MUKHERJEE: It is the 5th of November [2009]. I’m with his Excellency Yim Sovann, who is a Member of Parliament, a member of the National Assembly in the Royal Government of Cambodia. Sir, if I could start by asking you to provide a brief introduction of yourself, starting from when you were first involved in the government.

SOVANN: OK. My name is Yim Sovann. Please call me Sovann. I was an assistant to the Minister of Economics and Finance, Mr. Sam Rainsy, in 1993. I was with him only one year, from 1993 to 1994. Then I left for Japan to continue my studies. In 1995, Mr. Sam Rainsy was removed from his ministerial position and he also was expelled from his party because he spoke out strongly against corruption of the regime in 1993. So in 1995 he was removed from the position of minister and also was expelled from his party. At the end of 1995, he established a new political party, namely the Khmer Nation Party, and after that it changed its name to the “Sam Rainsy Party,” because the ruling party wanted to split the party, they wanted to rob the party. And because of the judiciary system is not independent, we decided to temporarily use the name of Mr. Sam Rainsy as the name of the party.

I came back from Japan in the same year, in 1995, and I joined the Khmer Nation Party, which, at the time, was the opposing party in Cambodia.

We have passed through many difficulties—assassinations, political intimidation, and threats. During the coup d’etat in 1997, staged by Cambodian People Party (CPP), our office was destroyed. Then, Khmer Nation Party leaders, the top leader and some activists stayed in exile in Thailand until 1998. They came back to the country in 1998. Because of strong pressure from our friendly countries, the CPP agreed to organize a national election in July 1998.

We had elections in 1998 and I was elected as a Member of Parliament for Phnom Penh. Up till now, I have been elected as a Member of Parliament for three terms and now am serving my third term.

MUKHERJEE: We’d like to talk to you about your period as assistant to the Finance Minister in 1993 and 1994. How did you actually get into that position? How were you given that job?

SOVANN: Before Mr. Sam Rainsy came to the Ministry of Finance, he was the top leader of Funcinpec party. He was a member of the Supreme National Council, which at that time was the top body of the country before the 1993 elections. Before I went to Japan, I got my bachelor degree in economics in Cambodia, but we studied under the communist regime. Because I was an economist, he appointed me to be the assistant to the minister, together with my colleague, who was a doctor at the time, and also the private secretary to the minister. Above all else, we were working very hard because there were a lot of things to do. There was no public finance law, no legal framework for collecting the revenue, the state revenue, and also, no legal framework for state expenditures.

So what we had to do first was to make the laws. When we came to the Ministry of Finance at the National Treasury, there was no money left. Inflation went up about 100, to 200, to 300 percent within three months. The public servants, soldiers, police—they did not get a salary for three or four months because there was no money. So we had to work day and night to first to make laws; law on public finance and other relevant laws. We came to office in May 1993 and then the law was made in December of 1993.
During the law-making process, we also tried to curb illegal smuggling, because there were illegal armed forces everywhere. They cut the forests, they collected illegal money from the importers of goods.

So, we traveled throughout the country to curb illegal smuggling, the smuggling of goods. After we did this for six months, the revenue increased substantially. In early 1994, we had enough revenue to cover expenditures. We paid all the salaries we owed to the civil servants several months, and then the inflation rate stabilized. The exchange rate at the time was only 2700 Riel against US$1. Before that inflation went up very fast and the Riel depreciated very, very, very rapidly.

So, after only three months, we balanced the budget. We had money in the National Treasury. We provided salaries to the civil servants. We curbed inflation and the Cambodian currency was stable.

MUKHERJEE: You mentioned that you worked very hard to change the laws, the legal framework for public finance. Did you do that yourself? Did you actually draft the law yourself, or did you have assistance?

SOVANN: We had assistance from the United Nations, from, I remember, one finance expert at that time. He’s French. I forget his name already. But he came from the UNDP (United Nations Development Program) with financial expertise, public finance expertise. He came to help us draft the law, together with some legal experts, though they didn’t have any financial expertise. Some came from France, some from the rest of Europe. They helped to draft the law.

MUKHERJEE: Did you have any trouble passing that law in Parliament?

SOVANN: No, at that time, we had fewer difficulties in the National Assembly. But, in reality, to implement the law was very difficult. I remember one thing. At that time there was no inventory of state assets—the property, the land, the buildings. At that time, it all belonged to the state, but there was no inventory. We now have an inventory reported by UNTAC, United Nations Transitional Authority in Cambodia, the body that organized the elections.

We asked the two prime ministers at the time—there were two prime ministers—to support us in making an inventory of state property, land, and buildings throughout the whole country. But the prime ministers did not support us. The reason why, I think, is that they knew we wanted to record all the state property and this is the room for corruption.

We had a vision. In order to curb corruption, we had to have an anti-corruption law, but before that, our priority was to make the inventory of all state assets. But the two prime ministers, I don’t know what happened to them. They did not support us. The minister stood up and spoke out very loudly. He alone—he himself alone, in the National Assembly—spoke out against corruption. He criticized the deforestation. He said we are fighting against the sale of the state without bidding, without bidding at all. We are losing several hundred millions of dollars. That is the reason that led to the removal of the Mr. Sam Rainsy from his ministerial position.
MUKHERJEE: There was a clear set of challenges that you saw in the system. Who was it that decided the priorities for the Ministry of Finance, that we should do these three or four things to tackle the problems?

SOVANN: We were the ones who drafted the priorities. We were the ones who drafted the law. But without the support from the co-prime ministers, we could not do anything, because, the prime ministers were really powerful. They worked very closely with each other.

At that time, deforestation was everywhere along Cambodia’s border—Vietnam’s border, Laos’ border—and who was behind that but ministry officials and also the prime minister himself. The prime ministers wanted to destroy the democratic forces who were against him. So they had done whatever they wanted, whatever they could to collect money.

In 1997, as I told you before, the second Prime Minister Hun Sen staged a coup d’etat. It was a good time for him to establish so-called democratic institutions. If we looked at the composition of the institutions, most of them were controlled by the ruling party—almost 100% were controlled by the ruling party. That’s why, in present times, we are facing many difficulties in our struggle for the respect of human rights and democratic principles.

Because of the coup de etat, the power was in his hands. Looking from the outside, it’s very, very good. We have the constitutional council. We have the national election committee. We have the Supreme Council of Magistracy, which oversees the performance of the courts, and other institutions, the courts, National Assembly. But, in the reality, they follow the guidelines of the ruling party.

MUKHERJEE: Going back to 1993, 1994, you mentioned that there was a team working in the Ministry of Finance.

SOVANN: Yes.

MUKHERJEE: How many members were there in this core team?

SOVANN: Not beyond six people, including the assistant and the secretary and maybe four of five experts.

MUKHERJEE: One person was a UNDP specialist.

SOVANN: Yes, one.

MUKHERJEE: And the others were from the government like yourself. [Time 17:16]

SOVANN: The others were also from France, mostly from France, because they speak French really well. And they were close friends of Mr. Sam Rainsy.

MUKHERJEE: So they were not civil servants.

SOVANN: I think they were sponsored by UNDP because they got their salaries from UNDP.

MUKHERJEE: So they were not government civil servants.
SOVANN: No.

MUKHERJEE: They were brought in from the outside.

SOVANN: From outside, but we met with the directors of the department also. We had more than ten departments in the Ministry of Economics and Finance. We met with the department directors to get information from the old laws, the communist laws. We could not use them for the market economy system, so we needed to discuss changes with them. Then we collected all the information and experience and lessons learned from departments and put it into the law.

MUKHERJEE: Whose decision was it to transition from the communist to the market economy?

SOVANN: That was an obstacle. It took some time to implement the law. A lot of illegal armed forces, most of them from Cambodian Peoples Party, and some small factions that come from the border—some military units belonged to these parties, some belonged to those parties—created a lot of constraints to implementing the laws, especially curbing the smuggling, illegal smuggling, and also the deforestation. There is still deforestation, most of it was done by bad high ranking military officials.

MUKHERJEE: But the decision to actually change the system from socialist or communist to market economy, was that a decision made by the co-Prime Ministers? Who made that decision?

SOVANN: It is stated in the new constitution. Also, we were facing privatization problems—the sale, swap or transfer of public enterprises and state property. There was no transparency. We tried to push for an anti-corruption law before the privatization law to guarantee transparency and good governance but so far the practice is still there. So the ruling party—the people from the ruling party—they became millionaires because of the illegal sales of state assets.

MUKHERJEE: You mentioned dealing with the smuggling, illegal smuggling. Could you talk about the specific steps that you took to actually tackle this problem, to deal with this problem? What did you exactly do to curb illegal smuggling?

SOVANN: In practice, we gave incentives to the military police. If they could catch or arrest any smuggler, for example, we could give 5% of the amount smugglers should have paid to the government. This was a temporary measure that we, at the time, did not have a law to support, so we had to encourage the military police to cooperate throughout our country.

Mr. Sam Rainsy was, at the time, very popular among the military police because they had faith in Mr. Sam Rainsy’s political will to curb corruption—to collect, to increase the revenue of the state—so they can get their salaries on time. At the same time, they had this added incentive when they arrest a smuggler, even if powerful people were behind it. There was no exception, no impunity. So this created a lot of counter attacks from the ruling party, from the police, and from the military.

MUKHERJEE: The incentive that you offered to the soldiers, was that paid as part of their salary? Was it added to the salary of the soldier?

SOVANN: On a case by case basis.
MUKHERJEE: So the soldiers that were involved in that particular arrest would be the ones receiving the incentive? Or was it every soldier, if—so?

SOVANN: They had to share together with almost all the members of the unit.

MUKHERJEE: Initially, the soldiers must have been getting paid by the smugglers to protect them.

SOVANN: They got bribes.

MUKHERJEE: Yes, they must have been getting bribes, so how did you change their minds? How did you convince them to come over to the side of the government?

SOVANN: There are bad military, but that is a handful. A lot of them are very, very good soldiers. They are willing to help their country. They are willing to do the right things when they think that the leader is a model, shows them the best practices, so they are really happy to help. Especially since they saw by their own eyes, before Mr. Sam Rainsy became the minister, there were four months already during which they did not get their salaries. At that time the salary was very small, equal to $5-$10 per month. It’s not enough.

For this sort of reason, they were willing to help.

MUKHERJEE: Did you have to work to, sort of, develop support among the leaders of the—the senior military officers, or did you already have their support?

SOVANN: Mr. Sam Rainsy was a new political leader and he had support from the grass roots, but he had some support among the political leaders in his party, the FUNCINPEC party, and also some support from the Cambodian Peoples Party.

Corruption is the culture. They enjoy corruption, and so far that is still the most serious problem that Cambodia is facing. But what he had done at the time was give a lot of hope—so he had support from the grass root people, from the civil servants, from the students, from the people in the different groups in the society. That is also why he had only one year, 1993-94. Very short time. He decided to form his own party at the end of 1995.

MUKHERJEE: Did you find that you had to make an effort to build support from other parts of the political system? Were there any other people that you could rely on for support to carry out your reforms?

SOVANN: We tried our best to mobilize the support in FUNCINPEC party, and also in the CPP (Cambodian People’s Party), but, because of the mentality of the most old political leaders—they are very old, most of them used to be the political leaders of the previous regime under Lon Nol and King Sihanouk, and corruption was the most serious problem. They enjoyed the life they had.

Their mentality is different, far different from the young political leaders. That is why you see that FUNCINPEC has almost disappeared because of corruption, because they did not keep the promise to fight corruption, to solve the problem of poverty, and also they failed to solve the border issues and they do not have a strong party structure. So they failed. Now we (the Sam Rainsy Party) are the ones who have to keep our word. We have our own principles, and even if we face many, many difficulties, like assassination, political pressure, or repression, we still get support from our grass roots.
So why is the CPP controlling us now? Some day they'll get 90 seats out of 123 seats because of the election. They control the election committee. They control the media, TV, radio. So it is very difficult for us to disseminate our message to the grass roots. The education of the people is very limited, and they are very poor, and they have limited access to the media. We are facing difficulties like that.

MUKHERJEE: Looking back, again, on the initial period when you were in the Ministry of Finance, did you find that there was any need to build support among the public for the initiatives that Mr. Rainsy and your team were taking?

SOVANN: Yes, we did. First of all we had to build support from the public. We couldn’t do it without support from the public. But support from the public in this situation was not enough. Support from the public in such a repressive environment left the mentality of the people still in fear—because of the civil war, because there is no political will to respect democratic principles. So, only public support was not enough. We needed support from all political leaders.

We got a lot of recommendations and input from the civil society and from the UNDP—from the U.N. representatives—but they were not acceptable to the ruling party. The ruling party had an image, a good image, to these outsiders. Before they make a law, they asked for assistance from the international donors to organize a conference, a seminar, in order to get participation from all of society, from all the people in the society. But, finally, no single point was put into the law.

I agree with you that building public support is very important, but at the same time, there should be political support from the political leaders. Otherwise we cannot achieve anything, change anything.

MUKHERJEE: When you mentioned this law just now were you talking about the initial public finance law or was it a more general example?

SOVANN: A more general example.

MUKHERJEE: OK.

SOVANN: Before the law, I told you, there was no problem.

MUKHERJEE: Right, right.

SOVANN: But, implementation—so far there’s no effort to implement. As I told you, under the public law, all the revenue should come to the state coffers. But there’s no anti-corruption law, there is no bidding procedure for the sale of state assets, and they seize the land from the people living in the city illegally. It’s against the law on land, and other laws—no proper or fair compensation for the people. This is the situation right now in the society.

MUKHERJEE: Back then, you said that you did find it important to develop public support back in early 1993. What exactly did you do to reach out to the public? What did you do to build their support for your reforms?

SOVANN: FUNCINPEC had the structure, had the grassroots structure. And also, we had objectives and goals similar to the civil society; and also, at that time
FUNCINPEC won the majority of the vote and UNTAC (the United Nations Transitional Authority in Cambodia) still had the radio, the TV, so we used that instrument to disseminate our message to the grassroots, to the public.

MUKHERJEE: Who crafted that message? What was the message that you—what appeal did you make on the radio or on TV?

SOVANN: We imported almost everything from modern countries, like U.S. and France. We said that we wanted to build a public finance system that has transparency and accountability like the rest of the world, like the civilized countries. In the mentality of the Cambodian people, if anything was imported from outside they were very happy to accept it. Except the political leaders, who were thinking about their own interests. They thought their interests would be hurt. But the Cambodian people in general were very happy to accept it.

MUKHERJEE: So did you or members of your team actually go onto the radio and spread this message, or was it Mr. Rainsy?

SOVANN: No, at that time I was still young and had less experience, but Mr. Sam Rainsy and his advisers, including Sok Hach, can provide you with more information on this.

MUKHERJEE: So they did actually go onto the radio and talk about these things?

SOVANN: Yes.

MUKHERJEE: In implementing this entire reform agenda, were there any problems that came up along the way that you did not expect? That you hadn't planned for?

SOVANN: The first obstacle, in implementation, was that we did not get support from the political leaders of all parties. The second obstacle was that necessary structures were still not in place. There was no reform in the civil service at the time. And human resources—many administrators and civil servants were very new. Also there were still on the ground some illegal armed forces.

Then also time. Sam Rainsy was the minister for only one year.

MUKHERJEE: In the middle of this one year to fifteen month period when you saw that these obstacles were coming up, did you modify your strategy or change your plans in any way to accommodate the obstacles and try to overcome them?

SOVANN: Because we did not get enough support from the old political leaders, the only way out we thought was to form a new political party. We created a newspaper ourselves. We had difficulties convincing all of the political parties. I don’t know what was wrong. We had no choice but to create our own political party.

MUKHERJEE: So before 1995 you were not involved in politics, you were an economist who was an assistant to the finance minister, is that correct?

SOVANN: Before 1995?

MUKHERJEE: Yes.
SOVANN: I got my bachelor's degree in Phnom Penh, in Cambodia, but I had this experience.

MUKHERJEE: So was it your experience in the Ministry of Finance in 1993 and 1994 that motivated you to join politics?

SOVANN: Yes. I saw corruption. I saw the injustice and I saw what Sam Rainsy had done was the right thing. But I think the political situation in the country at that time did not favor me. I applied to study in Japan because I trained in a communist country and everything was different from a market economy. I took this opportunity to study in Japan and came back with some experience.

MUKHERJEE: I'd like to talk to you a little bit about organizational issues. You mentioned that there was a very poor quality of human resources at the time, back again, in 1993 and 1994. How did you put together the team—not your reform team, which obviously was put together from outside experts—but below, at the director level in your departments? How did you staff them? How did you find the right quality of people to staff those departments?

SOVANN: They had come back from training. We asked for support from international donors like UNDP and also from the foreign embassies. They were very willing to help at that time. So first we had to train them almost six months. Secondly, we had to change some leadership at the provincial and district level because we wanted neutral and competent leaders. At the same time we also conducted training for them.

MUKHERJEE: When you changed the leaders at the provincial level was it difficult to find new people to replace them?

SOVANN: Not very difficult because, as I told you, we had no interest behind us. We wanted a lot of neutral people. It was the political will of our top leader. We did not get any bribes as in the old regime. In the old regime, if you want to become the director or the chief of office you have to bribe. But during Mr Sam Rainsy's time, there was no bribery. Bribes were not acceptable. So we asked them to take an examination in order to guarantee their qualifications for the civil service. Everybody had to go through the examination if they wanted to be a comptroller or financial inspector, or even the chief of any office. The examination process was very transparent, sometimes we had to train people how to supervise the process of the examination.

MUKHERJEE: Who designed the examinations themselves?

SOVANN: The Ministry of Finance.

MUKHERJEE: Were you involved in that process?

SOVANN: Yes.

MUKHERJEE: So did you apply your knowledge of economics to designing these exams?

SOVANN: Yes. The topical exam was really very simple. It was designed for those who studied at the secondary school or the high school and from the university also. Anybody, if they graduated from university without any bribe or corruption could pass it easily. They were really happy, because there were no complaints, like
now, about nepotism or bribery. No, they were neutral and qualified for their position, for their job.

MUKHERJEE: How did you send out the signal the Finance Ministry would be neutral, because before that I’m sure there must have been nepotism and corruption before you came into that position?

SOVANN: We were the ones who set up the procedures to cut corruption inside the ministry. We had our own inspectors and we had a black box in the ministry and also at the gate to receive complaints from the public and from officials inside the ministry.

After one week we had a lot of complaints, a lot of information regarding corrupt officials. But at that time we did not take any measures because the government was newly established. So we just convened a meeting and then just told them, “OK, we know everything,” and asked them to correct their behavior. Within three months, it was unbelievable. The corruption dropped almost to zero in the Ministry of Finance. And everywhere in the country nobody in the ministry was corrupt. The officials were very happy. The investors, exporters, importers—they were very, very happy because of these measures and, of course, about the political will from the top, especially Sam Rainsy himself.

MUKHERJEE: Whose idea was it to make these boxes? Was it his idea?

SOVANN: Yes.

MUKHERJEE: And it was Mr. Rainsy who made this decision?

SOVANN: Yes. No other ministry did that at the time.

MUKHERJEE: To motivate the people who worked in the ministry, did you take any special incentives or management styles? Did you use any such methods to motivate the people who were working for you?

SOVANN: In the ministry?

MUKHERJEE: Yes.

SOVANN: At the time the incentive was fair promotion. If you were good, you were loyal to the people, you were not corrupt, you could get promoted. Also, promotion was based on qualifications, on competitive examinations. I remember one time, we went to a province in another part of the country far away from Phnom Penh, more than 400 km. We took a helicopter to take the money for salaries to the military, the soldiers. Only half of the soldiers were there who were mentioned on the list. We had to bring back the money because there were not enough people to pay.

We had to work very closely with the grassroots also, in order to curb any wrongdoing inside of the Ministry.

MUKHERJEE: So the problem of payroll that you just mentioned is that there are many more people on the payroll then were actually on the ground who are working?

SOVANN: That is one example. Other parts of the country are very similar with “ghost” soldiers. That is why every year we lose a lot of money to corruption. “Ghosts”
happen not only with the soldiers, but also in the civil service like ministry staff, or teachers, and so on.

MUKHERJEE: This is a problem that happens all around the world. The problem of ghost workers takes place in almost every civil service. I was wondering if you took any steps to correct that problem at the time.

SOVANN: Yes, we had to update the list. And to update the list, we had to reform the civil service—give the ones who are working, really working hard, working full time—enough salary. Then we also asked for assistance from UNDP to update the list. We removed the ghost soldiers from the list. Then we had to check on the ground, to hire a team, have a mechanism to check on the ground to assure that the people on the list were really civil servants. But as I told you, we had only one year. It was not really enough time to do everything. But this is what we must do in the future.

MUKHERJEE: Was that done after—?

SOVANN: Some part was done. Then they failed to demobilize the soldiers. The demobilization program failed because of corruption. The World Bank terminated the contract, withdrew their support from the soldier demobilization because of fake invoices for motorcycles and some other material for the soldiers. There was a lot of argument between the World Bank and the government and the contract was terminated.

MUKHERJEE: Incentives are one part of the way to sort of motivate people, but it is also important to change people’s attitudes and behavior towards issues like corruption or inefficiency or bad performance. You mentioned that a lot of the people, a lot of the civil servants in the Ministry of Finance when you joined were from the previous regime. So they must have been used to the old ways of thinking. Did you take any measures to change their attitudes, to make them think in the new—?

SOVANN: We did not allow immunity. If they acted corruptly, we had to take disciplinary action against that. The second thing, we had to provide them with enough to eat by increasing their salary immediately based on the possibilities of the money that we had. Salary, no immunity—and also qualifications in order to get promoted. So everybody has a chance.

MUKHERJEE: And what would you say was the impact of this overall in the finance ministry at that time, the one year and a half that you and other people of Mr. Rainsy’s team participated in these reforms, what were the impacts of that period that you could see?

SOVANN: From the reform?

MUKHERJEE: From that period of reform.

SOVANN: Smuggling activity went down sharply, very fast. And revenue collection went up very fast. Also macroeconomic stability. The stability of our currency and also inflation was controlled. Everything was stabilized within one year. That’s why the ruling party was afraid of the popularity of our party and also Sam Rainsy. They removed him as a member of Parliament, from the ministry, and also from the party. Even if the action is illegal, but they don’t care about the international reaction.
MUKHERJEE: And after Mr. Rainsy was removed, did you also leave the Finance Ministry at that time?

SOVANN: I got the scholarship, but Mr. Rainsy did not allow me to go because there was a lot of work to do in the ministry. After three months, he asked me to come in. He said he was pleased to allow me to go because he knew what was going to happen in the very near future. He would be removed. At that time, he didn’t expect to be removed as a Member of Parliament because he was elected by the people. If you are elected by the people how can they remove you? But the National Assembly voted to strip him of immunity and then remove him as a Member of Parliament. It happened like he expected. So he knew in advance and asked me to go to study and come back in 1995 it would be a good time to establish a new party.

MUKHERJEE: So you were gone for one year in Japan?

SOVANN: One year and some months because of master’s degree, one year and also three months internship in the Bank of Thailand.

MUKHERJEE: And before you left were you already aware that Mr. Rainsy was going to start his own party, or while you were gone did you find out?

SOVANN: We discussed it. We discussed what we should do because he knew that he could not stay. He was not allowed to stay in the party anymore. So we had the initiative to create our own party, but we were thinking about the time and decided to make it happen in 1995.

MUKHERJEE: Did the Ministry of Finance after Mr. Rainsy—the Finance Minister who succeeded him—did they continue the reforms that Mr. Rainsy had started, that you and his team had started?

SOVANN: No. I remember one thing at that time was the rotation of customs officials. In order to curb corruption and not to permit nepotism over the country, we had to rotate the customs officers. Now they stopped the rotation. I don’t know if I use the right word, rotation. They stopped the rotation and anybody who wrote in, they told them they can work at a really good checkpoint; no examination for the civil service.

They recruited civil servants based on their political party background. Anybody involved with the opposition party was not promoted. There was political discrimination in the recruitment of the civil service, even to start in the School of Law or Administration. They checked their background very carefully. They recruited mostly son and daughters of members of the ruling party. They had to be cleared very carefully because they knew that when they finished law school some of them would become judges. They had to make sure that those judges will listen to their orders. They built their network.