

# CAMBODIANS FOR RESOURCE REVENUE TRANSPARENCY

## Newsletter

### INTRODUCING CAMBODIANS FOR RESOURCE REVENUE TRANSPARENCY

On 12 June 2009, over 200 participants gathered at the Sunway Hotel in Phnom Penh for the official launch of Cambodians for Resource Revenue Transparency, or CRRT. Backed by a coalition of five national NGOs, CRRT represents a localized movement within Cambodia to monitor revenues from Cambodia's quickly growing extractive industries (EI) sectors of oil, gas, and mining.



1st left: Mr. CHHit Sam Ath, CRRT Council member; 2nd left: H.E. Dr. Hang Choun Naron, General Secretariat of Economics and Finance Ministry; 3rd left: Ms. ROS Sopheap, ED, Gender and Development; 4th left: Mr. Im Sophea; CRRT member

“The recent discovery of oil and gas in Cambodia has created both excitement and concerns over the management and transparency of the revenue from this sector,” said H.E. Dr. Hang Choun Naron, General Secretariat of Economics and Finance Ministry, in his opening remarks to the Sunway audience of civil society leaders, university students, monks, academics, newspaper reporters, and business leaders.

Referring to the 2005 discovery by U.S. company Chevron Texaco (now Chevron) of a large oil reserve off the coast of Cambodia, H.E. Dr. Naron addressed how government is preparing itself for what could be a substantial inflow of monies from oil and natural gas exploration and exploitation—as well as how it will manage the monies that are already being generated by Cambodia's active mining sector:

*The future prospects of oil and gas production and mining have opened up a new horizon of economic opportunities to transform Cambodia into a new development center in the region. It provides the opportunity for Cambodia to sustain robust economic growth over the medium to long term, as well as to promote greater economic diversification and rapid poverty reduction. To ensure Cambodia's economic development and prosperity, the Royal Government of Cambodia is committed to transparent management of potential revenue flows from Extractive Industries. Efficient and transparent revenue management is important to strengthen accountability, and good governance in the extractive industry (EI) sector, and to promote economic growth and political stability.*

Cambodia has recently been divided into 26 onshore and offshore petroleum blocks in order to allow private energy companies access to the Kingdom's oil and gas reserves. Foreign investment has taken place rapidly, with large offshore blocks already licensed to Chevron in cooperation with Japan's Mitsui Oil Exploration and South Korea's Caltex Corporation.

In July, the Secretary of State for the Council of Ministers, Prak Sokhon, confirmed that the French oil giant, Total, has been awarded rights to a contested drilling area known as Block 3 in the Gulf of Thailand. With so much foreign investment taking place, CRRT shares the government's concern that resource revenues from non-renewable natural resources, such as oil, be used for sustainable development that will benefit the current as well as future generations of Cambodians.

The mission of CRRT—to make income and spending of oil, gas, and mining revenues transparent for

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In what is a new strategy for the Royal Government,

Wealth generated by the extractive industries is managed in a socially responsible manner that is transparent, accountable, and participatory to equitably benefit all Cambodians

#### Vision

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CAMBODIANS FOR RESOURCE REVENUE TRANSPARENCY

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all Cambodians—is within our reach. Advocating for transparency means encouraging government and private companies to publish what they pay, publish what they receive, and publish what they spend on EI activities—from licensing concessions and contracting all the way through to revenue management and expenditure at the local and national level.

CRRT’s vision is that wealth generated from extractive industries is managed in a socially responsible manner that is transparent, accountable, and participatory to equitably benefit all Cambodians.

Examples from the developing world, such as the oil-rich countries of Azerbaijan and Timor-Leste, show the positive changes that could occur for all Cambodians if Cambodia, like Azerbaijan and Timor-Leste before it, begins the shift toward more transparent and accountable management of its oil, gas, and mining revenues: economic growth, increased political stability, a substantial rise in private investment,



CRRT Chairperson, Mam Sambath, with Stephane Guimbert of World Bank at CRRT launch, Sunway Hotel, Phnom Penh

and increases in public spending that improve health care, education, and infrastructure—all while reducing poverty .

short time frame in which to prepare, now is the time to join the CRRT coalition in engaging with government to help foster fair, accountable resource use—before the oil begins to flow.

H.E. Dr. Hang Choun Naron recently told Voice of America Khmer that “We hope to receive income from natural gas and oil between 2013 and 2015.” With such a

## CRRT BACKGROUND

The Cambodians for Resource Revenue Transparency (CRRT) was established by five Cambodian organizations that are strongly rooted in Cambodian civil society: the Center for Social Development, Development and Partnership in Action, the Economic Institute of Cambodia, the NGO Forum on Cambodia, and the Youth Resource Development Program.

When signing their Memorandum of Understanding in January 2008 the five founding members expressed their shared recognition of the importance of revenues from oil, gas, and mining for the future development of Cambodia as well as their resolve to constructively engage with the Royal Government and private sector to help ensure that revenues from extractive industries are well and transparently managed in a way that is understood by the general public. The CRRT was registered and recognized by Ministry of Interior in April 23, 2009.

Members of the CRRT coalition share three core beliefs:



Map of Cambodia’s oil concessions in the Gulf of Thailand & onshore Exploration Blocks

- An informed public should participate in open discussions to contribute to decision-making on the financial management of revenues from extractive industries.
- Information should be widely available on operations for exploitation of extrac-

- tive resources and earned revenues to facilitate public oversight of the extractive industries sector.
- Revenues from extractive industries should be efficiently and fairly used for sustainable development for the benefit of current and future generations.

## CRRT Extractive Industries Forum Allows Battambang Farmers to Understand True Prices of Oil



Members of CRRT coalition present at Battambang Public Forum on EI

“I am expecting that when we can extract oil in our country,” a Battambang farmer says, “the oil prices will be low.”

Lai Roech, a 55-year-old farmer living in Banan District, Battambang Province, adds that Cambodian farmers will not be worried about the rising price of oil for much longer. “I will be able to afford to irrigate my paddy field,” say Lai Roech, now in a joyful mood.

The farmer’s initial optimism was melted away, however, after he attended a public forum on “Understanding the Extractive Industries in Cambodia,” that was organized by a new national NGO—Cambodians for Resource Revenue Transparency (CRRT). The forum took place on 25 September 2009, at Steung Sangker Theater Hall in Battambang Province.

“The oil prices are determined by OPEC [Organization of the Petroleum Exporting Countries]. If, therefore, oil in a country could be exploited, the prices will be the same as international oil market prices,” stated Im Sophea, co-director of the Center for Justice and Reconciliation (CJR), during his presentation at the forum. By explaining how the price of oil is determined by both OPEC and changes in the global petroleum market, Sophea helped the public to understand how oil prices might change for the average Cambodian—if Cambodia

begins to produce its own oil.

The Battambang EI forum is the first in a series of provincial forums being hosted by CRRT. The forums seek to raise public awareness of the extractive industries (EI) in Cambodia.

The forum series is being sponsored by Trocaire, Heinrich Boll Stiftung Cambodia, Norwegian People’s Aid, and Oxfam America. The forums allow experts in the fields of oil, gas, and mining, to share their knowledge with participants—as well as comment on the current laws pertaining to EI licensing and concessions.

Presenters shared international case studies with the audience, as well as case studies from Ratanakiri and Mondulakiri. They also urged collaboration with Cambodian institutions concerned with oversight of the EI sectors as well as support from the government at all levels—from village and provincial government to the national level.

The Battambang forum also provided a rare opportunity for Cambodians to ask questions about EI operations in their own communities, and to voice their concerns.

“This forum is to raise awareness—to educate people about natural resources to ensure their rights are being respected

by allowing them to know about managing and receiving benefit,” said Christ for Development Kampuchea’s Executive Director, Som Virak Dara, during his opening remarks at the forum. “Also,” Dara added, “to inform people on the Extractive Industries, Resource Exploitation, Revenue Management, and how to use the revenue for development.”

“The forum also lets participants show their own concern, sharing ideas and recommendations on this sector [EI], and also improves freedom of expression and rights to information,” Som Virak Dara continued.

Deputy-Chief of Eak Phnom District, Soun Sarin says during his opening remarks that all forum participants—amounting to nearly 250 people—should openly discuss their concerns and gather good recommendations to make to the Royal Government. By educating themselves, Cambodians can help their government make good decisions in charting the course for fair and equitable national development.

“All Cambodian people must try hard to learn more about mining to increase our own knowledge in case companies need us to work for them—but we are not sure whether they need us or not. However, we have to be ready,” said Soun Sarin.

When the forum ended at lunch time, Lai Roech took a deep breath; he was already thinking of how he might share so much new information with his family and community. “I misunderstood about oil prices,” he told a CRRT reporter, “I will tell my friends, families, and other people in my village about the information that I got from this forum—as much as I can remember.”

*The next forum in CRRT’s 2009 series on “Understanding EI in Cambodia” will take place in Mondulakiri Province on December 15th. Participant feedback from the Battambang forum reveals that Cambodians are asking for more public forums on EI. Participants also voted for extending the time allotted to the forum and for hosting these forums in the remote communities that are already feeling the impacts of oil, gas, and mining exploration.*

# Glossary of EI Terms

- 1. Accountable/Accountability:** It is the obligation of the relevant government authorities and private sector companies to provide an explanation for or justification of its decisions and actions in managing the wealth generated from extractive industries while taking into account the needs, concerns, capacities and interests of all affected parties.
- 2. Constructive engagement:** Constructive engagement recognizes the positive role of the citizen and communities in the processes of government's management of revenues.
- 3. Contracts:** Legal agreements between the Government, as legal right holder to subsurface non-renewable natural resources, and private extractive industries companies, that give the company the ability to explore and produce extractive industry resources in a given geographical area, for a given time period and in exchange for specified payments, either in cash or in kind (for example, physical oil.) In the oil industry, the two main types of oil contracts are production sharing contracts and concession contracts.
- 4. Earned revenues:** The sales of natural resources after extraction generate income to both the companies involved in resource extraction and the Royal Government of Cambodia through for instance signature bonuses, royalties, and taxes.
- 5. Extractive industries (EI):** The branch encompassing all companies engaged in activities related to the exploration and production of non renewable natural resources such as mining oil, gas, and minerals.
- 6. Resources:** materials, such as minerals, oil, and gas that can be removed from the natural environment for profit.
- 7. Revenues from extractive industries** - All Government revenues in connection with exploration, development, and production of oil, gas, and minerals from all companies involved, such as international petroleum and mining companies, national oil companies, and domestic private companies. Government revenues from extractive industries include: income tax, royalties, Government's share of production sharing agreements, bonuses, surface rental, dividends of national oil companies, customs duties, fines, penalties, and other contributions in cash.
- 8. Socially responsible:** is the obligation of the government, the private sector, and civil society, to make decisions and take actions that will enhance the welfare and interest of society as a whole.
- 9. Sustainable development:** the use of natural resource wealth to implement economic, social and environmental policies which continue to benefit an entire population for current and future generations.
- 10. Transparency:** a mechanism to promote accountability by timely, accurate and comprehensive public disclosure of information related to outcomes and decisions by government agencies and extractive companies. The principle of transparency goes beyond the provision of basic facts and figures and also includes the mechanisms and processes used to make decisions

## CRRT Activities Calendar

15 December:

**What:** CRRT Provincial Forum for Raising Public Awareness of the Extractive Industries (EI) in Cambodia

**Where:** Mondulkiri Province (Arun Reas Meeting Hall)

**When:** H7:30 - H15:00

**How To Register:** Contact CRRT's Communications Officer, PAO Roatana:

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