the power and authority to facilitate and conduct corrupt activities. Interestingly, top government officials in the Forest Administration used public office to commit corrupt activities, including the sale of 'motivated positions', through which holders can make personal incomes by committing informal, illegal activities (Global Witness, 2007a, p. 8).

Corruption in the forestry sector causes the destruction of forests and the non-timber forest products. This does not only have negative impacts on natural resource management and the protection of wildlife habitats and other scarce natural resources and wildlife, but also affects the lives and the livelihood of the local people and their community forest, especially when logging and other private business companies intrude beyond the concession area.

into the nearby community forests (Global Witness (2007b), Global Witness (2015), Michinaka et al. (2013), Milne (2015), and Nadkarni (2010)). Moreover, corruption in this sector has allowed illegal logging to spread to an extent that will have adverse impacts on the climate change.

Corruption in Cambodia also affects aid flows and their effectiveness. Development partners, such as the GFATM, removed the role of the 'principal recipient' (PR) from two national health centers after aid given to combat malaria and HIV/AIDs was corrupted by the higher government officials. The World Bank and the IMF, as well as other donors, also offered aid to support the Government, on the condition that it further reformed the forestry sector to combat corruption and illegal logging. The Government agreed, but no higher corrupt government officials have since been sentenced, and corruption in the forestry sector continues. It is perhaps not surprising that the volume of aid granted to the environment and sustainability sector, in particular, has decreased in recent years (Council for the Development of Cambodia [CDC], 2016, 2017a). On the other hand, corruption may have helped to increase private sector investment in Cambodia, which has boosted economic growth in Cambodia in recent years. However, continued corruption is likely to pose barriers to investment, particularly internationally, and encourage them to turn to less corrupt neighbouring countries (Lim & Stern, 2002, p. 46).

It is hard to tackle the issue of corruption in the country given the lack of political will for change. The Government agreed to fight corruption and illegal logging, but these activities continue. Fewer corrupt agents are sent to court, and no high-ranking government officials are investigated. Laws are unlikely to be implemented effectively since it is corrupt actors who implement the law. There are, clearly, significant barriers to the fight against corruption in Cambodia.

Several mechanisms must be considered to reduce corruption. These include improving the living conditions of the people through economic development, and combatting forms of discrimination that deny people the freedom to express their concerns, exercise their rights, and take part in social activities. In addition, the Government should raise the salary of civil servants to increase the fulfilment of their basic needs, and move to resolve the issues with office bureaucracy. It is also crucial to promote all levels of media so that they may criticise the Government and talk freely about issues of corruption. Furthermore, the Government should enforce the laws to end corruption, and, in particular, take effective measures to arrest and fine corrupt actors regardless of their connections to powerful Government figures. The Government must promote community participation and empower individuals to preserve and protect public property. Finally, the judiciary system in Cambodia should be independent and separate from political interests. When all factors are addressed, corruption in Cambodia should be decreased, and aid will better assist the country in its democratic development and the betterment of its citizens. Everyone will have a greater opportunity to make a living within this healthier society.

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