

# Cambodia New Vision

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## Closing the Commune/Sangkat Councils Conference

..., I have a great pleasure and honor to join you all in closing the Second National Conference of the Commune/Sangkat Councils (CS) and share with you all my view on decentralization in Cambodia. I would like to extend my profound gratitude to you all for your participation and valuable inputs raised in this conference.

Moreover, I highly appreciate the National Committee Supporting Communes/Sangkat and the Ministry of Interior for taking this initiative in organizing this National CS Conference, which is an important national event in 2004. On one hand, this conference is indeed an opportunity for us to review the achievements, difficulties, experiences and the challenges throughout all our decentralization reform efforts. On the other hand, it provides an ample opportunity to reflect and build up the consensus among all the stakeholders to improve our policy and further implement the decentralization program. Taking this opportunity, I would like to particularly appreciate the United Nation Development Program (UNDP) and German Technical Assistance Project (GTZ) for sponsoring this conference.

Over the past 3 days, the conference has worked very hard to achieve its objective, reviewing the performance and difficulties in decentralization reform and revitalizing the process of establishing commune/sangkat associations which was once discussed in the first CS Conference in 2003. As we are all

aware, the Royal Government of the Third Legislature of National Assembly has introduced the "Rectangular Strategy" for Growth, Employment, Equity and Efficiency in Cambodia. The core of this Rectangular Strategy is good governance focusing on four reform areas:

1. Combating Corruption,
2. Legal and judicial reform,
3. Public administration reform including decentralization and deconcentration, and
4. Reform of armed force especially demobilization program.

Indeed, we have clearly envisaged the decentralization and de-concentration as an important reform program which forms the core of the Rectangular Strategy. This reform program is a continuing process in implementing the Triangle Strategy of the 2<sup>nd</sup> term Royal Government. In implementing this reform policy over the past 3 years, we have seen that decentralization reform program has made more progress than the de-concentration program. Moreover, the absence of policy framework, strategies and organic laws governing provinces and municipalities, and districts and Sangkats are the challenge of the RGC's public administrative reform, which requires consistent realignment of the two programs. This includes improved coordination between vertical and horizontal lines of administration. This should be considered for appropriate  
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**16 December 2004** (Unofficial Translation of Selected Comments)

## "No to Illegal Checkpoints" — Closing the Good Governance for Poverty Reduction and Development National Seminar

... In the last few days the conference has made great efforts under the above topic and covered all aspects on issues concerned. What I have brought up on the opening day of the conference picked up only a small fraction of the whole aspect. With the efforts of the conference member, we have indeed disclosed many issues. Though we concluded that we have realized good governance step by step, we also acknowledge that shortcomings are still challenging us from this time onwards. If we are one hundred percent good, we do not have to

organize this conference, and vice versa if we are totally incompetent, we are not here today but falling apart long ago. But we do not forget that despite a good result we have achieved, some shortcomings must be brought for further improvements. We must look at the truth.

... What our conference has brought out to light is not for display but for action. Before getting into recommendation part, may I make a small remark on what HE Sok An has said in his report just now in relation to  
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**16 December 2004** (Unofficial Translation of Selected Comments)

## "No to Corruptions" — Opening the Good Governance for Poverty Reduction and Development National Seminar

... Today we have to address the issue to its roots and we also have some proofs to present here in relation to income generation for the state coffers. We have talked a lot about good governance and covered all out aspects of the issue in the political platform of rectangular strategy. I would have the conference's attention on an issue which is to generate income, while a lot has been discussed on how to spend money. I would like to flesh out some challenging issues for our discussion. Have we collected all the money that should have been collected already? I mean the tax payment that should have been collected by the customs. It is simple to say that we have not collected all of them yet. We have lost tax payment in many ways. First we used to

have tax exemption problem. But since December 02, 1998, Cambodia ceased this form of tax loss. In the first term of the Royal Government, a member of the National Assembly could import two vehicles free of tax, and later it was followed by the Generals in the army and the police. We had hundreds of vehicles imported for no tax. It was on that day of December 02, 1998, that the culture of tax exemption had been finished.

... *We now still have to face with problem of tax evasion*  
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change in order to ensure the governance structure at all levels having clear roles and authority and adequate resources to provide services and development that significantly contributes to poverty reduction. With this objective, the Royal Government established a working group to cooperate with donor working group to prepare medium- and long-term policy and strategy framework on decentralization and de-concentration.

In this process, the Royal Government has assigned the Deputy Prime Minister SAR Kheng to lead and provide guidance to the working group. I believe that the policy framework and strategy on decentralization and de-concentration will have positive impacts on administrative policy and institution in all the RGC's ministries and institutions. Thus, this reform is such a big reform program that requires careful study and consideration. Due to the nature of this task, the Royal Government has established an inter-ministerial committee consisting of ministers from relevant institutions to prepare the draft organic law for provinces and municipalities and districts/Khans. In this sense, the working group preparing the policy framework and strategy on decentralization and de-concentration shall work under policy guidance and direction of this inter-ministerial committee. I hope that the policy framework governing provincial/municipal and district/Khan administration will be submitted to the Royal Government for discussion in 2005 and the draft organic law governing these administrations will be prepared and also ready for consultation with all stakeholders in 2005.

Also, we should remember that the first term of Communes/Sangkat councils will end in 2007. Before this first mandate

ended, I would like to propose to the National Committee Supporting Communes/Sangkats to review the policy, system and legal framework supporting the process of Commune/Sangkat decentralization. Indeed, this process is the outcome of consultation and agreement among all stakeholders that has begun in early 2005. Thus, the government will have enough time to make final decision on the scale and scope of commune/sangkat decentralization for the second term of commune/Sangkat councils.

As we are all aware, decentralization was initiated with 3 broad objectives:

- Building up democracy with local participation,
- Facilitating economic and social development, and
- Contribute to national efforts in reducing poverty

At the same time, it is equally important that decentralization creates opportunity and promote the role of non-governmental organizations and local communities to participate in development process and ensure that the local population can express their needs and interest by demanding local authorities to response to their needs and interests.

Indeed, the Commune/Sangkat Councils were established with a mandate provided by the people in order to serve their interest. The Royal Government envisages decentralization and de-concentration to be a process that brings governance and public services closer to the people and transform governance to be participatory, democratic, accountable, transparent, and efficient. Moreover, provincial/municipal and district authorities must be proactive and continue to work hard to support communes and Sangkats,

while fulfilling its active role in providing services and development. Therefore, it is important to establish cooperation between decentralization and de-concentration in which the two have to develop together.

Since the beginning of decentralization reform, it has drawn interest and concern from all milieus that have never had before. Many national and international institutions and experts have published several documents on decentralization in Cambodia. As for the Royal Government, the National Committee Supporting Communes/Sangkats has finalized its comprehensive assessment on decentralization. In addition, findings from the assessment are that decentralization reform contributes to strengthening of democracy with local participation and promotes initiatives at local levels for local development...

Despite such assessment, we are still at the earlier stage of decentralization. Thus, there is a long way to go. At this early stage, we are steadfastly moving forward with strong commitment and based on what that we have learned from others, and further building up on our good practices and experiences. Taking this opportunity, I would like to briefly mention on achievements of the Royal Government in decentralization, since the commune/sangkat election in 2002:

**First**, policy framework and other regulations have been formulated with facilitation by the National Committee Supporting Communes/Sangkats. At present, this committee is further improving the policy and legal framework.

**Second**, we have assisted and provided the chances to all communes/sangkats in formulating and implementing com-

mune/sangkat development plan reflecting the local needs and priorities, including partnership with other government agencies, NGOs, civil societies and private sectors. This kind of developments has not been occurred in the past.

**Third**, we can improve capacity of communes/sangkats and local institutions to fulfill their role and functions in the sort term.

**Fourth**, we have established commune/sangkat fund (CSF) and allocated resources for development and operation of Communes/Sangkats through this fund. The release of cash to CSF has been enhanced in 2004, and in 2005, the Royal Government has planned to provide 56,000 millions Riels, an increase of 6,000 millions Riels compared to the 2004 allocation.

**Fifth**, we can also establish the supporting system for commune/sangkat at the national and provincial/municipal levels. The setting up of this supporting system, including the establishment of local administration departments at national level, local administration units in provinces/municipals, local finance departments at the Ministry of Economy and Finance, and human resource development at grassroots level. Through this supporting system, we have had an understanding with regards to the capacity at all levels and committed to developing capacity of concerned individuals in the decentralization process.

**Sixth**, the SEILA programme has been strengthened across the country. This allows for communes/sangkats to have opportunity to receive support and services. Based on these achievements, we have attained the confidence of our national development partners to continue support for decentralization reform

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in Cambodia.

Decentralization reform is a dynamic and evolving process in all countries including Cambodia. In this sense, I would like to highlight the necessity to formulate a long term policy and strategy on decentralization as well as on governance at sub-national levels to be consistent with policies identified in the Rectangular Strategy of the Royal Government. To develop a long-term decentralization policy and strategy, there is a need to assess inconsistencies among policies that are now being implemented and coordinate for a consistency in all policy and legal frameworks, including coordination among concerned institutions at all levels. Thus, the National Committee Supporting Communes/Sangkats has to initiate necessary discussions for better cooperation among all relevant parties in the development of long term decentralization strategies. In this regard, the issue that needs to be focused is the consistency between decentralization and de-concentration as well as the establishment of a communication system based on smooth flow of information between institutions at sub-national and national agencies. I am convinced that all concerned parties will assist the committee to fulfill its important task.

Along with the establishment of administration system in rural areas, the governance system and development of urban areas are also new for Cambodia. Thus, the National Committee Supporting Communes/Sangkats has to cooperate with relevant ministries/institutions to formulate national strategy on urban governance. In this arrangement, it is important to assess the needs of regions with high population density, such as Phnom Penh. Provinces, districts and small urban areas of rapid progress shall be made into centers of

development spilling over surrounding areas.

In this framework, I think that the district level is close to the communes/sangkats and to the people. Thus, the district level is the one that has an appropriate role and capacity to facilitate service delivery, development and poverty reduction... From this important role, the preparation of district administration system should be considered in the ways that promote cooperation between districts and communes/sangkats in the development and poverty reduction of every district.

International experiences indicate that grassroots institutions, having no own source of revenue and relying on governments, do not have good capability to address the local needs. Nowadays, we have the system allocating resource to communes/sangkats but do not have legislation on commune/sangkat own sources of revenue. Therefore, in order to build up effective commune/sangkat administration, we shall provide them with their own income. To meet this objective, the National Committee Supporting Communes/Sangkats and relevant ministries/institutions shall urgently arrange for communes and Sangkats to have their own sources of revenue in addition to the block grant allocated by the government. This will definitely stimulate the capacity of communes and sangkats to response to the local needs.

In future, support for development of local administration capacity at provincial/municipal, district and commune/sangkat levels should be conducted on regular, predictable and practical basis and with quality. To this end, we shall strengthen the supporting system to be the one which is sustainable and accountable to the beneficiaries. Thus, all

stakeholders should carefully assess this issue and initiate the strategy for medium to long-term capacity development.

Indeed, linkages between decentralization and poverty alleviation can not automatically happen, unless we enhance the participation of people in local governance... Thus, key players of the Royal Government, civil society and the non-governmental organizations shall promote people participation in decision making, ensuring that decentralization contributes more effectively to poverty mitigation...

In Cambodia, commune councils, non-governmental organizations and civil societies are deserved the encouragement for development partnership in serving people. For the last three years, example of partnership has obtained wider positive views... I highly appreciate all the provincial governors/deputy governors and district governors/deputy governors for supporting the community/district councils. I would like also to congratulate the commune/sangkat councils for the great achievements that the Royal Government is very satisfied of them. Now, I would like to remind you all that, in order to become good and effective commune/sangkat leaders, you must be a proactive person and be responsive to the needs of people... You must abide by laws and procedures, regulations and practice good governance principles and be a good example for your commune... I am delighted to learn that the conference has accelerated the process of forming commune council associations. In other countries, such associations share the responsibility and are important partners in promoting decentralization and good governance...■

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necktie which I am not used to as well.

... I could say with pride that human resources in the MFAIC have been enriched and some even got PhD in foreign countries such as Germany. Human resources must be prepared a step ahead according to my limited experiences. MFAIC could handle many serious jobs because the Ministry is focusing on training their younger generation. In just one month or so, MFAIC will be celebrating its 26<sup>th</sup> anniversary which was on January 07, 1979. Everything has got its starting point and from now on with a good foundation, we should be able to move on in confidence. Only some years ago, the Cambodian seat at the United Nations was an object for competition every year – between 1970 and 1975, between Lon Nol in Phnom Penh and the movement under the leadership of Samdech Norodom Sihanouk. Lon Nol enjoyed the occupation of the Cambodian seat because they said Lon Nol occupied the capital of Phnom Penh. Between 1975 and 1979, it was occupied by the Democratic Kampuchea, and between 1979 and 1991, again it was a subject of conflict between the United Front for National Salvation in Phnom Penh and the coalition forces. The seat was denied for the Phnom Penh led-movement on the ground that there was foreign military presence in Cambodia, how about the US military presence in Cambodia when Lon Nol fought against the Front under Samdech Norodom Sihanouk? Why Lon Nol enjoyed the seat? HE Charles A. Ray and Colin Powell were also in the army in those days, and so was HE John Kerry. What I have said just now is indeed a joke but in this world anything could have happened. Five years before they used so and so tactics and five years later they have a different argument■

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lack of trial facility in terms of justice service. In this matter I would advise that we should hire a hotel, one for each province, for office of the court and the Government will pay for the hotel. The court should conduct the hearing and trials in order to liquidate all cases that is heaping up every day because of no court room to work on. I came across a story this morning that a case has to be prolonged because the judge felt ill. May I now suggest HE Dith Munti, Sok An and Ang Vong Vdadhana to review all the cases and sorted them out by province and if required, hire hotel rooms and hang up sign-board of court of justice. This is what we have seen as a problem in relation to the legal reform, and if it is truly the problem we have to address it immediately.

... I have some recommendations before we close the conference. I think we have a wonderful framework for action, but we have yet to know if it will be effective or not. We will measure our action by efficiency in the course of implementing this conference decision. I think instead of meeting once in five years, we perhaps could meet once every two years, if not once a year. It is useful as it will gather all opinions from all walks of life – from civil society and opposition political party included. My first recommendation is that we should try and find out, along with sources of incomes from tax, excise, public auctions, etc, other sources of incomes that are still in undisclosed areas. This year we have fulfilled only 66% of the plan, and I am obliged to agree with HE Minister Keat Chhon on the need for financial expenses adjustment from now to end of the year. Some of you may need to understand when going back to your office and find out that the amount of what you have been asking for at the beginning of the year could not be fulfilled. By

the time that we could not gather incomes from all possible sources, we also have a big expense to address issues of drought, etc. We also have to exercise saving as well.

... I told IMF the other day that we need to look into the issue of debt repayment in detail. Private sector's debt to the Government is hardly probed, but when it is the Government's debt to the private sector, they have probed closely and demanded payment. Why is that so? This means the state either does not ask for repayment or behaves loosely in debt probe. I request HE Aun Poan Munirath to file me a report on what, and how many, companies owe money to the state? what are the terms of payment? Let me stress that here we are talking about governance as the backbone of development – and it comprises four components which are anti-corruption, public service reform, legal reform and reform of the armed forces. It is commonly accepted that those in administration who are having access to power sources are prone to bribes. It is there an important issue to reform the public service leading to improving income level. What we have to start with in this matter is human resources working in the public administration service. Take for instance to process a letter which normally takes three days and requires a sum of off-the-record payment, we should improve the process to just one day and free of any service off-the-record charges.

... In this regard I would also like to have your attention in matters regarding involvement of relatives of senior officials that could have detrimental effect on the efficiency of the administration. It is a common experience to see that in this world, some people could be a good president or prime minister, and some may have won

even the Nobel Prize, but their children are subjected to trials. Take for instance, HE Kofi Annan, General Secretary of the United Nations, has been facing with mounting pressure for resignation because of his son's involvement in a corruption relating to food for oil in Iraq. Take the case of HE Kim Dae-jung, winner of the Noble Prize and President of the Republic of Korea, but his son was brought to justice. From my experience, I could stand firm for such a long time because I have great success in managing my family and this offers me a great pride. I would urge all senior officials – minister, secretary of state, governor, district head, etc. to work for a good family relation but they all have to observe a Khmer proverb that goes "caring for relatives risks neglecting laws."

... Some people intervened in the administrative affairs when their children were caught for committing any breach of law. Some even use forces in their power to solve the matter. Take the case of one of my nephews who break the laws and he finally went to Prey Sar prison. In this regard I thank the court for two things – first it is perfect to act according to the rule of law, and second if he was not caught and continued to cause disorders he might get killed one day. Taking this matter into consideration, anyone must be brought before justice, children of Hun Sen or Hun Sen included if found guilty. I think the chapter has to turn over the page that poor people committed crimes have to stay in prison, while those of the rich committed crimes could enjoy illegal intervention... From today onward, there will be no more excuses on that matter, no matter how long you've been serving the administration. If we were to ignore that, we can not guarantee social equity or justice.

... The second point of the conference resolution is concerning with decentralization of power on investment to the provincial authority. We have to come up with a mechanism, which I would suggest in my discussion with HE Deputy Prime Minister Sar Kheng that the Governor of the province is empowered to be the Head of investment committee in the province itself, while heads of all related institutions at the provincial level will be members. This may be a good choice as it would not require establishing more institutions to look after this matter. Take construction investment as an example, we should make clear how many square meters of construction can be approved by the provincial head of Land Management, Urban Planning and Construction. If he doubts any technical problems, he may bring the matter up to his Minister. The Minister should delegate his power to the provincial level to approve the project – take for instance the construction of a hotel of 70 bedrooms for example.

... What we should have our attention is to have a unique standard for all investment projects in all provinces. Now that China has become a member of the World Trade Organization (WTO) but it has provided favorable conditions for Cambodia, Laos and Myanmar. In instance of imports of goods to China, Cambodia alone has enjoyed 297 items. Therefore I request all provinces to reap profit from the beginning. As far as industrial zone is concerned, I think we should provide property right to those who make investment in the development of industrial zone. There have been a number of cases brought to court. Some were cheated by local partners and vice versa. Therefore it is important for us to take a serious look into the problem while providing property rights to them for their ef-

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forts to establish real industrial zone. I think we have to review issues relating to deposit as well. Depositing a sum of money for all investment projects is my own idea as in between 1993 and 1999, we had so many empty investment projects. As of today we could review this matter by taking out this obligation so as to increase mutual confidence and trust... Deposits from previous procedures could be transferred back to one's own company for beneficial use. It is our duty on the other hand to inspect the account of those companies seeking investment in Cambodia. Are they really competent and resourceful to operate the project? I have discussed this matter with Samdech Krom Preah Norodom Ranaridh already and tomorrow HE Chan Sarun and HE Lim Kean Hor will call on Samdech Krom Preah to give him a report on respective responsibility – agriculture and water resources. I also inform all ministers that they should be ready for a courtesy call on Smadech Krom Preah and give their reports on their activities as required by Samdech. They should also listen to Samdech's advice on all aspects and incorporate them in their actions.

... MAY I SEEK UNDERSTANDING AND POSITIVE RESPONSE FROM THE GOVERNORS, COMMANDERS OF THE ARMY, THE MILITARY POLICE, POLICE AND EVERYONE WHO IS INVOLVED IN TAKING INSPECTION AND LOOKING AFTER THE ROAD SECURITY, TO REALLY TAKE MY ADVICE, ON BEHALF OF ALL THE BUDDHIST MONKS IN THE COUNTRY, THEY MUST STOP ILLEGAL CHECKPOINTS, FROM WHERE MANY SMALL TRADERS AND FARMERS HAVE BEEN STOPPED FOR MONEY/BRIBES. This matter comes up again and again and I should not have mentioned the same old problem but the eight-

point order issued in Sihanoukville has been neglected. THIS IS MY LAST WARNING AND IT IS MY HUMBLE REQUEST AS WELL. NOW I AM REQUESTING THAT ALL MEETINGS AT THE PROVINCIAL AND DISTRICT LEVELS MUST HAVE "ROAD CARE" AS THEIR FIRST AGENDA AND SOMEONE MUST BE GIVEN THE DUTY TO KEEP A FILE ON THIS MATTER.

I would like to take this opportunity to express my sincere thanks to Samdech Preah Vorak Beida Cheat and Samdech Preah Vorak Meada Cheat for their efforts in sending many groups of Samdech Ov team to provide food, help with ploughing, canals digging and pumping water in drought affected areas for our people. I have said many times that in Cambodia we have a great university, that is the activities of Samdech Preah Vorak Beida Cheat and Samdech Preah Vorak Meada Cheat. Take for instance the winning back independence from France, the progress made under the Samngkum Reastrnium, and even in their old age these actions have continued. On December 24, we will implement for the first time the Article 20 of the Constitution which obliges an audience between the Royal Government and HM the King. First of all HE Minister of Agriculture, Chan Sarun, will call on HM the King to report about the overall situation and activities taken so far in area of agriculture, following in order by Minister for Water Resources, Rural Development, Public Works and Transports, etc. ... I would also like to express my sincere gratitude to Samdech venerable monks and their followers, various private organizations for taking appropriate actions in assisting our people with irrigation on drought affected rice. What we are facing from today on is the fact that most of the lakes will be dried affecting our

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*where a mechanism has already been put in place but with so limited efficiency.* I just had a discussion with HE Senior Minister and Minister of Finance Keat Chhon on this matter. In order to strengthen the tax collecting mechanism and its working efficiency, we have decided to reverse the 60% of collected tax in any anti-tax evasion operation for the budget of the provincial Government instead of paying to the central Government in Phnom Penh. Also, the 30% of the collected sum that is decided to be kept for awarding to operations will be left untouched, and the remaining 10% must be paid into the Anti-Tax Evasion Fund. To speak in a simple way, all 100% of tax payment from all anti-tax evasion operation is allowed to be kept for the local authority's income.

... Yesterday I told guests from the IMF that I am very sorry of what had happened between 1987 and 2003. At that time each provincial authority proved to be effective in combating against tax evasion problem because they were allowed to make use of the collected sum. In fact the money is the lost amount of money, and this operation is to discover them and I think it is not a mistake for them to make use of it. I am thinking of establishing a hotline for any calls about this problem. If it were to discover any covert operation with the

people's efforts in recuperating rice production during the dry season. The first term Government in 1993 the country suffered flood and drought, the second term in 1998 suffered drought only months after its inception, the third term Government is now facing similar situation – or I would say the Government ability is being tested...■

backing of any person, no matter if she/he is a General, prompt actions will be taken. May I affirm to Samdech and HE Ministers for Interior that I may place my order far beyond their lines of command – from central to provincial and to district levels, both civil, army and police -- in incidents that may require immediate and timely actions in the anti tax evasion operation.

... *As for loss of tax collection number two is a grave concern for me as this happens always on our desks.* The Ministry of Economy and Finance need to push for an resolute reform in this front. In this form of tax loss, we had to discuss on three issues. First, importers lowered the cost of goods/items so as to achieve lower tax and excise. This form of evasion has been popular these days among tax evaders as it is one form of "legal" way to evade tax. In some instances we have discovered also that the Custom Office instructed SGS to lower the tax cost as well. Take for example here in this bill of import (Samdech Hun Sen showed to the conference members the bill) that recorded one battery costs only one US dollar! In this case, the most dangerous microbe that infects the tax system is those who are bestowed upon with the power to value the prices of goods. They have bigger a power than the Prime Minister and Minister for Economy and Finance. Is the Minister of Economy and Finance ignorant on the matter? Does he know that these evaluators are signing on your behalf all the times? This case is very recent, November 04, 2004.

... Yesterday I talked to HE Senior Minister for Economy and Finance that maybe we should send the documents to the opposition party so that they could make public comments on it, because maybe with their help we could solve the problem of

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corruption in this field. This does not infer that I have colluded with the opposition, but they are not totally useless. This document does not come from the opposition, but from our auditing mechanism. The second form of tax loss in this manner is real items inside the containers does not correspond to those in the bill of lading. Take for instance, in the bill of lading, they declared those items to be children toys, but in reality those inside are spare parts for motorcycles, clothing, watches, radios and/or medicines. When this happens, it is nothing else but we have been cheated right before our own eyes. What is more painful for us is that they have made our system corrupted as they never avoid the system, but use our very system for their own interest.

... **Reason number three for the loss is stolen amount of goods in containers that have never been declared so that they imported them tax free also under our very noses.** With the amount of goods, less than what is exactly inside the container, declared, they could achieve also lowered tax and excise. Take for instance a container with SGS's seal loads more than 1000 square meters of floor tiles, but in the same bill of lading, a container of same size, without the seal of SGS, it contains about 500 square meters of floor tiles. About half of the amount has gone missing. It is a dangerous situation and we are expecting to achieve tax payment of 12.17 percent of the total GDP. Therefore I request the meeting to come up with a solution to the three problems above. I wish to see an opportunity in the coming months of increasing amount of tax collection. It is true that the tax collection has increased two-fold since 1999 but this is not corresponding to what we could have done for the best for our nation. This is what we have to

do in search of the loss money.

... This issue could not imply to be a mistake under the responsibility of HE Pen Siman alone but the whole system must be checked and reorganized. I think Madame Men Sam An, Minister of Inspection should also be involved in this while setting up a group of its own economic experts which should then be receiving a copy of declared bill from the Customs Office and CamControl Department Head. In the course of inspecting, any irregularity must be reported for immediate actions. It is a must to find ways to increased income before discussing about how to split them, because if we could not garner income we could not realize our dream of increasing salary for the Government employees.

... As far as internal tax is concerned, we may pose a question as to whether we have collected all of them. My apparent guess to the question is no. I used to address the issues in a couple of meetings at the Cambodia Development Council and at the Intercontinental Hotel, and as I am fed up with negligence of my advice, yesterday I have removed a Head of Tax Department from his position. I think he should not be unhappy with this decision as he may have not had complete control of his department and it is in my competency to give such an order. As far as internal tax loss is concerned, I have discovered two forms of misconducts. **First, tax has not been imposed on all available bases.** The auditing mechanism inspected a district and discovered that 150 enterprises do not register. To say in short we have not collected tax from all production bases. Tax is being evaded right in the heart of Phnom Penh. From now on all concerned agencies must reinvest and register all of the available tax

paying production bases. By doing so we could improve our tax income without having to increase tax.

... **The second loss is that there continues a collusion which leads to tax deception.** Take for instance if it is that they could charge 100% of tax, only 50% is written in the tax bill and the remaining 50% is left splitting 25% for tax collector and 25% for tax payer. I am asking all authority heads in this conference to discuss for a solution and come up with concrete actions to readjust this matter. If you may not dare to disclose this matter in the conference, now I have disclosed it and you should not feel uncomfortable to bring this matter out to light. If we were to let these problems going on, we will stand to lose good investors for corrupted ones, as good investors pay good tax to the Government and could stand to unequally compete with those corrupted ones. Sooner or later they would be bankrupted or they will resort to bad tax corruption habit as others. As far as custom officers are concerned I warn them that I have their names in a list already, and I know who is who because this is an important pulse for the Government. I could not neglect the danger from this pulse being cut off.

... It is important that private and state sectors collaborate with one another for an economic growth. I would declare to good business tax payers to collaborate with the authority concerned to disclose those tax evaders and deceivers. Information gained from this collaboration should help lead to firstly increase state income and to secondly guarantee their interests from accurate tax system. Thirdly, we should also discuss and resolve a long lasting issue relating to drawing cash from national treasury. It has hap-

pened for a long time already, as I learned and tried to solve this problem that before drawing the money, an off-the-record tax is charged. Sometimes it is a two ends on one string issue. It is either the national treasury's fault in charging a sum of money before releasing the amount requested for or the financial officers from the state institutions misinformed their heads of institutions that they could not get a full payment from the treasures.

... I suggest to the heads of all institutions that they must not give their signatures if they do not get the right amount of money and again I request HE Man Sam An to inspect this incident as well. Any institution head who signed to receive an incomplete amount of money, s/he will have to take full responsibility for giving his/her signatures. If we are doing so we could get hold of the offenders in no time for trial. This incident also had happened in the private sector, which I gave my advice many times. Take for instance, to run an affair, the private sector processor told his senior official that the state official from concerned agency charge him 50\$, while in fact he was either uncharged or charge with less the amount.

... Another matter of significance is what I declared on December 2, at the inauguration of the Oknha Mong port that I decided to decentralize decision making concerning any investment project of two million dollars and below to the provincial level authority. We have yet to issue a sub-decree on this matter, but it would take just a signature and it will go into force. What I wish to warn here is that in this operation, only one standard will be applied on all investment project and we can't afford to have one standard for this province and another for that one.

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be too far from Phnom Rong, a place where there is raw material for cement production; second, it would damage the roads because of heavy transports. I learned that the Japanese wants to invest in the production of compost and bioorganic fertilizer for agriculture. I am grateful to this idea and I would encourage this to be multiplied to other places throughout the country. They are also expressing their interest in producing sugar from cane at the rate of 150 tons per day and they would need between 3 to 5 thousands hectares. They all are welcome.

... I had a brief discussion with HE Minister Cham Prasidh of Commerce that we should consider leaving any investment deal at one or less than two million US\$ at the hands of the provincial authority and I would see there will be competition from one province to another. From my visit to China I also saw that they allocate investment power to the provincial or to authority accordingly. Take for instance, Shanghai has many smaller towns and each town has certain power in securing a deal. As for this area of Keophoh I think we should think of organizing industry for export as we have about 300 hectares of land here with ready-for-use infrastructure.

... Why do I choose December 2<sup>nd</sup> for the inauguration of the port of Oknha Mong? On December 2<sup>nd</sup>, I was in Vientiane and by the afternoon of the same day I arrived in the province of Kompong Speu to inspect the drought situation. December 2<sup>nd</sup> is a memorial day of the 26<sup>th</sup> anniversary of the foundation of the National United Front for Salvation of Kampuchea against the Pol Pot regime. History is undeniable and December 2<sup>nd</sup>, 1978 was indeed the first signal for the existing forces to fight against the Khmer Rouge regime

and heading towards Phnom Penh. We toppled the Pol Pot regime and we are currently seeking financial assistance to bring the remaining leaders to justice. We have now arrived in a situation where law on the trial is here but no money to implement it. I think this is a common concern of the United Nations and the Royal Government of Cambodia. December 2<sup>nd</sup> is but another important historic event where 17 years ago Samdech Norodom Sihanouk and I met for the first time in France. If we were to have no December 2<sup>nd</sup> event, we would not have today's development, no peace, no monks. That is why when one drinks water, one should also think of its source, and when one eats fruit, one should think of the growers. The win-win policy has proven to be the last but not least significant policy to unite Cambodia as one.

... I also take this opportunity to express my sincere appreciation for the implementation of my appeal of November 08 for all state and private institutions of all levels to go help our farmers facing with drought. During my audience on November 20 with HM the King, Preah Boromneat Nrodome Sihakmuni, HM expressed his concerns on this issue and supports for actions taken by the Royal Government. This was in fact totally different from some people who take this difficult time for their own political benefit. Take no notice of such useless criticism, may I appeal to all forces to continue to help our people in terms of irrigation for the dry season rice, while getting ready for the problem of food deficiency and creating income generation activities for them. At this opportunity, in face of water scarce issue, I would recommend our people to change their habit of growing long-term rice to shorter ones. ■

09 December 2004 (Unofficial Translation of Selected Comments)

### Inaugurating the New Office Building for Foreign Affairs

... I am glad that we are here today to inaugurate the new office building of the Ministry of Foreign Affairs and International Cooperation (MFAIC) for which HE Deputy Prime Minister and Minister for Foreign Affairs Hor Nam Hong has been making steadfast efforts with help and efforts made by the Ministry of Economy and Finance for such a construction to be finished in time. I could recall that in 2002, there is an unfavorable pressure on our tight budget – caused by drought and flood, the organization the ASEAN summit and various other important meetings in Phnom Penh, but efforts had to be made to return the former office building of the MFAIC, previously belonged to the Ministry of Cult and was known to be the Buddhist University, to Samdech Preah Podhivaing as well as Buddhism in Cambodia.

... I have a great pleasure for having joined in the march with all of you, respected monks from the beginning. I would remind that the land on which we are celebrating this inaugural event with a huge building of MFAIC in front of us, the National Assembly building which is under construction and various other sites that are going to be under constructions, was in fact the fishing area from 1979 to early 1991.

... When HE Say Chhum was Deputy Prime Minister, currently member of the Parliament, he had struck a deal with a private company to jointly finance the pumping of river bed which was very shallow at the four junctures... Initially we keep this plot of land for UNDP for building its branch offices, but later on UNDP told us they will not build UNDP office in Phnom Penh we get back the

land and gives it to MFAIC... When we first organize the People's Revolutionary Council of Kampuchea (PRCK), I was appointed Minister for Foreign Affairs, on the condition that I would hold on to this post only three months, and I would return to the military affairs when we could find someone with expertise in foreign affairs. But in reality I had been holding the post from 1979 through to 1991.

... The current National Assembly was at that time the dining hall of the Ministry of Foreign Affairs because there was no parliament. Together with staff, we went searching for plates, spoons, forks, and other furniture. We then organized exams to screen for capable people to work in the Ministry of Foreign Affairs. HE Uch Borith, currently State Secretary for Foreign Affairs was then the examiner. He then examined the test completed by HE Sok An, Im Chhun Lim, Cham Prasidh, etc. I recruited various well trained and educated staff like HE Sok An, Im Chhun Lim who were turned down in those days by the Ministry of Education, Engineers Uk Chab, Long Visalo, etc. also had been recruited after they were rejected by the Ministry of Industry, etc.

... I pointed to human resources collection and promotion so as we have staff to handle our jobs. I could recall about my visit to Sri Lanka for Non-Aligned Movement summit. Two foreign Ministers went to Colombo to represent Cambodia – Hun Sen and Ieng Sary, but both were turned away. From Colombo I had to go to Moscow, via Vietnam, where I met with the Soviet Foreign Minister Andrei Gromiko, who was actually 70 and I was 27 years old. I had at that time two shirts and a coat, a  
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**02 December 2004** (Unofficial Translation of Selected Comments)  
**Inaugurating the Seaport of Oknha Mong, Koh Kong**

... It is indeed my great pleasure to join you all at the inauguration of the Oknha Mong Port at Keophoh and to acknowledge the continuation of the port development in the second stage. The port with 309 meters long and 22 meters wide which could accommodate any ships at the sea depth of 4 to five meters is indeed a new achievement. Another achievement here to mention is the warehouse of 80 meters by 66 meters, which could house up to 18000 tons of goods and the third achievement to be acknowledged is indeed the containers stockyard at the size of 15 hectares. The fourth to inaugurate is the clean water reservoir of 12000 cubic meters, the electrification of residences and the port facility, and the paved road between the NR 04 and the port itself at the size of 12 meters by 15 kilometers.

... I am very glad to witness all the achievements today with all the efforts made by Oknha Mong Rithy. It should be mentioned also that Mr. Oknha has been doing a great deal for the country especially in the area of the NR 04 at Prey Nub district and in between the province of Koh Kong and Kompong Som for the initial difficulty in getting the project of development of palm oil off the ground. The project suffered a great deal from the economic and financial crisis in Asia which by the year 1997, which prompted a number of foreign partners to withdraw their shares from Cambodia. However, the local company of Oknha Mong Rithy not only survives the hardship but also expand its area of expertise in growing palm oil and the construction and arrangement of a port by the sea, which I would praise of his efforts for the implementation of my vision of opening the sea access that I proclaimed a few years ago.

... It is a wonderful start giving Cambodia more than one access, which indeed is a profound development for the sake of competition and economic integration heading for efficiency. When I paid a visit to Vietnam they always posed us a question on which one of the two rivers – the Mekong and the Bassac that Cambodia is making a practical use of. They asked this question because they plan to build a bridge across one of the rivers so they need our confirmation for the architectural plan of the bridge. If we were to use any particular river, they would build the bridge with a special height. What was my answer then to Vietnam? We have two rivers and we want to make use of both of them. I proposed to Vietnam to build the two bridges of certain height so that Cambodia continues to make use of the rivers – the Mekong and the Bassac.

... The same is true for our seaport facility. So far we have the seaport of Sihanoukville and we now are expecting growing economic progress that one seaport could not handle the overall development. I foresee that by this time we have two seaports, I imagine that later we will have one more port at Koh Kong and another at Kampot – two of which would help promote economic efficiency further. Traders would love to use any port facility that is closer to their destinations or from their ports of origin. However, the sea depth at the point of port construction mentioned could not accommodate all ships at all time like the seaport of Sihanoukville. This does not deny the fact that companies with financial and technical ability could pump driving ways in and out of the port in the future. I therefore am looking forward

to a fair competition of all the port facilities that we currently have – both state and private ones.

... I had a discussion with HE Minister Sun Chanthol of Transports and Public Works on issue of what we do for those companies. It is not about whether the state company could survive or not but about the whole economy. Take for instance if we apply strict policy on private ports in Koh Kong, Keophoh or Kompot, we could then improve the competitive edge of the state-run port of Sihanoukville, but we risk experiencing economic loss for the whole nation. That is why the state-run Royal Air Cambodge went bankrupt because of its high-loss operation and we are still covering its loss until today. If we were to think of profit made from Royal Air Cambodge alone, we risked losing more in the whole economy. Our point is to attract the most tourists possible to Cambodia so whichever air company is taking them in is all right as long as more arrived to Cambodia with a \$20 visa, airport tax, jobs for our people, VAT, etc. If we paid much attention to Royal Air Cambodge, how many tourists could it take in to the country?

... In 1987, I could recall, and HE Tea Banh should remember also as he was Deputy Prime Minister as well, in one of the meetings at the Council of Ministers on issue of industry and handicraft, I refuse to accept the proposal by the Ministry of Industry for the closure of handicraft that produce tires for bicycles, motorcycles so as the state-run tire factory at Ta Khmao could survive. I affirmed that I would rather close down the state-run factories because of overstocked products with low quality. In a competitive environment, as long as your product is of good quality, you are likely to be the winner...

... I would recommend that all shipping and unloading goods should go under strict scanning procedures as lack of scanning would result in problems like trafficking of drugs and all relevant authorities must be at disposal in the port as well – custom officers, Camcontrol, Cam-sab (Cambodia Shipping and Brokers), etc. Oknha Mong Rithy has mentioned in his report that up to now there have been six companies that expressed their interests in investing in processing palm oils. They all are specialized in processing and produce palm oil for exports to China, plastic processing plant, metal construction frame and electricity and the Korean company is looking for chance to invest in cement production. My recommendation is that the production line should not be installing here as first, it would

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This could also go into a competition from which we can single out province that attracts more investments.

... Yesterday I met with two groups of provincial delegations from Vietnam to discuss investment opportunity. Cambodia has become a member of the World Trade Organization, while Vietnam has not. Vietnam has got goods but has not got a market. Why don't we collaborate? Vietnam has got capital and technology, and Cambodia has got a market, so production could take place in Cambodia. It is similar for another part of Cambodia as far as investment opportunity with Thailand is concerned. These are the four main topics that I wish to bring to your attention prior to the meeting discussion. I know that my address today would disappoint some people, but it is all right. What is unacceptable is the disappointment caused by the loss of national interest...■