

Concluding Remarks

Corruption in Cambodia's private sector is complicated in nature. Both businesses and public officials are involved in corruption, which is imbedded within the country due to the system of patronage and networking.

Public officials, who work with the private sector, often come to visit the premises of enterprises, under the pretext of inspection, to demand bribes. Complicated bureaucracy and lack of transparency in regulations and legislations contribute to widespread corruption.

Although the extent of corruption in the private sector seems to have been reduced, compared with the World Bank assessment in 2004, its extent remains actually high. In order to curb corruption, the reasons behind corruption must be addressed. The main motives for corruption in the private sector are the low salaries of public officials, lack of an independent and effective judiciary, poor law enforcement, culture of corruption and lack of an effective anti-corruption mechanism.

If corruption in the private sector is to be dispensed with, the amount lost to unofficial fees could be used in a more productive way. This amount (US\$330 million in 2005) would be more than enough to raise the salary of civil servants to a decent level of US\$100 per month. This money could also be used to implement the Government reform programs and for other prioritized development purposes. Dispensing with corruption in the private sector will benefit both the private sector and the Government. Corruption in the private sector can be reduced in tandem with efficient public administration.

More interestingly, partly due to corruption system, the Government collects only about 25 percent of the total estimated potential tax revenue. The Government's concerted efforts to collect more state revenue from taxes should concentrate more on simplifying the tax system and improving transparency in tax collection. Once the tax system is simple and transparent, the private sector would find it easier to understand the tax system and would avoid paying bribes. In addition, the level of taxes for MSMEs should also be considered so that there is more incentive to pay tax.