

**IMMEDIATE
ATTENTION**

EBD/01/105

November 16, 2001

To: Members of the Executive Board

From: The Acting Secretary

Subject: **Cambodia—Notification of Ongoing GAO Review**

Attached for consideration by the Executive Directors is a paper on notification of an ongoing GAO review with respect to Cambodia.

It is not proposed to bring this matter to the agenda of the Executive Board for discussion unless an Executive Director so requests by noon on Monday, November 26, 2001. In the absence of such a request, the GAO's request for cooperation will be deemed approved by the Executive Board and it will be so recorded in the minutes of the next meeting thereafter.

Questions may be referred to Mr. Jarvis (ext. 35661) and Mr. Rumbaugh (ext. 36094).

Att: (1)

Other Distribution:
Department Heads



Office Memorandum

To: The Members of the Executive Board

November 15, 2001

From: The Managing Director *AK for AK*

Subject: **Notification of Ongoing GAO Review—Cambodia**

As noted in the attached memorandum from Mr. Quarles, at the request of the Senate Foreign Relations Committee, the U.S. General Accounting Office (GAO) is conducting a review of the Cambodian Government's efforts to combat corruption and improve governance; the GAO has asked the Fund to assist in this inquiry. The terms of reference of the review, as provided by the GAO, are attached to Mr. Quarles' memorandum.

Mr. Quarles' memorandum indicates that the inquiry will be conducted under the procedures for Cooperation with Investigations by Auditing Institutions of Members (SM/00/97, Revision 1, Supplement 2, 2/2/01). Accordingly, the GAO will give management and staff an opportunity to review the GAO report in draft, provide comments for inclusion with the final report, and ascertain that no confidential information is disclosed and that factual information is accurate. Once the report is published, it will be circulated promptly to the Executive Board, together with an assessment of the staff resources used by the Fund in the inquiry. Staff currently estimates that about 20 hours of staff time will be needed to comply with the GAO's request.

According to the Procedures on Cooperation, Executive Directors are to be notified of all requests at least two weeks before the commencement of any cooperation with an agency, and should have an opportunity to comment on all aspects of the notification, as they deem suitable. My current intention is to approve the GAO's request for cooperation, but my final decision will, of course, take into account any comments that Executive Directors may have.

Attachment



Office Memorandum

To: The Managing Director

October 26, 2001

From: Randal Quarles

A handwritten signature in dark ink, appearing to read "R. Quarles", is written over the printed name "Randal Quarles".

Subject: **Notification of Ongoing GAO Review - Cambodia**

At the request of the Senate Foreign Relations Committee, the U.S. General Accounting Office (GAO) is conducting a review of the Cambodia Government's efforts to combat corruption and improve governance. In conjunction with this review, an inquiry has been made to my office for assistance in obtaining documentation, identifying and notifying appropriate IMF officials, and arranging any meetings deemed necessary for the completion of this review.

In accordance with the new procedures for Cooperation with Investigations on Fund Activities by Auditing Institutions of Members (SM/00/97, Revision 1, Supplement 2, 2/2/01), attached are the Terms of Reference for the inquiry as provided by GAO. In this context, the GAO has confirmed to me that:

- Any document or information provided by Fund management and staff and designated by the IMF as "confidential" shall be protected. GAO policy and applicable statutory and regulatory requirements obligate the GAO to give the information the same level of confidentiality as the IMF.
- In cases where the GAO receives any document or information provided by Fund management and staff and designated by the IMF as 'confidential', Fund management and staff will have two opportunities to review relevant sections of the draft GAO report. At the first stage, Fund management and staff will check relevant sections of the report for confidential information. At this stage, Fund management and staff can also identify factual corrections. The GAO will delete any confidential information and undertake to correct factual mistakes before the draft report is circulated for official comment.
- Fund management and staff will have a second opportunity to review the draft GAO report when it is circulated for official comment. The GAO will reflect the views of IMF management and staff by, inter alia, including in full the final written official comments of the IMF in the published version of the report.

We understand that if Fund management concludes that the views of the Fund have not been adequately reflected in the published report, Fund management may decide to communicate those views directly to the recipients of the report.

Attachment

U.S. GENERAL ACCOUNTING OFFICE (GAO) REVIEW OF EFFORTS TO IMPROVE GOVERNANCE IN CAMBODIA-SUPPLEMENTARY TERMS OF REFERENCE FOR THE IMF-OCTOBER 2001

Purpose of the review:

Chairman Leahy and Ranking Member McConnell of the Senate Appropriations Committee/Subcommittee on Foreign Operations requested this review. The Committee is responsible for appropriating U.S. funding for international programs, including bilateral development assistance and support for international financial institutions. The Subcommittee is interested in reassessing U.S. foreign policy toward Cambodia and thus requested GAO to provide information on the actions taken by the government of Cambodia, bilateral donors, and multilateral organizations to improve governance in Cambodia.

Specifically, GAO's objectives are to answer the following questions:

- (1) What objectives and performance measures have government institutions and the donor community-including the United States--established for Cambodia?
- (2) What progress has been made in meeting the objectives and performance measures?
- (3) What lessons have been learned and what challenges remain?

Scope and focus of the review:

GAO will focus on the following 7 priorities the Royal Government of Cambodia identified in its *Governance Action Plan*:

- Judicial & legal reforms
- Public finance
- Civil administration
- Anti-corruption
- Natural resource management
- Demobilization
- Human trafficking

As requested by the Subcommittee, we will also review the government's and donor's counternarcotics activities in Cambodia.

GAO will obtain documents and interview officials from many organizations, including the Royal Government of Cambodia, U.S. government agencies, bilateral donors, U.N. agencies, the World Bank, the IMF, and NGOs. Because the IMF plays a significant role in public finance and other reforms that impact on the macroeconomic framework, GAO would like to review IMF documents and interview IMF staff to discuss efforts to improve governance in Cambodia; i.e., to clarify and expand upon information contained in IMF documents. GAO anticipates this can be accomplished in 2 meetings with IMF headquarters staff and 1 meeting with the IMF resident representative in Cambodia. If short follow-up is needed to verify information with IMF staff, this will be conducted through e-mail forwarded by the U.S. Executive Director's office.

Expected duration of the review/time frames:

- Obtain and review documents. Begun in July 2001, to continue through issuance of report in May 2002.
- Interview officials. Discussions with U.S. officials began in July 2001. Interviews with World Bank, Asian Development Bank, IMF, and others to begin in October/November 2001.
- Field work in Cambodia: December 2001.
- Written report: May 2002.

Types of information and documents sought:

GAO will obtain the initial PRGF documents, subsequent PRGF reviews, and Article IV consultations from the IMF's website and the U.S. Executive Director's office.

Written product and recipients:

GAO intends to issue a written report on its review in May 2002. This report will be made available to the public and published on GAO's web site. GAO will provide the report to the IMF through the U.S. Executive Director's office.