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No Clear Use Found for BHP 'Social Fund'

27 May 2010 Ros Sothea VOA Khmer

A year after it pulled out of Cambodia, the Australian mining giant BHP Billiton has found itself under a US Securities and Exchange Commission investigation for allegations related to bribery in a foreign country.

Officials have not said which country the alleged corruption took place in, but the company has said it gave \$2.5 million to the government here in exchange for mining exploration rights, making Cambodia among the likely countries under the scope of the investigation.

It is not uncommon for companies to pay bonuses for concessions here, but what happened to that money remains unknown, with government and company officials sending conflicting statements and no apparent accounting for the funds.

The mystery underscores worries from environmental and development advocates who say money from Cambodia's natural resources will be lost or squandered to corruption if and when gold, oil and other minerals and resources are explored in full.

BHP came to Cambodia under a 100,000-hectare exploration license for gold in 2006. After three years of exploration in Mondolkiri province, the company withdrew from the country, claiming it had not found enough to continue its investment. The company told the UK-based watchdog Global Witness that it had paid a \$1 million signature bonus and \$1.5 million for a social fund in 2006.

Global Witness now says there is no sign of that money.

Prime Minister Hun Sen told a private sector conference in April the \$2.5 million had been put into a social fund for a hydropower project in Pursat Province.

Contacted by VOA Khmer in April, Pursat Governor Khuy Sokha said he was unaware of any hydropower projects other than one venture paid for by a \$300-million Chinese investment.

“There is only one hydropower [project] in Pursat, and it belongs to the Chinese company, and for which the construction process began in December 2009,” he said. “That is called Atay Hydropower.”

BHP did not respond to queries related to the social fund. Officials have said they are looking into the company’s practices abroad in the wake of the US investigation.

The company published information on its website indicating it provided money to a handful of non-governmental organizations here, though the website does not say how much money the company offered each group.

VOA Khmer was able to identify four institutions that received BHP money for development projects between 2007 and 2010: the Cambodian Mine Action Center, the Danish Red Cross, Health Net International and Village Focus International.

The total amount of money given to these organizations was a little more than \$615,000, according to individual representatives of the organizations, nearly three times less than the company told Global Witness it had paid.

Where the other \$885,000 was spent remains unclear. Likewise, there is no record of the \$1 million signature bonus the company claims to have made.

The lack of accounting for such large sums of money is cause for concern for development groups and donor countries, who warn Cambodia could face a “resource curse” when millions of dollars in oil and other resources begin to flow.

George Boden, a researcher for Global Witness, said the current complications in managing revenue from the extractive industries does not bode well for future, more lucrative ventures.

So far, 33 countries have been granted exploration licenses here. Thirteen of them have begun exploration for oil and gas and minerals.

“We don’t know of a clear policy for granting concessions or licenses to those companies, and what we are facing now is the limited disclosure of related information,” Mam Sambath, president of Cambodians for Resource Revenue Transparency, told VOA Khmer. “The information regarding the [BHP] case has never been revealed in public, so our research on the issue will also be limited.”

The outcome of the SEC investigation could affect investment in Cambodia, Mam Sambath said, because potential investors may shy away from a country implicated in a corruption scandal.

And BHP is not the only company to have put money into a social fund. In 2006, Indonesia’s MedcoEnergi provided \$4.5 million for a license to explore blocks of onshore and offshore oil. The company withdrew in 2010, without citing a reason.

Meanwhile, the French oil and gas company Total, which has a license to explore oil and gas in the overlapping area near Thailand, has said it paid a \$20 million signature bonus and another \$8 for a social development fund.

A Total official told VOA Khmer from France the company had already provided \$6 million of the social fund, which is to be used for a healthcare program under the joint control of a local Total representative and the Cambodian National Petroleum Authority. The official declined to elaborate.

Michael McWalter, an adviser to the CNPA, said signature money is properly deposited into an official account to “become a part of the revenue for the government,” and social funds are carefully watched by companies.

All companies are required to pay signature bonuses based on potential investment, and some are required to provide for a social fund, based on negotiations with the government, but neither should be a concern, he said. “So what one has to do is to trust the government to do the job properly.”

